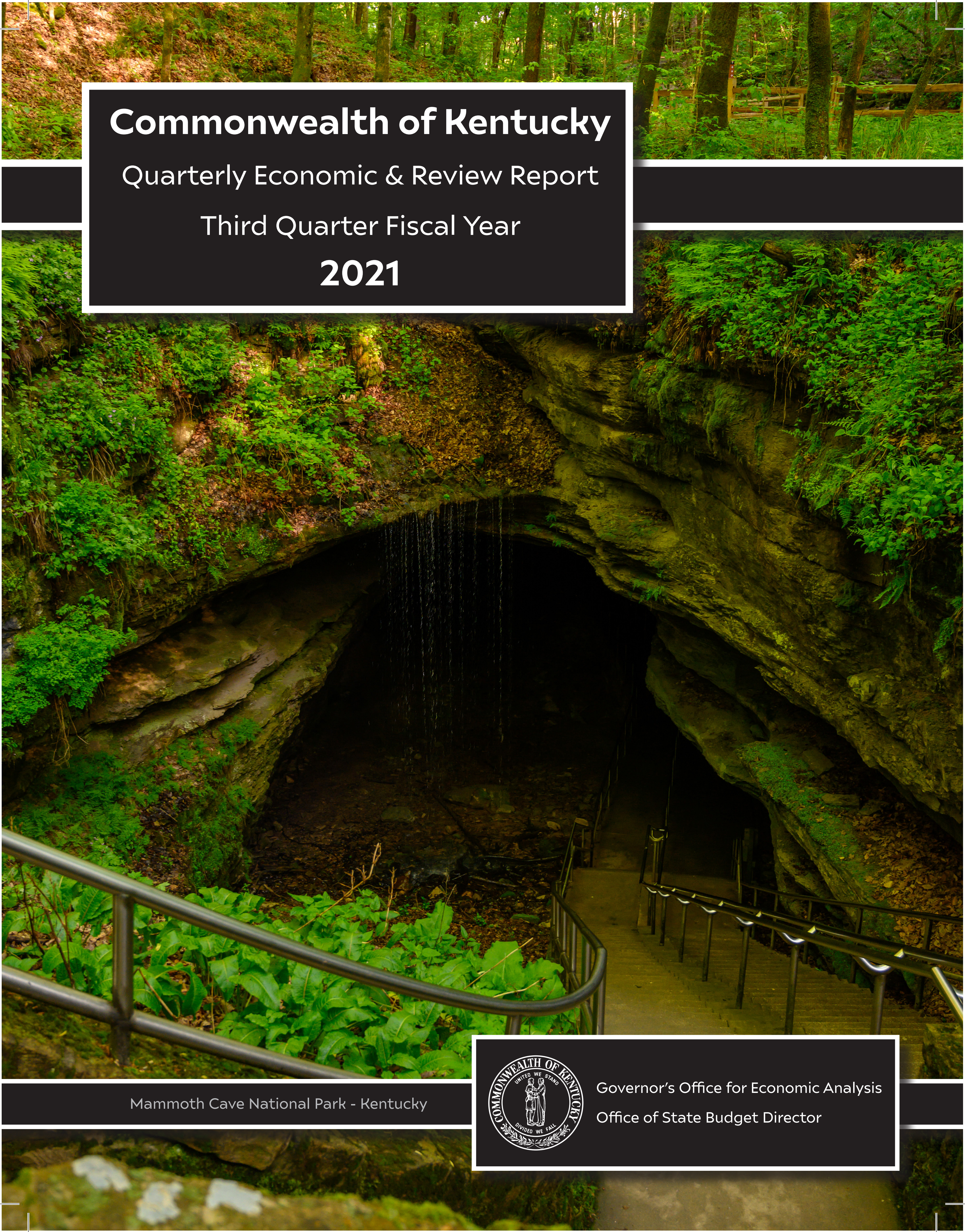

Commonwealth of Kentucky

Quarterly Economic & Review Report

Third Quarter Fiscal Year

2021

Mammoth Cave National Park - Kentucky

Governor's Office for Economic Analysis

Office of State Budget Director

Office of State Budget Director

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Andy Beshear
Governor

John T. Hicks
State Budget Director

Governor's Office for Policy and Management
Governor's Office for Economic Analysis
Governor's Office for Policy Research

April 30, 2021

The Honorable Andy Beshear
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, Kentucky 40601

Mr. Jay Hartz
Director
Legislative Research Commission
Room 300, State Capitol
Frankfort, Kentucky 40601

Ms. Laurie Dudgeon
Administrative Office of the Courts
1001 Vandalay Drive
Frankfort, Kentucky 40601

Dear Governor Beshear, Mr. Hartz and Ms. Dudgeon:

Pursuant to KRS 48.400(2), the enclosed Quarterly Economic and Revenue Report summarizes Kentucky's revenue and economic statistics for the third quarter of Fiscal Year 2021 (FY21). This report includes a synopsis of the current economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

Since the last quarterly report, another round of federal fiscal stimulus was enacted. The March IHS Markit outlook used in this report incorporates all pandemic relief measures enacted in 2020 in addition to the $1.9 trillion American Rescue Plan Act federal fiscal stimulus enacted March 11, 2021. Aggressive fiscal policy from the federal government, as well as accommodative monetary policy, have combined to create an economic environment prone to current and future growth. The economic outlook for the fourth quarter of FY21 shows modest increases in all components of real GDP, which in turn should translate into revenue growth – especially in light of the low base from the fourth quarter of FY20.

The official General Fund revenue estimate for FY21, as adjusted by the actions of the General Assembly in the 2021 regular legislative session, is $11,704.0 million, an increase of 1.2 percent compared to FY20. Following the General Fund revenue performance in March where receipts grew 9.0 percent, the amount needed during the rest of the fiscal year to hit the official estimate is $2,680.6 million. General Fund receipts could decline by 12.1 percent for the remainder of the fiscal year and hit the official estimate. The interim, unofficial General Fund estimate for FY21 profiled in this report is $12,290.4 million, which would generate revenue of $586.4 million above the official estimate. Projected growth in the fourth quarter is 7.2 percent, partially due to the low level of collections in the fourth quarter of FY20. The official Road Fund revenue estimate for FY21 is $1,577.7 million, an increase of 5.8 percent compared to FY20. The FY21 interim forecast is $1,589.8, which computes to $12.1 million more than the official revenue forecast.

General Fund receipts in the third quarter had their best quarter of FY21, increasing 6.7 percent over prior year totals. Revenues were aided by a third round of directed stimulus payments to individuals and businesses which helped spur consumption and commerce. Receipts in the quarter were $2,955.4 million, $185.5 million more than what was received in the third quarter of FY20. The increases in collections were concentrated in the sales and use, individual income and corporation income taxes. Combined, these accounts grew by $157.1 million.

We will continue to closely monitor Kentucky's economic and revenue conditions during this time of crisis, giving updates at the appropriate times.

Sincerely,

John T. Hicks

John T. Hicks
State Budget Director

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EXECUTIVE SUMMARY

The Office of State Budget Director (OSBD) continuously monitors the financial situation of the Commonwealth. To that end, OSBD submits this *Quarterly Economic and Revenue Report* for the third quarter of fiscal year 2021 (FY21). This report includes the actual revenue receipts for the third quarter as well as an unofficial forecast for the remainder of FY21 and the first half of FY22. The report also provides updates on the national and Kentucky economic landscapes.

Since the last quarterly report published in late January, the $1.9 trillion American Rescue Plan (ARP) Act was enacted. The March IHS Markit outlook used in this report includes all pandemic relief measures enacted since March 2020. These injections of federal dollars to individuals and businesses have delivered a bridge of relief to the economy, especially with regard to real consumption, investment, and governmental spending (including state and local). Federal fiscal relief, an accommodating monetary policy, and an accelerated vaccination timetable have combined to create a very favorable economic outlook at the federal level. The Kentucky MAK model was then used to translate the national economic impacts into state effects that drive the revenue models used for the interim estimates in this report.

The Consensus Forecasting Group (CFG) met on December 4, 2020 in response to a call from the State Budget Director to provide updated official estimates for FY21 and FY22. The IHS Markit economic forecast used for the official estimate was the November 2020 economic outlook, which did not include the $900 billion federal relief package that passed in late December, nor the $1.9 trillion ARP, or the accelerated vaccination schedule. As such, the interim projections portrayed in this report are significantly higher than the estimates used during the most recent state budgeting process.

Projected FY21 General Fund Revenue Surplus of $586.4 million

The official General Fund revenue estimate for FY21, as adjusted by the actions of the General Assembly in the 2021 regular legislative session, is $11,704.0 million, an increase of 1.2 percent compared to FY20. Following March collections, the amount needed during the rest of the fiscal year to hit the official estimate is $2,680.6 million. General Fund receipts could decline by 12.1 percent for the remainder of the fiscal year and hit the official estimate. The interim, unofficial General Fund estimate for FY21 profiled in this report is $12,290.4 million, which would generate revenues of $586.4 million above the official estimate. Projected growth in the fourth quarter is 7.2 percent and annual growth for FY21 is predicted to be 6.3 percent.

While the economy is projected to be strong during the fourth quarter of FY21, the expected growth rate of 7.2 percent in General Fund revenues must be viewed in conjunction with the 4.5 percent decline during the recessionary period in the fourth quarter of FY20. Most of the tax revenue accounts declined during that period, some rather sharply. The fourth quarter of FY21 is forecasted to produce pronounced rebounds in many of the taxes that were hit especially hard during the fourth quarter of FY20.

Projected FY21 Road Fund Revenue Surplus of $12.1 million

The official Road Fund revenue estimate for FY21 is $1,577.7 million, an increase of 5.8 percent compared to FY20. The FY21 interim forecast is $1,589.8, $12.1 million more than the official revenue forecast.

After experiencing weak and declining quarterly growth rates through the first nine months of FY21, Road Fund revenues are expected to increase significantly in the fourth quarter and then settle into a more normal growth pattern in the first half of FY22. The pandemic had an adverse effect on economic conditions and revenue collections. Road Fund revenues were particularly hard hit in the final quarter of FY20, when vehicle travel declined abruptly and significantly and when vehicle sales also cratered. Receipts fell by 23.6 percent during that quarter. Growth rates for the fourth quarter of the current fiscal year will be extreme due to the low level of collections last year. The forecast calls for an increase in collections of 27.6 percent in the fourth quarter and 2.9 percent over the first six months of FY22.

Summary of Projected Major Economic Factors

Real GDP is projected to grow a robust 11.7 percent in the final quarter of FY21 and 5.8 percent in the first two quarters of FY22, on a year-over-year basis. Year-over-year comparisons for the fourth quarter of FY21 are skewed given the recessionary quarter in the fourth quarter of FY20. Among the five components of real GDP, real consumption is poised to grow the most in absolute terms. Real consumption is expected to grow 12.6 percent in the final quarter of FY21 and 5.6 percent in the first two quarters of FY22, compared to the same periods in the year prior. Real investment is projected to close FY21 with a 28.8 percent increase in the fourth quarter followed by a solid 11.6 percent surge in the first half of FY22. Finally, government spending (including state and local) is finally starting to show growth with 2.2 percent growth in the fourth quarter of FY21 followed by a 3.6 percent increase in the first half of FY22. With consumption, investment and government spending all expected to rise, real GDP growth is finally undergirded by a wide base of improvement among the sectors of GDP.

While Kentucky's economy has recovered much of its initial economic losses, total nonfarm employment has not yet returned to pre-pandemic levels. The need for jobs across the Commonwealth persists, as overall employment growth remains sluggish following the initial burst of job growth last summer. The employment growth in the first and second quarters of FY21 was likely the result of spending from the first-round stimulus checks, expanded unemployment benefits from the CARES Act, and phased business reopening. On an adjacent-quarter basis, the pace of job growth slowed significantly to 0.4 percent in the third quarter of FY21, following a 6.8 percent increase in the first quarter of FY21 and 1.2 percent in the second quarter of FY21. While these employment gains are encouraging, further gains in aggregate demand and a return of pre-pandemic social and economic activity are essential to successfully propel employment back to prior levels.

Revenues, Third Quarter FY21

General Fund receipts had their best quarter of FY21, increasing 6.7 percent over prior year totals. Revenues were aided by a third round of directed stimulus payments to individuals and businesses which helped spur consumption. Revenue growth was broadly-based as six of the eight major categories saw increases. Receipts in the quarter were $2,955.4 million, $185.5 million more than what was received in the third quarter of FY20. The increases in collections were concentrated in the sales and use, individual income and corporation income taxes. Combined, these accounts grew by $157.1 million. On the negative side, coal severance and cigarette tax revenues fell by a combined $12.5 million.

Total Road Fund receipts fell 0.4 percent during the third quarter of FY21, after growing in both of the first two quarters of the fiscal year. The rate of growth in the Road Fund has declined as the year has progressed with quarterly growth rates of 1.9, 0.7, and -0.4 percent, respectively. Total receipts received in the quarter were $385.7 million compared to last year's third quarter total of $387.2 million. Motor fuels and motor vehicle usage tax receipts had the largest changes compared to last year and moved in offsetting directions. Motor fuels collections fell $12.1 million while motor vehicle usage tax revenues increased $10.9 million. Year-to-date Road Fund collections have grown 0.8 percent.

State and National Economy, Third Quarter FY21

Real GDP fell by 0.012 percent in the third quarter of FY21 compared to the third quarter of FY20. Real investment increased by 7.5 percent during the same time period. Real exports decreased by 7.3 percent in the third quarter, while real imports increased by 6.4 percent. Federal outlays surged 44.2 percent in the third quarter of FY21, led by subsidies and non-Medicaid grants to state and local governments. US personal income rose 8.7 percent in the third quarter of FY21, led almost entirely by transfer receipts income. US non-farm employment fell by 5.8 percent in the third quarter, with leisure and hospitality services employment losing the most jobs in percentage terms.

Kentucky personal income grew by 7.4 percent in the third quarter of FY21. Transfer receipts income, which grew by 28.7 percent, made up the nearly all of the growth in Kentucky personal income. Kentucky non-farm employment declined 4.8 percent in the third quarter of FY21. All 11 supersectors lost jobs, with the most losses occurring in leisure and hospitality services employment, which lost 16.3 percent in the third quarter.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND

Revenue collections for the General Fund continue to outpace expectations. The injection of federal relief payments to businesses and individuals within the Kentucky economy have led to economic and revenue growth ahead of projections. The third quarter General Fund revenue performance was especially positive, posting 6.7 percent growth. Consumer spending and personal income helped many of the major revenue sources exceed the levels anticipated during the formation of the budget estimates.

The official General Fund revenue estimate for FY21, as adjusted by the actions of the General Assembly in the 2021 regular legislative session, is $11,704.0 million, an increase of 1.2 percent compared to FY20. Following March collections, the amount needed during the rest of the fiscal year to hit the official estimate is $2,680.6 million. General Fund receipts could decline by 12.1 percent for the remainder of the fiscal year and hit the official estimate. The interim, unofficial General Fund estimate for FY21 profiled in this report is $12,290.4 million, which would generate revenue of $586.4 million above the official estimate. Projected growth in the fourth quarter is 7.2 percent and annual growth for FY21 is predicted to be 6.3 percent. See Table 1 for the interim estimates and the comparison to the official estimates.

Table 1
General Fund Interim Forecast
$ millions

	FY21						FY21		FY22	
	Q1 - Q3		Q4		Full Year		Official CFG		Q1 - Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	3,520.5	4.9	1,450.5	2.9	4,971.0	4.3	4,813.0	158.0	2,418.9	3.5
Sales & Use	3,268.0	5.9	1,102.9	12.0	4,370.9	7.4	4,232.8	138.1	2,301.4	4.1
Corp. Inc. & LLET	476.9	28.4	299.0	11.7	775.9	21.4	547.5	228.4	309.1	-22.5
Property	623.3	4.8	67.4	39.4	690.7	7.4	663.7	27.0	451.4	0.6
Lottery	206.1	2.4	80.0	14.3	286.1	5.4	286.1	0.0	141.0	2.8
Cigarettes	258.8	-3.4	86.8	-0.2	345.6	-2.6	345.2	0.4	179.6	-0.7
Coal Severance	42.3	-12.2	10.9	2.1	53.2	-9.6	52.4	0.8	33.0	14.6
Other	627.4	5.8	169.5	-0.3	796.9	4.4	763.3	33.6	331.0	1.8
General Fund	**9,023.4**	**5.9**	**3,267.0**	**7.2**	**12,290.4**	**6.3**	**11,704.0**	**586.4**	**6,165.4**	**1.6**

The fourth quarter expected growth rate of 7.2 percent must be viewed in conjunction with the 4.5 percent decline during the recessionary period in the fourth quarter of FY20 during the outbreak of COVID. Most accounts declined, some rather sharply, during the fourth quarter of FY20. The lone exception was the individual income tax account, which rose 4.1 percent despite withholding growing only 0.9 percent. The fourth quarter of FY21 is projected to produce pronounced rebounds in many of the taxes that were hit especially hard during the fourth quarter of FY20.

Nearly 76.0 percent of projected General Fund revenues are attributable to two tax accounts – individual income tax and the sales tax. Year-to-date progress in these two revenue sources shows collective growth of 5.4 percent, which is just slightly below the 5.9 percent year-to-date growth in the General Fund.

The individual income tax is expected to exceed the budgeted estimate by $158 million. It is forecasted to grow modestly at 2.9 percent during the fourth quarter of FY21 before accelerating to a 3.5 percent pace in the first half of FY22. Individual income tax receipts comprise over two-fifths of all General Fund revenues. This revenue category actually grew in the fourth quarter of FY20 in spite of falling employment and consumer spending that accompanied the 2020 recession. Individual income tax receipts rose 4.9 percent through the first three quarters of FY21. The individual income tax is composed of four parts: withholding, declaration payments, net returns, and fiduciary. Withholding is by far the largest component, making up over 90 percent of the total individual income tax. The withholding component is expected to increase 9.3 percent in the fourth quarter of FY21 following growth of 4.0 percent through the first nine months of the fiscal year. Some individual income tax filers, based on their expected tax liability for the tax year, make quarterly declaration payments in April, June, September, and January. This component of the individual income tax is forecasted to increase by 7.6 percent in the fourth quarter of FY21 due to higher expected tax liabilities in tax year 2021. Net returns are the combination of pay returns less refunds, with the sum historically being a negative number. Net returns are projected to worsen in the fourth quarter, partially due to anticipated refunds on taxable unemployment insurance benefits that were subject to withholding in calendar year 2020. The final component, fiduciary payments, is a very small revenue source that is expected to fall sharply in percentage terms during the fourth quarter. The four components combine for a 2.9 percent fourth quarter increase to close FY21 before picking up to 3.5 percent growth in the first half of FY22.

Sales and use tax receipts increased 5.9 percent during the first three quarters of FY21. The fourth quarter is expected to increase by 12.0 percent due to the strength of consumer spending and the 5.9 percent decline in sales tax collections during the fourth quarter of FY20 that lowers the base of comparison for FY21. Combining the year-to-date sales and use receipts with the fourth quarter interim estimate, the total sales and use receipts are $4,370.9 million for FY21. This interim estimate results in 7.4 percent annual growth for FY21. The official estimate for the sales and use tax is $4,232.8 million, so the interim estimate is $138.1 million higher than the official estimate. Compared to the fourth quarter of FY20, the Kentucky economy will be considerably more open for commerce including services, and internet sales will continue to power the sales tax forward. Growth for the first half of FY22 is expected to continue at a 4.1 percent pace.

Revenues from the corporation income tax and the limited liability entity tax (LLET) are estimated to exceed the budgeted estimate by $228.4 million, the largest component of the expected $586.4 million revenue surplus. These two taxes continue to be reported and estimated in combination due to the interactions between the income and gross receipts taxes on businesses. Corporation taxes fell 16.2 percent in FY20, the largest annual decline since the Great Recession. Despite the economic conditions earlier in FY21, business taxes have grown 28.4 percent thus far in FY21. Corporate and LLET combined are expected to increase by 11.7 percent for the remainder of FY21 and end the year with 21.4 percent growth over FY20. Growth through the first half of FY22 is projected to decline by 22.5 percent, partly due to the passage of HB 278 by the Kentucky General Assembly in the 2021 legislative session. House Bill 278 permitted business expenses reimbursed by the federal paycheck protection program forgiven loans to be deductible. Usually reimbursed business expenses are not deductible. The fiscal impact of that legislation is projected to be $25 million in FY21 and $125 million in FY22, with $100 million attributable to the business taxes and $25 million to the individual income tax for pass- through entities. In the case of business taxes, there have been numerous tax law changes since 2018 that have profoundly affected receipts. Both the magnitude and volatility of tax collections have been impacted by the recent tax law changes.

Property taxes have rebounded in FY21 from the 0.6 percent decline in FY20 and are expected to exceed the budgeted estimate by $27 million. Through the first nine months of FY21, property tax receipts have climbed 4.8 percent. The FY20 decline was primarily caused by the 33.5 percent dip in the fourth quarter receipts. In particular, tangible property, including motor vehicles, plummeted 30.0 percent as access to county clerks offices, a common way these taxes are paid, was restricted due to the pandemic. The public service property account also plunged, posting a 59.0 percent falloff during the fourth quarter of FY20. As a result of these extraordinary declines in prior year receipts, the fourth quarter of FY21 is expected to rise 39.4 percent. Only 9.8 percent of annual property taxes for FY21 are projected to be collected during the fourth quarter. The largest source of annual property tax receipts is the real property account, most of which is remitted during the second and third quarters of the fiscal year. Property tax growth in the first half of FY22 is expected to moderate to 0.6 percent.

Lottery dividends totaled $271.4 million in FY20. The FY21 official estimate is $286.1 million and this interim estimate shows no changes to the official estimate. Continued annual growth in Kentucky is noteworthy given the maturity of the state lottery. The growth through the first three quarters of FY21 was primarily attributable to growth in scratch-off products and draw games, which continue to expand despite a growing number of wagering alternatives in the region.

Cigarette tax revenues are expected to match the budgeted estimate. Monthly cigarette tax receipts in FY21 have turned quite choppy, with double-digit gains and setbacks more commonplace than during a normal year. For example, cigarette tax receipts grew 16.0 percent in February 2021, before falling 22.1 percent in March. Year-to-date collections for cigarette taxes have declined 3.4 percent including the sharp drop in March. The interim forecast for FY21 calls for a 0.2 percent decline in the fourth quarter, producing an amount $0.4 million higher than the official estimate. Receipts in the first half of FY22 are expected to fall 0.7 percent. Since the rate of taxation per pack will remain the same in FY22 as it was since FY19, variations in cigarette tax receipts will be based solely on the volume of cigarette tax stamps sold to wholesalers and registered stamping agents.

Coal severance tax receipts are also expected to approximately match the budgeted estimate. These receipts dropped sharply in FY20, declining by 36.7 percent to $58.8 million. Collections thus far in FY21 for the coal severance tax compute to a 12.2 percent decline with receipts equaling $42.3 million. The FY21 interim forecast calls for annual receipts of $53.2 million, an amount $0.8 million greater than the official estimate. While the rate of decline is estimated to total 9.6 percent in FY21, it is fair to say that coal severance tax collections have moderated since the poor showing in FY20. The coal severance tax is further expected to climb 14.6 percent during the first half of FY22 before declining in the second half of the fiscal year.

The “other” category of receipts are forecasted to exceed budgeted estimates by $33.6 million, primarily due to insurance premium, telecommunications, pari-mutuel, and alcohol taxes. This category contains dozens of smaller accounts, which make up the remainder of the General Fund. Insurance premiums tax, bank franchise and telecommunications tax are the three largest accounts in the “other” category. The “other” accounts totaled $627.4 million thus far in FY21, with several of the specific line items running ahead of projected balances. A 0.3 percent decline is expected for the remaining quarter of FY21, but the balance at the conclusion of the fiscal year is anticipated to exceed the official estimate by $33.6 million. Fiscal year 2021 will likely be a peak for the “other” accounts due to the repeal of the bank franchise tax that will adversely affect FY22 receipts beginning next March.

ROAD FUND

After experiencing weak or declining quarterly growth rates through the first nine months of FY21, Road Fund revenues are expected to grow significantly in the fourth quarter and then settle into a more normal pattern in the first half of FY22. The pandemic had an adverse effect on economic conditions and revenue collections. Receipts fell by 23.6 percent during that quarter. Conditions improved somewhat this year; however, quarterly growth rates have declined throughout the year. Growth rates for the first three quarters of FY21 have been 1.9, 0.7, and -0.4 percent, respectively. Revenues are forecasted to return to a normal pattern in the first two quarters of FY22 as shown in Table 2. Growth rates for the fourth quarter of the current fiscal year will be extreme due to the low level of collections last year. The forecast calls for an increase of 27.6 percent in the fourth quarter and 2.9 percent over the first six months of FY22. The FY21 full-year forecast is $12.1 million more than the official revenue forecast as approved by the Consensus Forecasting Group in December 2020.

Motor fuels tax collections have been falling throughout the current year but are forecasted to grow17.1 percent over the final quarter. Because the tax rate in effect for the current fiscal year is unchanged from the prior year, growth in this revenue source is limited to changes in consumption which tends to be in the range of -1.0 percent to 1.0 percent annually. With the progress that vaccinations are bringing to the economic recovery, vehicle miles traveled and consumption should increase and with it motor fuels receipts. Collections are expected to grow 2.2 percent over the first half of FY22.

Motor vehicle usage tax collections have outpaced expectations this year, due in part to stimulus payments, increasing 10.2 percent though the first three quarters of the fiscal year. Strong growth will continue into the final quarter as revenues increase 49.5 percent compared to the 27.8 percent decline in last year's fourth quarter. Collections are forecasted to ease but remain positive with receipts increasing 4.1 percent in the first six months of FY22. The FY21 quarterly growth rates have been 12.1, 10.2, and 8.3 percent, respectively.

To estimate the growth of all other components of the Road Fund, officials of the Kentucky Transportation Cabinet and staff of the Governor's Office for Economic Analysis together assessed recent growth patterns as well as administrative and statutory factors.

Motor vehicle license taxes are forecasted to grow 36.8 percent in the final quarter of FY21 and 3.0 percent in the first two quarters of FY22. Motor vehicle operators' licenses are projected to increase $3.4 million, or 384.0 percent, for the remainder of the fiscal year but decrease 13.9 percent over the first six months of FY22. Weight distance tax revenue is forecast to increase 8.1 percent in the final quarter of the fiscal year and increase 4.8 percent in the first half of FY22. Investment income is negative over the first nine months of the fiscal year but receipts should be positive and small over the forecast horizon. All other revenues have grown 15.7 percent during the first three quarters of the current fiscal year. However, receipts in this revenue category are expected to decrease over the next three months before growing 1.9 percent in the first half of FY22.

Table 2
Road Fund Interim Forecast
$ millions

	FY21						FY21		FY22	
	Q1 - Q3		Q4		Full Year		Official CFG		Q1 - Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	548.8	-5.6	187.7	17.1	736.5	-0.7	756.2	-19.7	386.3	2.2
Motor Vehicle Usage	440.5	10.2	149.0	49.5	589.5	18.1	568.6	20.9	309.9	4.1
Motor Vehicle License	77.3	-0.1	42.8	36.8	120.1	10.6	117.2	2.9	46.0	3.0
Motor Vehicle Operators	15.4	27.8	4.3	384.0	19.7	52.4	17.2	2.5	8.6	-13.9
Weight Distance	62.2	-2.2	21.4	8.1	83.6	0.3	79.7	3.9	42.5	4.8
Income on Investments	-0.1	-101.9	0.2	-78.2	0.1	-98.5	0.2	-0.1	0.2	-46.4
Other	31.7	15.7	8.6	-26.1	40.3	3.3	38.6	1.7	19.3	1.9
Road Fund	**1,175.7**	**0.8**	**414.1**	**27.6**	**1,589.8**	**6.6**	**1,577.7**	**12.1**	**812.8**	**2.9**

NATIONAL OUTLOOK

The March IHS Markit outlook assumes all pandemic relief measures enacted in 2020 in addition to the $1.9 trillion American Rescue Plan Act (ARP) federal fiscal stimulus enacted March 11, 2021. The final version of ARP includes $1,400 stimulus checks for qualifying Americans, extension of emergency unemployment programs and benefits through early September of $300 per week, $194 billion in expansions of refundable tax credits and healthcare subsidies, and $125 billion in funding for COVID-19 mitigation efforts. In addition, the ARP contains $350 billion of aid for state and local governments, $287 billion of support for education, $96 billion for the transportation sector and infrastructure projects, $16 billion for agriculture and nutrition programs, $17 billion for veterans' benefits, and aid for renters and entertainment venues.

Unlike the largely front-loaded fiscal support included in the previous Coronavirus Response and Relief Supplemental Appropriations Act, the estimates for ARP suggest a more back-loaded spend out of the outlays. A portion of the prior rounds of individual economic impact payments have been saved by households and that behavior is expected to occur with the ARP as well.

The March IHS Markit outlook assumes the propensity to consume for the individual stimulus checks is low, anticipating a modest 15 percent of the stimulus received by households will be spent and spread over several quarters. In addition, the propensity to spend unemployment benefits, which is assumed to act as a replacement for labor income for income constrained households is equal to one, fully expended but spread over several quarters. Personal income, as well as nominal wages and salary compensation of workers, continue to rise.

Consumers are growing increasingly more optimistic about the economic outlook. The stimulus payments have increased the demand for consumer goods. There is also an upturn in demand for consumer services. An improved public health landscape, warmer weather trailing harsh winter conditions, and easing containment measures are generating advanced bookings for consumer services activity that is projected to exceed pre-pandemic peaks. High frequency data, like the Open Table platform data for restaurant traffic and weekly data for air travel and hotel occupancy, all point to improvement in consumer services as the economy continues to recover.

Real GDP is projected to grow a robust 11.7 percent in the final quarter of FY21 and 5.8 percent in the first two quarters of FY22, on a year-over-year basis. It should be noted that year-over-year comparisons for the fourth quarter of FY21 are somewhat skewed given the recessionary quarter in the fourth quarter of FY20. Among the five components of real GDP, real consumption is poised to grow the most in absolute terms. Real consumption is expected to grow 12.6 percent in the final quarter of FY21 and 5.6 percent in the first two quarters of FY22, compared to the same periods in the year prior. Real investment is projected to close FY21 with a 28.8 percent increase in the fourth quarter followed by a solid 11.6 percent surge in the first half of FY22. Finally, government spending (including state and local) is finally starting to show growth with 2.2 percent growth in the fourth quarter of FY21 followed by a 3.6 percent increase in the first half of FY22. With consumption, investment and government spending all expected to rise, real GDP growth is finally undergirded by a wide base of improvement among the sectors of GDP.

When looking at the fourth quarter projections for the import and export components of real GDP, the year-over-year comparisons are similarly affected by the recession in the fourth quarter of FY20. Real exports are expected to grow 22.3 percent compared to the fourth quarter of FY20. By contrast, real exports are projected to decline 4.2 percent for FY21 (as seen in Table 3). A stronger US dollar has been a drag on real exports as US goods and services are less competitive in the global markets with a strong dollar. On the positive side, there have been recent upward revisions to US crude oil production, which increases exports in petroleum and petroleum-based products. The import markets are improving on a year-over-year basis due to the strengthening domestic demand compared to the base period.

While both single-family starts and permits will continue to be elevated in the near-term outlook, headwinds are emerging for residential investments. In the near term, residential investment is enjoying a strong outlook. Both single-family starts and permits are elevated due to some residual demand left over from 2020 and new demand for housing in suburban areas. In the intermediate term, however, housing activity is constrained by low inventory, upward pressure on the 30-year mortgage rate, shortages in building materials, and soaring construction costs. Housing starts are anticipated to be higher in the final quarter of FY21, rising from 1.1 million in the fourth quarter of FY20 to 1.6 million, before slipping to an annualized rate of 1.5 million in the first and second quarters of FY22.

Outside of the energy sector, inflation has remained largely within Federal Reserve targets. Core PCE inflation is expected to remain below 2.0 percent throughout the forecast horizon in FY22. The combination of labor market slack and an easing of oil prices from recent highs have kept headline inflation largely in check. The price of Brent crude had climbed to nearly $70 per barrel before easing.

KENTUCKY OUTLOOK

While Kentucky's economy has recovered much of its initial economic losses, total nonfarm employment has not yet returned to pre-pandemic levels. The need for jobs across the Commonwealth persists, as overall employment growth remains sluggish following the initial burst of job growth last summer. The employment growth in the first and second quarters of FY21 was likely the result of spending from the first-round stimulus checks, expanded unemployment benefits from the CARES Act, and phased business reopening. The pace of job growth slowed significantly to 0.4 percent in the third quarter of FY21, following an adjacent-quarter increase of 6.8 percent in the first quarter of FY21 and 1.2 percent in the second quarter of FY21. While these employment gains are encouraging, further gains in aggregate demand and a return of pre-pandemic social and economic activity are essential to successfully pull employment back in line with the pre-pandemic trend.

While nearly three-fifths of Kentucky jobs lost during the early stages of the COVID-19 pandemic have been recovered, some former labor force participants who are out of work have stopped looking for employment entirely and no longer count as unemployed in the official unemployment rate. Kentucky non-farm employment fell by 240,700 jobs in the fourth quarter of FY20. Then over the next three quarters, non-farm employment rose a net 147,200 jobs. As shown in Table 7, the US civilian labor force has fallen 2.2 percent between the third quarter of FY20 to the same quarter in FY21. In Kentucky, the BLS has reported that the labor force has fallen from 2,015,112 in March 2020 to 1,990,548 in March 2021. The increasing number of long term structurally unemployed people places downward pressure on the unemployment rate despite no concomitant increase in employment.

Table 3
US Economic Outlook
FY21 Q4, FY22 Q1 & Q2

	Q4			Full Year		Q1 & Q2	
	FY21	FY20	% Chg	FY21	% Chg	FY22	% Chg
Real GDP	19,333.8	17,302.5	11.7	18,930.7	1.4	19,772.5	5.8
Real Consumption	13,360.2	11,860.3	12.6	13,108.5	1.5	13,688.5	5.6
Real Investment	3,671.8	2,849.8	28.8	3,529.2	8.2	3,827.4	11.6
Real Govt. Expenditures	3,444.3	3,368.7	2.2	3,369.2	0.8	3,442.9	3.6
Real Exports	2,357.7	1,927.4	22.3	2,278.4	-4.2	2,426.6	9.2
Real Imports	3,572.9	2,702.5	32.2	3,412.7	5.9	3,689.3	12.1
Personal Income ($ billions, AR)	21,859.6	20,457.3	6.9	20,454.4	6.6	20,136.6	2.3
Wages and Salaries ($ billions, AR)	9,855.2	8,908.8	10.6	9,603.5	3.4	10,052.0	6.4
Transfer Receipts	5,719.1	5,678.0	0.7	4,667.3	22.7	3,807.9	-6.7
Dividends, Interest, and Rents	3,712.7	3,706.3	0.2	3,689.7	-1.8	3,781.9	2.7
Supplements to Wages and Salaries	2,237.5	2,040.7	9.6	2,180.2	3.1	2,279.0	6.5
Proprietors' Income	1,841.4	1,511.9	21.8	1,786.9	8.4	1,744.9	-2.0
Social Insurance	1,506.3	1,388.4	8.5	1,473.1	3.5	1,529.1	5.3
CPI all goods (% chg)	3.0	0.4	NA	1.8	NA	2.1	NA
CPI Food (% chg)	1.5	4.0	NA	3.2	NA	1.8	NA
CPI Energy (% chg)	19.6	-16.1	NA	0.3	NA	9.8	NA
CPI Core (% chg)	2.1	1.3	NA	1.7	NA	1.6	NA
Industrial Production Index (% chg)	16.2	-14.2	NA	0.8	NA	7.4	NA
Unemployment Rate (%)	5.6	13.0	NA	6.9	NA	5.0	NA
Housing Starts (millions, AR)	1.6	1.1	49.4	1.6	18.0	1.5	0.4

The economic outlook presented in Table 4 was prepared using the March 2021 economic forecast from both IHS Markit and the Kentucky MAK model. An uptick in total non-farm employment growth is expected over the next three fiscal quarters. Total nonfarm employment is expected to remain below the pre-pandemic peak reached in February of last year. Even if overall job gains hit the forecasted estimate, the overall level of employment in the Commonwealth will remain 38,000 lower than the pre-pandemic level. Total non-farm employment is forecasted to edge up by 24,100 jobs by June of 2021 and an additional 31,600 by December, ending the second quarter of FY22.

Table 4
Kentucky Economic Outlook
FY21 Q4, FY22 Q1 & Q2

	Q4			Full Year		Q1 & Q2	
	FY21	FY20	% Chg	FY21	% Chg	FY22	% Chg
Personal Income ($ millions)	228,652.4	220,739.9	3.6	212,398.2	4.3	206,670.9	1.7
Wages and Salaries	101,131.6	90,651.4	11.6	98,942.6	3.3	102,851.7	5.4
Transfer Receipts	74,267.9	79,643.5	-6.7	61,139.1	9.6	50,260.3	-6.6
Dividends, Interest, and Rents	32,946.7	32,697.2	0.8	32,700.5	-1.1	33,532.0	2.9
Supplements to Wages and Salaries	25,805.2	22,894.3	12.7	24,955.6	3.7	26,354.4	8.2
Proprietors' Income	13,825.3	12,218.1	13.2	13,507.3	4.4	13,319.6	-1.0
Social Insurance	16,688.8	15,128.5	10.3	16,297.1	3.9	16,962.0	5.7
Non-farm Employment (thousands)	1,883.5	1,712.2	10.0	1,855.9	-1.9	1,907.9	3.7
Goods-producing	334.0	297.2	12.4	327.8	-0.9	336.2	3.9
Construction	77.8	74.8	3.9	77.6	-2.3	78.4	1.0
Mining	9.1	6.9	31.2	7.9	-9.8	9.1	24.8
Manufacturing	247.2	215.5	14.7	242.3	-0.1	248.7	4.2
Service-providing	1,254.6	1,121.4	11.9	1,234.1	-1.5	1,272.6	4.1
Trade, Transportation & Utilities	408.9	377.0	8.5	403.1	1.2	410.5	2.7
Information	18.6	19.5	-4.9	19.3	-8.4	18.5	-7.6
Finance	93.7	90.8	3.2	93.1	-0.3	93.9	1.1
Business Services	218.6	192.6	13.5	212.6	0.8	224.8	7.9
Educational Services	276.0	257.7	7.1	275.0	-2.1	277.0	0.9
Leisure and Hospitality Services	176.8	128.4	37.6	169.5	-7.9	185.2	11.7
Other Services	62.1	55.4	12.1	61.5	-5.0	62.8	2.5
Government	294.9	293.7	0.4	294.0	-4.3	299.1	1.6

Shifting focus towards the sectoral analysis, employment is expected to rise in 10 of Kentucky's 11 major nonfarm job sectors over the next nine months. The goods-producing sectors are expected to increase by 12.4 percent in the fourth quarter of FY21 and by 3.9 percent in the first half of FY22. The service-providing sectors are expected to increase by 11.9 percent in the fourth quarter of FY21 and by 4.1 percent in the first half of FY22. In percentage and nominal terms, the leisure and hospitality employment sector is expected to incur the quickest growth in the fourth quarter of FY21, gaining 37.6 percent or 48,300 jobs. Further recovery is anticipated the leisure and hospitality employment sector spanning the first two quarters of FY22, growing an additional 11.7 percent. Of all the supersectors, leisure and hospitality employment was among the hardest hit over the course of the pandemic.

Personal income is expected to grow 3.6 percent by the final quarter of FY21, and 1.7 percent for the first half of FY22. Gains in personal income are expected to support consumer spending and disposable income in the short term, improving the overall economic climate over the forecast horizon. The wages and salaries component of Kentucky personal income is expected to increase by a robust 11.6 percent for the final quarter of FY21 and hold a moderate pace of 5.4 percent growth entering the first and second quarters of FY22.

REVENUE RECEIPTS

GENERAL FUND
Third Quarter FY21

General Fund receipts posted their largest quarterly growth rate of the year in the just completed quarter, increasing 6.7 percent over prior year totals. Revenues were aided by a third round of directed stimulus payments and growth was broad-based as six of the eight major categories saw increases. Receipts in the quarter were $2,955.4 million, $185.5 million more than what was received in the third quarter of FY20. The increases in collections were concentrated in the sales and use, individual income and corporation income taxes. Combined, these accounts grew by $157.1 million. On the negative side, coal severance and cigarette tax revenues together fell $12.5 million.

Table 5
Summary General Fund Receipts
$ millions

	FY21 Q3	FY20 Q3	Diff $	Diff %
Individual Income	1,182.6	1,128.1	54.5	4.8
Sales & Use	1,057.2	999.2	58.0	5.8
Corp. Inc. & LLET	78.1	31.7	46.4	146.6
Property	174.8	162.7	12.1	7.4
Lottery	69.0	63.5	5.5	8.7
Cigarettes	78.0	88.2	-10.2	-11.5
Coal Severance	13.5	15.8	-2.3	-14.5
Other	302.2	280.7	21.5	7.6
Total	**2,955.4**	**2,769.8**	**185.5**	**6.7**

The individual income tax grew 4.8 percent in the third quarter of FY21. Receipts totaled $1,182.6 million compared to $1,128.1 million received in the third quarter of FY20. All four components of the tax increased in the quarter with the largest being a more favorable balance on net returns. For the just completed quarter, payments with returns exceeded refunds by $31.0 million. Withholding only grew 1.4 percent, or $16.3 million, for the quarter which is less than the year-to-date growth rate of 4.0 percent. Estimated, or declaration payments, were $133.8 million, up $4.0 million from the prior year while fiduciary collections increased $3.3 million. The individual income tax is the largest tax account in the Commonwealth, and made up just over 40 percent of total General Fund receipts in the third quarter.

Sales and use tax receipts were also strong in the third quarter, growing 5.8 percent over the third quarter of FY20 despite flat collections in March. Growth in the sales and use tax has been strong for eight of the nine months of FY21, aided by federal relief payments to individuals and businesses. Collections were $1,057.2 million which exceeded prior year totals by $58.0 million. Quarterly growth rates for the tax were 7.0, 4.8, and 5.8 percent, respectively for this year.

Corporate income tax receipts increased by $44.5 million compared to collections in the third quarter of FY20 as declaration payments were $71.6 million more than last year. Net payments with returns partially offset the estimated payments, declining by $27.0 million. Meanwhile, the limited liability entity tax (LLET) grew 3.5 percent, or $1.9 million, in the third quarter.

Property tax collections have been strong this year, aided by some FY20 collections which spilled over into the first quarter this year. Receipts grew 7.4 percent in the just completed quarter with collections of $174.8 million. This is $12.1 million more than received during the same time frame last year. Real, tangible and public service property all had increases in the quarter as did omitted and delinquent collections. Growth rates for the three quarters in year have been 23.5, 1.6, and 7.4 percent, respectively.

Lottery receipts increased by 8.7 percent in the third quarter after falling by 3.5 percent in the second quarter. Thus far in FY21, lottery dividend payments total $206.1 million, up 2.4 percent compared to FY20.

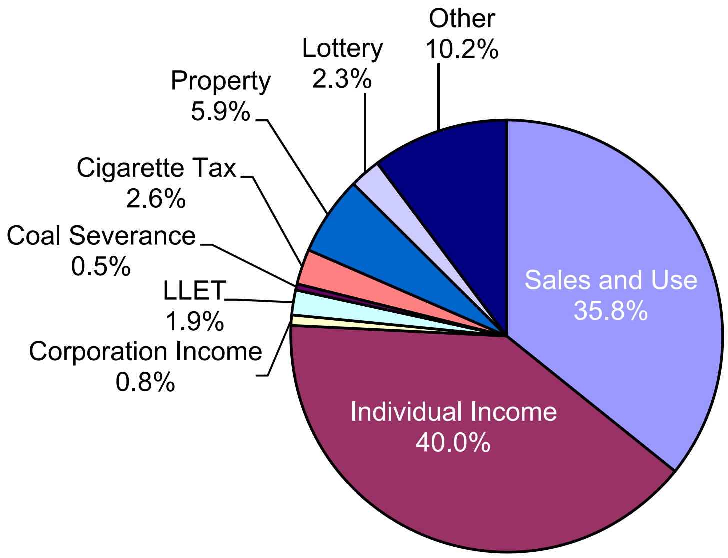
Cigarette tax receipts fell 11.5 percent to $78.0 million in the third quarter of FY21. With quarterly growth rates of -3.3, 4.5, and -11.5 percent, respectively. Year-to-date revenues have fallen 3.4 percent.

Coal severance tax receipts totaled $13.5 million for the third quarter of FY20. This is $2.3 million, or 14.5 percent less than in the third quarter of FY20. Coal sales are largely a function of the coal demanded by power plants in Kentucky and in power plants nearby Kentucky which utilize Kentucky coal. Year-to-date, coal receipts have declined by 12.2 percent.

The Other category, which is composed of many smaller tax accounts, increased 7.6 percent in the third quarter of FY21. Third quarter receipts were $302.2 million. This is $21.5 million more than was received in the same quarter of FY20.

Figure 1 shows the composition of General Fund revenues by tax type for the third quarter of FY21. Individual income tax and sales and use taxes made up 75.8 percent of General Fund tax receipts. The other category made up 10.2 percent of receipts in the third quarter. The next largest source of revenue is the property tax, which made up 5.9 percent of total receipts. Cigarettes made up 2.6 percent of total receipts. The lottery dividend made up 2.3 percent of the General Fund receipts. Corporate and LLET combined made up 2.7 percent of receipts. The coal severance tax made up 0.5 percent of total receipts.

Figure 1
Composition of Third Quarter FY21
General Fund Revenues



ROAD FUND
Third Quarter FY21

Total Road Fund receipts decreased 0.4 percent during the third quarter of FY21, after growing in each of the first two quarters of the fiscal year. The rate of growth in this account has declined each quarter as the year has progressed. The growth rates for the first three quarters of the fiscal year have been 1.9, 0.7, and -0.4 percent, respectively. Total receipts received in the third quarter were $385.7 million compared to last year's third quarter total of $387.2 million. Motor fuels and motor vehicle usage tax receipts had the largest changes compared to last year and moved in offsetting directions. Motor fuels collections fell $12.1 million while motor vehicle usage tax revenues increased $10.9 million. The remaining accounts had relatively small changes and taken as a whole fell by $300,000. Year-to-date Road Fund collections have grown 0.8 percent.

The official FY21 Road Fund revenue estimate calls for a 5.8 percent increase in revenue for the year. Based on year-to-date tax collections, revenues must grow 23.8 percent in the final quarter of the fiscal year to meet the revenue estimate. While the needs seem excessive, collections in the fourth quarter last year declined by over $100 million as the pandemic brought economic activity to a near standstill. Summary data are contained in Table 6 and detailed data are shown in the Appendix. For the quarter, motor fuels tax receipts fell 6.6 percent to $171.0, the lowest quarterly total since FY11 (excluding last year's fourth quarter outlier). Collections in this account have lagged since the onset of the pandemic and have declined in each of the past four quarters. Receipts were $12.1 million lower than the $183.1 million collected during the third quarter of last year. Year-to-date collections in this account have decreased 5.6 percent.

Table 6 Summary Road Fund Receipts $ millions				
	FY21 Q3	FY20 Q3	Diff $	Diff %
Motor Fuels	171.0	183.1	-12.1	-6.6
Motor Vehicle Usage	142.7	131.8	10.9	8.3
Motor Vehicle License	32.6	35.6	-3.0	-8.4
Motor Vehicle Operators	5.4	3.8	1.5	40.2
Weight Distance	21.6	20.8	0.8	3.9
Income on Investments	-0.4	3.2	-3.5	NA
Other	12.8	8.9	3.9	43.9
Total	**385.7**	**387.2**	**-1.5**	**-0.4**

Motor vehicle usage tax receipts have continued to exceed expectations, growing 8.3 percent in the just completed quarter. In most years, an 8.3 percent quarterly increase would be considered exceptional. This year, however, that is the low-water mark. Receipts in this account have increased 12.1, 10.2, and 8.3 percent for the three quarters this year. Revenues were $142.7 million compared to $131.8 million last year and have now increased 10.2 percent through the first nine months of FY21.

Motor vehicle license tax receipts fell $3.0 million, or 8.4 percent in the third quarter after whipsawing in the first two quarters of the year. First quarter collections grew 24.7 percent due to some FY20 revenue spilling over into the current year while second quarter revenue fell 10.2 percent. Year-to-date revenues have declined 0.1 percent.

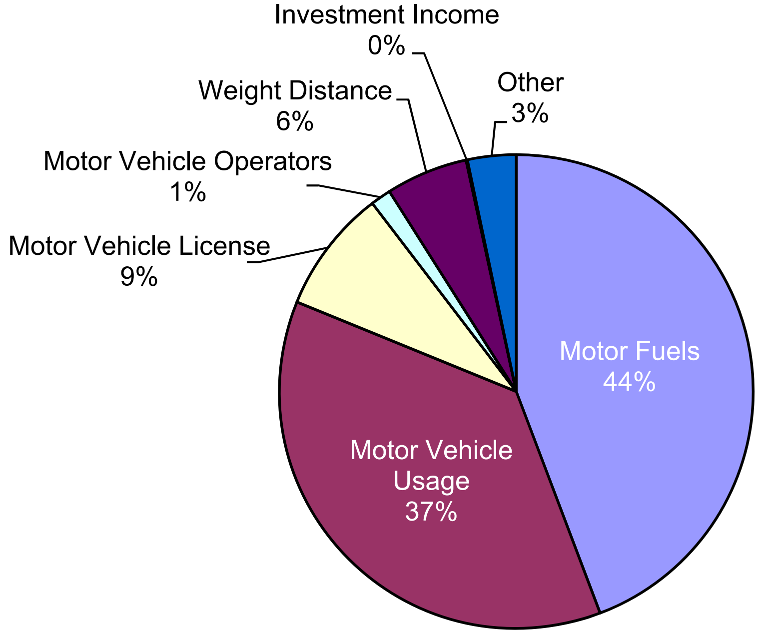
Motor vehicle operator's tax receipts were $5.4 million in the third quarter of FY21, a $1.5 million increase compared to collections a year ago. Receipts have increased $3.4 million for the year.

Weight distance tax receipts were $21.6 million in the quarter which represent a 3.9 percent increase compared to receipts collected during the third quarter of FY20. The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways. Year-to-date collections in this account have fallen 2.2 percent.

The remainder of the accounts in the Road Fund are grouped in the "other" category and consist primarily of fines, fees and miscellaneous receipts. These funds combined to total $12.8 million, $3.9 million more than FY20 levels.

Figure 2 shows the composition of Road Fund revenues by tax type in the third quarter. The motor fuels tax and the motor vehicle usage tax are by far the largest components of the Road Fund. Together, they combined for 81 percent of Road Fund revenues in the third quarter. The next largest source of revenue was motor vehicle licenses at nine percent, followed by weight distance taxes with six percent. The "other" category accounted for three percent, while motor vehicle operators accounted for one percent and income on investments accounted for less than one percent.

Figure 2
Composition of Third Quarter FY21
Road Fund Revenues



THE ECONOMY
THIRD QUARTER FY21

NATIONAL ECONOMY

Real Gross Domestic Product (real GDP) fell by 0.012 percent in the third quarter compared to the same quarter of FY20. Adjacent-quarter growth (from the second quarter of FY21 to the third quarter of FY21) was by 1.2 percent in the third quarter. Most of the losses to real GDP occurred in the fourth quarter of FY20. Therefore it is best to examine adjacent-quarter growth rates to determine precisely when growth and losses occurred. Adjacent-quarter growth rates for the last five quarters starting with the January through March 2020 quarter were: -1.3, -9.0, 7.5, 1.0, and 1.2 percent, respectively. Growth rates across all real GDP components were muted during the third quarter of FY21. Considerable real GDP growth occurred in the first quarter of FY21, which recuperated a significant portion of the real GDP losses from the recession. Growth during the second and third quarters of FY21 would best be described as a very slow recovery or slow expansion period immediately following the recession. This slow growth is pretty evenly distributed across the real GDP components during the last two quarters.

Real consumption grew by 0.2 percent in the third quarter of FY21 over the third quarter of FY20. Adjacent-quarter growth (from the second quarter of FY21 to the third quarter of FY21) was 1.1 percent in the third quarter. Adjacent-quarter growth rates for the last five quarters were: -1.8, -9.6, 9.0, 0.6, and 1.1 percent, respectively. Real consumption followed the path of real GDP closely over this time. Real consumption made up 69.2 percent of real GDP in the third quarter of FY21.

Real investment rose by 7.5 percent in the third quarter of FY21 over the third quarter of FY20. This is more a function of the depth of the real investment fall from one year ago, rather than a statement about the current position of real investment. Therefore, it is more useful to look at adjacent-quarter growth rates. Adjacent-quarter growth (from the second quarter of FY21 to the third quarter of FY21) was 1.5 percent in the third quarter. Real investment was experiencing some weakness several quarters before the recession of 2020. Adjacent-quarter growth rates for the last eight quarters were: -1.5, 0.5, -0.9, -2.3, -14.5, 16.8, 6.1, and 1.5 percent, respectively. Real investment made up 18.9 percent of real GDP in the third quarter of FY21.

Real government expenditures grew by 1.2 percent in the third quarter of FY21 over the third quarter of FY20. Adjacent-quarter growth (from the second quarter of FY21 to the third quarter of FY21) was 2.1 percent in the third quarter. Adjacent-quarter growth rates for the last five quarters were: 0.3, 0.6, -1.2, -0.3, and 2.1 percent, respectively. It is important to note that real government expenditures do not include transfer payments to individuals or to states. Real government expenditures made up 17.8 percent of real GDP in the third quarter of FY21.

Table 7
Summary of US Economic Series
Third Quarter FY21 & FY20

	Third Quarter			
	FY21	**FY20**	**Chg**	**% Chg**
Real GDP	19,008.6	19,010.8	-2.3	0.0
Real Consumption	13,148.8	13,118.4	30.4	0.2
Real Investment	3,584.0	3,334.0	250.0	7.5
Real Govt. Expenditures	3,387.2	3,347.9	39.4	1.2
Real Exports	2,313.1	2,495.1	-182.0	-7.3
Real Imports	3,493.1	3,283.1	210.0	6.4
CPI all goods (% chg)	1.8	2.1	NA	NA
CPI Food (% chg)	3.4	1.9	NA	NA
CPI Energy (% chg)	2.6	0.9	NA	NA
CPI Core (% chg)	1.4	2.2	NA	NA
Industrial Production Index (% chg)	-0.2	-1.9	NA	NA
Working Population[1] (millions)	260.9	259.6	1.3	0.5
Civilian Labor Force[2]	159.9	163.4	-3.5	-2.2
Employed[3]	149.5	156.7	-7.3	-4.6
Unemployed[4]	10.4	6.7	3.7	55.5
Not in Labor Force[5]	101.0	96.2	4.8	5.0
Labor Force Participation Rate[6] (%)	61.4	63.1	NA	NA
Unemployment Rate (%)	6.2	3.8	NA	NA

Total federal outlays increased by 44.2 percent in the third quarter of FY21 over the third quarter of FY20. Total federal outlays have moved wildly over the last five quarters. Total federal outlays (annual rate) for the last five quarters were: $4.9 trillion, $9.1 trillion, $7.2 trillion, $6.0 trillion, and $7.1 trillion, respectively. See Table 8. These five outlay amounts are the five highest in US history. The corresponding adjacent-quarter growth rates for the last five quarters were: 1.8, 85.7, -20.9, -16.4, and 17.3 percent, respectively.

Subsidies grew by 621.0 percent in the third quarter of FY21, making up almost a quarter of the increase in total outlays. For the last two decades Subsidies ranged from a low of $39.2 billion in the fourth quarter of FY02 to a high of $81.4 billion in the first quarter of FY20. Subsidies outlays exploded in the fourth quarter of FY20 to a new high of $1.1 trillion. Subsidies expanded again in the first quarter of FY21 to $1.2 trillion. Subsidies contracted significantly in the second quarter of FY21 to $609.8 billion. Subsidies contracted again in the third quarter of FY21 to $537.0 billion, which is still historically high, but down from the peak in the first quarter. Adjacent-quarter growth rates for the last five quarters were: -7.5, 1,358.0, 11.7, -49.7, and -11.9 percent, respectively. Historically, subsidies make up about 1.5 percent of total federal outlays. However, in the third quarter of FY21, subsidies made up 7.6 percent of total federal outlays.

The second fastest growing outlay was Non-Medicaid Grants to State and Local Governments. Non-Medicaid Grants to State and Local Governments grew by 53.6 percent in the third quarter of FY21 over the third quarter of FY20. Non-Medicaid Grants to State and Local Governments outlays are high historically, and are also rising. The third quarter outlay was the second highest Non-Medicaid Grant to State and Local governments on record. The largest Non-Medicaid Grant to State and Local governments occurred in the fourth quarter of FY20. Adjacent-quarter growth rates for the last five quarters were: 0.2, 332.7, -72.6, -6.7, and 39.0 percent, respectively. The last five quarters of Non-Medicaid Grants to State and Local Governments outlays were the highest in US history. Current outlays are just over 40 percent higher than in the previous five quarters. Non-Medicaid Grants to State and Local Governments made up 4.4 percent of total federal outlays.

The category Federal Transfer Payments to Resident Persons accounted for the largest amount of the change in total federal outlays. Federal Transfer Payments to Resident Persons includes the subcategories Social Security, Medicare, Subsidies and several other smaller outlay accounts. Together these accounts grew by a net $1,470.8 billion in the third quarter of FY21 compared to the third quarter of FY20. This increase makes up 67.9 percent of the $2,165.6 billion increase in total federal outlays in the third quarter. See Table 8.

Table 8
US Federal Outlays
$ billions, AR

	Third Quarter			
	FY21	**FY20**	**Chg**	**% Chg**
Federal Outlays excl. Gross Investment	7,069.5	4,903.9	2,165.6	44.2
Social Security	1,107.9	1,068.5	39.4	3.7
Medicare	878.2	804.7	73.5	9.1
National Defense	715.2	690.9	24.3	3.5
Interest on Debt	524.5	581.7	-57.1	-9.8
Subsidies	537.0	74.5	462.5	621.0
Aid to Foreign Governments	43.3	54.5	-11.1	-20.4
Federal Transfer Payments to Resident Persons	3,893.3	2,422.5	1,470.8	60.7
Grants-in-Aid to S&L Governments	819.0	627.8	191.2	30.5
Medicaid	505.0	423.4	81.6	19.3
Non-Medicaid Grants to S&L Govts	314.0	204.4	109.6	53.6

Real exports decreased by 7.3 percent in the third quarter of FY21. Real exports were greatly affected by the coronavirus restrictions, mandates and shutdowns during the third and fourth quarters of FY20. Since then, adjacent quarter growth has varied but tapered over the last three quarters. Adjacent-quarter growth rates for the last five quarters were: -2.5, -22.8, 12.4, 5.1, and 1.6 percent, respectively. The previous peak for real exports was $2,560.4 billion which occurred in the third quarter of FY19. Real exports are still $247.3 billion below that previous peak. Quarterly growth is weak as demand in foreign countries remains weak. It is not clear if this is an income effect due to economic slowdown in general or if it is a shift away from US goods relative to competitor goods. Real exports made up 12.2 percent of real GDP in the third quarter of FY21.

Real imports increased by 6.4 percent in the third quarter of FY21. Imports followed a very different path than exports over the last five quarters. This can be seen clearly by examining the adjacent-quarter growth rates. Real imports dove 17.7 percent (adjacent-quarter) in the key fourth quarter of FY20. Then real imports rebounded immediately by 17.9 percent in the first quarter of FY21, making up a significant amount of the losses. Real imports grew moderately to strongly in the second and third quarters of FY21. Adjacent-quarter growth rates for the last five quarters were: -4.0, -17.7, 17.9, 6.7, and 2.8 percent, respectively. These three quarters of growth not only made up losses from the 2020 recession, but also made up other losses from before the recession. Real imports surpassed its previous peak of $3,486.8 billion (first quarter of FY20) in the third quarter of FY21 with $3,493.1 billion. Real imports (a deduction from real GDP) made up 18.4 percent of real GDP in the third quarter of FY21.

The strong rebound in imports and the continued weakness in exports has had a significant effect on the trade deficit. The trade deficit has soared in the last three quarters. The trade deficit in the third quarter of FY20 was $788.0 billion. The trade deficit in the third quarter of FY21 is now $1,180.0 billion. That is an increase of 49.7 percent in just one year.

US personal income grew by 8.7 percent in the third quarter of FY21. Personal income growth was weak before the recession of 2020, growing under 1.0 percent each quarter on an adjacent-quarter basis. However, since the beginning of the recession, US personal income has moved wildly. Adjacent-quarter growth rates for the last five quarters were: 1.0, 7.9, -3.0, -1.8, and 5.6 percent, respectively. Most of these wild changes were due to large changes in transfer receipts income.

Transfer receipts income grew by 47.9 percent in the third quarter of FY21 over the third quarter of FY20. That is an increase of $1,550.3 billion (annual rate) in one year. In the three years before the recession, adjacent-quarter growth rates for transfer receipts ranged from 0.4 percent to 2.9 percent. Adjacent-quarter growth rates for the last five quarters were: 2.5, 75.5, -23.0, -13.1, and 26.1 percent, respectively. US transfer receipts income made up 23.2 percent of total US personal income. Transfer receipts income is now by far the second largest component of personal income, second only to wages and salaries.

US wages and salaries income grew by 1.5 percent in the third quarter of FY21. Wages and salaries income took a large hit during the recession of 2020, losing 6.5 percent in the fourth quarter of FY20 compared to the third quarter of FY20. Tapering, but solid growth over the next three quarters has helped wages and salaries income to make up those losses. The last five adjacent-quarter growth rates were: 1.1, -6.5, 4.9, 2.2, and 1.2 percent, respectively. Wages and salaries income surpassed its previous peak (third quarter of FY20) in the second quarter of FY21. Wages and salaries income made up 46.9 percent of total personal income in the third quarter of FY21.

The working population increased by 0.5 percent, or 1.3 million persons, in the third quarter of FY21 over the third quarter of FY20. The 1.3 million 'new' persons is a bit of a misnomer, as it is a net figure, composed of those in the labor force and those not in the labor force. See Table 7. The US civilian labor force lost 3.5 million persons and those not in the labor force increased by 4.8 million persons. The labor force is divided into the employed and the unemployed. The employed portion of the labor force decreased by 4.6 percent, or 7.3 million jobs, in the third quarter, while the unemployed portion of the labor force increased by 3.7 million jobs. So despite an increase in total available persons in the working population, the number of persons employed decreased significantly relative to the third quarter of FY20.

US non-farm employment fell 5.8 percent in the third quarter of FY21 compared to the third quarter of FY20. Employment declined in all 11 supersectors in the third quarter. The entirety of these losses occurred in April through June of 2020. Therefore, it is best to examine employment growth on an adjacent-quarter basis, to see how employment has changed in each quarter since the recession ended. The recession of 2020 had a significant impact on US non-farm employment, losing 12.0 percent, or 18.2 million jobs in one quarter. Non-farm employment improved in the first quarter of FY21, growing 5.4 percent, or 7.2 million jobs, over the fourth quarter of FY21. Much smaller growth occurred in the second and third quarters of FY21. Adjacent-quarter growth rates for the last five quarters were: 0.1, -12.0, 5.4, 1.2, and 0.3 percent, respectively. The previous peak for US non-farm employment was 151.9 million, which occurred in the third quarter of FY20. US non-farm employment is still 8.8 million jobs below the previous peak.

Leisure and hospitality services employment lost the most jobs in percentage terms, losing 19.5 percent in the third quarter of FY21 compared to the third quarter of FY20. The large majority of these losses occurred in the fourth quarter of FY20. Adjacent-quarter growth rates for the last five quarters were: -0.8, -37.9, 26.3, 3.2, and -0.5 percent, respectively. Prior to the recession, leisure and hospitality was growing slowly but steadily for the last decade. Adjacent quarter growth rates ranged between 0.2 and 1.1 percent during that time. That is persistent growth by any measure. Leisure and hospitality jobs are now at 13.4 million, which is 3.4 million below its previous peak. Leisure and hospitality made up 9.4 percent of total US non-farm employment in the third quarter of FY21.

The unemployment rate dropped slightly during the third quarter to 6.2 percent. The unemployment rate has remained elevated since the recession of 2020. The unemployment rates for the last five quarters are: 3.8, 13.0, 8.8, 6.7, and 6.2 percent, respectively. The employment rate declines are drive primarily by decreases in the labor force.

KENTUCKY ECONOMY

Kentucky personal income grew by 7.4 percent in the third quarter of FY21. Similar to many other series that have been examined, much of that change occurred during April through June of 2020. It is best to examine adjacent-quarter growth rates to determine precisely when growth occurred over the last four quarters. The last five adjacent-quarter growth rates for Kentucky personal income were: 0.9, 10.6, -6.8, -2.3, and 6.7 percent, respectively. The two periods of growth were largely influenced by high growth in transfer receipts income. The previous peak for Kentucky personal income was $220.7 billion, which occurred in the fourth quarter of FY20. Personal income is currently $6.4 billion (or 2.9 percent) below the previous peak.

Kentucky personal income grew by a net $14.8 billion, or 7.4 percent, in the third quarter of FY21 over the third quarter of FY20. Kentucky transfer receipts made up $14.0 billion of the $14.8 billion in total US personal income gains. These gains occurred chronologically in the same pattern as in Kentucky personal income. Kentucky transfer receipts adjacent-quarter growth rates for the last five quarters were: 2.6, 63.6, -27.8, -12.7, and 24.8 percent, respectively. Transfer receipts income remains elevated historically-speaking. Prior to the 2020 recession, transfer receipts income averaged $46.0 billion. Transfer receipts income in the third quarter of FY21 was $62.6 billion; over 36 percent higher than immediately before the recession.

Kentucky non-farm employment decreased a net 4.8 percent in the third quarter of FY21. See Table 10. All supersectors lost jobs during the last year. Most of the job losses occurred during the recession; therefore, it is best to examine adjacent-quarter growth rates instead of annual growth rates. The last five adjacent-quarter growth rates for Kentucky non-farm employment were: 0.2, -12.3, 6.8, 1.2, and 0.4 percent, respectively. Kentucky non-farm employment fell 12.3 percent from the third quarter of FY20 to the fourth quarter of FY20, a loss of 240,700 jobs. However, non-farm employment grew during the next three quarters on an adjacent-quarter basis. The previous peak for Kentucky non-farm employment (which occurred in the third quarter of FY20) was 1,952,900. Kentucky non-farm employment in the third quarter of FY21 was 1,859,400, which is still 93,500 jobs below the previous peak.

The biggest loser in percentage and absolute terms was leisure and hospitality services employment. Leisure and hospitality services employment fell 16.3 percent in the third quarter of FY21, a net loss of 33,100 jobs. Leisure and hospitality services employment was significantly impacted by the 2020 recession. The last five adjacent-quarter growth rates were: -0.4, -36.5, 28.4, 1.2, and 1.4 percent, respectively. The significant 28.4 percent growth in the first quarter of FY21 was short-lived and insufficient to bring it back to its previous level. Leisure and hospitality services employment was 169,300 in the third quarter of FY21. This is 33,800 jobs below the previous peak which occurred in the second quarter of FY20. Leisure and hospitality services employment made up 9.1 percent of total Kentucky non-farm employment in the third quarter of FY21.

Table 9
Personal Income
$ billions, SAAR

	Third Quarter			
	FY21	FY20	$ Diff	% Diff
United States				
Personal Income	20,600.2	18,951.0	1,649.2	8.7
Social Insurance	1,481.5	1,451.5	30.0	2.1
Residence Adjustments	0.0	0.0	0.0	-139.0
Dividends, Interest and Rents	3,682.3	3,786.6	-104.3	-2.8
Transfer Receipts	4,785.8	3,235.5	1,550.3	47.9
Wages & Salaries	9,666.1	9,526.1	140.0	1.5
Supplements to W&S	2,201.9	2,148.3	53.5	2.5
Proprietor's Income	1,745.7	1,706.0	39.7	2.3
Kentucky				
Personal Income	214.3	199.6	14.8	7.4
Social Insurance	16.4	16.0	0.4	2.4
Residence Adjustments	-2.6	-2.5	-0.1	4.6
Dividends, Interest and Rents	32.7	33.3	-0.6	-1.8
Transfer Receipts	62.6	48.7	14.0	28.7
Wages & Salaries	99.4	98.3	1.2	1.2
Supplements to W&S	25.3	24.5	0.8	3.2
Proprietor's Income	13.3	13.3	0.0	-0.3

Table 10
Summary of US & KY Employment
Third Quarter FY21 & FY20

	US Q3 (millions)			KY Q3 (thousands)		
	FY21	FY20	% Chg	FY21	FY20	% Chg
Non-farm Employment	143.1	151.9	-5.8	1,859.4	1,952.9	-4.8
Goods-producing	20.2	21.1	-4.0	330.2	340.5	-3.0
Construction	7.4	7.6	-3.0	77.3	81.5	-5.1
Mining	0.6	0.7	-12.9	8.0	8.7	-8.5
Manufacturing	12.2	12.8	-4.1	244.9	250.3	-2.2
Service-providing	101.3	108.0	-6.2	1,236.7	1,301.1	-4.9
Trade, Transportation & Utilities	27.1	27.8	-2.7	404.2	405.6	-0.3
Information	2.7	2.9	-8.1	18.6	21.6	-13.6
Finance	8.8	8.9	-1.1	93.0	94.8	-1.9
Business Services	20.7	21.4	-3.4	215.1	217.6	-1.1
Educational Services	23.3	24.5	-4.9	275.0	290.6	-5.4
Leisure and Hospitality Services	13.4	16.6	-19.5	169.3	202.4	-16.3
Other Services	5.5	5.9	-7.0	61.5	68.5	-10.3
Government	21.5	22.8	-5.6	292.5	311.3	-6.0

APPENDIX

General Fund and Road Fund Revenue Receipts

THIRD QUARTER FY21

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Third Quarter FY 2021	Third Quarter FY 2020	% Change	Year-To-Date FY 2021	Year-To-Date FY 2020	% Change
TOTAL GENERAL FUND	**$2,955,379,404**	**$2,769,848,255**	**6.7%**	**$9,023,362,890**	**$8,518,334,909**	**5.9%**
Tax Receipts	$2,858,494,904	$2,699,273,668	5.9%	$8,722,481,149	$8,233,015,124	5.9%
Sales and Gross Receipts	$1,278,753,290	$1,215,829,572	5.2%	$3,878,836,472	$3,666,816,639	5.8%
Beer Consumption	1,484,328	1,366,048	8.7%	4,625,169	4,634,541	-0.2%
Beer Wholesale	13,873,940	12,774,317	8.6%	47,028,810	45,788,725	2.7%
Cigarette	78,038,950	88,223,224	-11.5%	258,833,333	267,966,387	-3.4%
Distilled Spirits Case Sales	46,716	42,891	8.9%	148,543	132,295	12.3%
Distilled Spirits Consumption	4,044,952	3,766,648	7.4%	12,902,921	11,634,210	10.9%
Distilled Spirits Wholesale	14,443,333	13,085,108	10.4%	45,850,859	39,846,325	15.1%
Insurance Premium	66,315,809	62,849,308	5.5%	120,316,837	112,964,611	6.5%
Pari-Mutuel	7,976,022	5,895,272	35.3%	19,549,973	14,874,930	31.4%
Race Track Admission	4,619	27,613	-83.3%	9,915	143,685	-93.1%
Sales and Use	1,057,219,883	999,176,033	5.8%	3,267,987,979	3,086,554,887	5.9%
Wine Consumption	859,898	815,795	5.4%	2,606,705	2,381,356	9.5%
Wine Wholesale	4,996,918	4,463,732	11.9%	14,898,051	13,194,183	12.9%
Telecommunications Tax	18,810,063	18,065,359	4.1%	55,439,988	50,332,980	10.1%
Other Tobacco Products	10,637,696	5,268,384	101.9%	28,630,524	16,320,610	75.4%
Floor Stock Tax	162	9,840	-98.4%	6,865	46,915	-85.4%
License and Privilege	**$107,233,568**	**$124,254,163**	**-13.7%**	**$109,291,985**	**$123,955,165**	**-11.8%**
Alc. Bev. License Suspension	51,000	76,750	-33.6%	107,250	232,750	-53.9%
Corporation License	103,149	155	66276.1%	187,611	37,653	398.3%
Corporation Organization	11,388	27,782	-59.0%	29,542	56,332	-47.6%
Occupational Licenses	38,265	14,576	162.5%	128,832	101,981	26.3%
Race Track License	51,875	67,225	-22.8%	235,191	242,717	-3.1%
Bank Franchise Tax	106,826,369	123,280,604	-13.3%	108,081,504	122,101,983	-11.5%
Driver License Fees	151,522	787,071	-80.7%	522,057	1,181,748	-55.8%
Natural Resources	**$19,081,743**	**$21,534,943**	**-11.4%**	**$62,093,579**	**$70,718,261**	**-12.2%**
Coal Severance	13,475,912	15,763,094	-14.5%	42,270,698	48,140,127	-12.2%
Oil Production	1,002,653	1,361,767	-26.4%	2,663,111	4,133,034	-35.6%
Minerals Severance	3,786,406	3,357,707	12.8%	15,151,758	14,849,577	2.0%
Natural Gas Severance	816,771	1,052,375	-22.4%	2,008,011	3,595,523	-44.2%
Income	**$1,260,680,535**	**$1,159,737,215**	**8.7%**	**$3,997,445,712**	**$3,726,448,277**	**7.3%**
Corporation	23,020,278	(21,522,550)	—	292,999,323	219,624,374	33.4%
Individual	1,182,613,320	1,128,080,471	4.8%	3,520,500,628	3,355,033,983	4.9%
Limited Liability Entity	55,046,937	53,179,294	3.5%	183,945,760	151,789,920	21.2%
Property	**$174,801,945**	**$162,748,298**	**7.4%**	**$623,298,059**	**$594,682,440**	**4.8%**
Building & Loan Association	0	150,908	-100.0%	51,057	(192,854)	—
General - Real	82,618,574	78,979,038	4.6%	312,030,855	298,283,279	4.6%
General - Tangible	69,843,080	64,504,415	8.3%	226,855,740	213,564,152	6.2%
Omitted & Delinquent	4,207,732	2,472,073	70.2%	14,899,844	13,106,478	13.7%
Public Service	17,129,507	15,712,710	9.0%	66,921,242	67,679,148	-1.1%
Other	1,003,052	929,153	8.0%	2,539,320	2,242,237	13.2%
Inheritance Tax	**$13,538,112**	**$9,094,742**	**48.9%**	**$42,799,072**	**$35,579,384**	**20.3%**
Miscellaneous	**$4,405,711**	**$6,074,735**	**-27.5%**	**$8,716,271**	**$14,814,958**	**-41.2%**
Legal Process	2,257,358	3,385,803	-33.3%	7,207,485	9,878,267	-27.0%
T. V. A. In Lieu Payments	2,143,950	2,496,643	-14.1%	1,108,503	4,160,480	-73.4%
Other	4,404	192,289	-97.7%	400,283	776,211	-48.4%
Nontax Receipts	$83,514,150	$69,814,430	19.6%	$282,691,395	$268,124,625	5.4%
Departmental Fees	3,039,772	3,820,489	-20.4%	7,476,809	9,930,972	-24.7%
PSC Assessment Fee	318	54	493.1%	14,344,982	13,071,422	9.7%
Fines & Forfeitures	2,774,948	4,344,266	-36.1%	8,207,001	13,084,717	-37.3%
Income on Investments	(142,061)	(1,315,882)	—	(614,629)	(6,104,771)	—
Lottery	69,000,000	63,500,000	8.7%	206,104,545	201,363,344	2.4%
Miscellaneous	8,841,172	(534,497)	—	47,172,687	36,778,941	28.3%
Redeposit of State Funds	**$13,370,351**	**$760,157**	**1658.9%**	**$18,190,346**	**$17,195,160**	**5.8%**

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Third Quarter FY 2021	Third Quarter FY 2020	% Change	Year-To-Date FY 2021	Year-To-Date FY 2020	% Change
TOTAL ROAD FUND	**$385,658,431**	**$387,180,670**	**-0.4%**	**$1,175,686,547**	**$1,166,911,821**	**0.8%**
Tax Receipts-	$379,292,381	$378,013,239	0.3%	$1,155,704,895	$1,141,088,667	1.3%
Sales and Gross Receipts	**$313,672,133**	**$314,918,360**	**-0.4%**	**$989,256,450**	**$980,856,048**	**0.9%**
Motor Fuels Taxes	170,984,175	183,131,432	-6.6%	548,796,462	581,297,030	-5.6%
Motor Vehicle Usage	142,687,959	131,786,928	8.3%	440,459,987	399,559,018	10.2%
License and Privilege	**$65,620,247**	**$63,094,879**	**4.0%**	**$166,448,446**	**$160,232,619**	**3.9%**
Motor Vehicles	32,608,001	35,581,529	-8.4%	77,280,464	77,331,171	-0.1%
Motor Vehicle Operators	5,395,264	3,849,499	40.2%	15,389,087	12,038,891	27.8%
Weight Distance	21,598,975	20,796,284	3.9%	62,153,283	63,536,420	-2.2%
Truck Decal Fees	18,720	703	2561.7%	70,020	19,780	254.0%
Other Special Fees	5,999,287	2,866,863	109.3%	11,555,591	7,306,356	58.2%
Nontax Receipts	**$6,234,068**	**$9,661,890**	**-35.5%**	**$19,687,824**	**$25,363,827**	**-22.4%**
Departmental Fees	5,522,985	4,919,270	12.3%	15,912,920	15,914,148	0.0%
In Lieu of Traffic Fines	51,465	84,525	-39.1%	146,295	251,137	-41.7%
Income on Investments	(378,106)	3,166,723	—	(98,376)	5,734,708	—
Miscellaneous	1,037,723	1,491,373	-30.4%	3,726,985	3,463,834	7.6%
Redeposit of State Funds	**$131,982**	**($494,458)**	**---**	**$293,827**	**$459,328**	**-36.0%**

Glossary

Adjacent-quarter	A growth rate computed as the current quarter relative to the previous quarter.
AR	Annual Rate is the quantity of a series that would occur for the entire year, if the current period's growth were to continue for the entire year.
Civilian Labor Force	A subset of the working population who are currently employed or are actively looking for employment.
Employed	In the context of working population and civilian laborforce data, Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.
Growth rate	Unless otherwise stipulated, a growth rate is computed as the current quarter relative to the same quarter of the previous year.
Labor Force Participation Rate	The Civilian Labor Force divided by the Working Population.
Not in Labor Force	A subset of the working population who have decided not to be employed nor seek employment.
SA	Seasonally-Adjusted
SAAR	Seasonally-Adjusted Annual Rate
Unemployed	In the context of working population and civilian laborforce data, Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
Working population	The group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home, and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.

Tables Notes

Table 3
Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars. Components do not sum to GDP because they are annualized independently.
Source: IHS Markit - Economics & Country Risk, March 10, 2021 data release.

Table 4
Source: IHS Markit - Economics & Country Risk, March 10, 2021 data release.

Table 7
Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Data for FY21 Q3 are March 2021 estimates.
Source: IHS Markit - Economics & Country Risk, March 10, 2021 data release.

[1] Working population is the group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.
[2] Civilian Labor Force is a subset of the working population who are currently employed or are actively looking for employment.
[3] Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.
[4] Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
[5] Not in Labor Force is a subset of the working population who have decided not to be employed nor seek employment.
[6] Labor Force Participation Rate is computed as the Civilian Labor Force divided by the Working Population.

Table 8
Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis March 2021.

Table 10
Not Seasonally Adjusted. Data for FY21 Q3 are March 2021 estimates.
Source: IHS Markit - Economics & Country risk, March 10, 2021 data release.