Economic Forecasts

The following tables contain forecasts from Global Insight and the Governor's Economic Advisory Council (GEAC). The Global Insight forecasts are from the January 2003 release (based on a model run in December 2002). The GEAC forecasts are from the November 2002 meeting. Global Insight presents its forecasts on both an annual (calendar year) and quarterly basis. The GEAC forecast is on a calendar year basis. The accompanying charts are based on actual values and the Global Insight quarterly forecasts.

Gross Domestic Product

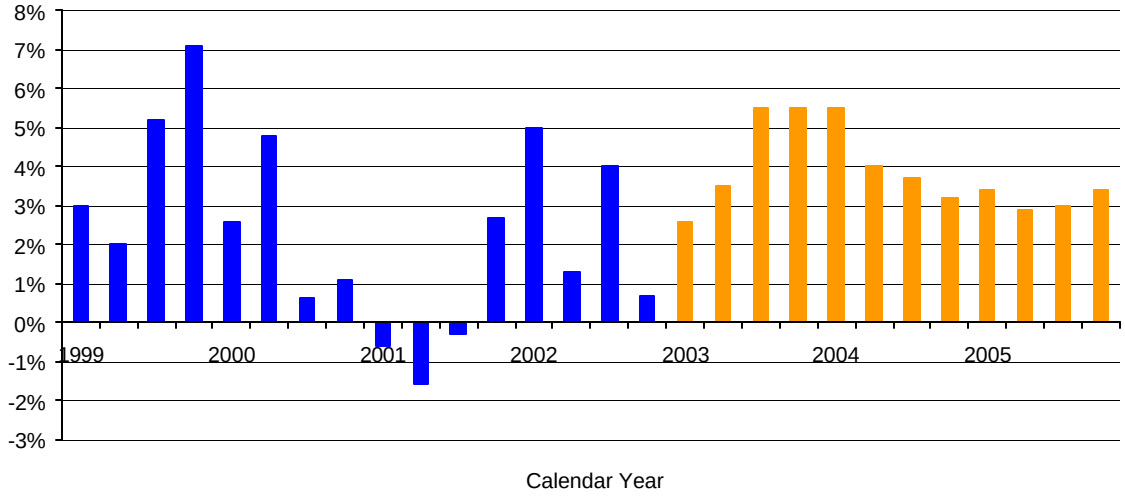
The most recent Global Insight forecast expects U.S. gross domestic product (GDP) to increase by 3.1 percent. Growth will be lower in the first quarter, but will pick up in the remainder of the year. Global Insight's forecast assumes that a war with Iraq starts in late January and lasts four to six weeks. Slower growth in consumer spending is offset by increased federal government spending, growth in business equipment spending, and a slower rate of decline in nonresidential construction. State and local government purchases are expected to fall in the first half of the year but increase slightly in the second half as revenues increase due to economic growth. In 2004, global economic recovery helps push U.S. growth to 4.7 percent, its highest rate since 1985.

Table 1 Real GDP Growth

	2003				2004				2005			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Global Insight	2.6	3.5	5.5	5.5	5.5	4.0	3.7	3.2	3.4	2.9	3.0	3.4
Global Insight		3.1				4.7				3.3		
GEAC		2.8				3.6				3.5		

Chart 1 depicts growth in real (inflation adjusted) gross domestic product from the first quarter of 1999 through the fourth quarter of 2002 along with the Global Insight forecast for growth starting with the first quarter of 2003.

Chart 1: Real GDP Growth



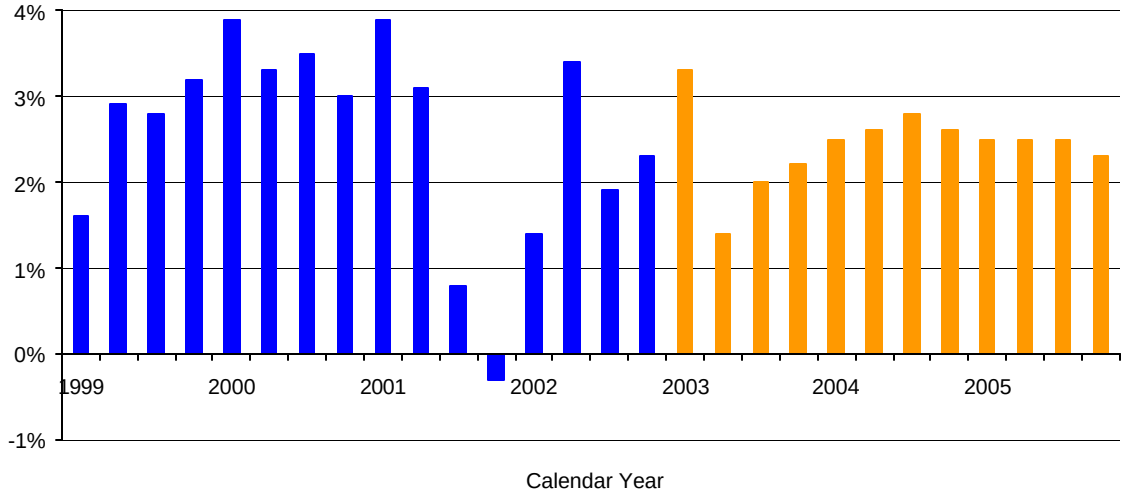
Inflation

Table 2 and Chart 2 contain information on inflation measured by changes in the Consumer Price Index (CPI). CPI inflation averaged 2.5 percent from the first quarter of 1999 through the last quarter of 2002. Inflation is not a major concern for policy makers. The forecasted jump in the first quarter of 2003 is due to an increase in oil prices. The increase in oil prices is due to the assumed war in Iraq and the assumption that output from Venezuela remains down. Oil prices are assumed to fall quickly upon successful completion of the war.

Table 2 CPI Inflation

	2003				2004				2005			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Global Insight	3.3	1.4	2.0	2.2	2.5	2.6	2.8	2.6	2.5	2.5	2.5	2.3
Global Insight		2.3				2.4				2.6		
GEAC		2.0				2.3				2.5		

Chart 2: CPI Inflation



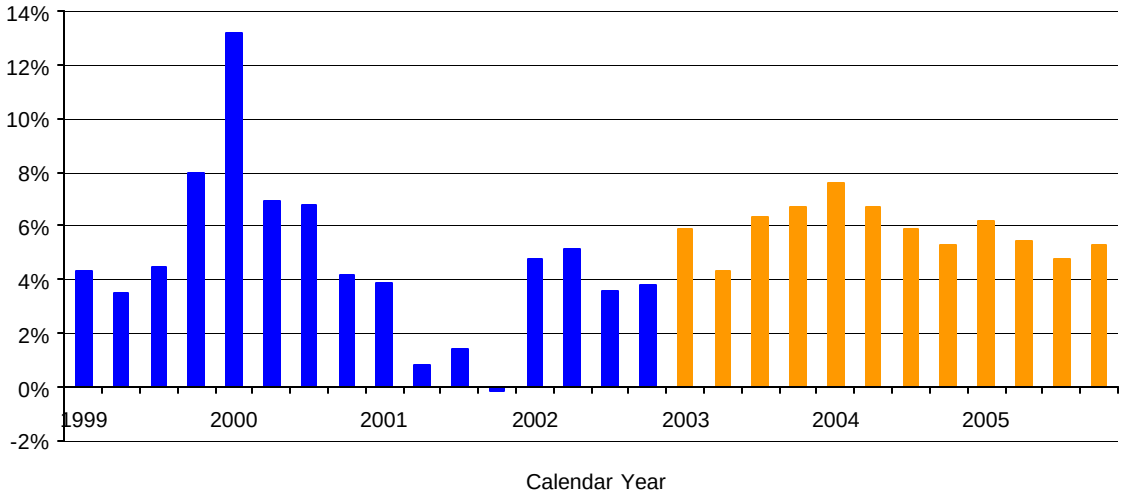
U.S. Income

Table 3 and Chart 3 contain information on growth in U.S. personal income. Personal income growth averaged 4.7 percent from the first quarter of 1999 through the last quarter of 2002.

Table 3 **U.S. Personal Income Growth**

	2003				2004				2005			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Global Insight	5.9	4.3	6.3	6.7	7.6	6.7	5.9	5.3	6.2	5.4	4.8	5.3
Global Insight		5.0				6.5				5.6		
GEAC		4.2				5.5				5.4		

Chart 3: U.S. Personal Income Growth



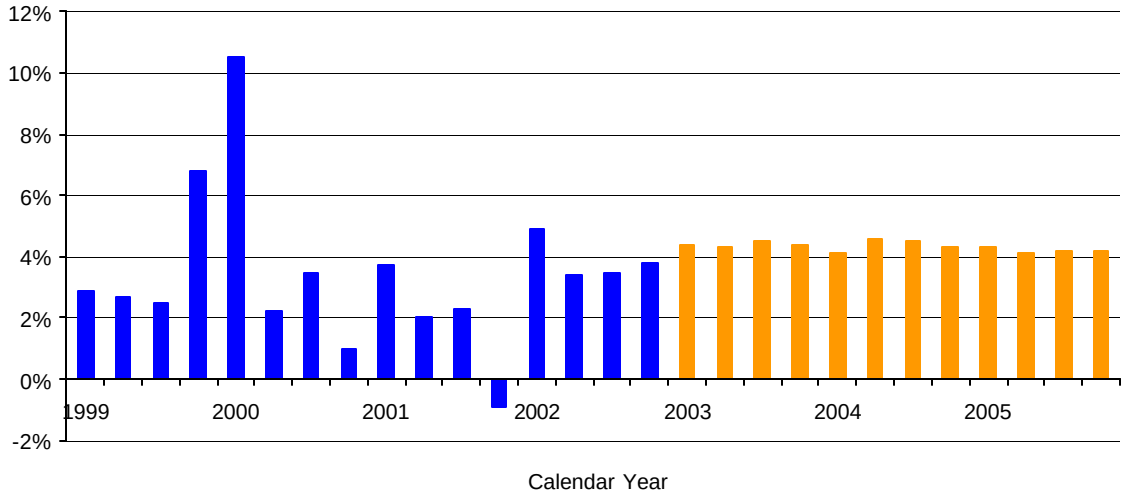
Ohio Income

Table 4 and Chart 4 contain information on growth in Ohio personal income. Personal income growth averaged 3.8 percent from the first quarter of 1999 through the last quarter of 2002.

Table 4 Ohio Personal Income Growth

	2003				2004				2005			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Global Insight	4.4	4.3	4.5	4.4	4.1	4.6	4.5	4.3	4.3	4.1	4.2	4.2
Global Insight	4.1				4.4				4.3			
GEAC	3.8				5.0				4.8			

Chart 4: Ohio Personal Income Growth



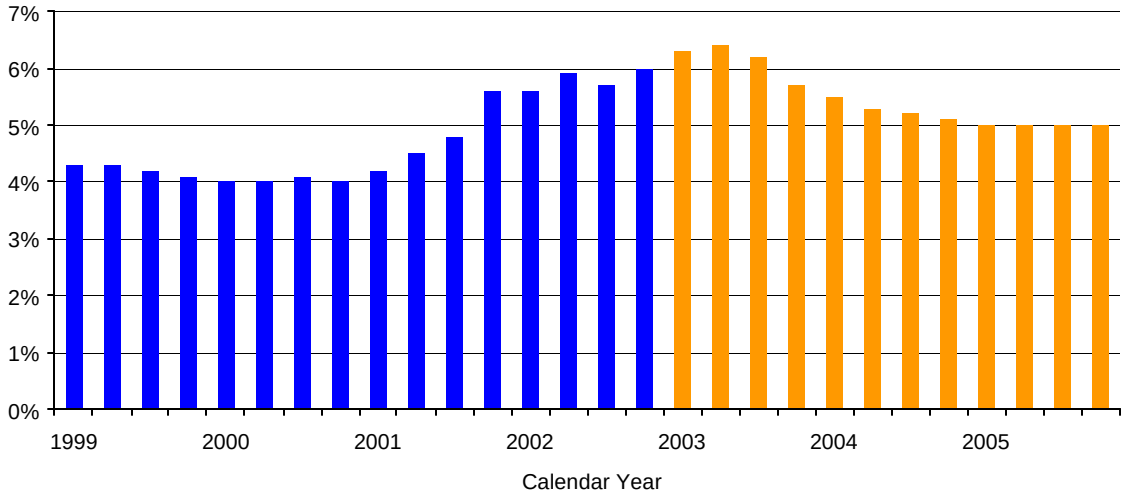
U.S. Unemployment Rate

Table 5 and Chart 5 contain information on the U.S. unemployment rate. The unemployment rate averaged 4.7 percent from the first quarter of 1999 through the last quarter of 2002. The rate is forecasted to rise in the first half of 2003 before falling as economic growth increases.

Table 5 U.S. Unemployment Rate

	2003				2004				2005			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Global Insight	6.3	6.4	6.2	5.7	5.5	5.3	5.2	5.1	5.0	5.0	5.0	5.0
Global Insight		6.2				5.3				5.0		
GEAC		5.8				5.4				5.0		

Chart 5: U.S. Unemployment Rate



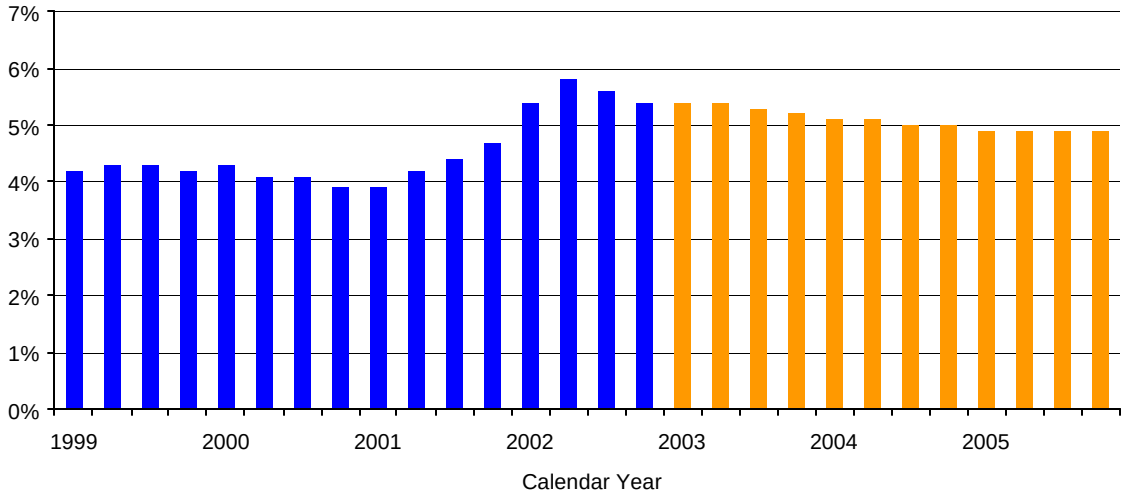
Ohio Unemployment Rate

Table 6 and Chart 6 contain information on the Ohio unemployment rate. The unemployment rate averaged 4.6 percent from the first quarter of 1999 through the last quarter of 2002. The rate is forecasted to fall throughout the year.

Table 6 Ohio Unemployment Rate

	2003				2004				2005			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Global Insight	5.4	5.4	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.9	4.9	4.9
Global Insight		5.3				5.0				4.9		
GEAC		5.6				5.3				4.9		

Chart 6: Ohio Unemployment Rate



However, the unemployment rate does not provide a full picture of the employment situation. Chart 7 presents the actual and forecasted level of establishment employment in Ohio. Employment peaked in the second quarter of 2000 and is forecasted to have bottomed out in the fourth quarter of 2002 at a level 132.4 thousand below the peak. Global Insight forecasts Ohio employment to increase throughout the forecast period, but it will not reach its earlier peak until the second quarter of 2005.

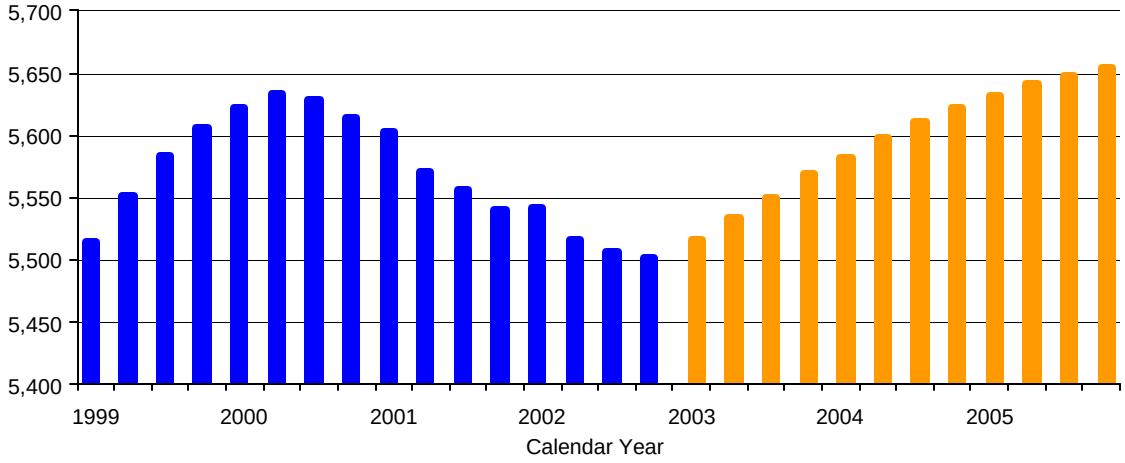



Chart 7: Ohio Establishment Employment
(in thousands, seasonally adjusted)