ColumbusChamber

bluechip IX

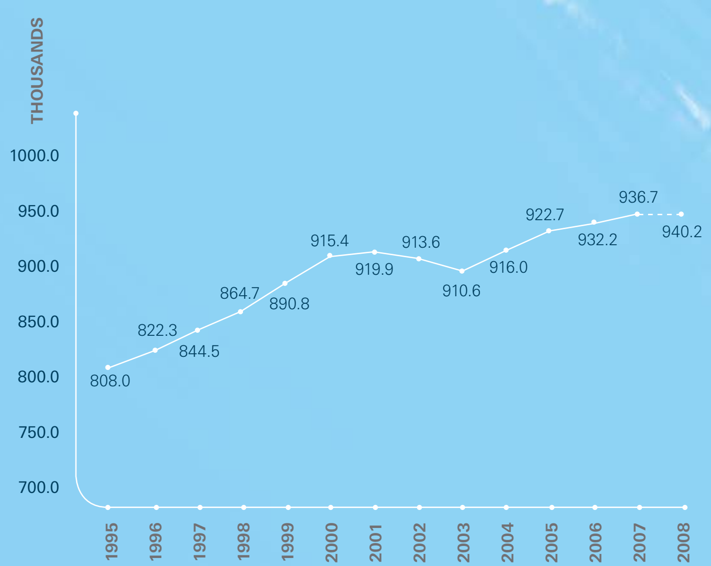
2008 Forecast:

Another year of weak Columbus employment growth

The Columbus Metropolitan Statistical Area (MSA — Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway, and Union Counties) should experience another year of relatively weak job growth. The Blue Chip panel's consensus is for year-to-year net growth of 0.4 percent (3,500 jobs) compared to 0.5 percent in 2007. Differences among individual panel members' forecasts are greater than in recent years, however. The strongest employment growth should continue to be in transportation and business and professional services, while construction and real estate should continue to experience the fallout from the ongoing housing market turmoil. For each sector, individual forecasts and the consensus forecast — the average of the individual forecasts — are presented. Economists surveyed by *The Wall Street Journal* generally expect output growth to accelerate over the coming year, with a 2.7 percent growth rate by the fourth quarter — compared to 1.9 percent in the fourth quarter of 2007. However, the 38 percent consensus probability of a recession during 2008 implies considerable uncertainty — echoed in differences among our individual forecasts.

Employment growth below average in 2007

This forecast expects a final average of 936,700 for Columbus MSA employment during 2007. This represents a 0.5 percent increase from 2006, little more than a third of the U.S. average growth rate. (Ohio employment in 2007 will likely be marginally lower than in 2006.) Most sectors experienced weaker-than-average growth, with some sectors — including retail, financial activities, information, and personal and other services — declining in employment locally while rising nationally. Transportation, however, continued its decade and a half of outstanding employment growth with a 2007 growth rate triple the national average. Business and professional services also managed to achieve faster-than-average growth during 2007.



The forecast presented here is the average of independent sector forecasts by Bill LaFayette, Ph.D., vice president, economic analysis, Columbus Chamber; Joseph Mandeville, assistant vice president, Red Capital Group; George Mokrzan, Ph.D., vice president, senior economist, Huntington Bancshares, Inc.; and James Newton, Ph.D., chief economic advisor, Commerce National Bank.

COLUMBUS MSA EMPLOYMENT GROWTH_WEAK IN 2008

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
0.4%	0.5%	0.5%	0.2%	0.2%
940,200	941,900	941,500	938,600	938,800

BUSINESS, PROFESSIONAL & INFORMATION SERVICES_UP 1.7%

2007 AVERAGE: 164,400 (17.6% OF TOTAL) CHANGE FROM 2006: 1.8% (U.S.: 2.0%; OHIO: 0.6%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
1.7%	1.9%	2.2%	1.1%	1.7%
167,200	167,600	167,900	166,200	167,200

Business and professional services (89 percent of this aggregated sector) continued to outperform the national average in 2007; growth was 2.3 percent locally, 2.1 percent nationally. Information, however, did much worse than average in 2007. With the exception of George Mokrzan, each economist expects a continuation of each of these trends in 2008.

GOVERNMENT_UP 0.7%

2007 AVERAGE: 157,800 (16.8% OF TOTAL) CHANGE FROM 2006: 0.8% (U.S.: 1.2%; OHIO: –0.1%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
0.7%	0.7%	0.9%	0.6%	0.5%
158,900	159,000	159,200	158,700	158,600

Federal employment in the Columbus MSA reversed 17 years of steady declines, thanks to the addition of jobs at DSCC in 2007. This growth will continue in 2008. State-level employment increased locally while falling statewide; the Columbus MSA now has 38.8 percent of Ohio's state jobs, compared to 37.4 percent a year ago. State budget woes are likely to temper this growth in 2008. Local government employment fluctuated during 2007, leading to a net decline of 0.5 percent. This may reverse itself in 2008. We expect an overall government employment increase of 0.7 percent in 2008, close to that in 2007.

LEISURE AND OTHER SERVICES_UP 0.9%

2007 AVERAGE: 128,500 (13.7% OF TOTAL) CHANGE FROM 2006: 1.2% (U.S.: 2.6%; OHIO: –0.3%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
0.9%	1.3%	1.2%	0.5%	0.7%
129,600	130,100	130,000	129,100	129,400

Leisure and hospitality (70 percent of the total) was one of the best-performing sectors in 2007, growing 2.3 percent (versus 3.4 percent nationally). Other services (primarily personal services) fell 1.2 percent locally but rose 0.8 percent nationally. We all expect continued growth in leisure and hospitality and continued declines in personal services. The magnitude of those predicted changes depends on our expectation for the health of the overall economy.

EDUCATION, HEALTH, AND SOCIAL SERVICES_UP 1.2%

2007 AVERAGE: 108,800 (11.6% OF TOTAL) CHANGE FROM 2006: 1.0% (U.S.: 3.2%; OHIO: 1.5%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
1.2%	1.0%	1.6%	0.9%	1.1%
110,100	109,900	110,600	109,800	110,000

Healthcare and social services took a slight growth pause in 2007, but still rose 1.9 percent. Estimates of private education employment are less reliable, but this segment may have declined nearly 5 percent. Consequently, the overall sector failed to outperform either the U.S. or Ohio average. Prospects remain excellent, given the aging population, expansions by all four hospital systems, and the ongoing focus on worker training. Joe Mandeville expects this to translate into strength in 2008 while the other economists predict one more slower year.

RETAIL TRADE_DOWN 2.1%

2007 AVERAGE: 102,900 (11.0% OF TOTAL) CHANGE FROM 2006: –1.9% (U.S.: 0.3%; OHIO: –0.6%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
–2.1%	–2.0%	–2.1%	–1.8%	–2.4%
100,700	100,800	100,700	101,000	100,400

The unprecedented retail employment decline continued in 2007, bringing total losses to 23,000 (18 percent) since December 2000. As a result, the concentration of Columbus retail employment fell below average in 2007 to a record low. Another hopeful sign is that real output per retail worker rose 17 percent locally between 2001 and 2005, 74 percent more than average. Columbus retail workers in 2005 generated 6.2 percent more output than workers elsewhere — an advantage likely greater now. Unfortunately, the economy should prevent that advantage from translating into job gains in 2008.

MANUFACTURING_DOWN 2.1%

2007 AVERAGE: 77,000 (8.2% OF TOTAL) CHANGE FROM 2006: –1.4% (U.S.: -1.2%; OHIO: –2.2%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
–2.1%	–1.4%	–3.7%	–1.2%	–2.1%
75,400	76,000	74,200	76,100	75,400

As in retail, manufacturing employment has fallen in recent years while output has risen, generating efficiency gains. Columbus manufacturing employment is now 25 percent below its March 2000 peak. But the real value of Columbus manufacturing output rose 11 percent between 2001 and 2005, generating a staggering 33 percent gain in real output per worker over that period. Relatively slow economic growth in 2008 will force manufacturers to continue to streamline operations, but some employers are reporting shortages of the skilled workers they need to operate their increasingly sophisticated equipment.

FINANCIAL ACTIVITIES_DOWN 0.6%

2007 AVERAGE: 72,700 (7.8% OF TOTAL) CHANGE FROM 2006: –1.1% (U.S.: 1.1%; OHIO: –1.2%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
–0.6%	–1.1%	0.0%	–0.9%	-0.6%
72,200	71,900	72,700	72,100	72,300

The new Columbus output estimates give insight into the ongoing weakness in financial activities. Finance and insurance output grew 14 percent between 2001 and 2005, while real estate output fell 9 percent. Output per worker rose 17 percent in finance, but fell 9 percent in real estate. Credit and real estate market turmoil may lead to ongoing weakness in 2008.

TRANSPORTATION AND UTILITIES_UP 3.5%

2007 AVERAGE: 47,100 (5.0% OF TOTAL) CHANGE FROM 2006: 4.6% (U.S.: 1.4%; OHIO: 1.8%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
3.5%	4.8%	3.1%	3.1%	3.0%
48,700	49,300	48,500	48,500	48,500

Transportation and warehousing (94 percent of the sector) has been a stellar performer, with employment growth of 30 percent since February 2001 (versus 2.4 percent nationally). New intermodal yards, improvement of the Norfolk-Columbus rail line, continuing Rickenbacker traffic growth, and the phase-in of Ohio tax reform are all positives for 2008 and beyond.

WHOLESALE TRADE_UP 1.1%

2007 AVERAGE: 38,500 (4.1% OF TOTAL) CHANGE FROM 2006: 1.4% (U.S.: 1.9%; OHIO: 0.4%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
1.1%	1.4%	0.9%	0.9%	1.3%
39,000	39,100	38,900	38,900	39,000

Local wholesale trade employment growth has generally tracked that at the state level so far this decade. Growth has been much weaker than that at the national level, though. The likely explanation is that many of the customers of Columbus MSA wholesalers are within Ohio, and weakness in the state economy has affected the markets for these businesses.

CONSTRUCTION_DOWN 1.9%

2007 AVERAGE: 39,000 (4.2% OF TOTAL) CHANGE FROM 2006: -2.2% (U.S.: -0.1%; OHIO: -0.7%)

CONSENSUS	LAFAYETTE	MANDEVILLE	MOKRZAN	NEWTON
-1.9%	-2.2%	-0.6%	-2.2%	-2.6%
38,300	38,200	38,800	38,200	38,000

Weakness in residential construction will continue in 2008 as builders work off their inventory of unsold houses, while the tighter standards in the mortgage market will affect both builders and remodelers. Conversations with commercial builders suggest that prospects in this segment are far better than in the residential segment. Office vacancy rates, while still high, are down from a year ago, and industrial vacancy has also declined. Meanwhile, problems in the owner housing market increase demand in the apartment market.

NOTE: Employment figures have been rounded to the nearest hundredth.