

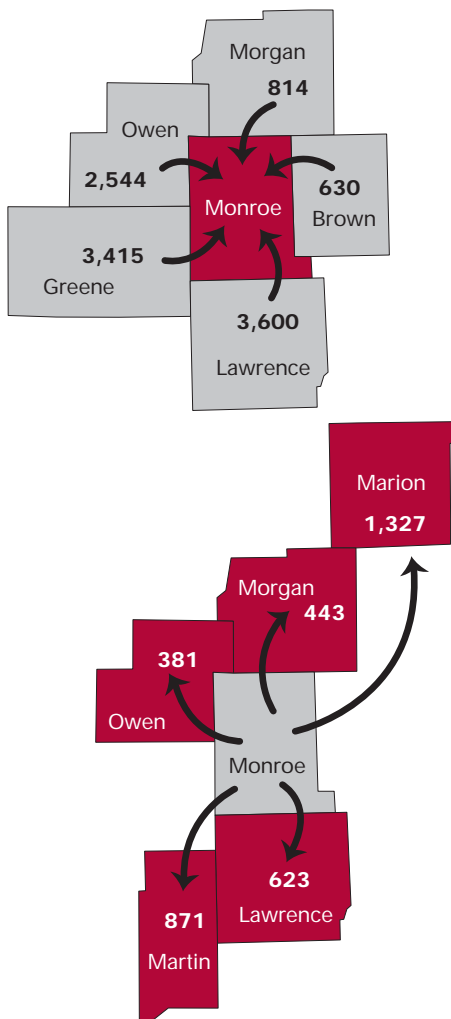
Columbus

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Bloomington's economy continues to transition. The presence of a large research university and a regional community college continues to provide stability for the current economy and a workforce for the new economy. Successful entrepreneurs who start and grow their businesses in the community, continued emphasis on development in the life science and information technology sectors, and strategic public investments should allow for continued, though modest, growth and improvement in the local economy. ■

Figure 3
Top Five Counties Commuting Into and Out of Monroe County



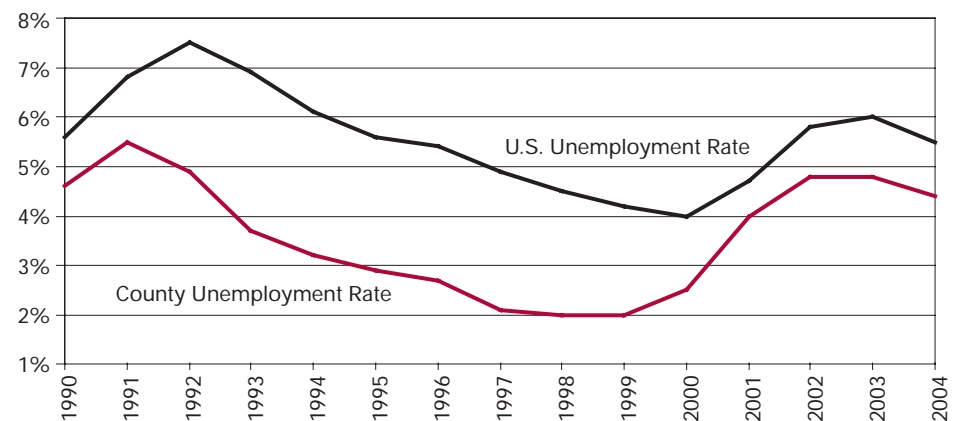
Source: STATS Indiana 2003 Commuting Profiles

Columbus and Bartholomew County are sensitive places. When the U.S. economy is happy, the local area is very happy. When the U.S. economy is a little sad, Columbus and Bartholomew County feel terrible.

Figure 1 shows the historical patterns of unemployment, illustrating this special sensitivity. Coming out of the recession of the early 1990s, the U.S. unemployment rate improved by about 1.5 percentage points in the first two years of the recovery. Bartholomew County's rate dropped faster, falling 2 full points. Unemployment in this area improved to a low point by 1998 and remained there in 1999, a decline of 3.5 points from its recent peak. The U.S. rate also shrank by 3.5 percentage points but took longer to get there.

This area tends to react quickly to changes in the national economy — sometimes even getting a head start. The recession of 2000 pushed the national unemployment rate up by 2 percentage points, starting in 2000. Sensitive Bartholomew County reacted more strongly. Its rate went up 3 points, and the problems started almost a year earlier.

Figure 1
Bartholomew County vs. United States Unemployment Rate, 1990 to 2004



Source: Bureau of Labor Statistics

This pattern shows up in many sectors of the Bartholomew County economy. Take the construction industry: Figure 2 shows how that sector in Columbus and Bartholomew County has reacted to the general level of economic activity in the nation. The bars show the rate of growth or decline in construction employment in this county. The line tracks the annual percent change in U.S. gross domestic product (GDP). (There is no data point for Bartholomew County in 2001 because the definition of construction has changed between SIC and NAICS.)

The dip in GDP in 1991 caused a big drop in the number of jobs. Afterwards the strong national recovery during the early 1990s led to even stronger growth rates in Columbus-area construction employment: the bars are higher than the GDP line. The relatively mild national slowdown in 2000, however, caused real whiplash locally. The last two years of available data show significant declines in jobs.

Bartholomew County's manufacturing sector is big (more than 35 percent of all jobs in the county) but it reacts to national

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trends, too. One big influence is the level of vehicle sales. **Figure 3** shows this relationship, once again showing percent changes. Sales of cars and light trucks in the United States exhibit wide swings in the annual percent change. But Bartholomew County's manufacturing employment tracks these changes pretty closely. And the bad news is that vehicle sales are not likely to be as strong in 2006 as in some recent years. So local manufacturing employment probably will not rise much, either.

This historical sensitivity provides a way to think about Bartholomew County's economic future. The forecast from Indiana

University for the U.S. economy is cautiously optimistic. Assuming that interest rates and oil prices don't climb more than expected, the U.S. GDP should expand at about the same rate as in 2005, or about 3.6 percent. That means the local construction industry should have a reasonably good year.

U.S. unemployment rates, however, are not forecast to improve

much. So the unemployment rate in Bartholomew County probably will not get below 4 percent. The impressive numbers from the 1990s, when we saw unemployment rates here around 2 percent, just are not in the cards for next year.

Vehicle sales are a good indicator for the local manufacturing sector. And vehicle sales are not likely to improve much in the face of high fuel prices and rising interest rates in 2006.

Moves in the U.S. economy often translate into even bigger moves in the local economy. So watch the numbers for U.S. GDP, the national unemployment rate, and vehicle sales. If those numbers start to

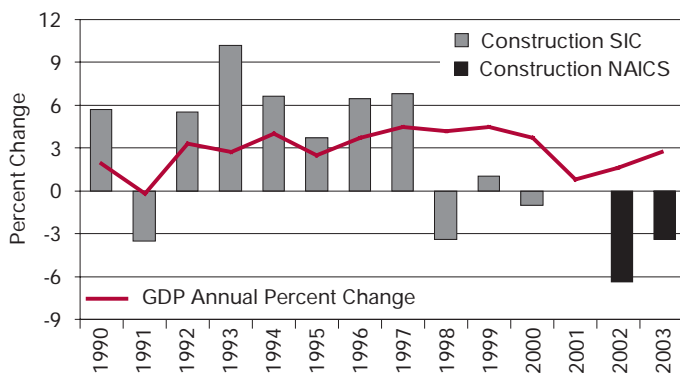
look better than expected next year, Bartholomew County could be very happy. But if the national situation turns out as forecasted, we'll see little or no improvement in U.S. unemployment and vehicle sales. And that means 2006 is probably not going to show much new business or many new jobs in Columbus and Bartholomew County. ■

“The Columbus area tends to react quickly to changes in the national economy—sometimes even getting a head start.”

It is time for a change. Faithful readers of this space will recall that the Evansville economy did not show substantial growth after the turn of the century, according to the index of economic activity maintained at the University of Evansville. That index used fixed 1998 value-added components from that year's gross domestic product (GDP) as its fixed weights. This fixed weight index methodology is similar to the way the Consumer Price Index is calculated. This year, the weights have been updated and the hospital sector has been added.

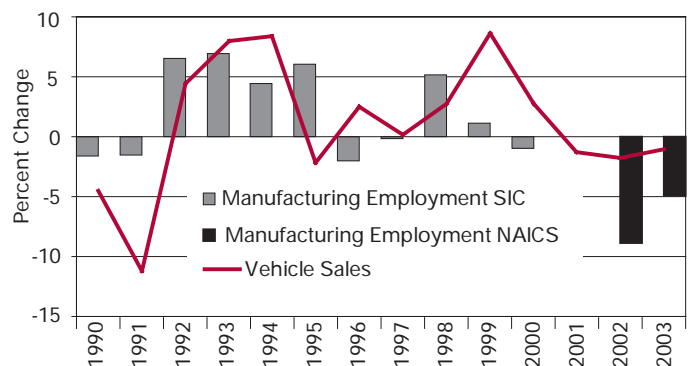
The new categories capture about 60 percent of value-added for the nation. The old index indicates a small contraction from 2002 to 2003 while the new index indicates a substantial increase from 2002 to 2003. The new index posts a decline of 2.5 percent from 2003 to 2004 (see **Table 1**). This decline was centered in construction and finance. Even the strong and continued growth in health and the other sectors was not sufficiently strong to counteract the negatives reported in construction and finance.

Figure 2
Bartholomew County Construction Employment and U.S. GDP, 1990 to 2003



Note: Data for 2001 not available due to change in reporting.
Source: Bureau of Economic Analysis

Figure 3
Bartholomew County Manufacturing Employment and U.S. Auto and Light Truck Sales, 1990 to 2003



Note: Data for 2001 not available due to change in reporting.
Source: Bureau of Economic Analysis