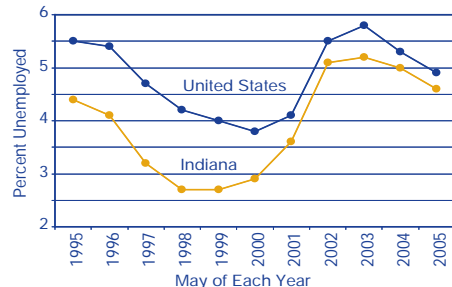


inside

- Indiana's Manufacturing Advantage 1
- Fewer Millionaires and a Larger Middle-Class: Tax Returns from 2003 3
- Planning a City's Future: The South Bend Population Projections 5
- Beyond the Limits: Significant Population Gains Occur Outside Cities and Towns 7
- The Lafayette Metro Area 9
- Starbucks Follows the Wealthy and the College Kids 11

Unemployment: May 2005

Indiana's unemployment rate for May was 4.6, compared to 5 percent for the same month last year.* Visit www.incontext.indiana.edu for a map of the latest rates by county.



*Not seasonally adjusted

Manufacturing Powerhouses

Average Weekly Manufacturing Wages over \$1,000

Rank	County	Average Weekly Wage
1	Howard	\$1,641
2	Posey	\$1,418
3	Porter	\$1,358
4	Gibson	\$1,345
5	Lake	\$1,328
6	Marion	\$1,313
7	Vermillion	\$1,309
8	Warrick	\$1,201
9	Grant	\$1,086
10	Tippecanoe	\$1,054
11	Fayette	\$1,047
12	Perry	\$1,038
13	Madison	\$1,023
14	Hancock	\$1,019
15	Kosciusko	\$1,016
16	Bartholomew	\$1,009

Source: Indiana Department of Workforce Development, Census of Employment and Wages, 2004:4

Indiana's Manufacturing Advantage

With General Motors Corp. announcing that it will cut 25,000 jobs, many Hoosiers are concerned about the impact on our state. Local leaders tend to be optimistic about the prospects for their individual communities because GM has made significant investments in local plants in recent years. At this point, however, for anyone outside GM, the information the company will use to make its final determination of plant reductions or closings is not available.

We may gain a better understanding from what has been happening to employment in Indiana and the United States over the past 10 years. With data for May 1995 and 2005, we can

see how Indiana has tracked with, or differed from, the nation.

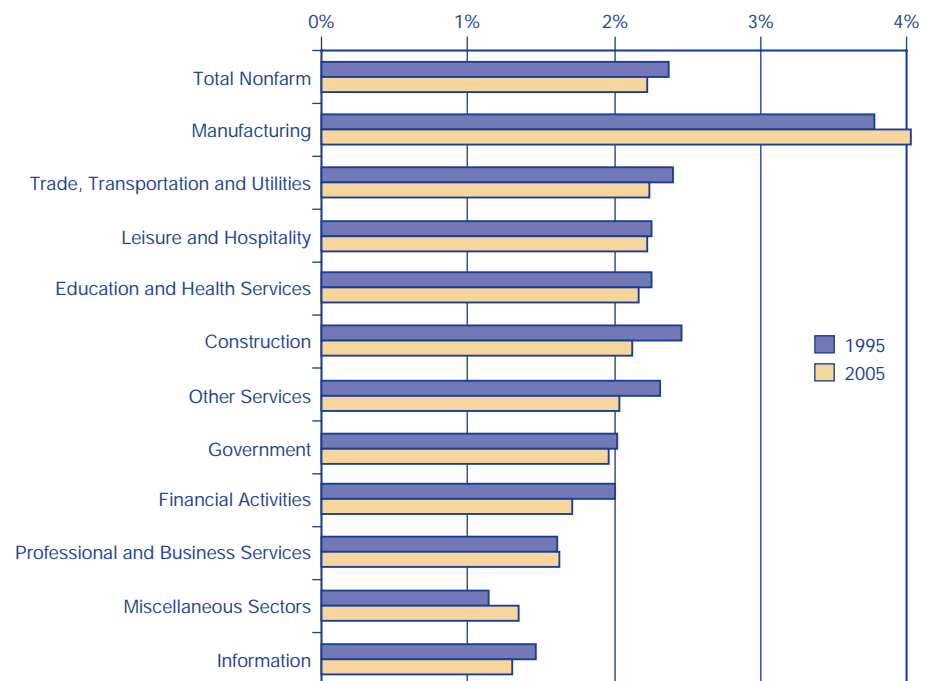
In 1995, Indiana had 2.4 percent of the nation's nonfarm employment; by 2005, this figure had fallen to 2.2 percent (see **Figure 1**). Manufacturing was, and still is, where Indiana is most differentiated from the nation. In 1995, the Hoosier state had 3.8 percent of U.S. manufacturing jobs, compared to just over 4 percent in 2005.

Only Indiana's manufacturing and miscellaneous sectors saw an increase in Indiana's share of U.S. employment.

Ten years ago, the largest sector in Indiana was manufacturing with 651,400 jobs—79,900 above trade,

(continued on page 2)

FIGURE 1: INDIANA'S SHARE OF U.S. EMPLOYMENT,* 1995 AND 2005



*Seasonally adjusted
Source: IBRC, using Current Employment Statistics

(continued from page 1)

TABLE 1: U.S. AND INDIANA EMPLOYMENT,* 1995 AND 2005

Sectors	United States		Indiana	
	May 1995	May 2005	April 1995	April 2005
Total Nonfarm	116,962,000	133,347,000	2,775,900	2,968,600
Manufacturing	17,260,000	14,299,000	651,400	575,300
Trade, Transportation and Utilities	23,779,000	25,824,000	571,500	579,700
Leisure and Hospitality	10,459,000	12,719,000	235,300	283,100
Education and Health Services	13,241,000	17,284,000	299,700	374,300
Construction	5,220,000	7,227,000	128,500	153,400
Other Services	4,555,000	5,468,000	105,400	111,500
Government	19,418,000	21,749,000	392,500	428,500
Financial Activities	6,808,000	8,185,000	137,000	140,700
Professional and Business Services	12,747,000	16,828,000	205,900	272,900
Miscellaneous Sectors	641,000	623,000	7,300	8,400
Information	2,834,000	3,141,000	41,400	40,800

*Seasonally adjusted
Source: IBRC, using Current Employment Statistics

transportation and utilities. Today the positions are reversed. Trade, transportation and utilities are on top with 579,700 jobs—4,400 above manufacturing (see **Table 1**).

During the decade, from 1995 to 2005, manufacturing declined from 23.5 percent of all nonfarm jobs in Indiana to 19.4 percent. **Figure 2** shows how several sectors of the state’s economy increased their shares. For example, professional and business services (accountants,

attorneys, architects, etc.) increased from 7.4 percent to 9.2 percent of the state’s nonfarm jobs. Nationally, manufacturing’s share of nonfarm employment went from 14.8 percent to 10.7 percent.

Another way to look at these changes is to ask, “What portion of jobs would have to be shifted to other sectors to obtain identical distributions?” For example, in 1995, 9.1 percent of Indiana jobs would have to have been shifted to other sectors to obtain the

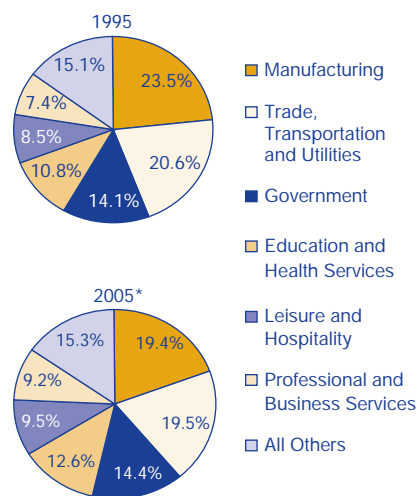
same percentage distribution as the United States in that year. In 2005, 8.8 percent of the state’s jobs would have to have been changed among the various sectors. This tells us that Indiana’s employment structure is moving toward the national pattern.

Between 1995 and 2005, most Indiana sectors did not grow as rapidly as their U.S. counterparts (see **Figure 3**). The differences in growth rates can be converted into jobs. This is the traditional “shift-share analysis,” where a state or community is compared with a larger unit (the nation or a state).

First, we calculate the number of jobs Indiana would have gained if it had grown at the national rate (see **Column A** in **Table 2**). This would be Indiana’s share of national growth. The actual change in employment is shown in **Column B**. Subtracting the hypothetical change from the actual change gives us the shift in employment that took place, as shown in **Column C**.

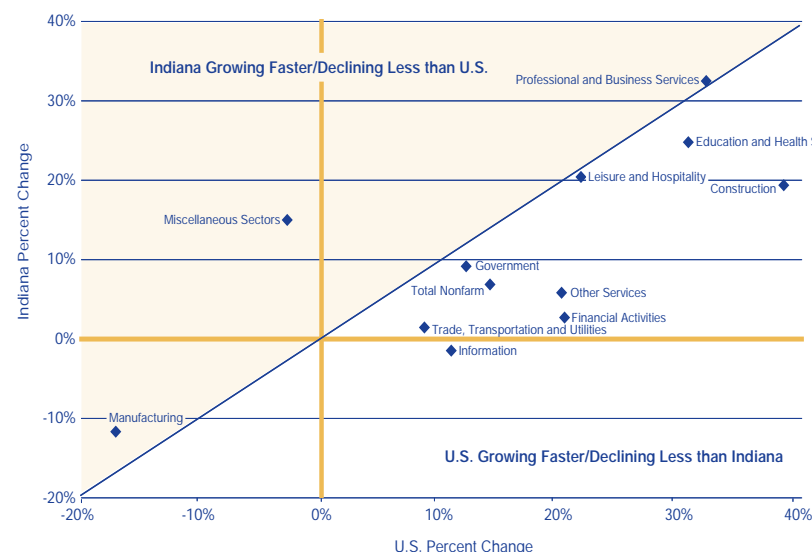
Thus, Indiana may be said to have had a competitive advantage
(continued on page 12)

FIGURE 2: INDIANA’S JOB DISTRIBUTION



*Due to rounding, percentages shown do not total 100.
Source: IBRC, using Current Employment Statistics

FIGURE 3: PERCENT CHANGE IN EMPLOYMENT, 1995 TO 2005



Source: IBRC, using Current Employment Statistics

Fewer Millionaires and a Larger Middle-Class: Tax Returns from 2003

According to the Census of Governments, 52 percent (\$11.2 billion) of the money coming into the state government's coffers was from taxes. The other half of the state's general revenue came in the form of intergovernmental revenue, current charges and miscellaneous revenue.¹ Indiana's largest sources of state government revenue (55.5 percent) are general and selective sales taxes,

contributing a collective \$6.2 billion. The personal income tax is the state government's next largest revenue stream, contributing \$3.6 billion or 32.5 percent (see **Figure 1**).

For the 2003 tax year (payable in 2004), 2.83 million personal income tax returns were filed, a 1.1 percent decline (32,032 returns) since 2002. (This includes all filing types and out-of-state taxpayers who owed Indiana

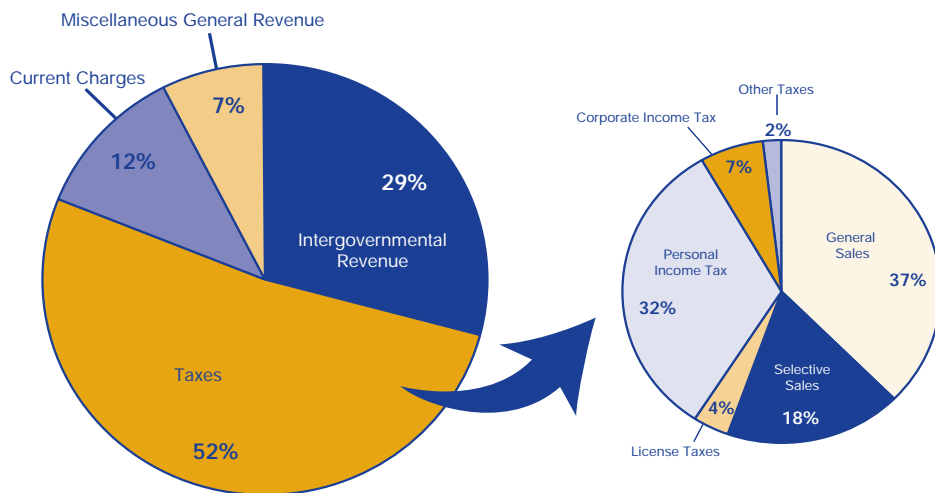
taxes.) Over the same time period, the population increased by 0.7 percent (41,244).

Returns for taxpayers in the \$20,001 to \$30,000 income bracket declined the most, and the largest increase was for taxpayers in the \$75,001 to \$100,000 income tax bracket. There were 105 fewer returns reporting over \$1 million in income and an increase of 5,225 returns reporting no income in 2003. Total federal adjusted gross income (AGI) for Indiana taxpayers and those non-resident filers was \$116.6 billion, slightly down from the previous year (see **Table 1**). AGI is the sum of all taxable sources of income (capital gains, dividends, pension and annuity income), less any adjustments allowed.

Marion and Lake county residents filed one-fifth of the state's tax returns and had a fifth of the state's total federal AGI. However, both Allen (6.1 percent) and Hamilton (6.5 percent) counties paid a larger share of income taxes than Lake County.²

The average AGI for all filing types increased by 1.1 percent to \$41,165

FIGURE 1: STATE GOVERNMENT FINANCES, 2003



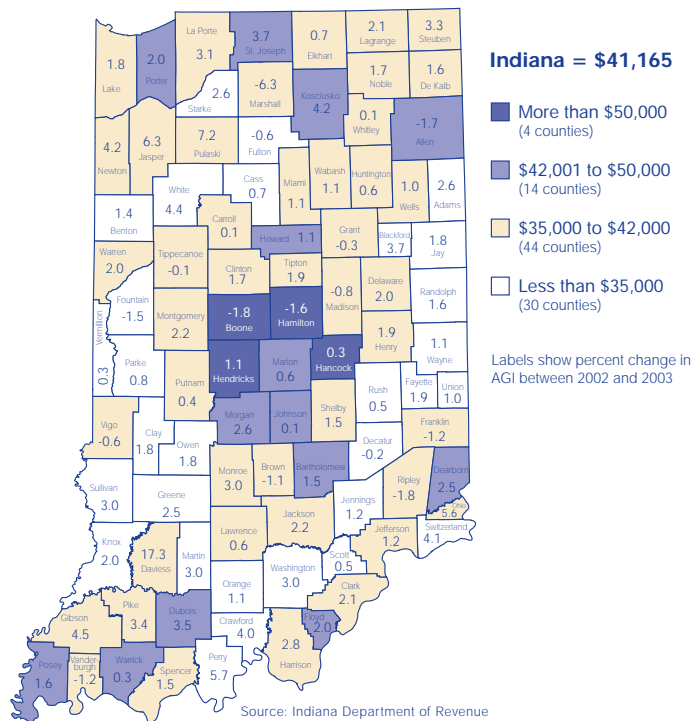
Source: IBRC, using Census of Governments

TABLE 1: INDIANA INCOME TAX RETURNS, 2003 PAYABLE 2004

Income Brackets	Returns	Distribution	Change	Change 2002-2003	Value of Returns	Distribution	Change	Change 2002-2003
Number of Tax Returns Filed	2,833,942	100%	-32,032	-1.1%	\$116,659,257,951	100%	-\$39,350,472	-0.03%
Equal To Zero	172,265	6.1%	5,225	3.1%	-\$551,073,332	-0.5%	\$52,277,109	-8.7%
\$0.01-\$10,000	702,850	24.8%	-11,841	-1.7%	\$5,342,423,861	4.6%	\$223,473	0.0%
\$10,001 to \$20,000	451,137	15.9%	-8,253	-1.8%	\$8,614,989,013	7.4%	-\$94,413,980	-1.1%
\$20,001 to \$30,000	357,414	12.6%	-11,921	-3.2%	\$10,586,989,877	9.1%	-\$313,150,029	-2.9%
\$30,001 to \$40,000	270,720	9.6%	-6,852	-2.5%	\$10,984,293,326	9.4%	-\$255,572,810	-2.3%
\$40,001 to \$50,000	211,554	7.5%	-7,617	-3.5%	\$10,824,634,673	9.3%	-\$375,928,842	-3.4%
\$50,001 to \$75,000	355,567	12.5%	-4,560	-1.3%	\$24,015,012,101	20.6%	-\$271,141,191	-1.1%
\$75,001 to \$100,000	162,781	5.7%	7,728	5.0%	\$15,030,529,874	12.9%	\$707,889,089	4.9%
\$100,001 to \$250,000	128,619	4.5%	6,499	5.3%	\$18,498,141,796	15.9%	\$802,226,109	4.5%
\$250,001 to \$500,000	14,649	0.5%	-80	-0.5%	\$5,018,466,696	4.3%	-\$62,974,495	-1.2%
\$500,001 to \$1 million	4,443	0.2%	-255	-5.4%	\$2,956,498,288	2.5%	-\$216,614,582	-6.8%
Over \$1 million	1,943	0.1%	-105	-5.1%	\$5,338,351,778	4.6%	-\$12,170,324	-0.2%
Income Greater than \$50,000	668,002	23.6%	9,227	1.4%	\$70,857,000,533	60.7%	\$947,214,606	1.4%
Income Greater than \$100,000	149,654	5.3%	6,059	4.2%	\$31,811,458,558	27.3%	\$510,466,708	1.6%

Source: IBRC, using Indiana Department of Revenue data

FIGURE 2: AVERAGE ADJUSTED GROSS INCOME, 2003

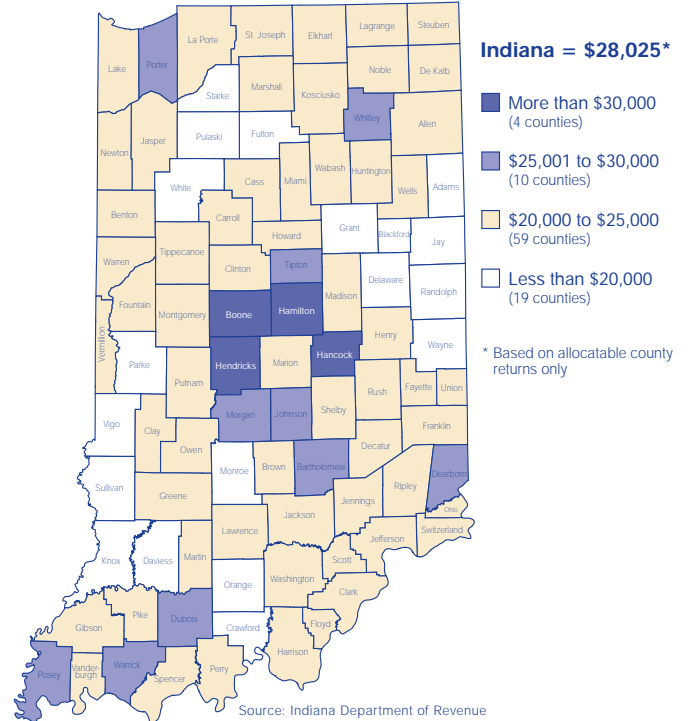


over the year. This increase did not keep pace with inflation, which was 2.3 percent for the same time period. **Figure 2** is a good depiction of where wealth is located in the state, which not surprisingly encompasses the major metro areas. The most notable increase is the average value per return in Daviess County (17.3 percent), where 121 fewer returns were filed but the cumulative value of those returns rose by \$65 million.

Figure 3 looks at the median AGI. When there are some tax returns with very high incomes, the median is a closer measure of the “typical” taxpayer.³

Figure 4 looks at the average tax due per return before withholding and credits are figured into the equation. (Note: Only returns with tax liability were used as a base for this calculation.) As we might expect, the counties with the highest average adjusted gross incomes also had the largest income tax liability. Hamilton County led the state with an average

FIGURE 3: MEDIAN ADJUSTED GROSS INCOME, 2003



tax of \$3,285 per return. However, this has dropped \$52 since 2002.

The income tax—just another piece of the economic puzzle but certainly an avenue that should be explored.

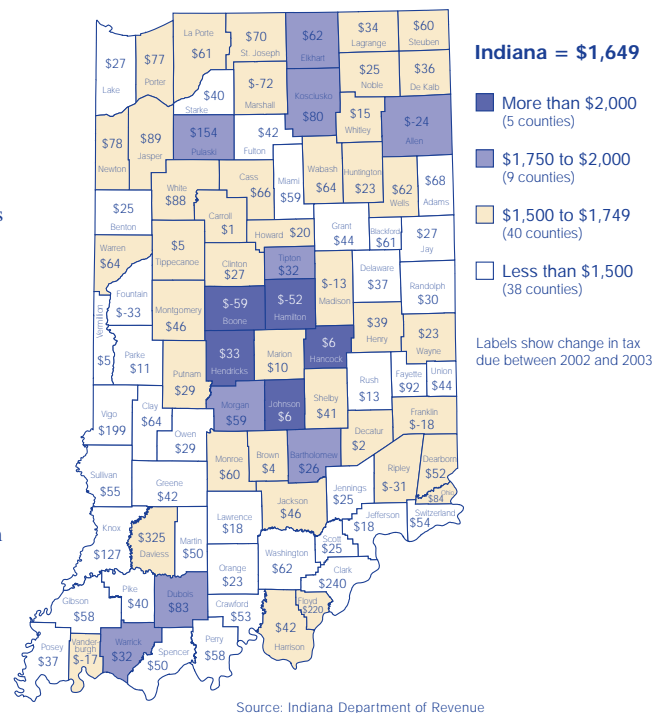
3. This figure is not the same as the median household income reported by the Census Bureau; this figure represents the adjusted gross income that is higher than half of the incomes reported on individual income tax returns.

—*Amber Kostelac, Data Manager, Indiana Business Research Center, Kelley School of Business, Indiana University*

Notes

- Intergovernmental revenue comprises monies from other governments, including grants, shared taxes, and contingent loans and advances for support or reimbursement of particular functions or for general financial support. Current charges are those imposed for providing current services or for the sale of products in connection with general government activities. Miscellaneous revenue comprises all other general revenue of governments from their own sources (other than liquor store, utility and insurance trust revenue).
- For percent of state calculations, out-of-state taxpayers were removed from the state total. Incidentally, those out-of-state residents filed 122,000 returns and contributed \$3.4 billion to Indiana’s total federal AGI.

FIGURE 4: AVERAGE TAX DUE PER RETURN, 2003



Planning a City's Future: The South Bend Population Projections

The Indiana Business Research Center is responsible for generating the official population projections for Indiana and its 92 counties. While the Center does not regularly create projections for Indiana's cities, sometimes the need does arise. Planners for South Bend have recently been working on a 20-year comprehensive plan, and they sought our expertise in developing population projections for their city.¹

Table 1 shows the projections generated for South Bend, as well as the projections previously produced for St. Joseph County (released July 2003).²

Figure 1 illustrates that South Bend's expected growth is very small throughout the projected horizon, while the population of St. Joseph County as a whole is expected to increase by about 25,000 residents. South Bend's share of St. Joseph County's population is expected to decrease from 40.5 percent in 2005 to 38.1 percent in 2025.

Details about the projected South Bend population with regard to age,

sex, race and Hispanic ethnicity were also necessary for the city's planning efforts. The requested race categories were white alone, black alone, all other races alone and two or more races. (Note that Hispanic is considered an ethnicity, not a race.)

Implications for Housing

Demand for housing will not increase much based on current trends and projected population growth. As seen in Figure 1, the size of South Bend's population is expected to change very little over the planning horizon. Therefore, it will remain challenging to fill the existing excess housing capacity.

According to the 2000 Census, 7.4 percent of the housing units in South Bend were vacant, compared to 7.6 percent in 1990. Of the units occupied in 2000, 36.9 percent were renter-occupied compared to 34.1 percent in 1990. Therefore, the vacancy rate should continue to decrease very slightly, while the proportion of renter-occupied units is likely to increase.

TABLE 1: POPULATION PROJECTIONS

Year	South Bend	Percent of County	St. Joseph County
2005	107,889	40.5	266,371
2010	108,368	40.1	270,266
2015	109,158	39.5	276,679
2020	110,045	38.8	283,885
2025	110,914	38.1	290,946

Source: IBRC

Developers may be drawn to the suburban areas of the county where more population growth is expected. However, the city does not face the utilities and infrastructure challenges encountered with ever-increasing suburbanization. Moreover, tax abatements provided to residences in certain parts of South Bend may entice some people to stay within the city limits. City planners may also wish to brainstorm about creative ways to encourage developers to take on urban renewal projects, along with the possibility of using annexation to capture more of the surrounding growth.

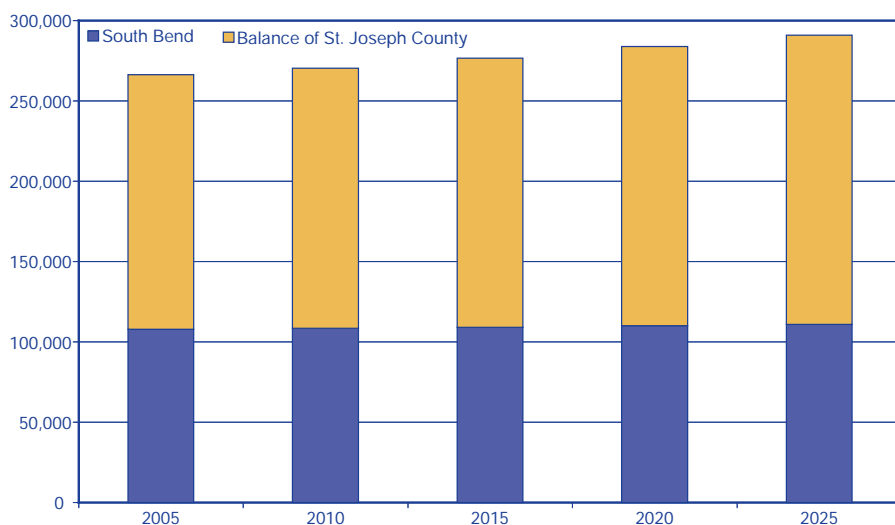
Implications for Education

The population of school-age children, like the overall population, is projected to change very little over the planning horizon (see Table 2).

A slight decrease in total numbers is expected through the remainder of the current decade, followed by slight increases thereafter. This is due to a combination of demographic effects, such as changes in the number of women of child-bearing age, differing fertility rates by age group, etc. (Note that the figure projected for the year 2025 is slightly lower than the 2005 figure.)

More noteworthy are the expected shifts in the race and Hispanic proportions. In particular, it appears that

FIGURE 1: PROJECTED POPULATION SHARES, 2005 TO 2025



Source: IBRC

an increased effort to accommodate the educational needs of the growing Hispanic and multiracial populations will be required. The Hispanic population, as a share of the total for this age group, is expected to increase by 5.1 percentage points over the 20-year planning horizon. Meanwhile, the proportion within the “two or more races” category is expected to increase by 3.2 percentage points, and the “all other races alone” group is predicted to rise by 2.4 percentage points. These projections serve as a testament to the increasing diversity of the South Bend community in general and the imminent increase in multiculturalism within the city’s schools.

Implications for Economic Development

One of the things those involved with economic development efforts may need to consider is the size of the available workforce. The population age 25 to 54 (the prime working years) is expected to decrease by 3,762 over

the 20-year period. That is not a huge decrease, but it is certainly worth noting.

As is the case for education, the race and ethnicity shifts are also relevant considerations for economic developers (see **Table 3**). The shifts for this age group are not as big as those projected for the school-age population, but they are nonetheless worthy of note. The proportion of working-age Hispanics is expected to rise by 3.1 percentage points, while that of the “two or more races” group will increase by 1.8 percentage points, and the “all other races alone” category is predicted to gain 2.1 percentage points.

As time goes on, it will be even more advantageous for business leaders and managers to have bilingual or multilingual capabilities to communicate effectively with workers who have varying degrees of proficiency with the English language. This is especially the case for entrepreneurs and managers who wish to develop new opportunities in

the services industries, since many of those businesses may seek low-skilled or semi-skilled labor that is often supplied by international migrants. This also applies to businesses who wish to leverage the high-skilled talents of the international students and graduates of the University of Notre Dame.

Having said all of that, economic developers are not stuck with the hand that has been dealt by our population projections. If economic developers are able to stimulate growth in employment opportunities in South Bend, new working-age residents should be attracted to the area.

Notes

1. This article is a summary of a report prepared for the City of South Bend. The full version is available at www.southbendcityplan.org/Appendix%20C.pdf.
2. Projections through 2040 for Indiana and all 92 counties are available at www.stats.indiana.edu/pop_proj/.

—*Vincent Thompson, Economic Analyst, Indiana Business Research Center, Kelley School of Business, Indiana University*

TABLE 2: PROJECTED POPULATION, AGE 5 TO 19 YEARS OLD

Year	Total		White Alone		Black Alone		All Other Races Alone		Two or More Races		Hispanic	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
2005	22,854	100%	11,987	52.5%	7,538	33.0%	1,915	8.4%	1,414	6.2%	2,924	12.8%
2010	22,372	100%	11,551	51.6%	6,969	31.2%	2,206	9.9%	1,646	7.4%	3,436	15.4%
2015	22,573	100%	11,567	51.2%	6,902	30.6%	2,275	10.1%	1,829	8.1%	3,770	16.7%
2020	22,755	100%	11,470	50.4%	6,948	30.5%	2,363	10.4%	1,974	8.7%	3,979	17.5%
2025	22,795	100%	11,361	49.8%	6,833	30.0%	2,466	10.8%	2,135	9.4%	4,090	17.9%

Source: IBRC

TABLE 3: PROJECTED POPULATION, AGE 25 TO 54 YEARS OLD

Year	Total		White Alone		Black Alone		All Other Races Alone		Two or More Races		Hispanic	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
2005	43,560	100%	29,079	66.8%	10,459	24.0%	3,194	7.3%	828	1.9%	4,102	9.4%
2010	42,396	100%	27,628	65.2%	10,535	24.8%	3,310	7.8%	923	2.2%	4,353	10.3%
2015	40,988	100%	26,079	63.6%	10,418	25.4%	3,433	8.4%	1,058	2.6%	4,613	11.3%
2020	40,016	100%	25,019	62.5%	10,237	25.6%	3,536	8.8%	1,224	3.1%	4,767	11.9%
2025	39,798	100%	24,430	61.4%	10,187	25.6%	3,726	9.4%	1,455	3.7%	4,991	12.5%

Source: IBRC

Beyond the Limits: Significant Population Gains Occur Outside Cities and Towns

Is living close to the city, but not actually in the city, the wave of Indiana's future? Analysis of the latest population estimates for Indiana's cities, towns and the unincorporated parts of our counties lead to that tantalizing question.

Between 2000 and 2004, the unincorporated areas of our counties gained more people (111,000) than our cities and towns (43,000). People are making a distinct choice, a choice that allows them to be in close proximity to cities and towns in their counties, but not living within the city or town limits (see **Figure 1**).

One of Indiana's historical advantages has been its proximity to the majority of the U.S. population, a benefit to businesses and residents alike. Planes, trains and automobiles can take Hoosiers to any number of large metropolitan areas within 250

miles. Such advantages now seem to apply to lifestyle choices of people opting to live close to Fort Wayne, Evansville or Terre Haute, but not actually in those cities. Notably, of the 20 counties experiencing the greatest percentage growth in population outside cities and towns, all are either part of a metropolitan or micropolitan statistical area (see **Table 1**).

Before we think our cities and towns will disappear, it is important to note the significant increases in population that have occurred over the past four years, most notably in the up-and-coming cities and towns near our larger metro areas. More findings for the Hoosier State:

- Indiana now has one fewer city in the 100,000+ category, as Gary dipped below that mark with an estimated population of 99,516.
- None of Indiana's four remaining cities with more than 100,000 people (Indianapolis, Evansville, South Bend and Fort Wayne) saw a population gain from 2003 to 2004.
- Population has decreased over the four-and-one-quarter years since Census 2000 in three of those four cities. Indianapolis saw a gain of only 0.3 percent over this period, while Evansville, South Bend and

FIGURE 1: SOURCE OF POPULATION CHANGE, 2000 TO 2004

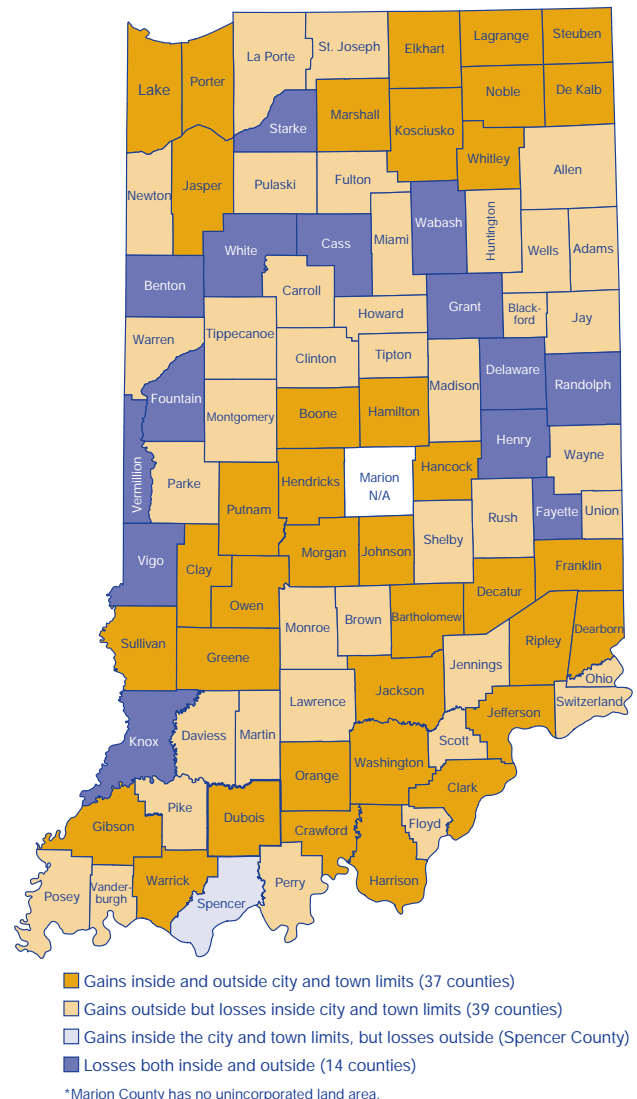


TABLE 1: POPULATION TRENDS*, 2000–2004

County	Growth Rate		Percent within City Limits		Direction of Change
	Outside	Inside	2000	2004	
Hamilton	34.4	24.3	75	73	↓
Hendricks	19.3	17.9	50	49	↓
Hancock	12.2	7.2	44	43	↓
Allen	12.2	-0.2	73	71	↓
Clark	11.9	0.7	67	65	↓
Boone	11.7	9.2	58	57	↓
Vanderburgh	11.3	-3.5	71	68	↓
Elkhart	9.4	0.8	52	50	↓
Johnson	9.3	9.2	63	63	↔
Ohio	8.3	-1.4	44	42	↓
Tippecanoe	7.7	-1.2	63	61	↓
Warrick	7.7	1.3	28	27	↓
Switzerland	7.4	-4.5	21	19	↓
Dearborn	7.2	1.8	34	33	↓
Porter	6.7	4.7	58	58	↔
Harrison	6.6	1.9	14	14	↔
Warren	6.6	-0.2	37	36	↓
Owen	6.3	3.8	15	14	↓
Monroe	5.9	-2.8	63	61	↓
Scott	5.8	-0.5	47	45	↓

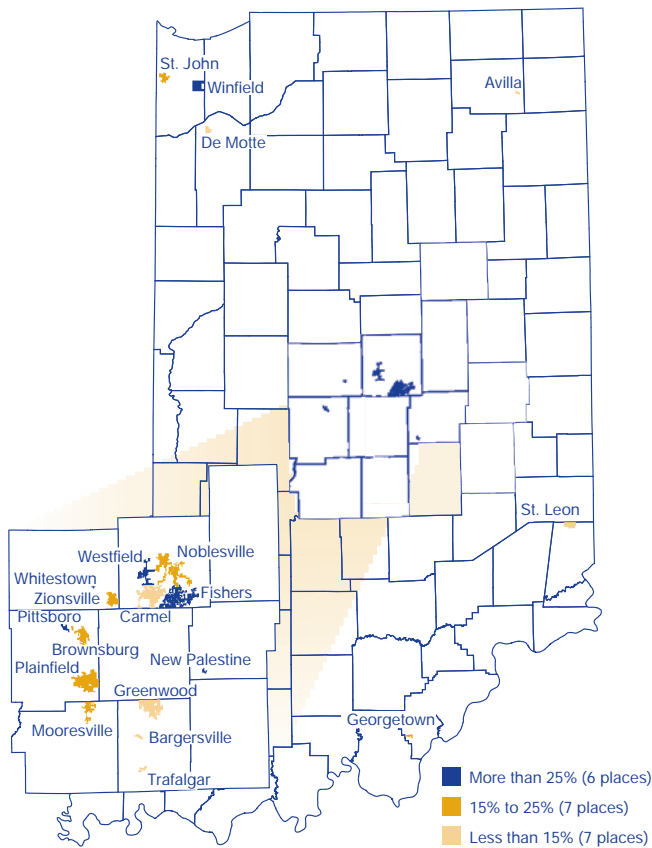
*Population growth outside cities and towns dominated these counties. The percent of population living within city limits declined in most of these counties.

Source: IBRC, using U.S. Census Bureau 2000 and 2004 estimates

Fort Wayne sustained losses of 3.6 percent, 2.3 percent and 0.5 percent, respectively. (However, Fort Wayne would show a gain of 6.6 percent if growth due to boundary annexations was included.)

- Of Indiana's cities with populations greater than 50,000, Fishers had the fastest "true" growth since Census 2000; **Table 2** shows an increase from about 38,000 to more than 54,000 residents (43 percent). If you

FIGURE 2: FASTEST GROWING CITIES AND TOWNS,* 2000 TO 2004



*Based on Percent Change
Source: IBRC

TABLE 2: INDIANA'S FASTEST GROWING CITIES AND TOWNS, 2000 TO 2004

Place	Rank	Estimate Base	Population Estimate	Percent Change
		April 1, 2000	July 1, 2004	April 2000 - July 2004
Winfield	1	2,028	3,330	64.2%
Whitestown	2	478	688	43.9 %
Fishers	3	38,029	54,330	42.9 %
Pittsboro	4	1,588	2,180	37.3 %
Westfield	5	9,344	11,911	27.5 %
New Palestine	6	1,264	1,593	26.0 %
Noblesville	7	28,846	35,438	22.9 %
Plainfield	8	18,523	22,564	21.8 %
Zionsville	9	8,814	10,650	20.8 %
Brownsburg	10	14,631	17,622	20.4 %
St. John	11	8,493	9,975	17.4 %
Mooresville	12	9,275	10,826	16.7 %
Georgetown	13	2,227	2,561	15.0 %
De Motte	14	3,234	3,710	14.7 %
Carmel	15	50,952	58,198	14.2 %
Trafalgar	16	798	908	13.8 %
Greenwood	17	36,350	40,813	12.3 %
Bargserville	18	2,120	2,369	11.7 %
Avilla	19	2,049	2,284	11.5 %
St. Leon	20	458	509	11.1 %

Source: IBRC

consider growth due to post-2000 boundary annexations, Carmel's gains exceeded Fishers', surging from about 38,000 to more than 58,000 (54 percent).

- Among the largest 25 Hoosier cities and towns, Noblesville (ranked 22nd) experienced the next fastest growth since the last census with an increase of about 23 percent. Greenwood also turned in a double-digit increase at 12 percent and ranks 18th in estimated population. Other top 25 cities showing some growth are Lawrence (17th) and Portage (23rd), each posting a gain of about 5 percent. Also, Mishawaka (15th) increased 3.8 percent, Merrillville (25th) saw a 2.3 percent gain, while Columbus (19th) picked up a meager 0.5 percent.

- The town of Winfield (Lake County) experienced the highest percentage increase since Census 2000 at 64 percent (see **Figure 2**). The town's 2004 population is estimated to be 3,330. Whitestown edges out Fishers for second fastest growth at 44 percent, but has an estimated population of only 688 residents. Other places showing growth greater than 25 percent are Pittsboro at about 37 percent, as well as Westfield at 27.5 percent and New Palestine at 26 percent (see **Table 2**).
- Indianapolis' status as the 12th largest city in the nation will likely change soon, as 13th-ranked Jacksonville, Fla. is on a trajectory to eclipse Indy before the end of 2005. Fort Wayne ranks 84th nationally, while Evansville and

South Bend place at 201st and 225th, respectively.

When U.S. cities from the 100,000+ group are ranked by the estimated percent change in population since Census 2000, Indiana's four largest cities can be found at the bottom third of the list. Among all 251 cities in that group, Indianapolis ranks 175th, Fort Wayne ranks 193rd, South Bend ranks 222nd and Evansville ranks 244th. Only time and the next decennial census will show if the trend in population growth outside of cities will continue. More information on this topic can be found on STATS Indiana at www.stats.indiana.edu.

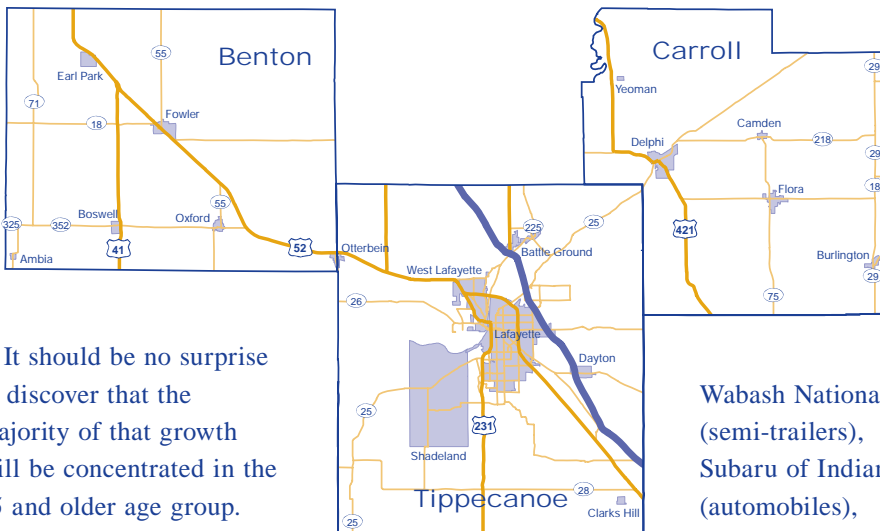
—Carol O. Rogers, Executive Editor, and Vincent Thompson, Economic Analyst, Indiana Business Research Center, Kelley School of Business, Indiana University

The Lafayette Metro Area

The Area

With a population exceeding 150,000, Tippecanoe County is at the core of the Lafayette Metropolitan Statistical Area (metro). When metropolitan areas were redefined a few years back, Clinton County seceded from the Lafayette definition to form the Frankfort Micropolitan Area. In exchange, the Lafayette metro picked up Carroll and Benton counties to hit 181,512 residents, according to the 2004 population estimates from the U.S. Census Bureau.

Since Census 2000, the metro has grown 1.6 percent—slower than the state’s 2.4 percent during that same time period. Despite its slow start, projections from the Indiana Business Research Center indicate that, by 2020, the Lafayette metro will have grown 15.3 percent from Census 2000. That is 4.4 percentage points higher than Indiana overall.



It should be no surprise to discover that the majority of that growth will be concentrated in the 45 and older age group. However, compared to most other parts of the state, Lafayette shows respectable growth in the younger age groups (see **Figure 1**).

Industrial Mix and Jobs

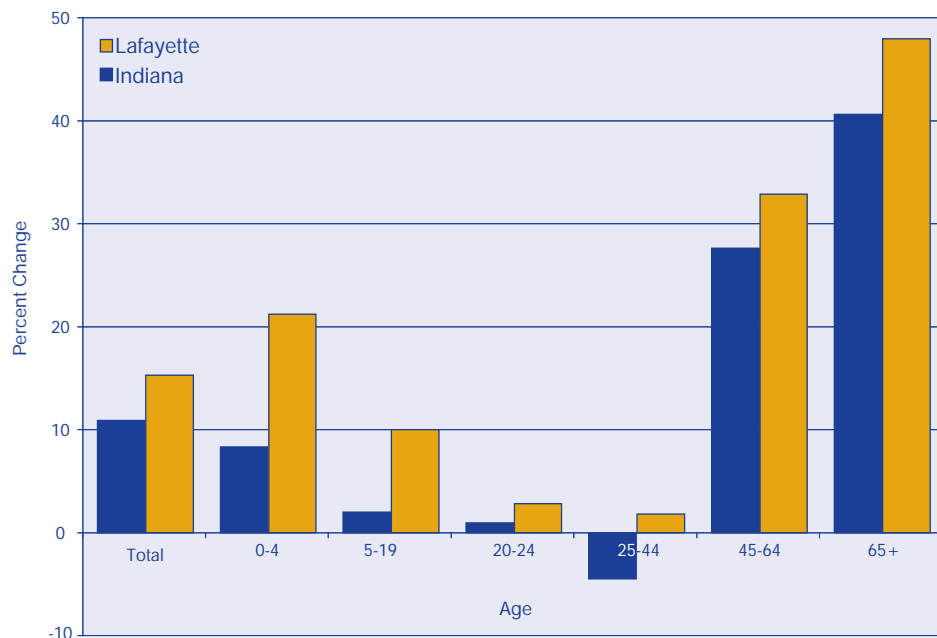
More than 81,000 jobs exist in the Lafayette metro, with manufacturing as the largest industry. Major manufacturers in the region include

Wabash National (semi-trailers), Subaru of Indiana (automobiles), Caterpillar (construction

machinery) and Alcoa (aluminum extrusions). As of the third quarter of 2004, manufacturing accounted for 21.1 percent of the metro area workforce, about the same as seen in the state overall.

However, with over 13,000 employees, Purdue University is the area’s largest single employer (see **Table 1**) and plays a dominant role in the local economy. The Purdue Research Park is indicative of this, as it serves as a partnership between the university and private businesses in an effort to spur innovation and counteract “brain drain.” In 2004, it was named the top research park in the nation by the Association of University Research Parks. More than 90 companies are located in the park, and many are developing Purdue-licensed technologies. Endocyte is one such company, founded in 1996, which just opened new state-of-the-art facilities in the park. The biotechnology firm is developing receptor-targeted therapies for cancer and autoimmune diseases, a treatment discovered by Purdue University researchers.

FIGURE 1: PROJECTED POPULATION GROWTH, 2000 TO 2020



Source: IBRC

TABLE 1: TOP TEN EMPLOYERS IN TIPPECANOE

Purdue University	13,831
Wabash National Corp.	3,100
Greater Lafayette Health Services	2,600
Subaru of Indiana, Inc.	2,600
Caterpillar Tractor	1,400
Arnett Clinic	1,291
Tippecanoe School Corp.	1,245
Eli Lilly & Company	1,200
Lafayette School Corp.	965
Alcoa	907

Source: Lafayette-West Lafayette Economic Development Corporation

Butler International, an engineering design firm, is one of the recent additions to the Purdue Research Park. The company opened an office at the beginning of the year, creating 40 jobs. That number may grow to 200 by the end of this year (2005), contingent upon several anticipated contracts.

Commuting

Tippecanoe County draws workers, not only from the other counties in the metro area, but from other surrounding counties, according to the preliminary data for 2003. Overall, 19,283 people commute to Tippecanoe County, while just over 4,200 Tippecanoe County residents find work elsewhere (see **Figure 2**).

Wages and Compensation

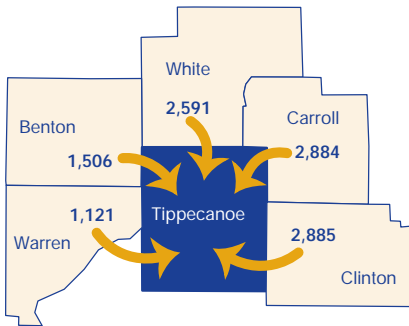
Lafayette falls in the middle of the pack among the state's metro areas when it comes to average weekly wages (see **Figure 3**). Lafayette's average weekly wage was \$642 for the third quarter of 2004, slightly lower than the

state overall (\$655). At the industry level, wages were slightly higher than the state in transportation and warehousing (\$723) and health care and social services (\$676).

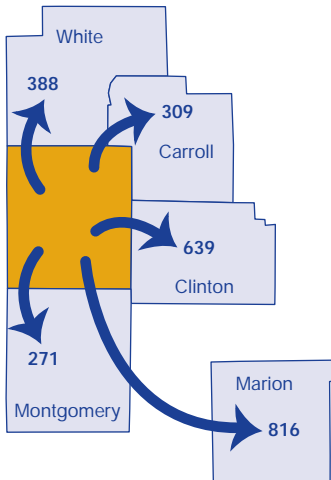
Total compensation for 2003, which includes contributions to pension, insurance and government social insurance, shows the average annual compensation per job was \$39,997 in the Lafayette metro, representing a 10.1 percent growth over 2001. This equals 97 percent of the average state compensation, up from 96 percent in 2001.

—Rachel Justis, Managing Editor, Indiana Business Research Center, Kelley School of Business, Indiana University

FIGURE 2: COMMUTERS INTO TIPPECANOE, 2003

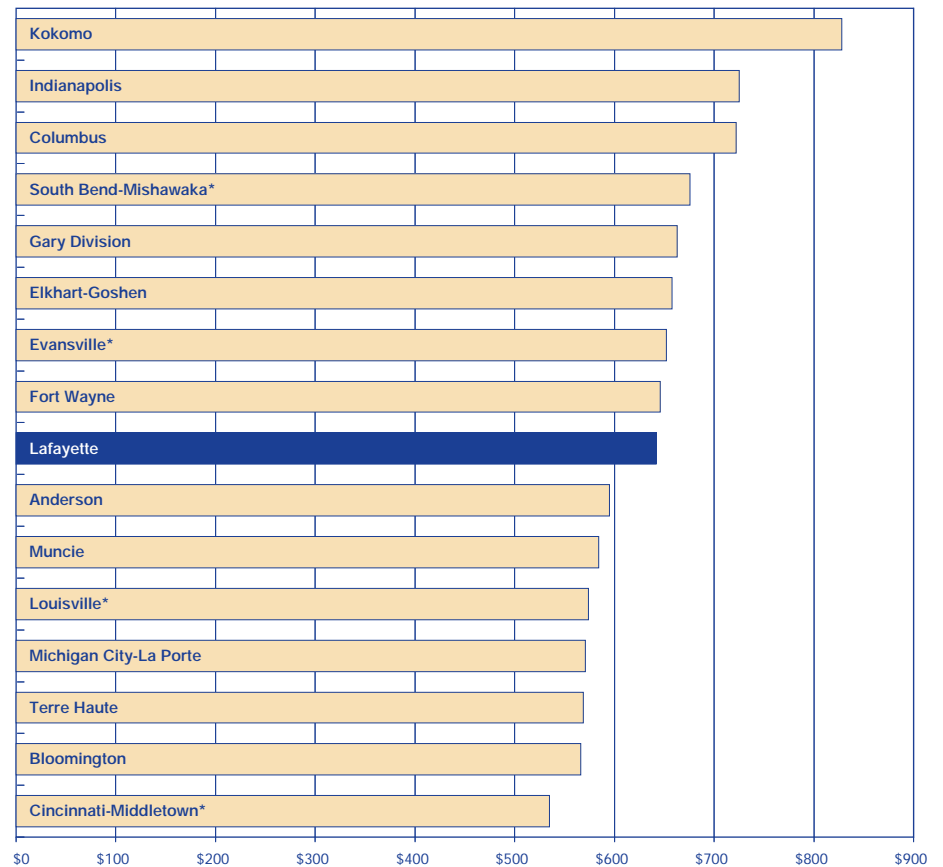


COMMUTERS OUT OF TIPPECANOE, 2003



Source: STATS Indiana Commuting Profiles, Tax Year 2003

FIGURE 3: AVERAGE WEEKLY WAGE BY METRO AREA, 2004:3



*Only shows Indiana portion of metro area

Source: IBRC, using Covered Employment and Wages

Starbucks Follows the Wealthy and the College Kids

A recent weblog article by a security analyst/portfolio manager described how he uses Starbucks' same-store sales as an informal economic indicator. He explains that "quarterly comparable store sales for Starbucks is an indicator of consumer sentiment" and that "for most consumers, nothing Starbucks sells in its stores is essential. If their customers are more budget-conscious this year than they were last year, latte purchases will suffer. If customers feel better about their near-term financial picture, an extra one now and then doesn't seem so frivolous."

Another website, ePodunk (www.epodunk.com), which provides data on communities around the country and creates various lists and rankings, published an article on coffee quotients, a measure of the number of Starbucks stores per 10,000 people in cities across the nation. The article begins by stating that "there are those who believe that a town without Starbucks is just a small step above barbarism. Others, with some justification, view the spread of the Seattle-based company as the caffeine equivalent of Disneyfication."

So where are the Starbucks stores in Indiana? By using Starbucks' current location list on its website, we can learn how many there are and where they are located. Concentration ratios can be calculated using Census Bureau 2004 population estimates and median household income and age data, available from the 2000 Census for Indiana counties.

Two general trends become clear about Indiana's "Starbucks Counties." The wealthier counties and those with large concentrations of college students tend to have more Starbucks stores (see **Figure 1**).

There are two anomalies, which can be easily explained. First, the county with the highest concentration of Starbucks is Switzerland County, which has an estimated population of 9,508 and one Starbucks (located in the Belterra Casino Resort and Spa). Second, Marion County has the third highest concentration of Starbucks stores, with an estimated population of 863,596 and a total of 38 stores. Considering nearly 15 percent of all Hoosiers live in Marion County, home to Indianapolis, it is not surprising

to find such a high concentration of Starbucks stores. One might also factor in the urban professionals needing large quantities of caffeine in order to put in their 10- to 12-hour days.

The wealthier counties are Hamilton, Hendricks, Johnson and Bartholomew, with median household incomes ranging from \$44,184 to \$71,026 (the state median is \$41,567). Rounding out the top ten are St. Joseph, Monroe and Tippecanoe counties, home to Notre Dame, Indiana University and Purdue, where the college-age population (18 to 24) ranges from 11.8 to 27.7 percent of the total population (the state average is 10.1 percent).

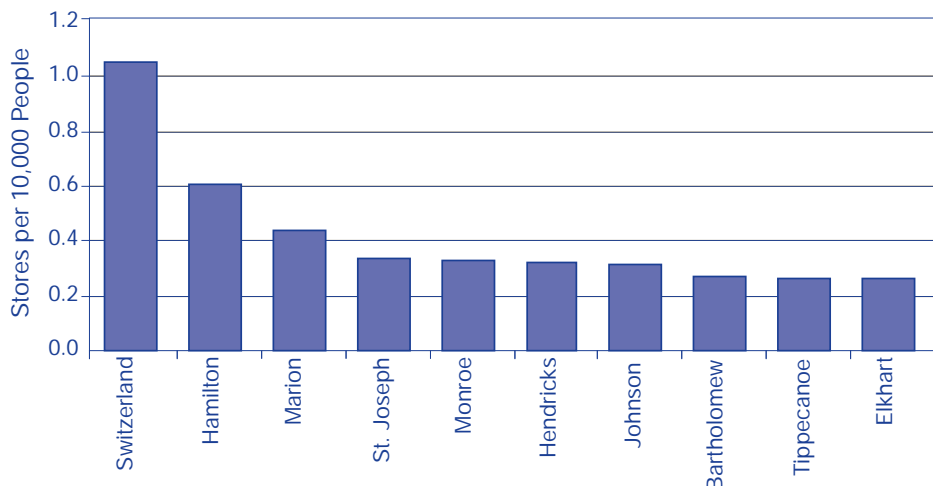
U.S. Hispanic Population Exceeds 40 Million

In June, the Census Bureau released its latest national estimates by race, Hispanic origin and age. The data, which reflects estimates as of July 1, 2004, showed that the nation's Hispanic population reached 41.3 million, an increase of 1.4 million (3.6 percent) over a 12-month period. Hispanics, who may be of any race, accounted for about one-half of the national population growth of 2.9 million (1 percent) between July 1, 2003, and July 1, 2004. The data also shows that the growth rate of Hispanics was more than three times that of the total population.

The Census Bureau also estimates that there were about 14 million Asians (up 3.4 percent), 977,000 Hawaiians and Pacific Islanders (up 1.7 percent), 39.2 million African Americans (up 1.3 percent), 4.4 million American Indians and Alaska natives (up 1 percent), and 239.9 million whites (up 0.8 percent).

—Frank Wilmot, State Data Center Coordinator, Indiana State Library

FIGURE 1: TOP TEN COUNTIES BY STARBUCKS CONCENTRATION, 2004



Source: U.S. Census Bureau (population) and www.starbucks.com (stores)

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(continued from page 2)

TABLE 2: SHIFT-SHARE ANALYSIS, 1995 TO 2005

Sector	Column A	Column B	Column C
	Indiana at U.S. Rate	Actual Change	Advantage/Deficit
Total Nonfarm	388,871	192,700	-196,171
Manufacturing	-111,749	-76,100	35,649
Trade, Transportation and Utilities	49,149	8,200	-40,949
Leisure and Hospitality	50,844	47,800	-3,044
Education and Health Services	91,510	74,600	-16,910
Construction	49,406	24,900	-24,506
Other Services	21,126	6,100	-15,026
Government	47,117	36,000	-11,117
Financial Activities	27,710	3,700	-24,010
Professional and Business Services	65,920	67,000	1,080
Miscellaneous Sectors	-205	1,100	1,305
Information	4,485	-600	-5,085

Source: IBRC, using Current Employment Statistics

in professional and business services. Had the state experienced the same growth rate as the nation's 32 percent, it would have added about 65,900 jobs in this sector. However, the state's growth rate was 32.5 percent, and it actually gained 67,000 jobs in professional and business services. Thus, we say that the state had a differential advantage of nearly 1,100 jobs in this sector.

Manufacturing was our best performing sector over the past 10 years in these terms. If the Hoosier state had lost manufacturing jobs at the national rate, it would have seen a decline of over 111,700 jobs. But the state lost 76,100 which left a differential advantage of 35,649 jobs.

If these data are indicative of future changes, we may expect that the GM job cuts will not be as much to the state's disadvantage as might be expected. There seems to be something about Indiana that says this state remains a good place for manufacturing activity.

—Morton Marcus, Director Emeritus, Indiana Business Research Center, Kelley School of Business, Indiana University

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