

Richmond

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decrease from the same period in 2004 (see **Table 3**). Tax payments totaled over \$18.9 million for the January–September 2005 period, a 4 percent increase over the same period in 2004.

In 2005, the available labor market data for Louisville and southern Indiana is fairly positive. While unemployment rates have increased and remain quite volatile, labor force participation has increased, suggesting that people are optimistic about finding jobs. Average employment increased by 6,600 jobs in the metro area, which includes an increase of over 1,000 jobs in the southern Indiana counties of the metro area. Consumer activity has dampened a bit. Retail spending in the Louisville metro continues to increase but at a slower rate and housing sales have increased relative to the previous year. The number of single-family residential building permits actually decreased in all counties except Clark and Washington, suggesting that the housing market is cooling. Cautious optimism is in order. Over the coming year, employment in the health care and transportation sectors are expected to remain strong. The dark cloud on the horizon is manufacturing employment, which continues to decrease. With the closing of the Colgate plant by January 2008, manufacturing will undoubtedly continue its decline. Retail spending will likely grow but at a slower rate, while activity in the housing market will continue to slow. ■

Notes

1. In 2003, the Office of Management and Budget redefined the counties in the Louisville metropolitan area. They are Clark, Floyd, Harrison, and Washington counties in southern Indiana and Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer, and Trimble counties in Kentucky.
2. Data on home sales from the Southern Indiana Realtors Association Multiple Listing Service, which covers Clark, Crawford, Floyd, Harrison, Jefferson, Scott, and Washington counties.

There is mixed news coming from the Richmond–Connersville–New Castle (RCNC) area economy. The manufacturing sector, especially in Richmond, suffered a few plant closings in 2004 and 2005. A significant number of good-paying jobs were lost. Firms producing durable goods such as automobile parts, wire, and machine tools, are affected in varying degrees by current economic conditions. International competition from low-wage and low-cost producing nations, along with soaring commodity and energy prices, is affecting the bottom line of local firms.

Against this background, there is a silver lining. A few firms, such as Johns Manville, Osborn International, Berry Plastics, Contract Industrial Tooling, and JMC Restaurant Distribution, plan to expand in 2006. This internal expansion, plus the location of new firms (including both the strip mall adjacent to Hayes Arboretum by private investors and business prospects by the Economic Development Corporation of Wayne County) will brighten the employment picture. Taconic Farms and Kelsie's Food and Dairy, for instance, will add 250 new jobs, followed by the strip mall with another 200 jobs. Between January and August 2005, there was a net job gain of 268.

Employment

The August 2005 figures, released by the Indiana Department of

Workforce Development, showed that the unemployment rates in Wayne, Fayette, and Henry counties were 7.0 percent, 8.1 percent, and 6.2 percent, respectively. These rates were higher than both the state rate of 5.2 percent and the national rate of 4.9 percent (see **Figure 1**). In terms of county rankings, they were second (Fayette), seventh (Wayne), and twenty-first (Henry). With the exception of Henry county, the unemployment rates inched upward from August 2004. In short, total employment was 63,120

from a labor force of 67,780, giving an employment-to-labor-force ratio of 93.1 percent while the employment-to-population ratio of 45.3 percent remained unchanged. The employment-to-labor-force ratio is expected to

improve with increased economic activity.

Income

Slow job and productivity growth translates into slow income growth. Personal income is the income received by all persons from all sources or the total income for all households. It also reflects the quality of life in a community. The per capita personal income (PCPI) in 2003 for Wayne, Fayette, and Henry counties was \$25,316, \$27,172, and \$27,428, respectively. Indiana's 2003 PCPI was \$28,838, while the nation's was \$31,472. Analogously, the poverty rate in the tri-county area was 11.7 percent (Wayne), 10.4 percent (Fayette), and 9.5 percent (Henry).

The service sector continues to lead the local economy on the employment

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South Bend and Elkhart-Goshen

front. Growth in health care and education services, professional and business services, and personal services adds jobs and helps offset job losses in other sectors of the economy. It is important to note that Reid Hospital and Health Care Services, apart from its \$250 million complex on Chester Boulevard, is Wayne County's largest employer with 1,517 employees, followed by Richmond Community Schools with 853 employees.

Housing

The housing sector is doing reasonably well after a slowdown in the first half of the year. There is an uptick in home sales partly due to the influx of professional and management people in RCNC. There is also upscale movement among existing homeowners. Interest rates are still relatively attractive. Local financial institutions reported on October 31, 2005, rates of 5.95 percent for fifteen-year mortgages, 6.32 percent for thirty-year mortgages, and 5.35 percent for one-year adjustable mortgages. Long-term rates on conventional mortgages are slightly lower than they were when the Fed began tightening policy in June 2004.

The City of Richmond issued 1,083 building permits with an investment value of \$17.2 million between January and September 2005. The local median price of a home is \$93,000, well below the national median of \$204,600. Home price increases are expected to slow with the market cycle, and if the Fed continues tightening policy, it will affect mortgage origination and equity extraction which, in turn, will affect personal consumption expenditures and gross local product.

Related to housing is banking. Banking activity is picking up. It is much better than a year ago. Profit margins are somewhat compressed because of low interest rates. There is also disintermediation of funds to brokerage houses. Disintermediation follows as depositors take their funds out of intermediaries and invest in open market instruments such as Treasury bills, commercial paper, and corporate bonds.

Barring external shocks to the U.S. economy, the RCNC economy is expected to perform better in 2006. There is, however, some degree of skepticism regarding consumer confidence and the future course of the national economy. ■

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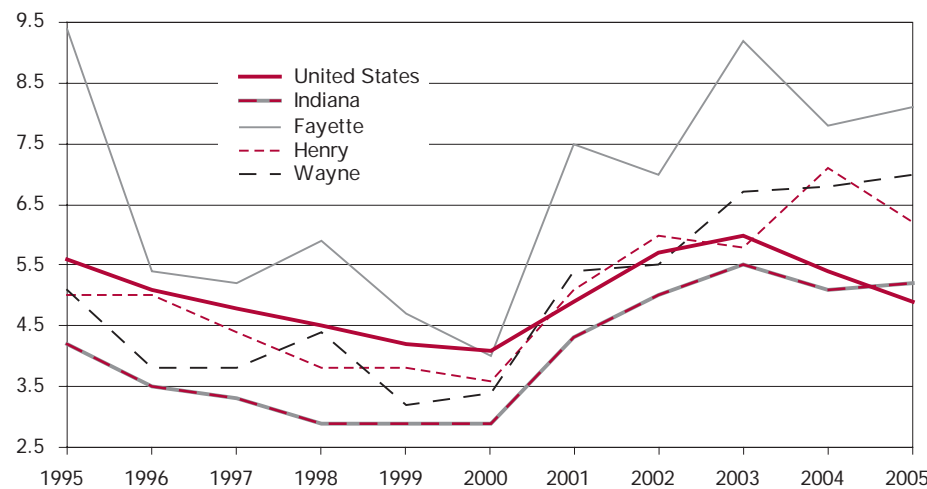
The Michiana region's economy sent mixed signals in 2005, but the outlook for 2006 is encouraging. This analysis examines the major metropolitan areas in the Michiana region, South Bend and Elkhart-Goshen, to provide an overview of the region's economic conditions and an indication of its future.

Employment

Table 1 reports monthly employment data for the region's metropolitan areas. From January 2004 to August 2005, total nonfarm employment (measured by a seasonally adjusted index with 1986 as the base year) has decreased slightly. Total employment fell 1.5 percent in South Bend and 0.7 percent in Elkhart-Goshen. Unemployment rates across the region have remained below the national and state averages. The drop in unemployment rates in August 2005 indicates that labor demand has picked up again after a slight decline earlier in the year.

The overall employment decline was largely driven by a gradual drop in manufacturing employment through most of 2005. Manufacturing employment fell 2.5 percent in South Bend and 3.3 percent in Elkhart-Goshen from January 2005 to August 2005. While the recreational vehicle (RV) industry, which dominates Elkhart County employment, has experienced record growth in the past couple years, it faced declines in the first half of 2005, particularly for luxury motor homes. This was possibly caused by rising interest rates and escalating fuel prices. Rising fuel costs have dampened large-sized SUV sales nationwide, which likely impacted AM General's local production. The introduction of the

Figure 1
Unemployment Rate, 1995 to 2005



Source: STATS Indiana