

# NATIONAL OUTLOOK

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Office of State Budget Director

## Control Scenario

(Probability – 55%)

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- Mild Recession Between FY23Q2 and FY23Q4
  - Anemic Real GDP growth of 0.4% estimated for both FY23 and FY24
  - Recession Driven by Reduced Investment
    - Housing Starts Decline by -20.2% in FY23 and -8.9% in FY24
    - Consumer Spending Weak with Growth of 2.0% in FY2023 and 0.9% in FY24
  - Countercyclical Vehicle Production with Growth of Light Vehicle Sales of 3.7% in FY20 and 10.8% in FY24
- Federal Reserve maintains increase of Federal Funds rates to 5% by the end of FY23Q3 with continued balance sheet reductions
- Declines from recent highs in West Texas Intermediate oil prices, as oil expected to be \$86.50/bbl in FY23, reduced slightly to \$82.44 in FY24

## Optimistic Scenario

(Probability – 15%)

3

- GDP growth increases to 0.9% in both FY23 and FY24
  - ▣ Consumer response to Infrastructure Investment and Jobs Act stimulus exceeds baseline forecast
  - ▣ Corporate profitability increases as firms regain productivity
- Employment increases by 2.6% in FY23
- Real Personal Income has growth in FY23
- Light Vehicle Sales increase by 12.2% in FY24
- Real Consumer Spending increase by 2.6% in FY23
- Quicker resolution of Russia-Ukraine conflict lowers energy prices

## Pessimistic Scenario

(Probability – 30%)

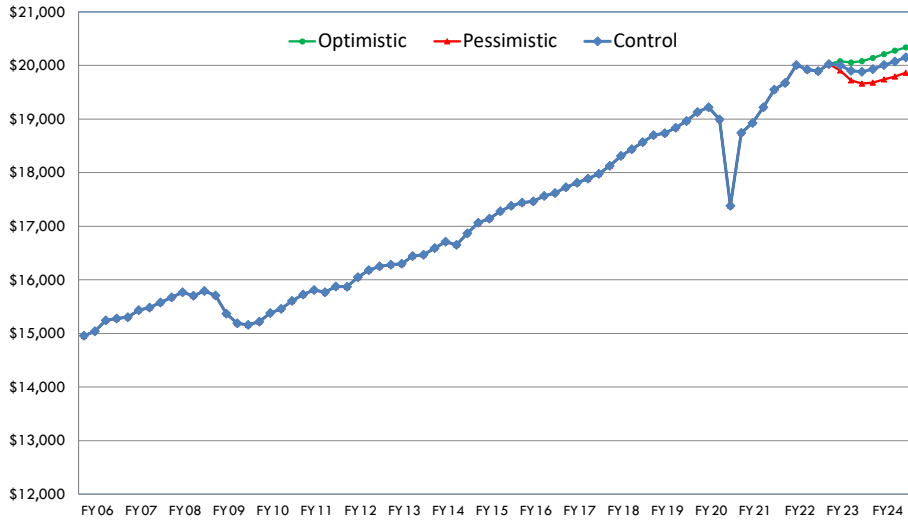
4

- GDP growth declines by 0.2% in FY23 and 0.3% in FY24
  - ▣ Russia-Ukraine conflict intensifies leading to higher commodity prices and more pronounced retraction of world economies
  - ▣ Slower correction of supply-chain issues delays durable good production
- Consumer spending growth slows to 1.5% in FY23 and 0.7% in FY24
- Employment decreases by -2.6% in FY24
- Unemployment rate increases to 5.4% by start of FY24
- Russia-Ukraine conflict drives oil back over \$100/bbl

# Real GDP

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

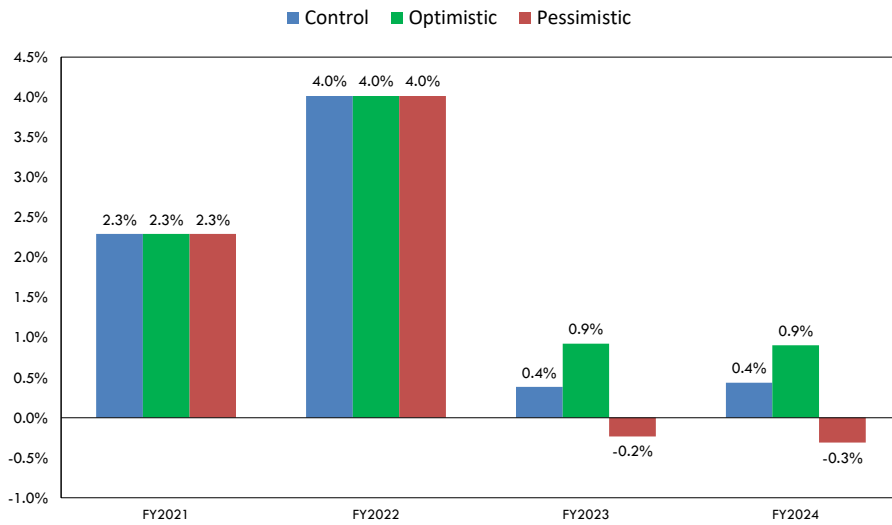
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# Real GDP

(IHS Markit, Annual Growth Rates)

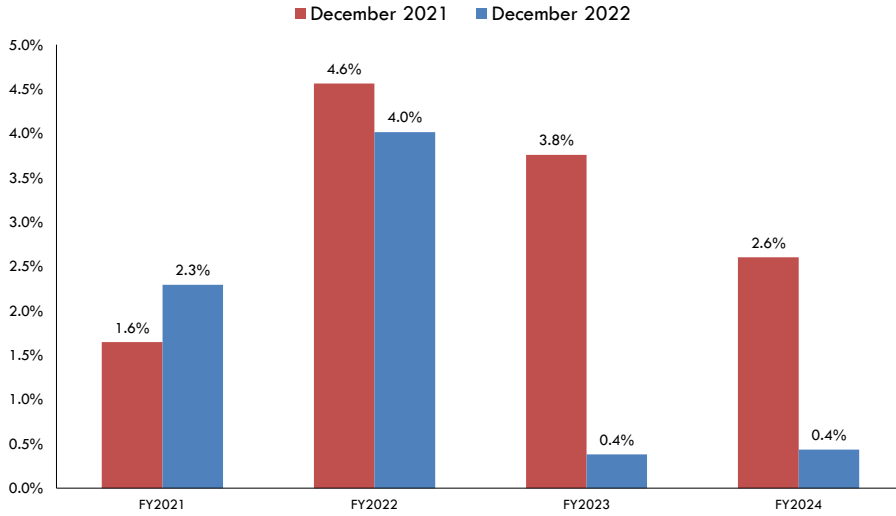
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## Real GDP – Control Forecast

(IHS Markit, Annual Growth Rates)

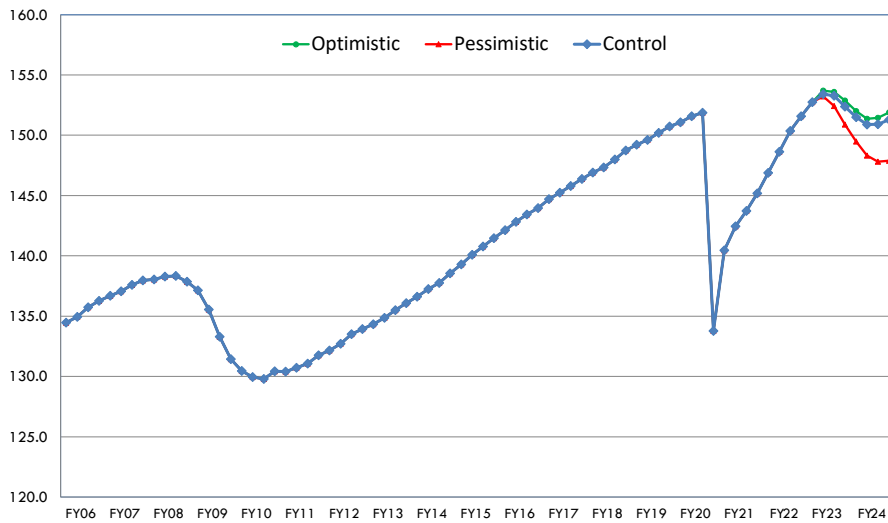
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## U.S. Employment – Total Non-Farm Payrolls

(Millions, BLS)

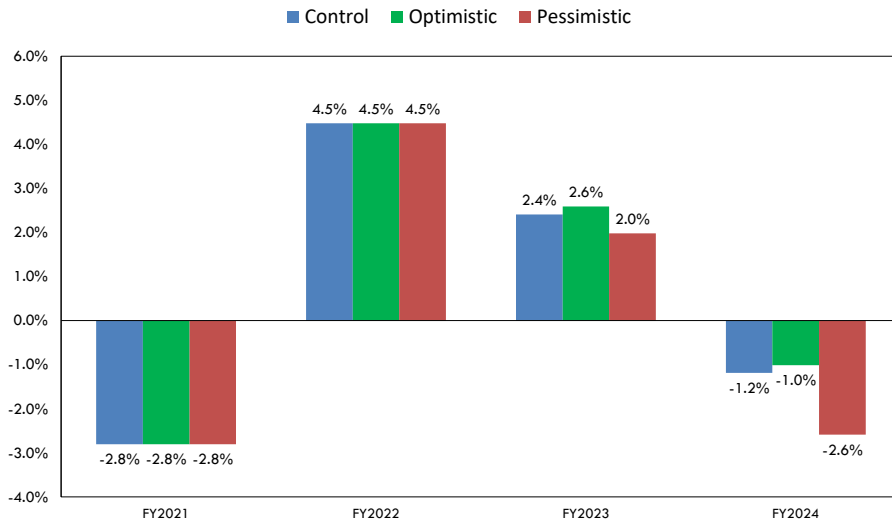
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# U.S. Employment – Total Non-Farm Payrolls

(IHS Markit Forecast, Annual Growth Rates)

9

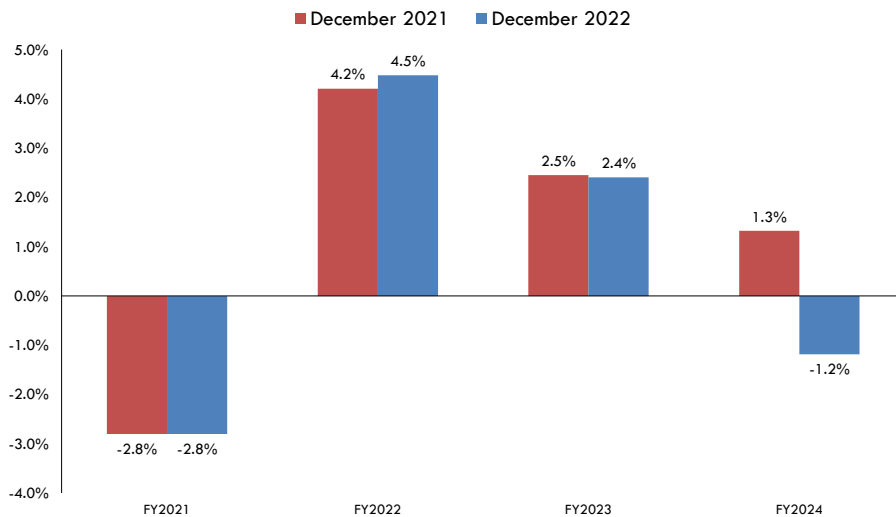


# U.S. Employment – Total Non-Farm Payrolls

## Control Forecast

(IHS Markit, Annual Growth Rates)

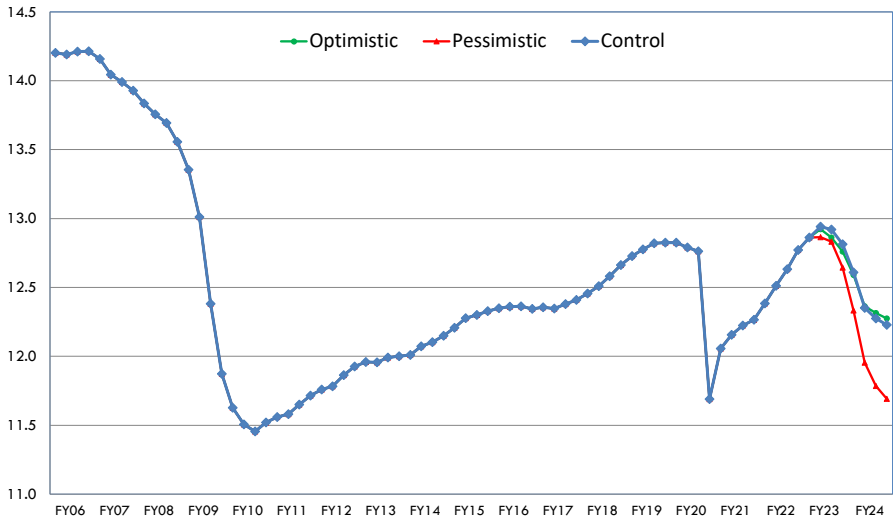
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# U.S. Employment – Manufacturing

(Millions, BLS)

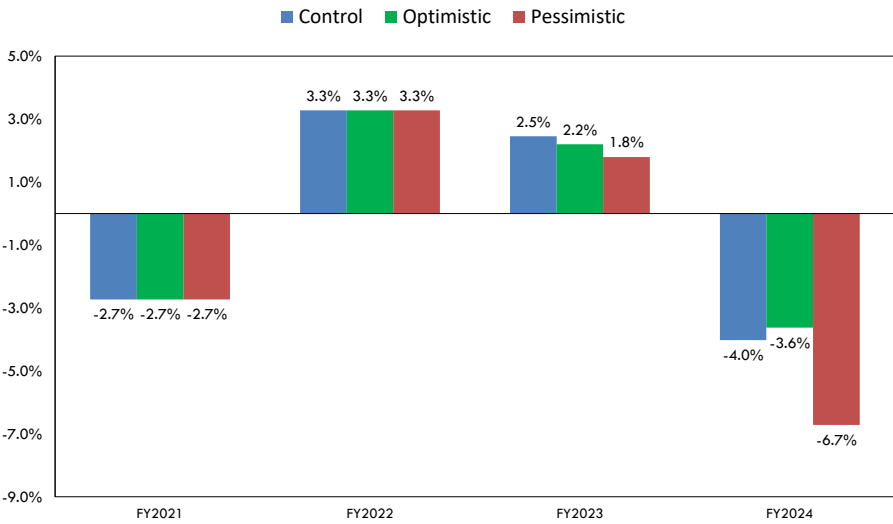
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# U.S. Employment – Manufacturing

(IHS Markit Forecast, Annual Growth Rates)

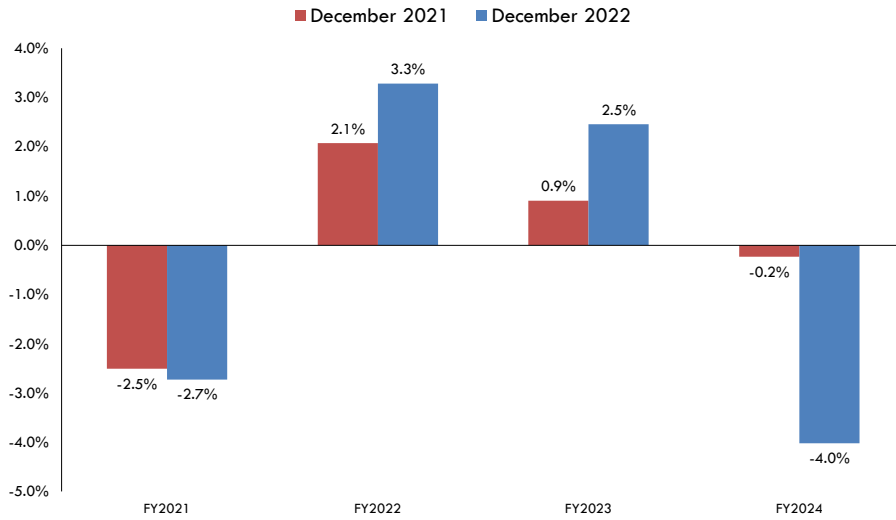
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## U.S. Employment – Manufacturing Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

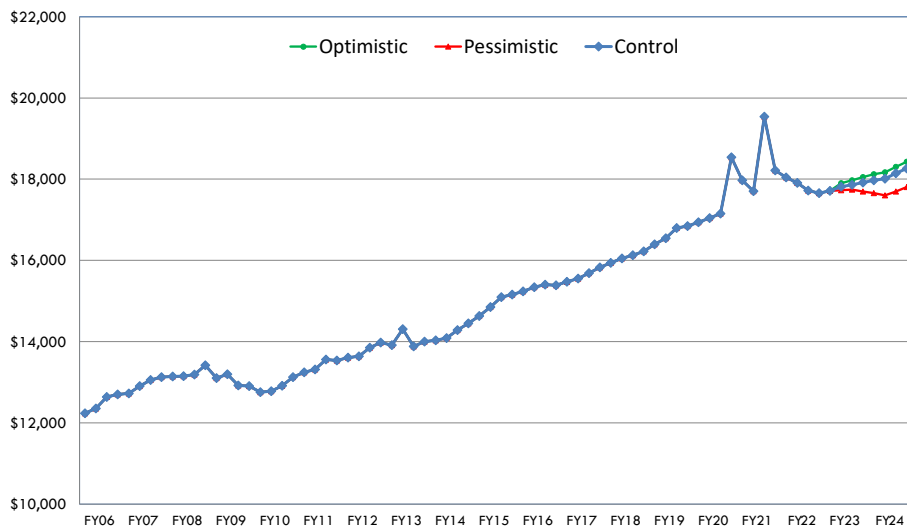
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## Real Personal Income

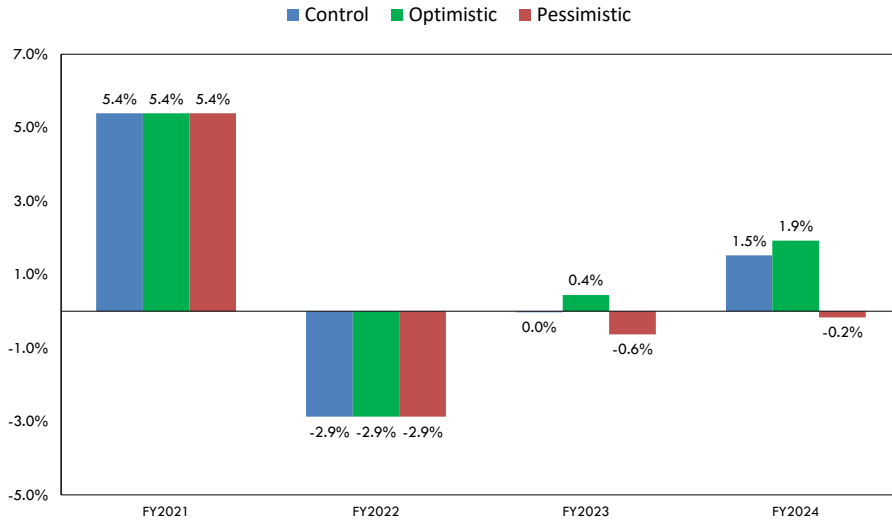
(Billions of Chained 2012 Dollars, Annual Rate, BEA)

14



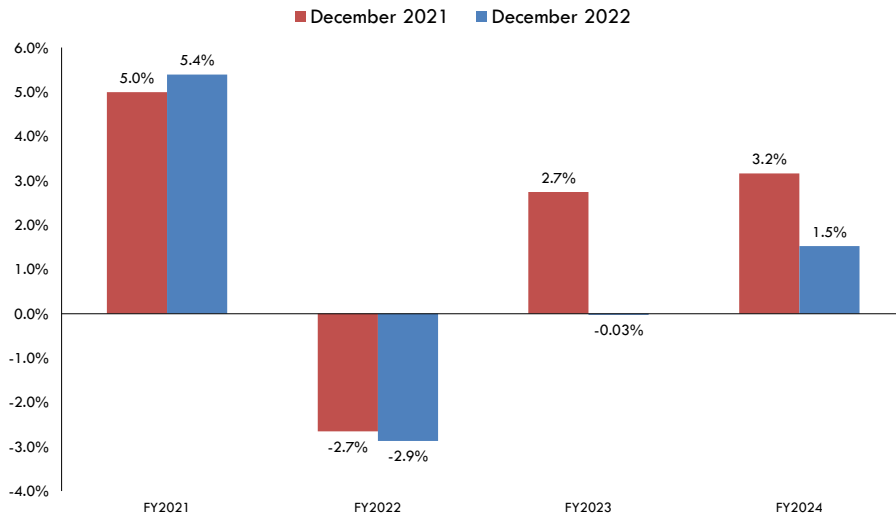
## Real Personal Income (IHS Markit Forecast, Annual Growth Rates)

15



## Real Personal Income - Control Forecast (IHS Markit Forecast, Annual Growth Rates)

16

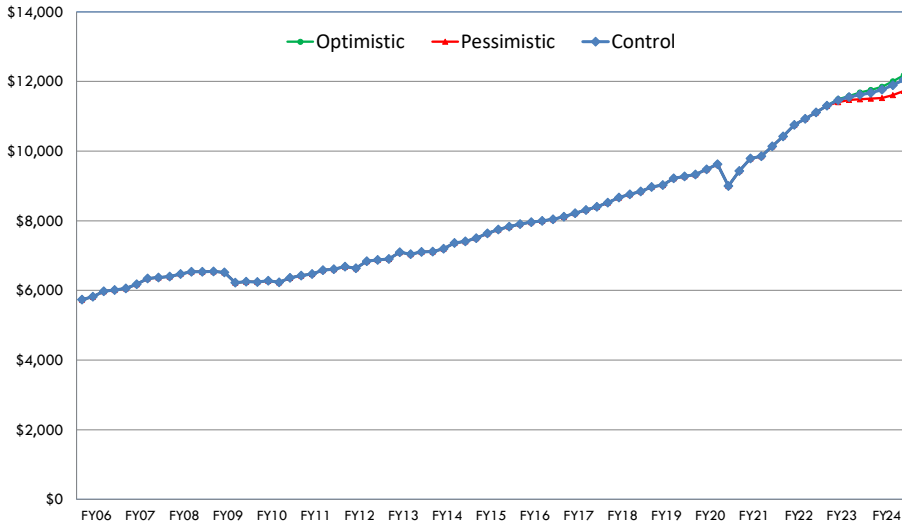




# Wage and Salary Disbursements

(Billions of Dollars, Annual Rate, BEA)

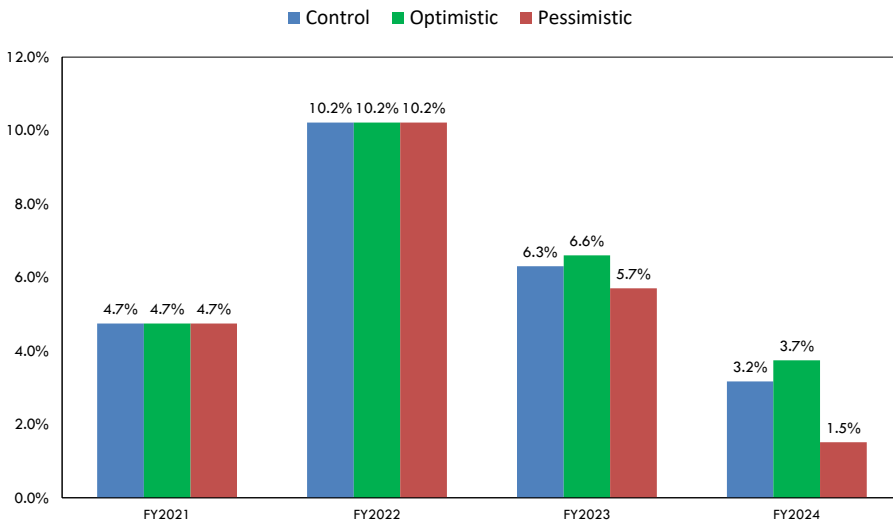
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# Wage and Salary Disbursements

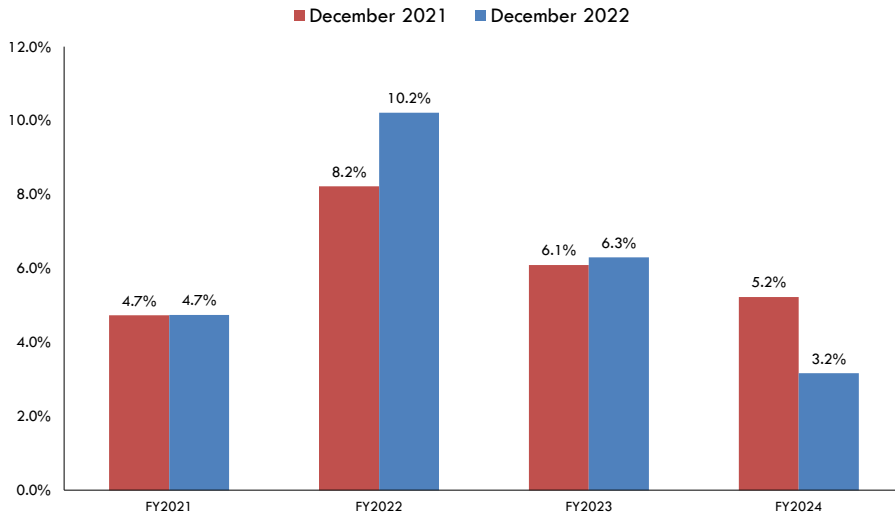
(IHS Markit Forecast, Annual Growth Rates)

18



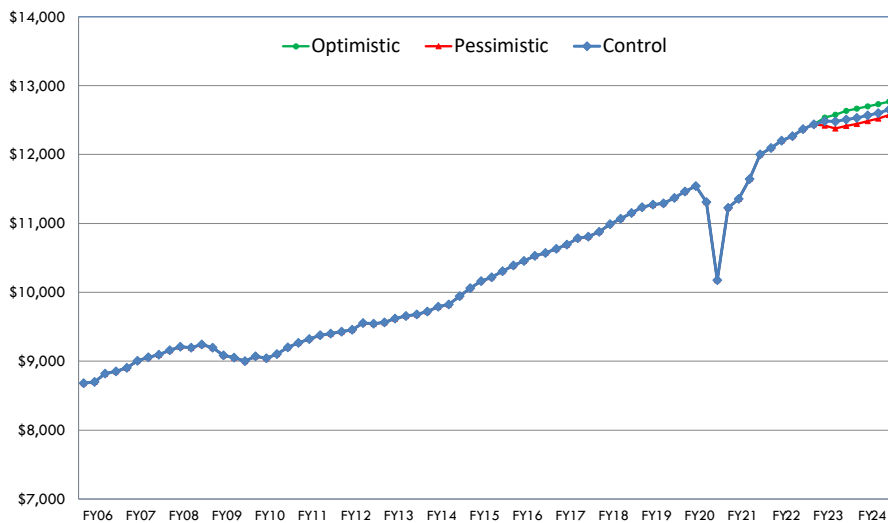
## Wage and Salary Disbursements - Control Forecast (IHS Markit Forecast, Annual Growth Rates)

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## Real Consumer Spending (Excluding Food and Energy) (Billions of 2012 Dollars, Annual Rate, BEA)

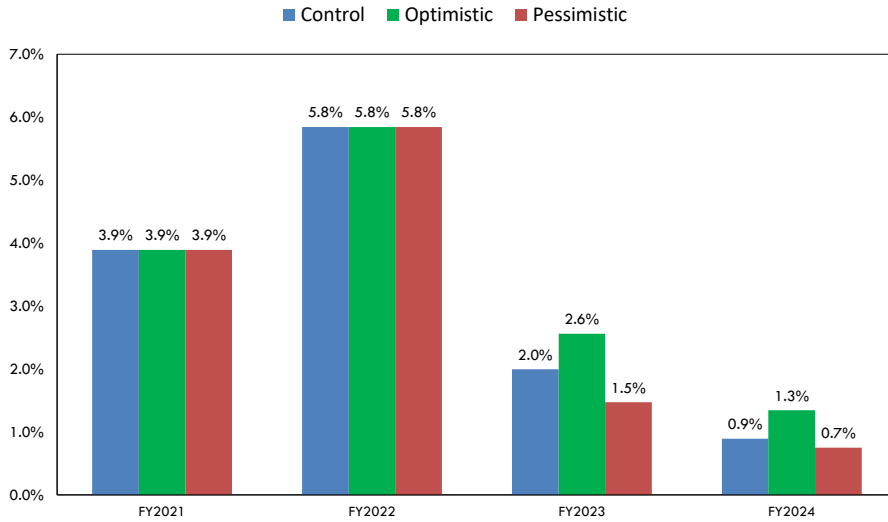
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# Real Consumer Spending (Excluding Food and Energy)

(IHS Markit Forecast, Annual Growth Rates)

21

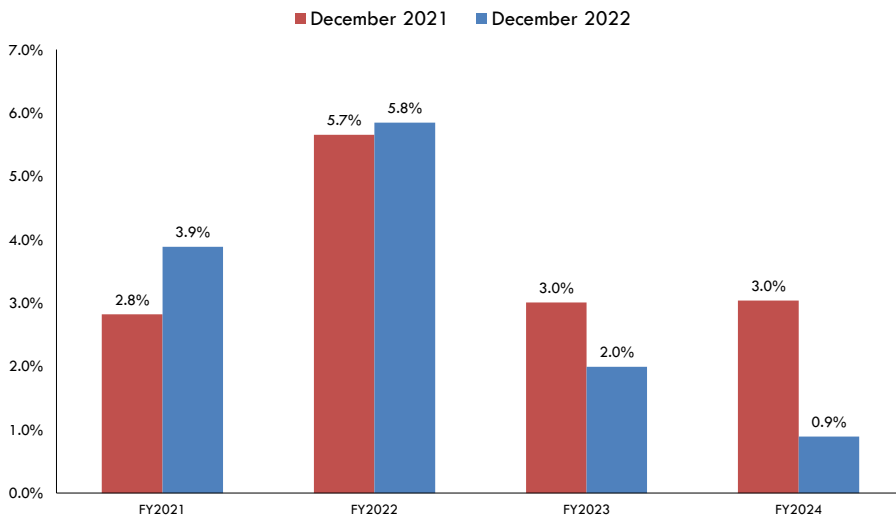


# Real Consumer Spending (Excluding Food and Energy)

## Control Forecast

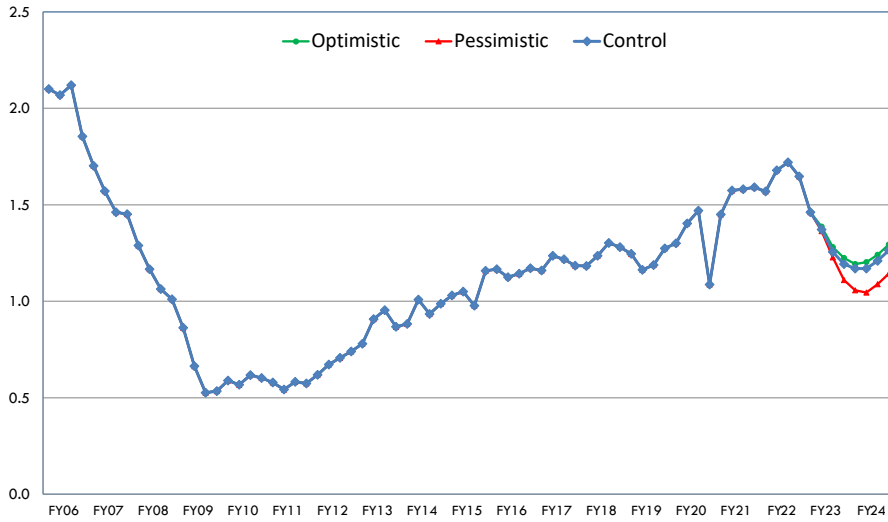
(IHS Markit Forecast, Annual Growth Rates)

22



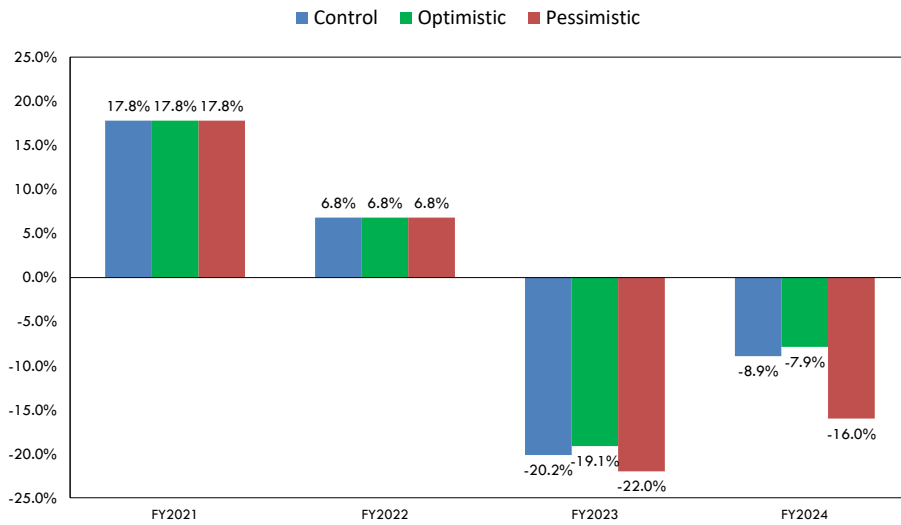
## Housing Starts (Millions, Annual Rate, U.S. Bureau of the Census)

23



## Housing Starts (IHS Markit Forecast, Annual Growth Rates)

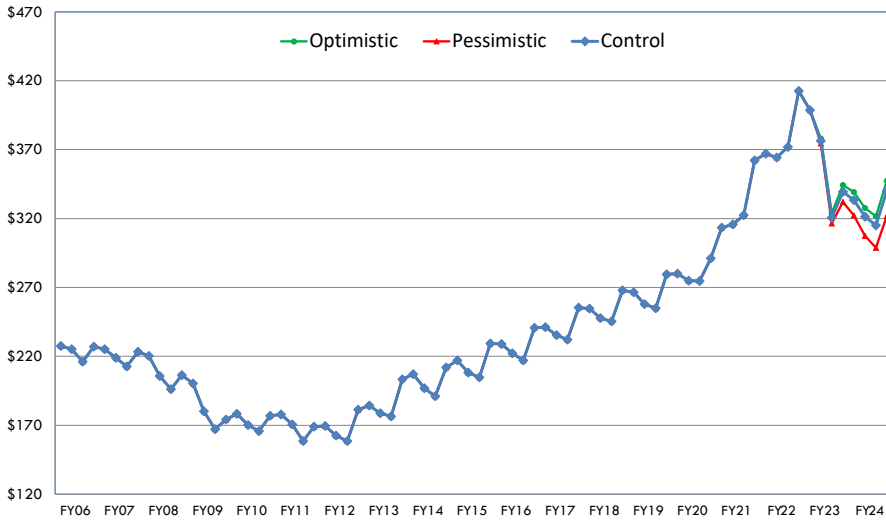
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## Median Sales Price of Existing Single-Family Homes

(Thousands of Dollars, NAR)

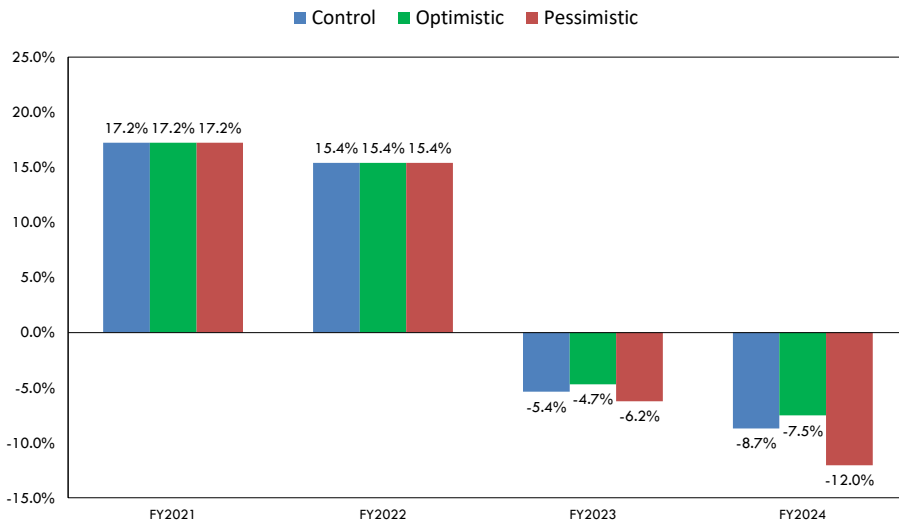
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## Median Sales Price of Existing Single-Family Homes

(IHS Markit Forecast, Annual Growth Rates)

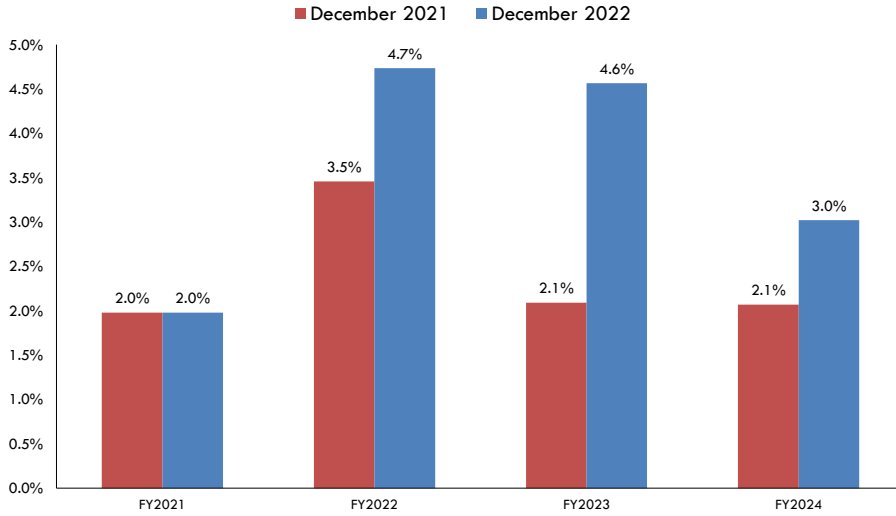
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## Chained Price Index - Consumer Spending (Excluding Food and Energy) – Control Forecast

(IHS Markit Forecast, Annual Growth Rates)

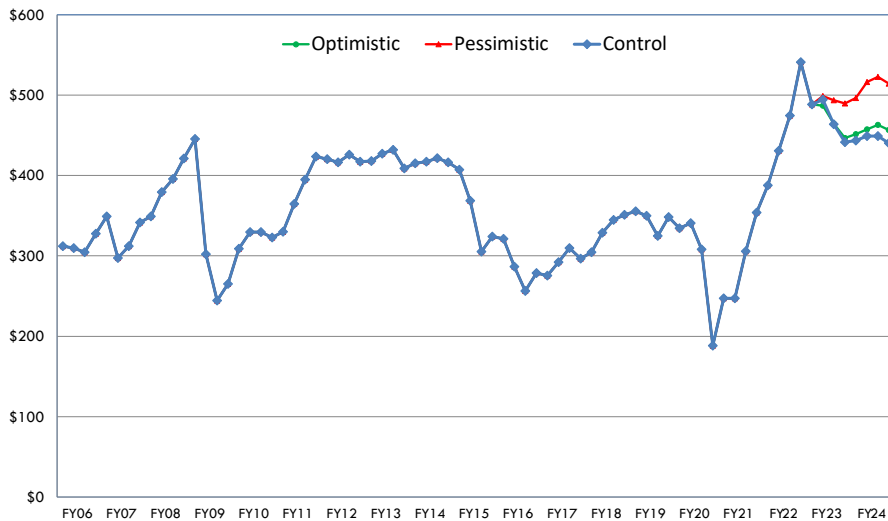
27



## Nominal Consumption of Gasoline and Oil

(Billions of Dollars, Annual Rate, BEA)

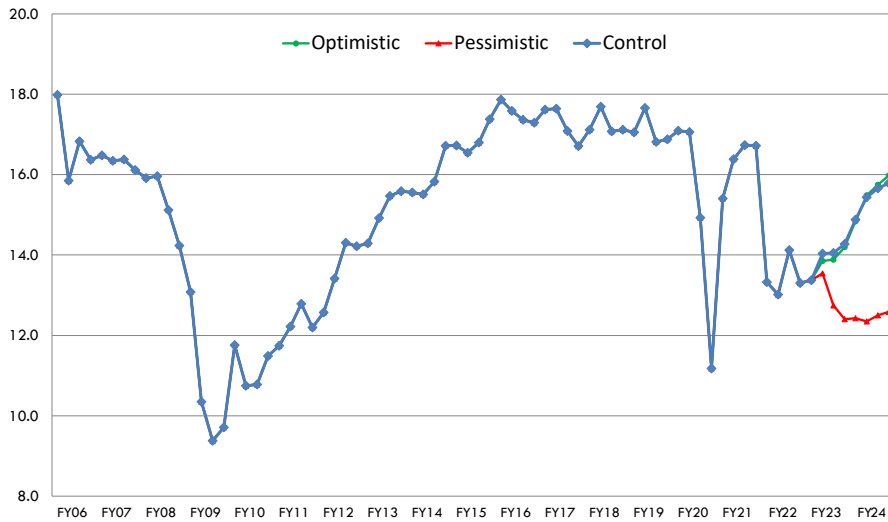
28



## Unit Sales of New Light Vehicles

(Millions, Annual Rate, BEA)

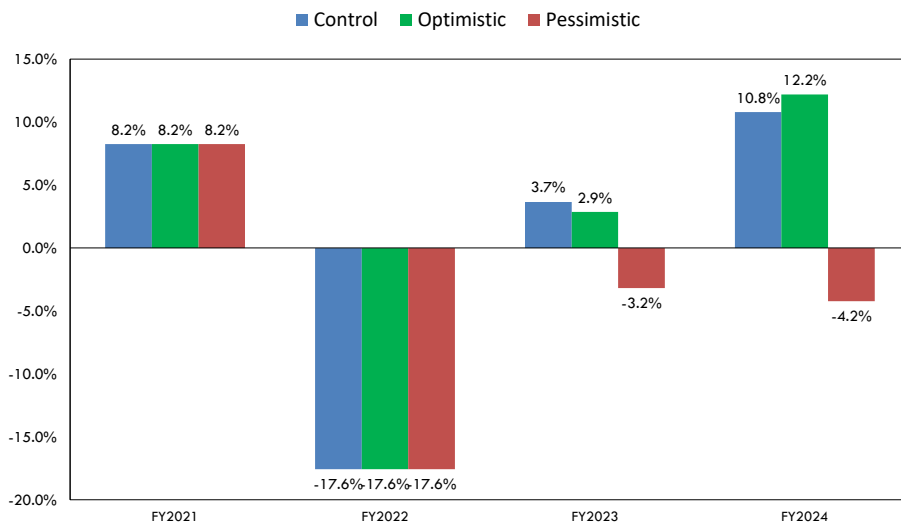
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## Unit Sales of New Light Vehicles

(IHS Markit Forecast, Annual Growth Rates)

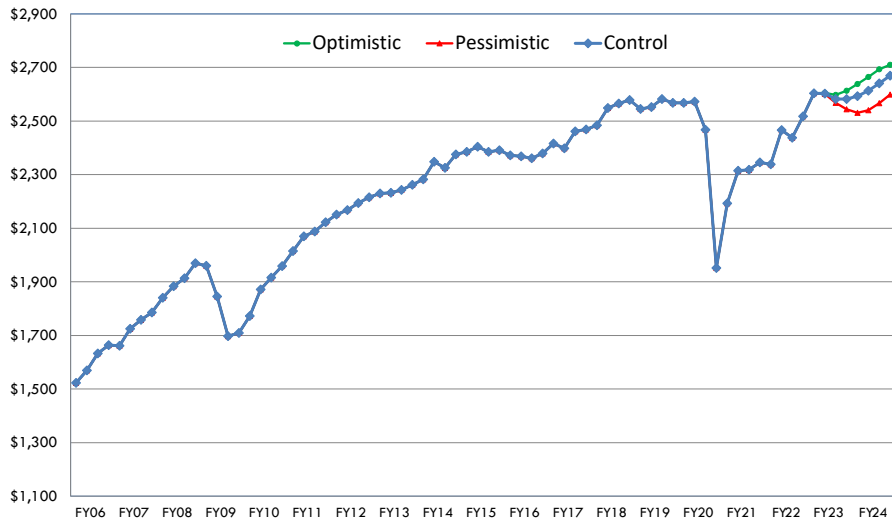
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## Real Exports of Goods and Services

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

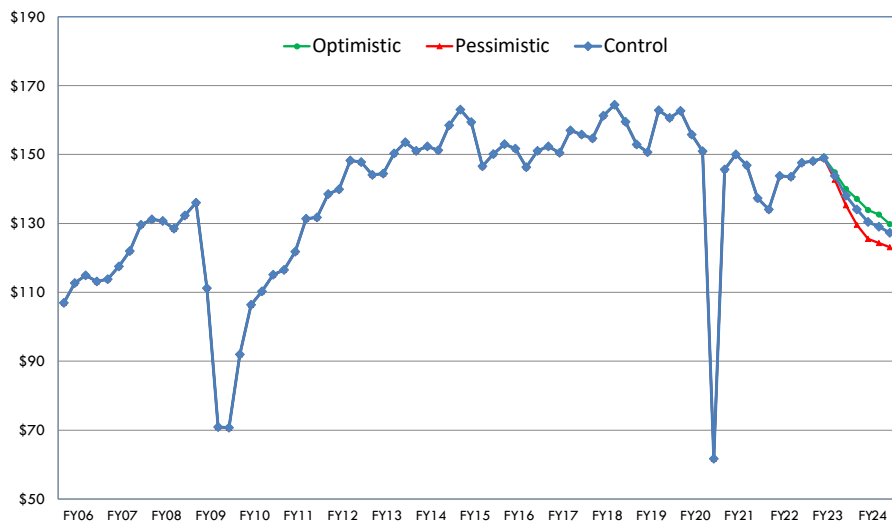
31



## Real Exports of Motor Vehicles and Parts

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

32





# KENTUCKY ECONOMIC OUTLOOK

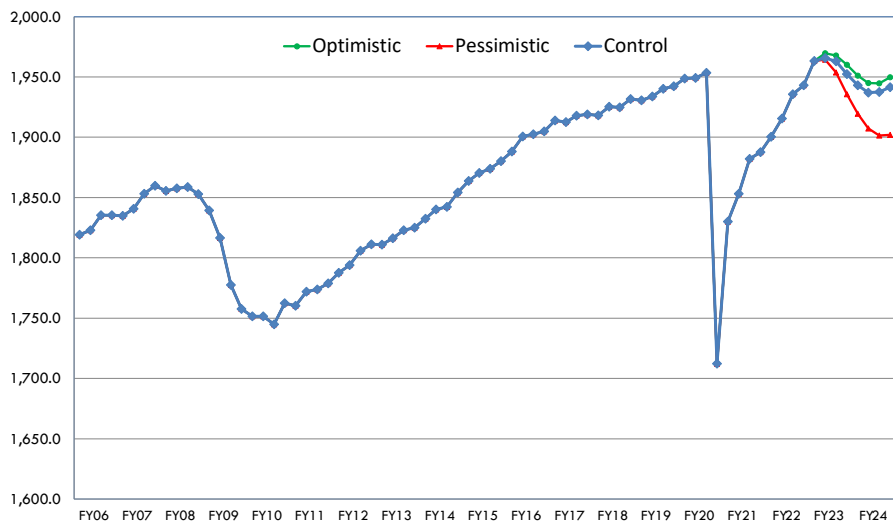
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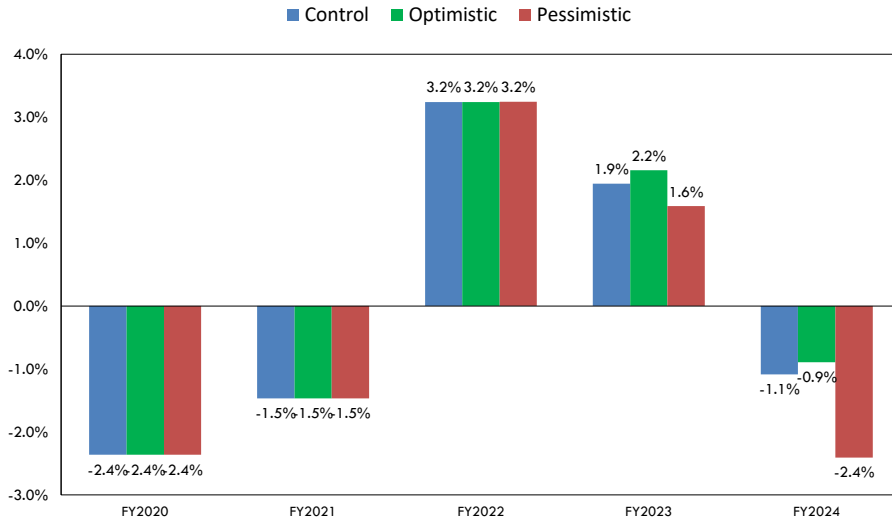
## Kentucky Non-Farm Employment (Thousands, KY MAK Model)

34



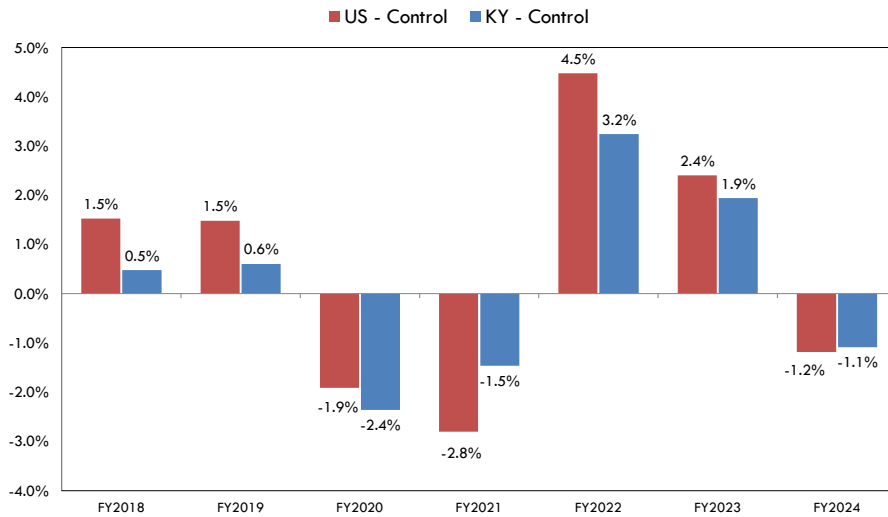
## Kentucky Non-Farm Employment Forecasts (KY MAK Model, Annual Growth Rates)

35



## Non-Farm Employment – US and Kentucky (Fiscal Year Growth Rates, IHS Markit and KY MAK Model)

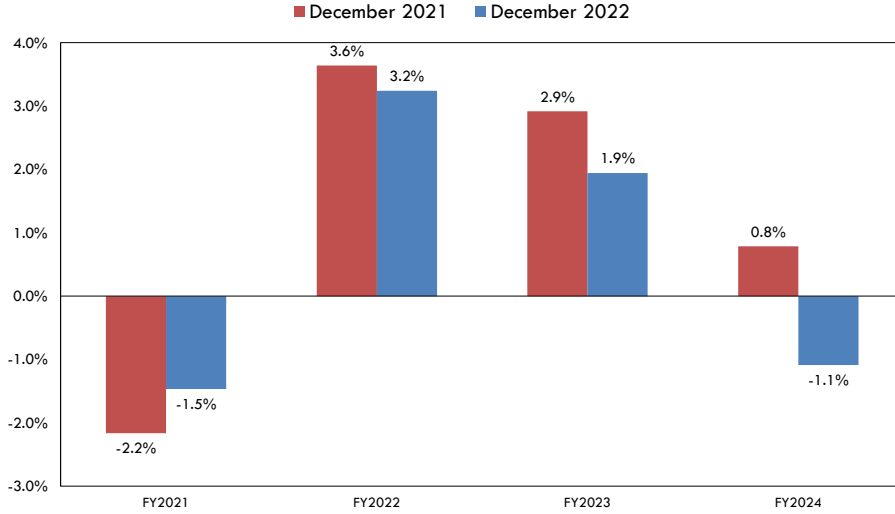
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## Kentucky Non-Farm Employment Control Forecast

(KY MAK Model, Annual Growth Rates)

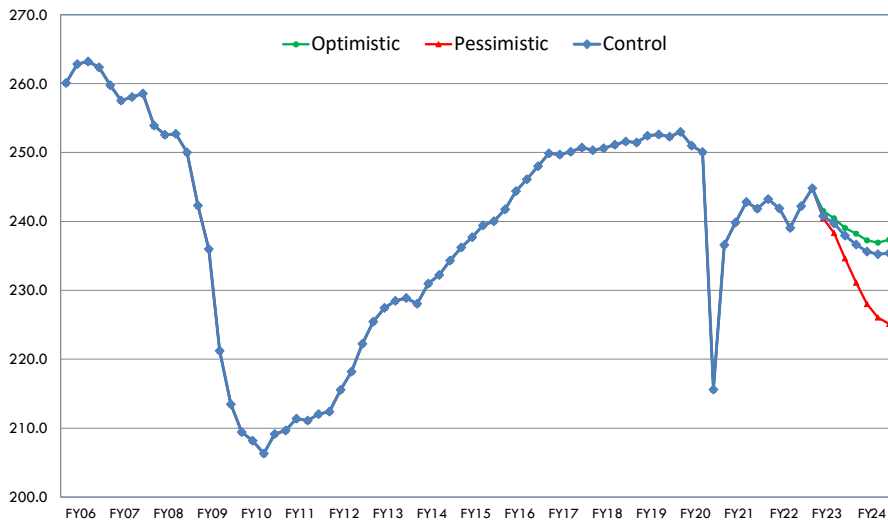
37



## Kentucky Manufacturing Employment

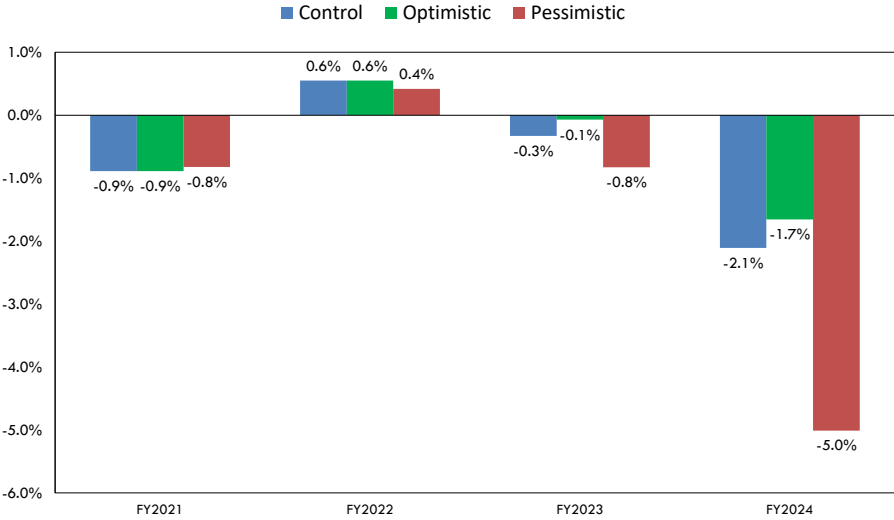
(Thousands, KY MAK Model)

38



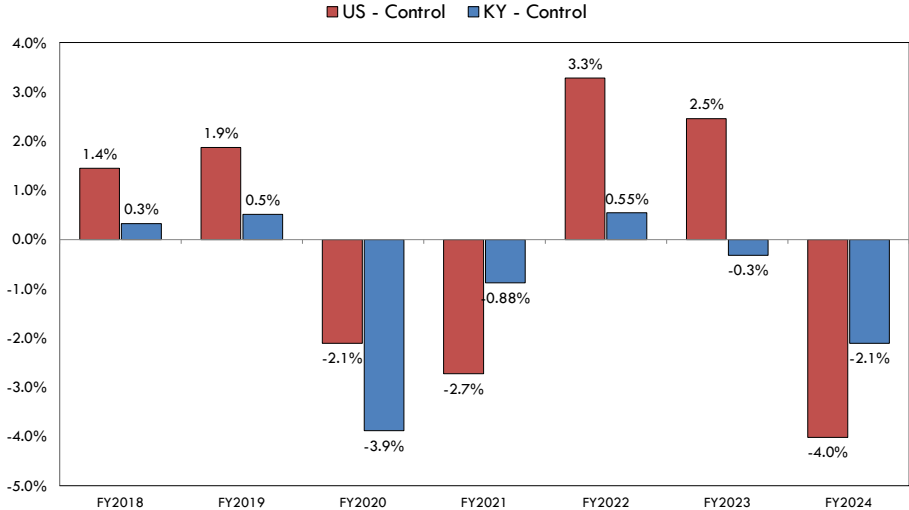
# Kentucky Manufacturing Employment Forecasts

(KY MAK Model, Annual Growth Rates)



# Manufacturing Employment – US and Kentucky

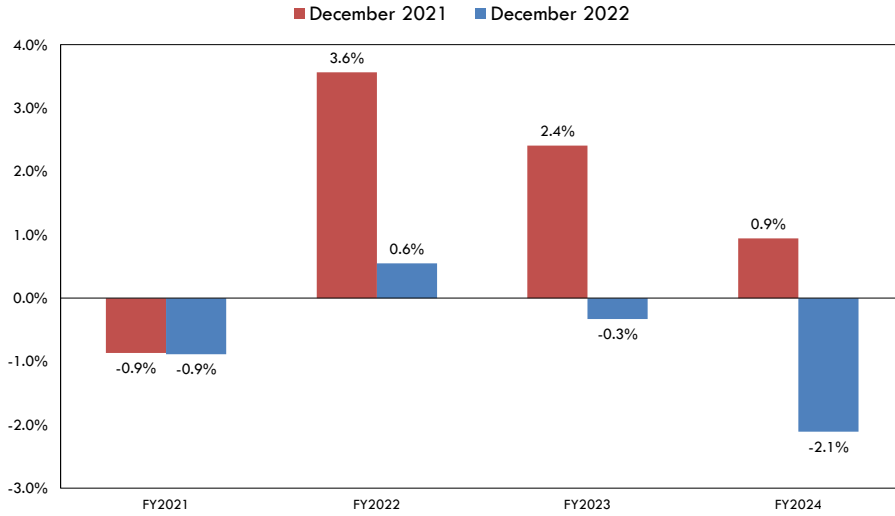
(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)



## Kentucky Manufacturing Employment Control Forecast

(KY MAK Model, Annual Growth Rates)

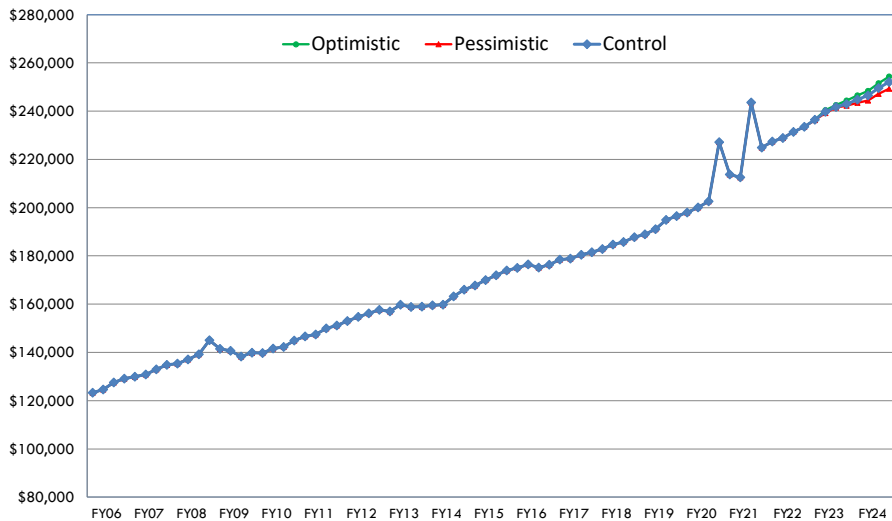
41



## Kentucky Personal Income

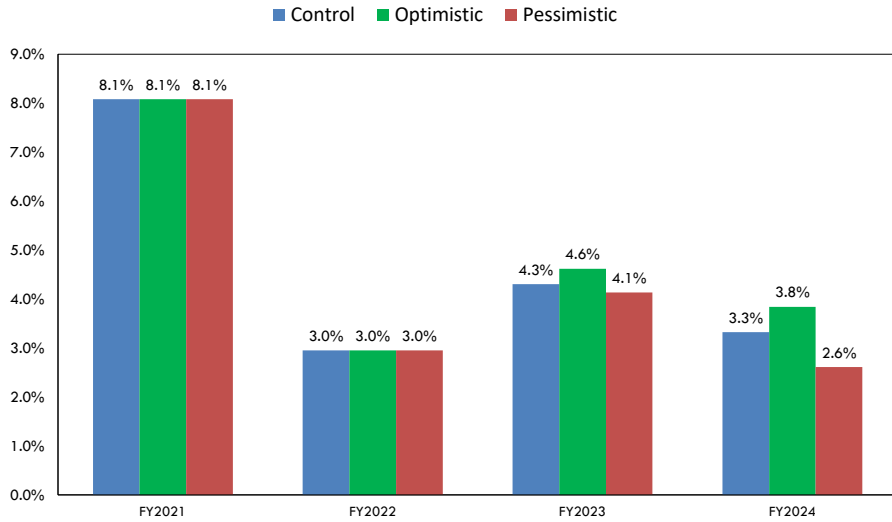
(Millions of Dollars, KY MAK Model)

42



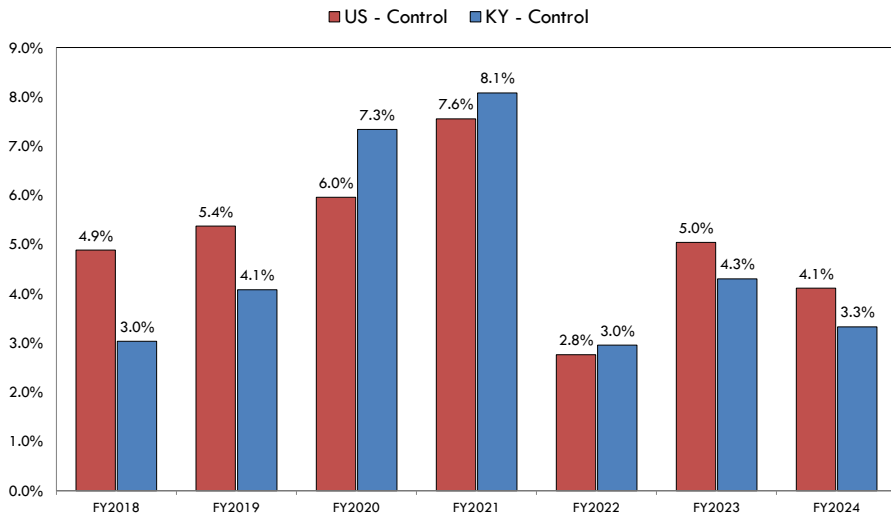
## Kentucky Personal Income Forecasts (KY MAK Model, Annual Growth Rates)

43



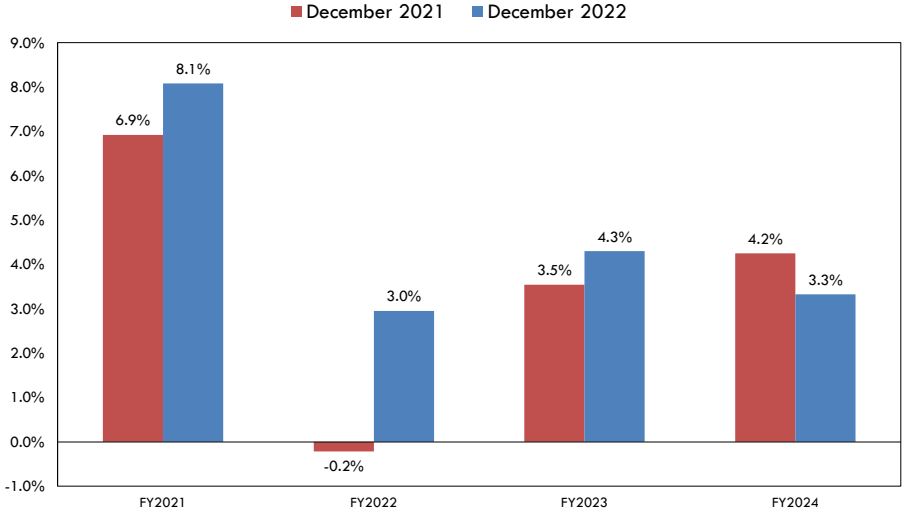
## Personal Income – US and Kentucky (Fiscal Year Growth Rates, IHS Markit and KY MAK Model)

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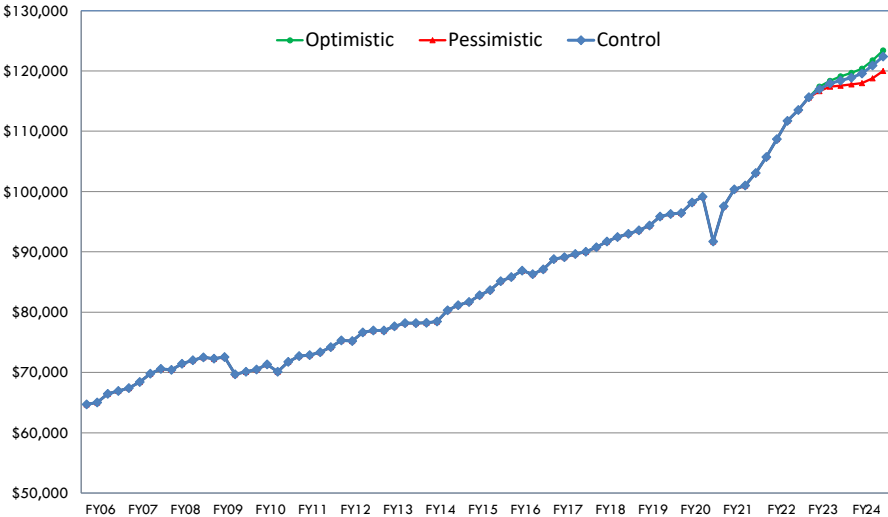
# Kentucky Personal Income Control Forecast

(KY MAK Model, Annual Growth Rates)



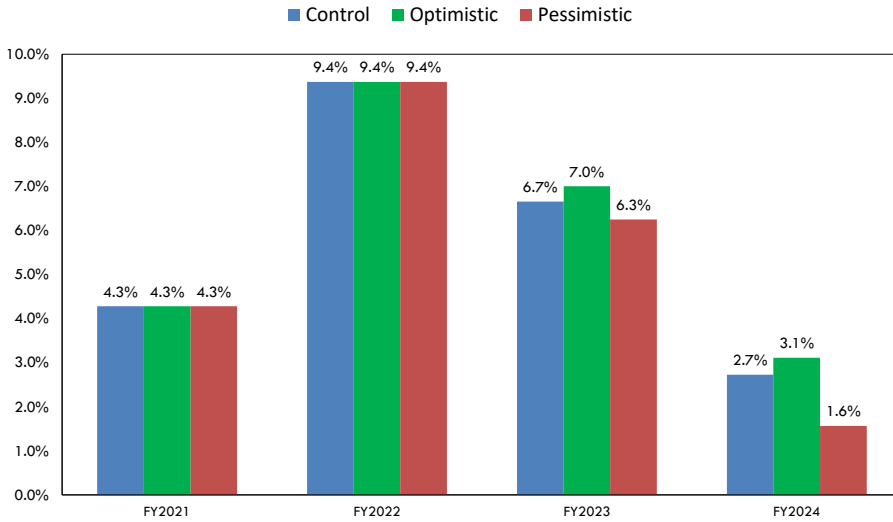
# Kentucky Wages and Salaries Forecasts

(Millions of Dollars, KY MAK Model)



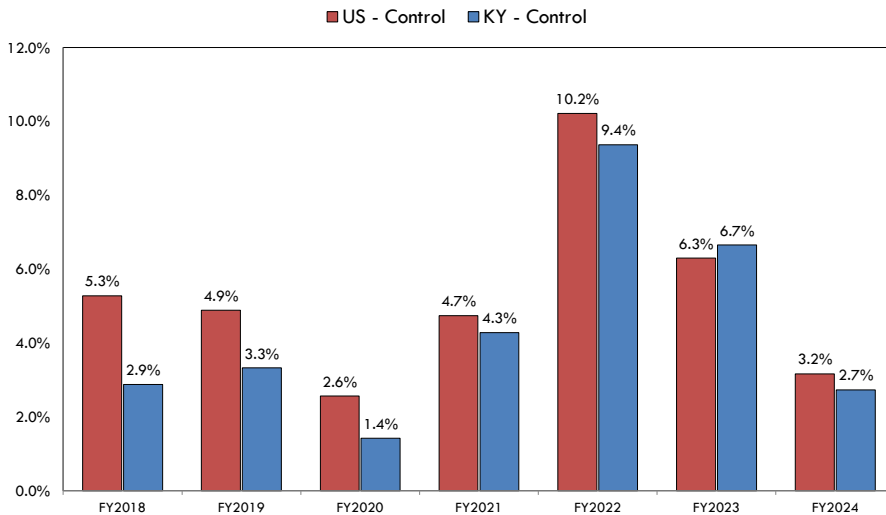
## Kentucky Wages and Salaries Forecasts (KY MAK Model, Annual Growth Rates)

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## Wages and Salaries – US and Kentucky (Fiscal Year Growth Rates, IHS Markit and KY MAK Model)

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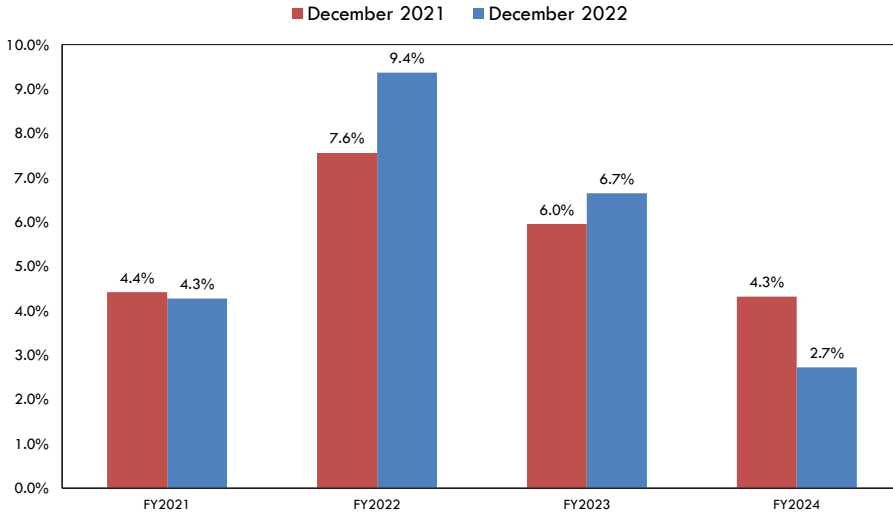




## Kentucky Wages and Salaries Control Forecast

(KY MAK Model, Annual Growth Rates)

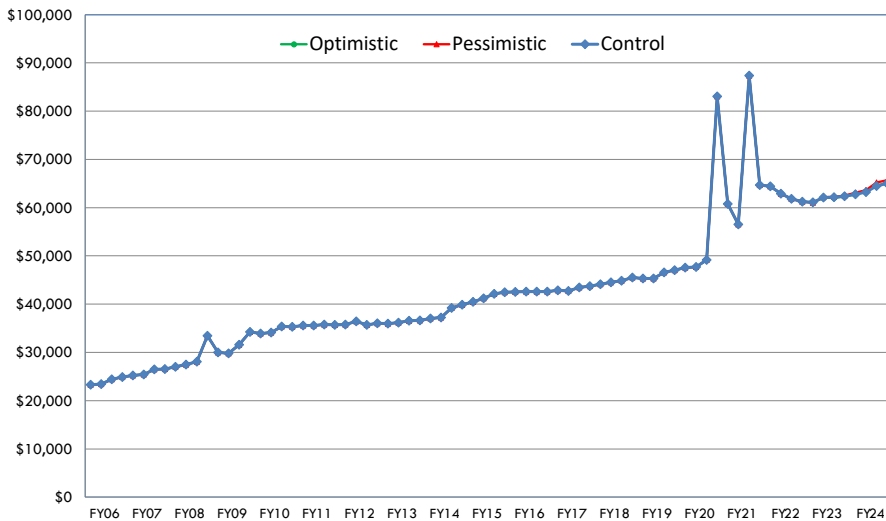
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## Kentucky Transfer Payments

(Millions of Dollars, KY MAK Model)

50



# Kentucky Transfer Payments Forecasts

(KY MAK Model, Annual Growth Rates)

