

Revenue and Economic Update

April 2026

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Revenues below February 2026 Forecast

Minnesota’s net general fund receipts for February and March of 2026 are now estimated to total \$3.779 billion, \$182 million (4.6 percent) less than forecast in the February 2026 *Budget and Economic Forecast*. Net individual tax, net corporate franchise tax, and other revenues were below forecast for the two-month period, while sales tax revenues were slightly above forecast.

Because forecast receipts are now updated to reflect the February 2026 *Budget and Economic Forecast*, the fiscal year-to-date variance is the same dollar amount as the February-March variance, \$182 million (0.8 percent) less than fiscal year-to-date forecast revenues.

For February and March, net individual income tax receipts were \$126 million (7.6 percent) less than forecast. Gross income tax revenues were \$17 million (0.5 percent) above forecast. This was offset by higher-than-forecast refunds, which were \$142 million (8.9 percent) above forecast. Income tax withholding receipts were \$10 million (0.4 percent) higher than forecast. Estimated income tax payments (labeled declarations on page 5) were \$2 million (3.5 percent) below forecast. Individual income tax refunds were \$108 million (6.8 percent) above forecast. Partnership and S corporation payments were \$15 million (2.8 percent) above the forecast, while refunds were \$34 million (183.0 percent) above forecast.

Net corporate franchise tax receipts were \$15 million (3.0 percent) less than forecast. Gross receipts were \$7 million (1.2 percent) less than forecast, and refunds were \$8 million (13.6 percent) more than forecast.

Net sales tax receipts were \$17 million (1.5 percent) higher than forecast. Gross receipts were \$9 million (0.8 percent) more than forecast, and refunds were \$7 million (16.5 percent) less than forecast.

Net receipts from other revenues and taxes were \$58 million (8.1 percent) less than forecast due primarily to a large, negative variance in residual revenues.

Please see the table on page 5 for more detailed information on revenues within each broad category.

Summary of Revenues: February-March 2026

(\$ in millions)	February 2026			
	Forecast	Actual	\$ Difference	% Difference
Individual Income Tax	\$1,658	\$1,533	(\$126)	(7.6%)
Corporate Franchise Tax	491	477	(15)	(3.0)
General Sales Tax	1,093	1,110	17	1.5
Other Revenues	717	659	(58)	(8.1)
Total Revenues¹	\$3,960	\$3,779	(\$182)	(4.6%)

1. Totals may not add due to rounding.

U.S. Economic Outlook Shows Lower Growth, Weak Labor Markets, and Continued Inflation

The outlook for the U.S. economy for 2026 and 2027 has weakened slightly since Minnesota’s *Budget and Economic Forecast* was prepared in February 2026. In its April 2026 forecast, Standard & Poor’s Global Market Intelligence (SPGMI), Minnesota’s macroeconomic consultant, has revised its baseline forecast of annual real gross domestic product (GDP) growth downward by six-tenths of a percentage point in 2026 to 2.1 percent. In addition, the baseline forecasts for inflation, unemployment, and interest rates have all been revised upward slightly. These changes, if they are realized, would have generally negative effects on Minnesota’s economy.

The Bureau of Labor Statistics (BLS) reports that the national unemployment rate was 4.3 percent in March, up 0.1 percentage points from one year earlier. Payroll employment continues to grow at historically low rates. Between March 2025 and March 2026, job growth averaged under 22,000 per month, and since July 2026, job growth has averaged under 15,000 new jobs per month. In its current baseline forecast, SPGMI expects the unemployment rate to peak at 4.8 percent in mid-2027 before falling to 4.4 percent by the end of 2029.

Growth Outlook and Assumptions

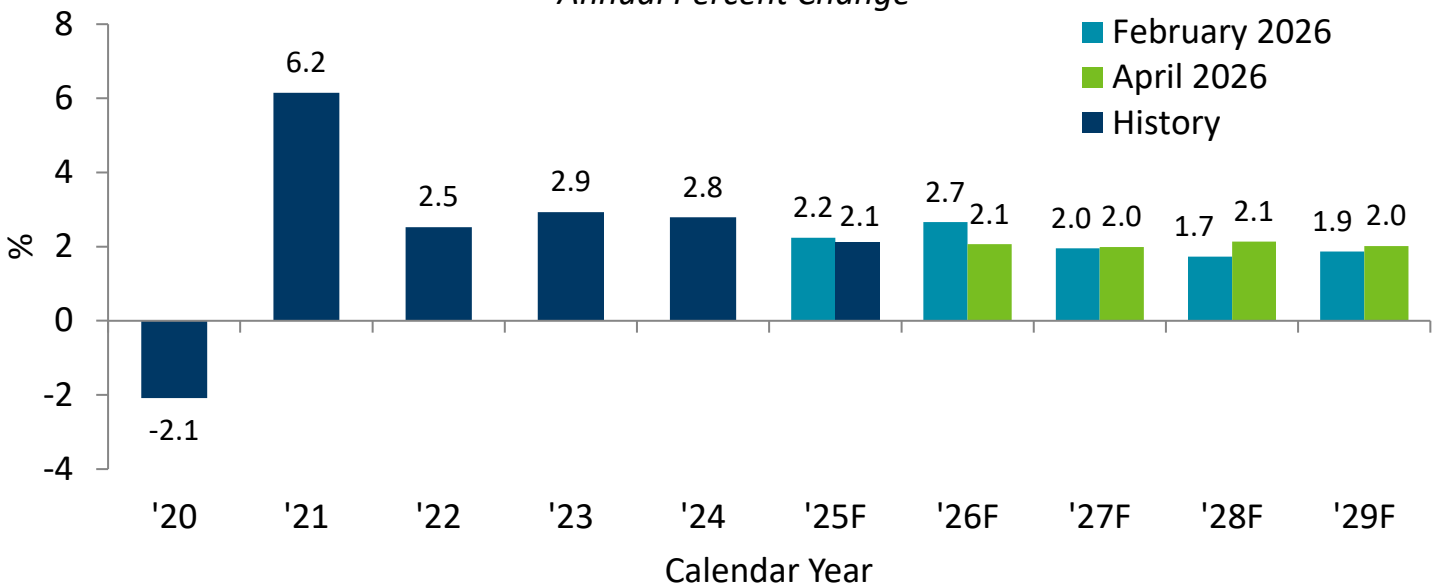
Real GDP growth continues to be low by historic standards. Real GDP grew 2.1 percent in 2025, slightly lower than the 2.2 percent SPGMI had forecasted in February 2026. SPGMI now forecasts real GDP growth of 2.1 percent in 2026, 0.6 percentage points lower than their forecast in February. The downward revision is primarily due to an upward revision in their forecast for net exports and a downward revision in personal consumption expenditure growth.

This forecast anticipates steady but low growth in the U.S. economy, however there are important forecast risks. While effective tariffs have fallen with the Supreme Court’s invalidation of the IEEPA tariffs, the administration is exploring ways to increase tariffs. Higher tariffs could reduce consumer spending and fixed investment more than expected, leading to slower economic growth. Elevated tariffs may also put upward pressure on inflation. With payroll employment growth at low levels, any increase in layoffs would likely result in job losses, further constraining consumer spending and overall economic activity.

Equity markets present additional forecast risks. The high rates of growth in equity markets over the past few years

U.S. Real Gross Domestic Product

Annual Percent Change



Source: U.S. Bureau of Economic Analysis (BEA), and SPGMI

supported higher consumption and investment. However, by the end of March, the S&P 500 index was down almost 10 percent from its record high in January. Though the major indexes have risen with the U.S./Israel-Iran War cease-fire announcement, they remain well below their record highs from January 2026. A prolonged downturn in equity markets could lower the growth of household consumption expenditures and reduce GDP growth.

This forecast does incorporate some effects related to recent geopolitical developments involving Iran and the Strait of Hormuz. SPGMI notes that higher oil and gas prices will have a net negative effect on the US macroeconomic outlook. They assume global oil prices will return to pre-war levels by the third quarter of 2026.

SPGMI's forecast assumes some tariff relief for U.S. consumers and producers. The replacement of International Emergency Economic Powers Act (IEEPA) tariffs, which ranged from 10 to 50 percent, with Section 122 tariffs of 10 percent results in a drop in the effective tariff rate to 12 percent, a decline of two percentage points from their previous forecast.

Inflation

The April outlook projects higher inflation, both headline and "core," in 2026 than in their February forecast due primarily to higher oil and natural gas prices. (Core inflation excludes food and energy prices.) Any effects of lower tariffs are more than offset by higher energy prices, which influence headline inflation directly, and which influence core inflation through higher production and transportation costs for goods and services.

For 2026, SPGMI expects headline inflation in both the consumer price index (CPI) and the personal consumption expenditure (PCE) index to average 3.4 percent, an increase of 0.9 and 0.8 percentage points, respectively, from the February forecast. Inflation in the core PCE index is forecast to be 3.2 percent in 2026, an increase of 0.5 percentage points from February.

Refer to Chart 1 on page 6 for details of the forecasts for core PCE inflation.

Interest Rates and Monetary Policy

The Federal Reserve has been lowering its target federal funds rate over the past two years as inflation has moderated. However, because of higher inflation in the

forecast caused by higher energy prices, SPGMI now assumes further rate cuts will be paused until March 2027.

SPGMI does not forecast any substantive change to the average 30-year conventional fixed-rate mortgage rate compared to the February forecast. The rate is forecasted to fall below 6.0 percent by the end of 2027 and stabilize at 58 percent in the longer term.

Please refer to Chart 2 on page 6 for a summary of forecast changes to the federal funds rate and the 30-year fixed mortgage rate.

Unemployment and Labor Markets

The April forecast from SPGMI does not incorporate data from the most recent Bureau of Labor Statistics (BLS) "Employment Situation" released on April 3, 2026. In the April release, the BLS reports that in March 2026, the seasonally adjusted U.S. unemployment rate fell slightly to 4.3 percent, down from 4.4 percent in February. Payroll employment grew by a seasonally adjusted 178,000 jobs in March in the establishment survey, though the number of employed workers fell by 64,000 in the household survey. The civilian labor force fell by nearly 400,000 in March and is nearly 500,000 lower than a year earlier. Over the past year, the BLS reports payroll employment has risen by 300,000 workers, an increase of 25,000 per month. For comparison, between March 2023 and March 2025, payroll employment rose an average of 133,000 jobs per month.

Other labor force measures give mixed signals about labor market conditions. The number of long-term unemployed (those jobless for 27 weeks or more) was 1.8 million (seasonally adjusted) in March 2026, an increase of 322,000 compared to a year earlier. The U.S. labor force participation rate was 61.9 percent in March, down 0.4 percentage points from one year earlier. The participation rate for potential workers aged 25 to 54 (prime work ages) was 83.8 percent in March, up from 83.3 percent one year ago.

SPGMI does not forecast a return to robust job growth through the end of the decade. They estimate payroll employment will increase by an average of only about 4,400 jobs per month in 2026, 15,000 in 2027, and an average of just over 70,000 per month in 2028-2029. By comparison, job growth averaged 200,000 per month in 2015 through 2019.

SPGMI forecasts the civilian unemployment rate will rise above 4.8 percent in 2027. They forecast the unemployment rate will begin to decline in late 2027 and will return to its current level of 4.3 percent by the end of 2029.

Alternative Scenarios

In its April forecast, SPGMI assigns a 50 percent probability to the baseline scenario forecast (described above), and 25 percent probabilities to both their “pessimistic” and “optimistic” scenarios for the U.S. economy.

The pessimistic scenario assumes that the conflict with Iran, and disruptions in global oil supplies, leads to higher energy prices resulting in higher inflation. GDP growth is slightly lower due to declining consumer demand and lower business fixed investment. In this scenario, unemployment reaches a peak of 5 percent in mid-2027. Annual GDP growth is below two percent for 2026-2027.

The optimistic scenario assumes a quick resolution to the conflict with Iran and a return to pre-war global oil supplies. Lower inflation results from falling oil prices, easing both inflation and financial conditions. This causes a rise in both consumer and business confidence that leads to greater private demand, lower unemployment, and stronger GDP growth. On an annual basis, real GDP grows an average of 2.2 percent in 2026-2027. The monetary policy path is assumed to be the same as in the baseline scenario.

Neither of SPGMI’s alternative scenarios diverges much from the baseline forecast. For real GDP growth, the optimistic scenario has growth less than 0.3 percentage points higher than baseline, and the pessimistic scenario has it no more than 0.2 points less. Scenario unemployment rates do not differ by more than 0.2 percentage points from the baseline.

Other Forecasts

The SPGMI April 2026 and 2027 baseline forecasts for real GDP growth, PCE inflation, and unemployment are

comparable to Haver Analytics’ April 2026 “Blue Chip Economic Indicators” consensus forecasts, the means of 50 business and academic forecasts.¹ The Philadelphia Federal Reserve Bank’s most recent “Survey of Professional Forecasters” was based on surveys conducted prior to the beginning of hostilities with Iran and so does not reflect the effects of the energy price spikes.² Consequently, their 2026 mean forecasts differ somewhat from both SPGMI and the Blue Chip consensus.

Table: Comparison of forecasts

Year	Economic Indicator	Source		
		SPGMI	Blue Chip	Phil. FRB
2026	Real GDP growth	2.1	2.2	2.5
	PCE inflation	3.4	3.3	2.7
	Unemployment	4.6	4.5	4.5
2027	Real GDP growth	2.0	2.0	2.1
	PCE inflation	2.4	2.4	2.3
	Unemployment	4.8	4.4	4.4

Conclusion

SPGMI’s April forecast predicts a more challenging outlook for the U.S. and Minnesota than that presented in the February 2025 *Budget and Economic Outlook* due to the spike in energy prices and continuing trade uncertainty. Low overall economic growth, elevated inflation, low rates of job creation, and higher interest rates are expected to adversely affect consumer and business spending as well as private investment (both business and residential). Trade policy uncertainty is likely to further suppress investment (both business and residential) and consumer spending on durable goods. Lower rates of job creation experienced over the past are also a concern, as are projections of low labor force growth in the years ahead due to demographics and federal immigration policies. While there is no recession in SPGMI’s baseline forecast, there is the possibility of an economic contraction in 2026 due to the low forecasted growth rate, and the overall outlook remains sensitive to evolving financial, fiscal, and trade policy developments.

¹ Haver Analytics, “Blue Chip Economic Indicators,” April 2026 Edition. CCH Incorporated, New York, New York.

² Federal Reserve Bank of Philadelphia. “Survey of Professional Forecasters, First Quarter 2026,” March 6, 2026.

<<https://www.philadelphiafed.org/-/media/FRBP/Assets/Surveys-And-Data/survey-of-professional-forecasters/2026/spfQ126.pdf>> Accessed March 9, 2026.

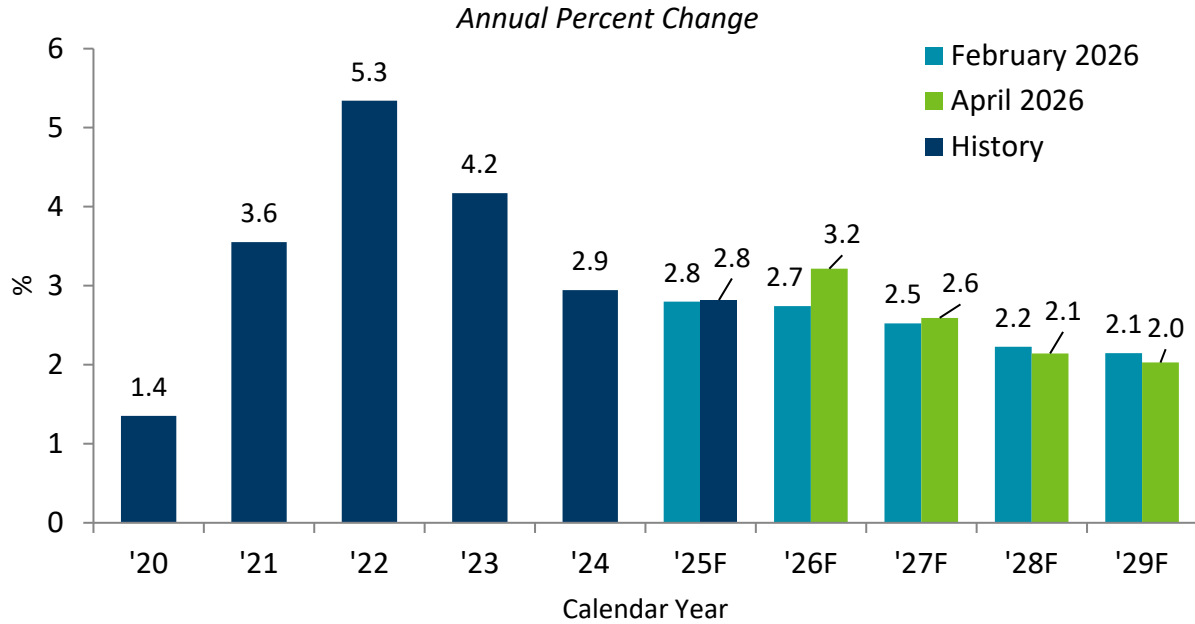
Comparison of Actual and Forecast Non-Dedicated Revenues

(\$ in thousands)

	Fiscal Year 2026			February - March 2026		
	FORECAST REVENUES ¹	ACTUAL REVENUES	VARIANCE ACT-FCST	FORECAST REVENUES ¹	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax						
Withholding	10,257,534	10,268,027	10,493	2,419,677	2,430,170	10,493
Declarations	1,206,384	1,204,025	(2,359)	68,136	65,778	(2,359)
Miscellaneous	735,442	729,071	(6,372)	248,533	242,161	(6,372)
Partnership & S Corporation Gross	2,234,803	2,249,626	14,823	524,206	539,029	14,823
Gross Income Tax	14,434,163	14,450,749	16,587	3,260,552	3,277,138	16,587
Partnership & S Corporation Refunds	109,773	143,832	34,060	18,612	52,672	34,060
Individual, Fiduciary, Withholding Refunds	2,071,521	2,179,586	108,065	1,583,485	1,691,549	108,065
Total Refunds	2,181,294	2,323,418	142,124	1,602,097	1,744,221	142,124
Net Income Tax	12,252,869	12,127,331	(125,538)	1,658,455	1,532,917	(125,538)
Corporate Franchise Tax						
Declarations	1,890,647	1,886,781	(3,866)	523,046	519,181	(3,866)
Miscellaneous	167,988	165,322	(2,666)	28,917	26,251	(2,666)
Gross Corporate Franchise Tax	2,058,635	2,052,103	(6,531)	551,963	545,432	(6,531)
Refunds	175,647	183,896	8,249	60,556	68,805	8,249
Net Corporate Franchise Tax	1,882,987	1,868,207	(14,780)	491,407	476,627	(14,780)
General Sales and Use Tax						
Gross Sales Tax	6,109,924	6,119,401	9,477	1,133,497	1,142,974	9,477
Mpls. Sales Tax Transferred to MSFA	-	-	-	-	-	-
Mpls. Sales Tax w/Holding for NFL Stadium	14,245	14,245	-	3,146	3,146	-
Gross Sales and Use Tax	6,124,168	6,133,646	9,477	1,136,643	1,146,120	9,477
Refunds (including Indian refunds)	158,346	151,193	(7,152)	43,402	36,250	(7,152)
Net Sales and Use Tax	5,965,823	5,982,452	16,629	1,093,241	1,109,870	16,629
Other Revenues						
Net Estate	270,929	272,882	1,952	40,980	42,933	1,952
Net Liquor, Wine, and Beer	73,675	73,069	(606)	14,755	14,149	(606)
Net Cigarette and Tobacco	359,513	364,493	4,979	56,296	61,275	4,979
Deed and Mortgage	216,814	212,855	(3,959)	43,900	39,941	(3,959)
Net Insurance Premiums Taxes	498,621	488,504	(10,116)	222,033	211,917	(10,116)
Net Lawful Gambling	143,728	149,493	5,765	33,138	38,903	5,765
Health Care Surcharge	200,484	187,184	(13,300)	74,877	61,578	(13,300)
Other Taxes	138	159	20	38	58	20
Statewide Property Tax	339,096	339,898	802	882	1,684	802
DHS SOS Collections	90,774	92,626	1,851	19,759	21,610	1,851
Investment Income	431,770	432,095	325	91,565	91,890	325
Tobacco Settlement	123,611	123,611	-	1,000	1,000	-
Dept. Earnings & MSOP Recovery	195,607	194,447	(1,159)	45,593	44,433	(1,159)
Fines and Surcharges	50,929	37,887	(13,042)	16,768	3,726	(13,042)
Lottery Revenues	38,170	46,437	8,266	8,982	17,248	8,266
Revenues yet to be allocated	14,689	22,807	8,118	-	8,118	8,118
Residual Revenues	255,259	207,140	(48,118)	48,207	89	(48,118)
Other Revenues Subtotal	3,303,807	3,245,586	(58,221)	718,773	660,552	(58,221)
Other Refunds	4,014	3,723	(291)	1,627	1,336	(291)
Net Other Revenues	3,299,793	3,241,863	(57,930)	717,146	659,216	(57,930)
Total Gross	25,920,773	25,882,084	(38,689)	5,667,931	5,629,242	(38,689)
Total Refunds	2,519,301	2,662,231	142,929	1,707,683	1,850,612	142,929
Total Net	23,401,472	23,219,853	(181,618)	3,960,248	3,778,630	(181,618)

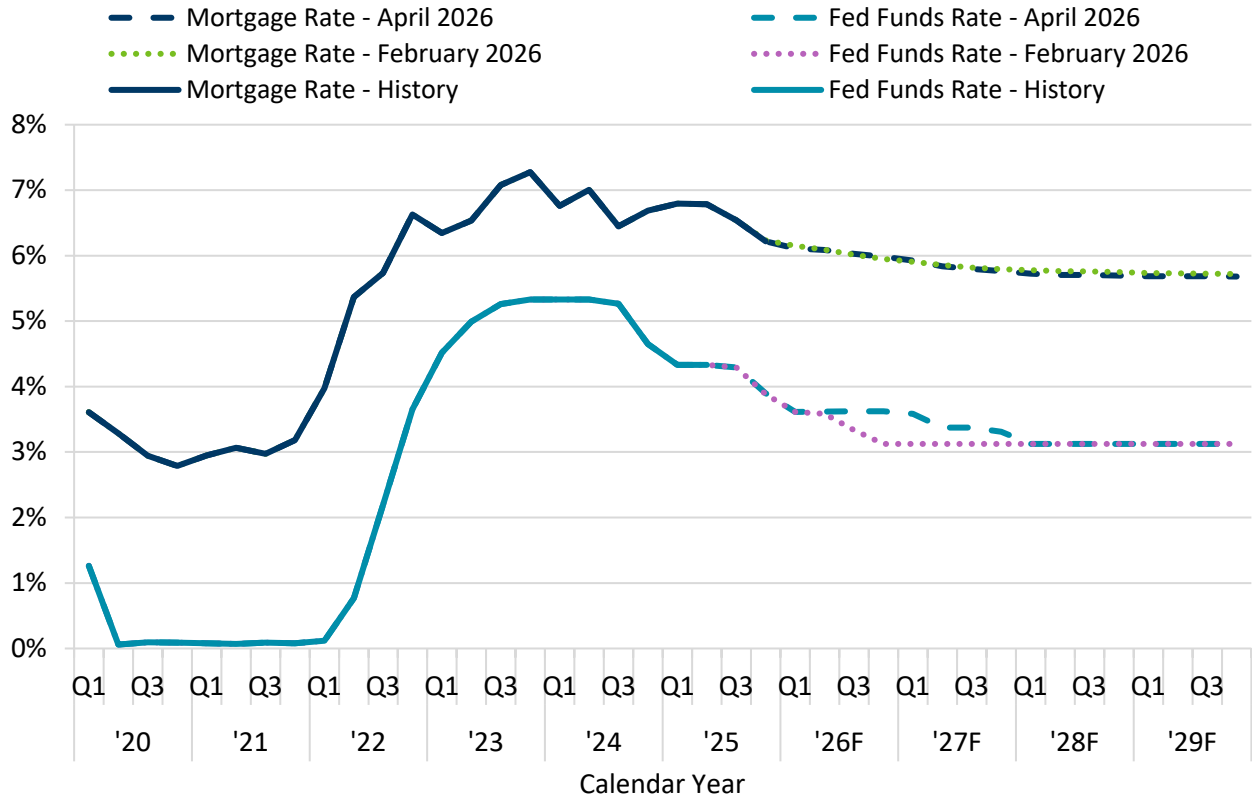
1. February 2026 Budget and Economic Forecast.

Chart 1
Inflation, Personal Consumption Expenditure Index - (Less Food and Energy)



Source: U.S. Bureau of Labor Statistics (BLS), and SPGMI

Chart 2
Fed Funds Rate vs 30-Year Fixed Mortgage Rate



Source: Board of Governors of the Federal Reserve System, Freddie Mac, and SPGMI