

INDIANA BUSINESS REVIEW UPDATE



A MONTHLY OVERVIEW OF ECONOMIC TRENDS

INDIANA BUSINESS RESEARCH CENTER
INDIANA UNIVERSITY SCHOOL OF BUSINESS

STATE'S ECONOMY CONTINUES TO ADVANCE

Earnings of the citizens of Indiana grew by 4.9% between the final quarters of 1995 and 1996. This growth outpaced the nation's 3.8% increase and was better than the growth recorded by any of our four neighboring states. Indiana ranked 14th in the nation in growth of earnings.

States dominated by farming (North Dakota, South Dakota, Nevada, Nebraska, and Iowa) led the nation, while the District of Columbia, Hawaii, and Rhode Island saw earnings (adjusted for price changes) decline.

California, Texas and Florida had the greatest increase in their share of the nation's earnings (payments received by persons working for themselves or others). Indiana's share of the nation's earnings grew. States that exceeded the nation's growth rate added to their share of

Figure 1. Indiana's Share of U.S. Earnings

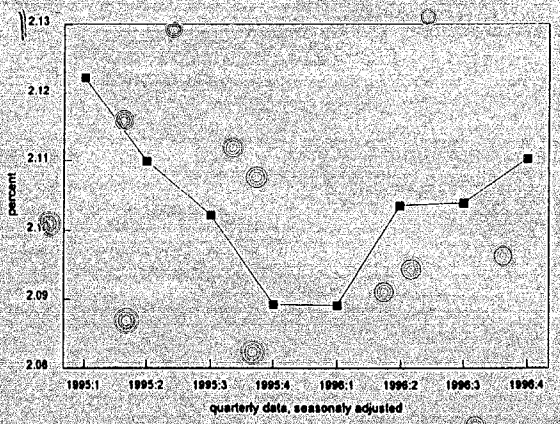
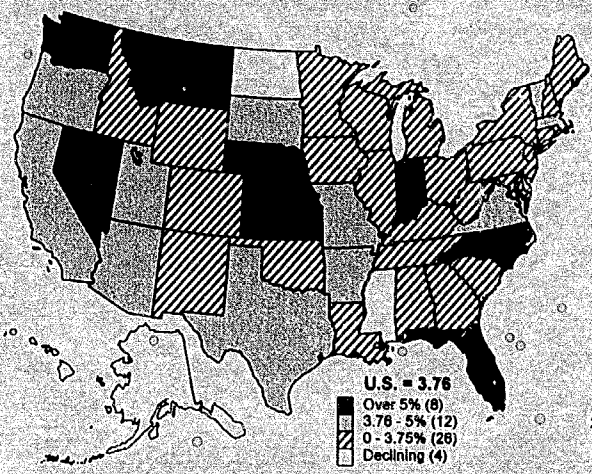


Figure 2. Real Percent Change



earnings, while those not keeping pace with the nation lost share points.

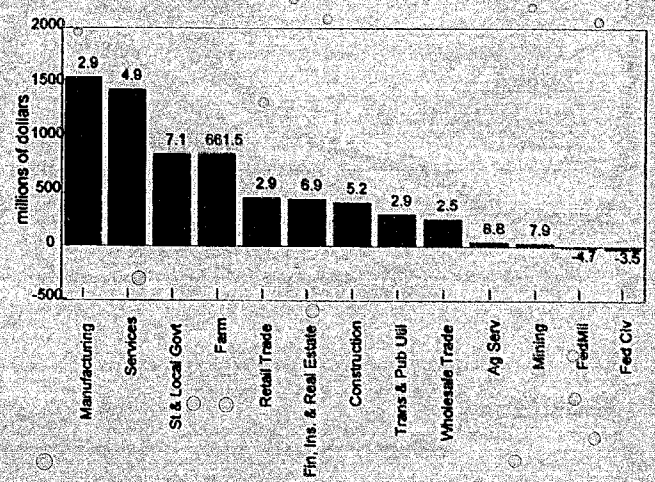
The growth of Indiana's earnings in the fourth quarter brought the state's share of U.S. earnings back to 2.11% and continued the progress made in 1996 after a year-long slide in 1995 (see figure 1). Earnings in the Hoosier state grew at an annual rate of 5% in the fourth quarter compared to a 3.8% rate for the nation. This put Indiana in the top eight states in the nation during that period. Illinois (3.3%), Michigan (2.8%), Ohio (2.7%), and Kentucky (0.7%) failed to match the nation's growth rate (see figure 2).

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Sources of growth

How did earnings in Indiana outperform the nation during the past year? The largest contribution to earnings growth came from manufacturing which added \$1.6 billion (23.6%) of Indiana's \$6.6 billion increase in earnings (see figure 3). Farming led all sectors, in percentage terms, with a 662% increase from very low levels in 1995. The \$845 million added by farming, however, trailed the contributions to earnings growth coming from services and state and local government.

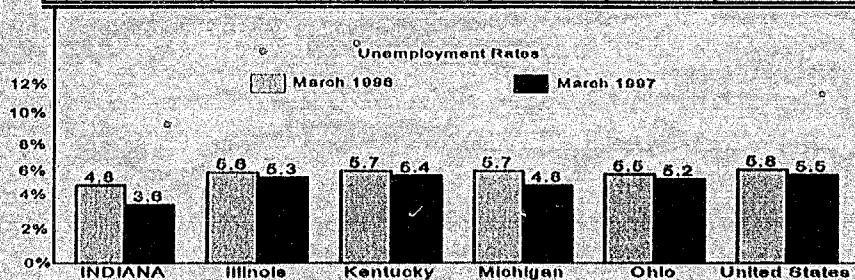
Figure 3. Contributions to the Growth of Earnings, Indiana, 1995:4 to 1996:4



(Numbers above or below bars are percent changes in real growth)

The Regional Employment Situation

Total Persons Employed	March 1996	March 1997	Number Change	% Change	Rank in US
INDIANA	2,911,400	2,946,600	35,200	1.21%	41
Illinois	5,705,400	5,776,400	71,000	1.24%	40
Kentucky	1,729,200	1,784,100	54,900	3.17%	14
Michigan	4,477,700	4,606,000	128,300	2.87%	19
Ohio	5,264,900	5,403,700	138,800	2.64%	24
United States	124,992,000	128,125,000	3,133,000	2.51%	N/A



Employment - Hours - Earnings by Industry

	Establishment Related Employment		Average Weekly Hours		Average Weekly (Real) Earnings	
	March 1997	% Chg. 96/97	March 1997	% Chg. 96/97	March 1997	% Chg. 97/97
Total Non-Ag	2,815,700	1.3%	NA	NA	NA	NA
Mining	6,200	6.9%	48.4	1.9%	\$841.19	3.1%
Construction	123,400	3.1%	40.2	1.3%	\$679.78	-0.2%
Manufacturing	670,000	-0.2%	43.2	1.6%	\$633.74	3.7%
Durable	481,100	-0.2%	44.1	2.6%	\$663.71	4.5%
Non-durable	188,900	-0.4%	40.8	-0.7%	\$552.43	1.9%
Wholesale	138,500	1.0%	37.4	1.1%	\$455.16	0.5%
Retail	532,200	1.0%	29.0	2.5%	\$226.20	2.2%
Finance, Insurance & Real Estate	136,900	3.2%	36.2	0.0%	\$424.63	8.4%
Services	670,100	4.8%	32.2	-2.4%	\$349.05	1.7%

Employment - Hours - Earnings

(Not seasonally adjusted)

Metropolitan Statistical Areas (MSAs) in Indiana

NON-AG WAGE & SALARIED EMPLOYMENT	March 1996	March 1997	Change	
			Number	Percent
Bloomington MSA	63,700	65,000	1,300	2.0%
Elkhart-Goshen MSA	114,300	117,000	2,700	2.4%
Evansville MSA	149,200	150,500	1,300	0.9%
Fort Wayne MSA	256,600	266,200	9,600	3.7%
Gary MSA	252,800	261,200	8,400	3.3%
Indianapolis MSA	800,700	823,500	22,800	2.8%
Kokomo MSA	51,600	52,500	900	1.7%
Lafayette MSA	91,700	91,700	0	0.0%
Muncie MSA	60,100	60,700	600	1.0%
New Albany Area	83,600	86,700	3,100	3.7%
South Bend MSA	129,600	133,200	3,600	2.8%
Terre Haute MSA	69,500	69,200	-300	-0.4%

MANUFACTURING

March 1997	Employment	Average Weekly Hours	Average Hourly Earnings	Average Weekly Earnings
Bloomington MSA	10,100	40.7	\$13.22	\$538.05
Elkhart-Goshen MSA	58,700	39.8	\$12.25	\$487.55
Evansville MSA	31,000	43.5	\$14.22	\$618.57
Fort Wayne MSA	73,400	41.4	\$14.58	\$603.61
Gary MSA	50,900	42.6	\$18.43	\$785.12
Indianapolis MSA	125,500	44.1	\$15.80	\$696.78
Kokomo MSA	21,100	48.6	\$18.40	\$894.24
Lafayette MSA	22,200	43.3	\$14.73	\$637.81
Muncie MSA	10,900	43.5	\$14.40	\$626.40
New Albany Area	19,100	42.5	\$11.81	\$301.93
South Bend MSA	21,700	42.4	\$12.83	\$543.99
Terre Haute MSA	11,500	42.2	\$14.60	\$616.12

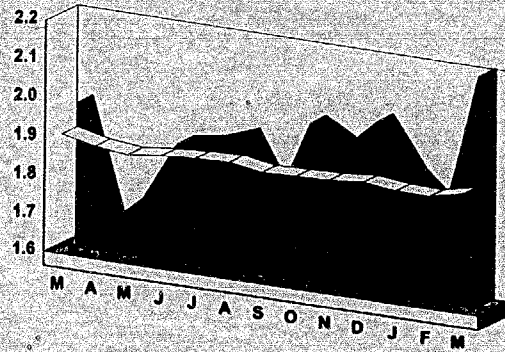
*Employment includes schools; Hours and Earnings excludes schools. The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. (Real) indicates dollars adjusted for changes in consumer prices to 1997 level. Employment and earnings data based on preliminary and revised series provided by the Indiana Department of Workforce Development.

CURRENT TRENDS IN INDIANA'S ECONOMY

March 1996—March 1997

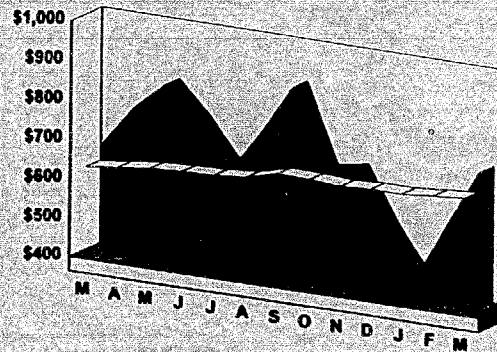
Raw Steel Production

American Iron and Steel Institute
 Year to date: 6.0 million net tons
 12-month total: 23 million net tons
 Peak month: March 1997



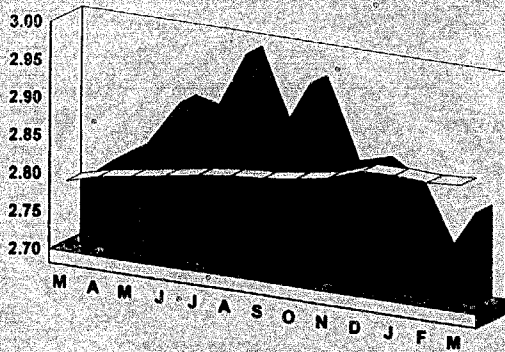
Total Construction Activity (\$MIL)

F.W. Dodge Construction Potentials Bulletin
 Year to date: \$1,811 million
 12-month total: \$8,472.5 million
 Peak month: September 1996



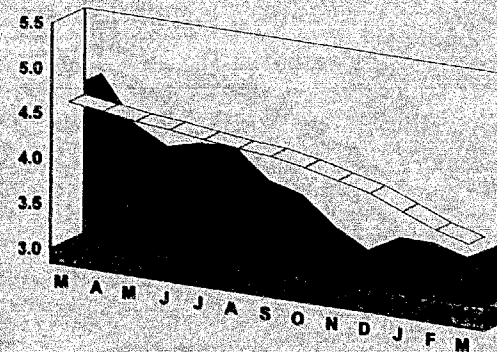
Industrial Electricity Sales (Billions)

The 5 investor owned utilities
 Year to date: 8.4 billion kwh
 12-month total: 34.4 billion kwh
 Peak month: August 1996



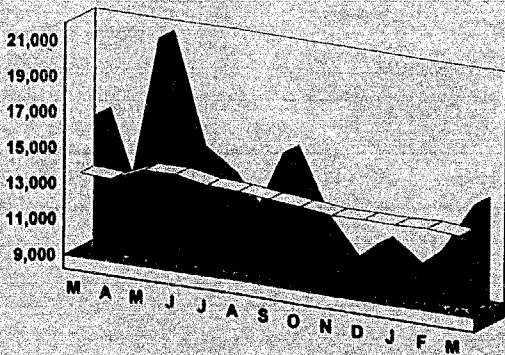
Unemployment Rate

Indiana Department of Workforce Dev.
 Year to date: NA
 12-month total: NA
 Peak month: Feb/March 1992



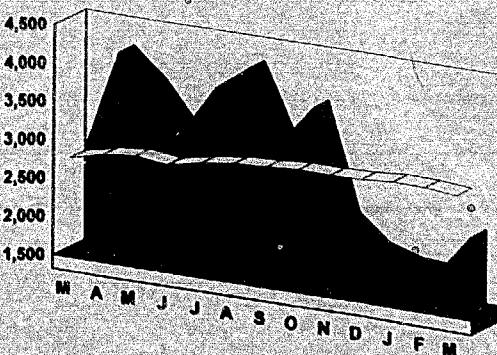
New Car Registrations

R.L. Polk and Company
 Year to date: 37,218
 12-month total: 161,545
 Peak month: May 1996



Housing Starts

F.W. Dodge Construction Potentials Bulletin
 Year to date: 6,354
 12-month total: 37,125
 Peak month: August 1996

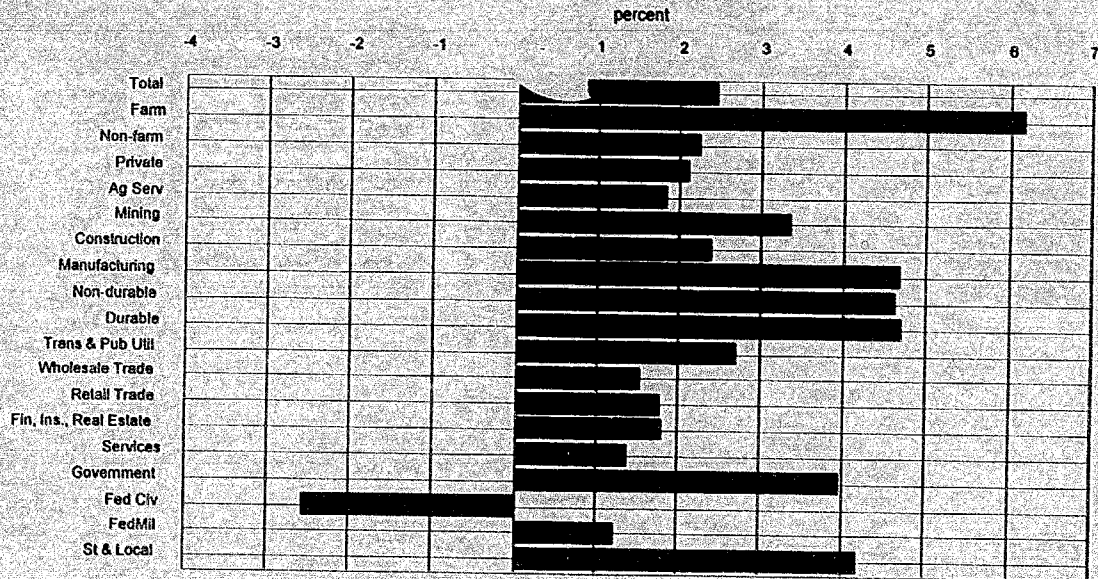


Moving Average

Peak = since 1992

Monthly

Figure 4. Indiana's Share of U.S. Earnings Growth, 1995:4 to 1996:4



Only two sectors showed declines in earnings from the fourth quarter of 1995 to the same quarter a year later. Earnings from federal government employment, in both the civilian and the military sectors, were down.

Farming led Indiana's earnings growth by capturing more than 6% of the increase in farm earnings that the nation experienced (see figure 4). Manufacturing, both durable and non-durable, followed by securing 4.7% of the increase in manufacturing earnings nationwide. Indiana's state and local government sector also accounted for more than 4% of that sector's national growth. Indiana went against the national

trend by having a decrease in earnings from the federal civilian sector, which grew nationally. Overall, the state had 2.5% of the nation's earnings growth well above its 2.1% of total earnings.

This strong performance for Indiana in 1996, and particularly the fourth quarter, resulted from higher farm product prices and strong consumer and business spending on investment goods. Housing, autos, and other durables, made in or using parts made in Indiana, led the nation's economic advance and the Hoosier state benefitted. Should rising interest rates dampen demand for those goods, Indiana will feel the consequences.

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