

industry, we view this as an overall favorable development in the near term. A considerable decline in residential permits will allow existing homes to clear the market and help minimize downward pressures on real estate prices. As we move past problems in residential real estate, the next potential cause of concern is the commercial real estate sector. Retrenchment by consumers will apply pressure to commercial retail development.

Figure 4 shows single-family building permit activity for August year-to-date from 2003 to 2008.

Outlook for 2009

The Louisville metro, including southern Indiana, will see an overall loss of jobs in the coming year. A decline in national consumer spending will continue to adversely impact the manufacturing sector. Recent efficiencies gained in manufacturing will help minimize sector job losses; however, the combination of both slower global and domestic growth will present challenges to manufacturing. We will likely see further declines in financial activities and professional and business services—the result of overall economic slowness. Businesses that cater to consumer discretionary spending will see some challenges throughout the year. The loss of wealth, both in real estate and equity values, will present significant challenges to these establishments.

The unemployment rate for the Louisville metro will likely surpass 7 percent and could potentially exceed 8 percent. This will cause added pressure on the real estate sector, both commercial and residential, and on sectors that rely on consumer spending. ■

Notes

1. Bureau of Labor Statistics local area unemployment statistics, available online at www.bls.gov/lau.
2. Hoosiers by the Numbers, available online at www.hoosierdata.in.gov.
3. Bureau of Labor Statistics state and metro area employment, hours, and earnings. Data are available online at www.bls.gov/sae.

Muncie Forecast 2009

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Like many small Midwestern cities, the Muncie metro area (Delaware County) struggles to reinvent itself in the face of daunting demographics, the loss of traditional manufacturing jobs, and all the attendant woes of the current recession. Borg Warner’s Muncie plant, maker of transfer cases for transmission systems and the last of the giant auto-related manufacturing facilities in Muncie, is scheduled to close in April 2009. Local government has begun to decrease jobs due to tighter budgets. However, as the regional economy braces for movement from traditional manufacturing jobs, there are reasons for optimism. Brevini, the Italian-maker of gear boxes for wind turbine energy generation and other applications, has committed to building a facility by mid-2010 that is projected to create 450 jobs. Ball State University continues to expand its programs and is building a reputation as a high technology university.

Various measures of economic activity are examined for Muncie-

Delaware County in this analysis. The data used are from 2001 (the last recession) through the most recent data available at the time of writing. As we face this recession, our goal is to identify and analyze trends since the last recession and changes over the past year. We conclude with a summary of the labor market forecast for the Muncie area.

Labor Markets

The unemployment rate in Delaware County has steadily increased over the past year (see **Table 1**) although there has been some relief, likely related to the school year, over the past few months. The unemployment rate remains consistently higher (6.6 percent in September) than that of Indiana (5.8 percent) and the nation (6 percent). **Figure 1** shows the trend in unemployment for Delaware County, Indiana, and the United States since 2001.

Table 2 shows average employment 2007 through 2008 for the Muncie metropolitan area.¹ Total nonfarm employment was 53,211 jobs, a decrease of 689 jobs (1.3

■ **TABLE 1: Labor Force and Unemployment for Delaware County**

Year	Month	Labor Force	Unemployed	Unemployment Rate
2007	September	55,803	2,584	4.6
	October	55,765	2,532	4.5
	November	56,006	2,573	4.6
	December	55,871	2,768	5.0
	Annual Average	55,746	2,908	5.2
2008	January	55,679	3,335	6.0
	February	55,465	3,263	5.9
	March	56,099	3,812	6.8
	April	55,907	3,103	5.6
	May	56,384	3,302	5.9
	June	54,959	3,781	6.9
	July	55,125	4,171	7.6
	August	55,505	3,984	7.2
	September*	56,441	3,732	6.6

*Preliminary data
Source: Bureau of Labor Statistics

percent) over the 2007 average. This decline in jobs is substantially smaller than job losses earlier in the decade, but current economic conditions suggest that job losses will continue to increase for the remainder of 2008. The 2008 data through September suggest that trade, transportation, and utilities (TT&U); manufacturing; construction; and government will be the hardest hit sectors. Over the same period, small employment gains occurred in financial activities and private education and health services. The losses in TT&U and manufacturing are smaller than those earlier in the decade, suggesting that Muncie has weathered the worst of the downturn in traditional manufacturing.

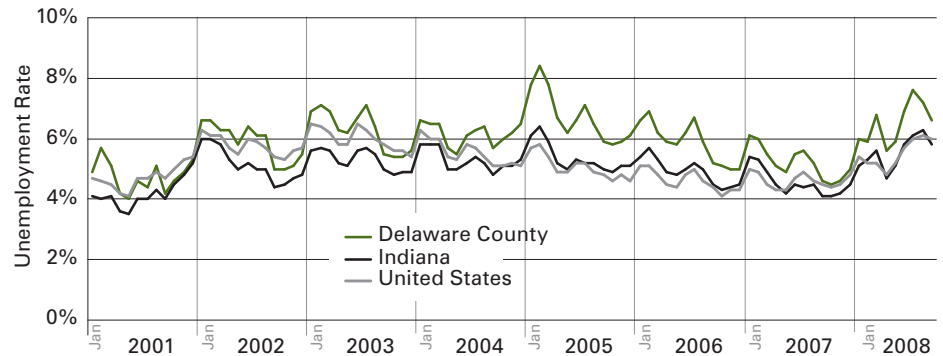
Despite the continuing decline in employment, wages in some sectors in the Muncie area have grown over the past year—perhaps signaling increased productivity. **Table 3** shows changes in average weekly wages (not adjusted for inflation) from the first quarter of 2007 to the first quarter of 2008 in Delaware County. The inflation rate was 4.1 percent for this same period, so average weekly wages growing by more than 4.1 percent are growing faster than inflation. Wages in several sectors—including wholesale trade, information, professional, scientific, and technical services—meet this criteria and are also growing faster than the state.

Housing

Residential construction, as measured by residential building permits for new single- and multi-family residential units, peaked in 2003 with 563 permits issues. In contrast, only 30 permits have been issued from January to September 2008 (see **Table 4**).

Activity in the Delaware County residential real estate market has slowed over the past year (see **Table**

FIGURE 1: Comparison of Unemployment Rates, 2001 to 2008



Source: IBRC, using Bureau of Labor Statistics data

TABLE 2: Delaware County Annual Average Employment, 2007 to 2008

Industry	2008*	Change Since 2007	Percent Change 2007–2008
Total Nonfarm	53,211	-689	-1.3%
Total Private	40,644	-656	-1.6%
Goods Producing	7,544	-256	-3.3%
Manufacturing	5,378	-222	-4.0%
Natural Resources, Mining, and Construction	2,167	-33	-1.5%
Service-Providing	45,667	-433	-0.9%
Private Educational and Health Services	9,756	56	0.6%
Trade, Transportation, and Utilities	8,533	-367	-4.1%
Leisure and Hospitality	5,222	-78	-1.5%
Professional and Business Services	4,978	-22	-0.4%
Financial Activities	2,378	78	3.4%
Other Services	1,767	-33	-1.9%
Information	467	-33	-6.7%
Government (Includes Public Schools and Hospitals)	12,567	-133	-1.1%

*January through September average for 2008. September 2008 data are preliminary. Annual data used for 2007.
Source: Bureau of Labor Statistics

5). The number of units sold through the end of October is a couple of hundred units lower than it was last year, and the average number of days on the market has increased to 142 days from 127 in 2007. The average sale price has been trending downward since its 2005 peak. Higher mortgage interest rates, increasing property tax payments, and a slowing economy have all contributed. As shown in **Table 5**, the

property tax/sales ratio has increased over the past couple of years, although some relief for property taxpayers is expected over the next few years due to the 2008 property tax reform measures.

Outlook

In 2008, the available labor market data for Delaware County are fairly pessimistic. Overall employment has decreased (although job losses are

smaller than earlier in the decade) and the rate of decline is larger than that of the state as a whole. The housing market has slowed—fewer building permits were issued in 2008 and it is taking longer for existing houses to sell.

Positive economic indicators also exist. There have been wage gains in some sectors, possibly indicating increases in productivity, and Brevini—a company manufacturing parts for the wind energy industry—has committed to opening a plant. This signals that the Muncie area is attractive to companies related to “green energy.” In addition, there is a supply of workers with the necessary skills ready for both manufacturing jobs in this industry and research and development positions.

Nevertheless, we expect a decrease in employment (1.4 percent—about 900 jobs) for 2008 and a smaller decrease (0.7 percent—about 425 jobs) in 2009 as the economy begins to recover from the current recession.² Personal income in the durable goods sector will decline about 2 percent through 2008 and then experience a dramatic decline (16 percent) in 2009 related to the closing of Borg Warner and related businesses. We expect smaller losses in income in the health care sector (0.8 percent for 2008 and 0.5 percent in 2009) and growth in the nondurable goods sector. A decline in income does not necessarily translate to corresponding losses in jobs. Businesses may cut overtime or move some workers from full-time to part-time status. Finally, we expect retail income to decline in 2008 (2.1 percent) and then recover (1.4 percent) in 2009. ■

Notes

1. The 2008 data are average employment for January through September.
2. For the detailed Muncie labor market forecast, see <http://cms.bsu.edu/Academics/CentersandInstitutes/BBR.aspx>

■ TABLE 3: Average Weekly Wages in Delaware County, 2007 to 2008

Industry	2008:1	Change Since 2007:1	Percent Change 2007–2008
Total	\$601	\$12	2.0
Management of Companies and Enterprises	\$1,750	\$773	79.1
Professional, Scientific, and Technical Services	\$748	\$56	8.1
Administrative, Support, and Waste Management	\$323	\$23	7.7
Information	\$648	\$29	4.7
Arts, Entertainment, and Recreation	\$249	\$11	4.6
Wholesale Trade	\$838	\$35	4.4
Accommodation and Food Services	\$209	\$7	3.5
Educational Services	\$719	\$22	3.2
Retail Trade	\$383	\$8	2.1
Transportation and Warehousing	\$713	-\$2	-0.3
Other Services (Except Public Administration)	\$415	-\$2	-0.5
Construction	\$663	-\$4	-0.6
Public Administration	\$643	-\$6	-0.9
Health Care and Social Services	\$601	-\$8	-1.3
Real Estate, Rental, and Leasing	\$587	-\$10	-1.7
Finance and Insurance	\$729	-\$15	-2.0
Utilities	\$1,513	-\$58	-3.7
Manufacturing	\$827	-\$93	-10.1

Source: Bureau of Labor Statistics

■ TABLE 4: Delaware County Residential Building Permits, 2001 to 2008

Annual	2001	2002	2003	2004	2005	2006	2007	January–September 2008
Total Permits	336	313	563	359	267	208	134	30
Single-Family	302	293	290	289	256	153	120	26
Multi-Family	34	20	273	70	11	55	14	4

Source: U.S. Census Bureau

■ TABLE 5: Delaware County Residential Real Estate Sales, 2003 to 2008

	2003	2004	2005	2006	2007	2008*
Units Sold	1,170	1,347	1,253	1,374	1,210	785
Average Days on Market	110	112	121	129	127	142
Median Days on Market	83	84	92	105	98	120
Average Sale Price	\$95,485	\$97,162	\$100,898	\$96,320	\$90,433	\$92,704
Median Sale Price	\$80,000	\$80,000	\$82,500	\$79,000	\$78,000	\$78,000
Average Property Tax / Average Sales Price	1.08%	1.19%	1.21%	1.19%	1.35%	1.68%

*Data through October 2008

Note: Dollar values are not adjusted for inflation

Source: Mideastern Indiana Association of REALTORS Multiple Listing Service