

Evansville

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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

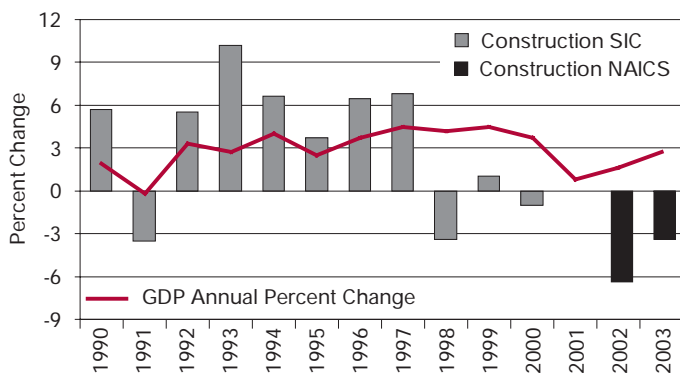
look better than expected next year, Bartholomew County could be very happy. But if the national situation turns out as forecasted, we'll see little or no improvement in U.S. unemployment and vehicle sales. And that means 2006 is probably not going to show much new business or many new jobs in Columbus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

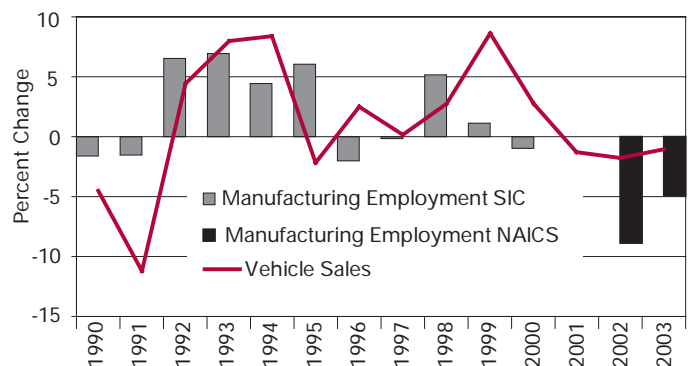
The new categories capture about 60 percent of value-added for the nation. The old index indicates a small contraction from 2002 to 2003 while the new index indicates a substantial increase from 2002 to 2003. The new index posts a decline of 2.5 percent from 2003 to 2004 (see **Table 1**). This decline 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

Fort Wayne

John Stafford

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Interest rates will continue to move away from historic lows to levels near their historic averages. These increased interest rates are not likely to make doing business in the durable goods or construction sectors any easier. The effects of higher interest rates on the finance sector remain uncertain. We can thank the employers of our area for substantial job growth in the past and hope for stability in the future. Again, barring any unexpected local, national, or international developments, 2006 will be much like 2005 for the Evansville area. ■

Notes

The index is defined as follows:

Health = total gross patient revenue in acute care hospitals. **Industrial**

Production = electricity sold to industrial users. **Construction** =

total value of new construction permits in Vanderburgh County.

Transportation = annual boardings at the Evansville Regional Airport. **Trade**

= metropolitan area employment in wholesale and retail trade. **Finance** =

finance sector employment.

The Fort Wayne area economy is steadily but gradually rebounding from the recession of the early portion of this decade. From an employment perspective, it appears that northeast Indiana hit the low point of the downturn in the last three quarters of 2003 and the first quarter of 2004. The past year has witnessed a substantial upturn in the number of new project announcements for both facility/equipment investment and job creation. While Fort Wayne has a significant distance to travel to get back to the employment highs reached in 1999 and 2000, it is at least now moving in the right direction.

A formal geographic definition of northeast Indiana is a constantly moving target. This analysis will use the newly established Fort Wayne–Huntington–Auburn Consolidated Statistical Area (CSA), which includes Adams, Allen, DeKalb, Huntington, Noble, Wells, and Whitley counties. Larger than the newly-delineated Fort Wayne Metropolitan Statistical Area

(metro), it is a better indicator of the true Fort Wayne area economy.

Based on employer-reported data (the Quarterly Census of Employment and Wages, or QCEW), total employment in the area began to increase in the second quarter of 2004 and has increased each of the last four quarters of reported data when compared with the same quarter of the previous year. Between the first quarter of 2004 and the first quarter of 2005, the area gained 1,955 total jobs for an annualized growth rate of 0.7 percent. During the same time period, Indiana's total employment grew by 1.2 percent and the United States' by approximately 1.8 percent. Compared to the first quarter of 2000, a time of peak employment for our region, we are still down over 17,000 jobs. At the current job growth rate, it will take several years to fully recover the employment so quickly lost in the early part of the decade.

Of the nearly 2,000 job increase in over the past year, noticeable growth occurred in the health care, wholesale trade, and manufacturing sectors. Declines occurred in the retail trade and the finance and insurance sectors. Of particular note is the creation or re-establishment of 760 manufacturing jobs. Given the ongoing productivity improvements and the pressures facing the automotive supplier network—a significant component of northeast Indiana's industrial base—this increase is welcomed news.

The other primary source of employment data, the monthly household survey (Local Area Unemployment Statistics), provides even more positive news. This source, perhaps less reliable but more current than the QCEW data, also indicates that by the third quarter of 2004, our region began experiencing consistent monthly employment growth. Comparing each month to the corresponding month from the

Table 1
Evansville's Old and New Indices

The Old Index								
Year	Industrial Production	Construction	Trade	Transportation	Finance	Index	Index Growth	
1999	0.385	0.090	0.282	0.062	0.247	1.066	6.6%	
2000	0.397	0.072	0.285	0.060	0.254	1.068	0.2%	
2001	0.387	0.045	0.288	0.052	0.280	1.053	-1.4%	
2002	0.401	0.064	0.284	0.052	0.254	1.054	0.1%	
2003	0.385	0.071	0.283	0.050	0.260	1.049	-0.5%	
Percent Change from 2002								
	-4.0%	10.9%	-0.4%	-3.8%	2.4%	-0.5%	n/a	
The New Index								
Year	Health	Industrial Production	Construction	Trade	Transportation	Finance	Index	Percent Change
1999	0.055	0.200	0.112	0.194	0.056	0.378	99.4	n/a
2000	0.072	0.207	0.089	0.196	0.054	0.388	100.6	1.2%
2001	0.080	0.201	0.056	0.198	0.047	0.429	101.1	0.5%
2002	0.087	0.209	0.079	0.195	0.046	0.388	100.4	-0.7%
2003	0.101	0.200	0.088	0.194	0.045	0.398	102.6	2.2%
2004	0.113	0.211	0.076	0.210	0.048	0.342	100.0	-2.5%
Percent Change From 2003								
	11.9%	5.5%	-13.6%	8.2%	6.7%	-14.1%	-2.5%	n/a

Source: University of Evansville