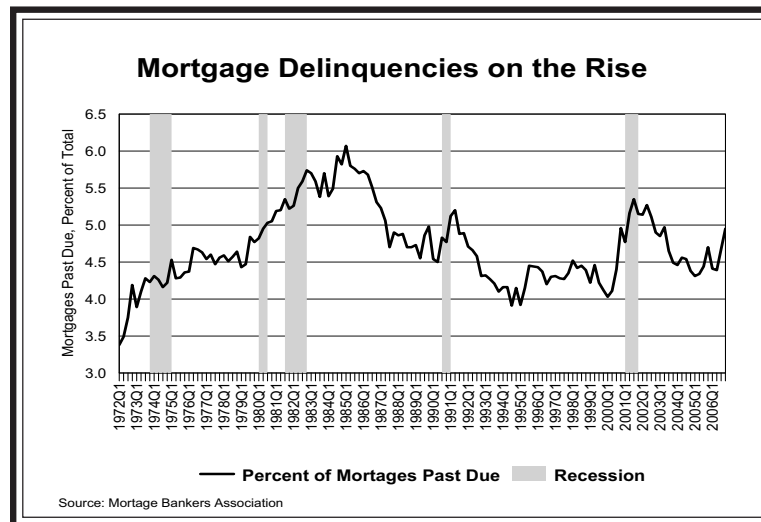


Washington Economic and Revenue Forecast



March 2007
Volume XXX, No. 1

Economic and Revenue Forecast Council Members

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

Governor's Council of Economic Advisors

Mr. Rick Bender	Dr. Desmond O'Rourke
Ms. Kim Pearman-Gillman	Dr. Kriss Sjoblom
Dr. Richard Conway	Dr. Paul Sommers
Mr. John Griffiths	Mr. William Longbrake
Mr. Douglas Ljungren	Mr. David Nierenberg
Dr. Andy Turner	Mr. Grant Forsyth
	Dr. Shelly J. Lundberg

Explanation of the Cover Graph

The percentage of mortgages past due jumped to 4.95 percent in the fourth quarter of 2006 from 4.67 percent in the third quarter and 4.39 percent in the second quarter. Unlike earlier periods with high delinquency rates, the recent increase has occurred during a period of low unemployment and while mortgage rates remain near historic lows. The current upturn has been attributed to the prevalence of risky lending practices in recent years. So-called subprime loans are particularly problematic. Not only do the borrowers have poor credit, but the loans are usually adjustable with the first reset in two or three years. The large number of subprime mortgages taken out since 2004 are just beginning to reset and at significantly higher rates.

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

Washington Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

March 2007
Volume XXX, No.1

This page left intentionally blank.

Preface

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

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

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

This page left intentionally blank.

March 2007

Table of Contents

Preface	iii
List of Tables	vii
List of Charts	ix
Executive Summary	1
Chapter 1	
Washington State and U.S. Economic Forecasts	
Recent U.S. Economic Activity	5
U.S. Forecast Highlights	5
Recent Economic Activity in Washington	7
Adjustments to Economic Data	8
Washington State Forecast Highlights	9
Alternative Forecasts	12
Governor's Council of Economic Advisors Scenario	13
Chapter 2	
Washington Business Indicators	
The National Economy	25
The State Economy and Indicators	26
Chapter 3	
Washington State Revenue Forecast Summary	
Introduction	35
Background and Assumptions	36
March 2007 Forecast Assumptions	36
Recent Collection Experience	37
The General Fund-State Forecast for the 2005-07 & 2007-09 Biennia	40
Forecast Change for the 2005-07 and 2007-09 Biennia	46
Department of Revenue	46
Department of Licensing	47
Office of Financial Management: Other Agencies	47
State Treasurer	47
Insurance Commissioner	47
Liquor Control Board	49
Lottery Commission	49
Track Record for the 2005-07 & 2007-09 Biennia	49
The Relationship Between Cash and GAAP General Fund-State Revenue Forecasts	49
Alternative Forecast for the 2005-07 and the 2007-09 Biennia	55

Chapter 4: Special Report	
Washington Exports, 2002 to 2006	65
Appendices	
Detail Components of the Washington Economic Forecast	79
Glossary	109

List of Tables

Chapter 1

Washington State and U.S. Economic Forecasts

Table 1.1	U.S. Economic Forecast Summary	14
Table 1.2	Washington Economic Forecast Summary	15
Table 1.3	Comparison of Alternative Forecasts	16
Table 1.4	Forecast Analysis	17
Table 1.5	Forecast Comparison	18
Table 1.6	Long Range Economic Outlook	19

Chapter 2

Washington Business Indicators

Table 2.1	Summary of National & State Indicators	28
Table 2.2	Washington Business Indicators	34

Chapter 3

Washington State Revenue Forecast Summary

Table 3.1	Revision to the General Fund-State Forecast	35
Table 3.2	Economic and Revenue Forecast Flow Chart	38
Table 3.3	Collection Variance, November 11, 2006-March 10, 2007	39
Table 3.4	General Fund-State Collections	41
Table 3.5	Taxable Retail Sales	42
Table 3.6	Summary of Changes to General Fund-State Forecast	48
Table 3.7	Comparison of the General Fund-State Forecast by Agency, 2005-07 Biennium; Cash	50
Table 3.8	Comparison of the General Fund-State Forecast by Agency; 2005-07 Biennium; GAAP ...	51
Table 3.9	Comparison of the General Fund-State Forecast by Agency, 2007-09 Biennium; Cash	52
Table 3.10	Comparison of the General Fund-State Forecast by Agency, 2007-09 Biennium; GAAP ..	53
Table 3.11	March 2007 General Fund-State Forecast 2005-07 & 2007-09 Biennia; Cash Basis	54
Table 3.12	General Fund - State Cash Receipts, March 2007	56
Table 3.13	Track Record for the 2005-07 General Fund-State Cash Forecast	57
Table 3.14	Track Record for the 2007-09 General Fund-State Cash Forecast	58
Table 3.15	March 2007 Baseline Forecast by Agency	59
Table 3.16	2005-07 Biennial Balance Sheet	60
Table 3.17	March 2007 Alternative Forecasts Compared to the Baseline Forecast, 2005-07	61
Table 3.18	March 2007 Alternative Forecasts Compared to the Baseline Forecast, 2007-09	62
Table 3.19	Impact of Initiative 728 and the State Property Tax and Lottery Revenue	63

Chapter 4: Special Report

Washington Exports, 2002-2006

Table 4.1	U.S. Exports by Industry	69
Table 4.2	U.S. Exports by Country	70
Table 4.3	U.S. Exports to Non-Middle-Eastern Asia by Industry	72
Table 4.4	Washington Exports by Industry	73

Chapter 4: Special Report (Continued)

Washington Exports, 2002-2006

Table 4.5	Washington Exports by Industry, Top Twenty Industries, 2006	73
Table 4.6	Washington Exports by Country	74
Table 4.7	Washington Exports by Country, Transportation Equipment	75
Table 4.8	Washington Exports by Country, Excluding Transportation Equipment	76
Table 4.9	Washington Exports to Non-Middle-Eastern Asia by Industry	77

Appendices

Detail Components of the Washington Economic Forecast

Table A1.1	U.S. Economic Forecast Summary; Annual	80
Table A1.2	U.S. Economic Forecast Summary; Quarterly	81
Table A1.3	Washington Economic Forecast Summary; Annual	84
Table A1.4	Washington Economic Forecast Summary; Quarterly	85
Table A2.1	U.S. Nonagricultural Employment by Industry; Annual	88
Table A2.2	U.S. Nonagricultural Employment by Industry; Quarterly	89
Table A2.3	Washington Nonagricultural Employment by Industry; Annual	92
Table A2.4	Washington Nonagricultural Employment by Industry; Quarterly	93
Table A3.1	U.S. Personal Income by Component; Annual	96
Table A3.2	U.S. Personal Income by Component; Quarterly	97
Table A3.3	Washington Personal Income by Component; Annual	100
Table A3.4	Washington Personal Income by Component; Quarterly	101
Table A4.1	Selected Inflation Indicators	104
Table A4.2	Chain-Weighted Price Indices	105
Table A5.1	Washington Resident Population and Components of Changes	106
Table A5.2	Washington Population	107

List of Charts

Chapter 1

Washington State and U.S. Economic Forecast

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1	Total Nonfarm Payroll Employment	20
Chart 1.2	Manufacturing Employment	20
Chart 1.3	Aerospace Employment	20
Chart 1.4	Computers and Electronics Employment	20
Chart 1.5	Construction Employment	21
Chart 1.6	Information Employment	21
Chart 1.7	Other Private Employment	21
Chart 1.8	Government Employment	21
Chart 1.9	Real Personal Income	22
Chart 1.10	Consumer Price Indices	22
Chart 1.11	Population	22
Chart 1.12	Per Capita Housing Units	22

Comparison of Alternative U.S. Forecasts

Chart 1.13	Real GDP	23
Chart 1.14	Implicit Price Deflator	23
Chart 1.15	Mortgage Rate	23
Chart 1.16	Three Month T-Bill Rate	23

Comparison of Alternative Washington Forecasts

Chart 1.17	Personal Income	24
Chart 1.18	Real Personal Income	24
Chart 1.19	Total Nonfarm Payroll Employment	24
Chart 1.20	Housing Permits	24

Chapter 2

Washington Business Indicators

Washington Economic Indicators

Chart 2.1	Year-over-Year Employment Growth	29
Chart 2.2	Washington Aircraft and Parts Employment	29
Chart 2.3	Unemployment Rate	29
Chart 2.4	Washington Boom Monitor Composite Index	29

Washington State Leading Indicators

Chart 2.5	The Washington and U.S. Indexes of Leading Indicators	30
Chart 2.6	Washington Initial Claims for Unemployment Insurance	30
Chart 2.7	Seattle Times and U.S. Help-Wanted Advertising Indexes	30
Chart 2.8	Housing Units Authorized in Washington State	30

Other State Economic Indicators

Chart 2.9	Average Weekly Hours in Manufacturing	31
Chart 2.10	Washington Driver's License Migration	31
Chart 2.11	New Car and Truck Registrations in Washington	31
Chart 2.12	Institute for Supply Management Index	31

Other Economic Indicators

Chart 2.13	Quarterly U.S. Real GDP Growth	32
Chart 2.14	Washington State Export Composition	32
Chart 2.15	U.S. Economic Indicators	32
Chart 2.16	National Stock Indexes	32

Other Economic Indicators

Chart 2.17	Federal Funds Target Rate	33
Chart 2.18	Consumer Confidence	33
Chart 2.19	Seattle vs U.S. CPI (All Urban Consumers)	33
Chart 2.20	Monster Employment Index	33

Chapter 3

Washington State Revenue Forecast

Chart 3.1	General Fund-State Revenue	43
Chart 3.2	General Fund-State Revenue; Percent Change	43
Chart 3.3	Composition of General Fund-State Revenue	44
Chart 3.4	Taxable Sales as a Percent of Personal Income	44

Chapter 4: Special Report

Washington Exports, 2002 to 2006

Chart 4.1	Exports as a Percentage of GDP	67
Chart 4.2	Export Desitnations, 2006	68

Executive Summary

U.S. Economic Forecast

The March 2007 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2006. According to the advance estimate, real GDP growth accelerated to 3.5 percent in the fourth quarter of 2006 from 2.0 percent in the third quarter. The growth rate of final sales was an even stronger 4.2 percent as the rate of inventory accumulation slowed sharply. Consumer spending provided most of the final sales growth in the fourth quarter, rising at a 4.4 percent rate. The foreign sector was also a significant contributor to growth in the fourth quarter as exports rose 10.0 percent while imports declined 3.2 percent. Fixed investment declined at a 7.3 percent rate as a result of a 19.2 percent decline in residential fixed investment. Government purchases grew at a strong 3.7 percent in the fourth quarter due mainly to an 11.9 percent surge in military spending.

Payroll employment growth slowed slightly to 1.5 percent in the fourth quarter from 1.6 percent in the third quarter but the unemployment rate dropped sharply to 4.47 percent from 4.70 percent. The Consumer Price Index fell at a 2.2 percent rate in the fourth quarter following a 2.9 percent increase in the third quarter. The rare decline in overall consumer prices was due to a 35.1 percent drop in energy costs. Core inflation, which excludes food and energy, also slowed however, from 3.0 percent to 1.8 percent. Housing starts plummeted at a 30.7 percent rate in the fourth quarter to 1.564 million units following declines of 39.5 percent and 29.8 percent in the second and third quarters. The mortgage rate declined to 6.25 percent in the fourth quarter from 6.57 percent in the third quarter. As expected, the Federal Reserve left its target for the federal funds rate unchanged at 5.25 percent in January.

The incoming data over the past couple of months have surprised to the upside, indicating that the U.S. economy ended 2006 with solid momentum. It would be premature to say that the economy is taking off again—there are question-marks over just how strong the fourth quarter was, there is still further downside to come in housing activity, and there are some inventory overhangs to be dealt with—but the landing has been about as soft as could have been hoped. With downside growth risks fading, and inflation at present still outside the Fed's comfort zone, there is no immediate reason for the Fed to cut interest rates. We still retain one rate cut in the second half of the year on the view that as inflation returns to the "comfort zone," the Fed will feel able to ease very slightly on the brakes.

GDP growth improved to 3.4 percent in 2006 from 3.2 percent in 2005. The forecast expects growth to slow down to 2.7 percent this year, improving to 3.0 percent in 2008 and 3.2 percent in 2009. Nonfarm payroll employment growth improved to 1.9 percent in 2006 from 1.7 percent in 2005. Slower growth is expected for the next three years. Employment is expected to grow 1.4 percent per year in 2007 and 2008 and 1.5 percent in 2009. The unemployment rate also improved in 2006, declining to 4.63 percent from 5.07 percent in 2005. The forecast expects the unemployment rate to rise slightly to 4.71 percent in 2007

and 2008, dipping to 4.54 percent in 2009 as stronger growth resumes. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.8 percent in 2006 from 2.9 percent in 2005. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, increased slightly from 2.1 percent to 2.2 percent. Energy will help restrain inflation in 2007, however. The overall implicit price deflator is expected to rise only 1.6 percent this year despite a 2.0 percent rise in core prices. The forecast expects an inflation rate of 2.1 percent per year in 2008 and 2009.

Washington State Economic Forecast

The state's employment growth rate rebounded to 2.8 percent in the fourth quarter of 2006 from 1.5 percent in the third quarter. Manufacturing employment rose at a 4.2 percent rate in the fourth quarter, led by aerospace employment, which rose at an 11.1 percent rate. Manufacturing employment other than aerospace rose at a modest 1.9 percent rate. Fourth quarter employment growth was strong in most nonmanufacturing sectors as well. Information employment increased at a 12.6 percent rate mainly as a result of an 18.0 percent increase in software employment. Information other than software employment was also quite strong in the fourth quarter, rising at an 8.1 percent annual rate. Construction employment continued to grow rapidly in the fourth quarter, rising at a 6.3 percent annual rate. Professional and business services employment and leisure and hospitality employment each grew 4.2 percent and education and health services employment grew 3.3 percent, "other services" employment grew 2.4 percent, and trade, transportation, and utilities employment grew 1.6 percent. The only private supersector to experience a decline in employment in the fourth quarter was financial activities, which fell at a 1.1 percent rate. In the public sector, federal government employment fell at a 6.1 percent rate while state and local government employment edged up at a 0.5 percent rate.

Washington's personal income in the third quarter of 2006 was \$3.238 billion (1.3 percent) lower than the estimate made in November. Total wages were \$2.979 billion (2.1 percent) lower than expected in November. Software wages were \$0.260 billion (2.8 percent) lower than expected and non-software wages were \$2.719 billion (2.1 percent) lower. Nonwage personal income was \$0.259 billion (0.2 percent) below the November estimate for the third quarter. The forecast assumes that income growth plunged to 0.5 percent in the fourth quarter of 2006 from 10.1 percent in the third quarter. The decline in growth was primarily due to software bonuses and stock awards in the third quarter. Excluding software wages, personal income growth improved to 6.3 percent in the fourth quarter from 2.5 percent in the third quarter. The forecast assumes that wage and salary disbursements fell at a 2.1 percent rate in the fourth quarter. Excluding software, however, wage growth was a strong 8.2 percent. The forecast also assumes that income other than wages grew at a 4.1 percent rate in the fourth quarter.

The number of housing units authorized by building permit plummeted 11,100 in the fourth quarter of 2006 to 42,200 from 53,300 in the third quarter. Single-family permits declined 5,600 to 29,700 and multi-family permits fell 5,500 to 12,500. Total permits in the fourth quarter were the lowest since the fourth quarter of 2003 and single-family permits were the lowest since the first quarter of 2002.

The forecast also reflects Seattle consumer price data through December. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average in 2005, rising 2.3 percent compared to 2.2 percent. Core inflation in Seattle shot well ahead of the national average in 2006, rising 3.7 percent compared to 2.6 percent for the U.S. city average. The overall Seattle CPI rose 4.2 percent from December 2005 to December 2006 compared to the 2.6 percent national average.

The new Washington forecast reflects the relatively minor changes in the U.S. forecast. The weakness in the fourth quarter housing data could be a sign of a significant downturn in housing in Washington or it could turn out to be a temporary aberration, perhaps caused by unusually severe winter weather. The forecast assumes one more weak quarter with permits gradually returning to the levels implied by the still strong population growth. The forecast assumes that continued growth in nonresidential construction will offset some of the residential weakness, but construction employment is now expected to decline slightly in the second and third quarters of 2007. On the positive side, software employment grew more rapidly than we had expected throughout 2006. In the current forecast we have increased the expected growth in software employment from the fourth quarter of 2006 to the fourth quarter of 2009 from 5,500 to 10,500. The Washington aerospace employment forecast is virtually unchanged since November. As of January, the aerospace sector has added 16,000 jobs since the trough in May 2004. The forecast expects another 4,200 new aerospace jobs by mid-2008 when employment is expected to level off at 81,000. This is still 32,100 (28.4 percent) lower than the previous peak in June 1998.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment growth increased to 2.9 percent in 2006 from 2.8 percent in 2005. Growth in these key industries is expected to slow during the next three years and the state will also be affected by the slowdown in the national economy. The forecast calls for employment growth rates of 2.5 percent, 2.3 percent, and 2.0 percent in 2007, 2008, and 2009. Washington personal income growth jumped to 7.0 percent in 2006 from 3.0 percent in 2005. The weak growth in 2005 was largely due to Microsoft's special dividend in November 2004, which temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, personal income growth in 2005 would have been 5.7 percent. Income growth is expected to remain strong, slowing only slightly to 6.5 percent in 2007, 6.9 percent in 2008, and 6.8 percent in 2009. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 2,800 in 2006 to 50,200. Higher mortgage rates are expected to depress the single-family market during the next three years. Largely offsetting this will be strong population growth, which should boost multi-family activity. The forecast expects total housing permits to decrease to 46,900 in 2007, recovering to 49,100 in 2008 and 48,000 in 2009. Inflation, as measured by the Seattle CPI, jumped to 3.7 percent in 2006 from 2.8 percent in 2005. Core inflation (excluding food and energy) was more moderate but also jumped to 3.3 percent in 2006 from 1.8 percent in 2005. Energy costs are not expected to play a major role in inflation during the next three years and an expected slowdown in the economy should also help restrain core inflation. As a result, overall inflation should decline to 2.8 percent, 2.6 percent, and 2.3 percent in 2007, 2008, and 2009.

Washington State Revenue Forecast

The economic outlook, both nationally and locally, has changed very little since the forecast adopted in November, however, revenue collections since the last forecast have been higher than expected. The upward revision to the revenue forecast in the current biennium is due to continued strength in revenue collections while the small downward revision to the revenue forecast in the next biennium is due to a slightly weaker housing outlook. Overall, the revenue forecast has been increased by \$126.5 million for the 2005-07 and 2007-09 biennia combined.

The March 2007 General Fund-State revenue estimate for the 2005-07 biennium is \$27,510.1 million. The new forecast is \$144.3 million more than expected in November of which \$68.2 million is due to collection experience during the four months since the last forecast. The forecast for the 2007-09 biennium is \$29,515.5 million, which is \$17.8 million lower than expected in November.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2005-07 and 2007-09 biennia. The forecast based on more optimistic economic assumptions netted \$181 million (0.7 percent) more revenue in the current biennium and \$1,475 million (5.0 percent) more revenue in the next biennium than did the baseline while the pessimistic alternative was \$188 million (0.7 percent) lower this biennium and \$1,608 million (5.4 percent) lower next biennium. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$23 million (0.1 percent) less revenue this biennium and \$235 million (0.8 percent) less revenue next biennium than did the baseline forecast.

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

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The March 2007 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2006. According to the advance estimate, real GDP growth accelerated to 3.5 percent in the fourth quarter of 2006 from 2.0 percent in the third quarter. The growth rate of final sales was an even stronger 4.2 percent as the rate of inventory accumulation slowed sharply. Consumer spending provided most of the final sales growth in the fourth quarter, rising at a 4.4 percent rate. Purchases of durable goods rose at a 6.0 percent rate, purchases of nondurable goods rose at a 6.9 percent rate, and purchases of services rose at a 2.9 percent rate. The foreign sector was also a significant contributor to growth in the fourth quarter as exports rose 10.0 percent while imports declined 3.2 percent. Fixed investment declined at a 7.3 percent rate as a result of a 19.2 percent decline in residential fixed investment. Nonresidential construction rose at a 2.8 percent rate but business investment in equipment and software declined at a 1.8 percent rate. Government purchases grew at a strong 3.7 percent rate in the fourth quarter due mainly to an 11.9 percent surge in military spending. Federal nondefense spending fell at a 9.3 percent rate while state and local government purchases rose at a 3.3 percent rate.

Payroll employment growth slowed slightly to 1.5 percent in the fourth quarter from 1.6 percent in the third quarter but the unemployment rate dropped sharply to 4.47 percent from 4.70 percent. The Consumer Price Index fell at a 2.2 percent rate in the fourth quarter following a 2.9 percent increase in the third quarter. The rare decline in overall consumer prices was due to a 35.1 percent drop in energy costs. Core inflation, which excludes food and energy, also slowed however, from 3.0 percent to 1.8 percent. Housing starts plummeted at a 30.7 percent rate in the fourth quarter to 1.564 million units following declines of 39.5 percent and 29.8 percent in the second and third quarters. The mortgage rate declined to 6.25 percent in the fourth quarter from 6.57 percent in the third quarter. As expected, the Federal Reserve left its target for the federal funds rate unchanged at 5.25 percent in January.

U.S. Forecast Highlights

The incoming data over the past couple of months have surprised to the upside, indicating that the U.S. economy ended 2006 with solid momentum. It would be premature to say that the economy is taking off again—there are question-marks over just how strong the fourth quarter was, there is still further downside to come in housing activity, and there are some inventory overhangs to be dealt with—but the landing has been about as soft as could have been hoped. With downside growth risks fading, and inflation at present

still outside the Fed's comfort zone, there is no immediate reason for the Fed to cut interest rates. We still retain one rate cut in the second half of the year on the view that as inflation returns to the "comfort zone," the Fed will feel able to ease very slightly on the brakes.

GDP growth improved to 3.4 percent in 2006 from 3.2 percent in 2005. The forecast expects growth to slow down to 2.7 percent this year, improving to 3.0 percent in 2008 and 3.2 percent in 2009. Nonfarm payroll employment growth improved to 1.9 percent in 2006 from 1.7 percent in 2005. Slower growth is expected for the next three years. Employment is expected to grow 1.4 percent per year in 2007 and 2008 and 1.5 percent in 2009. The unemployment rate also improved in 2006, declining to 4.63 percent from 5.07 percent in 2005. The forecast expects the unemployment rate to rise slightly to 4.71 percent in 2007 and 2008, dipping to 4.54 percent in 2009 as stronger growth resumes. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.8 percent in 2006 from 2.9 percent in 2005. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, increased slightly from 2.1 percent to 2.2 percent. Energy will help restrain inflation in 2007, however. The overall implicit price deflator is expected to rise only 1.6 percent this year despite a 2.0 percent rise in core prices. The forecast expects an inflation rate of 2.1 percent per year in 2008 and 2009.

1. Real GDP growth improved slightly in fiscal 2006 to 3.4 percent from 3.3 percent in 2005. Growth during the last three years has been primarily driven by consumer spending, business spending on equipment and software, residential fixed investment, and military spending. Increasing trade deficits, however, have cost the economy 0.4 percentage points per year in growth. Consumer spending is expected to slow during the next three years though it will remain the major source of GDP growth. Business spending on equipment and software is expected to remain strong during the next three years and nonresidential construction is expected to bounce back in 2007 but residential investment growth is expected to be negative in 2007 and 2008. Net exports, which have been a drag on growth for years, should add to GDP growth beginning this year. Overall GDP growth is expected to slow during the next three years as the economy slips slightly below its potential growth path. The forecast calls for GDP growth rates of 2.9 percent per year in 2007 and 2008, and 3.1 percent in 2009.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, increased to 3.1 percent in fiscal 2006 from 2.7 percent in 2005. Surging energy costs continue to add to overall inflation. Core inflation rose at a moderate 2.1 percent in fiscal 2006, the same rate as in 2005. Core inflation is expected to edge up this year to 2.2 percent but declining energy costs will hold headline inflation to 1.9 percent. A softening economy will help keep inflation in check during the final two years of the forecast. The forecast expects overall inflation rates of 1.8 percent in 2008 and 2.1 percent 2009.
3. The Federal Reserve has held its target for the federal funds rate steady at 5.25 percent since June 29 following 17 consecutive 25-basis-point increases. Though the Fed notes signs of a softening economy, it continues to express greater concern about inflationary pressures. Nevertheless, the forecast assumes that the economy will slow enough to allow the Fed to make a 25-basis-point reduction in September 2007. The three-month Treasury bill rate rose to 4.06 percent in fiscal 2006 from 2.21 percent in fiscal 2005 and a 57-year-low 0.96 percent in fiscal 2004. The forecast expects the T-bill rate to increase to 4.95 percent in 2007, easing only slightly to 4.91 percent in 2008 and 4.90 percent in 2009. The mortgage rate increased from 5.78 percent in fiscal 2005 to 6.20 percent in 2006. The forecast expects the mortgage rate to continue rising during the next three years to 6.37 percent in 2007, 6.40 percent in 2008, and 6.74 percent in 2009.

4. Spurred by low mortgage interest rates, housing starts have increased in each of the last five fiscal years. Starts increased 1.0 percent in fiscal 2006 to 2.039 million units. This was the highest level of housing starts since 1973. Not surprisingly, given the low mortgage rates, the strength has been primarily in the single family market. The 1.686 million single family units started in 2006 was the highest ever. Fiscal 2006 should prove to be the peak in housing. Affordability has fallen sharply due to the run-up in home prices and rising mortgage interest rates. As a result, demand has fallen off and inventories of unsold homes have risen sharply. Rising mortgage delinquencies and tightening lending standards further cloud the housing outlook. The forecast calls for a 22.0 percent reduction in starts in 2007 to 1.591 million units and a 2.5 percent decline in 2008 to 1.551 million units. Housing starts are expected to bounce back 5.4 percent to 1.634 million units in the final year of the forecast.
5. The nation's unemployment rate declined from 5.29 percent in fiscal 2005 to a five-year-low 4.83 percent in 2006. The unemployment rate is expected to decline again this year to 4.62 percent. The economy is expected to grow near its potential rate so not much change is expected during the next couple of years. The forecast calls for a slight increase to 4.75 percent in 2008 followed by a slight decline to 4.64 percent in 2009.
6. Strong growth in the economy is having a very beneficial impact on the federal deficit. Revenues are improving so sharply that the federal deficit (national income and product accounts basis) dropped to \$242.4 billion in fiscal 2006 from \$330.9 billion in 2005 and a record \$403.6 billion in 2004. Nevertheless, the forecast still assumes that higher taxes will be needed eventually to keep the deficit under control. The forecast expects the deficit to improve again in 2007 to \$152.7 billion, widening to \$188.1 billion in 2008 and \$192.7 billion in 2009.
7. The trade deficit has been a huge drag on GDP growth in recent years. The trade deficit (national income and product accounts basis) increased in fiscal 2006 to an all-time record \$762.8 billion from \$666.5 billion in 2005. Foreign economic growth is strong and the dollar is expected to continue to decline, which should help restrain real imports and boost real exports. The forecast expects the deficit to narrow to \$713.9 billion in 2007, \$670.2 billion in 2008, and \$642.5 billion in 2009.

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

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through January 2007. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. The state's employment growth rate rebounded to 2.8 percent in the fourth quarter of 2006 from 1.5 percent in the third quarter. Manufacturing employment rose at a 4.2 percent rate in the fourth quarter, led by aerospace employment, which rose at an 11.1 percent rate. Manufacturing employment other than aerospace rose at a modest 1.9 percent rate. Fourth quarter employment growth was strong in most nonmanufacturing sectors as well. Information employment increased at a 12.6 percent rate mainly as a result of an 18.0 percent increase in software employment. Information other than software employment was also quite strong in the fourth quarter, rising at an 8.1 percent annual rate. Construction employment continued to grow rapidly in the fourth quarter, rising at a 6.3 percent annual rate. Professional and business services employment and leisure and hospitality employment each grew 4.2 percent and education and health services employment grew 3.3 percent, "other services" employment grew 2.4 percent, and trade, transportation, and utilities employment grew 1.6 percent. The only private supersector to

experience a decline in employment in the fourth quarter was financial activities, which fell at a 1.1 percent rate. In the public sector, federal government employment fell at a 6.1 percent rate while state and local government employment edged up at a 0.5 percent rate.

In December 2006 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the second quarter of 2006 and released preliminary estimates for the third quarter. This forecast is based on adjusted personal income estimates as described in **Adjustments to Economic Data**. According to the adjusted estimates, Washington's personal income in the third quarter of 2006 was \$3.238 billion (1.3 percent) lower than the estimate made in November. Total wages were \$2.979 billion (2.1 percent) lower than expected in November. Software wages were \$0.260 billion (2.8 percent) lower than expected and non-software wages were \$2.719 billion (2.1 percent) lower. Nonwage personal income was \$0.259 billion (0.2 percent) below the November estimate for the third quarter. The forecast assumes that income growth plunged to 0.5 percent in the fourth quarter of 2006 from 10.1 percent in the third quarter. The decline in growth was primarily due to software bonuses and stock awards in the third quarter. Excluding software wages, personal income growth improved to 6.3 percent in the fourth quarter from 2.5 percent in the third quarter. The forecast assumes that wage and salary disbursements fell at a 2.1 percent rate in the fourth quarter. Excluding software, however, wage growth was a strong 8.2 percent. The forecast also assumes that income other than wages grew at a 4.1 percent rate in the fourth quarter.

The number of housing units authorized by building permit plummeted 11,100 in the fourth quarter of 2006 to 42,200 from 53,300 in the third quarter. Single-family permits declined 5,600 to 29,700 and multi-family permits fell 5,500 to 12,500. Total permits in the fourth quarter were the lowest since the fourth quarter of 2003 and single-family permits were the lowest since the first quarter of 2002.

The forecast also reflects Seattle consumer price data through December. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average in 2005, rising 2.3 percent compared to 2.2 percent. Core inflation in Seattle shot well ahead of the national average in 2006, rising 3.7 percent compared to 2.6 percent for the U.S. city average. The overall Seattle CPI rose 4.2 percent from December 2005 to December 2006 compared to the 2.6 percent national average.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate produced by the Washington Employment Security Department which usually incorporates more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. Since the BLS annual benchmark revisions were also recently released, both the BLS and alternative estimates incorporated the covered employment and payrolls data through the third quarter of 2006 and were therefore similar this time. The alternative estimate exceeded the BLS estimate by just 200 jobs (0.0 percent) in September 2006. By January 2007 the difference had widened slightly to 1,600 (0.1 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the Quarterly Census of Employment and Wages (QCEW) data for all sectors except agriculture and federal government. We have more up-to-date QCEW data for wages for the third quarter of 2006 than were available to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived third quarter 2006 wage estimates for these sectors based on the QCEW data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income except "Employee and self-employed contributions for social insurance." The estimates for "Employee and self-employed contributions for social insurance" for the period from the first quarter of 2003 through

the third quarter of 2006 have been adjusted to reflect an expected future revision by the BEA. Our adjustments reduced the third quarter wage estimate by just \$0.340 billion (0.2 percent) but reduced the estimate for “Employee and self-employed contributions for social insurance,” a deduction from personal income, by \$1.887 billion (15.0 percent). The net impact was a \$1.549 billion (0.6 percent) increase over the BEA personal income estimate for the third quarter.

Washington State Forecast Highlights

The new Washington forecast reflects the relatively minor changes in the U.S. forecast. The weakness in the fourth quarter housing data could be a sign of a significant downturn in housing in Washington or it could turn out to be a temporary aberration, perhaps caused by unusually severe winter weather. The forecast assumes one more weak quarter with permits gradually returning to the levels implied by the still strong population growth. The forecast assumes that continued growth in nonresidential construction will offset some of the residential weakness, but construction employment is now expected to decline slightly in the second and third quarters of 2007. On the positive side, software employment grew more rapidly than we had expected throughout 2006. In the current forecast we have increased the expected growth in software employment from the fourth quarter of 2006 to the fourth quarter of 2009 from 5,500 to 10,500. The Washington aerospace employment forecast is virtually unchanged since November. As of January, the aerospace sector has added 16,000 jobs since the trough in May 2004. The forecast expects another 4,200 new aerospace jobs by mid-2008 when employment is expected to level off at 81,000. This is still 32,100 (28.4 percent) lower than the previous peak in June 1998.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment growth increased to 2.9 percent in 2006 from 2.8 percent in 2005. Growth in these key industries is expected to slow during the next three years and the state will also be affected by the slowdown in the national economy. The forecast calls for employment growth rates of 2.5 percent, 2.3 percent, and 2.0 percent in 2007, 2008, and 2009. Washington personal income growth jumped to 7.0 percent in 2006 from 3.0 percent in 2005. The weak growth in 2005 was largely due to Microsoft’s special dividend in November 2004, which temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, personal income growth in 2005 would have been 5.7 percent. Income growth is expected to remain strong, slowing only slightly to 6.5 percent in 2007, 6.9 percent in 2008, and 6.8 percent in 2009. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 2,800 in 2006 to 50,200. Higher mortgage rates are expected to depress the single-family market during the next three years. Largely offsetting this will be strong population growth, which should boost multi-family activity. The forecast expects total housing permits to decrease to 46,900 in 2007, recovering to 49,100 in 2008 and 48,000 in 2009. Inflation, as measured by the Seattle CPI, jumped to 3.7 percent in 2006 from 2.8 percent in 2005. Core inflation (excluding food and energy) was more moderate but also jumped to 3.3 percent in 2006 from 1.8 percent in 2005. Energy costs are not expected to play a major role in inflation during the next three years and an expected slowdown in the economy should also help restrain core inflation. As a result, overall inflation should decline to 2.8 percent, 2.6 percent, and 2.3 percent in 2007, 2008, and 2009.

1. Nominal personal income growth fell to 4.0 percent in fiscal 2006 from 7.5 percent in fiscal 2005. The apparent decline in growth was due to the special one-time dividend paid by Microsoft in December 2004. Without the special dividend, personal income growth would have accelerated to 6.7 percent in fiscal 2006 from 4.8 percent in 2005. The improvement in growth in 2006, excluding the special dividend effect, was primarily due to much stronger average wage growth,

especially in the software sector. Job growth also improved in 2006 as did growth of income from sources other than wages. The forecast expects income growth to decelerate slightly in 2007 to 6.2 percent due to weaker job and average wage growth. Slower employment growth is expected in 2008 and 2009 but average wage growth nonwage income growth are expected to remain very strong. The forecast expects personal income growth rates of 7.0 percent in 2008 and 6.9 percent in 2009. Software wages are not expected to have a major impact on overall income growth.

2. Washington real personal income growth fell to just 0.8 percent in fiscal 2006 from 4.7 percent in 2005, again as a result of the special Microsoft dividend in December 2004. Excluding the special dividend, real income growth improved from 2.0 percent to 3.4 percent. Even stronger real personal income growth is expected during the next three years. Nominal income growth is expected to remain strong, as noted above, and inflation is expected to decline, further boosting real income growth. The forecast calls for real personal income growth rates of 4.2 percent in 2007, 5.1 percent in 2008, and 4.7 percent in 2009.
3. Total payroll employment in Washington rose 3.0 percent in fiscal 2006, up from 2.4 percent in 2005. Booming construction employment growth coupled with strong growth in both aerospace and software accounted for most of the improvement in overall job growth. Slower growth is expected during the next three years, however, due to weaker U.S. growth, a leveling off of construction employment, and slower aerospace employment growth. The forecast calls for employment growth rates of 2.6 percent in 2007, 2.4 percent in 2008, and 2.2 percent in 2009.
 - ◆ As of January 2007, the aerospace recovery has added 16,000 jobs since the trough of the last downturn in May 2004. Previously, 27,300 aerospace jobs had been lost since the September 11 terrorist attacks and 52,300 jobs had been lost since the June 1998 peak. Boeing Commercial Airplanes recorded a record 1044 net commercial airplane orders in 2006 and currently has a backlog exceeding six years worth of current revenue. Boeing delivered 398 planes in 2006, a 37 percent over the 290 delivered in 2005. Boeing expects to increase deliveries in 2007 to between 440 and 445 planes and again in 2008 to between 515 and 520 planes. They expect to increase deliveries in 2009 as well. The aerospace employment forecast assumes fourth quarter to fourth quarter employment increases of 3,700 in 2007, 1,500 in 2008, and no year-over-year job growth in 2009. Aerospace employment is expected to peak at 81,000 which is 32,100 (28.4 percent) lower than the previous peak in June 1998.
 - ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. Since mid-2003, however, growth has picked up to an average annual rate of 7.5 percent including a 12.3 percent increase over the most recent four quarters. Microsoft's announcement in February 2006 that it will accelerate the planned expansion of its Redmond campus, adding enough office space for about 12,000 employees, bodes well for software employment growth in Washington as does Microsoft's announcement in April of significant increases in R&D spending. The forecast assumes software employment growth will remain relatively high during the next three years, averaging rate of 6.9 percent per year.
 - ◆ Bolstered primarily by a hot housing market and more recently by an upturn in nonresidential building, Washington's construction employment growth has averaged 7.4 percent per year since mid-2003. Employment is now 36,300 (22.3 percent) higher than at the previous peak

- in the first quarter of 2001 and 46,000 (30.1 percent) higher than at the trough in the first quarter of 2002. Higher interest rates are expected to depress single-family activity in the future but strong migration into Washington should boost multi-family activity. In addition, nonresidential construction is expected to continue to expand. As a result, the forecast expects construction employment growth to slow down but remain positive. Growth is expected to average just 0.6 percent per year from the fourth quarter of 2006 through the end of 2009.
- ◆ Financial activities employment is strongly influenced by real estate and mortgage market developments. Declining mortgage rates not only stimulate housing demand but also set off waves off mortgage refinancing. Financial activities employment declined 0.4 percent from the fourth quarter of 2005 to the fourth quarter of 2006 following an up tick in mortgage rates. Not surprisingly, the main reason was a 2.3 percent decline in credit intermediation and related activities employment. The forecast expects positive but modest employment growth averaging 1.7 percent per year during the next three years.
 - ◆ Washington retail trade employment fell farther during the recession than did U.S. retail trade employment but the recovery here was also earlier and stronger. By the end of 2002 Washington retail trade employment had fallen 3.7 percent since its pre-recession peak. Most of the decline was in the miscellaneous “other retail trade” category, which includes e-tailing, a clear casualty of the dot-com implosion. After a slow start, the recovery in retail trade employment accelerated during 2005 and 2006. Retail employment rose at an average annual rate of 1.8 percent from the fourth quarter of 2004 through the fourth quarter of 2006. The forecast expects even stronger growth. The monthly data through January 2007 suggest a 6.0 percent jump in the first quarter of 2007. During the remainder of the forecast, employment growth is expected to average 2.4 percent per year.
 - ◆ Employment in the professional and business services sector plunged 6.6 percent from the end of 2000 through the first quarter of 2002. The 20,300 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 14,000 (26.1 percent) and computer systems design and related services, which fell 6,100 (20.0 percent). These areas of weakness have turned around. Employment in computer systems design and related services has increased 22.6 percent during the last two years while employment services employment is up 29.4 percent during the same period. Largely as a result of this turn-around, overall professional and business services employment growth has averaged 4.4 percent per year during the last two years. The forecast expects even stronger growth averaging 5.1 percent per year through the end of 2009.
 - ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state’s economy put pressure on state and local governments’ budgets with a lag. From the end of 2000 through the end of 2002, employment grew at an average rate of 1.9 percent per year (excluding the impact of the reclassification of tribal government employment in January 2001). Since then employment growth has slowed to an average rate of 0.6 percent per year and just 0.2 percent per year excluding the small but rapidly expanding tribal government sector. The forecast assumes some improvement as state and local government budgets recover and tribal government employment should continue to grow rapidly but local public education employment growth will be restrained by slow school age population growth. The forecast expects an average growth rate of 1.6 percent per year (1.3 percent per year excluding tribal employment).

4. The number of housing units authorized by building permit in Washington rose 3.2 percent in fiscal 2006 to 54,000 units following increases of 13.9 percent, 4.1 percent, and 17.8 percent in 2003, 2004, and 2005. The strength in housing has been mainly in the single family market which has benefited from record low mortgage interest rates. Single family permits increased 3.8 percent in 2006 to a 28 year high 40,100 units. Multi-family permits rose 1.5 percent to 13,900 units. Rising home prices and mortgage rates will depress the single family market beginning in 2007. Largely offsetting this is strong net migration which should continue to boost multi-family activity. The net effect is a modest reduction in overall activity during the next three years. The forecast expects a 14.4 percent decrease in 2007 to 46,200 units, a 6.7 percent increase in 2008 to 49,300 units, and a 1.4 percent reduction in 2009 to 48,500 units.
5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased in fiscal 2006 to 3.2 percent from 1.9 percent in 2005. The increase was partly due to soaring energy costs, but core inflation in Seattle increased from 1.0 percent to 2.1 percent. Seattle inflation trailed the national average in 2003, 2004, 2005, and 2006 reflecting the impact of a more severe local recession. A slowdown in the U.S. economy should help restrain inflation but the stronger local economy should cause Seattle inflation to rise above the U.S. rate. The forecast calls for Seattle inflation rates of 3.6 percent, 2.6 percent, and 2.5 percent in 2007, 2008, and 2009 compared to a national rates of 2.1 percent, 2.0 percent, and 2.2 percent.

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

Alternative Forecasts

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

Pessimistic Forecast: The pessimistic alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. It assumes that the dollar weakens quickly as foreign investors take fright at the spiraling U.S. trade deficit. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling dollar adds to the upward pressure on inflation. The Fed responds by accelerating the pace of tightening. Despite the more aggressive stance, both the stock and bond markets slip on signs that the Fed may have let inflation build up an unstoppable momentum. The Fed cannot permit this acceleration to continue, and so it continues hiking interest rates. This simulation also has a deeper housing downturn than the baseline. Between the higher interest rates and persistently high energy prices, consumer confidence suffers. Consumers rein in their discretionary spending and the U.S. economy slows. At the same time, hiring falters, causing the unemployment rate to climb. Debt-laden consumers retrench further. The economy nearly sinks into recession in the pessimistic alternative and falls well below its potential, with GDP growth at just 1.6 percent for all of 2007. At the state level, aerospace employment growth is much slower in 2006 and 2007 than in the baseline forecast and begins to decline again in 2008. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario. Construction employment begins to decline in the second quarter of 2007 rather than just leveling off as in the baseline. Due to the relatively weak local economy, Seattle inflation is lower than in the baseline forecast in spite of the higher national inflation rate. The weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2007-09 Biennium, Washington nonagricultural employment is 95,200 lower than in the baseline forecast and Washington personal income is \$12.9 billion

lower. The pessimistic scenario produced \$188 million (0.7 percent) less revenue this biennium and \$1,608 million (5.4 percent) less revenue next biennium than did the baseline forecast.

Optimistic Forecast: Seven assumptions distinguish the optimistic scenario from the baseline forecast. First, productivity is stronger. Underlying this assumption is the view that the information-driven technology boom, which may have accelerated in recent years, continues. Second, foreign economic growth is stronger, which boosts U.S. exports and strengthens domestic manufacturing. Third, the optimistic alternative assumes a stronger dollar, resulting in expansion of U.S. demand for foreign goods and services. Fourth, business investment is stronger. Fifth, the federal government budget deficit in the optimistic scenario is lower than in the baseline. Sixth, housing starts are stronger. Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. These assumptions produce a rosier outlook, where strength feeds on strength. The current slowdown proves temporary. Real GDP growth rebounds to 3.8 percent by the third quarter of 2007, compared with only 2.8 percent in the baseline. For 2007, growth comes in at 3.1 percent, versus 2.7 percent in the baseline; 2008 growth is also much stronger, at 3.9 percent, compared with 3.0 percent. Although both economic growth and the labor markets are stronger, inflation is lower, due mainly to the strong productivity gains. The lower inflation rate allows the Fed to keep the federal funds rate below the baseline value. For Washington, the optimistic forecast assumes a more typical, vigorous aerospace employment expansion than the modest growth assumed in the baseline. Software employment also grows faster in the optimistic forecast. Washington's wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is higher in the optimistic scenario and population growth is stronger. Finally, construction employment continues to rise in the optimistic scenario rather than leveling off as in the baseline. By the end of the 2007-09 Biennium, Washington nonagricultural employment is higher by 74,000 jobs than in the baseline forecast and Washington personal income is \$14.2 billion higher. The optimistic scenario generated \$181 million (0.7 percent) more revenue in the current biennium and \$1,475 million (5.0 percent) more revenue in the next biennium than did the baseline forecast.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. The GCEA forecast for the U.S. economy shows weaker real GDP growth and higher inflation than does the baseline forecast in fiscal 2007 and fiscal 2008. Partially offsetting these is the assumption of slightly stronger real growth and weaker inflation in fiscal 2009. They also expect lower long term and short term interest rates in all three years. The GCEA forecast for Washington State is more pessimistic than the baseline forecast. They expect slower income growth, both real and nominal, and fewer housing units authorized by building permit throughout the forecast. Their forecast for employment growth is also weaker in 2007 and 2008 but slightly stronger in 2009. By the end of the 2007-09 biennium Washington nonagricultural employment is 12,600 lower in the GCEA forecast than in the baseline forecast and Washington personal income is \$3.0 billion lower. The Governor's Council scenario yielded \$23 million (0.1 percent) less revenue this biennium and \$235 million (0.8 percent) less revenue next biennium than did the baseline forecast.

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

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2007 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,947.5	10,131.3	10,525.9	10,872.9	11,245.9	11,572.7	11,903.0	12,270.6
% Ch	0.7	1.8	3.9	3.3	3.4	2.9	2.9	3.1
Real Consumption	7,010.9	7,176.4	7,440.3	7,713.3	7,966.1	8,225.3	8,479.0	8,728.4
% Ch	2.7	2.4	3.7	3.7	3.3	3.3	3.1	2.9
Real Nonresidential Fixed Investment	1,115.3	1,061.1	1,111.8	1,188.9	1,268.1	1,352.3	1,422.1	1,483.6
% Ch	-9.3	-4.9	4.8	6.9	6.7	6.6	5.2	4.3
Real Residential Fixed Investment	457.1	482.9	540.1	582.3	614.6	532.5	490.6	497.2
% Ch	2.9	5.6	11.8	7.8	5.6	-13.3	-7.9	1.4
Real Personal Income	8,567.5	8,587.4	8,815.1	9,107.2	9,332.3	9,690.2	10,057.1	10,417.9
% Ch	0.5	0.2	2.7	3.3	2.5	3.8	3.8	3.6
Real Per Capita Income (\$/Person)	29,834	29,607	30,098	30,803	31,282	32,193	33,120	34,012
% Ch	-0.5	-0.8	1.7	2.3	1.6	2.9	2.9	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.132	1.154	1.176	1.200
% Ch	1.5	1.9	2.2	2.7	3.1	1.9	1.8	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.782	1.821	1.861	1.917	1.990	2.030	2.070	2.115
% Ch	1.8	2.2	2.2	3.0	3.8	2.1	2.0	2.2
Employment Cost Index (June 1989=1.0)	0.903	0.928	0.955	0.980	1.005	1.035	1.064	1.098
% Ch	3.7	2.7	2.9	2.6	2.6	3.0	2.8	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,280.3	10,664.0	11,346.5	12,072.2	12,877.4	13,575.4	14,243.3	14,973.5
% Ch	2.9	3.7	6.4	6.4	6.7	5.4	4.9	5.1
Personal Income	8,798.7	8,982.6	9,420.8	9,999.4	10,568.8	11,186.4	11,822.9	12,502.4
% Ch	2.0	2.1	4.9	6.1	5.7	5.8	5.7	5.7
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.9	146.8	148.2	150.4	152.7	154.5	155.9
Total U.S. Employment	136.4	137.1	138.3	140.4	143.1	145.7	147.1	148.7
Unemployment Rate (%)	5.47	5.90	5.82	5.29	4.83	4.62	4.75	4.64
Nonfarm Payroll Employment	130.88	130.12	130.47	132.47	135.02	137.15	139.03	141.10
% Ch	-1.0	-0.6	0.3	1.5	1.9	1.6	1.4	1.5
Manufacturing	15.73	14.88	14.32	14.29	14.21	14.11	13.91	13.80
% Ch	-7.7	-5.4	-3.7	-0.2	-0.6	-0.7	-1.5	-0.7
Durable Manufacturing	9.83	9.21	8.88	8.96	8.98	8.95	8.82	8.77
% Ch	-8.6	-6.2	-3.6	0.9	0.3	-0.4	-1.4	-0.5
Nondurable Manufacturing	5.91	5.67	5.45	5.33	5.23	5.16	5.09	5.03
% Ch	-6.0	-4.1	-3.9	-2.1	-1.9	-1.3	-1.5	-1.1
Construction	6.77	6.69	6.84	7.14	7.57	7.69	7.66	7.72
% Ch	-0.8	-1.1	2.2	4.3	6.0	1.7	-0.4	0.8
Service-Producing	107.78	107.97	108.72	110.44	112.58	114.65	116.78	118.91
% Ch	-0.0	0.2	0.7	1.6	1.9	1.8	1.9	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	23.8	29.9	33.8	48.8	64.3	60.7	60.9	61.6
Personal Saving/Disposable Income (%)	2.4	1.9	2.2	1.0	-0.9	-0.9	-0.4	0.2
Auto Sales (Millions)	8.2	7.9	7.5	7.6	7.8	7.7	7.6	7.6
% Ch	-4.3	-3.7	-4.4	0.3	2.8	-1.4	-0.6	0.2
Housing Starts (Millions)	1.646	1.729	1.945	2.019	2.039	1.591	1.551	1.634
% Ch	4.8	5.1	12.5	3.8	1.0	-22.0	-2.5	5.4
Federal Budget Surplus (Billions)	-135.8	-299.4	-403.6	-330.9	-242.4	-152.7	-188.1	-192.7
Net Exports (Billions)	-375.7	-477.3	-536.7	-666.5	-762.8	-713.9	-670.2	-642.5
3-Month Treasury Bill Rate (%)	2.15	1.30	0.96	2.21	4.06	4.95	4.91	4.90
10-Year Treasury Note Yield (%)	4.98	3.95	4.29	4.23	4.59	4.81	4.93	5.23
Bond Index of 20 G.O. Munis. (%)	5.14	4.77	4.79	4.50	4.45	4.32	4.47	4.98
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.37	6.40	6.74

Table 1.2
Washington Economic Forecast Summary
 Forecast 2007 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.131	190.437	193.512	202.542	204.174	212.715	223.596	234.071
% Ch	0.8	0.2	1.6	4.7	0.8	4.2	5.1	4.7
Real Wage and Salary Disb.	107.638	107.231	108.849	111.156	115.789	120.532	126.149	131.684
% Ch	-1.1	-0.4	1.5	2.1	4.2	4.1	4.7	4.4
Real Nonwage Income	82.493	83.205	84.664	91.387	88.385	92.183	97.447	102.387
% Ch	3.5	0.9	1.8	7.9	-3.3	4.3	5.7	5.1
Real Per Capita Income (\$/Person)	31,516	31,260	31,413	32,423	32,096	32,788	33,818	34,785
% Ch	-0.3	-0.8	0.5	3.2	-1.0	2.2	3.1	2.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.132	1.154	1.176	1.200
% Ch	1.5	1.9	2.2	2.7	3.1	1.9	1.8	2.1
Seattle Cons. Price Index (1982-84=1.0)	1.876	1.910	1.935	1.973	2.035	2.108	2.163	2.216
% Ch	2.7	1.8	1.3	1.9	3.2	3.6	2.6	2.5
Average Nonfarm Annual Wage	39,824	40,481	41,631	42,569	44,448	45,988	47,884	49,977
% Ch	101.2	1.6	2.8	2.3	4.4	3.5	4.1	4.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.34	17.87	18.15	18.57	19.32	20.37	20.90	21.39
% Ch	6.0	-2.6	1.6	2.3	4.1	5.4	2.6	2.4
Current Dollar Income (Billions of Dollars)								
Personal Income	195.257	199.192	206.783	222.350	231.205	245.550	262.848	280.897
% Ch	2.4	2.0	3.8	7.5	4.0	6.2	7.0	6.9
Disposable Personal Income	170.555	176.240	184.797	197.357	203.006	214.705	229.665	245.466
% Ch	5.0	3.3	4.9	6.8	2.9	5.8	7.0	6.9
Per Capita Income (\$/Person)	32,366	32,697	33,566	35,592	36,343	37,848	39,754	41,742
% Ch	1.2	1.0	2.7	6.0	2.1	4.1	5.0	5.0
Employment (Thousands)								
Washington Civilian Labor Force	3,074.3	3,133.5	3,193.7	3,254.0	3,324.6	3,365.0	3,447.2	3,521.6
Total Washington Employment	2,857.5	2,903.9	2,972.7	3,064.8	3,154.0	3,193.2	3,264.6	3,334.3
Unemployment Rate (%)	7.05	7.33	6.92	5.82	5.13	5.10	5.30	5.32
Nonfarm Payroll Employment	2,665.3	2,654.7	2,673.6	2,737.5	2,820.0	2,893.2	2,962.1	3,027.6
% Ch	-1.9	-0.4	0.7	2.4	3.0	2.6	2.4	2.2
Manufacturing	300.1	274.8	263.2	267.8	279.0	289.5	291.3	292.1
% Ch	-8.1	-8.4	-4.2	1.7	4.2	3.7	0.6	0.3
Durable Manufacturing	212.0	190.5	181.0	186.8	197.5	207.0	208.9	209.0
% Ch	-9.0	-10.2	-5.0	3.2	5.8	4.8	0.9	0.1
Aerospace	82.9	70.1	62.1	63.4	69.0	76.1	79.8	81.0
% Ch	-4.5	-15.5	-11.4	2.1	8.8	10.4	4.8	1.5
Nondurable Manufacturing	88.1	84.3	82.2	81.0	81.5	82.5	82.4	83.1
% Ch	-5.8	-4.3	-2.5	-1.5	0.6	1.2	-0.1	0.8
Construction	154.7	154.9	159.8	170.1	186.8	198.7	199.9	202.1
% Ch	-4.1	0.1	3.2	6.4	9.8	6.4	0.6	1.1
Service-Producing	2,200.9	2,215.9	2,241.8	2,290.5	2,345.4	2,396.8	2,463.0	2,525.6
% Ch	-0.8	0.7	1.2	2.2	2.4	2.2	2.8	2.5
Software Publishers	36.0	36.5	38.5	40.1	42.8	47.4	51.4	55.0
% Ch	4.1	1.6	5.5	4.1	6.7	10.9	8.4	7.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	37.437	42.641	44.395	52.290	53.953	46.160	49.262	48.548
% Ch	-7.1	13.9	4.1	17.8	3.2	-14.4	6.7	-1.4
Single-Family	27.014	32.681	34.506	38.637	40.094	31.238	30.546	29.224
% Ch	1.0	21.0	5.6	12.0	3.8	-22.1	-2.2	-4.3
Multi-Family	10.422	9.960	9.889	13.653	13.859	14.922	18.716	19.324
% Ch	-22.9	-4.4	-0.7	38.1	1.5	7.7	25.4	3.3
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.37	6.40	6.74

Table 1.3
Comparison of Alternative Forecasts

	Fiscal Year 2007				Fiscal Year 2008				Fiscal Year 2009			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	11581.1	11572.7	11542.6	11565.2	11999.4	11903.0	11655.2	11853.2	12466.1	12270.6	11913.9	12238.1
%Ch	3.0	2.9	2.6	2.8	3.6	2.9	1.0	2.5	3.9	3.1	2.2	3.2
Implicit Price Deflator	1.152	1.154	1.158	1.155	1.165	1.176	1.196	1.178	1.183	1.200	1.236	1.202
%Ch	1.8	1.9	2.2	2.0	1.1	1.8	3.3	2.0	1.5	2.1	3.4	2.0
Mortgage Rate	6.35	6.37	6.48	6.35	6.16	6.40	7.91	6.36	6.37	6.74	8.00	6.70
3 Month T-Bill Rate	4.95	4.95	5.13	4.90	4.75	4.91	7.02	4.74	4.66	4.90	6.63	4.77
Washington												
Real Personal Income	214.788	212.715	210.633	212.417	231.906	223.596	213.862	221.695	247.926	234.071	217.459	231.400
%Ch	5.2	4.2	3.2	4.0	8.0	5.1	1.5	4.4	6.9	4.7	1.7	4.4
Personal Income	247.530	245.550	243.865	245.307	270.150	262.848	255.677	261.261	293.234	280.897	268.860	278.043
%Ch	7.1	6.2	5.5	6.1	9.1	7.0	4.8	6.5	8.5	6.9	5.2	6.4
Employment	2898.6	2893.2	2886.4	2891.2	2993.9	2962.1	2914.8	2948.7	3090.4	3027.6	2941.7	3015.2
%Ch	2.8	2.6	2.4	2.5	3.3	2.4	1.0	2.0	3.2	2.2	0.9	2.3
Housing Permits	47.082	46.160	44.574	45.325	54.236	49.262	38.614	45.059	55.415	48.548	39.434	45.490
%Ch	-12.7	-14.4	-17.4	-16.0	15.2	6.7	-13.4	-0.6	2.2	-1.4	2.1	1.0

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

Table 1.4
Forecast Analysis
 Comparison of Forecasts for 2005-07

Forecast Date	2004				2005				2006				2007	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
U.S.														
Percent Growth, 2005:2-2007:2														
Real GDP	6.8	6.8	6.5	6.2	6.4	5.9	6.3	6.4	6.2	6.2	5.9	5.8	6.3	
Implicit Price Deflator	3.9	3.7	3.8	3.5	3.7	3.9	5.0	5.0	4.3	4.5	5.6	5.0	4.6	
Average Rate, 2005:3 to 2007:2														
3 Month T-Bill Rate	2.65	2.68	3.20	3.10	3.42	3.89	4.04	4.18	4.30	4.54	4.65	4.42	4.50	
Mortgage Rate	7.01	6.57	6.98	6.54	6.46	6.76	6.37	6.54	6.30	6.48	6.50	6.29	6.28	
Washington														
Percent Growth, 2005:2-2007:2														
Employment	4.2	4.0	3.9	3.3	3.6	4.0	4.4	4.6	5.2	6.0	5.3	5.8	5.5	
Personal Income	12.8	12.7	12.5	11.9	12.2	13.0	14.0	14.3	13.9	14.1	15.4	14.5	13.4	
Real Personal Income	8.6	8.7	8.5	8.1	8.3	8.8	8.6	8.9	9.3	9.3	9.2	9.1	8.4	
Total (Thousands of units), 2005:3 to 2007:2														
Housing Units Authorized	79.2	86.9	88.0	86.3	89.7	93.4	98.1	100.4	105.0	101.9	102.3	103.9	100.1	

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2007 to 2009

	2005	2006	2007	2008	2009
U.S.					
Real GDP					
March Baseline	10872.9	11245.9	11572.7	11903.0	12270.6
% Ch	3.3	3.4	2.9	2.9	3.1
November Baseline	10872.9	11245.9	11539.8	11854.8	12275.1
% Ch	3.3	3.4	2.6	2.7	3.5
Implicit Price Deflator					
March Baseline	1.098	1.132	1.154	1.176	1.200
% Ch	2.7	3.1	1.9	1.8	2.1
November Baseline	1.098	1.132	1.156	1.179	1.201
% Ch	2.7	3.1	2.1	2.0	1.9
U.S. Unemployment Rate					
March Baseline	5.29	4.83	4.62	4.75	4.64
November Baseline	5.28	4.83	4.85	5.01	4.78
Mortgage Rate					
March Baseline	5.78	6.20	6.37	6.40	6.74
November Baseline	5.78	6.20	6.38	6.32	6.79
3 Month T-Bill Rate					
March Baseline	2.21	4.06	4.95	4.91	4.90
November Baseline	2.21	4.07	4.76	4.43	4.46
Washington					
Real Personal Income					
March Baseline	202.542	204.174	212.715	223.596	234.071
% Ch	4.7	0.8	4.2	5.1	4.7
November Baseline	202.463	204.477	214.749	224.366	235.716
% Ch	4.6	1.0	5.0	4.5	5.1
Personal Income					
March Baseline	222.350	231.205	245.550	262.848	280.897
% Ch	7.5	4.0	6.2	7.0	6.9
November Baseline	222.262	231.550	248.344	264.612	283.178
% Ch	7.5	4.2	7.3	6.6	7.0
Employment					
March Baseline	2737.5	2820.0	2893.2	2962.1	3027.6
% Ch	2.4	3.0	2.6	2.4	2.2
November Baseline	2737.7	2822.6	2904.0	2967.5	3032.5
% Ch	2.4	3.1	2.9	2.2	2.2
Housing Permits					
March Baseline	52.290	53.953	46.160	49.262	48.548
% Ch	17.8	3.2	-14.4	6.7	-1.4
November Baseline	52.033	52.601	51.287	50.910	48.984
% Ch	17.2	1.1	-2.5	-0.7	-3.8

Table 1.6

Long Range Economic Outlook

Forecast 2007 to 2017

Calendar Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
U.S.											
Real GDP, %Ch	2.7	3.0	3.2	3.1	2.7	2.4	2.4	2.5	2.6	2.6	2.6
Implicit Price Deflator, %Ch	1.6	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9
3 Month T-Bill Rate	4.96	4.90	4.90	4.90	4.90	4.67	4.67	4.67	4.67	4.67	4.67
Mortgage Rate	6.33	6.58	6.85	7.00	7.03	6.85	6.85	6.85	6.85	6.85	6.85
State*											
Real Personal Income, %Ch	4.8	4.7	4.6	4.3	3.8	3.4	3.2	3.3	3.4	3.4	3.4
Personal Income, %Ch	6.5	6.9	6.8	6.4	5.9	5.5	5.2	5.2	5.4	5.4	5.4
Employment, %Ch	2.5	2.3	2.0	1.8	1.5	1.1	0.9	0.9	1.0	1.0	1.1

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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

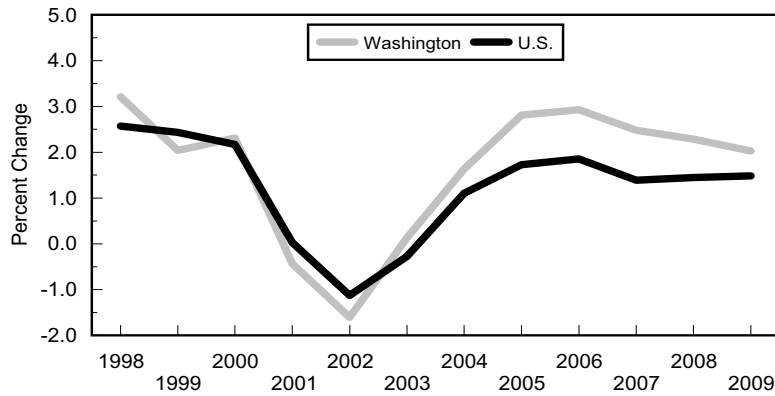


Chart 1.2
Manufacturing Employment

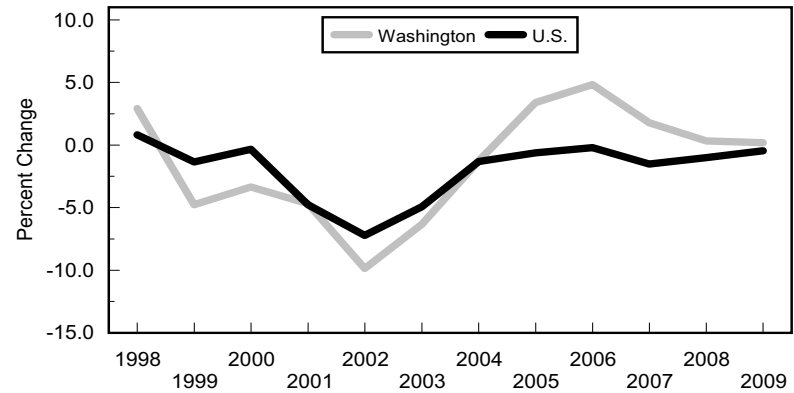


Chart 1.3
Aerospace Employment

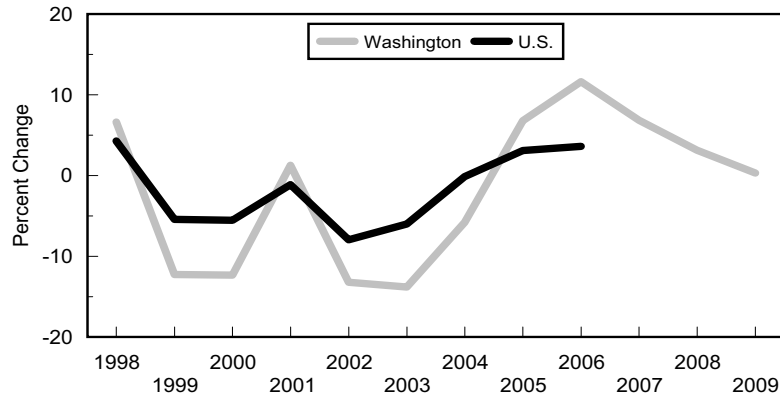
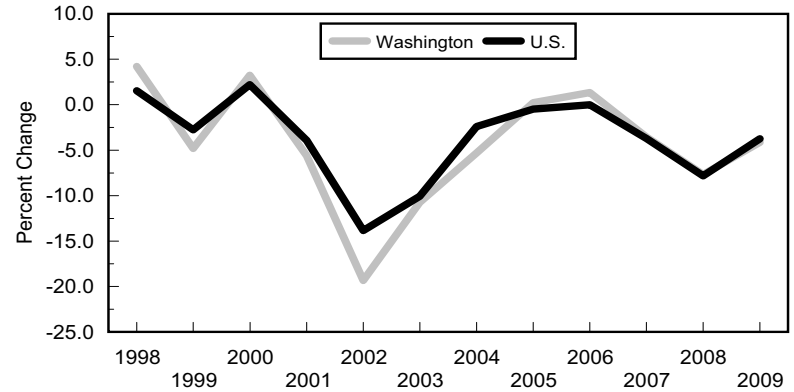


Chart 1.4
Computers and Electronics Employment



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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

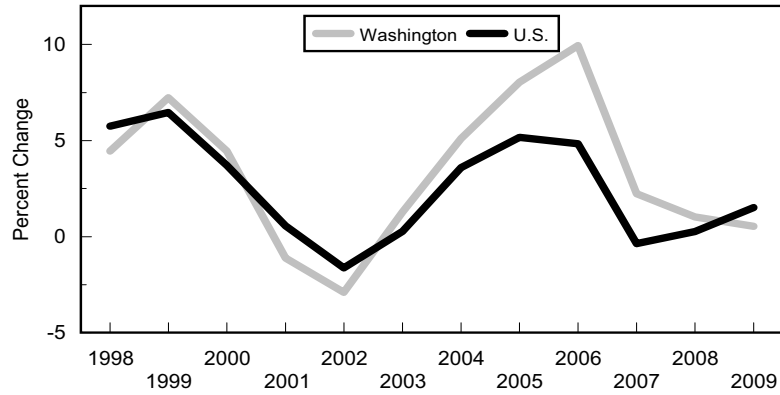


Chart 1.6
Information Employment

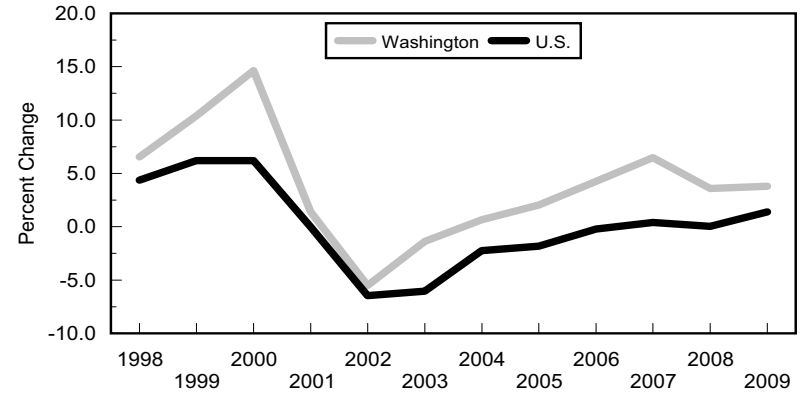


Chart 1.7
Other Private Employment

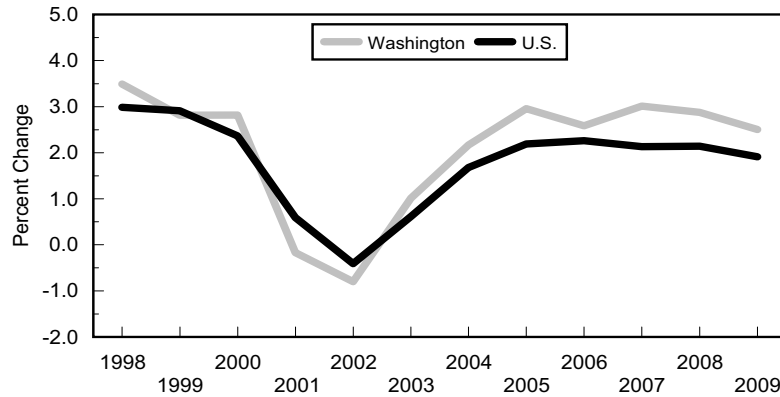
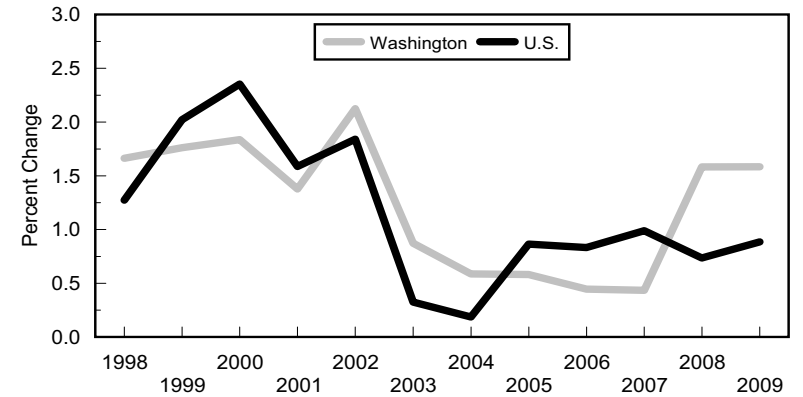


Chart 1.8
Government Employment



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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

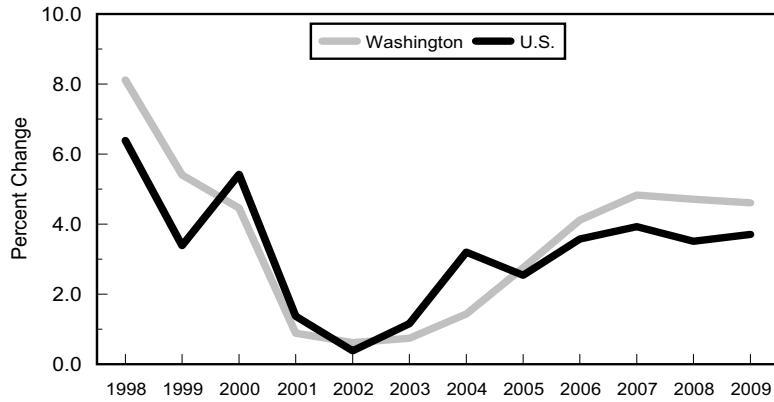


Chart 1.10
Consumer Price Indices

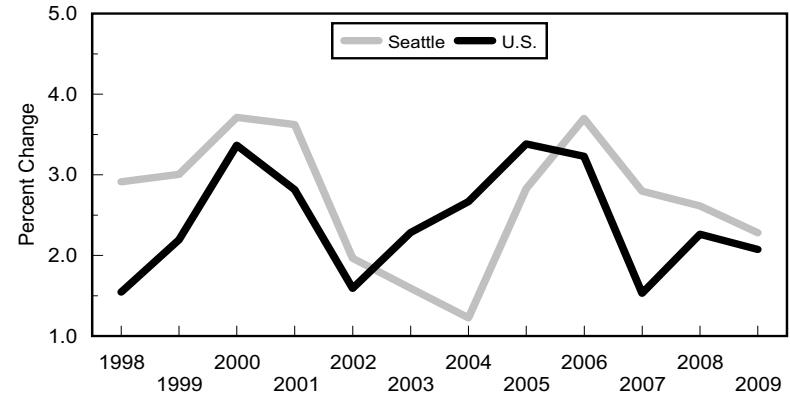


Chart 1.11
Population

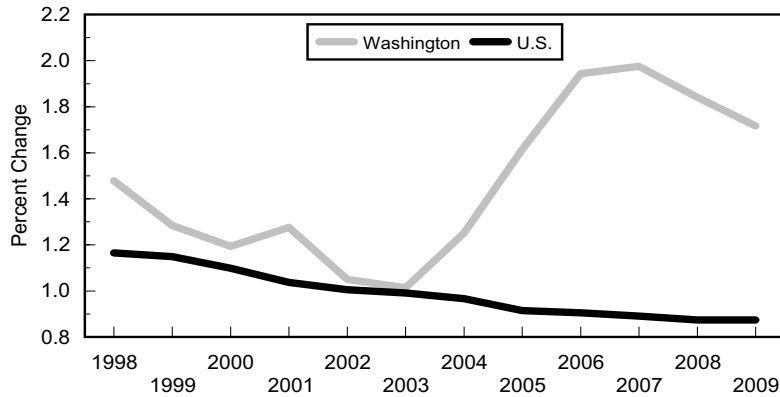
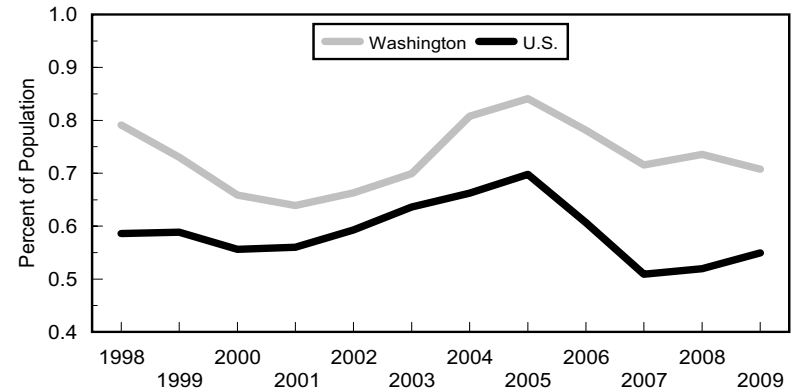


Chart 1.12
Per Capita Housing Units



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

Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

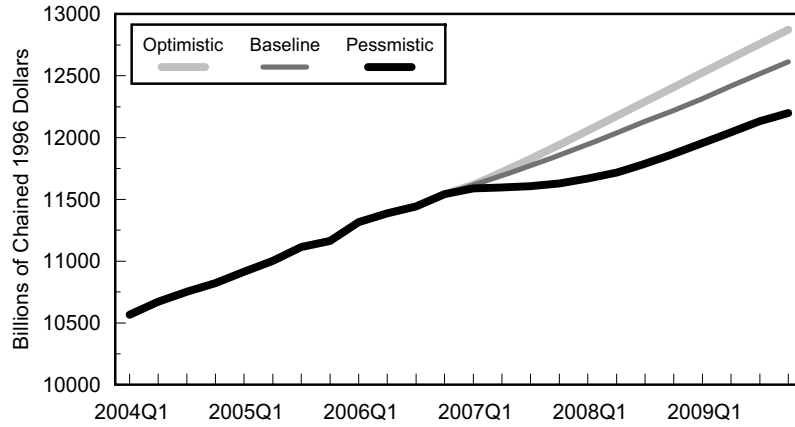


Chart 1.14
Implicit Price Deflator

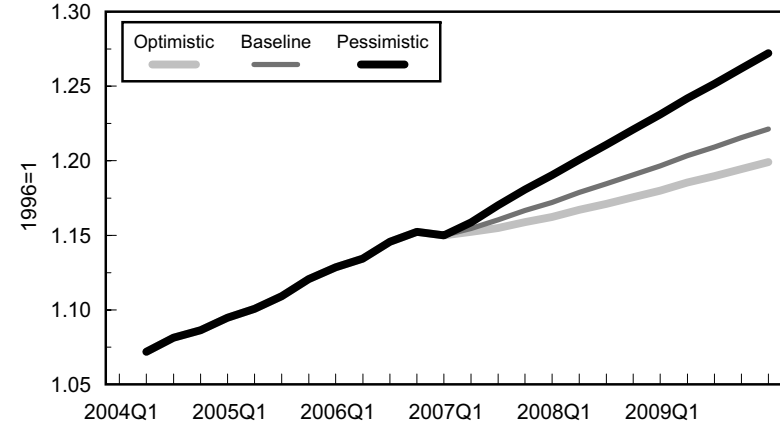


Chart 1.15
Mortgage Rate

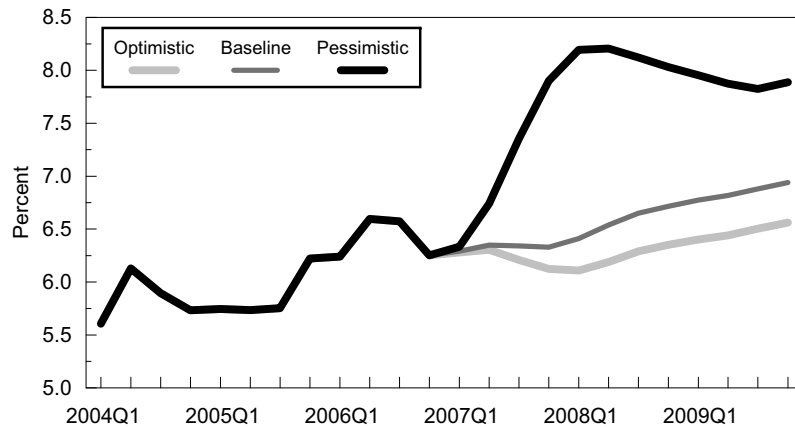
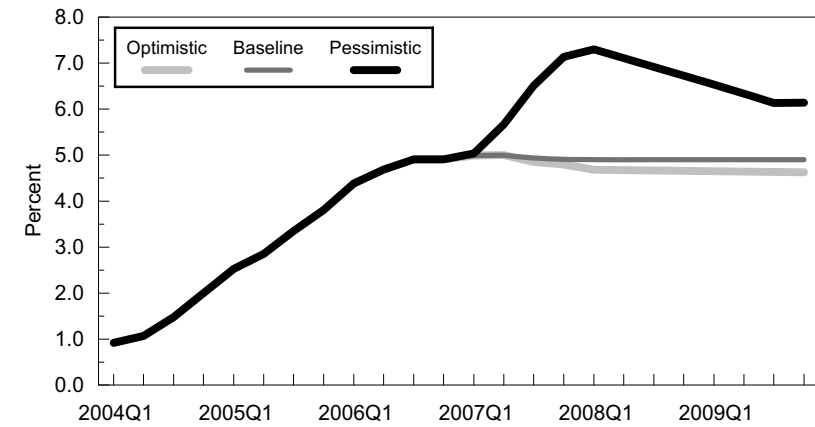


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

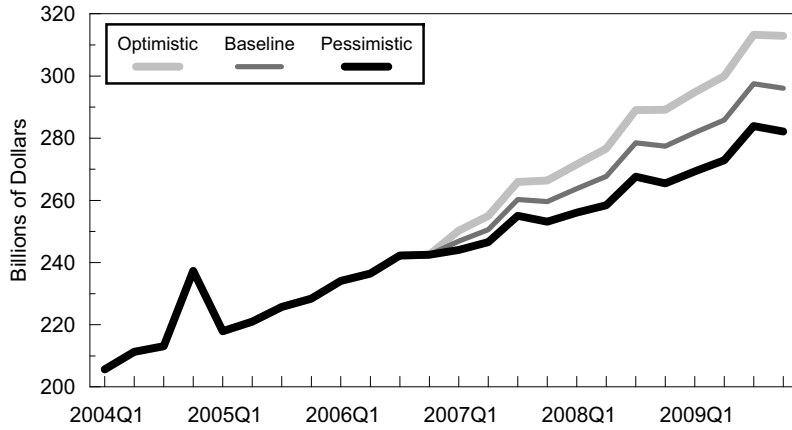


Chart 1.18
Real Personal Income

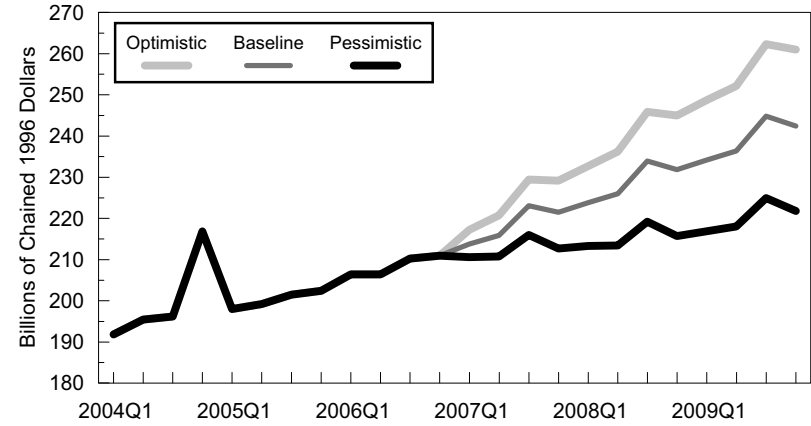


Chart 1.19
Total Nonfarm Payroll Employment

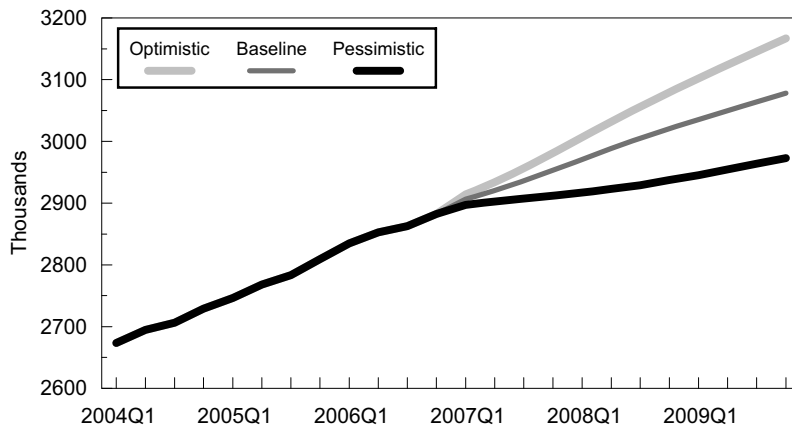
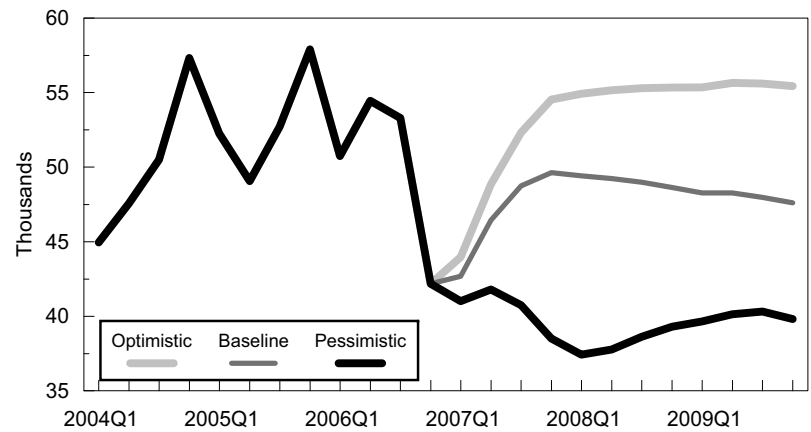


Chart 1.20
Housing Permits



Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a 2.5* percent annual rate in the fourth quarter of 2006, up from a downwardly revised rate of 2.0 percent in the third quarter. The largest contributor to fourth quarter growth was real consumer spending, which rebounded at an annual rate of 4.2 percent after growing at 2.8 percent in the third quarter. The increased growth in real consumer spending was led by an increase in nondurable goods consumption, which grew at a 5.9 percent rate after growing at a rate of only 1.5 percent in the third quarter. Durable goods consumption growth slowed to a rate of 4.4 percent, down from a rate of 6.4 percent in the third quarter, while services consumption growth increased to a rate of 3.4 percent after growing at a rate of 2.8 percent in the third quarter. Real gross private domestic investment was the largest detractor from fourth quarter growth, shrinking at a 15.2 percent rate after contracting at a downwardly-revised 0.8 percent rate in the previous quarter. Real fixed investment decreased during the quarter at a rate of 9.1 percent due mainly to weakness in residential fixed investment, which shrank at a 19.8 percent rate. Real fixed investment had also declined at a 1.2 percent rate in the third quarter due to an 18.7 percent decline in residential fixed investment during that period. Non-residential fixed investment declined as well during the fourth quarter, contracting at a rate of 3.1 percent after growing at a 10.0 percent rate in the previous quarter. Government spending growth increased in the fourth quarter, growing at a rate of 3.4 percent after growing at a rate of 1.7 percent in the third quarter. Net exports added to GDP growth in the fourth quarter as real exports grew at a 10.6 percent rate while real imports declined at a 2.6 percent rate, due mainly to a decline in the price of petroleum imports.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity increased to 52.3 in February from its January value of 49.3. Index values above 50 indicate that manufacturing sector output is increasing. The employment component of the index increased to 51.1 from January's value of 49.5, rising above the critical value of 50, indicating that more of the manufacturers surveyed had been increasing employment than decreasing it during that period.

U.S. seasonally-adjusted payroll employment grew by 97,000 jobs in February after growth of 146,000 jobs in January. Year-over-year employment growth was 1.5 percent in February and 1.6 percent in January. The U.S. seasonally-adjusted unemployment rate decreased to 4.5 percent in February from January's value of 4.6 percent.

Nonfarm business productivity showed signs of recovery in the fourth quarter of 2006, growing at a 1.6 percent annual rate after contracting at a 0.5 percent rate in the previous quarter. Higher energy prices

drove the seasonally adjusted Consumer Price Index (CPI) up by 0.4 percent in February after a milder 0.2 percent increase in January. Year-over-year CPI growth increased to 2.4 percent in February from January's value of 2.1 percent. The seasonally-adjusted index excluding food and energy increased at a monthly rate of 0.2 percent in February and 0.3 percent in January, resulting in year-over year growth rates of 2.7 for each month.

The Conference Board's Index of Consumer Confidence decreased to 107.2 in March from February's value of 111.2. The decrease was due solely to a decrease in the expectations component of the index, as the present conditions component showed a slight increase. The University of Michigan Consumer Sentiment Survey also decreased in March to a value of 88.4 from February's value of 91.3. Both the expectations and present conditions components of the index declined. The Conference Board's U.S. Index of Leading Indicators decreased 0.5 percent in February and 0.3 percent in January after a 0.7 percent increase in December. Six of the ten index components were negative in February.

The Federal Open Market Committee (FOMC) unanimously voted to hold its target rate for federal funds constant at 5.25 percent at its March 21, 2007 meeting. This was the FOMC's sixth decision to leave the rate unchanged since its meeting of August 8, 2006. The Committee's policy statement was notable in that it dropped the bias towards further tightening that had been present in the Committee's statements since it stopped raising its policy rate, omitting references to "the extent and timing of any additional firming that may be needed."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, increased to 177 in February, a year-over-year increase of 12.7 percent. This followed an 11.3 percent year-over-year increase in January. Seasonally adjusted, the index increased by 3.7 percent in February after decreasing 2.4 percent in January. The Conference Board's February Help Wanted Index, which measures newspaper employment advertising, decreased one point to a value of 31.

The State Economy and Indicators

Washington wage and salary employment rose at a 2.8 percent annual rate in the fourth quarter of 2006, following a growth rate of 1.5 percent in the third quarter. Construction employment showed regained strength in the fourth quarter, increasing at a 6.3 percent annual rate after increasing at a 3.5 percent rate in the third quarter. Manufacturing employment increased at an annual rate of 4.2 percent in the fourth quarter after increasing by 4.0 percent in the third quarter. Durable goods manufacturing employment increased at a 4.8 percent rate, aided by the 11.1 percent growth rate of aerospace employment. Nondurable goods manufacturing employment also increased in the fourth quarter, growing at a rate of 2.6 percent after growing at a 3.6 percent rate in the previous quarter.

Washington's seasonally adjusted unemployment rate dropped by 0.3 percent in February to a rate of 4.8 percent. February's Seattle Times Index of Help-Wanted Advertising also decreased slightly, to 44.3 from January's level of 44.9. Washington seasonally adjusted initial claims for unemployment insurance dropped to 33,300 from January's count of 35,300. Measured as a percent of the workforce, February's claims count is near the historical low for this measure.

February year-over-year growth in the Seattle CPI decreased slightly to 4.0 percent after December's value of 4.2 percent. The growth in Seattle's price index excluding food and energy was 3.7 in both months. Washington's seasonally adjusted average weekly hours in manufacturing increased to 41.1 in February from January's value of 40.3. The non-seasonally adjusted Washington Purchasing Management Index decreased in February to a still strong value of 65.2 from January's value of 68.3. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index

decreased to 60.0 from January's value of 65.0, indicating slightly slower job growth.

The Boom Monitor Composite Index increased in January to a value of 61.4 from December's value of 54.6. Boom Monitor levels above 50 indicate that the weighted average growth in the index's components is above their historic average. The Washington Index of Leading Indicators increased by 0.8 points in February following a 0.3 point increase in January, reaching a February value of 116.7. Five of the seven index components were positive in February.

Authorized housing permits increased to a very high annualized level of 63,870 units in February from January's already high level of 62,650 units. Single-family permits increased from 30,580 units in January to 33,360 in February while multi-family permits declined from 32,070 to 30,504 units. Both months' counts were up sharply from values in November and December of 2006, indicating that poorer-than-normal weather conditions in those months may have delayed construction plans until January and February.

Fourth quarter exports of goods originating in Washington totaled \$15.1 billion, a record high and a 46.3 percent increase over the same quarter last year. Transportation equipment exports of \$9.9 billion were 81.6 percent above the exports of the fourth quarter of 2005, due largely to the effects of the September 2005 Boeing strike. Exports excluding transportation equipment were at a record high of \$5.2 billion, an increase of 6.6 percent over the fourth quarter of last year.

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

** This is based on the most recent data from the Bureau of Economic Analysis (the final GDP estimate for the fourth quarter of 2006 released March 29, 2007). The March economic forecast is based upon the February Global Insight forecast, which incorporated the BEA's advance estimate from January 31, 2007.*

Table 2.1

Summary of National and State Indicators

<u>Indicator</u>	<u>Latest Data</u>	<u>Most Recent Indication¹</u>
U.S. Leading Index	February 2007	-
U.S. Real GDP Growth	4th quarter 2006	+
U.S. ISM Index	February 2007	+
U.S. Employment y-o-y %ch	February 2007	+ but slowing
U.S. Unemployment Rate	February 2007	+
U.S. Help Wanted Index	February 2007	-
U.S. Fed Funds Target	March 25, 2007	neutral
U.S. Consumer Confidence	March 2007	-
U.S. CPI	February 2007	-
U.S. Monster Employment Index	February 2007	+
S&P 500 Index	Week of March 30, 2007	-
WA Leading Index	February 2007	+
WA ISM Index	February 2007	+
WA Help Wanted Index	February 2007	-
WA Employment y-o-y %ch	February 2007	+ but slowing
WA Aerospace Empl. Growth	February 2007	+
WA Unemployment Rate	February 2007	+
WA Boom Monitor	January 2007	+
WA Initial Unemploy. Claims	February 2007	+
WA Housing Permits	February 2007	+
WA Weekly Hours in Mfg.	February 2007	+
WA New Car/Truck Registration	February 2007	neutral
WA Migration (DOL data)	February 2007	+
WA Exports-Total	4th quarter 2006	+
WA Exports- w/o Trans. Equip.	4th quarter 2006	+
Seattle CPI	February 2007	+

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

Washington State Economic Indicators

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

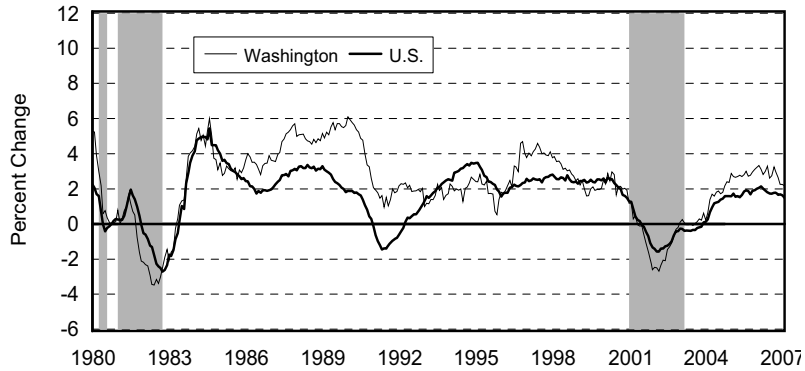


Chart 2.2
Washington Aircraft and Parts Employment
 January 1958 to February 2007

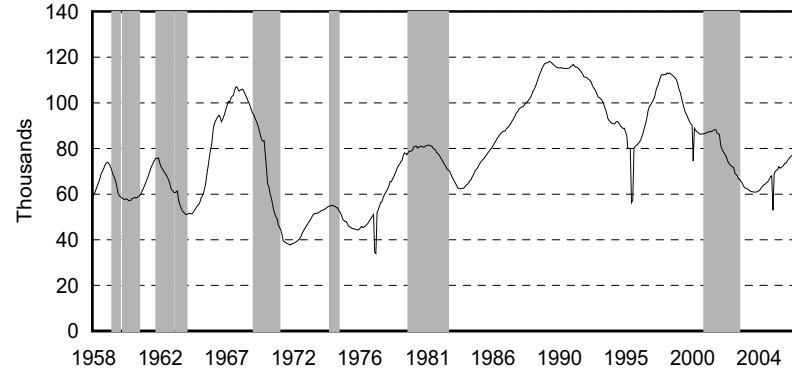


Chart 2.3
Unemployment Rate, S.A.
 January 1980 to February 2007

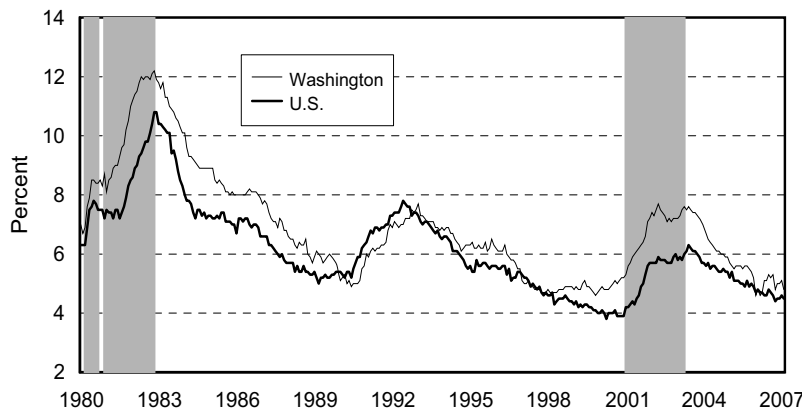
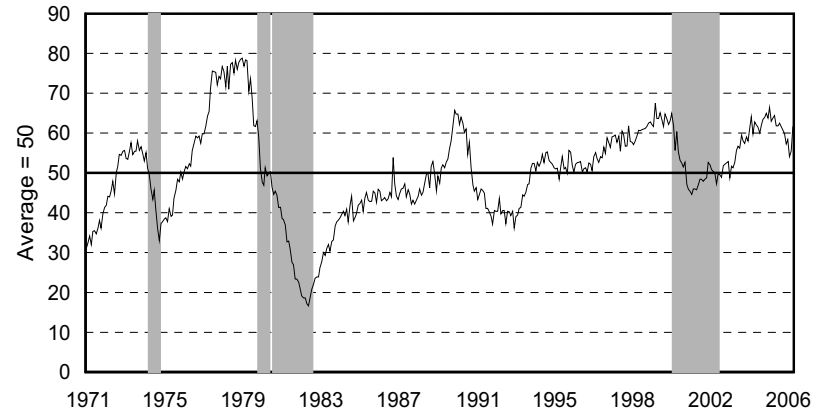


Chart 2.4
Washington Boom Monitor Composite Index
 July 1971 to January 2007



* Shaded areas correspond with Washington employment downturns.

Washington State Leading Indicators

Chart 2.5
The Washington and U.S. Indexes of Leading Indicators
January 1970 to February 2007

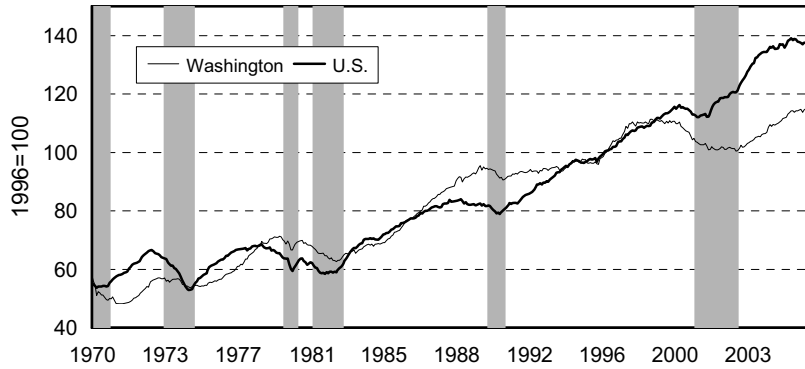


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to February 2007

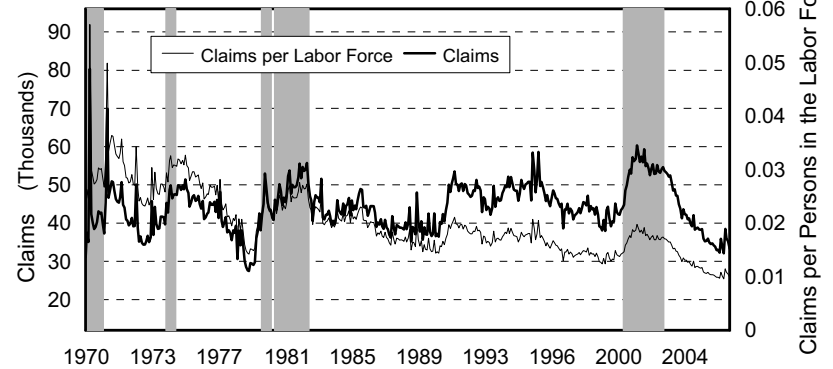


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to February 2007

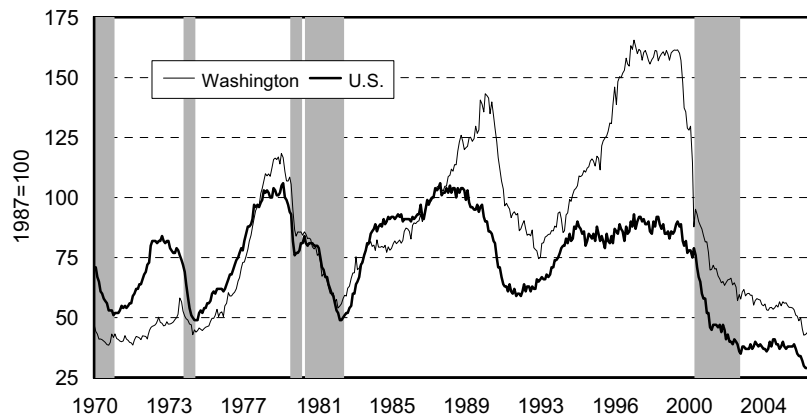
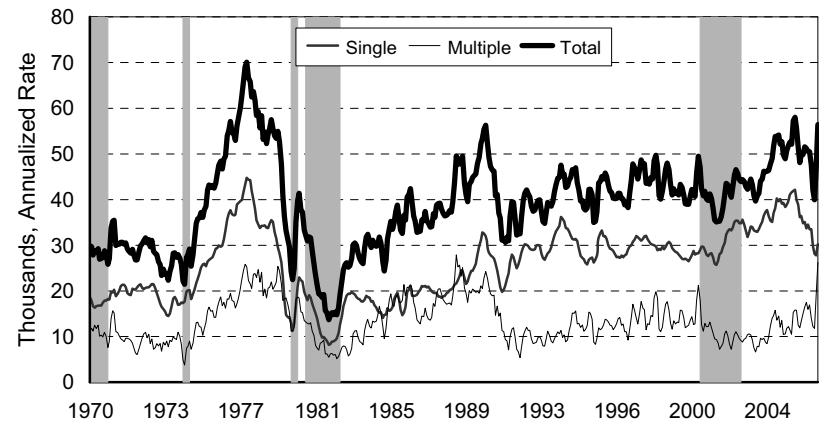


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to February 2007, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

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

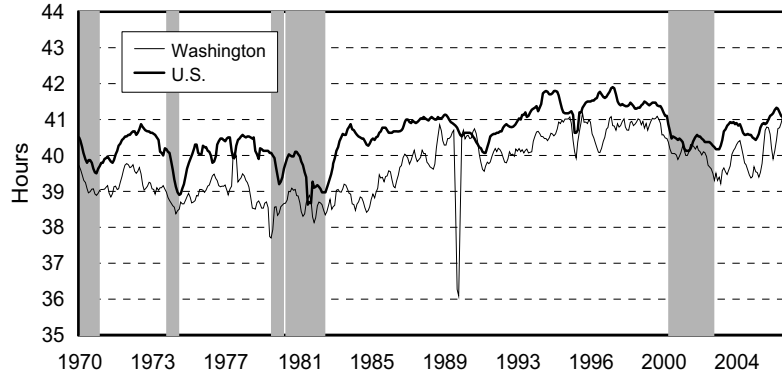


Chart 2.10
Washington Driver's License Migration
 September 1983 to February 2007 12-Month Moving Average

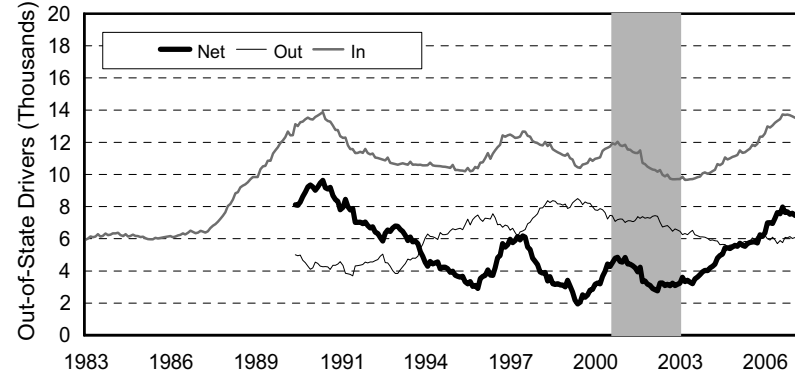


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to February 2007, 6-Month Moving Average

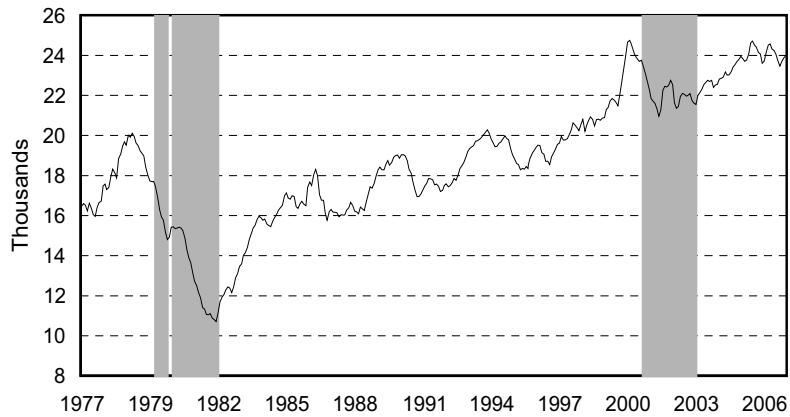
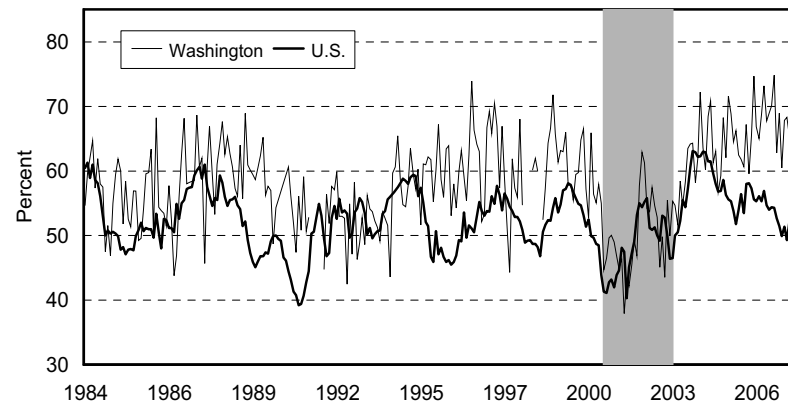


Chart 2.12
Institute for Supply Management Index
 January 1984 to February 2007



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
1970 Q1 to 2006 Q4

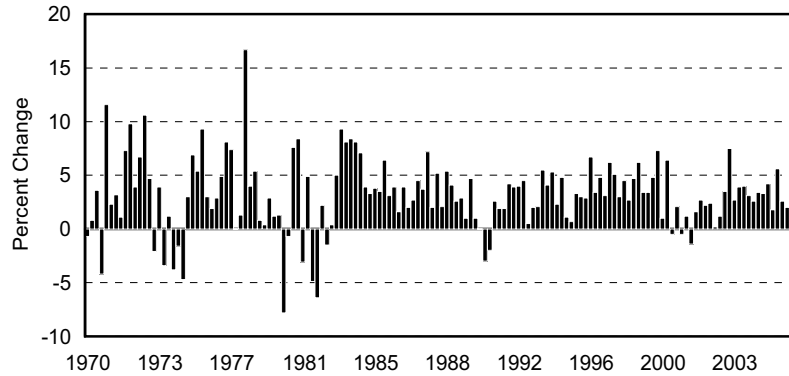


Chart 2.14
Washington State Export Composition
Change from Same Quarter Year Ago, 1998Q1 to 2006Q4

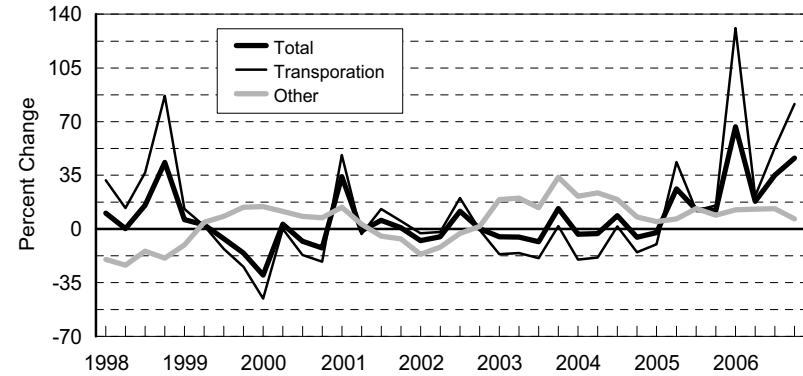


Chart 2.15
U.S. Economic Indicators*
January 1970 to February 2007

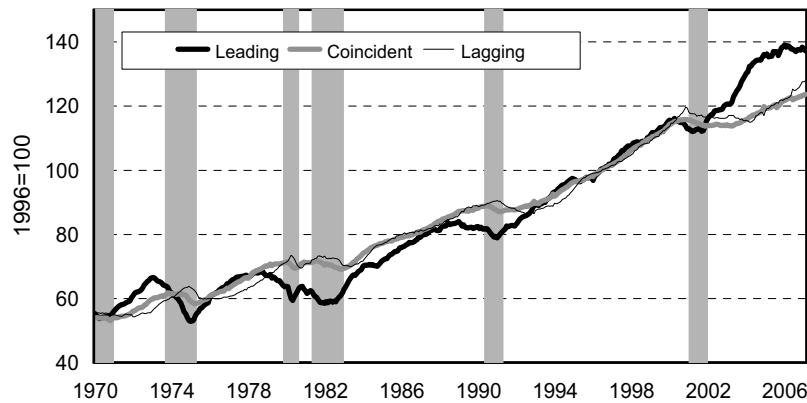
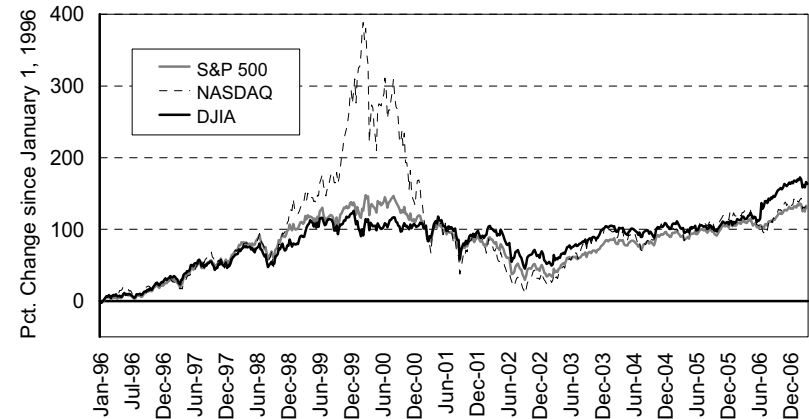


Chart 2.16
National Stock Indexes
January 1, 1996 to March 30, 2007



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

Other Economic Indicators

Chart 2.17
Federal Funds Target Rate
 October 1, 1990 to March 30, 2007

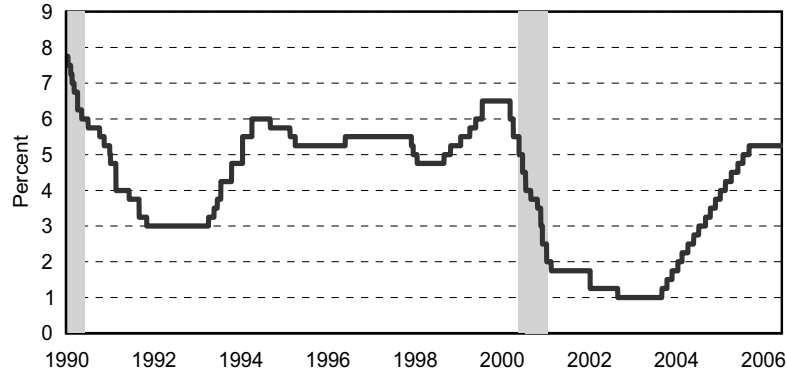


Chart 2.18
Consumer Confidence
 January 1978 to March 2007

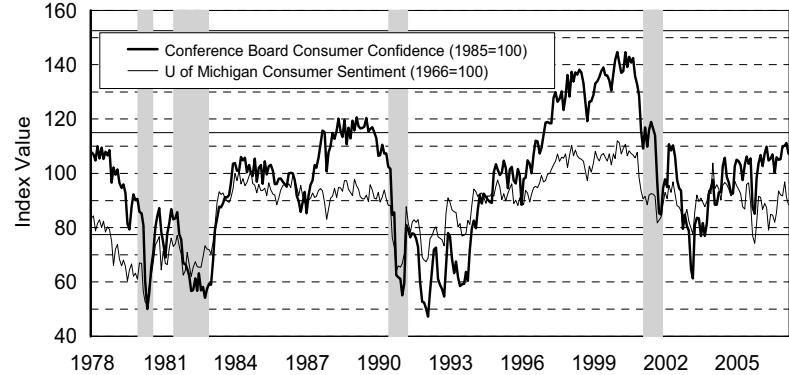


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to February 2007

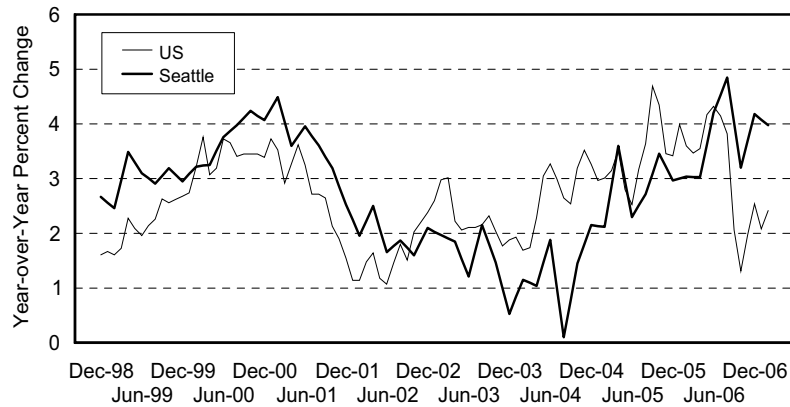
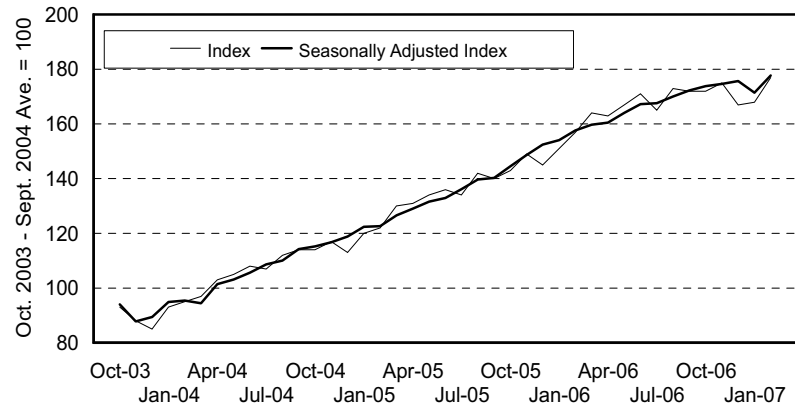


Chart 2.20
Monster Employment Index
 October 2003 to February 2007



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

Table 2.2
Washington Business Indicators
 Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
2005:2	109.6	136.3	54	41	71.6	55.1
2005:3	109.4	135.4	55	39	68.9	55.3
2005:4	109.7	135.5	54	39	64.5	53.5
2005:5	110.0	135.6	57	37	66.3	51.9
2005:6	110.5	137.1	55	38	62.5	54.1
2005:7	110.9	136.9	57	40	61.8	56.1
2005:8	111.6	137.0	56	38	60.7	53.4
2005:9	111.8	135.8	56	37	67.2	57.9
2005:10	112.0	136.9	55	38	59.6	58.5
2005:11	113.1	138.2	54	38	65.4	57.7
2005:12	113.6	138.5	54	38	74.7	55.5
2006:1	114.2	139.1	54	38	66.9	55.3
2006:2	114.3	138.4	53	39	65.0	56.1
2006:3	113.7	138.9	51	37	68.8	55.3
2006:4	114.3	138.6	51	35	73.2	56.9
2006:5	114.2	137.9	49	34	67.7	54.7
2006:6	114.5	137.8	50	34	68.9	54.0
2006:7	114.8	137.5	45	32	70.1	54.4
2006:8	113.7	137.0	43	30	74.8	54.3
2006:9	114.6	137.6	43	29	62.8	52.7
2006:10	115.0	137.6	44	29	68.9	51.5
2006:11	114.0	137.5	43	29	60.5	49.9
2006:12	115.6	138.4	43	34	67.8	51.4
2007:1	115.9	138.0	45	32	68.3	49.3
2007:2	116.7	137.3	44	31	65.2	52.3

Washington State Revenue Forecast Summary

Introduction

The Washington State Economic and Revenue Forecast Council approved a \$126.5 million increase to the General Fund-State (GFS) revenue forecast at its March 15, 2007 meeting. The change included a \$144.3 million increase to the forecast for the 2005-07 biennium and a \$17.8 million reduction for the 2007-09 budget period. The upward revision to the forecast for the current budget period reflects a little more growth than expected in November and includes \$68.2 million more than expected tax payments in the four months since the last forecast. The small reduction to the GFS revenue forecast for the 2007-09 biennium is primarily due to a weaker outlook for housing than in the November 2006 forecast. While the state is expected to receive a little more revenue than it expected just four months ago, the forecast expects economic activity and revenue growth to slow in the coming months as the housing market weakens and consumer spending moderates.

The March 2007 GFS forecast for the 2005-07 biennium, which spans the period from July 2005 through June 2007, is \$27,510.1 million. Consumer and business spending has been very strong in the 2005-07 biennium due to solid income and employment growth and a booming housing market early in the biennium. GFS revenue in the 2005-07 budget period is projected to be \$4.1 billion (17.6 percent) higher than in the 2003-05 biennium. Adjusting for tax law changes and other factors affecting the comparability between biennia, GFS revenue is expected to increase 18.6 percent in the 2005-07 biennium. Although a weaker housing outlook is expected to slow spending during the last six months of the biennium, revenue growth is still

	<u>2005-07 Biennium</u>	<u>2007-09 Biennium</u>	<u>Both Biennia</u>
Non-economic change	\$0.0	\$0.0	\$0.0
Forecast Change	<u>\$144.3</u>	<u>(\$17.8)</u>	<u>\$126.5</u>
Total Change*	\$144.3	(\$17.8)	\$126.5

*Detail may not add to totals due to rounding.

on track to be the strongest since the 1989-91 biennium. The higher March 2007 forecast increases the outlook for reserves. Reserves are now projected to total \$1,283.1 million at the end of the 2005-07 biennium. This is the combined total of \$1,232.7 million in unrestricted General Fund reserves and \$50.4 million of reserves in the Emergency Reserve Fund.

The March 2007 forecast expects modest economic and slower revenue growth next biennium. While the turmoil in the subprime mortgage market may prolong the housing slump, it is not expected to significantly affect overall economic performance. Revenue growth, however, is expected to slow from the very strong pace of the 2005-07 biennium. The March 2007 GFS revenue forecast for the 2007-09 budget period is \$29,515.5 million. This is \$2.0 billion, 7.3 percent higher than the forecast for the current biennium.

Background and Assumptions

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

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline 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 2007 baseline forecast for the 2007-09 biennium, is shown in Table 3.2.

March 2007 Forecast Assumptions

1. The March 2007 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic

outlook for the state is in part based on the Global Insight, Inc. February 2007 baseline forecast for the U.S. economy.

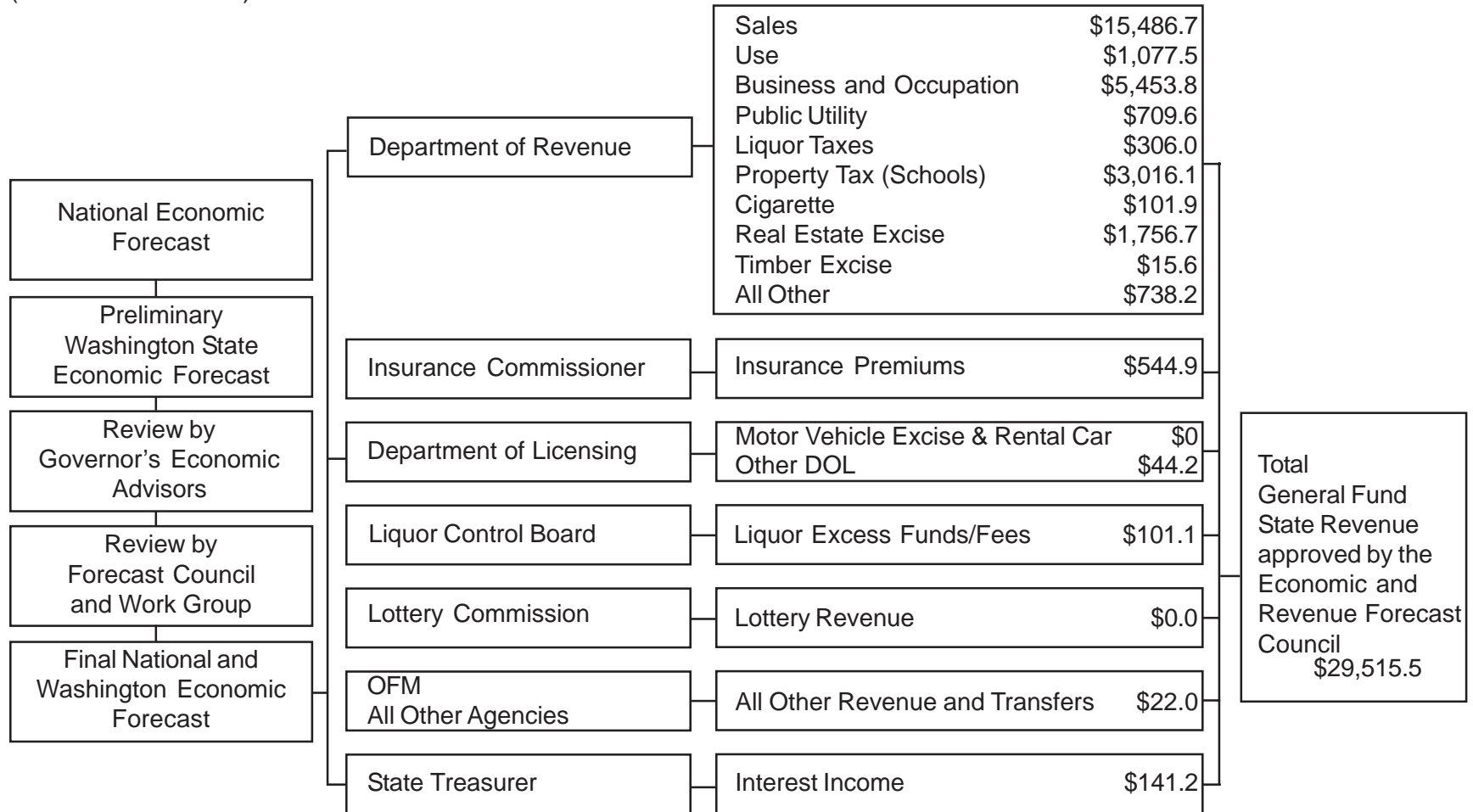
2. The GFS revenue forecast is based on current law and administrative practices. The revenue impact of tax law changes that will be enacted into law during the 2007 legislative session will be incorporated in the June 2007 forecast.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, most lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a multi-state lottery game. Proceeds from this new game go the General Fund after the first \$102 million per year of uncommitted lottery earnings are transferred to the Student Achievement Account. Part II of Table 3.19 summarizes lottery distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. The two most visible cases are a ruling by a judge in Snohomish County in the spring of 2006 invalidating some of the tax increases enacted during the 2005 legislative session and the King County Superior Court ruling in June 2006 invalidating Initiative 747. Both of these rulings are on appeal. Any impact of legal challenge affecting GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting GFS receipts for the last few biennia as well as the forecast for the 2005-07 and 2007-09 biennia. As of November 2006, new tax law changes and other non-economic factors have reduced GFS revenue for the 2005-07 biennium by an estimated \$474 million. In addition, legislation has reduced the GFS for the 2007-09 biennium by \$111.9 million.
6. Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, has had a disproportional impact on GFS revenue over time. The I-728 property tax transfers grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium. They are expected to grow to \$491.8 million in the 2005-07 biennium and to \$503.4 million in the 2007-09 biennium. (See part I of Table 3.19.)

Recent Collection Experience

Revenue collected in the four months since the November 2006 forecast was \$68.2 million, 1.5 percent, more than expected. This included \$36.7 million due to special factors (unusually large audit payments) which are unrelated to the strength of the economy. Excluding special factors, collections were \$31.5 million, 0.7 percent, higher than expected. The positive revenue variance since the last forecast is primarily from higher than expected Revenue Act (retail sales, business and occupation, use and public utility tax) receipts and real estate excise tax collections. Revenue Act tax payments exceeded the November forecast by \$26.7 million (0.7 percent), excluding special factors, and the GFS share of real estate excise tax collections were \$4.9 million (2.0 percent) more than expected. Other GFS taxes and transfers were \$0.4 million less than expected.

GFS revenue growth has remained strong. Despite slower U.S. economic growth in the fourth quarter and a considerably weaker housing market, consumer and business spending appears not to have been significantly affected. Revenue Act tax payments were 8.1 percent above the year-ago level in the four months since the November 2006 forecast (October 2006 through January 2007 business activity). Although revenue growth did decelerate in the fourth quarter from a very strong third quarter of 2006 (9.1 percent) and an even stronger first half of 2006 (11.4 percent), it remains above the growth of U.S. retail

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



* Cash Basis

sales and state personal income growth. Revenue from Washington's major excise taxes has increased faster than income for the last fourteen quarters. The March forecast continues to assume that this pace is unsustainable and that revenue growth will moderate as a weakening housing market slows spending in other sectors of the economy.

Industry detail for the most recent month (January 2007 activity, reflecting excise tax payments of taxpayers who filed electronically in the February 11- March 10, 2007 period) shows an improvement in year over year growth in tax payments (7.7 percent) compared to December 2006 activity (5.6 percent). Growth varied greatly by sector however, with some sectors quite strong while others were weak. For the month tax payments of businesses in the retail trade and food services sector were up 6.9 percent from the year-ago level. This follows increases of 7.7 percent last month and 7.4 percent two months ago. Tax payments by businesses in the auto sector, the largest retailing category, were 6.8 percent above the year-ago level, after increasing only 2.5 percent last month. In the most recent month, five of twelve three-digit retail NACIS sectors reported double-digit gains with the strongest growth reported by non store retailers (+22.9 percent), general merchandise retailers (+15.8 percent), apparel and accessories retailers (+14.7 percent), food stores (+10.4 percent) and drug and health stores (+10.2 percent). Three sectors reported year over year declines: building materials and garden supply retailers (-9.2 percent), furniture stores (-4.1 percent), and electronic and appliance stores (-0.2 percent). Tax payments from non-retailing sectors as a whole increased 8.3 percent in the most recent month. Non-retailers reported only a 3.5 percent increase in the month before. Despite weakening real estate excise tax payments, excise taxes paid by the construction sector remained strong this month (+9.9 percent), a little better than last month (+7.5 percent). The non-retail trade sectors with the strongest growth this month were: utilities (+22.9 percent), the finance and insurance sector (+21.7 percent), and wholesale trade (+11.6 percent). Two major non-retail trade sectors reported a year-over-year decline in tax payments: firms in the arts, entertainment and recreation sector

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
 Nov. 11, 2006 - March 10, 2007
 Based on the November 2006 Forecast (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 ¹	\$63.4	1.8%	\$26.7	0.7%
Non Revenue Act ²	\$4.5	0.4%	\$4.5	0.4%
Subtotal	<u>\$67.9</u>	<u>1.5%</u>	<u>\$31.2</u>	<u>0.7%</u>
Department of Licensing ²	\$0.3	39.5%	\$0.3	39.5%
Other	na	na	na	na
Total***	\$68.2	1.5%	\$31.5	0.7%

¹ Revenue Act taxes consist of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections November 11, 2006 through March 10, 2007.

² Variance based on November 2006 through February 2007 collections. Major Non-Revenue Act

sources include: state property tax levy, real estate excise tax and estate tax.

* Collection variance: actual tax payments compared to monthly estimates based on the November 2006 forecast.

** Variance adjusted for special factors (primarily unusually large audit payments).

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

reported a 2.0 percent decline and tax payment of businesses in the manufacturing sector were down 1.7 percent. Tax payments by firms in construction and housing related sectors grew only about half as fast as in other sectors of the economy. This month's preliminary data shows tax payment from construction related sectors were up 4.4 percent compared to 8.5 percent for all other sectors.

Real estate activity continues to slow but not quite as fast as assumed in the November forecast. After hitting an all-time high in the first quarter of 2006, seasonally adjusted taxable real estate activity has declined two of the last three quarters and is estimated to be 8.8 percent lower than the year ago level in the first quarter of 2007. Preliminary data indicates that taxable real estate activity (based on closings) in February was 10.7 percent below the year-ago level. Taxable activity has been below the year-ago level for four consecutive months and five of the last six. The volume of activity is the primary source of weakness. The number of real estate transactions has declined on a year-over-year basis for fifteen straight months and was 12.8 percent below the year-ago level in the fourth quarter of 2006. The average value-per-transaction, however, remains relatively strong, increasing 16.2 percent in calendar 2006, the third consecutive year with a double-digit increase. The average value per transaction did decline 1.0 percent on a year-over-year basis in January 2007. This was the first monthly decline since April 2002.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$274,000 (39.5 percent) above the estimate in the four months since the November forecast.

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

The outlook for GFS revenue continues to improve. A little stronger than expected growth and some special factors has boosted the outlook for the remainder of the 2005-07 biennium. While a weaker housing market is expected to produce a little less revenue than previously expected in the 2007-09 biennium, overall the GFS revenue forecast is slightly higher than last quarter.

The forecast has underestimated the strength of the economy, especially housing, and significantly underestimated revenue growth for most of the 2005-07 biennium. We are now more than three quarters of the way through the 2005-07 biennium. During this period GFS Revenue has grown well above trend and much faster than personal income. Revenue from major excise taxes increased 10.6 percent in fiscal 2006, the first year of the current biennium, and has averaged 8.5 percent above year-ago level in the first seven months of fiscal 2007. While there is clear evidence of weaker housing and real estate activity, so far there is little evidence of that this has produced weaker consumer and business spending in other sectors of the economy. Nevertheless, the forecast continues to expect that a weaker housing market will eventually spill over to other sectors and spending growth will slow. Although the forecast continues to expect slower growth going forward, the economic fundamentals remain healthy and revenue growth for the current budget period is still on track to be the best in sixteen years. The forecast expects real personal income in Washington to increase 6.6 percent in the 2005-07 biennium, up from 2.7 percent in the 2003-05 period. Employment growth is also expected to improve significantly, increasing 5.6 percent compared to 1.7 percent in the 2003-05 budget period. The strong economy and spending will produce the strongest biennial increase in GFS revenue since the 1989-91 budget period. The March 2007 forecast expects GFS collections to total \$27,510.1 million in the 2005-07 biennium. This is \$4.1 billion (17.6 percent) more than in the 2003-05 biennium. Adjusting for tax law changes and other non-economic factors, revenue is expected to increase 18.6 percent.

The March 2007 forecast for the 2007-09 biennium is similar, although a little weaker than the November 2006 outlook. The forecast expects the economy and revenue to continue to grow during the next

budget period, though at a slower pace. The forecast expects employment growth to slow to 4.8 percent next biennium. Housing next biennium is expected to weaken even more. Building permits are expected to fall 2.3 percent in the 2007-09 biennium after increasing 3.5 percent in the 2005-07 period. The pace of consumer and business spending is expected to moderate in the 2007-09 budget period due to the weakness in the housing sector and decelerating employment growth. Interest rates are expected to be higher and the added stimulus to spending from home equity cash-outs will be much less. After a prolonged period where spending exceeded income growth, the spending-relative-to-income relationship in the 2007-09 period is expected to dip below the long run average next biennium before returning to a more normal level. Slower spending will produce more modest revenue growth in the 2007-09 biennium. GFS revenue is expected to increase 7.3 percent in the 2007-09 biennium, a noticeable deceleration from the 17.6 percent increase expected in the 2005-07 biennium and the 10.6 percent gain in the 2003-05 budget period.

Washington's tax structure is different from most states. Washington has no personal or corporate income tax. The majority of Washington's GFS revenue come from three taxes: sales and use, business and occupation, and the property tax (state school levy). These three taxes are expected to account for 83.2 percent of the \$27.5 billion total GFS cash receipts in the 2005-07 biennium. This is down from 84.2 percent in the 2003-05 biennium. These taxes are expected to account for 84.8 percent of GFS revenue in the 2007-09 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 79.7 percent in the 1991-93 biennium and from 75 percent twenty-five years ago. The slight reduction in the General Fund's reliance on these three taxes between the 2003-05 and the 2005-07 biennia is partly due to a surge in real estate excise tax revenue in the current biennium. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax receipts are expected to increase 44.9 percent in the 2005-07 biennium compared to 17.6 percent for total GFS revenue. Revenue from the real estate excise tax is expected to account for 7.0 percent of GFS revenue in the 2005-07 biennium, up from 5.7 percent in the 2003-05 biennium and 4.1 percent in the 2001-

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

Cash Basis

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2000</u>	
			<u>Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.2	-4.1%
2003-05	23,388.5	10.6%	21,592.2	5.9%
2005-07 ^F	27,510.1	17.6%	24,061.7	11.4%
2007-09 ^F	29,515.5	7.3%	24,849.6	3.3%

^F: March 2007 Forecast

*Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes. Source: Department of Revenue, the Office of Financial Management and the Office of the Forecast Council's March 2007 forecast.

Table 3.5
Taxable Retail Sales*
 March 2007
 (Millions of Dollars)

Fiscal Year	Amount	Percent Change
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007 ^F	113,369	5.9%
2008 ^F	118,718	4.7%
2009 ^F	125,743	5.9%

^F Forecast.

* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984). Base extended to some personal services effective July 1994. Exemption of manufacturing equipment effective fiscal 1996. Additional sales tax exemptions (including an exemption for R&D equipment effective fiscal 1997. Changes in reporting effective 1997. Additional exemptions effective fiscal 199, 2000, 2001, 2002 and 2004. Changes to the tax base due to increased compliance efforts effective fy 2003. Fiscal 2005, 2006, 2007, 2008 & 2009 effected by 2004, 2005 & 2006 legislation.

03 biennium. Next biennium the real estate excise tax is expected to account for 6.0 percent of total GFS revenue.

The retail sales and use tax, the state's largest revenue source, generated \$12.7 billion (54.5 percent) of total GFS revenue in the 2003-05 biennium. Sales and use taxes are expected to produce \$15.1 billion (54.8 percent) of the total in the 2005-07 budget period and \$16.6 billion, 56.1 percent of the total in the 2007-09 budget period. The business and occupation tax totaled \$4.2 billion in the 2003-05 biennium, 18.0 percent of total GFS revenue. This tax is expected to produce \$5.0 billion, 18.2 percent of the total in the 2005-07 biennium and \$5.5 billion, and 18.5 percent, of the total next biennium. The General Fund-State's share of the property tax totaled \$2.7 billion, 11.7 percent of total GFS revenue in the 2003-05 biennium. The property tax is expected to total \$2.8 billion, 10.2 percent of the total in the 2005-07 biennium and \$3.0 billion, 10.2 percent of the total in the 2007-09 biennium. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.19, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$29,548.9 million in the third quarter of 2006, the latest quarter available. This was 8.8 percent higher than the year-ago level. Taxable sales increased 10.6 percent in the second quarter of 2006 and 10.1 percent in the first quarter. Taxable sales have now increased on a year-over-year basis for seventeen consecutive quarters after having fallen or remaining unchanged for five straight quarters during the last recession. While the growth of taxable sales in the third quarter was not quite as strong as in recent quarters, it again grew faster than personal income and retail sales nationally. In the third quarter of 2006, U.S. retail sales were 4.6 percent above the year-ago level, down from the 6.6 percent year-over-year increase in the second quarter. The March 2007 forecast assumes that taxable sales in Washington decelerated again

Chart 3.1
General Fund-State Revenue

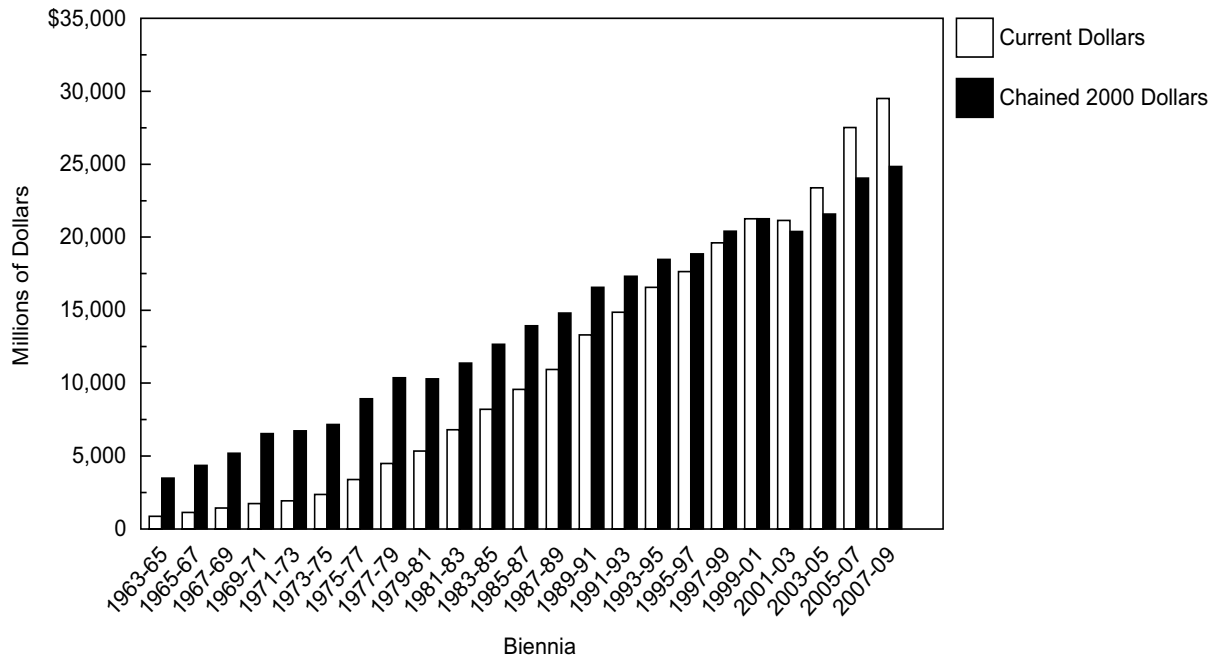


Chart 3.2
General Fund-State Revenue - Percent Change

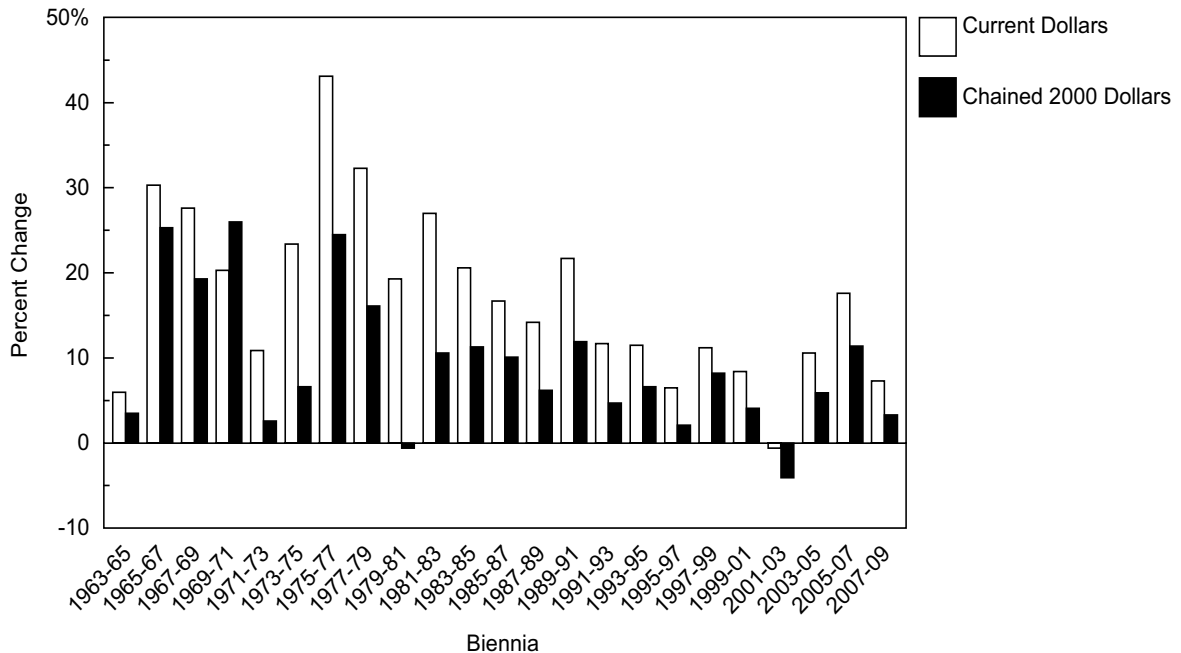


Chart 3.3
Composition of General Fund-State Revenue

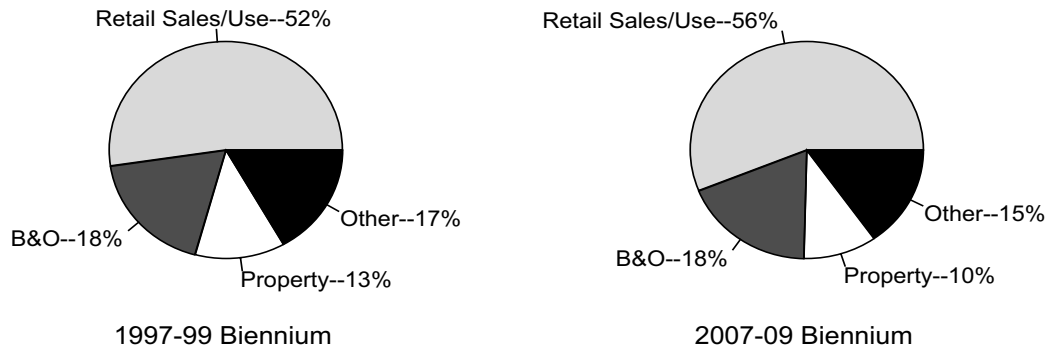
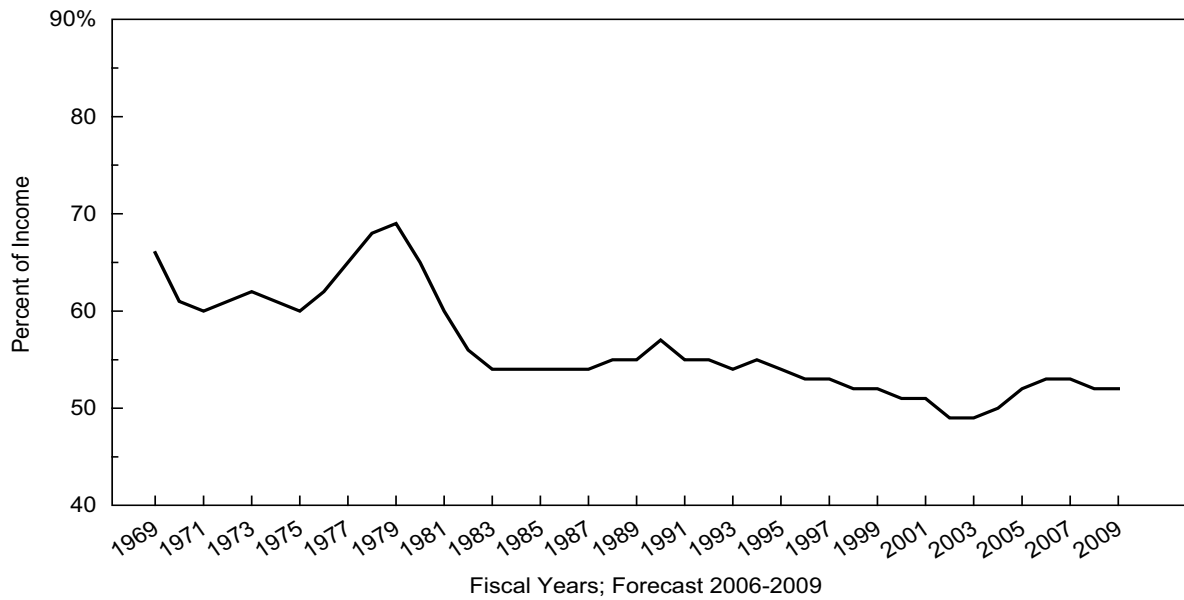


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

in the fourth quarter of 2006. Although the fourth quarter is complete, actual taxable sales data for the quarter are not yet available. The forecast assumes that taxable sales were 7.4 percent higher than the year-ago level in the fourth quarter of 2006, not quite as strong as in the third quarter but again better than the growth of U.S. retail sales (4.9 percent) and the growth of state personal income (6.2 percent).

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC) basis to the North American Industry Classification System (NAICS) making historical comparisons by sector easier and more meaningful. Taxable sales in the third quarter of 2006 of businesses in the retail trade sector, which accounted for 43.7 percent of all taxable sales in the quarter, were 6.7 percent above the year-ago level. Last quarter taxable sales of firms in the retail trade sector increased 9.2 percent. Within retailing, the miscellaneous retailing category reported the largest increase for the quarter, 23.3 percent. The only other double-digit gain was reported by clothing and accessories stores (+10.0 percent). Gasoline stations and convenience stores (+8.4 percent), general merchandise stores (+8.2 percent), furniture stores (+7.5 percent), and building materials and garden supply stores (+7.3 percent) also reported good gains. No major retail sector reported a decline in activity in the third quarter, although taxable sales of auto dealers, the largest retail trade sector, accounting for 11.5 percent of taxable sales in the quarter, were only 0.7 percent above the year-ago level. This follows a 4.6 percent increase in the second quarter.

Taxable sales reported by non-retailing sectors were 10.5 percent higher than a year-ago in the third quarter of 2006. This follows an 11.8 percent increase the previous quarter. The year-over-year change in the current quarter varied widely among non-retail trade sectors. Taxable sales reported by the construction sector, which accounted for 20.9 percent of all taxable sales, were 20.4 percent higher than a year ago. This sector reported a 20.1 percent increase in the second quarter of 2006. Taxable sales reported by the service sector, which accounted for 17.4 percent of all taxable sales in the second quarter, were 7.4 percent higher than a year-ago. Taxable sales reported by the manufacturing sector increased 5.1 percent and the wholesale trade sector reported a 3.1 percent year-over-year increase. The importance of the strong housing market on taxable sales growth is again very evident from third quarter taxable sales data. Housing related sectors (construction, furniture, building materials and electronics/appliance retailers) which accounted for 30.4 percent of total taxable sales, reported a 16.0 percent increase in taxable sales in the third quarter of 2006; taxable sales of all other sectors increased 5.9 percent.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 8.6 percent higher than a year ago in the third quarter of 2006. Taxable sales increased 9.2 percent in the rest of the state. Taxable sales in King County were 7.8 percent higher than a year-ago for the quarter. Taxable sales in Snohomish County increased 13.9 percent in the third quarter of 2006 and Pierce County reported a 6.9 percent increase. Taxable sales in Spokane County were 8.3 percent above the year-ago level.

Statewide taxable sales increased 10.1 percent in fiscal 2006. This is up from 7.9 percent in 2005 and is the strongest growth since fiscal 1991. The strong growth in the last two years reflects a very favorable economic environment. Improving job and income growth, a very strong housing market and associated high level of home equity cash-outs has significantly contributed to the strength of taxable sales in both fiscal 2005 and 2006. After increasing much faster than income for three years, taxable sales growth is expected to grow a little slower than income in fiscal 2007 as the housing boom subsides and as consumers replenish their savings. The forecast assumes fiscal 2007 taxable sales growth will decelerate to 5.9 percent and weaken further in fiscal 2008 to 4.7 percent. Taxable sales growth is expected to rebound in fiscal 2009 to 5.9 percent.

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

The GFS revenue outlook has not significantly changed since the last quarterly forecast. Although the March 2007 forecast for General Fund-State revenue is \$126.5 million higher than in November, most of the change reflects collection experience or special factors. GFS revenue for the current biennium is \$144.3 million higher than in November while the forecast for the 2007-09 budget period is \$17.8 million lower. The change includes \$68.2 million of higher than expected tax payments since the last forecast and the anticipation of an extraordinarily large (\$33.4 million) real estate excise tax payment.

Table 3.6 summarizes the changes to the GFS cash forecast for the 2005-07 and 2007-09 biennia by type of change. Tables 3.7 and 3.8 summarize the March 2007 revisions to GFS revenue for the 2005-07 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Tables 3.9 and 3.10 summarize the changes to the GFS revenue forecast for the 2007-09 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source. Below is a brief summary of the changes to the forecast by agency.

Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue in the 2005-07 and 2007-09 biennia. The March 2007 forecast of GFS revenue sources administered and collected by the Department of Revenue is \$99.4 million higher than in November. This includes \$67.9 million higher than expected collections in the four months since the November forecast. It also includes an anticipated very large real estate excise tax payment in March 2007 from one unusually large transaction. The forecast for the 2005-07 budget period is \$129.0 million higher than in November. The forecast for the 2007-09 biennium is \$29.5 million lower. Consumer and business spending has grown a little faster than assumed in November and the change for the current biennium primarily reflects stronger than expected revenue collections since the last forecast. However, not quite half of the more than expected payments reflects special factors, primarily unusually large and unanticipated audit payments, rather than stronger than expected growth. In addition, the General Fund is expected to receive \$33.4 million from an extraordinarily large real estate excise tax payment in March 2007. The forecast for next biennium is a little lower than in November, primarily reflecting a weaker outlook for building permits and real estate excise tax payments than previously forecast.

For the 2005-07 biennium, the real estate excise tax forecast is \$39.3 million higher than in November, the business and occupation tax forecast is \$43.5 million higher, and the retail sales tax forecast is \$18.7 million higher. Other changes to Department of Revenue GFS revenue sources for the 2005-07 period include an \$8.7 million increase to the public utility tax forecast and an \$8.3 million increase to the use tax forecast. The majority of the changes reflect higher than expected tax payments in the four months since the last forecast, including \$31.5 million in two unusually large and unexpected audit payments. The increase to the real estate excise tax forecast primarily reflects an extraordinarily large payment made in March 2007.

The small reduction to the forecast for the 2007-09 biennium includes a \$16.6 million reduction to the real estate excise tax, a \$14.1 million reduction to the business and occupation tax, a \$5.6 million reduction to the forecast for brokered natural gas (including in the other category), and a \$2.9 million reduction to the use tax forecast. These reductions were partially offset by a \$7.6 million increase to the retail sales tax forecast and a \$2.8 million increase to the public utility tax forecast.

The strong economy has produced modest to strong growth for most Department of Revenue tax sources in the 2005-07 biennium. The major exceptions are the portion of the state property tax levy that

goes to the General Fund and the GFS portion of the estate tax. While overall the state levy is expected to increase 7.0 percent in the 2005-07 biennium, the General Fund portion of the property tax is expected to increase only 1.9 percent. This is due to the impact of Initiative 728 which diverts a portion of the state levy from the General Fund to the Student Achievement Account (SAA). The forecast assumes that the share of the state levy going to the SAA (instead of the General Fund) which grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium will grow to \$491.8 million in the 2005-07 biennium and to \$503.4 million in the 2007-09 biennium. The Washington estate tax was ruled invalid by the Washington State Supreme Court and the General Fund will no longer get estate tax revenue, other than small amounts from delinquent payments, after mid-fiscal 2006. Although a new estate tax was enacted, revenue from it no longer goes to the General Fund.

The forecast for the real estate excise tax was increased again in the March 2007; however, this was due to anticipation of a large payment not to a better outlook for the housing market. After hitting an all time high in the first quarter of 2006, taxable real estate activity has declined in two of the last three quarters. The March forecast expects real estate activity to weaken further as the turmoil in the subprime mortgage market and the impact of tighter lending standards places a new drag on the housing and real estate market. While the March 2007 forecast still assumes that the real estate correction which began in the first quarter of 2006 will continue for the remainder of the 2005-07 biennium and then improvement in the 2007-09 budget period. The forecast does not expect a crash or falling prices in the aggregate but it does expect weak to modest growth for most of the 2007-09 biennium.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's General Fund-State forecast for the 2005-07 biennium has been increased \$0.1 million to \$41.3 million and its forecast for the 2007-09 biennium is unchanged at \$44.2 million.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the 2005-07 biennium was increased \$4.2 million to \$40.9 million due mainly to an increase in the license and fee revenue forecast of the Department of Financial Institutions and a Federal performance bonus awarded to the Department of Social and Health Services. The office's forecast for the 2007-09 biennium has been increased \$4.8 million to \$22.0 million due mainly to an increase in the license and fee revenue forecast of the Department of Financial Institutions.

State Treasurer

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's forecast for the 2005-07 biennium has been increased \$11.0 million to \$161.7 million due to increases in the forecasts of both fund balances and interest rates. The office's forecast for the 2007-09 biennium has been increased \$5.4 million to \$141.2 million due to an increase in forecasted interest rates.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and

Table 3.6
Summary of Changes to the General Fund-State Forecast
 March 2007 Cash Forecast
 (Millions of Dollars)

	<u>March 2007 Change</u>
<u>2005-07 Biennium</u>	
<i>Collection Experience in the 2005-07 Biennium</i>	\$68.2
Department of Revenue ¹	67.9
Department of Licensing ²	0.3
<i>Special Factor— Adjustment to the Forecast³</i>	\$33.4
<i>Forecast Change for the 2005-07 Biennium</i>	\$42.8
Department of Revenue	27.7
Other agencies	15.1
Total Change: 2005-07 Biennium*	\$144.3
<u>2007-09 Biennium</u>	
<i>Non Economic Adjustments to the Forecast</i>	\$0.0
<i>Forecast Change for the 2007-09 Biennium</i>	(\$17.8)
Department of Revenue	(\$29.5)
Other agencies	\$11.8
Total Change: 2007-09 Biennium*	(\$17.8)
Total Change: Both Biennia	<u>\$126.5</u>

¹ Variance based on collections November 11, 2006 to March 10, 2007.

² Variance based on collections November 2006 through February 2007.

³ Expected extraordinarily large real estate excise tax payment.

* Detail may not add due to rounding.

various accounts in support of fire services. The office's forecast for the 2005-07 biennium has been decreased \$0.4 million to \$492.5 million and the office's forecast for the 2007-09 biennium has been increased \$0.6 million to \$544.9 million.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2005-07 biennium has been increased \$0.5 million to \$100.0 million and its forecast of beer and wine surtaxes is unchanged at \$4.2 million. The board's forecast of excess funds and fees for the 2007-09 biennium has been increased \$1.0 million to \$96.2 million and its forecast of beer and wine surtaxes is unchanged at \$4.9 million.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction and stadium/exhibition center accounts receive their allotments. The Commission's General Fund cash forecast for the 2005-07 biennium is unchanged at \$9.5 million. No General Fund revenue is currently forecasted for the 2007-09 biennium. The Commission's forecast of revenues for the School Construction Account for the 2005-07 biennium is unchanged at \$202.2 million and its forecast for the 2007-09 biennium is unchanged at \$204.0 million.

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

GFS revenue has been stronger than expected throughout the 2005-07 biennium. The March 2007 update is the twelfth quarterly revision to the GFS revenue forecast for the 2005-07 biennium since the initial forecast in February 2004. Eleven of the twelve revisions, including the March 2007 update, have increased the forecast for the biennium, excluding legislation and other non-economic factors. The March 2007 forecast for the 2005-07 budget period is now \$2,557 million more than the initial estimate for the biennium. In addition to a steadily improving economic outlook, several non-economic factors contributed to the changes to the GFS revenue forecast for the 2005-07 biennium. Non-economic changes, including 2006, 2005 and 2004 legislation along with the impact of two State Supreme Court decisions and the impact of Initiative 900, have reduced the forecast by \$474 million. Excluding non-economic changes, the current GFS forecast for the 2005-07 biennium is \$3,031 million (12.1 percent) higher than the initial February 2004 forecast. Table 3.13 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium.

Table 3.14 summarizes the changes to the GFS revenue forecast for the 2007-09 biennium. The March 2007 forecast for the 2007-09 biennium is \$17.8 million lower than the November 2006 forecast but is \$488 million higher than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes the current forecast for the 2007-09 biennium is \$600 million, 2.1 percent higher than the initial forecast.

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

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GFS revenue forecast on both a cash and GAAP basis. Thus, there are two related but distinct GFS forecasts summarized in this chapter: a cash

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

Forecast by Agency	November 2006 Forecast¹	Non- Economic Changes	Forecast Revision	March 2007 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$14,088.7	0.0	\$18.7	\$14,107.4	\$18.7
Business & Occupation Use	4,971.8	0.0	43.5	5,015.3	43.5
Public Utility	962.1	0.0	8.3	970.4	8.3
Liquor Sales/Liter	660.7	0.0	8.7	669.4	8.7
Cigarette	283.0		0.0	283.0	0.0
Property (State Levy)	104.1		(0.2)	103.9	(0.2)
Real Estate Excise	2,791.2		3.9	2,795.1	3.9
Timber Excise	1,883.7		39.3	1,923.0	39.3
Other	17.8		(0.5)	17.4	(0.5)
Subtotal	768.0	0.0	7.2	775.2	7.2
	26,531.1	0.0	129.0	26,660.1	129.0
Department of Licensing					
Boat excise, licenses, fees & other	41.2		0.1	41.3	0.1
Insurance Commissioner					
Insurance Premiums	492.9		(0.4)	492.5	(0.4)
Liquor Control Board					
Liquor Profits and Fees	99.5		0.5	100.0	0.5
Beer & Wine Surtax	4.2		0.0	4.2	0.0
Lottery Commission					
Lottery Revenue	9.5		0.0	9.5	0.0
State Treasurer					
Interest Earnings	150.6		11.0	161.7	11.0
Office of Financial Management					
Other	36.8		4.2	40.9	4.2
Total General Fund-State *	\$27,365.8	\$0.0	\$144.3	\$27,510.1	\$144.3

1 General Fund-State forecast for the 2005-07 biennium, adopted November 2006.

2 Revised General Fund-State forecast for the 2005-07 biennium, adopted March 2007.

*Detail may not add to totals because of rounding.

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

Forecast by Agency	November 2006 Forecast¹	Non- Economic Changes	Forecast Revision	March 2007 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$14,184.0	0.0	\$18.7	\$14,202.7	\$18.7
Business & Occupation Use	5,004.1	0.0	38.5	5,042.6	38.5
Public Utility	963.9	0.0	8.3	972.2	8.3
Liquor Sales/Liter Cigarette	663.3	0.0	8.7	672.0	8.7
Property (State Levy)	286.4	0.0	0.0	286.4	0.0
Real Estate Excise	103.9	0.0	(0.2)	103.7	(0.2)
Timber Excise	2,788.2	0.0	3.8	2,792.0	3.8
Other	1,895.9	0.0	39.3	1,935.3	39.3
Subtotal	17.7	0.0	(0.6)	17.1	(0.6)
	769.5	0.0	8.1	777.6	8.1
	26,676.8	\$0.0	124.6	26,801.4	124.6
Department of Licensing					
Boat excise, licenses, fees & other	42.4	0.0	0.1	42.4	0.1
Insurance Commissioner					
Insurance Premiums	492.9	0.0	(0.4)	492.5	(0.4)
Liquor Control Board					
Liquor Profits and Fees	99.5	0.0	0.5	100.0	0.5
Beer & Wine Surtax	4.2	0.0	0.0	4.2	0.0
Lottery Commission					
Lottery Revenue	7.6	0.0	0.0	7.6	0.0
State Treasurer					
Interest Earnings	152.8	0.0	12.1	164.8	12.1
Office of Financial Management					
Other	36.8	0.0	4.2	40.9	4.2
Total General Fund-State *	\$27,512.9	\$0.0	\$141.0	\$27,653.9	\$141.0

¹ General Fund-State forecast for the 2005-07 biennium, adopted November 2006.

³ Revised General Fund-State forecast for the 2005-07 biennium, adopted March 2007.

*Detail may not add to totals because of rounding.

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

<u>Forecast by Agency</u>	<u>November 2006 Forecast¹</u>	<u>Non-Economic Changes</u>	<u>Forecast Revision</u>	<u>March 2007 Forecast²</u>	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$15,479.1	\$0.0	\$7.6	\$15,486.7	\$7.6
Business & Occupation Use	5,468.0	0.0	(14.1)	5,453.8	(14.1)
Public Utility	1,080.4	0.0	(2.9)	1,077.5	(2.9)
Liquor Sales/Liter	706.8	0.0	2.8	709.6	2.8
Cigarette	306.0		0.0	306.0	-
Property (State Levy)	102.0		(0.1)	101.9	(0.1)
Real Estate Excise	3,018.5		(2.3)	3,016.1	(2.3)
Timber Excise	1,773.3		(16.6)	1,756.7	(16.6)
Other	16.8		(1.2)	15.6	(1.2)
Subtotal	740.8	0.0	(2.6)	738.2	(2.6)
	28,691.6	0.0	(29.5)	28,662.1	(29.5)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.2		(0.0)	44.2	(0.0)
<i>Insurance Commissioner</i>					
Insurance Premiums	544.3		0.6	544.9	0.6
<i>Liquor Control Board</i>					
Liquor Profits and Fees	95.1		1.0	96.2	1.0
Beer & Wine Surtax	4.9		0.0	4.9	-
<i>Lottery Commission</i>					
Lottery Revenue	-		0.0	0.0	-
<i>State Treasurer</i>					
Interest Earnings	135.8		5.4	141.2	5.4
<i>Office of Financial Management</i>					
Other	17.3		4.8	22.0	4.8
<u>Total General Fund-State *</u>	\$29,533.3	\$0.0	(\$17.8)	\$29,515.5	-\$17.8

1 Forecast adopted by the ERFC in November 2006.

2 Forecast adopted by the ERFC in March 2007.

*Detail may not add to totals because of rounding.

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

Forecast by Agency	November 2006 Forecast¹	Non- Economic Changes	Forecast Revision	March 2007 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,555.7	0.0	\$7.6	\$15,563.3	\$7.6
Business & Occupation Use	5,488.0	0.0	(14.1)	5,473.8	(14.1)
Public Utility	1,084.2	0.0	(2.9)	1,081.3	(2.9)
Liquor Sales/Liter	708.3	0.0	2.8	711.1	2.8
Cigarette	306.0		0.0	306.0	-
Property (State Levy)	102.0		(0.1)	101.9	(0.1)
Real Estate Excise	3,018.6		(2.3)	3,016.2	(2.3)
Timber Excise	1,786.7		(16.6)	1,770.1	(16.6)
Other	16.2		(1.2)	15.1	(1.2)
Subtotal	740.0	0.0	(2.8)	737.2	(2.8)
	28,805.8	\$0.0	(29.7)	28,776.1	(29.7)
Department of Licensing					
Boat excise, licenses, fees & other	46.9		(0.0)	46.9	(0.0)
Insurance Commissioner					
Insurance Premiums	544.3		0.6	544.9	0.6
Liquor Control Board					
Liquor Profits and Fees	95.1	-	1.0	96.2	1.0
Beer & Wine Surtax	4.9		0.0	4.9	-
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	-
State Treasurer					
Interest Earnings	134.3	-	4.5	138.8	4.5
Office of Financial Management					
Other	17.3	-	4.8	22.0	4.8
Total General Fund-State *	\$29,648.5	\$0.0	(\$18.8)	\$29,629.7	-\$18.8

1 Forecast adopted by the ERFC in November 2006.

2 Forecast adopted by the ERFC in March 2007.

*Detail may not add to totals because of rounding.

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

Forecast by Source	Fiscal 2005^a	Fiscal 2006	Fiscal 2007	2005-07 Biennium	Fiscal 2008	Fiscal 2009	2007-09 Biennium
State Taxes							
Retail sales***	\$6,151.4	\$6,845.4	\$7,262.0	\$14,107.4	\$7,532.1	\$7,954.6	\$15,486.7
Business & occupation Use***	2,195.8	2,406.7	2,608.7	5,015.3	2,675.1	2,778.7	5,453.8
Public Utility	439.6	465.4	505.0	970.4	524.2	553.3	1,077.5
Liquor sales/liter	294.8	328.7	340.7	669.4	344.7	364.9	709.6
Beer & wine surtax	104.8	137.6	145.4	283.0	150.0	156.0	306.0
Cigarette	1.8	2.0	2.3	4.2	2.4	2.5	4.9
Tobacco products	52.2	52.5	51.4	103.9	51.2	50.7	101.9
Property (state school levy)**	9.5	7.9	6.4	14.3	8.9	9.5	18.4
Public utility district	1,372.6	1,365.5	1,429.6	2,795.1	1,482.2	1,533.9	3,016.1
Real estate excise	38.0	38.9	41.0	79.9	43.5	46.0	89.5
Timber excise	759.4	932.7	990.4	1,923.0	851.8	904.9	1,756.7
Estate/inheritance	10.1	9.3	8.1	17.4	7.9	7.7	15.6
Motor vehicle excise & Rental car	(43.1)	5.1	2.3	7.3	0.5	0.5	1.0
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	14.8	16.3	16.0	32.3	17.1	18.3	35.4
Other	228.0	241.6	250.9	492.4	265.7	279.3	544.9
Total Taxes	237.0	266.3	277.5	543.7	243.8	253.4	497.2
Total Taxes	11,866.8	13,121.6	13,937.6	27,059.2	14,200.9	14,914.2	29,115.2
State Non-Tax Sources							
Licenses, permits, fees	75.8	84.7	87.3	172.1	89.2	91.3	180.4
Liquor profits & fees	45.5	49.2	50.8	100.0	45.6	50.6	96.2
Earnings on investments	28.8	66.4	95.3	161.7	74.1	67.0	141.2
Lottery transfers	4.3	1.9	7.6	9.5	0.0	0.0	0.0
Other revenue & transfers	46.0	5.0	2.7	7.7	(11.0)	(6.4)	(17.4)
Total Non-Tax	200.5	207.2	243.7	450.9	197.9	202.4	400.3
Total General Fund-State *	\$12,067.3	\$13,328.8	\$14,181.3	\$27,510.1	\$14,398.9	\$15,116.7	\$29,515.5

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.

receipts forecast and a GAAP revenue forecast. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GFS forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.8 and 3.10 are on a cash basis.

Table 3.15 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2003-05 biennium totaled \$23,596.4 million on a GAAP basis, \$207.9 million more than the \$23,388.5 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$27,653.9 million on a GAAP basis, \$143.8 million more than the \$27,510.1 million cash forecast. For the 2007-09 biennium, the GFS forecast on a GAAP basis is \$29,629.7 million, \$114.2 million more than the \$29,515.5 cash receipts total.

Table 3.16 shows the budgetary balance sheet for the 2005-07 biennium. As of March 15, 2007, the adoption of the March 2007 GFS forecast, the projected ending balance for the General Fund at the end of the 2005-07 biennium is \$1,232.7 million. In addition, the Emergency Reserve Fund ending balance is estimated to be \$50.4 million. This produces a combined General Fund and Emergency Reserve projected ending balance of \$1283.1 million. This balance is based on a spending level of \$27,298.1 million, an \$869.7 million beginning balance and the March 2007 GFS revenue forecast. The combined projected 2005-07 ending balance is \$140.7 million higher than the November 2006 estimate and it is 4.7 percent of the 2005-07 spending level.

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

The U.S. economy continues to slow; however, there is as yet no clear sign of slower economic or revenue growth in Washington. We are more than three-quarters of the way through the 2005-07 biennium and revenue growth remains on track to be the strongest in sixteen years. The March 2007 baseline forecast, like previous forecasts, expects economic and revenue growth to slow in response to a weaker housing market. However, the forecast still expects a "soft landing" with no recession through the end of the 2007-09 biennium. So far the housing correction has been mild and the drag on overall spending due to the weakness of the housing market has been much less than expected. While the forecast continues to assume that slower growth lies ahead, revenue growth could continue to grow faster than expected or it could weaken faster and more severely than assumed in the baseline forecast. The revenue implications of stronger, as well as a weaker economy and revenue growth are contained in two alternative forecasts.

The theme of the March 2007 optimistic scenario is similar to previous alternative scenarios. The optimistic forecast assumes higher productivity growth than in the baseline as well as a milder housing correction, a stronger dollar, lower energy prices, lower inflation and stronger business investment. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 1.8 percent higher than in the baseline by the end of the 2005-07 and is 5.0 percent higher by the end of the 2007-09 biennium. State wage and salary employment is 13,400 higher by the end of the 2005-07 budget period and is nearly 74,000 higher by the second quarter of 2009.

The March 2007 pessimistic scenario assumes that oil prices, as well as commodity prices in general rise faster than assumed in the baseline forecast. This triggers higher inflation and results in more tightening by the Fed, producing higher interest rates than the baseline forecast. In the pessimistic scenario the

Table 3.12
General Fund - State Cash Receipts
 March 2007 Forecast by Fiscal Year
 (Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,803.5	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
2005	12,067.3	6.6%
2006	13,328.8	10.5%
Forecast		
2007	14,181.3	6.4%
2008	14,398.9	1.5%
2009	15,116.7	5.0%

Table 3.13

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

February 2004 through March 2007

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2004****	\$24,293	\$660				\$24,953
Changes to Forecast						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005	327	14	341	159 #4	499	25,385
September 2005	631	15	646	0	646	26,031
November 2005	306	24	330	(25) #5	305	26,336
February 2006	138	21	159	(52) #6	107	26,443
June 2006	511	7	518	6 #7	524	26,967
September 2006	315	35	350		350	27,317
November 2006	40	9	49	-	49	27,366
March 2007	129	15	144	-	144	27,510
Total change***:						
From February 2004	2,854	177	3,031	(474)	2,557	
Percent change	11.7%	26.8%	12.1%	-1.9%	10.2%	

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

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

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

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

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

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

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

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

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

#7 Impact of 2006 legislation.

Table 3.14

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

February 2006 through March 2007

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Fund-State Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8	-	8	29,533
March 2007	(30)	12	(18)	-	(18)	29,516
June 2007						
September 2007						
November 2007						
February 2008						
Total change***:						
From February 2006	582	18	600	(112)	488	
Percent change	2.1%	2.1%	2.1%	-0.4%	1.7%	

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

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

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

**** First official forecast for the 2007-09 biennium.

#1 Change to the forecast due to 2006 legislation.

Table 3.15

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

Agency	2003-05 Biennium			2005-07 Biennium			2007-09 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$22,573.4	\$22,771.6	\$198.2	\$26,547.0	\$26,688.6	\$141.6	\$28,553.1	\$28,667.6	\$114.5
Department of Licensing	45.1	46.1	0.9	41.3	42.5	1.2	44.2	46.9	2.6
Insurance Commissioner ⁴	459.9	459.9	0.0	508.4	508.4	0.0	562.5	562.5	0.0
State Treasurer	50.7	52.1	1.4	161.7	164.8	3.2	141.2	138.8	(2.4)
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	211.4	211.4	0.0	237.9	237.9	0.0	236.9	236.9	0.0
Subtotal: General Fund-State Cash/Revenue*	23,340.6	23,541.1	200.5	27,496.2	27,642.2	146.0	29,537.9	29,652.6	114.7
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	147.0	152.5	5.5	113.1	112.8	(0.3)	109.0	108.5	(0.5)
Lottery Commission	4.3	6.1	1.9	9.5	7.6	(1.9)	0.0	0.0	0.0
Insurance Commissioner ⁷	(14.3)	(14.3)	0.0	(15.9)	(15.9)	0.0	(17.6)	(17.6)	0.0
Liquor Control Board	92.0	92.0	0.0	104.2	104.2	0.0	101.0	101.0	0.0
Office of Financial Management									
Other Agencies ⁸	(181.0)	(181.0)	0.0	(197.0)	(197.0)	0.0	(214.9)	(214.9)	0.0
Subtotal: GFS Other Financing Sources	47.9	55.3	7.4	13.8	11.7	(2.1)	(22.4)	(22.9)	(0.5)
Total Available Receipts/Resources									
General Fund-State *	\$23,388.5	\$23,596.4	\$207.9	\$27,510.1	\$27,653.9	\$143.8	\$29,515.5	\$29,629.7	\$114.2

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

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

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

Table 3.16

2005-07 Biennial Balance Sheet Including Enacted 2006 Supplemental Budget

General Fund-State Dollars in Millions

RESOURCES	
Beginning Fund Balance	869.7
November 2006 Forecast	27,365.8
March 2007 Update	144.3
Current Revenue Totals	27,510.1
Legislatively-enacted fund transfers and other adjustments	151.0
Total Resources (Includes Fund Balance)	28,530.8
APPROPRIATIONS AND SPENDING ESTIMATES	
2005-07 Appropriations	27,297.9
Military National Guard Call-out	0.2
Spending Level	27,298.1
UNRESTRICTED RESERVES	
Projected General Fund Ending Balance	1,232.7
EMERGENCY RESERVE FUND	
Beginning Fund Balance	0.0
Spillover to ERF	49.1
Estimated Interest Earnings	1.3
Transfers and Appropriations	0.0
Projected Ending Fund Balance	50.4
TOTAL RESERVES	
Combined General and Emergency Reserve Projected Ending Fund Ba	1,283.1

House and Senate Fiscal Committees and Office of Financial Management

Table 3.17
March 2007 Alternative Forecasts Compared to the Baseline Forecast
2005-07 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$14,164.4	\$14,107.4	\$14,044.7
Business & Occupation Use	5,029.1	5,015.3	5,000.6
Public Utility	973.6	970.4	965.4
Property (school levy)	668.7	669.4	668.6
Real Estate Excise	2,838.0	2,795.1	2,752.2
Other	1,932.2	1,923.0	1,911.6
Subtotal	1,212.7	1,179.5	1,150.1
	26,818.8	26,660.1	26,493.3
<i>Department of Licensing</i>			
	41.9	41.3	40.6
<i>Insurance Commissioner¹</i>			
	498.7	492.5	486.2
<i>Lottery Commission</i>			
	9.5	9.5	9.5
<i>State Treasurer - Interest earnings</i>			
	170.4	161.7	154.2
<i>Liquor Profits & Fees²</i>			
	105.3	104.2	103.2
<i>Office of Financial Management</i>			
Other agencies	46.4	40.9	35.4
Total General Fund - State*	\$27,690.9	\$27,510.1	\$27,322.3
Difference from March 2007 Baseline	\$180.8		(\$187.7)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.18
March 2007 Alternative Forecasts Compared to the Baseline Forecast
2007-09 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$16,215.5	\$15,486.7	\$14,638.9
Business & Occupation Use	5,653.6	5,453.8	5,260.0
Public Utility	1,125.5	1,077.5	1,023.4
Property (school levy)	713.3	709.6	705.7
Real Estate Excise	3,166.9	3,016.1	2,865.3
Other	1,936.0	1,756.7	1,541.2
Subtotal	1,225.2	1,161.7	1,104.2
	30,035.9	28,662.1	27,138.7
<i>Department of Licensing</i>	45.5	44.2	42.9
<i>Insurance Commissioner¹</i>	558.6	544.9	531.3
<i>Lottery Commission</i>	7.0	0.0	0.0
<i>State Treasurer - Interest earnings</i>	205.9	141.2	86.5
<i>Liquor Profits & Fees²</i>	103.1	101.0	99.0
<i>Office of Financial Management</i>			
Other agencies	34.5	22.0	9.5
Total General Fund - State*	\$30,990.4	\$29,515.5	\$27,907.9
Difference from March 2007 Baseline	\$1,474.9		(\$1,607.6)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.19

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

I. Disposition of the State portion of the Property Tax

	State Levy: <u>Total Receipts</u>	To the <u>General Fund</u>	To the <u>Student Achievement Account¹</u>
2002	1,415.0	1,281.8	133.1
2003	1,465.5	1,331.6	133.9
2001-03 Biennium	2,880.5	2,613.5	267.0
2004	1,504.7	1,370.5	134.2
2005	1,568.1	1,372.6	195.5
2003-05 Biennium	3,072.8	2,743.1	329.8
2006	1,610.7	1,365.5	245.2
2007	1,676.2	1,429.6	246.6
2005-07 Biennium	3,286.9	2,795.1	491.8
2008	1,729.4	1,482.2	247.2
2009	1,790.1	1,533.9	256.2
200-09 Biennium	3,519.5	3,016.1	503.4

II. Lottery Transfers by Fund*

	Lottery: <u>Total Transfers:**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account¹</u>	<u>School Construction Account¹</u>	<u>Transfer to VRDE²</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>
2002	90.2	0.0	3.7	6.7	39.9	39.9	0.0		
2003	96.8	0.0	3.9	7.0	64.0	21.4	0.5		
2001-03 Biennium	187.0	0.0	7.6	13.8	103.9	61.3	0.5		
2004	113.3	0.0	4.0	7.3	76.5	25.5	0.0		
2005	112.2	4.3	4.2	7.6	0.0	96.2	0.0		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7	0.0		
2006	124.9	1.9	4.4	7.9	0.0	107.8	0.0	0.2	2.8
2007	118.0	7.6	4.5	8.2	0.0	94.4	0.0	0.2	3.0
2005-07 Biennium	242.9	9.5	8.9	16.1	0.0	202.2	0.0	0.4	5.8
2008	118.5	0.0	4.7	8.5	0.0	102.0	0.0	0.2	3.0
2009	119.1	0.0	4.9	8.9	0.0	102.0	0.0	0.3	3.1
2007-09 Biennium	237.6	0.0	9.6	17.4	0.0	204.0	0.0	0.5	6.1

* Cash Basis

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

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

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

housing correction is more severe than in the baseline forecast. Consumer and business confidence sinks and investment and consumer spending grow much slower than assumed in the baseline forecast. The weaker national economy results in weaker job and income growth in the state. In the pessimistic scenario, state personal income is 1.6 percent less than the baseline by the end of the 2005-07 biennium and is 4.5 percent lower than the baseline by the end of the 2007-09 budget period. Wage and salary employment is 17,800 less than the baseline by the end of the 2005-07 budget period and 95,200 less by the end of the 2007-09 biennium.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2005-07 biennium. The optimistic scenario generates \$27,690.9 million, \$180.8 million more than the baseline forecast. The pessimistic alternative produces only \$27,322.3 million GFS revenue in the 2005-07 biennium, \$187.7 million less than the baseline forecast. For the 2007-09 biennium, the range is much wider (Table 3.18). The optimistic GFS forecast for the 2007-09 biennium is \$30,990.4 million, \$1,474.9 million more than the baseline forecast. The pessimistic alternative for the 2007-09 budget period generates only \$27,907.9 million, \$1,607.6 million 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 indicators made by members of the Governor's Council of Economic Advisors (GCEA). The March 2007 GCEA scenario was based on the forecast of three members of the GCEA. The GCEA alternative was a little lower than the March 2007 baseline forecast, producing \$23 million less than the baseline for the 2005-07 biennium and \$235 million less than the baseline in the 2007-09 biennium.

Washington Exports 2002 to 2006

Relative to the size of its economy, Washington exports are quite large compared to those of a typical state. As shown in Chart 4.1, exports from Washington averaged 16.0 percent of the state's Gross Domestic Product (GDP) in the ten years from 1996 through 2005 (the most recent year for which state GDP numbers are available). In contrast, exports from the United States as a whole accounted for an average of only 7.4 percent of the country's total GDP over the same period.

Washington's high concentration of exports is the result of a number of different factors. Chief among these is the presence in Washington of two large producers of transportation equipment, Boeing Commercial Airplanes and PACCAR, which produces Kenworth trucks. Exports of transportation equipment averaged 61.3 percent of Washington's total exports during the period shown in Chart 4.1, with the bulk of those exports being aircraft. If exports of transportation equipment are excluded from the statistics, the remaining exports from Washington averaged only 6.1 percent of GDP over that period. This number was still higher, however, than national non-transportation exports as a percent of GDP, which averaged 5.7 percent during that time.

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

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

where it is developed. As such, the billions of dollars of Microsoft software exports that are transmitted electronically or are reproduced and distributed from other locations are not reflected in Washington's export statistics. WISER began reporting prepackaged software exports in 2003.

Table 4.1 lists U.S. exports classified according to the North American Industry Classification System (NAICS) for the years 2002 through 2006. The table shows that the recovery in U.S. exports that began in 2003 has continued through 2006. This improvement is likely the result of both improvement in the world economy and the continuing decline of the trade-weighted value of the U.S. dollar, which has fallen eighteen percent from the first quarter of 2002 to the fourth quarter of 2006 according to the Federal Reserve Bank of Atlanta.

Table 4.2 lists U.S. exports by continent and the top fifteen countries for 2002 through 2006. While exports to mainland China were the fastest growing in 2006, the country still only represented 5.3 percent of total U.S. exports. Canada and Mexico were by far the largest recipients of U.S. exports in 2006, adding up to 35.1 percent of the total. Table 4.3 lists U.S. exports to non-Middle-Eastern Asia by industry for 2002 through 2006.

Table 4.4 lists Washington's exports by industry for 2002 through 2006. Total exports grew by a remarkable 39.9 percent in 2006, due mainly to rebounding transportation equipment exports that grew at a rate of 64.3 percent. Excluding transportation equipment, exports grew at a still-healthy rate of 11.1 percent, with the majority of non-transportation industries showing improvement.

Table 4.5 indicates the amount of Washington's top twenty exports for 2006 that are sent to non-Middle-Eastern Asia versus the rest of the world. As can be seen from the table, Asia is the destination for the bulk of the state's food, forestry and agricultural products, accounting for 81 percent of agricultural products, 84 percent of livestock products and 98 percent of forestry products. Asia received 48.6 percent of Washington's 2006 total exports. This relationship can also be seen in Chart 4.2 (which differs slightly in percentage as it includes the Middle East in Asia's portion), which shows Washington and U.S. exports distributed by continent. As illustrated in the chart, exports to Asia make up a much larger proportion of Washington's total exports than they do in relation to total U.S. exports. This is the result both of the state's proximity to Asia and its relative abundance of agricultural, wood and other products that are in demand there.

Table 4.6 lists Washington exports by continent and the top fifteen destination countries for 2002 through 2006. Table 4.7 lists Washington exports of transportation equipment by continent and the top fifteen countries for 2002 through 2006. Table 4.8 lists Washington exports excluding transportation equipment by continent and the top fifteen countries for 2002 through 2006. Mainland China tops the lists for total and transportation exports while Canada tops the list of non-transportation exports. Table 4.9 lists Washington exports to non-Middle-Eastern Asia for 2002 through 2006. As can be seen in the table, 2006 non-transportation exports to the region are showing signs of recovery after a sharp drop-off in 2005.

Chart 4.1

Exports as a Percentage of GDP

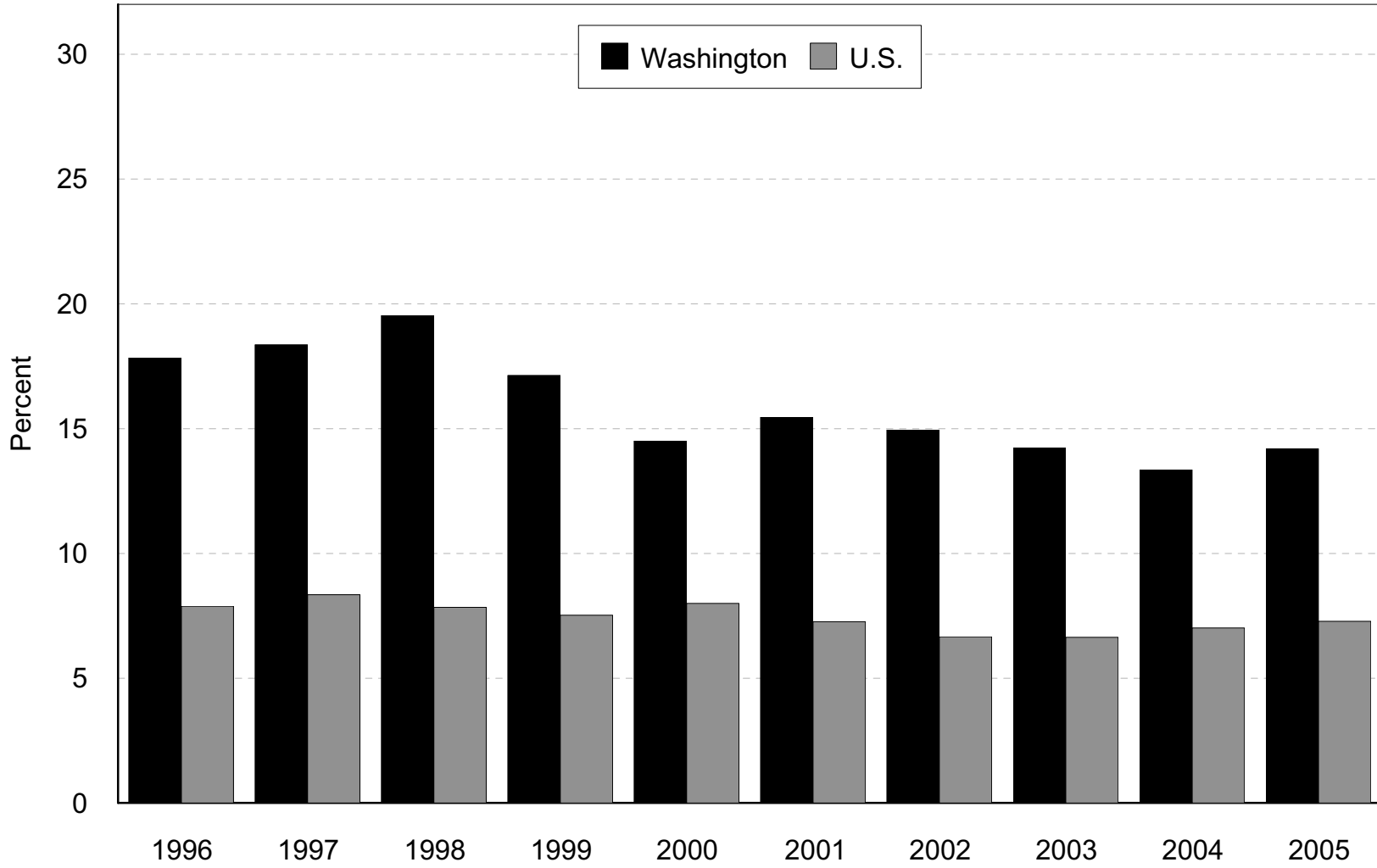


Chart 4.2

Export Destinations, 2006

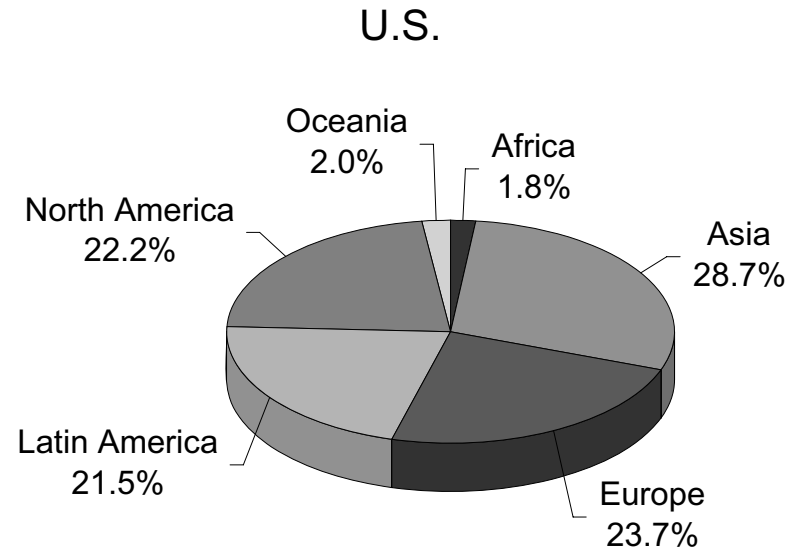
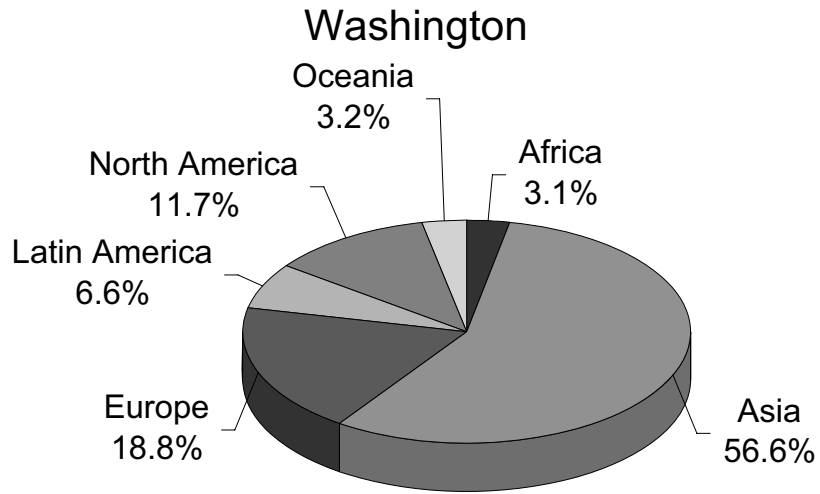


Table 4.1
U.S. Exports by Industry
 All Industries, Sorted by 2006 Exports
 (Millions of Dollars)

	2002	2003	2004	2005	2006	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg
Total All Industries	693,257	723,743	817,936	904,380	1,037,143	4.4	13.0	10.6	14.7
Transportation Equipment	130,897	128,854	140,439	160,523	188,569	(1.6)	9.0	14.3	17.5
Computer and Electronic Products	145,848	149,993	164,200	169,992	187,301	2.8	9.5	3.5	10.2
Chemicals	80,504	91,017	108,484	117,890	132,985	13.1	19.2	8.7	12.8
Machinery, except Electrical	74,945	74,925	92,674	104,220	117,649	(0.0)	23.7	12.5	12.9
Miscellaneous Manufactured Commodities	26,661	29,401	34,247	39,650	45,062	10.3	16.5	15.8	13.6
Primary Metal Manufacturing	16,689	19,125	22,790	29,782	40,643	14.6	19.2	30.7	36.5
Agricultural Products	25,797	30,359	33,210	31,857	36,183	17.7	9.4	(4.1)	13.6
Electrical Equip., Appliances, & Component	22,848	23,292	26,828	30,391	35,574	1.9	15.2	13.3	17.1
Food and Kindred Products	25,856	27,496	26,646	29,572	32,898	6.3	(3.1)	11.0	11.2
Special Classification Provisions	24,716	25,002	27,411	30,166	32,663	1.2	9.6	10.1	8.3
Fabricated Metal Products	20,187	20,365	22,614	25,288	29,439	0.9	11.0	11.8	16.4
Petroleum and Coal Products	8,049	9,659	12,829	17,879	26,074	20.0	32.8	39.4	45.8
Plastics and Rubber Products	16,169	16,510	18,332	19,900	21,780	2.1	11.0	8.6	9.5
Paper	14,107	14,504	15,732	17,115	18,532	2.8	8.5	8.8	8.3
Waste and Scrap	5,165	6,564	8,755	10,526	16,003	27.1	33.4	20.2	52.0
Minerals and Ores	3,911	4,020	5,733	8,148	9,810	2.8	42.6	42.1	20.4
Textiles and Fabrics	7,642	7,805	8,638	8,756	8,781	2.1	10.7	1.4	0.3
Nonmetallic Mineral Products	6,326	6,405	6,925	7,287	8,177	1.3	8.1	5.2	12.2
Used or Second-Hand Merchandise	3,179	3,441	4,367	5,272	6,780	8.2	26.9	20.7	28.6
Printing, Publishing and Similar Products	4,774	4,984	5,233	5,795	6,112	4.4	5.0	10.7	5.5
Wood Products	3,948	4,036	4,492	4,715	5,178	2.2	11.3	5.0	9.8
Apparel and Accessories	5,994	5,470	4,962	4,899	4,776	(8.7)	(9.3)	(1.3)	(2.5)
Oil and Gas	1,727	2,177	3,112	4,492	4,244	26.1	43.0	44.3	(5.5)
Beverages and Tobacco Products	3,659	3,797	3,758	3,523	4,015	3.8	(1.0)	(6.2)	14.0
Fish & Other Marine Products	2,941	3,056	3,461	3,835	4,000	3.9	13.3	10.8	4.3
Furniture and Fixtures	2,323	2,546	2,868	3,157	3,503	9.6	12.7	10.1	11.0
Leather and Allied Products	2,593	2,717	2,931	3,086	3,308	4.8	7.9	5.3	7.2
Textile Mill Products	1,982	2,004	2,235	2,546	2,784	1.2	11.5	13.9	9.3
Forestry Products	1,450	1,515	1,700	1,722	1,766	4.5	12.2	1.3	2.5
Livestock and Livestock Products	1,032	1,194	982	1,154	1,310	15.7	(17.8)	17.6	13.5
Prepackaged Software	NA	336	511	996	1,061	NA	52.3	94.7	6.5
Goods Ret. to Canada (exports only); U.S. goods	1,339	1,173	837	246	183	(12.4)	(28.7)	(70.6)	(25.6)

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

	2002	2003	2004	2005	2006	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg
Top 15 Countries, 2006									
Canada	160,799	169,481	189,101	211,420	230,257	5.4	11.6	11.8	8.9
Mexico	97,531	97,457	110,775	120,049	134,167	(0.1)	13.7	8.4	11.8
Japan	51,440	52,064	54,400	55,410	59,649	1.2	4.5	1.9	7.7
China (Mainland)	22,053	28,418	34,721	41,837	55,224	28.9	22.2	20.5	32.0
United Kingdom	33,253	33,895	35,960	38,629	45,393	1.9	6.1	7.4	17.5
Germany	26,628	28,848	31,381	34,149	41,319	8.3	8.8	8.8	21.0
South Korea	22,596	24,099	26,333	27,670	32,455	6.7	9.3	5.1	17.3
Netherlands	18,334	20,703	24,286	26,496	31,102	12.9	17.3	9.1	17.4
Singapore	16,221	16,576	19,601	20,646	24,683	2.2	18.3	5.3	19.6
France	19,019	17,068	21,240	22,402	24,217	(10.3)	24.4	5.5	8.1
China (Taiwan)	18,394	17,488	21,731	22,050	23,023	(4.9)	24.3	1.5	4.4
Belgium	13,343	15,218	16,877	18,605	21,347	14.1	10.9	10.2	14.7
Brazil	12,409	11,218	13,863	15,345	19,228	(9.6)	23.6	10.7	25.3
Australia	13,084	13,104	14,271	15,771	17,782	0.2	8.9	10.5	12.8
Hong Kong	12,612	13,542	15,809	16,323	17,779	7.4	16.7	3.2	8.9
Other Countries	155,542	164,564	187,587	217,579	259,517	5.8	14.0	16.0	19.3
Total All Countries*	693,257	723,743	817,936	904,380	1,037,143	4.4	13.0	10.6	14.7
Africa	10,658	10,685	13,480	15,524	19,003	0.3	26.2	15.2	22.4
Asia (includes Middle East)	193,495	206,631	233,098	254,937	297,938	6.8	12.8	9.4	16.9
Europe	163,679	172,013	193,141	211,168	245,535	5.1	12.3	9.3	16.3
Latin America	149,173	149,493	172,201	192,201	223,181	0.2	15.2	11.6	16.1
North America	160,804	169,484	189,106	211,426	230,260	5.4	11.6	11.8	8.9
Oceania	15,184	15,251	16,687	18,902	21,102	0.4	9.4	13.3	11.6

*Total includes exports to unidentified countries and international organizations

Table 4.3
U.S. Exports to Non-Middle-Eastern Asia by Industry
 All Industries, Sorted by 2006 Exports
 (Millions of Dollars)

	2002	2003	2004	2005	2006	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg
Total All Industries	174,552	187,266	209,586	223,041	258,789	7.3	11.9	6.4	16.0
Computer and Electronic Products	56,043	59,779	63,521	64,274	71,947	6.7	6.3	1.2	11.9
Transportation Equipment	22,459	22,231	22,406	27,213	35,487	(1.0)	0.8	21.5	30.4
Chemicals	19,443	21,942	26,131	27,747	30,114	12.9	19.1	6.2	8.5
Machinery, except Electrical	17,990	17,748	25,201	25,340	29,346	(1.3)	42.0	0.6	15.8
Agricultural Products	10,047	13,228	14,796	13,444	15,551	31.7	11.8	(9.1)	15.7
Miscellaneous Manufactured Commodities	5,746	6,262	7,361	8,479	9,606	9.0	17.5	15.2	13.3
Food and Kindred Products	9,235	9,936	7,761	8,384	9,428	7.6	(21.9)	8.0	12.5
Waste and Scrap	2,512	3,609	4,641	6,056	9,317	43.7	28.6	30.5	53.9
Electrical Equip., Appliances, & Component	3,981	3,967	4,962	5,795	7,002	(0.3)	25.1	16.8	20.8
Primary Metal Manufacturing	1,906	2,815	3,586	5,289	6,763	47.7	27.4	47.5	27.9
Special Classification Provisions	4,705	4,692	5,051	5,422	5,429	(0.3)	7.7	7.3	0.1
Fabricated Metal Products	3,227	3,254	3,673	4,079	4,867	0.8	12.9	11.1	19.3
Paper	3,059	3,049	3,286	3,420	3,619	(0.3)	7.8	4.1	5.8
Petroleum and Coal Products	1,481	1,739	2,464	2,410	3,084	17.4	41.7	(2.2)	28.0
Plastics and Rubber Products	1,933	2,049	2,384	2,439	2,652	6.0	16.3	2.3	8.7
Fish & Other Marine Products	1,651	1,688	1,849	2,031	1,968	2.2	9.5	9.9	(3.1)
Nonmetallic Mineral Products	1,432	1,445	1,496	1,554	1,925	0.9	3.5	3.9	23.9
Minerals and Ores	670	644	1,465	1,646	1,784	(3.9)	127.4	12.4	8.4
Beverages and Tobacco Products	1,443	1,453	1,411	1,368	1,482	0.7	(2.9)	(3.1)	8.4
Leather and Allied Products	873	962	988	971	1,122	10.2	2.7	(1.7)	15.5
Wood Products	925	878	931	930	1,023	(5.1)	6.0	(0.1)	10.0
Textiles and Fabrics	649	711	787	854	982	9.5	10.7	8.6	15.0
Forestry Products	775	808	909	927	942	4.2	12.5	2.0	1.6
Printing, Publishing and Similar Products	746	644	631	674	702	(13.7)	(2.0)	6.8	4.3
Used or Second-Hand Merchandise	276	325	369	443	687	17.8	13.4	20.2	55.0
Apparel and Accessories	461	425	463	567	500	(7.7)	9.0	22.4	(11.8)
Livestock and Livestock Products	207	237	214	264	323	14.7	(9.5)	22.9	22.4
Textile Mill Products	227	245	255	277	318	8.1	4.0	8.6	14.9
Furniture and Fixtures	236	249	260	280	317	5.2	4.7	7.6	13.3
Prepackaged Software	NA	21	115	280	291	NA	438.8	143.2	3.9
Oil and Gas	215	229	221	182	212	6.6	(3.7)	(17.7)	16.7

Table 4.4
Washington Exports By Industry
 All Industries, Sorted by 2006 Exports
 (Millions of Dollars)

	2002	2003	2004	2005	2006	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg
Total All Industries	34,627	34,173	33,793	37,948	53,075	(1.3)	(1.1)	12.3	39.9
Total Excluding Transportation Equip.	11,249	13,734	16,106	17,454	19,398	22.1	17.3	8.4	11.1
Transportation Equipment	23,377	20,438	17,686	20,494	33,677	(12.6)	(13.5)	15.9	64.3
Agricultural Products	2,094	3,333	4,181	4,231	4,576	59.2	25.4	1.2	8.2
Computer and Electronic Products	1,958	2,354	2,746	2,846	3,097	20.2	16.7	3.6	8.8
Machinery, except Electrical	800	839	1,031	1,538	1,935	4.9	22.9	49.2	25.8
Food and Kindred Products	1,278	1,602	1,585	1,597	1,562	25.4	(1.1)	0.8	(2.2)
Petroleum and Coal Products	539	737	955	1,114	1,243	36.7	29.6	16.7	11.6
Primary Metal Manufacturing	287	396	566	731	930	37.9	42.9	29.0	27.2
Paper	817	831	866	967	885	1.7	4.2	11.6	(8.5)
Chemicals	637	614	634	604	683	(3.7)	3.2	(4.7)	13.0
Fish & Other Marine Products	512	534	565	554	610	4.3	5.7	(1.9)	10.1
Electrical Equip., Appliances, & Component	270	288	373	466	579	7.0	29.3	24.9	24.4
Waste and Scrap	108	197	290	402	531	82.3	47.4	38.8	32.0
Miscellaneous Manufactured Commodities	290	314	373	386	497	8.3	18.7	3.5	28.7
Forestry Products	387	358	461	438	433	(7.5)	28.9	(5.0)	(1.2)
Wood Products	324	343	350	380	378	5.9	1.8	8.6	(0.4)
Fabricated Metal Products	164	201	265	264	310	22.2	32.0	(0.4)	17.3
Plastics and Rubber Products	132	137	167	189	245	4.2	21.8	13.1	29.5
Nonmetallic Mineral Products	64	89	97	106	173	38.9	8.6	9.7	62.2
Minerals and Ores	24	21	46	71	137	(11.6)	117.8	53.5	91.8
Livestock and Livestock Products	93	88	110	116	131	(5.0)	24.9	5.3	12.3
Special Classification Provisions	185	134	149	130	123	(27.6)	11.6	(13.1)	(5.0)
Textile Mill Products	38	49	69	78	70	30.9	40.5	11.8	(10.1)
Oil and Gas	6	22	11	40	53	263.6	(52.8)	282.4	30.1
Printing, Publishing and Similar Products	42	38	33	40	41	(9.2)	(14.0)	21.6	3.4
Used or Second-Hand Merchandise	19	46	30	34	40	145.9	(36.1)	14.4	18.0
Apparel and Accessories	34	24	38	29	30	(29.8)	60.7	(23.0)	3.7
Beverages and Tobacco Products	22	29	19	28	30	29.4	(34.6)	46.8	7.9
Furniture and Fixtures	17	20	22	25	27	15.4	8.9	13.6	8.5
Textiles and Fabrics	24	17	19	22	26	(30.4)	15.0	11.9	21.4
Leather and Allied Products	11	12	15	15	14	8.0	21.9	3.5	(6.3)
Prepackaged Software	NA	3	6	9	6	NA	104.3	59.9	(33.2)
Goods Ret. to Canada (exports only); U.S. goods	72	62	35	3	3	(14.9)	(42.7)	(92.6)	21.1

Table 4.5
Washington Exports By Industry
 Top Twenty Industries, 2006
 (Millions)

	All Countries		Asia (Non-Middle Eastern)		Percent of Exports per Industry
	Export Valuation	Percent of Total	Export Valuation	Percent of Exports to Asia	
Total All Industries	53,075	100.0	25,775	100.0	48.6
Transportation Equipment	33,677	63.5	16,351	63.4	48.6
Agricultural Products	4,576	8.6	3,683	14.3	80.5
Computer and Electronic Products	3,097	5.8	1,242	4.8	40.1
Machinery, except Electrical	1,935	3.6	340	1.3	17.6
Food and Kindred Products	1,562	2.9	862	3.3	55.2
Petroleum and Coal Products	1,243	2.3	189	0.7	15.2
Primary Metal Manufacturing	930	1.8	318	1.2	34.2
Paper	885	1.7	513	2.0	58.0
Chemicals	683	1.3	330	1.3	48.3
Fish & Other Marine Products	610	1.1	205	0.8	33.7
Electrical Equip., Appliances, & Component	579	1.1	196	0.8	33.8
Waste and Scrap	531	1.0	491	1.9	92.4
Miscellaneous Manufactured Commodities	497	0.9	99	0.4	19.9
Forestry Products	433	0.8	423	1.6	97.6
Wood Products	378	0.7	113	0.4	30.0
Fabricated Metal Products	310	0.6	75	0.3	24.2
Plastics and Rubber Products	245	0.5	29	0.1	11.7
Nonmetallic Mineral Products	173	0.3	66	0.3	38.5
Minerals and Ores	137	0.3	57	0.2	41.6
Livestock and Livestock Products	131	0.2	109	0.4	83.8
Other Exports	464	0.9	84	0.3	18.0

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

	2002	2003	2004	2005	2006	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg
Top 15 Countries, 2006									
China (Mainland)	3,831	3,211	3,094	5,086	6,829	(16.2)	(3.6)	64.3	34.3
Japan	4,349	5,428	6,312	6,370	6,709	24.8	16.3	0.9	5.3
Canada	2,944	3,314	4,041	5,202	6,206	12.6	21.9	28.7	19.3
United Arab Emirates	947	679	113	1,520	3,986	(28.3)	(83.3)	1,242.4	162.2
South Korea	2,056	1,673	2,061	1,794	2,495	(18.6)	23.2	(13.0)	39.1
China (Taiwan)	1,047	1,958	2,138	3,118	2,426	87.0	9.2	45.8	(22.2)
Singapore	2,306	2,087	1,482	1,237	2,361	(9.5)	(29.0)	(16.5)	90.8
France	1,953	684	1,266	978	1,799	(65.0)	85.1	(22.8)	83.9
Ireland	621	843	1,500	1,846	1,740	35.7	78.0	23.0	(5.7)
Mexico	432	607	851	959	1,303	40.6	40.1	12.7	35.8
Netherlands	766	1,739	952	649	1,271	127.1	(45.3)	(31.8)	95.7
Australia	2,627	1,967	1,067	963	1,181	(25.1)	(45.8)	(9.7)	22.6
Turkey	585	89	34	101	1,147	(84.8)	(62.1)	199.2	1,034.7
Thailand	105	648	221	219	1,099	518.9	(65.9)	(0.7)	401.3
India	259	229	307	425	1,061	(11.7)	34.2	38.3	150.0
Other Countries	9,798	9,015	8,353	7,481	11,464	(8.0)	(7.3)	(10.4)	53.2
Total All Countries	34,627	34,173	33,793	37,948	53,075	(1.3)	(1.1)	12.3	39.9
Africa	967	697	813	1,239	1,642	(27.9)	16.7	52.4	32.5
Asia (includes Middle East)	17,301	18,266	18,502	21,390	30,025	5.6	1.3	15.6	40.4
Europe	9,200	8,482	7,510	7,131	9,980	(7.8)	(11.5)	(5.0)	39.9
Latin America	1,441	1,286	1,715	1,681	3,513	(10.8)	33.3	(2.0)	109.0
North America	2,944	3,314	4,041	5,202	6,206	12.6	21.9	28.7	19.3
Oceania	2,773	2,127	1,210	1,305	1,710	(23.3)	(43.1)	7.8	31.0

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

	2002	2003	2004	2005	2006	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg
Top 15 Countries, 2006									
China (Mainland)	3,116	1,799	1,448	3,149	4,818	(42.3)	(19.5)	117.5	53.0
United Arab Emirates	913	628	71	1,464	3,919	(31.2)	(88.6)	1,951.3	167.8
Japan	1,785	2,643	3,033	3,304	3,768	48.0	14.8	8.9	14.0
Singapore	2,122	1,908	1,228	950	1,969	(10.1)	(35.7)	(22.6)	107.3
Ireland	563	805	1,443	1,768	1,681	42.8	79.4	22.5	(4.9)
France	1,723	474	991	746	1,564	(72.5)	109.1	(24.8)	109.7
Canada	590	643	761	1,155	1,350	9.0	NA	NA	NA
South Korea	1,567	1,108	1,144	957	1,350	(29.3)	3.3	(16.4)	41.0
China (Taiwan)	214	692	905	1,734	1,148	223.6	30.7	91.7	(33.8)
Turkey	576	77	16	81	1,112	(86.6)	(78.8)	399.4	1,265.6
India	218	181	231	313	943	(16.8)	27.3	35.7	201.3
Thailand	13	422	17	18	911	3,080.6	(96)	3	4,953.6
Brazil	393	10	204	12	804	(97.6)	2,034.8	(94.0)	6,423.2
Australia	2,378	1,695	761	631	746	(28.7)	(55.1)	(17.1)	18.2
Pakistan	0	0	571	0	729	NA	NA	(100)	NA
Other	7,206	7,355	4,861	4,212	6,865	2.1	(33.9)	(13.4)	63.0
Total All Continents	23,377	20,438	17,686	20,494	33,677	(12.6)	(13.5)	15.9	64.3
Africa	900	611	633	1,100	1,513	(32.0)	3.5	73.8	37.6
Asia (includes Middle East)	11,441	10,487	9,478	12,196	20,301	(8.3)	(9.6)	28.7	66.5
Europe	7,245	6,414	5,237	4,484	6,980	(11.5)	(18.4)	(14.4)	55.7
Latin America	750	509	754	673	2,342	(32.2)	48.1	(10.8)	248.2
North America	590	643	761	1,155	1,350	9.0	18.4	51.8	16.9
Oceania	2,452	1,773	824	887	1,191	(27.7)	(53.5)	7.6	34.2

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

	2002	2003	2004	2005	2006	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg
Top 15 Countries, 2006									
Canada	2,354	2,671	3,280	4,047	4,856	13.4	22.8	23.4	20.0
Japan	2,564	2,786	3,279	3,066	2,941	8.6	17.7	(6.5)	(4.1)
China (Mainland)	714	1,412	1,646	1,937	2,011	97.7	16.6	17.6	3.8
China (Taiwan)	833	1,266	1,233	1,384	1,278	51.9	(2.6)	12.2	(7.6)
South Korea	489	566	917	837	1,145	15.7	62.1	(8.7)	36.8
United Kingdom	493	501	521	563	672	1.8	3.9	8.1	19.3
Mexico	426	350	530	618	585	(17.9)	51.5	16.6	(5.3)
Netherlands	301	346	372	508	562	14.9	7.6	36.7	10.6
Germany	361	378	362	380	464	4.8	(4.4)	5.0	22.0
Australia	249	272	305	332	435	9.2	12.2	8.7	31.0
Singapore	185	179	255	288	392	(3.2)	42.6	13.0	36.3
Philippines	243	363	501	371	372	49.4	37.9	(26.1)	0.5
Hong Kong	287	332	327	327	346	15.5	(1.3)	0.0	5.6
Indonesia	112	256	183	199	314	129.5	(28.8)	9.0	57.6
France	231	210	275	232	235	(9.0)	30.8	(15.4)	1.1
Other	1,407	1,846	2,120	2,366	2,790	31.2	14.9	11.6	18.0
Total All Continents	11,249	13,734	16,106	17,454	19,398	22.1	17.3	8.4	11.1
Africa	67	86	180	139	128	26.8	110.8	(22.9)	(7.8)
Asia (includes Middle East)	5,860	7,779	9,025	9,194	9,723	32.8	16.0	1.9	5.8
Europe	1,955	2,068	2,274	2,648	3,000	5.7	10.0	16.5	13.3
Latin America	691	777	961	1,008	1,171	12.5	23.6	4.9	16.1
North America	2,354	2,671	3,280	4,047	4,856	13.5	22.8	23.4	20.0
Oceania	321	354	386	418	519	10.2	9.1	8.2	24.3

Table 4.9
Washington Exports to Non-Middle-Eastern Asia by Industry
 All Industries, Sorted by 2006 Exports
 (Millions of Dollars)

	2002	2003	2004	2005	2006	2002-03 % Chg	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg
Total All Industries	15,647	17,146	18,213	19,558	25,775	9.6	6.2	7.4	31.8
Total Excluding Transportation Equipment	5,734	7,626	8,833	8,975	9,425	33.0	15.8	1.6	5.0
Transportation Equipment	9,913	9,520	9,380	10,583	16,351	(4.0)	(1.5)	12.8	54.5
Agricultural Products	1,615	2,835	3,593	3,538	3,683	75.5	26.7	(1.5)	4.1
Computer and Electronic Products	701	1,055	1,327	1,195	1,242	50.5	25.7	(9.9)	3.9
Food and Kindred Products	801	1,032	902	909	862	28.8	(12.6)	0.8	(5.1)
Paper	546	524	526	603	513	(4.0)	0.2	14.7	(14.9)
Waste and Scrap	91	178	264	370	491	95.2	48.0	40.1	32.8
Forestry Products	375	350	456	431	423	(6.6)	30.3	(5.6)	(1.9)
Machinery, except Electrical	142	160	206	292	340	12.9	28.5	42.2	16.2
Chemicals	407	407	413	332	330	(0.0)	1.5	(19.6)	(0.6)
Primary Metal Manufacturing	130	152	215	274	318	16.5	41.6	27.4	16.2
Fish & Other Marine Products	295	290	252	207	205	(1.6)	(13.1)	(17.8)	(0.7)
Electrical Equip., Appliances, & Componen	78	81	103	128	196	3.7	27.6	24.7	52.3
Petroleum and Coal Products	58	66	81	129	189	13.6	22.2	59.2	46.9
Wood Products	157	147	115	140	113	(6.3)	(21.8)	21.4	(19.0)
Livestock and Livestock Products	69	61	85	93	109	(12.4)	39.3	9.9	17.5
Miscellaneous Manufactured Commodities	65	57	72	87	99	(12.3)	26.4	20.7	13.2
Fabricated Metal Products	38	56	61	62	75	47.3	7.9	2.2	20.6
Nonmetallic Mineral Products	26	31	32	24	66	18.7	4.1	(24.9)	176.9
Minerals and Ores	15	11	17	18	57	(28.6)	53.0	11.6	208
Special Classification Provisions	50	39	40	31	30	(20.8)	0.7	(20.8)	(5.6)
Plastics and Rubber Products	23	22	28	28	29	(4.8)	29.8	(2.9)	4.0
Beverages and Tobacco Products	16	21	10	12	12	37.8	(51.7)	16.3	3.2
Textile Mill Products	4	5	5	6	8	46.1	(10.2)	32.2	22.1
Used or Second-Hand Merchandise	4	7	9	9	7	52.3	28.6	(0.1)	(23.8)
Apparel and Accessories	4	5	5	7	6	23.6	9.2	25.8	(15.9)
Furniture and Fixtures	3	3	3	6	6	19.0	(13.0)	88.9	(2.9)
Leather and Allied Products	3	4	7	3	5	20.9	81.9	(49.8)	51.4
Textiles and Fabrics	7	4	4	5	5	(45.7)	(3.6)	48.3	(11.3)
Printing, Publishing and Similar Products	10	10	4	4	4	3.2	(59.9)	8.9	0.3
Prepackaged Software	0	1	1	2	2	NA	28.9	39.8	3.0
Oil and Gas	0	11	0	30	0	17,034.1	(99.9)	244,044.4	(100.0)

This page intentionally left blank.

Detail Components of the Washington Economic Forecast

Calendar Years

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

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

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,048.9	10,301.1	10,703.5	11,048.6	11,422.4	11,733.4	12,083.7	12,465.7
% Ch	1.6	2.5	3.9	3.2	3.4	2.7	3.0	3.2
Real Consumption	7,099.3	7,295.4	7,577.1	7,841.2	8,092.3	8,356.1	8,602.6	8,859.5
% Ch	2.7	2.8	3.9	3.5	3.2	3.3	3.0	3.0
Real Nonresidential Fixed Investment	1,071.5	1,081.8	1,145.8	1,223.8	1,314.7	1,389.5	1,451.9	1,518.1
% Ch	-9.2	1.0	5.9	6.8	7.4	5.7	4.5	4.6
Real Residential Fixed Investment	469.9	509.4	559.9	608.0	582.5	499.9	492.0	506.4
% Ch	4.8	8.4	9.9	8.6	-4.2	-14.2	-1.6	2.9
Real Personal Income	8,578.1	8,677.6	8,978.7	9,183.2	9,511.4	9,885.3	10,232.8	10,612.6
% Ch	0.4	1.2	3.5	2.3	3.6	3.9	3.5	3.7
Real Per Capita Income (\$/Person)	29,723	29,772	30,510	30,923	31,740	32,697	33,553	34,497
% Ch	-0.6	0.2	2.5	1.4	2.6	3.0	2.6	2.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.115	1.146	1.163	1.188	1.212
% Ch	1.4	2.0	2.6	2.9	2.8	1.6	2.1	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.799	1.840	1.889	1.953	2.016	2.047	2.093	2.136
% Ch	1.6	2.3	2.7	3.4	3.2	1.5	2.3	2.1
Employment Cost Index (June 1989=1.0)	0.916	0.942	0.968	0.992	1.021	1.049	1.080	1.116
% Ch	3.2	2.8	2.7	2.5	2.9	2.8	3.0	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,469.6	10,960.8	11,712.5	12,455.8	13,253.9	13,906.5	14,601.5	15,360.7
% Ch	3.4	4.7	6.9	6.3	6.4	4.9	5.0	5.2
Personal Income	8,881.9	9,163.6	9,731.4	10,239.2	10,897.4	11,501.5	12,153.7	12,867.2
% Ch	1.8	3.2	6.2	5.2	6.4	5.5	5.7	5.9
Employment (Millions)								
U.S. Civilian Labor Force	145.1	146.5	147.4	149.3	151.4	153.7	155.2	156.7
Total U.S. Employment	136.5	137.7	139.2	141.7	144.4	146.5	147.9	149.6
Unemployment Rate (%)	5.78	5.99	5.53	5.07	4.63	4.71	4.71	4.54
Nonfarm Payroll Employment	130.35	129.99	131.42	133.70	136.17	138.06	140.06	142.14
% Ch	-1.1	-0.3	1.1	1.7	1.9	1.4	1.4	1.5
Manufacturing	15.26	14.51	14.32	14.23	14.20	13.99	13.85	13.78
% Ch	-7.2	-4.9	-1.3	-0.6	-0.2	-1.5	-1.0	-0.5
Durable Manufacturing	9.48	8.96	8.92	8.96	9.00	8.86	8.79	8.77
% Ch	-8.2	-5.5	-0.4	0.3	0.5	-1.6	-0.8	-0.2
Nondurable Manufacturing	5.77	5.54	5.39	5.27	5.20	5.13	5.06	5.01
% Ch	-5.4	-4.0	-2.8	-2.2	-1.4	-1.4	-1.4	-0.9
Construction	6.72	6.73	6.98	7.34	7.69	7.66	7.68	7.80
% Ch	-1.6	0.3	3.6	5.2	4.8	-0.4	0.3	1.5
Service-Producing	107.79	108.18	109.54	111.50	113.60	115.72	117.85	119.89
% Ch	-0.2	0.4	1.3	1.8	1.9	1.9	1.8	1.7
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	26.1	31.1	41.5	56.6	66.1	58.1	61.4	62.0
Personal Saving/Disposable Income (%)	2.4	2.1	2.0	-0.4	-1.0	-0.6	-0.1	0.4
Auto Sales (Millions)	8.1	7.6	7.5	7.7	7.8	7.6	7.6	7.7
% Ch	-3.8	-6.0	-1.4	2.2	1.4	-2.1	-0.3	1.1
Housing Starts (Millions)	1.710	1.854	1.950	2.073	1.819	1.539	1.585	1.690
% Ch	6.8	8.4	5.2	6.3	-12.3	-15.4	3.0	6.6
Federal Budget Surplus (Billions)	-248.0	-372.1	-382.0	-309.2	-149.6	-169.3	-197.9	-178.4
Net Exports (Billions)	-424.4	-499.4	-613.3	-716.7	-761.8	-676.5	-654.6	-636.3
3-Month Treasury Bill Rate (%)	1.61	1.01	1.36	3.13	4.72	4.96	4.90	4.90
10-Year Treasury Note Yield (%)	4.61	4.01	4.27	4.29	4.79	4.86	5.09	5.32
Bond Index of 20 G.O. Munis. (%)	5.03	4.74	4.68	4.40	4.40	4.36	4.72	5.19
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.42	6.33	6.58	6.85

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,566.3	10,671.5	10,753.3	10,822.9	10,913.8	11,001.8	11,115.1	11,163.8
% Ch , Annual Rate	3.8	4.0	3.1	2.6	3.4	3.3	4.2	1.8
Real Consumption	7,479.8	7,534.4	7,607.1	7,687.1	7,739.4	7,819.8	7,895.3	7,910.2
% Ch , Annual Rate	4.7	2.9	3.9	4.3	2.7	4.2	3.9	0.8
Real Nonresidential Fixed Investment	1,111.2	1,130.7	1,158.8	1,182.3	1,199.7	1,214.8	1,232.4	1,248.2
% Ch , Annual Rate	1.7	7.2	10.3	8.4	6.0	5.1	5.9	5.2
Real Residential Fixed Investment	539.2	564.1	568.6	567.7	582.8	609.9	620.4	618.9
% Ch , Annual Rate	3.0	19.8	3.2	-0.6	11.1	19.9	7.1	-1.0
Real Personal Income	8,859.6	8,913.6	8,989.6	9,152.1	9,127.7	9,159.5	9,157.7	9,288.0
% Ch , Annual Rate	3.1	2.5	3.5	7.4	-1.1	1.4	-0.1	5.8
Real Per Capita Income (\$/Person)	30,219	30,328	30,505	30,988	30,842	30,877	30,802	31,169
% Ch , Annual Rate	2.2	1.4	2.4	6.5	-1.9	0.5	-1.0	4.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.081	1.086	1.095	1.101	1.109	1.121	1.129
% Ch , Annual Rate	3.7	3.6	1.9	3.0	2.3	3.1	4.1	2.9
U.S. Consumer Price Index (1982-84=1.0)	1.866	1.884	1.894	1.911	1.922	1.940	1.966	1.982
% Ch , Annual Rate	3.7	4.1	2.1	3.5	2.5	3.7	5.5	3.2
Employment Cost Index (June 1989=1.0)	0.957	0.964	0.972	0.977	0.983	0.988	0.994	1.001
% Ch , Annual Rate	2.5	3.0	3.4	2.1	2.5	2.1	2.5	2.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,430.9	11,649.3	11,799.4	11,970.3	12,173.2	12,346.1	12,573.5	12,730.5
% Ch , Annual Rate	7.8	7.9	5.3	5.9	7.0	5.8	7.6	5.1
Personal Income	9,497.7	9,640.5	9,767.9	10,019.4	10,048.8	10,161.5	10,262.7	10,483.7
% Ch , Annual Rate	6.9	6.2	5.4	10.7	1.2	4.6	4.0	8.9
Employment (Millions)								
U.S. Civilian Labor Force	146.8	147.1	147.6	148.1	148.2	149.1	149.8	150.1
Total U.S. Employment	138.5	138.9	139.5	140.1	140.4	141.5	142.3	142.7
Unemployment Rate (%)	5.70	5.60	5.43	5.40	5.27	5.07	5.00	4.97
Nonfarm Payroll Employment	130.55	131.29	131.63	132.23	132.66	133.37	134.11	134.65
% Ch , Annual Rate	1.2	2.3	1.1	1.8	1.3	2.2	2.2	1.6
Manufacturing	14.28	14.33	14.34	14.31	14.27	14.24	14.20	14.20
% Ch , Annual Rate	-0.7	1.2	0.3	-0.8	-1.1	-0.8	-1.1	-0.0
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.97
% Ch , Annual Rate	0.5	2.4	1.6	0.4	-0.2	-0.0	-0.5	1.0
Nondurable Manufacturing	5.42	5.41	5.39	5.35	5.31	5.29	5.26	5.24
% Ch , Annual Rate	-2.7	-0.6	-1.7	-2.8	-2.7	-2.1	-2.0	-1.8
Construction	6.86	6.94	7.00	7.10	7.15	7.29	7.39	7.52
% Ch , Annual Rate	3.6	4.7	3.6	6.0	2.4	8.3	5.3	7.6
Service-Producing	108.82	109.43	109.69	110.22	110.63	111.22	111.89	112.28
% Ch , Annual Rate	1.3	2.2	1.0	1.9	1.5	2.1	2.4	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	35.4	38.3	43.9	48.3	49.9	53.1	63.2	60.1
Personal Saving/Disposable Income (%)	2.1	1.9	1.6	2.3	0.6	-0.3	-1.5	-0.3
Auto Sales (Millions)	7.5	7.5	7.4	7.7	7.5	7.7	7.9	7.5
% Ch , Annual Rate	-0.4	-1.5	-5.6	19.5	-8.0	6.6	14.8	-17.7
Housing Starts (Millions)	1.918	1.937	1.977	1.965	2.069	2.064	2.101	2.060
% Ch , Annual Rate	-21.1	4.0	8.4	-2.3	22.7	-1.0	7.4	-7.6
Federal Budget Surplus (Billions)	-401.0	-380.6	-380.6	-365.7	-287.6	-289.6	-396.0	-263.6
Net Exports (Billions)	-543.4	-606.2	-630.7	-672.7	-676.2	-686.4	-728.8	-775.4
3-Month Treasury Bill Rate (%)	0.92	1.07	1.48	2.00	2.52	2.86	3.35	3.80
10-Year Treasury Note Yield (%)	4.02	4.60	4.30	4.17	4.30	4.16	4.21	4.49
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.71	4.50	4.44	4.34	4.30	4.51
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,316.4	11,388.1	11,443.5	11,541.6	11,613.2	11,692.4	11,772.4	11,855.7
% Ch , Annual Rate	5.6	2.6	2.0	3.5	2.5	2.8	2.8	2.9
Real Consumption	8,003.8	8,055.0	8,111.2	8,199.2	8,266.2	8,324.6	8,386.9	8,446.7
% Ch , Annual Rate	4.8	2.6	2.8	4.4	3.3	2.9	3.0	2.9
Real Nonresidential Fixed Investment	1,288.8	1,302.8	1,334.2	1,332.8	1,357.1	1,385.1	1,400.9	1,414.8
% Ch , Annual Rate	13.7	4.4	10.0	-0.4	7.5	8.5	4.6	4.0
Real Residential Fixed Investment	618.5	600.5	570.3	540.7	518.9	500.2	492.2	488.2
% Ch , Annual Rate	-0.3	-11.1	-18.6	-19.2	-15.2	-13.6	-6.2	-3.3
Real Personal Income	9,450.7	9,432.7	9,514.4	9,647.9	9,754.4	9,844.2	9,927.2	10,015.4
% Ch , Annual Rate	7.2	-0.8	3.5	5.7	4.5	3.7	3.4	3.6
Real Per Capita Income (\$/Person)	31,644	31,513	31,715	32,089	32,371	32,597	32,799	33,019
% Ch , Annual Rate	6.2	-1.6	2.6	4.8	3.6	2.8	2.5	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.134	1.146	1.152	1.150	1.155	1.160	1.167	1.172
% Ch , Annual Rate	2.0	4.0	2.4	-0.8	1.6	2.0	2.2	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.993	2.017	2.032	2.021	2.029	2.040	2.053	2.064
% Ch , Annual Rate	2.2	5.0	2.9	-2.2	1.6	2.3	2.6	2.0
Employment Cost Index (June 1989=1.0)	1.008	1.017	1.025	1.032	1.039	1.045	1.053	1.060
% Ch , Annual Rate	2.8	3.6	3.2	2.8	2.7	2.5	2.9	2.6
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,008.4	13,197.3	13,322.6	13,487.2	13,663.8	13,828.1	13,987.6	14,146.5
% Ch , Annual Rate	9.0	5.9	3.9	5.0	5.3	4.9	4.7	4.6
Personal Income	10,721.4	10,807.3	10,964.5	11,096.3	11,262.0	11,422.9	11,582.3	11,738.7
% Ch , Annual Rate	9.4	3.2	5.9	4.9	6.1	5.8	5.7	5.5
Employment (Millions)								
U.S. Civilian Labor Force	150.4	151.1	151.7	152.4	153.1	153.6	153.9	154.3
Total U.S. Employment	143.4	144.1	144.6	145.6	146.1	146.3	146.6	146.9
Unemployment Rate (%)	4.73	4.63	4.70	4.47	4.60	4.73	4.77	4.76
Nonfarm Payroll Employment	135.39	135.91	136.44	136.94	137.40	137.82	138.26	138.77
% Ch , Annual Rate	2.2	1.5	1.6	1.5	1.3	1.2	1.3	1.5
Manufacturing	14.21	14.23	14.22	14.14	14.11	13.97	13.94	13.93
% Ch , Annual Rate	0.4	0.3	-0.3	-2.0	-1.0	-4.0	-0.9	-0.0
Durable Manufacturing	8.99	9.02	9.02	8.98	8.95	8.84	8.82	8.83
% Ch , Annual Rate	1.0	1.5	-0.1	-1.9	-1.3	-4.9	-0.6	0.4
Nondurable Manufacturing	5.22	5.20	5.20	5.17	5.16	5.13	5.11	5.10
% Ch , Annual Rate	-0.8	-1.6	-0.5	-2.3	-0.3	-2.3	-1.5	-0.8
Construction	7.66	7.70	7.72	7.69	7.68	7.67	7.64	7.65
% Ch , Annual Rate	7.4	2.0	1.0	-1.1	-0.7	-0.4	-1.5	0.6
Service-Producing	112.86	113.31	113.82	114.40	114.90	115.49	116.00	116.51
% Ch , Annual Rate	2.1	1.6	1.8	2.1	1.8	2.1	1.8	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	63.4	70.6	70.5	60.1	55.4	57.0	60.0	60.0
Personal Saving/Disposable Income (%)	-0.3	-1.4	-1.2	-1.0	-0.8	-0.7	-0.6	-0.5
Auto Sales (Millions)	7.8	7.8	7.9	7.6	7.6	7.6	7.7	7.6
% Ch , Annual Rate	14.4	0.7	1.8	-11.6	-0.3	-1.8	4.9	-3.7
Housing Starts (Millions)	2.123	1.873	1.714	1.564	1.580	1.504	1.523	1.548
% Ch , Annual Rate	12.9	-39.5	-29.8	-30.7	4.1	-17.7	5.0	6.8
Federal Budget Surplus (Billions)	-147.0	-163.1	-165.6	-122.8	-152.6	-169.7	-172.4	-182.3
Net Exports (Billions)	-765.2	-781.8	-801.7	-698.3	-683.7	-672.1	-676.3	-673.8
3-Month Treasury Bill Rate (%)	4.38	4.68	4.91	4.91	4.99	5.00	4.94	4.90
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.63	4.83	4.88	4.87	4.86
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.18	4.31	4.37	4.37	4.37
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.29	6.35	6.34	6.33

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,946.3	12,037.5	12,132.1	12,218.8	12,315.6	12,416.0	12,517.9	12,613.2
% Ch, Annual Rate	3.1	3.1	3.2	2.9	3.2	3.3	3.3	3.1
Real Consumption	8,512.8	8,569.7	8,633.1	8,694.8	8,759.7	8,825.8	8,890.8	8,961.6
% Ch, Annual Rate	3.2	2.7	3.0	2.9	3.0	3.1	3.0	3.2
Real Nonresidential Fixed Investment	1,428.7	1,443.8	1,460.4	1,474.7	1,490.2	1,509.1	1,528.3	1,544.8
% Ch, Annual Rate	4.0	4.3	4.7	4.0	4.3	5.2	5.2	4.4
Real Residential Fixed Investment	491.0	491.0	492.7	493.2	498.8	504.3	509.4	513.3
% Ch, Annual Rate	2.3	-0.0	1.5	0.4	4.7	4.4	4.1	3.2
Real Personal Income	10,097.2	10,188.5	10,276.5	10,369.1	10,462.7	10,563.5	10,661.3	10,763.0
% Ch, Annual Rate	3.3	3.7	3.5	3.7	3.7	3.9	3.8	3.9
Real Per Capita Income (\$/Person)	33,217	33,445	33,661	33,890	34,121	34,375	34,618	34,873
% Ch, Annual Rate	2.4	2.8	2.6	2.8	2.8	3.0	2.9	3.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.179	1.185	1.191	1.197	1.203	1.209	1.215	1.221
% Ch, Annual Rate	2.3	2.0	2.1	2.0	2.3	1.9	2.1	2.0
U.S. Consumer Price Index (1982-84=1.0)	2.077	2.087	2.098	2.109	2.121	2.131	2.141	2.152
% Ch, Annual Rate	2.5	2.1	2.1	2.1	2.3	1.8	2.0	1.9
Employment Cost Index (June 1989=1.0)	1.067	1.075	1.085	1.093	1.102	1.111	1.121	1.130
% Ch, Annual Rate	3.0	3.0	3.5	3.1	3.2	3.4	3.8	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,330.6	14,508.6	14,696.3	14,870.6	15,067.0	15,260.2	15,461.5	15,654.3
% Ch, Annual Rate	5.3	5.1	5.3	4.8	5.4	5.2	5.4	5.1
Personal Income	11,901.8	12,068.8	12,236.0	12,408.4	12,591.6	12,773.7	12,957.9	13,145.6
% Ch, Annual Rate	5.7	5.7	5.7	5.8	6.0	5.9	5.9	5.9
Employment (Millions)								
U.S. Civilian Labor Force	154.6	155.0	155.4	155.7	156.1	156.5	156.9	157.3
Total U.S. Employment	147.3	147.7	148.1	148.5	148.9	149.3	149.8	150.3
Unemployment Rate (%)	4.74	4.74	4.69	4.66	4.62	4.57	4.51	4.46
Nonfarm Payroll Employment	139.28	139.79	140.33	140.85	141.36	141.87	142.40	142.91
% Ch, Annual Rate	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4
Manufacturing	13.90	13.85	13.83	13.81	13.79	13.78	13.77	13.78
% Ch, Annual Rate	-1.1	-1.3	-0.7	-0.5	-0.5	-0.3	-0.2	0.2
Durable Manufacturing	8.82	8.79	8.78	8.77	8.77	8.77	8.77	8.78
% Ch, Annual Rate	-0.5	-1.4	-0.5	-0.3	-0.2	0.1	0.1	0.4
Nondurable Manufacturing	5.08	5.06	5.05	5.04	5.02	5.01	5.00	5.00
% Ch, Annual Rate	-2.0	-1.1	-1.1	-0.8	-1.1	-1.1	-0.7	-0.3
Construction	7.67	7.67	7.69	7.70	7.73	7.76	7.83	7.88
% Ch, Annual Rate	0.7	0.1	1.2	0.6	1.3	1.8	3.3	2.6
Service-Producing	117.04	117.59	118.13	118.66	119.17	119.66	120.14	120.60
% Ch, Annual Rate	1.8	1.9	1.9	1.8	1.7	1.7	1.6	1.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	62.2	61.3	61.2	61.0	63.0	61.3	61.7	61.8
Personal Saving/Disposable Income (%)	-0.4	-0.1	-0.0	0.1	0.2	0.4	0.5	0.7
Auto Sales (Millions)	7.6	7.6	7.6	7.6	7.7	7.6	7.7	7.6
% Ch, Annual Rate	-0.1	1.3	-1.4	-1.6	9.5	-4.6	3.2	-5.3
Housing Starts (Millions)	1.562	1.571	1.588	1.617	1.654	1.679	1.703	1.724
% Ch, Annual Rate	3.7	2.2	4.3	7.7	9.3	6.2	5.9	5.0
Federal Budget Surplus (Billions)	-192.7	-205.1	-198.3	-195.4	-190.2	-186.8	-171.9	-164.8
Net Exports (Billions)	-672.7	-658.0	-646.3	-641.4	-644.4	-638.0	-632.7	-630.0
3-Month Treasury Bill Rate (%)	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90
10-Year Treasury Note Yield (%)	4.94	5.06	5.16	5.22	5.26	5.29	5.34	5.38
Bond Index of 20 G.O. Munis. (%)	4.48	4.66	4.82	4.94	5.04	5.13	5.24	5.34
30-Year Fixed Mortgage Rate (%)	6.41	6.54	6.65	6.72	6.77	6.82	6.88	6.94

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

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.708	192.121	200.062	200.260	208.499	218.575	228.884	239.435
% Ch	0.6	0.7	4.1	0.1	4.1	4.8	4.7	4.6
Real Wage and Salary Disb.	107.608	108.056	109.974	112.771	118.565	123.664	129.017	134.464
% Ch	-0.7	0.4	1.8	2.5	5.1	4.3	4.3	4.2
Real Nonwage Income	83.099	84.065	90.088	87.489	89.934	94.910	99.866	104.971
% Ch	2.4	1.2	7.2	-2.9	2.8	5.5	5.2	5.1
Real Per Capita Income (\$/Person)	31,455	31,370	32,258	31,781	32,458	33,366	34,308	35,284
% Ch	-0.4	-0.3	2.8	-1.5	2.1	2.8	2.8	2.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.115	1.146	1.163	1.188	1.212
% Ch	1.4	2.0	2.6	2.9	2.8	1.6	2.1	2.1
Seattle Cons. Price Index (1982-84=1.0)	1.893	1.924	1.947	2.002	2.076	2.134	2.190	2.240
% Ch	2.0	1.6	1.2	2.8	3.7	2.8	2.6	2.3
Average Nonfarm Annual Wage	40,278	41,100	42,206	43,217	45,455	46,978	48,940	51,089
% Ch	2.1	2.0	2.7	2.4	5.2	3.4	4.2	4.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.02	18.28	18.82	19.95	20.70	21.13	21.68
% Ch	1.0	-0.7	1.5	2.9	6.0	3.8	2.1	2.6
Current Dollar Income (Billions of Dollars)								
Personal Income	197.452	202.868	216.867	223.277	238.866	254.319	271.858	290.310
% Ch	2.0	2.7	6.9	3.0	7.0	6.5	6.9	6.8
Disposable Personal Income	174.068	180.709	193.467	197.041	208.998	222.146	237.639	253.594
% Ch	4.8	3.8	7.1	1.8	6.1	6.3	7.0	6.7
Per Capita Income (\$/Person)	32,567	33,124	34,966	35,432	37,184	38,821	40,748	42,780
% Ch	1.0	1.7	5.6	1.3	4.9	4.4	5.0	5.0
Employment (Thousands)								
Washington Civilian Labor Force	3,110.7	3,159.3	3,224.0	3,292.2	3,339.9	3,407.1	3,485.4	3,555.8
Total Washington Employment	2,882.5	2,925.3	3,022.3	3,109.9	3,174.8	3,229.4	3,300.8	3,365.4
Unemployment Rate (%)	7.34	7.41	6.26	5.54	4.94	5.21	5.30	5.35
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,776.9	2,858.2	2,929.1	2,996.2	3,056.9
% Ch	-1.6	0.1	1.6	2.8	2.9	2.5	2.3	2.0
Manufacturing	285.0	267.0	263.7	272.6	285.8	290.9	291.9	292.4
% Ch	-9.8	-6.3	-1.3	3.4	4.8	1.8	0.3	0.2
Durable Manufacturing	199.3	183.7	182.4	191.5	203.7	208.3	209.1	209.0
% Ch	-11.4	-7.8	-0.7	5.0	6.4	2.3	0.4	-0.1
Aerospace	75.7	65.3	61.5	65.6	73.3	78.3	80.7	81.0
% Ch	-13.2	-13.8	-5.8	6.8	11.6	6.8	3.1	0.3
Nondurable Manufacturing	85.7	83.3	81.3	81.1	82.1	82.5	82.7	83.4
% Ch	-6.0	-2.8	-2.4	-0.2	1.2	0.6	0.2	0.9
Construction	154.2	156.2	164.2	177.3	195.0	199.4	201.4	202.5
% Ch	-2.9	1.3	5.1	8.0	9.9	2.2	1.0	0.5
Service-Producing	2,205.4	2,225.6	2,263.9	2,318.0	2,368.8	2,430.9	2,495.1	2,554.1
% Ch	-0.3	0.9	1.7	2.4	2.2	2.6	2.6	2.4
Software Publishers	36.1	37.4	39.3	41.3	45.0	49.5	53.2	56.6
% Ch	0.8	3.4	5.1	5.1	9.1	10.0	7.5	6.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.200	42.825	50.089	52.988	50.172	46.881	49.076	48.037
% Ch	4.8	6.5	17.0	5.8	-5.3	-6.6	4.7	-2.1
Single-Family	30.239	33.091	36.489	41.407	35.020	30.425	29.851	28.794
% Ch	13.1	9.4	10.3	13.5	-15.4	-13.1	-1.9	-3.5
Multi-Family	9.961	9.734	13.600	11.581	15.152	16.456	19.225	19.244
% Ch	-14.2	-2.3	39.7	-14.8	30.8	8.6	16.8	0.1
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.42	6.33	6.58	6.85

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	191.844	195.424	196.164	216.818	197.972	199.215	201.463	202.390
% Ch, Annual Rate	-0.9	7.7	1.5	49.2	-30.5	2.5	4.6	1.9
Real Wage and Salary Disb.	107.482	110.428	110.999	110.987	110.859	111.778	114.056	114.393
% Ch, Annual Rate	1.4	11.4	2.1	-0.0	-0.5	3.4	8.4	1.2
Real Nonwage Income	84.361	84.995	85.165	105.831	87.114	87.437	87.407	87.997
% Ch, Annual Rate	-3.8	3.0	0.8	138.5	-54.1	1.5	-0.1	2.7
Real Per Capita Income (\$/Person)	31,104	31,571	31,578	34,778	31,643	31,691	31,897	31,894
% Ch, Annual Rate	-2.0	6.1	0.1	47.1	-31.5	0.6	2.6	-0.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.081	1.086	1.095	1.101	1.109	1.121	1.129
% Ch, Annual Rate	3.7	3.6	1.9	3.0	2.3	3.1	4.1	2.9
Seattle Cons. Price Index (1982-84=1.0)	1.936	1.943	1.946	1.964	1.982	2.000	2.001	2.027
% Ch, Annual Rate	1.5	1.5	0.7	3.6	3.7	3.6	0.2	5.4
Average Nonfarm Annual Wage	41,200	42,404	42,634	42,587	42,322	42,732	43,889	43,924
% Ch, Annual Rate	3.8	12.2	2.2	-0.4	-2.5	3.9	11.3	0.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.12	18.22	18.30	18.48	18.64	18.86	18.28	19.48
% Ch, Annual Rate	-2.6	2.3	1.7	4.1	3.4	4.8	-11.6	28.9
Current Dollar Income (Billions of Dollars)								
Personal Income	205.647	211.343	213.131	237.344	217.933	220.992	225.754	228.427
% Ch, Annual Rate	2.7	11.5	3.4	53.8	-28.9	5.7	8.9	4.8
Disposable Personal Income	183.646	188.689	189.968	211.566	192.821	195.073	199.027	201.243
% Ch, Annual Rate	3.5	11.4	2.7	53.8	-31.0	4.8	8.4	4.5
Per Capita Income (\$/Person)	33,342	34,143	34,309	38,071	34,834	35,155	35,743	35,997
% Ch, Annual Rate	1.6	10.0	2.0	51.6	-29.9	3.7	6.9	2.9
Employment (Thousands)								
Washington Civilian Labor Force	3,202.9	3,220.0	3,224.2	3,248.9	3,260.6	3,282.4	3,301.9	3,323.8
Total Washington Employment	2,988.0	3,017.7	3,028.0	3,055.3	3,077.5	3,098.4	3,118.5	3,145.4
Unemployment Rate (%)	6.71	6.28	6.08	5.96	5.62	5.61	5.56	5.37
Nonfarm Payroll Employment	2,673.3	2,694.8	2,706.4	2,729.0	2,746.5	2,768.3	2,783.2	2,809.5
% Ch, Annual Rate	0.9	3.3	1.7	3.4	2.6	3.2	2.2	3.8
Manufacturing	261.8	262.8	263.8	266.3	268.9	272.2	270.8	278.5
% Ch, Annual Rate	-2.3	1.6	1.5	3.7	4.0	5.0	-2.0	11.9
Durable Manufacturing	180.0	181.4	182.9	185.1	187.8	191.2	189.4	197.5
% Ch, Annual Rate	-1.0	3.0	3.4	5.0	5.9	7.4	-3.7	18.2
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.8	69.7
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.7	-16.6	50.9
Nondurable Manufacturing	81.7	81.5	80.9	81.1	81.1	81.0	81.4	81.1
% Ch, Annual Rate	-4.9	-1.4	-2.6	1.1	-0.3	-0.5	2.2	-1.7
Construction	160.4	163.4	164.4	168.4	172.0	175.4	178.5	183.5
% Ch, Annual Rate	4.0	7.7	2.6	10.1	8.8	8.0	7.3	11.8
Service-Producing	2,242.2	2,259.5	2,268.9	2,285.0	2,296.5	2,311.7	2,325.1	2,338.6
% Ch, Annual Rate	1.0	3.1	1.7	2.9	2.0	2.7	2.3	2.3
Software Publishers	38.9	39.1	39.3	39.8	40.4	41.0	41.6	42.1
% Ch, Annual Rate	5.5	1.8	1.8	4.9	6.7	6.1	5.5	5.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.954	47.577	50.507	57.318	52.264	49.072	52.721	57.895
% Ch, Annual Rate	60.2	25.5	27.0	65.9	-30.9	-22.3	33.2	45.4
Single-Family	34.150	37.610	35.425	38.771	41.088	39.264	42.099	43.177
% Ch, Annual Rate	17.8	47.1	-21.3	43.5	26.1	-16.6	32.2	10.6
Multi-Family	10.805	9.967	15.081	18.547	11.176	9.808	10.621	14.718
% Ch, Annual Rate	412.3	-27.6	424.3	128.7	-86.8	-40.7	37.5	268.8
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	206.400	206.442	210.236	210.921	213.802	215.902	223.078	221.517
% Ch, Annual Rate	8.2	0.1	7.6	1.3	5.6	4.0	14.0	-2.8
Real Wage and Salary Disb.	117.541	117.165	119.982	119.572	120.991	121.584	127.448	124.635
% Ch, Annual Rate	11.5	-1.3	10.0	-1.4	4.8	2.0	20.7	-8.5
Real Nonwage Income	88.859	89.276	90.254	91.348	92.811	94.319	95.630	96.882
% Ch, Annual Rate	4.0	1.9	4.5	4.9	6.6	6.7	5.7	5.3
Real Per Capita Income (\$/Person)	32,373	32,218	32,647	32,592	32,875	33,037	33,973	33,579
% Ch, Annual Rate	6.2	-1.9	5.4	-0.7	3.5	2.0	11.8	-4.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.134	1.146	1.152	1.150	1.155	1.160	1.167	1.172
% Ch, Annual Rate	2.0	4.0	2.4	-0.8	1.6	2.0	2.2	1.8
Seattle Cons. Price Index (1982-84=1.0)	2.042	2.071	2.091	2.102	2.113	2.127	2.143	2.155
% Ch, Annual Rate	2.9	6.0	3.7	2.2	2.1	2.7	2.9	2.4
Average Nonfarm Annual Wage	44,969	45,009	46,214	45,626	45,946	46,164	48,495	47,306
% Ch, Annual Rate	9.9	0.4	11.1	-5.0	2.8	1.9	21.8	-9.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.60	19.93	20.14	20.14	20.57	20.65	20.75	20.83
% Ch, Annual Rate	2.3	7.0	4.2	-0.0	8.8	1.6	2.0	1.7
Current Dollar Income (Billions of Dollars)								
Personal Income	234.132	236.507	242.259	242.565	246.846	250.529	260.270	259.632
% Ch, Annual Rate	10.4	4.1	10.1	0.5	7.2	6.1	16.5	-1.0
Disposable Personal Income	205.031	206.721	212.073	212.169	215.783	218.795	227.266	226.739
% Ch, Annual Rate	7.7	3.3	10.8	0.2	7.0	5.7	16.4	-0.9
Per Capita Income (\$/Person)	36,723	36,911	37,620	37,482	37,956	38,335	39,637	39,357
% Ch, Annual Rate	8.3	2.1	7.9	-1.5	5.2	4.1	14.3	-2.8
Employment (Thousands)								
Washington Civilian Labor Force	3,328.3	3,344.4	3,333.9	3,352.9	3,373.9	3,399.2	3,417.8	3,437.4
Total Washington Employment	3,173.8	3,178.4	3,158.8	3,188.2	3,205.2	3,220.7	3,236.7	3,255.0
Unemployment Rate (%)	4.64	4.96	5.25	4.91	5.00	5.25	5.30	5.30
Nonfarm Payroll Employment	2,834.9	2,852.5	2,862.9	2,882.6	2,906.3	2,920.9	2,935.9	2,953.1
% Ch, Annual Rate	3.7	2.5	1.5	2.8	3.3	2.0	2.1	2.4
Manufacturing	283.0	283.9	286.7	289.6	291.3	290.3	290.6	291.4
% Ch, Annual Rate	6.5	1.3	4.0	4.2	2.3	-1.3	0.4	1.1
Durable Manufacturing	200.9	202.5	204.5	207.0	208.5	207.9	208.2	208.8
% Ch, Annual Rate	7.1	3.3	4.1	4.8	2.9	-1.1	0.7	1.1
Aerospace	71.4	72.1	73.8	75.8	77.0	77.9	78.7	79.5
% Ch, Annual Rate	10.2	4.2	9.9	11.1	6.8	4.4	4.3	4.3
Nondurable Manufacturing	82.1	81.4	82.1	82.7	82.8	82.4	82.3	82.6
% Ch, Annual Rate	5.2	-3.4	3.6	2.6	0.8	-1.8	-0.4	1.0
Construction	190.7	194.3	196.0	199.0	200.5	199.2	198.5	199.3
% Ch, Annual Rate	16.5	7.9	3.5	6.3	3.0	-2.6	-1.4	1.7
Service-Producing	2,352.4	2,365.5	2,371.7	2,385.5	2,406.5	2,423.5	2,439.0	2,454.6
% Ch, Annual Rate	2.4	2.2	1.0	2.4	3.6	2.8	2.6	2.6
Software Publishers	43.1	44.4	45.4	47.3	48.0	49.1	50.1	50.9
% Ch, Annual Rate	9.5	13.0	8.8	18.0	6.4	9.3	8.1	7.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.742	54.453	53.307	42.186	42.698	46.448	48.737	49.640
% Ch, Annual Rate	-41.0	32.6	-8.2	-60.8	4.9	40.0	21.2	7.6
Single-Family	38.110	36.990	35.313	29.667	29.601	30.370	30.847	30.881
% Ch, Annual Rate	-39.3	-11.3	-16.9	-50.2	-0.9	10.8	6.4	0.4
Multi-Family	12.632	17.463	17.994	12.520	13.097	16.078	17.889	18.758
% Ch, Annual Rate	-45.8	265.3	12.7	-76.6	19.8	127.1	53.3	20.9
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.29	6.35	6.34	6.33

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	223.805	225.984	233.936	231.809	234.182	236.357	244.802	242.401
% Ch, Annual Rate	4.2	4.0	14.8	-3.6	4.2	3.8	15.1	-3.9
Real Wage and Salary Disb.	125.816	126.698	133.472	130.084	131.186	131.993	139.201	135.476
% Ch, Annual Rate	3.8	2.8	23.2	-9.8	3.4	2.5	23.7	-10.3
Real Nonwage Income	97.989	99.286	100.464	101.726	102.997	104.363	105.601	106.925
% Ch, Annual Rate	4.7	5.4	4.8	5.1	5.1	5.4	4.8	5.1
Real Per Capita Income (\$/Person)	33,772	33,949	34,989	34,521	34,726	34,902	36,001	35,507
% Ch, Annual Rate	2.3	2.1	12.8	-5.2	2.4	2.0	13.2	-5.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.179	1.185	1.191	1.197	1.203	1.209	1.215	1.221
% Ch, Annual Rate	2.3	2.0	2.1	2.0	2.3	1.9	2.1	2.0
Seattle Cons. Price Index (1982-84=1.0)	2.171	2.184	2.197	2.210	2.224	2.235	2.246	2.257
% Ch, Annual Rate	2.9	2.4	2.4	2.3	2.6	2.0	2.0	2.0
Average Nonfarm Annual Wage	47,719	48,018	50,686	49,336	49,784	50,100	52,972	51,499
% Ch, Annual Rate	3.5	2.5	24.2	-10.2	3.7	2.6	25.0	-10.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.94	21.06	21.20	21.32	21.45	21.59	21.76	21.90
% Ch, Annual Rate	2.1	2.2	2.8	2.2	2.5	2.7	3.2	2.5
Current Dollar Income (Billions of Dollars)								
Personal Income	263.802	267.689	278.544	277.400	281.833	285.810	297.536	296.061
% Ch, Annual Rate	6.6	6.0	17.2	-1.6	6.5	5.8	17.4	-2.0
Disposable Personal Income	230.593	234.061	243.552	242.351	246.292	249.668	259.895	258.521
% Ch, Annual Rate	7.0	6.2	17.2	-2.0	6.7	5.6	17.4	-2.1
Per Capita Income (\$/Person)	39,808	40,214	41,661	41,310	41,792	42,205	43,757	43,367
% Ch, Annual Rate	4.7	4.1	15.2	-3.3	4.7	4.0	15.5	-3.5
Employment (Thousands)								
Washington Civilian Labor Force	3,457.1	3,476.4	3,495.0	3,513.1	3,530.6	3,547.6	3,564.3	3,580.7
Total Washington Employment	3,274.0	3,292.5	3,310.0	3,326.8	3,342.5	3,357.9	3,373.1	3,388.3
Unemployment Rate (%)	5.30	5.29	5.29	5.30	5.33	5.35	5.36	5.37
Nonfarm Payroll Employment	2,970.9	2,988.4	3,004.8	3,020.6	3,035.3	3,049.8	3,064.1	3,078.4
% Ch, Annual Rate	2.4	2.4	2.2	2.1	2.0	1.9	1.9	1.9
Manufacturing	291.5	291.8	292.0	292.1	292.1	292.2	292.4	292.9
% Ch, Annual Rate	0.3	0.3	0.2	0.2	-0.0	0.1	0.3	0.7
Durable Manufacturing	209.2	209.3	209.2	209.0	208.9	208.9	209.0	209.1
% Ch, Annual Rate	0.8	0.1	-0.2	-0.3	-0.1	0.1	0.1	0.2
Aerospace	80.2	80.8	81.0	81.0	81.0	81.0	81.0	81.0
% Ch, Annual Rate	3.4	3.0	1.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	82.3	82.5	82.8	83.1	83.2	83.2	83.4	83.8
% Ch, Annual Rate	-1.0	1.0	1.3	1.6	0.2	0.2	1.0	1.8
Construction	200.5	201.3	201.7	202.0	202.2	202.3	202.5	202.8
% Ch, Annual Rate	2.5	1.5	0.9	0.6	0.4	0.2	0.4	0.6
Service-Producing	2,471.0	2,487.4	2,503.2	2,518.6	2,533.2	2,547.4	2,561.2	2,574.7
% Ch, Annual Rate	2.7	2.7	2.6	2.5	2.3	2.3	2.2	2.1
Software Publishers	51.9	52.8	53.7	54.6	55.4	56.2	57.0	57.8
% Ch, Annual Rate	7.8	7.3	7.2	6.6	6.3	6.0	5.8	5.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	49.422	49.248	49.001	48.633	48.286	48.273	47.969	47.622
% Ch, Annual Rate	-1.7	-1.4	-2.0	-3.0	-2.8	-0.1	-2.5	-2.9
Single-Family	30.430	30.024	29.644	29.304	29.014	28.934	28.724	28.504
% Ch, Annual Rate	-5.7	-5.2	-5.0	-4.5	-3.9	-1.1	-2.9	-3.0
Multi-Family	18.991	19.224	19.357	19.329	19.272	19.339	19.245	19.119
% Ch, Annual Rate	5.1	5.0	2.8	-0.6	-1.2	1.4	-1.9	-2.6
30-Year Fixed Mortgage Rate (%)	6.41	6.54	6.65	6.72	6.77	6.82	6.88	6.94

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

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	130.35	129.99	131.42	133.70	136.17	138.06	140.06	142.14
% Ch	-1.1	-0.3	1.1	1.7	1.9	1.4	1.4	1.5
Manufacturing	15.26	14.51	14.32	14.23	14.20	13.99	13.85	13.78
% Ch	-7.2	-4.9	-1.3	-0.6	-0.2	-1.5	-1.0	-0.5
Durable Manufacturing	9.48	8.96	8.92	8.96	9.00	8.86	8.79	8.77
% Ch	-8.2	-5.5	-0.4	0.3	0.5	-1.6	-0.8	-0.2
Wood Products	0.55	0.54	0.55	0.56	0.56	0.53	0.52	0.54
% Ch	-3.3	-3.2	2.3	1.7	0.2	-5.9	-0.5	2.5
Primary and Fabricated Metals	2.06	1.96	1.96	1.99	2.02	2.02	2.04	2.04
% Ch	-8.4	-5.0	0.4	1.3	1.4	0.1	0.8	-0.0
Computer and Electronic Products	1.51	1.36	1.32	1.32	1.32	1.27	1.17	1.12
% Ch	-13.8	-10.1	-2.4	-0.5	-0.0	-3.7	-7.8	-3.7
Machinery and Electrical Equipment	1.73	1.61	1.59	1.60	1.63	1.64	1.61	1.60
% Ch	-10.4	-6.8	-1.3	0.5	1.9	0.7	-1.4	-1.1
Transportation Equipment	1.83	1.77	1.77	1.77	1.76	1.73	1.77	1.80
% Ch	-5.6	-3.0	-0.5	0.3	-0.4	-2.1	2.2	1.8
Other Durables	1.81	1.73	1.73	1.72	1.72	1.68	1.68	1.68
% Ch	-4.9	-4.3	0.2	-0.6	-0.4	-2.2	0.1	0.0
Nondurable Manufacturing	5.77	5.54	5.39	5.27	5.20	5.13	5.06	5.01
% Ch	-5.4	-4.0	-2.8	-2.2	-1.4	-1.4	-1.4	-0.9
Food Manufacturing	1.52	1.52	1.49	1.48	1.48	1.49	1.50	1.51
% Ch	-1.6	-0.5	-1.5	-1.1	0.4	0.4	0.6	0.9
Paper and Paper Products	0.55	0.52	0.50	0.48	0.47	0.46	0.45	0.44
% Ch	-5.4	-5.6	-4.0	-2.3	-3.0	-2.6	-1.9	-0.9
Other Nondurables	3.70	3.51	3.40	3.31	3.24	3.18	3.11	3.05
% Ch	-6.9	-5.1	-3.1	-2.7	-2.0	-2.0	-2.2	-1.8
Natural Resources and Mining	0.58	0.57	0.59	0.63	0.68	0.69	0.68	0.66
% Ch	-3.9	-1.8	3.2	6.2	9.0	0.8	-1.9	-2.2
Construction	6.72	6.73	6.98	7.34	7.69	7.66	7.68	7.80
% Ch	-1.6	0.3	3.6	5.2	4.8	-0.4	0.3	1.5
Trade, Transportation, and Utilities	25.50	25.29	25.53	25.96	26.23	26.51	27.03	27.43
% Ch	-1.9	-0.8	1.0	1.7	1.1	1.1	2.0	1.5
Wholesale Trade	5.65	5.61	5.66	5.76	5.90	5.96	6.03	6.12
% Ch	-2.1	-0.8	1.0	1.8	2.3	1.1	1.1	1.5
Retail Trade	15.03	14.92	15.06	15.28	15.32	15.39	15.69	15.85
% Ch	-1.4	-0.7	1.0	1.5	0.3	0.5	1.9	1.0
Trans., Warehousing, and Utilities	4.82	4.76	4.81	4.92	5.01	5.16	5.32	5.47
% Ch	-3.1	-1.2	1.0	2.2	2.0	2.9	3.1	2.9
Information	3.39	3.19	3.12	3.06	3.05	3.07	3.07	3.11
% Ch	-6.5	-6.1	-2.3	-1.8	-0.2	0.4	0.0	1.4
Publishing Industries	0.96	0.92	0.91	0.90	0.90	0.90	0.88	0.89
% Ch	-5.5	-4.1	-1.7	-0.6	-0.0	-0.9	-1.4	1.1
Other Information	2.43	2.26	2.21	2.16	2.15	2.17	2.18	2.22
% Ch	-6.8	-6.8	-2.5	-2.3	-0.3	0.9	0.6	1.5
Financial Activities	7.85	7.98	8.03	8.15	8.36	8.49	8.55	8.61
% Ch	0.5	1.6	0.7	1.5	2.6	1.6	0.6	0.7
Professional and Business Services	15.98	15.99	16.39	16.95	17.56	18.19	19.02	19.81
% Ch	-3.0	0.0	2.5	3.4	3.6	3.6	4.5	4.2
Education and Health Services	16.20	16.59	16.95	17.37	17.84	18.26	18.53	18.80
% Ch	3.6	2.4	2.2	2.5	2.7	2.3	1.5	1.5
Leisure and Hospitality	11.99	12.17	12.49	12.81	13.14	13.52	13.80	14.07
% Ch	-0.4	1.6	2.6	2.6	2.5	2.9	2.0	2.0
Other Services	5.37	5.40	5.41	5.39	5.43	5.47	5.49	5.49
% Ch	2.2	0.5	0.1	-0.3	0.7	0.7	0.4	-0.1
Federal Government	2.77	2.76	2.73	2.73	2.73	2.74	2.75	2.74
% Ch	0.1	-0.2	-1.1	0.1	-0.2	0.3	0.5	-0.5
State and Local Government	18.74	18.82	18.89	19.07	19.26	19.47	19.62	19.83
% Ch	2.1	0.4	0.4	1.0	1.0	1.1	0.8	1.1

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2007 to 2009

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

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	135.39	135.91	136.44	136.94	137.40	137.82	138.26	138.77
% Ch, Annual Rate	2.2	1.5	1.6	1.5	1.3	1.2	1.3	1.5
Manufacturing	14.21	14.23	14.22	14.14	14.11	13.97	13.94	13.93
% Ch, Annual Rate	0.4	0.3	-0.3	-2.0	-1.0	-4.0	-0.9	-0.0
Durable Manufacturing	8.99	9.02	9.02	8.98	8.95	8.84	8.82	8.83
% Ch, Annual Rate	1.0	1.5	-0.1	-1.9	-1.3	-4.9	-0.6	0.4
Wood Products	0.57	0.57	0.56	0.54	0.54	0.53	0.52	0.52
% Ch, Annual Rate	4.4	-3.1	-5.2	-11.0	-3.8	-7.7	-3.4	-2.1
Primary and Fabricated Metals	2.01	2.02	2.03	2.02	2.02	2.01	2.02	2.03
% Ch, Annual Rate	2.1	2.0	2.2	-0.9	0.0	-2.3	1.8	2.1
Computer and Electronic Products	1.31	1.32	1.32	1.32	1.31	1.28	1.25	1.22
% Ch, Annual Rate	-1.5	3.0	0.2	-0.1	-1.6	-9.1	-9.3	-9.4
Machinery and Electrical Equipment	1.61	1.62	1.64	1.65	1.65	1.63	1.63	1.64
% Ch, Annual Rate	1.0	3.8	4.7	2.0	1.4	-5.1	0.3	1.4
Transportation Equipment	1.77	1.78	1.76	1.74	1.73	1.71	1.73	1.75
% Ch, Annual Rate	0.6	1.5	-3.4	-4.6	-4.0	-2.8	3.3	4.3
Other Durables	1.73	1.72	1.71	1.70	1.70	1.67	1.67	1.68
% Ch, Annual Rate	1.3	-0.8	-2.3	-2.1	-1.8	-5.6	-0.5	2.1
Nondurable Manufacturing	5.22	5.20	5.20	5.17	5.16	5.13	5.11	5.10
% Ch, Annual Rate	-0.8	-1.6	-0.5	-2.3	-0.3	-2.3	-1.5	-0.8
Food Manufacturing	1.48	1.48	1.49	1.49	1.49	1.49	1.49	1.49
% Ch, Annual Rate	1.2	1.2	1.4	-0.1	0.8	-0.8	0.1	1.1
Paper and Paper Products	0.48	0.47	0.47	0.46	0.46	0.46	0.46	0.45
% Ch, Annual Rate	-1.6	-4.0	-3.6	-2.9	-1.6	-3.4	-1.9	-1.6
Other Nondurables	3.27	3.25	3.24	3.21	3.21	3.19	3.17	3.16
% Ch, Annual Rate	-1.5	-2.5	-0.9	-3.3	-0.6	-2.8	-2.2	-1.7
Natural Resources and Mining	0.66	0.68	0.69	0.70	0.70	0.69	0.68	0.68
% Ch, Annual Rate	9.8	12.0	6.8	5.3	1.0	-5.9	-5.0	-1.8
Construction	7.66	7.70	7.72	7.69	7.68	7.67	7.64	7.65
% Ch, Annual Rate	7.4	2.0	1.0	-1.1	-0.7	-0.4	-1.5	0.6
Trade, Transportation, and Utilities	26.19	26.20	26.23	26.31	26.39	26.44	26.53	26.69
% Ch, Annual Rate	1.4	0.1	0.5	1.1	1.3	0.8	1.4	2.3
Wholesale Trade	5.85	5.89	5.91	5.94	5.96	5.95	5.96	5.98
% Ch, Annual Rate	3.0	2.3	1.5	1.7	1.7	-0.4	0.5	1.2
Retail Trade	15.36	15.31	15.30	15.31	15.33	15.35	15.40	15.49
% Ch, Annual Rate	0.5	-1.2	-0.4	0.4	0.4	0.6	1.2	2.5
Trans., Warehousing, and Utilities	4.98	5.00	5.02	5.06	5.10	5.14	5.18	5.22
% Ch, Annual Rate	2.3	1.9	1.9	2.7	3.7	2.7	3.2	3.2
Information	3.06	3.05	3.05	3.06	3.07	3.09	3.07	3.03
% Ch, Annual Rate	0.4	-0.7	-0.3	1.6	1.5	1.9	-1.8	-5.1
Publishing Industries	0.90	0.90	0.90	0.90	0.91	0.90	0.89	0.88
% Ch, Annual Rate	0.1	0.0	-0.9	1.0	0.7	-2.2	-3.6	-4.2
Other Information	2.15	2.15	2.15	2.16	2.17	2.19	2.18	2.15
% Ch, Annual Rate	0.6	-1.0	0.0	1.8	1.8	3.6	-1.1	-5.4
Financial Activities	8.29	8.35	8.38	8.42	8.45	8.49	8.51	8.52
% Ch, Annual Rate	2.7	2.5	1.8	1.9	1.3	2.1	0.9	0.3
Professional and Business Services	17.38	17.50	17.61	17.73	17.86	18.09	18.32	18.51
% Ch, Annual Rate	3.8	2.8	2.7	2.6	2.9	5.3	5.3	4.1
Education and Health Services	17.67	17.77	17.89	18.02	18.14	18.19	18.30	18.39
% Ch, Annual Rate	2.9	2.4	2.7	3.0	2.6	1.2	2.3	2.1
Leisure and Hospitality	12.98	13.07	13.18	13.32	13.42	13.53	13.54	13.60
% Ch, Annual Rate	3.0	2.7	3.5	4.0	3.3	3.2	0.3	1.9
Other Services	5.42	5.43	5.43	5.45	5.44	5.47	5.49	5.49
% Ch, Annual Rate	1.8	0.8	0.3	0.9	-0.6	2.3	1.3	0.4
Federal Government	2.73	2.73	2.73	2.72	2.71	2.73	2.75	2.75
% Ch, Annual Rate	-1.2	0.3	0.2	-2.0	-1.1	3.0	2.3	1.0
State and Local Government	19.14	19.21	19.30	19.39	19.42	19.46	19.48	19.51
% Ch, Annual Rate	0.5	1.4	1.8	1.9	0.8	0.7	0.5	0.7

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	139.28	139.79	140.33	140.85	141.36	141.87	142.40	142.91
% Ch, Annual Rate	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4
Manufacturing	13.90	13.85	13.83	13.81	13.79	13.78	13.77	13.78
% Ch, Annual Rate	-1.1	-1.3	-0.7	-0.5	-0.5	-0.3	-0.2	0.2
Durable Manufacturing	8.82	8.79	8.78	8.77	8.77	8.77	8.77	8.78
% Ch, Annual Rate	-0.5	-1.4	-0.5	-0.3	-0.2	0.1	0.1	0.4
Wood Products	0.52	0.52	0.53	0.53	0.53	0.54	0.54	0.54
% Ch, Annual Rate	0.5	1.1	2.8	2.2	2.7	3.1	2.2	1.7
Primary and Fabricated Metals	2.03	2.03	2.04	2.04	2.04	2.04	2.03	2.03
% Ch, Annual Rate	1.0	0.0	0.5	0.3	-0.1	-0.2	-0.6	-0.3
Computer and Electronic Products	1.20	1.18	1.16	1.14	1.13	1.13	1.12	1.12
% Ch, Annual Rate	-7.8	-6.8	-6.1	-5.1	-3.3	-2.4	-1.8	-1.4
Machinery and Electrical Equipment	1.63	1.62	1.61	1.60	1.60	1.60	1.59	1.60
% Ch, Annual Rate	-2.1	-3.1	-1.9	-1.1	-1.2	-0.8	-0.5	0.3
Transportation Equipment	1.76	1.76	1.77	1.78	1.78	1.79	1.80	1.81
% Ch, Annual Rate	2.5	0.9	2.0	1.9	1.6	2.0	1.9	1.9
Other Durables	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68
% Ch, Annual Rate	1.1	-0.7	0.0	0.0	0.1	0.0	-0.1	0.7
Nondurable Manufacturing	5.08	5.06	5.05	5.04	5.02	5.01	5.00	5.00
% Ch, Annual Rate	-2.0	-1.1	-1.1	-0.8	-1.1	-1.1	-0.7	-0.3
Food Manufacturing	1.49	1.50	1.50	1.51	1.51	1.51	1.51	1.52
% Ch, Annual Rate	-0.2	1.1	1.4	1.7	0.3	0.3	0.9	1.4
Paper and Paper Products	0.45	0.45	0.45	0.45	0.45	0.44	0.44	0.45
% Ch, Annual Rate	-2.6	-1.3	-1.6	-1.3	-1.0	-0.7	0.1	0.6
Other Nondurables	3.13	3.12	3.10	3.08	3.07	3.06	3.04	3.04
% Ch, Annual Rate	-2.7	-2.2	-2.3	-1.9	-1.8	-1.8	-1.6	-1.2
Natural Resources and Mining	0.68	0.68	0.68	0.67	0.67	0.66	0.66	0.65
% Ch, Annual Rate	-0.7	-1.1	-0.4	-1.4	-2.7	-2.9	-3.0	-3.4
Construction	7.67	7.67	7.69	7.70	7.73	7.76	7.83	7.88
% Ch, Annual Rate	0.7	0.1	1.2	0.6	1.3	1.8	3.3	2.6
Trade, Transportation, and Utilities	26.86	26.97	27.09	27.20	27.27	27.38	27.49	27.59
% Ch, Annual Rate	2.6	1.6	1.7	1.7	1.1	1.6	1.6	1.5
Wholesale Trade	6.00	6.01	6.04	6.06	6.08	6.10	6.13	6.15
% Ch, Annual Rate	1.4	1.0	2.0	1.1	1.4	1.3	2.1	1.3
Retail Trade	15.61	15.66	15.71	15.77	15.78	15.83	15.87	15.91
% Ch, Annual Rate	3.0	1.5	1.1	1.6	0.4	1.3	0.9	1.2
Trans., Warehousing, and Utilities	5.26	5.29	5.34	5.37	5.41	5.45	5.49	5.53
% Ch, Annual Rate	3.1	2.8	3.4	2.7	2.7	2.8	3.2	2.7
Information	3.03	3.06	3.08	3.10	3.10	3.10	3.11	3.12
% Ch, Annual Rate	-0.2	3.9	2.8	2.0	0.5	0.6	1.1	0.7
Publishing Industries	0.88	0.88	0.88	0.89	0.89	0.89	0.89	0.90
% Ch, Annual Rate	-0.5	-0.3	1.1	0.7	0.8	1.3	1.9	2.2
Other Information	2.15	2.18	2.20	2.21	2.21	2.21	2.22	2.22
% Ch, Annual Rate	-0.2	5.6	3.4	2.6	0.4	0.3	0.8	0.1
Financial Activities	8.53	8.54	8.56	8.56	8.58	8.59	8.62	8.65
% Ch, Annual Rate	0.6	0.2	0.8	0.3	0.8	0.3	1.6	1.3
Professional and Business Services	18.69	18.89	19.15	19.33	19.51	19.71	19.92	20.09
% Ch, Annual Rate	4.1	4.3	5.5	4.0	3.7	4.1	4.4	3.4
Education and Health Services	18.43	18.48	18.58	18.64	18.72	18.79	18.84	18.87
% Ch, Annual Rate	0.7	1.3	2.0	1.4	1.7	1.4	1.2	0.6
Leisure and Hospitality	13.71	13.80	13.79	13.89	14.01	14.08	14.07	14.12
% Ch, Annual Rate	3.1	2.9	-0.5	2.9	3.6	2.1	-0.3	1.5
Other Services	5.49	5.49	5.50	5.49	5.49	5.49	5.49	5.49
% Ch, Annual Rate	-0.2	0.4	0.3	-0.4	-0.3	-0.2	0.1	0.1
Federal Government	2.76	2.76	2.75	2.74	2.73	2.72	2.73	2.76
% Ch, Annual Rate	0.3	-0.0	-0.9	-1.6	-1.6	-0.5	1.3	3.3
State and Local Government	19.54	19.59	19.65	19.70	19.75	19.80	19.86	19.91
% Ch, Annual Rate	0.5	1.0	1.2	1.2	1.1	0.9	1.1	1.1

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

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,776.9	2,858.2	2,929.1	2,996.2	3,056.9
% Ch	-1.6	0.1	1.6	2.8	2.9	2.5	2.3	2.0
Manufacturing	285.0	267.0	263.7	272.6	285.8	290.9	291.9	292.4
% Ch	-9.8	-6.3	-1.3	3.4	4.8	1.8	0.3	0.2
Durable Manufacturing	199.3	183.7	182.4	191.5	203.7	208.3	209.1	209.0
% Ch	-11.4	-7.8	-0.7	5.0	6.4	2.3	0.4	-0.1
Wood Products	18.0	17.8	18.8	20.0	20.4	19.9	19.4	19.3
% Ch	-4.9	-1.3	5.4	6.9	1.6	-2.4	-2.5	-0.4
Primary and Fabricated Metals	23.5	22.1	22.3	23.1	24.3	24.8	25.0	25.0
% Ch	-12.7	-6.2	0.8	3.8	4.9	2.1	0.9	0.0
Computer and Electronic Products	26.2	23.4	22.1	22.2	22.5	21.7	20.0	19.2
% Ch	-19.3	-10.7	-5.3	0.2	1.3	-3.6	-7.7	-4.1
Machinery and Electrical Equipment	16.7	16.3	17.0	17.8	18.9	19.1	19.6	20.1
% Ch	-10.0	-2.5	4.4	4.8	6.0	1.4	2.3	2.7
Aerospace	75.7	65.3	61.5	65.6	73.3	78.3	80.7	81.0
% Ch	-13.2	-13.8	-5.8	6.8	11.6	6.8	3.1	0.3
Other Transportation Equip.	10.9	11.1	12.1	13.2	13.7	13.4	13.3	13.2
% Ch	-3.0	1.7	9.2	8.7	3.9	-1.9	-1.0	-1.1
Other Durables	28.3	27.9	28.6	29.5	30.8	31.2	31.1	31.2
% Ch	-4.5	-1.5	2.7	3.1	4.4	1.2	-0.1	0.3
Nondurable Manufacturing	85.7	83.3	81.3	81.1	82.1	82.5	82.7	83.4
% Ch	-6.0	-2.8	-2.4	-0.2	1.2	0.6	0.2	0.9
Food Manufacturing	35.3	34.8	34.1	33.8	33.8	34.4	35.1	35.9
% Ch	-5.4	-1.3	-2.0	-1.0	0.1	1.9	1.9	2.4
Paper and Paper Products	13.2	13.3	12.7	12.2	12.1	11.9	11.7	11.6
% Ch	-6.1	0.2	-4.6	-3.6	-1.0	-1.5	-1.9	-0.9
Other Nondurables	37.2	35.2	34.5	35.2	36.2	36.2	36.0	35.9
% Ch	-6.5	-5.4	-1.9	1.8	2.9	0.0	-0.6	-0.1
Natural Resources and Mining	9.4	8.6	9.1	9.0	8.7	7.9	7.9	7.9
% Ch	-4.6	-7.7	5.7	-1.9	-3.1	-8.7	-1.0	0.9
Construction	154.2	156.2	164.2	177.3	195.0	199.4	201.4	202.5
% Ch	-2.9	1.3	5.1	8.0	9.9	2.2	1.0	0.5
Trade, Transportation, and Utilities	509.3	509.8	518.4	530.4	542.0	556.3	571.0	582.3
% Ch	-2.8	0.1	1.7	2.3	2.2	2.6	2.7	2.0
Wholesale Trade	115.7	116.0	119.3	122.2	126.7	128.5	130.4	132.3
% Ch	-3.4	0.3	2.8	2.4	3.7	1.4	1.5	1.4
Retail Trade	305.3	305.9	309.3	316.1	321.3	330.0	340.0	346.8
% Ch	-2.0	0.2	1.1	2.2	1.7	2.7	3.0	2.0
Trans., Warehousing, and Utilities	88.3	87.9	89.7	92.2	94.0	97.8	100.7	103.2
% Ch	-4.4	-0.5	2.1	2.7	2.0	4.0	2.9	2.6
Information	93.6	92.3	92.8	94.7	98.8	105.2	108.9	113.1
% Ch	-5.5	-1.4	0.6	2.0	4.3	6.5	3.6	3.8
Software Publishers	36.1	37.4	39.3	41.3	45.0	49.5	53.2	56.6
% Ch	0.8	3.4	5.1	5.1	9.1	10.0	7.5	6.4
Other Publishing Industries	12.6	12.1	11.3	11.2	11.1	11.1	10.8	10.8
% Ch	-4.4	-4.0	-6.7	-0.6	-1.4	-0.4	-2.2	-0.0
Other Information	44.8	42.8	42.3	42.2	42.7	44.6	44.9	45.6
% Ch	-10.3	-4.5	-1.2	-0.1	1.0	4.6	0.7	1.7
Financial Activities	146.1	151.9	151.8	154.5	156.3	158.3	160.6	162.9
% Ch	0.7	3.9	-0.1	1.8	1.2	1.3	1.4	1.4
Professional and Business Services	290.2	290.3	301.6	316.0	329.5	348.4	366.2	383.0
% Ch	-2.3	0.0	3.9	4.8	4.3	5.7	5.1	4.6
Education and Health Services	306.9	312.9	319.7	329.3	337.2	346.8	355.1	363.0
% Ch	2.9	1.9	2.2	3.0	2.4	2.9	2.4	2.2
Leisure and Hospitality	245.4	248.9	255.6	263.5	271.8	279.1	286.5	293.6
% Ch	-0.7	1.4	2.7	3.1	3.1	2.7	2.7	2.5
Other Services	97.8	98.9	100.3	102.7	104.1	105.4	106.9	107.9
% Ch	0.9	1.2	1.4	2.4	1.3	1.3	1.4	1.0
Federal Government	69.2	70.2	69.7	69.5	69.0	68.1	68.9	69.1
% Ch	1.9	1.4	-0.6	-0.3	-0.8	-1.3	1.1	0.2
State and Local Government	446.9	450.5	454.0	457.2	460.1	463.2	470.9	479.3
% Ch	2.2	0.8	0.8	0.7	0.6	0.7	1.6	1.8

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,673.3	2,694.8	2,706.4	2,729.0	2,746.5	2,768.3	2,783.2	2,809.5
% Ch, Annual Rate	0.9	3.3	1.7	3.4	2.6	3.2	2.2	3.8
Manufacturing	261.8	262.8	263.8	266.3	268.9	272.2	270.8	278.5
% Ch, Annual Rate	-2.3	1.6	1.5	3.7	4.0	5.0	-2.0	11.9
Durable Manufacturing	180.0	181.4	182.9	185.1	187.8	191.2	189.4	197.5
% Ch, Annual Rate	-1.0	3.0	3.4	5.0	5.9	7.4	-3.7	18.2
Wood Products	18.1	18.6	19.0	19.3	19.8	19.9	20.2	20.3
% Ch, Annual Rate	8.5	12.2	8.7	7.6	9.0	2.1	6.8	3.1
Primary and Fabricated Metals	21.9	22.2	22.4	22.6	22.8	23.1	23.2	23.5
% Ch, Annual Rate	4.2	5.2	2.6	4.2	3.2	5.4	1.9	5.5
Computer and Electronic Products	22.0	22.1	22.2	22.2	22.1	22.1	22.3	22.2
% Ch, Annual Rate	-9.7	2.1	2.6	-1.2	-1.0	0.1	2.4	-0.6
Machinery and Electrical Equipment	16.6	16.9	17.1	17.3	17.4	17.6	17.9	18.2
% Ch, Annual Rate	4.5	6.4	4.8	4.9	2.5	4.6	7.9	6.6
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.8	69.7
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.7	-16.6	50.9
Other Transportation Equip.	11.7	12.1	12.4	12.3	12.6	13.5	13.3	13.4
% Ch, Annual Rate	10.4	13.6	10.3	-3.0	9.5	31.5	-6.1	4.0
Other Durables	28.4	28.6	28.7	28.8	28.9	29.3	29.7	30.1
% Ch, Annual Rate	2.1	2.7	2.1	1.3	1.3	5.6	5.7	5.6
Nondurable Manufacturing	81.7	81.5	80.9	81.1	81.1	81.0	81.4	81.1
% Ch, Annual Rate	-4.9	-1.4	-2.6	1.1	-0.3	-0.5	2.2	-1.7
Food Manufacturing	34.3	34.3	33.8	34.1	34.1	33.7	33.8	33.5
% Ch, Annual Rate	-5.2	-0.8	-5.4	3.7	-0.3	-3.8	1.2	-4.5
Paper and Paper Products	12.9	12.7	12.6	12.5	12.3	12.3	12.2	12.0
% Ch, Annual Rate	-13.9	-6.0	-4.3	-3.5	-4.7	-0.5	-3.0	-6.2
Other Nondurables	34.5	34.5	34.6	34.6	34.7	34.9	35.4	35.6
% Ch, Annual Rate	-1.0	-0.3	0.8	0.2	1.4	2.8	5.1	2.7
Natural Resources and Mining	8.9	9.1	9.2	9.3	9.2	9.1	8.8	8.8
% Ch, Annual Rate	20.4	7.9	6.7	1.4	-5.2	-2.7	-11.6	-1.5
Construction	160.4	163.4	164.4	168.4	172.0	175.4	178.5	183.5
% Ch, Annual Rate	4.0	7.7	2.6	10.1	8.8	8.0	7.3	11.8
Trade, Transportation, and Utilities	512.1	517.6	520.0	523.9	526.7	529.2	531.3	534.4
% Ch, Annual Rate	0.7	4.4	1.9	3.0	2.2	1.9	1.6	2.3
Wholesale Trade	117.4	119.1	119.8	120.9	121.4	121.4	122.2	123.7
% Ch, Annual Rate	1.7	6.2	2.2	3.9	1.4	0.1	2.8	4.9
Retail Trade	306.7	309.4	309.9	311.4	313.9	315.2	316.9	318.3
% Ch, Annual Rate	0.5	3.5	0.7	1.9	3.2	1.8	2.1	1.8
Trans., Warehousing, and Utilities	88.0	89.1	90.3	91.6	91.5	92.6	92.2	92.3
% Ch, Annual Rate	-0.1	5.4	5.4	5.9	-0.5	4.9	-1.6	0.6
Information	92.5	92.8	92.5	93.6	94.0	94.6	94.9	95.3
% Ch, Annual Rate	-2.1	1.1	-1.3	4.7	1.9	2.8	1.3	1.6
Software Publishers	38.9	39.1	39.3	39.8	40.4	41.0	41.6	42.1
% Ch, Annual Rate	5.5	1.8	1.8	4.9	6.7	6.1	5.5	5.4
Other Publishing Industries	11.4	11.3	11.3	11.3	11.4	11.3	11.2	11.2
% Ch, Annual Rate	-7.4	-1.6	-1.1	-0.3	2.9	-2.6	-3.4	-0.8
Other Information	42.2	42.4	41.9	42.5	42.2	42.4	42.2	42.1
% Ch, Annual Rate	-7.1	1.3	-4.2	5.9	-2.7	1.1	-1.4	-1.4
Financial Activities	151.8	151.8	151.4	152.2	152.4	153.7	155.6	156.4
% Ch, Annual Rate	-1.3	-0.1	-1.0	2.3	0.5	3.3	5.2	2.0
Professional and Business Services	296.2	300.3	303.0	307.1	311.0	314.5	318.0	320.7
% Ch, Annual Rate	4.5	5.8	3.5	5.6	5.2	4.6	4.4	3.4
Education and Health Services	315.9	318.9	320.7	323.2	325.2	328.2	330.9	332.9
% Ch, Annual Rate	0.7	3.8	2.3	3.2	2.5	3.8	3.3	2.5
Leisure and Hospitality	252.9	255.0	255.9	258.5	259.5	262.2	264.6	267.7
% Ch, Annual Rate	1.5	3.5	1.4	4.1	1.6	4.2	3.6	4.8
Other Services	99.2	100.1	100.7	101.1	102.3	102.3	102.8	103.4
% Ch, Annual Rate	0.7	4.0	2.3	1.4	5.1	0.1	2.0	2.2
Federal Government	69.8	69.6	69.8	69.8	69.6	69.6	69.6	69.5
% Ch, Annual Rate	-1.2	-1.1	0.8	-0.1	-1.2	0.1	-0.0	-0.4
State and Local Government	451.9	453.3	455.0	455.7	455.7	457.3	457.4	458.4
% Ch, Annual Rate	0.7	1.3	1.5	0.6	0.1	1.4	0.1	0.9

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,834.9	2,852.5	2,862.9	2,882.6	2,906.3	2,920.9	2,935.9	2,953.1
% Ch, Annual Rate	3.7	2.5	1.5	2.8	3.3	2.0	2.1	2.4
Manufacturing	283.0	283.9	286.7	289.6	291.3	290.3	290.6	291.4
% Ch, Annual Rate	6.5	1.3	4.0	4.2	2.3	-1.3	0.4	1.1
Durable Manufacturing	200.9	202.5	204.5	207.0	208.5	207.9	208.2	208.8
% Ch, Annual Rate	7.1	3.3	4.1	4.8	2.9	-1.1	0.7	1.1
Wood Products	20.5	20.4	20.3	20.3	20.3	19.9	19.7	19.5
% Ch, Annual Rate	3.3	-2.2	-2.7	0.1	1.2	-7.6	-4.5	-3.6
Primary and Fabricated Metals	23.8	24.1	24.4	24.7	24.8	24.7	24.8	24.9
% Ch, Annual Rate	5.8	5.0	4.9	4.8	1.5	-2.1	1.8	2.1
Computer and Electronic Products	22.2	22.5	22.6	22.6	22.4	21.9	21.4	21.0
% Ch, Annual Rate	-0.5	5.2	2.5	0.1	-3.6	-8.6	-8.6	-8.5
Machinery and Electrical Equipment	18.6	18.8	19.0	19.0	19.0	18.9	19.1	19.4
% Ch, Annual Rate	8.1	5.2	4.5	-0.8	0.8	-2.4	4.6	5.9
Aerospace	71.4	72.1	73.8	75.8	77.0	77.9	78.7	79.5
% Ch, Annual Rate	10.2	4.2	9.9	11.1	6.8	4.4	4.3	4.3
Other Transportation Equip.	13.8	13.8	13.6	13.6	13.5	13.4	13.4	13.4
% Ch, Annual Rate	11.8	0.8	-7.0	2.3	-4.8	-0.8	-0.2	-0.7
Other Durables	30.6	30.8	30.8	31.0	31.4	31.1	31.1	31.1
% Ch, Annual Rate	6.7	2.2	1.0	1.7	5.5	-3.1	-1.0	0.2
Nondurable Manufacturing	82.1	81.4	82.1	82.7	82.8	82.4	82.3	82.6
% Ch, Annual Rate	5.2	-3.4	3.6	2.6	0.8	-1.8	-0.4	1.0
Food Manufacturing	34.2	33.1	33.8	34.1	34.5	34.3	34.3	34.6
% Ch, Annual Rate	8.9	-11.5	8.3	3.1	5.1	-2.1	0.4	3.3
Paper and Paper Products	12.2	12.2	12.0	12.0	12.0	11.9	11.9	11.8
% Ch, Annual Rate	5.8	-0.4	-5.9	0.5	0.7	-3.4	-1.9	-1.6
Other Nondurables	35.8	36.1	36.3	36.6	36.3	36.2	36.1	36.1
% Ch, Annual Rate	1.6	3.8	2.6	2.9	-3.1	-1.1	-0.8	-0.2
Natural Resources and Mining	8.8	8.8	8.6	8.4	8.0	7.9	7.9	7.9
% Ch, Annual Rate	2.5	-1.4	-6.9	-9.1	-19.5	-2.4	-2.1	-2.1
Construction	190.7	194.3	196.0	199.0	200.5	199.2	198.5	199.3
% Ch, Annual Rate	16.5	7.9	3.5	6.3	3.0	-2.6	-1.4	1.7
Trade, Transportation, and Utilities	538.7	541.6	542.8	545.0	552.3	554.3	557.2	561.4
% Ch, Annual Rate	3.3	2.2	0.9	1.6	5.5	1.4	2.1	3.0
Wholesale Trade	125.5	126.5	127.2	127.6	128.3	128.2	128.5	129.0
% Ch, Annual Rate	5.9	3.1	2.2	1.5	2.1	-0.4	0.9	1.7
Retail Trade	319.9	321.1	321.8	322.4	327.2	328.6	330.6	333.5
% Ch, Annual Rate	2.0	1.5	0.9	0.8	6.0	1.8	2.4	3.6
Trans., Warehousing, and Utilities	93.3	94.1	93.8	94.9	96.8	97.4	98.2	98.9
% Ch, Annual Rate	4.1	3.5	-1.0	4.7	8.4	2.5	3.0	3.0
Information	96.1	97.7	99.2	102.1	103.7	105.2	105.9	105.9
% Ch, Annual Rate	3.3	6.6	6.4	12.6	6.3	5.7	2.7	0.1
Software Publishers	43.1	44.4	45.4	47.3	48.0	49.1	50.1	50.9
% Ch, Annual Rate	9.5	13.0	8.8	18.0	6.4	9.3	8.1	7.0
Other Publishing Industries	11.0	11.0	11.1	11.2	11.2	11.1	11.0	10.9
% Ch, Annual Rate	-5.3	0.1	3.6	4.2	-0.8	-2.9	-4.2	-4.7
Other Information	42.0	42.2	42.7	43.6	44.5	44.9	44.8	44.1
% Ch, Annual Rate	-0.4	2.0	4.6	9.1	8.1	4.0	-1.2	-6.0
Financial Activities	156.6	157.0	156.1	155.7	157.0	158.1	158.9	159.3
% Ch, Annual Rate	0.4	1.1	-2.1	-1.1	3.4	2.9	1.8	1.2
Professional and Business Services	323.7	328.4	331.3	334.7	341.3	346.2	351.0	355.1
% Ch, Annual Rate	3.8	6.0	3.6	4.2	8.1	5.8	5.8	4.8
Education and Health Services	334.2	336.2	337.8	340.6	343.4	345.3	348.0	350.5
% Ch, Annual Rate	1.5	2.5	1.9	3.3	3.4	2.2	3.1	2.9
Leisure and Hospitality	270.2	270.7	271.7	274.5	276.3	278.8	279.7	281.5
% Ch, Annual Rate	3.8	0.7	1.5	4.2	2.6	3.6	1.4	2.6
Other Services	103.4	103.9	104.2	104.8	104.6	105.2	105.7	106.1
% Ch, Annual Rate	0.0	1.9	1.1	2.4	-0.7	2.4	1.9	1.4
Federal Government	69.7	69.6	69.0	67.9	67.5	68.0	68.4	68.7
% Ch, Annual Rate	1.0	-0.5	-3.6	-6.1	-2.3	3.0	2.5	1.5
State and Local Government	460.0	460.5	459.6	460.2	460.4	462.4	464.1	466.1
% Ch, Annual Rate	1.4	0.4	-0.7	0.5	0.1	1.8	1.5	1.7

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,970.9	2,988.4	3,004.8	3,020.6	3,035.3	3,049.8	3,064.1	3,078.4
% Ch, Annual Rate	2.4	2.4	2.2	2.1	2.0	1.9	1.9	1.9
Manufacturing	291.5	291.8	292.0	292.1	292.1	292.2	292.4	292.9
% Ch, Annual Rate	0.3	0.3	0.2	0.2	-0.0	0.1	0.3	0.7
Durable Manufacturing	209.2	209.3	209.2	209.0	208.9	208.9	209.0	209.1
% Ch, Annual Rate	0.8	0.1	-0.2	-0.3	-0.1	0.1	0.1	0.2
Wood Products	19.4	19.4	19.4	19.3	19.3	19.3	19.3	19.3
% Ch, Annual Rate	-1.8	-1.3	-0.2	-0.5	-0.2	0.0	-0.5	-0.9
Primary and Fabricated Metals	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
% Ch, Annual Rate	1.1	0.1	0.5	0.4	0.0	-0.1	-0.5	-0.3
Computer and Electronic Products	20.6	20.2	19.8	19.5	19.3	19.2	19.1	19.1
% Ch, Annual Rate	-5.8	-8.8	-7.7	-6.1	-3.4	-2.1	-1.1	-0.5
Machinery and Electrical Equipment	19.5	19.5	19.6	19.7	19.8	20.0	20.2	20.4
% Ch, Annual Rate	1.5	0.2	1.7	2.7	2.6	3.1	3.5	4.5
Aerospace	80.2	80.8	81.0	81.0	81.0	81.0	81.0	81.0
% Ch, Annual Rate	3.4	3.0	1.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	13.4	13.3	13.3	13.3	13.2	13.2	13.1	13.1
% Ch, Annual Rate	-1.6	-1.1	-1.0	-0.8	-1.0	-1.2	-1.5	-2.2
Other Durables	31.1	31.1	31.1	31.2	31.2	31.2	31.2	31.3
% Ch, Annual Rate	0.5	0.0	0.4	0.4	0.3	0.2	0.2	0.6
Nondurable Manufacturing	82.3	82.5	82.8	83.1	83.2	83.2	83.4	83.8
% Ch, Annual Rate	-1.0	1.0	1.3	1.6	0.2	0.2	1.0	1.8
Food Manufacturing	34.6	34.9	35.2	35.6	35.7	35.8	36.0	36.3
% Ch, Annual Rate	-0.3	3.2	4.0	4.6	0.9	0.9	2.2	3.4
Paper and Paper Products	11.7	11.7	11.6	11.6	11.6	11.6	11.6	11.6
% Ch, Annual Rate	-2.6	-1.3	-1.6	-1.3	-1.0	-0.7	0.1	0.6
Other Nondurables	36.0	36.0	35.9	35.9	35.9	35.9	35.9	35.9
% Ch, Annual Rate	-1.2	-0.4	-0.3	-0.3	-0.1	-0.1	0.1	0.6
Natural Resources and Mining	7.8	7.8	7.9	7.9	7.9	7.9	7.9	8.0
% Ch, Annual Rate	-0.8	-0.2	0.7	0.1	1.1	1.3	1.6	1.7
Construction	200.5	201.3	201.7	202.0	202.2	202.3	202.5	202.8
% Ch, Annual Rate	2.5	1.5	0.9	0.6	0.4	0.2	0.4	0.6
Trade, Transportation, and Utilities	566.1	569.5	572.7	575.9	578.1	581.0	583.7	586.4
% Ch, Annual Rate	3.4	2.4	2.3	2.2	1.6	2.0	1.9	1.8
Wholesale Trade	129.6	130.1	130.8	131.2	131.7	132.0	132.6	132.9
% Ch, Annual Rate	1.9	1.5	2.1	1.3	1.5	1.1	1.6	1.0
Retail Trade	336.9	339.1	340.9	343.0	344.2	346.0	347.5	349.3
% Ch, Annual Rate	4.0	2.7	2.1	2.5	1.4	2.2	1.8	2.0
Trans., Warehousing, and Utilities	99.6	100.3	101.1	101.7	102.3	102.9	103.6	104.2
% Ch, Annual Rate	3.0	2.7	3.1	2.4	2.4	2.4	2.7	2.3
Information	106.8	108.4	109.7	110.9	111.8	112.6	113.5	114.3
% Ch, Annual Rate	3.5	6.0	5.1	4.4	3.2	3.1	3.3	2.9
Software Publishers	51.9	52.8	53.7	54.6	55.4	56.2	57.0	57.8
% Ch, Annual Rate	7.8	7.3	7.2	6.6	6.3	6.0	5.8	5.5
Other Publishing Industries	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8
% Ch, Annual Rate	-1.4	-1.2	0.0	-0.4	-0.3	0.1	0.7	1.0
Other Information	44.1	44.8	45.2	45.5	45.6	45.6	45.7	45.7
% Ch, Annual Rate	-0.2	6.2	3.8	2.9	0.4	0.4	0.8	0.1
Financial Activities	159.9	160.3	160.9	161.4	162.0	162.4	163.2	164.0
% Ch, Annual Rate	1.5	1.0	1.6	1.0	1.5	1.0	2.2	1.9
Professional and Business Services	359.3	363.7	368.8	372.8	376.8	380.9	385.3	388.9
% Ch, Annual Rate	4.8	4.9	5.7	4.5	4.3	4.5	4.7	3.8
Education and Health Services	352.0	353.9	356.3	358.2	360.4	362.3	364.1	365.3
% Ch, Annual Rate	1.7	2.2	2.7	2.2	2.4	2.2	2.0	1.4
Leisure and Hospitality	283.9	286.3	286.8	289.0	291.7	293.5	293.9	295.3
% Ch, Annual Rate	3.5	3.3	0.7	3.2	3.7	2.5	0.6	1.9
Other Services	106.4	106.7	107.1	107.3	107.6	107.8	108.1	108.3
% Ch, Annual Rate	1.1	1.4	1.3	0.9	0.9	0.9	1.0	1.0
Federal Government	68.8	69.0	69.0	68.9	68.8	68.8	69.1	69.6
% Ch, Annual Rate	1.0	0.7	0.0	-0.5	-0.5	0.2	1.6	3.0
State and Local Government	467.7	469.8	471.9	474.1	476.1	478.1	480.3	482.5
% Ch, Annual Rate	1.4	1.8	1.8	1.9	1.7	1.7	1.8	1.8

Table A3.1

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

Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	8,881.9	9,163.6	9,731.4	10,239.2	10,897.4	11,501.5	12,153.7	12,867.2
% Ch	1.8	3.2	6.2	5.2	6.4	5.5	5.7	5.9
Total Wage and Salary Disbursements	4,980.9	5,112.7	5,392.1	5,664.8	6,037.7	6,338.0	6,662.9	7,027.2
% Ch	0.8	2.6	5.5	5.1	6.6	5.0	5.1	5.5
Nonwage Personal Income	3,901.0	4,050.9	4,339.3	4,574.4	4,859.7	5,163.4	5,490.9	5,840.0
% Ch	3.2	3.8	7.1	5.4	6.2	6.3	6.3	6.4
Supplements to Wages and Salaries	1,110.3	1,197.7	1,273.2	1,365.5	1,455.4	1,529.9	1,585.6	1,650.1
% Ch	11.1	7.9	6.3	7.3	6.6	5.1	3.6	4.1
Proprietor's Income	768.4	811.3	911.1	970.7	1,014.8	1,053.4	1,116.2	1,187.4
% Ch	-0.5	5.6	12.3	6.5	4.5	3.8	6.0	6.4
Farm	10.6	29.2	36.2	30.3	22.8	24.4	24.3	24.8
% Ch	-46.3	176.4	23.9	-16.4	-24.5	6.8	-0.3	2.1
Nonfarm	757.8	782.1	874.9	940.4	991.9	1,029.0	1,091.9	1,162.6
% Ch	0.7	3.2	11.9	7.5	5.5	3.7	6.1	6.5
Less: Contribution For Govt. Soc. Ins.	750.0	778.6	826.4	880.6	946.6	998.1	1,048.5	1,105.7
% Ch	2.6	3.8	6.1	6.6	7.5	5.4	5.1	5.5
Dividends/Int./Rent	1,486.2	1,469.6	1,554.9	1,592.3	1,734.1	1,865.8	2,028.6	2,199.6
% Ch	-4.0	-1.1	5.8	2.4	8.9	7.6	8.7	8.4
Transfer Payments	1,286.2	1,351.0	1,426.5	1,526.6	1,602.0	1,712.5	1,809.0	1,908.6
% Ch	7.7	5.0	5.6	7.0	4.9	6.9	5.6	5.5

Table A3.2

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

Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,497.7	9,640.5	9,767.9	10,019.4	10,048.8	10,161.5	10,262.7	10,483.7
% Ch, Annual Rate	6.9	6.2	5.4	10.7	1.2	4.6	4.0	8.9
Total Wage and Salary Disbursements	5,279.9	5,349.6	5,433.1	5,505.8	5,555.7	5,601.3	5,715.2	5,787.0
% Ch, Annual Rate	5.4	5.4	6.4	5.5	3.7	3.3	8.4	5.1
Nonwage Personal Income	4,217.8	4,290.9	4,334.8	4,513.6	4,493.1	4,560.2	4,547.5	4,696.7
% Ch, Annual Rate	8.7	7.1	4.2	17.5	-1.8	6.1	-1.1	13.8
Supplements to Wages and Salaries	1,245.5	1,262.0	1,281.5	1,303.6	1,333.9	1,352.4	1,378.4	1,397.4
% Ch, Annual Rate	7.3	5.4	6.3	7.1	9.6	5.7	7.9	5.6
Proprietor's Income	877.5	910.1	915.1	941.6	952.8	965.8	967.4	996.8
% Ch, Annual Rate	18.6	15.7	2.2	12.1	4.8	5.6	0.7	12.7
Farm	38.1	39.5	32.9	34.3	33.9	28.7	29.7	28.7
% Ch, Annual Rate	88.9	15.5	-51.9	18.1	-4.6	-48.6	14.7	-12.8
Nonfarm	839.4	870.6	882.2	907.3	918.9	937.1	937.7	968.1
% Ch, Annual Rate	16.3	15.7	5.4	11.9	5.2	8.2	0.3	13.6
Less: Contribution For Govt. Soc. Ins.	810.8	819.8	831.8	843.1	863.6	871.5	888.5	898.9
% Ch, Annual Rate	9.9	4.5	6.0	5.5	10.1	3.7	8.0	4.8
Dividends/Int./Rent	1,506.3	1,521.8	1,528.4	1,663.2	1,582.8	1,603.3	1,521.2	1,661.7
% Ch, Annual Rate	4.3	4.2	1.7	40.2	-18.0	5.3	-19.0	42.4
Transfer Payments	1,399.3	1,416.7	1,441.7	1,448.4	1,487.3	1,510.1	1,569.0	1,539.8
% Ch, Annual Rate	9.6	5.1	7.2	1.9	11.2	6.3	16.5	-7.2

Table A3.2

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

Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,721.4	10,807.3	10,964.5	11,096.3	11,262.0	11,422.9	11,582.3	11,738.7
% Ch, Annual Rate	9.4	3.2	5.9	4.9	6.1	5.8	5.7	5.5
Total Wage and Salary Disbursements	5,970.1	5,980.9	6,054.5	6,145.3	6,231.0	6,298.4	6,372.7	6,450.0
% Ch, Annual Rate	13.3	0.7	5.0	6.1	5.7	4.4	4.8	4.9
Nonwage Personal Income	4,751.3	4,826.4	4,910.0	4,951.0	5,030.9	5,124.5	5,209.6	5,288.7
% Ch, Annual Rate	4.7	6.5	7.1	3.4	6.6	7.7	6.8	6.2
Supplements to Wages and Salaries	1,430.3	1,444.6	1,463.6	1,483.1	1,507.7	1,524.3	1,537.6	1,549.9
% Ch, Annual Rate	9.7	4.0	5.4	5.4	6.8	4.5	3.5	3.3
Proprietor's Income	1,008.3	1,011.8	1,014.9	1,024.1	1,034.0	1,048.6	1,058.6	1,072.2
% Ch, Annual Rate	4.7	1.4	1.2	3.7	3.9	5.8	3.9	5.2
Farm	23.9	17.5	21.7	28.3	26.7	25.2	22.5	23.2
% Ch, Annual Rate	-51.9	-71.3	136.4	189.3	-21.0	-19.8	-37.0	12.4
Nonfarm	984.4	994.3	993.2	995.8	1,007.3	1,023.4	1,036.1	1,049.0
% Ch, Annual Rate	6.9	4.1	-0.4	1.1	4.7	6.5	5.1	5.1
Less: Contribution For Govt. Soc. Ins.	936.7	938.8	948.9	961.8	986.2	993.6	1,003.4	1,008.9
% Ch, Annual Rate	17.9	0.9	4.4	5.6	10.5	3.0	4.0	2.2
Dividends/Int./Rent	1,679.1	1,719.1	1,761.9	1,776.4	1,802.9	1,846.1	1,888.7	1,925.5
% Ch, Annual Rate	4.3	9.9	10.3	3.3	6.1	9.9	9.6	8.0
Transfer Payments	1,570.4	1,589.7	1,618.6	1,629.4	1,672.5	1,699.3	1,728.2	1,749.9
% Ch, Annual Rate	8.2	5.0	7.5	2.7	11.0	6.5	7.0	5.1

Table A3.2

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

Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	11,901.8	12,068.8	12,236.0	12,408.4	12,591.6	12,773.7	12,957.9	13,145.6
% Ch, Annual Rate	5.7	5.7	5.7	5.8	6.0	5.9	5.9	5.9
Total Wage and Salary Disbursements	6,535.5	6,617.9	6,705.2	6,792.8	6,885.7	6,977.0	7,074.6	7,171.5
% Ch, Annual Rate	5.4	5.1	5.4	5.3	5.6	5.4	5.7	5.6
Nonwage Personal Income	5,366.2	5,450.9	5,530.8	5,615.6	5,705.9	5,796.8	5,883.3	5,974.1
% Ch, Annual Rate	6.0	6.5	6.0	6.3	6.6	6.5	6.1	6.3
Supplements to Wages and Salaries	1,568.3	1,579.9	1,590.8	1,603.2	1,625.8	1,642.4	1,658.3	1,674.1
% Ch, Annual Rate	4.8	3.0	2.8	3.2	5.7	4.1	3.9	3.9
Proprietor's Income	1,090.0	1,108.6	1,124.9	1,141.3	1,159.3	1,178.7	1,196.8	1,214.8
% Ch, Annual Rate	6.8	7.0	6.0	6.0	6.4	6.9	6.3	6.2
Farm	23.7	24.7	24.6	24.3	23.8	24.7	25.1	25.6
% Ch, Annual Rate	9.1	19.1	-2.5	-4.4	-8.0	17.0	6.6	7.5
Nonfarm	1,066.3	1,083.9	1,100.3	1,117.1	1,135.5	1,154.0	1,171.7	1,189.2
% Ch, Annual Rate	6.7	6.7	6.2	6.2	6.8	6.7	6.3	6.1
Less: Contribution For Govt. Soc. Ins.	1,034.0	1,043.6	1,054.0	1,062.3	1,089.1	1,100.0	1,112.5	1,121.3
% Ch, Annual Rate	10.3	3.8	4.0	3.2	10.5	4.1	4.6	3.2
Dividends/Int./Rent	1,964.3	2,007.7	2,049.9	2,092.5	2,134.4	2,177.6	2,221.5	2,265.0
% Ch, Annual Rate	8.3	9.1	8.7	8.6	8.3	8.3	8.3	8.1
Transfer Payments	1,777.6	1,798.4	1,819.3	1,840.8	1,875.6	1,898.1	1,919.3	1,941.5
% Ch, Annual Rate	6.5	4.8	4.7	4.8	7.8	4.9	4.5	4.7

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

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	197.452	202.868	216.867	223.277	238.866	254.319	271.858	290.310
% Ch	2.0	2.7	6.9	3.0	7.0	6.5	6.9	6.8
Total Wage and Salary Disbursements	111.412	114.100	119.184	125.738	135.833	143.888	153.243	163.036
% Ch	0.7	2.4	4.5	5.5	8.0	5.9	6.5	6.4
Manufacturing	14.660	13.593	13.881	15.152	16.825	17.497	18.275	19.095
% Ch	-3.8	-7.3	2.1	9.2	11.0	4.0	4.4	4.5
Durable Manufacturing	10.772	10.099	10.391	11.547	13.039	13.591	14.201	14.807
% Ch	-7.3	-6.2	2.9	11.1	12.9	4.2	4.5	4.3
Nondurable Manufacturing	3.888	3.493	3.490	3.605	3.786	3.906	4.074	4.288
% Ch	7.2	-10.2	-0.1	3.3	5.0	3.2	4.3	5.2
Nonmanufacturing	92.236	95.629	100.123	104.870	113.100	120.116	128.372	137.093
% Ch	1.2	3.7	4.7	4.7	7.8	6.2	6.9	6.8
Other Private Wages	1.084	1.139	1.191	1.239	1.363	1.492	1.605	1.725
% Ch	5.0	5.1	4.5	4.1	10.0	9.5	7.6	7.5
Farm Wages	0.922	0.948	1.028	1.194	1.229	1.296	1.370	1.449
% Ch	-8.4	2.8	8.4	16.2	2.9	5.4	5.7	5.7
Military Wages	2.510	2.791	2.961	3.282	3.316	3.487	3.622	3.674
% Ch	15.5	11.2	6.1	10.8	1.0	5.2	3.9	1.4
Nonwage Personal Income	86.039	88.768	97.683	97.539	103.033	110.432	118.616	127.274
% Ch	3.8	3.2	10.0	-0.1	5.6	7.2	7.4	7.3
Supplements to Wages and Salaries	25.491	26.842	28.904	31.156	33.828	36.294	38.091	40.022
% Ch	9.7	5.3	7.7	7.8	8.6	7.3	5.0	5.1
Proprietor's Income	16.108	16.362	18.220	18.874	19.805	20.808	22.305	23.901
% Ch	-0.3	1.6	11.4	3.6	4.9	5.1	7.2	7.2
Farm	0.396	0.732	0.604	0.306	0.405	0.580	0.664	0.704
% Ch	85.3	84.8	-17.5	-49.3	32.0	43.3	14.5	6.0
Nonfarm	15.712	15.630	17.615	18.568	19.400	20.228	21.642	23.197
% Ch	-1.5	-0.5	12.7	5.4	4.5	4.3	7.0	7.2
Less: Contribution For Govt. Soc. Ins.	18.165	18.958	20.313	21.448	23.448	25.211	26.754	28.412
% Ch	1.9	4.4	7.1	5.6	9.3	7.5	6.1	6.2
Plus: Residence Adjustment	2.386	2.342	2.443	2.601	2.782	2.814	2.950	3.126
% Ch	3.2	-1.8	4.3	6.4	7.0	1.2	4.8	6.0
Dividends/Int./Rent	33.594	34.254	40.130	36.557	38.636	41.773	45.771	49.966
% Ch	-0.9	2.0	17.2	-8.9	5.7	8.1	9.6	9.2
Transfer Payments	26.625	27.926	28.298	29.799	31.431	33.954	36.252	38.672
% Ch	6.2	4.9	1.3	5.3	5.5	8.0	6.8	6.7
State U.I. Benefits	2.386	2.238	1.183	0.783	0.675	0.706	0.769	0.816
% Ch	73.6	-6.2	-47.1	-33.8	-13.8	4.7	8.9	6.2
Other Transfers	24.239	25.688	27.115	29.017	30.757	33.248	35.483	37.856
% Ch	2.3	6.0	5.6	7.0	6.0	8.1	6.7	6.7

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	205.647	211.343	213.131	237.344	217.933	220.992	225.754	228.427
% Ch, Annual Rate	2.7	11.5	3.4	53.8	-28.9	5.7	8.9	4.8
Total Wage and Salary Disbursements	115.216	119.424	120.600	121.494	122.036	123.997	127.808	129.109
% Ch, Annual Rate	5.1	15.4	4.0	3.0	1.8	6.6	12.9	4.1
Manufacturing	13.229	13.821	14.314	14.161	14.563	15.309	15.120	15.615
% Ch, Annual Rate	-8.0	19.1	15.0	-4.2	11.8	22.1	-4.8	13.8
Durable Manufacturing	9.796	10.293	10.871	10.603	11.016	11.763	11.442	11.967
% Ch, Annual Rate	-9.3	21.9	24.4	-9.5	16.5	30.0	-10.5	19.7
Non-durable Manufacturing	3.433	3.528	3.443	3.558	3.547	3.546	3.678	3.648
% Ch, Annual Rate	-4.2	11.5	-9.3	14.0	-1.2	-0.1	15.7	-3.2
Nonmanufacturing	96.911	100.451	101.070	102.059	101.675	102.986	107.032	107.789
% Ch, Annual Rate	6.6	15.4	2.5	4.0	-1.5	5.3	16.7	2.9
Other Private Wages	1.140	1.181	1.203	1.239	1.273	1.231	1.234	1.218
% Ch, Annual Rate	0.0	15.2	7.7	12.5	11.4	-12.6	1.0	-5.1
Farm Wages	0.966	1.013	1.051	1.081	1.178	1.193	1.202	1.204
% Ch, Annual Rate	-4.0	20.9	15.9	11.9	41.0	5.2	3.1	0.7
Military Wages	2.970	2.958	2.962	2.954	3.347	3.278	3.220	3.283
% Ch, Annual Rate	29.0	-1.6	0.5	-1.1	64.8	-8.0	-6.9	8.1
Nonwage Personal Income	90.431	91.919	92.531	115.850	95.897	96.995	97.946	99.318
% Ch, Annual Rate	-0.2	6.7	2.7	145.7	-53.1	4.7	4.0	5.7
Supplements to Wages and Salaries	27.725	28.914	29.327	29.651	30.256	30.838	31.608	31.920
% Ch, Annual Rate	11.6	18.3	5.8	4.5	8.4	7.9	10.4	4.0
Proprietor's Income	17.695	18.359	18.251	18.573	18.455	18.643	19.104	19.296
% Ch, Annual Rate	19.0	15.9	-2.3	7.2	-2.5	4.1	10.3	4.1
Farm	0.781	0.808	0.448	0.380	0.381	0.244	0.329	0.272
% Ch, Annual Rate	-4.E+01	14.6	-90.5	-48.2	1.1	-8.E+01	230.5	-53.3
Nonfarm	16.914	17.551	17.803	18.193	18.074	18.399	18.775	19.024
% Ch, Annual Rate	23.6	15.9	5.9	9.1	-2.6	7.4	8.4	5.4
Less: Contribution For Govt. Soc. Ins.	19.569	20.310	20.571	20.801	20.907	21.184	21.748	21.953
% Ch, Annual Rate	12.9	16.0	5.2	4.5	2.1	5.4	11.1	3.8
Plus: Residence Adjustment	2.403	2.422	2.455	2.492	2.551	2.575	2.625	2.651
% Ch, Annual Rate	-7.6	3.2	5.6	6.2	9.8	3.8	8.0	4.0
Dividends/Int./Rent	34.009	34.340	34.803	57.369	36.100	36.317	36.491	37.321
% Ch, Annual Rate	-10.6	4.0	5.5	638.3	-84.3	2.4	1.9	9.4
Transfer Payments	28.168	28.194	28.266	28.566	29.442	29.806	29.866	30.083
% Ch, Annual Rate	0.6	0.4	1.0	4.3	12.8	5.0	0.8	2.9
State U.I. Benefits	1.598	1.177	1.035	0.923	0.853	0.763	0.766	0.749
% Ch, Annual Rate	-67.3	-70.6	-40.2	-36.8	-27.1	-36.0	1.6	-8.6
Other Transfers	26.570	27.017	27.231	27.643	28.589	29.043	29.100	29.334
% Ch, Annual Rate	8.8	6.9	3.2	6.2	14.4	6.5	0.8	3.3

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	234.132	236.507	242.259	242.565	246.846	250.529	260.270	259.632
% Ch, Annual Rate	10.4	4.1	10.1	0.5	7.2	6.1	16.5	-1.0
Total Wage and Salary Disbursements	133.334	134.229	138.257	137.512	139.691	141.083	148.696	146.080
% Ch, Annual Rate	13.7	2.7	12.6	-2.1	6.5	4.0	23.4	-6.9
Manufacturing	17.069	17.034	16.177	17.020	17.278	17.371	17.560	17.779
% Ch, Annual Rate	42.8	-0.8	-18.7	22.5	6.2	2.2	4.4	5.1
Durable Manufacturing	13.202	13.338	12.418	13.197	13.413	13.490	13.645	13.816
% Ch, Annual Rate	48.1	4.2	-24.9	27.5	6.7	2.3	4.7	5.1
Nondurable Manufacturing	3.867	3.696	3.759	3.823	3.865	3.881	3.914	3.963
% Ch, Annual Rate	26.3	-16.5	7.0	7.0	4.5	1.6	3.5	5.0
Nonmanufacturing	110.414	111.355	116.131	114.500	116.254	117.470	124.818	121.924
% Ch, Annual Rate	10.1	3.5	18.3	-5.5	6.3	4.2	27.5	-9.0
Other Private Wages	1.301	1.312	1.409	1.430	1.451	1.478	1.506	1.533
% Ch, Annual Rate	30.2	3.4	33.0	6.0	6.0	7.8	7.7	7.3
Farm Wages	1.212	1.222	1.232	1.250	1.268	1.286	1.305	1.322
% Ch, Annual Rate	2.7	3.3	3.3	6.0	6.0	5.8	5.8	5.5
Military Wages	3.338	3.306	3.308	3.312	3.440	3.478	3.508	3.523
% Ch, Annual Rate	6.9	-3.8	0.2	0.5	16.3	4.5	3.5	1.7
Nonwage Personal Income	100.798	102.278	104.001	105.054	107.155	109.445	111.574	113.552
% Ch, Annual Rate	6.1	6.0	6.9	4.1	8.2	8.8	8.0	7.3
Supplements to Wages and Salaries	32.846	33.280	34.309	34.875	35.627	36.105	36.533	36.913
% Ch, Annual Rate	12.1	5.4	13.0	6.8	8.9	5.5	4.8	4.2
Proprietor's Income	19.664	19.795	19.777	19.982	20.319	20.670	20.960	21.281
% Ch, Annual Rate	7.8	2.7	-0.4	4.2	6.9	7.1	5.7	6.3
Farm	0.390	0.330	0.385	0.513	0.563	0.572	0.577	0.607
% Ch, Annual Rate	322.7	-48.7	85.3	215.6	45.2	6.3	3.4	23.1
Nonfarm	19.274	19.465	19.392	19.469	19.755	20.098	20.383	20.674
% Ch, Annual Rate	5.4	4.0	-1.5	1.6	6.0	7.1	5.8	5.8
Less: Contribution For Govt. Soc. Ins.	22.922	23.080	23.696	24.094	24.826	25.066	25.378	25.573
% Ch, Annual Rate	18.9	2.8	11.1	6.9	12.7	3.9	5.1	3.1
Plus: Residence Adjustment	2.790	2.797	2.775	2.765	2.778	2.798	2.825	2.855
% Ch, Annual Rate	22.7	1.0	-3.1	-1.4	1.9	2.9	3.9	4.3
Dividends/Int./Rent	37.572	38.287	39.132	39.553	40.238	41.287	42.326	43.240
% Ch, Annual Rate	2.7	7.8	9.1	4.4	7.1	10.8	10.5	8.9
Transfer Payments	30.848	31.200	31.704	31.973	33.020	33.651	34.308	34.836
% Ch, Annual Rate	10.6	4.6	6.6	3.4	13.8	7.9	8.0	6.3
State U.I. Benefits	0.707	0.671	0.637	0.683	0.682	0.702	0.714	0.725
% Ch, Annual Rate	-20.6	-18.9	-18.8	32.2	-0.4	12.4	6.6	6.7
Other Transfers	30.141	30.529	31.067	31.290	32.337	32.948	33.595	34.110
% Ch, Annual Rate	11.5	5.2	7.2	2.9	14.1	7.8	8.1	6.3

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	263.802	267.689	278.544	277.400	281.833	285.810	297.536	296.061
% Ch, Annual Rate	6.6	6.0	17.2	-1.6	6.5	5.8	17.4	-2.0
Total Wage and Salary Disbursements	148.301	150.080	158.923	155.668	157.879	159.611	169.187	165.465
% Ch, Annual Rate	6.2	4.9	25.7	-7.9	5.8	4.5	26.2	-8.5
Manufacturing	17.972	18.172	18.375	18.581	18.771	18.975	19.199	19.434
% Ch, Annual Rate	4.4	4.5	4.6	4.5	4.2	4.4	4.8	5.0
Durable Manufacturing	13.980	14.129	14.275	14.419	14.564	14.721	14.887	15.055
% Ch, Annual Rate	4.8	4.3	4.2	4.1	4.1	4.4	4.6	4.6
Non-durable Manufacturing	3.992	4.043	4.100	4.162	4.207	4.254	4.312	4.378
% Ch, Annual Rate	3.0	5.2	5.8	6.1	4.4	4.6	5.6	6.3
Nonmanufacturing	123.797	125.322	133.924	130.443	132.341	133.820	143.114	139.099
% Ch, Annual Rate	6.3	5.0	30.4	-10.0	5.9	4.5	30.8	-10.8
Other Private Wages	1.561	1.590	1.619	1.648	1.679	1.709	1.740	1.771
% Ch, Annual Rate	7.6	7.7	7.5	7.4	7.6	7.5	7.4	7.3
Farm Wages	1.341	1.360	1.380	1.399	1.419	1.439	1.459	1.479
% Ch, Annual Rate	5.8	5.8	5.7	5.6	5.9	5.7	5.7	5.6
Military Wages	3.630	3.636	3.625	3.597	3.670	3.668	3.675	3.683
% Ch, Annual Rate	12.7	0.7	-1.2	-3.0	8.3	-0.2	0.8	0.9
Nonwage Personal Income	115.501	117.609	119.621	121.732	123.954	126.199	128.349	130.595
% Ch, Annual Rate	7.0	7.5	7.0	7.2	7.5	7.4	7.0	7.2
Supplements to Wages and Salaries	37.509	37.908	38.285	38.664	39.325	39.799	40.264	40.698
% Ch, Annual Rate	6.6	4.3	4.0	4.0	7.0	4.9	4.8	4.4
Proprietor's Income	21.703	22.128	22.506	22.885	23.293	23.711	24.103	24.496
% Ch, Annual Rate	8.2	8.1	7.0	6.9	7.3	7.4	6.8	6.7
Farm	0.636	0.661	0.675	0.683	0.687	0.700	0.709	0.717
% Ch, Annual Rate	20.5	16.7	8.2	4.8	2.6	8.0	5.1	4.7
Nonfarm	21.066	21.467	21.831	22.202	22.606	23.010	23.394	23.778
% Ch, Annual Rate	7.8	7.8	7.0	7.0	7.5	7.3	6.8	6.7
Less: Contribution For Govt. Soc. Ins.	26.283	26.604	26.936	27.193	27.928	28.247	28.611	28.864
% Ch, Annual Rate	11.6	5.0	5.1	3.9	11.2	4.7	5.2	3.6
Plus: Residence Adjustment	2.891	2.928	2.969	3.011	3.057	3.102	3.150	3.198
% Ch, Annual Rate	5.2	5.2	5.7	5.8	6.2	6.0	6.3	6.3
Dividends/Int./Rent	44.197	45.258	46.292	47.338	48.368	49.427	50.501	51.567
% Ch, Annual Rate	9.1	10.0	9.5	9.3	9.0	9.0	9.0	8.7
Transfer Payments	35.484	35.990	36.505	37.028	37.839	38.408	38.942	39.500
% Ch, Annual Rate	7.7	5.8	5.9	5.9	9.0	6.2	5.7	5.9
State U.I. Benefits	0.748	0.760	0.777	0.789	0.783	0.823	0.813	0.847
% Ch, Annual Rate	12.9	6.9	9.2	6.2	-3.0	21.8	-4.6	18.0
Other Transfers	34.736	35.229	35.728	36.239	37.056	37.585	38.130	38.653
% Ch, Annual Rate	7.5	5.8	5.8	5.8	9.3	5.8	5.9	5.6

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1969	0.253	4.6	0.367	5.4	0.358	4.8
1970	0.264	4.7	0.388	5.9	0.374	4.5
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.539	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.677	2.9
1999	0.976	1.7	1.666	2.2	1.728	3.0
2000	1.000	2.5	1.722	3.4	1.792	3.7
2001	1.021	2.1	1.770	2.8	1.857	3.6
2002	1.035	1.4	1.799	1.6	1.893	2.0
2003	1.056	2.0	1.840	2.3	1.924	1.6
2004	1.084	2.6	1.889	2.7	1.947	1.2
2005	1.115	2.9	1.953	3.4	2.002	2.8
2006	1.146	2.8	2.016	3.2	2.076	3.7
Forecast						
2007	1.163	1.6	2.047	1.5	2.134	2.8
2008	1.188	2.1	2.093	2.3	2.190	2.6
2009	1.212	2.1	2.136	2.1	2.240	2.3

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

Table A4.2

Chain-Weighted Price Indices

(2000=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1969	20.106	5.1	25.031	4.9	12.959	2.3	21.696	3.3
1970	21.175	5.3	26.549	6.1	13.508	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.418	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.043	-1.2	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.2	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.018	2.7	104.951	2.0	91.688	-9.9	90.433	-6.1
2003	109.379	3.2	106.986	1.9	109.653	19.6	105.213	16.3
2004	112.863	3.2	110.270	3.1	125.377	14.3	123.925	17.8
2005	116.529	3.2	112.732	2.2	159.465	27.2	150.761	21.7
2006	120.543	3.4	115.326	2.3	179.265	12.4	170.225	12.9
Forecast								
2007	124.082	2.9	117.928	2.3	160.036	-10.7	153.006	-10.1
2008	127.410	2.7	120.582	2.3	159.026	-0.6	155.845	1.9
2009	130.763	2.6	123.115	2.1	160.071	0.7	157.163	0.8

Table A5.1

Washington Resident Population and Components of Change*

(Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

This page intentionally left blank.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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