

Kelley School Forecasts Solid 2001

The Kelley School of Business at Indiana University recently issued its forecast for the national and state economic situation in 2001. The forecast is based on a large econometric model of the United States, a model constructed and operated by the Center for Econometric Model Research (CEMR) at the Kelley School in Bloomington.

Based on the results of the model, CEMR predicts continued expansion of overall economic activity in both the nation and Indiana, but with slower growth than has occurred in recent years.

Real U.S. gross domestic product is forecast to rise just over 3% next year, in contrast to an expected 5% jump in 2000. While this decline in growth rate is significant, it's also true that a GDP growth rate of 3% is still very healthy.

Businesses are expected to continue the rapid rate of investment in new equipment that has characterized the last three years. The CEMR forecast calls for a 10% increase in equipment investment. Assuming that takes place, the strong productivity gains of recent years will continue, and inflation should remain low.

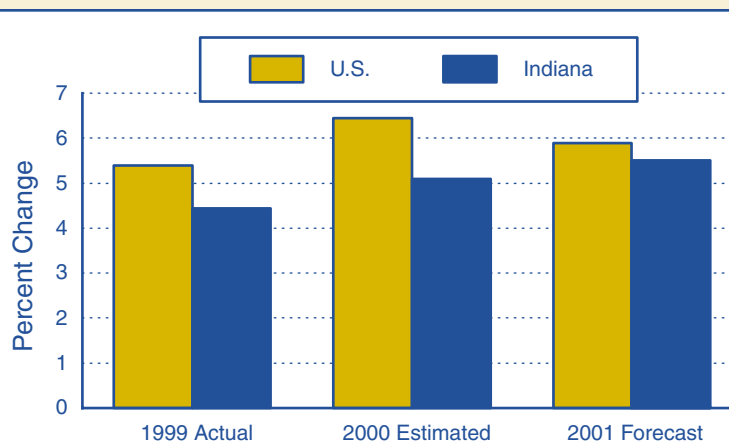
The Indiana economy is forecast to grow somewhat more slowly than the U.S. economy, as weakening nationwide demand for autos and housing hits Indiana's large manufacturing sector. Outside those two industries, however, economic activity in our state should remain at high levels.

For information on subscribing to the CEMR quarterly forecasts, send e-mail to ibrc@iupui.edu or call the Kelley School in Bloomington at (812) 855-5507.

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Kelley School Forecast: Change in Personal Income, Current Dollars



Source: Center for Econometric Model Research, Indiana University

**Indiana
Unemployment Rate
for October 2000:
2.1%
Down markedly
from 2.7% in
October 1999**