



## June 2020 Preliminary Economic Forecast

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This forecast is based on a modified version of IHS Markit's May 2020 Control forecast for the U.S. economy. This is the first forecast that incorporates a recession brought on by Covid-19. We have adjusted real gross domestic product (GDP) to match the Blue Chip "Consensus" GDP forecast for 2020 and 2021. We now expect Real GDP to decline 5.8% in 2020 followed by a 4.0% increase in 2021. In February we expected GDP to grow 1.9% in 2020 and 2.0% in 2021. In the past, we have been guided by the most recent Blue Chip long-range forecast for growth in 2022 through 2025 however this forecast has not been updated since early March and is clearly out of date. Instead we used the IHS Markit Control forecast for growth rates of 4.1%, 3.9%, 3.3%, and 2.8% in those years. In February we expected 1.9% growth in 2022 and 2.0% growth in each year from 2023 to 2025.

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 20, 2020 closing prices for Brent and WTI futures. Oil prices have declined substantially since the February forecast was adopted. The latest futures prices indicate that the refiner acquisition price of crude will average \$26 per barrel in the second quarter of 2020 compared to \$51 in the February forecast. Oil prices are expected to rise faster than in the February forecast. In the fourth quarter of 2025 the refiner acquisition price of crude is now expected to average \$47 per barrel compared to \$53 in the February forecast.

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

The decline in Washington employment in April was unprecedented in its depth and speed. We have four months of new Washington employment data since the February forecast was released. Total nonfarm payroll employment fell 453,000 (seasonally adjusted) in April and 446,200 in the four-month period. The February forecast expected an increase of 27,500 in January, February, March, and April. Private services-providing sectors lost 359,300 jobs in the four-month period. Construction employment declined by 47,200 jobs and manufacturing declined by 27,700 jobs including the loss of 8,300 aerospace jobs. Government payrolls declined by 11,100 jobs in January, February, March, and April.

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 2,800 to the estimated level of total employment in December 2019. April employment is 470,900 (13.3%) lower than expected in the February forecast because of the huge decline from December through April.

Washington's unemployment rate soared to 15.4% in April from 5.1% in March and 3.8% in February. The April rate was an all-time high in the series that dates back to 1976. The February unemployment rate was an all-time low.

The disruption of airline travel is expected to reduce demand for new aircraft for some time. Boeing has indicated that there will be significant reductions in employment, particularly in the commercial airplane division. We have assumed a decline of 16,000 aerospace employees from March through September.

In March, the Bureau of Economic Analysis released estimates for state personal income through the fourth quarter of 2019. The current estimate of Washington personal income in the fourth quarter of 2019 is \$1.6 billion (0.3%) lower than in the February forecast due mainly to lower than expected wages and salaries. Nonwage income was close to the forecast.

Washington housing construction slowed in the first quarter of 2020 but still exceeded the February forecast. In the first quarter, 49,800 units (SAAR) were permitted, down from 53,900 in the fourth quarter of 2019. First quarter permits consisted of 24,800 single-family units and 25,000 multi-family units. The February forecast assumed an average rate of 44,900 (SAAR) units for the first quarter consisting of 23,700 single-family units and 21,200 multi-family units. Permits dropped sharply in April to just 28,600 units (SAAR) consisting of 12,000 single-family units and 16,600 multi-family units.

We expect an 11.0% decline in Washington employment this year compared to the 1.8% increase in the February forecast. We expect above-average growth through the remainder of the forecast as the economy recovers from this deep recession. We expect employment growth to average 4.1% per year in 2021 through 2025 compared to the 0.9% average rate expected in February. Our forecast for nominal personal income growth this year is 2.1%, down from 4.7% in the February forecast. The adverse effects of the recession on personal income this year are mitigated by substantial income support through the CARES Act. Our new forecast for nominal personal income growth in 2021 through 2025 averages 3.8% per year, which is down from the 4.7% rate expected in the February forecast. The effect of the recovery on growth in 2021-25 is offset by the loss of CARES Act support.

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

Table 1  
**U.S. Economic Forecast Comparison**  
 May 2020

	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021	2022	2023	2024	2025
<b>Real GDP, Percent Change, Annual Rate</b>										
ERFC (June Prelim. Draft)	-4.8	-32.7	11.1	8.8	-5.8	4.0	4.1	3.9	3.3	2.8
IHS	-4.8	-36.5	6.1	9.4	-7.3	5.1	4.6	3.9	3.3	2.8
Economy.com	-4.8	-32.7	16.2	0.6	-5.7	1.5	6.7			
Blue Chip Average*		-32.1	11.6	8.8	-5.8	4.0	1.9	1.9	2.0	2.0
Blue Chip Top 10*		-23.1	26.4	16.8	-3.5	6.3	2.3	2.3	2.3	2.3
Blue Chip Bottom 10*		-40.3	-4.7	2.1	-8.2	1.3	1.4	1.6	1.7	1.7
<b>Real Consumption, Percent Change, Annual Rate</b>										
ERFC (June Prelim. Draft)	-7.6	-35.3	16.9	10.4	-6.3	4.5	4.5	4.1	3.7	2.7
IHS	-7.6	-42.6	14.5	15.6	-8.3	5.1	5.0	4.1	3.7	2.7
Economy.com	-7.6	-22.3	14.1	0.5	-3.9	1.6	4.6			
Blue Chip Average*		-35.3	16.9	10.4	-6.3	4.5	2.0	2.1	2.1	2.2
Blue Chip Top 10*		-20.7	37.4	20.7	-3.1	7.2	2.4	2.4	2.5	2.5
Blue Chip Bottom 10*		-46.8	-2.3	2.0	-9.8	1.5	1.7	1.8	1.8	1.9
<b>Federal Funds Rate</b>										
ERFC (June Prelim. Draft)	1.3	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1
IHS	1.3	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1
Economy.com	1.2	0.1	0.1	0.1	0.4	0.1	0.1			
<b>Three Month T-Bill Rate</b>										
ERFC (June Prelim. Draft)	1.1	0.2	0.2	0.2	0.4	0.1	0.1	0.1	0.1	0.2
IHS	1.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1
Blue Chip Average*		0.1	0.1	0.1	0.3	0.2	1.6	1.9	2.0	2.1
Blue Chip Top 10*		0.2	0.2	0.2	0.4	0.4	2.2	2.4	2.4	2.6
Blue Chip Bottom 10*		0.0	0.0	0.1	0.2	0.1	1.1	1.3	1.5	1.6
<b>10-Yr. T-Note Yield</b>										
ERFC (June Prelim. Draft)	1.4	0.8	0.8	0.8	0.9	0.6	0.8	1.1	1.5	1.8
IHS	1.4	0.7	0.7	0.7	0.8	0.7	0.9	1.2	1.5	1.8
Economy.com	1.4	0.6	0.6	0.7	0.8	1.2	2.1			
Blue Chip Average*		0.7	0.8	0.9	0.9	1.2	2.3	2.5	2.7	2.9
Blue Chip Top 10*		0.9	1.1	1.3	1.2	1.6	2.8	3.1	3.3	3.5
Blue Chip Bottom 10*		0.6	0.6	0.7	0.8	0.8	1.8	2.0	2.1	2.2
<b>Consumer Price Index, Percent Change, Annual Rate</b>										
ERFC (June Prelim. Draft)	1.2	-1.3	2.2	1.9	1.3	1.7	1.3	0.8	1.3	1.9
IHS	1.2	-3.3	2.3	2.4	1.0	1.7	1.7	0.8	1.3	2.0
Economy.com	1.2	-3.9	1.4	2.8	0.7	2.3	2.9			
Blue Chip Average*		-3.3	1.5	1.9	0.8	1.7	2.2	2.2	2.2	2.2
Blue Chip Top 10*		-0.4	3.4	3.2	1.2	2.4	2.5	2.5	2.5	2.4
Blue Chip Bottom 10*		-5.5	-0.2	0.3	0.3	0.9	1.9	1.9	1.9	1.9
<b>Payroll Employment, Millions</b>										
ERFC (June Prelim. Draft)	152.1	124.8	122.3	126.5	131.4	137.2	146.5	152.8	157.8	161.4
Percent Change, Annual Rate	0.8	-54.7	-7.6	14.1	-12.9	4.4	6.8	4.3	3.3	2.3
IHS	152.1	124.4	121.2	124.8	130.6	136.2	146.1	153.0	157.9	161.1
Percent Change, Annual Rate	0.8	-55.3	-9.8	12.4	-13.5	4.3	7.3	4.7	3.2	2.0
Economy.com	152.1	132.2	142.2	142.0	142.1	142.9	147.2			
Percent Change, Annual Rate	0.8	-42.9	33.7	-0.5	-5.8	0.5	3.0			
<b>Unemployment Rate, Percent</b>										
ERFC (June Prelim. Draft)	3.8	17.9	18.9	17.3	14.5	13.0	9.3	6.6	4.8	3.7
IHS	3.8	18.1	19.6	18.2	14.9	13.5	9.5	6.6	4.8	3.8
Economy.com	3.8	15.0	8.4	9.0	9.0	9.0	6.9			
Blue Chip Average*		15.3	12.6	10.3	10.6	8.0	4.0	4.1	4.2	4.1
Blue Chip Top 10*		19.9	17.5	15.1	14.1	11.7	4.5	4.7	4.7	4.6
Blue Chip Bottom 10*		11.1	8.2	7.2	7.8	5.8	3.4	3.4	3.6	3.6
<b>Real Disposable Personal Income, Percent Change, Annual Rate</b>										
ERFC (June Prelim. Draft)	0.5	9.0	15.0	-9.4	3.6	0.3	1.1	2.6	2.9	3.1
IHS	0.5	8.6	12.5	-11.0	3.1	0.3	1.3	2.5	2.7	2.7
Blue Chip Average*		-5.2	1.2	1.0	-0.8	2.0	1.9	2.0	2.1	2.1
Blue Chip Top 10*		14.5	14.1	8.5	2.6	4.5	2.3	2.3	2.4	2.4
Blue Chip Bottom 10*		-24.5	-13.0	-7.9	-4.4	-0.5	1.5	1.7	1.8	1.9
<b>West Texas Intermediate</b>										
ERFC (June Prelim. Draft)	45.8	26.2	33.9	34.9	35.2	36.7	39.2	41.4	43.5	45.6
IHS	45.8	15.8	27.4	35.0	31.0	44.2	54.7	51.2	54.5	59.9
Economy.com	46.3	21.7	25.0	30.7	30.9	43.3	56.4			

\* Forecasts beyond 2021 are from the March 2020 Blue Chip Economic Indicators

Table 2

## U.S. Forecast Comparison

	2020Q1	2020Q2	2020Q3	2020Q4
<b>Real GDP (Billions of 2012 Dollars)</b>				
June Forecast, Preliminary	18,988	17,198	17,658	18,035
Percent Change	-4.8%	-32.7%	11.1%	8.8%
	19,295	19,386	19,477	19,574
Percent Change	1.6%	1.9%	1.9%	2.0%
<b>Real Consumption (Billions of 2012 Dollars)</b>				
June Forecast, Preliminary	13,153	11,797	12,268	12,575
Percent Change	-7.6%	-35.3%	16.9%	10.4%
	13,479	13,550	13,620	13,690
Percent Change	2.0%	2.1%	2.1%	2.1%
<b>PCE Price Index (2012=100)</b>				
June Forecast, Preliminary	110.7	110.4	110.8	111.1
Percent Change	1.3%	-0.9%	1.5%	1.2%
	110.7	111.1	111.5	112.0
Percent Change	1.2%	1.5%	1.7%	1.6%
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
June Forecast, Preliminary	17,092	16,734	17,175	16,947
Percent Change	0.7%	-8.1%	10.9%	-5.2%
	17,214	17,332	17,399	17,471
Percent Change	2.8%	2.8%	1.6%	1.7%
<b>Nonfarm Payroll Employment (Millions)</b>				
June Forecast, Preliminary	152.1	124.8	122.3	126.5
Percent Change	0.8%	-54.7%	-7.6%	14.1%
	152.7	153.2	153.3	153.5
Percent Change	1.2%	1.4%	0.3%	0.5%
<b>Unemployment Rate (Percent of Labor Force)</b>				
June Forecast, Preliminary	3.8	17.9	18.9	17.3
	3.5	3.5	3.5	3.5
<b>Oil Price, Refiner's Acquisition</b>				
June Forecast, Preliminary	46.9	25.5	33.2	34.4
	53.0	50.7	51.2	51.2
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>				
June Forecast, Preliminary	3.5	3.3	3.3	3.2
	3.6	3.7	3.8	3.9
<b>3 Month T-Bill Rate (Percent, average)</b>				
June Forecast, Preliminary	1.1	0.2	0.2	0.2
	1.5	1.6	1.5	1.5

	2019	2020	2021	2022	2023	2024	2025
	19,073	17,970	18,681	19,456	20,219	20,890	21,480
Percent Change	2.3%	-5.8%	4.0%	4.1%	3.9%	3.3%	2.8%
	19,073	19,433	19,812	20,189	20,593	21,004	21,424
Percent Change	2.3%	1.9%	2.0%	1.9%	2.0%	2.0%	2.0%
	13,280	12,448	13,003	13,582	14,142	14,670	15,069
Percent Change	2.6%	-6.3%	4.5%	4.5%	4.1%	3.7%	2.7%
	13,280	13,585	13,869	14,146	14,457	14,761	15,071
Percent Change	2.6%	2.3%	2.1%	2.0%	2.2%	2.1%	2.1%
	109.7	110.8	112.0	112.9	113.7	114.8	116.6
Percent Change	1.4%	1.0%	1.1%	0.9%	0.6%	1.0%	1.6%
	109.7	111.3	113.3	115.5	117.9	120.4	122.9
Percent Change	1.4%	1.5%	1.8%	1.9%	2.0%	2.1%	2.1%
	16,964	16,987	17,144	17,552	18,144	18,749	19,323
Percent Change	3.0%	0.1%	0.9%	2.4%	3.4%	3.3%	3.1%
	16,982	17,354	17,681	18,043	18,464	18,878	19,312
Percent Change	3.1%	2.2%	1.9%	2.0%	2.3%	2.2%	2.3%
	150.9	131.4	137.2	146.5	152.8	157.8	161.4
Percent Change	1.4%	-12.9%	4.4%	6.8%	4.3%	3.3%	2.3%
	151.4	153.2	154.2	155.3	155.7	156.0	156.4
Percent Change	1.6%	1.2%	0.7%	0.7%	0.3%	0.2%	0.3%
	3.7	14.5	13.0	9.3	6.6	4.8	3.7
	3.7	3.5	3.5	3.7	3.9	4.1	4.2
	59.3	35.0	36.6	39.3	41.8	44.0	46.0
	59.2	51.5	51.0	51.2	51.6	52.2	52.7
	3.9	3.3	3.0	2.9	3.0	3.2	3.4
	3.9	3.8	4.2	4.4	4.6	4.6	4.7
	2.1	0.4	0.1	0.1	0.1	0.1	0.2
	2.1	1.5	1.6	2.0	2.2	2.3	2.4

Table 3

**Washington Forecast Comparison**

	2020Q1	2020Q2	2020Q3	2020Q4
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
June Forecast, Preliminary	456.0	451.0	459.9	455.0
Percent Change	0.7%	-4.3%	8.1%	-4.2%
February Forecast	460.4	464.8	466.8	469.0
Percent Change	3.4%	3.8%	1.8%	1.9%
<b>Personal Income (Billions of Dollars)</b>				
June Forecast, Preliminary	504.6	498.0	509.7	505.7
Percent Change	2.0%	-5.2%	9.7%	-3.1%
February Forecast	509.6	516.3	520.7	525.2
Percent Change	4.7%	5.4%	3.5%	3.5%
<b>Disposable Personal Income (Billions of Dollars)</b>				
June Forecast, Preliminary	449.6	466.7	482.2	472.7
Percent Change	2.5%	16.1%	14.0%	-7.7%
February Forecast	452.5	458.3	462.4	466.7
Percent Change	4.4%	5.2%	3.7%	3.7%
<b>Nonfarm Payroll Employment (Thousands)</b>				
June Forecast, Preliminary	3514	2927	2909	3001
Percent Change	2.3%	-51.9%	-2.4%	13.3%
February Forecast	3513	3533	3539	3548
Percent Change	2.1%	2.2%	0.7%	1.0%
<b>Unemployment Rate (Percent of Labor Force)</b>				
June Forecast, Preliminary	4.3	18.6	19.2	17.7
February Forecast	4.3	4.3	4.3	4.3
<b>Manufacturing Employment (Thousands)</b>				
June Forecast, Preliminary	292.1	258.1	231.4	238.0
Percent Change	-1.4%	-39.0%	-35.4%	12.0%
February Forecast	294.3	293.6	292.3	291.8
Percent Change	1.6%	-1.0%	-1.7%	-0.8%
<b>Construction Employment (Thousands)</b>				
June Forecast, Preliminary	224.7	173.3	193.6	189.9
Percent Change	5.9%	-64.6%	55.7%	-7.4%
February Forecast	222.5	222.3	221.3	220.5
Percent Change	1.1%	-0.3%	-1.8%	-1.5%
<b>Housing Permits (Thousands)</b>				
June Forecast, Preliminary	49.8	31.3	36.0	38.1
Percent Change	-26.9%	-84.5%	75.3%	25.4%
February Forecast	44.9	45.9	45.8	45.3
Percent Change	-53.8%	9.7%	-0.7%	-4.8%

	2019	2020	2021	2022	2023	2024	2025
June Forecast, Preliminary	450.7	455.5	459.0	469.8	486.3	504.1	520.4
Percent Change	4.3%	1.1%	0.8%	2.3%	3.5%	3.7%	3.2%
February Forecast	451.0	465.2	475.4	486.7	500.7	514.9	529.3
Percent Change	4.3%	3.2%	2.2%	2.4%	2.9%	2.9%	2.8%
June Forecast, Preliminary	494.2	504.5	514.1	530.7	552.7	578.9	607.0
Percent Change	5.7%	2.1%	1.9%	3.2%	4.2%	4.7%	4.9%
February Forecast	494.6	517.9	538.6	562.1	590.1	619.8	650.3
Percent Change	5.8%	4.7%	4.0%	4.4%	5.0%	5.0%	4.9%
June Forecast, Preliminary	440.0	467.8	474.0	482.3	497.0	517.3	542.1
Percent Change	5.3%	6.3%	1.3%	1.8%	3.0%	4.1%	4.8%
February Forecast	440.0	460.0	479.1	500.0	523.2	547.7	573.8
Percent Change	5.3%	4.5%	4.2%	4.4%	4.6%	4.7%	4.8%
June Forecast, Preliminary	3468	3088	3233	3443	3588	3698	3772
Percent Change	2.0%	-11.0%	4.7%	6.5%	4.2%	3.1%	2.0%
February Forecast	3470	3533	3575	3617	3644	3665	3686
Percent Change	1.9%	1.8%	1.2%	1.2%	0.7%	0.6%	0.6%
June Forecast, Preliminary	4.3	14.9	13.7	10.2	7.6	5.9	4.9
February Forecast	4.6	4.3	4.4	4.6	4.8	5.0	5.1
June Forecast, Preliminary	293.6	254.9	263.1	278.5	282.3	287.2	290.7
Percent Change	2.0%	-13.2%	3.2%	5.9%	1.4%	1.8%	1.2%
February Forecast	293.5	293.0	291.4	293.3	295.7	296.7	296.1
Percent Change	2.1%	-0.2%	-0.6%	0.7%	0.8%	0.3%	-0.2%
June Forecast, Preliminary	219.4	195.4	187.9	194.8	198.0	199.1	199.7
Percent Change	2.9%	-10.9%	-3.8%	3.7%	1.6%	0.6%	0.3%
February Forecast	219.1	221.6	217.8	215.6	213.5	213.3	213.4
Percent Change	2.7%	1.2%	-1.7%	-1.0%	-1.0%	-0.1%	0.1%
June Forecast, Preliminary	48.4	38.8	40.1	40.8	39.8	39.5	39.9
Percent Change	1.4%	-19.9%	3.4%	1.9%	-2.6%	-0.6%	0.9%
February Forecast	48.9	45.5	44.0	43.4	43.0	42.3	41.7
Percent Change	2.5%	-7.0%	-3.3%	-1.4%	-0.9%	-1.7%	-1.4%