

Outlook for 2011

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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.

Since the end of the recession in June 2009, the employment picture has been mixed for the regions covered by this Outlook (see Figure 1). For 2011, the panel predicts that we will continue along the long road to 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. Their model of Indiana's economy similarly provided a basis for projecting the outlook for the state.

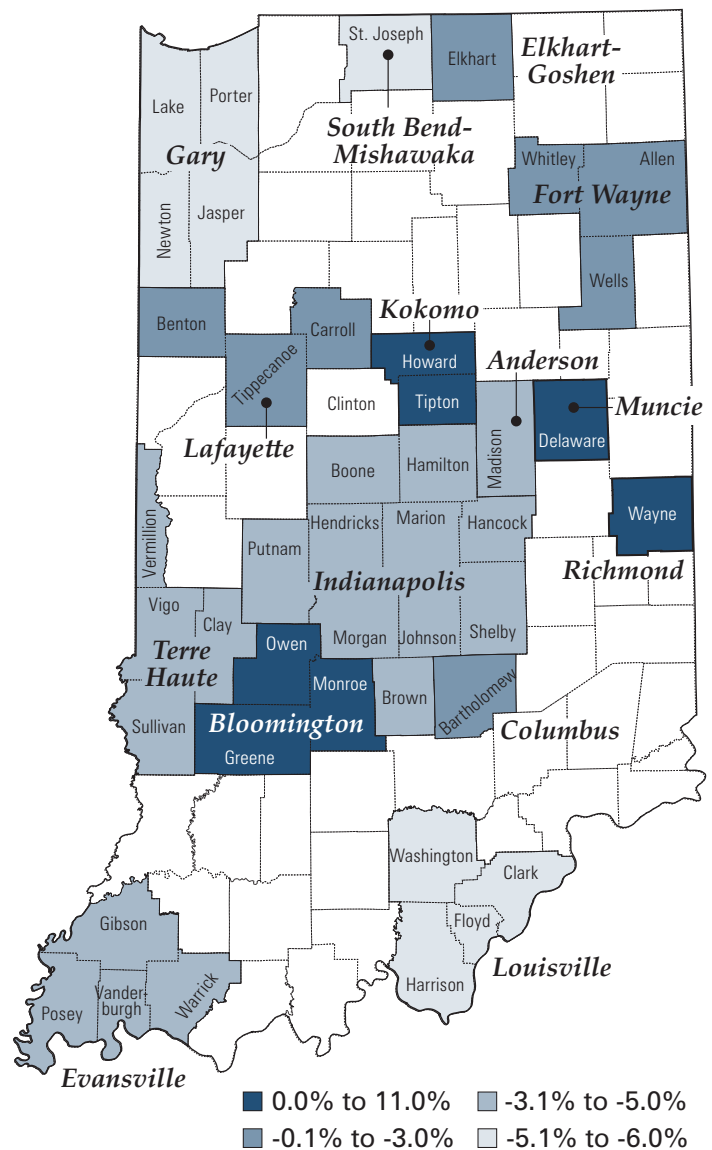
These economists and distinguished colleagues presented their predictions to audiences across Indiana through the Kelley School's Business Outlook Panel. In each city, an expert on the local economy joined the panel to discuss the outlook for the metro area. The 2011 predictions of all the Business Outlook panelists are presented in this issue of the *Indiana Business Review*, along with additional supporting detail.

The 2011 outlook issue of the *Indiana Business Review* begins with Ellie Mafi-Kreft's assessment of the international outlook, with growth in the world economy to slow slightly from 2010. Bill Witte comments on the U.S. economy, which is experiencing a more sluggish recovery than is typical. For the financial markets, John Boquist, Rob Neal and Chuck Trzcinka project that interest rates and inflation will remain low and the stock market should be positive, but below historical averages.

Matt Kinghorn weighs the outlook for housing, anticipating that the market will begin a modest recovery. Jerry Conover's forecast for Indiana's economy anticipates that 2011 will offer a bit of hope, but unemployment will remain a drag on economic growth. Corinne Alexander has mixed expectations for the Hoosier agriculture sector, predicting an increase in crop prices that 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 2011 holds in store for Indiana's metropolitan areas. ■

“2011 will offer a bit of hope, but unemployment will remain a drag on Indiana's economic growth.”

FIGURE 1: Change in Employment for Indiana Regions since the End of the Recession, June 2009 to October 2010



Source: IBRC, using Bureau of Labor Statistics data