



June 2023 Preliminary Economic Forecast

CONTACT: Bret Bertolin, Senior Economist
PHONE: 360.534.1566

This forecast is based on a modified version of IHS Markit's May 2023 Control forecast for the U.S. economy. We have adjusted real gross domestic product (GDP) to be consistent with the May Blue Chip "Consensus" GDP forecast for 2023 and 2024. We expect real GDP to increase 1.1% in 2023 and 0.7% in 2024 compared to the 1.0% and 1.1% growth rates assumed in the March forecast. Our forecast for real GDP growth in 2025-27 is based on the most recent long term forecast from Blue Chip which was released in March 2023. As in March, we expect growth rates of 2.0%, 2.0%, and 1.9% in 2025 through 2027. The forecast assumes one quarter of negative growth in the third quarter of 2023 and no growth in the fourth quarter.

Our oil price forecast reflects the futures markets for the Brent (North Sea) oil price and West Texas Intermediate (WTI) benchmarks. This forecast was based on the Wednesday, May 24, 2023 closing prices for Brent and WTI futures. Oil prices are initially lower than in the March forecast. As in March, oil prices are expected to decline throughout the forecast. The latest futures prices indicate that the refiner acquisition price of crude oil will average \$74 per barrel in the third quarter of 2023 compared to \$77 in the March forecast. By the fourth quarter of 2027 the refiner acquisition price of crude is now expected to average \$62 per barrel which is the same price as in the March forecast.

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

We have four months of new Washington employment data since the March forecast was released. Total seasonally adjusted nonfarm payroll employment increased 30,900 in January, February, March, and April which was 27,700 more than the forecasted increase of 3,200. Private services-providing sectors added 18,400 jobs in the four-month period. The manufacturing sector added 3,200 jobs including 1,600 jobs in aerospace manufacturing. Construction employment increased by 3,800 jobs in January, February, March, and April. State and local government employment rose by 4,400 jobs and federal government employment increased by 1,000 jobs.

We have also incorporated new benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions to employment data subtracted 22,300 (0.6%) from the estimated level of total employment in December 2022. The combined effect of the downward revision to historical data and the stronger employment growth from December through April is that April employment is 5,400 (0.1%) higher than expected in the March forecast.

The Washington unemployment rate declined in March and April but remains above its post-recession low. The Washington unemployment rate declined from 4.6% in February to 4.5% in March and 4.3% in April. The jobless rate had been trending up since a cyclical low of 3.9% in June 2022.

In March, after the forecast was complete, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released state personal income estimates for the fourth quarter of 2022. 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 2022 was \$6.7 billion (1.1%) lower than in the March forecast. Wages and salaries were \$5.1 billion (1.6%) lower than expected and nonwage income was \$1.7 billion (0.6%) lower than expected.

Washington housing construction declined throughout 2022 but increased in early 2023. The number of housing units authorized by building permits declined from 58,000 (SAAR) in the first quarter to 55,500 in the second quarter, 44,600 units in the third quarter, and 38,000 in the fourth quarter. Permits increased to 41,900 (SAAR) units in the first quarter of 2023 consisting of 14,200 single-family units and 27,700 multi-family units. The March forecast predicted 35,800 units (SAAR) for the first quarter, consisting of 14,900 single-family units and 21,000 multi-family units. Permits fell in April to 35,800 units (SAAR) on weaker multi-family activity.

We expect a 2.3% increase in Washington employment this year, up from the 1.5% growth rate expected in the March forecast. We expect slower growth during the remainder of the forecast as the U.S economy slows. We expect employment growth to average 0.7% per year in 2024 through 2027 which is slightly higher than the 0.6% average rate in the March forecast. Our forecast for nominal personal income growth this year is 5.0%, up from 4.7% in the March forecast. Our new forecast for nominal personal income growth in 2024 through 2027 averages 4.8% per year down 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 2023

	2023Q1	2023Q2	2023Q3	2023Q4	2022	2023	2024	2025	2026	2027
Real GDP, Percent Change, Annual Rate										
ERFC (Preliminary June)	1.1	0.5	-0.6	0.0	2.1	1.1	0.7	2.0	2.0	1.9
IHS	1.1	-0.1	0.5	0.5	2.1	1.2	0.9	1.6	2.0	1.8
Economy.com	1.1	1.6	0.9	1.1	2.1	1.6	1.7			
Blue Chip Average*		0.4	-0.6	0.1		1.1	0.7	2.0	2.0	1.9
Blue Chip Top 10*		1.7	1.0	1.8		1.6	1.6	2.4	2.3	2.1
Blue Chip Bottom 10*		-1.1	-2.3	-1.7		0.7	0.0	1.6	1.7	1.7
Real Consumption, Percent Change, Annual Rate										
ERFC (Preliminary June)	3.7	0.3	-0.3	0.0	2.7	1.5	0.7	2.1	2.1	2.0
IHS	3.7	0.1	0.5	0.0	2.7	1.6	0.6	1.6	2.3	2.4
Economy.com	3.7	1.1	1.1	1.7	2.7	2.0	1.8			
Blue Chip Average*		0.4	-0.2	0.1		1.5	0.7	2.1	2.1	2.0
Blue Chip Top 10*		1.7	1.2	1.6		2.0	1.5	2.5	2.4	2.3
Blue Chip Bottom 10*		-1.0	-1.8	-1.5		1.1	-0.3	1.6	1.8	1.9
Federal Funds Rate										
ERFC (Preliminary June)	4.5	5.0	5.1	5.1	1.7	4.9	4.4	3.0	2.6	2.6
IHS	4.5	5.0	5.1	5.1	1.7	4.9	4.4	3.0	2.6	2.6
Economy.com	4.5	5.0	5.1	5.1	1.7	4.9	4.3			
Three Month T-Bill Rate										
ERFC (Preliminary June)	4.6	5.0	5.0	4.9	2.0	4.9	4.1	2.7	2.4	2.3
IHS	4.6	5.0	5.0	4.9	2.0	4.9	4.1	2.7	2.4	2.4
Blue Chip Average*		5.1	5.0	4.8		4.9	3.8	3.0	2.6	2.5
Blue Chip Top 10*		5.3	5.3	5.3		5.2	4.7	3.7	3.1	3.0
Blue Chip Bottom 10*		4.9	4.7	4.2		4.6	2.6	2.3	2.1	2.0
10-Yr. T-Note Yield										
ERFC (Preliminary June)	3.6	3.5	3.4	3.4	3.0	3.5	3.4	3.3	3.2	3.1
IHS	3.6	3.5	3.5	3.5	3.0	3.5	3.5	3.3	3.2	3.2
Economy.com	3.6	3.7	3.8	3.9	3.0	3.8	3.9			
Blue Chip Average*		3.6	3.6	3.5		3.6	3.3	3.3	3.2	3.2
Blue Chip Top 10*		3.9	4.0	4.0		3.9	3.8	3.8	3.6	3.6
Blue Chip Bottom 10*		3.4	3.2	3.0		3.3	2.8	2.8	2.8	2.8
Consumer Price Index, Percent Change, Annual Rate										
ERFC (Preliminary June)	3.8	2.3	2.6	2.8	8.0	3.9	2.3	2.0	2.1	2.2
IHS	3.8	3.2	3.6	2.7	8.0	4.2	2.5	2.2	2.2	2.3
Economy.com	3.8	2.2	2.7	3.0	8.0	3.9	2.5			
Blue Chip Average*		3.4	3.0	2.7		4.0	2.5	2.2	2.2	2.2
Blue Chip Top 10*		4.2	4.1	3.5		4.5	3.0	2.4	2.4	2.4
Blue Chip Bottom 10*		2.6	1.6	1.9		3.4	2.0	1.9	2.0	2.0
Payroll Employment, Millions										
ERFC (Preliminary June)	155.2	155.9	156.0	155.8	152.6	155.7	155.3	155.7	156.5	157.3
Percent Change, Annual Rate	2.5	1.7	0.3	-0.5	4.3	2.0	-0.3	0.3	0.5	0.5
IHS	155.2	155.8	156.0	155.9	152.6	155.7	155.6	155.4	156.0	156.8
Percent Change, Annual Rate	2.5	1.5	0.6	-0.3	4.3	2.0	-0.1	-0.1	0.4	0.5
Economy.com	155.2	155.8	155.9	156.1	152.6	155.8	156.4			
Percent Change, Annual Rate	2.5	1.4	0.5	0.3	4.3	2.0	0.4			
Unemployment Rate, Percent										
ERFC (Preliminary June)	3.5	3.4	3.7	3.9	3.6	3.6	4.4	4.5	4.3	4.1
IHS	3.5	3.5	3.6	3.8	3.6	3.6	4.3	4.8	4.7	4.5
Economy.com	3.5	3.4	3.5	3.8	3.6	3.6	4.0			
Blue Chip Average*		3.6	3.9	4.2		3.8	4.6	4.2	4.1	4.1
Blue Chip Top 10*		3.8	4.4	4.8		4.2	5.1	4.7	4.5	4.4
Blue Chip Bottom 10*		3.4	3.5	3.7		3.6	4.0	3.8	3.8	3.8
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (Preliminary June)	8.0	3.5	2.2	0.7	-6.1	4.1	1.9	2.6	2.5	2.4
IHS	8.0	2.8	1.9	1.2	-6.1	4.0	2.0	2.0	2.4	2.5
Blue Chip Average*		1.5	0.9	1.2		3.3	1.6	2.3	2.1	2.1
Blue Chip Top 10*		3.0	2.7	2.7		4.0	2.5	2.8	2.5	2.5
Blue Chip Bottom 10*		-0.4	-1.4	-0.9		2.3	0.6	1.8	1.7	1.8
West Texas Intermediate										
ERFC (Preliminary June)	76.1	75.4	74.2	73.2	94.8	74.7	70.4	67.0	64.3	62.0
IHS	76.1	81.8	87.2	84.0	94.8	82.3	79.6	80.3	81.5	84.9
Economy.com	76.0	78.9	82.8	83.3	94.4	80.2	78.3			

* Forecasts beyond 2024 are from the March 2023 Blue Chip Economic Indicators

Table 2

U.S. Forecast Comparison

	2023Q1	2023Q2	2023Q3	2023Q4
Real GDP (Billions of 2012 Dollars)				
June Forecast, Preliminary	20,236	20,261	20,231	20,233
Percent Change	1.1%	0.5%	-0.6%	0.0%
March Forecast	20,226	20,220	20,214	20,229
Percent Change	0.8%	-0.1%	-0.1%	0.3%
Real Consumption (Billions of 2012 Dollars)				
June Forecast, Preliminary	14,344	14,357	14,346	14,345
Percent Change	3.7%	0.3%	-0.3%	0.0%
March Forecast	14,301	14,313	14,316	14,328
Percent Change	2.1%	0.3%	0.1%	0.3%
PCE Price Index (2012=100)				
June Forecast, Preliminary	126.2	126.9	127.8	128.7
Percent Change	4.2%	2.4%	2.8%	2.8%
March Forecast	126.2	127.2	128.1	129.0
Percent Change	4.4%	3.0%	3.1%	2.7%
Real Personal Income (Billions of 2012 Dollars)				
June Forecast, Preliminary	17,948	18,046	18,115	18,121
Percent Change	0.9%	2.2%	1.5%	0.1%
March Forecast	17,898	17,889	17,935	17,982
Percent Change	-0.1%	-0.2%	1.0%	1.0%
Nonfarm Payroll Employment (Millions)				
June Forecast, Preliminary	155.2	155.9	156.0	155.8
Percent Change	2.5%	1.7%	0.3%	-0.5%
March Forecast	155.4	155.6	155.2	154.6
Percent Change	2.9%	0.4%	-1.1%	-1.3%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Preliminary	3.5	3.4	3.7	3.9
March Forecast	3.3	3.4	3.7	3.9
Oil Price, Refiner's Acquisition				
June Forecast, Preliminary	74.3	75.2	73.9	72.9
March Forecast	77.7	77.4	76.6	75.4
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast, Preliminary	6.4	6.4	6.3	6.1
March Forecast	6.5	6.8	6.7	6.5
3 Month T-Bill Rate (Percent, average)				
June Forecast, Preliminary	4.6	5.0	5.0	4.9
March Forecast	4.7	4.9	5.0	5.0

	2021	2022	2023	2024	2025	2026	2027
June Forecast, Preliminary	19,610	20,014	20,240	20,392	20,800	21,216	21,619
Percent Change	5.9%	2.1%	1.1%	0.7%	2.0%	2.0%	1.9%
March Forecast	19,610	20,015	20,222	20,440	20,848	21,265	21,669
Percent Change	5.9%	2.1%	1.0%	1.1%	2.0%	2.0%	1.9%
June Forecast, Preliminary	13,754	14,130	14,348	14,442	14,746	15,055	15,356
Percent Change	8.3%	2.7%	1.5%	0.7%	2.1%	2.1%	2.0%
March Forecast	13,754	14,133	14,314	14,459	14,763	15,073	15,374
Percent Change	8.3%	2.8%	1.3%	1.0%	2.1%	2.1%	2.0%
June Forecast, Preliminary	115.6	122.9	127.4	130.5	133.0	135.6	138.3
Percent Change	4.0%	6.3%	3.7%	2.4%	1.9%	1.9%	2.0%
March Forecast	115.6	122.9	127.6	130.8	133.2	135.8	138.4
Percent Change	4.0%	6.3%	3.9%	2.4%	1.9%	1.9%	2.0%
June Forecast, Preliminary	18,427	17,750	18,058	18,276	18,709	19,201	19,689
Percent Change	3.3%	-3.7%	1.7%	1.2%	2.4%	2.6%	2.5%
March Forecast	18,427	17,748	17,926	18,223	18,717	19,227	19,731
Percent Change	3.3%	-3.7%	1.0%	1.7%	2.7%	2.7%	2.6%
June Forecast, Preliminary	146.3	152.6	155.7	155.3	155.7	156.5	157.3
Percent Change	2.9%	4.3%	2.0%	-0.3%	0.3%	0.5%	0.5%
March Forecast	146.3	152.6	155.2	154.0	154.1	154.6	155.3
Percent Change	2.9%	4.3%	1.7%	-0.7%	0.0%	0.4%	0.4%
June Forecast, Preliminary	5.4	3.6	3.6	4.4	4.5	4.3	4.1
March Forecast	5.4	3.6	3.6	4.3	4.4	4.2	4.1
June Forecast, Preliminary	67.5	95.1	74.0	70.3	67.3	65.0	63.0
March Forecast	67.5	95.2	76.8	72.5	68.5	65.3	62.7
June Forecast, Preliminary	3.0	5.4	6.3	5.7	5.1	4.9	4.9
March Forecast	3.0	5.4	6.6	5.9	5.2	5.0	4.9
June Forecast, Preliminary	0.0	2.0	4.9	4.1	2.7	2.4	2.3
March Forecast	0.0	2.0	4.9	4.2	2.9	2.4	2.3

Table 3

Washington Forecast Comparison

	2023Q1	2023Q2	2023Q3	2023Q4
Real Personal Income (Billions of 2012 Dollars)				
June Forecast, Preliminary	477.2	481.1	483.1	484.2
Percent Change	2.0%	3.3%	1.7%	0.9%
March Forecast	479.8	479.6	481.0	482.9
Percent Change	-0.4%	-0.1%	1.1%	1.6%
Personal Income (Billions of Dollars)				
June Forecast, Preliminary	602.0	610.7	617.4	623.0
Percent Change	6.3%	5.9%	4.5%	3.7%
March Forecast	605.7	610.0	616.4	623.0
Percent Change	4.1%	2.9%	4.3%	4.4%
Disposable Personal Income (Billions of Dollars)				
June Forecast, Preliminary	525.2	536.7	543.8	549.7
Percent Change	13.4%	9.1%	5.4%	4.4%
March Forecast	529.2	535.4	542.1	548.9
Percent Change	12.8%	4.8%	5.1%	5.1%
Nonfarm Payroll Employment (Thousands)				
June Forecast, Preliminary	3598	3613	3613	3615
Percent Change	3.3%	1.6%	0.1%	0.2%
March Forecast	3601	3600	3590	3586
Percent Change	1.2%	0.0%	-1.1%	-0.5%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Preliminary	4.5	4.3	4.4	4.6
March Forecast	4.6	4.5	4.6	4.8
Manufacturing Employment (Thousands)				
June Forecast, Preliminary	274.2	275.5	274.9	273.5
Percent Change	2.3%	1.9%	-1.0%	-2.0%
March Forecast	277.6	277.9	277.5	274.5
Percent Change	1.2%	0.4%	-0.6%	-4.3%
Construction Employment (Thousands)				
June Forecast, Preliminary	240.1	241.9	236.9	237.5
Percent Change	3.7%	3.1%	-8.0%	1.0%
March Forecast	238.5	233.0	229.7	230.6
Percent Change	-1.6%	-8.9%	-5.6%	1.7%
Housing Permits (Thousands)				
June Forecast, Preliminary	41.9	37.3	39.8	41.1
Percent Change	48.5%	-37.1%	29.8%	13.4%
March Forecast	35.8	37.8	38.6	39.8
Percent Change	-22.3%	24.6%	8.6%	12.3%

	2021	2022	2023	2024	2025	2026	2027
Real Personal Income (Billions of 2012 Dollars)							
June Forecast, Preliminary	494.1	475.3	481.4	490.1	504.1	519.9	535.8
Percent Change	4.1%	-3.8%	1.3%	1.8%	2.9%	3.1%	3.1%
March Forecast	494.1	477.4	480.8	491.4	507.5	524.0	540.0
Percent Change	4.1%	-3.4%	0.7%	2.2%	3.3%	3.2%	3.1%
Personal Income (Billions of Dollars)							
June Forecast, Preliminary	570.9	583.8	613.3	639.4	670.4	704.8	741.1
Percent Change	8.2%	2.3%	5.0%	4.3%	4.8%	5.1%	5.2%
March Forecast	570.9	586.4	613.8	642.6	676.3	711.4	747.7
Percent Change	8.2%	2.7%	4.7%	4.7%	5.2%	5.2%	5.1%
Disposable Personal Income (Billions of Dollars)							
June Forecast, Preliminary	504.4	499.3	538.8	566.7	594.9	623.9	654.6
Percent Change	6.5%	-1.0%	7.9%	5.2%	5.0%	4.9%	4.9%
March Forecast	504.4	501.0	538.9	568.9	600.4	631.1	663.0
Percent Change	6.5%	-0.7%	7.6%	5.6%	5.5%	5.1%	5.0%
Nonfarm Payroll Employment (Thousands)							
June Forecast, Preliminary	3370	3530	3610	3615	3642	3680	3717
Percent Change	2.6%	4.8%	2.3%	0.1%	0.8%	1.0%	1.0%
March Forecast	3363	3540	3594	3591	3616	3649	3680
Percent Change	2.4%	5.3%	1.5%	-0.1%	0.7%	0.9%	0.8%
Unemployment Rate (Percent of Labor Force)							
June Forecast, Preliminary	5.2	4.2	4.5	5.0	4.9	4.7	4.5
March Forecast	5.2	4.2	4.6	4.9	4.8	4.6	4.5
Manufacturing Employment (Thousands)							
June Forecast, Preliminary	260.0	269.0	274.5	268.5	266.9	268.3	269.5
Percent Change	-4.4%	3.5%	2.0%	-2.2%	-0.6%	0.5%	0.4%
March Forecast	259.2	272.0	276.9	268.9	267.7	269.6	271.3
Percent Change	-4.6%	4.9%	1.8%	-2.9%	-0.4%	0.7%	0.6%
Construction Employment (Thousands)							
June Forecast, Preliminary	223.9	233.4	239.1	234.2	233.8	237.5	241.4
Percent Change	4.7%	4.2%	2.4%	-2.1%	-0.2%	1.6%	1.6%
March Forecast	223.4	236.0	233.0	230.2	230.8	234.4	237.4
Percent Change	4.5%	5.7%	-1.3%	-1.2%	0.2%	1.6%	1.3%
Housing Permits (Thousands)							
June Forecast, Preliminary	56.9	49.0	40.1	42.9	44.9	44.8	44.8
Percent Change	29.8%	-13.9%	-18.3%	7.2%	4.6%	-0.1%	-0.1%
March Forecast	56.9	49.3	38.0	42.2	44.8	44.9	44.5
Percent Change	29.8%	-13.5%	-22.8%	10.9%	6.4%	0.1%	-0.9%