

Richmond Forecast 2014

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The East Central Indiana regional economy did achieve moderate progress in 2013, as we predicted in 2012. The recovery is expected to continue in 2014 amid many external uncertainties. Before we make the 2014 forecast, let's take a look at the region's economic performance in 2013. The geographic territory in this article contains the following six Indiana counties: Fayette, Henry, Randolph, Rush, Union and Wayne, with Wayne County the central focus of this article. Summaries of the labor market and housing sector follow, concluding with our 2014 regional outlook.

Labor Market

In Wayne County, recent job data are encouraging. Compared to 2012, the labor force declined during February through May but there was a robust rebound during June through August, resulting in a net gain of 113 people in 2013 (see Table 1). Meanwhile, the number of people unemployed, on a year-to-year basis, fell by 146 workers. The regional data follows the same trend as Wayne County's (see Table 2). Looking at the big picture, the regional job market is gaining a solid footing as the national recovery continues. On one side, people are feeling more optimistic about the job market as they are seeking employment, and on the other side, employers are more willing to hire people with the improving economic conditions.

Furthermore, unemployment rates keep dipping across the country, including in East Central Indiana (see Figure 1). The preliminary unemployment rate for Wayne County was 8.9 percent in August 2013, down from 10.7 percent a year earlier. Although we need to recognize the substantial drop in Wayne County's unemployment

TABLE 1: Labor Force and Unemployment for Wayne County, January through August, 2012 to 2013

	Labor Force			Unemployment		
	2012	2013	1-Year Change	2012	2013	1-Year Change
January	30,078	30,106	28	3,295	3,372	77
February	30,294	30,263	-31	3,254	3,235	-19
March	30,106	29,764	-342	3,199	3,115	-84
April	30,196	30,148	-48	2,939	2,825	-114
May	30,445	30,172	-273	3,049	2,882	-167
June	30,233	30,404	171	3,196	3,047	-149
July	29,685	30,061	376	3,201	2,932	-269
August	29,080	30,106	1,026	3,117	2,676	-441
January through August Average	30,015	30,128	113	3,156	3,011	-146

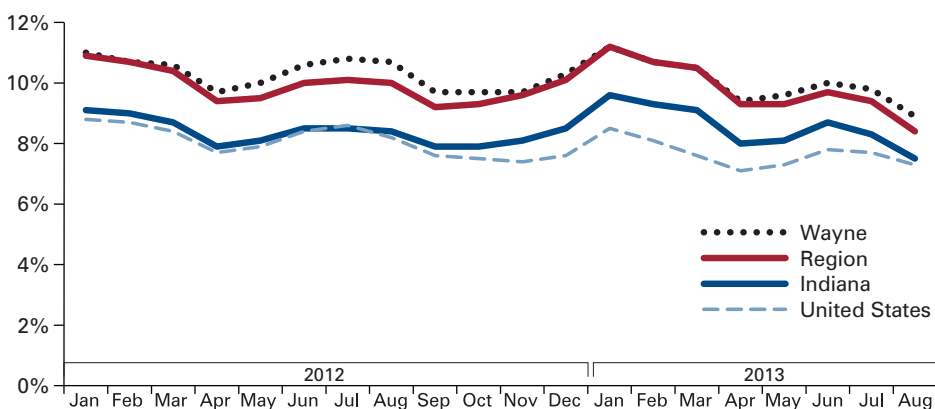
Note: Data are not seasonally adjusted.
Source: Indiana department of Workforce Development

TABLE 2: Labor Force and Unemployment for the Richmond Region, January through August, 2012 to 2013

	Labor Force			Unemployment		
	2012	2013	1-Year Change	2012	2013	1-Year Change
January	85,789	85,829	40	9,335	9,573	238
February	85,660	85,566	-94	9,154	9,142	-12
March	85,844	84,707	-1,137	8,905	8,880	-25
April	85,977	85,466	-511	8,121	7,920	-201
May	87,036	86,142	-894	8,282	8,017	-265
June	86,199	86,609	410	8,597	8,442	-155
July	85,660	85,828	168	8,620	8,088	-532
August	84,469	86,220	1,751	8,453	7,266	-1,187
January through August Average	85,829	85,796	-33	8,683	8,416	-267

Note: Data are not seasonally adjusted.
Source: Indiana department of Workforce Development

FIGURE 1: Monthly Unemployment Rates, January 2012 to August 2013



Note: Data are not seasonally adjusted.
Source: Indiana department of Workforce Development

TABLE 3: Employment by Industry in the Richmond Area, 2013 Q1

Industry	Wayne			Region		
	2013 Q1	1-Year Change	2-Year Change	2013 Q1	1-Year Change	2-Year Change
Total Nonfarm	28,480	-23	260	59,862	196	725
Total Private	24,106	112	354	48,525	409	1,169
Goods-Producing	6,065	34	-54	13,771	305	533
Manufacturing	5,265	33	-68	11,283	195	406
Private Service-Providing	18,042	79	409	34,756	103	636
Trade, Transportation and Utilities	5,607	102	244	10,989	209	298
Private Educational and Health Services	5,626	159	39	10,220	231	230
Leisure and Hospitality	2,964	49	186	5,370	-11	128
Professional and Business Services	1,929	83	222	4,105	-3	292
Financial Activities	1,069	-38	-59	2,041	-47	-89
Other Services	607	-50	-54	1,465	-99	-90
Information	243	-224	-167	581	-174	-76
Government	4,374	-135	-94	11,340	-213	-338

Note: Some data for Rush and Union counties are not disclosable.
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

rate, it is stubbornly higher than the regional, state and national rates. In the region, only Rush County and Union County enjoy rates lower than or near the national and state rates. This downward trend in the unemployment rate is expected to continue in 2014 as the economy continues to recover. Due to the fact that Wayne County's unemployment rate has persistently exceeded the national rate by around 2 percent in the past three years, we predict Wayne County's unemployment rate will float between 8 percent and 9 percent in 2014, and the regional rate will be slightly lower than Wayne County's rate.

A look at the Quarterly Census of Employment and Wages shows a similar pattern in employment gains and losses by industry between Wayne County and the region for the first quarter of 2013 (see **Table 3**). Total employment in Wayne County was 28,480 jobs for the first quarter of 2013, only 23 fewer jobs than a year ago. Total employment shows

TABLE 4: Average Weekly Wages, 2013 Q1

Industry	Wayne		Region	
	2013 Q1	1-Year Change	2013 Q1	1-Year Change
Total Nonfarm	\$663	2.8%	\$625	0.4%
Total Private	\$661	2.6%	\$619	0.5%
Goods-Producing	\$838	3.6%	\$829	-2.6%
Manufacturing	\$868	3.8%	\$888	-2.9%
Private Service-Providing	\$602	2.2%	\$523	2.3%
Financial Activities	\$839	5.0%	\$710	6.1%
Professional and Business Services	\$765	0.4%	\$603	2.8%
Information	\$669	0.3%	\$600	-2.0%
Private Educational and Health Services	\$751	1.2%	\$555	4.1%
Trade, Transportation and Utilities	\$553	3.8%	\$549	1.5%
Other Services	\$391	-1.0%	\$396	3.6%
Leisure and Hospitality	\$256	2.4%	\$232	-0.6%
Government	\$823	2.8%	\$765	1.6%

Note: Some data for Rush and Union counties are not disclosable.
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

an increase of 260 jobs from the first quarter of 2011 as the region gained more jobs in the past two years. The private sector has experienced a different trajectory than the

government sector: one had consistent job gains (the private sector) in two successive years, yet the other one had steady job losses (the government sector) during the same period.

TABLE 5: Housing Market in the Richmond Area, January to August 2012 and 2013

	Closed Sales			Median Price		
	2012	2013	Percent Change	2012	2013	Percent Change
Statewide	44,333	52,216	17.8%	\$117,500	\$122,900	4.6%
Randolph	66	77	16.8%	\$47,900	\$56,000	16.9%
Rush	7	10	42.9%	\$27,000	\$30,500	13.0%
Henry	194	239	23.2%	\$54,900	\$59,900	9.1%
Wayne	463	489	5.6%	\$74,200	\$69,500	-6.3%
Fayette	77	93	20.8%	\$63,875	\$47,000	-26.4%
Union	6	10	66.7%	\$105,000	\$46,500	-55.7%

Sources: Prime Property Realty, LLC. (Wayne County) and Indiana Real Estate Market Report by Indiana Association of Realtors (all except Wayne County)

Within the private sector, the traditional big employer in our region—manufacturing—shows a sign of improvement. In Wayne County, manufacturing added 33 jobs in the first quarter, compared to persistent massive job losses in past decades. Looking at the broader picture, the region gained more manufacturing jobs from 2011 through 2013. This is consistent with the gradual economic recovery in our region and nation. In addition to the manufacturing sector, the large net job gains also extend to some other sectors, such as trade, transportation and utilities, professional and business services and private educational and health services. Continuing the recent trend, the health sector still plays a pivotal role in creating new jobs in both Wayne County and surrounding areas. Although there is a large retrenchment in the information sector, its relative weight in overall employment is very limited.

Average wages increased by nearly 3 percent to \$663 per week in Wayne County during the first quarter of 2013, while regional average wages rose by a paltry 0.4 percent to \$625 per week (see **Table 4**). Most sectors in Wayne County experienced an uptick in wages. This is particularly true for financial activities with the strongest wage increase (5 percent), followed by manufacturing (3.8 percent) and trade, transportation

and utilities (3.8 percent). The regional picture, however, is mixed. The manufacturing sector endured a 2.9 percent decline in wages, while the financial sector experienced the largest wage increase of 6.1 percent. This is mainly attributed to the rebound in both the stock and housing markets.

Housing

The national housing market heated up rapidly in the first half of 2013 before cooling down. The regional housing market shows mixed results. New construction is still sluggish in that there were only nine building permits issued in Richmond during the first six months of 2013.¹ However, the sales of existing houses perked up across our region (see **Table 5**). For Wayne County, sales only ticked up by 5.6 percent, compared to double-digit increases in other areas of the region and state. Consequently, the median home prices reflect an unclear picture. Randolph, Rush and Henry had upbeat prices, while Wayne, Fayette and Union had subdued prices. The future of the housing market depends on the state of the national economy and the Fed’s monetary policy. The improving economy will propel the housing market, but higher mortgage rates and rising home prices could scare off prospective home buyers. Therefore, blended by these possibilities, we expect the local

housing market to grow at a slower rate in 2014.

Outlook

The road to economic revival in 2013 was not as smooth as we predicted last year. The on and off political gridlock in Washington D.C. and the imminent exit of the Fed’s easy-money policy stunted economic growth and undermined business and consumer sentiment in the second half of 2013. It will also create uncertainty into 2014, which will affect investment, employment, income and output. This is the reason the International Monetary Fund (IMF) recently cut its world growth forecast.² The atmosphere will spill over into our regional economy if the uncertainty continues. Yet there is an unparalleled shining point in our regional economy because of the Richmond’s Stellar Communities Designation. This designation will undoubtedly create more jobs and investments in our region, as well as upgrading Richmond’s infrastructure to make the city more competitive in the long run. As Mayor Hutton explained, the purpose of the Stellar program is to connect the community for higher quality lives in Richmond.³ If more people come to Richmond, the economy will likely improve.

Overall, based on all relevant external and internal factors, we forecast a moderate uptick in regional economic activity in 2014. Both the job market and the housing market will continue improving, but economic growth could be uneven due to uncertainties at both the national and international levels. ■

Notes

1. The number is calculated based on the monthly newsletters distributed from City of Richmond, Indiana.
2. “IMF’s Pessimism on Global Growth Widens”, Wall Street Journal, Wednesday, October 9, 2013.
3. www.richmondindiana.gov/Our_Government/Mayor/Stellar_Communities.htm, accessed November 8, 2013.