



## The Kelley School of Business Outlook Panel

# 2021

## Forecast Highlights

### U.S.

- The U.S. economy's restart will continue in 2021, but with substantial deceleration from that achieved in 2020.
- Output could regain its previous peak by the middle of 2021. Employment is unlikely to get back to its pre-shutdown peak until well into 2022. Unemployment is unlikely to get back to its 3.5 percent low in the foreseeable future.
- There will be winners and losers. Consumer spending is recovering well, but tilted toward goods and away from services. Construction of housing is coming back strongly, but business construction is weak. These trends will continue.
- There will be long-term damage. The size of the labor force has declined significantly since the shutdown hit. Some part of this decrease will be permanent, implying lower employment relative to the pre-COVID-19 trend. Fewer workers mean lower levels of output and income.

### Indiana

- Overall, Indiana is relatively well positioned to outperform during the recovery period as we emerge from the COVID-19 pandemic.
- Slack remains in the Hoosier labor force, providing an opportunity for output growth as we move into 2021.
- We will expect to see slow or even negative growth conditions during the last quarter of 2020 and the first quarter of 2021, as we face new waves of infections.
- We do not believe total lockdowns will be necessary, as we have more knowledge of how to combat the virus now versus at the start of the pandemic.
- We expect strong positive growth in the second half of 2021, which could set 2022 up for a strong year of positive economic output in Indiana.

### Finance

- Short-term and longer-term interest rates will remain low in 2021 and well below historical averages.
- S&P 500 corporate earnings in 2021 are expected to rebound strongly from their 2020 levels.

### International

- The world economy is expected to shrink by 4.4% in 2020 before expanding by 5.2% in 2021. However, at any moment, a resurgence of COVID-19 infections and tightening government restrictions can threaten to drag the world into a prolonged recession.
- China will be the only major economy with positive growth in the year 2020. We forecast China to expand by 2% by the end of this year thanks to a robust recovery that has not been hampered by a strong resurgence of COVID-19. It is projected that growth will further strengthen in 2021 to above 8%.
- In every economy, the collapse of economic activity in the first half of 2020 was historic. We see recoveries almost everywhere and expect the GDP of many countries to reach pre-crisis levels by the end of 2021. However, COVID-19 has exacerbated inequalities within and between countries. The risks of such divergence could wipe out all the improvements in standard of living that were made since the last global crisis of 2008 and push as many as 150 million people across the globe into extreme poverty.

Detailed 2021 forecasts will be available in the *Indiana Business Review* this December.

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