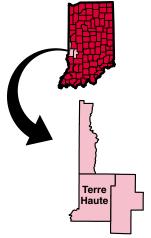
## **Terre Haute**



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Economist and Lecturer, Kelley School of Business, Indiana University, Bloomington n the midst of the longest economic expansion in the nation's history, one Indiana metropolitan area is struggling to keep up with the prosperity gains. And its traditional weakness is expected to carry over into 2001.

Of the 11 metropolitan areas in Indiana, all have seen their total earnings from employment increase in recent years. Consider the five-year period ending in 1998, the latest year for which the U.S. Bureau of Economic Analysis has published local data. Indiana's statewide earnings grew 29% in current dollars. The Lafayette metro area and the greater Indianapolis area both beat that average, coming in at nearly 34%, and the Elkhart-Goshen area enjoyed a 32% rise.

In the Terre Haute metropolitan area, however, which includes Vigo, Clay and Vermillion counties, current dollar earnings increased only 14%, the lowest metro area figure in the state. Second lowest was Muncie at 16.5%.

For a perspective on Terre Haute's restrained capacity to generate income, we can examine the earnings per job figure calculated by BEA. This is simply total earnings from work divided by the number of people employed in the area. In the Terre Haute metropolitan area, earnings per job in 1998 were \$26,000, including both full-time and part-time employment. That's tied with Bloomington for lowest in the state.

Lafayette and Muncie, however, also had low earnings per job, so perhaps a large student population has an effect. If we look simply at earnings per person, dividing earnings by area population, the picture changes. The Terre Haute metro area is clearly the lowest in the state at just over \$14,000 per resident. Muncie and Lafayette earnings per population were \$16,000 and \$18,000 respectively. Assuming the earning power of students is similar at each of the four large universities, there apparently is something else that prevents Terre Haute from matching the rest of the state's earning power.

We will leave examination of the details of Terre Haute's earning power to another time. For purposes of a forecast for 2001, however, we can rely on this historical weakness to arrive at a likely economic scenario in the Terre Haute metro area for this coming year.

The Terre Haute area is likely to experience more problems as a result of the expected slowing of economic growth in the United States.

First, the unemployment rate in the Terre Haute metro area will rise to higher levels than in most other

parts of Indiana. Available statistics do not track full-time and part-time jobs separately. But presumably many of the jobs in the Terre Haute area are part-time jobs, contributing to the low level of earnings per job. As the economy slows, part-timers and lower paid (less senior) full-time employees often are laid off first. The unemployment rate in the Terre Haute metro area historically stays higher than the state average, so expect noticeable increases in unemployment there this year.

Second, the Terre Haute area's population has not been growing recently. In fact, throughout the decade of the 1990s the metro area population was essentially unchanged at about 148,000 people. So in an economic slowdown the Terre Haute area does not have natural population growth to take up the slack. New housing construction in particular will decline significantly in the Terre Haute area this year from its record high levels in 1999 and 2000. Retail sales, too, including car and truck sales, will soften more in Terre Haute than in other Indiana cities.

World energy prices are forecast to remain high in 2001. Energy prices may actually give a boost to the Terre Haute area. To the extent that higher oil and gas prices prop up the prices of other fuels, the coal mining industry around Terre Haute will enjoy a modest improvement over the depressed prices of the late 1990s.

Finally, Terre Haute's economic mix works against it. Compared to other Indiana metro areas, the Terre Haute area has a smaller proportion of the high paying jobs found in durables manufacturing and certain services industries.

The rest of Indiana may notice the slowdown in the rate of growth in economic activity that is forecast for 2001. The Terre Haute area, however, has a weaker earnings capacity than other Indiana metro areas. Any slowdown at all is likely to cause the Terre Haute area to struggle even harder just to stay even.

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