

Louisville Forecast 2009

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throughout most of the United States, Kokomo should expect continued job losses in this industry. Many of these workers may have to shift to lower-paying industries. The recent decrease in gas prices may give the national automotive industry a short reprieve; however, the uncertainty surrounding the financial and housing sectors is making consumers hesitant to purchase big ticket items such as new cars.

To improve the long-term state of the Kokomo economy, the area will need to attract producers of “new” manufacturing technologies, such as hybrid electric systems or wind turbines. Such producers will find a large pool of skilled laborers who will need little training.

Kokomo’s primary and secondary schools must also emphasize the importance of obtaining a college education. The trend throughout the entire United States has been increased wages and job opportunities for individuals possessing a college degree. Encouragingly, Kokomo’s high schools are performing well compared to the state averages for both graduation rates and the percent of students seeking a college education.⁴ ■

Notes

1. Ted Evanoff, “Kokomo takes another hit with 300 Delphi layoffs,” *The Indianapolis Star*, August 19, 2008.
2. Inside Indiana Business, “Chrysler Announces More Cuts, Indiana Impact Not Known,” October 24, 2008, www.insideindianabusiness.com/newsitem.asp?ID=32221 (accessed October 30, 2008).
3. Ted Evanoff, “Fading Future,” *IndyStar.com*, October 25, 2008, www.indystar.com/apps/pbcs.dll/article?AID=/20081026/BUSINESS/810260321/1003/BUSINESS (accessed October 30, 2008).
4. Indiana Department of Education, www.doe.in.gov/ (accessed November 2, 2008).

How will Louisville weather the current financial crisis? Based on current readings of data in the Louisville metro, trends over the past year, and the historical relationship between Louisville and the U.S. economy, the outlook for Greater Louisville is an overall decrease in nonfarm payroll jobs. Unemployment could reach 8 percent, and the region will see decreases in manufacturing, construction, retail, leisure and hospitality, financial services, and professional and business services.

Labor Markets

The Louisville metro, including its four southern Indiana counties (Clark, Floyd, Harrison, and Washington), is showing significant increases in the number of people unemployed. An increasing labor force and a decrease in the number employed are interacting to produce a significant spike in the unemployment rate (see **Figure 1**). As of August, the Louisville metro’s 6.6 percent unemployment rate was at its highest in the past 18 years.¹ Southern Indiana’s portion of the metro had a 6.1 percent unemployment rate—lower than the metro area, but

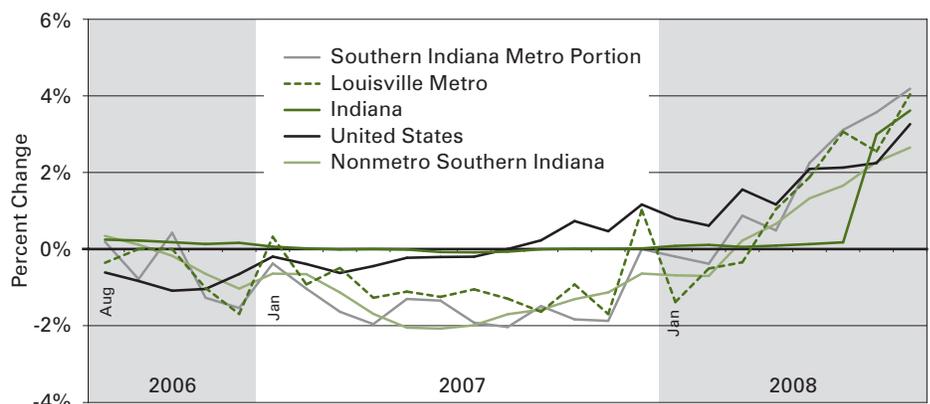
considerably higher than the rate of 4.3 percent observed in 2007.

Unemployment claims for the southern Indiana portion of the metro increased significantly compared to last year.² The August year-over-year increase represents the largest percentage increase in unemployment claims since the recession of 2001, and the percentage change in claims exceeds the change for Indiana (see **Figure 2**). Does this increase represent a peak or the beginning of slower growth in the near- to intermediate-term?

Nonfarm Payrolls

As of September, the Louisville metro lost approximately 5,000 jobs compared to the previous September.³ Recently released October data indicate job losses have accelerated with an overall decline of 8,200 nonfarm payroll employment. No doubt, slower national economic activity is beginning to affect the Louisville metro. The largest losses were registered in manufacturing and in professional and business services. Health and educational services showed a smaller increase than previous years, while the government sector registered strong gains (see **Figure 3**).

■ **FIGURE 1: Change in Unemployment Rate from Previous Year, August 2006 to August 2008**



Source: Bureau of Labor Statistics

Manufacturing

The Louisville metro lost approximately 4,600 manufacturing jobs from September 2007 to September 2008. The majority of these losses were in durable goods, symptomatic of consumer issues nationally. Weaker domestic consumer activity, slower global growth, declining business investment nationwide, and a resurgence of the dollar will all present challenges to local manufacturers.

Financial, Professional, and Business Services

A slower economy for 2009 is now evident for both the financial activities and professional and business services sectors. As of September 2008, financial activities lost 800 jobs. This directly relates to the ongoing struggles in the financial sector and is a sign of overall economic weakness to come. Meanwhile, the professional and business services sector recorded the first September decline (down 2,100 jobs) since the mild recession of 2001.

Consumer-Related Sectors

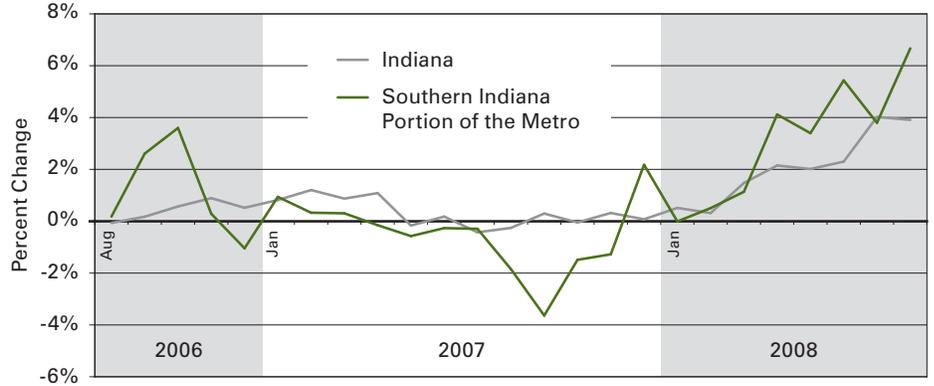
The developing stresses in the labor market and the recent decrease in consumer wealth resulting from financial market volatility will exert significant pressures on certain retail sectors. Retail establishments that rely on discretionary income, do not have a loyal customer base, or contain weak balance sheets will find 2009 to be a very challenging year.

While the retail sector thus far has shown some resilience, other consumer-related sectors are beginning to exhibit slower growth. The leisure and hospitality sector has shed approximately 900 jobs, the first decline since the last recession. This sector relies heavily on discretionary spending and could see some additional job losses.

Real Estate and Housing

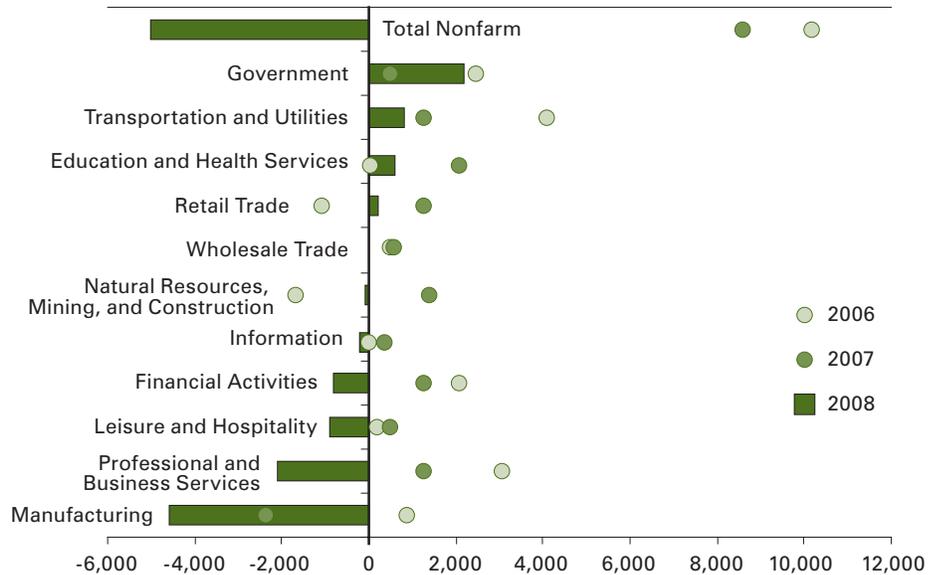
Building permits have continued to decline. While this will present some challenges to the construction

FIGURE 2: Change in Unemployment Claims from Previous Year, August 2006 to August 2008



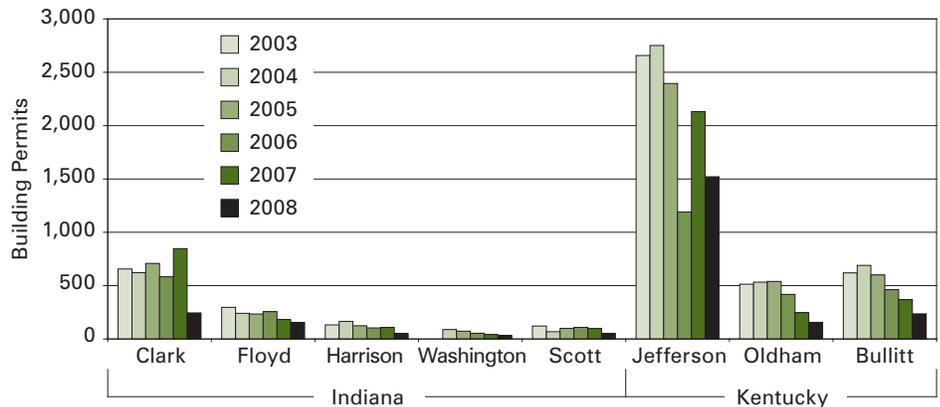
Source: Indiana Department of Workforce Development, using Bureau of Labor Statistics data

FIGURE 3: Change in Employment from Previous Year in the Louisville Metro, September of Each Year



Source: Bureau of Labor Statistics

FIGURE 4: Total Building Permits in the Louisville Metro by County, 2003 to 2008



Note: Data are from January to August of each year
Source: U.S. Census Bureau

industry, we view this as an overall favorable development in the near term. A considerable decline in residential permits will allow existing homes to clear the market and help minimize downward pressures on real estate prices. As we move past problems in residential real estate, the next potential cause of concern is the commercial real estate sector. Retrenchment by consumers will apply pressure to commercial retail development.

Figure 4 shows single-family building permit activity for August year-to-date from 2003 to 2008.

Outlook for 2009

The Louisville metro, including southern Indiana, will see an overall loss of jobs in the coming year. A decline in national consumer spending will continue to adversely impact the manufacturing sector. Recent efficiencies gained in manufacturing will help minimize sector job losses; however, the combination of both slower global and domestic growth will present challenges to manufacturing. We will likely see further declines in financial activities and professional and business services—the result of overall economic slowness. Businesses that cater to consumer discretionary spending will see some challenges throughout the year. The loss of wealth, both in real estate and equity values, will present significant challenges to these establishments.

The unemployment rate for the Louisville metro will likely surpass 7 percent and could potentially exceed 8 percent. This will cause added pressure on the real estate sector, both commercial and residential, and on sectors that rely on consumer spending. ■

Notes

1. Bureau of Labor Statistics local area unemployment statistics, available online at www.bls.gov/lau.
2. Hoosiers by the Numbers, available online at www.hoosierdata.in.gov.
3. Bureau of Labor Statistics state and metro area employment, hours, and earnings. Data are available online at www.bls.gov/sae.

Muncie Forecast 2009

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Like many small Midwestern cities, the Muncie metro area (Delaware County) struggles to reinvent itself in the face of daunting demographics, the loss of traditional manufacturing jobs, and all the attendant woes of the current recession. Borg Warner's Muncie plant, maker of transfer cases for transmission systems and the last of the giant auto-related manufacturing facilities in Muncie, is scheduled to close in April 2009. Local government has begun to decrease jobs due to tighter budgets. However, as the regional economy braces for movement from traditional manufacturing jobs, there are reasons for optimism. Brevini, the Italian-maker of gear boxes for wind turbine energy generation and other applications, has committed to building a facility by mid-2010 that is projected to create 450 jobs. Ball State University continues to expand its programs and is building a reputation as a high technology university.

Various measures of economic activity are examined for Muncie-

Delaware County in this analysis. The data used are from 2001 (the last recession) through the most recent data available at the time of writing. As we face this recession, our goal is to identify and analyze trends since the last recession and changes over the past year. We conclude with a summary of the labor market forecast for the Muncie area.

Labor Markets

The unemployment rate in Delaware County has steadily increased over the past year (see **Table 1**) although there has been some relief, likely related to the school year, over the past few months. The unemployment rate remains consistently higher (6.6 percent in September) than that of Indiana (5.8 percent) and the nation (6 percent). **Figure 1** shows the trend in unemployment for Delaware County, Indiana, and the United States since 2001.

Table 2 shows average employment 2007 through 2008 for the Muncie metropolitan area.¹ Total nonfarm employment was 53,211 jobs, a decrease of 689 jobs (1.3

■ **TABLE 1: Labor Force and Unemployment for Delaware County**

Year	Month	Labor Force	Unemployed	Unemployment Rate
2007	September	55,803	2,584	4.6
	October	55,765	2,532	4.5
	November	56,006	2,573	4.6
	December	55,871	2,768	5.0
	Annual Average	55,746	2,908	5.2
2008	January	55,679	3,335	6.0
	February	55,465	3,263	5.9
	March	56,099	3,812	6.8
	April	55,907	3,103	5.6
	May	56,384	3,302	5.9
	June	54,959	3,781	6.9
	July	55,125	4,171	7.6
	August	55,505	3,984	7.2
	September*	56,441	3,732	6.6

*Preliminary data
Source: Bureau of Labor Statistics