The 2018 Economic Forecast for the US & Indiana

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George & Frances Ball Distinguished Professor
Excess Reserves in US Banking, 1984-2017

Bank Excess Reserves

$0

$0.5 TRILLION

$1.0 TRILLION

$1.5 TRILLION

$2.0 TRILLION

$2.5 TRILLION

$3.0 TRILLION


1984-Apr-04

2017-Nov-08
Excess Reserves – Actual & Potential GDP Growth in Recent Quarters

[Line graph showing actual and potential GDP growth across recent quarters, indicating periods of growth and losses.]
Manufacturing Employment Return to Trend
1939-2017

2007-Nov-01
(Start Great Recession)
Indiana’s longest period of manufacturing job growth
Estimated Effects of a Corporate Tax Cut on Indiana GDP 2018-2022
Muncie GDP Growth Using Real & Quantity Index Estimates 2001-2016
### GDP Growth in the USA & Midwestern States 2017-2022

<table>
<thead>
<tr>
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<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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</thead>
<tbody>
<tr>
<td><strong>USA</strong></td>
<td><strong>2.5%</strong></td>
<td><strong>2.6%</strong></td>
<td><strong>2.2%</strong></td>
<td><strong>2.3%</strong></td>
<td><strong>1.8%</strong></td>
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<tr>
<td>Illinois</td>
<td>0.6%</td>
<td>0.8%</td>
<td>1.0%</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.1%</td>
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<tr>
<td>Indiana</td>
<td>2.3%</td>
<td>1.2%</td>
<td>2.1%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.9%</td>
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<tr>
<td>Michigan</td>
<td>2.0%</td>
<td><strong>2.9%</strong></td>
<td>1.6%</td>
<td>1.1%</td>
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<td>1.4%</td>
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<tr>
<td>Ohio</td>
<td>1.6%</td>
<td><strong>2.4%</strong></td>
<td>2.0%</td>
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<td>2.0%</td>
<td>1.8%</td>
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<tr>
<td>Wisconsin</td>
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<td>2.2%</td>
<td>1.9%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>1.8%</td>
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</tbody>
</table>
Big risk in job creation numbers . . .
Large job displacement risk . . .
Export job dependency . . .

- 10.1% of Indiana GDP in exports – 250,000 jobs
- 4.5% of Indiana GDP linked to FDI – 150,000 jobs
- 9.4% of additional jobs linked to these - 320,000

- About one in five Indiana jobs linked to foreign trade.

- A 25% reduction in trade will cost Indiana nearly 200,000 jobs, a reduction of 5.8%. Worse than Great Recession (decline in GDP and employment)
Where we are in February 2018?

- 2017 ended strong, overall growth 2.6%, last quarter over 3%
- GDP Now forecast in the 2.0% range, Blue Chip at 2.2%
- Stock market growing, but not a real indicator of short term economy
- Labor markets substantially improved, solid across all domains
- Growth spatially unequal, unequal across labor types
- 2nd longest post-WW2 expansion
- Real debate over monetary tightening