

Richmond

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The Richmond-Connersville-New Castle (RCNC) area economy is experiencing a slow recovery. A significant number of firms are operating below full capacity.

The manufacturing sector has not fully returned to normal conditions. Some firms are having increased demand for their products while others are not. This is partly due to globalization, along with its concomitant infringement of intellectual property or the lack of a level playing field. On top of this, rising prices for industrial commodities (including fuel) translate into rising product prices, which may not be competitive with foreign producer prices.

The national recovery, now in its third year, is not producing robust job growth as in the 1990s. To date, over 1.7 million jobs have been created and this is relevant to RCNC, which is interdependent with the national economy.

The September 2004 figures, released by Indiana Department of Workforce Development, showed that total employment in Wayne, Fayette, and Henry counties was 65,340 out of a labor force of 70,035. For Indiana and the United States, it was 3.0 million and 139.6 million, respectively. The non-seasonally adjusted unemployment rates in the tri-county area were 5.8 percent, 9.5 percent, and 6.9 percent respectively, up from September 2003. These rates were higher than both the state rate of 5.2 percent and

Table 2
RCNC Area Mortgage Rates, Selected Weeks

Bank	Ending October 30, 2004			Ending October 23, 2004		
	15-yr.	30-yr.	1-yr. ARM	15-yr.	30-yr.	1-yr. ARM
Capitol Mortgage, Richmond	5.00	5.5	3.00	5.00	5.5	3.13
Eaton National Bank & Trust	4.88	5.5	3.75	4.88	5.5	3.75
Edward Jones, Richmond	5.38	5.88	5.13	5.38	6.00	5.38
First National Bank & Trust, Richmond	5.25	5.88	4.00	5.25	5.88	4.00
Flagstar Bank, Richmond	5.13	5.75	4.13	5.13	5.75	4.13
Galaxy Mortgage, Richmond	5.00	5.63	4.25	4.88	5.50	4.13
Hansel Mortgage Group, Centerville	5.25	5.75	3.13	5.13	5.63	3.13
Irwin Mortgage, Richmond	5.38	6.00	3.75	5.38	5.88	3.63
MainSource Bank, Fountain City	5.25	5.75	3.75	5.25	5.88	3.75
Merrill Lynch, Richmond	5.34	5.86	n/a	5.33	5.81	n/a
Old National Bank, Richmond	5.13	5.75	4.13	5.13	5.75	4.00
State Farm, Richmond	5.64	6.08	5.26	5.47	5.96	5.13
Union County National Bank, Liberty	5.13	5.75	4.63	5.25	5.75	4.63
U.S. Bank Home Mortgage, Richmond	5.25	5.75	3.88	5.13	5.63	3.75
Wayne Bank & Trust, Cambridge City	5.13	5.75	4.25	5.13	5.88	4.25
West End Savings Bank, Richmond	5.25	5.88	4.50	5.13	5.75	4.5
Average	5.21	5.78	4.10	5.17	5.75	4.08

Source: The Palladium-Item

the national rate of 5.4 percent (see Table 1). From the national perspective, labor markets may be closer to being in balance than they would be if employment growth were the sole criterion for normalcy.

It is also important to note that productivity, that is, output per worker hour, has been growing at an annual rate of more than 5 percent since November 2001. Such growth is far above the average productivity growth rate of 2 percent between 1996 and 2001. Rising productivity means firms hire fewer workers to produce the same output and the resultant job losses are structural. For Wayne, Fayette, and Henry counties, manufacturing employment represents 19.3 percent, 27.8

percent, and 15.6 percent, respectively, of total employment. If the high productivity growth rates continue, employment growth would be sluggish in the region.

Unlike manufacturing, the services sector accounts for most of the total employment in RCNC. Reid Hospital and Health Care Services is building a \$250 million hospital complex off of Chester Boulevard in Richmond. It is the largest capital investment in the history of Richmond and east central Indiana. This investment, combined with internal business expansions and successful business prospects by the Economic Development Corporation of Wayne County, is likely to generate job growth.

Table 1
Labor Force Statistics, September 2003 and September 2004

Area	Labor Force		Employment		Unemployment		Unemployment Rate	
	2004	2003	2004	2003	2004	2003	2004	2003
Fayette	9,725	10,010	8,800	9,050	925	960	9.5	9.5
Henry	23,750	23,770	22,110	22,590	1,640	1,180	6.9	4.9
Wayne	36,560	36,000	34,430	34,030	2,130	1,970	5.8	5.5
Indiana	3,151,600	3,189,300	3,001,100	3,035,700	150,500	153,600	5.2	5.2
United States	147,186,000	146,166,000	139,641,000	137,731,000	7,545,000	8,436,000	5.4	6.1

South Bend/Mishawaka and Elkhart/Goshen

Like services, the housing sector is holding steady. Total sales volume for houses is slightly better than last year's. This is attributable to low mortgage rates. At the end of October 2004, local financial institutions offered rates of 5.21 percent, 5.78 percent, and 4.10 percent, respectively, for fifteen-year, thirty-year, and one-year adjustable mortgages (see Table 2). These rates were somewhat lower than last year's.

Low interest rates in the past three years helped fuel a surge in the number of mortgage originations (that is, new-home purchases) and refinancing of current mortgages. Also, government-sponsored home loan programs, including those from the Veterans Administration and Federal Housing Administration, helped first-time home buyers make the leap.

The new-home buyers included transferred people and "empty nest" households wanting to downsize. The local median price of a home is \$92,000, which is substantially less than the national median of over \$180,000. It is instructive to note that the price-rent ratio for the United States and many regional markets is much higher than its historical value.

Now that the presidential election is over, it has removed an element of uncertainty confronting businesses, consumers, and investors. Consequently, I expect improved economic conditions in RCNC in the coming year. ◀

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To help understand how we came to where we are today, Table 1 and Figure 1 provide data from 1994 to the middle of 2004 that chart the longer-term progress of the Michiana region, of which South Bend/Mishawaka and Elkhart/Goshen are a major part. The index uses 1986 as the base period and employs monthly averages of seasonally adjusted index numbers.

Employment growth in the South Bend economy mirrored the sluggish growth experienced by the national and state economies. During 2003, South Bend's total nonagricultural employment decreased by 0.2 percent, with manufacturing employment contracting by 1.9 percent and nonmanufacturing employment increasing by a modest 0.1 percent.

Employment growth in Elkhart, for the second year in a row, outpaced South Bend, the nation, and the state. Elkhart's total nonagricultural employment grew by 1.9 percent, with manufacturing expanding by 2.4 percent and nonmanufacturing advancing by 1.5 percent.

The contraction of manufacturing employment in South Bend and its expansion in Elkhart derived largely from each economy's differing fortunes in the transportation equipment sector (as defined by the Standard Industrial Classification—SIC 37). In South Bend, transportation equipment remained strong throughout 2002, ending the period with an 11 percent increase (500 more jobs). This upswing likely resulted from the strong sales following the initial launch of the Hummer H2 sport utility vehicle. But in 2003, Hummer H2 sales weakened because of the natural moderation in sales that follows the successful introduction of a new vehicle. Consequently, SIC 37 employment failed to grow. Further, manufacturing employment in South Bend's other durable and nondurable manufacturing continued the downward trend of 2002 into 2003, contributing to the overall weakness in manufacturing. In Elkhart, SIC 37, primarily fueled by the robustness of the booming recreational vehicle market, increased by 5,200 jobs from December 2001 to December 2002, a 24.8 percent boost, and added another 1,600 jobs between December 2002 and December 2003, a 6.5 percent change. During 2003, nonmanufacturing employment advanced in South Bend by 0.1 percent. Employment expanded in retail trade (1.7 percent), leisure and hospitality (5.8 percent), and government (2.0 percent). Offsetting most of these gains were employment declines in natural resources and construction (-4.6 percent), wholesale trade (-1.4 percent), professional and business services (-4.8 percent), education and health services (-1.4 percent), and other services (-7.1 percent).

Elkhart's nonmanufacturing employment rose by 1.5 percent during 2003 as a result of growth in natural resources and construction (4.4 percent), wholesale trade (1.7 percent), retail trade (1.0 percent), education and health services (4.4 percent), health care and social assistance (6.0 percent), and leisure

Figure 1
Employment Index for South Bend/Mishawaka and Elkhart/Goshen

