# Economic and Revenue Update

*A Briefing for the Money Committees*

April 2026

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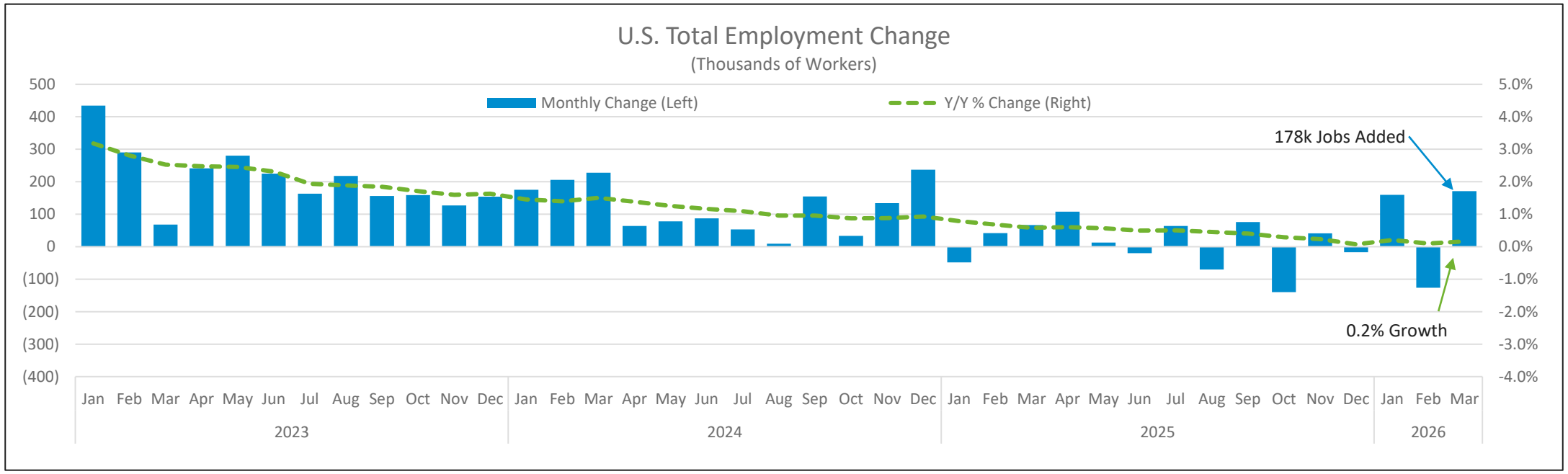
# National Developments

# National Employment Up Slightly; 0.2% Growth Year-Over-Year






Source: U.S. Bureau of Labor Statistics

- The U.S. added 178,000 jobs in March.
- January and February jobs were revised down by a total of 7,000.
- Healthcare returned to positive growth adding 76,000 jobs after February's anomalous decline.
- The largest source of job losses was federal government which declined by 18,000 jobs.

# Inflation Concerns



## Oil Price Impact Rules of Thumb

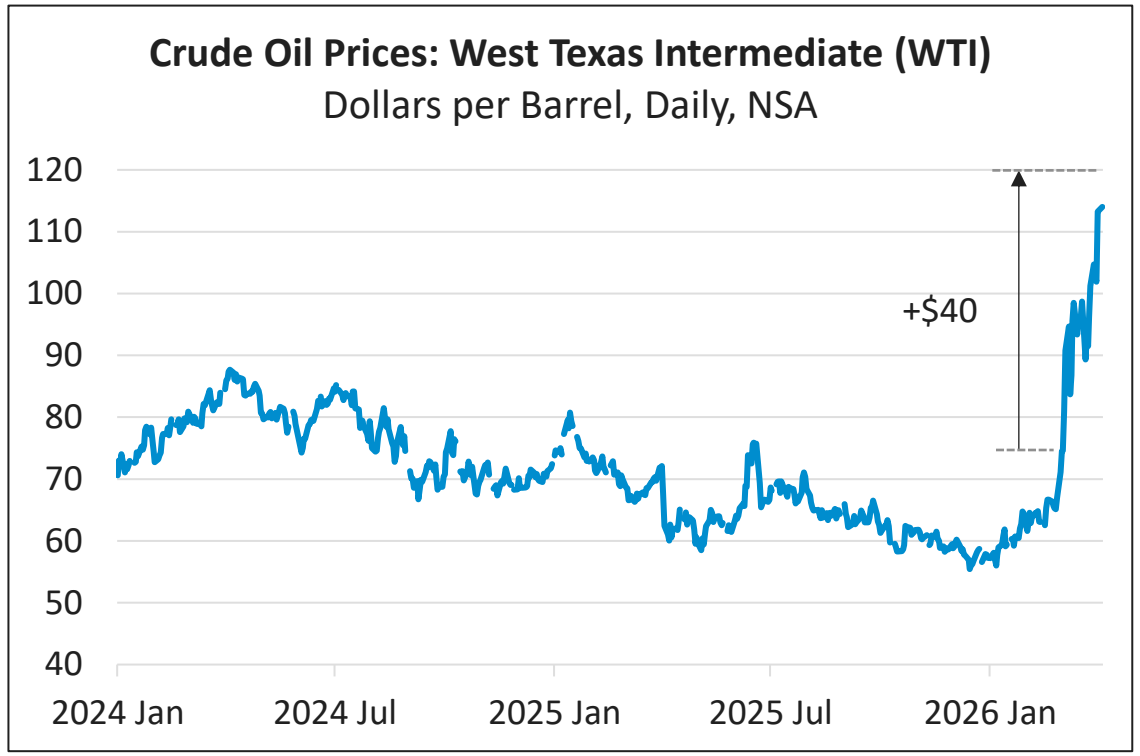
**Every $10 increase in the price of oil:**

- Increases U.S. gasoline prices by 25¢/gal
- Costs consumers $30 bil over the course of a year
- Costs households $250/yr
- Reduces GDP growth by 10 bps
- Boosts the inflation rate by 15 bps

**If $40 increase is sustained:**

- Households pay $1,000 more each year for energy
- 60 bps increase in the inflation rate

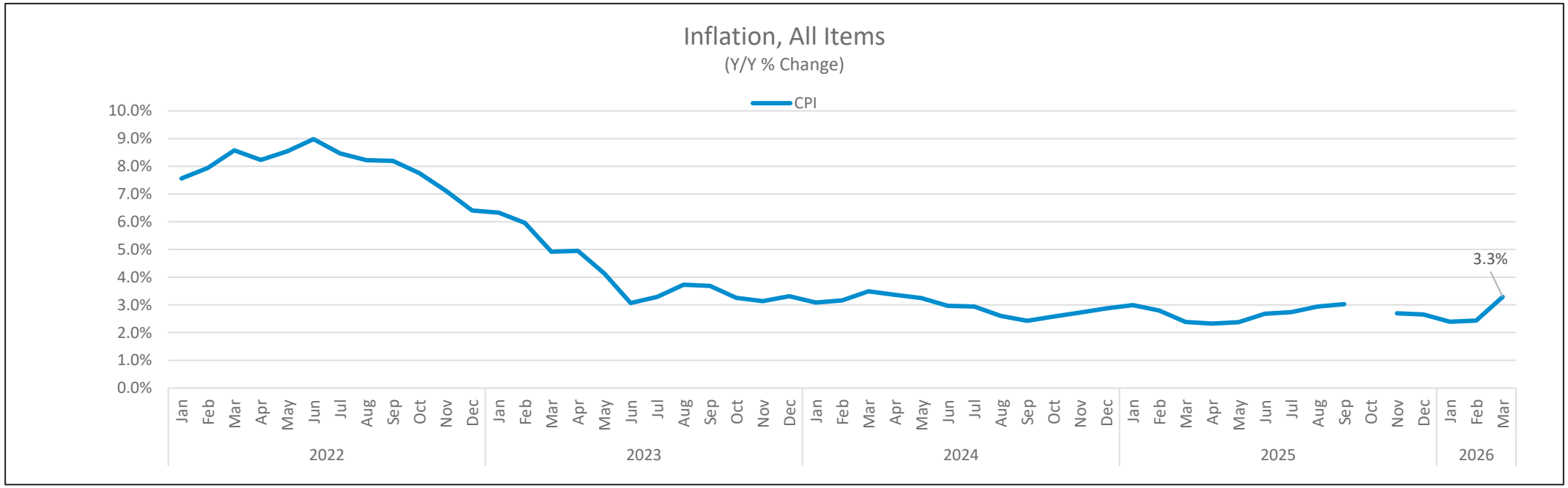
*Source: Moody's Analytics*




*Source: U.S. Energy Information Administration, Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma [DCOILWTICO], retrieved from FRED, April 6, 2026.*

# Gas Prices Spike Inflation



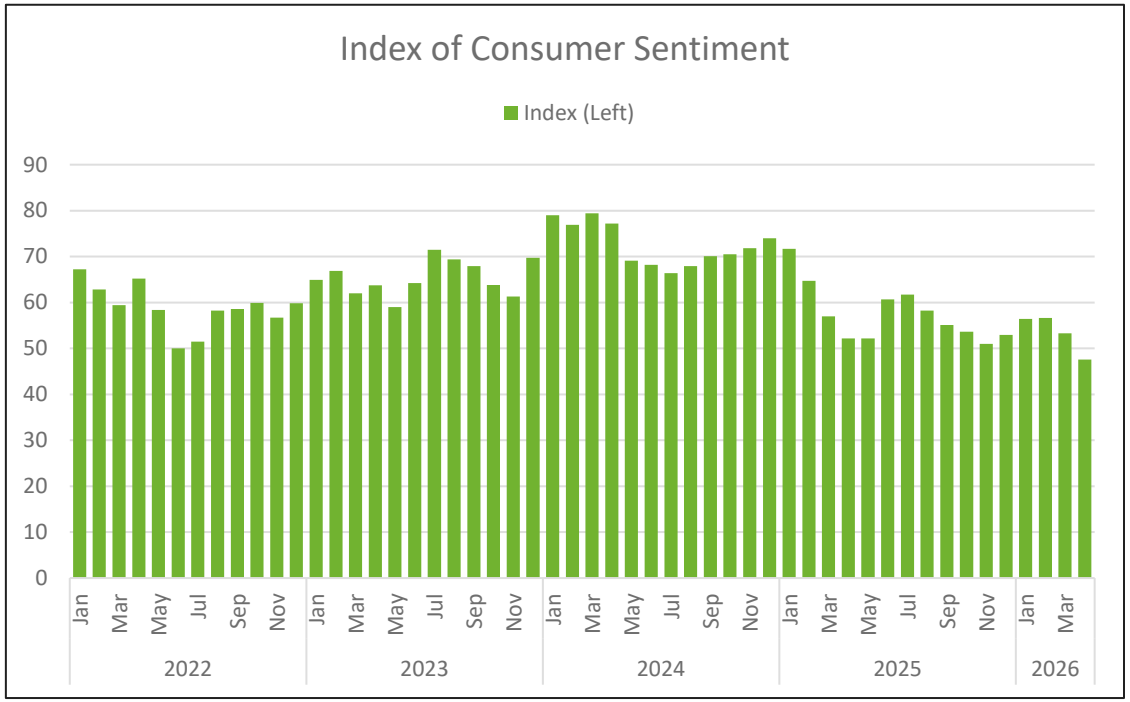



Source: U.S. Bureau of Labor Statistics

- The Consumer Price Index increased 0.9 percent last month. The year-over-year growth jumped to 3.3 percent.
- Energy prices led the increase and account for nearly three quarters of the monthly increase.
- Core inflation (excluding food and energy ticked up modestly by about 0.2 percent.

# Consumer Sentiment Falls to Its Lowest Point on Record



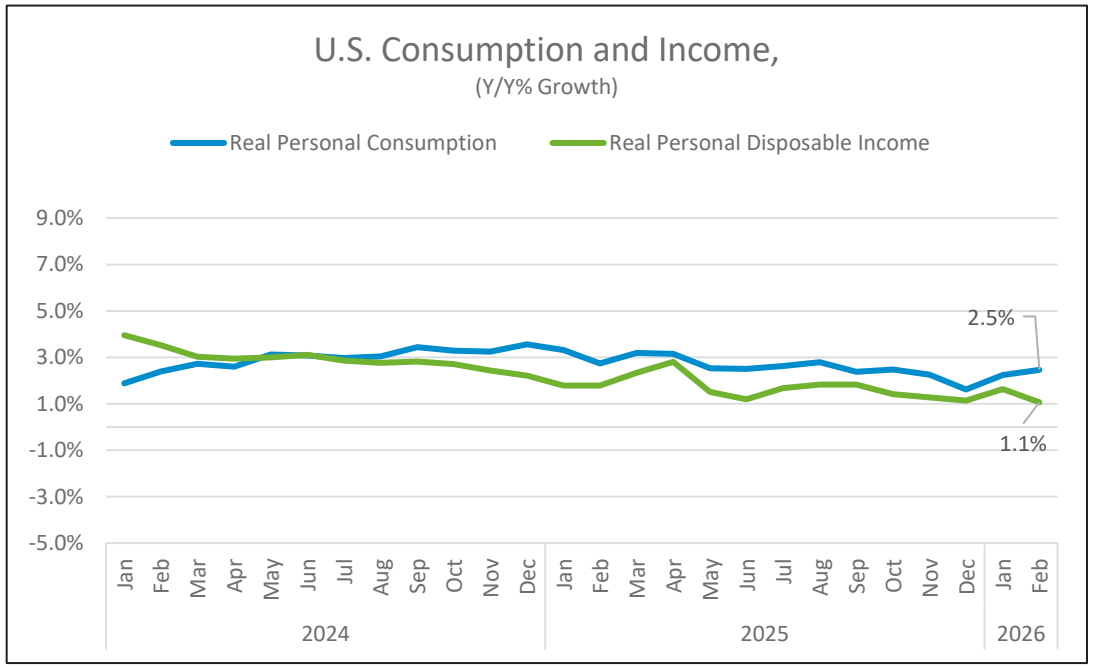


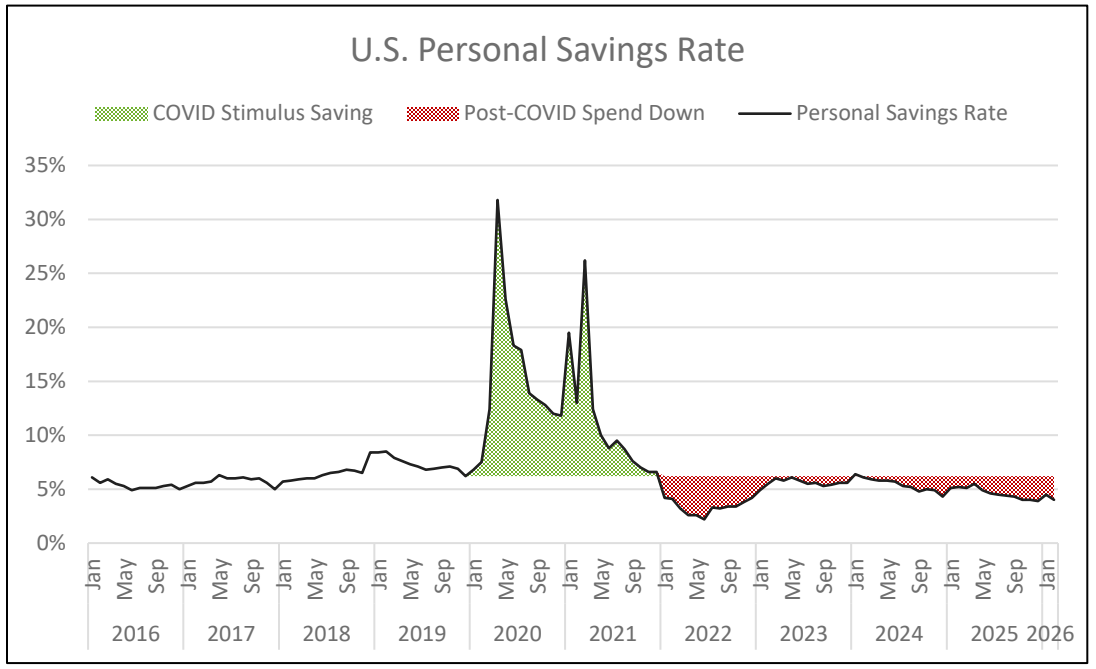

*Source: University of Michigan, Surveys of Consumers*

- The overall Consumer Sentiment Index from the University of Michigan fell to 47.6 in the preliminary measure for April, down from March's 53.3 measure. This marks a month-over-month decline of 10.7 percent, a year-over-year decline of 8.8 percent, and is the lowest measure in the dataset's history going back to November 1952.
- The Index of Current Conditions fell to 50.1, down from March's 55.8, while the Index of Consumer Expectations fell to 46.1 from 51.7.
- Sentiment losses were spread across all demographic groupings of age, income, and political party and affected every component of the index.
- This downward trend continues after starting at the beginning of the conflict in the Middle East. All survey responses for this period were collected before the ceasefire agreement was announced on April 7th.

# Reductions in Saving Are Supporting Consumption





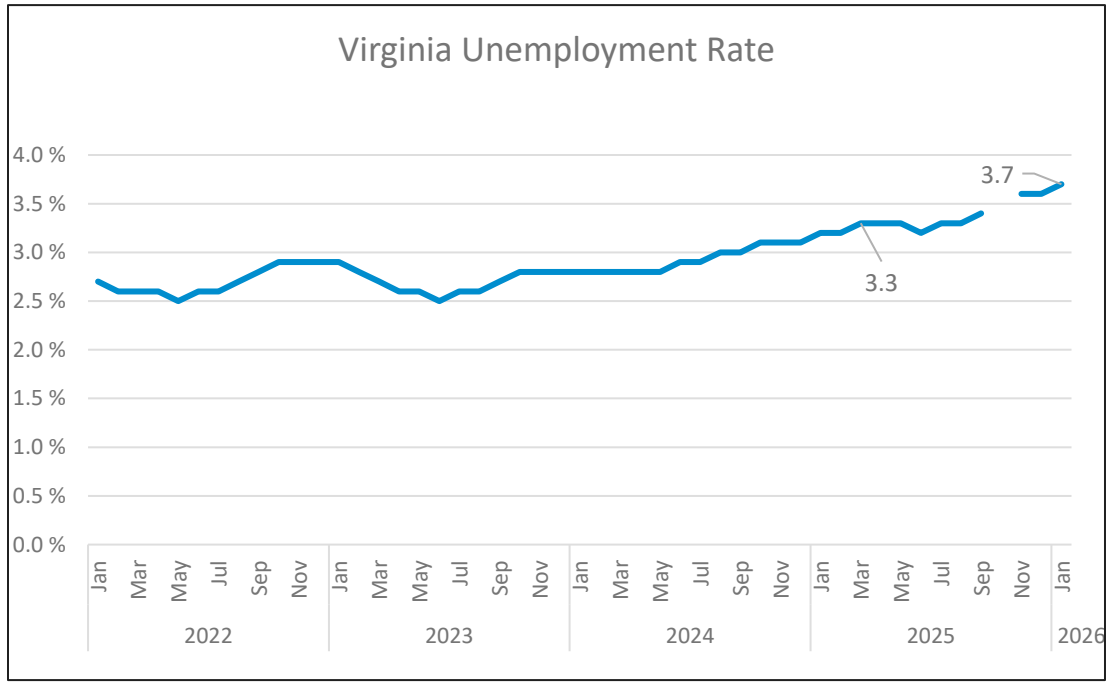




- For approximately 18 months, real consumption has outpaced real income growth. This poses a question on how households are funding that consumption.
- The personal savings rate ballooned under COVID era stimulus. In the following years, when demand rebounded, households spent down that cash reserve.
- By early 2024, it appeared households had returned to their pre-COVID savings rate of about 6.2%. However, over the past two years, the savings rate has dipped back down, now sitting at 4.0%.
- This reduction in savings may explain how consumption growth has been able to outpace income over the past 18 months.

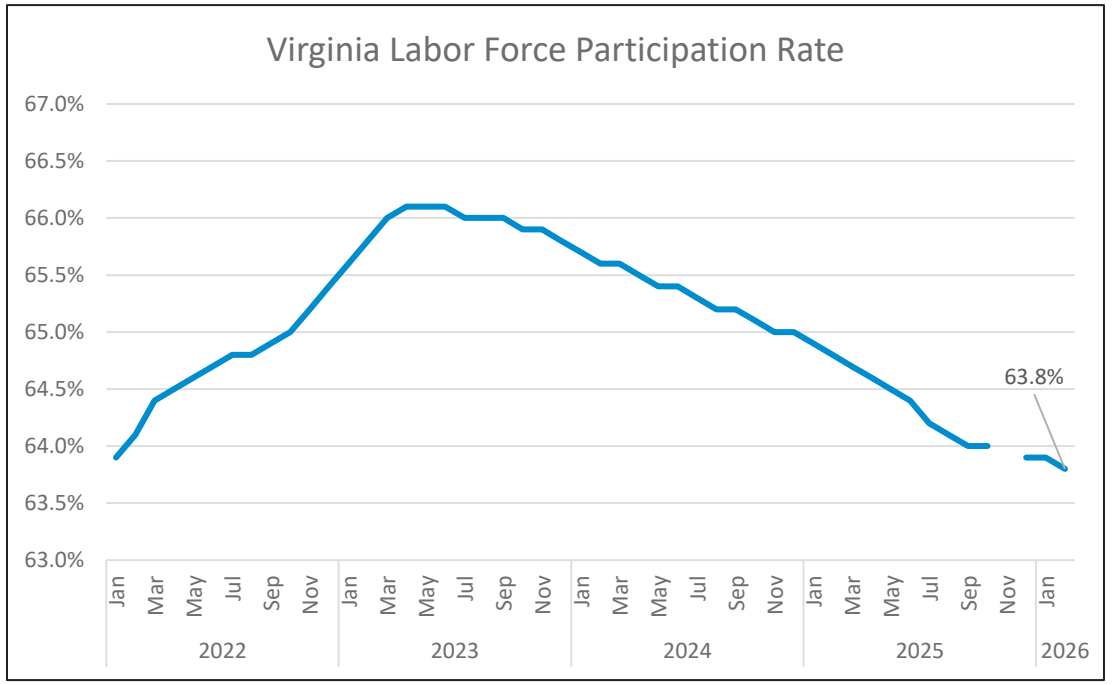
# Virginia Developments

# Virginia Unemployment and Labor Force Continue to Slip






Source: U.S. Bureau of Labor Statistics

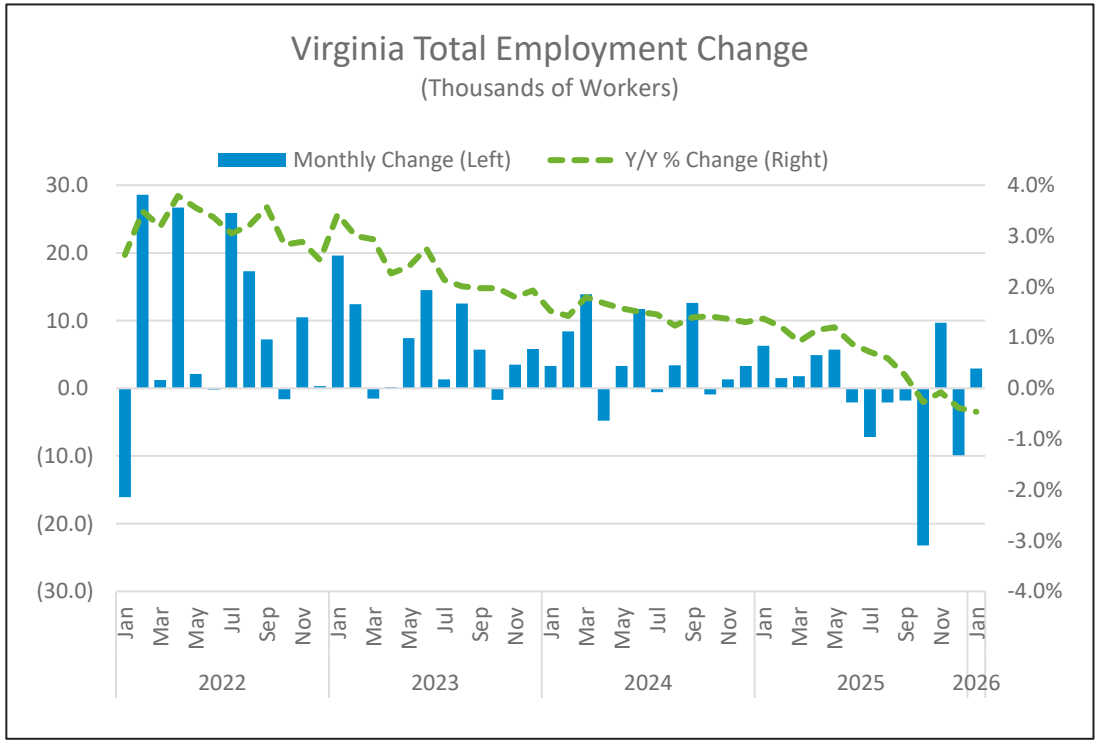



Source: U.S. Bureau of Labor Statistics

- Virginia's unemployment rate increased to 3.7%. While still low by historical standards, this is the highest it has been since the pandemic.
- Labor force participation declined to 63.8%.
- These two factors combined indicate that even with people exiting the workforce via retirement thus reducing supply, there is still more supply of labor than demand for it.

# Virginia Jobs Down 31,600 from Start of Fiscal Year



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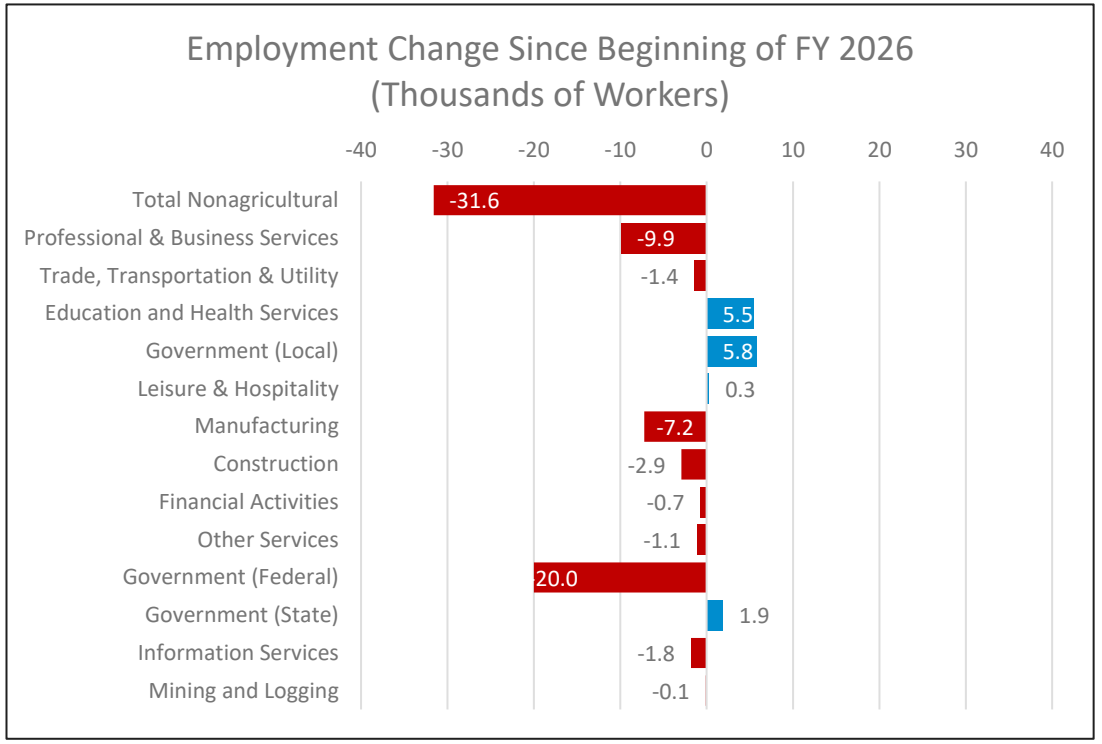


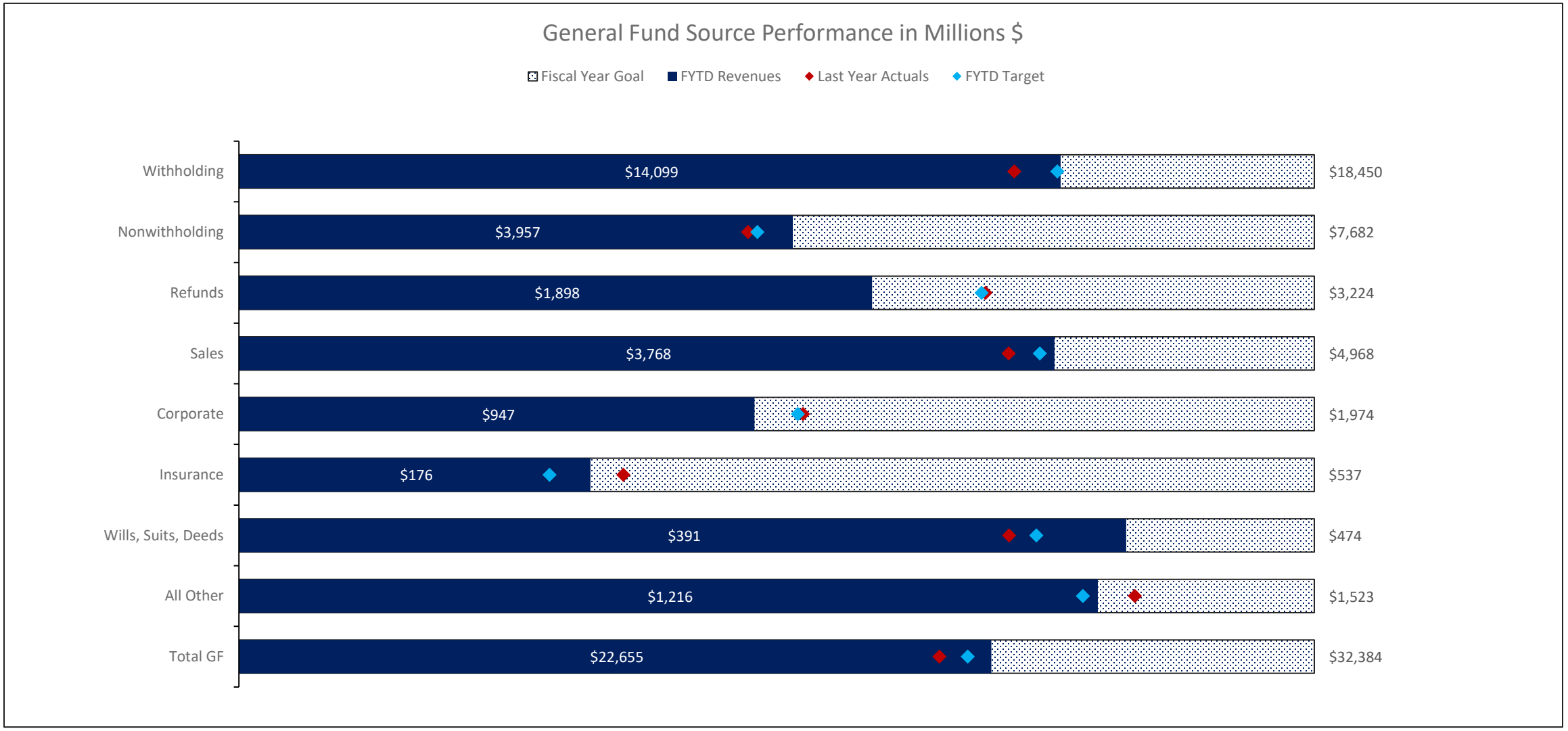

Source: U.S. Bureau of Labor Statistics

- Virginia added a modest 2,900 jobs in January.
- Since the start of Fiscal Year 2026, Virginia has lost 31,600 jobs with 20,000 of those in the federal government.
- The single largest employment sector in the Commonwealth, professional and business services, has also declined – shedding 9,900 jobs since the start of Fiscal Year 2026.
- The revenue implications of these two sectors' decline is serious.

# Revenues

# Revenues Ahead of Projections





# Fiscal Year-to-Date Revenues 3.2% Ahead of Forecast



| | March Revenues Year-Over-Year | | | | Forecast Variance FYTD | | | |
|---|---|---|---|---|---|---|---|---|
| SOURCE, $ Mil | Mar 25 | Mar 26 | Change $ | Change % | Actuals | Projected | Variance $ | Variance % |
| Withholding | $1,589.7 | $1,724.0 | $134.3 | 8.4% | $14,098.6 | $14,042.5 | 56.1 | 0.4% |
| Non-withholding | 436.4 | 490.8 | 54.4 | 12.5% | 3,957.1 | 3,703.1 | 254.0 | 6.9% |
| IIT Refunds | (501.5) | (468.1) | 33.4 | -6.7% | (1,897.8) | (2,226.0) | 328.2 | -14.7% |
| Net Individual Income | $1,524.6 | $1,746.6 | $222.0 | 14.6% | $16,157.8 | $15,519.5 | $638.3 | 4.1% |
| Sales & Use Tax | 322.7 | 361.0 | 38.3 | 11.9% | 3,768.0 | 3,699.4 | 68.6 | 1.9% |
| Corporate Income Tax | 89.4 | 99.4 | 10.0 | 11.2% | 946.7 | 1,026.2 | (79.5) | -7.7% |
| Insurance | 8.4 | 28.5 | 20.1 | 239.5% | 175.5 | 155.1 | 20.4 | 13.2% |
| Wills, Suits, Deeds | 38.7 | 50.0 | 11.3 | 29.2% | 391.2 | 351.6 | 39.6 | 11.3% |
| Interest Income | 105.2 | 107.6 | 2.4 | 2.3% | 608.0 | 600.5 | 7.5 | 1.2% |
| All Other | 49.5 | 51.9 | 2.4 | 4.8% | 608.0 | 594.4 | 13.6 | 2.3% |
| Total GF Revenues | $2,138.4 | $2,445.0 | $306.6 | 14.3% | $22,655.3 | $21,946.8 | $708.5 | 3.2% |

- Total General fund revenues grew $306.6 million (14.3%) this March relative to March 2025.
- Withholding growth including timing effects was very close to expectations. Year-to-date variance in this source is just 0.4%.
- There are no major payment deadlines in March for our quarterly sources: Corporate, Nonwithholding, Insurance.
- Relative to the official revenue forecast, total General Fund collections are $708.5 million (3.2%) ahead. The vast majority of this positive variance comes from nonwithholding and refunds ($582.2 million).

# Revenues Can Decline 4.1% and Still Meet Forecast



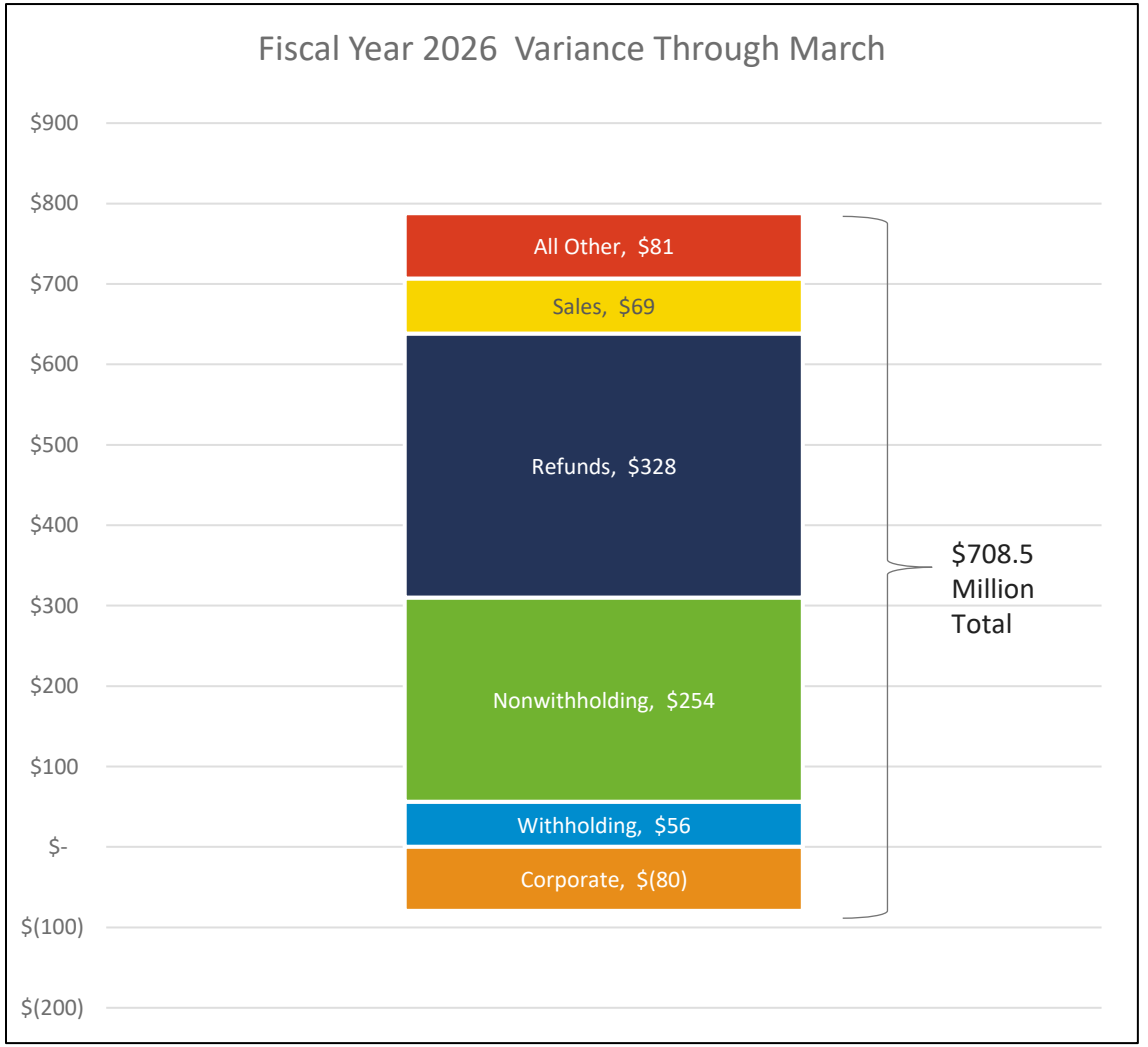
| SOURCE, $ Mil | Apr -Jun Revenues FY 25 Actuals | Apr -Jun Revenues FY 26 Forecast | Apr -Jun Revenues Revenues Rqd to Meet Budget | YTD Growth | Remaining Growth to Meet Dec Forecast | Forecasted Annual Growth |
|---|---|---|---|---|---|---|
| Withholding | $4,259.5 | $4,407.8 | $4,351.7 | 6.0% | 2.2% | 5.1% |
| Non-withholding | 3,882.2 | 3,978.5 | 3,724.5 | 8.8% | -4.1% | 2.2% |
| IIT Refunds | (949.7) | (997.6) | (1,325.9) | -15.2% | 39.6% | 1.1% |
| Net Individual Income | $7,192.0 | $7,388.7 | $6,750.3 | 9.9% | -6.1% | 4.6% |
| Sales & Use Tax | 1,257.6 | 1,268.2 | 1,199.6 | 6.0% | -4.6% | 3.2% |
| Corporate Income Tax | 843.0 | 948.1 | 1,027.6 | -8.6% | 21.9% | 5.1% |
| Insurance | 349.5 | 381.9 | 361.4 | -8.6% | 3.4% | -0.8% |
| Wills, Suits, Deeds | 131.6 | 122.5 | 83.0 | 15.2% | -36.9% | 0.6% |
| Interest Income | (50.2) | (59.8) | (67.3) | -5.6% | 34.0% | -8.9% |
| All Other | 418.3 | 387.5 | 373.8 | -2.6% | -10.6% | -5.8% |
| Total GF Revenues | $10,141.7 | $10,437.0 | $9,728.4 | 7.4% | -4.1% | 3.7% |

- FYTD revenues are up 7.4%.
- The official forecast for Fiscal Year 2026 is 3.7%.
- Revenues can decline by 4.1% and still meet this forecast.

# Revenue Wins Are from Volatile Sources

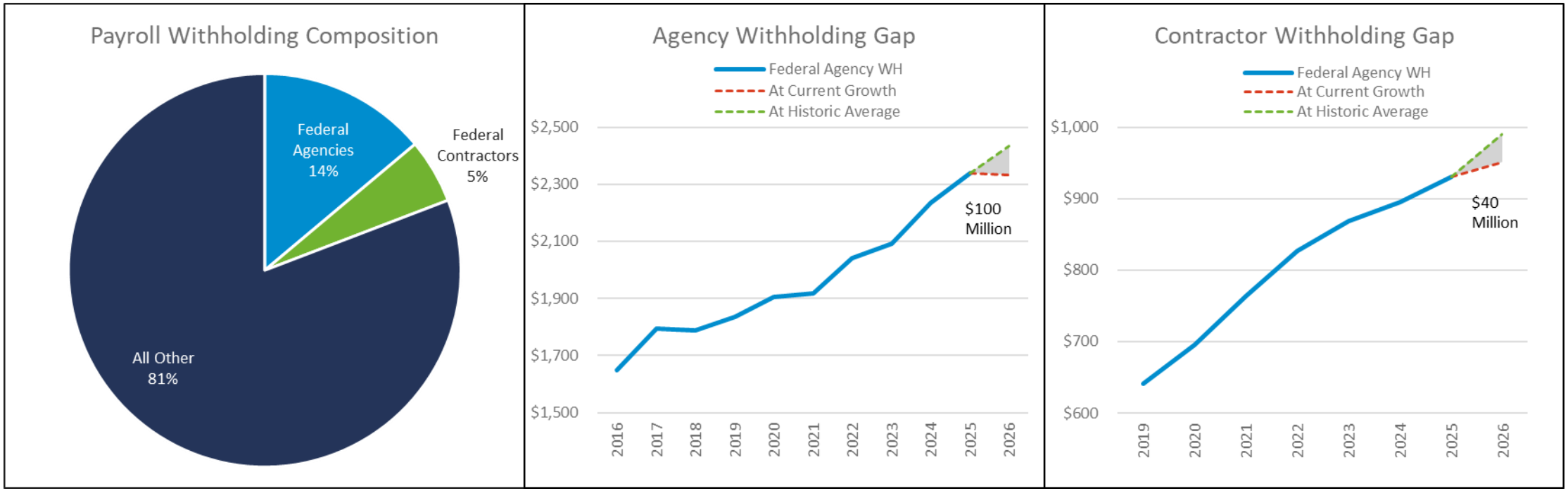


- Fiscal Year 2026 has performed above the forecast by $708.5 million.
- The vast majority of overperformance comes from Nonwithholding and Refunds.
- Nonwithholding is particularly volatile. Growth this year has exceeded expectations by $254 million through March.
- However, nonwithholding collections are a backwards looking metric; this overperformance is indicative of Calendar Year 2025's strong market.
- The previous year's path is not a predictor of the next year's path. With equities trading at high premiums, a price correction is a significant risk.
- Likewise, refunds reflect taxpayer behavior, not underlying economic strength. With significant tax policy changes over the past several years, this source has become volatile.
- We can expect these sources to continue to provide positive variance through *this* fiscal year, but cannot be relied on for Fiscal Year 2027 and forward.



# Federal Agency and Contractor Withholding Gap






- Payroll withholding from federal agencies and contractors account for about 19% of all withholding.
- Since 2016, this agency withholding has grown on average 4.0% each fiscal year, contractors about 6.4%.
- In the past six months, that growth has slowed to -1.9% for agencies and 1.6% for contractors.
- At the current rate, the theoretical loss in tax revenue will reach ~$140 million.
- If trends continue, that lost growth will compound each year.

# Summary



**Economy**

- Virginia's labor market is in trouble.
  - Jobs in the Commonwealth are down 31,600 since the start of the fiscal year.
  - Labor force participation is declining.
- Consumption remains strong, but may be supported by households using up savings.
- If oil prices remain elevated, households may need to cut back.

**Revenues**

- General Fund revenues are strong for Fiscal Year 2026.
- The current fiscal year is ahead of forecast by more than $700 million.
- Most overperformance is coming from volatile sources like nonwithholding and refunds.
- Key revenue sources indicative of economic growth are slowing.

- **While Fiscal Year 2026 looks good for revenues, macroeconomic trends indicate there may be storm clouds on the horizon.**