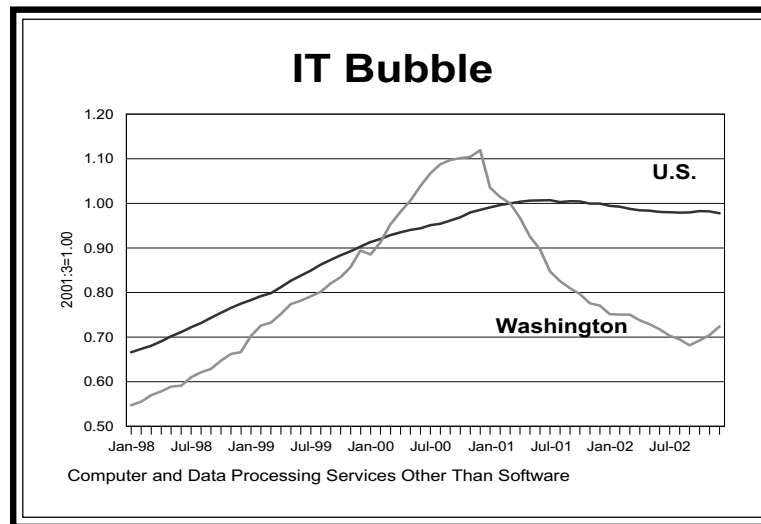


# Washington Economic and Revenue Forecast



March 2003  
Volume XXVI, No. 1

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### Explanation of the Cover Graph

*The collapse of the information technology sector in 2001 and 2002 may turn out to be the most salient feature of the recession in Washington. Particularly hard-hit were firms in the computer and data processing services sector other than pre-packaged software, which continued to grow thanks to Microsoft hiring. The cover chart compares Washington's experience during the recession with the U.S. average. Nationally, the peak-to-trough decline was only 2.9 percent compared to 39.1 percent in Washington. Though the sector is relatively small, employing 42,300 at the December 2000 peak, the absolute number of jobs lost exceeded the reductions in both aerospace and construction.*

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

# Washington Economic and Revenue Forecast

Prepared by the  
Office of the Forecast Council

March 2003  
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# Preface

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

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

You may also access this report on our website at [www.wa.gov/ofc/](http://www.wa.gov/ofc/).

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# Executive Summary

## U.S. Economic Forecast

The March 2003 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2002. According to the advance estimate, real GDP grew at a 0.7 percent rate in the fourth quarter of 2002, down from 4.0 percent in the third quarter. The first decline in inventories in a year was partly to blame for the slowdown in growth but final sales growth also decelerated to 1.3 percent in the fourth quarter from 3.4 percent in the third quarter. The sharp reduction in fourth quarter growth was mainly due to a 7.3 percent decline in consumer purchases of durable goods following a 22.8 percent surge the third quarter. Fixed investment made its first positive contribution to GDP growth in more than two years rising at a 3.1 percent annual rate. The international sector remained a drag on growth in the fourth quarter as exports fell 1.7 percent while imports rose 3.7 percent. Government spending remained a source of strength in the fourth quarter, rising at a 4.6 percent rate.

Employment growth turned negative again in the fourth quarter of 2002, falling 0.1 percent after a 0.4 percent increase in the third quarter. At the same time the unemployment rate edged up from 5.73 percent to 5.90 percent. Inflation, as measured by the Consumer Price Index, increased from 1.9 percent in the third quarter to 2.4 percent in the fourth quarter due to rising energy costs. Core inflation (excluding food and energy) declined from 2.0 percent to 1.8 percent. Housing starts climbed 12.4 percent in the fourth quarter to 1.747 million units. The 1.709 million units started for the full year was the most since 1986. The mortgage rate declined again in the fourth quarter to 6.08 percent from 6.29 percent in the third quarter. As expected, the Federal Open Market Committee left its target interest rate unchanged at 1.25 percent at its March 18th meeting.

The baseline forecast is heavy with fiscal stimulus. In addition to an \$80-billion first-year package of tax cuts, the February forecast includes a late-winter successful military attack on Iraq. Although the war is short, it adds \$70 billion to federal government purchases over the previous and next six quarters. Economic activity in the first quarter of 2003 is hampered by a dive in consumer and business confidence as the war unfolds. Activity in subsequent quarters is boosted by a collective sigh of relief upon successful execution of the war, as well as by the tax cuts and extra spending. Oil prices spike in the first quarter, but retreat quickly once it becomes evident that the hostilities will not threaten supplies. The dollar continues to fall, but remains quite strong, as investors take a gradual approach to moving funds away from the United States. A better outcome is possible. The more widespread concern, however, is that ousting Saddam takes longer than expected. On a calendar year basis, the forecast expects GDP growth to improve from 2.4 percent in 2002 to 3.0 percent in 2003 and 4.6 percent in 2004 before slowing to 3.8 percent in 2005. Though the economy is growing again, it is not creating enough jobs to keep up with labor force growth.

The unemployment rate, which has already increased from 3.97 percent at the end of 2000 to 5.90 percent in the fourth quarter of 2002, is expected to reach 6.30 percent in the second quarter of 2003. The unemployment rate is expected to decline through the remainder of 2003, 2004, and 2005 as the economy recovers, reaching 4.97 percent by the end of 2005. Inflation, as measured by the implicit price deflator for personal consumption expenditures, decelerated to 1.4 percent in 2002 from 2.0 percent in 2001. The improvement in 2002 was mainly the result of lower energy costs, but the slumping economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 2.0 percent in 2003, 1.7 percent in 2004, and 2.0 percent in 2005. The forecast assumes that there will be no further cuts in the federal funds rate during this cycle. However, the Fed will not begin tightening until next summer.

## **Washington State Economic Forecast**

Washington payroll employment declined at a 0.4 percent rate in the fourth quarter of 2002 following increases of 0.7 percent in the second quarter and 1.1 percent in the third quarter. Washington's employment is now 2.4 percent below the two-year-ago level which is much worse than the 1.0 percent decline for the U.S. as a whole. Only twice in the last forty years has Washington seen a more precipitous decline: during the recessions of 1969-71 and 1981-82. Manufacturing employment fell at an 8.0 percent annual rate in the fourth quarter, the eighteenth consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at an 8.8 percent annual rate in the fourth quarter. The cumulative decline since September 11 now stands at 17.3 percent. The declines in manufacturing outside of aerospace are continuing in 2002 though at a more moderate rate than in 2001. The pace of non-aerospace manufacturing employment reductions worsened in the fourth quarter to 7.7 percent from 1.3 percent in the third quarter, though. Nonmanufacturing employment growth decelerated to 0.6 percent in the fourth quarter of 2002 from 1.8 percent in the third quarter. We believe the slowdown was mainly due to a seasonal anomaly in local education employment. Excluding this anomaly, nonmanufacturing employment would have risen at a 1.1 percent rate in the fourth quarter, similar to the 1.3 percent in the third quarter. Nonmanufacturing employment growth was a mixed bag in the fourth quarter. Some major sectors showed significant declines: transportation, communications, and public utilities down 2.3 percent, trade down 2.0 percent, and construction down 1.8 percent. More than offsetting these were a 4.2 percent increase in government employment (after adjusting for the local education seasonal problem,) a 3.2 percent increase in finance, insurance, and real estate employment, and a 2.5 percent increase in services employment.

Washington's personal income in the third quarter of 2002 was \$0.687 billion (0.3 percent) higher than expected in the November forecast. The overage was more than accounted for by software wages which were \$0.830 billion (12.7 percent) higher. Personal income excluding software wages was \$0.143 billion (0.1 percent) below the November forecast. Total third quarter wages were \$1.076 billion (1.0 percent) higher than expected in November but non-software wages were only \$0.246 billion (0.2 percent) higher. Nonwage personal income was \$0.389 billion (0.4 percent) lower than expected in November.

Housing has been a rare source of strength in Washington as well as nationally. The number of housing units authorized by building permit in Washington shot up 6,800 to 48,100 in the fourth quarter of 2002 from an already strong pace of 41,400 in the third quarter. Single family permits increased 3,100 to 36,800 which was the highest pace of single family activity since the late 1970s. The number of housing units authorized by multi-family permit also rose in the fourth quarter by 3,700 to an annual rate of 11,400 units.

While Washington employment appears to have bottomed out last March, there was very little growth through the rest of the year due to the weak national recovery and continued reductions at Boeing. The near-term aerospace forecast for Washington remains similar to the forecast adopted in November but we

now believe that the reductions in the second half of 2003 through the end of 2004 will be more severe than expected in November. By the end of 2005 the current aerospace employment forecast is 2,000 lower than assumed in November. As in November, we have reduced the forecast for lumber and wood products employment in response to recent layoff announcements by Weyerhaeuser. This adjustment reduces employment in this sector by about 1,100 by the end of 2004. The software wage assumption is lower than in the previous forecast due to deterioration in the outlook for Microsoft stock option income. The forecast still assumes there will be no major fluctuations in Microsoft stock option activity in the future. In 2002 we saw the first ever year-over-year decline in software employment. The forecast assumes a resumption of positive growth of about 350 per quarter beginning in the first quarter of 2003, accelerating to 650 per quarter by the end of the year. Also as in November, the forecast assumes an increase in employment related to the construction of the nuclear waste vitrification plant at Hanford from about 2,500 in mid-2002 to a peak of 4,500 in mid-2005. Employment is expected to drop off sharply after the peak, reaching 2,500 by the end of 2005.

Washington wage and salary employment fell 1.6 percent in 2002 following a 0.6 percent decline in 2001. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn is expected until 2005. Population growth has slowed to a crawl and both wage growth and price growth have been dampened by the prolonged contraction. The forecast calls for an employment growth rate of 0.6 percent in 2003, improving to 2.2 percent and 2.3 percent in 2004 and 2005. Washington personal income growth improved to 3.5 percent in 2002 from 2.6 percent in 2001. Declining software wages remain a drag on income growth in Washington. Excluding this volatile sector, income growth was 3.3 percent in 2001 and 4.2 percent in 2002. Personal income growth is expected to remain slow at 4.1 percent in 2003 due to the weak national economy and continued Boeing layoffs but should improve in the next two years to 5.1 percent per year as the U.S. recovery gains momentum and the aerospace sector bottoms out. The housing frenzy is expected to subside. The current pace of housing activity is unsustainable, given the weak population growth, and mortgage interest rates will surely rise. The forecast expects housing permits to decline to 39,300 units this year. Housing will be relatively flat for the next two years. Higher population growth is expected to boost multi-family activity but higher mortgage rates will dampen the single family market. The forecast expects housing permits of 40,300 in 2004 and 39,500 in 2005.

## **Washington State Revenue Forecast**

Though revenue collections since November have exceeded the previous forecast, the discrepancy is due to a few non-recurring items and a hot real estate market. Revenue Act revenues are barely higher than last year's depressed levels. The outlook for the remainder of this biennium and next biennium now appears weaker than assumed in November for a variety of reasons including the likely war and its aftermath, higher energy costs, and a weak labor market. Mortgage refinancing activity, which has supported consumer spending, will slow soon as will the hectic real estate market. As a result, the March revenue forecast is \$201.5 million lower than projected last November. The March 2003 General Fund-State revenue forecast for the 2001-03 biennium is \$21,163.0 million. The \$36.8 million upward revision was more than accounted for by a \$43.3 million variance in collections, which were boosted by non-recurring special factors and a surge in real estate excise tax revenue. The underlying trend in revenue remains weak. The March revenue forecast for the 2003-05 biennium of \$22,451.5 million is \$238.3 million (1.1 percent) lower than the November forecast. The bottom line is a net reduction of \$201.5 million for the two biennia combined.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2001-03 and 2003-05 biennia. The forecast based on more optimistic economic assumptions netted \$98 million

(0.5 percent) more revenue than did the baseline forecast in the current biennium while the pessimistic scenario was \$121 million (0.6 percent) lower. The optimistic forecast for the upcoming biennium was \$863 million (3.8 percent) higher than the baseline forecast while the pessimistic alternative was \$1,210 million (5.4 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$2 million (0.0 percent) less revenue than did the baseline forecast in the 2001-03 biennium but \$7 million (0.0 percent) more in the 2003-05 biennium.



# Washington State and U.S. Economic Forecasts

## Recent U.S. Economic Activity

The March 2003 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2002. According to the advance estimate, real GDP grew at a 0.7 percent rate in the fourth quarter of 2002, down from 4.0 percent in the third quarter. The first decline in inventories in a year was partly to blame for the slowdown in growth but final sales growth also decelerated to 1.3 percent in the fourth quarter from 3.4 percent in the third quarter. The sharp reduction in fourth quarter growth was mainly due to a 7.3 percent decline in consumer purchases of durable goods following a 22.8 percent surge the third quarter. Nondurables rose at a 3.9 percent rate while consumer purchases of services edged up 1.3 percent. Fixed investment made its first positive contribution to GDP growth in more than two years rising at a 3.1 percent annual rate. Residential fixed investment rose at a strong 6.8 percent rate and even nonresidential fixed investment was up 1.5 percent in the fourth quarter as a 5.0 percent increase in spending on equipment and software more than offset a 9.3 percent decline in construction. The international sector remained a drag on growth in the fourth quarter, as exports fell 1.7 percent while imports rose 3.7 percent. Government spending remained a source of strength in the fourth quarter, rising at a 4.6 percent rate. Spending on national defense shot up 11.2 percent and federal nondefense spending was also strong, increasing 8.3 percent. State and local government purchases increased at a 1.7 percent rate.

Employment growth turned negative again in the fourth quarter of 2002, falling 0.1 percent after a 0.4 percent increase in the third quarter. At the same time the unemployment rate edged up from 5.73 percent to 5.90 percent. Inflation, as measured by the Consumer Price Index, increased from 1.9 percent in the third quarter to 2.4 percent in the fourth quarter due to rising energy costs. Core inflation (excluding food and energy) declined from 2.0 percent to 1.8 percent. Housing starts climbed 12.4 percent in the fourth quarter to 1.747 million units. The 1.709 million units started for the full year was the most since 1986. The mortgage rate declined again in the fourth quarter to 6.08 percent from 6.29 percent in the third quarter. As expected, the Federal Open Market Committee left its target interest rate unchanged at 1.25 percent at its March 18th meeting.

## U.S. Forecast Highlights

The baseline forecast is heavy with fiscal stimulus. In addition to an \$80-billion first-year package of tax cuts, the February forecast includes a late-winter successful military attack on Iraq.

Although the war is short, it adds \$70 billion to federal government purchases over the previous and next six quarters. Economic activity in the first quarter of 2003 is hampered by a dive in consumer and business confidence as the war unfolds. Activity in subsequent quarters is boosted by a collective sigh of relief upon successful execution of the war, as well as by the tax cuts and extra spending. Oil prices spike in the first quarter, but retreat quickly once it becomes evident that the hostilities will not threaten supplies. The dollar continues to fall, but remains quite strong, as investors take a gradual approach to moving funds away from the United States. A better outcome is possible. The more widespread concern, however, is that ousting Saddam takes longer than expected. On a calendar year basis, the forecast expects GDP growth to improve from 2.4 percent in 2002 to 3.0 percent in 2003 and 4.6 percent in 2004 before slowing to 3.8 percent in 2005. Though the economy is growing again, it is not creating enough jobs to keep up with labor force growth. The unemployment rate, which has already increased from 3.97 percent at the end of 2000 to 5.90 percent in the fourth quarter of 2002, is expected to reach 6.30 percent in the second quarter of 2003. The unemployment rate is expected to decline through the remainder of 2003, 2004, and 2005 as the economy recovers, reaching 4.97 percent by the end of 2005. Inflation, as measured by the implicit price deflator for personal consumption expenditures, decelerated to 1.4 percent in 2002 from 2.0 percent in 2001. The improvement in 2002 was mainly the result of lower energy costs, but the slumping economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 2.0 percent in 2003, 1.7 percent in 2004, and 2.0 percent in 2005. The forecast assumes that there will be no further cuts in the federal funds rate during this cycle. However, the Fed will not begin tightening until next summer.

1. The recession is probably over but the recovery is expected to be unusually weak in part because the recession was unusually mild. Consumer spending and housing activity remained strong throughout the recession so not much of a rebound is expected from the household sector. Business investment continues to suffer from excess capacity, the trade imbalance continues to grow, and state and local governments are already suffering from large operating deficits. The only source of unusual strength in the immediate future is federal defense spending. Real GDP grew only 0.8 percent in fiscal 2002, down from 1.8 percent in 2001 and more than 4 percent in each of the previous four years. Real GDP growth is expected to improve to 2.8 percent in 2003, 4.1 percent in 2004, and 4.2 percent in 2005.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, fell to 1.3 percent in fiscal 2002 from 2.5 percent in 2001. Most of the improvement was from a transitory reduction in energy costs. Also, benefits costs have begun to accelerate again, putting upward pressure on prices. Still, the slack created by the recession and weak recovery should help keep inflation in check during the next three years. The forecast assumes that inflation will increase moderately to 1.9 percent in 2003, 1.7 percent in 2004, and 1.9 percent again in 2005.
3. The Federal Reserve has left its target interest rate unchanged since last November's 50 basis-point reduction to 1.25 percent. The forecast assumes that the Fed is through easing unless the removal of war-related uncertainties fails to get the economy moving. The Fed is expected to begin raising interest rates again at the August meeting of the FOMC. As a result of the aggressive Fed easing, the three-month Treasury bill rate fell to 2.15 percent in fiscal 2002 from 5.14 percent in 2001. The T-bill rate is expected to decline even further to 1.35

percent in fiscal 2003. The forecast expects an increase in the T-bill rate to 2.31 percent in fiscal 2004 and 3.54 percent in 2005 as the Fed begins tightening again. Mortgage rates also continued to decline in fiscal 2002 to 6.88 percent from 7.45 percent in 2001 as a result of the easier monetary policy as well as the slumping economy. The forecast expects the mortgage rate to decline further to 6.09 percent this year, rising to 6.77 percent and 7.66 percent in 2004 and 2005.

4. Housing starts increased 4.5 percent in fiscal 2002 to 1.642 million units and are expected to rise another 4.6 percent this year to a sixteen-year-high 1.717 million units. The resilient housing market has helped stabilize the economy during the recession. Since there was no housing slump during the recession, however, there is little pent-up demand and therefore no reason to expect the usual rebound during the recovery. The forecast expects a 4.5 percent decline to 1.640 million units in fiscal 2004 followed by a 0.1 percent increase to 1.642 million units in 2005.
5. Though the recession was relatively mild in terms of the decline in GDP, the rise in unemployment has been much more typical. On a quarterly basis the unemployment rate has already risen from 3.97 percent in the fourth quarter of 2000 to 5.90 percent in the fourth quarter of 2002. Though the forecast assumes the recession is over, the unemployment rate is expected to continue to rise as labor force growth continues to exceed job growth. By the second quarter of this year it is expected to reach a peak of 6.30 percent. Because the starting rate was so low, this peak is among the lowest in postwar history. On a fiscal year basis, the forecast expects the unemployment rate to climb from 5.48 percent in 2002 to 6.01 percent in 2003 before declining to 5.69 percent and 5.06 percent in 2004 and 2005.
6. From fiscal 2001 to fiscal 2002 the federal budget went from a record \$181.3 billion surplus (national income and product accounts basis) to a \$93.0 billion deficit. Tax cuts and the recession have cut sharply into revenue while the expected war with Iraq and other military and homeland security spending will boost spending. The deficit is expected to swell to \$261.0 billion in 2003 and \$409.6 billion in 2004 before an expanding economy trims the deficit to \$324.5 billion in 2005.
7. The trade deficit has been a huge drag on GDP growth though nominal net exports (national income and product accounts basis) temporarily improved in fiscal 2002 to \$360.7 billion from \$379.1 billion in 2001. Weak growth abroad and the strong dollar caused exports to decline in 2002 but the U.S. recession resulted in an even larger drop in imports. The trade deficit is expected to balloon to a record \$454.7 billion this year. The forecast expects a very slight improvement in the deficit in the final two years of the forecast to \$444.3 billion in 2004 and \$447.1 billion in 2005.

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

## **Recent Economic Activity in Washington**

The Employment Security Department has released preliminary employment estimates through December 2002. This forecast is based on adjusted employment estimates as described in Adjustments to Economic Data. Washington payroll employment declined at a 0.4 percent rate in the fourth quarter of 2002 following increases of 0.7 percent in the second quarter and 1.1 percent in the third quarter. Washington's employment is now 2.4 percent below the two-year-ago level which

is much worse than the 1.0 percent decline for the U.S. as a whole. Only twice in the last forty years has Washington seen a more precipitous decline: during the recessions of 1969-71 and 1981-82. Manufacturing employment fell at an 8.0 percent annual rate in the fourth quarter, the eighteenth consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at an 8.8 percent annual rate in the fourth quarter. The cumulative decline since September 11 now stands at 17.3 percent. The declines in manufacturing outside of aerospace are continuing in 2002 though at a more moderate rate than in 2001. The pace of non-aerospace manufacturing employment reductions worsened in the fourth quarter to 7.7 percent from 1.3 percent in the third quarter, though. Nonmanufacturing employment growth decelerated to 0.6 percent in the fourth quarter of 2002 from 1.8 percent in the third quarter. We believe the slowdown was mainly due to a seasonal anomaly in local education employment. Excluding this anomaly, nonmanufacturing employment would have risen at a 1.1 percent rate in the fourth quarter, similar to the 1.3 percent in the third quarter. Nonmanufacturing employment growth was a mixed bag in the fourth quarter. Some major sectors showed significant declines: transportation, communications, and public utilities down 2.3 percent, trade down 2.0 percent, and construction down 1.8 percent. More than offsetting these were a 4.2 percent increase in government employment (after adjusting for the local education seasonal problem,) a 3.2 percent increase in finance, insurance, and real estate employment, and a 2.5 percent increase in services employment.

In January 2003 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the second quarter of 2002 and released preliminary estimates for the third quarter. In addition, the wage estimates for the third quarter of 2002 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 2002 was \$0.687 billion (0.3 percent) higher than expected in the November forecast. The overage was more than accounted for by software wages which were \$0.830 billion (12.7 percent) higher. Personal income excluding software wages was \$0.143 billion (0.1 percent) below the November forecast. Total third quarter wages were \$1.076 billion (1.0 percent) higher than expected in November but non-software wages were only \$0.246 billion (0.2 percent) higher. Nonwage personal income was \$0.389 billion (0.4 percent) lower than expected in November.

Housing has been a rare source of strength in Washington as well as nationally. The number of housing units authorized by building permit in Washington shot up 6,800 to 48,100 in the fourth quarter of 2002 from an already strong pace of 41,400 in the third quarter. Single family permits increased 3,100 to 36,800 which was the highest pace of single family activity since the late 1970s. The number of housing units authorized by multi-family permit also rose in the fourth quarter by 3,700 to an annual rate of 11,400 units.

## **Adjustments to Economic Data**

This forecast utilized an alternative employment estimate developed by the Department of Employment Security and the Office of the Forecast Council. The alternative employment estimate incorporated the covered employment and payrolls data through the third quarter of 2002 which added 16,600 (0.6 percent) to the Current Employment Statistics (CES) estimate for September 2002. In addition, the growth pattern from September 2002 through December 2002 was adjusted to reflect the average historical revision between the preliminary (sample based) estimates and the

final (covered employment and payrolls based) estimates adding another 7,100 (0.3 percent). The total effect of these adjustments was to increase the December 2002 employment estimate by 23,700 (0.9 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the covered employment and payrolls (ES202) data for all sectors except agriculture and federal government. Since we have one more quarter of ES202 data than was available to the BEA at the time of its most recent release, we derived wage estimates for these sectors for the third quarter of 2002 based on the ES202 data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments increased the third quarter wage estimate by \$0.529 billion (0.5 percent) adding 0.3 percent to total personal income in that quarter.

## **Washington State Forecast Highlights**

While Washington employment appears to have bottomed out last March, there was very little growth through the rest of the year due to the weak national recovery and continued reductions at Boeing. The near-term aerospace forecast for Washington remains similar to the forecast adopted in November but we now believe that the reductions in the second half of 2003 through the end of 2004 will be more severe than expected in November. By the end of 2005 the current aerospace employment forecast is 2,000 lower than assumed in November. As in November, we have reduced the forecast for lumber and wood products employment in response to recent layoff announcements by Weyerhaeuser. This adjustment reduces employment in this sector by about 1,100 by the end of 2004. The software wage assumption is lower than in the previous forecast due to deterioration in the outlook for Microsoft stock option income. The forecast still assumes there will be no major fluctuations in Microsoft stock option activity in the future. In 2002 we saw the first ever year-over-year decline in software employment. The forecast assumes a resumption of positive growth of about 350 per quarter beginning in the first quarter of 2003, accelerating to 650 per quarter by the end of the year. Also as in November, the forecast assumes an increase in employment related to the construction of the nuclear waste vitrification plant at Hanford from about 2,500 in mid-2002 to a peak of 4,500 in mid-2005. Employment is expected to drop off sharply after the peak, reaching 2,500 by the end of 2005.

Washington wage and salary employment fell 1.6 percent in 2002 following a 0.6 percent decline in 2001. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn is expected until 2005. Population growth has slowed to a crawl and both wage growth and price growth have been dampened by the prolonged contraction. The forecast calls for an employment growth rate of 0.6 percent in 2003, improving to 2.2 percent and 2.3 percent in 2004 and 2005. Washington personal income growth improved to 3.5 percent in 2002 from 2.6 percent in 2001. Declining software wages remain a drag on income growth in Washington. Excluding this volatile sector, income growth was 3.3 percent in 2001 and 4.2 percent in 2002. Personal income growth is expected to remain slow at 4.1 percent in 2003 due to the weak national economy and continued Boeing layoffs but should improve in the next two years to 5.1 percent per year as the U.S. recovery gains momentum and the aerospace sector bottoms out. The housing frenzy is expected to subside. The current pace of housing activity is unsustainable, given the weak population growth, and mortgage interest rates will surely rise. The forecast expects housing permits to decline to 39,300 units this year. Housing will be relatively flat for the next two years. Higher population growth is expected to boost multi-family activity but higher

mortgage rates will dampen the single family market. The forecast expects housing permits of 40,300 in 2004 and 39,500 in 2005.

1. Nominal personal income growth continued to slow in fiscal 2002 to 2.4 percent from 4.1 percent in 2001 and 8.2 percent in 2000. Declining employment in fiscal 2002 was largely responsible for the slowdown. Average wage growth actually improved to 2.0 percent in 2002 from a 0.1 percent decline in 2001 though the improvement was entirely due to the software sector. Outside the software sector, average wage growth was cut almost in half to 2.6 percent in 2002 from 4.7 percent in 2001. Nonwage income growth also slowed from 8.2 percent to 5.3 percent due to the impact of lower interest rates. The forecast assumes that changes in software stock option income will not be a major factor in personal income growth during the remainder of the forecast. Income growth should improve during the next three years due to a variety of factors including the resumption of positive employment growth, higher population growth, and stronger wage growth. Washington personal income growth is expected to accelerate to 4.2 percent in 2003, 4.7 percent in 2004, and 5.2 percent in 2005.
2. Washington real personal income growth fell to just 1.0 percent in fiscal 2002 from 1.6 percent in 2001 and 5.8 percent in 2000. The decline in growth in 2002 came in spite of a dip in inflation, which usually translates into higher real income growth. In addition to the obvious impact of the recession on employment, the poor performance of real income growth in recent years is probably due to the collapse of option and bonus income, which had ballooned in the late 1990s, rather than reflecting the trend of ordinary wages. Real income growth is expected to improve to 2.2 percent in 2003, 3.0 percent in 2004, and 3.2 percent in 2005.
3. The recession has had a disproportionate impact on Washington employment growth. Total payroll employment in Washington fell 1.9 percent in fiscal 2002 compared to just 0.8 percent for the nation as a whole. The events of September 11 have been particularly hard on Washington employment growth due to the devastating impact on air transportation. The dot-com collapse and correction in the construction sector were also exceptionally severe in Washington. While we believe the construction and IT related corrections are largely complete, the continuing drag from aerospace sector means that the recovery in Washington employment will be slow. The forecast expects an employment decline of 0.1 percent in fiscal 2003 followed by positive employment growth rates of 1.3 percent in fiscal 2004 and 2.5 percent in 2005.
  - ◆ Lumber and wood products employment fell 400 in the fourth quarter of 2002 to 29,700. A total of 4,300 jobs have been lost in this sector since the beginning of 2000. The forecast incorporates recent layoff announcements by Weyerhaeuser as well as a weak national outlook for the industry. By the end of 2003 another 1,900 jobs will be eliminated bringing the total to 6,200 during the current downturn. A very modest recovery is expected in the final two years of the forecast adding back a total of 700 jobs.
  - ◆ Prior to September 11, it appeared that the aerospace downturn, which resulted in the loss of 27,700 jobs between the second quarter of 1998 and the end of 2000, was over. Washington aerospace employment actually rose 1,600 during the first three quarters of 2001. In the wake of the attacks, Boeing announced that it intended to cut 20,000 to

30,000 jobs company-wide. The majority of the reductions will be in Washington State, the home of the commercial airplane unit. A total of 15,200 aerospace jobs were cut between the third quarter of 2001 and fourth quarter of 2002 not counting contract employees. Thousands more contract positions have also been eliminated since September 11. The forecast assumes a loss of 9,800 more aerospace jobs by the end of 2003 bringing the total reduction since September 11 to 25,000 aerospace workers. Measured from the second quarter of 1998 peak, the overall decline will reach 51,200. A gradual upturn in the final year of the forecast is expected to add 1,500 aerospace employees in Washington by the end of 2005.

- ◆ The last half of the 1990s saw a huge expansion of Washington's construction industry. The 6.0 percent decline during 2001 was even more precipitous. In contrast, the decline in U.S. construction employment over the year was only 0.6 percent. We believe we have reached the bottom in the construction cycle. Employment in the fourth quarter of 2002 was unchanged over the year. This year should also be flat due to weaker housing activity and slow population and employment growth. The forecast expects a year-over-year-employment decline of 0.2 percent during 2003. Construction employment will finally begin to grow in the final to years of the forecast as the economy recovers. The forecast expects an average growth rate of 2.5 percent per year in 2004 and 2005
- ◆ Until recently, the finance, insurance, and real estate sector has been a rare bright spot in Washington's economy. Employment in this sector rose 3.6 percent during 2001 while total payroll employment declined 2.2 percent. The growth was mostly in finance, which has clearly benefited by a refinancing boom brought on by low mortgage interest rates. This source of stimulus has probably pretty much played itself out. Year-end to year-end growth slowed to only 0.6 percent in 2002. In the near term the housing boom will boost employment in this sector and later on the recovery will take hold. Employment growth is expected to pick up to 2.4 percent this year and an average of 3.3 percent per year during the final two years of the forecast.
- ◆ Washington retail trade employment fell at a 2.8 percent rate in the final quarter of 2002 but was flat for the entire year following a 2.2 percent drop in 2001. The decline in consumer confidence, slow population growth, and weak economy have been particularly hard on retail trade employment. In addition, many struggling e-tailing firms are classified as retailers. Employment growth is expected to turn positive again in 2003 but the recovery will be weak. The forecast expects retail trade employment to grow at an average rate of only 0.7 percent per year for the next three years.
- ◆ Services was the most improved sector in 2002, rising at a 2.5 percent rate in the fourth quarter and 1.8 percent for all of 2002 compared to a 2.2 percent plunge in 2001 (after adjusting for a noneconomic reclassification of tribal employees who had previously been considered private sector employees but are now considered local government employees). The weakness in 2001 was concentrated in business services where employment fell 12.3 percent over the year. Prepackaged software actually grew 11.9 percent during 2001 but other computer and data processing services, the home of many information technology companies, plunged 29.5 percent. The rest of business services fell 12.8 percent over the year mainly as a result of a 23.6 percent drop in personnel

supply services. These areas of weakness appear to be bottoming out. Computer services other than software continued to decline in 2002 but at a much more moderate rate and personnel supply services employment was virtually unchanged over the year. Overall, business services were up 0.1 percent for all of 2002. The forecast assumes that the shakeout in these areas is complete and that software employment growth will pick up. Without these negative cyclical factors, services employment is expected to resume its above average trend growth rate. Growth is expected to average 3.8 percent per year in 2003, 2004, and 2005.

- ◆ State and local government employment growth slowed to 0.1 percent in the fourth quarter of 2002 from 3.0 percent in the third quarter. Excluding a seasonal anomaly in the third quarter, however, growth would have accelerated to 2.7 percent from 0.4 and the monthly data suggest a growth rate of 2.7 percent in the first quarter of 2003. Though state and local government employment has been a source of strength during the recession, the slowdown in the state's economy is putting pressure on state and local governments' budgets and is expected to affect employment in this sector with a lag. The forecast assumes that state and local government employment will decline at an average rate of 1.5 percent through the rest of this year. The weak nature of the recovery coupled with essentially no growth in the school age population is expected to restrain state and local government employment growth to just 1.4 percent per year during the final eight quarters of the forecast.
4. Declining mortgage rates were unable to overcome the depressing impact of lower consumer confidence, rising unemployment, weak income growth, and slow population growth on housing activity in fiscal 2002. The number of housing units authorized by building permit fell 4.8 percent to 38,400 from 40,400 in 2001. Housing activity has been very strong so far in fiscal 2003, though, especially in the single family market. The forecast anticipates a 9.5 percent increase this year to 42,100 units. Housing activity should be subdued in the next biennium. The beneficial impacts of an improving economy and higher population growth will be offset by rising mortgage rates. The recent strength also means there is little pent-up demand to be satisfied. The forecast expects a 5.6 percent reduction in fiscal 2004 to 39,700 followed by a 0.8 percent increase to 40,100 in 2005.
  5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, slowed in fiscal 2002 to 2.7 percent from 4.0 percent in 2001. The comparable U.S. inflation rate declined from 3.4 percent to 1.8 percent during the same period. Both the U.S. and Seattle indices benefited from declining energy costs in 2002. Excluding food and energy, the decline in Seattle's CPI inflation would have been much smaller, from 3.0 percent to 2.8 percent while the national index would have held steady at 2.6 percent. Seattle inflation is expected to drop below U.S. inflation in during the remainder of the forecast due to the much weaker local economy. The forecast expects inflation rates of 1.9 percent, 1.5 percent, and 1.5 percent in Seattle compared to 2.1 percent, 1.8 percent, and 2.1 percent for the U.S. city average.

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

## **Alternative Forecasts**

As required by statute, the Forecast Council has also adopted two alternatives to the baseline



forecast. One of these was based on more optimistic economic assumptions than the baseline and one was based on more pessimistic assumptions. These alternatives are summarized in Table 1.3.

**Pessimistic Forecast:** Conventional wisdom says that Saddam Hussein can be toppled and Iraq brought under control in only a few weeks. While all objective criteria support this notion, there is at least some probability that it will take several months to eliminate Saddam and subdue the country. The pessimistic scenario assumes that resistance is greater than anticipated and that the war drags on for about five months, before success is assured. While the uncertainty lasts, consumer confidence stays low, oil prices linger at high levels, businesses hold back on investment decisions, and the stock market takes another tumble. At the state level, aerospace production and employment cuts are even more severe and protracted than assumed in the baseline forecast. While Seattle inflation is about the same as in the baseline, Washington wage growth is substantially less and the initial level of Washington personal income is lower than assumed in the baseline. Population growth is also slower in this scenario and the downturn in construction employment extends through the first quarter of 2004. By the end of the 2003-05 biennium, Washington nonagricultural employment is lower by 69,200 jobs than the baseline forecast and Washington personal income is \$11.0 billion lower. The pessimistic scenario produced \$121 million (0.6 percent) less General Fund-State revenue in the 2001-03 biennium than did the baseline forecast and \$1,210 million (5.4 percent) less revenue in the 2003-05 biennium.

**Optimistic Forecast:** Just as it did ten years ago, uncertainty over a war with Iraq is stifling consumer and business spending. The optimistic scenario assumes that the Iraq problem is resolved quickly, with Iraq avoiding a war by capitulating to all U.S. demands. This quick resolution immediately boosts consumer and business sentiment, and lowers oil prices. The simulation also assumes stronger growth abroad and a stronger response in the trade balance to the weaker dollar, which has dropped 11 percent relative to the currencies of other major industrialized countries in the past year. Locally, Washington aerospace employment bottoms out in the first quarter of 2004 and a vigorous recovery is under way by the end of the year. Washington's wages grow faster than in the baseline and the Seattle CPI grows faster. The initial level of Washington personal income is also higher in the optimistic scenario and population growth is stronger. This scenario also assumes that construction employment will rise throughout this year, rather than continue to decline as in the baseline forecast, and assumes that growth in 2004 and 2005 will also be much stronger than the baseline forecast. By the end of the 2003-05 biennium, Washington nonagricultural employment is higher by 51,100 jobs than in the baseline forecast and Washington personal income is \$7.2 billion higher. The optimistic scenario generated \$98 million (0.5 percent) more revenue in the 2001-03 biennium than did the baseline forecast and \$863 million (3.8 percent) more in the 2003-05 biennium.

## **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. With the fiscal year nearly complete it is not surprising that there was virtually no difference between the GCEA forecast and baseline forecast for 2003. Nationally, the Governor's Council members expected lower GDP growth but higher inflation in 2004 and 2005. Their interest rate forecasts were also somewhat lower in both years. The GCEA forecast for Wash-

ington State showed about the same employment and real personal income growth in fiscal 2004 as the baseline and weaker growth in 2005. Their nominal personal income growth forecast was stronger in both years due to the higher inflation assumption. The Governor's Council members also expected slightly stronger housing activity in both years. At the end of the 2003-05 biennium, Washington nonagricultural employment was 9,200 lower in the GCEA forecast than in the baseline forecast but their Washington personal income forecast was \$0.7 billion higher. The Governor's Council scenario generated \$2 million (0.0 percent) less revenue than did the baseline forecast in the 2001-03 biennium but \$7 million (0.0 percent) more in the 2003-05 biennium.

Table 1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2003 to 2005

Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	8,332.2	8,676.3	9,057.5	9,221.4	9,297.7	9,553.6	9,948.2	10,364.4
% Ch	4.4	4.1	4.4	1.8	0.8	2.8	4.1	4.2
Real Consumption	5,551.4	5,820.7	6,105.9	6,304.9	6,472.8	6,645.4	6,887.1	7,191.4
% Ch	4.4	4.9	4.9	3.3	2.7	2.7	3.6	4.4
Real Nonresidential Fixed Investment	1,078.9	1,182.5	1,280.5	1,310.8	1,204.4	1,190.5	1,286.0	1,424.6
% Ch	13.5	9.6	8.3	2.4	-8.1	-1.2	8.0	10.8
Real Residential Fixed Investment	329.7	359.9	374.0	370.7	378.8	394.9	393.1	387.7
% Ch	4.3	9.2	3.9	-0.9	2.2	4.3	-0.5	-1.4
Real Personal Income	7,004.8	7,336.2	7,619.9	7,912.9	7,973.8	8,142.7	8,441.6	8,769.3
% Ch	5.1	4.7	3.9	3.8	0.8	2.1	3.7	3.9
Real Per Capita Income (\$/Person)	25,473	26,376	27,086	27,857	27,815	28,152	28,931	29,797
% Ch	3.9	3.5	2.7	2.8	-0.1	1.2	2.8	3.0
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.087	1.101	1.123	1.142	1.164
% Ch	1.4	1.2	2.2	2.5	1.3	1.9	1.7	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.618	1.646	1.693	1.751	1.782	1.819	1.852	1.890
% Ch	1.8	1.7	2.9	3.4	1.8	2.1	1.8	2.1
Employment Cost Index (June 1989=1.0)	1.330	1.380	1.431	1.487	1.541	1.580	1.619	1.667
% Ch	3.9	3.7	3.8	3.9	3.6	2.5	2.5	3.0
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	8,548.6	9,016.4	9,575.8	9,976.6	10,235.2	10,657.8	11,315.8	12,023.0
% Ch	6.0	5.5	6.2	4.2	2.6	4.1	6.2	6.2
Personal Income	7,178.5	7,611.1	8,082.4	8,599.7	8,781.1	9,141.7	9,640.2	10,208.6
% Ch	6.6	6.0	6.2	6.4	2.1	4.1	5.5	5.9
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	139.6	141.5	143.6	145.0	145.8	146.9	148.4	150.9
Total U.S. Employment	133.1	135.3	137.7	138.9	137.8	138.0	139.9	143.3
Unemployment Rate (%)	4.65	4.38	4.09	4.19	5.48	6.01	5.69	5.06
Wage and Salary Employment	124.31	127.36	130.54	132.17	131.13	130.83	132.57	135.96
% Ch	2.7	2.5	2.5	1.3	-0.8	-0.2	1.3	2.6
Manufacturing	18.81	18.67	18.51	18.24	17.09	16.47	16.07	16.18
% Ch	1.4	-0.8	-0.8	-1.5	-6.3	-3.6	-2.4	0.7
Durable Manufacturing	11.16	11.15	11.12	11.02	10.19	9.70	9.39	9.48
% Ch	2.7	-0.2	-0.3	-0.9	-7.5	-4.8	-3.2	0.9
Nondurable Manufacturing	7.64	7.52	7.39	7.22	6.90	6.77	6.68	6.70
% Ch	-0.5	-1.6	-1.7	-2.3	-4.4	-2.0	-1.3	0.4
Nonmanufacturing	105.50	108.69	112.03	113.93	114.04	114.36	116.50	119.78
% Ch	2.9	3.0	3.1	1.7	0.1	0.3	1.9	2.8
Services	36.81	38.27	39.82	40.86	40.98	41.51	43.04	44.98
% Ch	4.5	4.0	4.0	2.6	0.3	1.3	3.7	4.5
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	20.3	20.5	20.9	21.6	22.0	22.0	21.9	21.6
Auto Sales (Millions)	8.2	8.3	9.0	8.5	8.2	7.9	8.0	7.9
% Ch	-2.1	2.0	8.0	-5.0	-4.4	-3.7	1.1	-0.4
Housing Starts (Millions)	1,530	1,659	1,638	1,571	1,642	1,717	1,640	1,642
% Ch	5.0	8.4	-1.3	-4.1	4.5	4.6	-4.5	0.1
Federal Budget Surplus (Billions)	-1.5	81.1	166.6	181.3	-93.0	-261.0	-409.6	-324.5
Net Exports (Billions)	-117.7	-191.9	-311.3	-379.1	-360.7	-454.7	-444.3	-447.1
3-Month Treasury Bill Rate (%)	5.04	4.49	5.23	5.14	2.15	1.35	2.31	3.54
30-Year U.S. Govt. Bond Rate (%)	6.10	5.44	6.14	5.66	5.55	5.04	5.92	6.85
Bond Index of 20 G.O. Munis. (%)	5.24	5.08	5.82	5.35	5.14	4.86	5.33	5.77
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.88	6.09	6.77	7.66

Table 1.2

Fiscal Years

**Washington Economic Forecast Summary**

Forecast 2003 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	152.625	162.382	171.796	174.479	176.242	180.200	185.551	191.408
% Ch	6.4	6.4	5.8	1.6	1.0	2.2	3.0	3.2
Real Wage and Salary Disb.	87.471	95.211	102.706	101.487	100.420	101.162	104.025	107.717
% Ch	8.5	8.8	7.9	-1.2	-1.1	0.7	2.8	3.5
Real Nonwage Income	65.154	67.171	69.090	72.991	75.823	79.038	81.526	83.692
% Ch	3.6	3.1	2.9	5.6	3.9	4.2	3.1	2.7
Real Per Capita Income (\$/Person)	26,593	27,902	29,180	29,255	29,214	29,580	30,128	30,695
% Ch	4.8	4.9	4.6	0.3	-0.1	1.3	1.9	1.9
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.087	1.101	1.123	1.142	1.164
% Ch	1.4	1.2	2.2	2.5	1.3	1.9	1.7	1.9
Seattle Cons. Price Index (1982-84=1.0)	1.654	1.702	1.757	1.828	1.876	1.912	1.941	1.970
% Ch	2.9	2.9	3.2	4.0	2.7	1.9	1.5	1.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.43	15.97	16.42	17.16	17.95	17.99	17.98	18.16
% Ch	3.1	3.5	2.8	4.5	4.6	0.2	-0.0	1.0
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	155.940	168.161	182.049	189.481	193.961	202.038	211.372	222.133
% Ch	8.0	7.8	8.3	4.1	2.4	4.2	4.6	5.1
Personal Income	156.415	168.471	182.220	189.626	194.086	202.303	211.885	222.812
% Ch	7.9	7.7	8.2	4.1	2.4	4.2	4.7	5.2
Disposable Personal Income	134.218	143.792	154.612	160.448	167.847	177.737	189.410	197.907
% Ch	7.1	7.1	7.5	3.8	4.6	5.9	6.6	4.5
Per Capita Income (\$/Person)	27,253	28,948	30,949	31,794	32,171	33,208	34,403	35,731
% Ch	6.2	6.2	6.9	2.7	1.2	3.2	3.6	3.9
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,016.4	3,063.5	3,065.7	3,021.9	3,006.7	3,068.7	3,109.7	3,169.1
Total Washington Employment	2,877.5	2,916.5	2,917.1	2,850.8	2,797.1	2,855.0	2,896.7	2,969.4
Unemployment Rate (%)	4.61	4.80	4.85	5.67	6.97	6.97	6.85	6.30
Wage and Salary Employment	2,558.2	2,621.3	2,684.4	2,717.1	2,664.1	2,660.6	2,695.2	2,763.5
% Ch	3.8	2.5	2.4	1.2	-1.9	-0.1	1.3	2.5
Manufacturing	378.5	373.0	356.7	348.9	323.3	301.4	292.0	294.0
% Ch	5.9	-1.5	-4.4	-2.2	-7.3	-6.8	-3.1	0.7
Durable Manufacturing	270.0	264.7	247.9	242.1	222.5	204.0	196.0	196.6
% Ch	8.7	-2.0	-6.4	-2.3	-8.1	-8.3	-3.9	0.3
Aerospace	111.2	107.7	90.0	86.6	82.7	71.5	65.0	62.8
% Ch	16.1	-3.1	-16.4	-3.8	-4.5	-13.5	-9.2	-3.3
Nondurable Manufacturing	108.5	108.3	108.9	106.8	100.9	97.5	96.0	97.4
% Ch	-0.7	-0.2	0.5	-1.9	-5.5	-3.4	-1.5	1.4
Nonmanufacturing	2,179.7	2,248.4	2,327.6	2,368.2	2,340.8	2,359.2	2,403.2	2,469.6
% Ch	3.4	3.2	3.5	1.7	-1.2	0.8	1.9	2.8
Construction	139.2	148.8	158.4	158.9	151.5	151.1	151.1	154.7
% Ch	4.9	6.9	6.4	0.4	-4.7	-0.2	-0.0	2.4
Services	695.0	723.1	761.4	784.9	767.0	779.4	810.5	846.5
% Ch	4.9	4.0	5.3	3.1	-2.3	1.6	4.0	4.4
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	45.127	44.954	39.065	40.384	38.433	42.099	39.741	40.054
% Ch	18.6	-0.4	-13.1	3.4	-4.8	9.5	-5.6	0.8
Single-Family	29.346	28.252	26.372	26.761	28.311	32.671	26.891	25.577
% Ch	12.8	-3.7	-6.7	1.5	5.8	15.4	-17.7	-4.9
Multi-Family	15.780	16.702	12.693	13.623	10.122	9.428	12.849	14.477
% Ch	31.1	5.8	-24.0	7.3	-25.7	-6.9	36.3	12.7
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.88	6.09	6.77	7.66

Table 1.3  
Comparison of Alternative Forecasts

	Fiscal Year 2003				Fiscal Year 2004				Fiscal Year 2005			
	O	B	P	G	O	B	P	G	O	B	P	G
<b>U.S.</b>												
Real GDP	9574.4	9553.6	9483.8	9545.7	10033.0	9948.2	9670.4	9912.1	10473.9	10364.4	10085.4	10285.6
%Ch	3.0	2.8	2.0	2.7	4.8	4.1	2.0	3.8	4.4	4.2	4.3	3.8
Implicit Price Deflator	1.122	1.123	1.123	1.122	1.142	1.142	1.141	1.142	1.165	1.164	1.159	1.168
%Ch	1.9	1.9	2.0	1.9	1.8	1.7	1.6	1.8	2.0	1.9	1.6	2.3
Mortgage Rate	6.08	6.09	6.17	6.07	6.73	6.77	6.54	6.65	7.57	7.66	6.54	7.47
3 Month T-Bill Rate	1.36	1.35	1.18	1.31	2.33	2.31	0.74	2.07	3.55	3.54	0.93	2.94
<b>Washington</b>												
Real Personal Income	181.505	180.200	178.295	180.142	189.550	185.551	178.570	185.699	196.955	191.408	183.448	191.095
%Ch	3.0	2.2	1.2	2.2	4.4	3.0	0.2	3.1	3.9	3.2	2.7	2.9
Personal Income	203.704	202.303	200.256	202.212	216.466	211.885	203.758	212.113	229.383	222.812	212.616	223.282
%Ch	5.0	4.2	3.2	4.2	6.3	4.7	1.7	4.9	6.0	5.2	4.3	5.3
Employment	2666.9	2660.6	2652.0	2659.8	2720.5	2695.2	2647.8	2690.4	2807.0	2763.5	2700.1	2754.2
%Ch	0.1	-0.1	-0.5	-0.2	2.0	1.3	-0.2	1.2	3.2	2.5	2.0	2.4
Housing Permits	43.930	42.099	39.170	42.407	44.388	39.741	34.439	39.880	45.713	40.054	37.345	40.254
%Ch	14.3	9.5	1.9	10.3	1.0	-5.6	-12.1	-6.0	3.0	0.8	8.4	0.9

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

Table 1.4

**Forecast Analysis**

Comparison of Forecasts for 2001-03

Forecast Date	2000				2001				2002				2003	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
<b>U.S.</b>														
Percent Growth, 2001:2-2003:2														
Real GDP	5.9	6.7	6.8	7.0	7.4	7.0	5.9	4.2	4.3	5.7	5.7	5.0	5.0	
Implicit Price Deflator	4.3	4.9	4.8	4.8	4.6	4.6	4.4	3.5	2.8	3.2	3.8	3.8	3.3	
Average Rate, 2001:3 to 2003:2														
3 Month T-Bill Rate	5.43	5.87	5.62	5.46	4.67	3.75	3.68	2.75	2.42	2.30	1.91	1.87	1.75	
Mortgage Rate	7.61	7.89	7.90	7.42	7.23	7.22	7.12	6.81	7.08	7.12	6.63	6.52	6.48	
<b>Washington</b>														
Percent Growth, 2001:2-2003:2														
Employment	3.3	4.0	3.7	3.7	3.4	3.3	2.8	0.0	-0.6	-1.2	-1.8	-2.0	-1.7	
Personal Income	10.1	11.4	11.3	11.8	11.6	11.3	9.7	5.5	4.2	4.1	4.6	5.2	5.7	
Real Personal Income	5.6	6.3	6.1	6.7	6.7	6.4	5.1	1.9	1.4	0.9	0.8	1.3	2.3	
Total (Thousands of units), 2001:3 to 2003:2														
Housing Units Authorized	82.1	84.3	82.7	84.8	84.3	78.8	83.2	72.9	74.5	73.6	76.6	77.1	80.5	

Table 1.5  
**Forecast Comparison**  
 Forecast 2003 to 2005

Fiscal Years

	2001	2002	2003	2004	2005
<b>U.S.</b>					
<b>Real GDP</b>					
March Baseline	9221.4	9297.7	9553.6	9948.2	10364.4
% Ch	1.8	0.8	2.8	4.1	4.2
November Baseline	9221.4	9297.7	9551.7	9907.4	10272.2
% Ch	1.8	0.8	2.7	3.7	3.7
<b>Implicit Price Deflator</b>					
March Baseline	1.087	1.101	1.123	1.142	1.164
% Ch	2.5	1.3	1.9	1.7	1.9
November Baseline	1.087	1.101	1.127	1.157	1.189
% Ch	2.5	1.3	2.3	2.7	2.8
<b>U.S. Unemployment Rate</b>					
March Baseline	4.19	5.48	6.01	5.69	5.06
November Baseline	4.19	5.48	5.88	5.63	5.07
<b>Mortgage Rate</b>					
March Baseline	7.45	6.88	6.09	6.77	7.66
November Baseline	7.45	6.88	6.16	6.41	6.83
<b>3 Month T-Bill Rate</b>					
March Baseline	5.14	2.15	1.35	2.31	3.54
November Baseline	5.14	2.15	1.59	2.69	3.62
<b>Washington</b>					
<b>Real Personal Income</b>					
March Baseline	174.479	176.242	180.200	185.551	191.408
% Ch	1.6	1.0	2.2	3.0	3.2
November Baseline	174.479	176.494	179.018	182.208	188.076
% Ch	1.6	1.2	1.4	1.8	3.2
<b>Personal Income</b>					
March Baseline	189.626	194.086	202.303	211.885	222.812
% Ch	4.1	2.4	4.2	4.7	5.2
November Baseline	189.626	194.364	201.706	210.771	223.657
% Ch	4.1	2.5	3.8	4.5	6.1
<b>Employment</b>					
March Baseline	2717.1	2664.1	2660.6	2695.2	2763.5
% Ch	1.2	-1.9	-0.1	1.3	2.5
November Baseline	2717.1	2663.8	2645.5	2693.9	2757.3
% Ch	1.2	-2.0	-0.7	1.8	2.4
<b>Housing Permits</b>					
March Baseline	40.384	38.433	42.099	39.741	40.054
% Ch	3.4	-4.8	9.5	-5.6	0.8
November Baseline	40.384	38.221	38.829	39.664	40.464
% Ch	3.4	-5.4	1.6	2.2	2.0

Table 1.6

Calendar Years

**Long Range Economic Outlook**  
Forecast 2002 to 2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>U.S.*</b>											
Real GDP, %Ch	3.0	4.6	3.8	3.1	2.9	2.7	2.8	3.1	3.2	3.4	3.6
Implicit Price Deflator, %Ch	2.0	1.7	2.0	2.1	2.4	2.6	2.7	2.7	2.7	2.7	2.7
3 Month T-Bill Rate	1.51	3.08	3.86	4.52	4.78	5.10	5.12	5.14	5.15	5.16	5.16
Mortgage Rate	6.23	7.30	7.85	8.10	8.03	8.11	8.01	7.99	7.99	7.93	7.91
<b>State**</b>											
Real Personal Income, %Ch	2.1	3.3	3.1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	4.1	5.1	5.1	4.7	5.0	5.2	5.3	5.3	5.3	5.2	5.3
Employment, %Ch	0.6	2.2	2.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

\* March 2003 Baseline (2003-2005) extended with the DRI February 2003 Trendlong Forecast.

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



# Comparison of Washington and U.S. Economic Forecasts

Chart 1.1  
Total Nonagricultural Employment

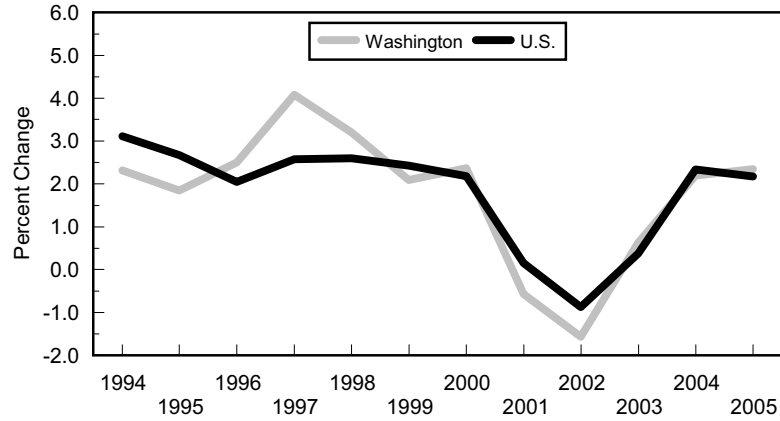


Chart 1.2  
Manufacturing Employment

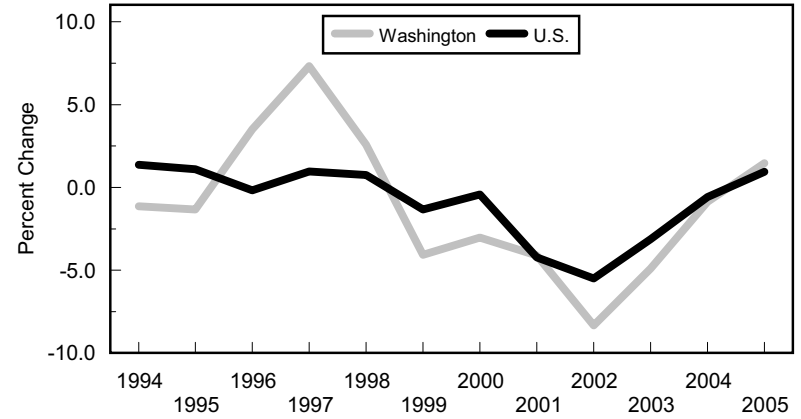


Chart 1.3  
Aerospace Employment

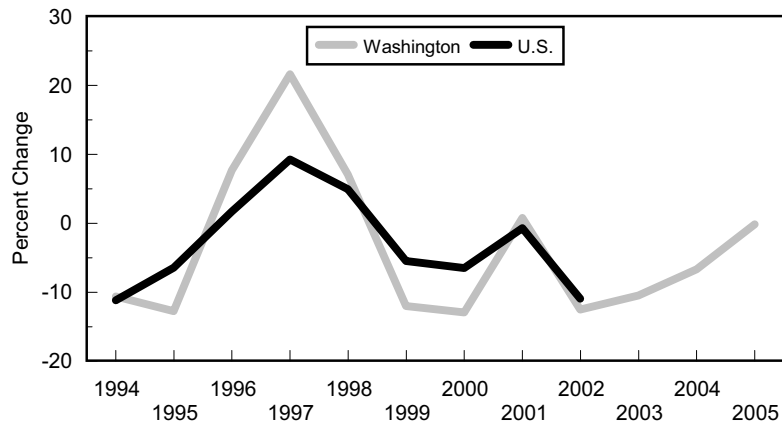
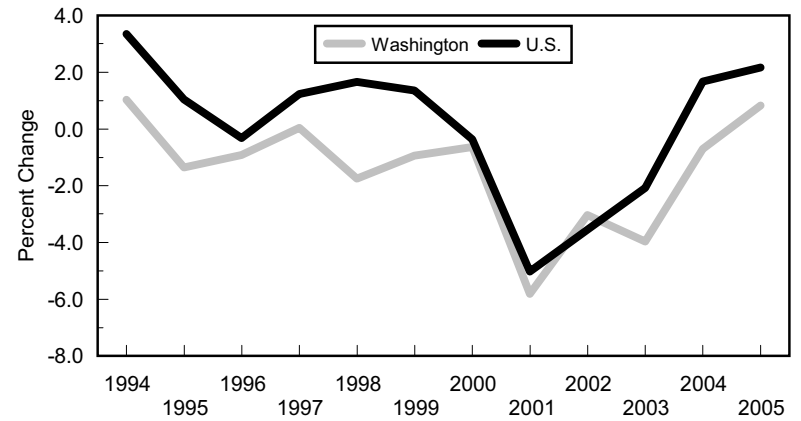


Chart 1.4  
Forest Products Employment



# Comparison of Washington and U.S. Economic Forecasts

Chart 1.5  
Construction Employment

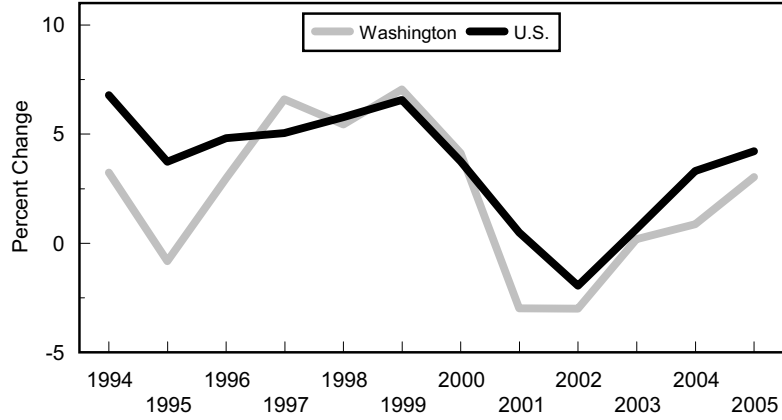


Chart 1.6  
Trade Employment

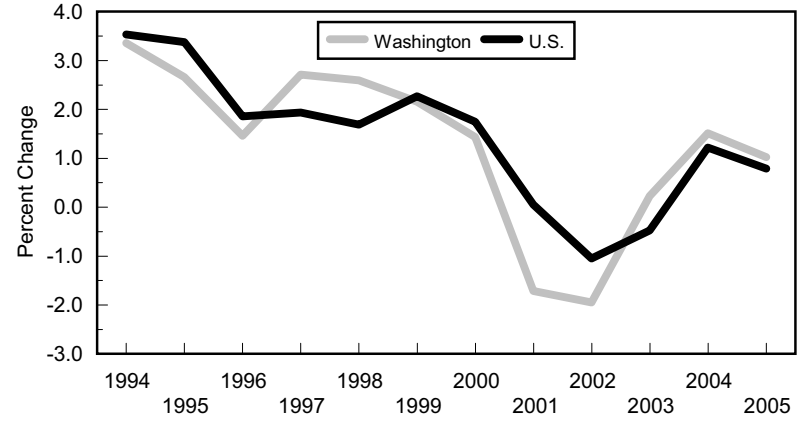


Chart 1.7  
Services Employment

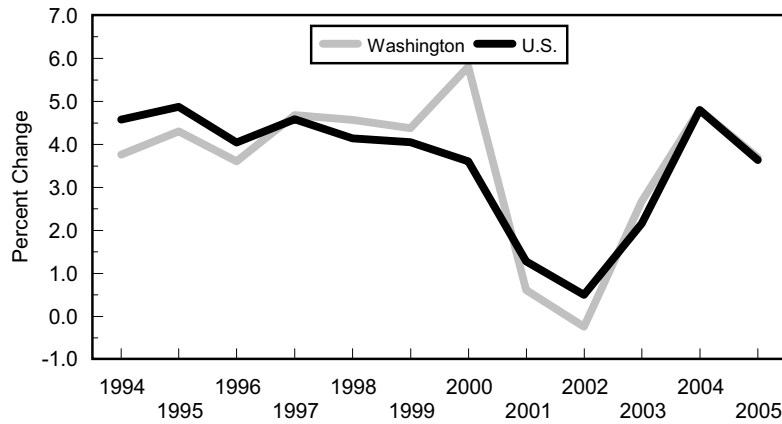
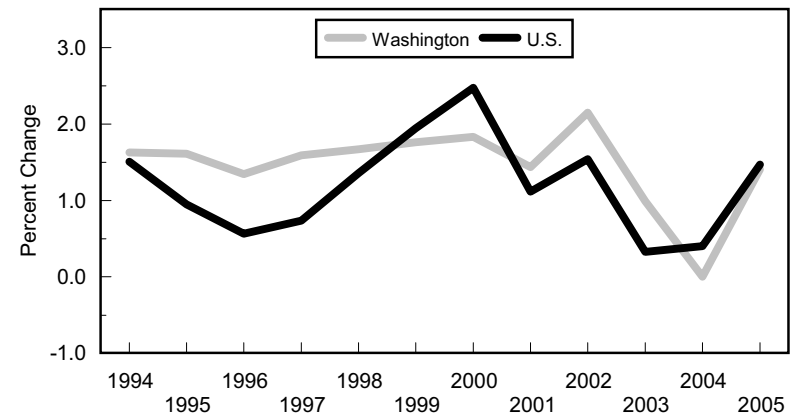


Chart 1.8  
Government Employment



# Comparison of Washington and U.S. Economic Forecasts

Chart 1.9  
Real Personal Income

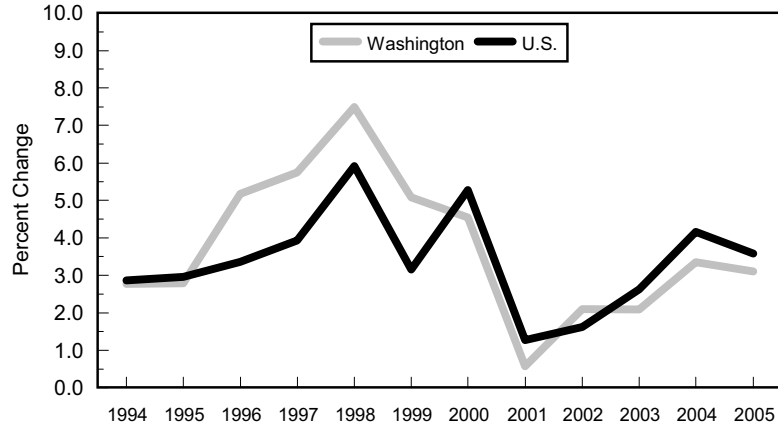


Chart 1.10  
Consumer Price Indices

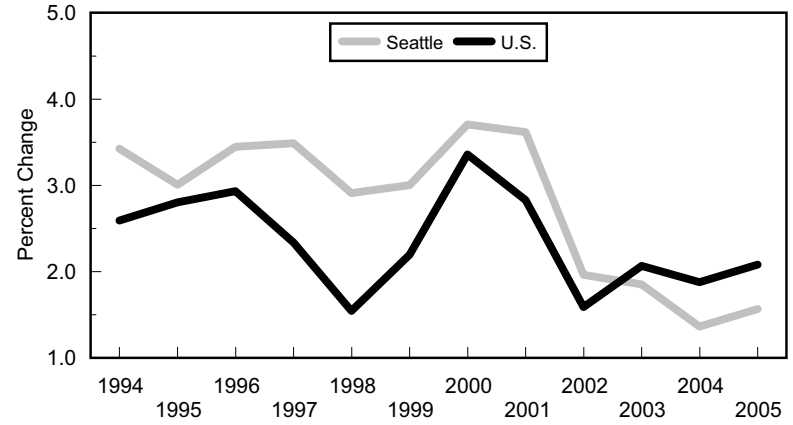


Chart 1.11  
Population

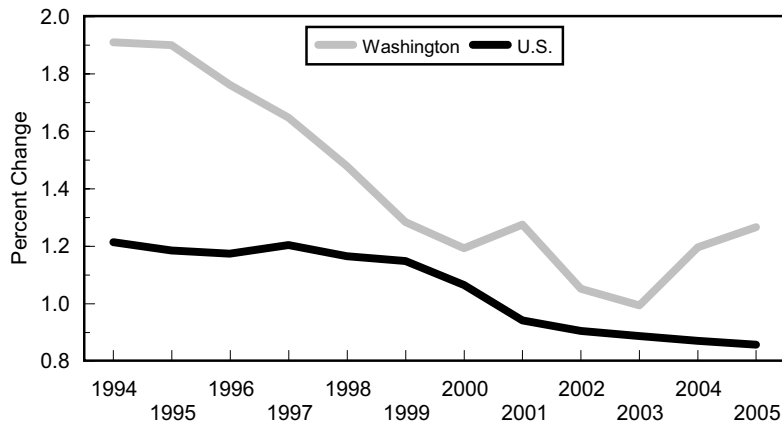
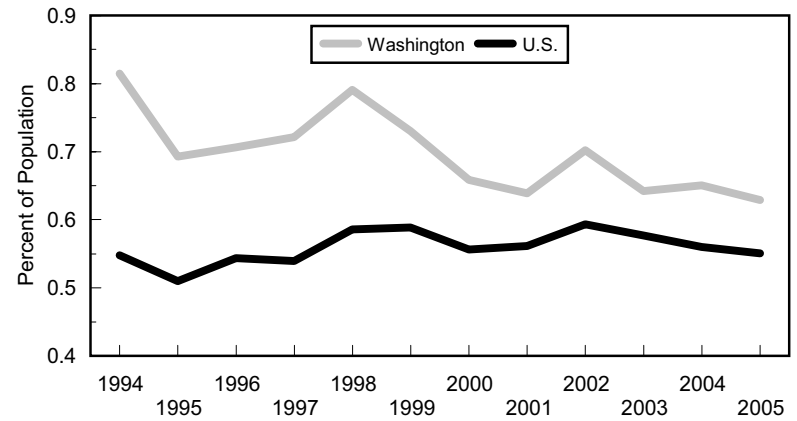


Chart 1.12  
Per Capita Housing Units



# Comparison of Alternative U.S. Forecasts

Chart 1.13  
Real GDP

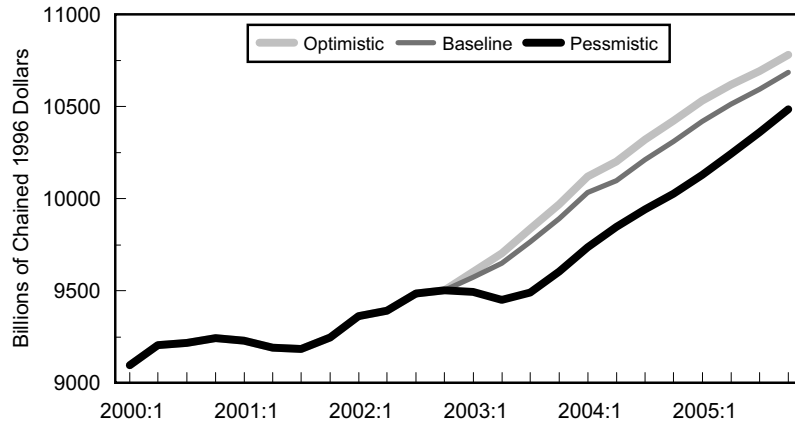


Chart 1.14  
Implicit Price Deflator

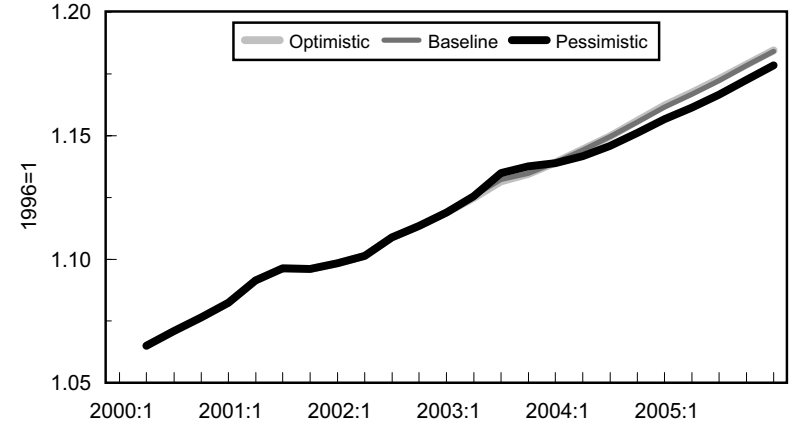


Chart 1.15  
Mortgage Rate

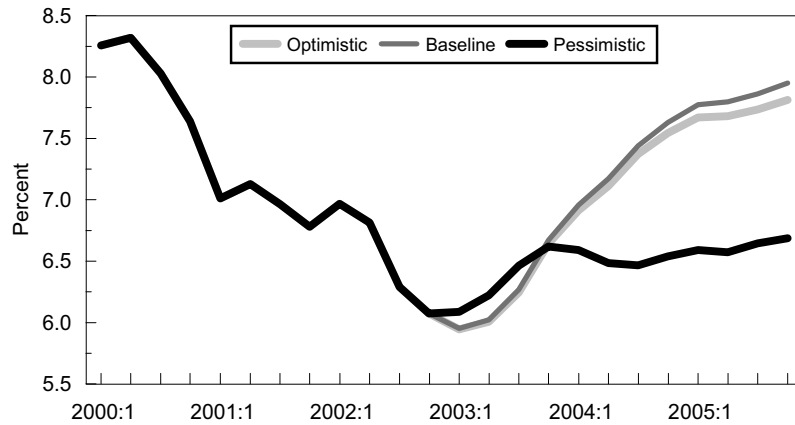
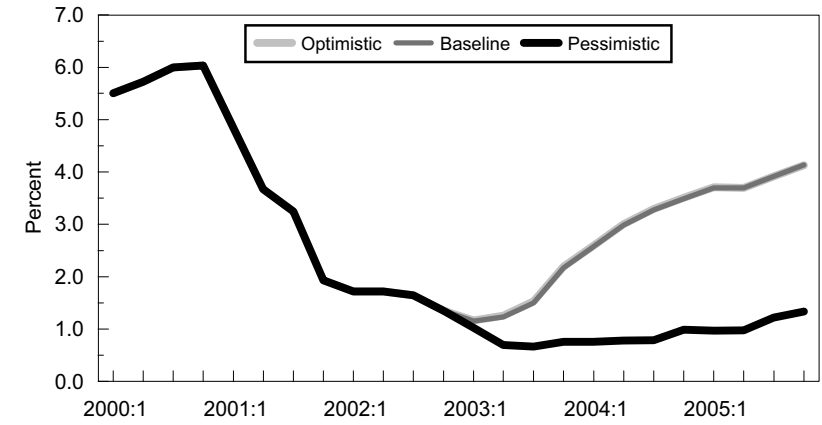


Chart 1.16  
Three Month T-Bill Rate



# Comparison of Alternative Washington Forecasts

Chart 1.17  
**Personal Income**

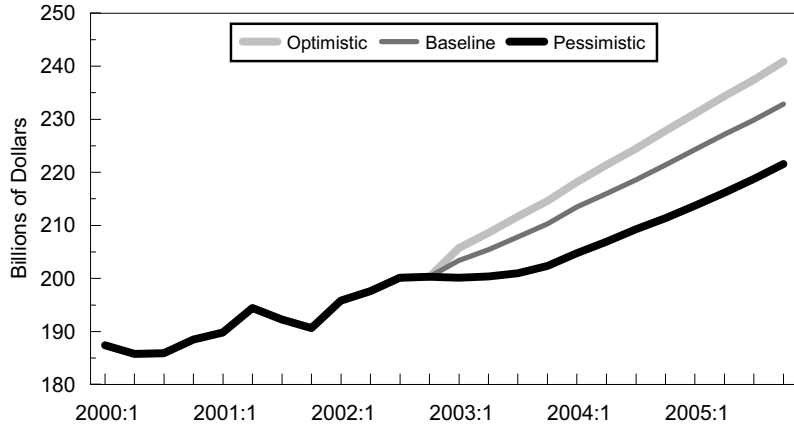


Chart 1.18  
**Real Personal Income**

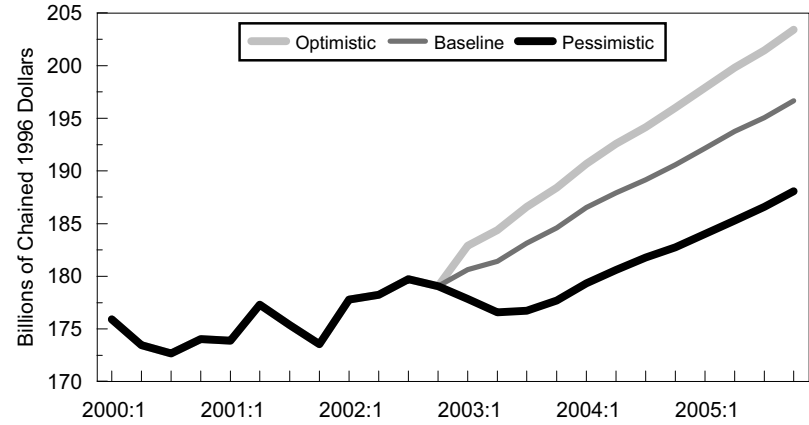


Chart 1.19  
**Nonagricultural Employment**

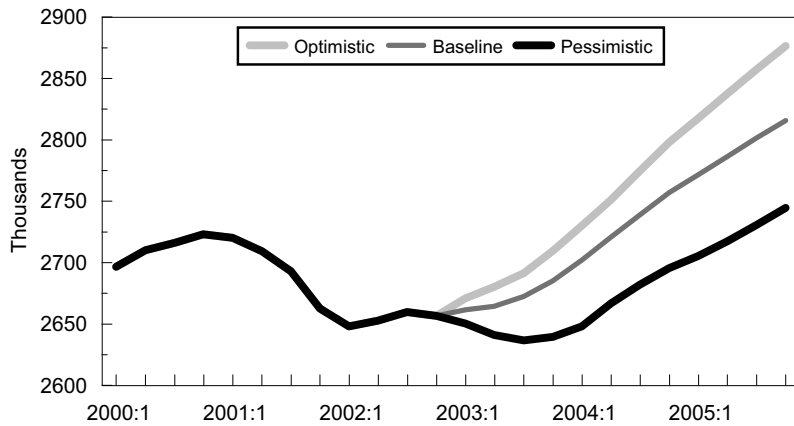
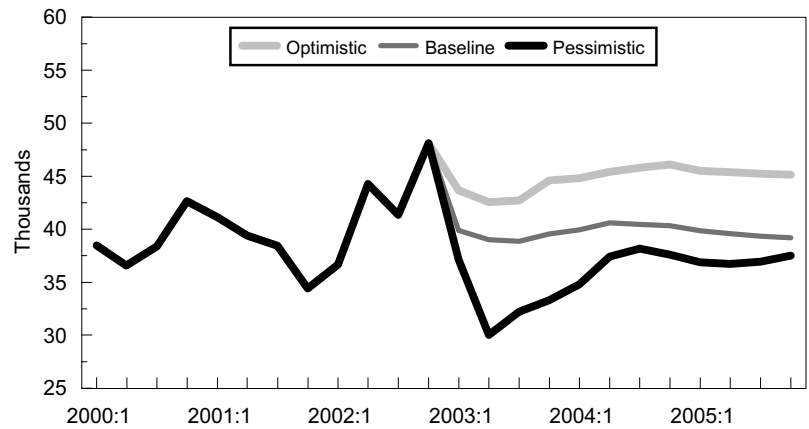


Chart 1.20  
**Housing Permits**



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# Washington Business Indicators

## The National Economy

**E**conomic growth in the U.S. slowed in the fourth quarter of 2002 as exports fell and consumers cut back on spending. Real Gross Domestic Production (GDP), the broadest measure of economic activity, increased at a 1.4\* percent annual rate, down sharply from 4.0 percent last quarter, but double the 0.7 percent increase assumed in the March 2003 forecast. While consumer spending continued to grow, the pace of spending decelerated to a 1.7 percent annual rate in the fourth quarter from 4.2 percent last quarter. The slowdown in consumer spending was primarily due to a reduction of durable goods purchases. Spending on durable goods fell at an 8.2 percent annual rate in the fourth quarter after having increased 22.8 percent last quarter. Exports declined at a 5.8 percent annual rate in the fourth quarter while imports increased at a 7.4 percent rate resulting in a sharp decline in fourth quarter net exports. Data on Investment spending in the fourth quarter was encouraging. Residential investment spending was up 9.4 percent in the last quarter of 2002, its fourth consecutive quarterly increase. Spending on equipment and software increased at a 6.2 percent annual rate in the fourth quarter, its third straight quarterly increase. However, investment in non-residential structures remained weak, declining (9.9 percent) for the sixth consecutive quarter. While real GDP has increased for five consecutive quarters, weakness persists in key areas of the economy, especially manufacturing and the labor market.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity fell 8.5 percent in March 2003, its largest decline since July 2002. The March index is 46.2. (An index above 50 indicates that manufacturing sector is expanding; below 50 indicates it is contracting). Until March, the index had indicated the manufacturing sector had been expanding (above 50) in twelve of the last thirteen months. The March index number is the lowest since November 2001.

Employment fell at a 0.1 percent annual rate in the fourth quarter despite the increase in real GDP. Wage and salary employment increased at a 0.4 percent annual rate in the third quarter of 2002. However, with the exception of last quarter employment has declined in every quarter since the second quarter of 2001. The job market had continued to deteriorate in 2003. The Bureau of Labor Statistics reported that the U.S. economy lost 108,000 jobs in March 2003. This follows a loss of 357,000 jobs in February. The February decline was the largest monthly drop since October 2001. Although the U.S. economy added jobs in January, there has been a net decline of 262,000 jobs in the first three months of 2003. This is significantly more than the 159,000 jobs lost in the fourth quarter. The March 2003 U.S. unemployment rate is 5.8 percent, unchanged from February but up from 5.7 percent in January. Although the U.S. unemployment rate is trending higher and is above the year-ago it is still well below the rate reached during the last recession.

Productivity gains continue to help keep inflation in check. While growth of productivity slowed to only a 0.8 percent annual rate in the fourth quarter of 2002, gains earlier in the year resulted in a 4.8 percent increase in productivity for calendar 2002. This is the largest annual increase since 1950. Inflation accelerated in early 2003 with the Consumer Prices Index (CPI) up 0.3 percent in January and 0.6 percent in February. While February's increase was the largest since January 2001, it was primarily due to a rapid increase in energy prices. The core CPI (all items except food and energy) rose only 0.1 percent in both January and February and the February 2003 core CPI is only 1.7 percent above the year-ago level.

The Conference Board reported that the U.S. Index of Leading Indicators fell 0.4 percent in February. February's decline was the first drop in the index since September of 2002. The index now stands at 111.1 (1996=100), 0.09 percent above the year-ago level. In February 2003 six of the ten indicators that make up the leading index decreased and four rose.

The Conference Board also reported that its Index of Consumer Confidence fell again in March. While the drop in March (3.5 percent) was much less than February's 17.8 percent decline, the index has now fallen for four consecutive months and nine of the last ten. It is now 43.5 percent below the year-ago level. The March index level is 62.5; it's lowest level since 1993. The bursting of the asset bubble, September 11<sup>th</sup>, a recession, persistent weakness in the labor market and now the war in Iraq have severely tested the consumer's willingness to spend over the last couple of years. While the recent drop in confidence does not necessarily mean consumers will stop spending, it is an indication that the risk is on the downside.

As expected The Federal Open Market Committee (FOMC) voted to keep its target rate for federal funds unchanged at 1 ¼ percent at its March 18th meeting. The FOMC broke from recent tradition by not assessing the "balance of risks" to prospects for its long-run goals of price stability and economic growth. The FOMC felt that due to the "...unusually large uncertainties clouding the geopolitical situation..." it could not "usefully characterize the current balance of risks..." While the Fed did not comment on its outlook, it remains willing to act if the economy needs it.

## **The State Economy and Indicators**

The Washington economy suffered a set back in the fourth quarter of 2002 as wage and salary employment declined at a 0.4 percent annual rate. Employment in the fourth quarter is 0.2 percent below the year-ago level and 2.4 percent less than the level two years ago. Revised data shows employment increased 1.1 percent last quarter and 0.7 percent in the second quarter. A weak manufacturing sector led the decline in the fourth quarter. Manufacturing employment fell at an 8.0 percent annual rate in the fourth quarter following declines of 4.6 and 7.2 percent in the third and second quarters. Washington manufacturing employment has been falling since the third quarter of 1998 (eighteen consecutive quarters after adjusting for the impact of the Boeing strike in the first quarter of 2000). Aerospace employment declined at an 8.8 percent annual rate in the fourth quarter of 2002. Aerospace employment has now declined for five consecutive quarters and it is expected to decline further. Air travel is way down and not expected to rebound anytime soon. This has put most airlines in financial straits and has reduced or eliminated the need to purchase more aircraft.

Washington's seasonally adjusted unemployment rate rose from 6.7 percent in January 2003 to 6.8 percent in February 2003. The state unemployment rate is a percent higher than the U.S. rate in February, but is below the year-ago rate of 7.3 percent and well below the double-digit level reached during Washington's last recession in the early 1980's.



Most other state economic indicators are weak. The Seattle Times Index of Help-Wanted Advertising fell for the third consecutive month in February 2003. The February 2003 index is 62.7 (1987=100). This is 10.8 percent below the year-ago level. Washington average weekly hours in manufacturing fell to 38.6 in January 2003. This is the fourth consecutive monthly decline. Average weekly hours in manufacturing are now 4.0 percent below the year-ago level. The Washington Purchasing Management Index declined in January but rose in February 2003. The index in February was 55.5 (a reading above 50 indicates expansion, below 50 indicates contraction), its highest level since August 2002.

The Washington Index of Leading Indicators fell in January to 96.6 from 96.8 in December (1996=100). The index has now decline for two consecutive months and seven of the last twelve. The recent decline indicates that in the near term economic growth in Washington likely will remain weak. Five of the seven components of the index pulled the index down in January. These were the exchange rate, aerospace employment, average weekly hours in manufacturing, the Seattle Times' Help-Wanted index, and housing units authorized. There were only positive components of the state leading index in January 2003: the U.S. leading index and initial claims for unemployment insurance.

*\*This is based on the most recent data from the Bureau of Economic Analysis (the final GDP estimates for the fourth quarter of 2002 released March 27, 2003.) The March 2003 economic forecast was completed prior to the final GDP release, and shows a 0.7 percent increase in real GDP in the fourth quarter of 2002.*

# Washington State Economic Indicators

Chart 2.1  
**Year-over-Year Employment Growth**  
 January 1980 to February 2003

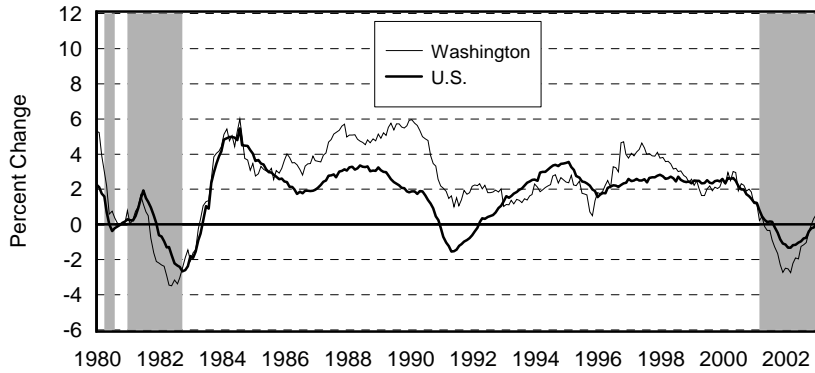


Chart 2.2  
**Washington Aircraft and Parts Employment**  
 January 1958 to February 2003

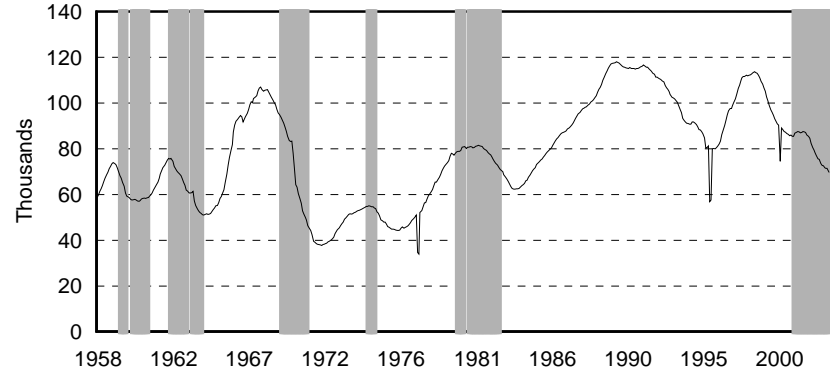


Chart 2.3  
**Unemployment Rate, S.A.**  
 January 1980 to February 2003

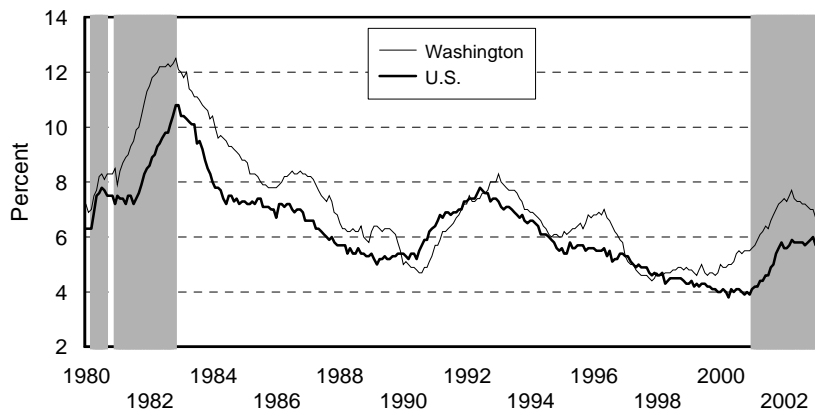
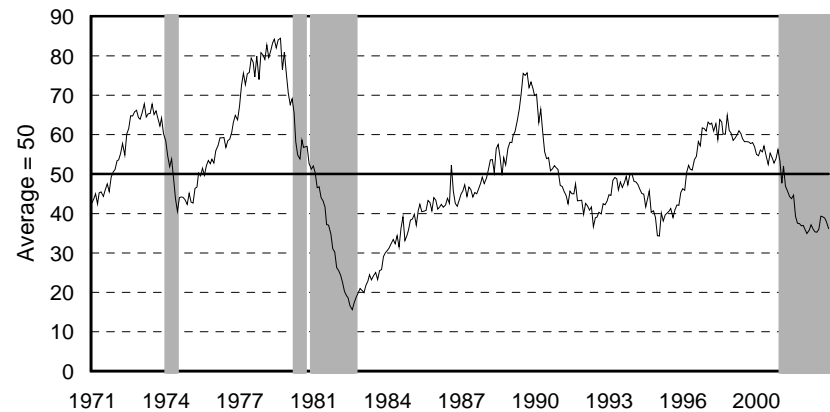


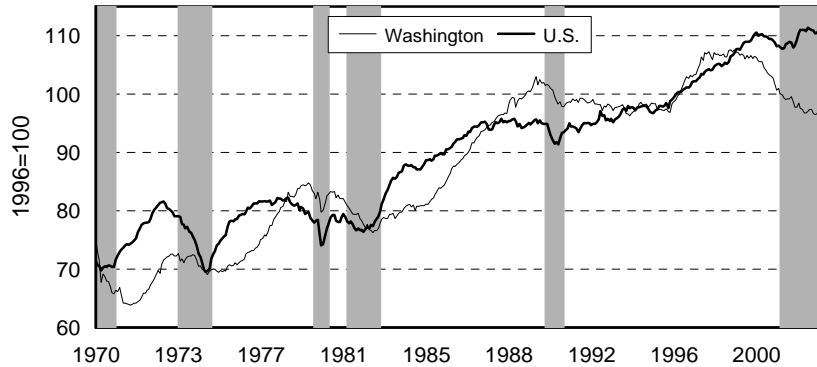
Chart 2.4  
**Washington Boom Monitor Composite Index**  
 July 1971 to February 2003



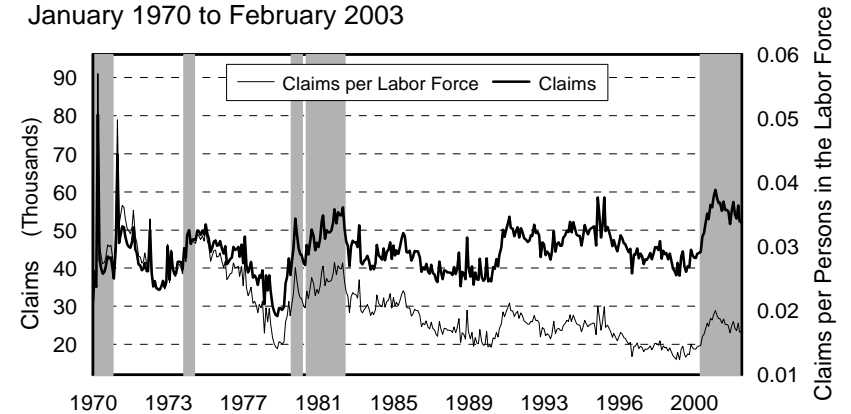
\* Shaded areas correspond with Washington employment downturns.

# Washington State Leading Indicators

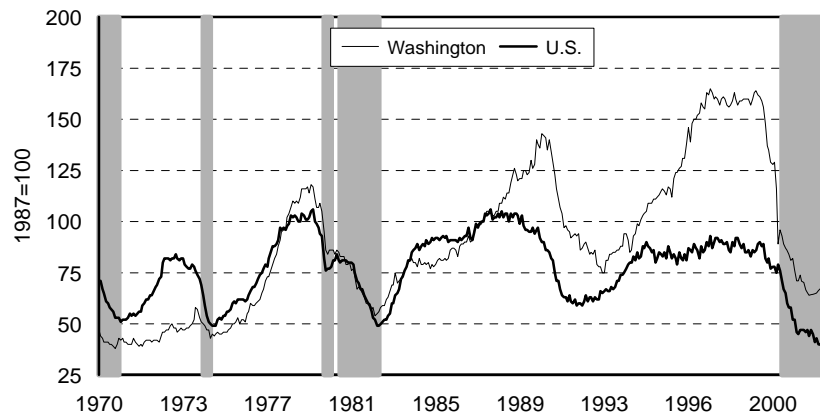
**Chart 2.5**  
**The Washington and U.S. Indexes of Leading Indicators**  
 January 1970 to February 2003 (WA to Jan. only)



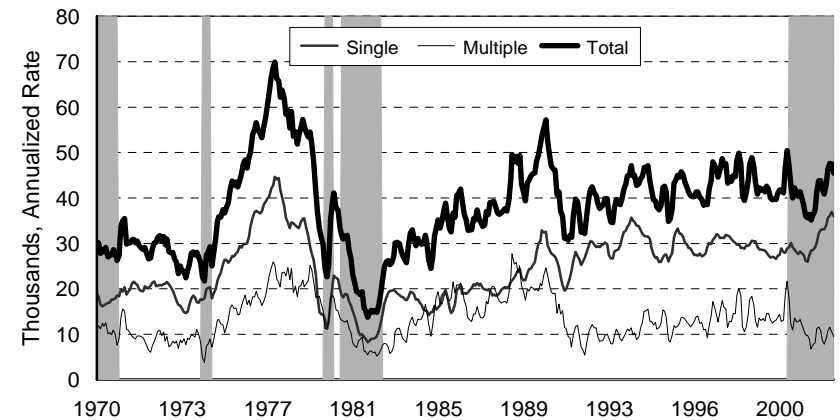
**Chart 2.6**  
**Washington Initial Claims for Unemployment Insurance**  
 January 1970 to February 2003



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



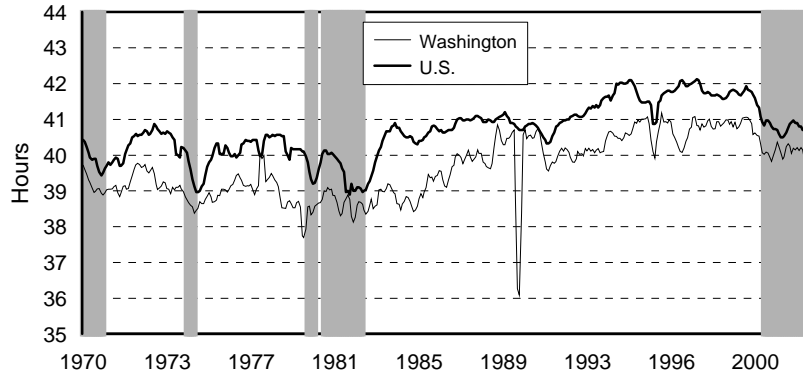
**Chart 2.8**  
**Housing Units Authorized in Washington State**  
 January 1970 to February 2003, 3-Month Moving Average



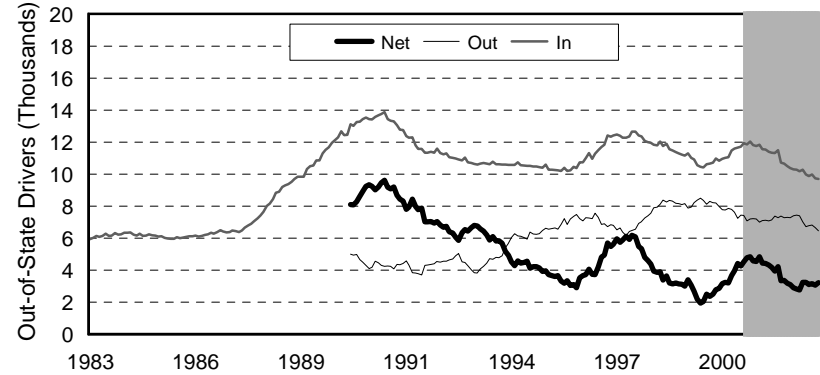
Shaded areas in all charts correspond with Washington employment downturns.

# Other State Economic Indicators

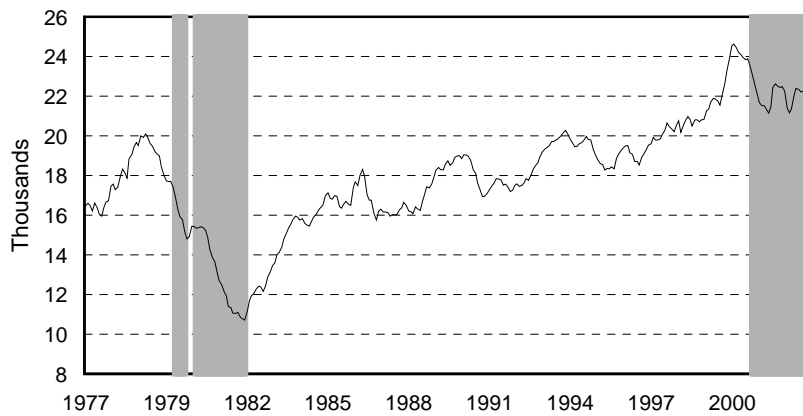
**Chart 2.9**  
**Average Weekly Hours in Manufacturing**  
 Jan. 1970 to Feb. 2003, 3-Month Moving Average, SA (WA to Jan.)



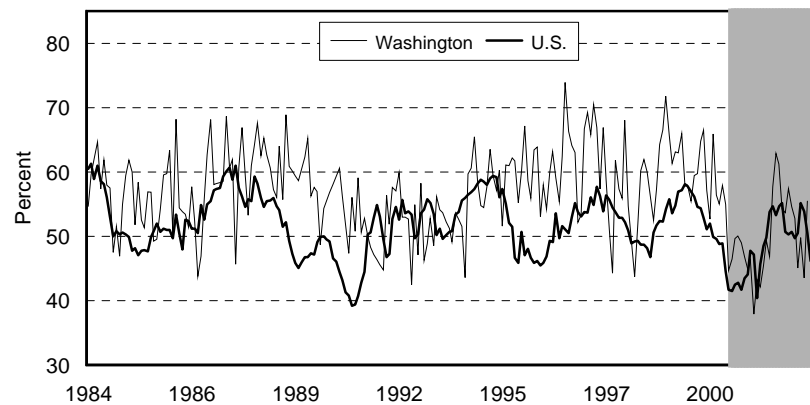
**Chart 2.10**  
**Washington Driver's License Migration**  
 September 1983 to January 2003, 12-Month Moving Average



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



**Chart 2.12**  
**Institute for Supply Management Index**  
 January 1984 to March 2003 (WA to Feb.)



\* Shaded areas correspond with Washington employment downturns.

# Other Economic Indicators

Chart 2.13  
**Quarterly U.S. Real GDP Growth**  
 1970 Q1 to 2002 Q4

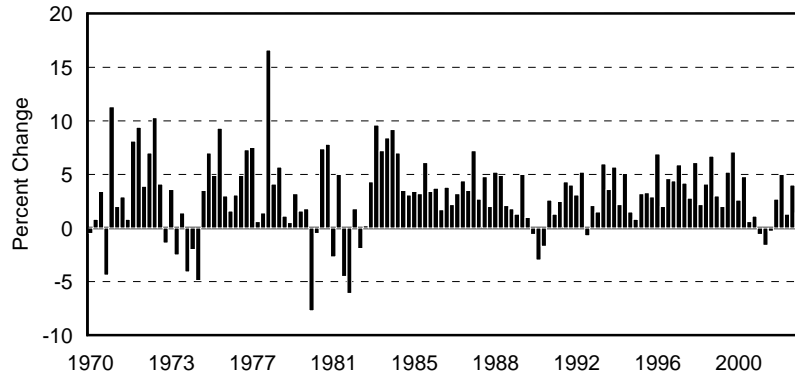


Chart 2.14  
**Washington State Export Composition**  
 Change from Same Quarter Year Ago, 1998Q1 to 2002Q4

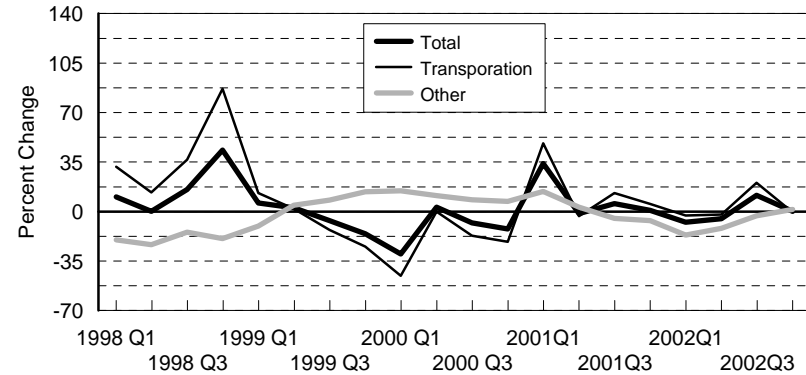


Chart 2.15  
**U.S. Economic Indicators\***  
 January 1970 to February 2003

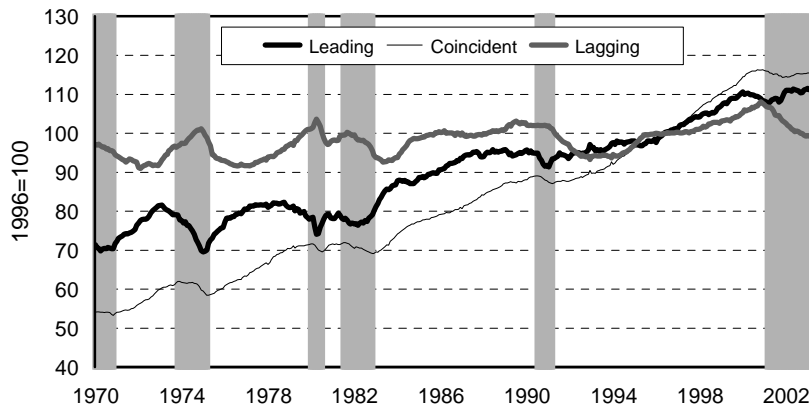
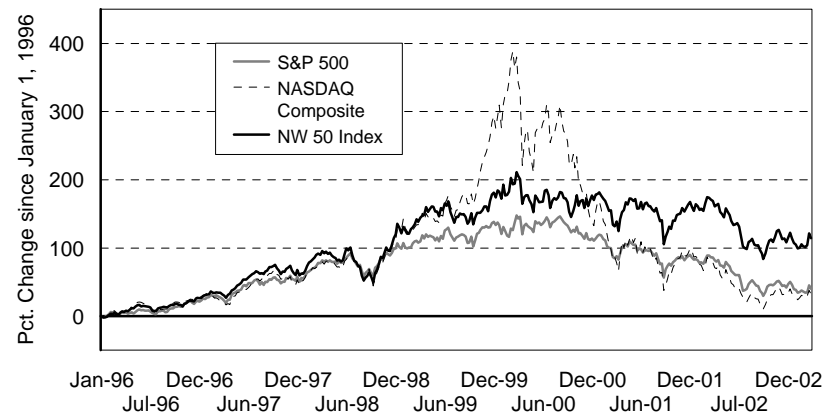


Chart 2.16  
**Northwest 50 Regional Stock Index vs. National Indices**  
 January 1, 1996 to March 28, 2003



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

# Other Economic Indicators

Chart 2.17  
**Federal Funds Target Rate**  
 October 1, 1990 to March 28, 2003

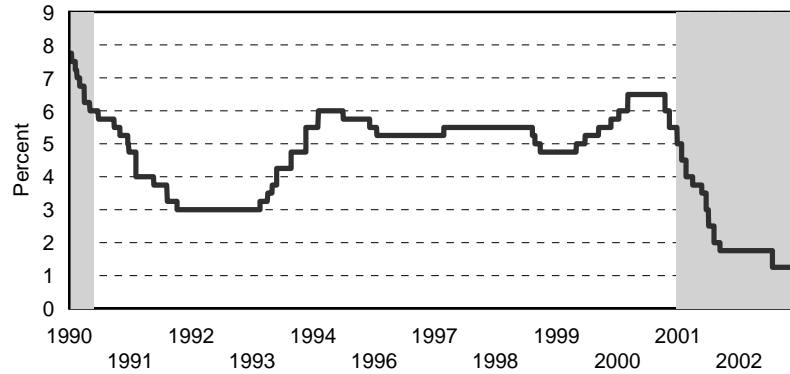


Chart 2.18  
**Consumer Confidence**  
 January 1978 to March 2003

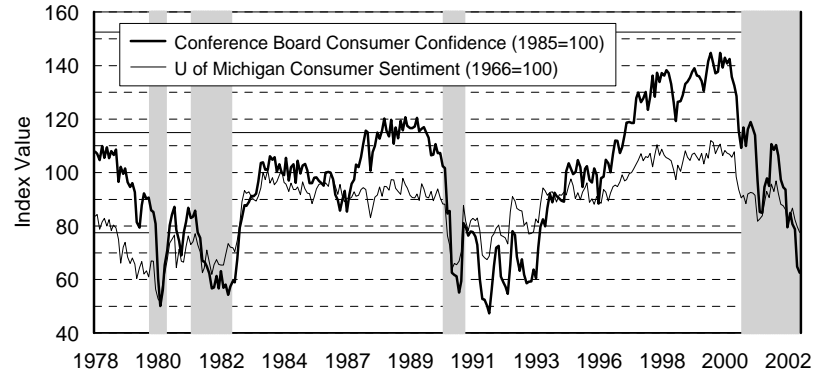
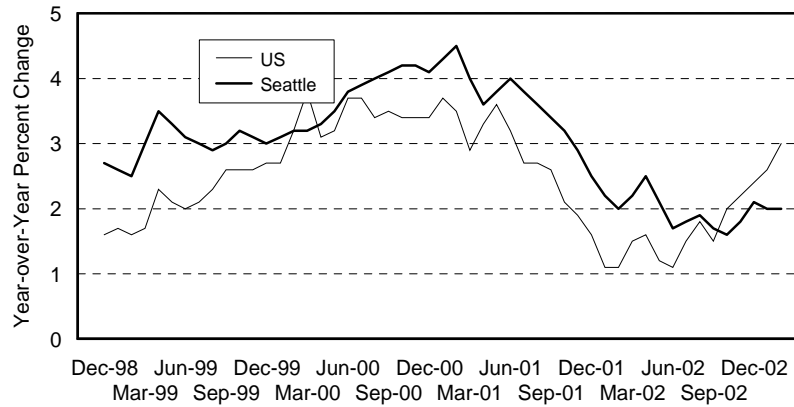


Chart 2.19  
**Seattle vs U.S. CPI (All Urban Consumers)**  
 December 1998 to February 2003



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

Table 2.1  
**Washington Business Indicators**  
 Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
2000:11	101.8	108.9	116	75	57.9	48.9
2000:12	100.7	108.2	89	79	55.0	44.5
2001:1	101.0	108.3	96	76	44.7	41.6
2001:2	100.1	108.1	93	71	46.5	41.5
2001:3	99.9	107.8	89	67	49.6	42.5
2001:4	99.3	107.9	87	65	50.1	42.8
2001:5	99.1	108.6	86	60	49.0	41.7
2001:6	99.2	108.7	84	58	46.8	43.5
2001:7	99.2	109.0	81	58	44.9	44.1
2001:8	99.6	108.9	82	52	46.4	47.8
2001:9	98.7	108.0	76	52	37.9	47.1
2001:10	97.8	108.4	71	46	43.3	40.4
2001:11	97.8	109.3	71	45	42.1	45.7
2001:12	98.5	110.5	74	47	45.5	48.5
2002:1	97.6	111.0	71	47	49.4	49.8
2002:2	97.4	111.0	70	47	46.9	53.8
2002:3	96.8	111.0	67	46	57.7	54.7
2002:4	96.8	110.8	65	47	62.9	53.3
2002:5	97.0	111.4	64	44	61.3	54.7
2002:6	97.4	111.2	64	47	54.2	55.1
2002:7	97.4	111.0	64	45	53.7	50.7
2002:8	96.7	110.9	65	41	57.4	50.3
2002:9	96.5	110.4	65	43	54.6	50.7
2002:10	96.7	110.5	66	40	52.8	49.7
2002:11	97.0	111.1	67	40	45.1	50.5
2002:12	96.8	111.3	66	39	49.8	55.2
2003:1	96.6	111.5	65	41	43.5	53.9
2003:2	NA	111.1	63	40	55.5	50.5

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# Washington State Revenue Forecast Summary

## Introduction

The Economic and Revenue Forecast Council approved a \$201.5 million reduction to Washington's General Fund-State (GFS) revenue forecast at its March 19, 2003 meeting. A weaker economy and anticipation of a significant decline in lottery proceeds were the primary reasons for the lower forecast. The March revision was comprised of a \$36.8 million increase for the 2001-03 biennium and a \$238.3 million reduction for the 2003-05 biennium. The change for the 2003-05 biennium included a \$264.9 million reduction due to changes in the economic outlook and a lower forecast for lottery proceeds. This reduction was partially offset by a \$26.6 million increase due to non-economic factors.

Although economic growth has been weak, revenue collections in the four months since the November forecast were a little higher than expected. This was the primary reason for the increase to the forecast for the current biennium. The reduction to the revenue outlook for the 2003-05 biennium primarily reflects a weaker U.S. economic outlook and slower employment and income growth in the state than was expected in November.

The March 2003 General Fund-State revenue forecast now expects \$21,163.0 million in the 2001-03 biennium. Despite the small increase to the forecast in March, GFS revenue for the 2001-03 biennium is expected to be \$99.1 million, 0.5 percent, less than what was collected the 1999-01 biennium. This decline reflects tax law changes

Table 3.1		Cash Basis		
<b>Revision to the General Fund-State Forecast</b>				
March 2003				
(Millions of dollars)				
		<b>2001-03</b>	<b>2003-05</b>	<b>Both</b>
		<b>Biennium</b>	<b>Biennium</b>	<b>Biennium</b>
Non Economic Changes*		\$0.0	\$26.6	\$26.6
Forecast Change		<u>36.8</u>	<u>(264.9)</u>	<u>(228.1)</u>
<b>Total Change**</b>		<b>\$36.8</b>	<b>(\$238.3)</b>	<b>(\$201.5)</b>
*The net impact of adjustments to the November 2002 forecast (+\$86.6 million) and the impact of 2003 legislation, hb 1977 (-\$60.0 million).				
**Detail may not add to totals due to rounding.				

(e.g. Initiatives 728, 747 and 773, and legislative changes) as well as a weaker economy. Revenue growth, excluding law changes, is still expected to be the weakest since the recession-plagued 1981-83 biennium.

The March 2003 GFS revenue forecast now expected \$22,451.5 million for the 2003-05 biennium, which spans the period July 2003 through June 2005. Although the March 2003 outlook for the 2003-05 budget period is lower than in November, the forecast still expects the economy to produce significantly more (\$1.3 billion, 6.1 percent) GFS revenue in the 2003-05 biennium than in the 2001-03 budget period.

The increase to the forecast of GFS revenue for the current budget period, along with a small adjustment to reserves, increases the 2001-03 projected unrestricted ending balance for the General Fund to \$406.3 million. In addition, the Emergency Reserve Fund is expected to have a \$54.7 million balance on June 30, 2003. Despite the projected positive ending balance for the 2001-03 biennium Washington's fiscal condition, like most other states, continues to deteriorate. While total resources (revenue, the beginning balance and net transfers into the General fund) for the 2001-03 biennium are expected to exceed spending by \$406.3 million for the biennium, the March 2003 GFS revenue forecast expects current revenue for the 2001-03 biennium (\$21,163.0 million) to be \$1.3 billion less than the 2001-03 spending level (appropriations of \$22,451.4 million, excluding any supplemental budget changes to 2001-03 spending). The projected \$406.3 million positive unrestricted ending balance for June 30, 2003 is achieved only through a combination of a large positive beginning balance, two nonrecurring transfers to the General Fund, and the use of some of the state's tobacco settlement proceeds. In addition, the lower forecast for the 2003-05 budget period reduces available resources for next biennium by \$238.3 million. This pushes the gap between expected revenue and expenditures to an estimated \$2.6 billion.

## **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.

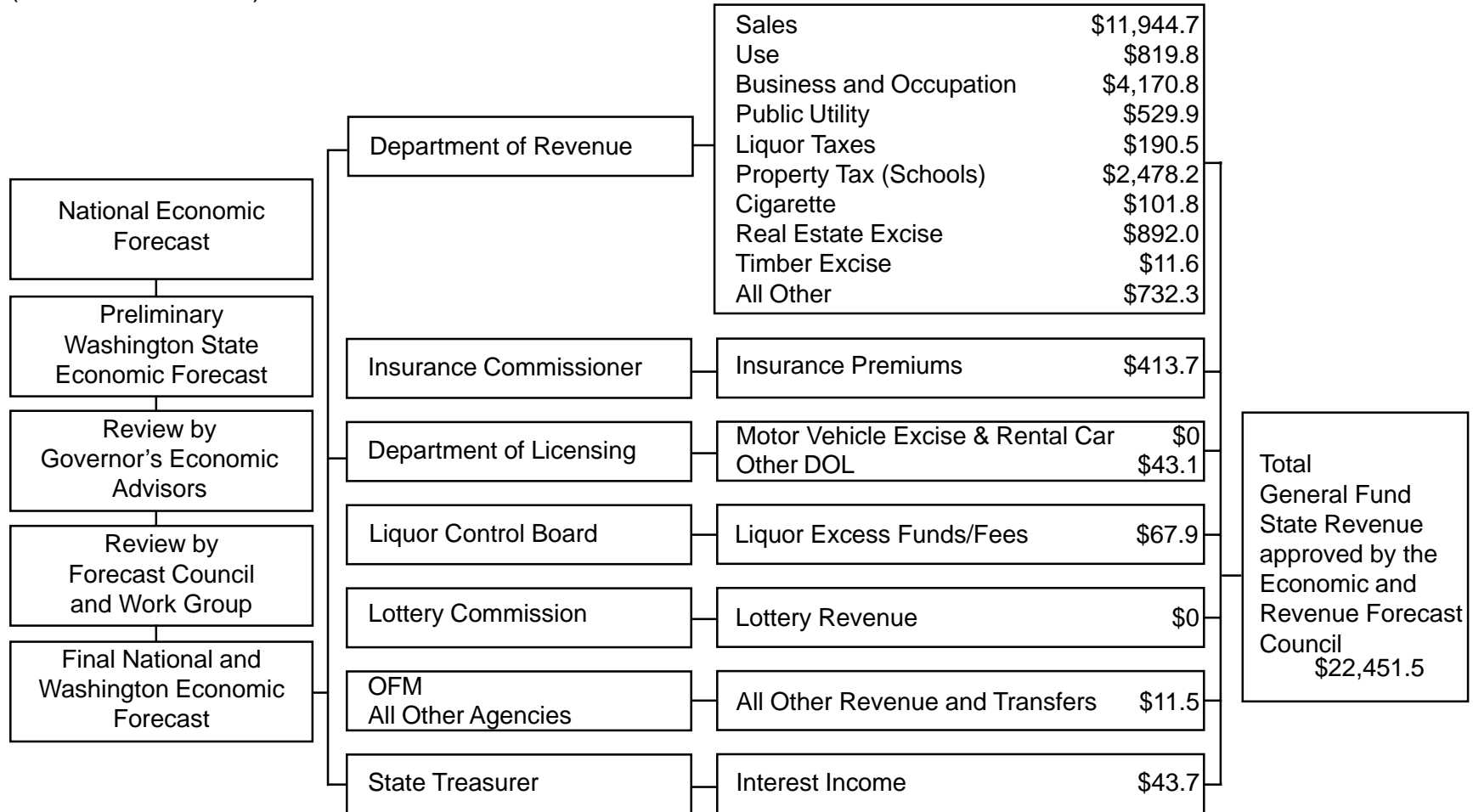
For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic fore-

cast 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 March 2003 baseline forecast for the 2003-05 biennium is shown in Table 3.2.

### **March 2003 Forecast Assumptions**

1. The March 2003 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on the Global Insight Inc. February 2003 baseline forecast for the U.S. economy.
2. The GFS revenue forecast is based on current law and administrative practices. The March 2003 forecast incorporates three non-economic changes to conform to current law. These changes add \$26.6 million to the GFS forecast for the 2003-05 biennium. Two of the changes, totaling \$86.6 million, reflect adjustments to the November forecast. The first was an increase to the forecast (primarily use tax) due to the unanticipated impact of legislation (ssb 6835) enacted in the 2002 legislative session. The second was an increase to the GFS forecast as a result of a State Supreme Court Decision in December 2003 affecting the tax liability of temporary help businesses. In addition, the March 2003 non-economic adjustment includes the impact of 2003 legislation (hb 1977) enacted by the legislature and signed into law prior to the March 2003 forecast. This legislation reduced GFS revenue for the 2003-05 biennium by \$60.0 million dollars. Table 3.13 summarized the non-economic changes included in the March 2003 forecast.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, 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 all lottery earnings are transferred to the Student Achievement Account and the School Construction Account. Part II of Table 3.20 summarize the lottery sales forecast and distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2001-03 and the 2003-05

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



\* Cash Basis

biennia. Receipts for the 1997-99 biennium were reduced by \$549 million as a result of legislation enacted during the 1996, 1997 and 1998 legislative sessions. New legislation and other non-economic changes (e.g. referendum 49) reduced GFS revenue for the 1999-01 biennium by \$568 million. As of March 2003, new legislation and other non-economic changes have reduced the forecast of GFS revenue for the 2001-03 biennium by \$399 million. New tax law changes have increased GFS revenue for the 2003-05 biennium by \$312 million. In addition, the effect of Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, accelerates in the 2003-05 biennium. This transfer has a disproportional effect on GFS revenue for the 2003-05 biennium relative to the 2001-03 biennium. I-728 property tax transfers grow from \$267.0 million in the 2001-03 biennium to \$566.4 million in the 2003-05 biennium (See part I of Table 3.20.)

## Recent Collection Experience

Revenue collections in the four months since the November forecast were \$43.3 million, 1.2 percent, higher than expected. Real estate excise tax payments accounted for \$29.0 million of the \$43.3 million variance. In addition, Revenue Act taxes (Washington's major excise taxes: sales, use, business and occupation and public utility taxes) were \$9.3 million more than expected in the last four months. Higher than expected tax payments, however, does not mean the economy has improved. Most of the variance (\$28.8 million) was due to four large, non-recurring audit payments. Excluding these payments, the variance was only \$14.5 million (0.4 percent). Revenue sources that are the most closely tied to the economy (Revenue Act taxes: retail sales, use, business and occupation and public utility taxes) were actually \$19.5 million less than expected in the last four months excluding these audit payments. The only bright spot was real estate activity. Record low mortgage interest rates contributed to an 36.6 percent increase in real estate activity in the fourth quarter of 2002, producing considerably more real estate excise tax payments than expected in November forecast. The increase in real estate activity in the fourth quarter was the best since 1990.

Real estate excise tax aside, revenue growth has remained weak. Revenue Act collections since the November forecast (October 2002 through January 2003 business activity) were 0.5 percent below a weak year-ago level (after adjusting for special factors). For the first seven months of the fiscal year, revenue growth has been a little better, up 1.3 percent from a depressed year-ago level. Nevertheless, revenue growth of the state's major excise taxes remain considerable weaker than both state personal income and retail sales growth nationally. Both economic and revenue growth continue to be hampered by slow employment growth as well as geopolitical concerns. Growth would likely would have been weaker still without the strong real estate market which contributed to strong retail sales growth in housing related consumer goods. In addition, a surge in refinancing activity provided additional cash for consumers to spend.

Preliminary data on taxes paid during the most recent collection period (February 11 – March 10, 2003) indicate modest gains in the retail trade and food service sector. The strongest sectors at the three-digit NAICS level were non-store retailers (+16.0 percent), apparel and accessories retailers (+11.5 percent) and furniture and home furnishing stores (+9.1 percent). Taxes paid by building materials retailers, electronics and appliance dealers, and gas stations and convenience stores were also up in the mid-single digit range. Only two retail trade sectors reported year-over year declines. These were electronics and appliance retailers (-0.5 percent) and miscellaneous re-

tailers (-1.3 percent). Tax payments by businesses outside of the retail trade sector were once again significantly weaker than retailing. Year-over-year declines in tax payments were reported by the manufacturing (-17.5 percent), utilities (-14.2 percent), information (-6.9 percent) and construction (-2.2 percent) sectors.

Low mortgage rates continue to fuel the residential housing market, contributing to strong growth in real estate activity and more than expected real estate excise tax revenue. Statewide, real estate activity based on real estate closings subject to the state real estate excise tax was 34.1 percent above the year-ago level in the four months since the November forecast and was 19.9 percent above the year-ago level for the first seven months of fiscal 2003. The number of real estate transactions have increased 14.4 percent the last four months and 9.7 percent for the fiscal year-to-date, while the average price per transaction grew 16.9 percent the last four months and 9.6 percent for the fiscal year-to-date

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were only a little, 25,000 (1.0 percent) below the estimate in four months since the November forecast. During this period, Department of Licensing General Fund collections were 3.3 percent above the year-ago level.

## The General Fund-State Forecast for the 2001-03 and the 2003-05 Biennia

The March 2003 GFS revenue forecast is a little weaker than the November 2002 outlook. The state is experiencing its first major downturn since the early 1980's. While the recession this cycle has not been as protracted as the back-to-back recessions of the early 1980's, it has significantly reduced GFS revenue in the 2001-03 budget period. Both economic and revenue growth in the 2001-03 biennium are expected to be the weakest since the 1981-83 biennium. Wage and salary employment, which increased 4.3 percent in the 1999-01 biennium, is expected to decline 1.4 percent in the 2001-03 budget period. Wage and salary employment fell 2.1 percent in the 1981-83

**Table 3.3**  
**Collection Variance of Major General Fund-State Tax Sources by Agency**

November 11, 2002-March 10, 2003  
(Millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>	<u>Adjusted Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act <sup>1</sup>	\$9.3	0.3%	(\$19.5)	-0.7%
Non Revenue Act <sup>2</sup>	\$34.0	3.8%	34.0	3.8%
Subtotal	<u>\$43.3</u>	<u>1.2%</u>	<u>14.5</u>	<u>0.4%</u>
Department of Licensing	\$0.0	-0.5%	0.0	-0.5%
Other	na	na	na	na
<b>Total**</b>	<b>\$43.3</b>	<b>1.2%</b>	<b>\$14.5</b>	<b>0.4%</b>

<sup>1</sup> Revenue Act taxes consists 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, 2002 through March 10, 2003.

<sup>2</sup> Variance based on November 2002 through February 2003 collections. Major Non-Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.

\* Collection variance: actual tax payments compared to monthly estimates based on the November 2002 forecast.

\*\* Variance adjusted for Special factors (unusually large, non-recurring payments).

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

biennium. Similarly, real personal income is expected to grow only 2.9 percent in the 2001-03 biennium after having increased 9.9 percent in the 1999-01 period. Real income growth is now expected to be only slightly better than the 2.4 percent increase in the 1981-83 biennium. The weak economy translates directly into less General Fund-State revenue. The forecast of GFS revenue for the 2001-03 biennium is expected to total \$21,163 million. This is \$99 million, 0.5 percent, less than what was collected in the 1999-01 biennium. Although GFS revenue in the current biennium has been significantly reduced by various tax law changes, including the passage of Initiative 728, as well as initiatives 747 and 773, much of the weakness in GFS revenue growth is due to the weak economy. GFS revenue in the 2001-03 biennium after adjusting for the impact of major tax law changes is expected to be only 2.0 percent above the 1999-01 biennium. Inflation adjusted growth of the retail sales adjusted tax base is projected to decline 1.5 percent for the biennium. This is the first decline since it fell 9.1 percent in the 1981-83 biennium. It grew 8.7 percent in the 1999-01 biennium. Inflation adjusted growth of the business and occupation adjusted tax base is projected to decline even more, 4.3 percent in the 2001-03 biennium. This is also the worst showing since the 1981-83 biennium.

The March 2003 forecast for the 2003-05 biennium, which spans the period July 1, 2003 to June 30, 2005, continues to assume a moderate recovery for both the U.S. and the Washington economies. The rebound next biennium is a little weaker than assumed in November. While personal income and employment growth are expected to be well above the depressed levels expected in the 2001-03 biennium, growth is forecast to be weaker than past recovery periods. Weak business investment and slow employment growth along with a sluggish global economy will slow the U.S. recovery. Air travel is way down and it is not expected to return to pre September 11th levels until 2004 at the earliest. This has affected airline profitability and their ability to purchase aircraft. Consequently, aircraft manufacturing, the state's largest manufacturing sector, is not expected to recover until 2005. Even then, its recovery will be very weak. Many of the aerospace jobs lost during this downturn will not return in the 2003-05 biennium. The combination of a weak U.S. recovery and a depressed aerospace sector will contribute to a less than average employment and income growth for the state in the 2003-05 biennium. State nominal personal income is expected to increase only 9.7 percent in the 2003-05 biennium, up from the 6.6 percent increase projected for the 2001-03 biennium but only about half its long run average. Similarly wage and salary employment growth is expected to increase only 2.5 percent in the 2003-05 biennium, well below its long run average. While the forecast assumes GFS revenue will improve in the 2003-05 biennium, revenue growth, like the economy, is expected to be relatively weak. GFS revenue in the 2003-05 biennium is expected to total \$22,451.5 million. This is \$1.3 billion (6.1 percent) more than in the 2001-03 biennium. Adjusting for major legislative changes, GFS revenue is expected to grow only 6.3 percent.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These three taxes accounted for more than 85 percent of the \$21.3 billion total GFS cash receipts in the 1999-01 biennium. This percentage is expected to rise to 85.9 percent of total GFS revenue in the 2001-03 biennium and to 86.5 percent in the 2003-05 biennium. The jump in the 2001-03 biennium is primarily due to a change in the disposition of lottery proceeds. Prior to the 2001-03 biennium, the majority of Lottery proceeds were deposited into the General Fund. Due to Initiative 728, beginning in fiscal 2002, most lottery proceeds will be deposited in the Student Achievement Account and the School Construction Account instead of the General Fund. The in-

crease in the 2003-05 biennium is in part due to the expiration of the sales tax deferral/exemption program in the 2003-05 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 80 percent in the 1991-93 biennium and from 75 percent twenty years ago. The retail sales and use tax, the state's largest revenue source generated \$11.7 billion, 55.0 percent of total GFS revenue in the 1999-01 biennium. Sales and use taxes are expected to produce \$11.8 billion, 55.7 percent of total GFS revenue in the 2001-03 biennium. Sales and use tax is expected to total \$12.8 billion and account for 56.9 percent of GFS revenue in the 2003-05 biennium. The business and occupation tax totaled \$3.8 billion in the 1999-01 biennium, 17.7 percent of total GFS revenue. This tax is expected to produce \$3.8 billion, 17.9 percent of the total in the 2001-03 biennium and \$4.2 billion, 18.6 percent of GFS revenue in the 2003-05 biennium. The state share of the property tax totaled \$2.7 billion, 12.5 percent of total GFS revenue in the 1999-01 biennium. It is forecast to produce \$2.6 billion in the 2001-03 biennium, 12.3 percent of total GFS revenue and \$2.5 billion, 11.0 percent of total GFS revenue in the 2003-05 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 Account. The amount of the state levy transferred from the General Fund to the Student Achievement Account rises rapidly from \$267.0 million in the 2001-03 biennium (the first biennium affected by the I-728 transfer) to \$566.4 million in the 2003-05 biennium. (See Part 1, Table 3.20.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$22.4 billion in the third quarter of 2002. This was 2.9 percent higher than a year-ago. Last quarter taxable sales were virtually the same level as a year-ago. The increase in the third quarter is the first quarterly gain since taxable sales increased 1.8 percent in the first quarter of 2001. Despite the increase in the third quarter, Washington taxable sales still are weaker than retail sales nationally. U.S. retail and food service sales increased a strong 5.1 percent in the third quarter of 2002 following a 3.2 percent increase in the second quarter. Preliminary data indicate U.S. retail and food service sales increased 2.1

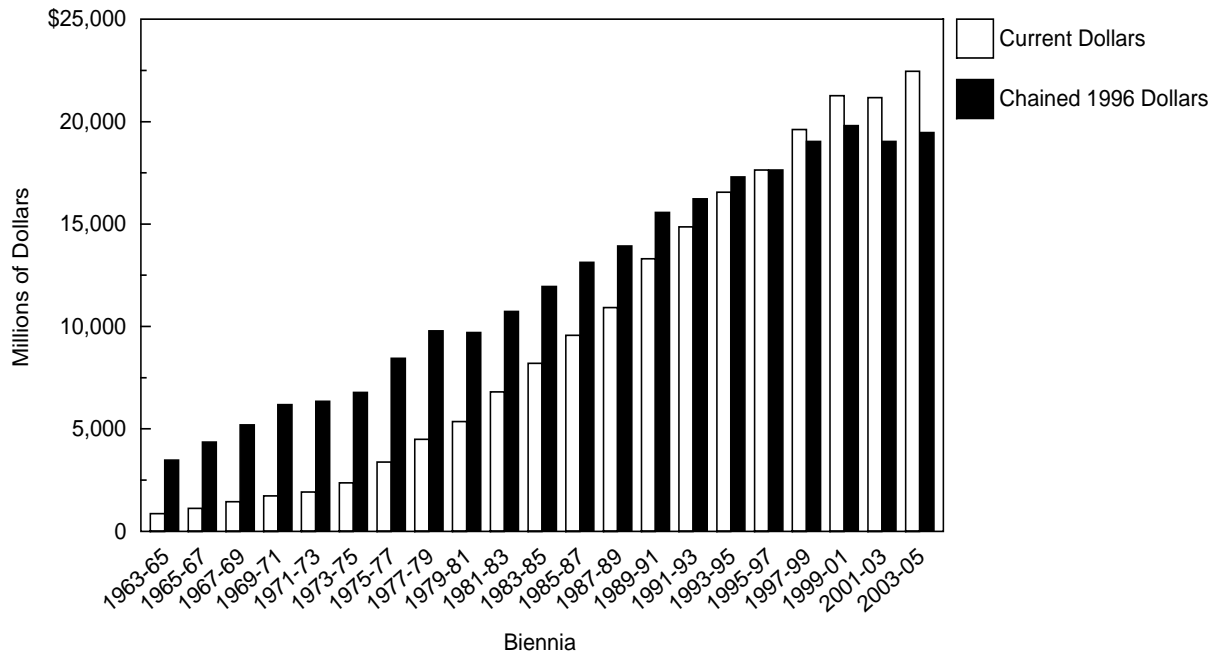
<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>1996 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,188.5	19.0%
1971-73	1,922.1	10.9%	6,345.8	2.5%
1973-75	2,372.4	23.4%	6,772.5	6.7%
1975-77	3,395.0	43.1%	8,445.1	24.7%
1977-79	4,490.0	32.3%	9,785.8	15.9%
1979-81	5,356.4	19.3%	9,716.5	-0.7%
1981-83	6,801.4	27.0%	10,729.6	10.4%
1983-85	8,202.4	20.6%	11,952.7	11.4%
1985-87	9,574.6	16.7%	13,127.7	9.8%
1987-89	10,934.1	14.2%	13,919.4	6.0%
1989-91	13,309.0	21.7%	15,561.1	11.8%
1991-93	14,862.2	11.7%	16,237.3	4.3%
1993-95	16,564.6	11.5%	17,296.7	6.5%
1995-97	17,637.7	6.5%	17,638.8	2.0%
1997-99	19,620.1	11.2%	19,028.0	7.9%
1999-01	21,262.1	8.4%	19,803.6	4.1%
2001-03 <sup>F</sup>	21,163.0	-0.5%	19,032.9	-3.9%
2003-05 <sup>F</sup>	22,451.5	6.1%	19,473.3	2.3%

<sup>F</sup> March 2003 Forecast  
\* Total General Fund-State collections-cash receipts basis. Includes rate, base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. Changes among biennia may not be comparable because the collection totals shown here include the impact of rate, base and administrative changes.

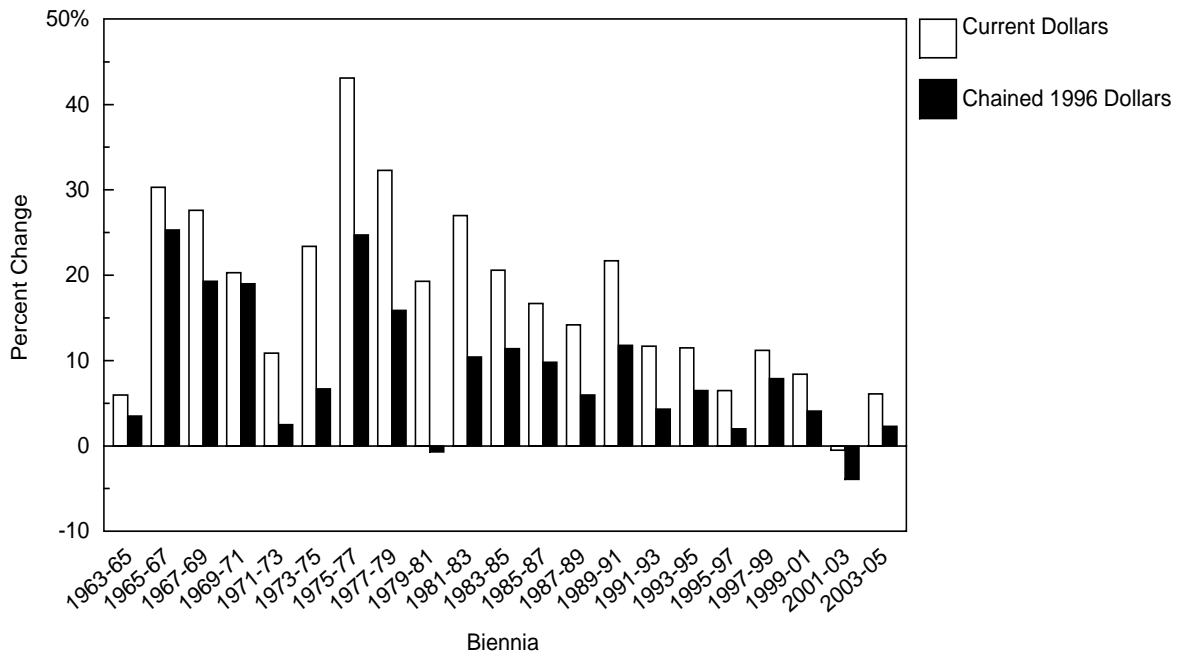
Sources: Dept. of Revenue and the Office of Financial Management. Office of the Forecast Council ( March 2003 Forecast).



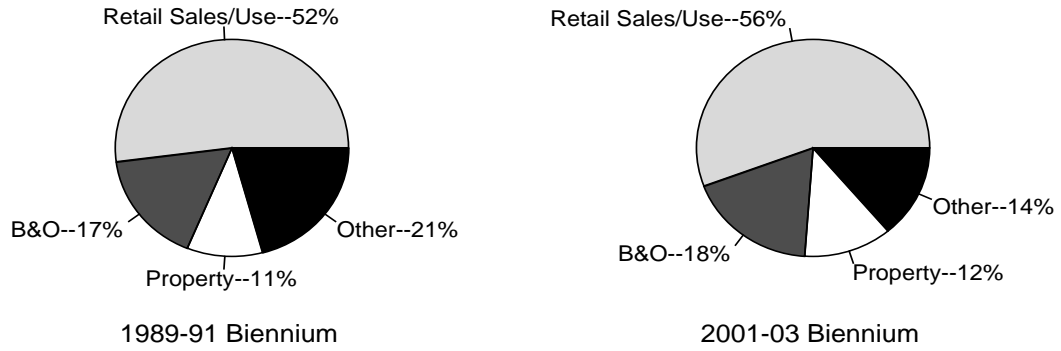
**Chart 3.1  
General Fund-State Revenue**



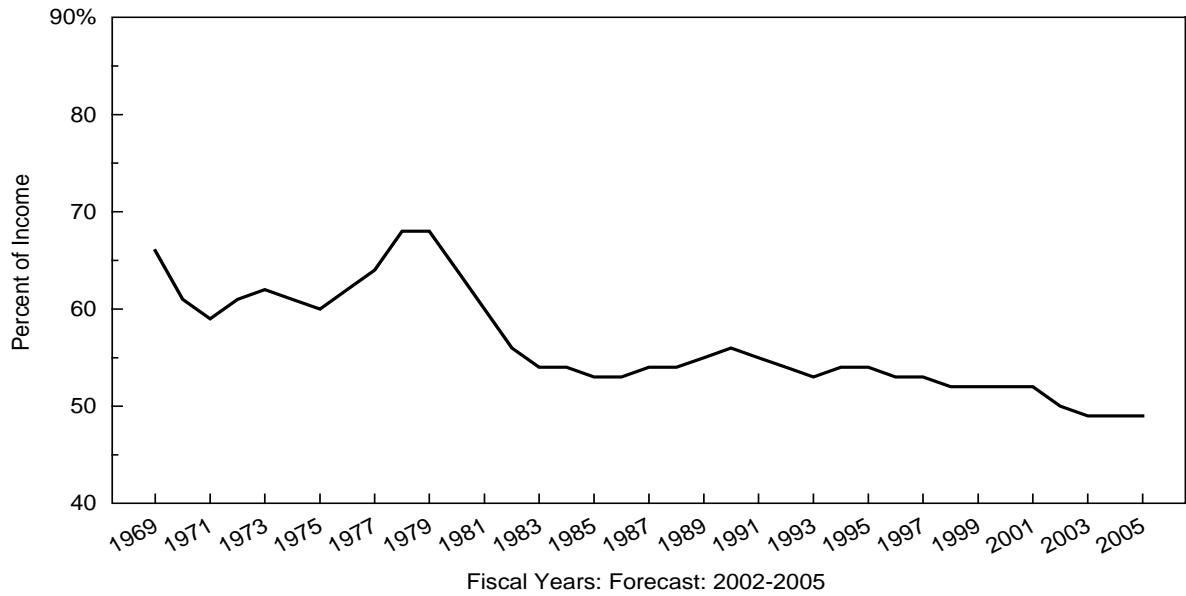
**Chart 3.2  
General Fund-State Revenue - Percent Change**



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



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



\* Adjusted Base

percent in the fourth quarter of 2002. The March 2003 forecast assumes that taxable sales in Washington increased in the fourth quarter but only 1.0 percent. This would result in a 0.4 percent increase for calendar 2002, following the first ever taxable sales decline (-0.5 percent) on a calendar year basis in 2001.

Analysis of third growth of taxable sales by sector shows the retail trade sector, which accounts for about half of all taxable sales, was 6.0 percent above the year-ago level. This was the largest year-over-year increase since the second quarter of 2000. It follows a 2.6 percent increase in the second quarter of 2002. Within retailing, all major retail categories other than furniture and household equipment stores reported positive growth. For the third consecutive quarter building materials/hardware stores reported the biggest gain, 16.2 percent. Miscellaneous retailers reported a 5.0 percent increase while general merchandise retailers reported a 2.6 percent increase. Taxable sales reported by non-retailing sectors declined for the sixth straight quarter, although the third quarter decline was only 0.3 percent. The year-over-year change varied widely among sectors. Taxable sales in the contract construction sector, which accounted for about 15 percent of all taxable sales in the third quarter of 2002, declined 0.7 percent. This follows a 1.5 percent decline last quarter and an 11.0 percent in the first quarter of 2002. Taxable sales reported by the service sector were 3.0 percent above the year-ago level in the third quarter of 2002. This follows a 0.6 percent increase last quarter. This sector continues to be hurt by weakness in the hospitality sector. Hotel/motel establishments reported a 0.7 percent drop in taxable sales in the third quarter; the fifth consecutive quarterly decline. Taxable sales reported by the manufacturing sector were down 1.2 percent in the third quarter and the wholesale trade sector reported a 7.6 percent drop. This is the eighth consecutive quarterly decline in this relative large sector (accounting for 8.5 percent of all taxable sales in the third quarter of 2002). Taxable sales reported by the transportation, communications and utility sector declined 2.5 percent and the finance, insur-

Table 3.5  
**Taxable Retail Sales\***  
 March 2003 Forecast  
 (Millions of Dollars)

<b>Fiscal Year</b>	<b>Amount</b>	<b>Percent Change</b>
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	61,929	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,385	8.0%
2001	85,633	2.7%
2002	84,418	-1.4%
2003 <sup>F</sup>	86,534	2.5%
2004 <sup>F</sup>	89,801	3.8%
2005 <sup>F</sup>	95,565	6.4%

<sup>F</sup> 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 1999, 2000, 2001, and 2002. Additions to the base due to increased compliance efforts effective fy 2003. Fiscal 2005 affected by the expiration of the sales tax deferral/exemption program.

ance and real estate sector reported a 9.5 percent increase in taxable sales in the third quarter.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 1.2 percent higher than a year ago in the third quarter of 2002. Taxable sales increased 5.5 percent in the rest of the state. While below the statewide average, taxable sales in King County increased 0.2 percent in the third quarter of 2002. Prior to the third quarter, King County taxable sales had decline for five straight quarters. Taxable sales in the third quarter of 2002 were up 2.6 percent in Snohomish County and 4.1 percent in Pierce County. Taxable sales in Spokane County were 0.4 percent above the year-ago level. Eastern Washington counties as a whole reported a 2.3 percent increase in taxable sales in the third quarter while west of the Cascades taxable sales were up 3.0 percent. Taxable sales were up 2.6 percent in metropolitan counties in the third quarter and increased 4.4 percent in non-metropolitan counties.

Statewide taxable sales declined 1.4 percent in fiscal 2002. This is the first fiscal year decline since fiscal 1984 when food was removed from the sales tax base. The decline in fiscal 2002 was primarily due to the recession. Weak income growth, employment reductions, and the bursting of the asset bubble and as well as increased anxiety due to last year's terrorist attacks, significantly reduced consumer and business spending in fiscal 2002. While the U.S. economy continues to slowly expand, weak job growth and heightened anxiety due to the war in Iraq is expected to continue to hold down overall spending. Taxable sales are expected to increase only 2.5 percent in fiscal 2003, well below both income growth and retail sales growth nationally. This is a little higher than assumed in November due to better than expected growth in the first two quarters of the fiscal year. While the March forecast assumes that the economic recovery will be a little slower getting started than previously expected, the forecast still expects modest improvement in taxable sales growth next biennium. However, the growth is less than assumed in November. Taxable sales are expected to increase 3.8 percent in fiscal 2004 and 6.4 percent in fiscal 2005. Part of the improvement in fiscal 2005 is a result of the expiration of the sales tax deferral/exemption program. This adds about a percent to taxable sales growth in fiscal 2005.

## **Forecast Change for the 2001-03 and the 2003-05 Biennia**

The March 2003 General Fund-State revenue forecast is \$201.5 million lower than in November. While more than a quarter of the reduction (\$55.2 million) is due to a lower forecast of lottery transfers to the General Fund, an unusually large reduction, the majority of the change is due to a weaker economic outlook. The revision to the revenue forecast in March 2003 consisted of a \$36.8 million increase to GFS revenue for the 2001-03 budget period and a \$238.3 million reduction to the forecast for the 2003-05 biennium. A very strong real estate market helped to generate higher than expected tax payments in the four months since the November forecast. While revenue outlook for the last four months of the 2001-03 biennium is a little weaker than assumed in November, the higher collections since November are expected to more than offset the weaker growth in the next four months.

The reduction to the GFS forecast for the 2003-05 biennium was comprised of a \$264.9 million reduction due to a weaker economic outlook, partially offset by a \$26.6 million increase due to non-economic factors. The national forecast assumes the war with Iraq will be short, ending with a decisive U.S. victory. The impact of the war on the economy is expected to be minimal. Employment growth, however, will remain weak longer than previously assumed. This would have occurred even without the war. Washington's recovery will be delayed and the weaker economy will produce

Table 3.6

**Summary of Changes to the General Fund-State Forecast**  
**March 2003 Cash Forecast**  
(Millions of dollars)

<b><u>I. 2001-03 Biennium</u></b>	<b><u>March 2003</u></b>	<b><u>Change</u></b>
<b><i>Collection Experience</i></b>		\$43.3
Department of Revenue		
Major Excise <sup>1</sup>	9.3	
Other <sup>2</sup>	34.0	
Department of Licensing <sup>2</sup>	0.0	
Other	na	
<b><i>Forecast Change for remainder of the 2001-03 Biennium</i></b>		(\$6.5)
Department of Revenue	(15.6)	
All other	9.1	
<b>Total Change: 2001-03 Biennium**</b>		<b>\$36.8</b>
<b><u>II. 2003-05 Biennium</u></b>		
<b><i>Non Economic Change for the 2003-05 Biennium<sup>3</sup></i></b>		\$26.6
Adjustments to the November forecast	86.6	
March 2003 legislation (hb 1977)	(60.0)	
<b><i>Forecast Change for remainder of the 2003-05 Biennium</i></b>		
Department of Revenue	(215.5)	(\$264.9)
Other Agencies	(49.4)	
<b>Total Change: 2003-05 Biennium**</b>		(\$238.3)
<b><u>Total Change: Both Biennia**</u></b>		<b>(\$201.5)</b>

<sup>1</sup> Based on collections November 11, 2002- March 10, 2003; retail sales, B&O, use & public utility taxes.

<sup>2</sup> Variance based on collections November 2002 through February 2003.

<sup>3</sup> The net impact of adjustments to the November forecast and the impact of 2003 legislation (hb 1977).

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

less revenue than assumed in November.

Table 3.6 summarizes the changes to the March 2003 cash forecast for the 2001-03 and 2003-05 biennia by type of change. Tables 3.7 and 3.8 summarize revisions to the GFS revenue forecast for the 2001-03 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the change to the GFS revenue forecast for the 2003-05 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source (cash basis). Table 3.12 a fiscal year summary of GFS cash receipts. Table 3.13 summarizes the non-economic changes to the forecast in March. Below is a brief summary of the non-economic changes to the forecast as well as a summary of the changes to the forecast by agency.

### **Non-economic Changes**

The March 2003 forecast for the 2003-05 biennium includes a \$26.6 million increase due to non-economic factors. This change has two components: a \$86.6 million upward adjustment to the November forecast and a \$60.0 million reduction due to 2003 legislation enacted prior the March 19, 2003 meeting of the Economic and Revenue Forecast Council. The \$86.6 million adjustment to the November forecast was made to account for GFS revenue that had not previously been included in the current law forecast for the 2003-05 biennium. Most of this adjustment reflects the impact of SSB 6835 passed by the legislature in the 2002 legislative session. In the process of implementing this legislation the Department of Revenue concluded that this legislation would generate \$66.2 million in GFS revenue in the 2003-05 biennium that had not previously been anticipated. This included \$60.0 million in use tax on repair services that were previously exempt from the use tax prior to passage of SSB 6835 last year. In addition, this legislation would generate \$6.2 million in additional sales and business and occupation tax on the cost of postage charges by mailing bureau and printers, which had previously been allowed to deduct these cost prior to the passage of SSB 6835. In addition to the unanticipated revenue due to passage of SSB 6835, a State Supreme Court decision in December 2002 had the effect of increasing the tax liability of temporary help agencies. This is expected to generate \$20.4 million in additional business and occupation tax revenue in the 2003-05 biennium.

In March 2003 the legislature passed and the Governor signed hb 1977 that corrected the unintended consequence of ssb 6835 as it relates to the use tax. This reduces current-law revenue for the 2003-05 biennium by \$60.0 million. Table 3.13 summarized the impact of the March 2003 non-economic changes to the GFS forecast for the 2003-05 biennium.

### **Department of Revenue**

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue for the 2001-03 and 2005-05 biennia. The March forecast of GFS revenue sources administered and collected by the Department of Revenue is \$161.2 million lower than in November. This change is comprised of a \$27.7 million increase for the 2001-03 biennium and a \$188.9 million reduction in the 2003-05 biennium. Despite a drop in consumer confidence and weaker than expected employment growth in the fourth quarter, tax payment in the four months since the November forecast were \$43.3 million more than expected. Most of this was due to an exceptionally strong real estate market and unusually large audit payments, not to an improvement in consumer and business confidence or spending. The real

estate market is expected to cool. In addition, weaker than expected job growth along with anxiety about the Iraq War and its aftermath is expected to weaken consumer spending and produce a little less revenue for the remainder of the biennium than assumed in November. However, with only four months left in the biennium, the additional \$43.3 million of revenue already collected is expected to more than offset the reduction to the forecast for the remaining months of the 2001-03 budget period.

The \$188.9 million reduction to the Department of revenue forecast in the 2003-05 biennium reflects the deterioration in the economic outlook since November. While a recovery is still expected, the outlook for job and income growth is a little weaker than assumed in November and the state economy is expected to have to deal with still more aerospace job cuts than assumed in the last forecast. This is expected to slow revenue growth and produce less GFS revenue than was assumed last quarter.

The largest change in the March forecast to Department of Revenue GFS sources is \$122.3 million reduction to the retail sales tax, all but \$2.0 million of this is in the 2003-05 biennium. The business and occupation tax forecast is \$57.3 million less than in November, \$28.4 million lower in the 2001-03 biennium and \$28.9 million less in the 2003-05 biennium. The use tax forecast is \$34.5 million less than in November. The use tax forecast for the 2003-03 biennium is \$0.4 million higher than assumed in November while the outlook for the 2003-05 biennium is \$34.9 million lower. The forecast for the real estate excise tax is \$32.4 million higher in March. This change is comprised of a \$37.8 million increase in the 2001-03 biennium and a \$5.4 million reduction in the 2003-05 biennium.

Other changes in the March forecast include a \$20.0 million increase to the property tax (state levy) forecast, a \$19.6 million reduction to the public utility tax forecast and a \$12.0 million increase to the penalty and interest receipts forecast.

## **Department of Licensing**

The majority of General Fund-State revenue collected by the Department of Licensing is from professional licenses, boat excise tax, and boat registration. The Department's General Fund-State forecast for the 2001-03 biennium has been increased \$0.2 million to \$42.4 million and its forecast for the 2003-05 biennium has been increased \$0.03 million to \$43.1 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, the Lottery Commission, and the State Treasurer. The office's forecast for the 2001-03 biennium has been increased \$3.4 million and now stands at negative \$1.3 million. The negative forecast indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies. The OFM's forecast for the 2003-05 biennium has been decreased \$1 million to \$11.5 million.

## **State Treasurer**

The forecast and actual experience of the Office of the State Treasurer is based primarily on rate conditions and average daily balances for the funds within the Treasurer's control. The office's General Fund-State forecast for the 2001-03 biennium was increased \$0.9 million to \$55.7 million.

Table 3.7

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

(Millions of dollars)

<b>Forecast by Agency</b>	<b>November 2002 Forecast<sup>1</sup></b>	<b>Non- Economic Changes</b>	<b>Revision</b>	<b>March 2003 Forecast</b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$11,016.1		(\$2.0)	\$11,014.1	(\$2.0)
Business & Occupation Use	3,817.6		(28.4)	3,789.3	(28.4)
Public Utility	764.6		0.4	765.0	0.4
Liquor Sales/Liter	527.3		(1.3)	526.0	(1.3)
Cigarette	181.4		1.9	183.3	1.9
Property (State Levy)	115.6		0.5	116.1	0.5
Real Estate Excise	2,598.2		8.8	2,607.0	8.8
Timber Excise	814.7		37.8	852.5	37.8
Other	17.1		0.5	17.5	0.5
Subtotal	739.9		9.5	749.4	9.5
	20,592.5		27.7	20,620.2	27.7
<b>Department of Licensing</b>					
Boat excise, licenses & fee	42.3		0.2	42.4	0.2
<b>Insurance Commissioner</b>					
Insurance Premiums	377.0		5.9	382.9	5.9
<b>Liquor Control Board</b>					
Liquor Profits and Fees	55.9		3.8	59.7	3.8
Beer & Wine Surtax	3.4		0.0	3.4	0.0
<b>Lottery Commission</b>					
Lottery Revenue	5.2		(5.2)	0.0	(5.2)
<b>State Treasurer</b>					
Interest Earnings	54.8		0.9	55.6	0.9
<b>Office of Financial Management</b>					
Other	(4.8)		3.4	(1.3)	3.4
<b>Total General Fund-State</b>	<b>\$21,126.2</b>	<b>\$0.0</b>	<b>\$36.8</b>	<b>\$21,163.0</b>	<b>\$36.8</b>

<sup>1</sup> The General Fund State Revenue Forecast adopted by the Economic and Revenue Forecast Council in November 2002.

\* Detail may not add to totals due to rounding.



Table 3.8  
**Comparison of the General Fund-State Forecast by Agency**  
**2001-03 Biennium; GAAP Basis**  
(Millions of dollars)

<b><u>Forecast by Agency</u></b>	<b><u>November 2002 Forecast<sup>1</sup></u></b>	<b><u>Non- Economic Changes</u></b>	<b><u>Forecast Revision</u></b>	<b><u>March 2003 Forecast</u></b>	<b><u>Total Change</u></b>
<b><i>Department of Revenue</i></b>					
Retail Sales	\$11,073.6		(\$2.0)	\$11,071.6	(\$2.0)
Business & Occupation Use	3,801.6		(28.4)	3,773.3	(28.4)
Public Utility	765.5		0.4	765.9	0.4
Liquor Sales/Liter	528.7		(1.3)	527.3	(1.3)
Cigarette	182.6		2.0	184.6	2.0
Property (State Levy)	115.2		0.5	115.8	0.5
Real Estate Excise	2,593.1		9.1	2,602.3	9.1
Timber Excise	817.5		37.8	855.3	37.8
Other	17.1		0.5	17.5	0.5
Subtotal	733.0		9.6	742.6	9.6
	20,627.9		28.3	20,656.2	28.3
<b><i>Department of Licensing</i></b>					
Boat excise, licenses & fees	43.7		0.2	43.9	0.2
<b><i>Insurance Commissioner</i></b>					
Insurance Premiums	377.0		5.9	383.0	5.9
<b><i>Liquor Control Board</i></b>					
Liquor Profits and Fees	55.9		3.8	59.7	3.8
Beer & Wine Surtax	3.4		0.0	3.4	0.0
<b><i>Lottery Commission</i></b>					
Lottery Revenue	5.2		(5.2)	0.0	(5.2)
<b><i>State Treasurer</i></b>					
Interest Earnings	51.3		0.2	51.5	0.2
<b><i>Office of Financial Management</i></b>					
Other	(5.1)		2.7	(2.4)	2.7
<b><u>Total General Fund-State *</u></b>	<b>\$21,159.3</b>	<b>\$0.0</b>	<b>\$35.9</b>	<b>\$21,195.2</b>	<b>\$35.9</b>

<sup>1</sup> The General Fund State Revenue Forecast adopted by the Economic and Revenue Forecast Council in November 2002.

\* Detail may not add to totals due to rounding

Table 3.9

**Comparison of the General Fund-State Forecast by Agency  
2003-2005 Biennium; Cash Basis**  
(Millions of Dollars)

<u>Forecast by Agency</u>	<u>November 2002 Forecast<sup>1</sup></u>	<u>Non- Economic Changes<sup>2</sup></u>	<u>Forecast Revision</u>	<u>March 2003 Forecast</u>	<u>Total Change</u>
<b><i>Department of Revenue</i></b>					
Retail Sales	\$12,064.9	\$5.8	(\$126.0)	\$11,944.7	(\$120.3)
Business & Occupation Use	4,199.8	20.8	(49.8)	4,170.8	(28.9)
Public Utility	854.6	0.0	(34.9)	819.8	(34.9)
Liquor Sales/Liter	548.1	0.0	(18.3)	529.9	(18.3)
Cigarette	183.1	0.0	7.5	190.5	7.5
Property (State Levy)	101.4	0.0	0.4	101.8	0.4
Real Estate Excise	2,467.1	0.0	11.1	2,478.2	11.1
Timber Excise	897.5	0.0	(5.4)	892.0	(5.4)
Other	9.3	0.0	2.2	11.6	2.2
Subtotal	734.7	0.0	(2.3)	732.3	(2.3)
	22,060.4	26.6	(215.5)	21,871.5	(188.9)
<b><i>Department of Licensing</i></b>					
Boat excise, licenses & fees	43.0		0.0	43.1	0.0
<b><i>Insurance Commissioner</i></b>					
Insurance Premiums	405.5		8.2	413.7	8.2
<b><i>Liquor Control Board</i></b>					
Liquor Profits and Fees	61.0		3.4	64.4	3.4
Beer & Wine Surtax	3.4		0.1	3.5	0.1
<b><i>Lottery Commission</i></b>					
Lottery Revenue	50.0		(50.0)	0.0	(50.0)
<b><i>State Treasurer</i></b>					
Interest Earnings	53.8		(10.1)	43.7	(10.1)
<b><i>Office of Financial Management</i></b>					
Other	12.6		(1.0)	11.5	(1.0)
<b><u>Total General Fund-State *</u></b>	<b>\$22,689.8</b>	<b>\$26.6</b>	<b>(\$264.9)</b>	<b>\$22,451.5</b>	<b>(\$238.3)</b>

1 The General Fund-State forecast for the 2003-05 biennium adopted November 2002.

2 The net impact of adjustments to the November 2002 forecast (+\$86.6 million) and the impact of 2003 legislation, hb 1977 (-\$60.0 million).

\* Detail may not add to totals because of rounding.

Table 3.10

**Comparison of the General Fund-State Forecast by Agency  
2003-2005 Biennium; GAAP Basis**  
(Millions of dollars)

<b>Forecast by Agency</b>	<b>November 2002 Forecast<sup>1</sup></b>	<b>Non- Economic Changes<sup>2</sup></b>	<b>Forecast Revision</b>	<b>March 2003 Forecast</b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$12,112.0	\$5.8	(\$126.0)	\$11,991.7	(\$120.2)
Business & Occupation Use	4,217.0	20.8	(49.8)	4,188.0	(28.9)
Public Utility	855.2	0.0	(34.9)	820.3	(34.9)
Liquor Sales/Liter	551.3	0.0	(18.2)	533.0	(18.2)
Cigarette	183.6	0.0	7.8	191.4	7.8
Property (State Levy)	101.1	0.0	0.4	101.5	0.4
Real Estate Excise	2,467.1	0.0	11.1	2,478.2	11.1
Timber Excise	900.8	0.0	(5.6)	895.2	(5.6)
Other	9.3	0.0	2.2	11.6	2.2
Subtotal	735.9	0.0	(2.3)	733.6	(2.3)
	22,133.4	26.6	(215.3)	21,944.6	(188.8)
<b>Department of Licensing</b>					
Boat excise, licenses & fees	44.5		0.0	44.5	0.0
<b>Insurance Commissioner</b>					
Insurance Premiums	405.5		8.2	413.7	8.2
<b>Liquor Control Board</b>					
Liquor Profits and Fees	61.0		3.4	64.4	3.4
Beer & Wine Surtax	3.4		0.1	3.5	0.1
<b>Lottery Commission</b>					
Lottery Revenue	50.0		(50.0)	0.0	(50.0)
<b>State Treasurer</b>					
Interest Earnings	54.4		(9.6)	44.9	(9.6)
<b>Office of Financial Management</b>					
Other	12.6		(1.0)	11.6	(1.0)
<b>Total General Fund-State*</b>	<b>\$22,764.8</b>	<b>\$26.6</b>	<b>(\$264.2)</b>	<b>\$22,527.2</b>	<b>(\$237.6)</b>

1 The General Fund-State forecast for the 2003-05 biennium adopted November 2002.

2 The net impact of adjustments to the November forecast (+\$86.6 million) and the impact of 2003 legislation, hb 1977 (-\$60.0 million).

\* Detail may not add to totals due to rounding.

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

<b>Forecast by Source</b>	<b>Fiscal 2001<sup>a</sup></b>	<b>Fiscal 2002<sup>a</sup></b>	<b>Fiscal 2003</b>	<b>2001-03 Biennium</b>	<b>Fiscal 2004</b>	<b>Fiscal 2005</b>	<b>2003-2005 Biennium</b>
<b>State Taxes</b>							
Retail sales	\$5,503.1	\$5,435.1	\$5,578.9	\$11,014.1	\$5,788.6	\$6,156.1	\$11,944.7
Business & occupation Use	1,961.6	1,913.8	1,875.5	3,789.3	2,012.7	2,158.1	4,170.8
Public Utility	399.8	376.5	388.6	765.0	399.3	420.4	819.8
Liquor sales/liter	259.1	264.8	261.2	526.0	265.8	264.1	529.9
Beer & wine surtax	87.2	90.4	92.9	183.3	94.5	96.1	190.5
Cigarette	1.6	1.7	1.7	3.4	1.7	1.8	3.5
Tobacco products	68.2	62.6	53.5	116.1	51.7	50.0	101.8
Property (state school levy)**	16.7	16.1	12.0	28.0	12.8	13.2	26.0
Public utility district	1,349.9	1,281.8	1,325.2	2,607.0	1,366.2	1,112.0	2,478.2
Real estate excise	29.9	31.5	33.1	64.6	34.7	36.3	70.9
Timber excise	400.4	399.1	453.4	852.5	435.7	456.3	892.0
Estate/inheritance	15.2	10.0	7.5	17.5	5.9	5.7	11.6
Motor Veh. Exc. & Rental Car	107.1	114.5	122.5	237.0	113.0	112.8	225.8
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	11.4	11.4	11.9	23.3	12.2	12.5	24.7
Other	179.5	184.3	198.6	382.9	202.4	211.3	413.7
<b>Total Taxes</b>	136.5	131.0	152.7	283.7	135.8	141.7	277.6
	10,527.3	10,324.5	10,569.3	20,893.8	10,933.0	11,248.6	22,181.5
<b>State Non-Tax Sources</b>							
Licenses, permits, fees	75.5	75.3	80.2	155.6	81.8	85.1	166.9
Liquor profits & fees	29.1	29.0	30.6	59.7	31.1	33.2	64.4
Earnings on investments	77.1	32.7	23.0	55.6	16.4	27.3	43.7
Lottery transfers	110.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue & transfers	9.9	(10.9)	9.1	(1.7)	(2.4)	(2.7)	(5.1)
<b>Total Non-Tax</b>	301.6	126.2	143.0	269.2	127.0	143.0	270.0
<b>Total General Fund-State *</b>	\$10,828.9	\$10,450.7	\$10,712.2	\$21,163.0	\$11,060.0	\$11,391.5	\$22,451.5

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.

The office's forecast for the 2003-05 biennium has been decreased \$10.1 million to \$43.7 million due to a reduction in expected interest rates.

### **Insurance Commissioner**

The forecast for the Office of the Insurance Commissioner is based on projections for premium volume of insurance companies in the State of Washington. The office's General Fund-State forecast for the 2001-03 biennium was increased \$5.9 million to \$382.9 million and its forecast for the 2003-05 biennium was increased \$8.2 million to \$413.7 million due to projected and actual increases in premium volume.

### **Liquor Control Board**

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The agency's forecast for the 2001-03 biennium was increased by \$3.8 million due to increased sales and improvements in inventory management. The agency's forecast for the current biennium is \$59.7 million from excess funds and fees and \$3.4 million from beer and wine surtaxes. The agency's forecast for the 2003-05 biennium was increased \$3.5 million due to the same factors, resulting in a forecast of \$64.4 million from excess funds and fees and \$3.5 million from beer and wine surtaxes.

### **Lottery Commission**

Under Engrossed Second Substitute Senate Bill 6560, starting in fiscal 2003 the Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction, Student Achievement, and stadium/exhibition center accounts receive their allotments. The Commission's March forecast of lottery revenue no longer predicts having any post-allotment revenue to transfer to the General Fund. This represents a General Fund forecast decrease of \$5.2 million in the current biennium and \$50.0 million in the 2003-05 biennium. The Commission also decreased its forecast of revenues to be transferred to the School Construction and Student Achievement Funds by \$21.0 million in the current biennium and \$15.1 million in the 2003-05 biennium, resulting in biennial forecasts of \$163.8 million and \$188.9 million respectively.

### **Track Record for the 2001-03 Biennium**

The March 2003 GFS cash receipts forecast for the 2001-03 biennium is \$21,163.0 million. This is \$36.8 million more than the November 2002 forecast. The March 2003 forecast is \$1.4 billion below the February 2000 forecast, which was the initial forecast for the biennium. However, some of this reduction reflects non-economic changes. Excluding the impact of non-economic factors, primarily the impact of Initiative 728 and legislative changes, the March 2003 forecast is \$972 million (4.3 percent) lower than the February 2000 forecast. There have been twelve revisions to the forecast for the 2001-03 biennium since February 2000. Excluding non-economic changes, there have been six increases to the forecast (including the March 2003 change) and six reductions. Table 3.14 summarizes the changes to the GFS forecast for the 2001-03 biennium since February 2000.

## Track Record for the 2003-05 Biennium

The March 2003 GFS cash receipts forecast for the 2003-05 biennium totals \$22,451.5 million. This is \$238.3 million less than the November 2002 forecast. The March 2003 forecast is \$338 million below the February 2002 forecast, which was the initial forecast for the biennium. However, legislative changes understate this reduction. Excluding the impact of non-economic factors, primarily the impact of 2002 legislative changes, the March 2003 forecast is \$650 million (2.9 percent) lower than the February 2002 forecast. There have been four revisions to the forecast for the 2003-05 biennium since February 2002; all four have lowered expected revenue. Table 3.15 summarizes the changes to the GFS forecast for the 2003-05 biennium since February 2002.

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

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

Table 3.16 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 1999-01 biennium totaled \$21,287.8 million on a GAAP basis, \$25.8 million higher than the \$21,262.1 million cash receipts total. The GAAP forecast for the 2001-03 biennium is \$21,195.2 million, \$32.2 million more than the \$21,163.0 million cash forecast. The GFS forecast for the 2003-05 biennium is \$22,527.2 million on a GAAP basis, \$75.7 million more than the \$22,451.5 million cash forecast.

Table 3.17 presents the budgetary balance sheet for the 2001-03 biennium. Total unrestricted GFS reserves on June 30, 2003, the end of the current budget period are now projected to be \$406.3 million. This excludes the impact of the 2003 supplemental budget on 2001-03 appropriations. In addition, the Emergency Reserve Fund (which requires a two-thirds vote of the legislature for appropriation) is projected to have an ending balance of \$54.7 million at the end of the current budget period. The positive ending balance is not indicative of the state's fiscal position. The General Fund started the biennium with a balance of \$599.1 million and the 2001-03 projected ending balance includes more than a billion dollars of transfers from the other funds (including the Emergency Reserve Fund) and revenue from the tobacco settlement. The recession has resulted in GFS revenue (\$21,163 million) for the current biennium to fall well short of appropriations (\$22,451.4 million). While the projected balance for the 2001-03 biennium is positive, a significant budget problem is looming for the 2003-05 biennium. The current forecast of \$22,451.5 million plus reserves is expected to be far short of the resources needed to maintain the current level of state expenditures.

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Table 3.12

**General Fund - State Cash Receipts**

March 2003 Forecast by Fiscal Year

Millions of Dollars

	<u>General Fund - State</u>	<u>Percent Change</u>
<b>Fiscal Years</b>		
1986	4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
<b>Forecast</b>		
2003	10,712.2	2.5%
2004	11,060.0	3.2%
2005	11,391.5	3.0%

Table 3.13

**March 2003 General Fund State Forecast**

Summary of Non Economic Changes\*

Millions of Dollars

	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>2003-05 Biennium</u>
<b>I. Adjustments to the November 2002 Forecast</b>			
Increased use tax liability (SSB 6835)	\$36.0	\$24.0	\$60.0
Increased b&O/sales tax liability (postage)	3.1	3.1	6.2
Dec. 2002 State Supreme Court Decision	9.1	11.4	20.4
Subtotal*	\$48.2	\$38.5	\$86.6
<b>II. March 2003 legislation</b>			
HB 1977**	(36.0)	(24.0)	(60.0)
<b>Total non economic adjustments:</b>			<b>\$26.6</b>

\*Impact of legislation (SSB 6835) not previously included in the GFS forecast and a December 2002 State Supreme Court decision affecting temporary help firms. Revised DOR estimates 3/10/03.

\*\*Impact of hb 1977 enacted and signed into law during the 2003 legislative session.



This gap is estimated to be about \$2.6 billion. Although how the state will deal with this expected shortfall is not known at this time, the problem is being addressed during the 2003 legislative session.

## **Alternative Forecast for the 2001-03 Biennium**

While the near term outlook continues to be shaky both at the national and state level, the March 2003 baseline forecast assumes a quick and successful war in Iraq, a heavy dose of fiscal stimulus along with further monetary stimulus in the form of a Fed rate cut later in the summer. This should be sufficient to produce a solid recovery. A better outcome is possible, as is a less rosy scenario. These possibilities are addressed in the March 2003 alternative forecasts for the 2001-03 and the 2003-05 biennia.

In the optimistic scenario there is a more bullish recovery. The war in Iraq is very short and successful without any postwar problems or surprises. Consumer and business confidence rises. Business starts to hire and consumer spending strengthens producing a stronger recovery than assumed in the baseline. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 1.5 percent higher than the baseline by the end of fiscal 2003 and is 3.2 percent higher by the end of the 2003-05 biennium. State wage and salary employment is 15,700 greater than the baseline by the second quarter of 2003 and is 51,100 higher by the last quarter of the 2003-05 biennium.

While conventional wisdom says that there will be a quick and positive resolution to the war in Iraq, there is the possibility that the war will drag on longer than assumed and at a higher cost. The pessimistic scenario assumes that it is harder than anticipated to topple Saddam Hussein. With uncertainty lasting longer, consumer spending remains on hold, businesses do not increase investment spending or hiring and oil prices stay at artificially high levels. In this scenario, Washington State is hit disproportionately hard as global unrest retards air travel, airline profitability and the need and ability of airlines to purchase new planes. In the pessimistic scenario, state personal income is 2.5 percent below the baseline estimate at the end of fiscal year 2003 and 4.8 percent less than the baseline by the end of the 2003-05 biennium. Wage and salary employment is 23,400 lower than the baseline by the second quarter of 2003 and is 69,200 less by the last quarter of the 2003-2005 biennium.

Table 3.18 shows the revenue implications of these alternative scenarios for the 2001-03 biennium and Table 3.19 summarizes the impacts for the 2003-05 biennium. The optimistic scenario generates \$21,261.3 million GFS revenue in the 2001-03 biennium. This is \$98.3 million more than the baseline forecast. For the 2003-05 biennium, the optimistic forecast totals \$23,314.86 million, \$863.3 million more than the baseline. The pessimistic alternative produces only \$20,042.4 million GFS revenue in the 2001-03 biennium, \$120.6 million less than the baseline forecast. For the 2003-05 biennium, the pessimistic alternative produces \$21,241.4 million, \$1.2 billion less than the baseline.

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic variables made by members of the Governor's Council of Economic Advisors (GCEA). The March 2003 GCEA scenario was based on the forecasts of six members of the Governor's Council of Economic Advisors. The GCEA alternative was very close to the March 2003 baseline forecast. It produced \$2 million less GFS revenue than the baseline forecast for the 2001-03 biennium and \$7 million more than the baseline in the 2003-05 biennium.

Table 3.14  
**Track Record for the 2001-03 General Fund-State Cash Forecast**  
 February 2000 through March 2003  
 (Millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Legislation**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2000****</b>	<b>\$21,728</b>	<b>\$805</b>				<b>\$22,534</b>
<b>Changes to Forecast</b>						
June 2000	99	(25)	74	(3) <sup>1</sup>	71	22,604
September 2000	158	(1)	157	5 <sup>2</sup>	162	22,766
November 2000	32	12	43	(482) <sup>3</sup>	(439)	22,327
March 2001	(126)	2	(124)	12 <sup>4</sup>	(112)	22,216
June 2001	(61)	(29)	(89)	(27) <sup>5</sup>	(116)	22,099
September 2001	(101)	6	(96)	18 <sup>6</sup>	(77)	22,022
November 2001	(698)	(81)	(779)	(34) <sup>7</sup>	(813)	21,209
February 2002	(269)	3	(266)	19 <sup>8</sup>	(247)	20,962
June 2002	54	31	85	93 <sup>9</sup>	178	21,140
September 2002	(30)	(4)	(34)	0	(34)	21,106
November 2002	21	(1)	20	0	20	21,126
March 2003	27	9	36	0	36	21,163
<b>Total Change***</b>						
From February 2000	(\$894)	(\$78)	(\$972)	(\$399)	(\$1,371)	
Percent change	-4.1%	-9.7%	-4.3%	-1.8%	-6.1%	

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

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

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

\*\*\*\* First official forecast for the 2001-03 biennium.

1 Impact of 2000 legislation. Note the impact of the Telepage court case (extending the sales tax to paging services). This impact is included as a Department of Revenue forecast change.

2 Revised impact of the salmon recovery timber tax credit.

3 Impact of Initiatives 722 and 728. The estimate of initiative 728 is based on OFM analysis, subject to continuing review.

4 Adjustment to the impact of Initiatives 722 and 728.

5 Impact of 2001 legislation (regular session) and the phase-out of the Federal estate tax.

6 Impact of 2001 legislation (special session).

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

8 Adjustment to the estate tax

9 General Fund-State impact of 2002 legislation.

Table 3.15  
**Track Record for the 2003-05 General Fund-State Cash Forecast**  
 February 2002 through March 2003  
 (Millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Legislation**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2002****</b>	<b>\$22,225</b>	<b>\$565</b>				<b>\$22,790</b>
<b>Changes to Forecast</b>						
June 2002	(53)	23	(30)	205 <sup>1</sup>	175	22,965
September 2002	(317)	(29)	(346)	80 <sup>2</sup>	(265)	22,700
November 2002	(31)	21	(10)	0	(10)	22,690
March 2003	(216)	(49)	(265)	27 <sup>3</sup>	(238)	22,452
<b>Total Change***</b>						
From February 2002	(\$616)	(\$34)	(\$650)	\$312	(\$338)	
Percent change	-2.8%	-6.1%	-2.9%	1.4%	-1.5%	

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

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

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

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

1 Change to the forecast due to 2002 legislation.

2 Adjustment to the forecast for 2002 legislation (SHB 2512) and for the expiration of two tax incentive programs not previously included in the forecast

3 Includes an \$86.6 million adjustment to the November 2002 forecast for ssb 6835 and a Dec. 2002 State Supreme Court decision. Also includes the impact of 2003 legislation (hb 1977) enacted prior to the March forecast (-\$60.0 million)

Table 3.16  
**March 2003 Baseline Forecast by Agency**  
**Comparison of Cash and GAAP Basis**  
(Millions of dollars)

Agency	1999-01 Biennium			2001-03 Biennium			2003-05 Biennium		
	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.
<b>General Fund - State Cash/Revenue Sources</b>									
Department of Revenue <sup>3</sup>	\$20,342.3	\$20,355.3	\$12.9	\$20,546.3	\$20,588.7	\$42.4	\$21,805.6	\$21,878.7	\$73.1
Department of Licensing	42.6	42.4	(0.2)	42.4	43.9	1.5	43.1	44.5	1.4
Insurance Commissioner <sup>4</sup>	360.4	360.5	0.1	390.2	390.2	0.0	421.7	421.7	0.0
State Treasurer	148.3	148.1	(0.2)	55.6	51.5	(4.1)	43.7	44.9	1.1
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	175.0	175.1	0.0	165.8	166.5	0.7	164.9	165.0	0.1
<b>Subtotal: General Fund-State Cash/Revenue*</b>	<b>21,068.6</b>	<b>21,081.4</b>	<b>12.8</b>	<b>21,200.4</b>	<b>21,240.9</b>	<b>40.5</b>	<b>22,479.0</b>	<b>22,554.8</b>	<b>75.7</b>
<b>General Fund State - Other Financing Sources<sup>5</sup></b>									
Department of Revenue <sup>6</sup>	81.6	84.2	2.6	73.9	67.5	(6.4)	65.9	65.9	0.0
Lottery Commission	203.3	212.6	9.3	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Commissioner <sup>7</sup>	(6.2)	(6.2)	0.0	(7.3)	(7.3)	0.0	(7.9)	(7.9)	0.0
Liquor Control Board	57.9	57.9	0.0	63.1	63.1	0.0	67.9	67.9	0.0
Office of Financial Management									
Other Agencies <sup>8</sup>	(143.1)	(142.0)	1.1	(167.1)	(168.9)	(1.8)	(153.4)	(153.4)	(0.0)
<b>Subtotal: GFS Other Financing Sources</b>	<b>193.5</b>	<b>206.5</b>	<b>13.0</b>	<b>(37.4)</b>	<b>(45.7)</b>	<b>(8.2)</b>	<b>(27.5)</b>	<b>(27.6)</b>	<b>(0.0)</b>
<b>Total Available Receipts/Resources</b>									
<b>General Fund-State *</b>	<b>\$21,262.1</b>	<b>\$21,287.8</b>	<b>\$25.8</b>	<b>\$21,163.0</b>	<b>\$21,195.2</b>	<b>\$32.2</b>	<b>\$22,451.5</b>	<b>\$22,527.2</b>	<b>\$75.7</b>

\* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

7 Forty percent of fire insurance premiums.

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

Table 3.17

**2001-03 Balance Sheet**

General Fund-State

Dollars in Millions

<b>RESOURCES</b>	
<b>Beginning Fund Balance</b>	<b>599.1</b>
November 2002 Revenue Forecast	21,126.2
March 2003 Revenue Forecast Update	36.8
<b>Current Revenue Totals</b>	<b>21,163.0</b>
Enacted Budget Fund Transfers to General Fund	279.6
Tobacco Securitization	450.0
Transfer from Emergency Reserve Fund	325.0
Changes in Reserves and Other Adjustments *	41.1
<b>Total Resources</b>	<b>22,857.7</b>
<b>APPROPRIATIONS AND SPENDING LIMIT</b>	
<b>Biennial Appropriation</b>	<b>22,783.2</b>
2002 Supplemental Budget	(331.8)
<b>Spending Level</b>	<b>22,451.4</b>
<b>I-601 Expenditure Limit</b>	<b>23,205.4</b>
<b>UNRESTRICTED GENERAL FUND RESERVES</b>	
<b>Projected Ending Fund Balance</b>	<b>406.3</b>
<b>EMERGENCY RESERVE FUND</b>	
Beginning Balance	462.1
Transfer to the General Fund	(325.0)
Transfer to Transportation	(70.0)
Projected Interest Earnings	12.6
Appropriation for Earthquake/Drought Accounts	(25.0)
<b>Projected Ending Fund Balance</b>	<b>54.7</b>

\* This change is primarily comprised of statewide prior period adjustments, the majority of which were recorded by DSHS. DSHS records estimated claims liabilities related to the Medical Assistance Program and periodically adjusts amounts recorded to actual claims experience. The remainder results from an adjustment to actual revenues recorded in the Fiscal Year 2002 Certified Annual Financial Report (CAFR).

Table 3.18  
**March 2003 Alternative Forecasts Compared to the Baseline Forecast**  
**2001-03 Biennium**  
(Millions of dollars)

<b><u>Forecast by Source</u></b>	<b><u>Optimistic Forecast</u></b>	<b><u>Baseline Forecast</u></b>	<b><u>Pessimistic Forecast</u></b>
<b><i>Department of Revenue</i></b>			
Retail Sales	\$11,040.2	\$11,014.1	\$10,964.4
Business & Occupation Use	3,800.6	3,789.3	3,776.2
Public Utility	766.5	765.0	759.1
Property (school levy)	526.2	526.0	525.5
Real Estate Excise	2,620.3	2,607.0	2,593.7
Other	860.0	852.5	847.9
Subtotal	1,088.3	1,066.3	1,045.7
	20,702.0	20,620.2	20,512.5
<b><i>Department of Licensing</i></b>			
	43.1	42.4	41.8
<b><i>Insurance Commissioner<sup>1</sup></i></b>			
	387.9	382.9	378.0
<b><i>Lottery Commission</i></b>			
	0.0	0.0	0.0
<b><i>State Treasurer - Interest earnings</i></b>			
	61.4	55.6	52.1
<b><i>Liquor Profits &amp; Fees<sup>2</sup></i></b>			
	63.7	63.1	62.4
<b><i>Office of Financial Management</i></b>			
Other agencies	3.2	(1.3)	(4.3)
<b>Total General Fund - State*</b>	<b>\$21,261.3</b>	<b>\$21,163.0</b>	<b>\$21,042.4</b>
<b>Difference from March 2003 Baseline</b>	<b>\$98.3</b>		<b>(\$120.6)</b>

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

**March 2003 Alternative Forecasts Compared to the Baseline Forecast**  
**2003-05 Biennium**  
(Millions of dollars)

<b>Forecast by Source</b>	<b>Optimistic Forecast</b>	<b>Baseline Forecast</b>	<b>Pessimistic Forecast</b>
<b><i>Department of Revenue</i></b>			
Retail Sales	\$12,325.2	\$11,944.7	\$11,297.9
Business & Occupation Use	4,290.1	4,170.8	3,957.7
Public Utility	785.4	819.8	777.2
Property (school levy)	534.5	529.9	527.3
Real Estate Excise	2,601.6	2,478.2	2,354.8
Other	993.6	892.0	810.0
Subtotal	1,143.4	1,036.2	983.9
	22,673.8	21,871.5	20,708.8
<b><i>Department of Licensing</i></b>	44.4	43.1	41.8
<b><i>Insurance Commissioner<sup>1</sup></i></b>	424.1	413.7	403.4
<b><i>Lottery Commission</i></b>	5.0	0.0	0.0
<b><i>State Treasurer - Interest earnings</i></b>	83.3	43.7	11.7
<b><i>Liquor Profits &amp; Fees<sup>2</sup></i></b>	69.3	67.9	66.5
<b><i>Office of Financial Management</i></b>			
Other agencies	15.0	11.5	9.2
<b>Total General Fund - State*</b>	<b>\$23,314.8</b>	<b>\$22,451.5</b>	<b>\$21,241.4</b>
<b>Difference from March 2003 Baseline</b>	<b>\$863.3</b>		<b>(\$1,210.0)</b>

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

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

Table 3.20  
**Impact of Initiative 728 on the State Property Tax and Lottery Revenue**  
**Millions of Dollars**

**I. Disposition of the State portion of the Property Tax**

	State Levy: <u>Total Receipts</u>	To the <u>General Fund</u>	To the <u>Student Achievement Account</u> <sup>1</sup>
2000	\$1,302.0	1,302.0	
2001	\$1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,459.1	1,325.2	133.9
2001-03 Biennium	2,874.0	2,607.0	267.0
2004	1,500.5	1,366.2	134.3
2005	1,544.1	1,112.0	432.0
2003-05 Biennium	3,044.6	2,478.2	566.4

**II. Lottery Transfers by Fund\***

	Lottery: <u>Total Transfers:**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center &amp; Stadium</u>	<u>Student Achievement Account</u> <sup>1</sup>	<u>School Construction Account</u> <sup>1</sup>	<u>Transfer to VERDE</u> <sup>2</sup>
1998	117.8	114.6	3.2	0.0			
1999	118.6	107.5	3.3	7.8			
1999-01 Biennium	236.3	222.0	6.5	7.8			
2000	101.1	93.3	3.4	4.4			
2001	120.1	110.0	3.6	6.5			
1999-01 Biennium	221.3	203.3	7.0	10.9			
2002	90.2	0.0	3.7	6.7	39.9	39.9	
2003	95.4	0.0	3.9	7.0	63.0	21.0	0.5
2001-03 Biennium	185.6	0.0	7.6	13.8	102.9	60.9	0.5
2004	103.0	0.0	4.0	7.3	68.8	22.9	
2005	109.0	0.0	4.2	7.6	0.0	97.2	0.0
2003-05 Biennium	212.0	0.0	8.2	14.9	68.8	120.2	0.0

\* Cash Basis

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

<sup>1</sup> 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.

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



## **2003 Annual Benchmark Revisions to Washington Index of Leading Indicators**

**T**he US Index of Leading Indicators, published by The Conference Board (<http://www.conference-board.org>), is designed to predict US economic activity six to nine months in advance. The index is comprised of ten components: (1) average weekly hours of manufacturing workers, (2) average weekly initial claims for state unemployment insurance, (3) manufacturers' new orders for consumer goods and materials, (4) vendor performance with respect to speed of deliveries (slower deliveries diffusion index), (5) manufacturers' new orders for nondefense capital goods, (6) building permits for new private housing units, (7) the prices of 500 common stocks, (8) the money supply measured as M2, (9) the interest rate spread between 10-year Treasury bonds and the federal funds rate, and (10) The Conference Board's Index of Consumer Expectations. These components are statistically weighted and combined into a single index number (details of how the index is computed can be found on The Conference Board's web site).

The Office of the Forecast Council publishes an index of leading indicators for Washington that is constructed in the same way as the national index. The Washington index consists of seven components: (1) the Federal Reserve Bank of Atlanta's overall dollar index (a monthly trade-weighted index which tracks the performance of the US dollar against other currencies), (2) average weekly hours of Washington manufacturing workers, (3) new private housing units authorized in Washington, (4) the Seattle Times help-wanted index, (5) monthly initial claims for Washington state's unemployment insurance, (6) aerospace employment, and (7) the US Index of Leading Indicators. Details of how the Washington index is computed can be found in the Forecast Council's February 2000 publication.

Component data for both the US and Washington indexes are subject to revision. To prevent the revision of the entire history of the indexes when such revisions occur, monthly index updates normally only include revisions to the last six months of data. Revisions not captured in the monthly updates are then included in the index via annual benchmark revisions. In addition to measurement revisions, the benchmark revision includes revisions to the factors used for seasonal adjustment and to the standardization factors that are used to adjust the components in order to equalize their volatility. The 2003 annual benchmark revision of the US Index of Leading Indicators was performed in January and was effective as of the release of the December 2002 index. Details of the U.S. index revision can be found on The Conference Board's web site.

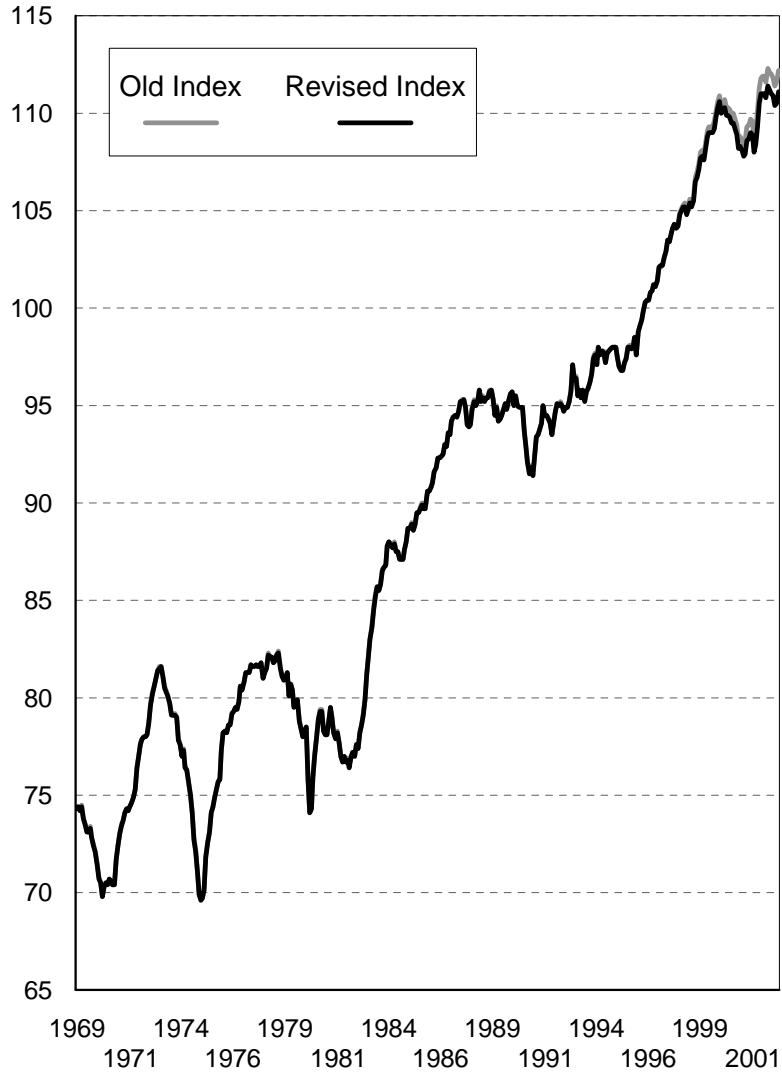
Due to revisions to the National Income and Product Account (NIPA) by the Department of

Commerce's Bureau of Economic Analysis in July 2002, both the US and Washington indexes underwent an additional benchmark revision in August 2002. The NIPA revisions affected two components of the U.S. index back to 1999: manufacturers' new orders for consumer goods and materials and manufacturers' new orders for nondefense capital goods. The effects of these revisions were large enough to warrant new benchmark revisions for both indexes. None of the components of either index have undergone any major revisions since the August benchmarking.

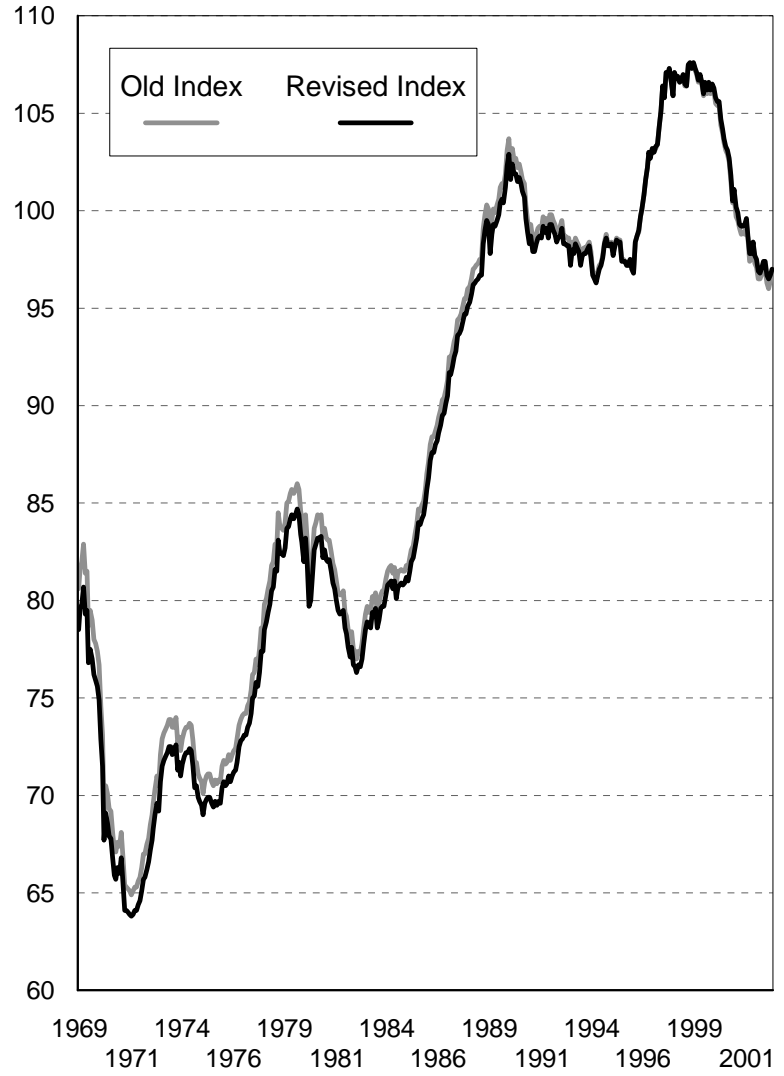
Charts 4.1 and 4.2 show the changes between the indexes based on the August and January benchmarks. The U.S. index revisions are most evident in the later years due to routine revisions of recent data. The Washington index, however, shows revision throughout the index. The reason for this lies in the fact that the trend of the Washington index is adjusted to match the trend of the U.S. index, while the trend of the U.S. index is unadjusted. Since the level of the U.S. index in the later years has been revised, the index's long-term trend is changed, resulting in a change in the trend of the Washington index. Because both indexes are adjusted so the average of the 1996 values equals one hundred, adjusting the trend of the Washington index subsequently results in larger changes of the level of the index the farther the dates are from 1996. Apart from this difference in trend, however, the revised index is substantially unchanged in terms of the magnitude and direction of month-to-month changes and the timing of peaks and troughs.

Values of the revised Washington Index of Leading Indicators for the last two years are listed in Chapter 2, Table 2.1. The rest of the series is available upon request from the Office of the Forecast Council at the contact address listed at the back of this publication.

**Chart 4.1**  
**US Index of Leading Indicators: Revised vs. Old**  
January 1969 through November 2002



**Chart 4.2**  
**WA Index of Leading Indicators: Revised vs. Old**  
January 1969 through November 2002



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# **Detail Components of the Washington Economic Forecast**

**Calendar Years**

Table A1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2003 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	8,508.9	8,858.9	9,191.4	9,214.5	9,436.1	9,721.1	10,164.7	10,553.1
% Ch	4.3	4.1	3.8	0.3	2.4	3.0	4.6	3.8
Real Consumption	5683.7	5964.5	6223.9	6377.2	6573.0	6737.6	7045.8	7324.2
% Ch	4.8	4.9	4.3	2.5	3.1	2.5	4.6	4.0
Real Nonresidential Fixed Investment	1,135.9	1,228.4	1,324.2	1,255.1	1,182.8	1,225.4	1,356.7	1,479.1
% Ch	12.5	8.1	7.8	-5.2	-5.8	3.6	10.7	9.0
Real Residential Fixed Investment	345.1	368.3	372.4	373.5	387.6	397.9	389.3	386.9
% Ch	8.0	6.7	1.1	0.3	3.8	2.7	-2.2	-0.6
Real Personal Income	7,207.7	7,435.2	7,827.9	7,927.3	8,056.0	8,267.9	8,612.3	8,921.3
% Ch	5.9	3.2	5.3	1.3	1.6	2.6	4.2	3.6
Real Per Capita Income (\$/Person)	26,062	26,579	27,688	27,779	27,976	28,459	29,389	30,185
% Ch	4.7	2.0	4.2	0.3	0.7	1.7	3.3	2.7
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.074	1.096	1.111	1.133	1.153	1.175
% Ch	1.1	1.6	2.5	2.0	1.4	2.0	1.7	2.0
U.S. Consumer Price Index (1982-84=1.0)	1.630	1.666	1.722	1.771	1.799	1.836	1.870	1.909
% Ch	1.5	2.2	3.4	2.8	1.6	2.1	1.9	2.1
Employment Cost Index (June 1989=1.0)	1.356	1.403	1.460	1.514	1.564	1.598	1.643	1.692
% Ch	4.0	3.4	4.1	3.7	3.3	2.1	2.9	3.0
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	8,781.5	9,274.3	9,824.6	10,082.2	10,442.1	10,951.8	11,675.2	12,360.2
% Ch	5.6	5.6	5.9	2.6	3.6	4.9	6.6	5.9
Personal Income	7,426.0	7,786.5	8,406.6	8,685.3	8,948.1	9,367.9	9,928.3	10,486.4
% Ch	7.0	4.9	8.0	3.3	3.0	4.7	6.0	5.6
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	140.5	142.4	144.5	145.5	146.4	147.4	149.6	152.4
Total U.S. Employment	134.2	136.4	138.7	138.5	137.9	138.5	141.7	144.8
Unemployment Rate (%)	4.51	4.22	4.02	4.79	5.78	6.08	5.27	4.99
Wage and Salary Employment	125.85	128.90	131.72	131.93	130.78	131.27	134.34	137.26
% Ch	2.6	2.4	2.2	0.2	-0.9	0.4	2.3	2.2
Manufacturing	18.81	18.55	18.48	17.69	16.72	16.20	16.10	16.26
% Ch	0.7	-1.3	-0.4	-4.2	-5.5	-3.1	-0.6	0.9
Durable Manufacturing	11.21	11.11	11.14	10.64	9.91	9.49	9.42	9.55
% Ch	1.8	-0.8	0.3	-4.6	-6.9	-4.2	-0.8	1.4
Nondurable Manufacturing	7.60	7.44	7.33	7.06	6.82	6.71	6.69	6.71
% Ch	-0.8	-2.1	-1.5	-3.7	-3.5	-1.6	-0.2	0.3
Nonmanufacturing	107.05	110.35	113.24	114.23	114.06	115.07	118.24	121.00
% Ch	2.9	3.1	2.6	0.9	-0.2	0.9	2.7	2.3
Services	37.53	39.05	40.46	40.98	41.18	42.07	44.09	45.70
% Ch	4.1	4.1	3.6	1.3	0.5	2.2	4.8	3.6
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	20.3	20.8	21.1	22.0	22.0	22.0	21.7	21.4
Auto Sales (Millions)	8.1	8.7	8.9	8.4	8.1	7.7	8.0	7.8
% Ch	-1.6	6.8	1.8	-4.9	-4.0	-4.7	4.0	-2.4
Housing Starts (Millions)	1.621	1.647	1.573	1.603	1.709	1.677	1.642	1.628
% Ch	9.9	1.6	-4.5	1.9	6.6	-1.9	-2.1	-0.8
Federal Budget Surplus (Billions)	43.8	112.0	206.8	72.0	-194.8	-345.2	-376.8	-319.4
Net Exports (Billions)	-151.7	-249.9	-365.5	-348.9	-418.1	-453.0	-449.7	-443.7
3-Month Treasury Bill Rate (%)	4.79	4.63	5.81	3.43	1.61	1.51	3.08	3.86
30-Year U.S. Govt. Bond Rate (%)	5.58	5.87	5.94	5.49	5.42	5.24	6.52	6.99
Bond Index of 20 G.O. Munis. (%)	5.09	5.43	5.70	5.15	5.03	5.00	5.59	5.94
Mortgage Rate (%)	6.94	7.43	8.06	6.97	6.54	6.23	7.30	7.85

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2003 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	9,097.4	9,205.7	9,218.7	9,243.8	9,229.9	9,193.1	9,186.4	9,248.8
% Ch	2.6	4.8	0.6	1.1	-0.6	-1.6	-0.3	2.7
Real Consumption	6,151.9	6,198.2	6,256.8	6,288.8	6,326.0	6,348.0	6,370.9	6,464.0
% Ch	5.3	3.0	3.8	2.1	2.4	1.4	1.5	6.0
Real Nonresidential Fixed Investment	1,297.1	1,329.1	1,340.7	1,329.9	1,311.4	1,261.0	1,241.7	1,206.4
% Ch	15.0	10.2	3.5	-3.2	-5.4	-14.5	-6.0	-10.9
Real Residential Fixed Investment	379.1	376.2	367.2	367.2	374.5	374.0	374.3	371.0
% Ch	8.3	-3.0	-9.3	0.0	8.2	-0.5	0.4	-3.5
Real Personal Income	7,709.7	7,795.9	7,883.9	7,922.2	7,932.3	7,913.3	7,942.1	7,921.4
% Ch	9.5	4.6	4.6	2.0	0.5	-1.0	1.5	-1.0
Real Per Capita Income (\$/Person)	27,371	27,609	27,852	27,921	27,892	27,761	27,799	27,664
% Ch	8.4	3.5	3.6	1.0	-0.4	-1.9	0.5	-1.9
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.065	1.071	1.077	1.083	1.091	1.096	1.096	1.098
% Ch	3.4	2.3	2.1	2.2	3.3	1.8	-0.1	0.8
U.S. Consumer Price Index (1982-84=1.0)	1.701	1.715	1.730	1.742	1.759	1.773	1.776	1.775
% Ch	3.9	3.3	3.5	3.0	3.9	3.1	0.8	-0.3
Employment Cost Index (June 1989=1.0)	1.439	1.454	1.467	1.479	1.494	1.509	1.520	1.534
% Ch	4.6	4.2	3.6	3.3	4.1	4.1	2.9	3.7
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	9,649.5	9,820.7	9,874.8	9,953.6	10,028.1	10,049.9	10,097.7	10,152.9
% Ch	5.7	7.3	2.2	3.2	3.0	0.9	1.9	2.2
Personal Income	8,211.6	8,350.2	8,487.8	8,576.6	8,658.1	8,676.2	8,706.2	8,700.9
% Ch	13.2	6.9	6.8	4.2	3.9	0.8	1.4	-0.2
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	144.1	144.5	144.3	144.9	145.5	145.3	145.4	145.9
Total U.S. Employment	138.3	138.7	138.5	139.2	139.3	138.8	138.4	137.7
Unemployment Rate (%)	4.03	4.00	4.07	3.97	4.23	4.50	4.83	5.60
Wage and Salary Employment	130.99	131.82	131.88	132.18	132.43	132.19	131.94	131.13
% Ch	2.7	2.5	0.2	0.9	0.8	-0.7	-0.8	-2.4
Manufacturing	18.50	18.51	18.49	18.40	18.20	17.87	17.54	17.17
% Ch	0.0	0.2	-0.3	-2.0	-4.4	-6.9	-7.3	-8.0
Durable Manufacturing	11.12	11.15	11.17	11.13	11.00	10.77	10.52	10.25
% Ch	0.8	0.9	1.0	-1.5	-4.7	-7.9	-9.0	-10.0
Nondurable Manufacturing	7.38	7.36	7.32	7.27	7.20	7.10	7.02	6.93
% Ch	-1.2	-0.9	-2.3	-2.8	-3.8	-5.4	-4.6	-5.0
Nonmanufacturing	112.49	113.31	113.38	113.79	114.24	114.32	114.41	113.96
% Ch	3.2	2.9	0.3	1.4	1.6	0.3	0.3	-1.6
Services	40.03	40.34	40.62	40.84	41.00	40.99	41.04	40.88
% Ch	3.7	3.1	2.8	2.2	1.5	-0.0	0.4	-1.5
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	20.8	21.0	21.2	21.5	21.8	22.0	21.7	22.6
Auto Sales (Millions)	9.4	8.8	8.9	8.4	8.7	8.3	8.0	8.7
% Ch	21.1	-20.9	1.5	-21.2	15.6	-14.6	-16.1	45.0
Housing Starts (Millions)	1.659	1.587	1.504	1.544	1.611	1.624	1.603	1.573
% Ch	1.1	-16.3	-19.3	11.2	18.6	3.3	-5.2	-7.3
Federal Budget Surplus (Billions)	223.2	197.2	213.2	193.8	173.8	144.4	-51.7	21.3
Net Exports (Billions)	-330.6	-353.2	-384.9	-393.2	-372.7	-365.7	-312.6	-344.5
3-Month Treasury Bill Rate (%)	5.50	5.72	6.00	6.03	4.85	3.67	3.24	1.93
30-Year U.S. Govt. Bond Rate (%)	6.30	5.98	5.80	5.69	5.44	5.70	5.52	5.30
Bond Index of 20 G.O. Munis. (%)	5.96	5.85	5.56	5.45	5.14	5.26	5.10	5.11
Mortgage Rate (%)	8.26	8.32	8.03	7.64	7.01	7.13	6.96	6.78

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2003 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	9,363.2	9,392.4	9,485.6	9,503.2	9,574.1	9,651.4	9,766.1	9,892.8
% Ch	5.0	1.3	4.0	0.7	3.0	3.3	4.8	5.3
Real Consumption	6,513.8	6,542.4	6,609.9	6,625.7	6,650.0	6,696.0	6,762.0	6,842.3
% Ch	3.1	1.8	4.2	1.0	1.5	2.8	4.0	4.8
Real Nonresidential Fixed Investment	1,188.4	1,181.1	1,178.7	1,183.2	1,190.7	1,209.4	1,234.1	1,267.6
% Ch	-5.8	-2.4	-0.8	1.5	2.6	6.4	8.5	11.3
Real Residential Fixed Investment	383.6	386.1	387.1	393.6	399.4	399.5	398.9	393.9
% Ch	14.2	2.7	1.1	6.8	6.0	0.2	-0.6	-5.0
Real Personal Income	7,993.0	8,038.6	8,075.9	8,116.5	8,167.5	8,210.9	8,303.8	8,389.3
% Ch	3.7	2.3	1.9	2.0	2.5	2.1	4.6	4.2
Real Per Capita Income (\$/Person)	27,851	27,947	28,015	28,093	28,207	28,295	28,552	28,784
% Ch	2.7	1.4	1.0	1.1	1.6	1.2	3.7	3.3
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.101	1.109	1.114	1.119	1.126	1.132	1.135	1.139
% Ch	1.1	2.7	1.7	1.9	2.4	2.4	0.9	1.5
U.S. Consumer Price Index (1982-84=1.0)	1.781	1.796	1.804	1.815	1.822	1.834	1.840	1.847
% Ch	1.4	3.4	1.9	2.4	1.7	2.7	1.2	1.6
Employment Cost Index (June 1989=1.0)	1.548	1.563	1.569	1.576	1.584	1.592	1.601	1.613
% Ch	3.7	3.9	1.5	1.8	2.0	2.1	2.3	2.9
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	10,313.1	10,376.9	10,506.2	10,572.3	10,690.7	10,861.9	11,036.3	11,218.2
% Ch	6.5	2.5	5.1	2.5	4.6	6.6	6.6	6.8
Personal Income	8,803.4	8,914.0	8,993.3	9,081.6	9,193.7	9,298.2	9,423.8	9,555.8
% Ch	4.8	5.1	3.6	4.0	5.0	4.6	5.5	5.7
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	145.6	146.5	146.7	146.8	146.8	147.2	147.6	148.1
Total U.S. Employment	137.4	137.8	138.2	138.1	137.8	137.9	138.4	139.6
Unemployment Rate (%)	5.60	5.90	5.73	5.90	6.10	6.30	6.20	5.70
Wage and Salary Employment	130.76	130.71	130.84	130.81	130.75	130.91	131.32	132.11
% Ch	-1.1	-0.2	0.4	-0.1	-0.2	0.5	1.3	2.4
Manufacturing	16.88	16.78	16.69	16.53	16.42	16.24	16.08	16.06
% Ch	-6.6	-2.5	-2.0	-3.7	-2.7	-4.3	-3.9	-0.4
Durable Manufacturing	10.02	9.96	9.88	9.76	9.65	9.52	9.41	9.39
% Ch	-8.5	-2.5	-3.2	-5.0	-4.1	-5.4	-4.8	-0.7
Nondurable Manufacturing	6.86	6.82	6.81	6.78	6.76	6.72	6.67	6.67
% Ch	-3.7	-2.6	-0.3	-1.9	-0.8	-2.7	-2.7	0.0
Nonmanufacturing	113.88	113.93	114.15	114.27	114.34	114.67	115.24	116.05
% Ch	-0.3	0.2	0.8	0.4	0.2	1.2	2.0	2.8
Services	40.92	41.09	41.30	41.42	41.54	41.79	42.22	42.74
% Ch	0.4	1.6	2.1	1.2	1.2	2.4	4.1	5.0
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	22.0	21.9	21.8	22.0	22.0	22.0	21.9	22.0
Auto Sales (Millions)	7.9	8.1	8.5	7.9	7.4	7.7	7.7	8.0
% Ch	-33.0	8.7	21.7	-25.8	-21.4	16.9	2.0	11.7
Housing Starts (Millions)	1.725	1.667	1.697	1.747	1.741	1.682	1.652	1.633
% Ch	44.9	-12.9	7.5	12.4	-1.5	-12.8	-6.9	-4.6
Federal Budget Surplus (Billions)	-145.8	-195.6	-200.7	-237.2	-294.6	-311.6	-405.8	-368.7
Net Exports (Billions)	-360.1	-425.6	-432.9	-453.9	-479.7	-452.5	-439.6	-440.4
3-Month Treasury Bill Rate (%)	1.72	1.72	1.65	1.35	1.15	1.23	1.50	2.17
30-Year U.S. Govt. Bond Rate (%)	5.60	5.76	5.23	5.07	4.88	4.96	5.27	5.83
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.89	4.90	4.82	4.83	4.97	5.35
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.95	6.02	6.27	6.67



Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2003 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	10,034.9	10,099.3	10,213.2	10,311.3	10,420.3	10,512.7	10,593.1	10,686.5
% Ch	5.9	2.6	4.6	3.9	4.3	3.6	3.1	3.6
Real Consumption	6,945.2	6,999.0	7,085.1	7,154.0	7,229.5	7,296.9	7,351.6	7,418.5
% Ch	6.1	3.1	5.0	3.9	4.3	3.8	3.0	3.7
Real Nonresidential Fixed Investment	1,305.2	1,337.3	1,374.8	1,409.6	1,443.5	1,470.2	1,492.9	1,509.5
% Ch	12.4	10.2	11.7	10.5	10.0	7.6	6.3	4.5
Real Residential Fixed Investment	390.8	388.7	388.8	388.8	386.6	386.6	386.1	388.3
% Ch	-3.1	-2.1	0.1	0.0	-2.3	0.0	-0.6	2.3
Real Personal Income	8,494.9	8,578.3	8,649.2	8,726.7	8,811.6	8,889.7	8,954.2	9,029.7
% Ch	5.1	4.0	3.3	3.6	3.9	3.6	2.9	3.4
Real Per Capita Income (\$/Person)	29,083	29,305	29,484	29,684	29,909	30,110	30,265	30,455
% Ch	4.2	3.1	2.5	2.7	3.1	2.7	2.1	2.5
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.144	1.149	1.155	1.162	1.167	1.172	1.178	1.184
% Ch	1.8	1.8	2.1	2.1	1.8	1.9	2.1	2.0
U.S. Consumer Price Index (1982-84=1.0)	1.856	1.865	1.875	1.886	1.895	1.904	1.915	1.924
% Ch	1.9	2.0	2.3	2.2	1.9	2.0	2.2	2.1
Employment Cost Index (June 1989=1.0)	1.625	1.637	1.649	1.661	1.673	1.686	1.698	1.710
% Ch	3.1	3.1	2.8	3.0	3.0	3.0	2.9	2.9
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	11,438.9	11,569.8	11,761.0	11,931.2	12,117.3	12,282.3	12,436.9	12,604.5
% Ch	8.1	4.7	6.8	5.9	6.4	5.6	5.1	5.5
Personal Income	9,720.5	9,860.8	9,994.3	10,137.5	10,281.2	10,421.5	10,550.8	10,692.0
% Ch	7.1	5.9	5.5	5.9	5.8	5.6	5.1	5.5
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	148.6	149.2	149.9	150.6	151.3	152.0	152.7	153.4
Total U.S. Employment	140.5	141.2	142.2	143.0	143.7	144.4	145.1	145.8
Unemployment Rate (%)	5.50	5.35	5.16	5.05	5.03	5.01	4.97	4.97
Wage and Salary Employment	132.93	133.93	134.84	135.66	136.36	136.96	137.57	138.15
% Ch	2.5	3.0	2.8	2.4	2.1	1.8	1.8	1.7
Manufacturing	16.05	16.09	16.12	16.16	16.20	16.23	16.29	16.30
% Ch	-0.4	1.1	0.8	1.0	1.0	0.8	1.3	0.4
Durable Manufacturing	9.37	9.40	9.43	9.46	9.49	9.53	9.57	9.60
% Ch	-0.8	1.4	1.1	1.4	1.3	1.4	1.9	1.1
Nondurable Manufacturing	6.67	6.69	6.69	6.70	6.71	6.71	6.72	6.71
% Ch	0.2	0.7	0.5	0.4	0.5	0.0	0.4	-0.6
Nonmanufacturing	116.88	117.84	118.72	119.50	120.16	120.73	121.28	121.85
% Ch	2.9	3.3	3.0	2.6	2.2	1.9	1.9	1.9
Services	43.33	43.86	44.38	44.79	45.22	45.54	45.87	46.15
% Ch	5.6	5.1	4.8	3.8	3.8	2.9	3.0	2.5
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	21.9	21.7	21.7	21.6	21.5	21.5	21.4	21.3
Auto Sales (Millions)	8.1	8.0	8.0	7.9	7.9	7.8	7.7	7.8
% Ch	7.0	-3.5	-1.9	-2.5	-0.4	-4.5	-5.8	2.7
Housing Starts (Millions)	1.627	1.648	1.647	1.646	1.644	1.630	1.619	1.619
% Ch	-1.5	5.3	-0.2	-0.3	-0.4	-3.5	-2.5	0.0
Federal Budget Surplus (Billions)	-474.3	-389.7	-326.6	-316.5	-335.5	-319.3	-310.5	-312.4
Net Exports (Billions)	-444.7	-452.5	-453.9	-447.7	-439.9	-447.0	-444.6	-443.4
3-Month Treasury Bill Rate (%)	2.57	2.98	3.28	3.49	3.70	3.70	3.92	4.14
30-Year U.S. Govt. Bond Rate (%)	6.12	6.44	6.68	6.83	6.97	6.91	7.00	7.07
Bond Index of 20 G.O. Munis. (%)	5.43	5.56	5.63	5.75	5.87	5.83	5.99	6.08
Mortgage Rate (%)	6.96	7.17	7.44	7.63	7.77	7.80	7.86	7.95

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

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	158.389	166.450	174.021	175.028	178.704	182.442	188.547	194.413
% Ch	7.5	5.1	4.5	0.6	2.1	2.1	3.3	3.1
Real Wage and Salary Disb.	91.544	99.115	102.492	101.182	100.861	102.159	105.966	109.412
% Ch	9.3	8.3	3.4	-1.3	-0.3	1.3	3.7	3.3
Real Nonwage Income	66.844	67.335	71.528	73.846	77.844	80.283	82.581	85.001
% Ch	5.1	0.7	6.2	3.2	5.4	3.1	2.9	2.9
Real Per Capita Income (\$/Person)	27,400	28,430	29,374	29,172	29,474	29,794	30,427	30,981
% Ch	5.9	3.8	3.3	-0.7	1.0	1.1	2.1	1.8
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.074	1.096	1.111	1.133	1.153	1.175
% Ch	1.1	1.6	2.5	2.0	1.4	2.0	1.7	2.0
Seattle Cons. Price Index (1982-84=1.0)	1.678	1.728	1.792	1.857	1.893	1.928	1.955	1.985
% Ch	2.9	3.0	3.7	3.6	2.0	1.9	1.4	1.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.75	16.14	16.75	17.60	18.10	17.90	18.07	18.26
% Ch	4.0	2.5	3.7	5.1	2.9	-1.1	1.0	1.0
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	162.673	174.237	186.603	191.751	198.249	206.326	216.728	227.823
% Ch	8.6	7.1	7.1	2.8	3.4	4.1	5.0	5.1
Personal Income	163.192	174.322	186.863	191.763	198.490	206.703	217.345	228.508
% Ch	8.6	6.8	7.2	2.6	3.5	4.1	5.1	5.1
Disposable Personal Income	139.668	148.369	158.269	163.234	173.686	182.925	194.045	202.707
% Ch	8.1	6.2	6.7	3.1	6.4	5.3	6.1	4.5
Per Capita Income (\$/Person)	28,231	29,774	31,541	31,961	32,737	33,756	35,074	36,414
% Ch	7.1	5.5	5.9	1.3	2.4	3.1	3.9	3.8
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,037.9	3,074.6	3,045.3	2,995.7	3,046.5	3,085.9	3,139.7	3,196.7
Total Washington Employment	2,893.3	2,929.2	2,887.5	2,804.1	2,832.3	2,871.0	2,933.4	3,001.6
Unemployment Rate (%)	4.76	4.73	5.18	6.40	7.03	6.96	6.57	6.10
Wage and Salary Employment	2,594.7	2,648.7	2,711.5	2,696.4	2,654.2	2,671.0	2,729.7	2,793.8
% Ch	3.2	2.1	2.4	-0.6	-1.6	0.6	2.2	2.3
Manufacturing	379.6	364.1	353.1	338.3	310.1	294.9	292.3	296.6
% Ch	2.6	-4.1	-3.0	-4.2	-8.3	-4.9	-0.9	1.5
Durable Manufacturing	271.0	255.8	244.5	234.6	211.1	198.8	195.7	198.4
% Ch	3.7	-5.6	-4.4	-4.0	-10.0	-5.8	-1.5	1.4
Aerospace	112.4	98.9	86.1	86.8	75.9	68.0	63.4	63.3
% Ch	7.1	-12.0	-12.9	0.8	-12.5	-10.5	-6.7	-0.1
Nondurable Manufacturing	108.6	108.3	108.7	103.7	99.0	96.2	96.6	98.2
% Ch	-0.2	-0.2	0.3	-4.6	-4.5	-2.9	0.5	1.7
Nonmanufacturing	2,215.1	2,284.6	2,358.3	2,358.0	2,344.1	2,376.1	2,437.4	2,497.2
% Ch	3.3	3.1	3.2	-0.0	-0.6	1.4	2.6	2.5
Construction	143.7	153.8	160.2	155.4	150.7	151.0	152.3	157.0
% Ch	5.4	7.1	4.1	-3.0	-3.0	0.2	0.9	3.0
Services	709.3	739.7	781.9	773.0	771.2	791.9	829.9	860.6
% Ch	4.5	4.3	5.7	-1.1	-0.2	2.7	4.8	3.7
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	45.727	42.752	39.021	38.345	42.593	39.330	40.333	39.488
% Ch	11.3	-6.5	-8.7	-1.7	11.1	-7.7	2.6	-2.1
Single-Family	28.644	28.111	25.471	26.736	33.090	28.764	26.082	25.095
% Ch	3.1	-1.9	-9.4	5.0	23.8	-13.1	-9.3	-3.8
Multi-Family	17.083	14.641	13.550	11.609	9.503	10.566	14.251	14.393
% Ch	28.3	-14.3	-7.5	-14.3	-18.1	11.2	34.9	1.0
Mortgage Rate (%)	6.94	7.43	8.06	6.97	6.54	6.23	7.30	7.85

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2003 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	175.898	173.458	172.674	174.053	173.891	177.298	175.358	173.567
% Ch	11.9	-5.4	-1.8	3.2	-0.4	8.1	-4.3	-4.0
Real Wage and Salary Disb.	106.455	102.157	100.360	100.995	100.704	103.889	101.084	99.053
% Ch	15.3	-15.2	-6.8	2.6	-1.1	13.3	-10.4	-7.8
Real Nonwage Income	69.443	71.301	72.312	73.057	73.187	73.408	74.273	74.515
% Ch	6.9	11.1	5.8	4.2	0.7	1.2	4.8	1.3
Real Per Capita Income (\$/Person)	29,843	29,328	29,097	29,230	29,104	29,591	29,186	28,808
% Ch	10.7	-6.7	-3.1	1.8	-1.7	6.9	-5.4	-5.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.065	1.071	1.077	1.083	1.091	1.096	1.096	1.098
% Ch	3.4	2.3	2.1	2.2	3.3	1.8	-0.1	0.8
Seattle Cons. Price Index (1982-84=1.0)	1.764	1.783	1.801	1.820	1.839	1.850	1.866	1.872
% Ch	3.7	4.4	4.1	4.3	4.2	2.5	3.4	1.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.54	16.61	16.77	17.07	17.22	17.57	17.73	17.88
% Ch	6.2	1.8	3.8	7.5	3.4	8.3	3.8	3.5
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	187.101	185.537	185.600	188.174	189.768	194.381	192.215	190.641
% Ch	15.5	-3.3	0.1	5.7	3.4	10.1	-4.4	-3.2
Personal Income	187.344	185.786	185.901	188.422	189.797	194.386	192.225	190.644
% Ch	15.8	-3.3	0.2	5.5	3.0	10.0	-4.4	-3.2
Disposable Personal Income	158.683	157.463	157.436	159.494	160.410	164.451	166.129	161.947
% Ch	14.7	-3.0	-0.1	5.3	2.3	10.5	4.1	-9.7
Per Capita Income (\$/Person)	31,785	31,413	31,325	31,643	31,766	32,443	31,993	31,642
% Ch	14.5	-4.6	-1.1	4.1	1.6	8.8	-5.4	-4.3
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,064.4	3,049.4	3,037.8	3,029.7	3,016.6	3,003.7	2,984.5	2,978.1
Total Washington Employment	2,912.8	2,896.3	2,876.6	2,864.4	2,843.4	2,818.8	2,791.0	2,763.2
Unemployment Rate (%)	4.95	5.02	5.31	5.45	5.74	6.16	6.49	7.21
Wage and Salary Employment	2,696.8	2,710.2	2,715.9	2,722.9	2,720.2	2,709.3	2,693.1	2,662.8
% Ch	3.7	2.0	0.8	1.0	-0.4	-1.6	-2.4	-4.4
Manufacturing	351.9	355.2	353.6	351.8	347.9	342.1	336.7	326.6
% Ch	-7.2	3.8	-1.7	-2.1	-4.3	-6.5	-6.2	-11.5
Durable Manufacturing	242.9	246.1	244.6	244.2	242.1	237.3	233.2	225.9
% Ch	-10.3	5.4	-2.3	-0.6	-3.5	-7.6	-6.8	-11.8
Aerospace	84.4	87.6	86.6	86.0	86.8	87.0	87.5	85.8
% Ch	-29.6	16.0	-4.4	-2.8	4.1	0.9	2.3	-7.6
Non-durable Manufacturing	109.0	109.1	109.0	107.5	105.8	104.8	103.5	100.6
% Ch	0.3	0.4	-0.4	-5.2	-6.2	-3.9	-4.8	-10.8
Nonmanufacturing	2,344.9	2,355.0	2,362.3	2,371.1	2,372.3	2,367.2	2,356.5	2,336.2
% Ch	5.5	1.7	1.2	1.5	0.2	-0.9	-1.8	-3.4
Construction	160.7	160.4	159.0	160.5	159.8	156.5	154.5	150.8
% Ch	8.9	-0.7	-3.4	3.6	-1.5	-8.2	-5.0	-9.2
Services	771.5	775.3	786.2	794.5	780.2	778.7	769.6	763.7
% Ch	9.9	2.0	5.7	4.3	-7.0	-0.8	-4.6	-3.0
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	38.475	36.594	38.387	42.627	41.104	39.417	38.453	34.406
% Ch	-22.0	-18.2	21.1	52.1	-13.5	-15.4	-9.4	-35.9
Single-Family	25.380	25.049	25.493	25.962	28.794	26.795	26.561	24.794
% Ch	-24.0	-5.1	7.3	7.6	51.3	-25.0	-3.5	-24.1
Multi-Family	13.095	11.545	12.894	16.666	12.310	12.622	11.892	9.611
% Ch	-18.0	-39.6	55.6	179.1	-70.2	10.5	-21.2	-57.3
Mortgage Rate (%)	8.26	8.32	8.03	7.64	7.01	7.13	6.96	6.78

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2003 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	177.804	178.239	179.727	179.045	180.622	181.407	183.132	184.606
% Ch	10.1	1.0	3.4	-1.5	3.6	1.8	3.9	3.3
Real Wage and Salary Disb.	101.121	100.421	101.445	100.456	101.252	101.495	102.419	103.468
% Ch	8.6	-2.7	4.1	-3.8	3.2	1.0	3.7	4.2
Real Nonwage Income	76.684	77.820	78.282	78.589	79.370	79.912	80.713	81.138
% Ch	12.2	6.1	2.4	1.6	4.0	2.8	4.1	2.1
Real Per Capita Income (\$/Person)	29,430	29,432	29,608	29,427	29,617	29,669	29,869	30,022
% Ch	8.9	0.0	2.4	-2.4	2.6	0.7	2.7	2.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.101	1.109	1.114	1.119	1.126	1.132	1.135	1.139
% Ch	1.1	2.7	1.7	1.9	2.4	2.4	0.9	1.5
Seattle Cons. Price Index (1982-84=1.0)	1.878	1.889	1.899	1.907	1.915	1.928	1.933	1.938
% Ch	1.3	2.3	2.2	1.6	1.8	2.6	1.0	1.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.02	18.15	18.17	18.07	17.83	17.87	17.92	17.96
% Ch	3.2	2.8	0.4	-2.1	-5.2	1.0	1.0	0.9
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	195.575	197.412	199.906	200.103	203.052	205.090	207.370	209.791
% Ch	10.8	3.8	5.2	0.4	6.0	4.1	4.5	4.8
Personal Income	195.831	197.643	200.143	200.342	203.305	205.421	207.822	210.265
% Ch	11.3	3.8	5.2	0.4	6.0	4.2	4.8	4.8
Disposable Personal Income	170.544	172.769	175.500	175.930	178.701	180.818	185.351	186.831
% Ch	23.0	5.3	6.5	1.0	6.5	4.8	10.4	3.2
Per Capita Income (\$/Person)	32,413	32,636	32,972	32,927	33,336	33,596	33,896	34,195
% Ch	10.1	2.8	4.2	-0.5	5.1	3.2	3.6	3.6
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,030.0	3,034.4	3,052.0	3,069.8	3,073.3	3,079.7	3,089.1	3,101.4
Total Washington Employment	2,813.2	2,821.2	2,831.4	2,863.4	2,860.9	2,864.1	2,872.7	2,886.1
Unemployment Rate (%)	7.16	7.03	7.23	6.72	6.91	7.00	7.00	6.94
Wage and Salary Employment	2,648.1	2,652.5	2,659.5	2,656.7	2,661.5	2,664.6	2,672.7	2,685.2
% Ch	-2.2	0.7	1.1	-0.4	0.7	0.5	1.2	1.9
Manufacturing	318.0	312.1	308.4	302.1	299.2	296.0	292.9	291.5
% Ch	-10.1	-7.2	-4.6	-8.0	-3.8	-4.2	-4.1	-1.9
Durable Manufacturing	217.5	213.2	208.9	204.7	202.4	199.8	197.2	195.7
% Ch	-14.2	-7.6	-7.8	-7.8	-4.5	-5.0	-5.2	-3.0
Aerospace	80.4	76.9	74.0	72.3	70.9	68.9	66.9	65.1
% Ch	-22.9	-16.2	-14.3	-8.8	-7.6	-10.9	-11.3	-10.1
Nondurable Manufacturing	100.5	98.8	99.5	97.3	96.8	96.2	95.8	95.8
% Ch	-0.5	-6.4	2.5	-8.3	-2.2	-2.3	-1.9	0.3
Nonmanufacturing	2,330.2	2,340.4	2,351.1	2,354.6	2,362.4	2,368.6	2,379.7	2,393.7
% Ch	-1.0	1.8	1.8	0.6	1.3	1.1	1.9	2.4
Construction	150.2	150.4	151.5	150.8	151.3	151.0	151.2	150.5
% Ch	-1.5	0.4	3.0	-1.8	1.2	-0.8	0.7	-2.0
Services	763.6	771.0	772.7	777.4	780.7	786.6	795.0	805.2
% Ch	-0.1	4.0	0.9	2.5	1.7	3.1	4.4	5.2
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	36.632	44.243	41.373	48.124	39.899	39.001	38.863	39.557
% Ch	28.5	112.8	-23.5	83.1	-52.8	-8.7	-1.4	7.3
Single-Family	29.062	32.827	33.705	36.766	31.073	29.138	27.864	26.980
% Ch	88.7	62.8	11.1	41.6	-49.0	-22.7	-16.4	-12.1
Multi-Family	7.571	11.416	7.668	11.358	8.825	9.862	10.999	12.577
% Ch	-61.5	417.0	-79.6	381.4	-63.5	55.9	54.7	70.9
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.95	6.02	6.27	6.67

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2003 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	186.543	187.922	189.123	190.600	192.155	193.755	195.072	196.672
% Ch	4.3	3.0	2.6	3.2	3.3	3.4	2.7	3.3
Real Wage and Salary Disb.	104.697	105.516	106.396	107.256	108.173	109.041	109.822	110.613
% Ch	4.8	3.2	3.4	3.3	3.5	3.2	2.9	2.9
Real Nonwage Income	81.847	82.406	82.727	83.344	83.982	84.714	85.250	86.059
% Ch	3.5	2.8	1.6	3.0	3.1	3.5	2.6	3.8
Real Per Capita Income (\$/Person)	30,246	30,375	30,473	30,615	30,767	30,926	31,039	31,193
% Ch	3.0	1.7	1.3	1.9	2.0	2.1	1.5	2.0
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.144	1.149	1.155	1.162	1.167	1.172	1.178	1.184
% Ch	1.8	1.8	2.1	2.1	1.8	1.9	2.1	2.0
Seattle Cons. Price Index (1982-84=1.0)	1.944	1.950	1.958	1.966	1.973	1.981	1.990	1.998
% Ch	1.3	1.4	1.6	1.7	1.4	1.6	1.8	1.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.01	18.05	18.09	18.13	18.18	18.23	18.28	18.33
% Ch	1.0	1.0	0.9	1.0	1.1	1.1	1.1	1.2
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	212.926	215.403	217.844	220.739	223.519	226.429	229.137	232.207
% Ch	6.1	4.7	4.6	5.4	5.1	5.3	4.9	5.5
Personal Income	213.447	216.006	218.524	221.403	224.191	227.130	229.843	232.866
% Ch	6.2	4.9	4.7	5.4	5.1	5.3	4.9	5.4
Disposable Personal Income	192.436	193.022	194.170	196.553	199.340	201.564	203.712	206.211
% Ch	12.6	1.2	2.4	5.0	5.8	4.5	4.3	5.0
Per Capita Income (\$/Person)	34,608	34,914	35,211	35,562	35,897	36,254	36,571	36,934
% Ch	4.9	3.6	3.4	4.1	3.8	4.0	3.6	4.0
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,116.5	3,132.0	3,147.5	3,162.8	3,176.3	3,189.9	3,203.5	3,216.9
Total Washington Employment	2,904.2	2,923.8	2,943.4	2,962.3	2,977.9	2,993.9	3,009.7	3,024.8
Unemployment Rate (%)	6.81	6.64	6.48	6.34	6.24	6.14	6.05	5.97
Wage and Salary Employment	2,702.2	2,720.7	2,739.1	2,756.9	2,771.6	2,786.6	2,801.4	2,815.6
% Ch	2.6	2.8	2.7	2.6	2.1	2.2	2.1	2.0
Manufacturing	291.6	292.0	292.6	293.1	294.3	295.8	297.5	298.8
% Ch	0.2	0.5	0.7	0.8	1.6	2.1	2.2	1.8
Durable Manufacturing	195.5	195.6	195.8	196.1	196.8	197.8	199.0	200.0
% Ch	-0.3	0.2	0.4	0.5	1.4	2.1	2.4	2.2
Aerospace	64.3	63.7	63.1	62.5	62.6	63.1	63.6	64.0
% Ch	-4.8	-3.7	-3.7	-3.7	0.7	3.0	3.0	3.0
Nondurable Manufacturing	96.1	96.4	96.7	97.1	97.6	98.0	98.5	98.7
% Ch	1.2	1.2	1.3	1.5	2.0	1.9	1.9	0.9
Nonmanufacturing	2,410.6	2,428.7	2,446.5	2,463.8	2,477.3	2,490.7	2,503.9	2,516.9
% Ch	2.9	3.0	3.0	2.9	2.2	2.2	2.1	2.1
Construction	151.0	151.6	152.7	154.0	155.5	156.6	157.5	158.2
% Ch	1.3	1.6	3.0	3.3	4.0	2.9	2.4	1.8
Services	815.9	825.9	835.1	842.9	850.8	857.3	864.1	870.1
% Ch	5.4	5.0	4.5	3.8	3.8	3.1	3.2	2.8
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	39.937	40.605	40.471	40.320	39.851	39.576	39.337	39.189
% Ch	3.9	6.9	-1.3	-1.5	-4.6	-2.7	-2.4	-1.5
Single-Family	26.418	26.304	25.908	25.699	25.457	25.245	24.977	24.701
% Ch	-8.1	-1.7	-5.9	-3.2	-3.7	-3.3	-4.2	-4.4
Multi-Family	13.519	14.301	14.563	14.621	14.394	14.331	14.360	14.488
% Ch	33.5	25.2	7.5	1.6	-6.1	-1.7	0.8	3.6
Mortgage Rate (%)	6.96	7.17	7.44	7.63	7.77	7.80	7.86	7.95

Table A2.1

**U.S. Nonagricultural Employment by Industry**

Forecast 2003 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Wage and Salary Employment	125.85	128.90	131.72	131.93	130.78	131.27	134.34	137.26
% Ch	2.6	2.4	2.2	0.2	-0.9	0.4	2.3	2.2
Manufacturing	18.81	18.55	18.48	17.69	16.72	16.20	16.10	16.26
% Ch	0.7	-1.3	-0.4	-4.2	-5.5	-3.1	-0.6	0.9
Nondurable Manufacturing	7.60	7.44	7.33	7.06	6.82	6.71	6.69	6.71
% Ch	-0.8	-2.1	-1.5	-3.7	-3.5	-1.6	-0.2	0.3
Food and Kindred Products	1.68	1.68	1.69	1.69	1.69	1.68	1.70	1.72
% Ch	-0.0	-0.1	0.3	0.2	-0.2	-0.2	0.7	1.1
Pulp and Paper	0.68	0.67	0.66	0.63	0.61	0.61	0.61	0.62
% Ch	-0.8	-1.4	-1.7	-3.3	-3.2	-1.5	1.1	1.6
Apparel	0.77	0.69	0.63	0.57	0.52	0.50	0.50	0.49
% Ch	-7.1	-9.9	-8.1	-10.6	-8.0	-3.5	-0.7	-1.4
Printing	1.56	1.55	1.55	1.49	1.41	1.39	1.42	1.45
% Ch	0.8	-0.8	-0.3	-3.7	-5.4	-1.3	1.8	2.4
Chemicals	1.04	1.04	1.03	1.02	1.01	0.98	0.95	0.93
% Ch	0.7	-0.7	-0.1	-1.2	-1.4	-2.3	-3.3	-2.0
Other Nondurables	1.87	1.81	1.77	1.66	1.58	1.54	1.51	1.50
% Ch	-1.0	-2.8	-2.2	-6.7	-4.8	-2.4	-1.6	-1.1
Durable Manufacturing	11.21	11.11	11.14	10.64	9.91	9.49	9.42	9.55
% Ch	1.8	-0.8	0.3	-4.6	-6.9	-4.2	-0.8	1.4
Lumber and Wood	0.81	0.83	0.83	0.79	0.77	0.75	0.75	0.76
% Ch	2.2	2.6	-0.5	-5.3	-2.5	-2.6	0.5	2.0
Furniture	0.53	0.55	0.56	0.52	0.49	0.48	0.50	0.52
% Ch	4.1	2.9	1.5	-6.6	-5.6	-1.9	4.2	3.2
Stone-Clay-Glass	0.56	0.57	0.58	0.57	0.55	0.54	0.53	0.52
% Ch	1.7	0.9	2.3	-1.5	-3.0	-1.8	-2.7	-1.0
Primary Metals	0.71	0.70	0.70	0.66	0.59	0.58	0.59	0.60
% Ch	0.6	-2.1	0.0	-6.2	-9.8	-2.5	2.5	2.0
Fabricated Metals	1.51	1.52	1.54	1.48	1.42	1.38	1.40	1.41
% Ch	2.1	0.8	1.2	-3.7	-4.4	-2.5	1.2	0.6
Nonelectrical Machinery	2.21	2.14	2.12	2.01	1.82	1.75	1.70	1.68
% Ch	1.8	-3.2	-0.7	-5.2	-9.3	-4.1	-3.0	-0.9
Electrical Machinery	1.71	1.67	1.73	1.63	1.42	1.27	1.22	1.27
% Ch	1.1	-2.1	3.3	-5.6	-13.0	-10.6	-4.2	4.7
Transportation Equipment	1.89	1.89	1.85	1.76	1.67	1.59	1.55	1.56
% Ch	2.6	-0.3	-1.9	-5.0	-5.3	-4.8	-2.2	0.9
Instruments	0.87	0.86	0.85	0.84	0.80	0.80	0.82	0.83
% Ch	0.8	-2.0	-1.1	-0.7	-4.2	-0.8	2.4	1.8
Other Durables	0.39	0.39	0.39	0.38	0.37	0.36	0.36	0.38
% Ch	0.8	-0.8	0.3	-3.3	-2.1	-2.7	0.8	4.1
Nonmanufacturing	107.05	110.35	113.24	114.23	114.06	115.07	118.24	121.00
% Ch	2.9	3.1	2.6	0.9	-0.2	0.9	2.7	2.3
Mining	0.59	0.54	0.54	0.56	0.56	0.55	0.54	0.52
% Ch	-1.1	-8.7	0.7	4.0	-1.4	-0.5	-2.8	-3.8
Construction	6.02	6.41	6.66	6.69	6.56	6.60	6.82	7.11
% Ch	5.8	6.6	3.7	0.5	-1.9	0.7	3.3	4.2
Trans., Comm. and Utilities	6.61	6.83	7.03	7.07	6.77	6.80	7.01	7.15
% Ch	3.2	3.4	2.9	0.5	-4.1	0.4	3.0	2.1
Wholesale Trade	6.80	6.91	6.95	6.78	6.67	6.66	6.82	6.94
% Ch	2.3	1.6	0.5	-2.5	-1.5	-0.1	2.3	1.8
Retail Trade	22.30	22.85	23.33	23.52	23.30	23.17	23.38	23.50
% Ch	1.5	2.5	2.1	0.8	-0.9	-0.6	0.9	0.5
Finance-Insurance-Real Estate	7.39	7.56	7.58	7.71	7.76	7.89	8.17	8.37
% Ch	3.9	2.3	0.3	1.8	0.6	1.7	3.6	2.4
Services	37.53	39.05	40.46	40.98	41.18	42.07	44.09	45.70
% Ch	4.1	4.1	3.6	1.3	0.5	2.2	4.8	3.6
State and Local Government	17.13	17.53	17.92	18.31	18.63	18.63	18.70	19.01
% Ch	1.7	2.4	2.2	2.2	1.8	0.0	0.4	1.6
Federal Government	2.69	2.67	2.78	2.62	2.62	2.69	2.71	2.71
% Ch	-0.5	-0.7	4.2	-5.8	0.1	2.7	0.7	0.2

Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2003 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Wage and Salary Employment	130.99	131.82	131.88	132.18	132.43	132.19	131.94	131.13
% Ch	2.7	2.5	0.2	0.9	0.8	-0.7	-0.8	-2.4
Manufacturing	18.50	18.51	18.49	18.40	18.20	17.87	17.54	17.17
% Ch	0.0	0.2	-0.3	-2.0	-4.4	-6.9	-7.3	-8.0
Nondurable Manufacturing	7.38	7.36	7.32	7.27	7.20	7.10	7.02	6.93
% Ch	-1.2	-0.9	-2.3	-2.8	-3.8	-5.4	-4.6	-5.0
Food and Kindred Products	1.69	1.69	1.68	1.69	1.69	1.69	1.69	1.69
% Ch	-0.3	0.0	-1.3	0.2	2.0	-0.6	-0.8	0.1
Pulp and Paper	0.66	0.66	0.66	0.65	0.65	0.64	0.63	0.63
% Ch	-1.2	-1.8	-1.0	-2.2	-4.2	-4.5	-4.7	-2.7
Apparel	0.65	0.64	0.63	0.61	0.59	0.57	0.56	0.54
% Ch	-7.4	-5.4	-8.4	-9.8	-11.2	-13.4	-10.9	-11.9
Printing	1.55	1.55	1.55	1.54	1.53	1.50	1.48	1.45
% Ch	-0.6	0.8	-0.1	-2.0	-3.6	-6.5	-6.1	-6.8
Chemicals	1.04	1.04	1.03	1.03	1.03	1.02	1.02	1.01
% Ch	1.0	-0.6	-2.2	-0.1	-1.0	-1.9	-0.4	-2.6
Other Nondurables	1.79	1.79	1.77	1.75	1.71	1.67	1.64	1.60
% Ch	-1.3	-1.4	-3.5	-5.5	-8.3	-8.6	-7.4	-8.5
Durable Manufacturing	11.12	11.15	11.17	11.13	11.00	10.77	10.52	10.25
% Ch	0.8	0.9	1.0	-1.5	-4.7	-7.9	-9.0	-10.0
Lumber and Wood	0.84	0.84	0.83	0.81	0.80	0.79	0.78	0.77
% Ch	0.6	-2.4	-3.9	-6.9	-7.9	-4.0	-2.5	-5.7
Furniture	0.56	0.56	0.56	0.56	0.54	0.53	0.51	0.50
% Ch	1.0	1.4	1.4	-2.1	-9.3	-9.7	-11.6	-12.4
Stone-Clay-Glass	0.58	0.58	0.58	0.58	0.58	0.57	0.57	0.56
% Ch	4.5	0.0	0.5	-1.4	1.4	-4.1	-4.6	-4.6
Primary Metals	0.70	0.70	0.70	0.69	0.68	0.67	0.65	0.63
% Ch	2.1	0.0	-0.6	-3.0	-7.1	-9.1	-10.0	-13.3
Fabricated Metals	1.53	1.54	1.54	1.54	1.52	1.49	1.47	1.44
% Ch	1.3	3.0	1.0	-0.9	-5.1	-7.2	-5.8	-7.4
Nonelectrical Machinery	2.11	2.11	2.13	2.12	2.10	2.05	1.98	1.91
% Ch	-0.7	-0.3	3.8	-1.5	-3.7	-10.3	-12.8	-13.1
Electrical Machinery	1.69	1.71	1.75	1.76	1.74	1.67	1.59	1.52
% Ch	2.6	5.6	9.8	1.1	-2.8	-15.5	-18.8	-15.8
Transportation Equipment	1.87	1.87	1.84	1.83	1.79	1.77	1.76	1.72
% Ch	0.1	-0.6	-7.3	-2.4	-7.5	-3.7	-3.3	-8.4
Instruments	0.84	0.84	0.85	0.85	0.85	0.85	0.84	0.83
% Ch	-1.7	-0.3	1.9	1.3	0.3	-2.2	-3.9	-5.5
Other Durables	0.39	0.39	0.39	0.39	0.39	0.38	0.38	0.37
% Ch	0.7	-2.0	1.7	-2.0	-5.3	-3.1	-6.8	-3.2
Nonmanufacturing	112.49	113.31	113.38	113.79	114.24	114.32	114.41	113.96
% Ch	3.2	2.9	0.3	1.4	1.6	0.3	0.3	-1.6
Mining	0.53	0.54	0.55	0.55	0.56	0.57	0.57	0.57
% Ch	0.8	5.9	2.5	4.7	3.7	6.6	3.8	-3.5
Construction	6.67	6.64	6.64	6.67	6.74	6.70	6.68	6.64
% Ch	7.7	-1.6	0.2	2.0	4.0	-2.4	-1.3	-2.5
Trans., Comm. and Utilities	6.97	7.01	7.04	7.11	7.14	7.13	7.08	6.91
% Ch	2.9	2.5	1.9	4.2	1.8	-0.9	-2.7	-9.2
Wholesale Trade	6.98	6.97	6.93	6.91	6.84	6.79	6.76	6.71
% Ch	1.4	-0.8	-1.8	-1.7	-3.7	-2.7	-1.9	-3.1
Retail Trade	23.21	23.30	23.37	23.44	23.55	23.57	23.55	23.41
% Ch	2.6	1.6	1.2	1.2	1.8	0.4	-0.4	-2.3
Finance-Insurance-Real Estate	7.57	7.55	7.57	7.62	7.66	7.71	7.73	7.75
% Ch	-0.2	-0.9	0.8	2.8	2.3	2.5	0.9	1.0
Services	40.03	40.34	40.62	40.84	41.00	40.99	41.04	40.88
% Ch	3.7	3.1	2.8	2.2	1.5	-0.0	0.4	-1.5
State and Local Government	17.81	17.88	17.96	18.02	18.13	18.25	18.38	18.48
% Ch	2.1	1.7	1.7	1.2	2.6	2.6	3.0	2.1
Federal Government	2.73	3.08	2.70	2.62	2.62	2.62	2.62	2.62
% Ch	13.0	61.7	-40.9	-11.0	-0.3	-0.3	1.1	-0.8

Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2003 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wage and Salary Employment	130.76	130.71	130.84	130.81	130.75	130.91	131.32	132.11
% Ch	-1.1	-0.2	0.4	-0.1	-0.2	0.5	1.3	2.4
Manufacturing	16.88	16.78	16.69	16.53	16.42	16.24	16.08	16.06
% Ch	-6.6	-2.5	-2.0	-3.7	-2.7	-4.3	-3.9	-0.4
Nondurable Manufacturing	6.86	6.82	6.81	6.78	6.76	6.72	6.67	6.67
% Ch	-3.7	-2.6	-0.3	-1.9	-0.8	-2.7	-2.7	0.0
Food and Kindred Products	1.69	1.69	1.69	1.69	1.69	1.68	1.68	1.68
% Ch	-0.6	0.8	-0.2	-0.3	1.3	-1.7	-1.6	1.1
Pulp and Paper	0.62	0.61	0.61	0.61	0.61	0.60	0.60	0.60
% Ch	-3.0	-5.1	-0.4	-0.7	-1.5	-2.8	-1.5	1.5
Apparel	0.53	0.52	0.52	0.51	0.51	0.50	0.50	0.50
% Ch	-6.3	-7.1	-0.0	-9.1	-3.3	-0.9	-1.3	-1.3
Printing	1.43	1.41	1.40	1.40	1.40	1.39	1.38	1.39
% Ch	-6.8	-5.4	-1.4	-1.2	-0.2	-1.8	-1.9	2.4
Chemicals	1.01	1.01	1.01	1.01	1.00	0.99	0.97	0.97
% Ch	-2.1	-0.9	0.3	-0.5	-0.8	-5.5	-6.2	-2.4
Other Nondurables	1.58	1.58	1.58	1.56	1.55	1.54	1.53	1.52
% Ch	-4.6	-2.2	0.2	-3.1	-2.5	-3.2	-3.4	-1.8
Durable Manufacturing	10.02	9.96	9.88	9.76	9.65	9.52	9.41	9.39
% Ch	-8.5	-2.5	-3.2	-5.0	-4.1	-5.4	-4.8	-0.7
Lumber and Wood	0.77	0.77	0.77	0.76	0.76	0.75	0.74	0.74
% Ch	-1.4	-1.2	-1.0	-2.4	-0.5	-5.4	-6.2	-1.0
Furniture	0.49	0.50	0.49	0.49	0.48	0.48	0.48	0.49
% Ch	-4.0	3.3	-2.1	-6.1	-5.0	0.3	1.6	5.8
Stone-Clay-Glass	0.55	0.55	0.56	0.56	0.56	0.55	0.54	0.53
% Ch	-6.3	-1.0	4.2	-1.0	1.0	-6.4	-6.9	-2.8
Primary Metals	0.60	0.60	0.59	0.58	0.58	0.58	0.57	0.58
% Ch	-15.0	-3.5	-5.3	-4.2	-1.5	-2.1	-1.9	2.5
Fabricated Metals	1.42	1.43	1.42	1.40	1.39	1.38	1.38	1.38
% Ch	-5.1	0.4	-1.9	-5.1	-3.9	-2.0	-1.0	1.9
Nonelectrical Machinery	1.86	1.84	1.81	1.79	1.77	1.76	1.74	1.73
% Ch	-10.8	-4.5	-4.9	-4.8	-5.0	-2.1	-4.3	-2.4
Electrical Machinery	1.46	1.44	1.41	1.37	1.34	1.28	1.24	1.22
% Ch	-14.8	-6.6	-7.4	-10.3	-9.7	-15.8	-12.5	-5.1
Transportation Equipment	1.68	1.68	1.67	1.65	1.63	1.59	1.57	1.56
% Ch	-9.1	-0.9	-2.2	-4.5	-4.7	-8.2	-5.6	-3.5
Instruments	0.82	0.81	0.80	0.79	0.79	0.80	0.80	0.80
% Ch	-4.6	-3.9	-3.7	-4.1	-0.0	2.4	0.7	2.1
Other Durables	0.37	0.37	0.37	0.37	0.37	0.36	0.35	0.36
% Ch	-1.4	-0.7	0.7	-0.4	-2.8	-7.6	-7.7	8.1
Nonmanufacturing	113.88	113.93	114.15	114.27	114.34	114.67	115.24	116.05
% Ch	-0.3	0.2	0.8	0.4	0.2	1.2	2.0	2.8
Mining	0.56	0.56	0.55	0.55	0.55	0.55	0.56	0.56
% Ch	-1.2	-3.5	-4.5	-0.7	-2.2	3.3	2.6	0.3
Construction	6.60	6.54	6.54	6.54	6.56	6.57	6.62	6.64
% Ch	-2.0	-3.5	0.0	-0.1	1.3	0.6	2.9	1.4
Trans., Comm. and Utilities	6.83	6.79	6.76	6.71	6.70	6.79	6.83	6.89
% Ch	-4.5	-2.3	-2.2	-2.6	-0.6	5.1	2.5	4.0
Wholesale Trade	6.69	6.68	6.67	6.65	6.63	6.63	6.67	6.72
% Ch	-1.0	-0.6	-0.5	-1.5	-0.7	0.1	1.8	3.1
Retail Trade	23.35	23.33	23.31	23.23	23.19	23.15	23.14	23.21
% Ch	-1.0	-0.5	-0.3	-1.4	-0.7	-0.7	-0.1	1.2
Finance-Insurance-Real Estate	7.74	7.74	7.75	7.81	7.82	7.86	7.91	7.98
% Ch	-0.2	-0.4	0.8	3.1	0.3	2.3	2.6	3.2
Services	40.92	41.09	41.30	41.42	41.54	41.79	42.22	42.74
% Ch	0.4	1.6	2.1	1.2	1.2	2.4	4.1	5.0
State and Local Government	18.56	18.60	18.66	18.71	18.67	18.62	18.61	18.61
% Ch	1.7	0.9	1.3	1.1	-0.8	-1.0	-0.3	0.1
Federal Government	2.61	2.60	2.61	2.66	2.67	2.70	2.69	2.70
% Ch	-1.3	-0.9	1.4	6.6	2.5	3.7	-0.6	1.1



Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2003 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Wage and Salary Employment	132.93	133.93	134.84	135.66	136.36	136.96	137.57	138.15
% Ch	2.5	3.0	2.8	2.4	2.1	1.8	1.8	1.7
Manufacturing	16.05	16.09	16.12	16.16	16.20	16.23	16.29	16.30
% Ch	-0.4	1.1	0.8	1.0	1.0	0.8	1.3	0.4
Nondurable Manufacturing	6.67	6.69	6.69	6.70	6.71	6.71	6.72	6.71
% Ch	0.2	0.7	0.5	0.4	0.5	0.0	0.4	-0.6
Food and Kindred Products	1.68	1.69	1.70	1.71	1.71	1.71	1.72	1.72
% Ch	0.3	2.7	1.5	1.0	1.0	1.2	1.3	-0.7
Pulp and Paper	0.61	0.61	0.61	0.62	0.62	0.62	0.62	0.62
% Ch	1.6	2.8	1.5	1.9	1.6	1.1	1.5	0.7
Apparel	0.50	0.50	0.50	0.50	0.50	0.49	0.49	0.49
% Ch	1.6	-2.2	-0.5	-2.1	-0.5	-1.5	-2.1	-2.0
Printing	1.40	1.41	1.42	1.43	1.44	1.45	1.46	1.46
% Ch	3.2	2.4	2.9	2.4	3.2	1.7	2.1	0.9
Chemicals	0.96	0.95	0.95	0.94	0.94	0.93	0.93	0.93
% Ch	-3.0	-3.0	-2.4	-1.8	-2.2	-2.2	-0.8	-1.5
Other Nondurables	1.52	1.51	1.51	1.51	1.50	1.50	1.49	1.49
% Ch	-1.5	-0.6	-0.9	-0.7	-1.0	-1.3	-1.3	-1.6
Durable Manufacturing	9.37	9.40	9.43	9.46	9.49	9.53	9.57	9.60
% Ch	-0.8	1.4	1.1	1.4	1.3	1.4	1.9	1.1
Lumber and Wood	0.74	0.75	0.75	0.76	0.76	0.76	0.77	0.77
% Ch	1.9	4.4	3.1	3.8	1.6	0.7	0.5	0.4
Furniture	0.49	0.50	0.50	0.51	0.51	0.52	0.52	0.52
% Ch	5.0	4.5	4.0	4.3	3.4	2.1	2.4	1.7
Stone-Clay-Glass	0.53	0.53	0.53	0.53	0.53	0.52	0.52	0.52
% Ch	-2.4	-0.2	-1.6	-1.2	-1.2	-1.0	-0.3	-1.1
Primary Metals	0.58	0.59	0.59	0.60	0.60	0.60	0.60	0.60
% Ch	2.3	5.9	3.8	3.3	1.7	0.5	0.7	-0.4
Fabricated Metals	1.39	1.40	1.40	1.41	1.41	1.41	1.41	1.41
% Ch	1.4	2.8	1.0	1.1	0.5	0.0	0.2	-0.5
Nonelectrical Machinery	1.71	1.70	1.69	1.69	1.68	1.68	1.68	1.68
% Ch	-3.2	-4.0	-1.7	-1.0	-1.0	-0.7	0.9	0.4
Electrical Machinery	1.22	1.21	1.21	1.22	1.24	1.26	1.29	1.31
% Ch	-1.5	-1.0	-0.3	2.2	5.8	8.0	8.2	7.1
Transportation Equipment	1.54	1.55	1.55	1.56	1.56	1.56	1.57	1.57
% Ch	-3.0	1.9	0.3	0.8	0.7	1.0	1.4	0.5
Instruments	0.80	0.81	0.82	0.83	0.83	0.83	0.83	0.83
% Ch	1.0	5.1	3.6	2.4	1.3	0.8	1.1	-0.6
Other Durables	0.36	0.36	0.37	0.37	0.37	0.38	0.38	0.38
% Ch	-4.5	4.4	8.2	3.4	3.6	3.7	4.1	1.7
Nonmanufacturing	116.88	117.84	118.72	119.50	120.16	120.73	121.28	121.85
% Ch	2.9	3.3	3.0	2.6	2.2	1.9	1.9	1.9
Mining	0.55	0.54	0.54	0.53	0.53	0.52	0.52	0.51
% Ch	-7.4	-3.9	-4.2	-3.2	-3.9	-4.1	-3.4	-4.0
Construction	6.71	6.75	6.86	6.96	7.04	7.08	7.13	7.18
% Ch	3.8	2.8	6.6	5.5	4.9	2.2	3.0	2.8
Trans., Comm. and Utilities	6.92	7.00	7.03	7.07	7.11	7.13	7.16	7.21
% Ch	1.6	4.7	1.5	2.6	1.9	1.5	1.7	2.8
Wholesale Trade	6.76	6.81	6.84	6.87	6.90	6.93	6.95	6.98
% Ch	2.6	3.2	1.4	1.9	2.1	1.5	1.3	1.6
Retail Trade	23.23	23.38	23.43	23.48	23.47	23.48	23.49	23.53
% Ch	0.4	2.4	0.9	1.0	-0.2	0.2	0.2	0.7
Finance-Insurance-Real Estate	8.05	8.14	8.22	8.28	8.33	8.37	8.38	8.40
% Ch	4.0	4.4	4.1	2.9	2.6	1.8	0.6	0.7
Services	43.33	43.86	44.38	44.79	45.22	45.54	45.87	46.15
% Ch	5.6	5.1	4.8	3.8	3.8	2.9	3.0	2.5
State and Local Government	18.63	18.64	18.72	18.80	18.85	18.95	19.06	19.16
% Ch	0.4	0.2	1.6	1.8	1.0	2.2	2.2	2.2
Federal Government	2.70	2.71	2.71	2.71	2.71	2.71	2.72	2.72
% Ch	0.7	0.5	0.3	0.3	0.2	0.1	0.2	0.2

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

	1998	1999	2000	2001	2002	2003	2004	2005
Wage and Salary Employment	2,594.7	2,648.7	2,711.5	2,696.4	2,654.2	2,671.0	2,729.7	2,793.8
% Ch	3.2	2.1	2.4	-0.6	-1.6	0.6	2.2	2.3
Manufacturing	379.6	364.1	353.1	338.3	310.1	294.9	292.3	296.6
% Ch	2.6	-4.1	-3.0	-4.2	-8.3	-4.9	-0.9	1.5
Nondurable Manufacturing	108.6	108.3	108.7	103.7	99.0	96.2	96.6	98.2
% Ch	-0.2	-0.2	0.3	-4.6	-4.5	-2.9	0.5	1.7
Food and Kindred Products	40.7	41.1	41.5	39.8	37.7	36.1	36.4	37.2
% Ch	-1.4	0.9	0.9	-4.0	-5.2	-4.3	0.9	2.1
Pulp and Paper	16.2	15.9	15.9	14.9	15.2	15.0	14.9	14.8
% Ch	-0.7	-2.0	0.2	-6.1	1.6	-1.1	-0.9	-0.2
Apparel	9.6	8.7	8.3	7.6	6.6	6.5	6.5	6.5
% Ch	-5.5	-8.9	-4.7	-8.7	-12.7	-2.4	-0.2	0.5
Printing	24.4	24.2	24.5	23.4	21.9	21.4	21.5	22.0
% Ch	0.9	-0.9	1.2	-4.4	-6.5	-2.2	0.6	2.5
Chemicals	6.0	6.2	6.1	6.0	5.7	5.4	5.4	5.6
% Ch	6.1	3.0	-0.8	-2.3	-5.7	-4.7	1.1	3.1
Other Nondurables	11.7	12.3	12.4	12.0	12.0	11.8	11.9	12.0
% Ch	4.5	4.8	1.0	-3.1	-0.1	-1.5	0.6	1.3
Durable Manufacturing	271.0	255.8	244.5	234.6	211.1	198.8	195.7	198.4
% Ch	3.7	-5.6	-4.4	-4.0	-10.0	-5.8	-1.5	1.4
Lumber and Wood	34.2	33.9	33.3	31.1	29.9	28.3	28.1	28.5
% Ch	-4.1	-0.7	-1.8	-6.6	-3.8	-5.4	-0.7	1.3
Furniture	4.7	4.7	5.0	4.7	4.1	4.0	4.0	4.0
% Ch	14.5	1.4	4.9	-5.4	-12.3	-4.1	0.2	1.6
Stone-Clay-Glass	9.1	8.9	9.2	8.8	8.6	8.6	8.5	8.6
% Ch	-4.0	-2.7	3.3	-4.4	-2.6	0.6	-1.3	1.1
Primary Metals	12.0	11.7	11.1	9.1	6.8	6.3	6.6	6.6
% Ch	3.0	-2.4	-5.0	-18.1	-25.8	-6.1	3.7	0.2
Fabricated Metals	14.8	14.6	14.9	14.3	13.3	12.9	12.9	13.0
% Ch	3.7	-1.2	2.1	-4.3	-6.8	-3.5	0.1	1.1
Nonelectrical Machinery	26.1	25.1	25.6	24.3	21.9	21.2	20.5	20.3
% Ch	-1.8	-3.8	1.9	-5.1	-10.0	-2.9	-3.7	-0.7
Electrical Machinery	18.5	18.5	20.3	19.2	15.3	14.6	16.4	17.7
% Ch	8.8	-0.3	10.0	-5.4	-20.3	-4.7	12.1	8.4
Aerospace	112.4	98.9	86.1	86.8	75.9	68.0	63.4	63.3
% Ch	7.1	-12.0	-12.9	0.8	-12.5	-10.5	-6.7	-0.1
Other Trans. Equip.	15.6	15.9	15.3	13.3	13.1	13.2	13.3	13.4
% Ch	7.6	1.7	-4.0	-12.9	-1.1	0.2	0.9	0.8
Instruments	14.9	14.8	14.6	14.5	14.2	14.1	14.3	14.7
% Ch	2.7	-0.7	-1.0	-0.9	-1.8	-1.3	1.7	2.9
Other Durables	8.7	8.8	9.0	8.5	7.9	7.7	7.9	8.2
% Ch	1.6	1.2	2.7	-5.8	-6.8	-3.3	3.3	3.8
Nonmanufacturing	2,215.1	2,284.6	2,358.3	2,358.0	2,344.1	2,376.1	2,437.4	2,497.2
% Ch	3.3	3.1	3.2	-0.0	-0.6	1.4	2.6	2.5
Mining	3.3	3.1	3.6	3.4	3.1	3.1	3.2	3.3
% Ch	-6.1	-4.2	13.7	-4.0	-9.8	0.7	3.3	3.6
Construction	143.7	153.8	160.2	155.4	150.7	151.0	152.3	157.0
% Ch	5.4	7.1	4.1	-3.0	-3.0	0.2	0.9	3.0
Trans., Comm. and Utilities	135.6	139.7	146.6	146.4	139.5	140.9	147.8	153.8
% Ch	2.1	3.0	4.9	-0.1	-4.7	1.0	4.9	4.0
Wholesale Trade	153.1	154.1	151.3	144.1	138.2	139.5	144.3	147.5
% Ch	2.3	0.7	-1.8	-4.8	-4.0	0.9	3.4	2.3
Retail Trade	469.6	482.0	493.9	489.6	483.1	483.2	487.9	491.1
% Ch	2.7	2.6	2.5	-0.9	-1.3	0.0	1.0	0.6
Finance-Insurance-Real Estate	134.6	137.6	137.5	140.7	142.0	145.2	150.6	155.3
% Ch	5.4	2.2	-0.1	2.4	0.9	2.2	3.8	3.1
Services	709.3	739.7	781.9	773.0	771.2	791.9	829.9	860.6
% Ch	4.5	4.3	5.7	-1.1	-0.2	2.7	4.8	3.7
State and Local Government	398.8	406.9	413.6	437.4	446.8	449.3	448.8	455.9
% Ch	2.2	2.0	1.6	5.8	2.2	0.6	-0.1	1.6
Federal Government	67.2	67.6	69.9	67.9	69.3	72.0	72.4	72.8
% Ch	-0.9	0.5	3.4	-2.8	2.1	3.8	0.7	0.4

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

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Wage and Salary Employment	2,696.8	2,710.2	2,715.9	2,722.9	2,720.2	2,709.3	2,693.1	2,662.8
% Ch	3.7	2.0	0.8	1.0	-0.4	-1.6	-2.4	-4.4
Manufacturing	351.9	355.2	353.6	351.8	347.9	342.1	336.7	326.6
% Ch	-7.2	3.8	-1.7	-2.1	-4.3	-6.5	-6.2	-11.5
Nondurable Manufacturing	109.0	109.1	109.0	107.5	105.8	104.8	103.5	100.6
% Ch	0.3	0.4	-0.4	-5.2	-6.2	-3.9	-4.8	-10.8
Food and Kindred Products	41.2	41.9	42.0	40.8	40.2	40.3	40.1	38.7
% Ch	-1.8	7.1	1.3	-10.8	-5.6	0.2	-2.1	-13.3
Pulp and Paper	15.9	16.0	15.9	15.9	15.3	15.0	14.8	14.6
% Ch	3.2	-0.4	1.5	-4.3	-2.8	-5.0	-10.5	-12.5
Apparel	8.5	8.4	8.3	8.2	8.0	7.8	7.5	7.1
% Ch	-13.9	-2.3	-6.5	-3.5	-9.1	-11.2	-12.1	-18.3
Printing	24.5	24.5	24.6	24.3	24.1	23.8	23.2	22.4
% Ch	3.2	-0.4	1.5	-4.3	-2.8	-5.0	-10.5	-12.5
Chemicals	6.3	6.0	6.1	6.1	6.1	6.0	6.0	5.9
% Ch	-0.6	-15.5	1.9	6.0	-2.4	-8.3	-1.1	-3.8
Other Nondurables	12.7	12.4	12.2	12.2	12.1	12.0	12.0	11.9
% Ch	13.0	-9.7	-4.2	-0.2	-5.4	-3.6	3.1	-3.8
Durable Manufacturing	242.9	246.1	244.6	244.2	242.1	237.3	233.2	225.9
% Ch	-10.3	5.4	-2.3	-0.6	-3.5	-7.6	-6.8	-11.8
Lumber and Wood	34.0	33.8	33.0	32.4	32.0	31.1	31.0	30.3
% Ch	2.3	-2.0	-9.4	-6.3	-5.2	-10.4	-1.4	-9.5
Furniture	4.8	5.0	5.0	5.0	4.9	4.8	4.7	4.5
% Ch	8.2	13.4	1.5	2.3	-10.2	-11.0	-7.5	-16.2
Stone-Clay-Glass	9.2	9.2	9.1	9.2	9.2	9.0	8.6	8.4
% Ch	8.4	-0.6	-3.9	1.8	1.6	-9.7	-18.2	-5.4
Primary Metals	11.3	11.1	10.8	11.2	10.1	9.6	8.6	8.1
% Ch	-9.7	-8.7	-10.2	17.2	-34.4	-17.3	-36.5	-22.2
Fabricated Metals	14.9	15.0	15.0	14.9	14.9	14.4	14.0	13.8
% Ch	0.1	2.9	0.4	-1.2	-0.7	-12.1	-10.8	-6.0
Nonelectrical Machinery	25.3	25.6	25.7	25.7	25.4	24.7	24.1	23.0
% Ch	0.9	4.1	1.5	0.9	-5.8	-9.6	-9.8	-17.4
Electrical Machinery	19.4	19.9	20.7	21.3	21.2	19.8	18.6	17.2
% Ch	20.2	12.6	16.8	10.7	-0.8	-23.9	-22.1	-26.6
Aerospace	84.4	87.6	86.6	86.0	86.8	87.0	87.5	85.8
% Ch	-29.6	16.0	-4.4	-2.8	4.1	0.9	2.3	-7.6
Other Trans. Equip.	16.0	15.5	15.0	14.6	14.1	13.4	13.1	12.6
% Ch	4.5	-11.7	-12.4	-9.9	-13.9	-17.1	-9.6	-14.3
Instruments	14.5	14.6	14.7	14.7	14.6	14.7	14.6	14.2
% Ch	-6.2	2.5	2.4	-0.4	-3.2	3.4	-3.5	-10.3
Other Durables	9.0	8.8	9.1	9.2	8.9	8.6	8.4	8.1
% Ch	0.2	-10.0	11.7	4.5	-11.8	-9.6	-12.2	-12.8
Nonmanufacturing	2,344.9	2,355.0	2,362.3	2,371.1	2,372.3	2,367.2	2,356.5	2,336.2
% Ch	5.5	1.7	1.2	1.5	0.2	-0.9	-1.8	-3.4
Mining	3.5	3.6	3.6	3.5	3.4	3.5	3.5	3.4
% Ch	39.3	7.4	1.5	-9.4	-11.7	5.0	0.4	-10.4
Construction	160.7	160.4	159.0	160.5	159.8	156.5	154.5	150.8
% Ch	8.9	-0.7	-3.4	3.6	-1.5	-8.2	-5.0	-9.2
Trans., Comm. and Utilities	144.0	145.7	147.3	149.4	149.3	148.4	145.7	142.3
% Ch	4.0	4.9	4.5	5.8	-0.3	-2.4	-7.1	-9.0
Wholesale Trade	154.3	152.5	150.1	148.3	146.6	144.9	143.7	141.1
% Ch	-0.8	-4.6	-6.2	-4.6	-4.4	-4.6	-3.4	-7.1
Retail Trade	493.6	495.5	493.5	493.0	494.2	492.2	489.9	482.2
% Ch	4.8	1.5	-1.5	-0.5	1.0	-1.7	-1.9	-6.1
Finance-Insurance-Real Estate	137.8	137.2	137.1	137.7	138.9	139.5	141.9	142.6
% Ch	-0.5	-1.8	-0.4	1.7	3.6	1.9	7.1	1.8
Services	771.5	775.3	786.2	794.5	780.2	778.7	769.6	763.7
% Ch	9.9	2.0	5.7	4.3	-7.0	-0.8	-4.6	-3.0
State and Local Government	411.6	410.9	416.0	415.9	432.2	436.5	439.6	441.5
% Ch	2.8	-0.7	5.1	-0.1	16.6	4.1	2.9	1.7
Federal Government	67.9	73.9	69.4	68.4	67.6	67.1	68.2	68.7
% Ch	1.2	40.4	-22.4	-5.7	-4.5	-2.8	6.7	3.1

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wage and Salary Employment	2,648.1	2,652.5	2,659.5	2,656.7	2,661.5	2,664.6	2,672.7	2,685.2
% Ch	-2.2	0.7	1.1	-0.4	0.7	0.5	1.2	1.9
Manufacturing	318.0	312.1	308.4	302.1	299.2	296.0	292.9	291.5
% Ch	-10.1	-7.2	-4.6	-8.0	-3.8	-4.2	-4.1	-1.9
Nondurable Manufacturing	100.5	98.8	99.5	97.3	96.8	96.2	95.8	95.8
% Ch	-0.5	-6.4	2.5	-8.3	-2.2	-2.3	-1.9	0.3
Food and Kindred Products	38.4	37.4	38.5	36.6	36.3	36.1	36.0	36.1
% Ch	-2.6	-9.7	12.4	-19.1	-3.1	-2.0	-0.8	0.9
Pulp and Paper	15.3	15.2	15.1	15.1	15.1	15.0	15.0	14.9
% Ch	20.0	-1.4	-3.5	0.9	-0.8	-1.5	-1.8	-1.0
Apparel	6.9	6.6	6.6	6.6	6.5	6.5	6.5	6.4
% Ch	-15.3	-15.3	-1.1	-0.2	-1.3	-2.7	-2.0	-1.4
Printing	22.1	21.8	21.7	21.7	21.7	21.4	21.2	21.2
% Ch	-4.9	-5.2	-1.4	-0.0	-1.6	-4.1	-4.3	0.7
Chemicals	5.9	5.7	5.6	5.4	5.4	5.4	5.4	5.4
% Ch	2.6	-14.2	-10.1	-13.4	2.2	-1.0	-1.7	1.5
Other Nondurables	11.9	12.1	12.0	12.0	11.9	11.8	11.8	11.8
% Ch	-0.5	5.6	-3.6	0.5	-4.3	-1.8	-0.8	0.3
Durable Manufacturing	217.5	213.2	208.9	204.7	202.4	199.8	197.2	195.7
% Ch	-14.2	-7.6	-7.8	-7.8	-4.5	-5.0	-5.2	-3.0
Lumber and Wood	29.9	30.0	30.0	29.7	29.0	28.5	28.0	27.8
% Ch	-4.4	1.1	0.3	-4.7	-9.5	-6.3	-6.9	-2.7
Furniture	4.3	4.1	4.1	4.0	4.0	4.0	4.0	3.9
% Ch	-15.3	-16.3	-1.4	-5.6	-3.6	-2.8	-1.7	-2.2
Stone-Clay-Glass	8.5	8.6	8.6	8.6	8.7	8.6	8.6	8.5
% Ch	4.8	1.5	-0.3	2.4	3.8	-1.8	-2.4	-2.3
Primary Metals	7.6	6.7	6.4	6.3	6.3	6.3	6.3	6.4
% Ch	-21.2	-41.5	-13.4	-4.7	-1.7	1.3	-0.6	4.8
Fabricated Metals	13.5	13.4	13.3	13.1	12.9	12.9	12.8	12.8
% Ch	-9.0	-3.7	-1.3	-6.3	-5.0	-2.0	-1.9	-0.1
Nonelectrical Machinery	22.1	22.0	21.7	21.6	21.6	21.4	21.1	20.9
% Ch	-13.7	-2.2	-5.4	-1.9	-0.6	-3.2	-5.7	-3.3
Electrical Machinery	16.1	15.7	15.2	14.2	14.2	14.4	14.7	15.1
% Ch	-23.4	-9.6	-12.8	-22.9	-0.4	4.2	8.2	13.6
Aerospace	80.4	76.9	74.0	72.3	70.9	68.9	66.9	65.1
% Ch	-22.9	-16.2	-14.3	-8.8	-7.6	-10.9	-11.3	-10.1
Other Trans. Equip.	12.4	13.5	13.4	13.2	13.2	13.2	13.2	13.2
% Ch	-4.7	38.3	-1.1	-6.8	-1.1	-0.6	0.6	1.1
Instruments	14.4	14.2	14.3	14.0	14.0	14.0	14.1	14.1
% Ch	8.0	-6.7	2.1	-7.1	0.2	0.2	0.8	1.4
Other Durables	8.1	8.2	7.9	7.6	7.6	7.6	7.7	7.7
% Ch	-1.5	6.0	-14.2	-14.6	1.3	2.3	2.1	3.1
Nonmanufacturing	2,330.2	2,340.4	2,351.1	2,354.6	2,362.4	2,368.6	2,379.7	2,393.7
% Ch	-1.0	1.8	1.8	0.6	1.3	1.1	1.9	2.4
Mining	3.1	3.1	3.2	3.1	3.1	3.1	3.1	3.2
% Ch	-29.0	-5.6	15.6	-12.2	3.3	1.7	3.0	3.1
Construction	150.2	150.4	151.5	150.8	151.3	151.0	151.2	150.5
% Ch	-1.5	0.4	3.0	-1.8	1.2	-0.8	0.7	-2.0
Trans., Comm. and Utilities	140.6	139.6	139.4	138.5	138.9	140.0	141.4	143.0
% Ch	-4.6	-2.9	-0.6	-2.3	1.1	3.3	4.0	4.7
Wholesale Trade	139.4	137.3	138.0	138.2	138.1	139.1	139.9	141.0
% Ch	-4.5	-5.9	2.0	0.6	-0.3	2.8	2.4	3.2
Retail Trade	481.1	483.5	485.6	482.2	482.9	482.6	482.8	484.6
% Ch	-0.9	2.1	1.7	-2.8	0.6	-0.3	0.2	1.5
Finance-Insurance-Real Estate	140.7	141.7	142.3	143.5	143.5	144.3	146.0	147.0
% Ch	-5.2	3.0	1.8	3.2	-0.0	2.4	4.6	2.8
Services	763.6	771.0	772.7	777.4	780.7	786.6	795.0	805.2
% Ch	-0.1	4.0	0.9	2.5	1.7	3.1	4.4	5.2
State and Local Government	443.2	445.8	449.1	449.3	452.3	449.8	448.2	447.1
% Ch	1.5	2.4	3.0	0.1	2.7	-2.2	-1.4	-1.0
Federal Government	68.4	68.0	69.3	71.6	71.6	72.1	72.0	72.2
% Ch	-2.0	-2.0	7.6	14.0	0.0	2.5	-0.3	0.9

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Wage and Salary Employment	2,702.2	2,720.7	2,739.1	2,756.9	2,771.6	2,786.6	2,801.4	2,815.6
% Ch	2.6	2.8	2.7	2.6	2.1	2.2	2.1	2.0
Manufacturing	291.6	292.0	292.6	293.1	294.3	295.8	297.5	298.8
% Ch	0.2	0.5	0.7	0.8	1.6	2.1	2.2	1.8
Nondurable Manufacturing	96.1	96.4	96.7	97.1	97.6	98.0	98.5	98.7
% Ch	1.2	1.2	1.3	1.5	2.0	1.9	1.9	0.9
Food and Kindred Products	36.2	36.4	36.5	36.7	36.9	37.1	37.3	37.5
% Ch	1.2	2.1	1.4	1.8	2.2	2.7	2.4	1.2
Pulp and Paper	14.9	14.9	14.8	14.8	14.8	14.8	14.8	14.8
% Ch	-0.8	-0.6	-0.6	-0.4	-0.1	0.0	0.1	-0.3
Apparel	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
% Ch	2.1	-0.6	0.8	-0.1	1.2	0.6	0.2	-0.1
Printing	21.4	21.4	21.6	21.7	21.9	22.0	22.1	22.2
% Ch	2.3	1.4	2.4	2.4	3.4	2.2	2.7	1.0
Chemicals	5.4	5.4	5.5	5.5	5.5	5.6	5.6	5.7
% Ch	1.3	1.6	2.3	3.0	3.1	3.3	4.4	3.5
Other Nondurables	11.8	11.9	11.9	11.9	12.0	12.0	12.1	12.1
% Ch	1.0	1.4	1.5	1.3	1.2	1.3	1.3	0.9
Durable Manufacturing	195.5	195.6	195.8	196.1	196.8	197.8	199.0	200.0
% Ch	-0.3	0.2	0.4	0.5	1.4	2.1	2.4	2.2
Lumber and Wood	27.9	28.0	28.2	28.3	28.4	28.5	28.5	28.5
% Ch	0.9	2.9	1.8	2.3	1.2	0.5	0.3	0.4
Furniture	3.9	4.0	4.0	4.0	4.0	4.0	4.0	4.1
% Ch	1.1	2.0	2.0	1.9	1.6	1.5	1.4	0.9
Stone-Clay-Glass	8.5	8.5	8.5	8.5	8.6	8.6	8.6	8.6
% Ch	-1.8	-0.5	0.2	1.0	1.6	1.8	1.3	0.7
Primary Metals	6.5	6.5	6.6	6.7	6.6	6.6	6.6	6.6
% Ch	5.5	3.8	4.6	2.1	-1.5	-1.9	-1.2	-1.4
Fabricated Metals	12.8	12.9	12.9	12.9	12.9	13.0	13.0	13.1
% Ch	0.2	1.7	0.1	0.8	1.2	1.7	1.5	0.6
Nonelectrical Machinery	20.7	20.5	20.4	20.3	20.3	20.3	20.4	20.4
% Ch	-3.9	-4.5	-2.0	-1.0	-0.7	-0.1	1.6	0.8
Electrical Machinery	15.7	16.1	16.6	17.0	17.3	17.5	17.9	18.2
% Ch	15.2	12.0	12.7	10.4	6.0	6.3	7.8	8.2
Aerospace	64.3	63.7	63.1	62.5	62.6	63.1	63.6	64.0
% Ch	-4.8	-3.7	-3.7	-3.7	0.7	3.0	3.0	3.0
Other Trans. Equip.	13.2	13.3	13.3	13.4	13.4	13.4	13.4	13.4
% Ch	1.1	1.1	1.1	1.2	0.6	0.5	0.4	0.4
Instruments	14.2	14.2	14.3	14.4	14.5	14.7	14.8	14.8
% Ch	1.8	1.9	2.7	2.7	3.1	3.2	3.0	2.0
Other Durables	7.8	7.9	7.9	8.0	8.1	8.2	8.3	8.3
% Ch	3.6	3.7	3.9	4.1	3.9	3.8	3.7	3.3
Nonmanufacturing	2,410.6	2,428.7	2,446.5	2,463.8	2,477.3	2,490.7	2,503.9	2,516.9
% Ch	2.9	3.0	3.0	2.9	2.2	2.2	2.1	2.1
Mining	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.4
% Ch	2.9	3.6	4.1	4.4	3.9	3.1	2.8	2.6
Construction	151.0	151.6	152.7	154.0	155.5	156.6	157.5	158.2
% Ch	1.3	1.6	3.0	3.3	4.0	2.9	2.4	1.8
Trans., Comm. and Utilities	144.9	146.8	148.8	150.7	151.9	153.2	154.4	155.6
% Ch	5.3	5.5	5.4	5.2	3.3	3.3	3.3	3.2
Wholesale Trade	142.1	143.5	145.0	146.5	147.0	147.4	147.7	148.0
% Ch	3.2	4.0	4.2	4.3	1.4	1.1	0.9	0.7
Retail Trade	485.1	487.7	488.8	490.1	490.0	490.7	491.2	492.4
% Ch	0.4	2.2	0.9	1.1	-0.1	0.5	0.5	1.0
Finance-Insurance-Real Estate	148.8	149.9	151.1	152.6	153.7	154.8	155.8	156.8
% Ch	5.2	3.0	3.2	4.0	3.0	2.9	2.6	2.6
Services	815.9	825.9	835.1	842.9	850.8	857.3	864.1	870.1
% Ch	5.4	5.0	4.5	3.8	3.8	3.1	3.2	2.8
State and Local Government	447.3	447.6	449.3	451.2	452.3	454.7	457.0	459.4
% Ch	0.2	0.2	1.5	1.7	1.0	2.1	2.1	2.1
Federal Government	72.3	72.4	72.5	72.6	72.6	72.7	72.8	72.9
% Ch	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.4

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

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	7,426.0	7,786.5	8,406.6	8,685.3	8,948.1	9,367.9	9,928.3	10,486.4
% Ch	7.0	4.9	8.0	3.3	3.0	4.7	6.0	5.6
Total Wage and Salary Disbursements	4,192.8	4,470.4	4,836.3	4,950.6	5,023.9	5,234.8	5,570.1	5,885.2
% Ch	7.8	6.6	8.2	2.4	1.5	4.2	6.4	5.7
Nonwage Personal Income	3,233.2	3,316.1	3,570.2	3,734.7	3,924.2	4,133.1	4,358.2	4,601.2
% Ch	6.1	2.6	7.7	4.6	5.1	5.3	5.4	5.6
Other Labor Income	490.6	510.2	544.2	570.4	610.8	664.1	721.6	773.1
% Ch	3.2	4.0	6.7	4.8	7.1	8.7	8.7	7.1
Proprietor's Income	623.8	678.4	714.8	727.9	756.9	821.5	903.7	955.3
% Ch	7.3	8.8	5.4	1.8	4.0	8.5	10.0	5.7
Farm	25.6	27.7	22.6	19.0	12.7	16.7	32.0	34.6
% Ch	-13.9	8.3	-18.5	-15.6	-33.3	31.5	91.6	7.9
Nonfarm	598.2	650.7	692.2	708.8	744.2	804.8	871.6	920.8
% Ch	8.5	8.8	6.4	2.4	5.0	8.1	8.3	5.6
Less: Pers Cont. For Social Ins.	316.3	337.4	358.4	372.3	385.5	403.0	428.0	450.9
% Ch	6.2	6.7	6.2	3.9	3.6	4.5	6.2	5.4
Dividends/Int./Rent	1,451.4	1,446.4	1,599.3	1,638.3	1,655.0	1,693.5	1,776.2	1,888.4
% Ch	9.4	-0.3	10.6	2.4	1.0	2.3	4.9	6.3
Transfer Payments	983.7	1,018.5	1,070.3	1,170.4	1,287.1	1,357.0	1,384.7	1,435.3
% Ch	2.2	3.5	5.1	9.4	10.0	5.4	2.0	3.7

Table A3.2  
**U.S. Personal Income by Component**  
 Forecast 2003 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	8,211.6	8,350.2	8,487.8	8,576.6	8,658.1	8,676.2	8,706.2	8,700.9
% Ch	13.2	6.9	6.8	4.2	3.9	0.8	1.4	-0.2
Total Wage and Salary Disbursements	4,757.4	4,790.8	4,879.3	4,917.8	4,960.4	4,956.9	4,953.7	4,931.4
% Ch	16.7	2.8	7.6	3.2	3.5	-0.3	-0.3	-1.8
Nonwage Personal Income	3,454.2	3,559.4	3,608.5	3,658.8	3,697.7	3,719.3	3,752.4	3,769.5
% Ch	8.7	12.8	5.6	5.7	4.3	2.4	3.6	1.8
Other Labor Income	530.5	540.0	548.7	557.4	564.7	568.2	572.4	576.3
% Ch	9.8	7.4	6.6	6.4	5.4	2.5	3.0	2.8
Proprietor's Income	702.5	718.8	718.6	719.3	721.2	726.6	732.4	731.3
% Ch	3.0	9.6	-0.1	0.4	1.0	3.0	3.3	-0.6
Farm	22.3	25.0	21.7	21.2	19.3	18.4	19.3	19.2
% Ch	-39.8	57.6	-43.6	-8.2	-32.4	-16.8	21.0	-0.8
Nonfarm	680.2	693.8	696.9	698.1	701.9	708.2	713.1	712.1
% Ch	4.9	8.3	1.8	0.7	2.2	3.6	2.8	-0.6
Less: Pers Cont. For Social Ins.	354.5	355.3	360.6	363.1	371.1	372.2	373.1	372.7
% Ch	13.4	0.9	6.1	2.8	9.2	1.1	1.0	-0.4
Dividends/Int./Rent	1,530.9	1,590.3	1,625.1	1,651.0	1,648.0	1,637.6	1,638.2	1,629.5
% Ch	14.2	16.5	9.0	6.5	-0.7	-2.5	0.2	-2.1
Transfer Payments	1,044.8	1,065.5	1,076.6	1,094.2	1,135.0	1,159.1	1,182.5	1,205.0
% Ch	6.0	8.2	4.2	6.7	15.8	8.8	8.3	7.8

Table A3.2  
**U.S. Personal Income by Component**  
 Forecast 2003 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,803.4	8,914.0	8,993.3	9,081.6	9,193.7	9,298.2	9,423.8	9,555.8
% Ch	4.8	5.1	3.6	4.0	5.0	4.6	5.5	5.7
Total Wage and Salary Disbursements	4,957.8	4,997.3	5,043.6	5,096.7	5,142.3	5,193.1	5,256.6	5,347.2
% Ch	2.2	3.2	3.8	4.3	3.6	4.0	5.0	7.1
Nonwage Personal Income	3,845.7	3,916.7	3,949.7	3,984.8	4,051.3	4,105.2	4,167.1	4,208.6
% Ch	8.3	7.6	3.4	3.6	6.8	5.4	6.2	4.0
Other Labor Income	590.7	604.1	617.5	630.9	644.5	657.5	670.2	684.2
% Ch	10.4	9.3	9.2	9.0	8.9	8.4	7.9	8.6
Proprietor's Income	748.4	747.5	758.7	772.9	787.7	806.2	836.7	855.4
% Ch	9.7	-0.5	6.2	7.7	7.9	9.7	16.0	9.2
Farm	21.7	7.5	10.7	10.9	10.6	11.8	21.8	22.6
% Ch	62.2	-98.6	322.3	7.5	-10.2	52.4	1,064.2	15.2
Nonfarm	726.7	740.0	748.0	761.9	777.1	794.4	814.9	832.8
% Ch	8.4	7.6	4.4	7.7	8.2	9.2	10.7	9.1
Less: Pers Cont. For Social Ins.	380.5	383.6	387.0	391.0	396.2	399.8	404.4	411.6
% Ch	8.6	3.3	3.7	4.1	5.4	3.7	4.7	7.3
Dividends/Int./Rent	1,635.0	1,666.1	1,662.1	1,656.6	1,665.6	1,682.3	1,705.1	1,720.9
% Ch	1.3	7.8	-1.0	-1.3	2.2	4.1	5.5	3.8
Transfer Payments	1,252.0	1,282.6	1,298.4	1,315.4	1,349.8	1,358.9	1,359.6	1,359.6
% Ch	16.5	10.1	5.0	5.3	10.9	2.7	0.2	-0.0



Table A3.2  
**U.S. Personal Income by Component**  
 Forecast 2003 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,720.5	9,860.8	9,994.3	10,137.5	10,281.2	10,421.5	10,550.8	10,692.0
% Ch	7.1	5.9	5.5	5.9	5.8	5.6	5.1	5.5
Total Wage and Salary Disbursements	5,446.9	5,528.2	5,612.4	5,693.0	5,775.9	5,849.5	5,921.7	5,993.6
% Ch	7.7	6.1	6.2	5.9	6.0	5.2	5.0	4.9
Nonwage Personal Income	4,273.7	4,332.5	4,381.9	4,444.5	4,505.3	4,572.0	4,629.1	4,698.4
% Ch	6.3	5.6	4.6	5.8	5.6	6.1	5.1	6.1
Other Labor Income	699.0	712.8	728.2	746.3	758.9	768.0	778.2	787.0
% Ch	8.9	8.1	8.9	10.3	6.9	4.9	5.4	4.6
Proprietor's Income	879.5	895.1	914.4	925.7	938.9	950.8	962.6	969.0
% Ch	11.8	7.3	8.9	5.0	5.8	5.1	5.1	2.7
Farm	25.3	31.3	36.8	34.6	34.4	36.0	35.8	32.0
% Ch	57.3	134.8	90.8	-21.7	-2.5	19.7	-2.1	-36.4
Nonfarm	854.2	863.7	877.6	891.0	904.5	914.7	926.8	937.1
% Ch	10.7	4.5	6.6	6.3	6.2	4.6	5.4	4.5
Less: Pers Cont. for Social Ins.	418.9	424.9	431.1	436.9	443.0	448.3	453.6	458.8
% Ch	7.3	5.8	5.9	5.6	5.7	4.9	4.7	4.7
Dividends/Int./Rent	1,742.1	1,770.5	1,780.8	1,811.3	1,835.4	1,874.9	1,900.0	1,943.4
% Ch	5.0	6.7	2.4	7.0	5.4	8.9	5.5	9.5
Transfer Payments	1,372.0	1,379.0	1,389.6	1,398.2	1,415.0	1,426.6	1,441.8	1,457.7
% Ch	3.7	2.1	3.1	2.5	4.9	3.3	4.4	4.5

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

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	163.192	174.322	186.863	191.763	198.490	206.703	217.345	228.508
% Ch	8.6	6.8	7.2	2.6	3.5	4.1	5.1	5.1
Total Wage and Salary Disbursements	94.322	103.805	110.045	110.856	112.025	115.744	122.152	128.600
% Ch	10.5	10.1	6.0	0.7	1.1	3.3	5.5	5.3
Manufacturing	16.218	16.421	16.762	16.401	16.211	15.884	16.331	17.084
% Ch	5.9	1.3	2.1	-2.2	-1.2	-2.0	2.8	4.6
Nondurable Manufacturing	3.800	4.069	4.448	4.150	4.519	4.717	4.906	5.134
% Ch	1.8	7.1	9.3	-6.7	8.9	4.4	4.0	4.7
Durable Manufacturing	12.418	12.352	12.314	12.250	11.693	11.167	11.425	11.950
% Ch	7.2	-0.5	-0.3	-0.5	-4.5	-4.5	2.3	4.6
Nonmanufacturing	74.587	83.597	89.363	90.260	91.221	94.877	100.642	106.139
% Ch	12.1	12.1	6.9	1.0	1.1	4.0	6.1	5.5
Other Private Wages	0.775	0.893	0.953	1.005	1.044	1.141	1.209	1.279
% Ch	4.6	15.2	6.7	5.5	3.9	9.3	5.9	5.8
Farm Wages	0.876	0.988	0.967	1.047	1.169	1.246	1.292	1.340
% Ch	3.2	12.7	-2.1	8.3	11.6	6.6	3.7	3.7
Military Wages	1.865	1.906	2.000	2.143	2.379	2.595	2.678	2.758
% Ch	-3.8	2.2	4.9	7.1	11.0	9.1	3.2	3.0
Nonwage Personal Income	68.870	70.517	76.818	80.907	86.466	90.960	95.193	99.908
% Ch	6.3	2.4	8.9	5.3	6.9	5.2	4.7	5.0
Other Labor Income	10.549	11.057	11.642	12.167	13.115	14.202	15.198	16.144
% Ch	3.5	4.8	5.3	4.5	7.8	8.3	7.0	6.2
Proprietor's Income	12.505	13.274	14.208	14.273	15.220	16.588	18.077	19.070
% Ch	7.0	6.2	7.0	0.5	6.6	9.0	9.0	5.5
Farm	0.519	0.084	0.260	0.012	0.241	0.377	0.617	0.685
% Ch	11.0	-83.8	209.8	-95.5	1,949.2	56.8	63.5	10.9
Nonfarm	11.985	13.190	13.947	14.261	14.979	16.210	17.460	18.385
% Ch	6.8	10.1	5.7	2.2	5.0	8.2	7.7	5.3
Less: Pers. Cont. for Social Ins.	7.214	7.896	8.245	8.446	8.724	9.102	9.605	10.100
% Ch	8.7	9.5	4.4	2.4	3.3	4.3	5.5	5.2
Plus: Residence Adjustment	1.723	2.045	2.383	2.394	2.426	2.530	2.628	2.733
% Ch	4.8	18.7	16.5	0.5	1.3	4.3	3.8	4.0
Dividends/Int./Rent	31.714	31.479	35.180	36.279	36.709	37.567	39.454	42.023
% Ch	9.8	-0.7	11.8	3.1	1.2	2.3	5.0	6.5
Transfer Payments	19.596	20.557	21.650	24.240	27.720	29.175	29.440	30.039
% Ch	2.9	4.9	5.3	12.0	14.4	5.2	0.9	2.0
State U.I. Benefits	0.816	0.945	0.937	1.381	2.876	2.850	2.102	1.366
% Ch	12.9	15.9	-0.9	47.4	108.3	-0.9	-26.2	-35.0
Other Transfers	18.780	19.611	20.714	22.860	24.844	26.324	27.338	28.673
% Ch	2.5	4.4	5.6	10.4	8.7	6.0	3.8	4.9

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

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	187.344	185.786	185.901	188.422	189.797	194.386	192.225	190.644
% Ch	15.8	-3.3	0.2	5.5	3.0	10.0	-4.4	-3.2
Total Wage and Salary Disbursements	113.382	109.417	108.048	109.333	109.916	113.902	110.807	108.798
% Ch	19.3	-13.3	-4.9	4.8	2.2	15.3	-10.4	-7.1
Manufacturing	17.209	16.409	16.679	16.751	17.129	16.287	16.322	15.864
% Ch	22.1	-17.3	6.7	1.7	9.3	-18.3	0.9	-10.8
Nondurable Manufacturing	4.993	4.162	4.425	4.212	4.134	4.183	4.192	4.092
% Ch	98.2	-51.7	27.8	-17.9	-7.2	4.8	0.9	-9.2
Durable Manufacturing	12.216	12.247	12.254	12.539	12.995	12.104	12.130	11.772
% Ch	1.7	1.0	0.2	9.6	15.4	-24.7	0.9	-11.3
Nonmanufacturing	92.347	89.096	87.407	88.603	88.656	93.471	90.238	88.675
% Ch	19.5	-13.4	-7.4	5.6	0.2	23.6	-13.1	-6.8
Other Private Wages	0.906	0.978	0.961	0.966	0.989	0.968	1.045	1.018
% Ch	-5.5	35.8	-6.8	2.1	9.9	-8.2	35.8	-9.9
Farm Wages	0.958	0.970	0.972	0.967	1.004	1.038	1.064	1.082
% Ch	-4.1	5.1	0.8	-2.0	16.2	14.2	10.4	6.9
Military Wages	1.962	1.964	2.029	2.046	2.138	2.138	2.138	2.159
% Ch	11.1	0.4	13.9	3.4	19.2	0.0	0.0	4.0
Nonwage Personal Income	73.962	76.369	77.851	79.088	79.881	80.483	81.417	81.846
% Ch	10.6	13.7	8.0	6.5	4.1	3.0	4.7	2.1
Other Labor Income	11.669	11.575	11.542	11.783	11.946	12.323	12.200	12.200
% Ch	11.1	-3.2	-1.1	8.6	5.6	13.2	-3.9	0.0
Proprietor's Income	13.964	14.203	14.310	14.353	14.178	14.276	14.377	14.260
% Ch	5.2	7.0	3.0	1.2	-4.8	2.8	2.9	-3.2
Farm	0.243	0.249	0.301	0.248	0.029	0.005	0.010	0.003
% Ch	919.2	10.2	113.5	-53.9	-100.0	-99.9	1,500.0	-99.2
Nonfarm	13.721	13.954	14.008	14.105	14.149	14.271	14.367	14.256
% Ch	2.0	7.0	1.6	2.8	1.3	3.5	2.7	-3.1
Less: Pers. Cont. for Social Ins.	8.530	8.200	8.077	8.172	8.330	8.665	8.457	8.333
% Ch	16.4	-14.6	-5.9	4.8	8.0	17.1	-9.3	-5.7
Plus: Residence Adjustment	2.274	2.370	2.460	2.426	2.441	2.355	2.387	2.392
% Ch	45.1	18.0	16.1	-5.4	2.5	-13.4	5.5	0.8
Dividends/Int./Rent	33.498	34.916	35.849	36.457	36.447	36.263	36.300	36.107
% Ch	15.4	18.0	11.1	7.0	-0.1	-2.0	0.4	-2.1
Transfer Payments	21.087	21.505	21.768	22.241	23.199	23.931	24.610	25.221
% Ch	5.9	8.2	5.0	9.0	18.4	13.2	11.8	10.3
State U.I. Benefits	0.926	0.898	0.919	1.003	1.037	1.284	1.475	1.726
% Ch	-3.4	-11.6	9.7	41.9	14.3	135.0	74.1	87.5
Other Transfers	20.161	20.607	20.850	21.238	22.162	22.647	23.135	23.495
% Ch	6.4	9.1	4.8	7.7	18.6	9.0	8.9	6.4

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	195.831	197.643	200.143	200.342	203.305	205.421	207.822	210.265
% Ch	11.3	3.8	5.2	0.4	6.0	4.2	4.8	4.8
Total Wage and Salary Disbursements	111.373	111.353	112.968	112.405	113.968	114.930	116.227	117.849
% Ch	9.8	-0.1	5.9	-2.0	5.7	3.4	4.6	5.7
Manufacturing	17.156	15.752	16.034	15.903	15.888	15.859	15.847	15.941
% Ch	36.8	-28.9	7.4	-3.2	-0.4	-0.7	-0.3	2.4
Nondurable Manufacturing	4.502	4.175	4.723	4.674	4.686	4.696	4.717	4.770
% Ch	46.5	-26.0	63.8	-4.1	1.0	0.9	1.8	4.5
Durable Manufacturing	12.654	11.577	11.311	11.230	11.202	11.163	11.130	11.171
% Ch	33.5	-29.9	-8.9	-2.8	-1.0	-1.4	-1.2	1.5
Nonmanufacturing	89.769	91.090	92.236	91.789	93.147	94.089	95.391	96.881
% Ch	5.0	6.0	5.1	-1.9	6.0	4.1	5.7	6.4
Other Private Wages	1.013	0.972	1.088	1.104	1.120	1.133	1.148	1.164
% Ch	-2.0	-15.2	56.8	6.0	6.0	4.7	5.6	5.5
Farm Wages	1.112	1.154	1.196	1.214	1.231	1.241	1.251	1.261
% Ch	11.6	16.0	15.4	6.0	6.0	3.1	3.2	3.4
Military Wages	2.323	2.385	2.414	2.395	2.582	2.609	2.589	2.602
% Ch	34.0	11.1	5.0	-3.1	35.1	4.2	-2.9	2.0
Nonwage Personal Income	84.459	86.292	87.175	87.937	89.337	90.491	91.595	92.416
% Ch	13.4	9.0	4.2	3.5	6.5	5.3	5.0	3.6
Other Labor Income	12.731	12.943	13.255	13.533	13.854	14.089	14.320	14.545
% Ch	18.6	6.8	10.0	8.6	9.8	6.9	6.7	6.4
Proprietor's Income	14.848	15.116	15.316	15.599	15.918	16.355	16.862	17.215
% Ch	17.5	7.4	5.4	7.6	8.5	11.4	13.0	8.6
Farm	0.256	0.231	0.237	0.239	0.253	0.331	0.452	0.474
% Ch	#####	-33.7	10.8	3.6	26.0	191.9	245.7	21.2
Nonfarm	14.593	14.885	15.079	15.360	15.665	16.024	16.411	16.741
% Ch	9.8	8.2	5.3	7.7	8.2	9.5	10.0	8.3
Less: Pers. Cont. for Social Ins.	8.661	8.663	8.745	8.827	8.965	9.036	9.135	9.272
% Ch	16.7	0.1	3.8	3.8	6.4	3.2	4.5	6.1
Plus: Residence Adjustment	2.378	2.415	2.443	2.467	2.494	2.522	2.541	2.564
% Ch	-2.3	6.4	4.7	4.1	4.4	4.5	3.1	3.6
Dividends/Int./Rent	36.230	36.993	36.862	36.750	36.944	37.315	37.821	38.187
% Ch	1.4	8.7	-1.4	-1.2	2.1	4.1	5.5	3.9
Transfer Payments	26.932	27.488	28.044	28.416	29.091	29.247	29.185	29.177
% Ch	30.0	8.5	8.3	5.4	9.8	2.2	-0.8	-0.1
State U.I. Benefits	2.625	2.828	3.031	3.019	3.073	2.982	2.754	2.593
% Ch	435.0	34.7	32.0	-1.6	7.4	-11.3	-27.3	-21.4
Other Transfers	24.307	24.660	25.013	25.397	26.018	26.265	26.431	26.584
% Ch	14.6	5.9	5.8	6.3	10.1	3.8	2.6	2.3

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	213.447	216.006	218.524	221.403	224.191	227.130	229.843	232.866
% Ch	6.2	4.9	4.7	5.4	5.1	5.3	4.9	5.4
Total Wage and Salary Disbursements	119.796	121.285	122.937	124.590	126.208	127.824	129.397	130.970
% Ch	6.8	5.1	5.6	5.5	5.3	5.2	5.0	5.0
Manufacturing	16.121	16.247	16.400	16.557	16.752	16.974	17.199	17.411
% Ch	4.6	3.2	3.8	3.9	4.8	5.4	5.4	5.0
Nondurable Manufacturing	4.833	4.878	4.930	4.983	5.044	5.107	5.168	5.218
% Ch	5.4	3.7	4.3	4.4	5.0	5.0	4.9	3.9
Durable Manufacturing	11.288	11.369	11.471	11.574	11.708	11.868	12.031	12.193
% Ch	4.3	2.9	3.6	3.7	4.7	5.6	5.6	5.5
Nonmanufacturing	98.552	99.878	101.341	102.798	104.135	105.491	106.804	108.125
% Ch	7.1	5.5	6.0	5.9	5.3	5.3	5.1	5.0
Other Private Wages	1.184	1.200	1.216	1.234	1.252	1.270	1.287	1.307
% Ch	7.2	5.6	5.3	6.1	5.9	6.1	5.5	6.1
Farm Wages	1.275	1.286	1.297	1.309	1.321	1.334	1.346	1.359
% Ch	4.4	3.5	3.5	3.9	3.7	3.9	3.6	3.9
Military Wages	2.664	2.674	2.683	2.692	2.747	2.754	2.761	2.769
% Ch	9.8	1.6	1.4	1.3	8.5	1.1	1.1	1.1
Nonwage Personal Income	93.651	94.721	95.587	96.813	97.984	99.306	100.446	101.896
% Ch	5.5	4.7	3.7	5.2	4.9	5.5	4.7	5.9
Other Labor Income	14.806	15.037	15.308	15.642	15.864	16.046	16.244	16.420
% Ch	7.4	6.4	7.4	9.0	5.8	4.7	5.0	4.4
Proprietor's Income	17.673	17.915	18.241	18.480	18.743	18.964	19.207	19.367
% Ch	11.1	5.6	7.5	5.3	5.8	4.8	5.2	3.4
Farm	0.521	0.603	0.681	0.664	0.672	0.701	0.706	0.659
% Ch	46.4	79.0	62.4	-9.5	5.1	18.3	3.0	-24.0
Nonfarm	17.152	17.312	17.561	17.817	18.071	18.263	18.501	18.707
% Ch	10.2	3.8	5.9	6.0	5.8	4.3	5.3	4.5
Less: Pers. Cont. for Social Ins.	9.423	9.538	9.665	9.792	9.917	10.041	10.162	10.282
% Ch	6.7	4.9	5.5	5.4	5.2	5.1	4.9	4.8
Plus: Residence Adjustment	2.589	2.614	2.640	2.668	2.693	2.719	2.746	2.773
% Ch	3.9	3.9	4.1	4.2	3.8	3.9	4.1	4.0
Dividends/Int./Rent	38.670	39.313	39.572	40.263	40.820	41.710	42.291	43.270
% Ch	5.2	6.8	2.7	7.2	5.6	9.0	5.7	9.6
Transfer Payments	29.336	29.381	29.491	29.553	29.781	29.909	30.119	30.349
% Ch	2.2	0.6	1.5	0.8	3.1	1.7	2.8	3.1
State U.I. Benefits	2.420	2.215	2.002	1.772	1.598	1.431	1.273	1.164
% Ch	-24.1	-29.9	-33.2	-38.6	-33.9	-35.8	-37.4	-30.0
Other Transfers	26.916	27.166	27.489	27.780	28.182	28.479	28.847	29.185
% Ch	5.1	3.8	4.8	4.3	5.9	4.3	5.3	4.8

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1965	0.234	1.5	0.315	1.6	0.310	1.1
1966	0.240	2.6	0.325	3.0	0.319	3.0
1967	0.246	2.5	0.334	2.8	0.328	2.9
1968	0.256	3.9	0.348	4.2	0.342	4.1
1969	0.267	4.5	0.367	5.4	0.358	4.8
1970	0.280	4.7	0.388	5.9	0.374	4.5
1971	0.292	4.3	0.405	4.2	0.382	2.1
1972	0.302	3.5	0.418	3.3	0.393	2.9
1973	0.319	5.4	0.444	6.3	0.418	6.4
1974	0.351	10.3	0.493	11.0	0.464	11.0
1975	0.380	8.1	0.538	9.1	0.511	10.2
1976	0.401	5.5	0.569	5.8	0.539	5.5
1977	0.427	6.6	0.606	6.5	0.583	8.0
1978	0.458	7.1	0.652	7.6	0.640	9.9
1979	0.498	8.9	0.726	11.3	0.709	10.8
1980	0.552	10.8	0.824	13.5	0.827	16.7
1981	0.601	8.8	0.909	10.4	0.916	10.8
1982	0.635	5.6	0.965	6.2	0.978	6.7
1983	0.662	4.3	0.996	3.2	0.993	1.5
1984	0.686	3.7	1.039	4.4	1.030	3.8
1985	0.710	3.4	1.076	3.5	1.056	2.5
1986	0.727	2.4	1.097	1.9	1.066	1.0
1987	0.755	3.8	1.136	3.6	1.092	2.4
1988	0.784	3.9	1.183	4.1	1.128	3.3
1989	0.819	4.4	1.239	4.8	1.181	4.7
1990	0.856	4.6	1.307	5.4	1.268	7.3
1991	0.889	3.8	1.362	4.2	1.341	5.8
1992	0.916	3.0	1.403	3.0	1.390	3.7
1993	0.938	2.4	1.445	3.0	1.429	2.8
1994	0.957	2.0	1.482	2.6	1.478	3.4
1995	0.979	2.3	1.524	2.8	1.522	3.0
1996	1.000	2.1	1.569	2.9	1.575	3.4
1997	1.019	1.9	1.605	2.3	1.630	3.5
1998	1.030	1.1	1.630	1.5	1.678	2.9
1999	1.047	1.6	1.666	2.2	1.728	3.0
2000	1.074	2.5	1.722	3.4	1.792	3.7
2001	1.096	2.0	1.771	2.8	1.857	3.6
2002	1.111	1.4	1.799	1.6	1.893	2.0
Forecast						
2003	1.133	2.0	1.836	2.1	1.928	1.9
2004	1.153	1.7	1.870	1.9	1.955	1.4
2005	1.175	2.0	1.909	2.1	1.985	1.6

\* 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

Table A4.2  
**Chain-Weighted Price Indices**  
 (1996=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1965	0.188	2.0	0.236	2.0	0.149	2.3	0.237	3.8
1966	0.193	2.9	0.246	4.2	0.153	2.5	0.243	2.3
1967	0.199	3.0	0.250	1.6	0.158	3.2	0.251	3.3
1968	0.207	4.2	0.259	3.7	0.162	3.0	0.254	1.5
1969	0.217	5.0	0.272	4.9	0.166	2.3	0.263	3.3
1970	0.229	5.3	0.288	6.1	0.173	4.2	0.265	0.9
1971	0.242	5.6	0.297	3.1	0.185	6.7	0.267	0.7
1972	0.252	4.3	0.311	4.5	0.186	0.8	0.270	1.3
1973	0.264	4.6	0.345	10.9	0.213	14.4	0.296	9.6
1974	0.285	7.9	0.393	14.2	0.338	58.3	0.400	35.1
1975	0.308	8.2	0.425	7.9	0.370	9.6	0.427	6.7
1976	0.329	6.8	0.439	3.3	0.395	6.8	0.445	4.2
1977	0.355	7.9	0.466	6.3	0.446	12.8	0.471	5.8
1978	0.383	7.9	0.509	9.1	0.469	5.1	0.491	4.3
1979	0.414	8.2	0.559	10.0	0.628	34.0	0.659	34.0
1980	0.459	10.7	0.608	8.7	0.874	39.2	0.914	38.8
1981	0.506	10.2	0.654	7.6	1.064	21.7	1.017	11.3
1982	0.548	8.4	0.677	3.5	1.052	-1.2	0.966	-5.1
1983	0.583	6.4	0.692	2.1	0.989	-6.0	0.934	-3.3
1984	0.614	5.2	0.715	3.3	1.011	2.3	0.920	-1.5
1985	0.644	4.9	0.729	2.0	0.976	-3.4	0.928	0.8
1986	0.673	4.6	0.750	2.9	0.787	-19.3	0.729	-21.5
1987	0.702	4.3	0.775	3.3	0.788	0.1	0.756	3.8
1988	0.736	4.9	0.801	3.4	0.790	0.3	0.763	0.8
1989	0.771	4.8	0.841	5.0	0.826	4.5	0.833	9.2
1990	0.809	5.0	0.882	4.8	0.986	19.4	0.948	13.8
1991	0.848	4.8	0.912	3.4	0.955	-3.2	0.936	-1.3
1992	0.885	4.3	0.922	1.2	0.921	-3.6	0.933	-0.4
1993	0.916	3.5	0.937	1.5	0.918	-0.3	0.923	-1.0
1994	0.942	2.8	0.952	1.6	0.903	-1.6	0.928	0.5
1995	0.973	3.3	0.973	2.2	0.896	-0.8	0.942	1.6
1996	1.000	2.8	1.000	2.8	1.000	11.6	1.000	6.1
1997	1.031	3.1	1.022	2.2	1.008	0.8	1.000	0.0
1998	1.055	2.3	1.040	1.8	0.915	-9.2	0.871	-12.9
1999	1.078	2.2	1.061	2.0	0.927	1.2	0.948	8.8
2000	1.108	2.8	1.087	2.4	1.291	39.3	1.211	27.8
2001	1.143	3.1	1.119	3.0	1.307	1.3	1.168	-3.6
2002	1.174	2.7	1.141	2.0	1.178	-9.9	1.095	-6.3
Forecast								
2003	1.208	2.9	1.164	2.0	1.223	3.9	1.180	7.8
2004	1.241	2.7	1.185	1.8	1.159	-5.3	1.082	-8.3
2005	1.273	2.6	1.207	1.8	1.185	2.2	1.083	0.1

Table A5.1  
**Total Resident Population and Components of Change\***  
 (Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.2	44.8	32.4
<b>Forecast</b>						
2003	6098.6	56.9	0.9	82.0	46.2	21.1
2004	6157.9	59.3	1.0	82.6	46.9	23.6
2005	6230.0	72.1	1.2	83.4	47.6	36.3

\* As of April 1 of Each Year

Source: Office of Financial Management



Table A5.2  
**Washington Population\***  
 (Thousands)

	Actual			Forecast		
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Population	5894.1	5974.9	6041.7	6098.6	6157.9	6230.0
Percent Change	1.1	1.4	1.1	0.9	1.0	1.2
Age 17 and Under	1513.8	1520.9	1522.6	1522.5	1522.6	1528.9
Percent of Total	25.7	25.5	25.2	25.0	24.7	24.5
Age 6-18	1123.3	1129.4	1130.0	1127.8	1125.7	1125.8
Percent of Total	19.1	18.9	18.7	18.5	18.3	18.1
Age 18 and Over	4380.3	4454.0	4519.1	4576.1	4635.3	4701.1
Percent of Total	74.3	74.5	74.8	75.0	75.3	75.5
Age 21 and Over	4128.0	4195.5	4257.3	4312.1	4369.6	4433.9
Percent of Total	70.0	70.2	70.5	70.7	71.0	71.2
Age 20-34	1231.3	1243.4	1255.0	1262.9	1268.8	1273.2
Percent of Total	20.9	20.8	20.8	20.7	20.6	20.4
Age 18-64	3718.1	3784.3	3841.7	3890.2	3940.5	3994.9
Percent of Total	63.1	63.3	63.6	63.8	64.0	64.1
Age 65 and Over	662.1	669.7	677.3	685.8	694.8	706.2
Percent of Total	11.2	11.2	11.2	11.2	11.3	11.3

\* As of April 1 of Each Year

Source: Office of Financial Management

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# Glossary

**Biennium:** The state's two years budget cycle. The 1997-1999 biennium started on July 1, 1997 and ends June 30, 1999. The current 1999-2001 biennium started July 1, 1999 and ends June 30, 2001.

**Cash Basis:** Cash receipts received during a period. The Forecast Council forecasts revenues on a Cash and GAAP (Generally Accepted Accounting Principles) basis.

**CPI:** The Consumer Price Index for All Urban Consumers. The Bureau of Labor Statistics (BLS) updates the CPI monthly, surveying over 60,000 goods in 85 urban areas. The BLS also produces a bi-monthly Seattle-Tacoma-Bremerton CPI.

**Tax Elasticity:** A measure of how tax revenues respond to changes in personal income. If tax revenue elasticity is greater than one, a one percent change in personal income will be associated with more than a one percent increase in tax revenues. If elasticity is less than one, a one percent increase in personal income will be associated with less than a one percent increase in tax revenues.

**Fiscal Year:** The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 1999, for example, ran from July 1, 1998 through June 30, 1999.

**GAAP Basis:** Generally Accepted Accounting Principles measure revenue in the period during which they accrue rather than the period in which they are received.

**General Fund:** Accounts for all financial resources and transactions not accounted for in another fund.

**General Fund-State Revenue:** Resources from state sources only, excludes federal monies.

**Implicit Price Deflator for Personal Consumption Expenditures (IPD):** The IPD is a by-product of the National Income and Product Accounts. It is derived by dividing current dollar (nominal) consumer expenditures by constant dollar (real) consumer expenditures.

**Mortgage Rate:** The average interest rate on 25 year conventional loan (as reported by the Federal Home Loan Bank Board).

**Non-Wage Income:** Personal income other than from wages and salaries. The major components are: proprietor's income, transfer payments, and dividends, interest and rent.

**Real GDP:** Gross Domestic Production adjusted for the price level.

**Personal Income:** Income from wages and salaries; other labor income; proprietor's income; dividends, interest and rent; transfer payments; and a residence adjustment. It is reduced by employee contributions for social insurance.

**Seasonally Adjusted:** Adjusted for normal seasonal variations. Monthly statistics, such as the unemployment rate, are seasonally adjusted to make month-to-month comparisons possible.

**Wage and Salary Employment:** Civilian nonfarm payroll employees. The self-employed, farm workers, members of the armed forces, private household employees, and workers on strike are excluded.