Economic Outlook – August, 2009

For the August installment of our regional economic outlook, Terry Ludeman, Thrive's consulting economist, shares these observations:

Economists are diligently searching for signs that the economy is on the road to recovery. They are looking through many different statistics and economic measures—income, jobs, inventory levels, construction startups, housing sales, housing prices and the list goes on. But the real sign that recovery is beginning will come from what economists call a 'lagging indicator', and that indicator is unemployment.

When Thrive began developing economic and quality of life metrics for the eight-county Madison Region, a group of peer regions were chosen from around the country to compare to our region. Although there was considerable debate on whether these were truly 'peer regions', they were chosen because many of the same advantages were present in those regions that were also present in the Madison Region. The regions chosen were: Columbia, SC; Columbus, OH; Lincoln, NE; Richmond, VA; and Salem, OR. These communities have similar characteristics, they are state capital regions, they have strong university presence, their total population, compared to their state's population are similar.

Looking back over the past eighteen or so months of employment/unemployment statistics for the Madison Region and the peer regions, we see a similar pattern. Beginning in about July of 2008, the levels of unemployment for the Madison Region and for the average peer region began increasing. At first it was scarcely noticeable, but certainly by January of 2009, unemployment rates and unemployment levels were very high. And they have generally been increasing since that time. Throughout 2009, the peer region average unemployment level has been about 186 percent of the 2008 unemployment level, reaching a peak in April of 205 percent. The Madison Region, due mainly to our higher concentration in manufacturing employment, has been about 196 percent higher in 2009 than in 2008 also peaking in April at 211 percent. Both the Madison Region and the average peer region have seen slight improvement since April, but we are certainly not yet seeing recovery.

Until people start returning to work in substantial numbers, we will not really be experiencing recovery. This is a recession that was caused by credit market failure, but the current culprit is confidence and the feeling of well-being. This includes consumer confidence and employer confidence. Only a return to normalcy in unemployment levels will signal that employers have regained their confidence. And, as the unemployed begin returning to work, consumer confidence and the feeling of well-being will return to the market place.