

Table 1

	Labor Force		Employment		Unemployment		Rate	
	Sept. '99	Sept. '98	Sept. '99	Sept. '98	Sept. '99	Sept. '98	Sept. '99	Sept. '98
Fayette	10,750	11,160	10,170	10,480	580	680	5.4	6.0
Henry	24,830	25,030	23,990	23,970	840	1,060	3.4	4.2
Wayne	38,830	39,330	37,690	37,660	1,140	1,670	2.9	4.3
Indiana	3,075,000	3,100,400	2,991,700	3,011,400	83,300	89,500	2.7	2.9
United States	139,217,000	137,903,000	133,555,000	131,864,000	56,551,000	6,039,000	4.1	4.4

Source: Indiana Workforce Development

adjustable rate mortgages averaging 7.64, 8.18 and 6.56 percent respectively at the end of October. The spread between the rate on fixed-rate mortgages and adjustable-rate mortgages has narrowed in recent years because interest rates have decreased. But slower overall economic growth and higher mortgage rates are likely to affect housing activity.

Fueling consumption activity is personal income. Real per capita personal income growth in Wayne, Fayette and Henry counties between 1987 and 1997 was 25.6, 15.1 and 24.3 percent respectively compared to Indiana's rate of 21.2 percent and the nation's rate of 18.7 percent. Both Wayne and Henry counties were in the top fifteen with ranking of 9th and 12th respectively. Fayette county ranked 70th while Newton county trailed in last place with a 2.7 percent increase. Ohio county led the way with a 36.1 percent increase. Some of this is due to the counties' slower population growth. Real per capita in RCNC is expected to increase by 2 percent in 2000 and would contribute to economic well-being.

The retail sector, like housing, can expect a strong fourth quarter in that consumer confidence is relatively high, coupled with low unemployment and rising income. Consumers are buying big-ticket items, such as automobiles, appliances, carpets, consumer electronics, and furniture. They are already in the holiday spirit compounded by the millennium celebration, and retailers are capitalizing on it. Local merchants will have improved profit margins in the final

quarter of 1999. Consumer spending will grow more slowly in 2000, mimicking the national economy.

Furthermore, the large number of jobs in the retail and service sectors tend to be low-value added and thus have lower wages. The labor market transition partly explains the slower income growth. Add to this the shortage of qualified and skilled workers. "Help Wanted" ads are a daily feature in the RCNC's media. In a tight labor market, even for unskilled jobs, it is extremely difficult to hire workers at \$7 or \$9 per hour. The jobs today and in the future are becoming highly computerized, automated, and technical, and employers are more demanding in their requirements. Generation Xers may have adjustment problems in the work environment.

Finally, in a recent survey by the IU East Center for Economic Education, 73 percent of the firms hired new employees in 1999, 84 percent do not anticipate Y2K problems, and 50 percent plan to expand in 2000. An overwhelmingly majority of the respondents (92 percent) are optimistic about business conditions in 2000.

On that positive note, RCNC can expect another year of growth and prosperity. And that alone deserves a champagne toast.

Kokomo

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Resilient Kokomo Economy Will Barrel Along in 2000

When the auto sector moves, Kokomo's economy grooves. Since 1991, Kokomo's economic growth has been phenomenal. Each year, it has reached new highs on different fronts. For example, for the last 10 consecutive quarters, the National Home Builders Association has rated Kokomo's housing market the most affordable in the nation. Last year, *Industry Week* magazine ranked Kokomo 1st among its 25 U.S. manufacturing Metropolitan Statistical Areas (MSAs) and 8th best worldwide. Although the U.S. may be approaching the end of the longest peacetime expansion in its history, Kokomo's hot-rod economy continues growing as if there is no limit to economic expansion.

Kokomo's economy has defied obituaries written in the early 80s. It has performed beyond expecta-

tions and thus confounded experts. The economy's incredible run during the last decade of the millennium is owed to a strong national economy, vibrant auto sector, and expansion and modernization plans instituted by existing industries. It all adds up to an economy that can boast predominantly manufacturing oriented economy, high manufacturing wages, plenty of overtime, high incomes, swollen payrolls, very low unemployment, vibrant retail sector, and affordable housing (see Table 1).

Table 1
The Kokomo Economy That Keeps Surprising

	1991	1992	1993	1994	1995	1996	1997	1998	1999*	2000**
Average Jobless Rate (%)	8.3	7.2	6.0	5.7	4.4	3.7	3.4	3.3	2.5	2.1
Av. Mfg. Wk Week (hrs)	39.4	40.5	43.3	46.5	47.3	52.4	48.9	51.2	49.0	48.0
Average Weekly Wages (\$)	843	839	878	1064	1079	1081	1103	1086	1076	1070
Single-family housing permits	147	196	208	302	265	312	272	218	300	290
Total building permits	712	766	783	990	937	984	1033	960	1130	1050
Retail sales (\$mil)	822	844	919	950	1035	1084	1093	1132	1177	1225
*Projection based upon available data **Forecast based upon trends observed										

Historical Low Jobless Rate

The economic expansion that began in 1991 has remained brisk through 1999, which resulted in Kokomo's July jobless rate hitting a historical low of 1.9%. In fact, Howard County's unemployment rate in July was among the 20 lowest in the state's 92 counties. Moreover, in the same month, the Kokomo MSA was among the top 25 MSAs in the country with a jobless rate at or below 2%. Currently, 54,100 Kokomoans remain on payrolls, which is a record number. Employers are encountering a shortage of job seekers. No wonder "Help Wanted" signs are visible everywhere.

Incidentally, the Kokomo MSA, which comprises of Howard and Tipton counties, is the baby of the 11 MSAs in Indiana in terms of population, total number of people on payroll, civilian labor force, and total number of households. And, yet it is a giant in terms of earning potential, and strength of the manufacturing sector.

DaimlerChrysler is #1 in Kokomo

The Kokomo economy is blessed with two main an-

chors of prosperity and stability: Delphi Automotive Systems, the world's largest producer of automotive parts; and DaimlerChrysler, the world's fifth largest producer of automobiles. Delphi Delco Electronics Systems is the largest employer among Delphi Automotive Systems' several worldwide operations. The stunning manufacturing sector performance this year obscures an even bigger story. For almost 60 years, Delco Electronics Systems (renamed Delphi Delco Electronics Systems) remained the state's largest single employer. Kokomo's economy depended on one engine—the turbo charged Delco Electronics. Not any more! With about 8,500 employees, DaimlerChrysler is now Kokomo's largest single employer. Meanwhile, with about 4,100 salaried employees, Delphi Delco Electronics System will continue to be Kokomo's largest employer of salaried employees.

Interestingly, on November 2, DaimlerChrysler's first minivan turned 16! More than 8 million of them have been sold since 1984. All minivans were fitted with transmissions made in Kokomo!

With about 40% of its jobs in the manufacturing sector, Kokomo is the state's second most manufacturing-oriented city. In addition, for the past two years in a row, *Industry Week* magazine has listed Kokomo among the top 10 manufacturing centers in the country. What distinguishes Kokomo from the Elkhart-Goshen area, the State's most manufacturing-oriented region, is the high paying jobs and average work week. The average factory work-week clocked 48.01 hours during the first three quarters of 1999, about two hours below the same period a year earlier. In spite of that, Kokomo's average workweek was highest in the state and 20% above the national level. The hourly earnings in the local factories averaged \$22.74 during the first nine months of the year, a gain of 9.3% above the same period a year ago. On the average, Kokomo factory workers earned \$1,093 per week during the first nine months of the year, the highest in Hoosier land. At current weekly wages, the average factory worker in Kokomo will pocket \$57,000 before this year's end. Not bad at all! Kokomo autoworkers have gotten dramatically wealthier in the past 6 years, thanks to high wages, profit-sharing bonuses, and almost 10 hours of weekly overtime pay. Their wealth is filling the coffers of area retailers, service providers, restaurant owners, and all levels of government.

According to the July 1999 issue of *Sales and Marketing Management* magazine, 289 households in the Kokomo area in 1998 earned at least \$150,000 in disposable income. In the last decade, rising income have lifted 6,216 households into \$50,000+ spendable income bracket. In 1998, 34% of area households earned at least \$50,000 in disposable income, compared with 19% in 1989.

Swelling Payrolls

Kokomo's economy remained rambunctious throughout the first 9 months of 1999. The current issue of *Indiana Employment Review* reported that September nonfarm payrolls in the Kokomo area stood at 54,100 compared with 51,400 at the beginning of the year. In other words, during January-September 1999, the job gains averaged 300 per month. No wonder, the unemployment dipped below 2% level. These job gains are remarkable, given the fact that the U.S. is probably near the end of the longest economic expansion. Job growth has been broad based. All major sectors, including manufacturing, retail, business services, and government, have registered solid gains as shown in **Table 2**.

The main contributors to Kokomo's job growth in 1999 were: DaimlerChrysler, Delphi Delco Electronics Systems, Haynes International, Ameritech, Cracker Barrel, and Chili's. Although the construction sector registered job gains, its total employment remained far below levels reached a year ago. The decline in construction employment resulted from completion of several school construction and expansion projects, as well as a decrease in the number of multi-unit housing construction.

More Mullah on the Way to Kokomo

The recent signing of the 4-year labor contract between union workers and GM, and DaimlerChrysler will represent a bonanza to Kokomo. About 12,500 auto union workers in the area will benefit from the

contract. UAW officials estimate that each autoworker currently earning approximately \$70,000 per year will earn an additional \$29,000 over the life of the contract. This means almost \$365 million will be funneled into the Kokomo economy in the form of annual increments, cost-of-living adjustments, profit-sharing bonuses, and lump-sum bonus payments. This will further boost Kokomo's retail, housing, and business services sectors.

Upbeat Retail Sector

Kokomo's service-producing sector employs 30,200 people. The retail and business services sectors account for 65% of these jobs. The July 1999 issue of the *Sales and Marketing Management* magazine reported that Kokomo's total retail sales rose 3.6% in 1998 to \$1,132 million. Kokomo's retail sales averaged \$27,569 per household, and ranked 6th among the state's eleven MSAs. Apparently with high incomes, overtime pay, and fat profit-sharing bonuses, Kokomoans snapped up new automobiles at a rapid clip. Automotive sales per Kokomo household remained second best in Indiana's eleven MSAs. Besides automotive sale, general merchandise and food store sales ranked 3rd and 6th, respectively, in the state. While the 1999 sales figures will not be known until next July, I project that retail sales in Kokomo will hit the \$1,200 million mark, or 6% higher than last year.

Growing Population

Howard County lost 7% of its population in the 80s. Despite the loss, it is the state's 19th largest county with a population in excess of 80,000. Since 1991, however, the population has gradually increased. Based upon past trends, one can estimate Howard County's current population to be about 84,400. While Howard County will not regain the population it lost in the 80s, it will reclaim about 85% of the lost population before the end of 2000. This prognosis is based upon job growth, single-family and multi-unit housing growth, migration trends, and commercial development. Interestingly, while Howard County is regaining lost population, Cass, Miami, and Grant counties are losing population.

Construction-Related Employment Down, Single-Family Housing Construction Up

Last year, construction cranes dotted Kokomo's landscape, and construction-related employment zoomed to about 3,000. This year, however, because of the lack of new school construction/expansion, and public projects, construction-related employment declined by one-third to 2,000.

Single-family and multi-housing unit construction activity remained strong. Single-family building

Table 2
Employment by Selected Sectors, January-September 1999

Kokomo Area Payroll	January 1999	September 1999	Jobs Added	% Change
Total Nonfarm Jobs	51,400	54,100	2,700	5.3
Manufacturing	20,400	21,500	1,100	5.4
Retail Trade	10,000	10,200	200	2.0
Business Services	8,800	9,500	700	7.9
Mining and Construction	1,600	1,900	300	18.8

permits issued jumped 47% during the first nine months of the year. The number of these permits totaled 267 during January-September 1999, compared with 182 during the same period a year ago. The average value registered on the building permit fell from \$196,000 in 1998 to \$135,000 in 1999. One can surmise that more medium-scale houses are being built this year than a year ago. The final number of single-family permits issued this year will be about 310, compared with 218 in 1998.

Multi-unit housing construction activity remained strong for the second consecutive year. Valued at \$19.1 million, the number of building permits issued during the first three quarters of 1999 totaled 45, compared with 48 a year earlier. Additionally, ground was broken for two new office buildings and a nursing home.

All told, the number of permits issued during January-September totaled 852, compared with 777 a year ago. Before the end of the year, the total number of permits could easily pass the 1,130 mark.

The Year of Demolitions

This year was significant in the lives of Kokomoans who worked at Delphi Delco Electronics Systems' Plant 1 site, and at Continental Steel Corporation. The two plants' demolition was a personal loss to many. During its hay day, Continental Steel Corporation, with more than 1,000 employees, was Kokomo's 3rd largest employer. After nearly 80 years in existence, the plant shut down in 1986. In 1936, the General Motors Corporation, parent Delco Electronics Systems purchased Plant 1 from Crosley Radio Corporation, and GM'S Delco Radio Division was housed in Plant 1. While the Continental Steel plant manufactured steel rods, barbed wires, steel wire fences, nails, and other steel products, Delphi Delco Electronics Systems' Plant 1 manufactured and assembled circuit boards, and electronic components.

The demolition work on Plant 1's manufacturing/assembly site began in the early months of 1999, while Continental's demolition began in May. The former steel plant's 183-acre site with 74 buildings is heavily contaminated. Clean-up work and demolition will cost \$80-110 million, and will be completed in 2000. The demolition work at Delphi Delco Electronics Systems' Plant 1 will be completed before the year's end.

No year passes by without the loss of a longtime fixture in the local economic landscape. This year was no exception. Hills store, a fixture since 1978, changed hands and became Ames store. With the closure of Roselyn Bakery, Kokomo downtown lost more than a half century-old business. Service Merchandise, a fixture since 1975, employing about 50 people, permanently shut down in February.

The Resilient Kokomo Economy has Lots of Oomph Left

Kokomoans should not be sad as they bid goodbye to the millennium's last decade of fabulous, and memorable economic performance. Alan Greenspan can huff, and he can puff, but the economic house of Kokomo will not come down in 2000. The rip-roaring economy will barrel along through the first year of the millennium. In fact, Y2K promises to surpass the stunning performance of 1999. Here are a few reasons. First, the probability of the national economy sliding into a recession next year is very low. Second, Kokomo's primary growth engine, manufacturing, will not slow down because of economic fatigue. The pillars of the Kokomo economy—DaimlerChrysler, Delphi-Delco Electronics Systems, Haynes International, DuPont Photomasks, and Syndicate Sales—are financially strong. They can add new products to their product mix and increase production capacity. As per its four-year hiring plan, DaimlerChrysler will add 300-400 jobs to its pay rolls. In addition, 175-200 new jobs will be created with the opening of Menards, and expansion at Wal-Mart. Third, some of the existing businesses in Kokomo—WIS Sheet Metal, Olympic Foods, and Ambassador Steel—are expanding and modernizing their operations, thus creating new job opportunities and/or securing existing jobs. Finally, after a long spell, Peru and Tipton, Kokomo's neighbors on the north and south, respectively, are flexing their economic muscle and creating job opportunities. Hiring prospects remain bright at the minimum-security prison facility in the Grissom Aeroplex. Peru's new manufacturer of recreational vehicles, Timberland RV Company, has the potential to create 300-400 jobs in the coming years. In addition, with the relocation of L&M Metal Stamping Inc. from Logansport to Peru, new manufacturing jobs will become available to residents of north central Indiana. Tipton has landed a major manufacturer of automotive filters and avionics and electronics, which will create another 300-500 jobs.

In a nutshell, Kokomo will be on the road again for more growth in 2000. It has proved to be the resurgent economy. The continued economic growth will drain the pool of job seekers, causing the unemployment rate to hover at or below 2%, a new milestone. The housing and retail sectors will remain vibrant, and the economic environment will remain festive.