



## September 2023 Preliminary Economic Forecast

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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.

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 seasonally adjusted nonfarm payroll employment declined 2,600 in July after increasing 13,700 in June. The 11,100 increase in jobs over the two months was 4,500 more than the increase of 6,600 expected in the forecast. The manufacturing and construction sectors each added 1,300 jobs in June and July. Private services-providing sectors added 9,700 jobs over the two-month period. Government employment dropped by 1,100, although the decline was due to government education which is notorious for seasonal adjustment issues in the summer months. Combined with revisions to recent historical data, the level of Washington employment is now 5,900 (0.2%) higher than assumed in the June forecast.

Washington's unemployment rate continues to decline. The Washington unemployment rate has declined in each of the past five months from 4.6% in February to 3.6% in July. The jobless rate is now at a historic all-time low with data going back to 1958.

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.

We expect 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, which is the same average rate assumed in the June forecast. Our forecast for nominal personal income growth this year is 6.1%, up from 4.8% in the June forecast. The upward revision to personal income this year is due to higher first quarter wage data released since the June forecast. Our new forecast for nominal personal income growth in 2024 through 2027 averages 5.1% per year up from the 5.0% rate in the June forecast.

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

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Table 1  
**U.S. Economic Forecast Comparison**  
August 2023

	2023Q2	2023Q3	2023Q4	2024Q1	2022	2023	2024	2025	2026	2027
<b>Real GDP, Percent Change, Annual Rate</b>										
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
<b>Real Consumption, Percent Change, Annual Rate</b>										
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
<b>Federal Funds Rate</b>										
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			
<b>Three Month T-Bill Rate</b>										
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
<b>10-Yr. T-Note Yield</b>										
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
<b>Consumer Price Index, Percent Change, Annual Rate</b>										
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
<b>Payroll Employment, Millions</b>										
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			
<b>Unemployment Rate, Percent</b>										
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
<b>Real Disposable Personal Income, Percent Change, Annual Rate</b>										
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
<b>West Texas Intermediate</b>										
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

Table 2

**U.S. Forecast Comparison**

	2023Q1	2023Q2	2023Q3	2023Q4
<b>Real GDP (Billions of 2012 Dollars)</b>				
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%
<b>Real Consumption (Billions of 2012 Dollars)</b>				
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%
<b>PCE Price Index (2012=100)</b>				
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%
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
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%
<b>Nonfarm Payroll Employment (Millions)</b>				
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%
<b>Unemployment Rate (Percent of Labor Force)</b>				
September Forecast, Preliminary	3.5	3.5	3.6	3.7
June Forecast	3.5	3.5	3.6	3.8
<b>Oil Price, Refiner's Acquisition</b>				
September Forecast, Preliminary	74.5	74.8	78.9	79.2
June Forecast	74.3	73.3	68.6	68.3
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>				
September Forecast, Preliminary	6.4	6.5	7.0	6.9
June Forecast	6.4	6.5	6.6	6.3
<b>3 Month T-Bill Rate (Percent, average)</b>				
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
	19,610	20,014	20,414	20,579	20,991	21,411	21,818
	5.9%	2.1%	2.0%	0.8%	2.0%	2.0%	1.9%
	19,610	20,014	20,264	20,412	20,820	21,237	21,640
	5.9%	2.1%	1.2%	0.7%	2.0%	2.0%	1.9%
	13,754	14,130	14,430	14,560	14,865	15,177	15,481
	8.3%	2.7%	2.1%	0.9%	2.1%	2.1%	2.0%
	13,754	14,130	14,377	14,486	14,791	15,101	15,403
	8.3%	2.7%	1.7%	0.8%	2.1%	2.1%	2.0%
	115.6	122.9	127.5	130.6	133.3	135.8	138.5
	4.0%	6.3%	3.7%	2.5%	2.0%	1.9%	2.0%
	115.6	122.9	127.4	130.5	133.0	135.6	138.3
	4.0%	6.3%	3.7%	2.4%	2.0%	1.9%	2.0%
	18,427	17,725	17,939	18,234	18,735	19,264	19,780
	3.3%	-3.8%	1.2%	1.6%	2.7%	2.8%	2.7%
	18,427	17,725	17,933	18,200	18,666	19,176	19,680
	3.3%	-3.8%	1.2%	1.5%	2.6%	2.7%	2.6%
	146.3	152.6	156.0	155.9	156.1	156.8	157.4
	2.9%	4.3%	2.2%	-0.1%	0.1%	0.4%	0.4%
	146.3	152.6	156.0	155.7	156.0	156.6	157.3
	2.9%	4.3%	2.2%	-0.2%	0.2%	0.4%	0.4%
	5.4	3.6	3.6	4.2	4.3	4.2	4.1
	5.4	3.6	3.6	4.3	4.4	4.2	4.1
	67.5	95.2	76.8	76.7	73.0	69.9	67.1
	67.5	95.1	71.1	66.5	64.3	62.6	61.0
	3.0	5.4	6.7	6.3	5.4	5.0	4.9
	3.0	5.4	6.4	5.8	5.1	4.9	4.9
	0.0	2.0	5.1	4.8	3.3	2.4	2.4
	0.0	2.0	4.9	4.1	2.5	1.8	1.8

Table 3

**Washington Forecast Comparison**

	2023Q1	2023Q2	2023Q3	2023Q4
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
September Forecast, Preliminary	485.5	486.0	485.9	486.5
Percent Change	8.9%	0.4%	-0.1%	0.5%
June Forecast	476.2	479.6	482.1	483.7
Percent Change	1.2%	2.8%	2.1%	1.4%
<b>Personal Income (Billions of Dollars)</b>				
September Forecast, Preliminary	612.4	617.0	621.5	626.7
Percent Change	13.3%	3.1%	3.0%	3.4%
June Forecast	600.8	609.0	616.0	622.3
Percent Change	5.4%	5.6%	4.6%	4.1%
<b>Disposable Personal Income (Billions of Dollars)</b>				
September Forecast, Preliminary	532.8	537.7	543.3	549.9
Percent Change	20.2%	3.8%	4.2%	5.0%
June Forecast	524.2	534.9	542.7	549.2
Percent Change	13.0%	8.4%	6.0%	4.9%
<b>Nonfarm Payroll Employment (Thousands)</b>				
September Forecast, Preliminary	3588	3604	3615	3620
Percent Change	3.4%	1.9%	1.2%	0.5%
June Forecast	3588	3602	3608	3611
Percent Change	2.5%	1.6%	0.6%	0.3%
<b>Unemployment Rate (Percent of Labor Force)</b>				
September Forecast, Preliminary	4.5	4.1	3.7	4.0
June Forecast	4.5	4.1	4.3	4.4
<b>Manufacturing Employment (Thousands)</b>				
September Forecast, Preliminary	272.5	273.7	275.4	275.8
Percent Change	0.7%	1.8%	2.5%	0.6%
June Forecast	275.0	276.9	276.2	274.0
Percent Change	4.1%	2.8%	-1.1%	-3.1%
<b>Construction Employment (Thousands)</b>				
September Forecast, Preliminary	237.4	239.8	240.4	239.9
Percent Change	5.4%	4.1%	1.0%	-0.9%
June Forecast	236.4	238.5	235.4	235.9
Percent Change	3.0%	3.7%	-5.2%	0.9%
<b>Housing Permits (Thousands)</b>				
September Forecast, Preliminary	41.9	39.5	40.9	41.9
Percent Change	48.5%	-21.3%	15.5%	9.9%
June Forecast	41.9	37.3	40.7	41.6
Percent Change	48.5%	-37.1%	41.2%	9.5%

	2021	2022	2023	2024	2025	2026	2027
	494.1	475.4	486.0	493.9	510.2	527.5	544.6
	4.1%	-3.8%	2.2%	1.6%	3.3%	3.4%	3.2%
	494.1	475.3	480.4	490.3	505.0	521.4	537.8
	4.1%	-3.8%	1.1%	2.1%	3.0%	3.2%	3.2%
	570.9	583.9	619.4	645.5	680.3	716.6	754.6
	8.2%	2.3%	6.1%	4.2%	5.4%	5.3%	5.3%
	570.9	583.8	612.0	639.6	671.9	707.0	744.1
	8.2%	2.3%	4.8%	4.5%	5.0%	5.2%	5.3%
	504.4	499.2	540.9	571.3	603.1	632.7	664.1
	6.5%	-1.0%	8.3%	5.6%	5.6%	4.9%	4.9%
	504.4	499.2	537.7	567.4	597.2	626.8	657.8
	6.5%	-1.0%	7.7%	5.5%	5.3%	5.0%	5.0%
	3370	3527	3607	3616	3640	3678	3713
	2.6%	4.7%	2.3%	0.3%	0.7%	1.0%	1.0%
	3370	3529	3602	3610	3636	3672	3709
	2.6%	4.7%	2.1%	0.2%	0.7%	1.0%	1.0%
	5.2	4.2	4.1	4.6	4.7	4.6	4.5
	5.2	4.2	4.3	4.9	4.8	4.7	4.5
	260.0	268.9	274.4	272.8	270.9	273.4	274.6
	-4.4%	3.4%	2.0%	-0.6%	-0.7%	0.9%	0.4%
	260.0	268.9	275.5	269.1	267.3	269.1	270.6
	-4.4%	3.4%	2.5%	-2.3%	-0.7%	0.7%	0.5%
	223.9	232.5	239.4	238.2	238.3	243.1	248.2
	4.7%	3.8%	3.0%	-0.5%	0.0%	2.0%	2.1%
	223.9	232.6	236.5	234.6	234.7	239.1	243.3
	4.7%	3.9%	1.7%	-0.8%	0.1%	1.8%	1.8%
	56.9	49.0	41.1	42.5	43.9	45.1	45.3
	29.8%	-13.9%	-16.3%	3.4%	3.5%	2.6%	0.4%
	56.9	49.0	40.4	42.3	44.1	44.8	45.2
	29.8%	-13.9%	-17.6%	4.8%	4.0%	1.7%	0.7%