

Terre Haute Forecast 2011

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Although on a national basis the recession of 2007-2009 officially ended in June 2009, when one considers the dynamics of the labor market, the effects of the recession still weigh heavily on the local Terre Haute economy. While the unemployment rate did fall slightly between July 2009 and February of this year (on a seasonally adjusted basis), since February it has been trending upward again leaving it well above national and state levels (see **Figure 1**).

The reason for the temporary decline in the unemployment rate had more to do with seasonal factors than any real upturn. In fact, more people left the labor force while the actual number of unemployed stayed at a high level (see **Figure 2**). Thus, despite winning the Indiana Chamber of Commerce Community of the Year award for 2010, and despite completion of the much-anticipated Union Hospital expansion, the engines of growth remain mostly idle.

Even so, if one looks carefully enough, there are signs that the outlook may be improving for some. In addition to the aforementioned expansion at Union Hospital, Indiana State University (ISU) and Rose-Hulman Institute of Technology welcomed larger-than-anticipated freshman classes, and there are some indications that ISU's enrollments may continue to grow in the coming years. Thus, the educational and health services sector of the local economy appear to be in good shape.

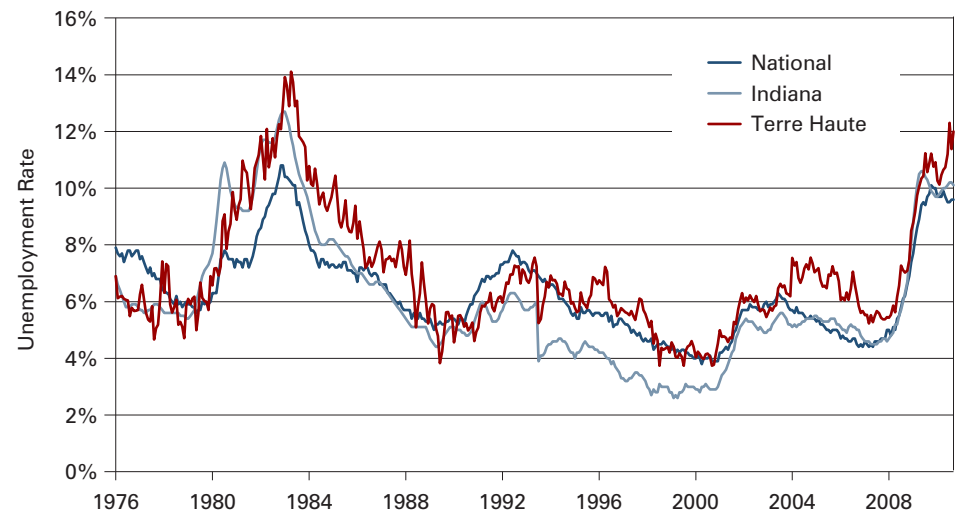
A second bright spot is Terre Haute's downtown area, where a revitalization that began with the opening of the new Hilton Garden Inn in 2007 and Candlewood Suites in 2008 continues. September saw the long-awaited opening of the new Terre Haute Children's Museum, while three blocks away construction is well underway on a

large new bookstore on the edge of the ISU campus. Such additions to the downtown area, along with new restaurant openings, are increasing business activity in the downtown area.

On the manufacturing front, ThyssenKrupp Presta is expanding, partly because of the closure of less

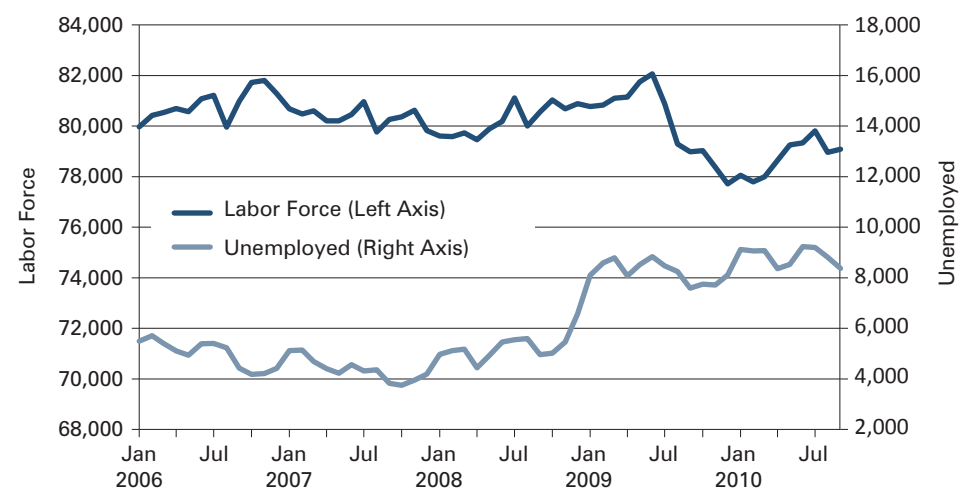
productive facilities elsewhere and partly because Ford has contracted with the company to produce steering systems for all new Fords. Similarly, the cyclical businesses at Great Dane (truck trailers), ADVICS (formerly Aisin Brake) and Sony DADC (DVDs and BluRay DVDs)

FIGURE 1: National, State, and Terre Haute Metro Unemployment Rates, January 1976 to September 2010



Note: Tick marks indicate January of each year. Data are seasonally adjusted (Terre Haute adjustment calculated by authors.) Source: Bureau of Labor Statistics

FIGURE 2: Labor Force and Unemployment for the Terre Haute Metro, January 2006 to September 2010



Note: Data are not seasonally adjusted. September data are preliminary. Source: IBRC, using Bureau of Labor Statistics data

are seeing typical post-recession increases in production and hiring.

Reorganizations and contractions are also ongoing in Vigo County. Indiana State University reduced its faculty and non-faculty employment through a retirement incentive program. Though a few layoffs were still necessary, the subsequent enrollment growth has been enough to ensure that, for the time being, one of Terre Haute’s largest employers will no longer be reducing its economic footprint.

The property tax caps and their impact are, of course, being felt throughout Indiana local governments. Though total enrollment in the Vigo County Public School System was down, the number of unfilled teaching positions rose even more rapidly as the school corporation began planning for a sustained period of lower revenues. Similarly, the city and county governments are facing what would have normally been considered draconian cuts—pushing 20 percent of their respective operating budgets. This has led the county to induce some to retire while forcing the city to curtail popular services.

In surveying the local Terre Haute economy, one cannot help but be struck by the way that the local economy has been changing over the past few years. Reflecting national trends, the local economy is becoming more centered on services. While manufacturing continues to be an important part of the local economy, its significance in terms of employment has not changed much since 1990; meanwhile, educational, health and other services have grown in importance (see **Table 1**). A significant change in the mix of area employment has been underway for some time.

Unfortunately, the stubbornly high unemployment rate also reflects national trends. If anything, Terre Haute’s recovery from the recession of 2007-2009 looks to be

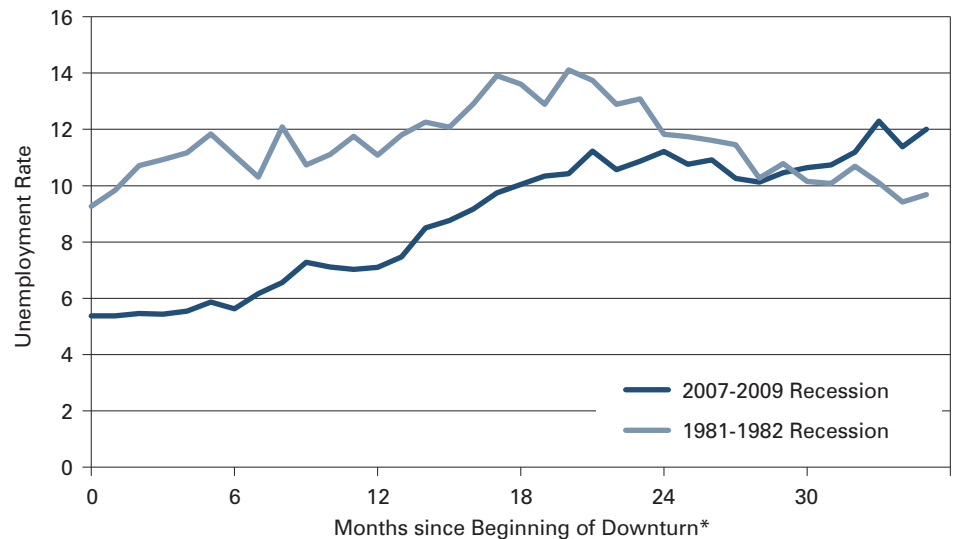
“The Terre Haute economy might continue to experience high levels of unemployment well into 2011. While bright spots are on the horizon, a general upturn still seems a good distance away.”

TABLE 1: Terre Haute Metro Employment by Sector, 1991 to 2010

| Sector | 1991–1995 | 1996–2000 | 2001–2005 | 2006–2010 |
|---|-----------|-----------|-----------|-----------|
| Manufacturing | 15.8% | 16.0% | 15.3% | 15.5% |
| Wholesale and Retail Trade | 18.5 | 18.9 | 16.9 | 14.6 |
| Education and Health Services | 14.1 | 15.2 | 15.4 | 17.1 |
| Other Services | 22.3 | 22.7 | 24.9 | 24.8 |
| Other (Including Agriculture) | 13.7 | 10.0 | 9.8 | 10.2 |
| Public Sector (Including Local Education) | 15.6 | 17.1 | 17.7 | 17.8 |

Note: Data for 2010 include January through September. September data are preliminary.
Source: Bureau of Labor Statistics

FIGURE 3: Comparison of Terre Haute Metro Unemployment Rates over Two Severe Recessions



*The 2007-2009 downturn started October 2007 and the 1981-1982 downturn started August 1981.
Note: Data are seasonally adjusted based on calculations by the authors.
Source: IBRC, using Bureau of Labor Statistics data

proceeding more slowly than the recession of 1981-1982 (see **Figure 3**), although it must be remembered that the recession of 1981-1982 was the second of a “double dip.” In that era, which in many ways is a postwar benchmark for our current situation, the unemployment rate actually began rising in early 1979 and did not begin falling until the

spring of 1983—a total of about four years of persistent and high unemployment. By that standard, the Terre Haute economy might continue to experience high levels of unemployment well into 2011. While bright spots are on the horizon, a general upturn still seems a good distance away. ■