

Outlook for 2010

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For thirty-seven 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 during 2009 was not pretty. Over the past year, employment declined by at least 5 percent in all of the regions covered by this Outlook (see **Figure 1**). For 2010, the panel predicts that the worst is behind us, though it will take three to five years for a full recovery.

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.

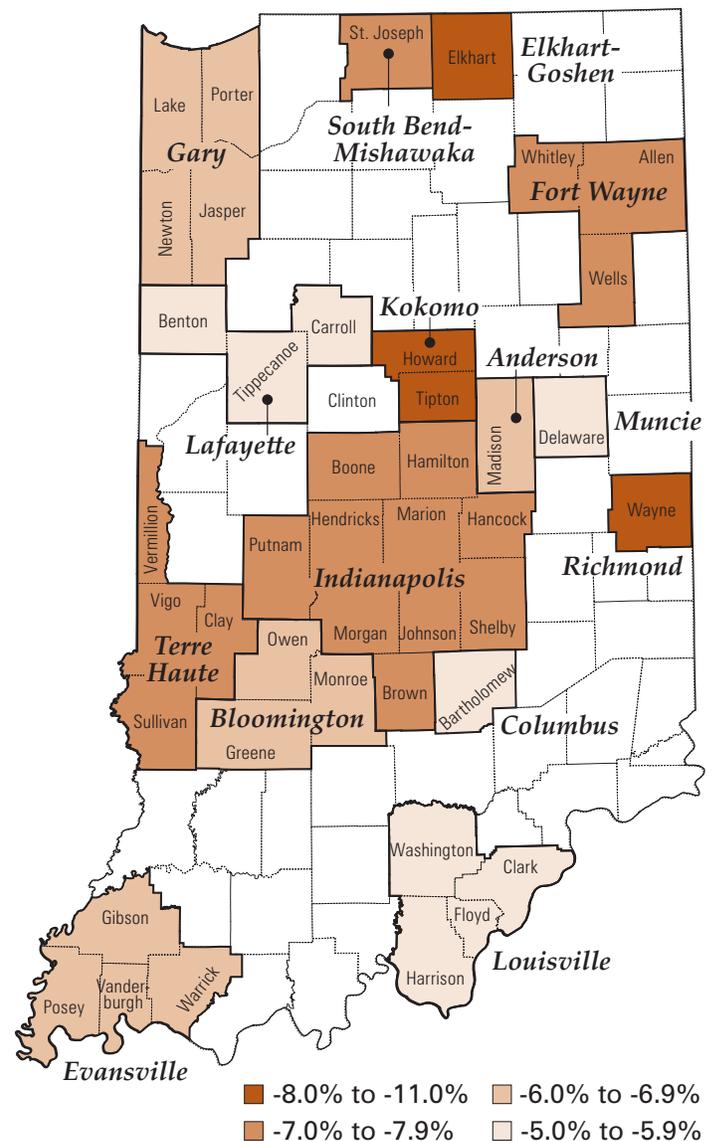
These economists and distinguished colleagues presented their predictions to audiences across Indiana through the Kelley School's Business Outlook Panel. In each city, an expert on the local economy joined the panel to discuss the outlook for the metro area. The 2010 predictions of all the Business Outlook panelists are presented in this issue of the *Indiana Business Review*, along with additional supporting detail.

The 2010 outlook issue of the *Indiana Business Review* begins with Ellie Mafi-Kreft's assessment of the international outlook, with the prediction of a slow recovery with many downside risks. Bill Witte comments on the U.S. economy, which he believes will improve, though it will take longer than normally expected due to the lingering effects of the financial crisis. For the financial markets, John Boquist and Rob Neal project that interest rates will rise slightly by the end of the year, corporate profits will hold up due to major cost cutting that has occurred, and the stock market will grow more slowly.

Jeffrey Fisher weighs the outlook for housing, anticipating that the market will begin a modest recovery. The forecast for Indiana's economy, presented by Jerry Conover, anticipates that employment will finally grow again, though joblessness will remain a challenge. Corinne Alexander looks at what is expected for the Hoosier agriculture sector, predicting that overall agricultural

income levels will be stronger than in 2009 (but nowhere near the levels seen in 2007 and 2008). Finally, a group of economists and business leaders from around the state share their insights into what 2010 holds in store for most of Indiana's metropolitan areas. ■

■ **FIGURE 1: Change in Employment for Indiana Regions, October 2008 to October 2009**



Source: IBRC, using Bureau of Labor Statistics data