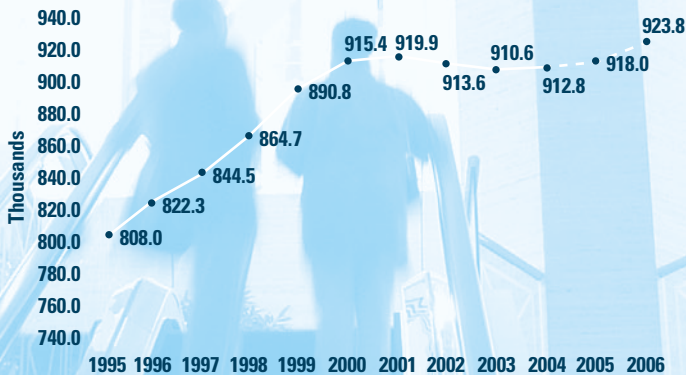


2006 Forecast: Sluggish Columbus employment growth continues

The Columbus Metropolitan Statistical Area (MSA – Delaware, Fairfield, Franklin, Licking, Madison Morrow, Pickaway, and Union Counties) should experience job growth in 2006 close to the 2005 level. The Blue Chip panel predicts year-to-year job growth of 0.6 percent, or 5,800 jobs during 2006. Among major sectors, healthcare and leisure and personal services should continue their strong employment growth, while business and professional services should do better than last year. Government employment, however, should see little change, and retail should decline for a sixth year. Many economists expect output growth to continue fairly strong during the coming year, but to weaken somewhat in the second half as interest rates climb, residential building slows, and inventories accumulate. Oil prices should be somewhat less a concern than they were in 2005. However, the Ohio economy's feeble growth will continue to drag down the Columbus economy. For each sector, we present both our individual forecasts and the consensus forecast – the average of the individual forecasts.

Employment growth once again disappoints in 2005

We expect a final average of 918,000 for Columbus MSA employment during 2005. That represents growth of 0.6 percent from 2004, little more than one-third the 1.6 percent U.S. average. The Chamber's seasonally adjusted estimate of 919,900 jobs in October was still 0.8 percent less than the pre-recession record set in February 2001. Meanwhile, U.S. employment exceeded its pre-recession peak in January 2005 and stood in October 1.1 percent above that peak. Major causes for 2005's disappointing local results were retail, which continued its five-year string of losses; manufacturing, whose decline was double the national average; and business and financial services, with a growth rate one-eighth the national average.



The forecast presented here is the average of independent sector forecasts by Bill LaFayette, vice president, economic analysis, Columbus Chamber; George Mokrzan, Vice President, Senior Economist, Huntington Bancshares, Inc.; and James Newton, chief economic advisor, Commerce National Bank.

COLUMBUS MSA EMPLOYMENT GROWTH WILL CONTINUE WEAK IN 2006

2005 Average: 918,000 Change from 2004: 0.6% (US: 1.6%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
0.6%	0.6%	0.6%	0.8%
923,800	923,200	923,300	924,800

GOVERNMENT UNCHANGED

2005 Average: 153,200 (16.6% of total) Change from 2004: 0.1% (US: 0.8%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
0.0%	-0.1%	0.6%	-0.1%
153,200	153,000	153,700	153,000

The state was the only level of government that added jobs in 2005. Federal employment continued its slow 15-year decline, while local government – which had been growing strongly – fell 1.0 percent from 2004. Job growth at the Defense Supply Center resulting from the favorable Base Realignment and Closure decision should begin during 2006 and continue for several years. While this will likely end the slide in federal employment, it will not be enough (at least in 2006) to offset slower growth at the state level and possibly a second annual decline in local government employment.

BUSINESS AND PROFESSIONAL SERVICES UP 1.3%

2005 Average: 133,600 (14.6% of total) Change from 2004: 0.6% (US: 3.1%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
1.3%	1.3%	1.1%	1.5%
135,400	135,400	135,100	135,600

Business service employment fell at the beginning of 2005 but began to grow in the spring. Our forecast expects a continuation of this positive trend in 2006. Employment growth, while positive, will be less than the national average because of continuing weakness in other regions of the state.

bluechip

LEISURE AND OTHER SERVICES **UP 1.1%**

2005 Average: 126,800 (13.8% of total) Change from 2004: 1.2% (US: 1.6%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
1.1%	1.1%	0.6%	1.5%
128,200	128,200	127,600	128,700

Leisure and hospitality is one of the few sectors registering continuous annual growth since 2000. Its 2005 growth was 1.9 percent, only slightly less than the national average. This strength is likely to continue into 2006. The other services sector (primarily personal services) grew 12.5 percent between 2000 and 2004, but fell in 2005. This decline may continue in 2006 as the sector digests its earlier gains.

RETAIL TRADE **DOWN 0.5%**

2005 Average: 107,600 (11.7% of total) Change from 2004: -0.8% (US: 0.9%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
-0.5%	-0.5%	-0.4%	-0.7%
107,000	107,000	107,200	106,800

Retail stretched its string of losing years to fifth in 2005, as another 1,000 jobs disappeared. The October total of 107,000 was down 17,800 (14.3 percent) from its December 2000 record. But despite this devastating loss, Columbus MSA retail's share of total employment and the proportion of retail jobs to total population are still far higher than in comparable metros in the Midwest and elsewhere. This – and the lack of any positive employment trend – suggest that further consolidation is likely in 2006.

EDUCATION, HEALTH, AND SOCIAL SERVICES **UP 2.2%**

2005 Average: 103,200 (11.2% of total) Change from 2004: 2.5% (US: 2.3%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
2.2%	2.2%	1.8%	2.6%
105,500	105,500	105,100	105,900

The healthcare and social services employment that comprises nearly 90 percent of this sector has grown without pause since at least 1983. Education services (private schools, colleges, and other training providers) reduced employment during 2001-2002, but have grown well since then. Both of these trends should continue in 2006. Population growth creates increased need for health services, leading to major expansion projects by all four Columbus hospital systems. Meanwhile, private education and training is both an alternative to public institutions and a source of career development.

TRANSPORTATION, INFORMATION, AND UTILITIES **UP 0.8%**

2005 Average: 58,300 (6.3% of total) Change from 2004: 0.3% (US: 1.5%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
0.8%	0.2%	1.2%	1.0%
58,700	58,400	59,000	58,900

Transportation employment growth far stronger than average in the first years of the decade, has led to much weaker growth over the past two years. We differ on the degree of improvement in 2006 depending on our expectation of the impact of the weak Ohio economy. Information – publishing, broadcasting, and telecommunications – should improve slightly.

MANUFACTURING **DOWN 0.7%**

2005 Average: 81,200 (8.8% of total) Change from 2004: -0.9% (US: -0.4%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
-0.7%	-0.7%	-0.5%	-1.0%
80,600	80,600	80,800	80,400

Manufacturing, like retail, is likely to record its sixth consecutive annual employment decline in 2006. But unlike retail, this is a national trend driven by overseas relocations and – to a larger extent – productivity gains. Between 2001 and 2004, the U.S. and the State of Ohio registered equal employment declines of 13 percent, but output increases of 11 percent and 8 percent, respectively. This implies that manufacturers are in much better health than the employment decline would suggest. The challenge is to redeploy the skills of workers who have lost their jobs to these productivity gains.

FINANCIAL ACTIVITIES **UP 0.7%**

2005 Average: 74,700 (8.1% of total) Change from 2004: 0.3% (US: 0.9%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
0.7%	0.7%	0.7%	0.7%
75,200	75,200	75,200	75,200

Revised Columbus MSA financial activities employment totals from the Bureau of Labor Statistics reveal performance over the past few years far worse than previously thought. Rather than increasing 1.3 percent in 2003, employment declined 1.9 percent, with a further loss in 2004. Growth should improve somewhat in 2006, but remain below the national average.

CONSTRUCTION **UP 1.4%**

2005 Average: 42,500 (4.6% of total) Change from 2004: 3.9% (US: 4.1%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
1.4%	2.0%	0.6%	1.6%
43,100	43,300	42,700	43,200

Columbus MSA construction employment growth soared in 2005 as industrial and residential construction boomed. The outlook for 2006 is less positive. Increasing mortgage rates should cool homebuilding; many national forecasts expect an outright decline in housing starts. While downtown residential conversions and the Columbus Public Schools construction projects will continue, office vacancy rates remain high and industrial rates have risen. As a result, the McGraw-Hill Construction Index for Columbus suggests a smaller number of commercial projects in the pipeline.

WHOLESALE TRADE **DOWN 0.2%**

2005 Average: 36,900 (4.0% of total) Change from 2004: -0.2% (US: 1.2%)

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
-0.2%	-0.9%	-0.2%	0.5%
36,800	36,600	36,900	37,100

The dismal Ohio economy did the Columbus wholesale trade sector no favors in 2005 and will do the sector no favors in 2006 as many customers of local wholesalers continue to suffer. The comparison between 2004 and 2005 masks the loss of 700 positions (1.9%) between January and November 2005. If this trend holds, there will be a sharper drop in 2006.