



## June 2019 Preliminary Economic Forecast

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This forecast is based on a modified version of IHS Markit's May 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 May Blue Chip forecast for real GDP growth in 2019 and 2020 was 2.6% and 1.9% compared to 2.4% and 1.9% in March. The Blue Chip long-range forecast, which has not been updated since March, calls for growth rates of 1.7%, 1.9%, and 2.0% 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 Wednesday, May 22, 2019 closing prices for Brent and WTI futures. The latest futures prices begin higher but decline faster than the prices assumed in March.

This forecast includes all tariffs and retaliation that had been imposed as of May 6, 2019 (the IHS forecast release date). This includes tariffs on \$250 billion of goods imported from China and retaliatory tariffs from China on \$110 billion of US goods. Since then, the United States announced it would raise the tariff rate from 10% to 25% on roughly \$200 billion of goods imported from China. China retaliated by raising tariffs on roughly \$60 billion of US goods exported to China.

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 19,800 (seasonally adjusted) in March and April which was 6,000 more than expected in the March forecast. The construction sector added 5,000 jobs but manufacturing lost 400 jobs. Private services-providing sectors added 12,700 jobs in the two-month period and government employment increased by 2,500 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 2019 by 3,800 jobs (0.1%). As a result of the downward revision to history and stronger-than-expected growth, the combined effect is 2,200 (0.1%) more jobs in April 2019 than expected in the March forecast.

In March, the Bureau of Economic Analysis released estimates for state personal income through the fourth 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 fourth quarter of 2018 is \$0.9 billion (0.2%) higher than assumed in the March forecast. Wages were \$1.1 billion (0.4%) higher than expected but nonwage income was \$0.2 billion (0.1%) below the forecast.

Washington housing construction declined in the first quarter of 2019 but was still slightly higher than expected in the March forecast. Housing units authorized by building permits declined from 48,600 (SAAR) in the fourth quarter of 2018 to 43,800 in the first quarter of 2019. In the first quarter, 21,100 single-family and 22,700 multi-family units were permitted. The March forecast expected 42,900 units in the first quarter as a whole, consisting of 23,800 single-family units and 19,200 multi-family units. Washington housing construction got off to a very strong start in the second quarter of 2019, though mostly as a result of a surge in multi-family permits. In April, 56,700 units (SAAR) were permitted consisting of 21,700 single-family permits and 35,000 multi-family permits. The March forecast assumed an average rate of 42,700 (SAAR) units for the second quarter as a whole.

We expect 2.2% Washington employment growth this year which is the same rate expected in the March forecast. As in March, we expect growth to decelerate. We expect employment growth to average 1.2% per year in 2020 through 2023, up slightly from 1.1% in the March forecast. Our forecast for nominal personal income growth this year is 4.8%, up from 4.6% in the March forecast. Our new forecast for nominal personal income growth in 2020 through 2023 averages 4.8% per year, the same rate as 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 2019

	2019Q1	2019Q2	2019Q3	2019Q4	2018	2019	2020	2021	2022	2023
<b>Real GDP, Percent Change, Annual Rate</b>										
ERFC Preliminary	3.2	1.7	2.0	2.0	2.9	2.6	1.9	1.7	1.9	2.0
IHS	3.2	2.0	2.2	2.1	2.9	2.7	2.1	1.8	1.5	1.5
Economy.com	3.2	1.7	2.5	2.3	2.9	2.6	1.7	2.1		
Blue Chip Average*		2.0	2.2	2.0		2.6	1.9	1.7	1.9	2.0
Blue Chip Top 10*		2.6	2.7	2.6		2.8	2.3	2.2	2.3	2.4
Blue Chip Bottom 10*		1.4	1.7	1.3		2.3	1.2	1.3	1.6	1.6
<b>Real Consumption, Percent Change, Annual Rate</b>										
ERFC Preliminary	1.2	2.7	2.3	2.3	2.6	2.4	2.1	1.9	2.0	2.0
IHS	1.2	3.0	2.4	2.6	2.6	2.5	2.8	2.8	2.4	2.2
Economy.com	1.2	2.3	1.9	1.7	2.6	2.2	1.4	1.4		
Blue Chip Average*		2.8	2.3	2.2		2.4	2.1	1.9	2.0	2.0
Blue Chip Top 10*		3.4	2.8	2.7		2.5	2.6	2.3	2.5	2.5
Blue Chip Bottom 10*		2.2	1.8	1.6		2.1	1.5	1.4	1.7	1.6
<b>Federal Funds Rate</b>										
ERFC Preliminary	2.4	2.4	2.4	2.5	1.8	2.4	2.7	2.6	2.7	2.6
IHS	2.4	2.4	2.4	2.5	1.8	2.4	2.7	2.6	2.7	2.6
Economy.com	2.4	2.4	2.5	2.5	1.8	2.4	2.7	2.9		
<b>Three Month T-Bill Rate</b>										
ERFC Preliminary	2.4	2.5	2.4	2.4	1.9	2.4	2.5	2.4	2.4	2.4
IHS	2.4	2.5	2.4	2.4	1.9	2.4	2.5	2.5	2.4	2.4
Blue Chip Average*		2.4	2.4	2.4		2.4	2.4	2.5	2.6	2.7
Blue Chip Top 10*		2.5	2.5	2.6		2.6	2.8	3.2	3.3	3.2
Blue Chip Bottom 10*		2.4	2.3	2.2		2.4	1.8	1.6	1.7	2.0
<b>10-Yr. T-Note Yield</b>										
ERFC Preliminary	2.7	2.6	2.7	2.7	2.9	2.7	2.9	3.1	3.2	3.2
IHS	2.7	2.6	2.7	2.8	2.9	2.7	2.9	3.1	3.2	3.3
Economy.com	2.7	2.5	2.7	2.9	2.9	2.7	3.2	3.5		
Blue Chip Average*		2.6	2.6	2.7		2.6	2.8	3.1	3.2	3.4
Blue Chip Top 10*		2.7	2.8	3.0		2.8	3.1	3.8	3.8	3.8
Blue Chip Bottom 10*		2.5	2.5	2.4		2.5	2.4	2.4	2.7	2.9
<b>Consumer Price Index, Percent Change, Annual Rate</b>										
ERFC Preliminary	0.9	4.1	2.5	2.2	2.4	2.1	2.2	2.1	2.1	2.0
IHS	0.9	4.4	3.0	2.2	2.4	2.2	2.2	2.3	2.4	2.4
Economy.com	0.9	3.4	2.4	2.2	2.4	2.0	2.1	2.2		
Blue Chip Average*		3.1	2.2	2.1		1.9	2.2	2.2	2.2	2.2
Blue Chip Top 10*		4.2	2.8	2.5		2.2	2.6	2.6	2.6	2.6
Blue Chip Bottom 10*		1.9	1.7	1.6		1.7	1.8	1.9	1.9	1.9
<b>Payroll Employment, Millions</b>										
ERFC Preliminary	150.7	151.2	151.6	152.0	149.1	151.4	153.0	153.9	154.7	155.4
Percent Change, Annual Rate	1.7	1.3	1.2	1.1	1.7	1.5	1.1	0.6	0.5	0.4
IHS	150.7	151.2	151.7	152.1	149.1	151.4	153.2	154.3	154.8	154.9
Percent Change, Annual Rate	1.7	1.4	1.3	1.2	1.7	1.6	1.2	0.7	0.3	0.1
Economy.com	150.7	151.3	151.8	152.3	149.1	151.5	152.9	152.8		
Percent Change, Annual Rate	1.7	1.6	1.4	1.4	1.7	1.6	0.9	-0.1		
<b>Unemployment Rate, Percent</b>										
ERFC Preliminary	3.9	3.7	3.6	3.5	3.9	3.7	3.6	3.7	4.0	4.2
IHS	3.9	3.7	3.5	3.5	3.9	3.6	3.5	3.6	3.9	4.3
Economy.com	3.9	3.6	3.5	3.4	3.9	3.6	3.4	4.2		
Blue Chip Average*		3.7	3.6	3.6		3.7	3.6	4.1	4.2	4.3
Blue Chip Top 10*		3.8	3.8	3.9		3.8	4.2	4.9	5.0	4.9
Blue Chip Bottom 10*		3.6	3.5	3.4		3.6	3.3	3.5	3.6	3.7
<b>Real Disposable Personal Income, Percent Change, Annual Rate</b>										
ERFC Preliminary	2.4	0.3	1.8	2.6	2.9	2.3	2.6	2.4	2.1	2.0
IHS	2.4	0.2	1.6	2.7	2.9	2.2	2.7	2.5	1.9	1.8
Blue Chip Average*		1.4	2.1	2.3		2.4	2.1	1.8	2.0	2.1
Blue Chip Top 10*		2.7	2.9	2.9		2.9	2.7	2.2	2.4	2.4
Blue Chip Bottom 10*		0.1	1.4	1.7		1.9	1.5	1.4	1.7	1.7
<b>West Texas Intermediate</b>										
ERFC Preliminary	54.8	62.4	61.5	61.2	64.9	60.0	59.0	55.9	54.0	53.2
IHS	54.8	65.6	67.1	66.9	64.9	63.6	62.7	62.9	65.1	67.3
Economy.com	54.7	61.2	62.4	63.1	64.8	60.4	62.5	61.3		

\* Forecasts beyond 2020 are from the March 2019 Blue Chip Economic Indicators

Table 2

**U.S. Forecast Comparison**

	2019Q1	2019Q2	2019Q3	2019Q4
<b>Real GDP (Billions of 2012 Dollars)</b>				
June Forecast, Preliminary	18,912	18,992	19,088	19,182
Percent Change	3.2%	1.7%	2.0%	2.0%
March Forecast	18,852	18,971	19,078	19,172
Percent Change	1.4%	2.6%	2.3%	2.0%
<b>Real Consumption (Billions of 2012 Dollars)</b>				
June Forecast, Preliminary	13,071	13,160	13,236	13,312
Percent Change	1.2%	2.7%	2.3%	2.3%
March Forecast	13,101	13,183	13,259	13,333
Percent Change	1.7%	2.5%	2.3%	2.2%
<b>PCE Price Index (2012=100)</b>				
June Forecast, Preliminary	109.0	109.8	110.3	110.9
Percent Change	0.6%	2.7%	2.1%	2.0%
March Forecast	109.3	109.9	110.4	111.0
Percent Change	1.4%	2.2%	2.1%	2.0%
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
June Forecast, Preliminary	16,539	16,561	16,634	16,739
Percent Change	2.7%	0.5%	1.8%	2.6%
March Forecast	16,520	16,598	16,691	16,783
Percent Change	2.3%	1.9%	2.3%	2.2%
<b>Nonfarm Payroll Employment (Millions)</b>				
June Forecast, Preliminary	150.7	151.2	151.6	152.0
Percent Change	1.7%	1.3%	1.2%	1.1%
March Forecast	150.8	151.4	151.9	152.3
Percent Change	1.9%	1.5%	1.4%	1.1%
<b>Unemployment Rate (Percent of Labor Force)</b>				
June Forecast, Preliminary	3.9	3.7	3.6	3.5
March Forecast	3.8	3.5	3.5	3.5
<b>Oil Price, Refiner's Acquisition</b>				
June Forecast, Preliminary	56.7	64.6	63.5	62.2
March Forecast	56.6	59.1	59.4	59.5
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>				
June Forecast, Preliminary	4.4	4.3	4.4	4.4
March Forecast	4.4	4.5	4.6	4.6
<b>3 Month T-Bill Rate (Percent, average)</b>				
June Forecast, Preliminary	2.4	2.5	2.4	2.4
March Forecast	2.4	2.5	2.6	2.6

	2017	2018	2019	2020	2021	2022	2023
18,051	18,566	19,044	19,398	19,727	20,102	20,504	
2.2%	2.9%	2.6%	1.9%	1.7%	1.9%	2.0%	
18,051	18,571	19,018	19,370	19,700	20,074	20,476	
2.2%	2.9%	2.4%	1.9%	1.7%	1.9%	2.0%	
12,559	12,888	13,195	13,474	13,730	14,005	14,285	
2.5%	2.6%	2.4%	2.1%	1.9%	2.0%	2.0%	
12,559	12,891	13,219	13,487	13,744	14,018	14,299	
2.5%	2.6%	2.5%	2.0%	1.9%	2.0%	2.0%	
106.1	108.2	110.0	112.2	114.5	116.7	118.9	
1.8%	2.0%	1.6%	2.0%	2.0%	1.9%	1.8%	
106.1	108.2	110.1	112.4	114.7	117.0	119.3	
1.8%	2.0%	1.8%	2.1%	2.1%	2.0%	1.9%	
15,867	16,245	16,618	17,038	17,446	17,831	18,235	
2.6%	2.4%	2.3%	2.5%	2.4%	2.2%	2.3%	
15,867	16,244	16,648	17,004	17,360	17,744	18,144	
2.6%	2.4%	2.5%	2.1%	2.1%	2.2%	2.3%	
146.6	149.1	151.4	153.0	153.9	154.7	155.4	
1.6%	1.7%	1.5%	1.1%	0.6%	0.5%	0.4%	
146.6	149.1	151.6	153.0	153.5	154.4	155.3	
1.6%	1.7%	1.7%	0.9%	0.4%	0.6%	0.6%	
4.4	3.9	3.7	3.6	3.7	4.0	4.2	
4.4	3.9	3.6	3.7	3.9	4.0	4.1	
50.7	64.4	61.8	60.0	56.9	55.1	54.3	
50.7	64.9	58.7	58.8	57.1	55.8	55.3	
4.0	4.5	4.4	4.6	4.8	4.8	4.8	
4.0	4.5	4.5	4.8	4.9	4.9	4.9	
0.9	1.9	2.4	2.5	2.4	2.4	2.4	
0.9	1.9	2.5	2.7	2.7	2.7	2.5	

Table 3

**Washington Forecast Comparison**

	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019	2020	2021	2022	2023
<b>Real Personal Income (Billions of 2012 Dollars)</b>											
June Forecast, Preliminary	434.5	435.1	437.2	440.6	404.2	423.8	436.8	450.0	462.9	475.3	488.6
Percent Change	4.5%	0.5%	2.0%	3.1%	4.2%	4.9%	3.1%	3.0%	2.9%	2.7%	2.8%
March Forecast	431.6	433.5	436.5	439.6	404.2	423.7	435.3	447.0	458.8	471.3	484.2
Percent Change	2.5%	1.7%	2.8%	2.9%	4.2%	4.8%	2.7%	2.7%	2.6%	2.7%	2.7%
<b>Personal Income (Billions of Dollars)</b>											
June Forecast, Preliminary	473.7	477.5	482.4	488.5	428.8	458.7	480.5	505.1	530.1	554.9	580.8
Percent Change	5.1%	3.2%	4.1%	5.2%	6.1%	7.0%	4.8%	5.1%	5.0%	4.7%	4.7%
March Forecast	471.6	476.2	482.1	487.9	428.8	458.5	479.5	502.5	526.5	551.6	577.6
Percent Change	4.0%	4.0%	5.0%	4.9%	6.1%	6.9%	4.6%	4.8%	4.8%	4.8%	4.7%
<b>Disposable Personal Income (Billions of Dollars)</b>											
June Forecast, Preliminary	421.3	424.7	429.1	434.6	380.3	408.5	427.4	449.6	472.3	493.9	515.7
Percent Change	4.7%	3.2%	4.2%	5.2%	6.0%	7.4%	4.6%	5.2%	5.0%	4.6%	4.4%
March Forecast	420.0	424.3	429.5	434.8	380.3	408.3	427.1	448.1	469.9	491.9	514.3
Percent Change	4.1%	4.2%	5.0%	4.9%	6.0%	7.3%	4.6%	4.9%	4.9%	4.7%	4.6%
<b>Nonfarm Payroll Employment (Thousands)</b>											
June Forecast, Preliminary	3453	3473	3487	3501	3321	3405	3478	3535	3575	3612	3645
Percent Change	2.4%	2.4%	1.6%	1.6%	2.4%	2.5%	2.2%	1.6%	1.1%	1.0%	0.9%
March Forecast	3454	3469	3487	3502	3321	3405	3478	3531	3565	3603	3640
Percent Change	2.6%	1.8%	2.0%	1.8%	2.4%	2.5%	2.2%	1.5%	1.0%	1.1%	1.0%
<b>Unemployment Rate (Percent of Labor Force)</b>											
June Forecast, Preliminary	4.6	4.6	4.5	4.5	4.7	4.5	4.5	4.5	4.7	4.8	5.0
March Forecast	4.5	4.4	4.3	4.4	4.7	4.5	4.4	4.5	4.7	4.8	4.9
<b>Manufacturing Employment (Thousands)</b>											
June Forecast, Preliminary	292.2	292.8	292.6	293.2	284.2	287.5	292.7	292.2	291.7	293.3	295.7
Percent Change	1.1%	0.8%	-0.2%	0.9%	-2.1%	1.2%	1.8%	-0.2%	-0.2%	0.5%	0.8%
March Forecast	292.6	293.0	293.5	294.3	284.2	287.4	293.3	293.1	291.7	293.4	296.3
Percent Change	2.1%	0.5%	0.7%	1.2%	-2.1%	1.1%	2.1%	-0.1%	-0.5%	0.6%	1.0%
<b>Construction Employment (Thousands)</b>											
June Forecast, Preliminary	220.9	223.0	221.8	221.3	199.8	213.4	221.7	219.7	218.7	218.7	219.1
Percent Change	4.5%	3.7%	-2.1%	-0.8%	7.0%	6.8%	3.9%	-0.9%	-0.5%	0.0%	0.2%
March Forecast	217.7	216.8	215.8	215.6	199.8	213.0	216.5	214.7	214.0	215.0	216.6
Percent Change	1.6%	-1.6%	-1.9%	-0.3%	7.0%	6.6%	1.6%	-0.8%	-0.3%	0.5%	0.8%
<b>Housing Permits (Thousands)</b>											
June Forecast, Preliminary	43.8	48.0	40.7	41.0	45.8	47.4	43.3	42.0	42.3	42.4	42.0
Percent Change	-34.6%	44.6%	-48.4%	2.9%	3.9%	3.4%	-8.5%	-3.2%	0.8%	0.2%	-0.8%
March Forecast	42.9	42.7	42.4	42.4	45.8	47.4	42.6	42.2	42.1	42.6	42.1
Percent Change	-39.3%	-2.6%	-2.3%	0.3%	3.9%	3.4%	-10.0%	-1.1%	-0.1%	1.1%	-1.2%