

Kokomo Forecast 2009

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Recent news from the Kokomo manufacturing sector has not left much room for optimism. Two of the area's largest employers have recently announced large layoffs that could have a significant impact on the area. In addition, a GM/Chrysler merger could lead to substantial job losses in Kokomo. Recent employment increases in the education and health services sector will not be large enough to make up for the local impact of manufacturing cutbacks.

Jobs and Unemployment

In recent months, Kokomo's unemployment has increased substantially. Since January, the lowest reported unemployment rate was 6.7 percent (February and April). In July, the unemployment rate peaked at 9.2 percent. Last year's annual unemployment rate was 5.4 percent. Kokomo has also had a higher unemployment rate than the state of Indiana in all years since 2000 (see **Figure 1**). For January through September, Kokomo's average monthly unemployment rate has been 2 percentage points higher than the state average. Area employment figures have also been declining the last ten years, indicating a decreasing

number of job opportunities in the Kokomo area (see **Figure 2**).

Average annual wages have been on the rise, increasing by 3.4 percent from 2006 to 2007 to total \$48,844. This is outpacing the inflation rate, which over that time period was 2.5 percent nationally. However, this information conflicts with more recent data on average weekly wages. In the first quarter of 2008, average weekly wages were \$852, decreasing in three consecutive quarters from the \$988 per week record for the second quarter of 2007.

Howard County's economy is still very dependent upon the manufacturing sector, particularly the automotive manufacturing industry. The manufacturing sector makes up approximately 30 percent of Howard County's overall employment figures. Other important sectors in the Kokomo economy include health and educational services (15 percent of total employment) and retail (13 percent of total employment). This past year's decrease in employment has been particularly difficult for the manufacturing sector with losses of almost 2,000 jobs (a 14 percent decrease). One bright spot was the growth in the health and educational services sector, which saw a 5 percent

increase in overall employment from 2006 to 2007.

The Automotive Industry

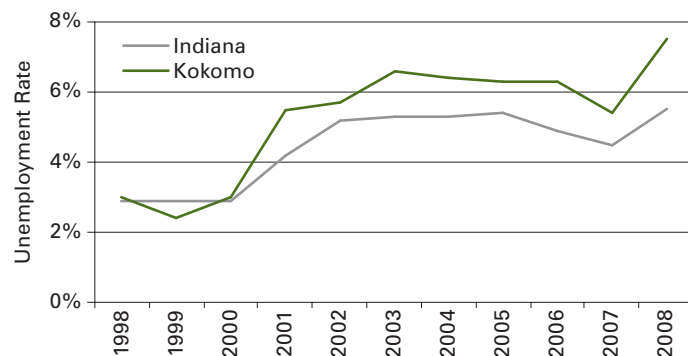
Two of Kokomo's largest employers, Delphi and Chrysler, belong to the automotive manufacturing sector. These two companies make up more than 20 percent of Kokomo's total employment. Recent Delphi and Chrysler news has not been optimistic. In August, Delphi announced that it would cut 10 percent of its salaried jobs at the Kokomo plant.¹ This news came after years of losses and job cuts from the large automotive parts supplier. Chrysler also announced that it would cut back its salaried workforce by 25 percent nationally starting in November.² The impact that this will have on the Kokomo plant is not entirely clear.

Additionally, GM and Chrysler are currently discussing a merger that could mean large job cuts at the Kokomo plants. This may also impact the pensions that the retired union workers living in Kokomo depend on for their well-being.³

Outlook

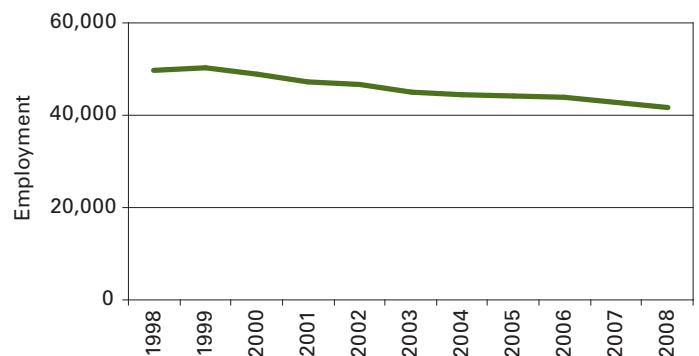
The short-term economic outlook for Kokomo is uncertain. With the automotive sector faltering

■ **FIGURE 1: Unemployment Rate in Kokomo and Indiana, 1998 to 2008**



Note: 2008 data are estimated using the average of the first nine months
Source: Bureau of Labor Statistics

■ **FIGURE 2: Kokomo Employment, 1998 to 2008**



Note: 2008 data are estimated using the average of the first nine months
Source: Bureau of Labor Statistics

Louisville Forecast 2009

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throughout most of the United States, Kokomo should expect continued job losses in this industry. Many of these workers may have to shift to lower-paying industries. The recent decrease in gas prices may give the national automotive industry a short reprieve; however, the uncertainty surrounding the financial and housing sectors is making consumers hesitant to purchase big ticket items such as new cars.

To improve the long-term state of the Kokomo economy, the area will need to attract producers of “new” manufacturing technologies, such as hybrid electric systems or wind turbines. Such producers will find a large pool of skilled laborers who will need little training.

Kokomo’s primary and secondary schools must also emphasize the importance of obtaining a college education. The trend throughout the entire United States has been increased wages and job opportunities for individuals possessing a college degree. Encouragingly, Kokomo’s high schools are performing well compared to the state averages for both graduation rates and the percent of students seeking a college education.⁴ ■

Notes

1. Ted Evanoff, “Kokomo takes another hit with 300 Delphi layoffs,” *The Indianapolis Star*, August 19, 2008.
2. Inside Indiana Business, “Chrysler Announces More Cuts, Indiana Impact Not Known,” October 24, 2008, www.insideindianabusiness.com/newsitem.asp?ID=32221 (accessed October 30, 2008).
3. Ted Evanoff, “Fading Future,” *IndyStar.com*, October 25, 2008, www.indystar.com/apps/pbcs.dll/article?AID=/20081026/BUSINESS/810260321/1003/BUSINESS (accessed October 30, 2008).
4. Indiana Department of Education, www.doe.in.gov/ (accessed November 2, 2008).

How will Louisville weather the current financial crisis? Based on current readings of data in the Louisville metro, trends over the past year, and the historical relationship between Louisville and the U.S. economy, the outlook for Greater Louisville is an overall decrease in nonfarm payroll jobs. Unemployment could reach 8 percent, and the region will see decreases in manufacturing, construction, retail, leisure and hospitality, financial services, and professional and business services.

Labor Markets

The Louisville metro, including its four southern Indiana counties (Clark, Floyd, Harrison, and Washington), is showing significant increases in the number of people unemployed. An increasing labor force and a decrease in the number employed are interacting to produce a significant spike in the unemployment rate (see **Figure 1**). As of August, the Louisville metro’s 6.6 percent unemployment rate was at its highest in the past 18 years.¹ Southern Indiana’s portion of the metro had a 6.1 percent unemployment rate—lower than the metro area, but

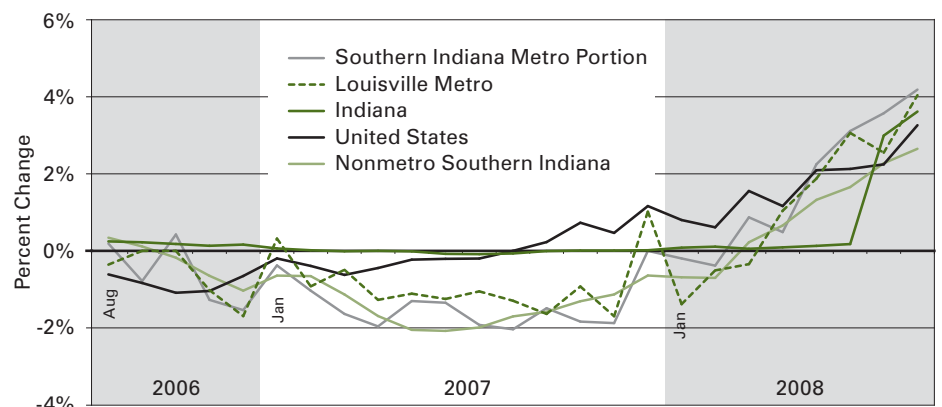
considerably higher than the rate of 4.3 percent observed in 2007.

Unemployment claims for the southern Indiana portion of the metro increased significantly compared to last year.² The August year-over-year increase represents the largest percentage increase in unemployment claims since the recession of 2001, and the percentage change in claims exceeds the change for Indiana (see **Figure 2**). Does this increase represent a peak or the beginning of slower growth in the near- to intermediate-term?

Nonfarm Payrolls

As of September, the Louisville metro lost approximately 5,000 jobs compared to the previous September.³ Recently released October data indicate job losses have accelerated with an overall decline of 8,200 nonfarm payroll employment. No doubt, slower national economic activity is beginning to affect the Louisville metro. The largest losses were registered in manufacturing and in professional and business services. Health and educational services showed a smaller increase than previous years, while the government sector registered strong gains (see **Figure 3**).

■ FIGURE 1: Change in Unemployment Rate from Previous Year, August 2006 to August 2008



Source: Bureau of Labor Statistics