

# Washington Labor Market

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## HIGH ENOUGH

Washington potentially had the highest jobless rate in the nation in July. Not seasonally adjusted data showed Washington's 6.9 percent jobless rate a mere tick behind Oregon's 7.0 percent. More widely reported and recognized seasonally adjusted data placed Washington's 7.1 percent unemployment rate in July just below the 7.3 percent recorded in Oregon. Both measures officially place Washington in the unenviable position of having the second highest jobless rate in the nation. If one considers the range of error or standard error, it is possible that Washington had the highest jobless rate in the nation. To be sure, this is not an argument in support of achieving that distinction. It merely underscores the relatively unsettled labor market situation within which Washington finds itself mid-year in 2002 with one of the, if not *the*, highest jobless rates in the nation.

As was noted in the formal news release announcing the July labor market numbers, the state of Washington's labor market remains tenuous. However, guarded or cautious optimism remains the watchword for the state's economy, which appears is poised for recovery despite the fact that job losses will undoubtedly continue in some sectors of the economy, particularly manufacturing. At the root of all this is, again, the fact that labor market recovery tends to lag economic recovery. Here, in the midst of a turning point in the business cycle, it is not unusual to see mixed signals like those captured this month, particularly with the manufacturing sector (specifically aircraft and parts) still contracting. All told, however, the current situation remains consistent with the short-term forecast generated by the Office of the Forecast Council, which shows the jobless rate peaking and nonfarm employment growth shifting positive in the third quarter that will be anchored by the July data just released.

## LABOR FORCE AND UNEMPLOYMENT

Washington's seasonally adjusted unemployment rate rose three-tenths of one percentage point to 7.1 percent in July—essentially doing an about-face over the month. Whereas all of last month's variables feeding the downward movement were positive, the variables feeding the upward spike were more mixed. The number of unemployed was up nearly 14 percent despite the fact that the labor force was essentially unchanged. The number of employed was

up 0.5 percent. The state's not seasonally adjusted jobless rate was up one-tenth of a percentage point at 6.9 percent.

By comparison, the seasonally adjusted U.S. unemployment rate was unchanged at 5.9 percent, which is not to say there was no activity. The number of unemployed fell nearly 1 percent. The labor force also contracted a bit (-0.1 percent), which resulted in no change in the jobless rate. The number of discouraged workers was up about 61,000 to 398,000 in July, which could account for the drop in the number of unemployed as well as the labor force contraction.

Turning to the sub-state labor force picture, there were a number of counties that saw significant shifts in their unemployment rates over the month in July. On the positive side, a number of resource dependent counties saw their jobless rates decline appreciably in July. This group was led by Klickitat County, which trimmed more than two percentage points off of its unemployment rate, as well as Chelan and Douglas counties, where jobless rates fell by nearly two percentage points. For the most part, Washington metropolitan counties were in the group that saw no change or changes consistent with the slight uptick in the state rate. On the flip side, Columbia County's unemployment rate rose nearly two percentage points over the month, with Clallam and Franklin counties up around one percentage point.

On a slightly different note, while the statewide labor force expanded a little over 1 percent over the month, about a quarter of Washington's counties saw their labor forces contract in July. These were primarily counties with a significant industrial presence, particularly aluminum smelting. Nearly half of Washington's counties experienced labor force expansion, some to a significant degree. The Tri-Cities region topped the list with labor force growth rates in Benton and Franklin counties hitting 6.4 percent and 6.8 percent, respectively. This was largely attributable to the ramping up of nuclear waste cleanup activity (namely the construction of the vitrification plant) at Hanford.

In terms of over-the-year changes in July, central Puget Sound counties continued to reflect the most pronounced jobless rates increases with upticks ranging from around one percentage point in Pierce, Island, and King counties to

more than two percentage points in Snohomish County. Clark County's unemployment rate also rose significantly to the tune of about one percentage point over the year. Still, only a third of Washington's counties saw their jobless rates increase year-over-year in July, which means that two-thirds saw their jobless rates fall or stay unchanged. These were largely rural counties from both sides of the Cascades. Ferry County's jobless rate fell the most—nearly two and a half percentage points—followed by Grays Harbor, Cowlitz, Adams, Okanogan, Klickitat, Lewis, and Walla Walla counties at one to two percentage points.

Though the statewide labor force expanded 1.2 percent from June 2001 to June 2002, labor force growth was most notable in the Tri-Cities (Benton and Franklin counties) as nuclear waste cleanup activities at the Hanford Reservation fueled gains in excess of 6 percent. However, two Olympic Peninsula counties—Mason and Pacific—posted the strongest year-over-year growth at 9.2 percent and 7.9 percent, respectively. On the flip side, a number of counties experienced labor force contraction over the year. Columbia County, in particular, lost nearly 15 percent of its labor force. Klickitat, Okanogan, and San Juan counties all saw their labor forces shrink nearly 6 percent. Not even metropolitan areas were spared as the labor forces in Yakima (-1.4 percent), Whatcom (-1.4 percent), and Spokane (-0.5 percent) counties took hits.

Still important is the absolute rate of unemployment in July. In this regard, Klickitat County continued to top the rankings with an unemployment rate of 11.3 percent. At 10.3 percent, Cowlitz joined Klickitat as one of two counties with jobless rates in double-digits. Clark County had the highest metropolitan area unemployment rate at 8.8 percent, though Yakima was not far behind at 8.4 percent. Nearly half of Washington counties had jobless rates above the 6.9 percent statewide average. Washington's "wheat" counties, namely Garfield, Whitman, Lincoln, Douglas, Walla Walla, and Asotin, continued to reveal the lowest unemployment rates in the state from 2.4 percent to 5.5 percent. San Juan had the lowest jobless rate in western Washington at 3.1 percent. Thurston County had the lowest metropolitan unemployment rate at 5.5 percent.

## INDUSTRY DEVELOPMENTS

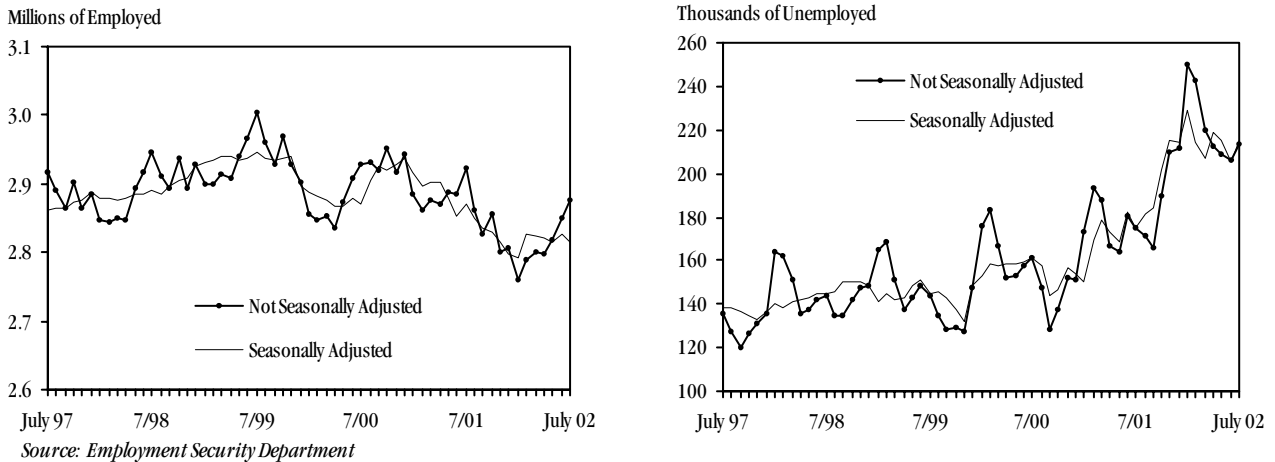
### *Over the Month*

Washington's nonagricultural wage and salary employment fell 25,300 over the month in July for a non-adjusted decline of 0.9 percent. This was due mainly to seasonal pullbacks in state and local education, which fell 18,600 and 12,300, respectively. When adjusted for seasonal factors, however, the statewide nonfarm employment base actually grew 0.2 percent, according to numbers generated in collaboration with the Office of the Forecast Council. Services shed 2,100 jobs with the seasonal loss of 5,000 private education jobs only partly offset by notable gains of 900 in business services (namely 800 in computer and data processing), 1,100 in amusement and recreation, 600 in health services, and 500 in hotels and lodging. Wholesale and retail trade was up 900 jobs. Retail was mixed, however, with general merchandise up 900 and food stores (-200), building materials/garden supplies (-100), and eating and drinking (-100) all down. Construction added 4,200 jobs with general, heavy, and special trade all posting positive numbers. Transportation and public utilities added 800 jobs; finance, insurance, and real estate added 500. Manufacturing lost 500 jobs with the 200 increase in nondurable goods more than offset by the 700 loss in durable goods. Among nondurable goods, there were modest gains in food processing (+100) and pulp and paper (+100). Among durable goods, aircraft and parts (-1,000) and shipbuilding (-300) accounted for a loss of 1,300 jobs in a sector otherwise marked by modest gains in lumber and wood products (+200), stone, clay, and glass (+200), and electronics (+100) and a loss of 100 in aluminum. Government was down 29,100 jobs, again due to seasonal pullbacks in education.

### *Year-Over-Year*

Washington's nonfarm employment estimated in collaboration with the Office of the Forecast Council fell by 55,700 jobs or 2.1 percent from July 2001 to July 2002 after seasonal adjustment. Non-adjusted data show that manufacturing lost 28,400 jobs with losses registered across virtually all of the state's goods producing sectors. Aircraft and parts, in particular, shed 12,400 jobs. Other notable losses were the 3,300 in electronics, 2,600 in industrial machinery and equipment, 2,600 in food processing, and 1,400 in primary metals. On the nonmanufacturing side, construction shed 10,100 jobs followed by wholesale and retail trade with

## Washington State Total Resident Employment and Unemployment July 1997-July 2002



9,200 and services with 3,600. Business services, in particular, lost 9,500 jobs including 3,600 in computer and data processing. Health care, though, added 8,300 jobs with social services (+1,900), engineering and management (+1,100), and educational services (+1,000) also contributing. Transportation, communications, and utilities lost 9,000 jobs. Finance, insurance, and real estate added 2,300 jobs. Government added 7,500 jobs, largely due to local government (+7,300), which was fueled by education and tribal-owned businesses, but also federal government (+1,300). State government was down 1,100 jobs (-700 in education and -400 in non-education).

### AREA TRENDS

The statewide pattern from June 2002 to July 2002 was essentially that of no change, having bumped up a tenth of a percentage point to 6.9 percent. Indeed, the over-the-month movements—or lack of such—at the regional level were rather similar. This was little surprise since July is typically a quiet month with the relationship between labor force numbers holding pretty steady. The metropolitan area jobless rate was up two-tenths of a percentage point to 6.7 percent, while the western area jobless rate, which is inclusive of much of the metropolitan region, was up a tenth over the month at 6.9 percent. The unemployment rate in agriculture and natural resource dependent eastern Washington was unchanged at 6.7 percent. It was down two-tenths of a percentage point to 7.7 percent in timber dependent Washington.

Washington's not seasonally adjusted unemployment rate was up seven tenths of a percentage point over the year in July 2002. Metropolitan Washington had the greatest influence on the state average as its year-over-year jobless rate was up nine-tenths of one percentage point. The western Washington unemployment rate was up a full percentage point over the year. While the metropolitan region is largely encompassed by the western region, the latter's labor force situation has been additionally affected by energy-related issues in its southwest and northwest counties. Eastern and timber-dependent Washington, meanwhile, saw their jobless rates fall over the same period. The state's timber-dependent region saw its jobless rate fall half a percentage point over the year. Eastern Washington, meanwhile, revealed an unemployment rate that was three-tenths of a percentage point lower in July than it was the previous year.

Unemployment Rates by Geographic Areas  
State of Washington

Areas	Jul-02	Jun-02	Jul-01	Jun-01
Washington State Total	6.9%	6.8%	6.2%	6.3%
Metropolitan Areas	6.7%	6.5%	5.8%	5.9%
Log & Lumber Areas	7.7%	7.9%	8.2%	8.9%
All Western WA Areas	6.9%	6.8%	5.9%	5.9%
All Eastern WA Areas	6.7%	6.7%	7.0%	7.4%

*Source: Employment Security Department*

## INDUSTRY NOTES

### *Nothing Soft About Software Numbers*

Microsoft Corporation announced that it plans to add as many as 5,000 new employees globally over the course of the company's July 1, 2002 to June 30, 2003 fiscal year. Of those employees, 2,000 will be based in the Puget Sound region. The hiring spree is expected to expand the company's intellectual inventory as it continues its major push into the highly competitive consumer products sector. Those new employees will be expected to carry out critical research and development efforts, which have been fueled by an additional infusion of nearly \$1 billion over the \$4.3 billion spent in the last fiscal year.

Microsoft has clearly influenced trends in Washington's prepackaged software sector as a whole. In 2001, for example, the sector was represented by 492 firms with a

combined employment base of 35,623 and more than \$7.5 *billion* in total wages, which resulted in an average wage of \$211,404. It is amazing, almost impossible, to comprehend the growth that has taken place in the software sector in a mere two decades. In 1981, the state's software industry was comprised of 184 firms with 875 workers, \$21.6 million in total payroll, and a rather "pedestrian" average wage of \$24,668. In those 20 years, however, the sector has posted a three-fold increase in its number of firms, a forty-fold increase in its number of workers, a 350-fold increase in its total payroll, and a nearly nine-fold increase in its average wages.

### *Value-Added Agriculture*

Recent examples of value-added agriculture, one of the Governor's top economic development goals, can be seen in several rather unique projects being launched in eastern Washington.

In partnership with the City of Moses Lake, Pacific Rim Ethanol is building a \$133 million alcohol distillation plant that will produce more than 40 million gallons of alcohol to be used as a gasoline additive (i.e., ethanol fuel) as well as for beverage and industrial uses. Once it is up and running, the company is expected to create more than 50 direct FTE jobs in the Moses Lake economy. Non-direct jobs would be generated by contracted trucking services needed to deliver wheat and barley to the plant and transport ethanol, chemical products, and wheat gluten from the plant. The plant would promote value-added agriculture as a major purchaser of grain from growers throughout eastern Washington and beyond into Oregon and Idaho. It is expected that the plant will need nearly 16.8 million bushels of barley and 3.6 million bushels of wheat each year. Also, byproducts of the alcohol distillation process will be used for animal feed, food grade carbon dioxide, and wheat gluten used in the baking industry. With respect to the latter, the facility will also feature a wheat gluten production plant.

In partnership with the Northwest Lincoln County Regional Public Development Authority, Alberta, Canada-based American Premix Technologies, Inc. is relocating to the town of Creston in southeast Washington's Lincoln County, where it will manufacture dry and liquid nutritional vita-



min, mineral, and nutraceutical supplements for livestock and horses. In addition to producing the aforementioned supplements, the company will also conduct research and provide consultation to clients to help them develop customized nutritional plans that enable them to produce and sell high quality products in the marketplace. The company hopes to create 46 full time jobs over the next three years.

The Northwest Lincoln County Regional Public Development Authority is also partnering with Sterett Bros. Hay LLC to develop an industrial site in Creston where it can expand its operations in the form of a new pellet mill. Sterett Bros. currently produces specialized hay pellets and grows special varieties of hay for customers in Washington and around the world. The company expects the new pellet mill to enable it to expand its operations and production capacity and subsequently reach larger national and international markets. The company hopes to create about a dozen full-time jobs and several seasonal jobs. The company also expects to purchase its hay from local growers. This could include wheat and barley farmers who are looking for alternatives to or a means of diversifying their current crop base. To illustrate an additional value-added aspect of the project, Sterett Bros. Hay will work closely with American Premix Technologies to serve as one of the vehicles for the latter's nutritional supplements. In other words, plain old hay will be transformed into hay pellets, which will in turn be transformed into nutritionally supplemented hay pellets.

All of these projects were made possible in part through low-interest loans and special circumstance grants provided to their public sectors partners by the Community Economic Revitalization Board (CERB). CERB is the state's only economic development infrastructure program that targets job creation, expansion, and retention in partnership primarily with rural communities. Local government entities eligible for CERB assistance include counties, cities, towns, port districts, special districts (e.g., public utility districts), and municipal corporations and quasi-municipal corporations (e.g., public development authorities). Since being established by the state legislature in 1982, CERB has invested \$80 million in publicly-owned infrastructure and facilities such as domestic and industrial water, sanitary, and storm sewers, industrial buildings and port facilities, wastewater

treatment facilities, rail spurs, telecommunications, electricity, natural gas, roads, and bridges. CERB is designed to respond rapidly to immediate business siting and expansion needs by providing funding to public sector entities to provide infrastructure for private sector creation and retention of jobs in key sectors such as manufacturing, warehousing, distribution, advanced technology, and telecommunications.

### *Taking Flight in Klickitat*

Did you know that some of Washington's most innovative advanced composite material and aeronautical research and development is taking place in the small town of Bingen in Klickitat County? The ventures are so successful that the Port of Klickitat is partnering with the respective technology firms, Innovative Composite Engineering (ICE) and The Insitu Group, to construct a 30,000 square foot building to accommodate ICE's expansion and allow Insitu to move into the 9,750 square foot building being vacated by ICE. These projects, like the value-added agriculture projects cited earlier, are partly funded by the state's Community Economic Revitalization Board. The moves will enable ICE and Insitu to expand their work forces to 25 and 48 FTE, respectively, from their current employment bases of 10 and 32. ICE mainly employs production workers while Insitu employs mostly engineers and technicians.

For more than a decade, Innovative Composite Engineering has been a leader in composites technology, manufacturing advanced composite materials ranging from pregroll-wrapped tubing to geometric compression moldings for the aerospace, automotive, industrial, and recreational sectors. In the aerospace/defense field, ICE has produced materials for naval submarines, satellite deployment systems, thermally stable guidance systems, and infrastructure for the space shuttle program. In the industrial/automotive field, ICE has produced materials for GPS reflectors, racing car bodies, radome enclosures, orthopedics, and prosthetics. In the recreational field, ICE produces and markets the NoLimitz brand composite snowboards and performance windsurfing masts as well as kayak shafting, bicycle tubing, hang-glider spars, and baseball/softball bats.

Founded in 1992, The Insitu Group is one of the pioneers in the research and development of long-range unmanned aerial vehicles (UAV). Its first UAV was the Aerosonde, an

offshore weather reconnaissance aircraft. In 1998, an Aerosonde was the first UAV to make the 2000-mile trans-Atlantic crossing, consuming only 1.5 gallons of fuel in the process. In 2001, Insitu developed the Seascan ship-based reconnaissance UAV. This year, Insitu secured a 15-month contract from The Boeing Company to develop the ScanEagle, a long-range UAV with a four-foot body and 10-foot wingspan that can fly at up to 68 knots.

Also located at the Port of Klickitat is Roy-G-Biv, which provides research and development and software to robotics manufacturers, including The Insitu Group. In fact, the level of collaboration between Insitu, ICE, and Roy-G-Biv is a nice example of the “industry cluster” model of economic development currently in fashion. The collaboration also demonstrates value-added manufacturing in that the advanced composite materials produced by ICE are used in the bodies of Insitu’s unmanned aerial vehicles. That this is happening in rural eastern Washington may come as a surprise to some, but it is precisely the type of economic development synergy that like communities hope to model.

### *Washington’s “Wall of Wood”*

It goes without saying that Washington’s lumber and wood products sector has seen better days. In 2001, for example, the sector was comprised of 1,577 firms employing a combined total of 30,352 workers and supporting a total payroll of \$1.2 billion for an average wage of \$39,697. In terms of establishments and employment, the situation in 2001 was a far cry from the 2,125 firms and 44,380 workers in 1988, which represents the best numbers attained following the recession and restructuring that took place in the early 1980s. By this calculation, over the past 13 years, the sector has lost a quarter of its firms and shed a third of its work force. A number of factors have contributed to the sector’s decline: timber supply constraints caused by harvest restrictions on public lands, a strong U.S. Dollar and weak Asian economies that have dampened Pacific Rim (especially Japanese) export markets, and investments in more efficient plants and equipment that have reduced labor requirements. In timber-dependent Grays Harbor at the southern end of the Olympic Peninsula, this translated into the loss of major forest products companies like ITT Rayonier, Mayr Brothers, and Lamb Grays Harbor and the hundreds of jobs those businesses supported.

Against this backdrop, though, comes hope in the form of what has been popularly termed the “Wall of Wood.” The “Wall of Wood” refers to a new supply of second and third generation harvestable timber from *private* lands that will soon be available for the market. Poised to take advantage of this more than adequate supply of new timber is Sierra Pacific Industries. Sierra Pacific plans to build a \$45 million state-of-the-art sawmill in Junction City, immediately east of Aberdeen. The mill, when completed, will be able to produce 200 million board feet of lumber each year. Assisting in the project is the Port of Grays Harbor with 6,600 feet of spur line that will provide rail access between the Sierra Pacific site and the Puget Sound and Pacific Railroad mainline. The Port’s rail line is being financed in part by the Community Economic Revitalization Board. Sierra Pacific expects to create 150 jobs by its third year of operation. It also anticipates that about 200 jobs will be created indirectly by the logging and trucking operations needed to feed the mill. Inasmuch as the “Wall of Wood” is estimated to be well in excess of what Sierra Pacific can process alone, there is speculation that other major players may act on the opportunity as well—so long as they have enough capital and/or borrowing power to finance a modern mill and assuming there is sufficient demand for the lumber.

### *No Immunity*

The purchase of Seattle-based Immunex by Thousand Oaks, California-based Amgen Inc. resulted in the layoff of 400-500 of Immunex’s roughly 1,600 workers in the Puget Sound region. Clinical, regulatory, purchasing, communications, human resources and clerical/administrative staff taking the brunt of the layoffs as those activities are moved to Thousand Oaks. Amgen has also scaled back the Helix Project, which was originally conceived as a \$750 million, 1.1 million square foot campus occupying 29 acres on Pier 88 on Seattle’s waterfront. Instead of eight buildings on the campus, there will be five. What had been future plans by Immunex to additionally develop an 11-acre site at adjacent Pier 89 have been put off indefinitely by Amgen. Meanwhile, Immunex’s Bothell manufacturing plant was recently purchased by Berlex Laboratories, a U.S. affiliate of Germany-based Schering AG.

## *More Energy Issues Loom*

The Bonneville Power Administration (BPA) is facing the prospect of an \$860 million budget deficit over the next five years due to an excess supply of power it has had to sell in a wholesale power market encumbered by depressed prices. Left unaddressed, the situation could threaten the federal agency's ability to make debt payments to the U.S. Treasury. BPA had anticipated energy prices to be in the mid-\$30 range per megawatt hour, but a surplus of hydroelectric power and new generation on the West Coast has glutted the market and driven prices down into the \$20 range so far this year. A number of options are being reviewed: skipping debt payments in protest over government failure to act during the energy crisis, restructuring debt payments over a longer period, and/or raising power costs. The latter move would, in particular, hit utilities that have yet to secure long-term contracts with BPA or whose long-term contracts are coming up for renewal in the near term. It would also force the latecomers to shoulder the burden of other utilities that are locked into long-term contracts at very attractive rates.

Based on BPA data, the most energy intensive industries in Washington are food processing, pulp and paper, chemicals, petroleum, primary metals (especially aluminum smelting), and aircraft and parts. The application of Employment Security Department data to the energy-intensive sectors identified by BPA shows that they accounted for 5.5 percent of employment in Washington in 2000. However, they accounted for nearly a fifth of the employment base in some Washington counties with the greatest concentrations seen in western and northeast Washington. Bear in mind that these were only the direct impacts among the most intensive energy sectors. There are secondary and tertiary levels of energy intensive sectors not reflected here (and certainly there are very few sectors that do not use electricity at all) as well as downstream impacts borne by complementary sectors or loss of disposal income. Energy intensive industries accounted for 9.0 percent of total wages statewide—reflecting the higher than average pay in many of the sectors represented—but as much as a third of the wages in some counties.

## NATIONAL NOTES

### *A Softer Second Quarter*

According to the Bureau of Economic Analysis, the advanced estimate of real Gross Domestic Product (GDP), the total value of all goods and services produced in the United States, grew an annual rate of 1.1 percent in the second quarter of 2002. This was considerably lower than the revised final estimate of 5.0 percent (down from 6.1 percent) for the first quarter of 2002. This was not unexpected as many observers believed that the strong first quarter was, in effect, “borrowing” from the second quarter.

The Bureau of Economic Analysis also revised the final estimates of real GDP for all quarters going back to the first quarter of 1999. Most notably, the first through third quarters of 2001 were revised downward, resulting in two notable outcomes. First, real annual GDP growth in 2001 was revised downward from 1.2 percent to 0.3 percent, which means essentially no growth occurred that year. Second, the revisions pushed the first and second quarters, which were positive, into the red. This means real GDP contracted three consecutive quarters, not just in the third quarter as previously believed. While the contractions are not terribly deep, confirming the shallowness of the recession, they do reveal a more protracted recession than previously identified. Also of note, the third quarter of 1999 was revised upward considerably while the fourth quarter of 1999 was revised downward considerably. The revisions were a wash with the annual change for 1999 staying at 4.1 percent. The last second through third quarters of 2000 were revised downward significantly, resulting in a downward revision in the annual change from 4.1 percent to 3.8 percent. Virtually all of the revisions were based on lowered estimates of personal consumption expenditures. In other words, people did not spend as much as previously estimated.

### *Consumers Worried, But Spend Anyway*

Real Personal Consumption Expenditures (that is, consumer spending after adjusting for price changes) increased 0.4 percent over the month in June, according to the Bureau of Economic Analysis. This was a marked rebound from what was essentially no change in May. Purchases of durable goods, especially motor vehicles, led the way with a 1.9 percent gain in June compared to a 2.6 percent decline the

previous month. Purchases of nondurable goods grew 0.3 percent in June compared to 0.1 percent in May, while purchases of services rose 0.2 percent compared to 0.5 percent in the same period. This means that, at least in June, consumers ramped up their spending despite their apparent lack of confidence in the nation's current economic situation as reflected in the June decline in the Conference Board's Consumer Confidence Index.

### *Prices Stay Put*

The U.S. Consumer Price Index for All Urban Consumers (CPI-U) was up 0.1 percent over the month in July 2002 (mirroring the rate of increase in June) and up 1.4 percent over the year, according to the federal Bureau of Labor Statistics. This means that inflation was essentially non-existent over the month and very much under control over the year.

Data for the Seattle-Tacoma-Bremerton CPI-U are only reported on a bi-monthly basis, so the latest to report there is that it rose 0.3 percent over the two-month period from April 2002 to June 2002. Inflation growth eased over the year as the Seattle CPI-U was up 1.7 percent in June 2002, less than half the year-over-year rates in 2001 (4.0 percent) and 2000 (3.8 percent) and lower than 1999 (3.1 percent) compared to rates closer to 3.5 percent in the previous three Junes. It was also lower in month-over-month terms as the 0.3 percent recorded this June was considerably below the 1.1 percent and 0.8 percent increases seen in 2001 and 2000, respectively.

For its part, according to the federal Bureau of Labor Statistics, the Producer Price Index (PPI) for finished goods fell 0.2 percent in July 2002 on a seasonally adjusted basis. It fell by a like degree on an unadjusted basis as well. The PPI declined 1.4 percent on an annual basis in not seasonally adjusted terms. After food and energy prices were eliminated from the calculation, the PPI eased 0.3 percent.

### *Costs Do, Too*

The federal Bureau of Labor Statistics also reported that the Employment Cost Index (ECI) for total compensation rose 4.0 percent for the year in June 2002. On a seasonally adjusted quarterly basis, both total compensation costs and wages and salaries for civilian workers (which includes private nonfarm and state and local government workers) were up 1.0 percent in the second quarter of 2002. This

was just a bit higher than the 0.8 percent increase in the first quarter of 2002. Benefit costs rose 1.3 percent during the second quarter compared to 1.0 percent in the first quarter. The increase in employer costs for health insurance was the main reason for the rise in benefit costs.

*Flat Line*

The Federal Open Market Committee (FOMC) decided at its August 13 meeting to keep its target for the federal funds rate unchanged at 1.75 percent. The FOMC also set the discount rate at 1.25 percent and the prime rate at 4.75 percent. Though mindful of factors such as soft growth, weak financial markets, and uncertainty related to corporate reporting and governance, the Committee members nevertheless felt that its current monetary policy in concert with underlying growth in productivity was enough to spur growth in the near term. Though the stock markets reacted negatively to the FOMC stance, it is really a vote of confidence in the economy. As such, the federal funds rate target, discount rate, and prime rate have all been unchanged now for seven months (since the beginning of the year).

Consumer Price Index

(All Items, Urban Consumers, 1982-84 = 100,  
Not Seasonally Adjusted)

	Indexes			% Change From	
	Jul-02	Jun-02	Jul-01	Jun-02	Jul-01
U.S. City Average	180.1	179.9	177.5	0.1%	1.4%
Seattle *	Jun-02 189.4	Apr-02 188.8	Jun-01 186.3	Apr-02 0.3%	June-01 1.7%

*\* The index for Seattle reflects prices in King, Pierce, Snohomish, Kitsap, Island, and Thurston counties.  
Source: U.S. Department of Labor, Bureau of Labor Statistics*

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# Nonagricultural Wage & Salary Workers in Washington State, Place of Work <sup>1</sup>

In Thousands, Not Seasonally Adjusted

	July	June	July	June	Numeric Change	
	2002 (Prel)	2002 (Rev)	2001 (Rev)	2001 (Rev)	June 2002 to July 2002	July 2001 to July 2002
<b>Total Nonagricultural Wage &amp; Salary Workers ....</b>	2,648.6	2,673.9	2,699.4	2,736.6	-25.3	-50.8
<b>Manufacturing .....</b>	313.1	313.6	341.5	342.8	-0.5	-28.4
Durable Goods .....	212.6	213.3	235.7	237.1	-0.7	-23.1
Lumber & Wood Products .....	30.9	30.7	31.8	31.4	0.2	-0.9
Logging .....	7.1	6.9	7.1	6.6	0.2	0.0
Sawmills & Plywood .....	20.5	20.5	21.3	21.5	0.0	-0.8
Furniture & Fixtures .....	4.4	4.4	4.8	4.8	0.0	-0.4
Stone, Clay & Glass .....	8.6	8.4	8.9	9.1	0.2	-0.3
Primary Metals .....	7.4	7.4	8.8	9.7	0.0	-1.4
Aluminum .....	3.8	3.9	4.6	5.5	-0.1	-0.8
Fabricated Metals .....	13.4	13.4	14.2	14.4	0.0	-0.8
Industrial Machinery & Equipment .....	21.7	21.7	24.3	24.5	0.0	-2.6
Computer & Office Equipment .....	5.9	5.9	6.2	6.1	0.0	-0.3
Electronic & Other Electrical Equipment .....	15.7	15.6	19.0	19.3	0.1	-3.3
Transportation Equipment .....	88.3	89.6	100.8	100.7	-1.3	-12.5
Aircraft & Parts .....	75.1	76.1	87.5	87.1	-1.0	-12.4
Ship & Boat Building .....	6.8	7.1	6.9	7.1	-0.3	-0.1
Instruments & Related .....	14.1	14.1	14.7	14.7	0.0	-0.6
Miscellaneous Manufacturing .....	8.1	8.0	8.4	8.5	0.1	-0.3
Nondurable Goods .....	100.5	100.3	105.8	105.7	0.2	-5.3
Food & Kindred Products .....	38.6	38.5	41.2	40.9	0.1	-2.6
Preserved Fruits & Vegetables .....	13.2	13.1	14.2	13.8	0.1	-1.0
Textiles, Apparel & Leather .....	7.5	7.5	7.8	7.9	0.0	-0.3
Paper & Allied Products .....	14.3	14.2	15.1	15.1	0.1	-0.8
Printing & Publishing .....	22.4	22.4	23.5	23.7	0.0	-1.1
Chemicals & Allied Products .....	5.8	5.8	6.0	6.0	0.0	-0.2
Petroleum, Coal, Plastics .....	11.9	11.9	12.2	12.1	0.0	-0.3
Mining & Quarrying .....	3.2	3.2	3.5	3.6	0.0	-0.3
<b>Construction .....</b>	151.6	147.4	161.7	159.5	4.2	-10.1
General Building Contractors .....	41.1	39.9	42.6	42.0	1.2	-1.5
Heavy Construction, except Building .....	17.2	16.4	20.1	19.5	0.8	-2.9
Special Trade Contractors .....	93.3	91.1	99.0	98.0	2.2	-5.7
<b>Transportation, Communications &amp; Utilities ....</b>	138.4	137.6	147.4	148.2	0.8	-9.0
Transportation .....	89.5	88.8	94.1	94.6	0.7	-4.6
Trucking & Warehousing .....	33.5	33.0	34.3	34.5	0.5	-0.8
Water Transportation .....	8.7	8.5	9.2	9.1	0.2	-0.5
Transportation by Air .....	25.1	25.0	27.3	27.0	0.1	-2.2
Communications .....	32.8	32.9	36.9	37.1	-0.1	-4.1
Electric, Gas & Sanitary Services .....	16.1	15.9	16.4	16.5	0.2	-0.3
<b>Wholesale &amp; Retail Trade .....</b>	630.2	629.3	639.4	641.9	0.9	-9.2
Wholesale Trade .....	141.1	140.8	145.9	146.8	0.3	-4.8
Durable Goods .....	82.4	82.3	84.2	85.0	0.1	-1.8
Nondurable Goods .....	58.7	58.5	61.7	61.8	0.2	-3.0
Retail Trade .....	489.1	488.5	493.5	495.1	0.6	-4.4
Building Materials/Garden Supplies .....	22.3	22.4	22.5	23.1	-0.1	-0.2
General Merchandise .....	52.0	51.1	52.1	51.7	0.9	-0.1
Food Stores .....	70.0	70.2	71.1	71.6	-0.2	-1.1
Automobile Dealers & Service Stations .....	50.5	50.3	50.3	50.0	0.2	0.2
Apparel & Accessory Stores .....	23.9	23.7	24.7	24.1	0.2	-0.8
Eating & Drinking Establishments .....	184.8	184.9	184.7	185.9	-0.1	0.1
<b>Finance, Insurance &amp; Real Estate .....</b>	144.7	144.2	142.4	140.4	0.5	2.3
Finance .....	66.7	66.3	64.1	62.1	0.4	2.6
Insurance .....	42.7	42.7	42.4	42.5	0.0	0.3
Real Estate .....	35.3	35.2	35.9	35.8	0.1	-0.6
<b>Services .....</b>	772.1	774.2	775.7	784.9	-2.1	-3.6
Hotels & Lodging .....	30.0	29.5	31.9	31.1	0.5	-1.9
Personal Services .....	22.2	22.5	23.3	23.6	-0.3	-1.1
Business Services .....	168.8	167.9	178.3	180.7	0.9	-9.5
Computer & Data Processing Services .....	65.3	64.5	68.9	70.2	0.8	-3.6
Amusement & Recreational Services .....	39.9	38.8	43.0	42.5	1.1	-3.1
Health Services .....	205.9	205.3	197.6	198.5	0.6	8.3
Nursing & Personal Care .....	34.6	34.5	33.1	33.3	0.1	1.5
Hospitals .....	62.4	62.3	60.2	60.9	0.1	2.2
Legal Services .....	20.1	19.9	20.2	20.4	0.2	-0.1
Educational Services .....	31.4	36.4	30.4	35.0	-5.0	1.0
Social Services .....	66.9	67.6	65.0	66.1	-0.7	1.9
Engineering & Management Services .....	74.0	74.1	72.9	74.1	-0.1	1.1
<b>Government .....</b>	495.3	524.4	487.8	515.3	-29.1	7.5
Federal .....	70.5	70.2	69.2	68.3	0.3	1.3
State .....	126.8	145.3	127.9	145.9	-18.5	-1.1
State Education .....	59.7	78.3	60.4	78.9	-18.6	-0.7
Local .....	298.0	308.9	290.7	301.1	-10.9	7.3
Local Education .....	146.8	159.1	141.1	154.8	-12.3	5.7
<b>Workers in Labor-Management Disputes .....</b>	0.0	0.0	0.0	0.0	0.0	0.0

<sup>1</sup> Excludes proprietors, self-employed, members of armed forces, & private household employees. Includes all full- & part-time wage & salary workers receiving pay during the pay period including the 12th of the month. <sup>2</sup> Workers excluded because of involvement in labor-management dispute. Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

## Resident Labor Force and Employment in Washington State and Labor Market Areas 1/

Not Seasonally Adjusted	July 2002 Preliminary				June 2002 Revised				July 2001 Revised			
	Labor Force	Employment	Unemployment	Unemployment Rate	Labor Force	Employment	Unemployment	Unemployment Rate	Labor Force	Employment	Unemployment	Unemployment Rate
Washington State Total . . . . .	3,089,600	2,876,600	213,000	6.9	3,055,100	2,848,900	206,200	6.8	3,049,400	2,860,700	188,700	6.2
Bellingham MSA . . . . .	82,100	77,300	4,900	5.9	79,900	75,200	4,600	5.8	83,100	77,600	5,400	6.6
Bremerton PMSA . . . . .	95,900	90,200	5,700	6.0	94,400	88,700	5,700	6.0	94,200	88,500	5,700	6.0
Olympia PMSA . . . . .	103,600	97,900	5,700	5.5	102,800	97,200	5,600	5.4	100,000	94,400	5,600	5.6
Seattle-Bellevue-Everett PMSA . . . . .	1,379,300	1,287,000	92,200	6.7	1,370,000	1,281,200	88,800	6.5	1,368,200	1,296,400	71,800	5.3
King County 2/ . . . . .	1,008,800	944,400	64,400	6.4	1,002,100	940,100	62,100	6.2	1,004,000	951,200	52,700	5.3
Snohomish County 2/ . . . . .	341,700	315,600	26,100	7.6	339,200	314,200	25,000	7.4	335,600	317,900	17,700	5.3
Island County 2/ . . . . .	28,800	27,100	1,700	5.9	28,600	27,000	1,600	5.8	28,650	27,280	1,360	4.8
Spokane MSA . . . . .	206,100	192,900	13,300	6.4	205,600	193,000	12,500	6.1	206,800	193,800	13,100	6.3
Tacoma PMSA . . . . .	343,100	317,800	25,300	7.4	338,900	314,300	24,600	7.3	331,700	310,900	20,900	6.3
Tri-Cities MSA . . . . .	106,000	99,300	6,700	6.4	107,500	101,300	6,200	5.8	99,600	92,900	6,700	6.8
Benton County 2/ . . . . .	80,900	76,100	4,800	5.9	82,200	77,700	4,500	5.5	76,000	71,200	4,900	6.4
Franklin County 2/ . . . . .	25,200	23,200	2,000	7.8	25,300	23,700	1,700	6.6	23,600	21,700	1,900	8.0
Yakima MSA . . . . .	115,200	105,500	9,700	8.4	113,800	104,200	9,600	8.4	116,700	106,100	10,600	9.1
Adams . . . . .	9,700	9,120	580	5.9	8,710	8,110	600	6.9	9,500	8,810	690	7.3
Asotin 2/ . . . . .	11,970	11,310	650	5.5	11,730	11,110	620	5.3	11,810	11,300	510	4.3
Chelan-Douglas LMA . . . . .	61,920	58,370	3,560	5.7	55,530	51,370	4,160	7.5	62,200	58,390	3,810	6.1
Chelan County 2/ . . . . .	39,720	37,220	2,500	6.3	35,620	32,760	2,860	8.0	39,790	37,240	2,550	6.4
Douglas County 2/ . . . . .	22,200	21,150	1,050	4.7	19,910	18,610	1,300	6.5	22,410	21,160	1,260	5.6
Clallam . . . . .	24,810	22,980	1,820	7.4	23,770	22,250	1,520	6.4	24,540	22,670	1,870	7.6
Clark 2/ . . . . .	185,000	168,700	16,200	8.8	185,300	169,800	15,600	8.4	181,100	167,400	13,700	7.6
Columbia . . . . .	1,230	1,120	110	9.1	1,580	1,460	120	7.4	1,220	1,100	110	9.2
Cowlitz . . . . .	40,780	36,590	4,190	10.3	40,580	36,450	4,130	10.2	40,680	35,880	4,800	11.8
Ferry . . . . .	2,610	2,380	230	8.6	2,580	2,360	210	8.3	2,480	2,200	270	11.0
Garfield . . . . .	1,300	1,260	30	2.4	1,260	1,220	40	3.0	1,230	1,210	20	1.8
Grant . . . . .	41,500	38,200	3,300	8.0	40,070	37,040	3,040	7.6	39,610	36,420	3,190	8.0
Grays Harbor . . . . .	26,560	24,430	2,130	8.0	26,300	24,200	2,100	8.0	26,250	23,660	2,590	9.9
Jefferson . . . . .	11,450	10,780	670	5.9	11,090	10,420	670	6.0	11,240	10,660	580	5.2
Kittitas . . . . .	14,700	13,900	810	5.5	15,290	14,460	830	5.4	14,140	13,290	840	6.0
Klickitat . . . . .	8,740	7,750	990	11.3	8,440	7,300	1,140	13.5	9,270	8,120	1,160	12.5
Lewis . . . . .	29,350	27,000	2,350	8.0	28,870	26,570	2,300	8.0	28,400	25,840	2,560	9.0
Lincoln . . . . .	5,010	4,790	220	4.4	4,960	4,700	260	5.2	4,970	4,740	230	4.6
Mason . . . . .	20,240	18,900	1,340	6.6	19,750	18,430	1,320	6.7	18,960	17,530	1,430	7.5
Okanogan . . . . .	22,290	20,810	1,480	6.6	19,740	18,290	1,450	7.3	22,720	20,930	1,800	7.9
Pacific . . . . .	8,380	7,790	590	7.0	8,240	7,660	580	7.0	8,060	7,420	640	7.9
Pend Oreille . . . . .	4,460	4,130	330	7.4	4,600	4,240	360	7.8	4,500	4,140	370	8.1
San Juan . . . . .	7,250	7,020	230	3.1	6,660	6,420	240	3.6	7,470	7,280	190	2.5
Skagit . . . . .	53,840	49,970	3,870	7.2	51,680	47,940	3,740	7.2	53,440	49,930	3,510	6.6
Skamania . . . . .	4,060	3,710	350	8.6	4,000	3,590	410	10.2	4,010	3,660	340	8.6
Stevens . . . . .	16,800	15,220	1,580	9.4	16,370	14,930	1,440	8.8	16,800	15,280	1,520	9.0
Wahkiakum . . . . .	1,720	1,600	120	7.1	1,700	1,580	120	7.1	1,720	1,610	110	6.6
Walla Walla . . . . .	26,860	25,560	1,290	4.8	27,180	25,950	1,230	4.5	26,290	24,770	1,520	5.8
Whitman . . . . .	15,800	15,370	430	2.7	16,250	15,820	430	2.6	16,510	16,060	440	2.7

1/ Official U.S. Department of Labor, Bureau of Labor Statistics data.  
2/ Estimates are determined by using the Population/Claims Share disaggregation methodology.  
Note: Detail may not add due to rounding.

## Resident Civilian Labor Force and Employment in Washington State

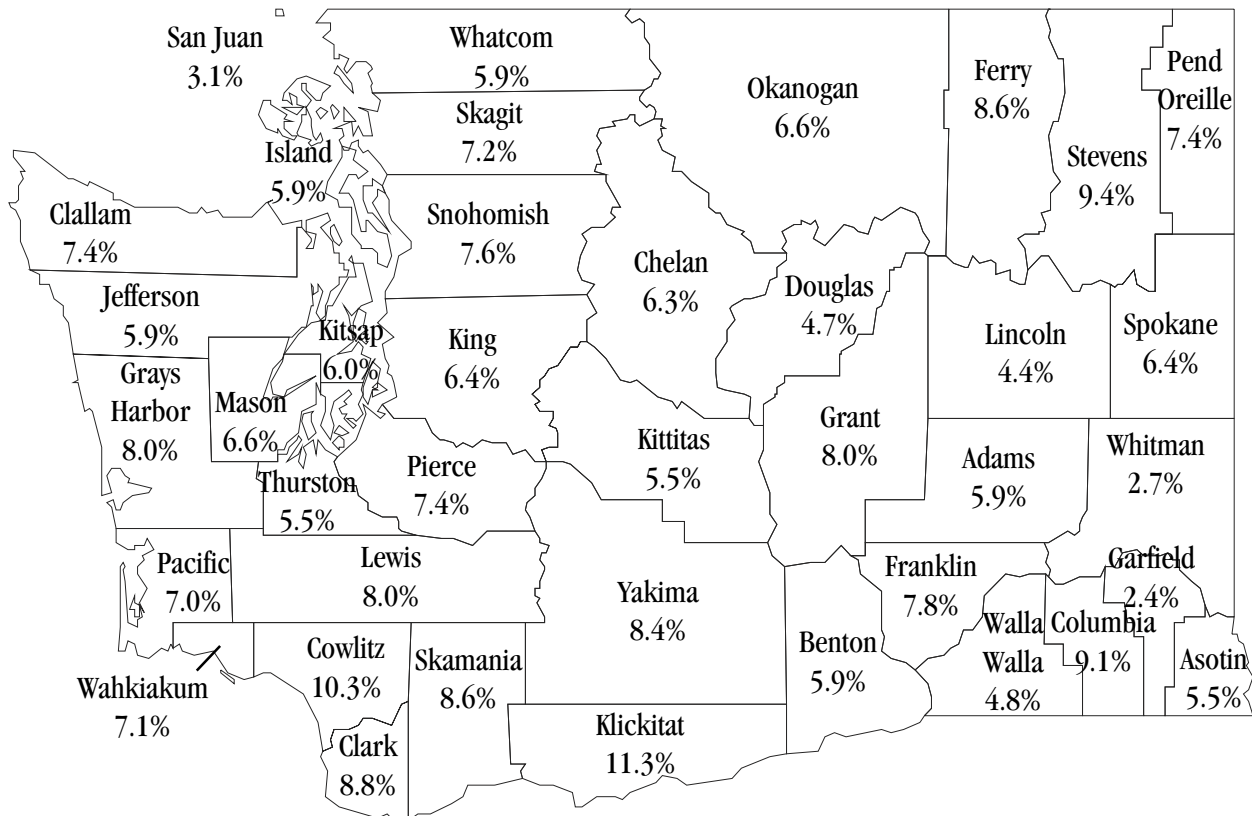
<i>(In Thousands)</i>	July 2002 (Prel)	June 2002 (Rev)	July 2001 (Rev)	June 2001 (Rev)
<i>Seasonally Adjusted Unemployment:</i>				
Washington State	7.1%	6.8%	6.3%	6.3%
United States	5.9%	5.9%	4.6%	4.6%
<i>Not Seasonally Adjusted:</i>				
Resident Civilian Labor Force	3,089.6	3,055.1	3,049.4	3,020.8
Employment	2,876.6	2,848.9	2,860.7	2,831.5
Unemployment	213.0	206.2	188.7	189.3
Percent of Labor Force	6.9%	6.8%	6.2%	6.3%

### Unemployment Rates by County, July 2002

**Washington State = 6.9%**

**United States = 6.0%**

***Not Seasonally Adjusted***



## Estimated Average Hours and Earnings of Production Workers in Manufacturing and of Nonsupervisory Workers in Nonmanufacturing Activities, Washington State

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	July 02	June 02	July 01	July 02	June 02	July 01	July 02	June 02	July 01
<b>TOTAL MANUFACTURING INDUSTRIES</b>	\$718.34	\$736.44	\$702.87	39.6	40.8	39.8	\$18.14	\$18.05	\$17.66
<b>SELECTED MANUFACTURING INDUSTRIES</b>									
Lumber and Wood Products	\$658.26	\$685.13	\$600.01	41.4	43.5	39.5	\$15.90	\$15.75	\$15.19
Primary Metal Industries	\$669.86	\$674.87	\$711.67	38.9	39.1	41.4	\$17.22	\$17.26	\$17.19
Transportation Equipment	\$923.05	\$994.68	\$985.92	38.8	40.5	41.6	\$23.79	\$24.56	\$23.70
Food and Kindred Products	\$595.44	\$570.44	\$555.59	40.7	40.2	41.4	\$14.63	\$14.19	\$13.42
Chemicals and Allied Products	\$1,104.05	\$1,113.94	\$986.85	39.6	40.2	43.0	\$27.88	\$27.71	\$22.95
<b>SELECTED NONMANUFACTURING INDUSTRIES</b>									
Construction	\$909.54	\$910.83	\$893.68	37.2	37.7	37.9	\$24.45	\$24.16	\$23.58
Wholesale and Retail Trade (Includes eating and drinking establishments)	\$403.50	\$411.16	\$404.72	32.1	32.4	32.3	\$12.57	\$12.69	\$12.53