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The State of Oregon

TARIFF IMPACT ANALYSIS

May 2026

Tariff Impact: A State Under Pressure

The Tariff Shock
U.S. tariff rates hit Great Depression-era levels, creating historic volatility and uncertainty for businesses nationwide.

Oregon's Economic Impact
Oregon paid nearly $3B in tariffs, exports fell 17%, and the state lost an estimated $442M in revenue — hit harder than most.

The Road to Recovery
While tariffs weren't the only factor, they amplified existing weaknesses — and uncertainty is still holding businesses back from making bold moves.

Executive Summary

In 2025, the United States experienced a sudden and dramatic shift in trade policy following the Trump administration's rollout of wide-ranging tariffs — known as the "Liberation Day" tariffs — coupled with subsequent retaliatory measures from major trading partners. **Oregon, as one of the nation's most trade-dependent states, was disproportionately affected.** In response to Governor Tina Kotek's directive, Oregon's state agencies conducted a retrospective analysis using economic data, business surveys, and regional insights to evaluate the effects of the 2025–2026 tariff environment on Oregon's businesses, workers, state agencies, and state finances.

The effective U.S. tariff rate spiked to levels not seen since the Great Depression, rising to more than four times the long-run average. Policy implementation was highly volatile — tariff implementation was delayed multiple times, then tariff rates shifted frequently and unpredictably during negotiations. This created significant volatility in global financial markets, and it also resulted in immense planning uncertainty for firms of all sizes. Ultimately, court challenges leading up to a ruling from the United States Supreme Court curtailed some tariff authorities in early 2026. However, the administration continued to apply tariffs under other legal mechanisms, some of which are now also facing legal challenges. This unstable policy environment contributed to nationwide economic uncertainty, supply chain challenges and weighed on businesses' surety to proceed with all manner of strategic and business planning, ranging from hiring to investment.

$3 B IN TARIFFS

Importers paid nearly $3 billion in tariffs between March and December 2025

17% DECREASE IN EXPORTS

Oregon's exports fell 17% in 2025 (compared with a 6% increase nationally)

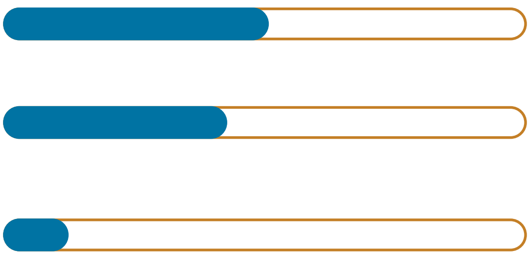
Oregon's businesses reacted strongly to these changes. Importers paid nearly $3 billion in tariffs between March and December 2025, as the state's effective tariff rate climbed from around 2% in March to about 15% by fall. Imports surged early in the year — partly from firms front-loading purchases — but exports collapsed. Oregon's exports fell 17% in 2025 (compared with a 6% increase nationally), driven overwhelmingly by steep declines in electric and industrial machinery tied to Oregon's semiconductor sector. This export contraction likely reduced state Gross Domestic Product (GDP) growth by more than a full percentage point relative to the national trend.

Relative to other high–trade-exposure states, Oregon experienced sharper slowdowns in GDP growth, employment, and income following implementation of the 2025 tariff regime. Oregon's economy is historically more volatile than its peers, and the 2025–26 period continued that pattern: the state entered the trade shock from a weaker position due to semiconductor restructuring and faced a deeper downturn once tariffs elevated costs and disrupted global flows.

Tariff Impact Survey

A detailed survey of 870 Oregon firms found the overall impact of tariffs was limited in scope in 2025. However, where impacts were measured, they tilted negative. Labor market impacts of tariffs were limited, but many businesses experienced real increases in costs of their purchases and products due to tariffs.

Business Survey Responses



~50% Roughly half of respondents experienced higher costs for international and domestic inputs due to tariffs.

41% 41% increased domestic prices for their products in response to tariffs.

9% Most firms saw no change in staffing, though **9% reported tariff-related layoffs.**

Some respondents reported general operational disruptions including:

Shipping Delays **Equipment Cancellations** **Tariff Uncertainty Planning**

Where impacts were measured, they tilted negative. Of the 430 employers who offered additional sentiments, businesses generally viewed tariff impacts as negative (60%) or neutral (25%); only 9% reported benefits.

Impacted Sectors

Manufacturing respondents in the survey reported significant disruption due to tariffs, primarily higher costs for their purchases and their products. However, labor market impacts to manufacturing businesses due to tariffs in 2025 remained small. Semiconductor and electronic component manufacturers experienced the largest employment declines in the sector, yet most of these losses stemmed from pre-existing structural challenges rather than tariff policies.

A targeted analysis of stable manufacturing establishments estimated that about 750 job losses in 2025 were directly attributable to tariff pressures. These losses only represented around 10% of statewide manufacturing job declines in 2025. The decline in payroll associated with manufacturing job losses due to tariffs slowed statewide GDP growth by just 0.06 percentage points. The broader downturn in Oregon manufacturing was driven primarily by non-tariff factors, but tariffs contributed measurable incremental strain.

Agriculture and forestry faced higher input costs and respondents to the survey reported notable employment declines, yet few businesses attributed those declines directly to tariffs.

Non-traded sectors were not included in the survey, including hospitality and construction. An analysis of macro trends show limited direct tariff effects and instead reflected broader economic conditions such as interest rates and consumer spending patterns affecting these sectors.

Reduced revenue for the 2025–27 biennium:

Higher tariffs indirectly reduced Oregon's revenue base by slowing income growth, consumption, and corporate profitability.

- ✓ General Fund revenue fell an estimated $381 million, led by declines in personal and corporate income taxes.
- ✓ Lottery revenues fell $28 million.
- ✓ Corporate Activity Tax revenues declined $33 million.
- ✓ **The total estimated revenue loss was $442 million.**

Conclusion

Oregon's economic structure — highly oriented toward traded sectors, specialized manufacturing, and globally integrated supply chains — made it uniquely vulnerable to the 2025 tariff regime. While tariffs were not the sole driver of Oregon's economic slowdown, they amplified existing weaknesses, raised input costs, disrupted trade flows, and contributed negatively to employment, GDP growth, and state revenues. The report concludes that the elevated tariff environment acted as a clear economic headwind, and that continued monitoring will be essential as federal trade negotiations, global conditions, and the semiconductor industry evolve.

There are clear costs from tariffs, but in certain circumstances there can also be some economic benefits. Raising the cost of imported goods can encourage the reshoring of production, shortening of supply chains, and it creates an economic disadvantage for foreign producers. This could provide protections to domestic industry and encourage capital investment and hiring. However, these potential benefits require time and capital — and, critically, confidence that the tariff regime will endure.

The uncertainty stemming from changing tariff rates, legal challenges, and future administrations' stance on tariffs is weighing on businesses' willingness to make strategic changes or significant investments.