

INCONTEXT

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IN the Spotlight:

Economists Optimistic for 2004

What is happening to the economy? That is the question on most people's minds as we go through what is currently dubbed the jobless recovery. To help answer the question, the Kelley School of Business at Indiana University travels the state in November to share their forecasts of the national, international and state economies, partnering with local economists to provide insights on a regional basis.

Detailed articles will be published in the upcoming *Indiana Business Review*, due out on the Web in December (www.ibrc.indiana.edu/ibr) and in mailboxes by early January.

These are highlights from the forecast:

- The U.S. economy during 2003, by most measures, has performed quite well (and quite close to the outlook presented a year ago). We are optimistic about the outlook for 2004.
- Growth in Gross Domestic Product (adjusted for inflation) is expected to approach 4 percent.
- Inflation, measured by the Consumer Price Index, will edge up toward 2.5 percent by year's end.
- The unemployment rate in the nation should return to 5.5 percent by the end of the year.
- Consumer spending will continue to support the expanding economy, with auto sales once again exceeding 17 million units. The

housing market, however, is expected to recede from recent high levels of construction and sales.

- Business investment in equipment will accelerate, while investments in structures will turn positive and offer new strength in 2004.
- Expansionary federal government spending will largely offset flat state and local expenditures.
- Short-term interest rates are anticipated to rise to 1.8 percent by year's end. Long-term rates (30-year mortgages) will also rise moderately over the course of the year.
- The stock market is expected to continue making gains, although at a less spectacular rate than the experience this year. However, it will stay in line with the historical average performance.
- Decelerating productivity growth in the U.S. will keep the dollar on a gradual slide. The world economic outlook is better than a year ago.
- If the positive national factors are realized, Indiana will reverse its employment decline and add more than 25,000 jobs in 2004, lowering its unemployment rate to below 5 percent.
- The major risk for the outlook continues to be uncertainty about continuing conflict in the Middle East, which keeps petroleum prices high and investors on edge.

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Indiana Indicators

Unemployment Rates for September 2003

Indiana
4.8%
United States
5.8%

*Not seasonally adjusted