

Bloomington Forecast 2010

Timothy F. Slaper, Ph.D.: Director of Economic Analysis, Indiana Business Research Center, Kelley School of Business, Indiana University

November 2009

In 2009, Bloomington's economy took a glancing blow. Compared to state and regional neighbors, Bloomington was an island of relative stability. As in 2009, the prospects for the Bloomington area for 2010 are brighter than for much of Indiana and the Midwestern region.

Population

Population growth tends to stimulate local businesses and in the last few years, the Bloomington area has experienced moderate population growth. As **Figure 1** shows, this growth has been predominantly in Monroe County. While the total population of the Bloomington Metropolitan Statistical Area (MSA) has been on the rise, Greene and Owen counties (the other two counties in the Bloomington MSA) have, taken together, lost population in the last five years. In the first half of the decade, the city of Bloomington's population declined by almost a thousand people; but in the last three years, it has regained lost ground. In the coming years, the population is expected to continue its gradual increase.

Gross Domestic Product

The economic growth of the Bloomington MSA slowed, but not as rapidly as other areas. In contrast to the state, which registered a real gross domestic product (GDP) decline of 0.6 percent from 2007 to 2008, Bloomington's economy grew at a rate of 1.7 percent. This rate of growth roughly equals the annual average from 2001 to 2008. The growth was not spread evenly among industries, however.

Social Safety Net

Table 5 shows the dollar value of food stamps issued and the number of food stamp recipients. From 2008 to 2009, the dollar value of food stamps issued increased by more than 30 percent to more than \$2 million. The number of recipients increased by 5.7 percent from 2008 to 2009, although the 2009 total is lower than that of 2007 and may reflect a change in population or the change in the state's system of administering benefits.

Gaming

In May 2008, electronic gaming became available at Hoosier Park. Fiscal Year 2009 (July 2008 through June 2009) is the first full year of operation. Of the thirteen gambling establishments authorized by the state, Hoosier Park ranked fifth in terms of total winnings (over \$202 million) and the amount of wagering taxes paid (almost \$56 million). Total employment at the casino is around 780, with just over 70 percent of employees from Madison County. The expansion of Ohio casinos recently approved by voters is expected to have a negative effect on Hoosier Park.

Outlook

The official numbers provide a bleak picture of the local economy. Overall employment and average wages have decreased. The unemployment rate is lower, but so is the labor force. There are bright spots: Nestlé opened a new manufacturing facility earlier this year, creating hundreds of jobs. Bright Automotive has a contract to develop a hybrid vehicle for the U.S. Army. Anderson has begun improvements on its wastewater treatment facilities to comply with the Clean Water Act.

In the coming year, we expect employment to continue to decrease about half a percent (-200 jobs) in Madison County through the first quarter of 2010 and then to stabilize

TABLE 4: Madison County Residential Real Estate Sales, 2005 to 2009

Year	Units Sold	Average Price
2005	3,586	\$91,101
2006	3,722	84,352
2007	3,676	79,652
2008	3,064	77,362
2009	2,746	69,502

Note: Each year is based on January through September averages. Dollar values are not adjusted for inflation. Source: Metro Indianapolis Board of Realtors

TABLE 5: Food Stamp Recipients in Madison County, 2003 to 2009

Year	Total Dollar Value of Food Stamps Issued	Number of Food Stamp Recipients
2003	\$1,027,207	12,117
2004	1,153,232	13,277
2005	1,368,883	14,457
2006	1,455,455	15,384
2007	1,519,787	15,681
2008	1,549,855	14,725
2009	2,027,924	15,557

Note: Each year is based on January through September averages. Dollar values are not adjusted for inflation. Source: STATS Indiana, using FSSA data

through the remainder of 2010.¹ We expect that income growth will remain flat through 2010. This outlook may be a bit optimistic given the difficulties faced by the U.S. auto industry, particularly General Motors and Chrysler, and the continuing difficulties in the financial sector, both of which ultimately affect employment and earnings in east-central Indiana. After the official end of the 1990–1991 recession in March 1991, the national unemployment rate continued to increase for more than a year, peaking at 7.8 percent in June 1992. We may see a similar scenario in 2010. ■

Notes

1. Using the Ball State University Center for Business and Economic Research Labor Market Forecast for Madison County.

Manufacturing—a vast majority of the goods-producing sectors in **Figure 2**—declined 2.2 percent from 2007 to 2008 while the service-providing sector grew 3.6 percent. In terms of growth since 2001, the stand-out industry is professional and business services—which grew at an average annual rate of 6.4 percent over the period and 8.7 percent in 2008.

Employment

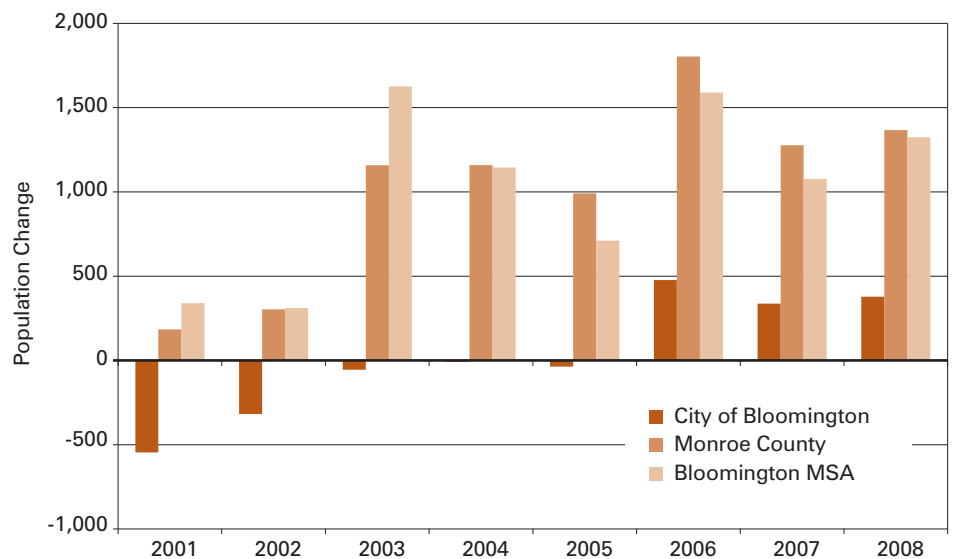
So while Bloomington will likely report a decline in GDP of about 2 percent for 2009 and rebound gradually in 2010, the forecast for employment is less optimistic. Employment growth typically lags economic growth. There will likely be employment losses at the beginning of the year and gains at the close of the year. The net for the year will likely register a flat or slightly negative job picture for 2010. Indeed, based on the forecast, employment in Monroe County won't bottom out until 2010, as **Figure 3** shows. After growing by an annual average rate of 1.2 percent from 2001 to 2007, the subsequent slowdown in the economy will put

overall employment at about the same level as during the millennial recession. Because anemic economic growth is expected both nationally and regionally, the 2007 level of employment isn't expected to return until after 2012.

The structure of the economy in the Bloomington area has undergone a transformation over the last few years. As **Figure 4**

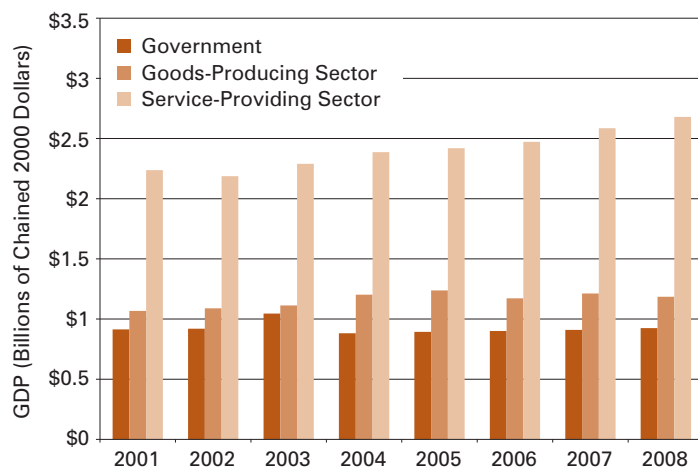
“There will likely be employment losses at the beginning of the year and gains at the close of the year.”

FIGURE 1: Annual Population Change, 2001 to 2008



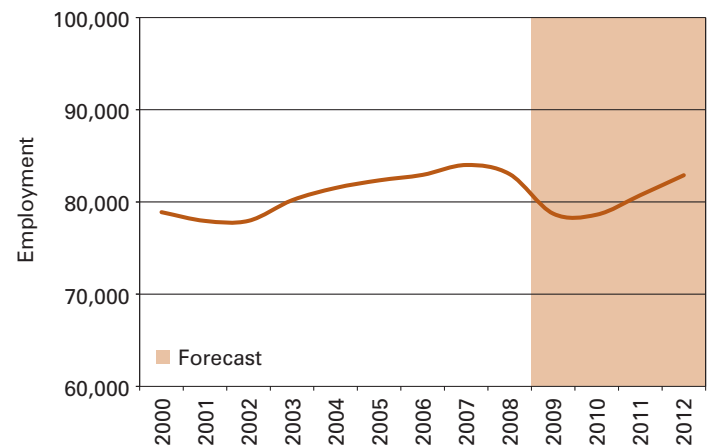
Source: IBRC, using U.S. Census Bureau data

FIGURE 2: Gross Domestic Product by Aggregated Sectors, 2001 to 2008



Source: IBRC, using Bureau of Economic Analysis data

FIGURE 3: Monroe County Total Employment, 2000 to 2012



Source: IBRC, using data from the Bureau of Economic Analysis and Center for Econometric Model Research

shows, manufacturing and retail trade have lost jobs since 2001. The two stand-out industries in terms of employment growth were administrative and waste services and educational services. Proprietor employment also grew at a faster clip than total employment.

Per Capita Personal Income

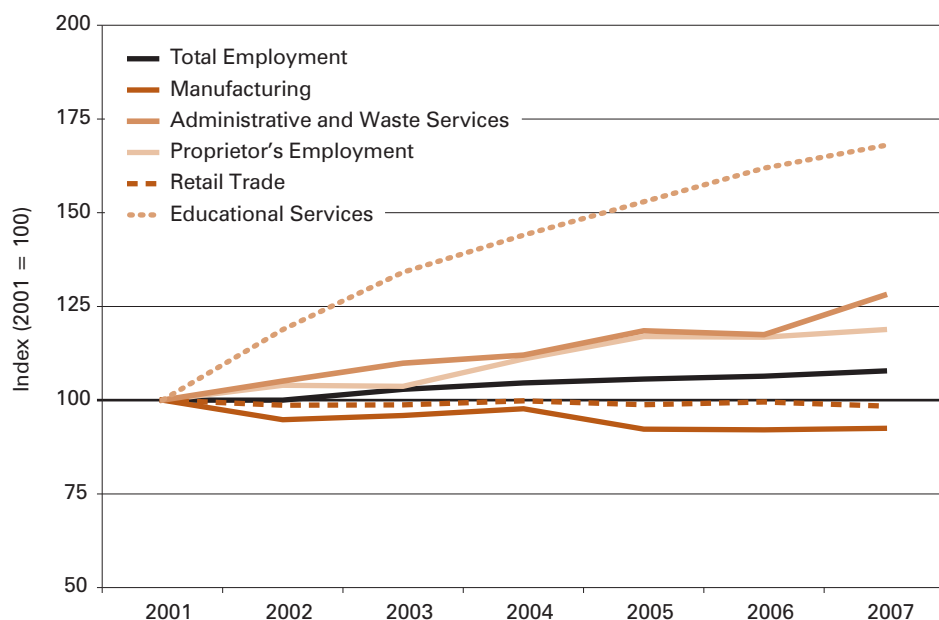
On the per capita personal income (PCPI) front, the data are nothing to boast about. As Figure 5 shows, the level of PCPI for both the state and Monroe County fall below the national average. Even more significant is the fact that the rate

of current-dollar PCPI growth in Indiana from 2001 to 2007—2.9 percent—is materially below that of the nation as a whole—3.7 percent. At a rate of 3.5 percent, Monroe County betters the state average, but is still shy of the national average.

Housing

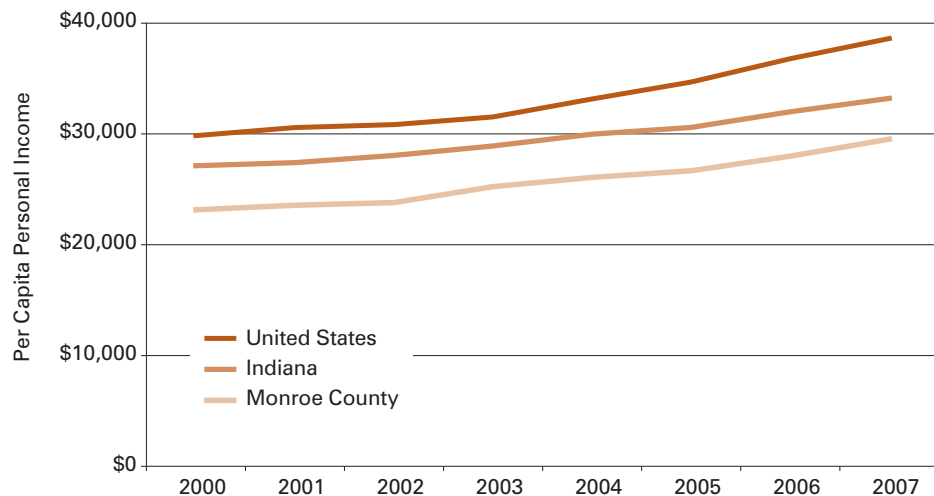
On a final, more positive point, the Monroe County housing market has remained reasonably stable. Compared to last year, home sales through September were down a mere 2.8 percent. That doesn't sound great until one weighs it against the state average (a 13.5 percent decline). The state average fall in median home sale price, however, was just a tad greater than Monroe County, -3.2 percent and -2.6 percent, respectively. Table 1 presents current real estate data for Monroe County, the state and other selected counties. Even compared to the counties with a large university presence, and hence a cyclical economic cushion, Monroe County has been spared plummeting home prices. ■

■ FIGURE 4: Industries in Monroe County with Notable Employment Gains and Losses, 2001 to 2007



Source: IBRC, using Bureau of Economic Analysis data

■ FIGURE 5: Per Capita Personal Income, 2000 to 2007



Source: IBRC, using Bureau of Economic Analysis data

■ TABLE 1: Monroe County Real Estate Market Compared to Other Selected Indiana Counties, 2008 to 2009

County	Percent Change in Units Sold*	Percent Change in Median Sales Price*
Indiana	-13.5	-3.2
Monroe	-2.8	-2.6
Vanderburgh	-8.1	0.5
Allen	-10.3	1.1
Tippecanoe	-10.9	-2.0
Marion	-14.4	-2.4
St. Joseph	-22.1	-1.2
Bartholomew	-39.4	-5.3

*From previous year
Note: 2009 data includes January through September only.
Source: IBRC, using Indiana Association of Realtors data