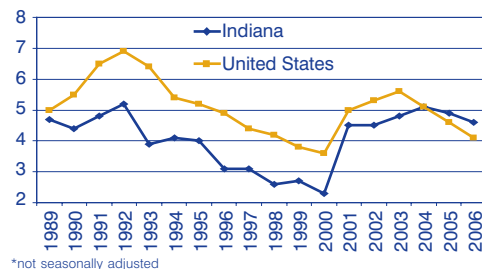


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October Unemployment

Indiana's October unemployment rate has dropped from its most recent peak of 5.1 in 2004 to 4.6 in 2006. The U.S. unemployment rate has seen an even larger decline in that time, dropping from the same rate in 2004 to 4.1 percent in 2006.



Life Sciences Collaboration

On February 2, 2007, the IU Kelley Healthcare and Life Sciences Initiative will be hosting its third of four free conferences. The focus of this conference will be on the combination of products in the life sciences industries. Attendees will hear from a world-renowned physician experienced in combination therapies, as well as from academic researchers in the field.

Reserve your seat today: The conference is free, but space is limited. To register or learn more about the conference, visit www.kelley.iu.edu/lifesc/home.htm.

Guarded Optimism for 2007

What is in store for next year's economy? To help answer this question, Indiana University's Kelley School of Business 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 (adjusted for inflation) is expected to be about 3 percent, a little slower than in 2006. Inflation (measured by the Consumer Price Index) will decrease slightly to about 3 percent.
- The nation will add about 1.7 million jobs next year, and the unemployment rate may decline slightly.
- The overall housing market will continue to weaken nationally (to a lesser extent in Indiana) but will not experience a total collapse.
- Despite continuing expenditures on Iraq, the government budget deficit will remain about the same.
- The federal funds rate will remain at 5.25 percent for most of the year. The prime rate will also remain

stable, but mortgage rates may rise a little.

- Rising costs of inputs and employee benefits will slow corporate profits to around 6 percent to 8 percent, a smaller rise than in 2006.
- International trade will grow but will not significantly reduce the large trade deficit.
- Employment in Indiana will increase by 20,000 to 25,000 jobs, slower growth than the national average.
- Indiana's manufacturing jobs are forecasted to grow slowly. Jobs in professional and business services, health and education services, and construction are positioned to grow.
- Major risks to the outlook derive from uncertainty about energy prices, the potential problems in the housing sector, and possible destabilizing deficits in the government deficit and the trade balance.

Look for detailed projections in the upcoming *Indiana Business Review*, available online in late December at www.ibrc.indiana.edu/ibr.

FIGURE 1: U.S. JOB CREATION AND UNEMPLOYMENT RATES, 2004 TO 2006

