

1997 and \$26,900 in 1998.

Unemployment continues to fall. It is at a thirty year low for the nation at about 4.5%, for the State, it is about 2.5% as it is for our fair city as well.

The question this begs is, "Can we continue to grow with fewer than 5,000 people looking for jobs?" If we are to continue our growth, it is obvious that we must rely on increased productivity from the workers we now employ. This will mean new capital, new technology and probably substantial investment in training or we must attract more workers. This will not be without cost as parts of our infrastructure are approaching capacity.

To attempt to quantify the growth record of the Evansville economy, I have attempted to resurrect the economic index calculated for years by my colleague Maurice Tsai. To date, I have used the same sectors as Dr. Tsai, Industrial Production, Construction, Trade, Finance, and Transportation. As a proxy for Industrial Production, I have gathered a series of data on sales of electricity to industrial customers from the SIGECORP annual report. The proxy I have used for construction is the total value of building permits issued in Vanderburgh County collected from the Vanderburgh County Building Commission. As proxy for Wholesale and Retail Trade, I have used the sum of employment in each of those sectors as reported the annual summary of *Indiana Employment Review* published by Indiana Workforce Development. Similarly, I have used employment in the finance, insurance and real estate sector as a proxy for activity in that sector. I have used boardings at Evansville Regional Airport as the transportation proxy. I have chosen 1998 as a base year, and weighted each series at its according to its relative real gross domestic product importance. And have reported the results in **Table 1**.

Initial analysis shows growth in the index at 6% rate from 1997 to 1998, which seems to be consistent with the data from Workforce Development on income growth in southwest Indiana.

Table 1

	Industrial Production	Construction	Trade	Transportation	Finance	Index	Index Growth
1995	0.32	0.04	0.27	0.05	0.23	0.90	
1996	0.33	0.06	0.27	0.05	0.24	0.94	0.00
1997	0.33	0.05	0.28	0.06	0.23	0.94	0.00
1998	0.36	0.07	0.28	0.06	0.23	1.00	0.06

South Bend/Mishawaka/Elkhart

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Our review of the economies of the South Bend / Mishawaka and Elkhart / Goshen communities is based on the local economic indicators tracked by IUSB's Bureau of Business and Economic Research (BBER). **Table 1** reports several of these indicators which are, with the exception of unemployment rates, seasonally adjusted index numbers, expressed as a percentage of base year 1986 values. The table shows the monthly average for each year from 1993 through 1998. Figures for 1999 are preliminary in that they are not based on the entire year.

Table 1

South Bend/Mishawaka	1993	1994	1995	1996	1997	1998	1999*
Non-agricultural Employment	114.2	119.5	124.1	124.1	126.0	128.6	130.2
Manufacturing Employment	89.8	93.4	97.5	92.9	93.1	94.5	94.3
Non-Manufacturing Employment	121.3	127.1	132.1	133.3	135.7	138.5	140.9
Unemployment Rate	6.1%	4.4%	4.3%	4.0%	3.3%	2.7%	2.8%
Help Wanted Advertising	85.2	121.3	103.1	90.2	98.4	109.9	125.2
Industrial Electricity Sales	101.1	106.4	111.2	105.3	108.0	110.0	112.6
New Car Registrations	63.0	64.8	60.9	62.6	58.3	53.0	51.7
New Truck Registrations	96.1	111.3	107.8	104.8	107.8	111.1	114.8
Business Bankruptcies	65.0	33.0	31.0	20.3	34.0	20.4	14.8
Non-business Bankruptcies	175.1	170.6	194.9	246.3	309.2	332.7	313.7
Total Value of Housing Permits	182.4	162.4	129.8	165.8	170.5	164.3	170.7
Number of Housing Permits Issued	139.1	123.3	100.0	117.3	111.3	104.5	103.7
Average Value of Housing Permits	128.4	131.3	129.6	139.5	151.3	153.7	159.2
Elkhart/Goshen	1993	1994	1995	1996	1997	1998	1999*
Non-agricultural Employment	117.4	125.1	129.2	127.4	128.0	132.7	136.2
Manufacturing Employment	112.3	120.2	122.0	119.3	119.1	124.1	129.0
Non-Manufacturing Employment	123.4	130.7	136.9	136.7	138.5	142.7	144.7
Unemployment Rate	5.9%	3.8%	4.5%	3.8%	3.3%	2.6%	1.9%
Help Wanted Advertising	123.1	167.1	125.6	102.2	103.9	122.8	130.6
Industrial Electricity Sales	113.3	115.6	119.0	119.4	120.7	110.9	92.0
New Car Registrations	55.7	60.7	60.9	61.3	54.2	51.8	51.2
New Truck Registrations	93.2	107.8	118.4	120.8	123.0	127.2	138.8
*1999 figures do not cover the later months of the year All indicators <i>except unemployment rate</i> are seasonally adjusted index numbers, with 1986=100							

South Bend / Mishawaka

Since the last recession, the labor market in St. Joseph County has expanded at a slow, steady pace, with nonmanufacturing jobs leading the growth. This trend has continued into 1999, with the possible exception of manufacturing employment which has dipped slightly from last year's level. Monthly unemployment rates seem to have bottomed out at around 2.7%. Help wanted advertising has surged in the first part of 1999, reflecting employers' attempts to attract scarce labor.

Monthly sales of industrial electricity have risen slightly this year, to 15% above their 1986 level. Monthly registrations of new trucks (including minivans and SUVs) have moved ahead again in 1999, while registrations of new cars have continued to slide. The worrisome rise of nonbusiness bankruptcies in this part of Indiana may finally be leveling off, albeit at more than triple the level of 1986. Business bankruptcies, which have occurred at a much lower level, appear to be decreasing again this year. The numbers of new housing permits seem to have con-

tinued their decade-long decline. Compared to the base year of 1986, levels of total and average values of new housing permits are only slightly ahead of the rate of inflation.

Elkhart / Goshen

Elkhart County's labor market has a larger portion of its jobs (about 50%) in manufacturing than any other urban area in the U.S. To date in 1999, manufacturing jobs in the county have enjoyed the strongest growth rate, increasing almost 4% over the prior year's level. Monthly unemployment rates have so far averaged less than 2%, while help wanted advertising continues to soar. Even more than in St. Joseph County, the labor market has grown stronger and tighter throughout this decade.

Despite the robust employment growth in manufacturing, sales of industrial electricity have dropped sharply in the first part of 1999. And while monthly registrations of new trucks have increased by almost 10%, new car registrations have declined again this year.

Outlook

The Michiana economy has benefitted from the long expansion of the national economy. The high levels of consumer confidence, low unemployment rates, and low interest rates have spurred the sales of durable goods which are important to our area's prosperity. Given the mixed prospects for the national economy — continued low unemployment rates and low inflation, but higher interest rates and somewhat lower economic growth — we expect to see slower growth in the Michiana economy when compared to last year. The slowdown in growth in the national economy will lead to much slower growth in the sales of durable goods next year. The Elkhart-Goshen area, with its very high level of employment in manufacturing, will be affected more than the South Bend-Mishawaka area. During the past year, we have seen a substantial growth in the number of manufacturing jobs in the Elkhart-Goshen area, but the increases in manufacturing will be much smaller in 2000. While employment growth will slow in both area economies, it should remain positive, and unemployment rates should remain at low levels. The South Bend-Mishawaka and Elkhart-Goshen local economies should experience another prosperous year in 2000.