

# Fort Wayne Forecast 2013

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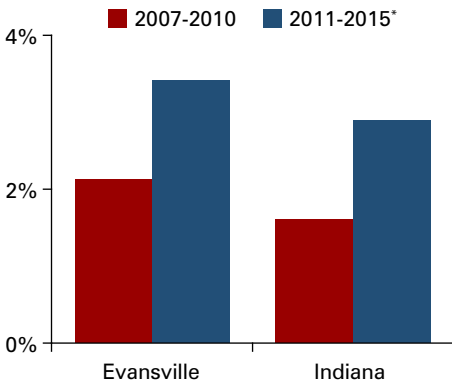
This forecast article is being prepared just days before the national election (now decided), an event that was dominated by current economic conditions and concern about future prospects.

Let us begin with a review of the Fort Wayne metropolitan area’s comparative success in recovering from the Great Recession—at least from an employment perspective.

Last year at this time, the Fort Wayne MSA (Allen, Wells and Whitley counties) had just been identified as leading the nation’s top 100 metros in job growth over the prior 12 months. More recently, this area again received attention by a report from Garner Economics LLC for being one of only 23 metro areas (out of 372 nationally) to have outpaced national monthly job growth in each of the past 23 months.<sup>1</sup> The Columbus and Elkhart-Goshen MSAs were the only other Indiana metros to be included in the group. Further analysis by the Community Research Institute indicates that Fort Wayne’s streak of outpacing the nation started prior to the report’s beginning date of September 2010 (the month national employment began to increase) and continues forward through September of this year—29 consecutive months.

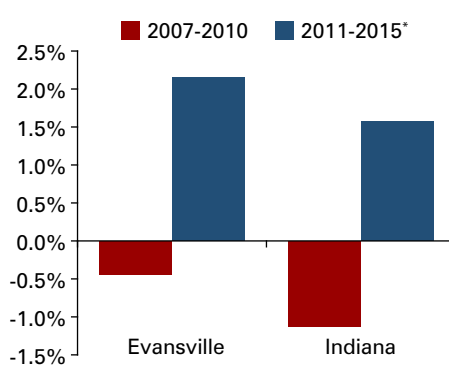
Recent monthly metro employment numbers<sup>2</sup> indicate that the Fort Wayne MSA is nearly back to its pre-recession level from 2007. This is no small feat given the extent of employment losses experienced in

**FIGURE 2: Percent Change in Average Personal Income**



\*Includes forecasted data  
Source: Center for Econometric Model Research

**FIGURE 3: Percent Change in Average Total Employment**



\*Includes forecasted data  
Source: Center for Econometric Model Research

As the demand for locally produced goods reverts to its pre-recession level, personal income and output growth are expected to increase in 2013.

In 2013, for the Evansville metro area, output is forecasted to increase by 1.8 percent, the number of jobs is projected to increase by 600 and the forecast for nominal personal income growth is 4.1 percent. **Figures 2 and 3** provide a comparison of forecasts for the Indiana segment of the Evansville economy and the state of Indiana for the 2011-2015 period.

While output and employment growth are projected to increase in 2013, the Evansville economy faces an ongoing challenge as a result of long-term adjustments occurring within the manufacturing sector, particularly in the share of nondurable manufacturing. **Table 1** shows manufacturing as a percent of total employment for the metro, state and nation. In addition, a relatively

slow growth trend in population, income and employment over the past three decades—combined with rapid change in the pace of technology adoption—highlight the importance of achieving higher rates of output and employment growth. This requires a greater focus on identifying and taking advantage of opportunities that can lead to transformational change in economic activity and the economic structure of the Evansville metro area. ■

**TABLE 1: Manufacturing Percent of Total Employment, September 2012**

Industry	Evansville Metro	Indiana	U.S.
Manufacturing	15.3%	16.7%	9.0%
Durable Goods	52.8%	72.6%	62.3%
Nondurable Goods	47.2%	27.4%	37.7%

Note: September data are preliminary and not seasonally adjusted.  
Source: STATS Indiana, using Bureau of Labor Statistics data

2008 and 2009. Compared with much of Indiana, the Fort Wayne MSA has indeed fared better.

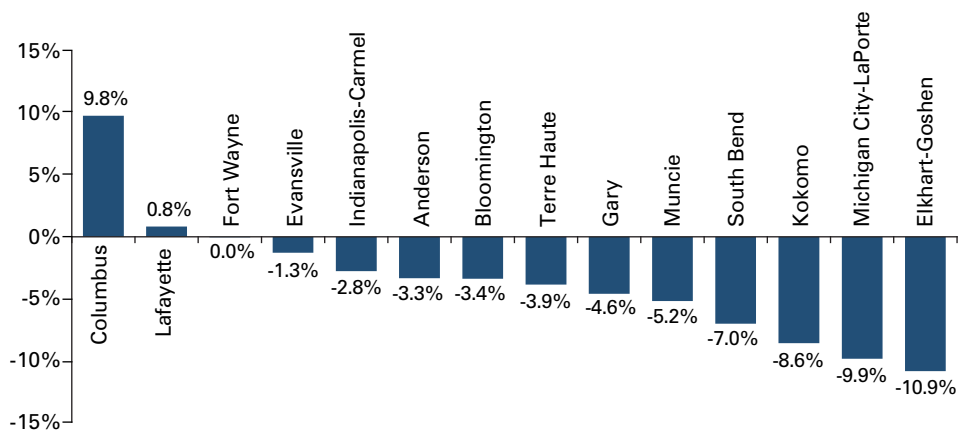
Between September 2007 and September 2012 (the most recent data available at the time this article was written), total nonfarm employment statewide was still down 3.0 percent. Of the 14 metro areas in Indiana for which CES data were available, only the Columbus and Lafayette MSAs had September 2012 employment higher than pre-recession September 2007. The Fort Wayne MSA was within 100 jobs of reaching its September 2007 employment level. As illustrated in **Figure 1**, the other 11 MSAs still have gaps to close—in some cases, a substantial gap.

What has been happening in the Fort Wayne metro area that has contributed to the relatively strong rebound? 2010 and 2011 were good years for local company expansions and the resulting jobs from those previously announced events certainly impacted the 2012 employment totals. The Community Research Institute tracks company expansions and other business dynamics (including negative events) among major employers and targeted industries across northeast Indiana. While we have not seen the same high level of expansion activity in 2012 as was experienced in the prior two years, we also did not see the higher number of negative employment events that occurred during the recession or in the months following its end.

The one significant exception has been the now nearly complete phase-out of Navistar’s Fort Wayne engineering operations—a loss of approximately 1,400 jobs over the past couple of years. Given that event, the September 2012 employment total for the MSA is even more surprising.

Recent discussions with local economic development officials reinforce what our event tracking is telling us. Businesses have become very cautious in making investment

**FIGURE 1: Nonfarm Employment Change, September 2007 to September 2012**



Note: Data are not seasonally adjusted.  
Source: Current Employment Statistics

and hiring decisions. The caution is being attributed to both political and tax uncertainty at the national level.

There is one aspect of recent employment growth that supports this cautious approach by business and also takes some luster off the good news. The Fort Wayne MSA has experienced a significant increase in the number of jobs filled by temporary help services, where employment is up 93 percent since 2009. This same phenomenon is being experienced all across Indiana with the statewide increase in “temp” employment up 76 percent since 2009.<sup>3</sup> Nearly 23 percent of the employment increase in the Fort Wayne MSA between 2009 and 2012 can be attributed to temporary help. Such an increase in temporary employment is most likely a further indication of industry caution and uncertainty about the future business climate.

A very real downside of the high level of temporary employment shows up in wages earned. The average annual pay for temporary help in Indiana is \$22,569. It is very likely that many of these temp workers have been hired in the manufacturing sector where the statewide average wage is \$55,398.<sup>4</sup> Temporary work, while certainly better than no work at all, does not provide the same level of financial support to a family or to the

community as do many permanent jobs.

As we have mentioned in prior Outlook articles, the relative decline in average annual pay in the Fort Wayne area over a number of years is a serious concern for the economic health of the metro area. The average annual wage in the Fort Wayne MSA now trails the statewide average by almost \$1,300 per job. This trend has become the focus of regional economic and community development efforts. The Vision 2020 initiative of the Northeast Indiana Regional Partnership is focused on improving the level of talent in the region under the premise that “quality pay” comes from “quality jobs” that require highly skilled workers. The “Big Goal” component of Vision 2020 is aimed at making dramatic improvement in the percentage of the region’s workforce that has post-high school education and/or industry-recognized certifications. Higher education is a prerequisite to economic success in a 21st century economy and, unfortunately, this is a factor in which Northeast Indiana has some catching up to do. We are hopeful and optimistic that these new initiatives will pay big dividends over the next decade and contribute to a reversing of the relative wage decline.

A measure of economic vitality that provides optimism for the Fort Wayne area is the growth in the local labor force since the “official” end of the recession (June 2009). Between September 2009 and September 2012, the Fort Wayne MSA labor force has grown by 3.7 percent.<sup>5</sup> There are now 7,630 more local residents in the labor force today than three years ago. This is coming at a time when many other metro areas across Indiana—and the state as a whole—have a smaller labor force now compared to the end of the recession.

Indiana’s labor force participation rate is now less than 62 percent, below the national rate of 63.6 percent.<sup>6</sup> By contrast, the Fort Wayne MSA’s current labor force participation rate stands at 67.6 percent. This is second among Indiana MSAs (excluding those which are a component of a multi-state economic region). As illustrated in **Figure 2**, the range in the labor force participation rate among these MSAs is surprisingly broad.

### What Lies Ahead for 2013

There are so many significant unknowns: the “fiscal cliff;” the continuing financial woes in Europe; a softening of China’s rapid economic growth; and the continuing precarious situation in the Middle East with its potential disruptive impact on energy prices. We have certainly seen a slowdown in business expansion announcements in the Fort Wayne MSA as 2012 has progressed. It is not likely that the situation will change significantly until there is more clarity on the national level with respect to tax, federal deficit and health care issues.

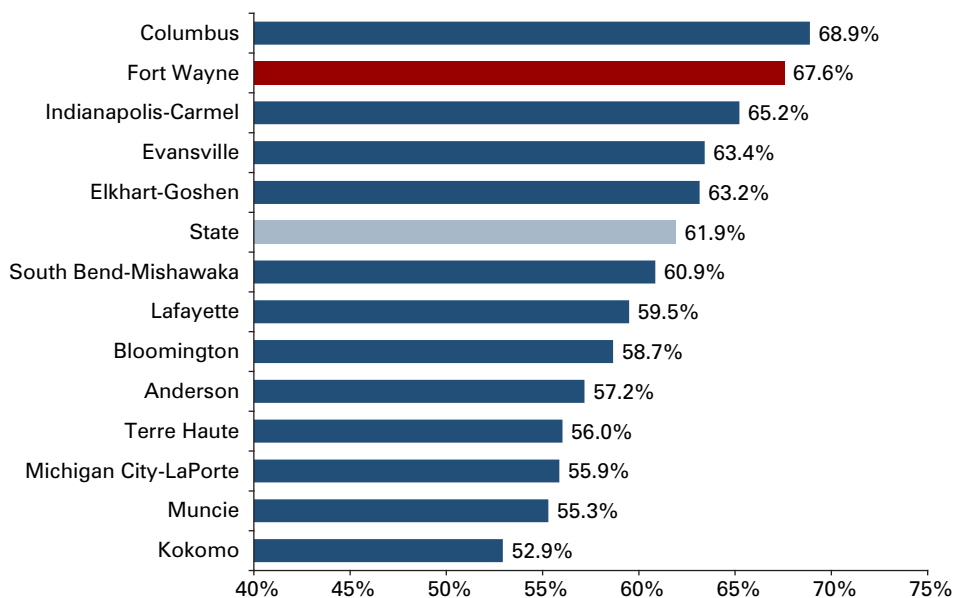
Counterbalancing these national uncertainties is the strong business climate present in the state of Indiana. The Fort Wayne area should benefit from that strong climate when the national picture clears. We look for only modest change in employment totals over the next 12 months in the local economy, assuming that the inability to resolve the national fiscal cliff does not push the U.S. economy into recession. Hedging our bets? Yes, but the Fort Wayne area economy

would stand little chance of being immune to the impact of a major national downturn. ■

### Notes

1. Tom Tveidt, “Progress Report: U.S. Metros and National Job Growth,” Garner Economics LLC, September 2012.
2. U.S. Bureau of Labor Statistics Current Employment Statistics, non-seasonally adjusted, September 2012.
3. Economic Modeling Specialists, Inc.
4. Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2011 average annual wage.
5. We are using September 2009 (rather than June 2009) to September 2012 to capture the most recent labor force data and to avoid the need for seasonal adjustments.
6. For purposes of this article, the Community Research Institute calculated labor force participation rate estimates for MSAs by dividing the September 2012 Local Area Unemployment Statistics labor force by 2011 American Community Survey population estimates for those age 16 and older.

**FIGURE 2: Labor Force Participation Rates in Indiana MSAs, September 2012**



Source: Community Research Institute, using American Community Survey and Bureau of Labor Statistics data