



# December 2025 Revenue Estimate

December 29, 2025

# Little or no change to DC's Economic Outlook



## National:

- The Federal Reserve cut the federal funds rate by a quarter percentage point to 3.5–3.75% in December 2025, determining that the risk of job market deterioration was higher than the risk of higher inflation.
- Nonfarm payrolls increased by 64,000 in November, following a sharp decline of 105,000 jobs in October, and the unemployment rate rose to 4.6% in November, its highest level since September 2021.
- The Federal Government continued to contract, shedding 6,700 jobs in November following a massive 161,300 job loss in October. The decline in October is largely attributed to the federal Deferred Resignation Program.
- The latest Consumer Price Index (CPI) for November was up 2.7% over the 12-month period, a drop from the 3.0% rate recorded in September. Core CPI was 2.6% over the year. Most economists judged that the November CPI was biased downwards, as the late data collection missed shelter costs and included late November's holiday discounting.

## District:

- The September report of employment in the District released earlier this month aligns closely with our forecast; however, federal job losses were less than anticipated.
  - Much of the federal job losses forecasted for the financial period was estimated to be from the federal Deferred Resignation Program, which is expected to show up in the October jobs report for DC, and which has been delayed because of the federal government shutdown.
- Total District employment, resident employment and federal employment levels for FY 2025 were revised upward based on the September jobs report.

# Withholding and sales taxes collections declined in November



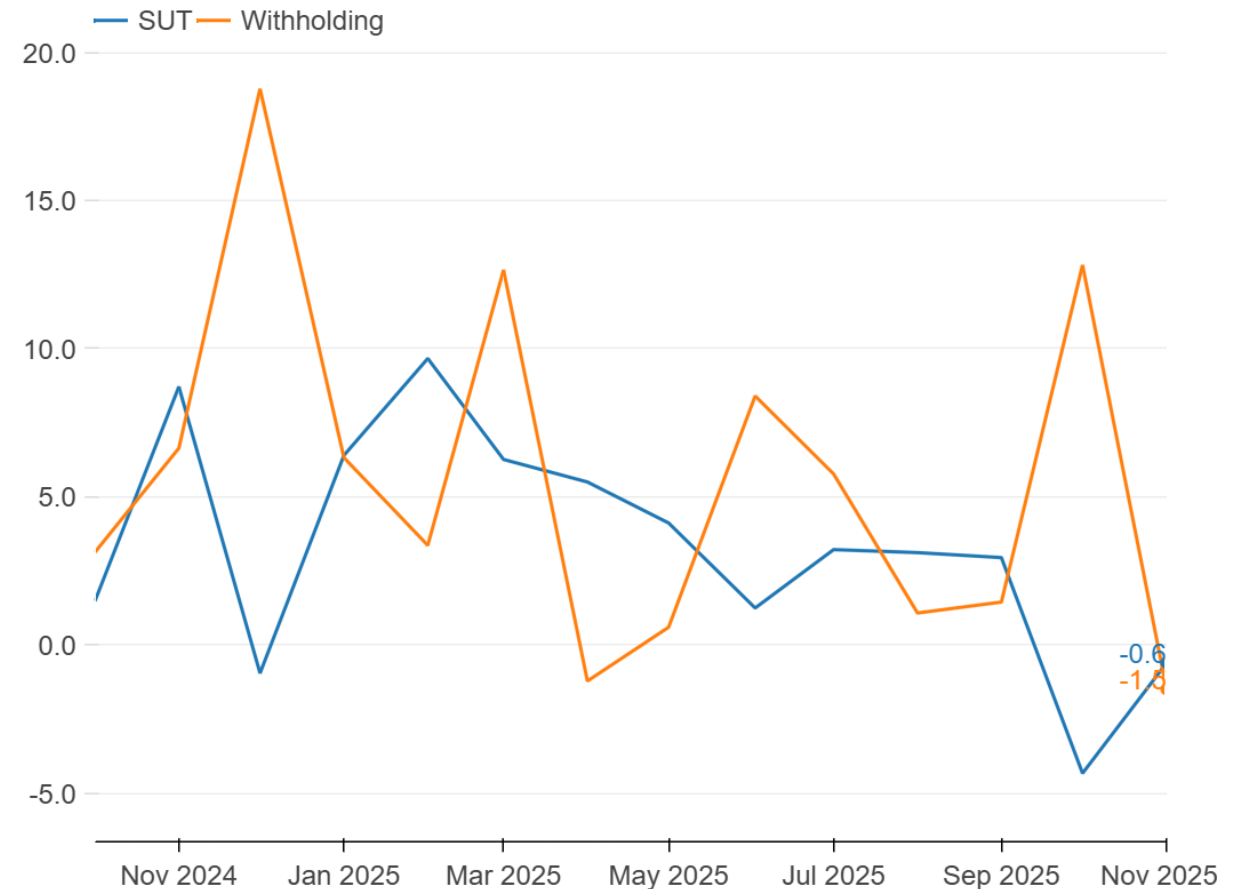
- November's withholding and sales tax collections, reflecting October activity, declined, possibly due to the impact of federal layoffs.

## November sales and withholding tax collections (October economic activity)

Source	Percent change from year ago
<b>Sales taxes total</b>	<b>-0.6</b>
Hotel	-16.0
Restaurants	-3.4
Retail	-0.9
Others	-6.3
<b>Income tax withholding</b>	<b>-1.5</b>

Source: DC Office of the Chief Financial Officer

Monthly tax collections, percent change from a year ago



# Risks to forecast



- The impact of federal government layoffs poses the highest risk to the forecast.
  - If federal layoffs are more than assumed in the forecast, revenue may be lower than currently forecasted; conversely, if the layoffs are less than forecasted, revenue could be higher.
  - Delayed reporting of key employment data for the District due to the recent government shutdown makes it difficult to assess the magnitude of federal layoffs.
- Tighter immigration policies have already reduced tourism-related revenue and will be an ongoing risk to the District's leisure and hospitality sector.
- The forecast includes substantial revenue from capital gains and corporate profits, making financial market performance a significant risk.
- Going forward, uncertain federal data availability and reliability also pose a risk to monitoring and timely updating of the economic and revenue forecast.

# Questions?