



Seattle
Office of Economic
& Revenue Forecasts

City of Seattle
Economic and Revenue Forecast Council
August 4th, 2025

Meeting Minutes

Forecast Council Attendees:

Forecast Council Chair Dan Strauss

City Council President Sara Nelson

Chief Innovation Officer Andrew Myerberg, designee of Forecast Council Vice-chair Jeremy Racca

City Finance Director Jamie Carnell

Meeting Items:

1. Adoption of the minutes from the April 10, 2025 meeting.

The Forecast Council unanimously approved the minutes of the previous meeting.

2. Presentation of the August 2025 Economic and Revenue Forecasts, and recommendation from the Office of Economic and Revenue Forecasts regarding the 2025 and 2026 revenue forecasts.

Forecast Council was first briefed on changes in the economic conditions and outlook. Economic outlook has in general improved between April and July. Tariffs have not resulted in significantly higher inflation in 2025 Q2 and U.S. employment growth was weaker but steady, around 1.1% in the first half of 2025. Financial markets have calmed down, stock markets have completely recovered from the large drop after the April tariff announcement, and the fears of a recession have subsided somewhat as well.

Uncertainty around trade policy and its effects however remains elevated and will likely have a negative impact on consumer and business sentiment and thus on consumption, investment, and hiring decisions. There is also less agreement among economists regarding the path of the national economy. To address this, instead of using just the U.S. economic forecast from S&P Global as the starting point to develop the regional economic and revenue forecasts, as was done in past, the Forecast Office has based the August forecast update on the average of U.S. forecasts from S&P Global and Moody's Analytics. The near term outlook in the regional economic forecast remains weaker than for the U.S. economic forecast. Of a particular concern is that the employment in the



regional economy declined 0.1% in the first half of 2025, with notable large declines reported for regional employment in construction, manufacturing, financial activities, and other services.

General Fund revenue projections were presented next. Excluding Grants and Fund Balance Transfers, the updated baseline scenario revenue forecast showed a \$29.2 million (1.8%) increase for 2025 and a \$33.6 million (2.1%) increase for 2026, relative to the April forecast that was based on the pessimistic scenario outlook, to prepare for the large negative impacts of a potential trade war. Revenue forecast revisions reflected the discussed improved economic outlook, with full-blown trade war most likely avoided in the baseline scenario. The August pessimistic scenario represents the case where the economy does not manage to avoid a recession, caused by tariffs, retaliations, and a drop of consumer and business confidence; this is fundamentally different from the April pessimistic scenario which did not feature a recession. The August pessimistic scenario forecast means a \$21 million (1.3%) increase in 2025 but a \$4.8 million (0.3%) decrease in 2026 General Fund revenues excluding Grants and Fund Balance Transfers.

The revised baseline scenario forecast for non-General Fund revenues showed \$23.7 million more in Payroll Expense Tax for 2025 and \$8 million more for 2026. In the pessimistic scenario it would be \$7.9 million more in 2025 but \$46.7 million less in 2026. The main reason for this downward revision in the pessimistic scenario is that it now features a recession and thus declines in employment and stock prices in 2026.

The presentation finally addressed several notable risks to the August revenue forecast. In the July survey of economists conducted by The Wall Street Journal, the probability of a recession in the next 12 months declined to 33%, from 45% in April, but it is still higher than 22% back in January 2025. Job growth was also revised down in July and Fed acknowledged that the balance of risks has likely moved from inflation to employment; economists expect Fed to resume monetary policy easing in Fall 2025. In addition, the Seattle economy is quite dependent on trade and tourism, these sectors are directly affected by federal policy changes regarding trade and immigration. Overall, there's unusually large amount of uncertainty regarding the combined impact of federal, state, and local policies on job growth in Seattle and thus also revenues that the City collects.

Given all considerations, baseline scenario was recommended for adoption by the Interim Director Duras, as it represents the most likely outcome, with national economy most likely avoiding the recession that is built into the August pessimistic scenario forecasts from S&P Global and Moody's Analytics. When developing the budget, funding decisions should however recognize that there is a rather high risk of a future downward revision and thus plan for such an eventuality.

3. Forecast Council Adoption of the August 2025 Revenue Forecast – Discussion and Possible Vote.

The Forecast Council discussed the presented forecast and the members of the forecasting teams from the Forecast Office and the CBO addressed the follow-up questions. Council President Nelson expressed concerns regarding the rising office vacancy rates and the potential impact of the proposed restructure of B&O tax which increase the taxable threshold and introduce a new deduction but would also raise the tax rates. Chair Strauss inquired about the impact on small businesses in particular, pointing out the expected positive impacts of an increase in the taxable threshold and the new deduction. He also remarked on growth, over past decade, in the number of visitors coming to Seattle and the importance of the cruise ship industry for Seattle's economy. Parking related revenues and behavioral changes contributing to increased variance in revenues were discussed next. Moving to the recommendation to adopt the baseline scenario, where as the pessimistic scenario was recommended and adopted in April, Forecast Council Chair Strauss noted that given the overall uncertainty his assessment of forecast risks is more to the downside now, and asked what motivated the change in the scenario recommendation and what change in revenues the current baseline revenue forecast would have shown, had the baseline been adopted in April. Director Eder pointed out that while the August forecast represents about \$99.4 million more in total revenues for the 2025-2026 biennium relative to the April forecast, this still does not fully reverse the \$240 million April downward revision relative to the 2025 Adopted Budget forecast. Director Carnell noted that if there was a pessimistic scenario without a recession assumption it would be one to consider, but since the August pessimistic scenario does feature a recession, this points to adopting the baseline scenario instead. She urged however to be conservative with funding decisions.

Given the following unanimous consensus among Forecast Council members to concur with recommendation to use the baseline scenario forecast as the basis for the revenue projections, the Forecast Council Chair Strauss directed that these meeting minutes reflect that decision.

4. Presentation of the 2025 Work Program for the Office of Economic and Revenue Forecasts - Discussion and Possible Vote

Interim Director Duras presented a summary of the Forecast Office's proposed Work Program for 2025 with four main areas: Forecasts, Revenue reporting, Improvements of forecasting models, and Policy Analysis. The presentation also included the proposed schedule for delivering revenue forecasts in 2025. The Work Program was approved by a unanimous vote of the Forecast Council.