Bloomington Forecast 2014

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Five years after the September 2008 financial market crash that sent economies around the world into a nosedive, the Bloomington area economy seems to be in reasonably decent shape. At the same time, the local region still faces several challenges, and recovery from the Great Recession is playing out unevenly throughout the metro area.

The Jobs Picture

The Bloomington metropolitan statistical area (MSA) employment has experienced gradual shrinkage over many years. From the recession's start in 2007 through 2012 the MSA has lost 1,154 payroll jobs (1.7 percent); the shrinkage in Owen County, however, was proportionally greater at 7.5 percent.

Most of the larger sectors in the Bloomington area have shed jobs over this period. These include manufacturing, construction, financial services, professional and business services and retail trade. Two large sectors, however, have expanded since 2007: health care and social assistance (gaining 1,167 jobs in Monroe County alone) and leisure and hospitality services (up 741 jobs in the MSA). The latter sector's growth is primarily in the food and beverage industry. Federal and local government employment is up 3 percent to 4 percent during this period, but state government jobs are down 11 percent.

The above figures are based on payroll data reported by employers and, as such, they reflect jobs in the Bloomington area, regardless of where the workers live. A different view is offered by monthly surveys of households (whose residents may work locally or commute to jobs elsewhere). The latter data indicate that 11,591 fewer Bloomington MSA residents were employed in August 2013 compared to five years earlier, while 1,953 more people were unemployed. Together, these figures reveal that the local labor force (employed persons plus people looking for work) has shrunk by nearly 10,000 people in the last five years. Some shrinkage comes from people no longer seeking work, and some from people who used to work outside the local area and now are not working; a fairly small portion comes from actual loss of jobs in the Bloomington metro area.

The outlook for 2014 calls for slight employment growth in 2014, with some sectors growing while others shrink. The unemployment rate is forecast to decline gradually, ending 2014 below 7 percent.

Economic Output

Measured by gross domestic product (GDP) at the MSA level, the Bloomington area's economy continues growing despite the decline in employment. Local economic growth has been slower than the national rate, however. Local output growth picked up in 2012 to 2.2 percent, a faster rate than in 62 percent of the nation's metro areas. The industries contributing the most to Bloomington's economic growth in 2012 were education and health services and construction, both expanding at a pace above the U.S. rate. Leisure and hospitality services also contributed to Bloomington GDP growth.

Following national trends, Bloomington's worker productivity has increased. Measured as real GDP per worker, productivity is up 13 percent over the past five years, which helps explain why the economy can grow even as employment shrinks.

Our forecast for Bloomington metro GDP predicts 0.7 percent growth this year and 1.6 percent in 2014. Monroe County alone will outshine the metro area, however, with growth rates of 1.6 percent in 2013 and 1.9 percent in 2014.

Table 1: Percent Change in Personal Earnings by Industry in the Bloomington MSA, 2007 to 2011

Industry	Percent Change in Personal Earnings, 2007–2011
Farming	104.0%
Ambulatory Health Care	20.1%
Government	19.3%
Real Estate	19.0%
Manufacturing	8.9%
Retail Trade	-0.5%
Transportation and Warehousing	-2.1%
Professional, Scientific and Technical Services	-4.2%
Wholesale Trade	-10.2%
Construction	-16.1%

Source: IBRC, using Bureau of Economic Analysis data

Personal Income

From 2007 to 2011 (the last five years for which data are available), the metro area's personal income (PI) rose about $2,300 on a per capita basis (unadjusted for inflation). Adjusting for inflation, Monroe County's total PI grew respectably in terms of total dollars, while Greene County was about even and Owen County's PI lost a little ground.

A major component of personal income is earnings. Industry earnings growing at double-digit rates during this period include government, health care, real estate and chemical manufacturing. Industry earnings growing at double-digit rates during this period include government, health care, real estate and chemical manufacturing (see **Table 1**). Industries with substantial earnings shrinkage include construction and wholesale trade.

Transfer receipts, which are government payments to individuals (e.g., veterans' benefits, Social Security, unemployment benefits and welfare assistance) rose 34 percent over this period. This reflects the substantial rise in public assistance during the downturn.

Bloomington metro area personal income is forecast to increase less than 1 percent this year, with substantially stronger growth expected in 2014.

Real Estate

It would be obvious to anyone driving through Bloomington the last couple of years that construction activity has picked up quite a bit since the doldrums following the crash. New hotels, apartment buildings and campus construction projects have kept contractors busy. The office rental market took a hit when the federal sequester led to multiple defense contractors pulling up stakes in Bloomington, but overall office vacancies are comfortably low at present.

The housing market, which slowed greatly after the crash, has gained a lot of momentum the past year or two. Home sale closings were up about 4 percent for the three-month July–September 2013 period versus a year earlier, while home sale prices declined slightly. This reflects a bit of slowing recently as mortgage rates have nudged higher; 12-month average sale prices were up 14 percent.

Single-family home sales are forecast to rise 5 percent in 2014; single-family construction starts should end 2013 up 16 percent and rise 21 percent in 2014. Multi-family starts are predicted to total about 145 units this year, and more than 200 units in 2014.

In Conclusion ...

As the U.S. and Indiana economies pick up steam, so will the Bloomington economy. While it will gain strength overall, the local pace of expansion won't be particularly robust. However, though job growth will continue to be more gradual than we might wish, we can be thankful that our economic output will keep growing. Many other cities would gladly swap places with Bloomington.

Columbus Forecast 2014

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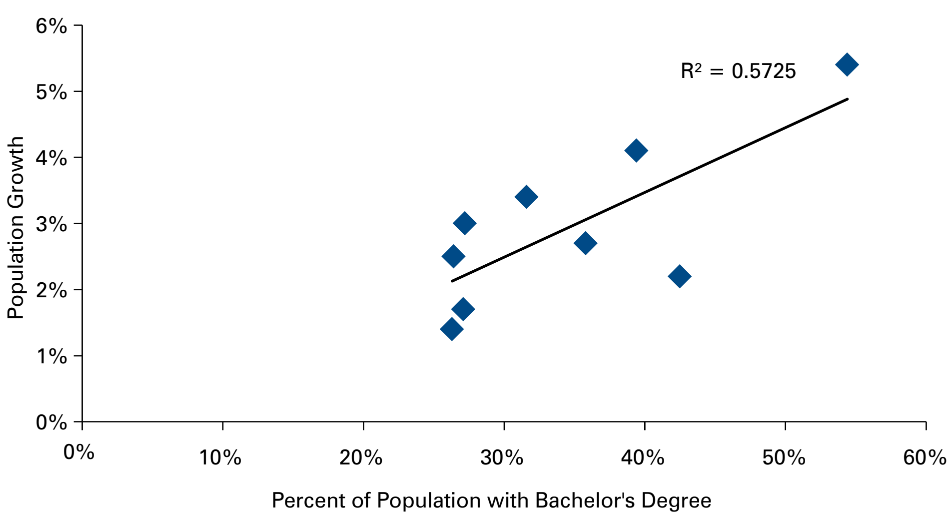
Organizations around Columbus invested over $21 million of long term capital per year from 2005 through 2012, beautifying the downtown area and creating new, modern spaces for business and leisure.[1] Why? The reasoning lies in attracting and retaining talented people and to secure more well-paying jobs. This strategy has been working. One question remains: given considerable uncertainty arising from soft global markets conflated with national political instability, will this strategy continue to work?

From 2010–2012, Bartholomew County realized the state's fourth highest population growth, a change of 3 percent.[2] Interestingly, for the state's nine most highly educated counties (the top 10 percent), being educated is correlated to attracting more people (see **Figure 1**).

With respect to talent as measured by level of educational attainment, Bartholomew County ranks near the median among counties in the United States on the whole—and Indiana ranks 44th among the states. Even so, Bartholomew County ranks sixth among Indiana's 92 counties in the level of educational attainment, with 27.2 percent of its adults having earned a bachelor's degree or higher, yielding a strong and growing highly educated workforce suitable for attracting jobs in advanced, high-tech manufacturing.

Coincident with strong population growth and highly educated people, Bartholomew County has experienced impressive recent net job creation, namely in the manufacturing sector, which captures 37.3 percent of all jobs in the county. For instance, in August of 2013, Columbus added 1,000 jobs, a 2 percent increase over July. In fact, Columbus, Indiana ranked fifth nationally among metropolitan statistical areas (MSAs) over the period, and 22nd nationally over the past year with a total of 1,800 new jobs created.[3] It is important to note that Columbus continues to see average per capita income rise due to high paying jobs being created. Per capita income in Columbus rose from

Figure 1: Population Growth Among Indiana's Most Highly Educated Counties, 2010 to 2012



Note: The counties with the highest percent of adults holding a bachelor's degree in order include Hamilton, Monroe, Boone, Tippecanoe, Hendricks, Bartholomew, Marion, Johnson and Allen.
Source: STATS Indiana