

Indiana Economic OUTLOOK



Economic Forecast and Panel Discussion
Thursday, December 9, 2021



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THE NEW WORK ENVIRONMENT

Concerns for Businesses and Workers Post COVID-19

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2022 ECONOMIC FORECAST

Michael J. Hicks, PhD
Ball State University

THE 2022 FORECAST: CLOSER TO NORMAL

Michael J. Hicks, Ph.D.

Director and George & Frances Ball

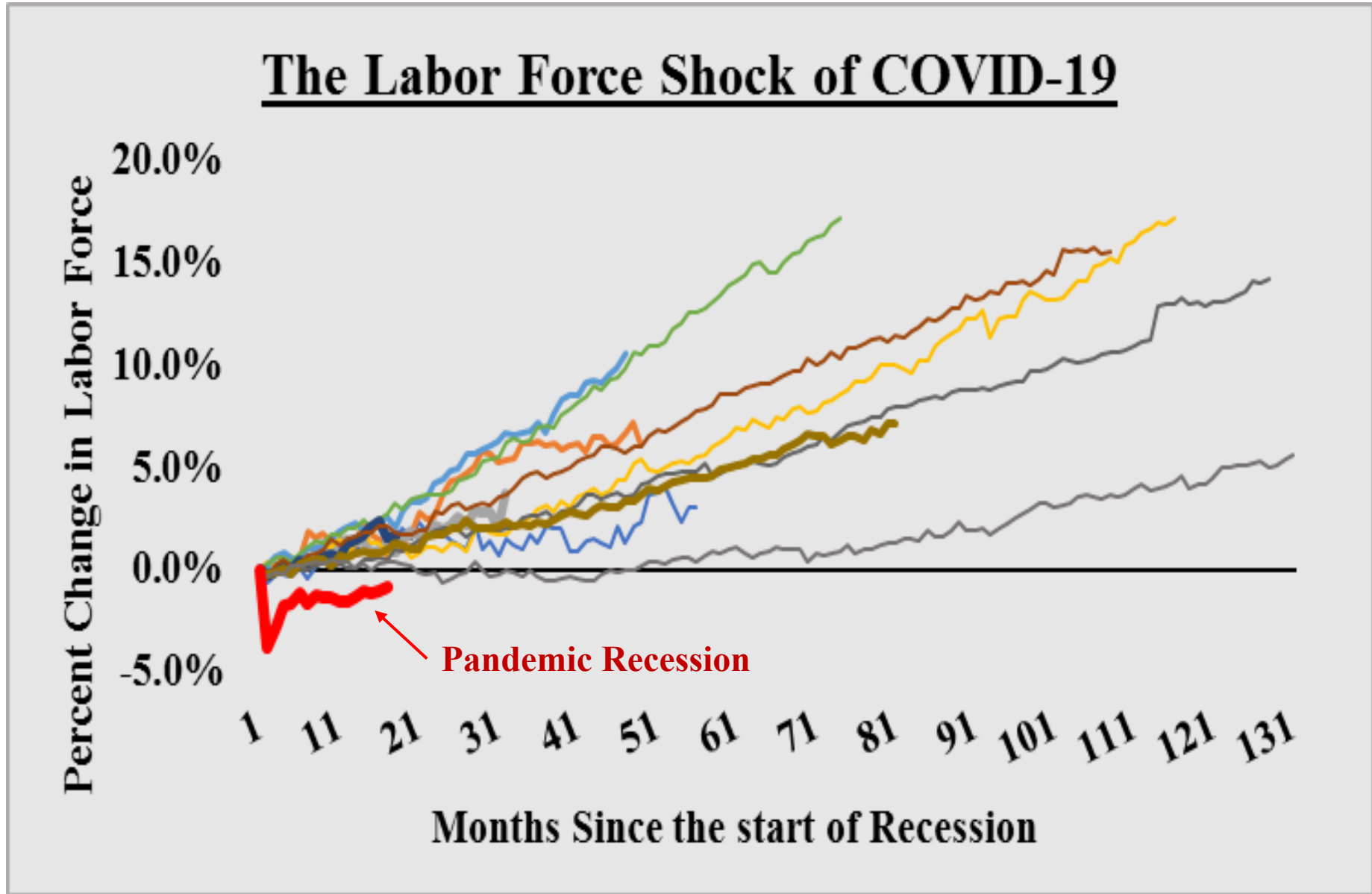
Distinguished Professor of Economics



How to think about today's economy...

- **Compressed structural changes to labor market**
- **Unusual forecast uncertainty, COVID still here...**
- **Significant labor force supply issues**
- **Large policy response with uncertain tail**
- **Inflation and return to trend GDP growth**

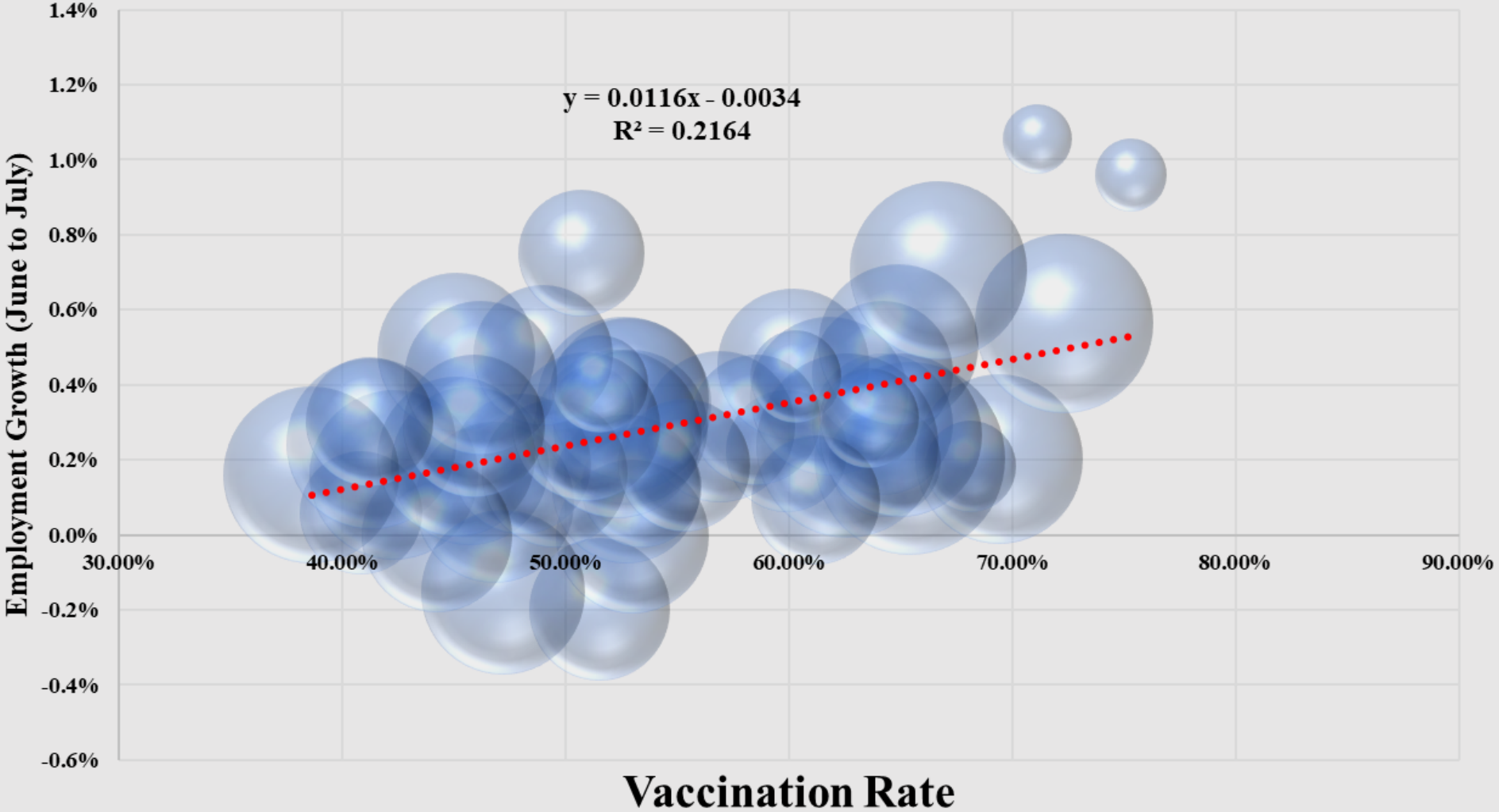




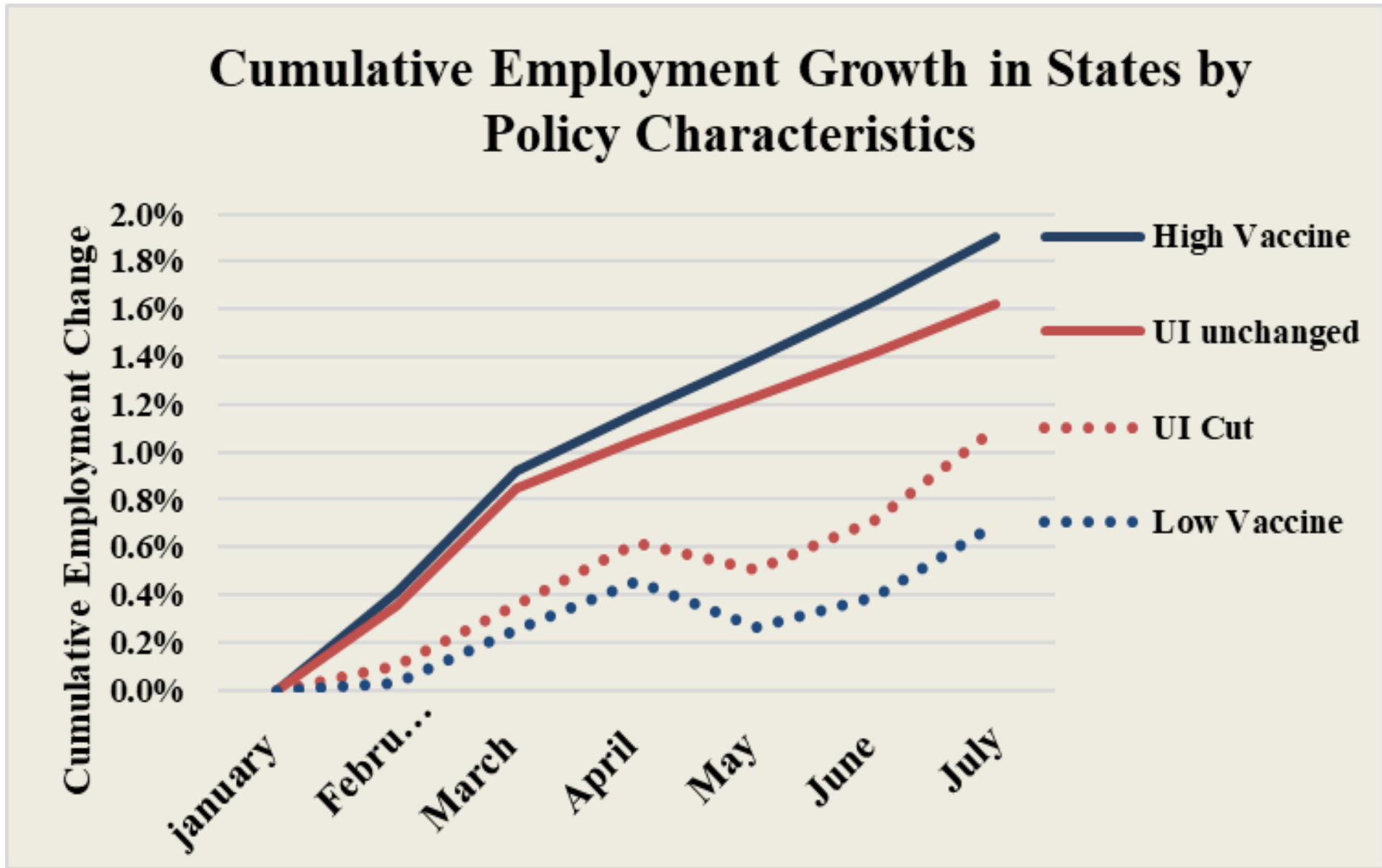
Source: Bureau of Labor Statistics and National Bureau of Economic Research, via Federal Reserve Economic Database (with author's calculations)



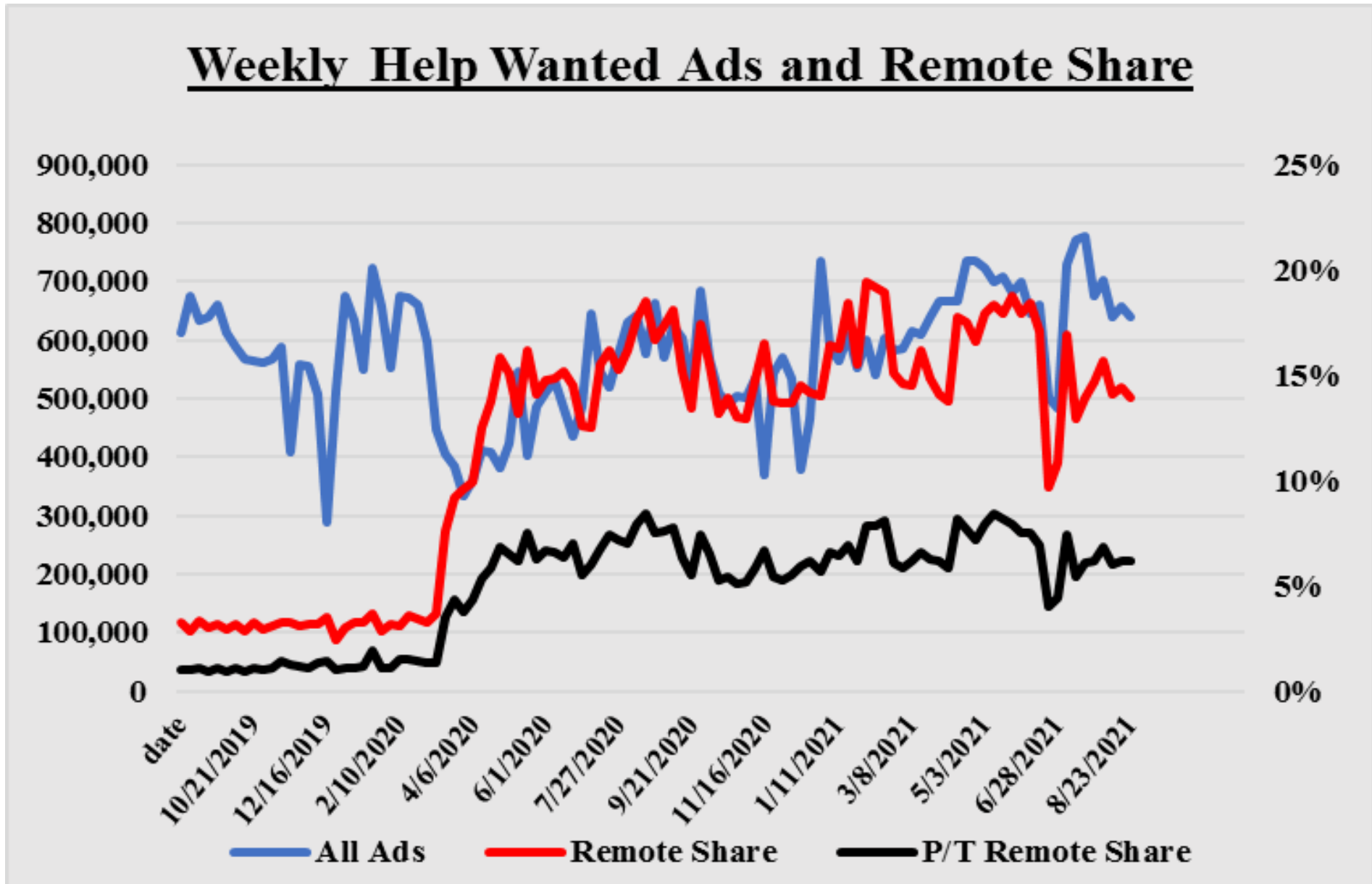
Employment Growth and Vaccination Rates (June to July 2021 Employment Growth, July vaccination rates)



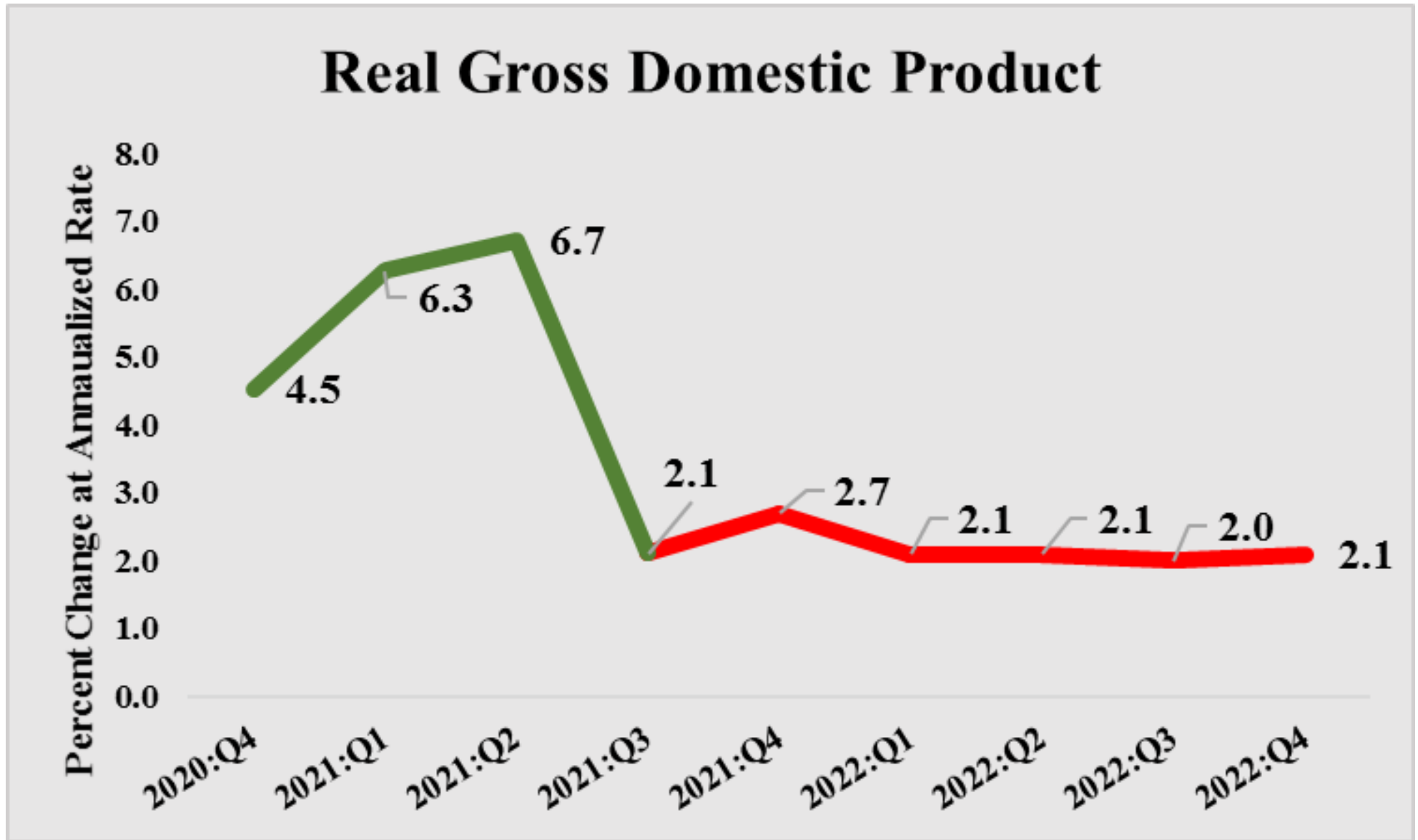
Source: Bureau of Labor Statistics, via Federal Reserve Economic Database, Johns Hopkin's University COVID dashboard (with author's calculations)



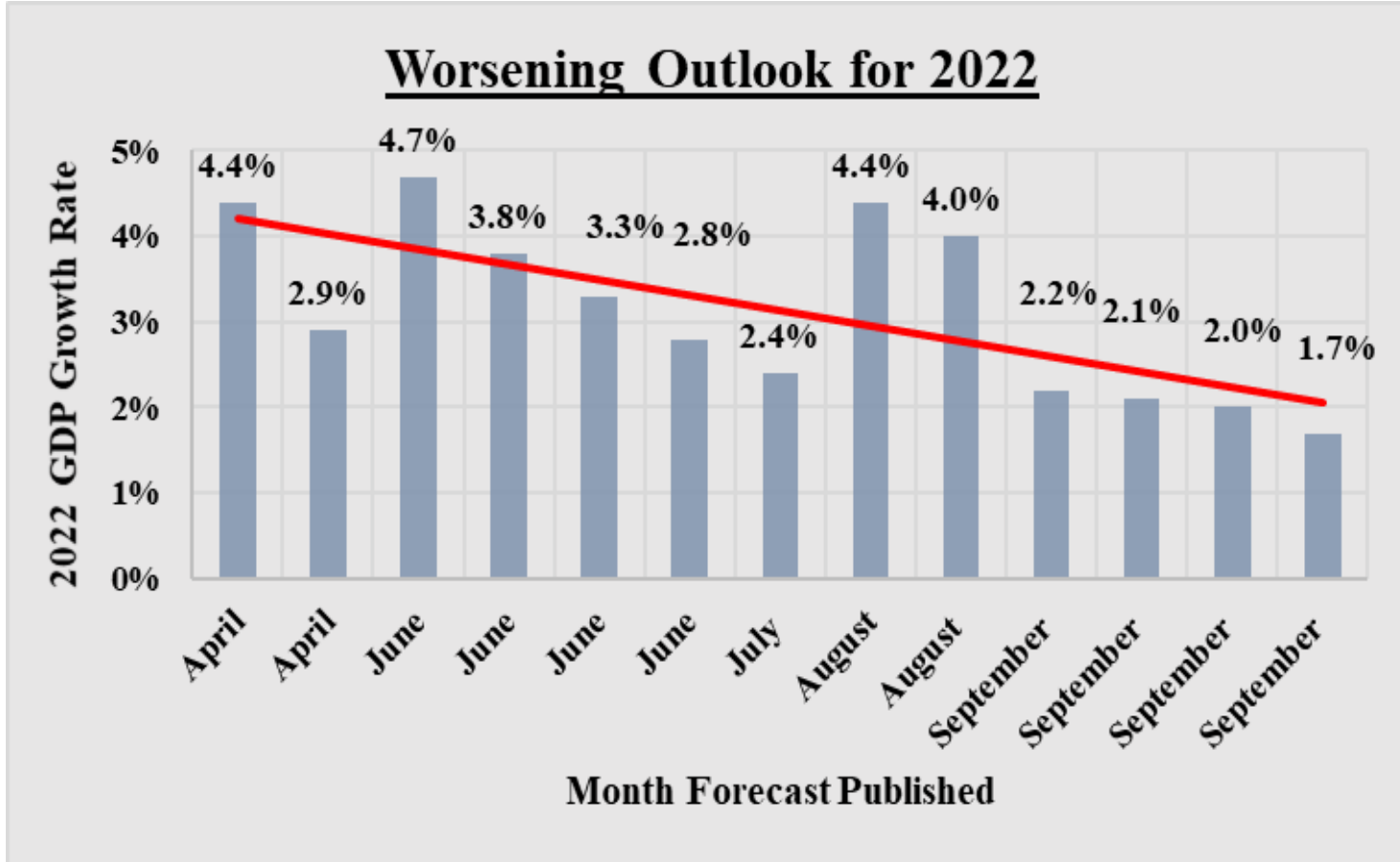
Source: Bureau of Labor Statistics, via Federal Reserve Economic Database (with author's calculations)



Source: Jobs EQ, Chmura Economics



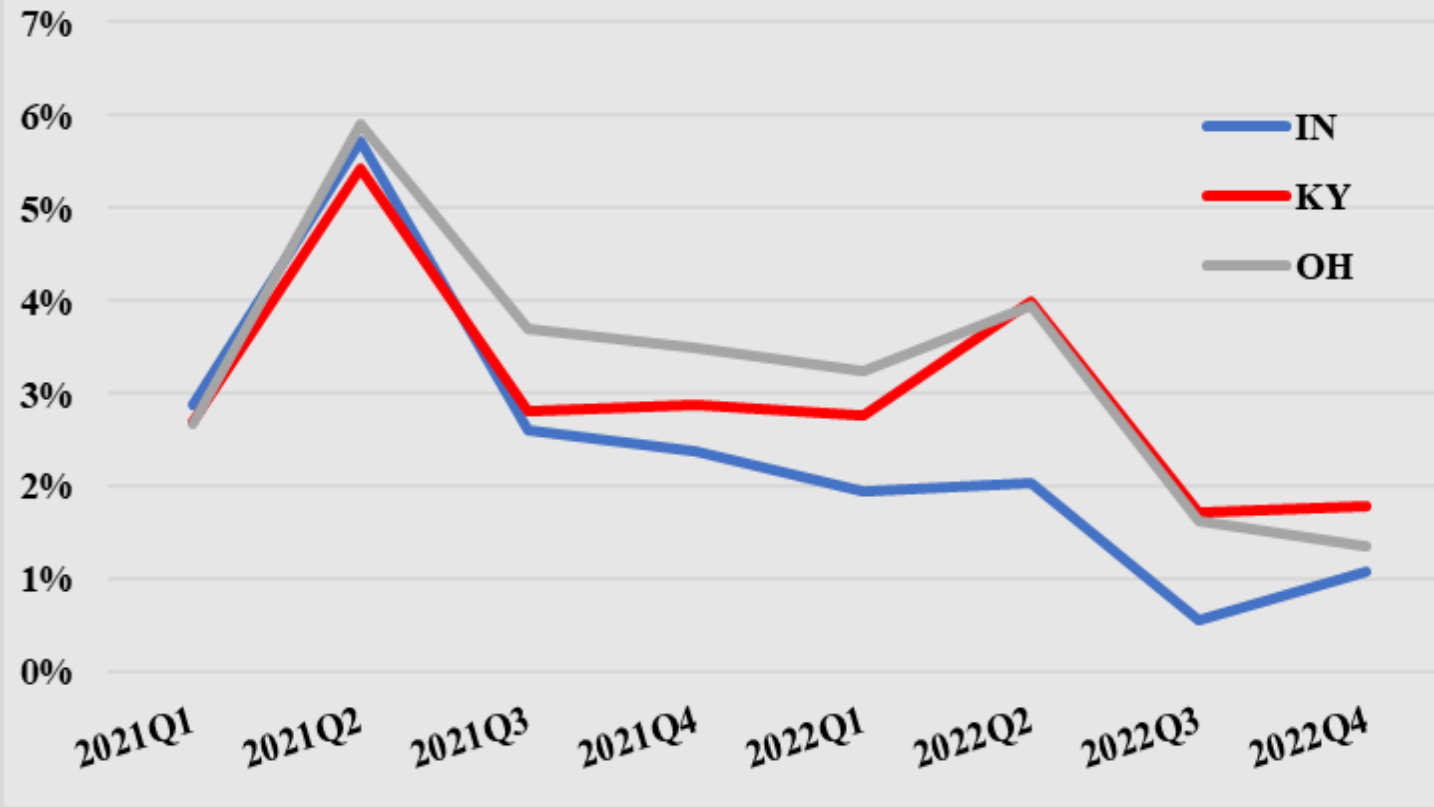
Source: Bureau of Labor Statistics, via Federal Reserve Economic Database (with author's calculations)



Other Forecasts	2022
Trading Economics	1.7%
Goldman Sachs	2.0%
Ball State	2.1%
BLS	2.2%
CBO	2.4%
Fed Low	2.8%
IHS-Global Insight	2.9%
Federal Reserve	3.3%
Fed Hi	3.8%
Conference Board	4.0%
Philly Fed survey	4.4%
Blue Chip	4.4%
IMF	4.7%

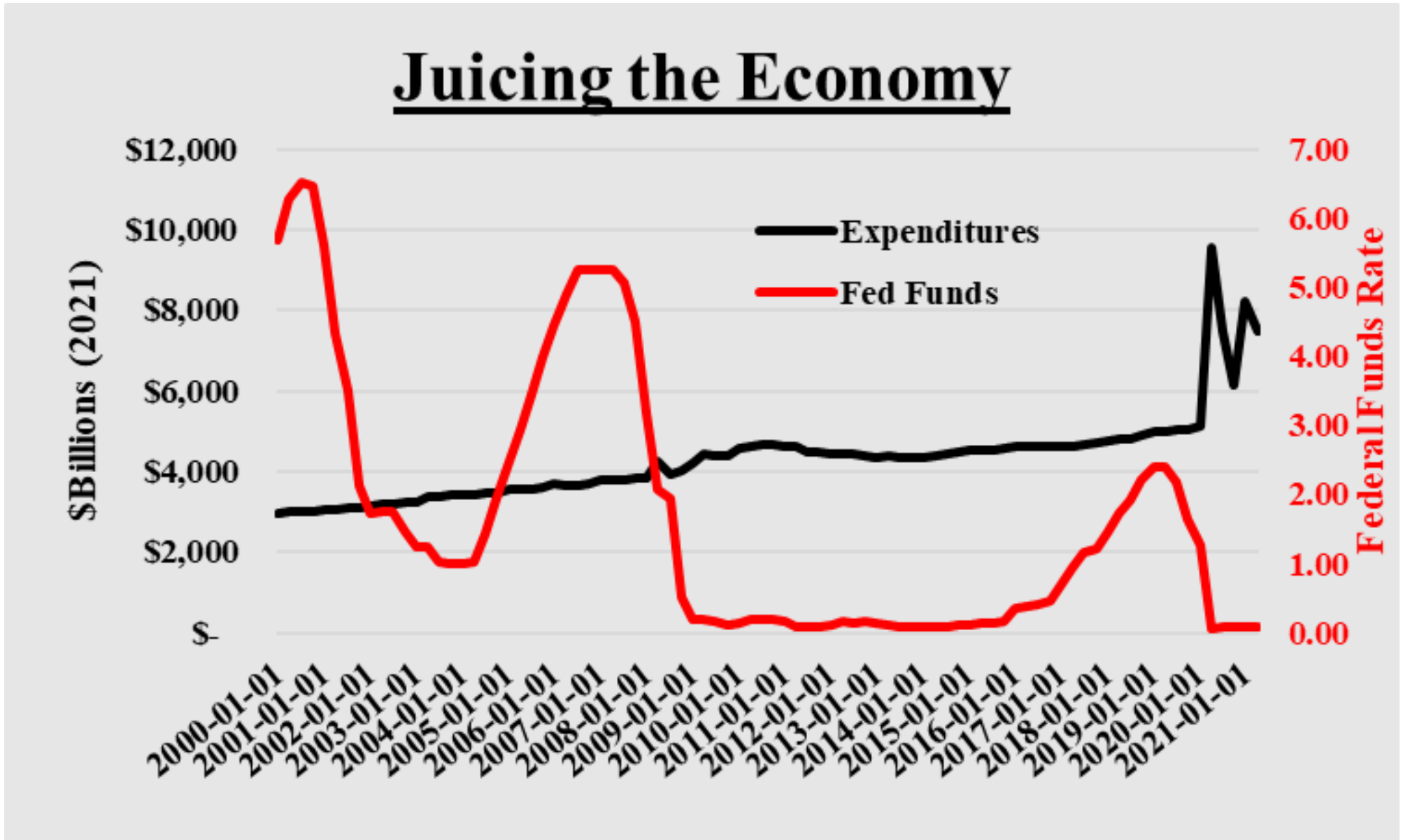


Selected State Forecasts



State GDP Growth Forecasts	2021	2022
ILLINOIS	3.1%	1.2%
INDIANA	3.4%	1.4%
KENTUCKY	3.5%	2.6%
MICHIGAN	3.9%	3.3%
OHIO	3.9%	2.5%

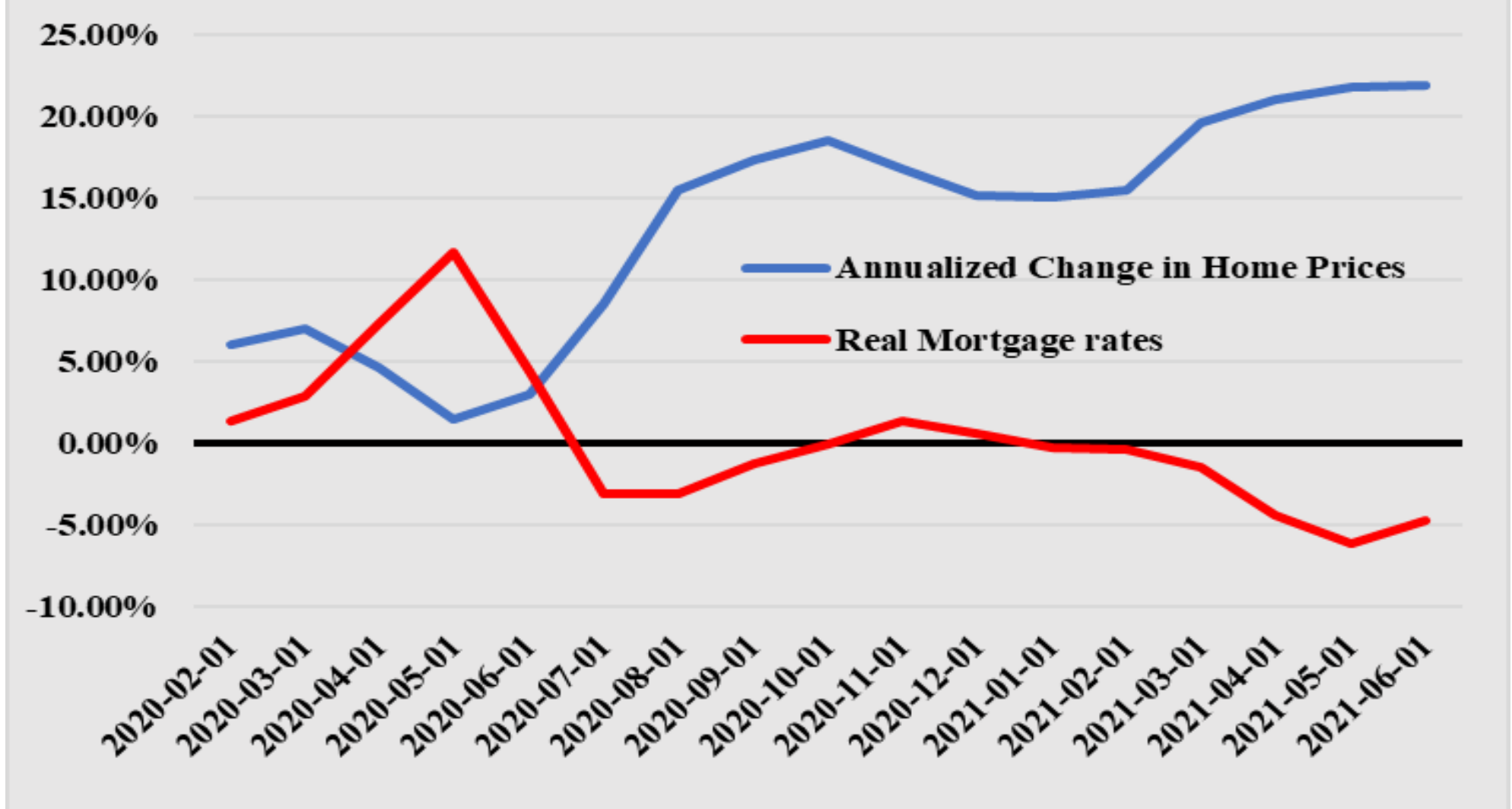
Source: Bureau of Labor Statistics, Forecast from the model proposed by Hicks, Michael J. "Forecasting State Level Economic Activity: An Error Correction Model with Exogenous National Structural Forecast Components" Proceeding of the 101st Annual Conference of the National Tax Association"



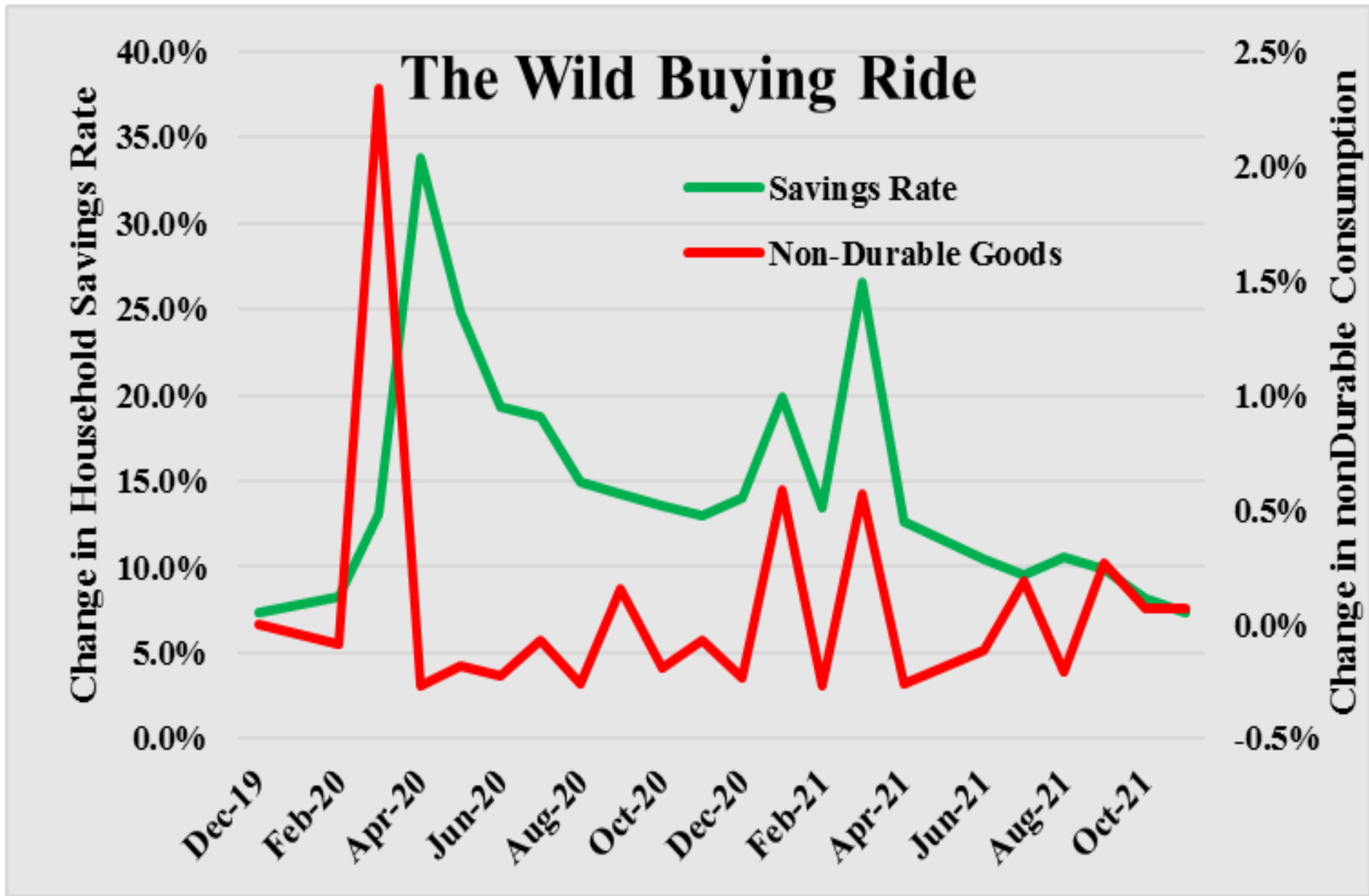
Source: Office of Management and Budget, Federal Reserve, via Federal Reserve Economic Database (with author's calculations)



What could be fueling the Home Sales Frenzy?

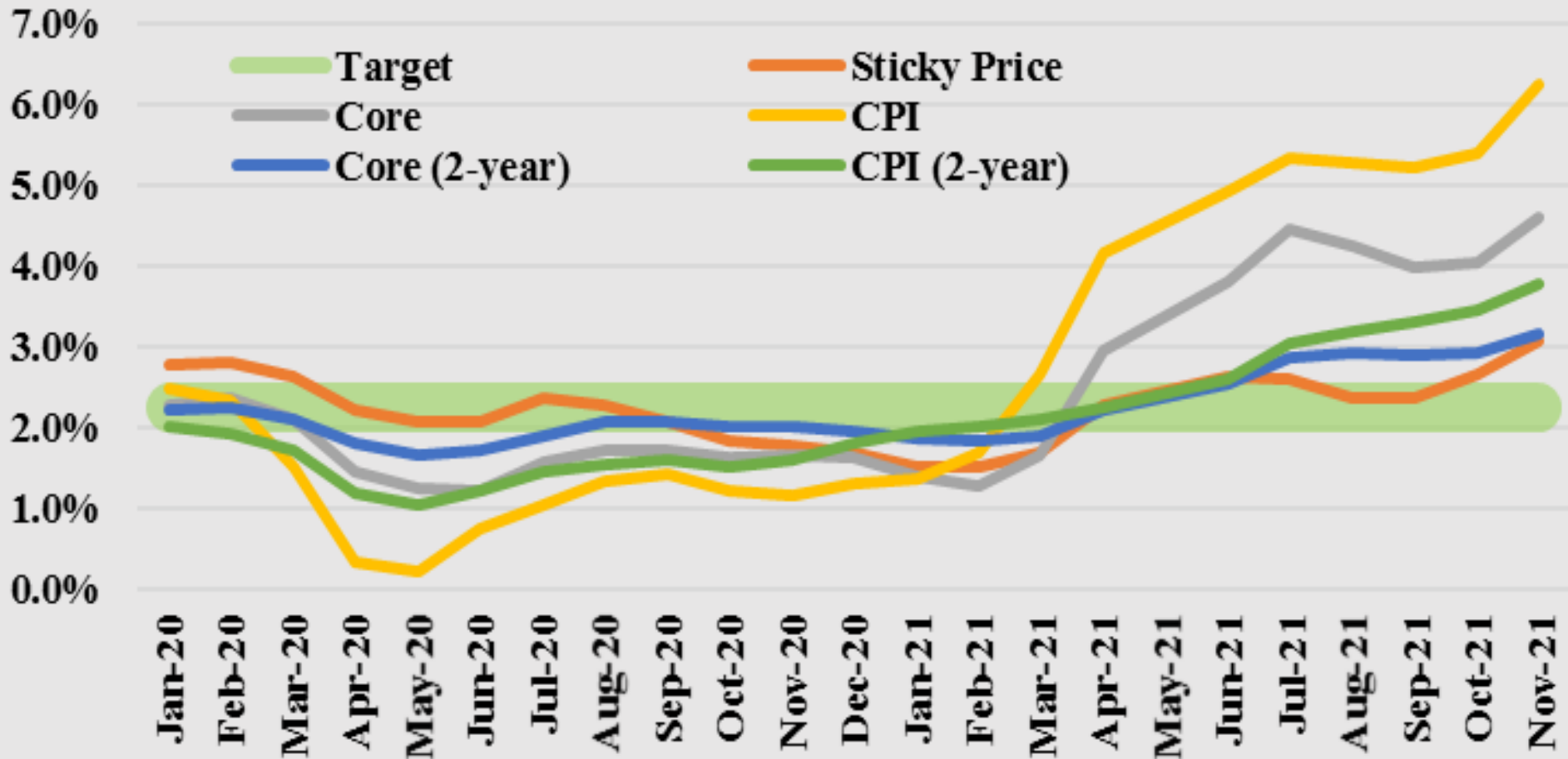


Source: Case-Shiller Home Price Index, and Federal Reserve mortgage survey, via Federal Reserve Economic Database (with author's calculations)





Inflation is Here . . . but maybe not to stay



East Central Indiana Population Change

	2010	2020	Average Annual Losses	Average annual percent loss
Delaware	117,665	113,649	-421	-0.36%
Fayette	24,325	23,180	-143	-0.59%
Henry	49,530	47,495	-150	-0.30%
Jay	21,179	19,563	-76	-0.36%
Madison	131,619	129,557	-194	-0.15%
Randolph	26,178	24,242	-199	-0.76%
Wayne	68,889	65,398	-311	-0.45%





Real GDP in East Central Indiana

COVID Affected Sectors	2021	2022
Retail	1.8%	1.6%
Accommodations and Food Services	4.3%	3.7%
Arts, Entertainment and Recreation	4.3%	3.5%
Finance	4.5%	4.0%
Transportation and Warehousing	3.5%	3.0%
Other Sectors	2021	2022
Manufacturing	1.9%	1.7%
Utilities	1.9%	1.8%
Construction	-0.5%	-0.6%
Information	2.1%	1.9%
Healthcare	3.8%	3.4%
Professional Services	2.9%	2.7%
Wholesale	2.1%	1.9%
Weighted Average	2.6%	2.1%

A Summary:

- **Probably settling down to trend growth (2 - 2.5% range)**
- **Labor supply won't recover for years**
- **Increasing share of jobs to remote workers**
- **Inflation, probably transitory, still within policy realm**
- **COVID is still affecting the economy...**



Michael J. Hicks

765-716-3625

mhicks@bsu.edu

@HicksCBER

michaeljhicks.substack.com





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**Center for Business and
Economic Research**



The New Work Environment

Concerns for Businesses & Workers

Post COVID-19

Suzanne Newcomb, JD
SmithAmundsen LLC

Amanda Weinstein, PhD
The University of Akron

Q & A

Please raise your hand and wait for a microphone, or use the question card and someone will collect card from you.

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