

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

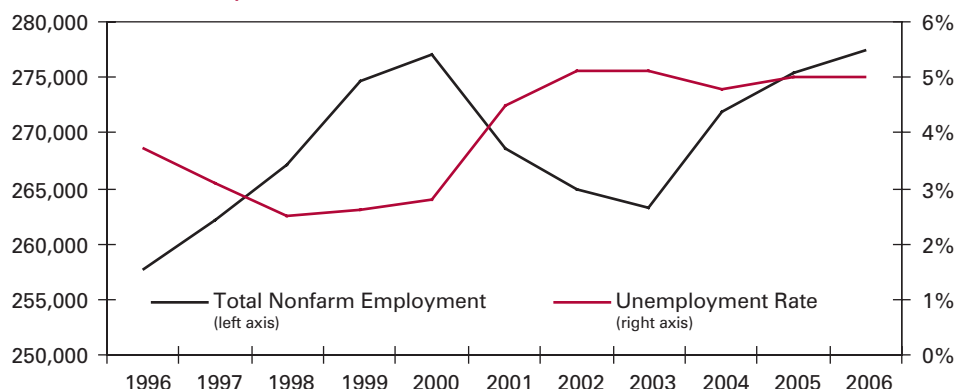
Figure 1 shows the overall slowdown in the region's employment growth. Unemployment rates throughout the region were generally lower in 2006 compared to 2005. Unemployment rates rose in the summer but turned downward again in August. Unlike in 2005, unemployment rates in South Bend exceeded the national 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

units. Additionally, two local vehicle suppliers, Adapto and Gunite, announced plant closings that could see 276 workers to 376 workers laid off, and AM General has initiated temporary shutdowns in response to weakening demand for the commercial Hummer H2. Moreover, the Bach labor strike continues, lasting eight months to date.

Nonmanufacturing employment saw mixed results. Sectors gaining the most were trade, transportation, and utilities in Elkhart; leisure and hospitality in South Bend; and professional and business services in Elkhart. Sizeable job losses occurred in government, construction,

education, and information services across the region. Professional and business services lost jobs in South Bend, while financial services suffered losses in Elkhart. Continued growth in health care, retail, and other services and a resurgence of construction due to new projects, such as Major Moves, should contribute to nonmanufacturing employment growth in 2007.

Wages

The average weekly wage rose 6.3 percent from the first quarter of 2005 to the first quarter of 2006 in South Bend but jumped 10.5 percent in Elkhart. This represented much

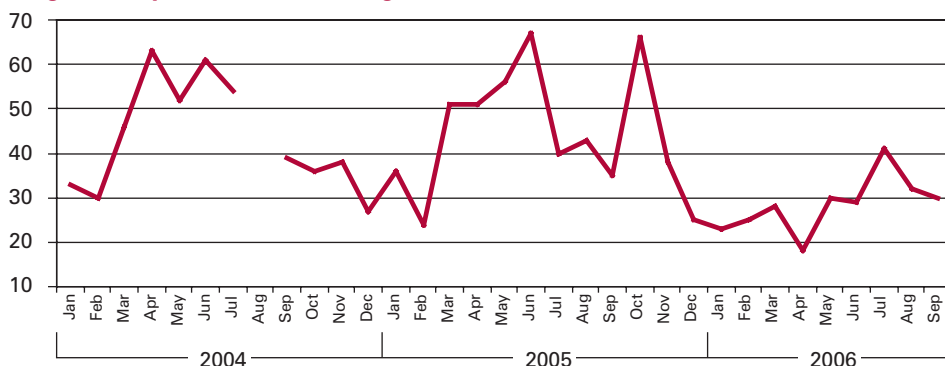
faster growth than seen the previous year, which saw a 0.3 percent rise in South Bend and a 1.6 percent rise in Elkhart. Wage growth varied by industry. Manufacturing wages grew 6 percent in South Bend but 14.7 percent in Elkhart. Wages in retail also rose, 6 percent in South Bend and 4.8 percent in Elkhart. Wages in the health care and social services industry grew at a much slower pace, 3.6 percent in South Bend and 1.7 percent in Elkhart. The sizeable wage increases in 2006 were driven largely by inflationary adjustments and increases in productivity. If inflationary pressures diminish as expected, wage growth will likely slow in 2007, particularly if economic conditions slow productivity.

Table 1
Employment by Industry, September 2006

Industry	South Bend		Elkhart		Combined	
	Employment	Change 2005-2006	Employment	Change 2005-2006	Employment	Change 2005-2006
Total Nonfarm	147,700	-594	132,200	1,410	279,900	816
Manufacturing	21,500	99	64,900	1,201	86,400	1,300
Trade, Transportation, and Utilities	28,500	-199	19,000	553	47,500	354
Educational and Health Services	31,900	-215	10,500	-70	42,400	-285
Government	16,300	-581	8,600	-133	24,900	-714
Professional and Business Services	14,500	-132	8,900	209	23,400	77
Leisure and Hospitality	13,500	848	7,500	-81	21,000	767
Natural Resources, Mining, and Construction	6,400	-349	5,100	-128	11,500	-477
Financial Services	7,200	71	3,000	-96	10,200	-25
Other Services	5,800	44	3,900	-11	9,700	33
Information	2,100	-134	800	-34	2,900	-168

Source: Bureau of Labor Statistics

Figure 2
Single-Family Residential Building Permits, 2004 to 2006



Note: Data are not available for August, 2004

Source: St. Joseph County Building Department

Housing

Residential construction, measured by the number of new single-dwelling housing permits issued in St. Joseph County, changed dramatically in 2006 compared to 2005. From January 2006 to September 2006, 313 new housing permits were issued, compared to 482 during the same period in 2005. While local housing prices have not fluctuated to the extent in other areas around the country, this slowing of new housing suggests the Michiana market is not immune to the national housing slowdown driven by weakening demand, falling housing prices, and growing inventories of existing homes (see **Figure 2**).

Summary

In 2006, the Michiana region experienced mixed economic signals: fairly flat employment, relatively low but fluctuating unemployment rates, rising wages, and slower real estate markets. The outlook for the coming year is encouraging but cautious, with the region seeing expanded production in some manufacturing and nonmanufacturing sectors, higher employment, and slowing growth in wages, along with uncertainties about future economic conditions. ■