

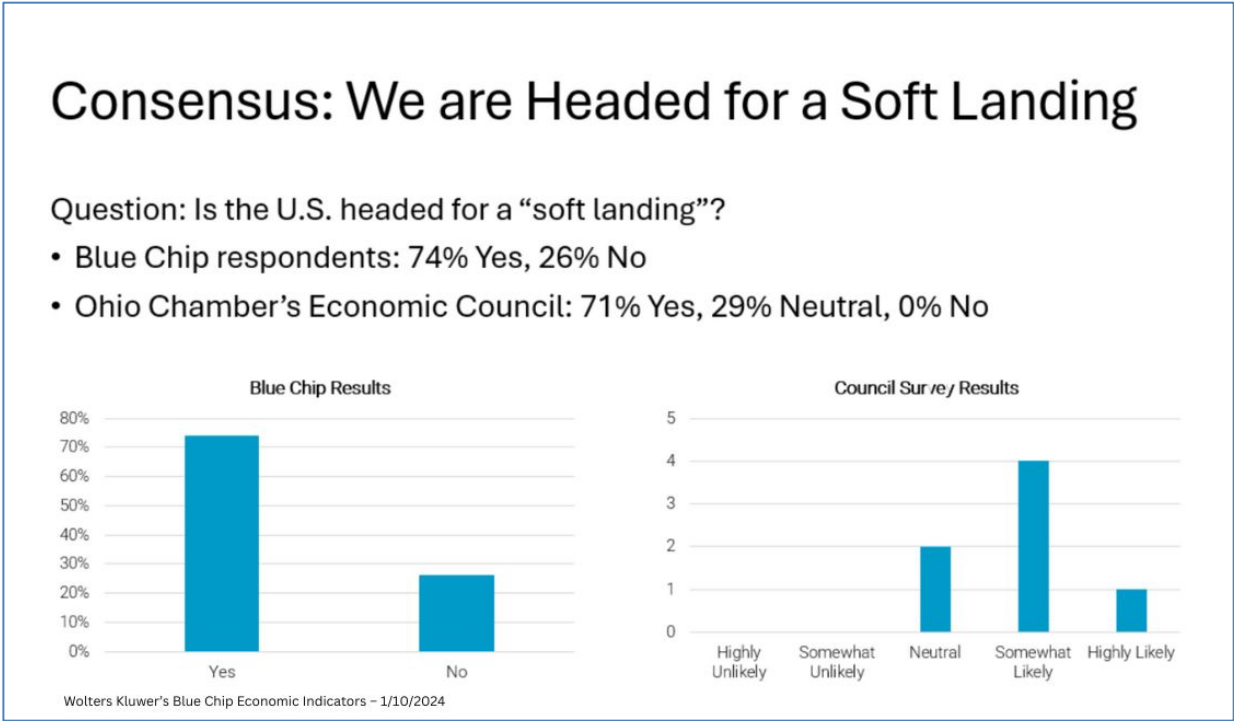
Economic Advisor Council Quarterly Report – Q1 2024

Executive Summary

This report provides economic forecasts for the United States and Ohio. Data analysis by the Ohio Chamber Economic Advisor Council, along with input from sources like the Blue Chip Economic Indicators, suggests a soft landing for the U.S. economy with continued growth and an easing of inflationary pressures.

Council Consensus: Soft Landing Ahead

In our latest survey, there is a strong consensus among the Economic Advisor Council that the United States is headed towards a soft landing. With 71% affirming and 29% remaining neutral, the confidence in a gentle economic deceleration is echoed by the Blue Chip respondents—74% of whom anticipate a soft landing, with none dissenting.¹



Recession Probability Low, Optimism Growing

While the risk of a recession is not entirely dismissed, the Council estimates a 33% chance of a recession this year, a figure lower than the Blue Chip forecast of 42%.² Moreover, the outlook is

¹ Wolters Kluwer’s Blue Chip Economic Indicators – 1/10/2024

² Ibid.

improving: two members see the probability as unchanged, four feel it is somewhat less likely, and one feels it is significantly less likely.

Federal Reserve Tightening Cycle Completed

There is unanimity among the Council that the Federal Reserve has concluded its tightening cycle. This is supported by 75% of Blue Chip respondents.³ Furthermore, rate cut expectations are shifting, with the majority of the Council predicting the first cut in Q3 and Q4 of 2024, aligning with Blue Chip expectations.⁴

Growth Prospects: Slower Yet Positive

The Council anticipates that real U.S. GDP growth will moderate in 2024, with projections ranging from 1.0% to 2.5% and a median estimate of 1.5%. This dovetails with the Blue Chip and Federal Reserve's median expectations of 1.6% and 1.4% respectively.^{5,6} While government purchases and net exports are predicted to contribute less than in prior years, the higher-than-anticipated consumer spending and targeted investments provide a solid foundation for sustained economic expansion.

Labor Market Outlook: Robust Hiring Amidst Rising Unemployment

Hiring remains vigorous, supported mainly by services sector employment. Despite a projected modest uptick in the unemployment rate to a median of 4.2%, the labor market continues to be robust. The Employment Cost Index (ECI) suggests wage growth is expected to moderate, aligning with a gradual reduction in consumer price inflation.⁷

Inflation and Consumer Sentiment: A Downward Trend

Price growth forecasts suggest inflation will trend downwards to 2-3%, a sentiment increasingly shared by consumers. This aligns with the December 2023 Survey of Consumers, which anticipates a decrease in inflation to 3.1% by December 2024.⁸

Ohio Economic Fortitude: Sustained Momentum Post-Pandemic

Shifting focus to Ohio, the following insights on Ohio's economic resilience are attributed to Director Kimberly Murnieks of the Ohio Office of Budget and Management, who provided a compelling briefing at our Economic Outlook 2024 event on January 24th. Ohio's economic landscape is marked by a significant momentum, a testament to the state's strategic management during the COVID-19 pandemic. This has enabled us to navigate economic

³ Wolters Kluwer's Blue Chip Economic Indicators – 1/10/2024

⁴ Ibid.

⁵ Ibid.

⁶ Federal Reserve Summary of Economic Projections 12/13/2023; <https://www.federalreserve.gov/monetarypolicy/files/fomcprojt20231213.pdf>

⁷ ECI forecast from S&P Global Market Intelligence as of 1/23/2024

⁸ University of Michigan Surveys of Consumers 12/22/23

shocks and foster sustained growth effectively. The Rainy-Day Fund, at an all-time high of \$3.7 billion, stands as a bulwark ready to weather future uncertainties. The state's triple-A rating from all three rating agencies reflects the sound fiscal stewardship that has been our hallmark. Our economy's diversity is a national benchmark—the #8 most diverse, with Industrial Diversity consistently improving annually since 2012.

Workforce Evolution: Ohio's Proactive Engagement

The Economic Advisor Council to the Ohio Chamber of Commerce hosted a riveting panel discussion at the Economic Outlook event, delving into Economic Trends and Projections for Ohio. The conversation, enriched by audience engagement, centered on workforce challenges in the wake of disruptive technologies. The consensus was clear: there is a pressing need to align policy decisions with the evolving employment landscape.

Ohio's industrial diversification presents an opportunity to pioneer the next wave of manufacturing and apprenticeship opportunities. The Council emphasized that while there will be demand for roles requiring bachelor's degrees and higher, approximately two-thirds of the emerging job market will be accessible through certifications and associate degrees, expanding with on-the-job training and experience.

As companies increasingly integrate automation and artificial intelligence, the focus shifts towards labor-intensive roles and technology/engineering generalists who can synergize operating systems. The diminished need for entry-level coding and back-office roles paves the way for Ohio to lead in addressing interoperability challenges posed by disruptive technologies. By investing in training and education, Ohio can equip its workforce to excel in these pivotal roles and support industries through this technological transition.

Conclusion: Steady Growth and Strategic Workforce Development

In summary, the 2024 outlook suggests a smooth transition for the U.S. economy, with consumer spending and strategic investments driving slower but still strong growth. Ohio, mirroring this positive trajectory, is well-positioned with economic resilience and diversity. The focus on proactive workforce development further enhances our ability to navigate and capitalize on technological advancements. The Council will remain vigilant and proactive, ensuring that our guidance is informed and strategic as the economic landscape evolves.