rise modestly to 5 percent or 5.1 percent. A recession that lifts the national unemployment rate to 6 percent is likely to cause the local unemployment rate to rise to around 7 percent. Moderate slowing of the U.S. economy is likely to result in a local unemployment rate of between 5.5 percent and 6 percent.

Conclusions

More than in any recent year, the uncertainties surrounding the path of the national economy matter. Since 2001, the national economy has grown steadily, if not always briskly. For the first time in this century, however, the prospects of a recession must be factored into our expectations for the local economy. Given our still-considerable concentration of economic activity in cyclically sensitive industries (steel and other metals; chemicals; petroleum products), a mild national recession could lead to significant slowdown in the local economy. The national economic forecast presented in this issue of the ***Indiana Business Review*** suggests that we may dodge that bullet; other forecasts are less optimistic. This is, then, a much more cautious forecast than usual, because more than usual depends on which way the national economy jumps. Continued moderate growth in the national economy will lead to very modest growth in northwest Indiana. That is the best to expect.

Notes

1. In what follows, the northwest Indiana economy is Lake, LaPorte, Porter, Jasper, Newton, Pulaski, and Starke counties, unless otherwise specified.
2. In the preceeding discussion, I compare the first quarter of 2006 (the most recent period for which data are currently available) with the first quarter of 1995.
3. Measured between January 1990 and September 2006 (the most recent month for which local data are available. Sources for northwest Indiana and Indiana: www.stats.indiana.edu; and the United States: www.bls.gov.
4. The 2001–2002 decline also involved some industry restructuring, but was mostly a response to the recession.

Indianapolis

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The following data and forecasts refer to the nine-county Indianapolis area, including Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan, and Shelby counties. Unless otherwise noted, data comes from STATS Indiana at www.stats.indiana.edu, maintained by the Indiana Business Research Center at the Indiana University Kelley School of Business.

Income

Between the first quarters of 2005 and 2006, income growth impressively outpaced the rest of the country and reversed last year's local downward trend. Real average weekly compensation increased 5.1 percent in Indianapolis, compared to just 0.2 percent nationwide.[1] Both agriculture and manufacturing witnessed double-digit wage growth. Overall, compensation data suggest a 6.4 percent real growth rate in the local economy. Real growth in the U.S. economy over the same period was only 3.7 percent.[2] Between the first quarters of 2004 and 2005, economic activity in metropolitan Indianapolis shrank 0.5 percent. The Indianapolis economy posted an impressive turnaround in its ability to generate money.

> *"Indianapolis outpaced the nation in income growth but had a slower rate of job growth."*

Employment

Indianapolis lagged the nation in job growth. Between August 2005 and August 2006, local employment grew only 0.3 percent, compared to a 1.6 percent expansion nationwide. Local unemployment matches national unemployment at 4.6 percent of the labor force. Manufacturing employment shrank 1.1 percent and the number of management jobs fell 3.1 percent. The areas of highest job growth were agriculture at 4.5 percent, food service and accommodation at 4.4 percent, and construction at 3.3 percent.

Real Estate

Building activity is slowing like the rest of the country, but Indianapolis has not seen the fall in real estate value witnessed in other markets. Year-to-date building permits fell 17 percent between September 2005 and September 2006.The local median home price increased from $134,900 to $139,900, but the inventory of unsold homes increased 14 percent.[3]

Quality of Life

Data suggest a rise in community stress among those who live and work in the central city. Marion County's unemployment rate of 5.4 percent is higher than that of the larger metropolitan area. Between July 2005 and July 2006, total crime incidents (in the area patrolled by the Indianapolis Police Department) increased 10.5 percent.[4]

Notes

1. Nationwide wage growth data from the Bureau of Labor Statistics.
2. Real gross domestic product growth data from the Bureau of Economic Analysis.
3. Indianapolis housing market data from www.housingtracker.net. Note that data for the real estate portion of this article uses the actual Indianapolis–Carmel metro data rather than the nine-county region referred to at the beginning of this article. The Indianapolis–Carmel metro includes the following counties: Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam, and Shelby.
4. Crime trend data from the Indianapolis Police Department.