

State of the Economy

and Its Impact on Workers Compensation

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The Economy



Growth



Employment



Inflation



The Economy

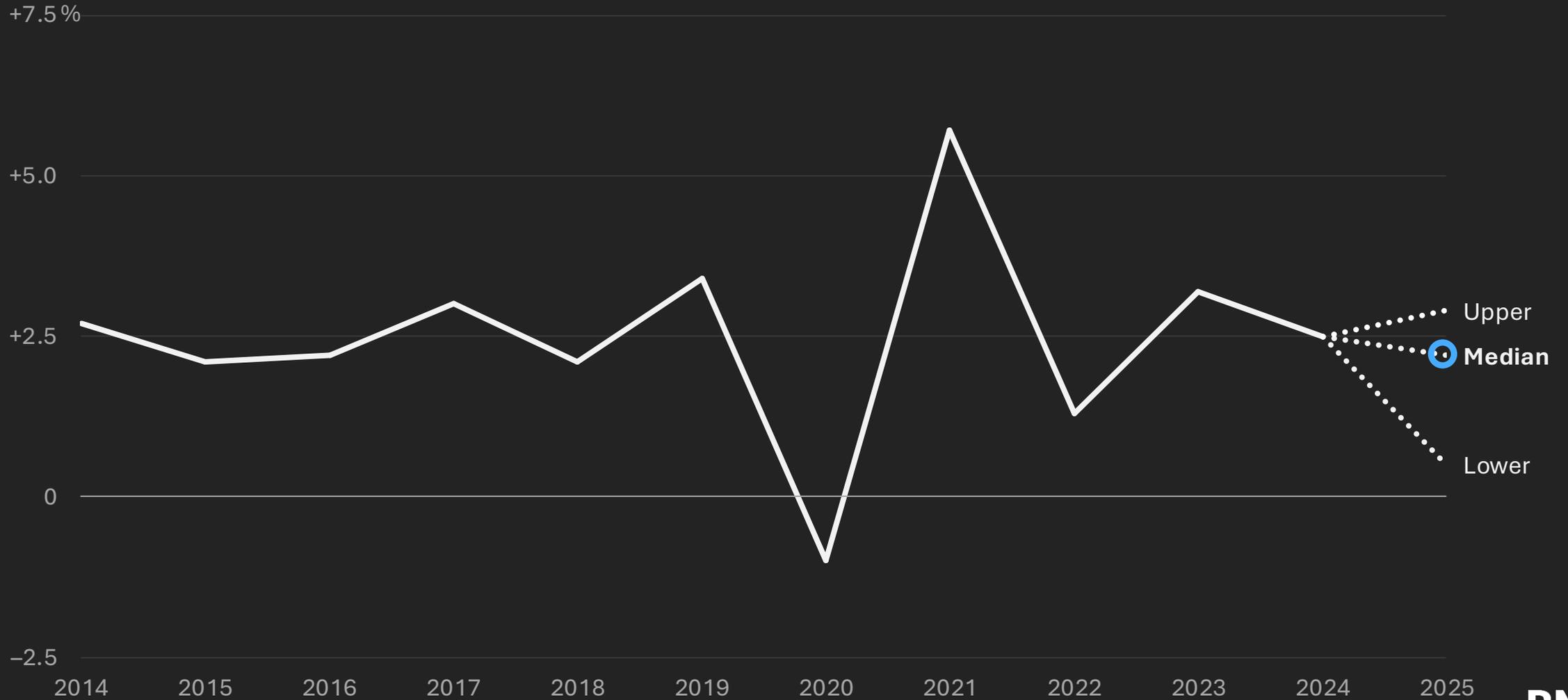


Growth

- How did economists' predictions for 2025 turn out?
- What are current forecasts and key themes for 2026?

Economists Predictions for 2025 as of January 2024

Annual Growth of Real GDP



Sources: US Bureau of Economic Analysis; Bloomberg

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What Was on the Horizon? Storm Clouds or Sunny Skies?

Upside

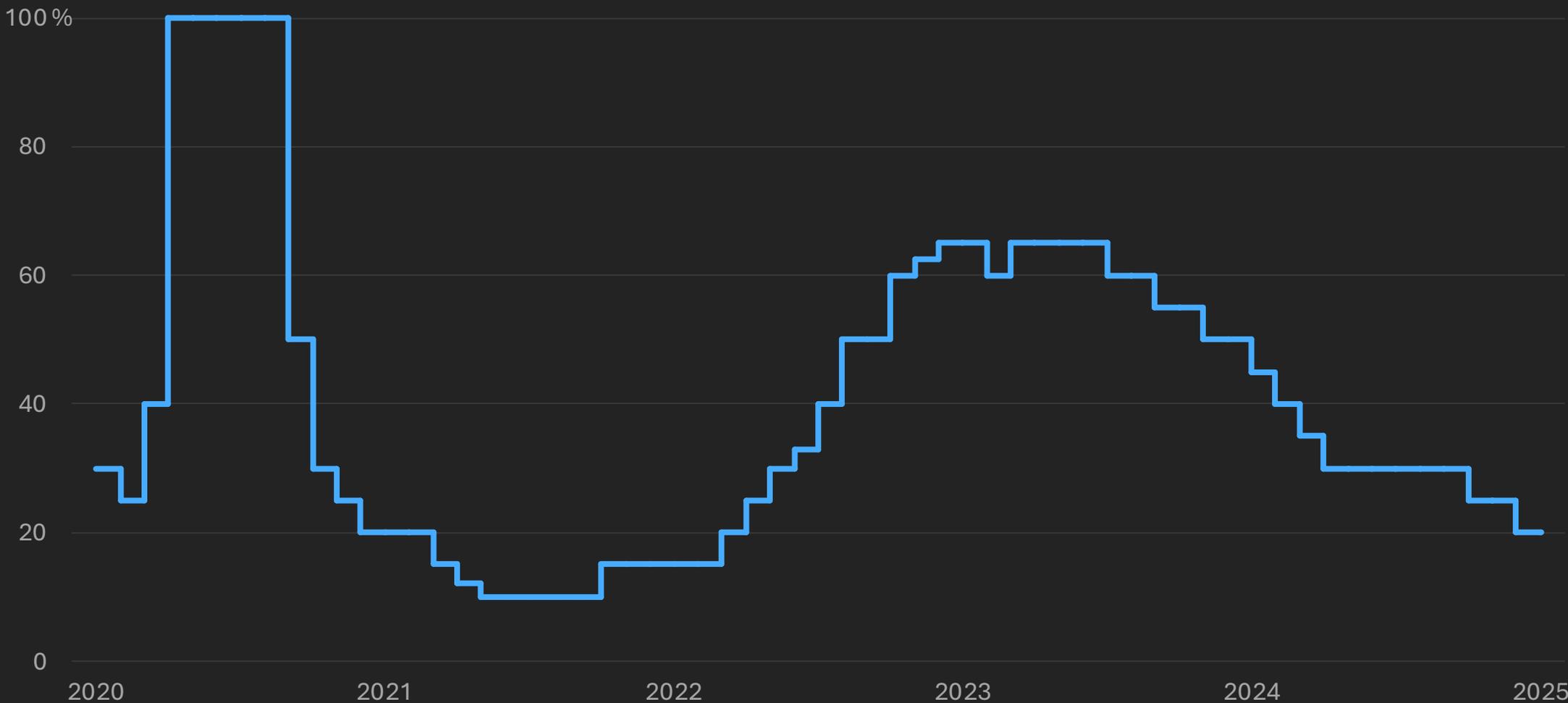
- Economic Momentum
- Tax Cuts/Deregulation
- AI/Automation
- Productivity

Downside

- Global Growth Malaise
- Tariffs/Protectionist Trade
- Immigration Reform
- Debt

The Probability of Recession Was Remarkably Low

Probability of Recession

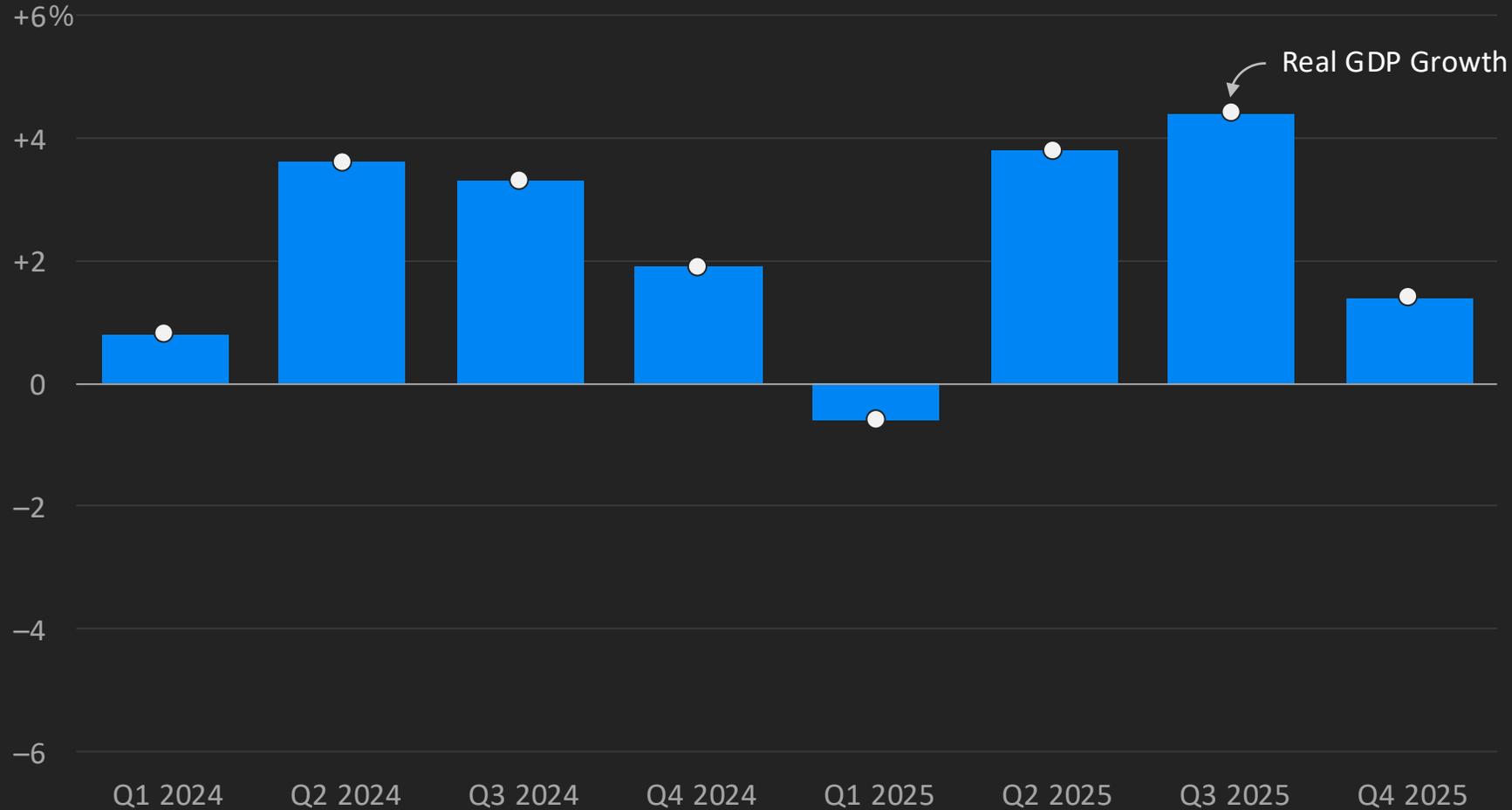


Source: Bloomberg



After a Bumpy Start, The Economy Was Resilient in 2025

Real GDP, Annualized



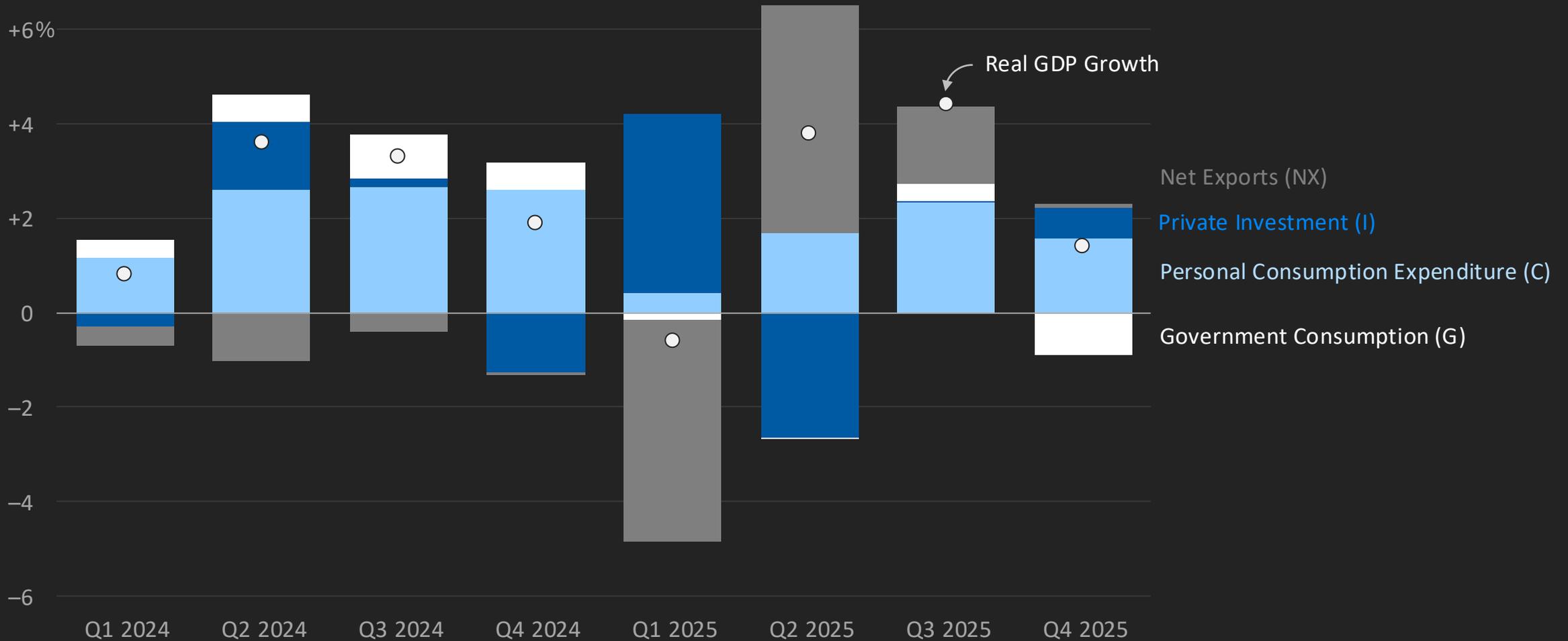
Source: US Bureau of Economic Analysis

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What Was Behind This Resilience?

Contribution to Real GDP, Annualized



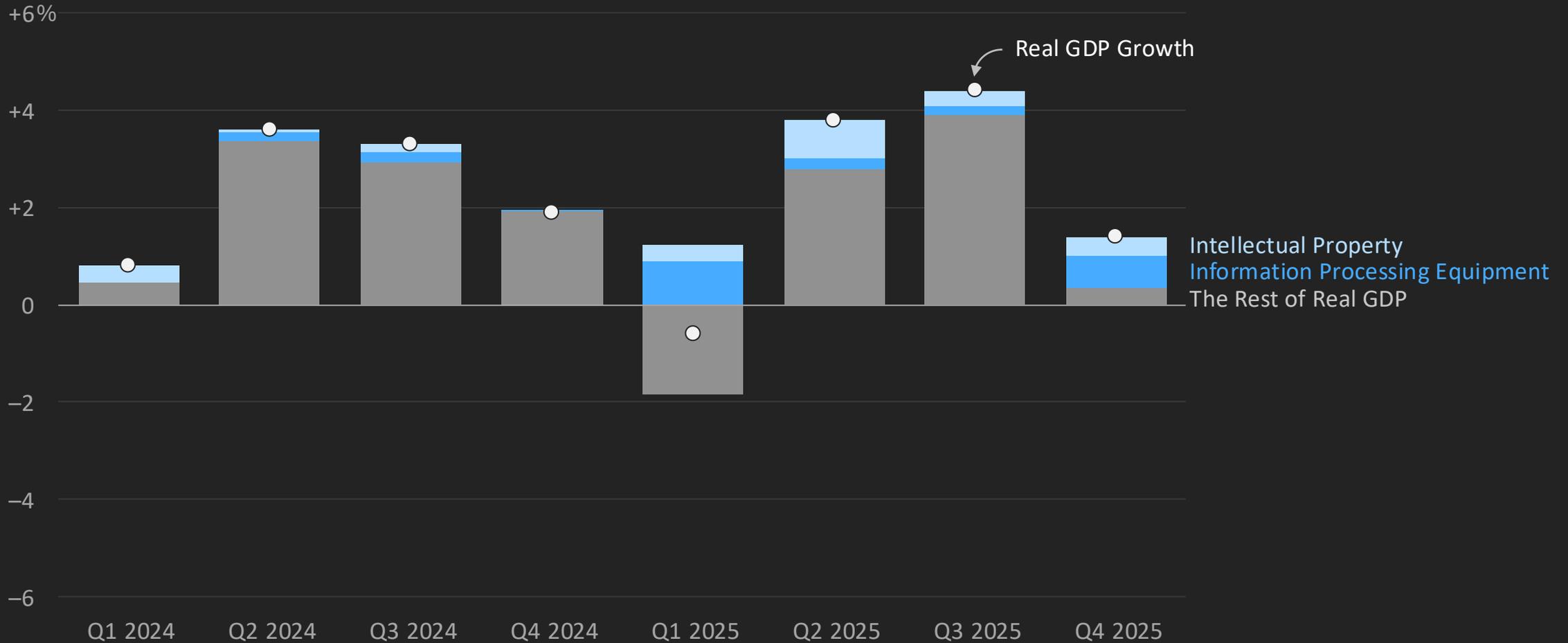
Source: US Bureau of Economic Analysis

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It Actually Wasn't an AI Story (Yet?)

Contribution to Real GDP, Annualized



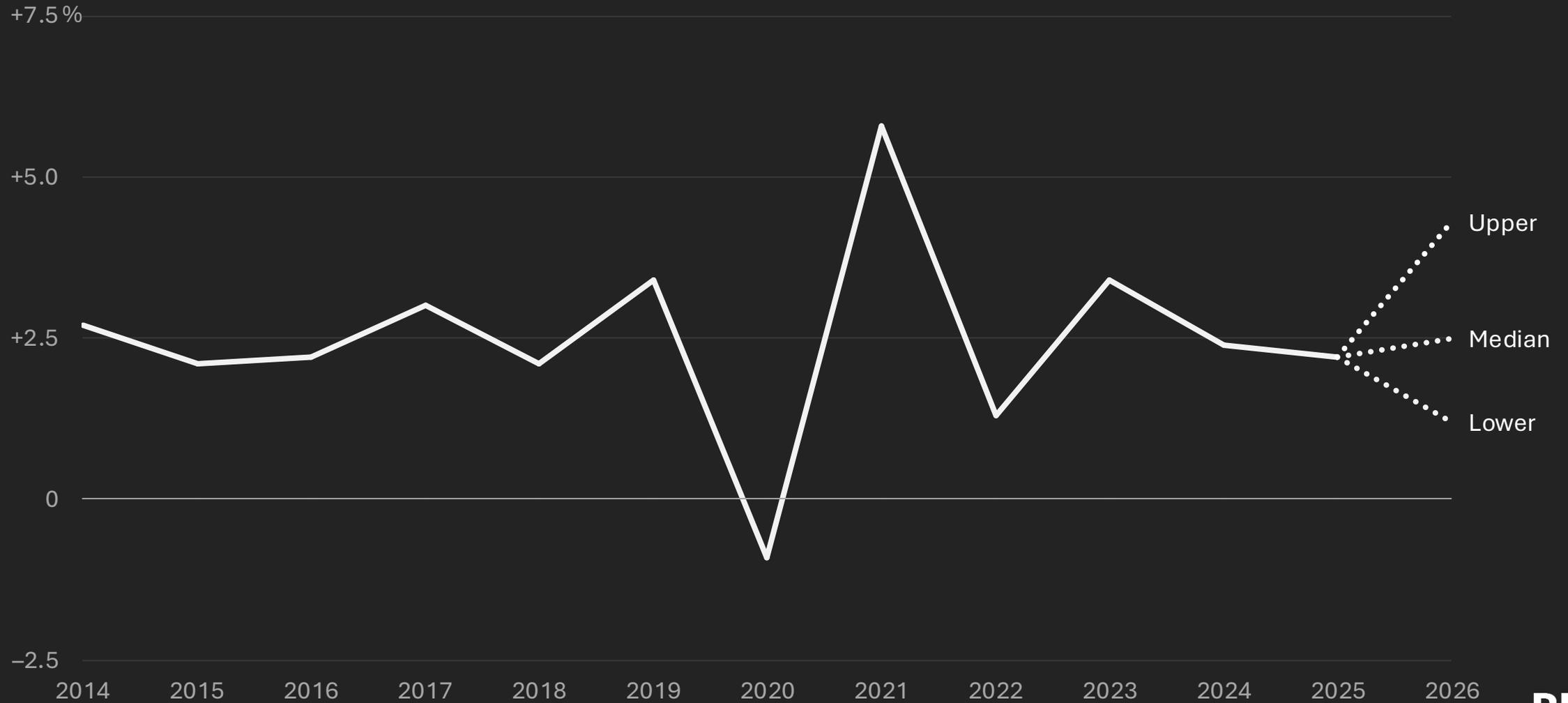
Source: US Bureau of Economic Analysis

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Economists Predictions for 2026

Annual Growth of Real GDP



Sources: US Bureau of Economic Analysis and Bloomberg

Key Themes to Watch This Year

Upside

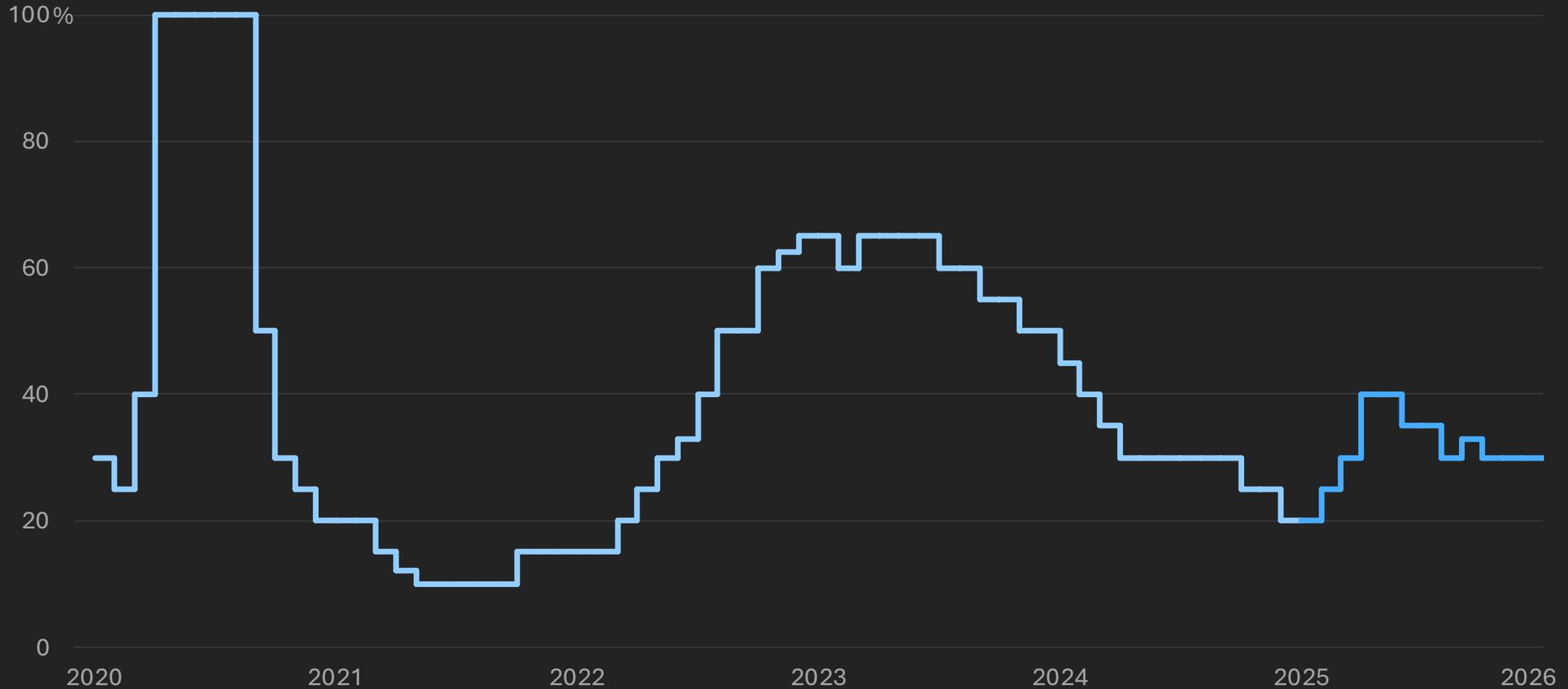
- Economic Momentum
- AI/Automation
- Employment Rebound
- Midterm Elections

Downside

- “Low-Hire, Low-Fire” persists
- Affordability
- Central Bank Independence
- Debt

The Probability of Recession Is Low Again

Probability of Recession



Source: Bloomberg



The Economy



Growth

- The Economy was resilient in 2025, and momentum should carry forward into 2026
- Risks to the economy are skewed to the upside but not as much as 2025



The Economy



Growth



The Economy

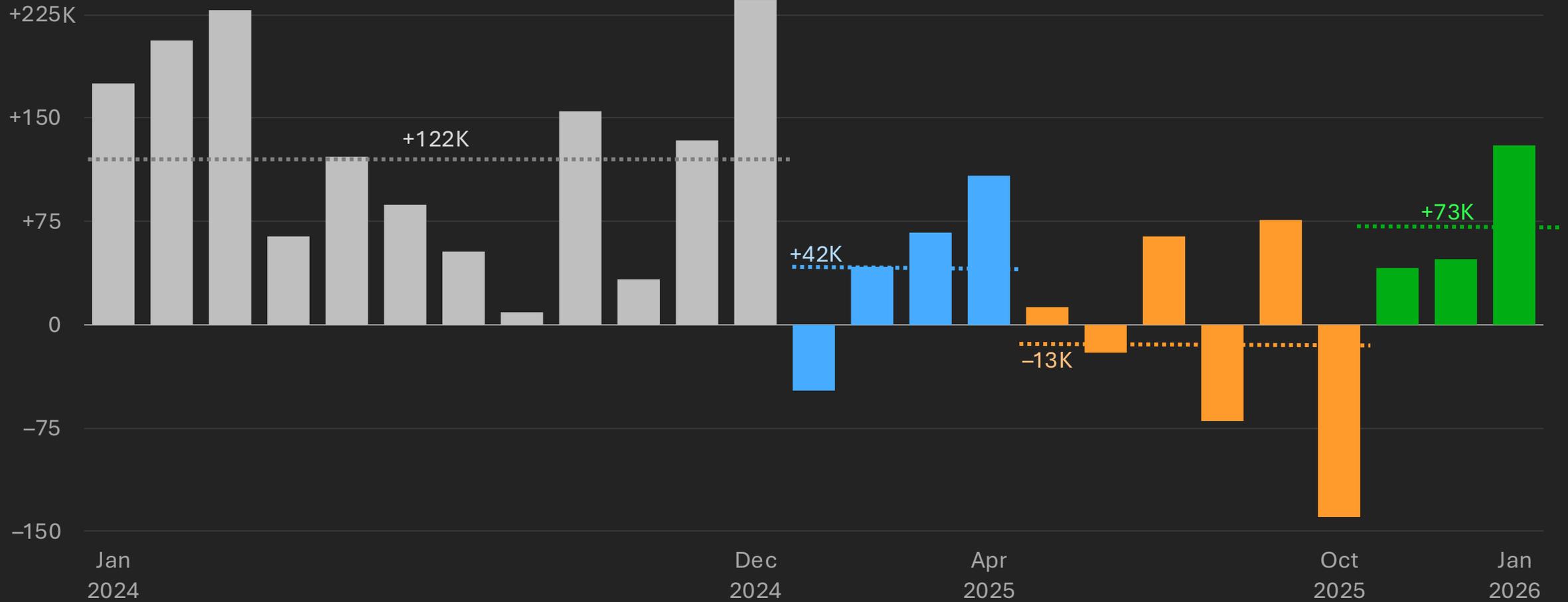


Employment

- How long will the “low-hire, low-fire” labor market persist?
- How has this environment impacted workers compensation?
- How has this environment impacted the residual market?

Employment Growth Has Slowed

Monthly Change in Employment



Source: US Bureau of Labor Statistics

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Workers Compensation Is Not the Economy

Sector Distribution—NCCI States, Percent

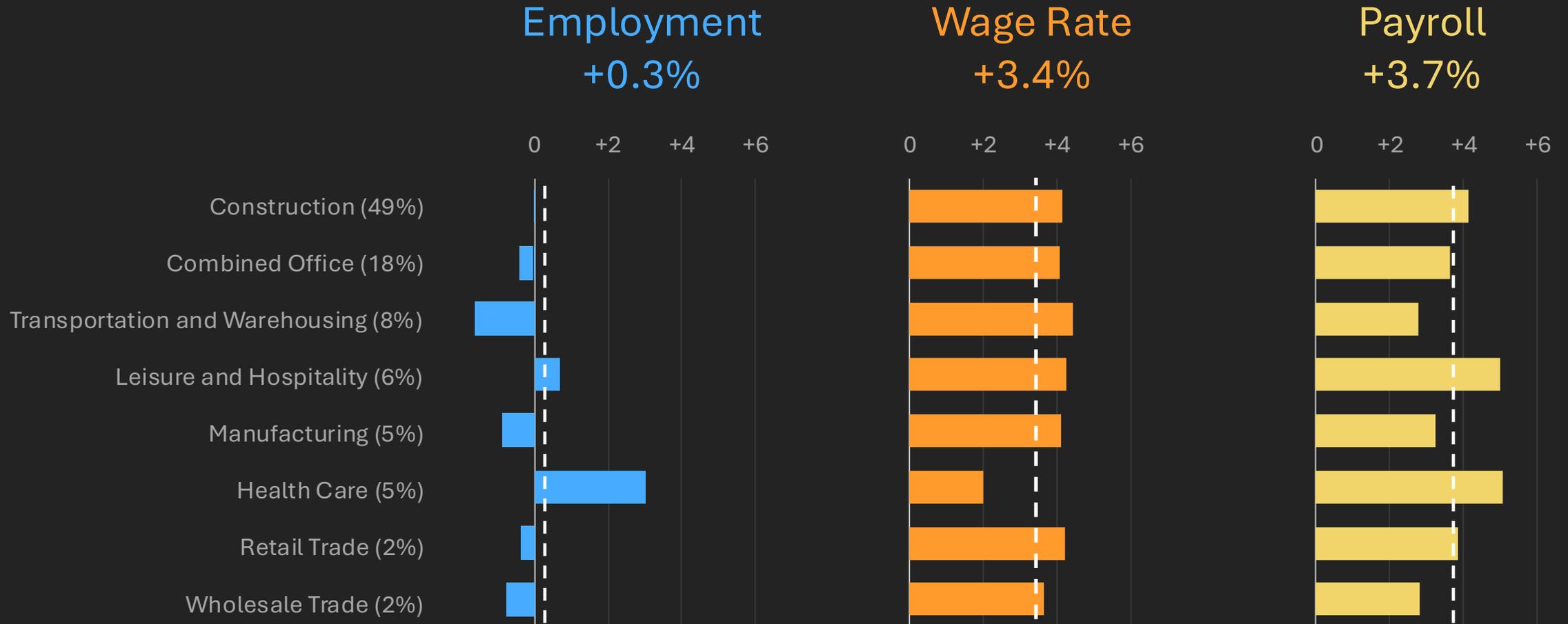
	Employment	Voluntary		Residual	
		Payroll	Premium	Payroll	Premium
Construction	6	8	20	26	49
Combined Office	29	36	17	28	18
Transportation and Warehousing	5	4	11	6	8
Leisure and Hospitality	13	5	6	8	6
Manufacturing	9	17	18	6	5
Health Care	17	10	7	10	5
Retail Trade	11	8	10	3	2
Wholesale Trade	4	5	6	2	2
All Other	5	8	6	11	6

Combined Office is an aggregation of several sectors: Information, Financial Services, Professional and Business Services, and Private Education
 Market values are calculated by industry, excluding Public Administration and where sector is unknown; values may not sum to 100% due to rounding
 Sources: NCCI's Statistical Plan data (CY 2024); US Bureau of Labor Statistics (US total, CY 2025)

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... But Wage Growth Has Supported Payroll Growth

Changes in Payroll by Component—2024 to 2025

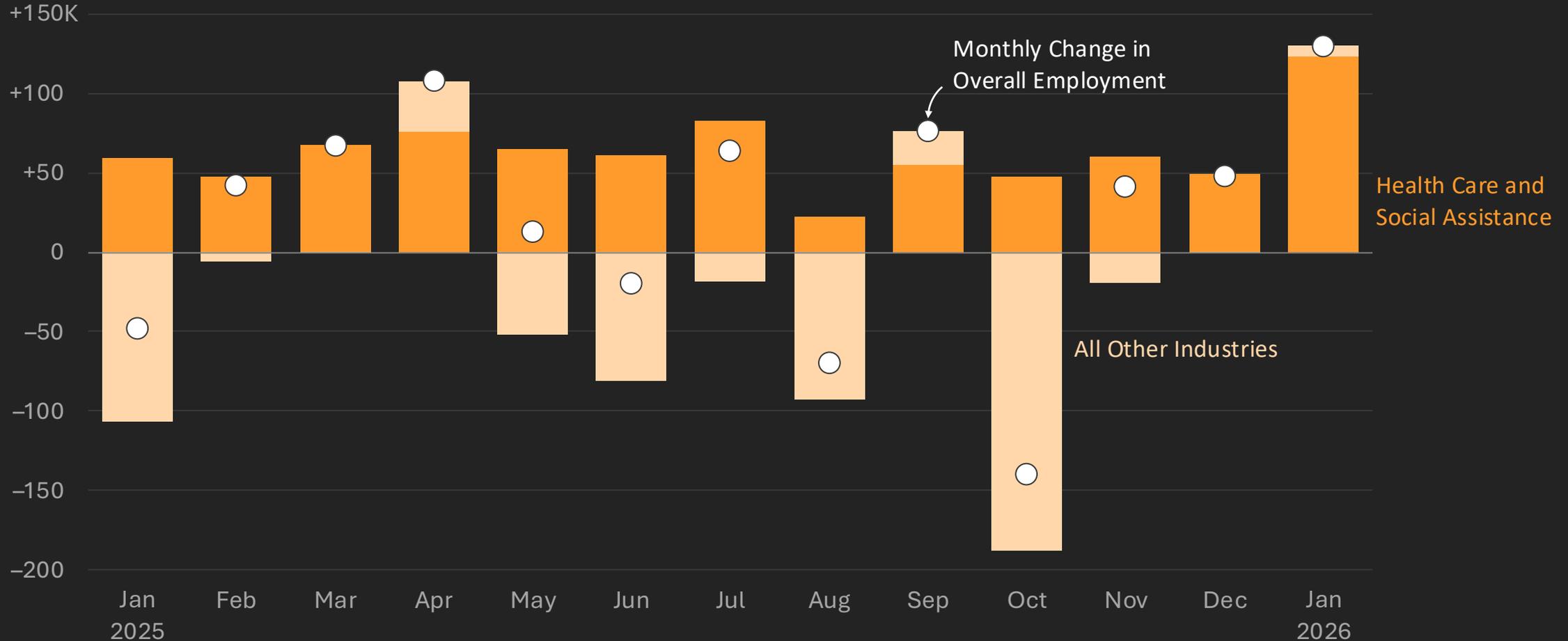


(%) workers compensation share of premium; All Other (6%) not displayed
Values are current through December 2025
Sources: US Bureau of Labor Statistics and NCCI

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2025's Job Growth Is a One-Industry Story

Monthly Change in Employment



Source: US Bureau of Labor Statistics

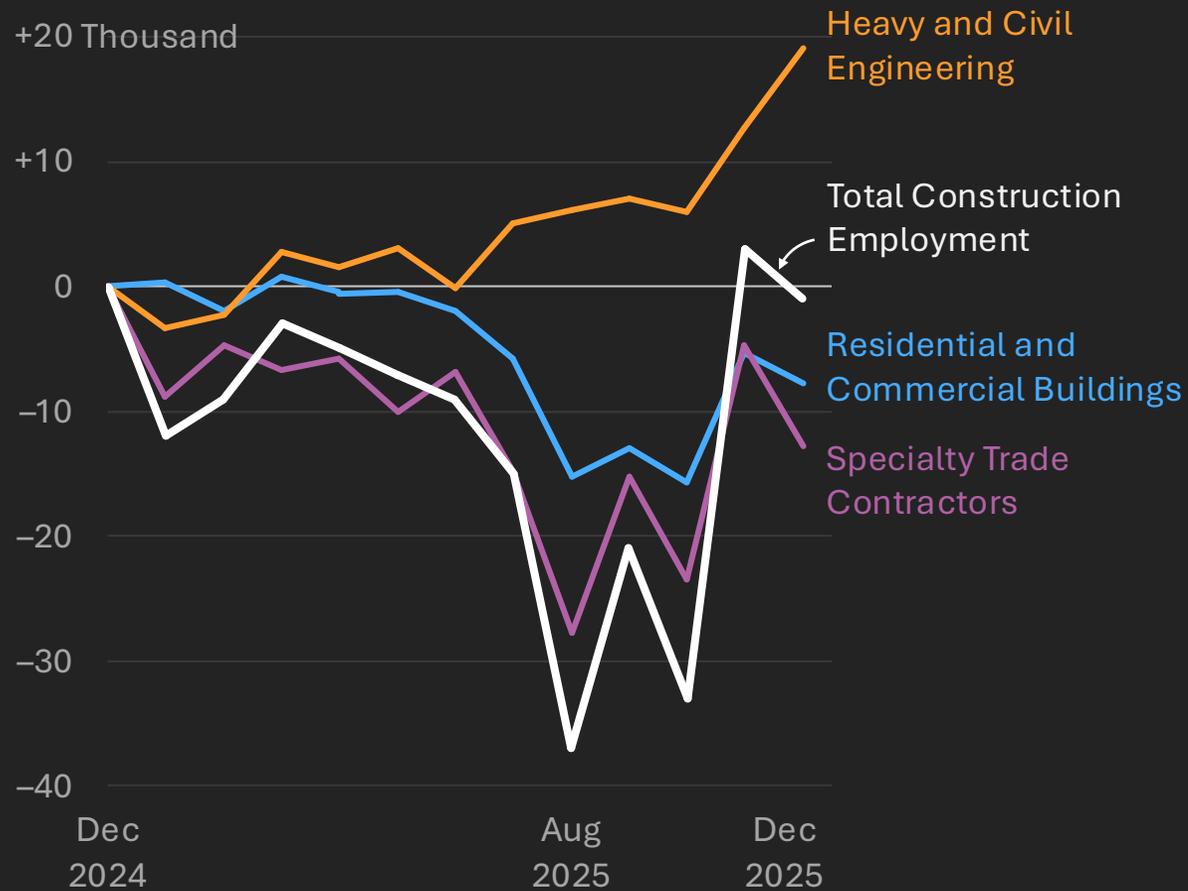
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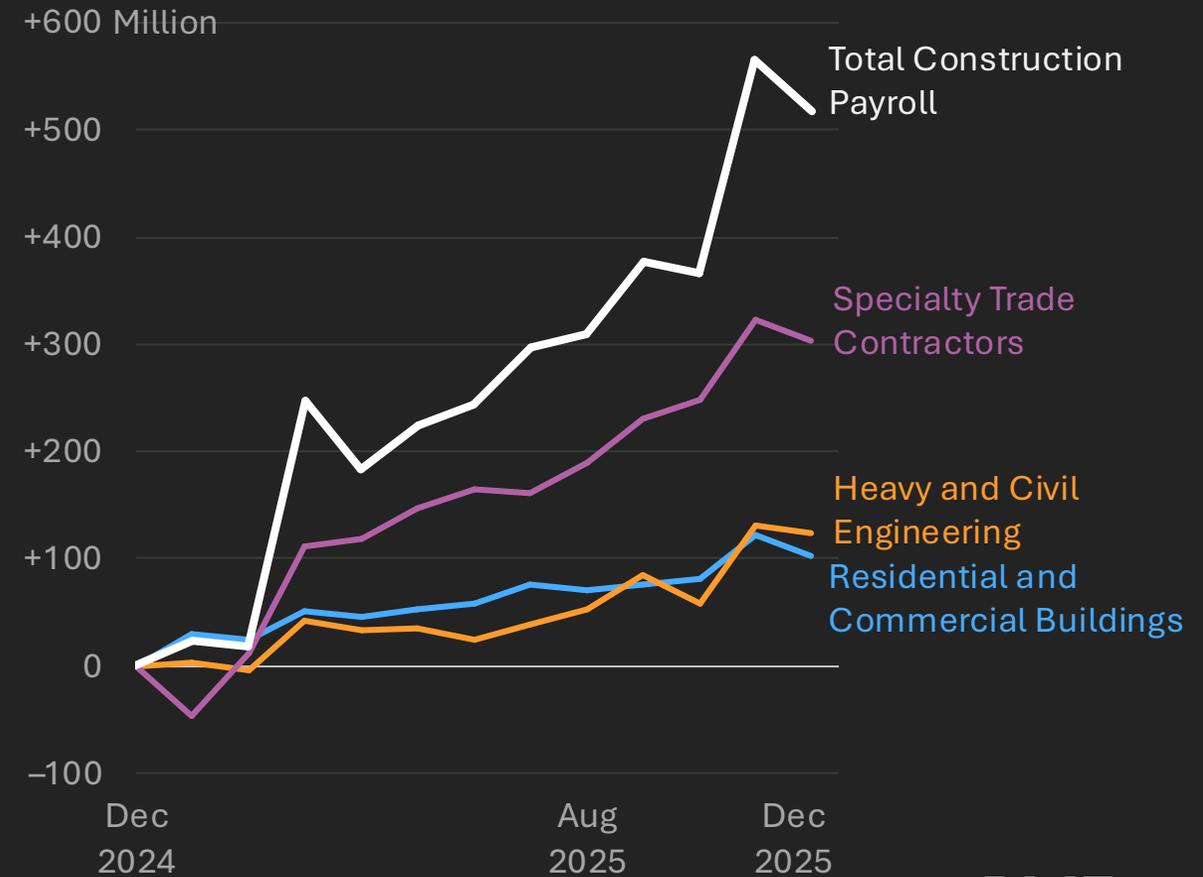
A Mixed Picture for Construction

Growth in Construction During 2025

Employment



Payroll



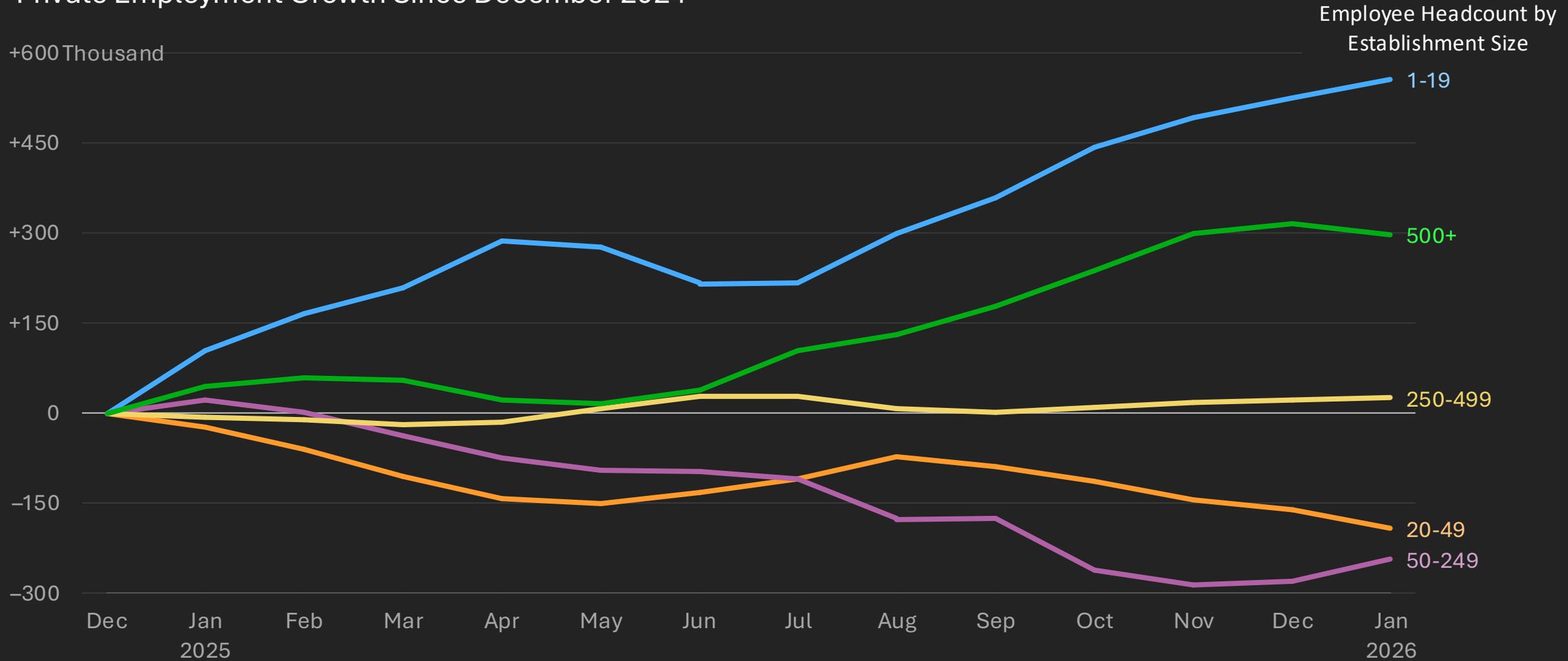
Source: US Bureau of Labor Statistics

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Hiring Has Slowed In Medium-Sized Establishments

Private Employment Growth Since December 2024



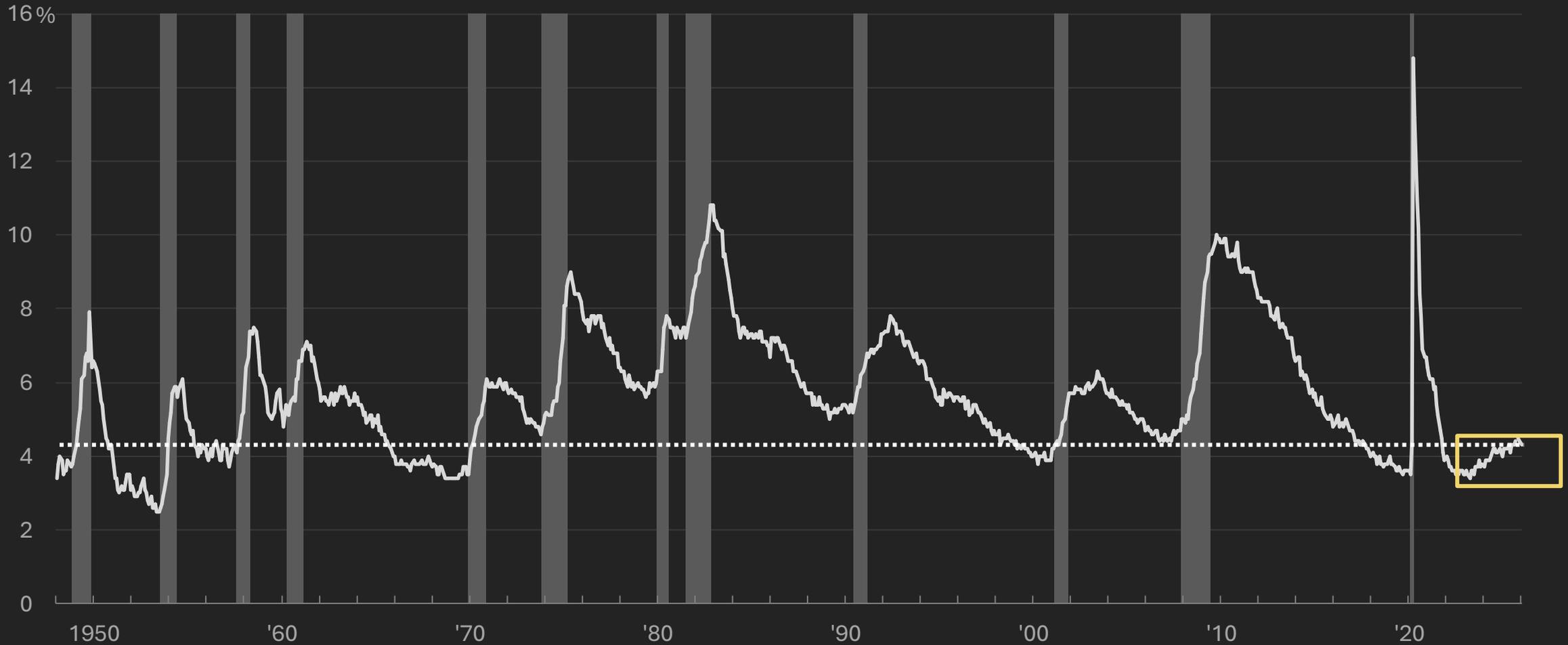
Source: ADP

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The Unemployment Rate Is Historically Low

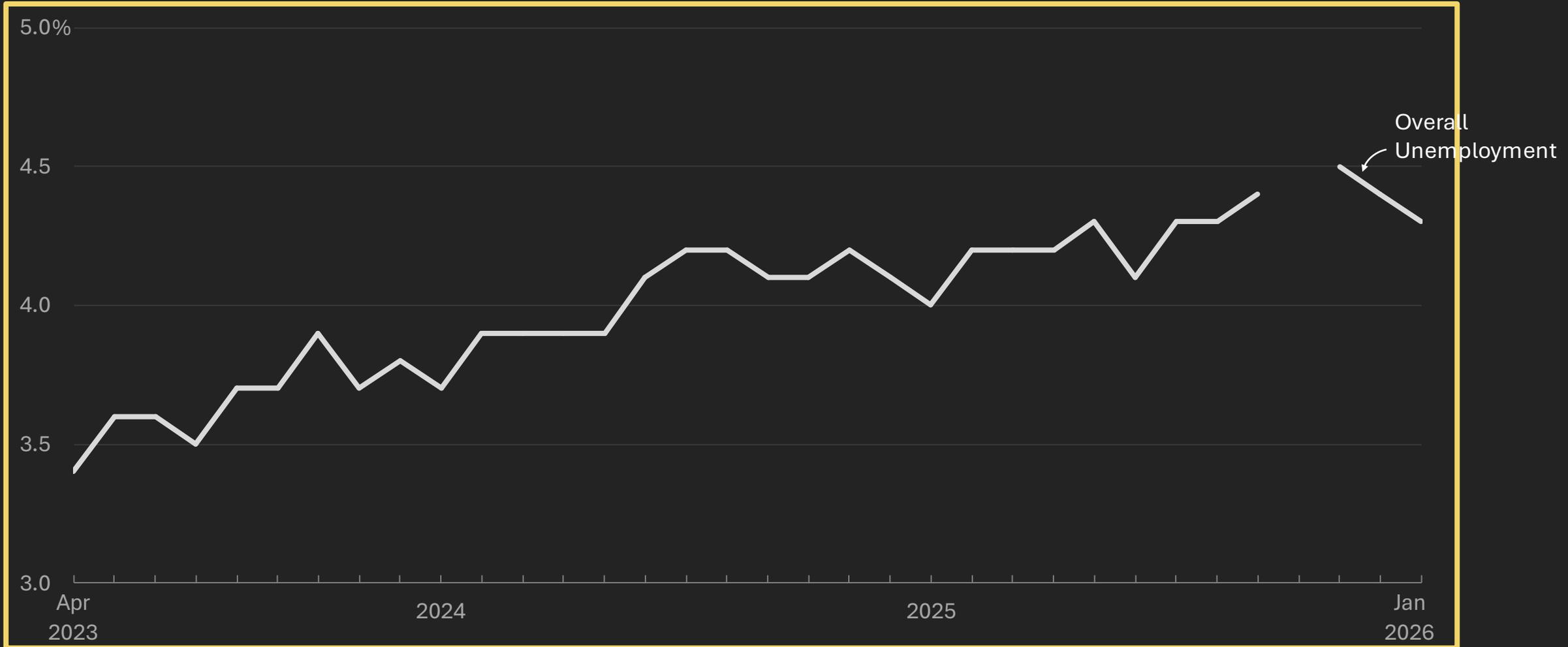
Unemployment Rate



April 2023 is the most recent low value for the unemployment rate
Source: US Bureau of Labor Statistics

But Has Risen From the Recent Lows

Unemployment Rate

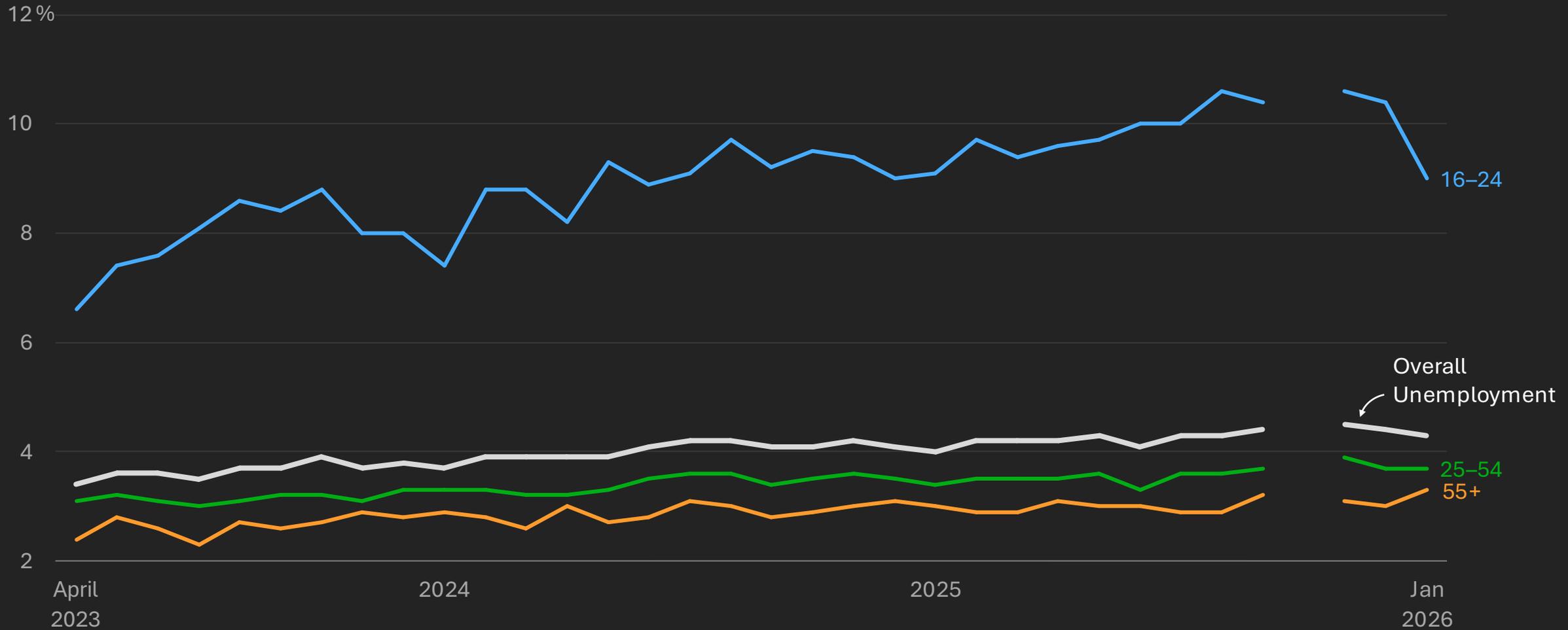


April 2023 is the most recent low value for the unemployment rate
Source: US Bureau of Labor Statistics

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Unemployment Rise Is Led by Younger Workers

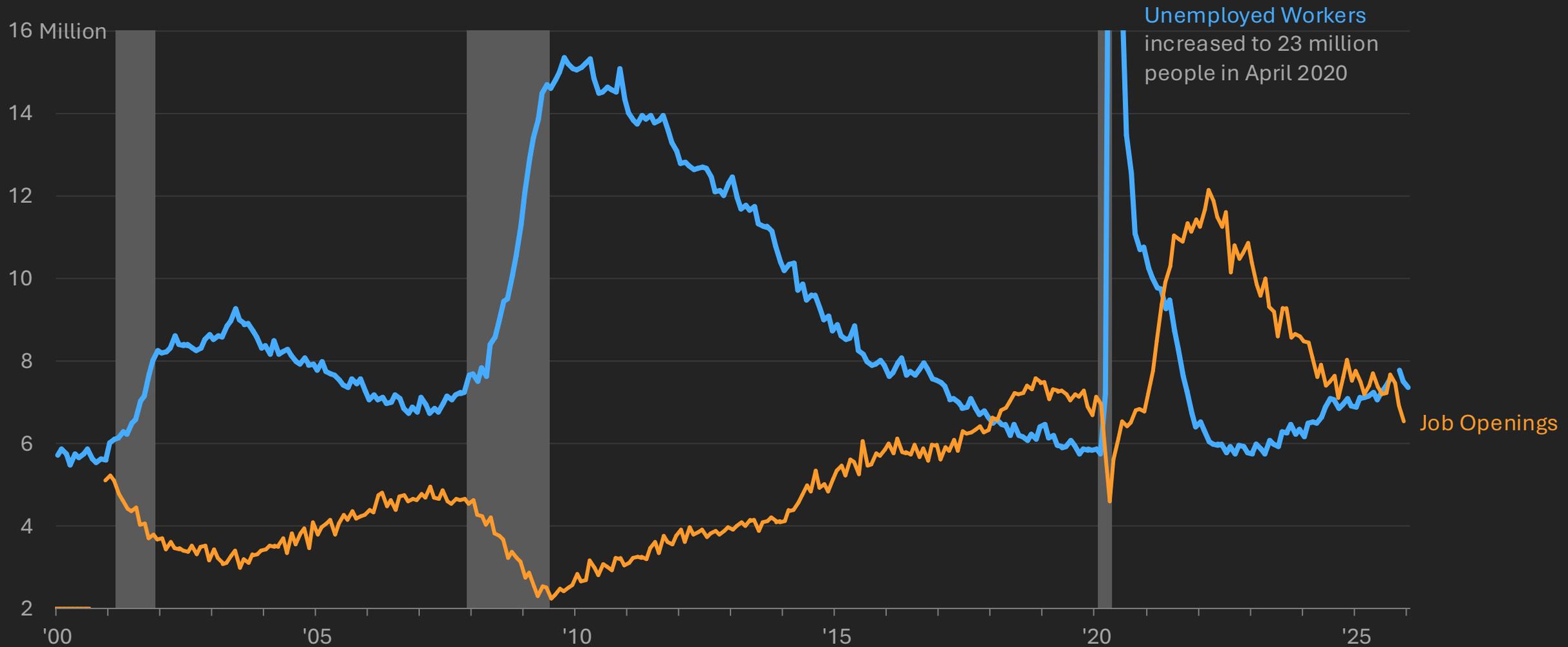
Unemployment Rate by Age Group



April 2023 is the most recent low value for the unemployment rate
Source: US Bureau of Labor Statistics

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Unemployed Workers Exceeded Job Openings for the First Time Since 2018*

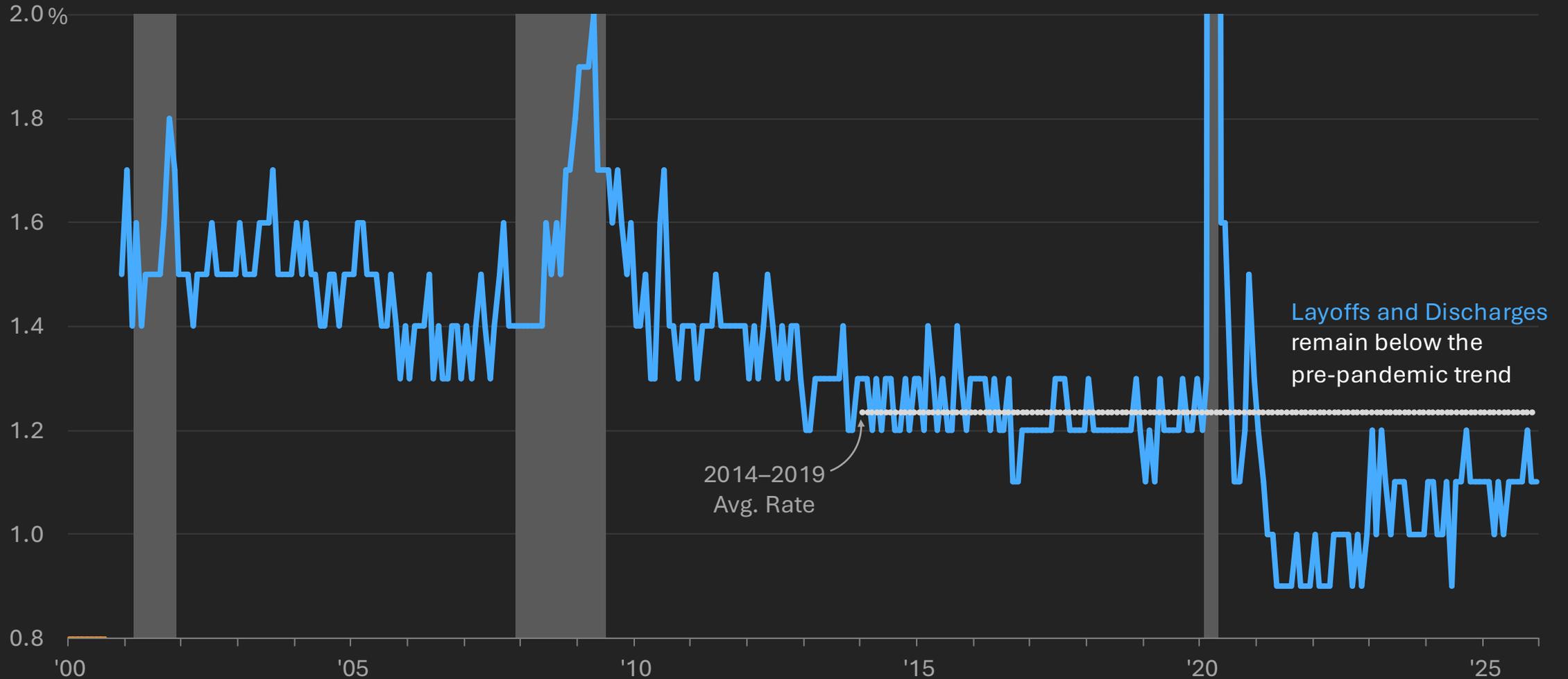


*Excluding the COVID-19 surge
Source: US Bureau of Labor Statistics

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Layoffs Remain Historically Low

Layoffs and Discharges as a Percentage of Employment



Source: US Bureau of Labor Statistics

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The Economy



Employment

- “Low-hire, low-fire” may not persist into 2026
- Wage growth is the key driver of payroll growth for workers compensation
- Small businesses and contractors key to watch for the residual market



The Economy



Employment



The Economy

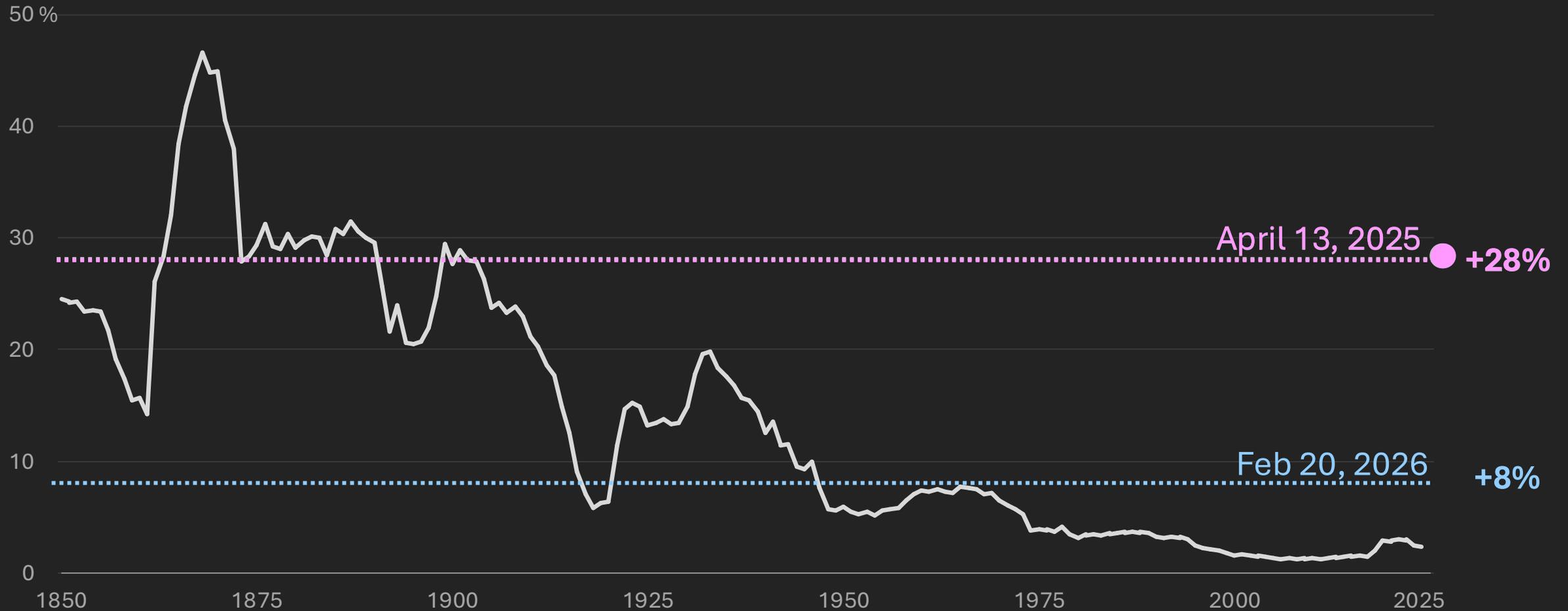


Inflation

- Tariffs

A Rollercoaster Tariff Story in 2025

Customs Duty Revenue as a Share of Goods Imports



Source: The Yale Budget Lab

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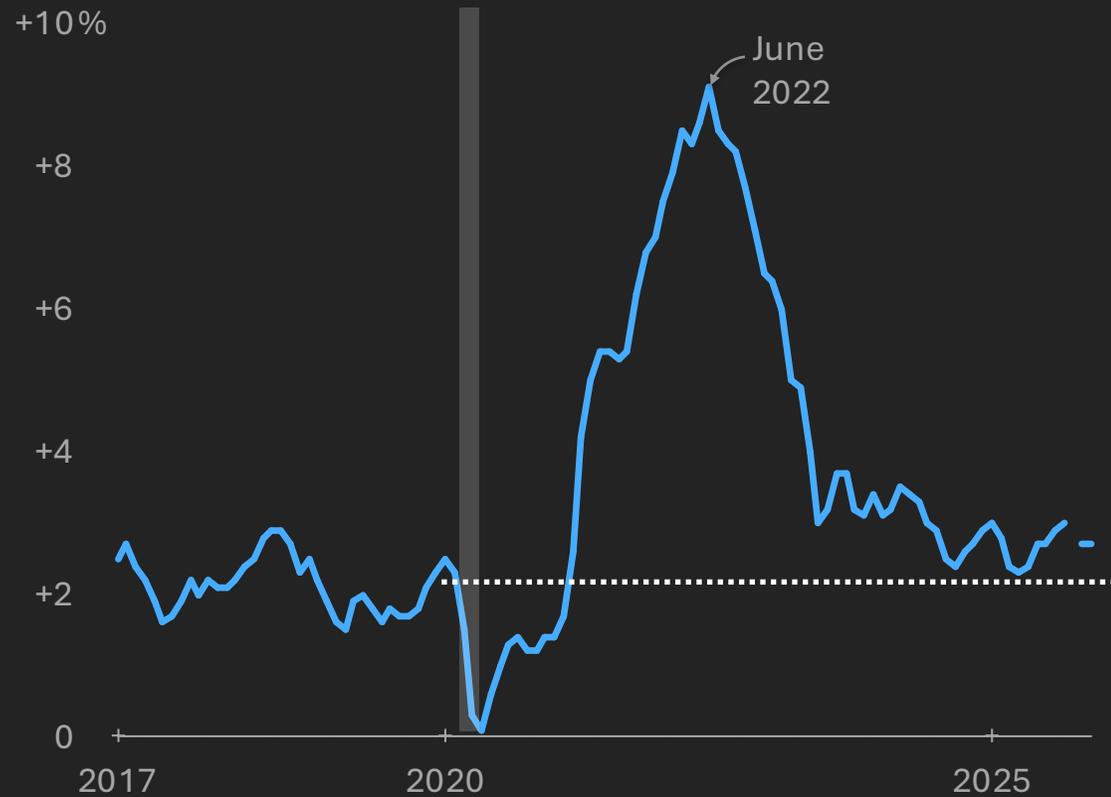
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Consumers Care About Prices—Less So About Annual Inflation

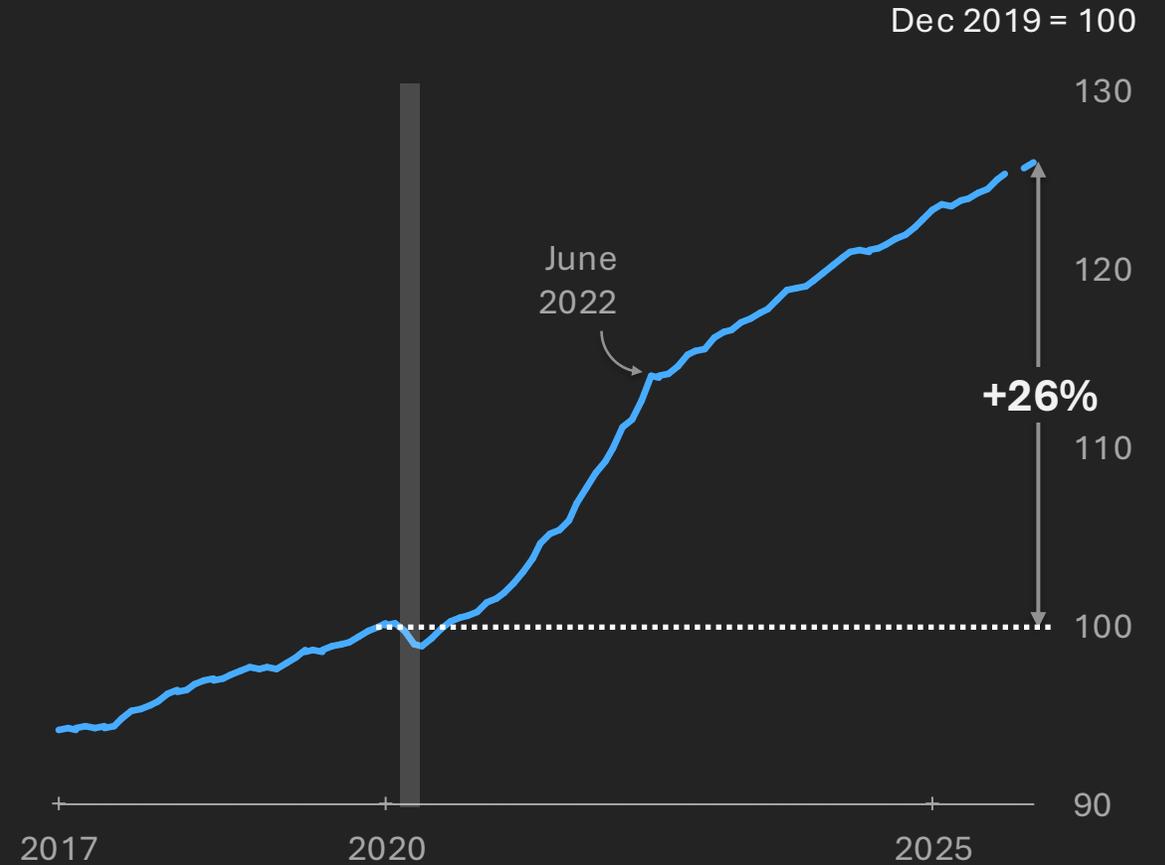
Consumer Price Index (CPI)

Inflation

Year-Over-Year Growth Rate



Prices



Sources: US Bureau of Labor Statistics

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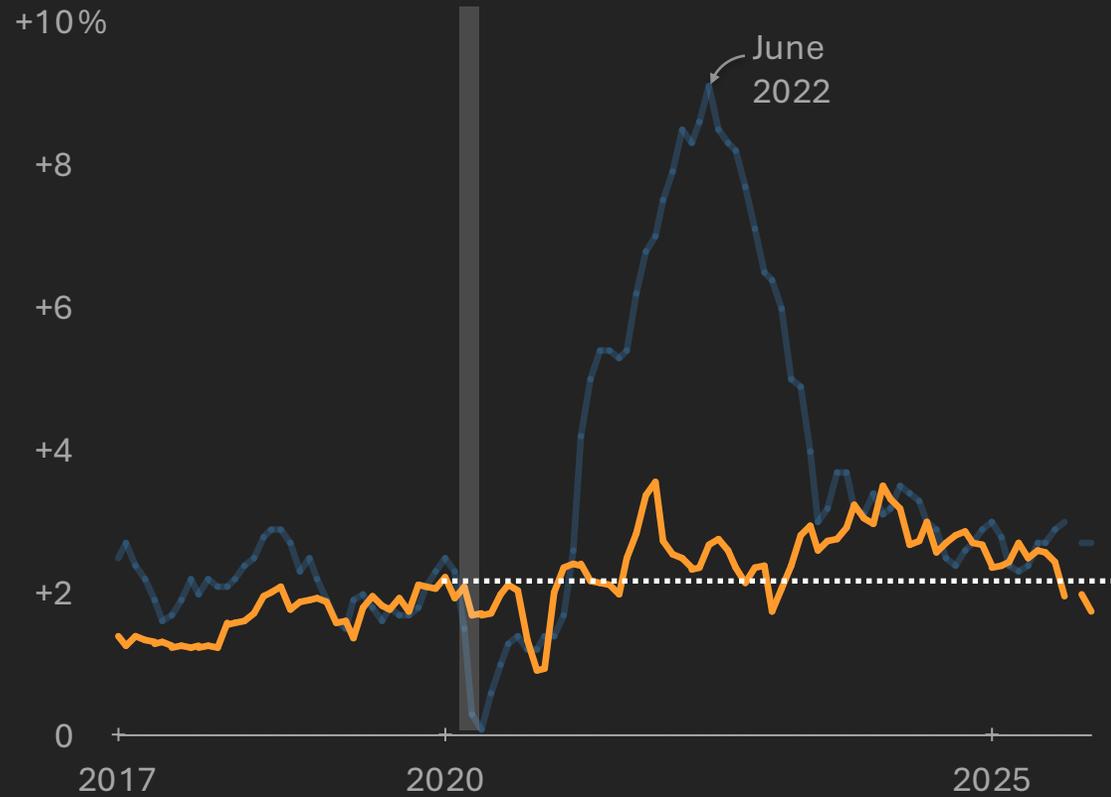
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WC Medical Prices Are in a Different World

Workers Compensation Weighted Medical Price Index (WCWMI)

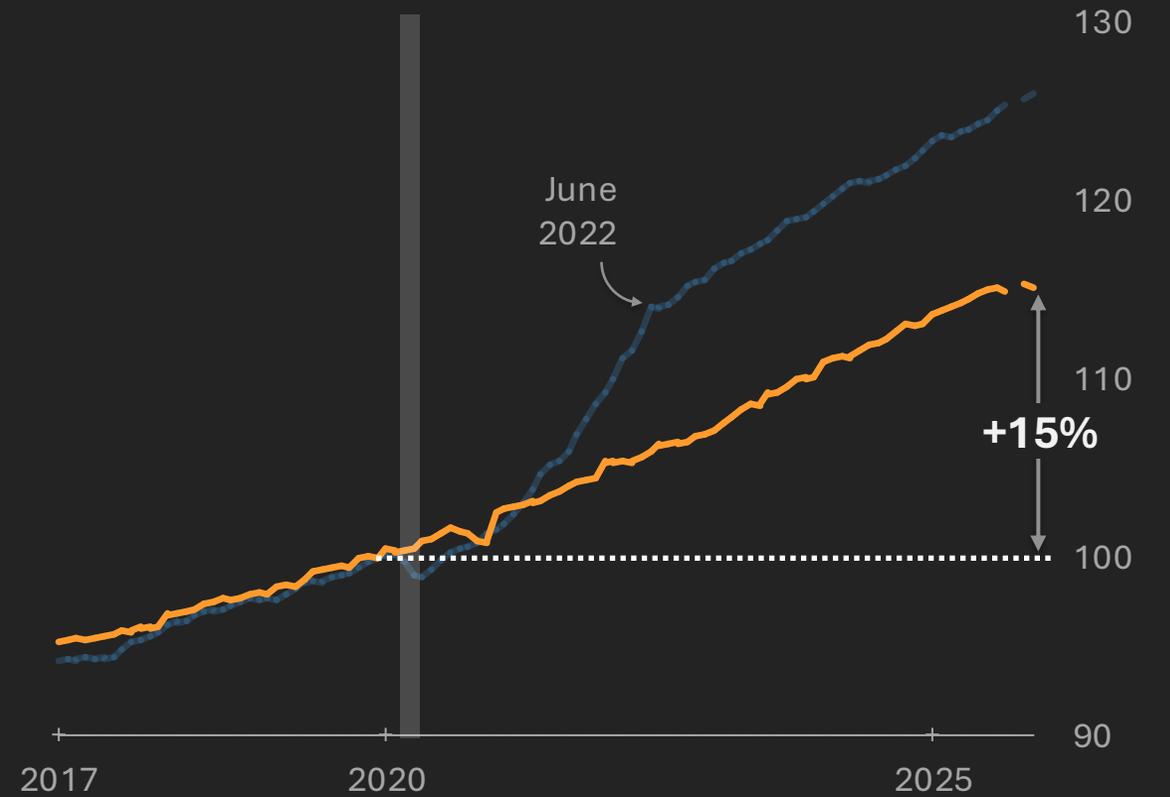
Inflation

Year-Over-Year Growth Rate



Prices

Dec 2019 = 100



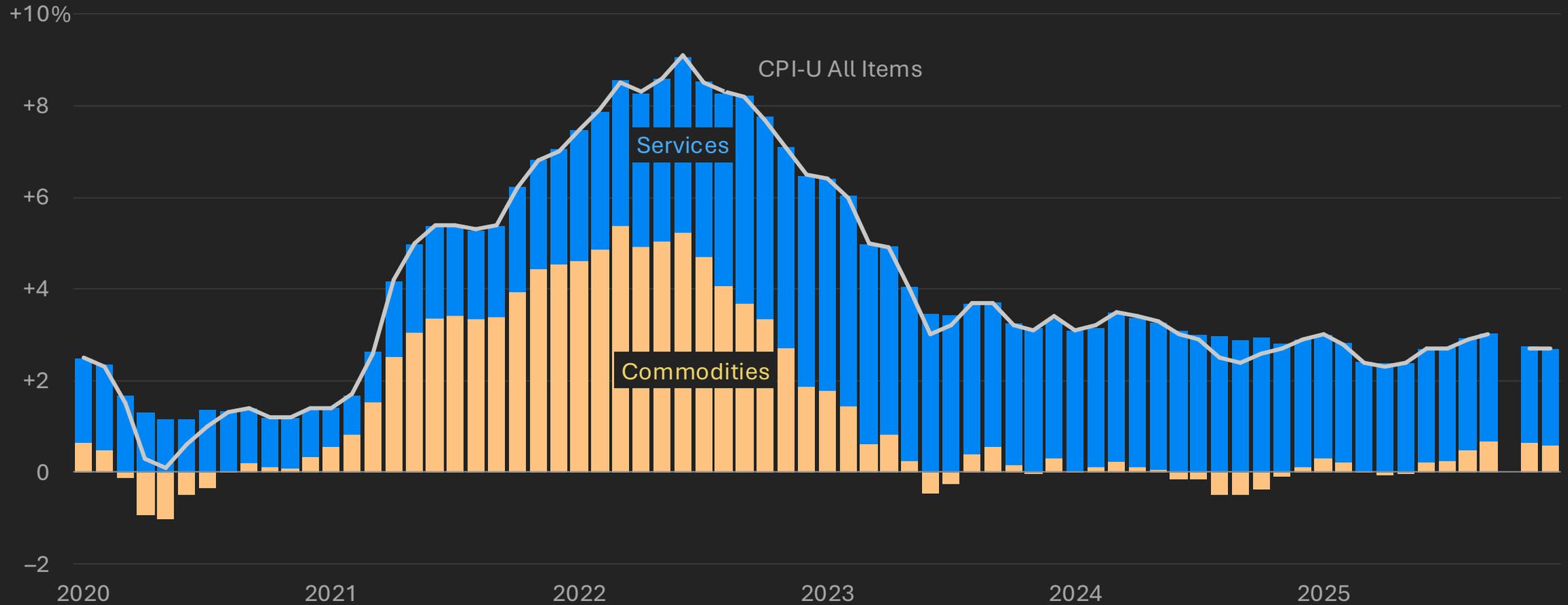
Sources: US Bureau of Labor Statistics and NCCI

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Tariff Impacts—Services and Commodities

Contributions to Year-Over-Year Percentage Change



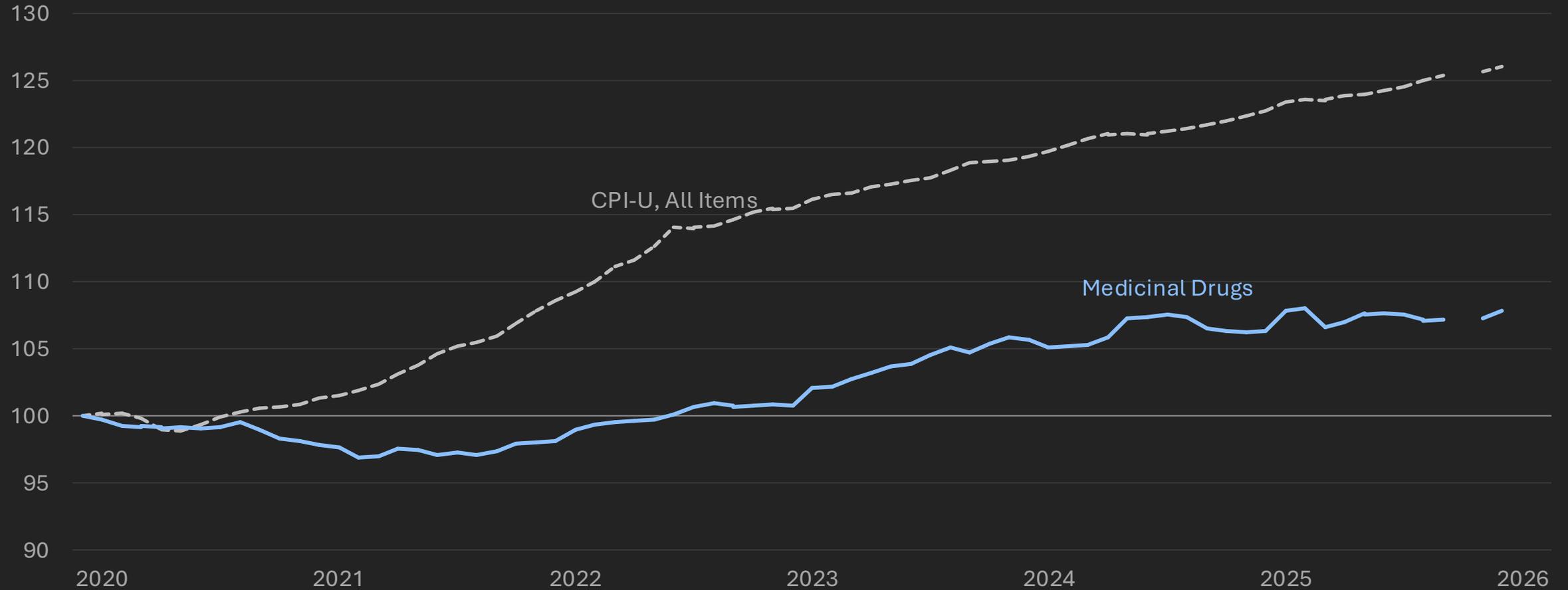
Source: US Bureau of Labor Statistics

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Workers Compensation Tariff Impacts—Drugs

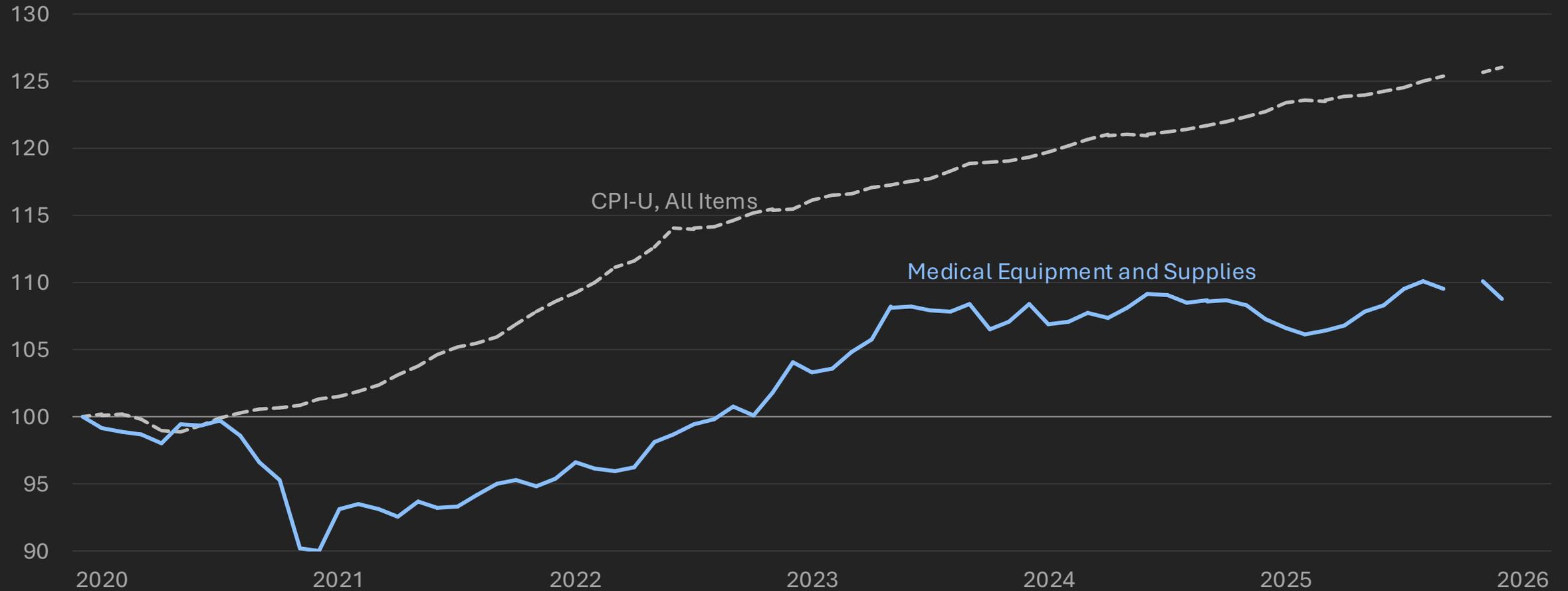
Indexed to Pre-COVID



Values shown are indexed to December 2019
Source: US Bureau of Labor Statistics

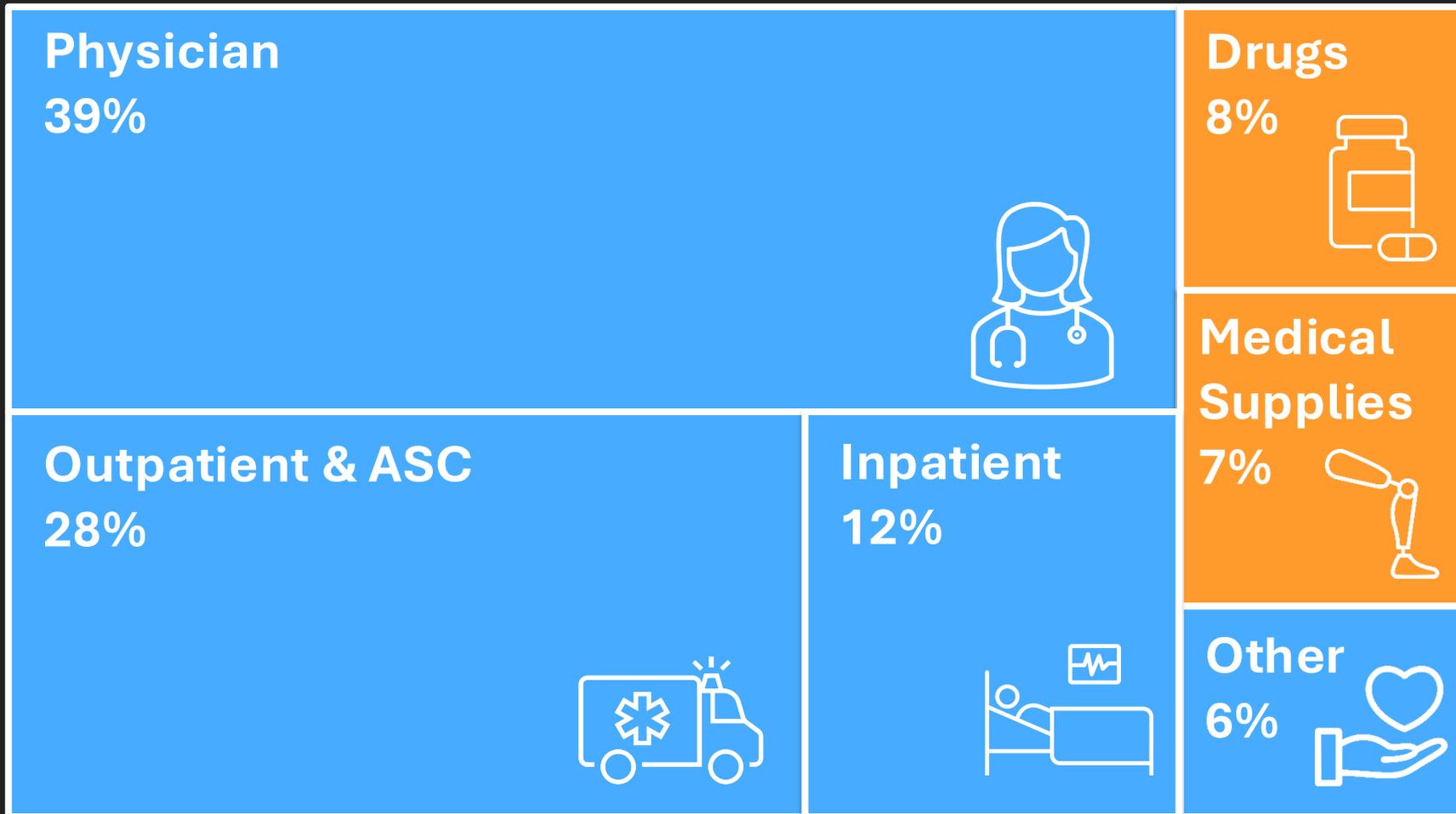
WC Tariff Impacts—Medical Equipment and Supplies

Indexed to Pre-COVID



Values shown are indexed to December 2019
Source: US Bureau of Labor Statistics

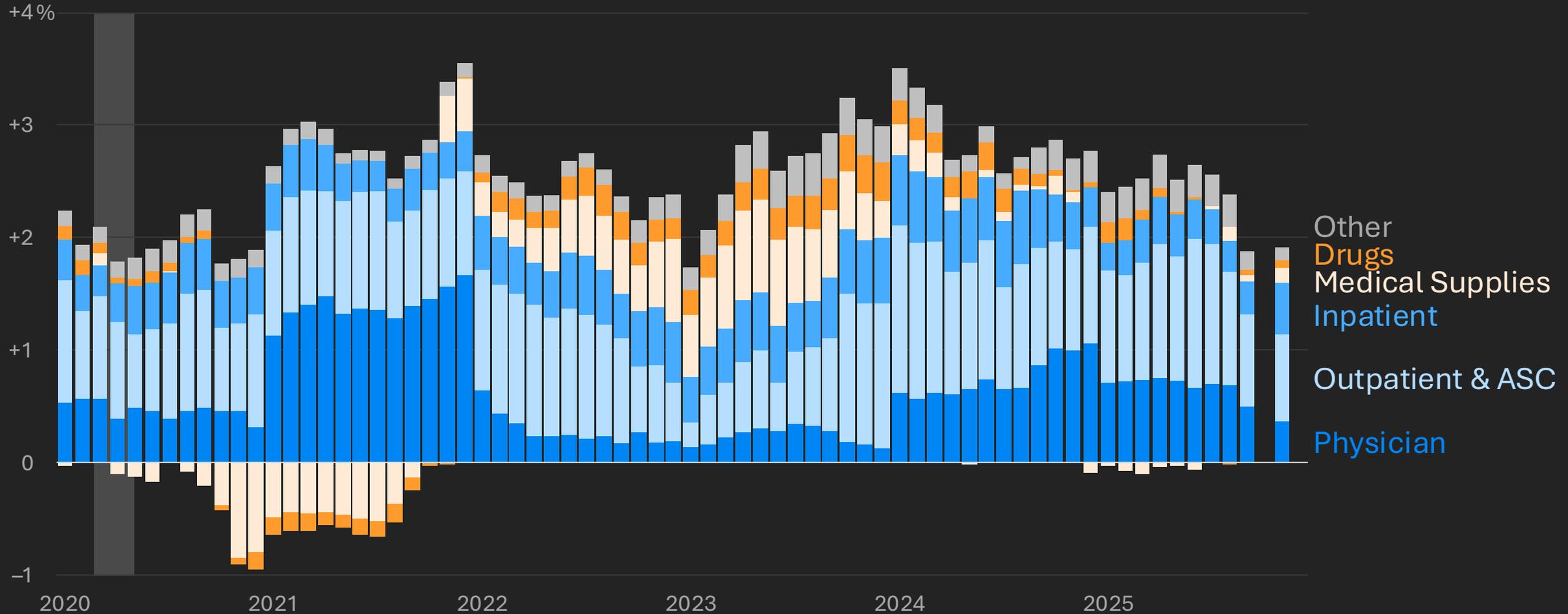
Medical Cost Distribution



Distribution shown for Service Year 2024
Source: NCCI's Medical Call data

Composition of Changes to the WCWMI

Contributions to Year-Over-Year Change



Other is represented by long-term care (PPI Home Health and PPI Nursing Home Care)
Sources: US Bureau of Labor Statistics and NCCI's Medical Call data

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The Economy



Inflation

- Affordability remains a key concern despite lower rates of inflation as prices remain high
- Tariff impacts to inflation have been modest so far
- Medical price changes for workers compensation remain muted



The Economy



Inflation

Growth Insights



The Economy



Growth

The economy has remained resilient

Economic momentum is likely to carry into 2026

Employment Insights



The Economy



Employment

Employment growth has slowed, wages have supported payroll growth

The “low-hire, low-fire” environment may not persist into 2026

Inflation Insights



The Economy



Inflation

Despite lower rates of inflation, prices remain elevated

Medical price changes have been muted

2025 State of the Economy Insights



Growth

The economy has remained resilient

Economic momentum is likely to carry into 2026



Employment

Employment growth has slowed, wages have supported payroll growth

The “low-hire, low-fire” environment may not persist into 2026



Inflation

Despite lower rates of inflation, prices remain elevated

Medical price changes have been muted