Cautious Optimism for 2006

What does the 2006 economy have in store? To help answer this question, the Kelley School of Business at Indiana University partnered with local economists and traveled the state in November to share national, international and state forecasts. The following are the panel’s highlights:

- Growth in gross domestic product is expected to be about 3.6 percent, about the same as 2005. Inflation (as measured by the Consumer Price Index) will be about 3 percent.
- The nation will add close to 2 million jobs, and the unemployment rate will fall back to just below 5 percent (see Figure 1).
- The overall national housing market will remain strong, partly due to rebuilding in Louisiana and Mississippi.
- Rising costs of inputs and health and pension benefits will slow corporate profits to around 6 to 8 percent.
- The major risks to the outlook include uncertainty about energy prices, the possibility of problems in the housing sector, and potentially destabilizing deterioration in the government deficit and the trade balance.
- International trade will grow, but there will be no significant reduction in the trade deficit.
- Employment in Indiana will increase by about 25,000 jobs, slower growth than the national rate.
- Indiana’s manufacturing jobs are not expected to grow significantly, though they may rise slowly. Growth is expected in Indiana’s professional and business services, health and education services, and construction sectors.
- The federal funds rate will reach at least 4.5 percent. The prime rate will rise to 7.5 percent. Mortgage rates will approach 7 percent.

Look for detailed projections in the upcoming Indiana Business Review, available on the Web in December (www.ibrc.indiana.edu/ibr) and in mailboxes by early January.

Indiana’s Daytime Population

Daytime population refers to the number of people who are present in an area during normal business hours in contrast to the resident population in the evening (see below). Seventy Hoosier counties have fewer people in them during the day than at night. Marion County has the largest numeric increase due to commuting, while Martin County has the largest percent increase (see table below).

Daytime Population

- More than 250,000 (4 counties)
- 100,000 to 250,000 (10 counties)
- 50,000 to 99,999 (10 counties)
- 20,000 to 49,999 (42 counties)
- Less than 20,000 (26 counties)

- More people during the day than at night (22 counties)

<table>
<thead>
<tr>
<th>Indiana County</th>
<th>Daytime Population</th>
<th>Change due to Commuting</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martin</td>
<td>12,760</td>
<td>2,391</td>
<td>23.3</td>
</tr>
<tr>
<td>Dubois</td>
<td>47,418</td>
<td>7,744</td>
<td>19.5</td>
</tr>
<tr>
<td>Vanderburgh</td>
<td>196,954</td>
<td>25,032</td>
<td>14.6</td>
</tr>
<tr>
<td>Marion</td>
<td>981,187</td>
<td>120,733</td>
<td>14.0</td>
</tr>
<tr>
<td>Elkhart</td>
<td>208,327</td>
<td>25,536</td>
<td>14.0</td>
</tr>
<tr>
<td>Howard</td>
<td>95,144</td>
<td>10,180</td>
<td>12.0</td>
</tr>
<tr>
<td>Bartholomew</td>
<td>78,961</td>
<td>7,526</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Source: IBRC, using U.S. Bureau of Economic Analysis data