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**Indiana Business Review**  
*Update* A Monthly Overview of Economic Trends

Indiana University School of Business, Indiana Business Research Center

**SLOWDOWN OF INDIANA'S GROWTH**

**INDIANA AND THE NATION.** Indiana's total personal income topped \$130 billion<sup>1</sup> in the third quarter of 1996 according to figures released recently by the U.S. Bureau of Economic Analysis. The Hoosier state ranked 16th in the nation between the states of Washington and Missouri. As seen in figure 1, after adjusting for price changes, Indiana's growth has been almost uninterrupted since the end of the last recession in the first quarter of 1991.

In 19 of the past 22 quarters, Indiana's real personal income has grown. In 11 of the 16 quarters from 1991:1 to 1995:1, Indiana outperformed the nation. Since then, Indiana has trailed the national growth rate five out of six quarters.

Our state's shifting fortunes, relative to the nation, can be seen in figure 2. As the nation emerged from the recession of 1990-91, our share of U.S. personal income climbed. In 1993 and '94, our share stabilized at about 2.05 percent, and has been in decline since the first quarter of 1995, dropping to 2.02 in mid-'96.

What is the difference between 2.05 and 2.02 percent of U.S. personal income? In 1996:3 it was worth \$345 million, or approximately \$60 for every child and adult in the state for that quarter alone.

We are seeing a classic Indiana business cycle. The national recovery was slow in starting, in part because declining defense spending by the Pentagon was a retarding factor in California and other prime contracting states. But Indiana did well in the recovery period from '91:1 to '93:1, growing nearly twice as fast as the nation (see figure 3).

As the national economy picked up in 1993 and 1994, Indiana grew at virtually the same rate as the nation. A slowing of the nation's growth since the start of 1995 has meant a dramatic slowdown in Indiana.

**INDIANA AND OTHER STATES.** If we look at the entire period since the end of the recession in '91:1, Indiana has ranked a respectable 23rd among the states in the nation in growth of real personal income. If we look only at the past year, '95:3 to '96:3, Indiana ranks 37th. And if we consider just the last quarter for which data are available, our rank falls to 47th.

Our pattern of slowing growth is shared with our neighbors Michigan and Ohio (see figure 4). These three states rank highest in the nation in dependence on durable goods manufacturing, the sector which often experiences the earliest and most severe slowdown. Illinois and Kentucky have seen accelerating growth, similar to that of the U.S.

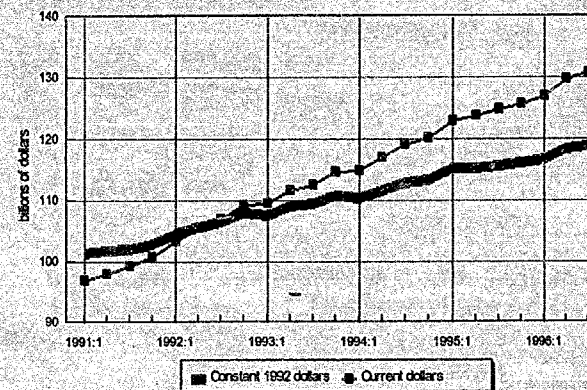
In the past year, real personal income in California has grown by 3.96% (17th in the nation). This lifted the national rate to 3.55%. Kentucky managed to do better (4.52%, ranked 12th), but Indiana and its other neighbors all fell below the nation, with Michigan and Ohio joining Indiana in the bottom third of the states (see figure 5).

**DIMENSIONS OF THE SLOWDOWN.** Of the eleven non-farm sectors of Indiana's economy, nine have been lagging the nation (see figure 6). Although still expanding, earnings in construction, durable goods, and other key sectors have not kept pace with the nation's grow. Both mining and government have actually declined in Indiana.

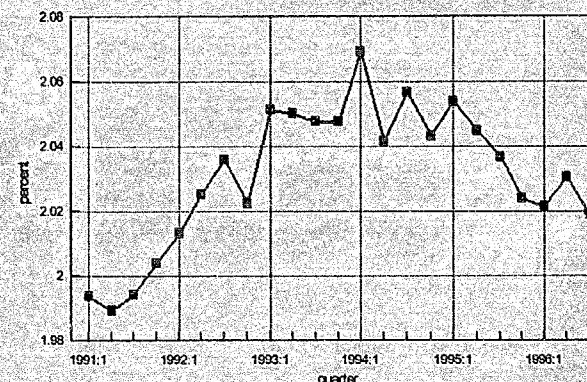
To see how these sectors have changed from a period of more vigorous expansion, see figure 7. Earnings in the durable goods sector slowed from an annual rate of 4.2% between '91:1 and '95:3 to just 0.9% in the past year. Five other sectors also had slower growth or decline in the past year compared to the more robust preceding period. Improvements were shown in agricultural services, forestry and fisheries, mining (slower decline), and services.

(continued on page 4)

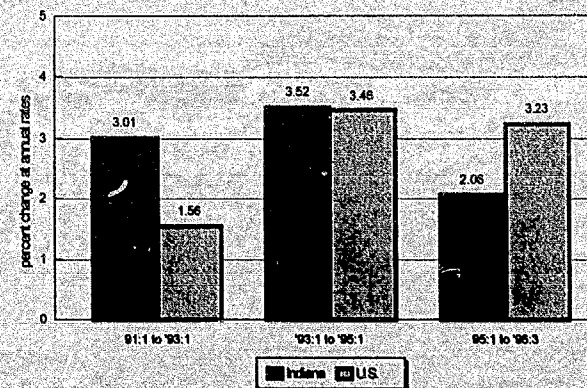
**FIG. 1 INDIANA'S TOTAL PERSONAL INCOME**



**FIG. 2 INDIANA'S SHARE OF U.S. PERSONAL INCOME**



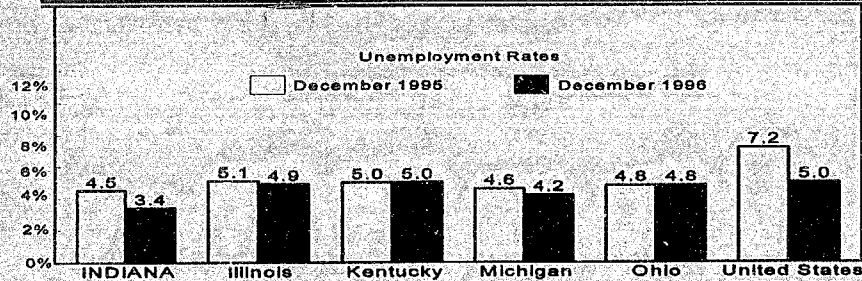
**FIG. 3 COMPARATIVE GROWTH RATES IN PERSONAL INCOME**



<sup>1</sup> These figures are expressed as seasonally adjusted annual rates.

### The Regional Employment Situation

Total Persons Employed	Dec. 1995	Dec. 1996	Number Change	% Change	Rank in US
<b>INDIANA</b>	2,960,600	2,952,600	-8,000	-0.3%	46
Illinois	5,790,100	5,871,700	81,600	1.4%	35
Kentucky	1,758,500	1,794,400	35,900	2.0%	29
Michigan	4,513,300	4,653,000	139,700	3.1%	15
Ohio	5,354,600	5,468,200	113,600	2.1%	28
United States	125,136,000	127,903,000	2,767,000	2.2%	N/A



### Employment - Hours - Earnings by Industry

INDIANA	Establishment Related Employment		Average Weekly Hours		Average Weekly (Real) Earnings	
	Dec. 1996	% Chg. 95/96	Dec. 1996	% Chg. 95/96	Dec. 1996	% Chg. 95/96
Total Non-Ag	2,832,600	0.3%	NA	NA	NA	NA
Mining	6,600	1.5%	42.4	-4.9%	\$719.95	-8.3%
Construction	131,100	4.0%	40.0	2.3%	\$688.00	2.0%
Manufacturing	677,700	-0.9%	44.9	3.5%	\$647.46	1.1%
Durable	487,300	-0.9%	45.7	3.9%	\$677.73	1.8%
Non-durable	190,400	-0.8%	42.7	2.2%	\$564.07	-1.1%
Wholesale	140,300	1.0%	37.5	1.6%	\$456.38	-0.5%
Retail	560,800	0.9%	29.8	1.7%	\$230.06	0.7%
Finance, Insurance & Real Estate	134,400	1.3%	36.2	-0.5%	\$407.25	1.0%
Services*	643,000	0.8%	32.6	-1.5%	\$348.17	0.0%

### Employment - Hours - Earnings

(Not seasonally adjusted)

#### Metropolitan Statistical Areas (MSAs) in Indiana

NON-AG WAGE & SALARIED EMPLOYMENT	Dec. 1995	Dec. 1996	Change	
			Number	Percent
Bloomington MSA	64,700	67,300	2,600	4.0%
Elkhart-Goshen MSA	116,300	119,600	3,300	2.8%
Evansville MSA	151,300	149,800	-1,500	-1.0%
Fort Wayne MSA	263,700	266,700	3,000	1.1%
Gary MSA	258,200	264,000	5,800	2.2%
Indianapolis MSA	806,500	812,900	6,400	0.8%
Kokomo MSA	56,400	56,700	300	0.5%
Lafayette MSA	83,700	88,500	4,800	5.7%
Muncie MSA	59,900	61,200	1,300	2.2%
New Albany Area*	84,100	85,800	1,700	2.0%
South Bend MSA	134,900	133,500	-1,400	-1.0%
Terre Haute MSA	72,000	73,100	1,100	1.5%

MANUFACTURING	Dec. 1996	Employment	Average Weekly Hours	Average Weekly Earnings	
				Average Hourly Earnings	Average Weekly Earnings
Bloomington MSA		10,800	40.5	\$10.77	\$436.19
Elkhart-Goshen MSA		57,200	40.0	\$12.55	\$502.00
Evansville MSA		30,900	43.5	\$13.68	\$595.08
Fort Wayne MSA		74,100	41.7	\$15.11	\$630.09
Gary MSA		51,400	43.0	\$18.85	\$810.55
Indianapolis MSA		128,600	43.8	\$15.64	\$685.03
Kokomo MSA		22,600	50.0	\$19.31	\$965.50
Lafayette MSA		21,400	44.9	\$14.55	\$653.30
Muncie MSA		10,900	44.0	\$14.52	\$638.88
New Albany Area*		19,800	46.5	\$11.88	\$552.42
South Bend MSA		22,800	43.3	\$12.28	\$531.72
Terre Haute MSA		11,900	44.5	\$14.22	\$632.79

\*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.

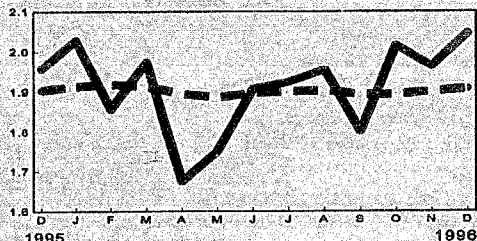
## Indiana Economic Activity

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

### Raw Steel Production

American Iron and Steel Institute  
(Millions)

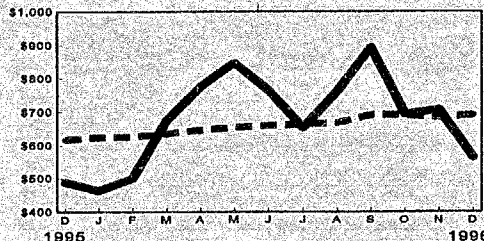
Dec. 1994 — 1.915    Dec. 1995 — 1.958    Dec. 1996 — 2.046



### Total Construction Activity

F. W. Dodge Construction Potentials Bulletin  
(Millions)

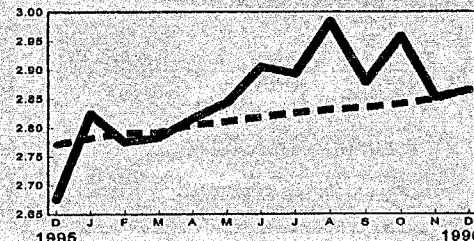
Dec. 1994 - \$435.5    Dec. 1995 - \$489.1    Dec. 1996 - \$563.6



### Industrial Electricity Sales

(The 5 Investor owned utilities)  
(Billions)

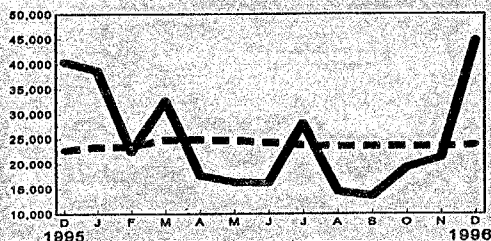
Dec. 1994 — 2.733    Dec. 1995 — 2.675    Dec. 1996 — 2.864



### Initial Unemployment Insurance Claims

Indiana Department of Workforce Development

Dec. 1994 — 34,312    Dec. 1995 — 40,446    Dec. 1996 — 44,614



### Good news and bad news...



The good news is that next month's issue of the *UPDATE* will include a new format for this page. And, for those of you with access to the World Wide Web, we now have the *Indiana Economic Log* available. The monthly log is a great tool for those looking for economic news - check out the latest news at [www.iupui.edu/ibrc/indianalog](http://www.iupui.edu/ibrc/indianalog).

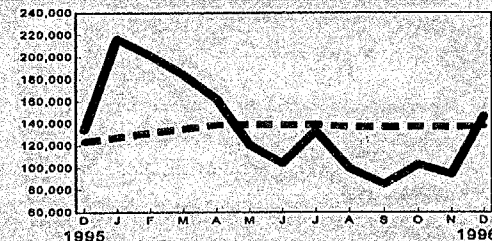


The bad news is that the U.S. Bureau of the Census will no longer release *monthly retail trade sales* for the state of Indiana, effective with the month of January 1997. If you have questions or comments, please contact us by phone (317-274-0897), email ([rogersc@indiana.edu](mailto:rogersc@indiana.edu)), fax (317-274-3312) or mail.

### Continued Unemployment Insur. Claims

Indiana Department of Workforce Development

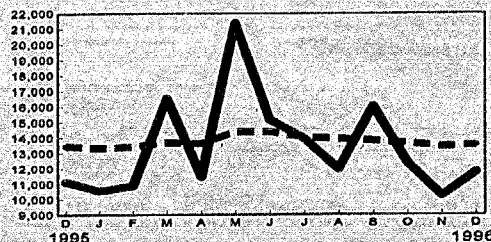
Dec. 1994 — 114,362    Dec. 1995 — 134,054    Dec. 1996 — 146,797



### New Car Registrations

R. L. Folk and Company

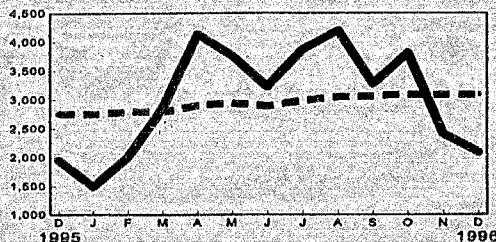
Dec. 1994 — 14,050    Dec. 1995 — 11,153    Dec. 1996 — 11,775



### Housing Starts

F.W. Dodge Construction Potentials Bulletin

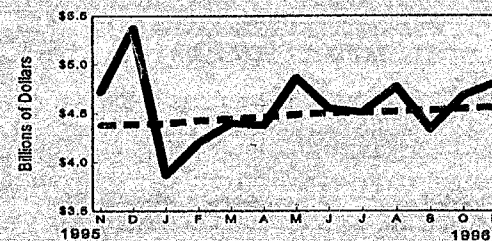
Dec. 1994 — 1,819    Dec. 1995 — 1,957    Dec. 1996 — 2,089



### Retail Sales

Bureau of the Census  
(Billions)

Nov. 1994 — \$4.38    Nov. 1995 — \$4.72    Nov. 1996 — \$4.81



(continued from page 1)

Although we have been examining a slowdown, we should not lose sight of the fact that Indiana's economy continues to expand. These data take us only to the quarter of 1996. Preliminary results from the closing

quarter of that year (for the nation) indicated a hearty period of growth. We will be interested to see how Indiana fared under those conditions.

-mjm

# Indiana Business Review Update

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FIG. 4 COMPARATIVE GROWTH IN PERSONAL INCOME

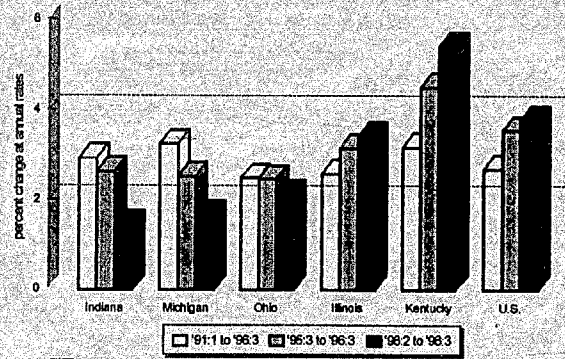


FIG. 5 GROWTH OF REAL PERSONAL INCOME 1995:3 TO 1996:3

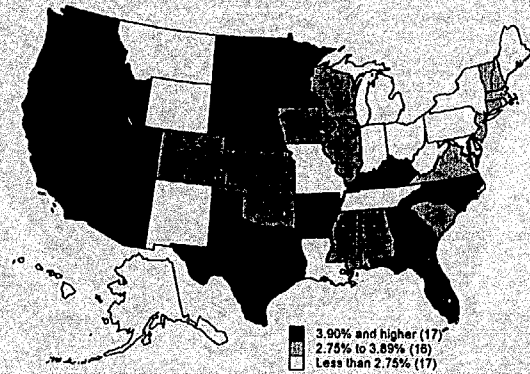


FIG. 6 REAL GROWTH IN EARNINGS BY SECTOR 1995:3 TO 1996:3

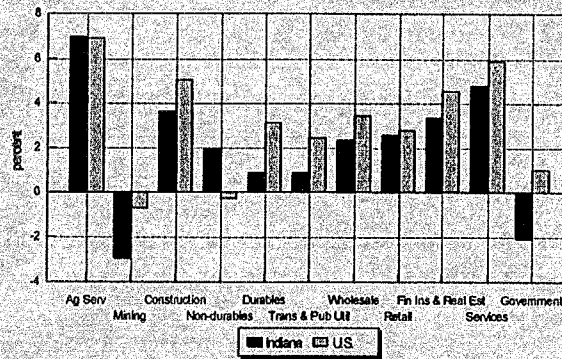
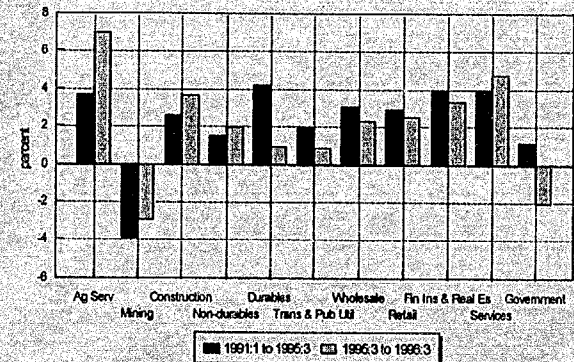


FIG. 7 ANATOMY OF INDIANA'S SLOWDOWN REAL GROWTH IN EARNINGS BY SECTOR



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