

Outlook for 2009

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December 2008

For thirty-six 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.

Suffice it to say that the economic situation did not unfold during 2008 quite as the panel predicted a year ago. The year ahead is likewise marked by risks and uncertainty, and the panel predicts 2009 will be a challenging year—but hopefully with some light at the end of the tunnel.

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.

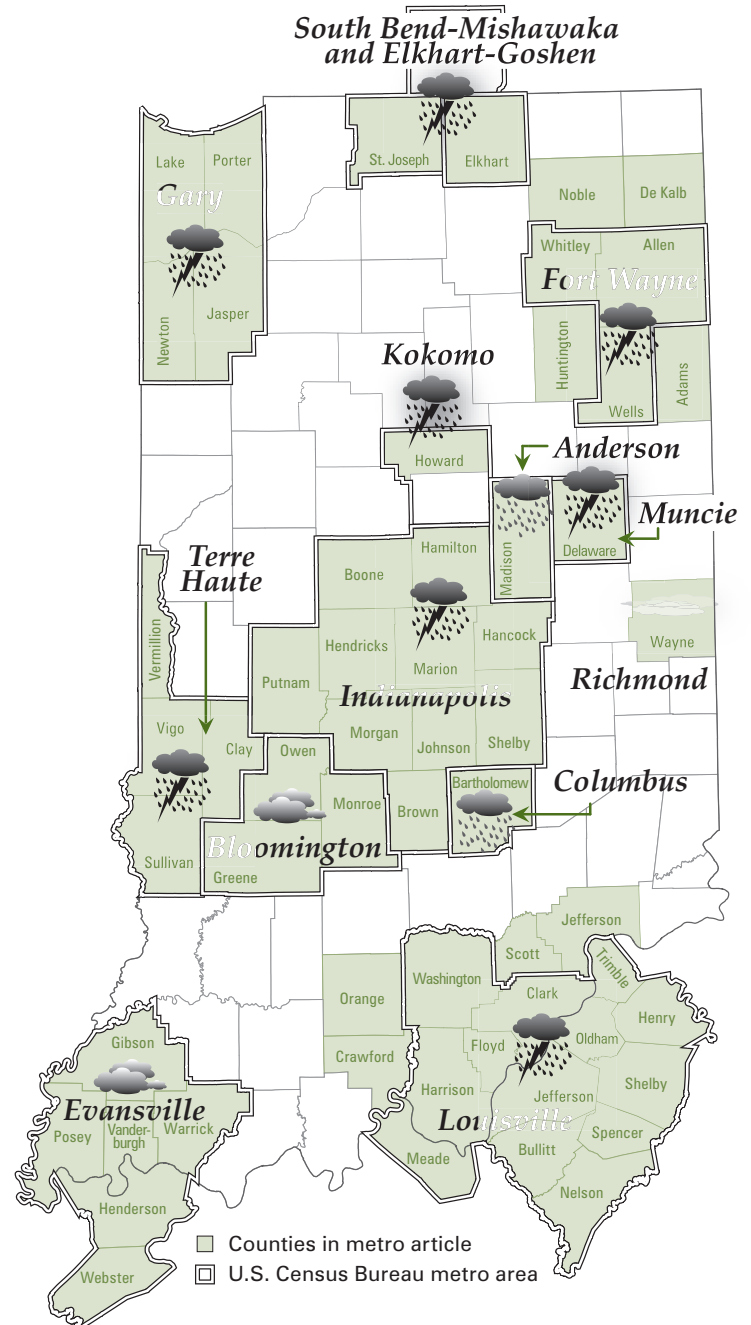
These economists and distinguished colleagues presented their predictions to audiences across Indiana through the Kelley School’s Business Outlook Panel program. In each city, an expert on the local economy joined the panel to discuss the outlook for the metro area. The 2009 predictions of all the Business Outlook panelists are presented in this issue of the *Indiana Business Review*, along with additional supporting detail.

The 2009 outlook issue of the *Indiana Business Review* begins with Ellie Mafi-Kreft’s assessment of the international outlook, predicting the weakest year for global growth since the early 1990s. Bill Witte comments on the U.S. economy, which he believes will get worse before it gets better. Gross domestic product will continue to shrink in the first half of the year, before starting to grow again. Much will depend on how long it takes the housing and financial markets to stabilize. For the financial markets, John Boquist and Rob Neal project that interest rates will remain low most of the year, corporate profits will be lower, and the stock market will be positive but below the historical average.

Jeffrey Fisher weighs the outlook for housing, anticipating that the market will begin a modest recovery late in 2009, with home prices remaining low. The forecast for Indiana’s economy, presented by Jerry Conover, calls for significant employment shrinkage before starting to grow again late in the year. Corinne Alexander looks at what is expected for the Hoosier agriculture sector, predicting net farm income in 2009 will be anywhere from \$700 million (if commodity prices remain low and

input costs remain high) to \$2 billion (if commodity prices recover somewhat and input costs fall). Finally, a group of economists and business leaders from around the state share their insights into what 2009 holds in store for most of Indiana’s metropolitan areas (see **Figure 1**).

■ FIGURE 1: Forecast for Indiana Metros, 2009



Source: Indiana Business Research Center