

Oregon's Economic and Revenue Forecast



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August 2025

Economic Outlook



US Macro Forecast: *Continued growth slowdown risks breach of economic "stall speed"*

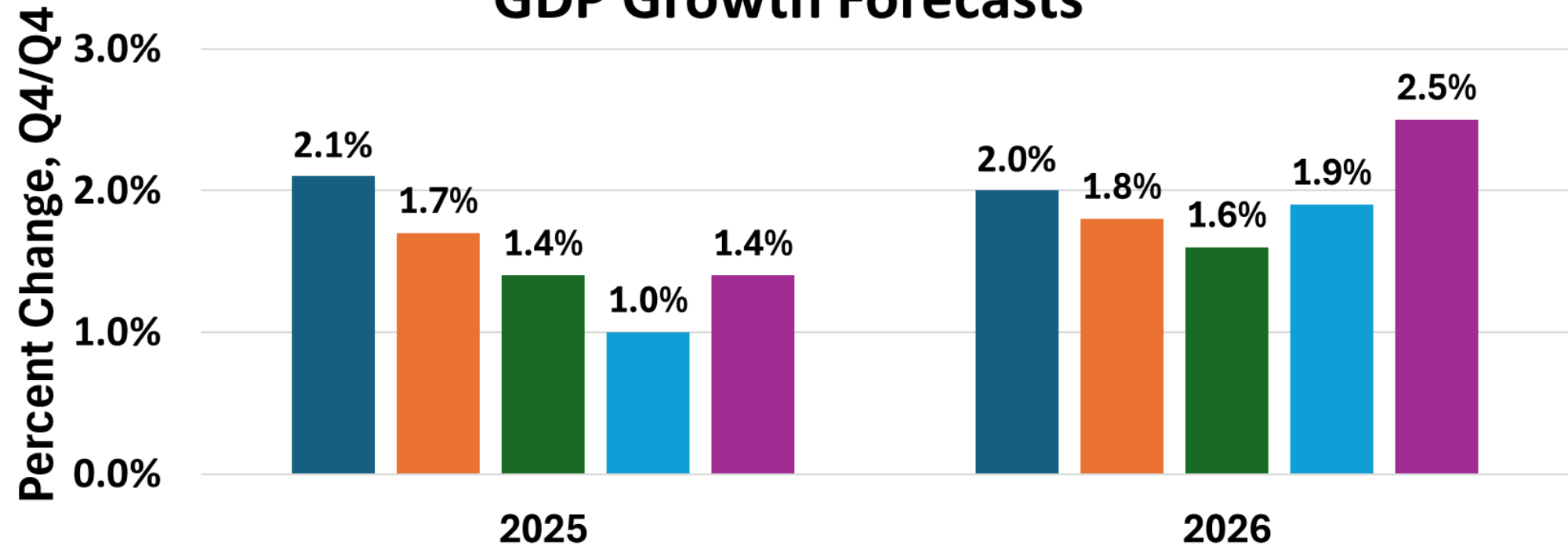


- Consensus forecast maintains heightened risk of recession at 35% (vs. 40% prior)
 - Inflation-adjusted **growth** (real GDP) slowing to 1.0% Q4/Q4 in 2025 (0.9% prior)
 - **Inflation** accelerating to 3.1% (3.5% prior)
 - **Unemployment** rising moderately to 4.4% (4.6% prior)
- Growth episodes near 1% y/y rarely dodge recessions
- OEA recession estimate is little changed 27% (25% prior)
- Recent revisions reveal sharply reduced labor momentum in OR
- Federal Reserve edging toward moderate rate cuts
- Financial market performance supporting economic/revenue outlook

Growth forecasts rebound as peak uncertainty passes



GDP Growth Forecasts

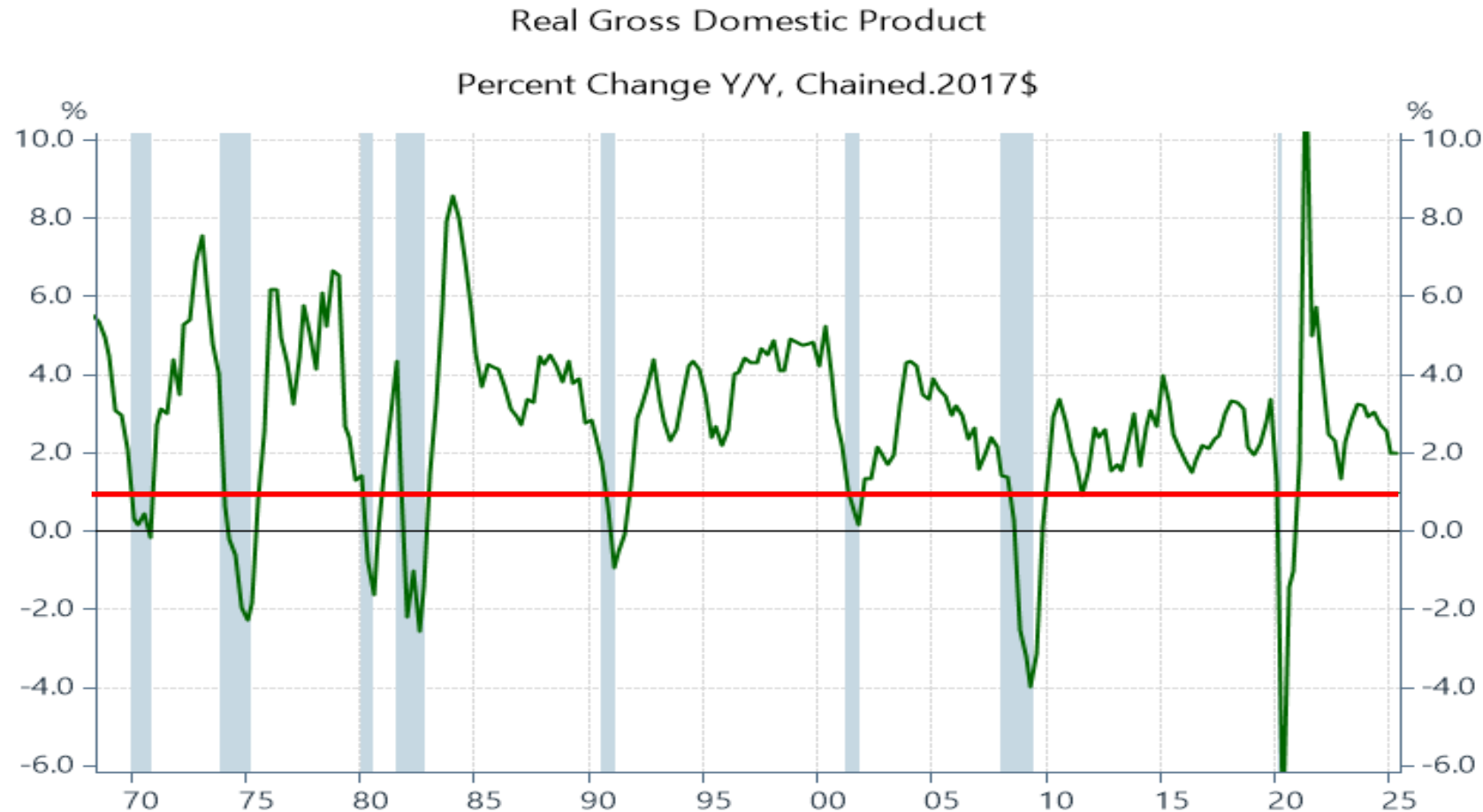


*Consensus Risk of Recession

- As of Dec. 2024: 25%
- As of Mar. 2025: 40%
- As of Aug. 2025: 35%

■ Federal Reserve S.E.P. - Dec. 2024 ■ Federal Reserve S.E.P.- Mar. 2025
■ Federal Reserve S.E.P.- June 2025 ■ Private-Sector Survey Consensus
■ S&P Forecast

Dangerous flirtation with economic "stall speed" imminent in H2 2025

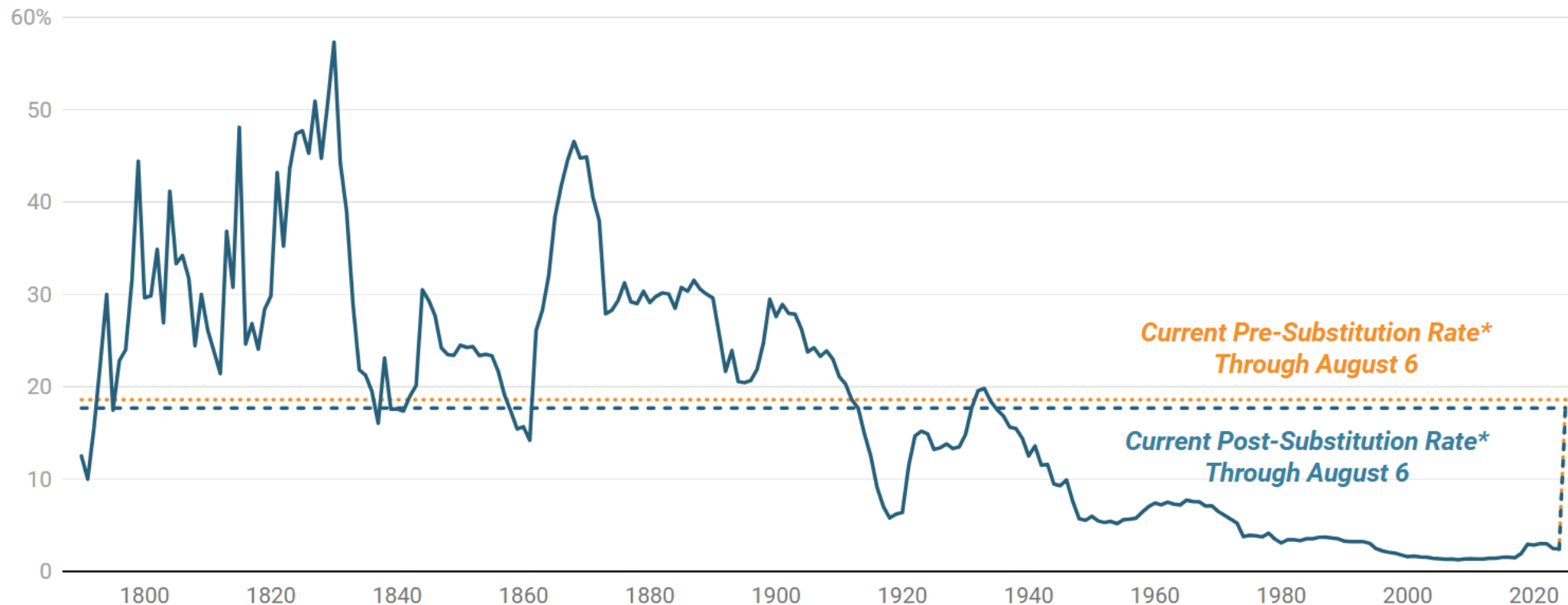


Source: Bureau of Economic Analysis/Haver Analytics



Effective Tariff Rate Since 1790

Average Effective Tariff Rate Since 1790

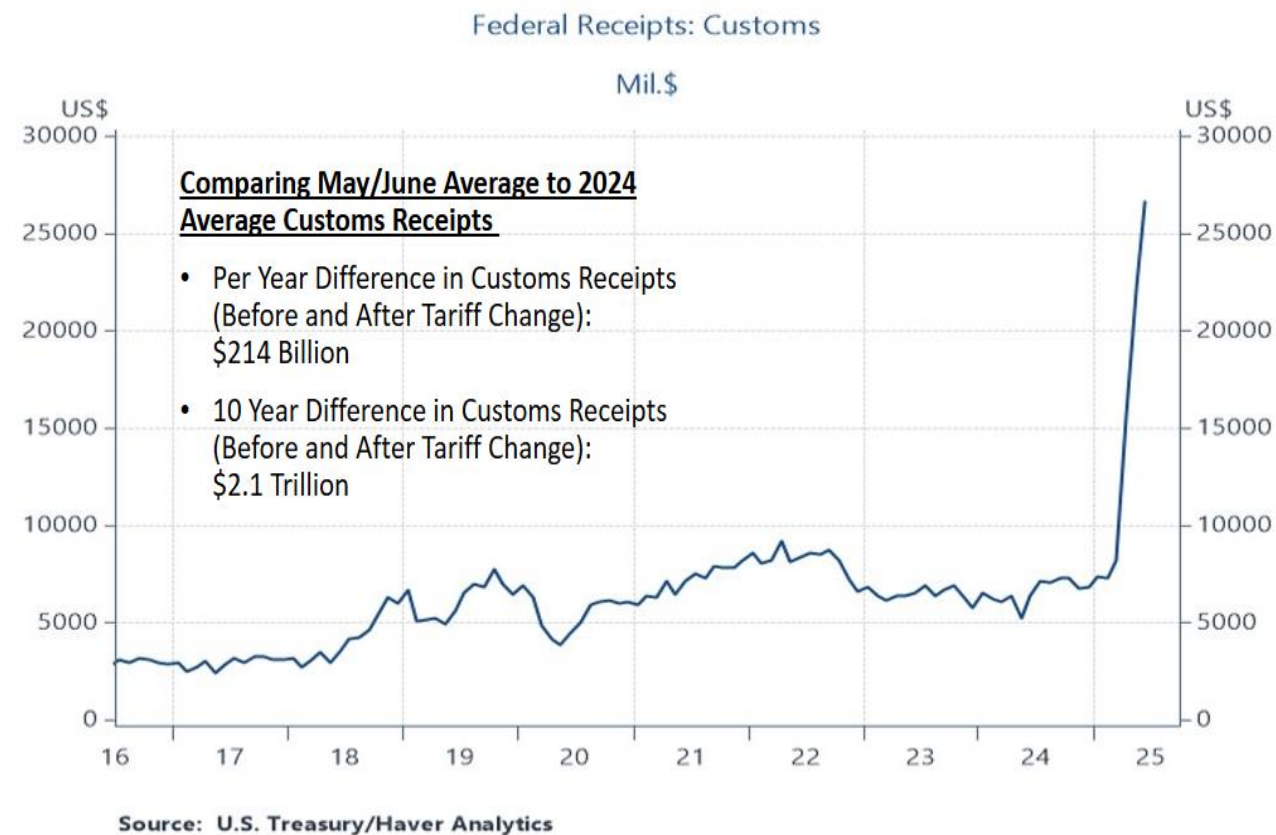
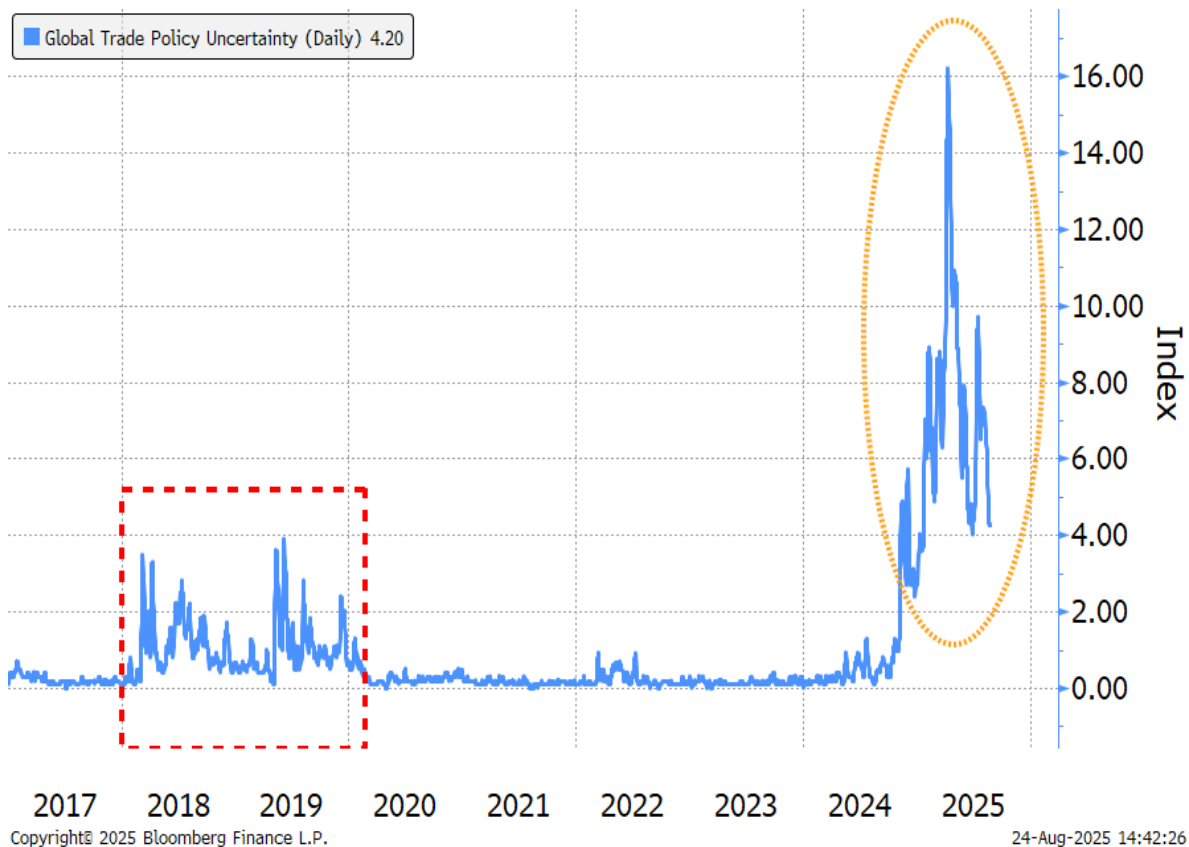


Effective Tariff Rate

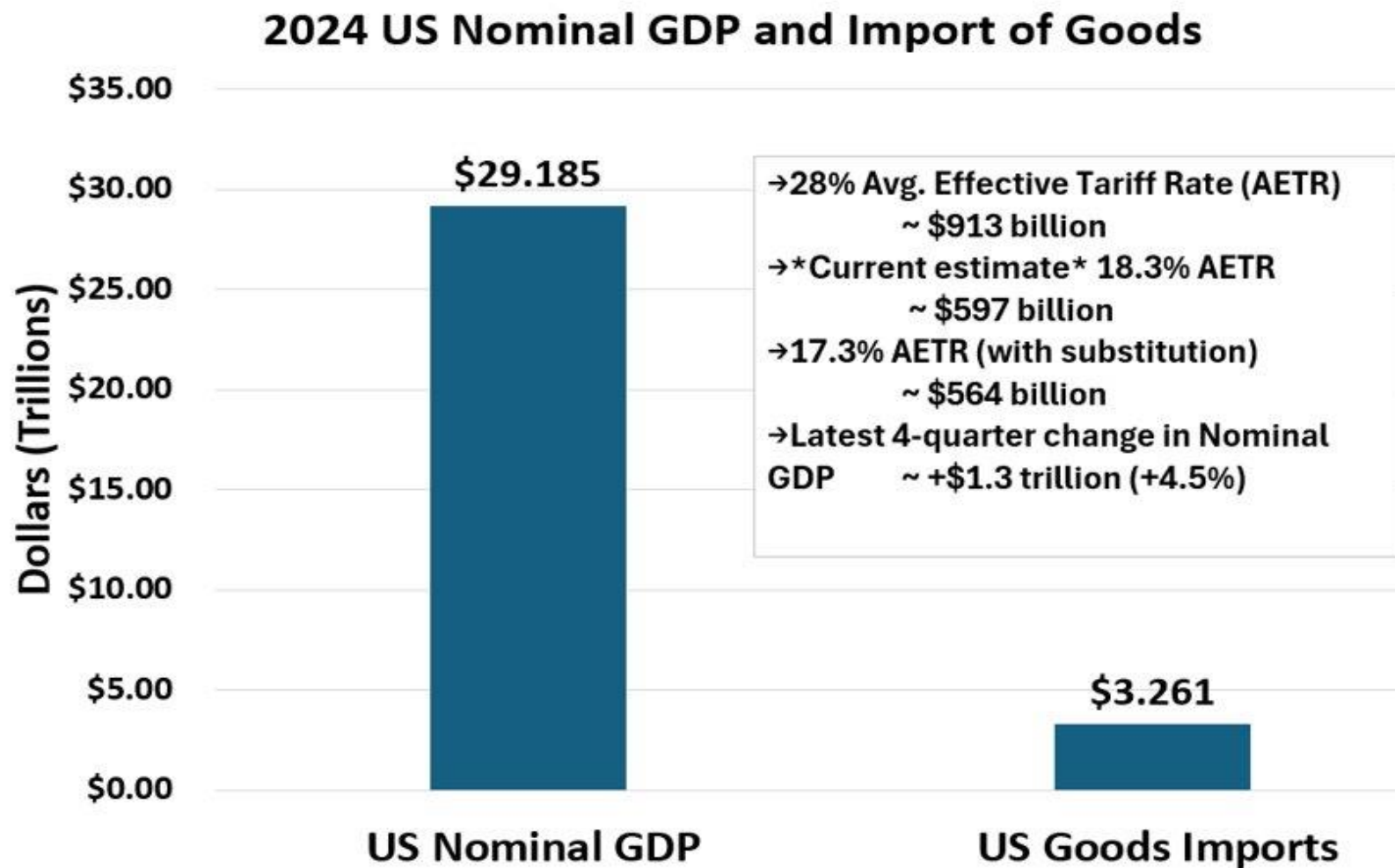
8/6: 18.6%

5/5: 28.0%

Tariff uncertainty settles as revenues accelerate

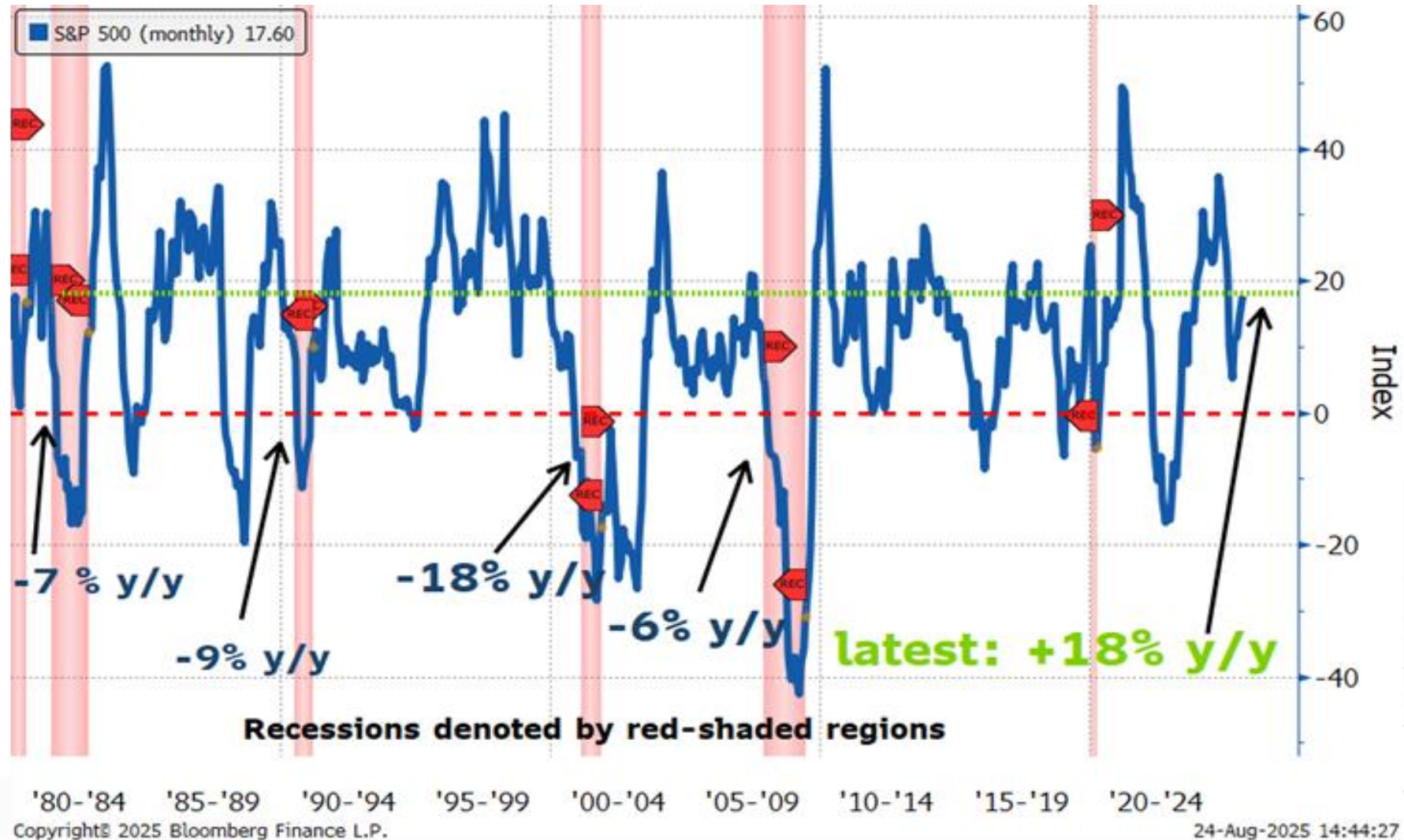


The price tag of tariffs





Stocks still saying "No Recession"





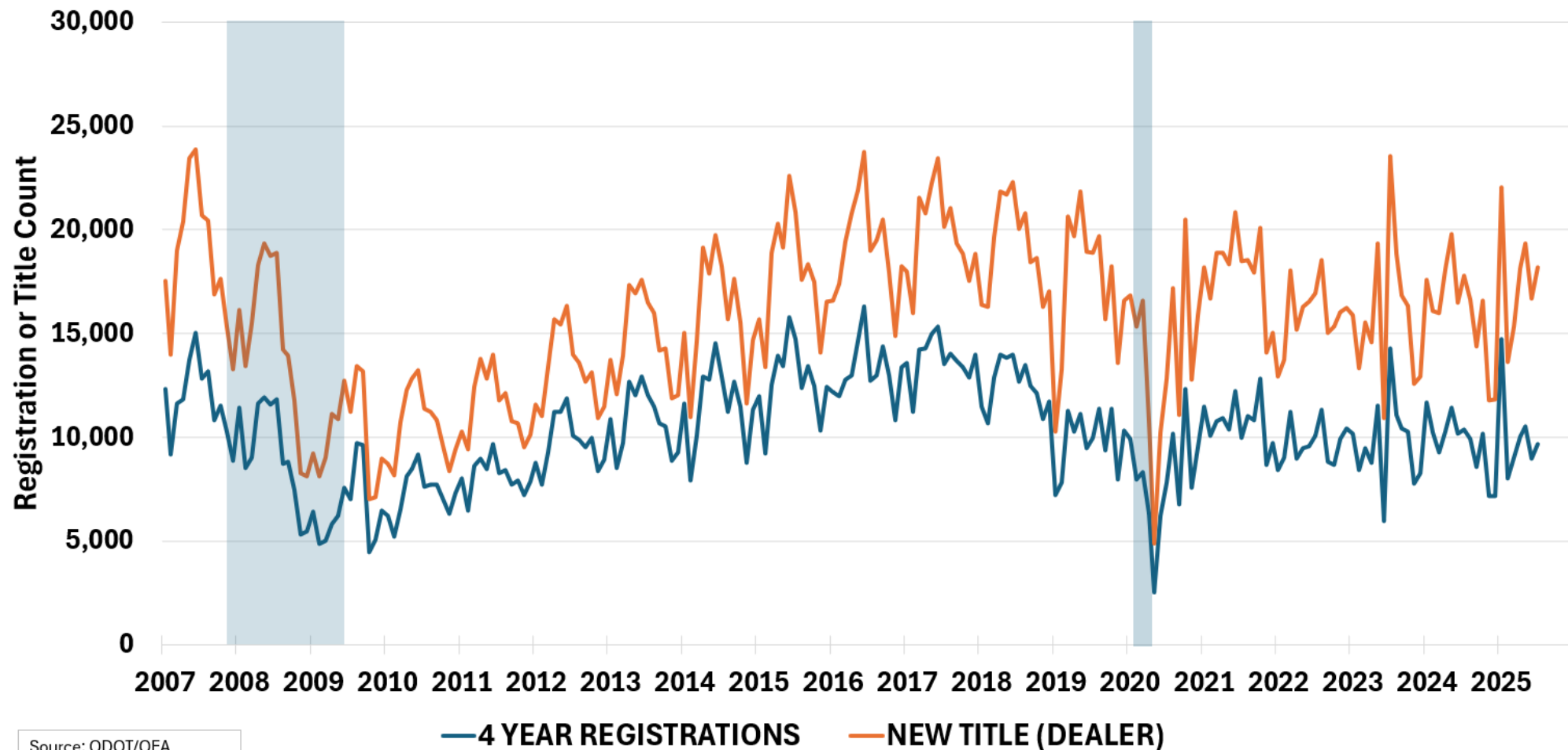
Financial market stress has abated



New vehicle purchases at odds with souring sentiment



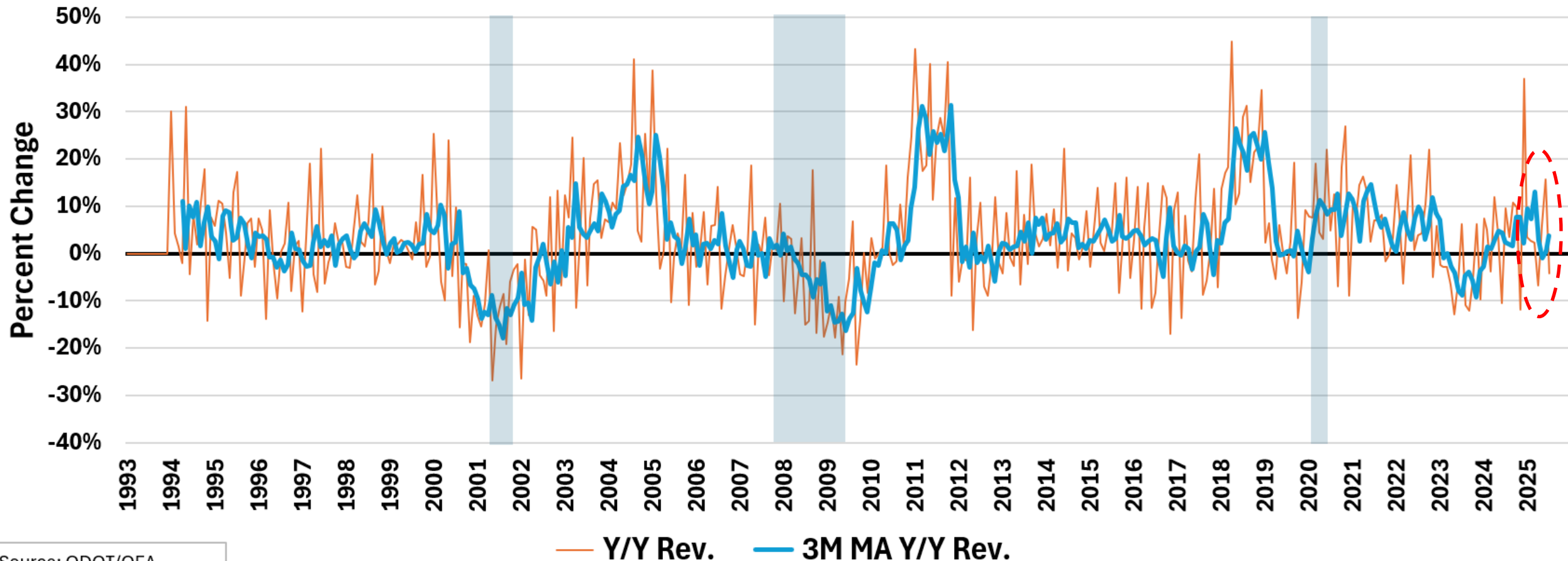
Oregon 4-Year Vehicle Registrations and New Titles



Truck traffic points to economic resilience



Weight Mile Revenue - Y/Y % Changes

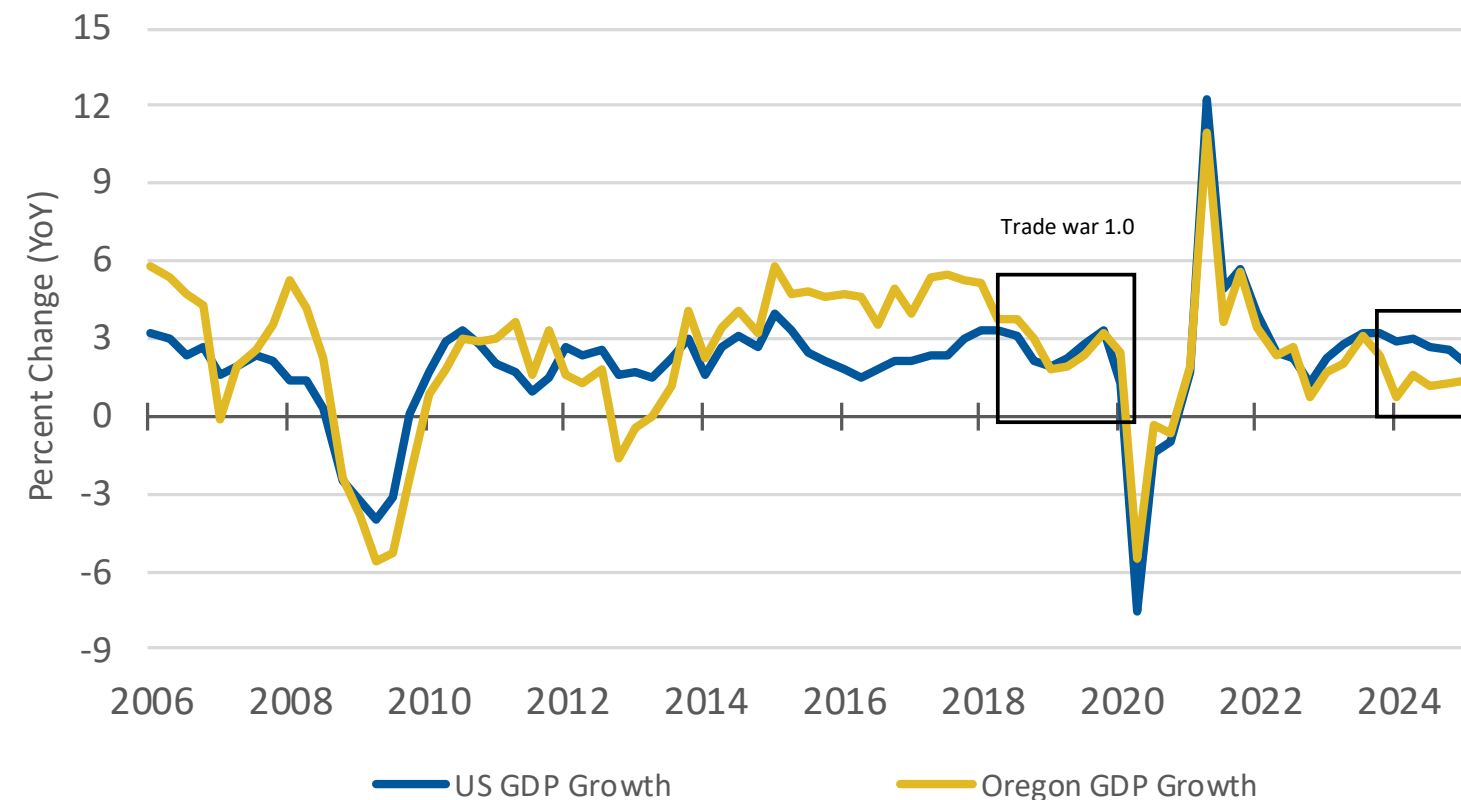


US “catching-down” to Oregon



Oregon and US Real GDP Growth Over Time

Quarterly Data, Percent Change



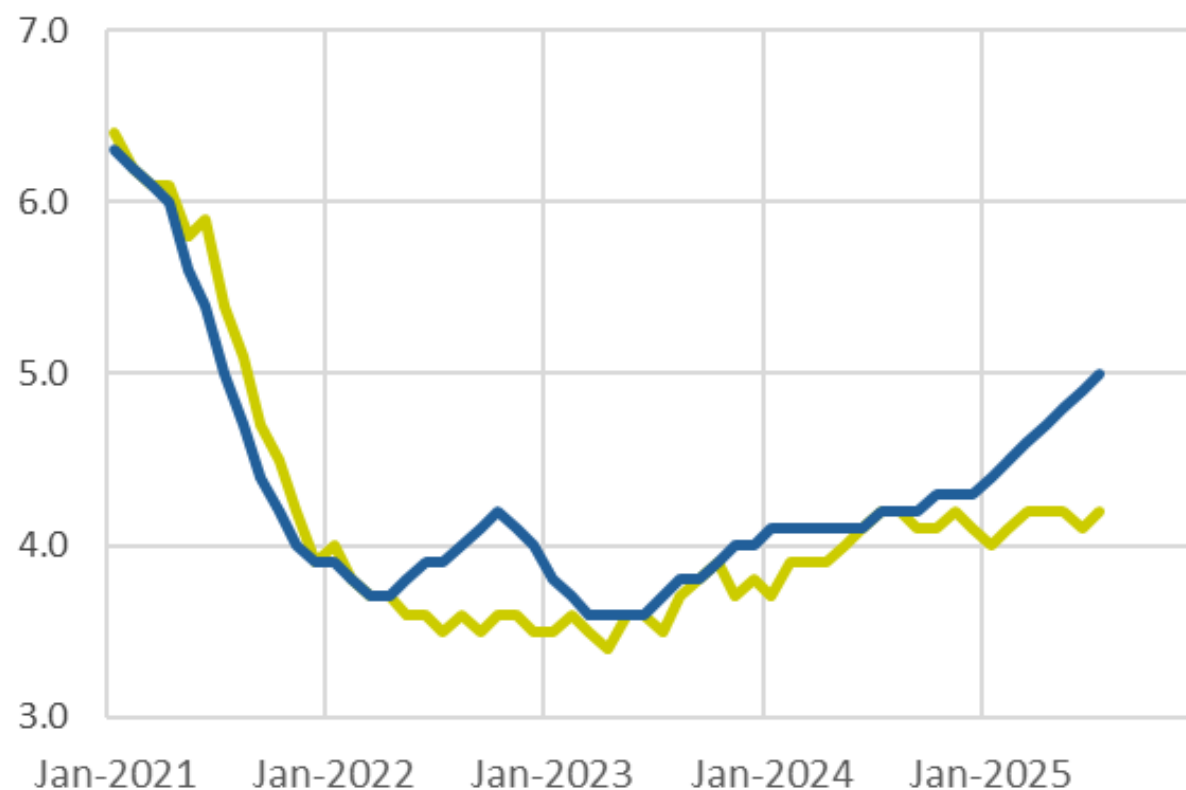
- In the last four reported quarters, Oregon GDP growth has fallen below US by an average of 0.6 percentage points.
- If this deviation continues and US GDP grows by 1.0% in 2025, Oregon GDP would be near 0.4%.

Oregon unemployment continues to diverge from national trend



Oregon and U.S. Unemployment Rate

Monthly, Seasonally Adjusted



Data: July 2025 | Source: Oregon Employment Department

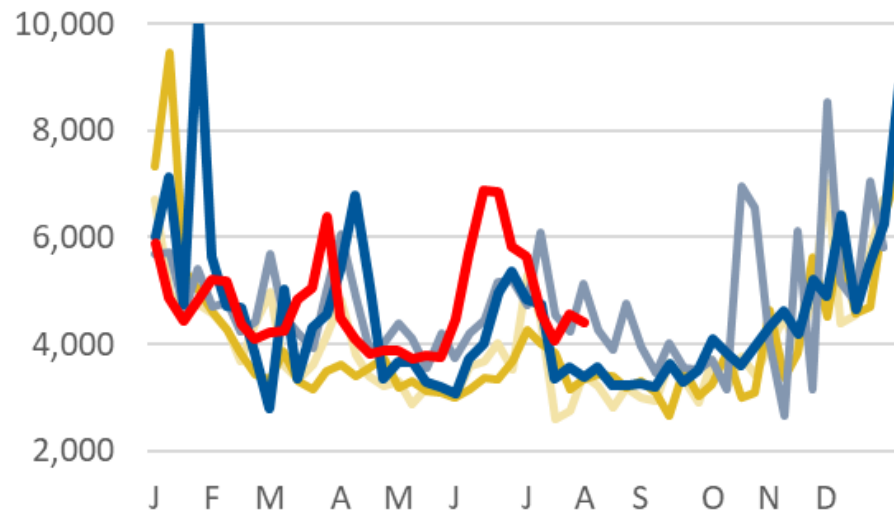
Oregon labor conditions look fragile



Oregon Claims

Unemployment insurance claims for 2018, 2022, 2023, 2024, 2025

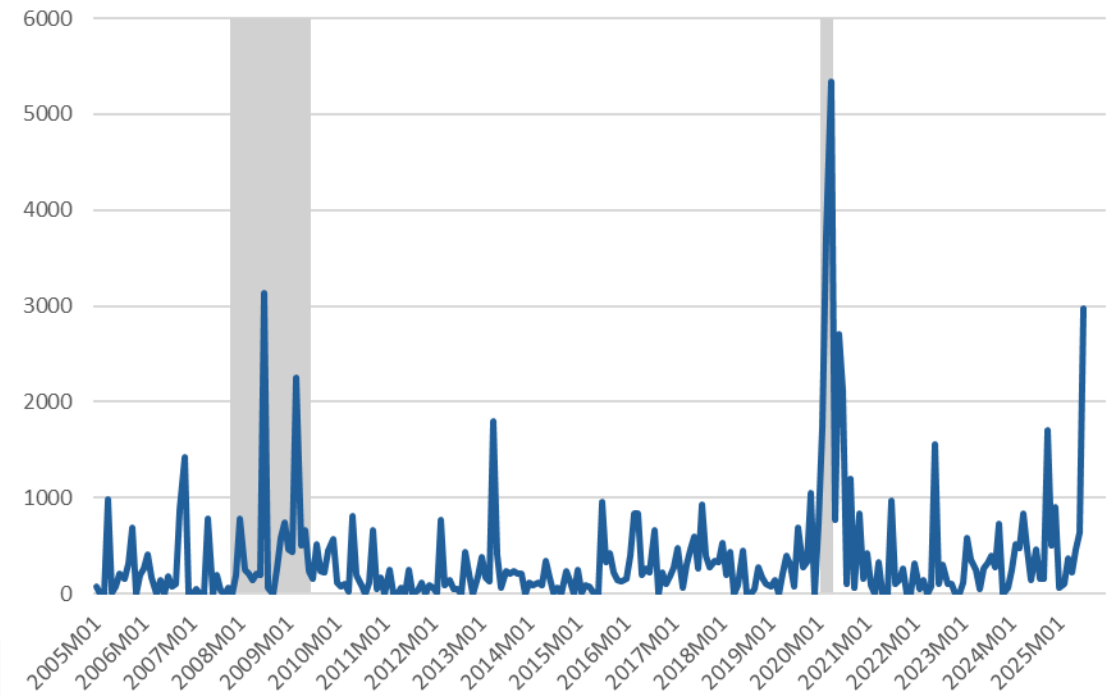
Initial Claims



Data: Not seasonally adjusted | Latest: August 2nd, 2025, | Source: US Dept of Labor, Oregon Employment Department, OEA

of Oregon Workers affected by WARN Notices

Monthly Data, NSA

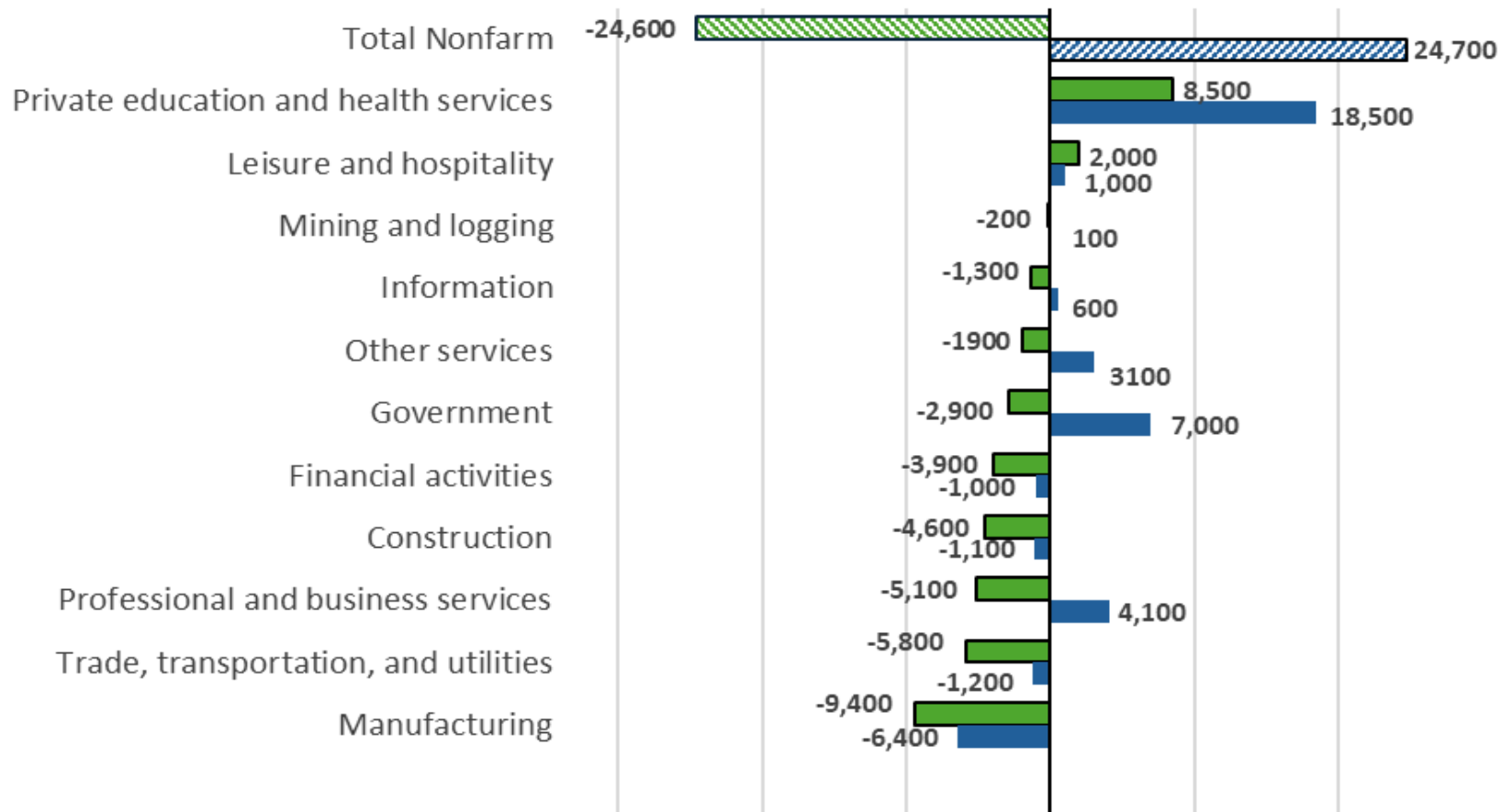


Source: Federal Reserve Bank of Cleveland, Working Paper no. 20-03R by Pawel M. Krolkowski and Kurt G. Lunsford

Oregon labor revisions reframe economic narrative



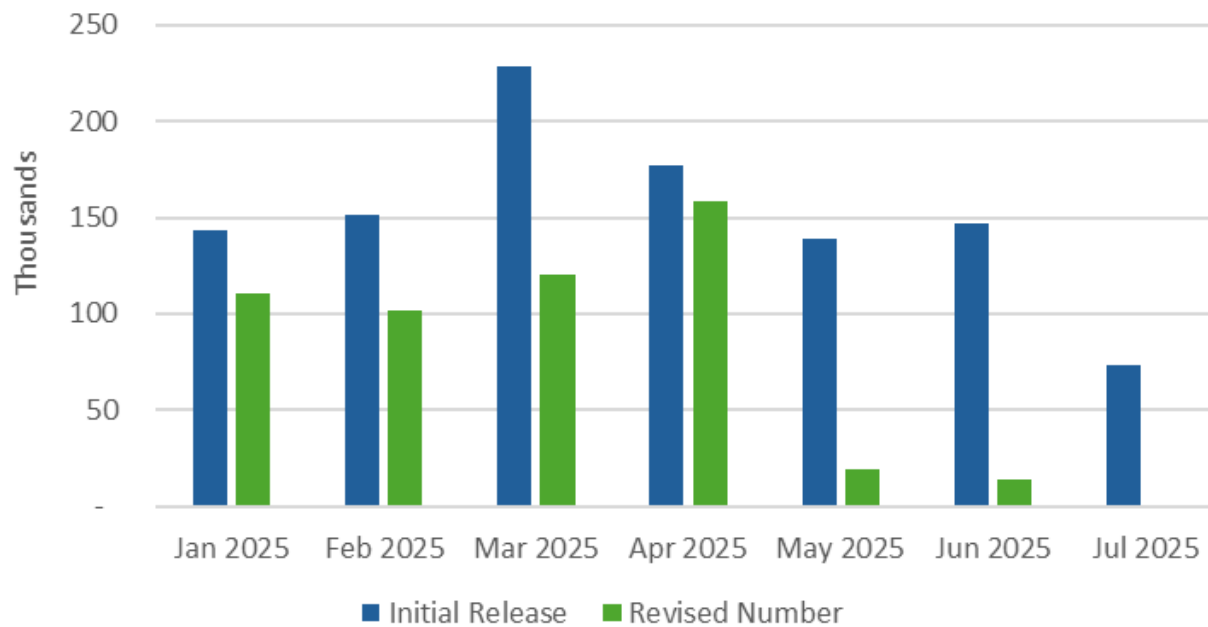
July 2024 to July 2025 vs. March 2024 to March 2025, Seasonally Adjusted



U.S. vs. Oregon Payroll Revisions: momentum reduced

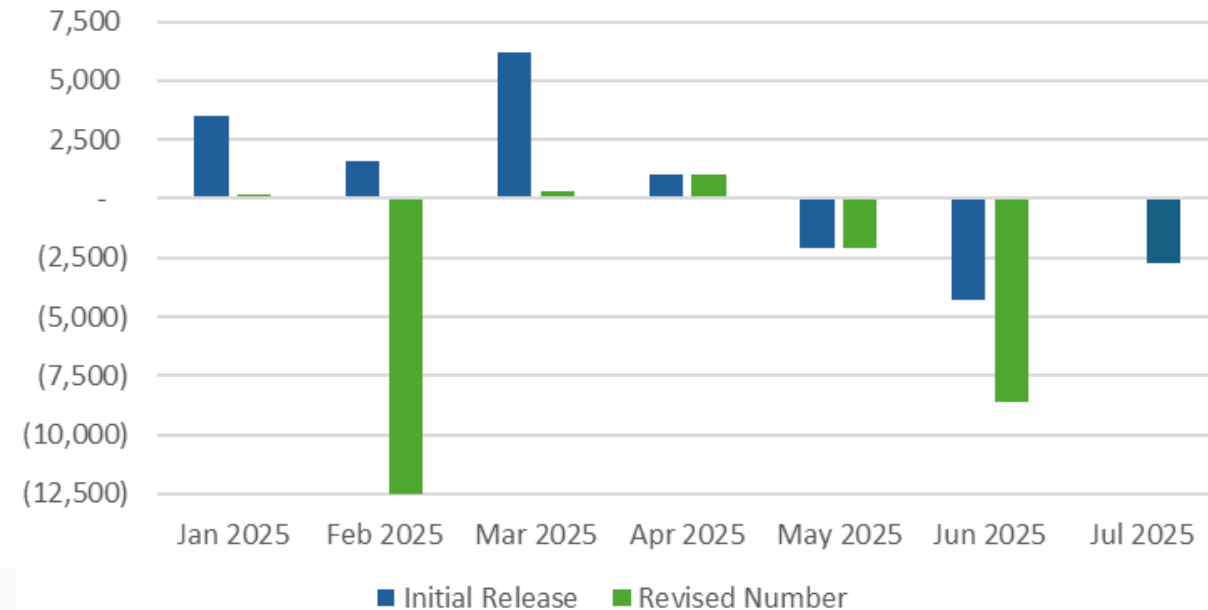


U.S. Total Nonfarm Payroll Change
Monthly Data, Seasonally Adjusted



Source: Bureau of Labor Statistics

Oregon Total Nonfarm Payroll Change
Monthly Data, Seasonally Adjusted



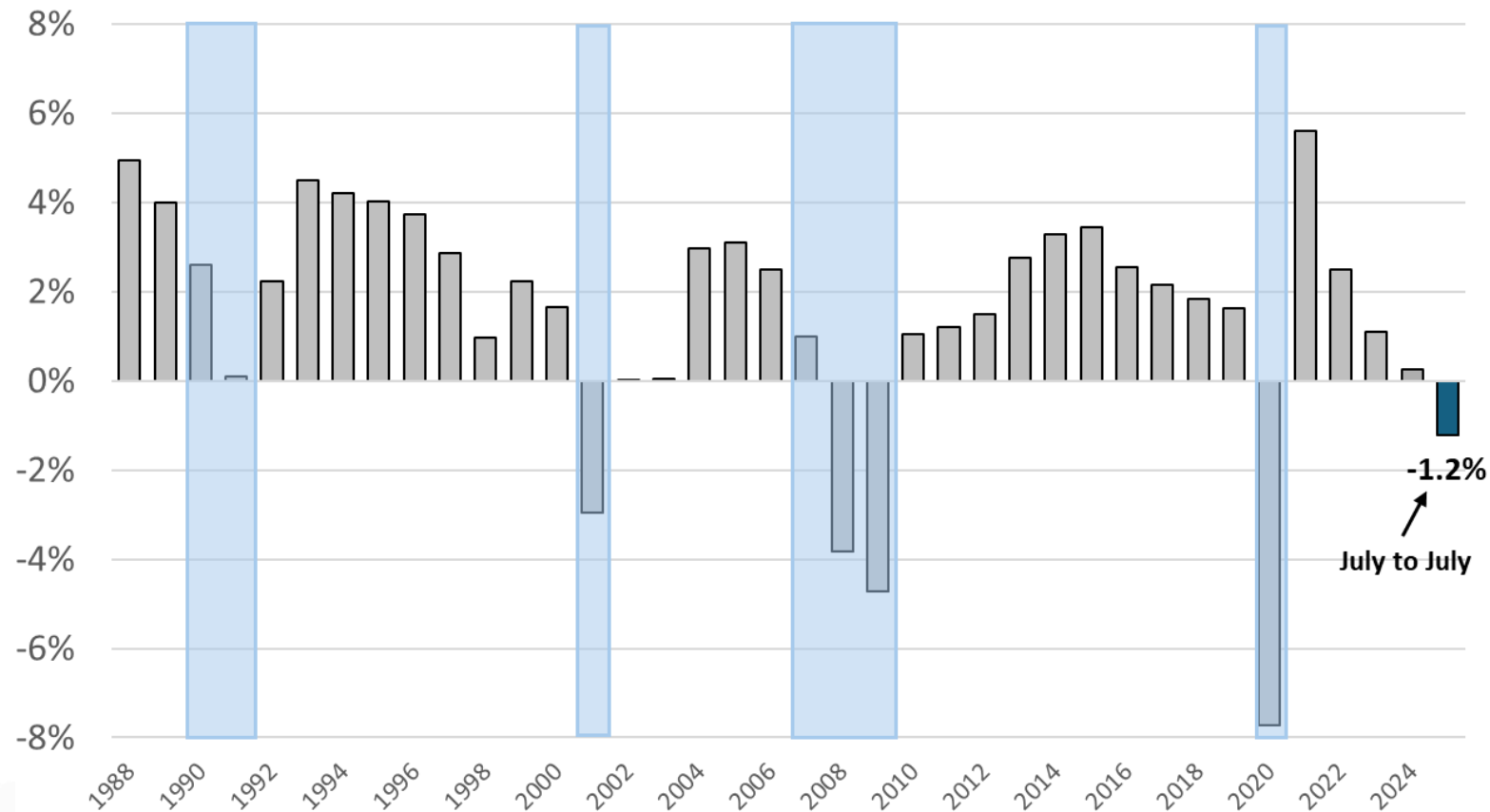
Source: Oregon Employment Department

Unusual to see payroll declines outside of recession



Annual Total Nonfarm Job Growth in Oregon

December to December, Monthly data

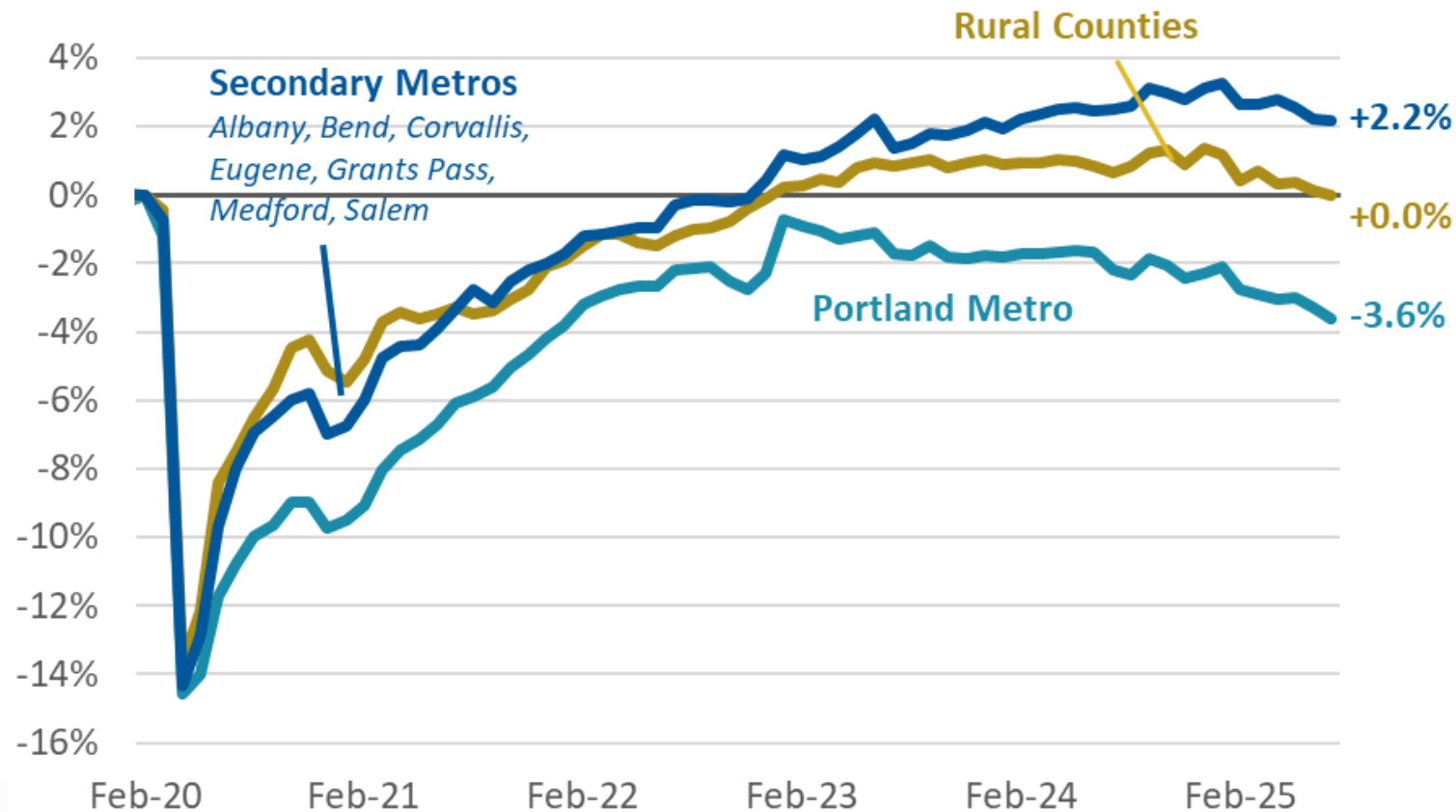


Secondary Metros drive job creation



Oregon Employment: Urban and Rural

Percent change from February 2020

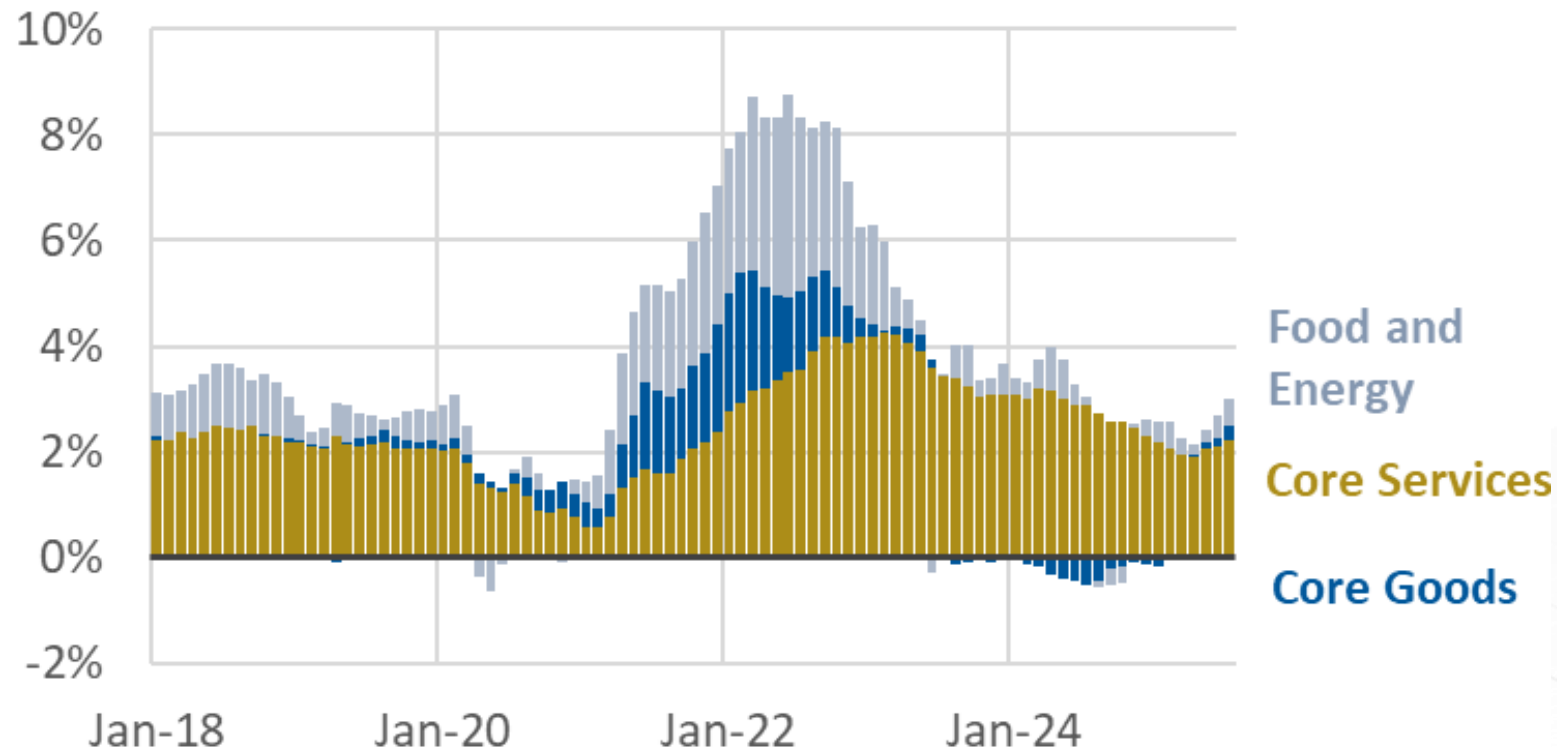


Tariff pressures beginning to appear in inflation statistics



Disinflation Progress Interrupted

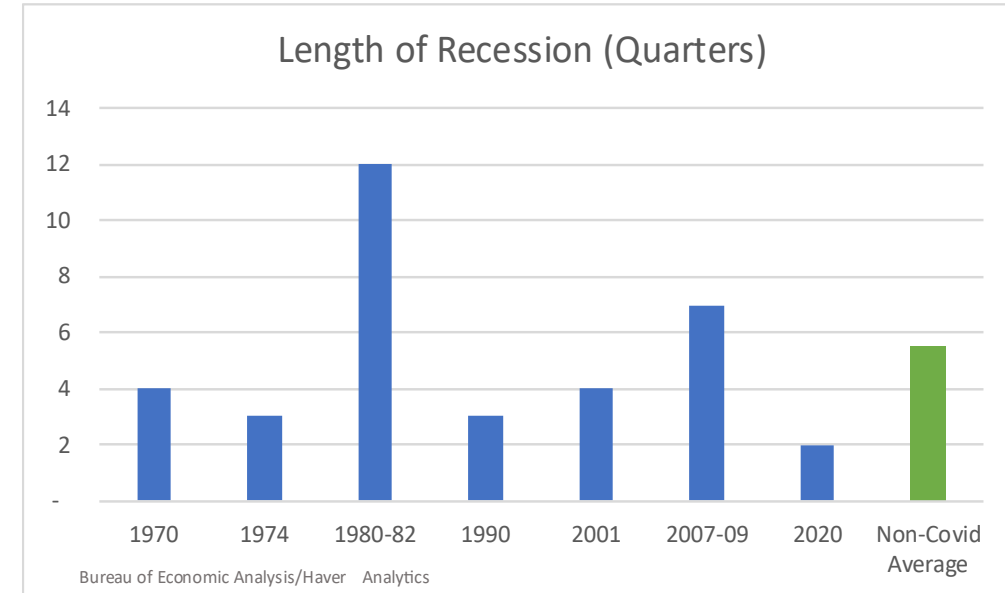
Decomposing Year-over-Year Change in the West Region Consumer Price Index



Recession Characteristics

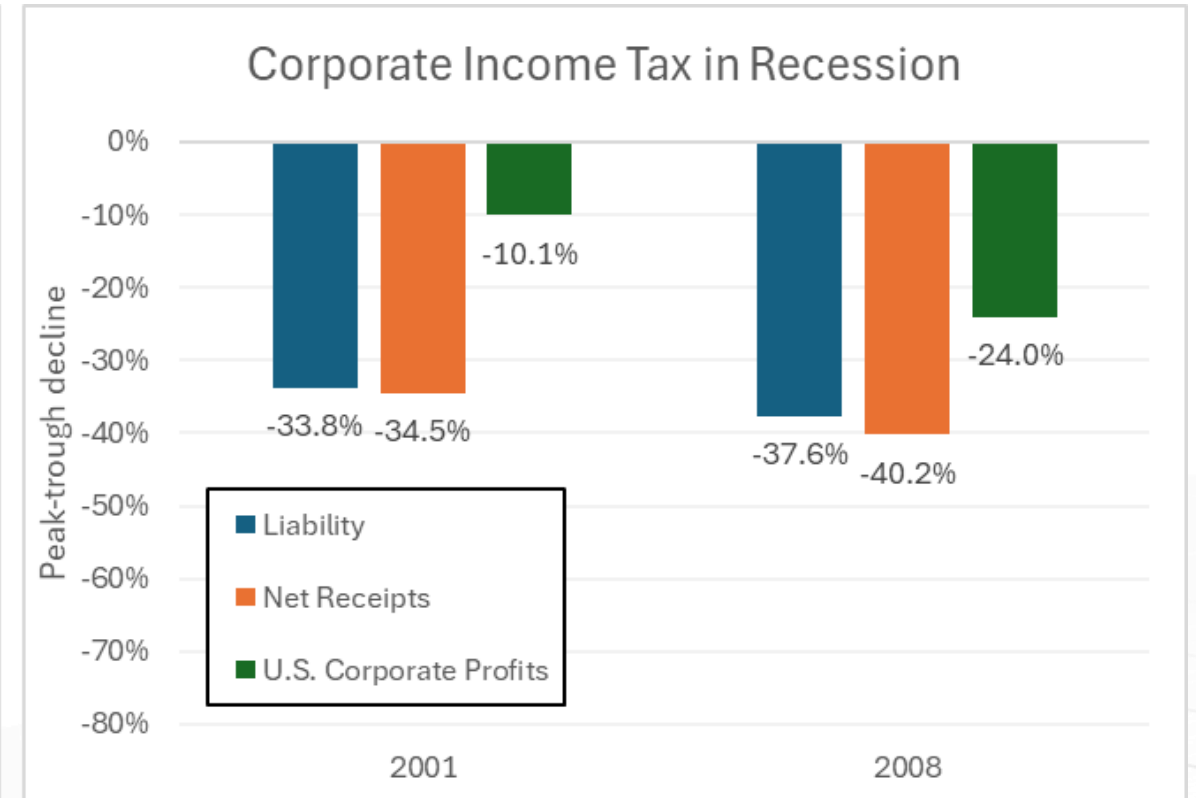
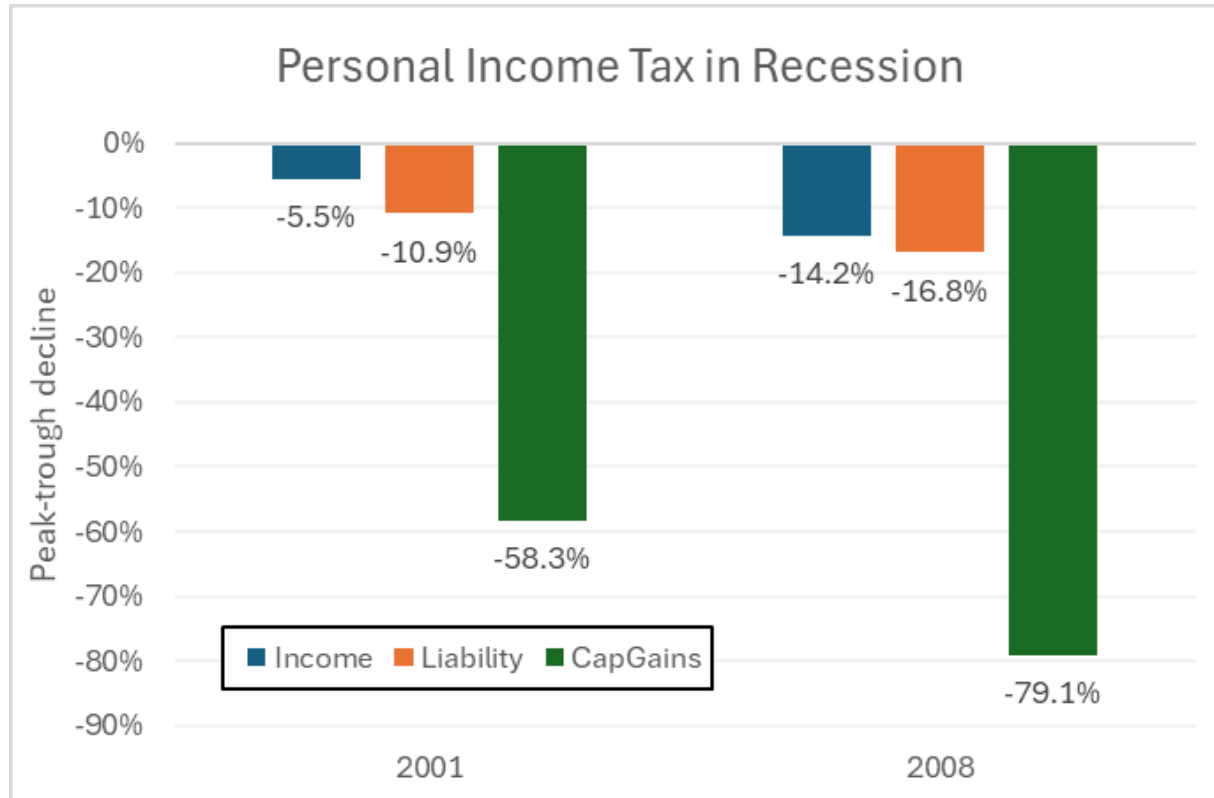


- Since 1970, recessions have lasted about 5.5 quarters on average.
- The 1980 and 2008 recessions were the longest and most severe.
- During a recession, Oregon real personal income tends to decrease in line with the national average.
- Oregon employment tends to drop more than the national average.



Non-COVID Avg	U.S.	Oregon
Income	-2.4%	-2.6%
Employment	-2.3%	-4.5%
Unemployment	2.76	3.28
Initial Claims	64.8%	54.5%
Continued Claims	83.6%	94.6%

Revenues during Recessions



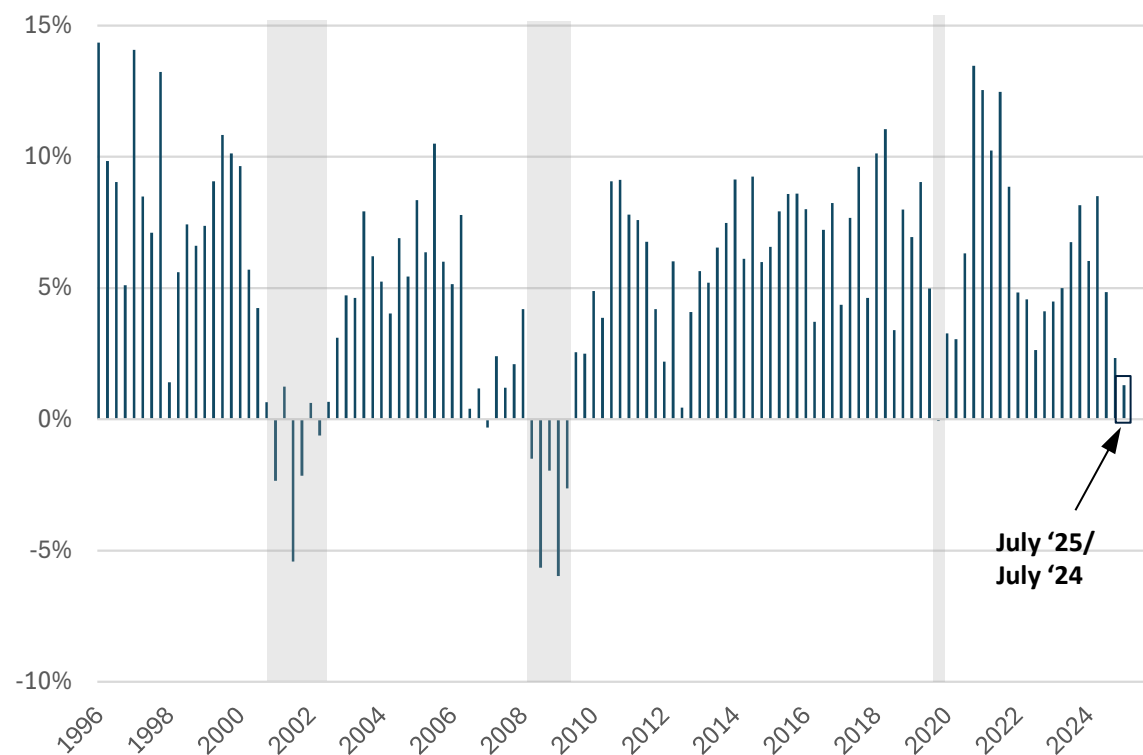
All two (tax) years in duration, except for 2001 Corporate which lasted three years (2000-2002).

Revenues slowing, not stagnating



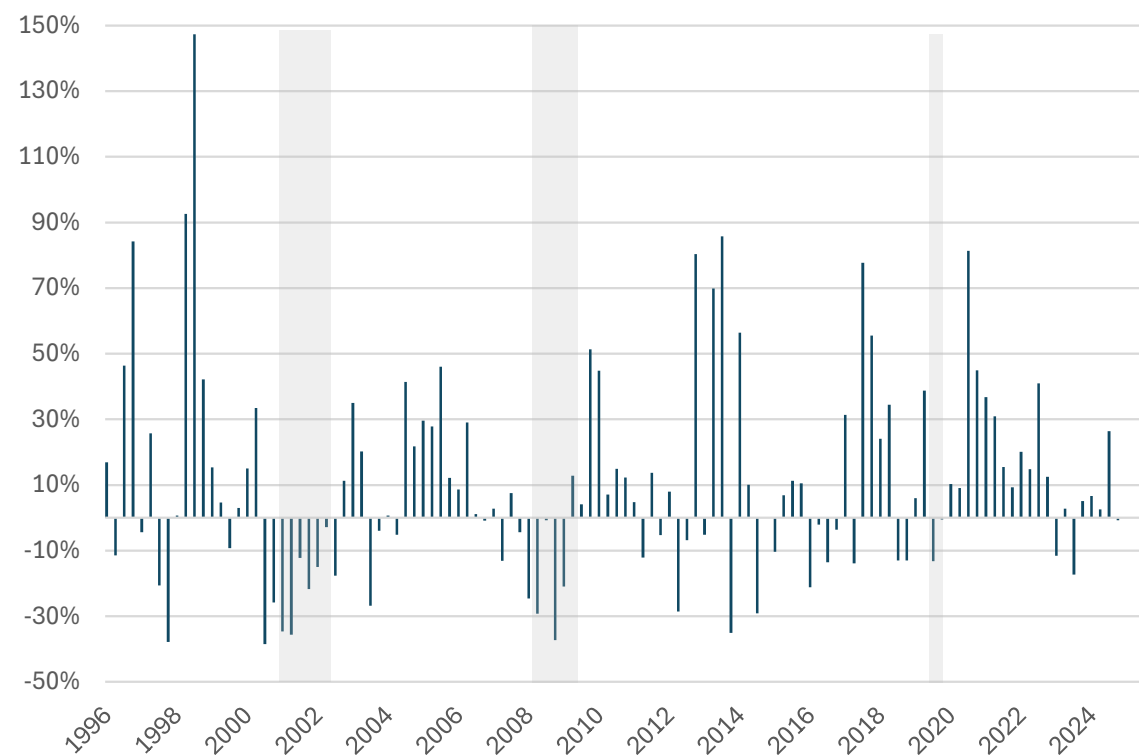
Withholding

(Quarterly Data, Year-over-year change)



Corporate Estimated Payments

(Quarterly Data, Year-over-year change)



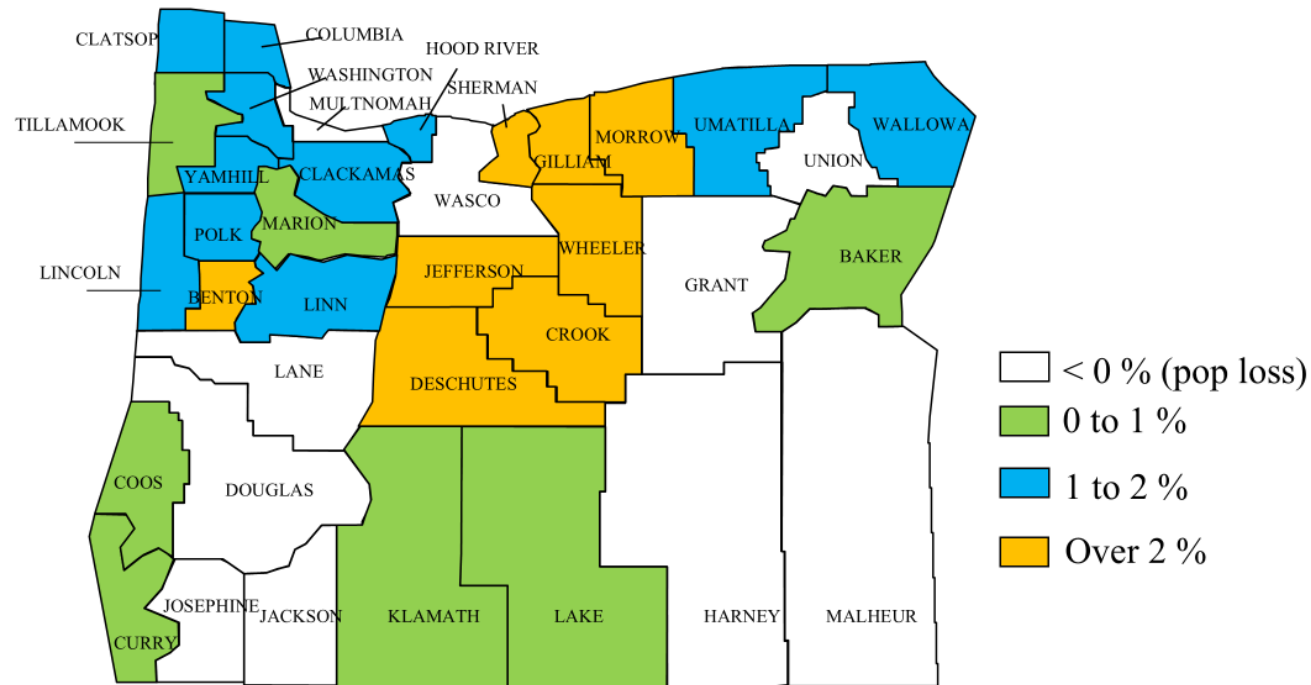
Oregon Population Change by County



Population Change in Percent, 2020-2024

(from April 1, 2020 to July 1, 2024)

Oregon: 0.7%



- High growth in the Central and mid- Columbia River counties.
- Slow or negative growth counties are concentrated in southern and southeast Oregon.
- 10 counties experienced population loss.

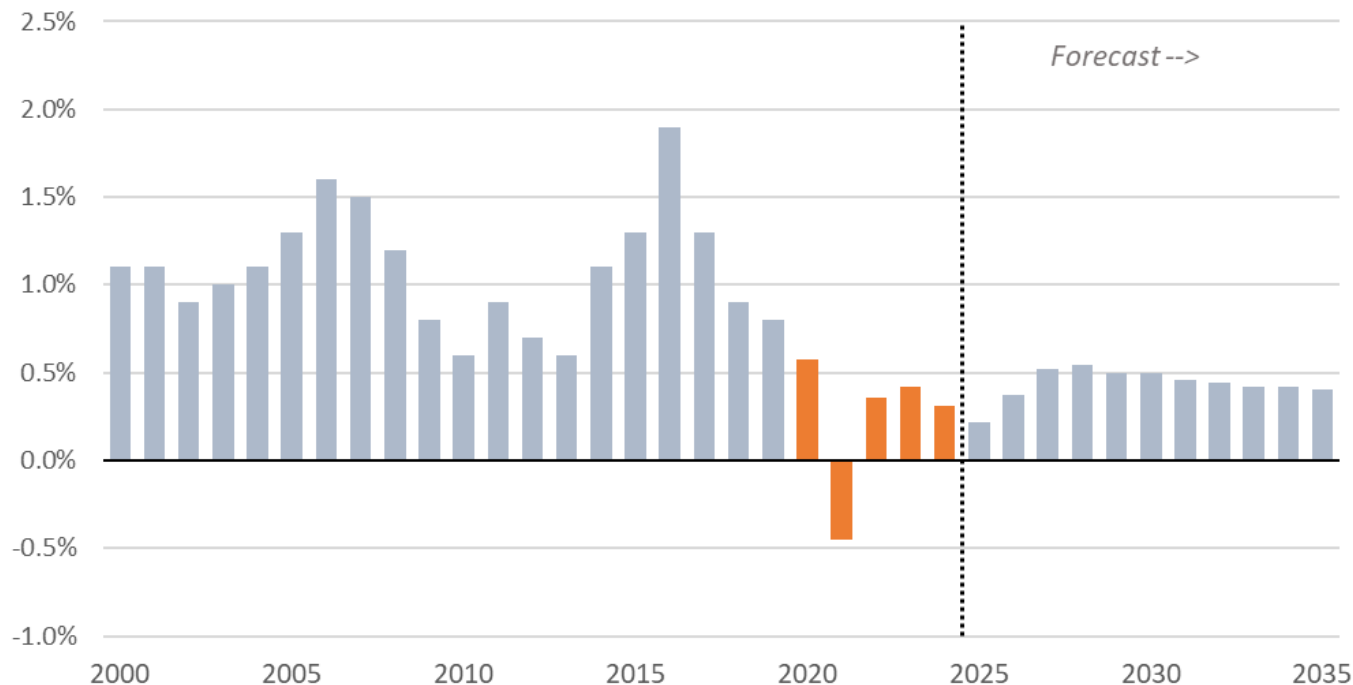
Longer-term outlook depends on demographic trend



Oregon Population Growth

Annual change in total state population

History/Forecast and PSU Estimates



- **Oregon is growing slower than the U.S**
 - Total growth slower in part due to deaths outnumbering births.
 - Oregon's entire population growth will come from net migration.
- *Forecast – based on PSU's estimates*
 - Population expected to grow by average of 0.4% through 2035.
- Oregon expected to reach 5 million residents after 2080 under current assumptions.

Revenue Update



H.R. 1 dominates changes to bottom line



2025-27 General Fund Revenue Statement

	COS 2025 Forecast	September 2025 Forecast	Change from COS Forecast
Revenues (millions)			
Personal Income Tax*	\$30,180.0	\$29,892.5	-\$287.5
Corporate Income Tax*	\$3,290.7	\$2,932.9	-\$357.8
All Other Revenues	\$2,082.2	\$2,106.4	\$24.2
Net General Fund	\$35,552.9	\$34,931.8	-\$621.1
Beginning Balance	\$2,243.1	\$2,018.7	-\$224.4
Appropriations	\$37,323.1	\$37,323.1	\$0.0
Projected Ending Balance*	\$472.8	-\$372.7	-\$845.5

* includes offsets and RDF transfers

- GF Revenues down \$621.1m
 - Economic changes
 - H.R. 1
 - Kicker credit change
- Beginning Balance down \$224.4m
- Projected Ending Balance down \$845.5m to:
 - **-\$372.7m**



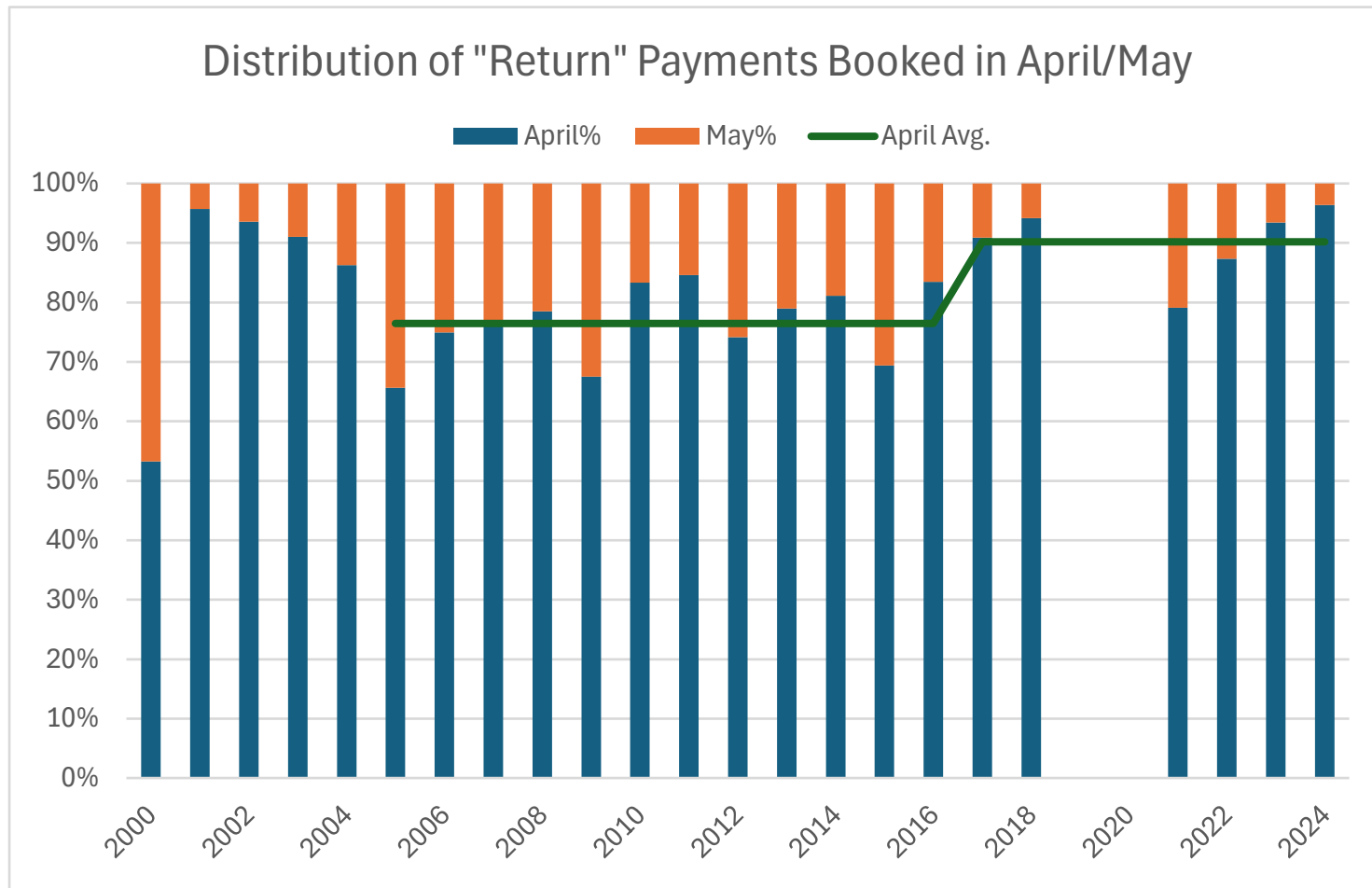
Ending Balance Change Detail

Breakdown of COS-to-September Forecast Change*

(millions)	PIT	CORP	OTHER	TOTAL	
Beg. Balance				-\$224.4	
ECON	\$71.5	-\$57.3	\$24.2	\$38.3	} -\$621.1m
H.R. 1	-\$587.8	-\$300.5	\$0.0	-\$888.2	
KICKER	\$228.8	\$0.0	\$0.0	\$228.8	
TOTAL	-\$287.5	-\$357.8	\$24.2	-\$845.5	

* -\$845.5 million is change in projected ending balance for 2025-27; Row totals are Revenue changes only.

2023-25 Falls Short of Forecast



- PIT "Return" Payments ended up -\$251m below May forecast.
- Record payment levels did not "spill into" May like past tax years.
- Resulting ending balance (2025-27 beginning balance) - \$224.4m lower than COS.

Economic changes (+\$38.3m)



- Personal Income Taxes (+\$71.5m)
 - Wage Income revised down in the near-term, rising towards the last half of the biennium (-\$23.6m)
 - Equity/Business Income revised up (market performance and estimated payment tracking) (+\$95.1m)
- Corporate Income Taxes (-\$57.3m)
 - Due to recent estimated payment tracking
- All Other (+\$24.2m)
 - Interest Earnings revised due to recent tracking and interest rate forecast changes.

Implications of auto-connection to HR 1



- Oregon is one of five states tied to the definition of Federal Taxable Income (FTI)
- The state is automatically connected to FTI. As a result, Oregon is already connected to the revenue effects of HR 1. This includes changes to:
 - ❖ Overtime and Tips, Bonus Depreciation, R&D Expenditures, etc.
- The Legislative Revenue Office (LRO) provides estimates for the impact of HR 1, which OEA incorporates into the forecast.
 - ❖ These estimates were updated to be consistent with the September forecast.
 - ❖ The current estimate for the effect of HR1 in the 2025-27 biennium is an **\$888.2M reduction of General Fund revenue.**

H.R. 1 Adjustments



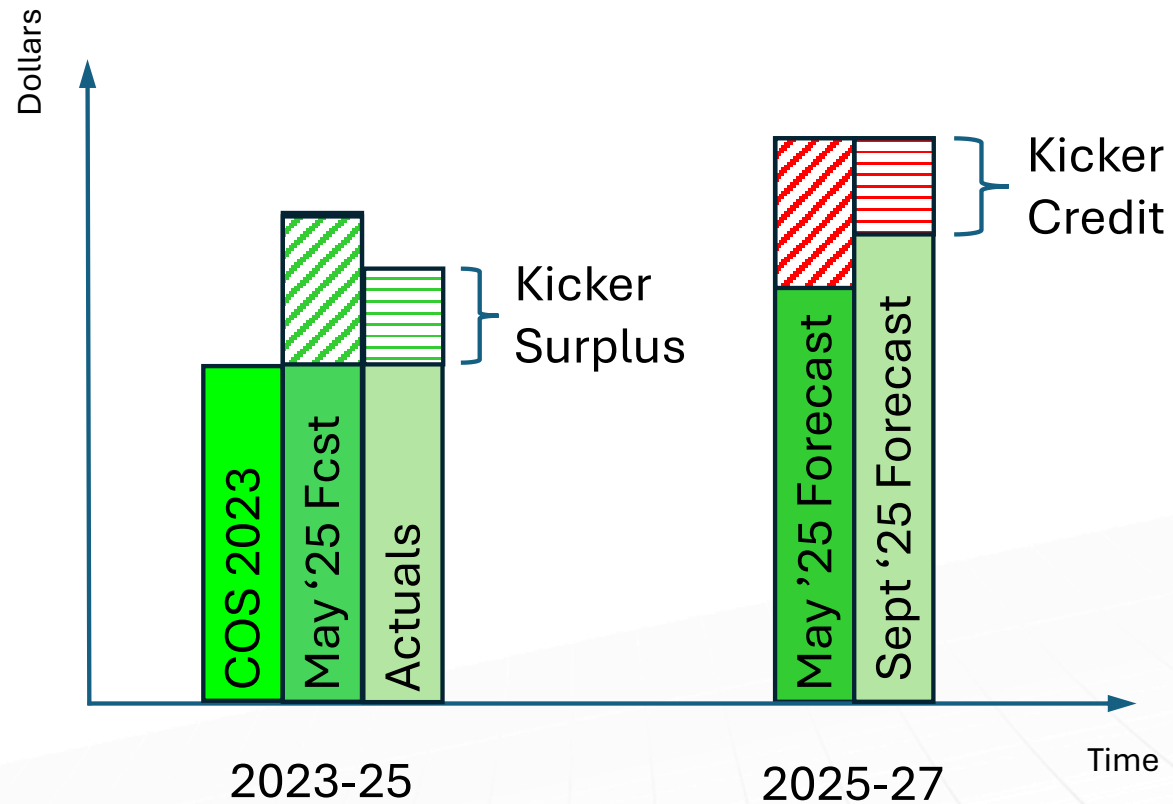
H.R. 1 Adjustments: LRO Estimates Factored Into the September Revenue Forecast

Personal Tax Provisions	2025-27	2027-29	2029-31
Overtime Exclusion	-\$221.3	-\$157.4	\$0.0
Tips Exclusion	-\$77.7	-\$52.6	\$0.0
SALT Cap Increase	-\$83.7	-\$82.9	-\$27.2
Car Loan Interest	-\$68.0	-\$79.5	-\$6.7
Bonus Depreciation (Both)	-\$182.9	-\$100.1	-\$46.4
All Other Scored Provisions	\$47.1	\$117.3	\$104.0
TOTAL PIT Adjustments	-\$586.4	-\$355.3	\$23.7
Corporate Tax Provisions	2025-27	2027-29	2029-31
R&D Expensing	-\$141.8	-\$33.8	-\$9.2
Bonus Depreciation (Tangible)	-\$81.1	-\$17.8	-\$9.1
Bonus Depreciation (Real)	-\$48.2	-\$53.0	-\$23.7
All Other Scored Provisions	-\$30.6	-\$8.1	\$7.7
TOTAL PIT Adjustments	-\$301.8	-\$112.8	-\$34.3
Total GF Revenue Adjustments	-\$888.2	-\$468.1	-\$10.6

Kicker Credit Change



September Kicker Update





Multiple potential outcomes

General Fund Revenue* Scenarios

(millions)		2023-25	2025-27	2027-29	2029-31	2031-33	2033-35
Boom (2%)	Revenues	\$33,222.9	\$39,831.1	\$44,013.4	\$49,559.1	\$55,605.3	\$62,333.5
	Growth		19.9%	10.5%	12.6%	12.2%	12.1%
Optimistic (14%)	Revenues	\$33,222.9	\$38,186.7	\$42,769.1	\$47,901.4	\$53,458.0	\$59,872.9
	Growth		14.9%	12.0%	12.0%	11.6%	12.0%
Baseline (57%)	Revenues	\$33,222.9	\$36,542.3	\$41,382.4	\$46,549.1	\$51,962.9	\$58,188.5
	Growth		10.0%	13.2%	12.5%	11.6%	12.0%
Pessimistic (25%)	Revenues	\$33,222.9	\$34,167.1	\$38,950.4	\$43,546.6	\$48,598.0	\$54,332.6
	Growth		2.8%	14.0%	11.8%	11.6%	11.8%
Severe (2%)	Revenues	\$33,222.9	\$31,791.8	\$35,924.7	\$41,852.3	\$46,958.3	\$52,593.3
	Growth		-4.3%	13.0%	16.5%	12.2%	12.0%

* Adjusted for kicker credits.

Potential Variation from Baseline Forecast September 2025 General Fund: 2025-27

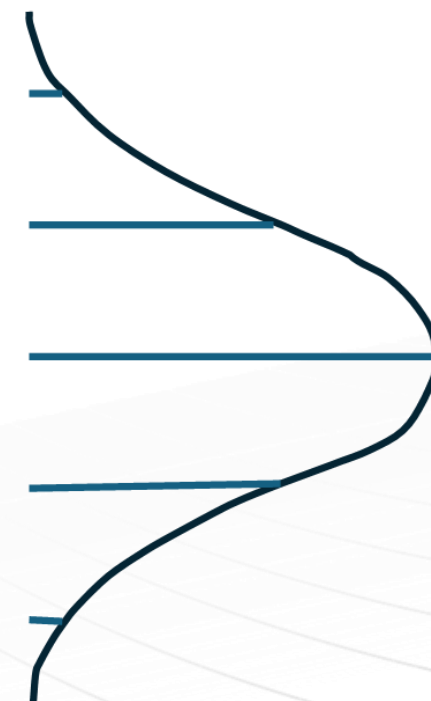
Boom: +\$3.3B

Optimistic: +\$1.6B

Baseline: \$36.5B

Pessimistic: -\$2.4B

Severe: -\$4.8B



Non-GF Revenues



2025-27 Non-GF Revenue Statement

Source of Revenue (millions)	September 2025 Forecast	Change from COS Forecast
Lottery	\$1,776.0	-\$109.2
Corp. Activity Tax	\$3,043.7	-\$4.3
Marijuana	\$295.0	-\$6.2
Total Other Revenues	\$5,114.8	-\$119.8

Video Lottery sales declining in recent quarters

- Constraints on discretionary spending
- Competition
- Demographics

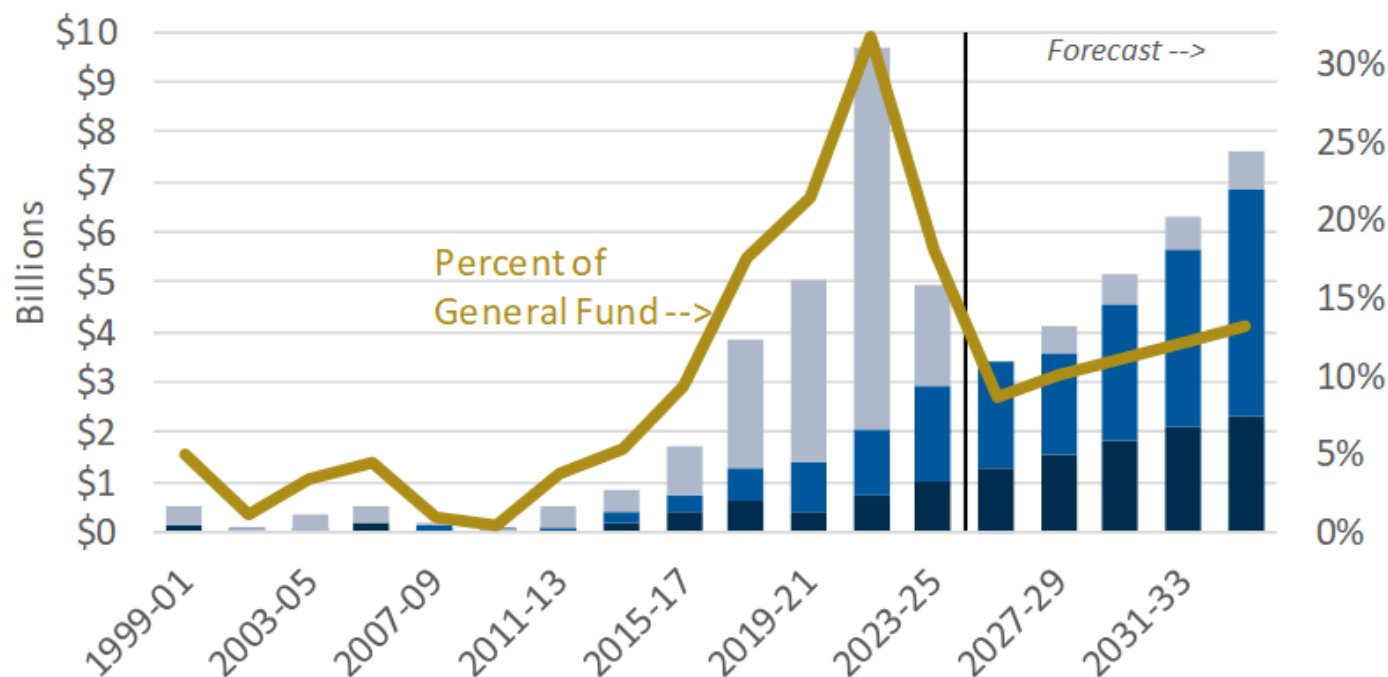
CAT & Marijuana essentially flat

Reserve situation healthy



Oregon Budgetary Reserves

Education Stability Fund | Rainy Day Fund | General Fund Ending Balance



Source: Oregon Office of Economic Analysis

Effective Reserves (\$mil)

	Estimated 2025-27
ESF	\$1,261
RDF	\$2,158
Reserves	\$3,419
% of GF	9.8%
Ending Balance	\$0
Total	\$3,419
% of GF	9.8%

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