

# Columbus Forecast 2011

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The impact of the recession is lingering longer in Columbus than most expected. That should be no surprise since it is lingering longer everywhere than most anyone expected.

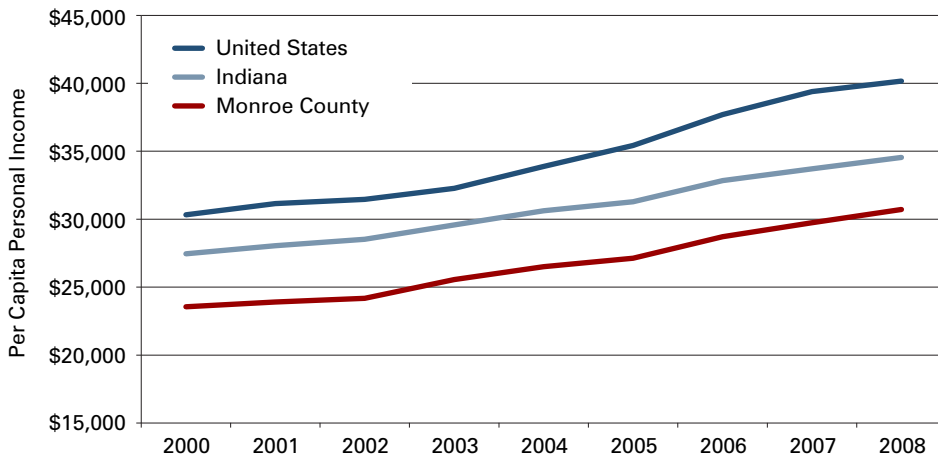
Beyond the economic data, trends and policy debates, the economy of 2011 has the feel of something waiting just off to the side. New jobs are scarce and unemployment is high—but both are getting a little better. Business is slow and frustrating—but not actually anemic. Nothing is as muscled as we have come to expect following a recession.

In Columbus, good things are happening. It is just that we all seem to be waiting for more economic fuel and thrust.

Take unemployment, for example. At this time last year, 9.6 percent of the workforce in Bartholomew County was unemployed. Now the rate had dropped to 8.5 percent (as of September, not seasonally adjusted). That is a significant improvement. The Indiana unemployment rate overall stood at 9.5 percent last September, dropped a little and rose back again. A year later, it is still 9.5 percent (see **Figure 1**).

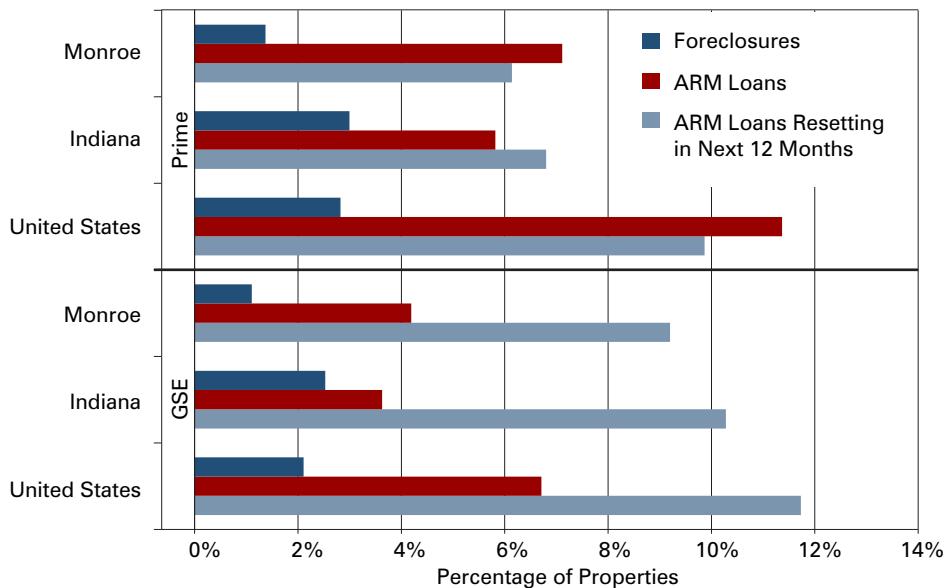
The drop in the unemployment rate is even more interesting given that more than 30 percent of the jobs here are in manufacturing (twice the proportion of Indiana overall). In other areas across the state where manufacturing plays a large role in terms of overall employment, those areas' unemployment rates are noticeably higher. In fact, both the Anderson and Kokomo metros are less dependent on manufacturing than Columbus, but their unemployment

**FIGURE 5: Per Capita Personal Income, 2000 to 2008**



Source: IBRC, using Bureau of Economic Analysis data

**FIGURE 6: Housing Distress Measures for Monroe County, Indiana and the United States, July 2010**



Source: IBRC, using New York Federal Reserve Lender Processing Services Mortgage Performance data

summer home sales drop significantly compared to last year, a consequence of the homebuyer's tax credit expiring in May 2010.

Based on foreclosure data released in the summer, the distress level of the Monroe County housing market appears to be relatively well contained and the county will not likely suffer the stresses of other regions across the state or the country. As **Figure 6** shows, Monroe County has a lower percentage of properties in

foreclosure than the state or the nation for both prime loans and the broader measure of loans guaranteed by the government-sponsored enterprises (GSE)—Fannie Mae and Freddie Mac—that serve as clearinghouses for most mortgages. ■

rates are 10.7 percent and 11 percent, respectively.

Unfortunately, one reason for the drop in the unemployment rate is a declining labor force. This most likely signals movement out of the area as individuals lose hope about their job prospects, and it varies more widely for the Columbus area than for the state overall (see **Figure 2**). Since the Columbus labor force peaked in July 2008, it has now dropped by nearly 10 percent. Bartholomew County has lost an estimated 4,600 jobs between the years 2008 and 2010—a fall of 8.3 percent.

While the downward trend in unemployment is welcome, this won't matter much to individuals and families for whom there is still a lot of job pain. And yet the activity off to the side shows much promise.

- Tourism remains strong for Columbus. A strategic focus on amateur sporting events, such as softball and baseball tournaments, brings thousands of visitors into the area.
- Camp Atterbury continues its physical expansion. Not only is that a direct driver of new jobs, the increase in training means more U.S. service personnel leasing area apartments, shopping at area retailers and eating at area restaurants.
- The housing market is still slow, but record low interest rates and a healthy supply of good homes suggest home sales are ready to pick up quickly as soon as confidence in job prospects does.
- The loss of Irwin Union Bank—last year's last straw—has turned into a nice example of economic creative destruction. First Financial Bancorp managed a clean acquisition of Irwin's assets and now is asserting itself as a full-fledged member of the community. Its planned banking

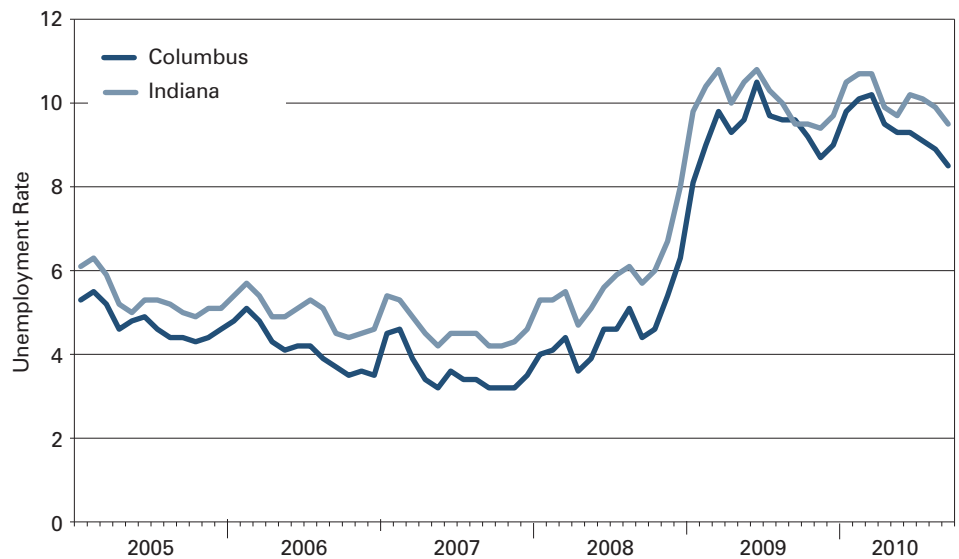
center is yet another construction project scheduled for downtown.

- Cummins hums along at a quick pace, tied into a global economy that directly benefits local Hoosiers. Its overall sales growth and profitability is obviously important to the area. It is also creating jobs: 200 in Seymour to the south, and in a dramatic announcement in October, 350 mostly professional jobs when it

takes over the former Irwin bank building just across the street from its headquarters. (This is the building First Financial will vacate in favor of its new banking center.)

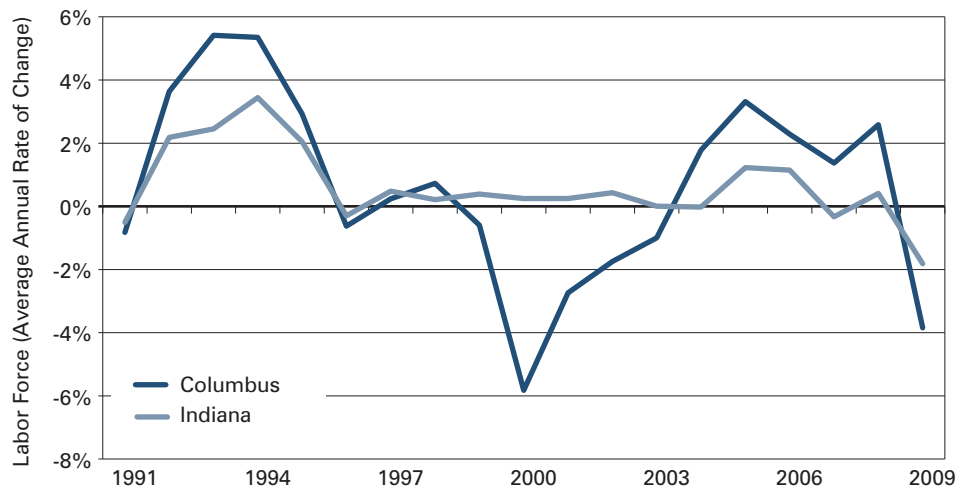
- Columbus is even taking jobs away from Mexico. Late in the summer, Caltherm Corp. announced that it would transfer equipment from its Mexico facility to an expanded Columbus plant and then bring on 32 more jobs.

**FIGURE 1: Monthly Unemployment Rates, January 2005 to September 2010**



Source: IBRC, using Bureau of Labor Statistics data

**FIGURE 2: Average Annual Rates of Change in Labor Force, 1991 to 2009**



Source: IBRC, using Bureau of Labor Statistics data

# Evansville Forecast 2011

**Mohammed Khayum: Professor of Economics and Dean of Business, College of Business, University of Southern Indiana**

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## The Outlook

With Indiana set to continue its slow recovery in 2011, Columbus and Bartholomew County should as well. Economic growth will climb just ahead of the state average. Personal income is expected to average 4.7 percent growth through 2013, according to the economic model from the Center for Econometric Model Research. Job growth will rise just slightly behind the state overall, though unemployment should continue to decline at a quicker pace than the state.

Despite new job creation in areas outside manufacturing, it will be several years before employment recovers to pre-2008 levels.

The good news is (and has been for a while) that manufacturing in the area benefits from its engagement with the global economy. That diversity has already helped Cummins and other area firms avoid the devastation common elsewhere in manufacturing-heavy communities. It is also likely to continue supporting the existing quality manufacturing jobs. ■

While the Business Cycle Dating Committee of the National Bureau of Economic Research has determined that the 2007-2009 recession began in December 2007 and ended in June 2009,<sup>1</sup> there is considerable variation across metro areas with regard to the timing, strength and persistence of the recovery. While previous post-World War II recessions ranged in length from six months to 16 months for the national economy (averaging about 10.5 months), the 2007-2009 recession was the longest recession in the postwar period at 18 months. In addition, it was the deepest recession in the postwar period: at their lowest points, employment fell by 6.1 percent and output fell by 4.1 percent.<sup>2</sup> In comparison, employment fell by just over 5 percent and output fell by nearly 4 percent in the Evansville metro area.

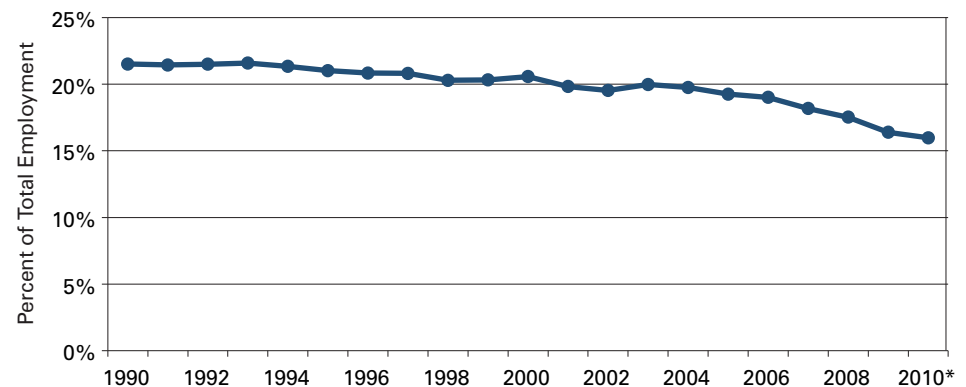
In the aftermath of the 2007-2009 recession, the recovery of the Evansville metro economy appears to be as slow, fragile and filled with uncertainty as the national recovery. Following decreases in output and

employment in 2009, real output, income and retail sales increased in 2010. However, the strength of these increases was far from spectacular.

The dynamics of the Evansville area labor market underscore this with a rise in the unemployment rate from 7.6 percent in September 2009 to 8.4 percent in September 2010 compared with a drop in the national unemployment rate from 9.5 percent to 9.2 percent over the same time period. In previous business cycles, aggregate hours and employment have frequently reached their troughs later than when the recession has officially ended.<sup>3</sup> The rise in the unemployment rate in the Evansville metro area during 2010 suggests that household employment will also reach its trough later than the official date indicating the end of the recession.

An examination of the output and employment performance of the national economy since June 2009 indicates that the current recovery has been the slowest in output growth in the first five months compared to the other postwar recoveries and the slowest in terms of employment

**FIGURE 1: Manufacturing Employment as a Percent of Total Nonfarm Employment in the Evansville Metro, 1990 to September 2010**



\*Shows September 2010 number rather than the annual average.  
Source: IBRC, using Bureau of Labor Statistics data