

2024 Indiana Economic Outlook

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The Economy in 2024: *Soft Landing or Recession?*

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Distinguished Professor of Economics



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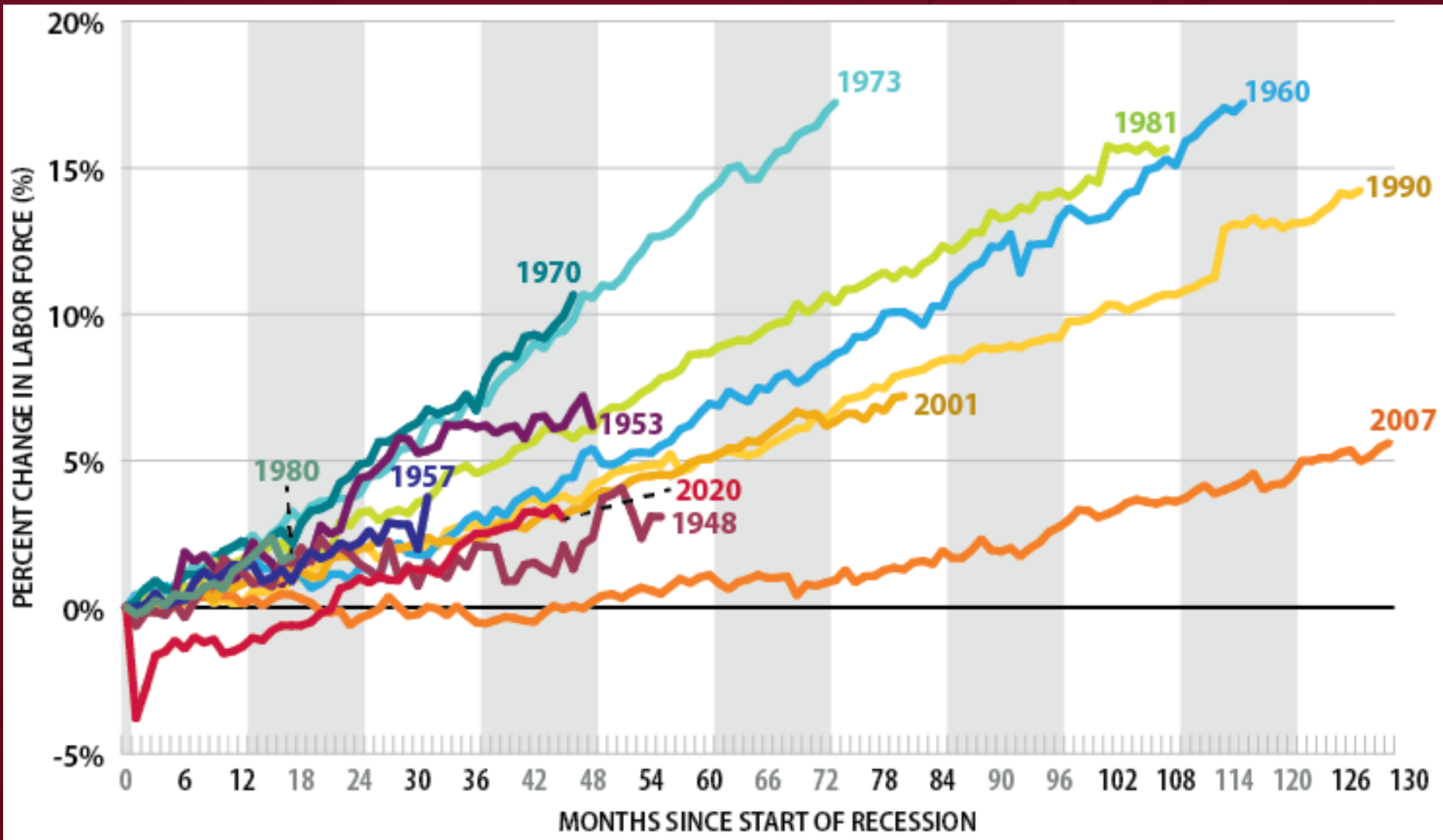
Will we have **happy** Janet and Ben . . .

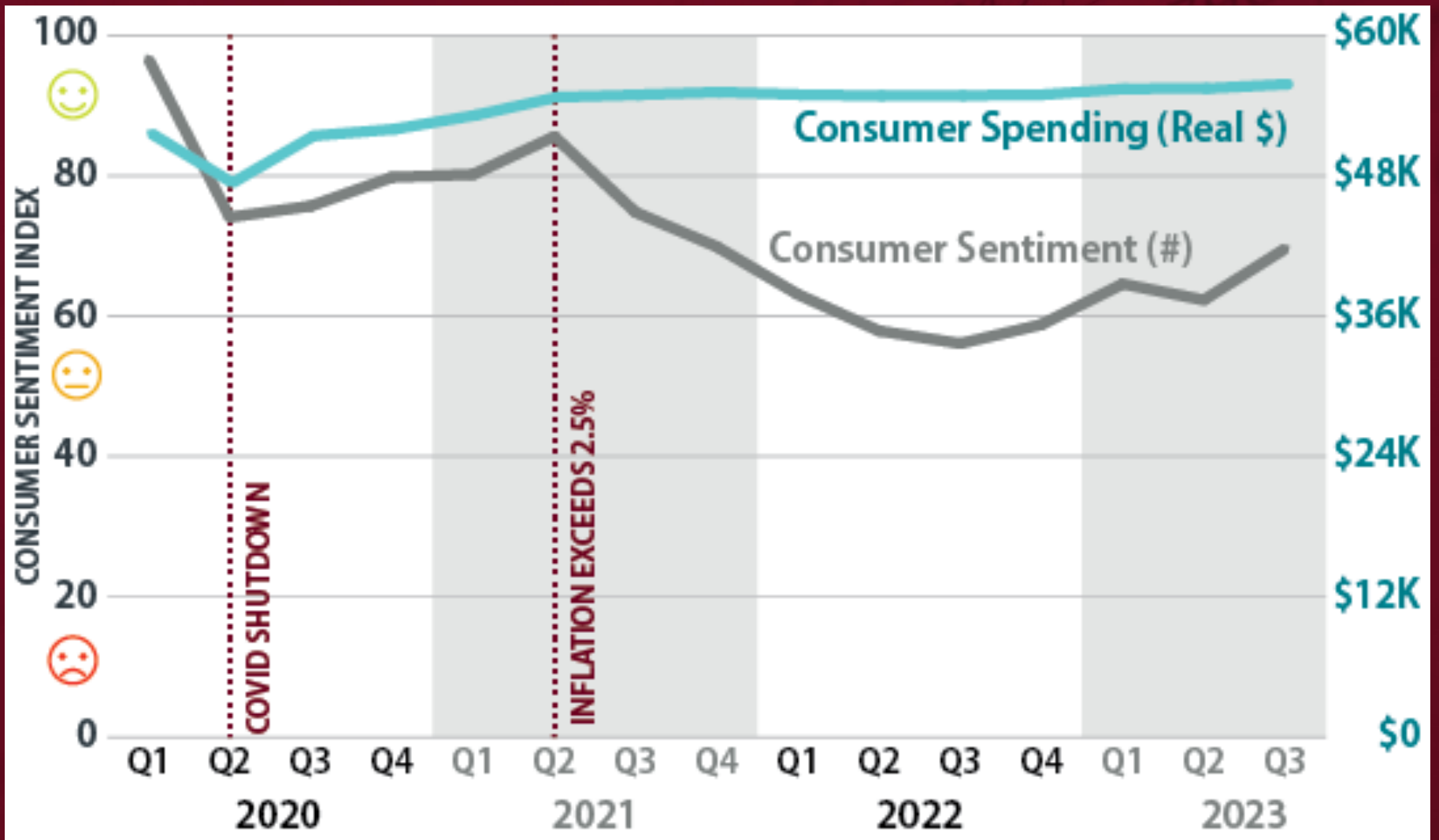
. . . or **glum** Janet and Ben?

Thinking Through this Business Cycle

- **The Great Discordance**
- **Employment and Productivity**
- **Investment and Production**
- **My forecast**

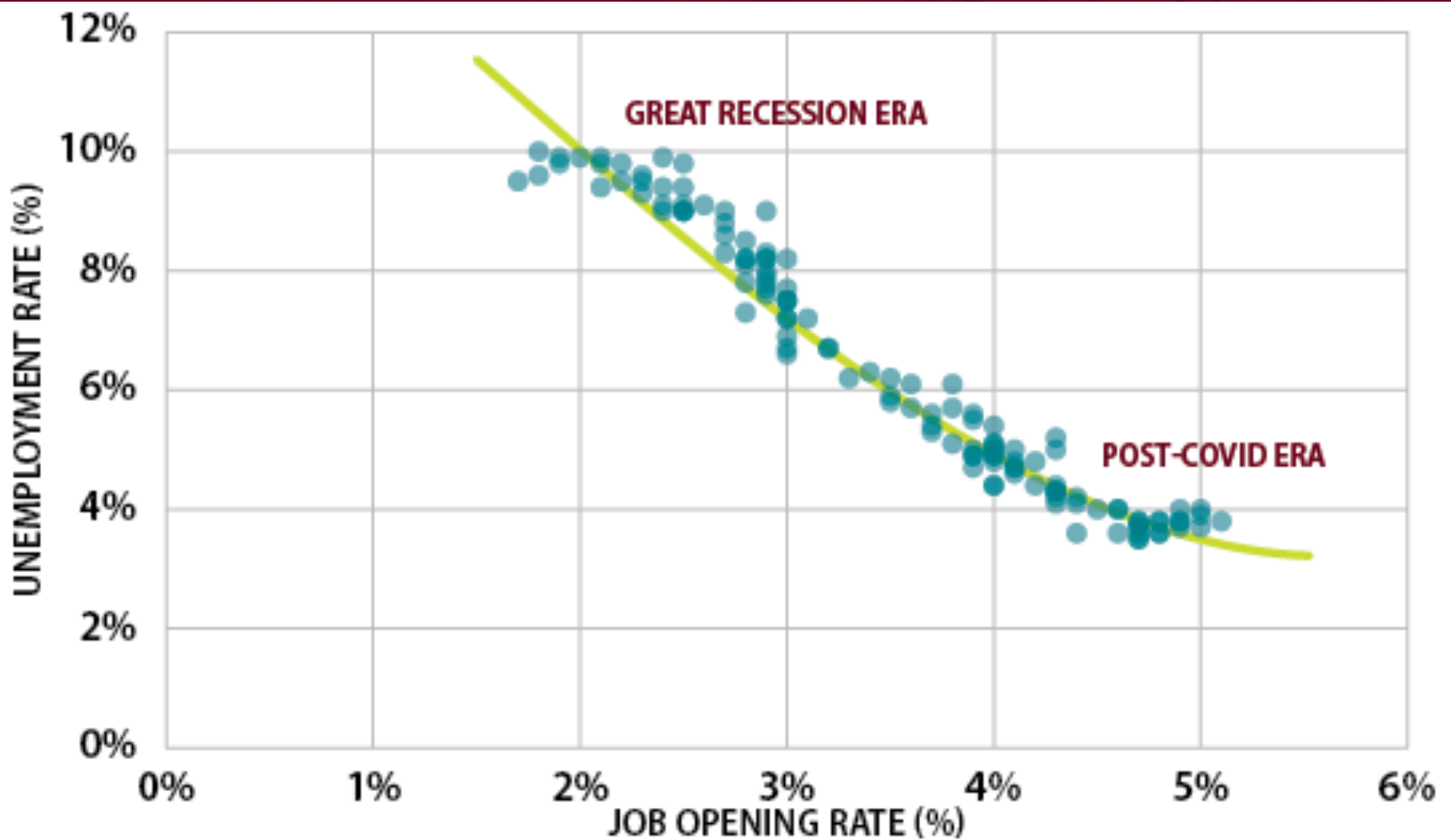
This Business Cycle



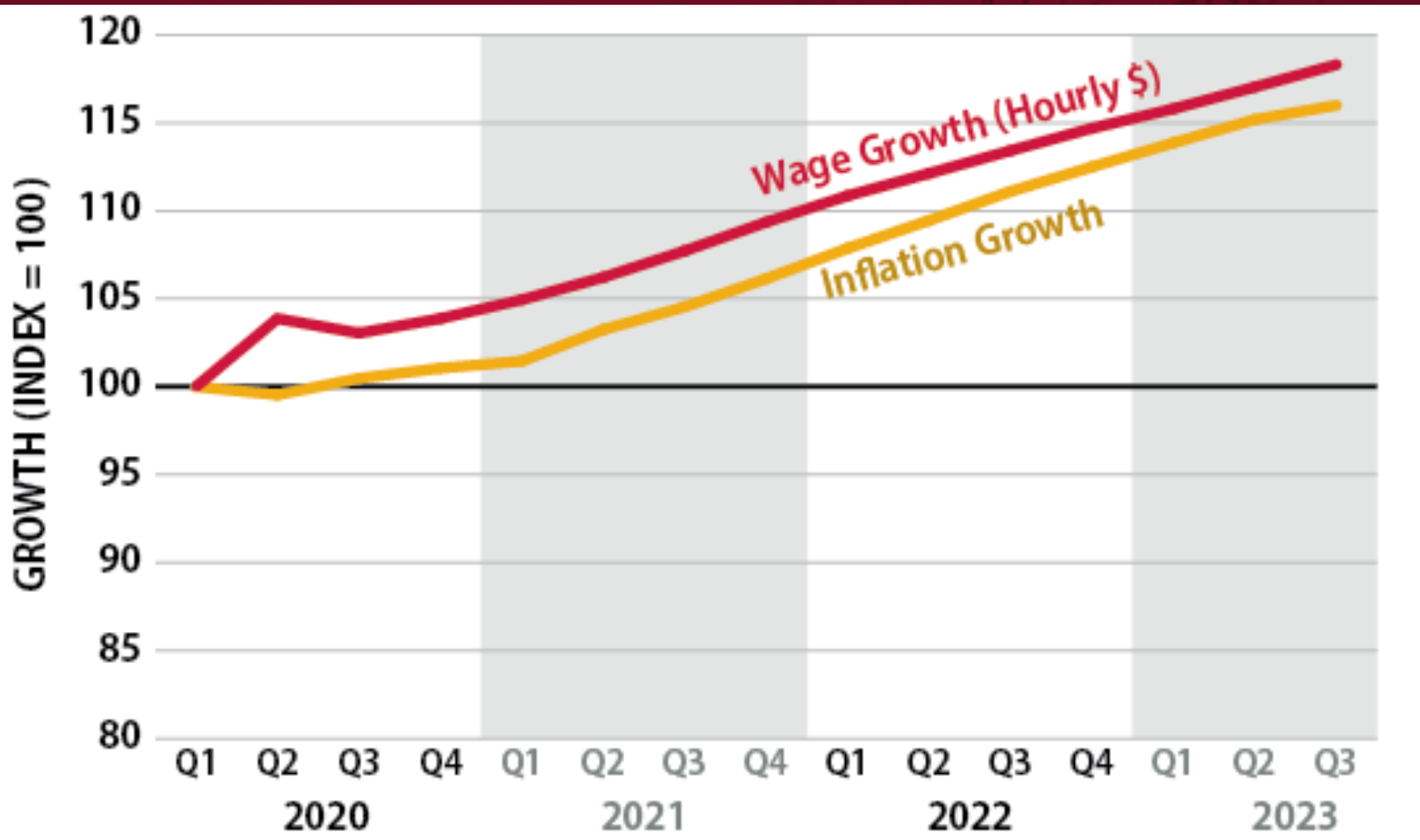


What we say and what we do are not in alignment . . .

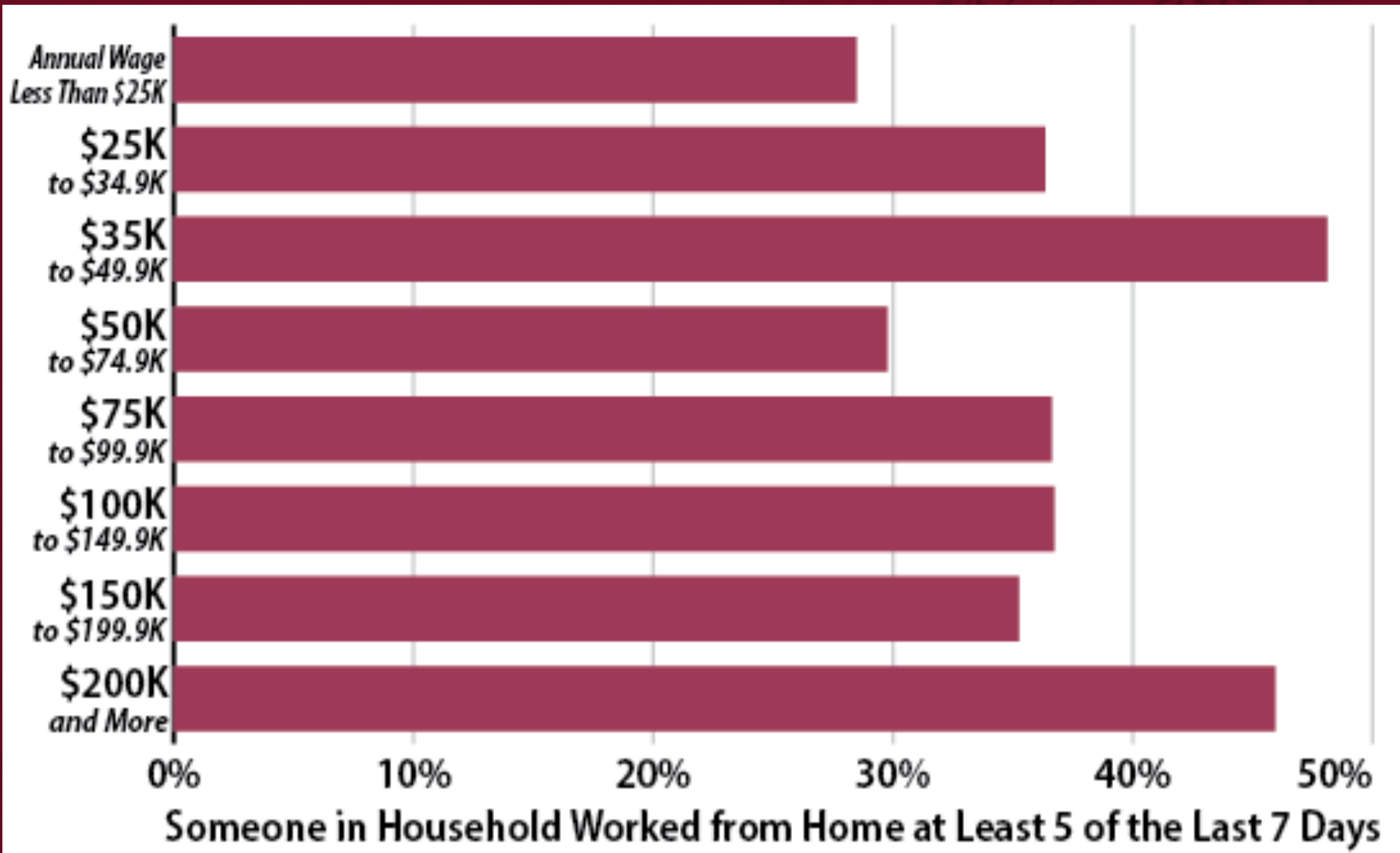
. . . The Great Discordance



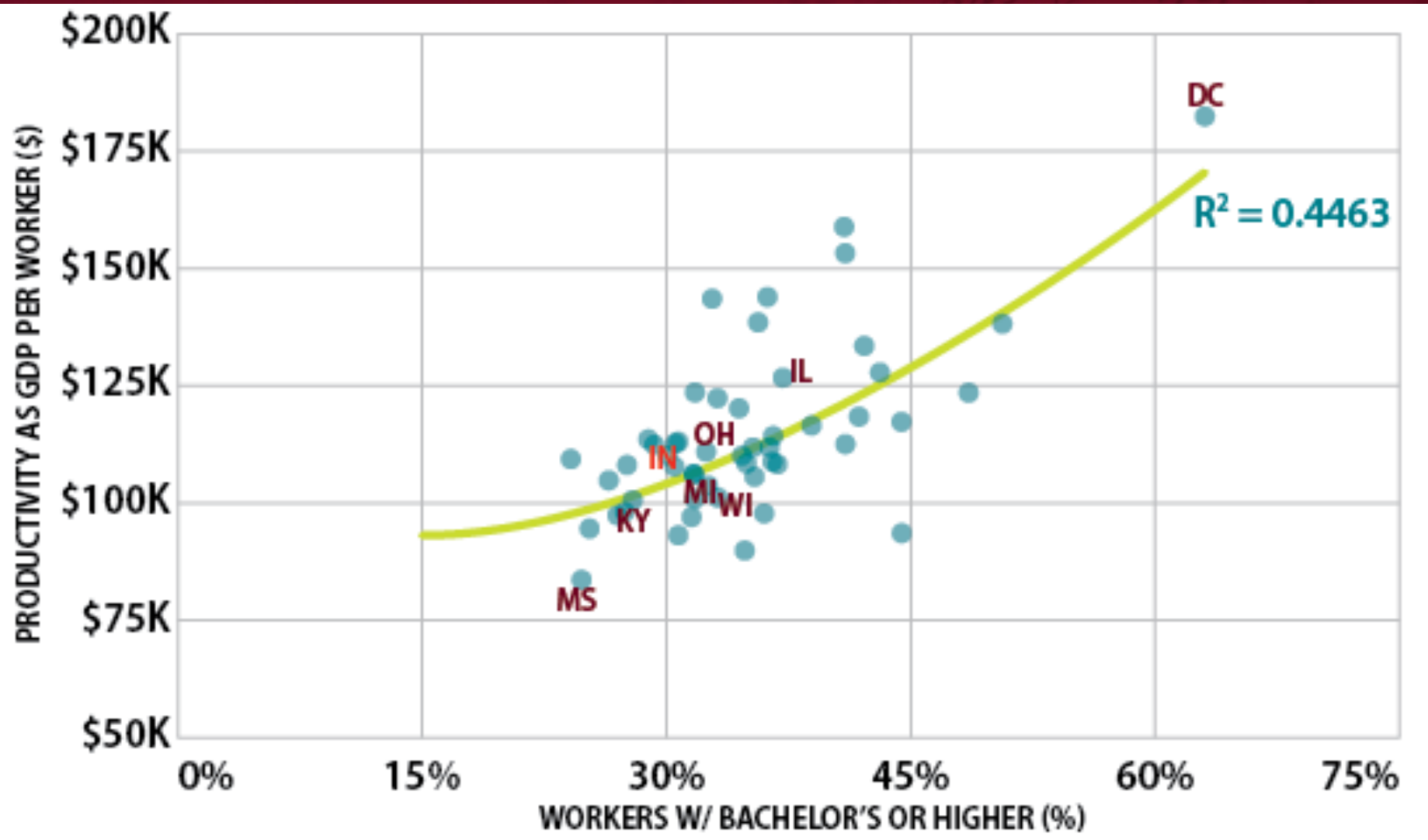
The trade-off between job openings and unemployment . . .



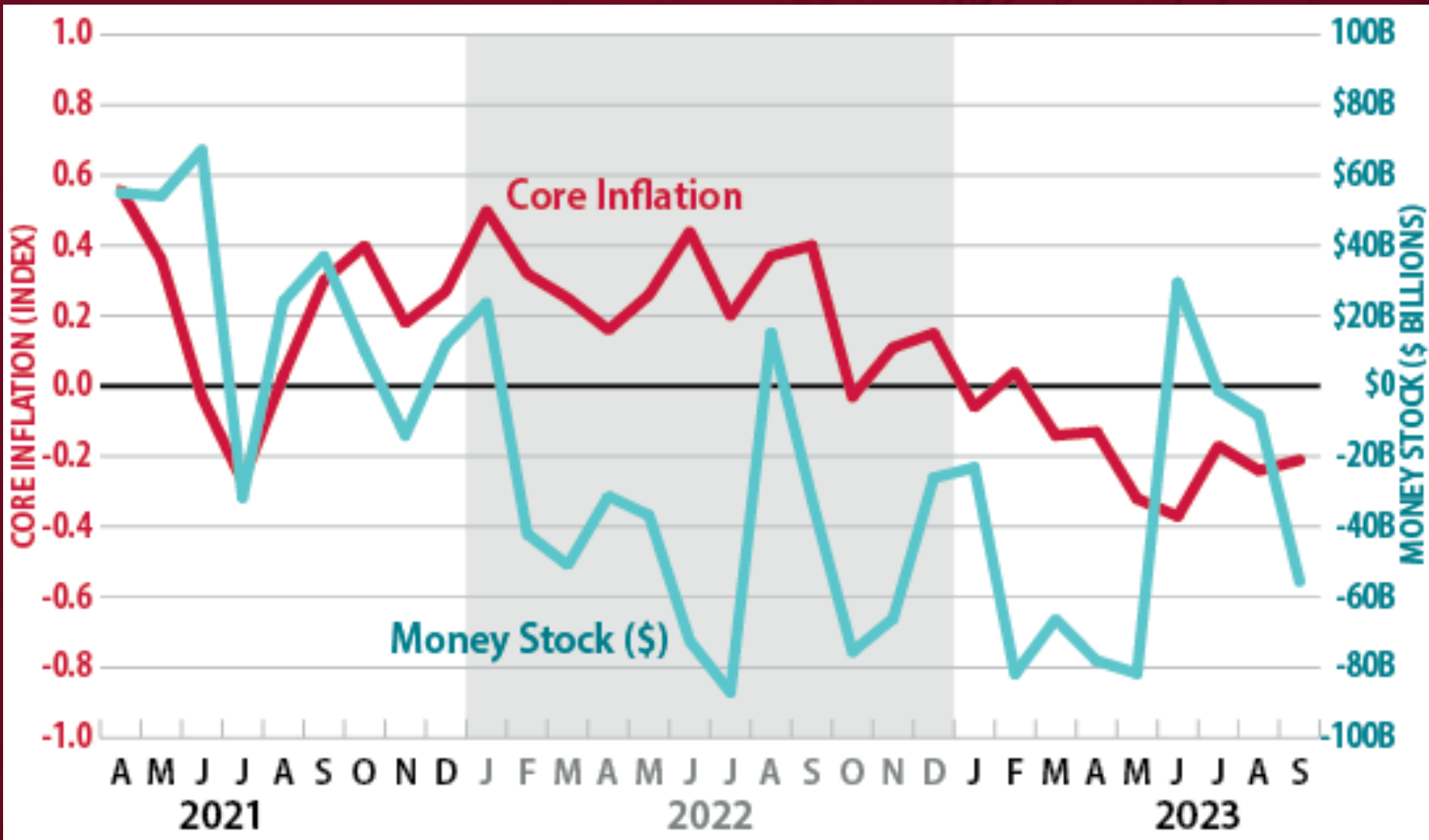
**Wage growth is outpacing inflation
(especially for the poorest 80% of Americans)**



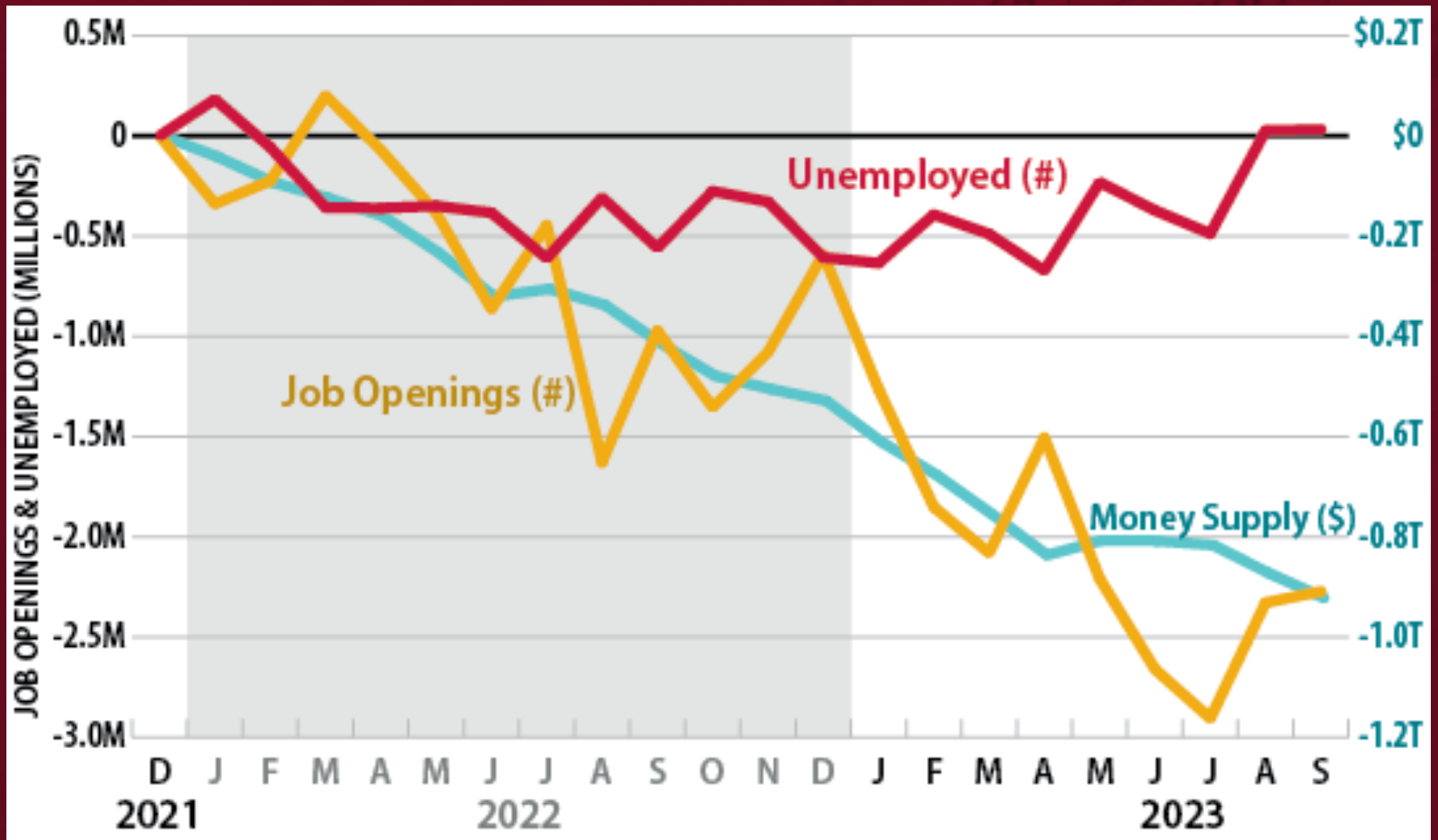
Work from home is now a permanent characteristics of labor markets



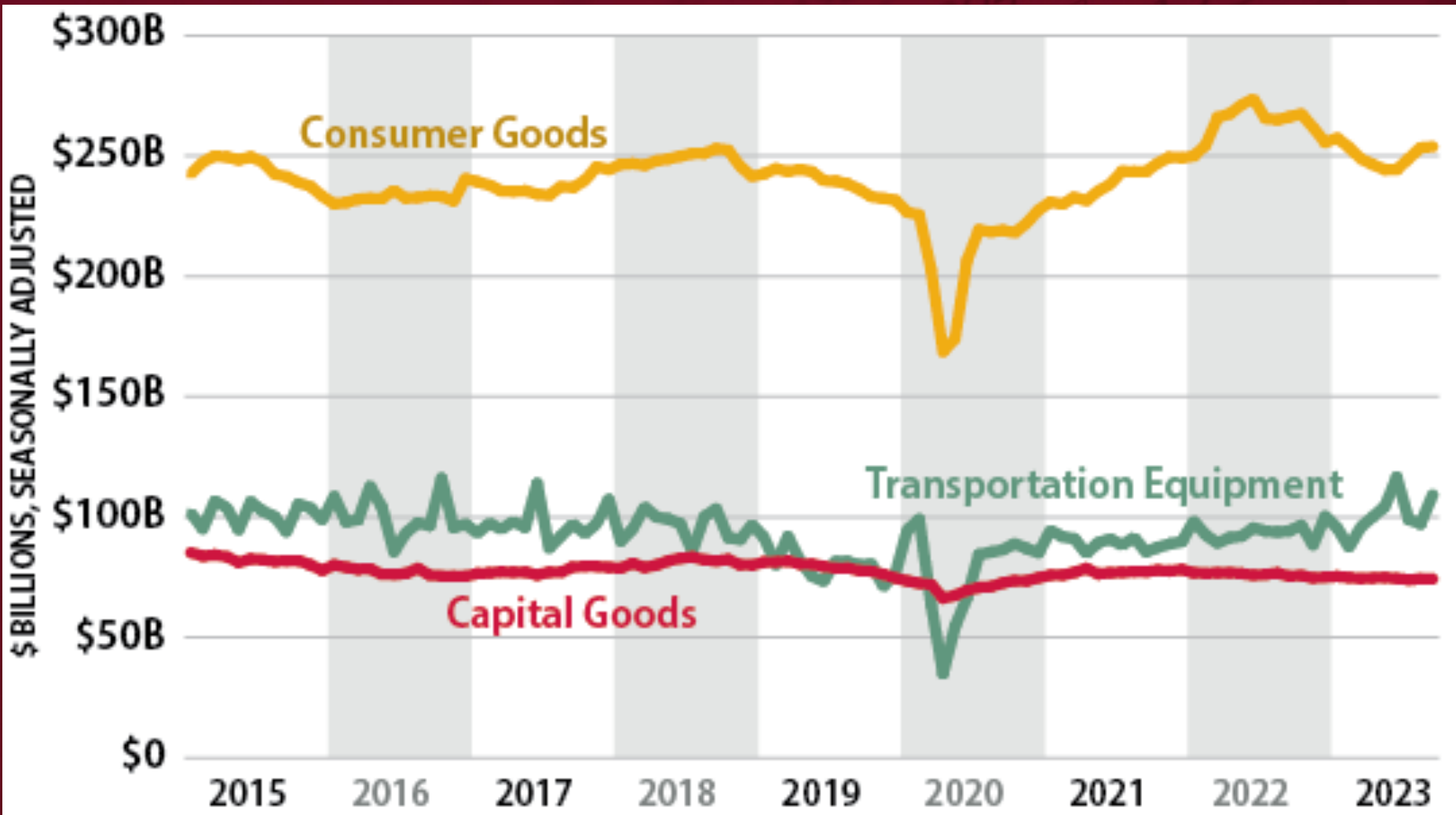
Educational attainment drives regional differences in productivity and wages



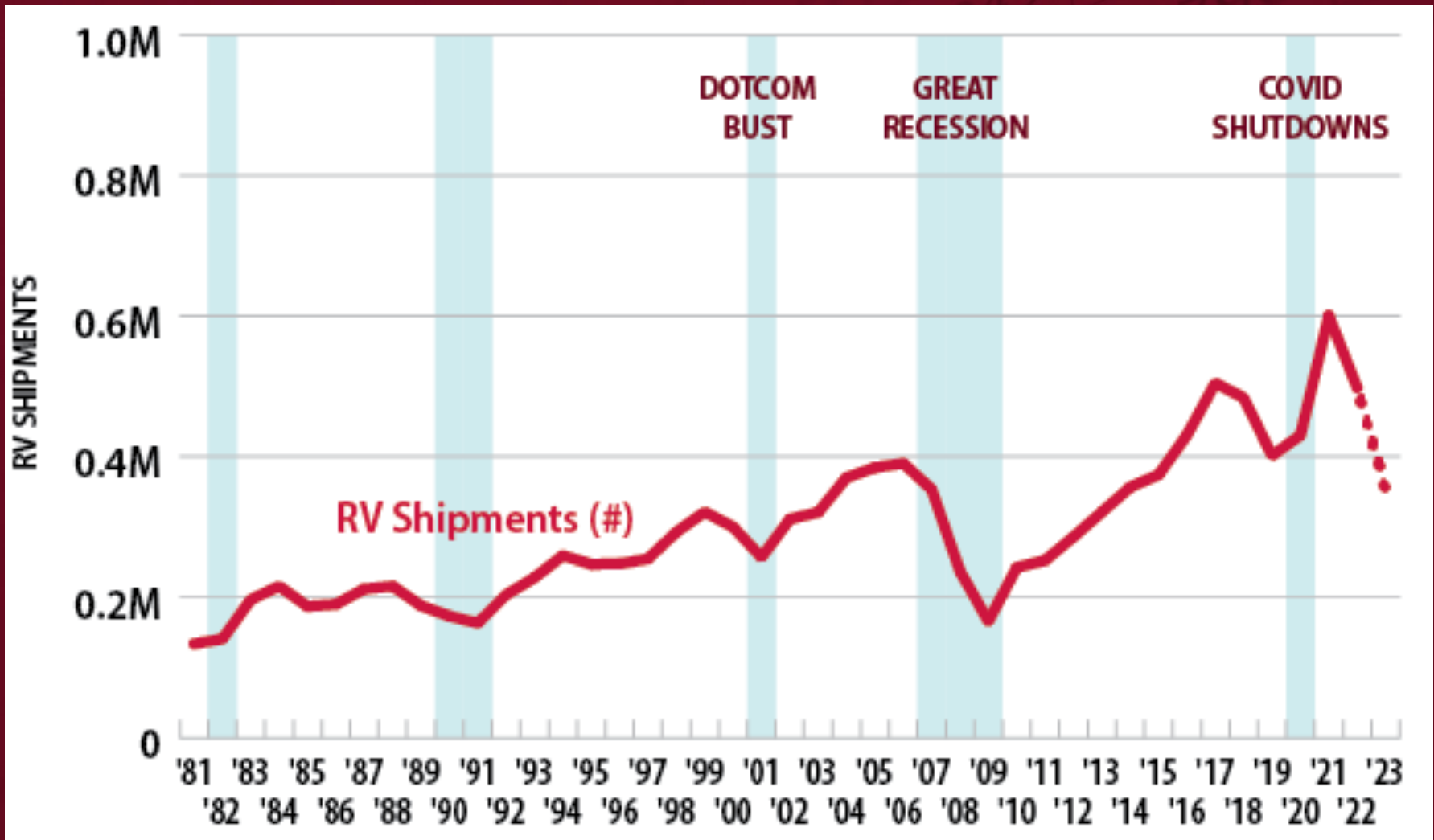
The Fed's monetary tightening has reduced inflation as intended



Putting all this together suggests that we slowed labor demand among the 'help wanted' ads, not the actual workforce



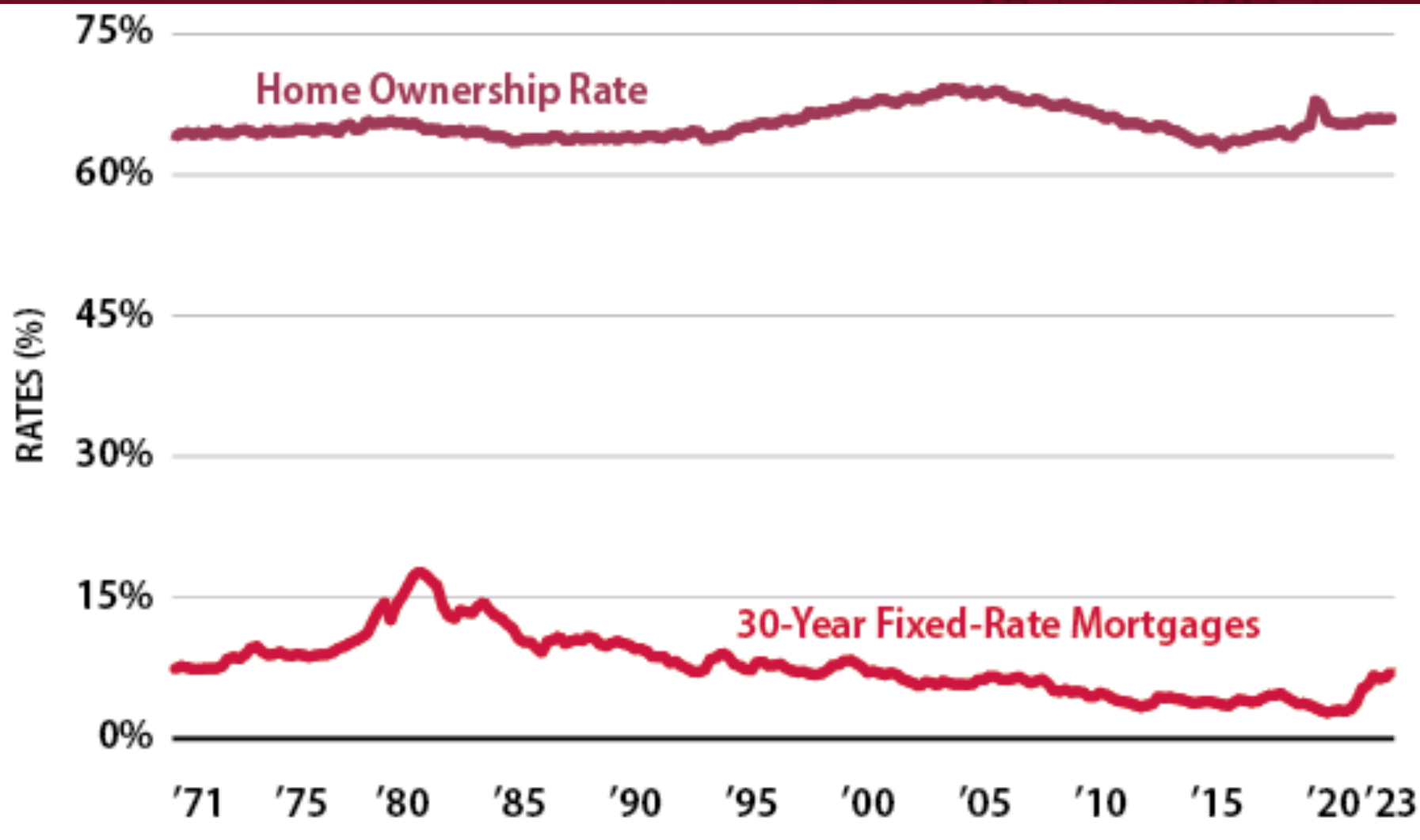
New orders are expanding, but not quickly.



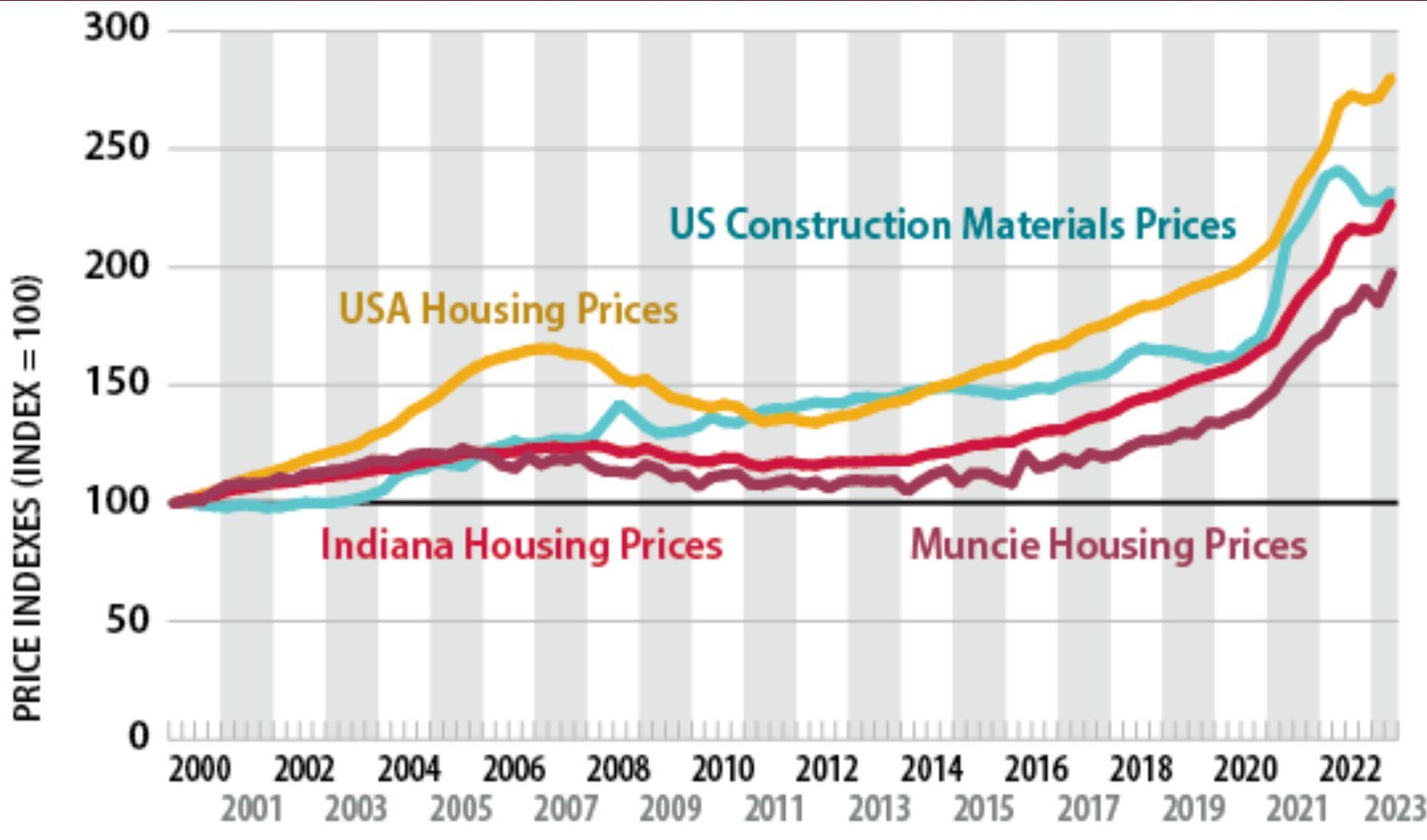
The most interest rate sensitive sectors are not yet expanding, and most manufacturing is interest rate sensitive . . .



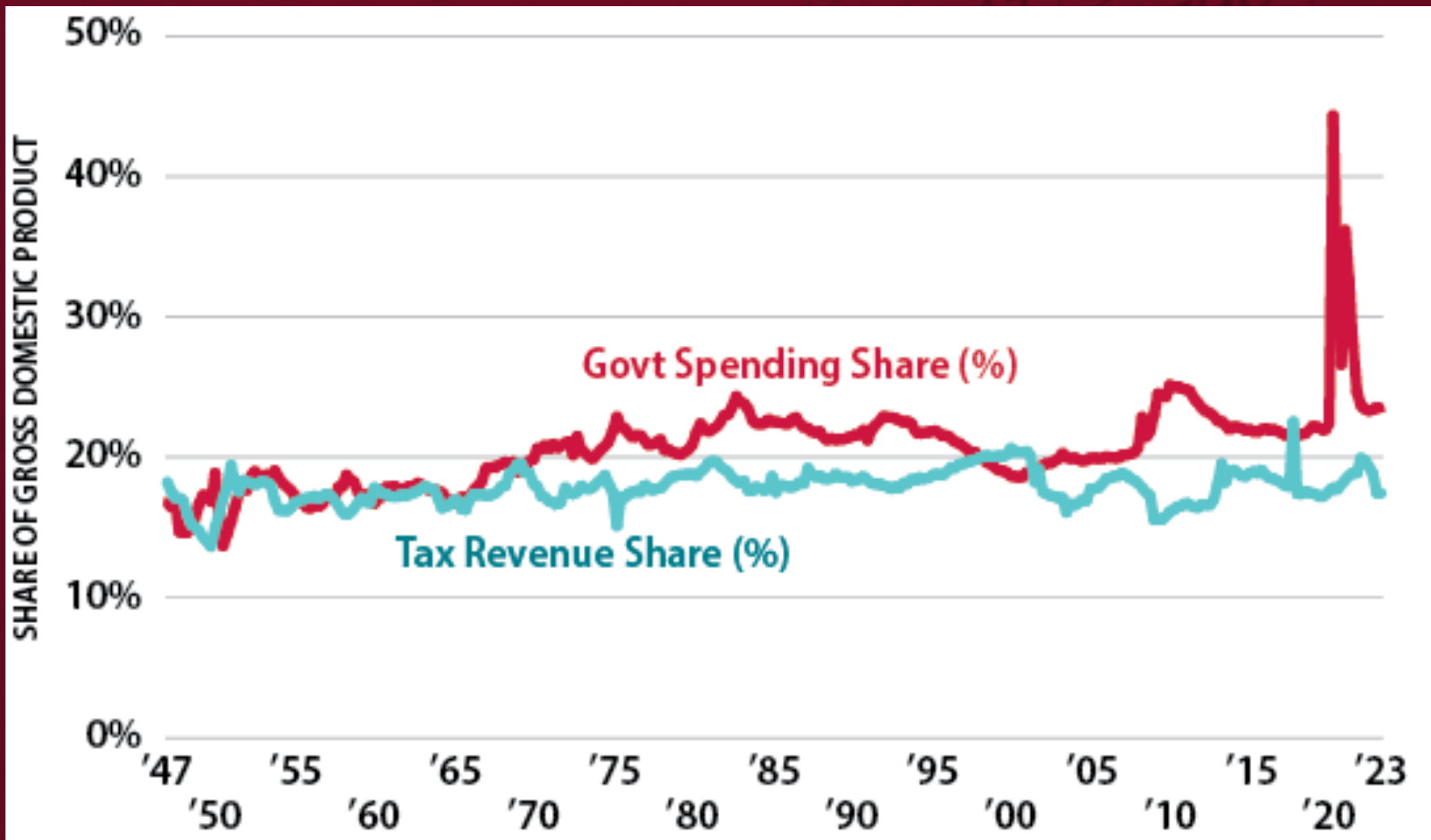
679 5863 8450 6492



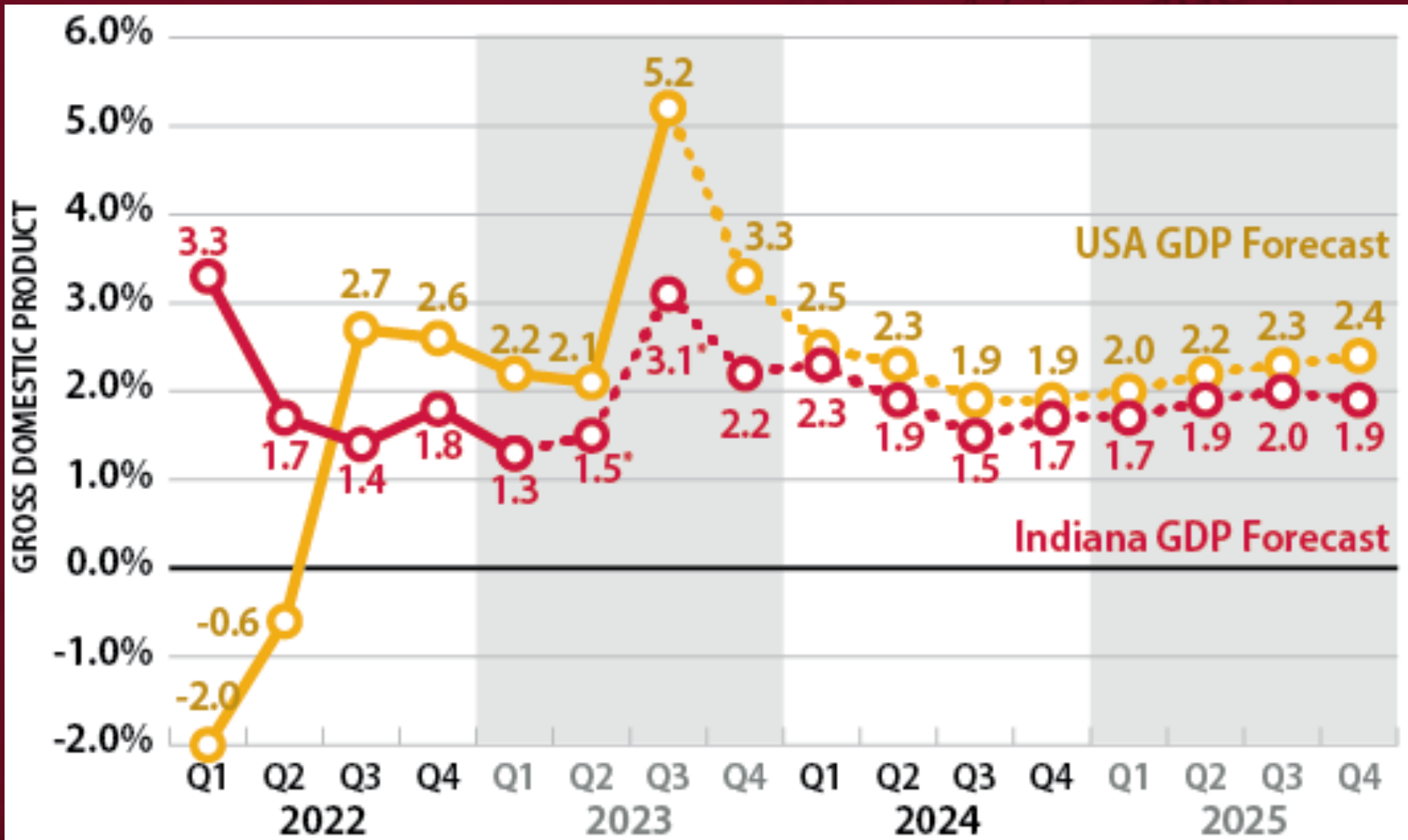
A graphic for the people under 45
(those who are not yet as productive as Baby Boomers)



Speculative home building didn't recover from the Great Recession, and the excess supply of housing is a widespread problem through much of the Midwest.



**Our deficit problem is both spending and taxes.
We balance budgets when spending and taxes are
between 19 and 20 percent of GDP.**



The Economy is consistently outperforming forecast models.

The 2024 Forecast

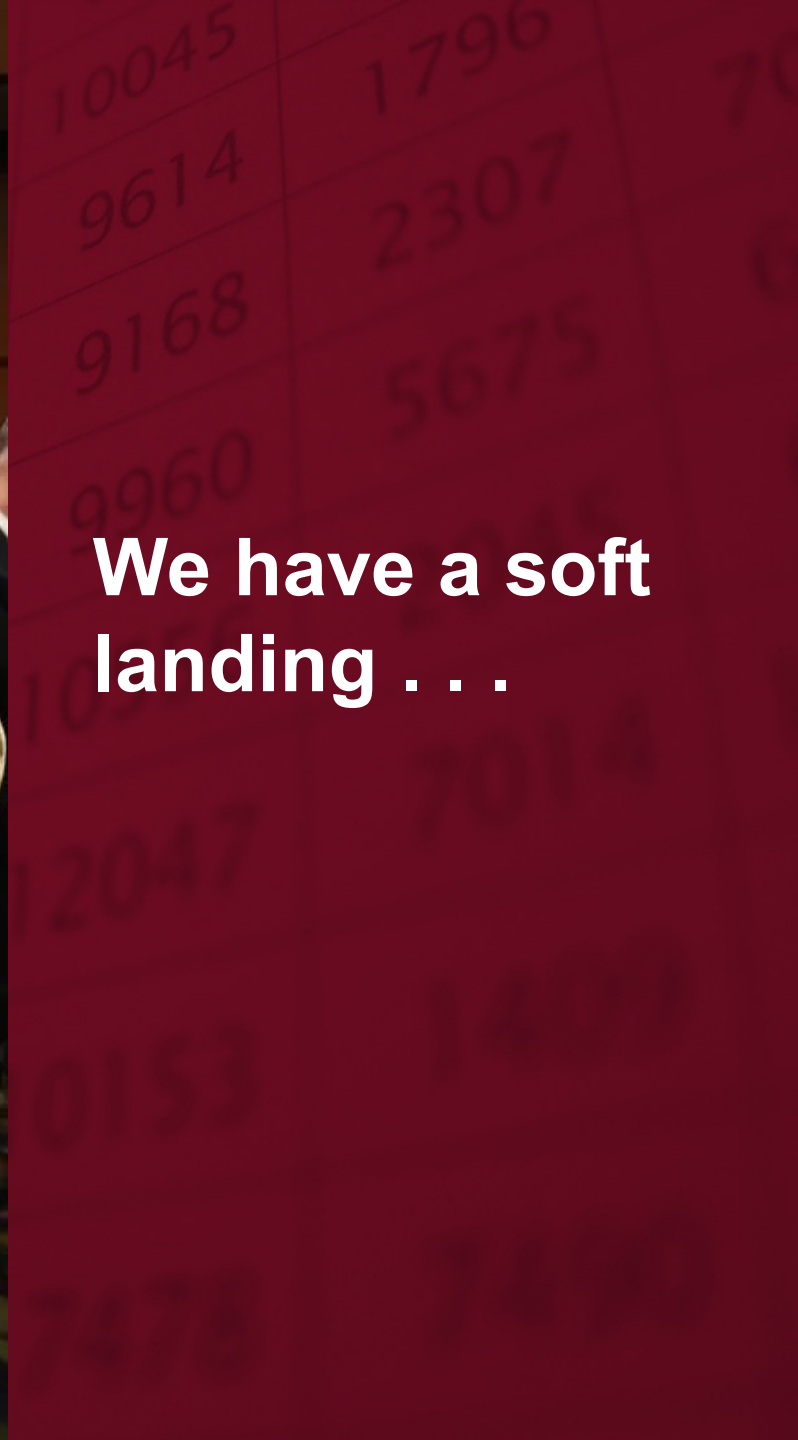
- **Inflation will continue to slow (especially core)**
- **Labor force will expand modestly**
- **Job growth will slow (not enough workers)**
- **GDP growth will stabilize**
- **Absent a global shock, we will not have a recession in 2024**
- **Growth should increase in late 2024 and through 2025**

Where I Could Be Wrong

- **Global commodity shocks could re-introduce price pressure (the Houthi effect).**
- **Preliminary data could be very wrong about both growth and inflation.**
- **Government shutdowns and spiking debt service can hinder growth.**
- **Productivity growth might be a harbinger of longer term periods of growth (upside risk).**
- **Demographic shifts of large populations into majority may improve productivity (welcome to adulthood Gen-X'ers).**
- **Immigration rates may change (see worker shortage).**



**We have a soft
landing . . .**



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Keynote
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