the sheriff and his numbers could increase in 2006.

Overall, the Delphi proceedings may benefit Kokomo in the long run as pieces of the company are consolidated and Kokomo has the opportunity benefit from some of those contractions. Unfortunately, in the short run, local consumer confidence levels are low while the community waits on the outcome. This will affect small business owners the most as they compete for fewer disposable dollars from consumers. The consumers will most likely be a little more conservative for now and the total manufacturing salaries and wages in the county will inevitably see a reduction of some amount. Factor in increasing short-term interest rates, health care costs, and fuel and energy costs (compared to the twelve-month period just ended) and the most likely outcome will be a net loss of businesses in Kokomo during 2006. This is a domino effect as the small business owners do what they must to survive, cutting expenses themselves, which could be a reduction of hours or workforce as well. The key to their success will be the number of businesses that draw the transient or destination consumer from the north, east and west and those simply traveling through town.

Kokomo has always been resilient. Examples of past struggles would include the Continental Steel closing, the Chrysler bankruptcy in the 1980s and more recently the Haynes bankruptcy filing. The current troubles within the U.S. auto industry have been compared to the U.S. steel industry. The year 2006 will be another that tests the resiliency of Kokomo, as the second-largest employer makes drastic changes in its corporation. However, Delphi has a well-trained and skilled workforce with one of the best divisions of the company located in Kokomo. Kokomo should be able to rise to the occasion, reinvent itself, and actually come out of this better than it was going in.

New Albany

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Economic indicators for southern Indiana show mixed results for 2005. Average employment in the Louisville Metropolitan Statistical Area (metro), and in southern Indiana in particular, increased for the second year in a row. Yet, indicators of consumer activity suggest that consumers may be starting to reign in spending. In this analysis, various measures of economic activity are examined for counties in the Louisville metro. Particular attention is paid to Clark, Floyd, Harrison, and Washington counties in southern Indiana and Bullitt, Jefferson, and Oldham counties in northern Kentucky.[1] Four additional Indiana counties—Crawford, Jefferson, Orange, and Scott—in the southern Indiana labor market area are included when available.

Labor Markets

September unemployment rates in many of the Indiana counties of the Louisville area increased from September 2004 to 2005. From month to month, unemployment rates in many of these counties have actually decreased from earlier this year but continue to be quite volatile. Over the past year, unemployment rates in these counties grew to exceed that of the United States and the Indiana state average. **Table 1** suggests that part of the increase in unemployment rates in these counties can be attributed to increasing labor force participation; as job opportunities have increased, people who had dropped out of the labor force have begun looking for jobs. Clark, Floyd, and Scott counties, in particular, have shown substantial increases in labor force participation.

Recent data for the Louisville metro indicates that the average level of nonagricultural employment was 603,600 for the January–September 2005 period, an increase of approximately 6,600 jobs from the same period last year and approximately 16,000 jobs below the 2000 peak of 620,000. Manufacturing jobs decreased by approximately 200 jobs in the metro area, while average weekly earnings in that sector declined an additional $30 to $766 for the January–September period. Metro area employment in retail sales continued its decline to 64,200 from a high of 70,500 in 1999.

Total employment has steadily increased in the southern Indiana counties, gaining over 1,000 jobs in the first quarter of 2005 from the same quarter in 2004 (see **Figure 1**). Job growth in the southern Indiana counties was led by transportation and warehousing (367 jobs) and health care and social services (261 jobs). Positive growth continued in several other sectors, including construction, retail trade, finance and insurance, administrative and support services, and educational services.

Manufacturing employment in the southern Indiana metro counties continues to decline (although at a slower rate), averaging just over 18,000 jobs for the first quarter 2005, a decline of just over 70 jobs over the same period in 2004. Manufacturing employment has steadily decreased from the 2001 peak of approximately 21,000 jobs. Despite significant job losses over the past several years, manufacturing remains the largest employment sector in southern Indiana with over 20 percent of total employment. The average weekly wage for manufacturing workers in southern Indiana has continued to increase, but remains consistently lower than that of the Louisville metro as a whole and the state of Indiana. While there is no standard measure of labor productivity for metropolitan areas, national averages suggest that labor productivity in manufacturing has increased substantially, which would boost wages.

Consumer Activity

Sales and Marketing Management magazine's 2005 Survey of Buying power shows continued increases in retail sales. Total retail sales in the Louisville metro increased by 5.7 percent from $13.9 billion in 2004 to $14.7 billion in 2005. This is significantly lower than the 11.6 percent increase in metro retail sales from 2004 to 2005, suggesting a dampening in consumer spending. Jefferson County, Ky. had the largest change with over a $449,000 increase between 2004 and 2005. Oldham County, Ky., Floyd County, and Harrison County had substantial positive growth in retail sales, at 18.0 percent, 14.8 percent and 9.7 percent, respectively, while the growth in Clark County was quite modest (3.6 percent) by comparison. The increased retail spending in Floyd and Harrison counties may indicate a redistribution of spending patterns due to new retail development. Retail sales growth outpaced inflation, which was approximately 2.8 percent for the Midwest region between 2004 and 2005.

Activity in the residential housing market continued to increase over the past year, but at a slower pace than the previous year. Housing sales through October 2005 in the southern Indiana area[2] totaled 2,959 units—an 8.1 percent increase, compared with 12.1 and 13.9 percent increases for the same time period in 2004 and 2003, respectively. The average sales price was $137,539 for January–October 2005 sales, up 4.2 percent from the

Table 1
Labor Force and Unemployment Rates, September of Each Year, 1999 to 2005

Geography	1999	2000	2001	2002	2003	2004	2005
Clark*							
Labor Force	53,484	51,836	51,779	51,796	52,444	51,967	53,319
Unemployment Rate	2.6	2.7	4.4	4.7	4.7	4.7	4.9
Crawford							
Labor Force	5,463	5,101	5,273	5,298	5,225	5,373	5,462
Unemployment Rate	3.7	3	4.4	5	5.6	5.8	6.4
Floyd*							
Labor Force	39,339	37,549	37,458	37,220	37,091	36,738	37,743
Unemployment Rate	2.2	2.5	3.8	4.2	4.4	4.4	4.7
Harrison*							
Labor Force	19,083	18,435	18,458	18,522	18,885	18,719	19,421
Unemployment Rate	2.1	2.2	3.8	3.8	4.7	4.8	6
Jefferson							
Labor Force	13,554	16,138	16,389	16,499	16,809	16,978	17,381
Unemployment Rate	2.4	2.6	4	4.2	4.5	4.2	4.8
Orange							
Labor Force	8,784	9,573	9,396	9,185	9,033	8,997	9,026
Unemployment Rate	5.3	2.7	6.4	6.4	6.9	5.8	6.2
Scott							
Labor Force	11,240	11,249	11,051	10,972	10,901	11,140	11,501
Unemployment Rate	2.7	2.5	4.9	5.3	5.7	4.9	5.5
Washington*							
Labor Force	11,668	13,838	13,964	13,914	13,875	13,770	14,093
Unemployment Rate	3.5	2.8	5.3	5.1	5.3	5.4	5.4
Louisville Metro							
Labor Force	622,050	606,664	593,805	598,299	602,249	598,878	615,994
Unemployment Rate	3.5	3.2	4.3	4.7	5.6	4.4	5.3
Indiana							
Labor Force	3,131,258	3,117,405	3,145,090	3,156,404	3,158,344	3,161,637	3,222,728
Unemployment Rate	2.7	2.3	4	4.4	5	4.7	4.9
Kentucky							
Labor Force	1,939,975	1,947,164	1,934,449	1,950,155	1,978,396	1,964,754	2,012,844
Unemployment Rate	4.3	3.8	4.9	5	5.8	4.4	5.3
United States							
Labor Force	139,217,000	142,149,000	143,601,000	145,167,000	146,166,000	147,186,000	149,838,000
Unemployment Rate	4.1	3.8	4.7	5.4	5.8	5.1	4.8

*Indiana counties in the Louisville metro, as defined June 2003.
Source: Bureau of Labor Statistics

year before. The average amount of time for a house to sell was 108 days; the 2004 average was 98 days.

Residential construction as measured by residential building permits for new single-family units in the metro counties continued to slow and actually decreased in most metro counties (see **Table 2**). Permits for single-family units decreased by 9.7 percent for the January–September 2005 period. This is in sharp contrast to the 3.5 percent increase for the 2004 period and the 9.1 percent increase for the 2003 period. In addition, there was a substantial decrease of 38.8 percent in the number of permits issued for multi-family units. Only Clark and Washington counties experienced increases in single-family permits. Mortgage rates have been creeping up, contributing to the dampening of residential building permits and home sales.

Gaming at Caesars Casino experienced a decline in attendance in 2005. January through September 2005 admissions was 896,319, a 1.6 percent

Table 2
Building Permits, January through September*

Single-Family Units						
Area	2000	2001	2002	2003	2004	2005
Clark	547	561	689	621	611	766
Floyd	282	282	254	331	268	264
Harrison	173	144	162	146	179	142
Scott	n/a	94	90	123	78	n/a
Washington	n/a	n/a	n/a	n/a	24	80
Bullitt	534	498	493	588	624	597
Jefferson	2036	2382	2,242	2476	2,570	2,036
Oldham	446	469	449	491	590	581
Multi-family Units						
Clark	18	189	76	122	94	12
Floyd	72	6	10	8	23	4
Harrison	26	0	4	6	0	0
Scott	n/a	73	72	15	4	n/a
Washington	n/a	n/a	n/a	n/a	10	0
Bullitt	56	37	76	92	125	65
Jefferson	531	321	540	673	510	359
Oldham	46	90	61	92	0	29

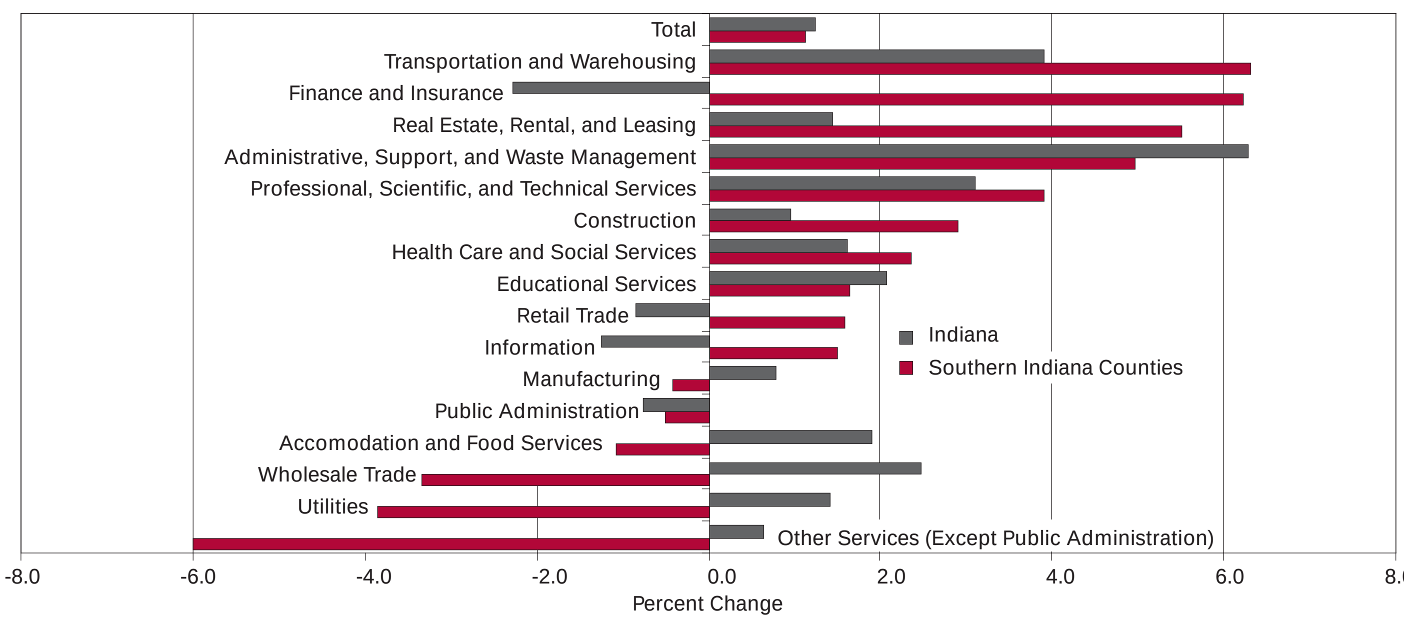
*Estimates with imputation.
Source: STATS Indiana, using U.S. Census Bureau data

Table 3
Caesars Indiana, Admissions and Total Taxes, January through September

	2003	2004	2005	Change 2004–2005	Percent Change 2004–2005
Admissions	891,274	910,754	896,319	-14,435	-1.6%
Total Tax*	$16,830,631	$18,197,891	$18,940,290	$742,399	4.1%

*Total tax includes admissions taxes and wagering taxes.
Source: Indiana Gaming Commission Monthly Reports

Figure 1
Percent Change in Employment, 2004:1 to 2005:1



Notes: Indiana counties in the Louisville metro (2003 classification): Clark, Floyd, Harrison, and Washington counties. Totals exclude county data that are not available due to nondisclosure requirements.
Source: Indiana Business Research Center, using ES202 data

decrease from the same period in 2004 (see **Table 3**). Tax payments totaled over $18.9 million for the January–September 2005 period, a 4 percent increase over the same period in 2004.

In 2005, the available labor market data for Louisville and southern Indiana is fairly positive. While unemployment rates have increased and remain quite volatile, labor force participation has increased, suggesting that people are optimistic about finding jobs. Average employment increased by 6,600 jobs in the metro area, which includes an increase of over 1,000 jobs in the southern Indiana counties of the metro area. Consumer activity has dampened a bit. Retail spending in the Louisville metro continues to increase but at a slower rate and housing sales have increased relative to the previous year. The number of single-family residential building permits actually decreased in all counties except Clark and Washington, suggesting that the housing market is cooling. Cautious optimism is in order. Over the coming year, employment in the health care and transportation sectors are expected to remain strong. The dark cloud on the horizon is manufacturing employment, which continues to decrease. With the closing of the Colgate plant by January 2008, manufacturing will undoubtedly continue its decline. Retail spending will likely grow but at a slower rate, while activity in the housing market will continue to slow.

Notes

1. In 2003, the Office of Management and Budget redefined the counties in the Louisville metropolitan area. They are Clark, Floyd, Harrison, and Washington counties in southern Indiana and Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer, and Trimble counties in Kentucky.
2. Data on home sales from the Southern Indiana Realtors Association Multiple Listing Service, which covers Clark, Crawford, Floyd, Harrison, Jefferson, Scott, and Washington counties.

Richmond

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There is mixed news coming from the Richmond–Connersville–New Castle (RCNC) area economy. The manufacturing sector, especially in Richmond, suffered a few plant closings in 2004 and 2005. A significant number of good-paying jobs were lost. Firms producing durable goods such as automobile parts, wire, and machine tools, are affected in varying degrees by current economic conditions. International competition from low-wage and low-cost producing nations, along with soaring commodity and energy prices, is affecting the bottom line of local firms.

Against this background, there is a silver lining. A few firms, such as Johns Manville, Osborn International, Berry Plastics, Contract Industrial Tooling, and JMC Restaurant Distribution, plan to expand in 2006. This internal expansion, plus the location of new firms (including both the strip mall adjacent to Hayes Arboretum by private investors and business prospects by the Economic Development Corporation of Wayne County) will brighten the employment picture. Taconic Farms and Kelsie's Food and Dairy, for instance, will add 250 new jobs, followed by the strip mall with another 200 jobs. Between January and August 2005, there was a net job gain of 268.

> "The housing sector is doing reasonably well after a slowdown in the first half of the year. There is an uptick in home sales partly due to the influx of professional and management people."

Employment

The August 2005 figures, released by the Indiana Department of Workforce Development, showed that the unemployment rates in Wayne, Fayette, and Henry counties were 7.0 percent, 8.1 percent, and 6.2 percent, respectively. These rates were higher than both the state rate of 5.2 percent and the national rate of 4.9 percent (see **Figure 1**). In terms of county rankings, they were second (Fayette), seventh (Wayne), and twenty–first (Henry). With the exception of Henry county, the unemployment rates inched upward from August 2004. In short, total employment was 63,120 from a labor force of 67,780, giving an employment-to-labor-force ratio of 93.1 percent while the employment-to-population ratio of 45.3 percent remained unchanged. The employment-to-labor-force ratio is expected to improve with increased economic activity.

Income

Slow job and productivity growth translates into slow income growth. Personal income is the income received by all persons from all sources or the total income for all households. It also reflects the quality of life in a community. The per capita personal income (PCPI) in 2003 for Wayne, Fayette, and Henry counties was $25,316, $27,172, and $27,428, respectively. Indiana's 2003 PCPI was $28,838, while the nation's was $31,472. Analogously, the poverty rate in the tri-county area was 11.7 percent (Wayne), 10.4 percent (Fayette), and 9.5 percent (Henry).

The service sector continues to lead the local economy on the employment