

# Outlook for 2006

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Following a tradition established more than a third of a century ago, a group of faculty gathered at the Kelley School of Business in October 2005 to discuss the economic outlook for the year ahead. Their goal was to forecast the prospects for 2006 in terms of global, national, state, and metropolitan perspectives, as well as to assess the outlooks for the financial and housing markets.

This discussion began with a review of the latest forecast based on the econometric model of the U.S. developed by Indiana University's Center for Econometric Model Research (CEMR). The professors 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.

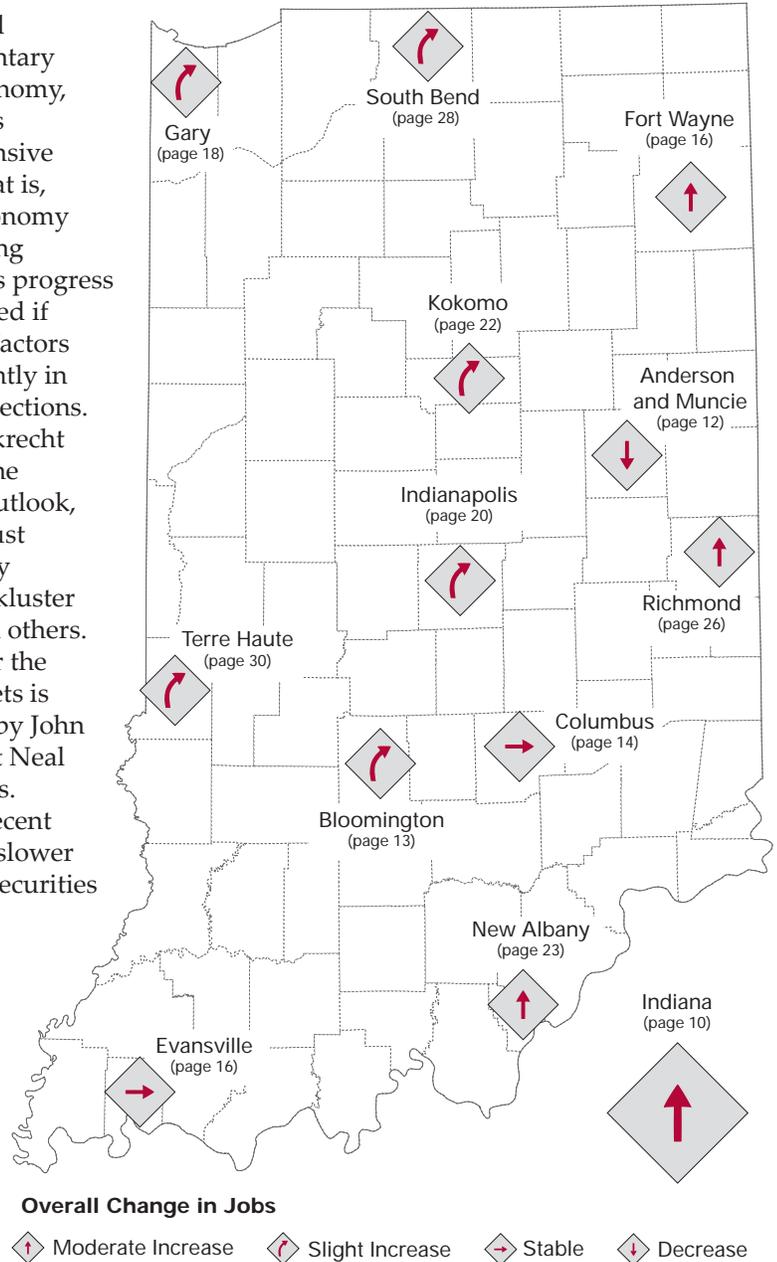
These economists and selected colleagues traveled to cities throughout Indiana to share their views through the Kelley School's Business Outlook Panel program. In each city, the panel was joined by an expert on the local economy who discussed the outlook for the metro area. The predictions of all the Business Outlook panelists are contained in the pages that follow, along with additional supporting detail.

The 2005 economy turned out to be somewhat more robust than the panel forecasted a year ago, despite the sustained high energy prices that we predicted. Overall, however, our prognostications were fairly close to the mark. This year's outlook shows increased uncertainty compared to last year, reflecting several forces that could throw a wrench into an economy that is growing at a moderate pace.

The 2006 outlook issue of the *Indiana Business Review* begins with Bill Witte's commentary on the U.S. economy, which he views with "apprehensive optimism." That is, the nation's economy shows surprising strength, but its progress could be derailed if any of several factors move significantly in detrimental directions. Andreas Hauskrecht then assesses the international outlook, predicting robust growth in many regions but lackluster performance in others. The outlook for the financial markets is next reviewed by John Boquist, Robert Neal and Bill Sartoris. They project decent but somewhat slower growth in the securities markets, with uncertainties about interest rates and energy prices complicating the picture.

Jeffrey Fisher weighs the outlook for housing, a sector that impacts much of the rest of the economy. Corinne Alexander looks at what is expected for the Hoosier agriculture sector. The prospects for continued growth in Indiana, reviewed by Jerry Conover, remain reasonably good, though some

**Figure 1**  
Projected Directional Change in Jobs, 2006



sectors will outperform others. Finally, a group of economists and business leaders from around the state share their insights into what 2006 holds in store for Indiana's metropolitan areas (see **Figure 1**). ■