

# INDIANA BUSINESS REVIEW UPDATE



A MONTHLY OVERVIEW  
OF ECONOMIC TRENDS

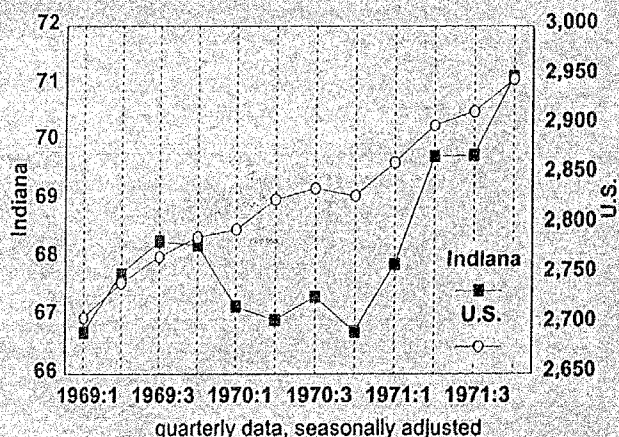
INDIANA BUSINESS RESEARCH CENTER  
INDIANA UNIVERSITY SCHOOL OF BUSINESS

## THE FORGOTTEN HOOSIER RECESSION

Will the strike of United Auto Workers against General Motors bring about a recession? Perhaps we can answer that question by reference to the past.

In 1970, there was a strike by the UAW against GM that lasted from mid-September until mid-November. That strike did not cause a national recession, nor did it cause a recession in Indiana,

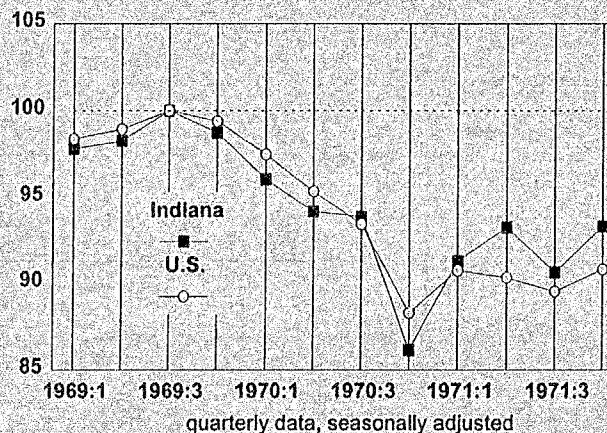
FIGURE 1. PERSONAL INCOME (billions of 1992 dollars)



where the automotive industry and its supporting suppliers are particularly strong.

But there was a recession in Indiana in 1970 that has been forgotten because there was no corresponding recession in the U.S. during that year. If we consider two consecutive quarters of decline in real personal income as the measure of a

FIGURE 2. REAL EARNINGS IN DURABLE GOODS MANUFACTURING (1969:3 = 100)



recession at the state level,<sup>1</sup> Indiana's recession began in the fourth quarter of 1969 and bottomed out a year later (see figure 1).

The UAW-GM strike in the latter part of 1970 may have prolonged that recession, but did not cause it. The recession of 1970 resulted from an earlier downturn in durable goods manufacturing in Indiana and the U.S. (see figure 2). It was accompanied in Indiana by downturns in both construction and retail trade (figure 3). The U.S. did not experience comparable problems in these latter sectors and hence did not have a recession in 1970.

<sup>1</sup> The definition of a recession for the nation is two consecutive quarters of decline in real gross domestic product. We do not, however, have comparable quarterly output data at the state level and are moved to use personal income as a proxy.

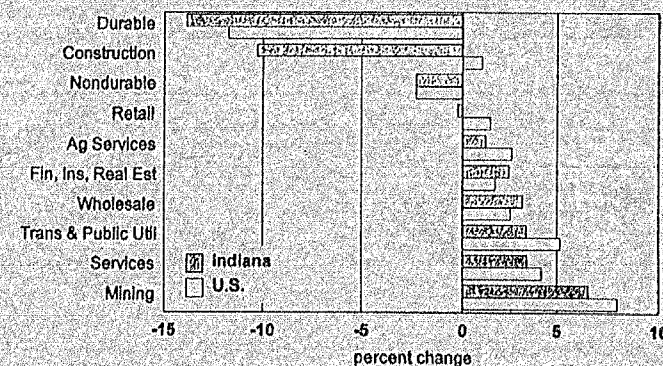
## AUGUST 1998, VOLUME 73, NUMBER 8

CHANGING STRUCTURE. Another reason we do not expect the UAW-GM dispute to cause a recession in Indiana this year is the decline in relative importance of durable goods manufacturing as part of the national and state economies. In 1970, earnings by workers in durable goods industries accounted for more than 13% of personal income in the U.S. and for 26% in Indiana. By 1997, this figure had dropped to 7.7% nationally and 16.3% in the Hoosier state.

It will take a strike of great duration and sweeping impact in the auto industry today to cause a recession. If it did not happen with a strike of 67 days in 1970, when the industry was of more significance in the economy, we should not anticipate a recession in 1998, even in Indiana.

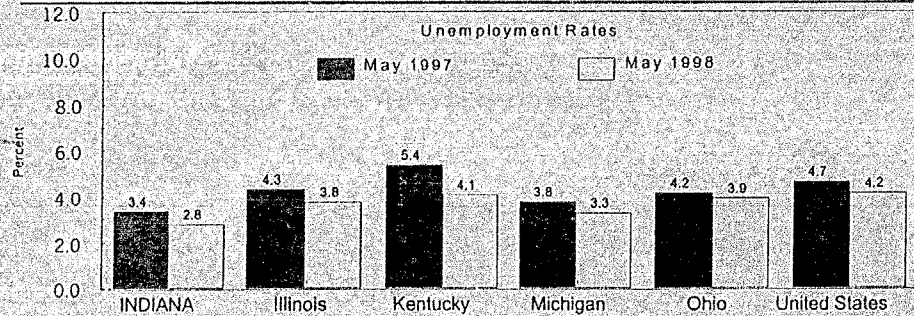
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FIGURE 3. COMPARATIVE CHANGE IN REAL PRIVATE NON-FARM EARNINGS (1969:3 to 1970:4)



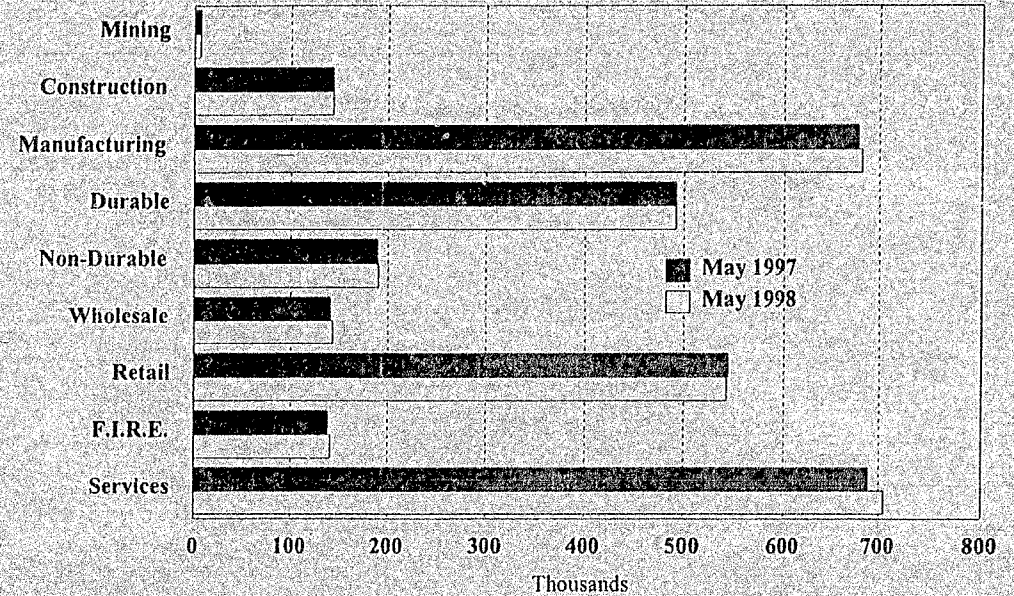
### The Regional Employment Situation

TOTAL PERSONS EMPLOYED	MAY 1997	MAY 1998	NUMBER CHANGE	% CHANGE	RANK IN US
INDIANA	3,011,300	3,030,100	18,800	0.6%	42
Illinois	5,839,300	5,889,700	50,400	0.9%	39
Kentucky	1,828,800	1,866,600	37,800	2.1%	27
Michigan	4,807,300	4,880,000	72,700	1.5%	34
Ohio	5,447,700	5,577,900	130,200	2.4%	24
United States	129,565,000	131,476,000	1,911,000	1.5%	N/A



### Indiana's Non-Ag Employment

Total Non-Ag Employment in May 1998 was 2,912,800, down 0.9% since the same month a year ago.



### Employment - Hours - Earnings

(Not seasonally adjusted)

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

NON-AG WAGE & SALARIED EMPLOYMENT	MAY 1997	MAY 1998	CHANGE	
			NUMBER	PERCENT
Bloomington MSA	64,400	64,900	500	0.8%
Elkhart-Goshen MSA	118,600	116,800	-1,800	-1.5%
Evansville MSA	153,900	153,900	0	0.0%
Fort Wayne MSA	270,600	273,200	2,600	1.0%
Gary MSA	266,600	267,800	1,200	0.5%
Indianapolis MSA	833,600	852,300	18,700	2.2%
Kokomo MSA	52,500	54,000	1,500	2.9%
Lafayette MSA	92,300	94,400	2,100	2.3%
Muncie MSA	61,300	60,700	-600	-1.0%
New Albany Area*	88,100	89,300	1,200	1.4%
South Bend MSA	135,000	136,300	1,300	1.0%
Terre Haute MSA	67,800	66,900	-900	-1.3%

MANUFACTURING	MAY 1998	EMPLOYMENT	AVERAGE WEEKLY HOURS	AVERAGE HOURLY EARNINGS	AVERAGE WEEKLY EARNINGS
Elkhart-Goshen MSA	59,400	39.5	\$12.34	\$487.43	
Evansville MSA	31,800	42.9	\$15.11	\$648.22	
Fort Wayne MSA	75,800	41.8	\$14.76	\$616.97	
Gary MSA	49,600	44.3	\$18.58	\$823.09	
Indianapolis MSA	129,300	44.2	\$15.56	\$687.75	
Kokomo MSA	21,400	51.1	\$20.13	\$1,028.64	
Lafayette MSA	22,100	43.8	\$15.74	\$689.41	
Muncie MSA	9,600	44.9	\$14.23	\$638.93	
New Albany Area*	19,800	42.5	\$12.78	\$543.15	
South Bend MSA	22,800	41.1	\$12.75	\$524.03	
Terre Haute MSA	12,000	46.2	\$14.58	\$673.60	

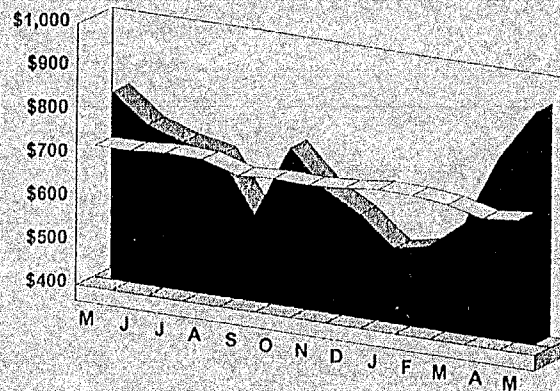
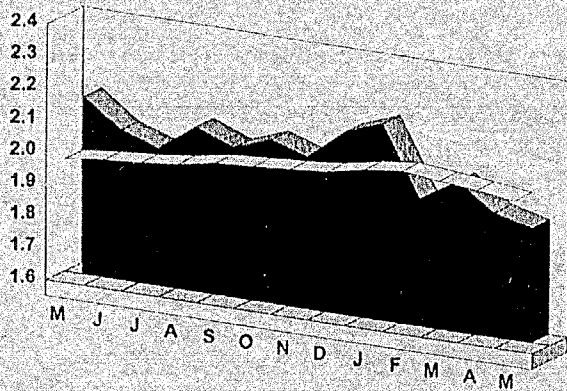
\*The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. Employment and earnings data based on preliminary and revised series provided by the

# CURRENT TRENDS IN INDIANA'S ECONOMY

May 1997—May 1998

## RAW STEEL PRODUCTION

American Iron and Steel Institute  
 Year to date: 10.2 million net tons  
 12-month total: 24.9 million net tons  
 Peak month: January 1998

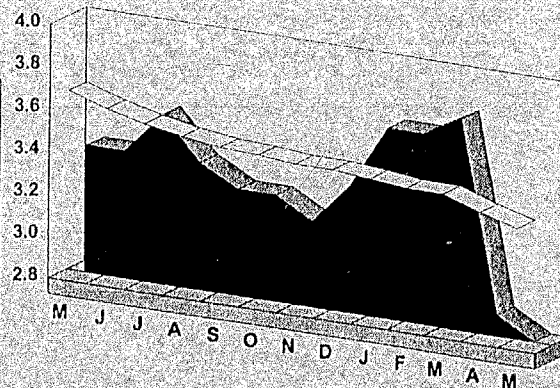
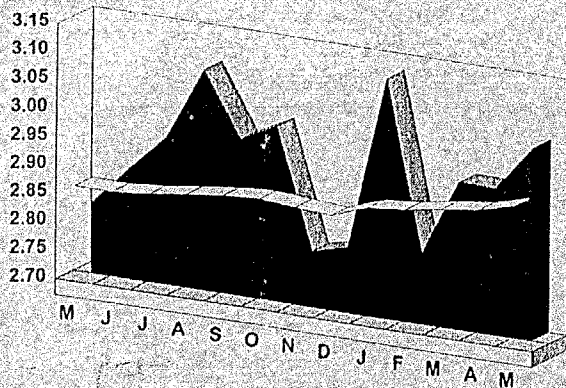


## TOTAL CONSTRUCTION ACTIVITY (\$MIL)

F.W. Dodge Construction Potentials Bulletin  
 Year to date: \$3,570.9 million  
 12-month total: \$8,482.1 million  
 Peak month: April 1997

## INDUSTRIAL ELECTRICITY SALES (BILLIONS)

The 5 investor owned utilities  
 Year to date: 14.9 billion kwh  
 12-month total: 35.4 billion kwh  
 Peak month: January 1998

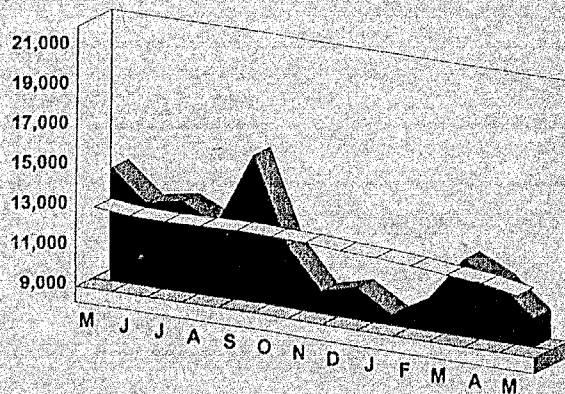


## UNEMPLOYMENT RATE

Indiana Department of Workforce Dev.  
 Peak month: February 1992

## NEW CAR REGISTRATIONS

R.L. Polk and Company  
 Year to date: 55,072  
 12-month total: 143,258  
 Peak month: May 1996



## HOUSING STARTS

F.W. Dodge Construction Potentials Bulletin  
 Year to date: 15,137  
 12-month total: 35,394  
 Peak month: April 1998

*Moving Average*

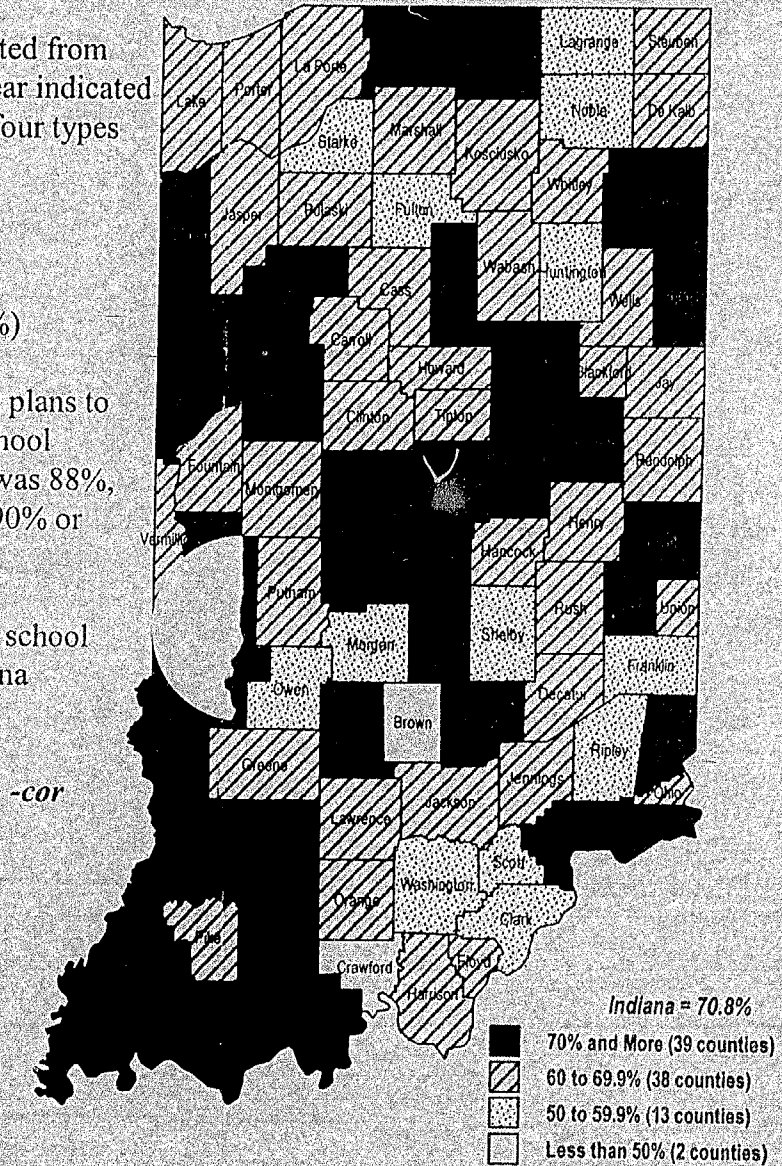


Peak = since 1992

*Monthly*



## PERCENT OF HIGH SCHOOL GRADS GOING ON TO HIGHER EDUCATION 1996/1997 School Year



The majority of seniors who graduated from Indiana's public high schools last year indicated their plans to go on to one of these four types of higher education institutions:

Four Year: 30,675 (53.37%)  
 Two Year: 5,175 (9%)  
 Vocational/Technical: 4,893 (8.51%)

Of the 57,479 graduates, 40,743 had plans to further their education. The high school graduation rate in Indiana that year was 88%, with 39 counties achieving rates of 90% or higher.

These data are based on the 1996/97 school year and were produced by the Indiana Department of Education.

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### Indiana Business Review Update

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