

Washington Economic and Revenue Forecast



February 2006
Volume XXIX, No. 1

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Explanation of the Cover Graph

The continued strength of construction and real estate related activity has been the primary contributor to the upward revision in revenue forecasts in recent months. Not only are sales taxes paid on construction and construction materials, but construction and real estate activity creates additional spending on related items such as furniture and appliances. The cover chart compares growth in construction related sales tax revenue with other sales tax revenue. In 2005, construction related sales tax revenue grew 15.1 percent, more than twice the 6.1 percent growth rate of other sales tax revenue.

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Washington Economic and Revenue Forecast

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Economic and Revenue Forecast Council

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Preface

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

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Executive Summary

U.S. Economic Forecast

The February 2006 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2005. According to the advance estimate, real GDP grew at a 1.1 percent rate in the fourth quarter of 2005, down from 4.1 percent in the third quarter. Final sales of domestic product slowed even more sharply, declining 0.3 percent in the fourth quarter after rising 4.6 percent in the third quarter. The weakness in the fourth quarter was widespread. Personal consumption expenditures grew only 1.1 percent in the fourth quarter. Consumer purchases of durable goods plunged 17.5 percent due to a drop in motor vehicle sales as third-quarter incentives expired. Fixed investment growth slowed to 3.0 percent in the fourth quarter, which was the weakest pace in nearly three years. Net exports subtracted 1.2 percentage points from GDP growth in the fourth quarter as a 2.4 percent increase in exports was overwhelmed by a 9.1 percent increase in imports. Government spending fell 2.4 percent in the fourth quarter due to a 13.1 percent drop in military spending.

Payroll employment growth slowed to 1.2 percent in the fourth quarter from 1.6 percent in the third quarter mainly as a result of Hurricanes Katrina and Rita. Employment growth outside the three states most directly affected by the hurricanes dipped only slightly to 1.8 percent from 1.9 percent. In spite of the storm-related dislocations, the unemployment rate declined slightly to 4.93 percent in the fourth quarter from 5.00 percent in the third quarter. Inflation, as measured by the Consumer Price Index, slowed to 3.2 percent in the fourth quarter from 5.1 percent in the third quarter as energy price increases moderated somewhat. Core inflation, however, increased to 2.3 percent from 1.5 percent. Housing starts declined at a 12.0 percent rate from 2.101 million units in the third quarter to a still strong 2.035 million units in the fourth quarter while the mortgage rate moved up to 6.22 percent from 5.75 percent. The 2.066 millions housing units started in all of 2005 was the highest total since 1972. The Federal Open Market Committee continued its policy of gradually raising its target for the federal funds rate, increasing it by 25 basis points to 4.50 percent on January 31, 2006.

The anemic 1.1 percent GDP growth rate in the fourth quarter is not a signal that the expansion is out of steam—we expect a bounce-back to 4.8 percent growth in the first quarter. Beyond the first quarter, economic activity should gradually slow as the housing market cools. We expect GDP growth of 3.5 percent in 2005 to be followed by 3.3 percent in 2006 and 2.7 percent in 2007. GDP growth is expected to pick up to 2.9 percent and 3.2 percent in 2008 and 2009. Nonfarm payroll employment growth improved to 1.5 percent in 2005 from 1.1 percent in 2004. The forecast assumes a slowing trend in employment growth as the recovery matures. Employment is expected to grow 1.5 percent again this year followed by increases of 1.4 percent, 1.1 percent, and 1.1 percent in 2007, 2008, and 2009. The unemployment rate also improved in 2005, declining to 5.06 percent from 5.52 percent in 2004 and 6.00 percent in 2003.

With the economy expected to grow at about its potential rate during the next four years, the unemployment rate should be fairly stable. The forecast calls for unemployment rates of 4.76 percent this year, 4.87 percent in 2007, 4.95 percent in 2008, and 4.88 percent 2009. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.8 percent in 2005 from 2.6 percent in 2004. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation was unchanged at 2.0 percent in 2005. Energy will add to inflation again this year but will help restrain inflation during the next three years as energy prices finally decline. The forecast expects an inflation rate of 2.2 percent in 2006, 1.9 percent in 2007, 2.1 percent in 2008, and 1.9 percent in 2009. The forecast assumes the Federal Reserve is nearly finished hiking interest rates for the time being but will raise the federal funds rate one more time to 4.75 percent at the end of March.

Washington State Economic Forecast

The state's employment growth rate jumped to 4.3 percent in the fourth quarter of 2005 from 2.2 in the third quarter. The third quarter employment data were distorted by the Boeing-IAM labor dispute, which reduced average employment in the quarter by 5,300. Excluding this transitory impact, employment growth improved more modestly, from 3.0 percent to 3.6 percent. Manufacturing employment, excluding the aerospace strike, rose 2.9 percent in the fourth quarter. Aerospace employment rose at a 15.0 percent rate, excluding the strike. Manufacturing employment other than aerospace, however, declined at a 0.8 percent rate. Every important private nonmanufacturing sector industry expanded in the fourth quarter led by construction employment which rose at a blistering 12.9 percent rate. Professional and business services, leisure and hospitality, education and health services, and financial activities were also strong, growing 6.5 percent, 5.2 percent, 4.7 percent, and 4.3 percent respectively. "Other services" employment and trade, transportation, and utilities employment rose 3.5 percent and 3.2 percent in the fourth quarter. In the public sector, however, state and local government employment fell at a 1.7 percent rate and federal government employment declined at a 0.5 percent rate.

Washington's personal income in the third quarter of 2005 was \$0.516 billion (0.2 percent) higher than the estimate made in November. Total wages were \$1.008 billion (0.8 percent) higher than expected in November. Software wages were \$0.412 billion (5.5 percent) lower than expected but non-software wages were \$1.419 billion (1.2 percent) higher. Nonwage personal income was \$0.491 billion (0.5 percent) below the November estimate in the third quarter. The forecast assumes that income growth slowed in the fourth quarter to 3.6 percent from 10.8 percent in the third quarter. Stock awards and bonuses in the software industry artificially inflated the third quarter, however. Excluding software wages, income growth in the fourth quarter would have improved to 7.8 percent from 6.9 percent in the third quarter. Supported by strong employment growth, the forecast assumes wages, excluding software, grew at a healthy 7.3 percent rate. Because of the decline in software, however, overall wage growth was 0.0 percent. The forecast also assumes that income other than wages grew at an 8.5 percent rate in the fourth quarter.

The number of housing units authorized by building permit increased 4,000 in the fourth quarter of 2005 to 58,100 from 54,100 in the third quarter. Single-family permits rose 1,700 to 43,400 while multi-family permits rose 2,300 to 14,600. Single-family activity has not been this strong since the late 1970s.

The forecast also reflects Seattle consumer price data through December. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average, rising 2.3 percent compared to 2.2 percent. Because rising energy costs were less severe locally than elsewhere in the U.S., overall inflation in Seattle came in at 3.0 percent compared to 3.4 percent for the U.S. city average.

The Washington aerospace employment forecast incorporates an upward revision of 1,500 to the December 2005 level due to a revision in the historical data and stronger than expected growth. The forecast expects another 11,100 new aerospace jobs by mid-2008 when employment is expected to level off at 82,500. This is still 30,600 (27.1 percent) lower than the previous peak in June 1998. The software wage forecast has been reduced by about \$400 million per year reflecting the weaker experience in the third quarter of 2005. Software employment is expected to grow about 7,600 from the end of 2005 through the end of 2009. Higher interest rates will have an adverse impact on the Washington housing market but this will be somewhat offset by strong population growth. In addition, nonresidential construction is expected to recover. Overall Washington construction employment is expected to continue to expand but at a much reduced rate.

Washington nonfarm payroll employment growth accelerated to 2.9 percent in 2005 from 1.6 percent in 2004 and just 0.1 percent rise in 2003. Another fairly strong year is expected in 2006 with employment growth slowing only slightly to 2.8 percent. Weaker growth is expected during the next three years as the U.S. expansion matures and the aerospace expansion slows down. The forecast calls for employment growth rates of 2.2 percent, 1.8 percent, and 1.5 percent in 2007, 2008, and 2009. Washington personal income growth declined to 3.1 percent in 2005 from 7.5 percent in 2004. Microsoft's special dividend in November 2004 temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, growth would have accelerated in 2005 to 5.9 percent from 4.7 percent in 2004. The forecast expects even stronger income growth during the next four years. This year growth is expected to climb to 7.2 percent, declining to 6.6 percent next year and 6.4 percent per year in 2008 and 2009. Housing permits increased 2,700 in 2005 to 52,800, which is the highest annual total since 1978. The strength in housing has been mostly in the single-family market, which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single-family market during the next four years. Partially offsetting this will be stronger population growth, which should boost multi-family activity. The forecast expects housing permits to decline to 51,700 in 2006, 49,900 in 2007, 47,400 in 2008, and 45,700 in 2009. Inflation, as measured by the Seattle CPI, jumped to 2.8 percent in 2005 from 1.2 percent in 2004. Core inflation (excluding food and energy) was more moderate, rising at a 1.8 percent rate in 2005. Still, this is up from core inflation rates of 0.7 percent and 0.2 percent in 2003 and 2004. While core inflation should continue to edge up due to the strengthening economy, energy prices are expected to fall. As a result, overall inflation should remain moderate during the next four years. The forecast expects the Seattle CPI to rise 2.2 percent, 2.0 percent, 2.1 percent, and 1.9 percent in 2006, 2007, 2008, and 2009.

Washington State Revenue Forecast

The U.S. economic forecast is similar to the forecast adopted in November. In Washington, the outlook is also similar though fourth quarter 2005 housing permits and construction employment growth were higher than expected reflecting continued strength in this area. Revenue collections since November were stronger than expected in large part due to continued strength in construction and real estate in the fourth quarter. As a result, the revenue forecast for the 2005-07 biennium has been increased by \$107.3 million.

This forecast is the first to extend through the 2007-09 biennium. The forecast expects the U.S. economy to continue to grow close to its potential rate during 2008 and 2009. Real GDP growth will average about 3 percent, the unemployment rate will hover around 5 percent, and inflation will remain low at about 2 percent. Locally, the forecast assumes the aerospace expansion will continue through mid-2008, adding another 11,100 jobs to the 10,600 that have been added since May 2004. Washington

housing permits are expected to decline but the reduction will be moderated by continued strong population growth and an upturn in nonresidential building. As a result, construction employment growth will slow but not turn negative.

The February 2006 General Fund-State revenue estimate for the 2005-07 biennium is \$26,443.0 million, which is \$107.3 million more than expected in November. The forecast change includes a \$51.6 million non-economic reduction. Excluding this, the forecast would have been \$158.9 million higher than expected in November of which \$76.0 million is due to higher than expected revenue collections during the last three months. The forecast for the next biennium is \$29,027.7 million, an increase of 9.8 percent from the current biennium.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2005-07 biennium. The forecast based on more optimistic economic assumptions netted \$721 million (2.7 percent) more revenue than did the baseline while the pessimistic alternative was \$689 million (2.6 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$85 million (0.3 percent) less revenue than did the baseline forecast.

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

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The February 2006 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2005. According to the advance estimate, real GDP grew at a 1.1 percent rate in the fourth quarter of 2005, down from 4.1 percent in the third quarter. Final sales of domestic product slowed even more sharply, declining 0.3 percent in the fourth quarter after rising 4.6 percent in the third quarter. The weakness in the fourth quarter was widespread. Personal consumption expenditures grew only 1.1 percent in the fourth quarter. Consumer purchases of durable goods plunged 17.5 percent due to a drop in motor vehicle sales as third-quarter incentives expired. Purchases of nondurable goods rose at a 5.1 percent rate while consumer services spending increased 3.2 percent. Fixed investment growth slowed to 3.0 percent in the fourth quarter, which was the weakest pace in nearly three years. Business spending on equipment and software rose 3.5 percent as did residential fixed investment while investment in nonresidential structures inched up only 0.7 percent. Net exports subtracted 1.2 percentage points from GDP growth in the fourth quarter as a 2.4 percent increase in exports was overwhelmed by a 9.1 percent increase in imports. Government spending fell 2.4 percent in the fourth quarter due to a 13.1 percent drop in military spending. State and local government spending increased only 0.4 percent but federal civilian spending jumped 6.9 percent.

Payroll employment growth slowed to 1.2 percent in the fourth quarter from 1.6 percent in the third quarter mainly as a result of Hurricanes Katrina and Rita. Employment growth outside the three states most directly affected by the hurricanes dipped only slightly to 1.8 percent from 1.9 percent. In spite of the storm-related dislocations, the unemployment rate declined slightly to 4.93 percent in the fourth quarter from 5.00 percent in the third quarter. Inflation, as measured by the Consumer Price Index, slowed to 3.2 percent in the fourth quarter from 5.1 percent in the third quarter as energy price increases moderated somewhat. Core inflation, however, increased to 2.3 percent from 1.5 percent. Housing starts declined at a 12.0 percent rate from 2.101 million units in the third quarter to a still strong 2.035 million units in the fourth quarter while the mortgage rate moved up to 6.22 percent from 5.75 percent. The 2.066 millions housing units started in all of 2005 was the highest total since 1972. The Federal Open Market Committee continued its policy of gradually raising its target for the federal funds rate, increasing it by 25 basis points to 4.50 percent on January 31, 2006.

U.S. Forecast Highlights

The anemic 1.1 percent GDP growth rate in the fourth quarter is not a signal that the expansion is out of steam—we expect a bounce-back to 4.8 percent growth in the first quarter. Beyond the first quarter,

economic activity should gradually slow as the housing market cools. We expect GDP growth of 3.5 percent in 2005 to be followed by 3.3 percent in 2006 and 2.7 percent in 2007. GDP growth is expected to pick up to 2.9 percent and 3.2 percent in 2008 and 2009. Nonfarm payroll employment growth improved to 1.5 percent in 2005 from 1.1 percent in 2004. The forecast assumes a slowing trend in employment growth as the recovery matures. Employment is expected to grow 1.5 percent again this year followed by increases of 1.4 percent, 1.1 percent, and 1.1 percent in 2007, 2008, and 2009. The unemployment rate also improved in 2005, declining to 5.06 percent from 5.52 percent in 2004 and 6.00 percent in 2003. With the economy expected to grow at about its potential rate during the next four years, the unemployment rate should be fairly stable. The forecast calls for unemployment rates of 4.76 percent this year, 4.87 percent in 2007, 4.95 percent in 2008, and 4.88 percent in 2009. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.8 percent in 2005 from 2.6 percent in 2004. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation was unchanged at 2.0 percent in 2005. Energy will add to inflation again this year but will help restrain inflation during the next three years as energy prices finally decline. The forecast expects an inflation rate of 2.2 percent in 2006, 1.9 percent in 2007, 2.1 percent in 2008, and 1.9 percent in 2009. The forecast assumes the Federal Reserve is nearly finished hiking interest rates for the time being but will raise the federal funds rate one more time to 4.75 percent at the end of March.

1. Real GDP growth slowed to 3.7 percent in fiscal 2005 from 4.1 percent in 2004. Growth during the last two years has been primarily driven by consumer spending, business spending on equipment and software, residential fixed investment, and military spending. Increasing trade deficits, however, have cost the economy more than 0.5 percentage points per year in growth. Consumer spending and business spending on equipment and software are expected to be the main contributors to GDP growth in the next four years. The level of defense spending will remain high but the growth rate will slow down. Residential investment growth is expected to turn negative by 2007 but net exports should begin adding to growth by 2008. GDP growth is expected to slow further during the next four years as the economy approaches its potential growth path. The forecast calls for GDP growth rates of 3.3 percent in 2006, 3.0 percent in 2007, 2.7 percent in 2008, and 3.1 percent in 2009.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, jumped to 2.7 percent in fiscal 2005 from 2.1 percent in 2004. Surging energy costs continue to add to overall inflation. Core inflation rose at a moderate 2.1 percent in fiscal 2005 following a 1.5 percent increase in 2004. Core inflation is expected to remain moderate this year at 1.9 percent but the addition of food and energy will raise the overall inflation rate to 2.8 percent. Falling energy prices will help keep inflation in check during the final three years of the forecast. The forecast expects overall inflation rates of 1.8 percent in 2007 and 2.0 percent per year in 2008 and 2009.
3. The Fed continued its policy of gradual tightening by raising its target interest rate 25-basis-points in January to 4.50 percent. The forecast assumes another 25-basis-point increase to 4.75 percent in March followed by an extended pause. One final increase, to 5.00 percent, is expected in late 2008. The three-month Treasury bill rate rose to 2.21 percent in fiscal 2005 from a 57-year-low 0.96 percent in fiscal 2004. The forecast expects the T-bill rate to increase to 4.03 percent in 2006, 4.58 percent in 2007, 4.58 percent in 2008, and 4.78 percent in 2009 as the Fed continues to tighten. The mortgage rate declined slightly from 5.92 percent in fiscal 2004 to 5.78 percent in fiscal 2005. The forecast expects the mortgage rate to rise to 6.15 percent, 6.45 percent, 6.68 percent, and 7.04 percent in 2006, 2007, 2008, and 2009.

4. Supported by record-low mortgage interest rates, housing activity held up well during the recession and has accelerated in the last four years in spite of the lackluster recovery. Housing starts increased 3.8 percent in fiscal 2005 to 2.019 million units following a 12.4 percent increase in fiscal 2004. This was the highest level of permits since 1973. Not surprisingly, given the low mortgage rates, the strength has been primarily in the single family market. The 1.665 million single family units started in 2005 was the highest ever. Fiscal 2006 is shaping up to be nearly as strong as 2005 with only a 0.2 percent decline to 2.014 million units. Housing starts are expected to decline over the next three years as interest rates rise. The forecast calls for a 9.2 percent reduction in 2007 to 1.829 million units, a 2.2 percent reduction in 2008 to 1.788 million units, and a 4.1 percent reduction in 2009 to 1.716 million units.
5. The nation's unemployment rate declined in fiscal 2005 to 5.28 percent from 5.81 percent in 2004 and 5.90 percent in 2003. The unemployment rate is expected to drop again this year to 4.87 percent. Little improvement is expected in the next three years as GDP growth slows to its trend rate. The forecast calls for unemployment rates of 4.80 percent in 2007, 4.93 percent in 2008, and 4.92 percent in 2009.
6. The federal budget deficit (national income and product accounts basis) narrowed to \$344.7 billion in fiscal 2005 from a record \$426.0 billion in 2004. The forecast assumes that Congress will not allow all the Bush personal tax reductions to expire as scheduled but will tinker enough to raise federal income tax receipts toward their historical average 8.2 percent of GDP. Continued economic growth should also help reduce deficits in the future. The deficit is expected to improve during the next four years though Hurricane Katrina will add to spending especially in fiscal 2006. The forecast expects a deficit of \$344.7 billion again in 2006, improving gradually to \$317.1 billion in 2007 and \$309.4 billion in 2008 and 2009.
7. The trade deficit has been a huge drag on GDP growth in recent years. The trade deficit (national income and product accounts basis) increased in fiscal 2005 to an all-time record \$678.0 billion from \$543.3 billion in 2004. The dollar is expected to resume its downward trend which should help restrain imports and boost exports but, with the U.S. economy leading the global recovery, the trade balance will continue to deteriorate for a while. The forecast expects the deficit to grow to \$776.4 billion in 2006 and \$805.0 billion in 2007 before improving somewhat to \$763.3 billion in 2008 and 698.3 billion in 2009.

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

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through December 2005. This forecast is based on adjusted employment estimates as described in Adjustments to Economic Data. The state's employment growth rate jumped to 4.3 percent in the fourth quarter of 2005 from 2.2 in the third quarter. The third quarter employment data were distorted by the Boeing-IAM labor dispute, which reduced average employment in the quarter by 5,300. Excluding this transitory impact, employment growth improved more modestly, from 3.0 percent to 3.6 percent. Manufacturing employment, excluding the aerospace strike, rose 2.9 percent in the fourth quarter. Aerospace employment rose at a 15.0 percent rate, excluding the strike. Manufacturing employment other than aerospace, however, declined at a 0.8 percent rate. Every important private nonmanufacturing sector industry expanded in the fourth quarter led by construction employment which rose at a blistering 12.9 percent rate. Professional and business services, leisure and hospitality, education and health services, and financial activities were

also strong, growing 6.5 percent, 5.2 percent, 4.7 percent, and 4.3 percent respectively. “Other services” employment and trade, transportation, and utilities employment rose 3.5 percent and 3.2 percent in the fourth quarter. In the public sector, however, state and local government employment fell at a 1.7 percent rate and federal government employment declined at a 0.5 percent rate.

In December 2005 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the second quarter of 2005 and released preliminary estimates for the third quarter. In addition, the wage estimates for 2004 and 2005 have been adjusted to reflect the Covered Employment and Payrolls data produced by the Department of Employment Security (see Adjustments to Economic Data). According to the adjusted estimates, Washington’s personal income in the third quarter of 2005 was \$0.516 billion (0.2 percent) higher than the estimate made in November. Total wages were \$1.008 billion (0.8 percent) higher than expected in November. Software wages were \$0.412 billion (5.5 percent) lower than expected but non-software wages were \$1.419 billion (1.2 percent) higher. Nonwage personal income was \$0.491 billion (0.5 percent) below the November estimate in the third quarter. The forecast assumes that income growth slowed in the fourth quarter to 3.6 percent from 10.8 percent in the third quarter. Stock awards and bonuses in the software industry artificially inflated the third quarter, however. Excluding software wages, income growth in the fourth quarter would have improved to 7.8 percent from 6.9 percent in the third quarter. Supported by strong employment growth, the forecast assumes wages, excluding software, grew at a healthy 7.3 percent rate. Because of the decline in software, however, overall wage growth was 0.0 percent. The forecast also assumes that income other than wages grew at an 8.5 percent rate in the fourth quarter.

The number of housing units authorized by building permit increased 4,000 in the fourth quarter of 2005 to 58,100 from 54,100 in the third quarter. Single-family permits rose 1,700 to 43,400 while multi-family permits rose 2,300 to 14,600. Single-family activity has not been this strong since the late 1970s.

The forecast also reflects Seattle consumer price data through December. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average, rising 2.3 percent compared to 2.2 percent. Because rising energy costs were less severe locally than elsewhere in the U.S., overall inflation in Seattle came in at 3.0 percent compared to 3.4 percent for the U.S. city average.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate developed by the Department of Employment Security which incorporates more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. The alternative employment estimate incorporated the covered employment and payrolls data through the second quarter of 2005 which added 19,400 (0.7 percent) to the BLS Current Employment Statistics (CES) estimate for September 2005. By December 2005 the difference had widened slightly to 23,100 (0.8 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the Quarterly Census of Employment and Wages (QCEW) data for all sectors except agriculture and federal government. We have more up-to-date QCEW data for wages in all four quarters of 2004 and the first two quarters of 2005 as well as data for the third quarter of 2005 which was unavailable to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived wage estimates for these sectors for all four quarters of 2004 and the first three quarters of 2005 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 third quarter wage estimate by \$0.064 billion (0.0 percent), subtracting 0.0 percent from total personal income in that quarter.

Washington State Forecast Highlights

The Washington aerospace employment forecast incorporates an upward revision of 1,500 to the December 2005 level due to a revision in the historical data and stronger than expected growth. The forecast expects another 11,100 new aerospace jobs by mid-2008 when employment is expected to level off at 82,500. This is still 30,600 (27.1 percent) lower than the previous peak in June 1998. The software wage forecast has been reduced by about \$400 million per year reflecting the weaker experience in the third quarter of 2005. Software employment is expected to grow about 7,600 from the end of 2005 through the end of 2009. Higher interest rates will have an adverse impact on the Washington housing market but this will be somewhat offset by strong population growth. In addition, nonresidential construction is expected to recover. Overall Washington construction employment is expected to continue to expand but at a much reduced rate.

Washington nonfarm payroll employment growth accelerated to 2.9 percent in 2005 from 1.6 percent in 2004 and just 0.1 percent rise in 2003. Another fairly strong year is expected in 2006 with employment growth slowing only slightly to 2.8 percent. Weaker growth is expected during the next three years as the U.S. expansion matures and the aerospace expansion slows down. The forecast calls for employment growth rates of 2.2 percent, 1.8 percent, and 1.5 percent in 2007, 2008, and 2009. Washington personal income growth declined to 3.1 percent in 2005 from 7.5 percent in 2004. Microsoft's special dividend in November 2004 temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, growth would have accelerated in 2005 to 5.9 percent from 4.7 percent in 2004. The forecast expects even stronger income growth during the next four years. This year growth is expected to climb to 7.2 percent, declining to 6.6 percent next year and 6.4 percent per year in 2008 and 2009. Housing permits increased 2,700 in 2005 to 52,800, which is the highest annual total since 1978. The strength in housing has been mostly in the single-family market, which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single-family market during the next four years. Partially offsetting this will be stronger population growth, which should boost multi-family activity. The forecast expects housing permits to decline to 51,700 in 2006, 49,900 in 2007, 47,400 in 2008, and 45,700 in 2009. Inflation, as measured by the Seattle CPI, jumped to 2.8 percent in 2005 from 1.2 percent in 2004. Core inflation (excluding food and energy) was more moderate, rising at a 1.8 percent rate in 2005. Still, this is up from core inflation rates of 0.7 percent and 0.2 percent in 2003 and 2004. While core inflation should continue to edge up due to the strengthening economy, energy prices are expected to fall. As a result, overall inflation should remain moderate during the next four years. The forecast expects the Seattle CPI to rise 2.2 percent, 2.0 percent, 2.1 percent, and 1.9 percent in 2006, 2007, 2008, and 2009.

1. Nominal personal income surged 7.8 percent in fiscal 2005 following a 3.6 percent increase in 2004. The strong growth was largely due to the special one-time dividend paid by Microsoft in December 2004. Without the special dividend, growth would have been 5.1 percent in 2005. The improvement in growth in 2005, aside from the special dividend, was primarily due to much stronger employment growth. Declining software stock option income continues to hurt overall income growth. Excluding software wages as well as the special dividend, Washington personal income would have increased 5.8 percent in 2005 rather than 5.1 percent. The forecast expects even stronger income growth in the next two years. Employment growth should remain healthy and average wage growth and nonwage income growth are expected to accelerate. Nominal income growth will slow in 2006 to 4.1 percent due to the absence of the special dividend this year. Excluding the special dividend impact, growth will accelerate to 6.8 percent in 2006 and 7.1

percent in 2007. Slower income growth is expected for the final two years as the pace of employment growth weakens. The forecast expects growth rates of 6.4 percent per year in 2008 and 2009. Software wages are not expected to have a major impact on income growth in the forecast.

2. Washington real personal income growth jumped to 4.9 percent in fiscal 2005 from 1.5 percent in 2004, again largely because of the special Microsoft dividend in December 2004. Excluding the special dividend, the improvement was more modest, from 1.5 percent to 2.3 percent. Much stronger real personal income growth is expected during the next four years. The forecast calls for real personal income growth rates of 1.2 percent in 2006 (3.9 percent excluding the Microsoft special dividend), 5.2 percent in 2007, and 4.3 percent per year in 2008 and 2009.
3. Total payroll employment growth in Washington rose 2.4 percent in fiscal 2005 following a gain of just 0.7 percent 2004 and declines in 2003 and 2002. The areas that suffered the most in the recession in Washington were information technology, aerospace, and construction. Construction employment has now moved well beyond its previous peak and continues to grow rapidly. The aerospace sector is expanding again and, with the exception of telecommunications, the IT sector is in recovery. Washington payroll employment growth is expected to peak at 3.0 percent this year. Slower growth is expected during the final three years of the forecast due to weaker U.S. growth, a leveling off of construction employment, and slower aerospace employment growth. The forecast calls for employment growth rates of 2.5 percent in 2007, 2.0 percent in 2008, and 1.6 percent in 2009.

- ◆ As of December 2005 the aerospace recovery has added 10,600 jobs since the trough of the last downturn in May 2004. Previously, 27,300 aerospace jobs had been lost since the September 11 terrorist attacks and 52,300 jobs had been lost since the June 1998 peak. Boeing expects to deliver 395 planes in 2006 which is an increase of 36 percent over the 290 delivered in 2005. Deliveries are expected to increase again in 2007 to between 440 and 445 planes according to Boeing. The strong growth in production in 2006 and 2007 is reflected in the aerospace employment forecast which assumes fourth quarter to fourth quarter employment increases of 6,800 and 3,600. The forecast assumes only 1,500 new aerospace jobs during 2008 and no year-over-year growth in 2009. Aerospace employment is expected to peak at 82,500 which is 30,600 (27.1 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. From the beginning of 1990 through the second quarter of 2001, the software employment growth rate averaged more than 16 percent per year. During the next two years the average annual growth rate slowed to just 1.0 percent. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. Since then, however, growth has picked up to an average rate of 6.1 percent. The forecast assumes that Microsoft employment will continue to grow, though not nearly as fast as in the 1990s, and that non-Microsoft software will also grow. Microsoft has announced that it expects to hire 4,000 to 5,000 employees worldwide during the current fiscal year. Microsoft's announcement in February that it will accelerate the planned expansion of its Redmond campus, adding enough office space for about 12,000 employees during the next three years, bodes well for software employment growth in Washington. The forecast assumes software employment will grow at an average rate of 4.2 percent per year during the next four years.
- ◆ Bolstered by a hot housing market, strong growth in Washington's construction employment during the two years has now erased the significant losses experienced during the recession.

Since the middle of 2003 growth has averaged 6.8 percent. Employment is now 19,400 (11.9 percent) higher than at the previous peak in the first quarter of 2001 and 29,100 (19.0 percent) higher than at the trough in the first quarter of 2002. Higher interest rates are expected to depress single family activity in the future but strong migration into Washington should boost multi-family activity. In addition, nonresidential construction is expected to recover. As a result, the forecast expects construction employment growth to slow down but remain positive. Growth is expected to slow to an average rate of 1.4 percent per year for the next two years and just 0.2 percent per year during the final two years of the forecast.

- ◆ Financial activities employment grew rapidly right through the recession. From the end of 2000 through the third quarter of 2003 growth averaged 2.8 percent per year. The growth was concentrated in credit intermediation and related activities, which clearly benefited by a refinancing boom brought on by the decline in mortgage interest rates during this period. Employment in this sector plateaued when mortgage rates stopped falling in early 2003 but picked up again in the fourth quarter of 2004. Since then, growth has averaged 2.9 percent. Employment growth is projected to slow again to an average rate of about 1.5 percent per year during the next four years as interest rates rise and the housing market cools.
- ◆ Washington retail trade employment fell farther during the recession than did U.S. retail trade employment but the recovery here was also earlier and stronger. By the end of 2002 Washington retail trade employment had fallen 3.7 percent since its pre-recession peak. Most of the decline was in the miscellaneous “other retail trade” category which includes e-tailing, a clear casualty of the dot-com implosion. After a slow start, the recovery in retail trade employment accelerated during 2005. Retail employment jumped 3.3 percent from the fourth quarter of 2004 to the fourth quarter of 2005. The forecast expects growth to average 2.4 percent per year during 2006 and 2007, slowing to an average rate of 1.2 percent per year during 2008 and 2009.
- ◆ Employment in the professional and business services sector plunged 6.5 percent from the end of 2000 through the first quarter of 2002. The 20,100 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 14,000 (26.1 percent) and computer systems design and related services, which fell 6,100 (20.1 percent). These areas of weakness have turned around. Employment in computer systems design and related services has increased 9.1 percent during the last year while employment services employment is up 10.0 percent over the year and 31.7 percent in the last two and a half years. Largely as a result of this turnaround, overall professional and business services employment growth has averaged 4.7 percent per year since mid-2003. The forecast expects fairly strong growth averaging 4.1 percent per year through 2009.
- ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state’s economy put pressure on state and local governments’ budgets with a lag. From the end of 2000 through the second quarter of 2003, employment grew at an average rate of 3.3 percent per year. During the next two and a half years growth slowed to an average rate of 0.6 percent per year and just 0.3 percent per year excluding the small but rapidly expanding tribal government sector. The forecast assumes some improvement as state and local government budgets recover and tribal government employment should continue to grow rapidly but growth will be restrained by slow school age population growth. The forecast expects an average growth rate of 1.5 percent per year from the fourth quarter of 2005 through the end of 2009.

4. The number of housing units authorized by building permit in Washington rose 17.5 percent in fiscal 2005 to 51,900 units following increases of 14.9 percent and 3.4 percent in 2003 and 2004. The strength in housing has been mainly in the single family market which has benefited from record low mortgage interest rates. Single family permits increased 11.2 percent in 2005 to a 27 year high 38,200 units and multi-family permits jumped 39.6 percent to 13,700 units. The forecast expects a further 4.4 percent increase housing permits this year to 54,200 units. Rising mortgage rates will depress the single family beginning in 2007. Partially offsetting this is strong net migration which should continue to boost multi-family activity. The net effect is a modest reduction in overall activity during the final three years of the forecast. The forecast expects a 6.4 percent decrease in 2007 to 50,800 units, a 4.4 percent reduction in 2008 to 48,500 units, and a 4.3 percent reduction in 2009 to 46,500 units.
5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased in fiscal 2005 to 1.9 percent from 1.3 percent in 2004. Core inflation in Seattle was only 1.0 percent in 2005, up slightly from 0.4 percent in 2004. Seattle inflation trailed the national average in 2003, 2004, and 2005 reflecting the more severe local recession. During the previous 13 years Seattle inflation had exceeded the U.S. city average. Seattle inflation is expected to remain below U.S. inflation this year at 2.6 percent compared to 3.4 percent for the U.S. The stronger local recovery should eventually cause Seattle inflation to rise above the U.S. rate. The forecast calls for Seattle inflation rates of 2.1 percent, 2.1 percent, and 2.0 percent in 2007, 2008, and 2009 compared to a national rates of 1.8 percent, 1.9 percent, and 2.0 percent.

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

Alternative Forecasts

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

Pessimistic Forecast. The pessimistic alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. It assumes that the dollar weakens quickly as foreign investors take fright at the spiraling U.S. trade deficit. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling dollar adds to the upward pressure on inflation. The Fed responds by accelerating the pace of tightening. Despite the more aggressive stance, both the stock and bond markets slip on signs that the Fed may have let inflation build up an unstoppable momentum. The Fed cannot permit this acceleration to continue, and so it continues hiking interest rates. This simulation also has a housing price bubble that ends dramatically. Between the higher interest rates and persistently high energy prices, consumer confidence suffers. Consumers rein in their discretionary spending and the U.S. economy slows. At the same time, hiring falters, causing the unemployment rate to climb. Debt-laden consumers retrench further. The economy does not sink into recession in the pessimistic alternative, but merely fails to come as close to its potential as in the baseline, with GDP growth coming in 0.7 percentage point below the baseline rate in 2006 and 1.4 percentage points below it in 2007. At the state level, the recovery in aerospace employment is much slower than 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. Construction employment begins to decline again in the third quarter of 2006 rather than leveling off as in the baseline. Because of the weak economy, Washington wage growth is weaker than in the baseline forecast in spite of the higher inflation assumption in the national pessimistic forecast. Seattle inflation is initially stronger than in the baseline but falls below the baseline after the second

quarter of 2006. By the end of the 2005-07 biennium, Washington nonagricultural employment is 55,500 lower than the baseline forecast and Washington personal income is \$8.1 billion lower. The pessimistic scenario produced \$689 million (2.6 percent) less revenue in the 2005-07 biennium than did the baseline forecast.

Optimistic Forecast. Six assumptions distinguish the optimistic scenario from the baseline forecast. First, productivity is stronger. Underlying this assumption is the view that the information-driven technology boom, which may have accelerated in recent years, continues. Second, foreign economic growth is stronger. A stronger world economy boosts U.S. exports and strengthens domestic manufacturing. Third, business investment is stronger. Fourth, the federal government budget deficit is lower. Fifth, housing starts are stronger. And finally, the optimistic scenario assumes that energy prices are lower than in the baseline. The optimistic scenario assumes a very strong bounce-back to 5.6 percent growth in the first quarter of 2006, compared with the baseline's 4.8 percent growth. In 2006, growth averages 4.0 percent, versus 3.3 percent in the baseline. Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and faster productivity gains. The lower inflation rate allows the Federal Reserve to keep the federal funds rate below the baseline value. Since productivity gains are stronger, potential GDP is higher and remains so throughout the forecast period. Job growth is also stronger, keeping the unemployment rate below its baseline rate over the forecast period. For Washington, the optimistic forecast assumes a more typical, vigorous aerospace employment expansion than the modest growth assumed in the baseline. Washington's wages also grow faster than in the baseline. The strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of strong productivity growth. The initial level of Washington personal income is also higher in the optimistic scenario and population growth is stronger. Construction employment continues to rise in the optimistic scenario rather than leveling off as in the baseline. By the end of the 2005-07 biennium, Washington nonagricultural employment is higher by 53,300 jobs than in the baseline forecast and Washington personal income is \$10.5 billion higher. The optimistic scenario generated \$721 million (2.7 percent) more revenue in the 2005-07 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 average of the Council members' forecast for the U.S. economy is virtually identical to the baseline forecast though the Council members expect slightly less real GDP growth and slightly more inflation. The GCEA forecast for Washington State is also similar to the baseline forecast. Their real personal income, nominal personal income, and employment growth forecasts are slightly weaker than the baseline, however, especially in 2007. Their housing permit forecast is also slightly weaker than the baseline forecast in 2006 but slightly stronger in 2007. At the end of the 2005-07 biennium Washington nonagricultural employment is 6,100 lower in the GCEA forecast than in the baseline forecast and their Washington personal income forecast is \$0.6 billion lower. The Governor's Council scenario generated \$85 million (0.3 percent) less 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 2006 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,947.5	10,138.9	10,557.5	10,948.6	11,314.2	11,653.0	11,972.8	12,346.0
% Ch	0.7	1.9	4.1	3.7	3.3	3.0	2.7	3.1
Real Consumption	7,010.9	7,180.1	7,453.8	7,727.7	7,990.0	8,234.7	8,445.2	8,698.8
% Ch	2.7	2.4	3.8	3.7	3.4	3.1	2.6	3.0
Real Nonresidential Fixed Investment	1,115.3	1,061.8	1,130.6	1,242.8	1,338.6	1,464.3	1,533.0	1,593.3
% Ch	-9.3	-4.8	6.5	9.9	7.7	9.4	4.7	3.9
Real Residential Fixed Investment	457.1	483.0	541.1	580.8	604.8	560.8	539.9	527.8
% Ch	2.9	5.7	12.0	7.3	4.1	-7.3	-3.7	-2.2
Real Personal Income	8,567.5	8,593.3	8,815.5	9,122.8	9,342.1	9,735.8	10,054.2	10,413.3
% Ch	0.5	0.3	2.6	3.5	2.4	4.2	3.3	3.6
Real Per Capita Income (\$/Person)	29,836	29,633	30,100	30,862	31,318	32,349	33,114	34,001
% Ch	-0.5	-0.7	1.6	2.5	1.5	3.3	2.4	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.046	1.067	1.096	1.127	1.147	1.171	1.194
% Ch	1.5	1.8	2.1	2.7	2.8	1.8	2.0	2.0
U.S. Consumer Price Index (1982-84=1.0)	1.782	1.821	1.861	1.917	1.983	2.018	2.057	2.098
% Ch	1.8	2.2	2.2	3.0	3.4	1.8	1.9	2.0
Employment Cost Index (June 1989=1.0)	1.541	1.585	1.630	1.670	1.712	1.764	1.821	1.882
% Ch	3.6	2.9	2.8	2.4	2.5	3.1	3.3	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,280.3	10,670.0	11,361.7	12,097.7	12,865.6	13,538.6	14,171.3	14,912.8
% Ch	2.9	3.8	6.5	6.5	6.3	5.2	4.7	5.2
Personal Income	8,798.7	8,988.3	9,410.8	10,003.3	10,529.7	11,170.9	11,769.7	12,435.4
% Ch	2.0	2.2	4.7	6.3	5.3	6.1	5.4	5.7
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.9	146.8	148.2	150.2	152.2	154.1	155.8
Total U.S. Employment	136.4	137.1	138.3	140.4	142.9	144.9	146.5	148.2
Unemployment Rate (%)	5.47	5.90	5.81	5.28	4.87	4.80	4.93	4.92
Nonfarm Payroll Employment	130.88	130.11	130.47	132.44	134.47	136.50	138.18	139.72
% Ch	-1.0	-0.6	0.3	1.5	1.5	1.5	1.2	1.1
Manufacturing	15.73	14.88	14.33	14.29	14.21	14.09	13.95	13.88
% Ch	-7.7	-5.4	-3.7	-0.2	-0.5	-0.9	-0.9	-0.5
Durable Manufacturing	9.83	9.21	8.88	8.96	8.97	8.89	8.80	8.78
% Ch	-8.6	-6.2	-3.6	0.9	0.1	-0.9	-0.9	-0.3
Nondurable Manufacturing	5.91	5.67	5.45	5.33	5.25	5.20	5.15	5.10
% Ch	-6.0	-4.1	-3.9	-2.1	-1.7	-0.9	-0.9	-0.9
Construction	6.77	6.69	6.84	7.13	7.42	7.58	7.64	7.69
% Ch	-0.7	-1.2	2.2	4.2	4.1	2.1	0.8	0.7
Service-Producing	107.78	107.97	108.73	110.42	112.19	114.14	115.89	117.50
% Ch	-0.0	0.2	0.7	1.6	1.6	1.7	1.5	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	23.8	29.9	33.8	48.8	62.1	59.9	58.1	55.4
Credit Outstanding/Disp. Income	24.0	24.3	24.0	23.7	23.5	22.8	22.4	22.2
Auto Sales (Millions)	8.2	7.9	7.5	7.6	7.7	7.3	7.3	7.4
% Ch	-4.3	-3.7	-4.3	0.2	2.2	-5.2	0.2	0.7
Housing Starts (Millions)	1.646	1.729	1.944	2.019	2.014	1.829	1.788	1.716
% Ch	4.8	5.1	12.4	3.8	-0.2	-9.2	-2.2	-4.1
Federal Budget Surplus (Billions)	-135.8	-302.9	-426.0	-344.7	-344.7	-317.1	-309.4	-309.4
Net Exports (Billions)	-375.7	-477.9	-543.3	-678.0	-776.4	-805.0	-763.3	-698.3
3-Month Treasury Bill Rate (%)	2.15	1.30	0.96	2.21	4.03	4.58	4.58	4.78
10-Year Treasury Note Yield (%)	4.98	3.95	4.29	4.23	4.53	4.91	5.11	5.45
Bond Index of 20 G.O. Munis. (%)	5.14	4.77	4.79	4.50	4.56	5.03	5.31	5.68
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.15	6.45	6.68	7.04

Table 1.2

Fiscal Years

Washington Economic Forecast Summary

Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.099	189.817	192.716	202.243	204.735	215.426	224.653	234.277
% Ch	0.8	-0.1	1.5	4.9	1.2	5.2	4.3	4.3
Real Wage and Salary Disb.	107.636	107.327	108.574	110.752	115.497	121.184	126.345	131.427
% Ch	-1.1	-0.3	1.2	2.0	4.3	4.9	4.3	4.0
Real Nonwage Income	82.463	82.489	84.142	91.492	89.238	94.242	98.309	102.850
% Ch	3.5	0.0	2.0	8.7	-2.5	5.6	4.3	4.6
Real Per Capita Income (\$/Person)	31,511	31,158	31,283	32,376	32,208	33,280	34,104	34,995
% Ch	-0.3	-1.1	0.4	3.5	-0.5	3.3	2.5	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.046	1.067	1.096	1.127	1.147	1.171	1.194
% Ch	1.5	1.8	2.1	2.7	2.8	1.8	2.0	2.0
Seattle Cons. Price Index (1982-84=1.0)	1.876	1.910	1.935	1.973	2.024	2.066	2.109	2.152
% Ch	2.7	1.8	1.3	1.9	2.6	2.1	2.1	2.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.34	17.88	18.15	18.57	19.43	20.11	20.43	20.75
% Ch	6.0	-2.5	1.5	2.3	4.7	3.5	1.6	1.6
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	194.971	198.015	204.842	221.001	229.907	246.480	262.338	279.136
% Ch	2.4	1.6	3.4	7.9	4.0	7.2	6.4	6.4
Personal Income	195.224	198.531	205.714	221.727	230.749	247.176	262.978	279.761
% Ch	2.3	1.7	3.6	7.8	4.1	7.1	6.4	6.4
Disposable Personal Income	170.526	175.641	183.902	196.647	203.425	217.263	230.655	245.139
% Ch	5.0	3.0	4.7	6.9	3.4	6.8	6.2	6.3
Per Capita Income (\$/Person)	32,360	32,588	33,392	35,494	36,299	38,184	39,921	41,788
% Ch	1.2	0.7	2.5	6.3	2.3	5.2	4.5	4.7
Employment (Thousands)								
Washington Civilian Labor Force	3,072.0	3,133.2	3,198.3	3,256.7	3,335.9	3,411.3	3,480.6	3,541.9
Total Washington Employment	2,855.5	2,903.7	2,978.1	3,070.1	3,150.7	3,221.7	3,282.1	3,333.5
Unemployment Rate (%)	7.05	7.32	6.89	5.73	5.55	5.56	5.70	5.88
Nonfarm Payroll Employment	2,665.4	2,654.9	2,674.0	2,737.9	2,819.1	2,888.8	2,945.6	2,993.9
% Ch	-1.9	-0.4	0.7	2.4	3.0	2.5	2.0	1.6
Manufacturing	300.1	274.8	263.2	267.7	277.3	284.6	287.1	288.1
% Ch	-8.1	-8.4	-4.2	1.7	3.6	2.6	0.9	0.3
Durable Manufacturing	212.0	190.5	181.0	186.7	196.3	202.7	204.2	204.3
% Ch	-9.0	-10.2	-5.0	3.2	5.1	3.3	0.7	0.0
Aerospace	82.9	70.1	62.1	63.5	70.1	77.8	81.3	82.5
% Ch	-4.5	-15.5	-11.4	2.2	10.4	11.0	4.5	1.5
Nondurable Manufacturing	88.1	84.3	82.2	81.0	81.0	81.9	82.9	83.8
% Ch	-5.7	-4.3	-2.5	-1.5	0.0	1.1	1.2	1.1
Construction	154.8	154.9	159.9	170.2	182.3	186.3	187.7	187.8
% Ch	-4.1	0.1	3.2	6.4	7.1	2.2	0.7	0.1
Service-Producing	2,200.9	2,216.1	2,242.1	2,290.8	2,350.9	2,409.3	2,462.3	2,509.6
% Ch	-0.9	0.7	1.2	2.2	2.6	2.5	2.2	1.9
Software Publishers	36.0	36.5	38.5	40.1	42.9	44.7	46.4	48.3
% Ch	4.1	1.6	5.5	4.1	6.9	4.2	3.7	4.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	37.216	42.753	44.193	51.915	54.224	50.775	48.543	46.462
% Ch	-7.8	14.9	3.4	17.5	4.4	-6.4	-4.4	-4.3
Single-Family	26.856	32.802	34.396	38.243	39.587	32.223	29.686	27.915
% Ch	0.4	22.1	4.9	11.2	3.5	-18.6	-7.9	-6.0
Multi-Family	10.360	9.951	9.797	13.673	14.637	18.552	18.857	18.547
% Ch	-24.0	-4.0	-1.5	39.6	7.1	26.7	1.6	-1.6
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.15	6.45	6.68	7.04

Table 1.3
Comparison of Alternative Forecasts

	Fiscal Year 2005				Fiscal Year 2006				Fiscal Year 2007			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	10948.6	10948.6	10948.6	10948.6	11335.8	11314.2	11290.9	11298.7	11795.0	11653.0	11511.2	11634.3
%Ch	3.7	3.7	3.7	3.7	3.5	3.3	3.1	3.2	4.1	3.0	2.0	3.0
Implicit Price Deflator	1.096	1.096	1.096	1.096	1.125	1.127	1.132	1.128	1.139	1.147	1.169	1.151
%Ch	2.7	2.7	2.7	2.7	2.7	2.8	3.2	2.9	1.2	1.8	3.3	2.0
Mortgage Rate	5.78	5.78	5.78	5.78	6.11	6.15	6.52	6.20	6.13	6.45	8.73	6.48
3 Month T-Bill Rate	2.21	2.21	2.21	2.21	3.98	4.03	4.20	4.05	4.39	4.58	5.99	4.50
Washington												
Real Personal Income	202.243	202.243	202.243	202.243	206.767	204.735	202.213	204.533	224.157	215.426	205.913	214.117
%Ch	4.9	4.9	4.9	4.9	2.2	1.2	-0.0	1.1	8.4	5.2	1.8	4.7
Personal Income	221.727	221.727	221.727	221.727	232.716	230.749	228.813	230.776	255.415	247.176	240.667	246.516
%Ch	7.8	7.8	7.8	7.8	5.0	4.1	3.2	4.1	9.8	7.1	5.2	6.8
Employment	2737.9	2737.9	2737.9	2737.9	2824.4	2819.1	2813.7	2817.8	2926.6	2888.8	2851.2	2880.0
%Ch	2.4	2.4	2.4	2.4	3.2	3.0	2.8	2.9	3.6	2.5	1.3	2.2
Housing Permits	51.915	51.915	51.915	51.915	55.367	54.224	51.962	53.165	56.759	50.775	39.963	51.971
%Ch	17.5	17.5	17.5	17.5	6.6	4.4	0.1	2.4	2.5	-6.4	-23.1	-2.2

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

Table 1.4
Forecast Analysis
 Comparison of Forecasts for 2005-07

Forecast Date	2004				2005				2006				2007	
	<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, 2005:2-2007:2														
Real GDP	6.8	6.8	6.5	6.2	6.4	5.9	6.3	6.4	6.2					
Implicit Price Deflator	3.9	3.7	3.8	3.5	3.7	3.9	5.0	5.0	4.3					
Average Rate, 2005:3 to 2007:2														
3 Month T-Bill Rate	2.65	2.68	3.20	3.10	3.42	3.89	4.04	4.18	4.30					
Mortgage Rate	7.01	6.57	6.98	6.54	6.46	6.76	6.37	6.54	6.30					
Washington														
Percent Growth, 2005:2-2007:2														
Employment	4.2	4.0	3.9	3.3	3.6	4.0	4.4	4.6	5.2					
Personal Income	12.8	12.7	12.5	11.9	12.2	13.0	14.0	14.3	13.9					
Real Personal Income	8.6	8.7	8.5	8.1	8.3	8.8	8.6	8.9	9.3					
Total (Thousands of units), 2005:3 to 2007:2														
Housing Units Authorized	79.2	86.9	88.0	86.3	89.7	93.4	98.1	100.4	105.0					

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2006 to 2007

	2003	2004	2005	2006	2007
U.S.					
Real GDP					
February Baseline	10138.9	10557.5	10948.6	11314.2	11653.0
% Ch	1.9	4.1	3.7	3.3	3.0
November Baseline	10138.9	10557.5	10948.6	11321.7	11669.7
% Ch	1.9	4.1	3.7	3.4	3.1
Implicit Price Deflator					
February Baseline	1.046	1.067	1.096	1.127	1.147
% Ch	1.8	2.1	2.7	2.8	1.8
November Baseline	1.046	1.067	1.096	1.130	1.154
% Ch	1.8	2.1	2.7	3.1	2.1
U.S. Unemployment Rate					
February Baseline	5.90	5.81	5.28	4.87	4.80
November Baseline	5.89	5.81	5.31	4.97	4.93
Mortgage Rate					
February Baseline	5.93	5.92	5.78	6.15	6.45
November Baseline	5.93	5.92	5.78	6.29	6.78
3 Month T-Bill Rate					
February Baseline	1.30	0.96	2.21	4.03	4.58
November Baseline	1.30	0.96	2.21	3.98	4.38
Washington					
Real Personal Income					
February Baseline	189.817	192.716	202.243	204.735	215.426
% Ch	-0.1	1.5	4.9	1.2	5.2
November Baseline	189.817	192.593	202.224	203.715	214.504
% Ch	-0.1	1.5	5.0	0.7	5.3
Personal Income					
February Baseline	198.531	205.714	221.727	230.749	247.176
% Ch	1.7	3.6	7.8	4.1	7.1
November Baseline	198.531	205.582	221.705	230.233	247.479
% Ch	1.7	3.6	7.8	3.8	7.5
Employment					
February Baseline	2654.9	2674.0	2737.9	2819.1	2888.8
% Ch	-0.4	0.7	2.4	3.0	2.5
November Baseline	2654.9	2674.5	2739.2	2809.2	2873.9
% Ch	-0.4	0.7	2.4	2.6	2.3
Housing Permits					
February Baseline	42.753	44.193	51.915	54.224	50.775
% Ch	14.9	3.4	17.5	4.4	-6.4
November Baseline	42.753	44.193	52.147	51.186	49.167
% Ch	14.9	3.4	18.0	-1.8	-3.9

Table 1.6

Calendar Years

Long Range Economic Outlook

Forecast 2006 to 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
U.S.											
Real GDP, %Ch	3.3	2.7	2.9	3.2	3.0	2.8	2.7	2.8	3.0	3.0	3.1
Implicit Price Deflator, %Ch	2.2	1.9	2.1	1.9	1.9	2.0	2.2	2.2	2.1	2.1	2.1
3 Month T-Bill Rate	4.53	4.58	4.65	4.86	4.98	4.98	4.98	4.98	4.98	4.98	4.98
Mortgage Rate	6.38	6.53	6.86	7.15	7.39	7.39	7.39	7.39	7.39	7.39	7.39
State*											
Real Personal Income, %Ch	4.9	4.6	4.2	4.3	4.1	3.5	3.3	3.4	3.6	3.7	3.8
Personal Income, %Ch	7.2	6.6	6.4	6.4	6.1	5.7	5.6	5.7	5.8	5.9	5.9
Employment, %Ch	2.8	2.2	1.8	1.5	1.3	1.1	1.0	1.1	1.2	1.2	1.3

* February Baseline (2006-2009) judgmentally extended through 2016.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

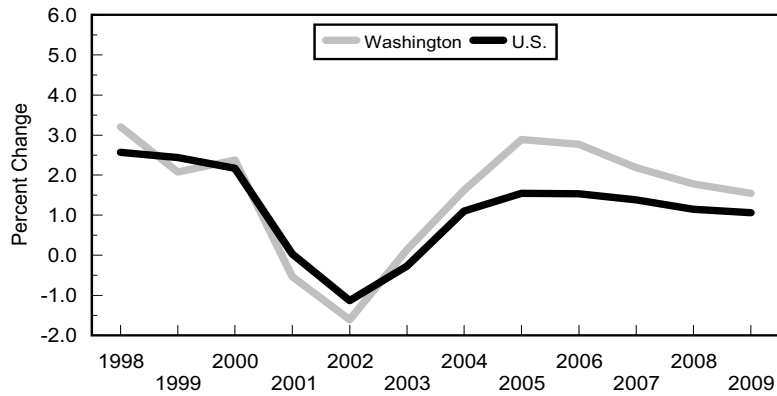


Chart 1.2
Manufacturing Employment

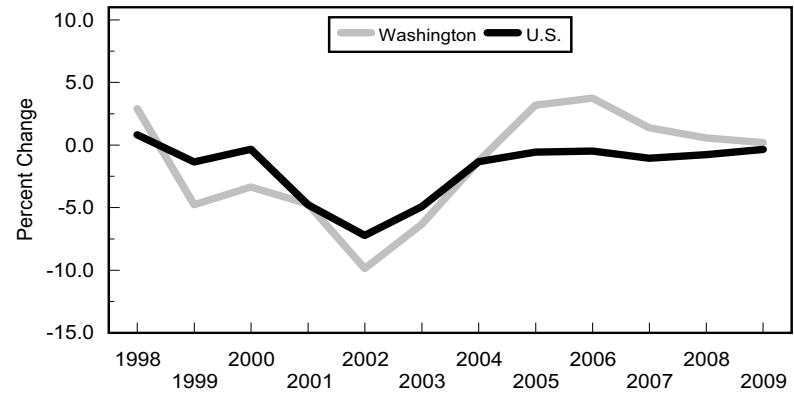


Chart 1.3
Aerospace Employment

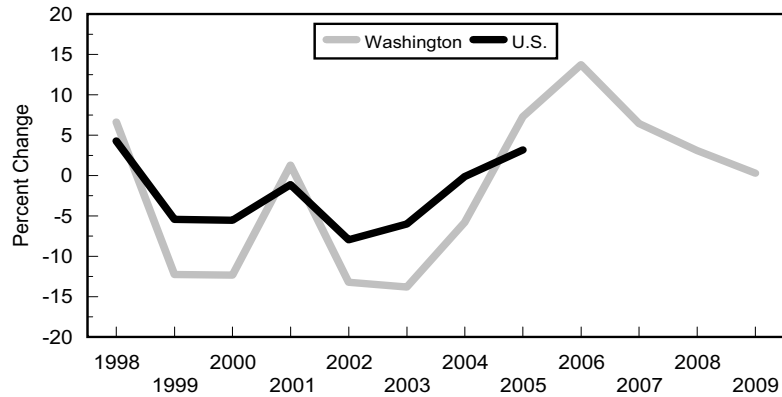
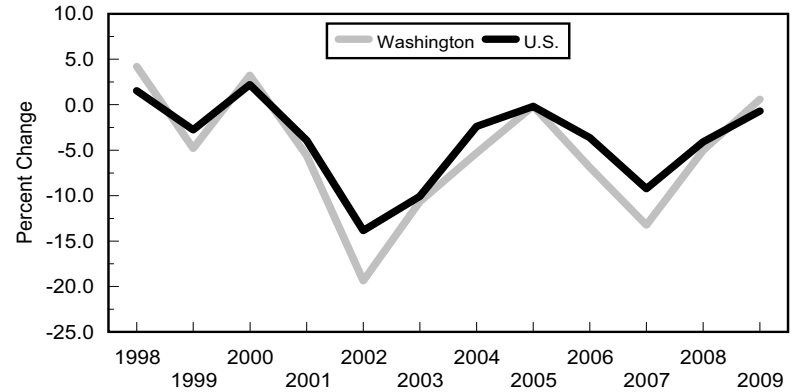


Chart 1.4
Computers and Electronics Employment



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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

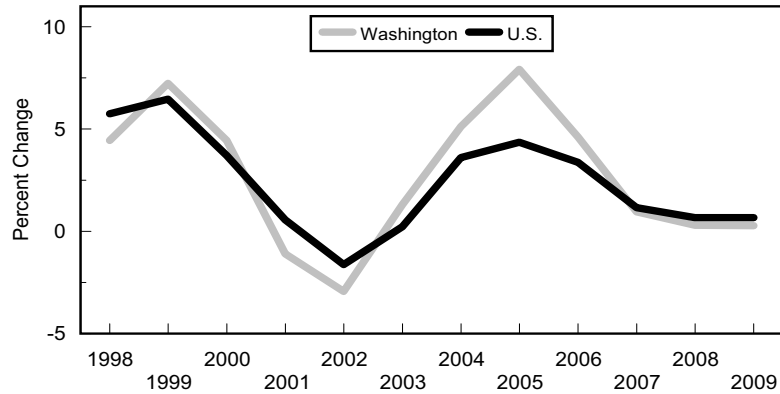


Chart 1.6
Information Employment

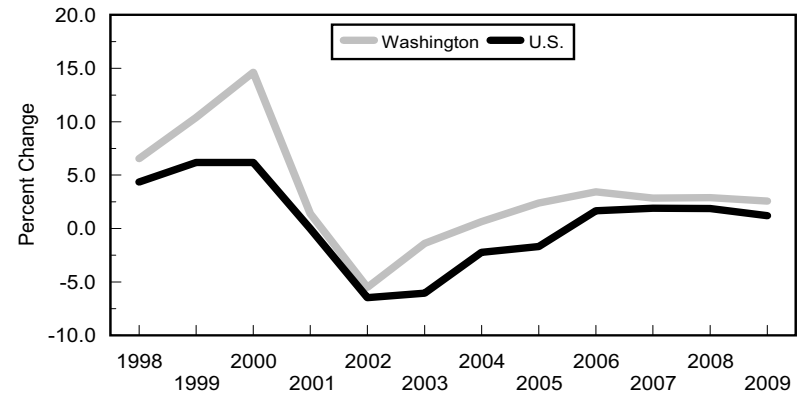


Chart 1.7
Other Private Employment

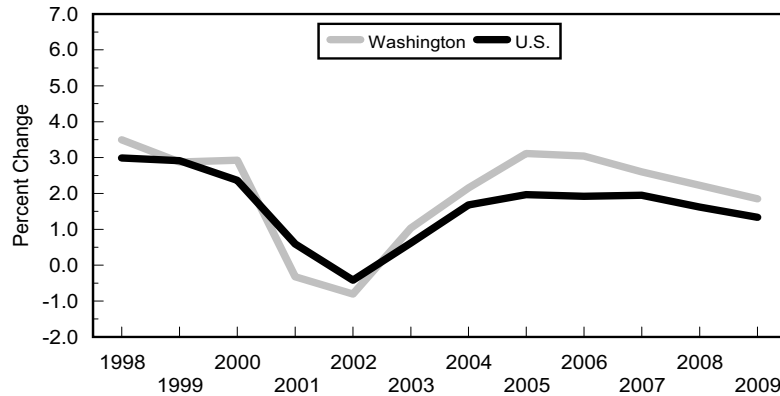
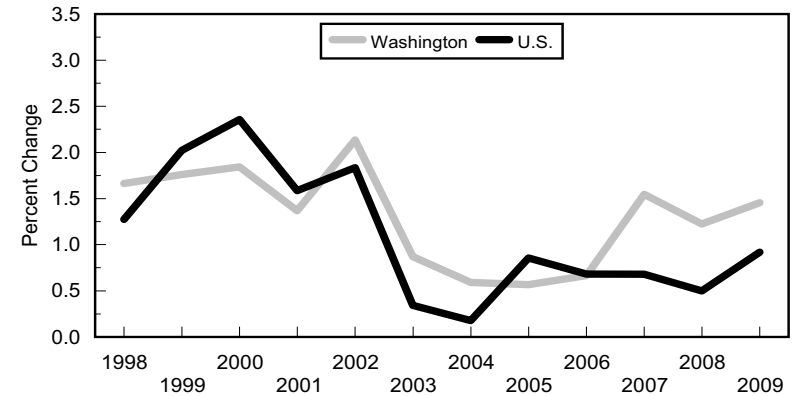


Chart 1.8
Government Employment



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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

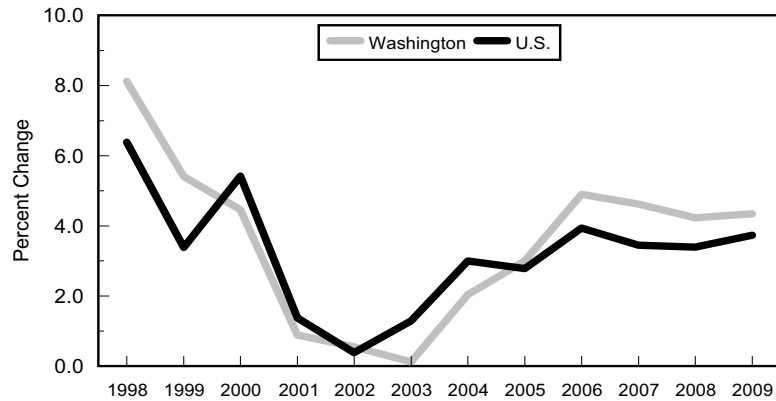


Chart 1.10
Consumer Price Indices

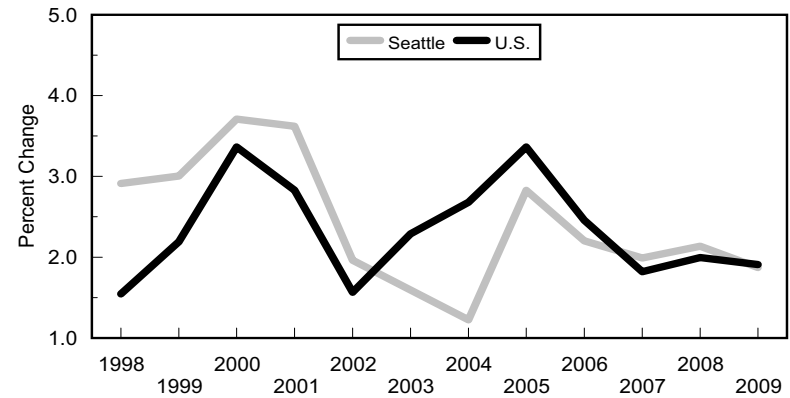


Chart 1.11
Population

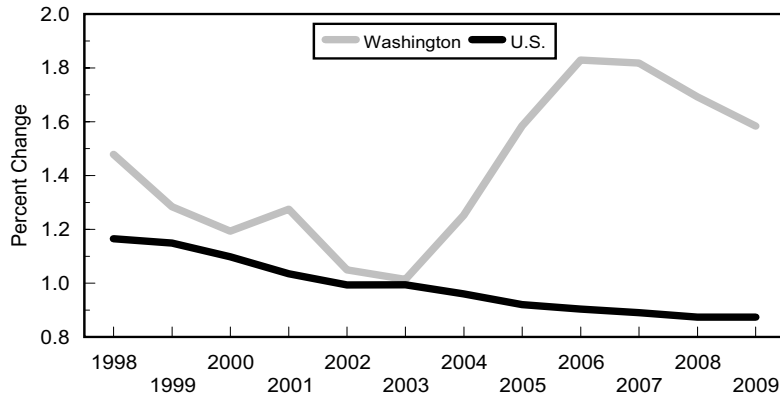
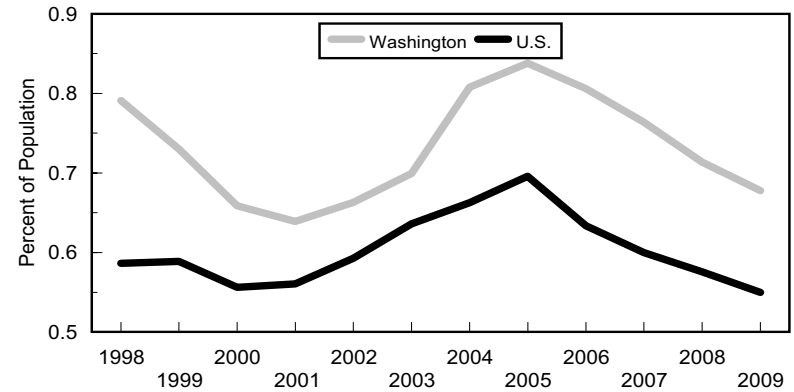


Chart 1.12
Per Capita Housing Units



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

Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

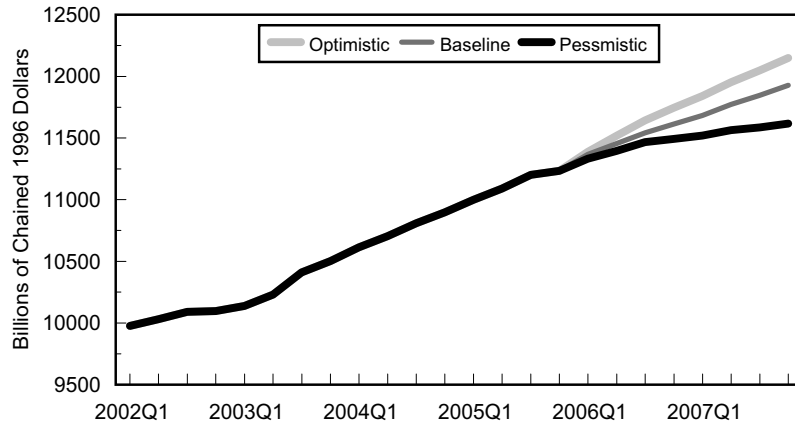


Chart 1.14
Implicit Price Deflator

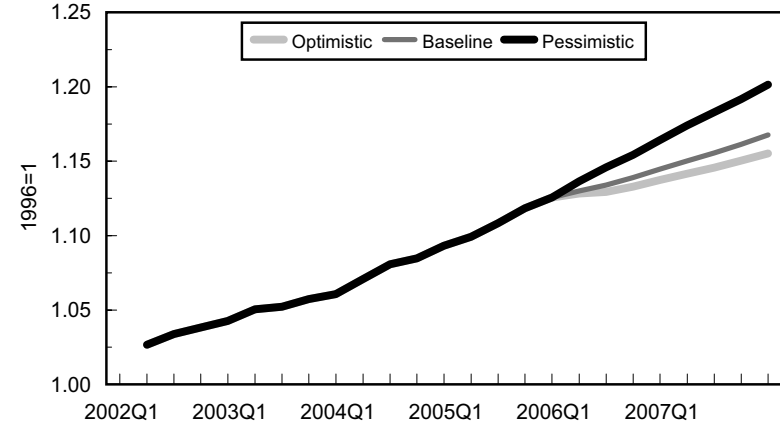


Chart 1.15
Mortgage Rate

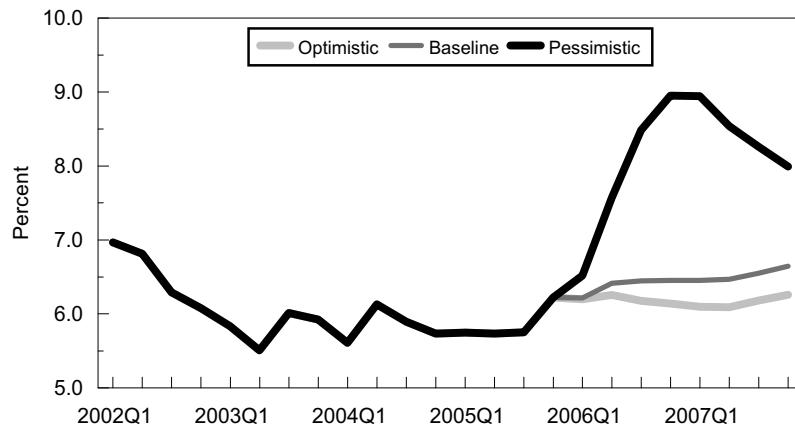
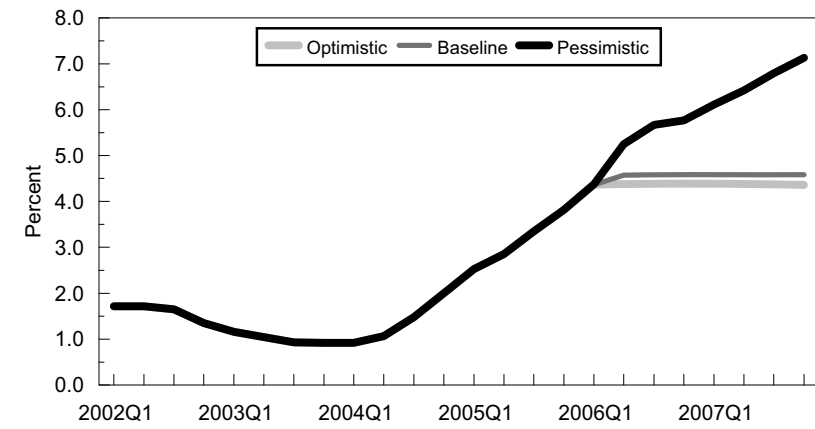


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

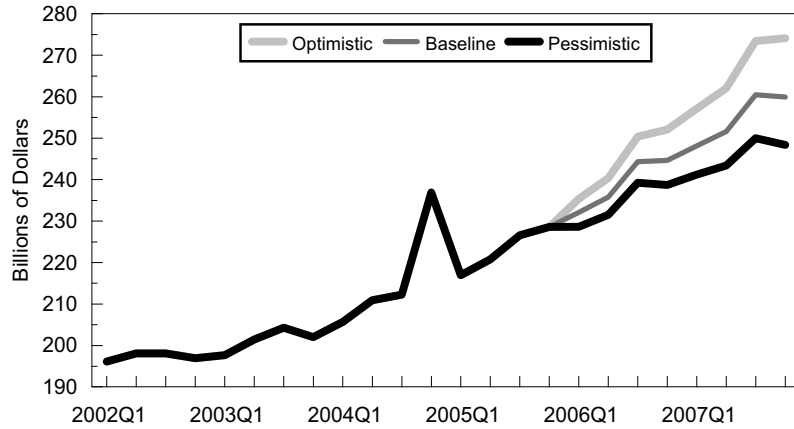


Chart 1.18
Real Personal Income

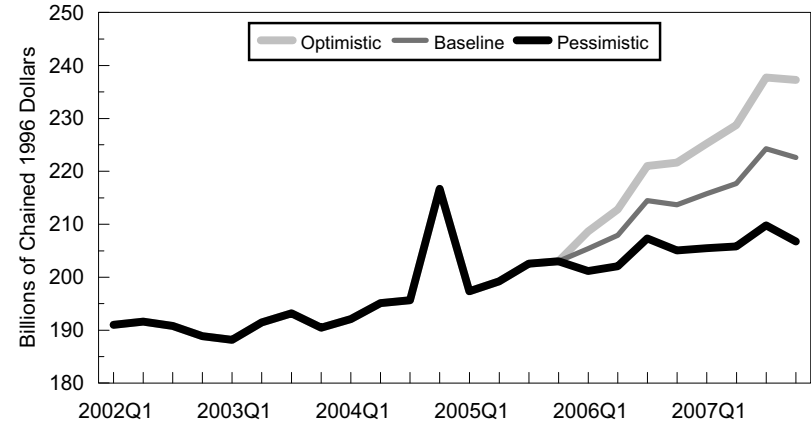


Chart 1.19
Total Nonfarm Payroll Employment

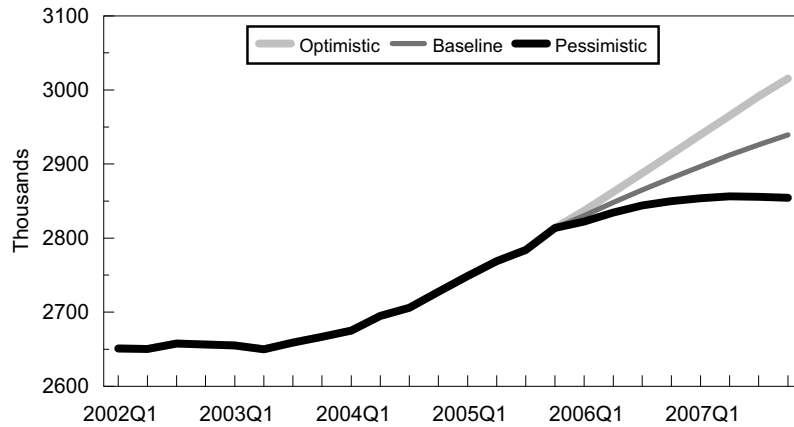
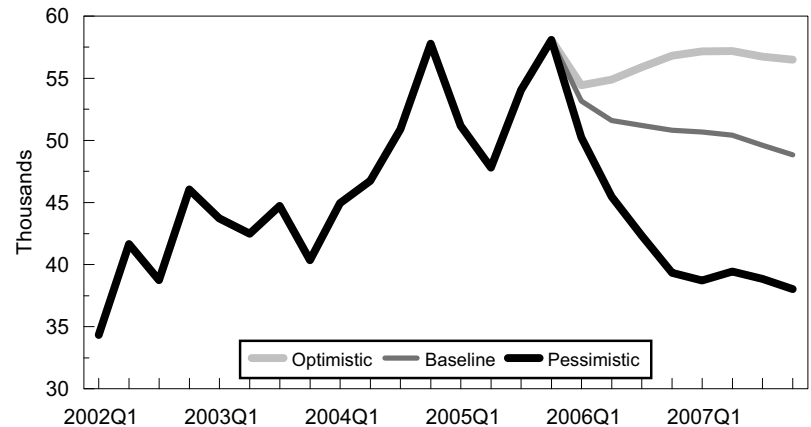


Chart 1.20
Housing Permits



Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a 1.6* percent annual rate in the fourth quarter of 2005, slowing considerably from the third quarter's rate of 4.1 percent. Much of the growth slowdown was due to slower growth in real consumer spending, which increased at an annual rate of 1.2 percent after growing at 3.4 percent in the third quarter. The slowdown in real consumer spending was precipitated by a sharp decline in real durable goods consumption, which shrank at an annual growth rate of 16.6 percent due largely to the expiration of the third quarter's aggressive auto dealer sales incentives. Real nondurable goods consumption increased at a rate of 5.1 percent, up from the third quarter's rate of 3.5 percent, and real services consumption increased at a rate of 3.0 percent, down slightly from the previous quarter's rate of 3.3 percent. Real gross private domestic investment surged in the fourth quarter, growing at a rate of 14.8 percent after growing at 5.3 percent in the previous quarter. This growth was mainly due to an increase in private inventories. Real fixed investment grew at a rate of 4.4 percent, with growth rates of 5.4 in non-residential investment and 2.6 in residential investment, down from the third quarter's rates of 8.0 and 7.3 percent respectively. Real government spending contracted at an annual rate of -0.7 percent after increasing at a rate of 2.9 percent in the third quarter. Trade continued to detract from GDP growth in the fourth quarter as real imports, still affected by price and volume increases for energy imports resulting from the third quarter's hurricanes, increased at a rate of 12.8 percent while exports increased at 5.7 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased slightly in January to 54.8 from its December value of 55.6. Despite the decline, the fact that the index value remains above 50 indicates that manufacturing sector output is still increasing. The employment component of the index decreased to 51.3 from December's value of 53.6, remaining just above the critical value of 50, which indicates that more of the manufacturers surveyed have been increasing employment than decreasing it during that period.

U.S. seasonally-adjusted payroll employment grew by 193,000 jobs in January after adding 140,000 in December. Revisions to the employment data indicated that employment did not decline after last fall's hurricanes, but managed to grow slightly in September and October, adding 48,000 and 37,000 jobs respectively. Year-over-year employment growth was 1.6 percent in January and 1.5 percent in December. The U.S. seasonally-adjusted unemployment rate decreased to 4.7 percent in January from December's value of 4.9 percent.

Productivity growth posted an unexpected decline in the fourth quarter of 2005, shrinking at a -0.6 percent annual rate after growing at a strong 4.5 percent rate in the third quarter. Energy prices drove a large monthly increase of 0.7 percent in January's seasonally adjusted Consumer Price Index (CPI) after December's decline of 0.1 percent due to falling energy prices during that month. Year-over-year CPI growth was 4.0 percent in January and 3.4 percent in December. The seasonally-adjusted index excluding food and energy increased at a monthly rate of 0.2 percent in January and 0.1 percent in December, resulting in year-over year growth rates of 2.1 and 2.2 percent respectively.

The Conference Board's Index of Consumer Confidence, after increases in December and January, declined to 101.7 in February from January's value of 106.8. The decline was entirely due to a sharp decline in the expectations component of the index, as the present conditions component improved. The University of Michigan Consumer Sentiment Survey also decreased in February to a value of 86.7 from January's value of 91.2, but both the expectations and present conditions components of that index showed decline. The Conference Board's U.S. Index of Leading Indicators increased 1.1 percent in January after increasing by 0.3 percent in December. Six of the ten index components were positive in both months.

The Federal Open Market Committee (FOMC) voted to increase its target rate for federal funds from 4.25 to 4.5 percent at its January 31, 2006 meeting. This was the FOMC's fourteenth consecutive 25 basis point increase since its meeting of June 30, 2004. The Committee's statement omitted the statement that has been in place since the March 2005 meeting that it "... believes that policy accommodation can be removed at a pace that is likely to be measured," but left the possibility of further rate increases open by stating that "some further policy firming may be needed."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, increased to 151 in January, a year-over-year increase of 25.8 percent. This followed a 28.3 percent year-over-year increase in December. The Conference Board's January Help Wanted Index, however, which measures newspaper employment advertising, decreased by one point to a value of 37.

The State Economy and Indicators

Washington wage and salary employment rose at a strong 4.3 percent annual rate in the fourth quarter of 2005, following a growth rate of 2.2 percent in the third quarter. Growth numbers for both quarters were affected, however, by the strike of approximately sixteen thousand Boeing workers in September. Absent the strike, payroll employment would have increased at a 3.0 percent annual rate in the third quarter and 3.6 percent in the fourth. The strike also impacted third and fourth quarter aerospace employment growth, which showed a 16.3 percent decline in the third quarter followed by a 59.3 percent increase in the fourth. Absent the strike, the rates would have been 15.4 percent in the third quarter and 15.0 percent in the fourth. Similarly, absent the effects of the strike fourth quarter durable goods manufacturing employment increased at an annual rate of 2.9 percent after growing at a rate of 5.4 percent in the third quarter. Employment in nondurable goods manufacturing increased at an annual rate of 0.9 percent in the fourth quarter and 1.3 percent in the third.

Washington's seasonally adjusted unemployment rate decreased in January to 4.7 percent, its lowest value since December 1999. The non-seasonally adjusted Washington Purchasing Management Index decreased in January to a value of 66.9 from December's value of 74.7. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index remained at 61.5.

Washington's seasonally adjusted initial claims for unemployment insurance decreased in January to 34,260 from December's count of 35,300. This was the lowest count since November 1979. Measured as a percentage of the workforce it is the lowest count on record. January's Seattle Times Index of Help-

Wanted Advertising increased to 54.4 from December's level of 53.9. Washington's seasonally adjusted average weekly hours in manufacturing increased to 40.2 in December from November's value of 39.6. December year-over-year growth in the Seattle CPI decreased to 3.0 percent from October's value of 3.5 percent. December's index excluding food and energy, however, was up only 2.3 percent year-over-year.

The Boom Monitor Composite Index increased in January to a value of 55.7 from December's value of 55.4. The index has been above 50 for twelve of the past fourteen months, dipping slightly below only in January and May 2005. Boom Monitor levels near 50 indicate that growth in the index's components is near their historic growth rates. The Washington Index of Leading Indicators increased by 0.7 points in December following a strong 1.5 point increase in November. Six of the seven index components were positive in December. Authorized housing permits declined to an annualized level of 46,640 units in January from December's level of 58,010 units. While down from the elevated levels of the past year, January's level is still moderately strong historically.

On the following page is a summary of what various national and state measures are indicating as of the publication date of the February 2006 economic and revenue forecast.

**This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimates for the fourth quarter of 2005 released February 28, 2006). The February economic forecast is based upon the February Global Insight forecast, which incorporated the BEA's advance estimate from January 27, 2006.*

Table 2.1

Summary of National and State Indicators

<u>Indicator</u>	<u>Latest Data</u>	<u>Most Recent Indication¹</u>
U.S. Leading Index	January 2006	+
U.S. Real GDP Growth	4th quarter 2005	+ but slowing
U.S. ISM Index	January 2006	+ but slowing
U.S. Employment y-o-y %ch	January 2006	+
U.S. Unemployment Rate	January 2006	+
U.S. Help Wanted Index	January 2006	-
U.S. Fed Funds Target	January 31, 2006	credit tightening
U.S. Consumer Confidence	February 2006	-
U.S. CPI	January 2006	-
U.S. Monster Employment Index	January 2006	+
S&P 500 Index	Week of February 24, 2006	+
WA Leading Index	December 2005	+
WA ISM Index	January 2006	+
WA Help Wanted Index	January 2006	+
WA Employment y-o-y %ch	January 2006	+
WAAerospace Empl. Growth	January 2006	+
WA Unemployment Rate	January 2006	+
WA Boom Monitor	January 2006	+
WA Initial Unemploy. Claims	January 2006	+
WA Housing Permits	January 2006	-
WA Weekly Hours in Mfg.	December 2005	+
WA New Car/Truck Registration	January 2006	+
WA Migration (DOL data)	January 2006	+
WA Exports-Total	4th quarter 2005	+
WA Exports- w/o Trans. Equip.	4th quarter 2005	+
Seattle CPI	December 2005	+
NW Regional Stock Index	Week of February 24, 2006	+

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

Washington State Leading Indicators

Chart 2.5
The Washington and U.S. Indexes of Leading Indicators
 January 1970 to December 2005

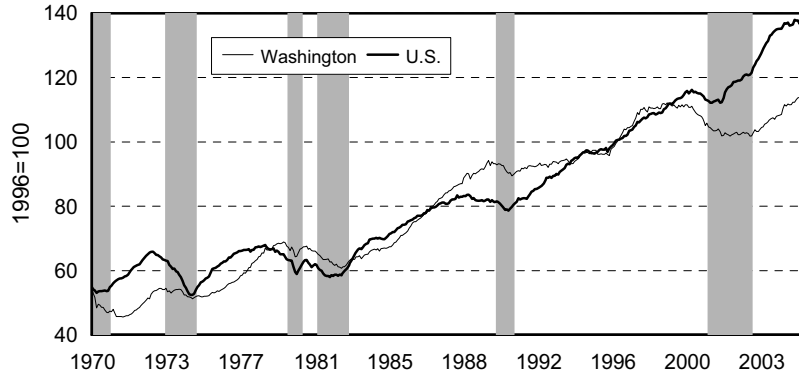


Chart 2.6
Washington Initial Claims for Unemployment Insurance
 January 1970 to January 2006

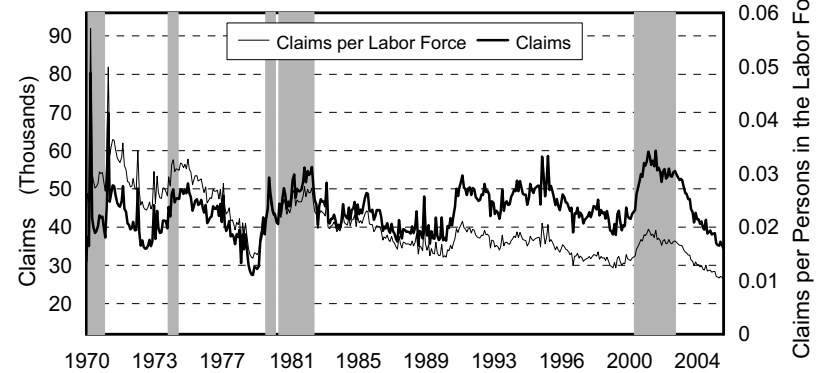


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
 January 1970 to January 2006

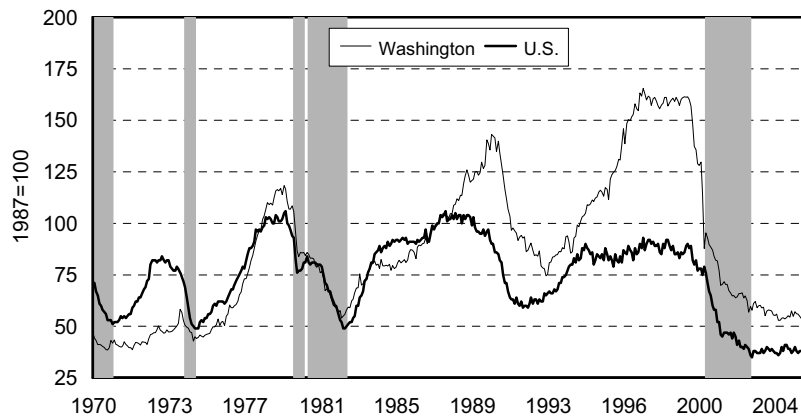
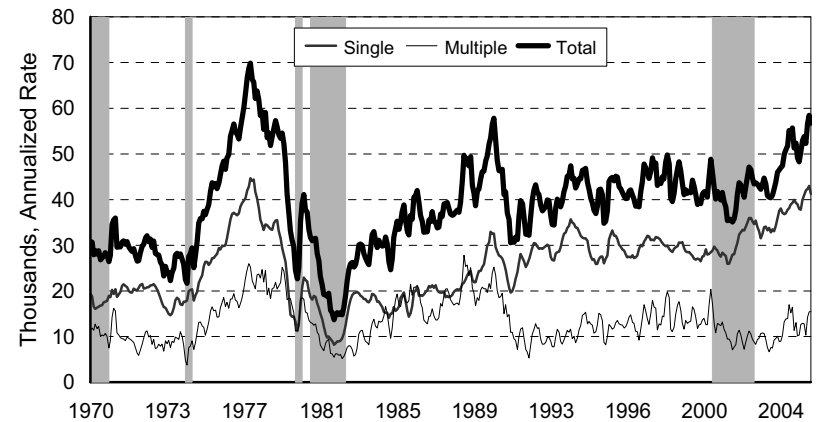


Chart 2.8
Housing Units Authorized in Washington State
 January 1970 to January 2006, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
 Jan. 1970 to December 2005, 3-Mo. Moving Average, SA

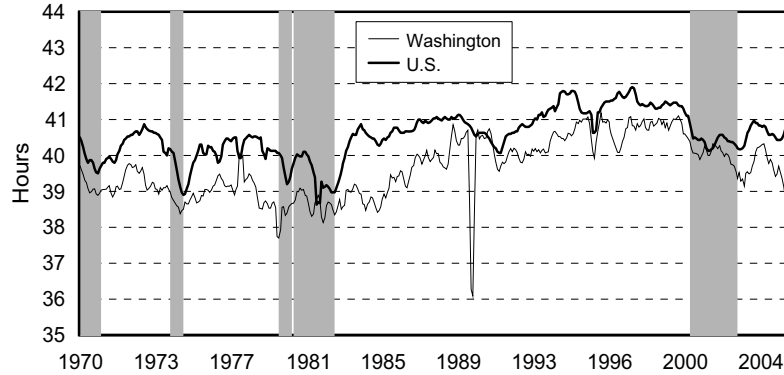


Chart 2.10
Washington Driver's License Migration
 September 1983 to January 2006 12-Month Moving Average

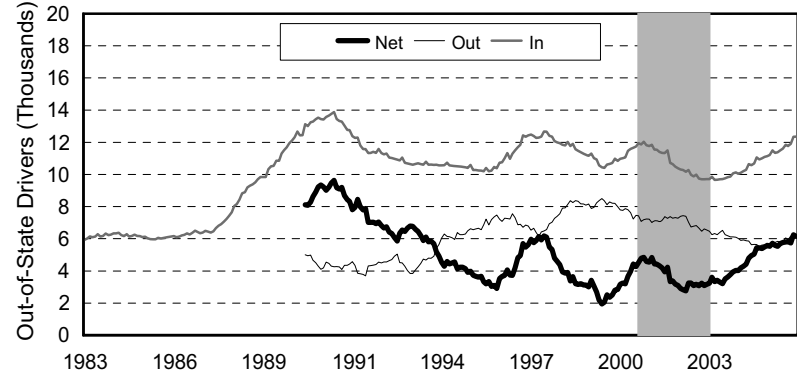


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to January 2006, 6-Month Moving Average

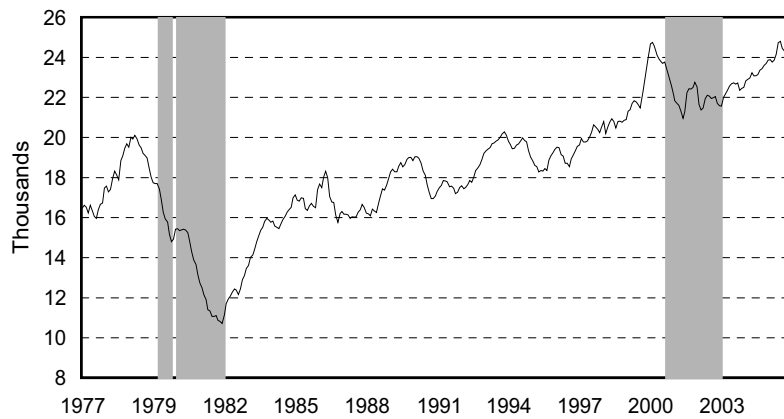
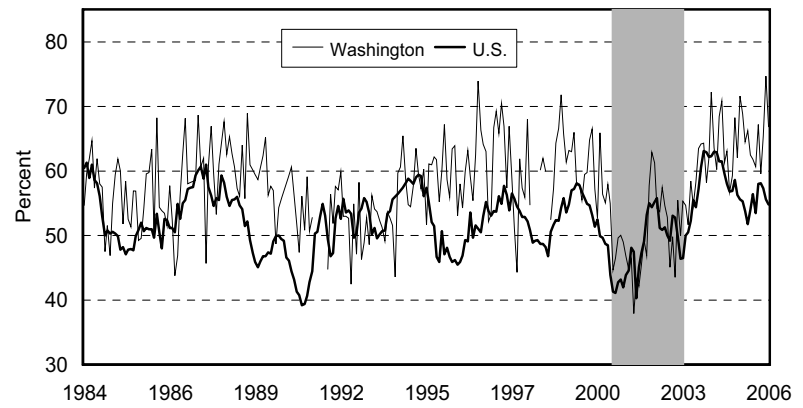


Chart 2.12
Institute for Supply Management Index
 January 1984 to January 2006



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2005 Q4

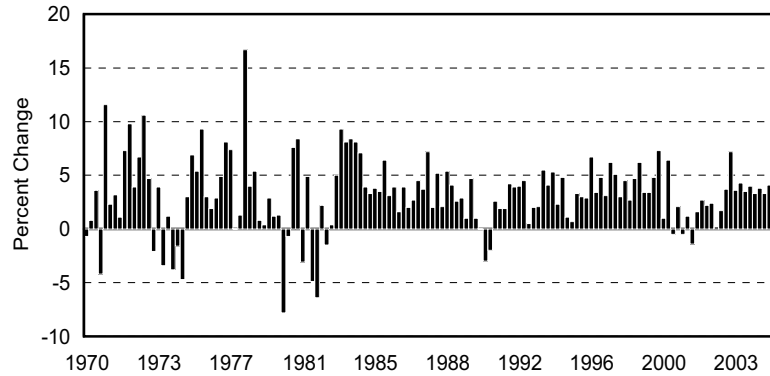


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2005Q4

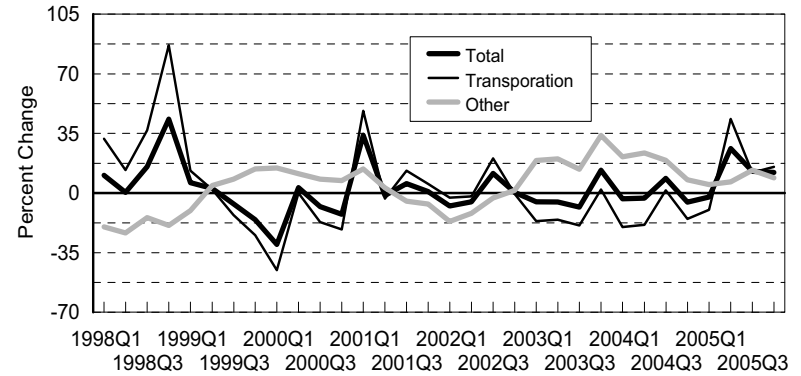


Chart 2.15
U.S. Economic Indicators*
 January 1970 to January 2006

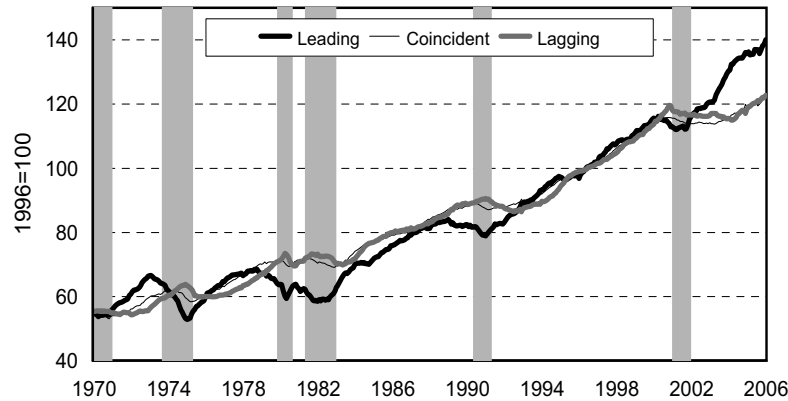
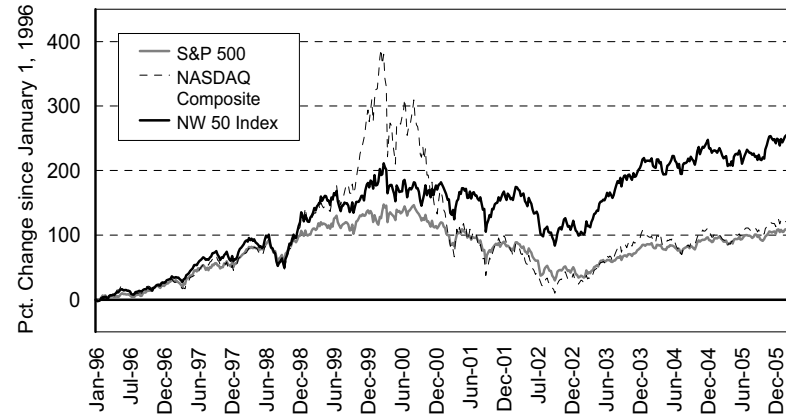


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
 January 1, 1996 to February 24, 2006



* 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 February 28, 2006

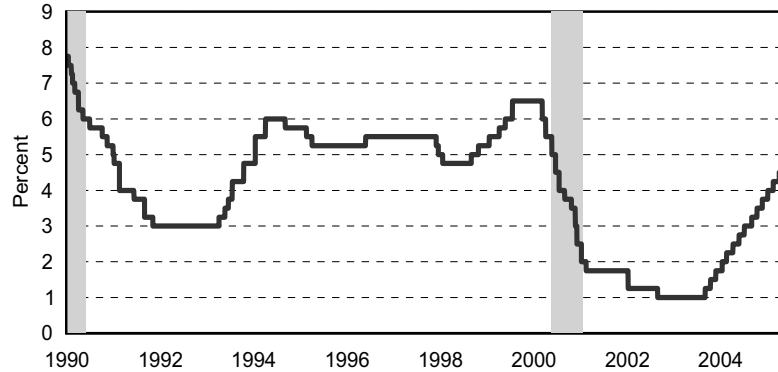


Chart 2.18
Consumer Confidence
 January 1978 to January 2006

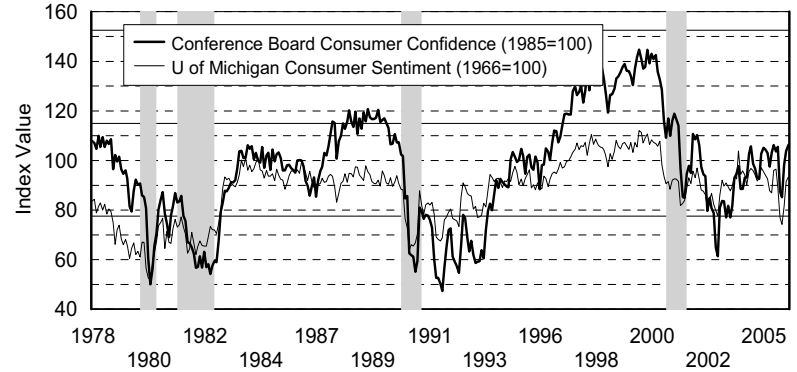


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to January 2006 (WA to 12/05)

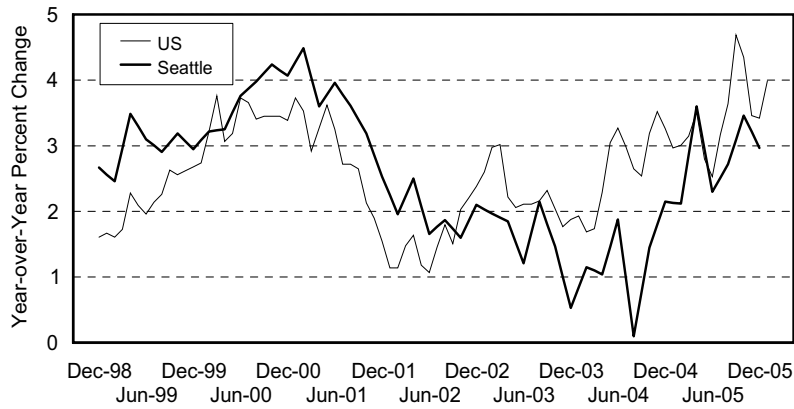
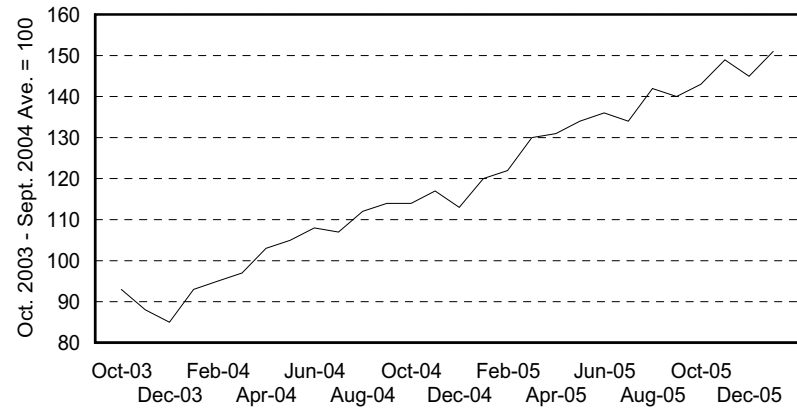


Chart 2.20
Monster Employment Index
 October 2003 to January 2006



* 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
2004:1	105.8	130.3	55	38	58.2	62.9
2004:2	106.3	130.6	57	40	62.1	62.2
2004:3	106.9	132.4	58	39	72.2	62.3
2004:4	107.1	132.5	58	38	63.6	63.0
2004:5	107.4	133.3	58	39	60.2	62.9
2004:6	107.0	133.7	56	38	68.4	61.5
2004:7	108.1	134.2	55	37	70.9	61.5
2004:8	108.3	134.4	56	37	61.3	59.6
2004:9	108.3	134.4	53	36	63.1	58.0
2004:10	108.7	134.4	53	37	56.7	56.8
2004:11	110.4	135.2	54	40	59.3	56.9
2004:12	111.6	136.1	54	38	68.3	58.6
2005:1	111.2	135.8	54	41	62.1	56.3
2005:2	111.8	136.3	54	41	71.6	55.6
2005:3	111.5	135.4	55	39	68.9	55.3
2005:4	111.6	135.5	54	39	64.5	53.8
2005:5	112.3	135.6	57	37	66.3	51.8
2005:6	112.3	137.1	55	38	62.5	54.0
2005:7	113.2	136.9	57	40	61.8	56.4
2005:8	113.7	137.0	56	38	60.7	53.5
2005:9	113.8	135.8	56	37	67.2	58.0
2005:10	113.6	136.9	55	38	59.6	58.1
2005:11	115.2	138.2	54	38	65.4	57.3
2005:12	115.9	138.6	54	38	74.7	55.6
2006:1	NA	140.1	54	37	66.9	54.8

Washington State Revenue Forecast Summary

Introduction

The Washington State Economic and Revenue Forecast Council approved a \$107.3 million increase to the General Fund-State revenue forecast for the 2005-07 biennium at its February 15, 2006 meeting. The change was comprised of a \$158.9 million upward revision due to a better economy and a \$51.6 million reduction due to a non-economic factor. The higher revenue forecast for the 2005-07 biennium includes \$76.0 million more than expected tax payments in the three months since the November forecast. The overall economic outlook has not changed much since the November 2005 forecast; however, Washington building permits and construction employment were stronger than expected in the fourth quarter of 2005. The strength in the housing market again is the primary reason for the higher GFS forecast in February. Real estate activity and revenue growth are still expected to weaken later in the year as higher mortgage rates slow housing activity and reduced home equity cash-outs slow consumer spending.

The February 2006 GFS forecast for the 2005-07 biennium, which spans the period July 2005 through June 2007, is \$26,443.0 million. GFS revenue in the 2005-07 budget period is projected to be \$3.1 billion (13.1 percent) higher than in the 2003-05 biennium. Adjusting for tax law changes and other factors affecting the comparability between biennia, GFS revenue is expected to increase 14.1 percent in the 2005-07 biennium. The GFS unrestricted ending balance is now projected to total \$1,223.1 million at the end of the 2005-07 biennium. In addition, there is a \$353.7 million projected Emergency Reserve Balance at the end of the 2005-07 biennium. Together, the reserve at the time of the February 2006 forecast totals \$1,576.8 million.

	Fiscal 2006	Fiscal 2007	2005-07 Biennium
Legislation/ Non- Economic Change	(\$8.0)	(\$43.6)	(\$51.6)
Forecast Change	<u>\$139.8</u>	<u>\$19.1</u>	<u>\$158.9</u>
Total Change*	\$131.8	(\$24.5)	\$107.3

*Detail may not add to totals due to rounding.

This is 6.1 percent of the 2005-07 spending level prior to adoption of a supplement budget by the 2006 legislature.

In addition to approving a revision to the GFS forecast for the 2005-07 biennium, the Economic and Revenue Forecast Council adopted the initial GFS forecast for the 2007-09 budget period. The GFS forecast for the 2007-09 biennium is projected to total \$29,027.7 million. This is \$2.6 billion, 9.8 percent, higher than in the 2005-07 biennium.

Background and Assumptions

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

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the February 2006 baseline forecast for the 2005-07 biennium is shown in Table 3.2.

February 2006 Forecast Assumptions

1. The February 2006 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on the Global Insight, Inc. February 2006 baseline forecast for the U.S. economy.

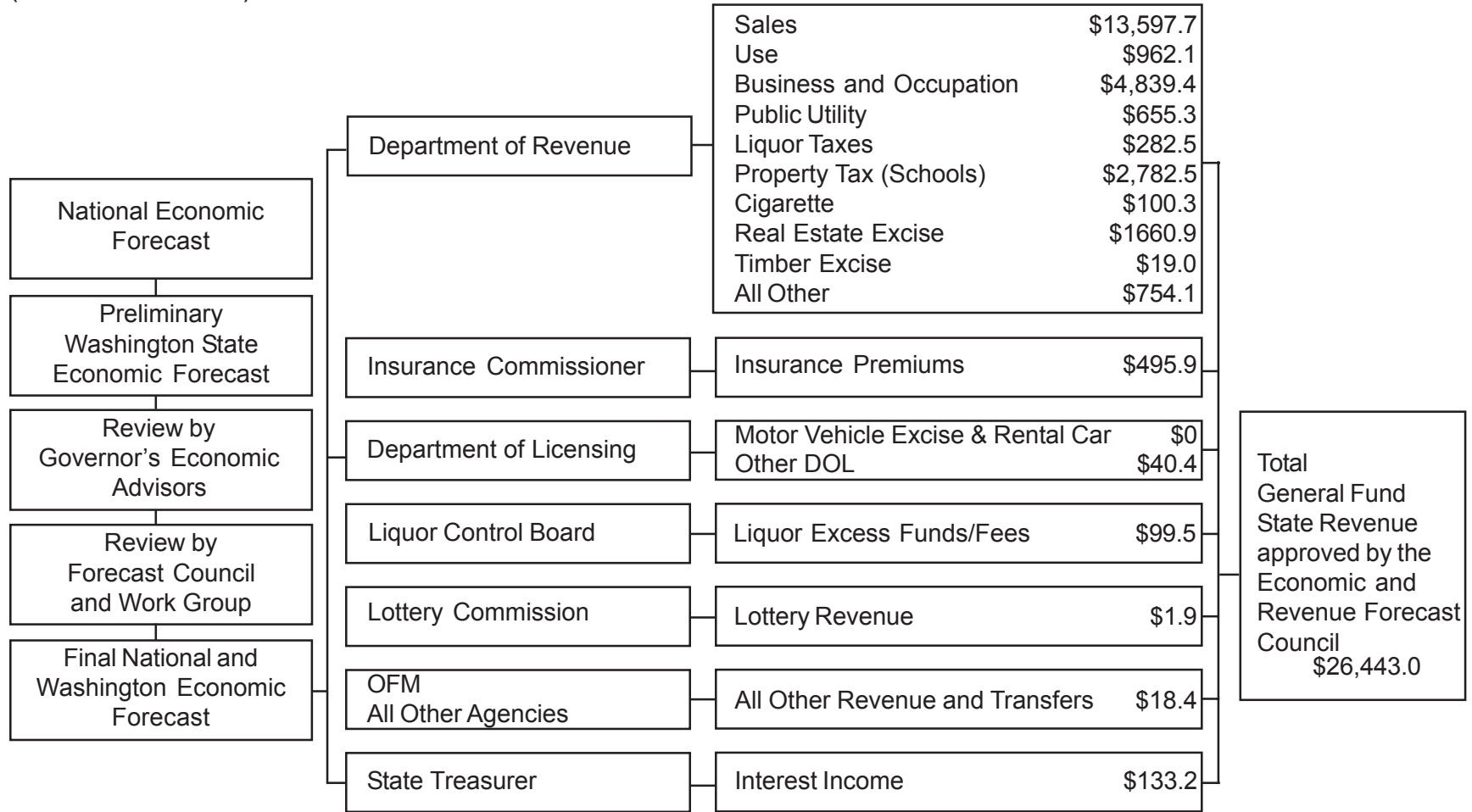
2. The GFS revenue forecast is based on current law and administrative practices. The revenue impact of tax law changes enacted during the 2006 legislative session and signed into law by the Governor will be included in the June 2006 quarterly update to the forecast.
3. The GFS forecast for the 2005-07 biennium was reduced \$51.6 million due to a non-economic factor in February 2006 (see Table 3.13). After the November 2005 forecast the Department of Revenue concluded that, under current law, the insurance industry is exempt from the state retail sales tax. The February 2006 GFS forecast was reduced to reflect this.
4. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, most lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a multi-state lottery game. Proceeds from this new game go the General Fund, after the first \$102 million per year of uncommitted lottery earnings are transferred to the Student Achievement Account and the School Construction Account. Part II of Table 3.19 summarizes lottery distributions by fund.
5. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
6. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2005-07 biennium. As of February 2006, new tax law changes and other non-economic factors have reduced GFS revenue for the 2005-07 biennium by an estimated \$480 million.
7. Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, has 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 are expected to grow to \$491.9 million in the 2005-07 biennium and to \$507.2 million in the 2007-09 biennium. (See part I of Table 3.19.)

Recent Collection Experience

Revenue collected in the three months since the November forecast was \$76.0 million, 2.4 percent, more than expected. This included \$21.4 million due to special factors (primarily unusually large audit payments) which are unrelated to the strength of the economy. Excluding special factors, collections were \$54.6 million, 1.5 percent, higher than expected and reflects stronger than expected economic activity. Again as in the recent past, most of the positive revenue variance since the last forecast was due to higher than expected Revenue Act (retail sales, business and occupation, use and public utility tax) receipts and real estate excise tax collections. Revenue Act tax payments exceeded the November forecast by \$40.7 million (1.6 percent) excluding special factors and the GFS share of real estate excise tax collections were \$15.6 million more than expected. Other GFS taxes and transfers were \$1.7 million less than expected since the November forecast.

Revenue growth was strong in the fourth quarter. Revenue Act taxes were 9.5 percent above the year-ago level in the three months since the November 2005 forecast (October 2005 through December 2005 business activity). December activity was especially strong, up 11.1 percent from a year-ago. Although growth in the fourth quarter decelerated a bit from the second quarter (9.8 percent) and from last

Table 3.2
Economic and Revenue Forecast Flow Chart*
 General Fund-State
 2005-07 Biennium
 (Amounts in millions)



* Cash Basis

quarter's very strong 12.0 percent, it grew faster than expected in the November forecast. Revenue from Washington's major excise taxes continues to grow much faster than income and faster than the growth of retail sales nationally. Revenue Act receipts have increased faster than income for the last eleven quarters and have grown about twice as fast as income for the last three. The February forecast continues to assume that this pace is unsustainable in the long run, and that revenue growth will eventually slow.

Preliminary industry detail for the most recent month available (December 2005 activity, reflecting excise tax payments of taxpayers who filed electronically in the January 11- February 10, 2006 period) indicate tax payments were 11.2 percent higher than a year-ago. Tax payments of businesses in the retail trade and food services sector were up 10.1 percent from the year-ago level. Non-retailers reported a 12.4 percent increase. A month earlier tax payments by retailers increased 4.3 percent while non-retailers reported a 10.1 percent gain. For the current month five of twelve three-digit retail NACIS sectors reported double-digit gains with the strongest growth reported by general merchandise stores (+19.2 percent), non store retailers (+17.7 percent), gas stations and convenience stores (+14.4 percent), furniture and home furnishings retailers (+11.8 percent) and electronics and appliance stores (+10.3 percent). Tax payment from food stores were 3.3 percent less than a year-ago, last month this sector reported a 13.4 percent increase in tax payments. The motor vehicle and parts sector, the largest retailing sector, reported a 5.3 percent increase in tax payments; last month this sector reported a 1.2 percent increase. This sector has been quite volatile of late and has been highly dependent on the availability and magnitude of manufacturer and dealer incentives. All major non-retail NAICS sectors reported an increase in tax payments in the most recent month. The year-over-year changes in tax payments reported by business in non-retail NAICS sectors ranged from a 24.8 percent increase by firms in the professional, scientific and technical services sector to a 0.1 percent increase in the management, education and health sector. Construction was again very strong. Tax payments from the construction sector were 15.6 percent higher than a year-ago. Last month this sector reported a 13.8 percent increase.

While there is finally some evidence of slower growth in real estate excise tax receipts,

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
 November 11 - February 10, 2006
 Based on the November 2005 Forecast (Millions of Dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Adjusted</u>		
		<u>Percent of Estimate</u>	<u>Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act ¹	\$62.1	2.4%	\$40.7	1.6%
Non Revenue Act ²	\$13.9	1.4%	\$13.9	1.4%
Subtotal	<u>\$76.0</u>	<u>2.1%</u>	<u>\$54.6</u>	<u>1.5%</u>
Department of Licensing ²	\$0.0	6.2%	\$0.0	6.2%
Other	na	na	na	na
Total***	\$76.0	2.4%	\$54.6	1.5%

¹ Revenue Act taxes consist of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections November 11, 2005 through February 10, 2006.
² Variance based on November 2005 through January 2006 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 November 2005 forecast.
 ** Variance adjusted for special factors (primarily unusually large audit payments).
 *** Detail may not add to total due to rounding.

Washington's real estate market is still strong and growing faster than assumed in the November forecast. Real estate activity based on closings in December 2005 reflecting tax payments in January 2006 was up 8.9 percent from a year ago. This was the weakest monthly increase since February 2004. The month before activity was up 25.4 percent. The majority of the increase continues to reflect higher prices. For the current month transactions decreased 1.4 percent and the average value per transaction increased 10.4 percent. In the previous month, transactions increased 4.3 percent while the value per transaction increased 20.2 percent. For calendar year 2005, transactions are up 7.6 percent while the value per transaction is up 20.0 percent.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$38,000 (6.2 percent) above the estimate in the three months since the November forecast.

The General Fund-State Forecast for the 2005-07 and the 2007-09 Biennia

The February 2006 forecast for the economy and the GFS revenue for the 2005-07 continues to be very positive. A quarter of the way into the biennium, revenue growth remains very strong and continues to exceed expectations. Growth of major excise taxes are 10.7 percent above year-ago levels in the first six months of the biennium and real estate excise tax receipts are 27.8 percent higher than the year-ago level. For more than a year, the forecast has underestimated the strength of real estate activity as well as overall revenue growth. The February 2006 forecast still expects real estate and construction activity to slow due to rising mortgage rates and affordability constraints. The forecast also expects overall spending to slow and revenue growth to decelerate in response to the weaker housing market. Although revenue growth is expected to moderate, the February forecast still assumes strong growth for the biennium as a whole. The forecast expects real personal income in Washington to increase 7.8 percent in the 2005-07 biennium, up from 2.6 percent in the 2003-05 period. Employment growth is also expected to improve, increasing 5.5 percent compared to 1.7 percent in the 2003-05 budget period. Improving employment and income growth will produce a solid increase in GFS revenue in the 2005-07 biennium. The state is expected to collect \$26,443.0 million in GFS receipts in the 2005-07 budget period. This is \$3.1 billion (13.1 percent) more than in the 2003-05 biennium. Adjusting for tax law changes and other non-economic factors, revenue is expected to increase 14.1 percent.

The February 2006 forecast provides the first look at the GFS forecast for the 2007-09 budget period. The forecast expects moderate economic and revenue growth in the 2007-09 biennium. State personal income is expected to increase 13.6 percent next biennium, a slight improvement from the 13.3 percent increase expected during the current biennium. Employment growth is expected to moderate slightly next biennium, growing 4.1 percent, after increasing 5.5 percent in the 2005-07 budget period. Revenue growth is expected to slow a bit as well in the 2007-09 biennium. GFS revenue is expected to increase 9.8 percent in the 2007-09 biennium after increasing 13.1 percent in the 2005-07 biennium and 10.6 percent in the 2003-05 budget period.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These three taxes are expected to account for 83.9 percent of the \$26.4 billion total GFS cash receipts in the 2005-07 biennium. This is down from 84.2 percent in the 2003-05 biennium. These taxes are expected to account for 84.7 percent of GFS revenue in the 2007-09 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 79.7 percent in the

1991-93 biennium and from 75 percent twenty-five years ago. The slight reduction in the General Fund's reliance on these three taxes between the 2003-05 and the 2005-07 biennia is primarily due to a surge in real estate excise tax revenue in the current biennium. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax receipts are expected to increase 25.1 percent in the 2005-07 biennium compared to 13.1 percent for total GFS revenue. Revenue from the real estate excise tax is expected to account for 6.3 percent of GFS revenue in the 2005-07 biennium, up from 5.7 percent in the 2003-05 biennium and 4.1 percent in the 2001-03 biennium. Next biennium the real estate excise tax is expected to account for 5.8 percent of total GFS revenue.

The retail sales and use tax, the state's largest revenue source, generated \$12.7 billion (54.5 percent) of total GFS revenue in the 2003-05 biennium. Sales and use taxes are expected to produce \$14.6 billion (55.1 percent) of the total in the 2005-07 budget period and \$16.2 billion, 55.7 percent of the total in the 2007-09 budget period. The business and occupation tax totaled \$4.2 billion in the 2003-05 biennium, 18.0 percent of total GFS revenue. This tax is expected to produce \$4.8 billion, 18.3 percent of the total in the 2005-07 biennium and \$5.4 billion, 18.6 percent of the total next biennium. The General Fund-State share of the property tax totaled \$2.7 billion, 11.7 percent of total GFS revenue in the 2003-05 biennium. The property tax is expected to total \$2.8 billion, 10.5 percent of the total in the 2005-07 biennium and \$3.0 billion, 10.3 percent of the total in the 2007-09 biennium. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.19, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$27,164.7 million in the third quarter of 2005, the most recent quarter available. This was 10.1 percent higher than a year-ago. Taxable sales increased 8.8 percent in the second quarter of 2005 and 8.7 percent in the first quarter. Taxable sales have now increased on a year-over-year basis for thirteen consecutive quarters after having fallen or remaining unchanged for five straight quarters during the last recession. The increase in the third quarter

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2000 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.7	-4.1%
2003-05	23,388.5	10.6%	21,618.4	6.0%
2005-07 ^F	26,443.0	13.1%	23,253.2	7.6%
2007-09 ^F	29,027.7	9.8%	24,551.1	5.6%

^F: February 2006 Forecast

*Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes. Source: Department of Revenue, the Office of Financial Management and the Office of the Forecast Council 's February 2006 forecast.

Table 3.5
Taxable Retail Sales*
 February 2006
 (Millions of Dollars)

Fiscal Year	Amount	Percent Change
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006 ^F	104,882	7.8%
2007 ^F	109,452	4.4%
2008 ^F	115,860	5.9%
2009 ^F	122,334	5.6%

^F Forecast.

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

of 2005 was the best year-over-year gain since the second quarter of 1990. The increase in taxable sales was again better than personal income and the growth of retail sales nationally. In the third quarter of 2005, U.S. retail sales were 8.4 percent above the year ago level, the same as in the second quarter of 2005. The February 2006 forecast assumes that taxable sales in Washington remained strong in the fourth quarter of 2005. Although the fourth quarter is over, actual taxable sales data for the quarter is not yet available. The forecast assumes that taxable sales were 8.8 percent higher than the year-ago level in the fourth quarter of 2005, a little less than the growth in the second quarter, but again well above the growth of U.S. retail sales (6.2 percent) and the growth of state personal income (6.6 percent).

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC) basis to the North American Industry Classification System (NAICS) making historical comparisons by sector easier and more meaningful. Taxable sales in the third quarter of 2005 of business in the retail trade sector, which accounted for 44.6 percent of all taxable sales in the third quarter of 2005, were 10.0 percent above the year-ago level. Last quarter taxable sales of firms in the retail trade sector increased 7.7 percent. Within retailing, furniture and appliance stores (NAICS 442) reported the largest increase, 17.0 percent. Electronics and appliance stores (NAICS 443) and gasoline stations (NAICS 447) also reported very strong sales gains (+13.9 percent). Building materials and garden supply retailers (NAICS 444) also reported a strong gain in the third quarter, +13.3 percent. Only food and beverage stores (-1.5 percent) reported a decline in taxable sales in the third quarter. This was the fifth consecutive quarter that this sector declined. Taxable sales of auto dealers, the largest retail trade sector accounting for 12.4 percent of taxable sales in the third quarter, were a solid 9.3 percent above the year-ago level. This follows a 6.7 percent increase in the second quarter.

Taxable sales reported by non-retailing sectors were 10.1 percent higher than a year-ago in the third quarter of 2005. This follows a 9.7 percent increase in the second quarter. The year-over-year change

Chart 3.1
General Fund-State Revenue

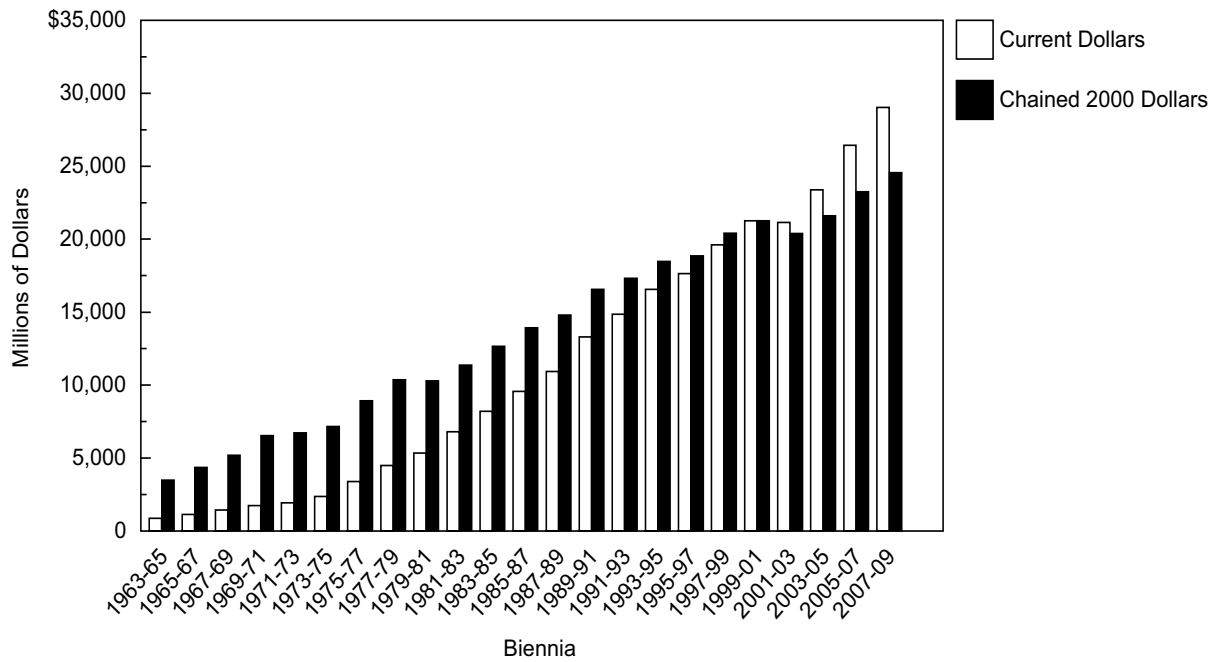


Chart 3.2
General Fund-State Revenue - Percent Change

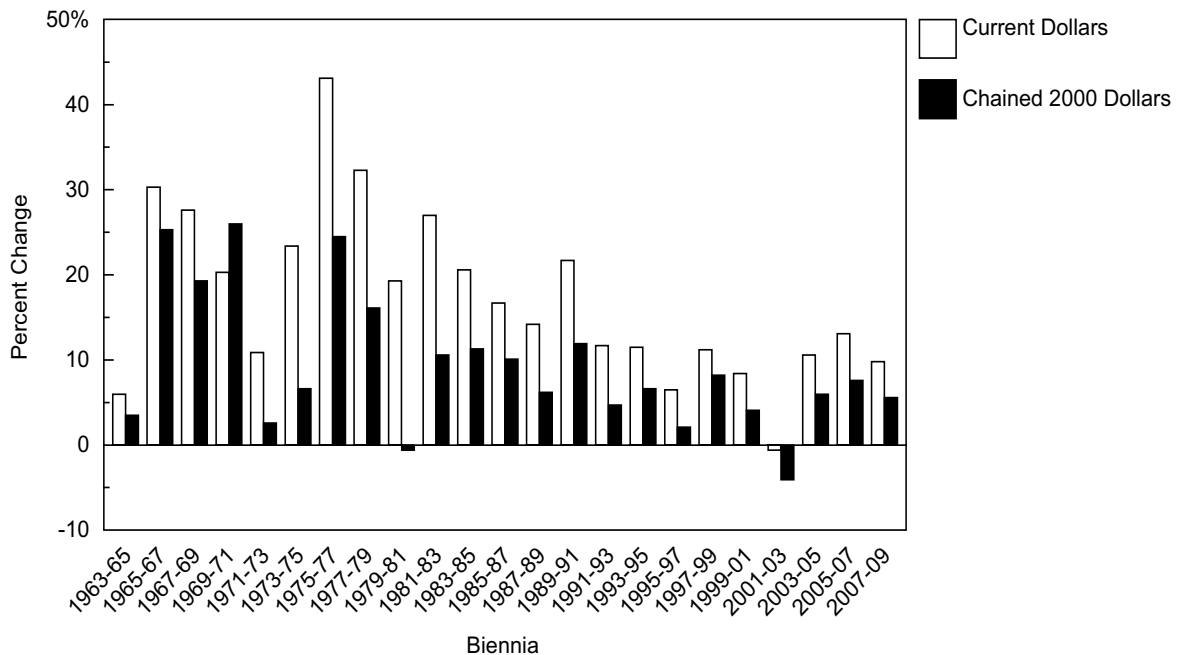


Chart 3.3
Composition of General Fund-State Revenue

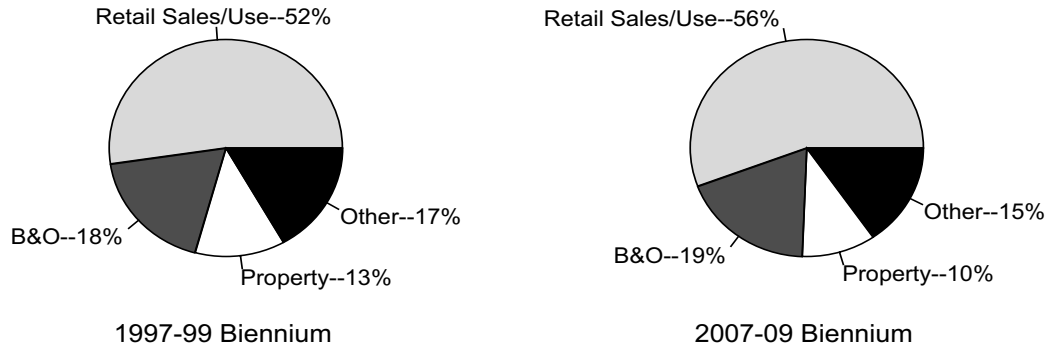


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

in the current quarter varied widely among non-retail trade sectors. Taxable sales reported by the construction sector, which accounted for 18.9 percent of all taxable sales was 15.1 percent higher than a year ago. This sector reported a 16.0 percent increase last quarter. Taxable sales reported by the service sector, which accounted for 17.6 percent of all taxable sales in the third quarter, were 8.9 percent higher than a year-ago. Taxable sales reported by the manufacturing sector increased 9.3 percent and the wholesale trade sector reported a 6.4 percent year-over-year increase. The weakest growth among major non-retailing sectors in the third quarter was a 3.3 percent increase in activity reported by the information sector. The importance of the strong housing market on taxable sales growth is again very evident from third quarter taxable sales data. Housing related sectors (construction, furniture, building materials and electronics/appliance retailers-accounting for 28.5 percent of total taxable sales) reported a 14.7 percent increase in taxable sales in the third quarter of 2005; taxable sales increased 8.3 percent for all other sectors.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 10.8 percent higher than a year ago in the third quarter of 2005. Taxable sales increased 9.0 percent in the rest of the state. Taxable sales in King County were 9.4 percent higher than a year-ago for the quarter. This is the ninth straight quarterly increase in King County. Prior to the third quarter of 2003, taxable sales in King County had declined or remained unchanged eight of the previous nine quarters. Taxable sales growth in King County, while improving, continues to lag the statewide average. King County taxable sales growth has been below the statewide average for nineteen consecutive quarters. Taxable sales in Snohomish County increased 13.5 percent in the third quarter of 2005 and Pierce County reported a 13.7 percent increase. Taxable sales in Spokane County were 8.6 percent above the year-ago level.

Statewide taxable sales increased 7.9 percent in fiscal 2005, a significant improvement over the prior four years. During the last recession, taxable sales were very weak. Taxable sales increased only 2.8 percent in fiscal 2001, declined 1.4 percent in fiscal 2002 and grew only 2.1 percent in fiscal 2003. Growth improved to 4.6 percent in fiscal 2004. The stronger growth in fiscal 2005 reflects pent up demand from the prior four years and a very favorable economic environment including low interest rates and steadily improving job and income growth. The strong housing market and associated high level of home equity cash-outs added significantly to the strong fiscal 2005 taxable sales increase. Growth has accelerated in the first six months of fiscal 2006. However, the February 2006 forecast expects slower taxable sales growth for the remainder of the 2005-07 biennium. After increasing much faster than income for three years, taxable sales growth is expected to grow slower than income beginning in fiscal 2007 as the housing boom subsides and as consumers replenish their savings. The forecast assumes taxable sales will increase 7.8 percent in fiscal 2006 and 4.4 percent in fiscal 2007. Taxable sales growth is expected to rebound in fiscal 2008, increasing 5.9 percent. Taxable sales are expected to increase 5.6 percent in fiscal 2009.

Forecast Change for the 2005-07 Biennium

The February 2006 forecast of General Fund-State revenue for the 2005-07 biennium is \$107.3 million higher than in November. The change includes a \$51.6 million reduction due to non-economic reasons and a \$158.9 million increase to the forecast due to a still improving economic environment. The economic change to the forecast includes \$76.0 million of higher than expected collections in the three months since the November forecast.

Table 3.6 summarizes the changes to the GFS cash forecast for the 2005-07 biennium by type of change. Tables 3.7 and 3.8 summarize the February 2006 revisions to GFS revenue for the 2005-07 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the initial GFS revenue forecast for the 2007-09 biennium by agency and

source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source. Table 3.12 provides a fiscal year summary of GFS cash receipts. Table 3.13 summarizes the impact of the February 2006 non-economic change to the forecast. Below is a brief description of the non-economic change incorporated into the forecast in February 2006 and a summary of the changes to the forecast by agency.

February 2006 Non-Economic Changes

The 2005-07 GFS forecast was reduced \$51.6 million due to a non-economic factor in February 2006. The impact of this adjustment to the GFS forecast is summarized in Table 3.13. After the November 2005 forecast, the Department of Revenue concluded that under current law the insurance premiums tax statute precludes payments of most other taxes by the insurance industry. This effectively exempts the insurance industry from the state retail sales tax. The Department of Revenue estimates the impact of this finding will reduce GFS in the 2005-07 biennium by \$51.6 million. The loss next biennium is estimated to be \$65.0 million. The loss estimates include the on-going impact as well as refunds for payment of the tax in prior years.

Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue in the 2005-07 and 2007-09 biennia. The February 2006 forecast for the 2005-07 biennium of GFS revenue sources administered and collected by the Department of Revenue is \$86.1 million higher than in November. This includes a \$137.7 million increase to GFS forecast due to a better economic outlook and stronger than expected revenue collections since the last forecast. The increase due to the better economy is partially offset by a \$51.6 million reduction due to a non-economic adjustment (the exemption of the insurance industry from the sales tax).

Major changes to the Department of Revenue GFS forecast for the 2005-07 biennium in February 2006 include a \$51.9 million increase to the real estate excise tax forecast, a \$23.3 million increase to the retail sales tax forecast, and a \$13.8 million increase to the business and occupation tax forecast. The changes to the Department of Revenue forecast primarily reflect the combination of actual collection experience and an improvement in the economic outlook. The change to the retail sales tax also includes the impact of the non-economic adjustment.

Most major tax sources are expected to experience modest growth in the 2005-07 biennium. The major exceptions are the portion of the state property tax levy that goes to the General Fund, the GFS portion and the estate tax. While overall the state levy is expected to increase 6.6 percent in the 2005-07 biennium, the General Fund portion of the property tax is expected to increase only 1.4 percent. This is due to the impact of Initiative 728 which diverts a portion of the state levy from the General Fund to the Student Achievement Account (SAA). The forecast assumes that the share of the state levy going to the SAA (instead of the General Fund) which grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium will grow to \$491.9 million in the 2005-07 biennium. The Washington estate tax was ruled invalid by the Washington State Supreme Court and the General Fund will no longer get estate tax revenue after mid-fiscal 2006. Although a new estate tax was enacted it no longer goes to the General Fund.

The forecast for the real estate excise tax was increased again in February. Although there is finally some evidence of slowing real estate activity, the deceleration is less than was assumed in November. The February forecast continues to assume that there will be a correction during the 2005-07 biennium. The

forecast does not expect a crash or falling prices, but taxable sales are expected to decline. The forecast continues to assume the correction will be triggered by higher mortgage rates and that it will be similar in magnitude and duration to the average of the last two non-recession downturns. The correction is expected to last five quarters with a peak-to-trough decline in taxable activity of about twenty-five percent. Despite this correction, the GFS portion of the real estate excise tax is still expected to increase 25.1 percent in the 2005-07 biennium. This is in part due to the strong growth experienced early in fiscal 2006 and part due to legislation which speeds up collection of the tax.

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 2005-07 biennium has been decreased \$0.1 million to \$40.4 million. The department's initial forecast for the 2007-09 biennium is \$43.9 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 2005-07 biennium was increased \$1.4 million to \$18.4 million due mainly to forecasted increases in recoveries of prior expenditures and fines and forfeits by the Department of Social and Health Services. The office's initial forecast for the 2007-09 biennium is \$9.0 million. The large reduction in revenue from the 2005-07 biennium to the next is due to forecasted increases in transfers out of the General Fund and distributions to local governments.

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 2005-07 biennium has been increased \$17.4 million to \$133.2 million due to increases in both the forecasts of short-term interest rates and of fund balances. The office's initial forecast for the 2007-09 biennium is \$128.7 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 2005-07 biennium has been increased \$2.3 million to \$495.9 million. The office's initial forecast for the 2007-09 biennium is \$553.5 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 2005-07 biennium has been decreased \$0.2 million to \$95.3 million and its forecast of beer and wine surtaxes was increased \$0.2 million to \$4.2 million. The board's initial forecast of excess funds and fees for the 2007-09 biennium is \$108.4 million and its forecast of beer and wine surtaxes is \$4.5 million.

Table 3.6

Summary of Changes to the General Fund-State Forecast

February 2006 Cash Forecast

(Millions of Dollars)

	<u>February 2006 Change</u>
<u>2005-07 Biennium</u>	
<i>Collection Experience in the 2005-07 Biennium</i>	\$76.0
Department of Revenue ¹	76.0
Department of Licensing ²	0.0
<i>Non Economic Adjustments to the Forecast</i> ³	(\$51.6)
<i>Forecast Change for the 2005-07 Biennium</i>	\$82.9
Department of Revenue	61.7
Other agencies	21.2
Total Change: 2005-07 Biennium*	\$107.3

¹ Variance based on collections November 11, 2005 to February 10, 2006.

² Variance based on collections November 2005 through January 2006.

³ Non economic adjustment: determination that the insurance industry is exempt from payment of sale tax on telephone services.

* Detail may not add due to rounding.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction and stadium/exhibition center accounts receive their allotments. The Commission's General Fund cash forecast for the 2005-07 biennium is unchanged at \$1.9 million. No General Fund revenue is currently forecasted for the 2007-09 biennium. The Commission's forecast of revenues for the School Construction Account for the 2005-07 biennium is unchanged at \$189.6 million and its initial forecast for the 2007-09 biennium is \$180.3 million.

Track Record for the 2005-07 Biennium

The February 2006 GFS cash receipts forecast for the 2005-07 biennium totals \$26,443.0 million. This is \$107.3 million more than the previous forecast released in November 2005. Excluding a \$51.6 million reduction for a non-economic reason, the forecast is up \$158.9 million. The February 2006 update is the eighth revision to the GFS revenue forecast for the 2005-07 biennium since the initial forecast in February 2004. Seven of the eight revisions, including the February 2006 update, have increased the forecast for the 2005-07 biennium excluding legislation and other non-economic factors. The February 2006 forecast for the 2005-07 budget period is now \$1,490 million more than the initial estimate for the biennium. Non-economic changes, including 2005 and 2004 legislation along with the impact of the two recent State Supreme Court decisions and the impact of Initiative 900, have reduced the forecast by \$480 million. Excluding non-economic changes, the current GFS forecast for the 2005-07 biennium is \$1,969 million (7.9 percent) higher than the initial February 2004 forecast. Table 3.14 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium.

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

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GFS revenue forecast on both a cash and GAAP basis. Thus, there are two related but distinct GFS forecasts summarized in this chapter: a cash receipts forecast and a GAAP revenue forecast. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GFS forecast in the text of this chapter 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 3.16 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2003-05 biennium is \$23,596.4 million on a GAAP basis, \$207.9 million more than the \$23,388.5 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$26,534.1 million on a GAAP basis, \$91.0 million more than the \$26,443.0 million cash forecast. For the 2007-09 biennium, the GFS forecast on a GAAP basis is \$29,116.4 million, \$88.7 million more than the \$29,027.7 cash receipts total.

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

Forecast by Agency	November 2005 Forecast¹	Non- Economic Changes²	Forecast Revision	February 2006 Forecast³	Total Change
Department of Revenue					
Retail Sales	\$13,574.3	(51.6)	\$74.9	\$13,597.7	\$23.3
Business & Occupation Use	4,825.6	0.0	13.8	4,839.4	13.8
Public Utility	963.5	0.0	(1.4)	962.1	(1.4)
Liquor Sales/Liter	654.7	0.0	0.5	655.3	0.5
Cigarette	281.7		0.8	282.5	0.8
Property (State Levy)	97.8		2.5	100.3	2.5
Real Estate Excise	2,785.0		(2.5)	2,782.5	(2.5)
Timber Excise	1,609.0		51.9	1,660.9	51.9
Other	20.4		(1.4)	19.0	(1.4)
Subtotal	755.6	0.0	(1.5)	754.1	(1.5)
	25,567.6	(51.6)	137.7	25,653.7	86.1
Department of Licensing					
Boat excise, licenses, fees & other	40.5		(0.1)	40.4	(0.1)
Insurance Commissioner					
Insurance Premiums	493.5		2.3	495.9	2.3
Liquor Control Board					
Liquor Profits and Fees	95.5		(0.2)	95.3	(0.2)
Beer & Wine Surtax	4.0		0.2	4.2	0.2
Lottery Commission					
Lottery Revenue	1.9		0.0	1.9	0.0
State Treasurer					
Interest Earnings	115.8		17.4	133.2	17.4
Office of Financial Management					
Other	17.0		1.4	18.4	1.4
Total General Fund-State *	\$26,335.7	(\$51.6)	\$158.9	\$26,443.0	\$107.3

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

2 The Department of Revenue has concluded that under current law the insurance industry is except from the the payment of sales tax on telephone services. Impact includes on-going impact and refunds of taxes already paid.

3 Revised General Fund-State forecast for the 2005-07 biennium, adopted February 2006.

*Detail may not add to totals because of rounding.

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

Forecast by Agency	November 2005 Forecast¹	Non- Economic Changes²	Forecast Revision	February 2006 Forecast³	Total Change
Department of Revenue					
Retail Sales	\$13,627.9	(51.6)	\$79.0	\$13,655.4	\$27.4
Business & Occupation Use	4,835.4	0.0	14.1	4,849.5	14.1
Public Utility	965.4	0.0	0.5	965.9	0.5
Liquor Sales/Liter Cigarette	656.3	0.0	0.5	656.8	0.5
Property (State Levy)	282.2		1.2	283.4	1.2
Real Estate Excise	100.6		(0.7)	99.9	(0.7)
Timber Excise	2,785.6		(2.5)	2,783.1	(2.5)
Other	1,617.5		58.9	1,676.3	58.9
Subtotal	20.4	0.0	(1.1)	19.4	(1.1)
	755.7	0.0	(0.5)	755.1	(0.5)
	25,646.9	(\$51.6)	149.4	25,744.7	97.8
Department of Licensing					
Boat excise, licenses, fees & other	40.7		(0.1)	40.6	(0.1)
Insurance Commissioner					
Insurance Premiums	493.5		2.3	495.9	2.3
Liquor Control Board					
Liquor Profits and Fees	95.5		(0.2)	95.3	(0.2)
Beer & Wine Surtax	4.0		0.2	4.2	0.2
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	116.6		18.2	134.8	18.2
Office of Financial Management					
Other	17.1		1.5	18.6	1.5
Total General Fund-State *	\$26,414.3	(\$51.6)	\$171.4	\$26,534.1	\$119.8

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

2 The Department of Revenue has concluded that under current law the insurance industry is except from the payment of sales tax on telephone services. Impact includes on-going impact and refunds of taxes already paid.

3 Revised General Fund-State forecast for the 2005-07 biennium, adopted February 2006.

*Detail may not add to totals because of rounding.

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

Forecast by Agency	November 2005 Forecast	Non- Economic Changes¹	Forecast Revision	February 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	na	(65.0)	na	\$15,092.4	na
Business & Occupation Use	na	0.0	na	5,409.2	na
Public Utility	na	0.0	na	1,086.8	na
Liquor Sales/Liter	na		na	688.5	na
Cigarette	na		na	297.6	na
Property (State Levy)	na		na	97.2	na
Real Estate Excise	na		na	2,985.5	na
Timber Excise	na		na	1,691.0	na
Other	na	0.0	na	20.3	na
Subtotal	na	(65.0)	na	811.2	na
Department of Licensing					
Boat excise, licenses, fees & other	na		na	43.9	na
Insurance Commissioner					
Insurance Premiums	na		na	553.5	na
Liquor Control Board					
Liquor Profits and Fees	na		na	108.4	na
Beer & Wine Surtax	na		na	4.5	na
Lottery Commission					
Lottery Revenue	na		na	0.0	na
State Treasurer					
Interest Earnings	na		na	128.7	na
Office of Financial Management					
Other	na		na	9.0	na
Total General Fund-State *	na	(\$65.0)	na	\$29,027.7	na

1 The Department of Revenue has concluded that under current law the insurance industry is except from the the payment of sales tax on telephone services. Impact includes on-going impact and refunds of taxes already paid.

2 Initial General Fund-State forecast for the 2007-09 biennium, adopted February 2006.

*Detail may not add to totals because of rounding.

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

Forecast by Agency	November 2005 Forecast	Non- Economic Changes¹	Forecast Revision	February 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	na	(65.0)	na	\$15,149.0	na
Business & Occupation Use	na	0.0	na	5,419.2	na
Public Utility	na	0.0	na	1,090.6	na
Liquor Sales/Liter	na		na	690.0	na
Cigarette	na		na	298.4	na
Property (State Levy)	na		na	96.8	na
Real Estate Excise	na		na	2,986.1	na
Timber Excise	na		na	1,706.4	na
Other	na	0.0	na	19.9	na
Subtotal	na	(\$65.0)	na	812.2	na
Department of Licensing					
Boat excise, licenses, fees & other	na		na	44.1	na
Insurance Commissioner					
Insurance Premiums	na		na	553.5	na
Liquor Control Board					
Liquor Profits and Fees	na		na	108.4	na
Beer & Wine Surtax	na		na	4.5	na
Lottery Commission					
Lottery Revenue	na		na	0.0	na
State Treasurer					
Interest Earnings	na		na	127.9	na
Office of Financial Management					
Other	na		na	9.2	na
Total General Fund-State *	na	(\$65.0)	na	\$29,116.4	na

1 The Department of Revenue has concluded that under current law the insurance industry is except from the the payment of sales tax on telephone services. Impact includes on-going impact and refunds of taxes already paid.

2 Initial General Fund-State forecast for the 2007-09 biennium, adopted February 2006

*Detail may not add to totals because of rounding.

Table 3.11
February 2006 General Fund-State Forecast
2005-07 & 2007-09 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2005^a	Fiscal 2006	Fiscal 2007	2005-07 Biennium	Fiscal 2008	Fiscal 2009	2007-09 Biennium
State Taxes							
Retail sales***	\$6,151.4	\$6,696.7	\$6,900.9	\$13,597.7	\$7,323.0	\$7,769.4	\$15,092.4
Business & occupation Use***	2,195.8	2,377.0	2,462.3	4,839.4	2,628.7	2,780.5	5,409.2
Public Utility	439.6	478.4	483.7	962.1	525.3	561.5	1,086.8
Liquor sales/liter	294.8	326.0	329.3	655.3	337.8	350.7	688.5
Beer & wine surtax	104.8	139.4	143.1	282.5	146.9	150.7	297.6
Cigarette	1.8	2.1	2.1	4.2	2.2	2.3	4.5
Tobacco products	52.2	51.0	49.3	100.3	48.9	48.3	97.2
Property (state school levy)**	9.5	9.1	10.1	19.2	10.5	10.9	21.5
Public utility district	1,372.6	1,365.5	1,417.0	2,782.5	1,469.7	1,515.7	2,985.5
Real estate excise	38.0	38.8	41.3	80.2	43.8	46.3	90.1
Timber excise	759.4	876.9	784.0	1,660.9	819.7	871.3	1,691.0
Estate/inheritance	10.1	9.6	9.5	19.0	9.9	10.4	20.3
Motor vehicle excise & Rental car	(43.1)	6.2	0.0	6.2	0.0	0.0	0.0
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	14.8	15.2	16.0	31.2	16.9	17.9	34.9
Other	228.0	242.2	253.7	495.9	269.6	283.9	553.5
Total Taxes	237.0	254.3	262.8	517.1	272.9	280.7	553.5
State Non-Tax Sources							
Licenses, permits, fees	75.8	81.3	83.6	164.9	84.6	86.7	171.4
Liquor profits & fees	45.5	45.9	49.4	95.3	52.5	55.8	108.4
Earnings on investments	28.8	62.4	70.9	133.2	65.9	62.8	128.7
Lottery transfers	4.3	1.9	0.0	1.9	0.0	0.0	0.0
Other revenue & transfers	46.0	(1.8)	(4.1)	(5.9)	(6.0)	(1.2)	(7.2)
Total Non-Tax	200.5	189.6	199.8	389.4	197.0	204.2	401.2
Total General Fund-State *	\$12,067.3	\$13,078.1	\$13,364.9	\$26,443.0	\$14,123.0	\$14,904.7	\$29,027.7

a - Actual;

* Detail may not add to totals due to rounding.

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

***GFS portion after Initiative 900 transfer.

Table 3.15 shows the budgetary balance sheet for the 2003-05 and 2005-07 biennia. The ending balances in Table 3.15 are as of the date the February 2006 GFS forecast was adopted by the Economic and Revenue Forecast Council and prior to any action by the 2006 legislature on either spending or taxation. The final 2003-05 GFS unrestricted ending balance is \$869.7 million. This is 3.7 percent of the 2003-05 spending level. The balance sheet for the 2005-07 biennium shows a projected ending balance of \$1,223.1 million. In addition, the Emergency Reserve Account has a projected balance of \$353.7 million for a total reserve, prior to supplemental appropriations or other legislative action, of \$1,576.8 million. This is 6.1 percent of the current spending level for the 2005-07 biennium of \$25,952.4.

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

The February forecast continues to expect a healthy economy for the remainder of the 2005-07 biennium and for the 2007-09 biennium. Revenue growth in the first six months of the 2005-07 biennium has been very strong, especially in terms of the state's major excise taxes and the real estate excise tax. The February baseline forecast, like previous forecasts, expects some slowing in the 2005-07 biennium in response to rising interest rates and relatively high energy costs. The savings rate has been negative and at some point consumer spending will be scaled back as consumers replenish their savings. In addition, a weaker housing market is expected to slow housing related spending as well as other spending as housing equity cash-outs subside. So far the assumed housing correction and slower spending expected in the baseline forecast has yet to occur. While the forecast still believes slower growth lies ahead, when and to what degree is much less certain. The onset of slower growth may be pushed out further in the future than assumed in the baseline forecast or it may not occur at all. On the other hand, interest rates may increase more than expected and the slowdown expected in housing may be worse than anticipated in the baseline forecast. The revenue implications of stronger, as well as weaker economic growth, are contained in two alternative forecasts.

The February 2006 optimistic scenario is once again an "everything goes right" scenario. The optimistic forecast assumes that productivity increases faster than assumed in the baseline forecast. A stronger dollar and lower energy costs keep inflation lower than in the baseline forecast. Lower inflation results in lower interest rates, a stronger housing market, stronger business investment, and stronger consumer spending than assumed in the baseline forecast. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 4.2 percent higher than in the baseline by the end of the 2005-07 biennium and state wage and salary employment is 53,300 higher by the end of the 2005-07 budget period.

The February 2006 pessimistic scenario assumes inflation accelerates due to higher energy costs. In this scenario, interest rates are higher than in the baseline which leads to a steep decline in housing. Consumer and business confidence falls as does spending. The weak national economy results in weaker job and income growth in the state. In the pessimistic scenario, state personal income is 3.2 percent less than the baseline by the end of the 2005-07 biennium and wage and salary employment is 55,500 less than the baseline by the end of the 2005-07 budget period.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2005-07 biennium. The optimistic scenario generates \$27,163.8 million, \$720.8 million more than the baseline forecast. The pessimistic alternative produces only \$25,754.2 million GFS revenue in the 2005-07 biennium, \$688.8 million less than the baseline forecast. For the 2007-09 biennium, the range is wider (Table 3.18). The optimistic GFS forecast for the 2007-09 biennium is \$30,630.4 million, \$1,602.7 million more than the baseline forecast. The pessimistic alternative for the 2007-09 budget period generates only \$27,450.6 million, 1,577.1 million less than the baseline.

Table 3.12
General Fund - State Cash Receipts
 February 2006 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%
Forecast		
2006	13,078.1	8.4%
2007	13,364.9	2.2%
2008	14,123.0	5.7%
2009	14,904.7	5.5%

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA). The February 2006 GCEA scenario was based on the forecast of seven members of the GCEA. The GCEA alternative was close to the February 2006 baseline forecast, producing \$85 million less than the baseline for the 2005-07 biennium.

Table 3.13

Non-Economic Adjustments

February 2006 GFS Forecast

Millions of Dollars

	<u>FY 2006</u>	<u>FY 2007</u>	<u>05/07 Bien.</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>07/09 Bien.</u>
Insurance companies except from sales tax on telephone services*						
Refunds**		(26.3)	(26.3)	(26.3)		(26.3)
on-going	(8.0)	(17.3)	(25.3)	(18.3)	(20.4)	(38.7)
Total: Non-Economic changes	(8.0)	(43.6)	(51.6)	(44.6)	(20.4)	(65.0)

*The Department of Revenue has determined that under current law the insurance industry is exempt from sales tax on telephone services.

**Refunds for prior periods; assumes half will be refunded in FY 2007 and half in FY 2008.

Table 3.14

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

February 2004 through February 2006

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2004****	\$24,293	\$660				\$24,953
Changes to Forecast						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005	327	14	341	159 #4	499	25,385
September 2005	631	15	646	0	646	26,031
November 2005	306	24	330	(25) #5	305	26,336
February 2006	138	21	159	(52) #6	107	26,443
Total change***:						
From February 2004	1,858	111	1,969	(480)	1,490	
Percent change	7.6%	16.8%	7.9%	-1.9%	6.0%	

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

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

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

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

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

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

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

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

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

Table 3.15

2003-05 and 2005-07 Biennial Balance Sheet Including 2004 and 2005 Supplemental Budgets

General Fund-State

Dollars in Millions

	2003-05	2005-07
RESOURCES		
Beginning Fund Balance	404.6	869.7
November 2005 Forecast	23,388.5	26,335.7
February 2006 Forecast Update		158.9
Non-Economic Adjustment		(51.6)
Current Revenue Totals	23,388.5	26,443.0
2003-04 Fund Transfers, Grants and Other Adjustments	291.7	
2005 Fund Transfers and Other Adjustments	456.6 *	216.5
Spillover Transfer to the Emergency Reserve Account		(353.7)
Total Resources (Includes Fund Balance)	24,541.4	27,175.5
APPROPRIATIONS AND SPENDING ESTIMATES		
2003-05 Appropriations w/Supplemental Budgets	23,671.7	0.0
2005-07 Appropriations		25,952.4
Spending Level	23,671.7	25,952.4
UNRESTRICTED GENERAL FUND BALANCE		
Projected Ending Fund Balance	869.7	1,223.1
Emergency Reserve Account Projected Balance		353.7

* OFM's final December accounting reconciliation for Fiscal Year 2005 results in a \$17 million increase to the November 2005 balance sheet. This net number includes changes to expected federal expenditures in Department of Social and Health Services, and small changes in other agencies.

Table 3.16
February 2006 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

Agency	2003-05 Biennium			2005-07 Biennium			2007-09 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$22,573.4	\$22,771.6	\$198.2	\$25,536.7	\$25,626.5	\$89.8	\$28,051.4	\$28,140.0	\$88.6
Department of Licensing	45.1	46.1	0.9	40.4	40.6	0.2	43.9	44.1	0.2
Insurance Commissioner ⁴	459.9	459.9	0.0	511.6	511.6	0.0	570.9	570.9	0.0
State Treasurer	50.7	52.1	1.4	133.2	134.8	1.6	128.7	127.9	(0.7)
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	211.4	211.4	0.0	217.4	217.6	0.1	224.6	224.7	0.1
Subtotal: General Fund-State Cash/Revenue*	23,340.6	23,541.1	200.5	26,439.4	26,531.1	91.7	29,019.4	29,107.7	88.3
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	147.0	152.5	5.5	117.1	118.2	1.1	128.4	128.8	0.4
Lottery Commission	4.3	6.1	1.9	1.9	0.0	(1.9)	0.0	0.0	0.0
Insurance Commissioner ⁷	(14.3)	(14.3)	0.0	(15.7)	(15.7)	0.0	(17.4)	(17.4)	0.0
Liquor Control Board	92.0	92.0	0.0	99.5	99.5	0.0	112.9	112.9	0.0
Office of Financial Management									
Other Agencies ⁸	(181.0)	(181.0)	0.0	(199.0)	(199.0)	0.0	(215.6)	(215.6)	(0.0)
Subtotal: GFS Other Financing Sources	47.9	55.3	7.4	3.7	2.9	(0.7)	8.3	8.7	0.4
Total Available Receipts/Resources									
General Fund-State *	\$23,388.5	\$23,596.4	\$207.9	\$26,443.0	\$26,534.1	\$91.0	\$29,027.7	\$29,116.4	\$88.7

* 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 3.17
February 2006 Alternative Forecasts Compared to the Baseline Forecast
2005-07 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	\$13,916.4	\$13,597.7	\$13,278.0
Business & Occupation Use	4,933.6	4,839.4	4,777.5
Public Utility	987.7	962.1	940.6
Property (school levy)	658.7	655.3	654.9
Real Estate Excise	2,859.1	2,782.5	2,699.0
Other	1,727.4	1,660.9	1,573.0
Subtotal	1,220.0	1,156.0	1,100.9
	26,303.0	25,653.7	25,023.8
<i>Department of Licensing</i>			
	41.6	40.4	39.2
<i>Insurance Commissioner¹</i>			
	508.2	495.9	483.5
<i>Lottery Commission</i>			
	9.2	1.9	0.0
<i>State Treasurer - Interest earnings</i>			
	171.3	133.2	102.3
<i>Liquor Profits & Fees²</i>			
	101.5	99.5	97.5
<i>Office of Financial Management</i>			
Other agencies	28.9	18.4	7.9
Total General Fund - State*	\$27,163.8	\$26,443.0	\$25,754.2
Difference from February 2006 Baseline	\$720.8		(\$688.8)

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

**February 2006 Alternative Forecasts Compared to the Baseline Forecast
2007-09 Biennium**
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
<i>Department of Revenue</i>			
Retail Sales	\$15,847.0	\$15,092.4	\$14,337.8
Business & Occupation Use	5,679.7	5,409.2	5,138.7
Public Utility	1,141.2	1,086.8	1,037.9
Property (school levy)	722.9	688.5	654.0
Real Estate Excise	3,134.8	2,985.5	2,836.2
Other	1,872.1	1,691.0	1,511.8
Subtotal	1,292.9	1,226.3	1,165.8
	29,690.5	28,179.7	26,682.3
<i>Department of Licensing</i>	45.2	43.9	42.5
<i>Insurance Commissioner¹</i>	567.3	553.5	539.7
<i>Lottery Commission</i>	0.0	0.0	0.0
<i>State Treasurer - Interest earnings</i>	190.7	128.7	76.6
<i>Liquor Profits & Fees²</i>	115.2	112.9	112.9
<i>Office of Financial Management</i>			
Other agencies	21.5	9.0	(3.5)
Total General Fund - State*	\$30,630.4	\$29,027.7	\$27,450.6
Difference from February 2006 Baseline	\$1,602.7		(\$1,577.1)

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
February 2005 Cash Forecast; Millions of Dollars**

I. Disposition of the State portion of the Property Tax

	State Levy: Total Receipts	To the General Fund	To the Student Achievement Account ¹
2002	1,415.0	1,281.8	133.1
2003	1,465.5	1,331.6	133.9
2001-03 Biennium	2,880.5	2,613.5	267.0
2004	1,504.7	1,370.5	134.2
2005	1,568.1	1,372.6	195.5
2003-05 Biennium	3,072.8	2,743.1	329.8
2006	1,610.7	1,365.5	245.2
2007	1,663.7	1,417.0	246.7
2005-07 Biennium	3,274.4	2,782.5	491.9
2008	1,718.3	1,469.7	248.6
2009	1,774.4	1,515.7	258.6
200-09 Biennium	3,492.7	2,985.5	507.2

II. Lottery Transfers by Fund*

	Lottery: Total Transfers:**	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account ¹	School Construction Account ¹	Transfer to VERDE ²
2002	90.2	0.0	3.7	6.7	39.9	39.9	0.0
2003	96.8	0.0	3.9	7.0	64.0	21.4	0.5
2001-03 Biennium	187.0	0.0	7.6	13.8	103.9	61.3	0.5
2004	113.3	0.0	4.0	7.3	76.5	25.5	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7	0.0
2006	113.6	1.9	4.4	7.9	0.0	99.5	0.0
2007	102.9	0.0	4.5	8.2	0.0	90.2	0.0
2005-07 Biennium	216.4	1.9	8.9	16.1	0.0	189.6	0.0
2008	103.4	0.0	4.7	8.5	0.0	90.2	
2009	103.9	0.0	4.9	8.9	0.0	90.2	
2007-09 Biennium	207.3	0.0	9.6	17.4	0.0	180.3	0.0

* Cash Basis

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

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

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

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Washington Exports 2001 to 2005

Relative to the size of its economy, Washington exports are quite large compared to those of a typical state. As shown in Chart 4.1, exports from Washington averaged 16.1 percent of the state's Gross State Product (GSP) in the ten years from 1995 through 2004 (the most recent year for which state GSP numbers are available). In contrast, exports from the United States as a whole accounted for an average of only 7.5 percent of the country's total GSP over the same period.

Washington's high concentration of exports is the result of a number of different factors. Chief among these is the presence in Washington of two large producers of transportation equipment, Boeing Commercial Airplanes and PACCAR, which produces Kenworth trucks. Exports of transportation equipment averaged 60.0 percent of Washington's total exports from 1995 through 2004, with the bulk of those exports being aircraft. If exports of transportation equipment are excluded from the statistics, the remaining exports from Washington averaged only 6.4 percent of GSP over that period. This number was still higher, however, than national non-transportation exports as a percent of GSP, which averaged 5.7 percent during that time.

Another factor which may inflate the magnitude of Washington's exports is the way they are measured. The export data for this report was compiled by the World Institute for Strategic Economic Research (WISER), located at Holyoke Community College in Massachusetts. WISER processes data provided by the Census Bureau's Foreign Trade Division in the form of Shippers Export Declarations (SEDs) which require information regarding "the state where the product began its journey to the point of export." Unfortunately, however, the state referred to in SEDs is not necessarily the state of manufacture, production, or extraction. It may, instead, be the location of the broker or wholesaler of the product, or the state of consolidation of shipments. As a result some of the shipments list the state the goods were shipped from, rather than the state from which the exports originated. This may result in some inflation of exports for major port states such as Washington and understatement of exports for other states. According to WISER, this problem is most acute for agricultural shipments. As agricultural products are one of the state's largest exports (see Table 4.4), there exists significant potential for overstatement of the amount of these shipments actually produced in the state. This problem may also affect measurement of Washington's exports to Mexico (reported in Tables 4.6 and 4.8), which may be understated due to attribution of products produced in Washington (such as apples) to ports in California and Texas.

One other thing to note about the export statistics presented here is that most Microsoft software exports are considered as exports of services and are therefore not included in the WISER data, which only measures exports of goods. The only software exports that are measured are those of pre-packaged software, and exports of that software are attributed to the state where the software is reproduced for distribution, not where it is developed. As such, the billions of dollars of Microsoft software exports that are transmitted

electronically or are reproduced and distributed from other locations are not reflected in Washington's export statistics. WISER began reporting prepackaged software exports in 2003.

Table 4.1 lists U.S. exports classified according to the North American Industry Classification System (NAICS) for the years 2001 through 2005. The table shows that the recovery in U.S. exports that began in 2003 has continued through 2005. This improvement is likely the result of both improvement in the world economy and the continuing decline of the trade-weighted value of the U.S. dollar, which has fallen nineteen percent from the first quarter of 2002 to the fourth quarter of 2005.

Table 4.2 lists U.S. exports by continent and the top fifteen countries for 2001 through 2005. While exports to mainland China were the fastest growing in 2005, the country still only represented 4.6 percent of total U.S. exports. Canada and Mexico were by far the largest recipients of U.S. exports in 2005, adding up to 37 percent of the total. Table 4.3 lists U.S. exports to non-Middle-Eastern Asia by industry for 2001 through 2005.

Table 4.4 lists Washington's exports by industry for 2001 through 2005. Total exports grew by 12.3 percent in 2005, due mainly to rebounding transportation equipment exports that grew at a rate of 15.9 percent after two years of decline. Excluding transportation equipment, exports grew at a rate of 8.4 percent. While a \$508 million (49.2 percent) increase in exports of non-electrical machinery was responsible for a large part of the non-transportation growth, the majority of other industries also showed improvement.

Table 4.5 indicates the amount of Washington's top twenty exports for 2005 that are sent to non-Middle-Eastern Asia versus the rest of the world. As can be seen from the table, Asia is the destination for the bulk of the state's food, forestry and agricultural products, accounting for 84 percent of agricultural products, 90 percent of livestock products and 98 percent of forestry products. Asia received 51.5 percent of Washington's 2005 total exports. This relationship can also be seen in Chart 4.2 (which differs slightly in percentage as it includes the Middle East in Asia's portion), which shows Washington and U.S. exports distributed by continent. As illustrated in the chart, exports to Asia make up a much larger proportion of Washington's total exports than they do in relation to total U.S. exports. This is the result both of the state's proximity to Asia and its relative abundance of agricultural, wood and other products that are in demand there.

Table 4.6 lists Washington exports by continent and the top fifteen countries for 2001 through 2005. Table 4.7 lists Washington exports of transportation equipment by continent and the top fifteen countries for 2001 through 2005. Table 4.8 lists Washington exports excluding transportation equipment by continent and the top fifteen countries for 2001 through 2005. Japan tops the lists for total and transportation exports while Canada tops the list of non-transportation exports. Table 4.9 lists Washington exports to non-Middle-Eastern Asia for 2001 through 2005. As can be seen in the table, 2005 non-transportation exports to the region have slowed from the pace of 2003 and 2004, a development that bears watching.

Chart 4.1

Exports as a Percentage of GSP

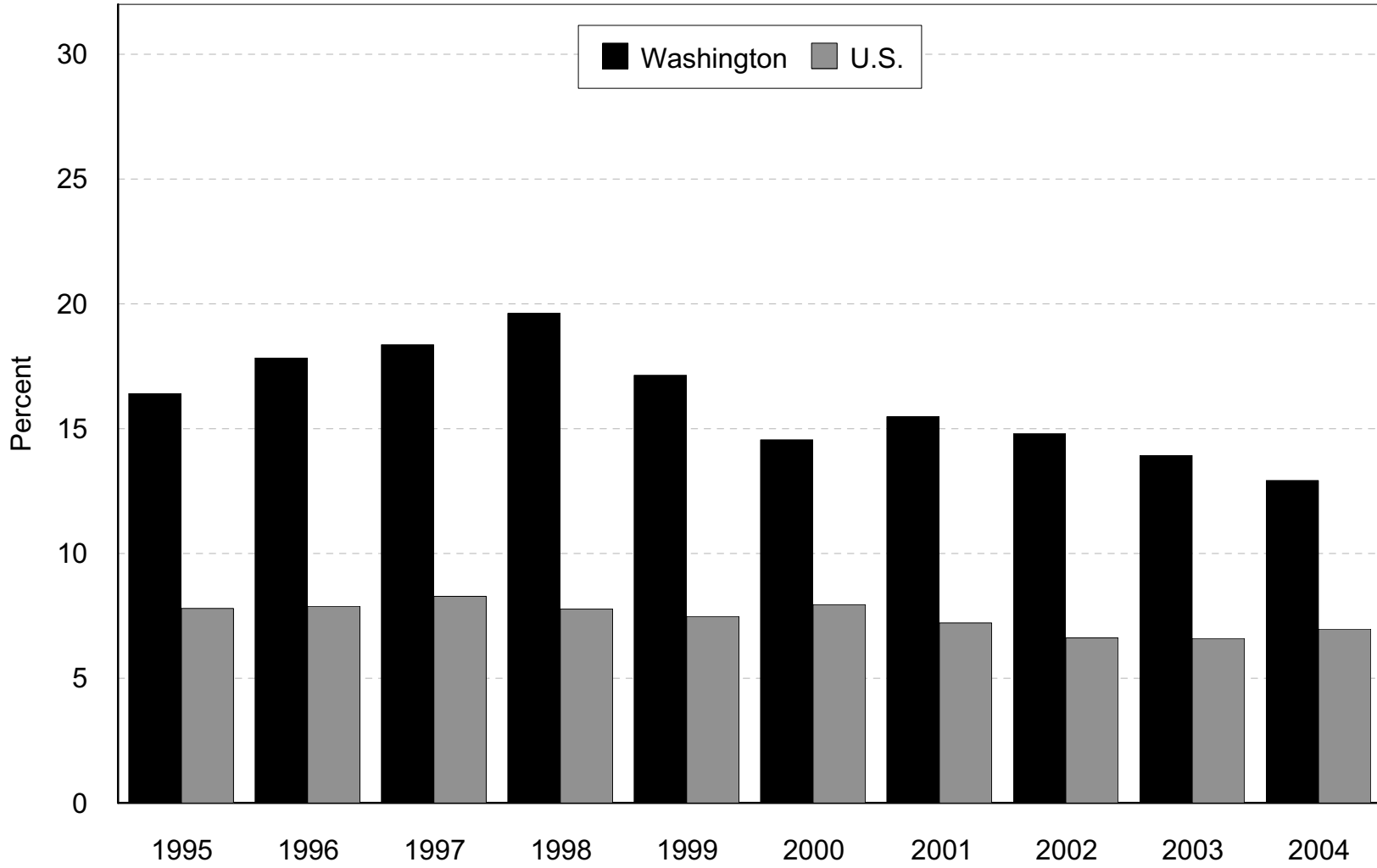


Chart 4.2

Export Destinations, 2005

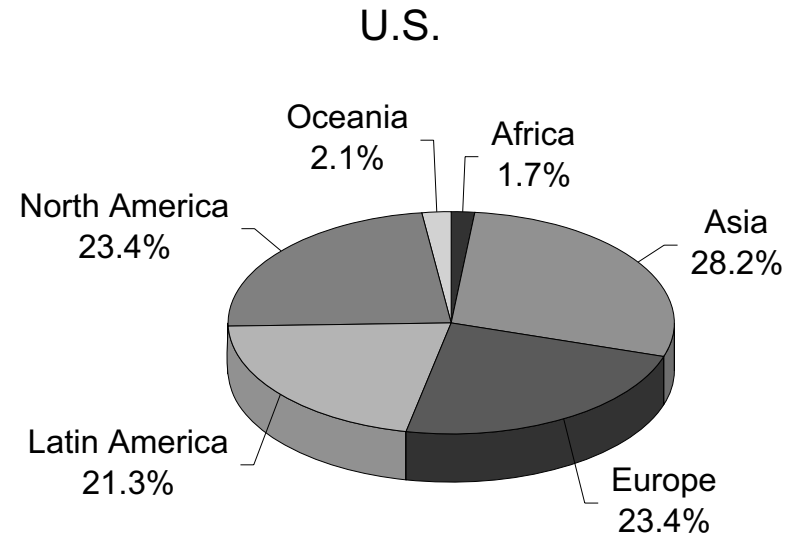
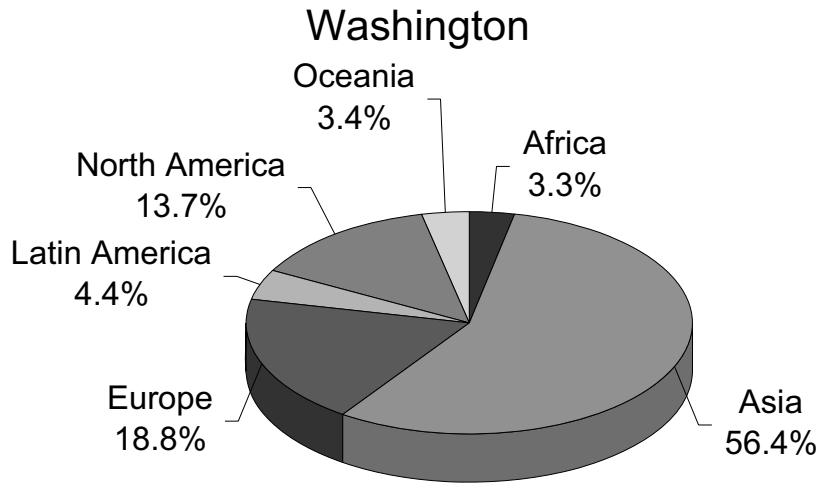


Table 4.1
U.S. Exports by Industry
 All Industries, Sorted by 2005 Exports
 (Millions of Dollars)

	2001	2002	2003	2004	2005	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg
Total All Industries	731,026	693,257	723,743	817,936	904,380	(5.2)	4.4	13.0	10.6
Computer and Electronic Products	165,345	145,848	149,993	164,200	169,992	(11.8)	2.8	9.5	3.5
Transportation Equipment	130,233	130,897	128,854	140,439	160,523	0.5	(1.6)	9.0	14.3
Chemicals	79,034	80,504	91,017	108,484	117,890	1.9	13.1	19.2	8.7
Machinery, except Electrical	81,513	74,945	74,925	92,674	104,220	(8.1)	(0.0)	23.7	12.5
Miscellaneous Manufactured Commodities	25,779	26,661	29,401	34,247	39,650	3.4	10.3	16.5	15.8
Agricultural Products	24,861	25,797	30,359	33,210	31,857	3.8	17.7	9.4	(4.1)
Electrical Equip., Appliances, & Component	24,923	22,848	23,292	26,828	30,391	(8.3)	1.9	15.2	13.3
Special Classification Provisions	27,019	24,716	25,002	27,411	30,166	(8.5)	1.2	9.6	10.1
Primary Metal Manufacturing	19,312	16,689	19,125	22,790	29,782	(13.6)	14.6	19.2	30.7
Food and Kindred Products	27,089	25,856	27,496	26,646	29,572	(4.6)	6.3	(3.1)	11.0
Fabricated Metal Products	20,699	20,187	20,365	22,614	25,288	(2.5)	0.9	11.0	11.8
Plastics and Rubber Products	16,508	16,169	16,510	18,332	19,900	(2.1)	2.1	11.0	8.6
Petroleum and Coal Products	8,416	8,049	9,659	12,829	17,879	(4.4)	20.0	32.8	39.4
Paper	14,496	14,107	14,504	15,732	17,115	(2.7)	2.8	8.5	8.8
Waste and Scrap	4,824	5,165	6,564	8,755	10,526	7.1	27.1	33.4	20.2
Textiles and Fabrics	7,365	7,642	7,805	8,638	8,756	3.8	2.1	10.7	1.4
Minerals and Ores	4,240	3,911	4,020	5,733	8,148	(7.8)	2.8	42.6	42.1
Nonmetallic Mineral Products	7,745	6,326	6,405	6,925	7,287	(18.3)	1.3	8.1	5.2
Printing, Publishing and Similar Products	5,125	4,774	4,984	5,233	5,795	(6.8)	4.4	5.0	10.7
Used or Second-Hand Merchandise	4,644	3,179	3,441	4,367	5,272	(31.5)	8.2	26.9	20.7
Apparel and Accessories	6,956	5,994	5,470	4,962	4,899	(13.8)	(8.7)	(9.3)	(1.3)
Wood Products	4,099	3,948	4,036	4,492	4,715	(3.7)	2.2	11.3	5.0
Oil and Gas	1,339	1,727	2,177	3,112	4,492	28.9	26.1	43.0	44.3
Fish & Other Marine Products	2,969	2,941	3,056	3,461	3,835	(1.0)	3.9	13.3	10.8
Beverages and Tobacco Products	4,435	3,659	3,797	3,758	3,523	(17.5)	3.8	(1.0)	(6.2)
Furniture and Fixtures	2,588	2,323	2,546	2,868	3,157	(10.2)	9.6	12.7	10.1
Leather and Allied Products	2,709	2,593	2,717	2,931	3,086	(4.3)	4.8	7.9	5.3
Textile Mill Products	2,083	1,982	2,004	2,235	2,546	(4.9)	1.2	11.5	13.9
Forestry Products	1,472	1,450	1,515	1,700	1,722	(1.5)	4.5	12.2	1.3
Livestock and Livestock Products	1,325	1,032	1,194	982	1,154	(22.1)	15.7	(17.8)	17.6
Prepackaged Software	NA	NA	336	511	996	NA	NA	52.3	94.7
Goods Ret. to Canada (exports only); U.S. goods	1,880	1,339	1,173	837	246	(28.7)	(12.4)	(28.7)	(70.6)

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

	2001	2002	2003	2004	2005	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg
Top 15 Countries, 2005									
Canada	163,724	160,799	169,481	189,101	211,420	(1.8)	5.4	11.6	11.8
Mexico	101,509	97,531	97,457	110,775	120,049	(3.9)	(0.1)	13.7	8.4
Japan	57,639	51,440	52,064	54,400	55,410	(10.8)	1.2	4.5	1.9
China (Mainland)	19,235	22,053	28,418	34,721	41,837	14.6	28.9	22.2	20.5
United Kingdom	40,798	33,253	33,895	35,960	38,629	(18.5)	1.9	6.1	7.4
Germany	30,114	26,628	28,848	31,381	34,149	(11.6)	8.3	8.8	8.8
South Korea	22,197	22,596	24,099	26,333	27,670	1.8	6.7	9.3	5.1
Netherlands	19,525	18,334	20,703	24,286	26,496	(6.1)	12.9	17.3	9.1
France	19,896	19,019	17,068	21,240	22,402	(4.4)	(10.3)	24.4	5.5
China (Taiwan)	18,152	18,394	17,488	21,731	22,050	1.3	(4.9)	24.3	1.5
Singapore	17,692	16,221	16,576	19,601	20,646	(8.3)	2.2	18.3	5.3
Belgium	13,524	13,343	15,218	16,877	18,605	(1.3)	14.1	10.9	10.2
Hong Kong	14,072	12,612	13,542	15,809	16,323	(10.4)	7.4	16.7	3.2
Australia	10,945	13,084	13,104	14,271	15,771	19.5	0.2	8.9	10.5
Brazil	15,929	12,409	11,218	13,863	15,345	(22.1)	(9.6)	23.6	10.7
Other Countries	166,077	155,542	164,564	187,587	217,579	(6.3)	5.8	14.0	16.0
Total All Countries*	731,026	693,257	723,743	817,936	904,380	(5.2)	4.4	13.0	10.6
Africa	12,369	10,658	10,685	13,480	15,524	(13.8)	0.3	26.2	15.2
Asia (includes Middle East)	199,346	193,495	206,631	233,098	254,937	(2.9)	6.8	12.8	9.4
Europe	181,993	163,679	172,013	193,141	211,168	(10.1)	5.1	12.3	9.3
Latin America	159,907	149,173	149,493	172,201	192,201	(6.7)	0.2	15.2	11.6
North America	163,730	160,804	169,484	189,106	211,426	(1.8)	5.4	11.6	11.8
Oceania	13,418	15,184	15,251	16,687	18,902	13.2	0.4	9.4	13.3

*Total includes exports to unidentified countries and international organizations.

Table 4.3
U.S. Exports to Non-Middle-Eastern Asia by Industry
 All Industries, Sorted by 2005 Exports
 (Millions of Dollars)

	2001	2002	2003	2004	2005	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg
Total All Industries	180,044	174,552	187,266	209,586	223,041	(3.1)	7.3	11.9	6.4
Computer and Electronic Products	59,492	56,043	59,779	63,521	64,274	(5.8)	6.7	6.3	1.2
Chemicals	17,977	19,443	21,942	26,131	27,747	8.2	12.9	19.1	6.2
Transportation Equipment	21,437	22,459	22,231	22,406	27,213	4.8	(1.0)	0.8	21.5
Machinery, except Electrical	19,188	17,990	17,748	25,201	25,340	(6.2)	(1.3)	42.0	0.6
Agricultural Products	9,974	10,047	13,228	14,796	13,444	0.7	31.7	11.8	(9.1)
Miscellaneous Manufactured Commodities	5,787	5,746	6,262	7,361	8,479	(0.7)	9.0	17.5	15.2
Food and Kindred Products	10,048	9,235	9,936	7,761	8,384	(8.1)	7.6	(21.9)	8.0
Waste and Scrap	2,383	2,512	3,609	4,641	6,056	5.4	43.7	28.6	30.5
Electrical Equip., Appliances, & Componen	4,530	3,981	3,967	4,962	5,795	(12.1)	(0.3)	25.1	16.8
Special Classification Provisions	4,794	4,705	4,692	5,051	5,422	(1.9)	(0.3)	7.7	7.3
Primary Metal Manufacturing	2,365	1,906	2,815	3,586	5,289	(19.4)	47.7	27.4	47.5
Fabricated Metal Products	3,212	3,227	3,254	3,673	4,079	0.5	0.8	12.9	11.1
Paper	2,926	3,059	3,049	3,286	3,420	4.6	(0.3)	7.8	4.1
Plastics and Rubber Products	2,005	1,933	2,049	2,384	2,439	(3.6)	6.0	16.3	2.3
Petroleum and Coal Products	1,374	1,481	1,739	2,464	2,410	7.8	17.4	41.7	(2.2)
Fish & Other Marine Products	1,696	1,651	1,688	1,849	2,031	(2.6)	2.2	9.5	9.9
Minerals and Ores	765	670	644	1,465	1,646	(12.5)	(3.9)	127.4	12.4
Nonmetallic Mineral Products	2,074	1,432	1,445	1,496	1,554	(31.0)	0.9	3.5	3.9
Beverages and Tobacco Products	1,854	1,443	1,453	1,411	1,368	(22.2)	0.7	(2.9)	(3.1)
Leather and Allied Products	952	873	962	988	971	(8.2)	10.2	2.7	(1.7)
Wood Products	987	925	878	931	930	(6.3)	(5.1)	6.0	(0.1)
Forestry Products	773	775	808	909	927	0.3	4.2	12.5	2.0
Textiles and Fabrics	614	649	711	787	854	5.8	9.5	10.7	8.6
Printing, Publishing and Similar Products	914	746	644	631	674	(18.4)	(13.7)	(2.0)	6.8
Apparel and Accessories	535	461	425	463	567	(13.9)	(7.7)	9.0	22.4
Used or Second-Hand Merchandise	475	276	325	369	443	(42.0)	17.8	13.4	20.2
Furniture and Fixtures	267	236	249	260	280	(11.5)	5.2	4.7	7.6
Prepackaged Software	NA	NA	21	115	280	NA	NA	438.8	143.2
Textile Mill Products	231	227	245	255	277	(1.8)	8.1	4.0	8.6
Livestock and Livestock Products	249	207	237	214	264	(16.9)	14.7	(9.5)	22.9
Oil and Gas	165	215	229	221	182	30.7	6.6	(3.7)	(17.7)

Table 4.4
Washington Exports By Industry
 All Industries, Sorted by 2005 Exports
 (Millions of Dollars)

	2001	2002	2003	2004	2005	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg
Total All Industries	34,929	34,627	34,173	33,793	37,948	(0.9)	(1.3)	(1.1)	12.3
Total Excluding Transportation Equip.	12,188	11,249	13,734	16,106	17,454	(7.7)	22.1	17.3	8.4
Transportation Equipment	22,740	23,377	20,438	17,686	20,494	2.8	(12.6)	(13.5)	15.9
Agricultural Products	2,312	2,094	3,333	4,181	4,231	(9.4)	59.2	25.4	1.2
Computer and Electronic Products	2,229	1,958	2,354	2,746	2,846	(12.2)	20.2	16.7	3.6
Food and Kindred Products	1,276	1,278	1,602	1,585	1,597	0.2	25.4	(1.1)	0.8
Machinery, except Electrical	980	800	839	1,031	1,538	(18.3)	4.9	22.9	49.2
Petroleum and Coal Products	486	539	737	955	1,114	10.9	36.7	29.6	16.7
Paper	882	817	831	866	967	(7.4)	1.7	4.2	11.6
Primary Metal Manufacturing	365	287	396	566	731	(21.2)	37.9	42.9	29.0
Chemicals	549	637	614	634	604	16.2	(3.7)	3.2	(4.7)
Fish & Other Marine Products	640	512	534	565	554	(19.9)	4.3	5.7	(1.9)
Electrical Equip., Appliances, & Component	260	270	288	373	466	3.5	7.0	29.3	24.9
Forestry Products	436	387	358	461	438	(11.3)	(7.5)	28.9	(5.0)
Waste and Scrap	109	108	197	290	402	(1.0)	82.3	47.4	38.8
Miscellaneous Manufactured Commodities	345	290	314	373	386	(16.0)	8.3	18.7	3.5
Wood Products	360	324	343	350	380	(9.9)	5.9	1.8	8.6
Fabricated Metal Products	170	164	201	265	264	(3.1)	22.2	32.0	(0.4)
Plastics and Rubber Products	141	132	137	167	189	(6.3)	4.2	21.8	13.1
Special Classification Provisions	148	185	134	149	130	24.7	(27.6)	11.6	(13.1)
Livestock and Livestock Products	110	93	88	110	116	(15.1)	(5.0)	24.9	5.3
Nonmetallic Mineral Products	65	64	89	97	106	(1.2)	38.9	8.6	9.7
Textile Mill Products	34	38	49	69	78	10.5	30.9	40.5	11.8
Minerals and Ores	37	24	21	46	71	(34.5)	(11.6)	117.8	53.5
Oil and Gas	7	6	22	11	40	(7.0)	263.6	(52.8)	282.4
Printing, Publishing and Similar Products	41	42	38	33	40	2.1	(9.2)	(14.0)	21.6
Used or Second-Hand Merchandise	15	19	46	30	34	26.1	145.9	(36.1)	14.4
Apparel and Accessories	41	34	24	38	29	(18.2)	(29.8)	60.7	(23.0)
Beverages and Tobacco Products	28	22	29	19	28	(20.0)	29.4	(34.6)	46.8
Furniture and Fixtures	25	17	20	22	25	(31.6)	15.4	8.9	13.6
Textiles and Fabrics	18	24	17	19	22	33.8	(30.4)	15.0	11.9
Leather and Allied Products	11	11	12	15	15	1.6	8.0	21.9	3.5
Prepackaged Software	NA	NA	3	6	9	NA	NA	104.3	59.9
Goods Ret. to Canada (exports only); U.S. goods	70	72	62	35	3	3.3	(14.9)	(42.7)	(92.6)

Table 4.5
Washington Exports By Industry
 Top Twenty Industries, 2005
 (Millions)

	All Countries		Asia		Percent of Exports per Industry
	Export Valuation	Percent of Total	Export Valuation	Percent of Exports to Asia	
Total All Industries	37,948	100.0	19,558	100.0	51.5
Transportation Equipment	20,494	54.0	10,583	54.1	51.6
Agricultural Products	4,231	11.2	3,538	18.1	83.6
Computer and Electronic Products	2,846	7.5	1,195	6.1	42.0
Food and Kindred Products	1,597	4.2	909	4.6	56.9
Machinery, except Electrical	1,538	4.1	292	1.5	19.0
Petroleum and Coal Products	1,114	2.9	129	0.7	11.6
Paper	967	2.5	603	3.1	62.4
Primary Metal Manufacturing	731	1.9	274	1.4	37.5
Chemicals	604	1.6	332	1.7	55.0
Fish & Other Marine Products	554	1.5	207	1.1	37.3
Electrical Equip., Appliances, & Component	466	1.2	128	0.7	27.6
Forestry Products	438	1.2	431	2.2	98.3
Waste and Scrap	402	1.1	370	1.9	91.9
Miscellaneous Manufactured Commodities	386	1.0	87	0.4	22.6
Wood Products	380	1.0	140	0.7	36.9
Fabricated Metal Products	264	0.7	62	0.3	23.5
Plastics and Rubber Products	189	0.5	28	0.1	14.6
Special Classification Provisions	130	0.3	31	0.2	24.2
Livestock and Livestock Products	116	0.3	93	0.5	80.1
Nonmetallic Mineral Products	106	0.3	24	0.1	22.5
Other Exports	394	1.0	102	0.5	26.0

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

	2001	2002	2003	2004	2005	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg
Top 15 Countries, 2005									
Japan	3,384	4,349	5,428	6,312	6,370	28.5	24.8	16.3	0.9
Canada	2,737	2,944	3,314	4,041	5,202	7.6	12.6	21.9	28.7
China (Mainland)	2,929	3,831	3,211	3,094	5,086	30.8	(16.2)	(3.6)	64.3
China (Taiwan)	1,594	1,047	1,958	2,138	3,118	(34.3)	87.0	9.2	45.8
Ireland	613	621	843	1,500	1,846	1.3	35.7	78.0	23.0
South Korea	2,131	2,056	1,673	2,061	1,794	(3.5)	(18.6)	23.2	(13.0)
United Arab Emirates	271	947	679	113	1,520	249.1	(28.3)	(83.3)	1,242.4
Singapore	2,991	2,306	2,087	1,482	1,237	(22.9)	(9.5)	(29.0)	(16.5)
France	1,253	1,953	684	1,266	978	55.9	(65.0)	85.1	(22.8)
Australia	576	2,627	1,967	1,067	963	356.3	(25.1)	(45.8)	(9.7)
Mexico	862	432	607	851	959	(49.9)	40.6	40.1	12.7
United Kingdom	2,737	1,230	1,462	1,090	887	(55.1)	18.9	(25.4)	(18.6)
Netherlands	707	766	1,739	952	649	8.2	127.1	(45.3)	(31.8)
Germany	1,843	1,007	786	465	552	(45.4)	(22.0)	(40.8)	18.6
Spain	385	231	176	432	453	(40.1)	(23.7)	145.2	5.0
Other Countries	9,914	8,279	7,558	6,928	6,334	(16.5)	(8.7)	(8.3)	(8.6)
Total All Countries	34,929	34,627	34,173	33,793	37,948	(0.9)	(1.3)	(1.1)	12.3
Africa	1,723	967	697	813	1,239	(43.9)	(27.9)	16.7	52.4
Asia (includes Middle East)	17,292	17,301	18,266	18,502	21,390	0.1	5.6	1.3	15.6
Europe	10,023	9,200	8,482	7,510	7,131	(8.2)	(7.8)	(11.5)	(5.0)
Latin America	2,042	1,441	1,286	1,715	1,681	(29.4)	(10.8)	33.3	(2.0)
North America	2,737	2,944	3,314	4,041	5,202	7.6	12.6	21.9	28.7
Oceania	1,111	2,773	2,127	1,210	1,305	149.6	(23.3)	(43.1)	7.8

Table 4.7
Washington Exports by Country
 Transportation Equipment
 (Millions of Dollars)

	2001	2002	2003	2004	2005	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg
Top 15 Countries, 2005									
Japan	462	1,785	2,643	3,033	3,304	286.4	48.0	14.8	8.9
China (Mainland)	2,118	3,116	1,799	1,448	3,149	47.2	(42.3)	(19.5)	117.5
Ireland	525	563	805	1,443	1,768	7.3	42.8	79.4	22.5
China (Taiwan)	768	214	692	905	1,734	(72.1)	223.6	30.7	91.7
United Arab Emirates	232	913	628	71	1,464	292.9	(31.2)	(88.6)	1,951.3
Canada	369	590	643	761	1,155	60.1	9.0	18.4	51.8
South Korea	1,567	1,567	1,108	1,144	957	0.0	(29.3)	3.3	(16.4)
Singapore	2,810	2,122	1,908	1,228	950	(24.5)	(10.1)	(35.7)	(22.6)
France	957	1,723	474	991	746	79.9	(72.5)	109.1	(24.8)
Australia	391	2,378	1,695	761	631	507.9	(28.7)	(55.1)	(17.1)
Kenya	398	97	51	193	414	(75.7)	(47.0)	276.1	114.4
Spain	330	171.0	103	361	375	(48.2)	(40)	250	3.7
Mexico	339	6	257	321	341	(98.4)	4,537.9	24.7	6.3
United Kingdom	2,220	737	960	569	323	(66.8)	30.2	(40.8)	(43.1)
India	277	218	181	230.6	313	(21.4)	(17)	27	35.7
Other	11,475	8,133	7,632	5,025	3,507	(29.1)	(6.2)	(34.2)	(30.2)
Total All Continents	22,740	23,377	20,438	17,686	20,494	2.8	(12.6)	(13.5)	15.9
Africa	1,668	900	611	633	1,100	(46.1)	(32.0)	3.5	73.8
Asia (includes Middle East)	10,876	11,441	10,487	9,478	12,196	5.2	(8.3)	(9.6)	28.7
Europe	7,744	7,245	6,414	5,237	4,484	(6.4)	(11.5)	(18.4)	(14.4)
Latin America	1,216	750	509	754	673	(38.3)	(32.2)	48.1	(10.8)
North America	369	590	643	761	1,155	60.1	9.0	18.4	51.8
Oceania	868	2,452	1,773	824	887	182.5	(27.7)	(53.5)	7.6

Table 4.8
Washington Exports by Country
 All Industries Excluding Transportation Equipment
 (Millions of Dollars)

	2001	2002	2003	2004	2005	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg
Top 15 Countries, 2005									
Canada	2,369	2,354	2,671	3,280	4,047	(0.6)	13.4	22.8	23.4
Japan	2,922	2,564	2,786	3,279	3,066	(12.2)	8.6	17.7	(6.5)
China (Mainland)	811	714	1,412	1,646	1,937	(12.0)	97.7	16.6	17.6
China (Taiwan)	827	833	1,266	1,233	1,384	0.8	51.9	(2.6)	12.2
South Korea	565	489	566	917	837	(13.4)	15.7	62.1	(8.7)
Mexico	523	426	350	530	618	(18.4)	(17.9)	51.5	16.6
United Kingdom	517	493	501	521	563	(4.8)	1.8	3.9	8.1
Netherlands	282	301	346	372	508	6.5	14.9	7.6	36.7
Germany	448	361	378	362	380	(19.4)	4.8	(4.4)	5.0
Philippines	244	243	363	501	371	(0.3)	49.4	37.9	(26.1)
Australia	185	249	272	305	332	35.1	9.2	12.2	8.7
Hong Kong	278	287	332	327	327	3.4	15.5	(1.3)	0.0
Singapore	181	185	179	255	288	1.9	(3.2)	42.6	13.0
France	295	231	210	275	232	(21.9)	(9.0)	30.8	(15.4)
Thailand	106	91	226	203	201	(13.4)	147.5	(10.1)	(1.1)
Other	1,636	1,427	1,876	2,099	2,363	(12.8)	31.5	11.9	12.6
Total All Continents	12,188	11,249	13,734	16,106	17,454	(7.7)	22.1	17.3	8.4
Africa	55	67	86	180	139	21.6	26.8	110.8	(22.9)
Asia (includes Middle East)	6,416	5,860	7,779	9,025	9,194	(8.7)	32.8	16.0	1.9
Europe	2,279	1,955	2,068	2,274	2,648	(14.2)	5.7	10.0	16.5
Latin America	826	691	777	961	1,008	(16.3)	12.5	23.6	4.9
North America	2,369	2,354	2,671	3,280	4,047	(0.6)	13.5	22.8	23.4
Oceania	243	321	354	386	418	32.0	10.2	9.1	8.2

Table 4.9
Washington Exports to Non-Middle-Eastern Asia by Industry
 All Industries, Sorted by 2005 Exports
 (Millions of Dollars)

	2001	2002	2003	2004	2005	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg
Total All Industries	15,420	15,647	17,146	18,213	19,558	1.5	9.6	6.2	7.4
Total Excluding Transportation Equipment	6,264	5,734	7,626	8,833	8,975	(8.5)	33.0	15.8	1.6
Transportation Equipment	9,157	9,913	9,520	9,380	10,583	8.3	(4.0)	(1.5)	12.8
Agricultural Products	1,855	1,615	2,835	3,593	3,538	(12.9)	75.5	26.7	(1.5)
Computer and Electronic Products	768	701	1,055	1,327	1,195	(8.7)	50.5	25.7	(9.9)
Food and Kindred Products	838	801	1,032	902	909	(4.4)	28.8	(12.6)	0.8
Paper	590	546	524	526	603	(7.5)	(4.0)	0.2	14.7
Forestry Products	427	375	350	456	431	(12.2)	(6.6)	30.3	(5.6)
Waste and Scrap	94	91	178	264	370	(2.8)	95.2	48.0	40.1
Chemicals	357	407	407	413	332	13.9	(0.0)	1.5	(19.6)
Machinery, except Electrical	160	142	160	206	292	(11.5)	12.9	28.5	42.2
Primary Metal Manufacturing	147	130	152	215	274	(11.6)	16.5	41.6	27.4
Fish & Other Marine Products	364	295	290	252	207	(19.0)	(1.6)	(13.1)	(17.8)
Wood Products	189	157	147	115	140	(16.6)	(6.3)	(21.8)	21.4
Petroleum and Coal Products	60	58	66	81	129	(2.7)	13.6	22.2	59.2
Electrical Equip., Appliances, & Componen	69	78	81	103	128	12.0	3.7	27.6	24.7
Livestock and Livestock Products	73	69	61	85	93	(5.2)	(12.4)	39.3	9.9
Miscellaneous Manufactured Commodities	72	65	57	72	87	(9.7)	(12.3)	26.4	20.7
Fabricated Metal Products	28	38	56	61	62	38.1	47.3	7.9	2.2
Special Classification Provisions	36	50	39	40	31	37.7	(20.8)	0.7	(20.8)
Oil and Gas	0	0	11	0	30	(61.4)	17,034.1	(99.9)	244,044
Plastics and Rubber Products	35	23	22	28	28	(34.8)	(4.8)	29.8	(2.9)
Nonmetallic Mineral Products	25	26	31	32	24	3.0	18.7	4.1	(24.9)
Minerals and Ores	25	15	11	17	18	(40.2)	(28.6)	53.0	11.6
Beverages and Tobacco Products	15	16	21	10	12	3.6	37.8	(51.7)	16.3
Used or Second-Hand Merchandise	4	4	7	9	9	12.2	52.3	28.6	(0.1)
Apparel and Accessories	6	4	5	5	7	(30.7)	23.6	9.2	25.8
Textile Mill Products	4	4	5	5	6	(13.5)	46.1	(10.2)	32.2
Furniture and Fixtures	5	3	3	3	6	(39.1)	19.0	(13.0)	88.9
Textiles and Fabrics	4	7	4	4	5	56.4	(45.7)	(3.6)	48.3
Printing, Publishing and Similar Products	8	10	10	4	4	21.8	3.2	(59.9)	8.9
Leather and Allied Products	3	3	4	7	3	(9.9)	20.9	81.9	(49.8)
Prepackaged Software	0	0	1	1	2	NA	NA	28.9	39.8

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Detail Components of the Washington Economic Forecast

Calendar Years

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

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,048.9	10,320.6	10,755.7	11,131.1	11,494.2	11,807.9	12,153.0	12,540.3
% Ch	1.6	2.7	4.2	3.5	3.3	2.7	2.9	3.2
Real Consumption	7,099.3	7,306.5	7,588.6	7,858.1	8,123.9	8,335.5	8,566.6	8,835.9
% Ch	2.7	2.9	3.9	3.6	3.4	2.6	2.8	3.1
Real Nonresidential Fixed Investment	1,071.5	1,085.0	1,186.7	1,287.6	1,404.1	1,504.3	1,559.5	1,632.7
% Ch	-9.2	1.3	9.4	8.5	9.0	7.1	3.7	4.7
Real Residential Fixed Investment	469.9	509.4	561.8	602.2	583.1	547.5	534.1	523.9
% Ch	4.8	8.4	10.3	7.2	-3.2	-6.1	-2.4	-1.9
Real Personal Income	8,578.1	8,689.1	8,972.5	9,198.6	9,561.2	9,890.9	10,227.1	10,609.3
% Ch	0.4	1.3	3.3	2.5	3.9	3.4	3.4	3.7
Real Per Capita Income (\$/Person)	29,727	29,815	30,494	30,978	31,910	32,719	33,538	34,490
% Ch	-0.6	0.3	2.3	1.6	3.0	2.5	2.5	2.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.035	1.055	1.082	1.113	1.137	1.159	1.183	1.206
% Ch	1.4	1.9	2.6	2.8	2.2	1.9	2.1	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.798	1.840	1.889	1.953	2.000	2.037	2.078	2.117
% Ch	1.6	2.3	2.7	3.4	2.5	1.8	2.0	1.9
Employment Cost Index (June 1989=1.0)	1.564	1.609	1.650	1.689	1.737	1.792	1.851	1.913
% Ch	3.3	2.9	2.5	2.4	2.8	3.2	3.3	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,469.6	10,971.3	11,734.3	12,479.5	13,224.8	13,842.2	14,530.5	15,303.7
% Ch	3.4	4.8	7.0	6.4	6.0	4.7	5.0	5.3
Personal Income	8,881.9	9,169.1	9,713.3	10,238.2	10,871.0	11,460.4	12,094.3	12,790.8
% Ch	1.8	3.2	5.9	5.4	6.2	5.4	5.5	5.8
Employment (Millions)								
U.S. Civilian Labor Force	145.1	146.5	147.4	149.3	151.1	153.2	155.0	156.6
Total U.S. Employment	136.5	137.7	139.2	141.7	143.9	145.8	147.3	149.0
Unemployment Rate (%)	5.78	6.00	5.52	5.06	4.76	4.87	4.95	4.88
Nonfarm Payroll Employment	130.34	129.99	131.42	133.46	135.50	137.38	138.96	140.44
% Ch	-1.1	-0.3	1.1	1.5	1.5	1.4	1.1	1.1
Manufacturing	15.26	14.51	14.31	14.23	14.17	14.02	13.91	13.86
% Ch	-7.2	-4.9	-1.3	-0.6	-0.5	-1.0	-0.8	-0.4
Durable Manufacturing	9.48	8.96	8.92	8.95	8.94	8.84	8.79	8.78
% Ch	-8.2	-5.5	-0.4	0.3	-0.1	-1.2	-0.6	-0.1
Nondurable Manufacturing	5.77	5.55	5.39	5.28	5.22	5.18	5.13	5.08
% Ch	-5.4	-4.0	-2.8	-2.1	-1.1	-0.8	-1.0	-0.8
Construction	6.72	6.73	6.97	7.28	7.52	7.61	7.66	7.71
% Ch	-1.6	0.2	3.6	4.4	3.4	1.2	0.7	0.7
Service-Producing	107.79	108.18	109.54	111.32	113.14	115.05	116.71	118.22
% Ch	-0.2	0.4	1.3	1.6	1.6	1.7	1.5	1.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	26.1	31.1	41.5	56.6	61.5	59.0	56.9	53.6
Credit Outstanding/Disp. Income	24.2	24.2	23.8	23.7	23.2	22.6	22.3	22.2
Auto Sales (Millions)	8.1	7.6	7.5	7.7	7.5	7.3	7.4	7.4
% Ch	-3.8	-6.0	-1.4	2.3	-2.3	-2.4	1.0	0.1
Housing Starts (Millions)	1.710	1.854	1.950	2.066	1.898	1.813	1.755	1.692
% Ch	6.8	8.4	5.2	6.0	-8.1	-4.5	-3.2	-3.6
Federal Budget Surplus (Billions)	-248.0	-382.8	-406.5	-330.3	-331.3	-300.6	-318.9	-297.2
Net Exports (Billions)	-424.4	-500.9	-624.0	-725.8	-801.7	-792.0	-728.8	-676.4
3-Month Treasury Bill Rate (%)	1.61	1.01	1.36	3.14	4.53	4.58	4.65	4.86
10-Year Treasury Note Yield (%)	4.61	4.01	4.27	4.29	4.80	4.98	5.28	5.55
Bond Index of 20 G.O. Munis. (%)	5.03	4.74	4.68	4.40	4.86	5.13	5.49	5.83
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.38	6.53	6.86	7.15

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,612.5	10,704.1	10,808.9	10,897.1	10,999.3	11,089.2	11,202.3	11,233.5
% Ch	4.3	3.5	4.0	3.3	3.8	3.3	4.1	1.1
Real Consumption	7,501.4	7,536.6	7,617.5	7,698.8	7,764.9	7,829.5	7,907.9	7,930.2
% Ch	4.7	1.9	4.4	4.3	3.5	3.4	4.1	1.1
Real Nonresidential Fixed Investment	1,135.1	1,171.6	1,204.8	1,235.1	1,252.2	1,279.0	1,305.2	1,314.2
% Ch	7.9	13.5	11.8	10.4	5.7	8.8	8.4	2.8
Real Residential Fixed Investment	542.4	565.1	568.8	571.0	584.1	599.3	610.0	615.2
% Ch	5.1	17.8	2.6	1.6	9.5	10.8	7.3	3.5
Real Personal Income	8,857.3	8,894.8	8,968.3	9,169.6	9,163.0	9,190.2	9,147.4	9,293.8
% Ch	2.9	1.7	3.3	9.3	-0.3	1.2	-1.9	6.6
Real Per Capita Income (\$/Person)	30,211	30,264	30,444	31,056	30,963	30,985	30,770	31,193
% Ch	2.0	0.7	2.4	8.3	-1.2	0.3	-2.7	5.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.071	1.081	1.085	1.093	1.099	1.108	1.118	1.126
% Ch	3.8	3.8	1.5	3.1	2.3	3.3	3.7	2.6
U.S. Consumer Price Index (1982-84=1.0)	1.866	1.886	1.894	1.910	1.922	1.941	1.966	1.981
% Ch	3.9	4.4	1.6	3.6	2.4	4.2	5.1	3.2
Employment Cost Index (June 1989=1.0)	1.635	1.645	1.657	1.664	1.674	1.684	1.694	1.705
% Ch	2.5	2.5	3.0	1.7	2.4	2.4	2.4	2.6
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,457.1	11,666.1	11,818.8	11,995.2	12,198.8	12,378.0	12,605.7	12,735.3
% Ch	8.1	7.5	5.3	6.1	7.0	6.0	7.6	4.2
Personal Income	9,484.8	9,614.3	9,729.2	10,024.8	10,073.4	10,185.7	10,231.0	10,462.6
% Ch	6.9	5.6	4.9	12.7	2.0	4.5	1.8	9.4
Employment (Millions)								
U.S. Civilian Labor Force	146.8	147.1	147.6	148.1	148.1	149.1	149.8	150.1
Total U.S. Employment	138.5	138.9	139.5	140.1	140.4	141.5	142.3	142.7
Unemployment Rate (%)	5.67	5.57	5.43	5.40	5.23	5.07	5.00	4.93
Nonfarm Payroll Employment	130.57	131.28	131.60	132.24	132.69	133.23	133.75	134.16
% Ch	1.2	2.2	1.0	2.0	1.4	1.6	1.6	1.2
Manufacturing	14.29	14.33	14.34	14.31	14.27	14.25	14.21	14.21
% Ch	-0.8	1.2	0.2	-0.8	-1.0	-0.7	-1.1	-0.0
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.96
% Ch	0.5	2.5	1.5	0.2	-0.1	0.2	-0.7	0.7
Nondurable Manufacturing	5.42	5.41	5.38	5.35	5.32	5.29	5.26	5.25
% Ch	-2.7	-0.8	-2.0	-2.5	-2.5	-2.1	-1.7	-1.3
Construction	6.86	6.94	7.00	7.09	7.16	7.26	7.30	7.39
% Ch	4.1	4.5	3.6	5.5	3.6	5.7	2.6	4.8
Service-Producing	108.84	109.42	109.67	110.24	110.66	111.10	111.61	111.92
% Ch	1.2	2.1	0.9	2.1	1.5	1.6	1.8	1.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	35.4	38.3	43.9	48.3	49.9	53.1	63.2	60.1
Credit Outstanding/Disp. Income	24.0	23.9	24.0	23.5	23.7	23.8	24.0	23.4
Auto Sales (Millions)	7.5	7.5	7.4	7.7	7.5	7.6	8.0	7.6
% Ch	-0.6	-0.3	-3.7	16.0	-8.6	7.7	17.0	-17.1
Housing Starts (Millions)	1.929	1.923	1.974	1.973	2.083	2.044	2.101	2.035
% Ch	-19.4	-1.2	11.1	-0.3	24.2	-7.2	11.6	-12.0
Federal Budget Surplus (Billions)	-429.3	-413.4	-411.6	-371.6	-298.3	-297.3	-415.2	-310.4
Net Exports (Billions)	-559.6	-613.1	-638.0	-685.4	-697.5	-691.0	-730.4	-784.1
3-Month Treasury Bill Rate (%)	0.92	1.07	1.48	2.00	2.52	2.86	3.35	3.82
10-Year Treasury Note Yield (%)	4.02	4.60	4.30	4.17	4.30	4.16	4.21	4.49
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.71	4.50	4.44	4.34	4.30	4.51
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,367.1	11,453.9	11,542.0	11,613.7	11,683.9	11,772.2	11,846.8	11,928.8
% Ch	4.8	3.1	3.1	2.5	2.4	3.1	2.6	2.8
Real Consumption	8,029.1	8,092.9	8,159.7	8,214.0	8,256.1	8,309.0	8,360.7	8,416.4
% Ch	5.1	3.2	3.3	2.7	2.1	2.6	2.5	2.7
Real Nonresidential Fixed Investment	1,349.7	1,385.5	1,423.7	1,457.6	1,475.6	1,500.2	1,513.7	1,527.7
% Ch	11.2	11.0	11.5	9.9	5.0	6.8	3.7	3.8
Real Residential Fixed Investment	605.5	588.7	577.0	561.4	555.2	549.7	543.7	541.5
% Ch	-6.2	-10.6	-7.7	-10.4	-4.3	-3.9	-4.3	-1.6
Real Personal Income	9,406.6	9,520.5	9,622.2	9,695.3	9,771.1	9,854.7	9,930.6	10,007.4
% Ch	4.9	4.9	4.3	3.1	3.2	3.5	3.1	3.1
Real Per Capita Income (\$/Person)	31,500	31,810	32,078	32,250	32,430	32,635	32,814	32,997
% Ch	4.0	4.0	3.4	2.2	2.3	2.6	2.2	2.2
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.130	1.134	1.139	1.145	1.150	1.156	1.161	1.168
% Ch	1.5	1.4	1.8	2.0	1.9	1.9	2.0	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.989	1.995	2.004	2.014	2.023	2.032	2.041	2.052
% Ch	1.5	1.4	1.7	2.0	1.8	1.8	1.9	2.1
Employment Cost Index (June 1989=1.0)	1.717	1.730	1.744	1.757	1.771	1.785	1.798	1.814
% Ch	2.9	3.0	3.2	3.2	3.1	3.1	3.2	3.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,974.8	13,146.6	13,315.2	13,462.5	13,608.8	13,767.9	13,914.6	14,077.3
% Ch	7.7	5.4	5.2	4.5	4.4	4.8	4.3	4.8
Personal Income	10,629.3	10,796.0	10,960.0	11,098.6	11,237.5	11,387.5	11,532.8	11,683.9
% Ch	6.5	6.4	6.2	5.2	5.1	5.4	5.2	5.3
Employment (Millions)								
U.S. Civilian Labor Force	150.2	150.8	151.3	151.9	152.5	153.0	153.5	153.9
Total U.S. Employment	143.1	143.6	144.2	144.7	145.1	145.6	146.0	146.4
Unemployment Rate (%)	4.77	4.77	4.75	4.77	4.82	4.85	4.88	4.92
Nonfarm Payroll Employment	134.70	135.26	135.78	136.27	136.75	137.20	137.59	137.99
% Ch	1.6	1.7	1.5	1.5	1.4	1.3	1.1	1.2
Manufacturing	14.23	14.21	14.14	14.09	14.10	14.02	13.99	13.97
% Ch	0.6	-0.6	-1.9	-1.5	0.3	-2.1	-1.0	-0.6
Durable Manufacturing	8.99	8.98	8.93	8.88	8.89	8.84	8.82	8.81
% Ch	1.2	-0.1	-2.2	-2.3	0.6	-2.4	-1.0	-0.5
Nondurable Manufacturing	5.24	5.22	5.21	5.20	5.20	5.18	5.17	5.16
% Ch	-0.3	-1.5	-1.3	-0.3	-0.2	-1.4	-1.0	-1.0
Construction	7.47	7.51	7.55	7.56	7.58	7.61	7.61	7.64
% Ch	4.4	2.0	2.4	0.7	1.0	1.3	0.0	1.8
Service-Producing	112.35	112.87	113.41	113.93	114.36	114.86	115.28	115.68
% Ch	1.5	1.9	1.9	1.8	1.5	1.8	1.5	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	64.0	61.2	60.8	60.0	59.5	59.1	58.9	58.5
Credit Outstanding/Disp. Income	23.5	23.3	23.0	22.8	22.8	22.6	22.5	22.4
Auto Sales (Millions)	7.9	7.5	7.3	7.3	7.4	7.3	7.3	7.3
% Ch	14.4	-16.6	-8.7	-1.8	2.9	-3.1	1.4	-1.7
Housing Starts (Millions)	2.038	1.881	1.838	1.835	1.824	1.819	1.809	1.800
% Ch	0.6	-27.5	-8.7	-0.7	-2.3	-1.1	-2.2	-2.0
Federal Budget Surplus (Billions)	-322.1	-331.3	-341.3	-330.5	-298.7	-297.8	-298.5	-307.3
Net Exports (Billions)	-802.2	-788.8	-801.6	-814.3	-807.3	-796.9	-786.9	-776.9
3-Month Treasury Bill Rate (%)	4.36	4.57	4.58	4.58	4.58	4.58	4.58	4.58
10-Year Treasury Note Yield (%)	4.57	4.84	4.90	4.90	4.90	4.92	5.00	5.09
Bond Index of 20 G.O. Munis. (%)	4.53	4.91	5.00	5.01	5.04	5.06	5.16	5.27
30-Year Fixed Mortgage Rate (%)	6.22	6.41	6.45	6.45	6.45	6.47	6.55	6.64

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	12,011.4	12,104.2	12,197.0	12,299.4	12,394.3	12,493.4	12,586.3	12,687.1
% Ch	2.8	3.1	3.1	3.4	3.1	3.2	3.0	3.2
Real Consumption	8,471.0	8,532.7	8,596.3	8,666.4	8,731.7	8,800.9	8,868.9	8,941.9
% Ch	2.6	2.9	3.0	3.3	3.0	3.2	3.1	3.3
Real Nonresidential Fixed Investment	1,541.0	1,549.5	1,564.7	1,582.6	1,602.3	1,623.3	1,643.7	1,661.4
% Ch	3.5	2.2	4.0	4.7	5.1	5.4	5.1	4.4
Real Residential Fixed Investment	538.6	535.9	532.2	529.8	525.8	523.3	522.1	524.5
% Ch	-2.1	-2.0	-2.8	-1.8	-3.0	-1.9	-1.0	1.9
Real Personal Income	10,095.6	10,183.3	10,266.9	10,362.5	10,464.3	10,559.6	10,657.0	10,756.2
% Ch	3.6	3.5	3.3	3.8	4.0	3.7	3.7	3.8
Real Per Capita Income (\$/Person)	33,215	33,431	33,633	33,872	34,130	34,366	34,608	34,855
% Ch	2.7	2.6	2.4	2.9	3.1	2.8	2.8	2.9
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.174	1.180	1.186	1.191	1.197	1.203	1.208	1.214
% Ch	2.2	2.0	2.0	1.9	2.0	1.9	1.9	1.9
U.S. Consumer Price Index (1982-84=1.0)	2.063	2.072	2.083	2.093	2.103	2.112	2.122	2.132
% Ch	2.1	1.9	2.0	1.9	2.0	1.8	1.8	1.9
Employment Cost Index (June 1989=1.0)	1.829	1.844	1.859	1.873	1.890	1.906	1.921	1.936
% Ch	3.5	3.2	3.2	3.2	3.6	3.4	3.3	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,256.7	14,436.6	14,618.6	14,810.3	15,012.0	15,210.4	15,398.0	15,594.5
% Ch	5.2	5.1	5.1	5.3	5.6	5.4	5.0	5.2
Personal Income	11,850.3	12,011.9	12,171.5	12,343.3	12,526.5	12,700.3	12,877.8	13,058.7
% Ch	5.8	5.6	5.4	5.8	6.1	5.7	5.7	5.7
Employment (Millions)								
U.S. Civilian Labor Force	154.4	154.8	155.2	155.6	156.0	156.5	156.8	157.2
Total U.S. Employment	146.7	147.1	147.5	147.9	148.4	148.8	149.2	149.6
Unemployment Rate (%)	4.95	4.96	4.96	4.93	4.91	4.89	4.87	4.85
Nonfarm Payroll Employment	138.35	138.77	139.16	139.56	139.91	140.26	140.60	140.97
% Ch	1.1	1.2	1.1	1.2	1.0	1.0	1.0	1.1
Manufacturing	13.94	13.92	13.90	13.88	13.87	13.87	13.86	13.84
% Ch	-0.6	-0.6	-0.7	-0.5	-0.2	-0.2	-0.3	-0.4
Durable Manufacturing	8.80	8.79	8.78	8.77	8.77	8.78	8.78	8.78
% Ch	-0.4	-0.4	-0.5	-0.2	0.1	0.2	0.0	0.0
Nondurable Manufacturing	5.14	5.13	5.12	5.11	5.10	5.09	5.08	5.06
% Ch	-1.1	-1.0	-1.0	-0.9	-0.6	-0.8	-0.9	-1.1
Construction	7.65	7.65	7.67	7.69	7.69	7.71	7.72	7.74
% Ch	0.3	0.3	0.7	1.0	0.4	0.8	0.6	1.1
Service-Producing	116.07	116.52	116.93	117.34	117.69	118.05	118.39	118.76
% Ch	1.4	1.6	1.4	1.4	1.2	1.2	1.2	1.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	57.7	57.1	56.6	56.2	55.2	53.7	53.0	52.3
Credit Outstanding/Disp. Income	22.3	22.3	22.2	22.2	22.2	22.2	22.2	22.2
Auto Sales (Millions)	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
% Ch	4.7	-0.7	2.3	0.1	-1.9	1.2	-0.3	1.9
Housing Starts (Millions)	1.781	1.762	1.748	1.730	1.698	1.687	1.688	1.694
% Ch	-4.2	-4.1	-3.2	-4.0	-7.3	-2.5	0.2	1.5
Federal Budget Surplus (Billions)	-312.8	-318.8	-322.2	-321.8	-299.5	-294.2	-298.2	-297.1
Net Exports (Billions)	-756.4	-733.1	-717.8	-708.0	-692.2	-675.3	-671.1	-667.1
3-Month Treasury Bill Rate (%)	4.58	4.58	4.62	4.81	4.85	4.85	4.85	4.88
10-Year Treasury Note Yield (%)	5.14	5.21	5.28	5.46	5.52	5.53	5.54	5.63
Bond Index of 20 G.O. Munis. (%)	5.35	5.43	5.50	5.66	5.77	5.80	5.83	5.92
30-Year Fixed Mortgage Rate (%)	6.72	6.80	6.87	7.06	7.12	7.12	7.14	7.23

Table A1.3
Washington Economic Forecast Summary
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.584	190.814	199.892	200.553	210.380	220.109	229.426	239.401
% Ch	0.6	0.1	4.8	0.3	4.9	4.6	4.2	4.3
Real Wage and Salary Disb.	107.607	108.125	109.428	113.009	118.479	123.841	128.958	133.997
% Ch	-0.7	0.5	1.2	3.3	4.8	4.5	4.1	3.9
Real Nonwage Income	82.977	82.689	90.465	87.544	91.901	96.268	100.468	105.404
% Ch	2.2	-0.3	9.4	-3.2	5.0	4.8	4.4	4.9
Real Per Capita Income (\$/Person)	31,435	31,156	32,231	31,836	32,796	33,700	34,542	35,482
% Ch	-0.5	-0.9	3.4	-1.2	3.0	2.8	2.5	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.035	1.055	1.082	1.113	1.137	1.159	1.183	1.206
% Ch	1.4	1.9	2.6	2.8	2.2	1.9	2.1	1.9
Seattle Cons. Price Index (1982-84=1.0)	1.893	1.924	1.947	2.002	2.046	2.087	2.132	2.171
% Ch	2.0	1.6	1.2	2.8	2.2	2.0	2.1	1.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.02	18.28	18.86	19.95	20.27	20.59	20.90
% Ch	1.0	-0.7	1.4	3.2	5.8	1.6	1.6	1.5
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	196.953	200.687	215.579	222.382	238.441	254.386	270.686	288.013
% Ch	1.9	1.9	7.4	3.2	7.2	6.7	6.4	6.4
Personal Income	197.323	201.342	216.427	223.217	239.207	255.043	271.319	288.635
% Ch	2.0	2.0	7.5	3.1	7.2	6.6	6.4	6.4
Disposable Personal Income	173.955	179.387	193.047	196.902	210.771	223.736	237.975	252.625
% Ch	4.8	3.1	7.6	2.0	7.0	6.2	6.4	6.2
Per Capita Income (\$/Person)	32,546	32,875	34,895	35,433	37,289	39,048	40,849	42,779
% Ch	0.9	1.0	6.1	1.5	5.2	4.7	4.6	4.7
Employment (Thousands)								
Washington Civilian Labor Force	3,109.4	3,160.3	3,233.6	3,291.3	3,373.1	3,447.3	3,512.0	3,570.8
Total Washington Employment	2,881.4	2,926.8	3,032.3	3,109.4	3,186.9	3,253.4	3,308.7	3,357.4
Unemployment Rate (%)	7.33	7.39	6.23	5.53	5.52	5.63	5.79	5.97
Nonfarm Payroll Employment	2,654.0	2,657.7	2,701.0	2,779.1	2,856.2	2,918.6	2,970.6	3,016.4
% Ch	-1.6	0.1	1.6	2.9	2.8	2.2	1.8	1.5
Manufacturing	285.0	267.0	263.6	272.0	282.3	286.1	287.8	288.4
% Ch	-9.8	-6.3	-1.3	3.2	3.8	1.4	0.6	0.2
Durable Manufacturing	199.3	183.8	182.3	191.0	201.1	203.5	204.5	204.1
% Ch	-11.4	-7.8	-0.8	4.8	5.3	1.2	0.5	-0.2
Aerospace	75.7	65.3	61.5	65.9	75.0	79.8	82.3	82.5
% Ch	-13.2	-13.8	-5.8	7.3	13.7	6.4	3.1	0.3
Nondurable Manufacturing	85.7	83.3	81.3	81.0	81.2	82.6	83.3	84.2
% Ch	-6.0	-2.8	-2.4	-0.3	0.2	1.7	0.8	1.1
Construction	154.2	156.2	164.2	177.2	185.4	187.2	187.7	188.3
% Ch	-2.9	1.3	5.1	7.9	4.6	1.0	0.3	0.3
Service-Producing	2,205.4	2,225.9	2,264.0	2,320.9	2,380.0	2,436.8	2,486.7	2,531.5
% Ch	-0.3	0.9	1.7	2.5	2.5	2.4	2.0	1.8
Software Publishers	36.1	37.3	39.3	41.5	43.9	45.5	47.3	49.4
% Ch	0.7	3.4	5.2	5.8	5.7	3.6	4.0	4.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.200	42.825	50.089	52.784	51.694	49.880	47.395	45.737
% Ch	4.8	6.5	17.0	5.4	-2.1	-3.5	-5.0	-3.5
Single-Family	30.239	33.091	36.489	40.928	34.729	30.917	28.699	27.394
% Ch	13.1	9.4	10.3	12.2	-15.1	-11.0	-7.2	-4.5
Multi-Family	9.961	9.734	13.600	11.856	16.965	18.963	18.696	18.343
% Ch	-14.2	-2.3	39.7	-12.8	43.1	11.8	-1.4	-1.9
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.38	6.53	6.86	7.15

Table A1.4
Washington Economic Forecast Summary
 Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	192.074	195.121	195.669	216.705	197.368	199.232	202.574	203.039
% Ch	3.4	6.5	1.1	50.5	-31.2	3.8	6.9	0.9
Real Wage and Salary Disb.	107.256	109.660	110.306	110.488	110.336	111.877	115.289	114.532
% Ch	1.6	9.3	2.4	0.7	-0.6	5.7	12.8	-2.6
Real Nonwage Income	84.818	85.461	85.363	106.217	87.032	87.355	87.284	88.507
% Ch	5.8	3.1	-0.5	139.7	-54.9	1.5	-0.3	5.7
Real Per Capita Income (\$/Person)	31,141	31,522	31,498	34,760	31,547	31,700	32,085	32,014
% Ch	2.2	5.0	-0.3	48.3	-32.2	2.0	5.0	-0.9
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.071	1.081	1.085	1.093	1.099	1.108	1.118	1.126
% Ch	3.8	3.8	1.5	3.1	2.3	3.3	3.7	2.6
Seattle Cons. Price Index (1982-84=1.0)	1.936	1.946	1.945	1.962	1.982	2.004	1.998	2.025
% Ch	1.9	2.1	-0.3	3.6	4.2	4.5	-1.0	5.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.09	18.21	18.30	18.50	18.61	18.85	18.40	19.58
% Ch	-3.4	2.7	2.1	4.4	2.3	5.2	-9.1	28.0
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	204.655	209.826	211.506	236.331	216.036	220.131	225.659	227.704
% Ch	6.9	10.5	3.2	55.9	-30.2	7.8	10.4	3.7
Personal Income	205.667	210.890	212.253	236.897	216.961	220.797	226.555	228.557
% Ch	7.4	10.6	2.6	55.2	-29.6	7.3	10.8	3.6
Disposable Personal Income	183.777	188.209	189.165	211.035	191.732	194.655	199.630	201.593
% Ch	8.2	10.0	2.0	54.9	-31.9	6.2	10.6	4.0
Per Capita Income (\$/Person)	33,345	34,070	34,168	37,999	34,678	35,131	35,884	36,038
% Ch	6.2	9.0	1.2	53.0	-30.6	5.3	8.9	1.7
Employment (Thousands)								
Washington Civilian Labor Force	3,207.2	3,229.6	3,236.4	3,261.3	3,255.1	3,273.8	3,302.8	3,333.6
Total Washington Employment	2,993.7	3,027.9	3,040.2	3,067.4	3,080.3	3,092.5	3,114.4	3,150.4
Unemployment Rate (%)	6.66	6.25	6.06	5.95	5.37	5.54	5.70	5.49
Nonfarm Payroll Employment	2,675.2	2,695.2	2,706.0	2,727.4	2,749.1	2,769.0	2,784.2	2,814.0
% Ch	1.3	3.0	1.6	3.2	3.2	2.9	2.2	4.3
Manufacturing	261.9	262.8	263.7	266.2	269.1	271.7	270.0	277.3
% Ch	-2.0	1.3	1.4	3.9	4.5	3.8	-2.5	11.3
Durable Manufacturing	180.0	181.4	182.8	185.2	187.8	191.0	189.0	196.2
% Ch	-1.2	3.2	3.2	5.3	5.8	6.9	-4.1	16.0
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.9	70.7
% Ch	-6.9	-2.4	1.3	10.2	11.3	9.7	-16.3	59.3
Nondurable Manufacturing	82.0	81.4	80.8	81.0	81.3	80.7	80.9	81.1
% Ch	-3.7	-2.7	-2.6	0.9	1.5	-3.1	1.3	0.9
Construction	161.4	163.6	163.6	168.1	173.4	175.7	177.1	182.6
% Ch	7.4	5.4	0.2	11.5	13.0	5.6	3.3	12.9
Service-Producing	2,242.9	2,259.7	2,269.5	2,283.9	2,297.4	2,312.5	2,328.3	2,345.6
% Ch	1.2	3.0	1.7	2.5	2.4	2.7	2.8	3.0
Software Publishers	38.9	39.2	39.3	39.7	40.3	41.2	42.0	42.6
% Ch	5.6	3.9	1.0	3.5	7.0	8.6	7.7	6.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.946	46.746	50.885	57.779	51.181	47.817	54.056	58.082
% Ch	53.8	17.0	40.4	66.2	-38.4	-23.8	63.3	33.3
Single-Family	34.349	37.194	35.324	39.090	39.887	38.671	41.717	43.437
% Ch	18.8	37.5	-18.6	50.0	8.4	-11.6	35.4	17.5
Multi-Family	10.597	9.552	15.562	18.689	11.294	9.146	12.339	14.645
% Ch	306.4	-34.0	604.3	108.0	-86.7	-57.0	231.4	98.4
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

Table A1.4
Washington Economic Forecast Summary
 Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	205.391	207.939	214.493	213.698	215.792	217.720	224.292	222.634
% Ch	4.7	5.1	13.2	-1.5	4.0	3.6	12.6	-2.9
Real Wage and Salary Disb.	115.544	116.624	121.805	119.942	121.072	121.915	127.495	124.881
% Ch	3.6	3.8	19.0	-6.0	3.8	2.8	19.6	-8.0
Real Nonwage Income	89.847	91.314	92.688	93.756	94.720	95.804	96.797	97.752
% Ch	6.2	6.7	6.2	4.7	4.2	4.7	4.2	4.0
Real Per Capita Income (\$/Person)	32,240	32,492	33,363	33,088	33,261	33,408	34,266	33,867
% Ch	2.8	3.2	11.2	-3.3	2.1	1.8	10.7	-4.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.130	1.134	1.139	1.145	1.150	1.156	1.161	1.168
% Ch	1.5	1.4	1.8	2.0	1.9	1.9	2.0	2.1
Seattle Cons. Price Index (1982-84=1.0)	2.033	2.041	2.050	2.061	2.071	2.081	2.092	2.104
% Ch	1.6	1.5	1.9	2.2	1.9	1.9	2.1	2.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.84	19.91	19.99	20.07	20.14	20.22	20.30	20.39
% Ch	5.4	1.5	1.6	1.6	1.6	1.6	1.6	1.7
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	231.252	235.015	243.576	243.921	247.500	250.922	259.833	259.290
% Ch	6.4	6.7	15.4	0.6	6.0	5.6	15.0	-0.8
Personal Income	232.090	235.795	244.315	244.628	248.177	251.584	260.480	259.930
% Ch	6.3	6.5	15.3	0.5	5.9	5.6	14.9	-0.8
Disposable Personal Income	204.677	207.801	215.217	215.389	217.759	220.687	228.461	228.035
% Ch	6.3	6.2	15.1	0.3	4.5	5.5	14.9	-0.7
Per Capita Income (\$/Person)	36,431	36,845	38,002	37,877	38,252	38,604	39,794	39,541
% Ch	4.4	4.6	13.2	-1.3	4.0	3.7	12.9	-2.5
Employment (Thousands)								
Washington Civilian Labor Force	3,343.6	3,363.5	3,383.1	3,402.2	3,421.1	3,439.0	3,456.2	3,472.7
Total Washington Employment	3,159.4	3,178.4	3,196.4	3,213.5	3,230.3	3,246.3	3,261.3	3,275.4
Unemployment Rate (%)	5.51	5.50	5.52	5.54	5.58	5.60	5.64	5.68
Nonfarm Payroll Employment	2,830.3	2,848.1	2,865.1	2,881.2	2,897.0	2,912.0	2,926.1	2,939.3
% Ch	2.3	2.5	2.4	2.3	2.2	2.1	2.0	1.8
Manufacturing	280.1	281.8	283.1	284.0	285.6	285.7	286.3	286.9
% Ch	4.0	2.5	1.8	1.3	2.3	0.1	0.7	0.8
Durable Manufacturing	199.0	200.9	202.0	202.4	203.3	203.2	203.6	204.0
% Ch	5.9	3.8	2.3	0.7	1.8	-0.1	0.6	0.9
Aerospace	72.5	74.2	75.8	77.5	78.5	79.4	80.2	81.0
% Ch	10.6	9.4	9.2	9.0	5.8	4.3	4.2	4.2
Nondurable Manufacturing	81.0	80.9	81.1	81.7	82.3	82.5	82.7	82.8
% Ch	-0.5	-0.4	0.7	2.9	3.3	0.8	0.9	0.7
Construction	184.1	185.5	186.0	185.9	186.4	187.0	187.5	187.7
% Ch	3.4	2.9	1.1	-0.1	1.1	1.3	1.0	0.6
Service-Producing	2,357.5	2,372.3	2,387.5	2,402.6	2,416.4	2,430.7	2,443.9	2,456.2
% Ch	2.1	2.5	2.6	2.6	2.3	2.4	2.2	2.0
Software Publishers	43.3	43.7	44.1	44.5	44.9	45.3	45.7	46.1
% Ch	6.2	4.1	3.6	3.4	3.7	3.8	3.6	3.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	53.173	51.585	51.202	50.815	50.670	50.412	49.598	48.841
% Ch	-29.8	-11.4	-2.9	-3.0	-1.1	-2.0	-6.3	-6.0
Single-Family	38.300	34.893	33.328	32.394	31.844	31.327	30.584	29.914
% Ch	-39.6	-31.1	-16.8	-10.7	-6.6	-6.3	-9.2	-8.5
Multi-Family	14.873	16.692	17.875	18.421	18.826	19.086	19.015	18.927
% Ch	6.4	58.7	31.5	12.8	9.1	5.6	-1.5	-1.8
30-Year Fixed Mortgage Rate (%)	6.22	6.41	6.45	6.45	6.45	6.47	6.55	6.64

Table A1.4
Washington Economic Forecast Summary
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	224.874	226.814	233.928	232.087	234.537	236.556	244.268	242.243
% Ch	4.1	3.5	13.1	-3.1	4.3	3.5	13.7	-3.3
Real Wage and Salary Disb.	126.091	126.912	132.962	129.866	131.043	131.837	138.241	134.868
% Ch	3.9	2.6	20.5	-9.0	3.7	2.4	20.9	-9.4
Real Nonwage Income	98.783	99.902	100.967	102.221	103.494	104.719	106.028	107.375
% Ch	4.3	4.6	4.3	5.1	5.1	4.8	5.1	5.2
Real Per Capita Income (\$/Person)	34,065	34,219	35,150	34,735	34,965	35,129	36,136	35,700
% Ch	2.4	1.8	11.3	-4.6	2.7	1.9	12.0	-4.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.174	1.180	1.186	1.191	1.197	1.203	1.208	1.214
% Ch	2.2	2.0	2.0	1.9	2.0	1.9	1.9	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.115	2.126	2.137	2.147	2.158	2.167	2.176	2.185
% Ch	2.2	2.1	2.1	1.9	1.9	1.7	1.7	1.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.48	20.56	20.64	20.71	20.79	20.87	20.94	21.01
% Ch	1.7	1.6	1.6	1.5	1.6	1.5	1.4	1.3
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	263.319	266.910	276.693	275.820	280.138	283.892	294.547	293.473
% Ch	6.4	5.6	15.5	-1.3	6.4	5.5	15.9	-1.5
Personal Income	263.959	267.543	277.324	276.450	280.760	284.511	295.172	294.097
% Ch	6.3	5.5	15.4	-1.3	6.4	5.5	15.9	-1.4
Disposable Personal Income	231.440	234.685	243.317	242.460	245.763	249.017	258.371	257.347
% Ch	6.1	5.7	15.5	-1.4	5.6	5.4	15.9	-1.6
Per Capita Income (\$/Person)	39,986	40,363	41,671	41,375	41,855	42,250	43,666	43,342
% Ch	4.6	3.8	13.6	-2.8	4.7	3.8	14.1	-2.9
Employment (Thousands)								
Washington Civilian Labor Force	3,488.7	3,504.7	3,519.8	3,534.8	3,549.2	3,563.6	3,577.9	3,592.4
Total Washington Employment	3,288.7	3,302.8	3,315.4	3,327.9	3,339.3	3,351.3	3,363.4	3,375.8
Unemployment Rate (%)	5.73	5.76	5.81	5.85	5.91	5.96	6.00	6.03
Nonfarm Payroll Employment	2,951.8	2,965.1	2,976.9	2,988.6	2,999.4	3,010.7	3,022.0	3,033.7
% Ch	1.7	1.8	1.6	1.6	1.5	1.5	1.5	1.6
Manufacturing	287.4	287.9	287.9	288.0	288.1	288.3	288.4	288.6
% Ch	0.7	0.7	0.1	0.0	0.3	0.2	0.2	0.2
Durable Manufacturing	204.5	204.7	204.5	204.3	204.2	204.1	204.1	204.2
% Ch	0.8	0.5	-0.3	-0.4	-0.2	-0.1	-0.1	0.1
Aerospace	81.7	82.3	82.5	82.5	82.5	82.5	82.5	82.5
% Ch	3.4	3.0	1.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	82.9	83.2	83.4	83.7	84.0	84.2	84.3	84.4
% Ch	0.4	1.2	1.1	1.2	1.4	1.0	0.8	0.4
Construction	187.8	187.7	187.7	187.7	187.9	188.1	188.4	188.7
% Ch	0.1	-0.1	-0.1	0.1	0.4	0.4	0.6	0.6
Service-Producing	2,468.2	2,481.0	2,492.9	2,504.6	2,515.1	2,526.0	2,537.0	2,548.2
% Ch	2.0	2.1	1.9	1.9	1.7	1.7	1.8	1.8
Software Publishers	46.6	47.0	47.5	48.0	48.6	49.1	49.7	50.2
% Ch	4.1	4.1	4.2	4.2	4.6	4.5	4.7	4.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	48.089	47.644	47.208	46.639	46.117	45.884	45.605	45.343
% Ch	-6.0	-3.7	-3.6	-4.7	-4.4	-2.0	-2.4	-2.3
Single-Family	29.308	28.937	28.581	27.970	27.606	27.504	27.370	27.097
% Ch	-7.9	-5.0	-4.8	-8.3	-5.1	-1.5	-1.9	-3.9
Multi-Family	18.781	18.707	18.627	18.669	18.511	18.380	18.235	18.246
% Ch	-3.0	-1.6	-1.7	0.9	-3.3	-2.8	-3.1	0.2
30-Year Fixed Mortgage Rate (%)	6.72	6.80	6.87	7.06	7.12	7.12	7.14	7.23

Table A2.1

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	130.34	129.99	131.42	133.46	135.50	137.38	138.96	140.44
% Ch	-1.1	-0.3	1.1	1.5	1.5	1.4	1.1	1.1
Manufacturing	15.26	14.51	14.31	14.23	14.17	14.02	13.91	13.86
% Ch	-7.2	-4.9	-1.3	-0.6	-0.5	-1.0	-0.8	-0.4
Durable Manufacturing	9.48	8.96	8.92	8.95	8.94	8.84	8.79	8.78
% Ch	-8.2	-5.5	-0.4	0.3	-0.1	-1.2	-0.6	-0.1
Wood Products	0.55	0.54	0.55	0.56	0.56	0.53	0.51	0.49
% Ch	-3.3	-3.1	2.3	0.9	1.1	-5.0	-4.8	-4.1
Primary and Fabricated Metals	2.06	1.96	1.96	1.99	2.02	2.05	2.07	2.09
% Ch	-8.4	-4.9	0.4	1.3	1.5	1.8	1.0	0.9
Computer and Electronic Products	1.51	1.35	1.32	1.32	1.27	1.16	1.11	1.10
% Ch	-13.8	-10.1	-2.4	-0.2	-3.6	-9.2	-4.1	-0.7
Machinery and Electrical Equipment	1.73	1.61	1.59	1.60	1.61	1.63	1.60	1.56
% Ch	-10.4	-6.8	-1.3	0.6	0.6	1.4	-1.9	-2.3
Transportation Equipment	1.83	1.77	1.77	1.77	1.75	1.72	1.74	1.78
% Ch	-5.6	-3.0	-0.5	0.4	-1.0	-2.1	1.2	2.5
Other Durables	1.81	1.73	1.73	1.72	1.73	1.75	1.76	1.75
% Ch	-4.9	-4.3	0.2	-0.7	0.7	1.1	0.4	-0.3
Nondurable Manufacturing	5.77	5.55	5.39	5.28	5.22	5.18	5.13	5.08
% Ch	-5.4	-4.0	-2.8	-2.1	-1.1	-0.8	-1.0	-0.8
Food Manufacturing	1.52	1.52	1.49	1.47	1.47	1.49	1.50	1.52
% Ch	-1.6	-0.5	-1.5	-1.5	-0.4	1.5	0.8	1.0
Paper and Paper Products	0.55	0.52	0.50	0.48	0.48	0.47	0.47	0.47
% Ch	-5.4	-5.6	-4.0	-2.2	-1.8	-0.5	-0.2	-0.4
Other Nondurables	3.70	3.51	3.40	3.32	3.28	3.22	3.15	3.10
% Ch	-6.9	-5.1	-3.2	-2.3	-1.3	-1.9	-2.0	-1.8
Natural Resources and Mining	0.58	0.57	0.59	0.62	0.68	0.71	0.67	0.64
% Ch	-3.8	-1.8	3.2	5.8	8.3	4.5	-4.7	-5.4
Construction	6.72	6.73	6.97	7.28	7.52	7.61	7.66	7.71
% Ch	-1.6	0.2	3.6	4.4	3.4	1.2	0.7	0.7
Trade, Transportation, and Utilities	25.50	25.29	25.53	25.91	26.18	26.52	26.85	27.04
% Ch	-1.9	-0.8	1.0	1.5	1.1	1.3	1.2	0.7
Wholesale Trade	5.65	5.61	5.66	5.75	5.82	5.84	5.87	5.90
% Ch	-2.1	-0.8	0.9	1.5	1.3	0.2	0.6	0.5
Retail Trade	15.03	14.92	15.06	15.25	15.39	15.63	15.81	15.86
% Ch	-1.4	-0.7	0.9	1.3	0.9	1.6	1.2	0.3
Trans., Warehousing, and Utilities	4.82	4.76	4.81	4.90	4.97	5.06	5.17	5.29
% Ch	-3.1	-1.2	1.0	1.9	1.4	1.8	2.2	2.2
Information	3.39	3.19	3.12	3.07	3.12	3.17	3.23	3.27
% Ch	-6.5	-6.1	-2.2	-1.7	1.7	1.9	1.9	1.2
Publishing Industries	0.96	0.92	0.91	0.90	0.90	0.91	0.92	0.93
% Ch	-5.5	-4.1	-1.7	-0.6	0.1	0.2	1.2	1.9
Other Information	2.43	2.26	2.21	2.16	2.21	2.27	2.32	2.34
% Ch	-6.8	-6.9	-2.4	-2.1	2.3	2.6	2.1	1.0
Financial Activities	7.85	7.98	8.03	8.14	8.25	8.31	8.38	8.45
% Ch	0.5	1.6	0.7	1.4	1.3	0.8	0.8	0.8
Professional and Business Services	15.98	15.98	16.39	16.88	17.45	18.09	18.66	19.29
% Ch	-3.1	0.0	2.5	3.0	3.4	3.7	3.1	3.4
Education and Health Services	16.20	16.59	16.95	17.34	17.73	18.08	18.38	18.64
% Ch	3.6	2.4	2.2	2.3	2.2	2.0	1.7	1.4
Leisure and Hospitality	11.99	12.18	12.49	12.80	13.04	13.28	13.48	13.58
% Ch	-0.4	1.6	2.6	2.4	1.9	1.9	1.5	0.7
Other Services	5.37	5.40	5.41	5.39	5.42	5.48	5.52	5.54
% Ch	2.2	0.5	0.2	-0.4	0.7	1.0	0.8	0.3
Federal Government	2.77	2.76	2.73	2.72	2.71	2.71	2.71	2.73
% Ch	0.1	-0.2	-1.1	-0.2	-0.5	0.1	0.1	0.5
State and Local Government	18.74	18.82	18.89	19.08	19.24	19.39	19.50	19.69
% Ch	2.1	0.4	0.4	1.0	0.9	0.8	0.6	1.0

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.57	131.28	131.60	132.24	132.69	133.23	133.75	134.16
% Ch	1.2	2.2	1.0	2.0	1.4	1.6	1.6	1.2
Manufacturing	14.29	14.33	14.34	14.31	14.27	14.25	14.21	14.21
% Ch	-0.8	1.2	0.2	-0.8	-1.0	-0.7	-1.1	-0.0
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.96
% Ch	0.5	2.5	1.5	0.2	-0.1	0.2	-0.7	0.7
Wood Products	0.54	0.55	0.55	0.56	0.56	0.55	0.55	0.56
% Ch	2.3	4.3	2.2	3.6	0.9	-2.8	-0.4	1.8
Primary and Fabricated Metals	1.94	1.96	1.97	1.98	1.98	1.99	1.99	1.99
% Ch	1.6	4.0	2.7	0.7	0.9	1.1	0.7	0.9
Computer and Electronic Products	1.32	1.32	1.33	1.32	1.32	1.32	1.32	1.32
% Ch	-1.0	1.4	1.4	-2.4	-1.0	0.8	1.2	-0.3
Machinery and Electrical Equipment	1.58	1.59	1.60	1.59	1.59	1.60	1.60	1.60
% Ch	-1.0	2.2	2.5	-0.8	-0.1	1.3	0.1	0.8
Transportation Equipment	1.76	1.76	1.76	1.77	1.78	1.78	1.76	1.77
% Ch	-0.2	0.4	0.1	2.6	0.6	0.5	-4.4	2.5
Other Durables	1.72	1.74	1.74	1.74	1.73	1.72	1.72	1.71
% Ch	2.0	3.4	0.5	-0.8	-1.6	-1.8	-0.6	-0.9
Nondurable Manufacturing	5.42	5.41	5.38	5.35	5.32	5.29	5.26	5.25
% Ch	-2.7	-0.8	-2.0	-2.5	-2.5	-2.1	-1.7	-1.3
Food Manufacturing	1.50	1.50	1.49	1.49	1.48	1.48	1.47	1.46
% Ch	-3.7	-0.3	-0.8	-1.6	-1.3	-2.0	-2.0	-1.3
Paper and Paper Products	0.50	0.50	0.49	0.49	0.49	0.49	0.48	0.48
% Ch	-4.7	-3.3	-1.1	-2.6	-0.9	-2.9	-3.1	-3.8
Other Nondurables	3.42	3.42	3.40	3.37	3.34	3.33	3.31	3.31
% Ch	-2.1	-0.6	-2.5	-2.9	-3.3	-1.9	-1.4	-0.9
Natural Resources and Mining	0.58	0.59	0.60	0.60	0.61	0.62	0.63	0.64
% Ch	2.3	8.1	3.9	1.8	8.3	7.2	4.1	9.0
Construction	6.86	6.94	7.00	7.09	7.16	7.26	7.30	7.39
% Ch	4.1	4.5	3.6	5.5	3.6	5.7	2.6	4.8
Trade, Transportation, and Utilities	25.39	25.51	25.56	25.67	25.78	25.89	25.97	25.99
% Ch	1.5	1.9	0.8	1.7	1.7	1.7	1.2	0.3
Wholesale Trade	5.62	5.65	5.67	5.70	5.71	5.74	5.76	5.78
% Ch	2.0	2.0	1.4	1.7	1.2	1.9	1.3	1.4
Retail Trade	14.99	15.06	15.06	15.13	15.19	15.25	15.30	15.28
% Ch	1.3	1.8	0.2	1.7	1.6	1.5	1.3	-0.3
Trans., Warehousing, and Utilities	4.78	4.80	4.82	4.84	4.88	4.90	4.91	4.93
% Ch	1.6	1.7	2.1	1.7	2.6	2.1	0.9	1.1
Information	3.14	3.13	3.11	3.09	3.07	3.07	3.07	3.06
% Ch	-1.3	-0.7	-3.5	-2.6	-2.7	0.0	-0.1	-0.4
Publishing Industries	0.91	0.91	0.91	0.91	0.90	0.90	0.91	0.90
% Ch	-1.6	0.3	-1.6	-1.0	-0.9	-0.6	1.3	-0.8
Other Information	2.23	2.22	2.20	2.18	2.16	2.16	2.16	2.16
% Ch	-1.3	-1.1	-4.3	-3.3	-3.4	0.3	-0.7	-0.2
Financial Activities	7.99	8.03	8.04	8.06	8.09	8.11	8.15	8.21
% Ch	0.0	2.0	0.6	1.1	1.6	0.5	2.5	3.0
Professional and Business Services	16.17	16.36	16.44	16.59	16.70	16.81	16.94	17.06
% Ch	1.5	4.9	2.1	3.7	2.5	2.6	3.3	2.8
Education and Health Services	16.80	16.91	16.99	17.11	17.19	17.29	17.41	17.47
% Ch	2.1	2.6	1.8	2.9	2.0	2.3	2.9	1.5
Leisure and Hospitality	12.39	12.46	12.50	12.62	12.70	12.78	12.84	12.87
% Ch	3.1	2.3	1.4	3.7	2.6	2.7	1.8	1.0
Other Services	5.41	5.42	5.41	5.40	5.39	5.39	5.39	5.38
% Ch	0.6	0.9	-1.0	-0.8	-0.2	-0.2	-0.3	-0.6
Federal Government	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.72
% Ch	-1.0	0.9	-0.7	0.0	-0.6	0.1	-0.2	-0.5
State and Local Government	18.83	18.86	18.89	18.98	19.01	19.05	19.12	19.15
% Ch	0.1	0.7	0.7	1.9	0.6	0.9	1.4	0.6

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	134.70	135.26	135.78	136.27	136.75	137.20	137.59	137.99
% Ch	1.6	1.7	1.5	1.5	1.4	1.3	1.1	1.2
Manufacturing	14.23	14.21	14.14	14.09	14.10	14.02	13.99	13.97
% Ch	0.6	-0.6	-1.9	-1.5	0.3	-2.1	-1.0	-0.6
Durable Manufacturing	8.99	8.98	8.93	8.88	8.89	8.84	8.82	8.81
% Ch	1.2	-0.1	-2.2	-2.3	0.6	-2.4	-1.0	-0.5
Wood Products	0.56	0.57	0.56	0.55	0.55	0.54	0.53	0.52
% Ch	4.3	3.2	-2.2	-5.4	-5.1	-8.1	-6.0	-4.7
Primary and Fabricated Metals	2.01	2.02	2.02	2.03	2.05	2.05	2.05	2.06
% Ch	2.2	2.3	0.2	2.7	4.3	-0.4	0.9	1.0
Computer and Electronic Products	1.31	1.29	1.27	1.21	1.19	1.16	1.14	1.13
% Ch	-3.0	-5.2	-7.2	-17.0	-8.4	-7.8	-6.5	-5.4
Machinery and Electrical Equipment	1.60	1.61	1.61	1.62	1.63	1.63	1.63	1.63
% Ch	-0.2	1.6	0.0	2.2	4.3	-0.9	0.1	-0.4
Transportation Equipment	1.78	1.76	1.74	1.73	1.73	1.71	1.71	1.71
% Ch	1.2	-2.7	-4.6	-2.8	-0.7	-3.2	-0.8	0.9
Other Durables	1.73	1.73	1.73	1.74	1.75	1.75	1.75	1.76
% Ch	3.5	1.0	-0.7	1.0	2.9	0.1	0.9	1.0
Nondurable Manufacturing	5.24	5.22	5.21	5.20	5.20	5.18	5.17	5.16
% Ch	-0.3	-1.5	-1.3	-0.3	-0.2	-1.4	-1.0	-1.0
Food Manufacturing	1.46	1.46	1.47	1.47	1.48	1.49	1.49	1.49
% Ch	0.1	0.1	0.7	2.1	2.7	1.0	0.9	0.8
Paper and Paper Products	0.48	0.48	0.47	0.47	0.47	0.47	0.47	0.47
% Ch	0.2	-2.2	-1.2	-0.2	-0.5	-0.5	0.3	-0.2
Other Nondurables	3.30	3.28	3.27	3.26	3.24	3.22	3.21	3.19
% Ch	-0.5	-2.1	-2.2	-1.3	-1.5	-2.7	-2.0	-1.9
Natural Resources and Mining	0.66	0.67	0.68	0.70	0.71	0.71	0.71	0.70
% Ch	9.2	12.6	3.7	8.5	6.7	1.5	-0.3	-2.9
Construction	7.47	7.51	7.55	7.56	7.58	7.61	7.61	7.64
% Ch	4.4	2.0	2.4	0.7	1.0	1.3	0.0	1.8
Trade, Transportation, and Utilities	26.04	26.12	26.24	26.32	26.36	26.49	26.58	26.66
% Ch	0.8	1.1	1.8	1.3	0.5	2.0	1.4	1.3
Wholesale Trade	5.80	5.83	5.84	5.83	5.82	5.83	5.84	5.85
% Ch	1.6	2.0	0.4	-0.5	-0.3	0.7	0.4	0.6
Retail Trade	15.31	15.33	15.41	15.49	15.51	15.61	15.67	15.71
% Ch	0.6	0.7	2.2	1.9	0.7	2.5	1.5	1.2
Trans., Warehousing, and Utilities	4.93	4.95	4.99	5.01	5.02	5.05	5.07	5.10
% Ch	0.7	1.6	2.5	1.9	1.0	2.0	2.1	2.3
Information	3.07	3.10	3.14	3.16	3.15	3.16	3.18	3.21
% Ch	0.6	4.1	5.6	1.9	-0.3	0.5	2.6	4.3
Publishing Industries	0.90	0.91	0.90	0.90	0.90	0.91	0.91	0.91
% Ch	0.0	1.0	-0.4	-0.3	0.1	0.7	0.5	0.9
Other Information	2.16	2.19	2.24	2.25	2.25	2.25	2.27	2.30
% Ch	0.9	5.5	8.1	2.8	-0.5	0.4	3.5	5.6
Financial Activities	8.25	8.25	8.24	8.26	8.29	8.31	8.31	8.33
% Ch	1.6	0.0	-0.3	0.9	1.5	0.9	0.0	1.0
Professional and Business Services	17.19	17.34	17.53	17.73	17.87	18.04	18.17	18.29
% Ch	3.0	3.7	4.4	4.7	3.2	3.8	2.9	2.5
Education and Health Services	17.58	17.70	17.78	17.84	17.96	18.05	18.11	18.19
% Ch	2.4	2.9	1.8	1.4	2.6	2.1	1.4	1.7
Leisure and Hospitality	12.95	13.02	13.06	13.12	13.18	13.25	13.33	13.37
% Ch	2.3	2.5	1.0	2.0	1.8	2.1	2.5	1.0
Other Services	5.40	5.41	5.44	5.45	5.46	5.47	5.48	5.50
% Ch	1.5	1.0	1.7	1.1	0.6	1.0	0.7	1.2
Federal Government	2.71	2.71	2.71	2.71	2.71	2.71	2.71	2.71
% Ch	-2.1	0.7	0.0	-0.0	-0.0	0.1	0.1	0.1
State and Local Government	19.17	19.21	19.27	19.32	19.37	19.38	19.40	19.42
% Ch	0.6	0.8	1.1	1.1	1.1	0.1	0.5	0.3

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	138.35	138.77	139.16	139.56	139.91	140.26	140.60	140.97
% Ch	1.1	1.2	1.1	1.2	1.0	1.0	1.0	1.1
Manufacturing	13.94	13.92	13.90	13.88	13.87	13.87	13.86	13.84
% Ch	-0.6	-0.6	-0.7	-0.5	-0.2	-0.2	-0.3	-0.4
Durable Manufacturing	8.80	8.79	8.78	8.77	8.77	8.78	8.78	8.78
% Ch	-0.4	-0.4	-0.5	-0.2	0.1	0.2	0.0	0.0
Wood Products	0.52	0.51	0.50	0.50	0.49	0.49	0.48	0.48
% Ch	-3.7	-3.7	-5.5	-5.0	-4.6	-3.6	-3.0	-0.8
Primary and Fabricated Metals	2.07	2.07	2.08	2.08	2.09	2.09	2.09	2.10
% Ch	1.0	1.4	1.1	0.9	1.0	0.8	0.4	0.2
Computer and Electronic Products	1.12	1.11	1.10	1.10	1.10	1.10	1.10	1.10
% Ch	-3.2	-2.9	-2.6	-1.2	-0.1	-0.1	0.5	0.7
Machinery and Electrical Equipment	1.62	1.60	1.59	1.58	1.57	1.57	1.56	1.55
% Ch	-2.1	-3.6	-3.1	-2.2	-2.0	-2.0	-2.0	-1.5
Transportation Equipment	1.72	1.73	1.74	1.75	1.77	1.78	1.79	1.79
% Ch	1.8	2.4	2.3	2.5	2.8	3.2	2.3	1.1
Other Durables	1.76	1.76	1.76	1.76	1.75	1.75	1.75	1.75
% Ch	0.4	0.2	-0.2	-0.5	-0.3	-0.3	-0.3	-0.1
Nondurable Manufacturing	5.14	5.13	5.12	5.11	5.10	5.09	5.08	5.06
% Ch	-1.1	-1.0	-1.0	-0.9	-0.6	-0.8	-0.9	-1.1
Food Manufacturing	1.50	1.50	1.50	1.51	1.51	1.52	1.52	1.52
% Ch	0.3	1.2	1.1	1.1	1.3	0.9	0.8	0.4
Paper and Paper Products	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47
% Ch	0.0	-0.4	-0.6	-0.4	-0.1	-0.4	-0.5	-0.6
Other Nondurables	3.18	3.16	3.14	3.13	3.12	3.10	3.09	3.07
% Ch	-1.9	-2.1	-2.0	-1.9	-1.6	-1.7	-1.8	-1.9
Natural Resources and Mining	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.63
% Ch	-7.2	-6.3	-6.3	-5.8	-4.9	-5.1	-4.8	-4.9
Construction	7.65	7.65	7.67	7.69	7.69	7.71	7.72	7.74
% Ch	0.3	0.3	0.7	1.0	0.4	0.8	0.6	1.1
Trade, Transportation, and Utilities	26.74	26.82	26.88	26.96	26.99	27.02	27.06	27.10
% Ch	1.1	1.2	0.9	1.1	0.4	0.6	0.5	0.6
Wholesale Trade	5.86	5.87	5.87	5.88	5.88	5.89	5.90	5.92
% Ch	0.7	0.7	0.3	0.2	0.4	0.3	0.9	1.2
Retail Trade	15.75	15.79	15.82	15.87	15.86	15.87	15.85	15.85
% Ch	0.8	1.1	0.7	1.2	-0.2	0.1	-0.3	-0.2
Trans., Warehousing, and Utilities	5.13	5.16	5.19	5.21	5.24	5.27	5.30	5.33
% Ch	2.3	2.1	2.1	2.0	2.4	2.2	2.3	2.2
Information	3.23	3.23	3.24	3.24	3.26	3.27	3.28	3.29
% Ch	1.8	0.7	0.6	0.8	1.8	1.4	1.3	1.1
Publishing Industries	0.91	0.92	0.92	0.92	0.93	0.93	0.94	0.94
% Ch	1.5	1.3	1.6	1.5	2.1	2.0	2.2	2.1
Other Information	2.31	2.32	2.32	2.32	2.33	2.34	2.34	2.35
% Ch	1.9	0.4	0.2	0.6	1.7	1.1	1.0	0.7
Financial Activities	8.36	8.37	8.38	8.39	8.40	8.42	8.46	8.50
% Ch	1.6	0.4	0.4	0.2	0.7	1.0	1.9	2.0
Professional and Business Services	18.42	18.58	18.73	18.89	19.08	19.24	19.36	19.48
% Ch	3.0	3.4	3.4	3.6	4.1	3.3	2.6	2.5
Education and Health Services	18.27	18.34	18.42	18.50	18.57	18.63	18.65	18.69
% Ch	1.7	1.6	1.6	1.8	1.7	1.3	0.4	0.7
Leisure and Hospitality	13.42	13.48	13.51	13.53	13.54	13.56	13.59	13.62
% Ch	1.6	1.7	0.9	0.7	0.2	0.7	1.0	0.9
Other Services	5.51	5.52	5.53	5.53	5.54	5.54	5.54	5.54
% Ch	1.0	0.7	0.6	0.1	0.4	0.1	0.3	0.2
Federal Government	2.71	2.71	2.71	2.71	2.72	2.72	2.73	2.75
% Ch	0.1	0.1	0.1	0.1	0.1	0.1	1.6	3.5
State and Local Government	19.41	19.47	19.53	19.58	19.60	19.65	19.72	19.79
% Ch	-0.1	1.2	1.3	1.0	0.3	1.0	1.5	1.4

Table A2.3
Washington Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	2,654.0	2,657.7	2,701.0	2,779.1	2,856.2	2,918.6	2,970.6	3,016.4
% Ch	-1.6	0.1	1.6	2.9	2.8	2.2	1.8	1.5
Manufacturing	285.0	267.0	263.6	272.0	282.3	286.1	287.8	288.4
% Ch	-9.8	-6.3	-1.3	3.2	3.8	1.4	0.6	0.2
Durable Manufacturing	199.3	183.8	182.3	191.0	201.1	203.5	204.5	204.1
% Ch	-11.4	-7.8	-0.8	4.8	5.3	1.2	0.5	-0.2
Wood Products	18.0	17.8	18.7	19.9	19.6	18.4	17.3	16.4
% Ch	-4.8	-1.4	5.4	6.3	-1.5	-6.1	-5.9	-5.4
Primary and Fabricated Metals	23.5	22.1	22.3	23.2	23.8	24.3	24.5	24.8
% Ch	-12.7	-6.1	0.9	3.9	2.8	1.9	1.0	0.9
Computer and Electronic Products	26.2	23.4	22.1	22.1	20.6	17.9	17.0	17.1
% Ch	-19.4	-10.7	-5.3	-0.2	-6.9	-13.2	-5.0	0.6
Machinery and Electrical Equipment	16.7	16.3	17.0	17.8	18.7	19.7	20.1	20.3
% Ch	-9.9	-2.6	4.2	4.6	5.2	5.7	1.7	1.2
Aerospace	75.7	65.3	61.5	65.9	75.0	79.8	82.3	82.5
% Ch	-13.2	-13.8	-5.8	7.3	13.7	6.4	3.1	0.3
Other Transportation Equip.	10.9	11.1	12.1	12.9	13.1	13.0	12.9	12.6
% Ch	-2.8	1.5	9.3	6.6	1.2	-0.7	-1.0	-2.2
Other Durables	28.2	27.9	28.6	29.2	30.3	30.5	30.5	30.5
% Ch	-4.7	-1.3	2.6	2.1	3.8	0.5	0.1	0.1
Nondurable Manufacturing	85.7	83.3	81.3	81.0	81.2	82.6	83.3	84.2
% Ch	-6.0	-2.8	-2.4	-0.3	0.2	1.7	0.8	1.1
Food Manufacturing	35.3	34.8	34.1	33.9	34.3	35.8	36.6	37.4
% Ch	-5.3	-1.3	-1.9	-0.6	1.1	4.3	2.2	2.3
Paper and Paper Products	13.2	13.3	12.7	12.2	11.9	11.8	11.8	11.7
% Ch	-6.1	0.1	-4.5	-3.7	-2.6	-0.5	-0.2	-0.4
Other Nondurables	37.2	35.2	34.5	34.9	35.0	35.0	34.9	35.1
% Ch	-6.5	-5.3	-2.0	1.1	0.3	-0.0	-0.2	0.4
Natural Resources and Mining	9.4	8.6	9.1	8.9	8.5	8.5	8.4	8.3
% Ch	-4.5	-7.8	5.8	-2.5	-4.0	-0.2	-1.1	-1.8
Construction	154.2	156.2	164.2	177.2	185.4	187.2	187.7	188.3
% Ch	-2.9	1.3	5.1	7.9	4.6	1.0	0.3	0.3
Trade, Transportation, and Utilities	509.3	509.8	518.4	531.7	542.4	553.5	563.2	569.7
% Ch	-2.8	0.1	1.7	2.6	2.0	2.0	1.8	1.1
Wholesale Trade	115.7	116.0	119.3	122.7	125.1	125.7	126.6	127.4
% Ch	-3.4	0.3	2.8	2.9	1.9	0.5	0.7	0.6
Retail Trade	305.3	305.9	309.4	317.5	325.3	333.9	340.8	344.6
% Ch	-2.0	0.2	1.1	2.6	2.5	2.6	2.1	1.1
Trans., Warehousing, and Utilities	88.3	87.9	89.7	91.5	92.0	93.8	95.8	97.7
% Ch	-4.4	-0.5	2.1	2.0	0.5	2.0	2.1	2.0
Information	93.6	92.3	92.8	95.1	98.3	101.1	104.1	106.7
% Ch	-5.5	-1.4	0.6	2.4	3.4	2.9	2.9	2.6
Software Publishers	36.1	37.3	39.3	41.5	43.9	45.5	47.3	49.4
% Ch	0.7	3.4	5.2	5.8	5.7	3.6	4.0	4.4
Other Publishing Industries	12.6	12.1	11.3	11.2	11.1	11.0	11.0	11.1
% Ch	-4.4	-4.0	-6.7	-0.5	-1.8	-0.8	0.1	0.7
Other Information	44.8	42.8	42.3	42.3	43.4	44.7	45.8	46.3
% Ch	-10.3	-4.5	-1.2	0.0	2.6	3.0	2.5	1.1
Financial Activities	146.2	151.9	151.8	154.5	158.4	160.7	162.9	165.1
% Ch	0.7	3.9	-0.0	1.7	2.5	1.5	1.4	1.3
Professional and Business Services	290.1	290.5	301.6	317.5	333.7	348.6	361.8	375.7
% Ch	-2.3	0.1	3.8	5.3	5.1	4.5	3.8	3.8
Education and Health Services	306.9	312.9	319.7	329.6	341.1	350.2	358.3	365.5
% Ch	2.9	2.0	2.2	3.1	3.5	2.7	2.3	2.0
Leisure and Hospitality	245.4	248.9	255.6	263.0	271.0	277.8	283.4	287.0
% Ch	-0.7	1.5	2.7	2.9	3.1	2.5	2.0	1.3
Other Services	97.8	98.9	100.3	102.8	104.8	106.5	107.9	109.0
% Ch	0.9	1.2	1.4	2.5	1.9	1.6	1.4	1.0
Federal Government	69.2	70.2	69.7	69.5	69.1	69.6	70.1	70.7
% Ch	2.0	1.4	-0.6	-0.3	-0.6	0.7	0.7	0.9
State and Local Government	447.0	450.5	454.0	457.2	461.1	468.8	475.0	482.3
% Ch	2.2	0.8	0.8	0.7	0.9	1.7	1.3	1.5

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,675.2	2,695.2	2,706.0	2,727.4	2,749.1	2,769.0	2,784.2	2,814.0
% Ch	1.3	3.0	1.6	3.2	3.2	2.9	2.2	4.3
Manufacturing	261.9	262.8	263.7	266.2	269.1	271.7	270.0	277.3
% Ch	-2.0	1.3	1.4	3.9	4.5	3.8	-2.5	11.3
Durable Manufacturing	180.0	181.4	182.8	185.2	187.8	191.0	189.0	196.2
% Ch	-1.2	3.2	3.2	5.3	5.8	6.9	-4.1	16.0
Wood Products	18.1	18.6	19.0	19.3	19.9	19.8	20.1	19.9
% Ch	10.1	10.1	8.5	7.6	12.3	-1.5	6.3	-3.2
Primary and Fabricated Metals	22.0	22.3	22.3	22.7	22.8	23.2	23.3	23.5
% Ch	4.9	5.2	0.8	6.4	1.9	7.2	2.4	3.4
Computer and Electronic Products	22.0	22.1	22.2	22.2	22.1	22.1	22.2	21.9
% Ch	-9.7	2.5	2.4	-0.6	-1.2	0.0	1.8	-6.4
Machinery and Electrical Equipment	16.6	16.9	17.1	17.3	17.4	17.6	18.0	18.1
% Ch	2.5	9.2	4.0	4.0	2.3	5.5	8.6	2.2
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.9	70.7
% Ch	-6.9	-2.4	1.3	10.2	11.3	9.7	-16.3	59.3
Other Transportation Equip.	11.8	12.1	12.4	12.3	12.5	13.4	13.1	12.8
% Ch	10.9	11.8	10.3	-3.2	7.8	30.7	-9.6	-8.9
Other Durables	28.3	28.5	28.7	28.8	28.9	29.1	29.4	29.3
% Ch	0.6	3.2	2.8	1.8	0.2	3.6	4.4	-1.1
Nondurable Manufacturing	82.0	81.4	80.8	81.0	81.3	80.7	80.9	81.1
% Ch	-3.7	-2.7	-2.6	0.9	1.5	-3.1	1.3	0.9
Food Manufacturing	34.6	34.2	33.7	34.1	34.4	33.6	33.7	34.1
% Ch	-1.8	-4.5	-5.7	4.8	3.7	-9.0	0.9	5.0
Paper and Paper Products	12.9	12.7	12.6	12.4	12.3	12.4	12.1	12.0
% Ch	-11.8	-5.7	-5.3	-5.1	-3.6	2.6	-7.0	-5.7
Other Nondurables	34.4	34.5	34.6	34.5	34.6	34.7	35.1	35.1
% Ch	-2.4	0.2	1.5	-0.5	1.1	1.0	4.6	-0.5
Natural Resources and Mining	9.0	9.1	9.2	9.2	9.2	9.2	8.8	8.5
% Ch	24.9	6.9	3.8	-0.0	0.4	-2.7	-16.0	-13.5
Construction	161.4	163.6	163.6	168.1	173.4	175.7	177.1	182.6
% Ch	7.4	5.4	0.2	11.5	13.0	5.6	3.3	12.9
Trade, Transportation, and Utilities	512.3	517.8	519.7	523.9	527.1	529.9	532.9	537.1
% Ch	1.0	4.3	1.5	3.2	2.5	2.2	2.3	3.2
Wholesale Trade	117.4	119.0	119.6	121.1	121.5	122.2	123.0	124.2
% Ch	1.6	5.5	2.1	5.0	1.3	2.2	2.9	3.9
Retail Trade	306.8	309.5	310.0	311.2	313.8	316.0	318.6	321.5
% Ch	0.7	3.6	0.7	1.6	3.4	2.8	3.3	3.8
Trans., Warehousing, and Utilities	88.1	89.3	90.1	91.5	91.7	91.7	91.3	91.3
% Ch	1.0	5.3	3.8	6.5	0.8	0.1	-1.9	0.2
Information	92.4	92.9	92.7	93.4	93.8	94.8	95.6	96.0
% Ch	-2.3	2.2	-0.8	3.3	1.5	4.3	3.6	1.6
Software Publishers	38.9	39.2	39.3	39.7	40.3	41.2	42.0	42.6
% Ch	5.6	3.9	1.0	3.5	7.0	8.6	7.7	6.6
Other Publishing Industries	11.3	11.3	11.3	11.2	11.3	11.3	11.3	11.1
% Ch	-5.7	0.0	0.0	-3.5	1.2	1.2	0.0	-5.8
Other Information	42.2	42.3	42.0	42.5	42.2	42.3	42.4	42.2
% Ch	-8.2	1.3	-2.7	4.9	-3.4	1.2	0.7	-1.2
Financial Activities	151.9	151.7	151.4	152.4	152.5	153.3	155.2	156.9
% Ch	-1.3	-0.6	-0.8	2.8	0.2	2.1	5.2	4.3
Professional and Business Services	296.5	300.8	302.7	306.6	311.4	315.6	319.1	324.1
% Ch	4.7	6.0	2.6	5.2	6.4	5.5	4.5	6.5
Education and Health Services	315.8	319.0	320.6	323.2	324.9	328.2	330.7	334.5
% Ch	0.6	4.1	2.1	3.3	2.1	4.1	3.1	4.7
Leisure and Hospitality	253.2	255.0	255.4	258.7	260.0	262.0	263.3	266.7
% Ch	1.8	2.8	0.7	5.3	1.9	3.1	2.1	5.2
Other Services	99.3	100.1	100.7	101.1	102.4	102.4	102.8	103.7
% Ch	1.2	3.1	2.7	1.3	5.5	-0.3	1.8	3.5
Federal Government	69.9	69.7	69.8	69.6	69.6	69.7	69.5	69.4
% Ch	-0.6	-0.8	0.2	-0.8	-0.3	0.8	-1.4	-0.5
State and Local Government	451.7	452.9	456.5	454.9	455.7	456.7	459.1	457.1
% Ch	1.1	1.0	3.2	-1.4	0.7	0.8	2.2	-1.7

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,830.3	2,848.1	2,865.1	2,881.2	2,897.0	2,912.0	2,926.1	2,939.3
% Ch	2.3	2.5	2.4	2.3	2.2	2.1	2.0	1.8
Manufacturing	280.1	281.8	283.1	284.0	285.6	285.7	286.3	286.9
% Ch	4.0	2.5	1.8	1.3	2.3	0.1	0.7	0.8
Durable Manufacturing	199.0	200.9	202.0	202.4	203.3	203.2	203.6	204.0
% Ch	5.9	3.8	2.3	0.7	1.8	-0.1	0.6	0.9
Wood Products	19.8	19.8	19.6	19.3	19.0	18.6	18.2	18.0
% Ch	-2.6	0.1	-4.0	-6.5	-6.2	-8.6	-6.9	-5.9
Primary and Fabricated Metals	23.7	23.8	23.8	24.0	24.2	24.2	24.3	24.4
% Ch	3.2	2.4	0.3	2.7	4.3	-0.3	0.9	1.1
Computer and Electronic Products	21.5	21.1	20.6	19.1	18.5	18.0	17.6	17.3
% Ch	-6.8	-6.7	-10.0	-25.0	-11.9	-11.0	-8.9	-7.1
Machinery and Electrical Equipment	18.3	18.6	18.7	19.1	19.5	19.6	19.8	20.0
% Ch	5.3	5.9	4.0	6.7	9.3	2.9	4.1	3.5
Aerospace	72.5	74.2	75.8	77.5	78.5	79.4	80.2	81.0
% Ch	10.6	9.4	9.2	9.0	5.8	4.3	4.2	4.2
Other Transportation Equip.	13.0	13.1	13.2	13.1	13.1	13.0	13.0	13.0
% Ch	7.4	3.4	2.1	-1.1	-2.0	-1.7	-1.0	-0.7
Other Durables	30.3	30.3	30.3	30.3	30.4	30.4	30.5	30.5
% Ch	13.1	0.7	-0.4	0.5	1.4	-0.0	0.3	0.3
Nondurable Manufacturing	81.0	80.9	81.1	81.7	82.3	82.5	82.7	82.8
% Ch	-0.5	-0.4	0.7	2.9	3.3	0.8	0.9	0.7
Food Manufacturing	34.0	34.1	34.3	34.8	35.5	35.7	35.9	36.1
% Ch	-0.5	0.6	2.4	6.0	7.6	2.8	2.5	2.1
Paper and Paper Products	11.9	11.9	11.8	11.8	11.8	11.8	11.8	11.8
% Ch	-0.7	-2.3	-1.3	-0.2	-0.5	-0.5	0.3	-0.2
Other Nondurables	35.0	35.0	34.9	35.0	35.1	35.0	35.0	34.9
% Ch	-0.5	-0.8	-0.2	0.8	0.5	-0.8	-0.4	-0.5
Natural Resources and Mining	8.5	8.6	8.5	8.6	8.5	8.5	8.5	8.5
% Ch	3.6	1.2	-0.6	0.7	-0.7	-0.3	-0.7	-0.0
Construction	184.1	185.5	186.0	185.9	186.4	187.0	187.5	187.7
% Ch	3.4	2.9	1.1	-0.1	1.1	1.3	1.0	0.6
Trade, Transportation, and Utilities	538.2	540.7	543.9	546.8	548.7	552.3	555.2	557.6
% Ch	0.8	1.8	2.4	2.1	1.4	2.7	2.1	1.8
Wholesale Trade	124.5	125.2	125.4	125.3	125.3	125.6	125.9	126.1
% Ch	0.9	2.3	0.5	-0.2	0.1	0.9	0.8	0.6
Retail Trade	322.4	323.8	326.3	328.8	330.3	333.2	335.2	337.0
% Ch	1.1	1.7	3.2	3.0	1.9	3.5	2.5	2.1
Trans., Warehousing, and Utilities	91.3	91.7	92.3	92.8	93.1	93.6	94.1	94.6
% Ch	-0.3	1.8	2.5	2.2	1.4	2.0	2.2	2.2
Information	96.7	97.8	99.1	99.8	100.1	100.6	101.4	102.5
% Ch	2.8	4.6	5.6	2.8	1.3	1.9	3.3	4.6
Software Publishers	43.3	43.7	44.1	44.5	44.9	45.3	45.7	46.1
% Ch	6.2	4.1	3.6	3.4	3.7	3.8	3.6	3.7
Other Publishing Industries	11.1	11.1	11.0	11.0	11.0	11.0	11.0	11.0
% Ch	-1.8	-0.1	-1.4	-1.3	-0.9	-0.4	-0.5	-0.1
Other Information	42.3	43.0	44.0	44.3	44.2	44.3	44.7	45.5
% Ch	0.6	6.4	9.5	3.3	-0.6	0.5	4.1	6.6
Financial Activities	157.9	158.2	158.4	159.0	159.9	160.6	160.9	161.5
% Ch	2.6	0.7	0.5	1.7	2.3	1.6	0.7	1.6
Professional and Business Services	328.0	331.5	335.6	339.9	343.4	347.2	350.5	353.4
% Ch	4.8	4.4	4.9	5.3	4.1	4.5	3.8	3.4
Education and Health Services	337.4	340.3	342.4	344.3	347.0	349.4	351.2	353.3
% Ch	3.5	3.4	2.6	2.2	3.2	2.7	2.2	2.4
Leisure and Hospitality	268.5	270.4	271.6	273.4	275.1	276.9	278.9	280.0
% Ch	2.8	2.8	1.8	2.7	2.5	2.6	2.9	1.7
Other Services	104.1	104.5	105.0	105.5	105.9	106.3	106.6	107.1
% Ch	1.6	1.6	1.9	1.7	1.5	1.6	1.4	1.5
Federal Government	68.9	69.1	69.2	69.3	69.4	69.6	69.7	69.8
% Ch	-2.9	1.1	0.7	0.7	0.7	0.7	0.7	0.7
State and Local Government	457.8	459.8	462.2	464.5	466.8	468.0	469.5	470.9
% Ch	0.6	1.8	2.1	2.0	2.0	1.0	1.3	1.2

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,951.8	2,965.1	2,976.9	2,988.6	2,999.4	3,010.7	3,022.0	3,033.7
% Ch	1.7	1.8	1.6	1.6	1.5	1.5	1.5	1.6
Manufacturing	287.4	287.9	287.9	288.0	288.1	288.3	288.4	288.6
% Ch	0.7	0.7	0.1	0.0	0.3	0.2	0.2	0.2
Durable Manufacturing	204.5	204.7	204.5	204.3	204.2	204.1	204.1	204.2
% Ch	0.8	0.5	-0.3	-0.4	-0.2	-0.1	-0.1	0.1
Wood Products	17.7	17.5	17.2	16.9	16.7	16.5	16.3	16.2
% Ch	-5.1	-5.0	-6.4	-6.1	-5.7	-4.9	-4.5	-2.8
Primary and Fabricated Metals	24.4	24.5	24.6	24.6	24.7	24.8	24.8	24.8
% Ch	1.1	1.4	1.2	1.0	1.1	0.9	0.4	0.2
Computer and Electronic Products	17.1	17.0	16.9	16.9	16.9	17.0	17.1	17.2
% Ch	-3.6	-3.1	-2.5	-0.3	1.6	1.6	2.5	3.0
Machinery and Electrical Equipment	20.1	20.0	20.0	20.1	20.2	20.3	20.3	20.4
% Ch	1.4	-0.5	0.2	1.3	1.5	1.5	1.5	2.1
Aerospace	81.7	82.3	82.5	82.5	82.5	82.5	82.5	82.5
% Ch	3.4	3.0	1.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	12.9	12.9	12.8	12.8	12.7	12.6	12.6	12.5
% Ch	-0.4	-1.4	-1.7	-1.9	-2.4	-2.1	-2.5	-2.9
Other Durables	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5
% Ch	0.1	0.0	-0.1	-0.1	0.0	0.2	0.3	0.4
Nondurable Manufacturing	82.9	83.2	83.4	83.7	84.0	84.2	84.3	84.4
% Ch	0.4	1.2	1.1	1.2	1.4	1.0	0.8	0.4
Food Manufacturing	36.2	36.5	36.7	37.0	37.2	37.4	37.5	37.6
% Ch	0.9	3.1	2.7	2.7	2.6	2.0	1.6	0.8
Paper and Paper Products	11.8	11.8	11.8	11.8	11.8	11.7	11.7	11.7
% Ch	0.0	-0.4	-0.6	-0.4	-0.2	-0.5	-0.5	-0.6
Other Nondurables	34.9	34.9	34.9	34.9	35.0	35.0	35.1	35.1
% Ch	-0.1	-0.1	0.1	0.3	0.7	0.6	0.3	0.2
Natural Resources and Mining	8.5	8.5	8.4	8.4	8.3	8.3	8.3	8.2
% Ch	-0.7	-2.1	-2.8	-1.9	-1.8	-1.4	-1.5	-0.7
Construction	187.8	187.7	187.7	187.7	187.9	188.1	188.4	188.7
% Ch	0.1	-0.1	-0.1	0.1	0.4	0.4	0.6	0.6
Trade, Transportation, and Utilities	559.9	562.4	564.3	566.4	567.7	569.1	570.4	571.7
% Ch	1.6	1.8	1.4	1.5	0.9	1.0	0.9	1.0
Wholesale Trade	126.3	126.6	126.7	126.8	127.0	127.1	127.5	127.9
% Ch	0.9	0.8	0.4	0.3	0.6	0.5	1.0	1.2
Retail Trade	338.5	340.2	341.5	343.1	343.7	344.5	344.9	345.4
% Ch	1.7	2.0	1.6	1.9	0.6	0.9	0.5	0.6
Trans., Warehousing, and Utilities	95.1	95.6	96.1	96.5	97.0	97.5	98.0	98.5
% Ch	2.3	2.1	2.0	1.7	2.2	2.0	2.1	2.0
Information	103.3	103.8	104.3	104.9	105.7	106.4	107.1	107.8
% Ch	2.9	2.1	2.0	2.2	3.0	2.7	2.7	2.6
Software Publishers	46.6	47.0	47.5	48.0	48.6	49.1	49.7	50.2
% Ch	4.1	4.1	4.2	4.2	4.6	4.5	4.7	4.6
Other Publishing Industries	11.0	11.0	11.0	11.0	11.0	11.0	11.1	11.1
% Ch	0.4	0.2	0.5	0.4	1.0	0.8	1.0	1.0
Other Information	45.7	45.8	45.8	45.9	46.1	46.3	46.4	46.5
% Ch	2.3	0.5	0.3	0.7	1.9	1.3	1.1	0.8
Financial Activities	162.3	162.7	163.1	163.4	163.9	164.5	165.4	166.4
% Ch	2.1	1.0	0.9	0.8	1.2	1.5	2.3	2.4
Professional and Business Services	356.6	360.1	363.5	367.0	370.9	374.3	377.3	380.1
% Ch	3.7	3.9	3.9	3.9	4.3	3.7	3.2	3.1
Education and Health Services	355.4	357.3	359.3	361.4	363.3	365.1	366.1	367.4
% Ch	2.4	2.2	2.2	2.3	2.2	1.9	1.1	1.4
Leisure and Hospitality	281.5	283.0	284.0	284.9	285.5	286.4	287.5	288.4
% Ch	2.1	2.1	1.5	1.3	0.9	1.3	1.5	1.3
Other Services	107.4	107.8	108.1	108.3	108.6	108.9	109.1	109.4
% Ch	1.4	1.3	1.2	0.9	1.0	0.8	0.9	0.9
Federal Government	69.9	70.0	70.1	70.2	70.3	70.4	70.7	71.2
% Ch	0.7	0.6	0.6	0.6	0.6	0.6	1.6	3.0
State and Local Government	471.8	473.9	476.1	478.0	479.1	480.9	483.4	485.8
% Ch	0.7	1.8	1.9	1.6	0.9	1.6	2.1	2.0

Table A3.1
U.S. Personal Income by Component
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	8,881.9	9,169.1	9,713.3	10,238.2	10,871.0	11,460.4	12,094.3	12,790.8
% Ch	1.8	3.2	5.9	5.4	6.2	5.4	5.5	5.8
Total Wage and Salary Disbursements	4,980.9	5,111.1	5,389.5	5,711.9	6,001.4	6,326.1	6,663.5	7,016.0
% Ch	0.8	2.6	5.4	6.0	5.1	5.4	5.3	5.3
Nonwage Personal Income	3,901.0	4,058.0	4,323.8	4,526.3	4,869.6	5,134.3	5,430.8	5,774.9
% Ch	3.2	4.0	6.6	4.7	7.6	5.4	5.8	6.3
Supplements to Wages and Salaries	1,110.3	1,210.0	1,298.2	1,401.8	1,480.7	1,533.1	1,589.0	1,650.8
% Ch	11.1	9.0	7.3	8.0	5.6	3.5	3.6	3.9
Proprietor's Income	768.4	810.2	889.6	937.8	1,003.5	1,053.9	1,112.4	1,180.5
% Ch	-0.5	5.4	9.8	5.4	7.0	5.0	5.5	6.1
Farm	10.6	27.8	35.8	20.0	20.7	18.0	17.8	17.7
% Ch	-46.3	162.4	29.0	-44.0	3.2	-13.1	-1.0	-0.3
Nonfarm	757.8	782.4	853.8	917.7	982.8	1,035.9	1,094.6	1,162.7
% Ch	0.7	3.2	9.1	7.5	7.1	5.4	5.7	6.2
Less: Contribution For Govt. Soc. Ins.	750.0	776.6	822.2	869.4	928.1	978.4	1,030.0	1,084.4
% Ch	2.6	3.5	5.9	5.7	6.7	5.4	5.3	5.3
Dividends/Int./Rent	1,486.2	1,470.4	1,530.8	1,530.7	1,675.1	1,806.0	1,938.0	2,097.3
% Ch	-4.0	-1.1	4.1	-0.0	9.4	7.8	7.3	8.2
Transfer Payments	1,286.2	1,344.0	1,427.5	1,525.5	1,638.4	1,719.7	1,821.3	1,930.7
% Ch	7.7	4.5	6.2	6.9	7.4	5.0	5.9	6.0

Table A3.2

U.S. Personal Income by Component

Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,484.8	9,614.3	9,729.2	10,024.8	10,073.4	10,185.7	10,231.0	10,462.6
% Ch	6.9	5.6	4.9	12.7	2.0	4.5	1.8	9.4
Total Wage and Salary Disbursements	5,254.8	5,318.1	5,422.0	5,562.9	5,629.9	5,672.3	5,741.6	5,803.6
% Ch	5.3	4.9	8.0	10.8	4.9	3.0	5.0	4.4
Nonwage Personal Income	4,230.0	4,296.2	4,307.2	4,461.9	4,443.5	4,513.4	4,489.4	4,659.0
% Ch	8.8	6.4	1.0	15.2	-1.6	6.4	-2.1	16.0
Supplements to Wages and Salaries	1,271.9	1,285.5	1,302.3	1,333.0	1,371.9	1,387.9	1,413.8	1,433.7
% Ch	10.7	4.3	5.3	9.8	12.2	4.8	7.7	5.8
Proprietor's Income	870.2	898.3	889.1	900.9	917.9	936.7	932.3	964.2
% Ch	15.2	13.6	-4.0	5.4	7.8	8.4	-1.9	14.4
Farm	44.8	44.1	29.7	24.6	24.7	19.6	18.0	17.9
% Ch	165.4	-6.1	-79.4	-52.9	1.6	-60.4	-28.9	-2.2
Nonfarm	825.4	854.2	859.4	876.3	893.2	917.1	914.3	946.3
% Ch	10.6	14.7	2.5	8.1	7.9	11.1	-1.2	14.8
Less: Contribution For Govt. Soc. Ins.	806.3	813.0	825.9	843.5	861.0	864.9	872.6	879.2
% Ch	10.6	3.4	6.5	8.8	8.5	1.8	3.6	3.1
Dividends/Int./Rent	1,494.7	1,505.7	1,500.3	1,622.3	1,525.9	1,544.2	1,457.7	1,594.9
% Ch	2.6	3.0	-1.4	36.7	-21.7	4.9	-20.6	43.3
Transfer Payments	1,399.6	1,419.8	1,441.5	1,449.2	1,488.8	1,509.6	1,558.1	1,545.5
% Ch	11.4	5.9	6.3	2.2	11.4	5.7	13.5	-3.2

Table A3.2
U.S. Personal Income by Component
 Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,629.3	10,796.0	10,960.0	11,098.6	11,237.5	11,387.5	11,532.8	11,683.9
% Ch	6.5	6.4	6.2	5.2	5.1	5.4	5.2	5.3
Total Wage and Salary Disbursements	5,882.4	5,961.2	6,040.1	6,121.7	6,206.1	6,286.2	6,365.3	6,446.8
% Ch	5.5	5.5	5.4	5.5	5.6	5.3	5.1	5.2
Nonwage Personal Income	4,746.9	4,834.7	4,919.9	4,976.9	5,031.4	5,101.3	5,167.5	5,237.1
% Ch	7.8	7.6	7.2	4.7	4.5	5.7	5.3	5.5
Supplements to Wages and Salaries	1,457.5	1,474.7	1,490.0	1,500.7	1,514.1	1,527.9	1,539.9	1,550.7
% Ch	6.8	4.8	4.2	2.9	3.6	3.7	3.2	2.8
Proprietor's Income	981.3	995.7	1,013.1	1,023.7	1,033.9	1,048.3	1,059.9	1,073.6
% Ch	7.3	6.0	7.2	4.3	4.1	5.7	4.5	5.3
Farm	21.5	21.1	20.4	19.7	18.2	18.4	17.6	17.8
% Ch	108.7	-7.0	-13.3	-12.9	-26.8	2.9	-15.9	4.6
Nonfarm	959.8	974.6	992.7	1,004.0	1,015.7	1,029.9	1,042.3	1,055.8
% Ch	5.8	6.3	7.6	4.6	4.7	5.7	4.9	5.3
Less: Contribution For Govt. Soc. Ins.	913.5	923.9	934.2	940.7	964.8	974.0	984.3	990.4
% Ch	16.5	4.6	4.6	2.8	10.6	3.9	4.3	2.5
Dividends/Int./Rent	1,625.9	1,657.7	1,690.7	1,726.0	1,758.2	1,790.2	1,822.7	1,852.7
% Ch	8.0	8.1	8.2	8.6	7.7	7.5	7.5	6.8
Transfer Payments	1,595.7	1,630.5	1,660.4	1,667.2	1,689.9	1,709.0	1,729.3	1,750.6
% Ch	13.6	9.0	7.5	1.7	5.6	4.6	4.8	5.0

Table A3.2
U.S. Personal Income by Component
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	11,850.3	12,011.9	12,171.5	12,343.3	12,526.5	12,700.3	12,877.8	13,058.7
% Ch	5.8	5.6	5.4	5.8	6.1	5.7	5.7	5.7
Total Wage and Salary Disbursements	6,537.2	6,621.6	6,704.7	6,790.4	6,883.8	6,973.0	7,059.6	7,147.5
% Ch	5.7	5.3	5.1	5.2	5.6	5.3	5.1	5.1
Nonwage Personal Income	5,313.1	5,390.3	5,466.7	5,552.9	5,642.7	5,727.4	5,818.1	5,911.3
% Ch	5.9	5.9	5.8	6.5	6.6	6.1	6.5	6.6
Supplements to Wages and Salaries	1,569.8	1,583.5	1,595.5	1,607.3	1,628.7	1,644.2	1,658.2	1,672.0
% Ch	5.0	3.5	3.1	3.0	5.4	3.8	3.5	3.4
Proprietor's Income	1,089.1	1,104.3	1,119.8	1,136.3	1,152.9	1,171.2	1,189.5	1,208.3
% Ch	5.9	5.7	5.8	6.0	6.0	6.5	6.4	6.5
Farm	17.9	17.5	17.7	18.0	17.2	17.3	18.2	18.3
% Ch	3.8	-10.2	6.0	7.6	-17.4	1.7	22.0	3.4
Nonfarm	1,071.2	1,086.8	1,102.1	1,118.3	1,135.7	1,153.9	1,171.3	1,190.0
% Ch	6.0	6.0	5.7	6.0	6.4	6.6	6.2	6.5
Less: Contribution For Govt. Soc. Ins.	1,016.0	1,025.7	1,035.3	1,043.1	1,069.7	1,080.1	1,090.0	1,097.8
% Ch	10.7	3.9	3.8	3.0	10.6	3.9	3.7	2.9
Dividends/Int./Rent	1,885.1	1,919.0	1,953.8	1,994.1	2,035.8	2,076.4	2,118.1	2,158.9
% Ch	7.2	7.4	7.5	8.5	8.6	8.2	8.3	7.9
Transfer Payments	1,785.0	1,809.2	1,832.8	1,858.2	1,895.0	1,915.7	1,942.3	1,969.9
% Ch	8.1	5.5	5.3	5.6	8.2	4.4	5.7	5.8

Table A3.3
Washington Personal Income by Component
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	197.323	201.342	216.427	223.217	239.207	255.043	271.319	288.635
% Ch	2.0	2.0	7.5	3.1	7.2	6.6	6.4	6.4
Total Wage and Salary Disbursements	111.411	114.090	118.452	125.785	134.713	143.497	152.506	161.555
% Ch	0.7	2.4	3.8	6.2	7.1	6.5	6.3	5.9
Manufacturing	14.660	13.594	13.868	15.154	16.323	17.254	18.118	18.920
% Ch	-3.8	-7.3	2.0	9.3	7.7	5.7	5.0	4.4
Durable Manufacturing	10.772	10.101	10.336	11.463	12.376	13.066	13.708	14.270
% Ch	-7.3	-6.2	2.3	10.9	8.0	5.6	4.9	4.1
Nondurable Manufacturing	3.888	3.494	3.532	3.691	3.947	4.188	4.410	4.650
% Ch	7.2	-10.1	1.1	4.5	6.9	6.1	5.3	5.4
Nonmanufacturing	92.234	95.615	99.413	105.019	112.613	120.217	128.101	136.069
% Ch	1.2	3.7	4.0	5.6	7.2	6.8	6.6	6.2
Other Private Wages	1.084	1.139	1.141	1.261	1.335	1.437	1.541	1.653
% Ch	5.0	5.0	0.2	10.5	5.8	7.6	7.3	7.3
Farm Wages	0.922	0.946	1.090	1.220	1.274	1.341	1.410	1.484
% Ch	-8.4	2.5	15.3	11.9	4.5	5.3	5.2	5.2
Military Wages	2.510	2.797	2.938	3.131	3.168	3.248	3.336	3.428
% Ch	15.5	11.4	5.1	6.6	1.2	2.5	2.7	2.7
Nonwage Personal Income	85.912	87.251	97.975	97.432	104.494	111.546	118.813	127.080
% Ch	3.7	1.6	12.3	-0.6	7.2	6.7	6.5	7.0
Supplements to Wages and Salaries	25.493	27.227	29.772	32.821	35.137	36.791	38.497	40.282
% Ch	9.7	6.8	9.3	10.2	7.1	4.7	4.6	4.6
Proprietor's Income	16.082	16.435	18.380	19.882	21.126	22.217	23.505	24.993
% Ch	-0.5	2.2	11.8	8.2	6.3	5.2	5.8	6.3
Farm	0.370	0.655	0.847	0.835	0.766	0.657	0.633	0.622
% Ch	73.1	77.1	29.3	-1.5	-8.3	-14.3	-3.5	-1.8
Nonfarm	15.712	15.779	17.532	19.047	20.360	21.560	22.872	24.371
% Ch	-1.5	0.4	11.1	8.6	6.9	5.9	6.1	6.6
Less: Contribution For Govt. Soc. Ins.	18.235	18.998	20.213	21.663	23.515	25.010	26.516	28.042
% Ch	2.3	4.2	6.4	7.2	8.5	6.4	6.0	5.8
Plus: Residence Adjustment	2.349	2.336	2.509	2.726	2.845	2.983	3.131	3.298
% Ch	1.6	-0.6	7.4	8.6	4.4	4.9	5.0	5.3
Dividends/Int./Rent	33.594	32.335	39.035	33.826	36.377	39.574	42.806	46.644
% Ch	-0.9	-3.7	20.7	-13.3	7.5	8.8	8.2	9.0
Transfer Payments	26.629	27.917	28.493	29.841	32.524	34.992	37.389	39.906
% Ch	6.2	4.8	2.1	4.7	9.0	7.6	6.8	6.7
State U.I. Benefits	2.386	2.238	1.184	0.728	0.779	0.844	0.911	0.983
% Ch	73.6	-6.2	-47.1	-38.5	7.0	8.3	7.9	7.8
Other Transfers	24.243	25.679	27.309	29.113	31.745	34.148	36.477	38.923
% Ch	2.3	5.9	6.3	6.6	9.0	7.6	6.8	6.7

Table A3.4
Washington Personal Income by Component
 Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	205.667	210.890	212.253	236.897	216.961	220.797	226.555	228.557
% Ch	7.4	10.6	2.6	55.2	-29.6	7.3	10.8	3.6
Total Wage and Salary Disbursements	114.847	118.522	119.655	120.783	121.289	123.987	128.938	128.926
% Ch	5.5	13.4	3.9	3.8	1.7	9.2	17.0	-0.0
Manufacturing	13.446	13.818	14.019	14.190	14.441	15.456	15.087	15.633
% Ch	0.3	11.5	5.9	5.0	7.3	31.3	-9.2	15.3
Durable Manufacturing	9.998	10.266	10.529	10.554	10.917	11.879	11.274	11.783
% Ch	0.2	11.2	10.7	1.0	14.5	40.2	-18.9	19.3
Nondurable Manufacturing	3.449	3.553	3.490	3.636	3.523	3.578	3.813	3.850
% Ch	0.5	12.6	-6.8	17.7	-11.8	6.3	29.0	3.9
Nonmanufacturing	96.344	99.582	100.446	101.282	101.149	102.926	108.295	107.706
% Ch	5.8	14.1	3.5	3.4	-0.5	7.2	22.6	-2.2
Other Private Wages	1.099	1.127	1.146	1.194	1.254	1.239	1.270	1.282
% Ch	-11.0	10.9	6.9	17.7	21.6	-4.6	10.3	4.0
Farm Wages	1.007	1.055	1.114	1.185	1.205	1.214	1.224	1.236
% Ch	14.3	20.5	24.3	28.0	6.9	3.0	3.3	4.0
Military Wages	2.951	2.939	2.930	2.932	3.241	3.152	3.062	3.069
% Ch	26.4	-1.6	-1.2	0.3	49.3	-10.5	-10.9	0.9
Nonwage Personal Income	90.820	92.368	92.598	116.114	95.672	96.810	97.617	99.630
% Ch	9.8	7.0	1.0	147.2	-53.9	4.8	3.4	8.5
Supplements to Wages and Salaries	28.430	29.728	30.162	30.769	31.868	32.479	33.107	33.828
% Ch	15.5	19.6	6.0	8.3	15.1	7.9	8.0	9.0
Proprietor's Income	17.866	18.579	18.485	18.588	19.343	19.569	20.208	20.409
% Ch	23.7	16.9	-2.0	2.2	17.3	4.8	13.7	4.0
Farm	1.012	1.064	0.747	0.566	0.925	0.666	0.896	0.853
% Ch	2.E+02	22.2	-75.7	-67.0	613.3	-7.E+01	227.6	-17.9
Nonfarm	16.854	17.515	17.738	18.022	18.418	18.903	19.312	19.556
% Ch	17.8	16.6	5.2	6.6	9.1	11.0	8.9	5.1
Less: Contribution For Govt. Soc. Ins.	19.503	20.188	20.418	20.743	21.217	21.452	21.825	22.159
% Ch	11.7	14.8	4.6	6.5	9.5	4.5	7.1	6.3
Plus: Residence Adjustment	2.446	2.468	2.520	2.601	2.685	2.714	2.738	2.765
% Ch	2.0	3.6	8.7	13.5	13.6	4.4	3.6	4.0
Dividends/Int./Rent	33.274	33.368	33.398	56.099	33.537	33.673	33.651	34.444
% Ch	7.1	1.1	0.4	696.0	-87.2	1.6	-0.3	9.8
Transfer Payments	28.307	28.413	28.451	28.800	29.456	29.827	29.738	30.343
% Ch	1.7	1.5	0.5	5.0	9.4	5.1	-1.2	8.4
State U.I. Benefits	1.589	1.165	1.042	0.938	0.758	0.691	0.729	0.735
% Ch	-68.6	-71.1	-36.0	-34.3	-57.4	-30.9	23.9	3.2
Other Transfers	26.718	27.248	27.409	27.862	28.698	29.136	29.009	29.608
% Ch	10.5	8.2	2.4	6.8	12.6	6.2	-1.7	8.5

Table A3.4
Washington Personal Income by Component
 Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	232.090	235.795	244.315	244.628	248.177	251.584	260.480	259.930
% Ch	6.3	6.5	15.3	0.5	5.9	5.6	14.9	-0.8
Total Wage and Salary Disbursements	130.564	132.248	138.740	137.302	139.242	140.878	148.065	145.802
% Ch	5.2	5.3	21.1	-4.1	5.8	4.8	22.0	-6.0
Manufacturing	15.940	16.210	16.456	16.688	16.953	17.136	17.351	17.576
% Ch	8.1	7.0	6.2	5.7	6.5	4.4	5.1	5.3
Durable Manufacturing	12.061	12.296	12.495	12.654	12.844	12.975	13.136	13.308
% Ch	9.8	8.0	6.6	5.2	6.1	4.2	5.1	5.4
Nondurable Manufacturing	3.879	3.914	3.962	4.034	4.109	4.161	4.215	4.268
% Ch	3.1	3.7	5.0	7.4	7.7	5.1	5.4	5.1
Nonmanufacturing	108.909	110.280	116.485	114.778	116.322	117.736	124.668	122.141
% Ch	4.5	5.1	24.5	-5.7	5.5	5.0	25.7	-7.9
Other Private Wages	1.295	1.322	1.349	1.374	1.399	1.424	1.449	1.474
% Ch	4.0	8.6	8.4	7.6	7.5	7.4	7.2	7.0
Farm Wages	1.248	1.265	1.283	1.300	1.316	1.333	1.349	1.366
% Ch	4.0	5.6	5.7	5.3	5.2	5.2	5.0	5.0
Military Wages	3.172	3.171	3.167	3.163	3.252	3.250	3.247	3.245
% Ch	14.1	-0.1	-0.5	-0.5	11.8	-0.3	-0.3	-0.2
Nonwage Personal Income	101.527	103.548	105.575	107.326	108.935	110.706	112.415	114.128
% Ch	7.8	8.2	8.1	6.8	6.1	6.7	6.3	6.2
Supplements to Wages and Salaries	34.448	34.950	35.410	35.742	36.206	36.620	37.004	37.332
% Ch	7.5	6.0	5.4	3.8	5.3	4.7	4.3	3.6
Proprietor's Income	20.679	20.958	21.322	21.544	21.780	22.086	22.353	22.648
% Ch	5.4	5.5	7.1	4.2	4.5	5.7	4.9	5.4
Farm	0.838	0.780	0.739	0.707	0.677	0.663	0.647	0.640
% Ch	-6.9	-24.8	-19.6	-16.1	-16.1	-7.9	-9.4	-4.0
Nonfarm	19.841	20.177	20.583	20.837	21.104	21.423	21.706	22.008
% Ch	6.0	7.0	8.3	5.0	5.2	6.2	5.4	5.7
Less: Contribution For Govt. Soc. Ins.	23.061	23.382	23.703	23.913	24.591	24.874	25.189	25.385
% Ch	17.3	5.7	5.6	3.6	11.8	4.7	5.2	3.1
Plus: Residence Adjustment	2.796	2.826	2.861	2.897	2.930	2.965	3.000	3.036
% Ch	4.5	4.5	5.0	5.1	4.7	4.8	4.8	5.0
Dividends/Int./Rent	35.186	35.956	36.756	37.609	38.400	39.186	39.982	40.726
% Ch	8.9	9.0	9.2	9.6	8.7	8.4	8.4	7.6
Transfer Payments	31.479	32.240	32.929	33.448	34.209	34.724	35.264	35.771
% Ch	15.8	10.0	8.8	6.5	9.4	6.2	6.4	5.9
State U.I. Benefits	0.763	0.761	0.787	0.806	0.829	0.841	0.853	0.855
% Ch	16.3	-0.9	14.4	10.2	11.7	5.7	5.9	1.0
Other Transfers	30.716	31.479	32.142	32.642	33.380	33.883	34.411	34.916
% Ch	15.8	10.3	8.7	6.4	9.4	6.2	6.4	6.0

Table A3.4
Washington Personal Income by Component
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	263.959	267.543	277.324	276.450	280.760	284.511	295.172	294.097
% Ch	6.3	5.5	15.4	-1.3	6.4	5.5	15.9	-1.4
Total Wage and Salary Disbursements	148.007	149.701	157.627	154.690	156.869	158.563	167.049	163.738
% Ch	6.2	4.7	22.9	-7.2	5.8	4.4	23.2	-7.7
Manufacturing	17.807	18.030	18.222	18.411	18.617	18.824	19.022	19.218
% Ch	5.4	5.1	4.3	4.2	4.5	4.5	4.3	4.2
Durable Manufacturing	13.487	13.650	13.782	13.912	14.053	14.199	14.341	14.487
% Ch	5.5	4.9	3.9	3.8	4.1	4.2	4.1	4.1
Nondurable Manufacturing	4.321	4.380	4.439	4.500	4.564	4.625	4.681	4.731
% Ch	5.0	5.7	5.5	5.6	5.8	5.4	4.9	4.3
Nonmanufacturing	123.975	125.404	133.098	129.927	131.756	133.197	141.439	137.886
% Ch	6.1	4.7	26.9	-9.2	5.7	4.4	27.1	-9.7
Other Private Wages	1.501	1.528	1.554	1.581	1.611	1.639	1.668	1.697
% Ch	7.6	7.3	7.0	7.2	7.7	7.2	7.2	7.1
Farm Wages	1.384	1.402	1.419	1.437	1.456	1.474	1.493	1.512
% Ch	5.4	5.2	5.0	5.1	5.5	5.2	5.2	5.2
Military Wages	3.339	3.337	3.335	3.333	3.430	3.429	3.427	3.426
% Ch	12.1	-0.2	-0.3	-0.2	12.1	-0.2	-0.2	-0.1
Nonwage Personal Income	115.952	117.842	119.697	121.761	123.891	125.948	128.123	130.360
% Ch	6.5	6.7	6.4	7.1	7.2	6.8	7.1	7.2
Supplements to Wages and Salaries	37.924	38.337	38.698	39.030	39.654	40.092	40.501	40.880
% Ch	6.5	4.4	3.8	3.5	6.6	4.5	4.1	3.8
Proprietor's Income	22.992	23.336	23.671	24.022	24.395	24.794	25.185	25.600
% Ch	6.2	6.1	5.9	6.1	6.3	6.7	6.5	6.7
Farm	0.640	0.633	0.631	0.630	0.621	0.620	0.624	0.624
% Ch	-0.2	-4.4	-1.0	-0.4	-5.7	-0.9	3.0	0.1
Nonfarm	22.353	22.704	23.040	23.392	23.774	24.174	24.561	24.975
% Ch	6.4	6.4	6.1	6.3	6.7	6.9	6.6	6.9
Less: Contribution For Govt. Soc. Ins.	26.099	26.395	26.675	26.894	27.620	27.918	28.205	28.426
% Ch	11.7	4.6	4.3	3.3	11.2	4.4	4.2	3.2
Plus: Residence Adjustment	3.074	3.110	3.149	3.190	3.232	3.275	3.319	3.364
% Ch	5.0	4.9	5.1	5.2	5.4	5.4	5.5	5.5
Dividends/Int./Rent	41.520	42.348	43.195	44.163	45.162	46.141	47.144	48.130
% Ch	8.0	8.2	8.2	9.3	9.4	9.0	9.0	8.6
Transfer Payments	36.541	37.106	37.658	38.250	39.067	39.563	40.179	40.813
% Ch	8.9	6.3	6.1	6.4	8.8	5.2	6.4	6.5
State U.I. Benefits	0.882	0.907	0.913	0.944	0.948	0.973	0.995	1.016
% Ch	13.1	12.1	2.7	14.0	1.9	10.7	9.4	8.8
Other Transfers	35.659	36.199	36.745	37.307	38.119	38.591	39.184	39.797
% Ch	8.8	6.2	6.2	6.3	9.0	5.0	6.3	6.4

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1969	0.253	4.6	0.367	5.4	0.358	4.8
1970	0.264	4.7	0.388	5.9	0.374	4.5
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.539	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.677	2.9
1999	0.976	1.7	1.666	2.2	1.728	3.0
2000	1.000	2.5	1.722	3.4	1.792	3.7
2001	1.021	2.1	1.771	2.8	1.857	3.6
2002	1.035	1.4	1.798	1.6	1.893	2.0
2003	1.055	1.9	1.840	2.3	1.924	1.6
2004	1.082	2.6	1.889	2.7	1.947	1.2
2005	1.113	2.8	1.952	3.4	2.002	2.8
Forecast						
2006	1.137	2.2	2.000	2.5	2.046	2.2
2007	1.159	1.9	2.037	1.8	2.087	2.0
2008	1.183	2.1	2.078	2.0	2.132	2.1
2009	1.206	1.9	2.117	1.9	2.171	1.9

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

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

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1969	20.106	5.1	25.031	4.9	12.959	2.3	21.696	3.3
1970	21.175	5.3	26.549	6.1	13.507	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.417	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.044	-1.1	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.1	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.018	2.7	104.951	2.0	91.687	-9.9	90.433	-6.1
2003	109.246	3.0	106.987	1.9	109.693	19.6	105.165	16.3
2004	112.695	3.2	110.262	3.1	125.767	14.7	123.939	17.9
2005	116.176	3.1	112.728	2.2	160.624	27.7	150.848	21.7
Forecast								
2006	119.768	3.1	115.089	2.1	157.627	-1.9	152.469	1.1
2007	123.039	2.7	117.029	1.7	149.958	-4.9	149.047	-2.2
2008	126.414	2.7	119.402	2.0	147.114	-1.9	147.541	-1.0
2009	129.878	2.7	121.485	1.7	143.492	-2.5	143.874	-2.5

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	22.2
2004	6167.8	69.5	1.1	81.0	45.9	34.4
2005	6256.4	88.6	1.4	81.9	43.9	50.6
Forecast						
2006	6370.7	114.3	1.8	85.2	48.7	77.8
2007	6484.6	113.9	1.8	86.9	49.5	76.5
2008	6597.1	112.5	1.7	88.8	50.3	74.0
2009	6706.7	109.6	1.7	90.6	51.0	70.0

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		Forecast			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Population	6167.8	6256.4	6370.7	6484.6	6597.1	6706.7
Percent Change	1.1	1.4	1.8	1.8	1.7	1.7
Age 17 and Under	1522.0	1530.9	1549.5	1567.6	1582.5	1597.0
Percent of Total	24.7	24.5	24.3	24.2	24.0	23.8
Age 6-18	1128.4	1131.8	1141.6	1151.8	1159.4	1162.4
Percent of Total	18.3	18.1	17.9	17.8	17.6	17.3
Age 18 and Over	4645.8	4725.5	4821.3	4917.0	5014.6	5109.7
Percent of Total	75.3	75.5	75.7	75.8	76.0	76.2
Age 21 and Over	4379.3	4456.5	4547.8	4640.2	4729.9	4818.8
Percent of Total	71.0	71.2	71.4	71.6	71.7	71.9
Age 20-34	1273.2	1282.9	1306.9	1335.5	1370.9	1407.4
Percent of Total	20.6	20.5	20.5	20.6	20.8	21.0
Age 18-64	3948.8	4013.7	4095.3	4173.8	4247.3	4317.3
Percent of Total	64.0	64.2	64.3	64.4	64.4	64.4
Age 65 and Over	697.0	711.8	725.9	743.2	767.4	792.4
Percent of Total	11.3	11.4	11.4	11.5	11.6	11.8

* As of April 1 of Each Year

Source: Office of Financial Management

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Glossary

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

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.