

New Albany and Louisville MSA

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In the year 2001, economic activity in southern Indiana and the Louisville metropolitan area continues to defy national economic trends. Continued employment losses and increases in the unemployment rate in the Louisville area were not as extreme as in other parts of Indiana, Kentucky, and many parts of the U.S. The seven counties in the Louisville Metropolitan Statistical Area (MSA) are Clark, Floyd, Harrison and Scott in southern Indiana and Bullit, Jefferson and Oldham in northern Kentucky. The following analysis examines various measures of economic growth in the Louisville MSA and its component counties. Three additional Indiana counties—Crawford, Orange, and Washington—in the southern Indiana labor market area are included when data are available.

Labor Markets

Throughout 2001, the unemployment rate in the Indiana counties in the Louisville metropolitan area continued to be below or even with that of Indiana as a whole and below that of Kentucky and the United States as shown in **Table 1**. The September 2000 unemployment rates in the Kentucky counties of the metropolitan area were well below the Kentucky state average at 3.2 percent, 4.0 percent, and 2.2 percent in Bullit, Jefferson, and Oldham counties, respectively. Scott is the first county in the MSA to experience a substantial increase in unemployment. The increasing national unemployment rate indicates that other counties in the Louisville MSA may follow. However, the September 2001 unemployment rate in many counties is below that of 2000.

Table 1
Unemployment Rate
(not seasonally-adjusted)

| | 1999 Annual Average | 2000 Annual Average | Annual Average (Jan.-Sept. 2001) | Sept. 2001 |
|-------------------|---------------------------|---------------------------|-------------------------------------|------------|
| Clark, IN* | 2.8 | 3.3 | 2.8 | 3.6 |
| Crawford, IN | 5.7 | 5.9 | 4.5 | 3.8 |
| Floyd, IN* | 2.3 | 3.0 | 2.4 | 2.8 |
| Harrison, IN* | 2.6 | 2.9 | 2.7 | 2.7 |
| Orange, IN | 7.0 | 6.2 | 8.0 | 8.0 |
| Scott, IN* | 3.1 | 3.2 | 4.1 | 4.3 |
| Washington, IN | 4.6 | 4.5 | 5.4 | 6.2 |
| Indiana | 3.0 | 3.2 | 3.7 | 3.9 |
| Kentucky | 4.5 | 4.1 | 4.6 | 4.4 |
| U.S. ¹ | 4.2 | 4.0 | 4.5 | 4.7 |

Sources: Indiana Department of Workforce Development and Kentucky Cabinet for Workforce Development

*Counties in the Louisville Metropolitan Statistical Area

¹The October 2001 seasonally-adjusted unemployment rate for the U.S. was 5.4 percent. October rates were not released for states and counties at the time of writing.

Recent data for the Louisville MSA (see **Table 2**) indicate that the average level of nonagricultural employment increased by 7,700 jobs through September of 2001. Manufacturing employment remained steady in southern Indiana and decreased by about 2,400 jobs in the MSA. Non-manufacturing employment remains steady in southern Indiana and grew by about 10,000 jobs in the MSA. The MSA job growth in the non-manufacturing sector was led by increases in the services and retail sectors. Other non-manufacturing sectors remain stable in southern Indiana and the MSA.

Recent data from the Indiana Department of Revenue indicate that 37,500 workers commuted daily between southern Indiana and Kentucky in 1999 (see **Table 3**).

Several major retail chains are expanding operations in southern Indiana, and the retail sector will experience substantial growth over the next few years. Home Depot and Kohls have recently opened in New Albany, as has a 500-room hotel at Caesars Casino in Harrison county. These developments will further increase the demand for retail and services workers in southern Indiana.

Wages and Hours in Manufacturing

Manufacturing is the only sector for which wage and salary information is collected for the southern Indiana area. As shown in **Table 2**, average hourly earnings in manufacturing industries are consistently below that of Indiana as a whole. Hourly earnings have increased over those of 2000, but not enough to suggest that inflationary pressures are evident. While there is no standard measure of labor productivity for metropolitan areas, national averages suggest that labor productivity in manufacturing has increased substantially over the past decade, thus holding output prices and wages down.

Average weekly hours worked in the manufacturing sector have remained stable over the past year, at around 40 hours per week in the southern Indiana counties. There was a noticeable increase (of almost two hours) in September 2001, which may indicate that the level of overtime increased. Average weekly earnings also increased substantially (almost \$50) in September 2001, hence the increase in average hourly earnings for the month.

Consumer Activity

Sales and Marketing Management magazine's 2001 Survey of Buying Power shows that growth of retail

Table 2
Nonagricultural and Manufacturing Employment

| | | 1999 Annual Average | 2000 Annual Average | 2001 Annual Average (through Sept.) | Sept. 2001 |
|---|-------|---------------------------|---------------------------|---|------------|
| NONAGRICULTURAL EMPLOYMENT | | | | | |
| Southern Indiana Counties ¹ | (000) | 94.4 | 95.0 | 96.2 | 94.9 |
| Louisville MSA ² | (000) | 579.5 | 591.6 | 599.3 | 603.1 |
| Manufacturing Empl. | | | | | |
| Southern Indiana Counties | (000) | 20.3 | 20.3 | 20.8 | 20.4 |
| Louisville MSA | (000) | 89.0 | 88.2 | 85.8 | 84.4 |
| <i>Durable Goods</i> | | | | | |
| Southern Indiana Counties | (000) | 11.2 | 11.0 | 11.6 | 11.2 |
| Louisville MSA | (000) | 50.4 | 50.7 | 49.1 | 48.1 |
| <i>Nondurable Goods</i> | | | | | |
| Southern Indiana Counties | (000) | 9.1 | 9.3 | 9.1 | 9.2 |
| Louisville MSA | (000) | 38.6 | 37.5 | 36.6 | 36.3 |
| <i>Avg. Hourly Earnings, Manufacturing (\$)</i> | | | | | |
| Southern Indiana Counties | | 13.18 | 13.40 | 14.55 | 15.45 |
| Indiana | | 15.26 | 15.83 | 16.15 | 16.33 |

Source: Indiana Department of Workforce Development
¹ Clark, Floyd, Harrison and Scott counties. The Indiana Department of Workforce Development refers to this as the New Albany area.
² The Louisville MSA is Clark, Floyd, Harrison and Scott counties in Indiana and Bullitt, Jefferson and Oldham counties in Kentucky.

sales has slowed over the past year. Total retail sales in the Louisville MSA increased by 3.3 percent from just over \$13.1 billion in 2000 to just over \$13.5 billion in 2001. Harrison, Bullitt, and Floyd counties led this growth (on a percentage basis) with increases in retail sales of 6.01, 5.98 and 4.75 percent, respectively, for these counties between 2000 and 2001.

Activity in the residential housing market has increased over the past year. Declining mortgage rates, now at the lowest level in over 30 years, are undoubtedly responsible. Housing sales through October 2001 in the southern Indiana area¹ totaled 2,242 compared with 1,840 for the same period in 2000. This is the largest number of homes sold since IU Southeast began tracking this indicator in 1990. The average sales price was \$131,670 for January-October 2001 sales, up slightly from the year before. Approximately 73 percent of homes sold in 90 days or less in 2001, up slightly from the 2000 figure.

In contrast to housing sales, residential construction as measured by residential building permits for new single-family units decreased from the 2000 level and the 1998 peak. The largest decrease in the number of single-family permits, 336 (19.5 percent), occurred in Jefferson County. The largest percent decline occurred in Harrison County with a 54.1 percent decrease. The number of multifamily permits increased in Jefferson and Clark Counties.

Gaming at Caesar's Casino continues to expand. The turnstile count for September of 2001 was 211,380 patrons, a 19 percent increase over September 2000. The turnstile count for January through September 2001 was 38.5 percent higher than the same period last year.

Growing Population

Recently-released data from the 2000 Census show that the population of southern Indiana and the Louisville metropolitan area is growing. Population in the metro area increased by over 8 percent (76,586 persons) between 1990 and 2000. In percentage terms Oldham County led growth, followed by Bullitt and Harrison counties. The portion of the MSA population living in southern Indiana increased slightly over the decade.

The number of children in the Louisville metropolitan area increased, which has implications for school finance. In percentage terms, Oldham and Bullitt counties, with 32.6 and 19.4 percent increases, respectively, led growth in the number of children, well above the MSA growth rate. While the number

Table 3
Commuting Flows, 1999

| Working in..... | Kentucky | Clark | Crawford | Floyd | Harrison | Orange | Scott | Washington |
|------------------|----------|--------|----------|--------|----------|--------|--------|------------|
| Living in | | | | | | | | |
| Clark | 16,458 | 40,805 | 14 | 4,379 | 395 | 8 | 323 | 172 |
| Crawford | 692 | 172 | 3,962 | 184 | 645 | 171 | 2 | 22 |
| Floyd | 12,717 | 4,993 | 19 | 27,666 | 752 | 17 | 7 | 122 |
| Harrison | 5,321 | 1,465 | 148 | 2,031 | 14,215 | 20 | 23 | 100 |
| Orange | 136 | 54 | 95 | 49 | 47 | 10,128 | 3 | 203 |
| Scott | 808 | 771 | 0 | 169 | 27 | 5 | 10,039 | 126 |
| Washington | 1,393 | 1,488 | 13 | 726 | 274 | 232 | 373 | 11,775 |
| Kentucky | | 708 | 10 | 479 | 264 | 11 | 30 | 24 |

Source: Indiana Department of Revenue; retrieved from STATS Indiana

of households increased, the average number of persons per household decreased in all counties of the metro area and the southern Indiana labor market area.

During 2001, Louisville and the southern Indiana area have settled into a period of slower growth. With the exception of housing sales, consumer activity, as measured by single-family residential building permits and retail sales, has leveled off. Employment growth in southern Indiana appears to have leveled off over the past year with stable manufacturing and non-manufacturing employment. In the Kentucky counties, there have been decreases in manufacturing employment and significant increases in non-manufacturing employment. The unemployment rate is still relatively low in the metro counties. National indicators released over the past few weeks indicate that the U.S. economy is in recession. Undoubtedly the economy of the Louisville region will begin to show signs over the next few months.

Notes

1. Data on home sales from the Southern Indiana Realtors Association multiple listing service cover the counties of Clark, Crawford, Floyd, Jefferson, Scott and Washington.

Richmond

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The Richmond-Connersville-New Castle (RCNC) area economy can expect a rebound in 2002. The erstwhile slowdown or current downturn in the United States economy is affecting local employment, income and growth. The manufacturing sector is in recession. Manufacturers in October 2000 turned in their worst performance since February 1991, when the United States was mired in its last recession. The National Association of Purchasing Management noted that its manufacturing activity index sank to 39.8 from 47 in September, the 15th

consecutive month of decline. An index above 50 comprises growth in manufacturing, while a figure below 50 shows contraction.

At the local level, there was a loss of a few hundred jobs, particularly in durable goods manufacturing, such as wire, machine tools, heavy trucks and other transportation-related equipment. Consequently, companies will have poor profit performance, which in turn will affect their capital spending. Prior to September 11th, companies were prepared for a pared-down cost structure because of lower commodity and energy prices, cheaper borrowing costs, and slower wage growth. They now face, in addition to weak demand, a new layer of costs because of increased security measures and distribution problems. It is important to note that the manufacturing sector is the backbone of RCNC's economy, accounting for at least 25 percent of its total employment.

Given the manufacturing situation, employment growth in Wayne, Fayette and Henry counties was weak in 2000, with unemployment rates running higher than the state rate of 3.2 percent (see **Table 1**).

Compared to a year ago, there has been a steady increase in RCNC's unemployment rates (see **Figure 1**). However, two existing businesses, Fickenscher America and Delta Entertainment, are building new facilities costing \$11 million in the Midwest Industrial Park. One will produce multi-shot injection molding to create movable plastic parts for automotive and consumer products, while the other will produce compact discs and digital video discs for the entertainment industry. Both businesses expect to create about 90 new jobs. The employment picture is expected to improve with a rebound in economic activity during 2002.

The services sector, unlike manufacturing, is holding steady. There is growth in business and personal services, transportation and public utilities, and finance, insurance and real estate. There is also increased activity in food, entertainment and financial management. Growth is not as robust as in 1999 but is expected to improve in 2002.

The housing sector, in contrast, remains relatively strong against the backdrop of plunging consumer confidence and soaring unemployment. The number of building permits issued in RCNC during the first nine months of 2001 totaled 2,612. Their total investment value is an estimated \$95.3 million. In Richmond, there were 1,488 permits with an investment value of