

Richmond-Connersville-New Castle

National economic conditions have far-reaching repercussions on the Richmond-Connersville-New Castle (RCNC) area economy because of its interdependence with the U.S. economy. The anticipated 2001 national growth rates for real GDP (3.5 percent), inflation (2.7 percent), unemployment (4.2 percent), and disposable income (3.3 percent) will generate positive effects on the local economy.

The manufacturing sector, having recovered from the Asian and Latin American crises, is holding steady. There is softness, however, in durable goods manufacturing, particularly in machine tools and heavy trucks, because of the slowdown in economic activity. The dollar's depreciation will provide a stimulus by making American goods less expensive to foreigners and will boost local exports. Rapid growth is expected in a major part of the global economy especially among our trading partners. Manufacturing activity accounts for at least 25 percent of RCNC's employment and is expected to accelerate in 2001 as firms expand and new firms enter into the region. Manufacturing remains the key player in RCNC's economic base.

Employment growth in Wayne, Fayette, and Henry counties was moderate in 1999. The numbers of employed workers in 1999 were 36,580, 10,440, and 23,180 respectively for the three counties, and the unemployment rates were 3.5 percent, 5.1 percent

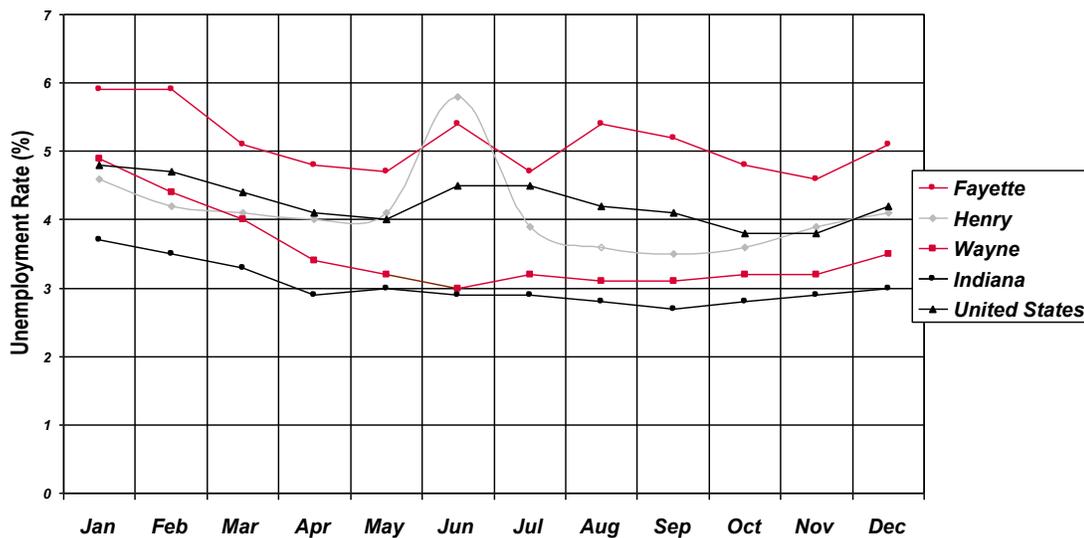
and 4.1 percent respectively. Those unemployment rates were higher than the statewide rate of 3 percent, but were lower, except in Fayette county, than the national rate of 4.2 percent (see Figure 1). Fayette county led the pack given its high manufacturing intensity and the downsizing at Roots/Dresser Industries. The employment front in RCNC would improve in the coming year, especially with the DaimlerChrysler modernization plant investment of \$77 million and the opening of super stores, Wal-Mart and Lowe's, New Castle Correctional Facility, and Flying J truck stop. There are also internal business expansions at Chatsworth Products, Custom Extrusions, Draper Shade, Inland Buildings, and Stant. The bus company, Carpenter, is closing in Richmond, which clouds the employment picture with a loss of over 300 good-paying jobs. RCNC's absorptive capacity may be inadequate to replace such jobs in the near term.

The slow job growth in manufacturing, along with the loss of temporary decennial census workers, was offset by gains in services. The service sector, in contrast, is experiencing rising employment because of the strong demand for business and personal services, transportation and public utilities, and finance, insurance, and real estate. There are improved choices for local shopping, food, entertainment, health

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Figure 1
Unemployment Comparisons for 1999



care, and financial management, all of which are consistent with the evolution toward a service/information economy. Also, energy consumption is a gauge of economic activity and quality-of-life standards. Its use affects all Hoosiers. The service sector accounts for at least 35 percent of RCNC's employment and is expected to create more jobs in 2001.

The retail sector is also performing well. Meijer's entry into the retail market in Richmond has generated needed improvement in the supermarket business by competitors, such as Kroger and Cub Foods (County Market). These supermarkets, strategically located in Richmond, provide consumers with a wider choice of groceries at competitive prices. Consequently, consumers' buying power increases, especially under a low inflationary environment. The retail sector accounts for about 24 percent of RCNC's employment and is expected to maintain its current pace in 2001.

The housing sector, like a dynamic duo with retail, is keeping a strong pace. In Richmond, the number of building permits issued through the first nine months of 2000 totaled 1479, of which 26 and 16 were residential and commercial respectively (see **Table 2**). Their total investment value is an estimated \$23.9 million, reflecting a decrease of 17.8 percent over 1999.

Local financial institutions had 15-year and 30-year and one-year adjustable rate mortgages averaging 7.76 percent, 7.94 percent, and 7.20 percent respectively, at the end of October (see **Table 3**). With such favorable rates, most housing activity is in the \$75,000 to \$150,000 price range, indicating upscale movement by local residents and city newcomers. The average home price is \$91,600 which suggests that the combination of rapid price appreciation and increased mortgage rates has not undermined local housing demand. Although consumer confidence is still relatively strong, further Fed tightening could affect it.

In a recent survey by the Center for Economic Education, 80 percent of the firms have hired new employees in 2000, 92 percent are affected in varying degrees by current economic conditions, 62 percent engage in e-commerce, and 50 percent plan to expand in 2001. All responding firms rate RCNC favorably, but are concerned with workforce development, global competition, and government regulation.

The fundamentals are in place at both the national and local levels for continuing growth and prosperity, although spending may be slowing due to past Fed tightening, higher energy prices, and stock market volatility. The United States is enjoying its longest economic expansion and is the only country to simultaneously experience the combination of rapid GDP growth, low inflation, low unemployment, and high productivity growth. It is, indeed, a Goldilocks economy "not too hot, not too cold, just right."

Table 2
Building Permits Issued 1-1-9/30/2000 City of Richmond

	New Residential	New Commercial	Service Value	Service Proj. Value	Total Permits	Total Value	
January	2		\$115,000	116	\$650,588	118	\$765,588
February	2	1	\$262,000	108	\$595,698	111	\$857,698
March	6	2	\$1,057,600	246	\$5,690,673	254	\$6,748,273
April	2	1	\$348,000	162	\$193,217	165	\$541,217
May	2		\$124,000	203	\$1,860,351	205	\$1,984,351
June	2	2	\$341,000	188	\$4,827,497	192	\$5,168,497
July	2		\$280,000	115	\$949,129	117	\$1,229,129
August	5	4	\$2,739,500	162	\$1,362,238	171	\$4,101,738
September	3	6	\$1,004,000	137	\$1,533,637	146	\$2,537,637
Total Permits	26	16	\$6,271,100	1437	\$17,663,028		\$23,934,128

Table 3
Mortgage Rates

Name of Institution	15-year fixed	30-year fixed	1-year ARM
Bank One	7.75	7.875	7.375
Firststar	7.625	7.875	7.75
First Bank Richmond	8.125	8.375	7.125
		(21-year fixed)	
West End	7.625	8.125	6.625
Wayne Bank And Trust	7.875	7.875	6.825
Harrington Bank	7.75	7.875	6.625
Old National	7.625	8.125	7.625
Union County	7.75	7.875	7.625