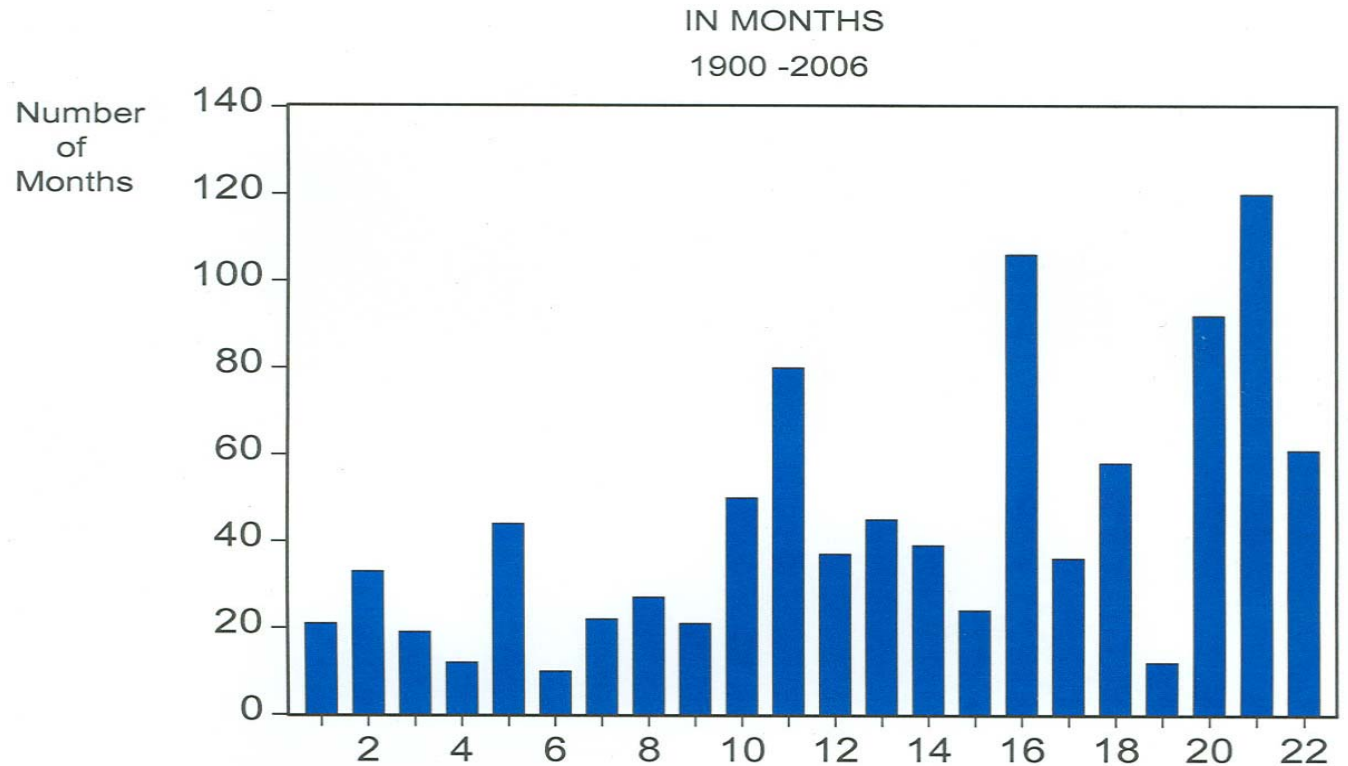


Indiana Forecast 2007

Gary J. Santoni

Ball State University

Duration of U.S. Economic Expansions

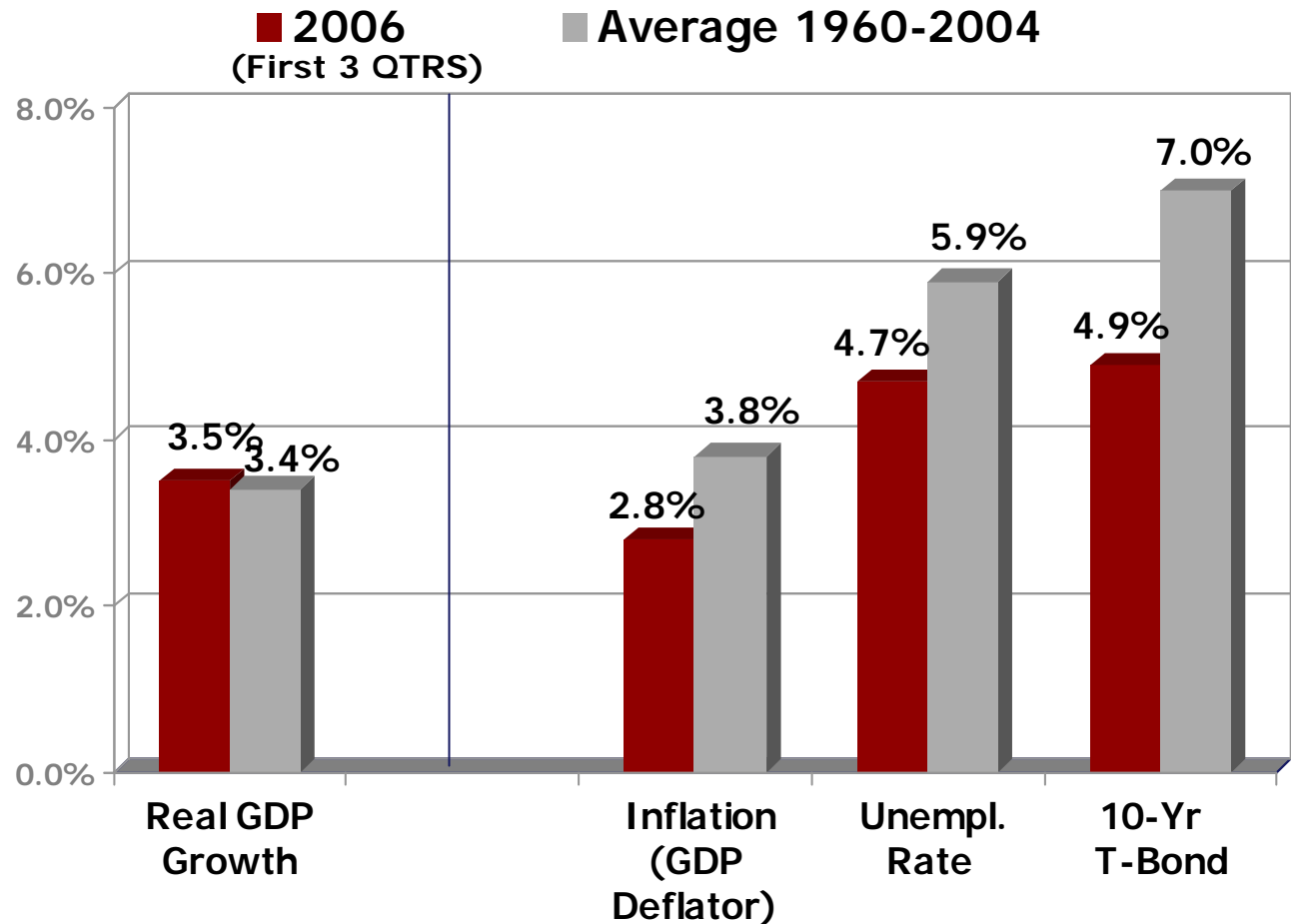


	Months
Average Duration	44.0
Standard Deviation	30.9
Typical Range of Variation	13.1 – 74.9

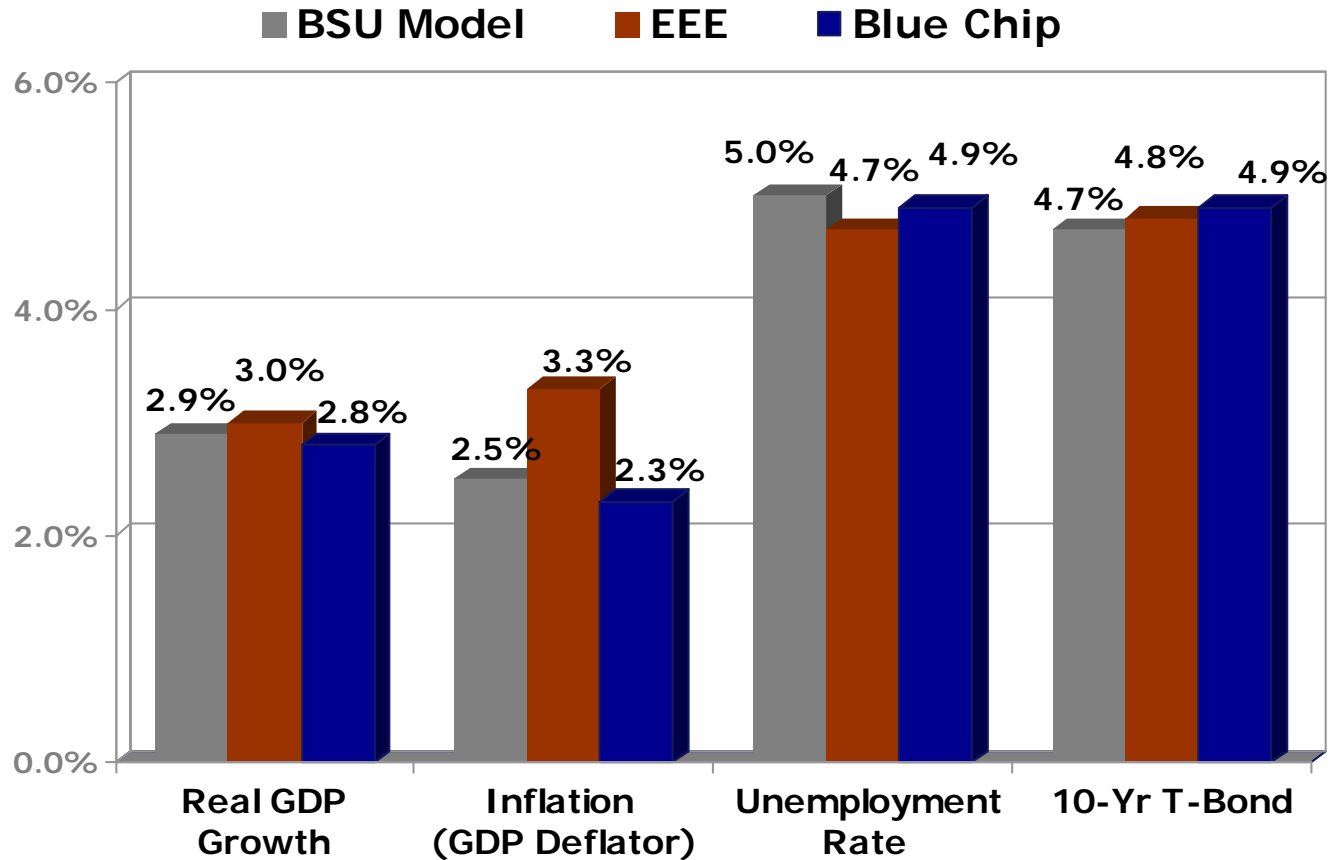
Measures of Economic Performance

- Rate of Growth in Real Gross Domestic Product
- Rate of Inflation in the Gross Domestic Product Price Deflator
- The Civilian Unemployment Rate
- The Yield on 10-Year Treasury Bonds

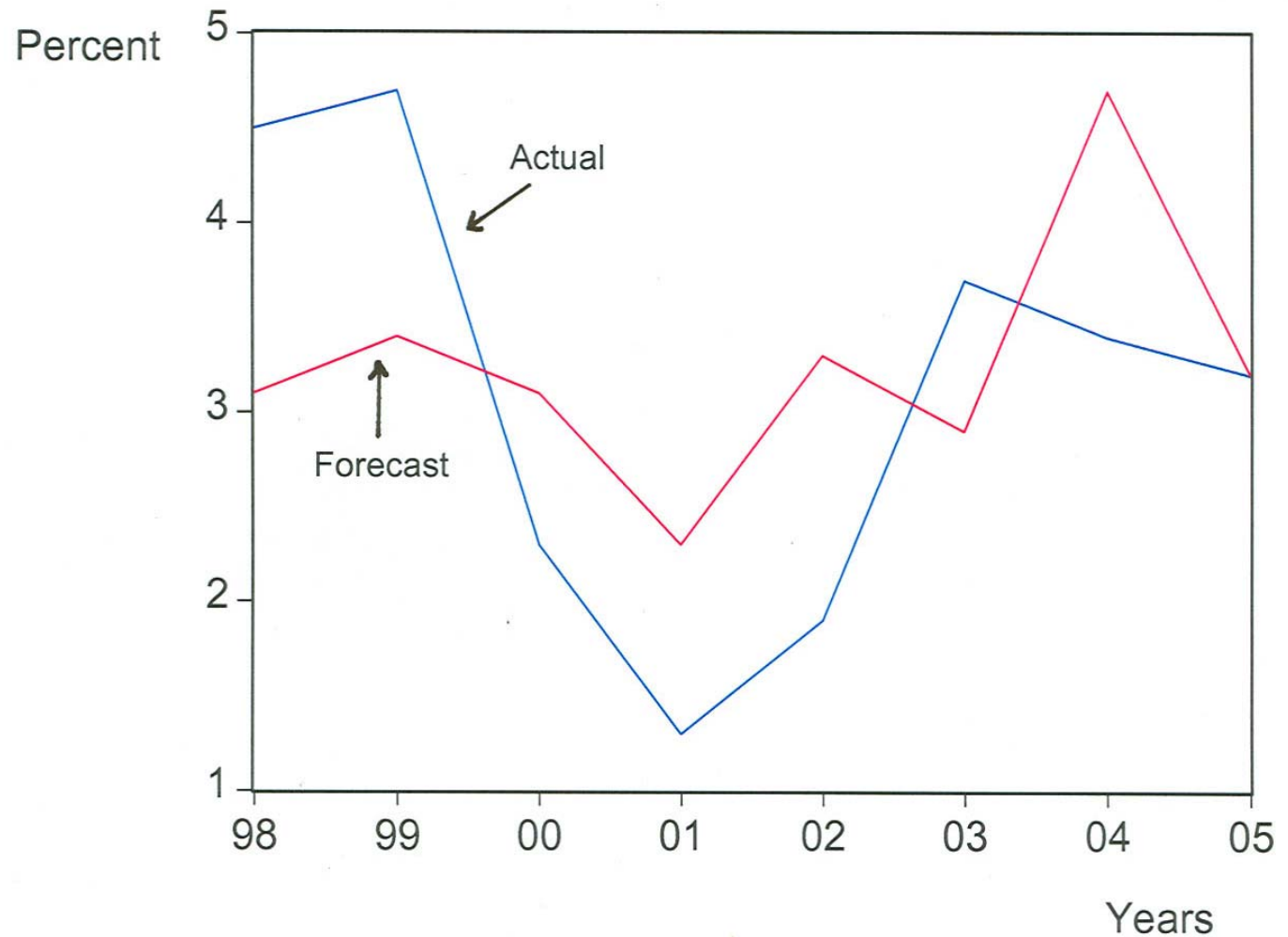
The Economy in 2006



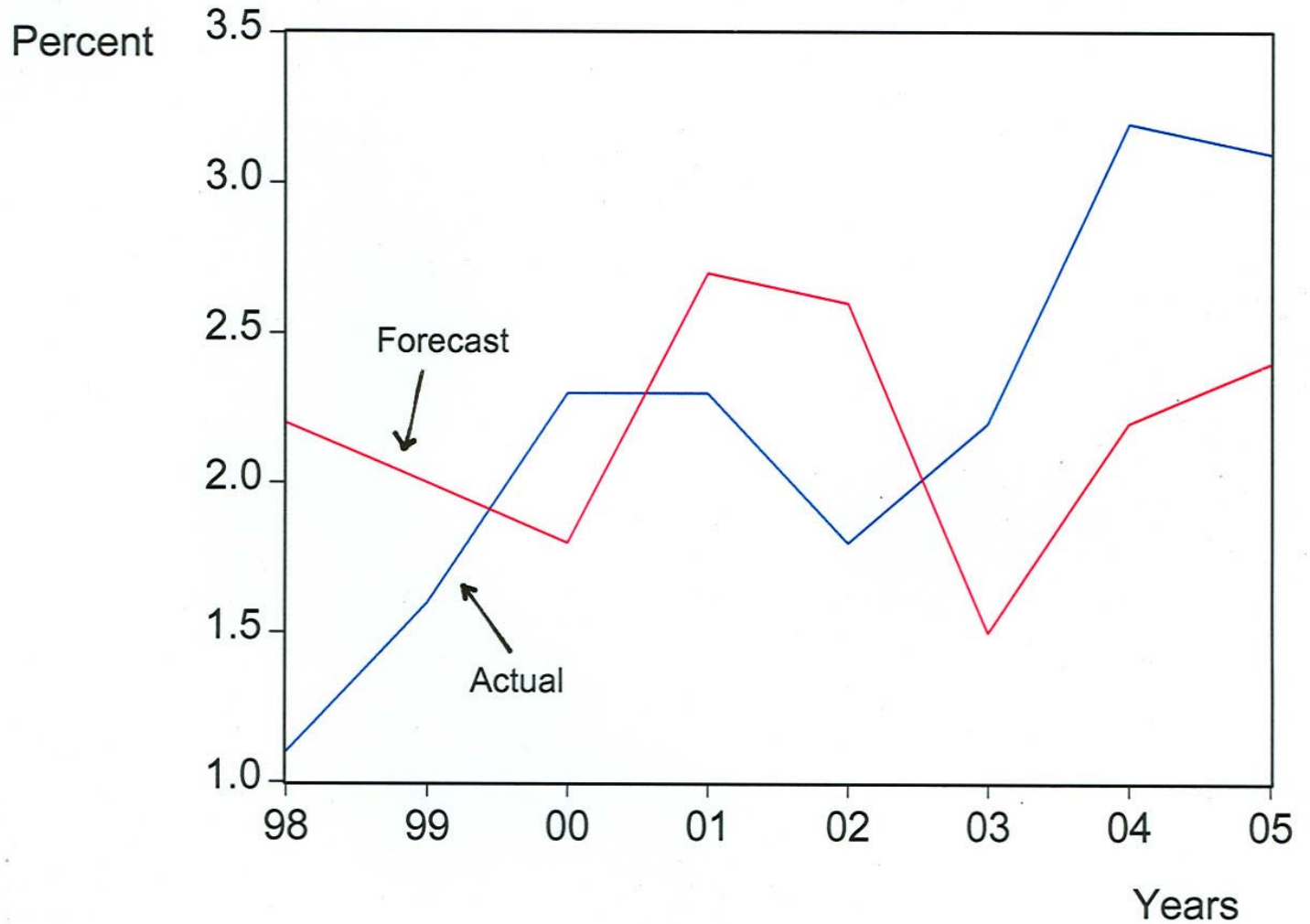
The Forecast for 2006



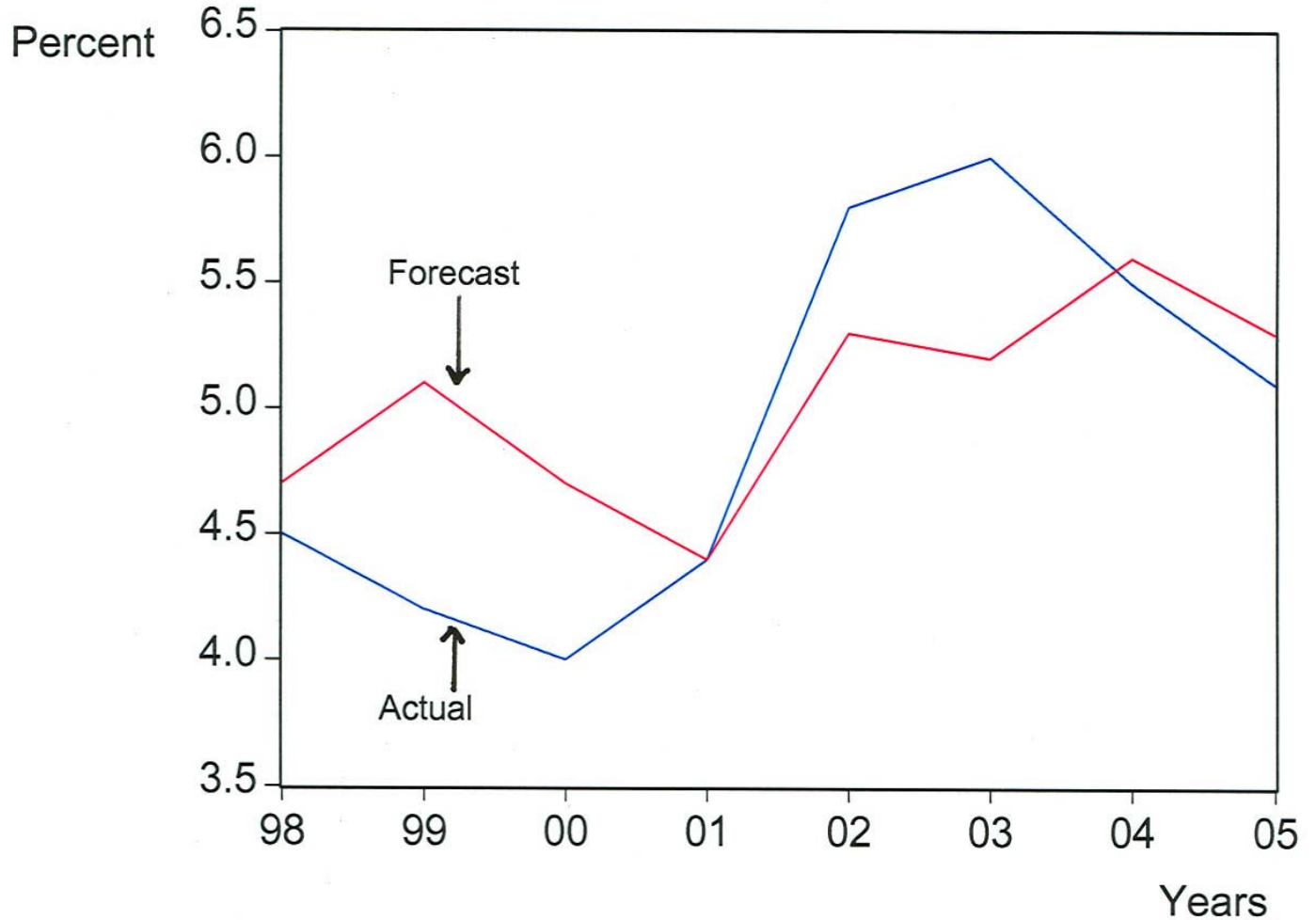
Growth in Real GDP



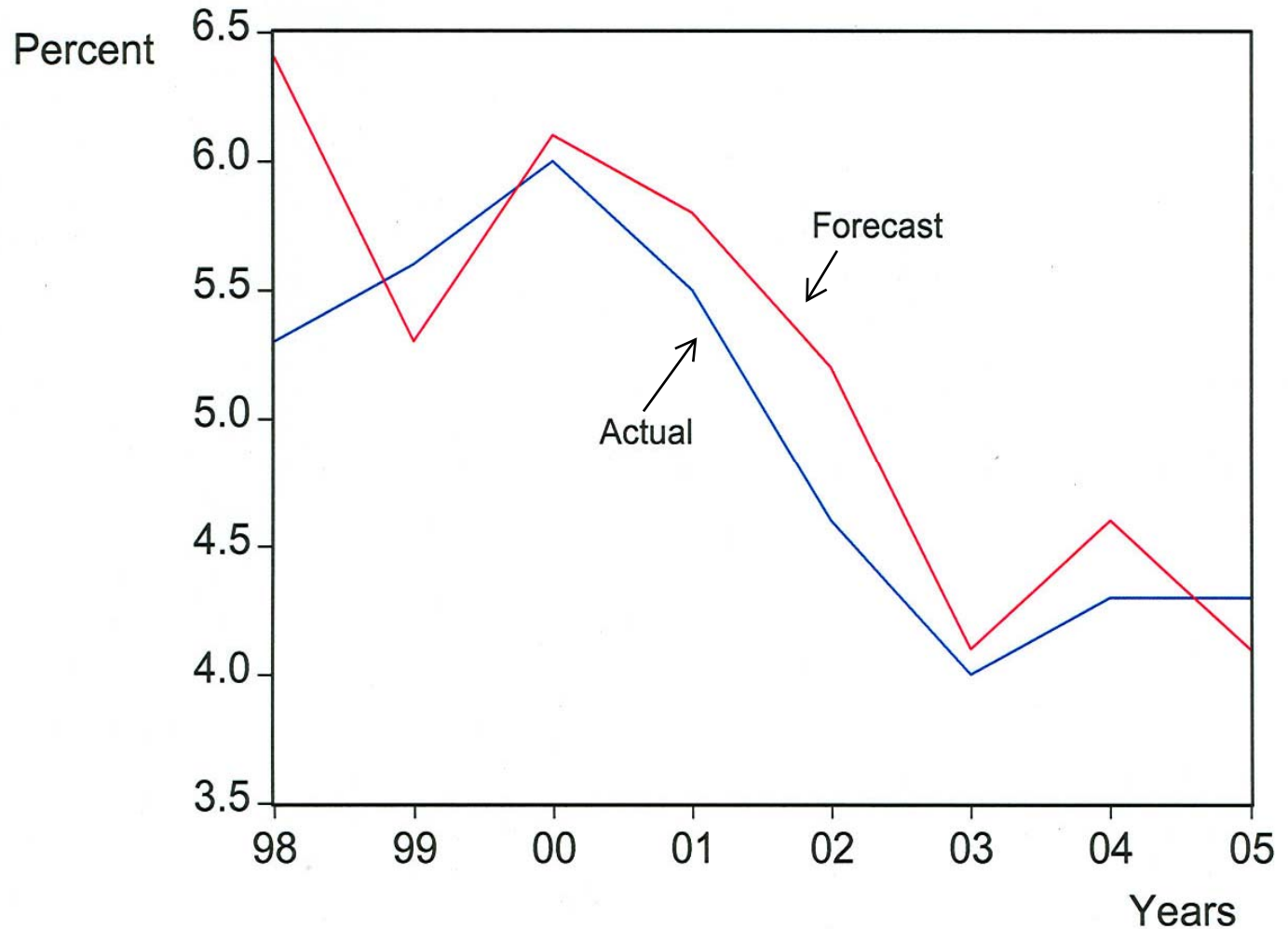
Inflation (GDP Deflator)



Unemployment Rate



10-Year T-Bond Yield



The Score Card (RMSE*)

Year	Model	Blue Chip
1998	0.96	1.16
1999	0.76	1.25
2000	0.50	0.66
2001	0.90	1.33
2002	1.00	0.67
2003	0.49	0.34
2004	0.36	0.72
2005	0.34	0.64
Average	0.66	0.85

$$* \text{RMSE} = \sqrt{\sum_i (F_i - A_i)^2 / N}$$



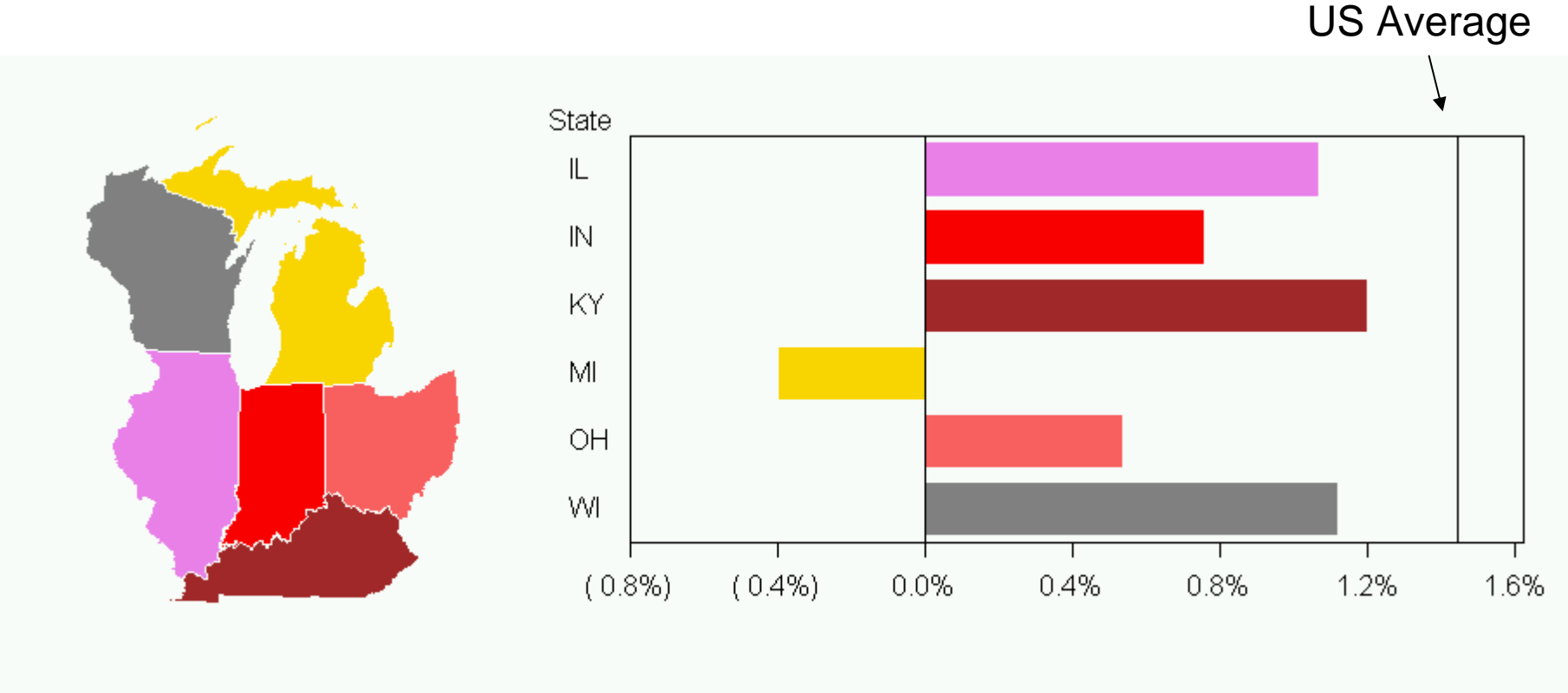
The 2007 Outlook for Indiana and Indianapolis

Patrick M. Barkey, Director
Economic and Policy Studies
Ball State University

Knowledge and Ignorance about the Indiana Economy in 2006

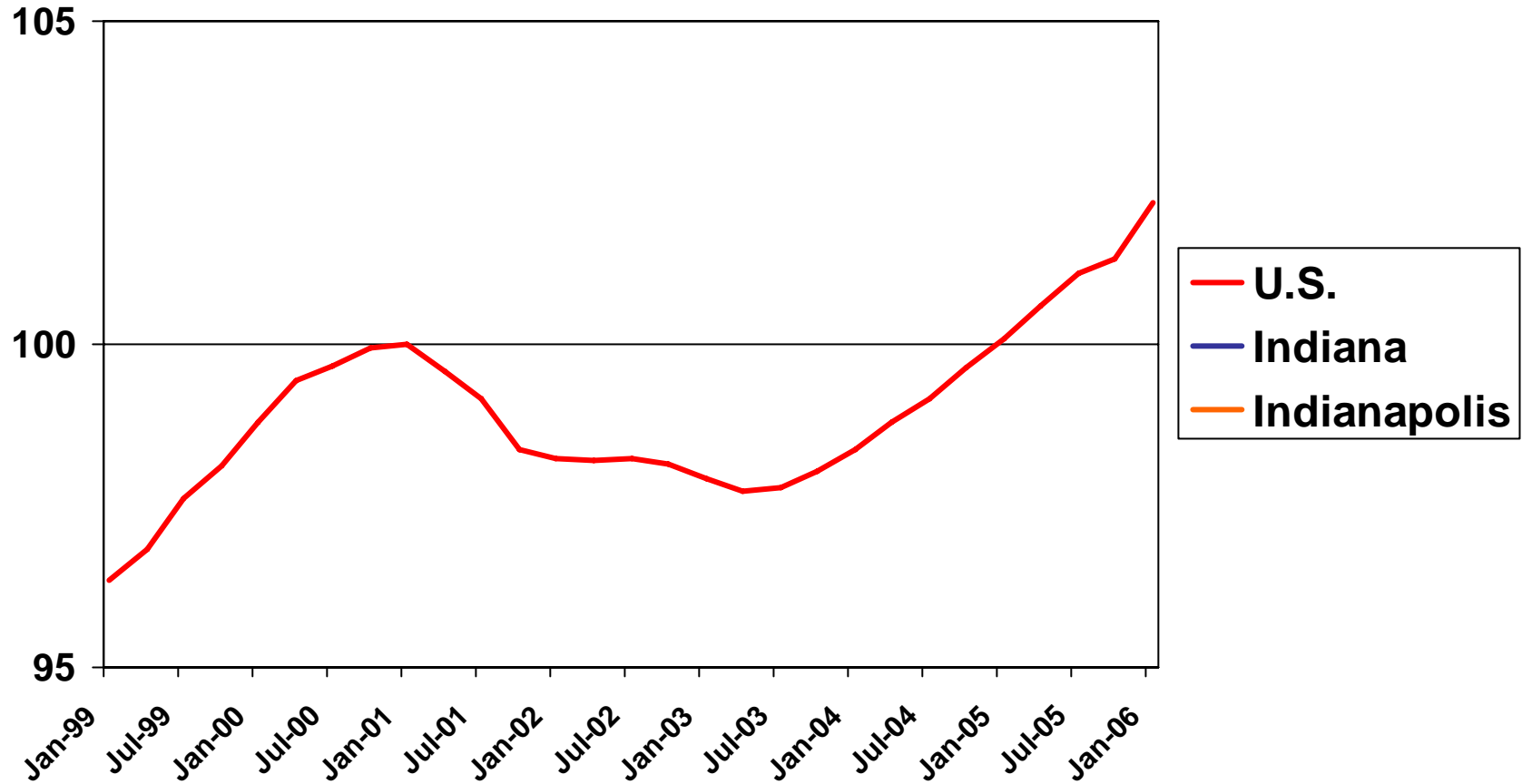
- U.S. job growth was reasonably good
- Manufacturing was strong, now cooling
- A tough year for Big 3 automakers
- Many new job announcements
- Indiana's budget woes have eased
- Job growth? Most recent data are unreliable
- Growth in state tax revenues? Accounting rules are unstable
- No recent data for most non-metro areas

The Midwest Region: Job Growth Laggards

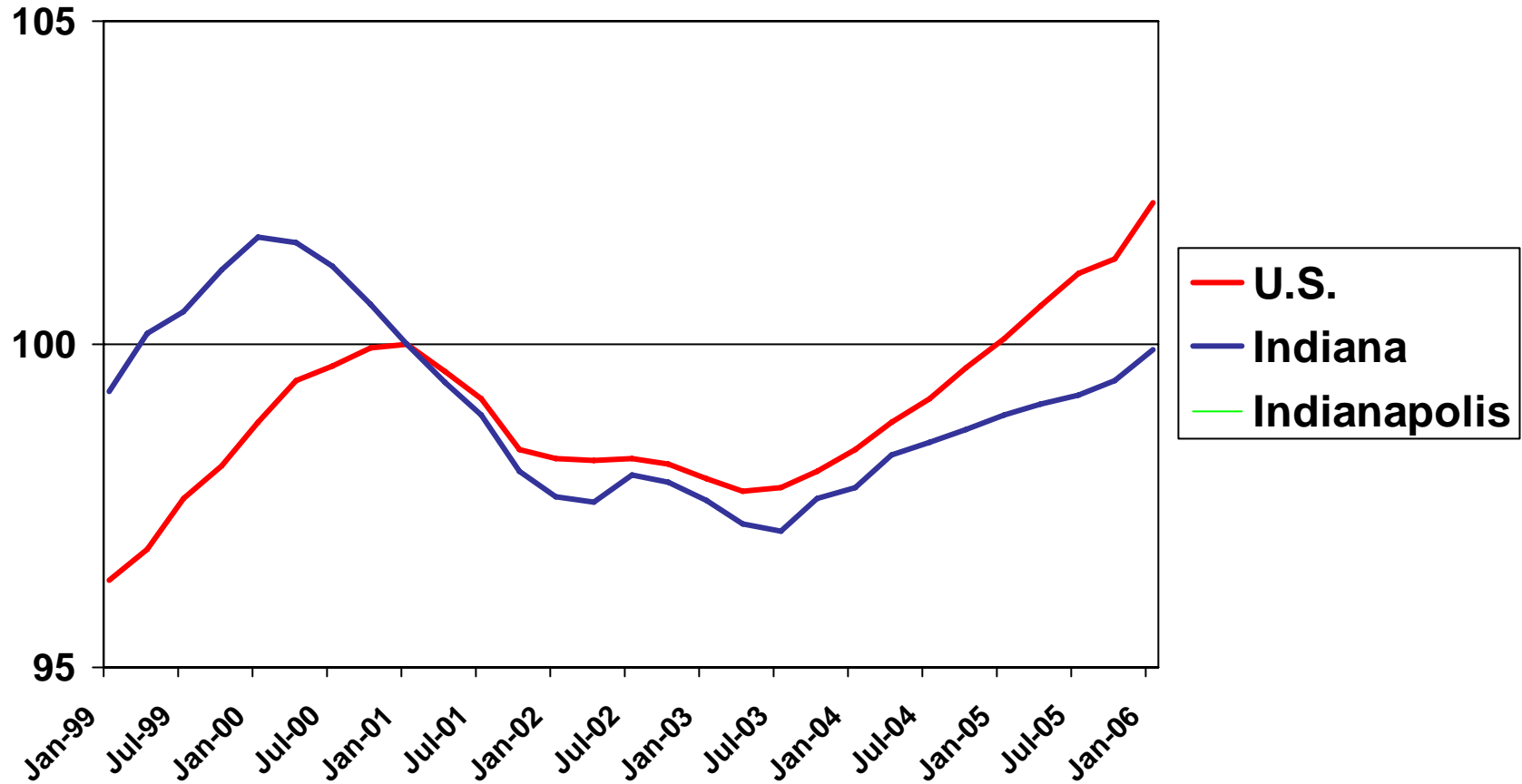


Employment Growth through Oct 2006 as Pct. Of Previous Year

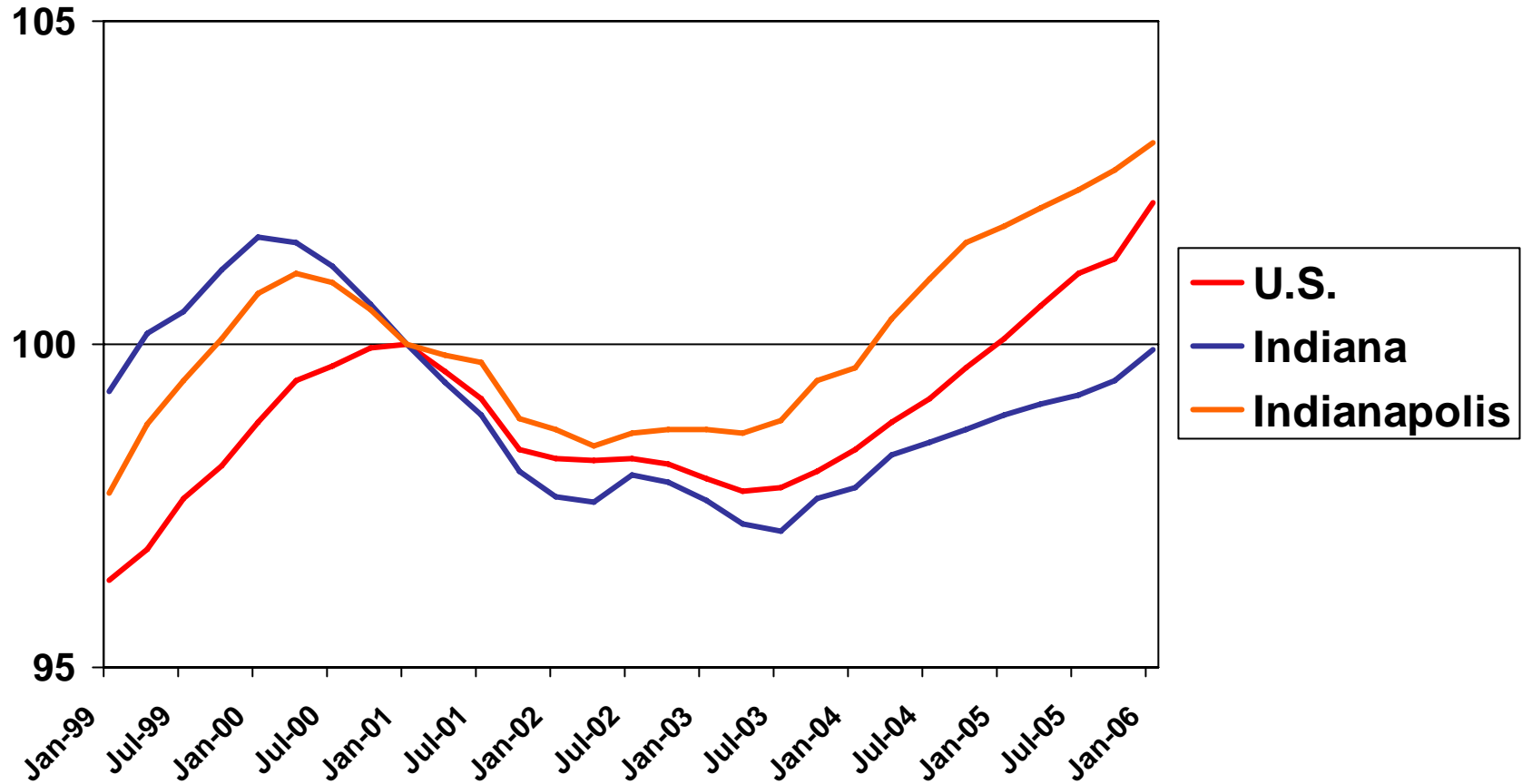
Employment as Percent of 2001Q1



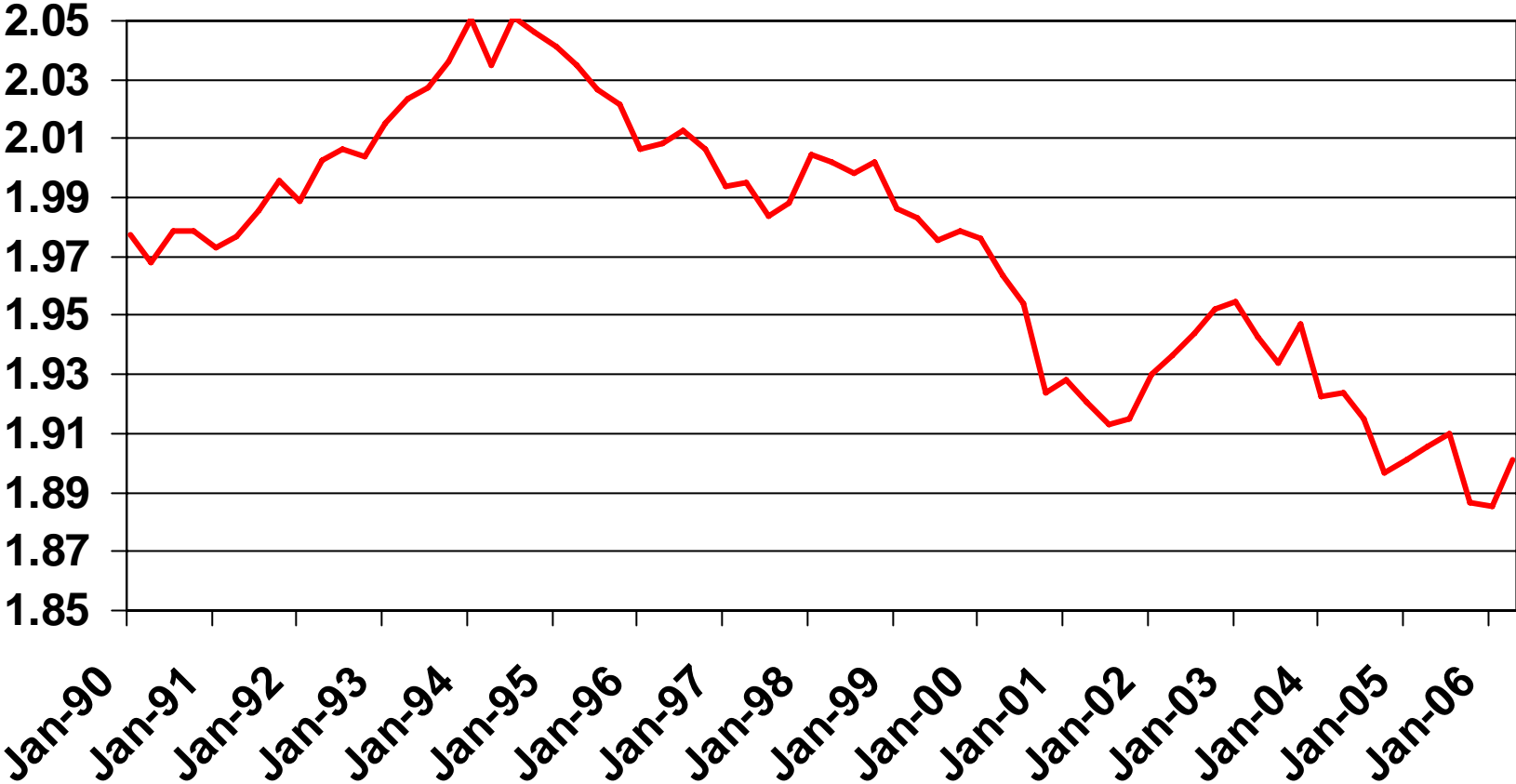
Employment as Percent of 2001Q1



Employment as Percent of 2001Q1



The Challenge for Indiana: Our Shrinking Income Share



Indiana Personal Income as a Percent of U.S. Personal Income

Why? What Does it Mean?

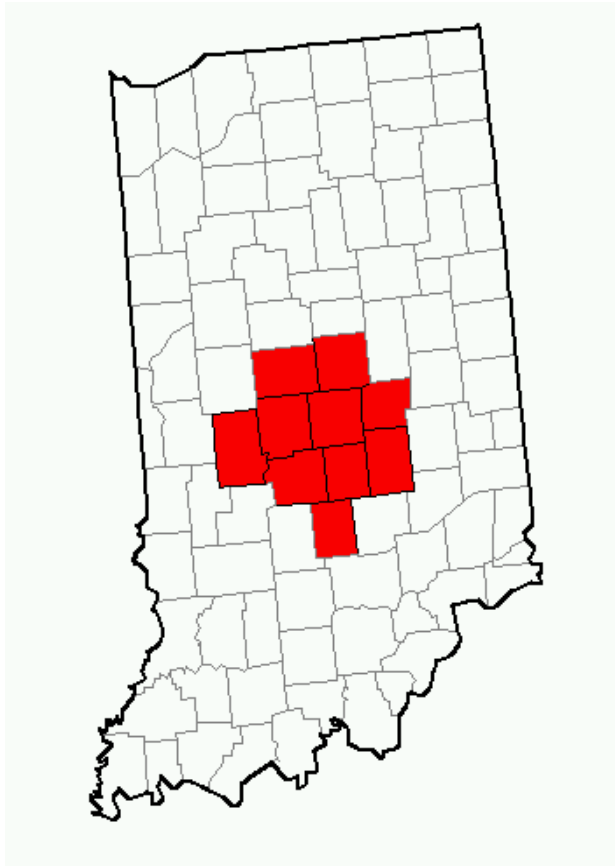
- Faster population growth, job growth, and wage growth happening outside the state
- We are still growing, but other areas are growing faster
- Same is occurring in most Midwest and MidAtlantic states (exc. Minnesota)
- Comparative advantage is eroding

The Indiana Economy in 2007



- Manufacturing economy cools
- Another moderate growth year
- 30,000 net new jobs (1% growth)
- Spending plans in state government may be unrealistic

The Indianapolis Economy in 2007



- Health Services and Business Services will experience significant growth
- Residential construction soft, other construction strong
- 12,000 jobs gain (1.5 percent) for coming year