

**NEW YORK CONSENSUS
FORECASTING CONFERENCE**

Hon. Liz Krueger
Chair
Senate Finance Committee

Hon. Tom O'Mara
Ranking Minority Member
Senate Finance Committee

Blake G. Washington
Budget Director
NYS Division of the Budget

Hon. J. Gary Pretlow
Chair
Assembly Ways and Means Committee

Hon. Ed Ra
Ranking Minority Member
Assembly Ways and Means Committee

MEMORANDUM

TO: Governor Kathy Hochul
Senator Andrea Stewart-Cousins
Assemblymember Carl E. Heastie
Senator Robert G. Ort
Assemblymember Will Barclay

March 1, 2025

FROM: Blake G. Washington *BSW*
David Friedfel *DF*
Philip Fields *PF*
Shawn MacKinnon *Sm*
Joshua Rial *JR*

SUBJECT: Consensus Forecast Report

Attached please find the FY 2026 "Consensus Economic and Revenue Forecast Report" as required by Section 23 of the State Finance Law.

Attachment

ECONOMIC AND REVENUE CONSENSUS REPORT FY 2026

This report contains the results of the consensus economic and revenue forecasting process conducted by the Executive and the Legislature in advance of the enactment of the FY 2026 Budget, pursuant to the provisions of Chapter 309 of the Laws of 1996.

The Consensus Forecasting Conference was held on February 27, 2025. Based on the testimony of experts at the Conference, the baseline outlook for both the economy and revenue appears to be moderate growth for calendar year 2025, following continued economic resilience in 2024. The economy faces downside risks in the coming year from expected changes to domestic tax, trade, immigration and fiscal policies, and worldwide uncertainties.

Economic Forecast Review

The economic forecasts contained in the Executive Budget and Legislative reports portray continued but moderating growth in national and State economies for 2025. It is important to note that all parties' forecasts were completed prior to the February 27th Consensus Forecasting Conference.

All parties agree that the national economy, as measured by inflation-adjusted Gross Domestic Product, will expand at a slower pace in 2025, following growth of 2.8 percent in 2024. The consensus forecast for U.S. real GDP growth for 2025 is 2.2 percent, followed by growth of 2.0 percent for 2026.

All parties expect national employment growth to slow down. The consensus forecast calls for employment growth of 1.1 percent in 2025 and 0.6 percent in 2026, following an increase of 1.4 percent in 2024. All parties expect inflation to remain elevated for 2025, as measured by the Consumer Price Index. All parties consent to an inflation rate projection of 2.7 percent for 2025 and 2026. Consistent with expectations pertaining to both employment and inflation, all parties consent to a wage growth projection of 4.6 percent for 2025 and 4.3 percent for 2026, following growth of 5.9 percent in 2024. Similarly, all parties consent to a personal income growth projection of 4.5 percent for 2025 and 2026, following growth of 5.5 percent in 2024. The consensus forecast for U.S. corporate profits, with capital consumption and inventory valuation adjustments included, calls for 2.6 percent growth in 2025 with an increase of 4.1 percent in 2026. All parties agree that the yearly yield on 3-month Treasury bills will average 3.9 percent in 2025 and 3.3 percent in 2026, based on the parties' baseline forecast assumptions.

CONSENSUS U.S. FORECAST		
CALENDAR YEAR		
Percent Change		
	<u>CY2025</u>	<u>CY2026</u>
REAL GDP	2.2	2.0
PERSONAL INCOME	4.5	4.5
WAGES	4.6	4.3
CORP PROFITS	2.6	4.1
NONFARM EMPLOYMENT	1.1	0.6
3-MONTH T-BILL RATE	3.9	3.3
CPI	2.7	2.7

The parties agree that payroll employment in New York State will increase by 0.8 percent in FY 2026 following a 1.4 percent increase in FY 2025. The consensus forecast for personal income growth is 4.2 percent for FY 2026 following 5.3 percent for FY 2025. The consensus forecast calls for wage growth of 4.1 percent for FY 2026, following an increase of 5.8 percent for FY 2025.

CONSENSUS N.Y. FORECAST		
FISCAL YEAR		
Percent Change		
	<u>FY 2025</u>	<u>FY 2026</u>
NONFARM EMPLOYMENT	1.4	0.8
PERSONAL INCOME	5.3	4.2
WAGES	5.8	4.1
Note: The Senate and Assembly Minority construct their personal income and wage series based on BEA data, whereas all other parties use NYS Department of Labor QCEW data; the two series can deviate substantially from one another.		

All parties agree that while the risks of an imminent recession may be low, the heightened degree of economic and policy uncertainty as well as a weaker or more volatile equity market could trigger layoffs that would slow employment and wage growth further in FY 2026. Likewise, sustained inflationary pressures have not abated and could hinder economic growth.

Risks to both the national and the New York forecasts also stem from monetary and fiscal policy actions. Uncertainty relating to Federal spending, trade and immigration policy, and deregulation could reduce business investment, hiring, and consumer spending. Persistently high inflation and the timing of monetary policy actions to lower it could impact economic activity. All parties identify the financial market outlook as critical for the health of the State economy and the underlying tax base. In addition, the persistence of domestic outmigration presents a long-term risk to the New York State economy.

Revenue Forecast Review

Section 23 of the State Finance Law defines receipts subject to consensus as the combined total of All Funds tax receipts, General Fund miscellaneous receipts, and lottery revenues. The revenue estimates from all parties for FY 2025 and projections for FY 2026 exhibited significant variance, but participants reached consensus on a two-year revenue total range that is \$550 million to \$800 million above the Executive Budget estimate.