

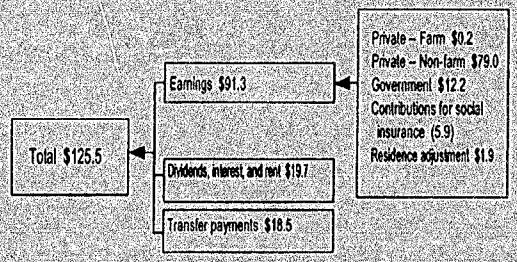
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Indiana Business Review
Update A Monthly Overview of Economic Trends
 Indiana University School of Business, Indiana Business Research Center

Real Earnings Growth

During the next few months, the Indiana economy will be among the leading topics in the election campaign. Unfortunately, both sides will be working from old data. The latest detailed income figures for Indiana take us up to only fourth quarter 1995.

From a policy point of view, the critical data relate to the private, non-farm sector. Economic development activities are centered on this sector. Roughly speaking, the private non-farm sector generated 63% of Indiana's total personal income in the fourth quarter of 1995 (see figure 1).

Figure 1. Components of Personal Income: 1995:IV
 (billions of dollars, seasonally adjusted at annual rates)



The Near-Term. After a period of dramatic growth, Indiana's private non-farm sector became the victim of higher interest rates put into effect by the Federal Reserve Board during 1994 and early 1995. It is to be expected that a state heavy in manufacturing would be sensitive to interest rate changes. Indiana's real private non-farm earnings, which had risen by more than 6% four times in just six quarters (see figure 2) fell by 4% in the second

quarter of 1995. (These percentages refer to quarterly data, seasonally adjusted, and are expressed as annual growth rates.) After this sacrifice in the name of inflation-fighting, Indiana was growing again in the last half of 1995, but less rapidly than before and slightly behind the national rate.

The Long-Term. Over the past ten years, Indiana's private non-farm sector has grown at an average annual rate of 2.46%, compared with a national rate of 2.27%. What does this mean? Real earnings for Hoosiers were \$1.4 billion higher in 1995 than if we had grown at the national rate from 1985 to 1995.

There are three distinct periods in this long-term record (see figure 3). From 1985 through 1988, Indiana and the nation grew at almost identical annual rates. For the next three years, Indiana's economy showed a slight decline as we went through and emerged from the 1990-91 recession. Then, since the start of 1992, Indiana has averaged an annual real growth rate of 3.86%, while the nation lagged at 3.04% (see figure 4).

Where Next? The fact that Indiana slowed recently, relative to the nation, is not in itself disturbing. Ultimately, our prosperity depends on the health of the national economy. In the past year, interest rates have become more favorable for Indiana and, when the federal government is able to produce the data, we should find our state's economy showing renewed strength. Certainly the unemployment numbers (see page 2 of this *Update*) confirm Indiana's current economic well-being.

-mjm

Figure 2. Annualized Growth Rates of Real Earnings 1993-1995 (private non-farm sector)

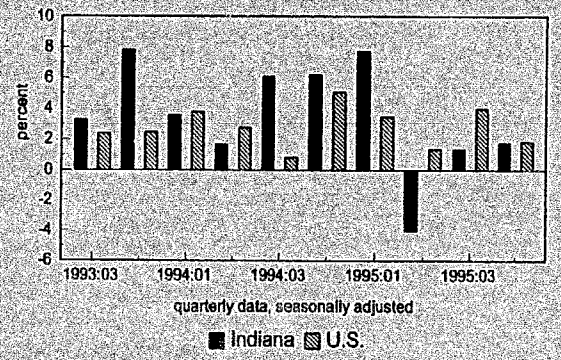


Figure 3. Real Earnings, Indiana 1985-1995 (private non-farm sector)

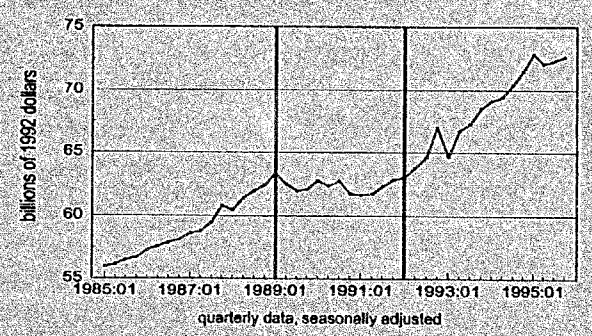
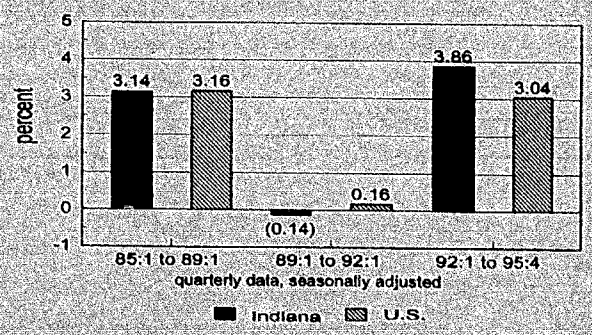
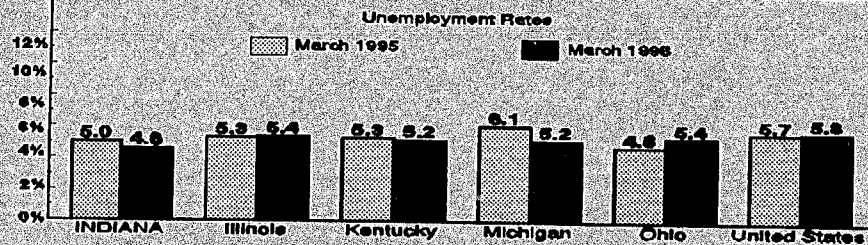


Figure 4. Annualized Growth Rates of Real Earnings 1985-1995 (private non-farm sector)



The Regional Employment Situation

| Total Persons Employed | March 1995 | March 1996 | Number Change | % Change | Rank In US |
|------------------------|-------------|-------------|---------------|----------|------------|
| INDIANA | 2,951,700 | 2,943,900 | -7,800 | -0.26% | 49 |
| Illinois | 5,706,600 | 5,770,500 | 63,900 | 1.12% | 33 |
| Kentucky | 1,742,200 | 1,720,700 | -21,500 | -1.23% | 50 |
| Michigan | 4,436,300 | 4,522,100 | 85,800 | 1.93% | 27 |
| Ohio | 5,223,600 | 5,343,900 | 120,300 | 2.30% | 21 |
| United States | 123,943,000 | 124,992,000 | 1,049,000 | 0.85% | N/A |



Employment - Hours - Earnings by Industry

| INDIANA | Establishment Related Employment | | Average Weekly Hours | | Average Weekly (Real) Earnings | |
|----------------------------------|----------------------------------|--------------|----------------------|--------------|--------------------------------|--------------|
| | Mar. 1996 | % Chg. 95/96 | Mar. 1996 | % Chg. 95/96 | Mar. 1996 | % Chg. 95/96 |
| Total Non-Ag | 2,786,700 | 1.5% | NA | NA | NA | NA |
| Mining | 6,200 | -1.6% | 43.1 | -6.1% | \$694.34 | -11.5% |
| Construction | 119,900 | -2.4% | 39.9 | 0.8% | \$668.72 | -0.8% |
| Manufacturing | 674,600 | -0.2% | 41.9 | -0.7% | \$590.37 | 0.3% |
| Durable | 484,800 | -0.1% | 42.3 | -0.9% | \$615.47 | 0.5% |
| Non-durable | 189,800 | -0.6% | 40.9 | 0.0% | \$522.70 | 0.0% |
| Wholesale | 140,200 | 3.0% | 37.2 | 0.0% | \$438.59 | -0.8% |
| Retail | 533,700 | 3.3% | 28.4 | 1.8% | \$216.41 | 3.2% |
| Finance, Insurance & Real Estate | 132,700 | 3.5% | 36.5 | 0.0% | \$377.78 | -2.5% |
| Services* | 641,600 | -3.1% | 32.9 | 4.1% | \$335.58 | 0.8% |

Employment - Hours - Earnings

(Not seasonally adjusted)

Metropolitan Statistical Areas (MSAs) in Indiana

| NON-AG WAGE & SALARIED EMPLOYMENT | March 1995 | March 1996 | Change | |
|-----------------------------------|------------|------------|--------|---------|
| | | | Number | Percent |
| Bloomington MSA | 64,200 | 63,900 | -300 | -0.5% |
| Elkhart-Goshen MSA | 118,000 | 118,000 | 0 | 0.0% |
| Evansville MSA | 145,300 | 148,100 | 2,800 | 1.9% |
| Fort Wayne MSA | 256,100 | 258,600 | 2,500 | 1.0% |
| Gary MSA | 249,000 | 254,200 | 5,200 | 2.1% |
| Indianapolis MSA | 784,600 | 802,200 | 17,600 | 2.2% |
| Kokomo MSA | 50,400 | 55,400 | 5,000 | 9.9% |
| Lafayette MSA | 87,400 | 89,300 | 1,900 | 2.2% |
| Muncie MSA | 61,800 | 61,100 | -700 | -1.1% |
| New Albany Area | 73,200 | 83,200 | 10,000 | 13.7% |
| South Bend MSA | 125,700 | 129,700 | 4,000 | 3.2% |
| Terre Haute MSA | 68,600 | 71,300 | 2,700 | 3.9% |

| MANUFACTURING | | Average Weekly Hours | Average Hourly Earnings | Average Weekly Earnings |
|--------------------|------------|----------------------|-------------------------|-------------------------|
| March 1996 | Employment | | | |
| Bloomington MSA | 10,500 | 37.8 | \$10.38 | \$392.36 |
| Elkhart-Goshen MSA | 58,000 | 38.9 | \$12.24 | \$476.14 |
| Evansville MSA | 31,700 | 41.5 | \$12.74 | \$528.71 |
| Fort Wayne MSA | 71,500 | 40.7 | \$14.18 | \$577.13 |
| Gary MSA | 51,800 | 43.1 | \$19.46 | \$838.73 |
| Indianapolis MSA | 126,100 | 43.1 | \$15.22 | \$655.98 |
| Kokomo MSA | 22,300 | 48.1 | \$18.43 | \$886.48 |
| Lafayette MSA | 21,600 | 43.2 | \$14.64 | \$632.45 |
| Muncie MSA | 10,900 | 43.9 | \$15.21 | \$667.72 |
| New Albany Area | 19,500 | 40.3 | \$11.52 | \$464.26 |
| South Bend MSA | 22,600 | 42.7 | \$11.93 | \$509.41 |
| Terre Haute MSA | 12,000 | 41.8 | \$13.34 | \$557.61 |

*Employment includes schools; Hours and Earnings excludes schools. *The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. (Real) indicates dollars adjusted for changes in consumer prices to 1996 level. Employment and earnings data based on preliminary and revised series provided by the Indiana Department of Workforce Development.

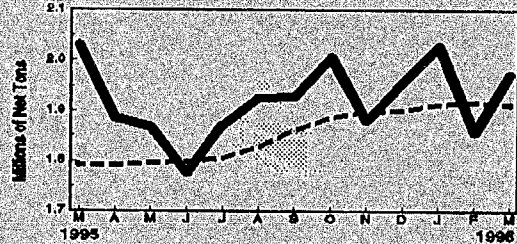
Indiana Economic Activity

—●— Monthly Data - - - - 12 Month Moving Average

Raw Steel Production

American Iron and Steel Institute
(Millions)

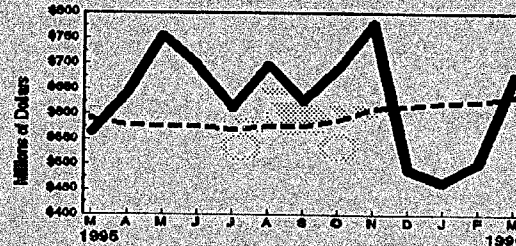
Mar. 1994 — 1.882 Mar. 1995 — 2.030 Mar. 1996 — 1.973



Total Construction Activity

F. W. Dodge Construction Potentials Bulletin
(Millions)

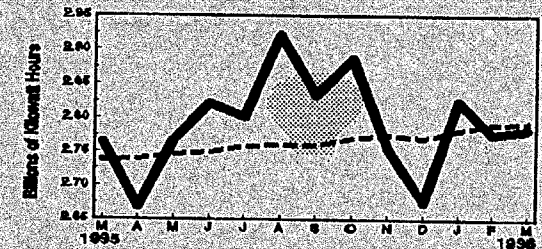
Mar. 1994 — \$677.7 Mar. 1995 — \$564.3 Mar. 1996 — \$675.5



Industrial Electricity Sales

(The 5 investor owned utilities)
(Billions)

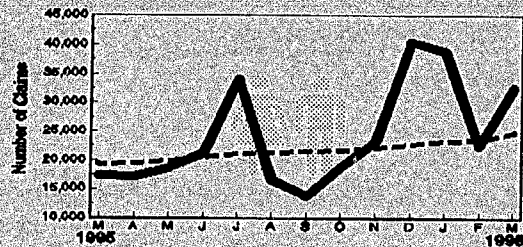
Mar. 1994 — 2.718 Mar. 1995 — 2.764 Mar. 1996 — 2.783



Initial Unemployment Insurance Claims

Indiana Department of Workforce Development

Mar. 1994 — 18,003 Mar. 1995 — 17,336 Mar. 1996 — 32,620



Ups or Downs... Indiana Indicators Year-to-Date

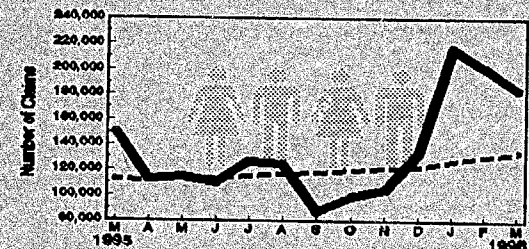
(based on April 1995 through March 1996 and compared to same period the year before, unless otherwise noted)

- ⚙️ **Production of raw steel** is running 1.5 million net tons higher than the same time last year, with a 12-month total of 23.0 million tons.
- 🏠 **Combined residential and non-residential construction activity** is \$528.5 million higher than last year, with a total of \$7.6 billion.
- 💡 **Sales of electricity to industrial consumers** grew by 7 million kilowatt hours, for a total of 33.5 billion hours for the year.
- 🚗 **New cars registered** in Indiana total 164,487, with a gain of only 298 cars over last year.
- 🏠 **New home starts** totaled 33,543, a sizable increase (1,622) over the same time last year.
- 💰 **Retail sales** grew by \$3.1 billion, with a total of \$53.2 billion run up at Hoosier cash registers between March 1995 and February 1996.

Continued Unemployment Insur. Claims

Indiana Department of Workforce Development

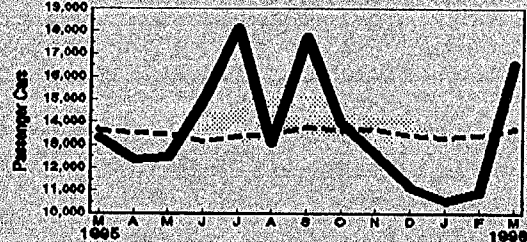
Mar. 1994 — 183,226 Mar. 1995 — 149,816 Mar. 1996 — 184,133



New Car Registrations

R. I. Polk and Company

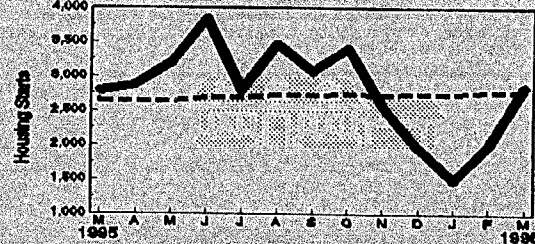
Mar. 1994 — 11,095 Mar. 1995 — 13,319 Mar. 1996 — 16,550



Housing Starts

F.W. Dodge Construction Potentials Bulletin

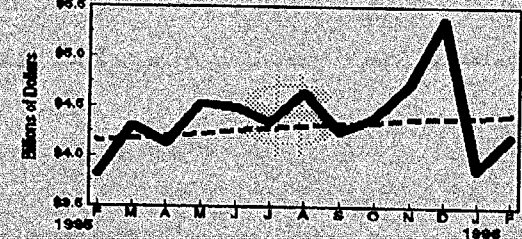
Mar. 1994 — 3,381 Mar. 1995 — 2,795 Mar. 1996 — 2,853



Retail Sales

Bureau of the Census
(Billions)

Feb. 1994 — \$3.58 Feb. 1995 — \$3.82 Feb. 1996 — \$4.20



Better Late Than Never ... Results from the 1992 Manufacturing Census

In 1992, there were 620,300 people working in Indiana's manufacturing establishments, an increase of 3% over 1987. Total value added by manufacture for the state totaled \$49.8 billion in 1992. These figures and more are available now from the manufacturing census conducted in 1993 by the U.S. Bureau of the Census and based on 1992 information. An undertaking of huge proportions, it took more than two years to collect, process and distribute these data.

The leading industry groups in Indiana, ranked by employment, were *transportation equipment, primary metal industries, industrial machinery and equipment, and electronic and other electrical equipment*. These industries accounted for 44% of the state's 1992 employment (and were the same leaders in 1987, accounting for 45%). While this will come as no surprise to anyone who's been in the Hoosier state for more than a day, the census provides not only number of establishments and employees, but also payroll and value of shipments.

The latter variable is the one most highly prized from this economic census, as employment and establishment data can be gleaned, and in more current fashion, from other sources (even the Census Bureau itself). The leading Indiana counties were Marion, Elkhart, Lake, and Allen, accounting for 34% of the Indiana's 1992 manufacturing employment. These same counties were the leaders in 1987 when they accounted for 35% of Hoosier goods-producing employment.

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Selected Industry Statistics for Indiana

| | Estab. | Value of Shipments (\$000s) | Employ. | Total Payroll (\$000s) |
|------------------------------------|--------|-----------------------------|---------|------------------------|
| All Manufacturing | 9,278 | 104,971,100 | 620,300 | 19,129,500 |
| Transportation Equip. | 511 | 19,002,300 | 91,800 | 3,251,900 |
| Primary Metal Industries | 301 | 15,340,700 | 66,000 | 2,526,200 |
| Industrial Machinery & Equip. | 1,623 | 8,325,500 | 59,300 | 1,897,000 |
| Electronic & Other Electric Equip. | 366 | 8,685,100 | 58,700 | 1,802,600 |
| Fabricated Metal | 1,137 | 7,449,900 | 58,300 | 1,697,100 |
| Rubber & Misc. Plastics | 597 | 5,430,400 | 46,500 | 1,124,100 |
| Printing & Publishing | 1,297 | 3,524,900 | 36,700 | 911,600 |
| Food & Kindred Products | 399 | 9,235,700 | 34,700 | 878,500 |
| Chemicals & Allied Products | 256 | 10,023,100 | 22,800 | 936,800 |
| Furniture & Fixtures | 317 | 2,189,500 | 22,700 | 537,200 |
| Lumber & Wood | 767 | 2,271,600 | 22,000 | 451,200 |
| Stone, Clay, & Glass | 452 | 2,090,600 | 15,800 | 446,800 |
| Paper & Allied Products | 172 | 2,575,500 | 15,100 | 418,000 |
| Instruments, Related Products | 196 | 2,193,400 | 14,600 | 455,000 |

Top 15 Counties in Manufacturing Employment

| | Estab. | Value of Shipments (\$000s) | Employ. | Total Payroll (\$000s) |
|--------------|--------|-----------------------------|---------|------------------------|
| Marion | 1,314 | 13,902,800 | 83,400 | 2,970,100 |
| Elkhart | 931 | 6,943,100 | 52,300 | 1,343,500 |
| Lake | 418 | 11,753,600 | 41,700 | 1,636,200 |
| Allen | 576 | 4,789,700 | 35,900 | 1,169,400 |
| Saint Joseph | 486 | 2,961,000 | 20,000 | 622,000 |
| Vanderburgh | 268 | 2,901,700 | 19,300 | 573,400 |
| Howard | 77 | 2,727,300 | 17,900 | 784,900 |
| Bartholomew | 139 | 2,676,700 | 16,600 | 527,900 |
| Madison | 132 | 2,240,400 | 15,500 | 619,700 |
| Tippecanoe | 118 | 3,935,000 | 14,300 | 483,500 |
| Kosciusko | 186 | 2,274,700 | 13,900 | 438,400 |
| Laporte | 193 | 1,558,400 | 12,100 | 311,400 |
| Porter | 132 | 3,517,900 | 11,900 | 477,500 |
| Dubois | 123 | 1,182,000 | 11,200 | 255,800 |
| Delaware | 182 | 1,427,700 | 10,600 | 383,500 |

Support for this publication is provided by the Indiana Department of Commerce. If you are interested in obtaining more detailed data, please access the IBRC Web site (<http://www.bus.indiana.edu/research>) or call 812-855-5507 to obtain access to EDIN, the online database. The Indiana Business Research Center is a partner in the State Data Center Program with the U.S. Bureau of the Census. This issue of the *Update* was written and produced by Morton J. Marcus, Director; Carol O. Rogers, Information Services Manager; Terry Creeth, Database & Production Manager; Bethany Sprague, Database Coordinator; and Nikki Livingston, Senior Secretary.