

wages in those areas bounced back from 2009. Wages increased in manufacturing (9.5 percent), along with several other industries, including finance and insurance (12.1 percent), management (5.4 percent) and arts and entertainment (5.5 percent). The health care industry remains a large part of the Indianapolis economy, and jobs in the field increased by 3.4 percent. In addition, educational services and public administration both experienced modest increases in the number of jobs.

Over the next few years, wages should continue to increase at a rate of 3 percent per year, which will provide a boost to the local economy.

Real Estate and Residential Construction

The Indianapolis real estate market continues to struggle. Indianapolis ranks 20th out of the largest 100 metro areas, with 5.9 percent of homes with mortgages in the foreclosure process. Another 4.7 percent of mortgage holders are seriously delinquent on their mortgages. While these numbers are alarming, they have actually been growing more slowly than other areas due to relatively stable home prices.

Over the past year, the median home price fell by 2.9 percent, while the number of unsold homes on the market increased by 1.4 percent.⁴ In inflation-adjusted terms, home prices in the area are down 7.7 percent since 2007. However, this decline in housing is relatively modest compared to other metropolitan areas both in the Midwest and nationally. Demand for housing remains soft even with extremely low interest rates. Furthermore, the high number of foreclosures indicates that the supply of homes on the market will continue to grow over the course of the year. Don't expect home prices to increase anytime soon.

New residential construction remains weak. While new residential building permits in 2010 will likely exceed 2009 levels, they tailed off toward the end of the year, suggesting further declines in the construction industry. While this is bad news for the construction industry, it does suggest that the oversupply of homes is correcting itself, and that the local housing market will stabilize toward the end of 2011.

Forecast

The coming year should bring some improvement to the Indianapolis economy. Economic production will increase between 2 and 3 percent. This in turn will lead to the creation of 20,000 new jobs in the area. While this will be a welcome improvement in the economy, it is not likely to be sufficient to bring down the area unemployment rate very much. Furthermore, a weak residential housing market will remain as a drag on the economy as a whole. The Great Recession continues to lead to weakness in the Indianapolis economy, and likely will for at least a couple more years. ■

Notes

1. This analysis covers the Indianapolis-Carmel Metropolitan Statistical Area, which includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam and Shelby counties.
2. Employment data was collected from the Bureau of Labor Statistics reports accessed from the STATS Indiana website.
3. Income data come from the Quarterly Census of Employment and Wages at the STATS Indiana website.
4. Housing prices and supply of houses were collected from www.housingtracker.net. Foreclosure data was collected from www.foreclosure-response.org.

Kokomo Forecast 2011

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After the worst two-year stretch in recent memory, the local economy in Kokomo is finally starting to show signs of improvement. Large-scale investments at some of the area's largest manufacturing facilities have led to increased job opportunities and optimism. This change in attitude can even be seen in the national media, as Kokomo has gone from one of "America's fastest-dying towns"¹ to a "town back from the brink."²

Employment

Unemployment rates in 2010 have been declining, with rates above 13 percent for the first three months, rates above 12 percent for the next four months, and rates below 12 percent in August and September. As seen in **Figure 1**, the unemployment rate has remained above both the national and state averages for the entirety of the past three years, but it has been closing the gap since June 2009, especially in the third quarter of 2010. This decrease has occurred in spite of an increase in the number of people who have resumed their job search this year (the labor force increased by approximately 2.2 percent since January). Combining this information with recent news about investment and hiring at Chrysler, Delphi and Abound Solar Inc. indicates that the local economy is trending in the right direction in recent months and should continue to do so in the near future.

However, if a longer view is taken, a disturbing trend has emerged over the past 10 years. More than 12,600 jobs have left the Kokomo area since its peak employment level in May 2000, a decline of 25

percent (see **Figure 2**). The rate of job loss is far exceeding the rate of population decline, which points to future problems in both the labor market and housing market if the recent gains in employment are not sustained and built upon. Additionally, analysis of Howard County commuting patterns shows a net loss in population at the end of the work day, decreasing the amount of earned income that remains in the local economy.

Sector Analysis

Table 1 lists the five largest economic sectors in the Kokomo MSA based upon employment. Although manufacturing has taken a beating in the last decade, it still remains the largest sector, comprising nearly one quarter of all of the jobs in the area. A recent uptick in manufacturing activity and a growing health sector due to the area's aging population have the local economy on the rise. As with the national economy, many of the other sectors such as retail and education will not see sizeable gains until the overall health of the nation's employment improves.

Residential Real Estate

Residential real estate in the area has taken a tremendous hit recently, with an annual decline in prices exceeding 10 percent from the first quarter of 2009 to the first quarter of 2010.³ The Indiana Association of Realtors Real Estate Market Report for September is summarized in **Table 2** using combined data for Howard and Tipton counties.⁴ There has been an increase of 12 percent in the number of closed sales in the first nine months of this year compared to the first nine months of last year. List prices have also increased by 9 percent comparing September 2009 to September 2010. FiServ has predicted a small loss in the median home price

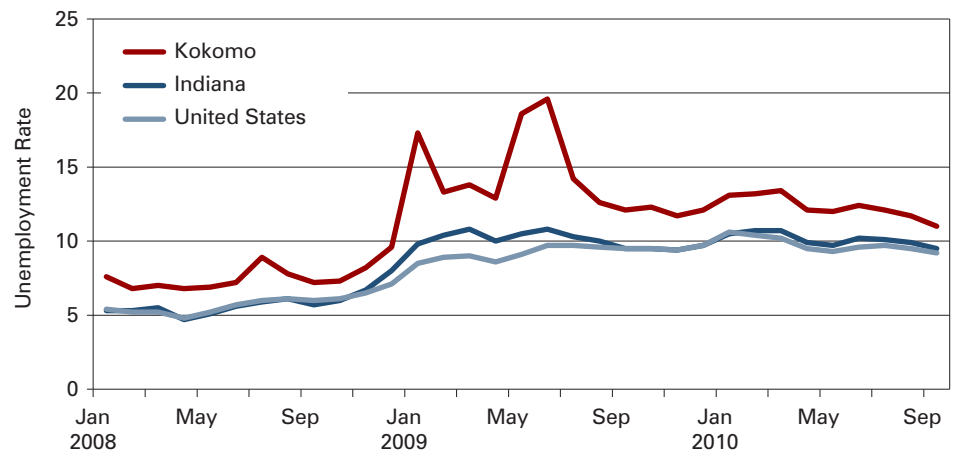
for the first quarter of 2010 through the first quarter of 2011, but predicts a 0.9 percent gain for the following year.⁵

Forecast

The short-term economic forecast for Kokomo is the best that it has been in several years. The Indiana Business Research Center is forecasting modest growth in area employment (above 1 percent in each of the next three years), while income growth in the area is forecast to outpace state increases, averaging over 4.4 percent

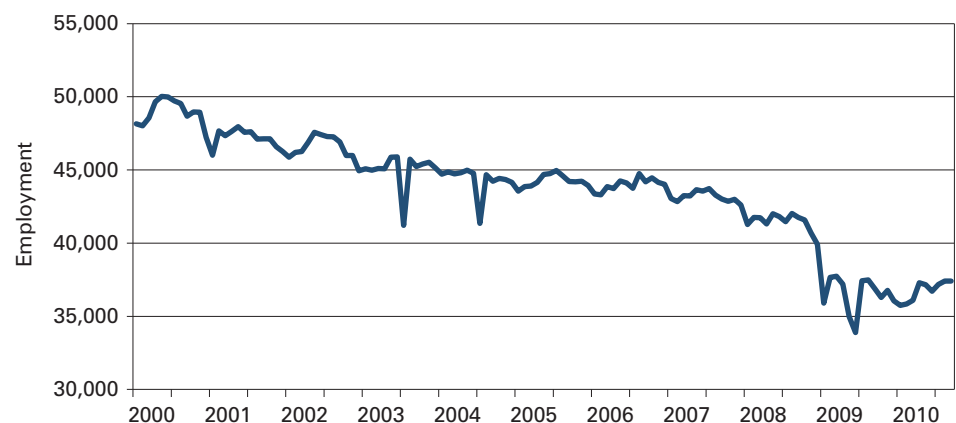
“Although manufacturing has taken a beating in the last decade, it still remains the largest sector, comprising nearly one quarter of all of the jobs in the area.”

FIGURE 1: Unemployment Rate Comparison, January 2008 to September 2010



Source: IBRC, using Bureau of Labor Statistics data

FIGURE 2: Employment Trend for the Kokomo MSA, 2000 to 2010



Note: Hash marks indicate January and July of each year.
Source: IBRC, using Bureau of Labor Statistics data

Lafayette Forecast 2011

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TABLE 1: Sector Analysis for the Kokomo MSA, 2008 to 2010

Sector	2008	2009	September 2010	
			Employment	Percent of Total Jobs
Manufacturing	12,200	8,300	9,300	22.6%
Government	7,800	7,500	7,500	18.2%
Retail	5,600	5,200	5,100	12.4%
Education and Health*	3,931	4,189	4,516	12.2%
Leisure and Hospitality	4,500	4,200	4,400	10.7%

*Data for this sector were unavailable for September, so a comparable measure was constructed using the most recent data available (March 2010).

Source: Bureau of Labor Statistics

TABLE 2: Residential Real Estate for the Kokomo MSA, Year-to-Date September 2009 to September 2010

Residential Properties	2009	2010	Percent Change
New Listings	1,558	1,478	-5%
Closed Sales	718	806	12%
Median Sales Price*	\$69,450	\$75,500	9%

*The median sales price shows data for Howard County only.

Source: Indiana Association of Realtors

per year for the next three years. Conexus Indiana is also forecasting income growth for the area, predicting an increase of nearly 18 percent in the area's manufacturing income.

The long-term forecast depends on the area's ability to continue to grow employment and retain its population. Additionally, the area needs to close the gap on educational attainment compared to national averages in order to diversify the job skills of the local workforce. The real estate market will continue to be stagnant, with little or no increase in property values for the coming year. In summary, the area should see steady growth in economic activity, particularly in manufacturing and health services, and positive (although smaller) growth in employment and real estate for the next year. ■

Notes

1. Matt Woolsey, "In Depth: America's Fastest-Dying Towns," *Forbes.com*, December 9, 2008, www.forbes.com/2008/12/08/towns-ten-economy-forbeslife-cx_mw_1209dying_slide_9.html.
2. "The Turnaround," *CNNMoney.com*, accessed November 5, 2010, http://money.cnn.com/video/smallbusiness/2010/10/17/sbiz_kokomo_downtown_2.cnnmoney/.
3. "Real Estate: Your Local Forecast," *CNNMoney.com*, accessed November 4, 2010, <http://cgi.money.cnn.com/tools/homepricedata/index.html?market=9IN>.
4. These reports are archived at www.indianaishome.com/4_0_Reports.asp.
5. See footnote 3.

The year 2009 was characterized by a turbulent economy, and many probably thought 2010 did not feel much better. While the economy improved in 2010, it was still slower than the languid recovery forecasted. Economists continuously downgraded their cautiously optimistic forecasts, consumer confidence declined, and employment figures left something to be desired. As we look to 2011, it appears that the Lafayette Metropolitan Statistical Area (MSA) will continue to recover at a conservative rate. This slow pace of recovery is on par with what's expected nationally.

Despite the prediction of a modest recovery, the Lafayette MSA, which includes Tippecanoe, Benton and Carroll counties, is still viewed as an attractive area to live and work. After years of strong population growth, the MSA population is expected to rebound in 2011 following the minor drop experienced in 2010 (-0.7 percent), as shown in **Figure 1**. This population growth has been driven by Tippecanoe County, home to Purdue University and its research park. It is expected that the metro will add about 800 residents in 2011 (a 0.4 percent growth).

Labor

As seen in **Table 1**, except for June and July 2010, the Lafayette MSA consistently performed better than Indiana and the United States in the past year. The uptick in