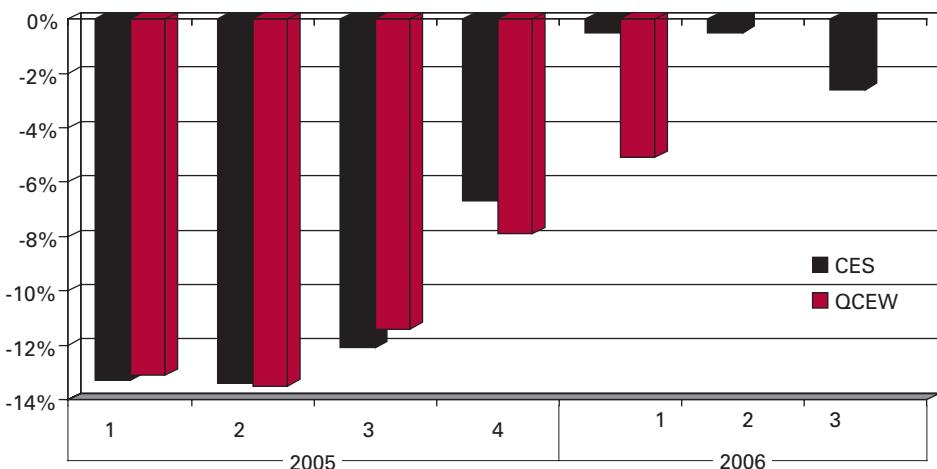


Bloomington

Figure 4
Percent Change in Manufacturing Employment from Last Year, Muncie



Sources: Current Employment Survey and Quarterly Census of Employment and Wages

employment of 1 percent in the Muncie metro through September, it ranked second to last among Indiana metros, exceeded only by Kokomo, as ranked by the CES data. Certainly the long-anticipated closure of the manual transmission facility, once jointly operated by General Motors and Chrysler, contributed to the decline.

Meanwhile, the QCEW employment data are a bit more optimistic. Muncie's CES-reported job decline in the first quarter of 2006 is depicted as a gain in the QCEW data, and earlier quarterly

losses are similarly less harsh. That first quarter gain in the QCEW reported employment is particularly heartening when considering the manufacturing job loss shown for the same period (see Figure 4).

Although building permits are down from last year, unemployment claims through November are running at levels comparable to 2005. Based on the incomplete information

available, our assessment is that Muncie's employment declines have leveled off.

The outlook for 2007 is clouded by the uncertainty over the status of Borg-Warner's transfer case manufacturing facility on the city's west side, which the company has threatened to close unless the current labor contract is reopened and concessions are made. The facility's product is closely linked to Ford truck sales, which have suffered greatly in recent months.

However, the opening of a 700-worker Sallie Mae loan processing center in Muncie

and the ground breaking of a \$120 million expansion and renovation project at Ball Memorial Hospital, as well as other developments, have raised hopes that any job losses can be offset by gains elsewhere in the economy. Our projection calls for very modest growth in Muncie's job base in 2007, amounting for approximately 200 net new jobs, or about 0.4 percent. ■

“The opening of a loan processing center and renovation of Ball Memorial Hospital, as well as other developments, have raised hopes that any job losses can be offset by gains elsewhere in the Muncie economy.”

Jerry N. Conover, Ph.D.

Director, Indiana Business Research Center, Kelley School of Business, Indiana University

The Bloomington area's economy followed in the state's footsteps in 2006, and it appears on track for moderate growth in the year ahead.

Monroe County's population, estimated at 121,407 in 2005, continued its slow growth, adding nearly 500 residents over the preceding year (but gaining only 844, or 0.7 percent, since the 2000 Census). Though the county is growing, Monroe's neighbors are all growing at a faster rate, as shown in Figure 1. In contrast, the city of Bloomington's population (estimated at 69,017 in 2005) continued its gradual shrinkage, dropping over the year by about 300 and down 2,600 (3.5 percent) since 2000.

Employment in the area has continued growing at a moderate but encouraging pace, with the annual average for the Bloomington metropolitan area hitting an all-time high in 2005 at 81,436 nonfarm jobs. To date, 2006 is on track to surpass this mark, averaging more than 700 jobs above the year-earlier period on a seasonally adjusted basis through September.

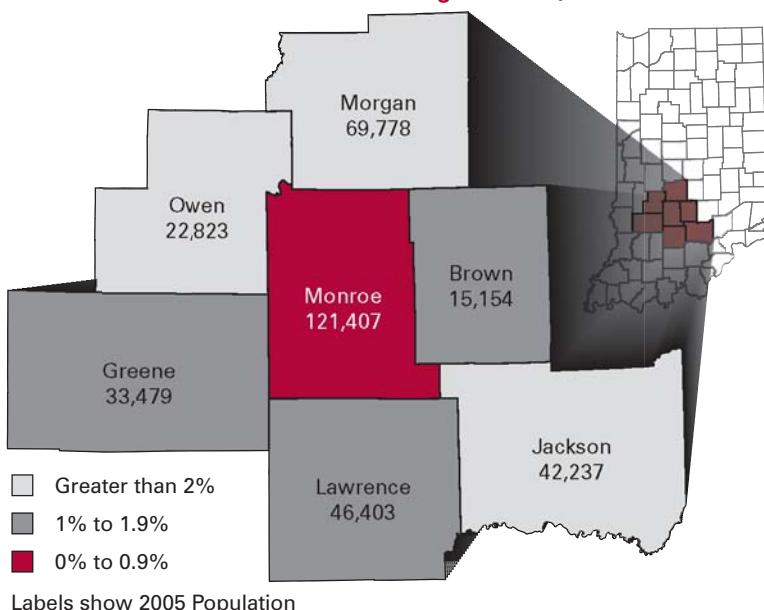
This moderate employment growth has outpaced population growth over the past several years. Sustaining this trend required either more workers commuting to the Bloomington metro area from surrounding communities or a decrease in the unemployment rate, and both actually occurred. According to Indiana Department of Revenue data, 15,748 Monroe County workers commuted in 2004 from residences in other counties, up a slight 2.4 percent since 2000. The county's unemployment rate, meanwhile, has been down every month in 2006 compared to a year earlier, a welcome trend as more

"help wanted" signs are visible all over town. The September figure of 3.7 percent was Monroe County's lowest unemployment rate in two years.

The local employment outlook for 2007 calls for a moderate gain in the range of 600 to 1,000 jobs. At this writing, no major plant expansions or closures have been announced for Bloomington in the coming year, although it appears that several firms in the automotive parts industry are considering locating in this general region of the state (in anticipation of the new Honda plant to be built in Greensburg and demand from other nearby auto plants).

The area's manufacturing sector has declined substantially in recent decades, though the rate of manufacturing job shrinkage slowed significantly over the past year. As shown in **Figure 2**, the county lost nearly 1,000 factory jobs during the first half of 2001, and levels have since fluctuated in the low-7,000 range. With luck, we may actually see modest growth in local manufacturing jobs in 2007. Average wages paid to manufacturing workers in Monroe County have stabilized somewhat over the past

Figure 1
Population Growth in Monroe and Surrounding Counties, 2000 to 2005



Source: IBRC, using U.S. Census Bureau data

several quarters after several years of sizable fluctuations. However, the overall trend for manufacturing wages is still slowly decreasing.

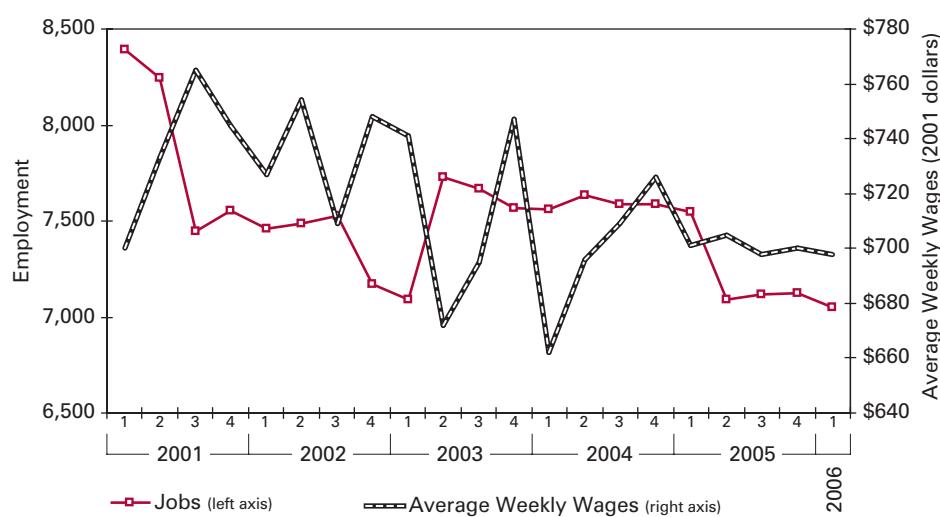
Respectable growth is expected in Bloomington's life sciences industry, accounting for perhaps 300 to 500 new jobs in 2007 spread among the larger firms in this sector. Even more

new jobs are likely in the health care services sector. Feeding the new hospital and growing demand for health care generally, this trend is not likely to abate anytime soon. Maintaining growth in health services and life sciences implies a growing demand for skilled workers; fortunately, new initiatives to meet this demand on the part of Indiana University (IU) and Ivy Tech should support continued growth.

With IU enrollments rebounding this fall and some significant investments in campus construction, research and other activities, businesses that cater to the higher education community have decent prospects for the coming year.

Finally, the Bloomington housing market is on track to finish 2006 with sales at about the same level as 2005, while prices to date are up about 4 percent and inventory on the market is slowly rising. Given the broader outlook for interest rates and the economy generally, 2007 should see home prices and sales leveling off and a gradual slowing of new housing construction. ■

Figure 2
Monroe County Manufacturing: Jobs and Real Wages, 2001 to 2006



Source: IBRC, using U.S. Census Bureau ES-202 data