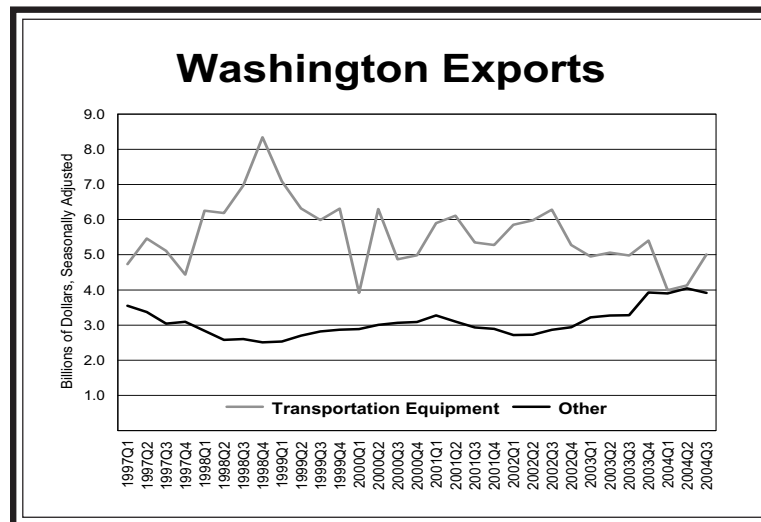


Washington Economic and Revenue Forecast



November 2004
Volume XXVII, No. 4

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Explanation of the Cover Graph

So far this year Washington's exports are up just 0.6 percent over 2003 but this disappointing result is due entirely to declining airplane sales. Excluding transportation equipment, exports are up a solid 21 percent. The biggest gains are in agricultural products and computer and electronic products. The improvement was mostly in exports to Asia. For the first time, non-transportation exports are higher than before the 1997 Asian financial crisis. The weakening dollar should continue to benefit Washington exports.

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

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Preface

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

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

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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	8
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
November 2004 Forecast Assumptions	36
Recent Collection Experience	37
The General Fund-State Forecast for the 2003-05 & the 2005-07 Biennia	40
Forecast Change for the 2003-05 and the 2005-07 Biennia	45
Department of Revenue	45
Department of Licensing	46
Office of Financial Management: Other Agencies	46
State Treasurer	47
Insurance Commissioner	47
Liquor Control Board	47
Lottery Commission	47
Track Record for the 2003-05 Biennium	47
Track Record for the 2005-07 Biennium	49
The Relationship Between Cash and GAAP General Fund-State Revenue Forecasts	49
Alternative Forecast for the 2003-05 Biennium	55

Chapter 4: Special Report	
Washington Exports, 2001 to 2004	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	27
Table 2.2	Washington Business Indicators	33

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, September 11, 2003-November 10, 2004	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, 2003-05 Biennium; Cash	50
Table 3.8	Comparison of the General Fund-State Forecast by Agency; 2003-05 Biennium; GAAP ...	51
Table 3.9	Comparison of the General Fund-State Forecast by Agency, 2005-07 Biennium; Cash	52
Table 3.10	Comparison of the General Fund-State Forecast by Agency, 2005-07 Biennium; GAAP ..	53
Table 3.11	November 2004 General Fund-State Forecast 2003-05 & 2005-07 Biennia; Cash Basis	54
Table 3.12	General Fund - State Cash Receipts, November 2004	56
Table 3.13	Track Record for the 2003-05 General Fund-State Cash Forecast	57
Table 3.14	Track Record for the 2005-07 General Fund-State Cash Forecast	58
Table 3.15	November 2004 Baseline Forecast by Agency	59
Table 3.16	2003-05 Biennial Balance Sheet	60
Table 3.17	November 2004 Alternative Forecasts Compared to the Baseline Forecast, 2003-05	61
Table 3.18	November 2004 Alternative Forecasts Compared to the Baseline Forecast, 2005-07	62
Table 3.19	Impact of Initiative 728 and the State Property Tax and Lottery Revenue	63

Chapter 4: Special Report

Washington Exports, 2001 to 2004

Table 4.1	U.S. Exports by Industry	69
Table 4.2	U.S. Exports by Country, All Industries	70
Table 4.3	U.S. Exports to Non-Middle-Eastern Asia by Industry	71

Table 4.4	Washington Exports by Industry	72
Table 4.5	Washington Exports by Industry, Top Twenty Industries	73
Table 4.6	Washington Exports by Country, All Industries	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	Nonagricultural Employment	24
Chart 1.20	Housing Permits	24

Chapter 2

Washington Business Indicators

Washington Economic Indicators

Chart 2.1	Year-over-Year Employment Growth	28
Chart 2.2	Washington Aircraft and Parts Employment	28
Chart 2.3	Unemployment Rate	28
Chart 2.4	Washington Boom Monitor Composite Index	28

Washington State Leading Indicators

Chart 2.5	The Washington and U.S. Indexes of Leading Indicators	29
Chart 2.6	Washington Initial Claims for Unemployment Insurance	29
Chart 2.7	Seattle Times and U.S. Help-Wanted Advertising Indexes	29
Chart 2.8	Housing Units Authorized in Washington State	29

Other State Economic Indicators

Chart 2.9	Average Weekly Hours in Manufacturing	30
Chart 2.10	Washington Driver's License Migration	30
Chart 2.11	New Car and Truck Registrations in Washington	30
Chart 2.12	Institute for Supply Management Index	30

Other Economic Indicators

Chart 2.13	Quarterly U.S. Real GDP Growth	31
Chart 2.14	Washington State Export Composition	31
Chart 2.15	U.S. Economic Indicators	31
Chart 2.16	Northwest 50 Regional Stock Index vs. National Indices	31

Other Economic Indicators

Chart 2.17	Federal Funds Target Rate	32
Chart 2.18	Consumer Confidence	32
Chart 2.19	Seattle vs U.S. CPI (All Urban Consumers)	32
Chart 2.20	Monster Employment Index	32

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, 2001 to 2004

Chart 4.1	Exports as a Percentage of GSP	67
Chart 4.2	Exports Destinations	68

Executive Summary

U.S. Economic Forecast

The November 2004 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2004. According to the forecast, real GDP grew at a 4.2 percent rate in the third quarter of 2004 up from 3.3 percent in the first quarter (the advance estimate came in a bit weaker at 3.7 percent). Final sales of domestic product were even stronger in the third quarter as growth improved from 2.5 percent to 5.4 percent reflecting a reduction in the pace of inventory accumulation. The improvement in sales was primarily due to consumer spending which recovered to 4.7 percent in the third quarter from 1.6 percent in the second quarter as auto sales rebounded. Fixed investment continues to grow rapidly, increasing at a 10.5 percent rate in the third quarter following a 13.9 percent increase in the second quarter.

According to the November forecast, payroll employment growth slowed to 1.1 percent in the third quarter from 2.3 percent in the second quarter. Nevertheless, the unemployment rate declined to 5.43 percent from 5.60 percent. Inflation, as measured by the Consumer Price Index, slowed to 1.8 percent in the third quarter from 4.7 percent in the second quarter. Surging energy costs continue to add to overall inflation. Core inflation (excluding food and energy) rose only 1.3 percent in the third quarter and 3.0 percent in the second quarter. After two quarterly declines, housing starts rebounded at a 13.6 percent rate to 1.982 million units while the mortgage rate declined from 6.13 percent to 5.90 percent. The forecast correctly assumed the Fed would raise its target rate 25 basis points to 2.00 percent in November.

The U.S. economy hit a “soft patch” in the second quarter, with growth slowing from 4.5 percent to 3.3 percent. Growth of gross domestic purchases slowed only from 5.0 percent to 4.2 percent, with a flood of imports accounting for the gap between the total output and total demand. Consumers were largely responsible for the slowdown, boosting spending at only a 1.6 percent annual rate, after a surge of 4.1 percent in the first quarter. Strong consumer spending in July and faster employment growth in August supported the view that the expansion remains on course. The soft employment report for September, however, again cast doubt on the willingness of businesses to step up hiring. Oil prices above \$50 per barrel and the return of \$2/gallon gasoline also cast a shadow over the outlook. The forecast takes the position that the expansion has become self-sustaining. Consumer confidence is strong and various industry and anecdotal reports still reflect active expansion. If businesses continue to hire, consumers will have the resources to continue spending, despite the loss of support from tax cuts and home refinancing. GDP growth is expected to accelerate to 4.4 percent this year from 3.0 percent last year. Slower growth is expected in the next three years as the recovery matures. The forecast calls for growth rates of 3.4 percent, 2.9 percent, and 3.2 percent in 2005, 2006, and 2007. The forecast assumes employment growth will improve from -0.3 percent in 2003 to 1.0 percent in 2004 and 1.7 percent in 2005, slowing to 1.1 percent in 2006 and 0.9 percent in 2007. The unemployment rate, which rose from 3.98 percent in 2000 to 5.99 percent in 2003, is expected to decline to 5.51 percent this year and 5.33 percent next year. Unemployment is expected to be little changed during the next two years with rates of 5.53 percent and

5.61 percent in 2006 and 2007. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 1.9 percent in 2003 from 1.4 percent in 2002. The increase in 2003 was entirely the result of higher energy costs. Core inflation fell from 1.8 percent in 2002 to 1.3 percent in 2003. Rising energy costs are expected to boost inflation again this year but the opposite is expected in 2005, 2006, and 2007 when easing energy prices will help restrain overall inflation. The forecast expects inflation rates of 2.1 percent in 2004, 1.7 percent in 2005 and 2006, and 1.9 percent in 2007. The forecast assumes a 25-basis-point increase in the federal funds rate in November, but no move in December.

Washington State Economic Forecast

The “soft patch” is evident in Washington as well. The state’s employment growth rate slowed to 2.2 percent in the third quarter from a strong 3.7 percent increase in the second quarter. Nevertheless, this was the fifth consecutive increase in overall employment. Manufacturing employment declined 0.1 percent in the third quarter following a 1.6 percent increase in the second quarter. Aerospace employment increased 0.9 percent in the third quarter. This was the first increase in aerospace employment in three years. During the latest downturn, Washington aerospace employment fell 31.0 percent since September 11 and 46.2 percent since the 1998 peak. Manufacturing employment other than aerospace declined at a 0.4 percent rate following a 2.9 percent increase in the second quarter. Nearly every nonmanufacturing sector expanded in the third quarter. The strongest private sector industries were leisure and hospitality, education and health services, and professional and business services which increased employment by 4.6 percent, 4.4 percent, and 3.2 percent. Employment in information, other services, construction, and trade transportation, and utilities were up 1.0 percent, 0.9 percent, 0.7 percent, and 0.5. Financial activities dipped 0.3 percent, however. In the public sector, state and local government employment rose at a 4.5 percent rate but federal government fell at a 1.8 percent rate.

Washington’s personal income in the second quarter of 2004 was \$0.563 billion (0.3 percent) lower than the estimate made in September even though second quarter wages were \$0.281 billion (0.2 percent) higher than expected. Software wages were on target, just \$0.025 billion (0.4 percent) lower than expected while non-software wages were \$0.306 billion (0.3 percent) higher. Nonwage personal income was \$0.844 billion (0.9 percent) lower than expected in September.

The number of housing units authorized by building permit jumped 4,200 to 50,700 in the third quarter from 46,500 in the second quarter. Housing has not been this strong in Washington since 1990. The increase was entirely in the multi-family market where permits rose 5,100 to 13,800. Single family permits declined 900 to a still strong 36,900.

The forecast also reflects Seattle consumer price data through August, which continues to show local inflation running well below the national average. Seattle’s over-the-year core inflation was a negative 0.6 percent compared to a positive 1.7 percent for the U.S. city average.

The Washington State forecast reflects the fact that the new U.S. forecast is slightly weaker than the forecast adopted in September. As in September, the forecast incorporates the one-time dividend Microsoft will pay in December 2004, which will cause a significant jump in personal income in the fourth quarter. The economic impact of the dividend is expected to be minimal, however, since most of it will be reinvested. The Washington aerospace employment forecast is virtually identical to the September forecast. As in September, it reflects the Boeing announcement that it will hire up to 3,000 by the end of the year. As a result of recent experience and data revisions, the forecast for December is about 300 higher than assumed in September. The pattern of growth after December is essentially unchanged but the higher starting level carries forward. The forecast expects an increase of 11,900 over the years 2005, 2006, and 2007. The software wage assumptions are also virtually identical to the September assumptions. Microsoft stock

options are expected to continue to decline but income from stock grants will grow. Software employment is expected to end the year about 900 higher than assumed in September. Software employment is expected to increase 6,400 during the next three years. The forecast also reflects the AT&T Wireless-Cingular merger. There will likely be employment reductions though the magnitude and timing of any cuts are unknown. The forecast assumes a total reduction of 2,500 during the first three quarters of 2005.

Washington nonfarm payroll employment stabilized in 2003, rising 0.2 percent following declines of 0.5 percent and 1.6 percent in 2001 and 2002. After five quarterly increases, the turnaround in Washington employment seems firmly established. The recovery is expected to be relatively weak due to the sluggish U.S. economy and only a modest upturn in aerospace, though. The forecast calls for an employment growth rate of 1.7 percent in 2004 improving to 2.0 percent in 2005. Employment growth is expected to retreat slightly to 1.6 percent and 1.7 percent in the final two years of the forecast. Washington personal income growth increased from 2.0 percent in 2002 to 2.8 percent in 2003. Personal income growth is expected to continue to improve to 4.5 percent this year and 5.4 percent, 5.8 percent, and 6.2 percent during the next three years as the recovery gains momentum. Housing activity remains very strong. Housing permits increased 2,600 in 2003 to 42,800 and the monthly data through September suggest an increase of 3,600 to 46,400 in 2004. The strength in housing has been in the single family market which continues to benefit from low mortgage rates. While stronger population growth in the next three years should boost multi-family activity, higher mortgage rates will lead to similar declines in the single family market. As a result, overall housing is expected to remain relatively stable. The forecast expects housing permits to decline slightly to 45,300 in 2005, 42,700 in 2006, and 42,800 in 2007. The weak Washington economy has slowed inflation in the area in spite of soaring energy costs. Inflation, as measured by the Seattle consumer price index slowed in 2003 to 1.6 percent from 2.0 percent in 2002 and 3.6 percent in 2001. The forecast expects another decline to 1.1 percent this year. After that, the strengthening economy will result in gradual increases to 1.4 percent in 2005, 1.7 percent in 2006, and 2.0 percent in 2007.

Washington State Revenue Forecast

Revenue collections in the two months since the September forecast have been stronger than expected. However, the new U.S. economic forecast indicates slower growth in the future due largely to higher oil prices. The net effect is a slight increase to the revenue forecast.

The November 2004 General Fund-State revenue estimate for the 2003-05 biennium is \$23,172.7 million, which is \$70.0 million (0.3 percent) more than expected in September. Revenue collection experience since September accounts for \$38.8 million of the change. The revenue forecast for the 2005-07 biennium is \$24,721.8 million, which is a reduction of \$54.2 million (0.2 percent). The combined change for the two biennia is an increase of \$15.8 million.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2003-05 and 2005-07 biennia. The forecast based on more optimistic economic assumptions netted \$218 million (0.9 percent) more revenue in the current biennium and \$1,228 million (5.0 percent) more revenue in the next biennium than did the baseline while the pessimistic alternative was \$196 million (0.8 percent) lower this biennium and \$1,172 million (4.7 percent) lower next biennium. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$7 million (0.0 percent) more revenue this biennium and \$71 million (0.3 percent) more 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.

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Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The November 2004 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2004. According to the forecast, real GDP grew at a 4.2 percent rate in the third quarter of 2004 up from 3.3 percent in the first quarter (the advance estimate came in a bit weaker at 3.7 percent). Final sales of domestic product were even stronger in the third quarter as growth improved from 2.5 percent to 5.4 percent reflecting a reduction in the pace of inventory accumulation. The improvement in sales was primarily due to consumer spending which recovered to 4.7 percent in the third quarter from 1.6 percent in the second quarter as auto sales rebounded. Purchases of durable goods jumped 21.0 percent while purchases of nondurable goods and services rose 3.4 percent and 2.3 percent. Fixed investment continues to grow rapidly, increasing at a 10.5 percent rate in the third quarter following a 13.9 percent increase in the second quarter. Business spending on equipment and software rose at a strong 14.6 percent rate while nonresidential construction increased 7.7 percent and residential fixed investment rose 6.2 percent. The foreign sector was roughly neutral in the third quarter with a 5.0 percent increase in imports offsetting a 6.6 percent increase in exports. Government purchases rose at a 2.7 percent rate due mainly to an 8.5 percent increase in military spending. Nondefense federal spending rose at a 1.7 percent rate while state and local government spending inched up at a 0.6 percent rate.

According to the November forecast, payroll employment growth slowed to 1.1 percent in the third quarter from 2.3 percent in the second quarter. Nevertheless, the unemployment rate declined to 5.43 percent from 5.60 percent. Inflation, as measured by the Consumer Price Index, slowed to 1.8 percent in the third quarter from 4.7 percent in the second quarter. Surging energy costs continue to add to overall inflation. Core inflation (excluding food and energy) rose only 1.3 percent in the third quarter and 3.0 percent in the second quarter. After two quarterly declines, housing starts rebounded at a 13.6 percent rate to 1.982 million units while the mortgage rate declined from 6.13 percent to 5.90 percent. The forecast correctly assumed the Fed would raise its target rate 25 basis points to 2.00 percent in November.

U.S. Forecast Highlights

The U.S. economy hit a “soft patch” in the second quarter, with growth slowing from 4.5% to 3.3%. Growth of gross domestic purchases slowed only from 5.0% to 4.2%, with a flood of imports accounting for the gap between the total output and total demand. Consumers were largely responsible for the slow-

down, boosting spending at only a 1.6% annual rate, after a surge of 4.1% in the first quarter. Strong consumer spending in July and faster employment growth in August supported the view that the expansion remains on course. The soft employment report for September, however, again cast doubt on the willingness of businesses to step up hiring. Oil prices above \$50 per barrel and the return of \$2/gallon gasoline also cast a shadow over the outlook. The forecast takes the position that the expansion has become self-sustaining. Consumer confidence is strong and various industry and anecdotal reports still reflect active expansion. If businesses continue to hire, consumers will have the resources to continue spending, despite the loss of support from tax cuts and home refinancing. GDP growth is expected to accelerate to 4.4 percent this year from 3.0 percent last year. Slower growth is expected in the next three years as the recovery matures. The forecast calls for growth rates of 3.4 percent, 2.9 percent, and 3.2 percent in 2005, 2006, and 2007. The forecast assumes employment growth will improve from -0.3 percent in 2003 to 1.0 percent in 2004 and 1.7 percent in 2005, slowing to 1.1 percent in 2006 and 0.9 percent in 2007. The unemployment rate, which rose from 3.98 percent in 2000 to 5.99 percent in 2003, is expected to decline to 5.51 percent this year and 5.33 percent next year. Unemployment is expected to be little changed during the next two years with rates of 5.53 percent and 5.61 percent in 2006 and 2007. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 1.9 percent in 2003 from 1.4 percent in 2002. The increase in 2003 was entirely the result of higher energy costs. Core inflation fell from 1.8 percent in 2002 to 1.3 percent in 2003. Rising energy costs are expected to boost inflation again this year but the opposite is expected in 2005, 2006, and 2007 when easing energy prices will help restrain overall inflation. The forecast expects inflation rates of 2.1 percent in 2004, 1.7 percent in 2005 and 2006, and 1.9 percent in 2007. The forecast assumes a 25-basis-point increase in the federal funds rate in November, but no move in December.

1. Real GDP growth accelerated to 4.4 percent in fiscal 2004 from 2.3 percent in 2003 and just 0.8 percent in 2002. Growth in 2004 was finally strong enough to result in a net gain in jobs which is considered a necessary condition for the recovery to be self-sustaining. Consumer spending and business spending on equipment and software are expected to be the main contributors to GDP growth in the next three years. The level of defense spending will remain high but growth will be slow. Federal civilian spending and state and local government spending will also add little to growth. Net exports will be a slight positive as strong export growth is largely offset by strong import growth. GDP growth is expected to slow during the next three years as the recovery matures. The forecast calls for GDP growth rates of 3.8 percent in 2005 and 3.1 percent per year in 2006 and 2007.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, held steady at 1.9 percent in fiscal 2004. Surging energy costs are masking the favorable underlying trend in core inflation, which reached a 39-year-low 1.3 percent in 2004. Core inflation is expected to rise to 1.6 percent this year and the addition of food and energy will raise the rate to 2.0 percent. During the last two years of the forecast, falling energy prices will help keep inflation in check. The forecast expects inflation rates of 1.6 percent in 2006 and 1.8 percent in 2007.
3. The Federal Reserve finally began raising its target interest rate on June 30. So far there have been four consecutive 25-basis-point increases. The Fed has made it clear that it intends to raise rates very gradually and the forecast reflects that assumption. The funds rate is expected to level off at 3.50 percent in fiscal 2007. As a result of the past Fed easing, the three-month Treasury bill rate fell to 0.96 percent in fiscal 2004 from 1.30 percent in 2003. The forecast expects the T-bill rate to increase to 2.02 percent in 2005, 2.97 percent in 2006, and 3.24 percent in 2007 as the Fed

tightens. Mortgage rates declined slightly in fiscal 2004 to 5.92 percent from 5.93 percent in 2003 as a result of the easy monetary policy as well as the weak economy. The forecast expects the mortgage rate to bounce back to 6.00 percent, 6.40 percent, and 6.67 percent during the next three years.

4. Supported by record-low mortgage interest rates, housing activity held up well during the recession and has accelerated in the last three years in spite of the lackluster recovery. Housing starts increased 12.5 percent in fiscal 2004 to 1.945 million units. This was the highest level of permits since 1978. Not surprising, given the low mortgage rates, the strength has been primarily in the single family market. The 1.586 million single family starts in 2004 was the highest ever. Rising mortgage rates will dampen housing activity during the next three years, though. The forecast calls for a 3.0 percent reduction in 2005 to 1.886 million units, an 8.0 percent reduction in 2006 to 1.736 million units, and a 4.6 percent reduction in 2007 to 1.657 million units.
5. The nation's unemployment rate finally fell in fiscal 2004 for the first time since 2000. The improvement was small, though, from 5.89 percent in 2003 to 5.81 percent in 2004. The forecast expects a larger decline this year to 5.35 percent. Little change is expected during the final two years of the forecast as the recovery matures. The forecast calls for unemployment rates of 5.43 percent in 2006, and 5.59 percent in 2007.
6. From fiscal 2001 to fiscal 2004 the federal budget went from a record \$161.0 billion surplus (national income and product accounts basis) to a record \$396.5 billion deficit. Revenues are down due to the weak economy and tax cuts while the war with Iraq and its aftermath as well as other military and homeland security spending are boosting spending. While fiscal policy provided a much-needed boost to the economy, the result was a ballooning deficit. Economic growth should result in smaller deficits in the future, but large structural deficits remain. The deficit is expected to improve slightly during the next three years to \$352.7 billion in 2005, \$297.0 billion in 2006, and \$295.6 billion in 2007.
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 2004 to an all-time record \$532.4 billion from \$477.2 billion in 2003. The declining dollar should help restrain imports and boost exports but, with the U.S. economy leading the global recovery, the trade balance will continue to deteriorate for a while. The forecast expects the deficit to grow to \$622.9 billion in 2005. The lower dollar should finally bring a gradual improvement during the next biennium. The forecast expects deficits of \$569.9 billion and \$538.4 billion in 2006 and 2007.

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 September 2004. This forecast is based on adjusted employment estimates as described in Adjustments to Economic Data. The "soft patch" is evident in Washington as well. The state's employment growth rate slowed to 2.2 percent in the third quarter from a strong 3.7 percent increase in the second quarter. Nevertheless, this was the fifth consecutive increase in overall employment. Manufacturing employment declined 0.1 percent in the third quarter following a 1.6 percent increase in the second quarter. Aerospace employment increased 0.9 percent in the third quarter. This was the first increase in aerospace employment in three years. During the latest downturn, Washington aerospace employment fell 31.0 percent since

September 11 and 46.2 percent since the 1998 peak. Manufacturing employment other than aerospace declined at a 0.4 percent rate following a 2.9 percent increase in the second quarter. Nearly every nonmanufacturing sector expanded in the third quarter. The strongest private sector industries were leisure and hospitality, education and health services, and professional and business services which increased employment by 4.6 percent, 4.4 percent, and 3.2 percent. Employment in information, other services, construction, and trade transportation, and utilities were up 1.0 percent, 0.9 percent, 0.7 percent, and 0.5. Financial activities dipped 0.3 percent, however. In the public sector, state and local government employment rose at a 4.5 percent rate but federal government fell at a 1.8 percent rate.

In September 2004 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the first quarter of 2004 and released preliminary estimates for the second quarter. In addition, the wage estimates for the second quarter of 2004 have been adjusted to reflect the Covered Employment and Payrolls data produced by the Department of Employment Security (see Adjustments to Economic Data). According to the adjusted estimates, Washington's personal income in the second quarter of 2004 was \$0.563 billion (0.3 percent) lower than the estimate made in September even though second quarter wages were \$0.281 billion (0.2 percent) higher than expected. Software wages were on target, just \$0.025 billion (0.4 percent) lower than expected while non-software wages were \$0.306 billion (0.3 percent) higher. Nonwage personal income was \$0.844 billion (0.9 percent) lower than expected in September.

The number of housing units authorized by building permit jumped 4,200 to 50,700 in the third quarter from 46,500 in the second quarter. Housing has not been this strong in Washington since 1990. The increase was entirely in the multi-family market where permits rose 5,100 to 13,800. Single family permits declined 900 to a still strong 36,900.

The forecast also reflects Seattle consumer price data through August, which continues to show local inflation running well below the national average. Seattle's over-the-year core inflation was a negative 0.6 percent compared to a positive 1.7 percent for the U.S. city average.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate developed by the Department of Employment Security which incorporates more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. The alternative employment estimate incorporated the covered employment and payrolls data through the second quarter of 2004 which subtracted 4,700 (0.2 percent) from the BLS Current Employment Statistics (CES) estimate for June 2004. By September the difference narrowed to 1,400 (0.1 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the covered employment and payrolls (ES202) data for all sectors except agriculture and federal government. Since we have one more quarter of ES202 data than was available to the BEA at the time of its most recent release, we derived wage estimates for these sectors for the second quarter of 2004 based on the ES202 data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments reduced the fourth quarter wage estimate by \$0.526 billion (0.4 percent), which subtracted 0.2 percent from total personal income in that quarter.

Washington State Forecast Highlights

The Washington State forecast reflects the fact that the new U.S. forecast is slightly weaker than the forecast adopted in September. As in September, the forecast incorporates the one-time dividend Microsoft will pay in December 2004, which will cause a significant jump in personal income in the fourth quarter.

The economic impact of the dividend is expected to be minimal, however, since most of it will be reinvested. The Washington aerospace employment forecast is virtually identical to the September forecast. As in September, it reflects the Boeing announcement that it will hire up to 3,000 by the end of the year. As a result of recent experience and data revisions, the forecast for December is about 300 higher than assumed in September. The pattern of growth after December is essentially unchanged but the higher starting level carries forward. The forecast expects an increase of 11,900 in 2005, 2006, and 2007. The software wage assumptions are also virtually identical to the September assumptions. Microsoft stock options are expected to continue to decline but income from stock grants will grow. Software employment is expected to end the year about 900 higher than assumed in September. Software employment is expected to increase 6,400 during the next three years. The forecast also reflects the AT&T Wireless-Cingular merger. There will likely be employment reductions though the magnitude and timing of any cuts are unknown. The forecast assumes a total reduction of 2,500 during the first three quarters of 2005.

Washington nonfarm payroll employment stabilized in 2003, rising 0.2 percent following declines of 0.5 percent and 1.6 percent in 2001 and 2002. After five quarterly increases, the turnaround in Washington employment seems firmly established. The recovery is expected to be relatively weak due to the sluggish U.S. economy and only a modest upturn in aerospace, though. The forecast calls for an employment growth rate of 1.7 percent in 2004 improving to 2.0 percent in 2005. Employment growth is expected to retreat slightly to 1.6 percent and 1.7 percent in the final two years of the forecast. Washington personal income growth increased from 2.0 percent in 2002 to 2.8 percent in 2003. Personal income growth is expected to continue to improve to 4.5 percent this year and 5.4 percent, 5.8 percent, and 6.2 percent during the next three years as the recovery gains momentum. Housing activity remains very strong. Housing permits increased 2,600 in 2003 to 42,800 and the monthly data through September suggest an increase of 3,600 to 46,400 in 2004. The strength in housing has been in the single family market which continues to benefit from low mortgage rates. While stronger population growth in the next three years should boost multi-family activity, higher mortgage rates will lead to similar declines in the single family market. As a result, overall housing is expected to remain relatively stable. The forecast expects housing permits to decline slightly to 45,300 in 2005, 42,700 in 2006, and 42,800 in 2007. The weak Washington economy has slowed inflation in the area in spite of soaring energy costs. Inflation, as measured by the Seattle consumer price index slowed in 2003 to 1.6 percent from 2.0 percent in 2002 and 3.6 percent in 2001. The forecast expects another decline to 1.1 percent this year. After that, the strengthening economy will result in gradual increases to 1.4 percent in 2005, 1.7 percent in 2006, and 2.0 percent in 2007.

1. Nominal personal income growth improved in fiscal 2004 to 3.8 percent from 2.2 percent in 2002. The improvement was mainly due to the turnaround in payroll employment though nonwage personal income growth also accelerated. Software stock options were a slight negative in 2004. Personal income, excluding software, grew 4.2 percent in 2004 compared to 2.2 percent in 2003. Software wages are not expected to affect income growth much one way or the other during the next three years but stronger income growth is expected due to rebounding employment growth, stronger wage growth, and stronger nonwage income growth. Washington personal income is expected to grow 5.2 percent in 2005, 5.3 percent in 2006, and 6.1 percent in 2007.
2. Washington real personal income growth rebounded somewhat in fiscal 2004 to 1.9 percent from a thirty-two-year-low 0.3 percent in 2003. While improved, real income growth remained weak in 2004 due to the lack of meaningful job growth and rising energy costs. Growth is expected to improve during the next three years as job growth accelerates while inflation remains in check. The forecast calls for real personal income growth rates of 3.2 percent in 2005, 3.7 percent in 2006, and 4.2 percent in 2007.

3. Total payroll employment in Washington rose in fiscal 2004 for the first time since the recession. The 0.8 percent gain in 2004 followed declines of 0.4 percent in 2003 and 1.9 percent in 2002. The areas that suffered the most in the recession in Washington were information technology, aerospace, and construction. Construction employment is already past its previous peak and continues to grow rapidly. Aerospace employment is now poised for at least a modest recovery and the employment declines related to the bursting of the IT bubble appear to be finished. As the U.S. employment recovery finally takes hold and aerospace turns positive, Washington payroll employment growth is expected to increase to 2.1 percent in 2005, slowing to 1.7 percent per year in 2006 and 2007.

- ◆ The six-year aerospace employment contraction is finally over. As of May 2004, 27,400 aerospace jobs had been lost since the September 11 terrorist attacks. Measured from the June 1998 peak, the cumulative job loss was 52,400. During the next four months, the aerospace sector added 500 jobs. Boeing has indicated that it plans to increase production gradually in 2005 and 2006 and, in July, Boeing announced it will hire up to 3,000 workers in the Puget Sound region by the end of the year. The forecast assumed an increase of 1,700 aerospace employees during the final three months of the year. Aerospace employment growth is expected to be modest in 2005, accelerating in 2006 and 2007. The forecast expects year-end to year-end employment growth of 2,300, 4,700, and 5,000 in 2005, 2006, and 2007.
- ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. From the beginning of 1990 through the second quarter of 2001, the software employment growth rate averaged more than 16 percent per year. During the next two years the average annual growth rate slowed to just 0.8 percent. Microsoft has continued to grow, albeit at a reduced rate, but other Washington software publishers have suffered absolute declines. During last five quarters, however, growth has picked up to an average rate of 4.0 percent and the monthly data through September indicate that growth in the fourth quarter will be at a blistering 10.5 percent rate. The forecast assumes that Microsoft employment will continue to grow, though not nearly as fast as in the 1990s, and that non-Microsoft software will begin to grow again. Microsoft has announced that it expects to hire about 3,000 during the current year but that total includes people hired to fill vacated positions so the net increase will be less. The forecast assumes software employment will grow at an average rate of 5.2 percent per year during the final three years of the forecast.
- ◆ Bolstered by a hot housing market, strong growth in Washington's construction employment during the last five quarters has now erased the significant losses experienced during the recession. Since the middle of 2003 growth has averaged 4.6 percent. Housing held up pretty well during the recession but nonresidential building in the Puget Sound area fell sharply. We believe the commercial side has now stabilized and the recent strength in housing permits should support construction employment in the near term. Higher interest rates are expected to depress single family inactivity in the future but stronger migration into Washington should boost multi-family activity. In addition, nonresidential construction is expected to recover. As a result, the forecast expects fairly moderate construction employment growth averaging 2.0 percent per year through 2007.
- ◆ Financial activities employment grew rapidly right through the recession. From the end of 2000 through the third quarter of 2003 growth averaged 3.0 percent per year. The growth

was concentrated in credit intermediation and related activities, which clearly benefited by a refinancing boom brought on by the decline in mortgage interest rates during this period. With mortgage rates heading up again, this source of stimulus has probably pretty much played itself out, though. During the last four quarters financial activities employment has been virtually flat. Employment growth is expected to average 0.8 percent per year through the remainder of the forecast.

- ◆ Washington retail trade employment fell faster 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 retailing, a clear casualty of the Dot-Com implosion. Since then, however, Washington retail trade employment growth has generally been positive but weak, averaging 1.4 percent. Employment still remains 1.3 percent below the pre-recession peak. The forecast expects flat trade employment through the end of 2005. Employment growth in 2006 and 2007 is expected to improve to an average rate of 1.3 percent per year.
 - ◆ Employment in the professional and business services sector plunged 6.5 percent from the end of 2000 through the first quarter of 2002. The 19,900 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 13,800 (25.9 percent) and computer systems design and related services, which fell 6,100 (20.1 percent). These areas of weakness appear to be bottoming out. Computer systems design and related services employment has been essentially flat since mid-2003 while employment services employment has soared 13.4 percent. As a result, overall professional and business services employment growth has averaged 4.6 percent since the middle of 2003. The forecast expects fairly strong growth averaging 4.2 percent per year throughout the forecast.
 - ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state’s economy put pressure on state and local governments’ budgets with a lag. Employment in this sector grew only 0.2 percent (year-end to year-end) during 2003 though it improved somewhat in the first half of this year to an average annual rate of 1.2 percent. While employment spiked at a 4.5 percent rate in the third quarter of this year, we believe this was a temporary seasonal anomaly that will be offset by a 1.6 percent decline in the fourth quarter. The forecast assumes that state and local government employment will continue to be restrained both by tight budgets and slow growth of the school age population. The forecast expects an average growth rate of just 0.5 percent per year in 2005, 2006, and 2007.
4. The number of housing units authorized by building permit in Washington rose 2.3 percent in fiscal 2004 to 43,600 units following a 14.4 percent increase in 2003. The strength in housing has been entirely in the single family market which has benefited from record low mortgage interest rates. Single family permits increased 4.9 percent in 2004 to a 25 year high 34,200 units. Multi-family permits, however, slumped 6.2 percent to 9,300. The multi-family market is expected to recover in 2005 due to higher net in-migration, boosting overall permits 8.4 percent to 47,200 units. Rising mortgage rates will depress the single family market in 2006 and 2007, however. As a result, the forecast expects a 7.1 percent reduction in 2006 to 43,900 units and a 3.2 percent reduction in 2007 to 42,500 units.

5. In spite of rising energy costs, inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, declined in fiscal 2004 to 1.3 percent from 1.8 percent in 2003. Core inflation in Seattle was only 0.4 percent in 2004. Seattle inflation trailed the national average in both 2003 and 2004 reflecting the more severe local recession. During the previous 13 years Seattle inflation had exceeded the U.S. city average. Seattle inflation is expected to remain well below U.S. inflation this year at 1.1 percent compared to 2.5 percent. Because the local recovery is expected to be stronger than the national recovery, however, the Seattle inflation rate is expected to move past the U.S. city average again in the next biennium. The forecast calls for Seattle inflation rates of 1.6 percent and 1.9 percent in 2006 and 2007 compared to national rates of 1.4 percent and 1.6 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.

Optimistic Forecast. Productivity growth is stronger in the optimistic scenario. Underlying this assumption is the view that the information-driven technology boom, which appears to have accelerated in recent years, continues. Productivity is a panacea. It makes economic headaches such as inflation, budget deficits, and sluggish growth go away. In the optimistic scenario, it is the main reason why economic growth and employment gains are higher and inflation and budget deficits are lower than in the baseline. It is also partly the reason why the dollar is stronger. And the stronger currency, in addition to the productivity gains, helps keep inflation contained. Although it can have a few side effects, such as commodity price inflation, foreign economic growth is also potent medicine. A stronger world economy boosts U.S. exports and strengthens manufacturing. In the optimistic scenario, both developing and industrialized economies grow faster than in the baseline. As a result, exports grow faster in every year of the forecast period, despite a stronger dollar. In addition to these key assumptions, the optimistic scenario assumes that oil prices are lower and that construction is stronger than in the baseline. Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and the higher productivity gains. For Washington, the optimistic forecast assumes a more typical, vigorous aerospace employment expansion than the modest growth assumed in the baseline. Washington's wages also grow faster than in the baseline. The strong economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of strong productivity growth. The initial level of Washington personal income is also higher in the optimistic scenario and population growth and construction employment growth are stronger. By the end of the 2005-07 biennium, Washington nonagricultural employment is higher by 74,200 jobs than in the baseline forecast and Washington personal income is \$14.5 billion higher. The optimistic scenario generated \$218 million (0.9 percent) more revenue in the 2003-05 biennium and \$1,228 million (5.0 percent) more revenue in the 2005-07 biennium than did the baseline forecast.

Pessimistic Forecast. After a quarter-century of decelerating inflation, signs of a reacceleration are emerging. Surging oil prices, a weaker dollar, and two-and-a-half years of accommodative monetary policy, combined with loose fiscal policy, have produced the conditions for a pickup in inflation. The pessimistic alternative also assumes that there is less spare capacity than thought, both globally (with respect to commodities, and oil in particular) and in the United States (generally). High oil prices dampen growth in Asia, while European economies suffer from their stubborn adherence to anti-growth regulatory

and social policies. In the pessimistic alternative, core inflation begins to gather momentum. The Fed responds by accelerating the pace of tightening. Between the higher interest rates and persistently high energy prices, consumer confidence begins to waver. Consumers rein in discretionary spending and the U.S. economy slows. At the same time, hiring lags, causing the unemployment rate to rise. Debt-laden consumers retrench further and the housing market collapses as jobless homeowners try to sell out. The economy does not sink into recession in the pessimistic alternative, but merely fails to come as close to its potential as in the baseline. At the state level, aerospace employment is essentially flat this year and next year rather than rebounding as in the baseline. When the upturn does come, it is much more subdued than the baseline. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario. Construction employment begins to decline again in the second half of 2005 rather than continuing to rise as in the baseline. Because of the weak economy, Washington wage growth and Seattle inflation are weaker than in the baseline forecast in spite of the higher inflation assumption in the national pessimistic forecast. By the end of the 2005-07 biennium, Washington nonagricultural employment is lower by 72,900 jobs than the baseline forecast and Washington personal income is \$1.5 billion lower. The pessimistic scenario produced \$196 million (0.8 percent) less revenue in the 2003-05 biennium and \$1,172 million (4.7 percent) less revenue in the 2005-07 biennium than did the baseline forecast.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. The Council members expected slightly stronger GDP growth and inflation than in the baseline. Their interest rate forecasts, both long term and short term, were also slightly higher. The GCEA forecast for Washington State was also stronger than the baseline forecast. While their real personal income forecast was about the same as the baseline forecast, their nominal personal income forecast was stronger, reflecting the higher inflation assumption in the GCEA forecast. The Council members also expected slightly higher employment growth and stronger housing activity than assumed in the baseline forecast. At the end of the 2005-07 biennium Washington nonagricultural employment was 17,900 higher in the GCEA forecast than in the baseline forecast and their Washington personal income forecast was \$1.2 billion higher. The Governor's Council scenario generated \$7 million (0.0 percent) more revenue this biennium and \$71 million (0.3 percent) more 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 2004 to 2007

Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,679.2	9,876.5	9,956.8	10,181.3	10,633.9	11,034.8	11,373.1	11,722.0
% Ch	4.5	2.0	0.8	2.3	4.4	3.8	3.1	3.1
Real Consumption	6599.5	6829.1	7016.8	7224.5	7496.0	7736.7	7959.2	8195.3
% Ch	5.0	3.5	2.7	3.0	3.8	3.2	2.9	3.0
Real Nonresidential Fixed Investment	1,186.8	1,229.4	1,117.4	1,070.4	1,168.3	1,287.3	1,363.8	1,445.1
% Ch	9.4	3.6	-9.1	-4.2	9.1	10.2	5.9	6.0
Real Residential Fixed Investment	449.8	444.2	457.0	484.3	541.4	565.4	536.4	508.4
% Ch	3.5	-1.2	2.9	6.0	11.8	4.4	-5.1	-5.2
Real Personal Income	8,209.2	8,524.6	8,566.3	8,583.7	8,813.3	9,096.9	9,390.7	9,703.0
% Ch	4.2	3.8	0.5	0.2	2.7	3.2	3.2	3.3
Real Per Capita Income (\$/Person)	29,181	29,988	29,831	29,596	30,105	30,790	31,497	32,255
% Ch	3.0	2.8	-0.5	-0.8	1.7	2.3	2.3	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.027	1.046	1.066	1.087	1.104	1.124
% Ch	2.3	2.3	1.5	1.9	1.9	2.0	1.6	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.693	1.751	1.782	1.821	1.861	1.907	1.934	1.965
% Ch	2.9	3.4	1.8	2.2	2.2	2.5	1.4	1.6
Employment Cost Index (June 1989=1.0)	1.431	1.487	1.541	1.585	1.630	1.672	1.724	1.780
% Ch	3.7	3.9	3.6	2.9	2.8	2.6	3.1	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,571.3	9,991.5	10,286.3	10,698.2	11,379.4	12,044.0	12,632.9	13,245.8
% Ch	6.4	4.4	3.0	4.0	6.4	5.8	4.9	4.9
Personal Income	8,115.3	8,622.2	8,797.1	8,980.7	9,391.9	9,889.4	10,370.3	10,909.1
% Ch	6.6	6.2	2.0	2.1	4.6	5.3	4.9	5.2
Employment (Millions)								
U.S. Civilian Labor Force	142.0	143.2	144.4	145.9	146.8	148.5	150.6	152.6
Total U.S. Employment	136.2	137.3	136.5	137.3	138.3	140.6	142.4	144.1
Unemployment Rate (%)	4.07	4.14	5.47	5.89	5.81	5.35	5.43	5.59
Nonfarm Payroll Employment	130.60	132.25	130.88	130.11	130.33	132.36	134.33	135.56
% Ch	2.5	1.3	-1.0	-0.6	0.2	1.6	1.5	0.9
Manufacturing	17.29	17.04	15.73	14.88	14.37	14.50	14.67	14.69
% Ch	-0.8	-1.4	-7.7	-5.4	-3.5	0.9	1.2	0.2
Durable Manufacturing	10.85	10.75	9.83	9.21	8.89	9.07	9.27	9.32
% Ch	-0.1	-0.9	-8.6	-6.2	-3.5	2.0	2.1	0.5
Nondurable Manufacturing	6.44	6.29	5.91	5.67	5.47	5.42	5.40	5.38
% Ch	-1.9	-2.4	-6.0	-4.1	-3.5	-0.9	-0.4	-0.4
Construction	6.70	6.82	6.77	6.69	6.81	7.02	7.14	7.14
% Ch	5.5	1.8	-0.7	-1.2	1.7	3.1	1.8	-0.0
Producing	106.01	107.78	107.78	107.97	108.58	110.25	111.93	113.16
% Ch	2.9	1.7	-0.0	0.2	0.6	1.5	1.5	1.1
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.2	23.2	23.9	24.2	23.9	23.6	23.4	23.2
Auto Sales (Millions)	9.0	8.5	8.2	7.9	7.5	7.6	7.6	7.5
% Ch	7.7	-5.0	-4.2	-3.8	-4.5	0.4	0.0	-1.0
Housing Starts (Millions)	1.638	1.571	1.646	1.730	1.945	1.886	1.736	1.657
% Ch	-1.3	-4.1	4.8	5.1	12.5	-3.0	-8.0	-4.6
Federal Budget Surplus (Billions)	156.2	161.0	-138.3	-300.9	-396.5	-352.7	-297.0	-295.6
Net Exports (Billions)	-323.9	-389.8	-376.3	-477.1	-532.4	-622.9	-569.9	-538.4
3-Month Treasury Bill Rate (%)	5.23	5.14	2.15	1.30	0.96	2.02	2.97	3.24
30-Year U.S. Govt. Bond Rate (%)	6.14	5.66	5.54	5.02	5.21	5.29	5.77	5.93
Bond Index of 20 G.O. Munis. (%)	5.82	5.35	5.14	4.77	4.79	4.70	5.01	5.21
Mortgage Rate (%)	8.05	7.45	6.88	5.93	5.92	6.00	6.40	6.67

Table 1.2
Washington Economic Forecast Summary
 Forecast 2004 to 2007

Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	185.815	188.943	190.951	191.483	195.179	201.331	208.763	217.494
% Ch	6.3	1.7	1.1	0.3	1.9	3.2	3.7	4.2
Real Wage and Salary Disb.	110.278	108.775	107.552	107.364	108.771	111.745	116.160	121.234
% Ch	8.4	-1.4	-1.1	-0.2	1.3	2.7	4.0	4.4
Real Nonwage Income	75.536	80.167	83.398	84.118	86.408	89.586	92.603	96.260
% Ch	3.4	6.1	4.0	0.9	2.7	3.7	3.4	3.9
Real Per Capita Income (\$/Person)	31,561	31,680	31,652	31,433	31,695	32,233	32,941	33,822
% Ch	5.1	0.4	-0.1	-0.7	0.8	1.7	2.2	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.027	1.046	1.066	1.087	1.104	1.124
% Ch	2.3	2.3	1.5	1.9	1.9	2.0	1.6	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.757	1.828	1.876	1.910	1.936	1.957	1.988	2.025
% Ch	3.2	4.0	2.7	1.8	1.3	1.1	1.6	1.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.42	17.30	18.34	17.87	18.15	18.51	18.85	19.20
% Ch	2.8	5.4	6.0	-2.6	1.6	2.0	1.8	1.8
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	183.265	190.768	195.774	200.128	207.817	218.596	230.072	243.985
% Ch	8.9	4.1	2.6	2.2	3.8	5.2	5.2	6.0
Personal Income	183.670	191.116	196.091	200.329	207.977	218.869	230.539	244.527
% Ch	8.8	4.1	2.6	2.2	3.8	5.2	5.3	6.1
Disposable Personal Income	157.042	162.777	171.252	177.221	185.910	195.109	204.338	216.172
% Ch	8.1	3.7	5.2	3.5	4.9	4.9	4.7	5.8
Per Capita Income (\$/Person)	31,196	32,043	32,504	32,885	33,773	35,040	36,377	38,025
% Ch	7.5	2.7	1.4	1.2	2.7	3.8	3.8	4.5
Employment (Thousands)								
Washington Civilian Labor Force	3,081.1	3,031.9	3,058.7	3,130.6	3,169.8	3,238.2	3,301.0	3,355.8
Total Washington Employment	2,931.4	2,858.7	2,841.8	2,899.6	2,951.8	3,045.9	3,099.3	3,148.7
Unemployment Rate (%)	4.86	5.71	7.09	7.38	6.88	5.94	6.11	6.17
Nonfarm Payroll Employment	2,684.5	2,717.5	2,665.4	2,655.2	2,675.2	2,732.3	2,779.1	2,825.6
% Ch	2.4	1.2	-1.9	-0.4	0.8	2.1	1.7	1.7
Manufacturing	336.3	326.4	300.1	274.8	262.5	264.9	270.9	278.9
% Ch	-4.8	-2.9	-8.1	-8.4	-4.5	0.9	2.3	3.0
Durable Manufacturing	239.7	232.9	212.0	190.5	180.6	183.8	189.2	195.9
% Ch	-6.4	-2.8	-9.0	-10.2	-5.2	1.8	2.9	3.6
Aerospace	89.6	86.8	82.9	70.1	62.1	62.6	65.3	70.0
% Ch	-16.5	-3.1	-4.5	-15.4	-11.4	0.7	4.4	7.2
Nondurable Manufacturing	96.5	93.5	88.1	84.3	81.9	81.0	81.7	83.0
% Ch	-0.3	-3.2	-5.7	-4.3	-2.9	-1.0	0.8	1.6
Construction	158.3	161.3	154.8	155.0	159.8	166.0	169.1	171.9
% Ch	6.5	1.9	-4.1	0.2	3.0	3.9	1.9	1.6
Service-Producing	2,179.4	2,220.0	2,200.9	2,216.3	2,243.8	2,292.2	2,329.9	2,365.7
% Ch	3.3	1.9	-0.9	0.7	1.2	2.2	1.6	1.5
Software Publishers	29.6	34.5	35.9	36.5	37.9	39.5	41.3	43.6
% Ch	14.0	16.9	4.1	1.6	3.9	4.1	4.5	5.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	39.065	40.384	37.216	42.572	43.567	47.242	43.867	42.463
% Ch	-13.1	3.4	-7.8	14.4	2.3	8.4	-7.1	-3.2
Single-Family	26.372	26.761	26.856	32.632	34.243	33.626	28.995	27.342
% Ch	-6.7	1.5	0.4	21.5	4.9	-1.8	-13.8	-5.7
Multi-Family	12.693	13.623	10.360	9.939	9.324	13.616	14.872	15.121
% Ch	-24.0	7.3	-24.0	-4.1	-6.2	46.0	9.2	1.7
Mortgage Rate (%)	8.05	7.45	6.88	5.93	5.92	6.00	6.40	6.67

Table 1.3

Comparison of Alternative Forecasts

	Fiscal Year 2005				Fiscal Year 2006				Fiscal Year 2007			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	11047.2	11034.8	11024.8	11040.3	11446.3	11373.1	11244.8	11391.9	11879.5	11722.0	11444.5	11778.5
%Ch	3.9	3.8	3.7	3.8	3.6	3.1	2.0	3.2	3.8	3.1	1.8	3.4
Implicit Price Deflator	1.085	1.087	1.090	1.088	1.097	1.104	1.120	1.107	1.112	1.124	1.155	1.130
%Ch	1.8	2.0	2.3	2.1	1.1	1.6	2.7	1.8	1.5	1.8	3.2	2.0
Mortgage Rate	5.95	6.00	6.09	6.12	6.07	6.40	7.42	6.61	6.24	6.67	8.45	6.82
3 Month T-Bill Rate	2.02	2.02	2.15	2.20	2.79	2.97	4.23	3.20	3.00	3.24	5.43	3.35
Washington												
Real Personal Income	205.681	201.331	196.946	201.148	217.457	208.763	199.248	208.578	231.034	217.494	202.595	217.314
%Ch	5.4	3.2	0.9	3.1	5.7	3.7	1.2	3.7	6.2	4.2	1.7	4.2
Personal Income	223.072	218.869	214.741	218.795	238.454	230.539	223.091	231.010	257.039	244.527	234.032	245.565
%Ch	7.3	5.2	3.3	5.2	6.9	5.3	3.9	5.6	7.8	6.1	4.9	6.3
Employment	2747.6	2732.3	2718.7	2735.0	2818.1	2779.1	2741.7	2785.0	2892.8	2825.6	2758.5	2840.7
%Ch	2.7	2.1	1.6	2.2	2.6	1.7	0.8	1.8	2.7	1.7	0.6	2.0
Housing Permits	49.773	47.242	44.700	47.660	49.097	43.867	35.406	44.119	49.001	42.463	31.616	44.775
%Ch	14.2	8.4	2.6	9.4	-1.4	-7.1	-20.8	-7.4	-0.2	-3.2	-10.7	1.5

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

Table 1.4
Forecast Analysis
 Comparison of Forecasts for 2003-05

Forecast Date	2002				2003				2004				2005	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
U.S.														
Percent Growth, 2003:2-2005:2														
Real GDP	7.1	7.2	6.4	7.7	8.9	7.8	7.8	8.5	9.7	9.4	8.8	8.6		
Implicit Price Deflator	4.6	4.9	5.1	5.6	3.5	3.3	3.5	3.2	2.5	3.6	4.1	3.9		
Average Rate, 2003:3 to 2005:2														
3 Month T-Bill Rate	4.52	4.90	3.48	3.16	2.92	1.57	1.15	1.12	1.34	1.26	1.45	1.49		
Mortgage Rate	7.49	7.64	7.86	6.62	7.21	6.46	6.39	6.32	6.45	6.15	6.13	5.96		
Washington														
Percent Growth, 2003:2-2005:2														
Employment	4.6	5.0	4.4	4.6	4.6	3.3	2.7	3.0	4.0	4.3	4.2	3.8		
Personal Income	11.5	12.5	10.9	11.9	10.6	8.6	9.1	9.1	9.7	9.8	10.3	9.4		
Real Personal Income	6.6	7.2	5.5	6.0	6.8	5.1	5.5	5.6	7.0	6.0	6.0	5.3		
Total (Thousands of units), 2003:3 to 2005:2														
Housing Units Authorized	77.4	77.1	76.0	80.1	79.8	78.1	81.3	82.7	83.1	87.4	88.8	90.8		

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2005 to 2007

	2003	2004	2005	2006	2007
U.S.					
Real GDP					
November Baseline	10181.3	10633.9	11034.8	11373.1	11722.0
% Ch	2.3	4.4	3.8	3.1	3.1
September Baseline	10181.3	10632.3	11033.5	11386.1	11765.1
% Ch	2.3	4.4	3.8	3.2	3.3
Implicit Price Deflator					
November Baseline	1.046	1.066	1.087	1.104	1.124
% Ch	1.9	1.9	2.0	1.6	1.8
September Baseline	1.046	1.066	1.089	1.106	1.128
% Ch	1.9	1.9	2.2	1.5	1.9
U.S. Unemployment Rate					
November Baseline	5.89	5.81	5.35	5.43	5.59
September Baseline	5.89	5.81	5.46	5.46	5.48
Mortgage Rate					
November Baseline	5.93	5.92	6.00	6.40	6.67
September Baseline	5.93	5.92	6.34	7.02	6.94
3 Month T-Bill Rate					
November Baseline	1.30	0.96	2.02	2.97	3.24
September Baseline	1.30	0.96	1.94	3.16	3.24
Washington					
Real Personal Income					
November Baseline	191.483	195.179	201.331	208.763	217.494
% Ch	0.3	1.9	3.2	3.7	4.2
September Baseline	191.819	195.593	202.809	210.598	219.927
% Ch	0.9	2.0	3.7	3.8	4.4
Personal Income					
November Baseline	200.329	207.977	218.869	230.539	244.527
% Ch	2.2	3.8	5.2	5.3	6.1
September Baseline	200.680	208.438	220.960	232.988	247.998
% Ch	2.8	3.9	6.0	5.4	6.4
Employment					
November Baseline	2655.2	2675.2	2732.3	2779.1	2825.6
% Ch	-0.4	0.8	2.1	1.7	1.7
September Baseline	2655.2	2675.8	2739.8	2794.7	2849.1
% Ch	-0.4	0.8	2.4	2.0	1.9
Housing Permits					
November Baseline	42.572	43.567	47.242	43.867	42.463
% Ch	14.4	2.3	8.4	-7.1	-3.2
September Baseline	42.572	43.567	45.258	44.014	43.975
% Ch	14.4	2.3	3.9	-2.7	-0.1

Table 1.6
Long Range Economic Outlook
 Forecast 2004 to 2014

Calendar Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
U.S.											
Real GDP, %Ch	4.4	3.4	2.9	3.2	3.1	3.1	3.2	3.2	3.2	3.2	3.5
Implicit Price Deflator, %Ch	2.1	1.7	1.7	1.9	2.1	2.2	2.3	2.6	2.6	2.6	2.6
3 Month T-Bill Rate	1.34	2.59	3.18	3.26	3.62	4.47	5.06	5.08	5.11	5.13	5.14
Mortgage Rate	5.90	6.18	6.58	6.75	7.20	7.72	7.99	8.00	8.01	7.97	7.97
State*											
Real Personal Income, %Ch	2.3	3.6	4.1	4.1	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	4.5	5.4	5.8	6.2	4.7	4.7	4.9	5.1	5.2	5.1	5.2
Employment, %Ch	1.7	2.0	1.6	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0

* November 2004 Baseline (2004-2007) judgmentally extended through 2014.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

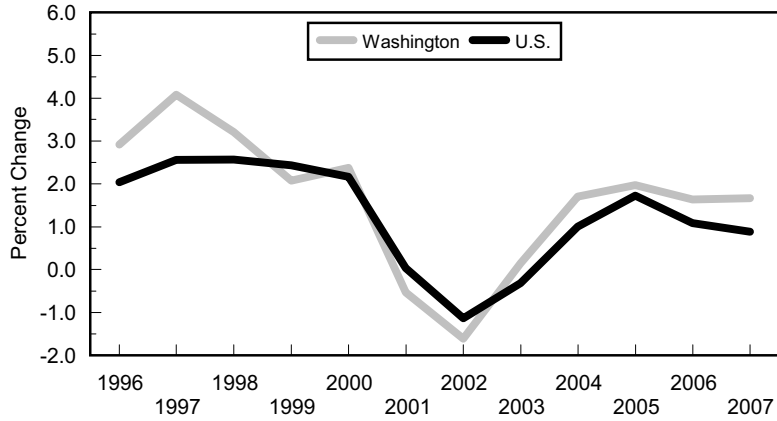


Chart 1.2
Manufacturing Employment

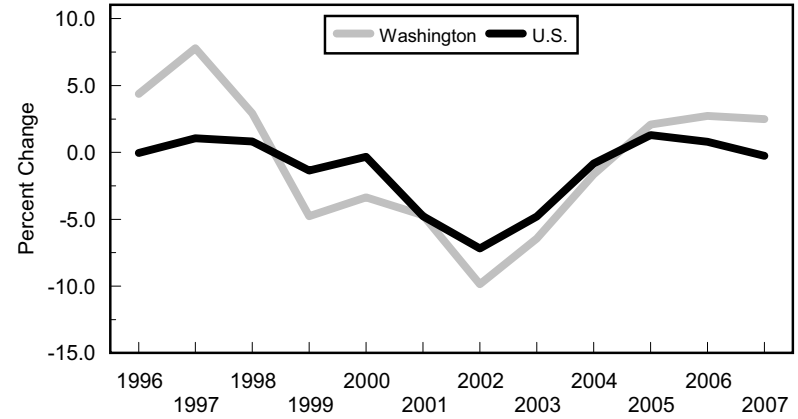


Chart 1.3
Aerospace Employment

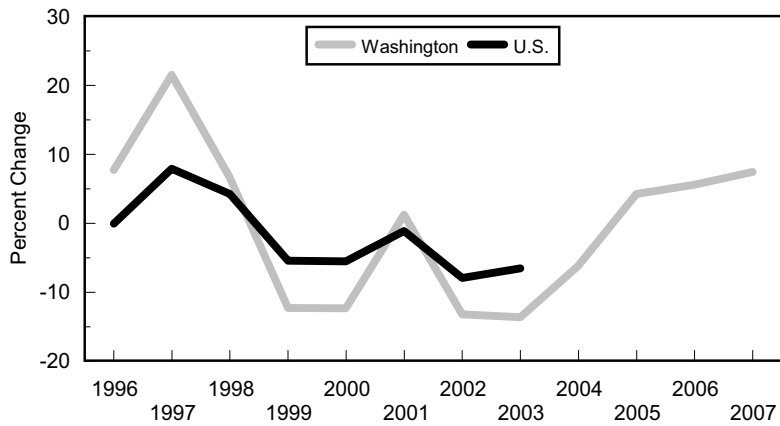
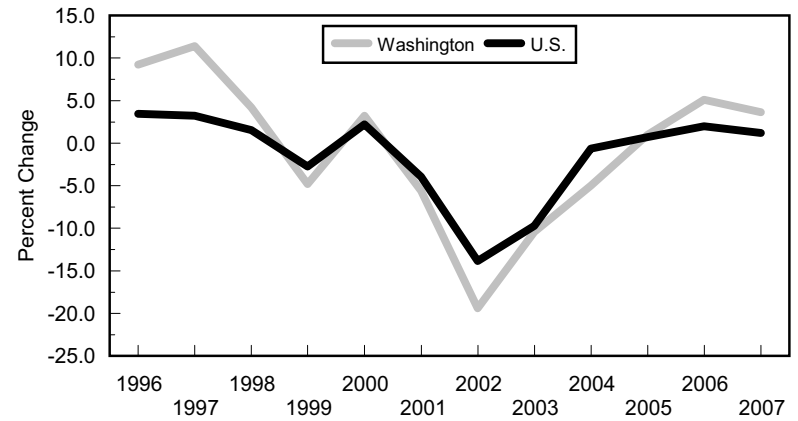


Chart 1.4
Computers and Electronics Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

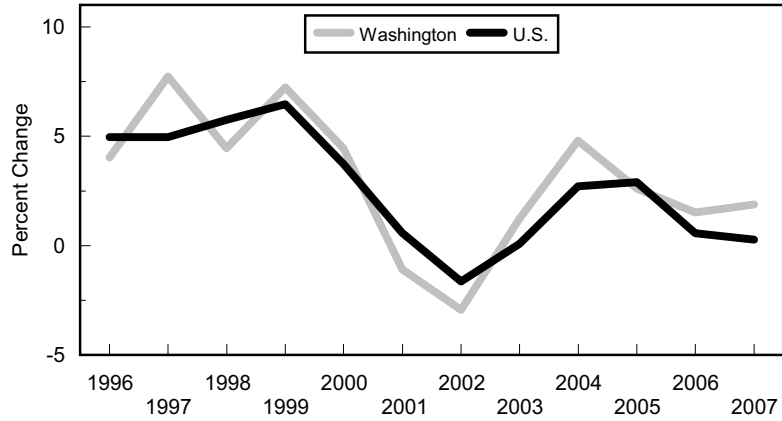


Chart 1.6
Information Employment

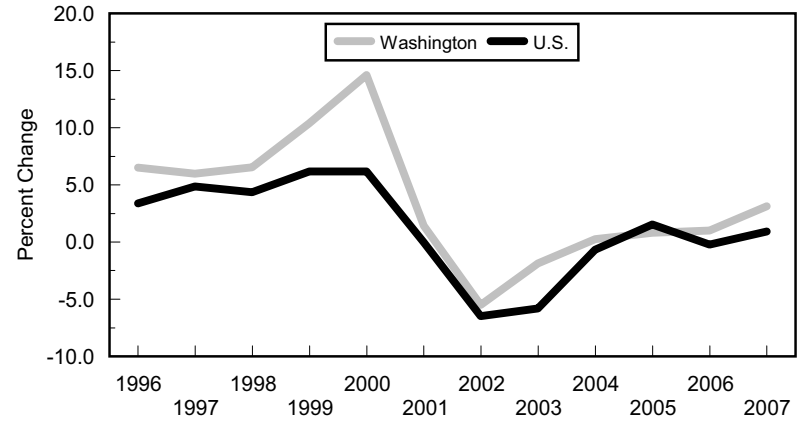


Chart 1.7
Other Private Employment

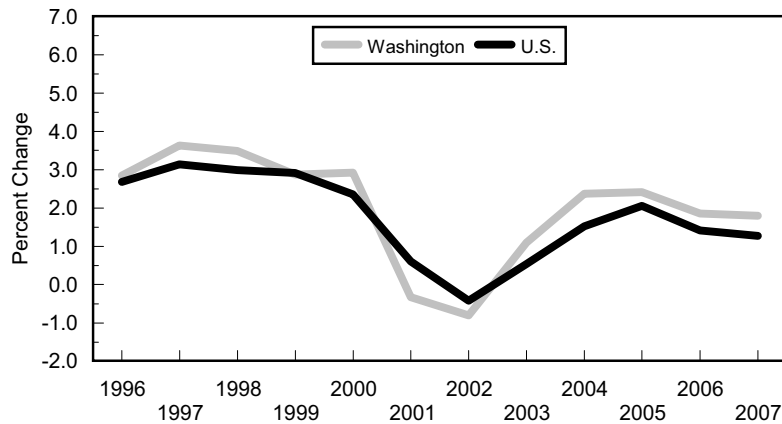
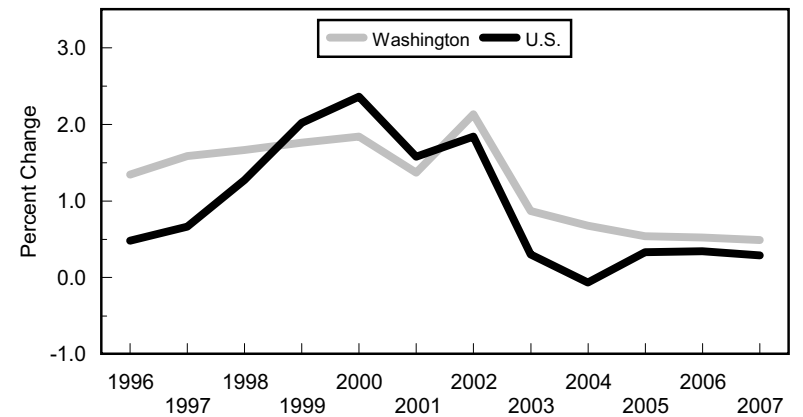


Chart 1.8
Government Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

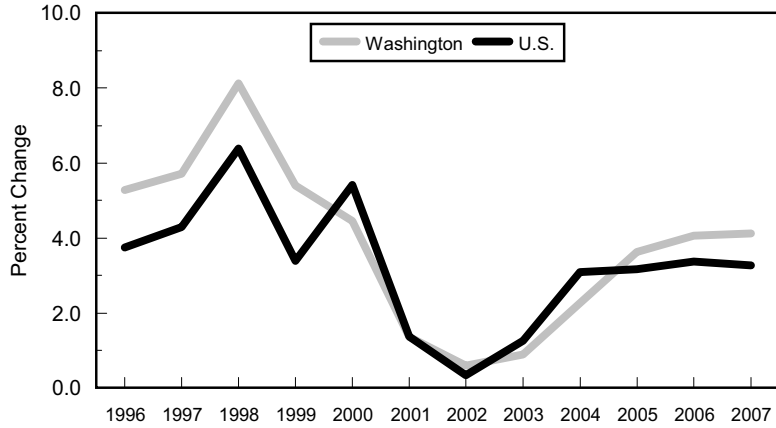


Chart 1.10
Consumer Price Indices

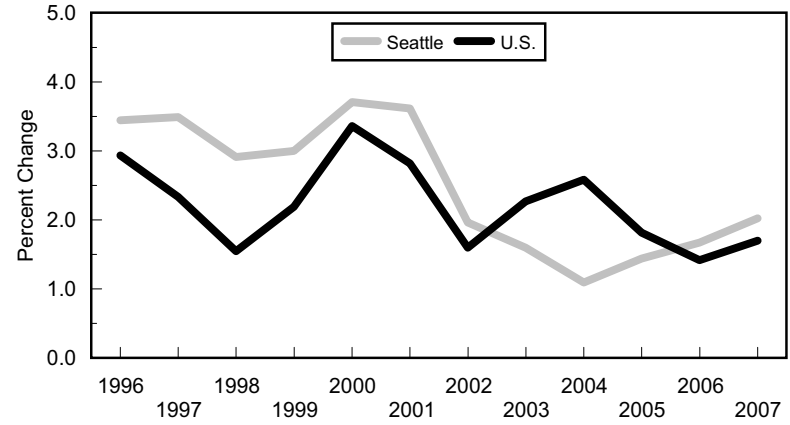


Chart 1.11
Population

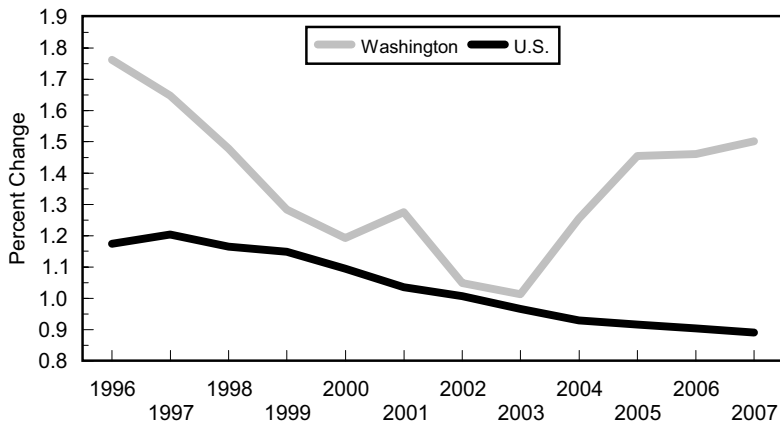
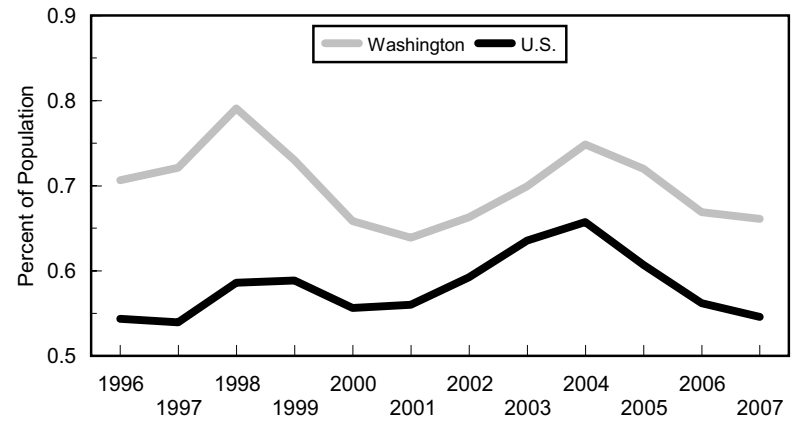


Chart 1.12
Per Capita Housing Units



Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

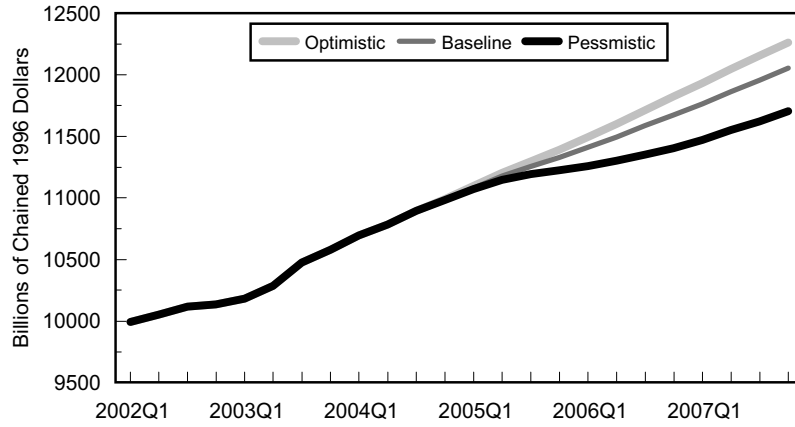


Chart 1.14
Implicit Price Deflator

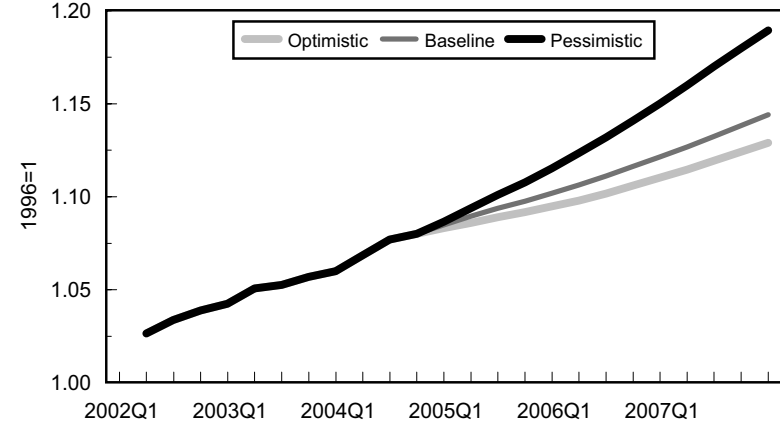


Chart 1.15
Mortgage Rate

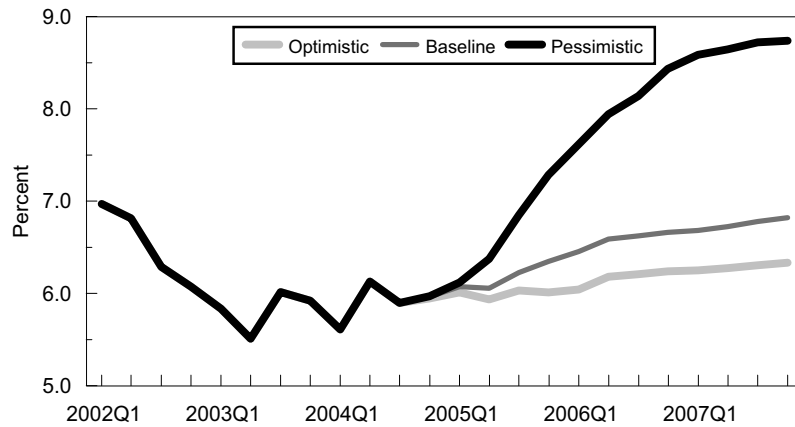
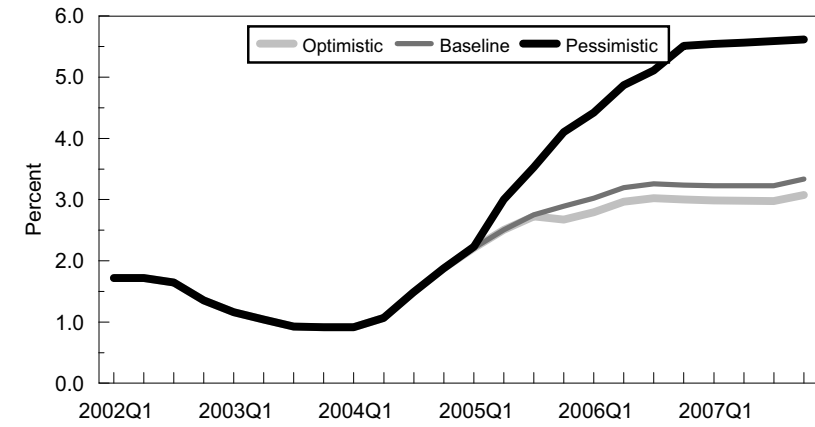


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

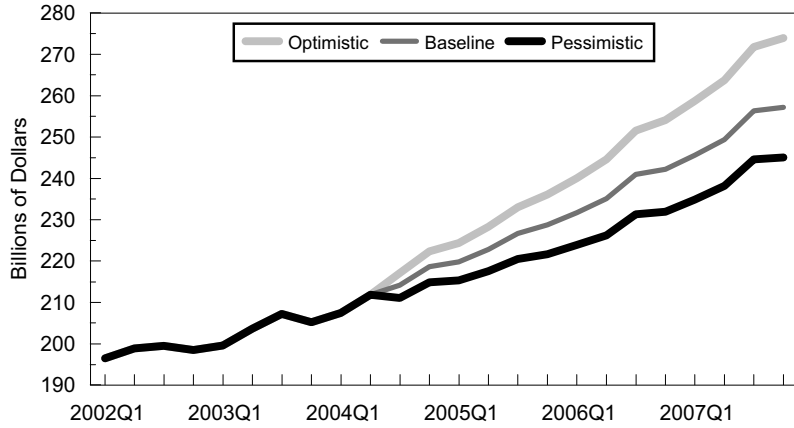


Chart 1.18
Real Personal Income

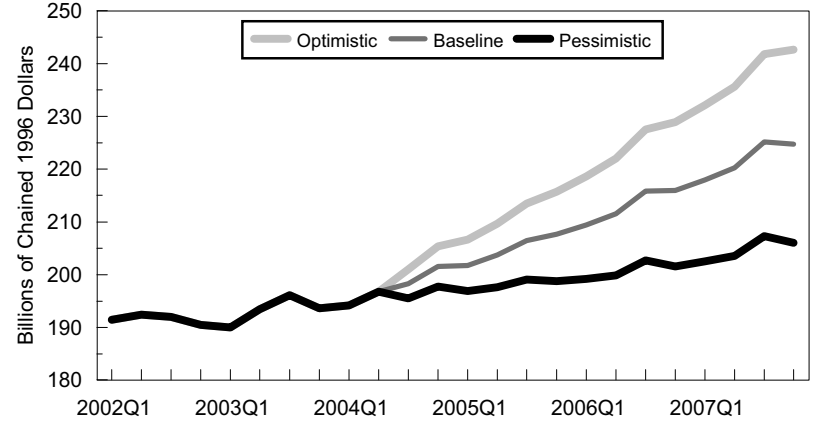


Chart 1.19
Total Nonfarm Payroll Employment

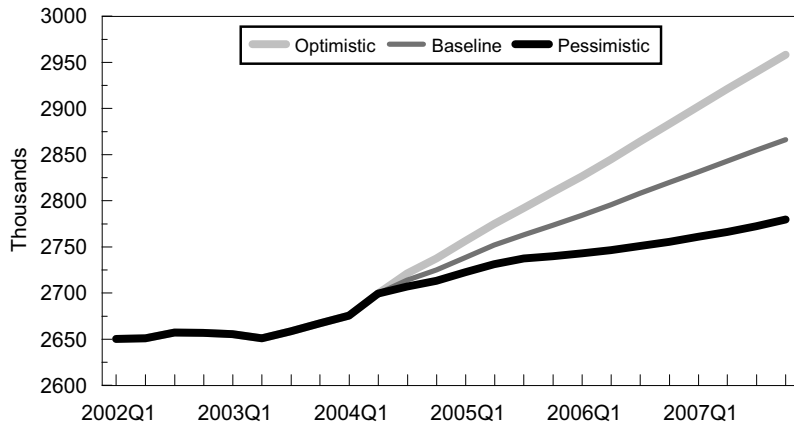
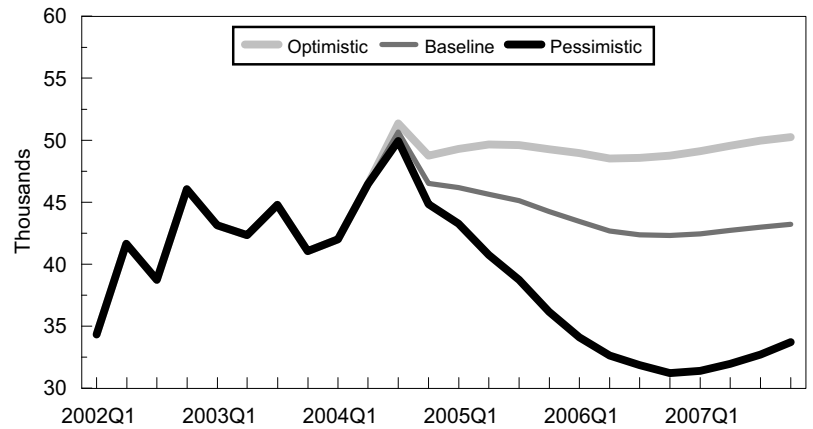


Chart 1.20
Housing Permits



Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a 3.9* percent annual rate in the third quarter of 2004, an improvement over the previous quarter's growth rate of 3.3 percent. Real consumer spending was a strong contributor to this growth, increasing at a rate of 5.1 percent as compared to 1.6 percent in the previous quarter. Consumer spending in turn was led by growth in real durable goods consumption of 17.2 percent, followed by growth in real nondurable goods consumption of 4.8 percent and 2.9 percent in real services consumption. In addition to consumption spending, the main contributors to third quarter real GDP growth were investment in equipment and software, growing at an annualized rate of 17.2 percent and propelling growth in nonresidential fixed investment to 12.9 percent, federal government defense spending growth of 9.8 percent, and export growth of 6.3 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity increased in November to 57.8 from its October value of 56.8. Despite two prior months of decreases, the fact that the index value remains above 50 indicates that manufacturing sector output is still increasing. The index has now been above 50 points for the past eighteen months. The employment component of the index increased to 57.6 from October's value of 54.8. The employment component of the index has now been above 50 for thirteen months, indicating that more of the manufacturers surveyed have been increasing employment than decreasing it during that period.

On a seasonally adjusted basis, the U.S. economy has added jobs for fourteen straight months beginning in September 2003, with positive year-over-year growth for the last ten months. October's seasonally adjusted payroll employment grew by 337,000, up from September's increase of 139,000. Despite the increase in employment, the U.S. unemployment rate increased from 5.4 to 5.5 percent as more people entered the workforce in search of jobs.

Productivity growth decelerated in the third quarter of 2004, increasing at a 1.9 percent annual rate as compared to 3.9 percent growth in the second quarter. On a year-over-year basis, however, growth remains fairly strong at 3.1 percent. Inflation showed signs of stirring in October with a 0.6 percent monthly increase in the seasonally adjusted Consumer Price Index (CPI). On a year-over-year basis, the index increased to 3.2 percent from September's year-over-year value of 2.5 percent. Excluding the food and energy components of the CPI, however, year-over-year inflation exhibited growth of only 2.0 percent, with a 0.2 percent monthly increase in October after seasonal adjustment.

The Conference Board reported that its Index of Consumer Confidence declined in November, decreasing to 90.5 from October's reading of 92.9. This was the fourth consecutive decrease in the index since July's peak of 105.7. The November decline was due to the expectations component of the index,

as the present situation component showed slight improvement. The University of Michigan Consumer Sentiment Survey showed slight improvement in both the expectations and present conditions components in November, increasing the composite survey to 92.8 from October's value of 91.7.

The Conference Board's U.S. Index of Leading Indicators declined 0.3 percent in October. This was the fifth consecutive decline of the index. While seven of the ten index components declined in October, the main contributors to the decline were declines in consumer sentiment, the money supply, and the interest rate spread between ten-year Treasury bonds and the federal funds rate.

The Federal Open Market Committee (FOMC) voted to increase its target rate for federal funds from 1.75 to 2.00 percent at its November 10, 2004 meeting. This was the FOMC's fourth 25 basis point increase since its meeting of June 30th. The Committee left its assessment of the risk of inflation versus growth unchanged, noting that "Output appears to be growing at a moderate pace despite the rise in energy prices, and labor market conditions have improved."

Chart 2.20 introduces a new indicator to this chapter, the "Monster Employment Index". Created by the parent company of Monster.com, the index tracks internet employment advertising. As the index began in October 2003, there is not yet enough history for seasonal adjustment, but its values can still be compared on a year-over-year basis. It is unclear, however, how much of November's strong 33 percent year-over-year growth was caused by a shift to internet-based recruiting from traditional methods and how much was caused by actual increases in the demand for labor.

The State Economy and Indicators

Washington wage and salary employment rose at a respectable 2.2 percent annual rate in the third quarter of 2004, following an even stronger increase of 3.6 percent in the second quarter. This was the fifth consecutive quarterly increase. Significantly, aerospace employment also increased in the third quarter, at an annual rate of 0.9 percent. Prior to this quarter's increase, aerospace manufacturing employment had declined for eleven consecutive quarters. While durable goods manufacturing employment increased at an annual rate of 0.4 percent, a 1.1 percent decline in nondurable goods manufacturing employment caused total manufacturing employment to decrease slightly at a -0.1 percent annual rate after increasing at a 1.6 percent rate in the second quarter.

Washington's seasonally adjusted unemployment rate was unchanged at 5.6 percent of the labor force in September and October 2004, down sharply from August's rate of 6.2 percent. The non-seasonally adjusted Washington Purchasing Management Index declined in October to a value of 56.7 from September's value of 63.1. While down 11 percent from October 2003's value, as the index value is greater than 50 it still indicates expansion. The index has been greater than 50 the last nineteen months and greater than 60 for eleven of those months. Washington's seasonally adjusted initial claims for unemployment insurance in October decreased to 41,200 from 41,600 in September. With the exception of May's claims number of 41,000 October's number was the lowest since October 2000. Washington's seasonally adjusted average weekly hours in manufacturing increased in October from 40.1 to 39.7, well up from its cyclical low of 38.3 hours in July 2003. October's Seattle Times Index of Help-Wanted Advertising also rose to 53.4 from September's level of 51.9, but it is up only slightly from its 27-year low of 51.4 in January 2004. October year-over-year growth in the Seattle CPI was a low 1.4 percent.

The Washington Index of Leading Indicators increased by a strong 0.5 index points in October, reaching a level of 99.0 (1996=100). Since bottoming out in April 2003 at 95.9 points, the index has increased twelve of the eighteen intervening months. Five of the seven index components were positive in October. The negative components were the decrease in the U.S. Index of Leading Indicators and a decrease in

housing permits also caused the Boom Monitor Composite Index to decline from a level of 49.3 in September to 46.3 in October. Boom Monitor levels near 50 indicate economic growth in the index's components that is near their historic trends.

Below is a summary of what various national and state indicators are indicating as of the publication date of the November 2004 economic and revenue forecast.

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	October 2004	-
U.S. Real GDP Growth	2004, quarter 3	+
U.S. real GDP growth	2004, quarter 1	+
U.S. ISM index	Jun-04	+
U.S. emplo	May-04	slower but still +
U.S. unemployment ra	May-04	unchanged
U.S. help wanted inde	May-04	+
U.S. ISM Index	November 2004	+
U.S. Employment y-o-y %ch	October 2004	+
U.S. Unemployment Rate	October 2004	slight -
U.S. Help Wanted Index	October 2004	+
U.S. Fed Funds Target	November 2004	credit tightening
U.S. Consumer Confidence	November 2004	slight -
U.S. CPI	October 2004	-
U.S. Monster Employment Index	November 2004	+
S&P 500 Index	Week of Nov. 22	+
WA Leading Index	October 2004	+
WA ISM Index	October 2004	+
WA Help Wanted Index	October 2004	+
WA Employment y-o-y %ch	October 2004	+
WA Aerospace Empl. Growth	October 2004	+
WA Unemployment Rate	October 2004	unchanged
WA Boom Monitor	October 2004	slight -; trend +
WA Initial Unemploy. Claims	October 2004	+
WA Housing Permits	October 2004	Oct. -, level still high
WA Weekly Hours in Mfg.	October 2004	+
WA New Car/Truck Registration	October 2004	+
WA Migration (DOL data)	October 2004	+
WA Exports-Total	2004 qtr 3	+
WA Exports- w/o Trans. Equip.	2004 qtr 3	+
Seattle CPI	October 2004	+
NW Regional Stock Index	Week of Nov. 22	+

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

**This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimates for the third quarter of 2004 released November 30, 2004). The November economic forecast is based upon the October Global Insight Forecast, which was completed prior to any BEA third quarter GDP release and shows an estimate of a 4.2 percent increase for that period.*

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
January 1980 to October 2004

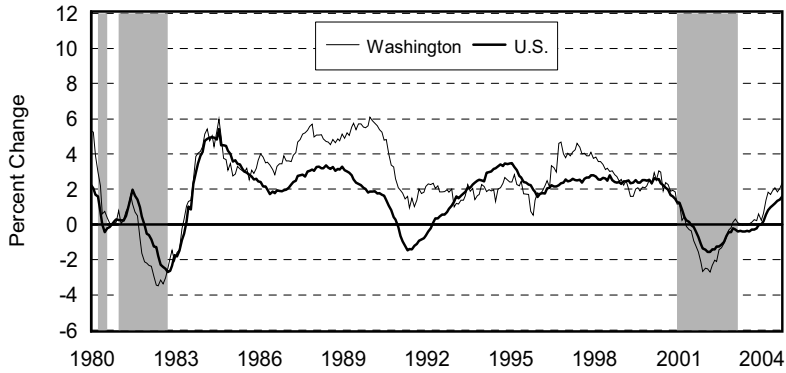


Chart 2.2
Washington Aircraft and Parts Employment
January 1958 to October 2004

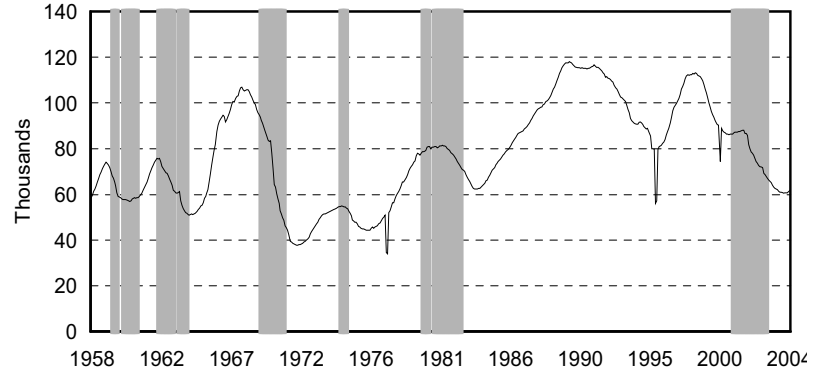


Chart 2.3
Unemployment Rate, S.A.
January 1980 to October 2004

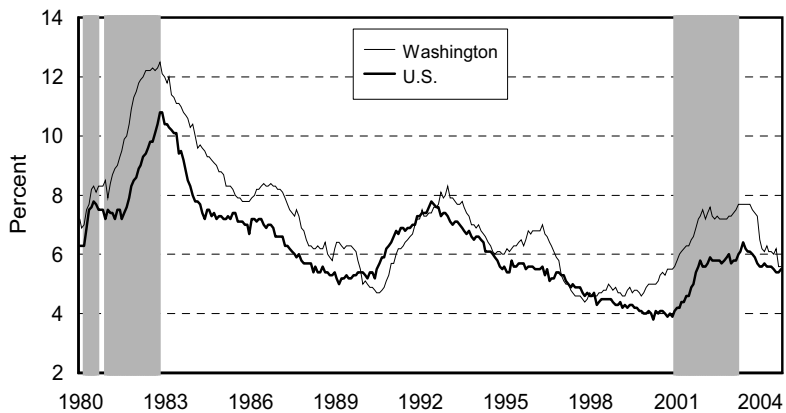
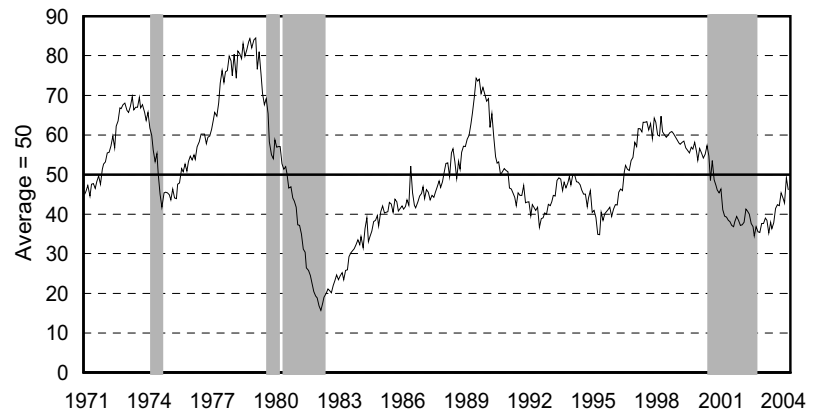


Chart 2.4
Washington Boom Monitor Composite Index
July 1971 to October 2004



* 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 October 2004

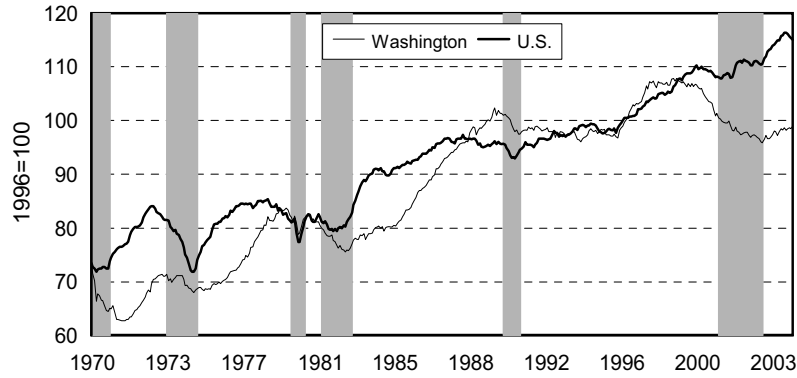


Chart 2.6
Washington Initial Claims for Unemployment Insurance
 January 1970 to October 2004

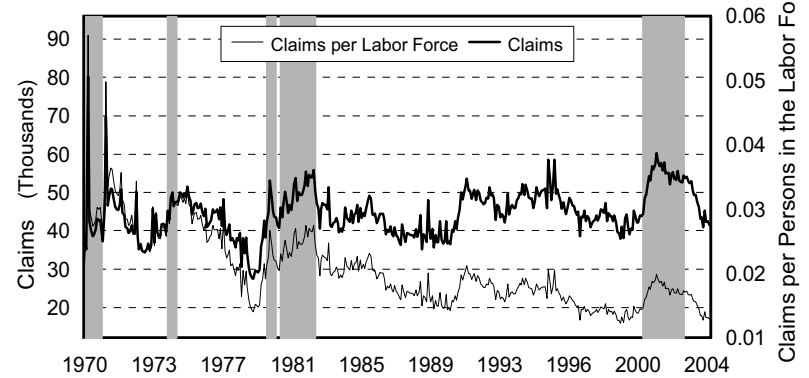


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
 January 1970 to October 2004

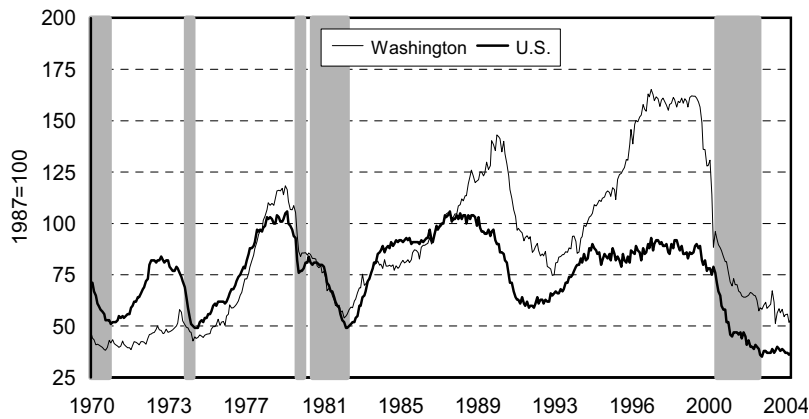
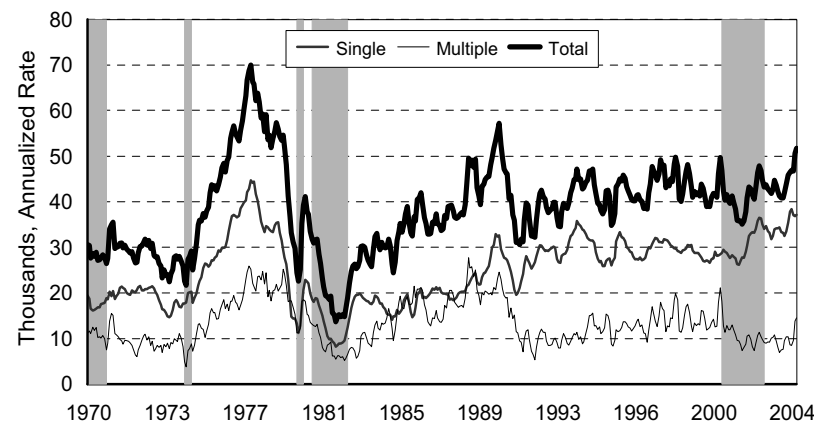


Chart 2.8
Housing Units Authorized in Washington State
 January 1970 to October 2004, 3-Month Moving Average



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 October 2004, 3-Mo. Moving Average, SA

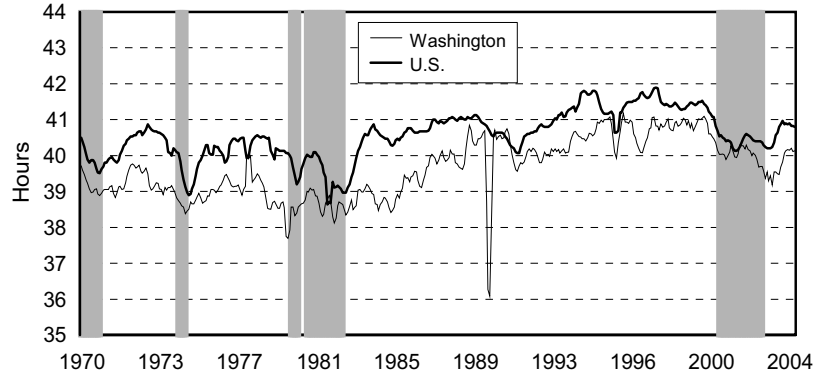


Chart 2.10
Washington Driver's License Migration
 September 1983 to October 2004 12-Month Moving Average

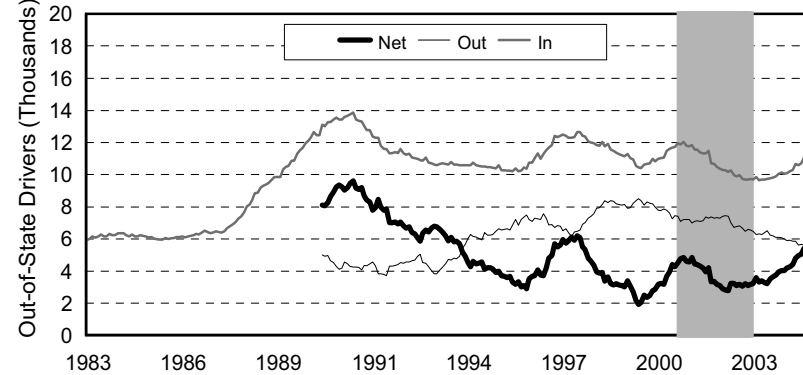


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to October 2004, 6-Month Moving Average

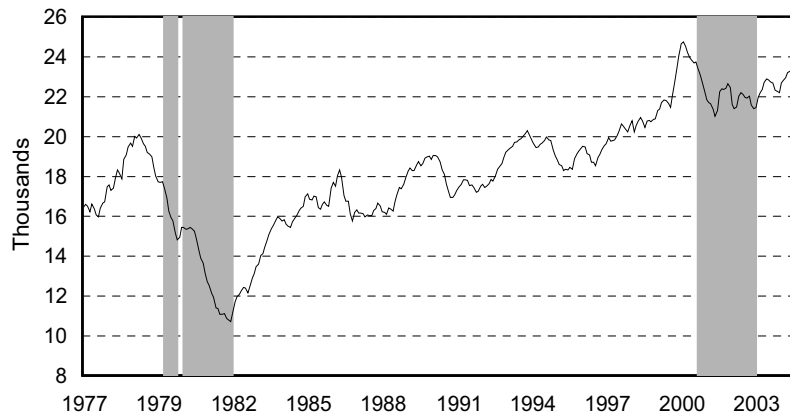
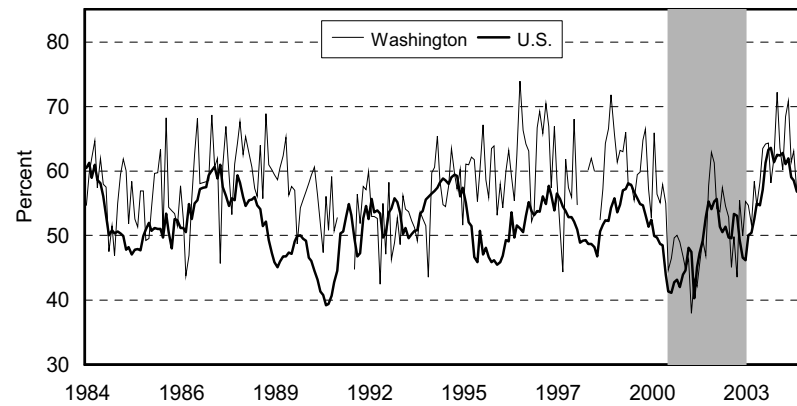


Chart 2.12
Institute for Supply Management Index
 January 1984 to October 2004



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2004 Q3

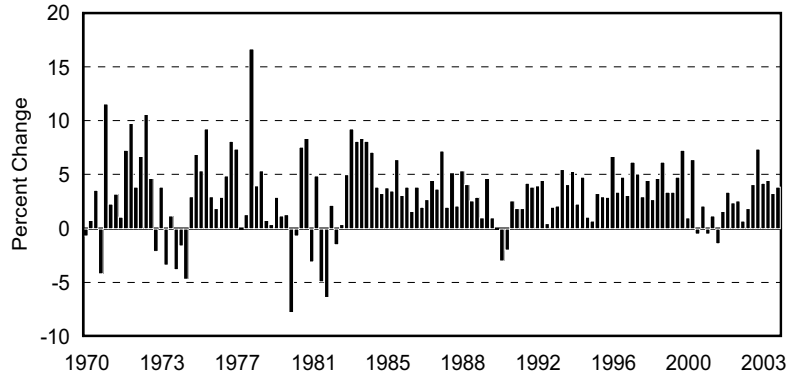


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2004Q3

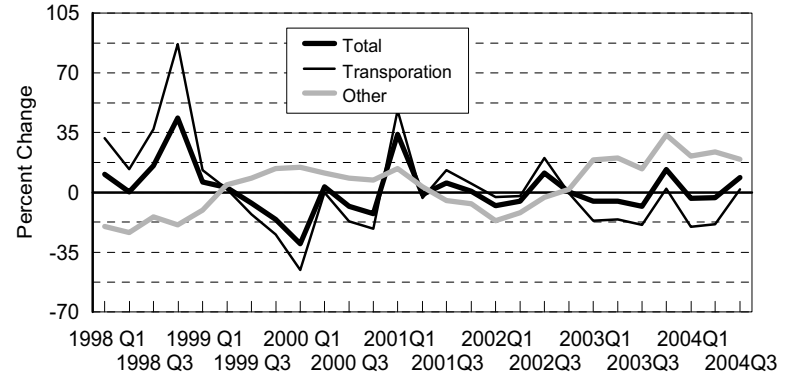


Chart 2.15
U.S. Economic Indicators*
 January 1970 to October 2004

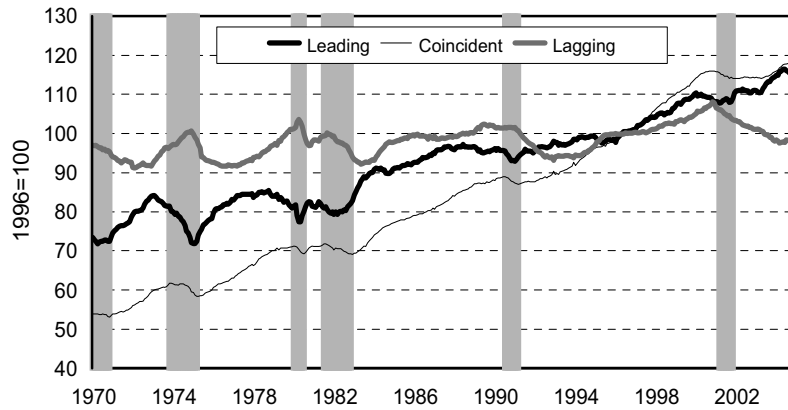
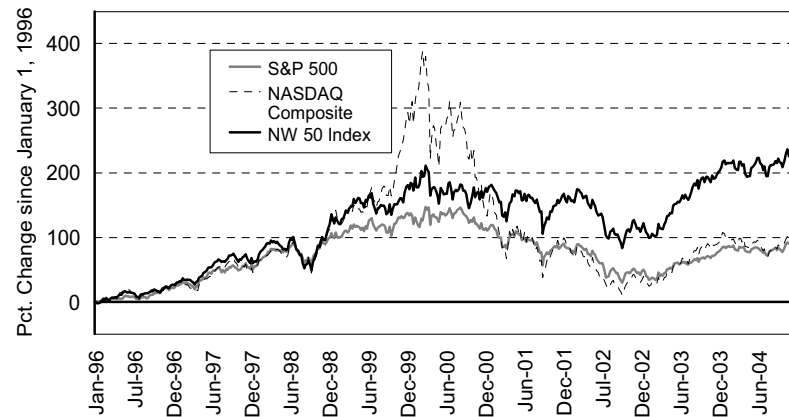


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
 January 1, 1996 to November 26, 2004



* 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 November 30, 2004

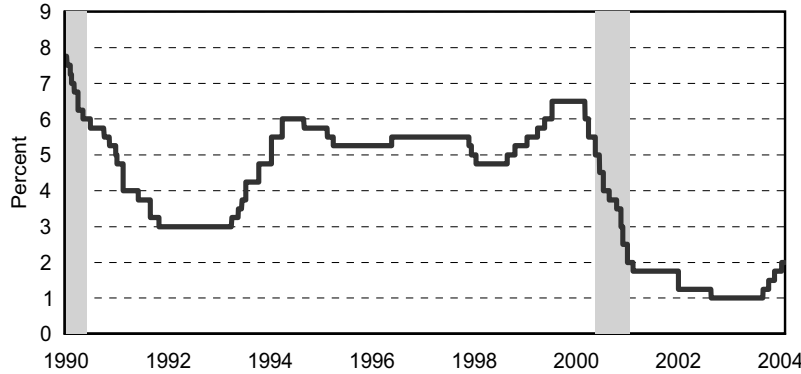


Chart 2.18
Consumer Confidence
 January 1978 to November 2004

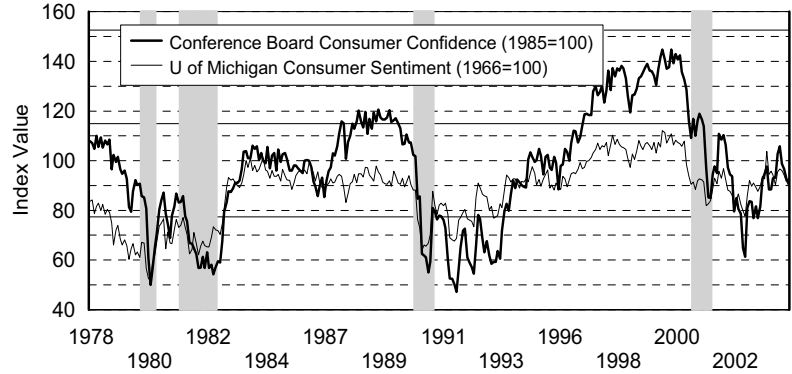


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to October 2004

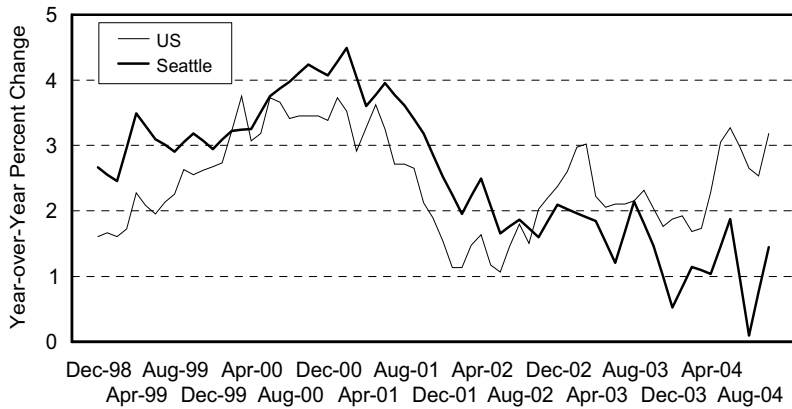
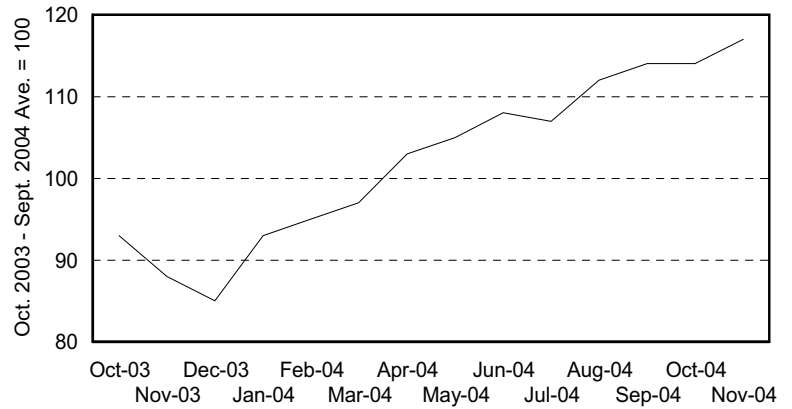


Chart 2.20
Monster Employment Index
 October 2003 to November 2004



* 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
2002:10	97.2	110.3	67	40	52.8	49.7
2002:11	97.4	111.0	66	40	45.1	49.6
2002:12	97.1	111.1	65	39	49.8	53.3
2003:1	96.9	111.0	65	41	43.5	53.0
2003:2	96.7	110.6	62	40	55.5	49.4
2003:3	96.1	110.4	57	39	50.0	46.6
2003:4	95.9	110.5	59	36	55.3	46.2
2003:5	96.5	111.6	58	35	54.7	50.0
2003:6	97.2	112.0	60	38	51.7	50.4
2003:7	96.7	112.8	62	38	58.4	52.6
2003:8	96.7	113.2	59	37	54.7	55.0
2003:9	96.9	113.3	60	37	58.3	54.7
2003:10	97.3	113.9	61	37	63.5	57.1
2003:11	98.1	114.2	67	39	64.2	61.3
2003:12	97.9	114.5	62	37	64.3	63.3
2004:1	97.2	114.9	51	38	58.2	63.6
2004:2	98.0	114.9	57	40	62.1	61.4
2004:3	98.5	115.8	59	39	72.2	62.5
2004:4	98.3	115.9	57	38	63.6	62.4
2004:5	98.7	116.4	58	39	60.2	62.8
2004:6	98.2	116.4	55	38	68.4	61.1
2004:7	98.5	116.1	55	37	70.9	62.0
2004:8	98.7	115.7	56	37	61.3	59.0
2004:9	98.5	115.4	52	36	63.1	58.5
2004:10	99.0	115.1	53	37	56.7	56.8

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Washington State Revenue Forecast Summary

Introduction

The Washington State Economic and Revenue Forecast Council approved a \$15.8 million increase to the General Fund-State revenue forecast at its November 16, 2004 meeting. Better than expected collections in the two months since the September forecast and a still strong real estate market boosted the forecast for the current biennium by \$70.0 million. However, the new U.S. economic forecast indicates a little slower growth in the future largely due to higher oil prices. This lowered the revenue forecast for the 2005-07 biennium by \$54.2 million.

The November 2004 GFS revenue forecast expects \$23,172.7 million in the 2003-05 biennium, which spans the period July 2003 through June 2005. Both economic and revenue growth improved in the first year of the biennium and the forecast continues to assume moderate job and revenue growth for the remainder of the current budget period. The November forecast expects \$2.0 billion, 9.6 percent, more GFS revenue in the 2003-05 biennium than in the 2001-03 budget period. Some of this increase is due to tax law changes rather than economic growth. Excluding tax law changes, GFS revenue is expected to increase 8.3 percent in the 2003-05 biennium.

The GFS unrestricted ending balance for the 2003-05 biennium is now projected to be \$641 million, about 2.8 percent of the biennial budget. Although GFS revenue (\$23,172.7 million) for the biennium is expected to be less than the spending level (\$23,246.1 million) the 2003-05 biennium is ex-

Table 3.1
**Revision to the General Fund-State Forecast
2003-05 & 2005-07 Biennia**
November 2004
(Millions of dollars)

	<u>2003-05 Biennium</u>	<u>2005-07 Biennium</u>	<u>Both Biennia</u>
Non Economic Changes	\$0.0	\$0.0	\$0.0
Forecast Change	<u>70.0</u>	<u>(54.2)</u>	<u>15.8</u>
Total Change*	\$70.0	(\$54.2)	\$15.8

*Detail may not add to totals due to rounding

pected to end with a positive ending balance due to a \$404.6 million beginning balance and \$309.9 million of one-time transfers and adjustments.

The November 2004 GFS forecast for the 2005-07 biennium, which spans the period July 2005 through June 2007, is now \$24,721.8 million. Although the current forecast expects a little slower economic growth than in September, the economy is still expected to produce moderate revenue growth next biennium. GFS revenue in the 2005-07 budget period is projected to be \$1.5 billion, 6.7 percent higher than in the current biennium. The growth of GFS revenue next biennium is weaker than for the current biennium primarily due to a larger amount of property tax revenue begin transferred from the General Fund to the Student Achievement Account. Adjusting for the I-728 property tax diversion and other tax law changes GFS revenue is expected to increase 8.6 percent in the 2005-07 biennium.

Background and Assumptions

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

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the November 2004 baseline forecast for the 2003-05 biennium is shown in Table 3.2.

November 2004 Forecast Assumptions

1. The November 2004 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 eco-

conomic outlook for the state is in part based on the Global Insight Inc. October 2004 baseline forecast for the U.S. economy.

2. The GFS revenue forecast is based on current law and administrative practices. The impact of 2004 legislation was incorporated into the June 2004 GFS revenue 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 and the School Construction Account. Part II of Table 3.19 summarizes lottery distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2003-05 and 2005-07 biennia. As of November 2004, new tax law changes have increased GFS revenue for the 2003-05 biennium by an estimated \$661 million. The GFS forecast for the 2005-07 biennium is also affected by legislation. Legislation enacted in the 2004 legislative session reduced the GFS forecast for the 2004-07 biennium by \$287 million. In addition, the effect of Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, accelerates in both the 2003-05 biennium and the 2005-07 biennium. The I-728 transfers from the General Fund to the Student Achievement Account have a disproportional effect on GFS revenue for the 2003-05 and 2005-07 biennia relative to prior biennia. The I-728 property tax transfers grow from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium. They are expected to grow to \$629.2 million in the 2005-07 biennium. (See part I of Table 3.19)

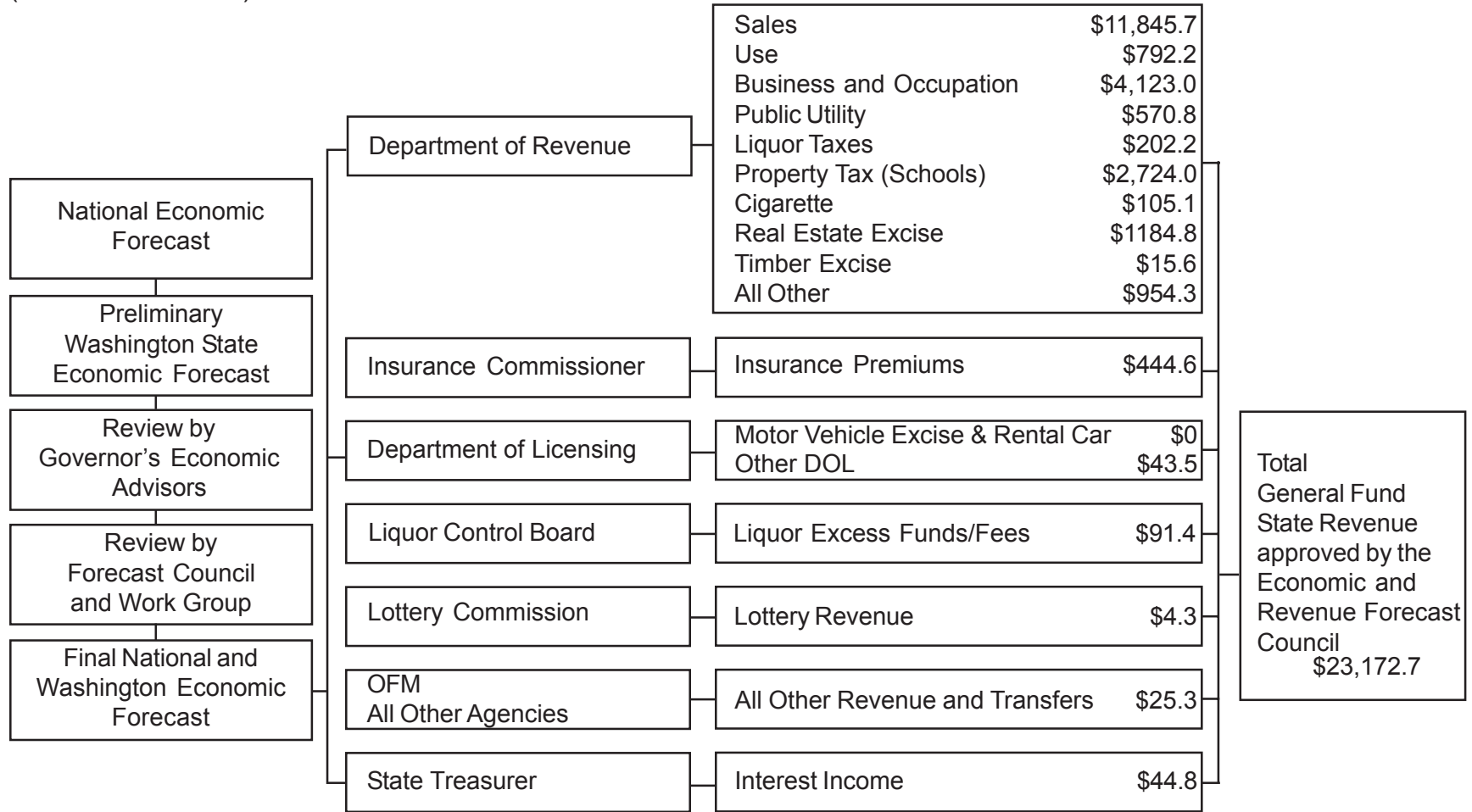
Recent Collection Experience

Revenue collected in the two months since the September forecast was \$38.8 million, 2.2 percent, more than expected. Revenue Act taxes (Washington's major excise taxes: sales, use, business and occupation and public utility taxes) were stronger than expected and accounted for the majority, \$18.1 million, of the variance in the last two months. Real estate excise tax (+\$10.7 million) and estate tax collections (+\$10.6 million) were also significantly higher than assumed.

Spending as measured by state excise tax revenue, improved in the last two months despite weaker than expected income growth, higher fuel prices and higher short term interest rates. Revenue Act receipts (primarily sales and business and occupation tax payments) were 6.2 percent above the year-ago level in the two months since the September forecast. Growth was 5.2 percent in the second quarter and 5.5 percent in the first quarter. Revenue was up a strong 7.6 percent in the most recent month (September business activity), the strongest increase since March.

The most current industry detail is based on preliminary data on tax payments of more than 13,000 mostly large taxpayers who filed electronically for the most recent month (September 2004 activity). Tax payments of businesses in the retail trade and food services sector were up a strong 8.9 percent from the

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



* Cash Basis

year-ago level while non-retailers reported a 3.5 percent increase. Last month tax payments by retailers increased only 0.1 percent while non-retailers reported a 6.7 percent gain. For the current month all three-digit retail NAICS sectors reported an increase in tax payments. Three of twelve three digit retail NAICS sectors reported double-digit gains: building material/garden equipment retailers (+15.6 percent), furniture and home furnishings retailers (+15.1 percent) and apparel and accessory stores (+15.0 percent). Tax payment growth in other retail trade sectors ranged from an 8.2 percent increase reported by motor vehicles and parts retailers to a 2.7 percent increase reported by gas stations and convenience stores. The increase in payments by motor vehicle and parts retailers was particularly encouraging. This sector had reported declines in payments in two of the last three months. The year-over-year changes in tax payments reported by business in non-retail NAICS sectors were mostly positive. Sectors reporting increases include the transportation and warehouse sector (+16.5 percent), the construction sector (+9.4 percent), the health services sector (+8.3 percent), the information sector (+8.4 percent), and the wholesale trade sector (+5.2 percent). Sectors reporting declines include finance and insurance (-17.6 percent), professional, scientific and technical services (-5.5 percent) and manufacturing (-4.1 percent).

After increasing at an incredible 140.3 percent annualized rate in the second quarter of 2004, seasonally adjusted taxable real estate excise activity increased at a 19.8 percent annual rate in the third quarter of 2004. This was stronger than assumed in the

September forecast. Very low mortgage rates and rising housing prices continue to produce a very strong real estate market. Monthly data indicates while still strong, there appears to be some deceleration in the growth of activity. Real estate activity based on closings in September were up 19.2 percent from a year-ago. Last month activity was up 20.7 percent and it was up 28.9 percent two months ago. Most of the increase continues to reflect higher prices. The number of transactions was below the year-ago level last month and transactions in the first nine months of the year are up only 3.3 percent. On the other hand, the value per transaction has increased on average 19.2

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
 September 11 - November 10, 2004
 Based on the September 2004 Forecast (Millions of Dollars)

Agency/Source	Collection Variance*	Percent of Estimate	Adjusted	
			Collection Variance**	Percent of Estimate
Department of Revenue				
Revenue Act ¹	\$18.1	1.2%	\$18.1	1.2%
Non Revenue Act ²	\$20.6	10.3%	\$20.6	10.3%
Subtotal	<u>\$38.7</u>	<u>2.2%</u>	<u>\$38.7</u>	<u>2.2%</u>
Department of Licensing ²	\$0.1	6.1%	\$0.1	6.1%
Other	na	na	na	na
Total***	\$38.8	2.2%	\$38.8	2.2%

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 September 11, 2004 through November 10, 2004.

² Variance based on September and October 2004 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 September 2004 forecast.

** Variance adjusted for special factors (e.g. unusually large refunds & audit payments).

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

percent in the first nine months of calendar 2004 and is up 23.3 percent in the most recent month.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$77,000 (6.1 percent) above the estimate in the three months since the September forecast. During this period, Department of Licensing General Fund collections were 6.5 percent below the year-ago level.

The General Fund-State Forecast for the 2003-05 and 2005-07 Biennia

The November 2004 forecast for the 2003-05 biennium (July 1, 2003 to June 30, 2005) continues to assume modest economic and revenue growth. Nationally, output as measured by real GDP growth increased 4.4 percent in fiscal 2004, the first year of the biennium. This was up from just 2.3 percent in fiscal 2003 and was the best growth since fiscal 2000. The pace of the recovery is expected to weaken a little in fiscal 2005. In the current economic forecast, real GDP growth is only 3.8 percent, a little slower than assumed in the September economic forecast. At the state level both income and employment growth improved in fiscal 2004 and are expected to improve even more in fiscal 2005. Revenue growth also accelerated in fiscal 2004, growing 5.9 percent, much faster than last fiscal year (2.3 percent) and faster than the 3.8 percent increase in personal income. Spending in fiscal 2005 will be helped by Microsoft's special dividend payment in the fourth quarter of 2004 as well as the change to Federal tax law allowing Washingtonians to deduct sales tax on their federal income tax return. However, with higher interest rates and little or no relief in sight from high fuel prices, spending is expected to slow in fiscal 2005 and revenue growth is expected to decelerate a bit. For the biennium as a whole, the 2003-05 budget period will clearly outperform the 2001-03 period. State nominal personal income is expected to increase 7.7 percent in the 2003-05 biennium, up from 5.8 percent in the 2001-03 biennium. However, wage and salary employment growth is expected to increase only 1.6 percent in the 2003-05 biennium. Though much better than the 1.5 percent decline experienced in the 2001-03 biennium, this is still the weakest biennium employment growth since the 81-83 biennium. The November forecast expects GFS revenue to improve along with the economy. GFS revenue in the 2003-05 biennium is expected to total \$23,172.7 million. This is \$2.0 billion (9.6 percent) more than in the 2001-03 biennium. Adjusting for major legislative changes, GFS revenue is expected to grow 8.3 percent. This is a vast improvement from the 2001-03 biennium in which GFS revenue fell \$121 million (0.6 percent.)

The November 2004 forecast for the 2005-07 biennium continues to assume modest economic and revenue growth. Both economic and revenue growth are expected to be better than in the current biennium. Real personal income in Washington is expected to increase 7.5 percent in the 2005-07 biennium, up from 3.7 percent in the 2003-05 period. Employment growth is also expected to improve, increasing 3.6 percent compared to 1.6 percent in the current biennium. Revenue growth will also improve. The state is expected to collect \$24,721.8 million in GFS receipts in the 2005-07 budget period. This is \$1.5 billion, 6.7 percent, more than in the 2003-05 biennium. Adjusting for tax law changes and the impact of higher I-728 transfers out of the General Fund, revenue is expected to increase 8.6 percent, a little better than the 8.3 percent adjusted growth expected in the 2003-05 biennium.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These three taxes accounted for 85.8 percent of the \$21.1 billion total GFS cash receipts in the 2001-03 biennium. These taxes are expected to account for 84.1 percent of GFS revenue in the 2003-05 biennium and 85.2 percent in the 2005-07 biennium. The state's reliance on sales, business and occupation, and prop-

erty taxes has increased over time, rising from 79.7 percent in the 1991-93 biennium and from 75 percent twenty-five years ago. The reduction in the General Fund's reliance on these three taxes between the 2001-03 and the 2003-05 biennia is primarily due to a surge in real estate excise tax revenue. The real estate excise tax is the General Fund-State's the fourth largest revenue source. Real estate excise tax is expected to increase 35.7 percent this biennium compared to 9.6 percent for total GFS revenue. Real estate tax revenue accounted for 4.1 percent of GFS revenue in the 2001-03 biennium (up from just 2.7 percent in the 1991-93 biennium) and it is expected to account for 5.1 percent of GFS revenue in the current biennium.

The retail sales and use tax, the state's largest revenue source, generated \$11.7 billion, 55.5 percent of total GFS revenue in the 2001-03 biennium. Sales and use taxes are expected to produce \$12.6 billion, 54.5 percent of total GFS revenue in the 2003-05 biennium and \$13.9 billion, 56.2 percent of the total in the 2005-07 budget period. The business and occupation tax totaled \$3.8 billion in the 2001-03 biennium, 17.9 percent of total GFS revenue. This tax is expected to produce \$4.1 billion, 17.8 percent of the total in the 2003-05 biennium and \$4.6 billion, 18.5 percent of the total in the 2005-07 biennium. The state share of the property tax totaled \$2.6 billion, 12.4 percent of total GFS revenue in the 2001-03 biennium. The November forecast expects property tax to produce \$2.7 billion in the 2003-05 biennium, 11.8 percent of total GFS revenue and \$2.6 billion, 10.6 percent of the total in the 2005-07 biennium. The reduction in the property tax share of total GFS receipts reflects the growing 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 \$23,103.3 million in the second quarter of 2004, the most recent quarter available. This was 6.0 percent higher than a year-ago. Taxable sales increased 6.1 percent in the first quarter of 2003. Taxable sales have now increased on a year-over-year basis for eight consecutive quarters after having fallen or remained unchanged for five straight quarters. The increase in the second quarter of 2004 ties (with the first quarter) the best year-over-year growth since the second quar-

Biennium	Current Dollars	Percent Change	2000	
			Chained Dollars	Percent Change
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%	20,395.4	-4.1%
2003-05 ^F	23,172.7	9.6%	21,529.8	5.6%
2005-07 ^F	24,721.8	6.7%	22,186.8	3.1%

^F: November 2004 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 November 2004 forecast.

Table 3.5
Taxable Retail Sales*
 November 2004
 (Millions of Dollars)

<u>Fiscal Year</u>	<u>Amount</u>	<u>Percent Change</u>
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	83,385	8.0%
2001	85,633	2.7%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005 ^F	94,737	5.1%
2006 ^F	99,162	4.7%
2007 ^F	104,243	5.1%

^F Forecast.

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

ter of 2000. The growth of Washington taxable sales in the second quarter of 2004 was again better than personal income but weaker than retail sales nationally. U.S. retail and food service sales were very strong in the second quarter of 2004. They were 7.8 percent above the year ago level, the same as last quarter. The Global Insight forecast assumes growth has moderated and third quarter U.S. retail sales increased 6.5 percent. The November 2004 forecast assumes that taxable sales in Washington increased 4.4 percent in the third quarter of 2004.

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. Preliminary analysis of the growth of taxable sales in the second quarter of 2004 by sector (NAICS basis) shows the retail trade sector, which accounted for about 45 percent of all taxable sales in the second quarter, was 5.5 percent above the year-ago level. Last quarter taxable sales in the retail trade sector increased 8.2 percent. Within retailing, building materials and garden supply retailers reported the largest year-over-year gain in the second quarter, 16.1 percent. Furniture and home furnishing stores (+12.6 percent) also reported a strong gain. For the fourth straight quarter no three digit retail sector reported a decline in taxable sales, however, taxable sales of auto dealers, the largest retail trade sector accounting for 12.7 percent of taxable sales in the second quarter, grew only 0.2 percent.

Taxable sales reported by non-retailing sectors were 6.4 percent higher than a year-ago in the second quarter of 2004. This was the best year-over-year increase since the first quarter of 2001. Last quarter, taxable sales of non-retailers increased 4.4 percent. The second quarter year-over-year change varied widely among non-retail trade sectors. Taxable sales reported by the contract construction sector, which accounted for 16.7 percent of all taxable sales in the second quarter of 2004, was very strong 13.3 percent higher than a year ago. Last quarter this sector was up 8.2 percent. Taxable

Chart 3.1
General Fund-State Revenue

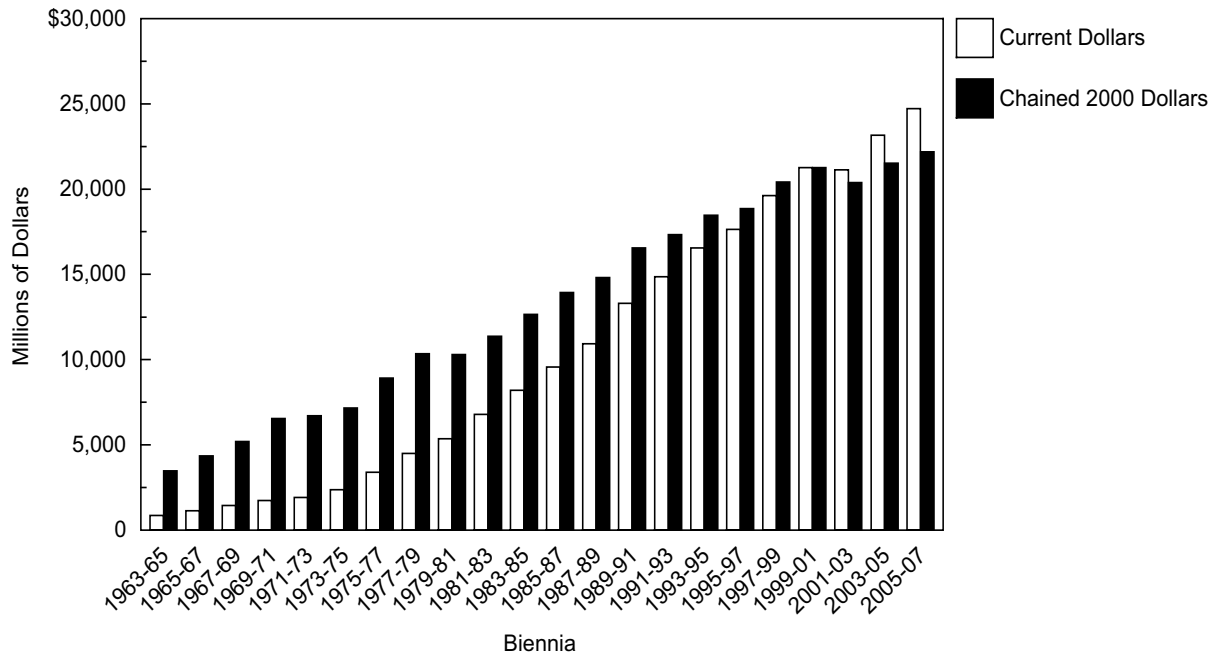


Chart 3.2
General Fund-State Revenue - Percent Change

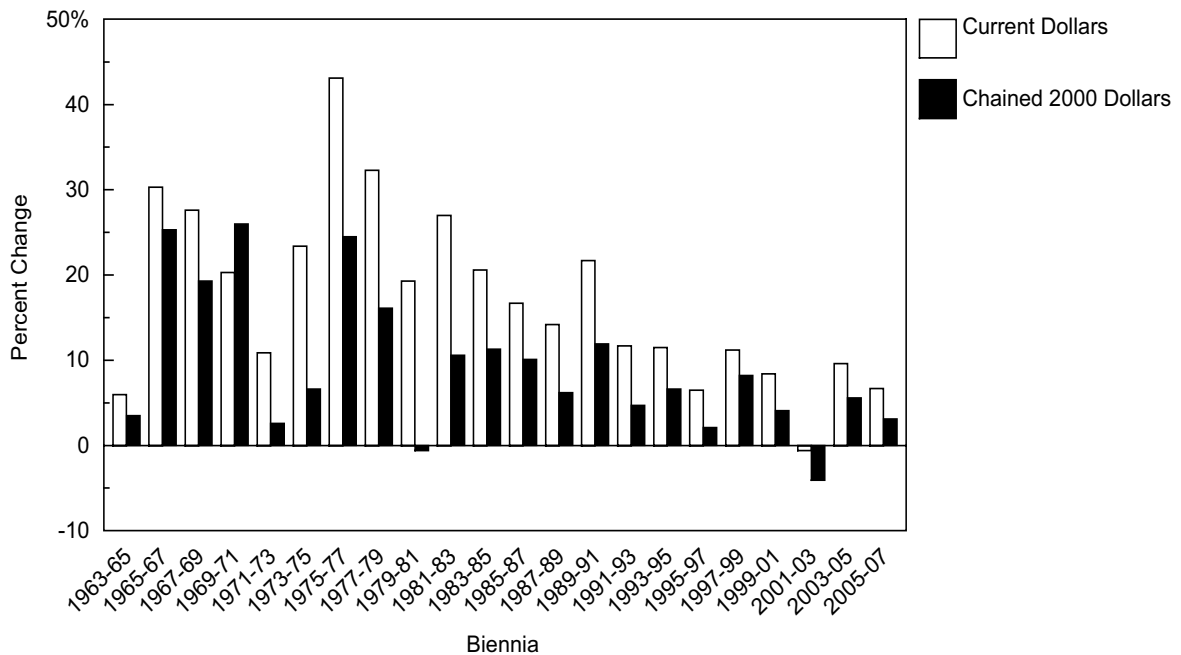


Chart 3.3
Composition of General Fund-State Revenue

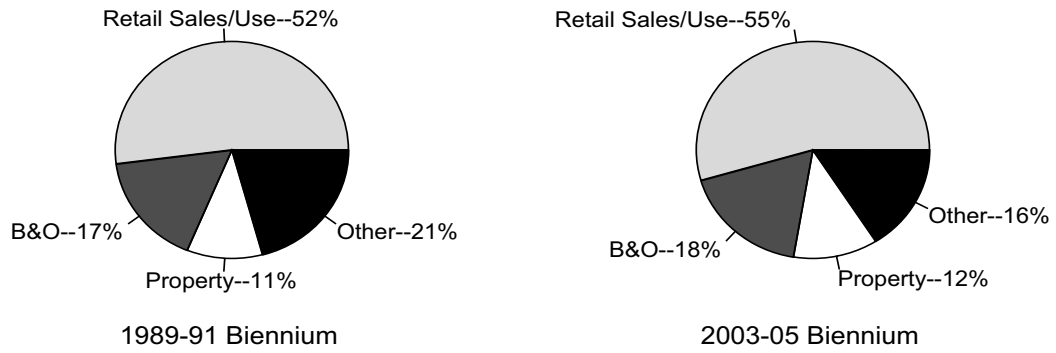
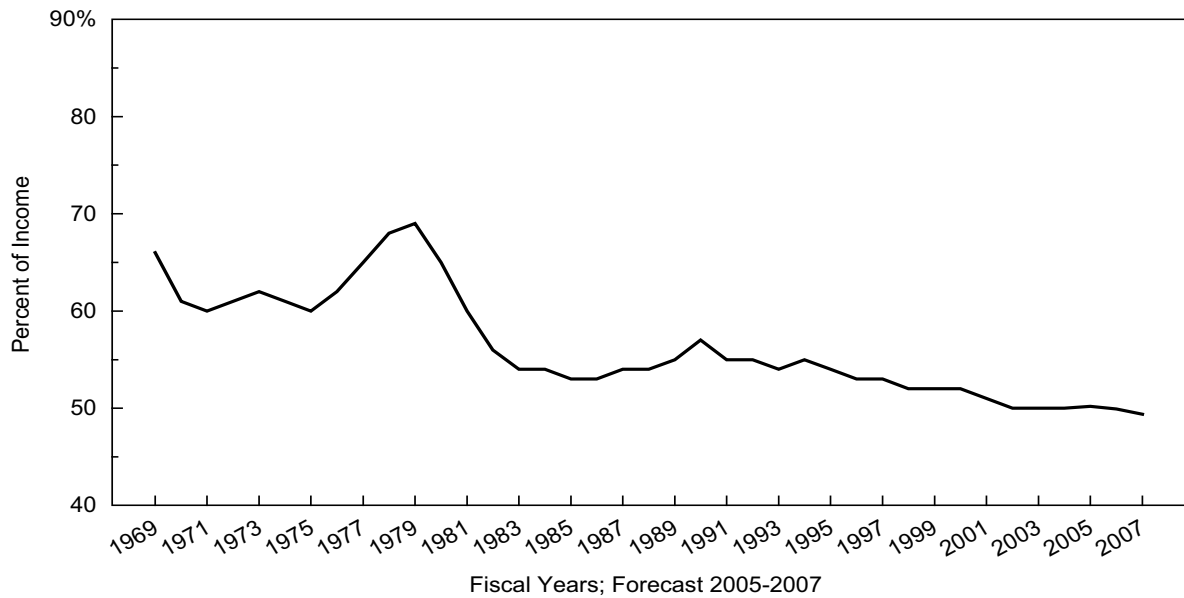


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

sales reported by the service sector, which accounted for 17.7 percent of all taxable sales in the second quarter, were 5.3 percent higher than a year-ago. Last quarter this sector reported a 5.8 percent increase. Taxable sales in the manufacturing sector increased 2.3 percent. The wholesale trade sector reported a 5.3 percent year-over-year increase in taxable sales in the second quarter. The only declines reported by major industry groups were a 9.0 percent drop in taxable sales reported by the finance/insurance sector and a 0.2 percent decline reported by the information sector.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 4.7 percent higher than a year ago in the second quarter of 2004. Taxable sales increased 8.0 percent in the rest of the state. Taxable sales in King County were 4.8 percent higher than a year-ago for the quarter. This is the fourth straight quarterly year-over-year taxable sales increased in King County. Prior to the third quarter of 2003, King County taxable sales had declined or remained unchanged eight of the previous nine quarters. Taxable sales growth in King County, while improving, continues to lag the statewide average. King County taxable sales growth has been below the statewide average for fourteen consecutive quarters. Taxable sales in Snohomish County increased 5.0 percent in the second quarter of 2004 and Pierce County reported a 4.1 percent increase. Taxable sales in Spokane County were 5.7 percent above the year-ago level.

Statewide taxable sales increased 4.6 percent in fiscal 2004. This is a significant improvement over the last three years. Taxable sales increased only 2.7 percent in fiscal 2001, declined 1.4 percent in fiscal 2002 and grew only 2.1 percent in fiscal 2003. The November 2004 forecast expects some additional improvement in fiscal 2005, with taxable sales expected to increase 5.1 percent. Taxable sales are expected to grow moderately in the 2005-07 biennium. The forecast assumes taxable sales will grow 4.7 percent in fiscal 2006 and 5.1 percent in fiscal 2007.

Forecast Change for the 2003-05 and the 2005-07 Biennia

The November 2004 forecast expects \$15.8 million more GFS revenue than assumed in September for the 2003-05 and 2005-07 biennia. The November 2004 forecast of GFS revenue for the two year budget cycle ending June 30, 2005 is \$70.0 million (0.3 percent) higher than in September. The change includes \$38.8 million of higher than expected revenue in the two months since the forecast in September.

Slower economic growth than assumed in September will produce a little less revenue for the 2005-07 biennium. The November GFS forecast for the 2005-07 biennium is \$54.2 million (-0.2 percent) lower than expected in September. Although the November forecast expects the pace of job, income and spending growth will be a little weaker than assumed in the September forecast, both economic and revenue growth for the 2005-07 biennium are expected to improve relative to the growth in the current biennium.

Table 3.6 summarizes the changes to the November 2004 cash forecast by type of change. Tables 3.7 and 3.8 summarize November changes to GFS revenue for the 2003-05 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the changes to GFS revenue forecast for the 2005-07 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source (cash basis). Table 3.12 provides a fiscal year summary of GFS cash receipts. Below is a summary of changes to the forecast by agency.

Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue for the 2003-05 and 2005-07 biennia. The

November forecast of GFS revenue sources administered and collected by the Department of Revenue is \$8.1 million higher than in September. The change is comprised of a \$64.8 million increase to the current (2003-05) biennium and a \$56.7 million reduction to the forecast for the 2005-07 biennium. More than half of the increase this biennium reflects actual collections experience in the two months since the September forecast. The remainder of the change is primarily due to a stronger than expected real estate market. The national economy is expected to grow a little slower than expected in September. This will slow economic and revenue growth in the state and is the principle reason for the small reduction to the revenue forecast for the 2005-07 biennium.

Major changes to the November 2004 forecast include a \$50.1 million reduction to the sales tax forecast, a \$30.8 million increase to the real estate excise tax forecast, a \$28.9 million increase to the public utility tax forecast, a \$28.6 million increase to the estate tax forecast, a \$13.7 million reduction to the business and occupation tax forecast, and a \$12.3 million reduction to the use tax forecast. These changes are the combined total for the 2003-05 and the 2005-07 biennia. The forecasts for estate and public utility tax are higher for both fiscal 2005 and the 2005-07 biennium. The forecast for sales, business and occupation, real estate excise and use tax are higher than expected in September for the current biennium but are lower for the 2005-07 biennium. The better outlook for fiscal 2005 primarily reflects actual collection experience while the reduction next biennium reflects the somewhat weaker economic outlook.

Most major tax sources are expected to experience modest growth in the 2003-05 and the 2005-07 biennium. The major exception is the portion of the state property tax levy that goes to the General Fund. While overall the state levy is expected to increase 6.0 percent in the 2003-05 biennium and 6.4 percent in the 2005-07 biennium, the General Fund portion of the property tax is expected to increase only 4.4 percent in the 2003-05 biennium and decline 3.9 percent in the 2005-07 biennium. 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) grows from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium and to \$629.2 million in the 2005-07 biennium.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from professional licenses, boat excise tax, and boat registration. The Department's General Fund-State forecast for the current biennium has been increased \$0.1 million to \$43.5 million, and its forecast for the 2005-07 biennium has been decreased \$0.1 million to \$45.3 million.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the current biennium has been increased \$1.8 million to \$25.3 million and its forecast for the 2005-07 biennium has been increased \$0.8 million to a negative \$16.5 million. Forecast increases in both biennia were due mainly to increases in the forecasted revenue from the Department of Financial Institutions. The office's negative forecast for the 2005-07 biennium indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies.

State Treasurer

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's General Fund-State forecast for the current biennium has been increased \$1.7 million to \$44.8 million and its forecast for the 2005-07 biennium has been decreased \$0.7 million to \$72.9 million. Forecast changes were due primarily to changes in forecasted short-term interest rates.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. The office's forecast of General Fund-State revenue for both biennia is unchanged at \$444.6 million for the current biennium and \$491.4 million for the 2005-07 biennium.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The agency's estimate of excess funds and fees for the current biennium has been increased \$1.3 million to \$88.7 million and its forecast of beer and wine surtaxes is unchanged at \$3.7 million. The agency's estimate of excess funds for the 2005-07 biennium has been increased \$2.5 million to \$86.7 million and its forecast of beer and wine surtaxes is unchanged at \$3.9 million. The forecasted decline of excess funds and fees in the 2005-07 biennium compared to the current biennium is due to the forecasted expiration in the current biennium of a \$0.42 per liter surcharge, which expires by law once it has generated \$14 million in revenues.

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, Student Achievement, and stadium/exhibition center accounts receive their allotments. The Commission's General Fund cash forecast for the current biennium has been increased from \$4.0 million to \$4.3 million to reflect additional FY05 cash transfers accruing to FY04. The Commission's General Fund forecast for the 2005-07 biennium remains at zero dollars. The Commission's forecast of revenues for the School Construction and Student Achievement Funds for the current biennium is unchanged at \$197.4 million, and its forecast of revenues for the School Construction Account for the 2005-07 biennium is unchanged at \$180.0 million.

Track Record for the 2003-05 Biennium

The November 2004 GFS cash receipts forecast for the 2003-05 biennium totals \$23,172.7 million. This is \$70.0 million more than the previous forecast released in September 2004. It is \$383 million higher than the February 2002 forecast which was the initial forecast for the biennium. However, legislative changes greatly distort this variance. Excluding the impact of non-economic factors, primarily the impact of 2002, 2003 and 2004 legislative changes, the November 2004 forecast is \$278 million (1.2 percent) lower than the February 2002 forecast. There have been eleven revisions to the forecast for the 2003-05 biennium since February 2002. The first five lowered expected revenue (excluding tax law changes), and the last six, including the November 2004 update, have increased the forecast. Since June 2003 the

Table 3.6
Summary of Changes to the General Fund-State Forecast
 November 2004 Cash Forecast
 (Millions of Dollars)

		November 2004
<u>2003-05 Biennium</u>		
<i>Collection Experience in the 2003-05 Biennium</i>		\$38.8
Department of Revenue ¹	38.7	
Other agencies ²	0.1	
<i>Forecast Change for the 2003-05 Biennium</i>		\$31.2
Department of Revenue	26.1	
Other agencies	5.1	
<i>Non-Economic Change for the 2003-05 Biennium</i>		\$0.0
Department of Revenue	0.0	
Other agencies	0.0	
Total Change: 2003-05 Biennium*		\$70.0
<u>2005-07 Biennium</u>		
<i>Forecast Change for the 2005-07 Biennium</i>		(54.2)
Department of Revenue	(56.7)	
Other agencies	2.5	
<i>Non-Economic Change for the 2003-05 Biennium</i>		0.0
Department of Revenue	0.0	
Other agencies	0.0	
Total Change: 2003-05 Biennium		(\$54.2)
Total Change: Both Biennia*		\$15.8

¹ Variance based on collections September 11 - November 10, 2004; retail sales, b&0, use & public utility taxes.

² Variance based on collections in September and October 2004.

* Detail may not add due to rounding.

forecast, excluding legislation, has been raised \$529 million, 2.2 percent. Table 3.13 summarizes the changes to the GFS forecast for the 2003-05 biennium since February 2002.

Track Record for the 2005-07 Biennium

The November 2004 GFS cash receipts forecast for the 2005-07 biennium totals \$24,721.8 million. This is \$54.2 million less than the previous forecast released in September 2004. The November 2004 updated is the third revision to the GFS revenue forecast for the 2005-07 biennium since the initial forecast in February 2004. This is the first reduction to the 2005-07 forecast, excluding legislation and other non-economic factors. The November 2004 forecast for the 2005-07 budget period is \$232 million less than the initial estimate for the biennium, the reduction is entirely due to 2004 legislation and adjustments which have reduced the forecast by \$287 million. Excluding non-economic changes, the current GFS forecast for the 2005-07 biennium is \$55 million (0.2 percent) higher than the initial February 2004 forecast. Table 3.14 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium.

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

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

Table 3.17 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2001-03 biennium totaled \$21,192.3 million on a GAAP basis, \$51.6 million higher than the \$21,140.7 million cash receipts total. The forecast on a GAAP basis for the 2003-05 biennium is \$23,261.1 million, \$88.4 million more than the \$23,172.7 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$24,798.3 million on a GAAP basis, \$76.5 million more than the \$24,721.8 million cash forecast.

Table 3.16 shows the budgetary balance sheet for the 2003-05 biennium. The November 2004 projected GFS unrestricted ending balance for the 2003-05 biennium is \$641.0 million. This is \$69.9 million more than assumed in September. The change is virtually all due to the higher GFS revenue forecast for the 2003-05 biennium. The projected ending balance is about 2.8 percent of the 2003-05 spending level. The 2003-05 biennium is expected to end with a \$641 million positive ending balance despite a biennial spending level (\$23,246.2 million) greater than biennial revenue (\$23,172.7 million) due to a \$404.6 million beginning balance and \$309.9 million in one-time transfers and adjustments.

Table 3.7
Comparison of the General Fund-State Forecast by Agency
2003-05 Biennium; Cash Basis
(Millions of Dollars)

Forecast by Agency	Sept. 2004 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$11,840.3	0.0	\$5.4	\$11,845.7	\$5.4
Business & Occupation Use	4,118.2	0.0	4.8	4,123.0	4.8
Public Utility	791.3	0.0	1.0	792.2	1.0
Liquor Sales/Liter	557.8	0.0	12.9	570.8	12.9
Cigarette	202.2	0.0	0.0	202.2	0.0
Property (State Levy)	104.9		0.2	105.1	0.2
Real Estate Excise	2,727.8		(3.7)	2,724.0	(3.7)
Timber Excise	1,153.4		31.4	1,184.8	31.4
Other	15.4		0.2	15.6	0.2
Subtotal	941.7	0.0	12.6	954.3	12.6
	22,452.9	\$0.0	64.8	22,517.8	64.8
Department of Licensing					
Boat excise, licenses, fees & other	43.4		0.1	43.5	0.1
Insurance Commissioner					
Insurance Premiums	444.6		0.0	444.6	0.0
Liquor Control Board					
Liquor Profits and Fees	87.4		1.3	88.7	1.3
Beer & Wine Surtax	3.7		0.0	3.7	0.0
Lottery Commission					
Lottery Revenue	4.0		0.3	4.3	0.3
State Treasurer					
Interest Earnings	43.1		1.7	44.8	1.7
Office of Financial Management					
Other	23.5		1.8	25.3	1.8
Total General Fund-State *	\$23,102.7	\$0.0	\$70.0	\$23,172.7	\$70.0

1 General Fund-State forecast for the 2003-05 biennium, adopted September 2004.

2 Revised General Fund-State forecast for the 2003-05 biennium, adopted November 2004.

*Detail may not add to totals because of rounding.

Table 3.8
Comparison of the General Fund-State Forecast by Agency
2003-05 Biennium; GAAP Basis
(Millions of Dollars)

Forecast by Agency	Sept. 2004 Forecast¹	Non - Economic Changes³	Forecast Revision	Nov. 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$11,890.8	\$0.0	\$5.4	\$11,896.2	\$5.4
Business & Occupation Use	4,129.5	0.0	4.7	4,134.2	4.7
Public Utility	795.7	0.0	1.0	796.7	1.0
Liquor Sales/Liter	558.8	0.0	11.6	570.4	11.6
Cigarette	203.2	0.0	0.0	203.2	0.0
Property (State Levy)	103.8		(0.5)	103.3	(0.5)
Real Estate Excise	2,730.9		(3.2)	2,727.7	(3.2)
Timber Excise	1,165.8		31.5	1,197.3	31.5
Other	16.4		0.3	16.7	0.3
Subtotal	942.8	0.0	16.8	959.5	16.8
	22,537.7	0.0	67.5	22,605.2	67.5
Department of Licensing					
Boat excise, licenses, fees & other	44.8	0.0	0.3	45.1	0.3
Insurance Commissioner					
Insurance Premiums	444.6		0.0	444.6	0.0
Liquor Control Board					
Liquor Profits and Fees	87.4		1.3	88.7	1.3
Beer & Wine Surtax	3.7		0.0	3.7	0.0
Lottery Commission					
Lottery Revenue	4.0		0.3	4.3	0.3
State Treasurer					
Interest Earnings	41.8		1.9	43.8	1.9
Office of Financial Management					
Other	24.0	0.0	1.8	25.7	1.8
Total General Fund-State *	\$23,188.1	\$0.0	\$73.0	\$23,261.1	\$73.0

1 General Fund-State Forecast for the 2003-05 biennium adopted September 2004.

2 Revised General Fund-State Forecast for the 2003-05 biennium adopted November 2004.

*Detail may not add to totals because of rounding.

Table 3.9

**Comparison of the General Fund-State Forecast by Agency
2005-07 Biennium; Cash Basis**

(Millions of Dollars)

Forecast by Agency	Sept. 2004 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,080.3	\$0.0	(\$55.5)	\$13,024.7	(\$55.5)
Business & Occupation Use	4,581.4	0.0	(18.5)	4,562.9	(18.5)
Public Utility	878.4	0.0	(13.3)	865.1	(13.3)
Liquor Sales/Liter	562.2	0.0	16.0	578.2	16.0
Cigarette	212.2	0.0	0.0	212.2	0.0
Property (State Levy)	97.1	0.0	(0.2)	96.9	(0.2)
Real Estate Excise	2,625.1	0.0	(6.5)	2,618.6	(6.5)
Timber Excise	1,111.4	0.0	(0.6)	1,110.8	(0.6)
Other	20.1	0.0	0.8	20.9	0.8
Subtotal	926.7	0.0	21.2	947.9	21.2
	24,094.9	0.0	(56.7)	24,038.1	(56.7)
Department of Licensing					
Boat excise, licenses, fees & other	45.3		(0.1)	45.3	(0.1)
Insurance Commissioner					
Insurance Premiums	491.4		0.0	491.4	0.0
Liquor Control Board					
Liquor Profits and Fees	84.2		2.5	86.7	2.5
Beer & Wine Surtax	3.9		0.0	3.9	0.0
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	73.6		(0.7)	72.9	(0.7)
Office of Financial Management					
Other	(17.3)		0.8	(16.5)	0.8
Total General Fund-State *	\$24,776.0	\$0.0	(54.2)	\$24,721.8	(\$54.2)

1Adopted by the Council in September 2004.

2 Revised estimate; adopted by the Council in November 2004.

*Detail may not add to totals because of rounding.

Table 3.10

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

Forecast by Agency	Sept. 2004 Forecast¹	Non - Economic Changes	Forecast Revision	Nov. 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,134.9	\$0.0	(\$55.2)	\$13,079.7	(\$55.2)
Business & Occupation Use	4,590.8	0.0	(18.4)	4,572.5	(18.4)
Public Utility	879.9	0.0	(13.8)	866.1	(13.8)
Liquor Sales/Liter	563.8	0.0	16.0	579.7	16.0
Cigarette	212.6	0.0	0.0	212.6	0.0
Property (State Levy)	97.1		(0.3)	96.9	(0.3)
Real Estate Excise	2,630.5		(10.5)	2,620.0	(10.5)
Timber Excise	1,114.9		(0.6)	1,114.3	(0.6)
Other	20.1		0.8	20.9	0.8
Subtotal	927.3	0.0	20.9	948.3	20.9
	24,171.9	0.0	(61.0)	24,110.9	(61.0)
Department of Licensing					
Boat excise, licenses, fees & other	46.8		(0.0)	46.8	(0.0)
Insurance Commissioner					
Insurance Premiums	491.4		0.0	491.4	0.0
Liquor Control Board					
Liquor Profits and Fees	84.2		2.5	86.7	2.5
Beer & Wine Surtax	3.9		0.0	3.9	0.0
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	75.0		(0.8)	74.2	(0.8)
Office of Financial Management					
Other	(16.4)		0.8	(15.6)	0.8
Total General Fund-State *	\$24,856.8	\$0.0	(\$58.6)	\$24,798.3	(\$58.6)

¹Adopted by the Council in September 2004.

² Revised estimate; adopted by the Council in November 2004.

*Detail may not add to totals because of rounding.

Table 3.11
November 2004 General Fund-State Forecast
2003-05 & 2005-07 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2003^a	Fiscal 2004^a	Fiscal 2005	2003-05 Biennium	Fiscal 2006	Fiscal 2007	2005-07 Biennium
State Taxes							
Retail sales	\$5,551.9	\$5,765.3	\$6,080.4	\$11,845.7	\$6,345.2	\$6,679.5	\$13,024.7
Business & occupation	1,876.8	2,006.6	2,116.4	4,123.0	2,217.3	2,345.6	4,562.9
Use	376.6	385.8	406.5	792.2	421.1	444.0	865.1
Public Utility	259.3	281.2	289.6	570.8	288.7	289.5	578.2
Liquor sales/liter	93.0	99.4	102.8	202.2	105.0	107.2	212.2
Beer & wine surtax	1.9	1.8	1.9	3.7	1.9	2.0	3.9
Cigarette	53.2	54.2	51.0	105.1	49.1	47.8	96.9
Tobacco products	8.8	9.4	10.0	19.4	10.4	10.8	21.1
Property (state school levy)**	1,331.6	1,370.5	1,353.6	2,724.0	1,318.9	1,299.7	2,618.6
Public utility district	37.0	36.6	38.1	74.7	39.9	42.1	82.0
Real estate excise	474.0	567.8	617.0	1,184.8	536.8	574.0	1,110.8
Timber excise	8.3	7.9	7.7	15.6	9.8	11.1	20.9
Estate/inheritance	122.5	139.9	131.6	271.4	127.7	131.3	259.1
Motor vehicle excise & Rental car	(0.0)	(0.1)	0.0	(0.1)	0.0	0.0	0.0
Boat excise	12.1	13.0	13.2	26.1	13.7	14.4	28.1
Insurance premiums	203.2	217.6	227.1	444.6	239.1	252.3	491.4
Other	140.6	189.0	202.4	391.4	207.3	212.0	419.3
Total Taxes	10,550.8	11,145.7	11,649.1	22,794.8	11,931.9	12,463.1	24,395.0
State Non-Tax Sources							
Licenses, permits, fees	74.7	75.5	72.7	148.2	73.9	74.8	148.7
Liquor profits & fees	30.9	42.8	45.9	88.7	42.2	44.5	86.7
Earnings on investments	25.6	21.9	22.9	44.8	34.9	38.1	72.9
Lottery transfers	0.0	0.0	4.3	4.3	0.0	0.0	0.0
Other revenue & transfers	7.9	37.3	54.7	92.0	3.5	15.0	18.4
Total Non-Tax	139.1	177.5	200.5	378.0	154.4	172.3	326.7
Total General Fund-State *	\$10,689.9	\$11,323.1	\$11,849.6	\$23,172.7	\$12,086.3	\$12,635.5	\$24,721.8

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.

Alternative Forecast for the 2003-05 Biennium

The November 2004 baseline forecast continues to assume the economy will improve over the course of the 2003-05 biennium as well as in the 2005-07 biennium. Economic indicators and revenue collections for the first year and a quarter of the biennium have supported this view. While the trend may be clear, the strength of the expansion going forward remains less so. Although the baseline forecast assumes moderate growth going forward, stronger than expected growth is possible as is slower growth. The strength of the recovery depends in part on the reaction of consumers and business to changing policy conditions (higher interest rates and less fiscal stimulus) and higher energy costs. The revenue implications of assumptions that result in stronger as well as weaker economic growth than assumed in the baseline forecast are contained in two alternative forecasts.

The November 2004 optimistic scenario is similar to September's. It assumes that higher productivity will allow stronger job and income growth in a low inflationary environment. With higher productivity all areas of potential economic weakness, including the problem of higher budget deficits, are eliminated. In this scenario employment growth is stronger and inflation is lower than in the baseline forecast. Exports grow faster and the price of oil is lower than in the baseline. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 2.2 percent higher than the baseline by the end of the 2003-05 biennium and is 5.8 percent higher by the end of the 2005-07 biennium. State wage and salary employment is 18,600 higher by the last quarter of the 2003-05 biennium and is more than 74,000 higher by the end of the 2005-07 budget period.

The pessimistic scenario assumes that higher oil prices, a weak dollar and more than two years of very accommodative monetary policy leads to higher inflation than in the baseline forecast. Higher prices result in cost pressures on businesses to boost productivity. This results in less capital spending, weaker job growth and eventually to slower income and consumer spending growth. In this scenario the Fed accelerates rate hikes to fight rising prices which slows growth even more. In the pessimistic scenario, state personal income is 2.1 percent less than the baseline by the end of the 2003-05 biennium and is 4.6 percent less by the end of the 2005-07 biennium. Wage and salary employment is 16,100 less by the last quarter of the 2003-2005 biennium and is 72,900 less than the baseline by the end of the 2005-07 budget period.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2003-05 biennium. The optimistic scenario generates \$23,390.4 billion, \$217.7 million more than the baseline. The pessimistic alternative produces only \$22,977.1 million GFS revenue in the 2003-05 biennium, \$195.6 million less than the baseline forecast. Table 3.18 summarizes the impact of the alternatives on GFS revenue for the 2005-07 biennium. The optimistic alternative generates \$25,949.5 million for the 2005-07 budget period, \$1,227.7 million more than the baseline. The pessimistic alternative generates \$23,549.6 million next biennium, \$1,172.2 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 November 2004 GCEA scenario was based on the forecasts of six members of the Governor's Council of Economic Advisors. The GCEA alternative was close to the November 2004 baseline forecast, producing only \$7 million more GFS revenue than the baseline forecast for the 2003-05 biennium and \$71 million more for the 2005-07 biennium.

Table 3.12

General Fund - State Cash Receipts
November 2004 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	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,323.1	5.9%
Forecast		
2005	11,849.6	4.6%
2006	12,086.3	2.0%
2007	12,635.5	4.5%

Table 3.13

Track Record for the 2003-05 General Fund-State Cash Forecast

February 2002 through November 2004

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 2002****	\$22,225	\$565				\$22,790
Changes to Forecast						
June 2002	(53)	23	(30)	205 #1	175	22,965
September 2002	(317)	(29)	(346)	80 #2	(265)	22,700
November 2002	(31)	21	(10)		(10)	22,690
March 2003	(216)	(49)	(265)	27 #3	(238)	22,452
June 2003	(148)	(9)	(156)	446 #4	290	22,741
September 2003	17	(3)	15		15	22,756
November 2003	70	(4)	65		65	22,821
February 2004	63	14	76		76	22,897
June 2004	154	31	185	(86) #5	99	22,996
September 2004	104	13	117	(10) #6	106	23,103
November 2004	65	5	70	0	70	23,173
Total change***:						
From February 2002	(291)	13	(278)	661	383	
Percent change	-1.3%	2.3%	-1.2%	2.9%	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 2003-05 biennium.

#1 Change to the forecast due to 2002 legislation.

#2 Adjustment to the forecast to account for the expiration of two tax incentives and for 2002 legislation (SHB 2512) not previously included in the GFS forecast.

#3 Includes an \$86.6 million adjustment to the November forecast for SSB 6835 and a Dec. 2002 court case. Also the impact of 2003 legislation (hb 1977) enacted prior to the March 2003 forecast (-\$60.0 million).

#4 Impact of 2003 legislation on GFS revenue.

#5 Impact of 2004 legislation on GFS revenue.

#6 Revision to fiscal note for High tech incentives.

Table 3.14

Track Record for the 2005-07 General Fund-State Cash Forecast
 February 2004 through November 2004
 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						
June 2005						
September 2005						
November 2005						
February 2006						
June 2006						
Total change***:						
From February 2004	32	23	55	(287)	(232)	
Percent change	0.1%	3.5%	0.2%	-1.2%	-0.9%	

* 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

Table 3.15

November 2004 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

Agency	2001-03 Biennium			2003-05 Biennium			2005-07 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	\$20,516.6	\$20,570.8	\$54.2	\$22,391.3	\$22,473.1	\$81.8	\$23,943.5	\$24,016.2	\$72.8
Department of Licensing	42.6	44.1	1.6	43.5	45.1	1.5	45.3	46.8	1.6
Insurance Commissioner ⁴	397.3	397.0	(0.3)	459.0	459.0	0.0	507.1	507.1	0.0
State Treasurer	58.2	55.9	(2.4)	44.8	43.8	(1.0)	72.9	74.2	1.3
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	160.9	161.5	0.5	203.1	203.5	0.5	183.3	184.2	0.9
Subtotal: General Fund-State Cash/Revenue*	21,175.6	21,229.3	53.6	23,141.6	23,224.4	82.8	24,752.1	24,828.6	76.5
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	75.7	75.5	(6.4)	126.5	132.1	5.6	94.6	94.7	0.0
Lottery Commission	0.0	0.0	0.0	4.3	4.3	0.0	0.0	0.0	0.0
Insurance Commissioner ⁷	(9.8)	(9.8)	0.0	(14.3)	(14.3)	0.0	(15.8)	(15.8)	0.0
Liquor Control Board	63.5	63.5	0.0	92.4	92.4	0.0	90.6	90.6	0.0
Office of Financial Management									
Other Agencies ⁸	(164.5)	(166.3)	(1.8)	(177.8)	(177.8)	0.0	(199.8)	(199.8)	0.0
Subtotal: GFS Other Financing Sources	(35.0)	(37.0)	(8.2)	31.1	36.7	5.6	(30.4)	(30.3)	0.0
Total Available Receipts/Resources									
General Fund-State *	\$21,140.7	\$21,192.3	\$51.6	\$23,172.7	\$23,261.1	\$88.4	\$24,721.8	\$24,798.3	\$76.5

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

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

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

Table 3.16

03-05 Biennial Balance Sheet

Including Enacted 2004 Supplemental Budget

General Fund-State

Dollars in Millions

	2003-05
RESOURCES	
Beginning Fund Balance	404.6
Sepetember 2004 Forecast	23,102.7
November 2004 Forecast Update	70.0
Current Revenue Totals	23,172.7
2003 Fund Transfers and Other Adjustments	157.5
Federal Fiscal Relief - Grant	90.2
2004 Supplemental: Money Transfers from Other Funds	62.2
Total Resources (Includes Fund Balance)	23,887.2
APPROPRIATIONS AND SPENDING ESTIMATES	
Biennial Appropriation	23,081.4
2004 Supplemental Appropriations	145.5
Governor's Vetoes/Lapsed Appropriations	19.2
Spending Level	23,246.2
UNRESTRICTED GENERAL FUND BALANCE	
Projected Ending Fund Balance	641.0

Table 3.17
November 2004 Alternative Forecasts Compared to the Baseline Forecast
2003-05 Biennium
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$11,923.8	\$11,845.7	\$11,770.6
Business & Occupation Use	4,145.7	4,123.0	4,102.9
Public Utility	795.7	792.2	789.0
Property (school levy)	571.2	570.8	570.0
Real Estate Excise	2,751.1	2,724.0	2,697.0
Other	1,203.6	1,184.8	1,179.0
Subtotal	1,311.7	1,277.2	1,244.2
	22,702.8	22,517.8	22,352.7
Department of Licensing			
	44.2	43.5	42.9
Insurance Commissioner¹			
	450.3	444.6	439.0
Lottery Commission			
	4.3	4.3	0.0
State Treasurer - Interest earnings			
	59.7	44.8	36.3
Liquor Profits & Fees²			
	93.4	92.4	91.5
Office of Financial Management			
Other agencies	35.8	25.3	14.8
Total General Fund - State*	\$23,390.4	\$23,172.7	\$22,977.1
Difference from November 2004 Baseline	\$217.7		(\$195.6)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.18

**November 2004 Alternative Forecasts Compared to the Baseline Forecast
2005-07 Biennium**

(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$13,637.8	\$13,024.7	\$12,402.1
Business & Occupation Use	4,744.3	4,562.9	4,424.4
Public Utility	891.9	865.1	848.1
Property (school levy)	580.7	578.2	582.3
Real Estate Excise	2,749.5	2,618.6	2,487.6
Other	1,214.4	1,110.8	975.8
Subtotal	1,373.0	1,277.9	1,214.0
	25,191.5	24,038.1	22,934.2
Department of Licensing			
	46.6	45.3	43.9
Insurance Commissioner¹			
	503.6	491.4	479.1
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	119.3	72.9	32.6
Liquor Profits & Fees²			
	92.4	90.6	88.8
Office of Financial Management			
Other agencies	(4.0)	(16.5)	(29.0)
Total General Fund - State*	\$25,949.5	\$24,721.8	\$23,549.6
Difference from November 2004 Baseline	\$1,227.7		(\$1,172.2)

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
November 2004 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 Account</u> ¹
2000	\$1,302.0	1,302.0	
2001	1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,465.5	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	1,549.1	1,353.6	195.5
2003-05 Biennium	3,053.8	2,724.0	329.8
2006	1,599.5	1,318.9	280.6
2007	1,648.3	1,299.7	348.6
2005-07 Biennium	3,247.8	2,618.6	629.2

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 Account</u> ¹	<u>School Construction Account</u> ¹	<u>Transfer to VERDE</u> ²
1998	117.8	114.6	3.2				
1999	118.6	107.5	3.3	7.8			
1999-01 Biennium	236.3	222.0	6.5	7.8			
2000	101.1	93.3	3.4	4.4			
2001	120.1	110.0	3.6	6.5			
1999-01 Biennium	221.3	203.3	7.0	10.9			
2002	90.2	0.0	3.7	6.7	39.9	39.9	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	111.5	4.3	4.2	7.6	0.0	95.4	0.0
2003-05 Biennium	224.8	4.3	8.2	14.9	76.5	120.9	0.0
2006	105.0	0.0	4.4	7.9	0.0	92.7	0.0
2007	100.0	0.0	4.5	8.2	0.0	87.3	0.0
2005-07 Biennium	205.0	0.0	8.9	16.1	0.0	180.0	0.0

* Cash Basis

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

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

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

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Washington Exports 2001 to 2004

Relative to the size of its economy, Washington exports are quite large compared to those of a typical state. As can be seen in Chart 4.1, exports from Washington averaged 18.4 percent of the state's Gross State Product (GSP) in the ten years from 1992 through 2001 (the most recent year for which state GSP numbers are available). In contrast, the average exports from the United States as a whole accounted for an average of only 7.2 percent of the country's total GSP over the same period.

The relatively large amount of exports originating in Washington is the result of a number of different factors. Chief among these is the presence in Washington of two large producers of transportation equipment, Boeing Commercial Airplanes and PACCAR, which produces Kenworth trucks. Exports of transportation equipment averaged 60.4 percent of Washington's total exports from 1992 through 2001, 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 7.2 percent of GSP over that period. This number was still higher, however, than national non-transportation exports as a percent of GSP, which averaged 5.9 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 or where the product was grown or mined. It may, instead, be the location of the broker or wholesaler of the product, or the state of consolidation of shipments. As a result some of the shipments list the state the goods were shipped from, rather than the state from which the exports originated. This may result in some inflation of exports for major port states such as Washington and understatement of exports for other states. According to WISER, this problem is most acute for agricultural shipments. As agricultural products are one of the state's largest exports (see Table 4.4), there exists significant potential for overstatement of the amount of these shipments actually produced in the state. This problem may also affect measurement of Washington's exports to Mexico (reported in Tables 4.6 and 4.8), which may be understated due to attribution of products produced in Washington (such as apples) to ports in California and Texas.

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

not where it is developed. As only a small fraction of exported Microsoft software originates in Washington, billions of dollars of Microsoft exports are not reflected in Washington's export statistics. WISER began reporting prepackaged software exports in 2003.

Table 4.1 lists U.S. exports classified according to the North American Industry Classification System (NAICS) for the years 2001 through the third quarter of 2004. The table shows that the recovery in U.S. exports that began in 2003 has accelerated in 2004. 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 seventeen percent from the first quarter of 2002 to the third quarter of 2004. Exports have increased in most categories with the notable exceptions of apparel and many food products, the latter category being affected by export restrictions on beef products due to the discovery of "mad cow" disease in the U.S. in December 2003.

Table 4.2 lists U.S. exports by continent and the top fifteen countries for 2001 through the third quarter of 2004. While exports to mainland China were the fastest growing in 2004 year-to-date, it still only represents 4.2 percent of total U.S. exports. Canada and Mexico are by far the largest recipients of U.S. exports, adding up to 37 percent of the total in the most recent year-to-date release. Table 4.3 lists U.S. exports to non-Middle-Eastern Asia by industry over the same period.

Table 4.4 lists Washington's exports by industry for 2001 through the third quarter of 2004. While total exports for 2004 year-to-date are up by only 0.6 percent year-over-year, this decline is due mainly to the year-over-year decline in aerospace production. Discounting aerospace exports, third quarter year-to-date exports are up a strong 21.3 percent over 2003's level. Most of the increase was due to strength in agricultural products and computer and electronic products.

Table 4.5 indicates the amount of Washington's top twenty exports for the third quarter of 2004 year-to-date 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, wood products, and agricultural products, accounting for 86 percent of agricultural products and 99 percent of forestry products. Exports to Asia accounted for over 55 percent of Washington's exports during this period. 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 US 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 US exports. This is the result both of the state's proximity to Asia and its relative abundance of agricultural, wood and other products that are in demand there.

Table 4.6 lists Washington exports by continent and the top fifteen countries for 2001 through the third quarter of 2004. Table 4.7 lists Washington exports of transportation equipment by continent and the top fifteen countries for 2001 through the third quarter of 2004. Table 4.8 lists Washington exports excluding transportation equipment by continent and the top fifteen countries for 2001 through the third quarter of 2004. Japan tops the lists for total, transportation and non-transportation exports, while strong non-transportation exports to Canada move it to the number two spot in total exports even though it is number six in transportation exports. Table 4.9 lists Washington exports to non-Middle-Eastern Asia for 2001 through the third quarter of 2004. Total and non-transportation exports to the area show continued strength since the 2003 recovery.

Chart 4.1

Exports as a Percentage of GSP

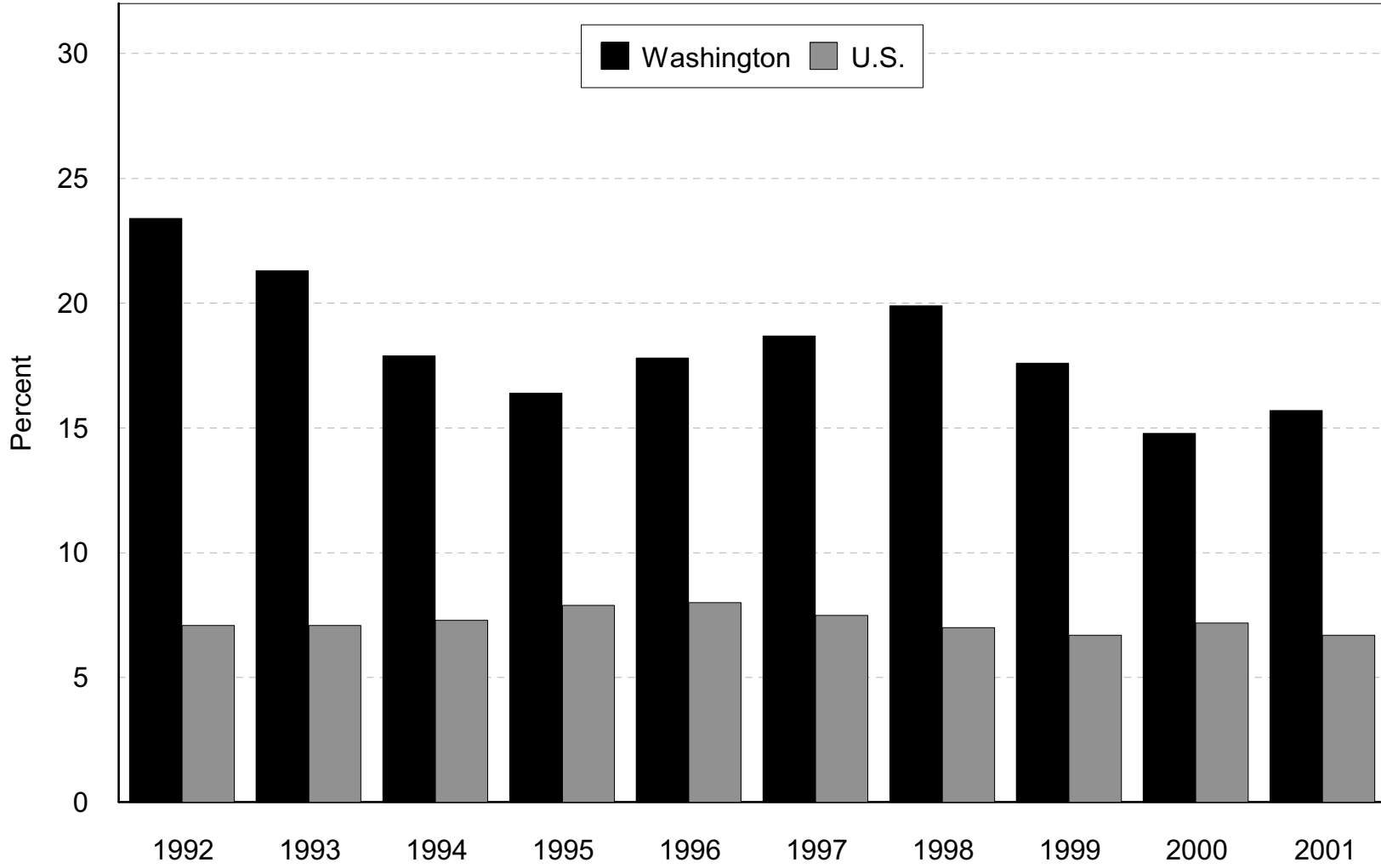


Chart 4.2
Export Destinations, 2004 Quarter 3 Year-to-Date

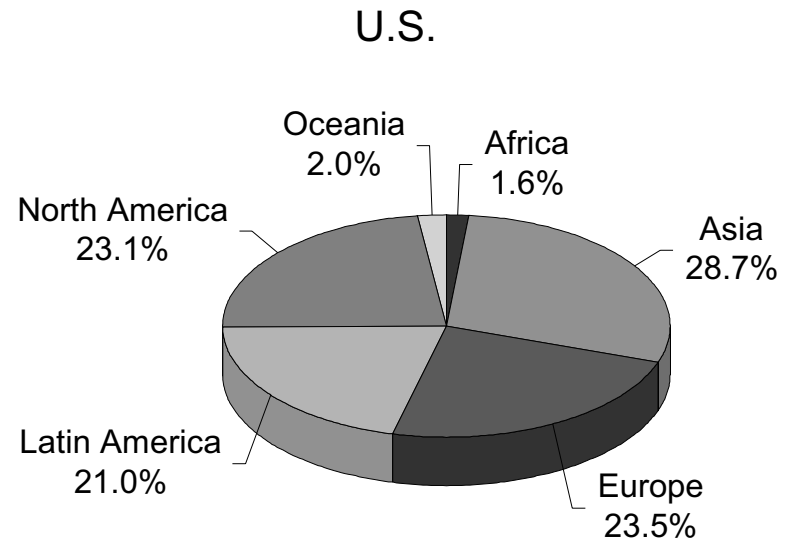
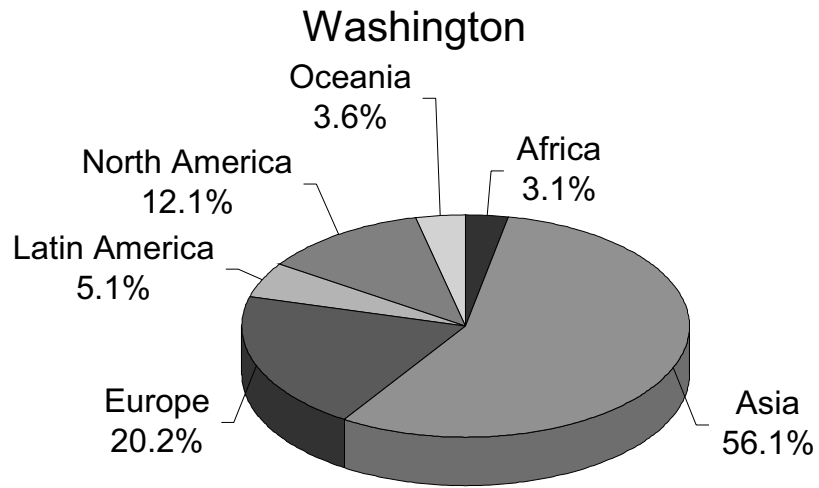


Table 4.1
U.S. Exports by Industry
 All Industries, Sorted by 2004 Third Quarter Year-to-Date Exports
 (Millions of Dollars)

	2001	2002	2003	2003 Q3 YTD	2004 Q3 YTD	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg
Total All Industries	731,026	693,257	723,743	529,669	602,699	(5.2)	4.4	13.8
Computer and Electronic Products	165,345	145,848	149,993	108,313	121,988	(11.8)	2.8	12.6
Transportation Equipment	130,233	130,897	128,854	94,643	104,041	0.5	(1.6)	9.9
Chemicals	79,034	80,504	91,017	67,482	79,616	1.9	13.1	18.0
Machinery, except Electrical	81,513	74,945	74,925	55,074	68,472	(8.1)	(0.0)	24.3
Miscellaneous Manufactured Commodities	25,779	26,661	29,401	21,414	24,985	3.4	10.3	16.7
Agricultural Products	24,861	25,797	30,359	19,936	23,698	3.8	17.7	18.9
Special Classification Provisions	27,019	24,716	25,002	18,362	19,862	(8.5)	1.2	8.2
Electrical Equip., Appliances, & Component	24,923	22,848	23,292	17,101	19,740	(8.3)	1.9	15.4
Food and Kindred Products	27,089	25,856	27,496	20,066	19,312	(4.6)	6.3	(3.8)
Fabricated Metal Products	20,699	20,187	20,365	15,272	16,933	(2.5)	0.9	10.9
Primary Metal Manufacturing	19,312	16,689	19,125	14,389	16,537	(13.6)	14.6	14.9
Plastics and Rubber Products	16,508	16,169	16,510	12,370	13,706	(2.1)	2.1	10.8
Paper	14,496	14,107	14,504	10,768	11,728	(2.7)	2.8	8.9
Petroleum and Coal Products	8,416	8,049	9,659	7,338	9,001	(4.4)	20.0	22.7
Textiles and Fabrics	7,365	7,642	7,805	5,872	6,508	3.8	2.1	10.8
Waste and Scrap	4,824	5,165	6,564	4,748	6,288	7.1	27.1	32.4
Nonmetallic Mineral Products	7,745	6,326	6,405	4,793	5,205	(18.3)	1.3	8.6
Minerals and Ores	4,240	3,911	4,020	2,966	4,369	(7.8)	2.8	47.3
Printing, Publishing and Similar Products	5,125	4,774	4,984	3,660	3,837	(6.8)	4.4	4.8
Apparel and Accessories	6,956	5,994	5,470	4,209	3,776	(13.8)	(8.7)	(10.3)
Wood Products	4,099	3,948	4,036	3,003	3,356	(3.7)	2.2	11.8
Used or Second-Hand Merchandise	4,644	3,179	3,441	2,606	3,160	(31.5)	8.2	21.2
Beverages and Tobacco Products	4,435	3,659	3,797	2,843	2,812	(17.5)	3.8	(1.1)
Fish & Other Marine Products	2,969	2,941	3,056	2,349	2,640	(1.0)	3.9	12.4
Oil and Gas	1,339	1,727	2,177	1,689	2,275	28.9	26.1	34.7
Leather and Allied Products	2,709	2,593	2,717	2,011	2,177	(4.3)	4.8	8.3
Furniture and Fixtures	2,588	2,323	2,546	1,860	2,104	(10.2)	9.6	13.1
Textile Mill Products	2,083	1,982	2,004	1,487	1,650	(4.9)	1.2	11.0
Forestry Products	1,472	1,450	1,515	1,094	1,255	(1.5)	4.5	14.7
Goods Ret. to Canada (exports only); US goods	1,880	1,339	1,173	903	779	(28.7)	(12.4)	(13.7)
Livestock and Livestock Products	1,325	1,032	1,194	832	601	(22.1)	15.7	(27.8)
Prepackaged Software	NA	NA	336	213	288	NA	NA	35.4

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

	2001	2002	2003	2003 Q3 YTD	2004 Q3 YTD	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg
Top 15 Countries (by 2004 Q3 YTD)								
Canada	163,724	160,799	169,481	125,546	139,262	(1.8)	5.4	10.9
Mexico	101,509	97,531	97,457	71,013	81,436	(3.9)	(0.1)	14.7
Japan	57,639	51,440	52,064	38,687	40,411	(10.8)	1.2	4.5
United Kingdom	40,798	33,253	33,895	25,470	26,810	(18.5)	1.9	5.3
China (Mainland)	19,235	22,053	28,418	18,908	25,545	14.6	28.9	35.1
Germany	30,114	26,628	28,848	21,337	23,203	(11.6)	8.3	8.7
South Korea	22,197	22,596	24,099	17,623	19,775	1.8	6.7	12.2
Netherlands	19,525	18,334	20,703	14,729	17,771	(6.1)	12.9	20.7
China (Taiwan)	18,152	18,394	17,488	12,378	15,835	1.3	(4.9)	27.9
Singapore	17,692	16,221	16,576	12,567	15,329	(8.3)	2.2	22.0
France	19,896	19,019	17,068	12,745	15,260	(4.4)	(10.3)	19.7
Belgium	13,524	13,343	15,218	11,342	12,455	(1.3)	14.1	9.8
Hong Kong	14,072	12,612	13,542	9,729	11,665	(10.4)	7.4	19.9
Australia	10,945	13,084	13,104	9,795	10,450	19.5	0.2	6.7
Brazil	15,929	12,409	11,218	8,137	10,442	(22.1)	(9.6)	28.3
Other Countries	166,077	155,542	164,564	119,664	137,049	(6.3)	5.8	14.5
Total All Countries*	731,026	693,257	723,743	529,669	602,699	(5.2)	4.4	13.8
Africa	12,369	10,658	10,685	7,560	9,858	(13.8)	0.3	30.4
Asia (Includes Middle East)	199,346	193,495	206,631	149,863	172,929	(2.9)	6.8	15.4
Europe	181,993	163,679	172,013	126,343	141,900	(10.1)	5.1	12.3
Latin America	159,907	149,173	149,493	109,004	126,394	(6.7)	0.2	16.0
North America	163,730	160,804	169,484	125,549	139,266	(1.8)	5.4	10.9
Oceania	13,418	15,448	15,437	11,351	12,352	15.1	(0.1)	8.8

*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 2004 Third Quarter Year-to-Date Exports

(Millions of Dollars)

	2001	2002	2003	2003 Q3 YTD	2004 Q3 YTD	2001-02 % Chg	2002-03 % Chg	2003-04 YTD % Chg
Total All Industries	180,044	174,552	187,266	135,394	156,155	(3.1)	7.3	15.3
Computer and Electronic Products	59,492	56,043	59,779	43,325	47,912	(5.8)	6.7	10.6
Chemicals	17,977	19,443	21,942	15,968	18,973	8.2	12.9	18.8
Machinery, except Electrical	19,188	17,990	17,748	12,633	18,804	(6.2)	(1.3)	48.8
Transportation Equipment	21,437	22,459	22,231	16,536	17,003	4.8	(1.0)	2.8
Agricultural Products	9,974	10,047	13,228	8,261	10,596	0.7	31.7	28.3
Food and Kindred Products	10,048	9,235	9,936	7,305	5,701	(8.1)	7.6	(22.0)
Miscellaneous Manufactured Commodities	5,787	5,746	6,262	4,595	5,429	(0.7)	9.0	18.1
Special Classification Provisions	4,794	4,705	4,692	3,487	3,744	(1.9)	(0.3)	7.4
Electrical Equip., Appliances, & Component	4,530	3,981	3,967	2,872	3,675	(12.1)	(0.3)	28.0
Waste and Scrap	2,383	2,512	3,609	2,554	3,331	5.4	43.7	30.4
Fabricated Metal Products	3,212	3,227	3,254	2,463	2,805	0.5	0.8	13.9
Primary Metal Manufacturing	2,365	1,906	2,815	2,068	2,577	(19.4)	47.7	24.6
Paper	2,926	3,059	3,049	2,271	2,507	4.6	(0.3)	10.4
Petroleum and Coal Products	1,374	1,481	1,739	1,261	1,845	7.8	17.4	46.3
Plastics and Rubber Products	2,005	1,933	2,049	1,513	1,796	(3.6)	6.0	18.7
Fish & Other Marine Products	1,696	1,651	1,688	1,369	1,497	(2.6)	2.2	9.3
Minerals and Ores	765	670	644	463	1,162	(12.5)	(3.9)	151.3
Nonmetallic Mineral Products	2,074	1,432	1,445	1,084	1,149	(31.0)	0.9	6.0
Beverages and Tobacco Products	1,854	1,443	1,453	1,126	1,077	(22.2)	0.7	(4.4)
Leather and Allied Products	952	873	962	706	741	(8.2)	10.2	5.0
Wood Products	987	925	878	646	705	(6.3)	(5.1)	9.0
Forestry Products	773	775	808	561	669	0.3	4.2	19.1
Textiles and Fabrics	614	649	711	525	589	5.8	9.5	12.2
Printing, Publishing and Similar Products	914	746	644	471	471	(18.4)	(13.7)	0.1
Apparel and Accessories	535	461	425	323	345	(13.9)	(7.7)	6.8
Used or Second-Hand Merchandise	475	276	325	272	283	(42.0)	17.8	4.1
Furniture and Fixtures	267	236	249	183	191	(11.5)	5.2	4.4
Textile Mill Products	231	227	245	178	190	(1.8)	8.1	6.9
Oil and Gas	165	215	229	191	181	30.7	6.6	(5.2)
Livestock and Livestock Products	249	207	237	164	154	(16.9)	14.7	(6.2)
Prepackaged Software	NA	NA	21	19	55	NA	NA	191.1

Table 4.4
Washington Exports By Industry
 All Industries, Sorted by 2004 Third Quarter Year-to-Date Exports
 (Millions of Dollars)

	2001	2002	2003	2003 Q3 YTD	2004 Q3 YTD	2001-02 % Chg	2002-03 % Chg	2003-04 YTD % Chg
Total All Industries	34,929	34,627	34,173	24,463	24,608	(0.9)	(1.3)	0.6
Total Excluding Transportation Equip.	12,188	11,249	13,734	9,608	11,658	(7.7)	22.1	21.3
Transportation Equipment	22,740	23,377	20,438	14,855	12,950	2.8	(12.6)	(12.8)
Agricultural Products	2,312	2,094	3,333	2,071	2,932	(9.4)	59.2	41.6
Computer and Electronic Products	2,229	1,958	2,354	1,637	2,036	(12.2)	20.2	24.4
Food and Kindred Products	1,276	1,278	1,602	1,139	1,147	0.2	25.4	0.7
Machinery, except Electrical	980	800	839	638	745	(18.3)	4.9	16.8
Petroleum and Coal Products	486	539	737	551	646	10.9	36.7	17.2
Paper	882	817	831	628	638	(7.4)	1.7	1.6
Chemicals	549	637	614	444	520	16.2	(3.7)	17.3
Primary Metal Manufacturing	365	287	396	289	413	(21.2)	37.9	42.8
Fish & Other Marine Products	640	512	534	400	413	(19.9)	4.3	3.1
Forestry Products	436	387	358	265	339	(11.3)	(7.5)	27.7
Electrical Equip., Appliances, & Component	260	270	288	203	268	3.5	7.0	32.0
Wood Products	360	324	343	258	260	(9.9)	5.9	0.7
Miscellaneous Manufactured Commodities	345	290	314	205	243	(16.0)	8.3	18.5
Waste and Scrap	109	108	197	142	208	(1.0)	82.3	46.6
Fabricated Metal Products	170	164	201	149	196	(3.1)	22.2	30.9
Plastics and Rubber Products	141	132	137	104	128	(6.3)	4.2	23.6
Special Classification Provisions	148	185	134	93	100	24.7	(27.6)	6.9
Livestock and Livestock Products	110	93	88	78	96	(15.1)	(5.0)	23.6
Nonmetallic Mineral Products	65	64	89	69	74	(1.2)	38.9	7.3
Textile Mill Products	34	38	49	34	50	10.5	30.9	46.1
Goods Ret. to Canada (exports only); US goods	70	72	62	41	35	3.3	(14.9)	(15.5)
Minerals and Ores	37	24	21	17	33	(34.5)	(11.6)	97.2
Apparel and Accessories	41	34	24	18	27	(18.2)	(29.8)	51.2
Printing, Publishing and Similar Products	41	42	38	28	24	2.1	(9.2)	(11.3)
Used or Second-Hand Merchandise	15	19	46	24	22	26.1	145.9	(8.8)
Furniture and Fixtures	25	17	20	16	16	(31.6)	15.4	1.0
Textiles and Fabrics	18	24	17	13	15	33.8	(30.4)	8.6
Leather and Allied Products	11	11	12	10	12	1.6	8.0	22.9
Beverages and Tobacco Products	28	22	29	25	12	(20.0)	29.4	(52.3)
Oil and Gas	7	6	22	18	7	(7.0)	263.6	(58.6)
Prepackaged Software	NA	NA	3	2	3	NA	NA	40.3

Table 4.5
Washington Exports By Industry
 Top Twenty Industries, Third Quarter 2004 Year-to-Date
 (Millions)

	All Countries		Asia		Percent of Exports per Industry
	Export Valuation	Percent of Total	Export Valuation	Percent of Exports to Asia	
Total All Industries	24,608	100.0	13,632	100.0	55.4
Transportation Equipment	12,950	52.6	7,110	52.2	54.9
Agricultural Products	2,932	11.9	2,521	18.5	86.0
Computer and Electronic Products	2,036	8.3	1,030	7.6	50.6
Food and Kindred Products	1,147	4.7	680	5.0	59.3
Machinery, except Electrical	745	3.0	159	1.2	21.3
Petroleum and Coal Products	646	2.6	57	0.4	8.7
Paper	638	2.6	393	2.9	61.5
Chemicals	520	2.1	354	2.6	68.0
Primary Metal Manufacturing	413	1.7	153	1.1	37.0
Fish & Other Marine Products	413	1.7	192	1.4	46.5
Forestry Products	339	1.4	335	2.5	99.0
Electrical Equip., Appliances, & Component	268	1.1	78	0.6	29.2
Wood Products	260	1.1	85	0.6	32.9
Miscellaneous Manufactured Commodities	243	1.0	57	0.4	23.4
Waste and Scrap	208	0.8	189	1.4	90.7
Fabricated Metal Products	196	0.8	46	0.3	23.5
Plastics and Rubber Products	128	0.5	23	0.2	17.7
Special Classification Provisions	100	0.4	25	0.2	24.7
Livestock and Livestock Products	96	0.4	75	0.6	78.1
Nonmetallic Mineral Products	74	0.3	25	0.2	34.3
Other Exports	256	1.0	48	0.3	18.5

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

	2001	2002	2003	2003 Q3 YTD	2004 Q3 YTD	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg
Top 15 Countries (by 2004 Q3 YTD)								
Japan	3,384	4,349	5,428	3,942	4,562	28.5	24.8	15.7
Canada	2,737	2,944	3,314	2,459	2,967	7.6	12.6	20.7
China (Mainland)	2,929	3,831	3,211	2,118	2,195	30.8	(16.2)	3.7
South Korea	2,131	2,056	1,673	1,220	1,821	(3.5)	(18.6)	49.3
Singapore	2,991	2,306	2,087	2,004	1,399	(22.9)	(9.5)	(30.2)
China (Taiwan)	1,594	1,047	1,958	1,341	1,394	(34.3)	87.0	4.0
Ireland	613	621	843	770	934	1.3	35.7	21.4
United Kingdom	2,737	1,230	1,462	1,073	889	(55.1)	18.9	(17.1)
Australia	576	2,627	1,967	1,560	764	356.3	(25.1)	(51.0)
France	1,253	1,953	684	611	705	55.9	(65.0)	15.4
Netherlands	707	766	1,739	1,066	629	8.2	127.1	(41.0)
Mexico	862	432	607	252	611	(49.9)	40.6	142.1
Pakistan	8	5	8	7	579	(33.1)	56.8	7,786.8
Philippines	249	246	367	197	444	(1.3)	49.0	124.9
Vietnam	16	21	736	727	390	30.2	3,387.7	(46.4)
Other Countries	12,141	10,192	8,088	5,118	4,323	(16.1)	(20.6)	(15.5)
Total All Countries	34,929	34,627	34,173	24,463	24,608	(0.9)	(1.3)	0.6
Africa	1,723	967	697	347	754	(43.9)	(27.9)	117.7
Asia (Includes Middle East)	17,292	17,301	18,266	13,456	13,794	0.1	5.6	2.5
Europe	10,023	9,200	8,482	5,886	4,963	(8.2)	(7.8)	(15.7)
Latin America	2,042	1,441	1,286	627	1,253	(29.4)	(10.8)	99.7
North America	2,737	2,944	3,314	2,459	2,967	7.6	12.6	20.7
Oceania	1,111	2,773	2,127	1,688	876	149.6	(23.3)	(48.1)

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

	2001	2002	2003	2003 Q3 YTD	2004 Q3 YTD	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg
Top 15 Countries (by 2004 Q3 YTD)								
Japan	462	1,785	2,643	1,911	2,039	286.4	48.0	6.7
China (Mainland)	2,118	3,116	1,799	1,282	1,244	47.2	(42.3)	(3.0)
Singapore	2,810	2,122	1,908	1,870	1,210	(24.5)	(10.1)	(35.3)
South Korea	1,567	1,567	1,108	815	1,073	0.0	(29.3)	31.5
Ireland	525	563	805	743	893	7.3	42.8	20.2
Canada	369	590	643	492	625	60.1	9.0	27.1
Pakistan	1	0	0	0	571	(100.0)	NA	NA
Australia	391	2,378	1,695	1,373	553	507.9	(28.7)	(59.7)
United Kingdom	2,220	737	960	704	514	(66.8)	30.2	(26.9)
France	957	1,723	474	452	508	79.9	(72.5)	12.4
China (Taiwan)	768	214	692	474	438	(72.1)	223.6	(7.6)
Vietnam	0	0.4	712	711	370	158.2	189,982	(48.0)
Netherlands	425	465	1,394	817	368	9.4	199.7	(54.9)
Luxembourg	188	187	1	1	313	(0.1)	(99.2)	24,985.2
Ethiopia	0	0	187	0.4	293	(12.9)	71,577	66,323.0
Other	10,128	8,117	5,607	3,211	2,544	(19.9)	(30.9)	(20.8)
Total All Continents	22,740	23,377	20,438	14,855	12,950	2.8	(12.6)	(12.8)
Africa	1,668	900	611	293	626	(46.1)	(32.0)	113.5
Asia (Includes Middle East)	10,876	11,441	10,487	8,181	7,139	5.2	(8.3)	(12.7)
Europe	7,744	7,245	6,414	4,369	3,326	(6.4)	(11.5)	(23.9)
Latin America	1,216	750	509	77	630	(38.3)	(32.2)	713.3
North America	369	590	643	492	625	60.1	9.0	27.1
Oceania	868	2,452	1,773	1,443	604	182.5	(27.7)	(58.1)

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

	2001	2002	2003	2003 Q3 YTD	2004 Q3 YTD	2001-02 % Chg	2002-03 % Chg	2003-04 % Chg
Top 15 Countries (by 2004 Q3 YTD)								
Japan	2,922	2,564	2,786	2,031	2,523	(12.2)	8.6	24.2
Canada	2,369	2,354	2,671	1,967	2,342	(0.6)	13.4	19.1
China (Taiwan)	827	833	1,266	866	956	0.8	51.9	10.4
China (Mainland)	811	714	1,412	835	951	(12.0)	97.7	13.9
South Korea	565	489	566	404	749	(13.4)	15.7	85.2
Philippines	244	243	363	195	437	(0.3)	49.4	123.6
United Kingdom	517	493	501	369	375	(4.8)	1.8	1.7
Mexico	523	426	350	245	344	(18.4)	(17.9)	40.1
Germany	448	361	378	289	266	(19.4)	4.8	(8.1)
Netherlands	282	301	346	249	261	6.5	14.9	4.6
Hong Kong	278	287	332	250	259	3.4	15.5	3.6
Australia	185	249	272	187	211	35.1	9.2	13.1
France	295	231	210	159	197	(21.9)	(9.0)	24.0
Singapore	181	185	179	134	190	1.9	(3.2)	41.6
Thailand	106	91	226	100	136	(13.4)	147.5	36.2
Other	1,636	1,427	1,876	1,327	1,461	(12.8)	31.5	10.1
Total All Continents	12,188	11,249	13,734	9,608	11,658	(7.7)	22.1	21.3
Africa	55	67	86	53	128	21.6	26.8	140.5
Asia (Includes Middle East)	6,416	5,860	7,779	5,275	6,655	(8.7)	32.8	26.2
Europe	2,279	1,955	2,068	1,517	1,637	(14.2)	5.7	7.9
Latin America	826	691	777	550	623	(16.3)	12.5	13.3
North America	2,369	2,354	2,671	1,967	2,342	(0.6)	13.5	19.1
Oceania	243	321	354	246	272	32.0	10.2	10.8

Table 4.9
Washington Exports to Non-Middle-Eastern Asia by Industry
 All Industries, Sorted by 2004 Third Quarter Year-to-Date Exports
 (Millions of Dollars)

	2001	2002	2003	2003 Q3 YTD	2004 Q3 YTD	2001-02 % Chg	2002-03 % Chg	2003-04 YTD % Chg
Total All Industries	15,420	15,647	17,146	12,383	13,632	1.5	9.6	10.1
Total Excluding Transportation Equipment	6,264	5,734	7,626	5,162	6,522	(8.5)	33.0	26.4
Transportation Equipment	9,157	9,913	9,520	7,221	7,110	8.3	(4.0)	(1.5)
Agricultural Products	1,855	1,615	2,835	1,711	2,521	(12.9)	75.5	47.4
Computer and Electronic Products	768	701	1,055	683	1,030	(8.7)	50.5	50.7
Food and Kindred Products	838	801	1,032	742	680	(4.4)	28.8	(8.5)
Paper	590	546	524	399	393	(7.5)	(4.0)	(1.7)
Chemicals	357	407	407	286	354	13.9	(0.0)	23.7
Forestry Products	427	375	350	259	335	(12.2)	(6.6)	29.3
Fish & Other Marine Products	364	295	290	228	192	(19.0)	(1.6)	(16.0)
Waste and Scrap	94	91	178	129	189	(2.8)	95.2	46.3
Machinery, except Electrical	160	142	160	117	159	(11.5)	12.9	35.1
Primary Metal Manufacturing	147	130	152	107	153	(11.6)	16.5	43.5
Wood Products	189	157	147	114	85	(16.6)	(6.3)	(25.1)
Electrical Equip., Appliances, & Component	69	78	81	58	78	12.0	3.7	36.0
Livestock and Livestock Products	73	69	61	55	75	(5.2)	(12.4)	36.7
Miscellaneous Manufactured Commodities	72	65	57	45	57	(9.7)	(12.3)	27.4
Petroleum and Coal Products	60	58	66	55	57	(2.7)	13.6	3.3
Fabricated Metal Products	28	38	56	39	46	38.1	47.3	18.4
Nonmetallic Mineral Products	25	26	31	23	25	3.0	18.7	8.6
Special Classification Provisions	36	50	39	32	25	37.7	(20.8)	(24.3)
Plastics and Rubber Products	35	23	22	15	23	(34.8)	(4.8)	52.5
Minerals and Ores	25	15	11	8	13	(40.2)	(28.6)	77.9
Used or Second-Hand Merchandise	4	4	7	4	7	12.2	52.3	71.7
Leather and Allied Products	3	3	4	3	6	(9.9)	20.9	89.9
Beverages and Tobacco Products	15	16	21	19	5	3.6	37.8	(71.5)
Apparel and Accessories	6	4	5	4	4	(30.7)	23.6	8.8
Printing, Publishing and Similar Products	8	10	10	7	3	21.8	3.2	(57.7)
Textile Mill Products	4	4	5	3	3	(13.5)	46.1	3.7
Textiles and Fabrics	4	7	4	3	3	56.4	(45.7)	(3.8)
Furniture and Fixtures	5	3	3	3	3	(39.1)	19.0	(3.1)
Prepackaged Software	0	0	1	1	1	NA	NA	(18.6)
Oil and Gas	0	0	11	11	0	(61.4)	17,034	NA

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Detail Components of the Washington Economic Forecast

Calendar Years

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

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,817.0	9,890.6	10,074.8	10,381.3	10,840.8	11,211.4	11,541.1	11,910.2
% Ch	3.7	0.8	1.9	3.0	4.4	3.4	2.9	3.2
Real Consumption	6739.4	6910.4	7123.4	7355.5	7619.7	7846.9	8079.4	8305.8
% Ch	4.7	2.5	3.1	3.3	3.6	3.0	3.0	2.8
Real Nonresidential Fixed Investment	1,232.1	1,180.5	1,075.7	1,110.8	1,228.5	1,328.0	1,400.0	1,495.3
% Ch	8.7	-4.2	-8.9	3.3	10.6	8.1	5.4	6.8
Real Residential Fixed Investment	446.9	448.5	470.1	511.2	562.6	551.5	520.3	503.7
% Ch	0.8	0.4	4.8	8.8	10.0	-2.0	-5.7	-3.2
Real Personal Income	8,429.3	8,545.2	8,574.8	8,683.0	8,951.7	9,235.9	9,548.1	9,861.0
% Ch	5.4	1.4	0.3	1.3	3.1	3.2	3.4	3.3
Real Per Capita Income (\$/Person)	29,807	29,908	29,712	29,798	30,437	31,118	31,882	32,636
% Ch	4.3	0.3	-0.7	0.3	2.1	2.2	2.5	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.021	1.035	1.055	1.078	1.096	1.114	1.135
% Ch	2.5	2.1	1.4	1.9	2.1	1.7	1.7	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.722	1.770	1.799	1.839	1.887	1.921	1.949	1.982
% Ch	3.4	2.8	1.6	2.3	2.6	1.8	1.4	1.7
Employment Cost Index (June 1989=1.0)	1.460	1.514	1.564	1.609	1.650	1.697	1.752	1.810
% Ch	4.1	3.7	3.3	2.9	2.5	2.9	3.2	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,817.0	10,128.0	10,487.0	11,004.0	11,723.7	12,348.4	12,927.4	13,584.3
% Ch	5.9	3.2	3.5	4.9	6.5	5.3	4.7	5.1
Personal Income	8,429.7	8,724.1	8,878.9	9,161.8	9,647.0	10,120.2	10,635.1	11,197.3
% Ch	8.0	3.5	1.8	3.2	5.3	4.9	5.1	5.3
Employment (Millions)								
U.S. Civilian Labor Force	142.6	143.9	145.1	146.5	147.4	149.6	151.6	153.6
Total U.S. Employment	136.9	137.1	136.7	137.7	139.3	141.6	143.2	145.0
Unemployment Rate (%)	3.98	4.76	5.78	5.99	5.51	5.33	5.53	5.61
Nonfarm Payroll Employment	131.79	131.84	130.34	129.94	131.24	133.50	134.96	136.16
% Ch	2.2	0.0	-1.1	-0.3	1.0	1.7	1.1	0.9
Manufacturing	17.27	16.44	15.26	14.52	14.40	14.59	14.70	14.66
% Ch	-0.3	-4.8	-7.2	-4.8	-0.8	1.3	0.8	-0.3
Durable Manufacturing	10.88	10.33	9.48	8.97	8.96	9.18	9.31	9.31
% Ch	0.4	-5.0	-8.2	-5.4	-0.1	2.4	1.5	-0.1
Nondurable Manufacturing	6.39	6.11	5.77	5.55	5.44	5.41	5.39	5.36
% Ch	-1.6	-4.4	-5.4	-3.8	-2.1	-0.5	-0.4	-0.6
Construction	6.79	6.83	6.72	6.72	6.91	7.11	7.15	7.17
% Ch	3.7	0.6	-1.6	0.1	2.7	2.9	0.6	0.3
Service-Producing	107.14	107.96	107.79	108.12	109.34	111.20	112.53	113.78
% Ch	2.5	0.8	-0.2	0.3	1.1	1.7	1.2	1.1
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.5	23.7	24.1	24.0	23.7	23.5	23.3	23.2
Auto Sales (Millions)	8.9	8.4	8.1	7.6	7.5	7.6	7.5	7.4
% Ch	1.8	-4.9	-3.8	-6.0	-1.6	1.4	-0.9	-1.6
Housing Starts (Millions)	1.573	1.601	1.710	1.853	1.934	1.802	1.683	1.650
% Ch	-4.5	1.8	6.8	8.3	4.4	-6.8	-6.6	-2.0
Federal Budget Surplus (Billions)	189.4	46.7	-254.5	-364.6	-390.2	-304.9	-299.6	-284.4
Net Exports (Billions)	-379.5	-367.0	-424.9	-498.1	-599.1	-600.5	-549.1	-527.8
3-Month Treasury Bill Rate (%)	5.81	3.43	1.61	1.01	1.34	2.59	3.18	3.26
30-Year U.S. Govt. Bond Rate (%)	5.94	5.49	5.42	5.05	5.17	5.57	5.86	5.99
Bond Index of 20 G.O. Munis. (%)	5.70	5.15	5.03	4.74	4.72	4.82	5.13	5.27
Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.90	6.18	6.58	6.75

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,993.5	10,052.6	10,117.3	10,135.9	10,184.4	10,287.4	10,472.8	10,580.7
% Ch	3.4	2.4	2.6	0.7	1.9	4.1	7.4	4.2
Real Consumption	7,049.7	7,099.3	7,149.9	7,194.6	7,242.2	7,311.4	7,401.7	7,466.8
% Ch	1.8	2.8	2.9	2.5	2.7	3.9	5.0	3.6
Real Nonresidential Fixed Investment	1,099.8	1,072.4	1,069.5	1,060.9	1,060.5	1,090.6	1,131.1	1,161.0
% Ch	-9.7	-9.6	-1.1	-3.2	-0.2	11.8	15.7	11.0
Real Residential Fixed Investment	457.8	470.3	473.6	478.5	487.3	497.9	523.8	535.9
% Ch	9.2	11.4	2.8	4.2	7.6	9.0	22.5	9.6
Real Personal Income	8,575.5	8,605.7	8,562.3	8,555.6	8,567.0	8,649.9	8,713.6	8,801.5
% Ch	1.4	1.4	-2.0	-0.3	0.5	3.9	3.0	4.1
Real Per Capita Income (\$/Person)	29,829	29,860	29,627	29,532	29,507	29,720	29,867	30,099
% Ch	0.4	0.4	-3.1	-1.3	-0.3	2.9	2.0	3.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.034	1.039	1.042	1.051	1.053	1.057	1.060
% Ch	0.9	2.9	2.0	1.4	3.2	0.7	1.6	1.2
U.S. Consumer Price Index (1982-84=1.0)	1.780	1.795	1.805	1.814	1.831	1.834	1.845	1.848
% Ch	1.3	3.5	2.2	1.9	3.9	0.6	2.3	0.7
Employment Cost Index (June 1989=1.0)	1.548	1.562	1.569	1.577	1.593	1.603	1.617	1.625
% Ch	3.4	3.7	1.8	2.1	4.1	2.5	3.5	2.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,338.2	10,445.7	10,546.5	10,617.5	10,744.6	10,884.0	11,116.7	11,270.9
% Ch	4.4	4.2	3.9	2.7	4.9	5.3	8.8	5.7
Personal Income	8,803.6	8,897.1	8,895.7	8,919.2	9,002.2	9,105.7	9,209.3	9,330.0
% Ch	2.2	4.3	-0.1	1.1	3.8	4.7	4.6	5.3
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.1	145.5	145.5	145.9	146.6	146.6	147.0
Total U.S. Employment	136.2	136.6	137.1	137.0	137.4	137.6	137.6	138.4
Unemployment Rate (%)	5.67	5.83	5.73	5.87	5.83	6.13	6.13	5.87
Nonfarm Payroll Employment	130.45	130.39	130.29	130.25	130.05	129.88	129.82	130.00
% Ch	-1.4	-0.2	-0.3	-0.1	-0.6	-0.5	-0.2	0.6
Manufacturing	15.50	15.35	15.20	14.98	14.78	14.57	14.41	14.34
% Ch	-8.0	-4.0	-3.9	-5.6	-5.3	-5.4	-4.3	-1.9
Durable Manufacturing	9.65	9.55	9.44	9.29	9.13	8.99	8.89	8.87
% Ch	-9.5	-4.3	-4.4	-6.4	-6.4	-6.1	-4.6	-1.0
Nondurable Manufacturing	5.85	5.80	5.76	5.69	5.64	5.58	5.52	5.47
% Ch	-5.5	-3.5	-2.9	-4.3	-3.6	-4.4	-3.9	-3.5
Construction	6.77	6.71	6.69	6.70	6.68	6.71	6.74	6.77
% Ch	-1.3	-3.7	-0.9	0.4	-1.2	1.8	1.8	1.7
Service-Producing	107.58	107.75	107.82	108.00	108.02	108.03	108.10	108.33
% Ch	-0.4	0.6	0.3	0.6	0.1	0.0	0.3	0.8
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	24.0	23.9	24.2	24.2	24.1	24.1	23.9	23.9
Auto Sales (Millions)	8.0	8.2	8.4	7.9	7.8	7.5	7.7	7.5
% Ch	-32.2	10.4	10.1	-19.9	-7.7	-12.8	10.4	-8.1
Housing Starts (Millions)	1.723	1.691	1.697	1.730	1.747	1.745	1.883	2.035
% Ch	45.1	-7.2	1.5	7.8	4.1	-0.5	35.7	36.2
Federal Budget Surplus (Billions)	-208.5	-251.6	-255.1	-302.7	-281.6	-364.4	-433.0	-379.2
Net Exports (Billions)	-376.3	-415.4	-431.1	-476.6	-503.3	-497.6	-488.8	-502.8
3-Month Treasury Bill Rate (%)	1.72	1.72	1.65	1.35	1.16	1.04	0.93	0.92
30-Year U.S. Govt. Bond Rate (%)	5.59	5.75	5.24	5.11	5.01	4.74	5.24	5.22
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.89	4.90	4.83	4.47	4.89	4.76
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.92

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

	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	10,697.5	10,784.7	10,895.2	10,985.7	11,081.5	11,176.9	11,256.7	11,330.5
% Ch	4.5	3.3	4.2	3.4	3.5	3.5	2.9	2.6
Real Consumption	7,543.0	7,572.4	7,660.4	7,702.9	7,760.6	7,822.9	7,876.4	7,927.7
% Ch	4.1	1.6	4.7	2.2	3.0	3.2	2.8	2.6
Real Nonresidential Fixed Investment	1,173.0	1,207.9	1,245.3	1,288.0	1,293.5	1,322.5	1,340.8	1,355.0
% Ch	4.2	12.4	13.0	14.4	1.7	9.3	5.7	4.3
Real Residential Fixed Investment	542.5	563.6	572.1	572.0	562.4	555.1	548.1	540.6
% Ch	5.0	16.5	6.2	-0.0	-6.6	-5.1	-5.0	-5.3
Real Personal Income	8,838.7	8,899.6	8,951.2	9,117.3	9,119.0	9,200.1	9,278.3	9,346.2
% Ch	1.7	2.8	2.3	7.6	0.1	3.6	3.4	3.0
Real Per Capita Income (\$/Person)	30,157	30,296	30,401	30,895	30,830	31,033	31,226	31,384
% Ch	0.8	1.9	1.4	6.7	-0.8	2.7	2.5	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.069	1.077	1.080	1.085	1.089	1.094	1.098	1.102
% Ch	3.3	3.1	1.2	1.8	1.7	1.6	1.4	1.6
U.S. Consumer Price Index (1982-84=1.0)	1.864	1.886	1.894	1.904	1.912	1.919	1.924	1.931
% Ch	3.6	4.7	1.8	2.0	1.7	1.5	1.2	1.3
Employment Cost Index (June 1989=1.0)	1.635	1.644	1.654	1.666	1.678	1.691	1.703	1.717
% Ch	2.5	2.2	2.5	2.9	3.0	3.0	2.9	3.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,472.6	11,657.5	11,810.4	11,954.4	12,124.5	12,286.5	12,424.1	12,558.5
% Ch	7.4	6.6	5.4	5.0	5.8	5.4	4.6	4.4
Personal Income	9,445.0	9,583.4	9,667.5	9,892.1	9,934.9	10,063.0	10,184.5	10,298.6
% Ch	5.0	6.0	3.6	9.6	1.7	5.3	4.9	4.6
Employment (Millions)								
U.S. Civilian Labor Force	146.7	147.0	147.7	148.3	148.8	149.3	149.8	150.3
Total U.S. Employment	138.4	138.8	139.7	140.3	140.9	141.4	141.8	142.2
Unemployment Rate (%)	5.63	5.60	5.43	5.37	5.31	5.29	5.33	5.40
Nonfarm Payroll Employment	130.37	131.12	131.48	131.99	132.66	133.33	133.84	134.19
% Ch	1.1	2.3	1.1	1.6	2.1	2.0	1.5	1.0
Manufacturing	14.33	14.38	14.43	14.47	14.50	14.58	14.61	14.65
% Ch	-0.4	1.6	1.2	1.3	0.9	2.1	0.9	1.1
Durable Manufacturing	8.88	8.94	8.99	9.04	9.08	9.17	9.21	9.25
% Ch	0.8	2.7	2.2	2.4	1.8	3.9	1.5	2.0
Nondurable Manufacturing	5.44	5.44	5.44	5.43	5.42	5.41	5.41	5.40
% Ch	-2.3	0.0	-0.5	-0.4	-0.7	-0.8	-0.3	-0.2
Construction	6.82	6.90	6.93	6.97	7.06	7.10	7.12	7.14
% Ch	3.1	4.7	1.9	2.6	4.7	2.5	1.4	1.2
Service-Producing	108.65	109.26	109.53	109.95	110.50	111.03	111.49	111.78
% Ch	1.2	2.3	1.0	1.6	2.0	2.0	1.7	1.0
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	23.9	23.7	23.8	23.5	23.5	23.5	23.5	23.4
Auto Sales (Millions)	7.4	7.5	7.3	7.7	7.5	7.7	7.6	7.6
% Ch	-4.2	1.4	-7.3	23.7	-11.3	9.5	-2.8	-1.6
Housing Starts (Millions)	1.943	1.920	1.982	1.890	1.849	1.824	1.787	1.748
% Ch	-16.8	-4.7	13.6	-17.4	-8.2	-5.3	-7.9	-8.4
Federal Budget Surplus (Billions)	-391.0	-382.9	-396.1	-390.8	-313.0	-310.8	-303.4	-292.4
Net Exports (Billions)	-546.8	-591.3	-618.2	-640.0	-624.4	-608.9	-594.3	-574.3
3-Month Treasury Bill Rate (%)	0.92	1.07	1.49	1.88	2.21	2.51	2.75	2.89
30-Year U.S. Govt. Bond Rate (%)	4.98	5.40	5.15	5.17	5.36	5.50	5.68	5.74
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.71	4.65	4.66	4.76	4.89	4.97
Mortgage Rate (%)	5.61	6.13	5.90	5.96	6.08	6.06	6.23	6.35

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

	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	11,410.5	11,494.8	11,585.7	11,673.5	11,764.1	11,864.6	11,958.0	12,054.1
% Ch	2.9	3.0	3.2	3.1	3.1	3.5	3.2	3.3
Real Consumption	7,984.7	8,048.0	8,113.0	8,171.8	8,220.5	8,276.0	8,332.4	8,394.3
% Ch	2.9	3.2	3.3	2.9	2.4	2.7	2.8	3.0
Real Nonresidential Fixed Investment	1,371.5	1,388.0	1,409.0	1,431.5	1,456.6	1,483.2	1,509.2	1,532.2
% Ch	4.9	4.9	6.2	6.5	7.2	7.5	7.2	6.2
Real Residential Fixed Investment	532.7	524.2	516.1	508.3	505.5	504.0	502.5	503.0
% Ch	-5.7	-6.2	-6.1	-5.9	-2.2	-1.2	-1.2	0.4
Real Personal Income	9,428.9	9,509.5	9,589.6	9,664.5	9,738.1	9,819.7	9,901.2	9,984.9
% Ch	3.6	3.5	3.4	3.2	3.1	3.4	3.4	3.4
Real Per Capita Income (\$/Person)	31,590	31,789	31,985	32,163	32,337	32,535	32,733	32,938
% Ch	2.7	2.5	2.5	2.2	2.2	2.5	2.5	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.106	1.111	1.116	1.121	1.127	1.133	1.138	1.144
% Ch	1.6	1.7	1.9	1.8	1.9	2.0	2.1	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.937	1.944	1.953	1.960	1.968	1.977	1.986	1.995
% Ch	1.3	1.5	1.7	1.6	1.7	1.8	1.8	1.9
Employment Cost Index (June 1989=1.0)	1.731	1.744	1.758	1.773	1.788	1.803	1.817	1.832
% Ch	3.3	3.0	3.2	3.3	3.5	3.3	3.3	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,701.7	12,847.2	13,003.0	13,157.8	13,323.3	13,499.3	13,669.4	13,845.4
% Ch	4.6	4.7	4.9	4.8	5.1	5.4	5.1	5.2
Personal Income	10,432.1	10,566.1	10,704.6	10,837.7	10,973.0	11,121.0	11,270.5	11,424.5
% Ch	5.3	5.2	5.3	5.1	5.1	5.5	5.5	5.6
Employment (Millions)								
U.S. Civilian Labor Force	150.8	151.3	151.8	152.4	152.9	153.4	153.9	154.3
Total U.S. Employment	142.5	143.0	143.4	143.9	144.3	144.8	145.2	145.7
Unemployment Rate (%)	5.47	5.52	5.55	5.58	5.61	5.61	5.62	5.61
Nonfarm Payroll Employment	134.50	134.81	135.13	135.40	135.69	136.02	136.31	136.61
% Ch	0.9	0.9	1.0	0.8	0.8	1.0	0.9	0.9
Manufacturing	14.68	14.72	14.71	14.70	14.69	14.67	14.66	14.64
% Ch	0.7	1.0	-0.0	-0.3	-0.4	-0.4	-0.4	-0.6
Durable Manufacturing	9.28	9.32	9.33	9.32	9.31	9.31	9.30	9.30
% Ch	1.2	1.8	0.3	-0.3	-0.4	-0.2	-0.0	-0.2
Nondurable Manufacturing	5.40	5.39	5.39	5.38	5.38	5.37	5.35	5.34
% Ch	-0.3	-0.4	-0.5	-0.3	-0.4	-0.8	-0.9	-1.2
Construction	7.15	7.16	7.15	7.13	7.14	7.16	7.18	7.19
% Ch	0.3	0.5	-0.6	-1.2	0.6	1.2	0.9	0.8
Service-Producing	112.08	112.35	112.69	113.01	113.31	113.63	113.93	114.25
% Ch	1.1	1.0	1.2	1.1	1.1	1.2	1.1	1.1
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	23.4	23.3	23.3	23.2	23.2	23.2	23.2	23.1
Auto Sales (Millions)	7.5	7.5	7.6	7.4	7.5	7.4	7.4	7.3
% Ch	-3.1	-1.6	7.4	-10.3	2.6	-4.0	-0.8	-3.0
Housing Starts (Millions)	1.717	1.691	1.673	1.653	1.649	1.651	1.650	1.649
% Ch	-7.1	-5.9	-4.0	-4.7	-1.0	0.4	-0.1	-0.4
Federal Budget Surplus (Billions)	-292.2	-299.8	-306.6	-299.9	-290.0	-285.9	-277.7	-283.9
Net Exports (Billions)	-561.6	-549.4	-543.8	-541.5	-537.2	-530.9	-525.0	-518.2
3-Month Treasury Bill Rate (%)	3.02	3.19	3.26	3.24	3.23	3.23	3.23	3.34
30-Year U.S. Govt. Bond Rate (%)	5.83	5.84	5.89	5.90	5.94	5.98	6.01	6.04
Bond Index of 20 G.O. Munis. (%)	5.07	5.10	5.15	5.20	5.22	5.26	5.29	5.32
Mortgage Rate (%)	6.45	6.59	6.62	6.66	6.68	6.72	6.78	6.82

Table A1.3
Washington Economic Forecast Summary
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	187.867	190.435	191.582	193.306	197.700	204.881	213.207	222.011
% Ch	4.5	1.4	0.6	0.9	2.3	3.6	4.1	4.1
Real Wage and Salary Disb.	110.017	108.346	107.548	108.254	109.603	113.976	118.777	123.848
% Ch	3.5	-1.5	-0.7	0.7	1.2	4.0	4.2	4.3
Real Nonwage Income	77.850	82.088	84.033	85.052	88.097	90.905	94.429	98.164
% Ch	5.9	5.4	2.4	1.2	3.6	3.2	3.9	4.0
Real Per Capita Income (\$/Person)	31,712	31,740	31,599	31,571	31,885	32,564	33,399	34,264
% Ch	3.2	0.1	-0.4	-0.1	1.0	2.1	2.6	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.021	1.035	1.055	1.078	1.096	1.114	1.135
% Ch	2.5	2.1	1.4	1.9	2.1	1.7	1.7	1.9
Seattle Cons. Price Index (1982-84=1.0)	1.792	1.857	1.893	1.924	1.945	1.973	2.006	2.046
% Ch	3.7	3.6	2.0	1.6	1.1	1.4	1.7	2.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.75	17.97	18.15	18.03	18.27	18.69	19.02	19.38
% Ch	3.7	7.3	1.0	-0.7	1.3	2.3	1.8	1.9
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	187.409	194.181	198.011	203.823	212.877	224.106	236.974	251.527
% Ch	7.0	3.6	2.0	2.9	4.4	5.3	5.7	6.1
Personal Income	187.853	194.420	198.367	203.956	213.054	224.500	237.482	252.101
% Ch	7.0	3.5	2.0	2.8	4.5	5.4	5.8	6.2
Disposable Personal Income	160.318	166.844	174.881	181.655	190.215	199.530	210.221	222.569
% Ch	6.5	4.1	4.8	3.9	4.7	4.9	5.4	5.9
Per Capita Income (\$/Person)	31,709	32,403	32,718	33,310	34,361	35,682	37,202	38,907
% Ch	5.8	2.2	1.0	1.8	3.2	3.8	4.3	4.6
Employment (Thousands)								
Washington Civilian Labor Force	3,055.8	3,024.2	3,109.5	3,139.9	3,204.5	3,273.8	3,328.2	3,383.2
Total Washington Employment	2,896.4	2,830.7	2,882.6	2,902.9	3,011.4	3,075.6	3,123.6	3,173.4
Unemployment Rate (%)	5.22	6.40	7.30	7.55	6.03	6.05	6.15	6.20
Nonfarm Payroll Employment	2,711.6	2,697.4	2,654.0	2,658.0	2,703.5	2,756.8	2,801.9	2,848.8
% Ch	2.4	-0.5	-1.6	0.2	1.7	2.0	1.6	1.7
Manufacturing	331.9	316.2	285.0	266.7	262.3	267.8	275.1	281.9
% Ch	-3.4	-4.7	-9.8	-6.4	-1.6	2.1	2.7	2.5
Durable Manufacturing	236.5	225.0	199.3	183.7	181.2	186.5	192.7	198.5
% Ch	-4.2	-4.8	-11.4	-7.8	-1.4	3.0	3.3	3.0
Aerospace	86.2	87.3	75.7	65.4	61.3	63.9	67.5	72.5
% Ch	-12.3	1.3	-13.2	-13.6	-6.2	4.2	5.6	7.4
Nondurable Manufacturing	95.4	91.1	85.7	83.0	81.2	81.2	82.4	83.4
% Ch	-1.1	-4.5	-6.0	-3.2	-2.2	0.1	1.4	1.3
Construction	160.6	158.8	154.2	156.1	163.6	167.9	170.4	173.6
% Ch	4.5	-1.1	-2.9	1.2	4.8	2.6	1.5	1.9
Service-Producing	2,209.1	2,212.6	2,205.4	2,226.4	2,268.2	2,311.9	2,347.3	2,384.2
% Ch	3.2	0.2	-0.3	1.0	1.9	1.9	1.5	1.6
Software Publishers	32.2	35.9	36.1	37.2	38.5	40.4	42.4	44.9
% Ch	17.8	11.4	0.7	2.9	3.6	4.9	4.9	5.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	39.021	38.345	40.200	42.825	46.402	45.298	42.699	42.841
% Ch	-8.7	-1.7	4.8	6.5	8.4	-2.4	-5.7	0.3
Single-Family	25.471	26.736	30.239	33.091	35.321	30.735	27.868	27.061
% Ch	-9.4	5.0	13.1	9.4	6.7	-13.0	-9.3	-2.9
Multi-Family	13.550	11.609	9.961	9.734	11.081	14.562	14.830	15.780
% Ch	-7.5	-14.3	-14.2	-2.3	13.8	31.4	1.8	6.4
Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.90	6.18	6.58	6.75

Table A1.4
Washington Economic Forecast Summary
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	191.449	192.416	191.990	190.471	189.985	193.485	196.110	193.644
% Ch	4.1	2.0	-0.9	-3.1	-1.0	7.6	5.5	-4.9
Real Wage and Salary Disb.	107.792	107.694	107.930	106.777	105.960	108.790	110.831	107.433
% Ch	5.0	-0.4	0.9	-4.2	-3.0	11.1	7.7	-11.7
Real Nonwage Income	83.657	84.722	84.059	83.693	84.025	84.695	85.279	86.209
% Ch	3.0	5.2	-3.1	-1.7	1.6	3.2	2.8	4.4
Real Per Capita Income (\$/Person)	31,688	31,774	31,629	31,306	31,154	31,643	31,987	31,501
% Ch	3.0	1.1	-1.8	-4.0	-1.9	6.4	4.4	-5.9
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.034	1.039	1.042	1.051	1.053	1.057	1.060
% Ch	0.9	2.9	2.0	1.4	3.2	0.7	1.6	1.2
Seattle Cons. Price Index (1982-84=1.0)	1.879	1.890	1.898	1.907	1.916	1.919	1.934	1.926
% Ch	1.4	2.3	1.8	1.9	1.9	0.6	3.2	-1.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.46	18.43	18.12	17.60	17.84	17.93	18.06	18.30
% Ch	0.7	-0.6	-6.5	-11.1	5.6	2.1	2.9	5.3
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	196.176	198.457	199.114	198.296	199.590	203.511	207.090	205.099
% Ch	4.7	4.7	1.3	-1.6	2.6	8.1	7.2	-3.8
Personal Income	196.533	198.922	199.458	198.556	199.629	203.671	207.259	205.263
% Ch	5.0	5.0	1.1	-1.8	2.2	8.3	7.2	-3.8
Disposable Personal Income	172.740	175.399	175.989	175.395	176.884	180.617	186.066	183.054
% Ch	14.8	6.3	1.4	-1.3	3.4	8.7	12.6	-6.3
Per Capita Income (\$/Person)	32,529	32,848	32,860	32,635	32,735	33,309	33,805	33,391
% Ch	3.8	4.0	0.1	-2.7	1.2	7.2	6.1	-4.8
Employment (Thousands)								
Washington Civilian Labor Force	3,073.4	3,107.2	3,124.6	3,132.6	3,132.7	3,132.6	3,142.5	3,151.8
Total Washington Employment	2,846.9	2,878.3	2,899.1	2,906.2	2,901.0	2,892.1	2,900.4	2,918.0
Unemployment Rate (%)	7.37	7.37	7.22	7.23	7.39	7.68	7.70	7.42
Nonfarm Payroll Employment	2,650.4	2,651.2	2,657.4	2,657.1	2,655.4	2,651.1	2,658.6	2,667.0
% Ch	-2.6	0.1	0.9	-0.0	-0.3	-0.6	1.1	1.3
Manufacturing	293.2	287.4	282.4	277.1	272.0	267.7	264.6	262.4
% Ch	-14.9	-7.7	-6.9	-7.2	-7.2	-6.2	-4.5	-3.4
Durable Manufacturing	205.9	201.9	196.9	192.6	187.8	184.8	182.2	180.1
% Ch	-18.2	-7.5	-9.6	-8.5	-9.6	-6.2	-5.5	-4.5
Aerospace	80.2	77.0	73.7	71.9	68.6	66.4	64.2	62.3
% Ch	-25.8	-14.9	-16.4	-9.1	-17.4	-12.1	-12.6	-11.1
Nondurable Manufacturing	87.3	85.5	85.5	84.6	84.3	82.9	82.5	82.3
% Ch	-6.4	-8.1	-0.2	-4.0	-1.5	-6.2	-2.1	-1.0
Construction	153.6	153.7	154.9	154.7	155.7	155.0	155.7	158.0
% Ch	-1.3	0.3	3.1	-0.5	2.6	-1.7	1.9	6.0
Service-Producing	2,194.1	2,200.7	2,210.9	2,216.0	2,218.7	2,219.6	2,229.6	2,237.7
% Ch	-0.9	1.2	1.9	0.9	0.5	0.2	1.8	1.5
Software Publishers	35.7	35.9	36.1	36.8	36.6	36.6	37.5	38.1
% Ch	-5.0	2.9	1.9	7.7	-2.3	0.4	10.0	6.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	34.349	41.657	38.754	46.040	43.148	42.346	44.783	41.024
% Ch	-0.7	116.3	-25.1	99.2	-22.9	-7.2	25.1	-29.6
Single-Family	25.850	30.219	30.907	33.980	33.243	32.400	33.137	33.585
% Ch	18.1	86.8	9.4	46.1	-8.4	-9.8	9.4	5.5
Multi-Family	8.499	11.438	7.847	12.060	9.905	9.946	11.646	7.439
% Ch	-38.8	227.9	-77.8	457.8	-54.5	1.7	88.0	-83.4
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.92

Table A1.4
Washington Economic Forecast Summary
 Forecast 2004 to 2007

	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	194.200	196.762	198.295	201.543	201.762	203.724	206.440	207.598
% Ch	1.2	5.4	3.2	6.7	0.4	3.9	5.4	2.3
Real Wage and Salary Disb.	107.483	109.337	110.613	110.980	112.168	113.217	115.026	115.493
% Ch	0.2	7.1	4.8	1.3	4.4	3.8	6.5	1.6
Real Nonwage Income	86.718	87.426	87.682	90.563	89.594	90.507	91.414	92.105
% Ch	2.4	3.3	1.2	13.8	-4.2	4.1	4.1	3.1
Real Per Capita Income (\$/Person)	31,507	31,787	31,919	32,326	32,246	32,441	32,753	32,818
% Ch	0.1	3.6	1.7	5.2	-1.0	2.4	3.9	0.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.069	1.077	1.080	1.085	1.089	1.094	1.098	1.102
% Ch	3.3	3.1	1.2	1.8	1.7	1.6	1.4	1.6
Seattle Cons. Price Index (1982-84=1.0)	1.936	1.947	1.944	1.952	1.961	1.969	1.976	1.984
% Ch	2.0	2.3	-0.5	1.7	1.9	1.7	1.4	1.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.07	18.19	18.32	18.51	18.58	18.66	18.73	18.81
% Ch	-4.9	2.6	2.9	4.2	1.6	1.6	1.6	1.8
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	207.359	211.720	214.021	218.410	219.495	222.459	226.187	228.281
% Ch	4.5	8.7	4.4	8.5	2.0	5.5	6.9	3.8
Personal Income	207.514	211.871	214.162	218.669	219.814	222.832	226.602	228.753
% Ch	4.5	8.7	4.4	8.7	2.1	5.6	6.9	3.9
Disposable Personal Income	185.398	189.122	191.122	195.218	195.798	198.296	201.231	202.796
% Ch	5.2	8.3	4.3	8.9	1.2	5.2	6.1	3.1
Per Capita Income (\$/Person)	33,668	34,228	34,474	35,073	35,131	35,483	35,952	36,162
% Ch	3.4	6.8	2.9	7.1	0.7	4.1	5.4	2.4
Employment (Thousands)								
Washington Civilian Labor Force	3,171.9	3,212.9	3,205.5	3,227.7	3,252.4	3,267.4	3,281.2	3,294.1
Total Washington Employment	2,973.4	3,015.1	3,015.5	3,041.4	3,056.1	3,070.5	3,082.5	3,093.1
Unemployment Rate (%)	6.26	6.16	5.93	5.77	6.04	6.03	6.05	6.10
Nonfarm Payroll Employment	2,675.5	2,699.6	2,714.1	2,724.7	2,738.5	2,752.0	2,763.3	2,773.2
% Ch	1.3	3.7	2.2	1.6	2.0	2.0	1.7	1.4
Manufacturing	261.0	262.0	262.0	264.2	265.8	267.5	268.3	269.5
% Ch	-2.0	1.6	-0.1	3.4	2.4	2.5	1.2	1.9
Durable Manufacturing	179.3	181.0	181.2	183.2	184.7	186.4	187.0	188.0
% Ch	-1.7	3.8	0.4	4.6	3.3	3.7	1.5	2.1
Aerospace	61.2	60.8	60.9	62.4	63.2	63.7	64.2	64.7
% Ch	-7.1	-2.6	0.9	10.0	5.3	3.0	3.0	3.0
Nondurable Manufacturing	81.7	81.1	80.8	81.0	81.1	81.1	81.2	81.5
% Ch	-2.8	-3.1	-1.1	0.9	0.6	-0.1	0.6	1.3
Construction	161.6	163.7	164.0	165.2	166.8	167.8	168.1	168.7
% Ch	9.2	5.4	0.7	3.1	4.0	2.3	0.6	1.7
Service-Producing	2,243.6	2,264.4	2,278.8	2,285.9	2,296.5	2,307.5	2,317.7	2,325.7
% Ch	1.1	3.8	2.6	1.3	1.9	1.9	1.8	1.4
Software Publishers	37.8	38.4	38.5	39.4	39.9	40.2	40.6	41.0
% Ch	-2.5	6.2	0.6	10.5	4.8	3.3	3.6	3.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	42.007	46.456	50.653	46.491	46.192	45.633	45.105	44.259
% Ch	9.9	49.6	41.3	-29.0	-2.5	-4.8	-4.5	-7.3
Single-Family	32.450	37.802	36.881	34.149	32.284	31.189	30.159	29.310
% Ch	-12.9	84.2	-9.4	-26.5	-20.1	-12.9	-12.6	-10.8
Multi-Family	9.557	8.653	13.772	12.342	13.908	14.444	14.947	14.950
% Ch	172.4	-32.8	541.5	-35.5	61.3	16.3	14.7	0.1
Mortgage Rate (%)	5.61	6.13	5.90	5.96	6.08	6.06	6.23	6.35

Table A1.4
Washington Economic Forecast Summary
 Forecast 2004 to 2007

	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	209.440	211.573	215.827	215.987	217.955	220.208	225.128	224.754
% Ch	3.6	4.1	8.3	0.3	3.7	4.2	9.2	-0.7
Real Wage and Salary Disb.	116.489	117.631	120.868	120.121	121.355	122.594	126.462	124.981
% Ch	3.5	4.0	11.5	-2.5	4.2	4.1	13.2	-4.6
Real Nonwage Income	92.952	93.942	94.958	95.866	96.601	97.614	98.666	99.774
% Ch	3.7	4.3	4.4	3.9	3.1	4.3	4.4	4.6
Real Per Capita Income (\$/Person)	32,989	33,205	33,751	33,652	33,833	34,053	34,681	34,489
% Ch	2.1	2.6	6.7	-1.2	2.2	2.6	7.6	-2.2
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.106	1.111	1.116	1.121	1.127	1.133	1.138	1.144
% Ch	1.6	1.7	1.9	1.8	1.9	2.0	2.1	2.1
Seattle Cons. Price Index (1982-84=1.0)	1.992	2.001	2.010	2.020	2.030	2.041	2.052	2.063
% Ch	1.6	1.8	2.0	1.9	2.0	2.1	2.1	2.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.90	18.98	19.06	19.15	19.25	19.34	19.43	19.51
% Ch	1.8	1.7	1.8	1.9	2.0	1.9	1.9	1.9
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	231.250	234.570	240.406	241.673	245.040	248.824	255.676	256.568
% Ch	5.3	5.9	10.3	2.1	5.7	6.3	11.5	1.4
Personal Income	231.723	235.080	240.921	242.206	245.593	249.390	256.262	257.159
% Ch	5.3	5.9	10.3	2.2	5.7	6.3	11.5	1.4
Disposable Personal Income	205.194	208.132	213.287	214.272	216.928	220.200	226.112	227.035
% Ch	4.8	5.9	10.3	1.9	5.1	6.2	11.2	1.6
Per Capita Income (\$/Person)	36,499	36,894	37,675	37,737	38,123	38,566	39,477	39,461
% Ch	3.8	4.4	8.7	0.7	4.1	4.7	9.8	-0.2
Employment (Thousands)								
Washington Civilian Labor Force	3,307.7	3,321.1	3,335.1	3,348.9	3,362.7	3,376.3	3,389.9	3,403.8
Total Washington Employment	3,104.8	3,117.0	3,130.0	3,142.6	3,154.9	3,167.4	3,179.4	3,192.0
Unemployment Rate (%)	6.13	6.15	6.15	6.16	6.18	6.19	6.21	6.22
Nonfarm Payroll Employment	2,784.2	2,795.7	2,808.0	2,819.8	2,831.3	2,843.1	2,854.4	2,866.3
% Ch	1.6	1.7	1.8	1.7	1.6	1.7	1.6	1.7
Manufacturing	271.6	274.2	276.3	278.2	279.9	281.3	282.6	283.9
% Ch	3.1	3.9	3.2	2.7	2.5	2.0	1.9	1.7
Durable Manufacturing	189.7	192.0	193.8	195.3	196.7	197.9	199.1	200.3
% Ch	3.7	4.9	3.9	3.1	2.7	2.6	2.5	2.4
Aerospace	65.6	66.9	68.1	69.4	70.6	71.9	73.1	74.4
% Ch	6.3	7.8	7.7	7.5	7.4	7.3	7.1	7.0
Nondurable Manufacturing	81.9	82.2	82.5	82.9	83.2	83.4	83.5	83.5
% Ch	1.9	1.6	1.4	1.9	1.8	0.7	0.6	0.2
Construction	169.4	170.1	170.7	171.4	172.2	173.1	174.1	175.1
% Ch	1.6	1.6	1.5	1.6	1.9	2.2	2.3	2.2
Service-Producing	2,334.0	2,342.3	2,351.8	2,361.2	2,370.2	2,379.7	2,388.7	2,398.3
% Ch	1.4	1.4	1.6	1.6	1.5	1.6	1.5	1.6
Software Publishers	41.5	42.1	42.7	43.3	43.9	44.6	45.2	45.8
% Ch	5.1	5.7	6.0	6.0	6.0	5.9	5.7	5.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	43.446	42.658	42.366	42.326	42.436	42.724	42.992	43.211
% Ch	-7.2	-7.1	-2.7	-0.4	1.0	2.7	2.5	2.1
Single-Family	28.608	27.902	27.589	27.375	27.267	27.138	26.989	26.849
% Ch	-9.2	-9.5	-4.4	-3.1	-1.6	-1.9	-2.2	-2.1
Multi-Family	14.838	14.755	14.778	14.951	15.169	15.587	16.003	16.362
% Ch	-3.0	-2.2	0.6	4.8	6.0	11.5	11.1	9.3
Mortgage Rate (%)	6.45	6.59	6.62	6.66	6.68	6.72	6.78	6.82

Table A2.1

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	131.79	131.84	130.34	129.94	131.24	133.50	134.96	136.16
% Ch	2.2	0.0	-1.1	-0.3	1.0	1.7	1.1	0.9
Manufacturing	17.27	16.44	15.26	14.52	14.40	14.59	14.70	14.66
% Ch	-0.3	-4.8	-7.2	-4.8	-0.8	1.3	0.8	-0.3
Durable Manufacturing	10.88	10.33	9.48	8.97	8.96	9.18	9.31	9.31
% Ch	0.4	-5.0	-8.2	-5.4	-0.1	2.4	1.5	-0.1
Wood Products	0.61	0.57	0.55	0.54	0.54	0.54	0.50	0.49
% Ch	-1.2	-6.4	-3.3	-3.5	1.5	-1.2	-6.2	-2.5
Primary and Fabricated Metals	2.38	2.25	2.06	1.96	1.97	2.06	2.11	2.10
% Ch	0.9	-5.4	-8.4	-5.0	0.7	4.6	2.3	-0.1
Computer and Electronic Products	1.82	1.75	1.51	1.36	1.35	1.36	1.39	1.41
% Ch	2.2	-3.9	-13.8	-9.7	-0.6	0.7	2.0	1.2
Machinery and Electrical Equipment	2.05	1.92	1.73	1.61	1.60	1.66	1.72	1.72
% Ch	-0.4	-5.9	-10.3	-6.5	-0.5	3.6	3.5	0.1
Transportation Equipment	2.06	1.94	1.83	1.78	1.77	1.80	1.78	1.75
% Ch	-1.5	-5.7	-5.6	-2.9	-0.5	1.7	-0.8	-1.7
Other Durables	1.97	1.90	1.81	1.73	1.73	1.76	1.81	1.83
% Ch	1.7	-3.3	-4.9	-4.4	0.0	2.0	2.8	1.0
Nondurable Manufacturing	6.39	6.11	5.77	5.55	5.44	5.41	5.39	5.36
% Ch	-1.6	-4.4	-5.4	-3.8	-2.1	-0.5	-0.4	-0.6
Food Manufacturing	1.55	1.55	1.53	1.52	1.50	1.50	1.52	1.53
% Ch	0.2	-0.2	-1.7	-0.5	-1.0	0.1	0.8	0.8
Paper and Paper Products	0.60	0.58	0.55	0.52	0.51	0.52	0.52	0.52
% Ch	-1.8	-4.5	-5.4	-5.0	-1.3	1.5	0.8	-0.2
Other Nondurables	4.23	3.98	3.70	3.52	3.42	3.38	3.35	3.31
% Ch	-2.2	-6.0	-6.9	-5.0	-2.7	-1.1	-1.0	-1.2
Natural Resources and Mining	0.60	0.61	0.58	0.57	0.59	0.61	0.58	0.55
% Ch	0.1	1.2	-3.9	-2.1	2.9	3.5	-5.2	-5.3
Construction	6.79	6.83	6.72	6.72	6.91	7.11	7.15	7.17
% Ch	3.7	0.6	-1.6	0.1	2.7	2.9	0.6	0.3
Trade, Transportation, and Utilities	26.22	25.99	25.50	25.28	25.47	25.69	25.95	26.15
% Ch	1.8	-0.9	-1.9	-0.8	0.7	0.9	1.0	0.8
Wholesale Trade	5.93	5.77	5.65	5.61	5.64	5.74	5.81	5.83
% Ch	0.7	-2.7	-2.1	-0.8	0.7	1.7	1.2	0.5
Retail Trade	15.28	15.24	15.02	14.92	15.02	15.01	15.10	15.16
% Ch	2.1	-0.3	-1.4	-0.7	0.7	-0.1	0.6	0.4
Trans., Warehousing, and Utilities	5.01	4.97	4.82	4.76	4.80	4.94	5.05	5.16
% Ch	2.2	-0.8	-3.1	-1.3	0.9	2.9	2.2	2.1
Information	3.63	3.63	3.39	3.20	3.18	3.23	3.22	3.25
% Ch	6.2	-0.0	-6.5	-5.8	-0.7	1.6	-0.2	0.9
Publishing Industries	1.03	1.02	0.96	0.93	0.91	0.92	0.95	0.96
% Ch	3.0	-1.4	-5.5	-3.9	-1.4	1.2	2.4	1.2
Other Information	2.59	2.61	2.43	2.27	2.26	2.30	2.27	2.29
% Ch	7.5	0.5	-6.8	-6.5	-0.4	1.7	-1.2	0.8
Financial Activities	7.69	7.81	7.85	7.97	8.03	8.13	8.13	8.13
% Ch	0.5	1.6	0.5	1.6	0.7	1.2	0.0	0.0
Professional and Business Services	16.67	16.48	15.98	15.99	16.45	17.19	17.72	18.43
% Ch	4.5	-1.1	-3.1	0.1	2.9	4.5	3.1	4.0
Education and Health Services	15.11	15.65	16.20	16.58	16.91	17.29	17.58	17.78
% Ch	2.1	3.6	3.6	2.3	2.0	2.2	1.7	1.1
Leisure and Hospitality	11.86	12.03	11.99	12.13	12.33	12.62	12.77	12.74
% Ch	2.7	1.5	-0.4	1.2	1.7	2.4	1.2	-0.2
Other Services	5.17	5.26	5.37	5.39	5.42	5.43	5.46	5.52
% Ch	1.6	1.7	2.2	0.4	0.4	0.3	0.4	1.2
Federal Government	2.86	2.76	2.77	2.76	2.71	2.70	2.70	2.70
% Ch	3.4	-3.5	0.1	-0.3	-1.6	-0.4	-0.2	0.1
State and Local Government	17.93	18.36	18.74	18.82	18.85	18.93	19.01	19.07
% Ch	2.2	2.4	2.1	0.4	0.2	0.4	0.4	0.3

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	130.45	130.39	130.29	130.25	130.05	129.88	129.82	130.00
% Ch	-1.4	-0.2	-0.3	-0.1	-0.6	-0.5	-0.2	0.6
Manufacturing	15.50	15.35	15.20	14.98	14.78	14.57	14.41	14.34
% Ch	-8.0	-4.0	-3.9	-5.6	-5.3	-5.4	-4.3	-1.9
Durable Manufacturing	9.65	9.55	9.44	9.29	9.13	8.99	8.89	8.87
% Ch	-9.5	-4.3	-4.4	-6.4	-6.4	-6.1	-4.6	-1.0
Wood Products	0.56	0.56	0.55	0.55	0.54	0.54	0.53	0.54
% Ch	-1.9	-3.0	-2.2	-4.9	-4.6	-3.5	-3.5	3.4
Primary and Fabricated Metals	2.08	2.07	2.05	2.02	1.99	1.96	1.93	1.93
% Ch	-10.3	-3.3	-2.7	-5.5	-6.2	-6.0	-5.4	-0.8
Computer and Electronic Products	1.57	1.53	1.49	1.44	1.40	1.37	1.34	1.33
% Ch	-14.8	-9.6	-11.2	-11.1	-11.5	-8.6	-6.8	-3.2
Machinery and Electrical Equipment	1.77	1.74	1.71	1.68	1.65	1.62	1.60	1.59
% Ch	-11.5	-6.2	-5.9	-7.5	-7.3	-7.5	-5.1	-1.4
Transportation Equipment	1.84	1.84	1.83	1.81	1.80	1.78	1.76	1.76
% Ch	-9.0	-1.3	-1.7	-4.0	-2.7	-4.8	-2.6	0.2
Other Durables	1.83	1.82	1.81	1.78	1.75	1.73	1.72	1.71
% Ch	-4.5	-2.2	-2.6	-5.5	-5.8	-4.7	-3.7	-1.7
Nondurable Manufacturing	5.85	5.80	5.76	5.69	5.64	5.58	5.52	5.47
% Ch	-5.5	-3.5	-2.9	-4.3	-3.6	-4.4	-3.9	-3.5
Food Manufacturing	1.54	1.53	1.52	1.52	1.52	1.52	1.52	1.51
% Ch	-1.1	-1.7	-3.0	0.2	-0.2	0.0	1.7	-2.5
Paper and Paper Products	0.55	0.55	0.55	0.54	0.53	0.52	0.52	0.51
% Ch	-5.4	-3.5	-3.1	-6.2	-6.4	-5.0	-4.5	-2.5
Other Nondurables	3.76	3.72	3.69	3.64	3.60	3.54	3.48	3.45
% Ch	-7.2	-4.2	-2.8	-5.8	-4.5	-6.1	-6.1	-4.1
Natural Resources and Mining	0.59	0.58	0.58	0.57	0.57	0.57	0.57	0.57
% Ch	-3.3	-6.1	-4.9	-1.4	-1.8	-1.4	-0.7	0.5
Construction	6.77	6.71	6.69	6.70	6.68	6.71	6.74	6.77
% Ch	-1.3	-3.7	-0.9	0.4	-1.2	1.8	1.8	1.7
Trade, Transportation, and Utilities	25.55	25.55	25.49	25.40	25.35	25.30	25.23	25.25
% Ch	-2.1	-0.1	-0.9	-1.3	-0.8	-0.8	-1.0	0.2
Wholesale Trade	5.67	5.66	5.65	5.63	5.63	5.62	5.59	5.59
% Ch	-2.4	-1.2	-0.6	-1.0	-0.4	-0.7	-2.0	0.1
Retail Trade	15.06	15.07	15.01	14.96	14.93	14.92	14.91	14.92
% Ch	-1.7	0.2	-1.4	-1.4	-0.8	-0.2	-0.2	0.1
Trans., Warehousing, and Utilities	4.82	4.83	4.83	4.81	4.80	4.76	4.73	4.74
% Ch	-2.8	0.3	0.2	-1.4	-1.2	-2.8	-2.4	0.8
Information	3.47	3.42	3.36	3.32	3.24	3.20	3.18	3.17
% Ch	-7.2	-6.0	-6.3	-5.1	-9.7	-4.1	-3.0	-1.0
Publishing Industries	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.92
% Ch	-6.4	-4.9	-2.7	-3.4	-5.8	-3.5	-3.3	-1.5
Other Information	2.49	2.45	2.40	2.37	2.30	2.27	2.26	2.25
% Ch	-7.5	-6.4	-7.7	-5.7	-11.2	-4.3	-2.9	-0.8
Financial Activities	7.83	7.83	7.84	7.89	7.93	7.98	8.00	7.99
% Ch	-0.2	-0.3	0.6	2.8	1.9	2.5	0.9	-0.6
Professional and Business Services	15.99	16.02	15.96	15.93	15.89	15.94	16.02	16.11
% Ch	-3.6	0.9	-1.5	-0.9	-0.8	1.1	2.2	2.3
Education and Health Services	16.01	16.14	16.28	16.38	16.46	16.56	16.59	16.70
% Ch	3.4	3.4	3.5	2.3	2.1	2.4	0.8	2.7
Leisure and Hospitality	11.97	11.93	11.96	12.09	12.13	12.09	12.12	12.17
% Ch	-0.2	-1.4	1.1	4.3	1.5	-1.5	1.1	1.7
Other Services	5.35	5.37	5.37	5.39	5.40	5.40	5.39	5.38
% Ch	2.9	1.2	0.3	1.6	0.1	0.1	-0.3	-0.9
Federal Government	2.75	2.77	2.77	2.78	2.79	2.77	2.75	2.73
% Ch	-0.1	2.2	-0.5	1.8	1.3	-2.9	-2.2	-3.6
State and Local Government	18.65	18.72	18.79	18.82	18.83	18.80	18.81	18.82
% Ch	1.7	1.6	1.3	0.6	0.4	-0.7	0.1	0.3

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.37	131.12	131.48	131.99	132.66	133.33	133.84	134.19
% Ch	1.1	2.3	1.1	1.6	2.1	2.0	1.5	1.0
Manufacturing	14.33	14.38	14.43	14.47	14.50	14.58	14.61	14.65
% Ch	-0.4	1.6	1.2	1.3	0.9	2.1	0.9	1.1
Durable Manufacturing	8.88	8.94	8.99	9.04	9.08	9.17	9.21	9.25
% Ch	0.8	2.7	2.2	2.4	1.8	3.9	1.5	2.0
Wood Products	0.54	0.54	0.54	0.55	0.55	0.54	0.53	0.52
% Ch	2.0	3.1	1.7	3.6	-1.6	-2.7	-7.2	-6.8
Primary and Fabricated Metals	1.94	1.96	1.97	2.01	2.03	2.05	2.07	2.09
% Ch	1.4	4.0	3.6	6.7	4.5	4.8	2.9	4.3
Computer and Electronic Products	1.34	1.34	1.36	1.37	1.37	1.37	1.36	1.35
% Ch	0.6	2.7	4.4	4.2	-1.6	1.8	-3.9	-2.9
Machinery and Electrical Equipment	1.59	1.60	1.61	1.61	1.63	1.65	1.67	1.69
% Ch	-0.2	2.9	3.2	0.0	3.3	6.6	4.7	5.2
Transportation Equipment	1.77	1.77	1.77	1.77	1.77	1.79	1.81	1.81
% Ch	0.1	0.2	0.2	-0.4	1.7	4.5	3.1	0.7
Other Durables	1.72	1.73	1.73	1.74	1.74	1.76	1.77	1.79
% Ch	1.6	3.3	0.5	0.8	1.4	3.7	2.5	4.1
Nondurable Manufacturing	5.44	5.44	5.44	5.43	5.42	5.41	5.41	5.40
% Ch	-2.3	0.0	-0.5	-0.4	-0.7	-0.8	-0.3	-0.2
Food Manufacturing	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.51
% Ch	-3.1	0.4	-0.3	0.1	0.2	-0.2	0.1	0.7
Paper and Paper Products	0.51	0.51	0.51	0.52	0.52	0.52	0.52	0.52
% Ch	-2.2	-1.3	5.6	3.3	0.4	0.0	0.7	1.1
Other Nondurables	3.43	3.43	3.42	3.41	3.40	3.39	3.38	3.37
% Ch	-1.9	-0.0	-1.5	-1.2	-1.3	-1.2	-0.6	-0.9
Natural Resources and Mining	0.57	0.59	0.59	0.59	0.61	0.61	0.61	0.60
% Ch	3.1	9.1	4.4	0.2	9.6	4.1	-2.7	-5.3
Construction	6.82	6.90	6.93	6.97	7.06	7.10	7.12	7.14
% Ch	3.1	4.7	1.9	2.6	4.7	2.5	1.4	1.2
Trade, Transportation, and Utilities	25.35	25.47	25.49	25.56	25.59	25.65	25.73	25.78
% Ch	1.7	1.9	0.3	1.0	0.5	0.9	1.4	0.7
Wholesale Trade	5.62	5.64	5.65	5.67	5.68	5.72	5.77	5.79
% Ch	1.8	1.5	1.1	1.5	0.4	3.2	3.2	1.2
Retail Trade	14.97	15.05	15.03	15.04	15.04	15.00	15.00	14.99
% Ch	1.6	2.0	-0.4	0.1	-0.0	-0.9	-0.1	-0.1
Trans., Warehousing, and Utilities	4.76	4.79	4.81	4.85	4.87	4.92	4.97	5.00
% Ch	1.8	2.4	1.3	3.4	2.3	3.7	3.8	2.6
Information	3.17	3.18	3.17	3.19	3.19	3.21	3.25	3.25
% Ch	-0.5	1.3	-1.2	3.3	-0.6	3.0	4.6	0.6
Publishing Industries	0.91	0.92	0.91	0.91	0.91	0.92	0.93	0.94
% Ch	-1.4	0.7	-1.9	0.2	0.8	2.6	3.4	3.5
Other Information	2.25	2.26	2.26	2.28	2.27	2.29	2.32	2.32
% Ch	-0.2	1.6	-0.9	4.5	-1.1	3.2	5.1	-0.6
Financial Activities	7.99	8.03	8.05	8.05	8.09	8.12	8.14	8.15
% Ch	0.3	2.0	1.1	-0.3	1.9	1.7	1.1	0.3
Professional and Business Services	16.20	16.42	16.53	16.67	16.92	17.16	17.29	17.39
% Ch	2.2	5.4	2.8	3.4	6.2	5.8	3.1	2.2
Education and Health Services	16.77	16.87	16.96	17.04	17.17	17.25	17.33	17.39
% Ch	1.7	2.4	2.0	1.9	3.1	2.0	1.8	1.4
Leisure and Hospitality	12.24	12.32	12.35	12.40	12.50	12.58	12.68	12.73
% Ch	2.2	2.8	0.7	1.9	3.0	2.8	3.3	1.6
Other Services	5.38	5.41	5.42	5.45	5.44	5.43	5.43	5.44
% Ch	0.1	2.1	0.7	2.4	-0.5	-1.1	-0.2	0.6
Federal Government	2.71	2.72	2.72	2.71	2.71	2.70	2.70	2.70
% Ch	-1.8	0.7	-0.3	-0.8	-0.5	-0.5	-0.5	-0.5
State and Local Government	18.83	18.83	18.84	18.88	18.90	18.92	18.94	18.96
% Ch	0.1	0.1	0.3	0.8	0.3	0.6	0.3	0.5

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	134.50	134.81	135.13	135.40	135.69	136.02	136.31	136.61
% Ch	0.9	0.9	1.0	0.8	0.8	1.0	0.9	0.9
Manufacturing	14.68	14.72	14.71	14.70	14.69	14.67	14.66	14.64
% Ch	0.7	1.0	-0.0	-0.3	-0.4	-0.4	-0.4	-0.6
Durable Manufacturing	9.28	9.32	9.33	9.32	9.31	9.31	9.30	9.30
% Ch	1.2	1.8	0.3	-0.3	-0.4	-0.2	-0.0	-0.2
Wood Products	0.51	0.51	0.50	0.49	0.49	0.49	0.49	0.49
% Ch	-7.7	-5.6	-5.3	-3.6	-2.1	-1.1	-0.6	-0.2
Primary and Fabricated Metals	2.10	2.11	2.11	2.11	2.10	2.10	2.11	2.11
% Ch	1.9	1.9	-0.1	-0.5	-0.6	0.1	0.5	0.2
Computer and Electronic Products	1.36	1.38	1.40	1.41	1.41	1.41	1.40	1.39
% Ch	4.0	6.3	5.6	2.3	1.0	-0.6	-2.1	-2.4
Machinery and Electrical Equipment	1.71	1.72	1.73	1.73	1.73	1.72	1.72	1.72
% Ch	3.0	3.3	1.3	0.2	-0.2	-0.5	-0.6	-0.8
Transportation Equipment	1.80	1.79	1.77	1.76	1.75	1.75	1.75	1.75
% Ch	-2.1	-2.1	-3.7	-2.9	-2.3	-0.8	0.6	1.1
Other Durables	1.80	1.81	1.82	1.82	1.83	1.83	1.83	1.84
% Ch	2.8	3.0	1.2	0.8	1.0	0.9	1.0	0.1
Nondurable Manufacturing	5.40	5.39	5.39	5.38	5.38	5.37	5.35	5.34
% Ch	-0.3	-0.4	-0.5	-0.3	-0.4	-0.8	-0.9	-1.2
Food Manufacturing	1.51	1.51	1.52	1.52	1.53	1.53	1.53	1.53
% Ch	1.1	1.0	0.8	1.1	1.1	0.4	0.4	0.2
Paper and Paper Products	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
% Ch	1.3	0.7	0.0	0.0	-0.2	-0.5	-0.6	-0.9
Other Nondurables	3.36	3.35	3.35	3.34	3.33	3.32	3.30	3.29
% Ch	-1.2	-1.2	-1.1	-1.0	-1.1	-1.4	-1.6	-1.9
Natural Resources and Mining	0.59	0.58	0.57	0.56	0.56	0.55	0.54	0.53
% Ch	-7.3	-6.5	-5.9	-5.2	-4.4	-5.1	-5.6	-5.9
Construction	7.15	7.16	7.15	7.13	7.14	7.16	7.18	7.19
% Ch	0.3	0.5	-0.6	-1.2	0.6	1.2	0.9	0.8
Trade, Transportation, and Utilities	25.85	25.92	25.99	26.05	26.09	26.14	26.17	26.21
% Ch	1.1	1.2	1.1	0.8	0.7	0.8	0.4	0.6
Wholesale Trade	5.80	5.80	5.81	5.81	5.82	5.83	5.84	5.85
% Ch	1.0	0.2	0.4	0.0	0.5	0.7	0.8	0.7
Retail Trade	15.03	15.08	15.13	15.16	15.17	15.18	15.16	15.15
% Ch	0.9	1.5	1.2	0.8	0.2	0.4	-0.6	-0.2
Trans., Warehousing, and Utilities	5.02	5.03	5.06	5.08	5.11	5.14	5.17	5.21
% Ch	1.7	1.4	1.8	1.8	2.3	2.2	2.7	2.6
Information	3.23	3.21	3.21	3.22	3.24	3.24	3.25	3.27
% Ch	-2.5	-2.5	-0.4	1.8	1.8	0.1	1.4	2.2
Publishing Industries	0.94	0.95	0.95	0.95	0.95	0.96	0.96	0.96
% Ch	2.7	1.4	1.1	0.7	1.4	1.1	1.6	1.9
Other Information	2.29	2.27	2.26	2.27	2.28	2.28	2.29	2.30
% Ch	-4.6	-4.1	-1.0	2.3	2.0	-0.3	1.4	2.4
Financial Activities	8.15	8.13	8.12	8.11	8.12	8.12	8.13	8.14
% Ch	-0.1	-1.0	-0.4	-0.3	0.4	0.0	0.3	0.7
Professional and Business Services	17.49	17.62	17.79	17.98	18.16	18.35	18.53	18.69
% Ch	2.5	2.8	4.1	4.2	4.1	4.3	3.9	3.4
Education and Health Services	17.47	17.54	17.63	17.68	17.71	17.76	17.80	17.85
% Ch	1.9	1.6	1.9	1.3	0.6	1.2	0.8	1.2
Leisure and Hospitality	12.76	12.78	12.77	12.77	12.75	12.74	12.74	12.74
% Ch	0.9	0.6	-0.3	-0.2	-0.6	-0.2	0.1	0.1
Other Services	5.45	5.45	5.46	5.47	5.49	5.51	5.53	5.56
% Ch	0.7	0.6	0.6	0.8	1.6	1.3	1.7	1.6
Federal Government	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
% Ch	-0.2	-0.0	0.1	0.2	0.2	0.2	0.2	0.2
State and Local Government	18.98	19.01	19.02	19.03	19.05	19.06	19.08	19.09
% Ch	0.4	0.5	0.4	0.1	0.4	0.3	0.3	0.3

Table A2.3
Washington Nonagricultural Employment by Industry
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	2,711.6	2,697.4	2,654.0	2,658.0	2,703.5	2,756.8	2,801.9	2,848.8
% Ch	2.4	-0.5	-1.6	0.2	1.7	2.0	1.6	1.7
Manufacturing	331.9	316.2	285.0	266.7	262.3	267.8	275.1	281.9
% Ch	-3.4	-4.7	-9.8	-6.4	-1.6	2.1	2.7	2.5
Durable Manufacturing	236.5	225.0	199.3	183.7	181.2	186.5	192.7	198.5
% Ch	-4.2	-4.8	-11.4	-7.8	-1.4	3.0	3.3	3.0
Wood Products	21.9	18.9	18.0	17.9	18.5	17.9	16.6	15.8
% Ch	3.6	-13.6	-4.8	-0.8	3.3	-2.9	-7.7	-4.6
Primary and Fabricated Metals	29.8	27.0	23.5	22.1	22.3	23.5	24.1	23.9
% Ch	-0.8	-9.4	-12.7	-5.9	0.9	5.0	2.8	-0.8
Computer and Electronic Products	34.4	32.4	26.2	23.4	22.3	22.5	23.6	24.5
% Ch	3.2	-5.6	-19.4	-10.4	-5.0	1.0	5.1	3.7
Machinery and Electrical Equipment	19.8	18.5	16.7	16.2	16.8	18.1	19.7	20.5
% Ch	3.0	-6.3	-9.9	-3.3	3.7	8.0	8.6	4.2
Aerospace	86.2	87.3	75.7	65.4	61.3	63.9	67.5	72.5
% Ch	-12.3	1.3	-13.2	-13.6	-6.2	4.2	5.6	7.4
Other Transportation Equip.	13.4	11.3	10.9	11.1	12.2	12.5	12.6	12.3
% Ch	-6.0	-16.0	-2.8	1.4	9.7	2.8	0.4	-2.4
Other Durables	31.1	29.6	28.2	27.6	27.8	28.1	28.7	29.0
% Ch	1.0	-4.8	-4.7	-2.3	0.8	1.0	2.0	1.2
Nondurable Manufacturing	95.4	91.1	85.7	83.0	81.2	81.2	82.4	83.4
% Ch	-1.1	-4.5	-6.0	-3.2	-2.2	0.1	1.4	1.3
Food Manufacturing	38.9	37.2	35.3	34.7	33.7	33.4	34.1	34.8
% Ch	0.8	-4.3	-5.3	-1.5	-3.0	-0.9	2.1	2.1
Paper and Paper Products	14.4	14.1	13.3	12.9	12.5	12.4	12.5	12.5
% Ch	-5.5	-2.0	-6.1	-2.3	-3.5	-0.7	0.9	-0.3
Other Nondurables	42.1	39.8	37.2	35.3	35.0	35.4	35.7	36.1
% Ch	-1.1	-5.5	-6.5	-5.1	-1.0	1.3	0.9	1.0
Natural Resources and Mining	10.0	9.8	9.4	8.8	9.3	9.3	9.1	9.0
% Ch	-5.3	-2.2	-4.5	-5.5	5.4	-0.4	-1.7	-1.3
Construction	160.6	158.8	154.2	156.1	163.6	167.9	170.4	173.6
% Ch	4.5	-1.1	-2.9	1.2	4.8	2.6	1.5	1.9
Trade, Transportation, and Utilities	531.9	523.8	509.3	510.2	518.1	523.5	531.2	538.4
% Ch	2.5	-1.5	-2.8	0.2	1.5	1.1	1.5	1.4
Wholesale Trade	121.3	119.8	115.7	115.7	118.3	120.6	122.3	123.5
% Ch	1.6	-1.2	-3.4	0.0	2.3	1.9	1.5	1.0
Retail Trade	315.3	311.7	305.3	306.7	310.7	311.7	315.7	319.5
% Ch	3.2	-1.1	-2.0	0.4	1.3	0.3	1.3	1.2
Trans., Warehousing, and Utilities	95.4	92.4	88.3	87.8	89.1	91.3	93.2	95.3
% Ch	1.2	-3.2	-4.4	-0.6	1.5	2.5	2.1	2.3
Information	97.6	99.0	93.6	91.8	92.1	92.9	93.8	96.8
% Ch	14.6	1.4	-5.5	-1.8	0.3	0.8	1.0	3.1
Software Publishers	32.2	35.9	36.1	37.2	38.5	40.4	42.4	44.9
% Ch	17.8	11.4	0.7	2.9	3.6	4.9	4.9	5.9
Other Publishing Industries	13.7	13.2	12.6	12.5	12.3	12.4	12.5	12.5
% Ch	1.5	-3.5	-4.4	-0.9	-2.0	0.8	1.1	0.2
Other Information	51.7	49.9	44.8	42.1	41.3	40.1	39.0	39.4
% Ch	16.7	-3.5	-10.3	-5.9	-2.0	-2.9	-2.9	1.0
Financial Activities	142.3	145.2	146.2	152.4	153.5	155.3	156.1	156.9
% Ch	-0.4	2.0	0.7	4.3	0.7	1.2	0.5	0.6
Professional and Business Services	303.8	296.9	290.2	291.0	303.4	317.3	328.9	343.6
% Ch	6.1	-2.3	-2.3	0.3	4.3	4.6	3.7	4.4
Education and Health Services	291.9	298.3	306.9	312.2	319.8	330.0	336.8	342.6
% Ch	3.7	2.2	2.9	1.8	2.4	3.2	2.1	1.7
Leisure and Hospitality	251.8	247.1	245.4	248.8	256.3	263.9	267.9	269.5
% Ch	1.9	-1.9	-0.7	1.4	3.0	3.0	1.5	0.6
Other Services	106.2	96.9	97.8	99.3	100.8	101.8	102.7	104.1
% Ch	1.6	-8.8	0.9	1.5	1.6	1.0	0.9	1.4
Federal Government	69.9	67.9	69.2	70.2	69.4	69.0	69.2	69.5
% Ch	3.4	-2.8	2.0	1.4	-1.1	-0.6	0.2	0.5
State and Local Government	413.5	437.5	447.0	450.5	454.8	458.1	460.7	462.9
% Ch	1.7	5.8	2.2	0.8	1.0	0.7	0.6	0.5

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	2,650.4	2,651.2	2,657.4	2,657.1	2,655.4	2,651.1	2,658.6	2,667.0
% Ch	-2.6	0.1	0.9	-0.0	-0.3	-0.6	1.1	1.3
Manufacturing	293.2	287.4	282.4	277.1	272.0	267.7	264.6	262.4
% Ch	-14.9	-7.7	-6.9	-7.2	-7.2	-6.2	-4.5	-3.4
Durable Manufacturing	205.9	201.9	196.9	192.6	187.8	184.8	182.2	180.1
% Ch	-18.2	-7.5	-9.6	-8.5	-9.6	-6.2	-5.5	-4.5
Wood Products	17.9	18.1	18.1	18.1	18.1	17.9	17.7	17.9
% Ch	-9.1	3.8	-1.0	0.3	-0.1	-3.5	-4.0	3.1
Primary and Fabricated Metals	24.6	23.5	23.2	22.8	22.6	22.3	21.8	21.8
% Ch	-11.3	-15.9	-5.0	-6.7	-3.2	-6.1	-8.1	-0.4
Computer and Electronic Products	27.2	26.5	26.0	24.9	24.3	23.5	23.2	22.7
% Ch	-26.4	-10.3	-7.3	-16.3	-9.3	-12.1	-4.5	-8.9
Machinery and Electrical Equipment	17.0	16.9	16.7	16.3	16.2	16.2	16.1	16.2
% Ch	-12.9	-3.9	-4.7	-8.5	-3.2	0.8	-2.4	2.5
Aerospace	80.2	77.0	73.7	71.9	68.6	66.4	64.2	62.3
% Ch	-25.8	-14.9	-16.4	-9.1	-17.4	-12.1	-12.6	-11.1
Other Transportation Equip.	10.5	11.5	11.1	10.7	10.6	10.9	11.4	11.4
% Ch	-3.7	43.9	-13.2	-14.7	-1.2	11.8	18.2	1.2
Other Durables	28.4	28.4	28.2	27.9	27.4	27.5	27.7	27.8
% Ch	-4.8	-0.4	-3.2	-4.1	-6.7	1.8	2.2	1.2
Nondurable Manufacturing	87.3	85.5	85.5	84.6	84.3	82.9	82.5	82.3
% Ch	-6.4	-8.1	-0.2	-4.0	-1.5	-6.2	-2.1	-1.0
Food Manufacturing	35.9	34.8	35.5	34.9	35.0	34.4	34.9	34.7
% Ch	-3.6	-11.8	7.7	-5.9	0.4	-6.5	6.5	-2.1
Paper and Paper Products	13.4	13.3	13.1	13.2	13.2	13.1	12.8	12.7
% Ch	-11.1	-3.4	-3.5	2.0	-1.2	-3.3	-7.1	-3.6
Other Nondurables	38.0	37.4	36.9	36.4	36.1	35.5	34.7	34.8
% Ch	-7.2	-6.1	-6.0	-4.4	-3.4	-7.1	-8.2	1.2
Natural Resources and Mining	9.5	9.4	9.3	9.3	9.0	8.8	8.7	8.9
% Ch	-5.2	-2.3	-5.1	0.1	-10.4	-10.0	-6.4	11.5
Construction	153.6	153.7	154.9	154.7	155.7	155.0	155.7	158.0
% Ch	-1.3	0.3	3.1	-0.5	2.6	-1.7	1.9	6.0
Trade, Transportation, and Utilities	510.8	509.5	509.8	507.2	509.0	508.5	511.6	511.6
% Ch	-2.9	-1.0	0.2	-2.0	1.5	-0.4	2.4	0.0
Wholesale Trade	116.6	115.5	115.3	115.2	115.5	115.2	115.8	116.3
% Ch	-3.2	-4.0	-0.5	-0.3	1.0	-1.1	2.2	1.8
Retail Trade	305.4	305.7	305.9	304.4	305.1	306.1	307.8	307.7
% Ch	-1.9	0.3	0.2	-1.9	1.0	1.3	2.3	-0.2
Trans., Warehousing, and Utilities	88.7	88.4	88.6	87.6	88.4	87.3	87.9	87.6
% Ch	-5.7	-1.6	1.0	-4.5	3.8	-4.9	3.1	-1.5
Information	94.3	93.5	93.1	93.4	92.3	91.4	91.4	92.2
% Ch	-8.8	-3.2	-1.7	1.2	-4.4	-3.9	0.1	3.3
Software Publishers	35.7	35.9	36.1	36.8	36.6	36.6	37.5	38.1
% Ch	-5.0	2.9	1.9	7.7	-2.3	0.4	10.0	6.2
Other Publishing Industries	12.5	12.6	12.8	12.6	12.6	12.6	12.6	12.3
% Ch	-9.1	3.2	5.4	-4.1	-1.1	-1.1	0.0	-8.2
Other Information	46.1	45.0	44.2	44.0	43.2	42.2	41.4	41.8
% Ch	-11.6	-9.4	-6.4	-2.4	-7.1	-8.2	-8.0	4.3
Financial Activities	144.6	145.7	146.4	147.9	150.2	152.3	153.7	153.5
% Ch	-3.1	2.9	2.2	4.0	6.3	5.7	3.7	-0.5
Professional and Business Services	287.7	289.1	291.6	292.2	289.9	288.9	291.0	294.0
% Ch	-1.9	2.0	3.5	0.8	-3.1	-1.4	3.0	4.1
Education and Health Services	304.7	306.2	306.7	309.9	310.6	311.7	312.5	314.2
% Ch	3.2	2.0	0.7	4.2	0.9	1.5	1.0	2.2
Leisure and Hospitality	243.0	244.6	247.0	246.9	247.7	246.8	248.6	252.0
% Ch	-2.2	2.8	4.0	-0.2	1.3	-1.5	3.1	5.5
Other Services	96.6	97.7	98.5	98.3	99.1	99.1	99.2	99.7
% Ch	-0.5	4.7	3.5	-0.8	3.4	-0.0	0.1	2.3
Federal Government	68.5	68.4	69.3	70.7	70.5	70.0	70.0	70.2
% Ch	0.9	-0.8	5.5	8.7	-1.2	-2.9	-0.1	0.8
State and Local Government	444.0	446.0	448.5	449.5	449.3	450.8	451.6	450.5
% Ch	2.2	1.8	2.2	0.9	-0.2	1.4	0.7	-1.0

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,675.5	2,699.6	2,714.1	2,724.7	2,738.5	2,752.0	2,763.3	2,773.2
% Ch	1.3	3.7	2.2	1.6	2.0	2.0	1.7	1.4
Manufacturing	261.0	262.0	262.0	264.2	265.8	267.5	268.3	269.5
% Ch	-2.0	1.6	-0.1	3.4	2.4	2.5	1.2	1.9
Durable Manufacturing	179.3	181.0	181.2	183.2	184.7	186.4	187.0	188.0
% Ch	-1.7	3.8	0.4	4.6	3.3	3.7	1.5	2.1
Wood Products	18.1	18.7	18.6	18.6	18.4	18.2	17.8	17.4
% Ch	5.1	13.8	-2.1	-0.0	-3.8	-4.8	-8.6	-8.2
Primary and Fabricated Metals	22.1	22.4	22.2	22.6	23.0	23.3	23.6	23.9
% Ch	5.9	5.0	-3.2	7.7	6.3	6.7	3.9	5.9
Computer and Electronic Products	22.1	22.2	22.3	22.5	22.5	22.7	22.5	22.3
% Ch	-10.7	2.4	1.2	4.5	-0.9	4.7	-4.6	-3.1
Machinery and Electrical Equipment	16.3	16.8	16.9	17.0	17.4	17.9	18.3	18.8
% Ch	3.3	11.9	2.4	2.6	8.4	12.8	10.3	10.9
Aerospace	61.2	60.8	60.9	62.4	63.2	63.7	64.2	64.7
% Ch	-7.1	-2.6	0.9	10.0	5.3	3.0	3.0	3.0
Other Transportation Equip.	11.8	12.1	12.5	12.3	12.4	12.5	12.6	12.6
% Ch	12.2	11.8	13.9	-5.6	2.9	2.7	2.5	1.2
Other Durables	27.8	28.0	27.8	27.8	27.9	28.1	28.2	28.4
% Ch	-0.1	3.9	-3.4	-0.3	1.6	2.7	1.9	2.6
Nondurable Manufacturing	81.7	81.1	80.8	81.0	81.1	81.1	81.2	81.5
% Ch	-2.8	-3.1	-1.1	0.9	0.6	-0.1	0.6	1.3
Food Manufacturing	34.3	33.8	33.4	33.4	33.5	33.4	33.4	33.5
% Ch	-5.0	-6.2	-3.6	-0.7	0.8	-0.9	-0.1	1.7
Paper and Paper Products	12.7	12.6	12.4	12.4	12.4	12.4	12.4	12.4
% Ch	-1.3	-3.3	-5.9	-0.4	0.5	0.1	0.8	1.3
Other Nondurables	34.7	34.8	35.0	35.3	35.3	35.4	35.5	35.5
% Ch	-1.1	0.2	3.3	2.8	0.3	0.5	1.1	1.0
Natural Resources and Mining	9.2	9.4	9.3	9.3	9.3	9.3	9.3	9.3
% Ch	16.7	7.5	-3.6	-1.1	0.3	-1.1	0.1	-0.5
Construction	161.6	163.7	164.0	165.2	166.8	167.8	168.1	168.7
% Ch	9.2	5.4	0.7	3.1	4.0	2.3	0.6	1.7
Trade, Transportation, and Utilities	512.4	519.5	520.2	520.2	521.2	522.6	524.5	525.9
% Ch	0.6	5.7	0.5	0.0	0.7	1.1	1.5	1.0
Wholesale Trade	117.0	118.4	118.7	119.2	119.3	120.2	121.1	121.5
% Ch	2.2	5.1	1.0	1.7	0.4	3.1	2.9	1.4
Retail Trade	307.4	312.1	312.1	311.1	311.5	311.3	311.7	312.1
% Ch	-0.4	6.3	-0.0	-1.3	0.6	-0.2	0.5	0.5
Trans., Warehousing, and Utilities	88.1	89.0	89.4	90.0	90.4	91.0	91.7	92.2
% Ch	2.2	4.4	1.7	2.5	1.8	2.9	3.0	2.2
Information	91.2	91.8	92.0	93.3	92.7	92.4	93.0	93.4
% Ch	-4.0	2.4	1.0	6.0	-2.9	-1.0	2.5	1.6
Software Publishers	37.8	38.4	38.5	39.4	39.9	40.2	40.6	41.0
% Ch	-2.5	6.2	0.6	10.5	4.8	3.3	3.6	3.9
Other Publishing Industries	12.2	12.3	12.3	12.3	12.3	12.3	12.4	12.4
% Ch	-4.3	3.3	1.1	-0.5	-0.2	1.2	1.9	2.0
Other Information	41.3	41.1	41.2	41.6	40.5	39.9	40.1	40.0
% Ch	-5.2	-1.3	1.2	3.8	-10.6	-5.7	1.6	-0.8
Financial Activities	153.3	153.6	153.5	153.6	154.4	155.2	155.7	156.0
% Ch	-0.5	0.7	-0.3	0.3	2.2	2.0	1.4	0.7
Professional and Business Services	297.4	303.1	305.5	307.6	312.1	316.4	319.2	321.6
% Ch	4.7	7.9	3.2	2.8	6.0	5.7	3.6	3.0
Education and Health Services	314.8	318.2	321.6	324.8	327.3	329.2	330.9	332.4
% Ch	0.8	4.3	4.4	4.0	3.1	2.4	2.1	1.8
Leisure and Hospitality	252.9	254.8	257.7	259.6	261.4	263.1	265.0	266.2
% Ch	1.4	3.1	4.6	2.9	2.8	2.6	3.0	1.7
Other Services	100.0	100.8	101.0	101.6	101.7	101.7	101.8	102.1
% Ch	1.2	3.2	0.9	2.2	0.4	0.2	0.6	1.0
Federal Government	70.0	69.5	69.2	69.0	69.0	69.0	69.0	69.0
% Ch	-1.0	-2.8	-1.8	-1.1	0.0	0.1	0.1	0.1
State and Local Government	451.6	453.2	458.2	456.4	456.9	457.9	458.4	459.1
% Ch	1.1	1.4	4.5	-1.6	0.5	0.9	0.5	0.6

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,784.2	2,795.7	2,808.0	2,819.8	2,831.3	2,843.1	2,854.4	2,866.3
% Ch	1.6	1.7	1.8	1.7	1.6	1.7	1.6	1.7
Manufacturing	271.6	274.2	276.3	278.2	279.9	281.3	282.6	283.9
% Ch	3.1	3.9	3.2	2.7	2.5	2.0	1.9	1.7
Durable Manufacturing	189.7	192.0	193.8	195.3	196.7	197.9	199.1	200.3
% Ch	3.7	4.9	3.9	3.1	2.7	2.6	2.5	2.4
Wood Products	17.0	16.7	16.4	16.2	16.0	15.8	15.7	15.6
% Ch	-8.9	-7.1	-6.9	-5.4	-4.2	-3.3	-2.9	-2.6
Primary and Fabricated Metals	24.0	24.2	24.1	24.0	24.0	23.9	23.9	23.8
% Ch	2.2	2.1	-0.7	-1.4	-1.6	-0.8	-0.3	-0.7
Computer and Electronic Products	22.7	23.4	24.0	24.4	24.6	24.6	24.5	24.3
% Ch	8.4	12.4	11.1	5.5	3.3	0.7	-1.8	-2.2
Machinery and Electrical Equipment	19.2	19.6	19.8	20.1	20.2	20.4	20.6	20.7
% Ch	7.9	8.4	5.7	4.4	3.8	3.4	3.3	3.0
Aerospace	65.6	66.9	68.1	69.4	70.6	71.9	73.1	74.4
% Ch	6.3	7.8	7.7	7.5	7.4	7.3	7.1	7.0
Other Transportation Equip.	12.6	12.6	12.6	12.5	12.4	12.3	12.2	12.2
% Ch	0.6	-0.6	-1.4	-2.4	-3.7	-3.2	-1.2	-0.4
Other Durables	28.5	28.7	28.8	28.8	28.9	29.0	29.1	29.2
% Ch	2.0	2.2	1.3	1.1	1.1	1.2	1.3	1.1
Nondurable Manufacturing	81.9	82.2	82.5	82.9	83.2	83.4	83.5	83.5
% Ch	1.9	1.6	1.4	1.9	1.8	0.7	0.6	0.2
Food Manufacturing	33.8	34.0	34.2	34.5	34.7	34.8	34.9	34.9
% Ch	3.3	2.7	2.3	3.2	3.1	0.9	1.0	0.4
Paper and Paper Products	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.4
% Ch	1.5	0.7	0.0	0.0	-0.2	-0.6	-0.7	-1.1
Other Nondurables	35.6	35.7	35.8	35.9	36.0	36.1	36.1	36.2
% Ch	0.6	0.9	1.2	1.3	1.2	0.9	0.7	0.4
Natural Resources and Mining	9.2	9.2	9.1	9.1	9.0	9.0	9.0	9.0
% Ch	-2.5	-2.8	-2.4	-1.8	-1.1	-0.9	-0.4	-0.0
Construction	169.4	170.1	170.7	171.4	172.2	173.1	174.1	175.1
% Ch	1.6	1.6	1.5	1.6	1.9	2.2	2.3	2.2
Trade, Transportation, and Utilities	527.9	530.1	532.4	534.4	536.0	537.8	539.1	540.6
% Ch	1.6	1.7	1.7	1.5	1.2	1.4	0.9	1.1
Wholesale Trade	122.0	122.1	122.4	122.7	123.0	123.3	123.7	124.1
% Ch	1.4	0.6	1.0	0.8	0.9	1.1	1.3	1.2
Retail Trade	313.4	315.0	316.5	317.8	318.6	319.5	319.8	320.3
% Ch	1.6	2.1	1.9	1.6	1.0	1.2	0.3	0.7
Trans., Warehousing, and Utilities	92.6	93.0	93.4	93.9	94.5	95.0	95.6	96.2
% Ch	1.8	1.6	2.0	2.1	2.4	2.3	2.7	2.6
Information	93.3	93.3	93.8	94.7	95.7	96.2	97.1	98.0
% Ch	-0.3	0.2	2.1	3.9	3.9	2.5	3.5	4.1
Software Publishers	41.5	42.1	42.7	43.3	43.9	44.6	45.2	45.8
% Ch	5.1	5.7	6.0	6.0	6.0	5.9	5.7	5.8
Other Publishing Industries	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
% Ch	1.3	0.3	0.0	-0.3	0.3	0.0	0.5	0.7
Other Information	39.4	38.8	38.7	39.0	39.2	39.2	39.4	39.7
% Ch	-6.1	-5.4	-1.3	3.0	2.6	-0.5	1.9	3.2
Financial Activities	156.2	156.0	156.0	156.1	156.5	156.7	157.0	157.5
% Ch	0.4	-0.5	0.1	0.3	0.9	0.6	0.9	1.2
Professional and Business Services	324.1	326.9	330.5	334.2	337.9	341.8	345.5	349.0
% Ch	3.2	3.5	4.4	4.5	4.5	4.7	4.4	4.0
Education and Health Services	334.3	335.9	337.8	339.3	340.4	341.9	343.2	344.8
% Ch	2.2	2.0	2.3	1.8	1.3	1.8	1.5	1.9
Leisure and Hospitality	267.1	267.8	268.1	268.5	268.8	269.1	269.7	270.3
% Ch	1.3	1.1	0.5	0.6	0.3	0.6	0.9	0.9
Other Services	102.4	102.6	102.9	103.2	103.6	103.9	104.3	104.8
% Ch	1.0	1.0	1.0	1.2	1.5	1.4	1.6	1.6
Federal Government	69.0	69.1	69.2	69.3	69.4	69.5	69.6	69.7
% Ch	0.2	0.4	0.4	0.5	0.5	0.5	0.6	0.6
State and Local Government	459.7	460.4	461.1	461.5	462.1	462.7	463.2	463.7
% Ch	0.5	0.6	0.6	0.3	0.6	0.5	0.4	0.5

Table A3.1
U.S. Personal Income by Component
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	8,429.7	8,724.1	8,878.9	9,161.8	9,647.0	10,120.2	10,635.1	11,197.3
% Ch	8.0	3.5	1.8	3.2	5.3	4.9	5.1	5.3
Total Wage and Salary Disbursements	4,829.2	4,942.8	4,976.3	5,103.5	5,337.0	5,624.4	5,904.5	6,203.3
% Ch	8.1	2.4	0.7	2.6	4.6	5.4	5.0	5.1
Nonwage Personal Income	3,600.4	3,781.3	3,902.7	4,058.3	4,310.0	4,495.8	4,730.6	4,994.0
% Ch	7.9	5.0	3.2	4.0	6.2	4.3	5.2	5.6
Supplements to Wages and Salaries	953.4	999.3	1,093.2	1,185.4	1,274.8	1,348.4	1,423.5	1,484.9
% Ch	7.6	4.8	9.4	8.4	7.5	5.8	5.6	4.3
Proprietor's Income	728.4	771.9	769.6	834.1	899.9	961.8	1,015.6	1,076.8
% Ch	7.4	6.0	-0.3	8.4	7.9	6.9	5.6	6.0
Farm	22.7	19.7	9.7	21.8	15.5	15.4	16.4	18.4
% Ch	-20.7	-13.2	-51.0	126.1	-29.1	-0.9	6.5	12.6
Nonfarm	705.7	752.2	759.9	812.3	884.4	946.5	999.3	1,058.3
% Ch	8.6	6.6	1.0	6.9	8.9	7.0	5.6	5.9
Less: Contribution For Govt. Soc. Ins.	702.7	731.1	748.3	773.2	817.9	863.4	927.1	973.9
% Ch	6.2	4.0	2.3	3.3	5.8	5.6	7.4	5.0
Dividends/Int./Rent	1,537.3	1,547.4	1,505.5	1,476.6	1,553.0	1,587.5	1,640.1	1,727.1
% Ch	8.9	0.7	-2.7	-1.9	5.2	2.2	3.3	5.3
Transfer Payments	1,084.1	1,193.9	1,282.7	1,335.3	1,400.2	1,461.4	1,578.5	1,679.1
% Ch	6.1	10.1	7.4	4.1	4.9	4.4	8.0	6.4

Table A3.2
U.S. Personal Income by Component
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,803.6	8,897.1	8,895.7	8,919.2	9,002.2	9,105.7	9,209.3	9,330.0
% Ch	2.2	4.3	-0.1	1.1	3.8	4.7	4.6	5.3
Total Wage and Salary Disbursements	4,956.2	4,980.3	4,981.2	4,987.3	5,023.3	5,073.3	5,128.6	5,188.9
% Ch	2.7	2.0	0.1	0.5	2.9	4.0	4.4	4.8
Nonwage Personal Income	3,847.4	3,916.8	3,914.5	3,931.9	3,978.9	4,032.4	4,080.7	4,141.1
% Ch	1.7	7.4	-0.2	1.8	4.9	5.5	4.9	6.1
Supplements to Wages and Salaries	1,054.0	1,088.0	1,104.8	1,126.0	1,154.3	1,173.6	1,196.1	1,217.8
% Ch	16.4	13.6	6.3	7.9	10.4	6.9	7.9	7.5
Proprietor's Income	762.1	769.0	770.4	776.7	794.0	825.7	852.0	864.7
% Ch	-6.1	3.7	0.7	3.3	9.2	17.0	13.3	6.1
Farm	10.7	10.4	8.7	8.8	13.8	24.1	24.8	24.7
% Ch	-91.8	-10.7	-51.7	3.1	508.1	844.4	11.5	-2.1
Nonfarm	751.4	758.6	761.7	767.9	780.2	801.6	827.2	840.0
% Ch	-1.4	3.9	1.6	3.3	6.6	11.4	13.4	6.3
Less: Contribution For Govt. Soc. Ins.	745.7	749.1	748.9	749.6	762.4	768.9	776.7	785.0
% Ch	7.7	1.8	-0.1	0.4	7.0	3.4	4.1	4.3
Dividends/Int./Rent	1,517.5	1,524.9	1,499.1	1,480.5	1,481.4	1,468.8	1,463.2	1,492.9
% Ch	-4.9	2.0	-6.6	-4.9	0.2	-3.4	-1.5	8.4
Transfer Payments	1,259.4	1,284.0	1,289.1	1,298.1	1,311.4	1,333.1	1,346.2	1,350.7
% Ch	7.2	8.0	1.6	2.8	4.2	6.8	4.0	1.3

Table A3.2

U.S. Personal Income by Component

Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,445.0	9,583.4	9,667.5	9,892.1	9,934.9	10,063.0	10,184.5	10,298.6
% Ch	5.0	6.0	3.6	9.6	1.7	5.3	4.9	4.6
Total Wage and Salary Disbursements	5,239.2	5,302.9	5,365.4	5,440.3	5,520.3	5,592.5	5,658.9	5,726.1
% Ch	3.9	5.0	4.8	5.7	6.0	5.3	4.8	4.8
Nonwage Personal Income	4,205.8	4,280.5	4,302.1	4,451.7	4,414.6	4,470.5	4,525.6	4,572.5
% Ch	6.4	7.3	2.0	14.7	-3.3	5.2	5.0	4.2
Supplements to Wages and Salaries	1,248.8	1,266.5	1,282.0	1,302.0	1,326.1	1,340.5	1,355.9	1,371.3
% Ch	10.6	5.8	5.0	6.4	7.6	4.4	4.7	4.6
Proprietor's Income	872.1	901.4	902.9	923.2	940.0	956.4	968.6	982.4
% Ch	3.5	14.1	0.6	9.3	7.5	7.1	5.2	5.8
Farm	17.9	18.9	9.4	15.7	15.8	14.9	14.5	16.2
% Ch	-72.1	24.2	-93.9	662.7	3.5	-20.6	-10.1	54.1
Nonfarm	854.2	882.5	893.4	907.5	924.2	941.4	954.0	966.2
% Ch	6.9	13.9	5.1	6.5	7.6	7.7	5.5	5.2
Less: Contribution For Govt. Soc. Ins.	803.9	812.8	822.2	832.7	854.3	859.8	865.1	874.7
% Ch	10.0	4.5	4.7	5.2	10.8	2.6	2.5	4.5
Dividends/Int./Rent	1,509.9	1,524.9	1,527.2	1,649.9	1,567.7	1,582.3	1,596.0	1,604.2
% Ch	4.6	4.0	0.6	36.2	-18.5	3.8	3.5	2.1
Transfer Payments	1,379.0	1,400.4	1,412.3	1,409.3	1,435.0	1,451.2	1,470.2	1,489.3
% Ch	8.6	6.4	3.4	-0.8	7.5	4.6	5.4	5.3

Table A3.2

U.S. Personal Income by Component

Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,432.1	10,566.1	10,704.6	10,837.7	10,973.0	11,121.0	11,270.5	11,424.5
% Ch	5.3	5.2	5.3	5.1	5.1	5.5	5.5	5.6
Total Wage and Salary Disbursements	5,800.8	5,869.1	5,938.8	6,009.4	6,088.7	6,165.6	6,241.0	6,317.7
% Ch	5.3	4.8	4.8	4.8	5.4	5.1	5.0	5.0
Nonwage Personal Income	4,631.3	4,697.0	4,765.9	4,828.3	4,884.2	4,955.4	5,029.5	5,106.8
% Ch	5.2	5.8	6.0	5.3	4.7	6.0	6.1	6.3
Supplements to Wages and Salaries	1,399.0	1,415.3	1,431.3	1,448.4	1,462.9	1,478.1	1,491.7	1,506.9
% Ch	8.3	4.7	4.6	4.9	4.1	4.2	3.7	4.2
Proprietor's Income	994.2	1,009.1	1,022.6	1,036.6	1,052.7	1,069.0	1,085.1	1,100.3
% Ch	4.9	6.2	5.4	5.6	6.3	6.3	6.2	5.7
Farm	15.4	17.0	16.3	16.7	17.6	18.0	19.0	19.1
% Ch	-18.2	48.6	-15.1	10.9	21.8	9.7	25.6	0.3
Nonfarm	978.8	992.1	1,006.3	1,019.9	1,035.1	1,051.0	1,066.0	1,081.2
% Ch	5.3	5.6	5.8	5.5	6.1	6.3	5.9	5.8
Less: Contribution For Govt. Soc. Ins.	913.1	921.5	931.6	942.3	961.4	969.2	977.2	988.0
% Ch	18.8	3.7	4.5	4.7	8.4	3.3	3.3	4.5
Dividends/Int./Rent	1,616.7	1,631.2	1,646.1	1,666.5	1,683.4	1,709.9	1,740.1	1,775.2
% Ch	3.2	3.6	3.7	5.1	4.1	6.5	7.2	8.3
Transfer Payments	1,534.5	1,563.0	1,597.5	1,619.0	1,646.7	1,667.6	1,689.9	1,712.4
% Ch	12.7	7.6	9.1	5.5	7.0	5.2	5.5	5.4

Table A3.3
Washington Personal Income by Component
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	187.853	194.420	198.367	203.956	213.054	224.500	237.482	252.101
% Ch	7.0	3.5	2.0	2.8	4.5	5.4	5.8	6.2
Total Wage and Salary Disbursements	110.002	110.612	111.357	114.217	118.115	124.891	132.302	140.634
% Ch	6.0	0.6	0.7	2.6	3.4	5.7	5.9	6.3
Manufacturing	#N/A!	15.241	14.660	13.596	13.783	14.751	15.815	16.969
% Ch	#N/A!	#N/A!	-3.8	-7.3	1.4	7.0	7.2	7.3
Durable Manufacturing	#N/A!	11.615	10.772	10.102	10.253	11.049	11.902	12.823
% Ch	#N/A!	#N/A!	-7.3	-6.2	1.5	7.8	7.7	7.7
Nondurable Manufacturing	#N/A!	3.627	3.888	3.494	3.531	3.703	3.913	4.146
% Ch	#N/A!	#N/A!	7.2	-10.1	1.0	4.9	5.7	6.0
Nonmanufacturing	#N/A!	91.162	92.191	95.645	99.162	104.778	110.874	117.759
% Ch	#N/A!	#N/A!	1.1	3.7	3.7	5.7	5.8	6.2
Other Private Wages	#N/A!	1.032	1.081	1.137	1.148	1.196	1.279	1.373
% Ch	#N/A!	#N/A!	4.7	5.2	1.0	4.1	7.0	7.4
Farm Wages	1.004	1.007	0.967	1.181	1.232	1.282	1.337	1.399
% Ch	2.2	0.2	-3.9	22.1	4.3	4.1	4.3	4.7
Military Wages	2.001	2.171	2.458	2.658	2.789	2.884	2.997	3.134
% Ch	4.9	8.5	13.2	8.2	4.9	3.4	3.9	4.6
Nonwage Personal Income	77.852	83.807	87.010	89.738	94.939	99.610	105.181	111.467
% Ch	8.5	7.6	3.8	3.1	5.8	4.9	5.6	6.0
Supplements to Wages and Salaries	22.875	23.352	25.303	27.149	29.070	30.989	33.023	34.857
% Ch	7.5	2.1	8.4	7.3	7.1	6.6	6.6	5.6
Proprietor's Income	14.150	16.188	16.998	17.954	19.610	21.181	22.504	23.932
% Ch	7.6	14.4	5.0	5.6	9.2	8.0	6.2	6.3
Farm	0.444	0.238	0.356	0.133	0.176	0.395	0.508	0.574
% Ch	24.4	-46.3	49.5	-62.7	32.7	123.5	28.8	13.0
Nonfarm	13.705	15.948	16.641	17.821	19.434	20.786	21.996	23.358
% Ch	7.2	16.4	4.3	7.1	9.0	7.0	5.8	6.2
Less: Contribution For Govt. Soc. Ins.	18.189	17.928	18.266	18.950	19.984	21.220	22.926	24.322
% Ch	7.3	-1.4	1.9	3.7	5.5	6.2	8.0	6.1
Plus: Residence Adjustment	2.182	2.329	2.289	2.349	2.536	2.651	2.766	2.895
% Ch	12.5	6.7	-1.7	2.7	7.9	4.5	4.3	4.7
Dividends/Int./Rent	34.521	34.788	34.091	33.410	35.278	36.179	37.502	39.607
% Ch	10.1	0.8	-2.0	-2.0	5.6	2.6	3.7	5.6
Transfer Payments	22.314	25.079	26.596	27.826	28.429	29.829	32.311	34.499
% Ch	6.4	12.4	6.0	4.6	2.2	4.9	8.3	6.8
State U.I. Benefits	0.923	1.374	2.386	2.238	1.133	0.789	0.824	0.895
% Ch	-2.5	48.8	73.6	-6.2	-49.4	-30.4	4.5	8.7
Other Transfers	21.390	23.706	24.210	25.588	27.296	29.040	31.487	33.603
% Ch	6.9	10.8	2.1	5.7	6.7	6.4	8.4	6.7

Table A3.4
Washington Personal Income by Component
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	196.533	198.922	199.458	198.556	199.629	203.671	207.259	205.263
% Ch	5.0	5.0	1.1	-1.8	2.2	8.3	7.2	-3.8
Total Wage and Salary Disbursements	110.654	111.335	112.128	111.310	111.339	114.517	117.132	113.879
% Ch	5.9	2.5	2.9	-2.9	0.1	11.9	9.5	-10.7
Manufacturing	15.185	14.509	14.635	14.311	13.840	13.694	13.421	13.431
% Ch	23.3	-16.7	3.5	-8.6	-12.5	-4.2	-7.7	0.3
Durable Manufacturing	11.258	10.810	10.533	10.488	10.351	10.116	10.001	9.940
% Ch	15.0	-15.0	-9.9	-1.7	-5.1	-8.8	-4.5	-2.4
Nondurable Manufacturing	3.927	3.699	4.102	3.823	3.489	3.578	3.420	3.491
% Ch	52.0	-21.3	51.2	-24.6	-30.6	10.6	-16.5	8.6
Nonmanufacturing	90.975	92.318	92.968	92.505	92.546	95.789	98.720	95.524
% Ch	2.8	6.0	2.8	-2.0	0.2	14.8	12.8	-12.3
Other Private Wages	1.069	1.066	1.095	1.093	1.159	1.149	1.143	1.096
% Ch	-10.2	-1.1	11.3	-0.7	26.4	-3.4	-2.1	-15.5
Farm Wages	0.973	0.969	0.965	0.961	1.168	1.175	1.184	1.196
% Ch	-13.2	-1.6	-1.6	-1.6	118.2	2.4	3.1	4.1
Military Wages	2.452	2.473	2.465	2.440	2.626	2.710	2.664	2.632
% Ch	52.6	3.5	-1.3	-4.0	34.2	13.4	-6.6	-4.7
Nonwage Personal Income	85.879	87.586	87.329	87.246	88.290	89.154	90.127	91.382
% Ch	3.9	8.2	-1.2	-0.4	4.9	4.0	4.4	5.7
Supplements to Wages and Salaries	24.537	25.166	25.652	25.857	26.291	27.130	27.834	27.342
% Ch	19.5	10.7	8.0	3.2	6.9	13.4	10.8	-6.9
Proprietor's Income	16.751	17.078	17.056	17.106	17.184	17.756	18.299	18.579
% Ch	14.1	8.0	-0.5	1.2	1.8	14.0	12.8	6.3
Farm	0.357	0.465	0.344	0.260	0.039	0.160	0.169	0.164
% Ch	6.E+02	187.8	-70.0	-67.4	-99.9	28,228.4	24.5	-11.3
Nonfarm	16.394	16.612	16.712	16.846	17.145	17.596	18.130	18.414
% Ch	10.7	5.4	2.4	3.2	7.3	10.9	12.7	6.4
Less: Contribution For Govt. Soc. Ins.	18.210	18.258	18.350	18.247	18.500	18.972	19.373	18.954
% Ch	10.2	1.1	2.0	-2.2	5.7	10.6	8.7	-8.4
Plus: Residence Adjustment	2.255	2.294	2.280	2.326	2.321	2.308	2.324	2.445
% Ch	-9.3	7.1	-2.4	8.3	-0.9	-2.2	2.8	22.5
Dividends/Int./Rent	34.522	34.679	33.859	33.305	33.540	33.138	33.043	33.917
% Ch	-0.7	1.8	-9.1	-6.4	2.9	-4.7	-1.1	11.0
Transfer Payments	26.024	26.628	26.832	26.899	27.454	27.794	28.000	28.054
% Ch	-3.7	9.6	3.1	1.0	8.5	5.0	3.0	0.8
State U.I. Benefits	2.065	2.533	2.563	2.382	2.306	2.294	2.222	2.129
% Ch	106.3	126.4	4.8	-25.4	-12.2	-2.1	-12.0	-15.7
Other Transfers	23.960	24.095	24.269	24.517	25.148	25.500	25.778	25.925
% Ch	-9.3	2.3	2.9	4.2	10.7	5.7	4.4	2.3

Table A3.4
Washington Personal Income by Component
 Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	207.514	211.871	214.162	218.669	219.814	222.832	226.602	228.753
% Ch	4.5	8.7	4.4	8.7	2.1	5.6	6.9	3.9
Total Wage and Salary Disbursements	114.852	117.732	119.464	120.411	122.204	123.836	126.260	127.263
% Ch	3.5	10.4	6.0	3.2	6.1	5.5	8.1	3.2
Manufacturing	13.170	13.821	13.936	14.207	14.434	14.663	14.841	15.067
% Ch	-7.5	21.3	3.4	8.0	6.5	6.5	5.0	6.2
Durable Manufacturing	9.758	10.278	10.374	10.600	10.787	10.984	11.124	11.299
% Ch	-7.1	23.1	3.8	9.0	7.2	7.5	5.2	6.4
Nondurable Manufacturing	3.412	3.542	3.562	3.607	3.647	3.678	3.717	3.768
% Ch	-8.7	16.2	2.2	5.2	4.4	3.5	4.3	5.6
Nonmanufacturing	96.498	98.785	100.366	101.001	102.461	103.828	106.040	106.783
% Ch	4.1	9.8	6.6	2.6	5.9	5.4	8.8	2.8
Other Private Wages	1.164	1.126	1.143	1.159	1.167	1.187	1.205	1.223
% Ch	27.2	-12.4	6.0	6.0	2.5	7.0	6.5	6.1
Farm Wages	1.209	1.221	1.239	1.257	1.263	1.276	1.288	1.300
% Ch	4.4	4.0	6.0	6.0	1.8	4.2	3.9	3.8
Military Wages	2.811	2.779	2.781	2.786	2.880	2.883	2.886	2.889
% Ch	30.1	-4.5	0.3	0.7	14.1	0.4	0.4	0.5
Nonwage Personal Income	92.663	94.139	94.698	98.258	97.610	98.996	100.342	101.491
% Ch	5.7	6.5	2.4	15.9	-2.6	5.8	5.5	4.7
Supplements to Wages and Salaries	28.067	28.963	29.396	29.855	30.449	30.794	31.160	31.554
% Ch	11.0	13.4	6.1	6.4	8.2	4.6	4.8	5.2
Proprietor's Income	18.890	19.534	19.789	20.226	20.614	21.046	21.365	21.698
% Ch	6.9	14.4	5.3	9.1	7.9	8.6	6.2	6.4
Farm	0.155	0.151	0.141	0.259	0.318	0.373	0.415	0.472
% Ch	-20.2	-9.9	-23.2	1,021.4	129.3	88.6	52.7	68.3
Nonfarm	18.736	19.383	19.648	19.967	20.296	20.673	20.950	21.226
% Ch	7.2	14.5	5.6	6.7	6.8	7.6	5.5	5.4
Less: Contribution For Govt. Soc. Ins.	19.394	19.905	20.190	20.447	20.983	21.126	21.258	21.511
% Ch	9.6	11.0	5.8	5.2	10.9	2.7	2.5	4.8
Plus: Residence Adjustment	2.500	2.523	2.546	2.576	2.607	2.638	2.666	2.694
% Ch	9.3	3.7	3.6	4.8	4.9	4.8	4.4	4.3
Dividends/Int./Rent	34.346	34.640	34.730	37.398	35.682	36.044	36.384	36.608
% Ch	5.2	3.5	1.0	34.4	-17.1	4.1	3.8	2.5
Transfer Payments	28.253	28.384	28.427	28.651	29.241	29.601	30.025	30.447
% Ch	2.9	1.9	0.6	3.2	8.5	5.0	5.9	5.7
State U.I. Benefits	1.549	1.088	1.009	0.886	0.836	0.763	0.772	0.784
% Ch	-72.0	-75.7	-26.0	-40.5	-20.6	-30.9	5.1	6.1
Other Transfers	26.704	27.296	27.418	27.765	28.405	28.838	29.253	29.663
% Ch	12.6	9.2	1.8	5.2	9.5	6.2	5.9	5.7

Table A3.4
Washington Personal Income by Component
 Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	231.723	235.080	240.921	242.206	245.593	249.390	256.262	257.159
% Ch	5.3	5.9	10.3	2.2	5.7	6.3	11.5	1.4
Total Wage and Salary Disbursements	128.882	130.701	134.922	134.703	136.743	138.840	143.951	143.000
% Ch	5.2	5.8	13.6	-0.6	6.2	6.3	15.6	-2.6
Manufacturing	15.355	15.673	15.971	16.261	16.552	16.832	17.109	17.383
% Ch	7.9	8.5	7.8	7.5	7.3	6.9	6.8	6.6
Durable Manufacturing	11.528	11.789	12.032	12.259	12.485	12.711	12.935	13.160
% Ch	8.3	9.4	8.5	7.8	7.6	7.4	7.2	7.1
Nondurable Manufacturing	3.828	3.884	3.940	4.002	4.067	4.121	4.174	4.223
% Ch	6.5	6.0	5.9	6.5	6.6	5.4	5.3	4.8
Nonmanufacturing	107.987	109.440	113.314	112.755	114.367	116.130	120.909	119.628
% Ch	4.6	5.5	14.9	-2.0	5.8	6.3	17.5	-4.2
Other Private Wages	1.245	1.267	1.290	1.313	1.336	1.361	1.386	1.411
% Ch	7.3	7.3	7.5	7.2	7.2	7.6	7.6	7.6
Farm Wages	1.314	1.329	1.344	1.359	1.374	1.391	1.407	1.424
% Ch	4.4	4.5	4.7	4.5	4.6	4.9	4.9	4.9
Military Wages	2.980	2.991	3.002	3.015	3.114	3.127	3.140	3.153
% Ch	13.2	1.5	1.4	1.7	13.8	1.7	1.7	1.7
Nonwage Personal Income	102.841	104.379	106.000	107.503	108.850	110.549	112.311	114.159
% Ch	5.4	6.1	6.4	5.8	5.1	6.4	6.5	6.7
Supplements to Wages and Salaries	32.330	32.782	33.245	33.735	34.206	34.650	35.060	35.511
% Ch	10.2	5.7	5.8	6.0	5.7	5.3	4.8	5.2
Proprietor's Income	21.990	22.339	22.675	23.011	23.382	23.758	24.120	24.470
% Ch	5.5	6.5	6.1	6.1	6.6	6.6	6.2	5.9
Farm	0.473	0.510	0.515	0.533	0.554	0.566	0.586	0.592
% Ch	1.0	34.9	4.1	14.8	16.0	9.3	14.5	4.4
Nonfarm	21.517	21.829	22.159	22.477	22.828	23.192	23.534	23.879
% Ch	5.6	5.9	6.2	5.9	6.4	6.5	6.0	6.0
Less: Contribution For Govt. Soc. Ins.	22.504	22.757	23.061	23.380	23.924	24.176	24.433	24.756
% Ch	19.8	4.6	5.5	5.7	9.6	4.3	4.3	5.4
Plus: Residence Adjustment	2.722	2.750	2.780	2.811	2.843	2.877	2.912	2.949
% Ch	4.2	4.2	4.4	4.5	4.6	4.9	5.0	5.1
Dividends/Int./Rent	36.925	37.284	37.654	38.147	38.566	39.200	39.916	40.745
% Ch	3.5	3.9	4.0	5.3	4.5	6.7	7.5	8.6
Transfer Payments	31.378	31.981	32.707	33.180	33.777	34.240	34.737	35.241
% Ch	12.8	7.9	9.4	5.9	7.4	5.6	5.9	5.9
State U.I. Benefits	0.798	0.814	0.832	0.852	0.870	0.887	0.904	0.920
% Ch	7.4	8.2	9.6	9.7	8.7	8.2	7.8	7.5
Other Transfers	30.580	31.168	31.874	32.328	32.907	33.353	33.833	34.320
% Ch	12.9	7.9	9.4	5.8	7.4	5.5	5.9	5.9

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
1967	0.232	2.5	0.334	2.8	0.328	2.9
1968	0.241	3.9	0.348	4.2	0.342	4.1
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	1.055	1.9	1.839	2.3	1.924	1.6
Forecast						
2004	1.078	2.1	1.887	2.6	1.945	1.1
2005	1.096	1.7	1.921	1.8	1.973	1.4
2006	1.114	1.7	1.949	1.4	2.006	1.7
2007	1.135	1.9	1.982	1.7	2.046	2.0

* 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
1967	18.349	3.0	23.023	1.6	12.295	3.2	20.700	3.3
1968	19.128	4.2	23.865	3.7	12.668	3.0	21.005	1.5
1969	20.106	5.1	25.031	4.9	12.959	2.3	21.696	3.3
1970	21.175	5.3	26.549	6.1	13.507	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.417	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.044	-1.1	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.1	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.083	2.7	104.949	1.9	91.771	-9.8	90.404	-6.1
2003	109.237	3.0	106.979	1.9	109.634	19.5	105.154	16.3
Forecast								
2004	111.993	2.5	110.081	2.9	122.739	12.0	122.971	16.9
2005	114.905	2.6	111.430	1.2	125.112	1.9	120.369	-2.1
2006	117.952	2.7	112.828	1.3	121.715	-2.7	114.656	-4.7
2007	121.168	2.7	114.724	1.7	122.288	0.5	113.042	-1.4

Table A5.1

Washington Resident Population and Components of Change*

(Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.2
2004	6167.8	69.5	1.1	80.9	46.5	35.1
Forecast						
2005	6256.9	89.1	1.4	83.0	47.8	53.8
2006	6352.7	95.8	1.5	85.1	48.5	59.1
2007	6449.9	97.2	1.5	86.4	49.2	60.0

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual			Forecast		
	2002	2003	2004	2005	2006	2007
Total Population	6041.7	6098.3	6167.8	6256.9	6352.7	6449.9
Percent Change	1.1	0.9	1.1	1.4	1.5	1.5
Age 17 and Under	1522.8	1520.1	1522.1	1533.1	1545.8	1558.7
Percent of Total	25.2	24.9	24.7	24.5	24.3	24.2
Age 6-18	1130.0	1128.1	1128.6	1132.7	1138.3	1144.9
Percent of Total	18.7	18.5	18.3	18.1	17.9	17.8
Age 18 and Over	4518.9	4578.2	4645.7	4723.8	4806.9	4891.1
Percent of Total	74.8	75.1	75.3	75.5	75.7	75.8
Age 21 and Over	4257.2	4314.1	4379.1	4454.6	4534.5	4616.4
Percent of Total	70.5	70.7	71.0	71.2	71.4	71.6
Age 20-34	1255.0	1263.3	1273.5	1284.2	1301.5	1323.9
Percent of Total	20.8	20.7	20.6	20.5	20.5	20.5
Age 18-64	3841.7	3891.3	3949.2	4015.1	4084.7	4152.2
Percent of Total	63.6	63.8	64.0	64.2	64.3	64.4
Age 65 and Over	677.2	686.9	696.6	708.7	722.2	738.9
Percent of Total	11.2	11.3	11.3	11.3	11.4	11.5

* As of April 1 of Each Year

Source: Office of Financial Management

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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