

# An Economic Update for the Bloomington Region



As seen in the *Herald Times* - July 5, 2024

## An Economic Update for the Bloomington Region

The following update on our local economy was presented at the **BEDC's State of the Bloomington Regional Economy** on June 20 by **Andrew Butters**, *Associate Professor and Blanche "Peg" Philpott Faculty Fellow at the Indiana University Kelley School of Business*. A full recording of the meeting, which featured Indiana's gubernatorial candidates, is available on [CATS](#).

The economic outlook for our region is optimistic, but there are some headwinds to address.

### U.S. economic resilience

The U.S. economy has proven more resilient than most gave it credit for. U.S. real GDP growth has been strong since the second half of 2023 (4.1%), acknowledging some slow down last quarter (1.4%). Going forward growth is expected to be at just under 2.0%, but an upcoming recession is unlikely, according to projections from the Indiana Business Research Center (IBRC). The U.S. unemployment rate has edged up to 4.0%, however payroll employment gains continue to be strong.

Year-over-year inflation hit 3.25% in May (down from 4.12% this time last year). This reflects that progress on inflation has continued, but at a slower rate than what we experienced initially. The interest rate set by the Federal Reserve (i.e., the primary monetary policy tool for taming inflation) is currently just above 5%, with many now projecting just one decrease by 2024. While households and businesses should be cautious, the IBRC's above-average forecast for 2024 appears to be holding steady.

# An Economic Update for the Bloomington Region



## A solid local economy

Despite some recent localized layoffs, the Bloomington, IN metropolitan statistical area (MSA) economy, which includes Monroe and Owen counties, has remained solid. The MSA's unemployment rate is 3.4%, which is a touch below the state and just over a half percentage point below the nation. Average hourly earnings have grown to \$30.27/hour—closing the deficit that had existed compared to the state.

## “But as a local, why don’t I feel like the economy is strong?”

Several years of consistently above-preferred inflation have cumulatively taken their toll. Relative to June of 2019, Midwest food, rent, and used vehicle prices are up close to 30% according to the latest estimates from the Bureau of Labor Statistics (BLS). Gas prices are also up by that amount.

Over that same time period average wages have not kept up.

Moreover, there is a lack of affordable housing and costs to borrow have risen substantially. Currently, a 30 year fixed rate mortgage is just about 7% (close to double relative to 2019). Take the May 2024 median sale price of a home in Bloomington, which is \$344,000 according to the Indiana Association of Realtors. The monthly payment, putting 20% down, will be \$1800/month; that’s almost \$550/month more than the mortgage would have cost you in June of 2019.

At the same time, the median home price listing for Bloomington, IN has gone up 30% since 2019.

# An Economic Update for the Bloomington Region



## Workforce challenges

Finally, a shortage of labor presents challenges. Monroe County's population is getting significantly older, with just over 5,000 more people 65 years or over since 2012. The IBRC projects Monroe County's population to decline between 2020-2030 by a couple hundred. Moreover, IBRC projects Monroe County's population over the age 65 will increase by another 4,000 people by 2030 (relative to 2020).

While we've seen some gains in labor force participation amongst some groups such as women, these have been offset by losses in other segments.

Combining the birth and death rates, creates the situation where we're not replacing ourselves. Absent significant structural shifts, a lower population growth is our future.

## We have opportunities despite these challenges

Our community can support investments in our existing competitive advantages, which include strengths in education, life sciences, defense, and entrepreneurship. Leaders can facilitate continued support for training, attracting, and retaining talent. This requires investments in everything from childcare, to K-12 education, healthcare services, and other local amenities.

We can draw inspiration from the development and attraction of talent and businesses currently experienced by Research Triangle Park in Raleigh-Durham-Chapel Hill area. It was recently rated #6 among best places to live by US News and World Report.

# An Economic Update for the Bloomington Region



We can do more to keep college graduates here. Bloomington is a local exporter of undergraduates with high human capital, high labor force participation rates, at a time when they are also likely to begin thinking about creating a family. For comparison, Purdue undergraduates are 10% more likely to stay in Indiana 5 years after than IU-Bloomington undergraduates. And, neither comes close to the likelihood of University of Texas-Austin undergraduates staying in Texas five years after.

Communities benefit greatly from strong leadership that can identify and implement solutions to these challenges. We look forward to seeing where all of you can lead this community going forward.

###