

# NATIONAL OUTLOOK

(CONSENSUS FORECASTING GROUP)

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Office of State Budget Director

## Key Differences in the IHS Markit Forecast

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- Real GDP Growth Lower in Near Term than October Presentation
  - ▣ FY2020 Growth Rate Lowered to 2.0% vs 2.1%
  - ▣ Private Domestic Final Sales Growth Lowered
  - ▣ Nonresidential Fixed Investment Lowered
- Federal Reserve Expected to Hold Rates Constant
- Housing Starts Forecast Increased
- Export Growth Reduced
- Oil Prices Lowered

## Control Scenario

(Probability – 55%)

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- Growth slows to 2.1% in FY2020
  - ▣ Reduced pace of inventory accumulation
  - ▣ Vehicle sales edge lower over next two fiscal year
  - ▣ Business fixed investment and output estimates reduced
- Housing starts and residential fixed investment upgraded
- Federal Reserve expected to hold Federal Funds rates at current levels
- Decreases in Brent oil prices, as oil expected to be \$64/bbl in calendar 2019 and fall back to \$57/bbl by 2020

## Optimistic Scenario

(Probability – 10%)

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- Increases in Real GDP to 2.3% in CY19
  - ▣ Housing market fuels growth due to increased household formation among young adults
  - ▣ Lower nonaccelerating inflation rate of unemployment at 4.0%
  - ▣ Productivity growth averages 2.6% over CY19-22, 1.0% higher than the control forecast
- On the demand side, higher incomes and low inflation support robust consumer spending of 2.8% in CY19 and 3.3% in CY20

## Pessimistic Scenario

(Probability – 35%)

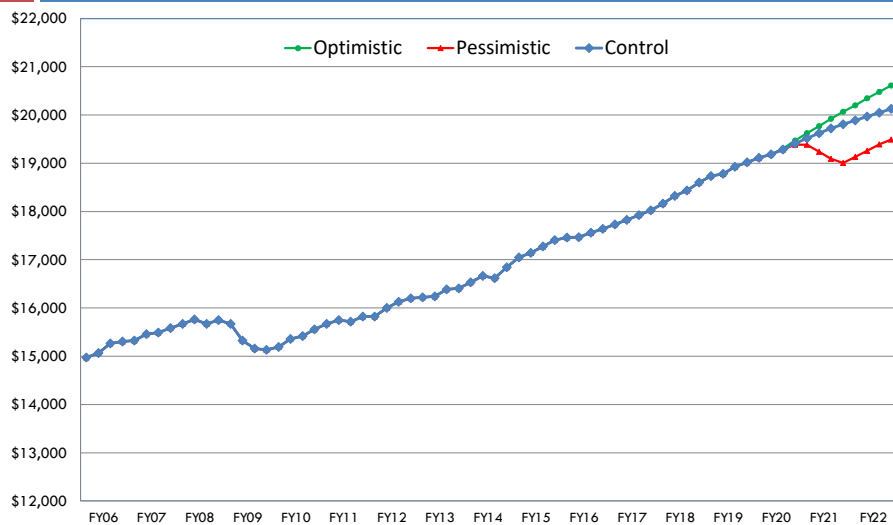
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- Three quarter recession beginning in Q2 of FY21
  - ▣ Broad loss in confidence and growing risk aversion
  - ▣ Declines in wide range of investment and consumer spending categories
  - ▣ Current expansion ends after 138 consecutive months of growth
- Real consumer spending in CY19 increases by 2.8%, then slows to 1.7% in CY20
- Unemployment rate starts rising, reaching 5.8% by 2021
- Stock market drops 4.9% during CY20

## Real GDP

(Billions of Chained 2012 Dollars, Annual Rate, BEA)

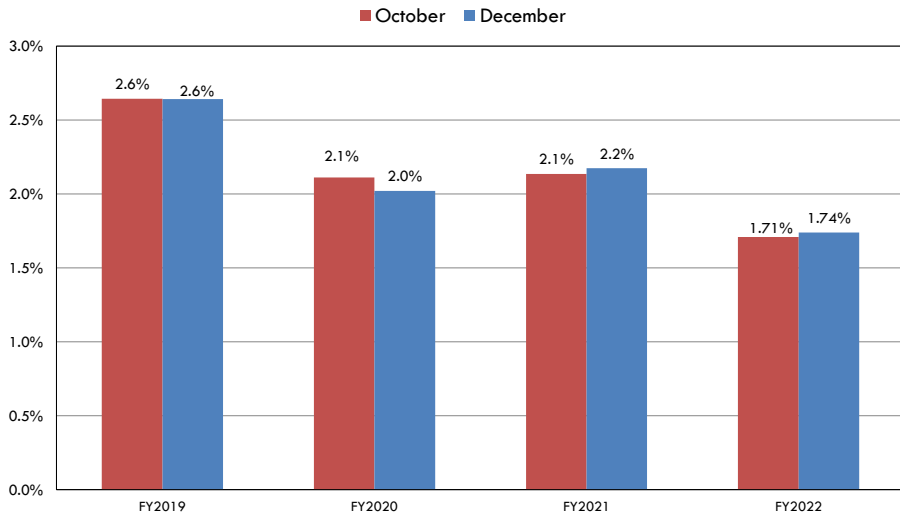
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## Real GDP – Control Forecast

(IHS Markit, Annual Growth Rates)

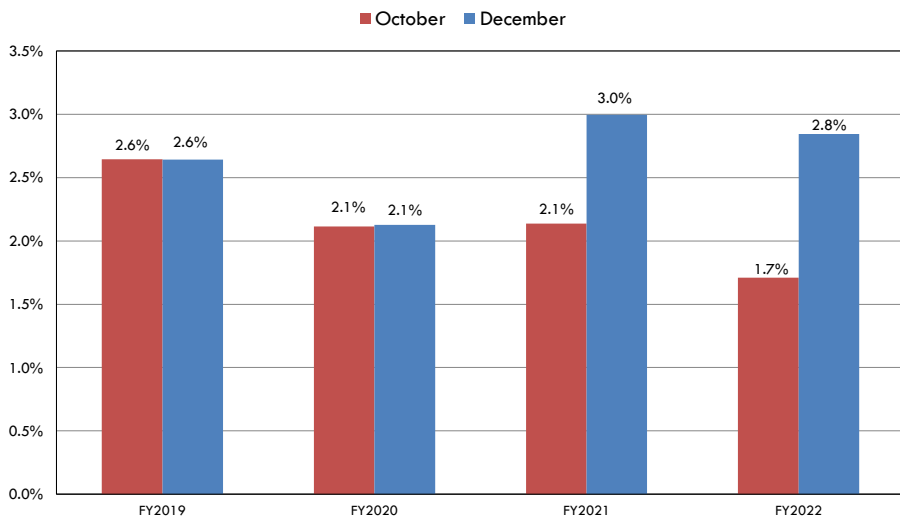
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## Real GDP – Optimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

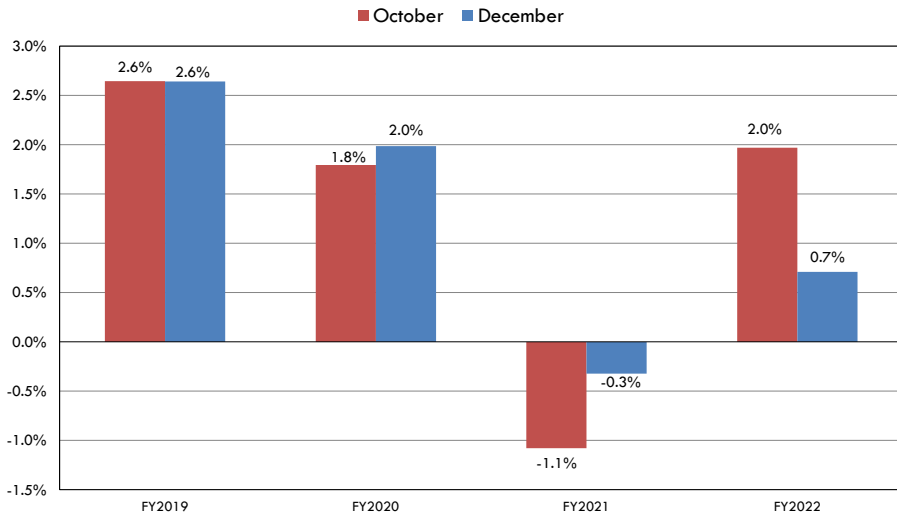
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## Real GDP – Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

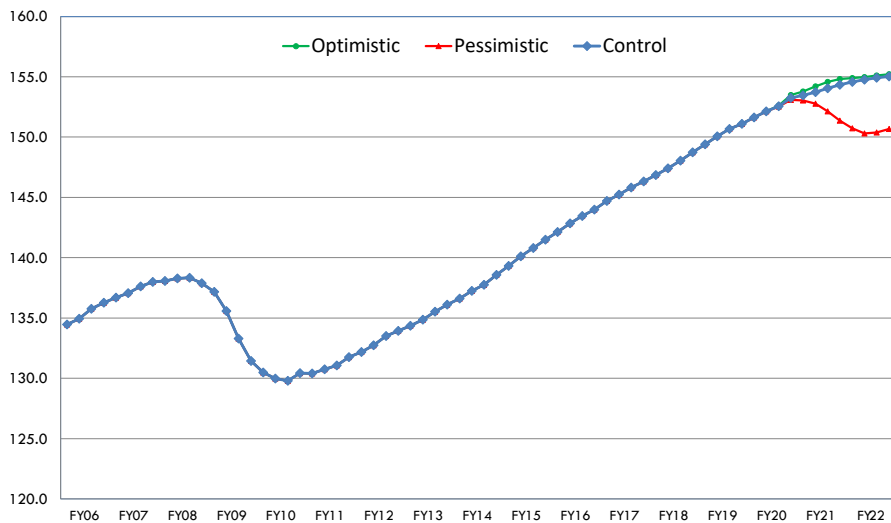
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## U.S. Employment – Total Non-Farm Payrolls

(Millions, BLS)

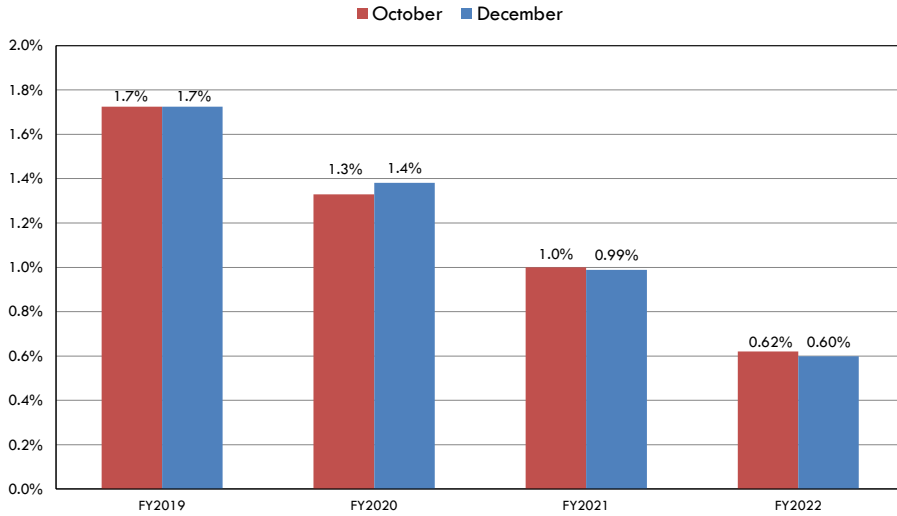
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## U.S. Employment – Total Non-Farm Payrolls Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

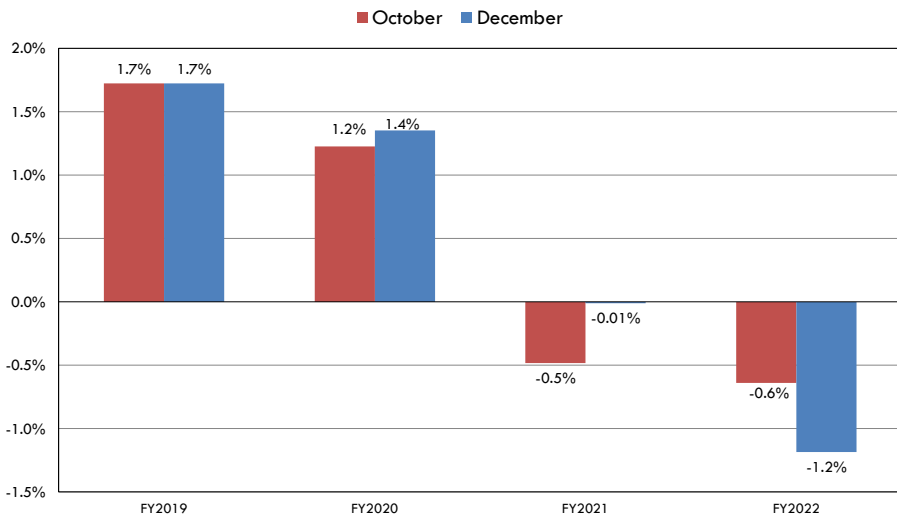
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## U.S. Employment – Total Non-Farm Payrolls Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

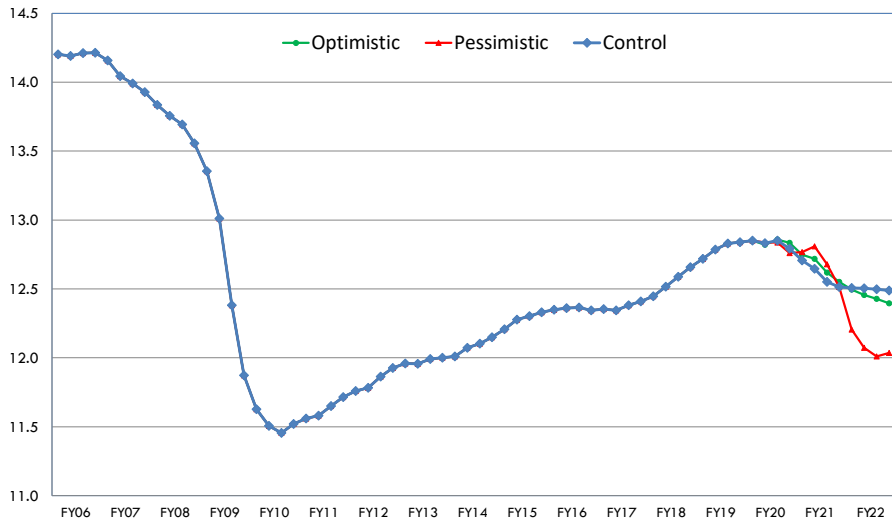
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# U.S. Employment – Manufacturing

(Millions, BLS)

13

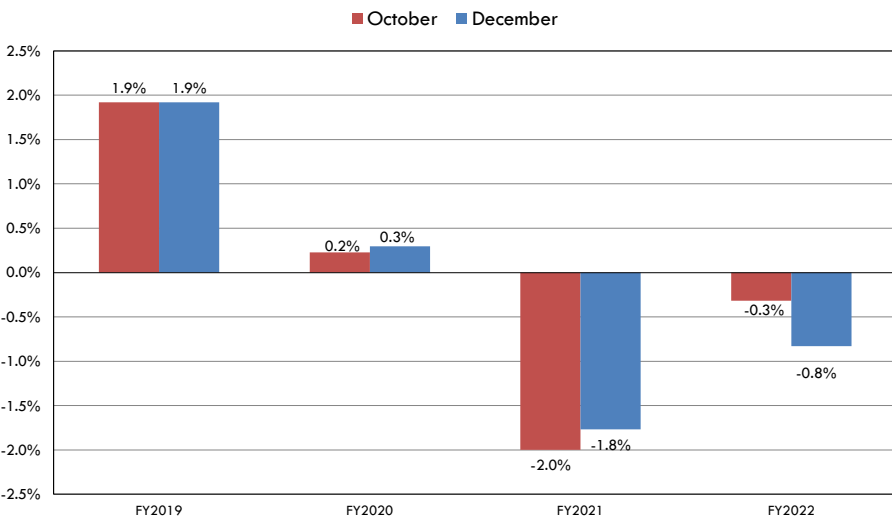


# U.S. Employment – Manufacturing

## Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

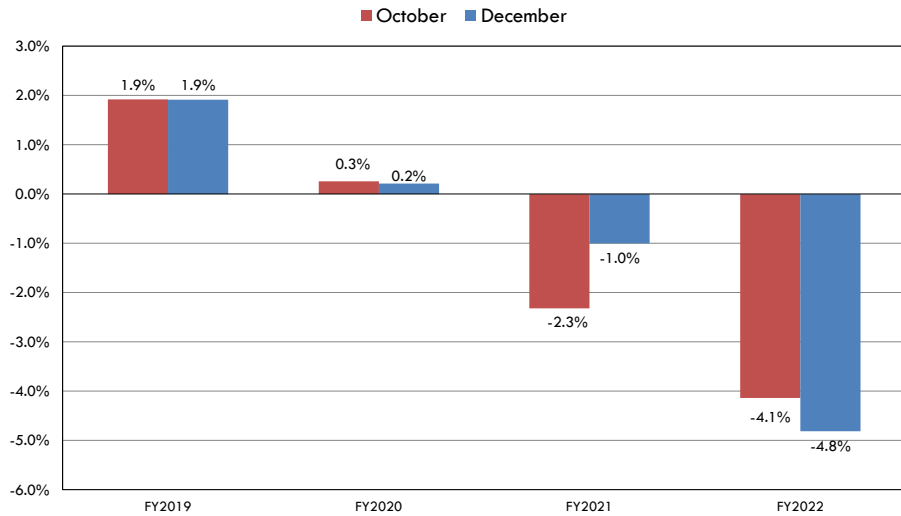
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## U.S. Employment – Manufacturing Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

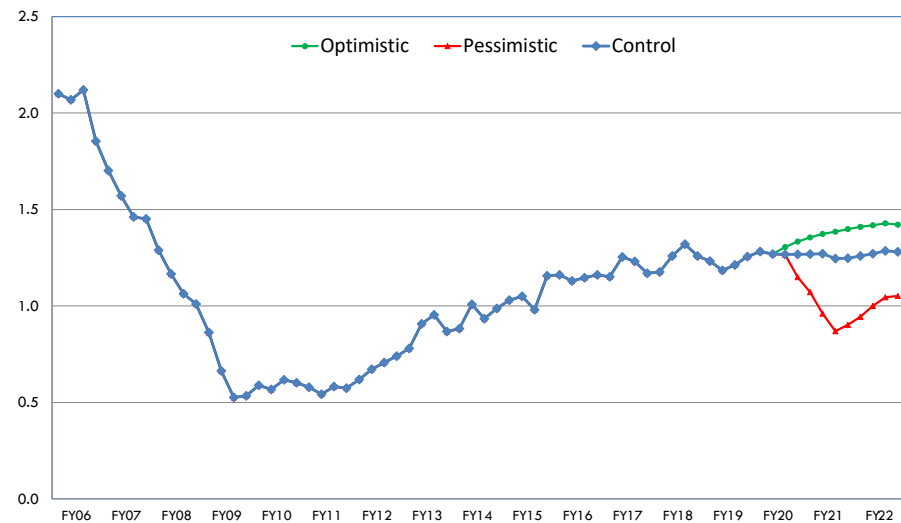
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## Housing Starts

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

16

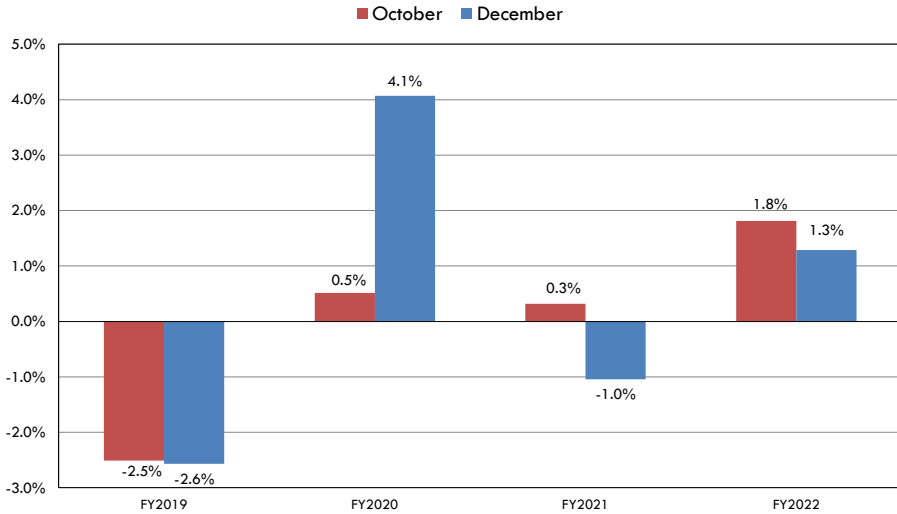




## Housing Starts - Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

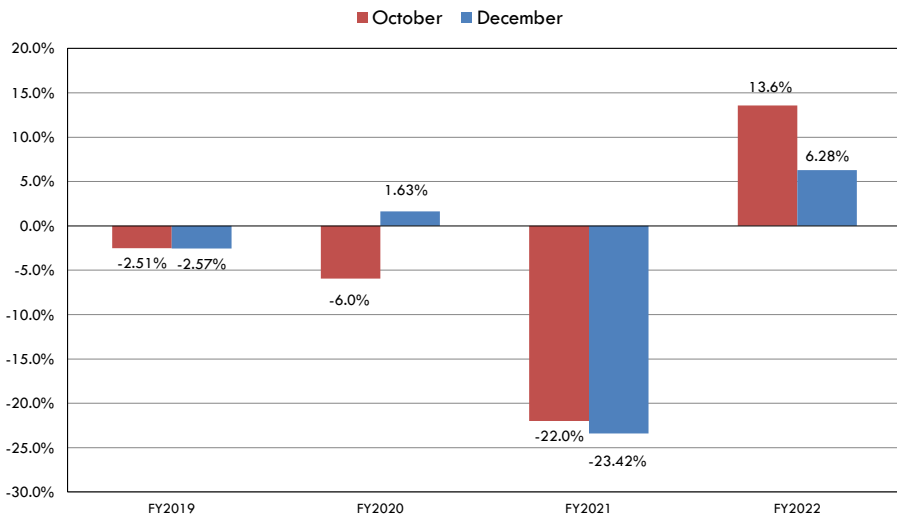
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## Housing Starts - Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

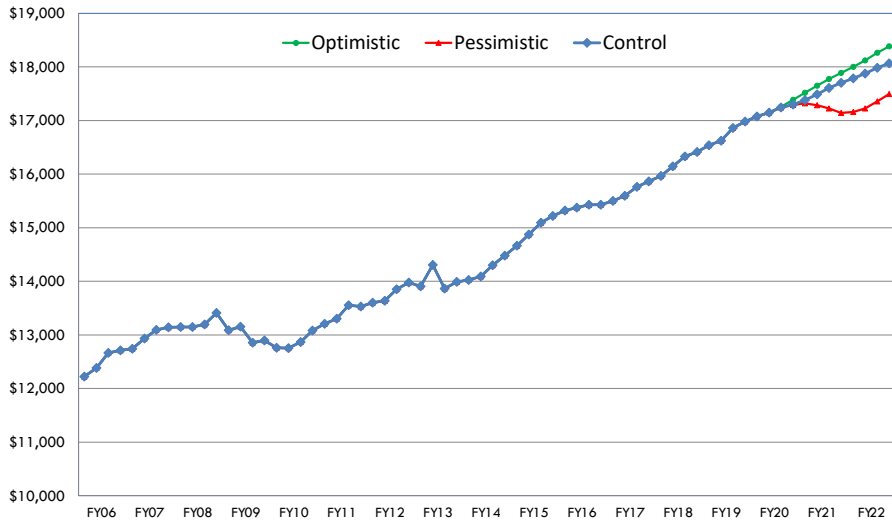
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## Real Personal Income

(Billions of Chained 2012 Dollars, Annual Rate, BEA)

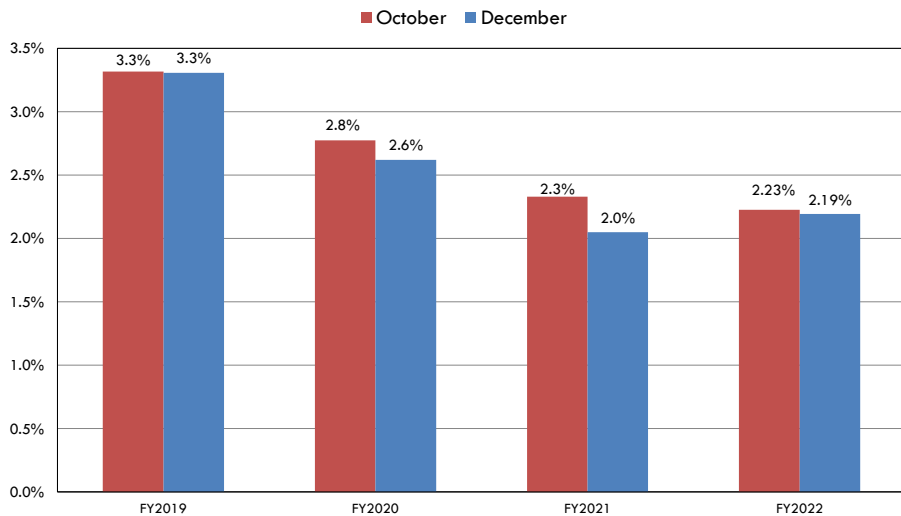
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## Real Personal Income - Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

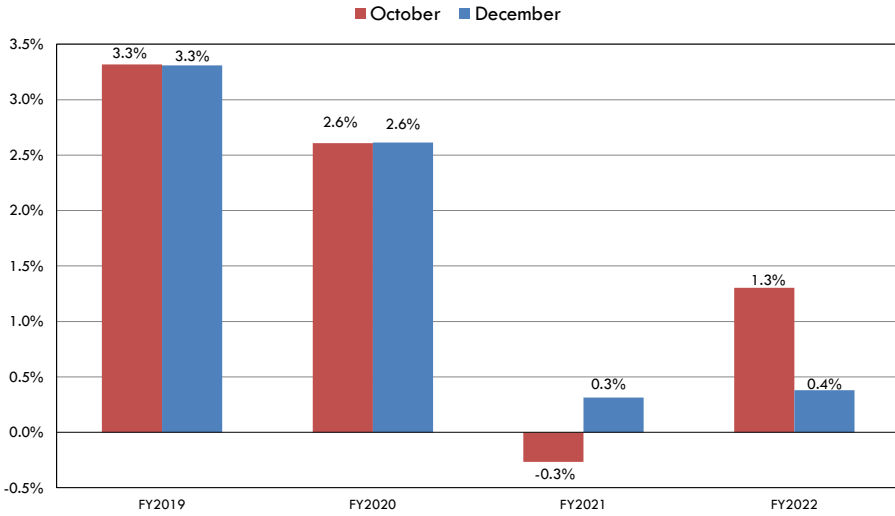
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# Real Personal Income - Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

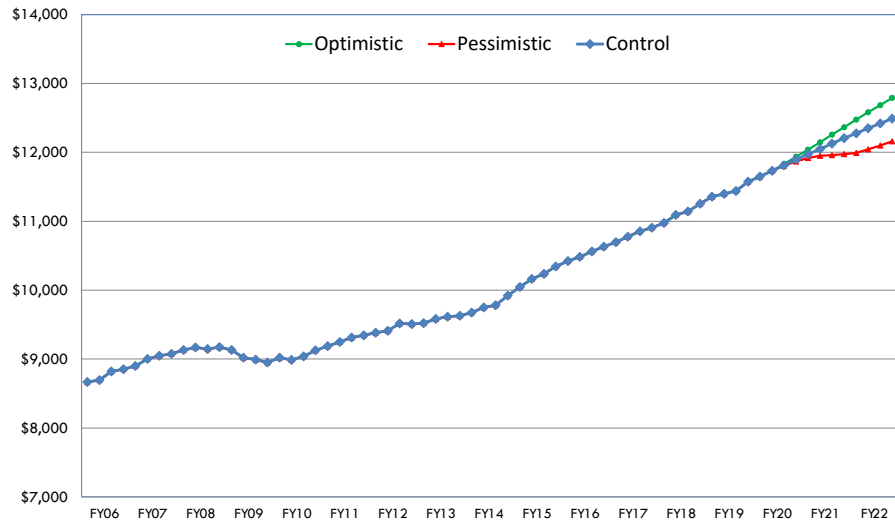
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# Real Consumer Spending (Excluding Food and Energy)

(Billions of 2012 Dollars, Annual Rate, BEA)

22

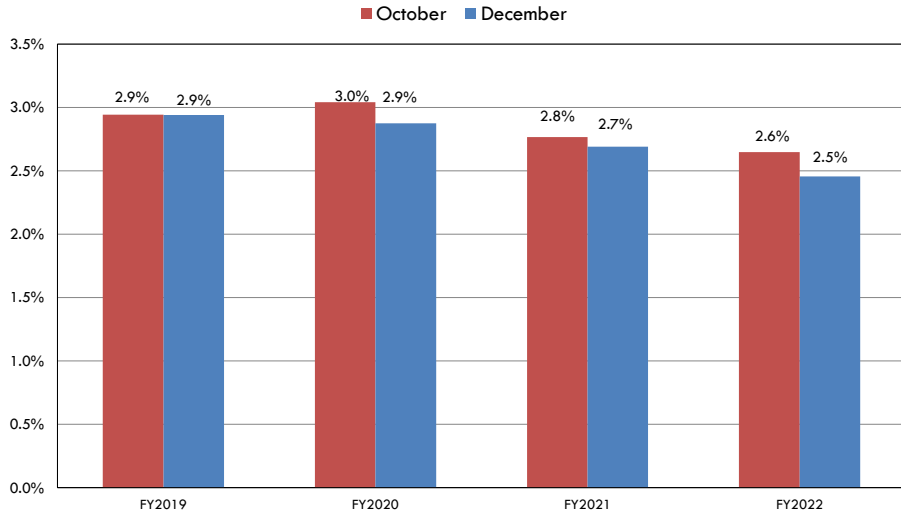


## Real Consumer Spending (Excluding Food and Energy)

### Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

23

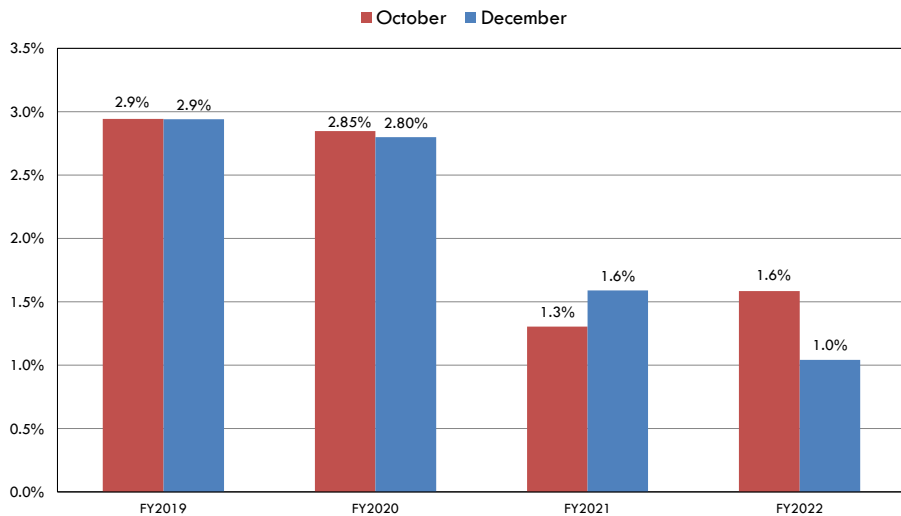


## Real Consumer Spending (Excluding Food and Energy)

### Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

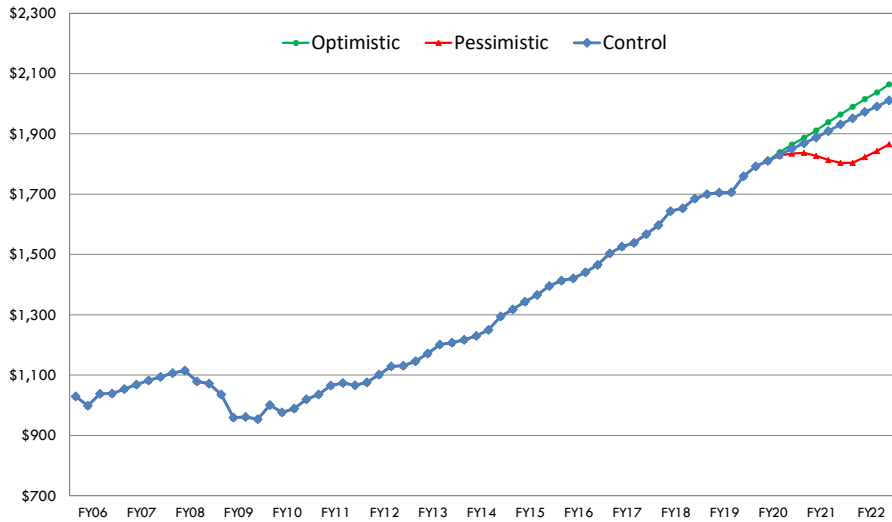
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## Real Consumer Spending on Durable Goods

(Billions of 2012 Dollars, Annual Rate, BEA)

25

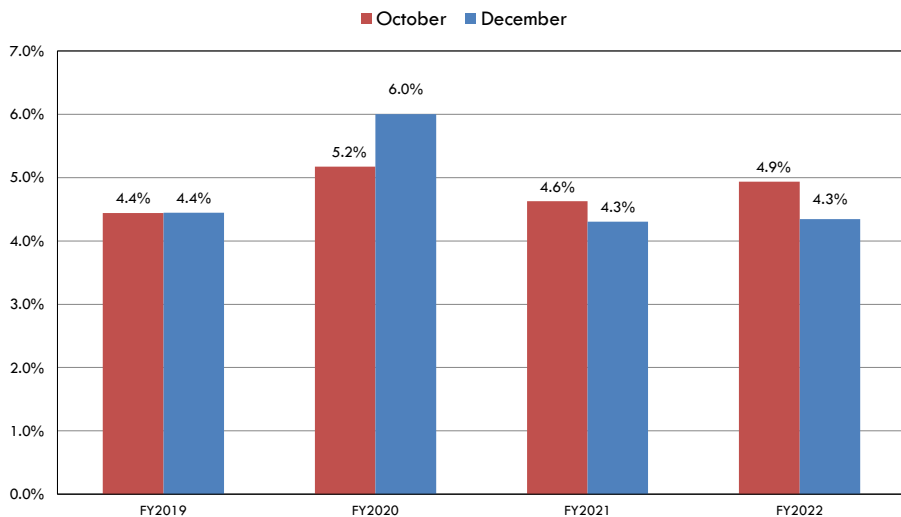


## Real Consumer Spending on Durable Goods

### Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

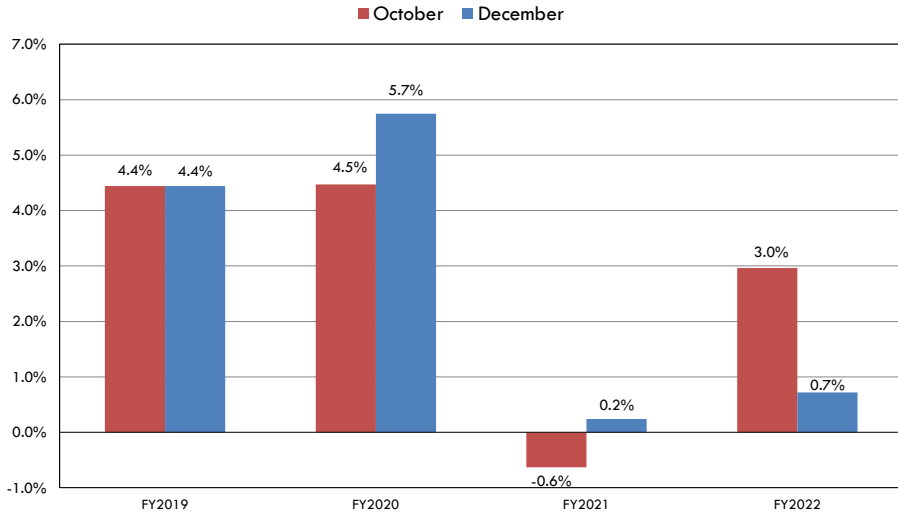
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## Real Consumer Spending on Durable Goods Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

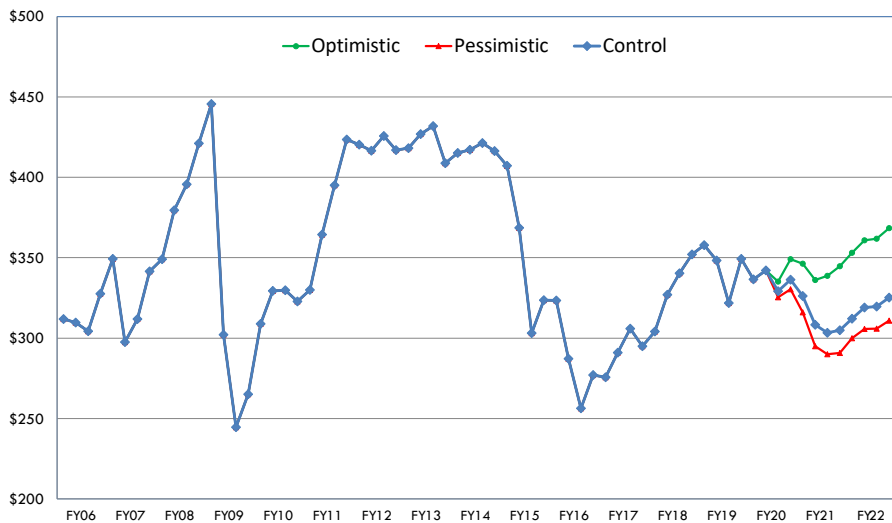
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## Nominal Consumption of Gasoline and Oil

(Billions of Dollars, Annual Rate, BEA)

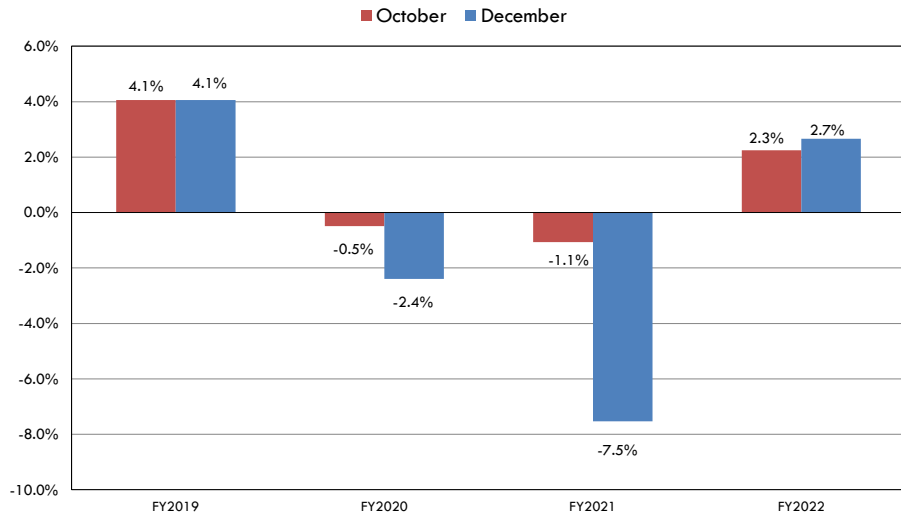
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## Nominal Consumption of Gasoline and Oil Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

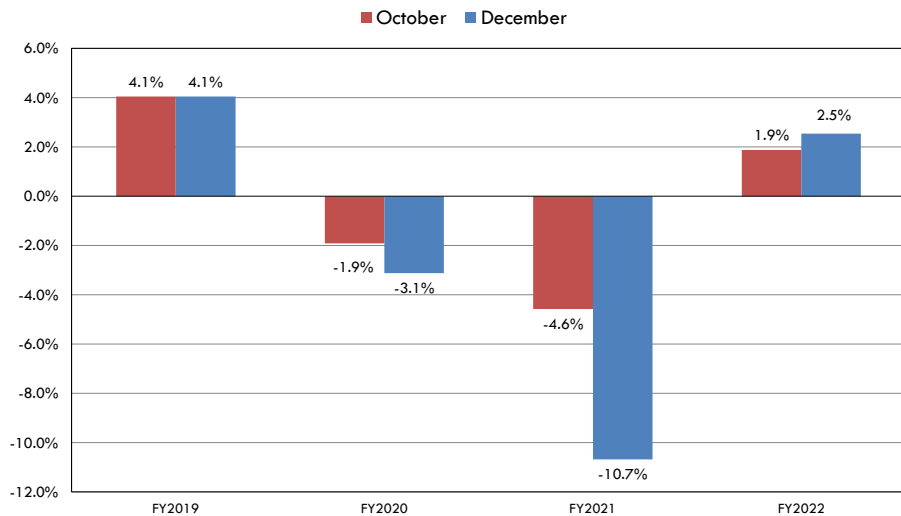
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## Nominal Consumption of Gasoline and Oil Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

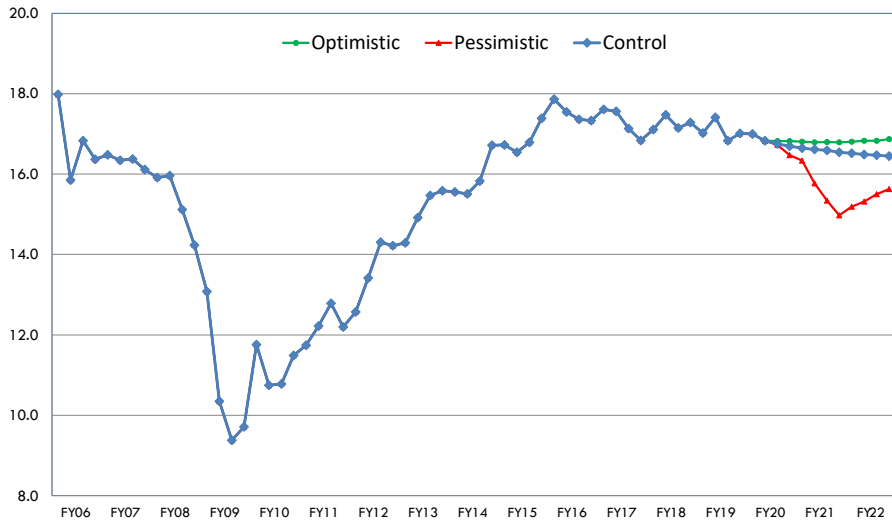
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## Unit Sales of New Light Vehicles

(Millions, Annual Rate, BEA)

31

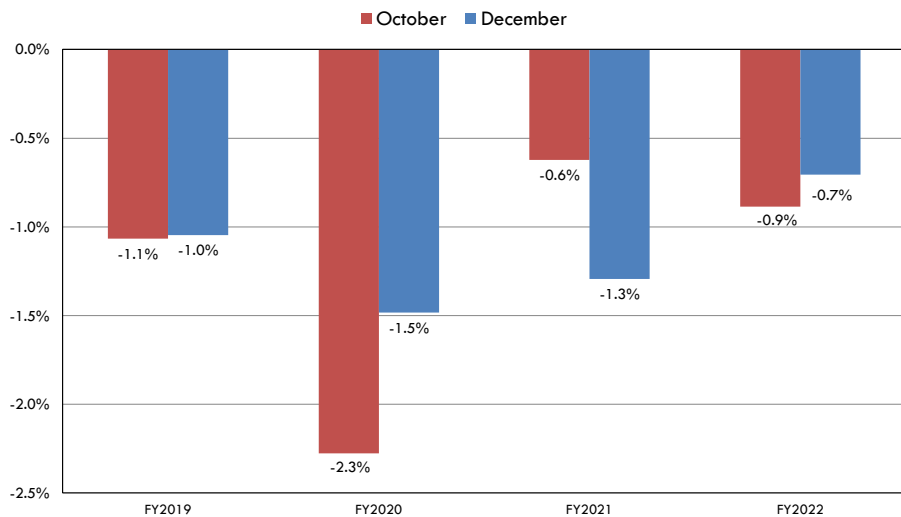


## Unit Sales of New Light Vehicles

### Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

32

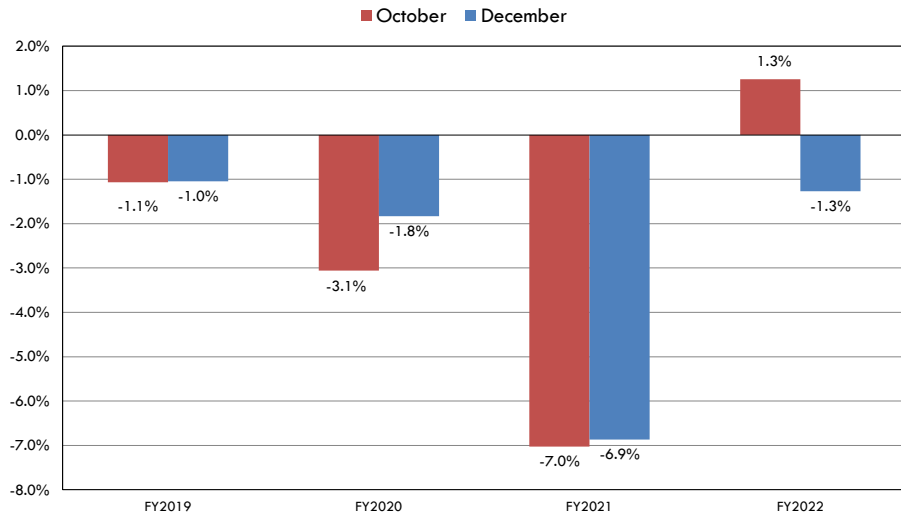




## Unit Sales of New Light Vehicles Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

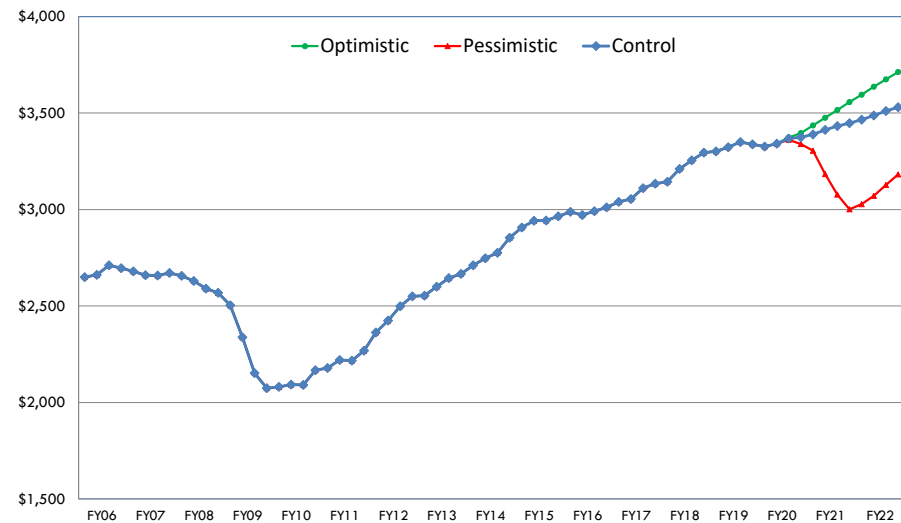
33



## Real Gross Private Fixed Investment

(Billions of Chained 2012 Dollars, Annual Rate, BEA)

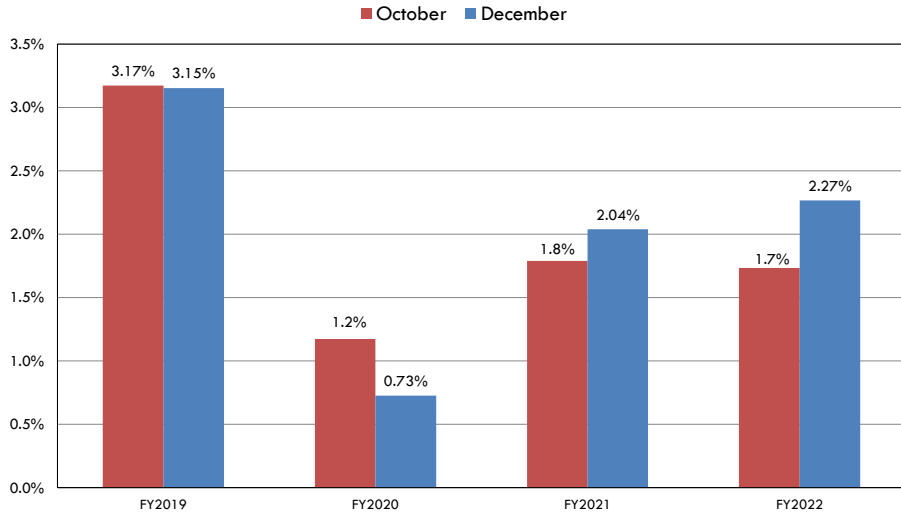
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## Real Gross Private Fixed Investment Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

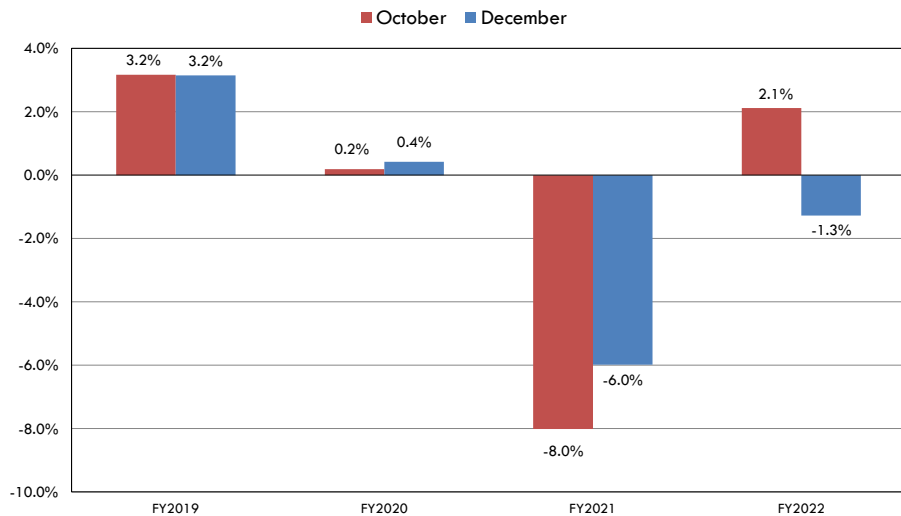
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## Real Gross Private Fixed Investment Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

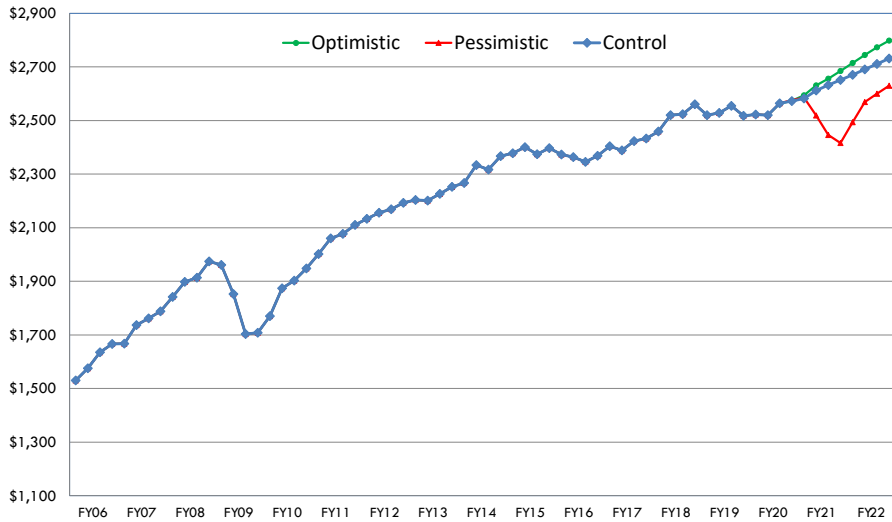
36



## Real Exports of Goods and Services

(Billions of Chained 2012 Dollars, Annual Rate, BEA)

37

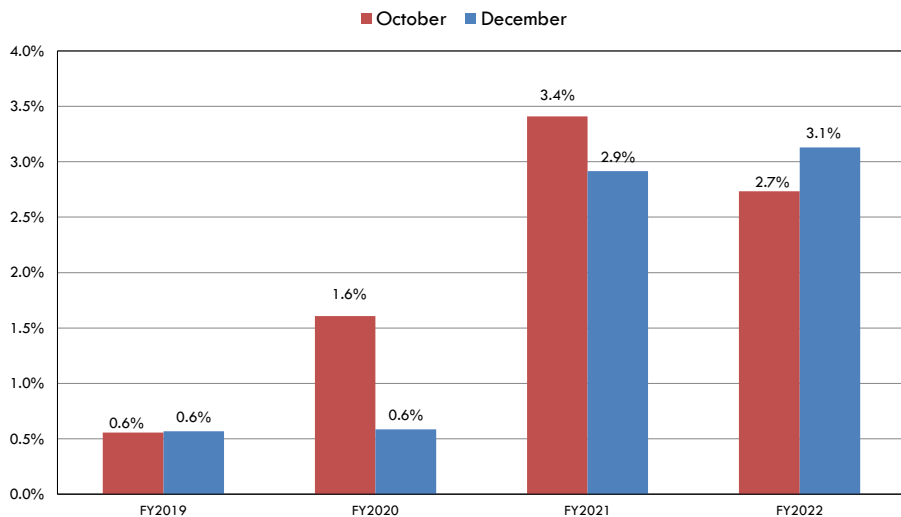


## Real Exports of Goods and Services

### Control Forecast

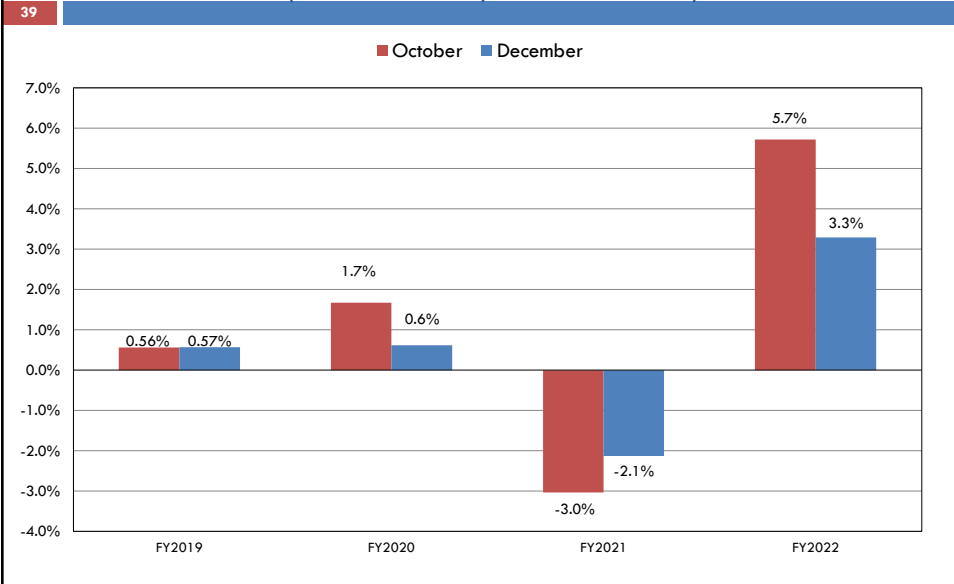
(IHS Markit Forecast, Annual Growth Rates)

38



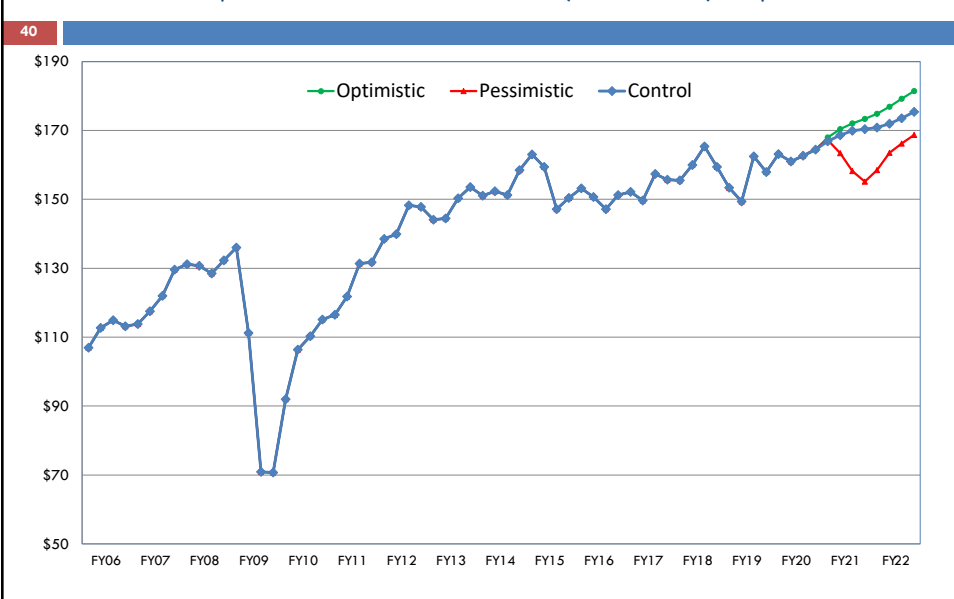
## Real Exports of Goods and Services Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)



## Real Exports of Motor Vehicles and Parts

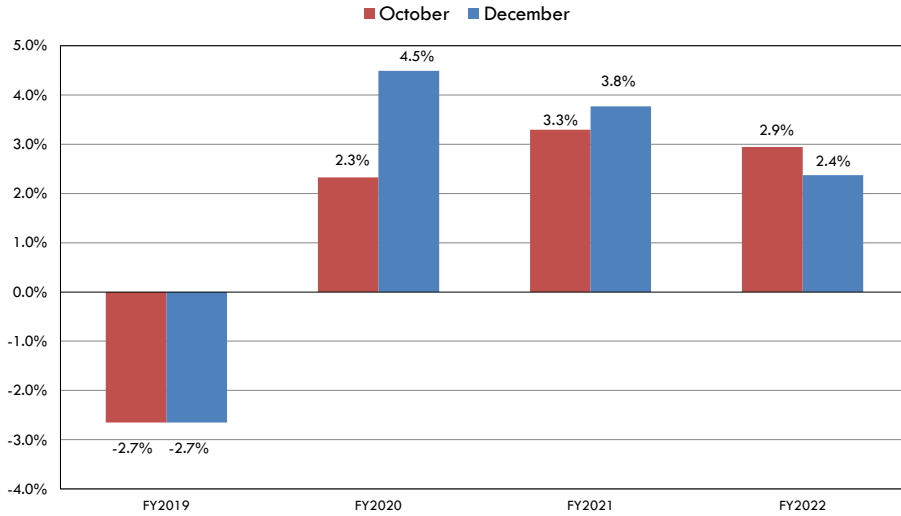
(Billions of Chained 2012 Dollars, Annual Rate, BEA)



## Real Exports of Motor Vehicles and Parts Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

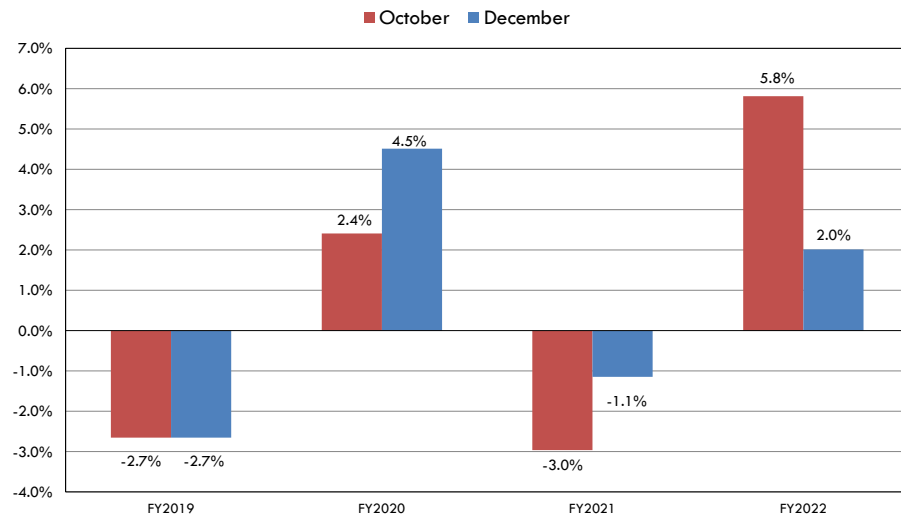
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## Real Exports of Motor Vehicles and Parts Pessimistic Forecast

(IHS Markit Forecast, Annual Growth Rates)

42



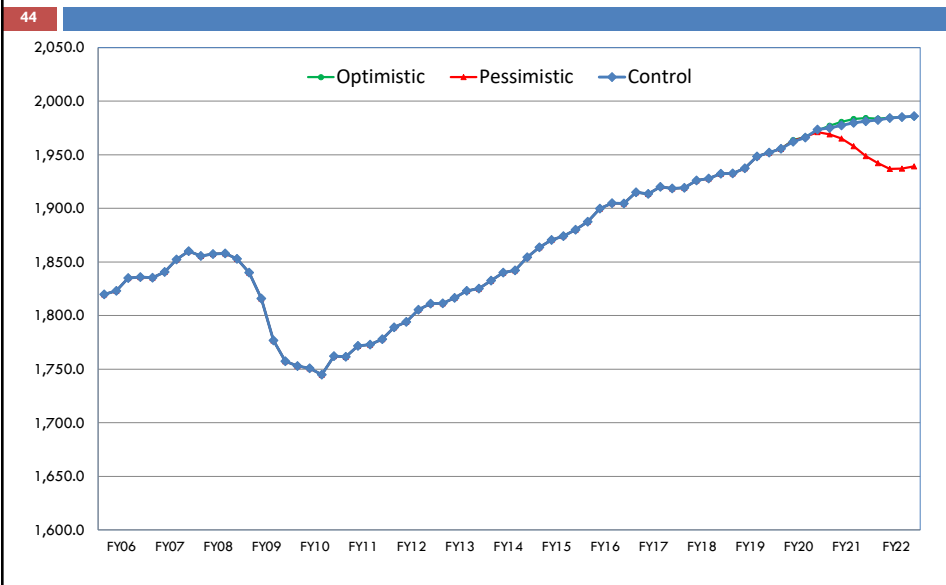
# KENTUCKY ECONOMIC OUTLOOK

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DECEMBER 17, 2019

Office of State Budget Director

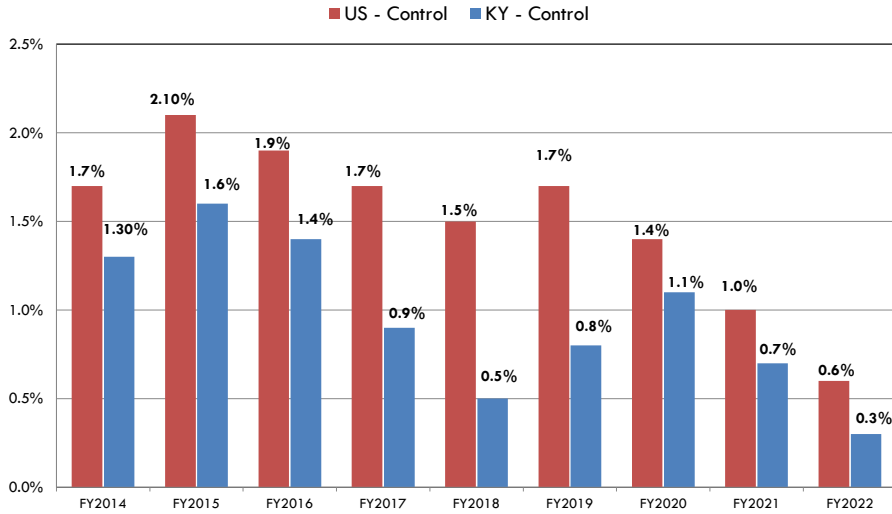
## Kentucky Non-Farm Employment (Thousands, KY MAK Model)



## Non-Farm Employment – US and Kentucky

(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)

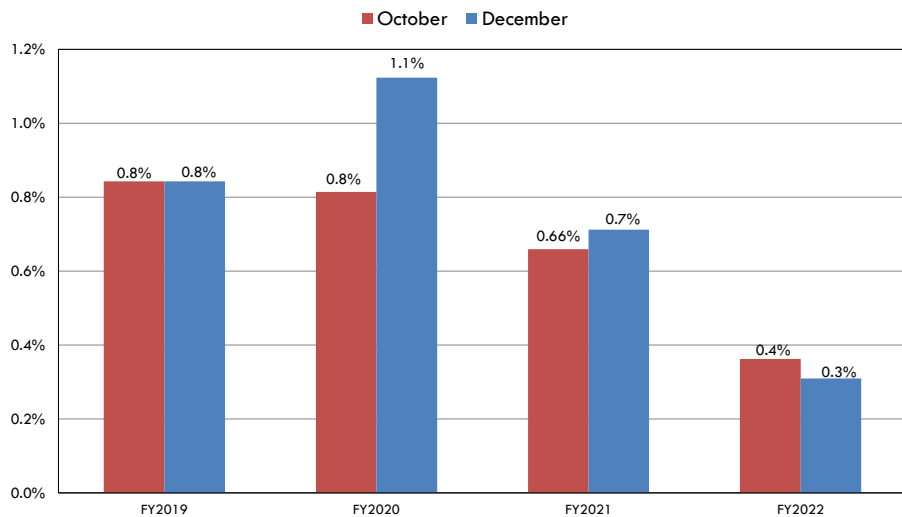
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## Kentucky Non-Farm Employment Control Forecast

(KY MAK Model, Annual Growth Rates)

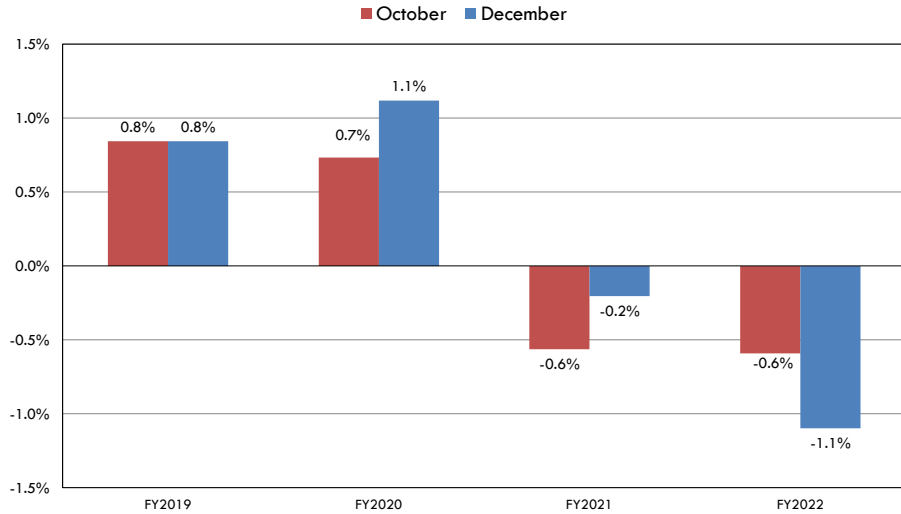
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## Kentucky Non-Farm Employment Pessimistic Forecast

(KY MAK Model, Annual Growth Rates)

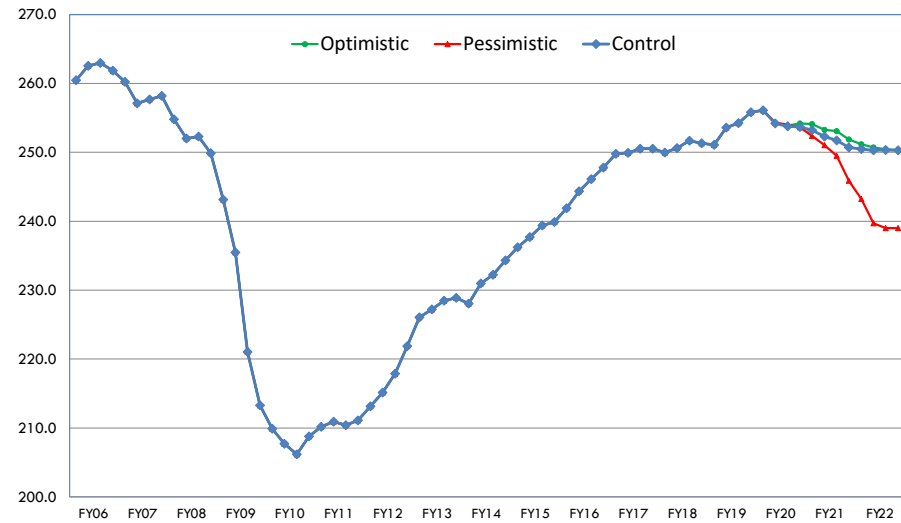
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## Kentucky Manufacturing Employment

(Thousands, KY MAK Model)

48

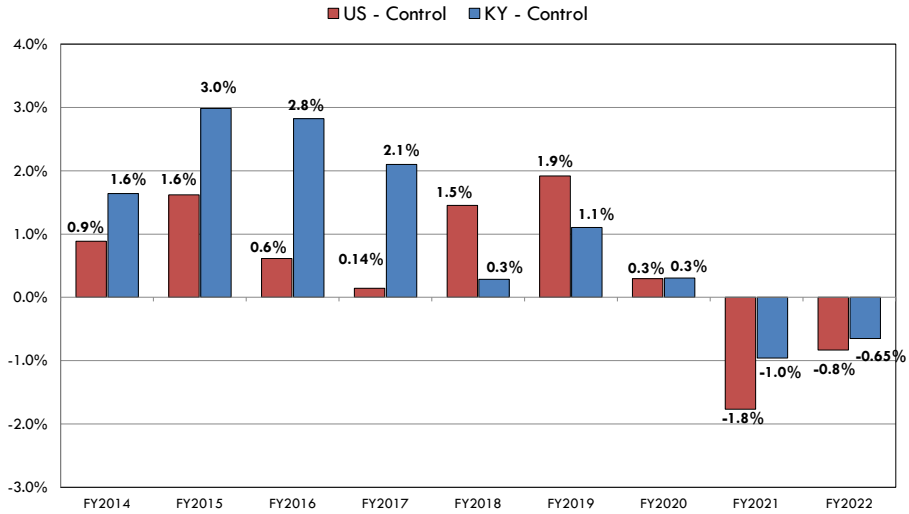




# Manufacturing Employment – US and Kentucky

(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)

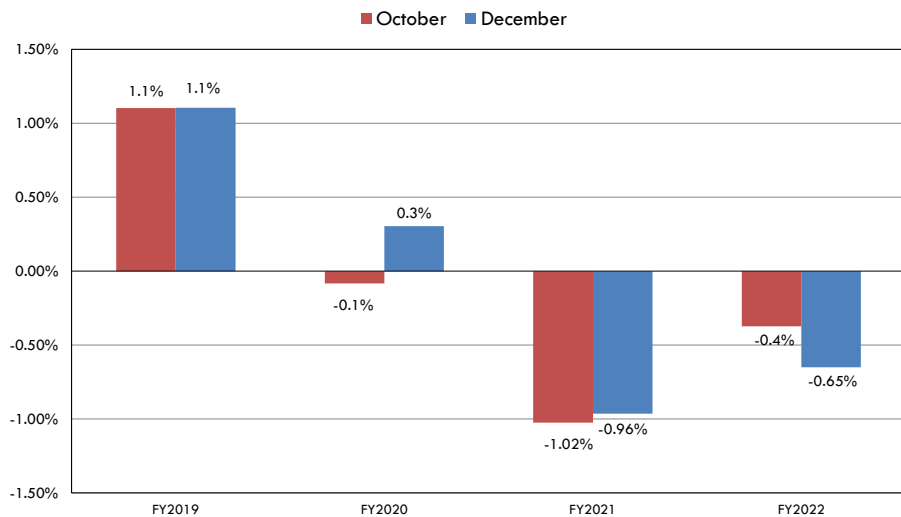
49



# Kentucky Manufacturing Employment Control Forecast

(KY MAK Model, Annual Growth Rates)

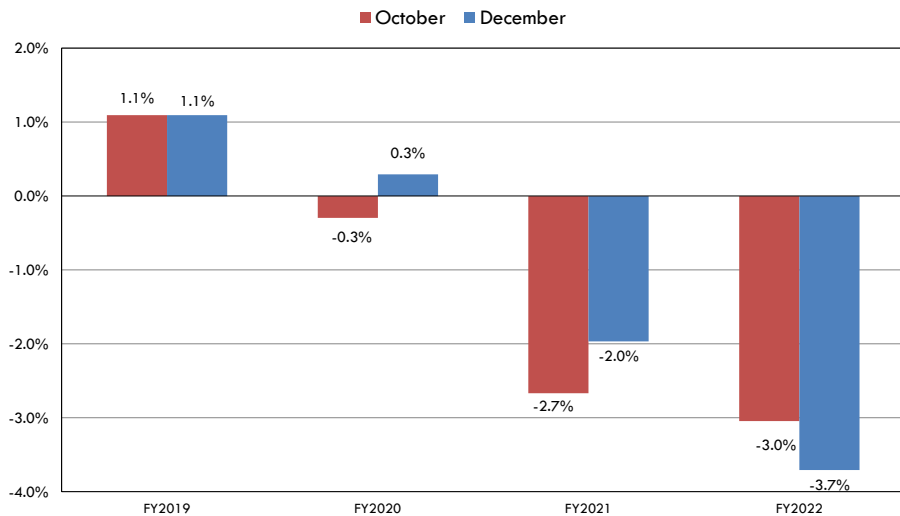
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## Kentucky Manufacturing Employment Pessimistic Forecast

(KY MAK Model, Annual Growth Rates)

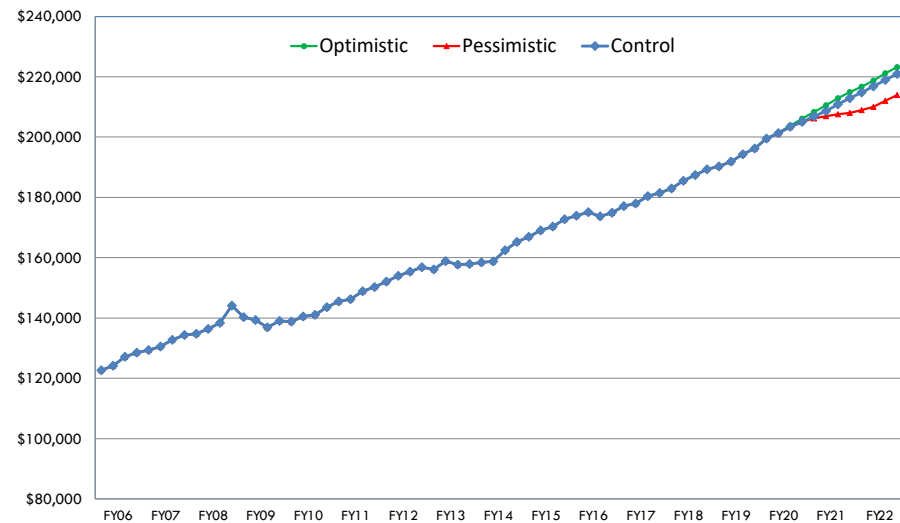
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## Kentucky Personal Income

(Millions of Dollars, KY MAK Model)

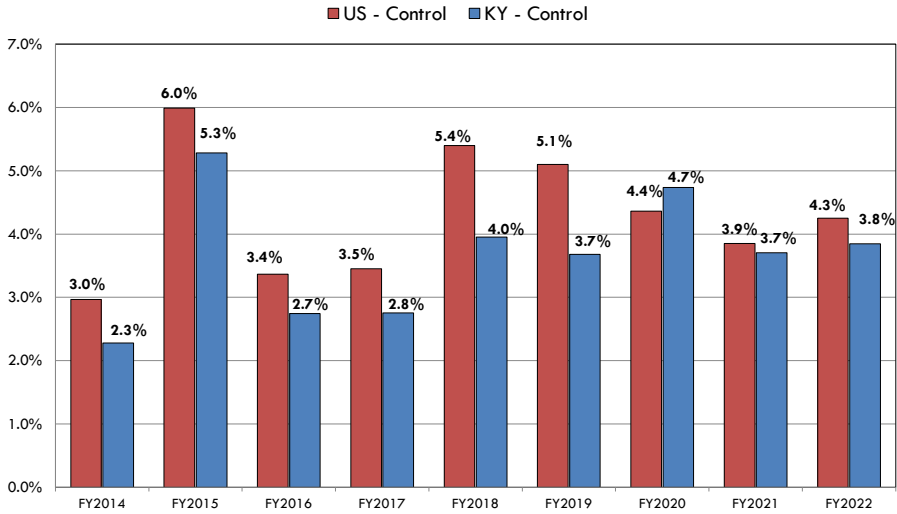
52



# Personal Income – US and Kentucky

(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)

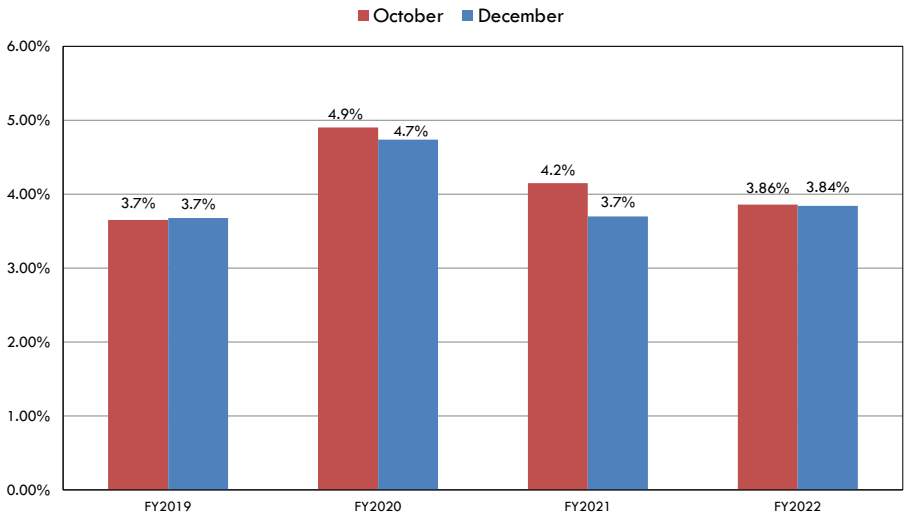
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# Kentucky Personal Income Control Forecast

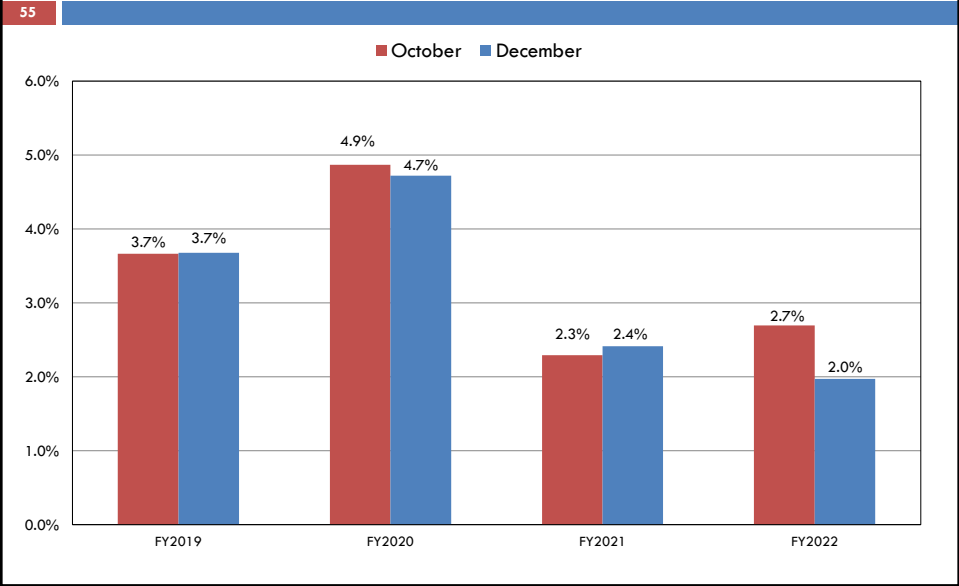
(KY MAK Model, Annual Growth Rates)

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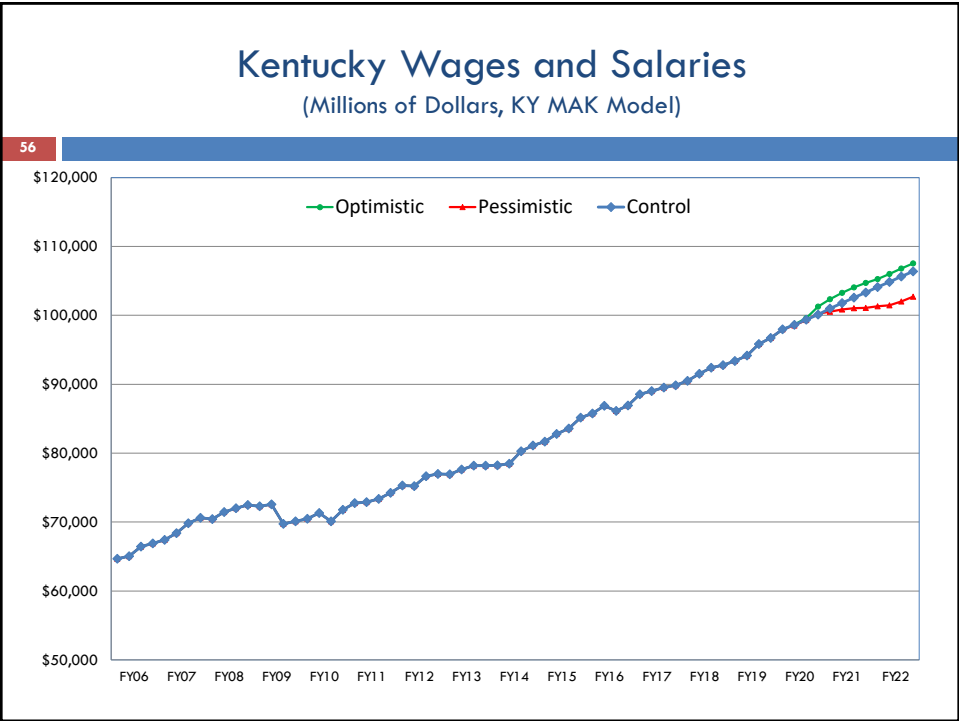
# Kentucky Personal Income Pessimistic Forecast

(KY MAK Model, Annual Growth Rates)



# Kentucky Wages and Salaries

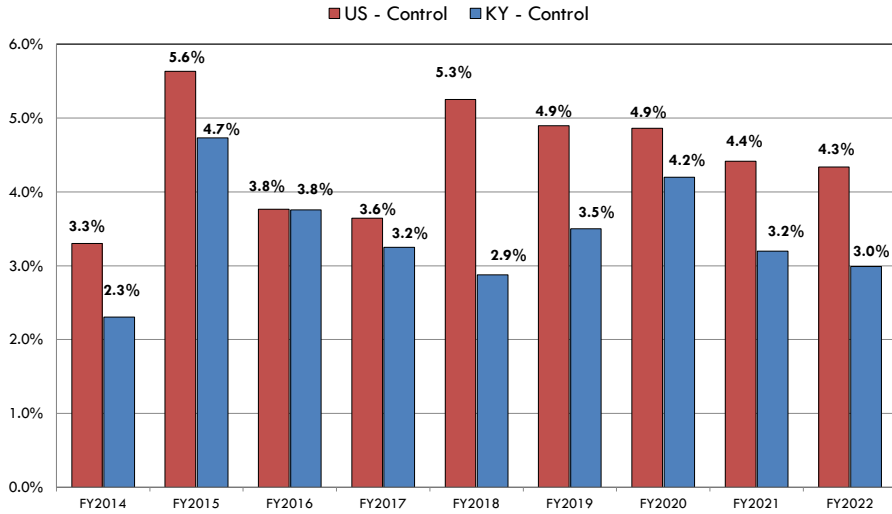
(Millions of Dollars, KY MAK Model)



# Wages and Salaries – US and Kentucky

(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)

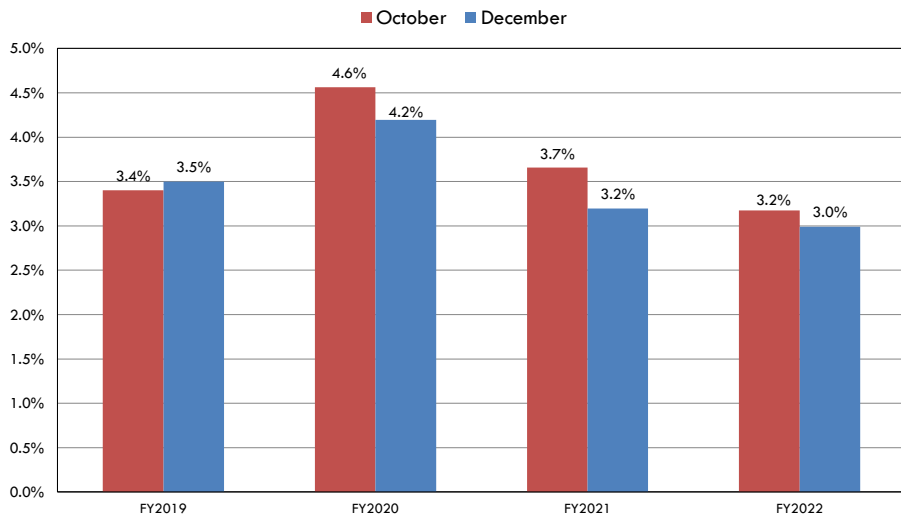
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# Kentucky Wages and Salaries Control Forecast

(KY MAK Model, Annual Growth Rates)

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# Kentucky Wages and Salaries Pessimistic Forecast

(KY MAK Model, Annual Growth Rates)

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