Kokomo

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Long time Indiana Business Review contributor, Dr. Dilip Pendse, passed away on September 19th, 2001. He leaves large shoes to be filled and he will be greatly missed at IU Kokomo—K.P.

Ed. Note: These pages have been graced by Dr. Pendse's expertise and humor since his first Outlook article in 1979. We will miss him.

Kokomo's economy is heavily weighted towards manufacturing. Unfortunately, this is one of the areas of the economy that has been hardest hit since the events of September 11th and by the general economic slowdown affecting the country prior to September 11th. This has meant that many firms in the Kokomo area have seen a general economic malaise and a slowdown in business. This hits especially hard since Kokomo has been one of the economic powerhouses of the area. The Kokomo Metropolitan Statistical Area has long had the distinction of being one of the top MSAs in the country in terms of average salary, despite the fact that the Kokomo MSA is the smallest of the 11 MSAs in Indiana.

There has been one large piece of good news in the manufacturing front: DaimlerChrysler's Indiana Transmission Plant recently produced its 1 millionth transmission. The plant has been open about three years and is now up to full speed. Original goals for the plant called for about 2,900 transmissions produced per day, and they are now up to about 3,400 per day. This translates into about 800,000 per year.

But, there have been some specific problems that have become evident in Kokomo's economy in the past few months. Unemployment has increased from the September 2000 levels of 2.7 percent to September 2001 levels of 5.4 percent. The average workweek has dropped, resulting in fewer hours worked and/or less overtime pay. Thus, average weekly earnings have fallen from $1,014.34 to $996.38, leaving many confused and ill at ease about their economic future.

Visible Changes in the Kokomo Landscape

There have been other changes that are easily visible in the Kokomo region. The Superfund site at Continental Steel has finished with the first level of remediation, and discussions are underway to find an alternative use for the land, most likely as a brownfield type usage. Delphi Delco Electronic Systems is also involved in an environmental cleanup at Plant 1, due to be completed shortly. The new DaimlerChrysler plant at the north edge of Kokomo is an approximately 600,000 square foot plant that will have $400 million worth of equipment and machinery. This plant will create new jobs and new tax revenues for the city of Kokomo and is a win-win all around.

Prospects for the Future

Kokomo remains highly dependent on the automobile industry. The zero-percent financing has enticed many consumers to purchase a new vehicle, but time will tell what impact these purchases will have on automobile manufacturers' bottom lines in general. Specifically, DaimlerChrysler has been experiencing overall problems and has failed to meet analysts' forecasts. This has led to cuts at DaimlerChrysler plants nationwide, and in fact, DaimlerChrysler will be offering early retirement packages to Kokomo workers similar to the early retirement packages that Delphi Delco offered to workers in the region. This may adversely affect the Kokomo economy.

In summary, the Kokomo economy, like much of the rest of the country, is in a wait-and-see mood and consumers are keeping their pocketbooks more tightly closed than in the past.

Lafayette

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Which metropolitan area in Indiana has the strongest economy? Of all the metro areas apart from Indianapolis, Lafayette probably turned in the best performance during the long economic boom of the 1990s.

The Indianapolis metropolitan area was unusually prosperous during the past decade and led the state in almost every category. But Indianapolis is much bigger than any other Indiana metro area, so it is perhaps unfair to include it in the comparisons. Not counting Indianapolis, then, Lafayette was arguably the strongest of the 11 other metro areas. Consider the evidence (see **Table 1**):

Table 1
Lafayette Metropolitan Area Recent Economic Performance

	Performance	Rank in State (of 11 metro areas excluding Indianapolis)
Population Growth, 1990-2000	13.2%	2
Payroll Employment Growth, Sept. 1995-Sept. 2001	6.0%	1
Unemployment Rate, Sept. 2001	2.9%	1
Commute Ratio, number commuting in divided by number commuting out	5.1 to 1	1
Growth Rate of Employment in Services Industries, Sept. 1996 to Sept. 2001	10.5%	3

Source: U.S. Bureau of Labor Statistics, U.S. Bureau of the Census and STATS Indiana.

Population Growth. With a 13.2 percent growth rate from 1990 to the 2000 census, the Lafayette metro area, which encompasses Tippecanoe and Clinton counties, was the second fastest growing metro area in the state outside Indianapolis. It was only edged out by Elkhart at 17 percent. Total population in the metro area was 182,821 at the 2000 census.

Job Growth. From September 1995 to September 2001, the Lafayette area added 4,500 jobs, an increase of 6 percent. That was the highest percent increase of any metro area other than Indianapolis.

Unemployment Rate. In September 2001, the Lafayette metro area had the lowest unemployment rate in the state, at 2.9 percent. Outside Indianapolis, only Bloomington can rival Lafayette for low unemployment.

Commute Ratio. The ratio of the number of commuters into an area compared to the number out of the area is an indicator of economic attractiveness and economic independence. Some suburban counties, for example, send many more commuters out to the nearby city than they attract. Tippecanoe County, however, had a ratio of five to one in 1999 (the most recent data available). That means five times more people commuted *into* the county than commuted out. Apart from Marion County, at 6.1, Tippecanoe had the highest commute ratio in Indiana.

Growth in Services Industries. All over Indiana, manufacturing has dominated the economic mix. But a more diverse economy helps protect against the unemployment and loss of revenue that recessions bring. Services industries, therefore—especially health care, business services and management services—have been a focus for economic development. From September 1996 to September 2001, employment in services industries in the Lafayette metro area grew 10.5 percent. Not counting Indianapolis, that figure puts Lafayette in a tie for third place with South Bend-Mishawaka. Bloomington, with a 25.6 percent increase, and Gary-Hammond, up 15 percent, led the non-Indianapolis areas.

The economic vitality the Lafayette metro area displays places it in a strong position entering the recession of 2001-2002. While manufacturing activity slowed first in this recession, Lafayette has only 23 percent of its employment in that sector, one of the lowest levels in the state. With nearly 20 percent of its employment in services industries, the Lafayette metro area is not likely to see the high unemployment rates that will visit those counties dependent on the U.S. automobile-maker business.

Unemployment probably will peak between 5 and 6 percent in Lafayette in 2002, but will decline quickly as the country's recovery picks up steam in the second half of the year. With good weather, a strong construction sector will help keep that rate down. And as service and retail businesses expand, the Lafayette area should continue to attract a big share of that expansion.

Muncie

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Sometimes circumstances can turn a weakness into a strength. Muncie's weakness is that despite all the economic virtues the area can claim, Muncie cannot seem to attract new residents. The Muncie MSA, which includes all of Delaware County, was the only metro area in Indiana to post a net loss in population in the 2000 census.

From 1990 to 2000, the population of Muncie and Delaware County declined by 890 people, to 118,769. That is a 0.7 percent drop, and it allowed