

Outlook for 2012

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Each fall a group of Indiana University faculty gathers at the Kelley School of Business 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.

The researchers concluded that, while the economy is expected to expand, the recovery will remain far more sluggish than typical following a recession. For 2012, the panel predicts lingering uncertainty, modest growth and fragile progress.

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. Their model of Indiana’s economy similarly provided a basis for projecting the outlook for the state.

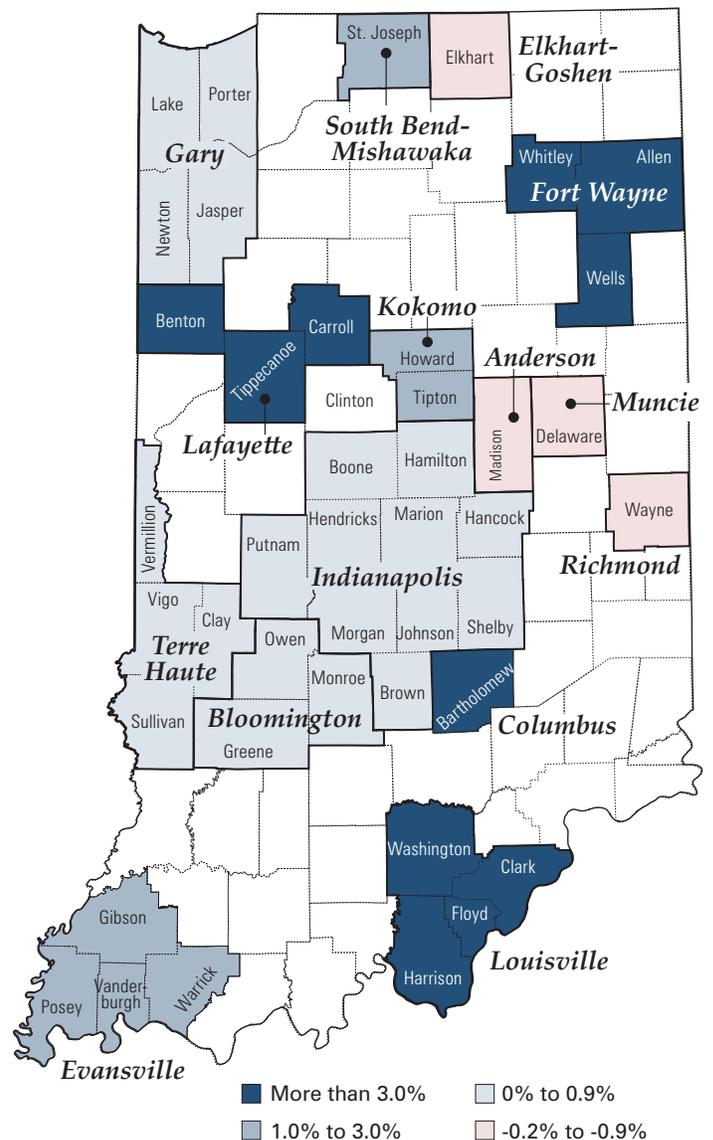
These economists and distinguished colleagues presented their predictions to audiences across Indiana through the Kelley School’s Business Outlook Panel. In each city, an expert on the local economy joined the panel to discuss the outlook for the metro area. The 2012 predictions of all the Business Outlook panelists are presented in this issue of the *Indiana Business Review*, along with additional supporting detail.

The 2012 outlook edition of the *Indiana Business Review* begins with Ellie Mafi-Kreft’s assessment of the international outlook, with global economic growth slowing to around 4 percent. Bill Witte comments on the U.S. economy, which is expected to grow between 2.5 and 3 percent, but without major progress in the labor market. For the financial markets, Rob Neal and Chuck Trzcinka project that the earnings forecasts and low interest rates are encouraging for stock prices, but uncertainty about fiscal policy and foreign economies will hamper growth.

Doug McCoy estimates that the housing market has finally bottomed out, but a large surplus of homes and persistent unemployment will slow the housing recovery. Jerry Conover’s forecast for Indiana’s economy anticipates that 2012 will see 1.5 percent employment growth, but the unemployment rate will wind down very slowly. Corinne Alexander predicts a bright future for Indiana agriculture in 2012, with record corn and soybean prices. However, high feed costs will cut into profit margins in the livestock sector. Finally, a group of economists and business leaders from around the state share their insights into what 2012 holds in store for Indiana metropolitan areas. ■

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FIGURE 1: Change in Metro Employment, September 2010 to September 2011



Source: IBRC, using Bureau of Labor Statistics data