



September 2021 Preliminary Economic Forecast

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This forecast is based on a modified version of IHS Markit's August 2021 Control forecast for the U.S. economy. We have adjusted real gross domestic product (GDP) to match the August 2021 Blue Chip "Consensus" GDP forecast for 2021 and 2022. We expect real GDP to increase 6.2% in 2021 which is weaker than the 6.7% growth rate assumed in the June forecast. Our forecast of GDP growth in 2022 is unchanged at 4.4%. 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%, 2.1%, and 2.0% in 2023 through 2025 compared to the June forecast of 2.2%, 2.0%, and 1.9%.

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 25, 2021 closing prices for Brent and WTI futures. Oil prices are slightly lower than expected in the June forecast and, as in June, are expected to decline gradually over the forecast. The latest futures prices indicate that the refiner acquisition price of crude will average \$67 per barrel in the fourth quarter of 2021 compared to \$69 in the June forecast. By the fourth quarter of 2025 the refiner acquisition price of crude is expected to average \$55 per barrel compared to \$56 per barrel in the June 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 increased 48,800 in June and July which was 900 more than the increase of 48,000 expected in the forecast. Washington employment is now 143,000 (4.1%) lower than at its February 2020 peak. Private services-providing sectors added 40,800 jobs in June and July. The manufacturing sector added 900 jobs despite the loss of 500 jobs in aerospace manufacturing. Construction employment increased by 2,000 jobs. State and local government employment increased by 5,000 jobs in the two-month period and federal government employment increased by 100 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 8,100 (0.2%) to the estimated level of total employment in May 2021. Because employment growth in June and July was also slightly more than expected, employment is 9,000 (0.3%) higher in July than expected in the June forecast.

Washington's unemployment declined to 5.1% in July from 5.2% in June. 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. At the business cycle peak in February 2020 the Washington unemployment rate was 4.1%.

In June, after the forecast was complete, the Bureau of Economic Analysis released estimates for state personal income through the first quarter of 2021. 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 2021 is \$1.5 billion (0.3%) higher than in the June forecast. Wages and salaries are \$2.9 billion (1.1%) higher than expected but nonwage income is \$1.4 billion (0.5%) lower than expected.

Washington housing construction moderated in second quarter of 2021 after reaching its highest level in nearly 43 years. The number of housing units authorized by building permits fell to 47,600 (SAAR) in the second quarter from 63,700 in the first quarter. First quarter permits were their highest since second quarter of 1978. Second quarter permits consisted of 24,300 single-family permits and 23,300 multi-family permits. The June forecast expected 52,100 units (SAAR) in the second quarter as a whole, consisting of 29,800 single-family units and 22,400 multi-family units. The third quarter got off to a strong start with 58,300 (SAAR) units permitted in July consisting of 23,200 single-family units and 35,100 multi-family units.

We expect a 2.4% increase in Washington employment this year which is up from the 2.0% increase in the June 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 2.3% per year in 2022 through 2025 which is the same rate expected in the June forecast. Our forecast for nominal personal income growth this year is 6.4%, up from 6.0% in the June 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 1.7% in 2022 compared to 1.5% in the June forecast. Our new forecast for nominal personal income growth in 2023 through 2025 averages 5.3% per year compared to the 4.8% rate 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 2021

	2021Q2	2021Q3	2021Q4	2022Q1	2020	2021	2022	2023	2024	2025
Real GDP, Percent Change, Annual Rate										
ERFC (September Preliminary)	6.5	7.6	5.7	3.8	-3.4	6.2	4.4	2.3	2.1	2.0
IHS	6.5	6.1	5.8	4.8	-3.4	6.1	4.4	2.2	2.4	2.3
Economy.com	6.5	8.2	6.4	4.5	-3.4	6.3	4.5	2.6		
Blue Chip Average*		7.1	5.6	4.0		6.2	4.4	2.4	2.2	2.1
Blue Chip Top 10*		9.2	7.6	5.4		6.7	5.5	2.8	2.5	2.4
Blue Chip Bottom 10*		5.1	3.5	2.6		5.8	3.4	1.9	1.8	1.8
Real Consumption, Percent Change, Annual Rate										
ERFC (September Preliminary)	11.8	2.9	3.7	4.2	-3.8	8.1	4.1	2.5	2.1	2.2
IHS	11.8	1.9	4.3	2.6	-3.8	8.0	3.4	2.4	2.7	2.8
Economy.com	11.8	3.9	6.6	4.0	-3.8	8.4	4.3	2.2		
Blue Chip Average*		4.7	4.3	3.6		8.1	4.1	2.4	2.3	2.3
Blue Chip Top 10*		8.2	6.7	5.0		8.8	5.2	2.9	2.7	2.6
Blue Chip Bottom 10*		1.4	2.4	2.3		7.1	3.1	2.0	2.0	2.0
Federal Funds Rate										
ERFC (September Preliminary)	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.2	0.5	1.0
IHS	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.2	0.5	1.0
Economy.com	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.5		
Three Month T-Bill Rate										
ERFC (September Preliminary)	0.0	0.0	0.1	0.1	0.4	0.0	0.1	0.2	0.5	0.9
IHS	0.0	0.0	0.1	0.1	0.4	0.0	0.1	0.2	0.5	0.9
Blue Chip Average*		0.1	0.1	0.1		0.1	0.1	0.5	0.8	1.2
Blue Chip Top 10*		0.1	0.1	0.1		0.1	0.2	0.9	1.4	1.9
Blue Chip Bottom 10*		0.0	0.1	0.1		0.0	0.1	0.1	0.3	0.6
10-Yr. T-Note Yield										
ERFC (September Preliminary)	1.6	1.4	1.5	1.6	0.9	1.4	1.8	2.1	2.3	2.6
IHS	1.6	1.3	1.5	1.6	0.9	1.4	1.8	2.1	2.3	2.6
Economy.com	1.6	1.4	1.7	2.0	0.9	1.5	2.2	2.8		
Blue Chip Average*		1.4	1.6	1.7		1.5	1.9	2.3	2.5	2.7
Blue Chip Top 10*		1.7	1.9	2.0		1.7	2.2	2.8	3.1	3.3
Blue Chip Bottom 10*		1.2	1.3	1.4		1.4	1.5	1.8	2.0	2.1
Consumer Price Index, Percent Change, Annual Rate										
ERFC (September Preliminary)	8.4	5.9	2.0	1.5	1.2	4.2	2.5	1.7	2.1	2.1
IHS	8.4	5.9	1.5	1.5	1.2	4.2	2.4	1.8	2.1	2.2
Economy.com	8.4	4.2	2.9	2.4	1.2	4.0	3.0	2.3		
Blue Chip Average*		5.1	2.4	2.2		4.0	3.0	2.3	2.3	2.3
Blue Chip Top 10*		7.2	3.8	3.2		4.4	3.9	2.7	2.7	2.8
Blue Chip Bottom 10*		2.5	1.2	1.3		3.4	2.2	1.9	2.0	1.9
Payroll Employment, Millions										
ERFC (September Preliminary)	145.0	147.7	149.8	151.2	142.3	146.5	152.7	154.9	155.7	156.2
Percent Change, Annual Rate	4.8	7.7	5.7	3.8	-5.7	3.0	4.2	1.4	0.6	0.3
IHS	145.0	147.6	149.6	151.1	142.3	146.4	152.5	154.5	155.5	156.2
Percent Change, Annual Rate	4.8	7.2	5.5	4.1	-5.7	2.9	4.2	1.3	0.7	0.5
Economy.com	145.0	147.2	149.0	150.4	142.3	146.2	151.8	154.1		
Percent Change, Annual Rate	4.8	6.1	5.0	3.9	-5.7	2.7	3.9	1.5		
Unemployment Rate, Percent										
ERFC (September Preliminary)	5.9	5.1	4.6	4.2	8.1	5.4	3.8	3.4	3.5	3.8
IHS	5.9	5.1	4.7	4.3	8.1	5.5	3.9	3.6	3.6	3.8
Economy.com	5.9	5.3	4.6	4.0	8.1	5.5	3.7	3.5		
Blue Chip Average*		5.4	4.9	4.7		5.6	4.4	4.2	4.0	4.0
Blue Chip Top 10*		5.8	5.4	5.2		5.8	4.9	4.8	4.5	4.4
Blue Chip Bottom 10*		5.1	4.5	4.1		5.4	3.8	3.7	3.6	3.6
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (September Preliminary)	-30.6	-6.3	-3.1	0.2	6.2	2.2	-2.5	2.7	2.7	2.8
IHS	-30.6	-6.7	-2.9	0.3	6.2	2.1	-2.5	2.5	2.8	2.9
Blue Chip Average*		-3.7	-0.3	1.7		3.3	-1.4	2.1	2.1	2.0
Blue Chip Top 10*		3.9	4.2	4.4		5.4	0.9	2.5	2.4	2.4
Blue Chip Bottom 10*		-9.5	-5.1	-1.8		2.0	-3.1	1.8	1.7	1.7
West Texas Intermediate										
ERFC (September Preliminary)	66.1	69.5	68.0	66.8	39.2	65.4	64.9	60.6	57.3	55.2
IHS	66.1	70.2	65.2	63.9	39.2	64.8	62.8	62.1	62.3	62.8
Economy.com	66.2	69.8	65.9	63.4	39.5	65.0	61.0	60.3		

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

Table 2

U.S. Forecast Comparison

	2021Q2	2021Q3	2021Q4	2022Q1
Real GDP (Billions of 2012 Dollars)				
September Forecast, Preliminary	19,358	19,716	19,992	20,178
Percent Change	6.5%	7.6%	5.7%	3.8%
June Forecast	19,532	19,878	20,128	20,316
Percent Change	9.6%	7.3%	5.1%	3.8%
Real Consumption (Billions of 2012 Dollars)				
September Forecast, Preliminary	13,659	13,759	13,886	14,029
Percent Change	11.8%	2.9%	3.7%	4.2%
June Forecast	13,658	13,862	14,019	14,157
Percent Change	9.5%	6.1%	4.6%	4.0%
PCE Price Index (2012=100)				
September Forecast, Preliminary	114.8	116.0	116.6	117.1
Percent Change	6.4%	4.5%	2.1%	1.6%
June Forecast	114.3	115.0	115.5	116.1
Percent Change	5.3%	2.3%	1.9%	1.9%
Real Personal Income (Billions of 2012 Dollars)				
September Forecast, Preliminary	17,909	17,694	17,607	17,644
Percent Change	-26.7%	-4.7%	-1.9%	0.8%
June Forecast	18,246	17,861	17,710	17,874
Percent Change	-24.5%	-8.2%	-3.3%	3.7%
Nonfarm Payroll Employment (Millions)				
September Forecast, Preliminary	145.0	147.7	149.8	151.2
Percent Change	4.8%	7.7%	5.7%	3.8%
June Forecast	145.0	147.6	148.6	149.6
Percent Change	4.8%	7.3%	2.8%	2.7%
Unemployment Rate (Percent of Labor Force)				
September Forecast, Preliminary	5.9	5.1	4.6	4.2
June Forecast	5.7	5.1	4.8	4.5
Oil Price, Refiner's Acquisition				
September Forecast, Preliminary	66.1	68.8	67.5	65.9
June Forecast	65.1	70.5	68.6	66.9
30 Year Fixed Mortgage Rate (Percent, average)				
September Forecast, Preliminary	3.0	2.9	3.0	3.2
June Forecast	3.0	3.1	3.2	3.4
3 Month T-Bill Rate (Percent, average)				
September Forecast, Preliminary	0.0	0.0	0.1	0.1
June Forecast	0.0	0.0	(0.0)	(0.0)

	2019	2020	2021	2022	2023	2024	2025
Real GDP (Billions of 2012 Dollars)							
	19,033	18,385	19,530	20,396	20,872	21,308	21,735
	2.3%	-3.4%	6.2%	4.4%	2.3%	2.1%	2.0%
	19,092	18,426	19,656	20,524	20,982	21,397	21,808
	2.2%	-3.5%	6.7%	4.4%	2.2%	2.0%	1.9%
Real Consumption (Billions of 2012 Dollars)							
	13,126	12,630	13,647	14,201	14,553	14,864	15,187
	2.2%	-3.8%	8.1%	4.1%	2.5%	2.1%	2.2%
	13,240	12,726	13,723	14,312	14,643	14,937	15,247
	2.4%	-3.9%	7.8%	4.3%	2.3%	2.0%	2.1%
PCE Price Index (2012=100)							
	109.9	111.2	115.1	117.7	119.7	122.1	124.6
	1.5%	1.2%	3.5%	2.3%	1.7%	2.0%	2.0%
	109.9	111.1	114.4	116.9	119.1	121.4	123.7
	1.5%	1.2%	2.9%	2.2%	1.9%	1.9%	1.9%
Real Personal Income (Billions of 2012 Dollars)							
	16,761	17,648	18,141	17,877	18,369	18,862	19,365
	2.5%	5.3%	2.8%	-1.5%	2.8%	2.7%	2.7%
	16,888	17,751	18,347	18,041	18,440	18,906	19,387
	2.4%	5.1%	3.4%	-1.7%	2.2%	2.5%	2.5%
Nonfarm Payroll Employment (Millions)							
	150.9	142.3	146.5	152.7	154.9	155.7	156.2
	1.3%	-5.7%	3.0%	4.2%	1.4%	0.6%	0.3%
	150.9	142.3	146.2	150.9	153.3	154.8	155.8
	1.3%	-5.7%	2.7%	3.2%	1.6%	1.0%	0.6%
Unemployment Rate (Percent of Labor Force)							
	3.7	8.1	5.4	3.8	3.4	3.5	3.8
	3.7	8.1	5.4	4.1	3.6	3.5	3.7
Oil Price, Refiner's Acquisition							
	59.4	39.2	64.9	64.2	60.4	57.6	55.6
	59.4	39.2	65.4	64.9	60.7	58.0	56.4
30 Year Fixed Mortgage Rate (Percent, average)							
	3.9	3.1	2.9	3.4	3.8	4.0	4.3
	3.9	3.1	3.0	3.5	3.7	3.9	4.1
3 Month T-Bill Rate (Percent, average)							
	2.1	0.4	0.0	0.1	0.2	0.5	0.9
	2.1	0.4	0.0	0.0	0.1	0.2	0.5

Table 3

Washington Forecast Comparison

	2021Q2	2021Q3	2021Q4	2022Q1	2019	2020	2021	2022	2023	2024	2025
Real Personal Income (Billions of 2012 Dollars)											
September Forecast, Preliminary	481.1	477.6	474.6	476.1	448.6	473.0	486.5	483.5	500.2	516.1	532.8
Percent Change	-22.6%	-2.9%	-2.5%	1.3%	3.8%	5.4%	2.9%	-0.6%	3.5%	3.2%	3.2%
June Forecast	485.6	478.2	473.7	479.0	448.9	473.1	487.4	484.4	497.1	512.0	527.4
Percent Change	-19.1%	-5.9%	-3.8%	4.5%	3.8%	5.4%	3.0%	-0.6%	2.6%	3.0%	3.0%
Personal Income (Billions of Dollars)											
September Forecast, Preliminary	552.0	554.1	553.5	557.5	493.1	526.0	559.7	569.2	598.9	630.4	664.1
Percent Change	-17.6%	1.6%	-0.5%	3.0%	5.4%	6.7%	6.4%	1.7%	5.2%	5.2%	5.3%
June Forecast	555.3	549.9	547.2	555.9	493.1	525.8	557.5	566.2	592.3	621.6	652.3
Percent Change	-14.7%	-3.8%	-2.0%	6.5%	5.4%	6.6%	6.0%	1.5%	4.6%	4.9%	4.9%
Disposable Personal Income (Billions of Dollars)											
September Forecast, Preliminary	494.5	494.7	493.0	495.8	442.2	473.7	501.7	505.9	531.7	559.8	590.3
Percent Change	-21.2%	0.1%	-1.3%	2.3%	5.1%	7.1%	5.9%	0.8%	5.1%	5.3%	5.5%
June Forecast	499.4	492.9	490.2	498.5	442.2	473.6	501.8	508.1	531.1	556.1	583.1
Percent Change	-17.9%	-5.2%	-2.1%	6.9%	5.1%	7.1%	6.0%	1.3%	4.5%	4.7%	4.9%
Nonfarm Payroll Employment (Thousands)											
September Forecast, Preliminary	3333	3395	3441	3471	3469	3286	3364	3513	3593	3638	3678
Percent Change	5.5%	7.6%	5.5%	3.6%	2.0%	-5.2%	2.4%	4.4%	2.3%	1.3%	1.1%
June Forecast	3319	3385	3419	3459	3469	3286	3351	3500	3573	3628	3669
Percent Change	4.5%	8.2%	4.1%	4.8%	2.0%	-5.3%	2.0%	4.4%	2.1%	1.6%	1.1%
Unemployment Rate (Percent of Labor Force)											
September Forecast, Preliminary	5.3	5.0	4.7	4.5	4.2	8.4	5.2	4.3	4.0	4.2	4.4
June Forecast	5.3	5.0	4.8	4.6	4.2	8.4	5.2	4.3	4.1	4.1	4.3
Manufacturing Employment (Thousands)											
September Forecast, Preliminary	257.2	258.2	258.4	257.2	293.7	271.7	258.2	260.9	267.7	269.5	270.6
Percent Change	-3.0%	1.6%	0.2%	-1.8%	2.1%	-7.5%	-4.9%	1.0%	2.6%	0.7%	0.4%
June Forecast	258.6	258.5	255.4	257.8	293.7	271.7	258.4	259.5	263.3	267.2	268.4
Percent Change	-3.9%	-0.1%	-4.6%	3.7%	2.1%	-7.5%	-4.9%	0.4%	1.5%	1.5%	0.5%
Construction Employment (Thousands)											
September Forecast, Preliminary	222.7	224.5	221.6	219.0	219.5	213.5	222.8	217.4	215.5	219.0	224.5
Percent Change	0.8%	3.2%	-5.0%	-4.7%	3.0%	-2.7%	4.3%	-2.4%	-0.9%	1.6%	2.5%
June Forecast	222.5	220.3	217.7	215.8	219.5	213.5	220.8	213.4	209.1	210.4	211.8
Percent Change	0.0%	-3.8%	-4.7%	-3.5%	3.0%	-2.7%	3.4%	-3.4%	-2.0%	0.6%	0.7%
Housing Permits (Thousands)											
September Forecast, Preliminary	47.6	53.4	49.9	48.1	48.4	44.1	53.6	46.1	43.9	44.8	44.9
Percent Change	-68.8%	58.8%	-24.0%	-13.5%	1.4%	-9.0%	21.8%	-14.1%	-4.7%	1.9%	0.4%
June Forecast	52.1	51.9	49.2	47.6	48.4	44.1	54.2	46.3	44.9	45.6	44.4
Percent Change	-55.1%	-1.7%	-19.0%	-13.1%	1.4%	-9.0%	23.1%	-14.7%	-3.0%	1.7%	-2.8%