



## September 2020 Preliminary Economic Forecast

CONTACT: Bret Bertolin, Senior Economist  
PHONE: 360.534.1566

This forecast is based on a modified version of IHS Markit's August 2020 Control forecast for the U.S. economy. 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 5.2% in 2020 followed by a 3.8% increase in 2021. In June we expected a 6.1% decline in 2020 followed by a 4.0% increase 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forecast for growth in 2022 through 2025 however this forecast has not been updated since early March and is clearly out of date.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 extended the short-term Blue Chip 2021 forecast to approach the IHS GDP level by 2025, producing growth rates of 3.9%, 3.1%, 2.5%, and 2.2% in 2022 through 2025. In June we expected growth rates of 3.9%, 3.2%, 2.3%, and 2.3% in those years.

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 26, 2020 closing prices for Brent and WTI futures. Oil prices are slightly higher than expected in the June forecast but also decline slightly more rapidly. The latest futures prices indicate that the refiner acquisition price of crude will average \$43 per barrel in the fourth quarter of 2020 compared to \$39 in the June forecast. By the fourth quarter of 2025 the refiner acquisition price of crude is expected to average \$50 per barrel compared to \$49 per barrel in the June forecast.

The fiscal policy assumptions in this forecast were developed in early August. The forecast assumes that emergency unemployment benefits of \$600 per week are extended through December and that a second round of stimulus checks is disbursed starting in September. As of this preliminary forecast, there has been no such legislation. We will get a new Blue Chip and IHS forecast in early September and update the fiscal policy assumptions in the final September economic forecast.

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

The preliminary September forecast features a quicker rebound in economic activity in the near term, particularly in housing construction. The preliminary forecast also features higher personal income from the second quarter of 2020 through the end of the year. The higher personal income is mostly due to the assumption of much higher transfer payments than forecasted in June.

We have two months of new Washington employment data since the June forecast was released. Employment continued to rise in June and July following the historic decline in April. Total nonfarm payroll employment rose 137,500 (seasonally adjusted) in June and July which

was 63,000 more than expected in the June forecast. Private services-providing sectors added 118,400 jobs in the two-month period. Construction employment increased by 10,700 jobs and manufacturing added 1,600 jobs despite the loss of 1,900 aerospace jobs. Government payrolls increased by 6,900 jobs in June and July.

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 subtracted 2,900 (0.1%) from the estimated level of total employment in May 2020. July employment is 60,100 (1.9%) higher than expected in the June forecast because of the faster-than-expected employment growth in June and July.

Washington's unemployment rate inched up to 10.3% in July from 10.0% in June. The July rate is still down significantly from the 16.3% rate reached in April which was an all-time high in the series that dates back to 1976.

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. As of July, Washington aerospace employment had already declined by 6,300 since April when Boeing first announced major job cuts. We assume a decline of another 9,300 aerospace employees by the end of the year. The forecast makes no assumption concerning a possible consolidation of 787 production in South Carolina.

In June, after the forecast was complete, the Bureau of Economic Analysis released estimates for state personal income through the first 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 first quarter of 2020 is \$4.9 billion (1.0%) higher than in the June forecast due to higher than expected wages and salaries. Nonwage income was close to the forecast.

Washington housing construction declined in the second quarter but exceeded the June forecast. Washington housing units authorized by building permits averaged 40,300 (SAAR) in the second quarter of 2020, down from 49,800 in the first quarter. Second quarter permits consisted of 17,800 single-family units and 22,600 multi-family units. The June forecast predicted 12,300 single-family units and 16,700 multi-family units for a total of 28,900 units in the second quarter. Housing construction remained moderate at the beginning of the third quarter. In July, single-family permits improved to 23,600 units (SAAR) and multi-family units slowed to 17,400 for a total of 41,000 units.

We expect a 4.9% decline in Washington employment this year compared to the 5.5% decrease in the June 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 2.4% per year in 2021 through 2025 compared to the 2.1% average rate expected in June. Our forecast for nominal personal income growth this year is 8.0%, up from 3.8% in the June forecast. The adverse effects of the recession on personal income this year are more than offset by substantial income support from the federal government. Our new forecast for nominal personal income growth in 2021 through 2025 averages 3.0% per year, which is down from the 3.5% rate expected in the June forecast. The effect of the recovery on growth in 2021-25 is offset by the loss of income support from the federal government.

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 2020

	2020Q2	2020Q3	2020Q4	2021Q1	2020	2021	2022	2023	2024	2025
<b>Real GDP, Percent Change, Annual Rate</b>										
ERFC (September Preliminary)	-32.9	19.1	6.0	5.7	-5.2	3.8	3.9	3.1	2.5	2.2
IHS	-32.9	23.4	4.5	1.9	-4.8	3.1	4.1	3.3	2.5	2.2
Economy.com	-32.9	23.2	2.8	2.1	-4.9	2.6	5.2			
Blue Chip Average*		18.7	5.9	5.8	-5.2	3.8	1.9	1.9	2.0	2.0
Blue Chip Top 10*		28.0	9.5	8.6	-4.1	5.5	2.3	2.3	2.3	2.3
Blue Chip Bottom 10*		10.5	1.7	3.5	-6.2	2.2	1.4	1.6	1.7	1.7
<b>Real Consumption, Percent Change, Annual Rate</b>										
ERFC (September Preliminary)	-34.6	23.3	7.1	4.8	-5.6	4.1	3.5	2.8	2.4	2.3
IHS	-34.6	30.3	3.4	-0.5	-5.2	2.7	3.9	3.2	2.5	2.3
Economy.com	-34.6	22.4	3.6	2.6	-5.9	2.6	4.3			
Blue Chip Average*		21.8	6.6	5.2	-5.6	4.1	2.0	2.1	2.1	2.2
Blue Chip Top 10*		31.6	11.7	9.0	-4.5	6.1	2.4	2.4	2.5	2.5
Blue Chip Bottom 10*		10.5	1.7	2.2	-6.8	2.3	1.7	1.8	1.8	1.9
<b>Federal Funds Rate</b>										
ERFC (September Preliminary)	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1
IHS	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1
Economy.com	0.1	0.1	0.1	0.1	0.4	0.1	0.1			
<b>Three Month T-Bill Rate</b>										
ERFC (September Preliminary)	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1
IHS	0.1	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	0.2	0.3	0.2	1.6	1.9	2.0	2.1
Blue Chip Top 10*		0.2	0.2	0.3	0.4	0.3	2.2	2.4	2.4	2.6
Blue Chip Bottom 10*		0.1	0.1	0.1	0.2	0.1	1.1	1.3	1.5	1.6
<b>10-Yr. T-Note Yield</b>										
ERFC (September Preliminary)	0.7	0.6	0.6	0.7	0.8	0.9	1.1	1.3	1.5	1.8
IHS	0.7	0.6	0.6	0.6	0.8	0.8	1.1	1.3	1.5	1.8
Economy.com	0.7	0.6	0.7	0.8	0.8	1.1	2.1			
Blue Chip Average*		0.7	0.8	0.9	0.9	1.0	2.3	2.5	2.7	2.9
Blue Chip Top 10*		0.9	1.0	1.2	1.0	1.4	2.8	3.1	3.3	3.5
Blue Chip Bottom 10*		0.6	0.6	0.6	0.7	0.7	1.8	2.0	2.1	2.2
<b>Consumer Price Index, Percent Change, Annual Rate</b>										
ERFC (September Preliminary)	-3.5	4.4	1.8	3.5	1.1	2.4	1.7	1.4	1.8	2.1
IHS	-3.5	3.4	1.6	3.5	1.0	2.3	1.9	1.6	1.8	2.1
Economy.com	-3.5	4.6	1.5	1.5	1.1	1.9	2.8			
Blue Chip Average*		2.8	1.9	2.1	0.9	1.7	2.2	2.2	2.2	2.2
Blue Chip Top 10*		4.0	2.9	2.9	1.1	2.2	2.5	2.5	2.5	2.4
Blue Chip Bottom 10*		1.3	1.1	1.4	0.5	1.2	1.9	1.9	1.9	1.9
<b>Payroll Employment, Millions</b>										
ERFC (September Preliminary)	133.7	140.6	143.7	144.8	142.5	146.2	150.4	154.1	156.3	157.9
Percent Change, Annual Rate	-40.0	22.4	9.0	3.1	-5.6	2.6	2.9	2.5	1.4	1.0
IHS	133.7	140.8	143.9	144.8	142.6	146.1	150.2	154.0	156.5	158.0
Percent Change, Annual Rate	-40.0	23.0	9.3	2.5	-5.5	2.5	2.8	2.5	1.6	0.9
Economy.com	133.7	139.8	139.7	140.0	141.3	141.4	146.1			
Percent Change, Annual Rate	-40.0	19.6	-0.5	1.0	-6.4	0.0	3.4			
<b>Unemployment Rate, Percent</b>										
ERFC (September Preliminary)	13.0	9.7	8.4	8.1	8.7	7.5	5.6	4.3	3.8	3.6
IHS	13.0	9.5	8.2	8.1	8.6	7.6	5.8	4.5	3.8	3.6
Economy.com	13.0	9.8	9.5	9.3	9.0	8.8	6.6			
Blue Chip Average*		10.4	9.3	8.5	9.2	7.6	4.0	4.1	4.2	4.1
Blue Chip Top 10*		11.7	10.9	10.1	10.0	9.1	4.5	4.7	4.7	4.6
Blue Chip Bottom 10*		9.3	8.1	7.2	8.6	6.3	3.4	3.4	3.6	3.6
<b>Real Disposable Personal Income, Percent Change, Annual Rate</b>										
ERFC (September Preliminary)	44.9	-9.2	0.9	-29.9	7.3	-6.1	3.1	2.9	2.1	2.5
IHS	44.9	-8.2	1.2	-30.6	7.5	-6.3	2.9	2.8	2.3	2.5
Blue Chip Average*		-15.9	-6.3	0.7	4.5	-0.8	1.9	2.0	2.1	2.1
Blue Chip Top 10*		0.3	1.1	4.4	6.6	2.2	2.3	2.3	2.4	2.4
Blue Chip Bottom 10*		-29.1	-14.9	-4.3	2.4	-4.1	1.5	1.7	1.8	1.9
<b>West Texas Intermediate</b>										
ERFC (September Preliminary)	27.8	42.2	43.7	44.6	39.9	45.3	46.2	47.1	48.0	48.9
IHS	27.8	39.7	40.8	43.4	38.5	47.5	56.0	58.3	59.7	62.6
Economy.com	28.1	39.0	40.7	42.0	38.5	46.5	56.4			

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

**Table 2**

**U.S. Forecast Comparison**

	2020Q2	2020Q3	2020Q4	2021Q1	2019	2020	2021	2022	2023	2024	2025
<b>Real GDP (Billions of 2012 Dollars)</b>											
September Forecast, Preliminary	17,206	17,976	18,241	18,494	19,092	18,108	18,798	19,529	20,138	20,638	21,092
Percent Change	-32.9%	19.1%	6.0%	5.7%	2.2%	-5.2%	3.8%	3.9%	3.1%	2.5%	2.2%
June Forecast	16,983	17,665	18,032	18,319	19,073	17,914	18,630	19,364	19,986	20,449	20,913
Percent Change	-35.8%	17.1%	8.6%	6.5%	2.3%	-6.1%	4.0%	3.9%	3.2%	2.3%	2.3%
<b>Real Consumption (Billions of 2012 Dollars)</b>											
September Forecast, Preliminary	11,797	12,432	12,646	12,796	13,240	12,498	13,015	13,472	13,855	14,188	14,512
Percent Change	-34.6%	23.3%	7.1%	4.8%	2.4%	-5.6%	4.1%	3.5%	2.8%	2.4%	2.3%
June Forecast	11,639	12,206	12,495	12,682	13,280	12,380	12,922	13,357	13,742	14,102	14,471
Percent Change	-39.2%	21.0%	9.8%	6.1%	2.6%	-6.8%	4.4%	3.4%	2.9%	2.6%	2.6%
<b>PCE Price Index (2012=100)</b>											
September Forecast, Preliminary	110.4	111.2	111.5	112.2	109.9	111.0	113.0	114.6	116.1	118.0	120.1
Percent Change	-1.9%	2.9%	1.3%	2.5%	1.5%	1.0%	1.8%	1.4%	1.3%	1.6%	1.9%
June Forecast	110.2	110.7	111.0	111.4	109.7	110.6	112.0	113.6	115.4	117.3	119.4
Percent Change	-1.6%	1.6%	1.2%	1.4%	1.4%	0.9%	1.3%	1.4%	1.5%	1.6%	1.8%
<b>Real Personal Income (Billions of 2012 Dollars)</b>											
September Forecast, Preliminary	18,432	18,083	18,113	16,746	16,888	17,931	16,988	17,538	18,058	18,456	18,930
Percent Change	35.2%	-7.3%	0.7%	-26.9%	2.4%	6.2%	-5.3%	3.2%	3.0%	2.2%	2.6%
June Forecast	17,633	17,588	17,223	17,344	16,969	17,393	17,514	17,899	18,276	18,619	19,134
Percent Change	12.4%	-1.0%	-8.0%	2.8%	3.0%	2.5%	0.7%	2.2%	2.1%	1.9%	2.8%
<b>Nonfarm Payroll Employment (Millions)</b>											
September Forecast, Preliminary	133.7	140.6	143.7	144.8	150.9	142.5	146.2	150.4	154.1	156.3	157.9
Percent Change	-40.0%	22.4%	9.0%	3.1%	1.4%	-5.6%	2.6%	2.9%	2.5%	1.4%	1.0%
June Forecast	133.6	139.5	143.5	146.6	150.9	142.1	149.1	152.8	154.7	156.0	157.4
Percent Change	-40.2%	18.7%	12.0%	9.0%	1.4%	-5.8%	4.9%	2.5%	1.2%	0.8%	0.9%
<b>Unemployment Rate (Percent of Labor Force)</b>											
September Forecast, Preliminary	13.0	9.7	8.4	8.1	3.7	8.7	7.5	5.6	4.3	3.8	3.6
June Forecast	12.9	10.2	8.6	7.1	3.7	8.9	6.2	5.0	4.4	4.3	4.1
<b>Oil Price, Refiner's Acquisition</b>											
September Forecast, Preliminary	25.7	41.3	42.8	43.8	59.4	39.3	44.7	46.1	47.2	48.2	49.2
June Forecast	27.1	38.9	39.4	39.9	59.3	38.2	40.7	42.6	44.5	46.2	47.9
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>											
September Forecast, Preliminary	3.2	3.0	3.0	3.0	3.9	3.2	3.0	3.1	3.1	3.3	3.5
June Forecast	3.3	3.5	3.4	3.1	3.9	3.4	3.1	3.0	3.0	3.2	3.4
<b>3 Month T-Bill Rate (Percent, average)</b>											
September Forecast, Preliminary	0.1	0.1	0.1	0.1	2.1	0.4	0.1	0.1	0.1	0.1	0.1
June Forecast	0.2	0.3	0.2	0.1	2.1	0.5	0.1	0.1	0.1	0.1	0.2

**Table 3**

**Washington Forecast Comparison**

	2020Q2	2020Q3	2020Q4	2021Q1	2019	2020	2021	2022	2023	2024	2025
<b>Real Personal Income (Billions of 2012 Dollars)</b>											
September Forecast, Preliminary	494.2	485.1	485.9	453.6	450.0	481.2	460.3	475.1	488.8	500.2	514.5
Percent Change	33.6%	-7.2%	0.7%	-24.0%	4.2%	6.9%	-4.3%	3.2%	2.9%	2.3%	2.9%
June Forecast	470.9	468.1	460.0	463.1	450.7	463.8	467.1	476.9	486.7	496.3	510.5
Percent Change	13.6%	-2.3%	-6.8%	2.7%	4.3%	2.9%	0.7%	2.1%	2.1%	2.0%	2.9%
<b>Personal Income (Billions of Dollars)</b>											
September Forecast, Preliminary	545.3	539.2	541.9	509.0	494.4	534.0	520.0	544.3	567.4	590.0	618.1
Percent Change	31.1%	-4.4%	2.0%	-22.1%	5.8%	8.0%	-2.6%	4.7%	4.2%	4.0%	4.8%
June Forecast	519.0	518.0	510.5	515.7	494.2	513.0	523.2	541.9	561.6	582.1	609.5
Percent Change	11.8%	-0.7%	-5.7%	4.1%	5.7%	3.8%	2.0%	3.6%	3.6%	3.6%	4.7%
<b>Disposable Personal Income (Billions of Dollars)</b>											
September Forecast, Preliminary	496.0	487.1	489.5	455.1	439.7	481.3	464.6	485.3	505.6	525.4	550.3
Percent Change	44.1%	-7.1%	2.0%	-25.3%	5.2%	9.5%	-3.5%	4.5%	4.2%	3.9%	4.7%
June Forecast	478.3	475.9	463.7	465.6	440.0	466.9	470.9	488.1	505.5	522.0	545.0
Percent Change	28.0%	-2.0%	-9.9%	1.6%	5.3%	6.1%	0.9%	3.7%	3.6%	3.3%	4.4%
<b>Nonfarm Payroll Employment (Thousands)</b>											
September Forecast, Preliminary	3097	3255	3328	3364	3468	3298	3407	3517	3603	3656	3705
Percent Change	-39.5%	22.1%	9.2%	4.5%	2.0%	-4.9%	3.3%	3.3%	2.4%	1.5%	1.3%
June Forecast	3090	3202	3300	3373	3469	3277	3436	3535	3575	3603	3633
Percent Change	-40.4%	15.3%	12.8%	9.2%	2.0%	-5.5%	4.9%	2.9%	1.1%	0.8%	0.8%
<b>Unemployment Rate (Percent of Labor Force)</b>											
September Forecast, Preliminary	13.8	9.5	8.4	8.0	4.3	9.0	7.5	5.9	4.8	4.4	4.3
June Forecast	14.1	11.1	9.3	7.8	4.3	9.7	6.8	5.7	5.2	5.2	5.1
<b>Manufacturing Employment (Thousands)</b>											
September Forecast, Preliminary	261.5	261.1	262.9	260.8	293.6	269.5	262.6	266.2	269.1	269.1	270.1
Percent Change	-36.1%	-0.6%	2.9%	-3.3%	2.0%	-8.2%	-2.6%	1.4%	1.1%	0.0%	0.4%
June Forecast	260.9	254.5	255.5	258.0	293.6	265.7	261.2	267.1	269.7	273.2	275.8
Percent Change	-36.1%	-9.5%	1.6%	3.9%	2.0%	-9.5%	-1.7%	2.3%	1.0%	1.3%	1.0%
<b>Construction Employment (Thousands)</b>											
September Forecast, Preliminary	180.0	197.4	202.1	201.4	219.3	200.9	198.2	198.3	197.6	197.3	199.6
Percent Change	-58.2%	44.6%	9.9%	-1.3%	2.9%	-8.4%	-1.3%	0.1%	-0.4%	-0.2%	1.2%
June Forecast	175.7	178.2	184.2	187.5	219.4	190.7	190.0	198.3	200.2	200.2	199.1
Percent Change	-62.6%	5.8%	14.0%	7.4%	3.0%	-13.1%	-0.4%	4.4%	0.9%	0.0%	-0.5%
<b>Housing Permits (Thousands)</b>											
September Forecast, Preliminary	40.3	41.0	44.0	43.9	48.4	43.8	43.8	43.0	41.9	40.0	38.9
Percent Change	-57.0%	6.5%	32.9%	-1.3%	1.4%	-9.6%	0.1%	-1.8%	-2.8%	-4.4%	-2.7%
June Forecast	28.9	33.5	36.2	37.9	48.4	37.1	38.9	40.5	39.7	37.9	37.7
Percent Change	-88.6%	78.5%	37.7%	19.0%	1.4%	-23.4%	4.9%	4.1%	-2.1%	-4.4%	-0.5%