

Economic Review
September 12, 2023



Washington State
Economic and Revenue Forecast Council

This page left intentionally blank.



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

Economic Review Meeting

September 12, 2023
10:00 a.m.

- Call to order
- Approval meeting minutes: July 31, 2023
- Presentation of economic outlook and revenue collection experience.
- Adjournment

This page left intentionally blank.



STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
PO Box 40912 • Olympia, Washington 98504-0912 • (360) 534-1560

Meeting Minutes
Special Council Meeting
July 31, 2023
Conference Call

Economic and Revenue Forecast Council

Lynda Wilson, Senate, Chair
April Berg, House of Representatives
Chris Corry, House of Representatives
Tim Ormsby, House of Representatives
Christine Robinson, Senate
Ed Orcutt, House of Representatives
Yasmine Trudeau, Senate
Mike Pellicciotti, Treasurer
John Ryser, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Dave Johnson,
Susan Howsan,

Call to Order

Representative Ormsby called the meeting to order at 11:03 a.m.

Approval of the Minutes

Representative Orcutt moved, seconded by Senator Wilson, to approve the meeting minutes from June 27, 2023. Motion passed with 10 yes votes, at 11:04 a.m.

Executive Session

All 10 council members exited the general meeting to enter the Executive Session at 11:05 a.m. All 10 council members returned to the general meeting at 12:00 p.m.

Motion

Representative Orcutt moved, seconded by Senator Wilson, to adopt the ERFC executive director recruitment schedule as presented, in addition to approval of the hiring due date included within the recruitment schedule. Motion passed with 10 yes votes, at 11:04 a.m.

Motion

Representative Orcutt moved, seconded by Senator Wilson, to modify salary range to \$170,000 to \$233,064 per year and to include that range within the recruitment posting. Motion passed with 10 yes votes at 12:08 p.m.

Motion

Representative Orcutt moved, seconded by Director Schumacher, to adopt the job notification with an amendment to work win the Attorney General to include relocation costs that are in line with the current State guidelines. Motion passed with 10 yes votes at 12:14 p.m.

Motion

Representative Berg moved, seconded by Representative Orcutt, to add the Seattle Urban League to the job position locations. Motion passed with 10 yes votes at 12:15 p.m.

Motion

Representative Orcutt moved, seconded by Senator Wilson, to remove the chronicle of Higher Education from the job posting locations. Motion fails with 2 yes votes and 8 no. at 12:19 p.m.

Motion

Representative Corry moved, seconded by Senator Wilson, to approve job position locations as amended. Motion passed with 10 yes votes at 12:20 p.m.

Motion

Representative Orcutt moved, seconded by Senator Wilson, to establish a subcommittee for the purposes of hiring a new ERFC executive director, to include one member from each caucus, the director of OFM, and any staff necessary. Motion passed with 10 yes votes at 12:29 p.m.

Adjournment

With no further business, the meeting adjourned at 12:29 p.m.

This page left intentionally blank.

**Economic & Revenue Forecast Council
State of Washington**



Economic Review: September 12, 2023

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's August 2023 Control forecast for the U.S. economy. We have adjusted real gross domestic product (GDP) to be consistent with the August Blue Chip "Consensus" GDP forecast for 2023 and 2024. We expect real GDP to increase 2.0% in 2023 and 0.8% in 2024 compared to the 1.2% and 0.7% growth rates assumed in the June 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 June, 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 first quarter of 2024.
- 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 Tuesday, August 22, 2023 closing prices for Brent and WTI futures. Oil prices are higher than in the June forecast. As in June, oil prices are expected to decline throughout the forecast. The latest futures prices indicate that the refiner acquisition price of crude oil will average \$79 per barrel in the fourth quarter of 2023 compared to \$68 in the June forecast. By the fourth quarter of 2027 the refiner acquisition price of crude is now expected to average \$66 per barrel compared to \$60 per barrel in the June forecast.
- National employment in August increased by 187,000 net jobs. Employment in June and July was revised down by a combined 110,000 jobs. Average monthly employment this year through August has increased by 202,000; this compares to an average monthly gain of 399,000 jobs in 2022. Sectors with the largest job gains in August included health care (+71,000), social assistance (+26,000), construction (+22,000), professional, scientific and technical services (+21,000), arts, entertainment and recreation (+17,000) and food services and drinking places (+15,000). Sectors with declining employment in August included truck transportation (-37,000), temporary help services (-19,000), motion picture and sound recording industries (-17,000), local government education (-10,000) and couriers and messengers (-9,000).
- Two key measures of consumer confidence decreased this month after two months of gains. The University of Michigan (UM) consumer sentiment survey decreased 2.1 points to 69.5 in August. Survey results indicated that consumers perceive the rapid improvements in the economy from the past three months have moderated, particularly with inflation, and they are tentative about the outlook ahead. The Conference Board index of consumer confidence decreased 7.9 points to 106.1 in August. Consumers continued to express concerns about rising prices and were less optimistic about labor market conditions.

- Initial claims for unemployment insurance decreased by 13,000 to 216,000 (SA) in the week ending September 2nd. The four-week moving average of initial claims decreased by 8,500 to 229,250.
- Industrial production increased by 1.0% (SA) in July following a revised June reading indicating a 0.8% decline. Industrial production is 0.2% (SA) below its July 2022 level. New orders for core capital goods (i.e., durables excluding aircraft and military), which is a proxy for business investment, increased by 0.1% (SA) in July following a revised 0.4% decrease in June according to U.S. Census Bureau data. New orders for core capital goods were 0.5% above their June 2022 level.
- Residential construction and new home sales strengthened this month. July housing starts increased by 3.9% (SA) compared to June and were 5.9% above their July 2022 level. Housing units authorized by building permits in June were 0.1% (SA) above their June level but 13.0% below their year-ago level. New home sales in July increased by 4.4% (SA) compared to June and were 31.5% above their June 2022 level. Existing home sales in July decreased by 2.2% (SA) compared to June and were down 16.6% compared to July 2022. The seasonally adjusted Case-Shiller national home price index for June was 0.7% above its May level. The home price index was 0.1% (SA) below its year-ago level.
- The major threats to the U.S. and Washington economies are the impact of rising prices and interest rates.

Washington

- We have three months of new Washington employment data since the June forecast was released. Total seasonally adjusted nonfarm payroll employment increased 16,500 in June, July, and August which was 8,400 more than the increase of 8,100 expected in the forecast. The construction sector added 3,200 jobs and manufacturing employment increased by 2,200 in the three-month period. The health care sector had the largest increase with a gain of 7,100 jobs while the largest decline in the private sector was in administrative and support services with a loss of 3,300 jobs. Government employment dropped by 1,200, although the decline was due to a 6,700 reduction in state government education, which is notorious for seasonal adjustment issues in the summer months.
- Revisions to employment data added 4,800 (0.1%) to the estimated level of total employment in May 2023. The combined effect of the upward revision to historical data and the stronger growth in the last three months is that August employment is 13,200 (0.4%) higher than expected in the June forecast.
- Washington's unemployment rate continues to trend down. The unemployment rate remained steady at 3.6% in August after declining in each of the prior five months from a high of 4.6% in February. The jobless rate is now at a historic all-time low with data going back to 1958.
- After the grounding of the 737 Max and then the pandemic, Washington's aerospace employment declined from 89,600 at end of 2019 to a low of 66,700 in August 2021, a loss of 22,800 jobs. Since August 2021, the industry added back 11,600 jobs, bringing the level to 78,300 in August

2023. We expect aerospace employment to continue to expand in Washington, adding 1,800 jobs from August of 2023 through December of 2027.

- In June, after the forecast was complete, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released state personal income estimates for the first quarter of 2023. Washington personal income increased from \$599.0 billion (SAAR) in the fourth quarter of 2021 to \$609.1 billion in the first quarter of 2023. The 6.9% increase (SAAR) in Washington personal income was the 18th highest among the states and District of Columbia and led the 5.1% rate of increase for the U.S. as a whole. Growth in transfer payments contributed to most of the outperformance in Washington. Transfer payments grew 16.7% (SAAR) in the first quarter in Washington compared to 6.1% growth for the U.S. Excluding transfer payments, Washington personal income grew 5.3% (SAAR) in the first quarter compared to 4.9% growth in the U.S.
- Washington housing construction slowed in the second quarter of 2023. The number of housing units authorized by building permits declined to 39,500 (SAAR) in the second quarter from 41,900 in the first quarter. The slowdown was due to a 7,000 unit drop in multi-family permits from 27,700 (SAAR) to 20,700. Single family permits increased 4,600 from 14,200 (SAAR) to 18,800 in the second quarter. The June forecast expected 37,300 units (SAAR) in the second quarter, consisting of 17,700 single-family units and 19,600 multi-family units. Permits declined by 5,300 units (SAAR) in July to 32,600. Permits consisted of 18,800 single-family units and 13,700 multi-family units. The June forecast expected 40,700 units (SAAR) for the third quarter as a whole consisting of 20,200 single-family units and 20,500 multi-family units.
- Seattle-area home prices have stopped declining. Home prices increased 1.4% in June, the third straight increase. Prior to this, Seattle home prices had declined for eleven consecutive months. In comparison, the composite-20 index has increased in each of the past four months following eight months of decline. Seattle home prices in June remain down 8.8% over the year while the composite-20 index was down 1.2% over the year.
- Seattle-area consumer price inflation outpaced the national average in the year ending in June 2023. From June 2022 to June 2023, the seasonally adjusted Seattle CPI rose 4.6% compared to the 3.1% increase in the U.S. City average index. Inflation has come down sharply since reaching a peak in June of last year at 10.1% for Seattle and 8.9% for the U.S. Energy prices in both Washington and the U.S. are declining, contributing to the drop in topline inflation. Core inflation (excluding food and energy) remains elevated. Seasonally adjusted Seattle core CPI rose 5.3% in June compared to 4.9% for the U.S. City average.
- Washington exports declined 9.1% from the second quarter of 2022 to the second quarter of 2023. The decline was primarily due to a 41.1% drop in exports of agricultural products. However, much of the drop was due to a reduction in soybeans which are not produced in Washington and are instead a passthrough export. Excluding agricultural products, Washington exports increased 1.1% year over year in the second quarter of 2023. Exports of

transportation equipment (mostly Boeing planes) increased for a second consecutive quarter, rising 4.8%.

- Washington car and truck sales have declined in each of the past two months. The seasonally adjusted number of new vehicle registrations fell 1.5% in August to 288,500 (SAAR). The number of registrations remained up 20.8% over the year in August.
- The preliminary September forecast calls for a 2.3% increase in Washington employment this year, up from the 2.1% growth rate expected in the June 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, equal to what was expected in June. Our forecast has the unemployment rate reach a trough of 4.1% this year and then average 4.6% from 2024 through 2027. The June forecast had an unemployment rate trough of 4.3% this year, then averaging 4.7% for the remainder of the forecast.
- The forecast for nominal personal income growth this year is 6.1%, up from 4.8% in the June forecast. We expect nominal personal income growth in 2024 through 2027 to average 5.1% per year, up from the 5.0% rate in the June forecast.
- Housing permits are expected to reach a trough this year of 41,100 units. We expect housing permits to grow throughout the forecast and reach 45,300 units in 2027. The June forecast called for total housing permits of 40,400 units this year then grow to 45,200 units in 2027.

Washington State Economic Outlook & Revenue Collection Experience

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

September 12, 2023



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**

Economic and Revenue Forecast Council



Summary

- U.S. GDP growth stronger in 2023 compared to the June forecast
- Inflation forecast is slightly higher than in June
- The Federal Reserve is expected to raise the federal funds interest rate to a range of 5.5% – 5.75%; a decrease in rates not expected until April 2024
- WA personal income is stronger compared to the June forecast
- Revenue collections since the June forecast are \$182 million (4.0%) above expectations

Economic Review
September 12, 2023

Slide 1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast risks

Upside

- Consumer spending, labor productivity are stronger than expected
- Quicker resolution of Russia – Ukraine conflict leads to lower energy and grain prices

Downside

- Rising interest rates, vacancies threaten commercial real estate market, banking system
- Russia – Ukraine conflict intensifies, leading to higher prices for energy and grains

Economic Review
September 12, 2023

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Economists are reducing recession expectations

July 2023 Natl. Assoc. Bus. Economists

- 71% of respondents indicated probability of U.S. recession in next 12 months as 50% or less
- In May, 59% of respondents indicated probability of U.S. recession in next 12 months as >50%

August 2023 Blue Chip Survey

Probability of U.S. recession in next 12 months:

- 50% (in June, 57% probability for this year)

Q3 2023 (July) WSJ Forecasting Survey

Probability of U.S. recession in next 12 months:

- 54% (down from 61% in Q2 2023 survey)

Economic Review
September 12, 2023

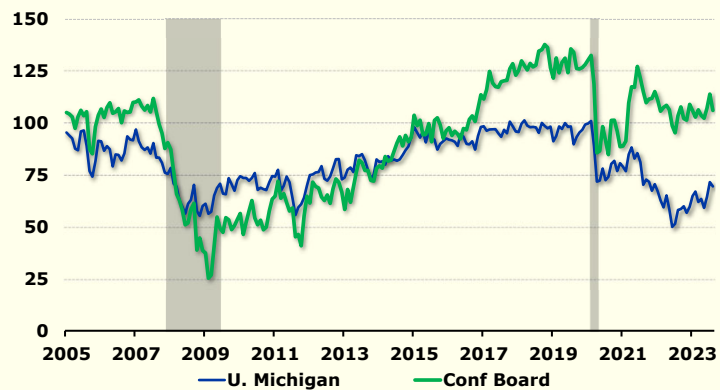
Slide 3

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



After rising for two months, consumer confidence dipped in August

Index
Mich: 1966Q1 = 100, SA
Conf Board: 1985 = 100, SA



Economic Review
September 12, 2023

Slide 4

Sources: University of Michigan, Conference Board; data through August 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. retail trade sales have increased for four consecutive months

Sectors with largest sales increases and decreases in July:

Nonstore retailers: +1.9%

Sporting goods, hobby, musical instrument & book stores: +1.5%

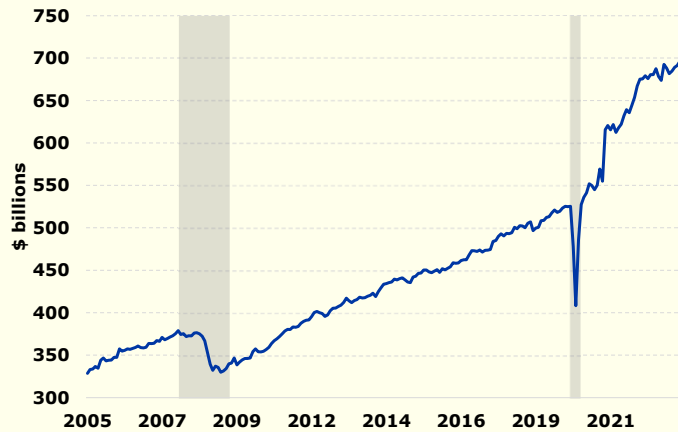
Furniture & home furnishing stores: -1.8%

Electronics & appliance stores: -1.3%

Economic Review
September 12, 2023

Slide 5

U.S. Retail Trade & Food Service Sales, SA



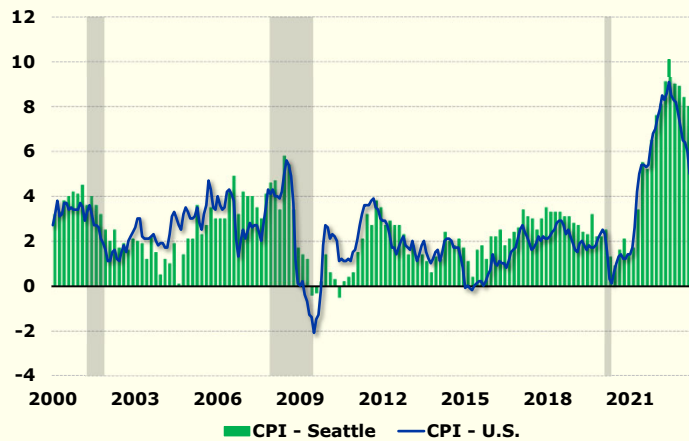
Source: U.S. Census Bureau; data through advanced July 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Inflation over the year continues to trend down

Inflation, % Change over the Year



Economic Review
September 12, 2023

Slide 6

Source: U.S. Bureau of Labor Statistics; U.S. data through July 2023, Seattle data through June 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



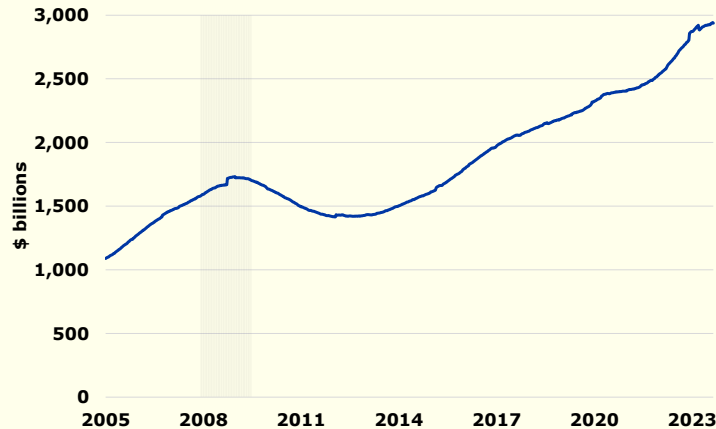
In the last 10 years, banks have doubled their commercial real estate lending

Rising interest rates and higher vacancies raise the risk of default for commercial real estate loans

Economic Review
September 12, 2023

Slide 7

Commercial Real Estate Loans Held by U.S. Banks



Source: Federal Reserve Board of Governors; weekly data through August 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

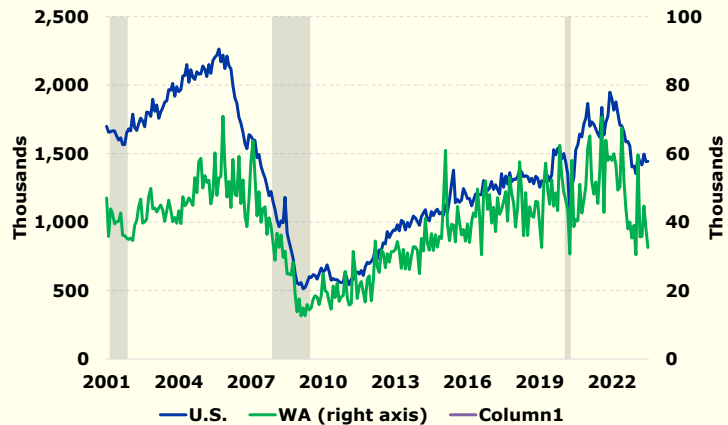


Residential construction activity remains below 2022 levels

Economic Review
September 12, 2023

Slide 8

Building Permits (thousands of units, SAAR)



Source: U.S. Census Bureau; monthly, data through July 2023

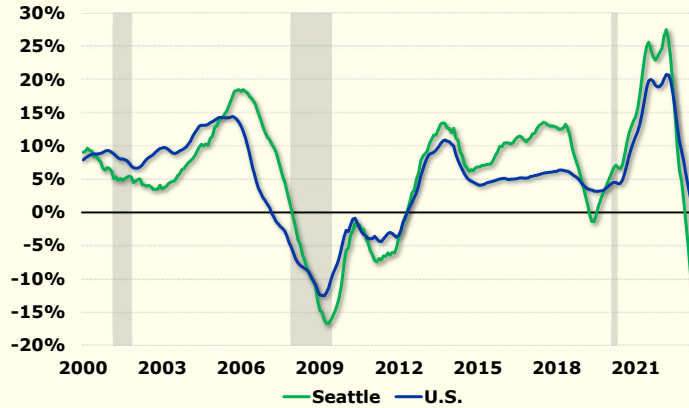
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Although down over the year, home prices have started to rise

Nationally, home prices have increased since February; Seattle home prices have increased monthly since March

Case-Shiller Home Price Index, Year over Year % Change, SA



Economic Review
September 12, 2023

Source: Case-Shiller, data through June 2023

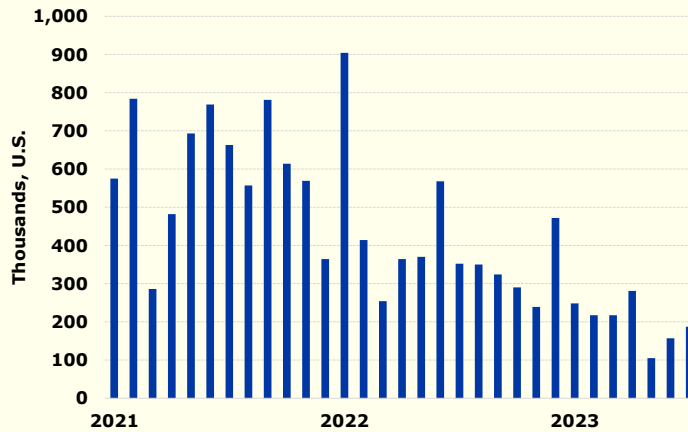
Slide 9

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. labor market continues to add jobs but is trending down

U.S. Monthly Employment Change (SA)



Economic Review
September 12, 2023

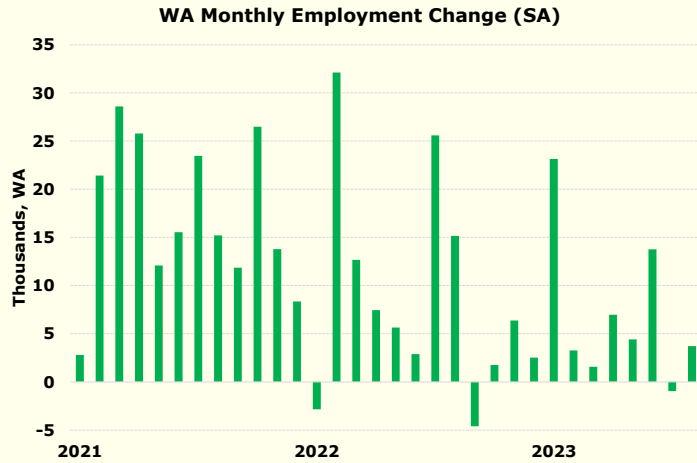
Source: U.S. Bureau of Labor Statistics, WA Employment Security Dept., ERFC; data through August 2023

Slide 10

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA employment growth is also trending down



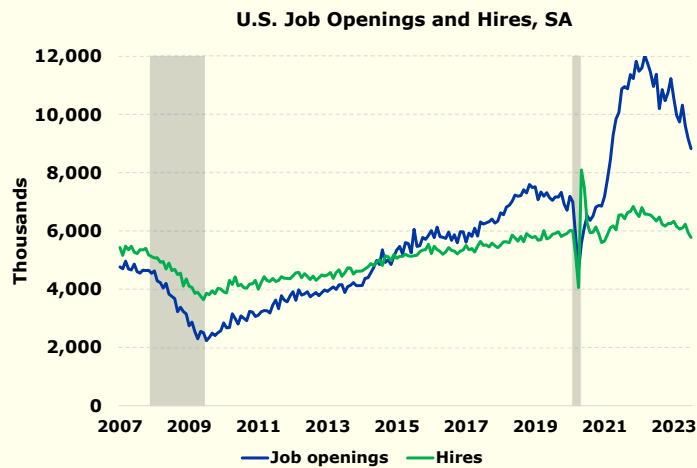
Economic Review
September 12, 2023
Slide 11

Source: U.S. Bureau of Labor Statistics, WA Employment Security Dept., ERFC; data through August 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. job openings trending down but remain at very high levels



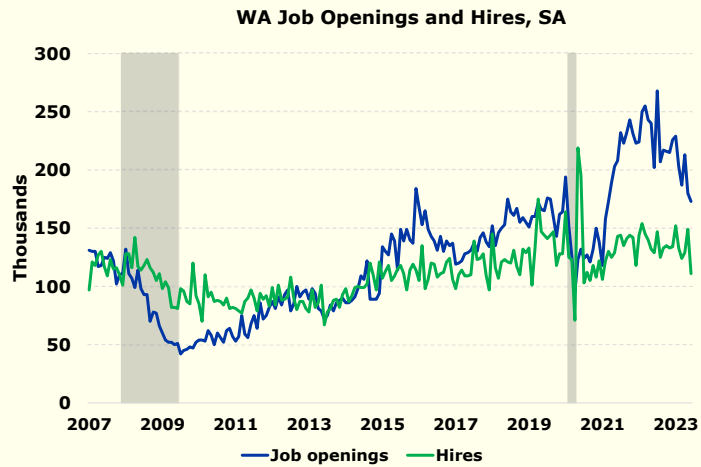
Economic Review
September 12, 2023
Slide 12

Source: U.S. Bureau of Labor Statistics, data through July 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Washington job openings have trended down since July 2022



Economic Review
September 12, 2023

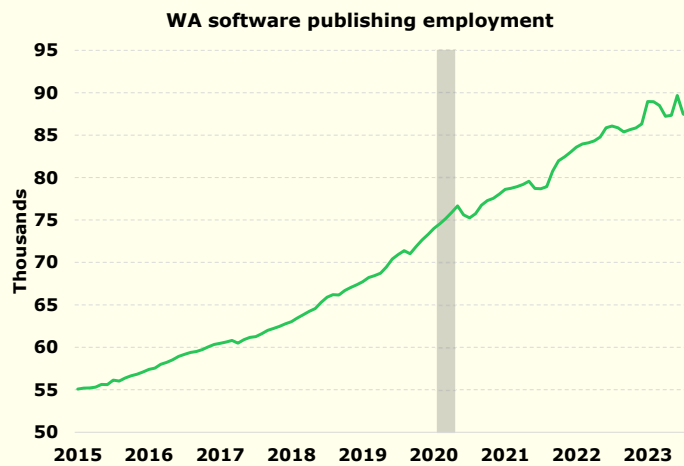
Source: U.S. Bureau of Labor Statistics, data through June 2023

Slide 13

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA software publishing employment has dropped by 1,800 since January 2023



Economic Review
September 12, 2023

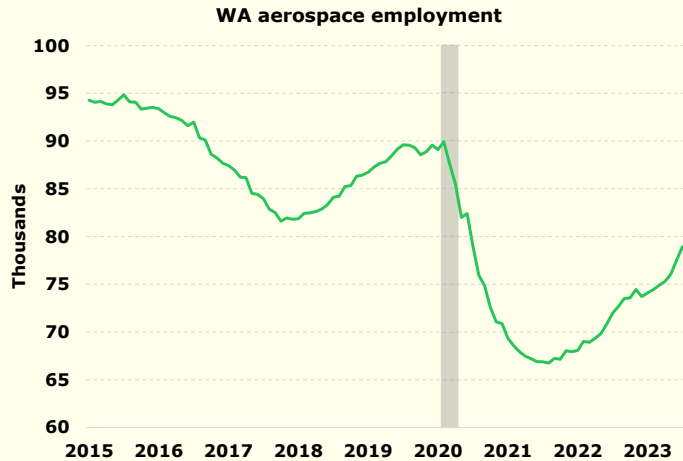
Source: ERFC, U.S. Bureau of Labor Statistics, Employment Security Dept., data through Aug. 2023

Slide 14

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA aerospace employment is up 11,500 since low point in August 2021



Economic Review
September 12, 2023

Source: ERFC, U.S. Bureau of Labor Statistics, Employment Security Dept., data through Aug. 2023

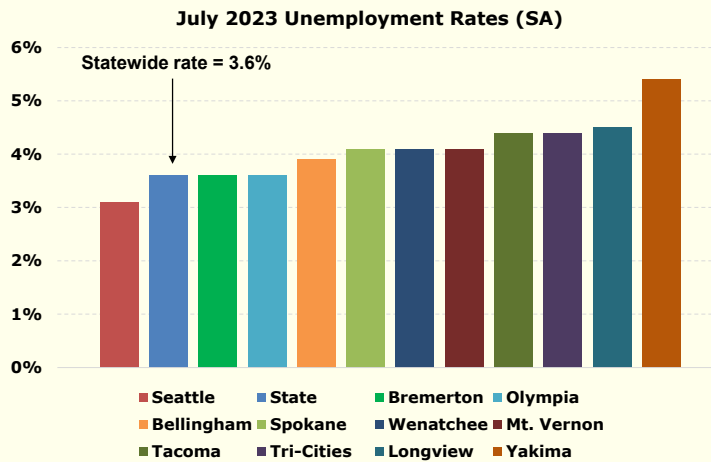
Slide 15

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Unemployment rates vary across Washington metro areas but are low by historic standards

The statewide unemployment rate is the lowest ever with data going back to 1958.



Source: WA Employment Security Dept.

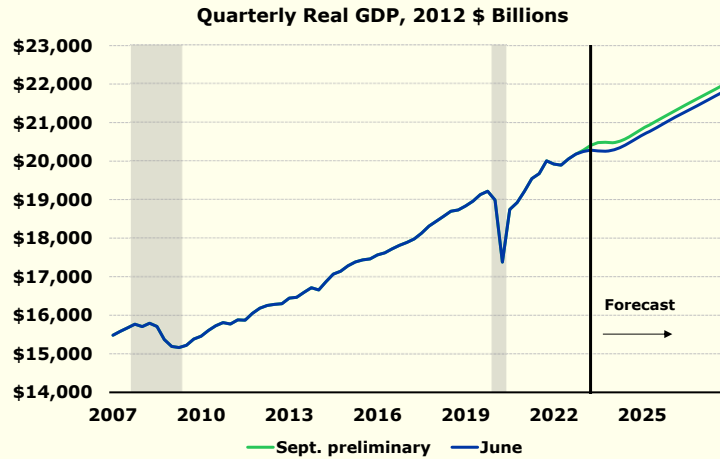
Economic Review
September 12, 2023

Slide 16

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. GDP forecast is slightly stronger than June due to higher 2023 growth



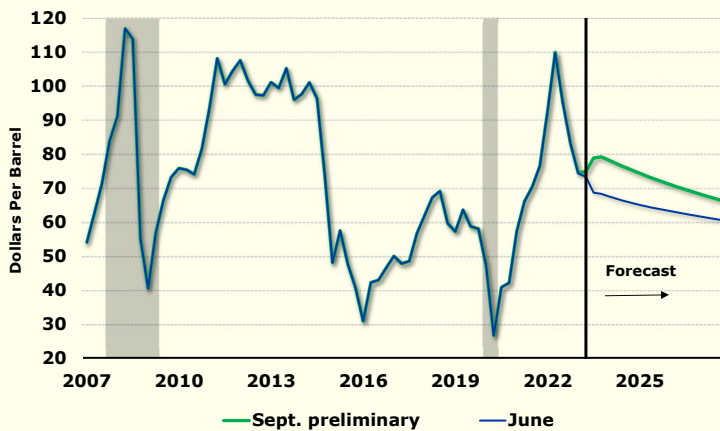
Economic Review
September 12, 2023
Slide 17

Source: IHS Markit, ERFC Sept. 2023 Preliminary forecast; historical data through 2023 Q2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Oil prices are higher compared to the June forecast, expected to gradually decline starting next year



Economic Review
September 12, 2023
Slide 18

Source: Energy Information Administration, IHS Markit, ERFC; data through 2023 Q2
Note: Vertical black line indicates last actual

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

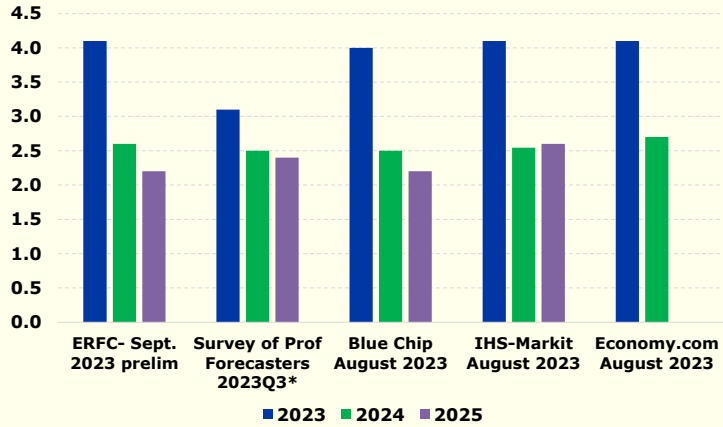


ERFC inflation forecast slightly higher in 2023, 2024 and 2025 compared to June

In the June forecast, the Consumer Price Index was expected to increase by 3.9% in 2023, 2.4% in 2024 and 2.1% in 2025

Economic Review
September 12, 2023
Slide 19

Consumer Price Index, Annual % Change



Survey of Professional Forecasters reflects change in price level in 4th quarter compared to 4th quarter of prior year; all others reflect average change over the year compared to prior year.

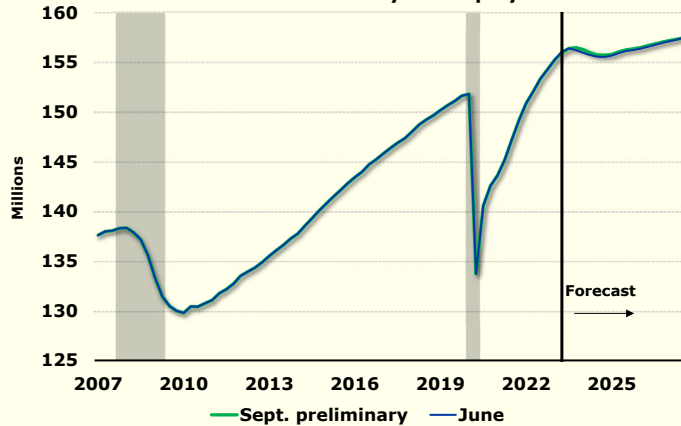
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. nonfarm employment forecast is very similar to June

Economic Review
September 12, 2023
Slide 20

U.S. Nonfarm Payroll Employment

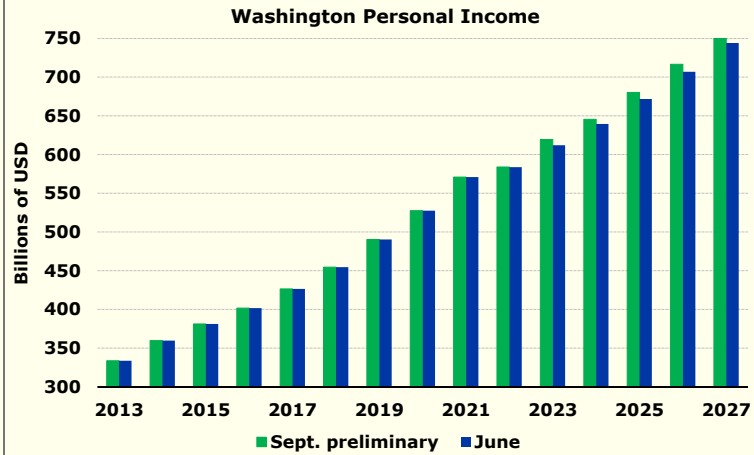


Source: IHS Markit, ERFC Sept. 2023 Preliminary forecast; data through 2023 Q2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA personal income is higher than in the June forecast



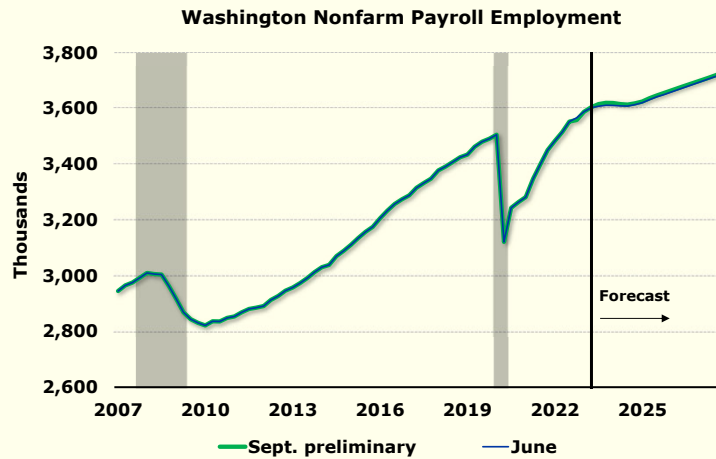
Economic Review
September 12, 2023
Slide 21

Source: ERFC Sept. 2023 Preliminary forecast; historical data through 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA employment forecast is very similar to June



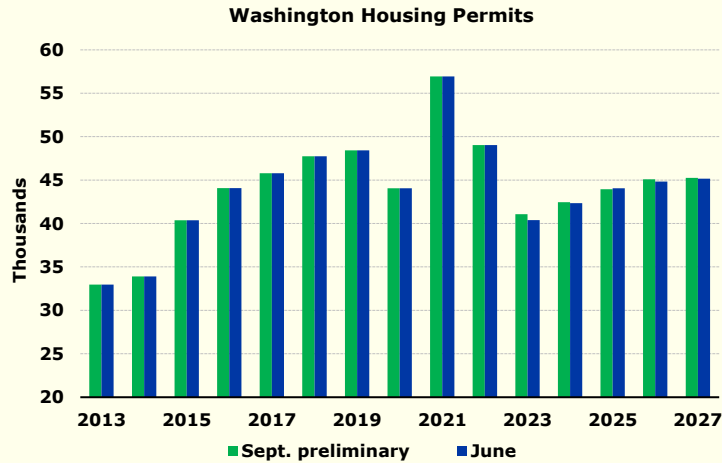
Economic Review
September 12, 2023
Slide 22

Source: ERFC Sept. 2023 Preliminary forecast; historical data through 2023 Q2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA housing permits forecast is slightly stronger compared to June



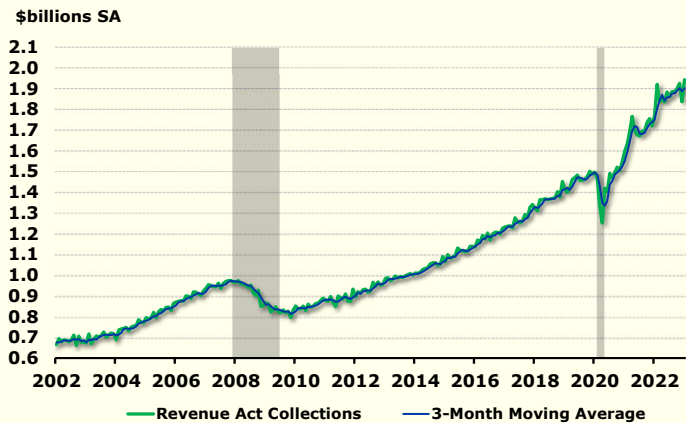
Economic Review
September 12, 2023
Slide 23

Source: ERFC Sept. 2023 Preliminary forecast; historical data through 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue Act collections for June activity grew 2.3% over the year, down from 7.0% for May activity



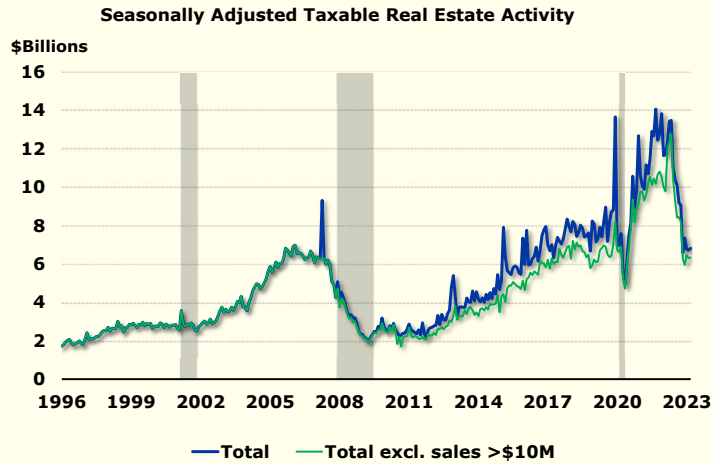
Economic Review
September 12, 2023
Slide 24

* Adjusted for large one-time transactions, amnesty payments, reporting frequency change and deferred 2020 payments, current definition of Revenue Act
Source: DOR and ERFC; monthly data through June 2023 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Seasonally adjusted taxable real estate activity up slightly since May; July 2023 is 31% lower than July 2022



Economic Review
September 12, 2023

Source: ERFC; Monthly data through July 2023 estimate

Slide 25

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue collections to date

Collections Variance Since June Forecast (June 11, 2023 – August 10, 2023) dollars in thousands

	<u>Estimate</u>	<u>Actual</u>	<u>Difference</u>	<u>Pct.</u>
Dept. of Revenue	\$4,565,255	\$4,748,096	\$182,841	4.0%
Other revenue	7,951	7,445	(506)	-6.4%
Total GF-S	\$4,573,207	\$4,755,541	\$182,335	4.0%

Economic Review
September 12, 2023

Slide 26

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Conclusion

- U.S. GDP growth stronger in 2023 compared to June forecast; inflation forecast is slightly higher than in June
- WA personal income stronger compared to the June forecast
- Impacts of the Russia-Ukraine war and higher interest rates pose risks to the forecast
- The next monthly revenue collection report will be available on September 15th and the revenue forecast will be presented on September 26th

Economic Review
September 12, 2023

Slide 27

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Questions



Economic Review
September 12, 2023

Slide 28

Economic & Revenue Forecast Council
PO BOX 40912
Olympia WA 98504-0912
www.ercf.wa.gov
360-534-1560

This page left intentionally blank.

Table 1

U.S. Economic Forecast Comparison

August 2023

	2023Q2	2023Q3	2023Q4	2024Q1	2022	2023	2024	2025	2026	2027
Real GDP, Percent Change, Annual Rate										
ERFC (Prelim. September)	2.4	1.5	0.1	-0.2	2.1	2.0	0.8	2.0	2.0	1.9
IHS	2.4	2.2	1.6	1.1	2.1	2.2	1.4	1.3	1.6	1.8
Economy.com	2.4	1.6	0.3	0.9	2.1	2.0	1.3			
Blue Chip Average*		1.7	0.3	0.0		2.0	0.8	2.0	2.0	1.9
Blue Chip Top 10*		2.6	1.7	1.4		2.2	1.6	2.4	2.3	2.1
Blue Chip Bottom 10*		0.8	-1.3	-1.7		1.7	0.0	1.6	1.7	1.7
Real Consumption, Percent Change, Annual Rate										
ERFC (Prelim. September)	1.6	1.3	0.3	0.1	2.7	2.1	0.9	2.1	2.1	2.0
IHS	1.6	1.8	1.9	1.3	2.7	2.3	1.5	1.4	2.0	2.3
Economy.com	1.6	1.5	1.0	1.6	2.7	2.2	1.6			
Blue Chip Average*		1.5	0.5	0.3		2.1	0.9	2.1	2.1	2.0
Blue Chip Top 10*		2.3	1.6	1.6		2.3	1.7	2.5	2.4	2.3
Blue Chip Bottom 10*		0.6	-0.8	-1.1		1.9	0.1	1.6	1.8	1.9
Federal Funds Rate										
ERFC (Prelim. September)	5.0	5.3	5.5	5.6	1.7	5.1	5.1	3.5	2.6	2.6
IHS	5.0	5.3	5.5	5.6	1.7	5.1	5.1	3.5	2.6	2.6
Economy.com	5.0	5.3	5.3	5.3	1.7	5.0	5.1			
Three Month T-Bill Rate										
ERFC (Prelim. September)	5.1	5.4	5.5	5.4	2.0	5.1	4.8	3.3	2.4	2.4
IHS	5.1	5.4	5.5	5.5	2.0	5.2	4.9	3.2	2.4	2.4
Blue Chip Average*		5.4	5.4	5.2		5.2	4.5	3.0	2.6	2.5
Blue Chip Top 10*		5.6	5.7	5.6		5.3	5.3	3.7	3.1	3.0
Blue Chip Bottom 10*		5.3	5.2	4.6		5.0	3.5	2.3	2.1	2.0
10-Yr. T-Note Yield										
ERFC (Prelim. September)	3.6	4.0	3.9	3.8	3.0	3.8	3.7	3.4	3.2	3.2
IHS	3.6	4.0	3.9	3.8	3.0	3.8	3.7	3.4	3.2	3.2
Economy.com	3.6	3.9	4.0	4.0	3.0	3.8	3.9			
Blue Chip Average*		3.9	3.9	3.7		3.8	3.6	3.3	3.2	3.2
Blue Chip Top 10*		4.1	4.2	4.1		3.9	4.0	3.8	3.6	3.6
Blue Chip Bottom 10*		3.7	3.4	3.2		3.5	3.1	2.8	2.8	2.8
Consumer Price Index, Percent Change, Annual Rate										
ERFC (Prelim. September)	2.7	3.3	3.0	2.4	8.0	4.1	2.6	2.2	2.1	2.2
IHS	2.7	3.1	2.8	1.7	8.0	4.1	2.5	2.6	2.3	2.3
Economy.com	2.7	3.1	3.2	2.7	8.0	4.1	2.7			
Blue Chip Average*		3.1	2.8	2.5		4.0	2.5	2.2	2.2	2.2
Blue Chip Top 10*		3.8	3.6	3.3		4.3	3.0	2.4	2.4	2.4
Blue Chip Bottom 10*		2.3	1.9	1.8		3.4	2.1	1.9	2.0	2.0
Payroll Employment, Millions										
ERFC (Prelim. September)	155.9	156.4	156.5	156.3	152.6	156.0	155.9	156.1	156.8	157.4
Percent Change, Annual Rate	1.8	1.2	0.2	-0.5	4.3	2.2	-0.1	0.1	0.4	0.4
IHS	155.9	156.5	156.8	156.9	152.6	156.1	156.8	156.4	156.4	157.0
Percent Change, Annual Rate	1.8	1.4	0.8	0.2	4.3	2.3	0.4	-0.3	0.0	0.4
Economy.com	155.9	156.5	156.8	156.9	152.6	156.1	157.0			
Percent Change, Annual Rate	1.8	1.5	0.6	0.3	4.3	2.3	0.6			
Unemployment Rate, Percent										
ERFC (Prelim. September)	3.5	3.6	3.7	3.9	3.6	3.6	4.2	4.3	4.2	4.1
IHS	3.5	3.5	3.6	3.6	3.6	3.5	3.9	4.5	4.8	4.7
Economy.com	3.6	3.6	3.7	3.9	3.6	3.6	4.0			
Blue Chip Average*		3.6	3.8	4.1		3.7	4.3	4.2	4.1	4.1
Blue Chip Top 10*		3.8	4.1	4.5		3.8	4.8	4.7	4.5	4.4
Blue Chip Bottom 10*		3.5	3.6	3.7		3.5	3.8	3.8	3.8	3.8
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (Prelim. September)	2.5	1.8	1.9	3.1	-6.2	3.6	2.5	2.9	2.5	2.4
IHS	2.5	2.1	2.6	4.2	-6.2	3.7	2.9	2.2	2.2	2.5
Blue Chip Average*		2.0	1.6	1.8		3.5	1.8	2.3	2.1	2.1
Blue Chip Top 10*		3.5	3.1	3.9		4.0	3.0	2.8	2.5	2.5
Blue Chip Bottom 10*		0.9	0.1	-0.3		3.1	0.7	1.8	1.7	1.8
West Texas Intermediate										
ERFC (Prelim. September)	73.8	79.2	79.3	78.3	94.8	77.1	76.8	72.8	69.3	66.3
IHS	73.8	78.2	75.7	69.2	94.8	75.9	71.9	78.6	82.2	85.4
Economy.com	73.6	80.5	84.0	84.6	94.4	78.5	79.7			

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

U.S. Forecast Comparison	Fiscal Years					
	2022	2023	2024	2025	2026	2027
Real GDP						
Billions of 2012 dollars						
September Preliminary Forecast	19,875	20,231	20,490	20,773	21,202	21,615
<i>Growth</i>	4.0%	1.8%	1.3%	1.4%	2.1%	1.9%
June Forecast	19,875	20,192	20,290	20,612	21,030	21,438
<i>Growth</i>	4.0%	1.6%	0.5%	1.6%	2.0%	1.9%
Difference in level	0	39	201	162	172	177
<i>Difference in growth forecast</i>	0.0%	0.2%	0.8%	-0.2%	0.0%	0.0%
Real Consumption						
Billions of 2012 dollars						
September Preliminary Forecast	13,996	14,293	14,485	14,703	15,022	15,330
<i>Growth</i>	5.4%	2.1%	1.3%	1.5%	2.2%	2.1%
June Forecast	13,996	14,282	14,404	14,631	14,947	15,252
<i>Growth</i>	5.4%	2.0%	0.9%	1.6%	2.2%	2.0%
Difference in level	0	11	80	72	75	78
<i>Difference in growth forecast</i>	0.0%	0.1%	0.5%	-0.1%	0.0%	0.0%
PCE Price Index						
2012 = 100						
September Preliminary Forecast	119.3	125.5	129.1	132.0	134.5	137.1
<i>Growth</i>	5.8%	5.1%	2.9%	2.2%	1.9%	1.9%
June Forecast	119.3	125.5	129.0	131.8	134.3	137.0
<i>Growth</i>	5.8%	5.1%	2.8%	2.2%	1.9%	2.0%
Difference in level	0.0	0.0	0.1	0.2	0.2	0.2
<i>Difference in growth forecast</i>	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
Unemployment Rate						
Percent of Labor Force						
September Preliminary Forecast	4.2%	3.5%	3.8%	4.4%	4.3%	4.1%
June Forecast	4.2%	3.5%	4.0%	4.5%	4.3%	4.1%
<i>Difference in forecast</i>	0.0%	0.0%	-0.1%	-0.1%	0.0%	0.0%
30 Year Fixed Mortgage Rate						
Annual Average						
September Preliminary Forecast	3.8%	6.3%	6.7%	5.8%	5.1%	4.9%
June Forecast	3.8%	6.3%	6.2%	5.4%	5.0%	4.9%
<i>Difference in forecast</i>	0.0%	0.0%	0.5%	0.3%	0.1%	0.0%
3 Month T-Bill Rate						
Annual Average						
September Preliminary Forecast	0.4%	4.1%	5.4%	3.9%	2.7%	2.4%
June Forecast	0.4%	4.1%	4.8%	3.2%	2.0%	1.8%
<i>Difference in forecast</i>	0.0%	0.0%	0.5%	0.8%	0.7%	0.5%

Washington Forecast Comparison	Fiscal Years					
	2022	2023	2024	2025	2026	2027
Real Personal Income						
Billions of 2012 dollars						
September Preliminary Forecast	479.8	480.5	488.5	501.5	519.0	536.1
<i>Growth</i>	-2.0%	0.2%	1.7%	2.7%	3.5%	3.3%
June Forecast	479.9	476.4	485.2	497.0	513.3	529.5
<i>Growth</i>	-1.9%	-0.7%	1.8%	2.4%	3.3%	3.2%
Difference in level	-0.1	4.1	3.3	4.5	5.7	6.5
<i>Difference in growth forecast</i>	0.0%	0.9%	-0.2%	0.2%	0.2%	0.1%
Nominal Personal Income						
Billions of dollars						
September Preliminary Forecast	572.3	602.7	631.0	662.2	698.5	735.3
<i>Growth</i>	3.7%	5.3%	4.7%	4.9%	5.5%	5.3%
June Forecast	572.4	597.6	625.9	654.9	689.3	725.2
<i>Growth</i>	3.7%	4.4%	4.7%	4.6%	5.3%	5.2%
Difference in level	-0.1	5.1	5.2	7.2	9.1	10.1
<i>Difference in growth forecast</i>	0.0%	0.9%	0.0%	0.3%	0.2%	0.1%
Nonfarm Payroll Employment						
Thousands						
September Preliminary Forecast	3,461.8	3,575.6	3,617.1	3,622.8	3,659.5	3,695.3
<i>Growth</i>	5.4%	3.3%	1.2%	0.2%	1.0%	1.0%
June Forecast	3,461.8	3,577.3	3,609.3	3,618.2	3,654.2	3,690.7
<i>Growth</i>	5.4%	3.3%	0.9%	0.2%	1.0%	1.0%
Difference in level	0.0	-1.7	7.8	4.6	5.3	4.6
<i>Difference in growth forecast</i>	0.0%	-0.1%	0.3%	-0.1%	0.0%	0.0%
Housing Permits						
Units Authorized, Thousands						
September Preliminary Forecast	58.0	41.0	41.9	43.0	44.8	45.2
<i>Growth</i>	17.1%	-29.3%	2.2%	2.5%	4.2%	1.0%
June Forecast	58.0	40.5	41.6	43.1	44.6	45.0
<i>Growth</i>	17.1%	-30.2%	2.9%	3.6%	3.4%	0.8%
Difference in level	0.0	0.5	0.3	-0.2	0.1	0.2
<i>Difference in growth forecast</i>	0.0%	0.9%	-0.6%	-1.2%	0.8%	0.2%

Table 2

U.S. Forecast Comparison

	2023Q1	2023Q2	2023Q3	2023Q4
Real GDP (Billions of 2012 Dollars)				
September Forecast, Preliminary	20,283	20,404	20,481	20,487
Percent Change	2.0%	2.4%	1.5%	0.1%
June Forecast	20,246	20,286	20,266	20,258
Percent Change	1.3%	0.8%	-0.4%	-0.2%
Real Consumption (Billions of 2012 Dollars)				
September Forecast, Preliminary	14,360	14,419	14,465	14,477
Percent Change	4.2%	1.6%	1.3%	0.3%
June Forecast	14,347	14,387	14,386	14,387
Percent Change	3.8%	1.1%	0.0%	0.0%
PCE Price Index (2012=100)				
September Forecast, Preliminary	126.2	127.0	127.9	128.8
Percent Change	4.1%	2.6%	2.9%	2.7%
June Forecast	126.2	127.0	127.8	128.6
Percent Change	4.2%	2.6%	2.5%	2.7%
Real Personal Income (Billions of 2012 Dollars)				
September Forecast, Preliminary	17,849	17,919	17,971	18,017
Percent Change	0.9%	1.6%	1.2%	1.0%
June Forecast	17,825	17,904	17,986	18,016
Percent Change	0.4%	1.8%	1.9%	0.7%
Nonfarm Payroll Employment (Millions)				
September Forecast, Preliminary	155.2	155.9	156.4	156.5
Percent Change	2.5%	1.8%	1.2%	0.2%
June Forecast	155.2	156.1	156.4	156.2
Percent Change	2.5%	2.2%	0.8%	-0.4%
Unemployment Rate (Percent of Labor Force)				
September Forecast, Preliminary	3.5	3.5	3.6	3.7
June Forecast	3.5	3.5	3.6	3.8
Oil Price, Refiner's Acquisition				
September Forecast, Preliminary	74.5	74.8	78.9	79.2
June Forecast	74.3	73.3	68.6	68.3
30 Year Fixed Mortgage Rate (Percent, average)				
September Forecast, Preliminary	6.4	6.5	7.0	6.9
June Forecast	6.4	6.5	6.6	6.3
3 Month T-Bill Rate (Percent, average)				
September Forecast, Preliminary	4.6	5.1	5.4	5.5
June Forecast	4.6	5.0	5.1	5.0

	2021	2022	2023	2024	2025	2026	2027
September Forecast, Preliminary	19,610	20,014	20,414	20,579	20,991	21,411	21,818
Percent Change	5.9%	2.1%	2.0%	0.8%	2.0%	2.0%	1.9%
June Forecast	19,610	20,014	20,264	20,412	20,820	21,237	21,640
Percent Change	5.9%	2.1%	1.2%	0.7%	2.0%	2.0%	1.9%
September Forecast, Preliminary	13,754	14,130	14,430	14,560	14,865	15,177	15,481
Percent Change	8.3%	2.7%	2.1%	0.9%	2.1%	2.1%	2.0%
June Forecast	13,754	14,130	14,377	14,486	14,791	15,101	15,403
Percent Change	8.3%	2.7%	1.7%	0.8%	2.1%	2.1%	2.0%
September Forecast, Preliminary	115.6	122.9	127.5	130.6	133.3	135.8	138.5
Percent Change	4.0%	6.3%	3.7%	2.5%	2.0%	1.9%	2.0%
June Forecast	115.6	122.9	127.4	130.5	133.0	135.6	138.3
Percent Change	4.0%	6.3%	3.7%	2.4%	2.0%	1.9%	2.0%
September Forecast, Preliminary	18,427	17,725	17,939	18,234	18,735	19,264	19,780
Percent Change	3.3%	-3.8%	1.2%	1.6%	2.7%	2.8%	2.7%
June Forecast	18,427	17,725	17,933	18,200	18,666	19,176	19,680
Percent Change	3.3%	-3.8%	1.2%	1.5%	2.6%	2.7%	2.6%
September Forecast, Preliminary	146.3	152.6	156.0	155.9	156.1	156.8	157.4
Percent Change	2.9%	4.3%	2.2%	-0.1%	0.1%	0.4%	0.4%
June Forecast	146.3	152.6	156.0	155.7	156.0	156.6	157.3
Percent Change	2.9%	4.3%	2.2%	-0.2%	0.2%	0.4%	0.4%
September Forecast, Preliminary	5.4	3.6	3.6	4.2	4.3	4.2	4.1
June Forecast	5.4	3.6	3.6	4.3	4.4	4.2	4.1
September Forecast, Preliminary	67.5	95.2	76.8	76.7	73.0	69.9	67.1
June Forecast	67.5	95.1	71.1	66.5	64.3	62.6	61.0
September Forecast, Preliminary	3.0	5.4	6.7	6.3	5.4	5.0	4.9
June Forecast	3.0	5.4	6.4	5.8	5.1	4.9	4.9
September Forecast, Preliminary	0.0	2.0	5.1	4.8	3.3	2.4	2.4
June Forecast	0.0	2.0	4.9	4.1	2.5	1.8	1.8

Table 3

Washington Forecast Comparison

	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023	2024	2025	2026	2027
Real Personal Income (Billions of 2012 Dollars)											
September Forecast, Preliminary	485.5	486.0	485.9	486.5	494.1	475.4	486.0	493.9	510.2	527.5	544.6
Percent Change	8.9%	0.4%	-0.1%	0.5%	4.1%	-3.8%	2.2%	1.6%	3.3%	3.4%	3.2%
June Forecast	476.2	479.6	482.1	483.7	494.1	475.3	480.4	490.3	505.0	521.4	537.8
Percent Change	1.2%	2.8%	2.1%	1.4%	4.1%	-3.8%	1.1%	2.1%	3.0%	3.2%	3.2%
Personal Income (Billions of Dollars)											
September Forecast, Preliminary	612.4	617.0	621.5	626.7	570.9	583.9	619.4	645.5	680.3	716.6	754.6
Percent Change	13.3%	3.1%	3.0%	3.4%	8.2%	2.3%	6.1%	4.2%	5.4%	5.3%	5.3%
June Forecast	600.8	609.0	616.0	622.3	570.9	583.8	612.0	639.6	671.9	707.0	744.1
Percent Change	5.4%	5.6%	4.6%	4.1%	8.2%	2.3%	4.8%	4.5%	5.0%	5.2%	5.3%
Disposable Personal Income (Billions of Dollars)											
September Forecast, Preliminary	532.8	537.7	543.3	549.9	504.4	499.2	540.9	571.3	603.1	632.7	664.1
Percent Change	20.2%	3.8%	4.2%	5.0%	6.5%	-1.0%	8.3%	5.6%	5.6%	4.9%	4.9%
June Forecast	524.2	534.9	542.7	549.2	504.4	499.2	537.7	567.4	597.2	626.8	657.8
Percent Change	13.0%	8.4%	6.0%	4.9%	6.5%	-1.0%	7.7%	5.5%	5.3%	5.0%	5.0%
Nonfarm Payroll Employment (Thousands)											
September Forecast, Preliminary	3588	3604	3615	3620	3370	3527	3607	3616	3640	3678	3713
Percent Change	3.4%	1.9%	1.2%	0.5%	2.6%	4.7%	2.3%	0.3%	0.7%	1.0%	1.0%
June Forecast	3588	3602	3608	3611	3370	3529	3602	3610	3636	3672	3709
Percent Change	2.5%	1.6%	0.6%	0.3%	2.6%	4.7%	2.1%	0.2%	0.7%	1.0%	1.0%
Unemployment Rate (Percent of Labor Force)											
September Forecast, Preliminary	4.5	4.1	3.7	4.0	5.2	4.2	4.1	4.6	4.7	4.6	4.5
June Forecast	4.5	4.1	4.3	4.4	5.2	4.2	4.3	4.9	4.8	4.7	4.5
Manufacturing Employment (Thousands)											
September Forecast, Preliminary	272.5	273.7	275.4	275.8	260.0	268.9	274.4	272.8	270.9	273.4	274.6
Percent Change	0.7%	1.8%	2.5%	0.6%	-4.4%	3.4%	2.0%	-0.6%	-0.7%	0.9%	0.4%
June Forecast	275.0	276.9	276.2	274.0	260.0	268.9	275.5	269.1	267.3	269.1	270.6
Percent Change	4.1%	2.8%	-1.1%	-3.1%	-4.4%	3.4%	2.5%	-2.3%	-0.7%	0.7%	0.5%
Construction Employment (Thousands)											
September Forecast, Preliminary	237.4	239.8	240.4	239.9	223.9	232.5	239.4	238.2	238.3	243.1	248.2
Percent Change	5.4%	4.1%	1.0%	-0.9%	4.7%	3.8%	3.0%	-0.5%	0.0%	2.0%	2.1%
June Forecast	236.4	238.5	235.4	235.9	223.9	232.6	236.5	234.6	234.7	239.1	243.3
Percent Change	3.0%	3.7%	-5.2%	0.9%	4.7%	3.9%	1.7%	-0.8%	0.1%	1.8%	1.8%
Housing Permits (Thousands)											
September Forecast, Preliminary	41.9	39.5	40.9	41.9	56.9	49.0	41.1	42.5	43.9	45.1	45.3
Percent Change	48.5%	-21.3%	15.5%	9.9%	29.8%	-13.9%	-16.3%	3.4%	3.5%	2.6%	0.4%
June Forecast	41.9	37.3	40.7	41.6	56.9	49.0	40.4	42.3	44.1	44.8	45.2
Percent Change	48.5%	-37.1%	41.2%	9.5%	29.8%	-13.9%	-17.6%	4.8%	4.0%	1.7%	0.7%

Year-Over-Year Employment Growth by Industry (July 2022 to July 2023) Washington vs. U.S.

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	73.3	2.1%	2.1%
Aerospace Product and Parts Manufacturing	7.0	9.7%	7.3%
Leisure and Hospitality	14.3	4.3%	4.6%
Education and Health Services	20.0	3.9%	4.2%
State and Local Gov Non-Education	6.7	3.7%	5.9%
Other Services	4.3	3.6%	2.6%
Construction	7.5	3.2%	2.5%
Wholesale Trade	2.6	1.9%	1.4%
Software Publishers	1.4	1.6%	0.2%
State and Local Gov Education	0.7	1.1%	3.2%
Financial Activities	1.7	1.0%	1.1%
Information Excluding Software	-0.3	-0.3%	-1.5%
Management of Companies and Enterprises	-0.9	-0.8%	0.9%
Manufacturing Excluding Aerospace	-1.7	-0.9%	0.7%
Transportation, Warehousing and Utilities	-1.5	-1.1%	0.1%
Mining and Logging	-0.2	-3.5%	5.1%
Information	1.1	0.7%	-1.2%
Professional and Business Services	-0.5	-0.1%	1.5%
Manufacturing	5.2	1.9%	0.9%

Source: WA State ERFC Kalman filtered data, U.S. Bureau of Labor Statistics