

NATIONAL OUTLOOK

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SEPTEMBER 25, 2023

Office of State Budget Director

Control Scenario

(Probability – 55%)

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- Recession Fear Ebb
 - Increased Real GDP growth of 1.9% estimated for FY24
 - Below-trend growth in FY25 and FY26
 - Business Fixed Investment slows after recent surge due to CHIPs Act
- Federal Reserve maintains increase of Federal Funds rates to 5.5-5.75% by the end of FY24Q2 with continued balance sheet reductions
- Trends in payroll growth continue to decline, with negative growth in FY25 and FY26, as Fed tightening continues
- Declines from recent highs in West Texas Intermediate oil prices, as oil expected to be \$73.90/bbl in FY24, increasing to \$74.98 in FY25 and \$80.91 in FY26

Optimistic Scenario

(Probability – 20%)

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- GDP growth increases to 2.4% in FY24, trend level growth in FY25 and FY26
 - ▣ Consumer response to Infrastructure Investment and Jobs Act stimulus exceeds baseline forecast
 - ▣ Business fixed investment remains elevated
- Employment increases by 1.5% in FY24
- Real Personal Income has growth in FY24 of 2.4%
- Light Vehicle Sales increase by 6.8% in FY24 and 8.7% in FY25
- Real Consumer Spending increase by 2.5% in FY24
- Cessation of active fighting in Russia-Ukraine conflict lowers global oil prices

Pessimistic Scenario

(Probability – 25%)

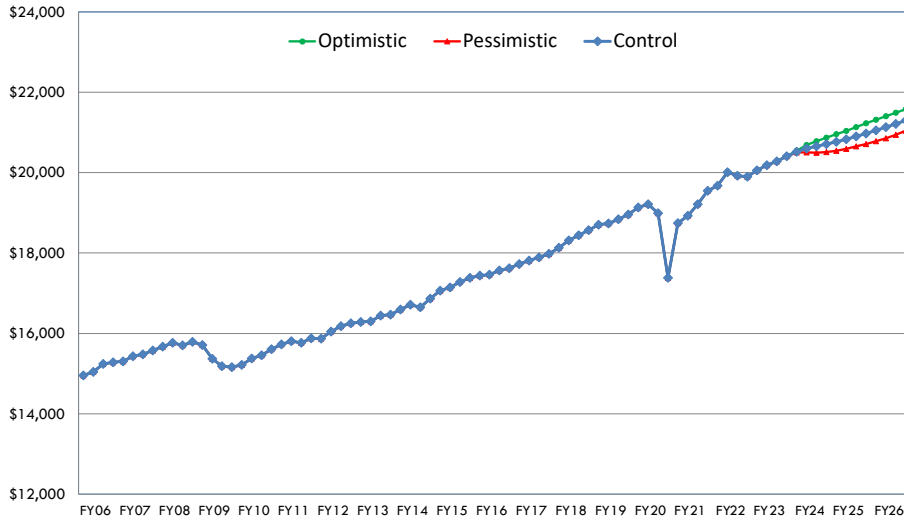
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- GDP growth declines by 1.3% in FY24 and 0.6% in FY25
 - ▣ Russia-Ukraine conflict intensifies leading to higher commodity prices and more pronounced retraction of world economies
 - ▣ Recent turmoil in banking sector leads to tightened lending standards and reduced credit expansion
- Consumer spending growth slows to 1.3% in FY24 and 0.9% in FY25
- Non-Farm Employment decreases by -1.5% in FY25, with Manufacturing Employment decreasing by -4.4% in FY25
- Unemployment rate increases to 6.4% by end of FY25
- Russia-Ukraine conflict drives world oil back over \$100/bbl

Real GDP

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

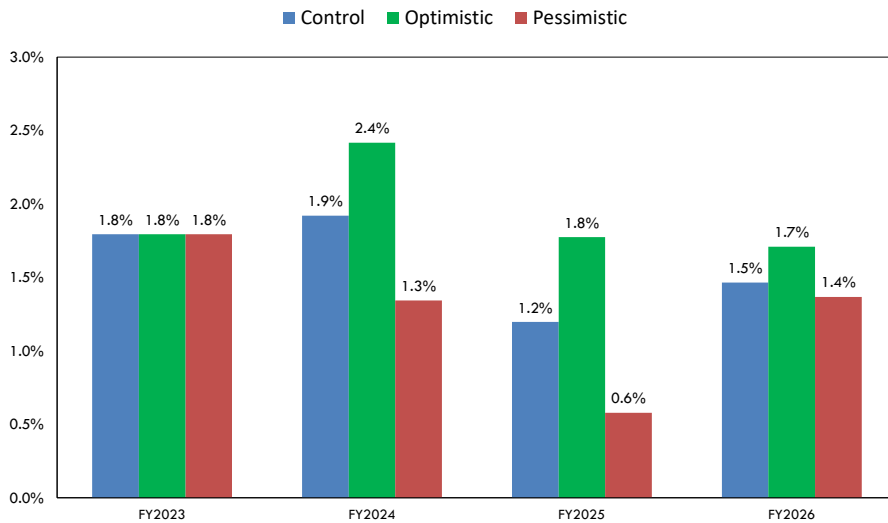
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Real GDP

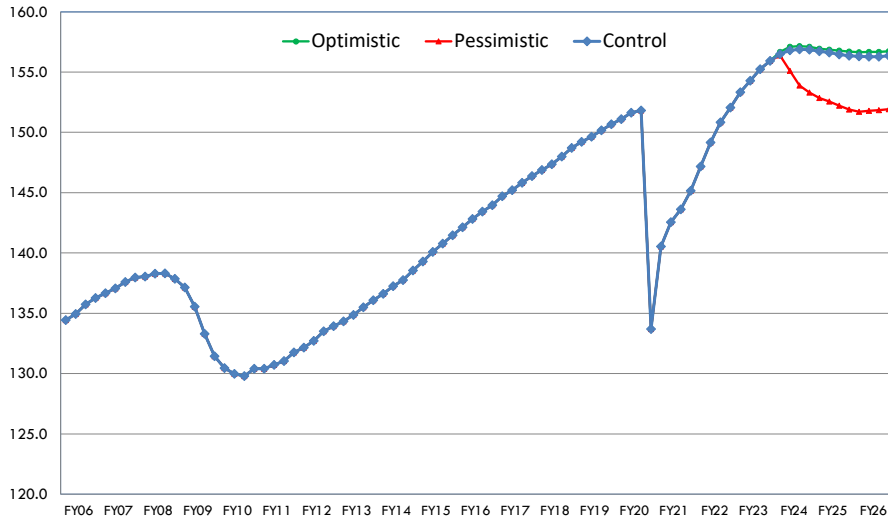
(IHS Markit, Annual Growth Rates)

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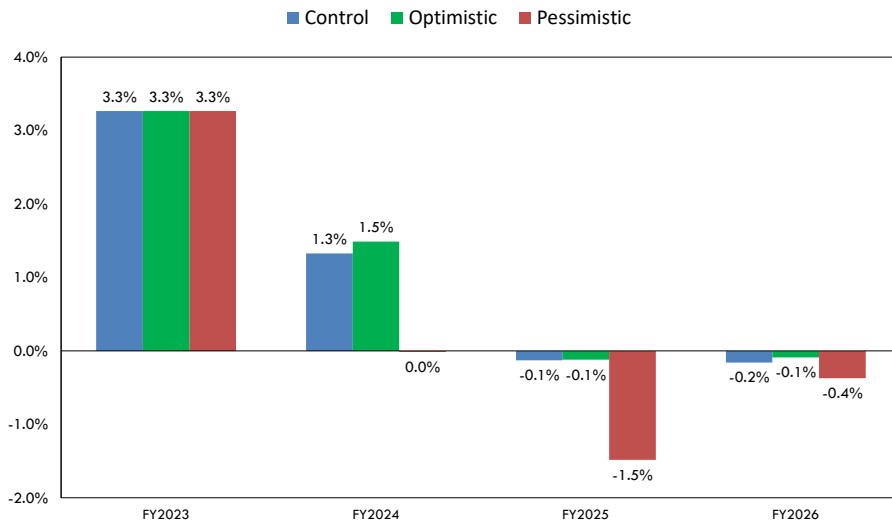
U.S. Employment – Total Non-Farm Payrolls (Millions, BLS)

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U.S. Employment – Total Non-Farm Payrolls (IHS Markit Forecast, Annual Growth Rates)

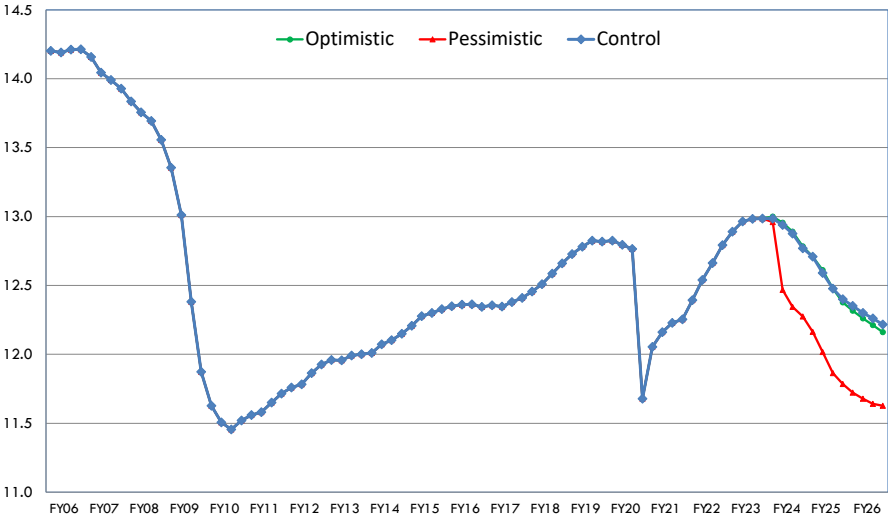
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U.S. Employment – Manufacturing

(Millions, BLS)

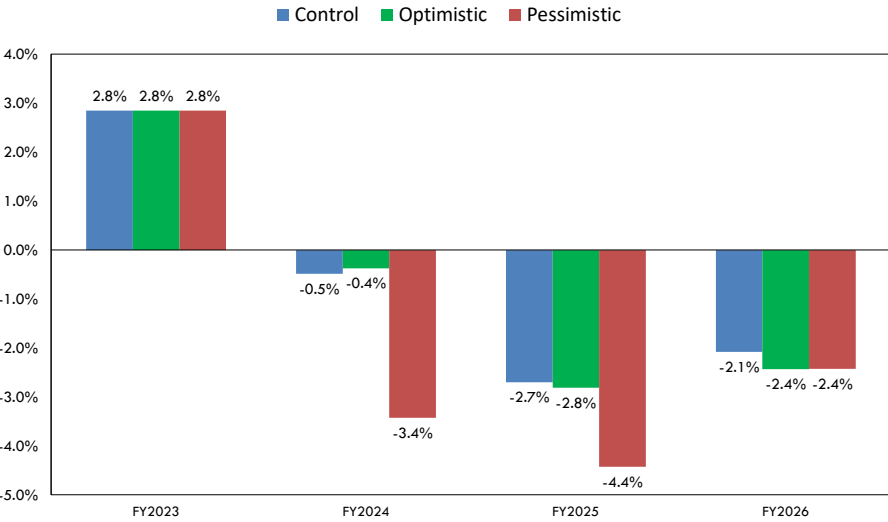
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U.S. Employment – Manufacturing

(IHS Markit Forecast, Annual Growth Rates)

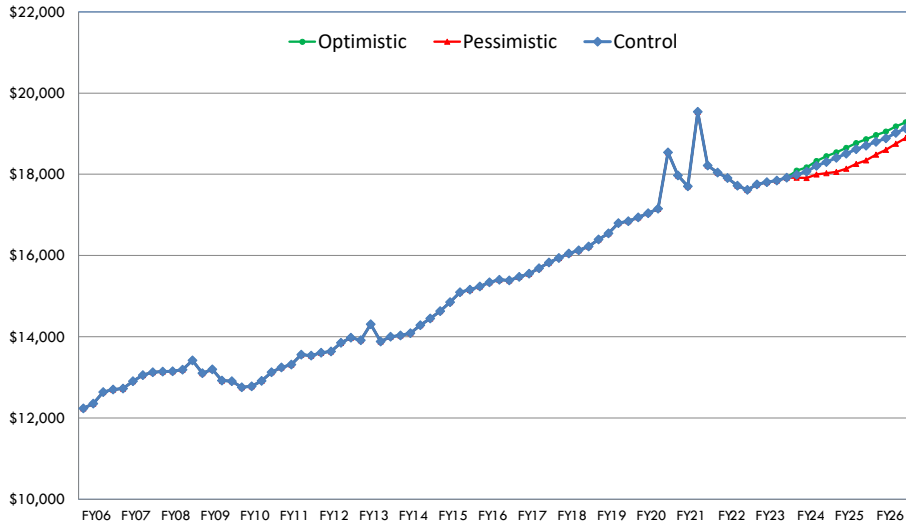
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Real Personal Income

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

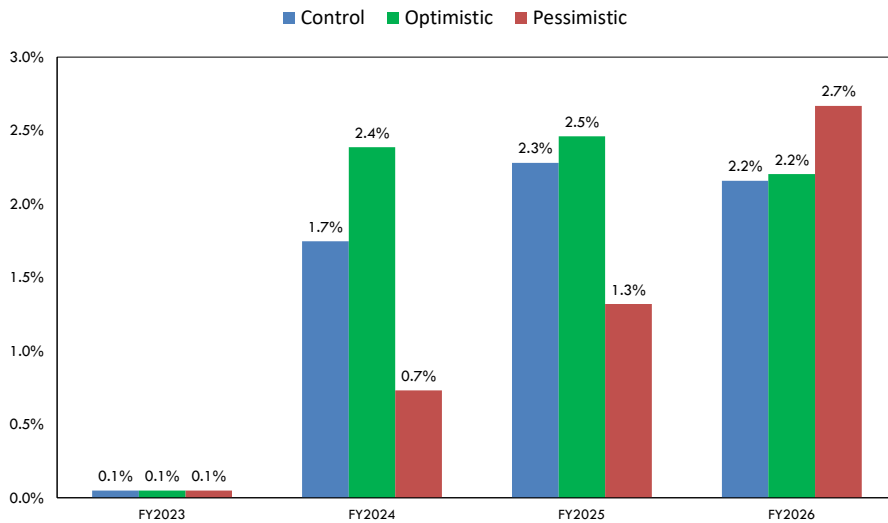
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Real Personal Income

(IHS Markit Forecast, Annual Growth Rates)

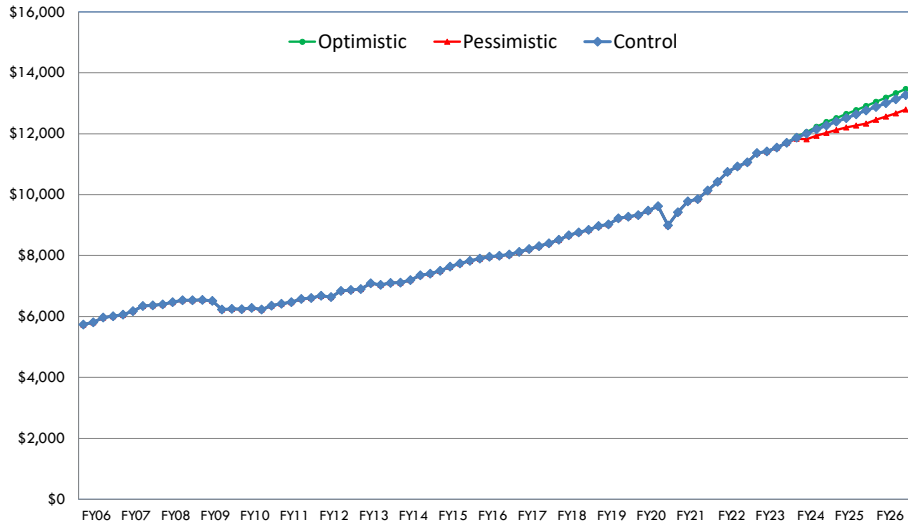
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Wage and Salary Disbursements

(Billions of Dollars, Annual Rate, BEA)

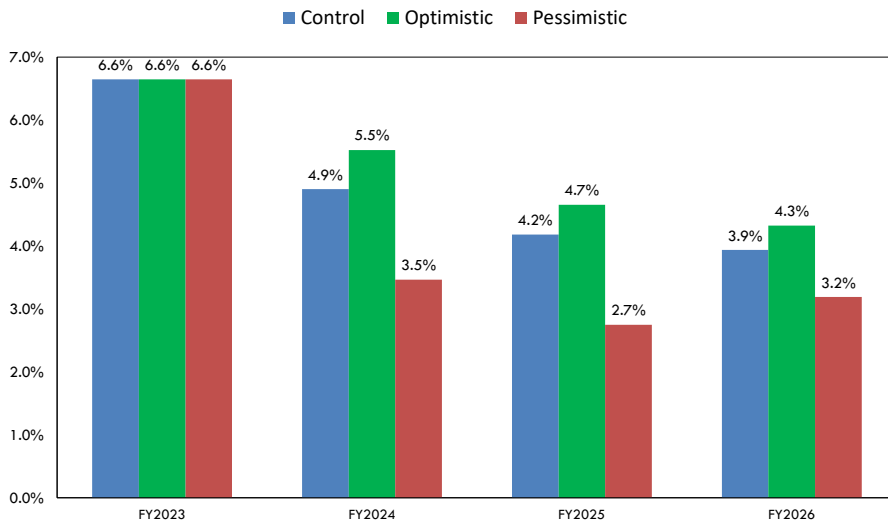
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Wage and Salary Disbursements

(IHS Markit Forecast, Annual Growth Rates)

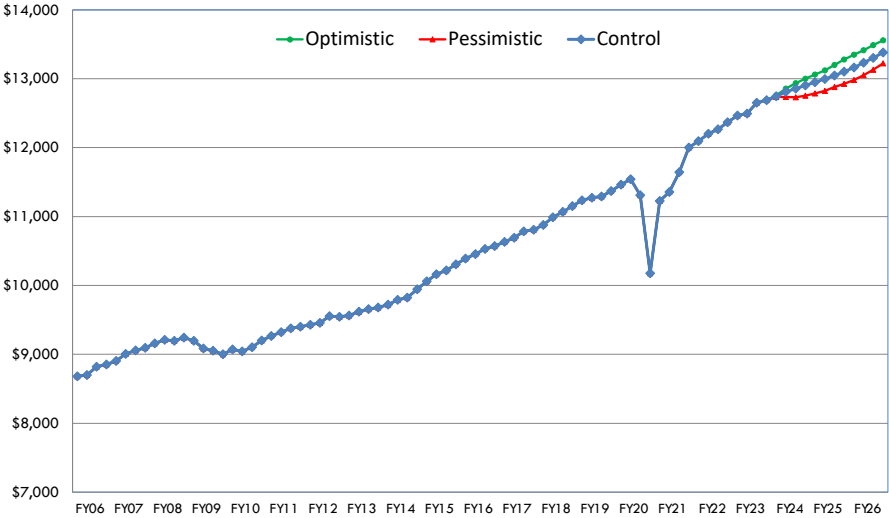
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Real Consumer Spending (Excluding Food and Energy)

(Billions of 2012 Dollars, Annual Rate, BEA)

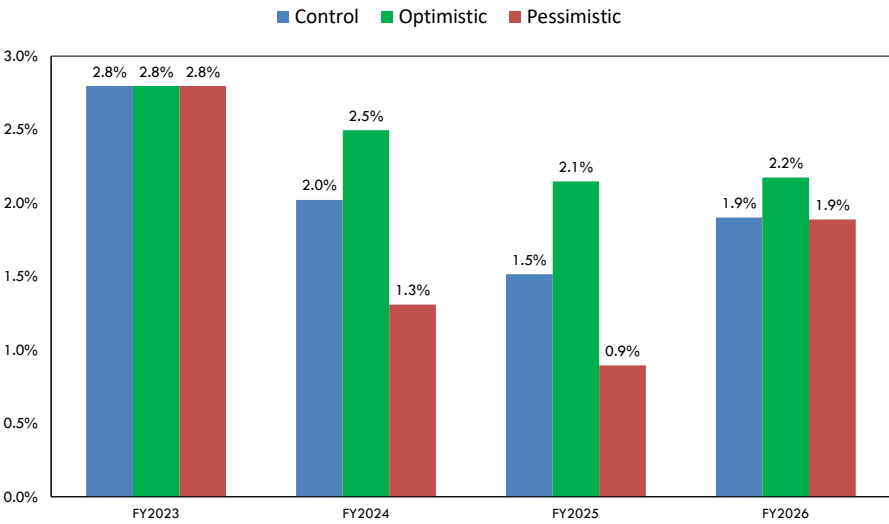
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Real Consumer Spending (Excluding Food and Energy)

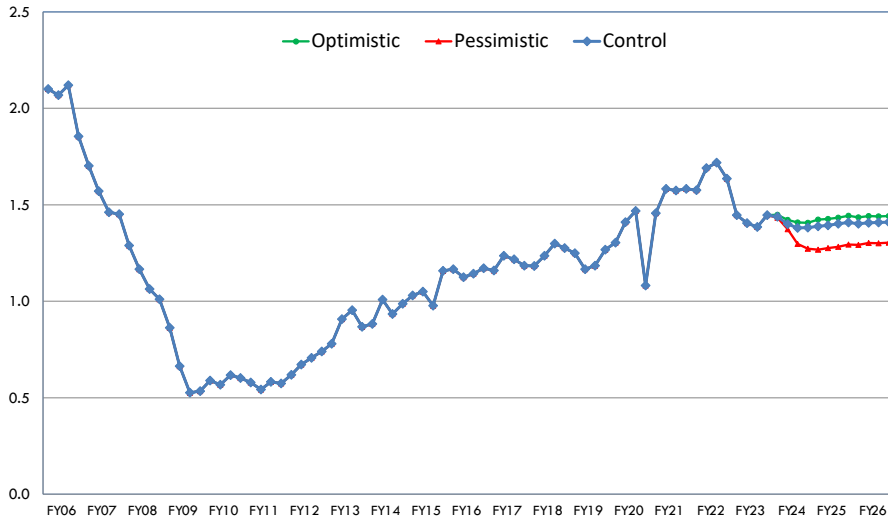
(IHS Markit Forecast, Annual Growth Rates)

16



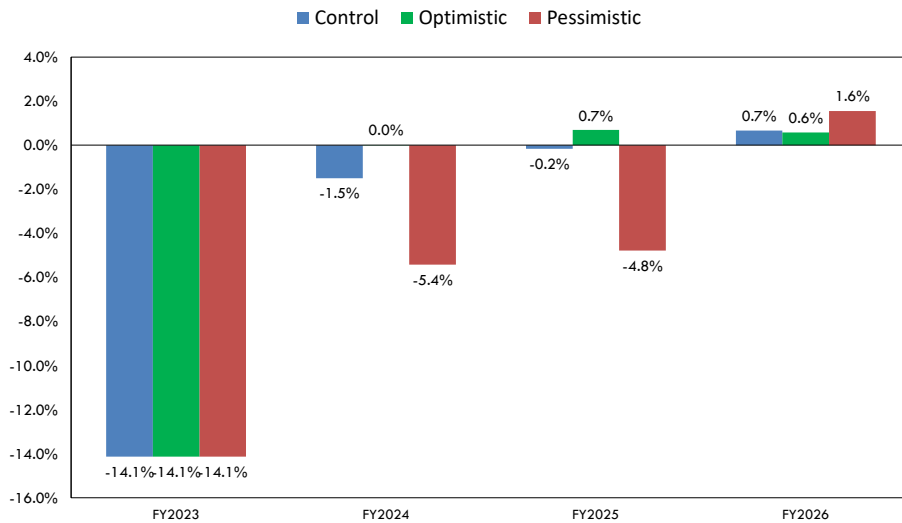
Housing Starts (Millions, Annual Rate, U.S. Bureau of the Census)

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Housing Starts (IHS Markit Forecast, Annual Growth Rates)

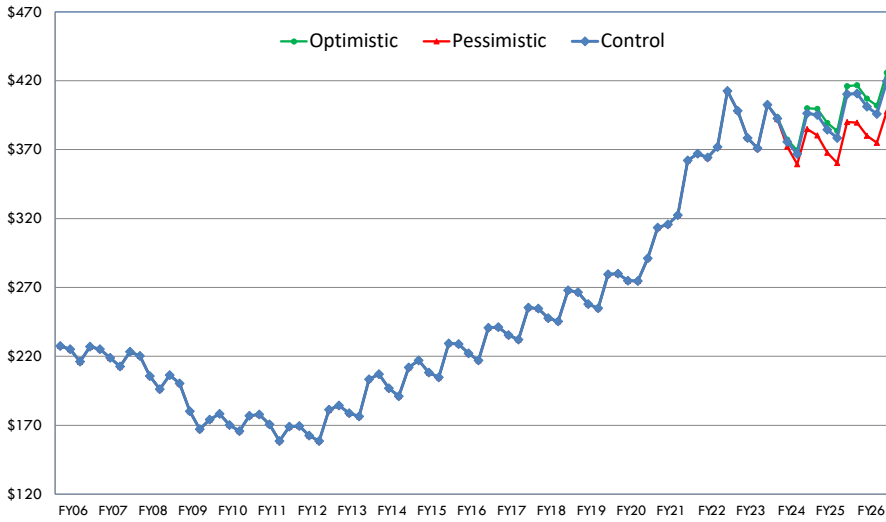
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Median Sales Price of Existing Single-Family Homes

(Thousands of Dollars, NAR)

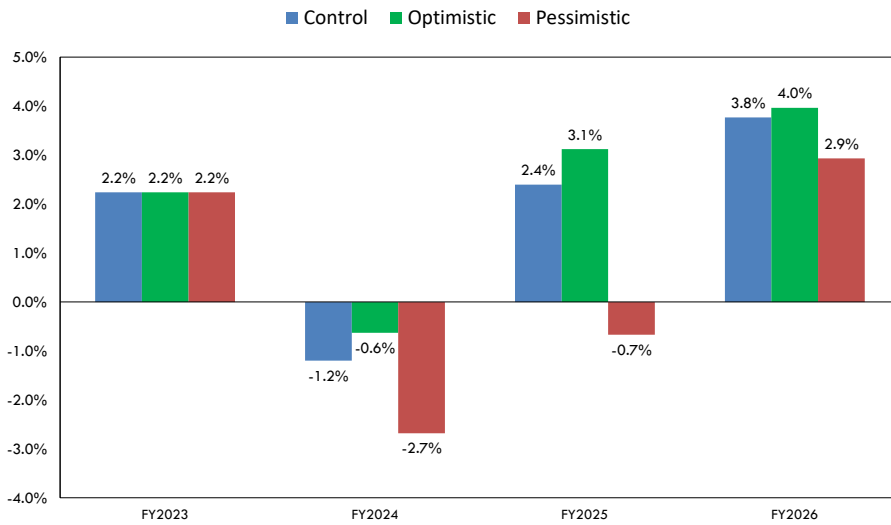
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Median Sales Price of Existing Single-Family Homes

(IHS Markit Forecast, Annual Growth Rates)

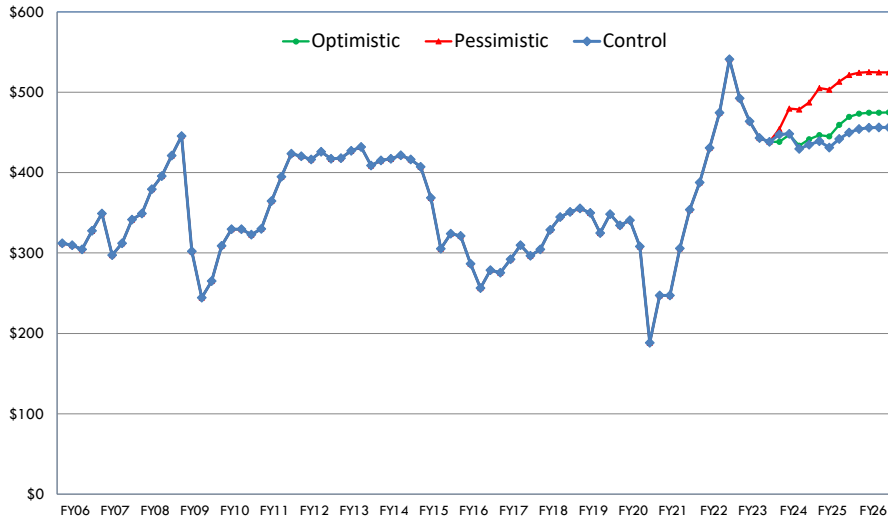
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Nominal Consumption of Gasoline and Oil

(Billions of Dollars, Annual Rate, BEA)

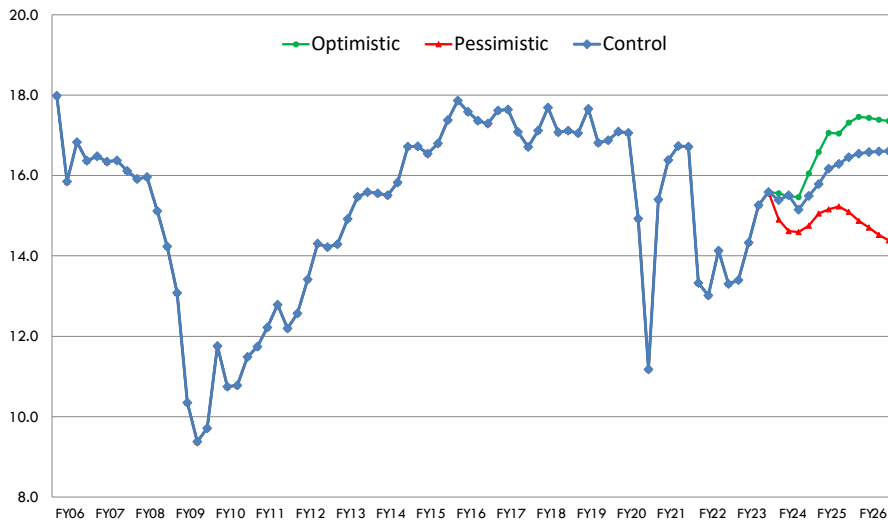
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Unit Sales of New Light Vehicles

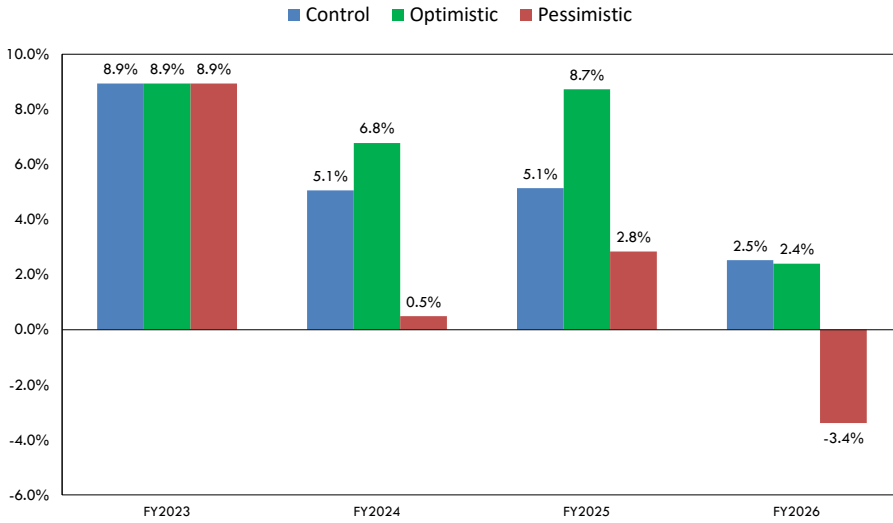
(Millions, Annual Rate, BEA)

22



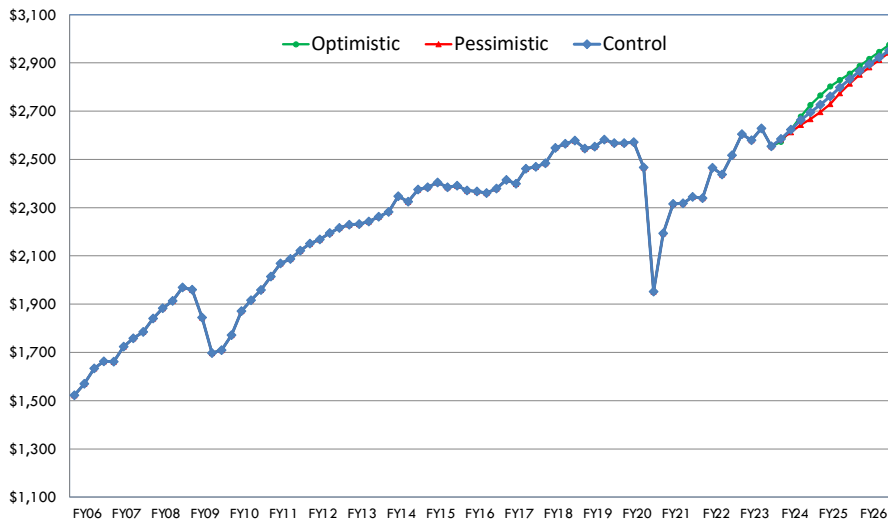
Unit Sales of New Light Vehicles

(IHS Markit Forecast, Annual Growth Rates)



Real Exports of Goods and Services

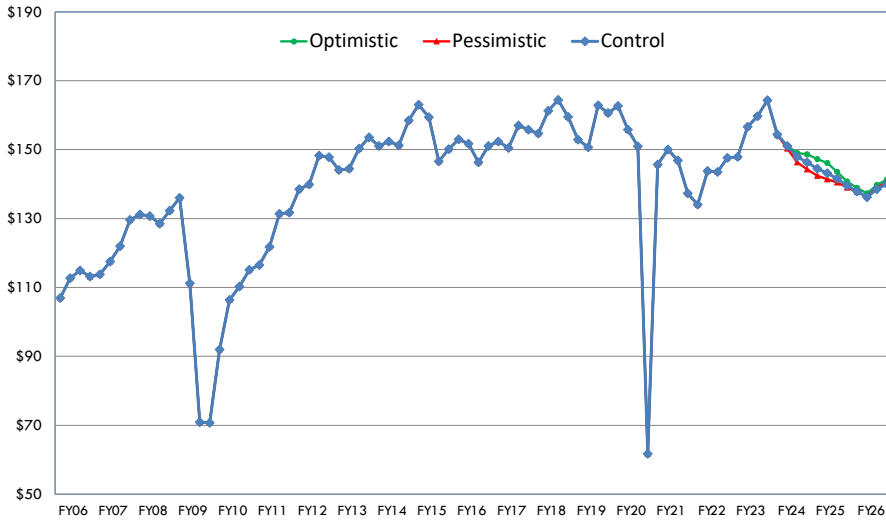
(Billions of Chained 2012 Dollars, Annual Rate, BEA)



Real Exports of Motor Vehicles and Parts

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

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KENTUCKY ECONOMIC OUTLOOK

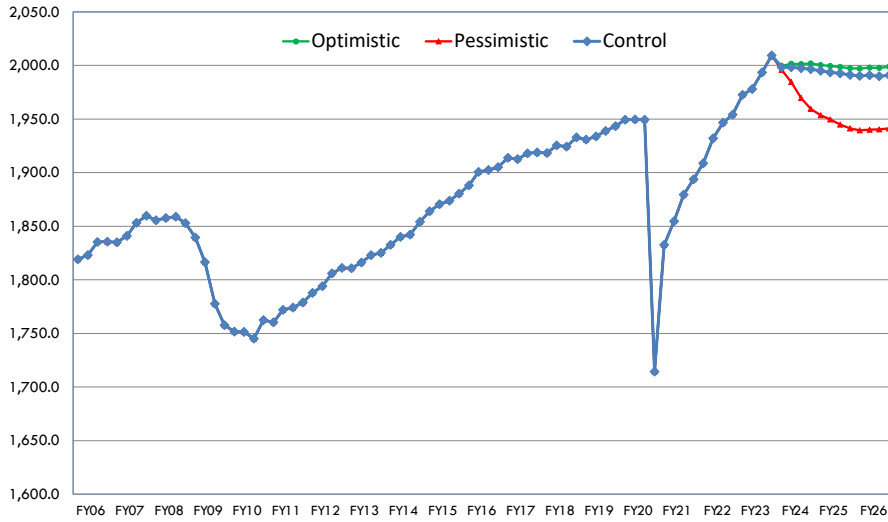
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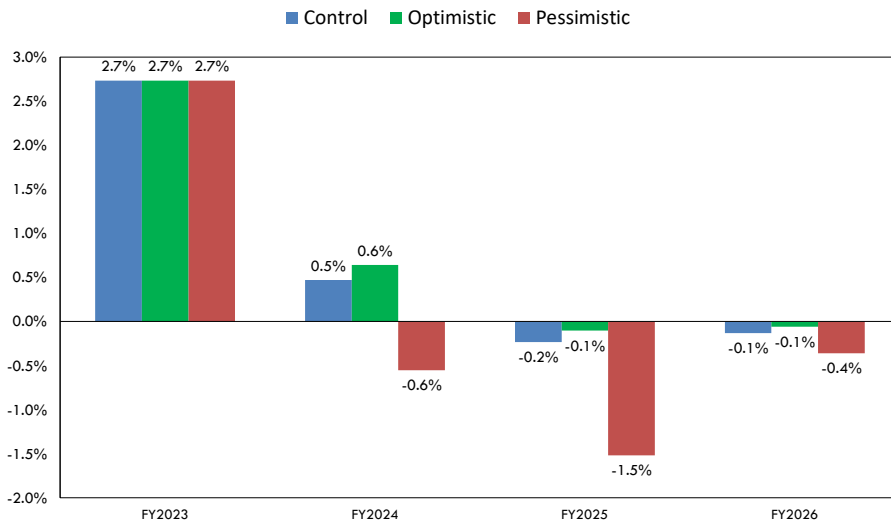
Kentucky Non-Farm Employment (Thousands, KY MAK Model)

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

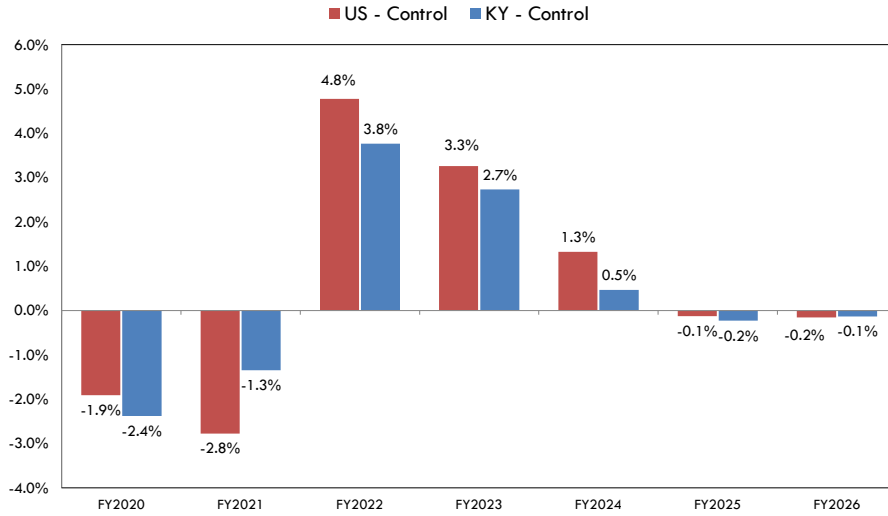
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Non-Farm Employment – US and Kentucky

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

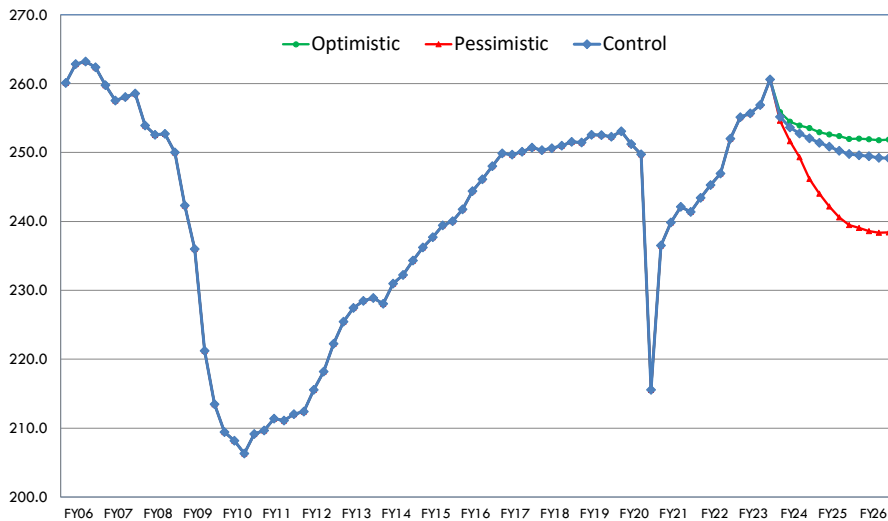
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Kentucky Manufacturing Employment

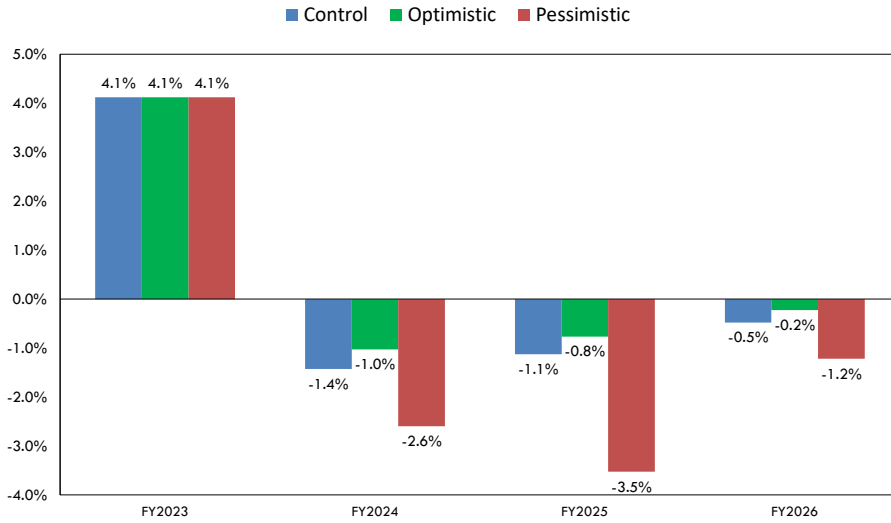
(Thousands, KY MAK Model)

30



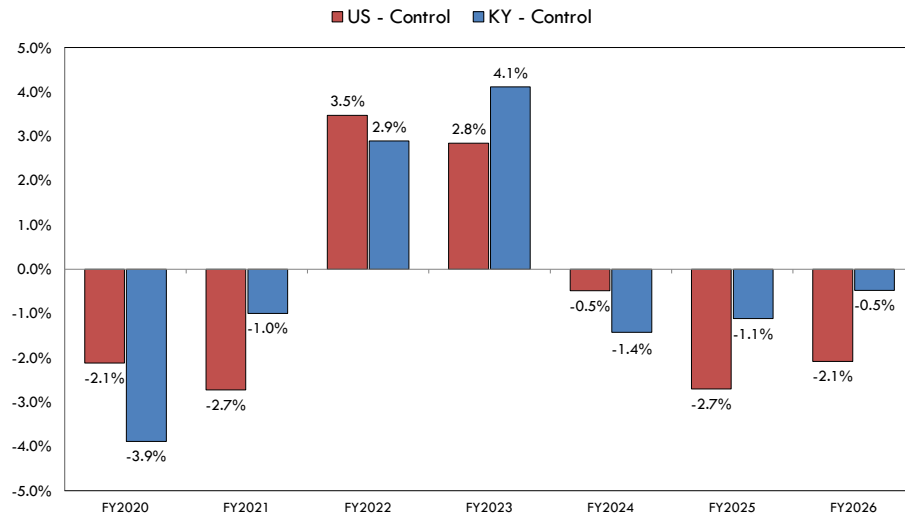
Kentucky Manufacturing Employment Forecasts (KY MAK Model, Annual Growth Rates)

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Manufacturing Employment – US and Kentucky (Fiscal Year Growth Rates, IHS Markit and KY MAK Model)

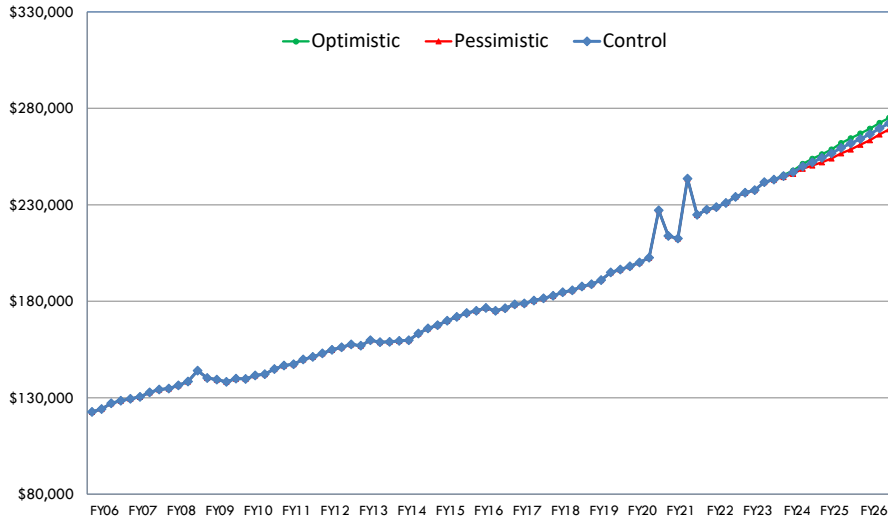
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Kentucky Personal Income

(Millions of Dollars, KY MAK Model)

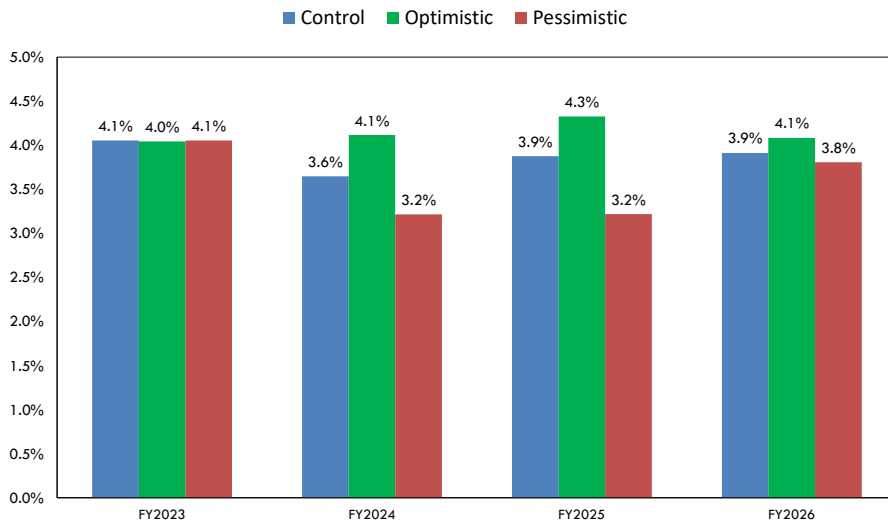
33



Kentucky Personal Income Forecasts

(KY MAK Model, Annual Growth Rates)

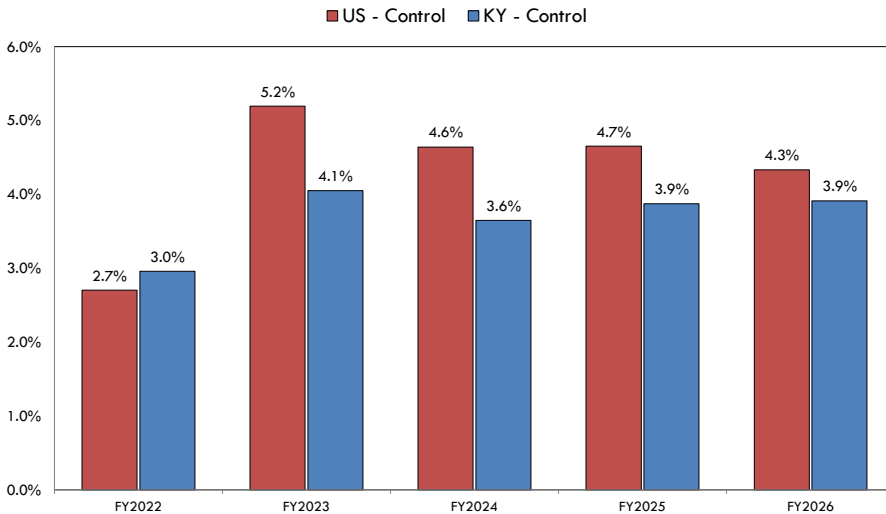
34



Personal Income – US and Kentucky

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

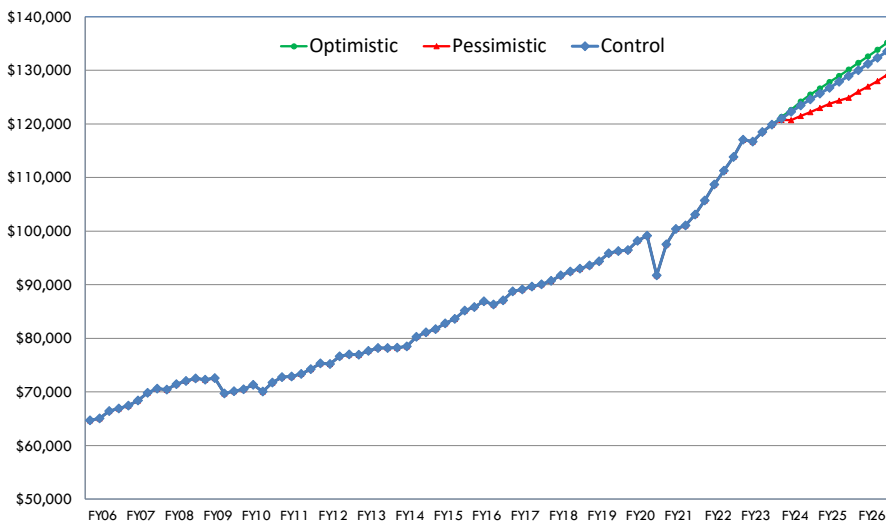
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Kentucky Wages and Salaries Forecasts

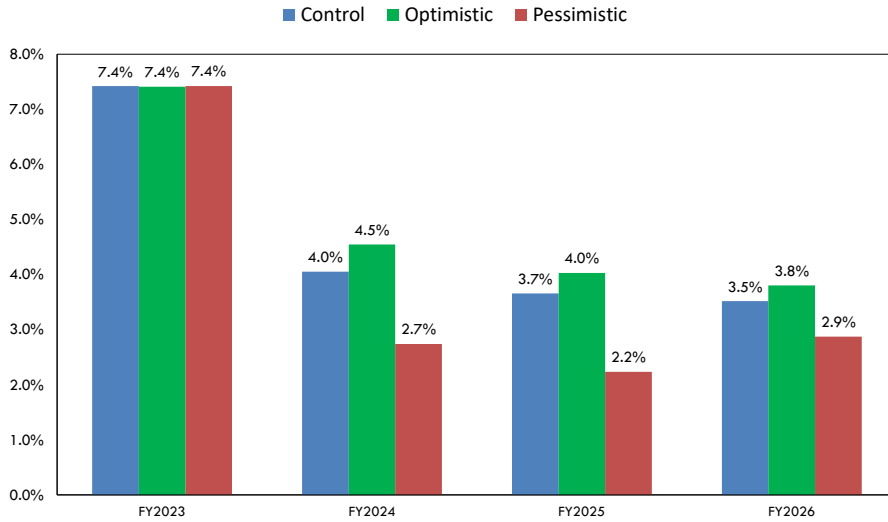
(Millions of Dollars, KY MAK Model)

36



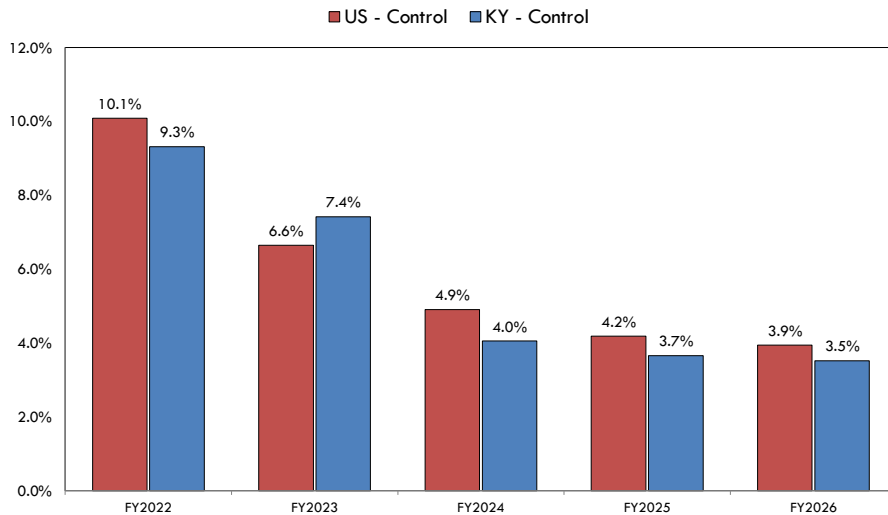
Kentucky Wages and Salaries Forecasts (KY MAK Model, Annual Growth Rates)

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

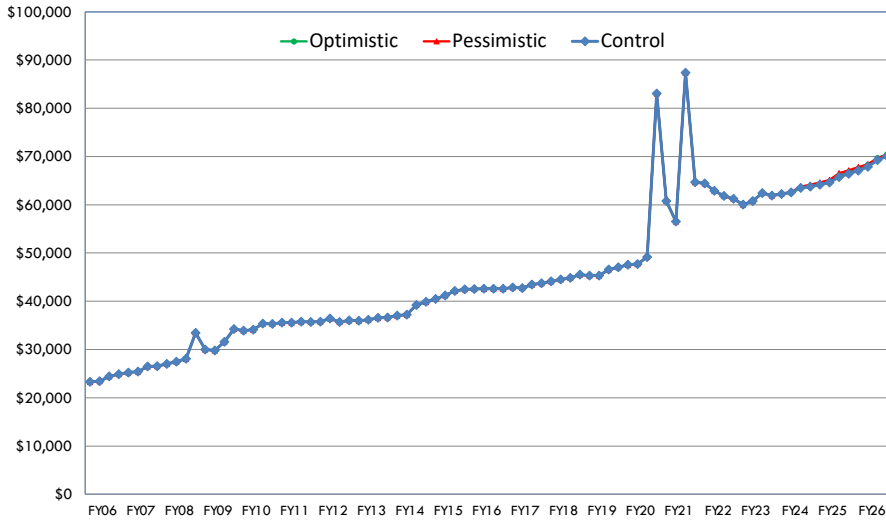
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Kentucky Transfer Payments

(Millions of Dollars, KY MAK Model)

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Kentucky Transfer Payments Forecasts

(KY MAK Model, Annual Growth Rates)

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