

# Muncie Forecast 2010

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Spring 2009 marked the end of an era in Muncie history—Borg Warner, maker of transfer cases for transmission systems and the last of the large automobile-related factories, closed,

marking the end of employment for the last 350 workers. In addition, several smaller manufacturing plants closed this year. Graphics Packaging International closed, ending employment for 150 workers.

Duffy Tool and Stamping announced that it would close by the end of the year, ending employment for 130 workers. City government is facing budget reductions resulting from the property tax caps and has cut jobs.

Amid this dire employment picture, there are reasons for optimism. Brevini, the Italian maker of gear boxes for wind turbine energy generation, and VAT, which provides warranty support and maintenance for gear boxes and produces solar- and wind-powered street lights, are scheduled to commence operations in 2010. Perhaps this will mark the beginning of a new era.

Various measures of economic activity are examined for Muncie (Delaware County) in this analysis. The data are from 2001 (the last recession) through the most current available (usually September 2009). We analyze trends since the last recession and changes over the past year. In the final section, we conclude with a summary of the labor market forecast for the Muncie area.

■ TABLE 1: Labor Force and Unemployment for Delaware County, September 2008 to September 2009

| Year | Month         | Labor Force   | Unemployed   | Unemployment Rate |
|------|---------------|---------------|--------------|-------------------|
| 2008 | September     | 55,766        | 3,703        | 6.6               |
|      | October       | 55,608        | 4,049        | 6.6               |
|      | November      | 55,460        | 4,601        | 7.3               |
|      | December      | 55,341        | 3,726        | 8.3               |
|      | <b>Annual</b> | <b>56,378</b> | <b>5,606</b> | <b>6.7</b>        |
| 2009 | January       | 55,864        | 5,546        | 9.9               |
|      | February      | 55,487        | 5,901        | 9.9               |
|      | March         | 55,218        | 5,301        | 10.6              |
|      | April         | 56,261        | 6,077        | 9.6               |
|      | May           | 54,937        | 6,447        | 10.8              |
|      | June          | 53,711        | 5,830        | 11.7              |
|      | July          | 53,018        | 5,302        | 10.9              |
|      | August        | 52,837        | 5,026        | 10                |
|      | September*    | 59,977        | 5,822        | 9.5               |

Note: Not seasonally adjusted.  
\*September 2009 data are preliminary  
Source: Bureau of Labor Statistics

■ TABLE 2: Muncie MSA Employment, 2008 to 2009

| Industry                             | 2009*  | Change since 2008 | Percent Change 2008–2009 |
|--------------------------------------|--------|-------------------|--------------------------|
| Total Nonfarm                        | 50,956 | -1,211            | -2.3                     |
| Total Private                        | 38,622 | -1,133            | -2.9                     |
| Goods-Producing                      | 5,811  | -1,122            | -16.2                    |
| Manufacturing                        | 4,033  | -989              | -19.7                    |
| Mining, Logging, and Construction    | 1,778  | -133              | -7.0                     |
| Service-Providing                    | 45,144 | -89               | -0.2                     |
| Financial Activities                 | 2,678  | -111              | -4.0                     |
| Other Services                       | 1,689  | -56               | -3.2                     |
| Trade, Transportation, and Utilities | 8,422  | -144              | -1.7                     |
| Information                          | 400    | 0                 | 0.0                      |
| Educational and Health Services      | 9,778  | 33                | 0.3                      |
| Leisure and Hospitality              | 5,133  | 44                | 0.9                      |
| Professional and Business Services   | 4,711  | 222               | 5.0                      |
| Government                           | 12,333 | -78               | -0.6                     |

\*January through September average. September data are preliminary.  
Source: Bureau of Labor Statistics

## Labor Markets

The unemployment rate (not seasonally adjusted) in Delaware County decreased for the past two months, settling at 9.5 percent in September 2009—down from 10 percent the previous month and remaining persistently higher than that of the state. The labor force has decreased each month since April 2009, indicating that frustrated job seekers are dropping out of the labor force and potential workers are moving from the area (see Table 1). The unemployment rate includes people actively looking for work but does not include people who have dropped out of the labor market or people who hold part-time jobs but would like to be working full-time. As a result, the unemployment rate understates the level of economic

distress present in the local labor market.

**Table 2** shows that nonfarm employment decreased to just under 51,000 jobs in 2009, a loss of more than 1,200 jobs. Job losses were led by the manufacturing sector, which reduced employment by 989 jobs (-19.7 percent). Other sectors that were hard hit include construction (-7 percent), financial activities (-4 percent), and trade, transportation and utilities (-1.7 percent). Over the same period, employment gains occurred in professional and business services (5 percent), leisure and hospitality (0.9 percent), and education and health services (0.3 percent).

Manufacturing jobs have been declining steadily for several decades. In 1970, there were over 18,500 manufacturing jobs in Delaware County. By 1980, manufacturing jobs had declined to just over 13,400. In 1990 there were just over 11,500. By 2000, manufacturing jobs were around 9,700. In 2009, there are just over 4,000 manufacturing jobs. Over a forty-year period, manufacturing jobs decreased by about 14,500. During the same time period (1970 to 2009), overall employment increased by about 10,000 workers. Most of the job growth over this period has been in retail, services, and state and local government. Total population in Delaware County has decreased from a high of over 133,000 in 1972 to about 115,000 today. The structure of the local economy has changed dramatically in the past four decades.

Average wages in most sectors decreased over the past year. **Table 3** shows average weekly wages (not adjusted for inflation) from the first quarter of 2008 through the first quarter of 2009. The hardest hit sectors were finance and insurance (-9.8 percent); arts, entertainment and recreation (-8.7 percent); and management of companies and enterprises (-8.1 percent). A few sectors (utilities, construction,

administration and support, educational services, and public administration) experienced small increases in wages. The inflation rate for the Midwest region between the

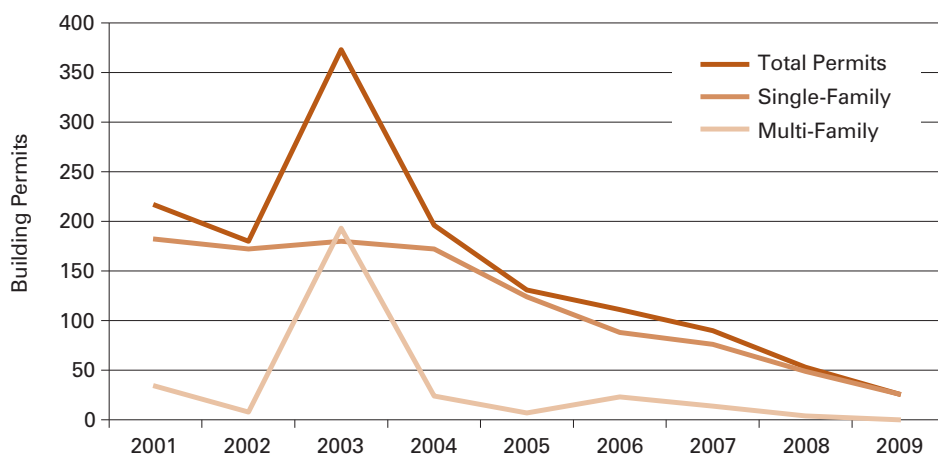
first quarters of 2008 and 2009 was -0.5 percent, so workers in those sectors experiencing declines greater than 0.5 percent are faring worse than last year.

**TABLE 3: Average Weekly Wages in Muncie MSA, 2008:1 to 2009:1**

| Industry   | 2009:1 | Change Since 2008:1 | Percent Change |
|--|--------|---------------------|----------------|
| Total  | \$739  | -\$18               | -2.4           |
| Finance and Insurance                            | 1,045  | -113                | -9.8           |
| Arts, Entertainment, and Recreation              | 617    | -59                 | -8.7           |
| Management of Companies and Enterprises          | 1,517  | -133                | -8.1           |
| Agriculture, Forestry, Fishing, and Hunting      | 591    | -34                 | -5.4           |
| Professional, Scientific, and Technical Services | 980    | -41                 | -4.0           |
| Real Estate, Rental, and Leasing                 | 632    | -24                 | -3.7           |
| Transportation and Warehousing                   | 715    | -23                 | -3.1           |
| Information                                      | 856    | -25                 | -2.8           |
| Mining   | 1,034  | -30                 | -2.8           |
| Manufacturing                                    | 1,050  | -24                 | -2.2           |
| Retail Trade                                     | 430    | -7                  | -1.6           |
| Wholesale Trade                                  | 1,005  | -9                  | -0.9           |
| Other Services (Except Public Administration)    | 480    | -4                  | -0.8           |
| Accommodation and Food Services                  | 239    | -1                  | -0.4           |
| Health Care and Social Services                  | 721    | 0                   | 0.0            |
| Utilities  | 1,549  | 7                   | 0.5            |
| Educational Services                             | 713    | 9                   | 1.3            |
| Public Administration                            | 758    | 12                  | 1.6            |
| Construction                                     | 871    | 18                  | 2.1            |
| Administrative, Support, and Waste Management    | 499    | 13                  | 2.7            |

Source: Bureau of Labor Statistics

**FIGURE 1: Delaware County Residential Permits, 2001 to 2009**



Note: Each year is based on January through September totals.  
Source: IBRC, using U.S. Census Bureau data

## Housing

Residential construction as measured by residential building permits for new single- and multi-family construction continued to decline in 2009 (see **Figure 1**). The number of permits issued dropped to twenty-six for the January to September period in 2009, down from fifty-three for the same period in 2008, and a high of 373 in 2003.

Activity in the Delaware County residential real estate market actually increased a bit in 2009. Between January and September, 733 units sold compared to 715 for the same period in 2008 (see **Table 4**). The number of days on the market was higher in 2009 than previous years, as was the sales price. In 2009, about 27 percent of the units sold were repossessions.

## Social Safety Net

**Table 5** shows the dollar value of foods stamps issued and the number of food stamp recipients. In 2009, the dollar value of food stamps issued increased by more than 34 percent to exceed \$1.88 million. The number of recipients increased by more than 9 percent from 2008 to 2009, although the 2009 total is lower than that of 2007 (likely due to the change in the state's system of administering benefits that reportedly incorrectly denied benefits to eligible households). The number of students receiving free or reduced price lunches has increased since 2006 (see **Figure 2**). Over the past two years, an additional 250 students have qualified each year.

## Outlook

The available labor market data for Delaware County are discouraging.

Total employment decreased by more than 1,000 jobs. The manufacturing employment base continues to shrink. The unemployment rate declined but so has the labor force, indicating that many people have stopped looking for jobs. Average wages decreased in most industry sectors over the past year. The bright spots are the 2010 opening of plants producing component parts for wind energy and the housing market, which has shown increases in sales (although much of this increase is likely attributable to the federal credit for first-time homebuyers and is therefore temporary).

In the coming year, we expect employment to continue to decrease about 1 percent (-500 jobs) in Delaware County through the first quarter of 2010 and then to stabilize through the remainder of 2010.<sup>1</sup> We expect that income growth will remain flat through the next year. This outlook may be overly optimistic given the continued difficulties in the U.S. auto industry (particularly General Motors and Chrysler) and the financial sector, both of which ultimately affect employment and earnings in east-central Indiana. ■

## Notes

1. Ball State University Center for Business and Economic Research Labor Market Forecast for Delaware County.

■ **TABLE 4: Residential Real Estate Sales in Delaware County, 2003 to 2009**

|   | 2003     | 2004   | 2005    | 2006   | 2007   | 2008   | 2009   |
|---|----------|--------|---------|--------|--------|--------|--------|
| Units Sold                                  | 994      | 1,063  | 966     | 1,086  | 984    | 715    | 733    |
| Average Days on Market                      | 116      | 115    | 119     | 131    | 128    | 145    | 155    |
| Median Days on Market                       | 78       | 79     | 92      | 107    | 95     | 113    | 117    |
| Average Sale Price                          | \$96,399 | 96,863 | 101,891 | 98,230 | 92,596 | 91,632 | 90,628 |
| Median Sale Price                           | \$80,000 | 80,000 | 80,650  | 80,000 | 79,900 | 75,500 | 76,750 |
| Average Property Tax/<br>Average Sale Price | 1.0%     | 1.2%   | 1.2%    | 1.2%   | 1.3%   | 1.7%   | 1.5%   |

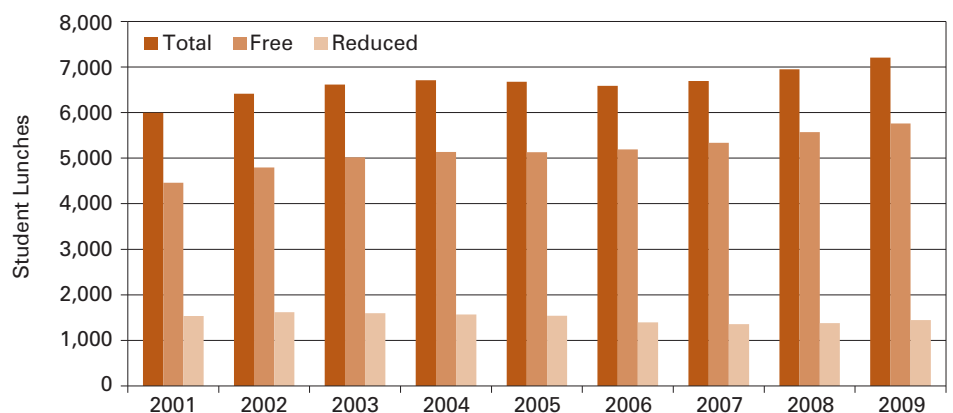
Note: Each year based on January through September averages.  
Source: Metro Indianapolis Board of Realtors

■ **TABLE 5: Total Number of Food Stamp Recipients in Delaware County, January to August Average**

| Year | Total Food Stamps Issued | Number of Food Stamp Recipients |
|------|--------------------------|---------------------------------|
| 2003 | \$952,028                | 11,242                          |
| 2004 | 1,094,493                | 12,553                          |
| 2005 | 1,417,196                | 14,119                          |
| 2006 | 1,344,199                | 14,103                          |
| 2007 | 1,409,418                | 14,338                          |
| 2008 | 1,406,896                | 13,010                          |
| 2009 | 1,885,016                | 14,225                          |

Source: STATS Indiana, using FSSA data

■ **FIGURE 2: Students Receiving Free and Reduced Price Lunch in Delaware County**



Source: IBRC, using FSSA data