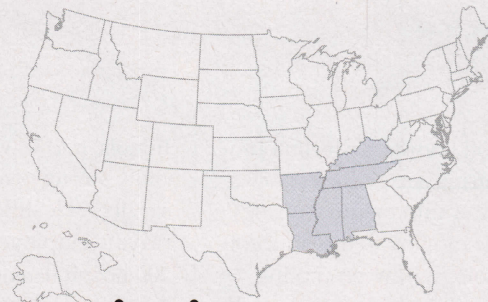


Alabama | Arkansas |
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Mississippi | Tennessee



Southern States Receiving Their Fair Share of FDI

STEADY, BUT SLOW GAINS in the Southern States have made development officials and businesses alike cautiously optimistic about the region's financial future. Diligence and patience are key to developing long-term economic development strategies.

"In general, we are seeing a clear recovery trend, but it is just not fast enough for most people," says Dr. Sam Addy, director of the Center for Business and Economic Research at the University of Alabama. He adds that in light of the severity of the recent economic downturn, "Expectations of a quick recovery are unrealistic."

In the midst of fluctuating economic gains, in April 2011, some of the most violent tornados in U.S. history ripped across seven of the Southern States. "The tornados will affect all of us in the short term," says Addy. Marianne T. Hill, Ph.D., editor, and senior economist at the Mississippi Institutions of Higher Learning, concurred in the *Mississippi Economic Review and Outlook*: "Thousands of persons are dealing with the devastating aftermath. Output of businesses and farms in areas affected has dropped, but reconstruction efforts are picking up. The net effect will be some increase in the state's economic growth rate, but with a shift in activity towards construction."

An Optimistic Outlook

On Numbers, a publication of the American City Business Journals Inc., is optimistic: "The South's manufacturing sector has awakened in a big

way." Its new study shows that durable goods manufacturing was the fastest-growing industry in eight Southern States last year.

The automotive industry is the driving force for recovery in this region. Keivan Deravi, professor of economics at Auburn University in Montgomery, Ala., illustrates this by pointing out major expansions in Alabama by Honda, Hyundai, Toyota, and Mercedes-Benz. He says, "When the national economy collapsed, our [the South's] economy collapsed too. However, we began to see some stabilization when the auto industry started to recover."

EconSouth — a publication of the Federal Reserve Bank of Atlanta — echoed those sentiments: "Manufacturing is also performing well in the Southeast economy." In Tennessee, Volkswagen AG opened its newest auto plant near Chattanooga this year. The Nissan vehicle assembly plant in Smyrna branched out into production of the electric car, LEAF, which, despite delays due to the earthquake in Japan, is expected to roll out its vehicles in 2012. Construction on a new plant to produce batteries for the environmentally conscious car has also broken ground.

In Kentucky, General Motors announced a refurbishment and expansion of its Bowling Green facility, adding a new vehicle product program — the next-generation Chevy Corvette — which will entail the creation of 250 new jobs and a capital investment in excess of \$131 million. In Tennessee, SL Tennessee, LLC, an

automotive parts supplier for General Motors, is launching a \$14 million expansion in Clinton that will create 100 new jobs and add an additional 175,000 square feet to the company's existing facility.

Also bolstered by the automotive sector, Mississippi touts a Nissan plant in Canton, a Toyota facility near Tupelo, and a PACCAR light and heavy truck manufacturing and assembly facility in Lowndes County. In April, Nissan Americas announced relocation of the production of its Nissan Xterra SUV and Frontier pickup models to its Canton plant, creating about 300 jobs. The firm's long-term strategy involves localizing its production base by region. Carlos Tavares, chairman of Nissan Americas, said in a company statement, "By 2015, 85 percent of the Nissan and Infiniti vehicles we sell in the Americas will be built here, up from the current localization rate of 69 percent."

Super Projects & FDI

The Southern States also have pursued "super projects." ThyssenKrupp Stainless USA and ThyssenKrupp Steel USA's 2,700-employee stainless steel mill in Mobile County, Ala., represents the largest German foreign direct capital investment ever in the United States and also one of the largest private investments made in the United States in the last 20 years. With announcements made in 2007, and the grand opening at the end of 2010, the facility continues to make news with plans for additional types

Michigan is well known for its automotive manufacturing sector, Indiana also has a piece of the auto manufacturing pie. The state is moving in the direction of green technology, now promoting companies such as Indianapolis-based Allison Transmission, which produces hybrid propulsion systems, and car-maker Think, which manufactures electric vehicles.

In fact, Norway-based Think delivered its first batch of U.S.-built electric cars, 15 in all, from its Elkhart manufacturing facility to the state of Indiana's Department of Administration for use by the Department of Natural Resources. Since then, the cars have been delivered to the Indianapolis Power and Light Co. and to Duke Energy in Plainfield, Indiana. Indianapolis-based Tom Wood Automotive will support the sales and service of the cars. Long-term plans include placing 100 or more of the electric cars with government and corporate fleets and individuals.

Indiana also received a \$6 million grant last year from the U.S. Department of Labor to help develop green jobs and technology throughout the state. The grant is intended to fund Indiana's Green Energy Technology Instruction and Training (I GET IT) program, which will target green industries, particularly in the automotive sector. Additionally, the program will establish an Advanced Energy Training Center to facilitate the state's transition to a green economy.

Regional Strengths Bolstered

As expected, agriculture is the machine that drives much of the Midwest region's economies. Iowa led the nation in the production of corn, soybeans, and hogs, and was second in meat production in 2009, according to the U.S. Department of Agriculture. Minnesota's dairy industry employs 40,000 and has a total economic impact of \$11.6 billion.

While most Midwest states claim some healthcare presence, Michigan,

Illinois, and Iowa have shown an especially strong commitment to health services. Healthcare is now the largest private employer in Michigan. Illinois' 200 hospitals and health systems employ a quarter of a million people and generate a total annual impact on \$75.1 billion on the state's economy, according to the Illinois Hospital Association. And Iowa's 118 community hospitals provide 70,000 jobs and \$3.8 billion in salaries and benefits, with an economic multiplier effect of \$14 billion.

Education is a strong driver for some Midwest states, particularly in Minnesota. The University of Minnesota reports that every dollar invested by the state returns \$13.20 to the economy, for an impact of \$8.6 billion annually, according to a recent impact study conducted by consulting firm Tripp Umbach. "The university is a major contributor to Minnesota's economy in terms of employment, education, innovation, and economic development," says Paul Umbach, senior principal.

Aviation is a key driver in Iowa's economy, contributing \$5.4 billion annually and supporting more than 47,000 jobs. A 2009 aviation impact study confirmed, "Hundreds of businesses are made more productive through...the use of air cargo, commercial aviation, and general aviation. Employers have seen

productivity increase almost \$13 billion as a result of their use of air transportation."

And Missouri has embraced economic diversification by targeting seven industrial clusters: advanced manufacturing, energy solutions, biosciences, health sciences and services, information technology, financial and professional services, and transportation and logistics, according to the 2010 report, *Strategic Initiative for Economic Growth*.

Clearly the Midwest still faces economic challenges. But the region has shown true courage in the face of adversity as it fights its way back to economic health. In the coming years, this effort will undoubtedly be rewarded, proving that Midwesterners do embody grit and determination. ■

— Cynthia Kincaid



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