



City of Seattle
Economic and Revenue Forecast Council
October 20th, 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 August 4, 2025 meeting.

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

2. Presentation of the October 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 uncertainty remained elevated, but the outlook has in general improved between July and October. Tariffs have not resulted in significantly higher inflation, but U.S. employment growth has slowed notably. Fed acknowledged that the balance of risks has shifted meaningfully towards weak employment growth. Financial markets have calmed down, since the large drop after the April tariff announcement the stock markets have reached new record highs, and the fears of a recession have subsided further as well. Uncertainty around trade policy and its effects however remains high 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 mitigate the risks, instead of using only 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 years, the Forecast Office has based the October 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. The fact that employment in the regional economy declined 0.7% in the first eight months of 2025 is particularly concerning. Regional employment decline was broad based, education and Health Services, Leisure and Hospitality, and Government were the only sectors that added jobs. Only modest job growth, less than 1%, is expected in near future in the baseline scenario. In the pessimistic scenario forecast regional employment would decline cumulatively about 2.4% between 2025 Q1 and 2027 Q3, as a result of a recession in the U.S. economy.

General Fund revenue projections were presented next. Excluding Grants and Fund Balance Transfers, the updated baseline scenario revenue forecast showed a \$4.5 million (0.3%) increase for 2025 and a \$7.6 million (0.5%) increase for 2026, relative to the August forecast. Revenue forecast revisions reflected the discussed improved economic outlook, with full-blown trade war avoided in the baseline scenario. The proposed Business & Occupation tax restructure has not been approved by voters yet and thus was not included directly in the General Fund forecast. Should it pass, the estimated 2026 revenues would be \$85.6 million higher. The October pessimistic scenario represented the case where the economy does not manage to avoid a recession, caused by tariffs, retaliations, and a drop of consumer and business confidence. Compared to the baseline scenario, this would result in \$9.9 million less in 2025 and \$35.7 million less in 2026 General Fund revenues excluding Grants and Fund Balance Transfers.

The revised baseline scenario forecast for non-General Fund revenues showed \$2.6 million more in Payroll Expense Tax for 2025 and \$4.6 million more for 2026. Relative to the baseline, in the pessimistic scenario these revenues would be \$8.4 million lower in 2025 and \$28.6 million lower in 2026, as a recession would lead to lower employment and lower stock prices.

The presentation finally discussed several notable risks to the October revenue forecast. In the October survey of economists conducted by The Wall Street Journal, the probability of a recession in the next 12 months was 33%, unchanged from July and down from 45% in April, but it is still higher than 22% in January 2025. While GDP growth has remained solid, U.S. job growth has weakened. 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.

With all these considerations in mind, the baseline scenario was recommended for adoption by the Interim Director Duras, since based on the information available it was likely closest to the actual outcome, with national economy most likely avoiding the



recession that was built into the October pessimistic scenario forecasts from S&P Global and Moody's Analytics. Funding decisions should however recognize lower confidence regarding the 2026 forecast and a high risk of a larger than typical variance in the 2026 actual revenues relative to the current forecast.

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

The Forecast Council discussed the presented forecast and the members of forecasting teams from the Forecast Office and the CBO addressed the follow-up questions. The inquiries and the thorough discussion revolved primarily around employment growth in Seattle metro area, heightened economic volatility and uncertainty, their implications for revenue outlook and the associated risks to the forecast. Chair Strauss noted that there appears to be some cautious optimism, as the revenue forecasts have improved from April to August and from August to October. He also pointed out that at the same time the +\$70 million and -\$90 million differences in the optimistic and the pessimistic scenario forecasts relative to baseline clearly illustrate the level of volatility and uncertainty in the economic environment. In addition, he emphasized that this has real world implications for services that the City can provide, especially in light of federal funding cuts. Council President Nelson brought the attention to the fact that in terms of employment growth Seattle metro area performed notably worse than the national economy across the whole range of sectors. She asked for further details, what factors were behind this gap, and to what extent this has been a more persistent issue, with Seattle lagging national economy in other times as well. Director Carnell echoed Council President's concerns regarding the regional economy and the labor market performance and argued for using a bit more conservative approach to financial planning, in line with the caveat around the baseline scenario recommendation. Chair Strauss expressed his appreciation for the work of the City Budget Office, navigating the changing revenue outlook over the year and managing the budget while facing the extraordinary amount of uncertainty.

Following the extensive discussion the Forecast Council proceeded to officially adopt the revenue forecast. Given the 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.