

Indiana Economic Forecast Update

Tom Jackson, Principal Economist
US Regional Economics

December 18, 2025

US economic growth has steadied, but employment weakening

- US economy is transitioning from above-potential to below-potential growth.
 - We forecast 2.0% GDP growth in 2025, 2.2% in 2026, and 1.8% in 2027, after 2.8% growth in 2024.
- Labor market has downshifted – payrolls 119K higher in September but declined in June and August.
 - The December 16 employment data release was not available for our December forecast.
 - The estimates (-105K in October, +64K in November) were in line with our expectations. The October decline reflected Federal government layoffs from early 2025 (severance ended).
 - The national unemployment rate rose to 4.56% in November, a bit higher than our expectations. Increases in the official labor force are causing the recent rises in unemployment rate.
- Large swings in imports and exports directly impacted quarterly growth in early 2025.
 - Surge in imports in Q1 (to get ahead of expected tariffs) caused 0.6% drop in real GDP.
 - Growth jumped to 3.8% in Q2 as imports slowed dramatically.
- Tariff levels and their impacts have varied by industry but generally less than feared in spring 2025.
 - Construction, motor vehicles facing higher costs, disrupted supply chains.
 - High-tech industries seem to be less affected.
- Investment boom in data centers and artificial intelligence capabilities playing a large role in market gains.

GDP growth slows to below trend; unemployment rate drifts up

Growth to slow abruptly starting Q1 2025

US real GDP growth and unemployment rate



Data compiled December 2025.
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Factors adding to growth in 2026

- Larger personal tax cuts
- Rising federal spending
- Narrowing mortgage spread
- Rising inventory investment
- Redirected domestic demand

Factors dragging on growth

- Fallout from tariffs
- Ongoing tight Fed policy
- Diminished fiscal tailwinds
- Rising credit spreads
- Downturn in equity values
- Trade policy uncertainty
- Slowdown in immigration

Key policy assumptions in the December 2025 US forecast

- Tariffs

- In addition to **Section 232** tariffs currently in place, new tariffs on semiconductors (effective 2026Q1) and critical minerals (effective 2027Q1), ranging from 10% to 25%.
- **Canada and Mexico:** IEEPA (fentanyl) tariffs of 35% on goods and auto (non-USMCA compliant) from Canada, 25% from Mexico. These step down to 15% by mid-2026.
- **Mainland China:** It's complicated, but: IEEPA tariffs at 10%. Section 301 tariffs on certain products ranging from 25% to 100%; many date back to 2018.
- **Other countries:** “reciprocal” tariffs at rates announced on August 1 or later, ranging from 10% to 40%.

- Fiscal

- Permanent **extension** of 2017 personal tax cuts.
- Additional tax relief for **overtime pay** and **tip income** and easing of cap on **the state-and-local tax deduction**.
- **Corporate tax rate** for domestic producers declines from 21% to 15%.
- Generic cuts in **federal outlays**.

- Federal employment reduced by 255,000 through October 2025.

- Immigration

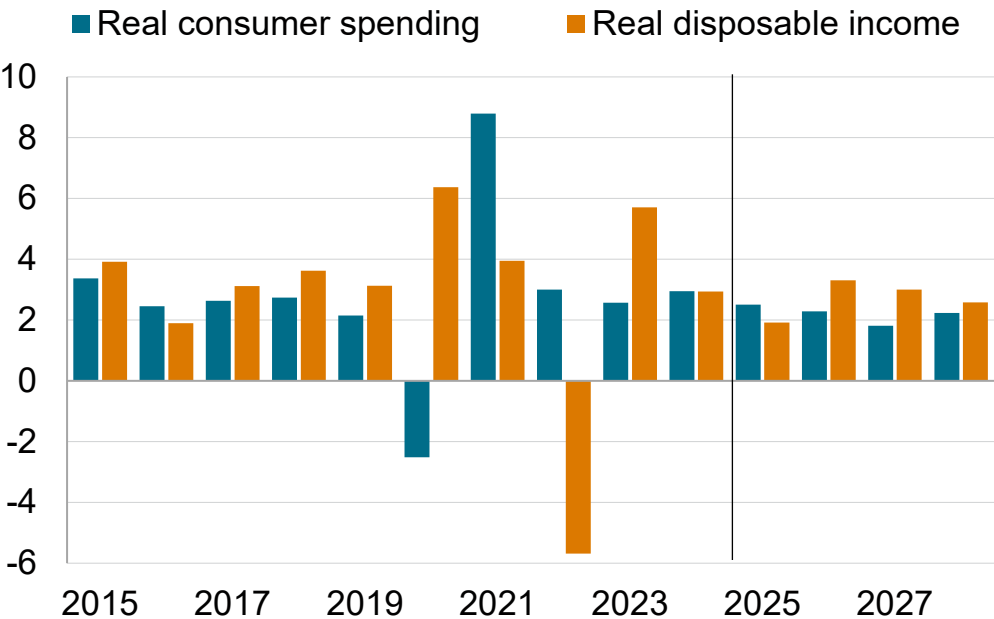
- Reduced by **500,000 per year** for 2025 through 2028.

Consumer spending being buoyed by personal tax cuts, wealth effects of stock market gains

Personal income tax cuts in 2025 will result in higher tax refunds in early 2026

Effective tariff rate lower than earlier thought, especially in April

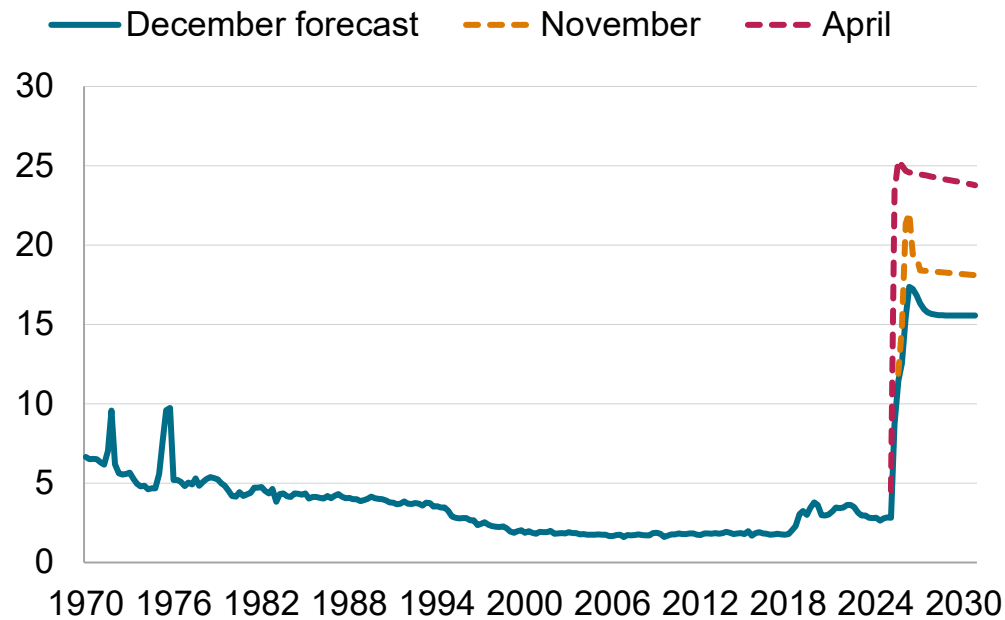
Real US consumer spending and disposable income, percent change



Data compiled December 2025.
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Average effective tariff rate

Percent

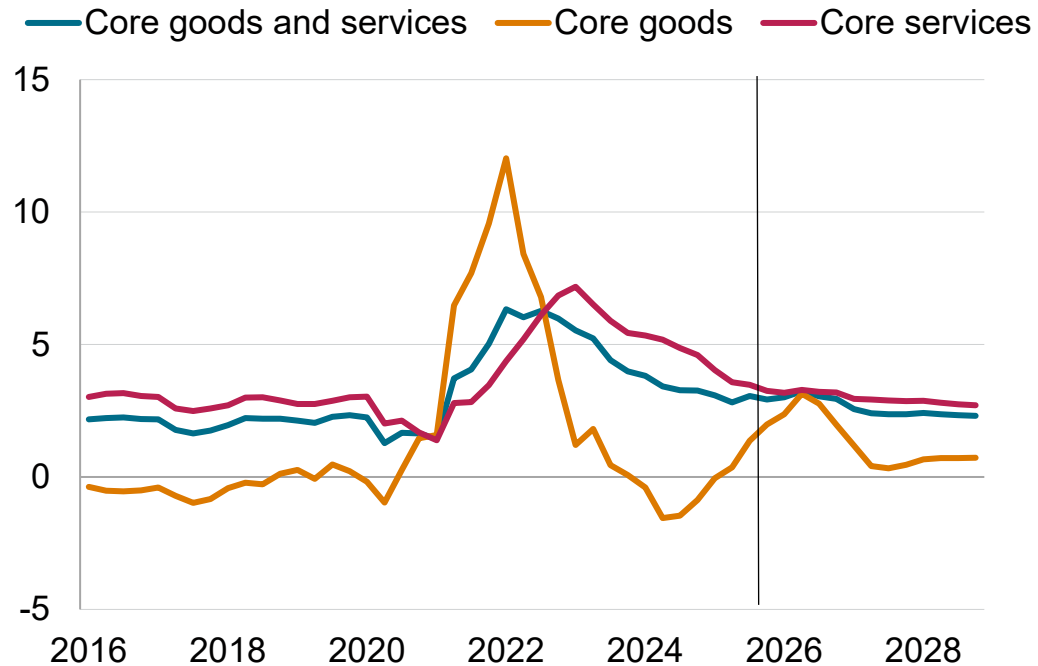


Data compiled December 2025.
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Goods inflation resumes upward push due to solid demand, supply-side issues including tariffs on key inputs

Core goods inflation reigniting

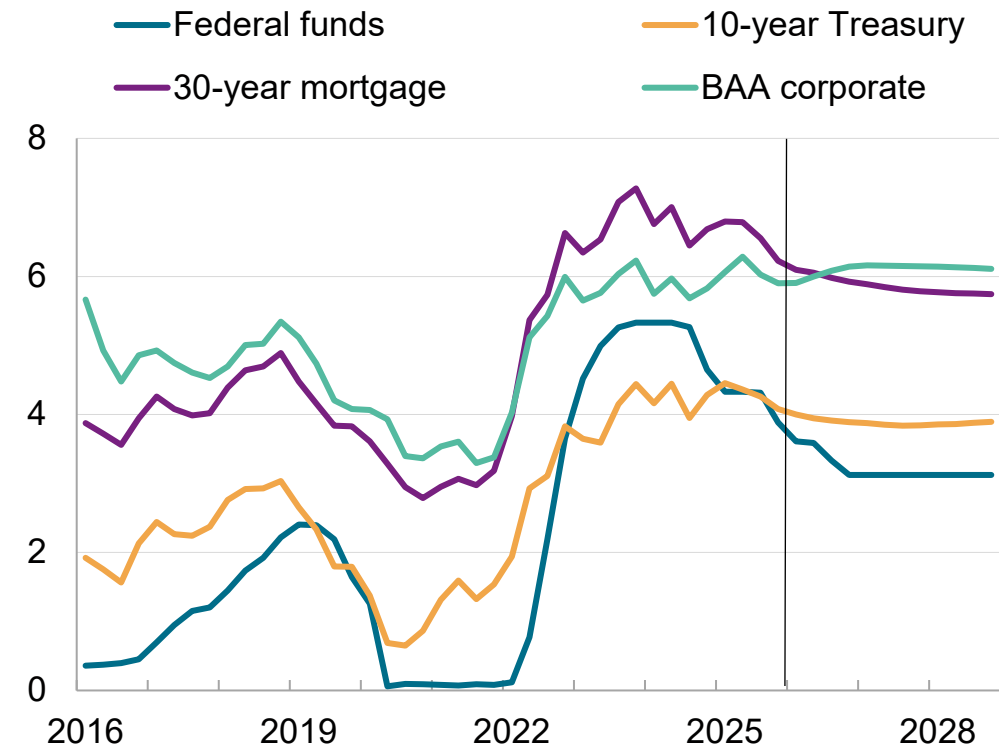
US consumer prices excluding food and energy Year-over-year percent change



Data compiled December 2025.
Note: CPI all-urban, seasonally adjusted, 1982-84=1.0
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Fed cut rates as expected in December 2025, but further cuts wait until mid-2026

Interest rates, percent

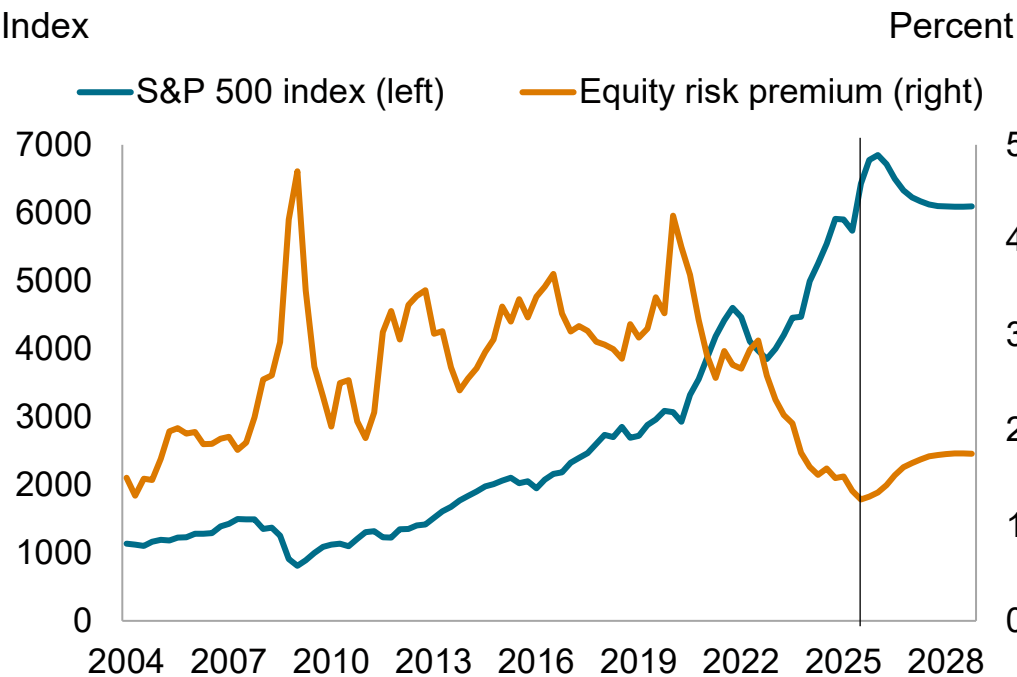


Data compiled December 2025.
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Rising equity premium to weigh on equity markets, vehicle sales pull back after robust start to 2025

Equities expected to weaken as risk premium eases upward from historic low.

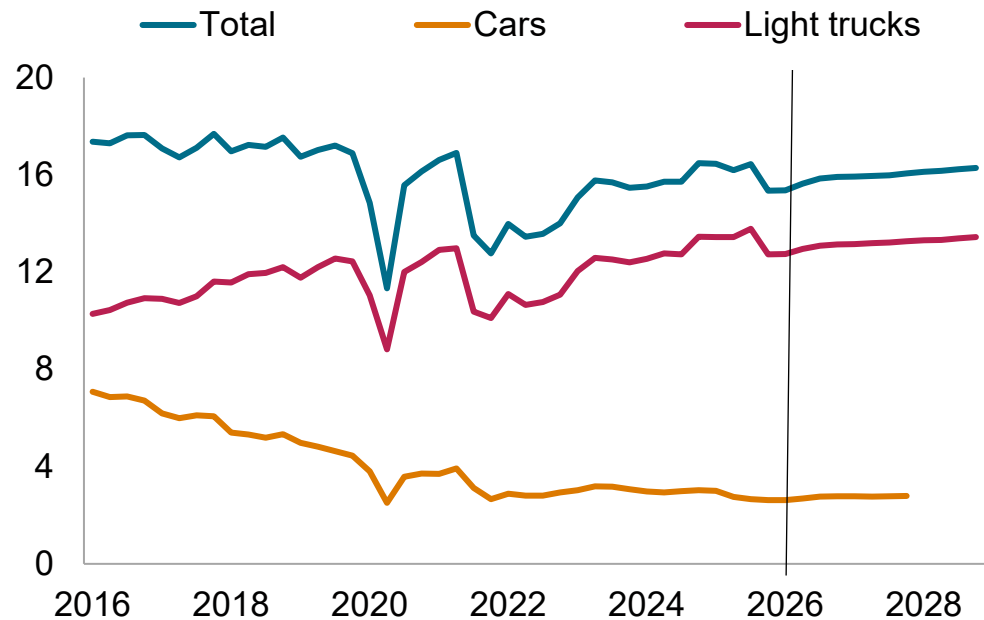
Equities to pull back after record run



Data compiled December 2025.
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Vehicle sales grew in early 2025, but weakening due to end of EV tax credits, high prices.

Total light-vehicle sales



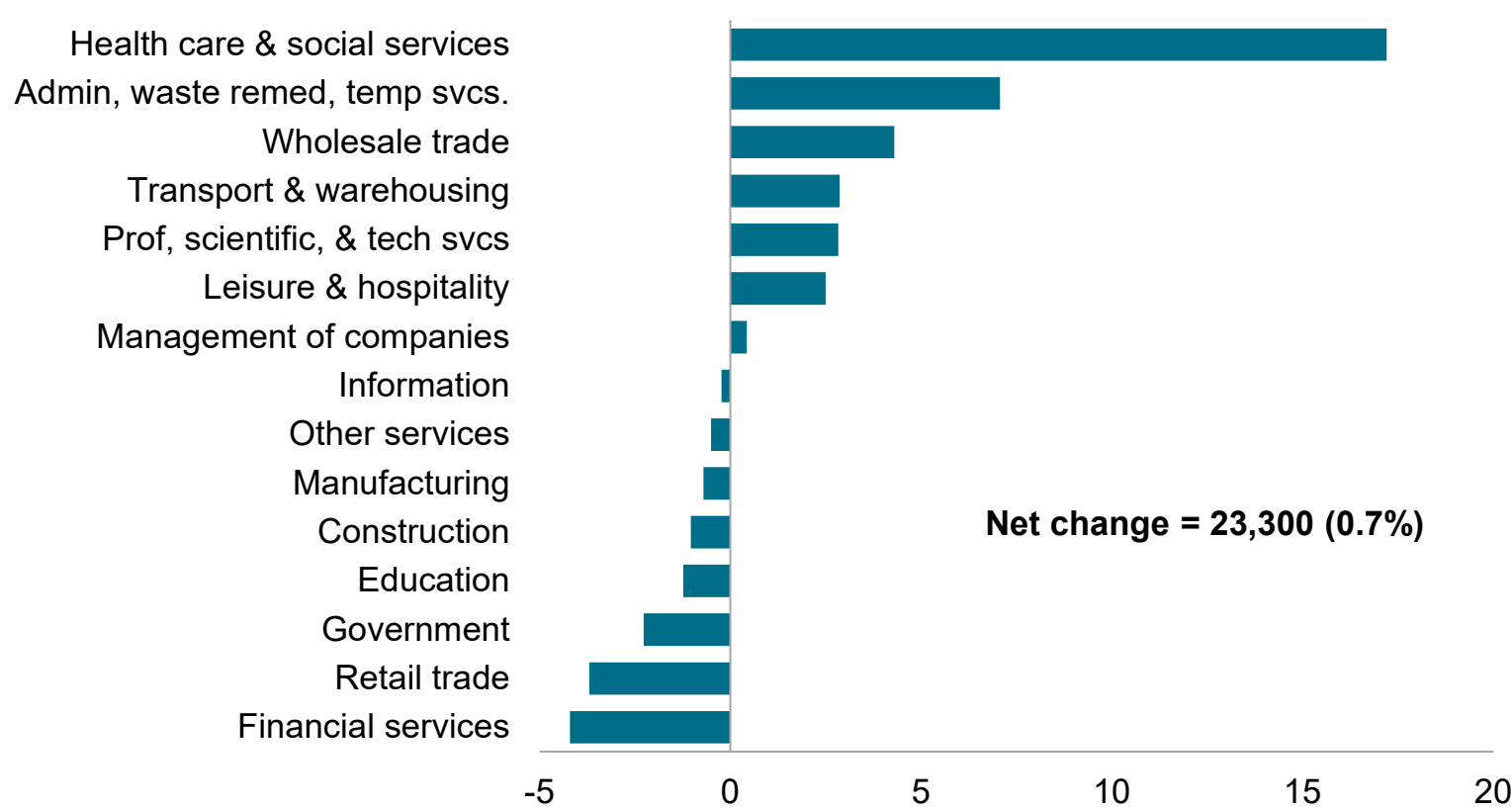
Data compiled December 2025.
Source: S&P Global Market Intelligence
© 2025 S&P Global.

Indiana economy, labor market are weathering policy-related uncertainties

- Estimates from BEA, BLS indicate that Indiana output and job growth have slowed in line with the nation.
 - Data centers, where to build them, how to power them, etc., a hot topic.
- Tariffs and their impacts have been lower than expected for Indiana industries, but still making their mark.
 - Automakers are rearranging supply chains and production decisions in response to tariffs on Mexico and Canada.
 - Pharmaceutical producers face potential onerous tariffs on imports, but companies who are expanding US production will be exempt.
- Immigration enforcement actions also are having relatively low impact in the state.
- Federal policy changes likely to prompt a change of plans for some industries
 - Removal of tax credits for electric vehicles will sideline some plans for new facilities but will bring renewed investment in production of more traditional drivetrains.
- Indiana's housing market is cooling, but holding up relatively well
 - Population growth has been running a bit below national average but higher than neighboring states.
 - States and metros that experienced housing booms in the early 2020s are seeing a reversal, while the slower and steadier areas are faring better.

Indiana payroll growth keeping pace with the nation as health care leads the way

Change in Indiana payroll employment, thousands, Q3 2024 - Q3 2025



Health care and social services remain a leading source of jobs in Indiana and across the country.

Manufacturing payrolls have steadied, while Federal job cuts continue to arise.

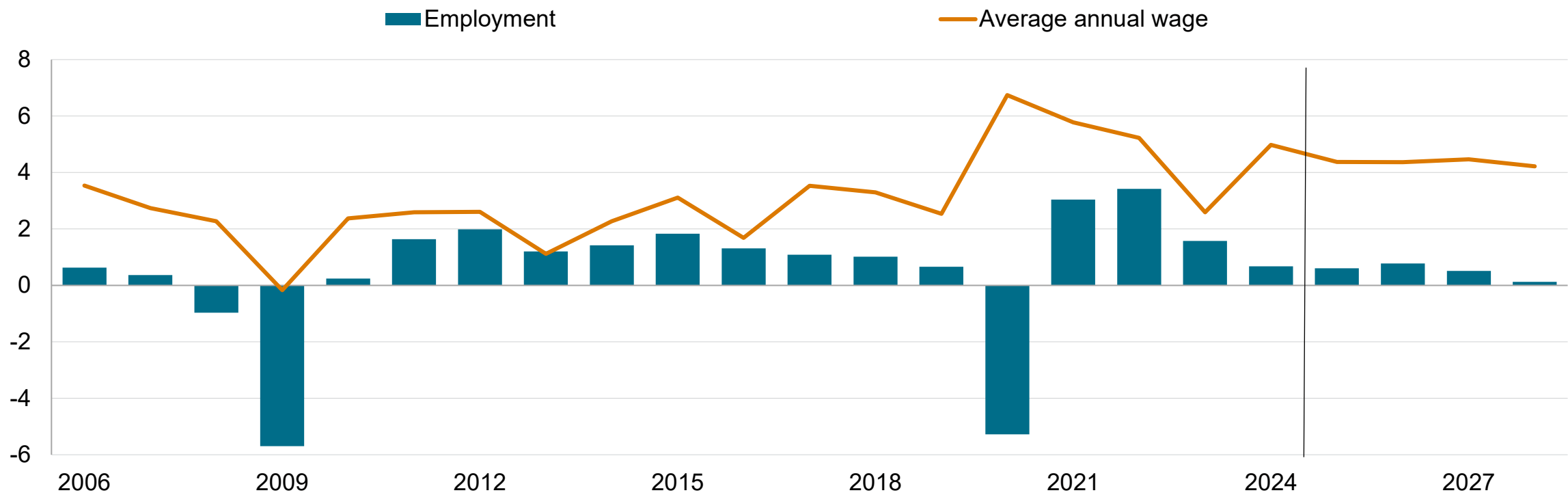
Professional, scientific, and technical services employment has weakened in some areas.

Data compiled December 2025.
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Indiana to continue gaining jobs over the next couple of years while wage growth remains in mid-4% range

Indiana annual employment and wage growth

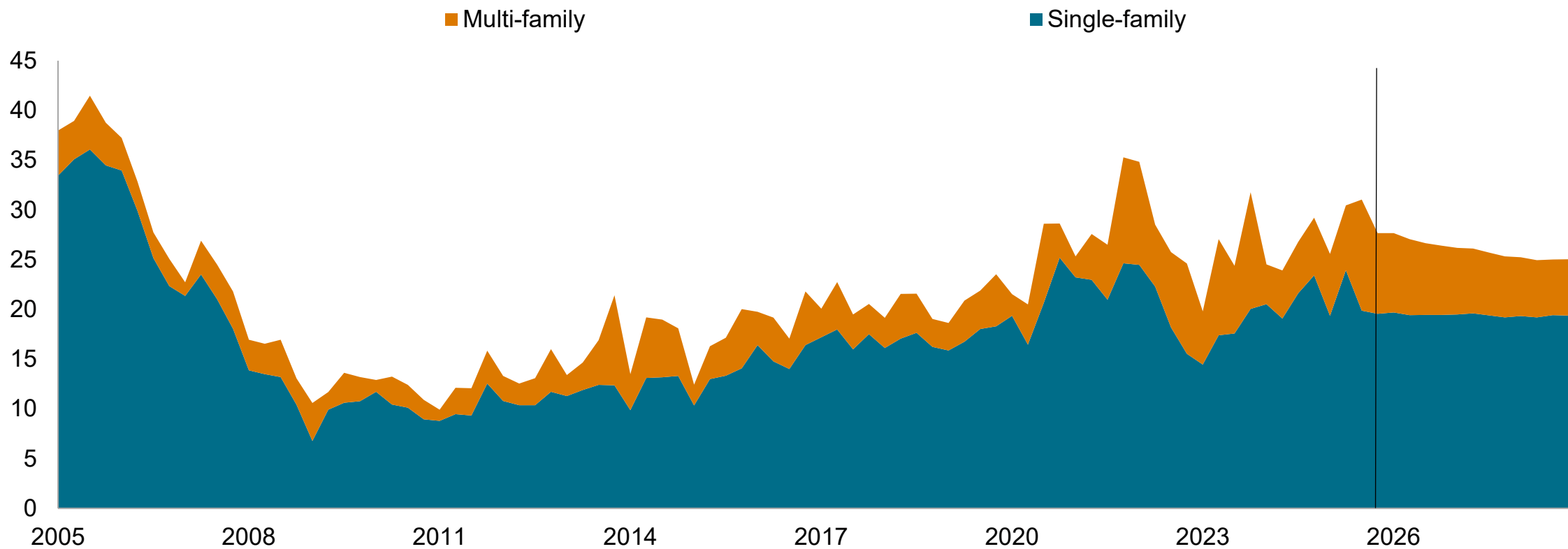
Percent change



Data compiled December 2025.
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Indiana housing starts decreasing moderately in the face of ongoing elevated mortgage rates and construction costs

Indiana housing starts, thousands



Data compiled December 2025.
Source: S&P Global Market Intelligence.
© 2025 S&P Global.

Key economic indicators for Indiana

Percent change, unless otherwise noted

	2024	2025	2026	2027	2028
Payroll employment	0.7	0.6	0.8	0.5	0.1
Unemployment rate (%)	4.2	3.8	3.9	4.0	4.1
Wage income	5.7	5.0	5.2	5.0	4.3
Personal income	5.1	4.8	5.6	5.5	4.7
Real gross state product	2.9	2.5	2.5	2.0	1.7
Personal consumption exp.	5.4	4.5	5.1	4.1	4.3
Housing starts (thousands)	26.1	28.7	27.0	25.8	25.1

Data compiled December 2025.

Source: S&P Global Market Intelligence.

Evolution of short-term Indiana forecast

Percent change, calendar year basis

	U.S. Real GDP			Indiana employment			Indiana personal income		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Dec 2023	1.3	1.4	1.6	-0.5	-0.2	-0.1	4.5	4.2	4.1
Apr 2024	1.7	1.7	1.7	0.0	-0.2	-0.1	5.0	4.6	4.4
Dec 2024	1.9	1.8	1.7	1.1	0.0	-0.1	5.2	5.5	4.8
Apr 2025	1.3	1.5	1.5	0.2	0.4	0.1	4.0	4.9	4.7
Dec 2025	2.0	2.2	1.8	0.6	0.8	0.5	4.8	5.6	5.5

Data compiled December 2025.

Source: S&P Global Market Intelligence..

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON “AS IS” BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not endorse companies, technologies, products, services, or solutions.

S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its websites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.