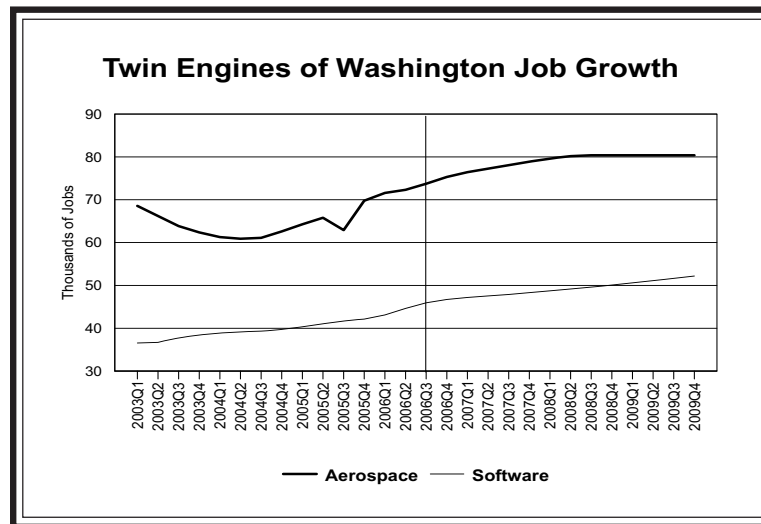


Washington Economic and Revenue Forecast



November 2006
Volume XXIX, No. 4

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Explanation of the Cover Graph

The aerospace and software sectors are critically important to the Washington economy for three reasons. The first is sheer size. The aerospace sector currently provides about 74,000 direct wage and salary jobs in Washington State while software provides another 46,000 jobs. Second, these industries are quintessential "basic" industries, exporting virtually all their output either to the rest of the country or to the rest of the world. Finally, they both pay very well. The average aerospace wage of \$84,200 in 2005 was about twice the statewide average while the average software wage of \$129,000 in 2005 was about three times the statewide average. As a result, each aerospace and software job supports an above average number of other jobs in the region. Both sectors are currently expanding which a major reason the state economy is expected to continue to outperform the national economy through 2009.

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

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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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Executive Summary

U.S. Economic Forecast

The November 2006 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2006. The discussion that follows relates to the third quarter forecast rather than the advance GDP release. According to the forecast, real GDP growth slowed to 1.7 percent in the third quarter from 2.6 percent in the second quarter. Final sales growth improved slightly, however, from 2.1 percent to 2.3 percent. What little growth there was in the third quarter was mainly due to consumers whose spending increased at a 3.0 percent rate in the third quarter. Fixed investment declined at a 1.7 percent rate in the third quarter following a 1.6 percent decline in the second quarter. The 19.6 percent drop in residential fixed investment more than accounted for the overall decline in fixed investment and subtracted more than a full percentage point from overall GDP growth. Government purchases rose at a 2.9 percent rate in the third quarter thanks to a 5.1 percent increase in military spending and a 6.2 percent jump in other federal government purchases. The foreign sector was essentially neutral in the third quarter as a 4.8 percent increase in imports offset a 6.8 percent increase in exports.

According to the forecast, payroll employment growth slowed to 1.1 percent in the third quarter from 1.2 percent in the second quarter and 1.7 percent in the first quarter. The unemployment rate rose slightly to 4.73 percent in the third quarter from 4.63 percent in the second quarter. Inflation, as measured by the Consumer Price Index, slowed to 2.8 percent in the third quarter of 2006 from 5.0 percent in the second quarter. The improvement was largely due to energy costs, which edged up only 0.9 percent in the third quarter after soaring 25.0 percent in the second quarter. Core inflation, which excludes food and energy, slowed from 3.5 percent to a still worrisome 2.9 percent. Housing starts plummeted at a 32.5 percent rate in the third quarter to 1.697 million units following an even sharper 39.5 percent decline in the second quarter. The mortgage rate was essentially unchanged in the third quarter at 6.57 percent compared to 6.60 percent in the second quarter. The Federal Reserve left its target for the federal funds rate unchanged at 5.25 percent in September.

Although the housing downturn remains in full swing, the plunge in oil prices from the high \$70s to around \$60 per barrel has reduced the risks to GDP growth and has made a soft landing for the U.S. economy look a safer bet. Even with the help from lower oil prices, the housing downturn is still dragging the U.S. economy into an extended period of below-trend growth. The Fed has probably finished raising interest rates. The forecast assumes three 25-basis-point cuts in the federal funds rate in 2007, beginning in March. On an annual basis, the forecast expects GDP growth to improve slightly this year to 3.3 percent from 3.2 percent in 2005. Growth is expected to slow to 2.4 percent in 2007 before recovering to 3.3

percent per year in 2008 and 2009. Nonfarm payroll employment growth improved to 1.5 percent in 2005 from 1.1 percent in 2004. Employment is expected to grow 1.4 percent this year, slowing to 1.1 percent in 2007, and recovering to 1.4 percent in 2008 and 1.6 percent in 2009. The unemployment rate also improved in 2005, declining to 5.06 percent from 5.52 percent in 2004 and 6.00 percent in 2003. The forecast expects the unemployment rate to improve to 4.73 percent this year before the softening economy pushes it up to 4.96 percent in 2007. The unemployment rate is expected to improve to 4.93 percent in 2008 and 4.66 percent in 2009 as stronger growth resumes. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.9 percent in 2005 from 2.6 percent in 2004. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation increased only slightly, from 2.0 percent to 2.1 percent. Energy will add to inflation again this year but will help restrain inflation during the next three years as energy prices finally decline. The forecast expects an inflation rate of 2.8 percent this year, 1.9 percent in 2007, 2.0 percent in 2008, and 1.8 percent in 2009.

Washington State Economic Forecast

The state's employment growth rate improved slightly to 3.1 percent in the third quarter of 2006 from 2.9 percent rate in the second quarter. Manufacturing employment rose at a 5.7 percent rate in the third quarter, led by aerospace employment, which rose at an 8.1 percent rate. Manufacturing employment other than aerospace also rose at a healthy 4.9 percent rate. Third quarter employment growth was strong in most nonmanufacturing sectors as well. Information employment jumped up at an 11.0 percent rate. Software publishing employment rose at a very strong 12.4 percent rate and information other than publishing (a category that includes many internet related businesses) employment rose at an 11.5 percent rate. Professional and business services employment grew at a strong 7.9 percent rate and construction employment grew at a 6.7 percent rate. Education and health services employment rose 2.5 percent, trade, transportation and utilities employment rose 1.6 percent, leisure and hospitality employment rose 1.0 percent, and financial activities employment inched up 0.1 percent but other services employment declined 1.5 percent. In the public sector, state and local government employment increased at a 1.3 percent annual rate but federal government employment fell at a 2.5 percent rate.

Washington's personal income in the second quarter of 2006 was \$1.949 billion (0.8 percent) lower than the estimate made in September. Total wages were \$1.131 billion (0.8 percent) lower than expected in September. Software wages were \$0.011 billion (0.2 percent) lower than expected and non-software wages were \$1.120 billion (0.9 percent) lower. Nonwage personal income was \$0.818 billion (0.8 percent) below the September estimate for the second quarter. The downward revision in nonwage income mainly reflects the annual revision to the national income product accounts. The annual revision resulted in much lower estimates for "employer contributions for employee pension and insurance funds" which were largely offset by much higher estimates for "dividends, interest, and rent." The forecast assumes that income growth soared to 15.3 percent in the third quarter of 2006 from 2.8 percent in the second quarter. The strong third quarter growth was primarily due to bonuses and stock awards in the software sector. Excluding software wages, personal income is believed to have grown at a more moderate 7.1 percent rate. The forecast assumes that wage and salary disbursements soared at a 21.6 percent rate in the third quarter. Excluding software, however, wage growth was only 6.9 percent. The forecast also assumes that income other than wages grew at a 6.5 percent rate in the third quarter.

The number of housing units authorized by building permit edged up 1,000 in the third quarter of 2006 to 52,200 from 51,200 in the second quarter. Single-family permits declined 2,100 to 33,200 but multi-family permits rose 3,100 to 19,000.

The forecast also reflects Seattle consumer price data through August. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average in 2005, rising 2.3 percent compared to 2.2 percent. During the first eight months of 2006 core inflation in Seattle rose at an annual rate of 3.4 percent compared to 3.0 percent for the U.S. city average. The overall Seattle CPI rose at an annual rate of 5.0 percent in the first eight months of this year compared to the 4.6 percent national average.

The Washington aerospace employment forecast is virtually unchanged since September. As of September, the aerospace sector has added 13,400 jobs since the trough in May 2004. The forecast expects another 6,200 new aerospace jobs by mid-2008 when employment is expected to level off at 80,400. This is still 32,700 (28.9 percent) lower than the previous peak in June 1998. Software employment is expected to grow about 6,200 from now through the end of 2009, which translates into a growth rate of 1,900 jobs per year. Higher interest rates will have an adverse impact on the Washington housing market but this will be offset by strong population growth. In addition, nonresidential construction is expected to grow. Overall Washington construction employment is expected to continue to expand but at a much reduced rate.

Washington nonfarm payroll employment growth accelerated to 2.8 percent in 2005 from 1.6 percent in 2004 and just 0.1 percent in 2003. An even stronger year is expected in 2006 with employment growth increasing to 3.3 percent. Weaker growth is expected during the next three years as the U.S. expansion matures and the aerospace and construction expansions slow down. The forecast calls for employment growth rates of 2.3 percent, 2.2 percent, and 1.9 percent in 2007, 2008, and 2009. Washington personal income growth declined to 2.9 percent in 2005 from 6.9 percent in 2004. Microsoft's special dividend in November 2004 temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, growth would have accelerated in 2005 to 5.6 percent from 4.1 percent in 2004. The forecast expects even stronger income growth during the next four years. Growth is expected to climb to 7.9 percent per year this year, slowing slightly to 6.5 percent in 2007 and 6.8 percent per year in 2008 and 2009. Housing permits increased 2,900 in 2005 to 53,000, which is the highest annual total since 1978. The strength in housing has been mostly in the single-family market, which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single-family market during the next four years. Offsetting this will be strong population growth, which should boost multi-family activity. The forecast expects total housing permits to dip only slightly in the next three years to 50,700 in 2006, 50,800 in 2007, and 50,300 in 2008. Permits are expected to decline to 47,400 in 2009 as population growth slows down. Inflation, as measured by the Seattle CPI, jumped to 2.8 percent in 2005 from 1.2 percent in 2004. Core inflation (excluding food and energy) was more moderate, rising at a 1.8 percent rate in 2005. Still, this is up from core inflation rates of 0.7 percent and 0.2 percent in 2003 and 2004. Energy costs are expected to add to headline inflation again this year as all-items prices rise 3.4 percent compared to a core inflation rate of 3.1 percent. Energy costs are expected to decline during the next three years and an expected slowdown in the economy should also help restrain core inflation. As a result, overall inflation should decline to 2.6 percent, 2.4 percent, and 1.9 percent in 2007, 2008, and 2009.

Washington State Revenue Forecast

The economic outlook, both nationally and locally, has changed very little since the forecast adopted just two months ago and revenue collections since the last forecast are only slightly higher than expected. As a result, the revenue forecast has been increased by a relatively minor \$56.6 million for the 2005-07 and 2007-09 biennia combined.

The November 2006 General Fund-State revenue estimate for the 2005-07 biennium is \$27,365.8 million. The new forecast is \$49.0 million more than expected in September of which \$21.0 million is due to higher than expected revenue collections during the last two months. The forecast for the 2007-09 biennium is \$29,533.3 million, which is \$7.6 million higher than expected in September.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2005-07 and 2007-09 biennia. The forecast based on more optimistic economic assumptions netted \$283 million (1.0 percent) more revenue in the current biennium and \$1,667 million (5.6 percent) more revenue in the next biennium than did the baseline while the pessimistic alternative was \$298 million (1.1 percent) lower this biennium and \$1,774 million (6.0 percent) lower next biennium. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$122 million (0.4 percent) less revenue this biennium and \$476 million (1.6 percent) less revenue next biennium than did the baseline forecast.

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

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The November 2006 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2006. The discussion that follows relates to the third quarter forecast rather than the advance GDP release. According to the forecast, real GDP growth slowed to 1.7 percent in the third quarter from 2.6 percent in the second quarter. Final sales growth improved slightly, however, from 2.1 percent to 2.3 percent. What little growth there was in the third quarter was mainly due to consumers whose spending increased at a 3.0 percent rate in the third quarter. Purchases of consumer durables rose at a 6.1 percent rate thanks to an 11.4 percent jump in motor vehicles and parts. Purchases of nondurable goods rose at a 1.6 percent rate and consumer spending on services increased at a 3.1 percent rate. Fixed investment declined at a 1.7 percent rate in the third quarter following a 1.6 percent decline in the second quarter. The 19.6 percent drop in residential fixed investment more than accounted for the overall decline in fixed investment and subtracted more than a full percentage point from overall GDP growth. Nonresidential construction climbed 19.5 percent, though, and business investment in equipment and software increased 5.8 percent. Government purchases rose at a 2.9 percent rate in the third quarter thanks to a 5.1 percent increase in military spending and a 6.2 percent jump in other federal government purchases. State and local government spending rose 1.5 percent. The foreign sector was essentially neutral in the third quarter as a 4.8 percent increase in imports offset a 6.8 percent increase in exports.

According to the forecast, payroll employment growth slowed to 1.1 percent in the third quarter from 1.2 percent in the second quarter and 1.7 percent in the first quarter. The unemployment rate rose slightly to 4.73 percent in the third quarter from 4.63 percent in the second quarter. Inflation, as measured by the Consumer Price Index, slowed to 2.8 percent in the third quarter of 2006 from 5.0 percent in the second quarter. The improvement was largely due to energy costs, which edged up only 0.9 percent in the third quarter after soaring 25.0 percent in the second quarter. Core inflation, which excludes food and energy, slowed from 3.5 percent to a still worrisome 2.9 percent. Housing starts plummeted at a 32.5 percent rate in the third quarter to 1.697 million units following an even sharper 39.5 percent decline in the second quarter. The mortgage rate was essentially unchanged in the third quarter at 6.57 percent compared to 6.60 percent in the second quarter. The Federal Reserve left its target for the federal funds rate unchanged at 5.25 percent in September.

U.S. Forecast Highlights

Although the housing downturn remains in full swing, the plunge in oil prices from the high \$70s to around \$60 per barrel has reduced the risks to GDP growth and has made a soft landing for the U.S. economy look a safer bet. Even with the help from lower oil prices, the housing downturn is still dragging the U.S. economy into an extended period of below-trend growth. The Fed has probably finished raising interest rates. The forecast assumes three 25-basis-point cuts in the federal funds rate in 2007, beginning in March. On an annual basis, the forecast expects GDP growth to improve slightly this year to 3.3 percent from 3.2 percent in 2005. Growth is expected to slow to 2.4 percent in 2007 before recovering to 3.3 percent per year in 2008 and 2009. Nonfarm payroll employment growth improved to 1.5 percent in 2005 from 1.1 percent in 2004. Employment is expected to grow 1.4 percent this year, slowing to 1.1 percent in 2007, and recovering to 1.4 percent in 2008 and 1.6 percent in 2009. The unemployment rate also improved in 2005, declining to 5.06 percent from 5.52 percent in 2004 and 6.00 percent in 2003. The forecast expects the unemployment rate to improve to 4.73 percent this year before the softening economy pushes it up to 4.96 percent in 2007. The unemployment rate is expected to improve to 4.93 percent in 2008 and 4.66 percent in 2009 as stronger growth resumes. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.9 percent in 2005 from 2.6 percent in 2004. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation increased only slightly, from 2.0 percent to 2.1 percent. Energy will add to inflation again this year but will help restrain inflation during the next three years as energy prices finally decline. The forecast expects an inflation rate of 2.8 percent this year, 1.9 percent in 2007, 2.0 percent in 2008, and 1.8 percent in 2009.

1. Real GDP growth improved slightly in fiscal 2006 to 3.4 percent from 3.3 percent in 2005. Growth during the last three years has been primarily driven by consumer spending, business spending on equipment and software, residential fixed investment, and military spending. Increasing trade deficits, however, have cost the economy more than 0.4 percentage points per year in growth. Consumer spending is expected to slow during the next three years though it will remain the major source of GDP growth. Business spending on equipment and software is expected to remain strong during the next three years and nonresidential construction is expected to bounce back in 2007 but residential investment growth is expected to be negative in 2007 and 2008. Net exports, which have been a drag on growth for years, should add to GDP growth beginning this year. Overall GDP growth is expected to slow during the next three years as the economy slips below its potential growth path. The forecast calls for GDP growth rates of 2.6 percent in 2007, 2.7 percent in 2008, and 3.5 percent in 2009.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, increased to 3.1 percent in fiscal 2006 from 2.7 percent in 2005. Surging energy costs continue to add to overall inflation. Core inflation rose at a moderate 2.1 percent in fiscal 2006, the same rate as in 2005. Core inflation is expected to edge up this year to 2.3 percent but declining energy costs will hold headline inflation to 2.1 percent. A softening economy will help keep inflation in check during the final two years of the forecast. The forecast expects overall inflation rates of 2.0 percent in 2008 and 1.9 percent 2009.
3. The Federal Reserve has held its target for the federal funds rate steady at 5.25 percent since June 29 following 17 consecutive 25-basis-point increases. Though the Fed continues to express concern about inflationary pressures, the forecast assumes that the economy will slow enough to allow the Fed to begin cutting rates in 2007, reaching 4.50 percent by the end of the year. The three-month Treasury bill rate rose to 4.07 percent in fiscal 2006 from 2.21 percent in fiscal 2005 and a

57-year-low 0.96 percent in fiscal 2004. The forecast expects the T-bill rate to increase to 4.76 percent in 2007 before easing to 4.43 percent in 2008 and 4.46 percent in 2009. The mortgage rate increased from 5.78 percent in fiscal 2005 to 6.20 percent in 2006. The forecast expects the mortgage rate to continue rising during the next three years to 6.38 percent in 2007, 6.32 percent in 2008, and 6.79 percent in 2009.

4. Spurred by low mortgage interest rates, housing starts have increased in each of the last five years. Starts increased 1.0 percent in fiscal 2006 to 2.039 million units. This was the highest level of housing starts since 1973. Not surprisingly, given the low mortgage rates, the strength has been primarily in the single family market. The 1.686 million single family units started in 2006 was the highest ever. Fiscal 2006 should prove to be the peak in housing. Affordability has fallen sharply due to the run-up in home prices and rising mortgage interest rates. The forecast calls for a 20.3 percent reduction in starts in 2007 to 1.625 million units and a 0.1 percent decline in 2008 to 1.624 million units. Housing starts are expected to bounce back 4.3 percent to 1.693 million units in the final year of the forecast.
5. The nation's unemployment rate declined from 5.28 percent in fiscal 2005 to a five-year-low 4.83 percent in 2006. The unemployment rate is expected to edge up this year and next year to 4.85 percent and 5.01 percent as GDP growth slows to below its trend rate. The unemployment rate is expected to decline again to 4.78 percent in 2009 as stronger economic growth resumes.
6. Strong growth in the economy is having a very beneficial impact on the federal deficit. Despite hurricane-related spending, and the launch of the unfunded Medicare prescription drug program, revenues are improving so sharply that the federal deficit (national income and product accounts basis) dropped to \$234.5 billion in fiscal 2006 from \$330.9 billion in 2005 and a record \$403.6 billion in 2004. Nevertheless, the forecast still assumes that higher taxes will be needed eventually to keep the deficit under control. The forecast expects the deficit to improve again in 2007 to \$174.5 billion, widening to \$236.2 billion in 2008 and \$227.5 billion in 2009.
7. The trade deficit has been a huge drag on GDP growth in recent years. The trade deficit (national income and product accounts basis) increased in fiscal 2006 to an all-time record \$762.8 billion from \$666.5 billion in 2005. The dollar is expected to continue to decline, which should help restrain real imports and boost real exports. The forecast expects the deficit to narrow to \$756.8 billion in 2007, \$708.1 billion in 2008, and \$679.9 billion in 2009.

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

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through September 2006. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. The state's employment growth rate improved slightly to 3.1 percent in the third quarter of 2006 from 2.9 percent rate in the second quarter. Manufacturing employment rose at a 5.7 percent rate in the third quarter, led by aerospace employment, which rose at an 8.1 percent rate. Manufacturing employment other than aerospace also rose at a healthy 4.9 percent rate. Third quarter employment growth was strong in most nonmanufacturing sectors as well. Information employment jumped up at an 11.0 percent rate. Software publishing employment rose at a very strong 12.4 percent rate and information other than publishing (a category that includes many internet related businesses) employment rose at an 11.5 percent rate. Professional and business services employment grew at a strong 7.9 percent rate and construction employment grew at a 6.7 percent rate. Education and health services employment rose 2.5

percent, trade, transportation and utilities employment rose 1.6 percent, leisure and hospitality employment rose 1.0 percent, and financial activities employment inched up 0.1 percent but other services employment declined 1.5 percent. In the public sector, state and local government employment increased at a 1.3 percent annual rate but federal government employment fell at a 2.5 percent rate.

In September 2006 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the first quarter of 2006 and released preliminary estimates for the second quarter. This forecast is based on adjusted personal income estimates as described in **Adjustments to Economic Data**. According to the adjusted estimates, Washington's personal income in the second quarter of 2006 was \$1.949 billion (0.8 percent) lower than the estimate made in September. Total wages were \$1.131 billion (0.8 percent) lower than expected in September. Software wages were \$0.011 billion (0.2 percent) lower than expected and non-software wages were \$1.120 billion (0.9 percent) lower. Nonwage personal income was \$0.818 billion (0.8 percent) below the September estimate for the second quarter. The downward revision in nonwage income mainly reflects the annual revision to the national income a product accounts. The annual revision resulted in much lower estimates for "employer contributions for employee pension and insurance funds" which were largely offset by much higher estimates for "dividends, interest, and rent." The forecast assumes that income growth soared to 15.3 percent in the third quarter of 2006 from 2.8 percent in the second quarter. The strong third quarter growth was primarily due to bonuses and stock awards in the software sector. Excluding software wages, personal income is believed to have grown at a more moderate 7.1 percent rate. The forecast assumes that wage and salary disbursements soared at a 21.6 percent rate in the third quarter. Excluding software, however, wage growth was only 6.9 percent. The forecast also assumes that income other than wages grew at a 6.5 percent rate in the third quarter.

The number of housing units authorized by building permit edged up 1,000 in the third quarter of 2006 to 52,200 from 51,200 in the second quarter. Single-family permits declined 2,100 to 33,200 but multi-family permits rose 3,100 to 19,000.

The forecast also reflects Seattle consumer price data through August. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average in 2005, rising 2.3 percent compared to 2.2 percent. During the first eight months of 2006 core inflation in Seattle rose at an annual rate of 3.4 percent compared to 3.0 percent for the U.S. city average. The overall Seattle CPI rose at an annual rate of 5.0 percent in the first eight months of this year compared to the 4.6 percent national average.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate produced 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 2006 which added 8,600 (0.3 percent) to the BLS Current Employment Statistics (CES) estimate for June 2006. By September 2006 the difference had widened slightly to 9,300 (0.3 percent).

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

income except “Employee and self-employed contributions for social insurance.” The estimates for “Employee and self-employed contributions for social insurance” for the period from the first quarter of 2003 through the second quarter of 2006 have been adjusted to reflect an expected future revision by the BEA. Our adjustments reduced the second quarter wage estimate by \$2.491 billion (1.9 percent) but reduced the total personal estimate by only \$0.469 billion (0.2 percent).

Washington State Forecast Highlights

The Washington aerospace employment forecast is virtually unchanged since September. As of September, the aerospace sector has added 13,400 jobs since the trough in May 2004. The forecast expects another 6,200 new aerospace jobs by mid-2008 when employment is expected to level off at 80,400. This is still 32,700 (28.9 percent) lower than the previous peak in June 1998. Software employment is expected to grow about 6,200 from now through the end of 2009, which translates into a growth rate of 1,900 jobs per year. Higher interest rates will have an adverse impact on the Washington housing market but this will be offset by strong population growth. In addition, nonresidential construction is expected to grow. Overall Washington construction employment is expected to continue to expand but at a much reduced rate.

Washington nonfarm payroll employment growth accelerated to 2.8 percent in 2005 from 1.6 percent in 2004 and just 0.1 percent in 2003. An even stronger year is expected in 2006 with employment growth increasing to 3.3 percent. Weaker growth is expected during the next three years as the U.S. expansion matures and the aerospace and construction expansions slow down. The forecast calls for employment growth rates of 2.3 percent, 2.2 percent, and 1.9 percent in 2007, 2008, and 2009. Washington personal income growth declined to 2.9 percent in 2005 from 6.9 percent in 2004. Microsoft’s special dividend in November 2004 temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, growth would have accelerated in 2005 to 5.6 percent from 4.1 percent in 2004. The forecast expects even stronger income growth during the next four years. Growth is expected to climb to 7.9 percent per year this year, slowing slightly to 6.5 percent in 2007 and 6.8 percent per year in 2008 and 2009. Housing permits increased 2,900 in 2005 to 53,000, which is the highest annual total since 1978. The strength in housing has been mostly in the single-family market, which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single-family market during the next four years. Offsetting this will be strong population growth, which should boost multi-family activity. The forecast expects total housing permits to dip only slightly in the next three years to 50,700 in 2006, 50,800 in 2007, and 50,300 in 2008. Permits are expected to decline to 47,400 in 2009 as population growth slows down. Inflation, as measured by the Seattle CPI, jumped to 2.8 percent in 2005 from 1.2 percent in 2004. Core inflation (excluding food and energy) was more moderate, rising at a 1.8 percent rate in 2005. Still, this is up from core inflation rates of 0.7 percent and 0.2 percent in 2003 and 2004. Energy costs are expected to add to headline inflation again this year as all-items prices rise 3.4 percent compared to a core inflation rate of 3.1 percent. Energy costs are expected to decline during the next three years and an expected slowdown in the economy should also help restrain core inflation. As a result, overall inflation should decline to 2.6 percent, 2.4 percent, and 1.9 percent in 2007, 2008, and 2009.

1. Nominal personal income growth fell to 4.2 percent in fiscal 2006 from 7.5 percent in fiscal 2005. The apparent decline in growth was due to the special one-time dividend paid by Microsoft in December 2004. Without the special dividend, personal income growth would have accelerated to 6.9 percent in fiscal 2006 from 4.8 percent in 2005. The improvement in growth in 2006, excluding the special dividend effect, was primarily due to much stronger average wage growth,

especially in the software sector. Job growth also improved in 2006 as did growth of income from sources other than wages. The forecast expects income growth to accelerate slightly in 2007 to 7.3 percent due to stronger nonwage income growth. Slower employment growth is expected in 2008 and 2009 but nonwage income growth is expected to remain very strong. The forecast expects personal income growth rates of 6.6 percent in 2008 and 7.0 percent in 2009. Software wages are not expected to have a major impact on overall income growth.

2. Washington real personal income growth fell to 1.0 percent in fiscal 2006 from 4.6 percent in 2005, again as a result of the special Microsoft dividend in December 2004. Excluding the special dividend, real income growth improved from 2.0 percent to 3.6 percent. Even stronger real personal income growth is expected during the next three years. Nominal income growth is expected to remain strong, as noted above, and inflation is expected to decline, further boosting real income growth. The forecast calls for real personal income growth rates of 5.0 percent in 2007, 4.5 percent in 2008, and 5.1 percent in 2009.
3. Total payroll employment in Washington rose 3.1 percent in fiscal 2006, up from 2.4 percent in 2005. Booming construction employment growth coupled with strong growth in both aerospace and software accounted for most of the improvement in overall job growth. Slower growth is expected during the next three years, however, due to weaker U.S. growth, a leveling off of construction employment, and slower aerospace employment growth. The forecast calls for employment growth rates of 2.9 percent in 2007 and 2.2 percent per year in 2008 and 2009.
 - ◆ As of September 2006, the aerospace recovery has added 13,400 jobs since the trough of the last downturn in May 2004. Previously, 27,300 aerospace jobs had been lost since the September 11 terrorist attacks and 52,300 jobs had been lost since the June 1998 peak. Boeing expects to deliver 395 planes in 2006, which is an increase of 36 percent over the 290 delivered in 2005. Boeing expects to increase deliveries in 2007 to between 440 and 445 planes and they expect to increase deliveries in 2008 as well. The strong growth in production in 2006 and 2007 is reflected in the aerospace employment forecast, which assumes fourth quarter to fourth quarter employment increases of 5,500 and 3,600. The forecast assumes only 1,500 new aerospace jobs during 2008 and no year-over-year growth in 2009. Aerospace employment is expected to peak at 80,400 which is 32,700 (28.9 percent) lower than the previous peak in June 1998.
 - ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. Since mid-2003, however, growth has picked up to an average annual rate of 7.1 percent including growth rates of 14.9 percent and 12.4 percent in the second and third quarters of 2006. Microsoft's announcement in February that it will accelerate the planned expansion of its Redmond campus, adding enough office space for about 12,000 employees during the next three years bodes well for software employment growth in Washington as does Microsoft's announcement in April of significant increases in R&D spending. The forecast assumes software employment will grow at an average rate of 4.0 percent per year through the remainder of the forecast.
 - ◆ Bolstered primarily by a hot housing market, Washington's construction employment growth has averaged 7.7 percent per year since mid-2003. Employment is now 34,400 (21.1 percent) higher than at the previous peak in the first quarter of 2001 and 44,100 (28.8 percent) higher than at the trough in the first quarter of 2002. Higher interest rates are expected to

depress single-family activity in the future but strong migration into Washington should boost multi-family activity. In addition, nonresidential construction is expected to continue to expand. As a result, the forecast expects construction employment growth to slow down but remain positive. Growth is expected to average just 0.9 percent per year from the third quarter of 2006 through the end of 2009.

- ◆ Financial activities employment grew rapidly right through the recession. From the end of 2000 through the third quarter of 2003 growth averaged 2.8 percent per year. The growth was concentrated in credit intermediation and related activities, which clearly benefited by a refinancing boom brought on by the decline in mortgage interest rates during this period. Employment in this sector plateaued when mortgage rates stopped falling in early 2003 but picked up again in the fourth quarter of 2004. Since then, growth has averaged 1.7 percent. The monthly data through September indicate that the fourth quarter should see a strong 3.1 percent growth rate but slower employment growth is expected for the next four quarters as housing and real estate activity cool. The forecast calls for an average growth rate of 0.9 percent during 2007. Employment growth is projected to pick up to an average rate of 1.9 percent per year during the final two years of the forecast.
- ◆ Washington retail trade employment fell farther during the recession than did U.S. retail trade employment but the recovery here was also earlier and stronger. By the end of 2002 Washington retail trade employment had fallen 3.7 percent since its pre-recession peak. Most of the decline was in the miscellaneous “other retail trade” category, which includes e-tailing, a clear casualty of the dot-com implosion. After a slow start, the recovery in retail trade employment accelerated during 2005 and early 2006. Retail employment rose at a strong average annual rate of 3.3 percent from the fourth quarter of 2004 through the first quarter of 2006. Since the first quarter, growth has slowed to 1.9 percent in the second quarter, 0.9 percent in the third quarter, and an expected 1.5 percent in the fourth quarter. The slowdown is primarily due to declining employment in general merchandise stores. The forecast expects growth to recover to a 2.3 percent per year average growth rate during 2007, 2008, and 2009.
- ◆ Employment in the professional and business services sector plunged 6.6 percent from the end of 2000 through the first quarter of 2002. The 20,300 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 14,000 (26.1 percent) and computer systems design and related services, which fell 6,100 (20.0 percent). These areas of weakness have turned around. Employment in computer systems design and related services has increased 17.3 percent during the last six quarters while employment services employment is up 18.3 percent during the same period. Largely as a result of this turnaround, overall professional and business services employment growth has averaged 4.8 percent per year since mid-2003. The forecast expects fairly strong growth averaging 4.3 percent per year through the end of 2009.
- ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state’s economy put pressure on state and local governments’ budgets with a lag. From the end of 2000 through the end of 2002, employment grew at an average rate of 1.9 percent per year (excluding the impact of the reclassification of tribal government employment in January 2001). Since then employment growth has slowed to an average rate of 0.7 percent per year and just 0.4 percent per year excluding the small but rapidly expanding tribal government sector. The forecast assumes some improvement as state and local government

budgets recover and tribal government employment should continue to grow rapidly but local public education employment growth will be restrained by slow school age population growth. The forecast expects an average growth rate of 1.9 percent per year (1.7 percent per year excluding tribal employment).

4. The number of housing units authorized by building permit in Washington rose 1.1 percent in fiscal 2006 to 52,600 units following increases of 13.9 percent, 4.1 percent, and 17.2 percent in 2003, 2004, and 2005. The strength in housing has been mainly in the single family market which has benefited from record low mortgage interest rates. Single family permits increased 1.9 percent in 2006 to a 28 year high 39,200 units but multi-family permits declined 1.3 percent to 13,400 units. Rising mortgage rates will depress the single family market beginning in 2007. Largely offsetting this is strong net migration which should continue to boost multi-family activity. The net effect is a modest reduction in overall activity during the next three years. The forecast expects a 2.5 percent decrease in 2007 to 51,300 units, a 0.7 percent reduction in 2008 to 50,900 units, and a 3.8 percent reduction in 2009 to 49,000 units.
5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased in fiscal 2006 to 3.2 percent from 1.9 percent in 2005. The increase was partly due to soaring energy costs, but core inflation in Seattle increased from 1.0 percent to 2.1 percent. Seattle inflation trailed the national average in 2003, 2004, 2005, and 2006 reflecting the impact of a more severe local recession. A slowdown in the U.S. economy should help restrain inflation but the stronger local economy should cause Seattle inflation to rise above the U.S. rate. The forecast calls for Seattle inflation rates of 3.1 percent, 2.6 percent and 2.1 percent in 2007, 2008, and 2009 compared to a national rates of 2.4 percent, 2.2 percent, and 1.8 percent.

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

Alternative Forecasts

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

Pessimistic Forecast: The pessimistic alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. It assumes that the dollar weakens quickly as foreign investors take fright at the spiraling U.S. trade deficit. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling dollar adds to the upward pressure on inflation. The Fed responds by accelerating the pace of tightening. Despite the more aggressive stance, both the stock and bond markets slip on signs that the Fed may have let inflation build up an unstoppable momentum. The Fed cannot permit this acceleration to continue, and so it continues hiking interest rates. This simulation also has a deeper housing downturn than the baseline. Between the higher interest rates and persistently high energy prices, consumer confidence suffers. Consumers rein in their discretionary spending and the U.S. economy slows. At the same time, hiring falters, causing the unemployment rate to climb. Debt-laden consumers retrench further. The economy nearly sinks into recession in the pessimistic alternative and falls well below its potential, with GDP growth at just 1.0 percent for all of 2007. At the state level, aerospace employment growth is much slower in 2006 and 2007 than in the baseline forecast and begins to decline again in 2008. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario. Construction employment begins to decline in the second quarter of 2007 rather than just leveling off as in the baseline. Due to

the relatively weak local economy, Seattle inflation is lower than in the baseline forecast in spite of the higher national inflation rate. The weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2007-09 biennium, Washington nonagricultural employment is 100,000 lower than in the baseline forecast and Washington personal income is \$13.6 billion lower. The pessimistic scenario produced \$298 million (1.1 percent) less revenue this biennium and \$1,774 million (6.0 percent) less revenue next biennium than did the baseline forecast.

Optimistic Forecast: Seven assumptions distinguish the optimistic scenario from the baseline forecast. First, productivity is stronger. Underlying this assumption is the view that the information-driven technology boom, which may have accelerated in recent years, continues. Second, foreign economic growth is stronger, which boosts U.S. exports and strengthens domestic manufacturing. Third, the optimistic alternative assumes a stronger dollar, resulting in expansion of U.S. demand for foreign goods and services. Fourth, business investment is stronger. Fifth, the federal government budget deficit in the optimistic scenario is lower than in the baseline. Sixth, housing starts are stronger. Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. These assumptions produce a rosier outlook. A slowdown in growth to less than 2% in the third quarter proves temporary. Real GDP growth picks up to 3.1% in the fourth quarter, compared with only 2.6% in the baseline; growth in 2007 averages 3.1%, versus 2.4% in the baseline. Although economic growth and labor markets are stronger, inflation is lower, due mainly to the strong productivity growth. The lower inflation rate allows the Fed to keep the federal funds rate below the baseline value. For Washington, the optimistic forecast assumes a more typical, vigorous aerospace employment expansion than the modest growth assumed in the baseline. Washington's wages also grow faster than in the baseline. The strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is also higher in the optimistic scenario and population growth is stronger. Finally, construction employment continues to rise in the optimistic scenario rather than leveling off as in the baseline. By the end of the 2007-09 biennium, Washington nonagricultural employment is higher by 83,500 jobs than in the baseline forecast and Washington personal income is \$15.6 billion higher. The optimistic scenario generated \$283 million (1.0 percent) more revenue in the current biennium and \$1,667 million (5.6 percent) more revenue in the next biennium than did the baseline forecast.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. The GCEA forecast for the U.S. economy shows considerably weaker real GDP growth but slightly higher inflation than does the baseline forecast. They also expect lower long term and short term interest rates. The GCEA forecast for Washington State is also considerably more pessimistic than the baseline forecast. They expect slower real and nominal personal income growth, slower job growth, and fewer housing units authorized by building permit throughout the forecast. By the end of the 2007-09 biennium Washington nonagricultural employment is 27,100 lower in the GCEA forecast than in the baseline forecast and Washington personal income is \$7.6 billion lower. The Governor's Council scenario yielded \$122 million (0.4 percent) less revenue this biennium and \$476 million (1.6 percent) less revenue next biennium than did the baseline forecast.

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

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

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,947.5	10,131.3	10,525.9	10,872.9	11,245.9	11,539.8	11,854.8	12,275.1
% Ch	0.7	1.8	3.9	3.3	3.4	2.6	2.7	3.5
Real Consumption	7,010.9	7,176.4	7,440.4	7,713.3	7,966.1	8,204.5	8,434.4	8,711.8
% Ch	2.7	2.4	3.7	3.7	3.3	3.0	2.8	3.3
Real Nonresidential Fixed Investment	1,115.3	1,061.1	1,111.8	1,188.9	1,268.1	1,371.3	1,441.4	1,513.5
% Ch	-9.3	-4.9	4.8	6.9	6.7	8.1	5.1	5.0
Real Residential Fixed Investment	457.1	482.9	540.1	582.3	614.6	532.8	500.2	513.7
% Ch	2.9	5.6	11.8	7.8	5.6	-13.3	-6.1	2.7
Real Personal Income	8,567.5	8,587.4	8,815.1	9,107.2	9,352.7	9,742.0	10,047.1	10,458.7
% Ch	0.5	0.2	2.7	3.3	2.7	4.2	3.1	4.1
Real Per Capita Income (\$/Person)	29,836	29,613	30,098	30,810	31,354	32,369	33,091	34,148
% Ch	-0.5	-0.7	1.6	2.4	1.8	3.2	2.2	3.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.132	1.156	1.179	1.201
% Ch	1.5	1.9	2.2	2.7	3.1	2.1	2.0	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.782	1.821	1.861	1.917	1.990	2.038	2.083	2.121
% Ch	1.8	2.2	2.2	3.0	3.8	2.4	2.2	1.8
Employment Cost Index (June 1989=1.0)	1.542	1.584	1.629	1.672	1.715	1.766	1.815	1.872
% Ch	3.7	2.7	2.9	2.6	2.6	3.0	2.8	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,280.3	10,664.0	11,346.5	12,072.2	12,877.4	13,540.1	14,193.7	14,983.5
% Ch	2.9	3.7	6.4	6.4	6.7	5.1	4.8	5.6
Personal Income	8,798.7	8,982.6	9,420.8	9,999.4	10,592.2	11,266.1	11,849.6	12,564.9
% Ch	2.0	2.1	4.9	6.1	5.9	6.4	5.2	6.0
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.9	146.8	148.2	150.3	152.4	154.0	155.4
Total U.S. Employment	136.4	137.1	138.3	140.4	143.1	145.0	146.2	148.0
Unemployment Rate (%)	5.47	5.90	5.81	5.28	4.83	4.85	5.01	4.78
Nonfarm Payroll Employment	130.88	130.11	130.47	132.44	134.44	136.01	137.60	139.83
% Ch	-1.0	-0.6	0.3	1.5	1.5	1.2	1.2	1.6
Manufacturing	15.73	14.88	14.33	14.29	14.22	14.20	14.14	13.99
% Ch	-7.7	-5.4	-3.7	-0.2	-0.5	-0.2	-0.4	-1.0
Durable Manufacturing	9.83	9.21	8.88	8.96	8.98	8.99	8.96	8.88
% Ch	-8.6	-6.2	-3.6	0.9	0.2	0.1	-0.3	-0.9
Nondurable Manufacturing	5.91	5.67	5.45	5.33	5.25	5.21	5.18	5.12
% Ch	-6.0	-4.1	-3.9	-2.1	-1.7	-0.8	-0.5	-1.2
Construction	6.77	6.69	6.84	7.13	7.42	7.45	7.32	7.42
% Ch	-0.7	-1.2	2.2	4.2	4.1	0.4	-1.7	1.3
Service-Producing	107.78	107.97	108.73	110.42	112.15	113.68	115.44	117.73
% Ch	-0.0	0.2	0.7	1.6	1.6	1.4	1.5	2.0
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	23.8	29.9	33.8	48.8	64.3	66.2	65.6	64.2
Personal Saving/Disposable Income (%)	2.4	1.9	2.2	1.0	-0.7	-0.1	0.5	1.1
Auto Sales (Millions)	8.2	7.9	7.5	7.6	7.8	7.7	7.6	7.6
% Ch	-4.3	-3.7	-4.4	0.3	2.8	-1.3	-0.5	-0.9
Housing Starts (Millions)	1.646	1.729	1.945	2.019	2.039	1.625	1.624	1.693
% Ch	4.8	5.1	12.5	3.8	1.0	-20.3	-0.1	4.3
Federal Budget Surplus (Billions)	-135.8	-299.4	-403.6	-330.9	-234.5	-174.5	-236.2	-227.4
Net Exports (Billions)	-375.7	-477.3	-536.7	-666.5	-762.8	-756.8	-708.1	-679.9
3-Month Treasury Bill Rate (%)	2.15	1.30	0.96	2.21	4.07	4.76	4.43	4.46
10-Year Treasury Note Yield (%)	4.98	3.95	4.29	4.23	4.59	4.69	4.67	5.19
Bond Index of 20 G.O. Munis. (%)	5.14	4.77	4.79	4.50	4.45	4.32	4.49	5.30
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.38	6.32	6.79

Table 1.2
Washington Economic Forecast Summary
 Forecast 2007 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.131	190.436	193.513	202.463	204.477	214.749	224.366	235.716
% Ch	0.8	0.2	1.6	4.6	1.0	5.0	4.5	5.1
Real Wage and Salary Disb.	107.638	107.231	108.849	111.156	116.048	122.133	126.994	132.808
% Ch	-1.1	-0.4	1.5	2.1	4.4	5.2	4.0	4.6
Real Nonwage Income	82.493	83.205	84.664	91.307	88.428	92.617	97.372	102.908
% Ch	3.5	0.9	1.8	7.8	-3.2	4.7	5.1	5.7
Real Per Capita Income (\$/Person)	31,516	31,260	31,413	32,411	32,157	33,101	33,916	35,003
% Ch	-0.3	-0.8	0.5	3.2	-0.8	2.9	2.5	3.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.132	1.156	1.179	1.201
% Ch	1.5	1.9	2.2	2.7	3.1	2.1	2.0	1.9
Seattle Cons. Price Index (1982-84=1.0)	1.876	1.910	1.935	1.973	2.035	2.098	2.152	2.197
% Ch	2.7	1.8	1.3	1.9	3.2	3.1	2.6	2.1
Average Nonfarm Annual Wage	39,824	40,481	41,630	42,567	44,512	46,578	48,352	50,425
% Ch	101.3	1.6	2.8	2.3	4.6	4.6	3.8	4.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.34	17.87	18.15	18.57	19.32	19.93	20.14	20.48
% Ch	6.0	-2.6	1.6	2.3	4.1	3.1	1.0	1.7
Current Dollar Income (Billions of Dollars)								
Personal Income	195.257	199.193	206.782	222.262	231.550	248.344	264.612	283.178
% Ch	2.4	2.0	3.8	7.5	4.2	7.3	6.6	7.0
Disposable Personal Income	170.555	176.240	184.797	197.279	203.277	217.117	232.104	248.247
% Ch	5.0	3.3	4.9	6.8	3.0	6.8	6.9	7.0
Per Capita Income (\$/Person)	32,366	32,697	33,566	35,580	36,413	38,278	39,998	42,051
% Ch	1.2	1.0	2.7	6.0	2.3	5.1	4.5	5.1
Employment (Thousands)								
Washington Civilian Labor Force	3,074.3	3,133.5	3,193.7	3,254.0	3,324.6	3,361.0	3,438.0	3,512.4
Total Washington Employment	2,857.5	2,903.9	2,972.7	3,064.8	3,154.0	3,181.0	3,247.9	3,317.0
Unemployment Rate (%)	7.05	7.33	6.92	5.82	5.13	5.36	5.53	5.56
Nonfarm Payroll Employment	2,665.3	2,654.8	2,673.6	2,737.7	2,822.6	2,904.0	2,967.5	3,032.5
% Ch	-1.9	-0.4	0.7	2.4	3.1	2.9	2.2	2.2
Manufacturing	300.1	274.8	263.2	267.7	278.2	289.7	293.3	293.4
% Ch	-8.1	-8.4	-4.2	1.7	3.9	4.1	1.3	0.0
Durable Manufacturing	212.0	190.5	181.0	186.7	197.0	206.8	208.7	208.3
% Ch	-9.0	-10.2	-5.0	3.2	5.5	5.0	0.9	-0.2
Aerospace	82.9	70.1	62.1	63.4	69.2	75.7	79.2	80.4
% Ch	-4.5	-15.5	-11.4	2.1	9.0	9.4	4.6	1.5
Nondurable Manufacturing	88.1	84.4	82.2	81.0	81.2	82.9	84.7	85.1
% Ch	-5.8	-4.2	-2.5	-1.5	0.3	2.0	2.2	0.5
Construction	154.8	154.9	159.9	170.1	186.7	198.9	201.1	202.4
% Ch	-4.1	0.1	3.2	6.4	9.7	6.5	1.1	0.6
Service-Producing	2,200.9	2,215.9	2,241.8	2,290.7	2,348.9	2,406.7	2,464.5	2,528.1
% Ch	-0.8	0.7	1.2	2.2	2.5	2.5	2.4	2.6
Software Publishers	36.0	36.5	38.5	40.1	42.9	46.9	48.5	50.3
% Ch	4.1	1.6	5.5	4.1	6.9	9.3	3.6	3.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	37.437	42.641	44.395	52.033	52.601	51.287	50.910	48.984
% Ch	-7.1	13.9	4.1	17.2	1.1	-2.5	-0.7	-3.8
Single-Family	27.014	32.681	34.506	38.500	39.240	32.479	31.311	29.226
% Ch	1.0	21.0	5.6	11.6	1.9	-17.2	-3.6	-6.7
Multi-Family	10.422	9.960	9.889	13.533	13.361	18.808	19.599	19.758
% Ch	-22.9	-4.4	-0.7	36.9	-1.3	40.8	4.2	0.8
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.38	6.32	6.79

Table 1.3
Comparison of Alternative Forecasts

	Fiscal Year 2007				Fiscal Year 2008				Fiscal Year 2009			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	11571.2	11539.8	11481.4	11514.4	11990.9	11854.8	11587.3	11767.9	12497.9	12275.1	11902.5	12111.4
%Ch	2.9	2.6	2.1	2.4	3.6	2.7	0.9	2.2	4.2	3.5	2.7	2.9
Implicit Price Deflator	1.152	1.156	1.163	1.159	1.167	1.179	1.201	1.183	1.183	1.201	1.240	1.207
%Ch	1.8	2.1	2.7	2.4	1.3	2.0	3.3	2.0	1.4	1.9	3.2	2.1
Mortgage Rate	6.27	6.38	6.86	6.35	5.94	6.32	8.40	6.22	6.39	6.79	8.28	6.65
3 Month T-Bill Rate	4.71	4.76	5.45	4.58	4.29	4.43	7.10	4.16	4.27	4.46	6.26	3.96
Washington												
Real Personal Income	218.388	214.749	210.983	214.007	234.038	224.366	213.362	219.600	250.886	235.716	217.957	228.768
%Ch	6.8	5.0	3.2	4.7	7.2	4.5	1.1	2.6	7.2	5.1	2.2	4.2
Personal Income	251.673	248.344	245.293	248.038	273.213	264.612	256.316	259.700	296.927	283.178	270.191	276.117
%Ch	8.7	7.3	5.9	7.1	8.6	6.6	4.5	4.7	8.7	7.0	5.4	6.3
Employment	2914.4	2904.0	2891.0	2898.9	3007.7	2967.5	2911.4	2946.9	3104.6	3032.5	2939.6	3004.9
%Ch	3.3	2.9	2.4	2.7	3.2	2.2	0.7	1.7	3.2	2.2	1.0	2.0
Housing Permits	53.348	51.287	47.567	49.473	56.871	50.910	38.639	48.315	56.438	48.984	39.428	45.102
%Ch	1.4	-2.5	-9.6	-5.9	6.6	-0.7	-18.8	-2.3	-0.8	-3.8	2.0	-6.7

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

Table 1.4
Forecast Analysis
 Comparison of Forecasts for 2005-07

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

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2006 to 2007

	2005	2006	2007	2008	2009
U.S.					
Real GDP					
November Baseline	10872.9	11245.9	11539.8	11854.8	12275.1
% Ch	3.3	3.4	2.6	2.7	3.5
September Baseline	10872.9	11245.2	11548.1	11864.1	12251.0
% Ch	3.3	3.4	2.7	2.7	3.3
Implicit Price Deflator					
November Baseline	1.098	1.132	1.156	1.179	1.201
% Ch	2.7	3.1	2.1	2.0	1.9
September Baseline	1.098	1.132	1.163	1.185	1.207
% Ch	2.7	3.1	2.7	1.9	1.8
U.S. Unemployment Rate					
November Baseline	5.28	4.83	4.85	5.01	4.78
September Baseline	5.28	4.83	4.81	4.96	4.83
Mortgage Rate					
November Baseline	5.78	6.20	6.38	6.32	6.79
September Baseline	5.78	6.20	6.79	6.86	7.13
3 Month T-Bill Rate					
November Baseline	2.21	4.07	4.76	4.43	4.46
September Baseline	2.21	4.07	5.24	4.73	4.71
Washington					
Real Personal Income					
November Baseline	202.463	204.477	214.749	224.366	235.716
% Ch	4.6	1.0	5.0	4.5	5.1
September Baseline	202.578	204.904	215.411	225.678	236.978
% Ch	5.0	1.1	5.1	4.8	5.0
Personal Income					
November Baseline	222.262	231.550	248.344	264.612	283.178
% Ch	7.5	4.2	7.3	6.6	7.0
September Baseline	222.390	232.054	250.518	267.508	286.038
% Ch	7.9	4.3	8.0	6.8	6.9
Employment					
November Baseline	2737.7	2822.6	2904.0	2967.5	3032.5
% Ch	2.4	3.1	2.9	2.2	2.2
September Baseline	2737.7	2821.0	2890.3	2955.7	3016.5
% Ch	2.4	3.0	2.5	2.3	2.1
Housing Permits					
November Baseline	52.033	52.601	51.287	50.910	48.984
% Ch	17.2	1.1	-2.5	-0.7	-3.8
September Baseline	52.033	52.601	49.656	49.652	47.869
% Ch	17.2	1.1	-5.6	-0.0	-3.6

Table 1.6

Calendar Years

Long Range Economic Outlook

Forecast 2006 to 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
U.S.											
Real GDP, %Ch	3.3	2.4	3.3	3.3	3.2	2.9	2.5	2.6	2.8	2.9	2.9
Implicit Price Deflator, %Ch	2.8	1.9	2.0	1.8	1.8	2.0	2.0	2.0	1.9	1.9	2.0
3 Month T-Bill Rate	4.70	4.57	4.41	4.55	4.59	4.59	4.59	4.59	4.59	4.59	4.59
Mortgage Rate	6.45	6.26	6.54	6.95	6.99	6.99	6.99	6.99	6.99	6.99	6.99
State*											
Real Personal Income, %Ch	5.0	4.5	4.8	4.8	4.4	4.0	3.4	3.4	3.6	3.7	3.6
Personal Income, %Ch	7.9	6.5	6.8	6.8	6.3	6.0	5.5	5.4	5.6	5.6	5.7
Employment, %Ch	3.3	2.3	2.2	1.9	1.8	1.5	1.1	1.0	1.1	1.2	1.2

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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

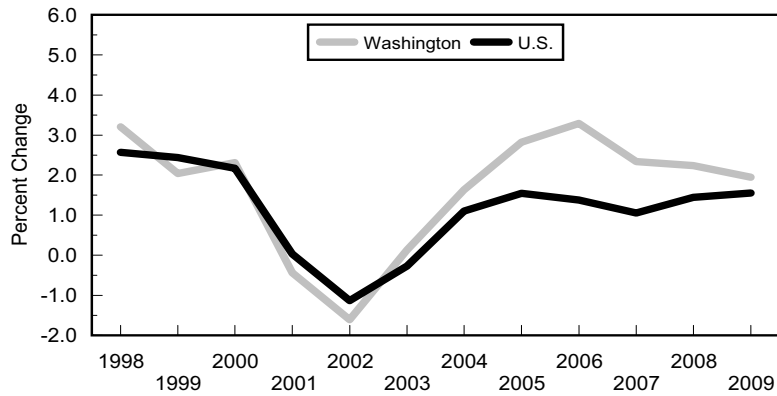


Chart 1.2
Manufacturing Employment

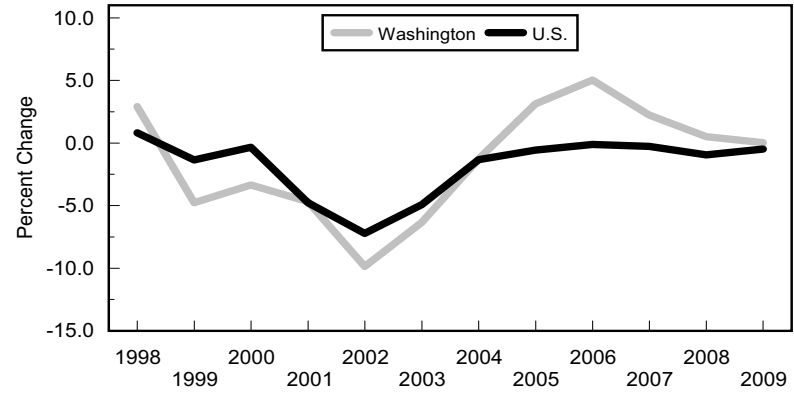


Chart 1.3
Aerospace Employment

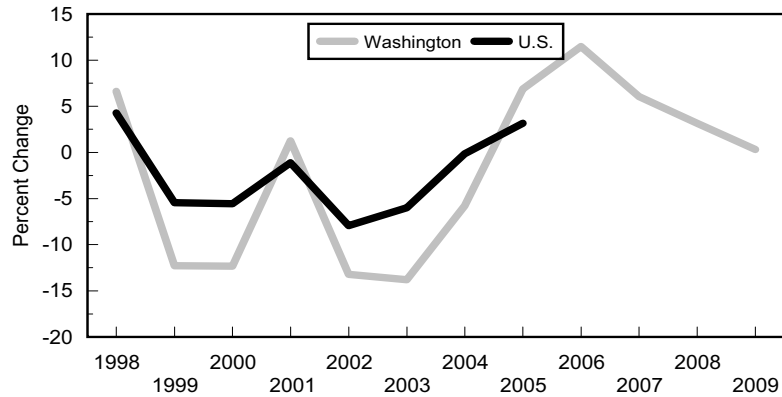
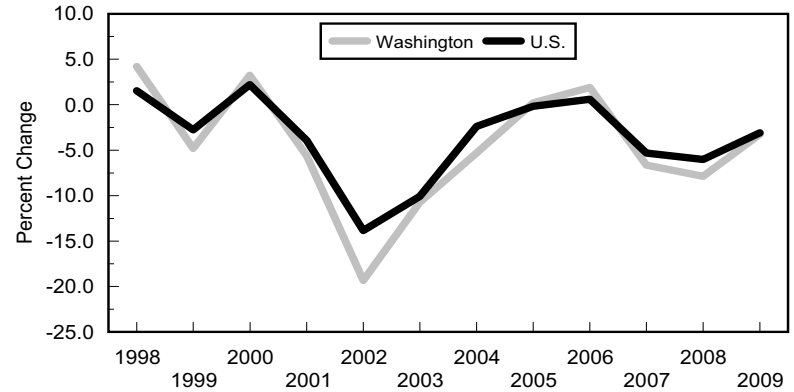


Chart 1.4
Computers and Electronics Employment



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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

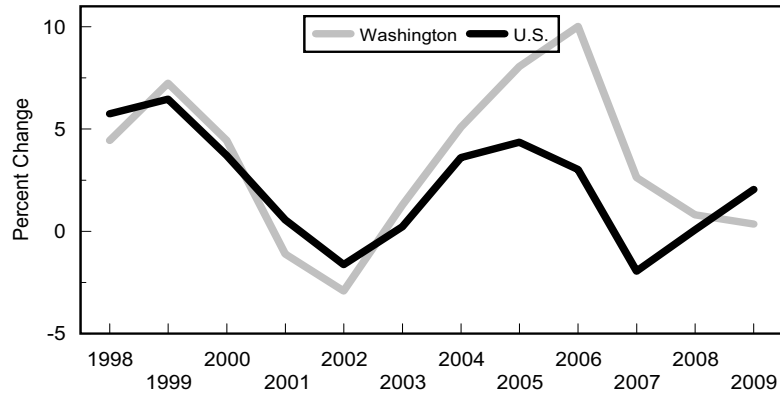


Chart 1.6
Information Employment

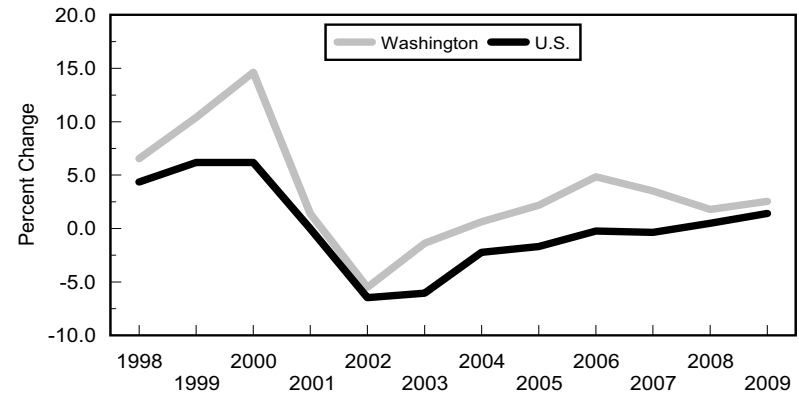


Chart 1.7
Other Private Employment

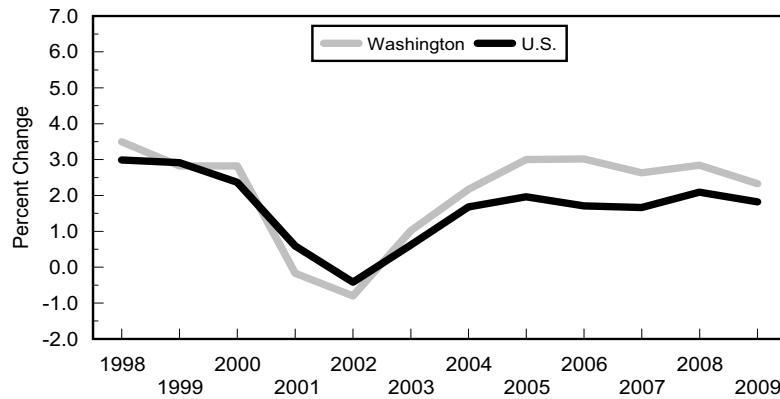
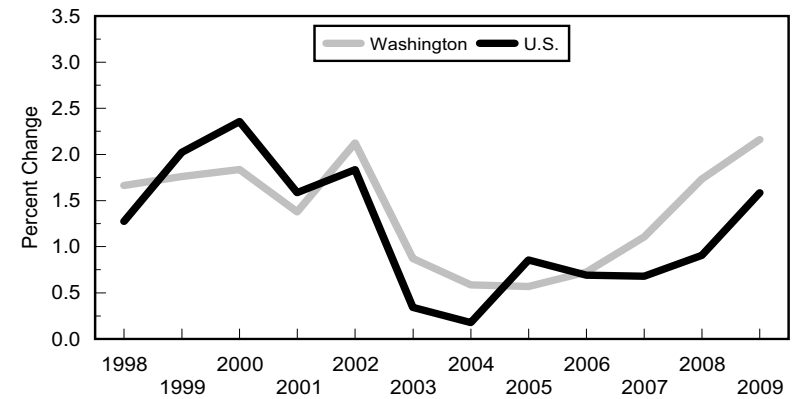


Chart 1.8
Government Employment



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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

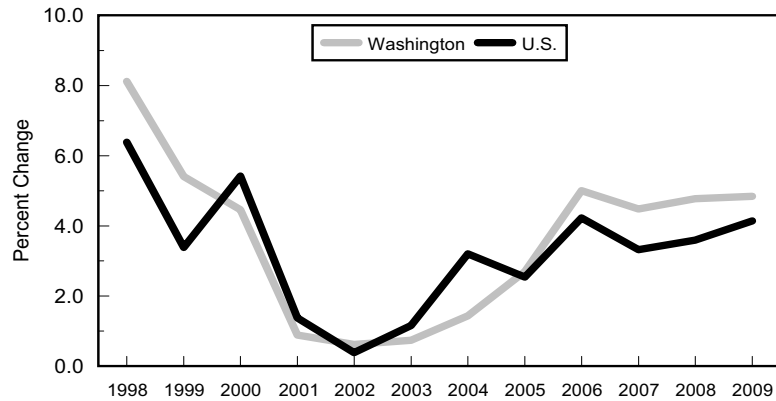


Chart 1.10
Consumer Price Indices

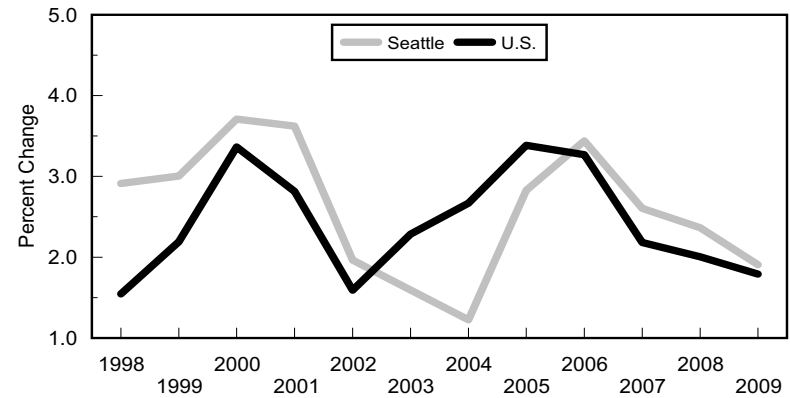


Chart 1.11
Population

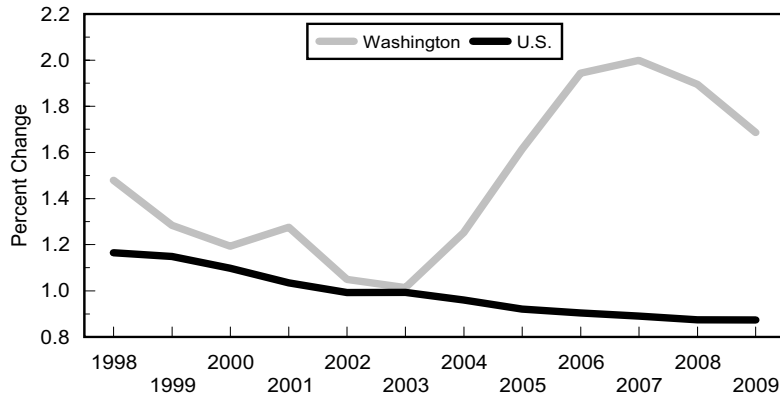
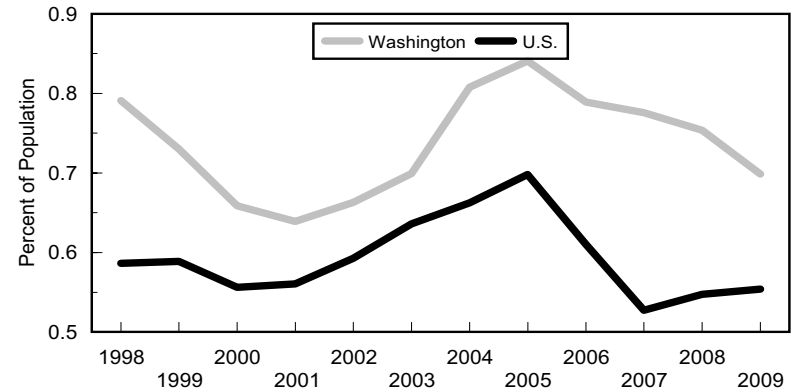


Chart 1.12
Per Capita Housing Units



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

Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

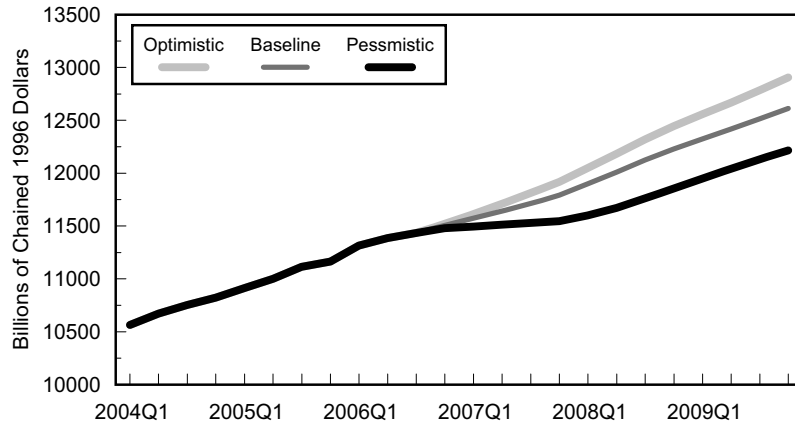


Chart 1.14
Implicit Price Deflator

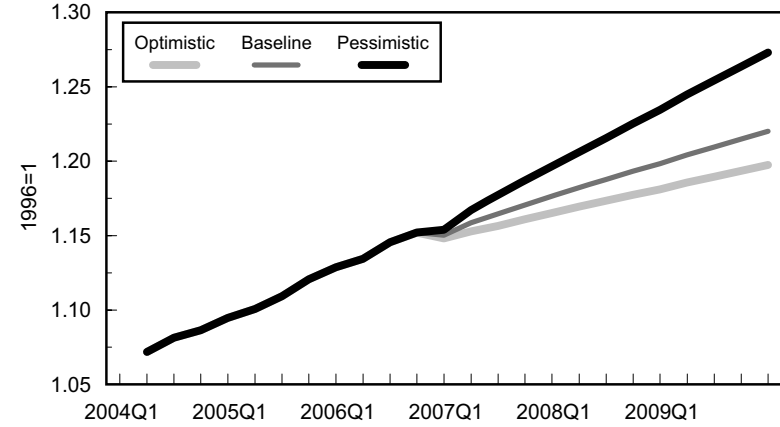


Chart 1.15
Mortgage Rate

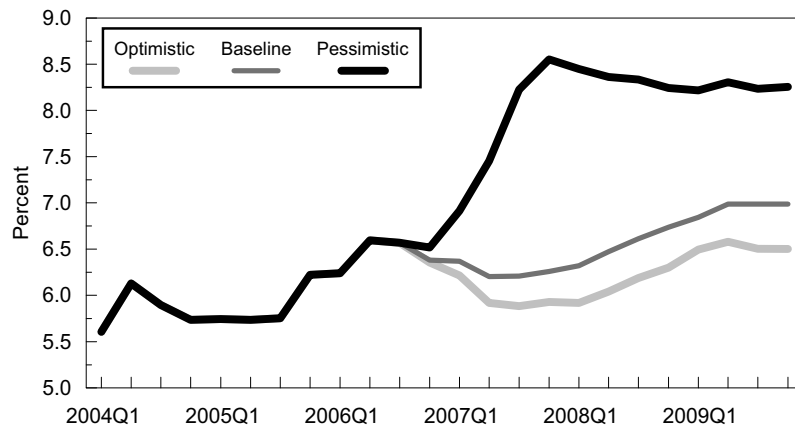
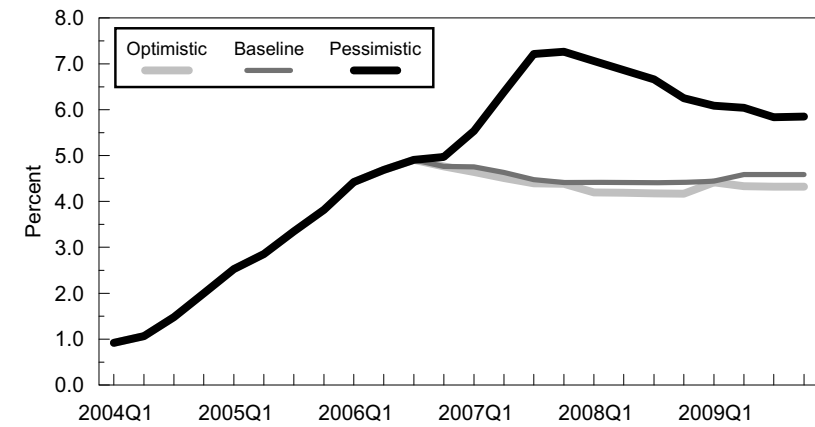


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

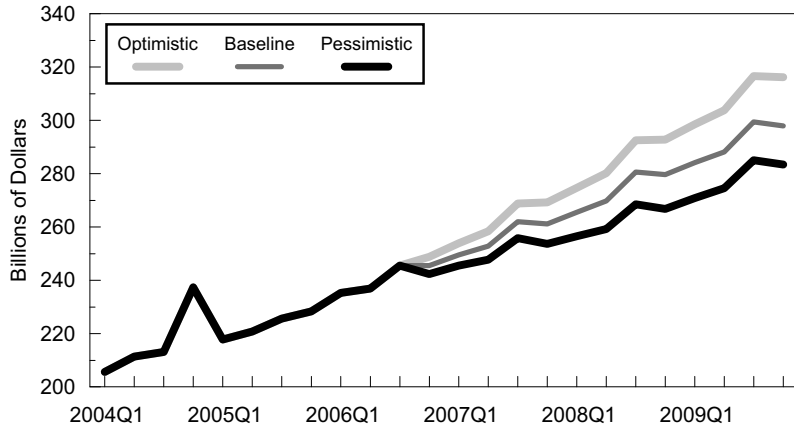


Chart 1.18
Real Personal Income

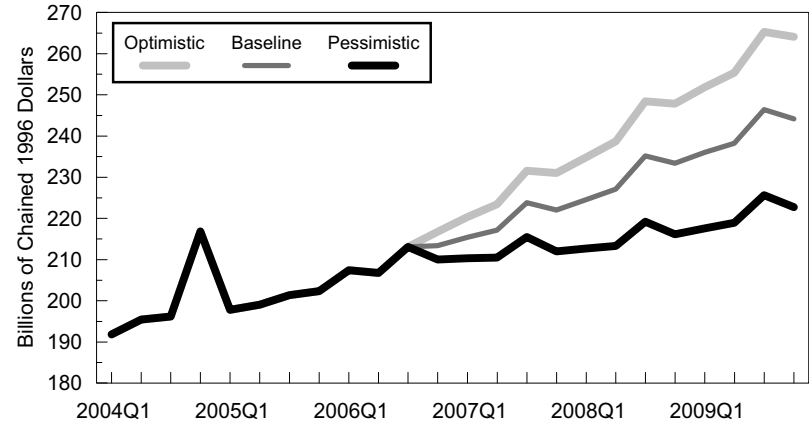


Chart 1.19
Total Nonfarm Payroll Employment

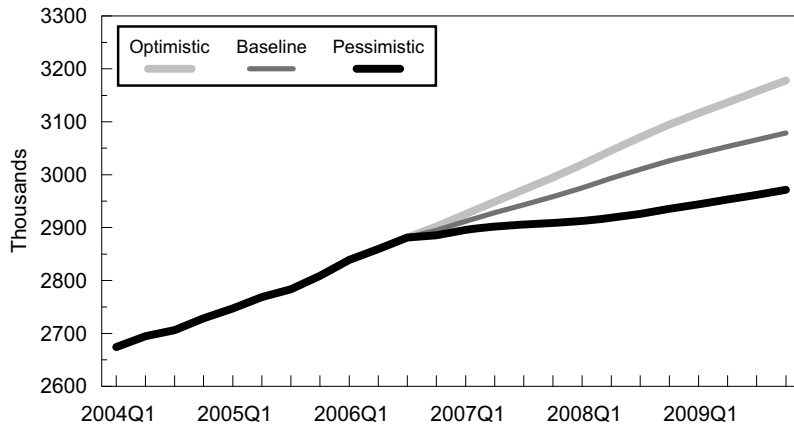
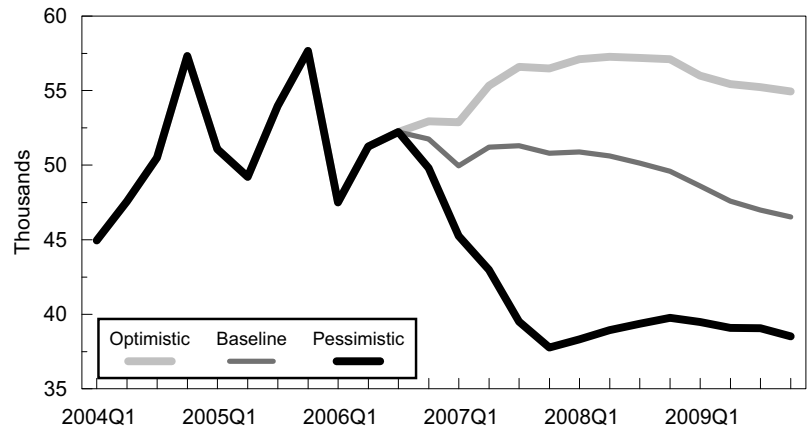


Chart 1.20
Housing Permits



Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a weak 2.2* percent annual rate in the third quarter of 2006, down from an already slow rate of 2.6 percent in the second quarter. The largest contributor to third quarter growth was real consumer spending, which grew at an annual rate of 2.9 percent after growing at 2.6 percent in the second quarter. The increased growth in real consumer spending was led by an increase in durable goods consumption, which grew at a 6.0 percent rate after shrinking at a rate of 0.1 percent in the second quarter. Nondurable goods consumption growth slowed slightly to a rate of 1.1 percent, down from a rate of 1.4 percent in the second quarter, as did services consumption, which grew at a 3.1 percent rate after growing at 3.7 percent in the second quarter. Real gross private domestic investment was flat in the third quarter, growing 0.0 percent after growing at 1.0 percent in the previous quarter. Real fixed investment shrank during the quarter at a rate of 0.9 percent due to a decline in residential fixed investment, which receded at an 18.0 percent rate. Real fixed investment had also declined at a 1.6 percent rate in the second quarter due to an 11.1 percent decline in residential fixed investment. Growth in non-residential fixed investment, however, accelerated in the third quarter, increasing at a rate of 10.0 percent after growing at a 4.4 percent rate in the previous quarter. Government spending growth increased in the third quarter, growing at a rate of 2.2 percent after growing at a rate of 0.8 percent in the second quarter. While real exports increased at a rate of 6.2 percent versus a rate of 5.3 percent for imports, net exports still detracted from third quarter GDP growth due to the larger dollar value of imports.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased to 51.2 in October from its September value of 52.9. Index values above 50 indicate that manufacturing sector output is still increasing. The employment component of the index increased to 50.8 from September's value of 49.4, rising above the critical value of 50, indicating that more of the manufacturers surveyed had been increasing employment than decreasing it during that period.

U.S. seasonally-adjusted payroll employment grew by 92,000 jobs in October after growth of 148,000 jobs in September. Year-over-year employment growth was 1.5 percent in October and 1.4 percent in September. The U.S. seasonally-adjusted unemployment rate decreased to 4.4 percent in October from September's value of 4.6 percent.

Productivity was unchanged in the third quarter of 2006, showing 0.0 percent growth after growing at an already slow 1.6 percent annual rate in the previous quarter. The seasonally adjusted Consumer Price Index (CPI) decreased by 0.5 percent in both October and September due to falling energy prices. Year-

over-year CPI growth slowed to 1.3 percent in October from September's value of 2.1 percent. The seasonally-adjusted index excluding food and energy increased at a monthly rate of 0.1 percent in October and 0.2 percent in September, resulting in year-over-year growth rates of 2.8 and 2.9 percent respectively.

The Conference Board's Index of Consumer Confidence decreased to 102.9 in November from October's value of 105.1 and the University of Michigan Consumer Sentiment Survey decreased to a value of 92.1 from October's value of 93.6. Both the expectations and present conditions components of each index declined. The Conference Board's U.S. Index of Leading Indicators increased 0.2 percent in October and 0.4 percent in September after declining in the two previous months. Six of the ten index components were positive in October.

The Federal Open Market Committee (FOMC) voted to hold its target rate for federal funds constant at 5.25 percent at its October 25, 2006 meeting. This was the FOMC's third decision to leave the rate unchanged since its meeting of August 8. For the second meeting in a row, the decision was not unanimous. While the Committee's statement noted that "inflation pressures seem likely to moderate over time," it did not rule out future rate increases, stating "some inflation risks remain."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, was unchanged at 172 in October, a year-over-year increase of 20.3 percent. This followed a 22.9 percent year-over-year increase in September. Seasonally adjusted, the index increased by 0.8 percent in October and 1.2 percent in September. The Conference Board's October Help Wanted Index, which measures newspaper employment advertising, increased one point to a value of 30 but was down 21.1 percent from October of last year.

The State Economy and Indicators

Washington wage and salary employment rose at a 3.1 percent annual rate in the third quarter of 2006, following a growth rate of 2.9 percent in the second quarter. Construction employment showed continuing strength in the third quarter, increasing at a 6.7 percent annual rate after increasing at a 6.9 percent rate in the second quarter. Manufacturing employment increased at an annual rate of 5.7 percent in the third quarter, up sharply from a rate of 1.8 percent in the second quarter. Durable goods manufacturing employment increased at a 5.9 percent rate, aided by the 8.1 percent growth rate of aerospace employment. Nondurable goods manufacturing employment rebounded in the third quarter, growing at a rate of 5.2 percent after declining at a 3.0 percent rate in the previous quarter.

Washington's seasonally adjusted unemployment rate dropped by 0.5 percent in October to a rate of 4.8 percent. October's Seattle Times Index of Help-Wanted Advertising also improved, increasing to 43.7 from September's level of 42.3. Washington seasonally adjusted initial claims for unemployment insurance declined to 31,800 from September's count of 33,900, the lowest total since October 1979 and the lowest value as a percent of the workforce in the history of the series.

October year-over-year growth in the Seattle CPI decreased to 3.2 percent from August's value of 4.9 percent. October's index excluding food and energy declined slightly to 4.2 percent after a 4.4 percent year-over-year increase in August. Washington's seasonally adjusted average weekly hours in manufacturing increased to 40.7 in October from September's value of 40.6. The non-seasonally adjusted Washington Purchasing Management Index increased in October to a value of 68.9 from September's value of 62.8. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index increased to 69.2 from September's value of 65.4.

The Boom Monitor Composite Index increased in October to a value of 58.3 from September's value of 57.3. Boom Monitor levels above 50 indicate that the weighted average growth of the index's compo-

nents is above its historic trend. The Washington Index of Leading Indicators increased by 0.5 points in October following a 0.7 point increase in September. Five of the seven index components were positive.

Authorized housing permits decreased to an annualized level of 42,970 units in October from September's level of 49,610 units. Single-family permits increased from 31,190 in September to 32,530 in October while multi-family permits (which are very volatile month-to-month) declined from 18,420 to 10,440.

Third quarter exports of goods originating in Washington totaled \$12.8 billion, a record high and a 35.1 percent increase over the same quarter last year. Transportation equipment exports of \$8.0 billion were 53.0 percent above the exports of the third quarter of 2005, due largely to the effects of the September 2005 Boeing strike. Exports excluding transportation equipment were at a near-record high of \$4.8 billion, an increase of 13.2 percent over the third quarter of last year.

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

** This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimates for the third quarter of 2006 released November 29, 2006). The November economic forecast is based upon the October Global Insight forecast, which was completed prior to the release of any third quarter GDP estimates by the BEA.*

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 2006	+
U.S. Real GDP Growth	3rd quarter 2006	+ but slowing
U.S. ISM Index	October 2006	+ but slowing
U.S. Employment y-o-y %ch	October 2006	+
U.S. Unemployment Rate	October 2006	+
U.S. Help Wanted Index	October 2006	+
U.S. Fed Funds Target	October 25, 2006	neutral
U.S. Consumer Confidence	November 2006	-
U.S. CPI	October 2006	+
U.S. Monster Employment Index	October 2006	+
S&P 500 Index	Week of November 25, 2006	+
WA Leading Index	October 2006	+
WA ISM Index	October 2006	+
WA Help Wanted Index	October 2006	+
WA Employment y-o-y %ch	October 2006	+
WA Aerospace Empl. Growth	October 2006	+
WA Unemployment Rate	October 2006	+
WA Boom Monitor	October 2006	+
WA Initial Unemploy. Claims	October 2006	+
WA Housing Permits	October 2006	-
WA Weekly Hours in Mfg.	October 2006	+
WA New Car/Truck Registration	October 2006	-
WA Migration (DOL data)	October 2006	+
WA Exports-Total	3rd quarter 2006	+
WA Exports- w/o Trans. Equip.	3rd quarter 2006	+
Seattle CPI	October 2006	+
NW Regional Stock Index	Week of November 25, 2006	+

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

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
January 1980 to October 2006

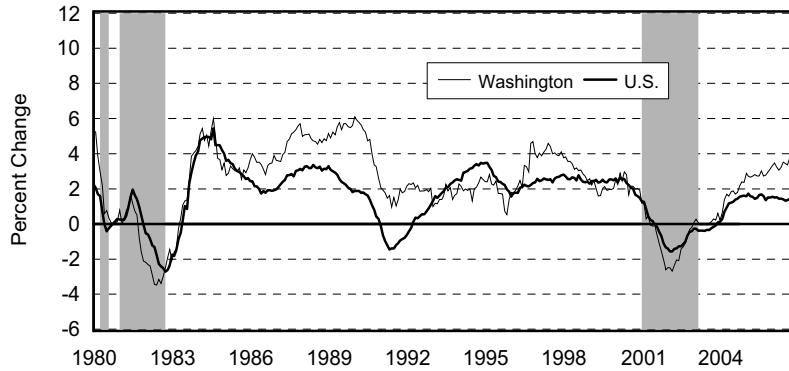


Chart 2.2
Washington Aircraft and Parts Employment
January 1958 to October 2006

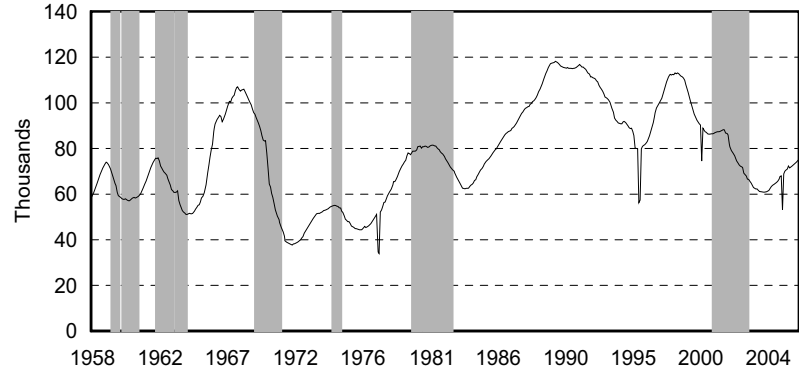


Chart 2.3
Unemployment Rate, S.A.
January 1980 to October 2006

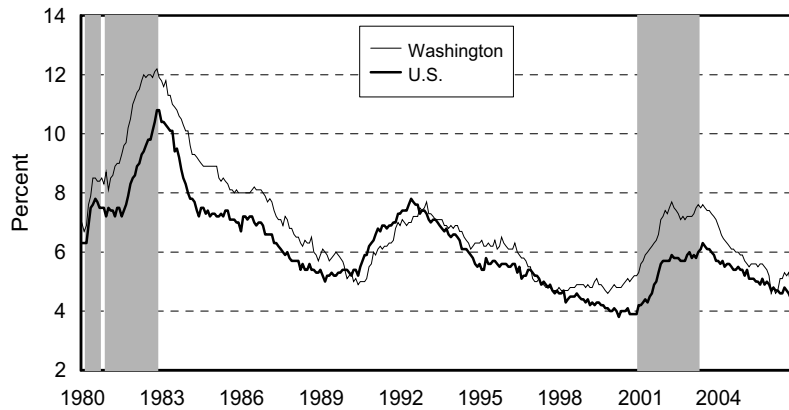
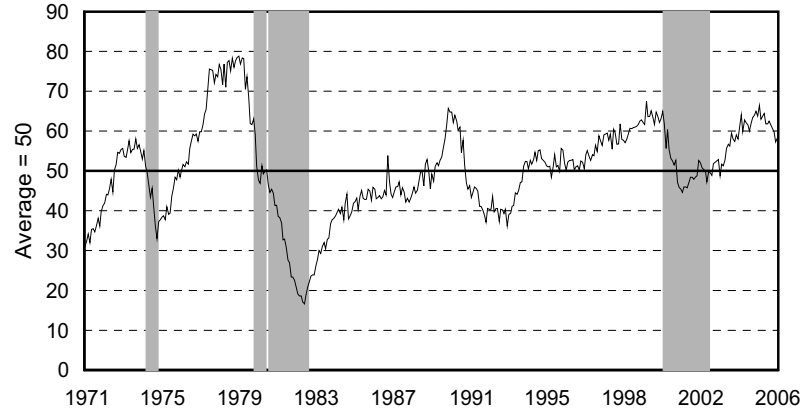


Chart 2.4
Washington Boom Monitor Composite Index
July 1971 to October 2006



* 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 2006

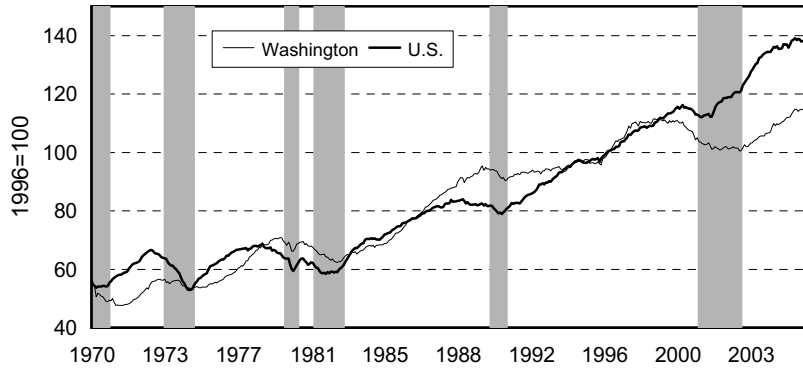


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to October 2006

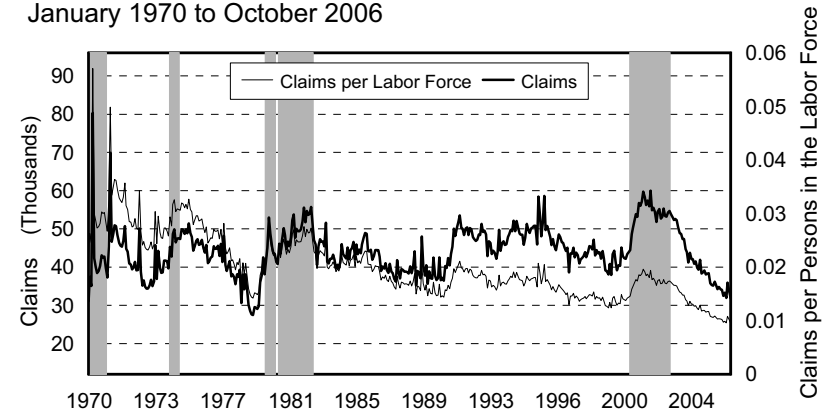


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to October 2006

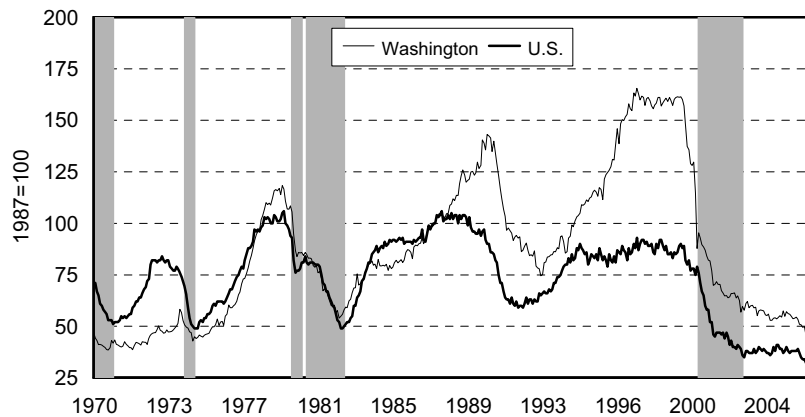
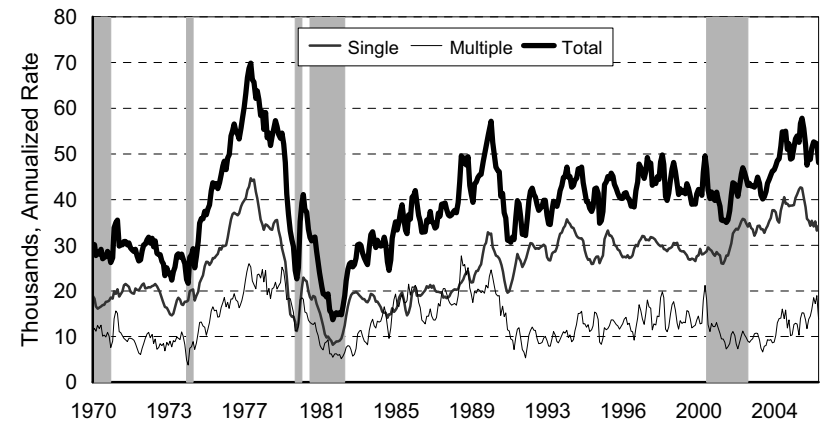


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to October 2006, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
 Jan. 1970 to October 2006, 3-Mo. Moving Average, SA

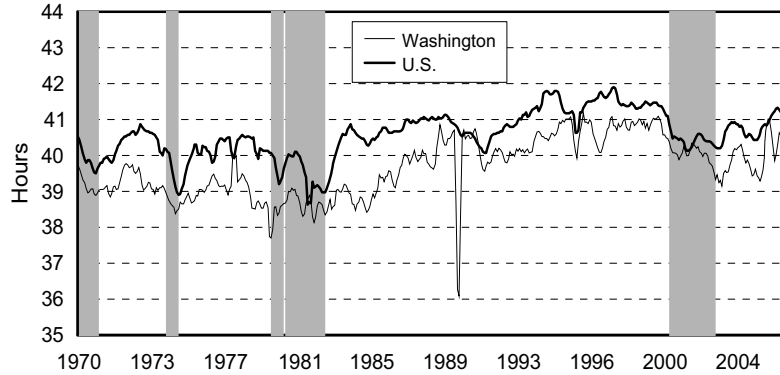


Chart 2.10
Washington Driver's License Migration
 September 1983 to October 2006 12-Month Moving Average

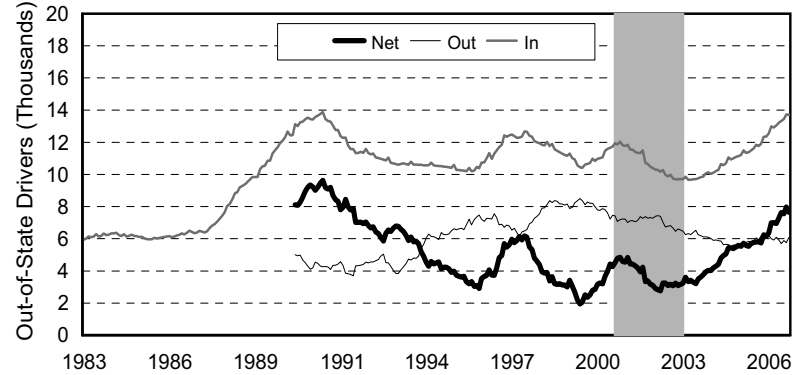


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to October 2006, 6-Month Moving Average

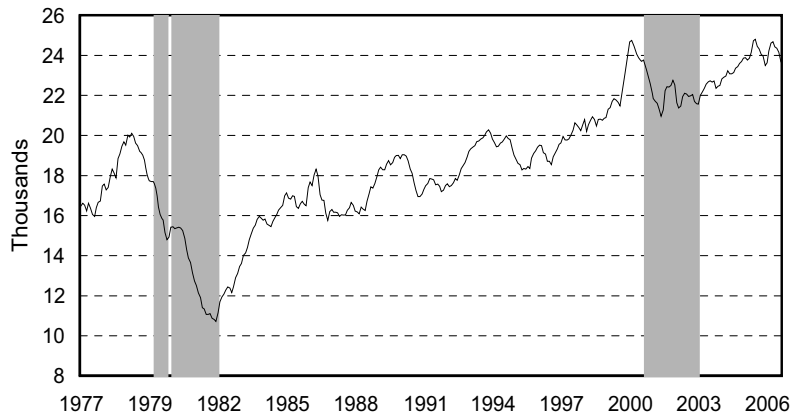
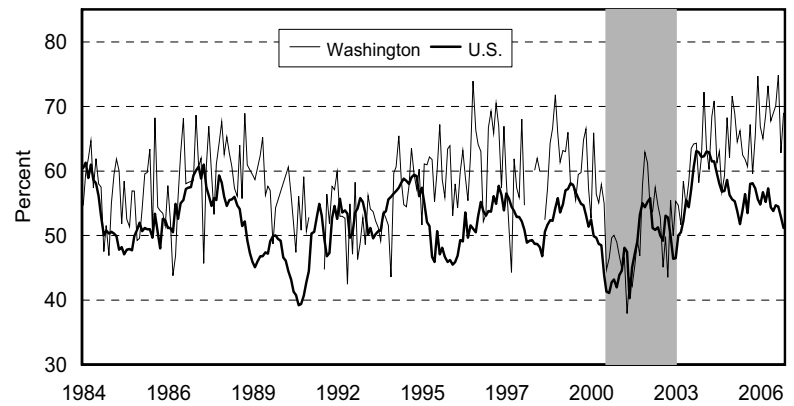


Chart 2.12
Institute for Supply Management Index
 January 1984 to October 2006



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2006 Q3

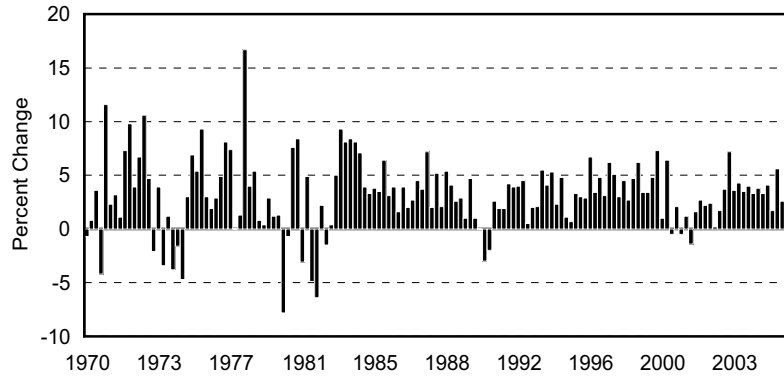


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2006Q3

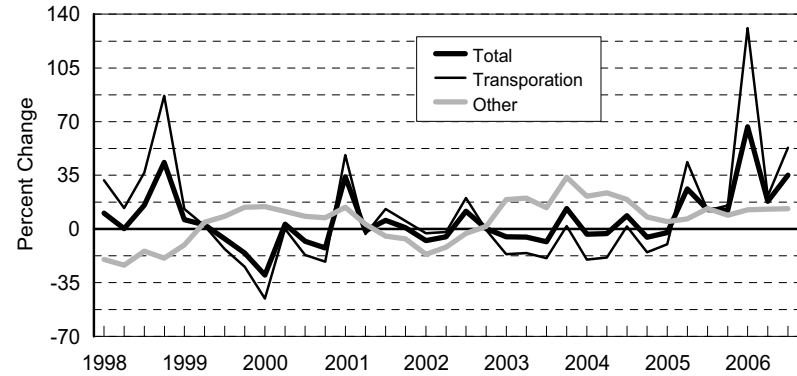


Chart 2.15
U.S. Economic Indicators*
 January 1970 to October 2006

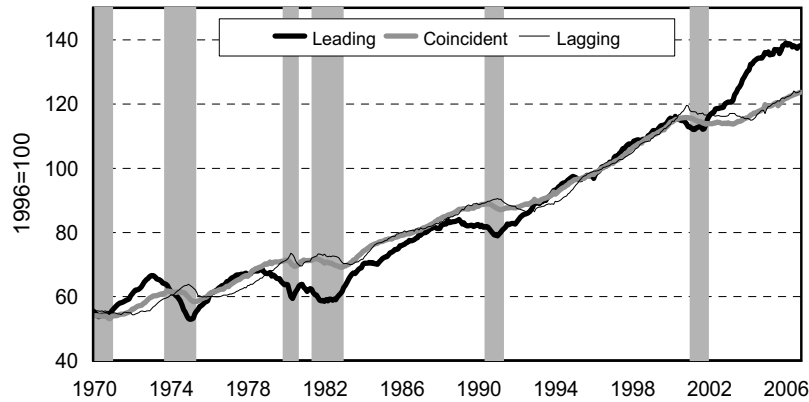
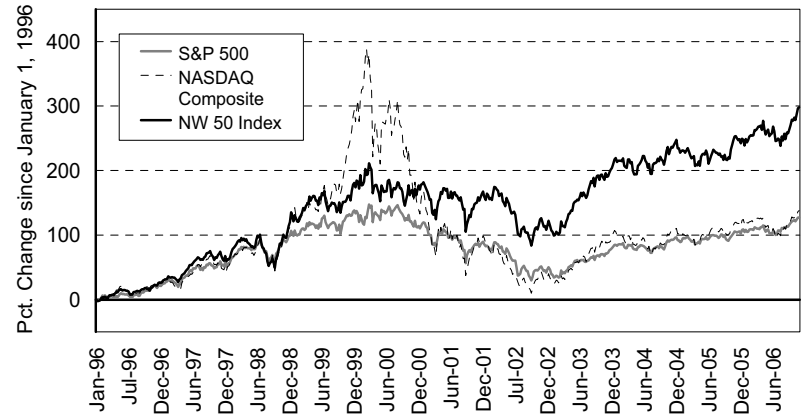


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
 January 1, 1996 to November 24, 2006



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

Other Economic Indicators

Chart 2.17
Federal Funds Target Rate
 October 1, 1990 to November 30, 2006

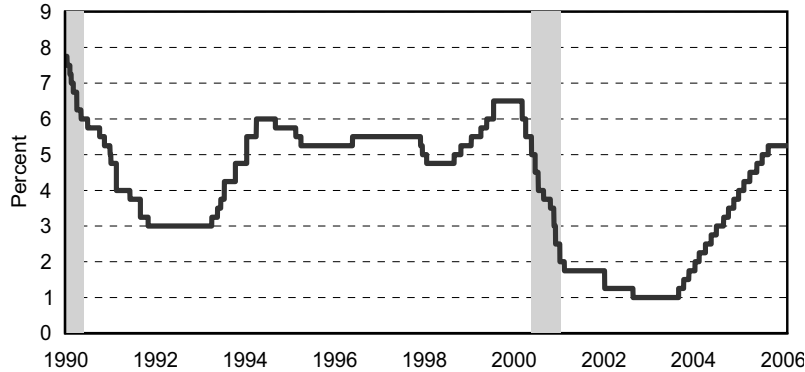


Chart 2.18
Consumer Confidence
 January 1978 to November 2006

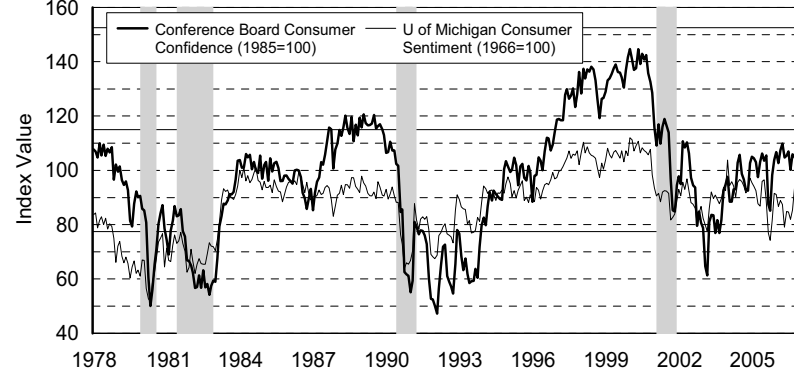


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to October 2006

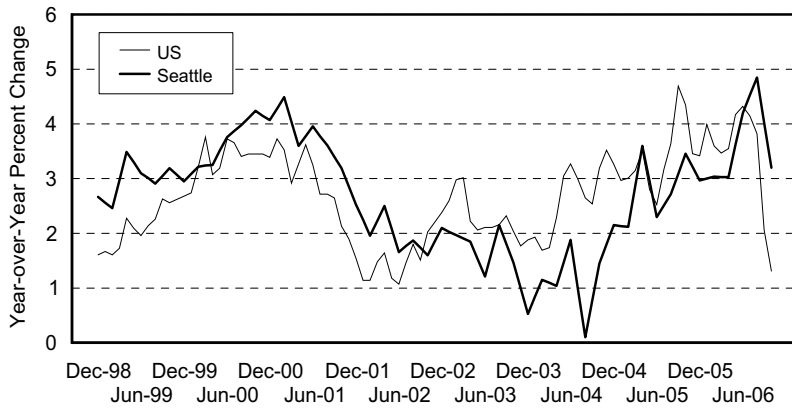
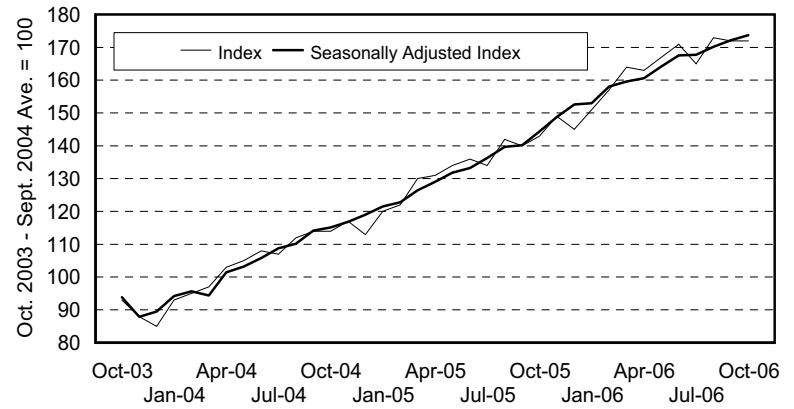


Chart 2.20
Monster Employment Index
 October 2003 to October 2006



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

Table 2.2
Washington Business Indicators
 Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
2004:10	107.0	134.4	53	37	56.7	56.8
2004:11	108.8	135.2	54	40	59.3	56.9
2004:12	109.9	136.1	54	38	68.3	58.6
2005:1	109.2	135.8	54	41	62.1	56.3
2005:2	109.9	136.3	54	41	71.6	55.6
2005:3	109.6	135.4	55	39	68.9	55.3
2005:4	109.9	135.5	54	39	64.5	53.8
2005:5	110.4	135.6	57	37	66.3	51.8
2005:6	110.7	137.1	55	38	62.5	54.0
2005:7	111.3	136.9	57	40	61.8	56.4
2005:8	111.9	137.0	56	38	60.7	53.5
2005:9	112.0	135.8	56	37	67.2	58.0
2005:10	112.2	136.9	55	38	59.6	58.1
2005:11	113.2	138.2	54	38	65.4	57.3
2005:12	114.1	138.5	54	38	74.7	55.6
2006:1	114.8	139.1	54	38	66.9	54.8
2006:2	114.7	138.4	53	39	65.0	56.7
2006:3	114.1	138.9	51	37	68.8	55.2
2006:4	114.6	138.6	51	35	73.2	57.3
2006:5	114.7	137.9	49	34	67.7	54.4
2006:6	114.8	138.2	50	34	68.9	53.8
2006:7	115.3	137.8	45	32	70.1	54.7
2006:8	114.1	137.4	43	30	74.8	54.5
2006:9	114.8	138.0	42	29	62.8	52.9
2006:10	115.3	138.3	44	30	68.9	51.2

Washington State Revenue Forecast Summary

Introduction

The Washington State Economic and Revenue Forecast Council approved a \$56.6 million increase to the General Fund-State (GFS) revenue forecast at its November 16, 2006 meeting. The change was comprised of a \$49.0 million upward revision to the forecast for the 2005-07 biennium and an additional \$7.6 million for the 2007-09 budget period. The change to the forecast in November was small and includes \$21.0 million more than expected tax payments in the two months since the last forecast. Although the state is expected to receive more revenue than it expected just two months ago, the forecast continues to expect economic activity and revenue growth to slow in the coming months as housing activity weakens and consumer spending moderates.

The November 2006 GFS forecast for the 2005-07 biennium, which spans the period from July 2005 through June 2007, is \$27,365.8 million. GFS revenue in the 2005-07 budget period is projected to be \$4.0 billion (17.0 percent) higher than in the 2003-05 biennium. Adjusting for tax law changes and other factors affecting the comparability between biennia, GFS revenue is expected to increase 18.0 percent in the 2005-07 biennium, the strongest growth since the 1989-91 biennium. The GFS unrestricted ending balance is now projected to total \$1,142.4 million at the end of the 2005-07 biennium, 4.2 percent of the 2005-07 spending level.

The November 2006 GFS revenue forecast for the 2007-09 budget period is \$29,533.3 million. This is \$2.2 billion, 7.9 percent higher than the forecast for the current biennium.

	<u>2005-07 Biennium</u>	<u>2007-09 Biennium</u>	<u>Both Biennia</u>
Non-economic change	\$0.0	\$0.0	\$0.0
Forecast Change	<u>\$49.0</u>	<u>\$7.6</u>	<u>\$56.6</u>
Total Change*	\$49.0	\$7.6	\$56.6

*Detail may not add to totals due to rounding.

Background and Assumptions

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

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the November 2006 baseline forecast for the 2007-09 biennium, is shown in Table 3.2.

November 2006 Forecast Assumptions

1. The November 2006 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on the Global Insight, Inc. October 2006 baseline forecast for the U.S. economy.
2. The GFS revenue forecast is based on current law and administrative practices. The revenue impact of tax law changes enacted during the 2006 legislative session and signed into law by the Governor was incorporated in the June 2006 forecast.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, most lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a multi-state lottery game. Proceeds from this new game go the General Fund after the first \$102

million per year of uncommitted lottery earnings are transferred to the Student Achievement Account. Part II of Table 3.19 summarizes lottery distributions by fund.

4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. The two most visible cases are a ruling by a judge in Snohomish County last spring invalidating some of the tax increases enacted during the 2005 legislative session and the King County Superior Court ruling in June 2006 invalidating Initiative 747. Both of these rulings are on appeal. Any impact of legal challenge affecting GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting GFS receipts for the last few biennia as well as the forecast for the 2005-07 biennium. As of November 2006, new tax law changes and other non-economic factors have reduced GFS revenue for the 2005-07 biennium by an estimated \$474 million. In addition, legislation has reduced the GFS for the 2007-09 biennium by \$111.9 million.
6. Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, has had a disproportional impact on GFS revenue over time. The I-728 property tax transfers grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium. They are expected to grow to \$491.8 million in the 2005-07 biennium and to \$503.3 million in the 2007-09 biennium. (See part I of Table 3.19.)

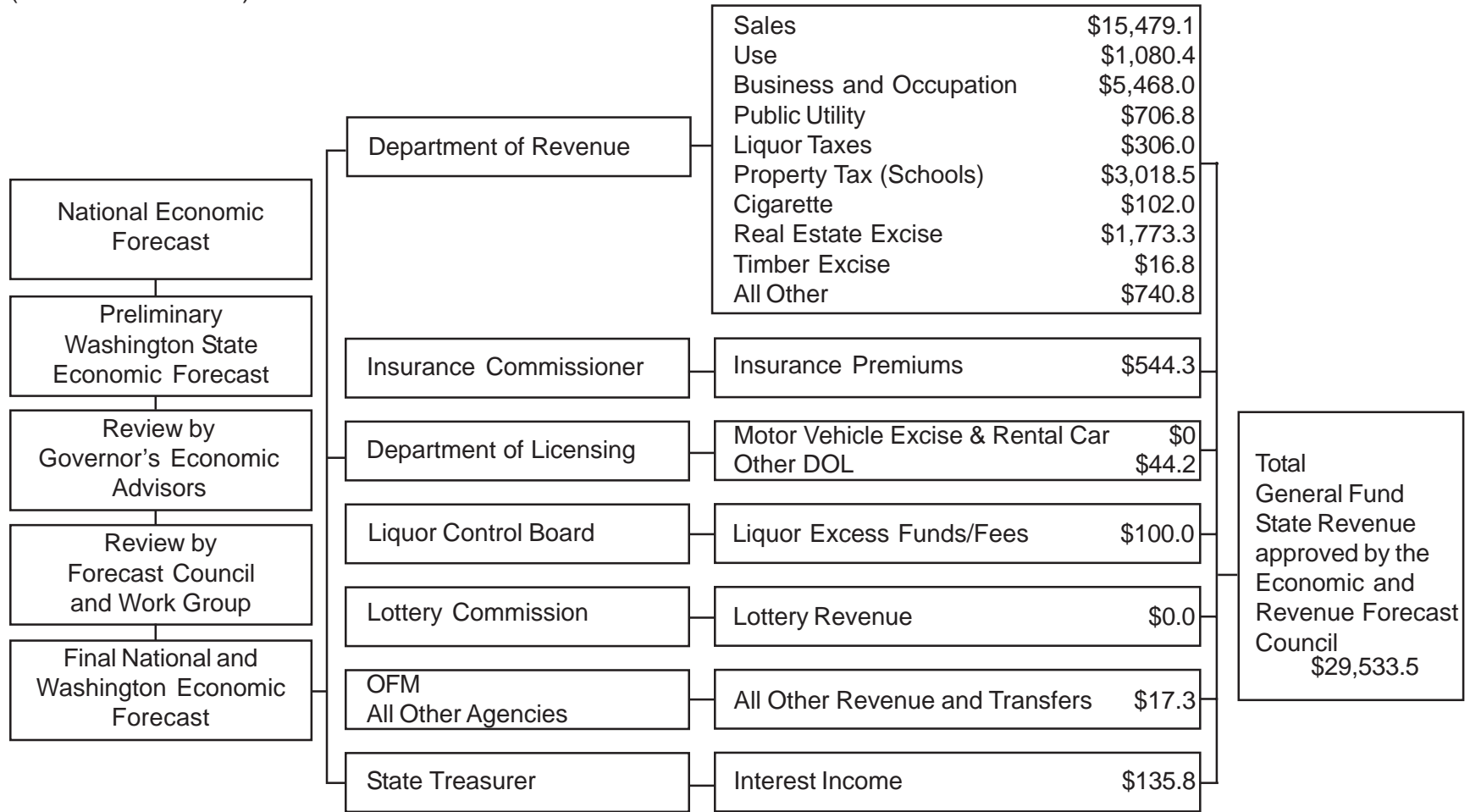
Recent Collection Experience

Revenue collected in the two months since the September forecast was \$21.0 million, 1.0 percent, more than expected. This included \$5.8 million due to special factors (unusually large audit payments) which are unrelated to the strength of the economy. Excluding special factors, collections were \$15.2 million, 0.7 percent, higher than expected. The positive revenue variance since the last forecast is primarily from higher than expected Revenue Act (retail sales, business and occupation, use and public utility tax) receipts and real estate excise tax collections. Revenue Act tax payments exceeded the September forecast by \$23.1 million (1.2 percent), excluding special factors, and the GFS share of real estate excise tax collections was \$3.0 million (1.9 percent) more than expected. Other GFS taxes and transfers, primarily property tax payments and unclaimed property transfers, were \$11.2 million less than expected.

Revenue growth continues to remain strong despite some signs of slower economic growth. Revenue Act taxes were 9.4 percent above the year-ago level in the two months since the September 2006 forecast (August and September 2006 business activity). This increase was about the same as for the third quarter of 2006 as a whole (8.9 percent) but a little slower than growth in the second quarter (10.8 percent) and first quarter of 2006 (12.0 percent). Consumer and business spending continue to outpace employment and income growth as well as the growth of retail sales nationally. Revenue from Washington's major excise taxes has increased faster than income for the last thirteen quarters. The November forecast continues to assume that this pace is unsustainable and that revenue growth will moderate. There has been little evidence of slowing in the first fifteen months of the biennium. For the biennium to-date, Revenue Act receipts have increased at a double rate ten of fifteen months, and seven of the last ten months.

Industry detail for the most recent month (September 2006 activity, reflecting excise tax payments of taxpayers who filed electronically in the October 11- November 10, 2006 period) indicates tax payments are moderate to strong in all retail trade sectors as well as several non-retail trade sectors. Tax payments of businesses in the retail trade and food services sector were up 8.8 percent from the year-ago level. This follows increases of 8.5 percent last month and 5.1 percent two months ago. Tax payments reported by

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



* Cash Basis

auto dealers, the largest retailing category, were 7.4 percent above the year-ago level. For the month, two of twelve three-digit retail NACIS sectors reported double-digit gains with the strongest growth reported by general merchandise retailers (+19.3 percent) and apparel and accessories retailers (+10.1 percent). No retail trade category reported tax payments below the year-ago level. Tax payments from non-retailing sectors as a whole increased 7.7 percent in the most recent month. The prior month non-retailers reported a 12.7 percent increase. Most major non-retail trade sectors reported moderate to strong increases in tax payments. Big gains were reported by the construction sector, (+17.9 percent), the finance and insurance sector (+14.2 percent), and the utilities sector (+11.0 percent). The only major (2-digit NAICS) sector reporting a decline in tax payments this month was the professional, scientific and technical services sector (-4.9 percent).

Real estate activity appears to be slowing but not quite as fast as assumed in the September forecast. After hitting an all-time high in the first quarter of 2006, seasonally adjusted taxable real estate activity declined in the second quarter, falling at an annualized rate of 25.2 percent. This is the first quarterly decline since the fourth quarter of 2003. Activity continued to decline in the third quarter, but the pace of deceleration moderated to -1.0 percent. Taxable activity (based on closings) increased 3.9 percent from the year-ago level in July, 0.9 percent in August but fell 9.9 percent in September. However, preliminary information shows a 6.6 percent increase in October, the strongest increase since June. The volume of activity has remained weak. The number of real estate transactions has declined on a year-over-year basis for eleven straight months and was 13.8 percent below the year-ago level in the third quarter of 2006. The average value-per-transaction, however, is still strong, increasing 14.1 percent on a year-over-year basis in the third quarter of 2006 and has averaged 18.2 percent higher than a year-ago for the calendar year-to-date.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$246,000 (33.7 percent) above the estimate in the two months since the September forecast.

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
 Sept. 11 - Nov. 10, 2006
 Based on the September 2006 Forecast (Millions of Dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Adjusted</u>		
		<u>Percent of Estimate</u>	<u>Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act ¹	\$28.9	1.5%	\$23.1	1.2%
Non Revenue Act ²	(\$8.2)	-3.2%	(\$8.2)	-3.2%
Subtotal	<u>\$20.7</u>	<u>1.0%</u>	<u>\$14.9</u>	<u>0.7%</u>
Department of Licensing ²	\$0.2	33.7%	\$0.2	33.7%
Other	na	na	na	na
Total***	\$21.0	1.0%	\$15.2	0.7%

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

² Variance based on September and October 2006 collections. Major Non-Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.

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

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

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

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

The forecast has underestimated the strength of the economy, especially housing, and has significantly underestimated revenue growth for most of the 2005-07 biennium. During this period, GFS Revenue has grown well above trend and much faster than personal income. Revenue from major excise taxes increased 10.6 percent in fiscal 2006, the first year of the current biennium, and has averaged 8.9 percent above year-ago levels in the first three months of fiscal 2007. The November 2006 forecast continues to assume that revenue growth will slow in the remainder of the biennium primarily due to a much weaker housing market. So far there is little evidence of weaker consumer and business spending. The strong housing market, however, has finally begun to weaken which should slow consumer and business spending in the months ahead. Despite the outlook for slower growth going forward, economic fundamentals remain healthy and revenue growth for the current budget period is still on track to be the best in sixteen years. The forecast expects real personal income in Washington to increase 7.3 percent in the 2005-07 biennium, up from 2.7 percent in the 2003-05 period. Employment growth is also expected to improve significantly, increasing 5.8 percent compared to 1.7 percent in the 2003-05 budget period. The strong economy and spending will produce the strongest biennial increase in GFS revenue since the 1989-91 budget period. The November forecast expects GFS collections to total \$27,365.8 million in the 2005-07 biennium. This is \$4.0 billion (17.0 percent) more than in the 2003-05 biennium. Adjusting for tax law changes and other non-economic factors, revenue is expected to increase 18.0 percent.

The November 2006 forecast for the 2007-09 biennium is very similar to the September 2006 outlook. It expects the economy and revenue to continue to grow during the next budget period, though at a slightly slower pace. Employment growth is expected to moderate slightly next biennium, growing 4.8 percent, after increasing 5.8 percent in the 2005-07 budget period. Housing next biennium is expected to weaken even more. Building permits are expected to fall 3.8 percent in the 2007-09 biennium after increasing 7.7 percent in the 2005-07 period. State personal income is expected to increase 14.1 percent next biennium, a slight improvement from the 13.3 percent increase expected during the current biennium. The pace of consumer and business spending is expected to moderate in the 2007-09 budget period due to the weakness in the housing sector and decelerating employment growth. Interest rates are expected to be higher and the added stimulus to spending from home equity cash-outs will no longer be present. After a prolonged period where spending exceeded the growth in income, the spending relative to income relationship in the 2007-09 period is expected to dip below the long run average next biennium before returning to a more normal level. Slower spending will produce more modest revenue growth in the 2007-09 biennium. GFS revenue is expected to increase 7.9 percent in the 2007-09 biennium, a noticeable deceleration from the 17.0 percent increase expected in the 2005-07 biennium and the 10.6 percent gain in the 2003-05 budget period.

Washington's tax structure is different from most states. Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation, and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These three taxes are expected to account for 83.4 percent of the \$27.4 billion total GFS cash receipts in the 2005-07 biennium. This is down from 84.2 percent in the 2003-05 biennium. These taxes are expected to account for 84.8 percent of GFS revenue in the 2007-09 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 79.7 percent in the 1991-93 biennium and from 75 percent twenty-five years ago. The slight reduction in the General Fund's reliance on these three taxes between the 2003-05 and the 2005-07 biennia is partly due to a surge in real estate excise tax revenue in the current biennium.

The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax receipts are expected to increase 41.9 percent in the 2005-07 biennium compared to 17.0 percent for total GFS revenue. Revenue from the real estate excise tax is expected to account for 6.9 percent of GFS revenue in the 2005-07 biennium, up from 5.7 percent in the 2003-05 biennium and 4.1 percent in the 2001-03 biennium. Next biennium the real estate excise tax is expected to account for 6.0 percent of total GFS revenue.

The retail sales and use tax, the state's largest revenue source, generated \$12.7 billion (54.5 percent) of total GFS revenue in the 2003-05 biennium. Sales and use taxes are expected to produce \$15.1 billion (55.0 percent) of the total in the 2005-07 budget period and \$16.6 billion, 56.1 percent of the total in the 2007-09 budget period. The business and occupation tax totaled \$4.2 billion in the 2003-05 biennium, 18.0 percent of total GFS revenue. This tax is expected to produce \$5.0 billion, 18.2 percent of the total in the 2005-07 biennium and \$5.5 billion, and 18.5 percent, of the total next biennium. The General Fund-State's share of the property tax totaled \$2.7 billion, 11.7 percent of total GFS revenue in the 2003-05 biennium. The property tax is expected to total \$2.8 billion, 10.2 percent of the total in the 2005-07 biennium and \$3.0 billion, 10.2 percent of the total in the 2007-09 biennium. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.19, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$27,811.2 million in the second quarter of 2006, the most recent quarter available. This was 10.6 percent higher than the year-ago level. Taxable sales increased 10.1 percent in the first quarter of 2006 and 9.6 percent in the fourth quarter of 2005. Taxable sales have now increased on a year-over-year basis for sixteen consecutive quarters after having fallen or remaining unchanged for five straight quarters during the last recession. The increase in taxable sales in the second quarter was the strongest since the second quarter of 1990. Taxable sales in the second quarter again grew faster than

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2000 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.1	-4.1%
2003-05	23,388.5	10.6%	21,592.3	5.9%
2005-07 ^F	27,365.8	17.0%	23,913.8	10.8%
2007-09 ^F	29,533.3	7.9%	24,811.0	3.8%

^F: November 2006 Forecast

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

Table 3.5

Taxable Retail Sales*

November 2006

(Millions of Dollars)

Fiscal Year	Amount	Percent Change
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007 ^F	113,731	6.2%
2008 ^F	118,696	4.4%
2009 ^F	125,607	5.8%

^F Forecast.

* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984). Base extended to some personal services effective July 1994. Exemption of manufacturing equipment effective fiscal 1996. Additional sales tax exemptions (including an exemption for R&D equipment effective fiscal 1997. Changes in reporting effective 1997. Additional exemptions effective fiscal 1999, 2000, 2001, 2002 and 2004. Changes to the tax base due to increased compliance efforts effective fy 2003. Fiscal 2005, 2006, 2007, 2008 & 2009 effective by 2004, 2005 & 2006 legislation.

personal income and retail sales nationally. In the second quarter of 2006, U.S. retail sales were 6.6 percent above the year ago level, down from the 8.8 percent year-over-year increase in the first quarter. The November 2006 forecast assumes that taxable sales in Washington remained strong in the third quarter of 2006. Although the third quarter is complete, actual taxable sales data for the quarter are not yet available. The forecast assumes that taxable sales were 9.2 percent higher than the year-ago level in the third quarter of 2006, not quite as strong as in the second quarter but again better than the growth of U.S. retail sales (4.5 percent) and the growth of state personal income (8.8 percent).

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC) basis to the North American Industry Classification System (NAICS) making historical comparisons by sector easier and more meaningful. Taxable sales in the second quarter of 2006 of businesses in the retail trade sector, which accounted for 44.4 percent of all taxable sales in the quarter, were 9.2 percent above the year-ago level. Last quarter taxable sales of firms in the retail trade sector increased 8.8 percent. Within retailing, electronics and appliance stores (+17.5 percent) reported the largest increase. Building materials/garden supply retailers (+13.3 percent) and furniture and home furnishing stores (+10.1 percent) also reported double-digit gains. Other retailing sectors with strong gains in the second quarter of 2006 were: health and personal care stores (+9.7 percent), clothing and accessories retailers (+9.4 percent), gasoline stations (+8.8 percent) and general merchandise stores (+8.0 percent). No major retail sector reported a decline in activity in the second quarter. Taxable sales of auto dealers, the largest retail trade sector, accounting for 11.8 percent of taxable sales in the quarter, were 4.6 percent above the year-ago level. This follows a 3.8 percent increase in the first quarter.

Taxable sales reported by non-retailing sectors were 11.8 percent higher than a year-ago in the second quarter of 2006. This follows an 11.2 percent increase the previous quarter. The year-over-year

Chart 3.1
General Fund-State Revenue

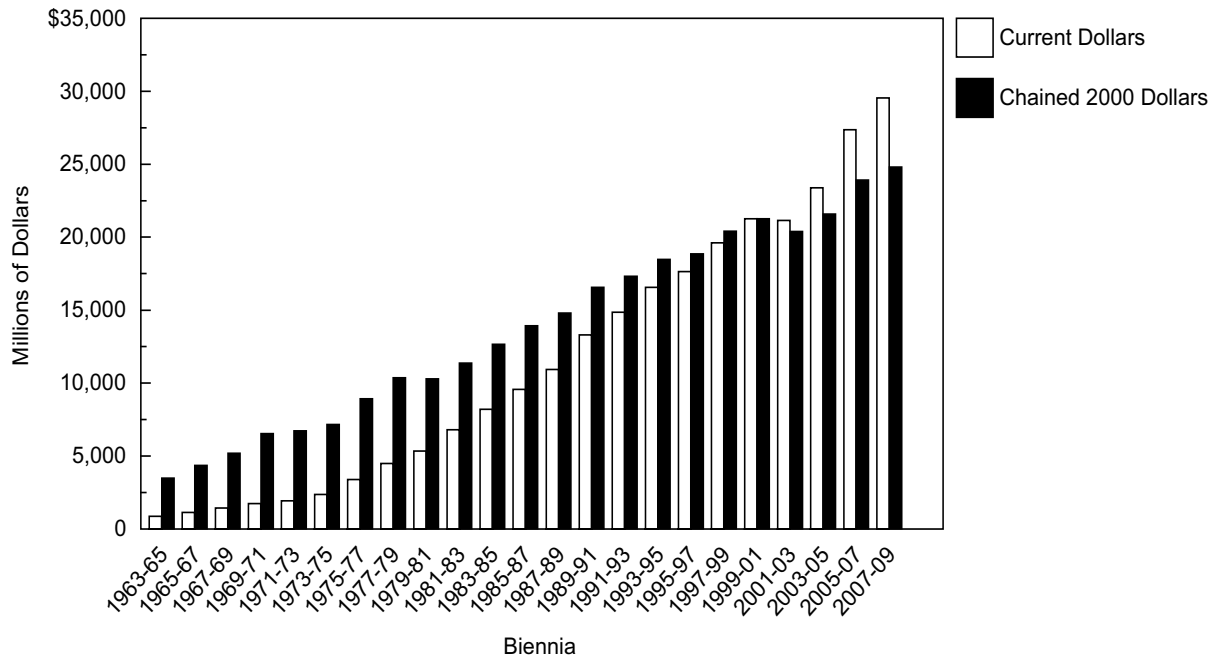


Chart 3.2
General Fund-State Revenue - Percent Change

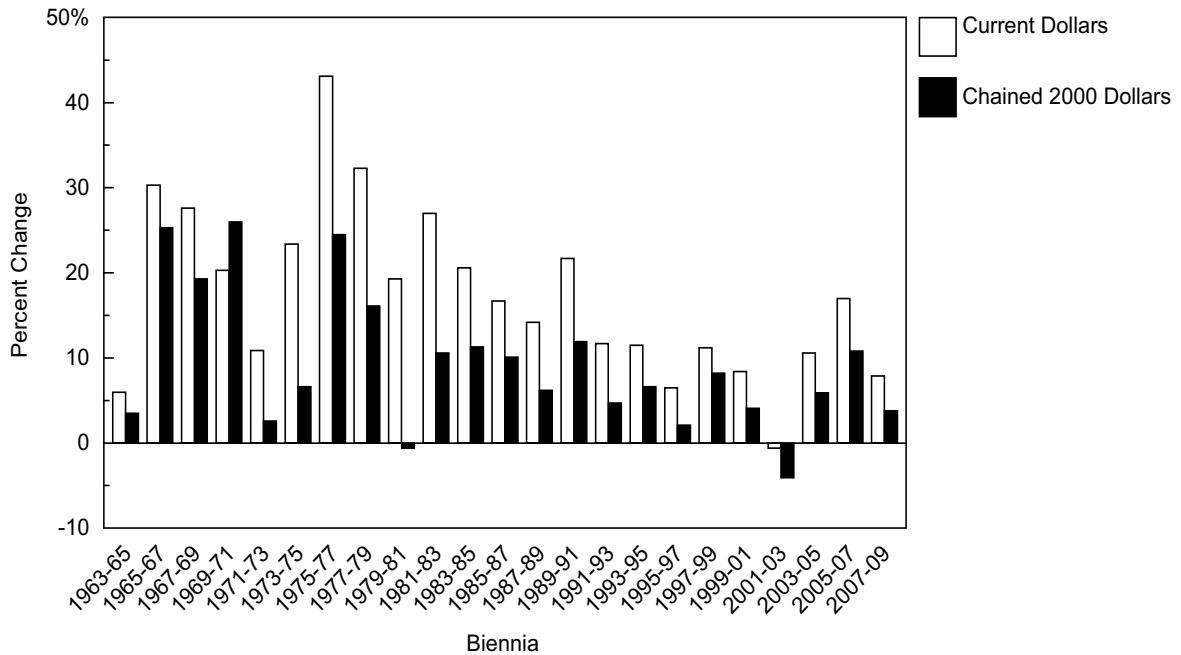


Chart 3.3
Composition of General Fund-State Revenue

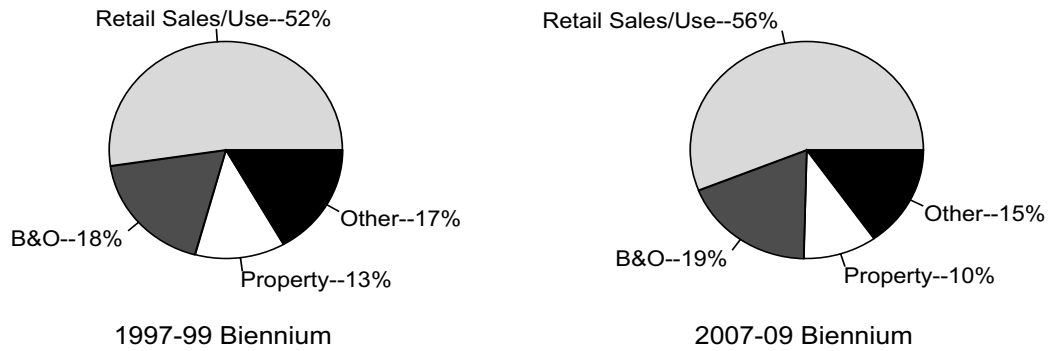
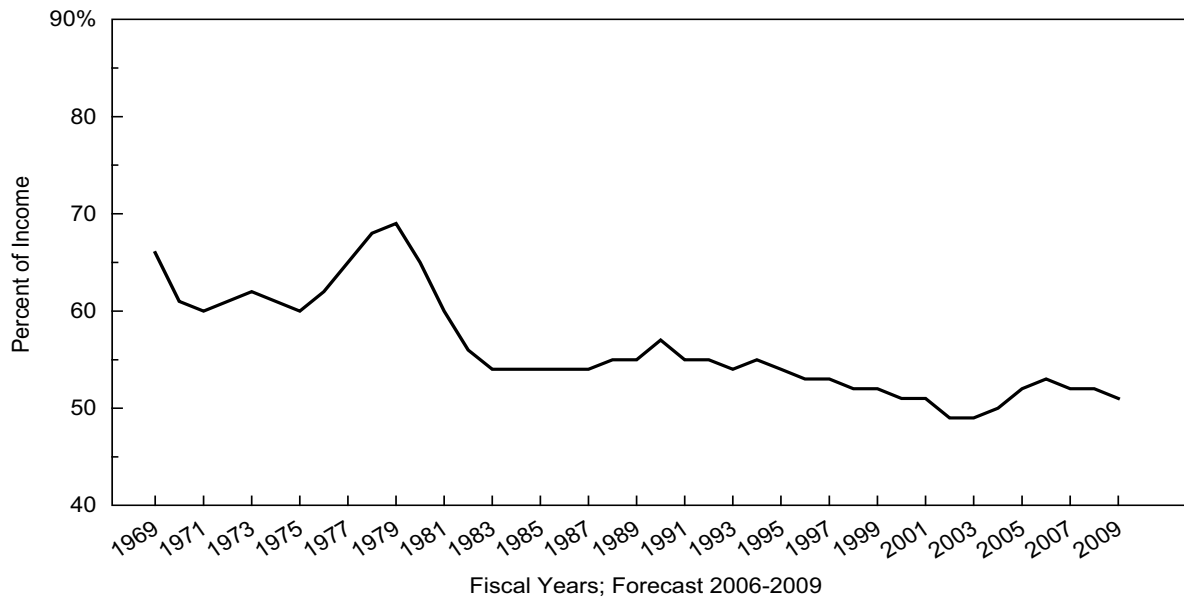


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

change in the current quarter varied widely among non-retail trade sectors. Taxable sales reported by the construction sector, which accounted for 19.4 percent of all taxable sales, were 20.1 percent higher than a year ago. This sector reported a 19.5 percent increase in the first quarter of 2006. Taxable sales reported by the service sector, which accounted for 17.4 percent of all taxable sales in the second quarter, were 9.5 percent higher than a year-ago. Taxable sales reported by the manufacturing sector increased 10.5 percent and the wholesale trade sector reported a 7.5 percent year-over-year increase. The importance of the strong housing market on taxable sales growth is again very evident from second quarter taxable sales data. Housing related sectors (construction, furniture, building materials and electronics/appliance retailers) which accounted for 29.7 percent of total taxable sales, reported a 17.9 percent increase in taxable sales in the second quarter of 2006; taxable sales of all other sectors increased 7.8 percent.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 11.4 percent higher than a year ago in the second quarter of 2006. Taxable sales increased 9.4 percent in the rest of the state. Taxable sales in King County were 11.0 percent higher than a year-ago for the quarter. Second quarter 2006 taxable sales growth in King County was above the statewide average for only the second time since the fourth quarter of 2000. Taxable sales in Snohomish County increased 15.3 percent in the second quarter of 2006 and Pierce County reported a 9.8 percent increase. Taxable sales in Spokane County were 10.0 percent above the year-ago level.

Taxable sales increased 10.1 percent in fiscal 2006. This is up from 7.9 percent in 2005 and is the strongest growth since 1990. The strong growth in the last two years reflects a very favorable economic environment. Improving job and income growth, a very strong housing market and associated high level of home equity cash-outs has significantly contributed to the strength of taxable sales in both fiscal 2005 and 2006. After increasing much faster than income for three years, taxable sales growth is expected to grow slower than income in fiscal 2007 as the housing boom subsides and as consumers replenish their savings. The forecast assumes taxable sales growth will decelerate in fiscal 2007 to 6.2 percent and weaken further in fiscal 2008 to 4.4 percent. Taxable sales growth is expected to rebound in fiscal 2009 to 5.8 percent.

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

November outlook is very similar to what was assumed in September. The November 2006 forecast for General Fund-State revenue is \$56.6 million more than was expected in the September 2006 forecast. The forecast for the current biennium is \$49.0 million higher and the forecast for the 2007-09 budget period is \$7.6 million higher. The forecast assumes that economic and revenue will continue to grow but weaker housing and a more cautious consumer will cause revenue to grow at a slower pace.

Table 3.6 summarizes the changes to the GFS cash forecast for the 2005-07 and 2007-09 biennia by type of change. Tables 3.7 and 3.8 summarize the September 2006 revisions to GFS revenue for the 2005-07 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Tables 3.9 and 3.10 summarize the changes to the GFS revenue forecast for the 2007-09 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source. Below is a brief summary of the changes to the forecast by agency.

Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue in the 2005-07 and 2007-09 biennia. The November 2006 forecast of GFS revenue sources administered and collected by the Department of

Revenue is \$44.7 million higher than in September. This includes \$20.7 million higher than expected collections in the two months since the September forecast. The forecast for the 2005-07 budget period is \$40.2 million higher and the forecast for the 2007-09 biennium is \$4.5 million higher. The change primarily reflects stronger than expected revenue collections since the last forecast. Consumer and business spending has continued to grow a little faster than expected since the last forecast fueled by steady and better than expected job growth. The housing market has slowed but so far not quite as much as was assumed in prior forecasts. The November forecast continues to believe that both housing and overall spending will slow in the coming months, however, due to the stronger than expected growth in the last two months, the economy will generate a little more revenue than was assumed in September.

For the 2005-07 biennium, a \$40.3 million increase to the retail sales tax forecast accounted for virtually the entire change to the forecast of Department of Revenue GFS revenue sources. Other changes in the forecast for this biennium include a \$5.2 million reduction to the business and occupation tax forecast, a \$5.6 million reduction to the public utility tax forecast, a \$6.4 million increase to the property tax (state levy) forecast and a \$6.9 million increase to the real estate excise tax forecast. The small change to the forecast for the 2007-09 biennium includes a \$22.8 million increase to the state levy forecast, a \$6.6 million increase to the business and occupation tax forecast which were partially offset by a downward revision to the use tax forecast (\$5.0 million), the timber excise tax forecast (\$4.0 million) and to various other taxes (\$15.8 million), primarily unclaimed property transfers.

The strong economy has resulted in modest to strong growth for most Department of Revenue tax sources in the 2005-07 biennium. The major exceptions are the portion of the state property tax levy that goes to the General Fund and the GFS portion of the estate tax. While overall the state levy is expected to increase 6.6 percent in the 2005-07 biennium, the General Fund portion of the property tax is expected to increase only 1.5 percent. This is due to the impact of Initiative 728 which diverts a portion of the state levy from the General Fund to the Student Achievement Account (SAA). The forecast assumes that the share of the state levy going to the SAA (instead of the General Fund) which grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium will grow to \$491.8 million in the 2005-07 biennium and to \$507.6 million in the 2007-09 biennium. The Washington estate tax was ruled invalid by the Washington State Supreme Court and the General Fund will no longer get estate tax revenue, other than small amounts from delinquent payments, after mid-fiscal 2006. Although a new estate tax was enacted, revenue from it no longer goes to the General Fund.

The forecast for the real estate excise tax was increased again in November. After hitting an all time high in the first quarter of 2006, taxable real estate activity declined in both the second and third quarters of 2006. The November forecast expects real estate activity to weaken further, although the November forecast expects mortgage rates to be a little lower than was assumed in September which will slow the deceleration of real estate activity. The November forecast still assumes that there will be a real estate correction during the 2005-07 biennium. The forecast does not expect a crash or falling prices in the aggregate, but there are likely to be an additional couple of quarters of declining activity. Despite this assumption, the GFS portion of the real estate excise tax is still expected to increase 41.9 percent in the 2005-07 biennium. This follows a 52.0 percent increase in the 2003-05 biennium.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's General Fund-State forecast for the 2005-07 biennium is unchanged at \$41.2 million and its forecast for the 2007-09 biennium is unchanged at \$44.2 million.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the 2005-07 biennium was increased \$7.3 million to \$36.8 million due mainly to a one-time transfer of federal funds to the Department of Social and Health Services. The office's forecast for the 2007-09 biennium has been increased \$0.9 million to \$17.3 million.

State Treasurer

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's forecast for the 2005-07 biennium has been increased \$0.6 million to \$150.6 million. The office's forecast for the 2007-09 biennium has been increased \$0.1 million to \$135.8 million.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. The office's forecast for the 2005-07 biennium is unchanged at \$492.9 million and the office's forecast for the 2007-09 biennium is unchanged at \$544.3 million.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2005-07 biennium has been increased \$0.8 million to \$99.5 million and its forecast of beer and wine surtaxes has been increased \$0.2 million to \$4.2 million. The board's forecast of excess funds and fees for the 2007-09 biennium has been increased \$1.7 million to \$95.1 million and its forecast of beer and wine surtaxes has been increased \$0.4 million to \$4.9 million.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction and stadium/exhibition center accounts receive their allotments. The Commission's General Fund cash forecast for the 2005-07 biennium is unchanged at \$9.5 million. No General Fund revenue is currently forecasted for the 2007-09 biennium. The Commission's forecast of revenues for the School Construction Account for the 2005-07 biennium is unchanged at \$202.2 million, while its forecast for the 2007-09 biennium has been increased \$4.2 million to \$204.0 million.

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

Revenue growth for the 2005-07 biennium has been above trend and consistently been stronger than expected. The November 2006 update is the eleventh quarterly revision to the GFS revenue forecast for the 2005-07 biennium since the initial forecast in February 2004. Ten of the eleven revisions, including the November 2006 update, have increased the forecast for the 2005-07 biennium excluding legislation and other non-economic factors. The November 2006 forecast for the 2005-07 budget period is now \$2,412 million more than the initial estimate for the biennium. In addition to a steadily improving economic outlook, several non-economic factors contributed to the changes to the GFS revenue forecast for the 2005-07 biennium. Non-economic changes, including 2006, 2005 and 2004 legislation along with the impact of two

Table 3.6
Summary of Changes to the General Fund-State Forecast
 November 2006 Cash Forecast
 (Millions of Dollars)

	<u>November 2006 Change</u>
<u>2005-07 Biennium</u>	
<i>Collection Experience in the 2005-07 Biennium</i>	\$21.0
Department of Revenue ¹	20.7
Department of Licensing ²	0.2
<i>Non Economic Adjustments to the Forecast</i>	\$0.0
<i>Forecast Change for the 2005-07 Biennium</i>	\$28.1
Department of Revenue	19.5
Other agencies	8.6
Total Change: 2005-07 Biennium*	\$49.0
<u>2007-09 Biennium</u>	
<i>Non Economic Adjustments to the Forecast</i>	\$0.0
<i>Forecast Change for the 2007-09 Biennium</i>	\$7.6
Department of Revenue	\$4.5
Other agencies	\$3.1
Total Change: 2007-09 Biennium*	\$7.6
Total Change: Both Biennia	<u>\$56.6</u>

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

² Variance based on collections September and October 2006.

* Detail may not add due to rounding.

State Supreme Court decisions and the impact of Initiative 900, have reduced the forecast by \$474 million. Excluding non-economic changes, the current GFS forecast for the 2005-07 biennium is \$2,886 million (11.6 percent) higher than the initial February 2004 forecast. Table 3.13 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium

Table 3.14 summarizes the changes to the GFS revenue forecast for the 2007-09 biennium. The November 2006 forecast for the 2007-09 biennium is \$7.6 million higher than the September 2006 forecast and \$506 million higher than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes the current forecast for the 2007-09 biennium is \$617 million, 2.1 percent higher than the initial forecast.

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

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

Table 3.15 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2003-05 biennium totaled \$23,596.4 million on a GAAP basis, \$207.9 million more than the \$23,388.5 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$27,512.9 million on a GAAP basis, \$147.1 million more than the \$27,365.8 million cash forecast. For the 2007-09 biennium, the GFS forecast on a GAAP basis is \$29,648.5 million, \$115.2 million more than the \$29,533.3 cash receipts total.

Table 3.16 shows the budgetary balance sheet for the 2005-07 biennium. As of the November 2006 forecast, the projected ending balance for the General Fund at the end of the 2005-07 biennium is \$1,142.4 million. This only reflects the General Fund. The \$1.1 billion balance is based on a spending level of \$27,297.9 million that includes the 2006 enacted Supplemental Budget, an \$869.7 million beginning balance and the November 2006 GFS revenue forecast. The GFS projected 2005-07 ending balance is \$48.2 million higher than the September 2006 estimate and it is 4.2 percent of the 2005-07 spending level.

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

The U.S. economy has slowed; however, there is as yet no clear sign of slower economic or revenue growth in Washington. We are more than half way through the 2005-07 biennium and revenue growth remains on track to be the strongest in sixteen years. The November baseline forecast, like previous forecasts, expects economic and revenue growth to soften during the remainder of the biennium in response to a weaker housing market. However, the forecast still expects a "soft landing" and the economy to continue to growth for the remainder of the 2005-07 biennium as well as in the 2007-09 biennium, albeit

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

Forecast by Agency	September 2006 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$14,048.4	0.0	\$40.3	\$14,088.7	\$40.3
Business & Occupation Use	4,977.0	0.0	(5.2)	4,971.8	(5.2)
Public Utility	959.5	0.0	2.6	962.1	2.6
Liquor Sales/Liter	666.3	0.0	(5.6)	660.7	(5.6)
Cigarette	282.8		0.3	283.0	0.3
Property (State Levy)	104.5		(0.4)	104.1	(0.4)
Real Estate Excise	2,784.7		6.4	2,791.2	6.4
Timber Excise	1,876.8		6.9	1,883.7	6.9
Other	18.2		(0.4)	17.8	(0.4)
Subtotal	772.8	0.0	(4.8)	768.0	(4.8)
	26,490.9	0.0	40.2	26,531.1	40.2
Department of Licensing					
Boat excise, licenses, fees & other	41.2		0.0	41.2	0.0
Insurance Commissioner					
Insurance Premiums	492.9		0.0	492.9	0.0
Liquor Control Board					
Liquor Profits and Fees	98.8		0.8	99.5	0.8
Beer & Wine Surtax	4.1		0.2	4.2	0.2
Lottery Commission					
Lottery Revenue	9.5		0.0	9.5	0.0
State Treasurer					
Interest Earnings	150.0		0.6	150.6	0.6
Office of Financial Management					
Other	29.5		7.3	36.8	7.3
Total General Fund-State *	\$27,316.8	\$0.0	\$49.0	\$27,365.8	\$49.0

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

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

*Detail may not add to totals because of rounding.

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

Forecast by Agency	September 2006 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$14,141.7	0.0	\$42.3	\$14,184.0	\$42.3
Business & Occupation Use	5,013.2	0.0	(9.1)	5,004.1	(9.1)
Public Utility	959.6	0.0	4.3	963.9	4.3
Liquor Sales/Liter	668.8	0.0	(5.6)	663.3	(5.6)
Cigarette	285.8	0.0	0.6	286.4	0.6
Property (State Levy)	104.3	0.0	(0.4)	103.9	(0.4)
Real Estate Excise	2,781.7	0.0	6.5	2,788.2	6.5
Timber Excise	1,889.0	0.0	6.9	1,895.9	6.9
Other	18.1	0.0	(0.4)	17.7	(0.4)
Subtotal	774.4	0.0	(5.0)	769.5	(5.0)
	26,636.6	\$0.0	40.1	26,676.8	40.1
Department of Licensing					
Boat excise, licenses, fees & other	42.4	0.0	0.0	42.4	0.0
Insurance Commissioner					
Insurance Premiums	492.9	0.0	0.0	492.9	0.0
Liquor Control Board					
Liquor Profits and Fees	98.8	0.0	0.8	99.5	0.8
Beer & Wine Surtax	4.1	0.0	0.2	4.2	0.2
Lottery Commission					
Lottery Revenue	7.6	0.0	0.0	7.6	0.0
State Treasurer					
Interest Earnings	152.3	0.0	0.4	152.8	0.4
Office of Financial Management					
Other	29.6	0.0	7.2	36.8	7.2
Total General Fund-State *	\$27,464.2	\$0.0	\$48.7	\$27,512.9	\$48.7

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

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

*Detail may not add to totals because of rounding.

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

<u>Forecast by Agency</u>	<u>September 2006 Forecast¹</u>	<u>Non-Economic Changes</u>	<u>Forecast Revision</u>	<u>Nov. 2006 Forecast²</u>	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$15,479.7	\$0.0	(\$0.6)	\$15,479.1	(\$0.6)
Business & Occupation Use	5,461.4	0.0	6.6	5,468.0	6.6
Public Utility	1,085.5	0.0	(5.0)	1,080.4	(5.0)
Liquor Sales/Liter	705.9	0.0	0.9	706.8	0.9
Cigarette	305.4		0.5	306.0	0.5
Property (State Levy)	102.9		(0.8)	102.0	(0.8)
Real Estate Excise	2,995.7		22.8	3,018.5	22.8
Timber Excise	1,773.5		(0.1)	1,773.3	(0.1)
Other	20.8	0.0	(4.0)	16.8	(4.0)
Subtotal	756.6	0.0	(15.8)	740.8	(15.8)
	28,687.2	0.0	4.5	28,691.6	4.5
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.2		0.0	44.2	0.0
<i>Insurance Commissioner</i>					
Insurance Premiums	544.3		0.0	544.3	-
<i>Liquor Control Board</i>					
Liquor Profits and Fees	93.4		1.7	95.1	1.7
Beer & Wine Surtax	4.5		0.4	4.9	0.4
<i>Lottery Commission</i>					
Lottery Revenue	-		0.0	0.0	-
<i>State Treasurer</i>					
Interest Earnings	135.7		0.1	135.8	0.1
<i>Office of Financial Management</i>					
Other	16.4		0.9	17.3	0.9
<u>Total General Fund-State *</u>	\$29,525.7	\$0.0	\$7.6	\$29,533.3	\$7.6

1 Forecast adopted by the ERFC in September 2006.

2 Forecast adopted by the ERFC in November 2006.

*Detail may not add to totals because of rounding.

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

Forecast by Agency	September 2006 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,556.3	0.0	(\$0.6)	\$15,555.7	(\$0.6)
Business & Occupation Use	5,481.4	0.0	6.6	5,488.0	6.6
Public Utility	1,089.3	0.0	(5.0)	1,084.2	(5.0)
Liquor Sales/Liter	707.3	0.0	1.0	708.3	1.0
Cigarette	305.4		0.6	306.0	0.6
Property (State Levy)	102.9		(0.8)	102.0	(0.8)
Real Estate Excise	2,995.8		22.8	3,018.6	22.8
Timber Excise	1,786.9		(0.1)	1,786.7	(0.1)
Other	20.9		(4.7)	16.2	(4.7)
Subtotal	755.8	0.0	(15.7)	740.0	(15.7)
	28,801.8	\$0.0	4.0	28,805.8	4.0
Department of Licensing					
Boat excise, licenses, fees & other	46.8		0.0	46.9	0.0
Insurance Commissioner					
Insurance Premiums	544.3		0.0	544.3	-
Liquor Control Board					
Liquor Profits and Fees	93.4	-	1.7	95.1	1.7
Beer & Wine Surtax	4.5		0.4	4.9	0.4
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	-
State Treasurer					
Interest Earnings	134.2	-	0.1	134.3	0.1
Office of Financial Management					
Other	16.8	-	0.5	17.3	0.5
Total General Fund-State *	\$29,641.9	\$0.0	\$6.6	\$29,648.5	\$6.6

1 Forecast adopted by the ERFC in September 2006.

2 Forecast adopted by the ERFC in November 2006.

*Detail may not add to totals because of rounding.

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

Forecast by Source	Fiscal 2005^a	Fiscal 2006	Fiscal 2007	2005-07 Biennium	Fiscal 2008	Fiscal 2009	2007-09 Biennium
State Taxes							
Retail sales***	\$6,151.4	\$6,845.4	\$7,243.3	\$14,088.7	\$7,518.0	\$7,961.1	\$15,479.1
Business & occupation Use***	2,195.8	2,406.7	2,565.2	4,971.8	2,650.8	2,817.2	5,468.0
Public Utility	439.6	465.4	496.8	962.1	522.4	558.0	1,080.4
Liquor sales/liter	294.8	328.7	332.0	660.7	347.5	359.3	706.8
Beer & wine surtax	104.8	137.6	145.4	283.0	150.0	156.0	306.0
Cigarette	1.8	2.0	2.3	4.2	2.4	2.5	4.9
Tobacco products	52.2	52.5	51.6	104.1	51.2	50.8	102.0
Property (state school levy)**	9.5	7.9	8.5	16.4	8.9	9.3	18.2
Public utility district	1,372.6	1,365.5	1,425.7	2,791.2	1,483.9	1,534.5	3,018.5
Real estate excise	38.0	38.9	41.3	80.1	43.5	46.0	89.5
Timber excise	759.4	932.7	951.0	1,883.7	857.8	915.5	1,773.3
Estate/inheritance	10.1	9.3	8.5	17.8	8.5	8.3	16.8
Motor vehicle excise & Rental car	(43.1)	5.1	2.3	7.3	0.5	0.0	0.5
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	14.8	16.3	16.0	32.3	17.1	18.3	35.4
Other	228.0	241.6	251.3	492.9	265.8	278.5	544.3
Total Taxes	237.0	266.3	270.7	537.0	248.1	256.2	504.3
	11,866.8	13,121.6	13,811.9	26,933.5	14,176.5	14,971.4	29,148.0
State Non-Tax Sources							
Licenses, permits, fees	75.8	84.7	84.9	169.6	85.9	88.4	174.2
Liquor profits & fees	45.5	49.2	50.3	99.5	45.1	50.0	95.1
Earnings on investments	28.8	66.4	84.2	150.6	70.7	65.1	135.8
Lottery transfers	4.3	1.9	7.6	9.5	0.0	0.0	0.0
Other revenue & transfers	46.0	5.0	(1.9)	3.1	(12.5)	(7.4)	(19.9)
Total Non-Tax	200.5	207.2	225.1	432.3	189.1	196.1	385.3
Total General Fund-State *	\$12,067.3	\$13,328.8	\$14,037.0	\$27,365.8	\$14,365.7	\$15,167.6	\$29,533.3

a - Actual;

* Detail may not add to totals due to rounding.

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

***GFS portion after Initiative 900 transfer.

at a slower pace. So far the housing correction has been mild and slower spending expected in the baseline forecast has yet to occur. While the forecast assumes slower growth lies ahead, the revenue implications of stronger, as well as a weaker economy are contained in two alternative forecasts.

The November 2006 optimistic scenario is again similar to previous alternative scenarios. In this scenario the current slower economic growth nationally is temporary and real GDP growth accelerates in the fourth quarter. The optimistic scenario assumes higher productivity growth than in the baseline as well as a milder housing correction, a stronger dollar, lower energy prices, lower inflation and stronger business investment. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 2.2 percent higher than in the baseline by the end of the 2005-07 and is 5.4 percent higher by the end of the 2007-09 biennium. State wage and salary employment is 20,625 higher by the end of the 2005-07 budget period and is 83,525 higher by the second quarter of 2009.

The November 2006 pessimistic scenario assumes that higher commodity prices, primarily energy, results in higher inflation which triggers more tightening by the Fed, producing higher interest rates than the baseline forecast. In the pessimistic scenario the housing correction is more severe than in the baseline forecast resulting in weaker overall investment and consumer spending as well as weaker employment and income growth. The weaker national economy results in weaker job and income growth in the state. In the pessimistic scenario, state personal income is 2.4 percent less than the baseline by the end of the 2005-07 biennium and is 4.7 percent lower than the baseline by the end of the 2007-09 budget period. Wage and salary employment is 26,360 less than the baseline by the end of the 2005-07 budget period and 99,965 less by the end of the 2007-09 biennium.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2005-07 biennium. The optimistic scenario generates \$27,648.8 million, \$283.0 million more than the baseline forecast. The pessimistic alternative produces only \$27,067.3 million GFS revenue in the 2005-07 biennium, \$298.5 million less than the baseline forecast. For the 2007-09 biennium, the range is much wider (Table 3.18). The optimistic GFS forecast for the 2007-09 biennium is \$31,200.7 million, \$1,667.4 million more than the baseline forecast. The pessimistic alternative for the 2007-09 budget period generates only \$27,759.5 million, \$1,773.7 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 2006 GCEA scenario was based on the forecast of three members of the GCEA. The GCEA alternative was a little lower than the November 2006 baseline forecast, producing \$122 million less than the baseline for the 2005-07 biennium and \$476 million less than the baseline in the 2007-09 biennium.

Table 3.12

General Fund - State Cash Receipts
November 2006 Forecast by Fiscal Year
(Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,803.5	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
2005	12,067.3	6.6%
Forecast		
2006	13,328.8	10.5%
2007	14,037.0	5.3%
2008	14,365.7	2.3%
2009	15,167.6	5.6%

Table 3.13

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

February 2004 through November 2006

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2004****	\$24,293	\$660				\$24,953
Changes to Forecast						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005	327	14	341	159 #4	499	25,385
September 2005	631	15	646	0	646	26,031
November 2005	306	24	330	(25) #5	305	26,336
February 2006	138	21	159	(52) #6	107	26,443
June 2006	511	7	518	6 #7	524	26,967
September 2006	315	35	350		350	27,317
November 2006	40	9	49	-	49	27,366
Total change***:						
From February 2004	2,725	161	2,886	(474)	2,412	
Percent change	11.2%	24.4%	11.6%	-1.9%	9.7%	

* 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 2005-07 biennium.

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives.

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

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

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

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

#7 Impact of 2006 legislation.

Table 3.14

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

February 2006 through November 2006

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Fund-State Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8	-	8	29,533
March 2007						
June 2007						
September 2007						
November 2007						
February 2008						
Total change***:						
From February 2006	611	6	617	(112)	506	
Percent change	2.2%	0.8%	2.1%	-0.4%	1.7%	

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

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

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

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

#1 Change to the forecast due to 2006 legislation.

Table 3.15

**November 2006 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis**
(Millions of dollars)

Agency	2003-05 Biennium			2005-07 Biennium			2007-09 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$22,573.4	\$22,771.6	\$198.2	\$26,420.6	\$26,566.4	\$145.8	\$28,584.7	\$28,699.4	\$114.7
Department of Licensing	45.1	46.1	0.9	41.2	42.4	1.2	44.2	46.9	2.6
Insurance Commissioner ⁴	459.9	459.9	0.0	508.8	508.8	0.0	561.9	561.9	0.0
State Treasurer	50.7	52.1	1.4	150.6	152.8	2.1	135.8	134.3	(1.5)
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	211.4	211.4	0.0	233.9	233.9	0.0	230.7	230.7	0.0
Subtotal: General Fund-State Cash/Revenue*	23,340.6	23,541.1	200.5	27,355.2	27,504.3	149.1	29,557.3	29,673.1	115.8
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	147.0	152.5	5.5	110.5	110.4	(0.1)	106.9	106.4	(0.6)
Lottery Commission	4.3	6.1	1.9	9.5	7.6	(1.9)	0.0	0.0	0.0
Insurance Commissioner ⁷	(14.3)	(14.3)	0.0	(15.9)	(15.9)	0.0	(17.6)	(17.6)	0.0
Liquor Control Board	92.0	92.0	0.0	103.7	103.7	0.0	100.0	100.0	0.0
Office of Financial Management									
Other Agencies ⁸	(181.0)	(181.0)	0.0	(197.2)	(197.2)	0.0	(213.4)	(213.4)	0.0
Subtotal: GFS Other Financing Sources	47.9	55.3	7.4	10.6	8.6	(2.0)	(24.1)	(24.6)	(0.6)
Total Available Receipts/Resources									
General Fund-State *	\$23,388.5	\$23,596.4	\$207.9	\$27,365.8	\$27,512.9	\$147.1	\$29,533.3	\$29,648.5	\$115.2

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

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

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

Table 3.16

2005-07 Biennial Balance Sheet Including Enacted 2006 Supplemental Budget

General Fund-State Dollars in Millions

RESOURCES	
Beginning Fund Balance	869.7
September 2006 Forecast	27,316.8
November 2006 Update	49.0
Current Revenue Totals	27,365.8
Legislatively-enacted fund transfers and other adjustments	204.8
Total Resources (Includes Fund Balance)	28,440.3
APPROPRIATIONS AND SPENDING ESTIMATES	
2005-07 Appropriations	25,952.4
2006 Supplemental Budget	
Maintenance and Policy Expenditures	522.5
Appropriations to Reserves and Other Funds	825.0
Governor's Vetoes	(2.0)
Spending Level	27,297.9
UNRESTRICTED RESERVES	
Projected General Fund Ending Balance	1,142.4

Table 3.17
November 2006 Alternative Forecasts Compared to the Baseline Forecast
2005-07 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$14,191.7	\$14,088.7	\$13,970.2
Business & Occupation Use	4,999.3	4,971.8	4,945.0
Public Utility	968.4	962.1	953.4
Property (school levy)	661.5	660.7	660.7
Real Estate Excise	2,848.2	2,791.2	2,734.2
Other	1,903.9	1,883.7	1,857.3
Subtotal	1,205.8	1,172.9	1,143.9
	26,778.9	26,531.1	26,264.7
<i>Department of Licensing</i>			
	41.8	41.2	40.6
<i>Insurance Commissioner¹</i>			
	499.2	492.9	486.6
<i>Lottery Commission</i>			
	9.5	9.5	9.5
<i>State Treasurer - Interest earnings</i>			
	172.5	150.6	132.0
<i>Liquor Profits & Fees²</i>			
	104.8	103.7	102.7
<i>Office of Financial Management</i>			
Other agencies	42.3	36.8	31.3
Total General Fund - State*	\$27,648.8	\$27,365.8	\$27,067.3
Difference from November 2006 Baseline	\$283.0		(\$298.5)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.18
November 2006 Alternative Forecasts Compared to the Baseline Forecast
2007-09 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$16,321.5	\$15,479.1	\$14,519.8
Business & Occupation Use	5,704.3	5,468.0	5,255.2
Public Utility	1,140.5	1,080.4	1,020.0
Property (school levy)	716.1	706.8	706.8
Real Estate Excise	3,169.4	3,018.5	2,867.5
Other	1,979.0	1,773.3	1,528.4
Subtotal	1,229.3	1,165.6	1,107.9
	30,260.1	28,691.6	27,005.6
<i>Department of Licensing</i>	45.5	44.2	42.9
<i>Insurance Commissioner¹</i>	557.9	544.3	530.7
<i>Lottery Commission</i>	6.8	0.0	0.0
<i>State Treasurer - Interest earnings</i>	198.7	135.8	77.5
<i>Liquor Profits & Fees²</i>	102.0	100.0	98.0
<i>Office of Financial Management</i>			
Other agencies	29.8	17.3	4.8
Total General Fund - State*	\$31,200.7	\$29,533.3	\$27,759.5
Difference from November 2006 Baseline	\$1,667.4		(\$1,773.7)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.19

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue
November 2006 Cash Forecast; Millions of Dollars**

I. Disposition of the State portion of the Property Tax

	State Levy: Total Receipts	To the General Fund	To the Student Achievement Account ¹
2002	1,415.0	1,281.8	133.1
2003	1,465.5	1,331.6	133.9
2001-03 Biennium	2,880.5	2,613.5	267.0
2004	1,504.7	1,370.5	134.2
2005	1,568.1	1,372.6	195.5
2003-05 Biennium	3,072.8	2,743.1	329.8
2006	1,610.7	1,365.5	245.2
2007	1,672.3	1,425.7	246.6
2005-07 Biennium	3,283.0	2,791.2	491.8
2008	1,731.2	1,483.9	247.2
2009	1,790.6	1,534.5	256.0
200-09 Biennium	3,521.7	3,018.5	503.3

II. Lottery Transfers by Fund*

	Lottery: Total Transfers:**	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account ¹	School Construction Account ¹	Transfer to VRDE ²	Problem Gambling Account	Economic Development Account
2002	90.2	0.0	3.7	6.7	39.9	39.9	0.0		
2003	96.8	0.0	3.9	7.0	64.0	21.4	0.5		
2001-03 Biennium	187.0	0.0	7.6	13.8	103.9	61.3	0.5		
2004	113.3	0.0	4.0	7.3	76.5	25.5	0.0		
2005	112.2	4.3	4.2	7.6	0.0	96.2	0.0		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7	0.0		
2006	124.9	1.9	4.4	7.9	0.0	107.8	0.0	0.2	
2007	118.0	7.6	4.5	8.2	0.0	94.4	0.0	0.2	
2005-07 Biennium	242.9	9.5	8.9	16.1	0.0	202.2	0.0	0.4	
2008	118.5	0.0	4.7	8.5	0.0	102.0	0.0	0.2	
2009	119.1	0.0	4.9	8.9	0.0	102.0	0.0	0.2	
2007-09 Biennium	237.5	0.0	9.6	17.4	0.0	204.0	0.0	0.5	

* 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 Gross Domestic Product by Industry, 2001-2005

With its October 2006 release, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) began referring to what was formerly known as gross state product (GSP) as gross domestic product (GDP). This was a change in name only, as the measure has been consistent with national GDP since the comprehensive revision of December 2004. In June 2006, GDP estimates for the years 1998-2004 were revised. In addition, advance estimates of total state GDP for 2005 (without industry detail) were released. In October 2006, the advance 2005 estimates were revised and detail was added for major industrial sectors. Estimates from the October release for the years 2001-2005 are presented in this chapter. Estimates from this release for years not included in this report are available through the BEA (www.bea.gov) or the Economic and Revenue Forecast Council.

The estimate of GDP for each state is derived as the sum of the GDP from all industries in the state. In concept, an industry's GDP, or its value added, is equal to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). The GDP accounts provide data by industry and by state that are consistent with gross domestic product (GDP) in the national income and product accounts and with the GDP-by-industry accounts.

For each industry, GDP is composed of three components: taxes on production and imports, gross operating surplus and compensation of employees. "Taxes on production and imports" is the sum of Federal excise taxes and customs duties and state and local government sales taxes, property taxes (including residential real estate taxes), motor vehicle licenses, severance taxes, other taxes and special assessments. It is presented here minus the value of government subsidies. "Gross operating surplus" is defined as the sum of corporate profits, proprietors' income, rental income of persons, net interest, capital consumption allowances, business transfer payments, nontax payments and the current surplus of government enterprises. The third component, compensation of employees, is the sum of wage and salary accruals, employer contributions for government social insurance and employer contributions for employee pension and insurance funds. A more detailed description of the components can be found in the January 2005 *Survey of Current Business*, available at the BEA website. The three components less subsidies (which are removed from the tax component in the accompanying tables and charts) sum to total GDP. The most recent year for which these components are currently available is 2004.

Chart 4.1 shows 2005 GDP by state (including the District of Columbia), with California leading all states with \$1.622 trillion and Vermont with the lowest GDP at \$23 billion. Washington ranked 14th with

\$267 billion, the same rank it has held since 1990. Chart 4.2 represents the industrial composition of Washington gross state product in 2005. Chart 4.3 compares the component shares of Washington GDP in 1979 and 2004. During this period, the GDP shares of compensation and taxes shrank while that of gross operating surplus grew.

Table 4.1 shows Washington GDP and U.S. gross domestic product from 1975 to 2005, and Washington State GDP as a percentage of U.S. total gross domestic product. During most of this time, Washington's average growth rate of GDP was higher than that of the U.S. GDP, which is reflected its growing share of the total. Since 1999, however, its share has been gradually declining. Table 4.2 shows Washington GDP by industry from 2001 to 2005, Table 4.3 details real Washington GDP estimates by industry from 2001 to 2005, and Table 4.4 details the components of GDP by industry in 2004.

Chart 4.1
2005 Gross Domestic Product by State
 Billions of Dollars

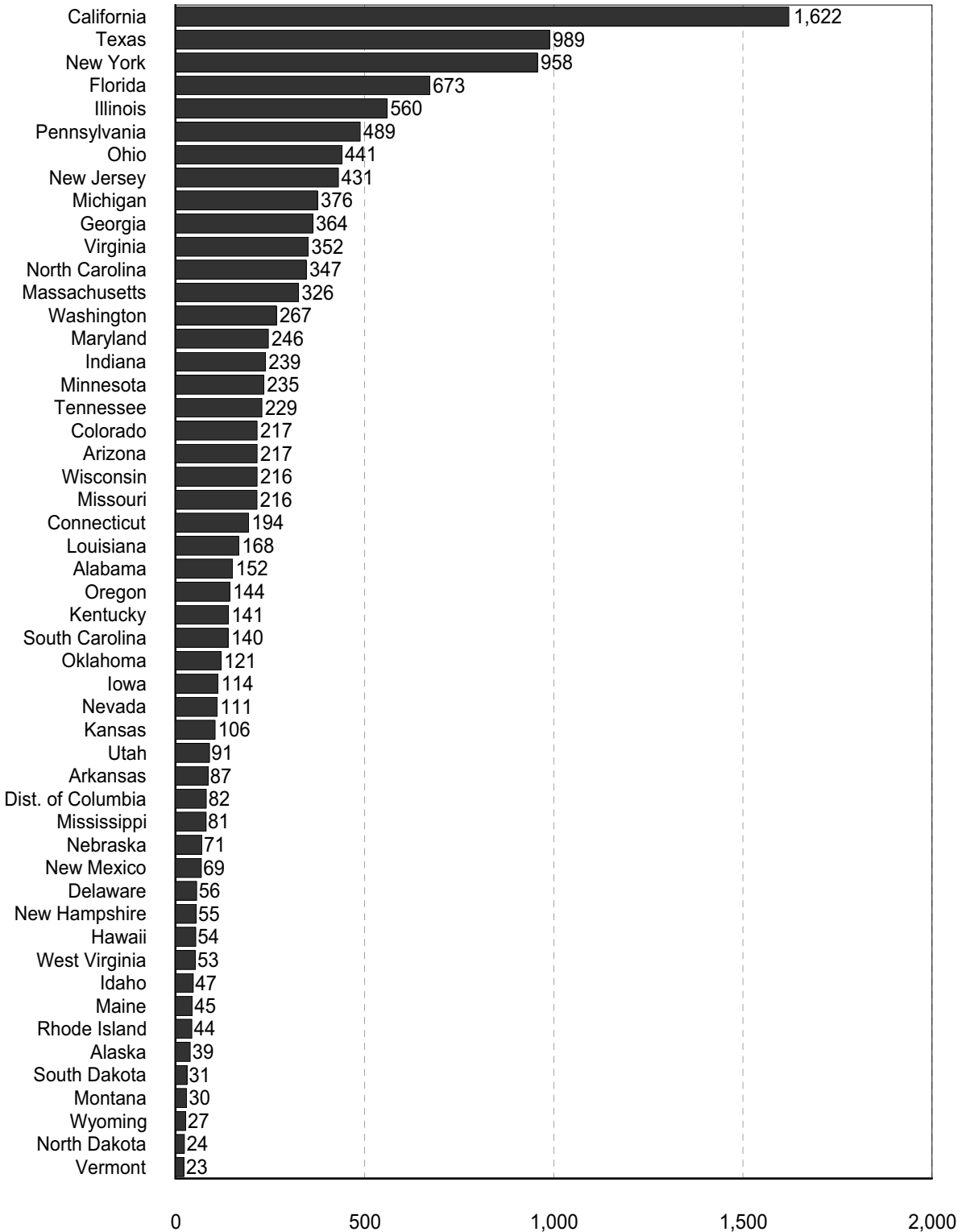


Chart 4.2
Washington GDP by Industry, 2005

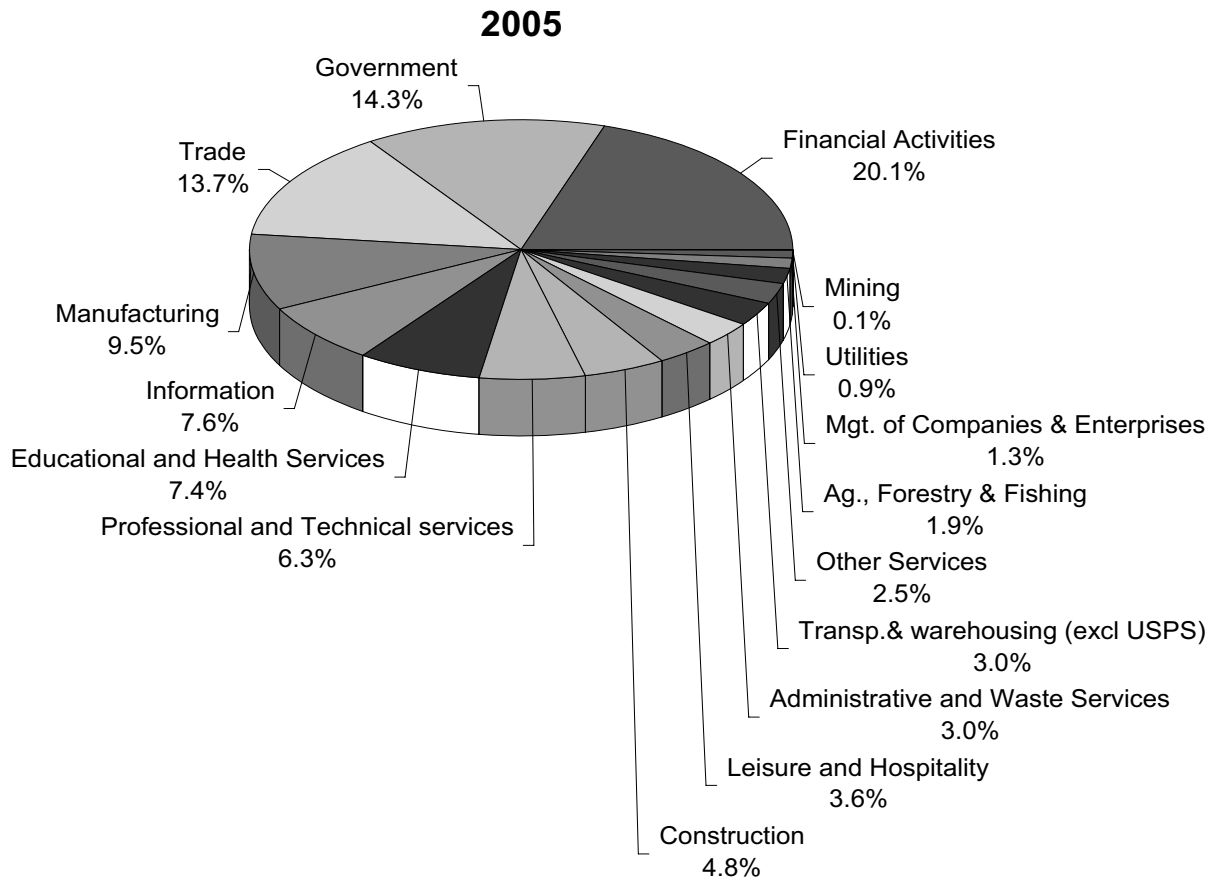


Chart 4.3
Washington GDP by Component
1979 vs. 2004

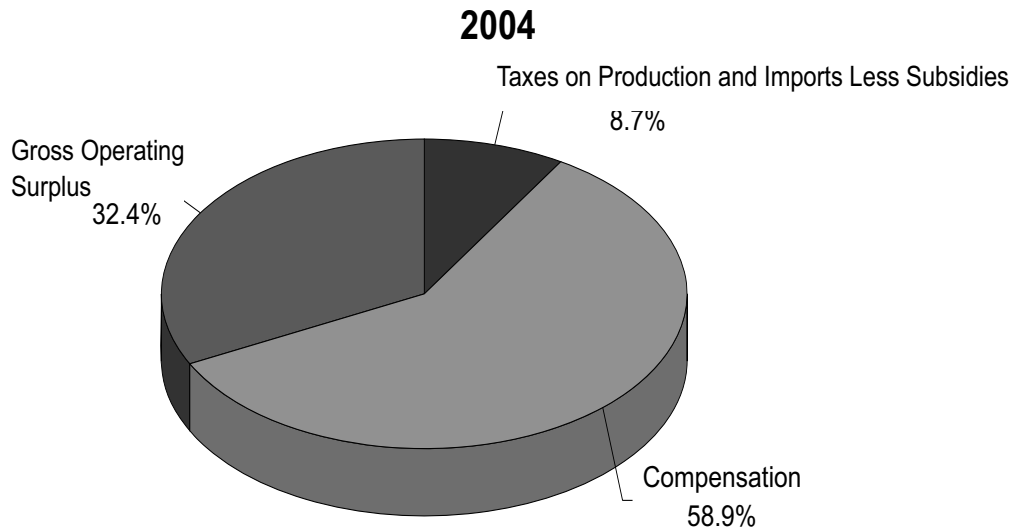
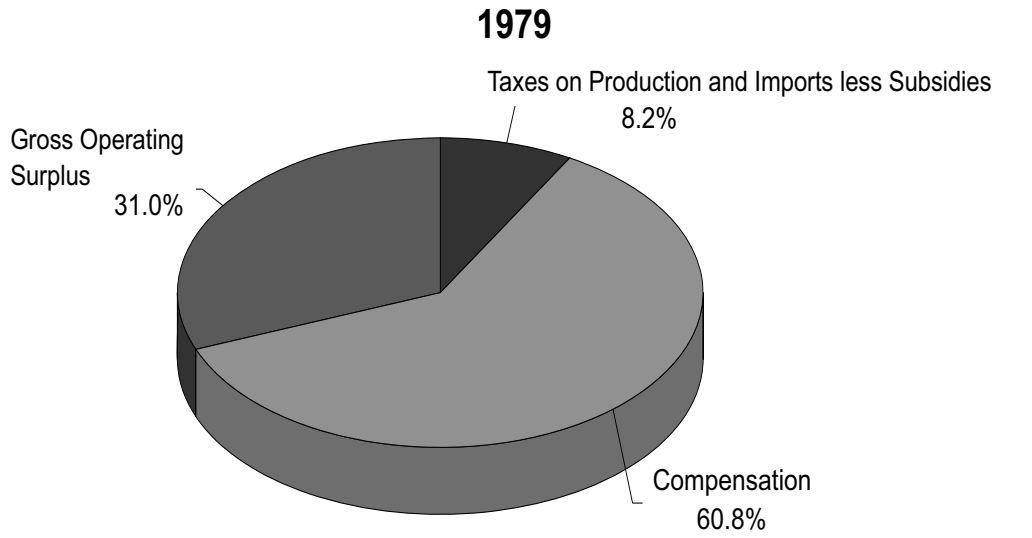


Table 4.1

Washington and U.S. Gross Domestic Product (millions of current dollars)

1975 through 2005

	Washington	U.S.	Percent of U.S. Economy
1975	\$28,246	\$1,601,506	1.76%
1976	\$31,679	\$1,779,570	1.78%
1977	\$36,276	\$1,986,138	1.83%
1978	\$42,229	\$2,243,638	1.88%
1979	\$48,389	\$2,491,428	1.94%
1980	\$52,158	\$2,719,134	1.92%
1981	\$58,003	\$3,064,552	1.89%
1982	\$61,572	\$3,217,617	1.91%
1983	\$66,765	\$3,451,340	1.93%
1984	\$72,596	\$3,872,847	1.87%
1985	\$75,870	\$4,155,029	1.83%
1986	\$81,932	\$4,364,279	1.88%
1987	\$87,712	\$4,663,282	1.88%
1988	\$96,240	\$5,067,453	1.90%
1989	\$105,057	\$5,385,776	1.95%
1990	\$115,650	\$5,674,013	2.04%
1991	\$122,657	\$5,857,335	2.09%
1992	\$131,148	\$6,174,369	2.12%
1993	\$138,834	\$6,453,455	2.15%
1994	\$146,726	\$6,865,513	2.14%
1995	\$151,338	\$7,232,722	2.09%
1996	\$161,760	\$7,659,651	2.11%
1997*	\$178,334	\$8,237,994	2.16%
1998	\$195,794	\$8,679,657	2.26%
1999	\$214,375	\$9,201,138	2.33%
2000	\$221,961	\$9,749,103	2.28%
2001	\$225,765	\$10,058,168	2.24%
2002	\$231,463	\$10,398,402	2.23%
2003	\$240,025	\$10,896,356	2.20%
2004	\$253,085	\$11,655,335	2.17%
2005	\$267,308	\$12,409,555	2.15%

*Classification codes changed in 1997 from SIC to NAICS

Table 4.2
Washington Gross Domestic Product by Industry
(Millions of Dollars)

	2001	2002	2003	2004	2005
Total Gross State Product	225,765	231,463	240,025	253,085	267,308
Private industries	195,005	198,461	205,432	216,823	229,024
Agriculture, forestry, fishing, & hunting	4,143	4,379	5,162	5,944	5,112
Crop & animal production (Farms)	2,266	2,492	3,090	3,626	n/a
Forestry, fishing, & related activities	1,877	1,887	2,072	2,317	n/a
Mining	248	252	243	240	262
Oil & gas extraction	(L)	(L)	(L)	0	n/a
Mining, except oil & gas	225	228	218	218	n/a
Support activities for mining	23	23	24	21	n/a
Utilities	2,399	2,243	2,290	2,453	2,488
Construction	10,248	10,286	10,640	11,827	12,963
Manufacturing	24,121	24,214	24,313	22,750	25,356
Durable goods	17,818	16,438	17,553	15,871	17,994
Wood product manufacturing	1,363	1,127	1,344	1,639	n/a
Nonmetallic mineral product manufacturing	771	746	816	864	n/a
Primary metal manufacturing	756	410	359	451	n/a
Fabricated metal product manufacturing	1,080	1,107	1,118	1,278	n/a
Machinery manufacturing	946	798	847	773	n/a
Computer & electronic product manuf.	1,783	1,257	1,361	1,542	n/a
Electrical equipment & appliance manuf.	497	514	530	448	n/a
Motor vehicle, body, trailer, & parts manuf.	590	543	661	518	n/a
Other transportation equipment manuf.	8,923	8,745	9,303	7,126	n/a
Furniture & related product manuf.	390	382	409	416	n/a
Miscellaneous manufacturing	718	810	805	815	n/a
Nondurable goods	6,303	7,776	6,760	6,880	7,361
Food product manufacturing	2,624	2,604	2,364	2,334	n/a
Textile & textile product mills	134	121	130	109	n/a
Apparel manufacturing	100	110	103	140	n/a
Paper manufacturing	1,153	1,113	1,404	1,496	n/a
Printing & related support activities	595	585	531	580	n/a
Petroleum & coal products manuf.	482	1,093	844	981	n/a
Chemical manufacturing	568	1,506	707	546	n/a
Plastics & rubber products manuf.	648	644	678	694	n/a
Wholesale trade	13,775	13,667	14,177	16,075	16,645
Retail trade	16,203	16,904	17,632	18,637	20,012
Transportation & warehousing, excl. Postal Service	6,277	6,487	7,034	7,393	7,944
Air transportation	1,019	1,090	1,324	1,334	n/a
Rail transportation	470	477	516	550	n/a
Water transportation	439	439	552	524	n/a
Truck transportation	1,691	1,748	1,735	1,883	n/a
Transit & ground passenger transportation	227	236	241	254	n/a
Pipeline transportation	26	33	29	30	n/a
Other transportation & support activities	2,024	2,058	2,216	2,389	n/a
Warehousing & storage	381	405	420	430	n/a

(L) Less than \$500,000 in nominal or real GDP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.2 (cont'd.)	2001	2002	2003	2004	2005
Information	20,503	20,117	19,444	19,786	20,212
Publishing including software	12,971	12,993	13,105	11,266	n/a
Motion picture & sound recording industries	175	172	193	220	n/a
Broadcasting & telecommunications	6,795	6,457	5,700	7,764	n/a
Information & data processing services	562	494	446	536	n/a
Finance & insurance	12,352	13,270	14,565	15,038	16,410
Federal Reserve banks, credit intermediation	6,313	7,483	8,643	8,453	n/a
Securities, commodity contracts, investment	1,618	1,477	1,520	1,892	n/a
Insurance carriers & related activities	4,187	4,095	4,248	4,532	n/a
Funds, trusts, & other financial vehicles	233	215	154	161	n/a
Real estate, rental, & leasing	32,701	32,857	33,944	36,389	37,194
Real estate	30,777	31,093	32,104	34,472	n/a
Rental & leasing services	1,924	1,764	1,840	1,917	n/a
Professional & technical services	14,718	14,759	14,648	15,490	16,797
Legal services	2,613	2,612	2,733	2,809	n/a
Computer systems design & related svc,	3,654	3,327	2,581	2,743	n/a
Other prof., scientific & technical svc,	8,451	8,820	9,334	9,938	n/a
Management of companies & enterprises	3,118	3,080	3,174	3,620	3,454
Administrative & waste services	6,049	6,259	6,792	7,595	8,150
Administrative & support services	4,764	4,883	5,343	5,972	n/a
Waste management & remediation services	1,285	1,375	1,449	1,623	n/a
Educational services	1,167	1,244	1,304	1,408	1,475
Health care & social assistance	14,038	15,065	15,912	17,069	18,310
Ambulatory health care services	7,809	8,312	8,849	9,558	n/a
Hospitals & nursing & residential care facil.	4,804	5,217	5,480	5,825	n/a
Social assistance	1,425	1,536	1,583	1,685	n/a
Arts, entertainment, & recreation	1,831	1,865	1,965	2,207	2,373
Performing arts, museums, & related act.	752	757	829	923	n/a
Amusements, gambling, & recreation	1,080	1,108	1,136	1,284	n/a
Accommodation & food services	5,641	5,861	6,143	6,539	7,127
Accommodation	1,475	1,514	1,625	1,738	n/a
Food services & drinking places	4,166	4,347	4,518	4,801	n/a
Other services, except government	5,472	5,653	6,050	6,363	6,741
Government	30,761	33,002	34,593	36,262	38,284
Federal civilian	5,320	6,060	6,342	6,670	n/a
Federal military	3,851	4,384	4,941	5,303	n/a
State & local	21,589	22,557	23,310	24,289	n/a

(L) Less than \$500,000 in nominal or real GDP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.3
Washington Gross Domestic Product by Industry
(Millions of Chained 2000 Dollars)

	2001	2002	2003	2004	2005
Total Gross State Product	220,190	221,115	224,443	230,722	238,072
Private industries	190,521	190,782	194,115	200,296	206,718
Agriculture, forestry, fishing, & hunting	4,011	4,519	4,894	4,803	4,539
Crop & animal production (Farms)	2,033	2,466	2,667	2,454	n/a
Forestry, fishing, & related activities	1,994	2,046	2,220	2,405	n/a
Mining	228	213	199	183	172
Oil & gas extraction	(L)	1	(L)	0	n/a
Mining, except oil & gas	214	206	193	180	n/a
Support activities for mining	14	10	9	7	n/a
Utilities	2,135	2,030	2,081	2,133	2,139
Construction	9,530	9,130	8,971	9,317	9,712
Manufacturing	23,645	24,095	23,669	21,961	23,922
Durable goods	17,776	16,386	17,374	15,462	17,303
Wood product manufacturing	1,345	1,123	1,279	1,354	n/a
Nonmetallic mineral product manufacturing	777	739	824	851	n/a
Primary metal manufacturing	795	431	396	411	n/a
Fabricated metal product manufacturing	1,055	1,076	1,102	1,226	n/a
Machinery manufacturing	921	772	822	777	n/a
Computer & electronic product manuf.	2,368	1,880	2,329	3,026	n/a
Electrical equipment & appliance manuf.	490	515	545	458	n/a
Motor vehicle, body, trailer, & parts manuf.	595	582	728	601	n/a
Other transportation equipment manuf.	8,413	8,065	8,283	6,176	n/a
Furniture & related product manuf.	376	359	385	411	n/a
Miscellaneous manufacturing	693	761	753	778	n/a
Nondurable goods	5,900	7,639	6,288	6,461	6,601
Food product manufacturing	2,449	2,315	2,124	2,166	n/a
Textile & textile product mills	127	118	131	109	n/a
Apparel manufacturing	100	111	104	146	n/a
Paper manufacturing	1,149	1,124	1,477	1,634	n/a
Printing & related support activities	575	558	507	562	n/a
Petroleum & coal products manuf.	345	1,353	657	696	n/a
Chemical manufacturing	553	1,473	672	509	n/a
Plastics & rubber products manuf.	627	618	661	698	n/a
Wholesale trade	14,366	14,200	14,639	15,820	15,711
Retail trade	16,602	17,008	17,606	18,809	19,831
Transportation & warehousing, excl. Postal Service	6,206	6,385	6,694	7,097	7,292
Air transportation	1,163	1,416	1,700	1,986	n/a
Rail transportation	456	445	471	487	n/a
Water transportation	405	355	353	347	n/a
Truck transportation	1,594	1,600	1,557	1,644	n/a
Transit & ground passenger transportation	218	220	214	217	n/a
Pipeline transportation	23	27	28	29	n/a
Other transportation & support activities	1,968	1,980	2,088	2,168	n/a
Warehousing & storage	371	387	400	415	n/a

(L) Less than \$500,000 in nominal or real GDP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.3 (cont'd.)	2001	2002	2003	2004	2005
Information	20,277	19,972	19,744	20,869	21,266
Publishing including software	12,645	12,603	13,097	11,758	n/a
Motion picture & sound recording industries	166	159	167	185	n/a
Broadcasting & telecommunications	6,937	6,755	6,031	8,467	n/a
Information & data processing services	544	468	420	525	n/a
Finance & insurance	12,074	12,533	13,515	13,434	14,351
Federal Reserve banks, credit intermediation	6,066	6,833	7,840	7,397	n/a
Securities, commodity contracts, investment	1,772	1,690	1,737	2,134	n/a
Insurance carriers & related activities	4,089	3,876	3,814	3,871	n/a
Funds, trusts, & other financial vehicles	163	132	111	108	n/a
Real estate, rental, & leasing	31,544	30,670	30,985	32,493	32,370
Real estate	29,619	28,880	29,203	30,692	n/a
Rental & leasing services	1,923	1,782	1,772	1,788	n/a
Professional & technical services	14,327	14,062	13,864	14,587	15,408
Legal services	2,471	2,376	2,394	2,320	n/a
Computer systems design & related svc,	3,603	3,334	2,642	2,880	n/a
Other prof., scientific & technical svc,	8,250	8,344	8,773	9,359	n/a
Management of companies & enterprises	3,158	3,106	3,179	3,336	3,056
Administrative & waste services	5,742	5,788	6,237	6,676	7,070
Administrative & support services	4,514	4,526	4,938	5,330	n/a
Waste management & remediation services	1,228	1,262	1,300	1,350	n/a
Educational services	1,085	1,083	1,074	1,096	1,088
Health care & social assistance	13,348	13,888	14,238	14,815	15,472
Ambulatory health care services	7,516	7,883	8,230	8,688	n/a
Hospitals & nursing & residential care facil.	4,464	4,558	4,543	4,584	n/a
Social assistance	1,371	1,456	1,487	1,587	n/a
Arts, entertainment, & recreation	1,751	1,725	1,766	1,929	2,005
Performing arts, museums, & related act.	715	696	732	785	n/a
Amusements, gambling, & recreation	1,036	1,029	1,034	1,145	n/a
Accommodation & food services	5,429	5,413	5,621	5,797	6,128
Accommodation	1,439	1,473	1,557	1,577	n/a
Food services & drinking places	3,990	3,941	4,066	4,222	n/a
Other services, except government	5,106	5,061	5,232	5,302	5,422
Government	29,665	30,313	30,334	30,493	31,263
Federal civilian	5,190	5,553	5,550	5,479	n/a
Federal military	3,699	3,884	4,029	4,101	n/a
State & local	20,776	20,873	20,743	20,898	n/a

(L) Less than \$500,000 in nominal or real GDP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.4
Washington Gross Domestic Product by Component, 2004
(Millions of Current Dollars)

	Total	Compensation	Taxes on Production and Imports less Subsidies	Gross Operating Surplus
Total Gross State Product	253,085	149,027	22,006	82,051
Private industries	216,823	117,132	22,376	77,315
Agriculture, forestry, fishing, & hunting	5,944	2,571	(92)	3,465
Crop & animal production (Farms)	3,626	1,263	(204)	2,567
Forestry, fishing, & related activities	2,317	1,308	112	898
Mining	240	221	32	(14)
Oil & gas extraction	0	0	0	0
Mining, except oil & gas	218	207	31	(20)
Support activities for mining	21	14	1	6
Utilities	2,453	381	1,020	1,051
Construction	11,827	8,922	397	2,508
Manufacturing	22,750	18,871	683	3,197
Durable goods	15,871	14,126	344	1,401
Wood product manf.	1,639	927	27	685
Nonmetallic mineral product manf.	864	495	19	349
Primary metal manf.	451	338	26	87
Fabricated metal product manf.	1,278	895	22	361
Machinery manf.	773	816	19	(62)
Computer & electronic product manuf.	1,542	1,890	57	(405)
Electrical equipment & appliance manuf.	448	290	11	147
Motor vehicle, body, trailer, & parts manuf.	518	(D)	12	(D)
Other transportation equipment manuf.	7,126	(D)	128	(D)
Furniture & related product manuf.	416	360	5	51
Miscellaneous manf.	815	612	18	184
Nondurable goods	6,880	4,745	339	1,796
Food product manf.	2,334	1,786	151	398
Textile & textile product mills	109	118	5	(14)
Apparel manf.	140	113	3	25
Paper manf.	1,496	1,032	60	404
Printing & related support activities	580	444	8	129
Petroleum & coal products manuf.	981	340	56	585
Chemical manf.	546	435	38	72
Plastics & rubber products manuf.	694	479	19	197
Wholesale trade	16,075	7,915	4,698	3,462
Retail trade	18,637	10,523	4,322	3,792
Transportation & warehousing, excl. Postal Svc	7,393	4,854	501	2,039
Air transportation	1,334	926	138	270
Rail transportation	550	(D)	20	(D)
Water transportation	524	279	16	229
Truck transportation	1,883	1,174	82	627
Transit & ground passenger transportation	254	174	15	64
Pipeline transportation	30	17	8	6

(L) Less than \$500,000 in nominal or real GDP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.4 (cont'd.)

	Total	Compensation	Taxes on Production and Imports less Subsidies	Gross Operating Surplus
Other transportation & support activities	2,389	(D)	213	(D)
Warehousing & storage	430	367	9	54
Information	19,786	10,547	906	8,333
Publishing including software	11,266	7,148	147	3,971
Motion picture & sound recording industries	220	116	16	88
Broadcasting & telecommunications	7,764	2,970	715	4,079
Information & data processing services	536	313	28	196
Finance & insurance	15,038	8,172	969	5,897
Federal Reserve banks, credit intermediation	8,453	(D)	342	(D)
Securities, commodity contracts, investments	1,892	1,661	131	99
Insurance carriers & related activities	4,532	2,892	486	1,154
Funds, trusts, & other financial vehicles	161	(D)	10	(D)
Real estate, rental, & leasing	36,389	1,945	5,692	28,752
Real estate	34,472	1,450	5,416	27,606
Rental & leasing services	1,917	495	276	1,146
Professional & technical services	15,490	10,403	521	4,566
Legal services	2,809	1,695	134	981
Computer systems design & related svc,	2,743	2,000	82	661
Other prof., scientific & technical svc,	9,938	6,708	306	2,924
Management of companies & enterprises	3,620	3,038	64	518
Administrative & waste services	7,595	5,300	382	1,913
Administrative & support services	5,972	4,303	227	1,442
Waste management & remediation services	1,623	997	155	471
Educational services	1,408	1,231	28	149
Health care & social assistance	17,069	12,649	495	3,926
Ambulatory health care services	9,558	6,195	192	3,171
Hospitals & nursing & residential care facil.	5,825	5,090	272	464
Social assistance	1,685	1,364	31	291
Arts, entertainment, & recreation	2,207	1,438	145	624
Performing arts, museums, & related act.	923	623	50	250
Amusements, gambling, & recreation	1,284	815	95	374
Accommodation & food services	6,539	4,008	1,003	1,528
Accommodation	1,738	737	402	599
Food services & drinking places	4,801	3,271	601	929
Other services, except government	6,363	4,145	608	1,610
Government	36,262	31,895	(370)	4,737
Federal civilian	6,670	5,838	0	832
Federal military	5,303	4,790	0	513
State & local	24,289	21,267	(370)	3,392

(L) Less than \$500,000 in nominal or real GDP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Detail Components of the Washington Economic Forecast

Calendar Years

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

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

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,048.9	10,301.1	10,703.5	11,048.6	11,412.1	11,681.1	12,066.4	12,468.2
% Ch	1.6	2.5	3.9	3.2	3.3	2.4	3.3	3.3
Real Consumption	7,099.3	7,295.3	7,577.1	7,841.2	8,088.5	8,316.0	8,569.2	8,856.8
% Ch	2.7	2.8	3.9	3.5	3.2	2.8	3.0	3.4
Real Nonresidential Fixed Investment	1,071.5	1,081.8	1,145.8	1,223.8	1,323.7	1,407.7	1,476.6	1,551.7
% Ch	-9.2	1.0	5.9	6.8	8.2	6.3	4.9	5.1
Real Residential Fixed Investment	469.9	509.4	559.9	608.0	581.5	505.1	506.7	519.4
% Ch	4.8	8.4	9.9	8.6	-4.4	-13.1	0.3	2.5
Real Personal Income	8,578.1	8,677.6	8,978.7	9,183.2	9,571.4	9,889.7	10,245.4	10,669.5
% Ch	0.4	1.2	3.5	2.3	4.2	3.3	3.6	4.1
Real Per Capita Income (\$/Person)	29,727	29,775	30,515	30,926	31,944	32,715	33,598	34,686
% Ch	-0.6	0.2	2.5	1.3	3.3	2.4	2.7	3.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.115	1.146	1.168	1.190	1.212
% Ch	1.4	2.0	2.6	2.9	2.8	1.9	2.0	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.799	1.840	1.889	1.953	2.016	2.060	2.102	2.139
% Ch	1.6	2.3	2.7	3.4	3.3	2.2	2.0	1.8
Employment Cost Index (June 1989=1.0)	1.564	1.608	1.651	1.692	1.742	1.788	1.842	1.903
% Ch	3.2	2.8	2.7	2.5	2.9	2.7	3.0	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,469.6	10,960.8	11,712.5	12,455.8	13,242.5	13,850.7	14,586.9	15,365.6
% Ch	3.4	4.7	6.9	6.3	6.3	4.6	5.3	5.3
Personal Income	8,881.9	9,163.6	9,731.4	10,239.2	10,966.2	11,547.4	12,197.1	12,934.1
% Ch	1.8	3.2	6.2	5.2	7.1	5.3	5.6	6.0
Employment (Millions)								
U.S. Civilian Labor Force	145.1	146.5	147.4	149.3	151.3	153.2	154.7	156.2
Total U.S. Employment	136.5	137.7	139.2	141.7	144.2	145.6	147.1	148.9
Unemployment Rate (%)	5.78	6.00	5.52	5.06	4.73	4.96	4.93	4.66
Nonfarm Payroll Employment	130.34	129.99	131.42	133.46	135.30	136.73	138.70	140.86
% Ch	-1.1	-0.3	1.1	1.5	1.4	1.1	1.4	1.6
Manufacturing	15.26	14.51	14.31	14.23	14.22	14.18	14.05	13.98
% Ch	-7.2	-4.9	-1.3	-0.6	-0.1	-0.3	-0.9	-0.5
Durable Manufacturing	9.48	8.96	8.92	8.95	9.00	8.98	8.91	8.89
% Ch	-8.2	-5.5	-0.4	0.3	0.5	-0.2	-0.8	-0.2
Nondurable Manufacturing	5.77	5.55	5.39	5.28	5.22	5.20	5.14	5.10
% Ch	-5.4	-4.0	-2.8	-2.1	-1.1	-0.4	-1.1	-0.9
Construction	6.72	6.73	6.97	7.28	7.50	7.35	7.36	7.51
% Ch	-1.6	0.2	3.6	4.4	3.0	-1.9	0.1	2.0
Service-Producing	107.79	108.18	109.54	111.32	112.91	114.50	116.59	118.68
% Ch	-0.2	0.4	1.3	1.6	1.4	1.4	1.8	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	26.1	31.1	41.5	56.6	67.0	65.6	64.7	63.9
Personal Saving/Disposable Income (%)	2.4	2.1	2.0	-0.4	-0.3	0.2	0.9	1.3
Auto Sales (Millions)	8.1	7.6	7.5	7.7	7.8	7.6	7.6	7.5
% Ch	-3.8	-6.0	-1.4	2.2	1.3	-1.7	-0.7	-0.6
Housing Starts (Millions)	1.710	1.854	1.950	2.073	1.828	1.594	1.669	1.704
% Ch	6.8	8.4	5.2	6.3	-11.8	-12.8	4.7	2.1
Federal Budget Surplus (Billions)	-248.0	-372.1	-382.0	-309.2	-151.7	-202.9	-249.3	-202.7
Net Exports (Billions)	-424.4	-499.4	-613.3	-716.7	-775.0	-728.4	-688.5	-677.1
3-Month Treasury Bill Rate (%)	1.61	1.01	1.36	3.14	4.70	4.57	4.41	4.55
10-Year Treasury Note Yield (%)	4.61	4.01	4.27	4.29	4.80	4.59	4.92	5.37
Bond Index of 20 G.O. Munis. (%)	5.03	4.74	4.68	4.40	4.44	4.30	4.89	5.51
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.45	6.26	6.54	6.95

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,566.3	10,671.5	10,753.3	10,822.9	10,913.8	11,001.8	11,115.1	11,163.8
% Ch , Annual Rate	3.8	4.0	3.1	2.6	3.4	3.3	4.2	1.8
Real Consumption	7,479.8	7,534.4	7,607.1	7,687.1	7,739.4	7,819.8	7,895.3	7,910.2
% Ch , Annual Rate	4.7	3.0	3.9	4.3	2.7	4.2	3.9	0.8
Real Nonresidential Fixed Investment	1,111.2	1,130.7	1,158.8	1,182.3	1,199.7	1,214.8	1,232.4	1,248.2
% Ch , Annual Rate	1.7	7.2	10.3	8.4	6.0	5.1	5.9	5.2
Real Residential Fixed Investment	539.2	564.1	568.6	567.7	582.8	609.9	620.4	618.9
% Ch , Annual Rate	3.0	19.8	3.2	-0.6	11.1	19.9	7.1	-1.0
Real Personal Income	8,859.6	8,913.6	8,989.6	9,152.1	9,127.7	9,159.5	9,157.7	9,288.0
% Ch , Annual Rate	3.1	2.5	3.5	7.4	-1.1	1.4	-0.1	5.8
Real Per Capita Income (\$/Person)	30,219	30,328	30,516	30,997	30,844	30,881	30,805	31,173
% Ch , Annual Rate	2.2	1.5	2.5	6.5	-2.0	0.5	-1.0	4.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.081	1.086	1.095	1.101	1.109	1.121	1.129
% Ch , Annual Rate	3.7	3.6	1.9	3.0	2.3	3.1	4.1	2.9
U.S. Consumer Price Index (1982-84=1.0)	1.866	1.884	1.894	1.911	1.922	1.940	1.966	1.982
% Ch , Annual Rate	3.7	4.1	2.1	3.5	2.5	3.7	5.5	3.2
Employment Cost Index (June 1989=1.0)	1.633	1.645	1.659	1.667	1.678	1.686	1.696	1.708
% Ch , Annual Rate	2.5	3.0	3.4	2.1	2.5	2.1	2.5	2.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,430.9	11,649.3	11,799.4	11,970.3	12,173.2	12,346.1	12,573.5	12,730.5
% Ch , Annual Rate	7.8	7.9	5.3	5.9	7.0	5.8	7.6	5.1
Personal Income	9,497.7	9,640.5	9,767.9	10,019.4	10,048.8	10,161.5	10,262.7	10,483.7
% Ch , Annual Rate	6.9	6.2	5.4	10.7	1.2	4.6	4.0	8.9
Employment (Millions)								
U.S. Civilian Labor Force	146.8	147.1	147.6	148.1	148.1	149.1	149.8	150.1
Total U.S. Employment	138.5	138.9	139.5	140.1	140.4	141.5	142.3	142.7
Unemployment Rate (%)	5.67	5.57	5.43	5.40	5.23	5.07	5.00	4.93
Nonfarm Payroll Employment	130.57	131.28	131.60	132.24	132.69	133.23	133.75	134.16
% Ch , Annual Rate	1.2	2.2	1.0	2.0	1.4	1.6	1.6	1.2
Manufacturing	14.29	14.33	14.34	14.31	14.27	14.25	14.21	14.21
% Ch , Annual Rate	-0.8	1.2	0.2	-0.8	-1.0	-0.7	-1.1	0.1
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.96
% Ch , Annual Rate	0.5	2.5	1.5	0.2	-0.1	0.2	-0.7	0.8
Nondurable Manufacturing	5.42	5.41	5.38	5.35	5.32	5.29	5.26	5.25
% Ch , Annual Rate	-2.7	-0.8	-2.0	-2.5	-2.5	-2.1	-1.7	-1.1
Construction	6.86	6.94	7.00	7.09	7.16	7.26	7.30	7.39
% Ch , Annual Rate	4.1	4.5	3.6	5.5	3.6	5.7	2.6	4.8
Service-Producing	108.84	109.42	109.67	110.24	110.66	111.10	111.61	111.92
% Ch , Annual Rate	1.2	2.1	0.9	2.1	1.5	1.6	1.8	1.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	35.4	38.3	43.9	48.3	49.9	53.1	63.2	60.1
Personal Saving/Disposable Income (%)	2.1	1.9	1.6	2.3	0.6	-0.3	-1.5	-0.3
Auto Sales (Millions)	7.5	7.5	7.4	7.7	7.5	7.7	7.9	7.5
% Ch , Annual Rate	-0.4	-1.5	-5.6	19.5	-8.0	6.6	14.8	-17.7
Housing Starts (Millions)	1.918	1.937	1.977	1.965	2.069	2.064	2.101	2.060
% Ch , Annual Rate	-21.1	4.0	8.4	-2.3	22.7	-1.0	7.4	-7.6
Federal Budget Surplus (Billions)	-401.0	-380.6	-380.6	-365.7	-287.6	-289.6	-396.0	-263.6
Net Exports (Billions)	-543.4	-606.2	-630.7	-672.7	-676.2	-686.4	-728.8	-775.4
3-Month Treasury Bill Rate (%)	0.92	1.07	1.48	2.00	2.52	2.86	3.35	3.82
10-Year Treasury Note Yield (%)	4.02	4.60	4.30	4.17	4.30	4.16	4.21	4.49
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.71	4.50	4.44	4.34	4.30	4.51
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,316.4	11,388.1	11,435.0	11,508.8	11,574.0	11,641.5	11,715.7	11,793.3
% Ch , Annual Rate	5.6	2.6	1.7	2.6	2.3	2.4	2.6	2.7
Real Consumption	8,003.8	8,055.0	8,114.7	8,180.7	8,236.9	8,285.9	8,343.7	8,397.5
% Ch , Annual Rate	4.8	2.6	3.0	3.3	2.8	2.4	2.8	2.6
Real Nonresidential Fixed Investment	1,288.8	1,302.8	1,333.4	1,369.9	1,381.7	1,400.2	1,415.2	1,433.5
% Ch , Annual Rate	13.7	4.4	9.7	11.4	3.5	5.5	4.4	5.3
Real Residential Fixed Investment	618.5	600.5	568.7	538.3	518.3	505.8	499.4	496.7
% Ch , Annual Rate	-0.3	-11.1	-19.6	-19.7	-14.0	-9.3	-5.0	-2.1
Real Personal Income	9,450.7	9,514.5	9,597.8	9,722.6	9,790.2	9,857.5	9,919.5	9,991.5
% Ch , Annual Rate	7.2	2.7	3.6	5.3	2.8	2.8	2.5	2.9
Real Per Capita Income (\$/Person)	31,648	31,790	31,997	32,341	32,494	32,645	32,778	32,944
% Ch , Annual Rate	6.2	1.8	2.6	4.4	1.9	1.9	1.6	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.134	1.146	1.152	1.150	1.159	1.165	1.171	1.176
% Ch , Annual Rate	2.0	4.0	2.3	-0.6	2.9	2.1	2.2	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.993	2.017	2.031	2.024	2.043	2.055	2.067	2.078
% Ch , Annual Rate	2.2	5.0	2.8	-1.3	3.7	2.3	2.4	2.1
Employment Cost Index (June 1989=1.0)	1.720	1.736	1.749	1.761	1.770	1.782	1.794	1.807
% Ch , Annual Rate	2.8	3.6	3.2	2.7	2.1	2.7	2.7	3.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,008.4	13,197.3	13,317.0	13,447.2	13,621.5	13,774.7	13,925.9	14,080.7
% Ch , Annual Rate	9.0	5.9	3.7	4.0	5.3	4.6	4.5	4.5
Personal Income	10,721.4	10,901.0	11,057.7	11,184.7	11,342.8	11,479.2	11,613.5	11,754.1
% Ch , Annual Rate	9.4	6.9	5.9	4.7	5.8	4.9	4.8	4.9
Employment (Millions)								
U.S. Civilian Labor Force	150.4	151.0	151.7	152.2	152.6	153.1	153.4	153.8
Total U.S. Employment	143.3	144.0	144.5	144.8	145.2	145.5	145.8	146.0
Unemployment Rate (%)	4.73	4.63	4.73	4.83	4.88	4.94	4.99	5.04
Nonfarm Payroll Employment	134.72	135.13	135.50	135.85	136.16	136.53	136.89	137.33
% Ch , Annual Rate	1.7	1.2	1.1	1.0	0.9	1.1	1.1	1.3
Manufacturing	14.23	14.25	14.23	14.18	14.22	14.15	14.17	14.19
% Ch , Annual Rate	0.4	0.6	-0.5	-1.3	1.0	-1.7	0.4	0.5
Durable Manufacturing	8.98	9.02	9.01	8.99	9.01	8.95	8.97	9.00
% Ch , Annual Rate	1.0	1.7	-0.6	-0.8	1.0	-2.6	0.8	1.2
Nondurable Manufacturing	5.24	5.22	5.22	5.19	5.21	5.20	5.20	5.19
% Ch , Annual Rate	-0.6	-1.4	-0.4	-2.0	1.0	-0.2	-0.2	-0.8
Construction	7.48	7.50	7.52	7.49	7.42	7.36	7.31	7.32
% Ch , Annual Rate	5.1	1.0	0.8	-1.3	-3.8	-2.9	-2.7	0.2
Service-Producing	112.36	112.71	113.07	113.49	113.84	114.32	114.72	115.13
% Ch , Annual Rate	1.6	1.2	1.3	1.5	1.3	1.7	1.4	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	63.4	70.6	70.4	63.7	66.7	64.0	66.3	65.5
Personal Saving/Disposable Income (%)	-0.3	-0.6	-0.3	0.0	0.1	0.1	0.2	0.4
Auto Sales (Millions)	7.8	7.8	7.9	7.5	7.6	7.6	7.7	7.6
% Ch , Annual Rate	14.4	0.7	5.2	-18.2	5.7	-2.0	5.3	-3.5
Housing Starts (Millions)	2.123	1.873	1.697	1.621	1.604	1.579	1.574	1.620
% Ch , Annual Rate	12.9	-39.5	-32.5	-16.7	-4.3	-5.9	-1.4	12.4
Federal Budget Surplus (Billions)	-147.0	-131.5	-164.2	-164.2	-180.0	-189.5	-212.6	-229.3
Net Exports (Billions)	-765.2	-781.8	-797.8	-755.2	-741.4	-732.6	-722.7	-716.8
3-Month Treasury Bill Rate (%)	4.42	4.68	4.91	4.77	4.75	4.63	4.47	4.41
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.68	4.67	4.52	4.54	4.61
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.31	4.33	4.21	4.27	4.40
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.38	6.37	6.20	6.21	6.26

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,899.1	12,011.0	12,126.0	12,229.7	12,326.0	12,418.5	12,513.7	12,614.7
% Ch , Annual Rate	3.6	3.8	3.9	3.5	3.2	3.0	3.1	3.3
Real Consumption	8,465.4	8,531.1	8,603.6	8,676.5	8,747.3	8,819.7	8,889.8	8,970.4
% Ch , Annual Rate	3.3	3.1	3.4	3.4	3.3	3.4	3.2	3.7
Real Nonresidential Fixed Investment	1,450.3	1,466.4	1,486.0	1,503.8	1,521.1	1,543.1	1,563.5	1,579.3
% Ch , Annual Rate	4.8	4.5	5.5	4.9	4.7	5.9	5.4	4.1
Real Residential Fixed Investment	500.3	504.5	509.5	512.4	515.5	517.3	520.2	524.5
% Ch , Annual Rate	2.9	3.4	4.1	2.3	2.4	1.4	2.2	3.3
Real Personal Income	10,084.0	10,193.5	10,298.0	10,406.2	10,512.3	10,618.2	10,720.8	10,826.9
% Ch , Annual Rate	3.8	4.4	4.2	4.3	4.1	4.1	3.9	4.0
Real Per Capita Income (\$/Person)	33,177	33,465	33,735	34,015	34,287	34,557	34,815	35,084
% Ch , Annual Rate	2.9	3.5	3.3	3.4	3.2	3.2	3.0	3.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.182	1.188	1.193	1.198	1.204	1.210	1.215	1.220
% Ch , Annual Rate	2.0	1.8	1.8	1.7	2.0	1.8	1.8	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.088	2.097	2.106	2.115	2.126	2.135	2.144	2.153
% Ch , Annual Rate	2.1	1.7	1.8	1.7	2.0	1.7	1.8	1.7
Employment Cost Index (June 1989=1.0)	1.822	1.835	1.849	1.863	1.879	1.895	1.911	1.926
% Ch , Annual Rate	3.3	3.0	3.1	3.1	3.5	3.4	3.3	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,281.5	14,486.7	14,694.4	14,885.0	15,084.3	15,270.3	15,457.3	15,650.4
% Ch , Annual Rate	5.8	5.9	5.9	5.3	5.5	5.0	5.0	5.1
Personal Income	11,923.3	12,107.6	12,287.6	12,469.8	12,659.5	12,842.7	13,024.2	13,210.0
% Ch , Annual Rate	5.9	6.3	6.1	6.1	6.2	5.9	5.8	5.8
Employment (Millions)								
U.S. Civilian Labor Force	154.1	154.5	154.9	155.2	155.6	156.0	156.4	156.8
Total U.S. Employment	146.4	146.8	147.3	147.8	148.3	148.7	149.2	149.6
Unemployment Rate (%)	5.04	4.98	4.90	4.81	4.74	4.69	4.64	4.59
Nonfarm Payroll Employment	137.81	138.38	139.01	139.60	140.12	140.61	141.10	141.60
% Ch, Annual Rate	1.4	1.6	1.8	1.7	1.5	1.4	1.4	1.4
Manufacturing	14.13	14.07	14.02	13.98	13.98	13.99	13.98	13.97
% Ch, Annual Rate	-1.5	-1.9	-1.4	-0.9	0.0	0.1	-0.1	-0.3
Durable Manufacturing	8.96	8.92	8.88	8.86	8.87	8.89	8.89	8.89
% Ch, Annual Rate	-1.5	-2.0	-1.5	-0.8	0.4	0.7	0.2	0.1
Nondurable Manufacturing	5.17	5.15	5.13	5.12	5.11	5.10	5.09	5.08
% Ch, Annual Rate	-1.6	-1.5	-1.3	-1.0	-0.6	-0.8	-0.7	-0.9
Construction	7.33	7.34	7.37	7.40	7.43	7.48	7.53	7.59
% Ch, Annual Rate	0.5	0.5	2.0	1.4	2.0	2.3	3.1	3.0
Service-Producing	115.65	116.27	116.91	117.52	118.01	118.46	118.90	119.36
% Ch, Annual Rate	1.8	2.2	2.2	2.1	1.7	1.5	1.5	1.6
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	66.3	64.3	64.3	64.0	65.0	63.3	63.7	63.5
Personal Saving/Disposable Income (%)	0.5	0.9	1.1	1.1	1.1	1.2	1.4	1.4
Auto Sales (Millions)	7.6	7.6	7.6	7.6	7.6	7.5	7.6	7.5
% Ch, Annual Rate	-1.7	1.1	-1.4	-1.6	2.1	-4.3	3.3	-5.1
Housing Starts (Millions)	1.637	1.663	1.685	1.691	1.698	1.697	1.705	1.715
% Ch, Annual Rate	4.2	6.4	5.3	1.5	1.8	-0.4	1.8	2.4
Federal Budget Surplus (Billions)	-243.7	-259.1	-253.1	-241.4	-208.1	-206.9	-199.7	-196.2
Net Exports (Billions)	-705.4	-687.3	-680.7	-680.7	-681.4	-676.5	-674.5	-675.8
3-Month Treasury Bill Rate (%)	4.41	4.41	4.41	4.41	4.44	4.59	4.59	4.59
10-Year Treasury Note Yield (%)	4.69	4.85	5.01	5.14	5.24	5.39	5.43	5.43
Bond Index of 20 G.O. Munis. (%)	4.54	4.77	5.02	5.24	5.40	5.55	5.55	5.55
30-Year Fixed Mortgage Rate (%)	6.32	6.47	6.61	6.74	6.84	6.99	6.99	6.99

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

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.707	192.122	200.063	200.147	210.166	219.580	230.066	241.217
% Ch	0.6	0.7	4.1	0.0	5.0	4.5	4.8	4.8
Real Wage and Salary Disb.	107.608	108.056	109.975	112.770	119.916	124.556	129.977	135.576
% Ch	-0.7	0.4	1.8	2.5	6.3	3.9	4.4	4.3
Real Nonwage Income	83.099	84.066	90.088	87.377	90.250	95.024	100.089	105.641
% Ch	2.4	1.2	7.2	-3.0	3.3	5.3	5.3	5.5
Real Per Capita Income (\$/Person)	31,455	31,370	32,258	31,772	32,723	33,512	34,459	35,530
% Ch	-0.4	-0.3	2.8	-1.5	3.0	2.4	2.8	3.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.115	1.146	1.168	1.190	1.212
% Ch	1.4	2.0	2.6	2.9	2.8	1.9	2.0	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.893	1.924	1.947	2.002	2.071	2.125	2.175	2.217
% Ch	2.0	1.6	1.2	2.8	3.4	2.6	2.4	1.9
Average Nonfarm Annual Wage	40,278	41,101	42,207	43,214	45,848	47,454	49,403	51,488
% Ch	2.1	2.0	2.7	2.4	6.1	3.5	4.1	4.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.02	18.28	18.82	19.87	19.97	20.31	20.64
% Ch	1.0	-0.7	1.5	2.9	5.6	0.5	1.7	1.6
Current Dollar Income (Billions of Dollars)								
Personal Income	197.452	202.868	216.867	223.151	240.786	256.395	273.899	292.420
% Ch	2.0	2.7	6.9	2.9	7.9	6.5	6.8	6.8
Disposable Personal Income	174.068	180.709	193.467	196.930	210.555	224.415	240.496	255.899
% Ch	4.8	3.8	7.1	1.8	6.9	6.6	7.2	6.4
Per Capita Income (\$/Person)	32,567	33,124	34,966	35,423	37,489	39,129	41,023	43,071
% Ch	1.0	1.7	5.6	1.3	5.8	4.4	4.8	5.0
Employment (Thousands)								
Washington Civilian Labor Force	3,110.7	3,159.3	3,224.0	3,292.2	3,339.1	3,399.4	3,476.5	3,544.8
Total Washington Employment	2,882.5	2,925.3	3,022.3	3,109.9	3,170.3	3,213.9	3,283.7	3,345.8
Unemployment Rate (%)	7.34	7.41	6.26	5.54	5.05	5.46	5.55	5.61
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,777.0	2,868.5	2,935.6	3,001.2	3,059.6
% Ch	-1.6	0.1	1.6	2.8	3.3	2.3	2.2	1.9
Manufacturing	285.0	267.0	263.7	271.9	285.6	292.0	293.5	293.6
% Ch	-9.8	-6.3	-1.3	3.1	5.0	2.2	0.5	0.0
Durable Manufacturing	199.3	183.7	182.4	191.2	203.6	208.0	208.6	208.1
% Ch	-11.4	-7.8	-0.7	4.8	6.5	2.2	0.3	-0.2
Aerospace	75.7	65.3	61.5	65.7	73.2	77.7	80.1	80.4
% Ch	-13.2	-13.8	-5.8	6.9	11.5	6.0	3.2	0.3
Nondurable Manufacturing	85.7	83.3	81.3	80.8	82.1	84.0	84.9	85.5
% Ch	-6.0	-2.8	-2.4	-0.6	1.6	2.3	1.1	0.7
Construction	154.2	156.2	164.1	177.4	195.2	200.3	201.9	202.7
% Ch	-2.9	1.3	5.1	8.1	10.0	2.6	0.8	0.4
Service-Producing	2,205.4	2,225.6	2,263.9	2,318.7	2,378.9	2,434.6	2,497.2	2,554.8
% Ch	-0.3	0.9	1.7	2.4	2.6	2.3	2.6	2.3
Software Publishers	36.1	37.4	39.3	41.3	45.1	47.7	49.4	51.4
% Ch	0.8	3.4	5.1	5.2	9.2	5.8	3.5	4.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.200	42.825	50.089	52.988	50.683	50.825	50.312	47.431
% Ch	4.8	6.5	17.0	5.8	-4.3	0.3	-1.0	-5.7
Single-Family	30.239	33.091	36.489	41.407	34.256	31.873	30.364	28.287
% Ch	13.1	9.4	10.3	13.5	-17.3	-7.0	-4.7	-6.8
Multi-Family	9.961	9.734	13.600	11.581	16.428	18.952	19.948	19.144
% Ch	-14.2	-2.3	39.7	-14.8	41.8	15.4	5.3	-4.0
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.45	6.26	6.54	6.95

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	191.843	195.424	196.167	216.820	197.803	199.063	201.362	202.361
% Ch, Annual Rate	-0.9	7.7	1.5	49.2	-30.7	2.6	4.7	2.0
Real Wage and Salary Disb.	107.482	110.428	111.001	110.988	110.857	111.779	114.053	114.393
% Ch, Annual Rate	1.4	11.4	2.1	-0.0	-0.5	3.4	8.4	1.2
Real Nonwage Income	84.361	84.996	85.165	105.831	86.947	87.284	87.309	87.968
% Ch, Annual Rate	-3.8	3.0	0.8	138.5	-54.4	1.6	0.1	3.1
Real Per Capita Income (\$/Person)	31,104	31,571	31,578	34,779	31,616	31,673	31,894	31,907
% Ch, Annual Rate	-2.0	6.1	0.1	47.1	-31.7	0.7	2.8	0.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.081	1.086	1.095	1.101	1.109	1.121	1.129
% Ch, Annual Rate	3.7	3.6	1.9	3.0	2.3	3.1	4.1	2.9
Seattle Cons. Price Index (1982-84=1.0)	1.935	1.944	1.946	1.963	1.981	2.001	2.000	2.027
% Ch, Annual Rate	1.4	1.9	0.4	3.6	3.6	4.2	-0.2	5.4
Average Nonfarm Annual Wage	41,190	42,403	42,635	42,598	42,310	42,726	43,887	43,935
% Ch, Annual Rate	3.6	12.3	2.2	-0.3	-2.7	4.0	11.3	0.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.12	18.22	18.30	18.48	18.64	18.86	18.28	19.48
% Ch, Annual Rate	-2.6	2.3	1.7	4.1	3.4	4.8	-11.6	28.9
Current Dollar Income (Billions of Dollars)								
Personal Income	205.647	211.342	213.132	237.345	217.747	220.823	225.641	228.394
% Ch, Annual Rate	2.7	11.5	3.4	53.8	-29.2	5.8	9.0	5.0
Disposable Personal Income	183.646	188.687	189.968	211.567	192.657	194.924	198.927	201.214
% Ch, Annual Rate	3.5	11.4	2.7	53.8	-31.2	4.8	8.5	4.7
Per Capita Income (\$/Person)	33,342	34,143	34,309	38,071	34,804	35,135	35,739	36,012
% Ch, Annual Rate	1.6	10.0	2.0	51.6	-30.2	3.9	7.1	3.1
Employment (Thousands)								
Washington Civilian Labor Force	3,202.9	3,220.0	3,224.2	3,248.9	3,260.6	3,282.4	3,301.9	3,323.8
Total Washington Employment	2,988.0	3,017.7	3,028.0	3,055.3	3,077.5	3,098.4	3,118.5	3,145.4
Unemployment Rate (%)	6.71	6.28	6.08	5.96	5.62	5.61	5.56	5.37
Nonfarm Payroll Employment	2,673.9	2,694.9	2,706.3	2,728.3	2,747.3	2,768.7	2,783.3	2,808.8
% Ch, Annual Rate	1.0	3.2	1.7	3.3	2.8	3.2	2.1	3.7
Manufacturing	261.9	262.9	263.8	266.1	269.0	271.9	269.9	276.9
% Ch, Annual Rate	-2.0	1.6	1.3	3.6	4.4	4.3	-2.9	10.9
Durable Manufacturing	180.1	181.4	182.9	185.0	187.9	191.1	189.0	196.7
% Ch, Annual Rate	-0.8	3.0	3.4	4.7	6.2	7.0	-4.3	17.3
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.9	69.8
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.9	-16.4	51.3
Nondurable Manufacturing	81.8	81.5	80.8	81.1	81.2	80.8	80.9	80.2
% Ch, Annual Rate	-4.6	-1.4	-3.2	1.2	0.4	-1.6	0.2	-3.1
Construction	160.8	163.4	164.3	168.1	172.5	175.4	178.4	183.1
% Ch, Annual Rate	5.8	6.5	2.4	9.4	11.1	6.8	7.1	11.0
Service-Producing	2,242.3	2,259.5	2,269.0	2,284.8	2,296.6	2,312.3	2,326.2	2,339.9
% Ch, Annual Rate	1.0	3.1	1.7	2.8	2.1	2.8	2.4	2.4
Software Publishers	38.9	39.2	39.3	39.7	40.3	41.1	41.7	42.1
% Ch, Annual Rate	5.0	2.9	1.7	4.3	6.2	7.7	5.7	4.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.954	47.577	50.507	57.318	51.092	49.217	53.968	57.675
% Ch, Annual Rate	60.2	25.5	27.0	65.9	-36.9	-13.9	44.6	30.4
Single-Family	34.150	37.610	35.425	38.771	40.145	39.660	42.207	43.617
% Ch, Annual Rate	17.8	47.1	-21.3	43.5	14.9	-4.7	28.3	14.1
Multi-Family	10.805	9.967	15.081	18.547	10.947	9.557	11.761	14.058
% Ch, Annual Rate	412.3	-27.6	424.3	128.7	-87.9	-41.9	129.4	104.1
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	207.390	206.794	213.085	213.393	215.391	217.129	223.802	221.997
% Ch, Annual Rate	10.3	-1.1	12.7	0.6	3.8	3.3	12.9	-3.2
Real Wage and Salary Disb.	118.344	117.403	122.590	121.326	122.033	122.582	128.259	125.348
% Ch, Annual Rate	14.5	-3.1	18.9	-4.1	2.4	1.8	19.9	-8.8
Real Nonwage Income	89.046	89.391	90.495	92.067	93.358	94.547	95.543	96.649
% Ch, Annual Rate	5.0	1.6	5.0	7.1	5.7	5.2	4.3	4.7
Real Per Capita Income (\$/Person)	32,554	32,273	33,090	32,974	33,119	33,220	34,073	33,635
% Ch, Annual Rate	8.4	-3.4	10.5	-1.4	1.8	1.2	10.7	-5.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.134	1.146	1.152	1.150	1.159	1.165	1.171	1.176
% Ch, Annual Rate	2.0	4.0	2.3	-0.6	2.9	2.1	2.2	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.041	2.073	2.088	2.083	2.104	2.118	2.133	2.146
% Ch, Annual Rate	2.8	6.6	2.8	-1.0	4.1	2.7	2.8	2.5
Average Nonfarm Annual Wage	45,222	45,005	46,986	46,180	46,476	46,667	48,929	47,745
% Ch, Annual Rate	12.2	-1.9	18.8	-6.7	2.6	1.7	20.8	-9.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.60	19.93	20.16	19.78	19.85	19.93	20.01	20.09
% Ch, Annual Rate	2.3	7.0	4.6	-7.2	1.3	1.6	1.6	1.7
Current Dollar Income (Billions of Dollars)								
Personal Income	235.255	236.911	245.497	245.482	249.549	252.849	262.022	261.159
% Ch, Annual Rate	12.6	2.8	15.3	-0.0	6.8	5.4	15.3	-1.3
Disposable Personal Income	206.014	206.950	214.728	214.526	218.203	221.012	229.466	228.978
% Ch, Annual Rate	9.9	1.8	15.9	-0.4	7.0	5.3	16.2	-0.8
Per Capita Income (\$/Person)	36,928	36,974	38,123	37,932	38,371	38,685	39,892	39,569
% Ch, Annual Rate	10.6	0.5	13.0	-2.0	4.7	3.3	13.1	-3.2
Employment (Thousands)								
Washington Civilian Labor Force	3,328.3	3,344.4	3,333.9	3,349.7	3,370.4	3,390.1	3,409.1	3,428.1
Total Washington Employment	3,173.8	3,178.4	3,158.8	3,170.3	3,188.8	3,206.1	3,222.2	3,238.4
Unemployment Rate (%)	4.64	4.96	5.25	5.35	5.39	5.43	5.48	5.53
Nonfarm Payroll Employment	2,839.1	2,859.2	2,881.0	2,894.6	2,912.0	2,928.3	2,943.3	2,958.6
% Ch, Annual Rate	4.4	2.9	3.1	1.9	2.4	2.3	2.1	2.1
Manufacturing	282.4	283.6	287.6	288.9	290.9	291.2	292.4	293.6
% Ch, Annual Rate	8.1	1.8	5.7	1.9	2.8	0.4	1.7	1.6
Durable Manufacturing	200.2	202.1	205.0	206.9	207.8	207.4	208.0	208.8
% Ch, Annual Rate	7.4	3.8	5.9	3.8	1.8	-0.7	1.1	1.5
Aerospace	71.6	72.3	73.7	75.3	76.4	77.3	78.1	78.9
% Ch, Annual Rate	10.7	4.1	8.1	9.0	6.0	4.4	4.3	4.3
Nondurable Manufacturing	82.2	81.6	82.6	82.0	83.1	83.8	84.4	84.7
% Ch, Annual Rate	10.0	-3.0	5.2	-2.7	5.4	3.1	2.9	1.7
Construction	190.9	194.1	197.3	198.3	199.7	200.1	200.5	200.9
% Ch, Annual Rate	18.1	6.9	6.7	2.0	2.9	0.9	0.6	0.8
Service-Producing	2,357.0	2,372.6	2,387.3	2,398.6	2,412.7	2,428.3	2,441.9	2,455.6
% Ch, Annual Rate	2.9	2.7	2.5	1.9	2.4	2.6	2.3	2.3
Software Publishers	43.1	44.6	46.0	46.7	47.2	47.6	47.9	48.3
% Ch, Annual Rate	9.5	14.9	12.4	7.0	4.0	3.1	2.8	3.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	47,516	51,247	52,224	51,746	49,964	51,215	51,312	50,811
% Ch, Annual Rate	-53.9	35.3	7.8	-3.6	-13.1	10.4	0.8	-3.8
Single-Family	35,790	35,347	33,212	32,673	31,796	32,235	31,993	31,469
% Ch, Annual Rate	-54.7	-4.9	-22.1	-6.3	-10.3	5.6	-3.0	-6.4
Multi-Family	11,726	15,900	19,012	19,073	18,168	18,979	19,319	19,341
% Ch, Annual Rate	-51.6	238.1	104.4	1.3	-17.7	19.1	7.4	0.5
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.38	6.37	6.20	6.21	6.26

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	224.548	227.118	235.182	233.418	236.016	238.248	246.455	244.148
% Ch, Annual Rate	4.7	4.7	15.0	-3.0	4.5	3.8	14.5	-3.7
Real Wage and Salary Disb.	126.665	127.703	134.369	131.170	132.422	133.271	140.155	136.457
% Ch, Annual Rate	4.3	3.3	22.6	-9.2	3.9	2.6	22.3	-10.1
Real Nonwage Income	97.883	99.415	100.812	102.248	103.595	104.976	106.300	107.691
% Ch, Annual Rate	5.2	6.4	5.7	5.8	5.4	5.4	5.1	5.3
Real Per Capita Income (\$/Person)	33,862	34,093	35,147	34,733	34,973	35,161	36,230	35,754
% Ch, Annual Rate	2.7	2.8	13.0	-4.6	2.8	2.2	12.7	-5.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.182	1.188	1.193	1.198	1.204	1.210	1.215	1.220
% Ch, Annual Rate	2.0	1.8	1.8	1.7	2.0	1.8	1.8	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.159	2.170	2.181	2.191	2.203	2.212	2.222	2.231
% Ch, Annual Rate	2.5	2.1	2.0	1.9	2.1	1.7	1.7	1.6
Average Nonfarm Annual Wage	48,200	48,533	51,107	49,773	50,245	50,575	53,302	51,830
% Ch, Annual Rate	3.9	2.8	23.0	-10.0	3.9	2.6	23.4	-10.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.18	20.27	20.35	20.43	20.52	20.60	20.68	20.75
% Ch, Annual Rate	1.8	1.7	1.7	1.6	1.7	1.6	1.5	1.4
Current Dollar Income (Billions of Dollars)								
Personal Income	265.503	269.765	280.620	279.707	284.226	288.161	299.407	297.887
% Ch, Annual Rate	6.8	6.6	17.1	-1.3	6.6	5.7	16.5	-2.0
Disposable Personal Income	232.986	236.985	246.532	245.481	248.798	252.178	262.023	260.596
% Ch, Annual Rate	7.2	7.0	17.1	-1.7	5.5	5.5	16.6	-2.2
Per Capita Income (\$/Person)	40,038	40,494	41,937	41,621	42,117	42,528	44,014	43,624
% Ch, Annual Rate	4.8	4.6	15.0	-3.0	4.9	4.0	14.7	-3.5
Employment (Thousands)								
Washington Civilian Labor Force	3,447.6	3,467.2	3,486.4	3,504.7	3,521.4	3,537.2	3,552.7	3,568.0
Total Washington Employment	3,256.1	3,274.9	3,293.3	3,310.5	3,325.2	3,339.0	3,352.7	3,366.6
Unemployment Rate (%)	5.55	5.55	5.54	5.54	5.57	5.60	5.63	5.65
Nonfarm Payroll Employment	2,975.2	2,992.9	3,010.2	3,026.4	3,040.2	3,053.1	3,066.0	3,079.1
% Ch, Annual Rate	2.3	2.4	2.3	2.2	1.8	1.7	1.7	1.7
Manufacturing	293.7	293.7	293.4	293.2	293.4	293.6	293.7	293.8
% Ch, Annual Rate	0.2	-0.1	-0.3	-0.4	0.3	0.2	0.2	0.2
Durable Manufacturing	208.9	208.8	208.5	208.2	208.2	208.2	208.1	208.1
% Ch, Annual Rate	0.1	-0.1	-0.6	-0.7	-0.0	0.1	-0.2	-0.1
Aerospace	79.6	80.2	80.4	80.4	80.4	80.4	80.4	80.4
% Ch, Annual Rate	3.5	3.1	1.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	84.8	84.8	84.9	85.0	85.2	85.4	85.6	85.8
% Ch, Annual Rate	0.5	0.1	0.3	0.5	1.0	0.7	1.1	0.8
Construction	201.4	201.8	202.1	202.4	202.6	202.6	202.7	202.8
% Ch, Annual Rate	1.1	0.8	0.7	0.6	0.3	0.1	0.2	0.3
Service-Producing	2,471.5	2,488.9	2,506.1	2,522.2	2,535.7	2,548.4	2,561.1	2,573.9
% Ch, Annual Rate	2.6	2.8	2.8	2.6	2.1	2.0	2.0	2.0
Software Publishers	48.7	49.2	49.6	50.1	50.6	51.1	51.6	52.2
% Ch, Annual Rate	3.6	3.5	3.7	3.9	4.1	4.2	4.2	4.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.889	50.627	50.140	49.590	48.609	47.598	46.991	46.525
% Ch, Annual Rate	0.6	-2.0	-3.8	-4.3	-7.7	-8.1	-5.0	-3.9
Single-Family	31.135	30.648	30.105	29.567	28.935	28.297	28.054	27.861
% Ch, Annual Rate	-4.2	-6.1	-6.9	-7.0	-8.3	-8.5	-3.4	-2.7
Multi-Family	19.754	19.980	20.034	20.023	19.675	19.301	18.937	18.664
% Ch, Annual Rate	8.8	4.6	1.1	-0.2	-6.8	-7.4	-7.3	-5.6
30-Year Fixed Mortgage Rate (%)	6.32	6.47	6.61	6.74	6.84	6.99	6.99	6.99

Table A2.1

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	130.34	129.99	131.42	133.46	135.30	136.73	138.70	140.86
% Ch	-1.1	-0.3	1.1	1.5	1.4	1.1	1.4	1.6
Manufacturing	15.26	14.51	14.31	14.23	14.22	14.18	14.05	13.98
% Ch	-7.2	-4.9	-1.3	-0.6	-0.1	-0.3	-0.9	-0.5
Durable Manufacturing	9.48	8.96	8.92	8.95	9.00	8.98	8.91	8.89
% Ch	-8.2	-5.5	-0.4	0.3	0.5	-0.2	-0.8	-0.2
Wood Products	0.55	0.54	0.55	0.56	0.55	0.52	0.51	0.50
% Ch	-3.3	-3.1	2.3	0.9	-1.1	-5.4	-2.7	-0.5
Primary and Fabricated Metals	2.06	1.96	1.96	1.99	2.02	2.09	2.10	2.11
% Ch	-8.4	-4.9	0.4	1.3	1.6	3.2	0.7	0.4
Computer and Electronic Products	1.51	1.35	1.32	1.32	1.33	1.26	1.18	1.15
% Ch	-13.8	-10.1	-2.4	-0.2	0.6	-5.3	-6.0	-3.1
Machinery and Electrical Equipment	1.73	1.61	1.59	1.60	1.63	1.66	1.63	1.60
% Ch	-10.4	-6.8	-1.3	0.6	2.0	1.6	-1.4	-1.9
Transportation Equipment	1.83	1.77	1.77	1.77	1.76	1.74	1.75	1.80
% Ch	-5.6	-3.0	-0.5	0.4	-0.7	-1.4	1.1	2.4
Other Durables	1.81	1.73	1.73	1.72	1.71	1.73	1.73	1.73
% Ch	-4.9	-4.3	0.2	-0.7	-0.5	0.9	0.3	-0.1
Nondurable Manufacturing	5.77	5.55	5.39	5.28	5.22	5.20	5.14	5.10
% Ch	-5.4	-4.0	-2.8	-2.1	-1.1	-0.4	-1.1	-0.9
Food Manufacturing	1.52	1.52	1.49	1.47	1.46	1.48	1.50	1.52
% Ch	-1.6	-0.5	-1.5	-1.5	-0.7	1.4	1.4	0.9
Paper and Paper Products	0.55	0.52	0.50	0.48	0.47	0.46	0.46	0.46
% Ch	-5.4	-5.6	-4.0	-2.2	-2.9	-1.2	-1.1	-0.3
Other Nondurables	3.70	3.51	3.40	3.32	3.29	3.25	3.18	3.12
% Ch	-6.9	-5.1	-3.2	-2.3	-1.1	-1.1	-2.2	-1.8
Natural Resources and Mining	0.58	0.57	0.59	0.62	0.68	0.69	0.70	0.68
% Ch	-3.8	-1.8	3.2	5.8	8.1	2.4	1.9	-3.1
Construction	6.72	6.73	6.97	7.28	7.50	7.35	7.36	7.51
% Ch	-1.6	0.2	3.6	4.4	3.0	-1.9	0.1	2.0
Trade, Transportation, and Utilities	25.50	25.29	25.53	25.91	26.06	26.30	26.80	27.11
% Ch	-1.9	-0.8	1.0	1.5	0.6	0.9	1.9	1.2
Wholesale Trade	5.65	5.61	5.66	5.75	5.84	5.88	5.93	5.98
% Ch	-2.1	-0.8	0.9	1.5	1.7	0.6	0.9	0.9
Retail Trade	15.03	14.92	15.06	15.25	15.25	15.38	15.70	15.83
% Ch	-1.4	-0.7	0.9	1.3	-0.0	0.9	2.1	0.8
Trans., Warehousing, and Utilities	4.82	4.76	4.81	4.90	4.97	5.04	5.16	5.30
% Ch	-3.1	-1.2	1.0	1.9	1.3	1.5	2.4	2.7
Information	3.39	3.19	3.12	3.07	3.06	3.05	3.06	3.10
% Ch	-6.5	-6.1	-2.2	-1.7	-0.2	-0.4	0.5	1.4
Publishing Industries	0.96	0.92	0.91	0.90	0.90	0.91	0.91	0.92
% Ch	-5.5	-4.1	-1.7	-0.6	-0.1	0.3	0.4	1.7
Other Information	2.43	2.26	2.21	2.16	2.16	2.14	2.15	2.18
% Ch	-6.8	-6.9	-2.4	-2.1	-0.3	-0.6	0.5	1.3
Financial Activities	7.85	7.98	8.03	8.14	8.32	8.34	8.41	8.51
% Ch	0.5	1.6	0.7	1.4	2.1	0.3	0.8	1.3
Professional and Business Services	15.98	15.98	16.39	16.88	17.33	17.78	18.55	19.34
% Ch	-3.1	0.0	2.5	3.0	2.7	2.6	4.4	4.2
Education and Health Services	16.20	16.59	16.95	17.34	17.74	18.07	18.33	18.60
% Ch	3.6	2.4	2.2	2.3	2.3	1.9	1.4	1.5
Leisure and Hospitality	11.99	12.18	12.49	12.80	13.04	13.40	13.65	13.87
% Ch	-0.4	1.6	2.6	2.4	1.9	2.7	1.8	1.7
Other Services	5.37	5.40	5.41	5.39	5.41	5.46	5.49	5.48
% Ch	2.2	0.5	0.2	-0.4	0.3	1.1	0.4	-0.0
Federal Government	2.77	2.76	2.73	2.72	2.71	2.71	2.71	2.72
% Ch	0.1	-0.2	-1.1	-0.2	-0.6	-0.0	0.1	0.5
State and Local Government	18.74	18.82	18.89	19.08	19.25	19.40	19.60	19.94
% Ch	2.1	0.4	0.4	1.0	0.9	0.8	1.0	1.7

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.57	131.28	131.60	132.24	132.69	133.23	133.75	134.16
% Ch, Annual Rate	1.2	2.2	1.0	2.0	1.4	1.6	1.6	1.2
Manufacturing	14.29	14.33	14.34	14.31	14.27	14.25	14.21	14.21
% Ch, Annual Rate	-0.8	1.2	0.2	-0.8	-1.0	-0.7	-1.1	0.1
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.96
% Ch, Annual Rate	0.5	2.5	1.5	0.2	-0.1	0.2	-0.7	0.8
Wood Products	0.54	0.55	0.55	0.56	0.56	0.55	0.55	0.56
% Ch, Annual Rate	2.3	4.3	2.2	3.6	0.9	-2.8	-0.4	1.6
Primary and Fabricated Metals	1.94	1.96	1.97	1.98	1.98	1.99	1.99	1.99
% Ch, Annual Rate	1.6	4.0	2.7	0.7	0.9	1.1	0.7	0.8
Computer and Electronic Products	1.32	1.32	1.33	1.32	1.32	1.32	1.32	1.32
% Ch, Annual Rate	-1.0	1.4	1.4	-2.4	-1.0	0.8	1.2	-0.2
Machinery and Electrical Equipment	1.58	1.59	1.60	1.59	1.59	1.60	1.60	1.60
% Ch, Annual Rate	-1.0	2.2	2.5	-0.8	-0.1	1.3	0.1	1.0
Transportation Equipment	1.76	1.76	1.76	1.77	1.78	1.78	1.76	1.77
% Ch, Annual Rate	-0.2	0.4	0.1	2.6	0.6	0.5	-4.4	2.6
Other Durables	1.72	1.74	1.74	1.74	1.73	1.72	1.72	1.71
% Ch, Annual Rate	2.0	3.4	0.5	-0.8	-1.6	-1.8	-0.6	-0.9
Nondurable Manufacturing	5.42	5.41	5.38	5.35	5.32	5.29	5.26	5.25
% Ch, Annual Rate	-2.7	-0.8	-2.0	-2.5	-2.5	-2.1	-1.7	-1.1
Food Manufacturing	1.50	1.50	1.49	1.49	1.48	1.48	1.47	1.46
% Ch, Annual Rate	-3.7	-0.3	-0.8	-1.6	-1.3	-2.0	-2.0	-1.4
Paper and Paper Products	0.50	0.50	0.49	0.49	0.49	0.49	0.48	0.48
% Ch, Annual Rate	-4.7	-3.3	-1.1	-2.6	-0.9	-2.9	-3.1	-3.6
Other Nondurables	3.42	3.42	3.40	3.37	3.34	3.33	3.31	3.31
% Ch, Annual Rate	-2.1	-0.6	-2.5	-2.9	-3.3	-1.9	-1.4	-0.7
Natural Resources and Mining	0.58	0.59	0.60	0.60	0.61	0.62	0.63	0.64
% Ch, Annual Rate	2.3	8.1	3.9	1.8	8.3	7.2	4.1	8.6
Construction	6.86	6.94	7.00	7.09	7.16	7.26	7.30	7.39
% Ch, Annual Rate	4.1	4.5	3.6	5.5	3.6	5.7	2.6	4.8
Trade, Transportation, and Utilities	25.39	25.51	25.56	25.67	25.78	25.89	25.97	25.99
% Ch, Annual Rate	1.5	1.9	0.8	1.7	1.7	1.7	1.2	0.3
Wholesale Trade	5.62	5.65	5.67	5.70	5.71	5.74	5.76	5.78
% Ch, Annual Rate	2.0	2.0	1.4	1.7	1.2	1.9	1.3	1.3
Retail Trade	14.99	15.06	15.06	15.13	15.19	15.25	15.30	15.28
% Ch, Annual Rate	1.3	1.8	0.2	1.7	1.6	1.5	1.3	-0.3
Trans., Warehousing, and Utilities	4.78	4.80	4.82	4.84	4.88	4.90	4.91	4.93
% Ch, Annual Rate	1.6	1.7	2.1	1.7	2.6	2.1	0.9	1.1
Information	3.14	3.13	3.11	3.09	3.07	3.07	3.07	3.06
% Ch, Annual Rate	-1.3	-0.7	-3.5	-2.6	-2.7	0.0	-0.1	-0.4
Publishing Industries	0.91	0.91	0.91	0.91	0.90	0.90	0.91	0.90
% Ch, Annual Rate	-1.6	0.3	-1.6	-1.0	-0.9	-0.6	1.3	-0.9
Other Information	2.23	2.22	2.20	2.18	2.16	2.16	2.16	2.16
% Ch, Annual Rate	-1.3	-1.1	-4.3	-3.3	-3.4	0.3	-0.7	-0.2
Financial Activities	7.99	8.03	8.04	8.06	8.09	8.11	8.15	8.21
% Ch, Annual Rate	0.0	2.0	0.6	1.1	1.6	0.5	2.5	2.9
Professional and Business Services	16.17	16.36	16.44	16.59	16.70	16.81	16.94	17.06
% Ch, Annual Rate	1.5	4.9	2.1	3.7	2.5	2.6	3.3	2.8
Education and Health Services	16.80	16.91	16.99	17.11	17.19	17.29	17.41	17.48
% Ch, Annual Rate	2.1	2.6	1.8	2.9	2.0	2.3	2.9	1.5
Leisure and Hospitality	12.39	12.46	12.50	12.62	12.70	12.78	12.84	12.87
% Ch, Annual Rate	3.1	2.3	1.4	3.7	2.6	2.7	1.8	1.0
Other Services	5.41	5.42	5.41	5.40	5.39	5.39	5.39	5.38
% Ch, Annual Rate	0.6	0.9	-1.0	-0.8	-0.2	-0.2	-0.3	-0.6
Federal Government	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.72
% Ch, Annual Rate	-1.0	0.9	-0.7	0.0	-0.6	0.1	-0.2	-0.5
State and Local Government	18.83	18.86	18.89	18.98	19.01	19.05	19.12	19.15
% Ch, Annual Rate	0.1	0.7	0.7	1.9	0.6	0.9	1.4	0.7

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	134.72	135.13	135.50	135.85	136.16	136.53	136.89	137.33
% Ch, Annual Rate	1.7	1.2	1.1	1.0	0.9	1.1	1.1	1.3
Manufacturing	14.23	14.25	14.23	14.18	14.22	14.15	14.17	14.19
% Ch, Annual Rate	0.4	0.6	-0.5	-1.3	1.0	-1.7	0.4	0.5
Durable Manufacturing	8.98	9.02	9.01	8.99	9.01	8.95	8.97	9.00
% Ch, Annual Rate	1.0	1.7	-0.6	-0.8	1.0	-2.6	0.8	1.2
Wood Products	0.56	0.55	0.55	0.54	0.53	0.52	0.52	0.51
% Ch, Annual Rate	2.5	-3.5	-4.6	-7.9	-4.7	-6.6	-4.1	-2.6
Primary and Fabricated Metals	2.00	2.02	2.03	2.04	2.07	2.08	2.09	2.10
% Ch, Annual Rate	1.9	2.3	2.5	1.8	6.9	1.3	2.9	2.3
Computer and Electronic Products	1.32	1.33	1.33	1.33	1.30	1.26	1.24	1.22
% Ch, Annual Rate	-0.7	3.0	0.2	0.3	-8.5	-11.3	-7.2	-5.3
Machinery and Electrical Equipment	1.61	1.62	1.64	1.65	1.66	1.65	1.65	1.66
% Ch, Annual Rate	1.0	4.3	4.7	2.1	2.5	-2.9	1.4	1.9
Transportation Equipment	1.78	1.78	1.76	1.73	1.73	1.72	1.74	1.75
% Ch, Annual Rate	0.9	2.0	-5.7	-7.1	0.5	-1.5	3.4	4.1
Other Durables	1.72	1.72	1.70	1.71	1.72	1.72	1.73	1.74
% Ch, Annual Rate	1.1	-1.0	-2.8	1.3	2.5	-0.1	2.6	2.5
Nondurable Manufacturing	5.24	5.22	5.22	5.19	5.21	5.20	5.20	5.19
% Ch, Annual Rate	-0.6	-1.4	-0.4	-2.0	1.0	-0.2	-0.2	-0.8
Food Manufacturing	1.46	1.46	1.46	1.46	1.47	1.48	1.49	1.49
% Ch, Annual Rate	-0.3	0.3	0.3	-2.2	3.7	2.3	2.5	2.0
Paper and Paper Products	0.48	0.47	0.47	0.47	0.47	0.47	0.47	0.46
% Ch, Annual Rate	-1.4	-3.7	-3.7	-2.2	-0.1	-0.0	0.4	-1.3
Other Nondurables	3.30	3.29	3.29	3.27	3.27	3.26	3.25	3.23
% Ch, Annual Rate	-0.6	-1.8	-0.2	-1.9	0.0	-1.3	-1.6	-2.0
Natural Resources and Mining	0.65	0.67	0.69	0.69	0.69	0.69	0.69	0.70
% Ch, Annual Rate	8.8	12.1	8.1	1.9	-1.5	-0.1	2.6	6.5
Construction	7.48	7.50	7.52	7.49	7.42	7.36	7.31	7.32
% Ch, Annual Rate	5.1	1.0	0.8	-1.3	-3.8	-2.9	-2.7	0.2
Trade, Transportation, and Utilities	26.06	26.04	26.05	26.11	26.16	26.24	26.35	26.46
% Ch, Annual Rate	1.0	-0.2	0.0	1.0	0.7	1.3	1.7	1.7
Wholesale Trade	5.81	5.84	5.85	5.87	5.88	5.87	5.88	5.89
% Ch, Annual Rate	2.4	2.0	0.6	1.5	0.2	-0.1	0.4	0.8
Retail Trade	15.30	15.24	15.22	15.25	15.28	15.34	15.42	15.49
% Ch, Annual Rate	0.4	-1.6	-0.4	0.7	0.8	1.6	2.1	1.9
Trans., Warehousing, and Utilities	4.94	4.97	4.98	4.99	5.00	5.03	5.05	5.08
% Ch, Annual Rate	1.4	1.9	0.7	1.5	0.9	2.0	1.9	2.2
Information	3.07	3.06	3.06	3.04	3.06	3.07	3.04	3.01
% Ch, Annual Rate	1.0	-0.7	-1.2	-1.7	2.9	0.9	-3.3	-4.9
Publishing Industries	0.90	0.90	0.90	0.90	0.91	0.91	0.90	0.90
% Ch, Annual Rate	-0.0	-0.0	-0.9	1.7	1.5	-0.6	-1.7	0.5
Other Information	2.17	2.16	2.15	2.14	2.16	2.16	2.14	2.10
% Ch, Annual Rate	1.4	-1.0	-1.3	-3.1	3.6	1.5	-4.0	-7.1
Financial Activities	8.26	8.31	8.34	8.35	8.33	8.34	8.33	8.34
% Ch, Annual Rate	2.5	2.3	1.1	0.7	-0.7	0.4	-0.7	0.9
Professional and Business Services	17.16	17.27	17.39	17.48	17.56	17.70	17.85	18.00
% Ch, Annual Rate	2.4	2.5	2.9	2.1	1.7	3.4	3.4	3.2
Education and Health Services	17.58	17.68	17.79	17.90	18.01	18.03	18.08	18.15
% Ch, Annual Rate	2.5	2.1	2.5	2.6	2.3	0.5	1.2	1.6
Leisure and Hospitality	12.95	13.01	13.08	13.13	13.22	13.37	13.49	13.53
% Ch, Annual Rate	2.6	1.7	2.1	1.8	2.7	4.4	3.6	1.4
Other Services	5.40	5.40	5.40	5.42	5.43	5.46	5.47	5.49
% Ch, Annual Rate	1.4	0.3	-0.2	1.9	0.7	2.1	0.9	1.1
Federal Government	2.71	2.71	2.71	2.71	2.71	2.71	2.71	2.71
% Ch, Annual Rate	-2.3	0.1	1.1	-0.6	-0.2	-0.2	0.1	0.1
State and Local Government	19.17	19.22	19.27	19.33	19.36	19.41	19.40	19.43
% Ch, Annual Rate	0.4	1.2	0.9	1.2	0.6	1.0	-0.2	0.7

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.81	138.38	139.01	139.60	140.12	140.61	141.10	141.60
% Ch, Annual Rate	1.4	1.6	1.8	1.7	1.5	1.4	1.4	1.4
Manufacturing	14.13	14.07	14.02	13.98	13.98	13.99	13.98	13.97
% Ch, Annual Rate	-1.5	-1.9	-1.4	-0.9	0.0	0.1	-0.1	-0.3
Durable Manufacturing	8.96	8.92	8.88	8.86	8.87	8.89	8.89	8.89
% Ch, Annual Rate	-1.5	-2.0	-1.5	-0.8	0.4	0.7	0.2	0.1
Wood Products	0.51	0.51	0.50	0.50	0.50	0.50	0.50	0.50
% Ch, Annual Rate	-3.0	-1.8	-0.8	-0.7	-0.3	0.2	-0.7	-0.5
Primary and Fabricated Metals	2.10	2.10	2.10	2.10	2.11	2.11	2.11	2.11
% Ch, Annual Rate	-0.3	-0.7	-0.2	0.3	1.1	0.8	0.1	-0.1
Computer and Electronic Products	1.21	1.19	1.17	1.16	1.15	1.15	1.14	1.14
% Ch, Annual Rate	-5.6	-5.7	-5.0	-4.7	-2.4	-1.7	-1.9	-0.7
Machinery and Electrical Equipment	1.65	1.64	1.62	1.61	1.61	1.60	1.60	1.59
% Ch, Annual Rate	-2.1	-3.5	-3.2	-2.5	-1.3	-1.1	-1.3	-1.5
Transportation Equipment	1.76	1.75	1.75	1.76	1.77	1.79	1.81	1.82
% Ch, Annual Rate	0.3	-0.8	0.0	1.4	3.4	4.4	3.5	2.2
Other Durables	1.74	1.73	1.73	1.73	1.73	1.73	1.73	1.73
% Ch, Annual Rate	-0.7	-1.1	-0.8	-0.3	0.3	0.1	-0.1	0.1
Nondurable Manufacturing	5.17	5.15	5.13	5.12	5.11	5.10	5.09	5.08
% Ch, Annual Rate	-1.6	-1.5	-1.3	-1.0	-0.6	-0.8	-0.7	-0.9
Food Manufacturing	1.50	1.50	1.50	1.51	1.51	1.51	1.52	1.52
% Ch, Annual Rate	1.1	0.6	0.7	0.7	1.1	0.8	1.2	0.9
Paper and Paper Products	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
% Ch, Annual Rate	-2.0	-1.3	-0.8	-0.4	0.0	-0.2	0.0	-0.1
Other Nondurables	3.21	3.19	3.17	3.15	3.14	3.13	3.12	3.10
% Ch, Annual Rate	-2.7	-2.6	-2.3	-1.9	-1.6	-1.7	-1.7	-1.9
Natural Resources and Mining	0.71	0.71	0.71	0.70	0.69	0.69	0.68	0.67
% Ch, Annual Rate	2.0	1.3	-1.3	-2.8	-3.6	-4.4	-4.4	-4.0
Construction	7.33	7.34	7.37	7.40	7.43	7.48	7.53	7.59
% Ch, Annual Rate	0.5	0.5	2.0	1.4	2.0	2.3	3.1	3.0
Trade, Transportation, and Utilities	26.61	26.73	26.86	26.99	27.03	27.09	27.14	27.20
% Ch, Annual Rate	2.3	1.8	1.9	1.9	0.6	0.9	0.8	0.9
Wholesale Trade	5.91	5.92	5.94	5.95	5.96	5.97	5.99	6.01
% Ch, Annual Rate	1.3	0.9	1.1	0.7	0.7	0.8	1.2	1.1
Retail Trade	15.59	15.67	15.74	15.82	15.81	15.82	15.83	15.84
% Ch, Annual Rate	2.6	1.9	1.9	2.0	-0.2	0.4	0.1	0.4
Trans., Warehousing, and Utilities	5.11	5.14	5.18	5.22	5.26	5.29	5.32	5.35
% Ch, Annual Rate	2.3	2.6	3.1	3.0	2.8	2.6	2.3	2.1
Information	3.01	3.06	3.08	3.09	3.10	3.10	3.11	3.11
% Ch, Annual Rate	0.7	6.7	2.8	0.8	0.9	0.8	0.9	0.4
Publishing Industries	0.91	0.91	0.91	0.91	0.92	0.92	0.93	0.93
% Ch, Annual Rate	1.0	0.5	1.0	1.4	1.9	2.2	2.0	2.0
Other Information	2.11	2.15	2.17	2.18	2.18	2.18	2.18	2.18
% Ch, Annual Rate	0.6	9.5	3.5	0.5	0.6	0.2	0.5	-0.3
Financial Activities	8.39	8.40	8.41	8.43	8.46	8.49	8.53	8.57
% Ch, Annual Rate	2.1	0.6	0.6	0.7	1.7	1.4	1.7	2.0
Professional and Business Services	18.19	18.43	18.68	18.91	19.12	19.27	19.40	19.56
% Ch, Annual Rate	4.4	5.3	5.7	5.0	4.4	3.1	2.8	3.2
Education and Health Services	18.22	18.27	18.37	18.45	18.54	18.59	18.62	18.64
% Ch, Annual Rate	1.3	1.3	2.2	1.7	1.8	1.2	0.6	0.5
Leisure and Hospitality	13.58	13.65	13.66	13.71	13.76	13.84	13.92	13.98
% Ch, Annual Rate	1.5	1.9	0.2	1.5	1.7	2.2	2.3	1.9
Other Services	5.49	5.49	5.48	5.48	5.48	5.48	5.48	5.49
% Ch, Annual Rate	0.0	-0.2	-0.2	-0.1	0.0	-0.0	0.2	0.1
Federal Government	2.71	2.71	2.71	2.71	2.71	2.71	2.72	2.75
% Ch, Annual Rate	0.1	0.1	0.1	0.1	0.1	0.1	1.6	3.5
State and Local Government	19.45	19.53	19.65	19.75	19.81	19.89	19.98	20.07
% Ch, Annual Rate	0.4	1.6	2.4	2.1	1.3	1.4	1.9	1.8

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

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,777.0	2,868.5	2,935.6	3,001.2	3,059.6
% Ch	-1.6	0.1	1.6	2.8	3.3	2.3	2.2	1.9
Manufacturing	285.0	267.0	263.7	271.9	285.6	292.0	293.5	293.6
% Ch	-9.8	-6.3	-1.3	3.1	5.0	2.2	0.5	0.0
Durable Manufacturing	199.3	183.7	182.4	191.2	203.6	208.0	208.6	208.1
% Ch	-11.4	-7.8	-0.7	4.8	6.5	2.2	0.3	-0.2
Wood Products	18.0	17.8	18.8	20.0	20.4	19.4	18.7	18.2
% Ch	-4.9	-1.3	5.4	6.7	1.8	-4.6	-4.0	-2.4
Primary and Fabricated Metals	23.5	22.1	22.3	23.3	24.6	25.5	25.7	25.8
% Ch	-12.7	-6.2	0.8	4.4	5.7	3.8	0.7	0.5
Computer and Electronic Products	26.2	23.4	22.1	22.2	22.6	21.1	19.4	18.8
% Ch	-19.3	-10.7	-5.3	0.2	1.9	-6.6	-7.9	-3.3
Machinery and Electrical Equipment	16.7	16.3	17.0	17.8	19.0	20.0	20.4	20.8
% Ch	-10.0	-2.5	4.4	4.6	6.8	5.3	2.3	1.7
Aerospace	75.7	65.3	61.5	65.7	73.2	77.7	80.1	80.4
% Ch	-13.2	-13.8	-5.8	6.9	11.5	6.0	3.2	0.3
Other Transportation Equip.	10.9	11.1	12.1	13.0	13.5	13.6	13.5	13.3
% Ch	-3.0	1.7	9.2	7.1	3.5	1.2	-0.8	-1.3
Other Durables	28.3	27.9	28.6	29.3	30.3	30.7	30.8	30.8
% Ch	-4.5	-1.5	2.7	2.3	3.6	1.3	0.1	0.2
Nondurable Manufacturing	85.7	83.3	81.3	80.8	82.1	84.0	84.9	85.5
% Ch	-6.0	-2.8	-2.4	-0.6	1.6	2.3	1.1	0.7
Food Manufacturing	35.3	34.8	34.1	33.7	33.9	35.5	36.8	37.5
% Ch	-5.4	-1.3	-2.0	-1.1	0.4	4.9	3.6	1.9
Paper and Paper Products	13.2	13.3	12.7	12.2	12.0	11.8	11.6	11.6
% Ch	-6.1	0.1	-4.6	-3.9	-1.3	-2.0	-1.1	-0.3
Other Nondurables	37.2	35.2	34.5	34.9	36.2	36.7	36.5	36.4
% Ch	-6.5	-5.4	-1.9	1.0	3.8	1.4	-0.7	-0.2
Natural Resources and Mining	9.4	8.6	9.1	9.0	8.8	8.6	8.6	8.6
% Ch	-4.6	-7.7	5.7	-1.8	-2.2	-1.5	-0.8	-0.2
Construction	154.2	156.2	164.1	177.4	195.2	200.3	201.9	202.7
% Ch	-2.9	1.3	5.1	8.1	10.0	2.6	0.8	0.4
Trade, Transportation, and Utilities	509.3	509.8	518.4	531.2	546.3	557.8	572.5	581.4
% Ch	-2.8	0.1	1.7	2.5	2.9	2.1	2.6	1.6
Wholesale Trade	115.7	116.0	119.3	122.6	126.5	128.8	130.4	131.4
% Ch	-3.4	0.3	2.8	2.8	3.2	1.8	1.3	0.8
Retail Trade	305.3	305.9	309.3	317.2	325.6	332.8	343.5	349.2
% Ch	-2.0	0.2	1.1	2.5	2.7	2.2	3.2	1.7
Trans., Warehousing, and Utilities	88.3	87.9	89.7	91.3	94.2	96.2	98.5	100.8
% Ch	-4.4	-0.5	2.1	1.8	3.1	2.1	2.4	2.3
Information	93.6	92.3	92.9	94.9	99.5	103.0	104.9	107.5
% Ch	-5.5	-1.4	0.6	2.2	4.9	3.5	1.8	2.6
Software Publishers	36.1	37.4	39.3	41.3	45.1	47.7	49.4	51.4
% Ch	0.8	3.4	5.1	5.2	9.2	5.8	3.5	4.0
Other Publishing Industries	12.6	12.1	11.3	11.2	11.1	11.2	11.1	11.2
% Ch	-4.4	-4.0	-6.7	-0.6	-1.3	0.6	-0.6	0.5
Other Information	44.8	42.8	42.3	42.3	43.3	44.1	44.4	45.0
% Ch	-10.3	-4.5	-1.2	0.2	2.2	1.9	0.6	1.4
Financial Activities	146.1	151.9	151.8	154.0	156.8	158.7	161.3	164.3
% Ch	0.7	3.9	-0.1	1.5	1.8	1.2	1.7	1.8
Professional and Business Services	290.2	290.3	301.7	316.5	331.9	346.3	363.5	379.9
% Ch	-2.3	0.0	3.9	4.9	4.9	4.3	5.0	4.5
Education and Health Services	306.9	312.9	319.7	329.1	337.9	347.1	355.4	363.1
% Ch	2.9	1.9	2.2	2.9	2.7	2.7	2.4	2.2
Leisure and Hospitality	245.4	248.9	255.6	263.5	271.6	279.5	286.6	292.7
% Ch	-0.7	1.4	2.7	3.1	3.1	2.9	2.5	2.1
Other Services	97.8	98.9	100.3	102.9	104.3	105.8	107.3	108.4
% Ch	0.9	1.2	1.4	2.6	1.4	1.4	1.4	1.0
Federal Government	69.2	70.2	69.7	69.5	69.4	69.3	69.8	70.5
% Ch	1.9	1.4	-0.6	-0.3	-0.3	-0.2	0.8	1.0
State and Local Government	446.9	450.5	454.0	457.1	461.1	467.1	475.9	487.0
% Ch	2.2	0.8	0.8	0.7	0.9	1.3	1.9	2.3

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,673.9	2,694.9	2,706.3	2,728.3	2,747.3	2,768.7	2,783.3	2,808.8
% Ch, Annual Rate	1.0	3.2	1.7	3.3	2.8	3.2	2.1	3.7
Manufacturing	261.9	262.9	263.8	266.1	269.0	271.9	269.9	276.9
% Ch, Annual Rate	-2.0	1.6	1.3	3.6	4.4	4.3	-2.9	10.9
Durable Manufacturing	180.1	181.4	182.9	185.0	187.9	191.1	189.0	196.7
% Ch, Annual Rate	-0.8	3.0	3.4	4.7	6.2	7.0	-4.3	17.3
Wood Products	18.1	18.6	19.0	19.3	19.8	19.8	20.1	20.2
% Ch, Annual Rate	9.2	11.4	8.7	7.5	10.0	0.6	6.2	2.4
Primary and Fabricated Metals	21.9	22.2	22.4	22.6	22.8	23.2	23.4	23.7
% Ch, Annual Rate	4.6	5.4	2.4	3.6	3.9	6.9	3.4	6.5
Computer and Electronic Products	22.0	22.1	22.2	22.2	22.1	22.1	22.2	22.2
% Ch, Annual Rate	-9.7	2.1	2.6	-1.2	-1.0	0.0	2.3	-0.7
Machinery and Electrical Equipment	16.6	16.9	17.1	17.3	17.4	17.6	17.9	18.1
% Ch, Annual Rate	5.0	6.6	4.8	4.0	3.2	4.4	7.3	4.9
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.9	69.8
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.9	-16.4	51.3
Other Transportation Equip.	11.7	12.1	12.4	12.3	12.6	13.4	13.0	13.0
% Ch, Annual Rate	10.4	13.6	10.3	-3.0	9.5	27.6	-10.0	-1.7
Other Durables	28.4	28.6	28.7	28.8	28.9	29.2	29.4	29.6
% Ch, Annual Rate	2.3	2.7	2.0	1.1	1.6	3.9	3.1	3.0
Nondurable Manufacturing	81.8	81.5	80.8	81.1	81.2	80.8	80.9	80.2
% Ch, Annual Rate	-4.6	-1.4	-3.2	1.2	0.4	-1.6	0.2	-3.1
Food Manufacturing	34.4	34.3	33.7	34.1	34.2	33.7	33.7	33.3
% Ch, Annual Rate	-4.2	-1.6	-6.6	4.7	1.5	-5.7	-0.3	-4.3
Paper and Paper Products	12.9	12.7	12.6	12.4	12.3	12.3	12.1	11.9
% Ch, Annual Rate	-13.0	-5.4	-5.2	-4.5	-3.2	-0.3	-5.2	-8.2
Other Nondurables	34.5	34.5	34.6	34.6	34.6	34.8	35.0	35.0
% Ch, Annual Rate	-1.5	0.4	1.0	-0.1	0.7	2.1	2.7	-0.2
Natural Resources and Mining	8.9	9.1	9.2	9.3	9.2	9.1	8.8	8.8
% Ch, Annual Rate	20.3	7.9	6.6	1.5	-5.2	-2.4	-11.5	-1.2
Construction	160.8	163.4	164.3	168.1	172.5	175.4	178.4	183.1
% Ch, Annual Rate	5.8	6.5	2.4	9.4	11.1	6.8	7.1	11.0
Trade, Transportation, and Utilities	512.3	517.7	520.0	523.6	527.0	529.9	532.3	535.5
% Ch, Annual Rate	1.0	4.3	1.8	2.8	2.7	2.2	1.8	2.4
Wholesale Trade	117.5	119.0	119.8	121.0	121.5	122.2	122.8	123.9
% Ch, Annual Rate	2.0	5.4	2.5	4.1	1.9	2.2	2.0	3.7
Retail Trade	306.9	309.4	309.9	311.1	314.1	315.9	318.4	320.4
% Ch, Annual Rate	0.9	3.4	0.6	1.5	3.9	2.4	3.1	2.6
Trans., Warehousing, and Utilities	87.9	89.2	90.3	91.5	91.5	91.7	91.1	91.1
% Ch, Annual Rate	0.0	6.0	5.0	5.4	-0.3	1.2	-2.7	-0.0
Information	92.4	92.8	92.6	93.6	93.8	94.7	95.3	95.7
% Ch, Annual Rate	-2.7	1.7	-1.0	4.6	1.0	3.8	2.2	1.9
Software Publishers	38.9	39.2	39.3	39.7	40.3	41.1	41.7	42.1
% Ch, Annual Rate	5.0	2.9	1.7	4.3	6.2	7.7	5.7	4.8
Other Publishing Industries	11.4	11.3	11.3	11.3	11.3	11.3	11.2	11.2
% Ch, Annual Rate	-8.1	-1.5	-0.8	0.2	1.8	-2.6	-3.2	-0.4
Other Information	42.2	42.3	42.0	42.6	42.2	42.4	42.4	42.4
% Ch, Annual Rate	-7.9	1.4	-3.6	6.2	-3.9	2.0	0.5	-0.2
Financial Activities	151.8	151.7	151.4	152.3	152.4	153.4	155.0	155.5
% Ch, Annual Rate	-1.4	-0.2	-1.0	2.5	0.3	2.5	4.2	1.3
Professional and Business Services	296.1	300.3	303.1	307.1	310.8	314.8	318.7	321.6
% Ch, Annual Rate	4.3	5.9	3.7	5.5	4.9	5.3	5.0	3.7
Education and Health Services	315.8	318.9	320.6	323.3	325.1	328.2	330.5	332.6
% Ch, Annual Rate	0.6	4.0	2.2	3.4	2.2	3.9	2.9	2.5
Leisure and Hospitality	253.0	255.0	255.8	258.5	259.7	262.1	264.5	267.7
% Ch, Annual Rate	1.7	3.2	1.4	4.2	1.8	3.8	3.7	4.9
Other Services	99.1	100.1	100.7	101.1	102.2	102.4	103.1	103.8
% Ch, Annual Rate	0.2	4.3	2.3	1.6	4.5	0.8	2.5	3.0
Federal Government	69.9	69.7	69.8	69.7	69.6	69.6	69.5	69.4
% Ch, Annual Rate	-0.9	-1.1	0.5	-0.3	-0.6	0.1	-0.4	-0.7
State and Local Government	452.0	453.2	455.0	455.6	455.9	457.1	457.4	458.2
% Ch, Annual Rate	0.9	1.1	1.6	0.5	0.3	1.1	0.2	0.7

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,839.1	2,859.2	2,881.0	2,894.6	2,912.0	2,928.3	2,943.3	2,958.6
% Ch, Annual Rate	4.4	2.9	3.1	1.9	2.4	2.3	2.1	2.1
Manufacturing	282.4	283.6	287.6	288.9	290.9	291.2	292.4	293.6
% Ch, Annual Rate	8.1	1.8	5.7	1.9	2.8	0.4	1.7	1.6
Durable Manufacturing	200.2	202.1	205.0	206.9	207.8	207.4	208.0	208.8
% Ch, Annual Rate	7.4	3.8	5.9	3.8	1.8	-0.7	1.1	1.5
Wood Products	20.4	20.5	20.4	20.2	19.9	19.5	19.3	19.1
% Ch, Annual Rate	2.7	2.7	-1.9	-5.1	-5.5	-6.9	-5.0	-4.0
Primary and Fabricated Metals	24.2	24.5	24.7	24.9	25.3	25.4	25.6	25.7
% Ch, Annual Rate	8.1	5.0	4.2	3.2	6.6	1.3	2.8	2.3
Computer and Electronic Products	22.2	22.5	22.9	22.9	22.2	21.2	20.7	20.3
% Ch, Annual Rate	-0.1	4.7	7.4	0.1	-11.8	-16.0	-9.7	-6.8
Machinery and Electrical Equipment	18.6	18.8	19.1	19.4	19.7	19.8	20.0	20.4
% Ch, Annual Rate	10.1	5.1	6.8	6.3	7.1	0.4	5.8	6.4
Aerospace	71.6	72.3	73.7	75.3	76.4	77.3	78.1	78.9
% Ch, Annual Rate	10.7	4.1	8.1	9.0	6.0	4.4	4.3	4.3
Other Transportation Equip.	13.3	13.3	13.6	13.6	13.6	13.6	13.6	13.6
% Ch, Annual Rate	10.2	0.9	7.4	0.9	-0.5	0.3	0.9	0.1
Other Durables	30.0	30.2	30.6	30.6	30.7	30.7	30.7	30.8
% Ch, Annual Rate	5.2	2.3	5.2	0.7	1.1	-0.2	0.8	0.8
Nondurable Manufacturing	82.2	81.6	82.6	82.0	83.1	83.8	84.4	84.7
% Ch, Annual Rate	10.0	-3.0	5.2	-2.7	5.4	3.1	2.9	1.7
Food Manufacturing	34.2	33.1	34.3	33.8	34.7	35.2	35.8	36.3
% Ch, Annual Rate	10.7	-12.1	16.0	-6.1	10.7	6.4	7.0	5.5
Paper and Paper Products	12.1	12.2	11.9	11.8	11.8	11.8	11.8	11.7
% Ch, Annual Rate	8.9	0.5	-6.9	-5.9	-0.1	-0.0	0.4	-1.3
Other Nondurables	35.8	36.3	36.3	36.5	36.7	36.8	36.8	36.7
% Ch, Annual Rate	9.6	5.1	-0.0	1.7	2.4	1.0	-0.0	-0.9
Natural Resources and Mining	8.8	8.8	8.8	8.7	8.7	8.6	8.6	8.6
% Ch, Annual Rate	0.9	-1.7	-1.0	-0.4	-2.4	-2.1	-0.9	-0.9
Construction	190.9	194.1	197.3	198.3	199.7	200.1	200.5	200.9
% Ch, Annual Rate	18.1	6.9	6.7	2.0	2.9	0.9	0.6	0.8
Trade, Transportation, and Utilities	541.7	545.7	548.0	549.8	552.6	555.9	559.6	563.1
% Ch, Annual Rate	4.7	3.0	1.6	1.4	2.1	2.4	2.7	2.5
Wholesale Trade	124.8	126.5	126.9	127.6	128.2	128.5	129.0	129.4
% Ch, Annual Rate	3.0	5.5	1.3	2.0	1.9	1.0	1.4	1.3
Retail Trade	323.8	325.3	326.1	327.3	329.0	331.4	334.1	336.7
% Ch, Annual Rate	4.3	1.9	0.9	1.5	2.2	2.9	3.4	3.1
Trans., Warehousing, and Utilities	93.0	93.9	95.0	95.0	95.4	96.0	96.5	97.0
% Ch, Annual Rate	8.8	3.6	4.8	0.1	1.8	2.3	2.2	2.2
Information	96.7	98.3	100.9	102.0	102.9	103.4	103.1	102.7
% Ch, Annual Rate	4.4	6.8	11.0	4.1	3.5	2.0	-0.9	-1.8
Software Publishers	43.1	44.6	46.0	46.7	47.2	47.6	47.9	48.3
% Ch, Annual Rate	9.5	14.9	12.4	7.0	4.0	3.1	2.8	3.6
Other Publishing Industries	11.0	11.0	11.1	11.2	11.2	11.2	11.1	11.1
% Ch, Annual Rate	-5.1	0.2	3.1	3.9	0.4	-1.5	-2.4	-0.5
Other Information	42.6	42.7	43.9	44.0	44.4	44.6	44.1	43.2
% Ch, Annual Rate	2.0	0.7	11.5	1.3	3.9	1.7	-4.4	-7.7
Financial Activities	155.9	156.7	156.8	158.0	158.1	158.6	158.7	159.4
% Ch, Annual Rate	1.1	2.2	0.1	3.1	0.3	1.3	0.2	1.7
Professional and Business Services	324.2	329.7	336.0	337.9	340.6	344.4	348.2	351.8
% Ch, Annual Rate	3.2	7.0	7.9	2.2	3.3	4.5	4.5	4.2
Education and Health Services	334.4	336.6	338.7	341.9	344.5	346.0	347.9	350.1
% Ch, Annual Rate	2.1	2.7	2.5	3.8	3.1	1.7	2.2	2.6
Leisure and Hospitality	270.3	271.2	271.9	273.1	275.4	278.5	281.3	282.8
% Ch, Annual Rate	4.0	1.3	1.0	1.7	3.4	4.6	4.0	2.2
Other Services	104.0	104.6	104.2	104.6	105.0	105.6	106.1	106.6
% Ch, Annual Rate	0.5	2.4	-1.5	1.4	1.7	2.4	1.8	1.8
Federal Government	69.7	69.6	69.2	68.9	69.1	69.2	69.3	69.5
% Ch, Annual Rate	1.8	-0.6	-2.5	-1.3	0.6	0.7	0.8	0.8
State and Local Government	460.1	460.1	461.7	462.6	464.5	466.7	467.7	469.7
% Ch, Annual Rate	1.8	-0.0	1.3	0.8	1.7	1.9	0.8	1.7

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,975.2	2,992.9	3,010.2	3,026.4	3,040.2	3,053.1	3,066.0	3,079.1
% Ch, Annual Rate	2.3	2.4	2.3	2.2	1.8	1.7	1.7	1.7
Manufacturing	293.7	293.7	293.4	293.2	293.4	293.6	293.7	293.8
% Ch, Annual Rate	0.2	-0.1	-0.3	-0.4	0.3	0.2	0.2	0.2
Durable Manufacturing	208.9	208.8	208.5	208.2	208.2	208.2	208.1	208.1
% Ch, Annual Rate	0.1	-0.1	-0.6	-0.7	-0.0	0.1	-0.2	-0.1
Wood Products	18.9	18.7	18.6	18.5	18.4	18.3	18.1	18.0
% Ch, Annual Rate	-4.2	-3.4	-2.7	-2.6	-2.3	-1.9	-2.6	-2.4
Primary and Fabricated Metals	25.7	25.7	25.7	25.7	25.8	25.8	25.8	25.8
% Ch, Annual Rate	-0.2	-0.5	-0.1	0.3	1.1	0.8	0.2	-0.1
Computer and Electronic Products	19.9	19.6	19.3	19.0	18.9	18.8	18.7	18.8
% Ch, Annual Rate	-7.2	-7.4	-6.2	-5.8	-2.2	-1.0	-1.4	0.6
Machinery and Electrical Equipment	20.4	20.4	20.4	20.5	20.6	20.7	20.9	21.0
% Ch, Annual Rate	1.4	-0.2	0.0	1.0	2.4	2.7	2.5	2.2
Aerospace	79.6	80.2	80.4	80.4	80.4	80.4	80.4	80.4
% Ch, Annual Rate	3.5	3.1	1.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	13.6	13.5	13.5	13.4	13.4	13.4	13.3	13.2
% Ch, Annual Rate	-1.6	-1.5	-1.7	-1.2	-1.0	-0.9	-1.6	-2.4
Other Durables	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.9
% Ch, Annual Rate	-0.3	-0.3	-0.1	0.1	0.4	0.3	0.2	0.3
Nondurable Manufacturing	84.8	84.8	84.9	85.0	85.2	85.4	85.6	85.8
% Ch, Annual Rate	0.5	0.1	0.3	0.5	1.0	0.7	1.1	0.8
Food Manufacturing	36.6	36.7	36.9	37.0	37.2	37.4	37.6	37.8
% Ch, Annual Rate	3.1	1.6	1.6	1.5	2.2	1.7	2.7	2.0
Paper and Paper Products	11.7	11.6	11.6	11.6	11.6	11.6	11.6	11.6
% Ch, Annual Rate	-2.1	-1.4	-0.8	-0.4	0.0	-0.2	0.0	-0.1
Other Nondurables	36.6	36.5	36.4	36.4	36.4	36.4	36.4	36.4
% Ch, Annual Rate	-1.2	-0.9	-0.5	-0.3	0.1	-0.1	-0.1	-0.2
Natural Resources and Mining	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6
% Ch, Annual Rate	-0.5	-0.8	-0.7	-0.5	-0.1	0.6	-0.3	0.1
Construction	201.4	201.8	202.1	202.4	202.6	202.6	202.7	202.8
% Ch, Annual Rate	1.1	0.8	0.7	0.6	0.3	0.1	0.2	0.3
Trade, Transportation, and Utilities	567.3	570.8	574.2	577.6	579.0	580.7	582.2	583.8
% Ch, Annual Rate	3.0	2.5	2.4	2.3	1.0	1.2	1.0	1.1
Wholesale Trade	129.9	130.3	130.6	130.9	131.1	131.3	131.5	131.8
% Ch, Annual Rate	1.6	1.2	1.1	0.8	0.6	0.5	0.8	0.7
Retail Trade	339.8	342.4	344.8	347.2	347.9	348.9	349.6	350.6
% Ch, Annual Rate	3.7	3.0	2.8	2.9	0.7	1.2	0.9	1.1
Trans., Warehousing, and Utilities	97.6	98.2	98.8	99.5	100.0	100.6	101.0	101.5
% Ch, Annual Rate	2.4	2.5	2.7	2.5	2.3	2.2	1.9	1.7
Information	103.2	104.7	105.5	106.1	106.7	107.2	107.8	108.4
% Ch, Annual Rate	1.9	5.9	3.4	2.1	2.2	2.2	2.3	2.0
Software Publishers	48.7	49.2	49.6	50.1	50.6	51.1	51.6	52.2
% Ch, Annual Rate	3.6	3.5	3.7	3.9	4.1	4.2	4.2	4.3
Other Publishing Industries	11.1	11.1	11.1	11.1	11.1	11.1	11.2	11.2
% Ch, Annual Rate	-0.1	-0.5	-0.1	0.2	0.7	1.0	0.8	0.8
Other Information	43.3	44.4	44.8	44.9	45.0	45.0	45.0	45.0
% Ch, Annual Rate	0.6	10.5	3.9	0.6	0.6	0.2	0.5	-0.4
Financial Activities	160.5	161.0	161.6	162.1	163.0	163.8	164.6	165.6
% Ch, Annual Rate	2.9	1.4	1.3	1.3	2.3	1.9	2.1	2.4
Professional and Business Services	356.1	361.0	366.1	370.8	375.0	378.4	381.5	384.9
% Ch, Annual Rate	5.0	5.6	5.8	5.1	4.6	3.7	3.4	3.6
Education and Health Services	352.1	354.0	356.6	358.7	360.9	362.6	363.8	365.0
% Ch, Annual Rate	2.3	2.2	2.9	2.5	2.5	1.9	1.4	1.3
Leisure and Hospitality	284.5	286.3	287.1	288.6	290.1	291.9	293.6	295.1
% Ch, Annual Rate	2.4	2.6	1.2	2.0	2.1	2.5	2.4	2.1
Other Services	106.9	107.2	107.5	107.7	108.0	108.2	108.5	108.7
% Ch, Annual Rate	1.3	1.1	1.0	1.0	1.0	0.9	0.9	0.8
Federal Government	69.6	69.7	69.9	70.0	70.1	70.2	70.5	71.1
% Ch, Annual Rate	0.8	0.8	0.8	0.7	0.7	0.6	1.7	3.1
State and Local Government	471.3	474.0	477.5	480.7	482.9	485.4	488.4	491.3
% Ch, Annual Rate	1.4	2.3	3.0	2.7	1.9	2.0	2.5	2.4

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

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	8,881.9	9,163.6	9,731.4	10,239.2	10,966.2	11,547.4	12,197.1	12,934.1
% Ch	1.8	3.2	6.2	5.2	7.1	5.3	5.6	6.0
Total Wage and Salary Disbursements	4,980.9	5,112.7	5,392.1	5,664.8	6,107.2	6,387.5	6,717.4	7,092.1
% Ch	0.8	2.6	5.5	5.1	7.8	4.6	5.2	5.6
Nonwage Personal Income	3,901.0	4,050.9	4,339.3	4,574.4	4,859.0	5,159.8	5,479.7	5,842.0
% Ch	3.2	3.8	7.1	5.4	6.2	6.2	6.2	6.6
Supplements to Wages and Salaries	1,110.3	1,197.7	1,273.2	1,365.5	1,460.9	1,533.6	1,596.6	1,665.4
% Ch	11.1	7.9	6.3	7.3	7.0	5.0	4.1	4.3
Proprietor's Income	768.4	811.3	911.1	970.7	1,015.5	1,067.5	1,139.9	1,211.9
% Ch	-0.5	5.6	12.3	6.5	4.6	5.1	6.8	6.3
Farm	10.6	29.2	36.2	30.3	20.5	23.1	21.8	20.3
% Ch	-46.3	176.4	23.9	-16.4	-32.3	13.0	-6.0	-6.5
Nonfarm	757.8	782.1	874.9	940.4	995.0	1,044.3	1,118.1	1,191.6
% Ch	0.7	3.2	11.9	7.5	5.8	5.0	7.1	6.6
Less: Contribution For Govt. Soc. Ins.	750.0	778.6	826.4	880.6	956.8	1,006.1	1,057.3	1,116.4
% Ch	2.6	3.8	6.1	6.6	8.7	5.1	5.1	5.6
Dividends/Int./Rent	1,486.2	1,469.6	1,554.9	1,592.3	1,732.0	1,850.3	1,986.4	2,162.7
% Ch	-4.0	-1.1	5.8	2.4	8.8	6.8	7.4	8.9
Transfer Payments	1,286.2	1,351.0	1,426.5	1,526.6	1,607.4	1,714.5	1,814.1	1,918.5
% Ch	7.7	5.0	5.6	7.0	5.3	6.7	5.8	5.8

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

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

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,721.4	10,901.0	11,057.7	11,184.7	11,342.8	11,479.2	11,613.5	11,754.1
% Ch, Annual Rate	9.4	6.9	5.9	4.7	5.8	4.9	4.8	4.9
Total Wage and Salary Disbursements	5,970.1	6,081.2	6,156.5	6,221.0	6,288.1	6,350.8	6,419.4	6,491.9
% Ch, Annual Rate	13.3	7.7	5.0	4.3	4.4	4.0	4.4	4.6
Nonwage Personal Income	4,751.3	4,819.8	4,901.2	4,963.7	5,054.7	5,128.4	5,194.1	5,262.2
% Ch, Annual Rate	4.7	5.9	6.9	5.2	7.5	6.0	5.2	5.3
Supplements to Wages and Salaries	1,430.3	1,452.0	1,471.8	1,489.4	1,511.3	1,527.6	1,541.6	1,554.1
% Ch, Annual Rate	9.7	6.2	5.6	4.9	6.0	4.4	3.7	3.3
Proprietor's Income	1,008.3	1,011.8	1,012.2	1,029.5	1,046.6	1,060.5	1,074.9	1,087.8
% Ch, Annual Rate	4.7	1.4	0.2	7.0	6.8	5.4	5.5	4.9
Farm	23.9	17.5	18.6	21.9	23.4	23.6	24.1	21.4
% Ch, Annual Rate	-51.9	-71.3	26.7	95.0	30.1	3.5	8.1	-38.0
Nonfarm	984.4	994.3	993.6	1,007.6	1,023.1	1,036.9	1,050.8	1,066.4
% Ch, Annual Rate	6.9	4.1	-0.3	5.7	6.3	5.5	5.5	6.1
Less: Contribution For Govt. Soc. Ins.	936.7	952.9	963.9	973.7	995.5	1,002.1	1,010.9	1,015.7
% Ch, Annual Rate	17.9	7.1	4.7	4.1	9.3	2.7	3.6	1.9
Dividends/Int./Rent	1,679.1	1,719.1	1,752.9	1,777.1	1,808.3	1,838.5	1,863.6	1,890.9
% Ch, Annual Rate	4.3	9.9	8.1	5.6	7.2	6.8	5.6	6.0
Transfer Payments	1,570.4	1,589.7	1,628.2	1,641.4	1,683.9	1,704.0	1,724.9	1,745.1
% Ch, Annual Rate	8.2	5.0	10.0	3.3	10.8	4.8	5.0	4.8

Table A3.2

U.S. Personal Income by Component

Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	11,923.3	12,107.6	12,287.6	12,469.8	12,659.5	12,842.7	13,024.2	13,210.0
% Ch, Annual Rate	5.9	6.3	6.1	6.1	6.2	5.9	5.8	5.8
Total Wage and Salary Disbursements	6,581.9	6,671.1	6,762.2	6,854.4	6,953.2	7,046.0	7,138.2	7,230.7
% Ch, Annual Rate	5.7	5.5	5.6	5.6	5.9	5.4	5.3	5.3
Nonwage Personal Income	5,341.4	5,436.5	5,525.4	5,615.4	5,706.3	5,796.7	5,885.9	5,979.2
% Ch, Annual Rate	6.2	7.3	6.7	6.7	6.6	6.5	6.3	6.5
Supplements to Wages and Salaries	1,574.2	1,590.2	1,604.1	1,617.8	1,640.7	1,657.8	1,674.0	1,689.1
% Ch, Annual Rate	5.3	4.1	3.6	3.4	5.8	4.2	4.0	3.7
Proprietor's Income	1,108.5	1,131.7	1,151.9	1,167.6	1,185.0	1,204.0	1,220.4	1,238.4
% Ch, Annual Rate	7.8	8.6	7.4	5.6	6.1	6.6	5.6	6.0
Farm	20.9	22.4	22.7	21.1	19.4	20.2	20.6	21.1
% Ch, Annual Rate	-9.7	33.7	5.0	-25.8	-27.8	17.4	8.4	9.9
Nonfarm	1,087.6	1,109.2	1,129.2	1,146.5	1,165.6	1,183.8	1,199.8	1,217.3
% Ch, Annual Rate	8.2	8.2	7.4	6.3	6.8	6.4	5.5	6.0
Less: Contribution For Govt. Soc. Ins.	1,041.5	1,052.3	1,063.3	1,072.3	1,100.2	1,111.3	1,123.0	1,131.1
% Ch, Annual Rate	10.6	4.2	4.2	3.4	10.8	4.1	4.3	2.9
Dividends/Int./Rent	1,922.6	1,964.3	2,007.0	2,051.6	2,095.6	2,141.3	2,186.1	2,227.8
% Ch, Annual Rate	6.9	9.0	9.0	9.2	8.8	9.0	8.6	7.9
Transfer Payments	1,777.6	1,802.6	1,825.6	1,850.7	1,885.3	1,905.0	1,928.6	1,955.1
% Ch, Annual Rate	7.7	5.7	5.2	5.6	7.7	4.3	5.0	5.6

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

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	197.452	202.868	216.867	223.151	240.786	256.395	273.899	292.420
% Ch	2.0	2.7	6.9	2.9	7.9	6.5	6.8	6.8
Total Wage and Salary Disbursements	111.412	114.100	119.184	125.737	137.388	145.439	154.741	164.356
% Ch	0.7	2.4	4.5	5.5	9.3	5.9	6.4	6.2
Manufacturing	14.660	13.593	13.881	15.152	17.485	18.447	19.296	20.107
% Ch	-3.8	-7.3	2.1	9.2	15.4	5.5	4.6	4.2
Durable Manufacturing	10.772	10.099	10.391	11.547	13.732	14.513	15.155	15.760
% Ch	-7.3	-6.2	2.9	11.1	18.9	5.7	4.4	4.0
Nondurable Manufacturing	3.888	3.493	3.490	3.605	3.752	3.934	4.141	4.347
% Ch	7.2	-10.2	-0.1	3.3	4.1	4.9	5.3	5.0
Nonmanufacturing	92.236	95.629	100.123	104.870	114.042	120.870	128.988	137.439
% Ch	1.2	3.7	4.7	4.7	8.7	6.0	6.7	6.6
Other Private Wages	1.084	1.139	1.191	1.239	1.308	1.388	1.501	1.622
% Ch	5.0	5.1	4.5	4.1	5.5	6.1	8.2	8.0
Farm Wages	0.922	0.948	1.028	1.194	1.229	1.290	1.365	1.443
% Ch	-8.4	2.8	8.4	16.2	2.9	5.0	5.8	5.7
Military Wages	2.510	2.791	2.961	3.282	3.325	3.444	3.591	3.745
% Ch	15.5	11.2	6.1	10.8	1.3	3.6	4.3	4.3
Nonwage Personal Income	86.039	88.769	97.683	97.415	103.398	110.955	119.158	128.065
% Ch	3.8	3.2	10.0	-0.3	6.1	7.3	7.4	7.5
Supplements to Wages and Salaries	25.491	26.842	28.904	31.156	33.919	36.119	38.050	39.981
% Ch	9.7	5.3	7.7	7.8	8.9	6.5	5.3	5.1
Proprietor's Income	16.108	16.361	18.220	18.874	20.027	21.336	23.032	24.636
% Ch	-0.3	1.6	11.4	3.6	6.1	6.5	8.0	7.0
Farm	0.396	0.732	0.604	0.306	0.436	0.569	0.609	0.617
% Ch	85.3	84.8	-17.5	-49.3	42.1	30.7	6.9	1.4
Nonfarm	15.712	15.630	17.615	18.568	19.592	20.766	22.423	24.019
% Ch	-1.5	-0.5	12.7	5.4	5.5	6.0	8.0	7.1
Less: Contribution For Govt. Soc. Ins.	18.165	18.957	20.313	21.572	23.529	25.057	26.593	28.213
% Ch	1.9	4.4	7.2	6.2	9.1	6.5	6.1	6.1
Plus: Residence Adjustment	2.386	2.342	2.443	2.601	2.837	2.979	3.129	3.312
% Ch	3.2	-1.8	4.3	6.4	9.1	5.0	5.0	5.9
Dividends/Int./Rent	33.594	34.254	40.130	36.557	38.608	41.528	44.956	49.251
% Ch	-0.9	2.0	17.2	-8.9	5.6	7.6	8.3	9.6
Transfer Payments	26.625	27.926	28.298	29.800	31.536	34.050	36.584	39.097
% Ch	6.2	4.9	1.3	5.3	5.8	8.0	7.4	6.9
State U.I. Benefits	2.386	2.238	1.183	0.783	0.703	0.758	0.855	0.881
% Ch	73.6	-6.2	-47.1	-33.8	-10.2	7.8	12.8	3.1
Other Transfers	24.239	25.688	27.115	29.017	30.832	33.293	35.729	38.216
% Ch	2.3	6.0	5.6	7.0	6.3	8.0	7.3	7.0

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	205.647	211.342	213.132	237.345	217.747	220.823	225.641	228.394
% Ch, Annual Rate	2.7	11.5	3.4	53.8	-29.2	5.8	9.0	5.0
Total Wage and Salary Disbursements	115.216	119.423	120.601	121.495	122.034	123.998	127.805	129.109
% Ch, Annual Rate	5.1	15.4	4.0	3.0	1.8	6.6	12.9	4.1
Manufacturing	13.229	13.821	14.314	14.161	14.563	15.309	15.120	15.615
% Ch, Annual Rate	-8.0	19.1	15.0	-4.2	11.8	22.1	-4.8	13.8
Durable Manufacturing	9.796	10.293	10.871	10.603	11.016	11.763	11.442	11.967
% Ch, Annual Rate	-9.3	21.9	24.4	-9.5	16.5	30.0	-10.5	19.7
Non-durable Manufacturing	3.433	3.528	3.443	3.558	3.547	3.546	3.678	3.648
% Ch, Annual Rate	-4.2	11.5	-9.3	14.0	-1.2	-0.1	15.7	-3.2
Nonmanufacturing	96.911	100.450	101.071	102.060	101.673	102.987	107.029	107.789
% Ch, Annual Rate	6.6	15.4	2.5	4.0	-1.5	5.3	16.6	2.9
Other Private Wages	1.140	1.181	1.203	1.239	1.273	1.231	1.234	1.218
% Ch, Annual Rate	0.0	15.2	7.7	12.5	11.4	-12.6	1.0	-5.1
Farm Wages	0.966	1.013	1.051	1.081	1.178	1.193	1.202	1.204
% Ch, Annual Rate	-4.0	20.9	15.9	11.9	41.0	5.2	3.1	0.7
Military Wages	2.970	2.958	2.962	2.954	3.347	3.278	3.220	3.283
% Ch, Annual Rate	29.0	-1.6	0.5	-1.1	64.8	-8.0	-6.9	8.1
Nonwage Personal Income	90.431	91.919	92.531	115.850	95.713	96.825	97.836	99.285
% Ch, Annual Rate	-0.2	6.7	2.7	145.7	-53.4	4.7	4.2	6.1
Supplements to Wages and Salaries	27.725	28.914	29.327	29.651	30.256	30.838	31.608	31.920
% Ch, Annual Rate	11.6	18.3	5.8	4.5	8.4	7.9	10.4	4.0
Proprietor's Income	17.695	18.359	18.252	18.573	18.455	18.643	19.104	19.296
% Ch, Annual Rate	19.0	15.9	-2.3	7.2	-2.5	4.1	10.3	4.1
Farm	0.781	0.808	0.448	0.380	0.381	0.244	0.329	0.272
% Ch, Annual Rate	-4.E+01	14.6	-90.5	-48.2	1.1	-8.E+01	230.5	-53.3
Nonfarm	16.914	17.551	17.803	18.193	18.074	18.399	18.775	19.024
% Ch, Annual Rate	23.6	15.9	5.9	9.1	-2.6	7.4	8.4	5.4
Less: Contribution For Govt. Soc. Ins.	19.569	20.310	20.571	20.801	21.091	21.354	21.858	21.987
% Ch, Annual Rate	12.9	16.0	5.2	4.5	5.7	5.1	9.8	2.4
Plus: Residence Adjustment	2.403	2.422	2.455	2.492	2.551	2.575	2.625	2.651
% Ch, Annual Rate	-7.6	3.2	5.6	6.2	9.8	3.8	8.0	4.0
Dividends/Int./Rent	34.009	34.340	34.803	57.369	36.100	36.317	36.491	37.321
% Ch, Annual Rate	-10.6	4.0	5.5	638.3	-84.3	2.4	1.9	9.4
Transfer Payments	28.168	28.194	28.266	28.566	29.442	29.806	29.866	30.084
% Ch, Annual Rate	0.6	0.4	1.0	4.3	12.8	5.0	0.8	3.0
State U.I. Benefits	1.598	1.177	1.035	0.923	0.853	0.763	0.766	0.749
% Ch, Annual Rate	-67.3	-70.6	-40.2	-36.8	-27.1	-36.0	1.6	-8.6
Other Transfers	26.570	27.017	27.231	27.643	28.589	29.043	29.100	29.334
% Ch, Annual Rate	8.8	6.9	3.2	6.2	14.4	6.5	0.8	3.3

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	235.255	236.911	245.497	245.482	249.549	252.849	262.022	261.159
% Ch, Annual Rate	12.6	2.8	15.3	-0.0	6.8	5.4	15.3	-1.3
Total Wage and Salary Disbursements	134.245	134.501	141.236	139.571	141.386	142.748	150.162	147.461
% Ch, Annual Rate	16.9	0.8	21.6	-4.6	5.3	3.9	22.5	-7.0
Manufacturing	17.253	17.208	17.603	17.874	18.146	18.303	18.546	18.794
% Ch, Annual Rate	49.0	-1.0	9.5	6.3	6.2	3.5	5.4	5.5
Durable Manufacturing	13.419	13.539	13.855	14.117	14.304	14.400	14.577	14.771
% Ch, Annual Rate	58.1	3.6	9.7	7.8	5.4	2.7	5.0	5.4
Nondurable Manufacturing	3.834	3.669	3.748	3.758	3.841	3.904	3.969	4.023
% Ch, Annual Rate	22.0	-16.2	8.9	1.1	9.2	6.6	6.9	5.6
Nonmanufacturing	111.139	111.469	117.762	115.800	117.194	118.350	125.469	122.465
% Ch, Annual Rate	13.0	1.2	24.6	-6.5	4.9	4.0	26.3	-9.2
Other Private Wages	1.303	1.297	1.309	1.322	1.351	1.376	1.400	1.425
% Ch, Annual Rate	31.0	-2.0	4.0	4.0	8.9	7.6	7.3	7.4
Farm Wages	1.212	1.222	1.234	1.246	1.266	1.282	1.299	1.315
% Ch, Annual Rate	2.7	3.3	4.0	4.0	6.4	5.4	5.2	5.2
Military Wages	3.338	3.306	3.328	3.329	3.430	3.436	3.448	3.460
% Ch, Annual Rate	6.9	-3.8	2.7	0.1	12.8	0.7	1.4	1.5
Nonwage Personal Income	101.010	102.410	104.260	105.911	108.163	110.101	111.859	113.698
% Ch, Annual Rate	7.1	5.7	7.4	6.5	8.8	7.4	6.5	6.7
Supplements to Wages and Salaries	33.055	33.629	34.253	34.738	35.436	35.928	36.368	36.745
% Ch, Annual Rate	15.0	7.1	7.6	5.8	8.3	5.7	5.0	4.2
Proprietor's Income	19.708	19.916	20.062	20.423	20.827	21.166	21.505	21.845
% Ch, Annual Rate	8.8	4.3	3.0	7.4	8.2	6.7	6.6	6.5
Farm	0.385	0.372	0.477	0.508	0.546	0.567	0.588	0.577
% Ch, Annual Rate	301.4	-12.8	169.6	29.4	33.1	16.0	16.1	-7.7
Nonfarm	19.323	19.544	19.585	19.914	20.281	20.599	20.917	21.268
% Ch, Annual Rate	6.4	4.7	0.8	6.9	7.6	6.4	6.3	6.9
Less: Contribution For Govt. Soc. Ins.	22.944	23.369	23.755	24.047	24.692	24.930	25.216	25.388
% Ch, Annual Rate	18.6	7.6	6.8	5.0	11.2	3.9	4.7	2.8
Plus: Residence Adjustment	2.767	2.827	2.868	2.886	2.927	2.962	2.996	3.030
% Ch, Annual Rate	18.7	9.0	5.9	2.6	5.8	4.8	4.8	4.6
Dividends/Int./Rent	37.572	38.185	39.022	39.653	40.442	41.212	41.875	42.584
% Ch, Annual Rate	2.7	6.7	9.1	6.6	8.2	7.8	6.6	6.9
Transfer Payments	30.852	31.222	31.810	32.258	33.223	33.764	34.331	34.883
% Ch, Annual Rate	10.6	4.9	7.8	5.8	12.5	6.7	6.9	6.6
State U.I. Benefits	0.707	0.688	0.697	0.720	0.727	0.742	0.768	0.793
% Ch, Annual Rate	-20.6	-10.3	5.3	13.7	4.0	8.8	14.9	13.3
Other Transfers	30.144	30.534	31.113	31.538	32.497	33.022	33.563	34.090
% Ch, Annual Rate	11.5	5.3	7.8	5.6	12.7	6.6	6.7	6.4

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	265.503	269.765	280.620	279.707	284.226	288.161	299.407	297.887
% Ch, Annual Rate	6.8	6.6	17.1	-1.3	6.6	5.7	16.5	-2.0
Total Wage and Salary Disbursements	149.768	151.682	160.330	157.183	159.471	161.192	170.268	166.492
% Ch, Annual Rate	6.4	5.2	24.8	-7.6	6.0	4.4	24.5	-8.6
Manufacturing	19.007	19.212	19.392	19.573	19.788	20.008	20.216	20.416
% Ch, Annual Rate	4.6	4.4	3.8	3.8	4.5	4.5	4.2	4.0
Durable Manufacturing	14.936	15.095	15.229	15.361	15.522	15.689	15.841	15.991
% Ch, Annual Rate	4.5	4.3	3.6	3.5	4.2	4.4	3.9	3.9
Nonurable Manufacturing	4.072	4.117	4.163	4.212	4.267	4.319	4.375	4.426
% Ch, Annual Rate	4.9	4.5	4.6	4.7	5.3	5.0	5.3	4.7
Nonmanufacturing	124.399	126.044	134.449	131.059	132.966	134.405	143.211	139.172
% Ch, Annual Rate	6.5	5.4	29.5	-9.7	6.0	4.4	28.9	-10.8
Other Private Wages	1.455	1.487	1.517	1.547	1.578	1.608	1.637	1.666
% Ch, Annual Rate	8.6	9.0	8.4	8.1	8.3	7.8	7.5	7.4
Farm Wages	1.335	1.355	1.375	1.394	1.414	1.434	1.453	1.472
% Ch, Annual Rate	6.0	6.3	5.9	5.7	5.9	5.6	5.4	5.4
Military Wages	3.571	3.584	3.597	3.610	3.724	3.738	3.751	3.765
% Ch, Annual Rate	13.4	1.5	1.4	1.5	13.2	1.5	1.5	1.5
Nonwage Personal Income	115.736	118.082	120.290	122.525	124.755	126.969	129.139	131.395
% Ch, Annual Rate	7.4	8.4	7.7	7.6	7.5	7.3	7.0	7.2
Supplements to Wages and Salaries	37.376	37.867	38.287	38.670	39.321	39.783	40.217	40.603
% Ch, Annual Rate	7.1	5.4	4.5	4.1	6.9	4.8	4.4	3.9
Proprietor's Income	22.332	22.846	23.294	23.656	24.060	24.464	24.816	25.205
% Ch, Annual Rate	9.2	9.5	8.1	6.4	7.0	6.9	5.9	6.4
Farm	0.584	0.615	0.624	0.612	0.605	0.615	0.621	0.628
% Ch, Annual Rate	5.3	22.7	6.5	-7.7	-4.5	6.6	4.3	4.2
Nonfarm	21.748	22.232	22.669	23.044	23.455	23.849	24.195	24.577
% Ch, Annual Rate	9.3	9.2	8.1	6.8	7.3	6.9	5.9	6.5
Less: Contribution For Govt. Soc. Ins.	26.110	26.450	26.777	27.035	27.775	28.081	28.393	28.603
% Ch, Annual Rate	11.9	5.3	5.0	3.9	11.4	4.5	4.5	3.0
Plus: Residence Adjustment	3.067	3.106	3.149	3.193	3.241	3.288	3.336	3.383
% Ch, Annual Rate	5.0	5.2	5.6	5.8	6.1	5.9	5.9	5.9
Dividends/Int./Rent	43.390	44.417	45.466	46.552	47.623	48.730	49.816	50.833
% Ch, Annual Rate	7.8	9.8	9.8	9.9	9.5	9.6	9.2	8.4
Transfer Payments	35.680	36.297	36.872	37.488	38.285	38.784	39.347	39.974
% Ch, Annual Rate	9.5	7.1	6.5	6.9	8.8	5.3	5.9	6.5
State U.I. Benefits	0.820	0.858	0.853	0.888	0.872	0.896	0.868	0.888
% Ch, Annual Rate	14.4	19.8	-2.3	17.2	-6.9	11.4	-11.9	9.7
Other Transfers	34.860	35.439	36.019	36.600	37.413	37.888	38.479	39.085
% Ch, Annual Rate	9.3	6.8	6.7	6.6	9.2	5.2	6.4	6.5

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1969	0.253	4.6	0.367	5.4	0.358	4.8
1970	0.264	4.7	0.388	5.9	0.374	4.5
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.539	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.677	2.9
1999	0.976	1.7	1.666	2.2	1.728	3.0
2000	1.000	2.5	1.722	3.4	1.792	3.7
2001	1.021	2.1	1.770	2.8	1.857	3.6
2002	1.035	1.4	1.799	1.6	1.893	2.0
2003	1.056	2.0	1.840	2.3	1.924	1.6
2004	1.084	2.6	1.889	2.7	1.947	1.2
2005	1.115	2.9	1.953	3.4	2.002	2.8
Forecast						
2006	1.146	2.8	2.016	3.3	2.071	3.4
2007	1.168	1.9	2.060	2.2	2.125	2.6
2008	1.190	2.0	2.102	2.0	2.175	2.4
2009	1.212	1.8	2.139	1.8	2.217	1.9

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

Table A4.2

Chain-Weighted Price Indices
 (2000=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1969	20.106	5.1	25.031	4.9	12.959	2.3	21.696	3.3
1970	21.175	5.3	26.549	6.1	13.508	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.418	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.043	-1.2	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.2	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.018	2.7	104.951	2.0	91.688	-9.9	90.433	-6.1
2003	109.379	3.2	106.986	1.9	109.653	19.6	105.213	16.3
2004	112.863	3.2	110.270	3.1	125.377	14.3	123.925	17.8
2005	116.529	3.2	112.732	2.2	159.465	27.2	150.761	21.7
Forecast								
2006	120.506	3.4	115.287	2.3	178.005	11.6	171.068	13.5
2007	124.096	3.0	117.538	2.0	165.737	-6.9	162.867	-4.8
2008	127.290	2.6	120.025	2.1	161.044	-2.8	162.043	-0.5
2009	130.466	2.5	122.061	1.7	160.188	-0.5	161.008	-0.6

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

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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