



June 2017 Preliminary Economic Forecast

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This forecast is based on a modified version of IHS Markit's May 2017 Control forecast for the U.S. economy. As usual, we have adjusted real gross domestic product (GDP) to match the Blue Chip "Consensus" GDP forecast. The May Blue Chip forecast for real GDP growth in 2017 was revised down to 2.1% from 2.3% in March. The forecast for 2018 was unchanged at 2.4%. The Blue Chip long-range forecast, which is revised only twice per year, has not been updated since March and remains at 2.1%, 2.0%, and 2.0% in 2019, 2020, and 2021.

Our oil price forecast reflects the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the Wednesday, May 31, 2017 closing prices for Brent and WTI futures. The latest futures prices are slightly lower than the prices used in the March forecast and, as in March, are relatively flat throughout the forecast. The refiner acquisition price of crude oil in the third quarter of 2017 is now expected to average \$47 per barrel compared to \$49 in the March forecast. By the end of 2021, the refiner acquisition price is expected to average \$50 per barrel compared to \$51 in the March forecast.

As in March, the preliminary June forecast incorporates some policies proposed by the Trump administration, including lower personal and corporate federal tax rates, consistent with the House Republican plan, as well as \$250 billion in additional infrastructure spending over 10 years. The forecast does not assume a border adjustment tax nor does it assume any changes to the affordable care act.

A comparison of the preliminary June U.S. forecast with the March U.S. forecast is shown in Table 2.

We have two months of new Washington employment data since the March forecast was released. Total nonfarm payroll employment rose 12,300 (seasonally adjusted) in March and April, which was just 500 more than the 11,800 expected in the March forecast. Manufacturing lost 600 jobs in the two-

month period due to the loss of 900 aerospace jobs. Construction employment increased 2,400 in March and April and government payrolls expanded by 1,800 jobs. As usual, the bulk of the net new jobs occurred in private, service-providing sectors, which added only 8,500 jobs.

We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions lowered the estimated level of total employment in February 2017 by just 1,200 jobs (0.0%). As a result of the small downward revision to history and slightly stronger-than-expected growth, the total effect is 700 (0.0%) fewer jobs in April 2017 than expected in the March forecast.

In March, the Bureau of Economic Analysis released estimates for state personal income through the fourth quarter of 2016. We have incorporated the new BEA estimates as well as additional Washington QCEW and other wage data, also through the fourth quarter. Our current estimate of Washington personal income in the fourth quarter of 2016 is \$393.6 billion, which is \$3.5 billion (0.9%) lower than assumed in the March forecast. The variance was in wages and salaries which were \$3.6 billion lower than believed in March.

As expected in the March forecast, Washington housing construction came down to earth in the first quarter of 2017 after a fourth quarter spike. The number of housing units authorized by building permits fell from 51,900 units (SAAR) in the fourth quarter of 2016 to an average of 40,800 units (SAAR) in January, February, and March. The first quarter results were almost exactly on target. The March forecast had assumed 40,800 units (SAAR) in the first quarter. Washington housing construction got off to a very strong start in the second quarter of 2017, though mostly as a result of another surge in multi-family permits. In April, 52,300 units (SAAR) were permitted. The March forecast assumed an average rate of 41,300 units for the second quarter as a whole (SAAR).

Washington employment is expected to grow 2.4% this year, up slightly from 2.3% in the March forecast. As in March, we expect growth to decelerate gradually as the recovery matures. We expect employment growth to average 1.3% per year in 2018 through 2021, which is slightly lower than the 1.4% rate assumed in March. Our preliminary forecast for nominal personal income growth this year is 4.8%, down from 5.0% in the March forecast. Our new forecast for nominal personal income growth in 2018 through 2021 averages 5.0% per year, also down slightly from the 5.1% rate in the March forecast.

A comparison of the preliminary June Washington forecast with the March Washington forecast is shown in Table 3.

Table 1

U.S. Economic Forecast Comparison

May 2017

	2017Q1	2017Q2	2017Q3	2017Q4	2016	2017	2018	2019	2020	2021
Real GDP, Percent Change, Annual Rate										
ERFC (Preliminary June)	0.7	3.1	2.4	2.3	1.6	2.1	2.4	2.1	2.0	2.0
Global Insight	0.7	3.4	2.9	2.4	1.6	2.2	2.7	2.4	2.2	2.2
Economy.com	0.7	3.2	2.9	2.4	1.6	2.2	2.6	2.1		
Blue Chip Average*		3.1	2.4	2.3		2.1	2.4	2.1	2.0	2.0
Blue Chip Top 10*		3.7	3.0	2.9		2.3	2.9	2.5	2.5	2.5
Blue Chip Bottom 10*		2.4	1.9	1.8		1.9	2.0	1.5	1.6	1.5
Real Consumption, Percent Change, Annual Rate										
ERFC (Preliminary June)	0.3	2.8	2.7	2.5	2.7	2.4	2.5	2.3	2.2	2.1
Global Insight	0.3	3.4	2.7	2.4	2.7	2.5	3.2	3.0	2.6	2.5
Economy.com	0.3	3.3	3.0	2.9	2.7	2.5	2.8	2.2		
Blue Chip Average*		2.8	2.6	2.4		2.4	2.5	2.3	2.2	2.1
Blue Chip Top 10*		3.3	3.0	2.8		2.6	3.0	2.8	2.6	2.6
Blue Chip Bottom 10*		2.4	2.1	1.9		2.2	2.1	1.7	1.7	1.7
Federal Funds Rate										
ERFC (Preliminary June)	0.7	1.0	1.2	1.3	0.4	1.0	1.7	2.6	3.0	3.0
Global Insight	0.7	1.0	1.2	1.3	0.4	1.0	1.7	2.6	3.0	3.0
Economy.com	0.7	0.9	1.0	1.2	0.4	1.0	1.9	3.4		
Three Month T-Bill Rate										
ERFC (Preliminary June)	0.6	0.8	1.1	1.2	0.3	0.9	1.6	2.5	2.8	2.8
Global Insight	0.6	0.8	1.1	1.2	0.3	0.9	1.7	2.5	2.9	2.9
Blue Chip Average*		0.9	1.1	1.3		1.0	1.8	2.4	2.7	2.8
Blue Chip Top 10*		1.1	1.3	1.5		1.1	2.1	3.1	3.5	3.4
Blue Chip Bottom 10*		0.8	0.9	1.1		0.8	1.4	1.7	2.0	2.2
10-Yr. T-Note Yield										
ERFC (Preliminary June)	2.4	2.4	2.5	2.7	1.8	2.5	3.2	3.8	4.0	3.9
Global Insight	2.4	2.4	2.6	2.7	1.8	2.5	3.2	3.8	4.1	4.1
Economy.com	2.4	2.5	2.8	3.0	1.8	2.7	3.6	4.3		
Blue Chip Average*		2.5	2.7	2.8		2.6	3.1	3.6	3.7	3.8
Blue Chip Top 10*		2.7	2.9	3.1		2.8	3.5	4.3	4.4	4.4
Blue Chip Bottom 10*		2.3	2.4	2.5		2.4	2.7	2.8	3.0	3.1
Consumer Price Index, Percent Change, Annual Rate										
ERFC (Preliminary June)	3.1	0.9	2.3	2.2	1.3	2.3	1.9	1.8	2.1	2.2
Global Insight	3.1	0.7	2.8	1.9	1.3	2.3	1.8	2.2	2.7	2.7
Economy.com	3.1	2.4	2.2	2.2	1.3	2.6	2.5	2.9		
Blue Chip Average*		1.3	2.2	2.3		2.4	2.2	2.3	2.4	2.3
Blue Chip Top 10*		2.5	2.7	2.9		2.6	2.7	2.8	2.8	2.8
Blue Chip Bottom 10*		0.3	1.7	1.7		2.1	1.9	1.9	2.0	2.0
Payroll Employment, Millions										
ERFC (Preliminary June)	145.7	146.2	146.6	146.9	144.3	146.3	147.6	148.6	149.7	150.5
Percent Change, Annual Rate	1.5	1.3	1.0	0.9	1.8	1.4	0.8	0.7	0.7	0.5
Global Insight	145.7	146.2	146.7	147.1	144.3	146.4	148.0	149.6	150.9	152.0
Percent Change, Annual Rate	1.5	1.4	1.3	1.1	1.8	1.5	1.1	1.1	0.9	0.7
Economy.com	145.7	146.3	146.9	147.3	144.3	146.5	148.4	150.0		
Percent Change, Annual Rate	1.5	1.5	1.6	1.3	1.8	1.6	1.3	1.1		
Unemployment Rate, Percent										
ERFC (Preliminary June)	4.7	4.5	4.5	4.4	4.9	4.5	4.3	4.3	4.4	4.5
Global Insight	4.7	4.5	4.4	4.4	4.9	4.5	4.2	4.0	4.1	4.2
Economy.com	4.7	4.5	4.4	4.3	4.9	4.5	4.2	4.1		
Blue Chip Average*		4.5	4.4	4.4		4.5	4.3	4.5	4.6	4.6
Blue Chip Top 10*		4.7	4.7	4.6		4.7	4.6	5.2	5.1	5.2
Blue Chip Bottom 10*		4.2	4.1	4.0		4.4	4.1	4.1	4.1	4.1
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (Preliminary June)	1.0	3.1	2.5	2.2	2.8	2.2	3.3	2.8	2.1	2.1
Global Insight	1.0	3.7	2.7	3.0	2.8	2.4	4.0	3.2	2.5	2.6
Blue Chip Average*		3.1	2.6	2.6		2.2	2.8	2.5	2.4	2.3
Blue Chip Top 10*		4.0	3.4	3.5		2.5	3.6	3.6	3.2	3.0
Blue Chip Bottom 10*		2.2	2.2	1.9		2.0	2.2	1.7	1.8	1.7
West Texas Intermediate										
ERFC (Preliminary June)	51.9	49.3	48.5	49.0	43.2	49.7	49.1	48.9	49.3	50.1
Global Insight	51.9	51.1	54.5	53.8	43.2	52.9	51.5	60.3	73.8	80.2
Economy.com	51.8	52.9	53.9	54.8	43.4	53.3	57.0	60.1		

* Forecasts beyond 2018 are from the March 2017 Blue Chip Economic Indicators

Table 2

U.S. Forecast Comparison

	2017Q1	2017Q2	2017Q3	2017Q4	2015	2016	2017	2018	2019	2020	2021
Real GDP (Billions of 2009 Dollars)											
June Forecast, Preliminary	16,842	16,972	17,075	17,173	16,397	16,662	17,016	17,425	17,791	18,147	18,510
Percent Change	0.7%	3.1%	2.4%	2.3%	2.6%	1.6%	2.1%	2.4%	2.1%	2.0%	2.0%
March Forecast	16,884	16,989	17,090	17,193	16,397	16,660	17,039	17,447	17,814	18,170	18,533
Percent Change	1.9%	2.5%	2.4%	2.4%	2.6%	1.6%	2.3%	2.4%	2.1%	2.0%	2.0%
Real Consumption (Billions of 2009 Dollars)											
June Forecast, Preliminary	11,680	11,761	11,838	11,911	11,215	11,522	11,797	12,097	12,375	12,647	12,913
Percent Change	0.3%	2.8%	2.7%	2.5%	3.2%	2.7%	2.4%	2.5%	2.3%	2.2%	2.1%
March Forecast	11,709	11,786	11,859	11,935	11,215	11,519	11,822	12,126	12,405	12,678	12,945
Percent Change	1.9%	2.6%	2.5%	2.6%	3.2%	2.7%	2.6%	2.6%	2.3%	2.2%	2.1%
Implicit Price Deflator, PCE (2009=1.00)											
June Forecast, Preliminary	1.121	1.124	1.129	1.133	1.095	1.107	1.127	1.143	1.161	1.181	1.203
Percent Change	2.4%	0.9%	1.8%	1.6%	0.4%	1.1%	1.8%	1.5%	1.5%	1.7%	1.9%
March Forecast	1.121	1.123	1.128	1.132	1.095	1.107	1.126	1.143	1.162	1.184	1.207
Percent Change	2.3%	0.9%	1.7%	1.5%	0.4%	1.1%	1.7%	1.5%	1.7%	1.9%	1.9%
Real Personal Income (Billions of 2009 Dollars)											
June Forecast, Preliminary	14,650	14,765	14,850	14,942	14,113	14,461	14,802	15,217	15,688	16,099	16,454
Percent Change	1.6%	3.2%	2.3%	2.5%	4.0%	2.5%	2.4%	2.8%	3.1%	2.6%	2.2%
March Forecast	14,643	14,777	14,874	14,980	14,113	14,462	14,819	15,276	15,725	16,116	16,471
Percent Change	1.3%	3.7%	2.6%	2.9%	4.0%	2.5%	2.5%	3.1%	2.9%	2.5%	2.2%
Nonfarm Payroll Employment (Millions)											
June Forecast, Preliminary	145.7	146.2	146.6	146.9	141.8	144.3	146.3	147.6	148.6	149.7	150.5
Percent Change	1.5%	1.3%	1.0%	0.9%	2.1%	1.8%	1.4%	0.8%	0.7%	0.7%	0.5%
March Forecast	145.8	146.4	146.9	147.2	141.8	144.3	146.6	148.2	149.4	150.4	151.1
Percent Change	1.8%	1.5%	1.4%	1.0%	2.1%	1.8%	1.6%	1.1%	0.8%	0.7%	0.5%
Unemployment Rate (Percent of Labor Force)											
June Forecast, Preliminary	4.7	4.5	4.5	4.4	5.3	4.9	4.5	4.3	4.3	4.4	4.5
March Forecast	4.7	4.6	4.5	4.5	5.3	4.9	4.6	4.3	4.3	4.4	4.5
30 Year Fixed Mortgage Rate (Percent, average)											
June Forecast, Preliminary	4.2	4.1	4.4	4.6	3.9	3.6	4.3	5.1	5.8	6.0	5.9
March Forecast	4.2	4.5	4.6	4.7	3.9	3.6	4.5	5.1	5.8	6.0	5.9
3 Month T-Bill Rate (Percent, average)											
June Forecast, Preliminary	0.6	0.8	1.1	1.2	0.1	0.3	0.9	1.6	2.5	2.8	2.8
March Forecast	0.6	0.8	1.0	1.2	0.1	0.3	0.9	1.6	2.5	2.8	2.8

Table 3

Washington Forecast Comparison

	2017Q1	2017Q2	2017Q3	2017Q4	2015	2016	2017	2018	2019	2020	2021
Real Personal Income (Billions of 2009 Dollars)											
June Forecast, Preliminary	358.1	360.9	362.1	365.3	339.7	351.2	361.6	374.6	388.8	400.9	411.7
Percent Change	5.8%	3.3%	1.3%	3.6%	4.3%	3.4%	3.0%	3.6%	3.8%	3.1%	2.7%
March Forecast	360.7	362.3	363.7	367.5	339.7	352.1	363.5	377.1	390.6	402.3	413.3
Percent Change	5.0%	1.8%	1.6%	4.1%	4.3%	3.6%	3.3%	3.7%	3.6%	3.0%	2.7%
Personal Income (Billions of Dollars)											
June Forecast, Preliminary	401.5	405.6	408.7	414.0	372.1	388.8	407.5	428.3	451.2	473.4	495.1
Percent Change	8.3%	4.2%	3.1%	5.3%	4.6%	4.5%	4.8%	5.1%	5.4%	4.9%	4.6%
March Forecast	404.3	407.0	410.4	416.1	372.1	389.8	409.4	431.1	454.0	476.4	498.9
Percent Change	7.4%	2.7%	3.4%	5.7%	4.6%	4.8%	5.0%	5.3%	5.3%	4.9%	4.7%
Nonfarm Payroll Employment (Thousands)											
June Forecast, Preliminary	3296	3313	3327	3341	3146	3242	3319	3373	3420	3462	3494
Percent Change	2.9%	2.0%	1.8%	1.7%	2.9%	3.1%	2.4%	1.6%	1.4%	1.2%	0.9%
March Forecast	3296	3313	3330	3344	3146	3244	3321	3382	3428	3469	3504
Percent Change	2.0%	2.1%	2.1%	1.7%	2.9%	3.1%	2.3%	1.8%	1.4%	1.2%	1.0%
Unemployment Rate (Percent of Labor Force)											
June Forecast, Preliminary	4.9	4.6	4.6	4.5	5.6	5.4	4.6	4.4	4.3	4.4	4.5
March Forecast	5.1	4.9	4.8	4.7	5.6	5.4	4.9	4.5	4.4	4.5	4.6
Manufacturing Employment (Thousands)											
June Forecast, Preliminary	285.1	283.5	282.6	281.4	291.8	289.8	283.1	283.8	287.5	291.1	294.2
Percent Change	-1.0%	-2.3%	-1.3%	-1.7%	1.1%	-0.7%	-2.3%	0.2%	1.3%	1.3%	1.1%
March Forecast	285.8	285.0	284.9	284.2	291.8	290.0	285.0	287.2	290.9	293.2	295.3
Percent Change	-0.7%	-1.1%	-0.1%	-1.0%	1.1%	-0.6%	-1.7%	0.8%	1.3%	0.8%	0.7%
Construction Employment (Thousands)											
June Forecast, Preliminary	195.4	199.0	201.3	203.9	173.3	186.4	199.9	207.5	210.6	210.7	209.7
Percent Change	9.1%	7.5%	4.6%	5.4%	8.5%	7.6%	7.2%	3.8%	1.5%	0.1%	-0.5%
March Forecast	192.8	194.5	196.5	199.1	173.3	186.2	195.7	203.2	206.5	208.1	211.3
Percent Change	5.6%	3.6%	4.2%	5.4%	8.5%	7.5%	5.1%	3.8%	1.6%	0.8%	1.6%
Housing Permits (Thousands)											
June Forecast, Preliminary	40.8	45.3	43.7	43.1	40.4	44.1	43.2	42.4	41.5	41.5	41.0
Percent Change	-61.9%	52.1%	-13.7%	-5.0%	19.1%	9.2%	-1.9%	-1.8%	-2.3%	0.1%	-1.2%
March Forecast	40.8	41.3	41.0	40.7	40.4	43.2	40.9	41.1	40.8	40.8	40.5
Percent Change	-59.0%	5.3%	-3.0%	-2.4%	19.1%	7.1%	-5.3%	0.3%	-0.6%	-0.1%	-0.6%