



## February 2020 Preliminary Economic Forecast

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This forecast is based on a modified version of IHS Markit's January 2020 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 forecast for GDP growth in 2020 and 2021 is now 1.9% in both years compared to 1.8% in both years in the November forecast. The Blue Chip long-range forecast has not changed since November and calls for growth rates of 1.9% and 2.0% in 2022 and 2023. February 2020 is our first forecast for 2024 and 2025. We assume real GDP will grow 2.0% in each year as in the latest Blue Chip long-range forecast.

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 Friday, January 24, 2020 closing prices for Brent and WTI futures. The latest futures prices indicate a slightly steeper decline in oil prices than in the November forecast. As in November, the refiner acquisition price of crude is \$57 per barrel in the first quarter of 2020 however it now declines to \$50 by the end of 2023 compared to \$52 in the November forecast.

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

We have two months of new Washington employment data since the November forecast was released. Total nonfarm payroll employment rose 13,700 (seasonally adjusted) in November and December, which was 500 more than expected in the November forecast. Private services-providing sectors added 7,700 jobs in the two-month period. The manufacturing sector added 1,700 jobs of which 900 were aerospace jobs. Construction employment increased by 800 jobs and government employment rose by 3,600 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 did not change the estimated level of total employment in October 2019. December employment is 500 (0.0%) higher than expected in the November forecast because of stronger growth from October to December.

Boeing suspended production of the 737 MAX jet in January. We assume the suspension continues through March. The effect of moving from slowdown to suspension is to reduce first-quarter U.S GDP growth by 0.5 percentage point while adding 0.25 percentage point to growth in both the second and third quarters. Boeing has indicated that affected employees will be reassigned and that there will be no layoffs or furloughs due to the shutdown.

In December, the Bureau of Economic Analysis released estimates for state personal income through the third 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 third quarter of 2019 is \$4.9 billion (1.0%) higher than in the November forecast due to higher than expected wages and salaries. Nonwage income was close to the forecast.

Washington housing permits increased from 48,000 units (SAAR) in the third quarter of 2019 to 54,300 units in the fourth quarter. Fourth quarter permits consisted of 26,600 single-family units and 27,600 multi-family units. The November forecast assumed an average rate of 43,200 (SAAR) units for the fourth quarter as a whole consisting of 22,500 single-family units and 20,700 multi-family units.

We expect 1.8% Washington employment growth this year, up slightly from the 1.6% rate in the November forecast. As in November, we expect growth to continue to decelerate. We expect employment growth to average 1.0% per year in 2021 through 2023, which is slightly faster than the 0.9% rate expected in November. Our forecast for nominal personal income growth this year is 4.4%, up from 3.9% in the November forecast. Our new forecast for nominal personal income growth in 2021 through 2023 averages 4.5% per year, which is down from the 4.7% rate expected in the November forecast. While personal income growth is lower than in November, the level is higher due to an upward revision to history.

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

Table 1

## U.S. Economic Forecast Comparison

January 2020

	2019Q4	2020Q1	2020Q2	2020Q3	2020	2021	2022	2023	2024	2025
<b>Real GDP, Percent Change, Annual Rate</b>										
ERFC (February Preliminary)	1.8	1.7	2.0	1.9	1.9	1.9	1.9	2.0	2.0	2.0
IHS	1.8	1.7	2.4	2.5	2.1	2.1	1.7	1.5	1.8	2.2
Economy.com	2.2	1.5	2.2	1.5	1.8	2.0				
Blue Chip Average*	2.0	1.6	1.9	1.8	1.9	1.9	1.9	2.0	2.0	2.0
Blue Chip Top 10*	2.6	2.3	2.6	2.3	2.3	2.3	2.3	2.4	2.3	2.2
Blue Chip Bottom 10*	1.4	1.0	1.1	1.3	1.8	1.5	1.6	1.6	1.6	1.7
<b>Real Consumption, Percent Change, Annual Rate</b>										
ERFC (February Preliminary)	2.3	2.0	2.1	2.0	2.4	2.1	2.0	2.2	2.1	2.1
IHS	2.3	2.9	2.7	2.8	2.8	2.7	2.3	2.2	2.2	2.4
Economy.com	2.1	1.4	1.5	1.1	1.9	1.4				
Blue Chip Average*	2.2	2.1	2.1	2.0	2.4	2.1	2.0	2.2	2.1	2.1
Blue Chip Top 10*	2.8	2.7	2.6	2.5	2.7	2.5	2.4	2.7	2.5	2.3
Blue Chip Bottom 10*	1.7	1.3	1.5	1.4	1.9	1.7	1.7	1.7	1.8	1.9
<b>Federal Funds Rate</b>										
ERFC (February Preliminary)	1.7	1.6	1.6	1.6	1.6	1.8	2.1	2.4	2.6	2.6
IHS	1.7	1.6	1.6	1.6	1.6	1.8	2.1	2.4	2.6	2.6
Economy.com	1.7	1.6	1.6	1.6	1.6	1.7				
<b>Three Month T-Bill Rate</b>										
ERFC (February Preliminary)	1.6	1.5	1.5	1.5	1.5	1.6	2.0	2.1	2.3	2.3
IHS	1.6	1.5	1.5	1.5	1.5	1.6	1.9	2.1	2.4	2.4
Blue Chip Average*	1.6	1.6	1.5	1.5	1.5	1.5	1.4	2.0	2.1	2.3
Blue Chip Top 10*	1.6	1.6	1.6	1.7	1.7	1.8	2.6	2.8	2.9	2.9
Blue Chip Bottom 10*	1.6	1.5	1.3	1.1	1.2	0.9	1.4	1.5	1.6	1.7
<b>10-Yr. T-Note Yield</b>										
ERFC (February Preliminary)	1.8	2.0	2.2	2.3	2.2	2.7	3.0	2.9	2.9	2.9
IHS	1.8	2.0	2.1	2.3	2.2	2.7	2.9	3.0	3.0	3.1
Economy.com	1.8	2.1	2.2	2.2	2.2	2.7				
Blue Chip Average*	1.8	1.8	1.9	1.9	1.9	2.1	2.6	2.8	2.9	3.0
Blue Chip Top 10*	1.8	2.0	2.2	2.3	2.2	2.6	3.3	3.4	3.6	3.7
Blue Chip Bottom 10*	1.8	1.7	1.6	1.6	1.6	1.6	1.8	2.1	2.2	2.3
<b>Consumer Price Index, Percent Change, Annual Rate</b>										
ERFC (February Preliminary)	3.0	1.6	1.5	1.5	1.9	1.8	2.2	2.2	2.2	2.2
IHS	2.7	1.8	1.6	1.1	1.8	1.7	2.5	2.6	2.5	2.4
Economy.com	2.5	2.3	1.9	2.4	2.3	2.4				
Blue Chip Average*	2.4	2.2	2.1	2.0	2.2	2.0	2.2	2.2	2.2	2.2
Blue Chip Top 10*	2.8	3.0	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.4
Blue Chip Bottom 10*	1.8	1.6	1.6	1.3	1.8	1.6	1.9	1.9	1.9	1.9
<b>Payroll Employment, Millions</b>										
ERFC (February Preliminary)	152.2	152.7	153.3	153.3	153.2	154.2	155.2	155.6	155.8	156.3
Percent Change, Annual Rate	1.5	1.4	1.5	0.1	1.2	0.6	0.7	0.2	0.2	0.3
IHS	152.2	152.7	153.3	153.4	153.3	154.4	155.1	155.2	155.4	156.0
Percent Change, Annual Rate	1.6	1.3	1.6	0.4	1.2	0.8	0.5	0.1	0.1	0.4
Economy.com	152.2	152.6	153.2	153.2	153.1	153.8				
Percent Change, Annual Rate	1.5	1.2	1.5	0.0	1.1	0.4				
<b>Unemployment Rate, Percent</b>										
ERFC (February Preliminary)	3.5	3.5	3.5	3.5	3.5	3.7	3.8	4.0	4.2	4.3
IHS	3.5	3.5	3.4	3.5	3.5	3.5	3.8	4.2	4.5	4.5
Economy.com	3.5	3.5	3.5	3.5	3.5	4.0				
Blue Chip Average*	3.6	3.6	3.6	3.6	3.6	3.7	4.1	4.1	4.1	4.1
Blue Chip Top 10*	3.6	3.7	3.9	4.0	4.0	4.4	4.7	4.7	4.6	4.6
Blue Chip Bottom 10*	3.5	3.4	3.4	3.3	3.4	3.2	3.5	3.5	3.6	3.6
<b>Real Disposable Personal Income, Percent Change, Annual Rate</b>										
ERFC (February Preliminary)	1.6	2.1	1.5	1.8	1.9	2.0	2.1	1.8	1.9	2.3
IHS	1.8	2.3	1.9	2.5	2.2	2.6	2.2	2.0	2.2	2.5
Blue Chip Average*	2.1	2.2	2.0	1.9	2.1	2.0	2.0	2.0	2.0	2.0
Blue Chip Top 10*	2.9	2.7	2.8	2.5	2.6	2.5	2.4	2.5	2.5	2.4
Blue Chip Bottom 10*	1.3	1.5	1.3	1.3	1.6	1.5	1.5	1.5	1.5	1.6
<b>West Texas Intermediate</b>										
ERFC (February Preliminary)	57.0	55.4	54.1	53.2	53.7	50.6	49.5	49.4	49.8	50.4
IHS	56.7	56.9	55.9	52.0	52.7	47.5	52.4	58.1	62.1	66.4
Economy.com	56.9	60.1	60.1	60.3	60.2	61.3				

\* Forecasts beyond 2021 are from the October 2019 Blue Chip Economic Indicators

Table 2

**U.S. Forecast Comparison**

	2019Q4	2020Q1	2020Q2	2020Q3
<b>Real GDP (Billions of 2012 Dollars)</b>				
February Forecast, Preliminary	19,208	19,290	19,385	19,474
Percent Change	1.8%	1.7%	2.0%	1.9%
November Forecast	19,188	19,271	19,358	19,440
Percent Change	1.6%	1.7%	1.8%	1.7%
<b>Real Consumption (Billions of 2012 Dollars)</b>				
February Forecast, Preliminary	13,430	13,496	13,564	13,632
Percent Change	2.3%	2.0%	2.1%	2.0%
November Forecast	13,410	13,479	13,547	13,607
Percent Change	2.0%	2.1%	2.0%	1.8%
<b>PCE Price Index (2012=100)</b>				
February Forecast, Preliminary	110.4	110.9	111.3	111.8
Percent Change	1.9%	1.5%	1.6%	1.7%
November Forecast	110.6	111.1	111.6	112.2
Percent Change	2.2%	2.0%	1.9%	1.9%
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
February Forecast, Preliminary	17,104	17,194	17,262	17,340
Percent Change	1.8%	2.1%	1.6%	1.8%
November Forecast	17,139	17,219	17,275	17,331
Percent Change	1.5%	1.9%	1.3%	1.3%
<b>Nonfarm Payroll Employment (Millions)</b>				
February Forecast, Preliminary	152.2	152.7	153.3	153.3
Percent Change	1.5%	1.4%	1.5%	0.1%
November Forecast	152.2	152.6	153.1	153.2
Percent Change	1.4%	1.1%	1.5%	0.3%
<b>Unemployment Rate (Percent of Labor Force)</b>				
February Forecast, Preliminary	3.5	3.5	3.5	3.5
November Forecast	3.5	3.5	3.5	3.5
<b>Oil Price, Refiner's Acquisition</b>				
February Forecast, Preliminary	58.1	56.6	54.5	53.2
November Forecast	56.7	57.1	55.8	54.8
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>				
February Forecast, Preliminary	3.7	3.9	4.0	4.0
November Forecast	3.7	3.8	3.9	4.0
<b>3 Month T-Bill Rate (Percent, average)</b>				
February Forecast, Preliminary	1.6	1.5	1.5	1.5
November Forecast	1.6	1.6	1.5	1.5

	2019	2020	2021	2022	2023	2024	2025
	19,069	19,429	19,801	20,177	20,581	20,993	21,412
	2.3%	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%
	19,063	19,397	19,746	20,121	20,523		
	2.3%	1.8%	1.8%	1.9%	2.0%		
	13,284	13,600	13,886	14,164	14,475	14,779	15,090
	2.6%	2.4%	2.1%	2.0%	2.2%	2.1%	2.1%
	13,277	13,574	13,832	14,108	14,419		
	2.6%	2.2%	1.9%	2.0%	2.2%		
	109.7	111.6	113.6	115.8	118.1	120.4	122.7
	1.4%	1.7%	1.8%	2.0%	2.0%	2.0%	1.9%
	109.7	111.9	114.0	116.3	118.6		
	1.5%	2.0%	1.9%	2.0%	2.0%		
	16,983	17,304	17,661	18,061	18,438	18,859	19,326
	3.1%	1.9%	2.1%	2.3%	2.1%	2.3%	2.5%
	17,014	17,306	17,644	18,063	18,511		
	3.3%	1.7%	2.0%	2.4%	2.5%		
	151.4	153.2	154.2	155.2	155.6	155.8	156.3
	1.6%	1.2%	0.6%	0.7%	0.2%	0.2%	0.3%
	151.4	153.1	154.0	154.8	155.4		
	1.6%	1.1%	0.6%	0.5%	0.4%		
	3.7	3.5	3.7	3.8	4.0	4.2	4.3
	3.7	3.5	3.7	3.9	4.1		
	59.4	54.1	50.9	50.0	50.0	50.5	51.1
	59.0	55.4	53.0	52.3	52.3		
	3.9	4.0	4.3	4.5	4.5	4.6	4.6
	3.9	3.9	4.4	4.5	4.6		
	2.1	1.5	1.6	2.0	2.1	2.3	2.3
	2.1	1.5	1.8	2.2	2.4		

Table 3

**Washington Forecast Comparison**

	2019Q4	2020Q1	2020Q2	2020Q3	2019	2020	2021	2022	2023	2024	2025
<b>Real Personal Income (Billions of 2012 Dollars)</b>											
February Forecast, Preliminary	456.1	459.0	462.0	464.4	450.9	463.1	474.4	486.7	499.5	514.2	529.5
Percent Change	2.2%	2.6%	2.7%	2.0%	4.3%	2.7%	2.4%	2.6%	2.6%	2.9%	3.0%
November Forecast	451.1	452.8	455.4	457.1	447.7	456.1	466.9	479.4	493.8		
Percent Change	1.7%	1.5%	2.3%	1.5%	3.6%	1.9%	2.3%	2.7%	3.0%		
<b>Personal Income (Billions of Dollars)</b>											
February Forecast, Preliminary	503.7	508.9	514.3	519.1	494.6	516.6	538.9	563.7	589.9	619.2	650.0
Percent Change	4.2%	4.2%	4.3%	3.7%	5.8%	4.4%	4.3%	4.6%	4.6%	5.0%	5.0%
November Forecast	498.6	503.1	508.3	512.7	491.3	510.4	532.5	557.6	585.7		
Percent Change	4.1%	3.6%	4.2%	3.5%	5.1%	3.9%	4.3%	4.7%	5.0%		
<b>Disposable Personal Income (Billions of Dollars)</b>											
February Forecast, Preliminary	447.8	452.5	457.3	461.6	440.1	459.4	479.5	501.4	523.3	547.5	573.8
Percent Change	3.9%	4.3%	4.3%	3.8%	5.3%	4.4%	4.4%	4.6%	4.4%	4.6%	4.8%
November Forecast	444.5	448.7	453.4	457.5	437.7	455.4	475.7	498.2	522.2		
Percent Change	4.3%	3.9%	4.2%	3.6%	4.8%	4.0%	4.5%	4.7%	4.8%		
<b>Nonfarm Payroll Employment (Thousands)</b>											
February Forecast, Preliminary	3495	3513	3533	3538	3470	3533	3572	3612	3636	3658	3678
Percent Change	1.5%	2.1%	2.3%	0.6%	1.9%	1.8%	1.1%	1.1%	0.7%	0.6%	0.6%
November Forecast	3494	3504	3524	3530	3470	3524	3561	3595	3623		
Percent Change	1.5%	1.2%	2.3%	0.7%	1.9%	1.6%	1.1%	1.0%	0.8%		
<b>Unemployment Rate (Percent of Labor Force)</b>											
February Forecast, Preliminary	4.4	4.3	4.2	4.3	4.6	4.3	4.5	4.7	4.9	5.1	5.2
November Forecast	4.5	4.5	4.5	4.5	4.6	4.5	4.7	4.9	5.1		
<b>Manufacturing Employment (Thousands)</b>											
February Forecast, Preliminary	293.2	294.3	293.2	291.5	293.5	292.4	289.9	291.5	293.2	293.9	293.3
Percent Change	-1.4%	1.6%	-1.6%	-2.3%	2.1%	-0.4%	-0.8%	0.6%	0.6%	0.2%	-0.2%
November Forecast	295.0	295.2	294.1	292.8	294.5	293.5	291.3	293.0	295.5		
Percent Change	-1.3%	0.2%	-1.4%	-1.9%	2.4%	-0.3%	-0.8%	0.6%	0.9%		
<b>Construction Employment (Thousands)</b>											
February Forecast, Preliminary	221.9	222.5	222.2	220.8	219.1	221.3	216.8	214.5	212.4	212.2	212.3
Percent Change	4.1%	1.1%	-0.6%	-2.4%	2.7%	1.0%	-2.1%	-1.1%	-1.0%	-0.1%	0.1%
November Forecast	221.4	219.7	218.8	217.6	218.9	218.2	214.0	212.5	211.8		
Percent Change	3.5%	-3.0%	-1.7%	-2.0%	2.6%	-0.3%	-1.9%	-0.7%	-0.3%		
<b>Housing Permits (Thousands)</b>											
February Forecast, Preliminary	54.3	44.9	44.8	44.6	48.6	44.6	43.3	43.1	42.7	42.0	41.3
Percent Change	63.5%	-53.2%	-0.7%	-1.4%	1.9%	-8.3%	-2.9%	-0.5%	-0.8%	-1.7%	-1.5%
November Forecast	43.2	43.9	43.8	43.5	45.9	43.6	42.5	42.2	41.6		
Percent Change	-34.4%	6.5%	-0.8%	-2.2%	-3.9%	-5.0%	-2.5%	-0.6%	-1.4%		