

Evansville Forecast 2014

Mohammed Khayum, Ph.D.: Professor of Economics and Dean of Business, Romain College of Business, University of Southern Indiana

By the end of 2010, real output in the Evansville metropolitan area (metro) reached pre-Great Recession (December 2007 to June 2009) levels. However, six years after the onset of the recession, the Evansville economy remains about 1,000 jobs short of the employment level that prevailed in 2007. During 2013, signs of labor market improvement, increases in personal income and real retail sales, combined with the impact of recent fixed investment provide the basis for projecting that employment will reach pre-recession levels in 2014.

Once all the data are released for 2013, nominal personal income is estimated to have increased by 2.6 percent and real gross metro product is estimated to have increased by 0.5 percent. In 2014, Evansville metro area output is forecasted to increase by 2.1 percent, the number of jobs is projected to increase by 1,400 and the forecast for nominal personal income growth is 5.8 percent.

The unemployment rate in the Evansville metro fell from 8.4 percent in January 2013 to 6.9 percent in August. Nationally, the unemployment rate fell from 8.5 percent to 7.3 percent over the same time period. Job gains occurred in the following sectors: professional and business services, education and health services, and trade. Industries experiencing job losses include construction, financial activities and information.

Mixed signals are evident in the housing market. Homeowners experienced home price appreciation as existing home prices increased from an average of \$96,200 in 2012 to \$102,500 by the end of the second quarter in 2013. However, mortgage originations are expected to decrease

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*Bartholomew County
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seen in Columbus since before the Great Recession. As of August 2013, Bartholomew County had processed 170 housing permits—a pace of 255 total for the year if things continue, higher than any year since 2007 (257 permits filed). Additionally, the average home sale price rose for the fourth consecutive year in the Columbus MSA, up by nearly 3.7 percent in 2013. The number of homes sold in Columbus in 2013 is on track to surpass 900, a number also unseen since 2007.

Outlook

The Columbus economic outlook for 2014 is neutral to slightly favorable. On the positive side, things have been going very well locally. The 4th Street community area is now complete, Columbus continues to maintain mutually cooperative leadership in many organizations throughout the city, and the downtown redevelopment effort has been accompanied by an assortment of festivals, sports, arts, architecture, tourist activities, and even a mid-major, full-length marathon. Indiana's leading index is at a six-year high (101.48), local building permits are on track for a record year and national stock market indices continue to show strength with impressive market capitalizations.

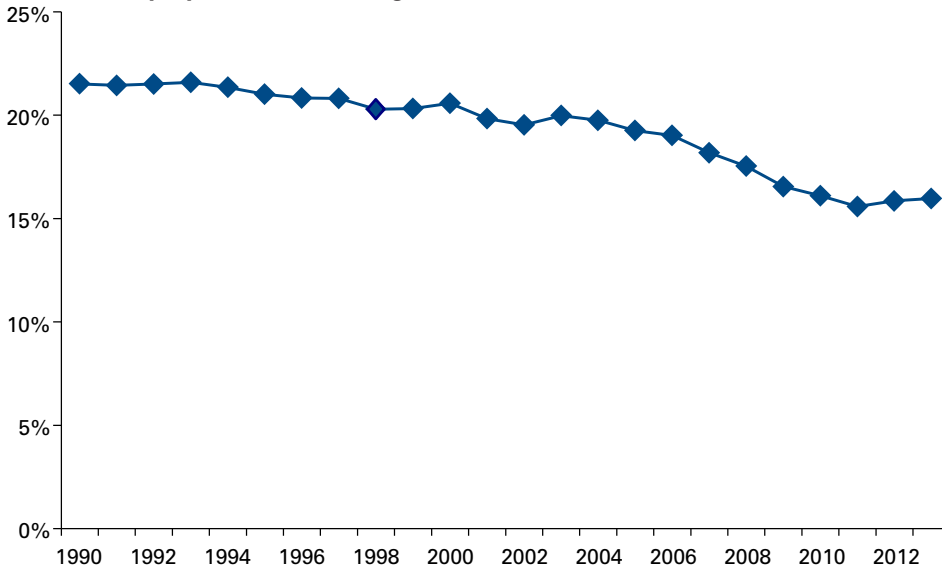
On the negative side: Cummins just lowered its forecast for the fourth quarter of 2013 and 2014 on weaker than expected demand, and despite near-record revenue levels, Cummins expects its sales in 2013 to end below 2012 levels. Cummins has also forecasted 2014 sales to be flat, with many markets sustaining slow growth or weak demand. Also, the national debate regarding the debt ceiling and future discussions on tax policy creates an air of uncertainty which has a chilling effect on economic growth. Congressional gridlock and government shutdowns are merely a sideshow versus the real economic damage that could be inflicted on capital intensive businesses if tax policies and Federal Reserve policies are not handled with clarity and care.

The Columbus economy is tied to the interactions of external and internal forces. To the former, growth in the manufacturing sector on the whole, relevant markets around the globe and the health of the automotive and transportation industries will continue to fuel demand for products and services that Columbus is well-positioned to provide. To the latter, a continued focus on local redevelopment and the cooperative efforts seen among leaders around the city will likely continue to result in the creation of intangible, unique qualities yielding economic opportunities. With a little help from constituents in Washington, D.C. and around the world, Columbus should be able to sustain a pace for modest growth in 2014. ■

Notes

1. City of Columbus, Redevelopment Office, www.columbus.in.gov/redevelopment/economic-impacts-of-redevelopment/, accessed October 30, 2013.
2. STATS Indiana, www.stats.indiana.edu/uspr/a/us_profile_frame.html, accessed October 15, 2013.
3. Department of Numbers, www.deptofnumbers.com/employment/metros/, accessed October 31, 2013.
4. United States Bureau of Economic Analysis, www.bea.gov/, accessed October 15, 2013.

FIGURE 1: Evansville MSA Manufacturing Employment as Percent of Total Nonfarm Employment, 1990 to August 2013



Source: STATS Indiana, using Bureau of Labor Statistics data

TABLE 1: Manufacturing Percent of Total Employment, August 2013

Industry	Evansville Metro	Indiana	U.S.
Manufacturing	16.0%	16.7%	8.8%
Durable Goods	53.0%	72.0%	62.7%
Nondurable Goods	47.0%	28.0%	37.3%

Source: STATS Indiana, using Bureau of Labor Statistics and Indiana Department of Workforce Development data

from \$1,182 million in 2012 to \$933 million in 2013. Between 2012 and 2013, single-family housing permits are estimated to have increased by 28 percent while personal bankruptcies per 1,000 persons are estimated to have decreased from 5.0 to 4.1.

The manufacturing sector continues to be an important base to metro area household incomes and consumer spending activity even as the economy adjusts to an ongoing diversification away from manufacturing industry dependence (see **Figure 1**).

As one of the most manufacturing-dependent metro areas in the nation, the Evansville economy was noticeably impacted by the Great Recession. Since 2007, Evansville’s manufacturing workforce has fallen by 12.7 percent (about 4,100

workers) compared to an 11.2 percent reduction in Indiana’s manufacturing workforce over the same period. In 2013, manufacturing earnings continued to be a significant driver of economic activity, accounting for about 24.2 percent of total earnings in the Evansville economy.

Given the proportion of the metro area’s output that is sold outside the metro, the strength of recovery in the Evansville area is linked to the strength of the broader economy. As the projected demand for locally produced goods reverts to its pre-recession level, personal income and output growth are expected to increase in 2014.

While output and employment growth are projected in 2014, the Evansville economy faces an ongoing

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challenge as a result of long-term adjustments occurring within the manufacturing sector, particularly in the share of nondurable manufacturing. **Table 1** shows manufacturing as a percent of total employment for the metro, state and nation. In addition to the changing dynamics of the manufacturing industry, relatively slow growth in population, income and employment over the past three decades and a rapid change in the pace of technology adoption highlight the importance of achieving higher rates of output and employment growth. The completion of I-69 between Evansville and Bloomington in 2014 will improve Evansville’s economic activity: undoubtedly, the additional transportation and distribution networks will provide considerable opportunities for future employment and output growth. ■