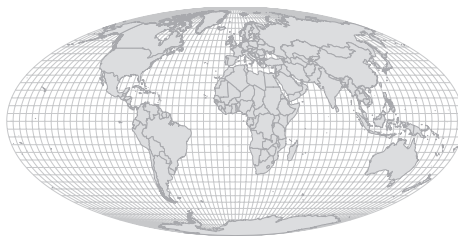


Outlook Summary for 2003

The Big Picture

By the Kelley School of Business

- ▶ **Jeff Green and Bill Witte on the National Forecast:** Gross Domestic Product is expected to increase by 3.2 percent, with consumer spending and federal spending leading growth. After mid-year, business investment will become a positive force as well. Exports will struggle to keep pace with rising imports.
- ▶ **Rob Neal and Bill Sartoris forecast the Financial Picture:** We are cautiously optimistic that 2003 will provide a decent rate of return for stock market investors. Only once since 1926—during the depression era of 1929 to 1932—has the market declined for four consecutive years.



- ▶ **Jeff Fisher on Housing:** New and existing home sales should remain strong, although slightly off the record pace of 2002. Assuming the stock market improves, the demand for apartments may drop off (as related to investor demand).
- ▶ **Morton Marcus on Indiana:** As the nation emerges from the recession, Indiana should once again gain jobs and we are forecasting job growth of 30,000 during 2003. This number is based on a cyclical rebound subdued by the secular decline in employment in manufacturing, public utilities, and the financial sectors.
- ▶ **Andreas Hauskrecht's Global Forecast:** World economic growth will be around 2.8 percent, with the European Union growing at 2.3 percent and China at 7.2 percent.

Indiana Metro Areas

By Faculty from Academia Statewide

- ▶ **Barry Ritchey on Anderson:** *Short-term:* continuing losses of jobs in manufacturing and slow to zero income growth. *Long-term:* this area could become one of the most urbanized corridors in the state.
- ▶ **Thayr Richey on Bloomington:** The Bloomington experience may reveal a new approach to the Indiana economy: retain a core manufacturing base but grow the overall economy through higher paying jobs in education and service.
- ▶ **Jim Smith on Columbus:** This area's ability to raise the education level of the workforce will be important in determining whether economic prosperity comes to Bartholomew County or gets diverted to Minnesota and Vermont.
- ▶ **Gale Blalock on Evansville:** Recent announcements of the expansion of Toyota and its suppliers and the arrival of Ford in Gibson County bode well for the future.
- ▶ **Tom Guthrie on Fort Wayne:** After two years of decline (2000 and 2001) and a year of essentially no growth, the Fort Wayne metro economy is forecast to have a significant cyclical bounce in 2003.
- ▶ **Don Coffin on Gary:** The metro economy has not shared in the tentative national recovery. There is no particular reason to expect a strong, or even a weak, recovery in 2003. While the immediate future does not look terribly bright, the longer-term future can be what we decide to make of it.
- ▶ **Morton Marcus on Indianapolis:** As 2002 ends, the Indianapolis area seems poised for job increases once again. Of the 30,000 jobs expected to be gained in Indiana in 2003, more than half are likely to be in the Indianapolis area.
- ▶ **Kathy Parkison on Kokomo:** As an economy that relies on manufacturing, Kokomo is in a holding pattern, much like the rest of the country. There have been some specific signs that the Kokomo economy, while not growing gangbusters, has at least held its own.
- ▶ **Carol Rogers on Lafayette:** Barring any enormous shifts in the national economy, Lafayette will likely experience a year similar to 2002—not great but not bad—and it will likely gain a small share of the 30,000 jobs projected for Indiana.
- ▶ **Pat Barkey on Muncie:** With improvement in the national economy, Muncie can hope to regain some portion of the approximately 1,000 jobs lost since the downturn began. But if the slow secular decline continues in 2003, the best we can hope for is an increase of a few hundred jobs.
- ▶ **Dagney Faulk on New Albany:** The economy of Southern Indiana and the Louisville metro area continues to perform better than national economic trends; gaming at Caesar's continues to expand; income has grown; and in the last few months of 2002, the area has settled into a period of sluggish growth.
- ▶ **Ash Veramallay on Richmond:** The fundamentals are in place for this area to have an uptick in economic activity, although growth could be uneven due to swings in capital spending, consumer confidence, and other transitory developments.
- ▶ **Paul Joray on South Bend and Elkhart:** Both of the economies of South Bend/Mishawaka and Elkhart/Goshen will continue their recoveries, but at a modest rate.