

Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Third Quarter Fiscal Year 2026

Office of State Budget Director
Governor's Office for Economic Analysis



TEAM  KENTUCKY



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State Budget Director

Governor's Office for Policy and Management
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April 30, 2026

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

Mr. Zach Ramsey, Director
Administrative Office of the Courts
1001 Vandalay Drive
Frankfort, Kentucky 40601

Dear Honorable Governor Beshear, Mr. Hartz and Mr. Ramsey:

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to report on the actual revenue receipts from the just-concluded quarter and prepare an interim forecast for revenue receipts for the next three fiscal quarters. In fulfillment of this mandate, OSBD submits this *Quarterly Economic and Revenue Report* for the third quarter of fiscal year 2026 (FY26).

This report includes the actual revenue receipts and economic conditions for the third quarter and an unofficial forecast for the final quarter of FY26 and the first two quarters of FY27 (the forecast horizon). The report also provides an outlook for the national and state economies. Forecasted values from these economic models provide the inputs into the Kentucky revenue models.



Governor Beshear; Mr. Hartz; Mr. Ramsey

April 30, 2026

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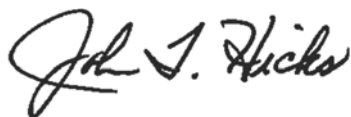
When combined with the actual receipts through March 2025, the interim forecast for the General Fund predicts FY26 General Fund revenue of \$15,583.3 million, or a 0.8 percent decline relative to FY25. Compared to the official estimate of \$15,498.9 million, the FY26 interim forecast for the General Fund is \$84.4 million greater than the official revenue estimate. The first half of FY27 will reestablish the positive trajectory in General Fund revenue collections, resuming growth at very modest rate of 1.8 percent.

Through the first nine months of FY26, Road Fund revenues have declined 0.5 percent. Revenue receipts were positive in the first two quarters of the year before declining in the third quarter. Year-to-date revenues are \$7.2 million less than what was collected last year. Collections are forecasted to continue to decline through the end of the year before increasing moderately over the first six months of FY27. The interim forecast for the Road Fund in FY26 is \$5.2 million less than the official revenue estimate.

Kentucky personal income is expected to grow 3.6 percent, or a net \$10.0 billion, in the fourth quarter of FY26. Kentucky wage and salary income is expected to generate the majority of that growth, contributing \$5.3 billion during that time.

This office will continue to monitor Kentucky's economic and revenue conditions and will provide updates at the appropriate times. Pursuant to KRS 48.120 (3), OSBD will also revise the estimates for the General Fund and Road Fund provided by the Consensus Forecasting Group on December 18, 2025, since legislation passed during the 2026 Regular Session of the General Assembly modified the official revenue estimates.

Sincerely,

A handwritten signature in black ink that reads "John T. Hicks". The signature is written in a cursive, flowing style.

John T. Hicks
State Budget Director

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EXECUTIVE SUMMARY

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In fulfillment of this statutory requirement, OSBD submits this *Quarterly Economic and Revenue Report* for the third quarter of fiscal year 2026 (FY26). This interim report includes the actual revenue receipts and economic landscape for the third quarter of FY26, a comprehensive revenue outlook for upcoming three fiscal quarters, as well as a US and Kentucky economic outlook for the same period. All estimates in this outlook extend from the fourth quarter of FY26 through the second quarter of FY27 (the forecasting horizon).

The interim General Fund and Road Fund outlooks prepared pursuant to KRS 48.400(2) were projected using the March 2026 “control scenario” economic forecast from both the S&P Global and the Kentucky MAK model as the primary inputs. S&P Global assigned a 50 percent probability on the control or baseline scenario being the most likely outcome, relative to the pessimistic (35 percent) and optimistic (15 percent) alternative scenarios. By way of comparison, the S&P Global weights for the official estimates profiled in the previous Quarterly Report were decidedly more optimistic, with the control scenario at 55 percent, a 30 percent weight on the optimistic scenario, and only 15 percent on the pessimistic scenario.

In the first three quarters of FY25, individual income tax and sales and use taxes declined, while the business taxes increased considerably. In the first three quarters of FY26, this pattern reversed. In the first three quarters of FY26, individual income tax and sales and use taxes increased, while the business taxes decreased considerably.

In the third quarter of FY25, the individual income tax and sales tax unofficial interim estimates were well below the official estimate, while the business taxes unofficial interim estimates were well above the official estimate. This pattern too has reversed in FY26. In the third quarter of FY26, the individual income tax and sales and use tax unofficial interim estimates are above the official estimate and the business taxes unofficial interim estimate is well below the official estimate.

During the Consensus Forecasting Group (CFG) meetings in September and December of 2025, CFG members estimated that over two-thirds of \$585.4 million in FY25 business taxes was non-recurring. The one-time nature of the FY25 revenue increase from the business taxes therefore inflated the base for FY26 growth. Table 1 illustrates how that inflated base has caused high hurdles for the corporate income and LLET taxes. Year-to-date, the business taxes are down 42.9 percent compared to the same period in FY25. This is largely due to the loss of that one-time revenue from

FY25, and not necessarily a statement about poor receipts in FY26. Fortunately, solid growth in individual income tax and sales and use tax have softened the blow relative to the official estimates. Individual income tax and sales tax are a combined \$131.8 million above the official estimate, while corporate income tax and LLET are \$114.9 million below the official estimate.

Projected General Fund Growth for the Forecasting Horizon

Table 1 displays the interim forecast for the fourth quarter of FY26. When combined with the actual receipts through March 2026, the interim forecast for the General Fund predicts FY26 General Fund revenue of \$15,583.3 million. Compared to the official estimate of \$15,498.9 million, the FY26 interim forecast for the General Fund is \$84.4 million greater than the official revenue estimate. This interim FY26 forecast lowers the \$156.0 million General Fund revenue shortfall to an estimated \$71.6 million. The interim estimate is a 0.8 percent decline relative to FY25. The expected decrease in FY26 would break the current streak of 15 consecutive increases in fiscal year revenues for the General Fund. The first half of FY27 will reestablish the positive trajectory in General Fund revenue collections, resuming growth at very modest rate of 1.8 percent.

Projected Road Fund Growth for the Forecasting Horizon

Through the first nine months of FY26, Road Fund revenues have declined 0.5 percent. Revenue receipts were slightly positive in the first two quarters of the year before declining in the third quarter. Collections are forecasted to continue to decline through the end of the year before increasing moderately over the first six months of FY27. Year-to-date revenues are \$7.2 million less than what was collected last year. Most of the revenue decline is concentrated in the motor fuels account which brought in \$24.1 million less than last year. On the positive side, motor vehicle usage tax collections have increased by \$23.3 million year-to-date. The interim forecast for the Road Fund is \$5.2 million less than the official revenue estimate. This interim FY26 forecast increases the \$50.3 million Road Fund revenue shortfall made by the CFG in December 2025 to an estimated \$55.5 million. Motor vehicle usage tax revenues are expected to exceed the official estimate by \$1.7 million while motor fuels revenues are forecasted to be \$6.8 million short of the official number.

Projected Major Economic Factors for the Forecasting Horizon

As previously stated, both the national and state economic outlooks are based on S&P Global economic national forecast and the Kentucky MAK forecast from March 2026. The war with Iran began on February 28, 2026. Due to the proximity of the release date of the March S&P Global forecasting database to the February 28 current event, neither the national or state economic outlooks consider the impacts of the Iran war and the related impacts on the world economic landscape.

Real gross domestic product (real GDP) is expected to rise 2.6 percent in the fourth quarter of FY26. That growth is expected to taper some in the first half of FY27 to 2.2 percent. The fastest-growing component is expected to be real exports. Real exports are expected to grow 3.7 percent in the fourth quarter of FY26. Inflation is expected to be 2.6 percent for the fourth quarter of FY26 and dip just slightly to 2.5 percent for the first half of FY27.

US non-farm employment is expected to grow just 0.2 percent in the fourth quarter of FY26 over the fourth quarter of FY25. This low growth is a result of jobs declining in six supersectors and soft growth in another four supersectors. The only sector growing at a 'normal' growth rate is educational services employment, which is expected to grow 2.5 percent in the fourth quarter of FY26. Despite the narrow gains in employment, US personal income is expected to grow 4.2 percent in the fourth quarter of FY26.

Kentucky non-farm employment is expected to grow 0.2 percent in the fourth quarter of FY26. Employment is expected to expand another 0.2 percent in the first half of FY27. Four supersectors are expected to gain jobs in the fourth quarter of FY26 compared to the fourth quarter of FY25. They are business services, educational services, leisure and hospitality services, and other services. Kentucky personal income is expected to grow 3.6 percent, or a net \$10.0 billion, in the fourth quarter of FY26. Kentucky wage and salary income is expected to generate the majority of that growth, contributing \$5.3 billion during that time.

Third Quarter FY26 Tax Receipts

After declining in the first quarter of FY26, General Fund revenues have increased in the two quarters since. However, the rate of growth has weakened over that time. Total receipts narrowly increased by 0.2 percent in the third quarter. Receipts in the just completed quarter were \$3,458.1 million, \$7.4 million more than what was received in the third quarter of FY25. Individual income and the major business taxes were down by a combined \$113.6 million compared to the same quarter last year. The losses in the income-based taxes were largely offset by sales and use which increased by \$98.6 million in the third quarter. The year-to-date change in General Fund revenue now stands at -0.4 percent through the first nine months of the year.

Through the first nine months of FY26, Road Fund revenues have declined 0.5 percent. Revenue receipts were narrowly positive in the first two quarters of the year before declining in the third quarter. Collections are forecasted to continue to decline in the fourth quarter of FY26 before increasing moderately over the first six months of FY27. Year-to-date revenues are \$7.2 million less than what was collected last year. Most of the revenue decline is concentrated in the motor fuels account which brought in \$24.1 million less than last year. On the positive side, motor vehicle usage tax collections have increased by \$23.3 million. The FY26 full-year forecast is \$5.2 million less than the official revenue estimate. Motor vehicle usage tax revenues are expected to exceed the official estimate by \$1.7 million while motor fuels revenues are forecasted to be \$6.8 million short of the official number.

The Economy for the Third Quarter of FY26

Real GDP rose by 3.0 percent in the third quarter of FY26 compared to the third quarter of FY25. Real consumption and real exports were the largest contributors to that growth. US personal income grew 4.0 percent in the third quarter. All five contributing components rose in the third quarter, with transfer receipts income growing the fastest. US non-farm employment rose 0.2 percent in the third quarter. Seven of the 11 supersectors lost jobs in the third quarter of FY26 compared to the third quarter of FY25. Government employment fell the most in absolute terms and educational services grew the most. US mining had the largest percentage decline, falling 3.2 percent and losing 20,000 jobs.

Kentucky personal income increased 4.1 percent in the third quarter of FY26 over the third quarter of FY25. Wages and salaries grew the most, \$5.9 billion with transfer receipts growing \$5.4 billion, or 7.4 percent, during the same time. Kentucky proprietors' income was the only component to fall during the third quarter, dropping 1.6 percent compared to the same period in FY25. Kentucky non-farm employment rose 0.6 percent in the third quarter. Eight of the 11 supersectors gained jobs in the third quarter of FY26 compared to the third quarter of FY25. Construction employment was the fastest-growing sector, gaining a net 2.8 percent, or 2,700 jobs, in the third quarter of FY26. Mining employment fell the most, losing 7.9 percent, or 600 jobs, in the third quarter. Trade, transportation, and utilities employment, the largest supersector in Kentucky, fell 0.7 percent, or 3,200 jobs in the third quarter.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND

In the first three quarters of FY26, individual income tax and sales and use taxes increased, while the business taxes decreased considerably. The individual income tax grew 4.9 percent year-to-date in FY26 while the sales and use tax rose 5.9 percent year-to-date. Meanwhile, the business taxes fell 42.9 percent year-to-date in FY26.

In the third quarter of FY26, the individual income tax and sales and use tax unofficial interim estimates are above the official estimate and the business taxes unofficial interim estimate is well below the official estimate. The individual income tax interim estimate is \$41.6 million above the official FY26 estimate and the sales and use tax interim estimate is \$90.1 million above the official FY26 estimate. Meanwhile, the interim estimate for the major business taxes account is \$114.9 million below the official FY26 estimate.

During the CFG meetings in September and December of 2025, CFG members estimated that over two-thirds of \$585.4 million in FY25 business taxes was non-recurring. The one time nature of the FY25 revenue increase from the business taxes therefore inflated the base for FY26 growth. Table 1 illustrates how that inflated base has caused high hurdles for the corporate income and LLET taxes. Year-to-date, the business taxes are down 42.9 percent compared to the same period in FY25. This is largely due to the loss of that one-time revenue from FY25, and not necessarily a statement about poor receipts in FY26. Fortunately, solid growth in individual income tax and sales and use tax have softened the blow relative to the official estimates. Individual income tax and sales tax are a combined \$131.8 million above the official estimate, while corporate income tax and LLET are \$114.9 million below the official estimate.

Table 1
General Fund Interim Outlook
\$ millions

	FY26						FY26		FY27		
	Q1, Q2, & Q3			Q4		Full Year		Official		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	\$ Diff	Estimate	% Chg	
Individual Income	3,872.7	4.9	1,551.8	-4.7	5,424.4	2.0	5,382.8	41.6	2,665.2	-0.1	
Sales & Use	4,563.0	5.9	1,574.8	4.1	6,137.8	5.4	6,047.7	90.1	3,221.1	4.1	
Corp. Inc. & LLET	670.2	-42.9	562.0	-15.0	1,232.2	-32.8	1,347.1	-114.9	591.4	1.4	
Property	746.9	0.9	117.9	18.6	864.8	3.0	864.2	0.6	520.7	2.2	
Lottery	277.4	3.1	92.6	13.3	370.0	5.5	370.0	0.0	185.4	0.0	
Cigarettes	183.9	2.3	64.5	1.2	248.4	2.0	224.7	23.7	128.5	-0.9	
Coal Severance	47.4	-1.3	13.9	74.8	61.4	9.5	55.1	6.3	29.9	-7.4	
Other	921.8	0.7	322.4	-0.3	1,244.2	0.5	1,207.3	36.9	623.2	0.0	
General Fund	11,283.4	-0.4	4,300.0	-1.8	15,583.3	-0.8	15,498.9	84.4	7,965.3	1.8	

Individual income tax receipts increased by a robust 8.7 percent growth in the first half of FY26 but declined 2.6 percent in the third quarter as the tax rate fell from 4.0 percent to 3.5 percent effective January 1, 2026. Since the rate reduction conditions for the individual income tax were enacted in House Bill 8 during the 2022 regular legislative session, the flat rate on Kentucky net income has fallen in one-half percentage point increments from 5.0 percent for tax year 2022 to 3.5 percent for tax year 2026. Following the 2.6 percent decline in third quarter collections for the individual income tax, the rate of decline is expected to accelerate in the fourth quarter with a drop of 4.7 percent. Rate reductions affect all the major components of the individual income tax. Withholding collections and estimated payments decline predictably, but net returns and the pass-through entity tax (PTET) are also impacted. PTET collections will fall following a rate reduction because the pass-through entities have a lower annual tax liability to cover entity-level PTET payments. The impact on net returns is that pay returns will be presumably lower, but the average refund requested should be lower as well. Lower pay returns hurt collections while lower refunds improve tax receipts.

Sales and use tax receipts are expected to rise 4.1 percent in the fourth quarter of FY26. When combined with the 5.9 percent increase in the first three quarters of FY26, annual growth in the sales tax is expected to be a robust 5.4 percent. In the period between FY21 and FY25, sales and use tax collections have fluctuated greatly, posting annual growth rates of 12.0, 11.0, 10.1, 4.1, and 0.3 percent, respectively. The double-digit growth during the earlier years of that range was significantly above related economic variables, but growth in the past two years has allowed the economic fundamentals to catch up to the level of sales tax collections. Going forward, the expectation is that revenues from the sales and use tax will once again become more closely aligned to the Kentucky economy. Sales tax receipts are expected to increase 4.1 percent in the first half of FY27.

Major business taxes (corporation income tax plus the limited liability entity tax) have always posed unique challenges in forecasting due to the credit that flows through dollar-for-dollar from the LLET to the corporation income tax. This flow of payments between the taxes has created data challenges that is addressed by combining the taxes prior to estimation. In FY25, a different complication emerged – a large gain in corporation estimated payments. Three months of the fiscal year experienced abnormally high payments that totaled over \$400 million in seemingly nonrecurring revenues. Major business taxes grew 46.9 percent in FY25 with collections of \$1,834.5 million. Appropriate adjustments were made to the major business taxes model to account for these nonrecurring payments. The adjusted interim forecast calls for a fourth quarter decline of 15.0 percent. The full year FY26 growth is a decline of 32.8 percent with total receipts of \$1,232.2 million. Collections at the forecasted amount would result in a \$114.9 million difference compared to the official estimate.

Despite increasing by only 0.9 percent in the first three quarters of FY26, **property tax** receipts are expected to increase 18.6 percent in the fourth quarter of FY26 to end the fiscal year with 3.0 percent growth in property taxes over FY25. Weaker property tax receipts through March have occurred due to the timing of billing and collections. During the month of March, for instance, collections fell 22.0 percent largely due to weak tangible personal property and real property tax receipts. Those tangible accounts are expected to “catch up” during the final three months of FY26 to end the year roughly on target. When the collection cycle ends for FY26, real property tax collections are expected to post growth of 3.9 percent. While some real property owners experienced assessments that increased much more than 3.9 percent, it should be noted that the state rate on real property fell from 10.9 cents per \$100 in assessed valuation in tax year 2024 to 10.6 cents per \$100 in tax year 2025 to adjust for the growing assessment base. The next largest categories of state property revenue, motor vehicle property taxes and tangible personal property, are projected to increase by 1.5 percent and 2.2 percent, respectively.

Dividend payments from the **Kentucky Lottery** continue to be a reliable source of General Fund revenues despite the maturity of the state lottery and the growing number of alternative sources of recreational gaming. General Fund payments totaled \$350.7 million in FY25. The total dividend payments from the Kentucky Lottery were \$371.0 million, but \$20.3 million was transferred to a trust and agency account due to budget bill language from HB 6 in the 2024 Regular Session. The FY26 interim estimate does not deviate from the official estimate for General Fund lottery revenue of \$370.0 million.

Cigarette taxes are collected at the rate of \$1.10 per pack, effective July 1, 2018. Cigarette tax receipts continued to drop in FY25, plunging by 9.9 percent after declining 9.6 percent in FY24. The FY26 official estimate predicted a further decrease in cigarette tax receipts with a 7.7 percent projected annual decline, but collections have actually increased 2.3 percent through the first three quarters of the fiscal year. Increased cigarette sales in FY26 are likely impacted by a recent \$2.00 per pack tax increase in a surrounding state. October 2025 cigarette tax collections growth rose 14.3 percent followed by growth in November of 18.9 percent and an 8.9 percent increase in December. Cigarette tax receipts rose by \$13.3 million, or 171.8 percent, in March as well. The interim forecast calls for growth of 1.2 percent for the fourth quarter of FY26 that would close the year out with a 2.0 percent growth for the entire fiscal year. Collections at those levels will result in cigarette tax revenues \$23.7 million greater than the official estimate.

Since the **coal severance tax** grew 36.7 percent to \$96.6 million in FY23, receipts have endured a dramatic decline. Coal severance tax collections fell to \$77.8 million in FY24 and to \$56.1 million in FY25. Receipts through the first nine months of FY26 fell by a slender 1.3 percent, but a 74.8 percent increase is expected in the fourth quarter entirely due to a low base from the fourth quarter of FY25. There was an unusual confluence of events in the fourth quarter of FY25 whereby many refunds

were issued during the same month on tax liabilities from previous years. This caused net revenues to be very low for that quarter. Coal receipts are expected to end the year with \$61.4 million in total collections, a sum of \$6.3 million greater than the official estimate of \$55.1 million. Coal severance tax receipts are expected to return to the long-run downward drift in the first half of FY27, where a 7.4 percent decline is expected.

The **“other” category of revenues** contains roughly 60 accounts that are not otherwise classified in the major accounts. Income on investments, insurance premium taxes, alcohol taxes, and inheritance taxes are the four largest ongoing accounts. Income from investments recorded receipts of \$323.0 million in FY25 with growth of 7.6 percent. The dramatic increase in the income on investments since FY23 stems from prior year surpluses that were deposited into the Budget Reserve Trust Fund, also known as the state’s “Rainy Day Fund”. For FY26, the CFG agreed to a \$80.4 million decline in income from investments, bringing the official FY26 in on investments forecast down to \$242.6 million. Due primarily to the receipts already posted in the first three quarters of the year, the interim estimate for income from investments is slightly higher at \$244.9 million. The large projected decrease is attributable to declining investable balances due to the Kentucky legislature appropriating a large portion of the Budget Reserve Trust Fund in the 2024-26 biennial budget, and a reduction in interest rates accruing to these balances. “Other taxes” taken collectively are expected to rise \$5.7 million in FY26, \$36.9 million greater than the official estimate. Growth in the remaining “other” accounts, primarily concentrated in gross receipts and excise taxes, is projected to offset over half of the decline in income on investments.

ROAD FUND

Through the first nine months of FY26, Road Fund revenues have declined 0.5 percent. Revenue receipts were slightly positive in the first two quarters of the year before declining in the third quarter. Collections are expected to continue declining through the end of the year before increasing moderately over the first six months of FY27. Year-to-date revenues are \$7.2 million less than what was collected last year. Most of the revenue decline during the first three quarters is concentrated in the motor fuels account which brought in \$24.1 million less than last year. On the positive side, motor vehicle usage tax collections have increased by \$23.3 million year to date.

Table 2
Road Fund Interim Outlook
\$ millions

	FY26						FY26		FY27	
	Q1, Q2, & Q3		Q4		Full Year		Official		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	\$ Diff	Estimate	% Chg
Motor Fuels	596.2	-3.9	203.2	-6.0	799.4	-4.4	806.2	-6.8	413.1	-4.5
Motor Vehicle Usage	547.7	4.4	191.6	-1.8	739.3	2.8	737.6	1.7	389.1	9.4
Motor Vehicle License	75.4	7.7	45.8	-3.1	121.2	3.3	120.4	0.8	43.4	19.1
Motor Vehicle Operators	23.4	-3.8	8.7	-7.1	32.1	-4.7	34.6	-2.5	16.9	-0.3
Weight Distance	65.9	0.6	21.0	1.2	86.9	0.7	88.1	-1.2	44.0	-0.9
Income on Investments	5.1	-62.7	1.5	-71.1	6.6	-65.1	9.2	-2.6	4.4	-50.3
Other	35.8	-6.8	17.5	34.8	53.3	3.7	47.9	5.4	25.3	6.3
Road Fund	1,349.5	-0.5	489.3	-3.5	1,838.8	-1.3	1,844.0	-5.2	936.2	1.9

The interim Road Fund forecast is \$5.2 million less than the official revenue estimate for FY26. Motor vehicle usage tax revenues are expected to exceed the official estimate by \$1.7 million while motor fuels revenues are forecasted to be \$6.8 million short of the official estimate.

The percentage change in motor fuels tax collections has been declining in each quarter of the fiscal year. Receipts fell 3.4 percent in each of the first two quarters before declining 5.1 percent in the just completed quarter. Revenues are expected to fall 6.0 percent in the final quarter of the year and decrease 4.5 percent over the first half of FY27.

Motor vehicle usage tax collections have been consistent this fiscal year – except collections have grown rather than declined. Revenues in this account increased 3.9 percent in each of the first two quarters and then grew 5.6 percent in the third quarter. The forecast calls for a 1.8 percent drop in the final quarter of the year and a 9.4 percent increase over the first two quarters of FY27.

Motor vehicle license taxes are forecasted to fall 3.1 percent in the final quarter of FY26 but increase 19.1 percent in the first six months of FY27. Motor vehicle operators' licenses are projected to decrease 7.1 percent for the remainder of the fiscal year and fall 0.3 percent over the first six months of FY27. Investment income receipts were \$5.1 million over the first nine months of the fiscal year and receipts are expected to be \$1.5 million in the fourth quarter and \$4.4 million through the first half of FY27. All other revenues have declined 6.8 percent during the first three quarters of the current fiscal year. However, receipts in this revenue category are expected to increase 34.8 percent over the next three months and grow 6.3 percent in the first half of next year.

Weight distance tax revenue is forecast to grow 1.2 percent in the final quarter of the fiscal year after increasing 0.6 percent through the first nine months of the year. Revenues, however, are forecasted to decline 0.9 percent in the first half of FY27.

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.

NATIONAL ECONOMIC OUTLOOK

As previously stated, both the national and state economic outlooks are based on S&P Global economic national forecast and the Kentucky MAK forecast from March 2026. It has been a longstanding policy of OSBD to limit our discussion of the economic outlook to the economic conditions that feed into the revenue models. However, the war with Iran war began on February 28, 2026. Due to the proximity of the release date of the March S&P Global forecasting database to the February 28 current event, the economic outlooks in this section do not consider the impacts of the Iran war and the related impacts on the world economic landscape.

Real gross domestic product (real GDP) is expected to rise 2.6 percent in the fourth quarter of FY26. That growth is expected to taper some in the first half of FY27 to 2.2 percent. The fastest-growing component is expected to be real exports. Real exports are expected to grow 3.7 percent in the fourth quarter of FY26.

Real consumption is expected to grow 2.7 percent in the fourth quarter, followed by 2.6 percent growth in the first half of FY27. The forecast is for continued steady solid growth for the next three quarters. Real consumption is the largest component of real GDP.

Real investment is expected to grow 3.1 percent in the fourth quarter of FY26 and rise another 4.3 percent in the first half of FY27 compared to the same period in FY26. This is considerable growth. Real investment has fallen in two of the last six quarters. Real investment is the second largest component of real GDP.

Real government expenditures are expected to increase 0.8 percent in the fourth quarter of FY26 and rise 1.1 percent in the first half of FY27. Real government expenditures have fallen three times in the last five quarters, but with solid growth in the third quarter of 1.4 percent on an adjacent-quarter basis. Historically speaking, this is very high adjacent-quarter growth. The forecasted adjacent-quarter growth for the forecast horizon is much more timid: 0.2, 0.1, and 0.1 percent, respectively. Real government expenditures are the third largest component of real GDP.

Real exports are expected to rise 3.7 percent in the fourth quarter of FY26 and then rise 3.5 percent in the first half of FY27. This is very high growth in comparison to the low and erratic export growth observed over the last six quarters. Real exports have fallen three times in the last six quarters on an adjacent-quarter basis. The standout performance was in the first quarter of FY26, which grew 2.3 percent compared to the fourth quarter of FY25. Real exports is the smallest contributing component of real GDP.

Real imports are expected to rise in the fourth quarter by 2.4 percent over the fourth quarter of FY25. On an adjacent-quarter basis, real imports declined in each of the first three quarters of FY26 and is forecasted to rise in the fourth quarter by 2.5 percent over the third quarter. Real imports fell precipitously in the fourth quarter of FY25 compared to the third quarter of FY25. That 8.3 percent single-quarter decline creates an easy hurdle for growth going forward. Real imports are expected to rise 6.1 percent in the first half of FY27 compared to the first half of FY26.

Inflation is expected to be 2.6 percent for the fourth quarter of FY26 and dip just slightly to 2.5 percent for the first half of FY27. As a reminder, the economic forecast included here did not yet take into account of the impact on energy and other prices related to the Iran war.

US non-farm employment is expected to grow just 0.2 percent in the fourth quarter of FY26 over the fourth quarter of FY25. This low growth is a result of jobs declining in six declining supersectors and soft growth in another four supersectors. The only sector growing at a 'normal' growth rate is educational services employment, which is expected to grow 2.5 percent in the fourth quarter of FY26. It is predicted that five of those six supersectors, which are predicted to lose jobs in the fourth quarter, will continue to decline in the first half of FY27 as well. Finance services employment is the only supersector which is expected to turn around in the first half of FY27, while business services employment rises from 0.1 percent growth in the fourth quarter to 0.6 percent in the first half of FY27. Finance services employment is expected to fall 0.4 percent in the fourth quarter and grow 0.1 percent in the first half of FY27.

US personal income is expected to grow 4.2 percent in the fourth quarter of FY26. While this would be an improvement over the third quarter growth rate of 4.0 percent, it is a decidedly worse growth rate than the previous six growth rates which reached over 5.0 percent. The biggest contributor to that growth is wages and salaries and the largest percentage change is from transfer receipts. US wages and salaries income is expected to grow 4.5 percent in the fourth quarter of FY26. Just over 52 percent of the growth in personal income comes from wages and salaries growth. While 23.7 percent of personal income growth in the fourth quarter comes from transfer receipts income growth. See Table 4.

US personal income growth is expected to be 5.1 percent in the first half of FY27. The fastest-growing component in the first half of FY27 is expected to be wages and salaries, with a 5.3 percent increase over the first half of FY26. Supplements to wages and salaries are also expected to grow over 5.0 percent with 5.2 percent growth. Transfer receipts growth tapers slightly to 4.8 percent growth, while dividends, interest, and rents income growth rises to 4.7 percent

KENTUCKY ECONOMIC OUTLOOK

Kentucky non-farm employment is expected to grow 0.2 percent in the fourth quarter of FY26. It is expected to grow another 0.2 percent in the first half of FY27. The Kentucky macroeconomic model uses data from the US economic outlook prepared by S&P Global. While growth in the Kentucky outlook is below the long-run average for employment, growth in Kentucky employment is expected to exceed the national average percentage growth levels. Adjacent-quarter growth for the Kentucky forecast horizon is remarkably flat. The adjacent-quarter growth rates for the next three quarters are: 0.03, 0.05, and 0.04 percent, respectively.

Seven of the 11 supersectors are expected to decline in the fourth quarter of FY26. The declines range from 0.1 percent in finance services employment to 6.4 percent in mining employment. Five of the seven declines are smaller than one percent. Four supersectors are expected to gain jobs in the fourth quarter of FY26 compared to the fourth quarter of FY25. They are business services, educational services, leisure and hospitality services, and other services. Educational services are expected to grow the fastest among the four expanding supersectors with 2.0 percent expected growth in the fourth quarter. Leisure and hospitality services employment is also expected to post modest growth with 1.9 percent in the fourth quarter.

The largest supersector is trade, transportation, and utilities employment. It is expected to decline 1.0 percent in the fourth quarter of FY26. Trade, transportation, and utilities employment is expected to fall another 0.9 percent in the first half of FY27. This comes following four adjacent-quarter declines out of the last six quarters.

Kentucky personal income is expected to grow 3.6 percent, or a net \$10.0 billion, in the fourth quarter of FY26. Kentucky wages and salary income is expected to generate the majority of that growth, contributing \$5.3 billion during that time. Supplements to wages and salaries, the fastest growing component, grew by 5.2 percent, or a net \$1.6 billion, in the fourth quarter of FY26. Kentucky wages and salary income makes up 47.5 percent of total Kentucky personal income, while supplements to wages and salaries makes up 11.3 percent of total Kentucky personal income.

Kentucky personal income is expected to grow 4.0 percent, or a net \$22.8 billion, in the first half of FY27. Kentucky wages and salary income is expected to contribute the majority of that personal income gain in the first half of FY27. Wages and salaries, the largest component of personal income, is expected to grow 4.4 percent, or a net \$11.6 billion, in the first half of FY27. Supplements to wages and salaries again is expected to be the fastest-growing component of personal income in the first half of FY27. Supplements to wages and salaries is expected to grow 5.3 percent, or a net \$3.4 billion, in the first half of FY27 over the first half of FY26.

Kentucky transfer receipts income is expected to be the second-fastest growing component in the fourth quarter of FY26 and the third fastest-growing component in the first half of FY27. Transfer receipts income is expected to grow 4.7 percent in the fourth quarter of FY26 and 4.3 percent in the first half of FY27. Transfer receipts income makes up 27.4 percent of total Kentucky personal income.

Table 3
US Economic Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY26	FY25	% chg	FY26	% chg	FY27	% chg
Real GDP (\$ billions, AR)	24,392.9	23,771.0	2.6	24,195.1	2.5	24,607.3	2.2
Real Consumption	16,895.5	16,445.7	2.7	16,734.7	2.5	17,059.8	2.6
Real Investment	4,518.3	4,382.8	3.1	4,451.5	1.0	4,591.4	4.3
Real Govt. Expenditures	4,026.4	3,993.0	0.8	4,005.9	0.4	4,032.4	1.1
Real Exports	2,745.0	2,647.3	3.7	2,718.4	2.3	2,799.0	3.5
Real Imports	3,795.7	3,705.3	2.4	3,714.1	-2.3	3,882.8	6.1
CPI all goods (% chg)	2.6	2.5	NA	2.7	NA	2.5	NA
CPI Food (% chg)	2.6	2.9	NA	2.8	NA	2.6	NA
CPI Energy (% chg)	1.5	-2.4	NA	1.9	NA	0.9	NA
CPI Core (% chg)	2.8	2.8	NA	2.8	NA	2.8	NA
Industrial Production Index (% chg)	0.8	0.5	NA	1.4	NA	0.2	NA
Unemployment Rate (%)	4.5	4.2	NA	4.4	NA	4.6	NA
Housing Starts (millions, NSA)	1.3	1.4	-3.3	1.3	-3.1	1.3	-3.2

Table 4
US Labor and Income Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY26	FY25	% chg	FY26	% chg	FY27	% chg
Non-farm Employment (millions, NSA)	158.7	158.5	0.2	158.6	0.3	158.9	0.3
Goods-producing	21.5	21.5	-0.4	21.5	-0.5	21.4	-0.4
Construction	8.3	8.3	0.4	8.3	0.3	8.3	0.5
Mining	0.6	0.6	-2.6	0.6	-2.7	0.6	-0.2
Manufacturing	12.5	12.6	-0.8	12.6	-0.9	12.5	-1.1
Service-providing	114.0	113.4	0.6	113.7	0.6	114.3	0.6
Trade, Transportation & Utilities	28.5	28.8	-0.8	28.6	-0.6	28.6	-0.2
Information	2.8	2.9	-1.2	2.8	-1.3	2.8	-0.6
Finance	9.2	9.2	-0.4	9.2	-0.1	9.2	0.1
Business Services	22.5	22.4	0.1	22.4	-0.4	22.5	0.6
Educational Services	28.0	27.3	2.5	27.7	2.8	27.9	1.6
Leisure and Hospitality Services	17.1	16.8	1.3	17.0	1.0	17.2	1.5
Other Services	6.0	6.0	0.5	6.0	0.7	6.0	0.0
Government	23.3	23.6	-1.3	23.4	-0.6	23.3	-0.8
Personal Income (\$ billions, AR)	27,079.4	25,987.5	4.2	26,610.2	4.3	27,650.0	5.1
Wages and Salaries	13,433.9	12,860.0	4.5	13,193.3	4.0	13,728.3	5.3
Transfer Receipts	5,210.7	4,952.3	5.2	5,116.1	7.8	5,288.3	4.8
Dividends, Interest, and Rents	5,455.4	5,324.9	2.5	5,381.6	2.0	5,593.0	4.7
Supplements to Wages and Salaries	2,888.1	2,750.3	5.0	2,833.5	4.8	2,941.1	5.2
Proprietors' Income	2,154.0	2,105.2	2.3	2,129.6	2.6	2,184.4	3.3
Social Insurance	2,062.6	2,005.1	2.9	2,043.9	3.5	2,085.2	2.7
Residence Adjustment	0.0	0.0	NA	0.0	NA	0.0	NA

Table 5
KY Labor and Income Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY26	FY25	% chg	FY26	% chg	FY27	% chg
Non-farm Employment (thousands, NSA)	2,059.6	2,056.5	0.2	2,057.7	0.6	2,061.0	0.2
Goods-producing	363.8	366.4	-0.7	364.4	0.6	363.0	-0.4
Construction	99.4	99.9	-0.5	100.2	4.0	99.6	-1.3
Mining	7.1	7.5	-6.4	7.3	-7.3	7.0	-6.9
Manufacturing	257.3	259.0	-0.6	257.0	-0.4	256.5	0.1
Service-providing	1,379.2	1,371.2	0.6	1,376.0	0.7	1,380.9	0.5
Trade, Transportation & Utilities	423.5	427.7	-1.0	426.1	-0.5	424.3	-0.9
Information	20.7	20.8	-0.5	20.7	-0.1	20.7	-0.2
Finance	95.4	95.5	-0.1	95.8	0.8	95.8	-0.5
Business Services	227.5	225.8	0.8	226.3	0.4	228.4	1.2
Educational Services	326.7	320.4	2.0	323.1	1.8	325.2	1.6
Leisure and Hospitality Services	210.1	206.2	1.9	208.3	1.3	211.5	2.2
Other Services	75.3	74.7	0.8	75.6	1.8	75.1	-1.1
Government	316.6	318.9	-0.7	317.2	0.1	317.0	-0.2
Personal Income (\$ billions, AR)	288.8	278.8	3.6	284.7	4.2	293.5	4.0
Wages and Salaries	137.3	132.0	4.0	135.1	4.1	139.5	4.4
Transfer Receipts	79.2	75.6	4.7	77.9	7.5	80.3	4.3
Dividends, Interest, and Rents	46.9	46.6	0.4	46.7	0.8	47.6	2.2
Supplements to Wages and Salaries	32.5	30.9	5.2	31.9	5.2	33.1	5.3
Proprietors' Income	19.6	19.2	2.0	19.4	0.9	19.9	2.5
Social Insurance	22.4	21.9	2.5	22.2	3.6	22.6	2.2
Residence Adjustment	-4.2	-3.6	NA	-4.0	NA	-4.3	NA

REVENUE RECEIPTS

GENERAL FUND Third Quarter FY26

General Fund revenues declined in the first quarter of FY26 but collections have increased in the two quarters since; however, the rate of growth has weakened over that time. Total revenues rose 0.2 percent in the third quarter as three of the large accounts, sales and use, individual income and major business taxes offset to be

Table 6				
Summary General Fund Receipts				
\$ millions				
	FY26	FY25	Diff	Diff
	Q3	Q3	\$	%
Individual Income	1,205.1	1,236.6	-31.5	-2.6
Sales & Use	1,468.8	1,370.2	98.6	7.2
Corp. Inc. & LLET	86.9	169.0	-82.1	-48.6
Property	237.3	206.6	30.7	14.8
Lottery	92.0	89.5	2.5	2.8
Cigarettes	54.3	52.3	2.0	3.8
Coal Severance	15.2	13.2	1.9	14.5
Other	298.6	313.2	-14.6	-4.7
Total	3,458.1	3,450.7	7.4	0.2

essentially flat. Receipts in the just completed quarter were \$3,458.1 million, \$7.4 million more than what was received in the third quarter of FY25. Individual income and the major business taxes were down a combined \$113.6 million compared to the same period last year. On the positive side, sales and property taxes brought in \$98.6 million more than the same quarter last year. Year-to-date change in General Fund revenue now stands at -0.4 percent compared to the same period last year.

Individual income tax receipts fell 2.6 percent in the quarter with collections of \$1,205.1 million. The third quarter decline was primarily attributable to the individual income tax rate reduction from 4.0 percent to 3.5 percent, effective on January 1, 2026. Looking at the individual components of the tax, withholding collections were down \$36.4 million, net returns were \$9.6 million lower and Pass-Through Entity revenues fell by \$9.0 million compared to the third quarter last year. Declarations were \$25.1 million higher for the period. Year-to-date revenues in individual income tax have grown 4.9 percent.

The growth rate in sales and use tax receipts has been positive in each quarter this year and the rate of growth has increased each quarter as well. Collections for the quarter were \$1,468.8 million, which is \$98.6 million more than the same quarter of FY25 revenues. Quarterly growth rates have been 3.9 percent, 6.7 percent and 7.2 percent. Year-to-date collections in this account stand at 5.9 percent.

In contrast to the sales and use tax, major business tax receipts have fallen sharply in each quarter of FY26. Much of the revenue loss stems from nearly \$400 million in unexpected but nonrecurring declaration payments received last year. Receipts for the third quarter were \$82.1 million less than last year with collections of \$86.9 million. Growth rates for the three quarters were -41.8 percent, -42.1 percent, and -48.6 percent, respectively. After declining in the first two quarters, property tax revenue grew in the third quarter. Collections rose 14.8 percent, or \$30.7 million, in the just completed quarter while year-to-date receipts increased 0.9 percent. Growth rates for the three quarters this year have been -19.6 percent, -1.8 percent and 14.8 percent, respectively.

Lottery receipts increased by 2.8 percent in the third quarter to \$92.0 million. Thus far in FY26, lottery dividend payments total \$277.4 million, up 3.1 percent compared to FY25.

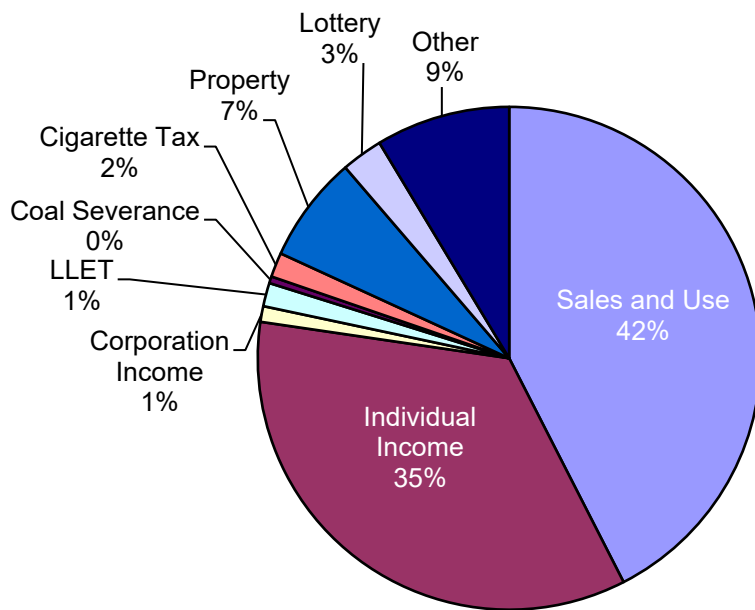
Cigarette tax receipts rose 3.8 percent in the just completed quarter. Third quarter revenues were \$54.3 million. Fiscal Year 2026 quarterly growth rates for this account have been -8.4 percent, 14.0 percent and 3.8 percent, respectively. Cigarette taxes collections have been on a steady decline over the last five years, but a \$2.00-per-pack tax increase in a neighboring state has helped sales near the northern border of Kentucky.

Rates of growth in coal severance tax receipts have improved each quarter of the year. Third quarter collections were \$15.2 million, an increase of \$1.9 million. Growth rates for the three quarters this year have been -15.7 percent, 0.1 percent and 14.5 percent, respectively.

The Other category, which is composed of many smaller tax accounts, fell 4.7 percent, or \$14.6 million in the third quarter. Third quarter receipts were \$298.6 million. Investment income dropped sharply during the quarter due to smaller investible balances and weaker rates of return.

Figure 1 shows the composition of General Fund revenues by tax type for the third quarter of FY24. The individual income and sales and use taxes together made up 77 percent of General Fund tax receipts. The Other category was nine percent of receipts. The next largest source of revenue is the property tax, which made up seven percent of total receipts. Lottery dividends made up three percent of the General Fund receipts while cigarette and major business tax revenues contributed two percent each. Lastly, coal severance collections accounted for less than one percent of total receipts.

Figure 1
Composition of Third Quarter FY26
General Fund Revenues



ROAD FUND
Third Quarter FY26

After posting very small rates of growth in the first two quarters of FY26, total Road Fund receipts declined in the third quarter. Collections fell 2.0 percent, or \$8.9 million, in the just completed quarter. Total receipts received in the third quarter were \$429.3 million compared to last year’s third quarter total of \$438.2 million. Only two of the seven accounts had revenue increases in the quarter and the two largest accounts, the motor vehicle usage and motor fuels taxes, essentially cancelled each other out as motor vehicle usage increased 5.6 percent while motor fuels fell 5.1 percent. Year-to-date Road Fund collections are down 0.5 percent.

Table 7				
Summary Road Fund Receipts				
\$ millions				
	FY26	FY25	Diff	Diff
	Q3	Q3	\$	%
Motor Fuels	178.3	187.9	-9.6	-5.1
Motor Vehicle Usage	178.3	168.8	9.4	5.6
Motor Vehicle License	32.9	33.6	-0.8	-2.2
Motor Vehicle Operators	6.8	7.4	-0.6	-7.5
Weight Distance	21.3	21.1	0.2	0.7
Income on Investments	1.1	4.8	-3.7	-77.5
Other	10.7	14.6	-3.9	-26.8
Total	429.3	438.2	-8.9	-2.0

Through the first nine months of the year, Road Fund revenues are on track to meet the official estimate. The official FY26 revenue estimate calls for a 1.0 percent decrease in revenue for the year. Based on year-to-date tax collections, revenues can fall 2.4 percent in the final quarter of the fiscal year and still meet the revenue estimate. Summary data are contained in Table 7 and detailed data are shown in the Appendix.

For the quarter, motor fuels tax receipts fell 5.1 percent, or \$9.6 million, for total third quarter receipts of \$178.3 million. Growth rates for the first three quarters of the year were -3.4 percent, -3.4 percent and -5.1 percent, respectively. Year-to-date collections in this account have declined 3.9 percent.

Motor vehicle usage tax receipts rose 5.6 percent in the third quarter after increasing 3.9 percent in each of the first two quarters. Revenues were \$178.3 million for the quarter; a \$9.4 million increase compared to FY25 levels. Year-to-date collections have increased 4.4 percent with quarterly growth rates of 3.9 percent, 3.9 percent and 5.6 percent, respectively.

After increasing sharply in each of the first two quarters, motor vehicle license tax receipts fell in the third quarter. Collections fell \$0.8 million, or 2.2 percent, in the third quarter. Year-to-date revenues in this account have increased 77 percent. Growth rates for the first three quarters of FY26 were 17.4 percent, 16.1 percent and -2.2 percent, respectively.

Motor vehicle operators' tax receipts were \$6.8 million in the third quarter; a \$0.6 million decrease compared to collections a year ago. Receipts have decreased 3.8 percent for the year with quarterly growth rates of 4.1 percent, -8.9 percent and -7.5 percent, respectively .

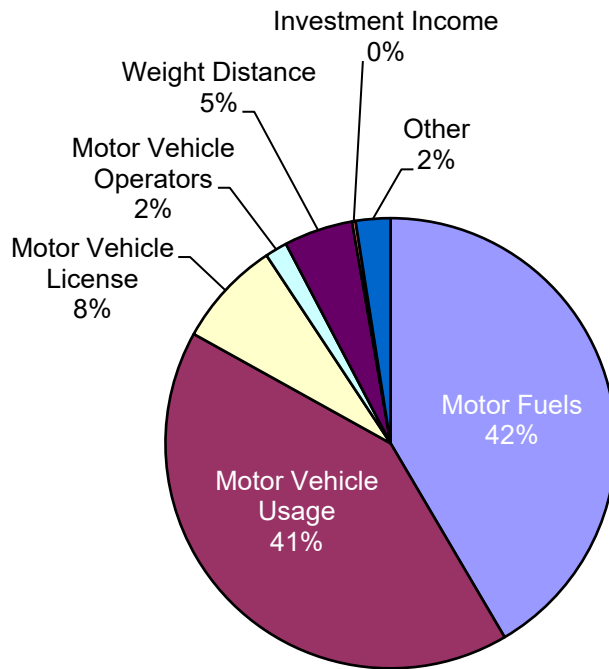
Weight distance tax receipts have had modest changes in all three quarters of FY26. Revenues for the third quarter were \$0.2 million more than the \$21.1 million received last year. Growth rates for the three quarters were -0.5 percent, 1.5 percent and 0.7 percent, respectively.

Income on investment was \$1.1 million in the third quarter, \$3.7 million less than what was received last year. Year-to-date revenues in this account have fallen 62.7 percent to \$5.1 million.

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 \$10.7 million in the third quarter, \$3.9 million less than FY25 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 \$356.6 million, or 83 percent of total collections. The next largest source of revenue was motor vehicle licenses at eight percent, followed by weight distance taxes with five percent. The “Other” and motor vehicle operators categories each accounted for two percent, while income on investments contributed less than one percent.

Composition of Third Quarter FY26 Road Fund Revenues



THE ECONOMY

THIRD QUARTER FY26

NATIONAL ECONOMY

Real gross domestic product (real GDP) grew 3.0 percent in the third quarter of FY26 compared to the third quarter of FY25. The lion's share of that annual growth occurred in the fourth quarter of FY25 and the first quarter of FY26, not in the third quarter of FY26. Annual growth rates, as presented in Table 8, are the cumulative sum of the last four adjacent-quarter growth rates. Sometimes annual growth is consolidated into one quarter while growth in the other three quarters is near zero. At other times the growth is split between two quarters, while the other two quarters are near zero growth. This is why it is useful to talk about both annual growth rates and adjacent-quarter growth rates. In the case of third quarter of FY26, the majority of that annual growth occurred in the fourth quarter of FY25 and the first quarter of FY26. Growth in the second and third quarters of FY26 were both below 0.7 percent. The last five adjacent-quarter growth rates are: -0.2, 0.9, 1.1, 0.4, and 0.6 percent, respectively. Annual growth rates and adjacent-quarter growth rates are related, but different. This is an important distinction. Adjacent-quarter growth rates for real GDP are used to determine turning points in the economy, not annual rate growth rates. Third quarter real GDP growth came largely from real consumption growth.

Real consumption grew by 2.6 percent in the third quarter of FY26. Real consumption has been positive for the last four quarters. Adjacent-quarter growth for the last four quarters are: 0.6, 0.9, 0.6, and 0.6 percent, respectively. Average-quarter growth of 0.8 percent in calendar 2024 slowed to 0.5 percent adjacent-quarter growth in calendar 2025. Real consumption made up 69.2 percent of real GDP in the third quarter of FY26.

Real investment fell 1.5 percent in the third quarter of FY26 compared to the third quarter of FY25. All of those losses occurred in the fourth quarter of FY25. The last five adjacent-quarter growth rates are: 5.4, -3.6, 0.01, 0.9, and 1.3 percent, respectively. Historically, real investment is the most volatile of the five real GDP components. Real investment made up 18.5 percent of real GDP in the third quarter of FY26.

Real government expenditures rose 0.6 percent in the third quarter of FY26. Real government expenditures have been highly volatile over the last seven quarters. The last seven adjacent-quarter growth rates are: 1.3, 0.8, -0.2, -0.02, 0.6, -1.3, and 1.4 percent, respectively. The net growth during that time has been positive. Real government expenditures rose \$100.4 billion, or 2.6 percent, during that time. Real government expenditures made up 16.6 percent of real GDP in the third quarter of FY26.

Real exports rose 2.2 percent in the third quarter of FY26. Exports have fallen three times in the last six quarters. The last six adjacent-quarter growth rates are: -0.2, 0.04, -0.5, 2.3, -0.2, and 0.5 percent, respectively. Despite the three declines, real exports rose during that time by a net 2.0 percent. Meanwhile, real imports fell 7.3 percent in the third quarter of FY26. Tariffs on foreign-produced goods and services are contributing greatly to dampening imports. This does not mean that prices are going down. This means that consumers are faced with alternative higher-priced goods that are produced in many foreign nations, leading consumers to buy fewer imported goods or simply change consumption patterns altogether. Real exports made up 11.2 percent of real GDP in the third quarter of FY26. Real imports made up 15.4 percent of real GDP in the third quarter of FY26. Real imports are a deduction to real GDP.

The CPI for all goods rose 2.5 percent in the third quarter of FY26 over the third quarter of FY25. This is down slightly from 2.7 percent growth in the second quarter. The CPI for food was the fastest growing component in the third quarter, growing 2.8 percent compared to the same quarter last year. The CPI for energy was positive for the third consecutive quarter.

Growth in the working population has slowed down considerably in the third quarter of FY26. The two components, civilian labor force and persons not in the labor force, are moving in opposite directions. The civilian labor force fell 0.1 percent in the third quarter of FY26 compared to the same quarter in FY25. Meanwhile, those not in the labor force grew 2.1 percent compared to the same quarter last year. Among those in the labor force, the employed declined by 0.4 percent, while the unemployed increased by 4.7 percent. While the number of unemployed is still increasing at a high rate, it is less than half of the growth (9.5 percent) in the third quarter of FY25.

US personal income rose 4.0 percent in the third quarter of FY26 compared to the same quarter in FY25. All five contributing components grew in the third quarter of FY26. The fastest-growing component continues to be transfer receipts income. Transfer receipts income grew 7.8 percent, or \$373.8 billion, in the third quarter compared to the same quarter in FY25. Transfer receipts income made up 19.3 percent of total personal income in the third quarter of FY26. US wages and salaries, the largest component of personal income, grew 3.7 percent in the third quarter of FY26. US wages and salaries made up 49.6 percent of total personal income in the third quarter of FY26.

US non-farm employment rose 0.2 percent in the third quarter of FY26. Seven of the 11 supersectors lost jobs in the third quarter of FY26 compared to the third quarter of FY25. The fastest-growing sector is educational services, which rose 2.7 percent in the third quarter of FY26 relative to the third quarter of FY25. Trade, transportation, and utilities employment, the largest supersector, fell 0.7 percent in the third quarter. Trade, transportation, and utilities employment has fallen by a small amount for four consecutive quarters. It has also fallen for six of the last seven quarters. US mining employment fell the most in percentage terms in the third quarter. Mining employment fell 3.2 percent, or just under 20,000 net jobs. Educational service employment, the second largest supersector, made up 17.5 percent of total non-farm employment in the third quarter. Trade, transportation, and utilities employment made up 18.0 percent of total non-farm employment in the third quarter. Mining employment made up 0.4 percent of total non-farm employment in the third quarter.

KENTUCKY ECONOMY

Kentucky personal income rose 4.1 percent in the third quarter of FY26. Adjacent-quarter growth was positive in all four of the last four quarters. However, second quarter of FY26 growth was just barely positive. The majority of the growth was spread out rather evenly among the other three quarters. The last four adjacent-quarter growth rates are: 1.6, 1.1, 0.2, and 1.2 percent, respectively. Four of the five contributing components of Kentucky personal income grew in the third quarter. See Table 11. The fastest-growing component in the third quarter of FY26 was transfer receipts income, which grew 7.4 percent, or \$5.4 billion over the same quarter last year. Kentucky wages and salaries, the largest personal income component, grew 4.6 percent, or \$5.9 billion, in the third quarter of FY26. Kentucky wages and salary income was the fastest growing supersector in absolute terms.

Kentucky proprietors' income was the only component which declined in the third quarter, falling 1.6 percent. Kentucky proprietors' income has experienced a turbulent last five quarters with many ups and downs. On an adjacent-quarter basis, Kentucky proprietors' income is up 1.1 percent in the third quarter compared to the second quarter of FY26 and is up a net 0.9 percent over the last five turbulent quarters. Kentucky transfer receipts made up 27.5 percent of total personal income

in the third quarter of FY26. Kentucky wages and salaries made up 47.5 percent of total personal income and Kentucky proprietors' income made up 6.8 percent of total personal income.

Kentucky non-farm employment rose 0.6 percent in the third quarter of FY26. Three of the 11 supersectors lost jobs in the third quarter of FY26 compared to the third quarter of FY25.

Construction employment was the fastest growing supersector in Kentucky in the third quarter of FY26. It grew a net 2.8 percent, or 2,700 jobs, in the third quarter of FY26 over FY25. Construction employment was growing every quarter from the second quarter of FY25 to the first quarter of FY26. Then it remained constant in the second quarter of FY26. And it fell slightly in the third quarter of FY26. Construction employment made up 4.8 percent of total non-farm employment in Kentucky in the third quarter of FY26.

Kentucky educational services employment also rose very fast in the third quarter of FY26 relative to FY25, growing 2.2 percent, or a net 7,000 jobs. See Table 11. The Kentucky educational services employment supersector contains elementary school employees, secondary school employees, and healthcare services employees. The healthcare services employees made up almost all of the net growth in the third quarter of FY26. While the school employees' categories remained flat or slightly declined during that time.

Trade, transportation, and utilities employment, the largest supersector in Kentucky, lost 0.7 percent of its jobs, or 3,200 net jobs in the third quarter of FY26 compared to the third quarter of FY25. This is the second consecutive decline in jobs for trade, transportation, and utilities employment. Trade, transportation, and utilities employment made up 20.6 percent of total non-farm employment in Kentucky in the third quarter of FY26.

Mining employment in the third quarter of FY26 continues to be the fastest-declining employment supersector in Kentucky. Kentucky mining employment fell a net 7.9 percent, or 300 jobs, in the third quarter of FY26 compared to the same quarter in FY25. Mining employment is the smallest supersector in Kentucky. Mining employment made up 0.3 percent of total non-farm employment in Kentucky in the third quarter of FY26.

Table 8
History of US Economic Variables

	FY25				FY26					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Real GDP (\$ billions, AR)	23,548.2	2.0	23,771.0	2.1	24,026.8	2.3	24,111.8	2.2	24,248.7	3.0
Real Consumption	16,345.8	3.1	16,445.7	2.7	16,585.9	2.6	16,682.5	2.2	16,775.0	2.6
Real Investment	4,547.9	5.9	4,382.8	0.0	4,383.2	-0.2	4,424.5	2.5	4,480.1	-1.5
Real Government Expenditures	3,993.9	2.7	3,993.0	1.9	4,015.0	1.1	3,962.5	-1.0	4,019.6	0.6
Real Exports	2,659.5	2.1	2,647.3	1.5	2,708.8	1.7	2,702.5	1.7	2,717.2	2.2
Real Imports	4,040.2	13.2	3,705.3	1.8	3,664.3	-1.7	3,652.0	-2.0	3,744.3	-7.3
CPI - All Goods (% chg)	2.7	NA	2.5	NA	2.9	NA	2.7	NA	2.5	NA
CPI - Food (% chg)	2.6	NA	2.9	NA	3.1	NA	2.9	NA	2.8	NA
CPI - Energy (% chg)	-1.0	NA	-2.4	NA	0.7	NA	3.2	NA	2.1	NA
Core CPI (% chg)	3.1	NA	2.8	NA	3.1	NA	2.7	NA	2.5	NA
Industrial Prod. Index (% chg)	0.7	NA	0.5	NA	1.7	NA	1.7	NA	1.4	NA
Working Population (millions, NSA)	272.9	1.9	273.4	1.9	274.0	1.9	G	G	274.8	0.7
Civilian Labor Force	170.2	1.8	170.7	1.6	171.3	1.3	G	G	170.0	-0.1
Employed	162.8	1.5	163.8	1.4	163.7	1.1	G	G	162.2	-0.4
Unemployed	7.4	9.5	7.0	7.7	7.6	6.0	G	G	7.8	4.7
Not in Labor Force	102.7	2.2	102.7	2.4	102.7	2.9	G	G	104.8	2.1
Labor Force Participation Rate (%)	62.5	NA	62.4	NA	62.3	NA	G	G	62.0	NA
Unemployment Rate (%)	4.1	NA	4.2	NA	4.3	NA	4.5	NA	4.4	NA
Housing Starts (millions, AR)	1.4	-1.0	1.4	0.8	1.3	0.6	1.3	-3.9	1.3	-5.8

G = Data for Q4 2025 were not produced. Data for October 2025 were not collected due to the federal government shutdown.

Table 9
US Federal Outlays
\$ billions, AR

	Third Quarter			
	FY26	FY25	Chg	% Chg
Federal Outlays excl. Gross Investment	7,676.4	7,313.6	362.8	5.0
National Defense	912.8	873.5	39.3	4.5
Non-Defense Consumption	582.6	608.4	-25.8	-4.2
Federal Transfer Payments to Resident Persons	3,760.6	3,526.5	234.2	6.6
Medicare	1,299.2	1,172.6	126.6	10.8
Social Security	1,629.5	1,529.8	99.7	6.5
Social Insurance to Rest of the World	39.2	37.2	2.0	5.4
Grants-in-Aid to State & Local Govts	988.7	955.7	33.0	3.5
Medicaid	700.0	638.7	61.3	9.6
Non-Medicaid Grants to State & Local Govts	288.7	317.0	-28.3	-8.9
Aid to Foreign Govts	39.2	56.9	-17.7	-31.2
Interest on the Debt	1,244.0	1,144.2	99.8	8.7
Subsidies	109.3	107.0	2.4	2.2

Table 10
History of US Labor and Income Data

	FY25				FY26					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Non-farm Employment (millions, NSA)	158.3	0.7	158.5	0.6	158.5	0.5	158.5	0.2	158.6	0.2
Goods-producing	21.6	-0.3	21.5	-0.4	21.5	-0.7	21.5	-0.6	21.5	-0.3
Mining	0.6	-2.0	0.6	-0.9	0.6	-2.3	0.6	-2.8	0.6	-3.2
Construction	8.3	1.6	8.3	1.1	8.3	0.2	8.3	0.0	8.3	0.5
Manufacturing	12.7	-1.4	12.6	-1.4	12.6	-1.3	12.6	-0.8	12.6	-0.7
Service-providing	113.2	0.7	113.4	0.6	113.5	0.7	113.6	0.5	113.9	0.6
Trade, Transportation & Utilities	28.8	-0.1	28.8	-0.4	28.7	-0.3	28.7	-0.4	28.6	-0.7
Information	2.9	-2.8	2.9	-2.4	2.9	-1.7	2.8	-1.4	2.8	-1.0
Finance	9.2	0.4	9.2	0.6	9.2	0.4	9.2	0.1	9.2	-0.3
Business Services	22.5	-0.8	22.4	-0.8	22.4	-0.8	22.4	-0.6	22.4	-0.2
Educational Services	27.1	3.6	27.3	3.3	27.4	3.2	27.6	2.7	27.8	2.7
Leisure and Hospitality Services	16.8	0.4	16.8	0.5	16.9	0.7	17.0	0.8	17.0	1.1
Other Services	6.0	0.8	6.0	0.6	6.0	0.7	6.0	0.7	6.0	0.9
Government	23.6	1.5	23.6	1.1	23.6	0.5	23.4	-0.6	23.3	-1.2
Personal Income (\$ billions, AR)	25,717.7	5.1	25,987.5	4.8	26,197.6	4.7	26,422.3	4.3	26,741.5	4.0
Wages and Salaries	12,788.7	5.3	12,860.0	4.4	12,972.4	4.1	13,111.0	3.8	13,255.9	3.7
Transfer Receipts	4,788.0	7.7	4,952.3	9.2	5,013.9	9.3	5,077.9	9.1	5,161.8	7.8
Dividends, Interest, and Rents	5,311.5	2.3	5,324.9	1.9	5,332.4	2.1	5,350.4	1.8	5,388.3	1.4
Supplements to Wages and Salaries	2,722.2	5.1	2,750.3	4.7	2,782.2	4.7	2,811.0	4.8	2,852.8	4.8
Proprietors' Income	2,103.3	6.1	2,105.2	4.6	2,117.7	4.2	2,112.1	2.3	2,134.5	1.5
Social Insurance	1,995.9	5.9	2,005.1	4.8	2,020.9	4.4	2,040.1	4.1	2,051.8	2.8
Residential Adjustment	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA

Table 11
History of KY Labor and Income Data

	FY25				FY26					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Non-farm Employment (thousands, NSA)	2,046.4	0.7	2,056.5	1.0	2,059.9	0.9	2,052.0	0.5	2,059.1	0.6
Goods-producing	362.8	0.8	366.4	1.7	365.5	1.4	363.5	1.2	365.0	0.6
Mining	7.7	-8.0	7.5	-8.5	7.5	-8.2	7.5	-6.6	7.1	-7.9
Construction	96.9	3.8	99.9	6.9	100.8	6.6	100.8	7.4	99.7	2.8
Manufacturing	258.2	-0.1	259.0	0.2	257.1	-0.2	255.2	-0.8	258.2	0.005
Service-providing	1,366.4	0.5	1,371.2	0.6	1,376.1	0.8	1,371.2	0.4	1,377.6	0.8
Trade, Transportation & Utilities	427.7	0.5	427.7	0.2	430.1	0.2	426.2	-0.5	424.5	-0.7
Information	20.7	-2.1	20.8	-0.2	20.7	0.3	20.7	-0.3	20.8	0.1
Finance	95.0	-0.8	95.5	0.1	96.5	1.4	96.1	1.4	95.4	0.4
Business Services	225.3	-0.7	225.8	-0.3	225.9	0.2	225.3	0.1	226.6	0.6
Educational Services	318.5	2.6	320.4	2.3	319.9	1.7	320.4	1.2	325.5	2.2
Leisure and Hospitality Services	205.2	-0.2	206.2	-0.1	207.2	0.7	206.6	0.6	209.3	2.0
Other Services	74.0	0.5	74.7	1.3	75.8	2.1	75.9	2.3	75.5	2.0
Government	317.2	1.3	318.9	1.6	318.3	1.0	317.3	0.2	316.5	-0.2
Personal Income (\$ billions, AR)	274.5	4.1	278.8	4.7	281.8	5.1	282.4	4.2	285.9	4.1
Wages and Salaries	129.8	2.8	132.0	3.7	133.3	3.8	134.0	3.9	135.7	4.6
Transfer Receipts	73.1	7.2	75.6	8.8	76.7	9.8	77.3	8.2	78.5	7.4
Dividends, Interest, and Rents	46.5	1.8	46.6	1.6	46.7	1.9	46.5	0.9	46.6	0.1
Supplements to Wages and Salaries	30.3	3.3	30.9	4.3	31.3	4.4	31.6	5.4	32.1	5.8
Proprietors' Income	19.7	6.5	19.2	2.9	19.6	3.4	19.2	-0.1	19.4	-1.6
Social Insurance	21.5	3.5	21.9	4.1	22.1	4.1	22.2	4.4	22.3	3.6
Residential Adjustment	-3.5	NA	-3.6	NA	-3.6	NA	-4.1	NA	-4.1	NA

APPENDIX

General Fund and Road Fund

Revenue Receipts

THIRD QUARTER FY26

**KENTUCKY STATE GOVERNMENT
GENERAL FUND REVENUE**

	Third Quarter FY 2026	Third Quarter FY 2025	% Change	Year-To-Date FY 2026	Year-To-Date FY 2025	% Change
TOTAL GENERAL FUND	\$3,458,095,354	\$3,450,663,080	0.2%	\$11,283,364,224	\$11,328,124,804	-0.4%
Tax Receipts	\$3,300,583,258	\$3,284,546,065	0.5%	\$10,687,023,707	\$10,723,056,528	-0.3%
Sales and Gross Receipts	\$1,724,644,249	\$1,625,574,537	6.1%	\$5,240,432,883	\$4,970,318,454	5.4%
Beer Consumption	1,222,758	1,270,801	-3.8%	4,087,063	3,232,398	26.4%
Beer Wholesale	14,854,451	14,879,060	-0.2%	50,612,000	51,372,106	-1.5%
Cigarette	54,278,466	52,306,544	3.8%	183,908,147	179,779,276	2.3%
Distilled Spirits Case Sales	53,600	53,399	0.4%	174,060	172,607	0.8%
Distilled Spirits Consumption	4,406,202	4,357,584	1.1%	14,033,844	13,691,275	2.5%
Distilled Spirits Wholesale	16,510,496	17,198,256	-4.0%	53,931,772	55,118,187	-2.2%
Insurance Premium	98,838,779	96,348,566	2.6%	171,413,708	163,275,175	5.0%
Pari-Mutuel	20,191,412	25,615,442	-21.2%	59,979,534	57,690,689	4.0%
Race Track Admission	0	0	---	0	0	---
Sales and Use	1,468,794,698	1,370,200,474	7.2%	4,563,032,876	4,308,572,371	5.9%
Wine Consumption	697,923	723,604	-3.5%	2,040,932	2,173,696	-6.1%
Wine Wholesale	4,908,378	4,923,559	-0.3%	14,297,146	14,654,795	-2.4%
Telecommunications Tax	21,653,107	20,402,024	6.1%	62,381,310	59,852,477	4.2%
Other Tobacco Products	8,104,681	8,454,092	-4.1%	25,576,135	29,452,184	-13.2%
Floor Stock Tax	275	36	660.1%	394	313	25.9%
Car Rental & Ride Sharing	10,129,022	8,841,097	14.6%	34,963,963	31,280,906	11.8%
Natural Resources	\$22,681,565	\$21,424,016	5.9%	\$79,312,590	\$76,797,299	3.3%
Coal Severance	15,156,861	13,233,643	14.5%	47,435,668	48,075,737	-1.3%
Oil Production	854,626	1,404,569	-39.2%	3,115,694	4,290,738	-27.4%
Minerals Severance	5,278,942	4,825,008	9.4%	24,543,959	21,156,682	16.0%
Natural Gas Severance	1,391,137	1,960,795	-29.1%	4,217,269	3,274,141	28.8%
Individual Income Tax	\$1,205,084,511	\$1,236,630,808	-2.6%	\$3,872,675,136	\$3,690,617,839	4.9%
Withholding	1,159,953,361	1,196,309,097	-3.0%	3,493,129,126	3,396,071,799	2.9%
Declarations	112,341,150	87,200,967	28.8%	271,674,604	199,478,026	36.2%
Net Returns	(161,222,452)	(151,586,193)	---	(162,547,448)	(219,765,433)	---
Fiduciary	(4,655,727)	(2,960,148)	---	(9,006,073)	(10,112,049)	---
Pass-Through Entity Tax	98,668,180	107,667,085	-8.4%	279,424,927	324,945,496	-14.0%
Major Business Taxes	\$86,922,770	\$169,011,866	-48.6%	\$670,223,308	\$1,173,719,142	-42.9%
Corporation Income	34,641,160	138,181,676	-74.9%	354,762,978	1,045,097,637	-66.1%
LLET	52,281,609	30,830,190	69.6%	315,460,329	128,621,505	145.3%
Property	\$237,258,772	\$206,600,774	14.8%	\$746,894,044	\$739,911,839	0.9%
General - Real	93,328,457	91,208,873	2.3%	378,776,617	364,110,052	4.0%
General - Tangible	32,890,857	33,511,560	-1.9%	135,279,439	138,445,616	-2.3%
Tangible - Motor Vehicle	48,610,565	48,341,337	0.6%	136,024,192	137,159,740	-0.8%
Omitted & Delinquent	11,187,253	3,842,985	191.1%	19,673,386	13,654,236	44.1%
Public Service	50,263,533	28,471,427	76.5%	72,115,660	82,022,606	-12.1%
Other	978,107	1,224,592	-20.1%	5,024,750	4,519,589	11.2%
Inheritance Tax	\$18,198,282	\$18,358,898	-0.9%	\$65,351,984	\$62,007,164	5.4%
Miscellaneous	\$5,793,109	\$6,945,165	-16.6%	\$12,133,763	\$9,684,792	25.3%
License and Privilege	\$240,228	\$475,653	-49.5%	1,213,243	1,486,837	-18.4%
Bank Franchise	\$0	(\$116,563)	---	(5,946)	(3,081,224)	---
Legal Process	2,242,354	2,610,178	-14.1%	7,070,011	7,188,551	-1.6%
T. V. A. In Lieu Payments	3,305,779	3,971,090	-16.8%	3,834,757	4,073,886	-5.9%
Other	4,748	4,807	-1.2%	21,696	16,742	29.6%
Nontax Receipts	\$158,862,968	\$165,754,484	-4.2%	\$594,284,137	\$603,380,698	-1.5%
Departmental Fees	6,224,984	4,948,434	25.8%	11,983,558	10,884,509	10.1%
PSC Assessment Fee	258,231	1,625	15787.3%	14,677,562	10,903,018	34.6%
Fines & Forfeitures	5,207,798	4,908,112	6.1%	15,327,094	14,459,964	6.0%
Income on Investments	52,270,728	73,770,790	-29.1%	187,734,608	245,547,909	-23.5%
Lottery	92,000,000	89,500,000	2.8%	277,386,064	268,971,720	3.1%
Miscellaneous	2,901,226	(7,374,477)	---	87,175,251	52,613,578	65.7%
Redeposit of State Funds	(\$1,350,873)	\$362,532	---	\$2,056,380	\$1,687,578	21.9%

**KENTUCKY STATE GOVERNMENT
ROAD FUND REVENUE**

	Third Quarter FY 2026	Third Quarter FY 2025	%	Year-To-Date FY 2026	Year-To-Date FY 2025	%
			Change			Change
TOTAL STATE ROAD FUND	\$429,292,437	\$438,210,530	-2.0%	\$1,349,542,310	\$1,356,733,211	-0.5%
Tax Receipts-	\$420,931,811	\$424,828,525	-0.9%	\$1,319,230,193	\$1,316,419,035	0.2%
Sales and Gross Receipts	\$356,768,224	\$356,854,616	0.0%	\$1,144,570,274	\$1,145,209,128	-0.1%
Motor Fuels Taxes	178,304,412	187,857,988	-5.1%	596,242,140	620,379,712	-3.9%
Motor Vehicle Usage	178,267,868	168,847,150	5.6%	547,742,481	524,413,369	4.4%
EV Charging Station Tax	195,944	149,479	31.1%	585,653	416,048	40.8%
License and Privilege	\$64,163,588	\$67,973,909	-5.6%	\$174,659,919	\$171,209,907	2.0%
Motor Vehicles	32,862,941	33,617,551	-2.2%	75,416,756	70,060,875	7.6%
Motor Vehicle Operators	6,830,667	7,383,900	-7.5%	23,407,546	24,340,041	-3.8%
Weight Distance	21,269,564	21,112,159	0.7%	65,883,429	65,508,260	0.6%
Truck Decal Fees	51,400	46,720	10.0%	109,280	117,100	-6.7%
Other Special Fees	3,149,015	5,813,579	-45.8%	9,842,908	11,183,631	-12.0%
Nontax Receipts	\$8,063,766	\$13,082,217	-38.4%	\$29,325,168	\$39,280,903	-25.3%
Departmental Fees	4,588,080	5,268,599	-12.9%	16,872,003	17,895,848	-5.7%
In Lieu of Traffic Fines	45,510	40,290	13.0%	127,140	122,520	3.8%
Income on Investments	1,085,017	4,812,173	-77.5%	5,087,618	13,656,759	-62.7%
Miscellaneous	1,393,847	2,349,413	-40.7%	5,167,878	4,995,253	3.5%
Hybrid/Electric Annual Fee	951,312	611,741	55.5%	2,070,528	2,610,523	-20.7%
Redeposit of State Funds	\$296,859	\$299,788	-1.0%	\$986,949	\$1,033,273	-4.5%

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, 2026 data release.

Table 8

Not Seasonally Adjusted. Real series are annual, billions of chained 2000 dollars. Components do not sum to GDP because they are annualized independently.

Data for FY26 Q3 are March 2026 estimates.

Source: IHS Markit – Economics & Country Risk, March 10, 2026 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 10

Not Seasonally Adjusted. Data for FY26 Q3 are March 2026 estimates.

Source: 6IHS Markit - Economics & Country Risk, March 10, 2026 data release.