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# INDIANA

## ECONOMIC FORECAST

# 2008

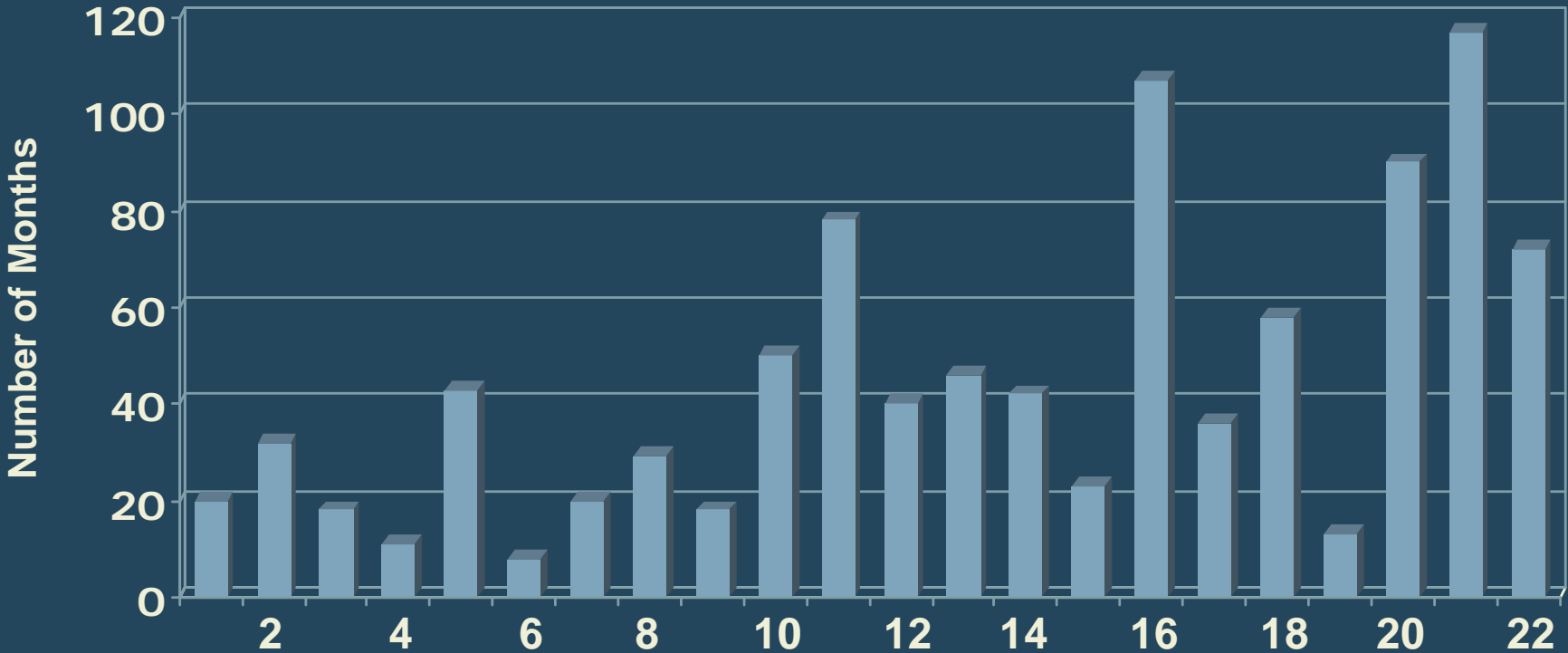
# Indiana Economic Outlook: 2008

**Gary J. Santoni**

*Professor Emeritus, Ball State University*

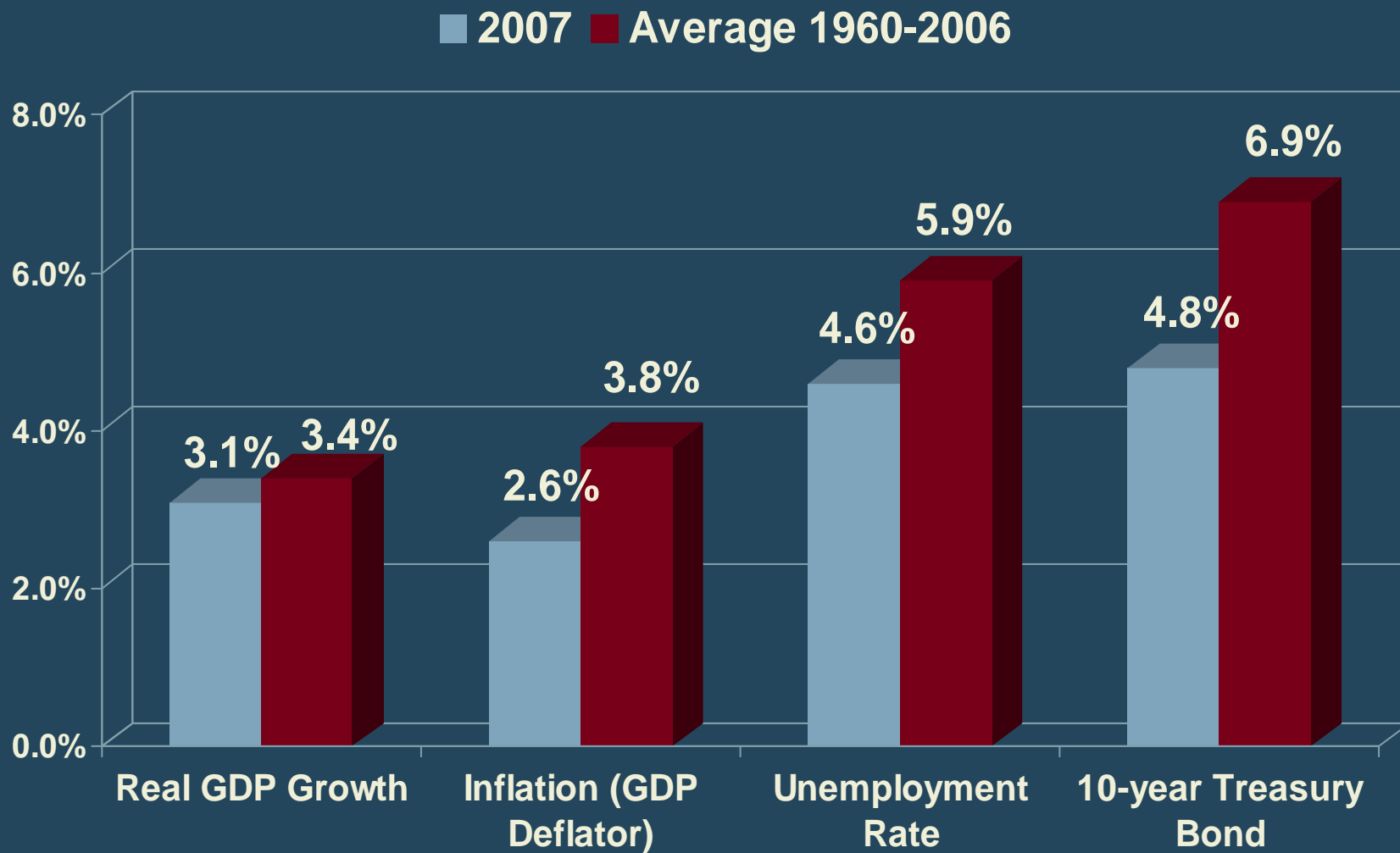
# Duration of U.S. Economic Expansions

In Months 1900 - 2007



|                            | Months      |
|----------------------------|-------------|
| Average Duration           | 44.6        |
| Standard Deviation         | 31.3        |
| Typical Range of Variation | 13.3 - 75.9 |

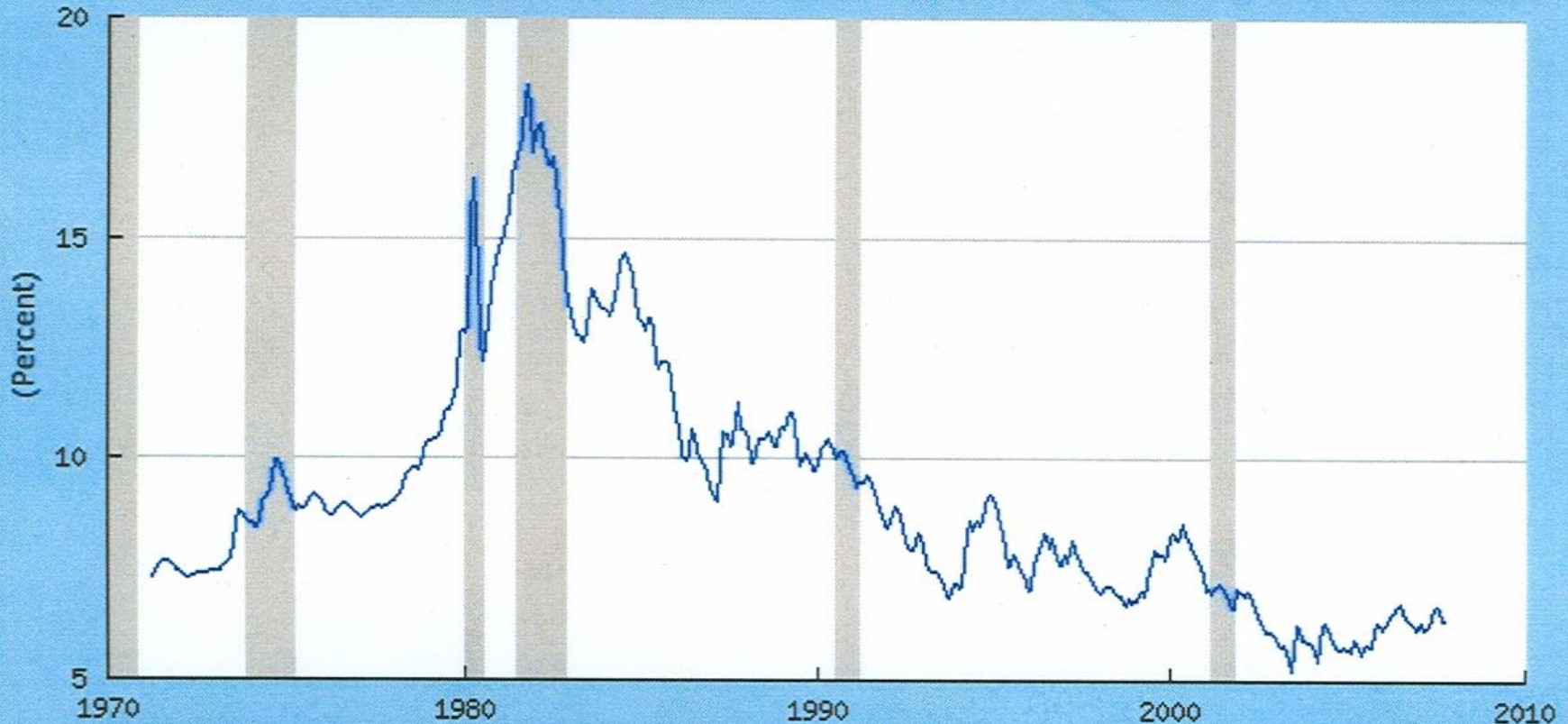
# The Economy in 2007



# 30-year Conventional Mortgage Rate

30-Year Conventional Mortgage Rate (MORTG)

Source: Board of Governors of the Federal Reserve System

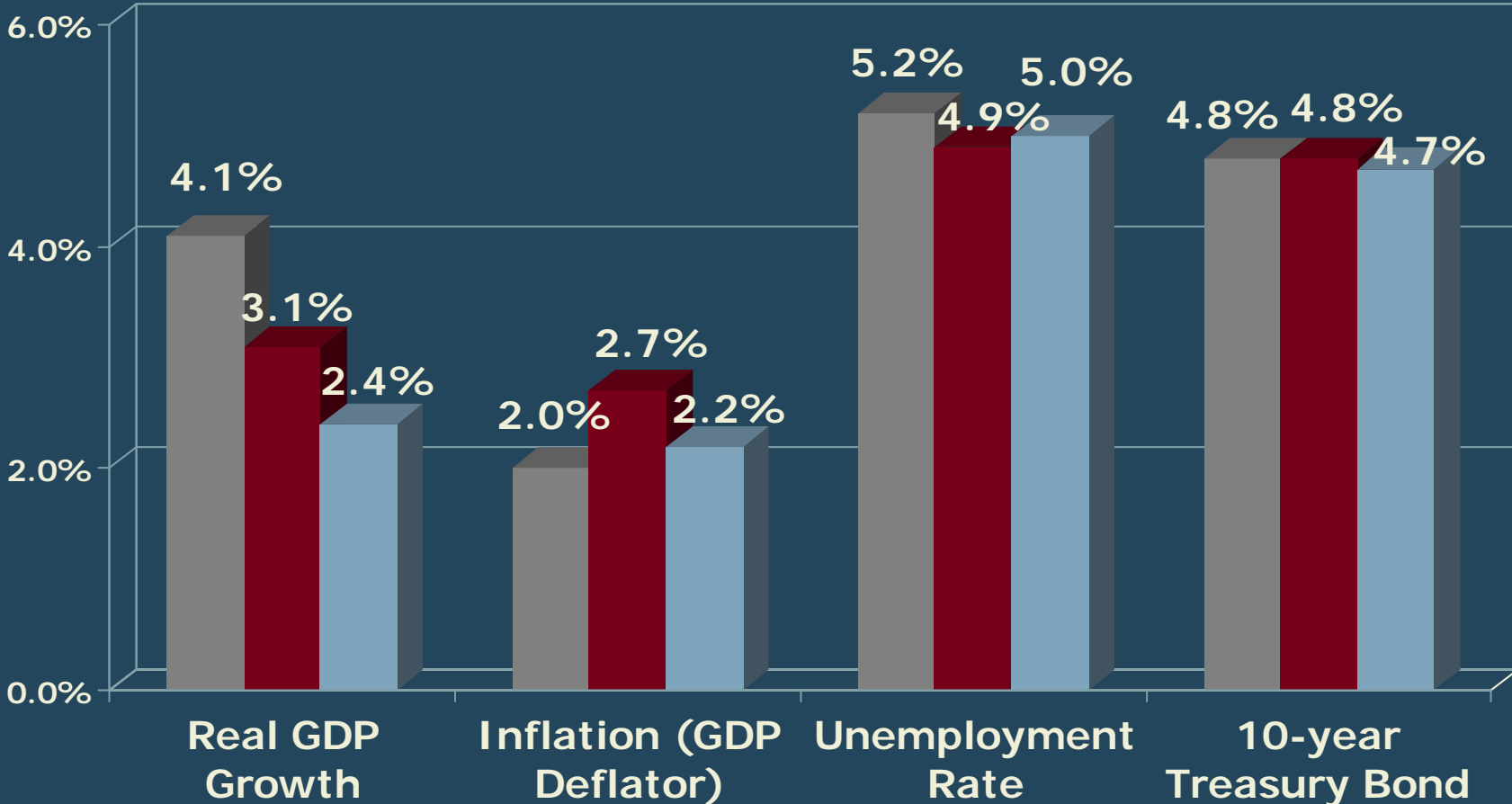


Shaded areas indicate recessions as determined by the NBER.  
2007 Federal Reserve Bank of St. Louis: [research.stlouisfed.org](http://research.stlouisfed.org)

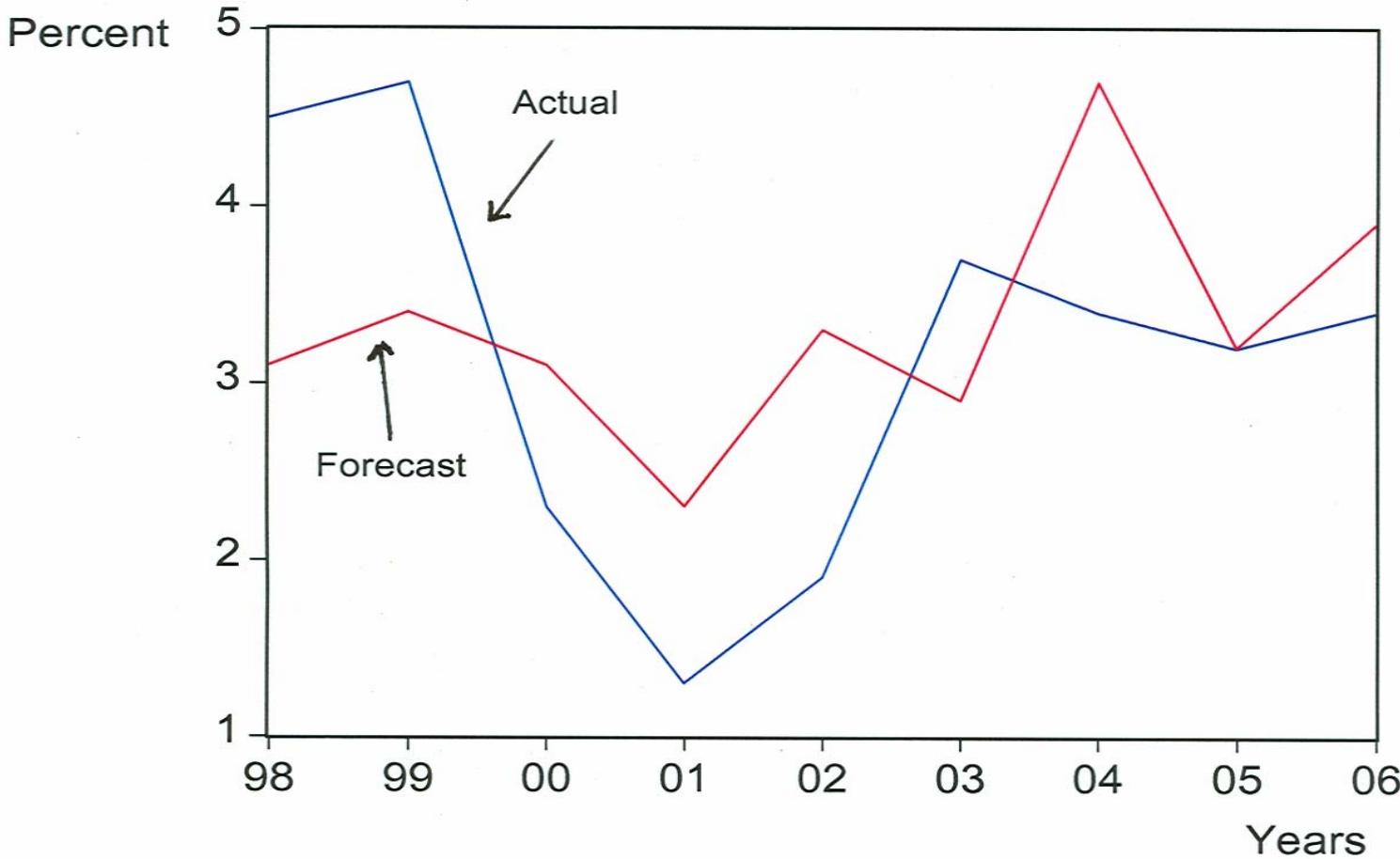


# The Forecast for 2008

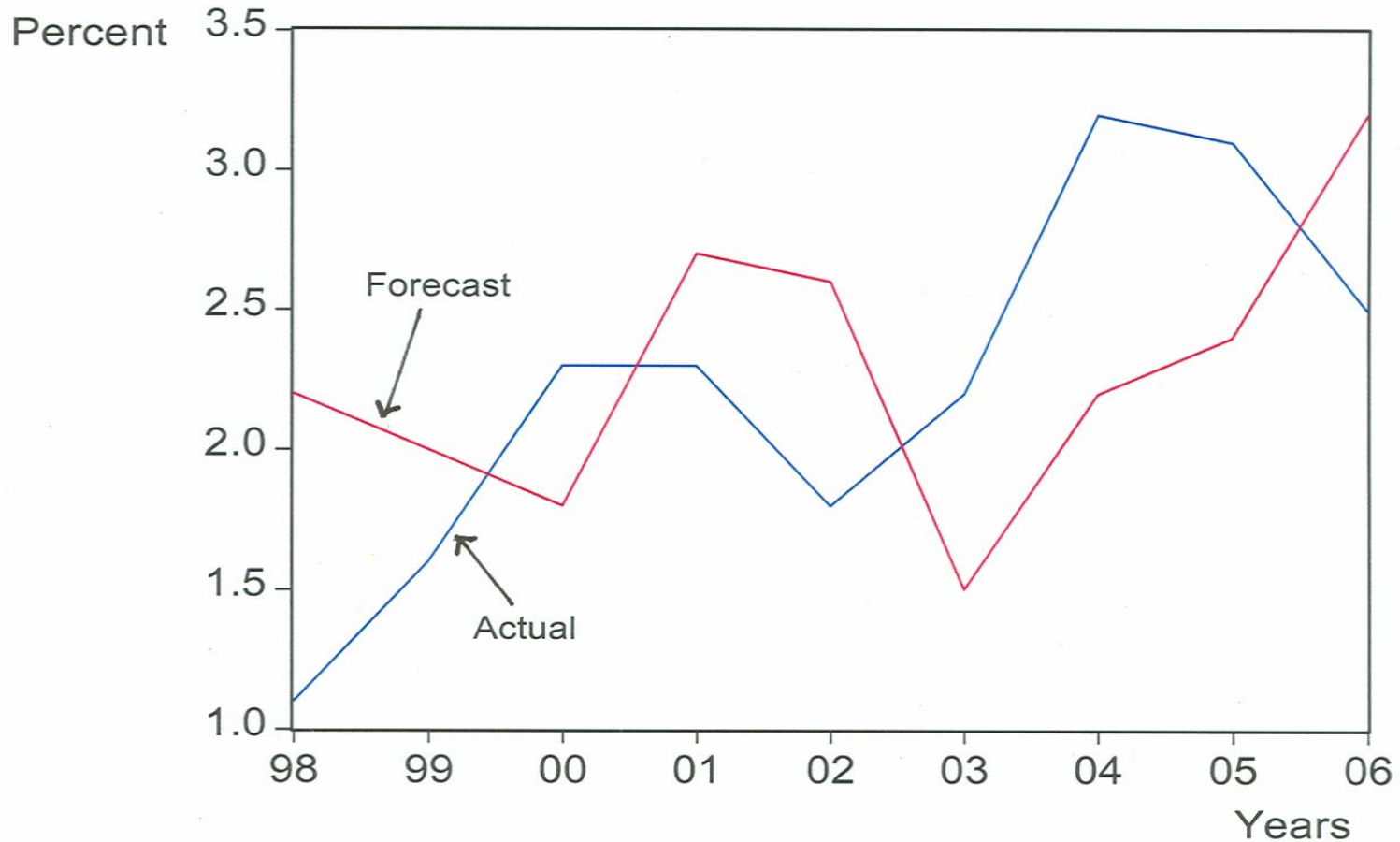
■ BSU Model ■ Roundtable ■ Blue Chip



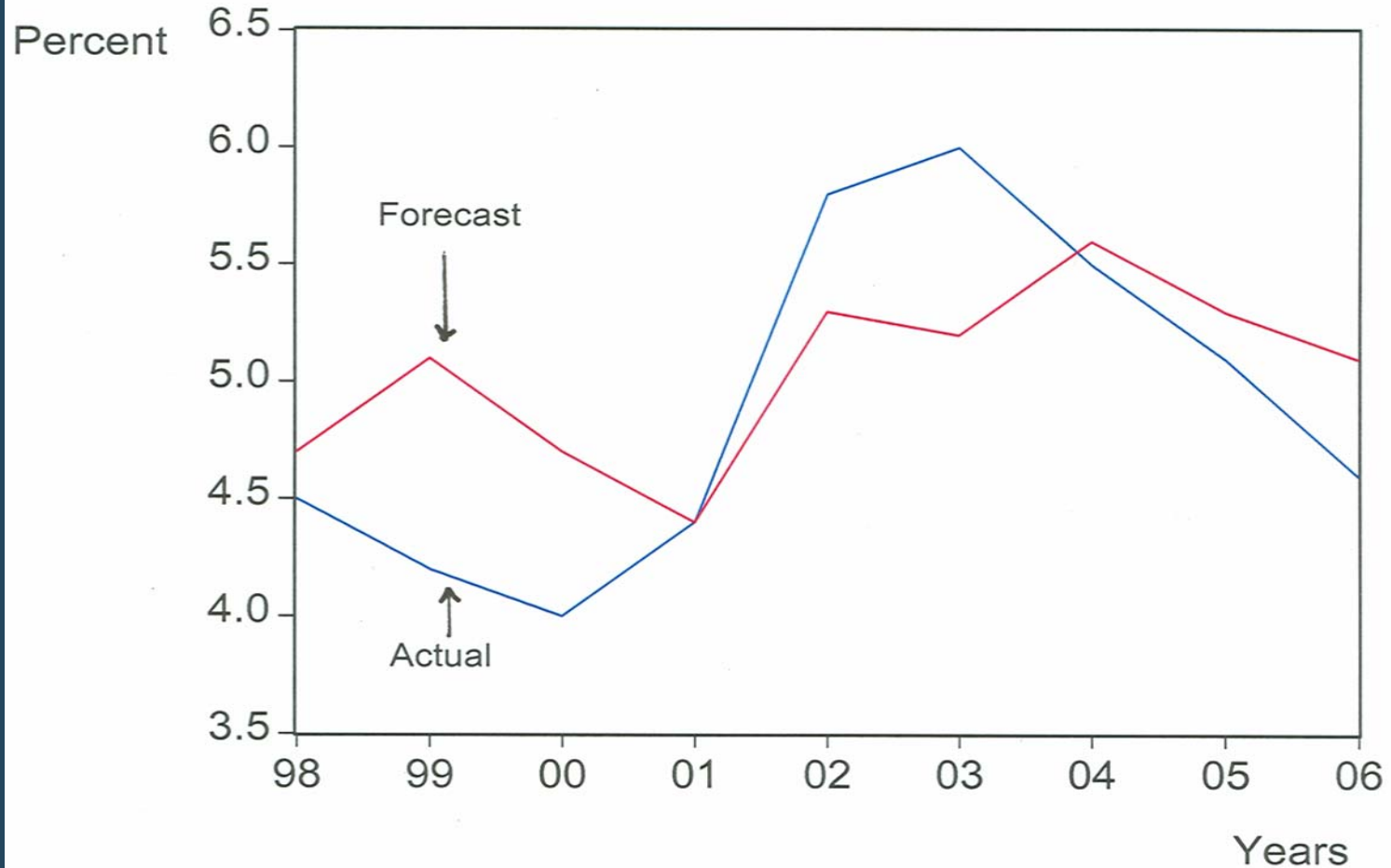
# Growth in Real GDP



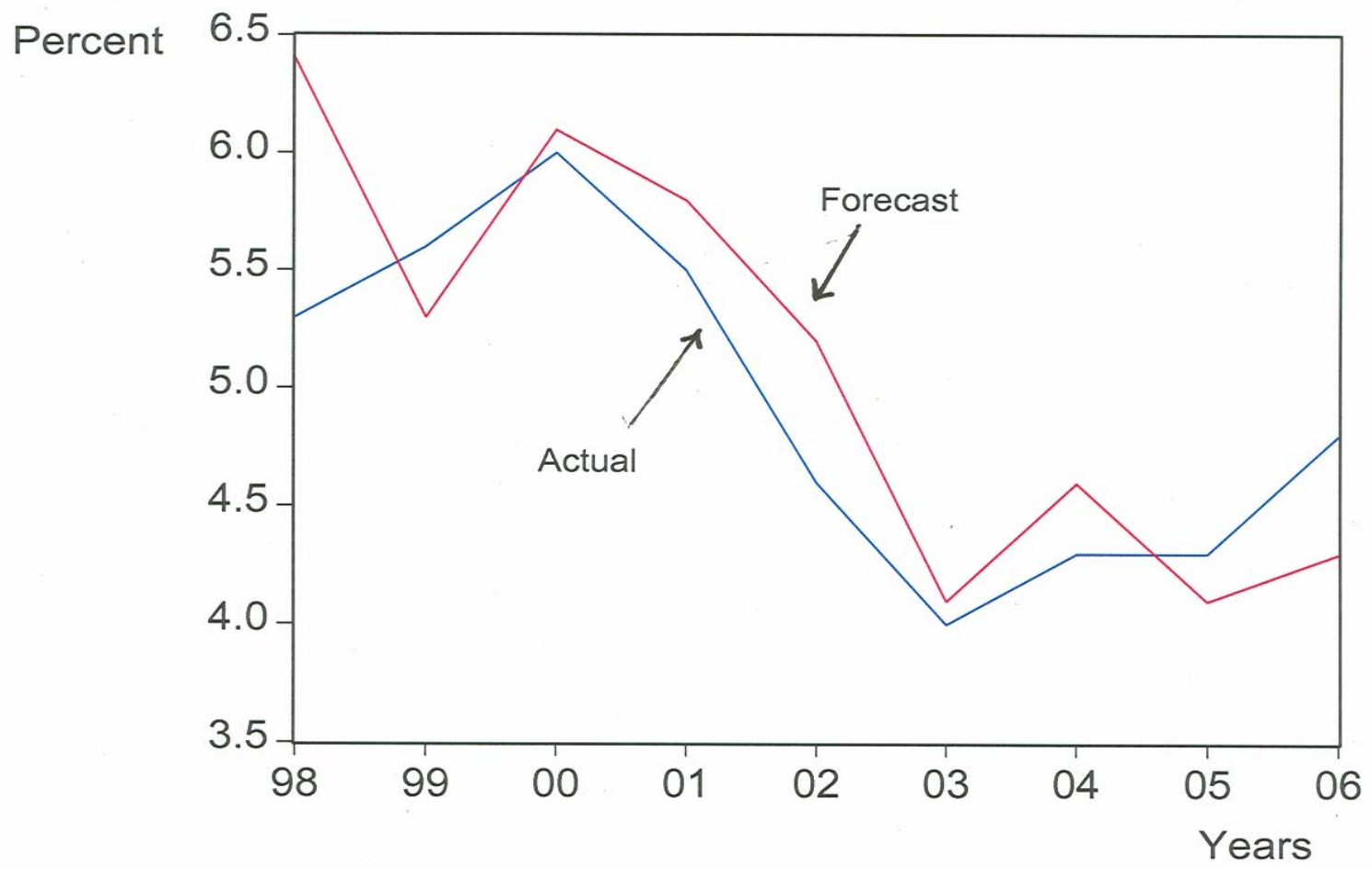
# Inflation (GDP Deflator)



# Unemployment Rate



# 10-year Treasury Bond



# The Score Card (RMSE) \*

| Year | Model | Roundtable | Blue Chip |
|------|-------|------------|-----------|
| 1998 | 0.96  |            | 1.16      |
| 1999 | 0.76  |            | 1.25      |
| 2000 | 0.50  | 0.33       | 0.66      |
| 2001 | 0.90  | 1.11       | 1.33      |
| 2002 | 1.00  | 0.65       | 0.67      |
| 2003 | 0.49  | 0.48       | 0.34      |
| 2004 | 0.36  | 0.53       | 0.72      |
| 2005 | 0.34  | 0.38       | 0.64      |
| 2006 | 0.59  | 0.40       | 0.23      |
| AVG  | 0.66  | 0.55       | 0.78      |

$$* RMSE = \sqrt{\sum_i (F_i - A_i)^2 / N}$$

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