The Evansville economy continues to exhibit positive year-over-year growth. In 2006, personal income is estimated to increase by 5.75 percent compared to an average annual growth rate of 4.25 percent between 2001 and 2004 (see Figure 1). Economic performance in 2006 was driven by job creation in professional and business services, as well as in the leisure and hospitality sector. The manufacturing sector continues to be important to metro area household incomes and consumer spending activity—even as the economy adjusts to an ongoing diversification away from dependence on the manufacturing industry (see Figure 2).

Although the Evansville economy is one of the most manufacturing-dependent metro areas in the nation, it has not experienced the same degree of hardship as other manufacturing-dependent Midwestern metro areas. Since 2000, Evansville’s manufacturing workforce has fallen by 7 percent (or about 2,500 workers), compared to the 16 percent reduction in Indiana’s manufacturing workforce over the same period.

At the same time, manufacturing earnings as a share of total earnings has remained stable at about 29 percent between 2001 and 2006 in the Evansville metro economy. The resiliency of Evansville’s manufacturing sector is explained in part by the growth of the local auto industry headed by top employer Toyota as well as to the strong demand for primary metals in recent years, which has kept Alcoa among the largest local employers.

During the summer of 2006, the hospitality and retail sectors benefited from a number of conventions that resulted in bookings of about 12,000 hotel rooms and an estimated $7.8 million boost to the metro area economy. The increase in tourist-related activity provided added momentum to the near-term services-led expansion, particularly aiding investment and hiring activity in the leisure/hospitality and retail trade industries.

Current efforts to attract future high-tech related industry via the creation of a downtown technology park, an emphasis on workforce development, and relatively low office rents are sources of momentum for economic expansion in the next few years. The outlook is for increased momentum in the Evansville metro economy as a result of hiring and investment activity in the service sector and relative stability in the manufacturing sector.

In 2007, output is forecasted to increase by 2.7 percent, the number of jobs is projected to increase by 2,400, and the forecast for personal income growth is 5 percent. Figures 1 and 3 provide a comparison of forecasts for the Evansville economy and the state of Indiana for the 2005–2008 period.