

NATIONAL OUTLOOK

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DECEMBER 8, 2023

Office of State Budget Director

Control Scenario

(Probability – 55%)

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- Real GDP revised after FY24Q1 growth of 4.9%
 - ▣ Increased Real GDP growth of 2.4% estimated for FY24
 - ▣ Below-trend growth in FY25 and FY26
 - ▣ Business Fixed Investment slows after recent surge due to CHIPs Act
 - ▣ Bureau of Economic Analysis (BEA) and Bureau of Labor Statistics (BLS) have impacted the forecast since September CFG meeting
- Federal Reserve increases of Federal Funds rates to 5.5-5.75% by the end of FY24Q2, reaching peak rate. Reversal of policy to begin by beginning of FY25
- Trends in payroll growth moderate, with slight positive growth in FY25 and FY26
- Nominal consumption of gasoline and oil drop significantly in FY25 and FY26, compared to the forecast presented in September

Optimistic Scenario

(Probability – 15%)

3

- GDP growth increases to 2.7% 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 1.7% in FY24
- Real Personal Income has growth in FY24 of 2.1%
- Light Vehicle Sales increase by 6.0% in FY24 and 10.0% in FY25
- Real Consumer Spending increase by 3.0% in FY24
- Cessation of active fighting in Russia-Ukraine conflict and quick resolution in the Middle East lowers global oil prices

Pessimistic Scenario

(Probability – 30%)

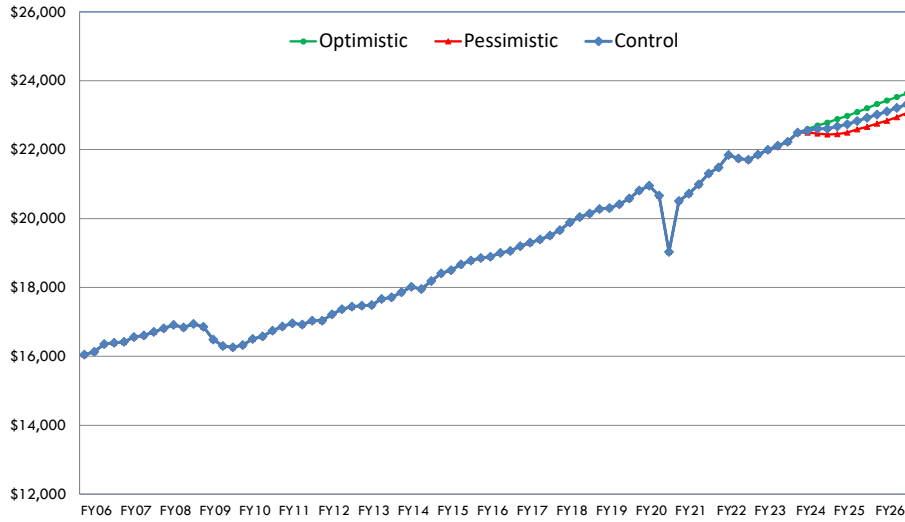
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- Shallow Recession beginning in FY24Q3
- GDP growth declines to 1.9% in FY24 and 0.3% in FY25
 - ▣ Russia-Ukraine conflict intensifies leading to higher commodity prices and more pronounced retraction of world economies
 - ▣ Recent turmoil in banking sector leads to tightened lending standards and reduced credit expansion
- Consumer spending growth slows to 2.3% in FY24 and 0.8% in FY25
- Non-Farm Employment decreases by 1.5% in FY25, with Manufacturing Employment decreasing by 6.1% in FY25
- Unemployment rate increases to 6.3% by end of FY25Q2
- Russia-Ukraine conflict drives world oil back over \$110/bbl

Real GDP

(Billions of Chained 2017 Dollars, Annual Rate, BEA)

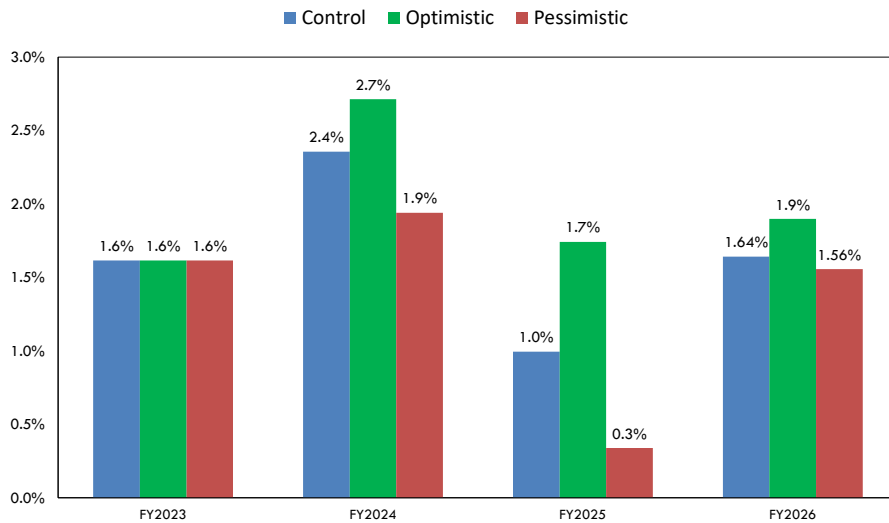
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Real GDP

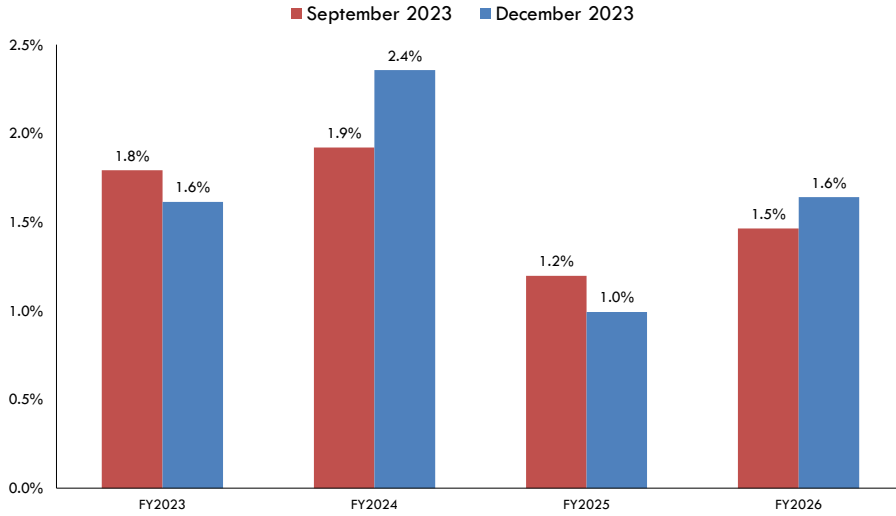
(S&P Global, Annual Growth Rates)

6



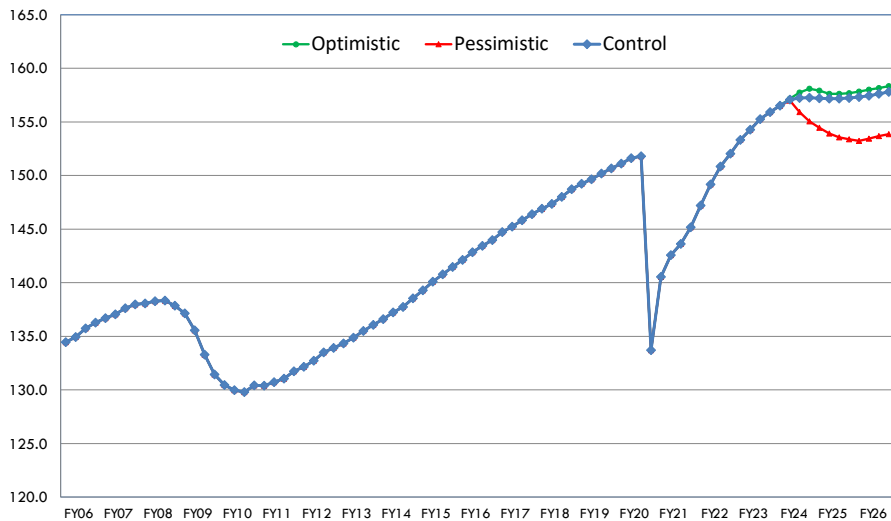
Real GDP – Control Forecast (S&P Global, Annual Growth Rates)

7



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

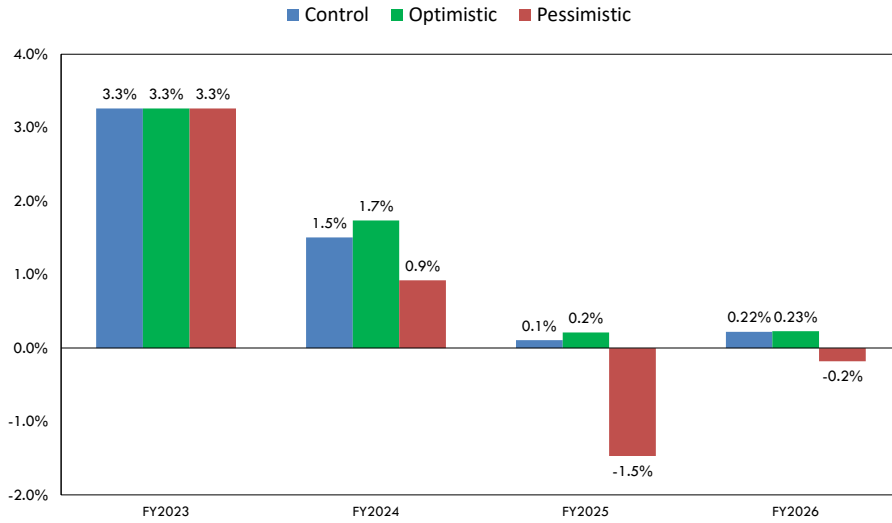
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U.S. Employment – Total Non-Farm Payrolls

(S&P Global Forecast, Annual Growth Rates)

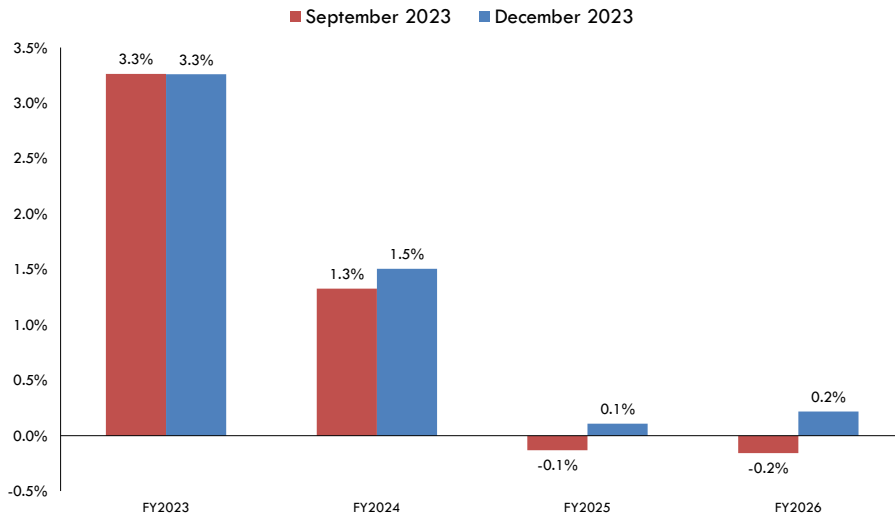
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U.S. Employment– Control Forecast

(S&P Global, Annual Growth Rates)

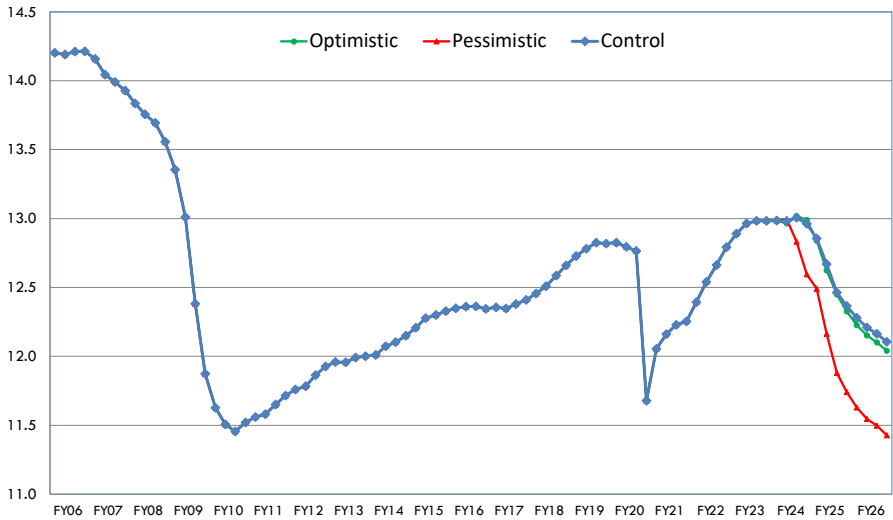
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U.S. Employment – Manufacturing

(Millions, BLS)

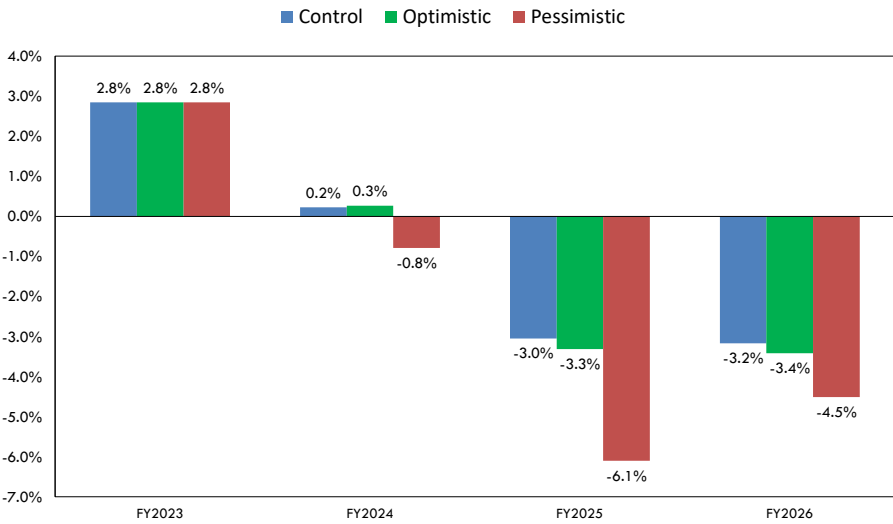
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U.S. Employment – Manufacturing

(S&P Global Forecast, Annual Growth Rates)

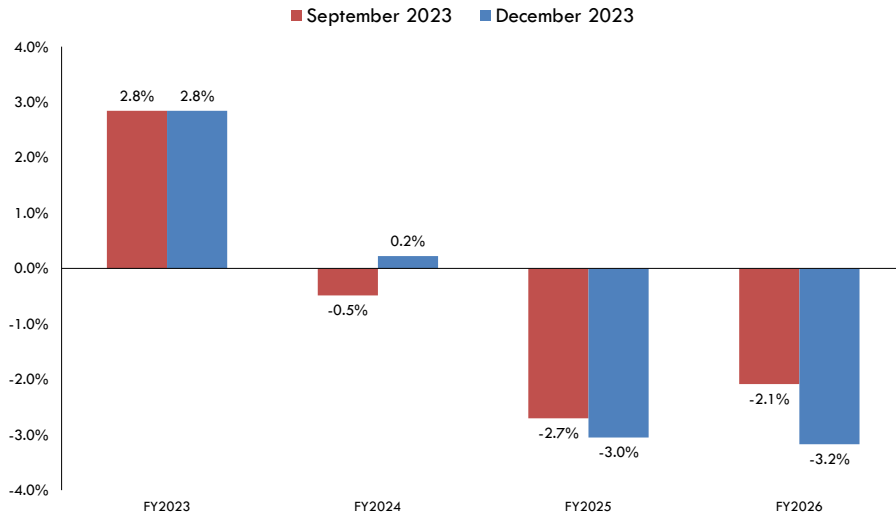
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U.S. Employment – Manufacturing Control Forecast

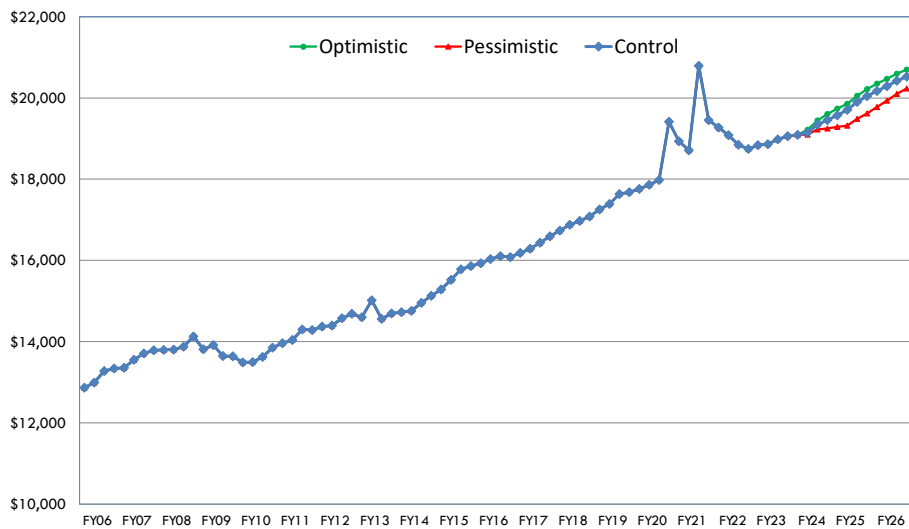
(S&P Global, Annual Growth Rates)

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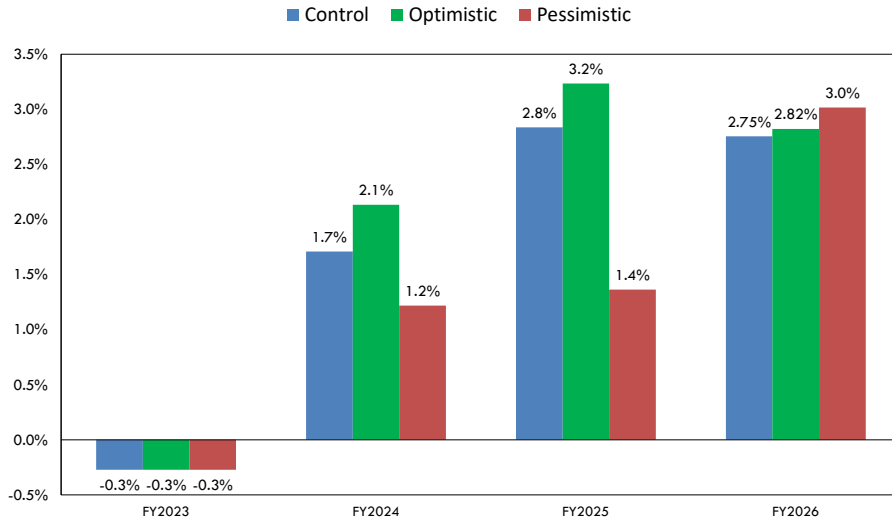
Real Personal Income (Billions of Chained 2017 Dollars, Annual Rate, BEA)

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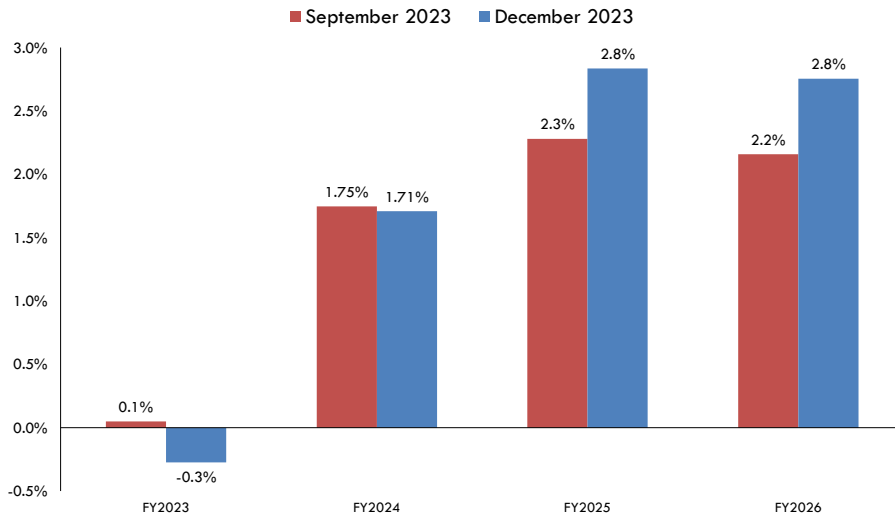
Real Personal Income (S&P Global Forecast, Annual Growth Rates)

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Real Personal Income – Control Forecast (S&P Global, Annual Growth Rates)

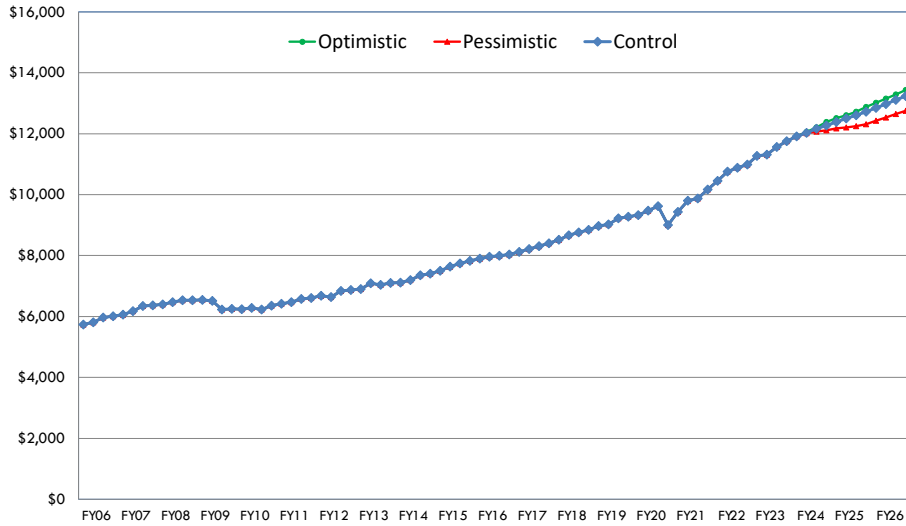
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Wage and Salary Disbursements

(Billions of Dollars, Annual Rate, BEA)

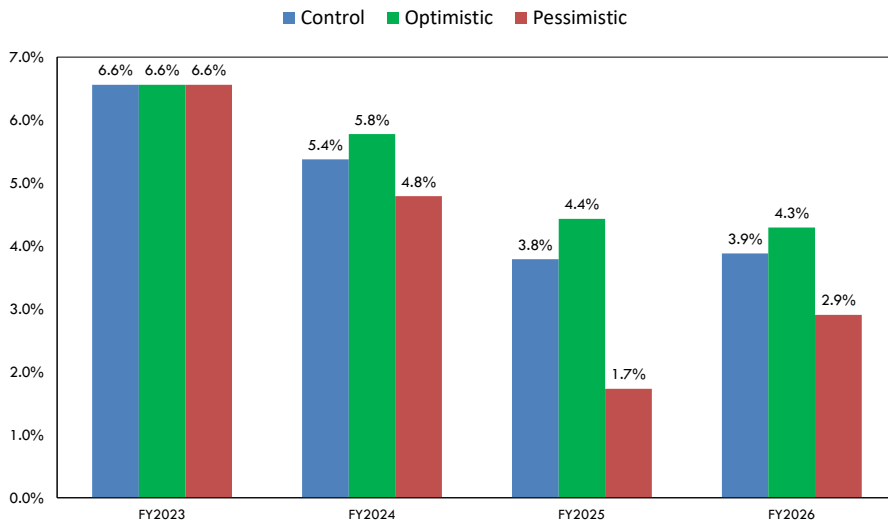
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Wage and Salary Disbursements

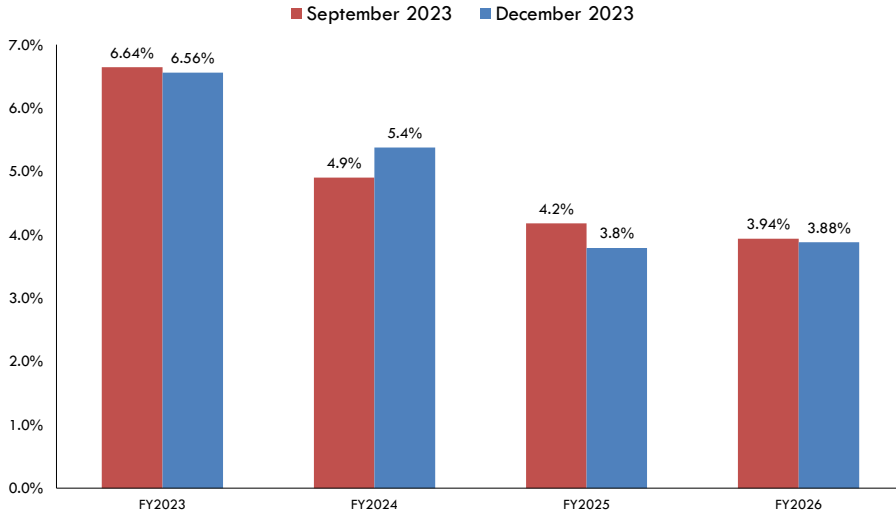
(S&P Global Forecast, Annual Growth Rates)

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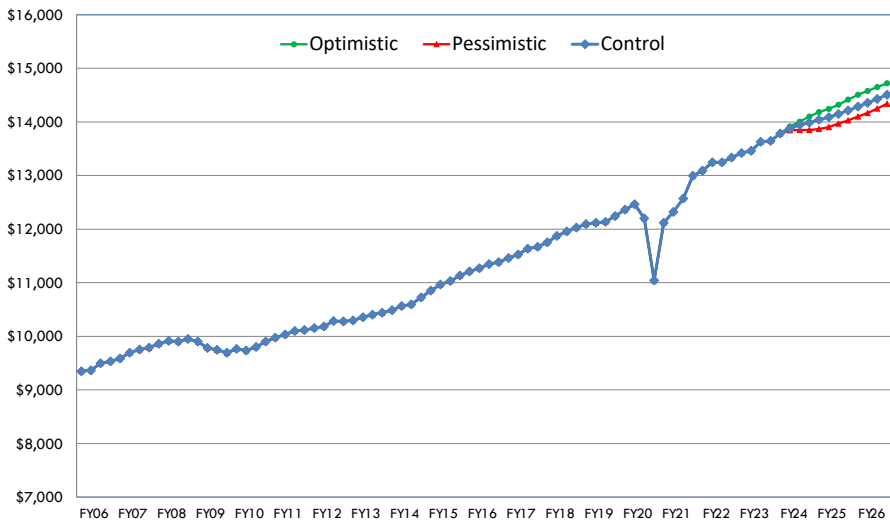
Wage and Salary Disbursements – Control Forecast (S&P Global, Annual Growth Rates)

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Real Consumer Spending (Excluding Food and Energy) (Billions of 2017 Dollars, Annual Rate, BEA)

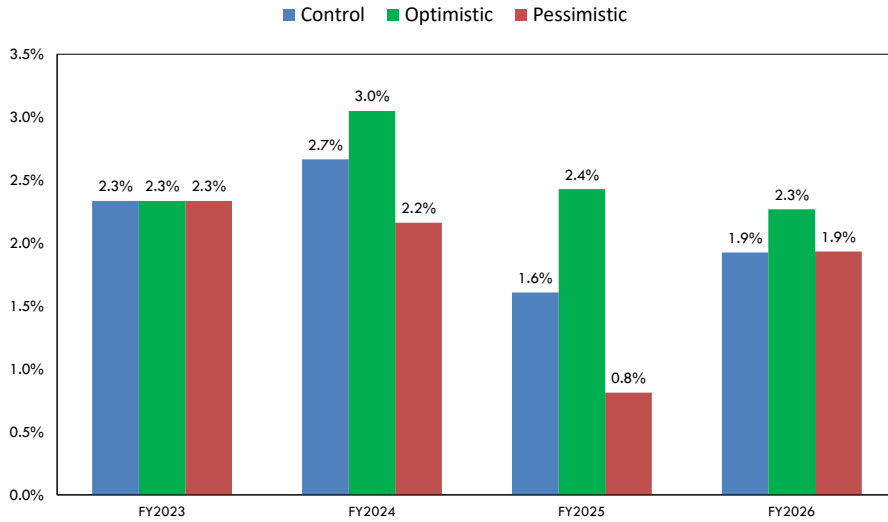
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Real Consumer Spending (Excluding Food and Energy)

(S&P Global Forecast, Annual Growth Rates)

21

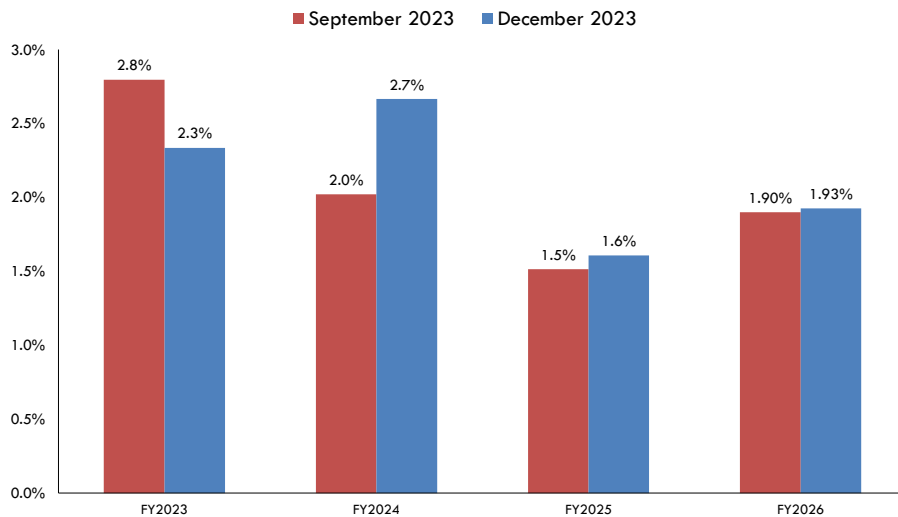


Real Consumer Spending (Excluding Food and Energy)

– Control Forecast

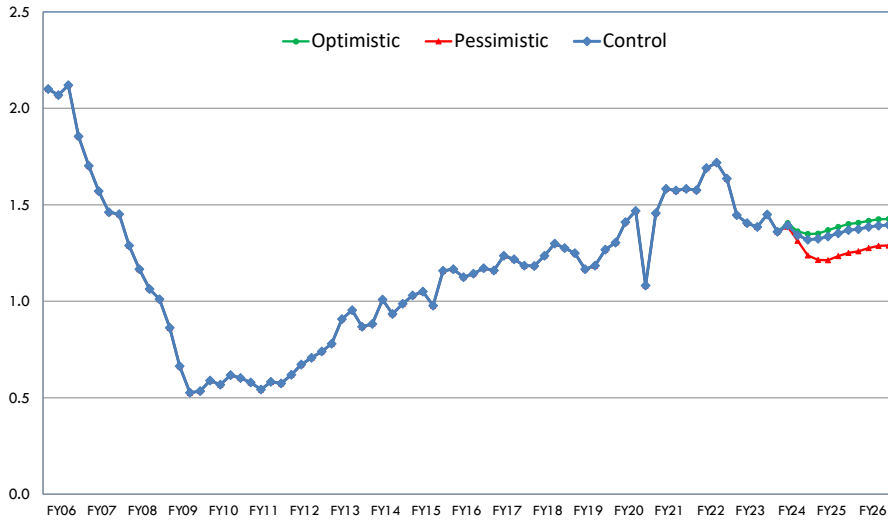
(S&P Global, Annual Growth Rates)

22



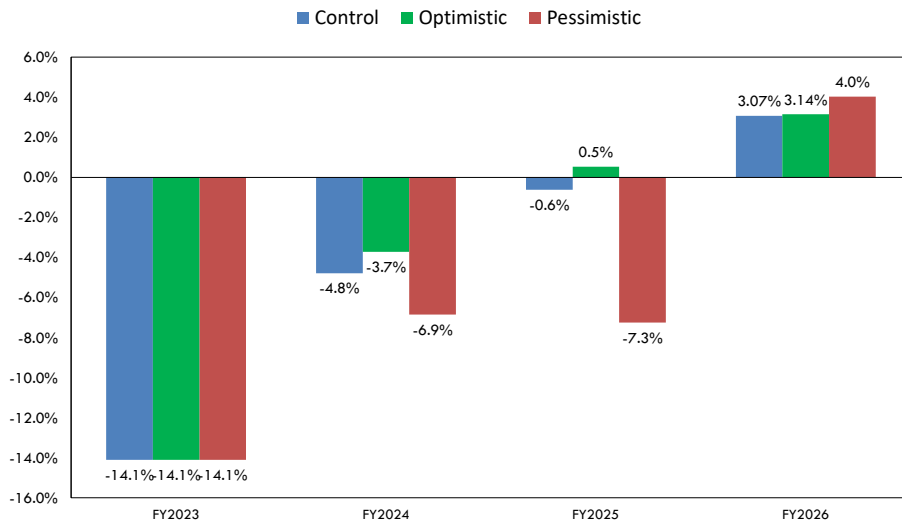
Housing Starts (Millions, Annual Rate, U.S. Bureau of the Census)

23



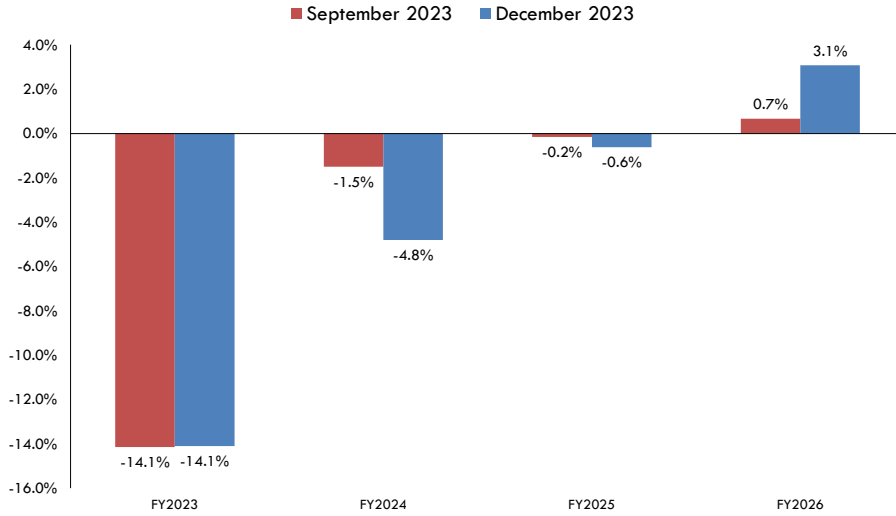
Housing Starts (S&P Global Forecast, Annual Growth Rates)

24



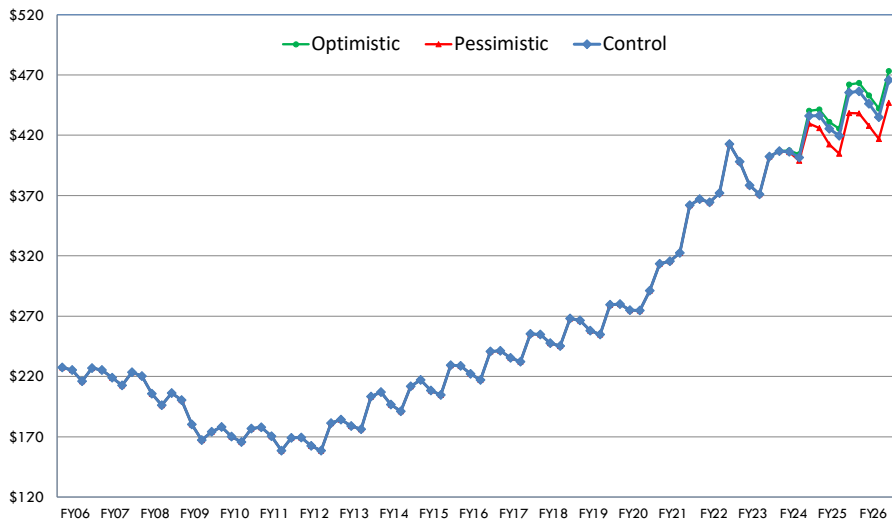
Housing Starts – Control Forecast (S&P Global, Annual Growth Rates)

25



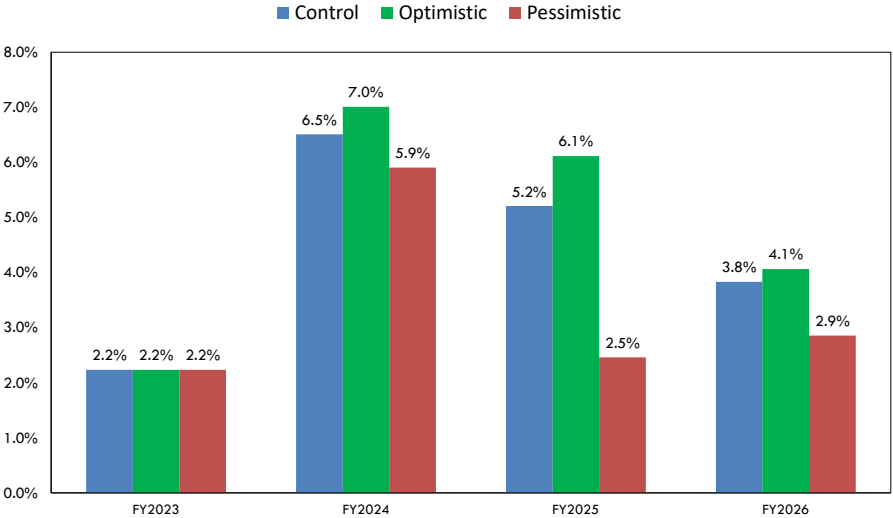
Median Sales Price of Existing Single-Family Homes (Thousands of Dollars, NAR)

26



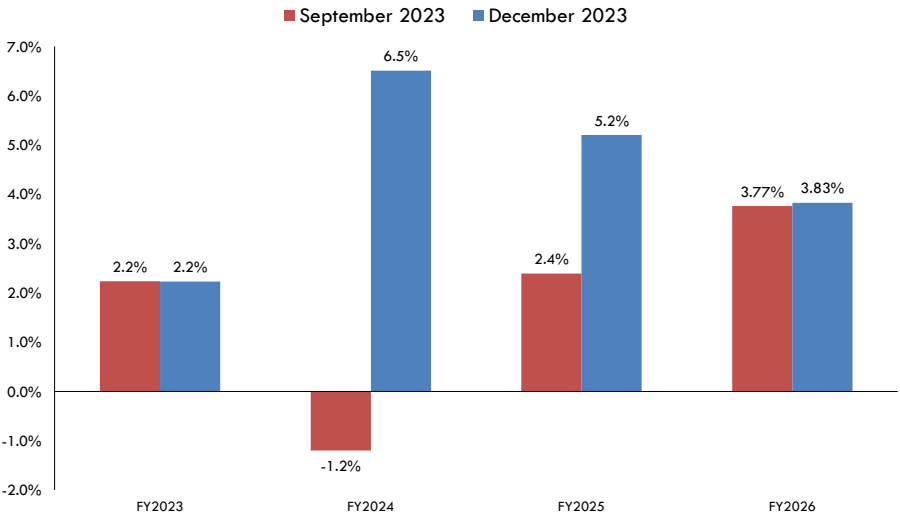
Median Sales Price of Existing Single-Family Homes (S&P Global Forecast, Annual Growth Rates)

27



Median Sales Price of Existing Single-Family Homes – Control Forecast (S&P Global, Annual Growth Rates)

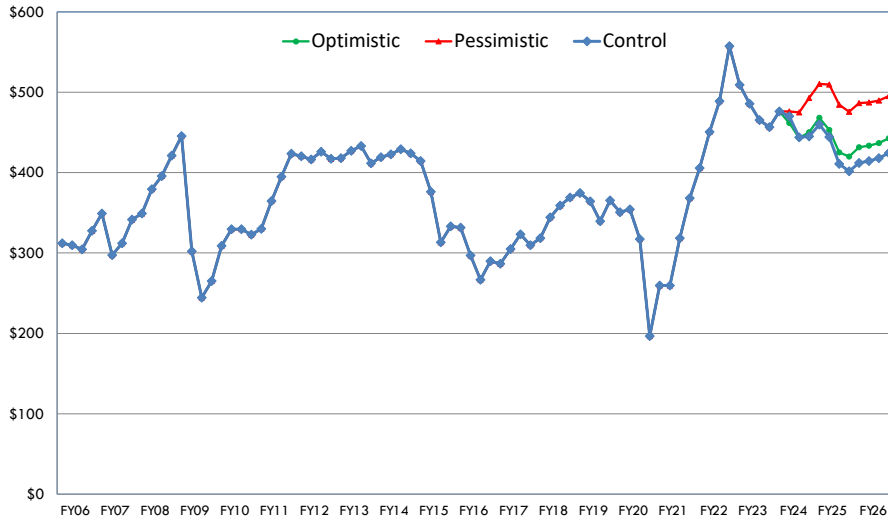
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Nominal Consumption of Gasoline and Oil

(Billions of Dollars, Annual Rate, BEA)

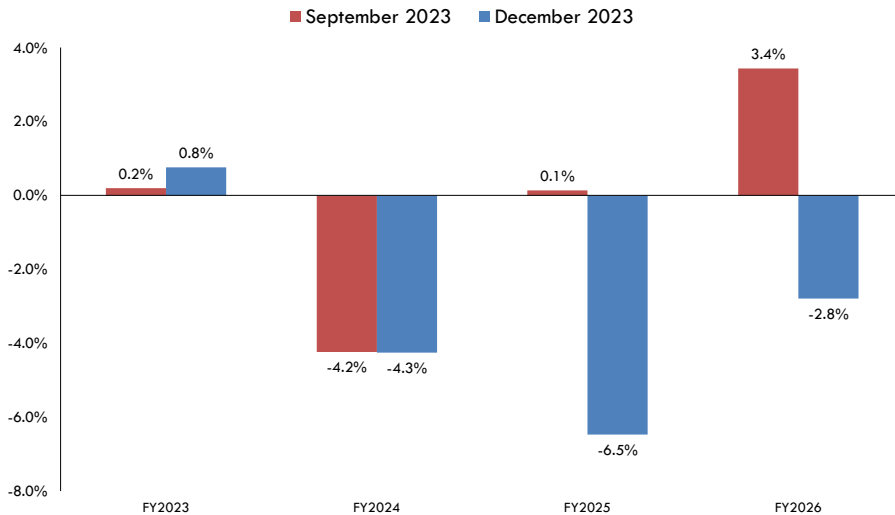
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Nominal Consumption of Gasoline and Oil – Control Forecast

(S&P Global, Annual Growth Rates)

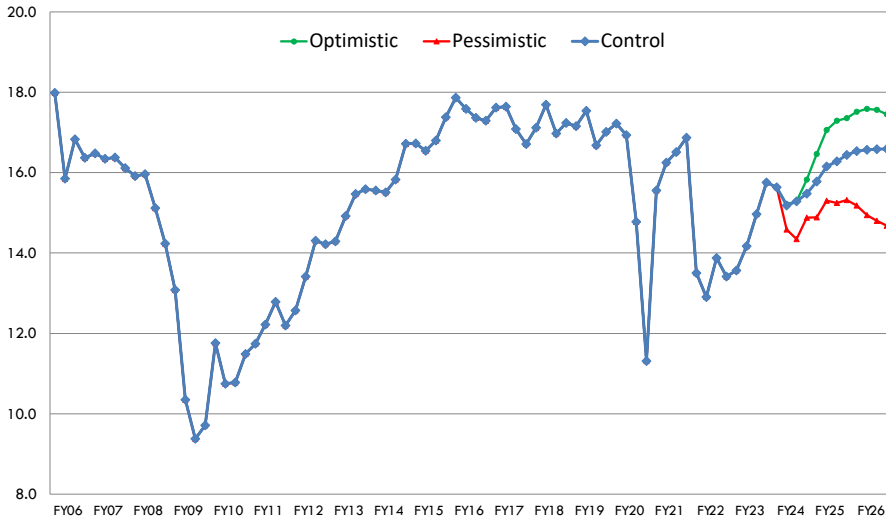
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Unit Sales of New Light Vehicles

(Millions, Annual Rate, BEA)

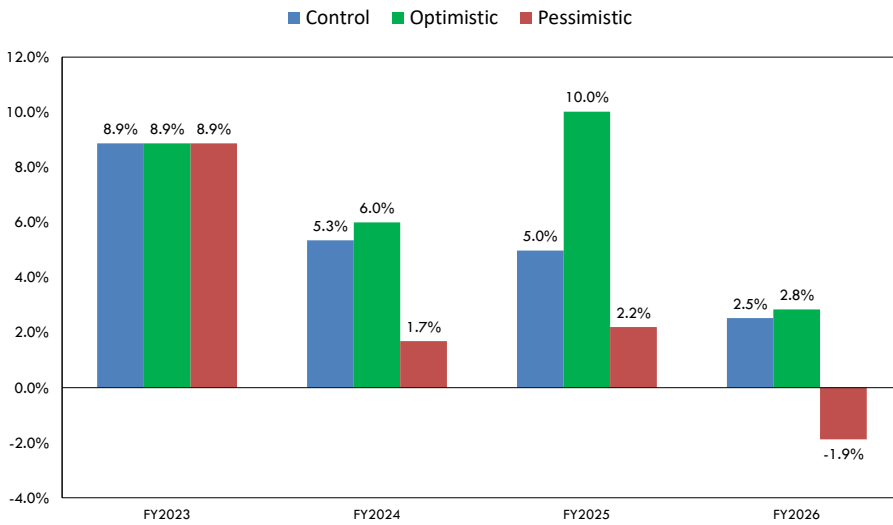
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Unit Sales of New Light Vehicles

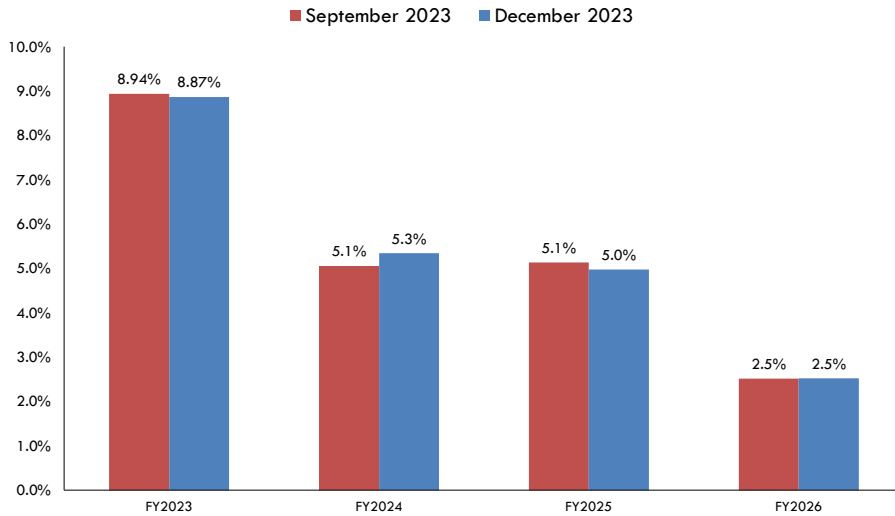
(S&P Global Forecast, Annual Growth Rates)

32



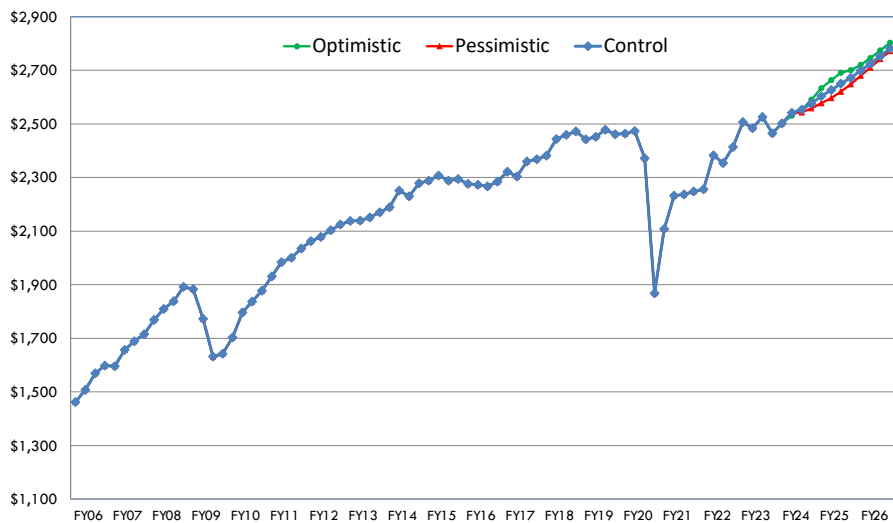
Unit Sales of New Light Vehicles – Control Forecast (S&P Global, Annual Growth Rates)

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Real Exports of Goods and Services (Billions of Chained 2017 Dollars, Annual Rate, BEA)

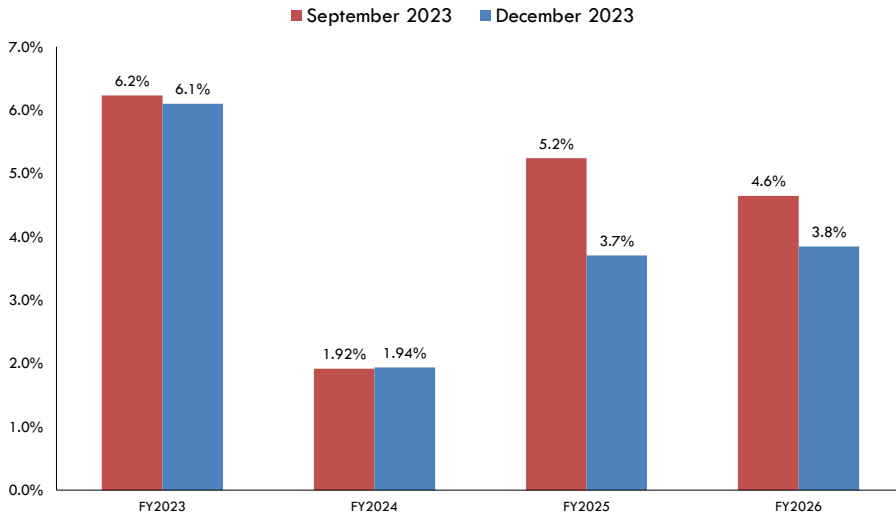
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Real Exports of Goods and Services Control Forecast

(S&P Global, Annual Growth Rates)

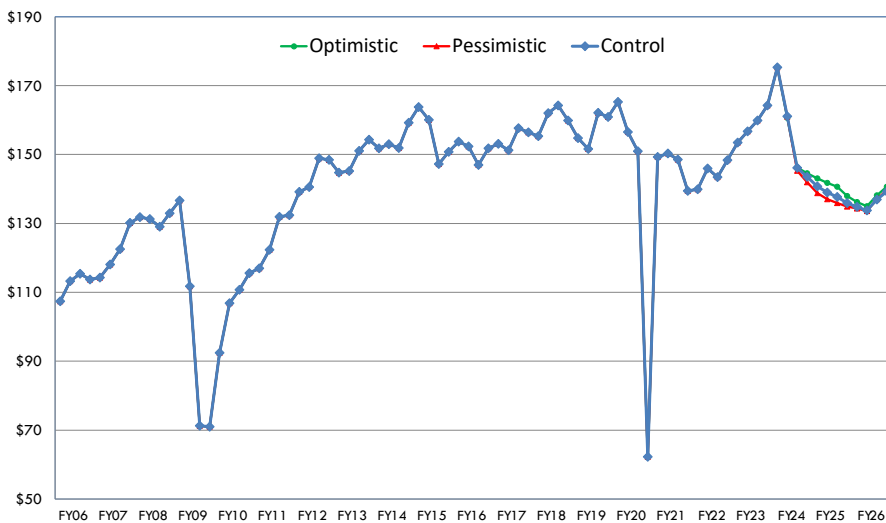
35



Real Exports of Motor Vehicles and Parts

(Billions of Chained 2017 Dollars, Annual Rate, BEA)

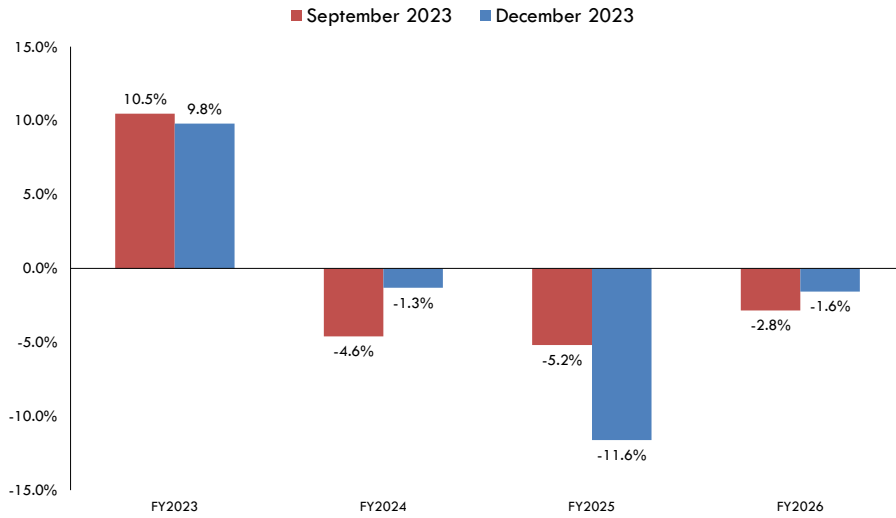
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Real Exports of Motor Vehicles and Parts Control Forecast

(S&P Global, Annual Growth Rates)

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KENTUCKY ECONOMIC OUTLOOK

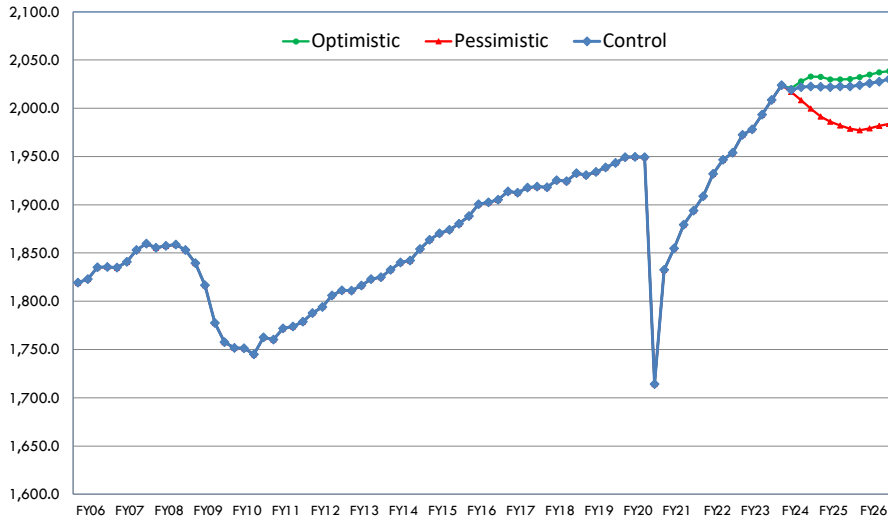
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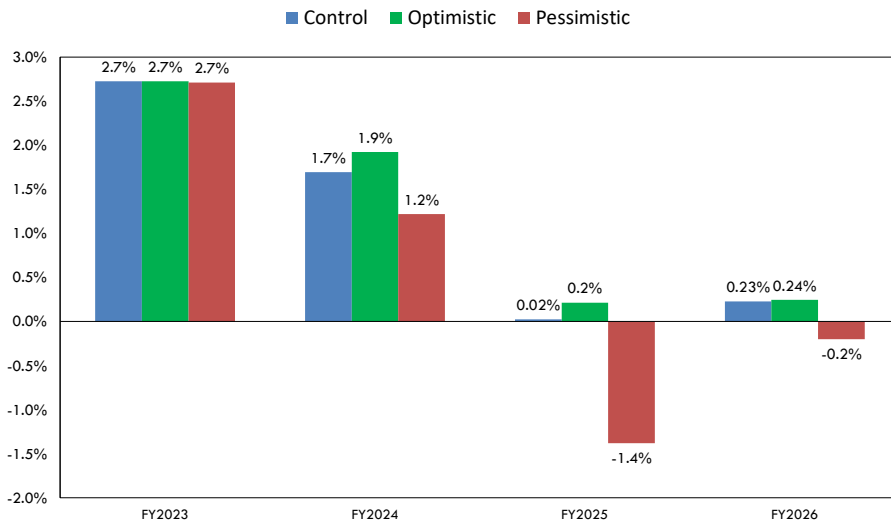
Kentucky Non-Farm Employment (Thousands, KY MAK Model)

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

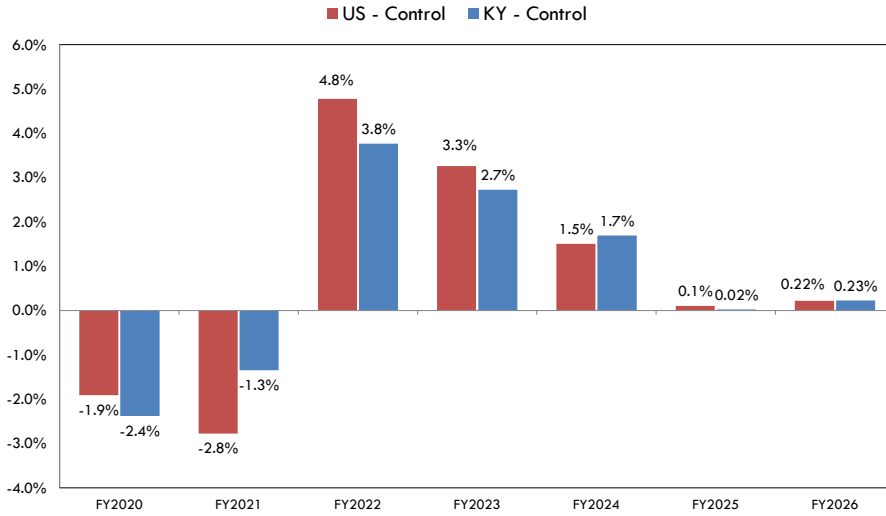
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Non-Farm Employment – US and Kentucky

(Fiscal Year Growth Rates, S&P Global and KY MAK Model)

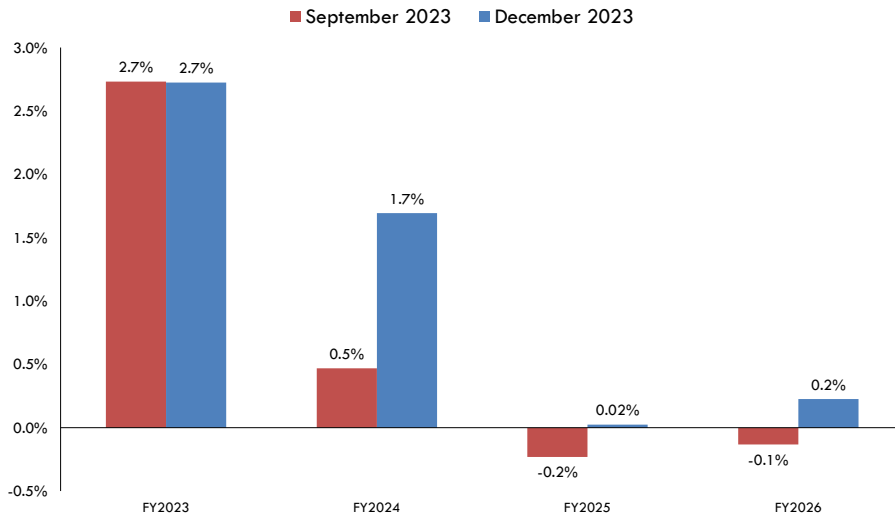
41



Kentucky Non-Farm Employment – Control Forecast

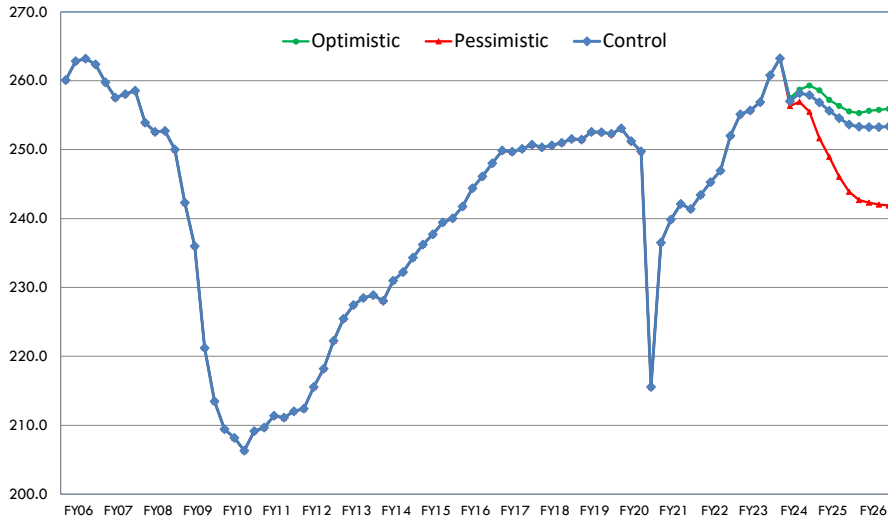
(S&P Global, Annual Growth Rates)

42



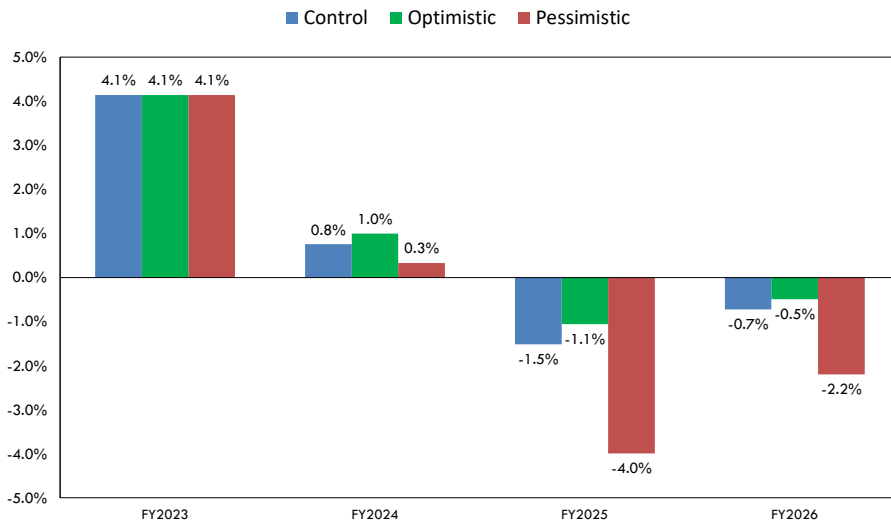
Kentucky Manufacturing Employment (Thousands, KY MAK Model)

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

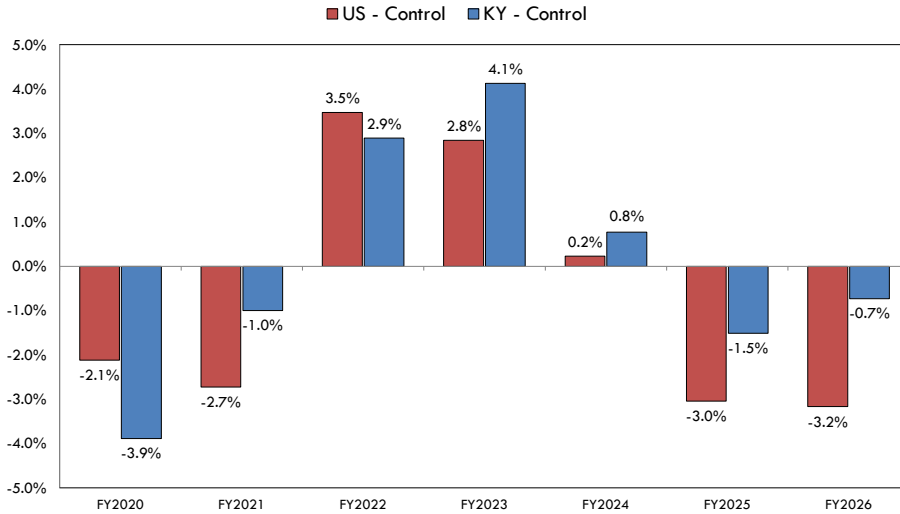
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Manufacturing Employment – US and Kentucky

(Fiscal Year Growth Rates, S&P Global and KY MAK Model)

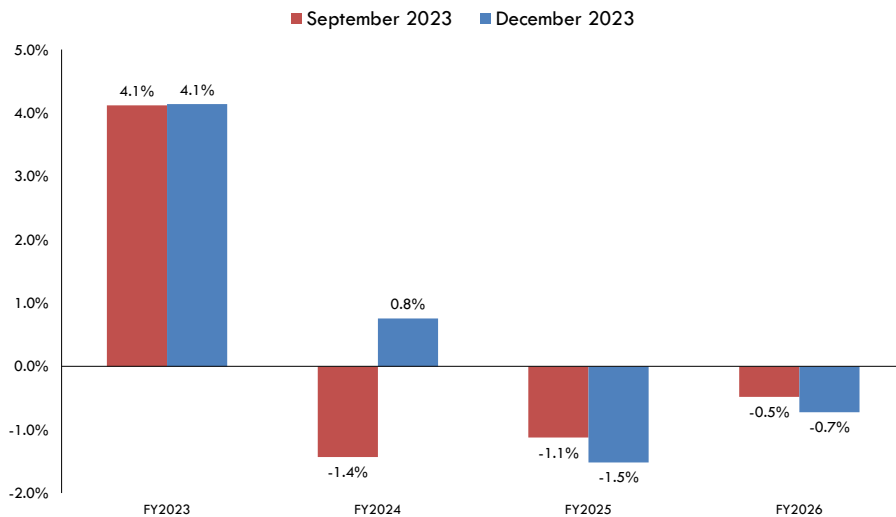
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Kentucky Manufacturing Employment Control Forecast

(S&P Global, Annual Growth Rates)

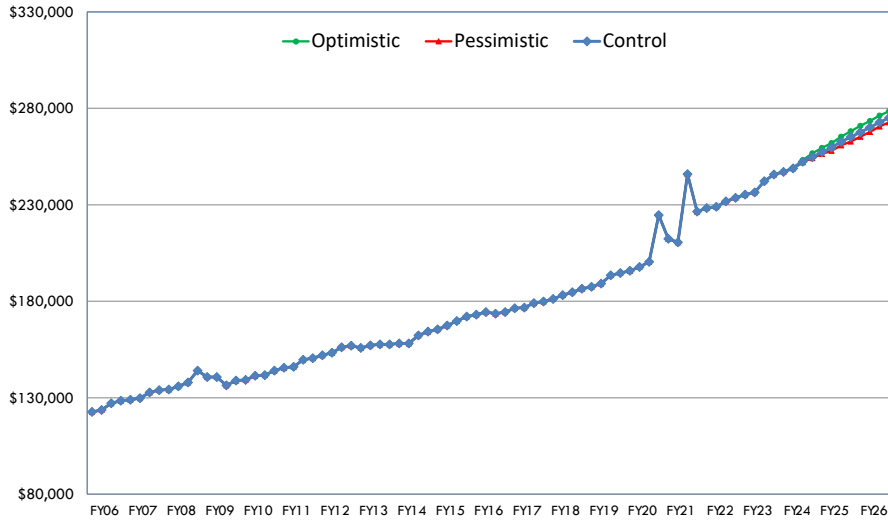
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Kentucky Personal Income

(Millions of Dollars, KY MAK Model)

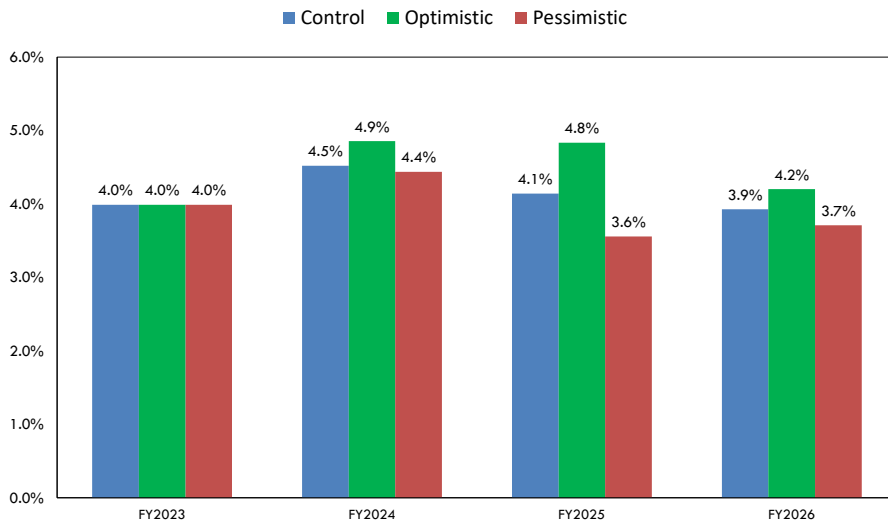
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Kentucky Personal Income Forecasts

(KY MAK Model, Annual Growth Rates)

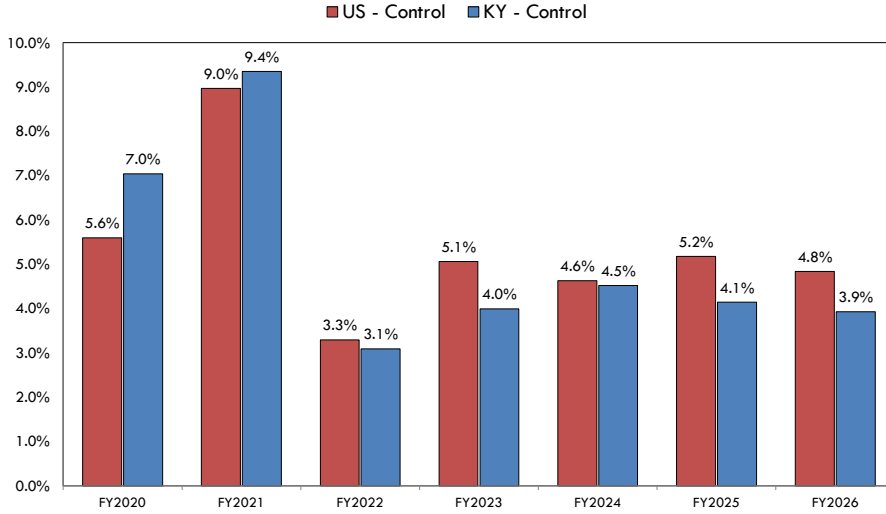
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Personal Income – US and Kentucky

(Fiscal Year Growth Rates, S&P Global and KY MAK Model)

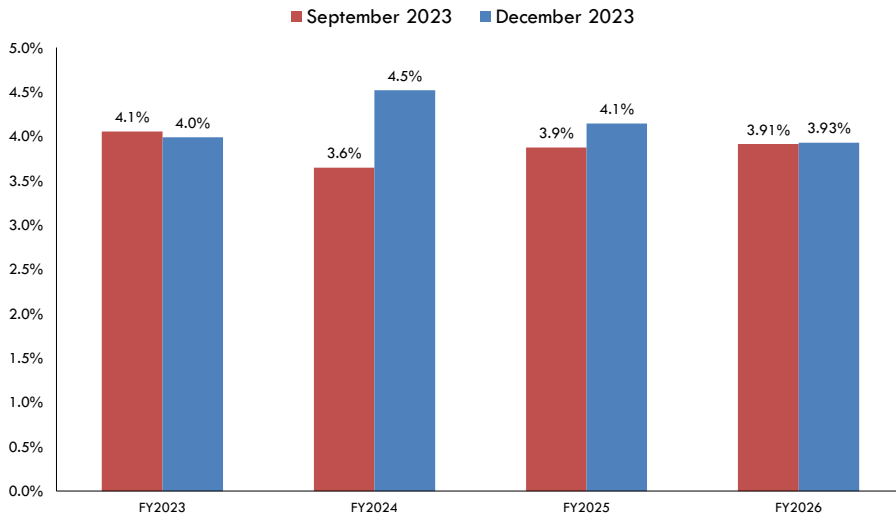
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Kentucky Personal Income – Control Forecast

(S&P Global, Annual Growth Rates)

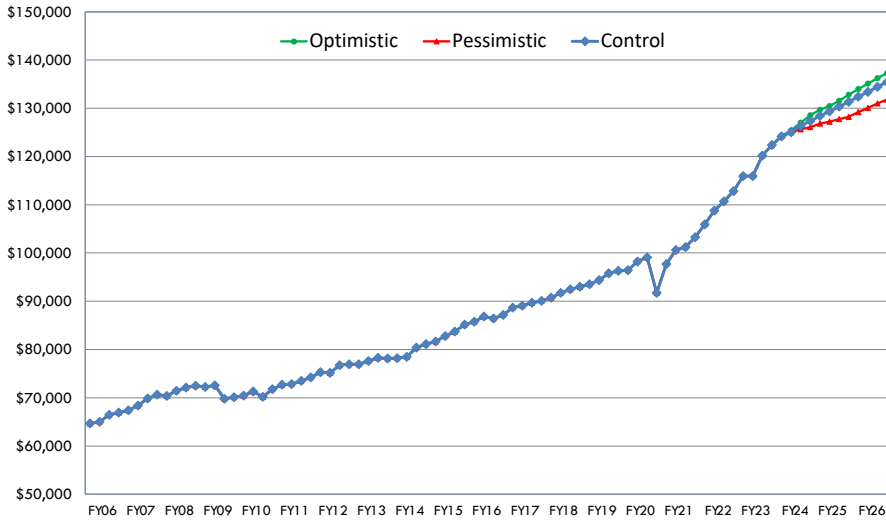
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Kentucky Wages and Salaries Forecasts

(Millions of Dollars, KY MAK Model)

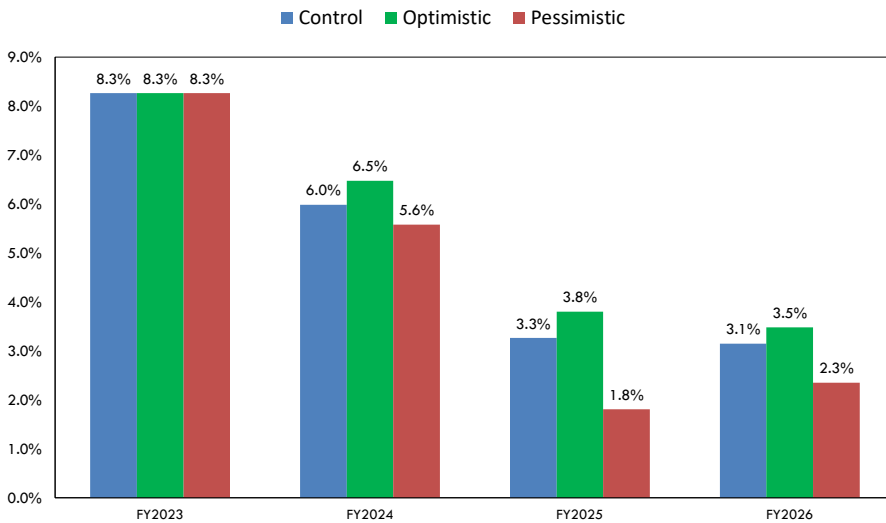
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Kentucky Wages and Salaries Forecasts

(KY MAK Model, Annual Growth Rates)

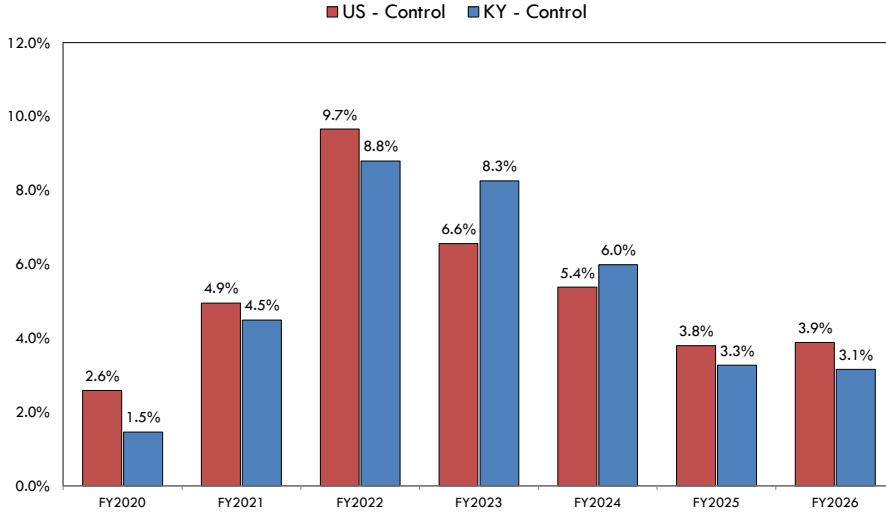
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Wages and Salaries – US and Kentucky

(Fiscal Year Growth Rates, S&P Global and KY MAK Model)

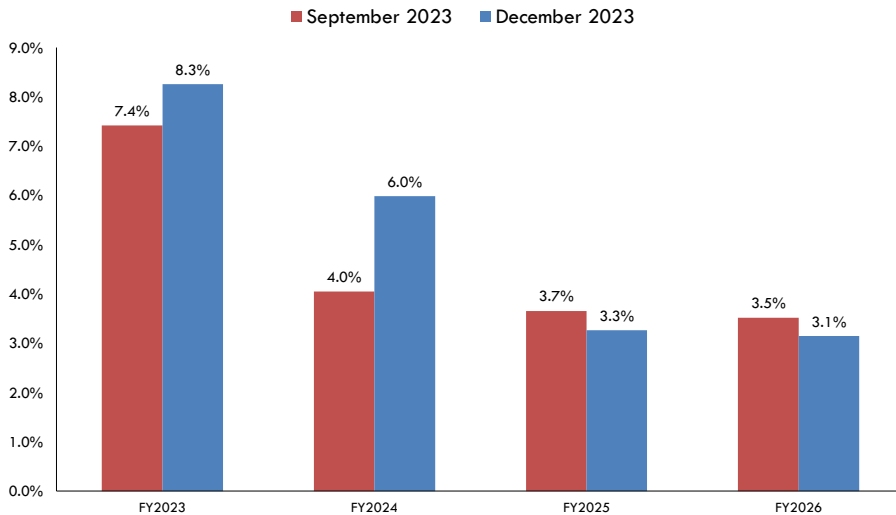
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Kentucky Wages and Salaries – Control Forecast

(S&P Global, Annual Growth Rates)

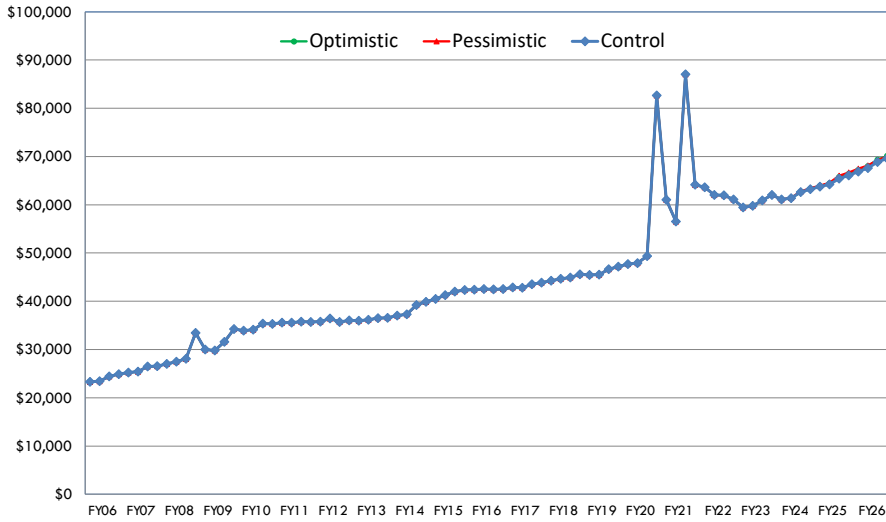
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Kentucky Transfer Payments

(Millions of Dollars, KY MAK Model)

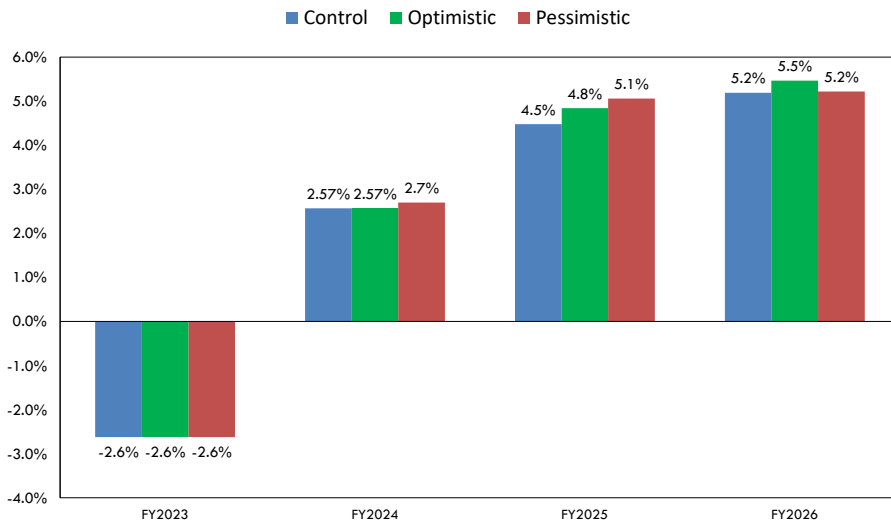
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Kentucky Transfer Payments Forecasts

(KY MAK Model, Annual Growth Rates)

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Kentucky Transfer Payments – Control Forecast

(S&P Global, Annual Growth Rates)

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