

NATIONAL OUTLOOK

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DECEMBER 4, 2020

Office of State Budget Director

Control Scenario

(Probability – 50%)

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- GDP growth slows to 0.6% in FY2021 and 2.2% in FY2022
 - ▣ Sharp deceleration in growth from FY2021Q1 growth of 33.1%
 - ▣ COVID-19 infection rates exceed expectations going into colder weather months and new restrictions implemented
 - ▣ Previous stimulus efforts fading and new stimulus removed from baseline assumptions
 - ▣ GDP pre-pandemic peak reached in FY2022Q3
- Overshooting on housing starts and consumer purchases of durable goods unwind over the next several quarters
- Federal Reserve maintains Federal Funds rates near 0%
- Increases in Brent oil prices, as oil expected to be \$53.17/bbl by FY2022Q3, stabilizing US domestic drilling and production activity

Optimistic Scenario

(Probability – 25%)

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- GDP growth increases to 1.3% in FY2021 and 3.1% in FY2022
- New fiscal stimulus fuels recovery
 - ▣ Direct payments to households of \$270 billion
 - ▣ Re-introduction of emergency unemployment benefits at \$300 per week
 - ▣ Extension of PUA and PEUC unemployment programs to FY2021 Q4
- COVID-19 vaccine availability by FY2021Q2 and widespread availability the next quarter
- Employment increases by 4.4% in FY2022
- Unemployment under 4.5% by FY2022Q3
- Real Consumer Spending increase by 3.5% in FY2022
- GDP pre-pandemic peak reached in FY2022Q1

Pessimistic Scenario

(Probability – 25%)

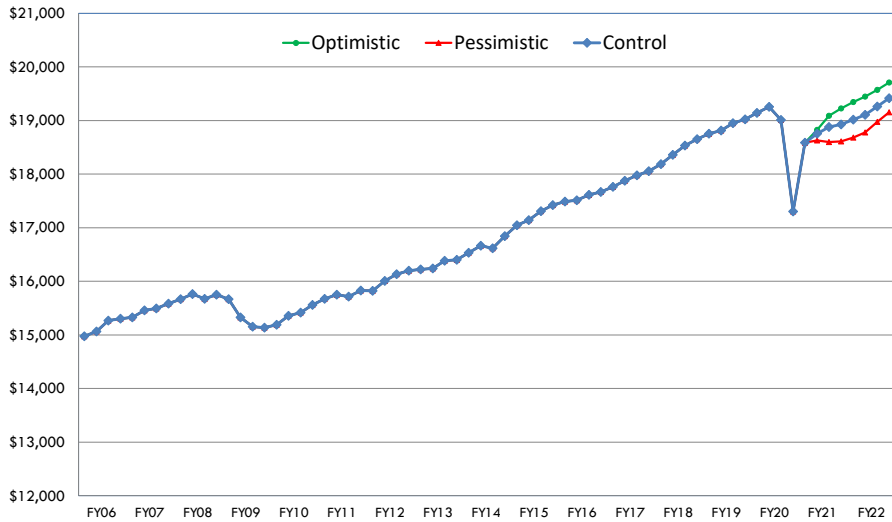
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- GDP growth decreases to -0.4% in FY2021 and 1.6% in FY2022
- No new fiscal stimulus
- Increase in COVID-19 cases, hospitalizations, and deaths relative to baseline forecast
- Retrenchment of consumer spending and pace of economic expansion slows
- Employment increases by 3.0% in FY2022
- Unemployment under 5.0% by FY2024Q1
- Real Consumer Spending increase by 1.6% in FY2022
- GDP pre-pandemic peak reached in FY2023Q1 - two quarters later than baseline forecast

Real GDP

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

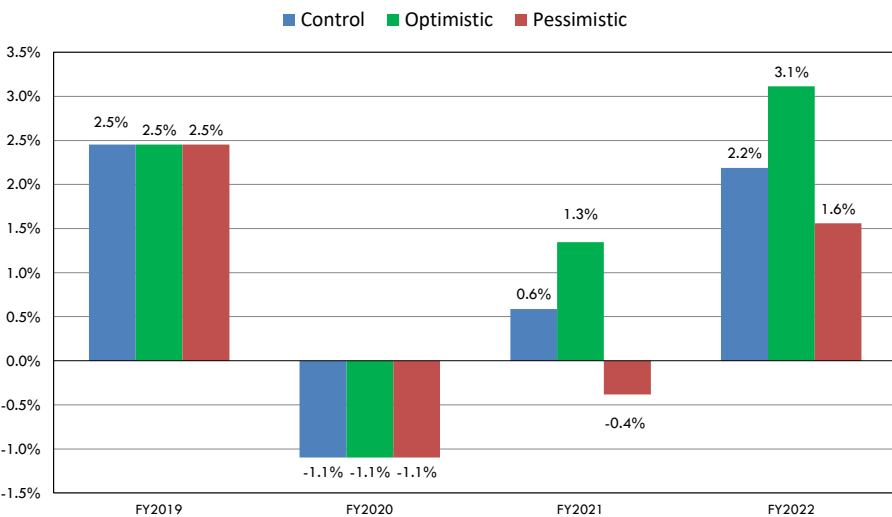
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Real GDP

(IHS Markit, Annual Growth Rates)

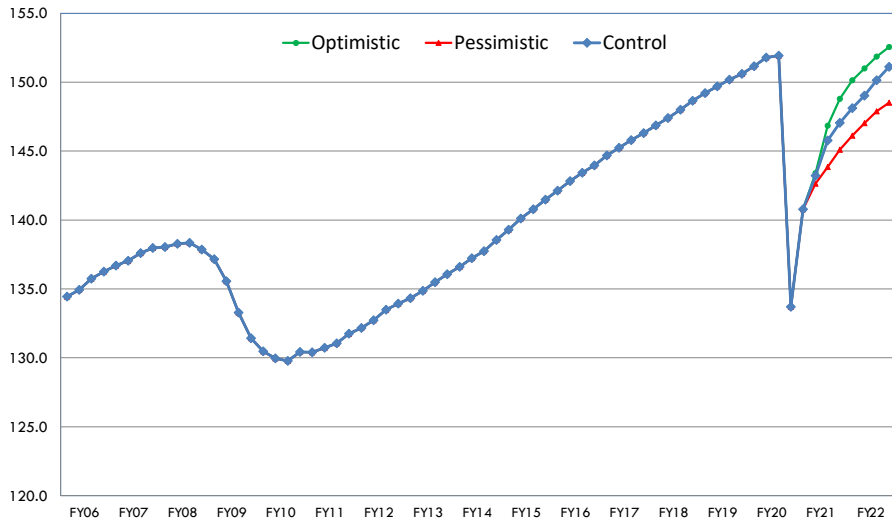
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U.S. Employment – Total Non-Farm Payrolls

(Millions, BLS)

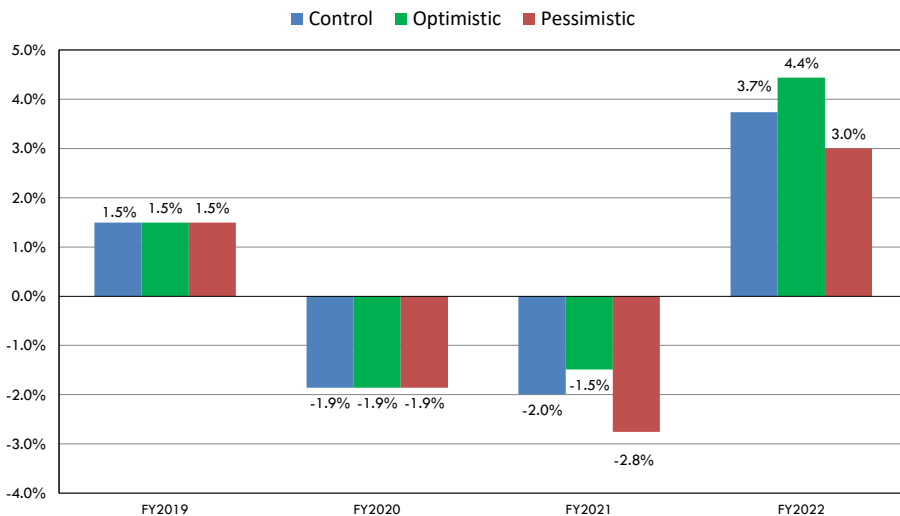
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U.S. Employment – Total Non-Farm Payrolls

(IHS Markit Forecast, Annual Growth Rates)

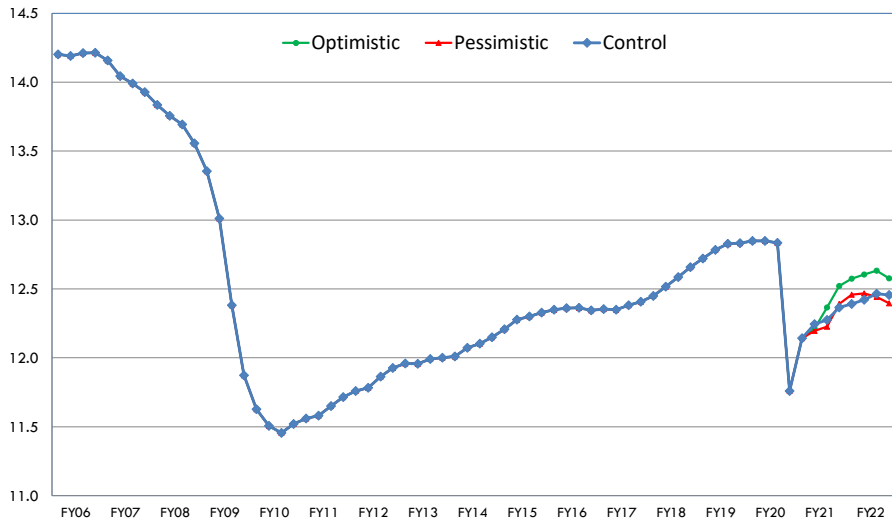
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U.S. Employment – Manufacturing

(Millions, BLS)

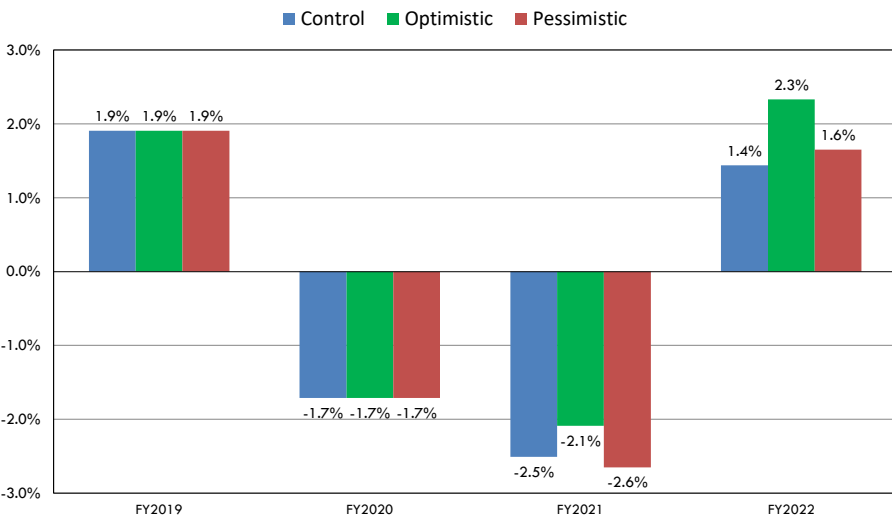
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U.S. Employment – Manufacturing

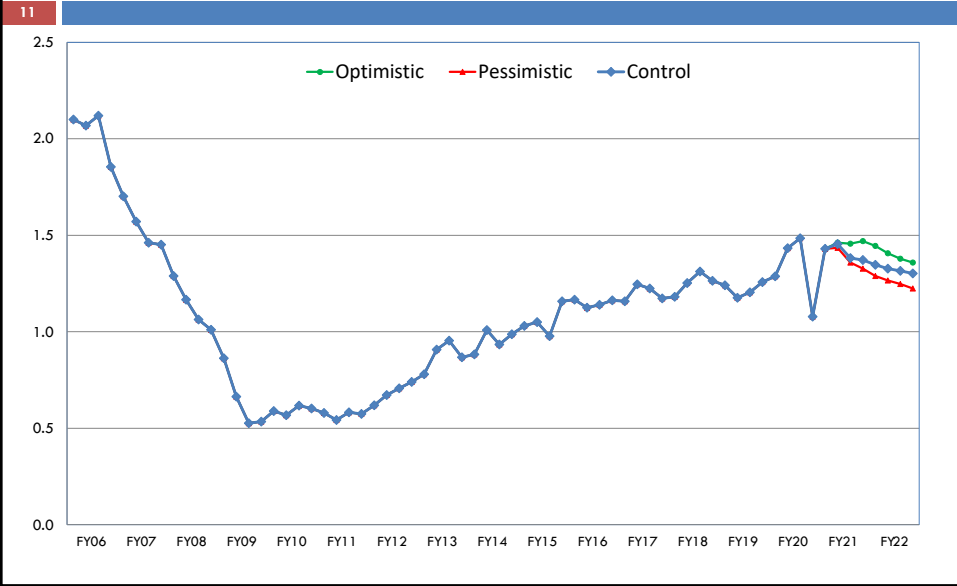
(IHS Markit Forecast, Annual Growth Rates)

10



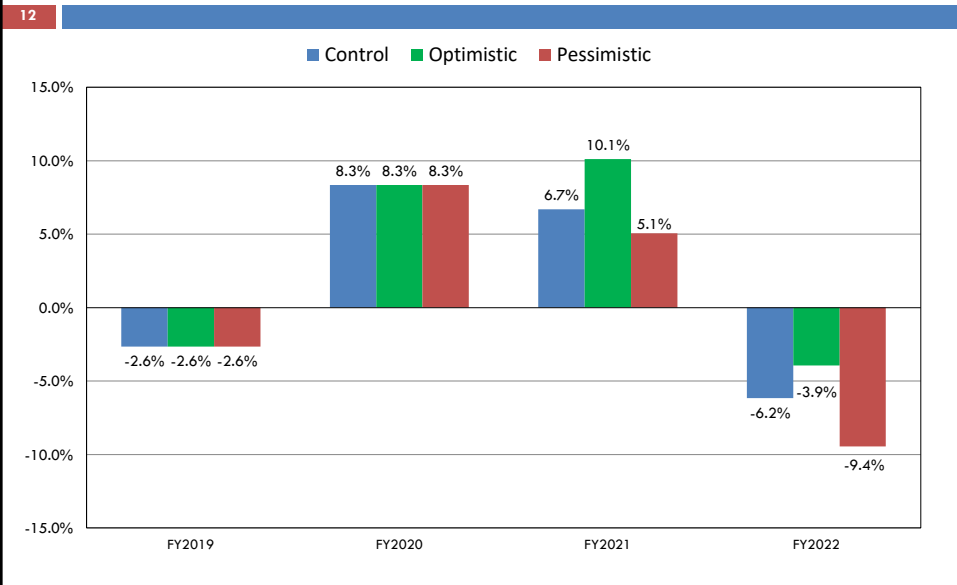
Housing Starts

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



Housing Starts

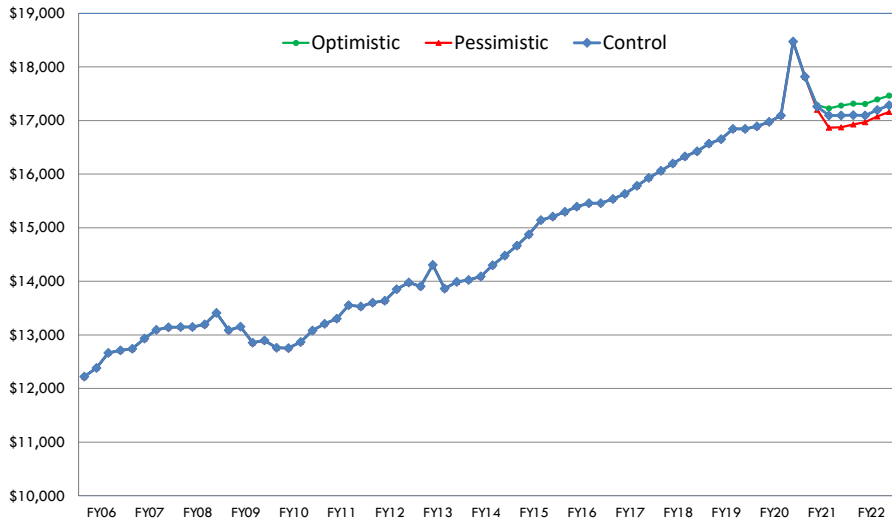
(IHS Markit Forecast, Annual Growth Rates)



Real Personal Income

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

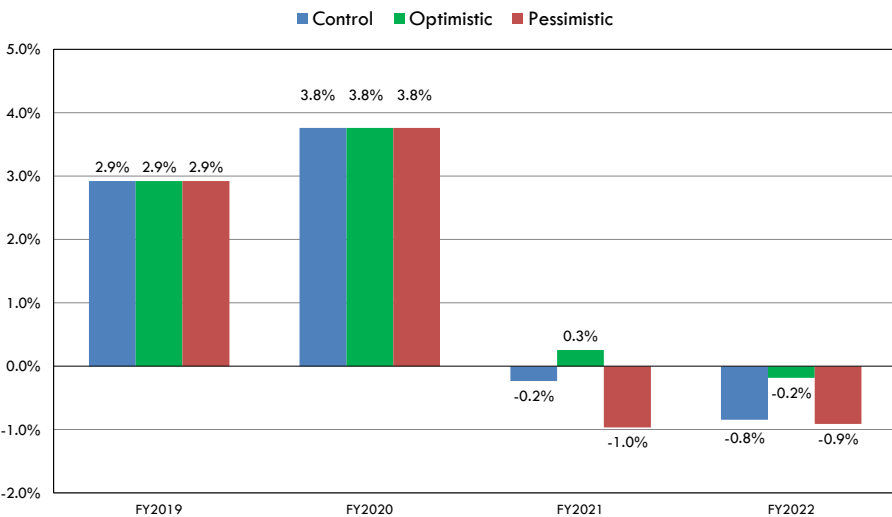
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Real Personal Income

(IHS Markit Forecast, Annual Growth Rates)

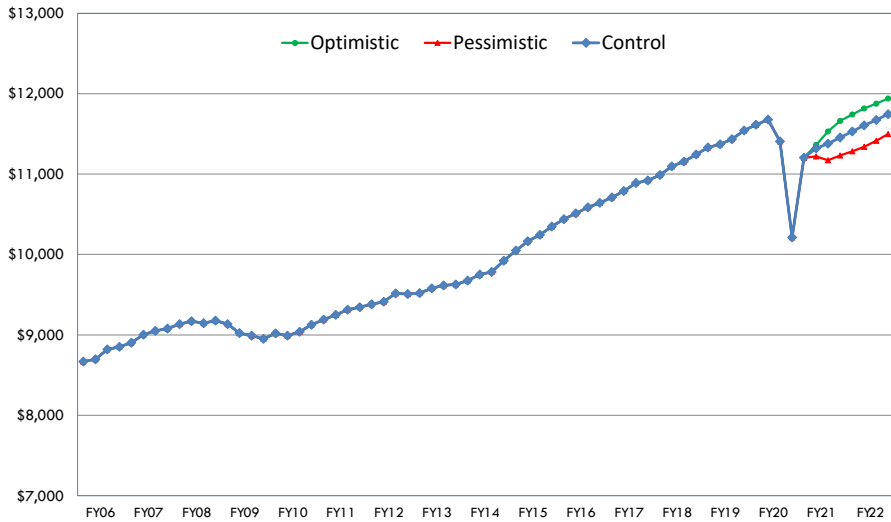
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Real Consumer Spending (Excluding Food and Energy)

(Billions of 2012 Dollars, Annual Rate, BEA)

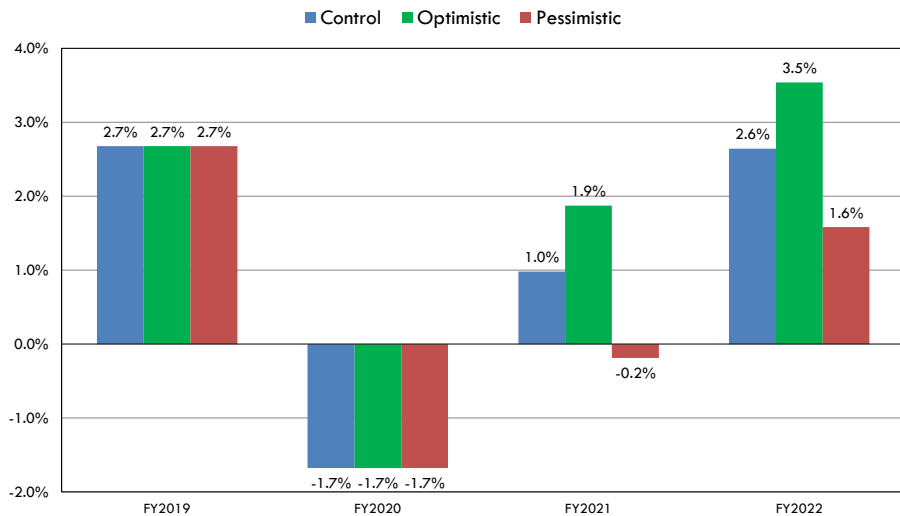
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Real Consumer Spending (Excluding Food and Energy)

(IHS Markit Forecast, Annual Growth Rates)

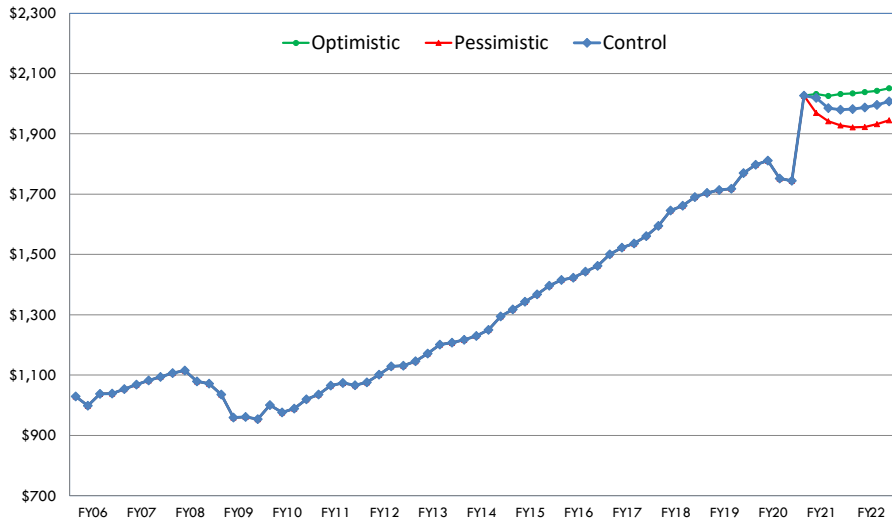
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Real Consumer Spending on Durable Goods

(Billions of 2012 Dollars, Annual Rate, BEA)

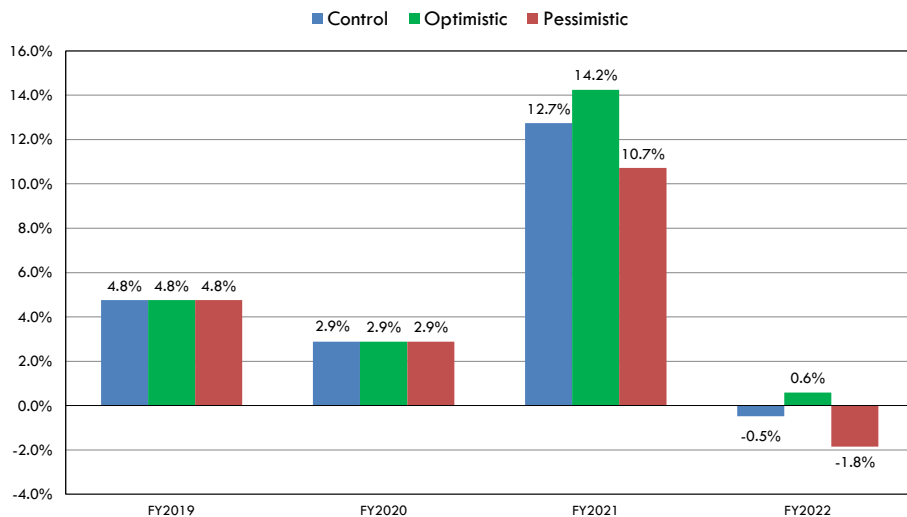
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Real Consumer Spending on Durable Goods

(IHS Markit Forecast, Annual Growth Rates)

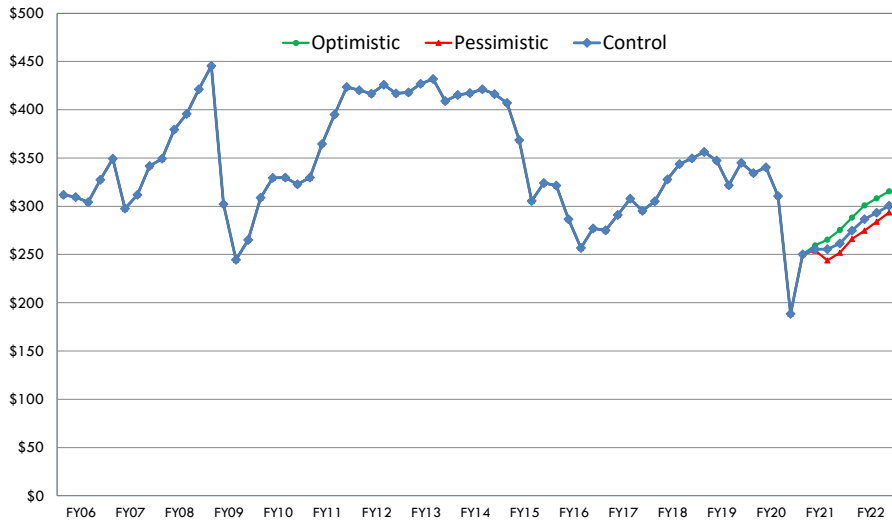
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Nominal Consumption of Gasoline and Oil

(Billions of Dollars, Annual Rate, BEA)

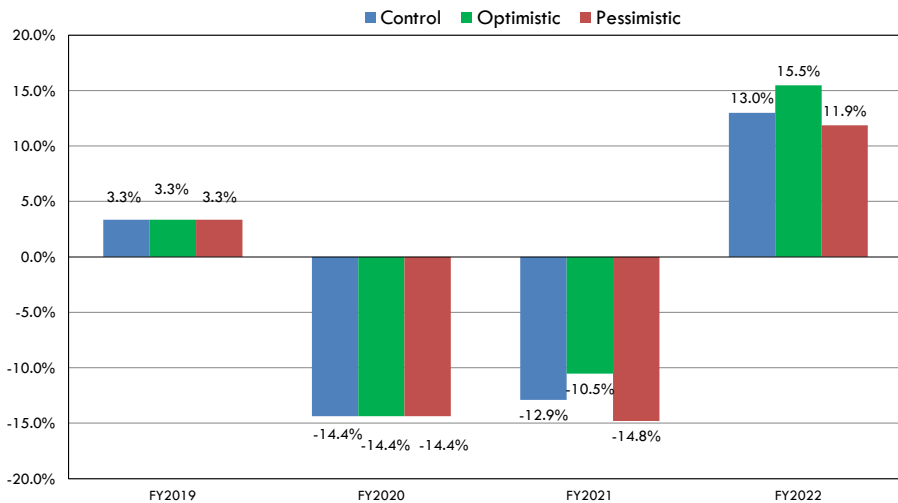
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Nominal Consumption of Gasoline and Oil

(IHS Markit Forecast, Annual Growth Rates)

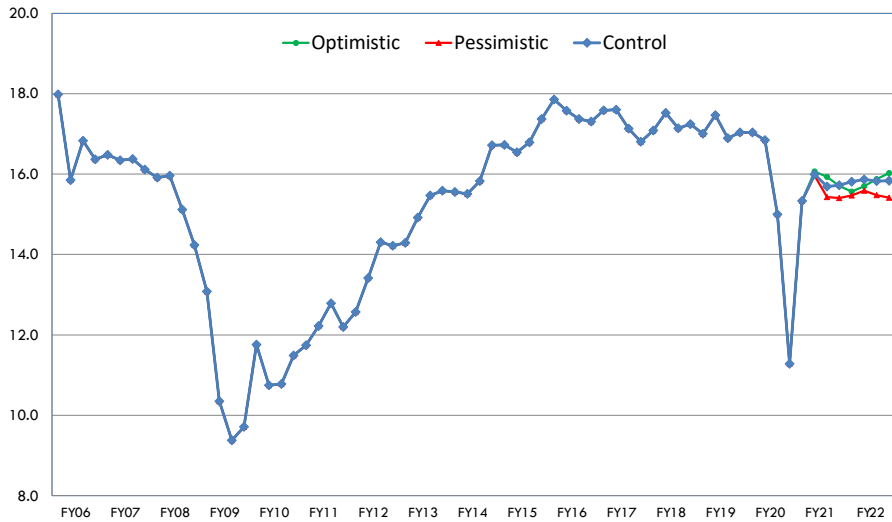
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Unit Sales of New Light Vehicles

(Millions, Annual Rate, BEA)

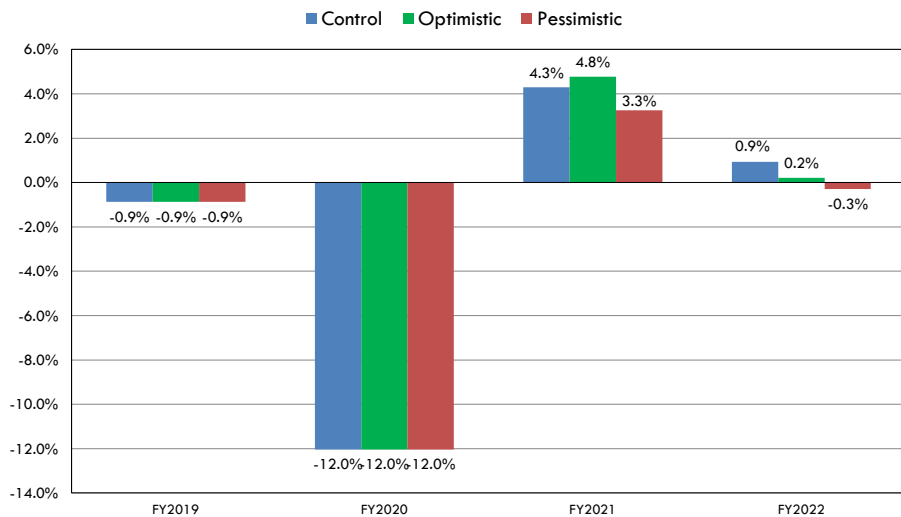
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Unit Sales of New Light Vehicles

(IHS Markit Forecast, Annual Growth Rates)

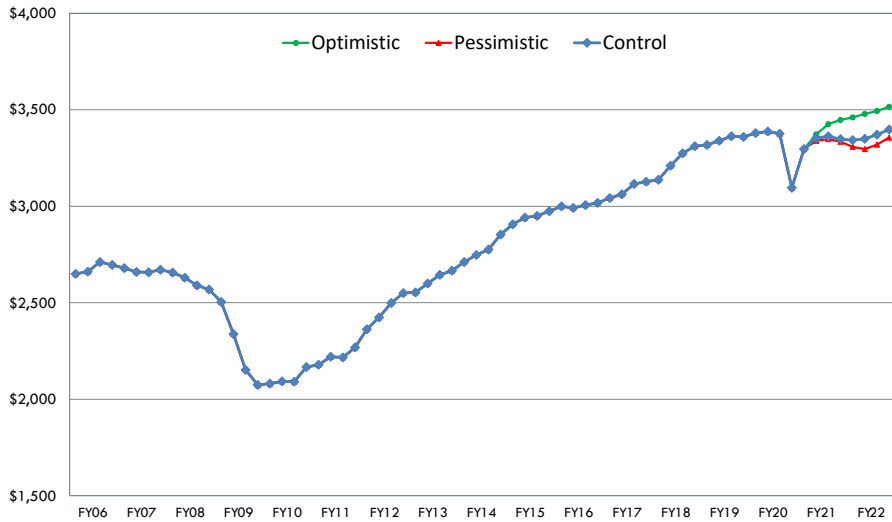
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Real Gross Private Fixed Investment

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

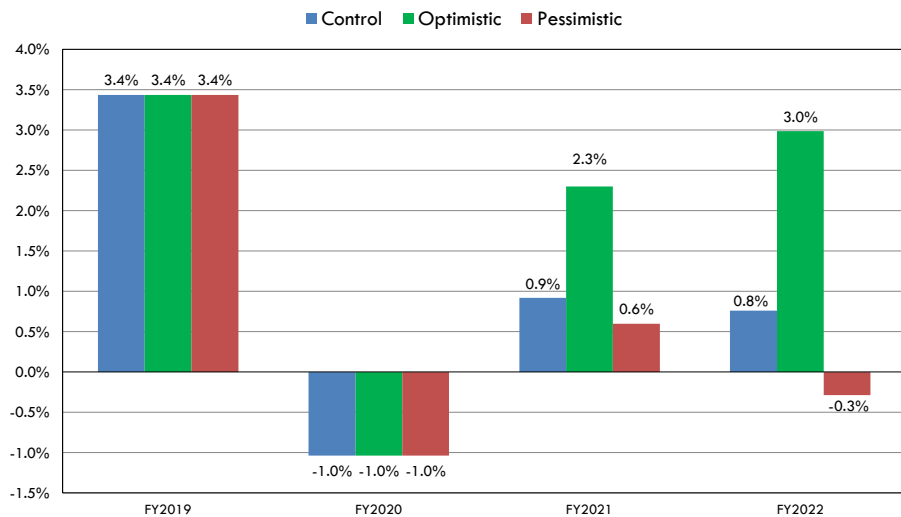
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Real Gross Private Fixed Investment

(IHS Markit Forecast, Annual Growth Rates)

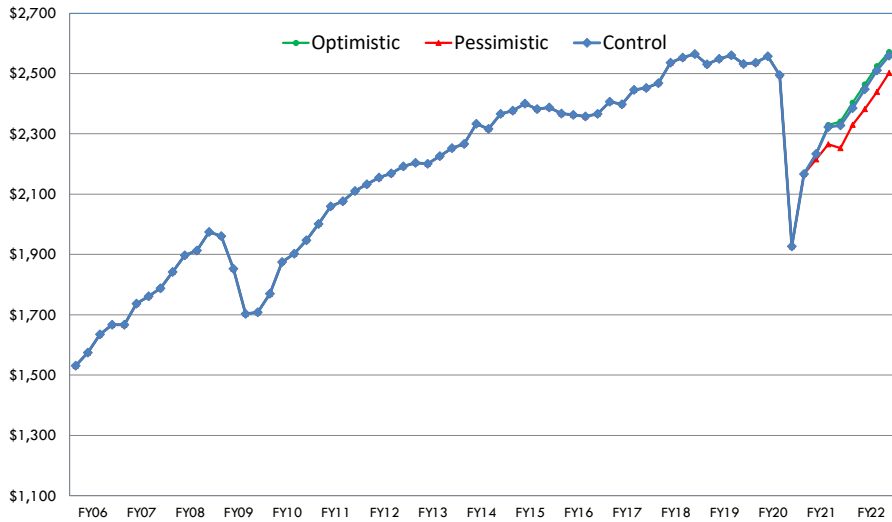
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Real Exports of Goods and Services

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

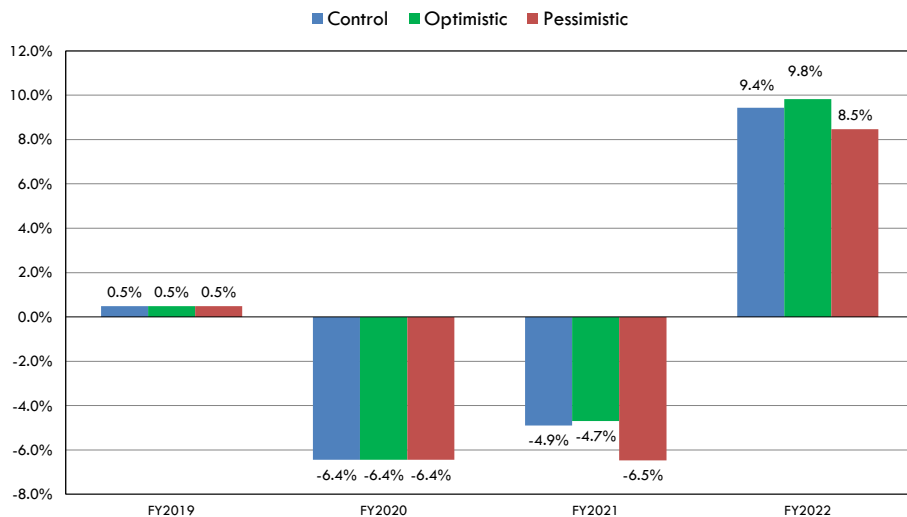
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Real Exports of Goods and Services

(IHS Markit Forecast, Annual Growth Rates)

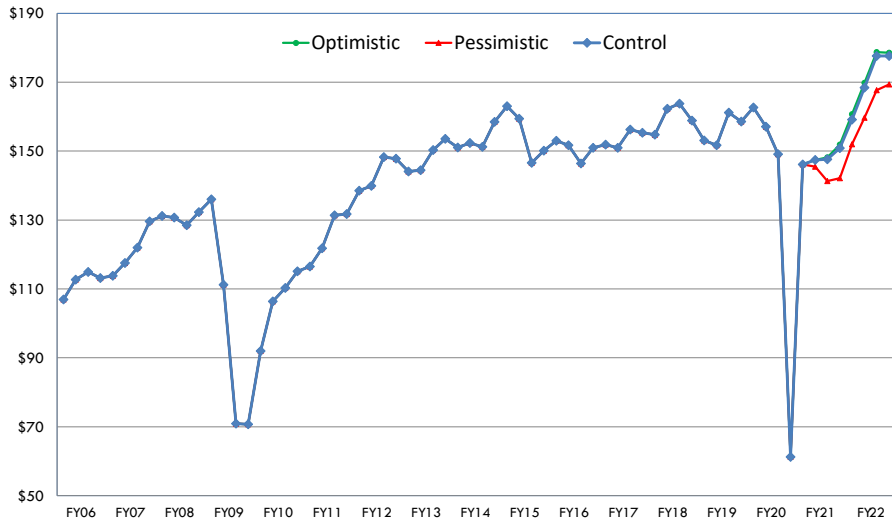
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Real Exports of Motor Vehicles and Parts

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

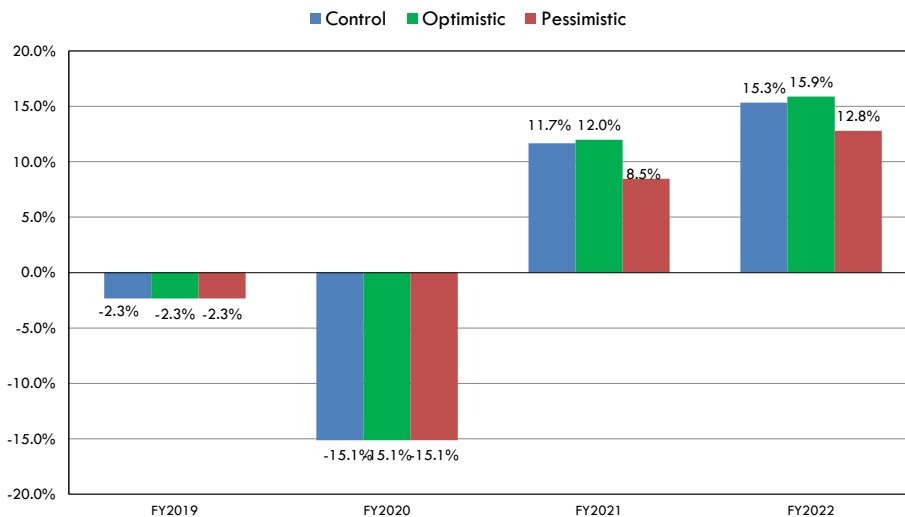
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Real Exports of Motor Vehicles and Parts

(IHS Markit Forecast, Annual Growth Rates)

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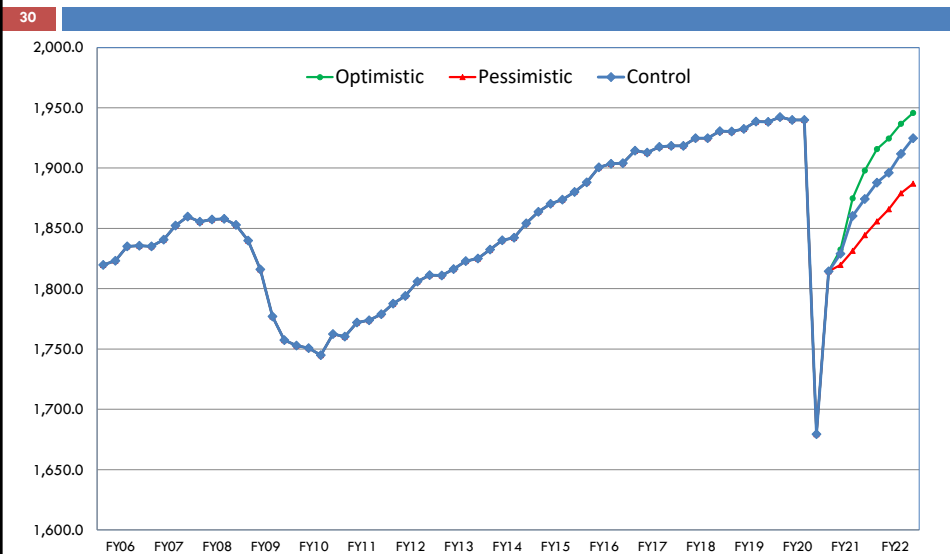
KENTUCKY ECONOMIC OUTLOOK

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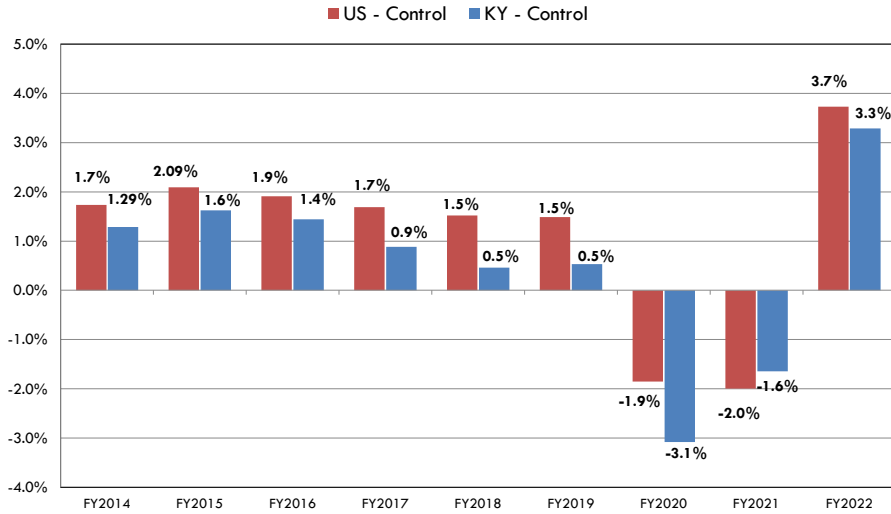
Kentucky Non-Farm Employment (Thousands, KY MAK Model)



Non-Farm Employment – US and Kentucky

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

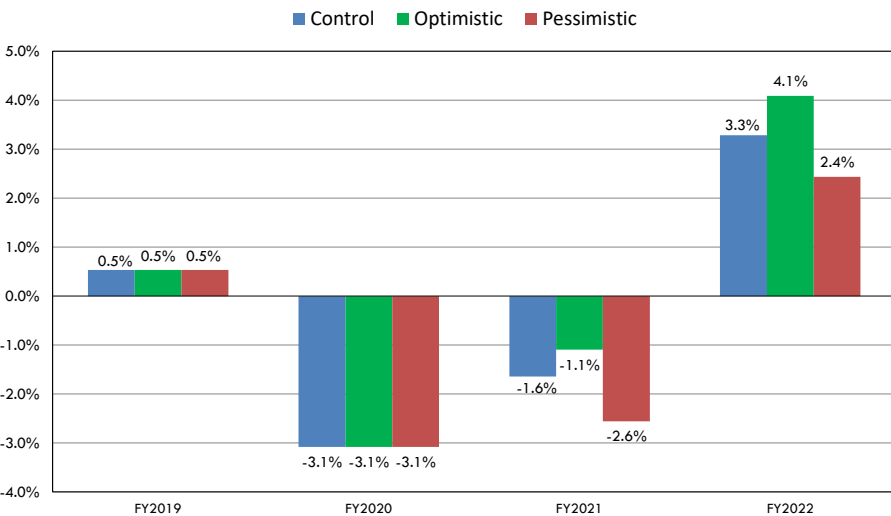
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Kentucky Non-Farm Employment Forecasts

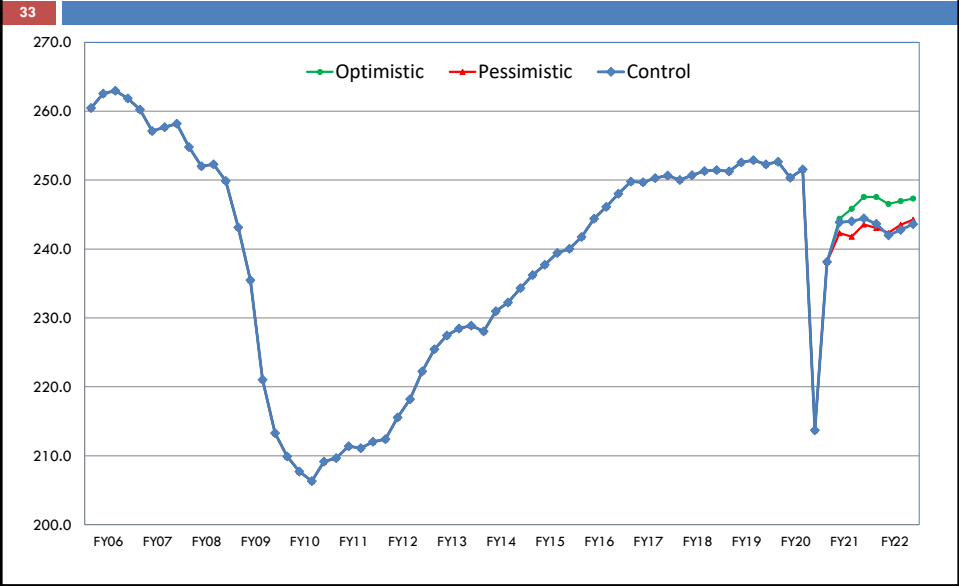
(KY MAK Model, Annual Growth Rates)

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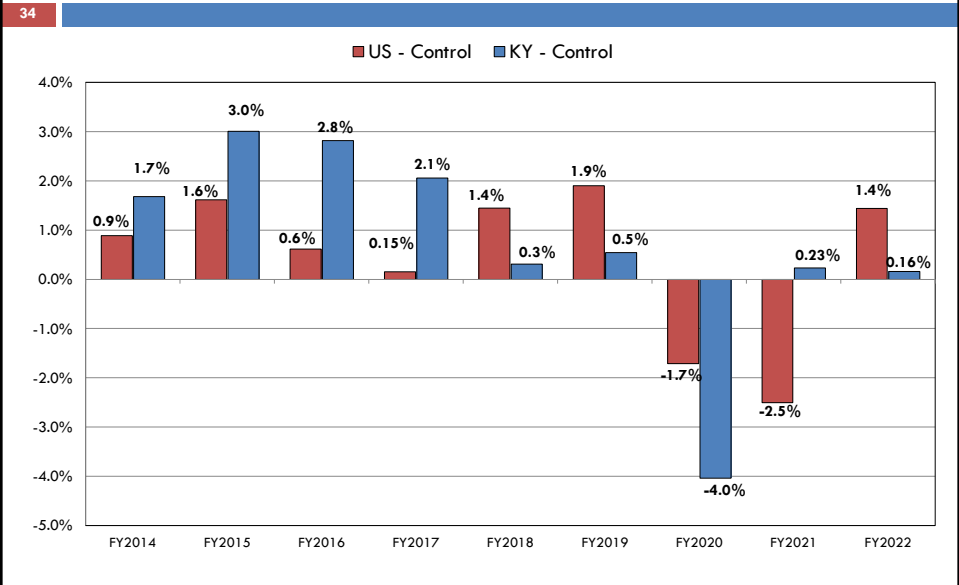
Kentucky Manufacturing Employment

(Thousands, KY MAK Model)



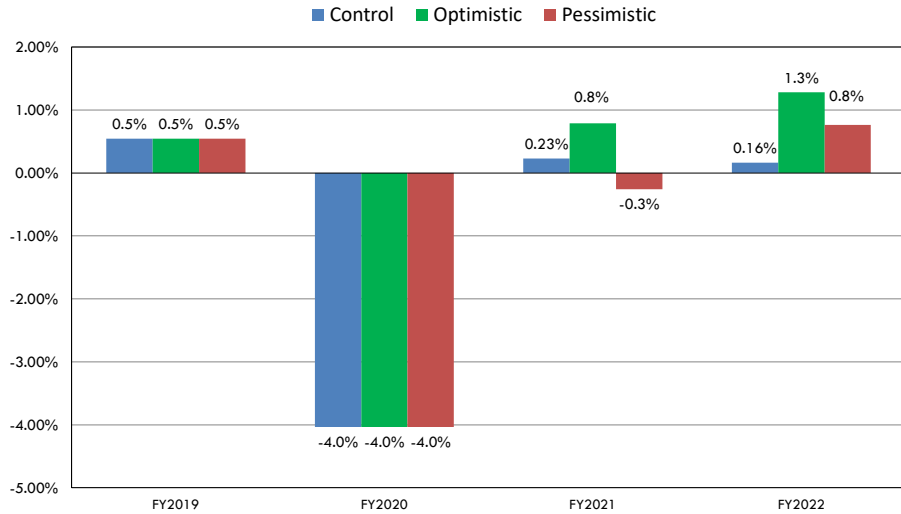
Manufacturing Employment – US and Kentucky

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



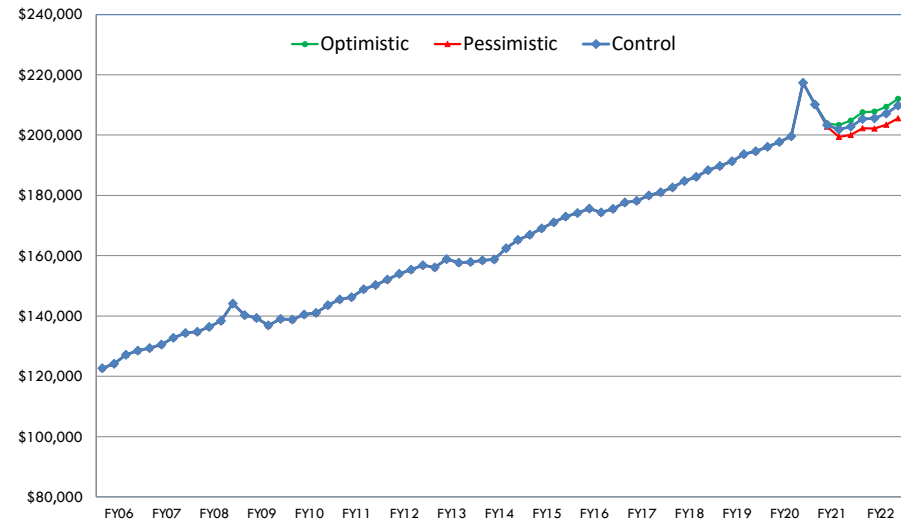
Kentucky Manufacturing Employment Forecasts (KY MAK Model, Annual Growth Rates)

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Kentucky Personal Income (Millions of Dollars, KY MAK Model)

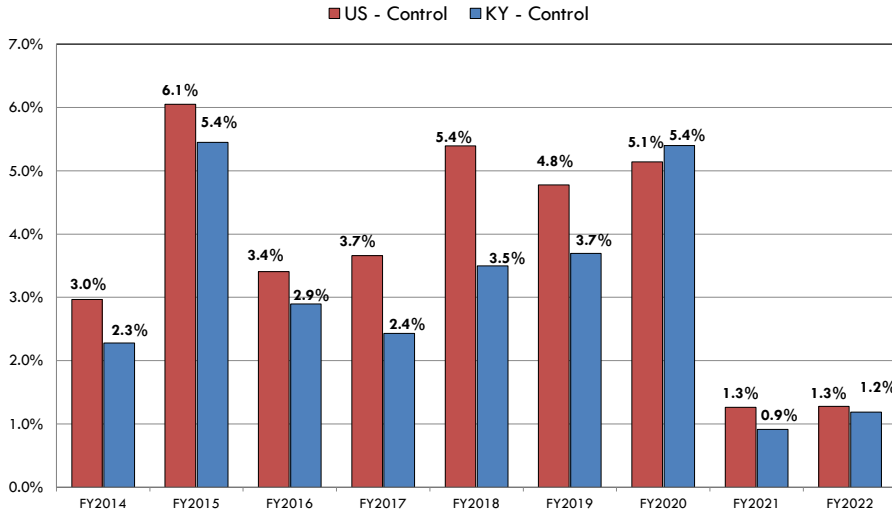
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Personal Income – US and Kentucky

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

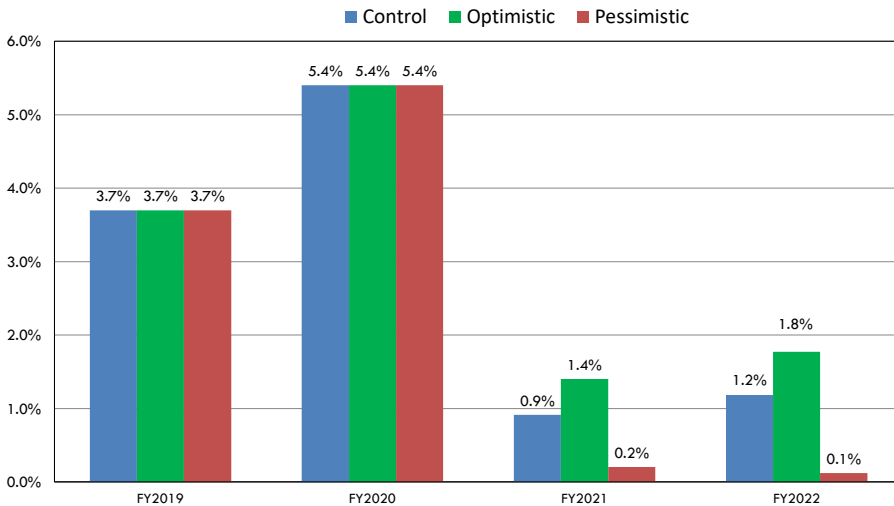
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Kentucky Personal Income Forecasts

(KY MAK Model, Annual Growth Rates)

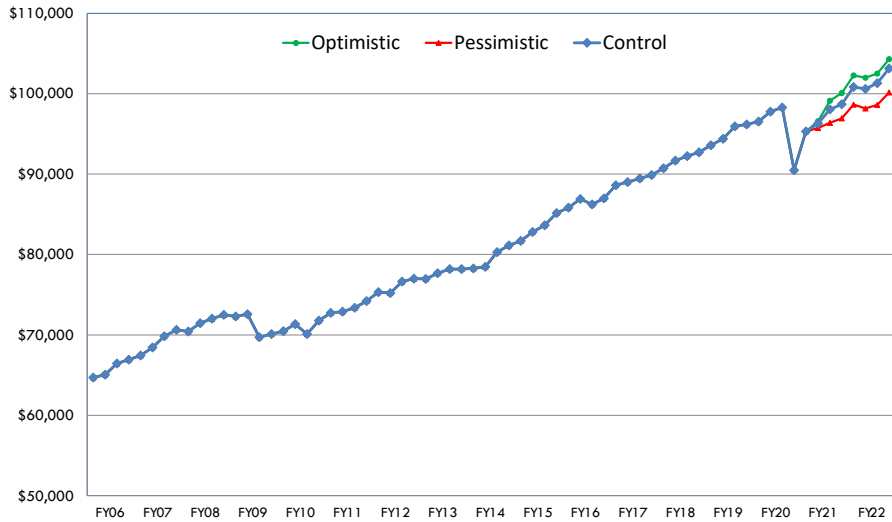
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Kentucky Wages and Salaries

(Millions of Dollars, KY MAK Model)

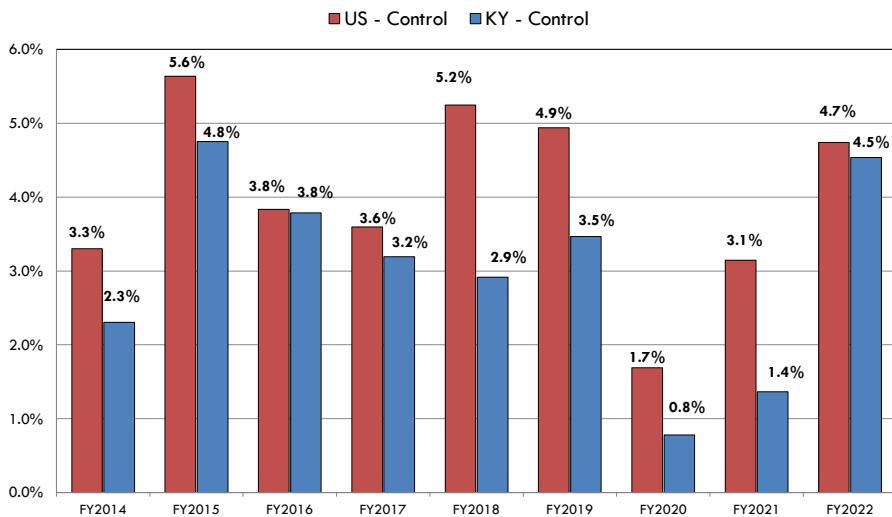
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Wages and Salaries – US and Kentucky

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

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Kentucky Wages and Salaries

(KY MAK Model, Annual Growth Rates)

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