



Lafayette

The Lafayette metropolitan area has been the third fastest growing metro area in the state for many years. The area's stable, well-diversified economic structure should help keep that momentum going into 2001.

The final counts for metropolitan areas from the 2000 census will not be released until later in the year. The most recent estimate from the U.S. Census Bureau puts the Lafayette metro area population – encompassing Tippecanoe and Clinton counties – at 175,500 people as of July 1999. Through the decade of the 1990s, the Lafayette area population grew about 1% per year. Only Elkhart-Goshen and the greater Indianapolis metro area grew faster (about 1.2% per year each).

This steady population growth is both a cause and an effect of expanding economic activity. When an area offers attractive living conditions and good economic opportunities, it tends to attract new

residents. And these new residents spend money and create demand for still more goods and services. This population trend is a good sign for Lafayette's economic future.

While the Lafayette area has been adding population at a rate close to 2,000 people per year, it has been adding new jobs even faster (see Figure 1). Total employment is measured in different ways, but statistics from the U.S. Bureau of Labor Statistics show the Lafayette area has added about 3,000 new jobs each year since 1993. This high rate of job growth is a good indication of economic strength. It's also a sign that Lafayette is increasingly a regional economic center, drawing people from surrounding counties into its economic activity.

When job growth exceeds population growth, that drives down the unemployment rate. The unemployment rate for the Lafayette area according to recent estimates from the Indiana Department of Workforce Development is about 1.5%. This remarkably low rate is well below the state rate of about 2.5%. The nation's rate of economic growth is expected to moderate in 2001, but in Lafayette we probably will not see unemployment creep up much beyond 2%.

A major factor in Lafayette's strong economic outlook is its comparatively balanced economic mix. Durable goods manufacturing accounts for about 18% of employment in the Lafayette metro area, and retail sales generates another 18%. The corresponding rates statewide in Indiana are 17% in durable goods and 19% in retail. Other areas with higher concentrations of employment in durable goods are more vulnerable to an economic slowdown. As businesses and consumers trim spending, it's often high-priced durable goods like automobiles and machine tools that get postponed first. Places like Kokomo, with 36% of its employment in durable goods manufacturing, and Elkhart-Goshen, with 42%, are likely to have a harder time in 2001 than will Lafayette.

Overall, the Lafayette metro area probably will experience economic conditions in 2001 very much like it saw in 2000. Housing construction will slow markedly in response to recent interest rate increases. But labor availability will remain tight and unemployment low. Though car sales may drift down somewhat from their extraordinary peaks in 2000, retail sales in general and manufacturing businesses should continue their slow and steady growth.

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Figure 1
Lafayette Metro Area Population and Employment Growth

