

Fort Wayne

This is a good time for those of us residing in the nine counties comprising northeast Indiana to remind ourselves that the northeast Indiana economy is not representative of the Indiana economy. Since 1979—the start of the infamous rustbelt debacle—the Indiana economy has shed almost 10 percent of its manufacturing jobs. During that same period, the number of manufacturing jobs in northeast Indiana increased over 20 percent.

Consequently, approximately one of every three jobs in northeast Indiana currently is in manufacturing; while only approximately 23 percent of the jobs in Indiana currently are in manufacturing.¹ Even more instructive is the fact that manufacturing jobs account for less than 15 percent of U.S. employment and have been decreasing for decades.

This “many eggs in one basket” occurrence has proved highly successful in propelling the northeast

Indiana economy (and many of the economies comprising the Great Lakes’ region) out of the rustbelt debacle that ended in 1982. But the one-faceted strategy now is turning into a liability.

In fact, it already has been a liability, but the labor market has been so tight that few have noticed. As shown in **Figure 1**, manufacturing employment in the Fort Wayne metro area has been declining over two years—more precisely, eight of the last nine quarters (ending in the third quarter 2000). The total loss in manufacturing jobs between the second quarter 1998 and the third quarter 2000 has been 2,900—3.8 percent. That is why total employment growth in the metro area (also shown in Figure 1) has been so tepid compared to U.S. employment growth.

The outlook for 2001 is for more of the same. As noted in the accompanying forecast for the U.S. economy, most of the forecasted slowdown will occur in spending on durable goods. Stated differently, northeast Indiana will bear the brunt of the forecasted

Consider, for example, the manufacturing of trucks and autos—arguably the dominant products of the northeast Indiana economy. A recently released study is certainly supportive of their importance.² Of the initial announcements of larger (only those planning to employ 100 or more) manufacturing firms locating/relocating in northeast Indiana between 1983 and 1992, auto related manufacturing accounted for 66 percent of the activity and 85 percent of the capital investment (see **Table 1**)

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Figure 1
Yearly Change in Average Quarterly Payroll and Manufacturing Employment,
Fort Wayne MSA

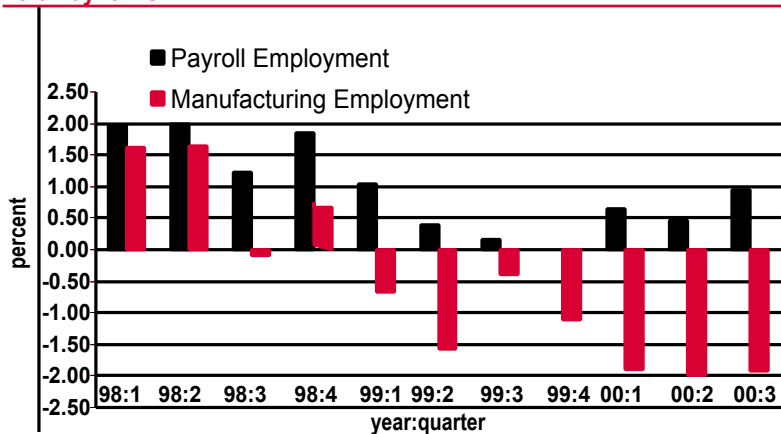


Table 1
Importance of Truck and Auto Manufacturing to Northeast Indiana

	Count	Capital Investment	Jobs
"New" Arrivals	53	\$1 billion	15,000
Auto Related	35	\$850 billion	10,000
Percentage Auto Related	66%	85%	66.7%

Source: Lincoln Schrock, Director, Indiana Northeast Development

U.S. light vehicle sales have increased essentially unabated from 12.3 million in 1991 to an estimated 17.5 million in 2000. However, record sales during the last half of 2000 have been spurred by generous rebates that come at a substantial cost—in terms of both profits and future sales.

Given the recent increase in energy prices, the multiple increases in short-term interest rates by the Federal Reserve, and a downward-biased stock market, the phenomenal run in truck and auto sales finally will end in 2001. This is bad news for the northeast Indiana economy.

In summary, the area economy will continue to experience minimal employment growth in 2001—between a quarter and a half percent increase. But this will probably be enough to absorb the new entrants into the labor force, so the general perception will continue that the economy is in excellent health.

Endnotes

¹ Approximately 26 percent of the jobs in the Fort Wayne metro area are in manufacturing. (Adams, Allen, DeKalb, Huntington, and Whitley counties constitute the metro area.) When Lagrange, Noble and Steuben counties are added, the portion of manufacturing jobs rises to a third.

² Guthrie, Thomas L. and Valerie A. Richardson, The Performance of the Northeast Indiana Economy Over the Past 30 Years, The Major Forces Shaping that Performance, and Some Thoughts on Appropriate Economic Policy to Enhance Future Performance, (Indianapolis: IUPUI Fort Wayne, 2000).