

Employment, hours, and earnings in manufacturing will likely continue to fall in 1999. A decline in manufacturing employment of around 600–1,000 jobs is a big possibility; it also seems likely that weekly hours will at best remain constant. This implies a decline in local income generated in manufacturing of around 2% in 1999.

Primary metals. In the case of the steel industry, imports have surged. For the first eight months of 1998, imports totaled 26.7 million net tons of steel, up 24% from the first eight months of 1997. Imports from Asia in particular rose dramatically; Japan, Korea, and Indonesia accounted for nearly 25%, up from 13% in 1997. We have already observed the consequences for employment in steel. Hours and hourly earnings also both fell, with weekly earnings dropping by 5.5% since October 1997.

Continued declines in employment seem likely in primary metals in 1999. It would not be surprising if employment were to drop by around 600 jobs, even in the absence of continued turmoil in world markets for steel. Weekly hours will likely fall modestly as well, leading to income losses in metals of 3% or more.

Chemicals and petroleum products. Total employment in chemicals and petroleum products has held steady at 4,400 since October 1996. However, weekly hours have declined, particularly in chemicals. As a consequence, weekly earnings have fallen by about 3%. Assuming exports of chemicals and petroleum products are not adversely affected by world economic conditions, employment will probably hold its own. However, declines in weekly hours may continue leading to modest drops in income generated in these industries in 1999.

Service-Producing Industries

The service sector has fueled Northwest Indiana's employment growth over the past four years, but that stimulus appears to have run its course. Following extremely strong growth between October 1997 and October 1998 (a gain of 4,200 jobs, with 3,500 of those in business and personal services), service employment rose by only 1,300 over the past year, and by only 400 in business and personal services.

Clearly, the rapid increases in service employment—nearly 20% over 4.5 years—are a result of the opening of the lake-based casino operations. This development will not be repeated in the near future, so the service sector probably will not provide the kind of stimulus in the future that it has over the past several years. Employment growth such as that seen over the past year seems most likely, with perhaps 1,000 new jobs to be generated. These jobs should be relatively widely distributed across the service sector (trade, finance, business, and personal services), rather than concentrated in one area.

Conclusions

The year 1999 is shaping up, at best, as one of slow growth for Northwest Indiana. If the international situation remains unsettled, or if further declines occur in Asia (either in levels of output or in the value of currencies), the region may experience decline rather than stability or modest growth. Given its continued specialization in manufacturing, its economy remains more cyclically sensitive than the state or the nation. With the prospect of continued weakness in the world economy and a potentially slower-growing national economy, a recession is more of a possibility for Northwest Indiana, even if it is not yet highly likely.

South Bend/Mishawaka–Elkhart/Goshen

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This review and outlook for the economies of the South Bend/Mishawaka and Elkhart/Goshen communities includes analysis of the latest available economic indicators for the area, tracked by IUSB's Bureau of Business and Economic Research (BBER).

Table 1 reports several indicators of local economic activity. These figures, with the exception of unemployment rates and real estate data, are seasonally adjusted index numbers, expressed as a percentage of base year 1986 values. The latest month for which all indicators were available at the time of writing was June 1998. Note that the table includes comparable figures for May 1998 and June 1997, along with percentage changes to indicate possible trends.

South Bend/Mishawaka

The labor market in St. Joseph County has grown and tightened in 1998. Average monthly employment has increased almost 1.5% over 1997, with nonmanufacturing jobs growing slightly faster than manufacturing jobs. Whereas monthly unemployment rates have dipped to an average of 3%, help wanted advertising continues to rise. So far in 1998, South Bend and Mishawaka enjoy full employment, and more employers are seeking additional workers.

Among our other seasonally adjusted indicators, the largest changes thus far in 1998 have been the 25% declines in monthly commercial and industrial gas sales. Monthly registrations of new cars and trucks showed only minor changes from 1997 levels, although the data do not yet reflect the GM strike. The worrisome rise of nonbusiness bankruptcies continues, with the average monthly level now exceeding 340% of the base year level. Such weakness in consumer finances may figure prominently in the next recession. Housing construction slowed in 1998, with the monthly number of permits falling even as the average value per permit rose. All unadjusted indicators of the residential real estate market have higher monthly averages so far, with the number of listings and the average market price up about 5% over 1997.

Elkhart/Goshen

Elkhart County's labor market shows strong growth so far in 1998, with average monthly employment ahead of 1997 by more than 3%. Monthly unemployment rates have averaged just 2.7%. Monthly levels of help wanted advertising have climbed 5% above 1997 levels. As in St. Joseph County, the labor market has grown stronger and tighter.

In the first half of 1998, monthly registrations of new vehicles showed very little change compared to 1997. Unadjusted residential real estate data thus far in 1998 posted higher average levels than the year before. As in neighboring St. Joseph County, average market prices were up about 5%. The number of listings climbed almost 15% and the average days listed rose more than 20% higher than 1997 levels.

Table 1
South Bend Area Economic Indicators

	SOUTH BEND/MISHAWAKA					ELKHART/GOSHEN				
	June 98	May 98	June 97	% Change from June 97 May 98		June 98	May 98	June 97	% Change from June 97 May 98	
EMPLOYMENT INDICATORS										
Nonagricultural Employment ¹	128.5	127.9	127.0	0.5%	1.2%	124.3	128.9	128.1	-2.9%	-3.5%
Manufacturing Employment	95.4	95.0	92.9	0.4%	2.7%	120.1	119.8	119.5	0.5%	0.3%
Nonmanufacturing Employment	138.0	138.0	136.8	0.0%	0.8%	136.9	136.1	138.0	-0.8%	0.6%
Unemployment Rate	2.9%	2.8%	3.1%	—	—	2.2%	2.7%	2.9%	—	—
Help Wanted Advertising Index ²	105.7	106.7	95.4	-1.0%	10.7%	111.6	93.7	101.2	10.3%	19.1%
UTILITIES³										
Industrial Electricity Sales	108.2	107.4	104.4	0.7%	3.6%	113.3	113.9	113.3	0.0%	-0.5%
Commercial Gas Sales	148.3	109.3	145.7	35.7%	1.8%	n/a	n/a	n/a	n/a	n/a
Industrial Gas Sales	86.1	68.8	57.6	25.1%	49.5%	n/a	n/a	n/a	n/a	n/a
CAR & TRUCK REGISTRATION¹										
New Passenger Cars	51.2	56.8	53.3	-9.8%	-3.9%	49.4	53.3	53.3	-7.2%	-7.2%
New Trucks	127.3	108.6	103.3	17.2%	23.2%	122.4	135.9	116.4	5.2%	-9.9%
BANKRUPTCIES—SOUTH BEND DIVISION⁴										
Business	30.3	15.6	15.1	94.0%	100.4%	<i>(Included in South Bend Division)</i>				
Nonbusiness	337.6	332.4	297.4	1.6%	13.5%					
HOUSING CONSTRUCTION DATA⁵										
Estimated Value of Permits	168.8	165.1	169.6	2.2%	-0.5%					
Number of Permits Issued	114.2	102.5	112.6	11.4%	1.4%	<i>(Not available)</i>				
Average Value per Permit	155.9	162.3	158.9	-3.9%	-1.9%					
RESIDENTIAL REAL ESTATE DATA										
Number of Active Listings	1,498	1,336	1,328	12.1%	12.8%	1,461	1,480	1,238	18.0%	-1.3%
Average Days Listed	104	108	68	-3.7%	52.9%	102	96	83	22.9%	6.3%
Average Market Price	\$101,405	\$95,630	\$87,942	6.0%	15.3%	\$99,654	\$98,891	\$91,577	8.8%	0.8%
% of Sale to List Price	96.0	95.0	95.0	—	—	96.0	96.0	96.0	—	—

NOTE: All figures except Unemployment Rate and Residential Real Estate Data are seasonally adjusted index numbers with base year 1986 = 100.

¹St. Joseph and Elkhart Counties.

²South Bend Tribune and Elkhart Truth.

³Electricity Sales are cities of South Bend and Elkhart. Gas Sales are St. Joseph and Elkhart Counties.

⁴South Bend Division comprises Cass, Elkhart, Fulton, Kosciusko, La Porte, Marshall, Miami, Pulaski, St. Joseph, Starke, and Wabash Counties.

⁵St. Joseph County, excluding cities of South Bend, Mishawaka, Osceola, Walkerton, and New Carlisle. Elkhart County, excluding cities of Elkhart, Goshen, Nappanee, and Millersburg.

Outlook

The Michiana economy has benefitted from the long expansion in the national economy. Durable goods—auto parts, recreational vehicles, manufactured housing, boats, and so on—are an important part of regional output. High levels of consumer confidence, low national unemployment rates, and low interest rates during the past year have spurred the sales of durable goods, keeping local labor markets tight and leading to reasonable economic growth. International developments threaten to slow the growth in national GDP by reducing U.S. exports and increasing U.S. imports, as well as by reducing the sales and profits of U.S. corporations. This slowdown in the national economy, together with the recent drop in consumer confidence, will likely affect the demand for durable goods and the Michiana economy, especially in the next two quarters. The Elkhart-Goshen area, which has the highest percentage of manufacturing employment of any MSA in the U.S., will probably feel the effects of the drop in durable goods sales quicker and stronger than the South Bend-Mishawaka area. We expect to see rising unemployment rates, although still low by historical standards, and much slower growth in employment.

Louisville–Jeffersonville–New Albany

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This has been a year of considerable growth for the Louisville metropolitan area economy. Our seven counties (Clark, Floyd, Harrison, and Scott counties in Indiana, and Jefferson, Oldham, and Bullitt counties in Kentucky) generally out-performed the state of Indiana, though not all sectors of our economy were equally robust.

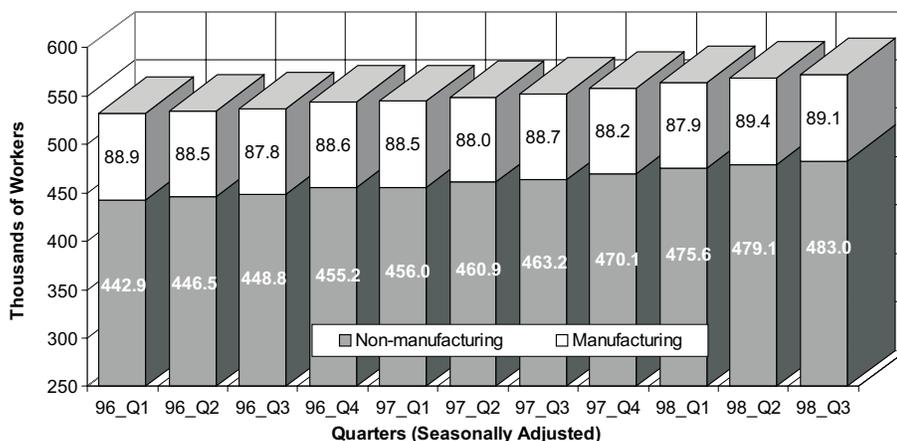
Total nonfarm employment grew at a surprisingly strong rate, adding about 17,000 filled jobs between third quarter 1997 and third quarter 1998 (see **Figure 1**). Revised employment data for the previous two years revealed that nearly the same number of jobs were added in the 12 months ending with September 1997, so we have had two years of very substantial job growth—well above the growth rate of the middle of the decade.

The magnitude of the employment growth attests to the vigor of the regional economy. It is surprising only because of the tightness of the local labor market. Local unemployment rates, which were already historically very low, declined about a percentage point from year-ago levels. The preliminary September unemployment rate reported for residents of the four metropolitan area Indiana counties was 2.3%. For residents of the three Kentucky counties, the rate was 3.0%. These rates are not seasonally adjusted, and they compare with 2.8% for Indiana and 4.4% for the nation as a whole.

Although some of the employment growth can obviously be explained by the lower unemployment rate, that does not account for the entire increase. The labor force itself has grown, partly from new residents and perhaps partly from new participants among the existing population. In addition, there has probably been some increase in commuting from outlying counties, as well as more residents holding multiple jobs. The upcoming decennial census should help reveal the relative importance of these various factors.

Virtually all the net job growth was concentrated in the nonmanufacturing sectors, which now provide about 84% of the nonagricultural jobs located in the area. The sector with the largest increase by far was services, which added about 7,000 jobs. As has been the case in recent years, business and health services led this jump. Trade employment rose by about 4,000 jobs, nearly all in the retail sector. Construction added

Figure 1
Employment in the Louisville Metropolitan Area



The Louisville area comprises Clark, Floyd, Harrison, and Scott counties in Indiana, and Jefferson, Bullitt, and Oldham counties in Kentucky. Data source: Kentucky Cabinet for Human Resources.