

## Finance Losing Interest in Milwaukee

A structural shift means it will be difficult to recover jobs that have been lost.

BY MICHAEL ZOLLER

The recent announcement by John Hancock Life Insurance that it will close its Milwaukee office highlights a larger shift in the metro area economy. While the loss of these 90 jobs will have little effect on the broader economy, it is emblematic of the decline of the Milwaukee finance sector.

Financial industry payrolls had been stagnant from 2000 to the beginning of the local recession. Starting in early 2009 – at the height of the finance crash – payrolls dropped precipitously and now stand 9% off their peak. Part of the decline was cyclical, but a structural shift will make it difficult to recover many of the jobs just lost. Industrial mergers have eliminated some firms, while others have decided to aggregate regional offices and shift operations to Minneapolis, Chicago, or other nearby metro areas.

This trend, combined with a less-educated workforce, is the driving force behind the lackluster finance employment outlook for Milwaukee. Though finance job losses have been on par with national trends since the beginning of the recession, the local recovery will be much weaker: It will take Milwaukee two decades to recover all the jobs lost, whereas it will take the nation slightly more than five years. The metro area will remain the financial center for the state, but its role in the broader regional economy will be diminished.

## GM Expansion May Be Only a Temporary Bright Spot for Baltimore

The modest increase, to produce electric engines, cannot turn around weakened local manufacturing.

BY SARA KLINE

General Motors' recent announcement that it would expand its Baltimore-based plant to produce electric engines provides extra breathing room for the metro area's hobbled manufacturing sector. The electric engine building capabilities will be a particularly important advantage as the auto industry transitions to more environmentally friendly vehicles. Therefore, having infrastructure to manufacture electric engines will increase the likelihood of further development in Baltimore.

But even with the upside risk of a greater GM presence, the local manufacturing sector is expected to slowly erode in the coming years. While national manufacturers have begun to recoup some of the jobs lost during the recent recession, Baltimore's manufacturers are still cutting back. The GM expansion will add a small boost to the local investment announced earlier in the year. Plant investment and new jobs created will return only a small portion of manufacturing jobs lost to the metro area, but are an important insulating factor.

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## International Trade Is Rebounding in Jacksonville

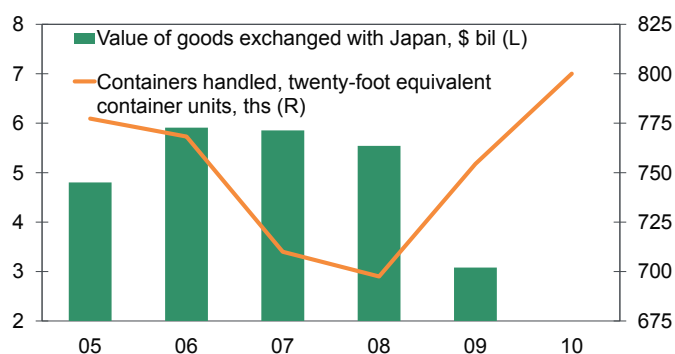
Investments made during the recession enhance JAXPORT's capacity.

BY CHRIS LAFAKIS

The recent improvement in trade volume at Jacksonville's port suggests that a recovery is well under way. Jacksonville's success at diversifying the geographical mix and type of cargo it handles has rendered the port more resistant to the slump in international trade. To wit, the number of containers handled at JAXPORT rose 8.2% in 2009, while the value of goods that the port exchanged with Japan, its largest trading partner, dropped 44%. The port's bulk cargo percentage of total cargo has fallen from 25% in fiscal year 2001 to 20% in fiscal year 2010, while the percentage of breakbulk cargo has risen from 10% to 12%, adding to the diversity of types of cargo handled.

The port is also well-positioned for expansion. In contrast to the vast majority of ports, JAXPORT actually added shipping services during the recession. Keystone Coal's Talleyrand Avenue port, which will begin receiving ships in early 2011, will become the port's only private coal terminal, taking advantage of Jacksonville's developed railroad structure. Rail is almost exclusively used to transport bulk goods like coal. Moreover, Japanese transport company Mitsui's new terminal and the Hanjin terminal due in 2014 are transforming JAXPORT from a small port with mostly Caribbean trade lanes to a major player with global reach. Prospects are even brighter after 2015, when the expansion of the Panama Canal will amplify JAXPORT's dealings with developing economies in Asia. The port aims to increase its container traffic by 25% by 2012, which would make it the largest port in Florida, surpassing Miami. Although it is ambitious, this is certainly an attainable goal.

### JAXPORT Has Geographically Diversified



Source: Jacksonville Business Journal

## Manufacturing Will Support Fort Worth in Near Term

Several key industries are on track now, but could face problems in the longer term.

BY ED FRIEDMAN

The Fort Worth economy will benefit through the rest of the year from strong demand for its motor vehicles, military aircraft and helicopters, but two of these industries face longer-term downside risks. Production is growing strong at the GM Arlington truck plant, since it is the only GM factory still producing full-size SUVs. Relatively low gasoline prices have supported demand for these vehicles, and the plant is operating five days a week and two Saturdays a month. Further, Bell Helicopter has reported new sales and orders both for its military and medical-evacuations models. Mercy Flight of New York bought 32 units to replace its entire fleet, Air Methods has ordered 15, and Air Evacuation has ordered 16. Additionally, Lockheed reported that Israel is to purchase 20 F-35s with delivery between 2015 and 2017. The F-35 is assembled in Fort Worth and the program is in the early stages of the production mode.

Longer term, however, there are downside risks. A rise in gasoline prices could reduce sales of large SUVs. More worrisome, mounting budgetary pressures in the U.S. and Europe could significantly reduce the number of purchases of F-35s over the coming five years. Most recently, the U.K. unveiled large cuts in its defense budget. The F-35 program, the largest arms program in the world, remains intact, but the company will need to find new sources of demand. A number of suppliers and vendors in the Fort Worth area depend on this business for their own livelihood.