

Washington Economic Outlook

Presented to the Pacific Northwest Regional Economic Conference

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May 20, 2026
Portland, OR

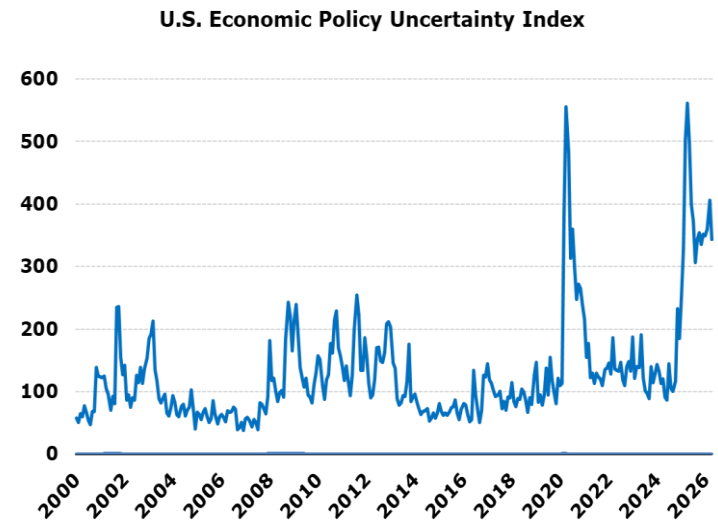


**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**



2025 was a transformational year with significant changes & uncertainty

- The pandemic was/is still impacting the economy
- 2024 was about navigating to a soft landing
- 2025 economic changes were large and came quickly
- Tariffs implemented
- Federal employment reduced
- DOGE and federal spending
- Immigration crackdown
- Federal reserve pressure
- Fiscal policy (HR1)
- Federal shutdown
- Other (e.g., state capitalism)
- Uncertainty itself was, and continues to be, a significant factor





Most Washington economic indicators growing slowly after normalizing post-pandemic

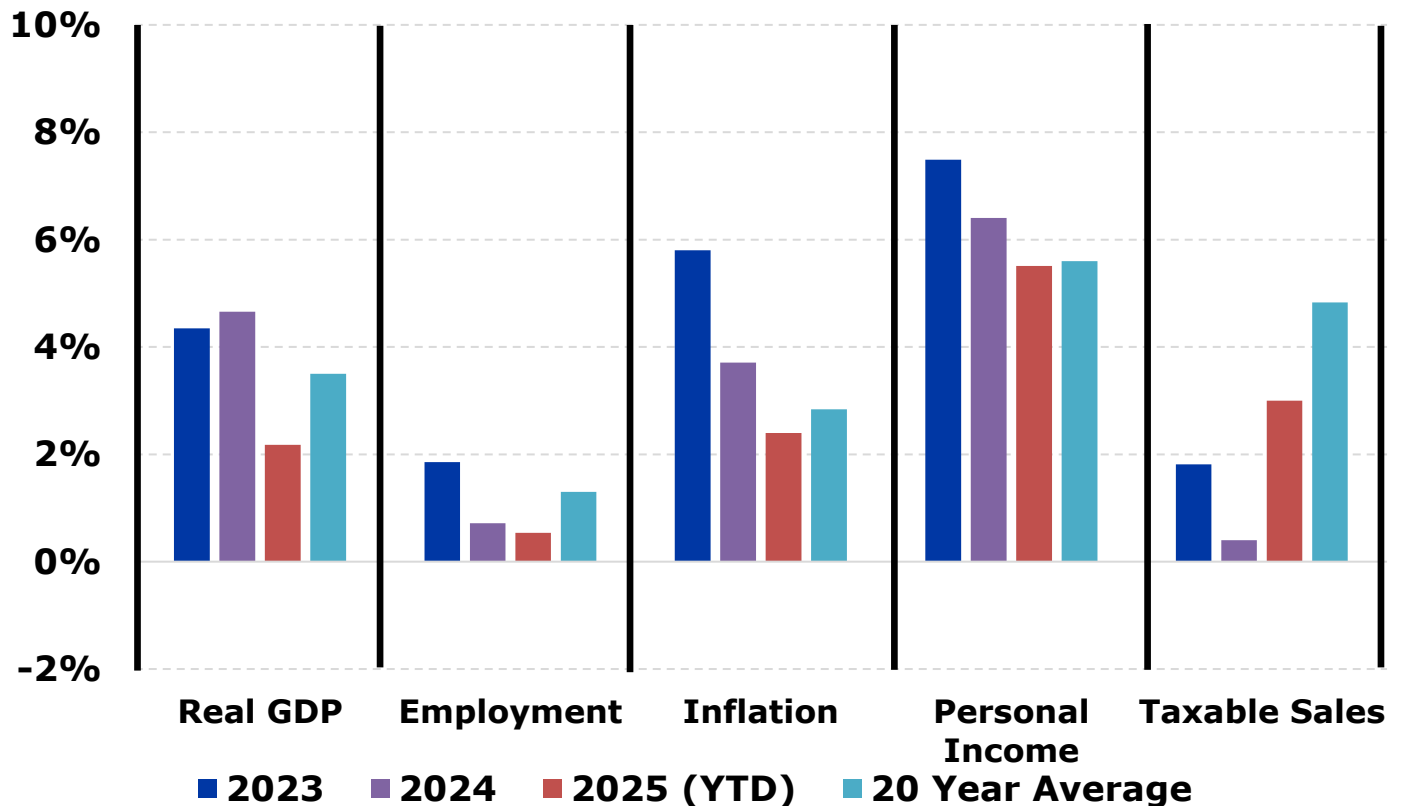
2025/2026

WA employment grew 0.5% in 2025. -0.1% in Jan-Apr 2026

Seattle CPI up 3.9% (yoy) in February and 4.9% in Apr. '26

WA taxable sales growth has picked up likely tied to legislative changes/tariff policy

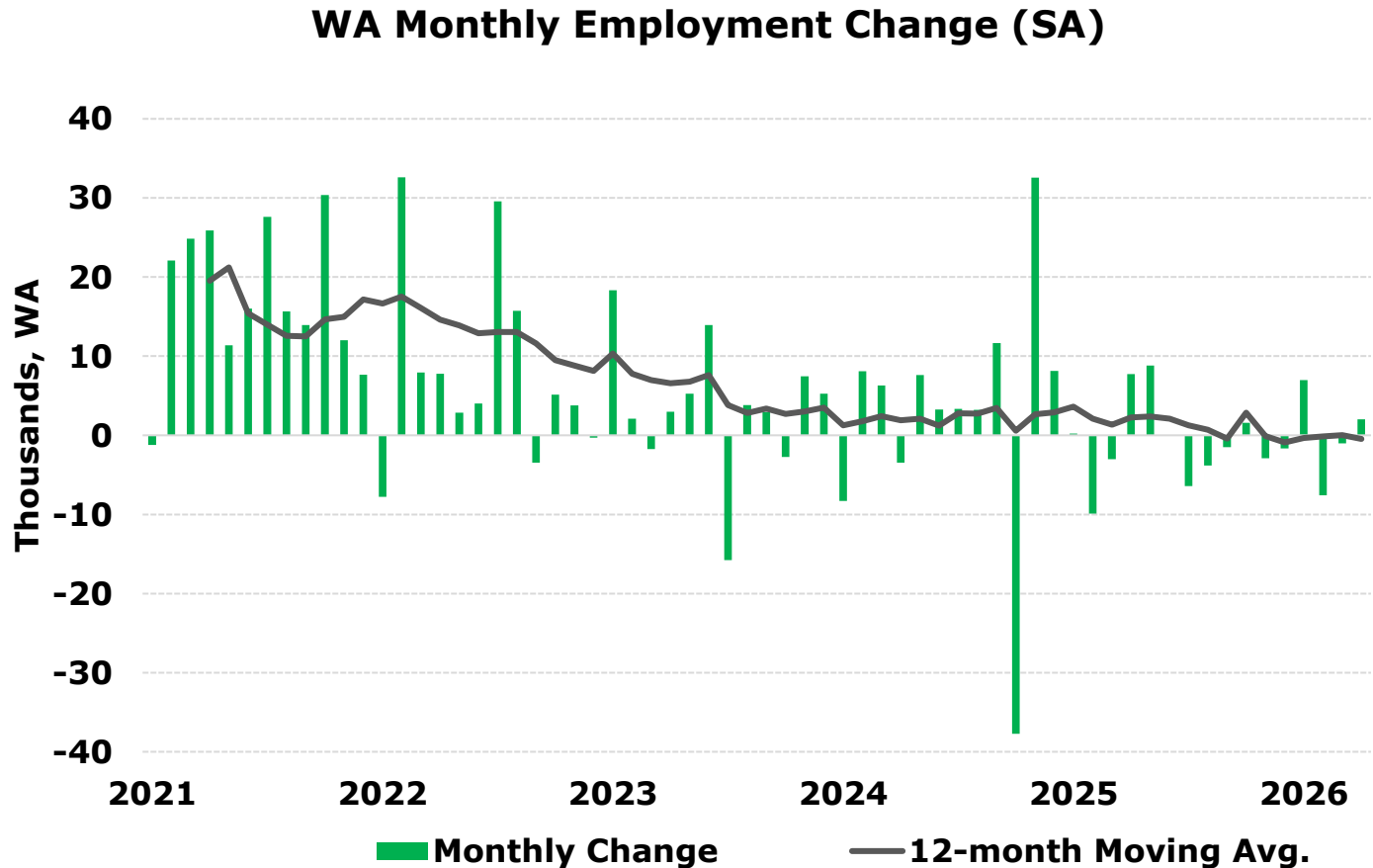
**Washington State Economic Indicators
2023-2025 (YTD) Actual Growth, & 20 Year Average**





WA employment growth slowed in 2024-2025 and has stalled in 2026

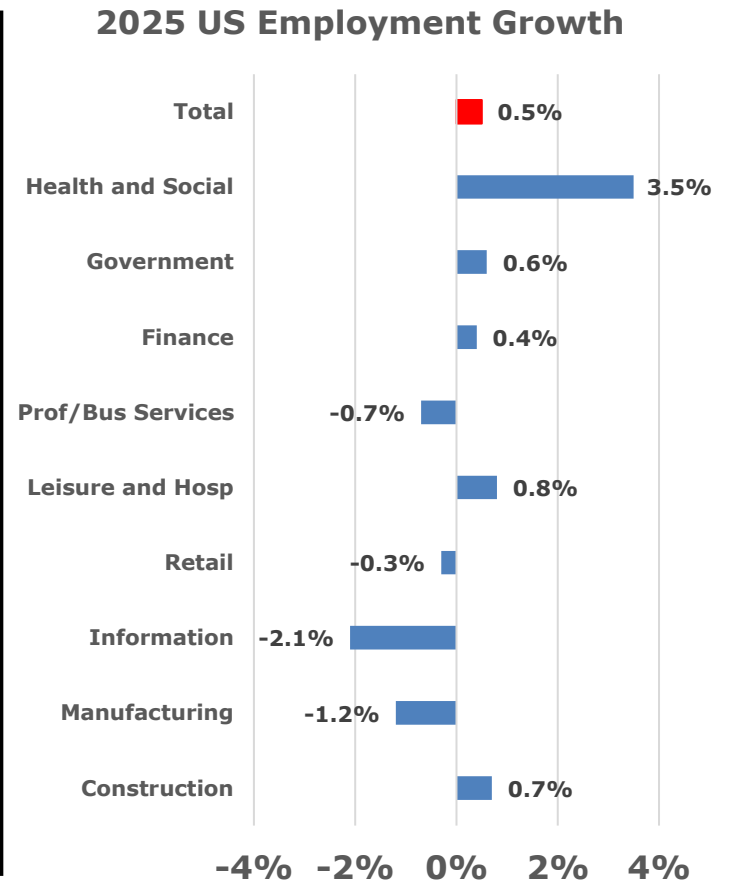
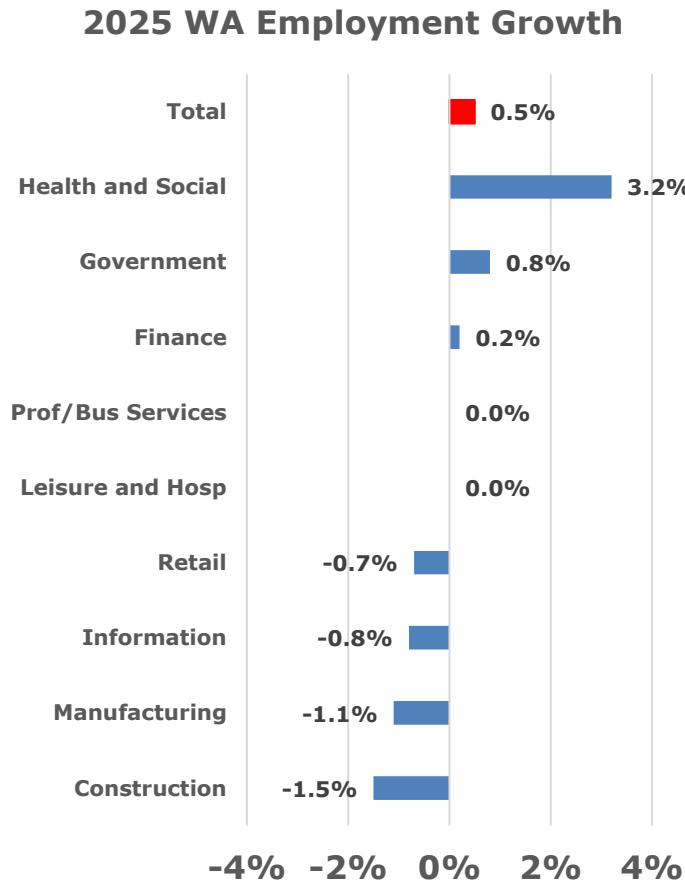
The Boeing strike showed up in the October and November 2024 data.



Source: U.S. Bureau of Labor Statistics, WA Employment Security Dept., ERFC; data through April 2026



Employment growth has been concentrated in a few sectors in WA

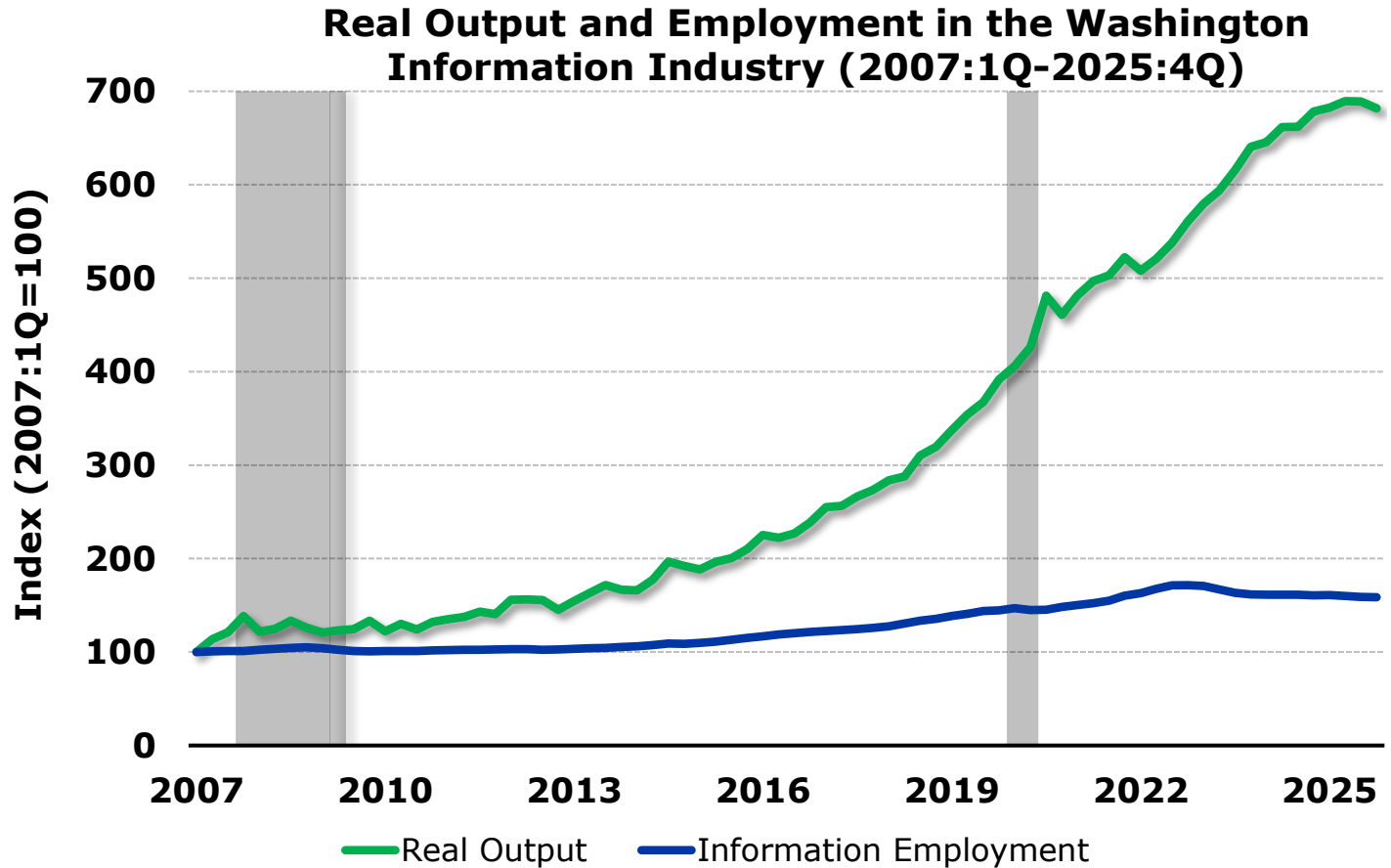


Source: U.S. BLS & WA ESD, 2025 annual change



Production in the information industry nearly a quarter (22%) of the state economy

Real output in Information is up 582% from 2007:1Q to 2025:4Q while employment is up 58.7%



Source: BEA Regional Data, ERFC analysis

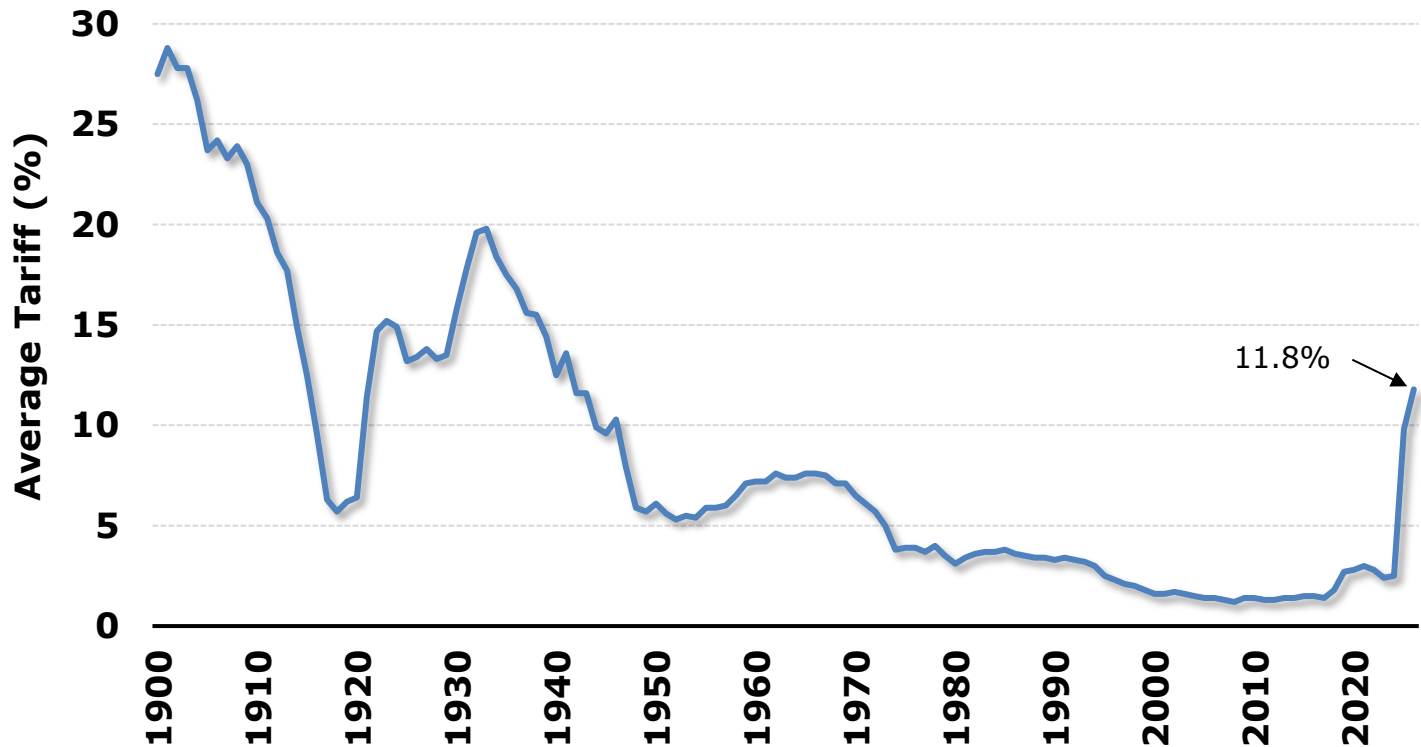


Tariffs are a significant economic driver, and uncertainty has made it harder

Includes 10% tariffs on most countries, Section 232 tariffs (e.g. steel/aluminum, auto parts, etc.)

~11.8%
(Yale budget lab, 4/8/26)

U.S. Average Effective Tariff Rate (1900-2025, 2026 estimated)

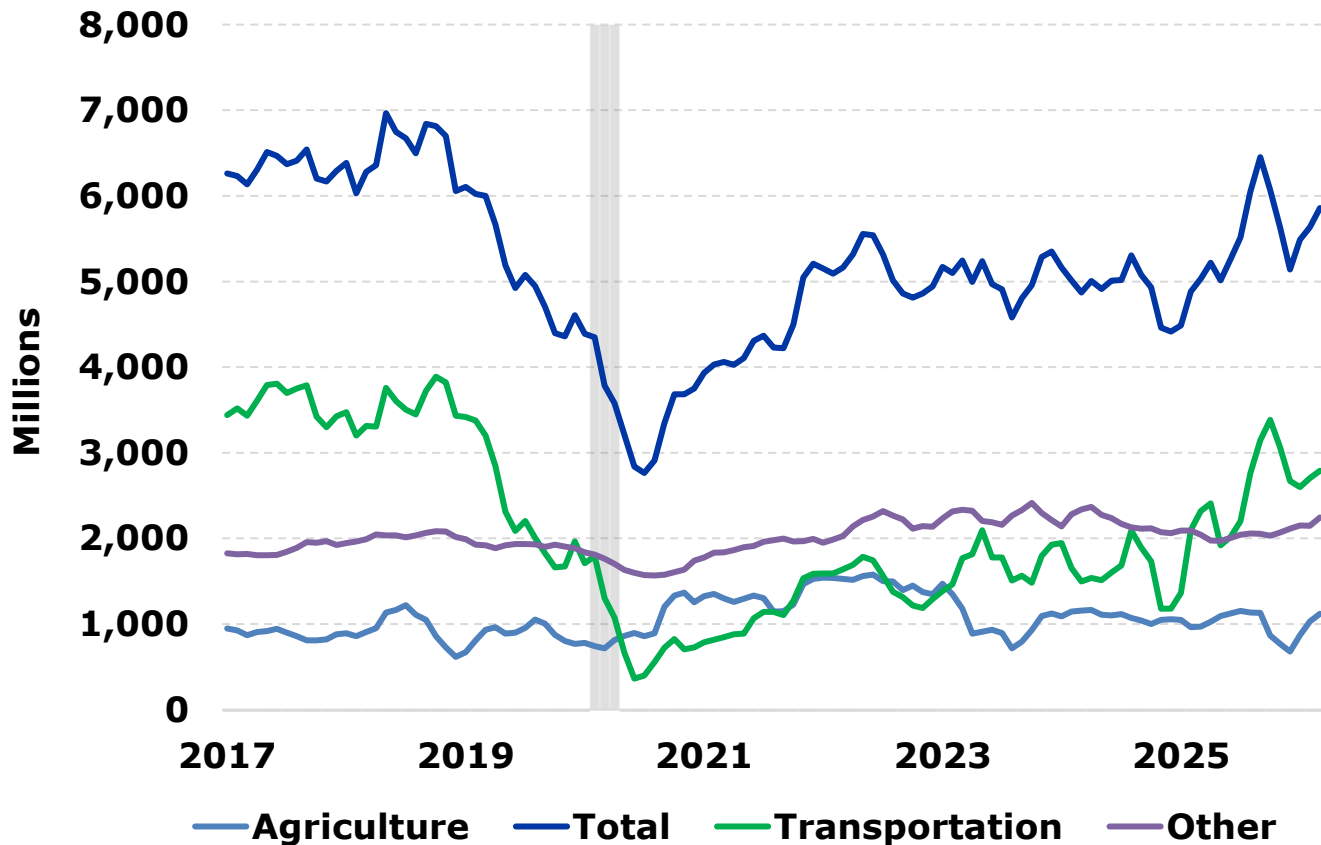


Source: Yale budget lab, Penn Wharton Budget Model



Washington goods exports were up in 2025 driven by increases in transportation exports

Washington Monthly Exports (SA, 3 mma)



2025 total export growth was 12.8% (yoy)

Trans: +60.5%
Ag: -17.1%
Other: -6.1%

2026 YTD (Through Mar)

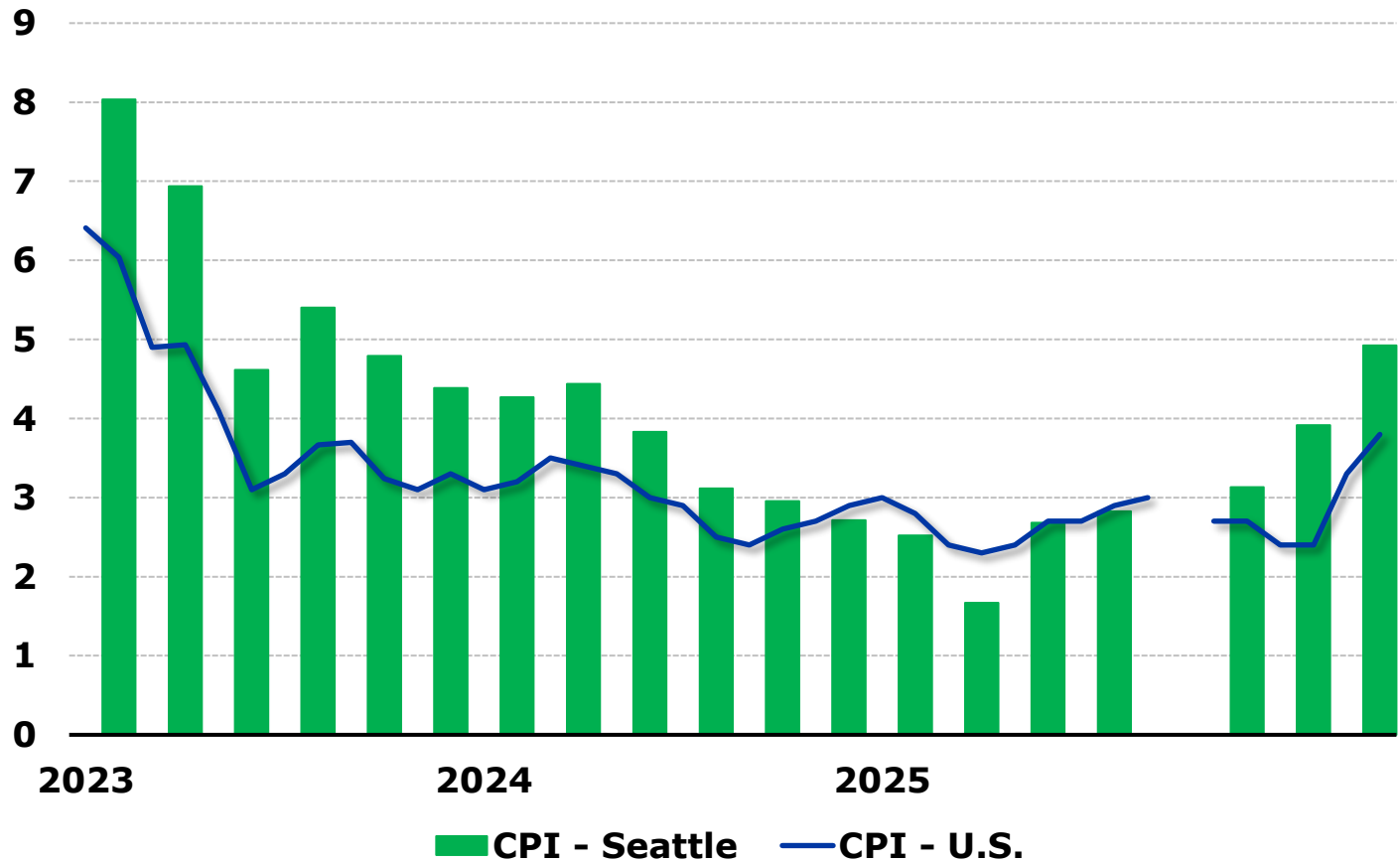
Total: +17.2%
Trans: +25.1%
Ag: +14.6%
Other: +10.6%

Source: ERFC, U.S. Census Bureau; monthly, data through March 2026



Inflation has slowed significantly over the last few years, but has picked up recently

Inflation, % change over the year



There were no CPI values for October 2025 due to the federal government shutdown

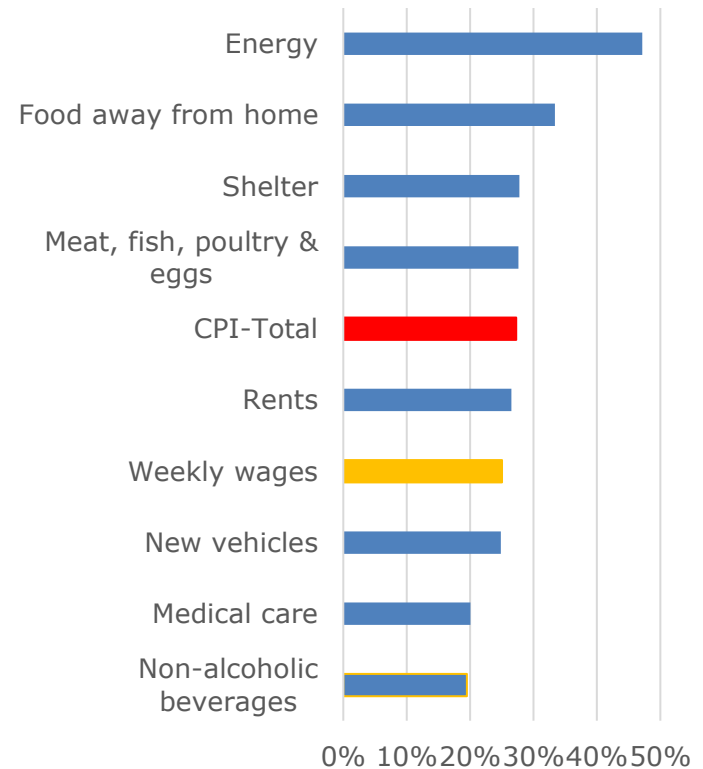
Source: U.S. Bureau of Labor Statistics, data through April 2026 (U.S.) and April 2026 (WA)



Affordability has become a political issue

- Affordability has become an issue that is driving policy in 2026
- Policy choices are somewhat limited
 - Reducing demand (“37 pencils”)
 - Increasing supply (e.g. reducing housing regulations)
- Issues
 - ACA tax credits
 - Drug pricing
 - Electricity
 - Housing
 - Food
- Recent policies
 - Role back of selected tariffs
 - Investor housing ban

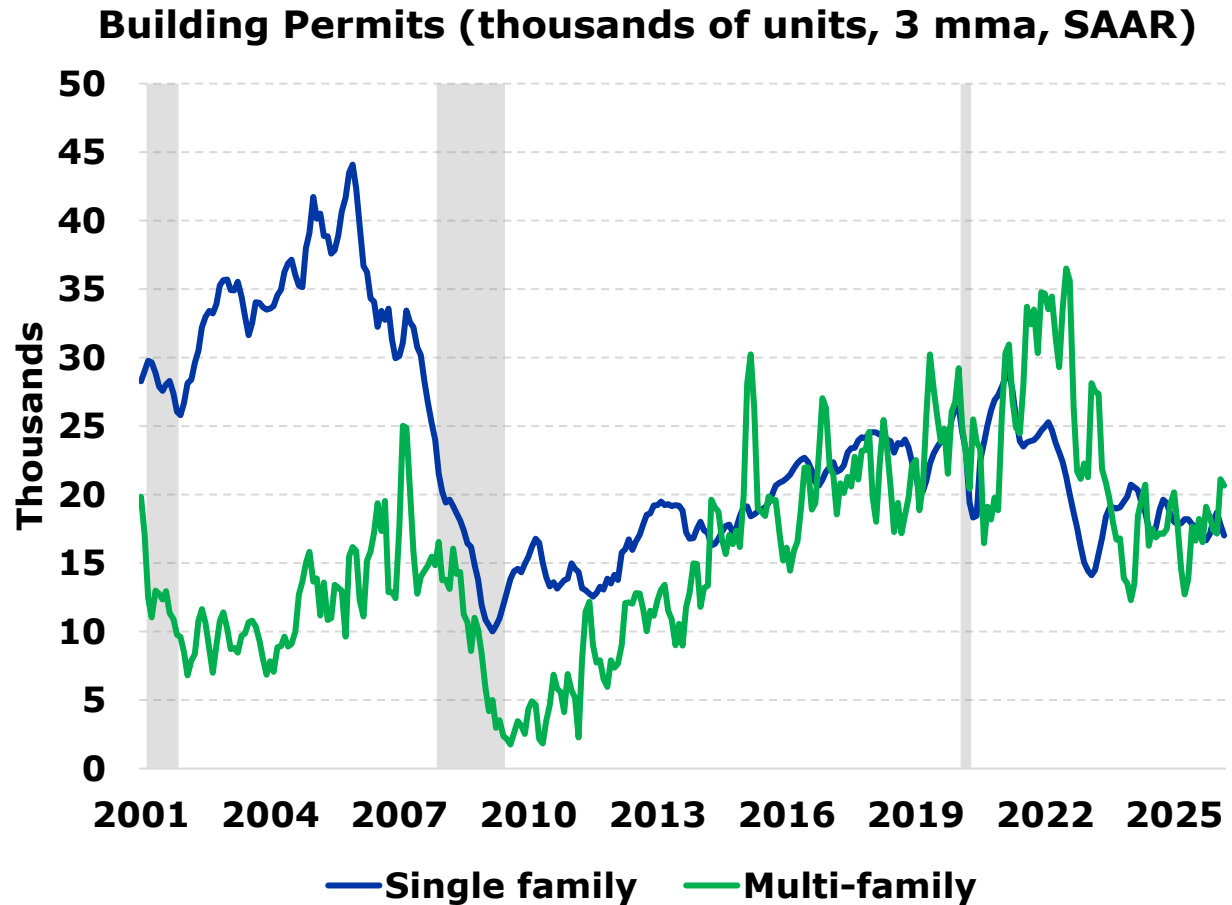
**Cumulative price growth in Seattle CPI
Jan/Feb 2021-2025:3Q**



Sources: BLS for CPI. Wages are average weekly wages per QCEW data for WA



WA residential building activity was down in 2025



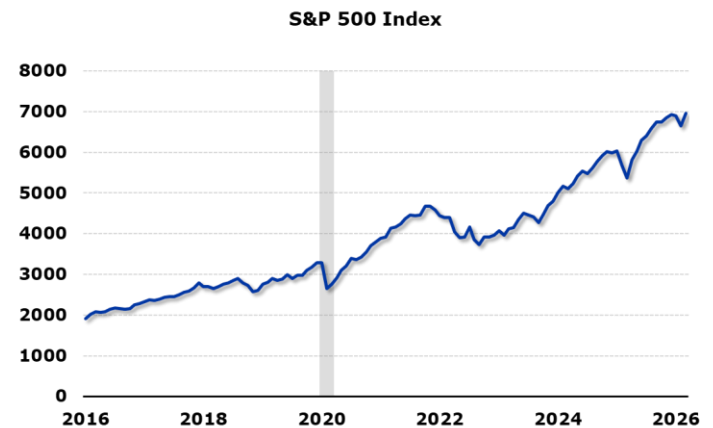


Uncertainty/risk still elevated for Washingtonians in 2026

- Risks include Iran war and other geopolitical risks, tariff policy, federal spending, consumer views
- Iran war-duration, fallout
- Spending has been driven by higher income/wealth HHs-asset returns matter

Uncertainties

- Tariffs-legality, level, refunds
- Affordability measures
- HR 1 impacts
- FED independence (Gov. Cook SCOTUS decision & Fed Chair)
- Other (AI changes, USMCA)
- WA Millionaire's tax fallout
- Federal spending (transpo/other)
- Slow employment growth





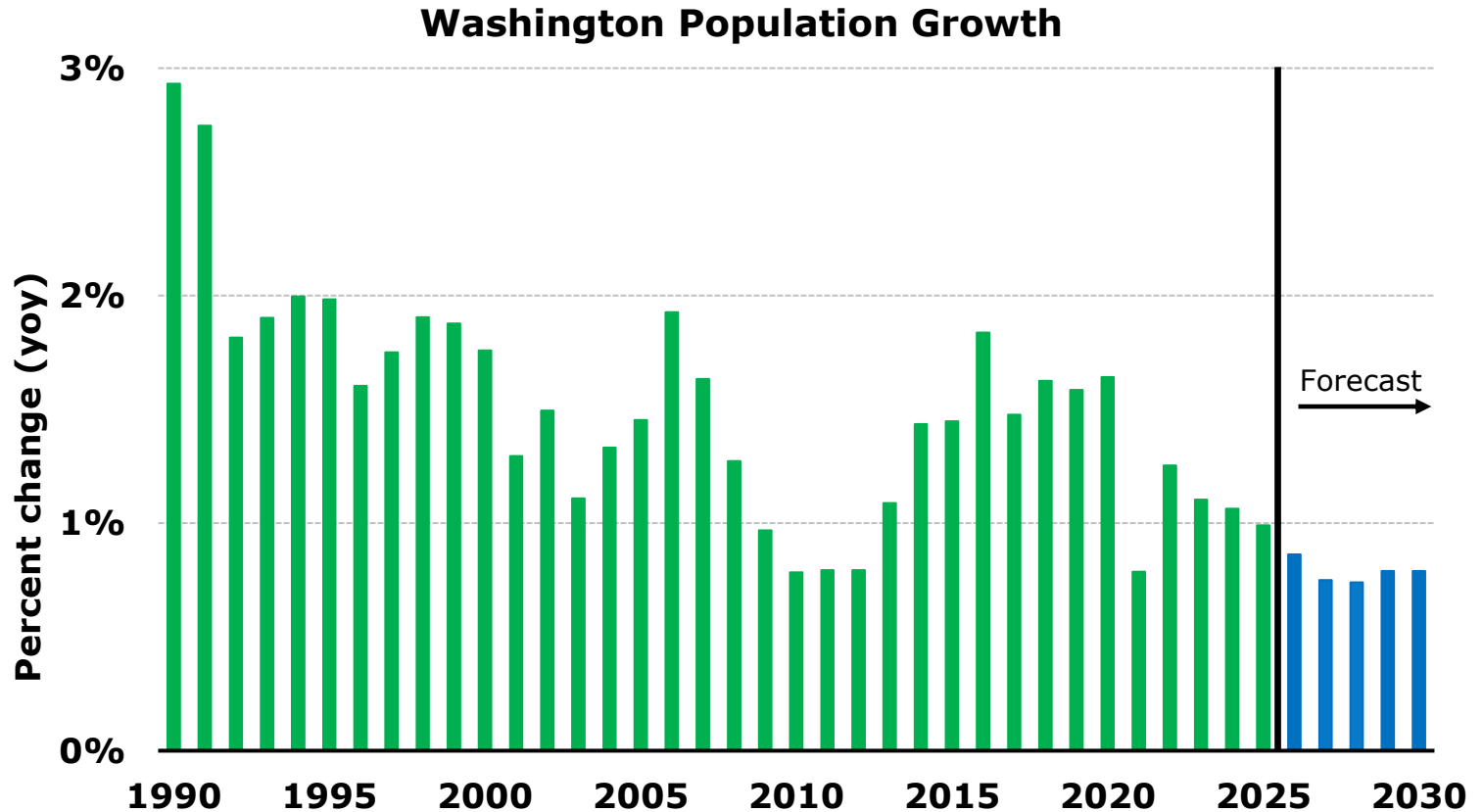
WA population has continued to grow largely via migration but is expected to slow

Total population growth from 4/2024 to 4/2025:

=79,400

Natural increase:
=17,654

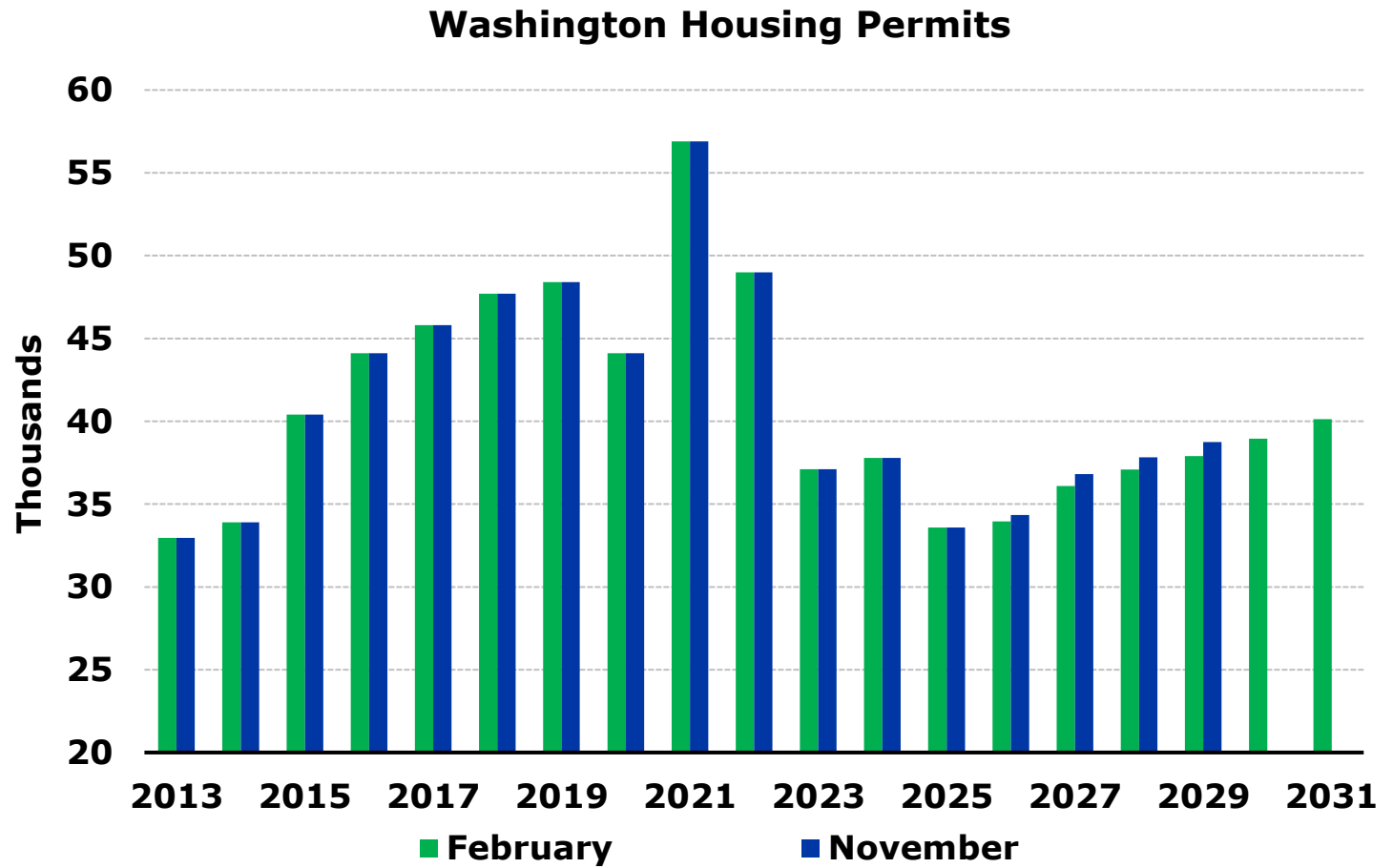
Net migration:
=61,746



Source: WA OFM, November 2025 population forecast.



WA housing permit forecast calls for slow return to trend levels





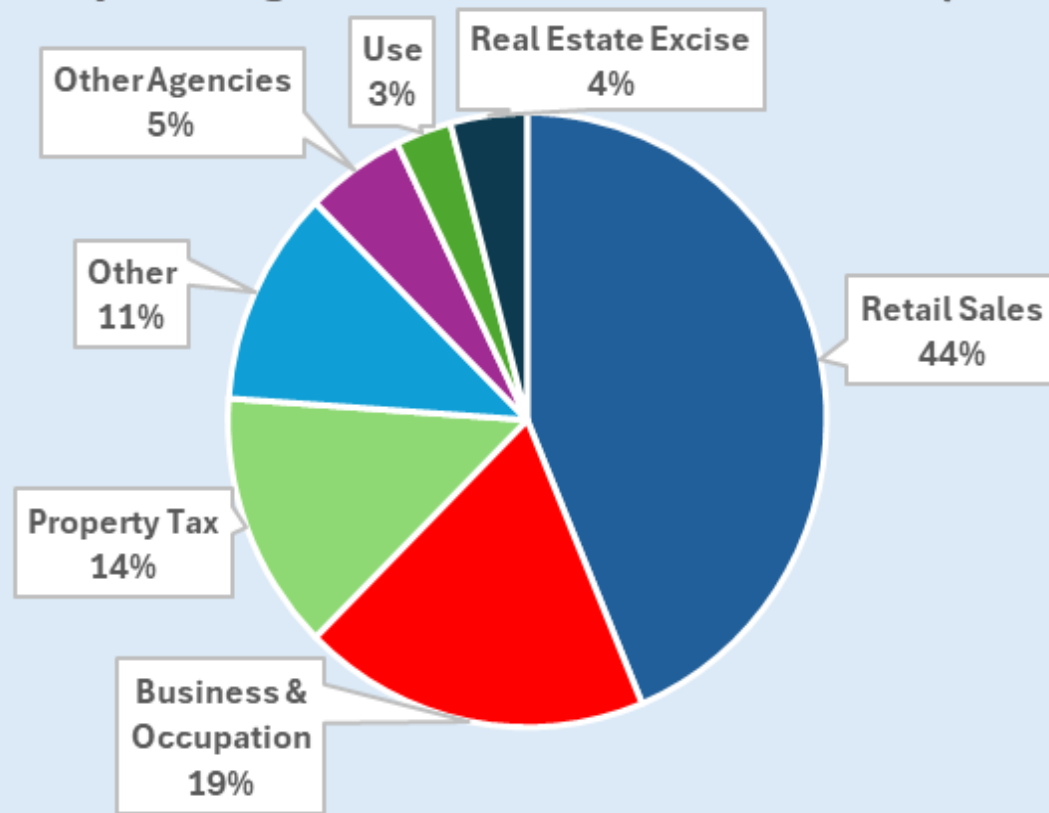
2025-2027 Economic Forecast Summary (pre-Iran war)

	2025	2026	2027
U.S. RGDP Growth	2.1%	2.1%	2.1%
U.S. Unemployment	4.3%	4.7%	4.8%
WA Employment Growth	0.5%	0.4%	0.5%
Seattle Inflation (change in Sea CPI)	2.5%	2.9%	2.7%
WA Personal Income Growth	5.1%	4.7%	5.6%



WA state revenues largely sales tax, B&O and property taxes

WA Operating Revenues-State Revenues (FY25)



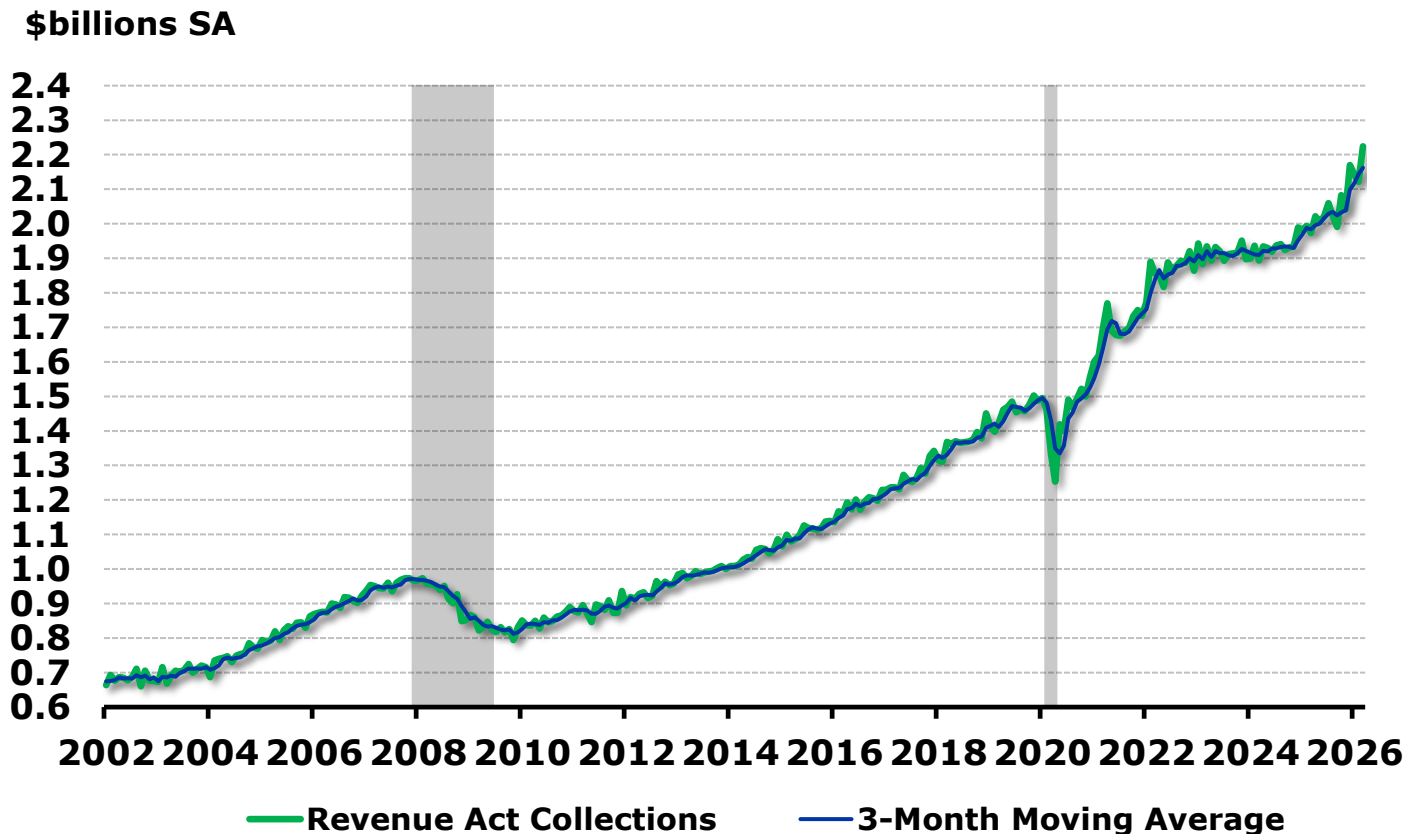
Source: ERFC November 2025



Revenue Act collections growth; March activity was up 12.7% (SA) compared with March 2025

Revenue Act includes:
 Sales tax
 B&O tax
 Use tax
 Pub util tax
 Penalties
 Tobacco

Revenue growth now reflecting changes from the 2025 legislative session



* 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 March 2026 activity



Operating revenue forecast changes, all funds: 2025-27 biennium

The forecast increase represents 1.1% of biennial revenue

\$Millions	<u>Nov. 2025 Forecast</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Feb. 2026 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$69,758	n/a	\$656	\$70,413	\$656
Education Legacy Trust Account	\$2,781	n/a	\$7	\$2,788	\$7
WA Opportunity Pathways Account	\$329	n/a	(\$7)	\$321	(\$7)
Workforce Education Investment Account	\$1,582	n/a	\$172	\$1,753	\$172
Total	\$74,449	n/a	\$827	\$75,276	\$827

Detail may not add to total due to rounding



Thank you!!



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