

# Outlook for 2008

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For 35 years, a group of Indiana University faculty has gathered at the Kelley School of Business each fall to consider the economic outlook for the coming year. In the process, they forecast the prospects in terms of global, national, state, metropolitan, and agriculture perspectives, and they also assess the outlooks for the financial and housing markets.

This year's discussion began with a review of the latest forecast based on the econometric model of the United States developed by Indiana University's Center for Econometric Model Research (CEMR). The researchers then made adjustments to the model's predictions to accommodate expectations about key underlying variables. The CEMR model of Indiana's economy similarly provided a basis for projecting the outlook for the state.

These economists and distinguished colleagues presented their predictions to audiences across Indiana through the Kelley School's Business Outlook Panel program. In each city, an expert on the local economy joined the panel to discuss the outlook for the metro area. The 2008 predictions of all the Business Outlook panelists are presented in this issue of the *Indiana Business Review*, along with additional supporting detail.

In general, the economy in 2007 moved as the panel predicted a year ago, but at a slower and more volatile pace as a result of major challenges posed by high energy prices and troubles in the housing and credit markets. The year ahead is marked by similar, significant risks, but the panel still expects

the national economy to grow moderately in 2008.

The 2008 outlook issue of the *Indiana Business Review* begins with Ellie Mafi-Kreft's assessment of the international outlook, predicting that growth will remain strong throughout much of the world. Bill Witte comments on the U.S. economy, which he believes is in survival mode. Although the household sector will face pressure across the nation, there are enough positive signs to suggest sustained moderate economic growth. For the financial markets, John Boquist projects that interest rates will drop, corporate profits will rise slowly, and the stock market will continue to make gains.

Jeffrey Fisher weighs the outlook for housing, anticipating that the market will recover late in 2008 if job growth continues and interest rates stay at current levels. Corinne Alexander looks at what is expected for the Hoosier

agriculture sector, predicting the best financial times for the sector since the 1970s. The forecast for Indiana's economy, presented by Jerry Conover, calls for continued modest growth if the larger economy does not experience a major upheaval. Finally, a group of economists and business leaders from around the state share their insights into what 2008 holds in store for most of Indiana's metropolitan areas (see Figure 1).

**Figure 1**  
Projected Directional Change in Jobs, 2008

