A year ago, with the full weight of the worst recession since the Great Depression not yet registering, Columbus and Bartholomew County were expected to dodge “the biggest bullets” hitting U.S. consumers and businesses. Did they?

Yes, Columbus did dodge what could have been a much worse decline given its dependence on a manufacturing sector that suffered greatly over the past twelve months. Unemployment appears to have peaked in June at 9.9 percent, below Indiana’s 10.7 percent.

Columbus also remains more prosperous than most of its peer regions across the state. In 2008, personal income per capita in Bartholomew County was the ninth highest in the state (though since 2000, this income per capita has been growing only at the state average).

This isn’t to say the recession didn’t hit hard. By June 2009, more than 4,000 people were out of jobs, nearly double the number unemployed in any month during each of the two previous recessions. (That includes a small increase in the labor force since the last recession, however.) In addition to cuts in both professional staff and hourly workers at Cummins Inc., the area’s largest employer, a year-long decline in demand for retailers, restaurants, business services, and construction and its cadre of local contractors has made this recession widely and personally felt.

In September 2009 came the sale of Irwin Union Bank and Trust assets to First Financial Bancorp and the subsequent bankruptcy filing of Irwin Financial Corp. This marked Indiana’s first FDIC-orchestrated bank closing since 1992 (the Rushville National Bank). Integral to the economic and cultural history of Columbus, the loss of Irwin Union will remain a dramatic legacy of this recession.

Columbus has reason to look to a brighter future in 2010 and beyond, however, as long as a U.S. recovery proceeds as expected.

The unemployment rate has already turned downward (see Figure 1). Using September 2009 data, the number of unemployed in the Bartholomew County area has dropped nearly 16 percent since the June peak.

At 8.8 percent in September, Columbus has a lower unemployment rate than Muncie (9.5 percent), Anderson (9.7 percent), Kokomo (11.6 percent), and Elkhart (15 percent)—all areas where manufacturing has also played a prominent economic role.

Cummins recently announced the return of 270 workers for a second shift for mid-range engine production. The firm’s recent third quarter results showed dramatic improvement in its cost position and profitability in all business segments, despite a drop in sales averaging 25 percent across those lines. That kind of aggressiveness in trimming costs places the firm in a strong position to respond to a slower than usual recovery.

Manufacturing remains by far the most prominent industry, at about 36 percent of jobs in the area, which is twice that of the state. Still, Columbus continues to slowly diversify away from manufacturing and into services such as health care, hospitality, tourism, retailing, and education.

Visits associated with the fall foliage transformation in next-door Brown County have meant more day trips this year than weekend stays as in past years, reducing some demand for hotel rooms and associated spending. Tourism in general for the Columbus area has held its own, however. According to the Columbus Area Visitor’s Center, 2009 has been the “second-best year ever for area hotels.”

Growth in non-manufacturing jobs is expected to continue in 2010 from ongoing development associated with Camp Atterbury and the Mascotatuck Urban Training Center (located in Jennings County). Military officials reported in October an increase of almost 3,000 jobs over the past few years. That number is expected to grow to 4,800 as program expansion continues through 2012.

Partly connected to future job growth is the increasing reach of training and higher education in Columbus and the surrounding area. Ivy Tech and Indiana University–Purdue University

![Figure 1: Three-Month Moving Average Unemployment Rates, 1990 to September 2009](source: Bureau of Labor Statistics)
Columbus registered a record number of students for the fall of 2009. The Workforce and Economic Development division at Ivy Tech, which provides employee training and certification services, was recently hailed as the state’s most successful.

While dramatic, the failure of Irwin Union probably consists of more emotional angst than significant economic pain. Ohio-based First Financial picked up local branches and managed a smooth transition. Operations at most branches are likely to remain mostly unchanged, though executive and some functional administrative staffs are just as likely to see major cuts. But the area’s financial services market is still relatively healthy, even attractive. MainSource Bank, based in Greensburg, announced it will expand into Columbus with three new branches.

Moreover, many of Irwin Union’s problems resulted from its expansion outside of Columbus and Indiana. As it did so, it plugged into the turmoil of the real estate markets out West. Though local housing prices and sales have taken a hit, the area and state saw neither the high inflation of the real estate bubble nor the severe problems associated with its bursting.

The Outlook
Columbus and Bartholomew County should rebound as they usually do: eventually slightly better than the rest of the state and nation, as long as the national recovery continues as expected in 2010. (History, of course, has proven less useful in this business cycle than in previous ones.) Even though the local unemployment rate is falling, actual employment, which is down about 4 percent from its July 2008 peak, may not pick up noticeably until early in 2010 when job creation begins to outweigh slight decreases in the labor force.

The Outlook

During every recession over the past five decades, the Evansville metro economy has exhibited resiliency and a capacity to withstand the adverse impacts associated with national recessions. The recession that began at the end of 2007 is no exception. While the declines in output, employment, real income, and real retail sales intensified in 2009, the depth of these impacts are less pronounced in Evansville than in many other metro areas of similar size and structure. The dynamics of the Evansville area labor market underscore this with a drop in the non-seasonally adjusted unemployment rate from 8.6 percent in January 2009 to 7.6 percent in September 2009, compared with a rise in the national unemployment rate from 7.6 percent to 9.8 percent over the same time period.

Economic performance in 2009 was driven by job losses in key sectors such as manufacturing, construction, and financial services. Traditional recession-resistant sectors such as health care and education were also adversely affected. Employment increases were evident only in the hospitality and government sectors. In 2009, nominal personal income is estimated to decrease by 3.1 percent and real gross metro product is estimated to decrease by 3.8 percent. The manufacturing sector continues to be an important base to metro area household incomes and consumer spending activity even as the economy adjusts to an ongoing diversification away from manufacturing-industry dependence.

As the Evansville economy tracked the U.S. economy in 2009, there were indications of a slowly improving housing market, some deterioration of credit quality, and higher delinquency rates. Homeowners experienced some home price depreciation, but the median home price has not dipped by as much as it has nationally. Existing home prices declined from an average of $94,000 in 2008 to $89,000 in 2009, and mortgage originations are estimated to increase from $715 million in 2008 to $761 million in 2009. Between 2008 and 2009, single-family housing permits are estimated to have