



September 2019 Preliminary Economic Forecast

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This forecast is based on a modified version of IHS Markit's August 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 August Blue Chip forecast for real GDP growth in 2019 and 2020 was 2.4% and 1.8% compared to 2.5% and 1.8% in June. 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, August 28, 2019 closing prices for Brent and WTI futures. The latest futures prices indicate slightly higher prices in the near term but also a larger decline than assumed in June.

The forecast includes tariffs on solar panels and metals, a 25% tariff on roughly 44% of goods imported from China, and China's retaliatory tariffs on \$100 billion of U.S. exports to China. It does not include a 10% tariff, announced by President Trump on August 1st, effective September 1st, on Chinese goods not yet subject to tariffs. It also does not reflect China's response last Friday that it will increase tariffs on \$75 billion of American goods. The latest developments in trade will be reflected in the final September forecast.

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

We have two months of new Washington employment data since the June forecast was released. Total nonfarm payroll employment rose 18,800 (seasonally adjusted) in June and July which was 8,200 more than expected in the June forecast. Private services-providing sectors added 13,500 jobs in the two-month period. The manufacturing sector added 1,900 jobs of which 1,200

were aerospace jobs. The construction sector lost 300 jobs in June and July but government added 3,900 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 May 2019 by 12,300 jobs (0.4%). As a result of the downward revision to history and stronger-than-expected growth, the combined effect is 4,100 (0.1%) fewer jobs in July 2019 than expected in the June forecast.

In June, the Bureau of Economic Analysis released estimates for state personal income through the first quarter of 2019. 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 first quarter of 2019 is \$1.8 billion (0.4%) higher than assumed in the June forecast. Wages were \$1.0 billion (0.4%) above the forecast and nonwage income was \$0.7 billion (0.3%) above the forecast.

Washington housing construction increased in the second quarter of 2019 and slightly exceeded the June forecast. The number of housing units authorized by building permits increased to 48,600 units (SAAR) in the second quarter of 2019 from 43,800 units in the first quarter. Second quarter permits were made up of 22,100 single-family units and 26,500 multi-family units. The June forecast assumed 48,000 units (SAAR) in the second quarter, consisting of 22,400 single-family units and 25,600 multi-family units. Washington housing construction got off to a very strong start in the third quarter of 2019, though mostly as a result of a surge in multi-family permits. In July, 54,200 units (SAAR) were permitted consisting of 23,500 single-family units and 30,700 multi-family units. The June forecast assumed an average rate of 41,600 (SAAR) units for the third quarter as a whole.

While Boeing has suspended deliveries of the 737 Max, production continues though at a reduced rate. We do not have any information on the impact on employment or hours but do not believe they are large at this point. Boeing has issued no worker adjustment and retraining notifications (WARNs) since the grounding of the 737 Max and overall aerospace employment is actually up.

We expect 1.9% Washington employment growth this year, down from 2.2% in the June forecast. As in June, we expect growth to decelerate. We expect employment growth to average 1.3% per year in 2020 through 2023, up slightly from 1.2% in the June forecast. Our forecast for nominal personal income growth this year is 5.7%, up from 4.9% in the June forecast. Our new

forecast for nominal personal income growth in 2020 through 2023 averages 4.9% per year, the same rate as in the June forecast.

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

Table 1

U.S. Economic Forecast Comparison

August 2019

	2019Q2	2019Q3	2019Q4	2020Q1	2018	2019	2020	2021	2022	2023
Real GDP, Percent Change, Annual Rate										
ERFC (September Preliminary)	2.1	2.2	2.1	1.8	2.9	2.4	1.8	1.7	1.9	2.0
IHS	2.1	1.9	2.2	2.5	2.9	2.3	2.3	2.1	1.8	1.6
Economy.com	2.1	1.9	2.0	1.9	2.9	2.3	1.7	2.1		
Blue Chip Average*		2.0	2.0	1.9		2.4	1.8	1.7	1.9	2.0
Blue Chip Top 10*		2.4	2.4	2.4		2.5	2.2	2.2	2.3	2.4
Blue Chip Bottom 10*		1.6	1.4	1.3		2.2	1.3	1.3	1.6	1.6
Real Consumption, Percent Change, Annual Rate										
ERFC (September Preliminary)	4.3	2.5	2.3	2.2	3.0	2.5	2.2	1.9	2.0	2.0
IHS	4.3	2.6	2.9	2.9	3.0	2.5	2.9	2.8	2.6	2.5
Economy.com	4.3	2.0	1.7	1.5	3.0	2.4	1.5	1.4		
Blue Chip Average*		2.5	2.2	2.0		2.5	2.2	1.9	2.0	2.0
Blue Chip Top 10*		3.0	2.7	2.5		2.7	2.6	2.3	2.5	2.5
Blue Chip Bottom 10*		1.9	1.5	1.5		2.3	1.7	1.4	1.7	1.6
Federal Funds Rate										
ERFC (September Preliminary)	2.4	2.2	2.1	2.1	1.8	2.3	2.2	2.4	2.4	2.6
IHS	2.4	2.2	2.1	2.1	1.8	2.3	2.2	2.4	2.4	2.6
Economy.com	2.4	2.2	1.9	1.7	1.8	2.2	1.7	1.9		
Three Month T-Bill Rate										
ERFC (September Preliminary)	2.3	2.1	2.1	2.1	1.9	2.2	2.1	2.2	2.1	2.4
IHS	2.3	2.1	2.1	2.1	1.9	2.2	2.1	2.2	2.1	2.4
Blue Chip Average*		2.1	1.9	1.9		2.2	1.8	2.5	2.6	2.7
Blue Chip Top 10*		2.2	2.2	2.1		2.3	2.1	3.2	3.3	3.2
Blue Chip Bottom 10*		1.9	1.8	1.6		2.1	1.4	1.6	1.7	2.0
10-Yr. T-Note Yield										
ERFC (September Preliminary)	2.3	2.1	2.2	2.4	2.9	2.3	2.5	2.9	3.2	3.3
IHS	2.3	2.1	2.3	2.4	2.9	2.3	2.6	3.0	3.2	3.3
Economy.com	2.3	2.1	2.3	2.6	2.9	2.4	2.7	3.2		
Blue Chip Average*		2.0	2.0	2.1		2.2	2.1	3.1	3.2	3.4
Blue Chip Top 10*		2.2	2.3	2.4		2.4	2.6	3.8	3.8	3.8
Blue Chip Bottom 10*		1.9	1.8	1.8		2.1	1.8	2.4	2.7	2.9
Consumer Price Index, Percent Change, Annual Rate										
ERFC (September Preliminary)	2.9	2.0	1.8	1.8	2.4	1.8	1.9	2.0	2.2	2.2
IHS	2.9	2.5	2.4	1.9	2.4	1.9	2.1	2.1	2.4	2.4
Economy.com	2.9	2.5	2.2	1.7	2.4	1.9	2.1	2.4		
Blue Chip Average*		1.9	2.0	2.1		1.8	2.1	2.2	2.2	2.2
Blue Chip Top 10*		2.6	2.7	2.6		2.0	2.5	2.6	2.6	2.6
Blue Chip Bottom 10*		1.2	1.0	1.6		1.7	1.7	1.9	1.9	1.9
Payroll Employment, Millions										
ERFC (September Preliminary)	151.1	151.7	152.1	152.6	149.1	151.4	153.1	154.1	154.9	155.7
Percent Change, Annual Rate	1.2	1.4	1.1	1.3	1.7	1.6	1.2	0.6	0.5	0.5
IHS	151.1	151.6	152.0	152.5	149.1	151.4	153.3	154.8	155.8	156.1
Percent Change, Annual Rate	1.2	1.3	1.1	1.3	1.7	1.5	1.3	1.0	0.6	0.2
Economy.com	151.1	151.6	152.0	152.4	149.1	151.4	152.7	152.7		
Percent Change, Annual Rate	1.2	1.3	1.1	0.9	1.7	1.5	0.9	0.0		
Unemployment Rate, Percent										
ERFC (September Preliminary)	3.6	3.6	3.5	3.5	3.9	3.6	3.5	3.6	3.8	3.9
IHS	3.6	3.6	3.5	3.5	3.9	3.7	3.4	3.3	3.5	3.9
Economy.com	3.6	3.5	3.5	3.6	3.9	3.6	3.7	4.2		
Blue Chip Average*		3.6	3.6	3.6		3.7	3.6	4.1	4.2	4.3
Blue Chip Top 10*		3.7	3.7	3.8		3.7	4.0	4.9	5.0	4.9
Blue Chip Bottom 10*		3.6	3.5	3.4		3.6	3.4	3.5	3.6	3.7
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (September Preliminary)	2.5	2.3	2.3	2.9	4.0	3.1	2.5	2.4	2.3	2.3
IHS	2.5	2.0	1.9	3.0	4.0	3.0	2.6	2.7	2.2	2.1
Blue Chip Average*		2.3	2.2	2.2		2.8	2.1	1.8	2.0	2.1
Blue Chip Top 10*		3.1	3.0	2.9		3.3	2.7	2.2	2.4	2.4
Blue Chip Bottom 10*		1.6	1.5	1.6		3.0	1.7	1.4	1.7	1.7
West Texas Intermediate										
ERFC (September Preliminary)	59.8	56.0	55.5	54.5	64.9	56.5	53.4	51.6	51.2	51.7
IHS	59.8	60.1	63.6	63.0	64.9	59.6	60.1	59.3	62.5	65.7
Economy.com	60.0	59.1	62.0	62.5	64.8	58.9	61.7	61.3		

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

Table 2

U.S. Forecast Comparison

	2019Q2	2019Q3	2019Q4	2020Q1
Real GDP (Billions of 2012 Dollars)				
September Forecast, Preliminary	19,024	19,128	19,226	19,313
Percent Change	2.1%	2.2%	2.1%	1.8%
June Forecast	18,984	19,076	19,167	19,256
Percent Change	1.6%	2.0%	1.9%	1.9%
Real Consumption (Billions of 2012 Dollars)				
September Forecast, Preliminary	13,241	13,323	13,398	13,470
Percent Change	4.3%	2.5%	2.3%	2.2%
June Forecast	13,161	13,232	13,303	13,377
Percent Change	2.7%	2.2%	2.2%	2.3%
PCE Price Index (2012=100)				
September Forecast, Preliminary	109.5	110.0	110.5	111.0
Percent Change	2.3%	1.9%	1.8%	1.8%
June Forecast	109.6	110.1	110.6	111.1
Percent Change	2.5%	1.7%	1.6%	1.9%
Real Personal Income (Billions of 2012 Dollars)				
September Forecast, Preliminary	16,982	17,087	17,184	17,306
Percent Change	3.0%	2.5%	2.3%	2.9%
June Forecast	16,575	16,679	16,791	16,907
Percent Change	1.9%	2.5%	2.7%	2.8%
Nonfarm Payroll Employment (Millions)				
September Forecast, Preliminary	151.1	151.7	152.1	152.6
Percent Change	1.2%	1.4%	1.1%	1.3%
June Forecast	151.4	151.9	152.3	152.7
Percent Change	1.8%	1.5%	1.1%	1.1%
Unemployment Rate (Percent of Labor Force)				
September Forecast, Preliminary	3.6	3.6	3.5	3.5
June Forecast	3.6	3.5	3.5	3.5
Oil Price, Refiner's Acquisition				
September Forecast, Preliminary	63.9	56.2	55.3	54.1
June Forecast	61.4	54.3	53.6	53.3
30 Year Fixed Mortgage Rate (Percent, average)				
September Forecast, Preliminary	4.0	3.8	4.0	4.1
June Forecast	4.1	4.0	4.0	4.1
3 Month T-Bill Rate (Percent, average)				
September Forecast, Preliminary	2.3	2.1	2.1	2.1
June Forecast	2.4	2.4	2.3	2.3

	2017	2018	2019	2020	2021	2022	2023
18,108	18,638	19,076	19,428	19,758	20,133	20,536	
2.4%	2.9%	2.4%	1.8%	1.7%	1.9%	2.0%	
18,051	18,566	19,034	19,376	19,706	20,080	20,482	
2.2%	2.9%	2.5%	1.8%	1.7%	1.9%	2.0%	
12,567	12,945	13,266	13,558	13,816	14,092	14,374	
2.6%	3.0%	2.5%	2.2%	1.9%	2.0%	2.0%	
12,559	12,888	13,193	13,469	13,725	13,999	14,279	
2.5%	2.6%	2.4%	2.1%	1.9%	2.0%	2.0%	
105.9	108.1	109.7	111.8	113.9	116.2	118.4	
1.8%	2.1%	1.5%	1.9%	1.9%	2.0%	2.0%	
106.1	108.2	109.8	111.8	114.0	116.2	118.4	
1.8%	2.0%	1.5%	1.8%	1.9%	1.9%	1.9%	
15,933	16,477	17,027	17,464	17,871	18,277	18,734	
2.9%	3.4%	3.3%	2.6%	2.3%	2.3%	2.5%	
15,867	16,233	16,636	17,071	17,491	17,915	18,356	
2.6%	2.3%	2.5%	2.6%	2.5%	2.4%	2.5%	
146.6	149.1	151.4	153.1	154.1	154.9	155.7	
1.6%	1.7%	1.6%	1.2%	0.6%	0.5%	0.5%	
146.6	149.1	151.6	153.2	154.1	155.0	155.9	
1.6%	1.7%	1.7%	1.1%	0.6%	0.6%	0.6%	
4.4	3.9	3.6	3.5	3.6	3.8	3.9	
4.4	3.9	3.6	3.6	3.8	3.9	4.0	
50.7	64.5	58.1	53.3	51.9	51.7	52.3	
50.7	64.5	56.6	52.9	52.3	52.5	53.2	
4.0	4.5	4.1	4.2	4.6	4.8	4.9	
4.0	4.5	4.1	4.3	4.6	4.7	4.8	
0.9	1.9	2.2	2.1	2.2	2.1	2.4	
0.9	1.9	2.4	2.2	2.2	2.1	2.4	

Table 3

Washington Forecast Comparison

	2019Q2	2019Q3	2019Q4	2020Q1	2017	2018	2019	2020	2021	2022	2023
Real Personal Income (Billions of 2012 Dollars)											
September Forecast, Preliminary	440.5	444.1	446.7	450.1	404.8	424.2	442.0	455.2	468.0	481.0	496.0
Percent Change	3.6%	3.3%	2.4%	3.1%	4.2%	4.8%	4.2%	3.0%	2.8%	2.8%	3.1%
June Forecast	436.2	439.1	442.5	446.0	404.2	423.8	438.1	451.3	464.5	477.6	491.8
Percent Change	1.6%	2.6%	3.2%	3.2%	4.2%	4.9%	3.4%	3.0%	2.9%	2.8%	3.0%
Personal Income (Billions of Dollars)											
September Forecast, Preliminary	482.4	488.7	493.8	499.8	428.8	458.8	485.0	508.9	533.3	558.8	587.5
Percent Change	6.0%	5.3%	4.2%	5.0%	6.1%	7.0%	5.7%	4.9%	4.8%	4.8%	5.1%
June Forecast	478.3	483.5	489.2	495.4	428.8	458.7	481.1	504.7	529.4	554.9	582.4
Percent Change	4.1%	4.4%	4.8%	5.2%	6.1%	7.0%	4.9%	4.9%	4.9%	4.8%	5.0%
Disposable Personal Income (Billions of Dollars)											
September Forecast, Preliminary	430.7	436.2	440.8	446.3	380.3	410.0	433.0	454.7	477.2	500.2	525.0
Percent Change	6.3%	5.2%	4.3%	5.1%	6.0%	7.8%	5.6%	5.0%	4.9%	4.8%	5.0%
June Forecast	424.9	429.6	434.7	440.2	380.3	408.5	427.6	448.5	470.7	493.1	516.7
Percent Change	3.6%	4.5%	4.9%	5.2%	6.0%	7.4%	4.7%	4.9%	4.9%	4.8%	4.8%
Nonfarm Payroll Employment (Thousands)											
September Forecast, Preliminary	3461	3483	3497	3511	3321	3404	3470	3533	3577	3617	3655
Percent Change	2.3%	2.6%	1.5%	1.6%	2.4%	2.5%	1.9%	1.8%	1.3%	1.1%	1.0%
June Forecast	3472	3487	3501	3514	3321	3405	3478	3533	3573	3612	3649
Percent Change	2.2%	1.8%	1.6%	1.5%	2.4%	2.5%	2.2%	1.6%	1.1%	1.1%	1.0%
Unemployment Rate (Percent of Labor Force)											
September Forecast, Preliminary	4.6	4.6	4.5	4.6	4.7	4.5	4.6	4.6	4.6	4.8	4.9
June Forecast	4.7	4.6	4.5	4.6	4.7	4.5	4.6	4.6	4.8	4.9	4.9
Manufacturing Employment (Thousands)											
September Forecast, Preliminary	294.4	296.3	296.3	296.7	284.2	287.5	295.2	294.6	292.2	293.5	296.7
Percent Change	0.8%	2.7%	0.0%	0.4%	-2.1%	1.2%	2.7%	-0.2%	-0.8%	0.5%	1.1%
June Forecast	292.1	292.1	292.8	293.0	284.2	287.5	292.3	292.2	292.1	293.5	296.3
Percent Change	-0.1%	-0.1%	1.0%	0.3%	-2.1%	1.2%	1.7%	0.0%	0.0%	0.5%	0.9%
Construction Employment (Thousands)											
September Forecast, Preliminary	218.1	217.2	216.7	215.3	199.8	213.4	217.0	214.4	211.8	210.7	210.5
Percent Change	3.8%	-1.6%	-1.0%	-2.6%	7.0%	6.8%	1.7%	-1.2%	-1.2%	-0.5%	-0.1%
June Forecast	223.5	222.4	221.9	220.6	199.8	213.4	222.2	219.8	217.6	216.9	217.3
Percent Change	4.8%	-2.0%	-0.8%	-2.3%	7.0%	6.8%	4.1%	-1.0%	-1.0%	-0.3%	0.2%
Housing Permits (Thousands)											
September Forecast, Preliminary	48.6	45.4	43.2	42.9	45.8	47.7	45.2	43.2	42.7	42.8	42.2
Percent Change	52.3%	-23.8%	-18.2%	-2.6%	3.9%	4.3%	-5.2%	-4.5%	-1.0%	0.1%	-1.4%
June Forecast	48.0	41.6	41.6	41.7	45.8	47.4	43.7	42.0	41.8	42.1	41.8
Percent Change	44.6%	-43.5%	-0.2%	1.5%	3.9%	3.4%	-7.7%	-3.9%	-0.5%	0.7%	-0.8%