> “In important respects, the Columbus and Bartholomew County area has armored itself well against a recession.”

15 percent of jobs in the county. The Center for Econometric Model Research at Indiana University predicts that the Columbus metro area will be one of the best performers among all Indiana metro areas in 2009.

3. Several major employers in the Columbus area are well-positioned to face the pressures of a recession. Three big organizations appear to be particularly well-managed.
   - The hospital has just re-opened after the June flood. Though it laid off a few workers while it was closed, this major regional medical facility will certainly give rise to more jobs and more payroll dollars as it regains its momentum.
   - Cummins’ headquarters and central design functions remain here, but the company has built up businesses in dozens of other countries and in a wide array of new product lines. At the end of October, a Standard & Poor’s stock research report on Cummins predicted profit growth from margin improvement, technology leadership, and strong (though perhaps slowing) new markets. Caterpillar’s decision to withdraw from the on-highway truck engine business also helps by removing a source of competition. Cummins’ presence in Columbus is likely to be much more stable during 2009 than in past recessions.
   - Irwin Financial has been bloodied by the general epidemic of losses afflicting the financial services industry, but there are signs that the worst is behind it. As long as the global banking industry produces no more big calamities, this company has a good chance of squeaking through the recession in 2009 without major layoffs.

While these factors are encouraging, recessions are still nasty things. And this one looks like it will last awhile. Certain sectors of the Columbus area economy will get hurt, and our workforce will suffer further layoffs. The local unemployment rate, currently near 5 percent, is forecast to inch up past 6 percent this winter. But the unemployment rate already is nearly 8 percent in California and more than 8 percent in Michigan. The overall U.S. rate is predicted to be more than 7 percent by early 2009. Bartholomew County should stop well short of that figure.

Retail businesses, however, are likely to see further declines in revenue. New car sales have already dropped precipitously and will probably not recover much until the second half of 2009. Residential construction will continue to be depressed through most of 2009 by an inventory of unsold and foreclosed homes throughout the region.

But in important respects, the Columbus and Bartholomew County area has armored itself well against a recession. The county should be able to dodge most of the bullets hitting places like Michigan and California.

Evansville Forecast 2009

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In 2008, the Evansville economy was not immune to the volatility of financial markets and the slowdown in the national economy that arose after the emergence of the subprime mortgage crisis in early 2007. In 2008, nominal personal income is estimated to increase by 2.2 percent compared to an average annual growth rate of 4.5 percent between 2002 and 2007. Economic performance in 2008 was driven by job losses in key sectors, particularly in manufacturing, construction, and financial services. As a result, real gross metro product is estimated to increase by only 0.9 percent in 2008.

Housing

As the Evansville economy tracked the U.S. economy in 2008, there were indications of a rise in employment volatility, a slowing housing market, deteriorating credit quality, and higher delinquency rates. Single-family housing permits are estimated to have dropped 50 percent between 2007 and 2008, and existing home prices declined from an average of $98,000 in 2007 to $94,000 in 2008. Mortgage originations also dropped from $1.49 billion in 2007 to $769 million in 2008, while personal bankruptcies per 1,000 persons increased from 4.2 to 5.6.

Manufacturing

The Evansville economy is one of the most manufacturing-dependent metro areas in the nation, but has become less dependent in recent years (see **Figure 1**). However, even as the economy diversifies away from manufacturing-industry dependence, the sector continues to be important to metro area household incomes and consumer spending activity.

Since 2000, Evansville's manufacturing workforce has fallen by 15.4 percent or about 5,700 workers, compared to the 20.4 percent reduction in Indiana's manufacturing workforce over the same period. At the same time, manufacturing earnings as a share of total earnings has remained stable at about 28 percent between 2001 and 2007 in the Evansville metro economy. The national economic slowdown and its impact on the automotive sector partly explains the trajectory of Evansville's manufacturing sector in 2008.

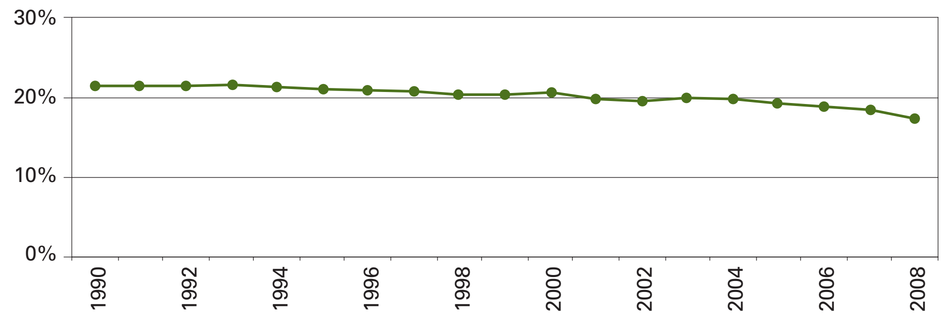
During the summer, the largest Evansville area employer—Toyota—implemented several non-production days for half of its employees as sales for cars and trucks dipped. Workforce reductions were also announced by a plastics firm, automotive parts manufacturers, and Whirlpool Corporation.

Outlook

In 2009, we forecast output to increase by 0.4 percent, the number of jobs to decrease by 1,000 and nominal personal income to grow 2 percent. **Figures 2** and **3** provide a comparison of forecasts for the Evansville economy and the state of Indiana for the 2006–2010 period.

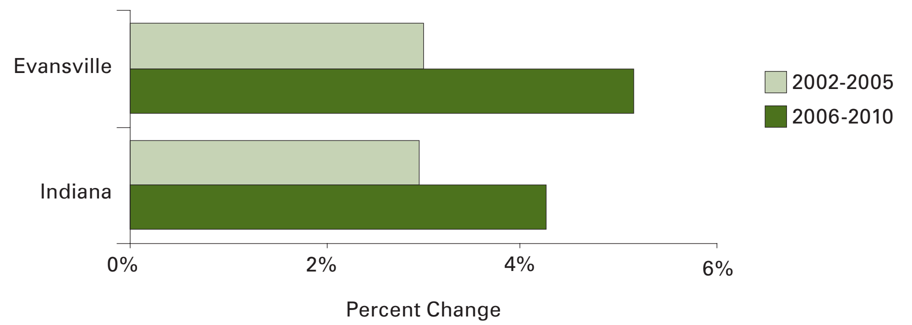
Ongoing challenges for the Evansville economy include adjustment away from manufacturing-industry dependence, particularly in nondurable manufacturing (see **Table 1**), an elderly age cohort as a proportion of the population that is higher than the state average, and a youth cohort as a proportion of the population that is lower than the national average.

Figure 1: Evansville MSA Manufacturing Employment as a Percent of Total Nonfarm Employment



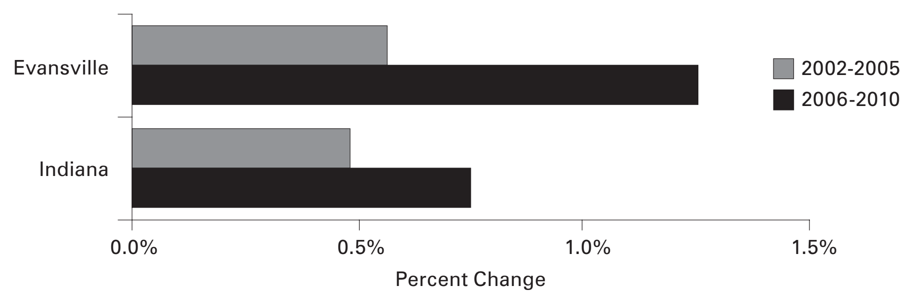
Source: IBRC, using Bureau of Labor Statistics data

Figure 2: Average Growth for Personal Income



Source: Center for Econometric Model Research, Indiana University

Figure 3: Average Growth for Total Employment



Source: Center for Econometric Model Research, Indiana University

Table 1: Manufacturing as a Percent of Total Employment, September 2008*

	Evansville Metro	Indiana	United States
Manufacturing	18%	18%	10%
Durables	54%	73%	63%
Nondurables	46%	27%	37%

*Preliminary data
Source: IBRC, using Bureau of Labor Statistics and the Indiana Department of Workforce Development data