

Table 2
Building Permits Issued in the RCNC Area

2001 (Jan to Sep)	Total Permits	Estimated Cost
RCNC Area Total	2,612	\$95,295,530
Richmond	1,488	\$41,579,404
January	102	\$1,063,905
February	93	\$1,120,339
March	124	\$8,939,262
April	171	\$1,918,024
May	156	\$16,488,269
June	186	\$3,670,868
July	165	\$1,470,480
August	351	\$5,385,044
September	140	\$1,523,213
Connersville	221	\$20,012,549
New Castle	903	\$33,703,577

Table 3
RCNC Area Mortgage Rates (as of October 28th, 2001)

	15-year		30-year		1-year ARM	
	This Week	Last Week	This Week	Last Week	This Week	Last Week
Advantage Home Mortgage	6.25	6.25	6.625	6.625	6.25	N/A
Capitol Mortgage	6.0	6.125	6.5	6.5	7.0	7.125
Edward Jones	6.25	6.125	6.875	6.75	5.875	5.875
Firststar Home Mortgage	6.25	6.25	6.875	6.875	5.875	5.875
First Liberty Mortgage	6.125	6.25	6.625	6.75	5.875	5.75
Galaxy Mortgage	6.125	6.125	6.625	6.625	6.0	6.0
Harrington Bank	6.25	6.5	7.0	6.875	5.75	5.75
Kenrick Financial	N/A	N/A	N/A	N/A	N/A	N/A
Merrill Lynch	6.324	6.324	6.796	6.796	N/A	N/A
Old National Bank	6.25	6.125	9.875	6.75	5.75	5.75
Peoples Trust	6.375	6.125	7.0	6.75	5.375	5.375
Premier Mortgage	6.25	6.25	6.75	6.75	6.375	6.5
Union County National Bank	6.375	6.375	6.875	6.875	6.625	6.625
Wayne Bank & Trust	6.125	6.25	6.75	6.875	4.375	4.375

In addition, the Center for Economic Education survey finds 26 percent of firms in the RCNC area have hired new employees in 2001; that 95 percent are adversely affected by current economic conditions; 36 percent plan to expand in 2002; 82 percent have good labor-management relations; and 85 percent have continuing education programs for their employees. An overwhelming majority of the firms rate RCNC favorably for doing business, but have reservations on workforce development, health care costs, and market uncertainty.

Despite the mixed economic picture, the prospects for economic growth at both the national and local levels in 2002 are good. Fed easing, low inflation, lower energy prices, and slower wage growth, along with fiscal stimulus, could all conspire to give the economy a much needed boost in 2002, barring adverse external shocks. Consequently, RCNC is expected to have an increase in employment, income and growth.

South Bend/Mishawaka Elkhart/Goshen

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In the early 1950s, both the South Bend-Mishawaka and Elkhart-Goshen local economies featured very strong manufacturing sectors. More than half of all employment in both economies was in manufacturing. In the 1960s and 1970s, employment in the South Bend-Mishawaka local economy, like most local economies in the U.S., shifted from manufacturing to non-manufacturing. By 2000, manufacturing employment made up only 16 percent of total employment. In contrast, manufacturing employment in the Elkhart-Goshen economy, led by the recreational vehicle and manufactured housing industries, continued to grow as fast as non-manufacturing employment. In 2000, manufacturing employment made up 51 percent of total employment, the highest percentage of any MSA in the U.S. **Table 1** shows average unemployment rates and uses seasonally-adjusted index numbers to show average levels of employment for the years 1994 through the first half of 2001. Data in Table 1 indicate that the trends mentioned above were continuing until the current year, with manufacturing employment in South Bend growing 1.6 percent from 1994 through 2000, and manufacturing employment in Elkhart growing 11.4 percent during the same period. Recently, manufacturing employment has declined in both local economies.

The South Bend-Mishawaka economy has performed well since 1994. Total employment grew rapidly from 1994 to 1995, leveled off in 1996, and grew again, at a slower rate, from 1997 through the first half of 2001. Employment grew 9 percent during this period. Non-manufacturing employment increased consistently during this period, but manufacturing was up and down depending upon the national economy and specific situations facing local firms. The current downturn in manufacturing at the national level is reflected locally by a nearly 5 percent drop in manufacturing employment. Unemployment rates dropped from an average of 4.4 percent in 1994 to 3.3 percent in 1997, and have remained at very low levels

Table 1
Employment and Unemployment Rates for Selected Years

	1994	1995	1996	1997	1998	1999	2000	2001*
South Bend-Mishawaka								
Total Non-agricultural	119.5	124.1	124.1	126.0	128.6	129.5	129.2	130.3
Manufacturing	93.4	97.5	92.9	93.1	94.5	92.9	94.9	90.1
Non-manufacturing	127.1	132.1	133.3	135.7	138.5	140.3	139.0	141.6
Unemployment Rate	4.4%	4.3%	4.0%	3.3%	2.7%	2.9%	3.2%	3.5%
Elkhart-Goshen								
Total Non-agricultural	125.1	129.2	127.4	128.0	132.7	136.6	140.0	138.7
Manufacturing	120.2	122.0	119.3	119.1	124.1	129.6	133.9	128.7
Non-manufacturing	130.7	136.9	136.7	138.5	142.7	145.0	148.2	150.3
Unemployment Rate	3.8%	4.5%	3.8%	3.3%	2.6%	2.1%	2.7%	3.9%

**2001 figures cover the first six months of the year.
All employment figures are seasonally adjusted index numbers with 1986=100.
The underlying employment data are derived from a monthly survey of employing establishments and are published by the Indiana Department of Workforce Development.*

until this year. The local labor market has been very tight since 1997, but the most recent monthly rates show an increase to the levels last seen in 1994 and 1995.

The Elkhart-Goshen economy has also performed well since 1994. Total employment grew rapidly in every year since 1994, except for a slight decline in 1996 and slow growth in 1997. From 1994 through 2000 employment grew 12 percent. Total employment declined in the first half of 2001, as the decline in manufacturing jobs more than offset the growth in non-manufacturing jobs. Non-manufacturing employment increased in every year, except for a slight decline in 1996. Manufacturing employment increased in every year except for a slight decline from 1996 to 1997, and a much larger decline of approximately 4 percent in the first half of 2001. Unemployment rates dropped from 3.8 percent in 1994 to 2.6 percent in 1998, remaining at very low levels until increasing to 3.9 percent for the first half of 2001. The most recent monthly rates are even higher, as the local economy is impacted by the slowdown in manufacturing.

Data from Table 1 for the first six months of 2001 together with recently released data for September 2001 suggest both local economies are slowing down. In South Bend, average manufacturing employment is down 5 percent for the first six months of 2001 versus 2000, and September 2001 total employment is down slightly compared to September 2000. The

average unemployment rate is up from 3.2 percent in 2000 to 3.5 percent for the first six months of 2001, and the September 2001 unemployment rate is at 4.2 percent. Employment levels in the South Bend economy are declining slightly, and unemployment rates are rising, but are still low by historical standards.

In Elkhart, average employment is down for the first six months of 2001 versus all of 2000, and the average unemployment rate is up from 2.7 percent to 3.9 percent. Manufacturing employment and total employment are down significantly from September 2000 to September 2001. Unemployment rate data for September 2001 show a significant increase to 4.6 percent. Data on recreational vehicle production nationally and in Indiana show significant declines in production for the first nine months of 2001 compared to the first nine months of 2000. Total production is down 16 percent for the year through September. Manufactured housing production has also declined significantly at the national level and in Indiana. The Elkhart economy has slowed significantly.

Outlook

Accurately forecasting economic conditions for local economies is very difficult for two reasons. First, we have much less economic information available for local economies than for larger economies, and the data we do have tend to be less accurate. Second, special situations affecting individual firms, which would have little impact on a regional or national forecast, can have a major impact on a local economy. The uncertainty surrounding these special situations creates uncertainty about the forecast. At the present time, we have several special situations that have the potential to affect our local economies over the next couple of years. General Motors is building a production facility in St. Joseph County to produce Hummers. Approximately 1,500 workers will be hired at wages well above the local average for production workers. Since almost all of the sales will be outside our area, and since it is likely additional new jobs will be created to supply this plant, the multiplier effect will be substantial. This development will have a very substantial impact on local employment and local income.

Crowe Chizek and Company, one of our largest local employers, has announced an expansion in South Bend. The company plans to hire a significant number of new employees in this area over the next three to five years. Since this is the company's

national headquarters, much of the income supporting these new positions will come from outside our area. Many of these jobs will be high paying with excellent fringe benefits. While the multiplier effect will be smaller than the General Motors one, it will still be substantial. Local employment and income will increase from Crowe Chizek's expansion, although most of the impact will occur beyond our forecast period.

Honeywell International, Inc., one of our largest employers, is a subcontractor for the new joint strike fighter plane from Lockheed Martin Corp., which recently won a major defense contract. This new contract should help solidify Honeywell's local employment. These jobs, like the ones mentioned above, are export-oriented and high paying, so the multiplier effect will be large if the expansions take place. The combined effect of these special situations is clearly positive for our local economy. It will take time for these developments to affect our local economies, so most of the effects will be felt in 2002 and later years.

Like most local economies, the South Bend-Mishawaka and Elkhart-Goshen economies are greatly influenced by the national economy. The durable goods component of the national economy, and especially the automobile, manufactured housing, recreational vehicle, and steel industries has a big impact on our local economies. Since the Elkhart economy has very substantial manufacturing employment it tends to be affected quickly and significantly by movements in the national economy. Recent national data show declines in durable goods spending in general and in the sales of autos, recreational vehicles and manufactured housing. These economic trends have caused a decline in manufacturing employment in the South Bend economy and a small decline in total employment. In Elkhart, the declines in both manufacturing employment and total employment are much larger—nearly 3,000 jobs. If the national economy begins to recover in the spring of 2002, then we should see improvement in both local economies. Until then, we expect both local economies to remain weak. Unemployment rates in both local economies will be well above the averages for the last couple of years, averaging in the 4 to 5 percent range.

Terre Haute

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Terre Haute was one of the first Indiana metropolitan areas to feel the effects of the 2001-2002 recession. The level of payroll employment in Terre Haute declined steadily beginning in early 2001. The recession is likely to be more severe in the Terre Haute area than in most other parts of the state.

To see why, look first at the area's population growth. The Terre Haute metropolitan area, which includes Vigo, Clay and Vermillion counties, managed almost no population growth in the ten years between the 1990 census and the 2000 census. The latest census found 149,192 people in the metro area, up just 1 percent over 1990.

Then note the downward trend in the number of jobs in the area (see **Figure 1**). From its most recent peak in November 2000, the metro area lost 2,600 jobs by the end of September. In fact, employment in Terre Haute and surrounding counties at the end of the third quarter of 2001 was 5 percent less than it was in 1995.

As you might expect, these two factors combine to produce unemployment. In the third quarter of 2001, the Terre Haute metro area averaged a 4.7 percent unemployment rate, second highest after Kokomo among all Indiana metro areas. The statewide average for the quarter was 4 percent.

Consequently, though the recession nationwide in 2002 is predicted to be a mild one, it is likely that the Terre Haute metro area will experience more than the average level of pain. We can expect unemployment rates near 7 percent by the middle of 2002. And since most IU economists believe the nationwide recovery from the recession will be slow, unemployment rates will stay high in Terre Haute throughout next year.

A mild winter should help the region. Good weather will allow more construction work to be done and will reduce upward pressure on energy prices. Lower energy prices, on balance, are good for Terre Haute. Located relatively far from other population centers, Terre Haute derives economic benefits from