The Outlook for the Indiana Economy

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Our Economic Future

• Most recent performance of state economy is quite heartening
• Our fate will always be linked to the health of the U.S. economy
• Long-term challenges remain difficult
• Indianapolis and the rest of the state are quite different
Employment Has Rebounded

[Graph showing employment data for the U.S. and Indiana from March 2000 to March 2005]
Indiana Outpacing Midwest
Employment as Pct. Of March 2001
Indiana Outpacing Midwest
Employment as Pct. Of March 2001

The graph shows the employment percentage of Indiana compared to other states (U.S., Illinois, Michigan) from March 2000 to March 2005. Indiana has consistently shown a higher employment percentage throughout the period, outpacing the Midwest region and other states like Illinois and Michigan.
Indiana Outpacing Midwest
Employment as Pct. Of March 2001
State Tax Revenues Growing Sharply

Percent Change over Year-Ago Revenues

<table>
<thead>
<tr>
<th>Quarter</th>
<th>3rd Qtr</th>
<th>4th Qtr</th>
<th>1st Qtr</th>
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<tbody>
<tr>
<td>2004</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
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<tr>
<td>2005</td>
<td>8%</td>
<td>9%</td>
<td>10%</td>
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Strong U.S. Business Spending is the Reason Why
The Outlook for 2005

- Continued job growth – 2 % or 60,000 net new jobs
- Expansion eases as U.S. business spending growth tails off
- Not all parts of the state will share in growth
- Long term challenges remain
The Indiana Way

• Like other Midwest States, our economy emphasizes production and does not emphasize educational credentials

• We are less diversified, less educated, and less well paid than our neighbors

• The economy outside Indianapolis is performing much worse

• What’s missing in the economy here?
Indiana’s Ranking Among States Per Capita Income

- 1965: 17
- 1975: 29
- 1985: 33
- 2000: 33
Indiana Development Regions
Pct. with BA or Grad Degree
The Outlook for Indiana

• The state must find a way to tap into the diversified services economy if we are to regain our earnings ranking.
• Indianapolis is much farther along making this transition than the rest of the state.
• We must not lose sight of these important challenges just because the recession is behind us.