



Forecast Highlights

U.S.

- Over the past year – in the face of a historic increase in interest rates by the Federal Reserve – the economy outperformed expectations. For the upcoming year, we think that growth will weaken, but will remain in positive territory.
- Output growth in 2024 will slow by about 0.5% relative to the past year.
- Employment growth will slow, and modest job losses could occur. Unemployment will rise from the 50-year low of 3.4% in 2023, but only modestly.
- Demand will diminish across the economy. A key will be the extent of the impact on consumer spending. If households pull back on their spending, the overall economy will fall short of our expectation.
- The international situation presents risks to the U.S. – economic and otherwise – greater than at any time in at least 60 years.

Indiana

- 2024 will see a slowdown in employment growth overall. Income growth is forecast to decrease in the first third of 2024 but then stabilize at just under 4%.
- Indiana's employment and income trend lines will mirror the U.S., but at lower rates of growth.

Finance

Positives for Stocks

- Our model currently indicates there is little possibility of a recession in the near future.
- Derivative markets currently predict the next Fed move to be a cut in July 2024, which would be welcomed by the stock market – however, any inflationary data may change this to no change or even a hike.
- The yield curve is flattening with longer term rates rising but is still inverted – a continued de-inverting of the yield curve may be taken as a positive signal by equity investors.

Concerns for Stocks

- The S&P 500 and Nasdaq-100 are both higher in 2023 – this may limit upside even in a growing economic environment.
- S&P 500 valuations are elevated. The current Shiller PE Ratio is at 28.88 – well above the long-term mean of 17.06. The most recent price to sales ratio is 2.36, also higher than the long-term mean of 1.69.
- U.S. consumer activity is already slowing, and resumption of student loan payments may exacerbate this issue.
- The cost of housing, autos and consumer credit are elevated, which should weigh on consumer activity.

- VIX futures contracts expiring in 2024 are all over 20.00 – indicating concern about the equity market among market participants for next year.

International

- Global output is expected to grow at 2.9% in 2024.
- Inflationary pressures experienced globally – projected at 5.8% for 2024 – are expected to ease but still put pressures on growth due to restrictive monetary policy and deterioration in purchasing power for households.
- Advanced economies are expected to grow at 1.4% in 2024.
- Emerging market and developing economies are expected to grow at 4.0% in 2024.
- Globally, there are significant downside risks to the outlook due to the increased risk of a broader war in the Middle East and how this could unsettle commodity markets, as well as the possibility for monetary policy to remain tighter for longer to curb inflation.

