

Allen County *Insight*

A summary of economic events, data, and trends published by the Community Research Institute

On the web: www.ipfw.edu/cri

In this Issue

Focus on... Gross Domestic (or Regional) Product

Also...

- Employment Recap
- Wage and Salary Updates
- Business Events

From the Director

Insight on GDP



Allen County Insight is brought to you by The Community Research Institute at IPFW with the support of the Allen County Commissioners



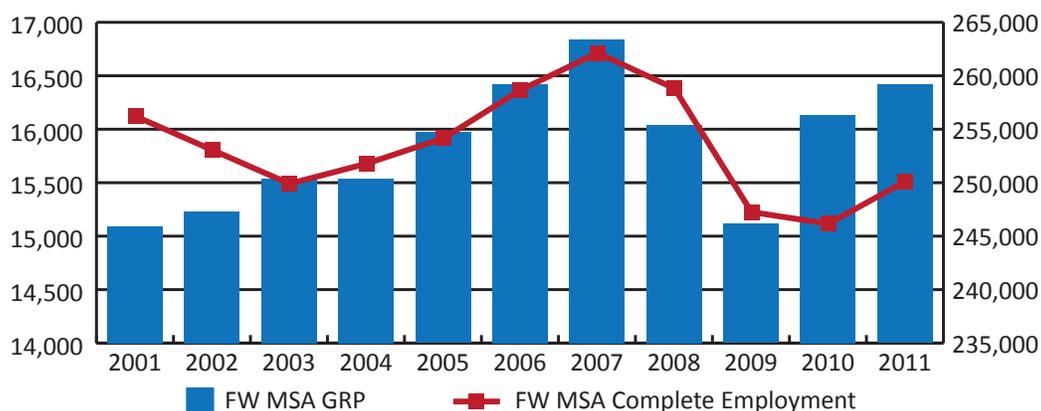
Introduction

In this issue, the quarterly focus is on gross domestic product, or gross regional product, to be more specific. The Director's Corner offers insight into the importance of using this measurement of a region's economic success.

This newsletter is also available on our website: <http://new.ipfw.edu/centers/cri/reports> .

Fort Wayne MSA Gross Regional Product

Real GRP and Employment for the Fort Wayne MSA, 2001-2011



Source: U.S. Bureau of Economic Analysis

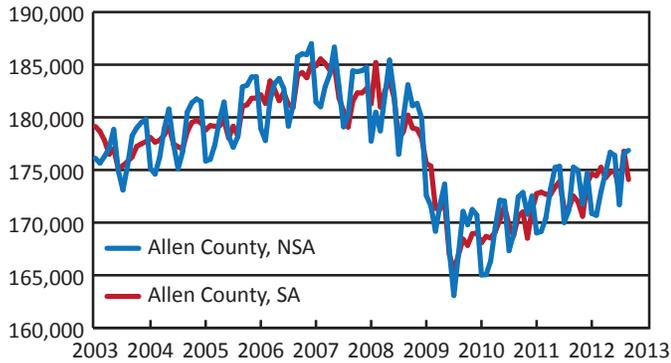
In 2011, the Gross Regional Product (GRP) for the Fort Wayne MSA was \$16,417,000,000, up 8.6 percent since the depths of the recession in 2009, and up 8.8 percent since 2001, the first year BEA began supplying Metro area GRP. The data is available in 2005 chained dollars, which reflects not only inflation adjusted dollars but also adjustments to the "basket of goods" which changes over time. More detail is available in the Director's Corner on this concept, which is increasingly becoming a more valued concept.

The BEA released the 2011 metro data in February. What does it mean? Why is this important? The Director's Corner takes this \$16 Billion dollar number and compares to other regions, to the sectors within our economy, and even discusses GRP at a county level-a new level of information. From the chart above, we can see that there is an obvious relationship to employment, and what we may be seeing in the last few years in the FW MSA economy is the relationship of GRP to productivity. This may be one of the most important measurements of using GDP-the increase in productivity is necessary to add value to the product, and that value is what makes wages rise. Thirty years ago, manufacturing was the sector that added the value. Insight found in the Director's Corner will discuss what that driver is today. Furthermore, studies have shown that rising productivity in these other sectors directly contributes to the wages in other areas, even those areas which have not seen changes in their productivity for years.

Allen County at a Glance

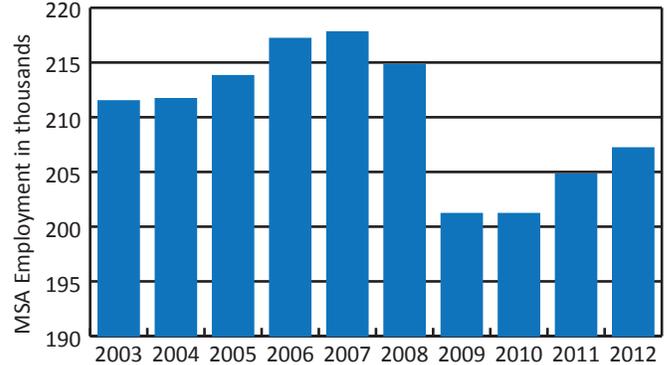
Employment

Allen County Payroll Employment



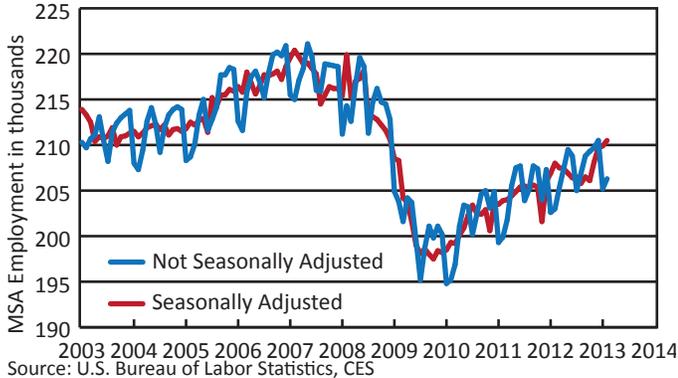
Source: U.S. Bureau of Labor Statistics, QCEW

Fort Wayne MSA Annual Employment



Source: U.S. Bureau of Labor Statistics, CES

Fort Wayne MSA NonFarm Payroll Employment



Source: U.S. Bureau of Labor Statistics, CES

Have you noticed any changes in the data since the last issue of *Insight*? The 2011 and 2012 revisions from the federal government have been incorporated into these charts, and substantial changes were noted for 2012. In our last issue, the average MSA employment for 2012 was approaching 215,000, and now that has been revised downward to 207,200—a significant revision.

As in prior editions, both the county employment and MSA employment are shown to fully illustrate employment, although these two sources have differences in who is included as employed. The MSA data is available on a timelier basis (through February, compared to November for the county data). Allen County represents approximately 89 percent of the MSA employment.

Unemployment and Initial Unemployment Claims

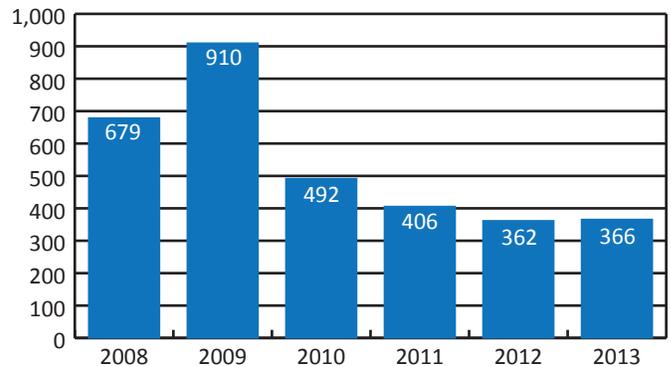
Unemployment Rates

	March 2013	March 2012	Change
Allen County	8.8	8.7	+1
FW MSA	8.8	8.6	+2
Indiana	9.1	8.7	+4
U.S.	7.6	8.4	-8
U.S., seasonally adjusted	7.6	8.2	-6

Source: U.S. Bureau of Labor Statistics, LAUS

Note: Data is not seasonally adjusted unless stated.

**Initial Unemployment Claims Filed
Sum of First 15 Weeks of Each Year**



Source: Indiana Department of Workforce Development

Wages and Income

	Average Annual Wage (BLS-QCEW)	Average Wage and Proprietors Income (EMSI, 2012)	Per Capita Personal Income (BEA)	Median Household Income (Census- ACS)
Allen County	\$39,535	\$36,620	\$35,199	\$47,426
Indiana	\$40,248	\$36,706	\$35,689	\$46,438
U.S.	\$48,040	\$42,797	\$41,560	\$50,502

Note: All data is for 2011 unless noted otherwise.

Allen County Business Dynamics- 1st Quarter 2013

A quarterly review of events occurring with the business establishments in Allen County

The following reflect business dynamics events that have been registered by CRI as a first quarter event. Note that the project may have been announced in a prior quarter, but CRI attempts to report the project in the period in which some tangible action occurred. Note also that CRI does not collect data on industries related to retail, restaurant, accommodations, as well as a few other sectors. Our focus is on base industries, such as events occurring in manufacturing, insurance, defense, logistics, medical devices, food processing, as well as events that occur in the major employers. Our information is supplied by the news media, press releases, and information obtained by reputable sources. If you are aware of any additional changes, please contact us at cri@ipfw.edu.

Event	People/ Jobs	Investment in Millions	Company
Expansion	200	9.375	Brunswick Corp.
Expansion	0	6.4	International Paper
Expansion	30	5.8	Voss Automotive
Expansion	4	3	Marquis ID Systems
Layoff	17	0	Hentz Manufacturing

Note: CRI does not track changes in some sectors such as retail, restaurant, accommodations, or small services. Business dynamics data is continuously revised and updated.



Director's Corner

Gross Regional Product: What Is It and Why Is It an Important Indicator of Economic Vitality?

What is the best way to measure the size and growth (or decline) of the local economy?

We frequently use employment as the yardstick of economic vitality, yet it only measures the number of individuals working at a specific point in time and not their output. At the national level, the most common tool utilized to measure economic activity is Gross Domestic Product or GDP. It is the measure of the value of goods and services produced by labor and property in the U.S. in a given period. GDP is the most comprehensive yardstick of overall economic activity in a given geographic area. It is a commonly used measurement, reported on a quarterly basis, to determine if the national economy is growing, and if so, at what pace. For example, U.S. GDP is estimated to have grown by 2.2 percent in 2012 according to the U.S. Bureau of Economic Analysis.

How can this tool also be used to measure changes in the local economy?

Until recently, GDP information was not readily available for geographic areas smaller than the state level. However, in 2007 the Bureau of Economic Analysis (BEA) began to report GDP data for Metropolitan Statistical Areas (MSAs). These are typically multi-county regions that have a central city of at least 50,000 in population and surrounding counties with a close economic connection to the core community. For example, the current definition of the Fort Wayne MSA includes Allen, Wells and Whitley counties. Annual data on gross domestic product for MSAs is now available from the BEA for 2001 through 2011.

More recently, county level data on Gross Regional Product (another name for GDP at less than the national level) has become available through a proprietary source – Economic Modeling Specialists International. (EMSI). The Northeast Indiana Regional Partnership, WorkOne Northeast and the Community Research Institute have collaborated to purchase annual data from this source which includes county level Gross Regional Product information. Gross Regional Product data has now been available for the past two years (2010 and 2011) from this source. EMSI defines Gross Regional Product as the sum of all earnings, property income, and taxes on production in a given county.

For purposes of this article, I will use the terms Gross Domestic Product and Gross Regional Product as nearly synonymous terms – with Gross Domestic Product (GDP) connotating that the source is the BEA and Gross Regional Product (GRP) connotating that the source is EMSI. A word of caution here, because the GRP data from EMSI is not adjusted for inflation one should not make direct comparisons between data from the two sources.

In order to best compare GDP over multiple years, the data is generally reported as inflation-adjusted “Real Gross Domestic Product”. The BEA uses an inflation adjustment process called “chained” dollars. The advantage of using the chained-dollar measure is that it allows for the effects of changes in relative prices and changes in the composition of output over time while “constant” dollar inflation adjusting does not.¹ The “chained” dollar inflation adjusting methodology therefore is subject to less distortion over time than “constant” dollar inflation adjusting.

¹ Statistical Abstract of the United States 2012; U.S. Census Bureau; p. 431.

As will be illustrated in the following sections of this article, Gross Domestic Product used along with employment change, per capita personal income, and measures of productivity now becomes one of the primary tools that we can use to track the performance of the local economy. In addition to measuring the size of the local economy, it also provides information about which business sectors play the most significant roles in the local economy and which are driving our economic growth.

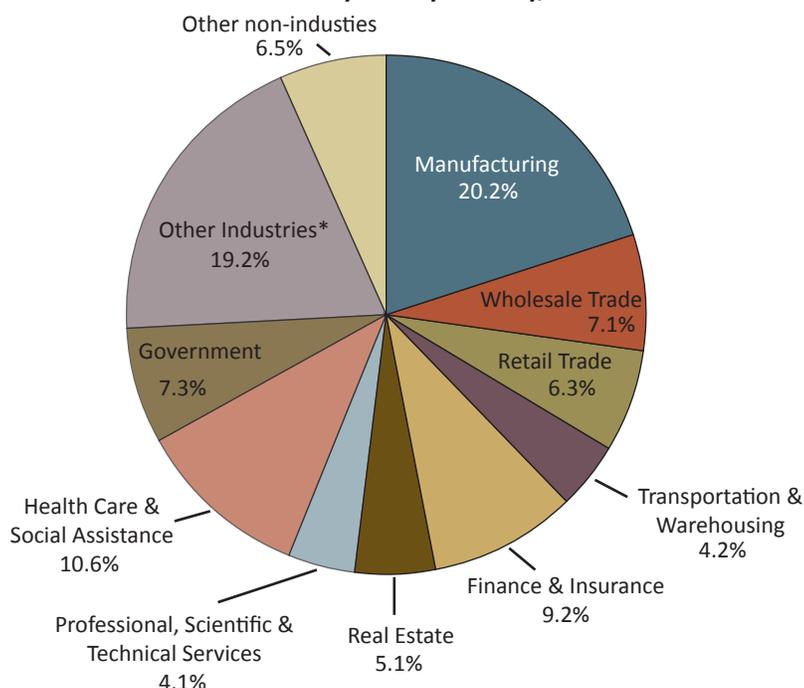
What does the Gross Regional Product information available from EMSI tell us about the Allen County economy?

The total GRP for Allen County in 2011 was \$16,018,458,565. This is a 4.17 percent increase over the 2010 GRP. There is no adjustment for inflation when comparing these two years. Not surprisingly, manufacturing is the leading sector with 20.2 percent share of the Allen County economy. By comparison, the manufacturing sector represented only 15.2 percent of employment in Allen County in 2011.² The manufacturing sector remains an even more important component of the local economy when measured by output than when measured by employment.

Manufacturing GRP is also a much larger percentage of total GRP in Allen County than what we find nationally, where it represents 11.6 percent of total GRP. While this sector remains a strength of the local economy, we must recognize the long-term national decline in the proportion of manufacturing to total gross domestic product. In 1978, manufacturing represented 22.8 percent of total GDP, compared to the more recent 11.6 percent.³ This is a significant change over a three decade period. While we do not have such historical data for local GRP, we suspect that Allen County has also experienced a decline in the proportion derived from the manufacturing sector. This does raise concern for the future. If the sector that represents our largest component of gross regional product is shrinking, at least proportionally, should we be working harder to seek further diversification in the local economy?

The county-level GRP data tells that five other major sectors provide for more than one billion dollars in annual output – Health Care and Social Assistance (\$1,705,235,285); Finance and Insurance (\$1,468,688,679); Government (\$1,164,471,724); Wholesale Trade (\$1,141,800,192); and Retail Trade (\$1,011,032,460)⁴. The percentage of GRP produced by the Health Care and Social Assistance sector in Allen County, 10.6 percent, is substantial higher than is found nationally, 7.5 percent. The Finance and Insurance sector in Allen County represents a slightly higher proportion of total GRP (9.2 percent) and is found nationally (8.9 percent). These are both commonly recognized strengths of the local economy and the gross regional product information reinforces that perception. Both the Wholesale Trade and Retail Trade sectors also represent a slightly higher portion of GRP locally than is experienced nationally. Conversely, the Government sector represents a substantially smaller proportion of local GRP (7.3 percent) than is found nationally (12.3 percent).

Allen County GRP by Industry, 2011



If we are to seek further diversification in the local economy, one logical place to seek growth is in high-wage, high skill “white-collar” industries. The Professional, Scientific, and Technical Services sector accounted for only 4.1 percent of total GRP in Allen County in 2011. Nationally, this sector accounted for a much higher 7.5 percent of total GDP. This is a sector which has been growing significantly across the country, contributing more than any other industry to the growth in real GDP in metropolitan areas in the United States⁵.

² Census of Quarterly Wages and Employment; Bureau of Labor Statistics; 2011 Average Annual Employment data.
³ In 2002 the United States shifted from the Standard Industrial Classification System to the North American Industrial Classification System and this shift did have some modest impact on how the manufacturing sector is defined.
⁴ EMSI also provides an “Other non-industries” category that includes goods and services that are not traded, such as the value of owner-occupied housing. Over one billion dollars of GRP was attributed to this “other” category in 2011 in Allen County.
⁵ “Gross Domestic Product by Metropolitan Area: Advance Statistics for 2011 and Revised Statistics for 2001-2010”; by Sharon D. Panek, Jake R. Hinson, and Ralph M. Rodriguez; Bureau of Economic Analysis; March, 2013.

Source: EMSI

*Industries with under 4% of Allen County GRP- Agriculture, Mining, Utilities, Construction, Information, Management of Companies, Administrative & Support Services, Educational Services (Private), Arts & Recreation, and Accommodation & Food Services.

What portion of the metropolitan area and regional economies does Allen County's GRP represent?

In 2011, GRP produced in Allen County accounted for 90 percent of the total GRP in the Fort Wayne MSA and 62 percent of the total GRP arising from the ten-county Northeast Indiana region.⁶ By comparison, Allen County accounted for 85 percent of total MSA population and 87 percent of total MSA employment. Allen County also accounted for 52 percent of the regional population and 57 percent of regional employment. In each situation, Allen County's proportion of the metro and regional economies was greater when measured by GRP than when measured by population or employment. This indicates that business output, from a regional perspective, is more highly concentrated in Allen County than either population or employment. This is, however, not unusual for urban centers compared with their more rural surrounding counties.⁷

How has the Gross Domestic Product for the Fort Wayne MSA changed over the past decade?

I will shift at this point from Allen County specific data to that available for the three-county Fort Wayne MSA utilizing information provided by the Bureau of Economic Analysis. Unlike the county-level GRP data which is available only for the past couple of years, we now have GDP data at the metro area going back to 2001. This allows for a longer range examination of some important trends and comparisons. Over the eleven-year period from 2001 through 2011, real (inflation adjusted) GDP in the Fort Wayne MSA has growth by 8.8 percent. This compares with 21.5 percent growth in statewide GDP and 14.1 percent growth for all metropolitan areas in the United States.

As is illustrated in the chart on page one of this edition of the *Allen County Insight*, entitled Fort Wayne MSA Gross Regional Product, the growth in real GDP in the Fort Wayne MSA has not been uniform across the past decade. The Great Recession actually resulted in two years (2008 and 2009) where the real GDP in the Fort Wayne MSA declined from the prior year.

How does the growth (decline) in annual real GDP in the Fort Wayne compare with that experienced by all MSAs across the United States?

Between 2001 and 2011 the Fort Wayne MSA has had a compound annual rate of GDP growth of 0.85 percent. This compares with a 1.48 percent compound rate of real GDP growth for all U.S. metropolitan areas. However, if one looks only at the manufacturing component of GDP the picture is much different. The Fort Wayne MSA experienced a 3.78 percent compound annual growth rate in the manufacturing sector between 2001 and 2011 while the comparable rate for all U.S. metro areas was 2.64 percent.

The table to the right illustrates the compound annual real GDP growth rate for each of these geographies. The Fort Wayne MSA annual rate of growth exceeded that for all metro areas in only three of the ten annual comparisons – 2006-07; 2009-10 and 2010-11. Significantly, two of the three represent years of recovery from the Great Recession. Perhaps this indicates that the Fort Wayne metro economy is recovering faster than many other MSAs. It may, however, also be a "back to normalcy" reaction to the severe blow the recession has on local GDP in 2008 and 2009.

How does the Fort Wayne MSA growth in GDP compare with other Indiana metropolitan areas?

We have data from the Bureau of Economic Analysis on the thirteen metro areas which are substantially within Indiana. Three other urban areas within the state are included within the data released for much larger multi-state MSAs – the Chicago, Cincinnati and Louisville areas. For purposes of discussion in this article, we will compare the Fort Wayne MSA with the other twelve MSAs primarily located within Indiana.

The Fort Wayne MSA, when measuring by annual GDP, is the second largest of these thirteen "Indiana" metropolitan area economies, behind only the Indianapolis-Carmel MSA. When measured in terms of per capita GDP – the amount of economic output per resident in the respective metro areas; the Fort Wayne MSA ranks fifth among the thirteen compared MSAs with a 2011 per capita real GDP of \$39,139. Using real GDP per capita for comparison purposes allows us to compensate for both the size of difference metropolitan areas and for the impact of inflation over time.

⁶For purposes of this article, Northeast Indiana is defined as Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wabash, Wells and Whitley counties.

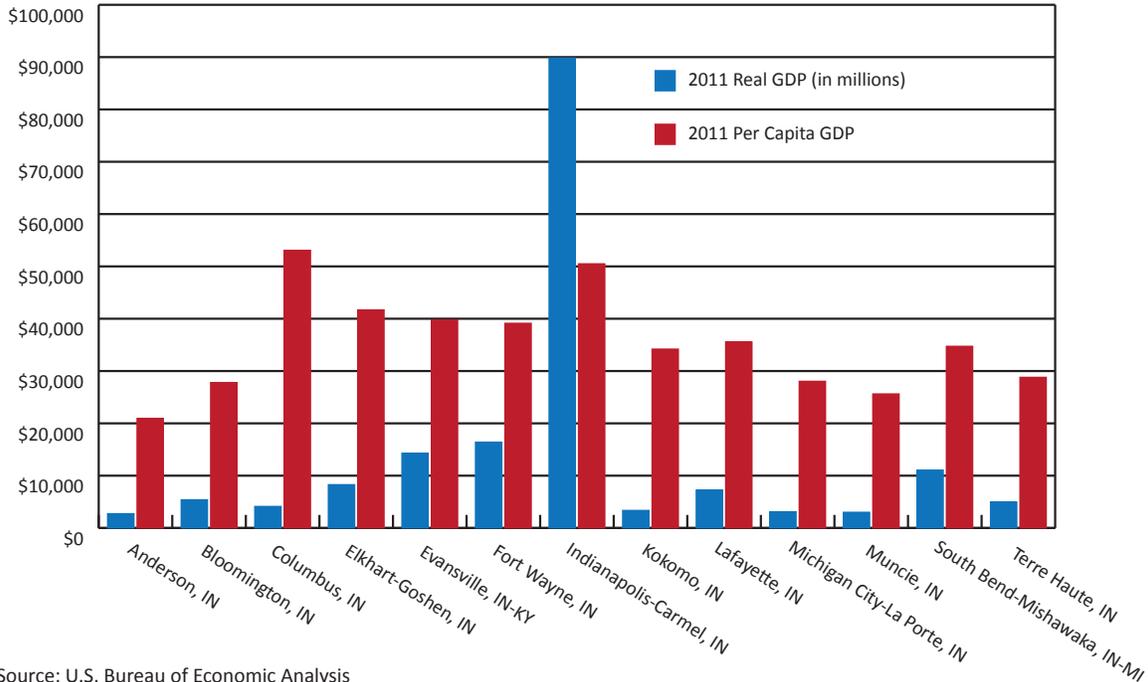
⁷U.S. Metro Economies: Outlook – Gross Metropolitan Product and Critical Role of Transportation Infrastructure; prepared for the United States Conference of Mayors by HIS Global Insight; July, 2012; p. 1.

Annual Growth Rate of GDP

	FW MSA	All MSAs
2001-02	0.91	1.72
2002-03	2.01	2.08
2003-04	0.01	3.41
2004-05	2.78	2.93
2005-06	2.82	2.82
2006-07	2.54	1.90
2007-08	-4.73	-0.67
2008-09	-5.78	-3.83
2009-10	6.76	3.10
2010-11	1.74	1.59
2001-11	0.85	1.48

Source: U.S. Bureau Economic Analysis

Comparison of Real GDP and Per Capita GDP for the Indiana MSAs, 2011

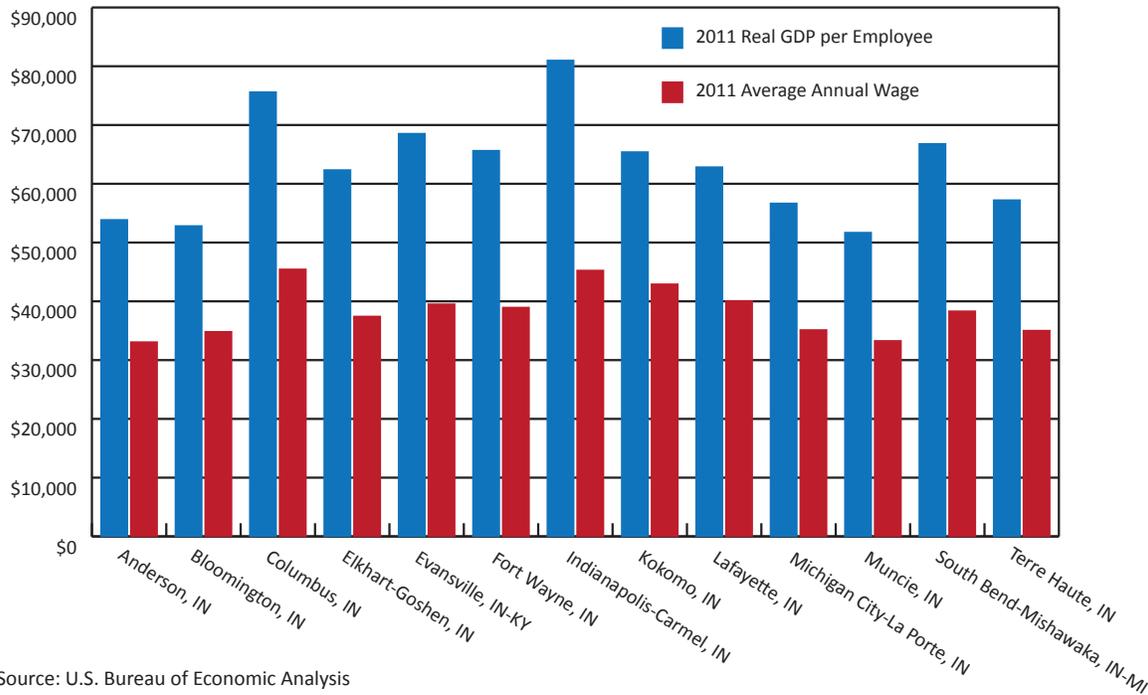


Source: U.S. Bureau of Economic Analysis

How does the Fort Wayne MSA economy measure up when comparing the amount of output per employee?

Perhaps of even more informative value, is real GDP per employee in a given MSA. Among the thirteen Indiana MSAs included in these comparisons, the Fort Wayne MSA has the fifth highest GDP per employee, following the Indianapolis-Carmel, Columbus, Evansville, and South Bend-Mishawaka MSAs. The Fort Wayne area's economic output per labor unit of input, is therefore, among the better in the state. There is, however, a nearly 25 percent gap between the local GDP per employee in 2011 and that of the Indianapolis-Carmel metro area. The 2011 real GDP per employee in the Fort Wayne MSA of \$65,670 also falls substantially below the real GDP per employee number for all metropolitan areas across the United States of \$78,496. We compare relatively well among Indiana metropolitan areas and in the second highest quintile when that comparison is broadened to include the national base of metro areas. Among all 366 MSAs in the United States, the Fort Wayne MSA ranks as having the 118th highest real GDP per employee in 2011.

Comparison of Real GDP per Employee and Average Annual Wage for the Indiana MSAs, 2011



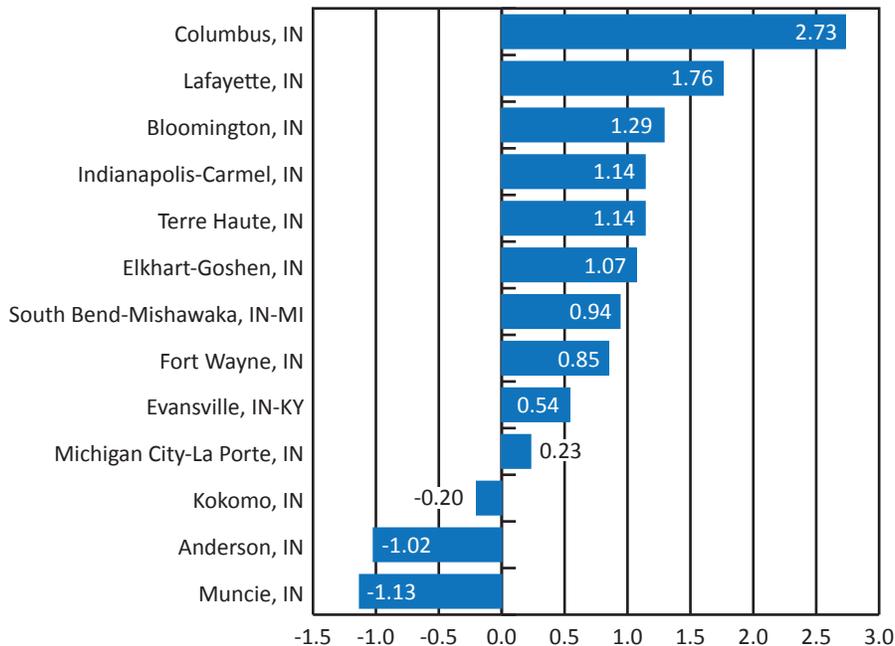
Source: U.S. Bureau of Economic Analysis

There should be a correlation between GDP per employee (a rough measure of productivity) and wage levels. The information presented in the chart above appears to bear this out, at least from an Indiana metropolitan area perspective. Five of the six MSAs with the highest GDP per employee also are among the six highest MSAs when ranked by average annual wage. Conversely, the five MSAs with the lowest GDP per employee ratios also are the five lowest when ranked by average annual wage. The Fort Wayne MSA ranks sixth among these thirteen MSAs for GDP per employee in 2001 and it ranks sixth in average annual wage.

How has the growth in real GDP in the Fort Wayne MSA compared with the growth experienced by other Indiana metropolitan areas?

As mentioned previously, the Fort Wayne MSA has experienced a compound annual rate for real GDP between 2001 and 2011 of 0.85 percent. How does that compare with other Indiana metropolitan areas? Over this eleven year period, the Fort Wayne MSA ranked eighth, with the Columbus area having the strongest rate of growth and the Muncie area trailing the group.

Comparison of Annual Growth for the Indiana MSAs, 2001-2011



Source: U.S. Bureau of Economic Analysis

Is the ratio of goods producing versus service producing output in the Fort Wayne metro economy typical?

Many different economic indicators have told us for years that the local economy is heavily dependent on producing tangible items – much more so than is true across the entire country. At the same time, we continually hear that the nation is transitioning more and more into a “service economy”. The GDP data for the Fort Wayne MSA indicates that we are, indeed, more reliant on the “goods producing” sector than the “service producing” sector. In 2011, 29 percent of our private sector GDP comes from “goods producing” industries while 71 percent comes from “service producing” industries. This is a substantially different ratio than we find when looking at the total for all metropolitan areas in the United States, where the ratio is 20 percent of private GDP derived from goods producing industries and 80 percent derived from service producing industries.

In summary, the recently available Gross Regional Product data at the county level enables us to add yet another perspective when describing and benchmarking the local economy. From this data we are further able to identify how the Allen County differs from the national economy – stronger in manufacturing but weaker in the Professional, Scientific and Technical sector. When looking at the metropolitan level data, where data is available for more years, we are able to examine some trends over time. We find that the Great Recession hit us hard when measuring the metro economy by GDP but we also find that for the two most recent years for which we have data (2010 and 2011) we have experienced a stronger percentage rebound in GDP than has the nation.