GREATER CINCINNATI'S TARGET INDUSTRIES

Prepared for

The Cincinnati Gas & Electric Company

by the

Economics Research Group
Center for Economic Education
University of Cincinnati

September 17, 1996

EXECUTIVE SUMMARY

GREATER CINCINNATI'S TARGET INDUSTRIES

The following report identifies several industries that are highly compatible with the Greater Cincinnati economy. We analyze an industry's comparative advantage in the region, historical and projected employment, and economic impact on the economy to determine compatibility. The list of target industries that results from the analysis can be used to focus economic development efforts on industries that will enhance the economic environment of the region.

Four groups of target industries are identified in this report. The first two groups form the primary target industry list. We also identify an industry watch list for industries that performed exceptionally well against some criteria used in the analysis, but poorly in others. Finally, a retention list consists of industries experiencing strong regional growth and compatibility, but declining growth nationally.

Primary Target Industries

Accident and Health Insurance (SIC 6321)

For every $1 spent, a total of $2.18 is generated in Greater Cincinnati.

Regional employment growth from 1989 to 1993 was an astounding 1,610 percent. 1,704 of the 1,723 jobs created were due to regional influences.

Employment in the Insurance Carriers industry is expected to increase approximately 6 percent in the region from 1993 to 2001.

Platemaking Services (SIC) 2796

For every $1 spent, a total of $2.15 is generated in Greater Cincinnati.

Regional employment grew by 51 percent from 1989 to 1993.

Of the 418 local jobs created, 302 jobs were due to regional factors.

Employment in the Printing and Publishing industry, of which Platemaking Services is a component, is expected to increase 2.8 percent between 1993 and 2001.

Miscellaneous Plastic Products, n.e.c. (SIC 308)

Has the second largest economic impact of any of the selected group of industries, generating a total of $2.26 for every $1 spent by the industry.

Regional employment increased by 1,962 jobs from 1989 to 1993, and 1,665 of these jobs were accounted for by regional factors.

Employment in the broader Rubber and Miscellaneous Plastics industry is expected to increase 3.2 percent from 1993 to 2001.

Engineering and Architectural Services (SIC 871)

Has the largest economic impact from the selected group of industries, generating a total of $2.36 for every $1 spent by the industry.

Regional characteristics accounted for all of the region's growth in this industry.

Projected to increase employment between 1993 and 2001 by a total 42.1 percent.

A negative measure in the industry is the slight decrease in national employment from 1989 to 1993 of 0.2 percent.

Book Publishing (SIC 2731)

An additional $1.01 is created when $1 is spent by this industry.

Experienced significant regional employment growth-- 135 percent.

Of the 1,050 new jobs created, 1,001 were accounted for by regional influences.

The Printing and Publishing industry is projected to increase employment 2.8 percent from 1993 to 2001.

Medical Instruments and Supplies (SIC 384)

Creates a total economic impact of $1.90 for each $1 spent in the local area.

Added 1,285 local jobs from 1989 to 1993.

814 of the new jobs created were due to regional characteristics.

Projected local employment increase of 12.4 percent between 1993 and 2001.

Identified as an emerging technology industry.

Criteria for Target Industries

We examined the following characteristics to determine an industry's potential for regional success and its ability to enhance economic growth in Greater Cincinnati.

- The total amount of money generated in Greater Cincinnati for each $1 spent by the industry in the region.
- Past employment growth in the industry, on national and regional levels.
- The importance of regional factors for the industry's growth, relative to industry and national economic trends.
- The comparative advantage the industry currently has in the Greater Cincinnati region.
- Existing regional employment in the industry.
- Projected employment in the industry in Greater Cincinnati.

Background and Projections

The background and projections section of the report provide the basis for understanding the regional economy and the industries which may have a comparative advantage in the economic environment of Greater Cincinnati.

The fact that the sources of employment and earnings in Greater Cincinnati are becoming more diverse (reflecting a pattern more similar to that of the nation), is key to understanding the regional economy. This diversity benefits the region because local employment is becoming less dependent on the manufacturing sector in which total employment decreases each year. However, the advantage Greater Cincinnati currently has in the manufacturing sector of the economy makes the industry a very important local and regional source of economic growth and viability.

Population

From 1970 to 1994, population growth in the U.S. was 1.2 percent. Greater Cincinnati experienced a growth rate of 0.6 percent during this same period, while the Great Lakes region grew 0.3 percent. Population

growth for the U.S. is expected to decline to 1 percent over the next fifty years, while growth in the Great Lakes and Greater Cincinnati will increase slightly.

Personal Income

The data on personal income suggest that the economic welfare of Greater Cincinnati's households compares favorably to households nationwide and in the Great Lakes. Income projections suggest that Cincinnati's income growth rates will be higher than those of the Great Lakes, but lower than those of the U.S..

Source of Earnings

The most striking trend in local sources of earnings has been the convergence of the manufacturing and services sectors. By 1994, these sectors accounted for roughly the same share of local earnings. In 1970, the earnings due to manufacturing industries was more than twice that due to services.

Employment

Greater Cincinnati's employment pattern has changed dramatically over the past 25 years, with the share of employment in manufacturing nearly cut in half while that in services increasing by 10 percentage points. These patterns are similar to national trends, with the exception that both Greater Cincinnati and the Great Lakes region are more reliant on manufacturing employment than the nation. Annual employment growth in Greater Cincinnati is expected to lag slightly behind national growth and slightly exceed employment growth in the Great Lakes region over the next 50 years.

For additional information contact the Economics Center for Education & Research, email Econeduc@uc.edu.
Please reference report: 1996-ED-1007 ES Target Industries Study