

Richmond

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National and world trends continue to impact the economy in Wayne County, although actions taken in the past several years to encourage business growth appear to be paying off. Many developments in the past eighteen months are positively impacting the local economy.

In the retail sector, Richmond Village is providing valuable new expansion space in the commercial corridor along East Main Street. New businesses located there include Kohl's and Walgreens, while Frisch's Big Boy moved there from a location on the north side.

The development of the IU East, Ivy Tech, Purdue and Reid Hospital campuses is expected to have a major impact. The direct connection from the academic campus to the hospital campus will help strengthen the connection between the health care industry and academic institutions. IU East is placing renewed emphasis on biosciences and Ivy Tech is strengthening its health care programs, in addition to adding agriculture and agribusiness programs.

Redevelopment of the current Reid Hospital by its new owners will not only add jobs to the economy but may also help provide new business services that are currently not sufficiently available in the community, such as lab space for life science research.

Vitality in the community is indicated by the redevelopment of the former Carpenter Bus factory into the Rose City Business Park, as well as the attraction of Dot Foods, a major distributor of foods. Additionally, two more Japanese auto parts companies have opened here this year, Yukiya USA Gasket & Sealing Co. and TBK America.

The county's location within the hundred-mile area attractive

to suppliers for Honda's new plant at Greensburg should draw more auto parts manufacturers. Some local manufacturers are already supplying parts to automotive companies elsewhere in Indiana, including Toyota, Subaru, and Honda.

Indeed, the manufacturing sector has been strong this year, with expansions reported at many local plants including Autocar, Taconic Farms, Osborne International, Howa, Johns Manville, and Innatech.

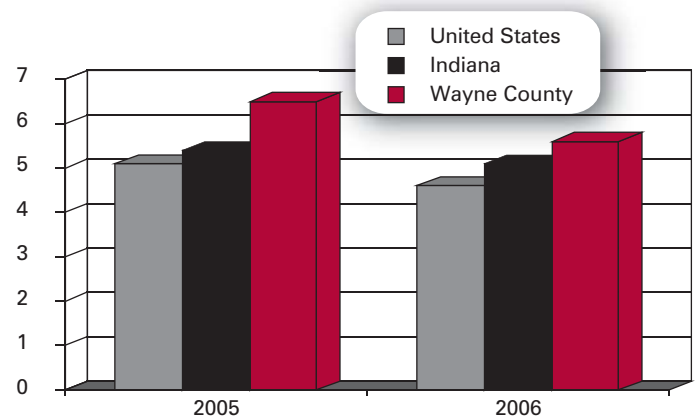
Housing and building has also proceeded at a fast pace. In the first nine months of 2006, the city of Richmond had thirty-three new one- or two-family residential starts valued at \$6.28 million and twenty-one new commercial starts valued at \$14.3 million.

Planning for Growth

Wayne County has, over the past decade, become known for its aggressive approach to seeking new jobs. Existing businesses have generally been expanding in the past year but several trends work against real economic progress.

While the number of local companies engaged in manufacturing is expected to grow, the number of manufacturing jobs may only stay even or perhaps shrink. Innovation has led to large increases in productivity per employee.¹ The Bureau of Economic Analysis (BEA) reports that from 1997 to 2005, Indiana employment in

Figure 1
Unemployment Rates, September of Each Year



Note: Data are seasonally adjusted
Source: STATS Indiana

manufacturing declined 15.1 percent (from 689,575 to 585,438),² while the gross state product (newly renamed by the BEA as the gross domestic product by state) in that sector grew 38.9 percent (from \$48.4 billion to \$67.2 billion) for the same period. Many local companies have reported similar results.

This is important because average pay in manufacturing is higher than for most other segments. For instance, the health care and social services industry pays an average weekly wage of \$614 and employs more people locally than any other segment besides manufacturing. Compare this to \$760 a week for manufacturing jobs. This is significantly higher than the average weekly rate of \$211 that accommodation and food services employees earn.

The county's unemployment rate in the past ten years has generally maintained a range of 0.3 to 1 percentage points higher than the state average. In August, the state rate of 5.3 percent was 1.1 percent less than Wayne County's 6.4 percent. In September, the state rate was 5.1 percent, while Wayne County registered 5.6 percent (see **Figure 1**).

Some of this improvement is because of a temporary spike in construction, where work on the new Reid Hospital will employ 450 people by this winter. The new retail outlets on the east side also account for about 200 more new jobs.

If Wayne County is to maintain current employment levels at pay levels that are attractive to workers, new kinds of jobs must be developed by existing employers or new companies. To that end, the Life Science Initiative, a project of the Richmond–Wayne County Chamber of Commerce that is supported by the Economic Growth Group, will become more important.

The county must lay the groundwork and develop a support system for entrepreneurial ideas so that they can become viable businesses in life sciences and other advanced manufacturing.

The county is experiencing some development in agriculture and agribusiness and is now involved in a process of planning for economic development related to agriculture. The goal, as in other sectors of the economy, is to be prepared when opportunities are available to expand existing businesses or attract new ones.

Additionally, Richmond and area towns have tough decisions to make to prepare for growth. Already, some are facing a dilemma about how to pay for improvements that are needed for their sanitary sewage systems and other infrastructure.

Traditionally, Wayne County's economy has risen and fallen on the tides of the state, national, and worldwide economies. Although the picture appears to be good moving into 2007, it is likely that the county's economy will still be largely dependent upon outside factors. ■

Notes

1. Thomas P. Miller and Associates, "What Indiana Makes, Makes Indiana: Analysis of Indiana Manufacturing," January 17, 2005.
2. The 1997 data are based on the SIC classification system.

South Bend and Elkhart–Goshen

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The Michiana region, composed of the metropolitan areas of South Bend–Mishawaka and Elkhart–Goshen, faced a modest economy in 2006. The year started with promise that weakened in late spring and summer. However, hope has rekindled as conditions improve late in the year. Given ongoing uncertainties about the local economy, as well as predictions for slower growth at the state and national levels, the outlook for 2007 is less promising than recent years.

Employment

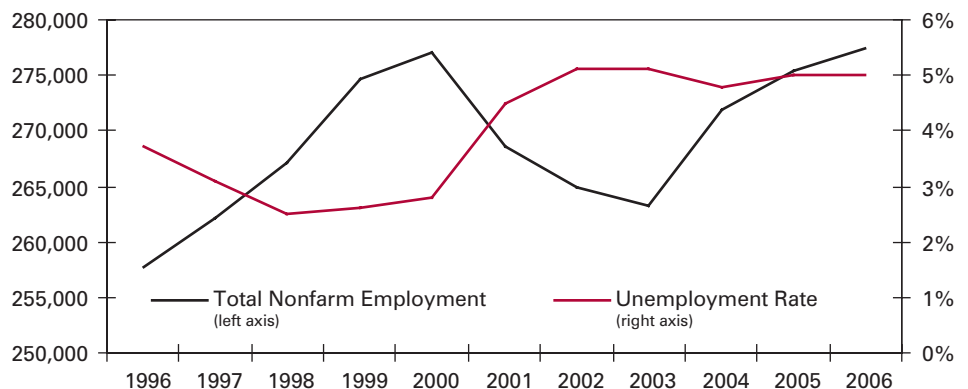
Figure 1 shows the overall slowdown in the region's employment growth. Unemployment rates throughout the region were generally lower in 2006 compared to 2005. Unemployment rates rose in the summer but turned downward again in August. Unlike in 2005, unemployment rates in South Bend exceeded the national and state averages throughout the year, while the unemployment rate in Elkhart remained below the national and state averages for the first half of 2006. While employment expanded, rising wages in the region may have attracted new entrants into the labor

market that did not have sufficient demand to match.

Table 1 reports employment data by industry for the region's metropolitan areas. From September 2005 to September 2006, total nonfarm employment increased modestly by 0.3 percent: Elkhart experienced a relatively larger gain, adding more than 1,400 jobs while South Bend lost 594 jobs. Approximately 279,900 people are employed in nonfarm sectors across South Bend and Elkhart, with employment being about 15,500 higher in South Bend.

Manufacturing employment grew by 1,300 jobs due in part to a strong first quarter in 2006 for the RV industry that disproportionately benefited Elkhart. Manufacturing employment may be more uncertain in the year ahead, as local labor relations remain unstable, plant closings take affect, and side effects from the domestic auto industry's downturn on local producers and suppliers are yet to be fully felt. As an indicator, RV shipments in August 2006 were 2.4 percent lower than in August 2005, though cumulative 2006 shipments exceeded 2005 shipments by approximately 29,000

Figure 1
Total Nonfarm Employment and Unemployment Rate in St. Joseph and Elkhart Counties Combined, 1996 to 2006



Source: Bureau of Labor Statistics