

# Indianapolis-Carmel Forecast 2011

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The Indianapolis-Carmel metropolitan area<sup>1</sup> should continue to slowly recover over the course of 2011, with unemployment declining, incomes rising and a general economic rebound. However, the recovery will be modest and leave economic growth below historic levels and unemployment above normal levels, even by the end of the year.

## Employment<sup>2</sup>

The unemployment rate in the Indianapolis metro is 8.7 percent as of September 2010, about half a percentage point higher than a year ago. To put this number into some perspective, there are more than 53,000 fewer people working now than there were three years ago and 42,500 more unemployed. **Figure 1** provides a comparison between the unemployment rate in Indianapolis and Indiana. While Indianapolis has fared better, the gap in the unemployment rate is narrowing.

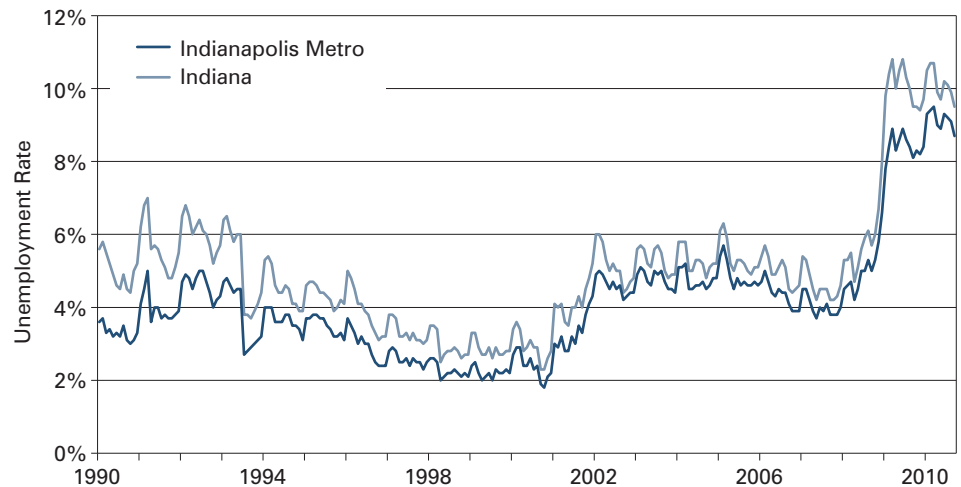
Modest economic growth in 2011 should lead to the creation of approximately 20,000 new jobs by the end of 2011. This will be enough to lead to a modest decline in the unemployment rate by the end of the year, but it will likely take three to four years before we have a full employment recovery.

## Income<sup>3</sup>

Aggregate income for the Indianapolis metro area fell by 0.4 percent over the past year, as a 1.8 percent increase in average wages was not enough to offset a 2.1 percent decline in the number of jobs. Of course, not all industries fared the same during the economic downturn. **Table 1** provides a breakdown of the change in wages and number of jobs over the past year.

Job losses in construction and manufacturing continue to hurt the local economy, even as average

**FIGURE 1: Unemployment Rates for the Indianapolis Metro and Indiana, 1990 to September 2010**



Source: IBRC, using Bureau of Labor Statistics data

**TABLE 1: Wages and Jobs for Selected Industries in the Indianapolis Metro, 2009:1 to 2010:1**

Industry	Average Wages		Jobs	
	Weekly	Change since 2009	Percent of Total, 2010	Change since 2009
Total	\$869	1.8%	100.0%	-2.1%
Health Care and Social Services	797	-1.8	14.4	3.4
Administrative and Support and Waste Management and Remediation Services	526	-1.3	6.9	2.1
Educational Services	751	-2.2	8.2	0.5
Public Administration	906	3.7	5.3	0.3
Retail Trade	462	-1.5	10.7	-1.6
Professional, Scientific, and Technical Services	1,163	0.3	5.3	-1.6
Accommodation and Food Services	275	1.9	8.7	-2.8
Finance and Insurance	1,373	12.1	5.0	-3.0
Transportation and Warehousing	695	-1.3	6.1	-3.1
Other Services (Except Public Administration)	583	-1.9	3.2	-3.4
Management of Companies and Enterprises	1,770	5.4	1.3	-4.3
Real Estate and Rental and Leasing	773	-0.8	1.7	-4.5
Wholesale Trade	1,042	-1.9	4.8	-5.3
Information	1,097	1.7	2.0	-6.0
Manufacturing	1,704	9.5	10.1	-6.7
Arts, Entertainment, and Recreation	1,107	5.5	1.2	-7.4
Construction	919	1.7	4.1	-12.1

Source: STATS Indiana, using QCEW data

wages in those areas bounced back from 2009. Wages increased in manufacturing (9.5 percent), along with several other industries, including finance and insurance (12.1 percent), management (5.4 percent) and arts and entertainment (5.5 percent). The health care industry remains a large part of the Indianapolis economy, and jobs in the field increased by 3.4 percent. In addition, educational services and public administration both experienced modest increases in the number of jobs.

Over the next few years, wages should continue to increase at a rate of 3 percent per year, which will provide a boost to the local economy.

### Real Estate and Residential Construction

The Indianapolis real estate market continues to struggle. Indianapolis ranks 20th out of the largest 100 metro areas, with 5.9 percent of homes with mortgages in the foreclosure process. Another 4.7 percent of mortgage holders are seriously delinquent on their mortgages. While these numbers are alarming, they have actually been growing more slowly than other areas due to relatively stable home prices.

Over the past year, the median home price fell by 2.9 percent, while the number of unsold homes on the market increased by 1.4 percent.<sup>4</sup> In inflation-adjusted terms, home prices in the area are down 7.7 percent since 2007. However, this decline in housing is relatively modest compared to other metropolitan areas both in the Midwest and nationally. Demand for housing remains soft even with extremely low interest rates. Furthermore, the high number of foreclosures indicates that the supply of homes on the market will continue to grow over the course of the year. Don't expect home prices to increase anytime soon.

New residential construction remains weak. While new residential building permits in 2010 will likely exceed 2009 levels, they tailed off toward the end of the year, suggesting further declines in the construction industry. While this is bad news for the construction industry, it does suggest that the oversupply of homes is correcting itself, and that the local housing market will stabilize toward the end of 2011.

### Forecast

The coming year should bring some improvement to the Indianapolis economy. Economic production will increase between 2 and 3 percent. This in turn will lead to the creation of 20,000 new jobs in the area. While this will be a welcome improvement in the economy, it is not likely to be sufficient to bring down the area unemployment rate very much. Furthermore, a weak residential housing market will remain as a drag on the economy as a whole. The Great Recession continues to lead to weakness in the Indianapolis economy, and likely will for at least a couple more years. ■

### Notes

1. This analysis covers the Indianapolis-Carmel Metropolitan Statistical Area, which includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam and Shelby counties.
2. Employment data was collected from the Bureau of Labor Statistics reports accessed from the STATS Indiana website.
3. Income data come from the Quarterly Census of Employment and Wages at the STATS Indiana website.
4. Housing prices and supply of houses were collected from [www.housingtracker.net](http://www.housingtracker.net). Foreclosure data was collected from [www.foreclosure-response.org](http://www.foreclosure-response.org).

# Kokomo Forecast 2011

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**A**fter the worst two-year stretch in recent memory, the local economy in Kokomo is finally starting to show signs of improvement. Large-scale investments at some of the area's largest manufacturing facilities have led to increased job opportunities and optimism. This change in attitude can even be seen in the national media, as Kokomo has gone from one of "America's fastest-dying towns"<sup>1</sup> to a "town back from the brink."<sup>2</sup>

### Employment

Unemployment rates in 2010 have been declining, with rates above 13 percent for the first three months, rates above 12 percent for the next four months, and rates below 12 percent in August and September. As seen in **Figure 1**, the unemployment rate has remained above both the national and state averages for the entirety of the past three years, but it has been closing the gap since June 2009, especially in the third quarter of 2010. This decrease has occurred in spite of an increase in the number of people who have resumed their job search this year (the labor force increased by approximately 2.2 percent since January). Combining this information with recent news about investment and hiring at Chrysler, Delphi and Abound Solar Inc. indicates that the local economy is trending in the right direction in recent months and should continue to do so in the near future.

However, if a longer view is taken, a disturbing trend has emerged over the past 10 years. More than 12,600 jobs have left the Kokomo area since its peak employment level in May 2000, a decline of 25