

Fort Wayne Forecast 2011

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The official end of the recession in June 2009 represented the bottom or “trough” of the economic downturn and from that point on we are, at least theoretically, in the recovery phase. The National Bureau of Economic Research (NBER) declarations of recession beginnings and endings depend on many factors in addition to decreases and increases in employment. In fact, it is not unusual for job growth to lag the official end of a recession by a few months. However, at least at the local level, employment change is the most obvious, readily available and tangible indicator that can be used to track the pace of a recovery.

As can be seen in **Figure 1**, total nonfarm, seasonally adjusted employment dropped 7.8 percent in the Fort Wayne MSA¹ from the beginning of this recession (December 2007) to its end (June 2009). This was a loss of 16,800 jobs. The percentage decline in the Fort Wayne area is similar to that experienced statewide but is substantially greater than the percentage of job loss nationally. While June 2009 (the official end of the recession) is used as the turning point in **Figure 1**, national employment actually reached its low point in December 2009. Locally, July 2009 represented the lowest point in seasonally adjusted monthly employment.

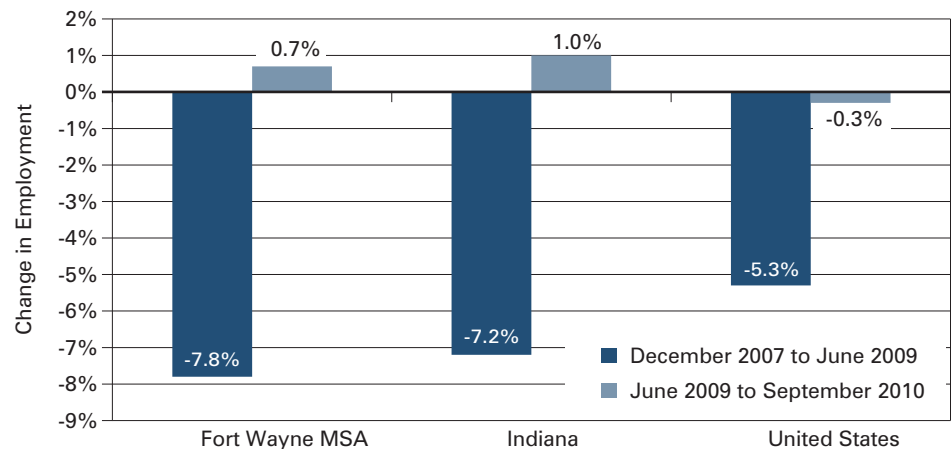
Manufacturing continues to be a major, if not the dominant, driver of the Fort Wayne area economy. As illustrated in **Figure 2**, local employment in this sector has been hit particularly hard during this recession, similar to every recession in recent times. The Fort Wayne MSA lost 8,900 manufacturing jobs during the recession. This was nearly 10 percentage points greater than the manufacturing job loss nationally and comparable to that experienced across Indiana.

If we accept the premise that the recovery began in July 2009, then how has the Fort Wayne area rebound compared with the state and national experience? Very modest improvement would best describe the change over the past fifteen months at both the local and state levels.

Figure 1 shows the Fort Wayne area and Indiana faring better than the national employment picture over that period.²

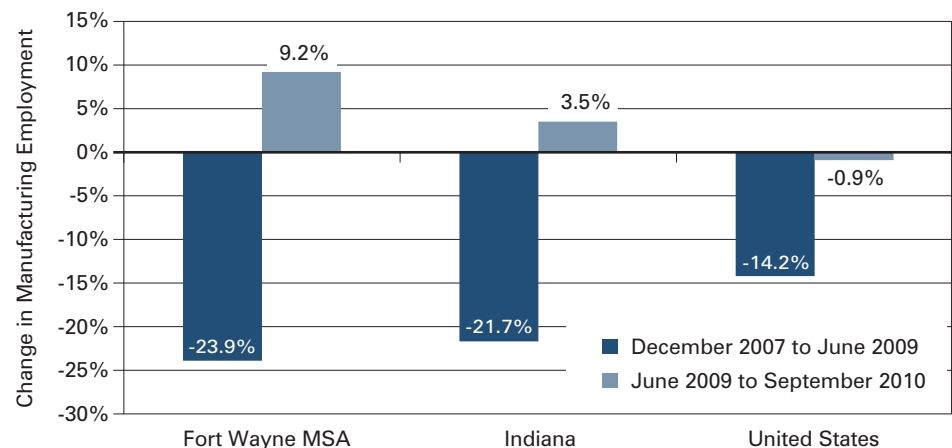
The local manufacturing sector was both a substantial portion of the Fort Wayne area job loss during the recession, accounting for over one-half of all jobs lost, and the leading sector in the current recovery to date. Total local employment has grown by approximately 1,400 jobs since the end of the recession.³ The manufacturing sector has gained 2,600 jobs during the last 15 months, more than offsetting continued job losses in several other sectors.⁴ As illustrated in **Figure 2**, the Fort

FIGURE 1: Change in Total Nonfarm Employment during the Recession and from Recovery to Date, 2007 to 2010



Note: Data are seasonally adjusted. September 2010 data are preliminary.
Source: Community Research Institute, using Bureau of Labor Statistics data

FIGURE 2: Change in Total Manufacturing Employment during the Recession and from Recovery to Date, 2007 to 2010



Note: Data are seasonally adjusted. September 2010 data are preliminary.
Source: Community Research Institute, using Bureau of Labor Statistics data

Wayne MSA's manufacturing rebound was greater than that experienced at both the state and national levels.

Can the manufacturing sector continue to lead the Fort Wayne area recovery? In the Midwest, manufacturing has been one of the few bright spots in the economy to date. The Federal Reserve Bank of Chicago's Midwest Manufacturing Index substantiates this rebound in manufacturing, fueled in part by the relative recovery of the automotive subsector. This index has increased 11 of the past 15 months, but has begun to level in the past couple of months. The Midwest Manufacturing Index will be an important barometer for continued manufacturing employment growth in the Fort Wayne area.

In addition to the pace of the recovery, northeast Indiana must also be concerned about where total employment will peak at the end of the recovery period. For this discussion, we will shift to a broader geographic definition of northeast Indiana that includes the following ten counties: Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wabash, Wells and Whitley. **Figure 3** illustrates both northeast Indiana and national employment and the six recessions

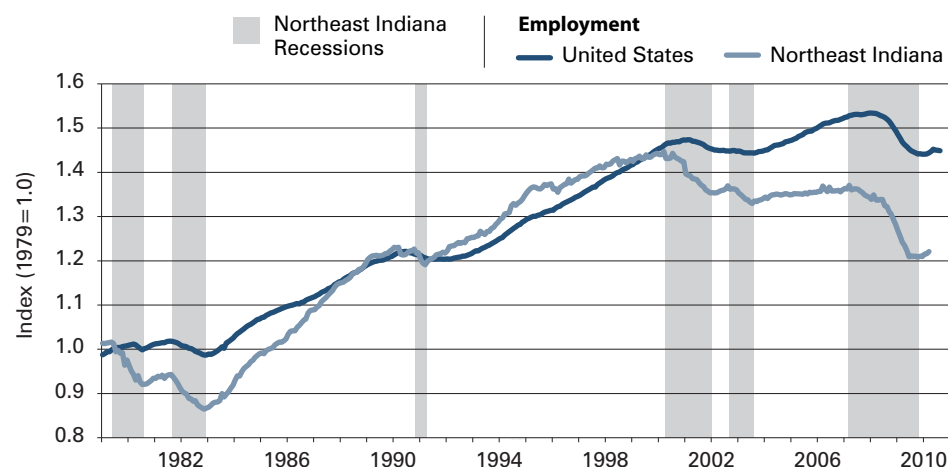
that have impacted the area since the late 1970s.⁵ From an employment perspective, there was no meaningful recovery from the two downturns in the early part of the past decade. This was very different than what took place nationally, where employment growth occurred for several years following the early 2000s downturn.

Will the even greater loss of northeast Indiana jobs experienced during the recent recession again re-establish a lower employment "norm" after recovery, or will we see a dramatic post-recession growth in employment as occurred after the double-dip recessions of the late 1970s and early 1980s and the more mild recession of the early 1990s? The answer to that question likely rests with the strength of the manufacturing recovery nationally and to the region's ability to create basic sector professional (white collar) jobs. The former factor likely has some significant upper limits for a technology-driven, globally oriented advanced manufacturing sector and the latter will likely depend on the success of northeast Indiana's ability to reinvent much of its economic core through efforts such as Vision 2020. A cautionary note—northeast Indiana recovered most positively from those recessions where the downturn began locally

either at the same time or after it began nationally. The region did not recover as successfully from those recessions where the downturn began locally before it occurred nationally. Employment peaked in northeast Indiana in March 2007—nine months before the national recession began.

The year ahead for the Fort Wayne area is likely to look much like 2010. Positive economic announcements involving new business investment and job creation will be mixed with negative announcements of company restructuring and the gradual phase out of more than 1,000 jobs associated with the Navistar operations in Fort Wayne. Job growth will continue to be very modest—perhaps a net of 1,500 to 2,000 in total employment for the Fort Wayne MSA. However, should Navistar accelerate its Fort Wayne phase-out, this projected job growth will be even further impaired in 2011. These numbers are not going to significantly move the unemployment rate downward, but moving the rate below 8.5 percent to 9 percent would be considered a major accomplishment. As we move beyond the trough of the 2007-2009 recession, we too frequently expect this recovery to perform as most have in post-World War II downturns. However, this recession was anything but a typical event, a fact we would be wise to not easily forget. ■

FIGURE 3: Northeast Indiana and National Employment Indexed to Northeast Indiana Recessions, 1979 to 2011



Source: Community Research Institute, using Bureau of Labor Statistics data

Notes

1. The Fort Wayne Metropolitan Statistical Area includes Allen, Wells and Whitley counties.
2. While national employment has grown by approximately 0.7 percent since December 2009, it is still below the seasonally adjusted total at the official end of the recession.
3. Using preliminary Current Employment Statistics seasonally adjusted data from the Bureau of Labor Statistics for the Fort Wayne MSA.
4. Using preliminary Current Employment Statistics non-seasonally adjusted data from the Bureau of Labor Statistics for the Fort Wayne MSA (note: seasonally adjusting these data does not appear to significantly modify the manufacturing job gain number).
5. The 2003 period represents a significant local economic downturn from a job loss perspective, but no national recession was declared for this event.