

Oregon's Q2 Economic and Revenue Forecast



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Department of Administrative Services

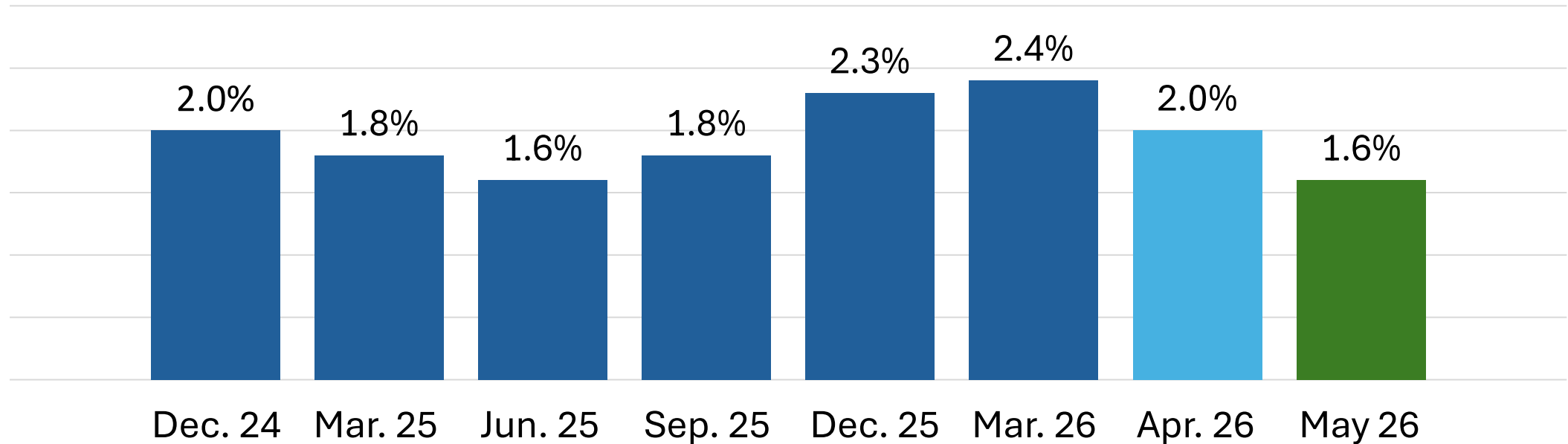
Economic Outlook

US Macro Forecast: Energy price spike crimps prospects for faster growth, firmer labor conditions

- **Real Gross Domestic Product (GDP)** now softer in 2026 (1.6%)
- **Inflation** overshoot becoming more entrenched (4.4%)
- **Unemployment** little changed (4.7% year-end)
- Office of Economic Analysis (OEA) recession estimate remains low, marginally increased (22%)

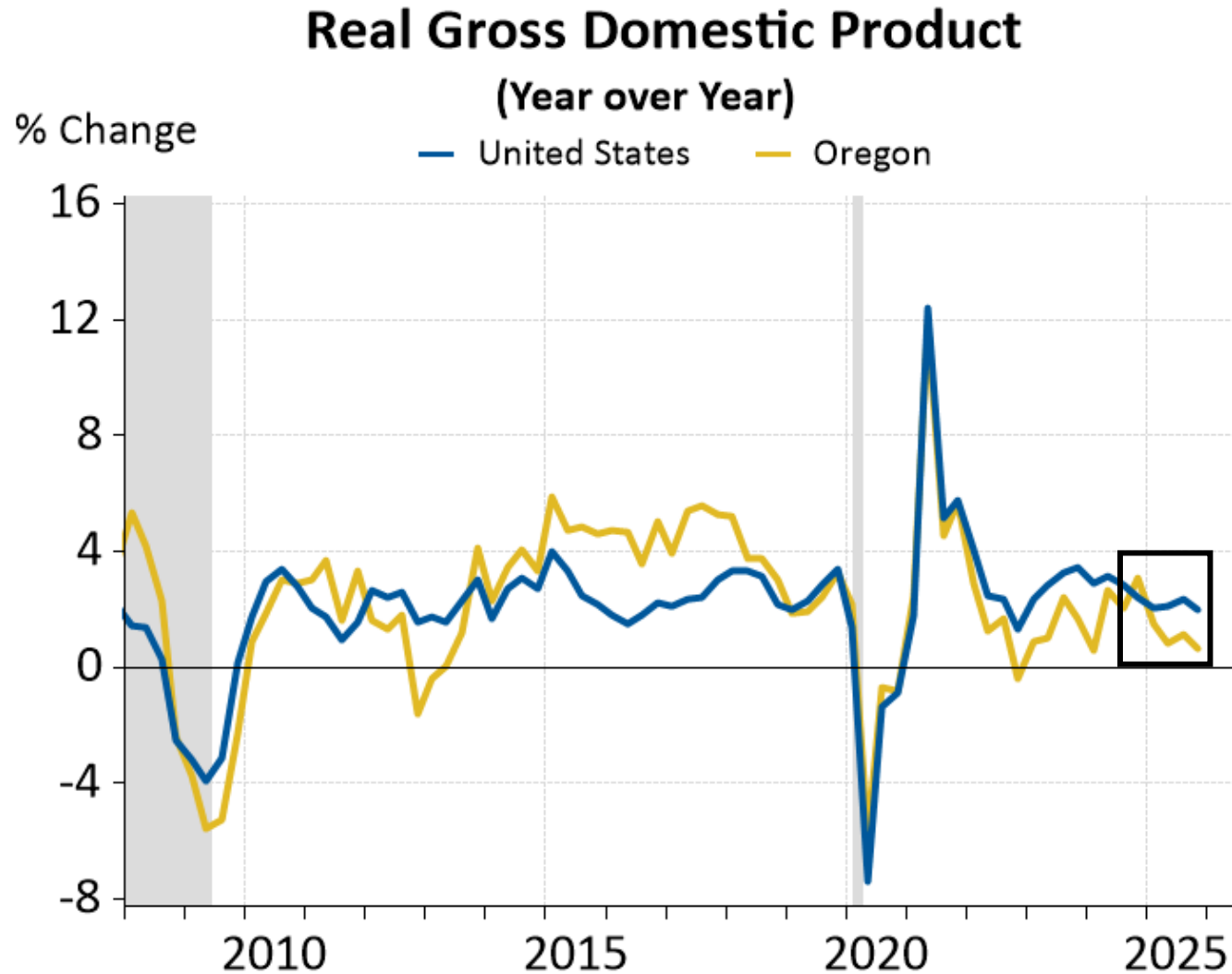
Forecasters remain constructive, but oil price shock mutes upside potential

U.S. 2026 GDP Growth Forecasts (Percent Change Q4/Q4)



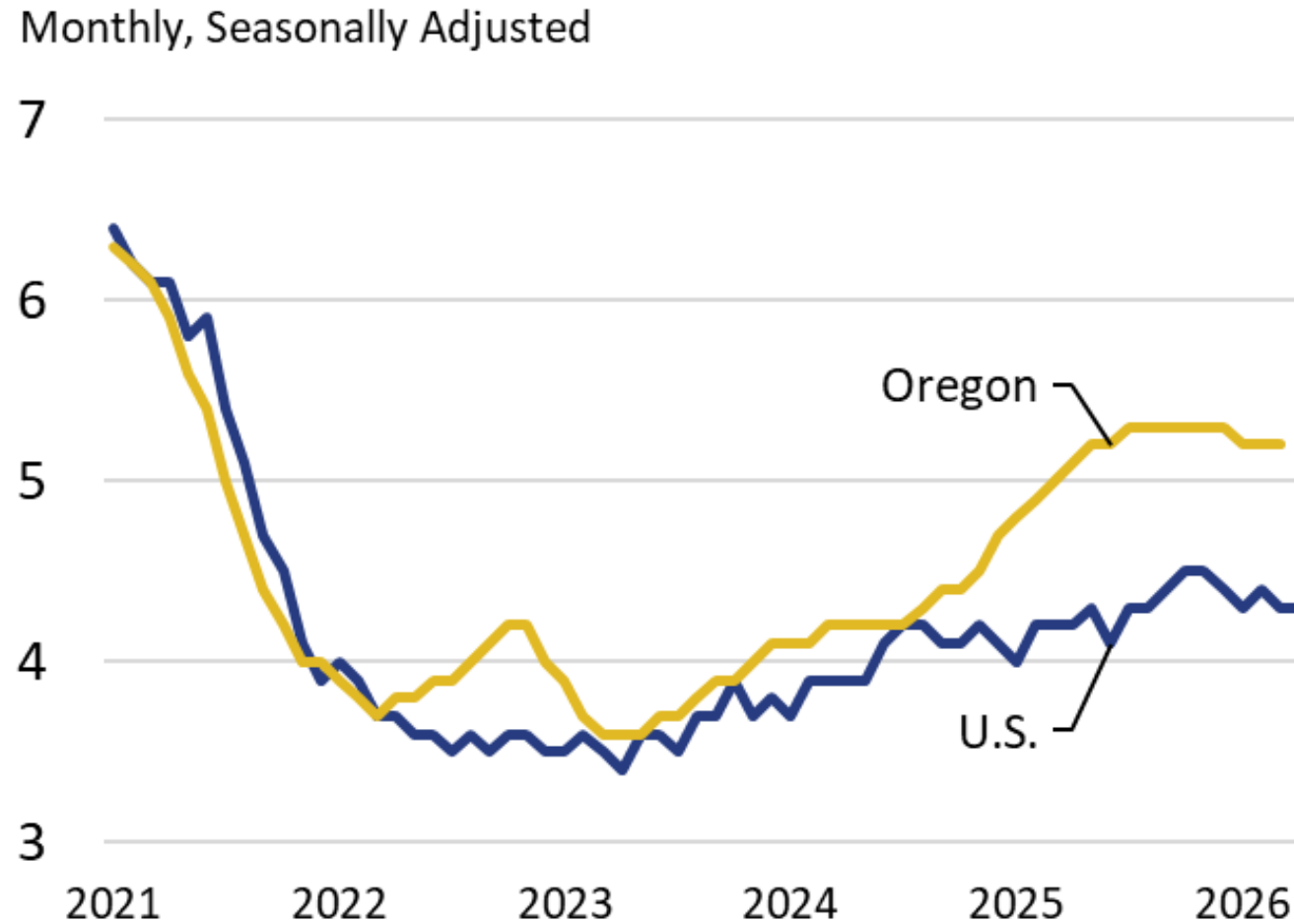
■ Federal Reserve S.E.P. ■ Bloomberg Private-Sector Survey Consensus ■ Standard & Poor's Forecast

Oregon economy lagging the US

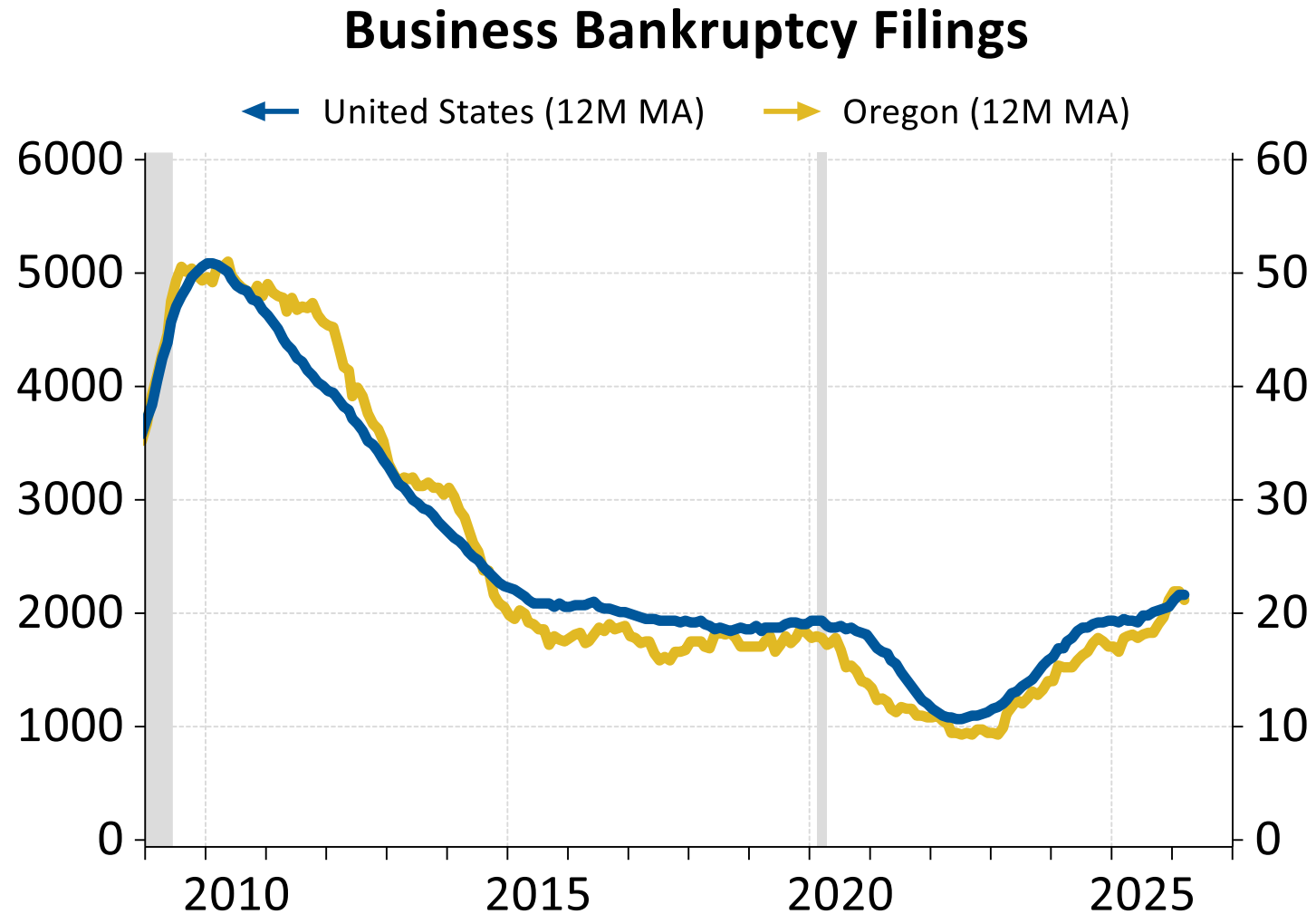


Over the last year, Oregon GDP growth has trailed the U.S. by 1.1 percentage points.

US and Oregon unemployment rates appear to be stabilizing

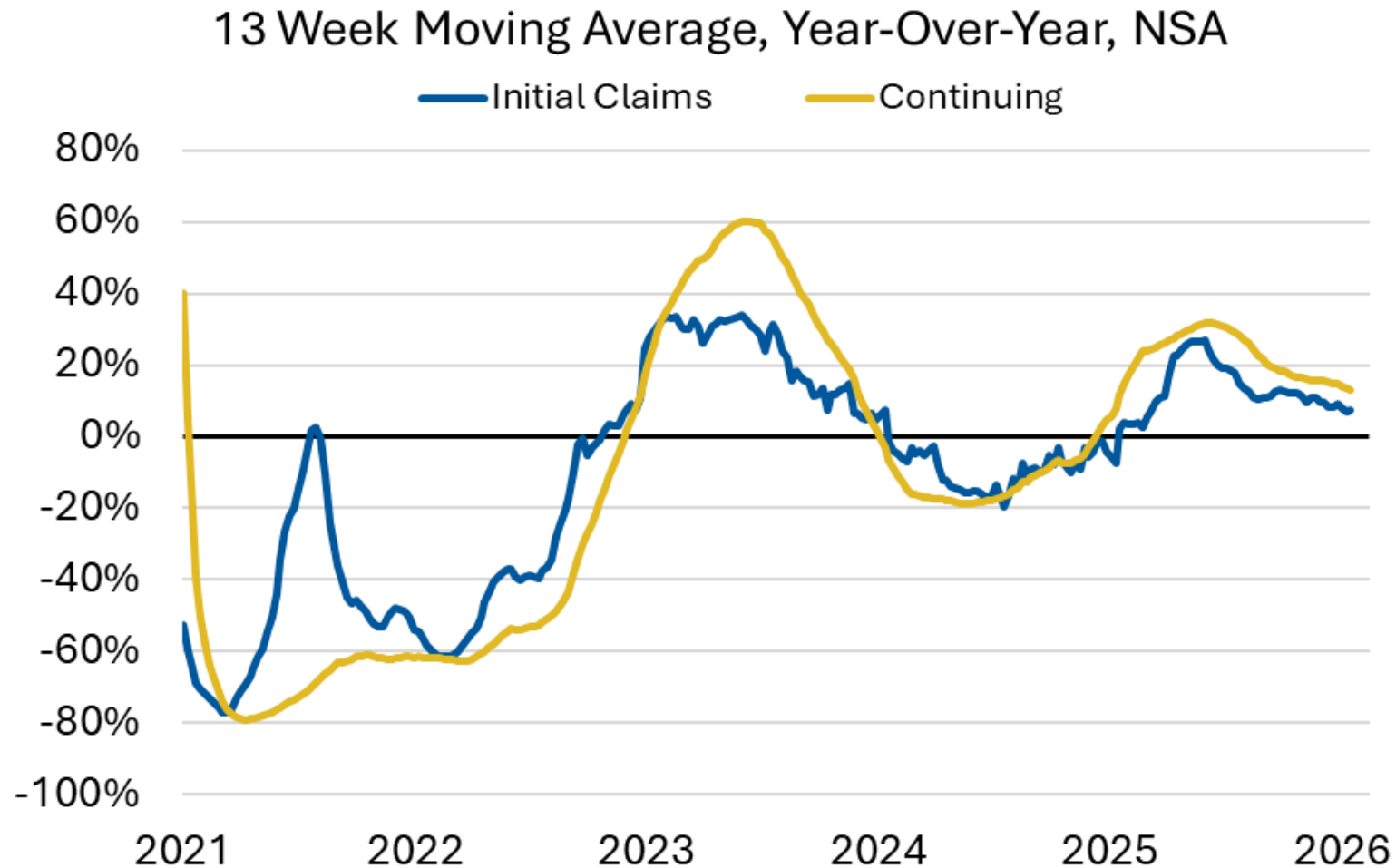


Business distress tracking with national trend

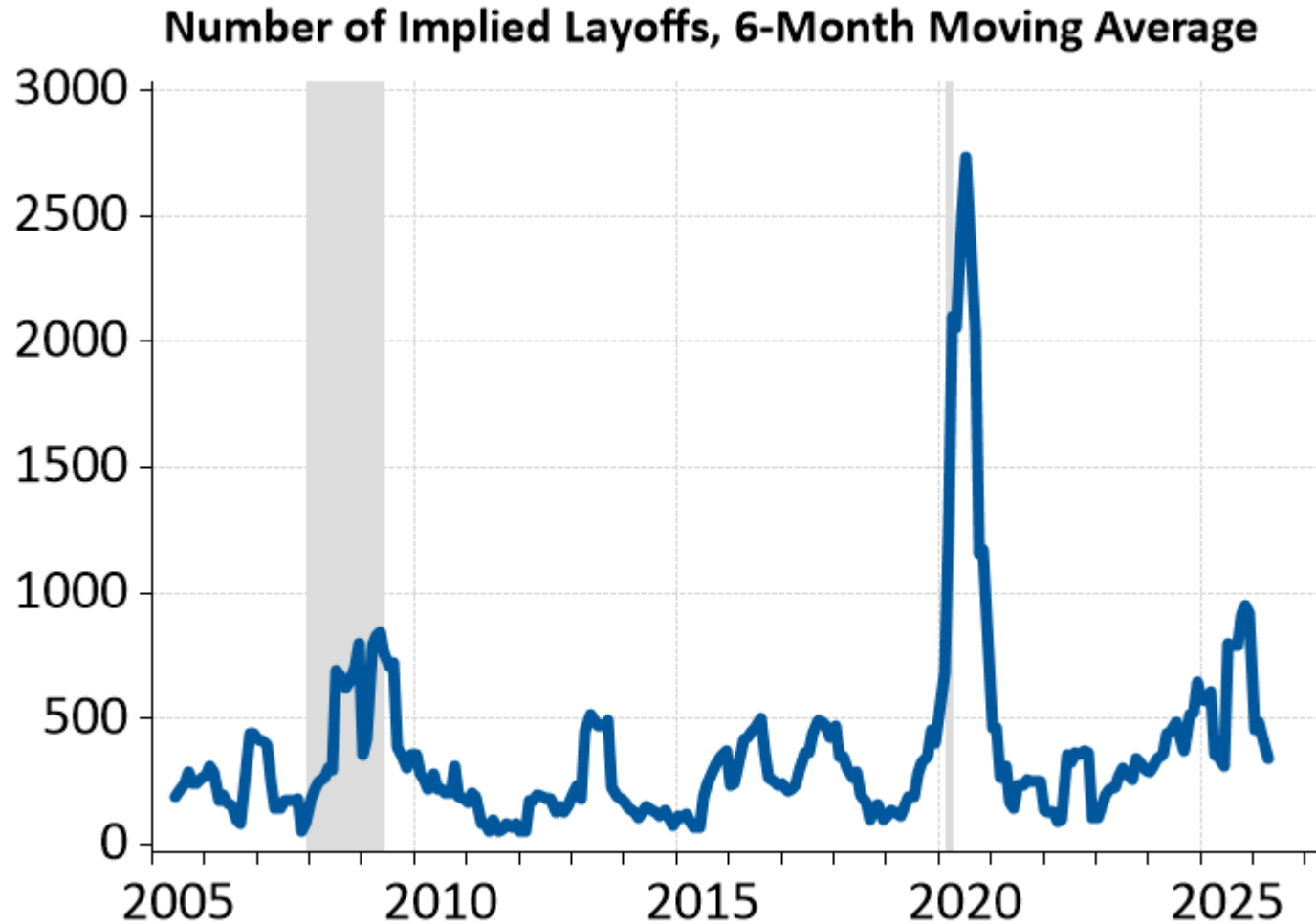


Source: Administrative Office of the U.S. Courts/Haver Analytics/OEA

Oregon initial and continuing unemployment claims stabilizing

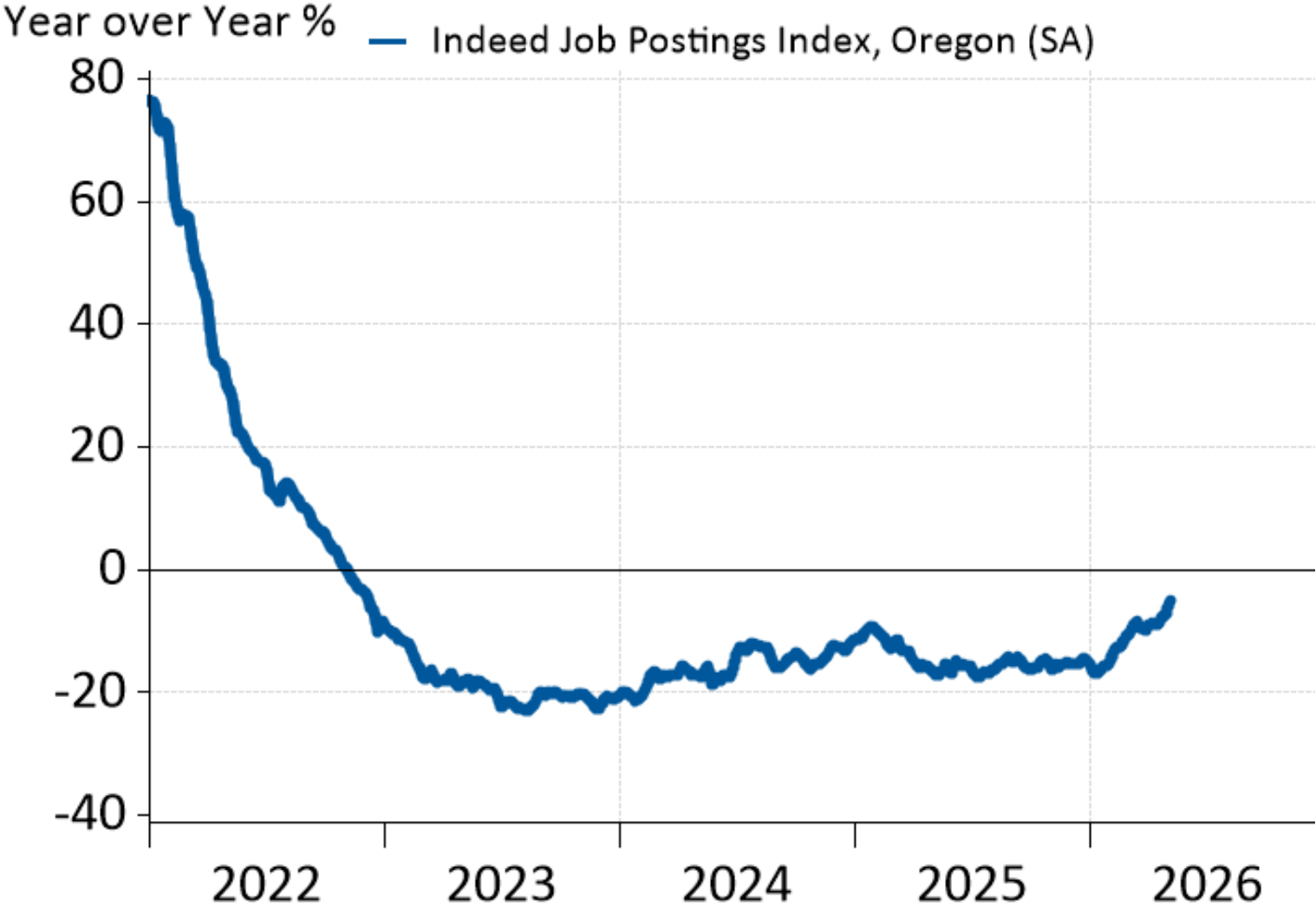


Worker adjustment and retraining notifications sharply off 2025 peak



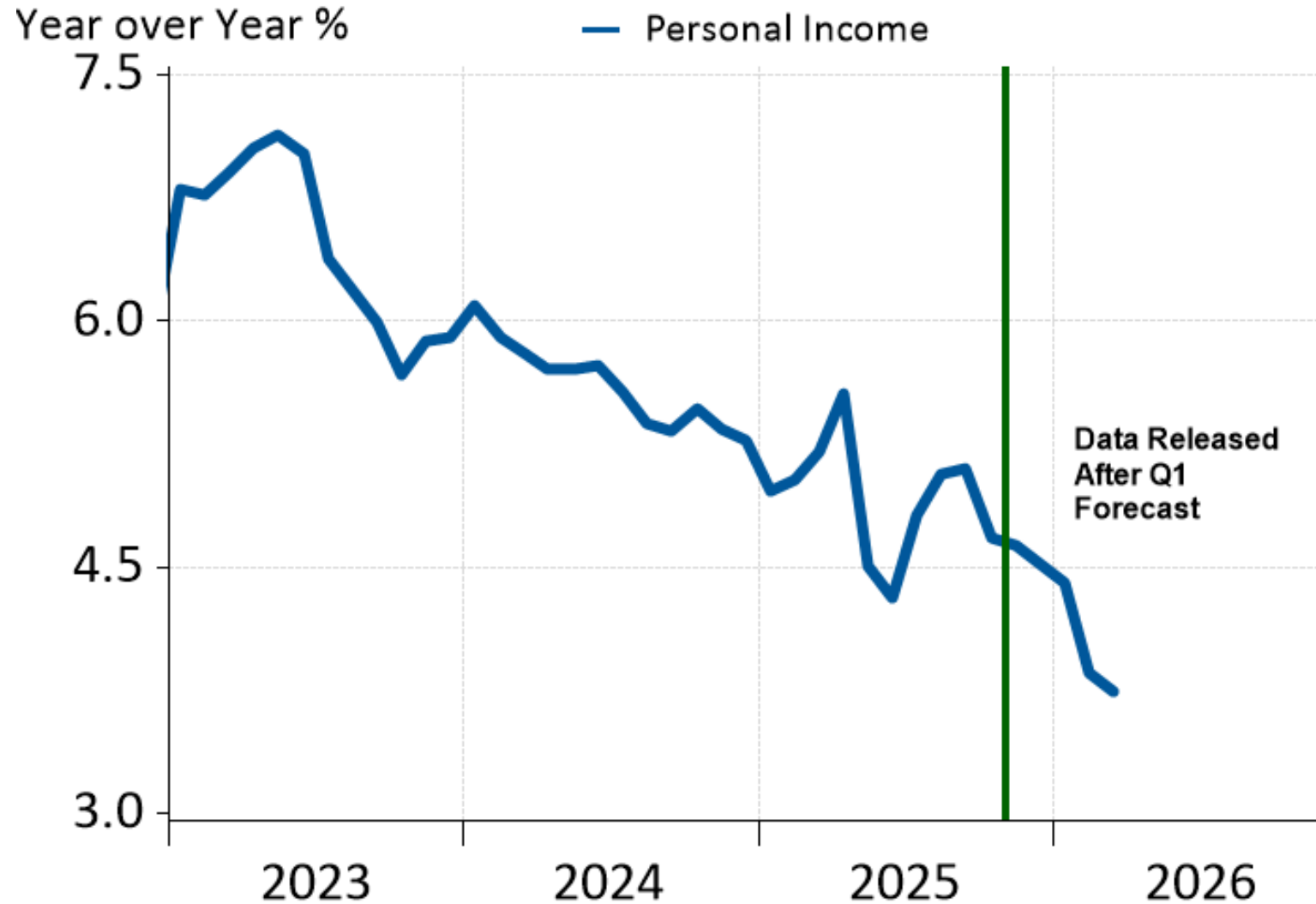
Source: Federal Reserve Bank of Cleveland/Haver Analytics/OEA

Job postings hint of improving hiring conditions



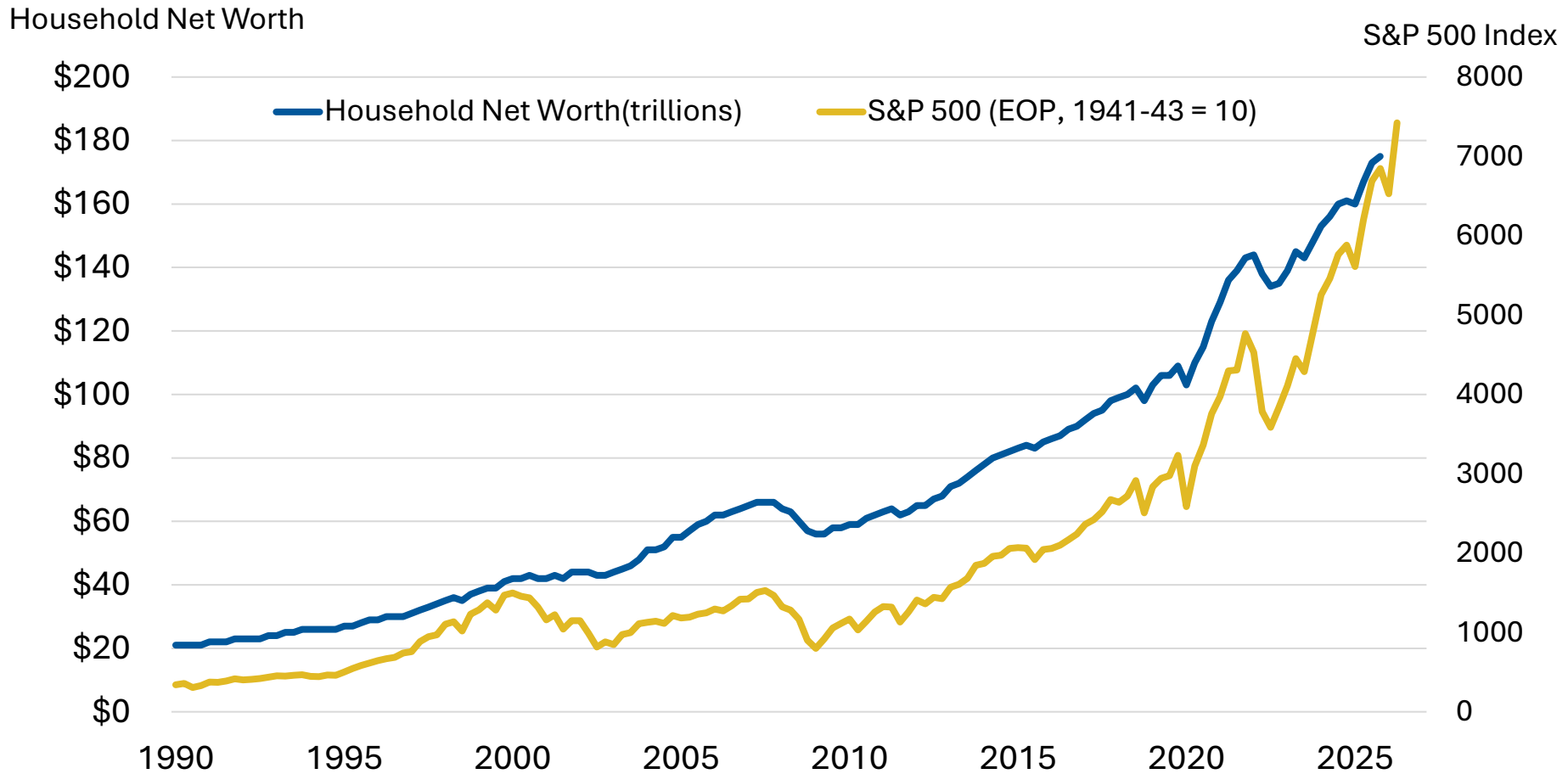
Source: Indeed/Haver Analytics/OEA

Slowing income growth leaves consumers more vulnerable



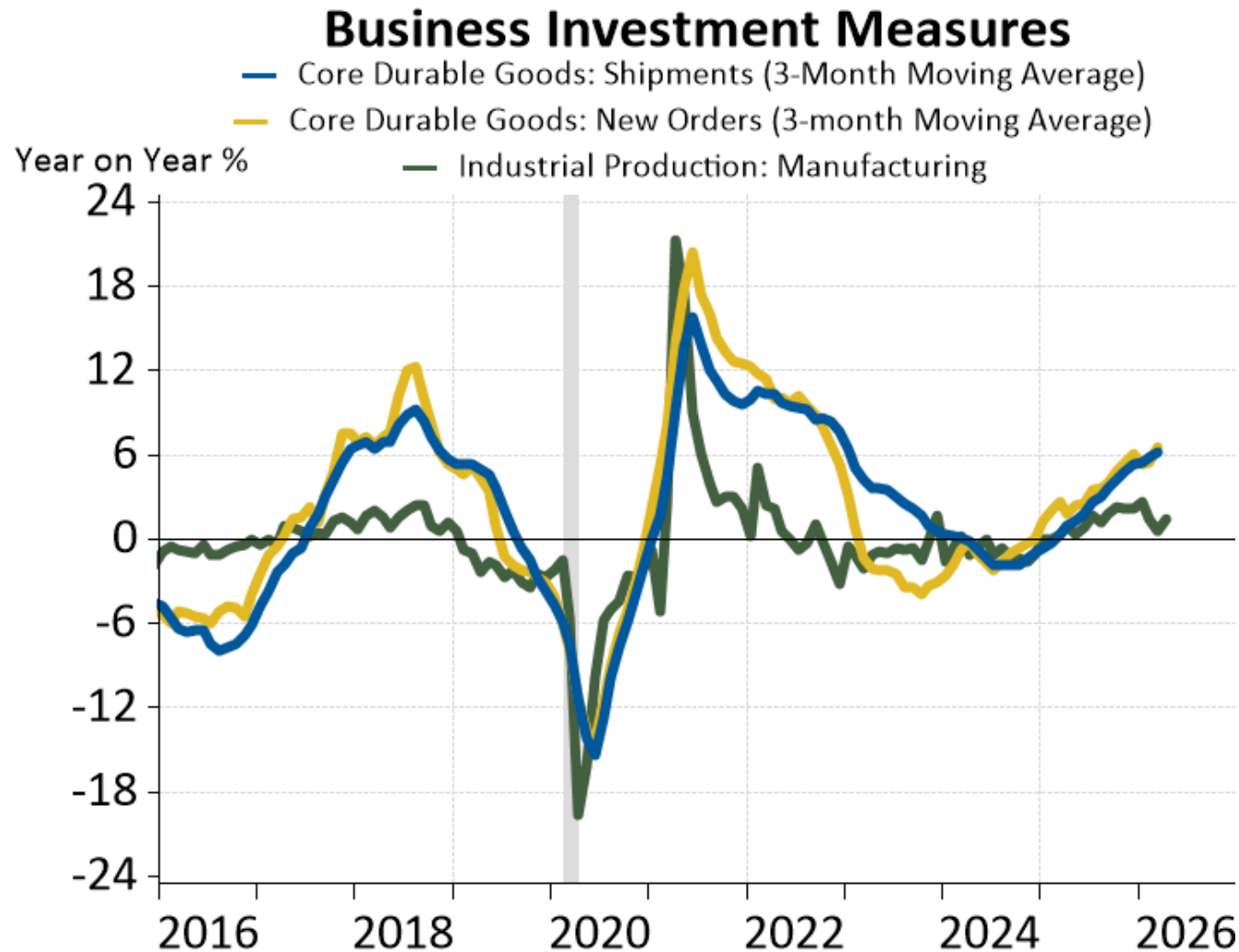
Source: Bureau of Economic Analysis/Haver Analytics/OEA

Wealth effects boosting consumption and tax revenue



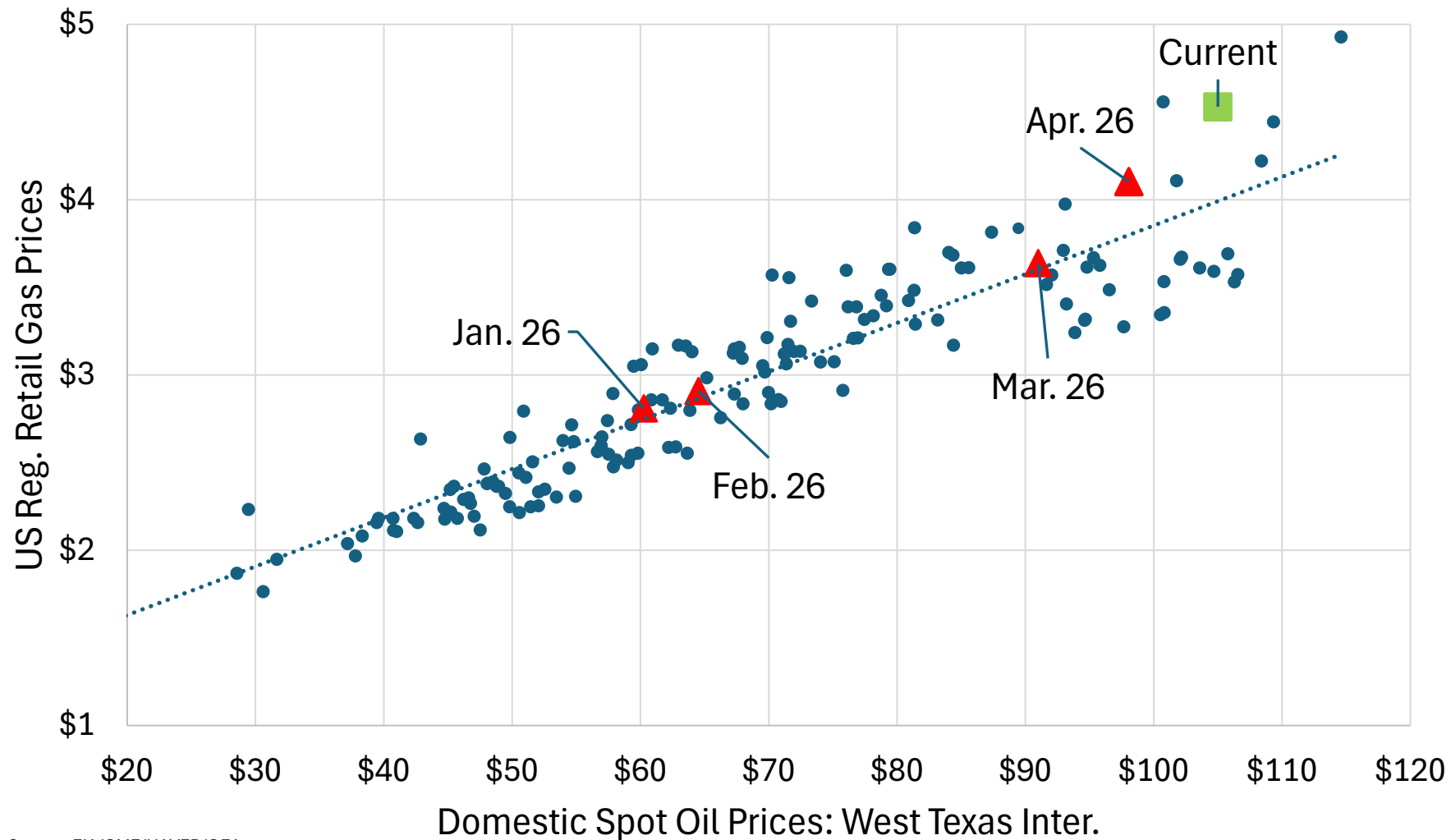
Source: Federal Reserve, Standard and Poor's, Haver Analytics

Accelerating business investment providing important growth engine

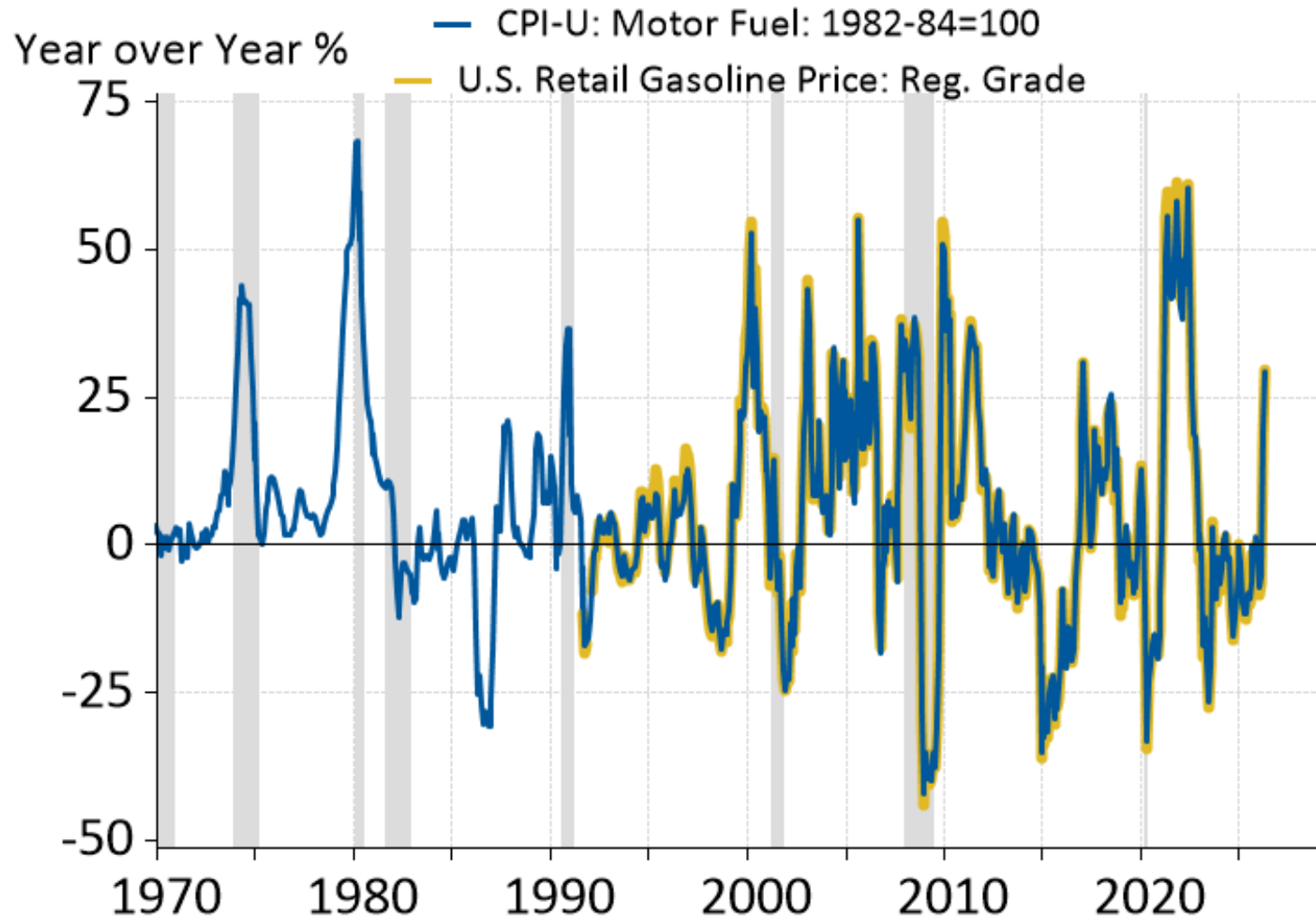


Sources: Census Bureau, Federal Reserve Board/Haver Analytics/OEA

Gasoline prices tightly linked to crude oil markets



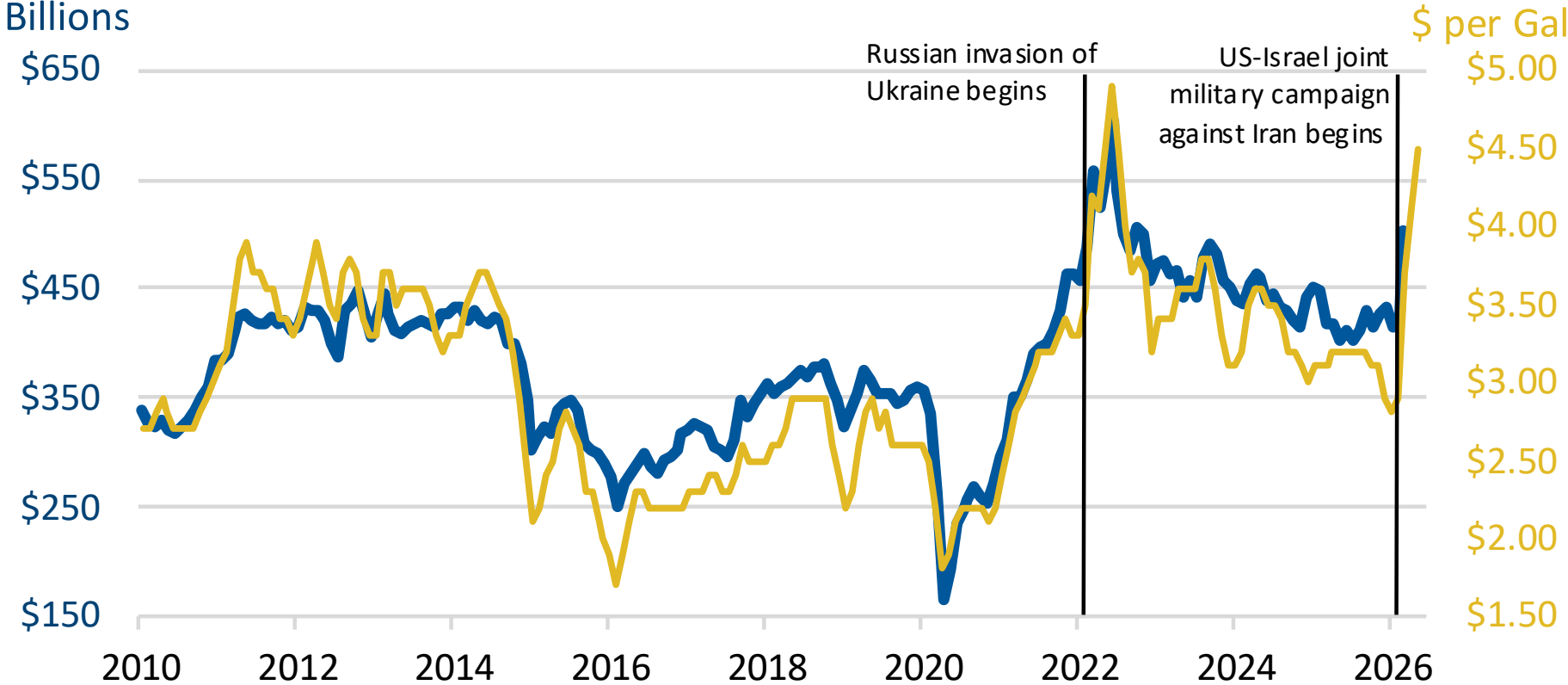
Energy price spike in historical context— far from the worst



Sources: BLS, EIA/Haver/OEA

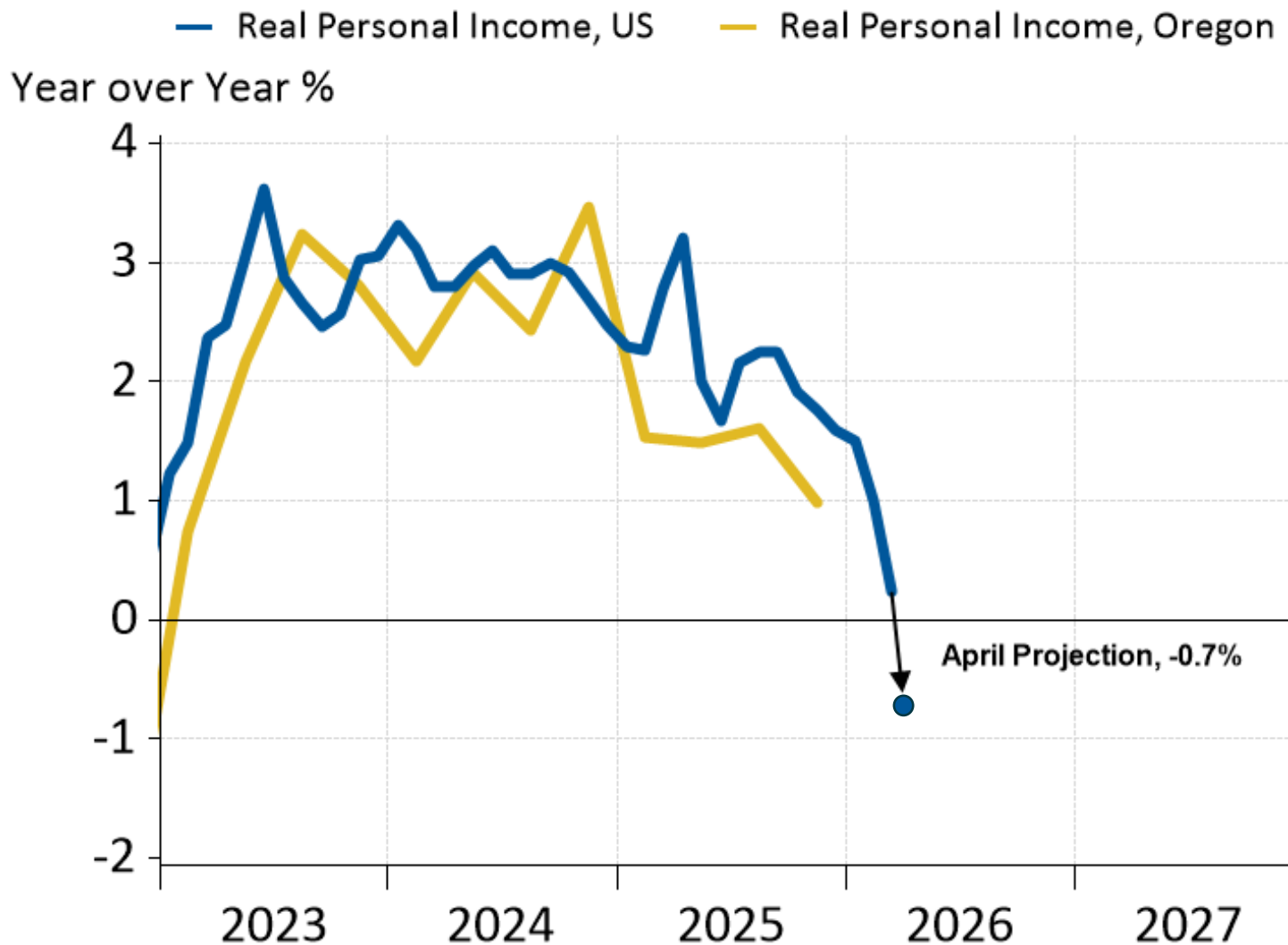
Consumer spending on motor fuel surging as prices spike

Household Spending on Gas/Energy Goods vs. Gasoline Prices



Source: Bloomberg, OEA

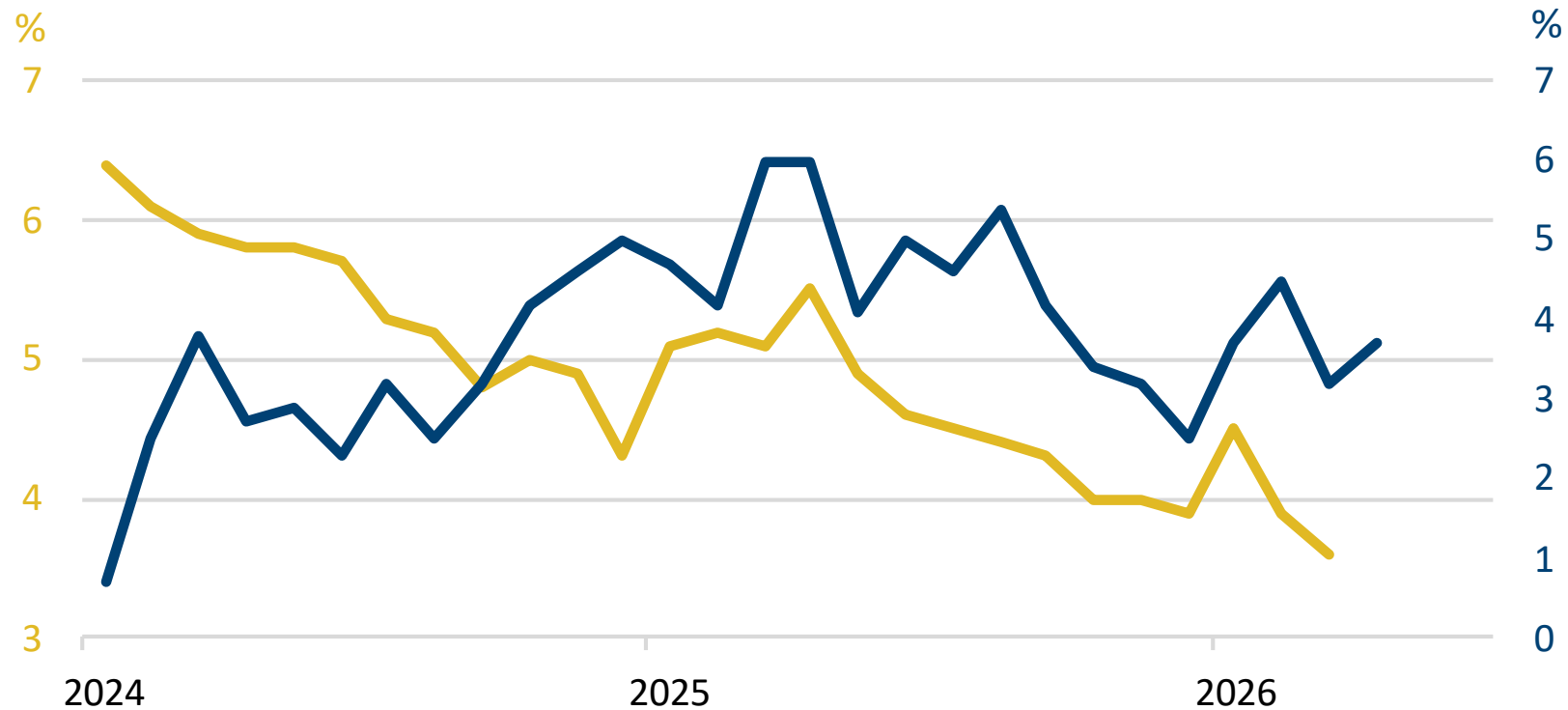
Energy shock leaves consumers underwater, as real personal income declines



Source: Bureau of Economic Analysis/Haver Analytics/OEA

Retail sales resilient (so far) as households draw down savings

Retail Sales Excluding Gas Stations vs.
Personal Savings Rate

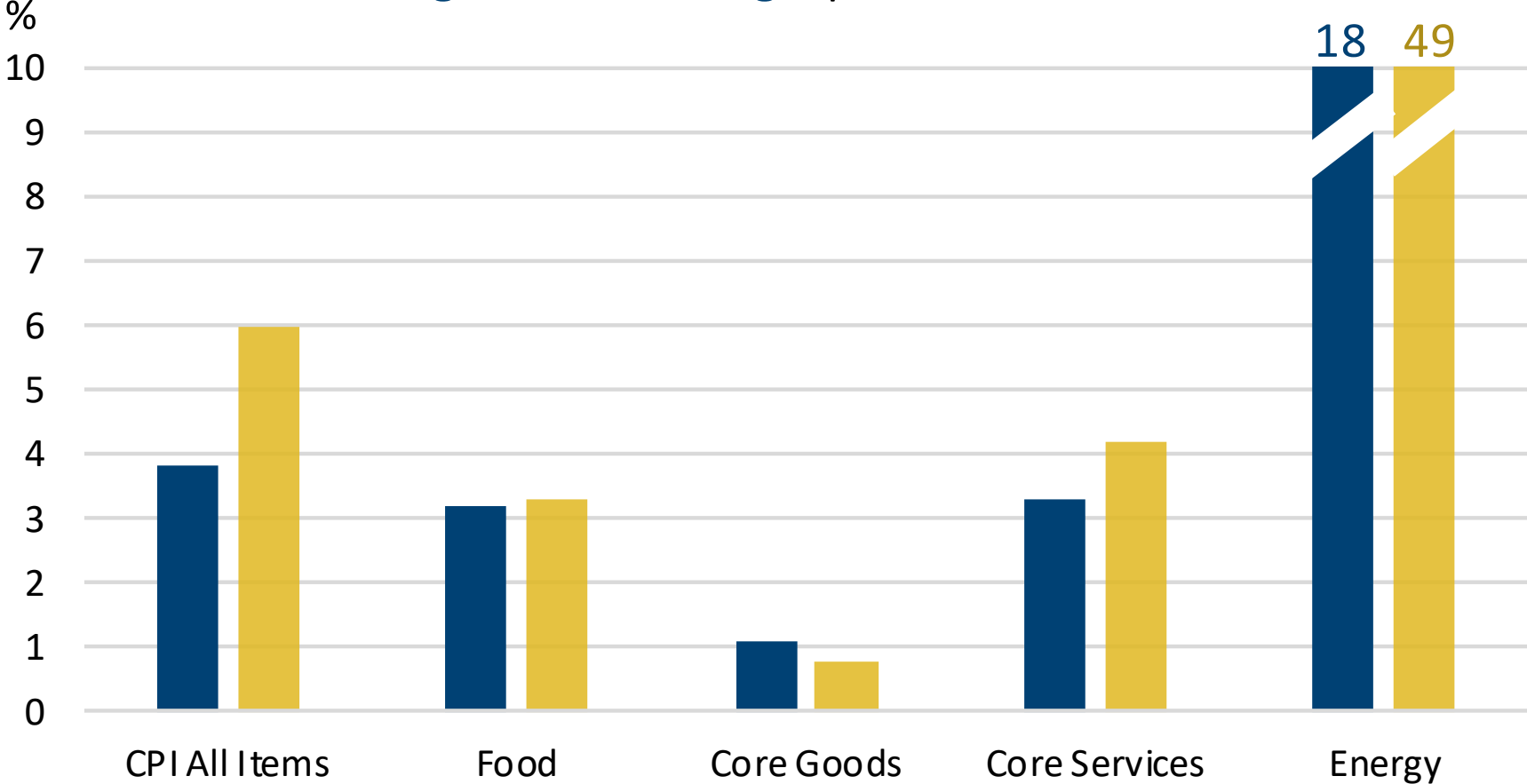


Source: Bloomberg, OEA

Energy inflation is contagious

Consumer Price Index (CPI) Components

Percent Change from Year Ago | Year-to-Date Annualized

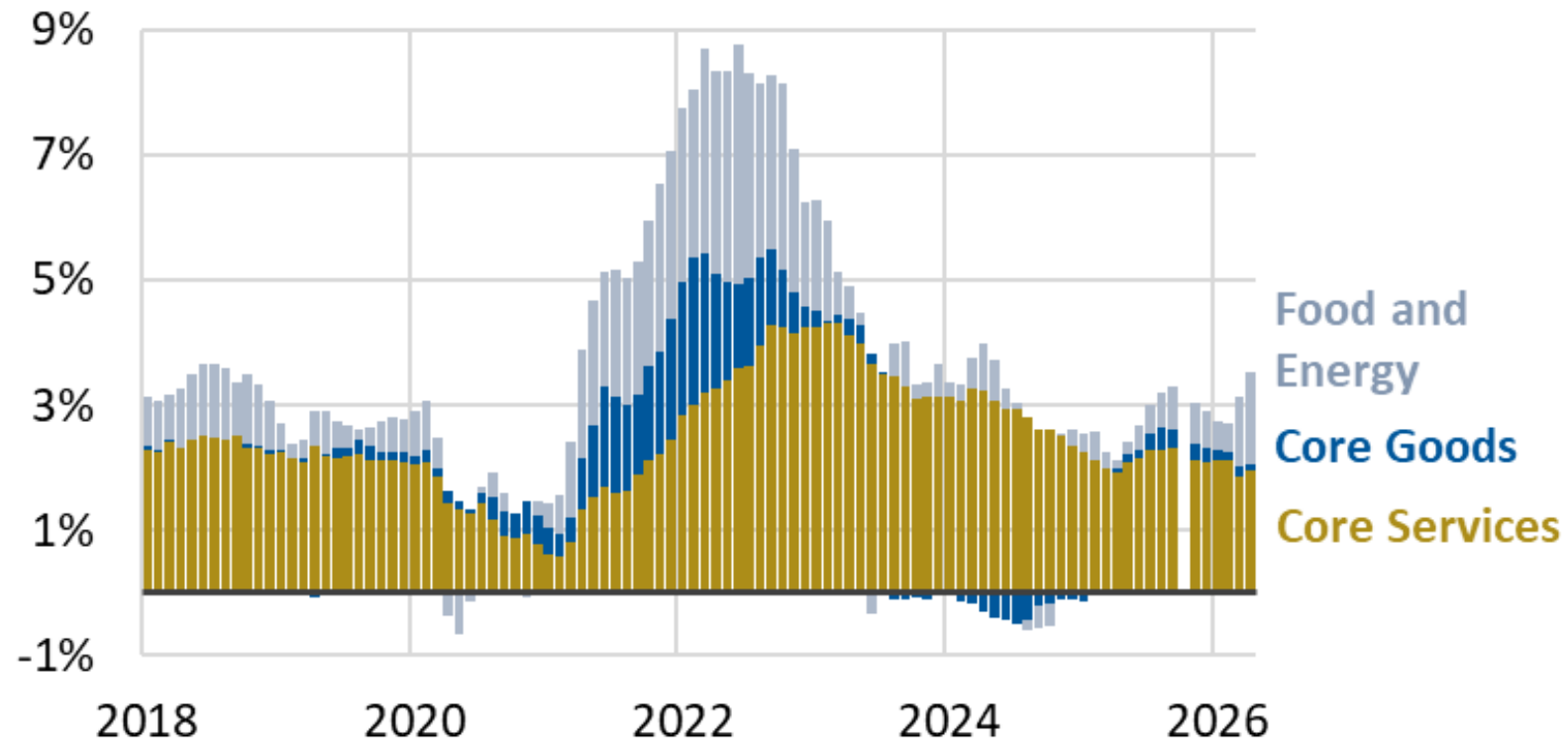


Source: Bloomberg, OEA

Inflation at risk of settling above 3%

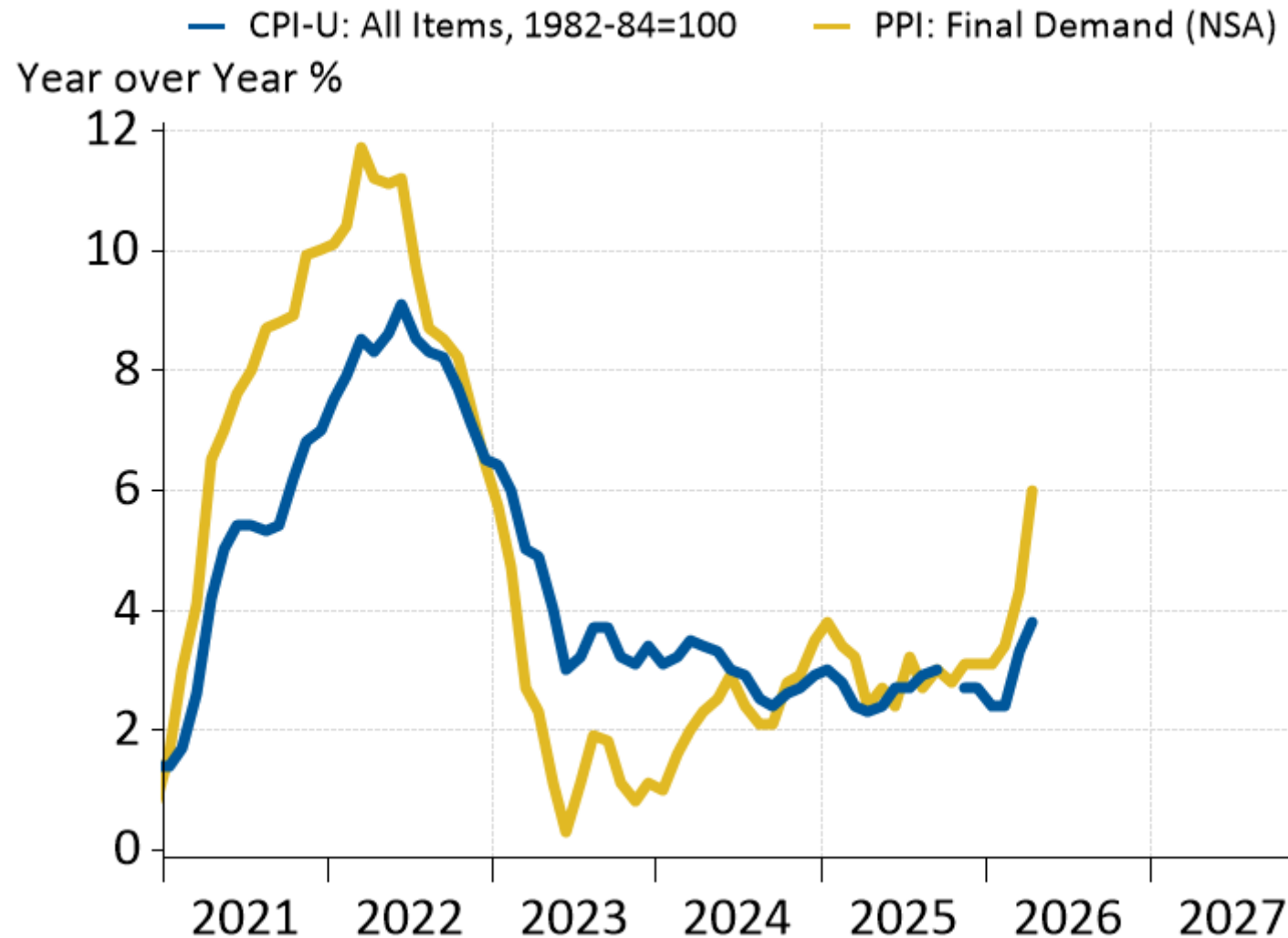
West Region Consumer Price Index

Decomposing Year-Over-Year Change



Latest Data: April 2026 | Source: BLS, Oregon Office of Economic Analysis

“Upstream” inflation pressures are building



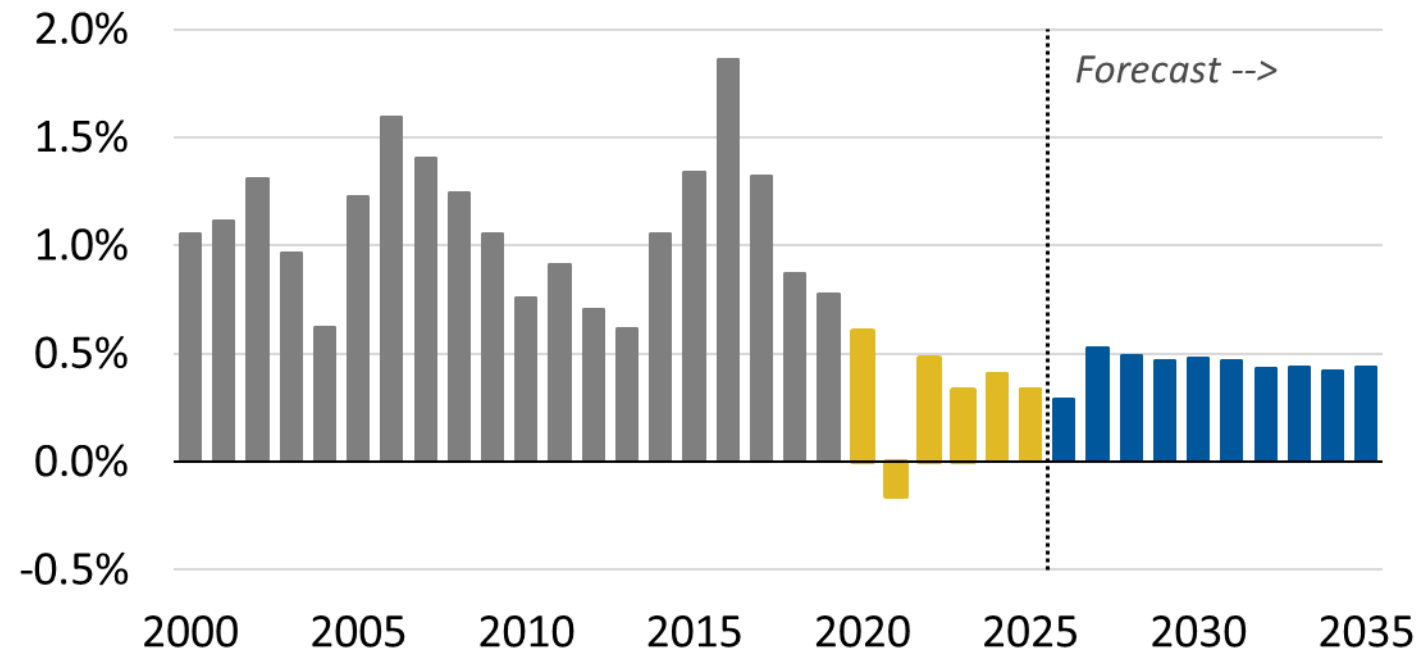
Source: Bureau of Labor Statistics/Haver Analytics/OEA

Longer-term demographic outlook depends on employment

Oregon Population Growth

Annual change in total state population

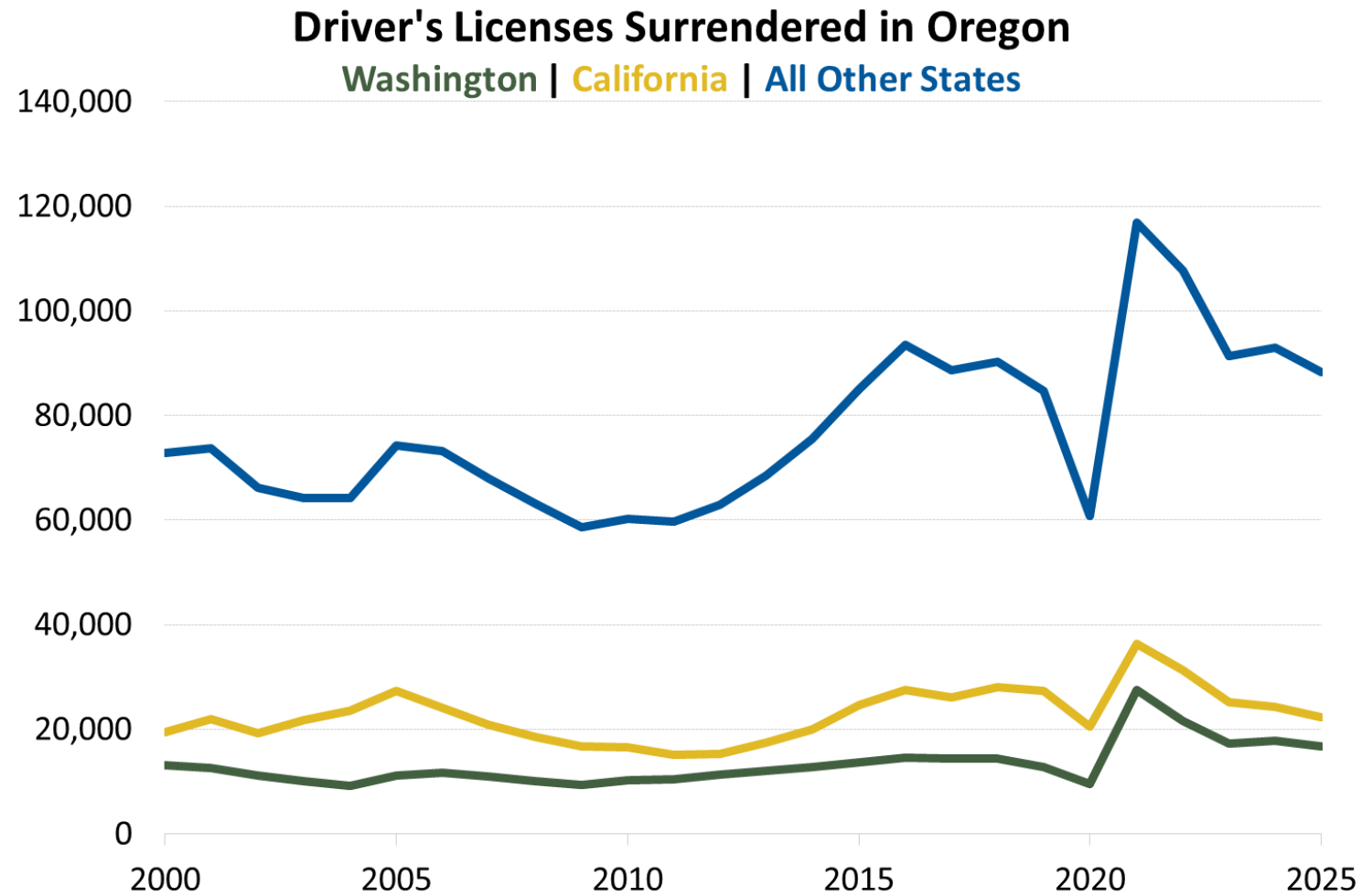
History, PSU Estimates, and Forecast



Oregon is growing slower than U.S.

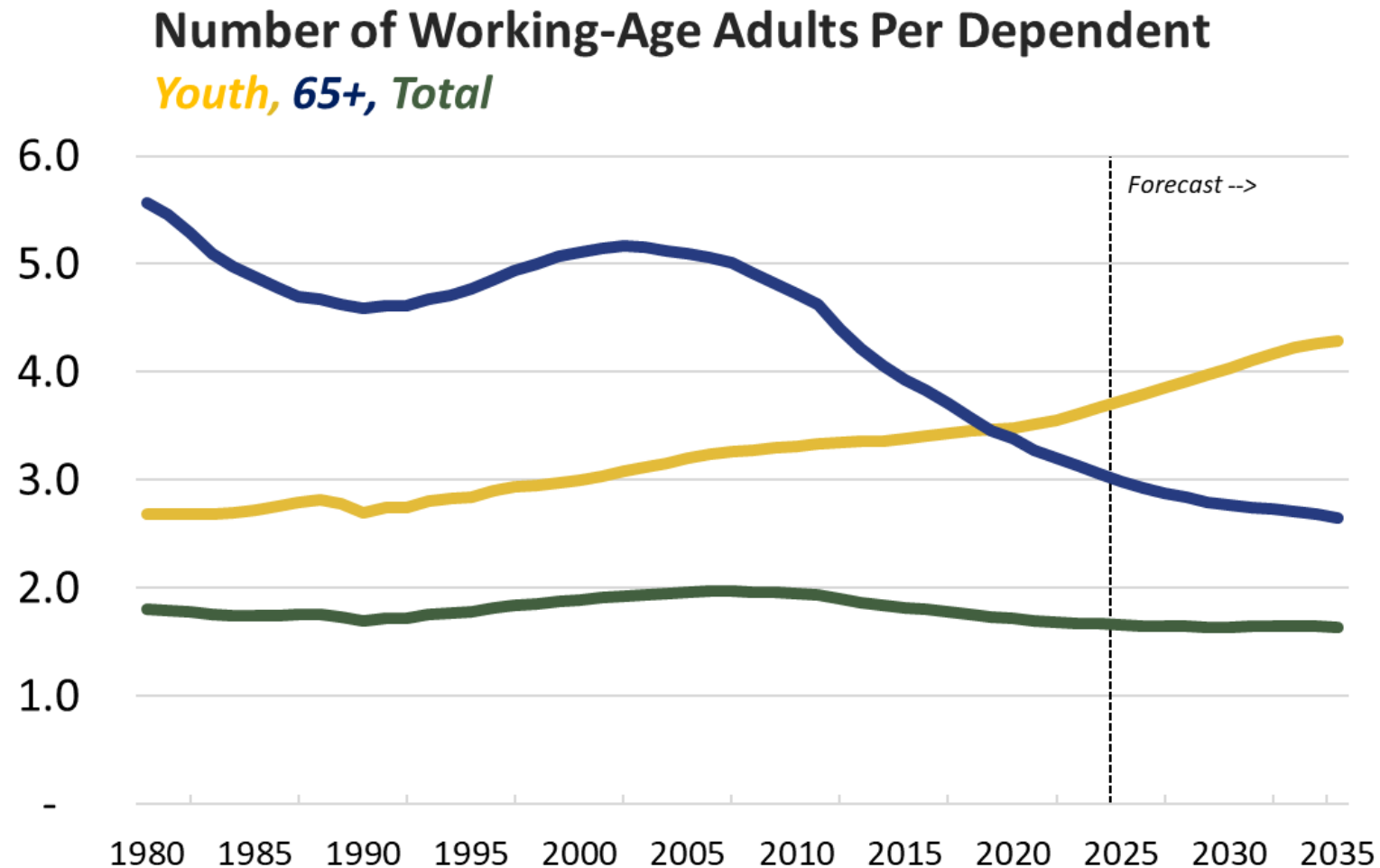
- Oregon's entire population growth will come from net migration.
- Population expected to grow by average of 0.4% through 2035.

In-state migration holding up near last decade's levels



Source: Oregon DMV, OEA

More pressure on working-age adults to provide support to dependents



Source: U.S. Census Bureau, Oregon Office of Economic Analysis

Revenue Update

Ending balance increases

2025-27 General Fund Revenue Statement

(millions)	March 2026 Forecast	June 2026 Forecast	Change from Prior Forecast
Beginning Balance	\$2,166	\$2,166	\$0
Revenues (millions)			
Personal Income Tax*	29,899	30,052	153
Corporate Income Tax*	3,295	3,434	139
All Other Revenues	2,153	2,205	53
Net GF Revenues	35,347	35,692	345
Available Resources (Balance + Revenues):	37,513	37,858	345
Appropriations	-37,315	-37,513	-198
Projected Ending Balance*	198	345	147

* includes offsets and Rainy Day Fund transfers

Key Takeaways:

- Revenues up \$345m
- 2026 Session impacts account for \$368m
- Ending balance equals \$345m

Forecast change detail

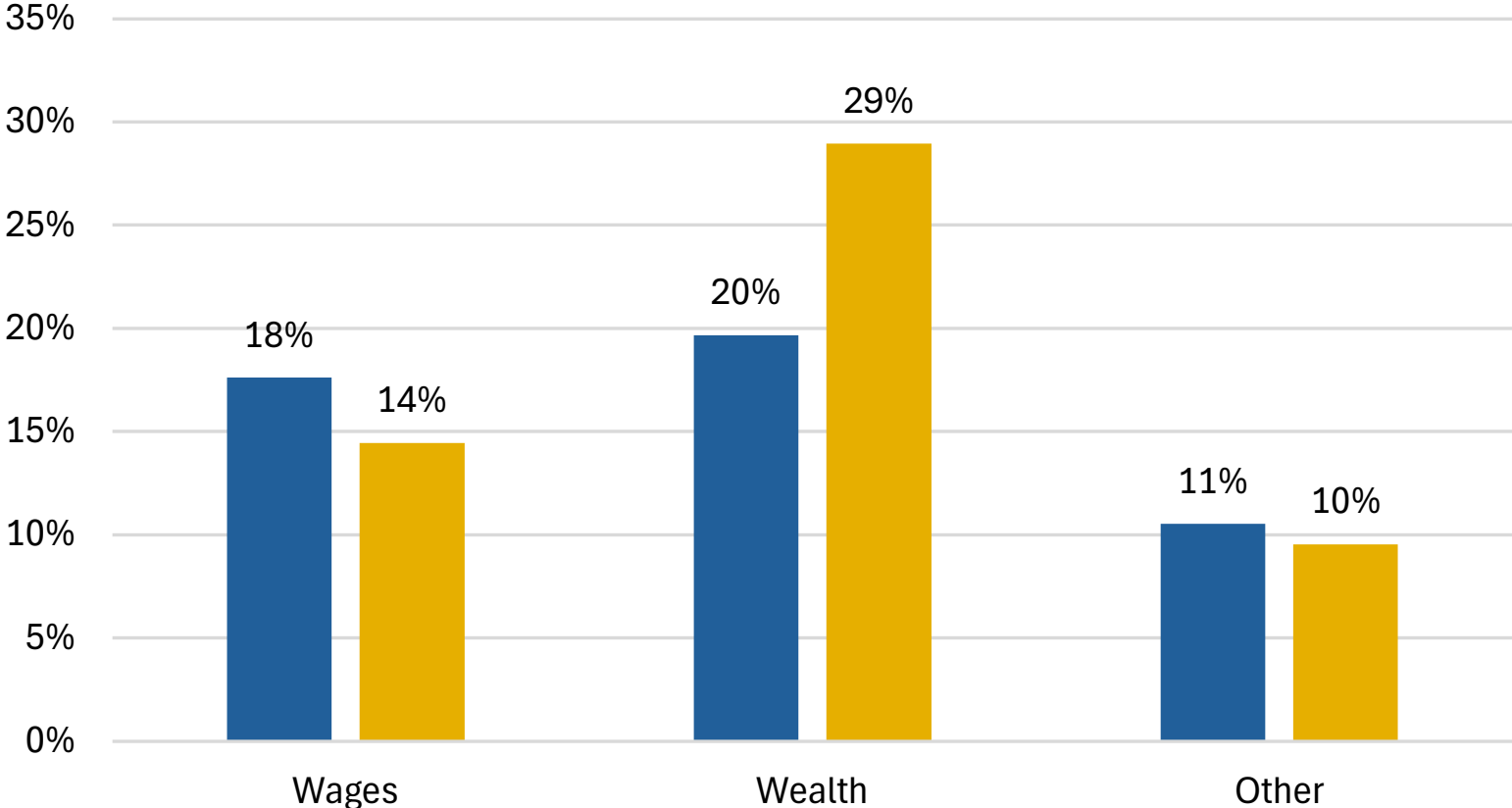
2025-27 General Fund Revenue: Changes Since Q1

(millions)	Recent Tracking (Feb-April)	Economic/Forecast Change	2026 Actions	Total Change
Personal Income Tax	-\$240	\$189	\$205	\$153
Corporate Income Tax	-68	97	111	139
Other Revenues		0	53	53
Total General Fund	-308	286	368	345

Taxable income shift evident

Taxable Income Forecast: 2024-27 Change

Previous Forecast | Current Forecast

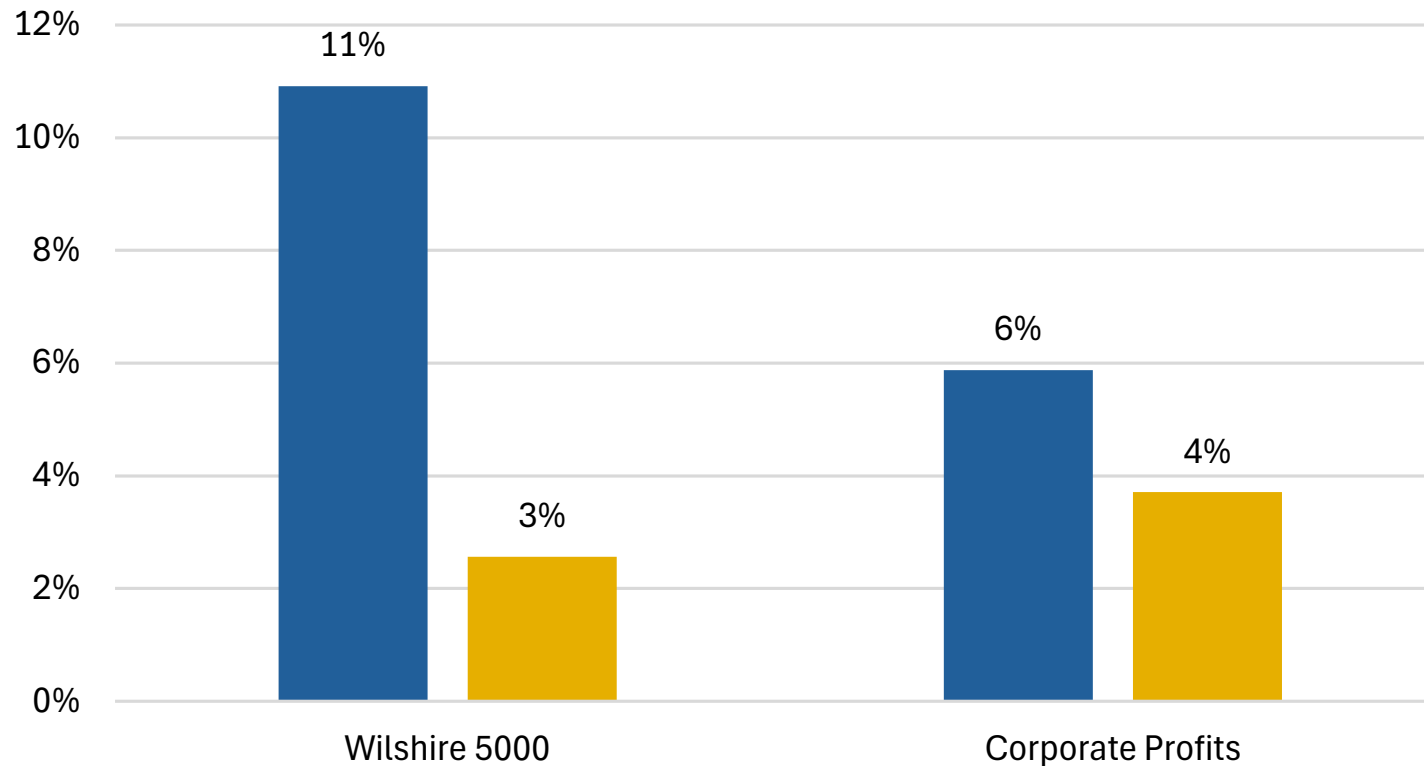


Source: Department of Revenue, Office of Economic Analysis

Outlook conservative relative to history

Economic Variable Comparison

2011-25 Annual Change | **2025-29 Annual Change**



Alternative scenarios

General Fund Revenue* Scenarios

(millions)		2025-27	2027-29	2029-31	2031-33	2033-35
Boom (3%)	Revenues	\$40,493.8	\$45,029.1	\$50,657.8	\$56,838.0	\$63,942.8
	Growth	22.4%	11.2%	12.5%	12.2%	12.5%
Optimistic (13%)	Revenues	\$39,063.7	\$43,790.5	\$49,176.7	\$55,028.7	\$61,852.3
	Growth	18.1%	12.1%	12.3%	11.9%	12.4%
Baseline (62%)	Revenues	\$37,633.7	\$42,054.5	\$47,292.3	\$52,857.9	\$59,279.1
	Growth	13.7%	11.7%	12.5%	11.8%	12.1%
Pessimistic (20%)	Revenues	\$35,752.0	\$40,650.0	\$45,446.7	\$50,718.5	\$56,906.2
	Growth	8.1%	13.7%	11.8%	11.6%	12.2%
Severe (2%)	Revenues	\$33,870.3	\$37,765.4	\$44,072.2	\$49,360.9	\$55,333.5
	Growth	2.4%	11.5%	16.7%	12.0%	12.1%

* Adjusted for kicker credits.

Potential Variation from Baseline Forecast June 2026 General Fund: 2025-27



2025-27 kicker analysis

(millions)	<u>Personal Kicker</u>	<u>Corporate Kicker</u>
Close-of-Session	\$32,329	\$3,405
Kicker Threshold (2%)	\$32,976	\$3,473
Current Forecast	\$32,315	\$3,562
Distance from Kicking	-\$660	\$89
Surplus (if any)		\$157
HR 1	-\$586	-\$302
2026 Session	\$257	\$111
Total Law Changes	-\$329	-\$191

Non-General Fund revenues

2025-27 Non-GF Revenue Statement

Source of Revenue (millions)	June 2026 Forecast	Change from Prior Forecast
Lottery	\$1,845	\$26
Corp. Activity Tax	3,078	24
Marijuana	276	-10
Total Other Revenues	5,199	40

Key Takeaways:

- Video Lottery Sales rebounding
- Corporate Activity Tax slightly stronger than expected, due to prior tax years



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