transportation, and utilities in the South Bend–Mishawaka metro, professional and business services in the Elkhart-Goshen metro, leisure and hospitality in Elkhart-Goshen, and educational and health services in South Bend–Mishawaka. Sizeable job losses occurred in manufacturing and government across the region. Government and professional and business services lost jobs in the South Bend–Mishawaka metro, while manufacturing and education and health services suffered losses in the Elkhart-Goshen metro. Many services—including financial services—remained stagnant in 2007, likely due to the sluggish national economy and struggling financial markets. Employment in services and trade will likely improve in 2008 as interest rates fall, spending improves, and financial markets stabilize.

**Wages**
The average weekly wage rose only 1.7 percent from the first quarter of 2006 to the first quarter of 2007 in St. Joseph and Elkhart counties. This marked a slowdown from the previous year that saw wages rise more than 6 percent in St. Joseph County and more than 10 percent in Elkhart County due to inflationary pressures. Wage growth varied by industry. Manufacturing wages fell 0.1 percent. Wages rose 5 percent in transportation and warehousing and finance and insurance, 4.2 percent in retail, and 2.6 percent in health care and social services. Expected slower inflation in 2008 will continue the slow growth in wages over the coming year.

**Housing**
Residential construction, measured by the number of new single-dwelling housing permits issued in St. Joseph County, remained soft in 2007 as in 2006. From January 2007 to September 2007, 247 new housing permits were issued, compared to 256 during the same period in 2006 (see Figure 2). That is in stark contrast to the 403 permits issued during the same period in 2005. The continued slowdown in new housing indicates the Michiana market has continued to struggle with weak demand, falling housing prices, growing inventories of existing homes, and tougher credit markets. As financial markets stabilize and interest rates improve, 2008 should see improvement in local real estate markets.

**Summary**
In 2007, the Michiana region’s economy was sluggish: flat employment, relatively stable unemployment rates, rising wages, and continued slow real estate markets. The outlook for 2008 shows signs of modest improvement, with the region seeing expanded production in some manufacturing and non-manufacturing sectors, higher employment, slowing growth in wages, and more active real estate markets.

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**Figure 2**
**Single-Family Residential Building Permits in St. Joseph County, 2005 to 2007**

Source: St. Joseph County Building Department

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**Terre Haute**

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The Terre Haute economy, when measured by its gross domestic product (GDP) in terms of sheer dollar volume, has grown from $3.5 billion to $5 billion from 1987 to 2007.

At the same time, personal income earned and accrued by residents of the Terre Haute metro area has grown far more significantly, from $2 billion in 1987 to $5 billion in 2007. This is a telling convergence with GDP and likely due to losses in manufacturing jobs and resulting increases in commuting to and from jobs in bordering Illinois. These jobs have been on the upswing since the early 2000s.

GDP and personal income for the region are forecast to grow, albeit slowly, for the next several years. Personal income is expected to overtake GDP and grow to approximately $7.2 billion by 2017 (see Figure 1).

Personal income, however, continues to lag that of the state and Indiana continues to lag the nation, as seen in Figure 2. However, it is more important to know the context of personal income—that is, where does it come from? In the case of Terre Haute, the majority of personal income comes from the sweat of its residents’ brows—or in economic terms, from earnings generated by residents within the metro area or those who work outside the area and bring the money back into the metro (see Figure 3).

Terre Haute’s work earnings, for commuters to and residents of the area, totaled a whopping $3.1 billion for 2005 (the latest year of real data available). Total personal income in the metro area totaled $4.4 billion once accommodations were made for residence and other income based on social security payments to seniors
and the disabled; unemployment checks and welfare payments; as well as interest, dividends, and rent accrued to those with stocks, portfolios, and rental properties. Both figures tell an economic story—the metro is a job hub and a residential hub for the larger region as a whole. While one might hope for a stronger forecast, the signs suggest the Terre Haute economy will “hold its own.” More aggressive economic development plans seem to be underway for the area, particularly in Vigo County, and residential growth in the surrounding counties remains strong. Reliance on high paying manufacturing jobs is being replaced by enthusiasm for other industries, including business services and firms involved directly or indirectly in the life sciences. This region has strong and sustainable assets, with universities in the area engaging ever more in economic and strategic development.

Note
1. These are constant dollars, meaning they take inflation into account.

**Gross Metropolitan Product**

Such a quantifier for metropolitan areas or counties is relatively new and also subject to problems. Consider that the United States has borders, and for goods to cross them, there is paperwork to help quantify those goods and services. This is not the case with states and metros, so economists use detailed income and earnings by industry data from the Bureau of Economic Analysis (BEA) to help produce a scale to measure what an area’s economic output is on an annual basis. The numbers used in this article were provided by Economy.com, but are based on the BEA data. More information is available at the BEA website (www.bea.gov).