



March 2019 Preliminary Economic Forecast

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This forecast is based on a modified version of IHS Markit's February 2019 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 February Blue Chip forecast for real GDP growth in 2019 and 2020 was 2.5% and 1.8% compared to 2.6% and 1.8% in November. The Blue Chip long-range forecast, which has not been updated, calls for growth rates of 1.8%, 1.9%, and 2.1% in 2021, 2022, and 2023.

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 Friday, February 22, 2018 closing prices for Brent and WTI futures. The latest futures prices are very similar to the prices assumed in November.

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

We have three months of new Washington employment data since the November forecast was released. Total nonfarm payroll employment rose 21,800 (seasonally adjusted) in November, December, and January, which was 4,400 more than the 17,400 expected in the November forecast. Manufacturing added 4,100 jobs, including 1,000 aerospace jobs, and construction added 4,200 jobs. Private services-providing sectors added 13,800 jobs but government payrolls lost 400 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 October 2018 by 15,800 jobs (0.5%). As a result of the downward revision to history and stronger-than-expected growth, the combined effect is 11,400 (0.3%) fewer jobs in January 2019 than expected in the November forecast.

In December, the Bureau of Economic Analysis released estimates for state personal income through the third quarter of 2018. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages (QCEW) data. Our current estimate of Washington personal income in the third quarter of 2018 is \$0.1 billion (0.0%) lower than assumed in the November forecast. Wages were \$1.1 billion (-0.4%) lower than expected but nonwage income was \$0.9 billion (0.4%) above the forecast.

Washington housing permit data for December are not available due to the partial shutdown of the federal government. An average of 44,500 units (SAAR) were permitted in October and November, up from 39,700 in the third quarter. The November forecast assumed an average rate of 42,800 units (SAAR) in the fourth quarter as a whole. The number of single-family units averaged 23,400 (SAAR) in October and November and the number of multi-family units averaged 21,100.

We expect 2.1% Washington employment growth this year compared to 2.2% in the November forecast. As in November, we expect growth to decelerate. We expect employment growth to average 1.1% per year in 2020 through 2023, which is the same rate as in the November forecast. Our forecast for nominal personal income growth this year is 4.6%, down from 4.7% in the November forecast. Our new forecast for nominal personal income growth in 2020 through 2023 averages 4.8% per year, the same rate as in the November forecast.

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

Table 1
U.S. Economic Forecast Comparison
February 2019

	2018Q4	2019Q1	2019Q2	2019Q3	2018	2019	2020	2021	2022	2023
Real GDP, Percent Change, Annual Rate										
ERFC (Preliminary November)	2.4	2.0	2.6	2.2	2.9	2.5	1.8	1.8	1.9	2.1
IHS	2.4	1.6	2.5	2.1	2.9	2.4	2.0	1.7	1.6	1.4
Economy.com	2.7	2.4	3.1	2.0	2.9	2.7	1.1			
Blue Chip Average*	2.6	2.0	2.6	2.2	2.5	1.8	1.8	1.9	2.1	
Blue Chip Top 10*	3.0	2.6	3.3	2.7	2.8	2.4	2.3	2.4	2.5	
Blue Chip Bottom 10*	2.2	1.5	2.1	1.7	2.2	1.1	1.2	1.5	1.8	
Real Consumption, Percent Change, Annual Rate										
ERFC (Preliminary November)	3.6	2.0	2.4	2.2	2.7	2.7	2.0	2.0	2.1	2.2
IHS	3.6	1.6	2.1	2.5	2.7	2.6	2.4	2.0	1.7	1.4
Economy.com	4.0	2.4	2.3	1.8	2.7	2.8	0.8			
Blue Chip Average*	3.4	2.2	2.5	2.3	2.7	2.0	2.0	2.1	2.2	
Blue Chip Top 10*	3.9	2.9	3.0	2.6	3.0	2.4	2.4	2.5	2.5	
Blue Chip Bottom 10*	2.7	1.5	2.1	1.8	2.4	1.3	1.4	1.7	1.8	
Federal Funds Rate										
ERFC (Preliminary November)	2.2	2.4	2.4	2.6	1.8	2.5	2.8	2.9	2.9	2.8
IHS	2.2	2.4	2.4	2.6	1.8	2.5	2.8	2.9	2.9	2.8
Economy.com	2.2	2.4	2.4	2.7	1.8	2.6	3.2			
Three Month T-Bill Rate										
ERFC (Preliminary November)	2.4	2.5	2.6	2.6	1.9	2.6	2.7	2.7	2.7	2.6
IHS	2.4	2.5	2.6	2.6	1.9	2.6	2.7	2.7	2.7	2.5
Blue Chip Average*	2.4	2.4	2.5	2.6		2.6	2.7	2.9	2.8	2.9
Blue Chip Top 10*		2.5	2.7	2.8		2.8	3.2	3.4	3.3	3.4
Blue Chip Bottom 10*		2.4	2.4	2.4		2.4	2.0	2.2	2.1	2.4
10-Yr. T-Note Yield										
ERFC (Preliminary November)	3.0	2.8	2.9	3.0	2.9	2.9	3.2	3.3	3.3	3.3
IHS	3.0	2.7	2.9	3.0	2.9	2.9	3.2	3.3	3.3	3.4
Economy.com	3.0	2.9	3.0	3.2	2.9	3.1	3.4			
Blue Chip Average*	3.0	2.8	2.9	3.0		2.6	2.7	2.9	2.8	2.9
Blue Chip Top 10*		3.0	3.1	3.2		2.8	3.2	3.4	3.3	3.4
Blue Chip Bottom 10*		2.7	2.7	2.7		2.4	2.0	2.2	2.1	2.4
Consumer Price Index, Percent Change, Annual Rate										
ERFC (Preliminary November)	1.8	1.3	2.4	2.4	2.4	1.9	2.1	2.2	2.2	2.3
IHS	1.8	0.9	3.1	2.6	2.4	2.0	2.1	2.3	2.4	2.4
Economy.com	1.8	1.6	2.7	2.8	2.4	2.1	2.2			
Blue Chip Average*	1.8	1.5	2.3	2.3		1.9	2.2	2.2	2.2	2.3
Blue Chip Top 10*		2.5	3.0	2.8		2.2	2.7	2.6	2.6	2.5
Blue Chip Bottom 10*		0.3	1.6	1.8		1.5	1.8	1.8	1.9	2.0
Payroll Employment, Millions										
ERFC (Preliminary November)	150.1	150.8	151.4	151.9	149.1	151.6	153.0	153.8	154.8	155.8
Percent Change, Annual Rate	1.7	2.0	1.6	1.4	1.7	1.7	0.9	0.5	0.6	0.7
IHS	150.1	150.8	151.3	151.8	149.1	151.5	153.0	153.7	154.5	154.9
Percent Change, Annual Rate	1.7	1.9	1.5	1.2	1.7	1.7	0.9	0.5	0.5	0.3
Economy.com	150.1	150.7	151.2	151.7	149.1	151.5	152.3			
Percent Change, Annual Rate	1.7	1.7	1.4	1.4	1.7	1.6	0.6			
Unemployment Rate, Percent										
ERFC (Preliminary November)	3.8	3.7	3.6	3.5	3.9	3.6	3.6	3.7	3.7	3.7
IHS	3.8	3.8	3.6	3.6	3.9	3.6	3.6	3.7	3.9	4.1
Economy.com	3.8	3.8	3.7	3.5	3.9	3.6	3.7			
Blue Chip Average*	3.8	3.8	3.7	3.6		3.7	3.7	4.1	4.2	4.3
Blue Chip Top 10*		3.9	3.9	3.9		3.9	4.3	4.8	4.9	5.0
Blue Chip Bottom 10*		3.7	3.5	3.4		3.5	3.3	3.4	3.6	3.7
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (Preliminary November)	2.8	3.2	2.1	1.9	2.7	2.5	2.0	2.1	2.2	2.3
IHS	2.8	3.4	1.6	1.7	2.7	2.4	2.1	2.0	2.0	1.9
Blue Chip Average*	2.7	2.9	2.3	2.3		2.5	2.0	1.9	2.0	2.1
Blue Chip Top 10*	3.5	3.9	2.9	2.8		2.9	2.6	2.4	2.4	2.5
Blue Chip Bottom 10*	1.9	1.9	1.6	1.7		2.0	1.3	1.4	1.6	1.8
West Texas Intermediate										
ERFC (Preliminary November)	58.9	54.6	57.8	59.0	64.9	57.7	58.4	56.5	55.2	54.5
IHS	58.9	53.3	61.0	62.5	64.9	60.0	60.4	62.7	65.3	67.6
Economy.com	59.0	52.4	57.0	61.4	64.8	58.7	64.6			

* Forecasts beyond 2019 are from the October 2018 Blue Chip Economic Indicators

Table 2

U.S. Forecast Comparison

	2018Q4	2019Q1	2019Q2	2019Q3
Real GDP (Billions of 2012 Dollars)				
March Forecast, Preliminary	18,776	18,869	18,990	19,093
Percent Change	2.4%	2.0%	2.6%	2.2%
November Forecast	18,790	18,905	19,021	19,117
Percent Change	2.6%	2.5%	2.5%	2.0%
Real Consumption (Billions of 2012 Dollars)				
March Forecast, Preliminary	13,070	13,135	13,212	13,285
Percent Change	3.6%	2.0%	2.4%	2.2%
November Forecast	13,036	13,121	13,199	13,267
Percent Change	2.1%	2.6%	2.4%	2.1%
PCE Price Index (2012=100)				
March Forecast, Preliminary	108.8	109.2	109.8	110.4
Percent Change	1.4%	1.4%	2.1%	2.1%
November Forecast	108.9	109.5	110.0	110.5
Percent Change	1.8%	1.9%	2.0%	1.9%
Real Personal Income (Billions of 2012 Dollars)				
March Forecast, Preliminary	16,377	16,514	16,606	16,694
Percent Change	2.7%	3.4%	2.2%	2.1%
November Forecast	16,374	16,472	16,588	16,697
Percent Change	1.9%	2.4%	2.8%	2.7%
Nonfarm Payroll Employment (Millions)				
March Forecast, Preliminary	150.1	150.8	151.4	151.9
Percent Change	1.7%	2.0%	1.6%	1.4%
November Forecast	150.0	150.5	151.0	151.5
Percent Change	1.7%	1.5%	1.4%	1.2%
Unemployment Rate (Percent of Labor Force)				
March Forecast, Preliminary	3.8	3.7	3.6	3.5
November Forecast	3.7	3.5	3.4	3.4
Oil Price, Refiner's Acquisition				
March Forecast, Preliminary	61.2	57.1	60.5	60.8
November Forecast	64.0	59.0	59.7	60.0
30 Year Fixed Mortgage Rate (Percent, average)				
March Forecast, Preliminary	4.8	4.5	4.8	4.8
November Forecast	4.8	4.9	5.0	5.0
3 Month T-Bill Rate (Percent, average)				
March Forecast, Preliminary	2.4	2.5	2.6	2.6
November Forecast	2.4	2.6	2.7	2.8

	2017	2018	2019	2020	2021	2022	2023
18,051	18,569	19,035	19,384	19,733	20,108	20,530	
2.2%	2.9%	2.5%	1.8%	1.8%	1.9%	2.1%	
18,051	18,574	19,060	19,403	19,753	20,128	20,551	
2.2%	2.9%	2.6%	1.8%	1.8%	1.9%	2.1%	
12,559	12,897	13,246	13,513	13,783	14,072	14,382	
2.5%	2.7%	2.7%	2.0%	2.0%	2.1%	2.2%	
12,559	12,892	13,228	13,479	13,749	14,038	14,347	
2.5%	2.7%	2.6%	1.9%	2.0%	2.1%	2.2%	
106.1	108.2	110.1	112.3	114.6	116.9	119.4	
1.8%	2.0%	1.7%	2.0%	2.0%	2.0%	2.1%	
106.1	108.3	110.3	112.4	114.7	117.0	119.4	
1.8%	2.1%	1.9%	1.9%	2.1%	2.0%	2.0%	
15,867	16,229	16,648	17,006	17,368	17,759	18,175	
2.6%	2.3%	2.6%	2.1%	2.1%	2.2%	2.3%	
15,867	16,244	16,639	17,053	17,430	17,819	18,249	
2.6%	2.4%	2.4%	2.5%	2.2%	2.2%	2.4%	
146.6	149.1	151.6	153.0	153.8	154.8	155.8	
1.6%	1.7%	1.7%	0.9%	0.5%	0.6%	0.7%	
146.6	149.0	151.2	152.6	153.5	154.5	155.6	
1.6%	1.6%	1.5%	0.9%	0.6%	0.7%	0.7%	
4.4	3.9	3.6	3.6	3.7	3.7	3.7	
4.4	3.9	3.5	3.6	3.7	3.8	3.8	
50.7	64.9	59.8	59.7	57.8	56.5	55.8	
50.7	65.5	59.6	59.8	59.6	59.4	59.0	
4.0	4.5	4.7	4.9	5.0	5.0	4.9	
4.0	4.6	5.0	5.2	5.2	5.2	5.1	
0.9	1.9	2.6	2.7	2.7	2.7	2.6	
0.9	2.0	2.8	3.1	3.2	3.2	3.0	

Table 3

Washington Forecast Comparison

	2018Q4	2019Q1	2019Q2	2019Q3	2017	2018	2019	2020	2021	2022	2023
Real Personal Income (Billions of 2012 Dollars)											
March Forecast, Preliminary	427.7	431.8	434.1	436.8	404.2	423.3	435.5	446.9	458.5	470.8	483.9
Percent Change	3.0%	3.9%	2.1%	2.5%	4.2%	4.7%	2.9%	2.6%	2.6%	2.7%	2.8%
November Forecast	427.6	430.2	433.6	436.9	404.2	423.2	435.2	448.3	460.1	472.4	485.7
Percent Change	2.8%	2.4%	3.3%	3.0%	4.2%	4.7%	2.8%	3.0%	2.6%	2.7%	2.8%
Personal Income (Billions of Dollars)											
March Forecast, Preliminary	465.5	471.6	476.6	482.0	428.8	458.2	479.4	501.9	525.4	550.5	577.8
Percent Change	4.4%	5.3%	4.3%	4.6%	6.1%	6.9%	4.6%	4.7%	4.7%	4.8%	5.0%
November Forecast	465.9	470.9	477.0	482.9	428.8	458.2	479.9	503.8	527.8	552.8	579.8
Percent Change	4.6%	4.4%	5.3%	5.0%	6.1%	6.9%	4.7%	5.0%	4.8%	4.7%	4.9%
Disposable Personal Income (Billions of Dollars)											
March Forecast, Preliminary	414.6	419.8	424.2	428.9	380.3	408.0	426.6	446.3	467.4	489.6	513.6
Percent Change	4.5%	5.2%	4.2%	4.5%	6.0%	7.3%	4.6%	4.6%	4.7%	4.7%	4.9%
November Forecast	414.6	419.2	424.8	430.1	380.3	407.9	427.4	449.3	471.0	492.7	515.6
Percent Change	4.5%	4.5%	5.4%	5.2%	6.0%	7.3%	4.8%	5.1%	4.8%	4.6%	4.6%
Nonfarm Payroll Employment (Thousands)											
March Forecast, Preliminary	3430	3452	3468	3484	3322	3404	3475	3525	3561	3599	3636
Percent Change	2.2%	2.6%	1.9%	1.9%	2.4%	2.5%	2.1%	1.4%	1.0%	1.1%	1.0%
November Forecast	3446	3462	3480	3495	3322	3411	3486	3538	3575	3612	3648
Percent Change	3.0%	2.0%	2.0%	1.7%	2.4%	2.7%	2.2%	1.5%	1.0%	1.0%	1.0%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Preliminary	4.3	4.4	4.2	4.2	4.8	4.6	4.3	4.3	4.5	4.6	4.6
November Forecast	4.3	4.2	4.1	4.1	4.8	4.6	4.1	4.3	4.5	4.6	4.6
Manufacturing Employment (Thousands)											
March Forecast, Preliminary	290.3	292.8	293.4	294.1	283.8	286.6	293.9	294.9	293.6	294.6	297.9
Percent Change	4.4%	3.5%	0.9%	0.9%	-2.1%	1.0%	2.5%	0.3%	-0.5%	0.4%	1.1%
November Forecast	289.0	289.6	290.0	290.0	283.8	286.4	290.1	290.5	290.2	292.2	295.8
Percent Change	1.9%	0.8%	0.6%	0.0%	-2.1%	0.9%	1.3%	0.1%	-0.1%	0.7%	1.2%
Construction Employment (Thousands)											
March Forecast, Preliminary	216.4	219.6	219.5	219.0	199.7	212.5	219.3	218.0	217.0	216.5	216.3
Percent Change	6.3%	6.0%	-0.2%	-0.9%	7.0%	6.4%	3.2%	-0.6%	-0.5%	-0.2%	-0.1%
November Forecast	215.9	215.8	215.8	215.6	199.7	212.5	215.8	215.7	214.9	213.8	212.5
Percent Change	4.8%	-0.1%	0.1%	-0.5%	7.0%	6.4%	1.6%	-0.1%	-0.3%	-0.5%	-0.6%
Housing Permits (Thousands)											
March Forecast, Preliminary	44.1	42.9	43.3	43.4	45.8	44.0	43.3	43.7	43.4	43.2	42.4
Percent Change	52.3%	-10.0%	3.4%	0.6%	3.9%	-3.8%	-1.8%	1.0%	-0.7%	-0.5%	-1.7%
November Forecast	42.8	42.9	43.6	43.9	45.8	43.7	43.6	43.8	42.2	41.4	40.6
Percent Change	35.9%	0.9%	6.7%	2.5%	3.9%	-4.5%	-0.2%	0.4%	-3.7%	-1.9%	-2.0%