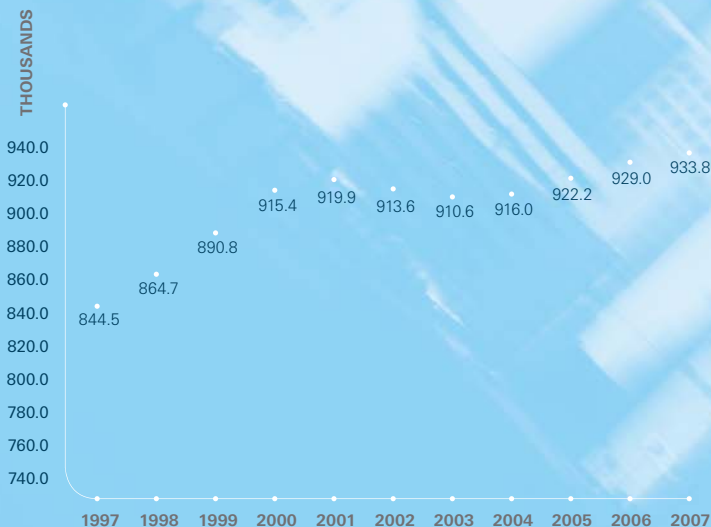


# 2007 Forecast: Another year of modest Columbus employment growth

The Columbus Metropolitan Statistical Area (MSA: Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway, and Union counties) should experience somewhat slower job growth in 2007 than in 2006—as will be true of the U.S. as well. The Blue Chip panel predicts year-to-year growth of 0.5 percent (4,800 jobs), compared to last year's 0.7 percent. Among major sectors, healthcare and business and professional services should continue to do relatively well, while the decline in retail should not be much worse than that at the national level. The continuing sharp decline in housing sales will spell trouble for construction, real estate, and finance. Most economists expect output growth during the coming year to continue at roughly the same relatively slow pace as during the past few quarters (2.5 to 2.7 percent), possibly strengthening somewhat in the second half. Interest rates should rise somewhat as the Fed continues to combat inflation. For each sector, we present both our individual forecasts and the consensus forecast—the average of the individual forecasts.

## Employment growth once again below average in 2006

We expect a final average of 929,000 for Columbus MSA employment during 2006. Upward-revised estimates show that the region exceeded its pre-recession employment peak in October 2005, so the 2006 employment total represents a record high. However, the 0.7 percent increase from 2005 was only half the U.S. average. Lackluster growth was common among sectors; only wholesale trade, information, and education and health services grew at a rate equal to or greater than the national average. Although retail declined for a sixth year, its loss was not much worse than that elsewhere. Financial services employment, however, fell 0.4 percent locally while rising 2.2 percent nationally.



The forecast presented here is the average of independent sector forecasts by Bill LaFayette, Ph.D., vice president, economic analysis, Columbus Chamber; George Mokrzan, Ph.D., vice president, senior economist, Huntington Bancshares, Inc.; and James Newton, Ph.D., chief economic advisor, Commerce National Bank. Dr. Mokrzan's opinions are his own and not necessarily those of Huntington Bancshares.

## COLUMBUS MSA EMPLOYMENT GROWTH WEAK IN 2007

CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
+0.5%	+0.5%	+0.4%	+0.6%
933,800	934,000	932,800	934,600

## GOVERNMENT UNCHANGED

2006 AVERAGE: 155,600 (16.8% OF TOTAL)		CHANGE FROM 2005: 0.0% (U.S.: +0.8%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
0.0%	0.0%	0.0%	+0.1%
155,700	155,700	155,600	155,800

Several hundred net new state jobs were created during 2006, exceeding the rate of state government job growth elsewhere. Federal and local job losses, though, exactly offset this growth, producing no net change in government employment for the year, far weaker than this sector's job growth nationwide. This stagnation is likely to continue in 2007, possibly with some firming in federal employment as a result of job growth at the Defense Supply Center, a slowdown in state employment growth to a more normal level, and perhaps some recouping of the 2006 local government employment decline.

## BUSINESS & PROFESSIONAL SERVICES UP 1.7%

2006 AVERAGE: 140,400 (15.1% OF TOTAL)		CHANGE FROM 2005: +1.6% (U.S.: +2.7%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
+1.7%	+2.0%	+1.4%	+1.7%
142,800	143,200	142,300	142,800

Business service employment rose through 2006, powered by gains of 1.8 percent in professional services and 3.9 percent in corporate administration. Administrative services employment rose 0.8 percent. The 2007 outlook for business investment growth is good, but the weak regional economy will keep this sector's growth below that elsewhere.

COLUMBUS CHAMBER ECONOMIC FORECAST

## LEISURE AND OTHER SERVICES **UP 0.8%**

2006 AVERAGE: 127,500 (13.7% OF TOTAL)		CHANGE FROM 2005: +1.1% (U.S.: +1.5%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
+0.8%	+0.5%	+0.7%	+1.2%
<b>128,500</b>	<b>128,100</b>	<b>128,300</b>	<b>129,100</b>

Leisure and hospitality registered impressive growth through April but then fell back as high gas prices affected spending at restaurants and hotels. Net growth in 2006 was 1.0 percent, versus 1.5 percent in 2005. The sluggish economy should reduce growth to 0.7 percent in 2007. The 1.3 percent growth in other services (primarily personal services) was three times the U.S. average. We predict a 1.0 percent gain in 2007.

## RETAIL TRADE **DOWN 0.5%**

2006 AVERAGE: 108,100 (11.6% OF TOTAL)		CHANGE FROM 2005: -0.4% (U.S.: -0.2%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
-0.5%	-0.6%	-0.5%	-0.3%
<b>107,500</b>	<b>107,400</b>	<b>107,500</b>	<b>107,700</b>

Although retail employment fell for a sixth year in 2005, most of the excesses of the 1990s have finally been wrung out and the local trend has begun to come into line with the national trend. Efficiency gains were behind many of the job losses as local retail sales strengthened from their weak 2005 showing. National consumption expenditure growth in 2007 should be only slightly weaker than last year. Assuming the same steady growth locally suggests an employment decline no worse than in 2006.

## EDUCATION, HEALTH, AND SOCIAL SERVICES **UP 2.3%**

2006 AVERAGE: 107,100 (11.5% OF TOTAL)		CHANGE FROM 2005: +2.7% (U.S.: +2.4%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
+2.3%	+2.4%	+2.1%	+2.5%
<b>109,600</b>	<b>109,700</b>	<b>109,200</b>	<b>109,800</b>

Healthcare and social services employment grew about 1.7 percent during 2006. Estimates of private education services employment are less reliable, but this segment that comprises only 14 percent of the sector may have accounted for 1,100 of the 2,800 total job gains during 2006, with growth possibly exceeding 9 percent. Population growth creates increased need for health services despite the overall economic picture. Meanwhile, education and training continues to be popular, with the growth of online options attracting students unable to commit to a traditional class.

## MANUFACTURING **DOWN 0.6%**

2006 AVERAGE: 78,700 (8.5% OF TOTAL)		CHANGE FROM 2005: -0.1% (U.S.: -0.1%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
-0.6%	-0.2%	-0.5%	-1.0%
<b>78,300</b>	<b>78,500</b>	<b>78,300</b>	<b>77,900</b>

Most of the job losses in manufacturing—20 percent locally since February 2001—have been driven by productivity gains. The Chamber's new estimates of gross metropolitan product show that the Columbus MSA manufacturing output rose 13.9 percent between 2001 and 2004, more than either the state or the nation. Further, manufacturing's share of total regional output (13.8 percent) is equal to the national average, even though employment is 20 percent below average. The rate of employment decline has slowed, though, implying that efficiency gains are slowing. The expected decline in 2007 reflects a relatively weak economy.

## FINANCIAL ACTIVITIES **DOWN 0.7%**

2006 AVERAGE: 72,400 (7.8% OF TOTAL)		CHANGE FROM 2005: -0.4% (U.S.: +2.2%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
-0.7%	-0.7%	-0.6%	-0.8%
<b>71,900</b>	<b>71,900</b>	<b>72,000</b>	<b>71,800</b>

Financial activities dramatically underperformed the national average in 2006, with finance down 0.3 percent and insurance down 1.4 percent, but real estate and rental up 1.1 percent. The 2007 housing slowdown will reduce real estate activity, as well as mortgage and insurance policy originations. This and the slower economy will reduce growth nationally and locally.

## TRANSPORTATION, INFORMATION, AND UTILITIES **UP 0.5%**

2006 AVERAGE: 60,400 (6.5% OF TOTAL)		CHANGE FROM 2005: +0.3% (U.S.: +0.5%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
+0.5%	+0.3%	+0.5%	+0.8%
<b>60,700</b>	<b>60,600</b>	<b>60,700</b>	<b>60,900</b>

Transportation employment growth far stronger than average in the first years of the decade may have outpaced efficiency gains, leading to weaker growth since 2004. Although the weak economy in 2007 will likely limit national growth, the local growth pause over the past few years may allow Columbus MSA employment to expand somewhat.

## CONSTRUCTION **DOWN 1.3%**

2006 AVERAGE: 40,900 (4.4% OF TOTAL)		CHANGE FROM 2005: +1.4% (U.S.: +3.4%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
-1.3%	-0.8%	-1.5%	-1.7%
<b>40,300</b>	<b>40,600</b>	<b>40,300</b>	<b>40,200</b>

The coming year does not bode well for construction nationally or locally. National economic forecasts expect a decline of 10 percent or more in residential construction. Although growth is expected in nonresidential building, that accounts for little more than one-third of private construction. Total residential units permitted in the Columbus MSA through October were down 34.5 percent from the same period last year, versus a 13.6 percent decline nationwide. Nonresidential building faces continuing high vacancy rates and low lease rates.

## WHOLESALE TRADE **UP 1.3%**

2006 AVERAGE: 38,000 (4.1% OF TOTAL)		CHANGE FROM 2005: +1.7% (U.S.: +1.6%)	
CONSENSUS	LAFAYETTE	MOKRZAN	NEWTON
+1.3%	+1.0%	+1.3%	+1.6%
<b>38,500</b>	<b>38,400</b>	<b>38,500</b>	<b>38,600</b>

Employment growth in the Columbus MSA wholesale trade sector exceeded the national average for the second consecutive year in 2006, after seriously underperforming during 2003 and 2004. Although the employment trend remains strong and Columbus is seen as an increasingly attractive location for distribution, the slow economy and slowdown in inventory growth may create a headwind for this sector in 2007.