NATIONAL OUTLOOK

J. MICHAEL JONES, PHD

SEPTEMBER 22, 2026

Office of State Budget Director

Key Differences in the S&P Global Forecast

- GDP growth steady in near term, up in FY2028
  - Real GDP growth in FY2027 steady at 2.0%
  - Real GDP growth in FY2028 revised up from 1.6% to 2.5%
- Significant improvement in manufacturing employment in FY2027
- Dramatic increase in before tax corporate profits
- Retail sales and real consumer spending revised upward for FY2027 and FY2028
- Equal weighting of probability of pessimistic and optimistic forecast scenarios – Optimistic and Pessimistic 25%
- Pessimistic scenario removes recession assumption, with an annualized increase in GDP of 1.5% in FY2027

Other Variables with Significant Differences from Previous S&P Global Forecast

- Manufacturing Employment
  - FY27 more optimistic and FY28 more pessimistic
- Wage and Salary Disbursements
  - Stronger Growth in FY28 – Current Control forecast anticipates 5.8% growth vs 4.7% in previous forecast
- Housing Starts
  - Improvement in FY27 - Current Control forecast anticipates 0.5% decline vs 1.5% growth in previous forecast
- Consumer Sentiment
  - Weaker in FY27 - Current Control forecast anticipates 0.7% decline vs 4.7% increase in previous forecast, but with strong rebound in FY28
- Before-Tax Corporate Profits
  - Significant increase in FY27 in all forecast scenarios
- Kentucky Manufacturing Employment
  - Significant Improvement in FY27 - Current Control forecast anticipates 1.2% growth vs 0.9% decline in previous forecast

Control Scenario

(Probability – 50%)

- Continued Trend Growth
  - Real GDP growth of 2.0% estimated for FY27
  - Above-trend growth of 2.5% in FY28
  - Businesses increase production to increase inventories
- Federal Reserve maintains Federal Funds rates until June of 2027, followed by two rate cuts in the remainder of calendar 2027
- Trends in payroll growth continue to decline, with unemployment rate rising to 4.4% by FY27Q3
- Forecast includes average tariffs rate of 10%. Core PCE decreases to 2.6% in FY27Q1 and continues to decline over the forecast period.

Pessimistic Scenario

(Probability – 25%)

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- GDP growth slows to 1.5% in FY27 and rebounds to 1.8% in FY28
  - Higher energy prices and disruptions to the world energy supply of oil and other commodities
  - Continued uncertainty surrounding the Iran conflict weakens financial markets, along with reduced consumer and business confidence
  - Business fixed investment significantly weakens
- Non-Farm Employment increase of 0.2% in FY27 and a decline of 0.3% in FY28
- Consumer spending growth slows to 1.7% in FY27 and 1.3% in FY28
- Unemployment rate increases to 5.0% by beginning of FY28
- Continued Iran conflict raises world oil price to $108/bbl by FY27Q4

Optimistic Scenario

(Probability – 25%)

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- GDP growth holds at 2.3% in FY27 and increases to 3.1% in FY28
  - Improved energy markets and global supply of oil and other commodities as resolution reached in Iran conflict
  - Consumer demand strengthens as energy prices decline
  - Business fixed investment averages 3.9% over forecast period
- Employment increases by 0.4% in FY27
- Real Personal Income has growth in FY27 of 1.8%
- Housing Starts flat at 0.0% in FY27 and decrease 1.9% in FY28
- Real Consumer Spending increase by 2.7% in FY27 and 3.1% in FY28
- Unemployment rate holds at 4.3% for full forecast period

Real GDP

(Billions of Chained 2017 Dollars, Annual Rate, BEA)

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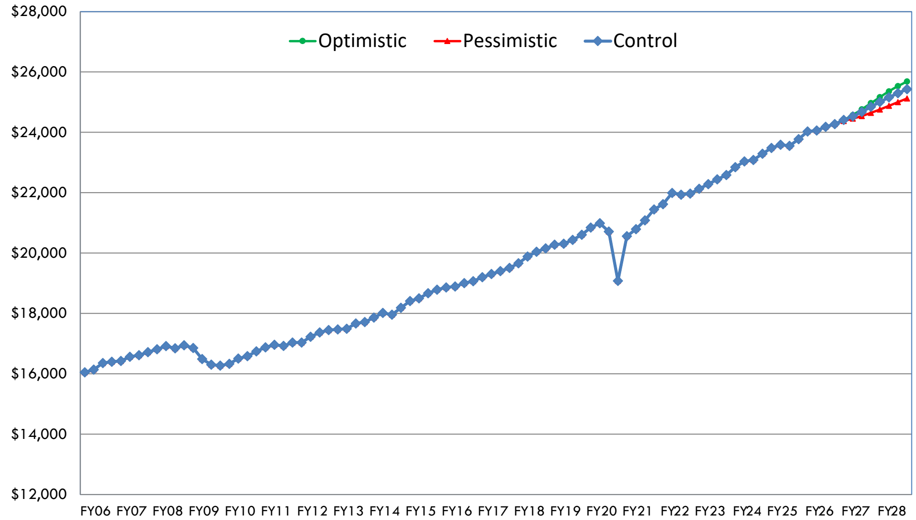

Real GDP

(S&P Global, Annual Growth Rates)

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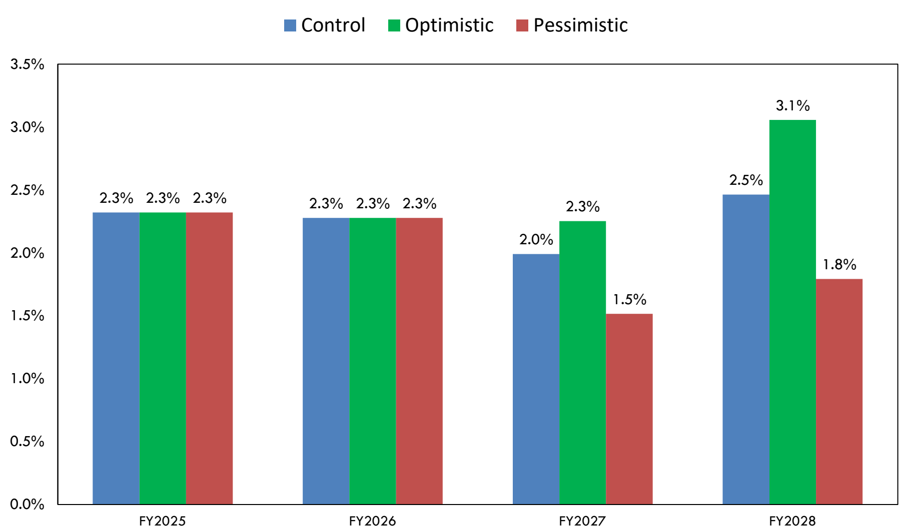

Real GDP – Control Forecast

(S&P Global, Annual Growth Rates)

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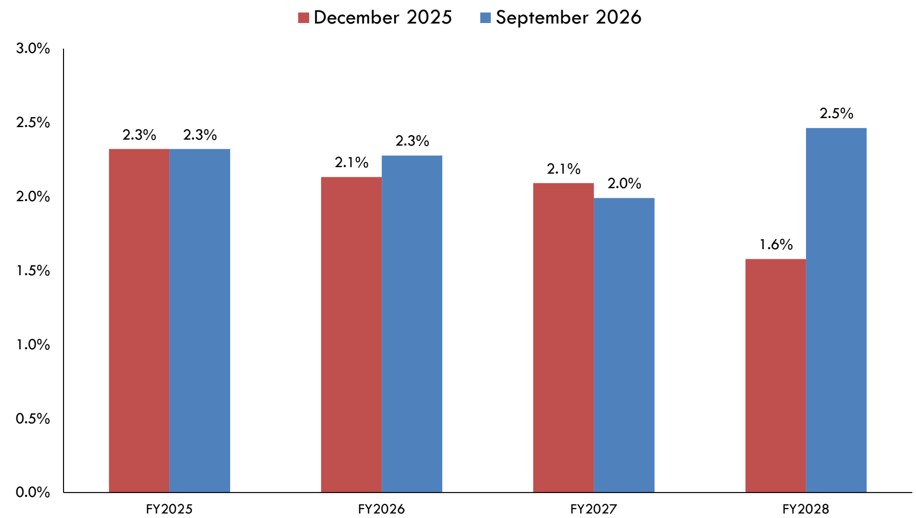

Real GDP – Optimistic Forecast

(S&P Global, Annual Growth Rates)

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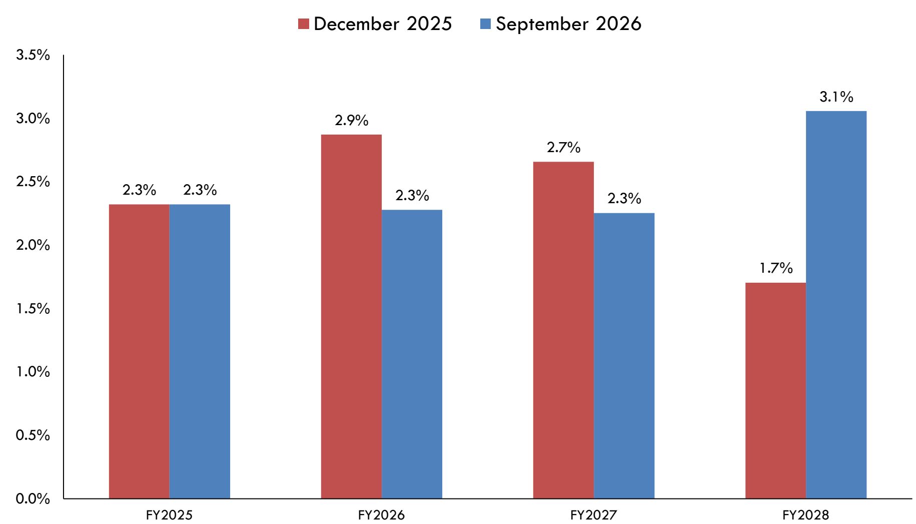

Real GDP – Pessimistic Forecast

(S&P Global, Annual Growth Rates)

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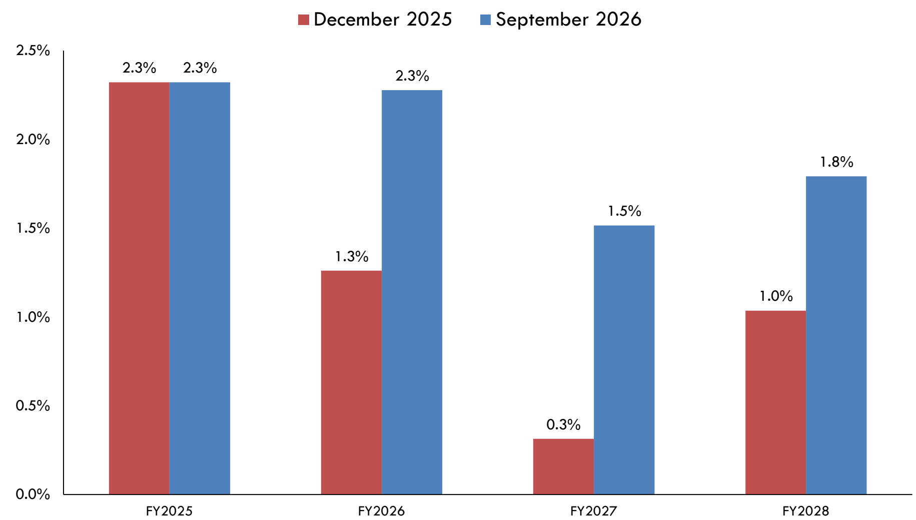

U.S. Employment – Total Non-Farm Payrolls

(Millions, BLS)

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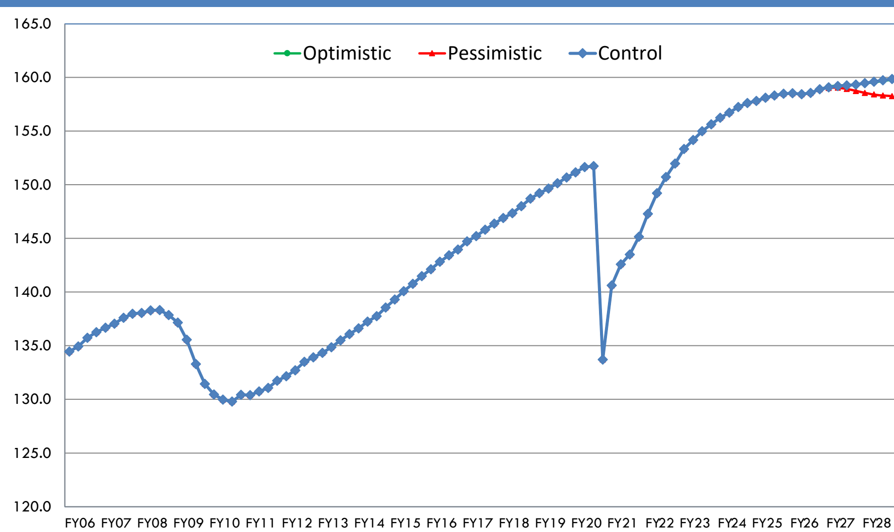

U.S. Employment – Total Non-Farm Payrolls Control Forecast

(S&P Global, Annual Growth Rates)

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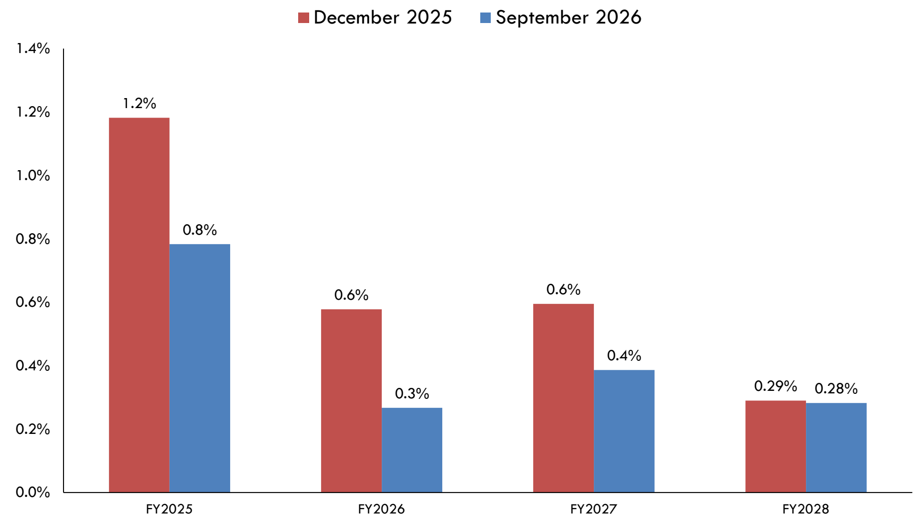

U.S. Employment – Manufacturing

(Millions, BLS)

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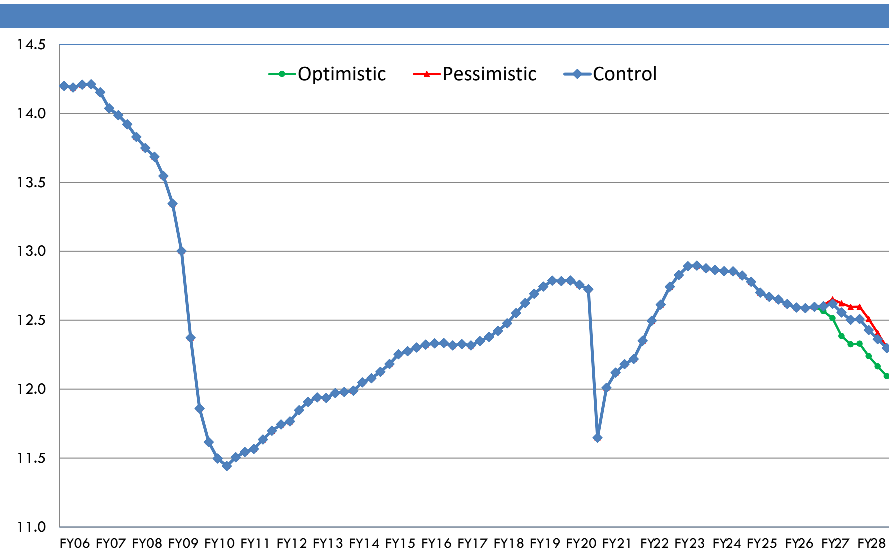

U.S. Employment – Manufacturing
Control Forecast
(S&P Global, Annual Growth Rates)

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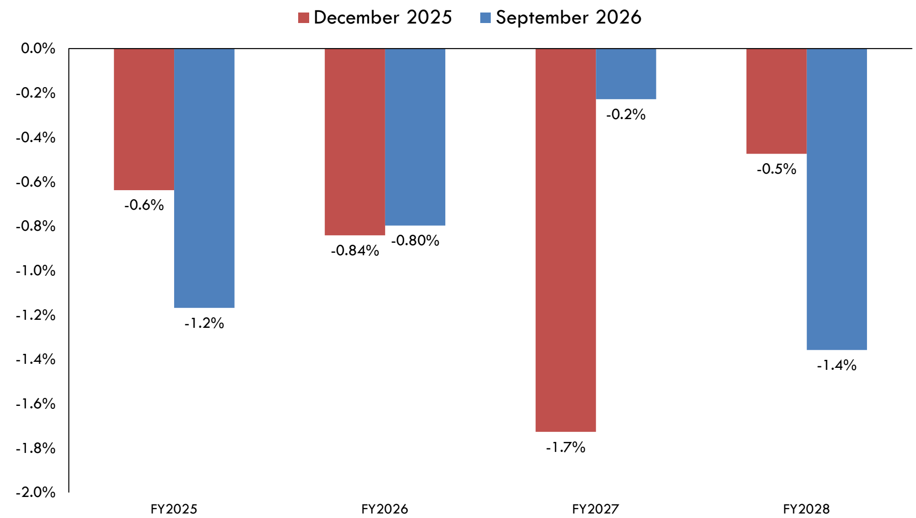

Real Personal Income
(Billions of Chained 2017 Dollars, Annual Rate, BEA)

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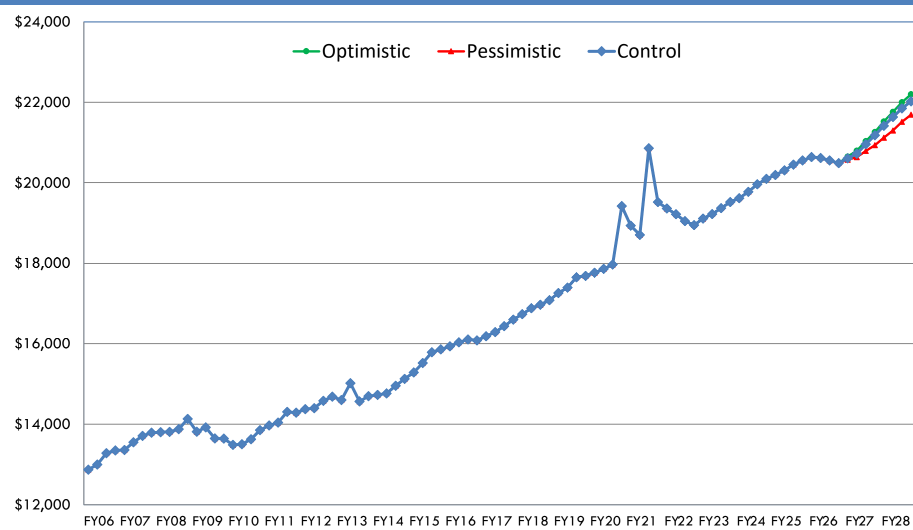

Real Personal Income – Control Forecast

(S&P Global, Annual Growth Rates)

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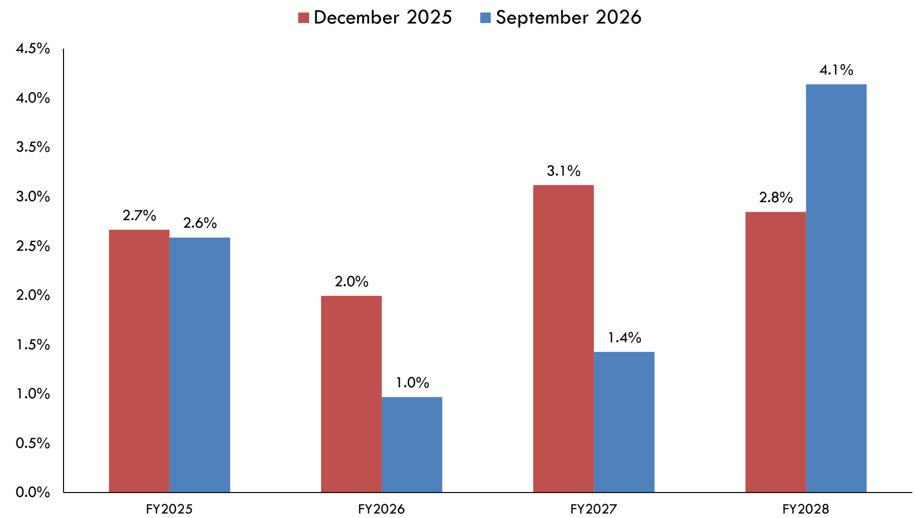

Wage and Salary Disbursements

(Billions of Dollars, Annual Rate, BEA)

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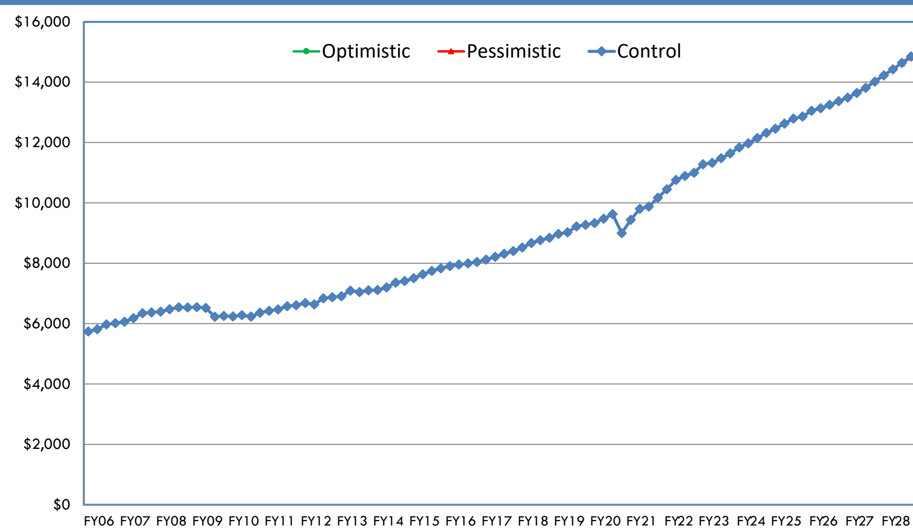
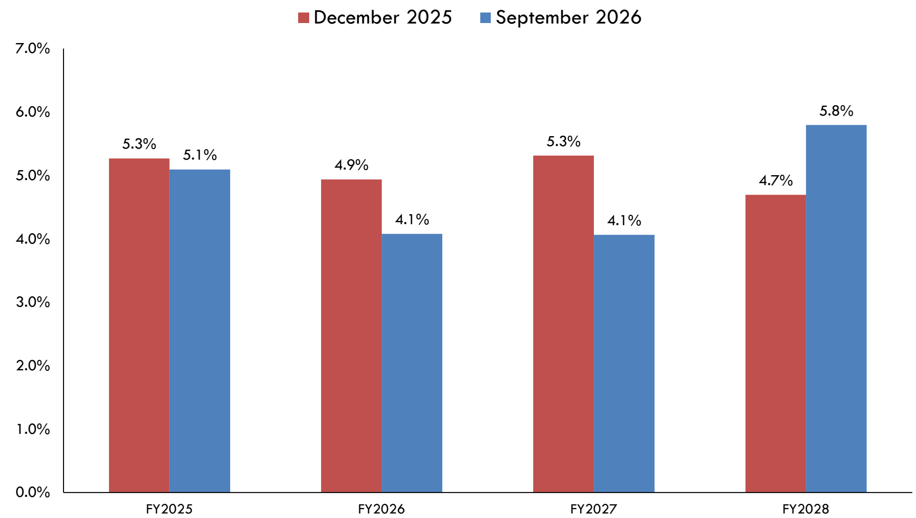


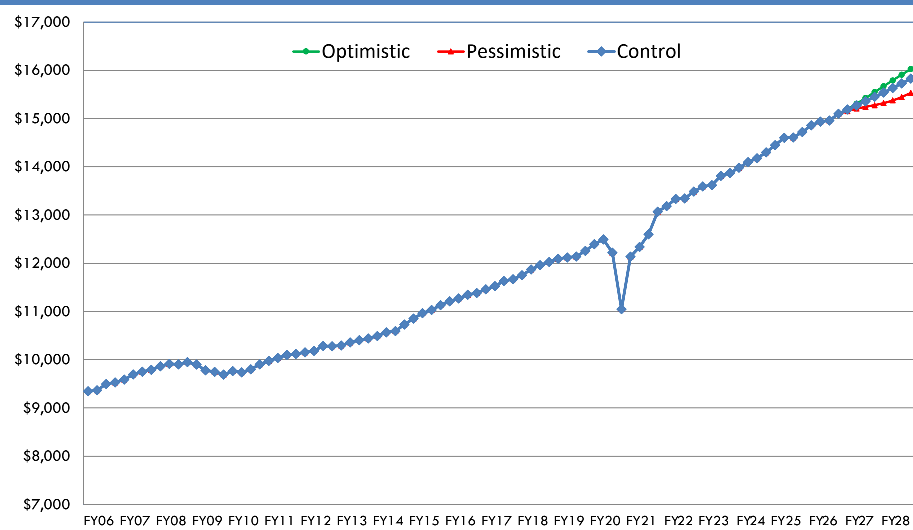
Wage and Salary Disbursements – Control Forecast

(S&P Global, Annual Growth Rates)



Real Consumer Spending (Excluding Food and Energy)

(Billions of 2017 Dollars, Annual Rate, BEA)



Real Consumer Spending (Excluding Food and Energy)
Control Forecast
(S&P Global, Annual Growth Rates)

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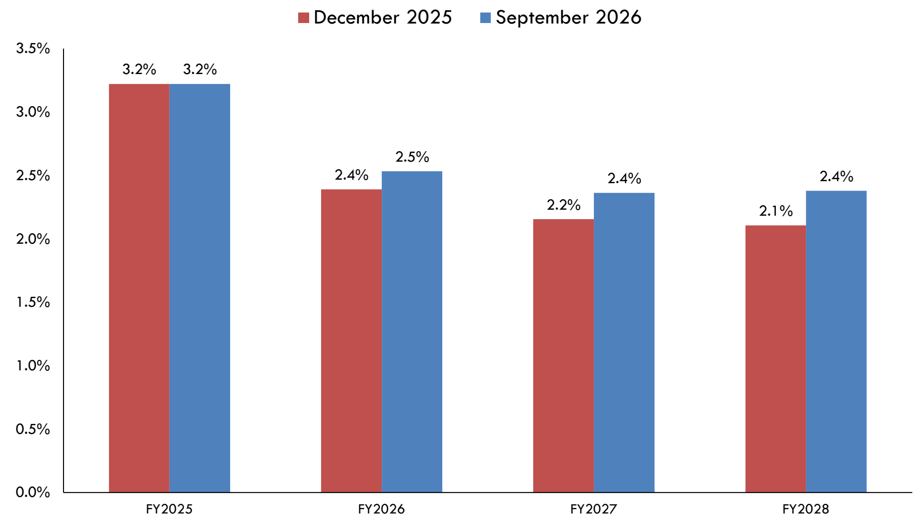

Retail Sales - Including Food Service
(Billions of Dollars, Annual Rate, BEA)

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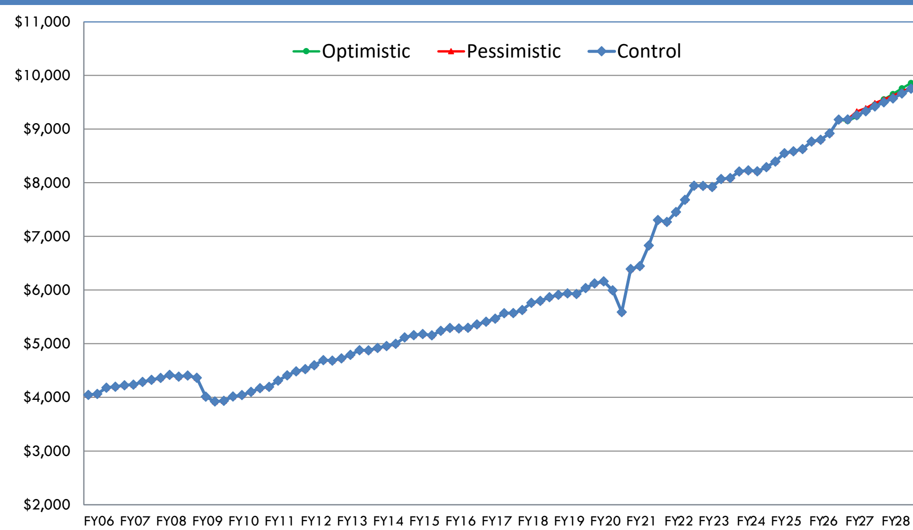
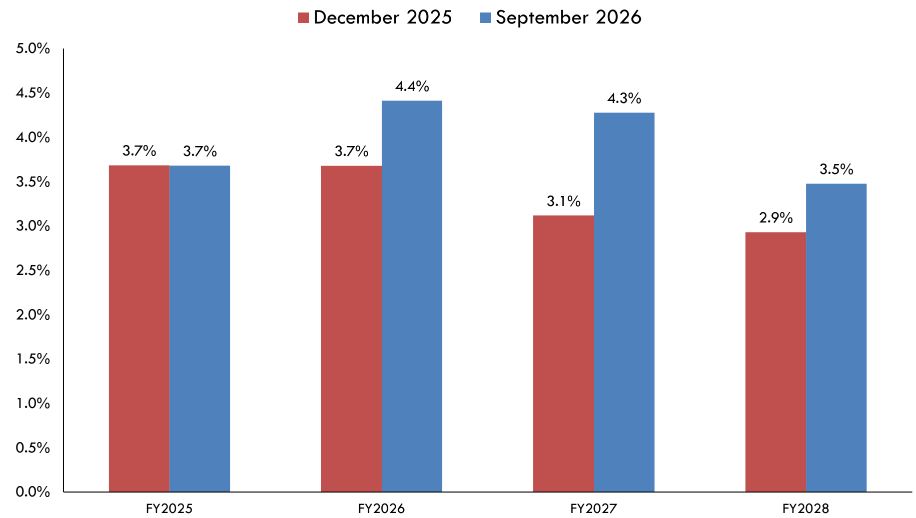
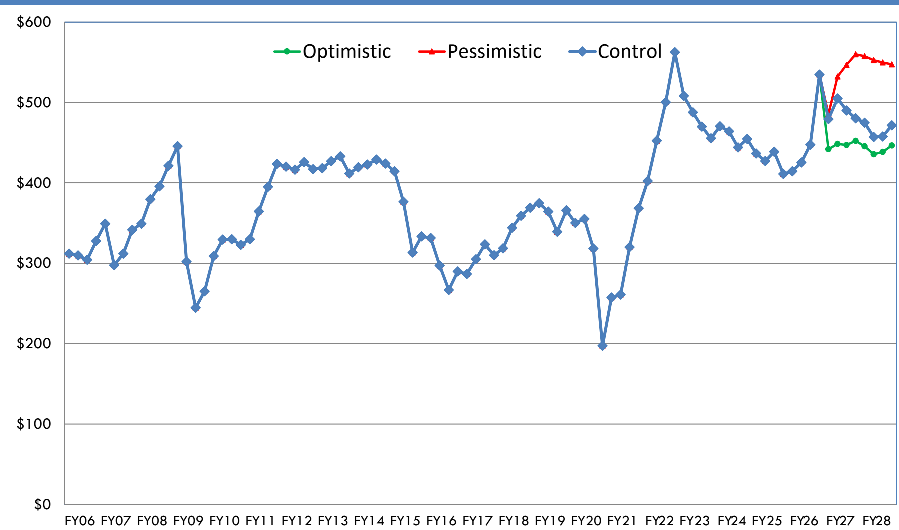


Retail Sales - Including Food Service
Control Forecast
(S&P Global, Annual Growth Rates)

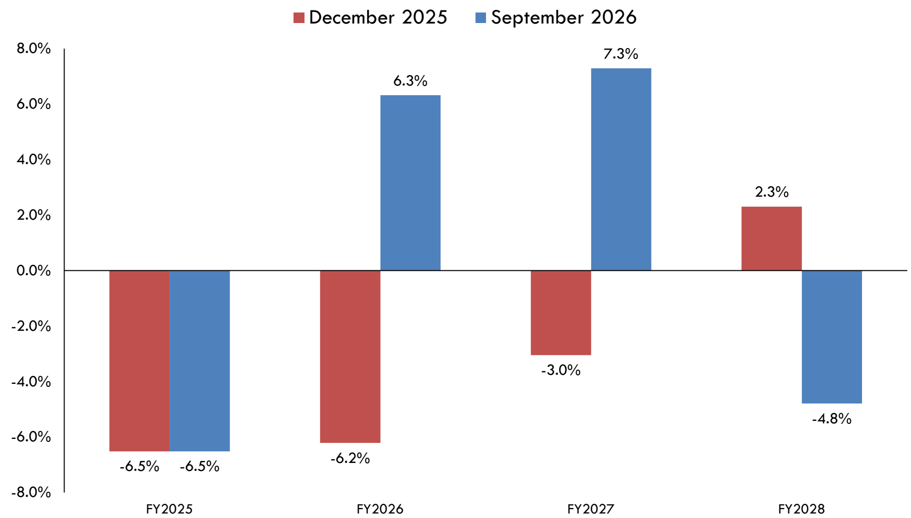


Nominal Consumption of Gasoline and Oil
(Billions of Dollars, Annual Rate, BEA)



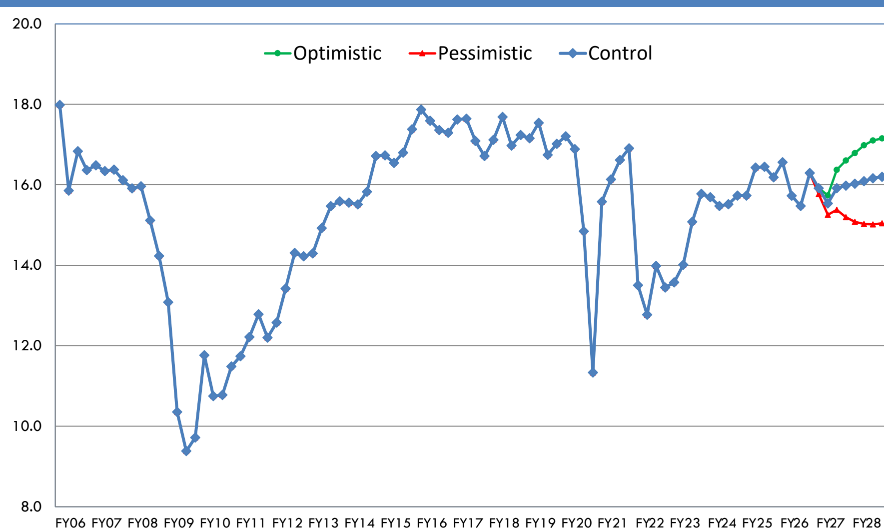
Nominal Consumption of Gasoline and Oil
Control Forecast
(S&P Global, Annual Growth Rates)

25



Unit Sales of New Light Vehicles
(Millions, Annual Rate, BEA)

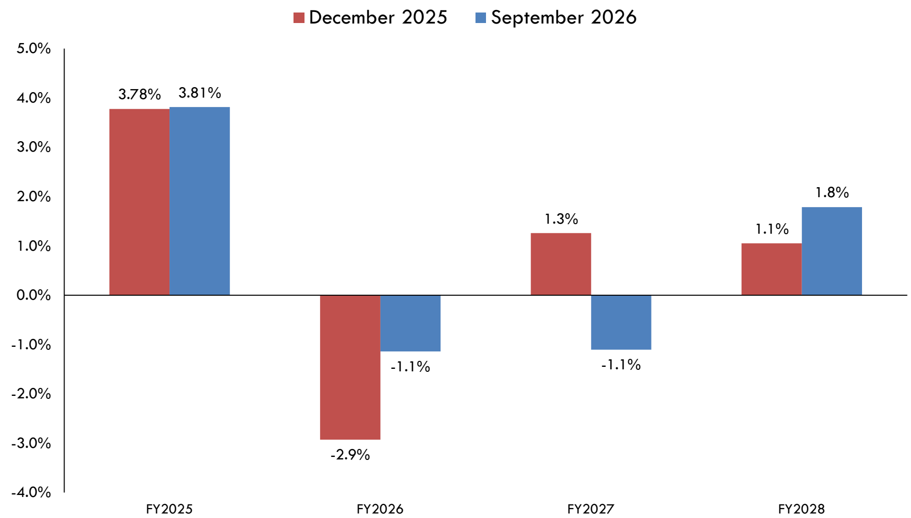
26



Unit Sales of New Light Vehicles - Control Forecast

(S&P Global, Annual Growth Rates)

27



Real Exports of Goods and Services

(Billions of Chained 2017 Dollars, Annual Rate, BEA)

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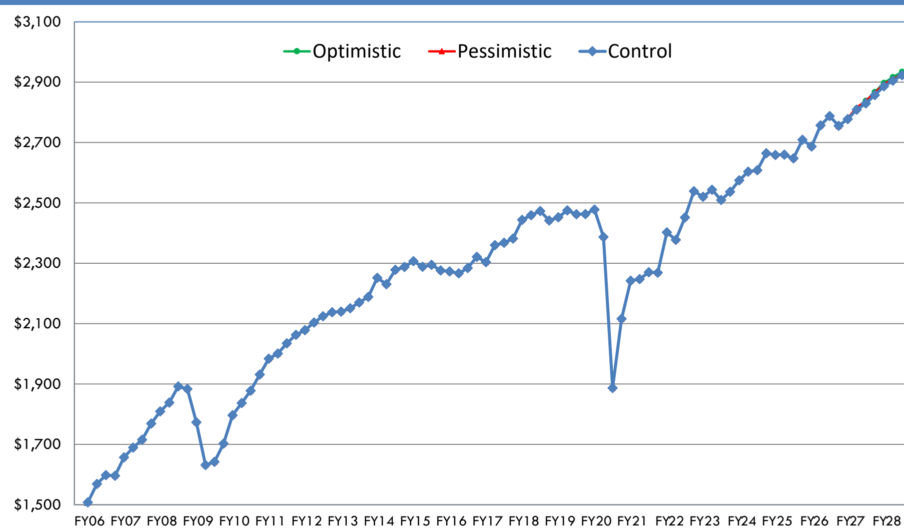
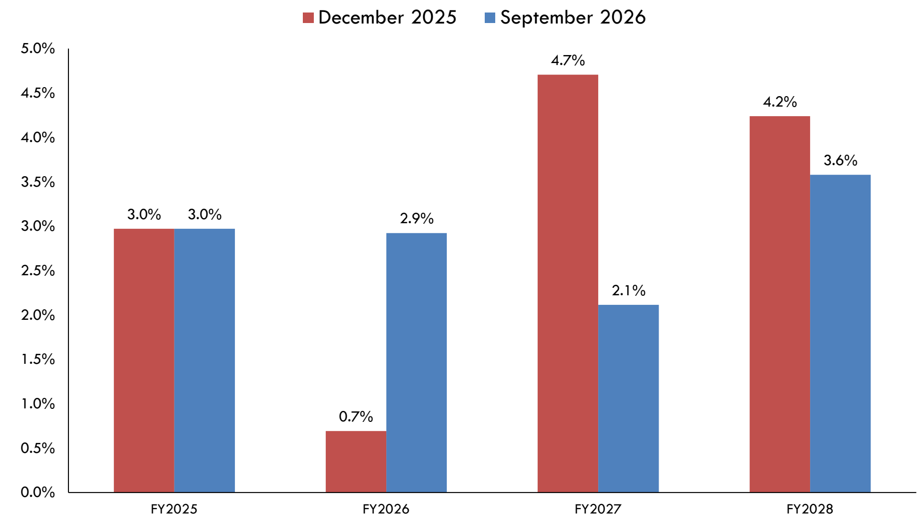
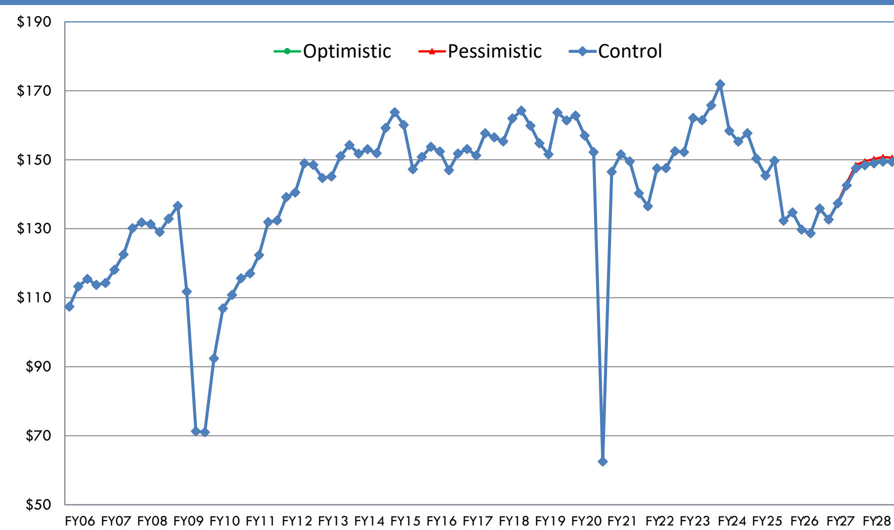


Real Exports of Goods and Services
Control Forecast
(S&P Global, Annual Growth Rates)



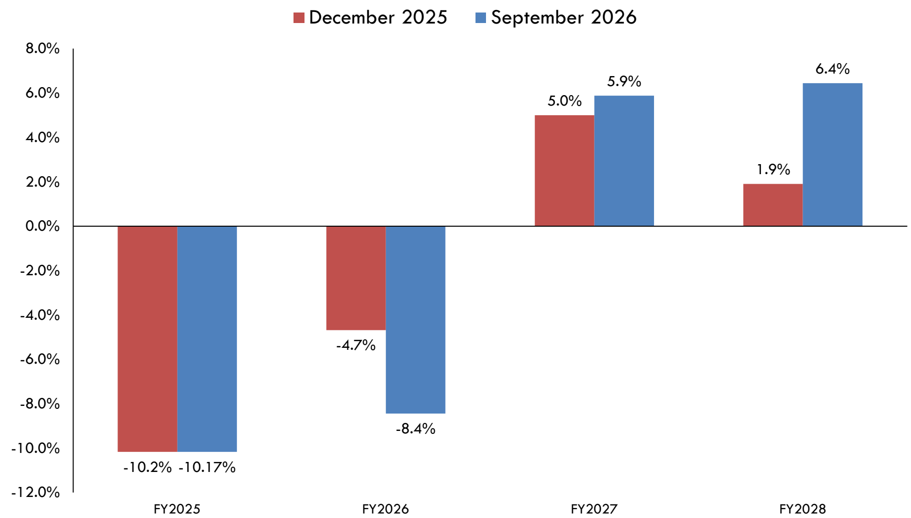
Real Exports of Motor Vehicles and Parts
(Billions of Chained 2017 Dollars, Annual Rate, BEA)



Real Exports of Motor Vehicles and Parts
Control Forecast

(S&P Global, Annual Growth Rates)

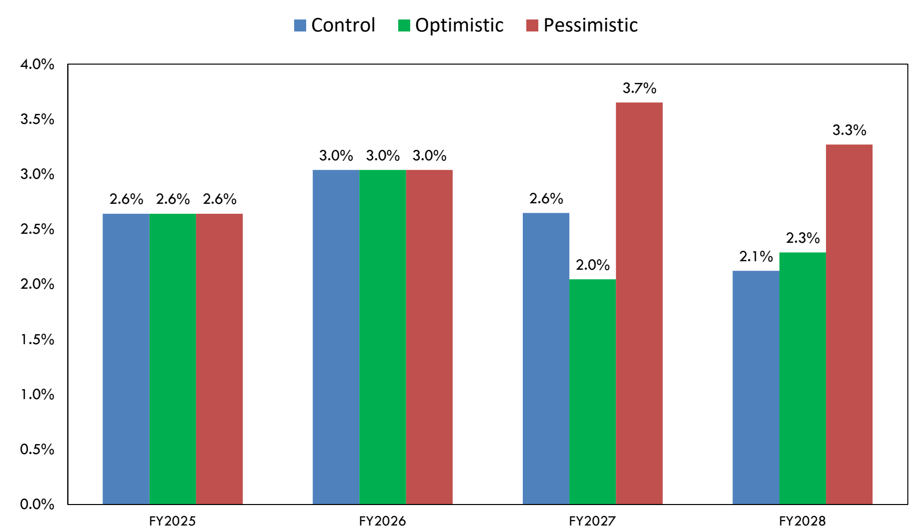
31



Consumer Price Index, All-Urban

(S&P Global, Annual Growth Rates)

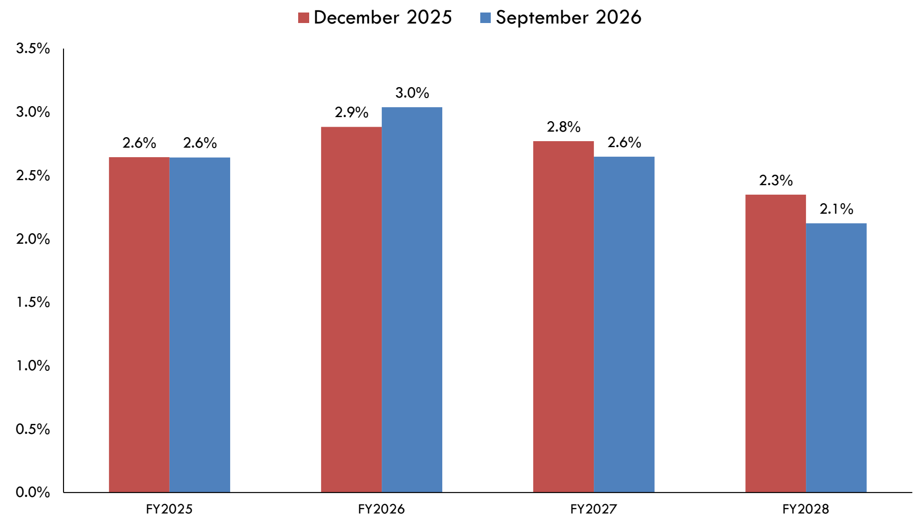
32



Consumer Price Index, All-Urban – Control Forecast

(S&P Global, Annual Growth Rates)

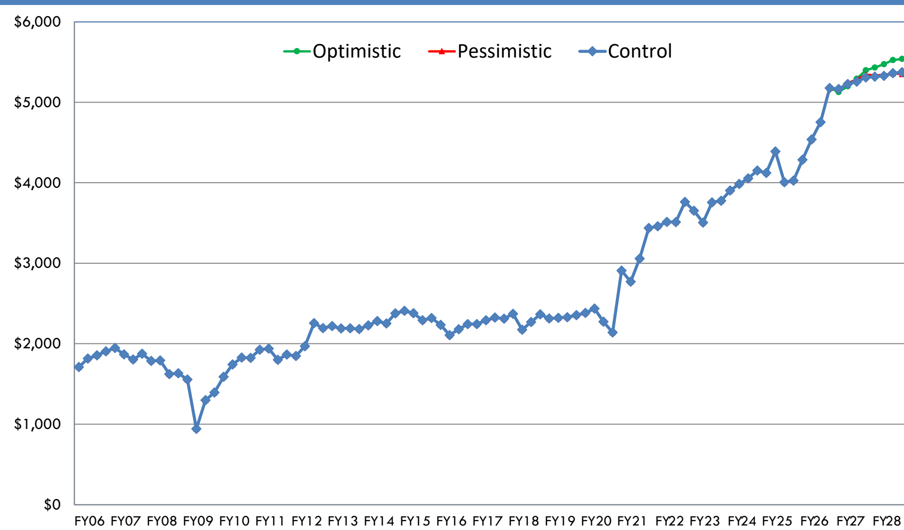
33



Before-Tax Corporate Profits

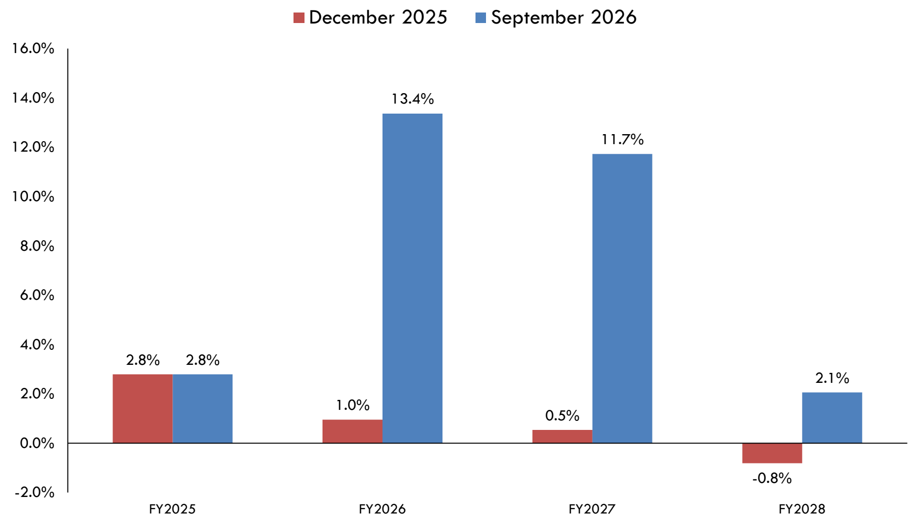
(Billions of Dollars, Annual Rate, BEA)

34



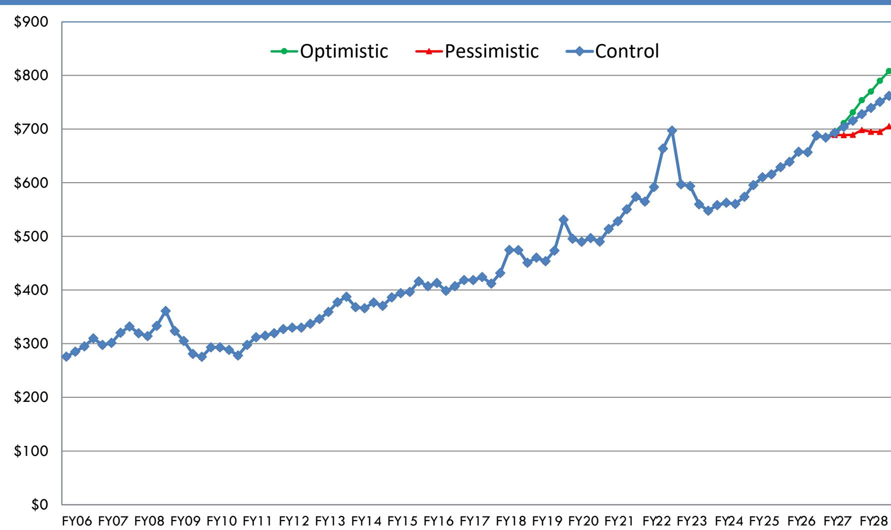
Before-Tax Corporate Profits
Control Forecast
(S&P Global, Annual Growth Rates)

35



State and Local Government Personal Tax Receipts
(Billions of Dollars, Annual Rate, BEA)

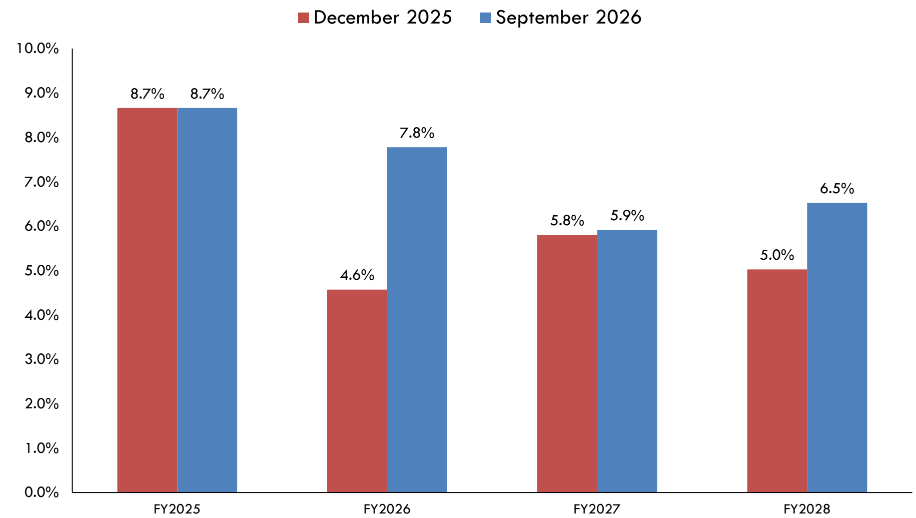
36



State and Local Government Personal Tax Receipts Control Forecast

(S&P Global, Annual Growth Rates)

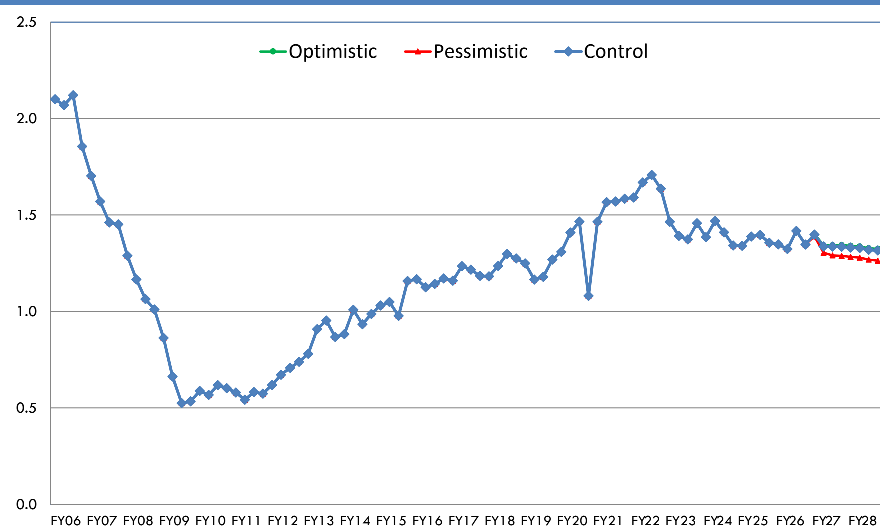
37



Housing Starts

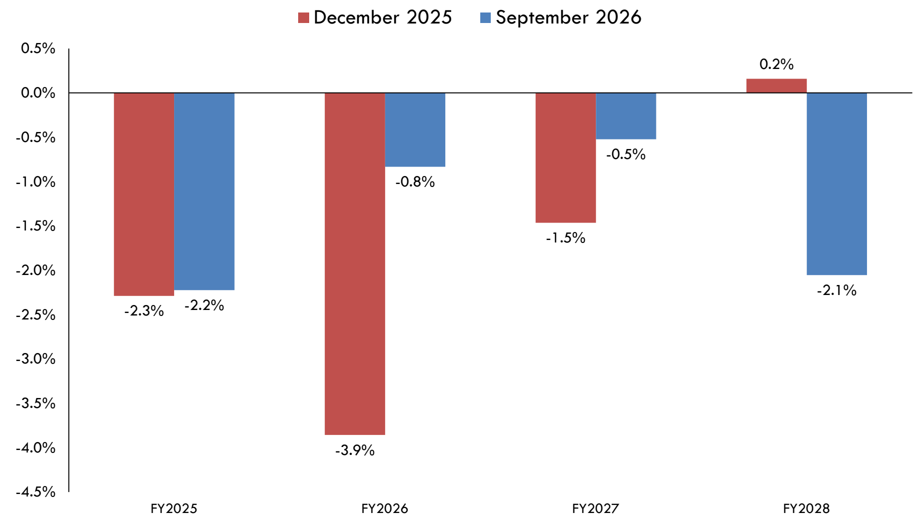
(Millions, Annual Rate, U.S. Census Bureau)

38



Housing Starts – Control Forecast

(S&P Global, Annual Growth Rates)



KENTUCKY ECONOMIC OUTLOOK

J. MICHAEL JONES, PHD

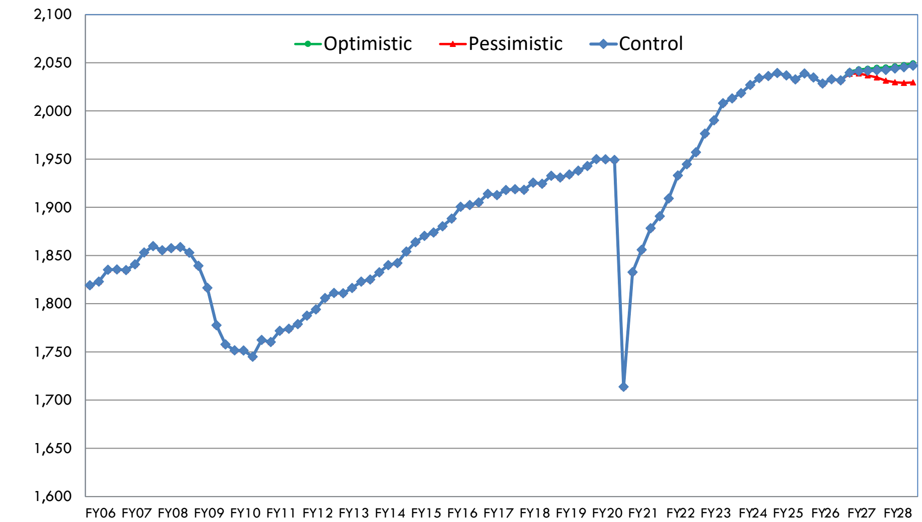
SEPTEMBER 22, 2026

Office of State Budget Director

Kentucky Non-Farm Employment

(Thousands, KY MAK Model)

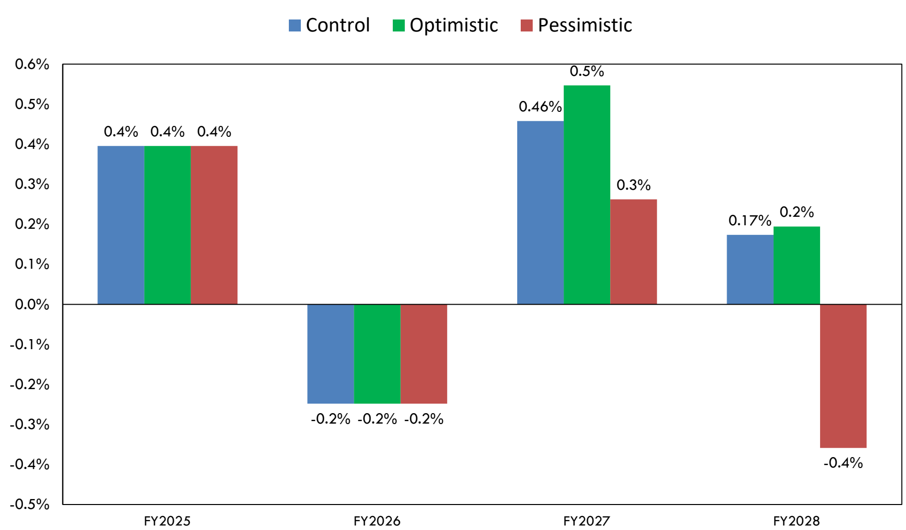
41



Kentucky Non-Farm Employment Forecasts

(KY MAK Model, Annual Growth Rates)

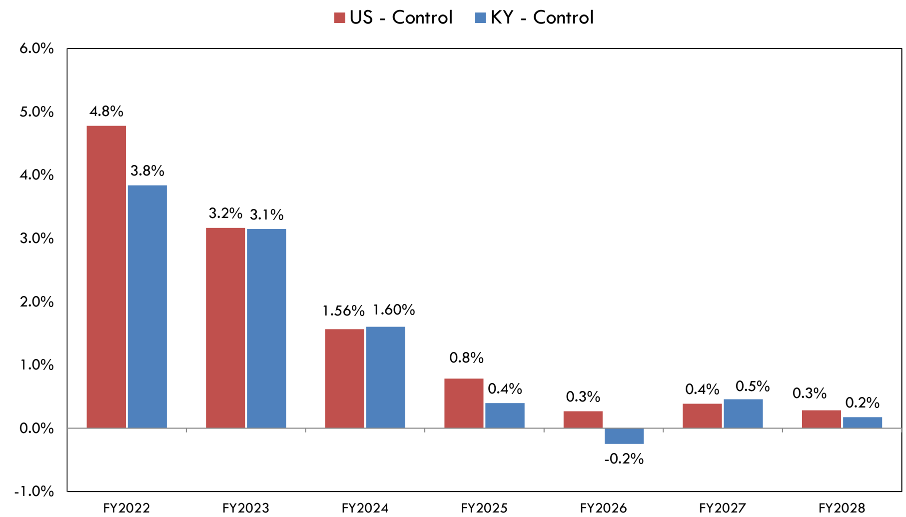
42



Non-Farm Employment – US and Kentucky

(Fiscal Year Growth Rates, S&P Global and KY MAK Model)

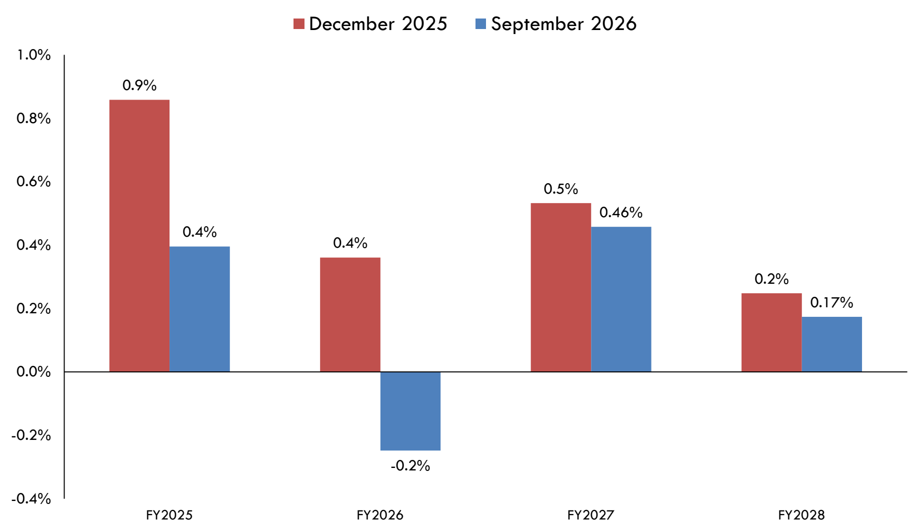
43



Kentucky Non-Farm Employment – Control Forecast

(S&P Global, Annual Growth Rates)

44



Kentucky Manufacturing Employment

(Thousands, KY MAK Model)

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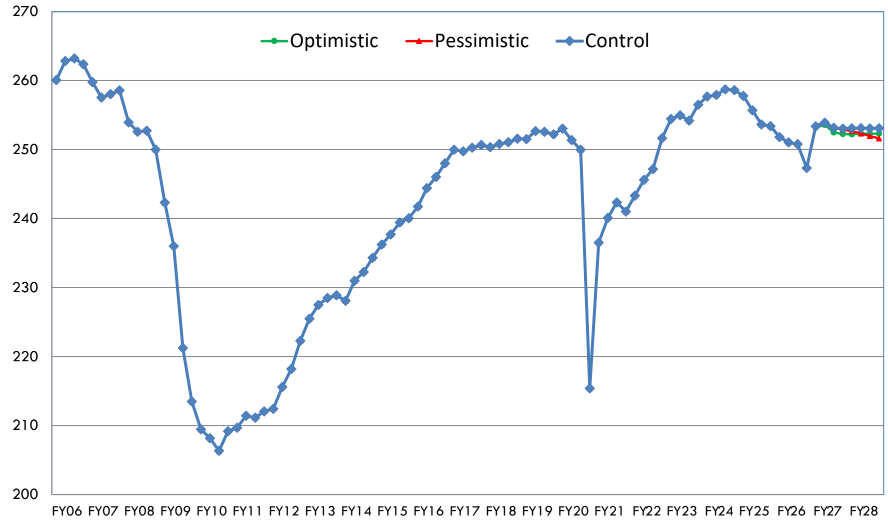
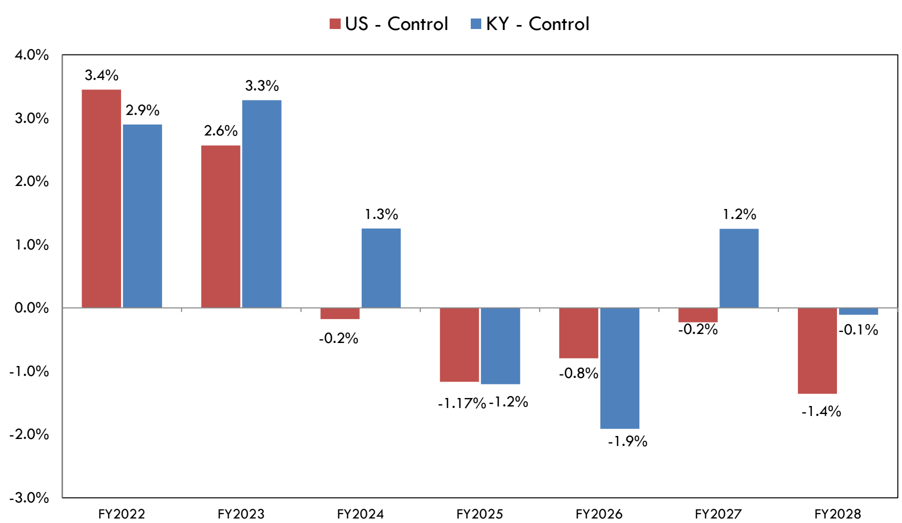


Manufacturing Employment – US and Kentucky

(Fiscal Year Growth Rates, S&P Global and KY MAK Model)

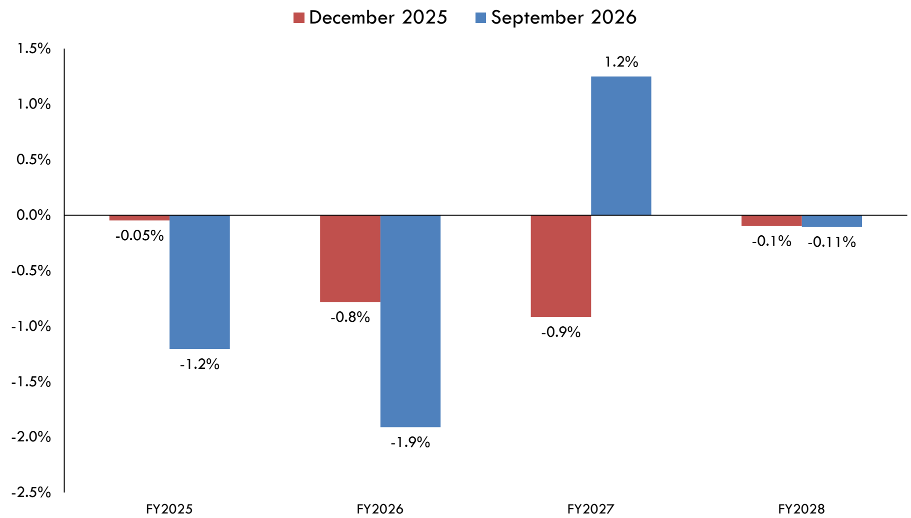
46



Kentucky Manufacturing Employment – Control Forecast

(S&P Global, Annual Growth Rates)

47



Kentucky Personal Income

(Millions of Dollars, KY MAK Model)

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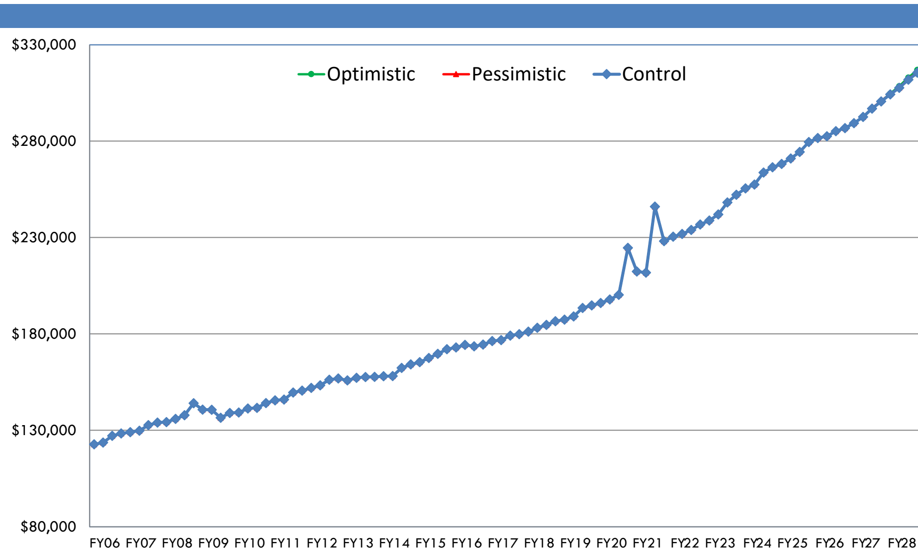

Personal Income – US and Kentucky

(Fiscal Year Growth Rates, S&P Global and KY MAK Model)

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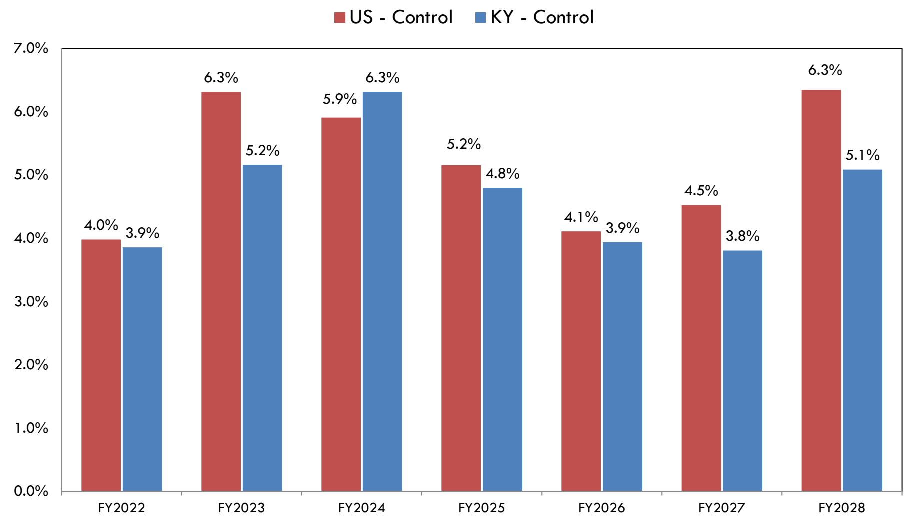

Kentucky Personal Income – Control Forecast

(S&P Global, Annual Growth Rates)

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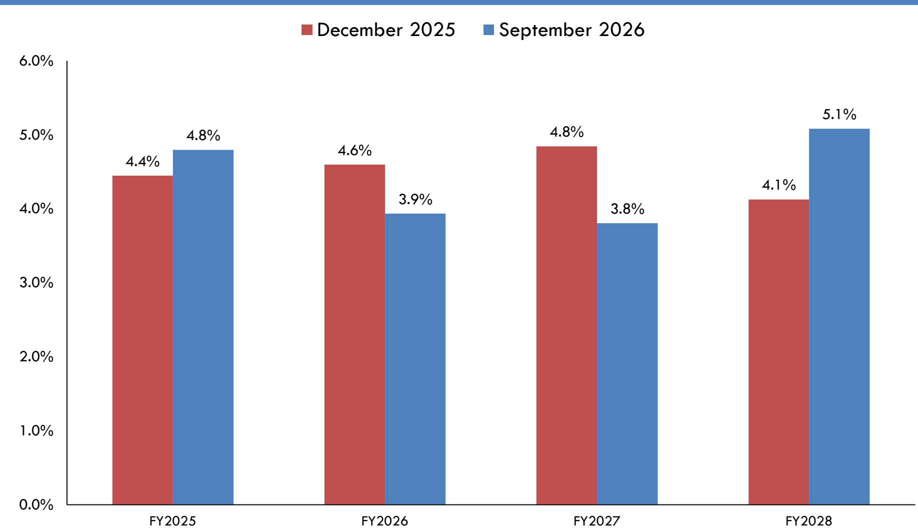

Kentucky Wages and Salaries Forecasts

(Millions of Dollars, KY MAK Model)

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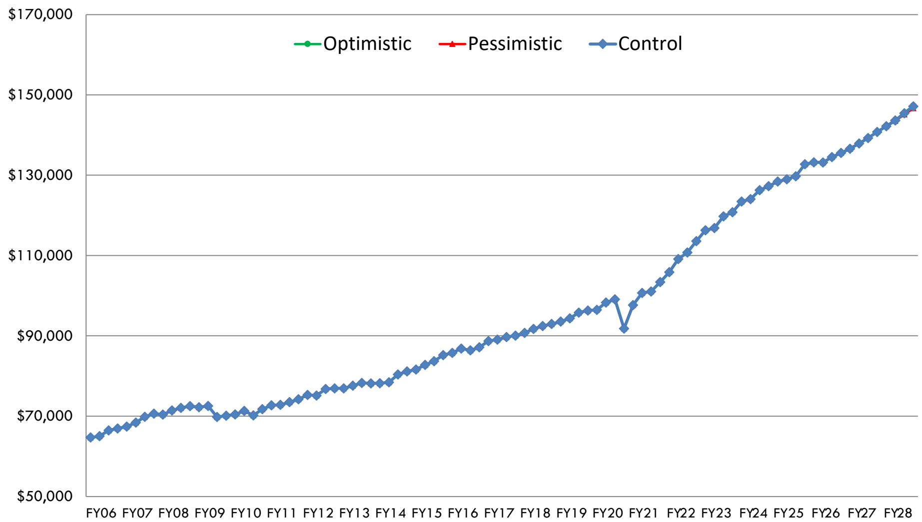

Wages and Salaries – US and Kentucky

(Fiscal Year Growth Rates, S&P Global and KY MAK Model)

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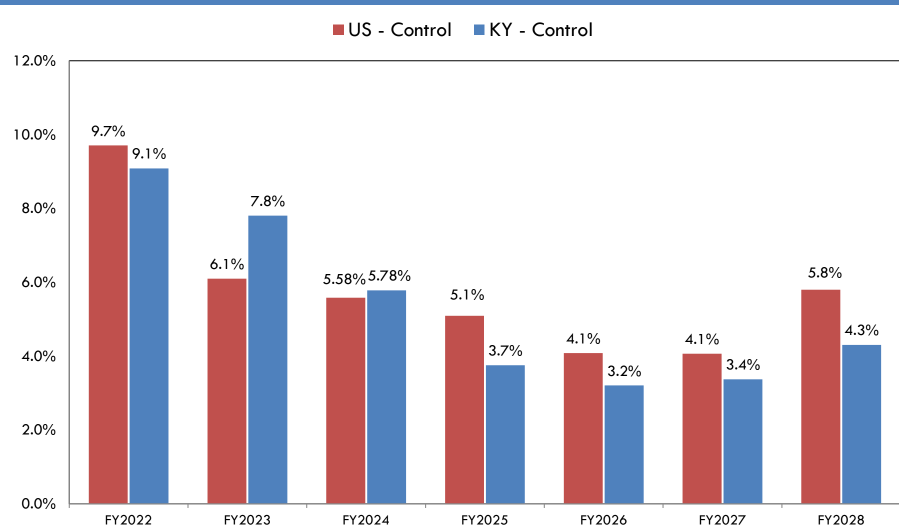

Kentucky Wages and Salaries – Control Forecast

(S&P Global, Annual Growth Rates)