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During 2006, the southern Indiana economy showed mixed signals. Job growth was up in Floyd and Clark counties, but down in the rural counties (see **Figure 1**). Manufacturing job losses continued in six southern Indiana counties, but we observed gains in Floyd and Clark. While southern Indiana unemployment rates remained above Indiana and U.S. averages, overall employment and labor force estimates were up compared to September 2005. Recent expansion announcements by local companies should contribute to further gains in the number of jobs. However, a decline in construction investment as a result of the drop in housing permits may contribute to a loss of construction jobs and also dampen retail sector growth and jobs. Signals are mixed, and therefore the outlook for southern Indiana is guarded.

Labor Markets

The Unemployment Picture: Unemployment rates showed a slight increase in the four southern Indiana metro counties when comparing third quarter 2005 to third quarter 2006. A similar pattern was also observed in the non–metro counties.

On a positive note, labor force participation and the number of employed persons are up across all four southern Indiana metro counties and the four nonmetro counties. Despite the gains in employment, southern Indiana rates continue to hover above state and national averages. The unemployment picture showed an improvement in September 2006, thus signaling a positive trend (see **Figure 2**).

> *“Labor force participation and the number of employed persons are up across all four southern Indiana metro counties and the four nonmetro counties.”*

Industry Sectors: Of the approximately 1,643 jobs added in the southern Indiana metro counties, from first quarter 2005 to first quarter 2006, Clark County alone was responsible for a net gain exceeding 1,440 jobs.

Job creation in Clark County was again fueled by the retail sector. Almost 700 of the approximate 800 new retail jobs in the four southern Indiana metro counties were added in Clark County, the bulk of these in sporting goods and building materials, with recent additions to the Veteran's Parkway commercial corridor.

Other employment gains in the southern Indiana metro include 144 new construction jobs, 174 in finance and insurance, 443 in administrative, support and waste management, 299 in accommodation and food services, and 113 in public administration. Health care added only 80 jobs, and education was flat. A discouraging number was the loss of 150 jobs in the transportation and warehousing sector.

A net loss in jobs again occurred in the manufacturing sector with the four southern Indiana metro counties losing a combined 549 manufacturing jobs (see **Table 1**). This overall loss occurred despite the fact that Floyd and Clark counties added 161 manufacturing jobs, primarily in plastics and metals sectors. And even though overall manufacturing in the four total counties continues its downward trend, the four-county

Figure 1
Louisville, KY-IN Metro Area

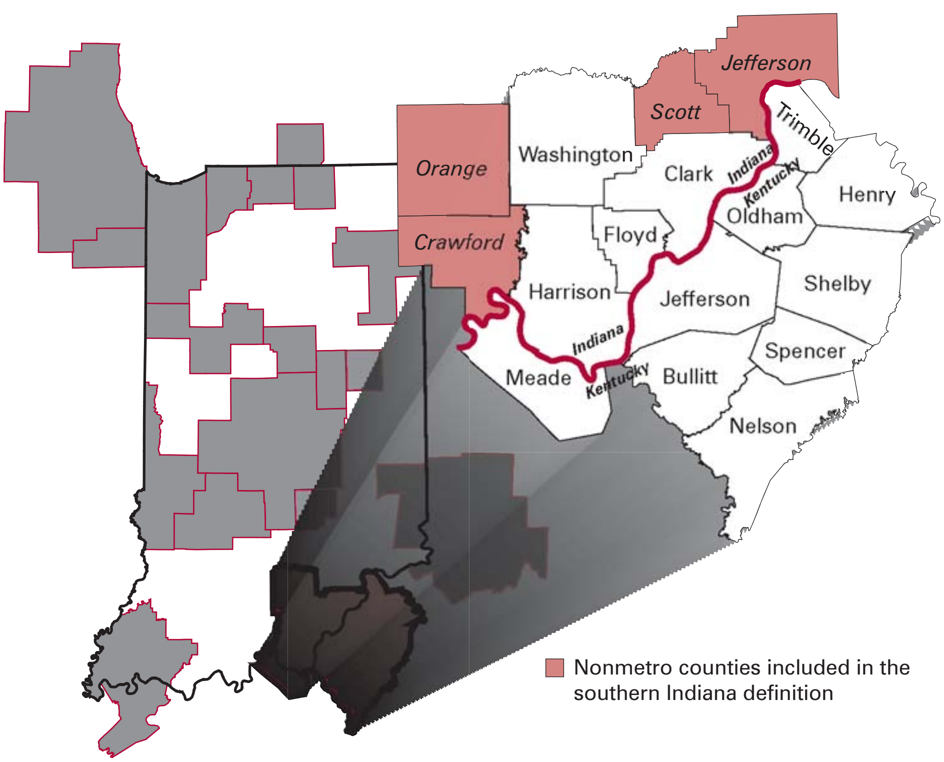
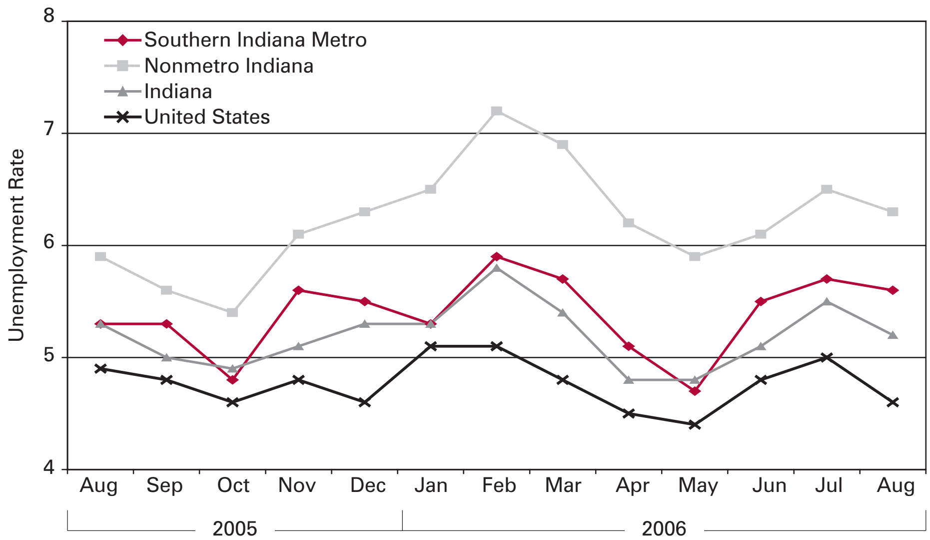


Figure 2
Monthly Unemployment Rates



Note: Data are not seasonally adjusted
Source: STATS Indiana

Table 1
Employment by Industry in Southern Indiana's Metro Counties

Industry	2005:1	2006:1	Change	Percent Change
Total	89,585	91,228	1,643	1.8%
Administrative, Support, and Waste Management	3,927	4,370	443	11.3%
Retail Trade	11,688	12,474	786	6.7%
Finance and Insurance	2,876	3,050	174	6.1%
Wholesale Trade	2,425	2,538	113	4.7%
Real Estate	906	947	41	4.5%
Accomodation and Food Services	7,298	7,597	299	4.1%
Construction	4,975	5,119	144	2.9%
Public Adminstration	4,422	4,535	113	2.6%
Professional, Scientific, and Technical Services	2,045	2,087	42	2.1%
Information	806	814	8	1.0%
Health Care	11,021	11,101	80	0.7%
Other Services	2,317	2,323	6	0.3%
Educational Services	7,122	7,123	1	0.0%
Transportation and Warehousing	5,812	5,653	-159	-2.7%
Manufacturing	18,042	17,493	-549	-3.0%
Utilities	492	474	-18	-3.7%

Source: STATS Indiana

Table 2
Job Growth by Suburban and Rural Counties

Geography	2001:1	2005:1	2006:1	One-Year Change	Five-Year Change
Floyd and Clark	71,956	71,950	73,918	1,968	1,953
Six Other Southern Indiana Counties[1]	47,080	46,420	46,018	-402	-1,062

1. Harrison, Washington, Crawford, Orange, Jefferson and Scott
Source: STATS Indiana

region did observe in increase in the wood products and metals sectors.

Floyd, Clark, Orange, and Jefferson counties observed an increase in the number of jobs from 2005 to 2006, while the four other southern Indiana counties (Washington, Harrison, Scott, and Crawford) experienced a loss of approximately 540 jobs, primarily the result of a decline in manufacturing jobs (see **Table 2**). Looking beyond a single year, since the first quarter of 2001, the six rural southern Indiana counties have lost approximately 1,000 jobs, with 800 of these job losses occurring in the manufacturing sector.

Bringing positive news to the southern Indiana labor picture, average weekly wages increased in southern Indiana counties. For southern Indiana metro counties, weekly wages saw an increase of about 9 percent between 2005:1 and 2006:1, from $556 to $606 per week. Nonmetro counties in southern Indiana saw an increase in the weekly wage from $528 to $569, for an increase of 7.8 percent.

Louisville Metro Employment: As a whole, the unemployment picture for the Louisville metro seems to be about the same as earlier in the year. The August unemployment rate of 5.6 percent equals the first quarter average for the metro and last year's August rate.

Preliminary estimates by the Bureau of Labor Statistics show that the Louisville metro added 4,300 jobs from September 2005 to September 2006 (see **Table 3**). The bulk of these jobs were in service-providing industries. Overall, job gains were softened by continued losses in the manufacturing sector. Over that same time period, Louisville lost approximately 2,400 manufacturing jobs, continuing a persistent trend. These job losses were offset by gains of 2,400 jobs in transportation and utilities and 1,800 jobs in professional and business services.

Consumer Activity

The retail sector continues to show job gains in southern Indiana, particularly the retail center of Clark County. However, preliminary retail sector data for Louisville metro point in the direction of a small decline for retail sector jobs in the four southern Indiana metro counties. While a decline in residential construction may cause a decline or only flat growth in retail sector jobs, continued expansion of the Veterans Highway corridor will potentially mitigate a decline in retail sector jobs. As Floyd and Clark County continue to emerge as a retail destination, retail activity in the nonmetro counties will be challenged.

Table 3
Employment in the Louisville Metro Area, September of Each Year

	2005	2006 (p)	Change
Total Nonfarm	612,200	616,500	4,300
Service Providing	497,900	503,600	5,700
Goods-Producing	114,300	112,900	-1,400
Selected Sectors			
Specialty Trade Contractors	23,400	23,200	-200
Manufacturing	7,800	75,600	-2,400
Wholesale Trade	29,600	29,900	300
Retail Trade	65,500	65,000	-500
Transportation and Utilities	37,800	40,200	2,400
Financial Activiities	4,000	40,200	200
Business and Professional Services	71,400	73,200	1,800
Education and Health Services	76,500	76,800	300
Leisure and Hospitality	59,700	60,000	300

p = preliminary
Source: Bureau of Labor Statistics

Table 4
Building Permits, January through September 2006

	2002	2003	2004	2005	2006
Single Family Permits, January–September Totals					
Clark	689	621	611	766	534
Floyd	254	331	268	264	246
Harrison	162	146	179	142	120
Washington	n/a	n/a	24	80	56
Jefferson–Oldham–Bullitt, KY	3,184	3,555	3,784	3,214	1,984
Multi-Family Permits, January–September Totals					
Clark	76	122	94	12	73
Floyd	10	8	23	4	33
Harrison	4	6	0	0	0
Washington	n/a	n/a	10	0	2
Jefferson–Oldham–Bullitt, KY	677	857	635	453	435

Sources: STATS Indiana and U.S. Census Bureau

Table 5
Caesar's Indiana, Admissions and Total Taxes, January through September

	2004	2005	Percent Change 2004–2005	2006	Percent Change 2005–2006
Admissions	910,754	896,319	-1.60%	871,386	-2.78%
Total Tax*	$18,197,891	$18,940,290	4.10%	$20,500,925	8.24%

*Total tax includes admissions taxes and wagering taxes
Source: Indiana Gaming Commission monthly reports

Housing Market: The housing market in southern Indiana and the Louisville metro area has cooled considerably since last year. September data for new housing permits show marked declines in all four southern Indiana metro counties (see **Table 4**). Single family permits were down 24 percent in the four southern Indiana metro counties and 38 percent for Kentucky's Bullitt, Jefferson, and Oldham counties. As of mid-October, median home prices were flat, and the average days on the market for existing home sales declined from 108 to 102.[1] The decline in housing construction will exert downward pressure on overall retail activity.

Caesars Indiana: Caesars Indiana observed another decline in turnstile counts. January to September totals were down two consecutive years (see **Table 5**). Plans for a change in theme and significant renovations should reverse this trend for 2007. We shall see next year the impact the new French Lick casino will have on Caesars admissions and employment in the Orange County region.

Notes

1. Data on home sales from the southern Indiana Realtors Association Multiple Listing Service covers Clark, Crawford, Floyd, Harrison, Jefferson, Scott, and Washington counties.

"Caesars Indiana observed another decline in turnstile counts. January to September totals were down two consecutive years."