



June 2021 Preliminary Economic Forecast

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This forecast is based on a modified version of IHS Markit's May 2021 Control forecast for the U.S. economy. We have adjusted real gross domestic product (GDP) to match the May 2021 Blue Chip "Consensus" GDP forecast for 2021 and 2022. We expect real GDP to increase 6.6% in 2021 and 4.4% in 2022 which is much stronger than the 5.7% and 4.1% growth rates assumed in the March forecast. We do not have a new long term forecast from Blue Chip since the March forecast. For 2023-25, we assume that some of the higher near term growth is offset by weaker long term growth. We expect growth rates of 2.3%, 2.0%, and 1.9% in 2023 through 2025 compared to the March forecast of 2.4%, 2.2%, and 2.1%.

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 26, 2021 closing prices for Brent and WTI futures. Oil prices are slightly higher than expected in the March forecast and, as in March, are expected to decline gradually over the forecast. The latest futures prices indicate that the refiner acquisition price of crude will average \$65 per barrel in the third quarter of 2021 compared to \$64 in the March forecast. By the fourth quarter of 2025 the refiner acquisition price of crude is expected to average \$54 per barrel compared to \$51 per barrel in the March forecast.

The forecast reflects all pandemic relief measures of 2020 and the \$1.9 trillion American Recovery Plan (ARP) enacted in March. The forecast does not include any of the approximately \$4 trillion in spending and taxes in President Biden's proposed American Jobs Plan (AJB) and American Families Plan (AFP).

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 increased 29,300 in March and April which was just 900 more than the increase of 28,400 expected in the forecast. Washington employment is now 200,400 (5.7%) lower than at its February 2020 peak. Private services-providing sectors added 22,600 jobs in the two-month period. The manufacturing sector lost 2,800 jobs of which 800 were in aerospace manufacturing. Construction employment increased by 600 jobs in March and April. State and local government employment increased by 9,300 jobs but federal government employment declined by 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 added 5,000 (0.2%) to the estimated level of total employment in February 2021. Because employment growth in March and April was very close to the forecast, employment is just 6,000 (0.2%) higher in April than expected in the March forecast.

Washington's unemployment rate held steady at 5.5% in April. The unemployment rate is down significantly from the 16.3% rate reached in April 2020 which was an all-time high in the series that dates back to 1976.

In March, after the forecast was complete, the Bureau of Economic Analysis released estimates for state personal income through the fourth quarter of 2020. 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 2020 is \$4.1 billion (0.8%) higher than in the March forecast. Wages and salaries are \$3.5 billion (1.3%) higher than expected and nonwage income is \$0.6 billion (0.2%) higher than expected.

Washington housing construction soared in the first quarter of 2021 to its highest level in nearly 43 years. In the first quarter, 63,700 units (SAAR) were permitted, up from 44,400 in the fourth quarter of 2020. The number of housing units permitted in a quarter has not been this high since the second quarter of 1978. First quarter permits consisted of 30,900 single-family units and 32,800 multi-family units. The March forecast assumed an average rate of 53,100 (SAAR) units in the first quarter consisting of 28,200 single-family units and 24,900 multi-family units. Permits dropped in April to 47,500 units (SAAR) consisting of 25,900 single-family units and 21,500 multi-family units. The March forecast expected 54,500 units (SAAR) in the second quarter as a whole, consisting of 33,400 single-family units and 21,200 multi-family units.

We expect a 2.3% increase in Washington employment this year which is up from the 1.7% increase the March forecast. We expect above-average growth through the remainder of the forecast as the economy continues to recover from the recession. We expect employment growth to average 2.2% per year in 2023 through 2025, the same average rate as expected in March. Our forecast for nominal personal income growth this year is 6.1%, up from 4.8% in the March forecast. Personal income growth will slow next year as the extraordinary stimulus of the last two years is withdrawn. We expect personal income growth of only 1.6% in 2022 compared to 1.1% in the March forecast. Our new forecast for nominal personal income growth in 2023 through 2025 averages 4.8% per year compared to 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 2021

	2021Q1	2021Q2	2021Q3	2021Q4	2020	2021	2022	2023	2024	2025
Real GDP, Percent Change, Annual Rate										
ERFC (June Preliminary)	6.4	9.2	7.1	5.0	-3.5	6.6	4.4	2.3	2.0	1.9
IHS	6.4	9.0	7.2	7.7	-3.5	6.7	4.7	1.9	2.2	2.2
Economy.com	6.4	10.6	6.1	6.5	-3.5	6.8	4.8	2.4		
Blue Chip Average*		9.2	7.2	5.1		6.6	4.4	2.4	2.2	2.1
Blue Chip Top 10*		11.7	10.0	7.4		7.3	5.5	2.8	2.5	2.4
Blue Chip Bottom 10*		6.9	4.9	2.9		6.0	3.3	1.9	1.8	1.8
Real Consumption, Percent Change, Annual Rate										
ERFC (June Preliminary)	10.7	9.1	6.3	4.9	-3.9	7.7	4.4	2.3	2.0	2.1
IHS	10.7	9.0	6.4	5.3	-3.9	7.7	4.4	2.4	2.5	2.6
Economy.com	10.7	7.6	5.9	6.1	-3.9	7.4	4.3	2.2		
Blue Chip Average*		9.9	6.8	5.0		7.7	4.4	2.4	2.3	2.3
Blue Chip Top 10*		14.5	10.1	7.5		8.9	5.6	2.9	2.7	2.6
Blue Chip Bottom 10*		6.5	3.8	2.8		6.5	3.3	2.0	2.0	2.0
Federal Funds Rate										
ERFC (June Preliminary)	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.3	0.5
IHS	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.3	0.5
Economy.com	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.5		
Three Month T-Bill Rate										
ERFC (June Preliminary)	0.1	0.0	0.0	0.0	0.4	0.0	0.0	0.1	0.2	0.4
IHS	0.1	0.0	0.0	0.0	0.4	0.0	0.1	0.1	0.2	0.5
Blue Chip Average*		0.1	0.1	0.1		0.1	0.2	0.5	0.8	1.2
Blue Chip Top 10*		0.1	0.1	0.2		0.1	0.3	0.9	1.4	1.9
Blue Chip Bottom 10*		0.0	0.0	0.0		0.0	0.1	0.1	0.3	0.6
10-Yr. T-Note Yield										
ERFC (June Preliminary)	1.3	1.6	1.7	1.7	0.9	1.6	1.9	2.0	2.2	2.4
IHS	1.3	1.6	1.7	1.8	0.9	1.6	1.9	2.0	2.2	2.5
Economy.com	1.3	1.7	1.9	2.1	0.9	1.7	2.3	2.8		
Blue Chip Average*		1.7	1.8	1.9		1.7	2.1	2.3	2.5	2.7
Blue Chip Top 10*		1.9	1.9	2.1		1.9	2.4	2.8	3.1	3.3
Blue Chip Bottom 10*		1.6	1.7	1.7		1.5	1.7	1.8	2.0	2.1
Consumer Price Index, Percent Change, Annual Rate										
ERFC (June Preliminary)	3.7	2.9	1.5	1.6	1.2	2.6	1.6	1.8	1.9	1.9
IHS	3.7	2.5	1.8	1.6	1.2	2.6	1.7	1.9	2.1	2.2
Economy.com	3.7	2.5	2.8	2.6	1.2	2.7	2.4	2.3		
Blue Chip Average*		3.0	2.5	2.2		2.7	2.3	2.3	2.3	2.3
Blue Chip Top 10*		4.4	3.6	3.0		3.1	2.9	2.7	2.7	2.8
Blue Chip Bottom 10*		1.8	1.5	1.3		2.4	1.9	1.9	2.0	1.9
Payroll Employment, Millions										
ERFC (June Preliminary)	143.4	145.4	148.4	149.8	142.3	146.8	151.6	153.9	155.4	156.2
Percent Change, Annual Rate	2.1	5.9	8.6	3.9	-5.7	3.2	3.3	1.5	1.0	0.5
IHS	143.4	145.4	148.4	150.2	142.3	146.8	152.1	154.0	155.5	156.5
Percent Change, Annual Rate	2.1	5.8	8.6	4.8	-5.7	3.2	3.6	1.3	1.0	0.7
Economy.com	143.4	144.9	146.9	148.7	142.3	145.9	151.4	153.9		
Percent Change, Annual Rate	2.1	4.3	5.6	5.0	-5.7	2.6	3.7	1.7		
Unemployment Rate, Percent										
ERFC (June Preliminary)	6.2	5.7	4.9	4.4	8.1	5.3	4.0	3.5	3.5	3.8
IHS	6.2	5.7	4.9	4.2	8.1	5.3	3.8	3.5	3.5	3.6
Economy.com	6.2	5.9	5.2	4.5	8.1	5.4	3.7	3.5		
Blue Chip Average*		5.6	5.1	4.7		5.4	4.2	4.2	4.0	4.0
Blue Chip Top 10*		5.9	5.7	5.4		5.7	4.9	4.8	4.5	4.4
Blue Chip Bottom 10*		5.3	4.7	4.2		5.1	3.7	3.7	3.6	3.6
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (June Preliminary)	61.3	-25.8	-6.1	-5.2	5.8	3.4	-1.7	2.2	2.3	2.5
IHS	61.3	-25.6	-6.3	-4.7	5.8	3.4	-1.7	2.0	2.5	2.7
Blue Chip Average*		-14.6	-5.8	-2.0		4.7	-1.1	2.1	2.1	2.0
Blue Chip Top 10*		12.6	3.5	3.0		8.8	1.5	2.5	2.4	2.4
Blue Chip Bottom 10*		-30.7	-17.4	-6.9		2.2	-3.3	1.8	1.7	1.7
West Texas Intermediate										
ERFC (June Preliminary)	57.8	64.3	65.9	64.5	39.2	63.1	61.3	57.7	55.3	53.9
IHS	57.8	62.3	65.9	64.7	39.2	62.7	62.8	62.3	62.5	63.2
Economy.com	58.0	61.2	62.4	61.6	39.5	60.8	59.6	60.3		

* Forecasts beyond 2022 are from the March 2021 Blue Chip Economic Indicators

Table 2

U.S. Forecast Comparison

	2021Q1	2021Q2	2021Q3	2021Q4
Real GDP (Billions of 2012 Dollars)				
June Forecast, Preliminary	19,088	19,511	19,851	20,094
Percent Change	6.4%	9.2%	7.1%	5.0%
March Forecast	19,005	19,343	19,667	19,894
Percent Change	4.8%	7.3%	6.9%	4.7%
Real Consumption (Billions of 2012 Dollars)				
June Forecast, Preliminary	13,334	13,626	13,837	14,002
Percent Change	10.7%	9.1%	6.3%	4.9%
March Forecast	13,178	13,437	13,672	13,839
Percent Change	5.6%	8.1%	7.2%	5.0%
PCE Price Index (2012=100)				
June Forecast, Preliminary	112.8	113.6	114.1	114.6
Percent Change	3.5%	2.9%	1.7%	1.7%
March Forecast	113.0	113.5	114.0	114.5
Percent Change	4.1%	2.0%	1.7%	1.7%
Real Personal Income (Billions of 2012 Dollars)				
June Forecast, Preliminary	19,414	18,221	17,998	17,802
Percent Change	53.6%	-22.4%	-4.8%	-4.3%
March Forecast	18,230	19,254	17,695	17,565
Percent Change	19.5%	24.4%	-28.7%	-2.9%
Nonfarm Payroll Employment (Millions)				
June Forecast, Preliminary	143.4	145.4	148.4	149.8
Percent Change	2.1%	5.9%	8.6%	3.9%
March Forecast	143.0	145.0	146.6	147.9
Percent Change	1.1%	5.7%	4.3%	3.6%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Preliminary	6.2	5.7	4.9	4.4
March Forecast	6.2	5.6	5.2	4.9
Oil Price, Refiner's Acquisition				
June Forecast, Preliminary	57.0	63.6	65.0	63.7
March Forecast	58.0	65.2	63.5	61.6
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast, Preliminary	2.9	3.0	3.1	3.3
March Forecast	2.8	3.0	3.2	3.4
3 Month T-Bill Rate (Percent, average)				
June Forecast, Preliminary	0.1	0.0	0.0	0.0
March Forecast	0.1	0.0	0.0	0.0

	2019	2020	2021	2022	2023	2024	2025
Real GDP (Billions of 2012 Dollars)							
June Forecast, Preliminary	19,092	18,426	19,636	20,503	20,967	21,384	21,798
Percent Change	2.2%	-3.5%	6.6%	4.4%	2.3%	2.0%	1.9%
March Forecast	19,092	18,423	19,477	20,270	20,756	21,213	21,658
Percent Change	2.2%	-3.5%	5.7%	4.1%	2.4%	2.2%	2.1%
Real Consumption (Billions of 2012 Dollars)							
June Forecast, Preliminary	13,240	12,726	13,700	14,302	14,634	14,931	15,241
Percent Change	2.4%	-3.9%	7.7%	4.4%	2.3%	2.0%	2.1%
March Forecast	13,240	12,726	13,532	14,102	14,441	14,773	15,113
Percent Change	2.4%	-3.9%	6.3%	4.2%	2.4%	2.3%	2.3%
PCE Price Index (2012=100)							
June Forecast, Preliminary	109.9	111.1	113.8	115.7	117.7	119.9	122.1
Percent Change	1.5%	1.2%	2.4%	1.7%	1.7%	1.8%	1.8%
March Forecast	109.9	111.2	113.8	115.6	117.5	119.6	122.0
Percent Change	1.5%	1.2%	2.4%	1.6%	1.6%	1.8%	2.0%
Real Personal Income (Billions of 2012 Dollars)							
June Forecast, Preliminary	16,888	17,718	18,359	18,133	18,550	19,019	19,487
Percent Change	2.4%	4.9%	3.6%	-1.2%	2.3%	2.5%	2.5%
March Forecast	16,888	17,717	18,186	17,964	18,454	19,009	19,519
Percent Change	2.4%	4.9%	2.6%	-1.2%	2.7%	3.0%	2.7%
Nonfarm Payroll Employment (Millions)							
June Forecast, Preliminary	150.9	142.3	146.8	151.6	153.9	155.4	156.2
Percent Change	1.3%	-5.7%	3.2%	3.3%	1.5%	1.0%	0.5%
March Forecast	150.9	142.3	145.6	150.6	153.4	155.0	155.8
Percent Change	1.3%	-5.7%	2.4%	3.4%	1.8%	1.0%	0.5%
Unemployment Rate (Percent of Labor Force)							
June Forecast, Preliminary	3.7	8.1	5.3	4.0	3.5	3.5	3.8
March Forecast	3.7	8.1	5.5	4.1	3.6	3.4	3.5
Oil Price, Refiner's Acquisition							
June Forecast, Preliminary	59.4	39.2	62.3	61.0	57.9	55.9	54.6
March Forecast	59.4	39.1	62.1	58.2	54.8	52.7	51.5
30 Year Fixed Mortgage Rate (Percent, average)							
June Forecast, Preliminary	3.9	3.1	3.1	3.5	3.7	3.8	4.1
March Forecast	3.9	3.1	3.1	3.6	3.8	3.9	4.1
3 Month T-Bill Rate (Percent, average)							
June Forecast, Preliminary	2.1	0.4	0.0	0.0	0.1	0.2	0.4
March Forecast	2.1	0.4	0.0	0.1	0.1	0.2	0.5

Table 3

Washington Forecast Comparison

	2021Q1	2021Q2	2021Q3	2021Q4
Real Personal Income (Billions of 2012 Dollars)				
June Forecast, Preliminary	512.0	487.7	482.9	478.9
Percent Change	41.5%	-17.7%	-3.9%	-3.3%
March Forecast	484.1	509.1	472.6	469.7
Percent Change	16.8%	22.4%	-25.8%	-2.4%
Personal Income (Billions of Dollars)				
June Forecast, Preliminary	577.6	554.1	551.0	548.7
Percent Change	46.4%	-15.3%	-2.2%	-1.7%
March Forecast	546.9	578.1	538.9	537.9
Percent Change	21.5%	24.8%	-24.5%	-0.7%
Disposable Personal Income (Billions of Dollars)				
June Forecast, Preliminary	525.2	497.9	493.6	490.5
Percent Change	54.7%	-19.2%	-3.4%	-2.5%
March Forecast	494.5	525.1	484.6	483.0
Percent Change	24.8%	27.2%	-27.5%	-1.3%
Nonfarm Payroll Employment (Thousands)				
June Forecast, Preliminary	3290	3327	3398	3439
Percent Change	2.4%	4.5%	8.8%	4.9%
March Forecast	3281	3327	3364	3391
Percent Change	1.5%	5.7%	4.5%	3.4%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Preliminary	5.7	5.5	4.9	4.6
March Forecast	5.9	5.6	5.4	5.2
Manufacturing Employment (Thousands)				
June Forecast, Preliminary	262.2	259.9	258.4	253.7
Percent Change	1.9%	-3.5%	-2.3%	-7.1%
March Forecast	262.2	260.8	258.9	256.5
Percent Change	1.6%	-2.1%	-2.8%	-3.6%
Construction Employment (Thousands)				
June Forecast, Preliminary	222.3	222.0	222.1	219.2
Percent Change	7.2%	-0.5%	0.1%	-5.0%
March Forecast	221.7	219.3	217.8	216.0
Percent Change	5.4%	-4.3%	-2.9%	-3.2%
Housing Permits (Thousands)				
June Forecast, Preliminary	63.7	52.1	51.7	50.3
Percent Change	321.3%	-55.1%	-2.9%	-11.0%
March Forecast	53.1	54.5	51.6	49.4
Percent Change	103.6%	11.4%	-19.9%	-15.9%

	2019	2020	2021	2022	2023	2024	2025
June Forecast, Preliminary	448.9	473.1	490.4	489.7	503.1	518.0	533.5
Percent Change	3.8%	5.4%	3.6%	-0.1%	2.7%	3.0%	3.0%
March Forecast	448.9	472.4	483.9	481.3	496.4	513.5	530.1
Percent Change	3.8%	5.2%	2.4%	-0.5%	3.2%	3.4%	3.2%
June Forecast, Preliminary	493.1	525.8	557.9	566.7	592.2	621.0	651.3
Percent Change	5.4%	6.6%	6.1%	1.6%	4.5%	4.9%	4.9%
March Forecast	493.1	525.0	550.4	556.5	583.3	614.0	646.5
Percent Change	5.4%	6.5%	4.8%	1.1%	4.8%	5.3%	5.3%
June Forecast, Preliminary	442.2	474.1	501.8	506.9	529.2	554.2	581.6
Percent Change	5.1%	7.2%	5.8%	1.0%	4.4%	4.7%	4.9%
March Forecast	442.2	473.6	496.8	499.4	522.4	549.8	579.6
Percent Change	5.1%	7.1%	4.9%	0.5%	4.6%	5.2%	5.4%
June Forecast, Preliminary	3469	3287	3364	3507	3576	3630	3672
Percent Change	2.0%	-5.2%	2.3%	4.3%	2.0%	1.5%	1.1%
March Forecast	3469	3286	3341	3463	3543	3598	3644
Percent Change	2.0%	-5.3%	1.7%	3.7%	2.3%	1.6%	1.3%
June Forecast, Preliminary	4.2	8.4	5.2	4.4	4.1	4.2	4.4
March Forecast	4.2	8.4	5.5	4.7	4.3	4.3	4.4
June Forecast, Preliminary	293.7	271.9	258.6	254.2	256.7	258.9	259.3
Percent Change	2.1%	-7.4%	-4.9%	-1.7%	1.0%	0.9%	0.2%
March Forecast	294.0	271.9	259.6	259.7	261.3	262.2	262.1
Percent Change	2.2%	-7.5%	-4.5%	0.0%	0.6%	0.3%	0.0%
June Forecast, Preliminary	219.5	213.5	221.4	214.5	209.5	210.1	211.8
Percent Change	3.0%	-2.8%	3.7%	-3.1%	-2.4%	0.3%	0.8%
March Forecast	219.5	213.6	218.7	211.4	207.1	207.6	209.8
Percent Change	3.0%	-2.7%	2.4%	-3.3%	-2.0%	0.2%	1.1%
June Forecast, Preliminary	48.4	44.1	54.5	46.6	44.7	45.1	44.2
Percent Change	1.4%	-9.0%	23.6%	-14.4%	-4.1%	0.9%	-2.0%
March Forecast	48.4	44.1	52.2	45.8	43.1	43.6	43.6
Percent Change	1.4%	-9.0%	18.4%	-12.3%	-5.9%	1.3%	-0.1%