

INDIANA BUSINESS REVIEW UPDATE



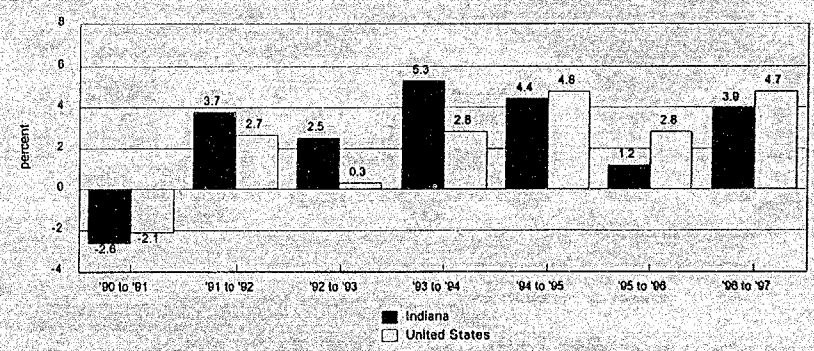
A MONTHLY OVERVIEW OF ECONOMIC TRENDS

INDIANA BUSINESS RESEARCH CENTER
INDIANA UNIVERSITY SCHOOL OF BUSINESS

HOOSIER EARNINGS NEAR \$100 BILLION

Indiana's earnings (wages, salaries, self-employment income, as well as employer-paid benefits) are approaching \$100 billion a year according to data recently released by the U.S. Bureau of Economic Analysis. The 14

Fig. 1 Annual Growth of Earnings, (first quarter to first quarter)



states currently above Indiana in total earnings all exceed \$100 billion. It is likely Indiana will join that group before 1997 is over.

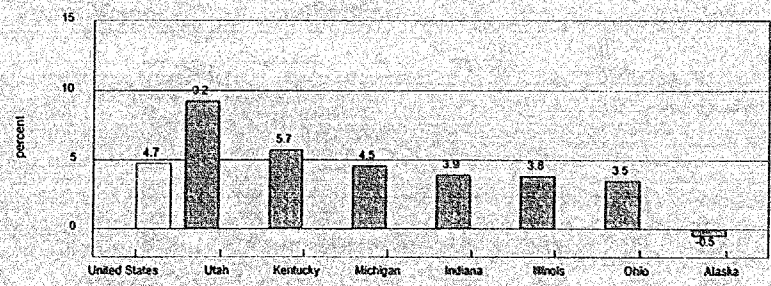
Earnings in Indiana grew faster in 1996 than in the previous year. After adjustment for inflation, total earnings in the state advanced by 3.9% from the first quarter of 1996 to the same quarter in 1997. This was an improvement from the 1.2% increase of a year earlier (see figure 1).

Indiana's gain in 1996 marks six consecutive years of increased earnings. During the first three of those years, the state out-performed the nation in earnings growth. For the past three years, however, Indiana has trailed the nation's advances.

Indiana ranked 34th in the nation in earnings growth (3.9%) from the first quarter of 1996 to the same quarter in '97. Illinois and Ohio came in 35th and 42nd respectively with Kentucky (11th) and Michigan (27th) ahead of the Hoosier state. Utah led the nation with a 9.2% increase while Alaska was the only state recording a loss of 0.5% (see figure 2).

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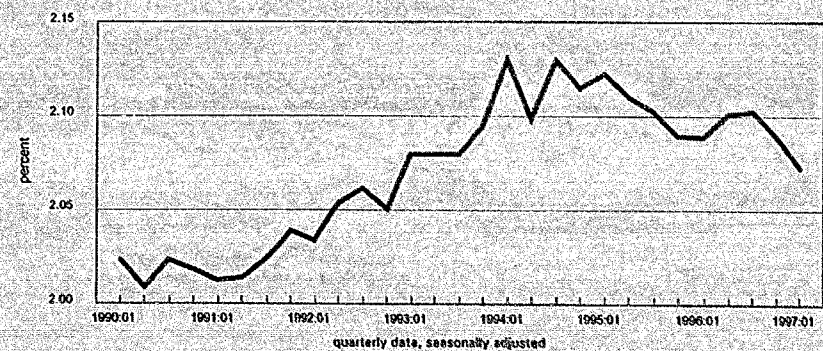
Fig. 2 Growth of Earnings by State, 1996:1 to 1997:1



In the last ten quarters, since 1994:3, Indiana has exceeded the nation's rate of growth in earnings only three times. Thus, the state's share of the nation's earnings has declined from 2.13% to 2.07% (see figure 3). If the state had maintained its 1994:3 share of earnings, workers in Indiana would have earned at a rate in excess of the \$100 billion mark in the first quarter of 1997.

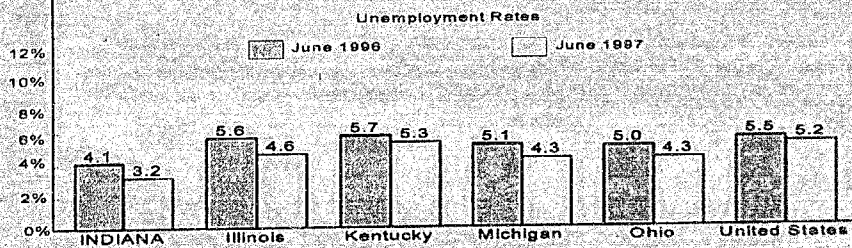
Where has Indiana's growth of earnings been exceeding the nation's? Where have we lagged? Figure 4 shows that farming was Indiana's

Fig. 3 Indiana's Share of U.S. Earnings



The Regional Employment Situation

Total Persons Employed	June 1996	June 1997	Number Change	% Change	Rank in US
INDIANA	2,992,700	3,051,700	59,000	2.0%	25
Illinois	5,857,900	5,932,400	74,500	1.3%	32
Kentucky	1,795,500	1,856,600	61,100	3.4%	10
Michigan	4,626,800	4,724,300	97,500	2.1%	24
Ohio	5,429,200	5,559,300	130,100	2.4%	20
United States	127,706,000	130,463,000	2,757,000	2.2%	N/A



Employment - Hours - Earnings by Industry

INDIANA	Establishment Related Employment		Average Weekly Hours		Average Weekly (Real) Earnings	
	June 1997	% Chg. 96/97	June 1997	% Chg. 96/97	June 1997	% Chg. 97/97
Total Non-Ag	2,850,500	1.0%	NA	NA	NA	NA
Mining	6,800	4.6%	49.4	11.8%	\$848.69	9.7%
Construction	143,600	1.3%	40.9	1.0%	\$699.80	-2.2%
Manufacturing	675,600	-1.0%	42.7	-0.7%	\$622.57	-1.3%
Durable	485,800	-1.0%	43.3	-1.1%	\$647.77	-1.9%
Non-durable	189,800	-1.1%	40.9	-0.5%	\$550.51	-0.9%
Wholesale	141,800	0.8%	37.6	-0.5%	\$458.34	-1.1%
Retail	550,600	1.3%	29.6	-0.3%	\$228.22	-1.8%
Finance, Insurance & Real Estate	140,400	2.7%	35.9	-1.1%	\$420.03	8.1%
Services	669,700	2.4%	32.5	-2.1%	\$353.28	3.1%

Employment - Hours - Earnings

(Not seasonally adjusted)

Metropolitan Statistical Areas (MSAs) in Indiana

NON-AG WAGE & SALARIED EMPLOYMENT	June 1996	June 1997	Change	
			Number	Percent
Bloomington MSA	60,200	63,000	2,800	4.7%
Elkhart-Goshen MSA	116,900	117,900	1,000	0.9%
Evansville MSA	151,500	152,300	800	0.5%
Fort Wayne MSA	265,800	268,700	2,900	1.1%
Gary MSA	261,800	266,700	4,900	1.9%
Indianapolis MSA	815,500	825,600	10,100	1.2%
Kokomo MSA	52,800	53,100	300	0.6%
Lafayette MSA	87,100	87,900	800	0.9%
Muncie MSA	57,300	57,000	-300	-0.5%
New Albany Area	82,100	86,200	4,100	5.0%
South Bend MSA	131,700	134,500	2,800	2.1%
Terre Haute MSA	67,000	67,300	300	0.4%

MANUFACTURING	June 1997	Employment	Average Weekly Hours	Average Hourly Earnings	
				Average Hourly Earnings	Average Weekly Earnings
Bloomington MSA	10,100	42.3	\$12.74	\$538.90	
Elkhart-Goshen MSA	58,800	39.3	\$12.50	\$491.25	
Evansville MSA	31,800	43.9	\$14.52	\$637.43	
Fort Wayne MSA	74,600	40.5	\$14.45	\$585.23	
Gary MSA	50,500	41.6	\$18.17	\$755.87	
Indianapolis MSA	125,100	44.6	\$15.67	\$698.88	
Kokomo MSA	20,900	45.0	\$19.24	\$865.80	
Lafayette MSA	22,600	41.4	\$14.79	\$612.31	
Muncie MSA	10,800	42.7	\$14.67	\$626.41	
New Albany Area	20,100	44.3	\$11.80	\$522.74	
South Bend MSA	22,100	40.7	\$12.88	\$524.22	
Terre Haute MSA	11,800	43.3	\$14.27	\$617.89	

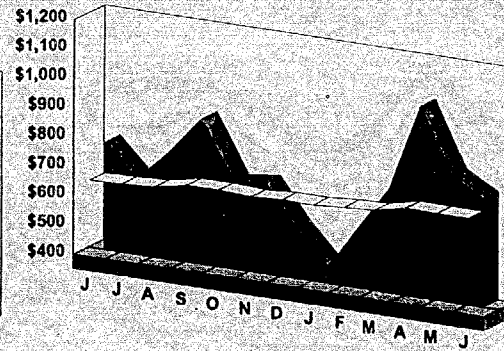
Employment includes schools; Hours and Earnings excludes schools. *The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. (Real) indicates dollars adjusted for changes in consumer prices to 1997 level. Employment and earnings data based on preliminary and revised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

CURRENT TRENDS IN INDIANA'S ECONOMY

June 1996—June 1997

Raw Steel Production

American Iron and Steel Institute
 Year to date: 12.3 million net tons
 12-month total: 24.0 million net tons
 Peak month: March 1997

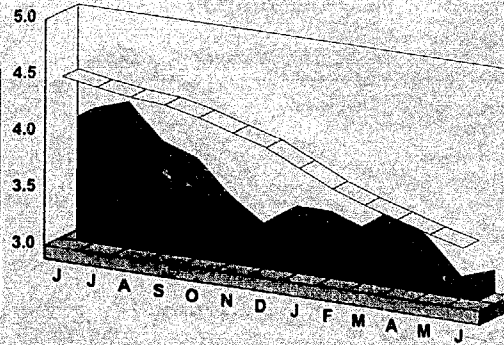
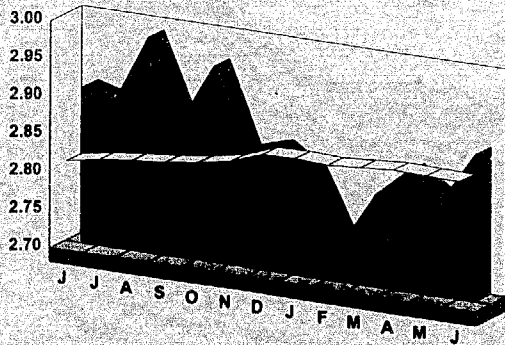


Total Construction Activity (\$MIL)

F.W. Dodge Construction Potentials Bulletin
 Year to date: \$4,458.3 million
 12-month total: \$8,733.2 million
 Peak month: April 1997

Industrial Electricity Sales (Billions)

The 5 Investor owned utilities
 Year to date: 17.0 billion kwh
 12-month total: 34.4 billion kwh
 Peak month: August 1996

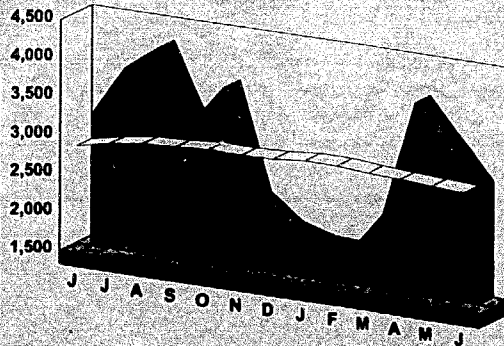
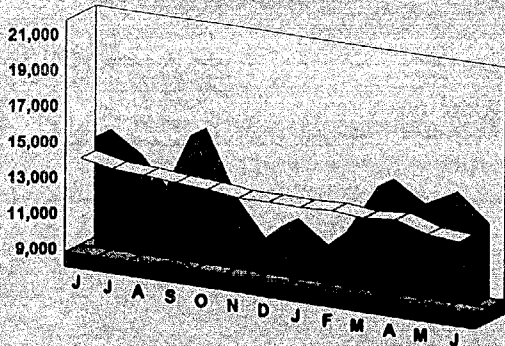


Unemployment Rate

Indiana Department of Workforce Dev.
 Peak month: Feb/March 1997

New Car Registrations

R.L. Polk and Company
 Year to date: 78,622
 12-month total: 154,922
 Peak month: May 1996



Housing Starts

F.W. Dodge Construction Potentials Bulletin
 Year to date: 16,817
 12-month total: 36,466
 Peak month: August 1996

Moving Average

Peak = since 1992

Monthly

Indiana Business Review Update

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strongest sector during the period 1994:3 to 1997:1 with growth at an average annual rate of 22% compared to a national increase that averaged only 4%. Non-durable manufacturing and agricultural services also exceeded the growth rates for those sectors nationally.

However, in all other sectors, Indiana lagged the nation's growth of earnings. Indiana suffered more severe losses in earnings in federal employment (both military and civilian) than did the nation at large. We trailed the nation in the key durable goods sector as well as in state and local government employment and the service sector.

The difference in durable goods between Indiana's rate of growth (0.7%) and that of the nation (23.6%) was small, but the importance of durable goods gives that difference great weight. As figure 5 indicates, durable goods accounted for nearly 24% of all Hoosier earnings at the start of the period under review (1994:3). Business and personal services (including health care) accounted for another 21%, magnifying its small difference from the nation. Similarly, the third largest sector of the Hoosier economy, state and local government, lagged the nation's growth of earnings.

We will need more detailed information on employment and wages before we can identify the

Fig. 4 Growth of Earnings by Sector, 1993:3 to 1997:1

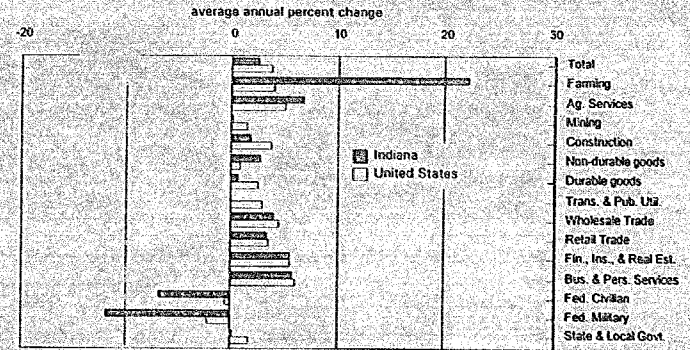
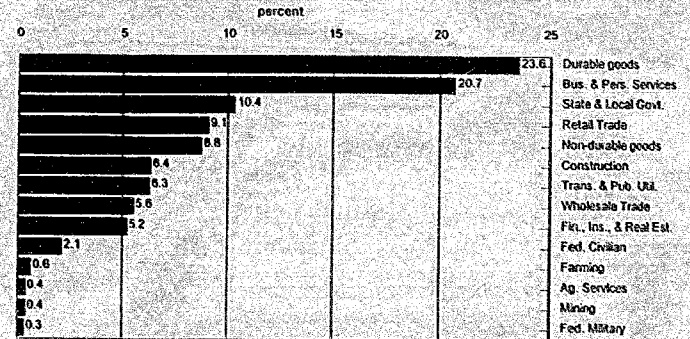


Fig. 5 Shares of Indiana Earnings, 1994:3



cause of Indiana's slippage. Lagging earnings could be the result of slower rates of employment growth or slower rates of growth in earnings per job. The latter case might be the result of lower productivity gains or increased use of employees who do not receive significant benefit packages.

-mjm

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