

Fort Wayne Forecast 2009

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What a difference a year makes. The outlook prepared last year for the Fort Wayne area referenced concern over the “ongoing turmoil in the domestic automotive industry impacting the supply network” and the “slump in housing construction caused in large measure by the crisis in single-family housing finance issues.”

There was no reference, however, to “the worst financial market crisis in decades.”

Clearly, the severity of the national and international economic downturn will dominate what happens in the local economy. Just how severe that impact will be is the difficult question to answer.

We will use the seven-county Fort Wayne Combined Statistical Area as the geographic definition of the Fort Wayne area. This includes Adams, Allen, DeKalb, Huntington, Noble, Wells, and Whitley counties.

We have had five previous national business cycle contractions since the early 1970s.¹ Each one has been somewhat unique in its impact on employment in this area—both in the length of its duration and the extent of employment loss in the Fort Wayne area.

- **1973–1975:** The contraction beginning in November 1973 lasted sixteen months nationally. The seven-county Fort Wayne area experienced a 6.1 percent decline in total employment between 1974 and 1975, a loss of nearly 12,500 jobs.
- **1980:** The national contraction beginning in January 1980 lasted six months and we experienced a loss of nearly 14,700 jobs in the area between September 1979 and April 1980.
- **1981–1982:** The second component of that double-dip recession began nationally in July 1981 and lasted for sixteen

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months. Employment in the region began to drop in October 1981 and declined thirteen of the next fifteen months, dropping by more than 16,000 jobs. If these two nearly back-to-back events are combined, the Fort Wayne area experienced an 11.6 percent decline in employment between 1979 and 1982 with a total loss of nearly 26,000 jobs.

- **1990–1991:** A national contraction began in July 1990 and lasted eight months. Its effect on the Fort Wayne area was relatively modest with a 2.7 percent decline in employment between October 1990 and March 1991. The drop in area employment during that period was approximately 6,600 jobs.
- **2001:** A national contraction that began in March 2001 also lasted eight months. However, the Fort Wayne area was hurt more substantially with a loss of nearly 18,000 jobs between 2000 and 2003, a decline of 5.8 percent. It is difficult to determine exactly when this downturn ended in the Fort Wayne area: there was no distinct rebound following a distinct low point. Employment declined for twenty-seven of the thirty-eight months beginning in April 2000.

What Lies Ahead

Much like the entire state of Indiana, the Fort Wayne regional economy continues to be dominated by the manufacturing sector. Even though manufacturing experienced

substantial job losses this decade, average annual employment data from the Quarterly Census of Employment and Wages for 2007 still indicates that 23.7 percent of all jobs reported (covered employment) are directly tied to manufacturing. That compares with only 10.2 percent nationally for the same period. Past national economic downturns have heavily affected northeast Indiana as the declines in tangible goods purchases hit hard at the core of our manufacturing-based economy.

Given the influence of manufacturing on the area’s economic base, the Federal Reserve Bank of Chicago’s Midwest Manufacturing Index² is one strong indicator of what may be ahead for the Fort Wayne area in 2009. The index is a monthly estimate of manufacturing output using a composite of fifteen manufacturing industries’ hours-worked data to measure monthly changes in regional activity for the Seventh Federal Reserve District (Iowa and parts of Illinois, Indiana, Michigan, and Wisconsin).

The Midwest Manufacturing Index declined for seven of the first ten months of 2008. The longest declining trend in the index was the twenty-three months beginning in December 2000. There have been prior declines in the index and, as one would expect, each corresponds with a national economic contraction. Nothing we have seen from the index begins to compare with the dramatic downturns experienced between late 1979 and 1982 or in the early portion of the current decade

(see **Figure 1**). The composition of the regional economy is also less dependent on manufacturing than it was in the early 1980s. Other sectors such as health care, defense/aerospace engineering, and financial services all play an important role in the Fort Wayne area economy. Nationally, the current financial situation involves a more complex set of economic variables than some of our past downturns and therefore may influence local economic events in different ways than we have previously experienced.

If one accepts the national forecast that we will see an economic upturn by the third or fourth quarter of 2009, then perhaps this contraction will most resemble the events of the early 1970s. Under that scenario, the Fort Wayne area could expect a downturn in manufacturing to last fourteen to eighteen months. Employment totals for the seven-county region could

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drop by approximately 6 percent from a peak of 276,000 in early 2007. That would be a two-year decline of approximately 17,000 jobs—comparable to the loss between 2000 and 2003.

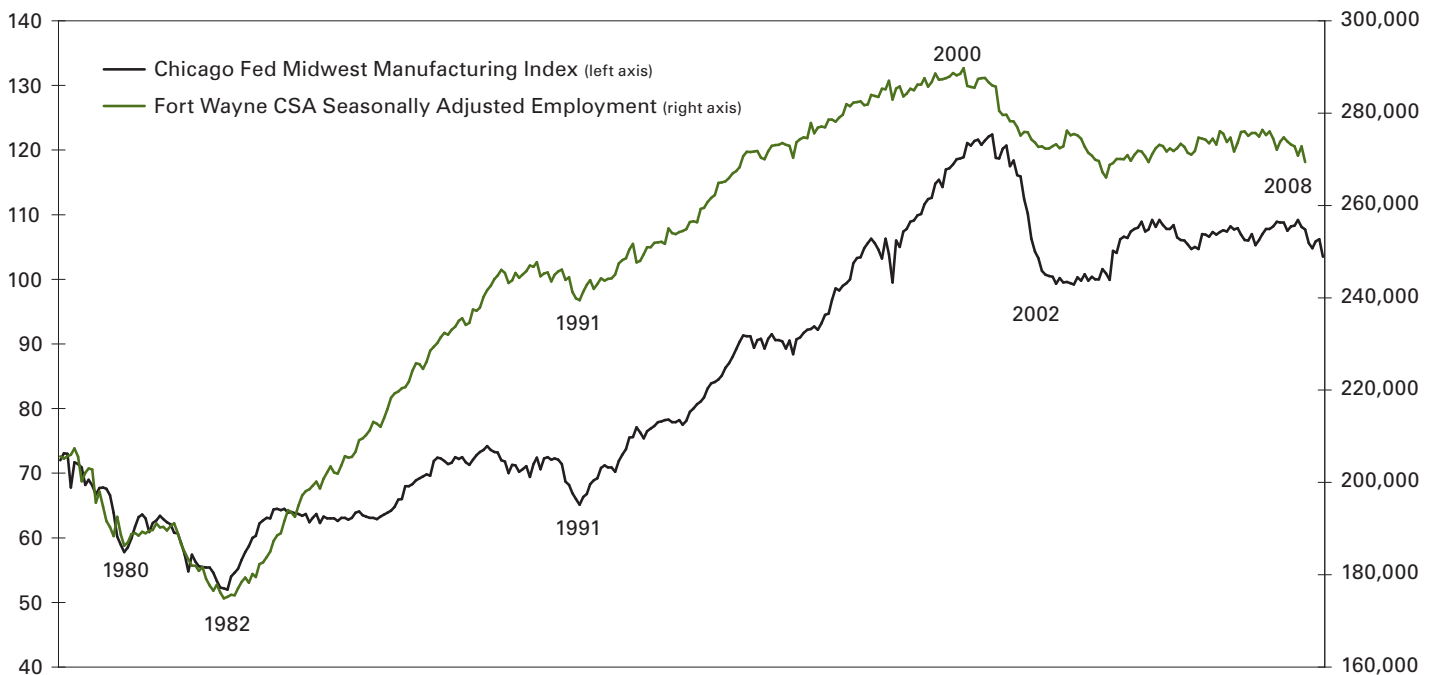
Indications are that the area has already lost approximately 10,000 jobs since early 2007. September 2008 represented the nineteenth straight month in which area employment has declined (based on Local Area Unemployment Statistics comparing a given month with the same month of the prior year). We may be much further into the current decline than we realize. We should expect some

turnaround in this trend by late 2009. How strong that rebound will be for the Fort Wayne area continues to depend both on the strength of the national economy recovery and on our ability to diversify the core of our regional economy beyond manufacturing jobs (not necessarily output, but certainly employment). ■

Notes

1. National Bureau of Economic Research, Business Cycle Expansions and Contractions, www.nber.org/cycles.html.
2. Federal Reserve Bank of Chicago Midwest Manufacturing Index, www.chicagofed.org/economic_research_and_data/cfmmi.cfm.

■ **FIGURE 1: Total Employment in the Fort Wayne-Huntington-Auburn Combined Statistical Area Compared to the Chicago Fed Midwest Manufacturing Index, 1979 to 2008**



Note: Employment data are seasonally adjusted
Sources: Federal Reserve Bank of Chicago Midwest Manufacturing Index and Bureau of Labor Statistics