



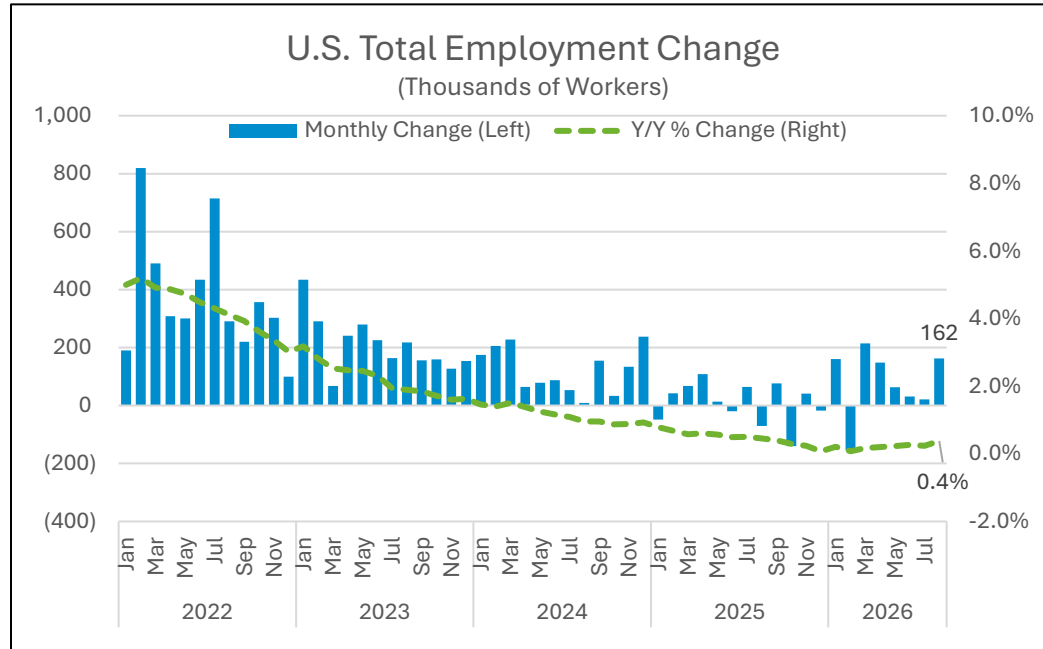
Economic and Revenue Update

A Briefing for the Money Committees

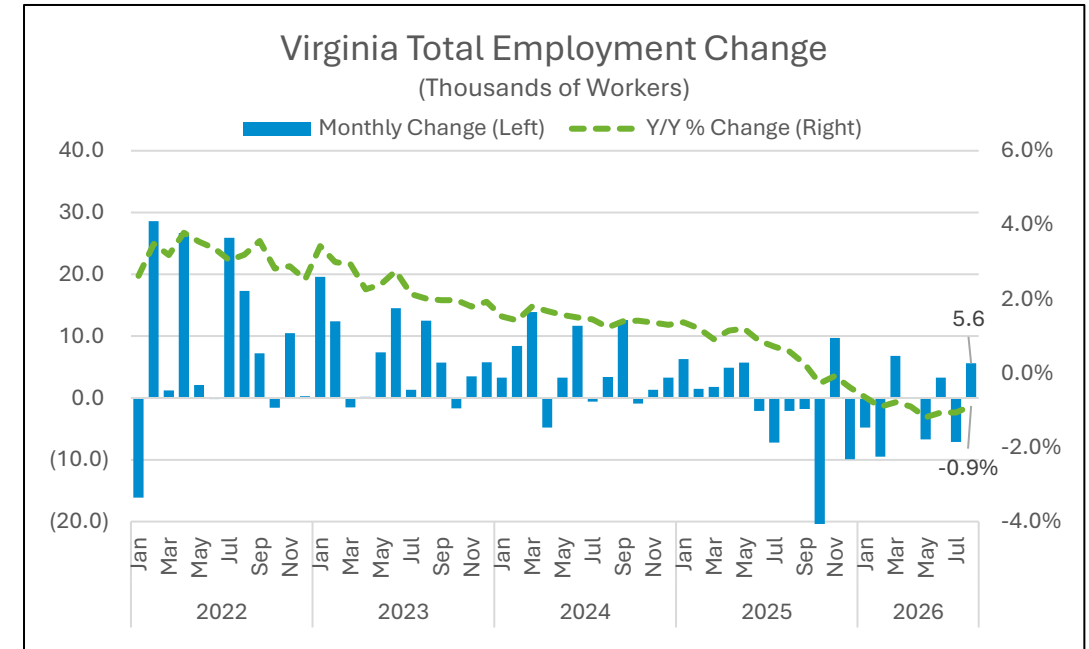
September 23, 2026

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Secretary of Finance
Commonwealth of Virginia
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U.S. and Virginia Employment Grow in August



Source: U.S. Bureau of Labor Statistics

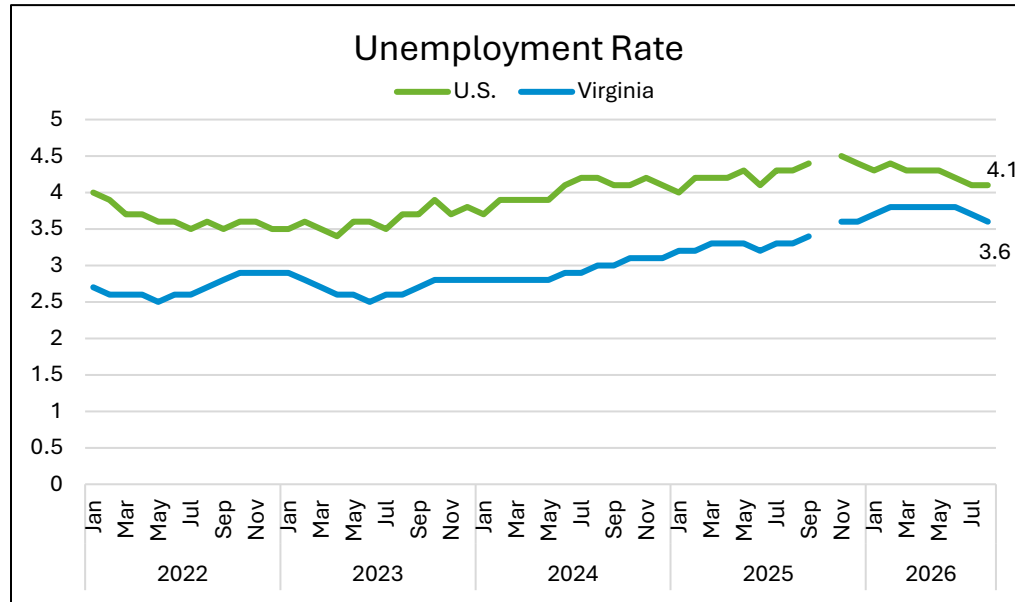


Source: U.S. Bureau of Labor Statistics

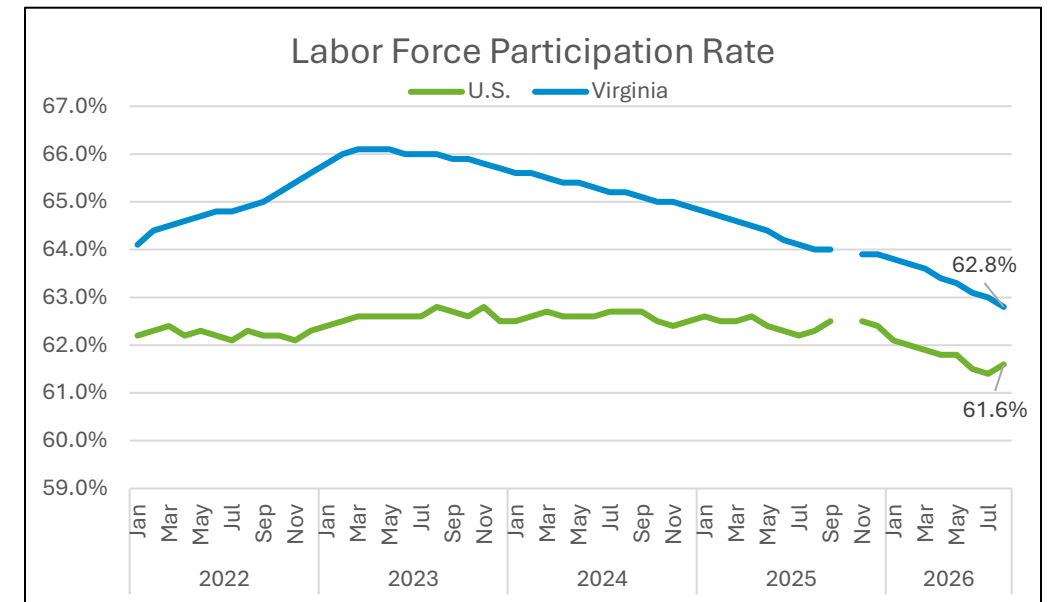
- The U.S. added 162,000 in August, accounting for 0.4 percent year-over-year growth. The largest gains occurred in Leisure & Hospitality (+62,000) and Local Government (+50,000) with the largest losses occurring in Information (-23,000) and Financial Activities (-11,000).
- Virginia employment grew by 5,600 in August, which still yields a year-over-year decrease of 0.9 percent. The largest gains occurred in Professional & Business Services (+4,100) and Construction (+2,400) with the largest declines occurring in Local Government (-2,500) and Financial Activities (-1,000).



Unemployment Rates Remain Stable While Labor Force Declines



Source: U.S. Bureau of Labor Statistics

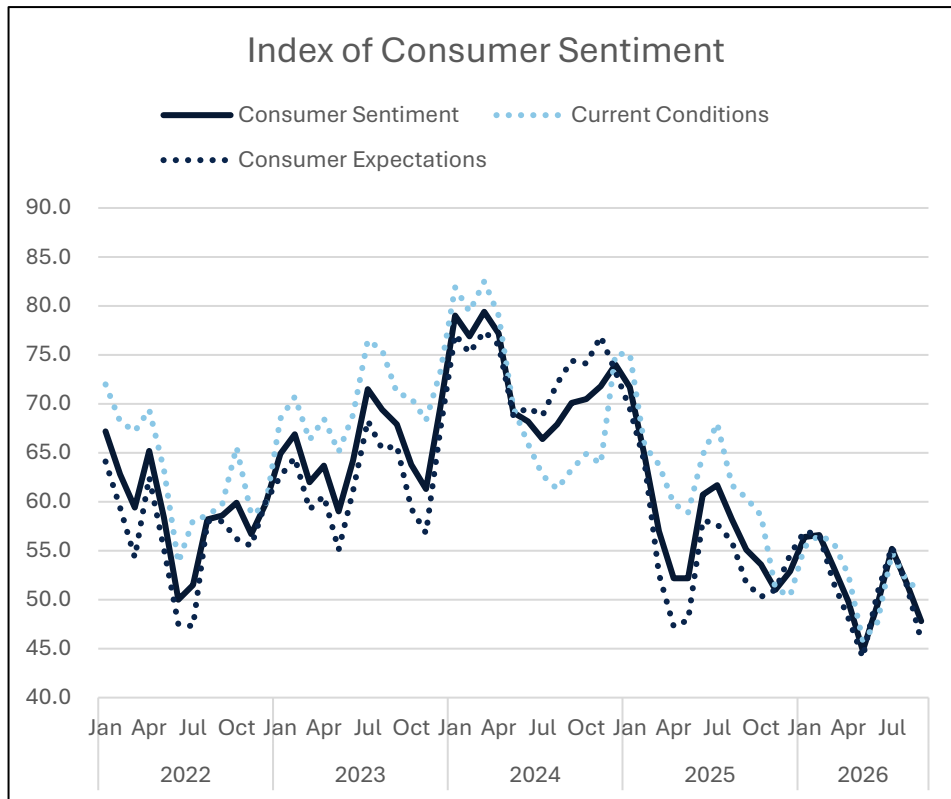


Source: U.S. Bureau of Labor Statistics

- The unemployment rate for the U.S. has been slowly declining after hitting its current CY2026 peak in February, reading 4.1 percent unemployment in August. Despite this, the labor force participation rate has seen steady declines each month this year until August saw a modest climb to 61.6 percent.
- The Virginia unemployment rate has remained mostly steady in 2026, having spent five consecutive months reading 3.8 percent before declining in the last two months, reading 3.6 percent in August. Virginia's labor force participation rate has steadily declined each month since December of last year.



Consumer Confidence Slides in Most Recent Measure

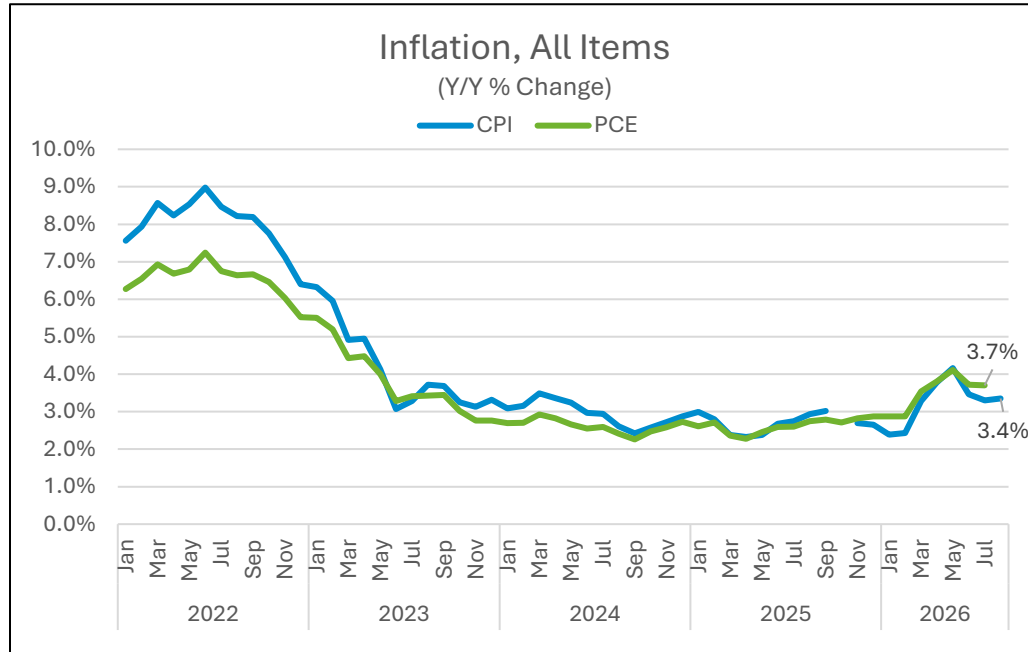


Source: University of Michigan, Surveys of Consumers

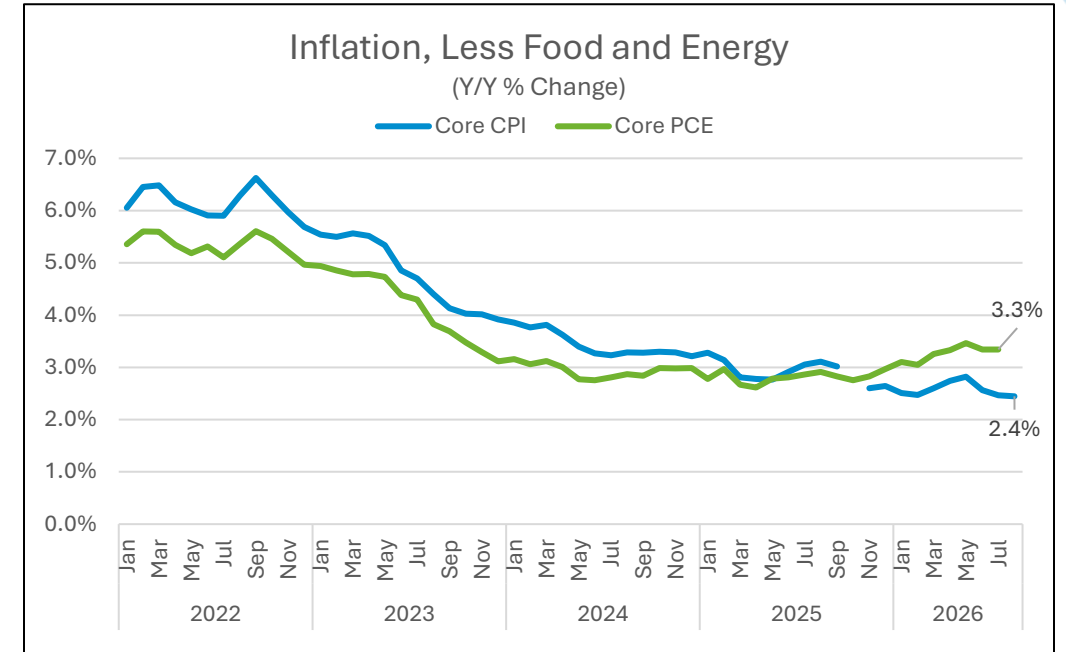
- The University of Michigan's Index of Consumer Confidence declined 3.9 index points in September's preliminary measure, a 7.5 percent decline from August, and 13.2 percent lower than September of last year.
- The change in September comes from a modest decline of 1.0 index point (-1.9 percent) in the Current Economic Conditions index from August and a greater month-over-month decline of 4.7 index points (-11.1 percent) in the Index of Consumer Expectations.
- These results stem from declines in sentiment from Democrats and Republicans, while independents changed little from August. The resurgence of fuel prices and trade tensions have made consumers anticipate greater price pressures in the near future.



Inflation Remains Elevated



Source: U.S. Bureau of Labor Statistics

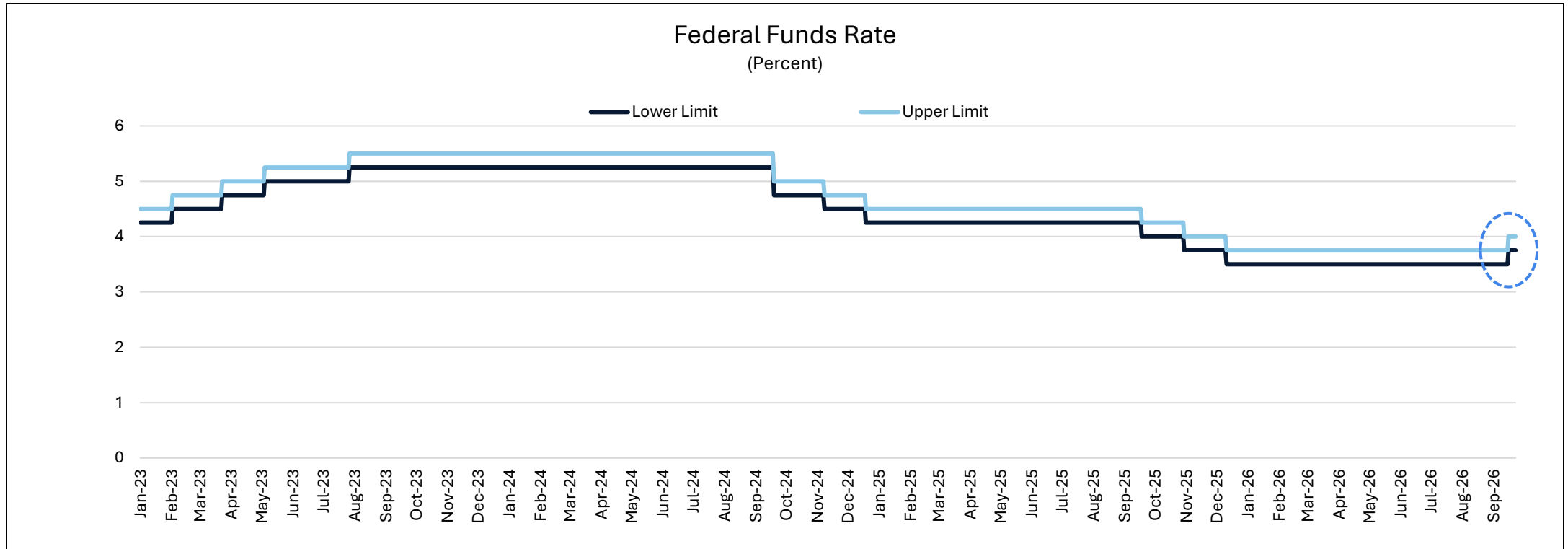


Source: U.S. Bureau of Labor Statistics

- The Consumer Price Index (CPI) for all items continues growing in 2026 with the index experiencing 3.4 percent annual growth in August, while the Personal Consumption Expenditure Price Index (PCE) for all items followed a similar growth path this year, growing 3.7 percent in its July reading.
- The “Core” CPI and PCE exclude volatile food and energy prices. Core CPI’s growth rate has been flattening this year, staying near 2.6 percent annual growth, while Core PCE has had its growth rate accelerate across CY2026. Core CPI measured 2.4 percent annual growth in August and Core PCE measured 3.3 percent annual growth in July.



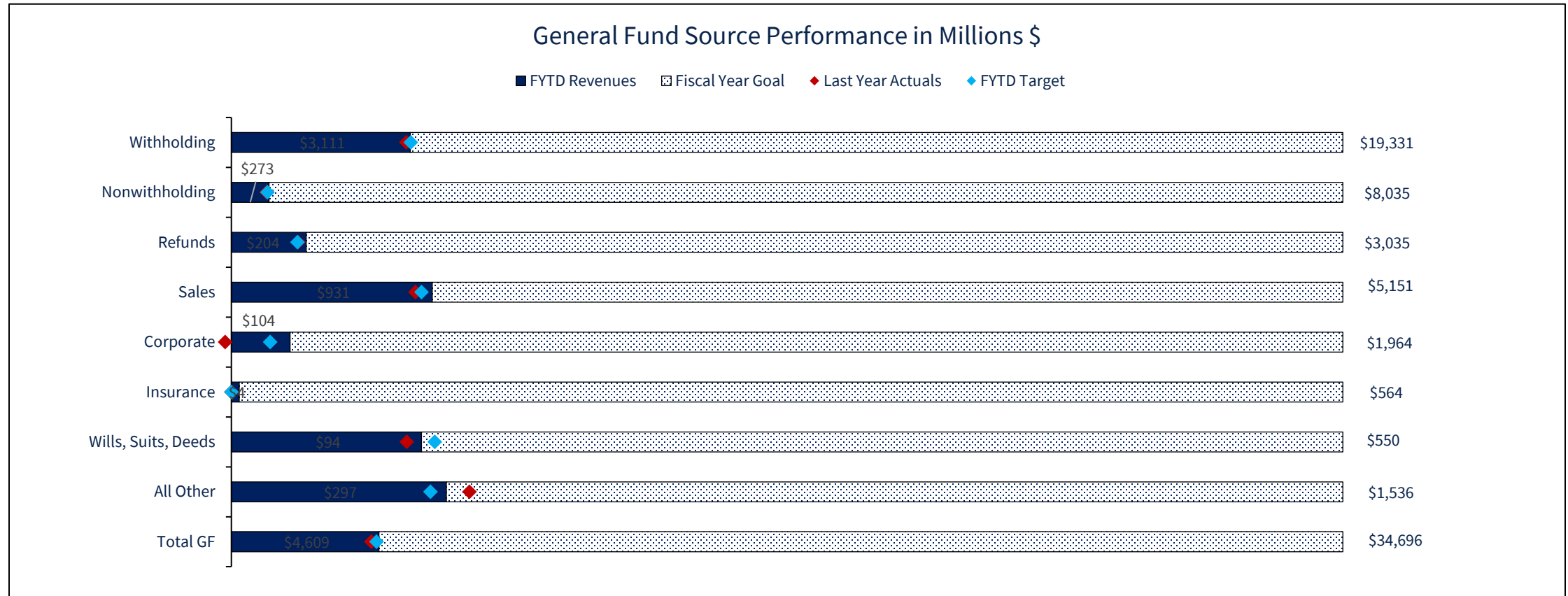
Fed Raises Funds Rate at September Meeting



- The Federal Reserve's Federal Open Market Committee (FOMC) voted at its meeting on September 16 to increase the federal funds rate to a target range of 3.75 to 4.0.
- This is up from a target range of 3.5 to 3.75 and marks the first increase for the funds rate since August 2023.



Revenues Are 1.8 Percent Ahead of Forecast



Revenues Generally on Target

SOURCE, \$ Mil	August Revenues Year-Over-Year				Forecast Variance FYTD			
	Aug 25	Aug 26	Change \$	Change %	Actuals	Projected	Variance \$	Variance %
Withholding	\$1,473.7	\$1,445.8	(\$27.9)	-1.9%	\$3,111.3	\$3,120.8	(9.6)	-0.3%
Non-withholding	116.0	135.9	19.9	17.2%	272.5	261.4	11.2	4.3%
IIT Refunds	(81.8)	(92.6)	(10.8)	13.2%	(204.4)	(180.5)	(24.0)	13.3%
Net Individual Income	\$1,507.8	\$1,489.1	(\$18.8)	-1.2%	\$3,179.3	\$3,201.7	(\$22.4)	-0.7%
Sales & Use Tax	429.4	446.3	17.0	4.0%	930.7	881.5	49.2	5.6%
Corporate Income Tax	(58.7)	7.2	65.9	-112.2%	103.8	68.6	35.2	51.3%
Insurance	-	4.0	4.0	0.0%	4.0	-	4.0 ***	
Wills, Suits, Deeds	41.4	43.2	1.7	4.1%	94.0	100.6	(6.6)	-6.5%
Interest Income	131.6	105.6	(26.1)	-19.8%	190.8	173.9	16.9	9.7%
All Other	46.0	60.2	14.2	30.9%	106.2	101.1	5.1	5.1%
Total GF Revenues	\$2,097.6	\$2,155.6	\$58.0	2.8%	\$4,609.0	\$4,527.5	\$81.5	1.8%

- August lacks any major quarterly payments and thus the vast majority of revenues are in Withholding and Sales.
- Withholding revenues declined \$27.9 million year-over-year, but after factoring in timing adjustments, revenues from this source are very close to expectations.
- Sales tax, grew a healthy 4.0% in August and after some unusually strong activity in July, is now \$49.2 million ahead of forecast.



Conclusion

- Revenues are on target so far this year, with a small positive variance through the first two months.
- Economic signals are generally negative.
 - The U.S. added 162,000 jobs in August, and Virginia added 5,600, but this is against a backdrop of stagnation over the last 18 months.
 - For both the U.S. and Virginia, unemployment remains stable, but the labor force is declining.
 - Consumer sentiment has continued to sink.
 - Inflation remains high, and the Federal Reserve has just raised interest rates.
- All these factors will be considered in the upcoming *Joint Advisory Board of Economists* (JABE) and *Governor's Advisory Council on Revenue Estimates* (GACRE) process as we work towards a clearer vision of Virginia's financial future.

