

Economic Forecast

Revisions to the economic outlook since LSC’s budget testimony in February have in most cases been small. In general, economic growth is expected to be slightly slower than it was three to four months ago, and inflation is expected to be somewhat higher.

Global Insight’s current forecast for real GDP growth in CY 2005 is unchanged at 3.5%. For CY 2006, that organization’s forecast for real GDP growth was revised downward from 3.1% to 3.0%. For CY 2007, Global Insight’s real GDP growth forecast was revised from 3.2% to 3.1%. This forecast is similar to the May forecast of the Governor’s Council of Economic Advisors. Additional detail on these forecasts, along with a prediction for real GDP from the forecasting firm Economy.com, are shown in Table 1:

Table 1
United States Real Gross Domestic Product Growth

Forecast	2005				2006				2007			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
	-----percent change at annual rate-----											
House and Senate Testimony												
Global Insight	3.6	3.7	3.3	2.5	2.9	3.6	3.3	3.1	3.0	3.5	3.1	3.3
Global Insight	3.5				3.1				3.2			
6/3/2005												
Global Insight	3.5	3.1	3.8	3.0	2.9	2.9	2.6	3.0	2.9	3.6	3.2	3.6
Global Insight	3.5				3.0				3.1			
Change	-0.1	-0.6	0.5	0.5	0.0	-0.7	-0.7	-0.1	-0.1	0.1	0.1	0.3
Change	0.0				-0.1				-0.1			
Approximately 5/17/2005												
Economy.com	3.1	3.1	3.7	3.6	3.5	3.4	3.0	3.0	2.9	2.7	2.9	3.2
Economy.com	3.5				3.4				3.0			

Global Insight has raised its forecast for consumer price inflation this year from 2.0% to 2.9%. They continue to expect inflation to moderate, forecasting a 2.0% rise in the consumer price index in CY 2006, higher than the 1.6% previously forecast. For CY 2007, Global Insight has slightly lowered its forecast for consumer price inflation from a 2.0% increase to a 1.8% rise. The Governor’s Council of Economic Advisors has also raised its expectation for inflation in their May forecast. Additional detail and Economy.com’s forecast for consumer prices are shown in Table 2:

Global Insight	1.6	0.7	1.0	2.1	1.4	1.6	1.8	2.1	2.0	2.0	2.0	2.2
Global Insight		2.0				1.6				2.0		
6/3/2005												
Global Insight	2.4	4.4	1.2	2.2	1.8	2.1	1.2	1.8	1.9	1.9	2.0	2.2
Global Insight		2.9				2.0				1.8		
Change	0.8	3.7	0.2	0.1	0.4	0.5	-0.6	-0.3	-0.1	-0.1	0.0	0.0
Change		0.9				0.4				-0.2		
Approximately 5/17/2005												
Economy.com	2.4	2.6	2.1	2.0	2.7	2.6	2.9	2.8	2.8	2.6	2.5	2.4
Economy.com		2.6				2.5				2.7		

Expectations for personal income growth were revised higher in most periods, perhaps reflecting in part the upward revisions to forecasts for inflation, as well as an upward revision to income growth in the fourth quarter of 2004. Increases in personal income were expected to be stronger for the nation than for Ohio by the three groups of forecasters, as indicated in Table 3 and Table 4.

Table 3
United States Personal Income Growth

Forecast	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-----percent change at annual rate-----												
House and Senate Testimony												
Global Insight	1.3	5.1	5.3	4.8	5.6	5.4	5.5	5.0	5.5	5.7	5.6	5.6
Global Insight	5.0				5.3				5.5			
6/3/2005												
Global Insight	3.2	6.4	5.4	5.1	6.8	5.6	5.3	4.7	5.1	5.5	5.7	5.8
Global Insight	6.5				5.7				5.3			
Change	1.9	1.3	0.1	0.3	1.2	0.2	-0.2	-0.3	-0.4	-0.2	0.1	0.2
Change	1.5				0.4				-0.2			
Approximately 5/17/2005												
Economy.com	2.4	8.8	5.8	5.2	5.3	5.0	4.9	4.4	4.7	4.6	4.2	4.7
Economy.com	6.3				5.4				4.6			

Table 4
Ohio Personal Income Growth

Forecast	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-----percent change at annual rate-----												
House and Senate Testimony												
Global Insight	2.0	4.9	5.0	4.7	4.8	4.9	4.7	4.8	4.9	5.1	5.1	5.1
Global Insight	4.4				4.8				4.9			
4/28/2005												
Global Insight	1.6	5.3	4.9	5.0	5.6	5.3	5.0	4.4	4.5	4.8	4.7	4.7
Global Insight	4.8				5.2				4.7			
Change	-0.4	0.3	-0.1	0.3	0.9	0.3	0.3	-0.3	-0.4	-0.3	-0.3	-0.3
Change	0.4				0.4				-0.2			
5/13/2005												
Global Insight	2.2	4.2	5.0	4.6	5.5	4.9	4.8					
Change	0.2	-0.7	0.0	-0.1	0.7	0.0	0.1					
Approximately 5/17/2005												
Economy.com	0.0	7.1	4.8	4.2	4.3	4.0	4.1	3.6	3.9	3.9	3.5	3.9
Economy.com	4.7				4.4				3.8			

Revisions to expectations for the unemployment rate—the number of persons unemployed as a percent of the labor force—were generally small. The unemployment rate for the nation was expected to remain higher than that for Ohio through 2007.

Table 5
United States Unemployment Rate

Forecast	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-----percent of the labor force-----												
House and Senate Testimony												
Global Insight	5.3	5.2	5.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Global Insight		5.2				5.2				5.2		
6/3/2005												
Global Insight	5.3	5.2	5.1	5.1	5.1	5.1	5.1	5.2	5.2	5.2	5.2	5.1
Global Insight		5.2				5.1				5.2		
Change	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.1
Change		0.0				-0.1				0.0		

Table 6
Ohio Unemployment Rate

Forecast	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-----percent of the labor force-----												
House and Senate Testimony												
Global Insight	6.4	6.3	6.2	6.2	6.1	6.0	6.0	6.0	6.0	6.0	6.1	6.1
Global Insight		6.3				6.0				6.0		
4/28/2005												
Global Insight	6.4	6.2	6.1	6.1	6.1	6.1	6.1	6.2	6.2	6.2	6.2	6.2
Global Insight		6.2				6.1				6.2		
Change	0.0	-0.1	-0.1	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.1	0.1
Change		-0.1				0.1				0.1		
5/13/2005												
Global Insight	6.2	6.1	6.1	6.0	6.0	6.0	6.1					
Change	-0.2	-0.2	-0.1	-0.2	-0.1	0.0	0.1					