

## **RV industry no longer running on empty**

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ELKHART, Ind.— The wheels are slowly turning again for the RV industry here, the mainstay of this region's economy.

Sales are beginning to pick up again. RV makers are cautiously hiring back some of the workers they furloughed during the downturn.

Jayco Industries in Middlebury, which was producing about 150 vehicles a day in 2006 with a work force of 2,000, cut production and employment by about half during the downturn. The company recently hired back about 200 workers to keep up with a bump in demand.

"On the one hand it feels really good (to be hiring again)," said Jayco President Derald Bontrager. "But we also recognize that both nationally and globally, economies still have a long way to go to fully recover."

And that's the crux of the issue. It's clear that some regions are seeing some of their industries revive. Our latest Adversity Index shows nearly one in four metro areas beginning to recover, including the Elkhart-Goshen area. But the recovery is faint, uneven, faces many threats and is starting from a point so low that it could take years to get up to cruising speed.

Although RV makers are hiring back workers and shortening planned holiday furloughs, the industry is still operating at its lowest level in some 25 years.

Some 70 percent of the nation's recreational vehicles are produced in Elkhart County, but the industry hit a major bump when gas prices surged in 2007. Then production all but ground to a halt as the recession took hold and credit froze up last year.

But as RV makers tentatively begin to ramp up production again, other businesses in Elkhart also are seeing the economy's wheels begin to turn again. Carissa Ray/[msnbc.com](http://msnbc.com) Rick Williams works on an RV at Jayco Industries, and Elkhart Recreational Vehicle manufacturer Car dealers have seen a pickup in traffic to once-empty showrooms, partly due to the government's Cash for Clunkers program, which lifted sales nationwide over the summer. Harold Zeigler, who owns 10 dealerships in the region including a Ford/Lincoln Mercury outlet in Elkhart, said the program was so successful that some of his dealerships ran out of inventory.

Another factor boosting car sales: Loans are getting approved more easily than they were at the height of the financial crisis a year ago.

"At the worst of it they were pretty tight, but I don't see that as being an issue," Zeigler said. "There seems to be plenty of money for car sales for a good customers with decent credit."

Similarly the real estate market is also getting a lift from government-provided tax credits for home buyers and cheap credit for borrowers. Congress extended tax credits that were set to expire Nov. 30, and 30-year mortgage rates are at a near-record low of 4.83 percent, according to mortgage giant Freddie Mac.

In Elkhart, prices seem to have stabilized, according to Barb Swartley, a real estate agent with Century 21.

“We had a nice little surge in the late spring and in the late summer, and I look for this tax credit to make a difference,” she said. “I think that could spur some people to make a move that may have been on the fence.”

Sales are still far below levels seen before the recession began, as they are nationwide. And the commercial real estate market remains mired in a deep slump, according to John Letherman, a commercial real estate broker and president of the Elkhart County Council.

“We’ve got excess capacity, and along with excess capacity and vacancy come some fairly difficult times for our industry,” he said. “The few buyers that are there are basically bottom feeders. We’ve had some sales at \$10 and \$12 a square foot of buildings that that should have sold for \$20 to \$30.”

Though some businesses are slowly adding workers, Elkhart County unemployment remains stubbornly high — 14.9 percent as of October, according to data released Friday. Nationally the rate is much lower but still rising — to 10.2 percent in October, up from 9.8 percent in September.

“Businesses around here are not hiring unless they feel they’re on a pretty solid economic footing,” said William Burton, regional president of 1st Source Bank Elkhart.

With so many workers without a paycheck, some retailers are still waiting for signs of recovery. At the Inside Outlet furniture store on Bristol Street, owner Ann Cari says sales are down roughly 70 percent from last year.

“It’s a holding on situation,” she said. “I’m 31 years in this business. Never seen it like this. Never, never, never.”

Unlike Zeigler, the auto dealer, Cari said she is still having problems with tight credit. Lenders no longer provide her with store financing for her customers. And fewer customers are willing to take on debt.

“People are afraid to put anything on credit because of the fact that might lose their job, or they don’t have a job,” she said.

Nationwide, lending to businesses and consumers has been contracting sharply in recent months. Sheila Bair, head of the Federal Deposit Insurance Corp. told a bankers conference in New York last week that she's "very worried" that banks aren't lending enough. She warned the economy could take another turn for the worse without increased access to credit.

Consumer credit fell at an annual rate of 7 percent in September, the latest data available, according to the Federal Reserve. Commercial and industrial lending at the end of October was 17 percent lower than a year ago.

Bankers in Elkhart say they are ready to lend to customers with good credit, but demand has dried up as consumers have cut down on debt and diverted more cash into savings, said Burton.

“Credit quantity has been shrinking, but that isn’t entirely because of banks being unwilling to lend,” said Burton. “Banks in fact are fairly eager to lend in the Elkhart marketplace.”

That’s not good news for bankers, who would rather be earning interest on their cash reserves by lending them out to borrowers.

The hope here is that the early signs of life in the RV industry, the housing market and other pockets of strength will gradually take hold. But business leaders acknowledge that with a regional economy still heavily dependent on RV sales across the nation, Elkhart’s fortunes are closely tied to the U.S. economy as a whole.

“I smell Elkhart coming back,” said Letherman. “The question is how fast and how sustained this thing’s going to be. I sure hope it’s for real.”

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Do you think this city (and the country) is coming back, or not?