For the first nine months of 1998, Arvin reported that its net earnings increased by 22% to $58 million (from $47.7 million in 1997), or $2.40 per share (from $2.06 in 1997) on sales of $1.8 billion (from $1.75 billion in 1997). This was the 11th consecutive quarter in which Arvin's earnings grew faster than sales. The company's plan to double its size by the end of 2002 remains on track.

Based on a survey conducted in July of every year by the Columbus Economic Development Board, employment in the old top five manufacturing companies (Arvin, Cosco, Cummins, Golden, and Rockwell) has continued its declining trend. Total employment in these companies went down from 11,082 in 1997 to 10,925 in 1998—a 1.5% decrease. On the other hand, employment by the top five new manufacturing companies (Enkei, Impact, NTN, Onkyo, and TIEM) has increased from 2,477 in 1997 to 2,617 in 1998—a 5.7% increase. In addition, four new companies (Crescent Manufacturing, MACtac, Inc., Maumee Industries, Inc., and Hamilton Foundry & Machine Co.) moved into the area, adding a total of $24.6 million in investment and creating 98 new jobs with a weighted average hourly wage of $13.40. Finally, expansions by other existing companies led to total new investments of $418 million and the hiring of 124 new employees with a weighted average hourly wage of $12.90.

For Bartholomew County, the number of building permits issued for residential buildings was 240 units for the eight-month period ending in August, compared to 257 for the same period last year. Although the number of units is down, their total cost for the same period increased by 2.7%, from $32.4 million to $33.3 million. As for the local housing market, for the first three quarters of 1998 the number of houses sold was almost identical to the year before: 770, compared to 767 in 1997. For the period ending on October 22, the average selling price in 1998 was $129,584, compared to $124,543 for third quarter 1997 (a 4% increase). This is despite the fact that the average number of days on the market increased from 121 to 131. Further, the sold-to-list-price ratio has inched upward to 96.2% from last year's 95.5%. Overall, the housing sector continues to experience a relative excess supply, although some housing appreciated at a rate exceeding the inflation rate.

Forecast

How the local economy evolves depends greatly on what scenario takes place. Assuming that the national economy will grow moderately (the most likely scenario), this should leave the Columbus area economy at more or less its current state. If the nation grows at above the expected level, then we should experience further shortages in local labor markets and higher employment costs. If, on the other hand, global recession contaminates the domestic economy, then we believe the Columbus area will be adversely affected, with sales, profitability, incomes, and employment all declining.

Richmond–Connersville–New Castle

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The Richmond-Connersville-New Castle (RCNC) area economy can expect a slowdown in economic activity in 1999. This forecast hinges on the U.S. economy, given the area's interconnectedness and interdependence with the latter, especially in durable goods manufacturing. The expected 2.1% growth in real gross domestic product (the market value of final goods and services), a 1.7% inflation rate, an unemployment rate of 5%, and a 2.2% increase in real disposable income (personal income minus personal taxes) suggest that the robust economic performance of previous years will not be repeated in 1999. The national economy is slowing down, and so is the regional economy.

The manufacturing sector is reeling from the Asian crisis. Devaluation and recession are adversely affecting local firms that sell their products to Asian economies, which have been experiencing large external deficits and excessive exposure to foreign exchange risk. Local products become more expensive to foreigners as the purchasing power of their currencies declines relative to the dollar. The softness in demand, particularly in durables, translates into layoffs and job losses. Consequently, RCNC's unemployment will increase during the first two quarters of 1999 because of the Asian contagion (see **Table 1** on the following page). However, stability in Asia and other markets would eventually halt a significant increase in the local unemployment rates. Protracted double-digit unemployment rates are unlikely.

The service industry, unlike manufacturing, will experience more employment in 1999 because of sustained demand for various services, ranging from business, personal, and health to professional and social. The current sectoral expansion reflects this phenomenon, coupled with the demographic profile

Table 1
RCNC Labor Force Estimates

	Labor Force		*Employment*		*Unemployment*		*Unemployment Rate*	
	Aug-98	*Aug-97*	*Aug-98*	*Aug-97*	*Aug-98*	*Aug-96*	*Aug-98*	*Aug-97*
Fayette	11,370	11,570	10,800	10,950	570	620	5.0	5.3
Henry	25,540	25,150	24,700	23,980	840	1,170	3.3	4.7
Wayne	38,640	3,870	37,170	37,340	1,470	1,530	3.8	3.9

Source: Indiana Workforce Development

Table 2
Building Permits Issued 1Q–3Q98, City of Richmond

Month	*New Residential*	*New Commercial*	*Value*	*Service Projects*	*Svc. Proj. Value*	*TOTAL PERMITS*	*TOTAL VALUE*
January	5	1	$ 1,094,000	130	$ 1,495,032	136	$ 2,589,032
February	6	3	1,112,000	110	986,152	119	2,098,152
March	4	2	1,686,000	228	1,428,036	234	3,114,036
April	3	--	320,000	220	1,369,647	223	1,689,647
May	9	2	8,656,300	260	5,081,027	271	13,737,327
June	3	6	2,068,000	305	3,362,614	314	5,430,614
July	6	2	960,400	291	5,482,312	299	6,442,712
August	3	1	431,700	305	2,198,729	309	2,630,429
September	6	3	651,500	274	1,289,132	283	1,940,632
TOTAL	45	20	$16,979,900	2,123	$22,692,681	2,188	$39,672,581

Source: Department of Planning, Permits and Inspections. City of Richmond

and consumption activity. The county's median age is 34.9 years, and about 16% of the population is 65 years and over. Per capita income is about $17,500, which means a steady demand for services.

In a recent survey by the Center for Economic Education, 73% of the firms have hired new employees in 1998, 84% are affected in varying degrees by current economic conditions, and 40% plan to expand in 1999. Most of the firms (80% of them) rate RCNC favorably for doing business, but are concerned with work force development and global competition.

Coupled with employment is gross fixed capital formation, which is investment in plant, equipment, and commercial and residential structures. Such capital formation will have a positive effect on RCNC, tempered by setbacks in business operations. In Richmond, the number of building permits issued through the first nine months of 1998 totaled 2,188, of which 45 and 20 were residential and commercial, respectively (see **Table 2**). Their total investment value is an estimated $39.6 million, reflecting a slight increase of 2.2% over 1997.

The housing market is faring well because of low unemployment and favorable interest rates. The unemployment rate in Wayne County has remained below 5.5% during 1998. Most financial institutions had 15-year and 30-year mortgages and one-year adjustable rate mortgages at 6.5%, 7%, and 6.2%, respectively, at the end of October. Upscale houses priced above $150,000 are doing much better than last year, though most of the housing activity is in the $75,000–$150,000 price range. It is both a buyer's and a seller's market, which may help cushion other sectoral side effects during 1999.

The retail sector, like housing, can expect a good fourth quarter as consumers get a head start on holiday shopping. Consumer confidence in the economy is still strong, which bodes well for local merchants. Early sales, discounts, and other promotions have sustained consumer sentiment and shopping. The Monica Lewinsky factor has not generated consumer retrenchment in the marketplace. Local merchants can expect at least a 3% increase in retail sales in the fourth quarter, with the customary lull in succeeding quarters.

Given the forecast of a slowdown in the national economy, combined with a less than robust manufacturing sector, I expect RCNC to prevail against any recessionary cloud. Economic activity should proceed at a subdued pace provided there are no further external shocks.

Kokomo

Dilip Pendse

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Looking back at the economy's performance during the first nine months of 1998, the good news is that the Kokomo area remained vibrant in the midst of El Niño's unusual weather effects: Wildcat Creek running over its banks, a tornado that destroyed homes and school buildings and knocked down electric lines in eastern Howard County. Two hundred new jobs were created each month. This is remarkable, considering we are at the tail end of an eight-year-old economic expansion. In addition, payrolls have swollen, unemployment reached a rock-bottom level, the job market is ultra tight, factory overtime and incomes have remained high, and the influx of people has continued. Kokomo also made *Industry Week*'s top ranking in manufacturing, housing is most affordable, and the multi-unit housing construction is booming.

Kokomoans deserve this high ride to the top of the economic mountain after struggling through the