

Fort Wayne

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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.

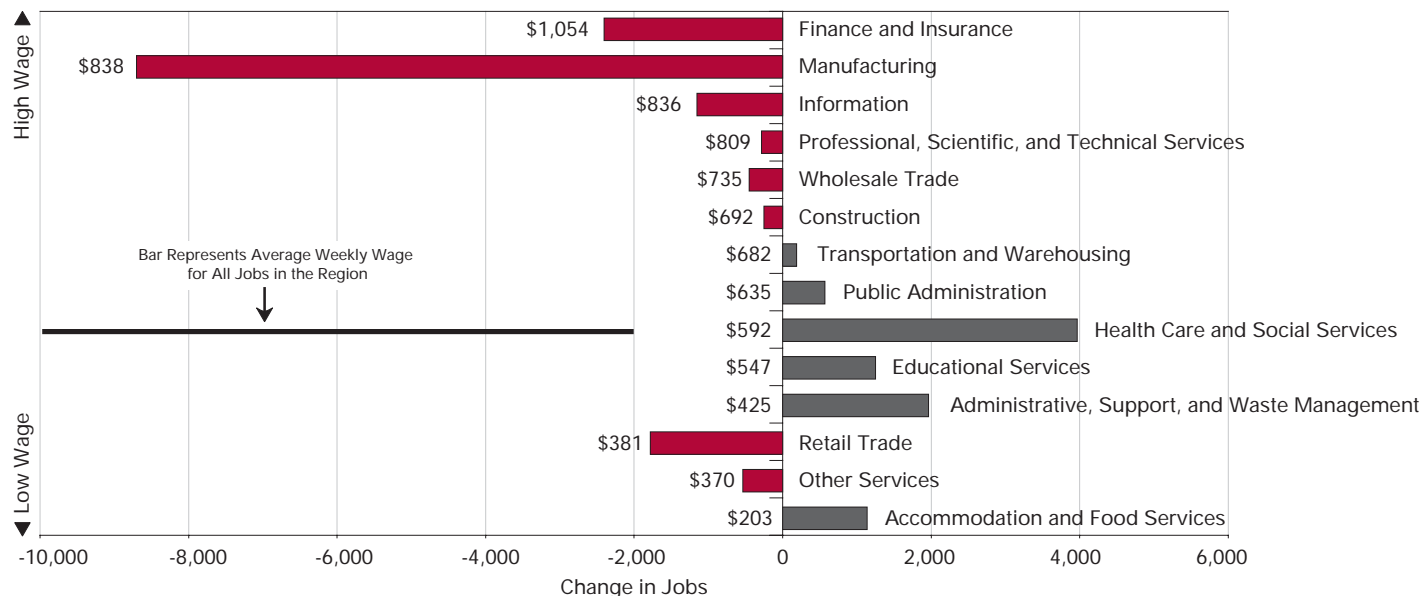
The other primary source of employment data, the monthly household survey (Local Area Unemployment Statistics), provides even more positive news. This source, perhaps less reliable but more current than the QCEW data, also indicates that by the third quarter of 2004, our region began experiencing consistent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

Figure 1
Fort Wayne CSA Change in Jobs by Major Industry, 2001:1 to 2005:1



Source: Bureau of Labor Statistics

prior year (necessary when using non-seasonally adjusted data), employment totals for the second and third quarters of 2005 indicate that the region is now experiencing employment growth at a rate that would annually support job creation of approximately 3,200 in the CSA.

While the sustained upswing in employment for the first time this decade (based on the QCEW data) has been anticipated and tracks with what is being experienced statewide and nationally, it does not portray the total picture of regional economic dynamics. Of lingering concern to our area is the continuing lag in relative wage growth. The Indiana Department of Workforce Development has recently divided the state into eleven economic growth regions (EGRs). The northeast Indiana area—EGR 3—has experienced the slowest rate of wage growth of any of the eleven regions between 2001 and 2004. EGR 3 includes the Fort Wayne–Huntington–Auburn CSA plus Grant, LaGrange, Steuben, and Wabash counties. We experienced a 7.2 percent growth in average annual wages over

the four-year period, compared with a statewide growth rate of 9.2 percent.

Stepping back from the details for a minute to look where job growth and loss has occurred in the CSA since the beginning of 2001 (when the Bureau of Labor Statistics began reporting employment data utilizing the NAICS industry classifications), a revealing picture emerges. **Figure 1** illustrates the job growth or loss for each of the two-digit NAICS classifications which have a significant employment presence in the CSA. These industry sectors have been placed on the chart from top to bottom in descending order based upon their respective average weekly wage. Each bar represents the job gain or loss over the four-year time frame in a respective business sector. As can be seen, northeast Indiana has generally been losing jobs in the higher paying sectors while gaining jobs in those at the lower wage end of the continuum. The first quarter 2005 average weekly wage for all jobs covered by unemployment insurance was \$632, as illustrated by the black line on the chart.

In 2006, northeast Indiana should expect to see continued job growth, likely at a pace reflective of that for Indiana statewide. On the conservative end, adding an additional 2,000 to 2,500 jobs to the Fort Wayne–Huntington–Auburn CSA should be very achievable. If the ongoing churn of job creation, company expansion, and business attraction mixed with the inevitable job losses through downsizings, mergers, and company failures breaks on the positive side, it may be possible to continue the very recent rate of growth and add between 3,000 and 3,500 jobs. There is, however, one very important cloud on the horizon. My predecessor and frequent contributor to the *Indiana Business Review*, Dr. Thomas Guthrie, used to say that “when the automobile industry catches a cold, northeast Indiana gets pneumonia.” If the domestic automobile supply network unravels to the extent that recent announcements portend that it could, the fallout will undoubtedly hit this region very hard. In that event, all net job growth bets are off. ■