

INDIANA BUSINESS REVIEW UPDATE



A MONTHLY OVERVIEW
OF ECONOMIC TRENDS

INDIANA BUSINESS RESEARCH CENTER
INDIANA UNIVERSITY
KELLEY SCHOOL OF BUSINESS

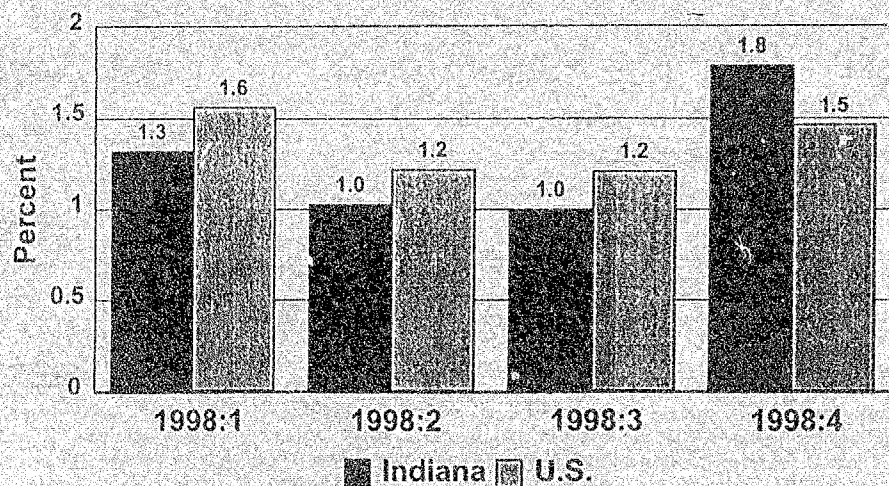
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HOW FAST ARE WE GROWING?

JUNE 1999, VOLUME 74, NUMBER 6

The latest data on personal income suggest that Indiana's economy is one of the nation's leading economies. After trailing the nation all during 1998, in the fourth quarter total personal income of Hoosiers rose by 1.8% while the nation's increase was at 1.5% (see figure 1).

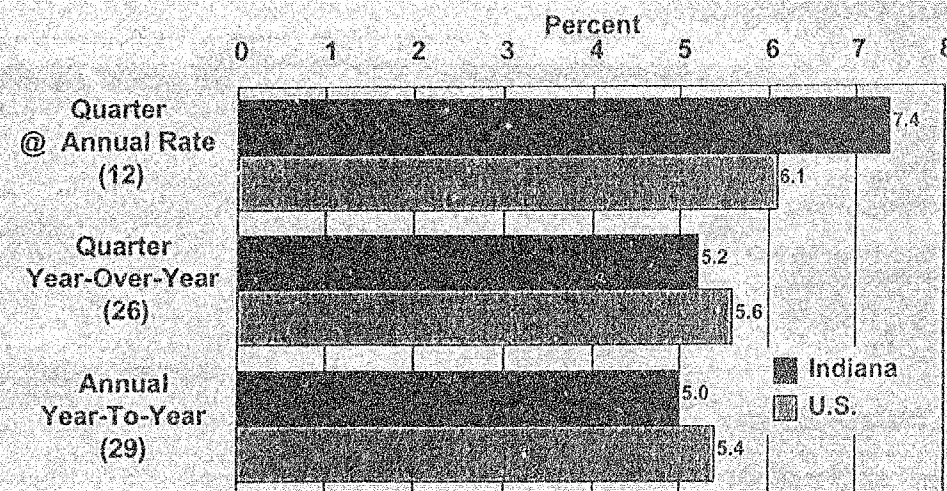
Figure 1. Quarterly Growth Rates in Personal Income



This surge in personal income put Indiana in 12th place among the 50 states for growth in the fourth quarter. *Annualized*, our growth in the fourth quarter was a rousing 7.4% compared to the healthy national rate of 6.1%.

But if we take a longer look, from the fourth quarter of 1997 to the same quarter in 1998, Indiana's growth was less impressive. *Year-over-year for the same quarter*, Indiana grew by 5.2% while the nation advanced by 5.6%. In this measure we fell to 26th place in the nation (see figure 2).

Figure 2. Alternative Views of Growth in Personal Income



Rank in nation is shown in parentheses

Ultimately, when we look back, it will be the *annual* data that receives attention. Here Indiana ranked 29th with a 5.0% growth in personal income compared to the U.S. figure of 5.4%.

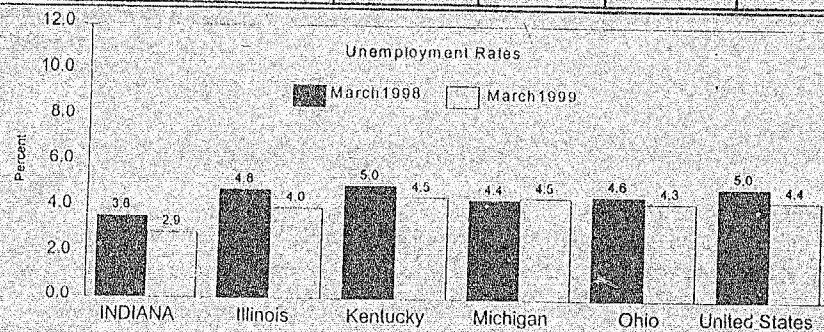
What Happened in the 4th Quarter?

Indiana's strong growth in the 4th quarter of 1998 can be attributed mostly to durable goods manufacturing (31% of the net growth). With 21% of total earnings in the 3rd quarter of 1998, durable goods had a disproportionate increase of \$780 million dollars, a 3.4% growth for the 4th quarter. Total earnings rose only 2.4% (see figure 3 on page 4).

(continued on page 4)

The Regional Employment Situation

TOTAL PERSONS EMPLOYED	MARCH 1998	MARCH 1999	NUMBER CHANGE	% CHANGE	RANK IN US
INDIANA	2,940,192	3,013,101	72,909	2.5%	22
Illinois	5,868,788	5,997,487	128,699	2.2%	28
Kentucky	1,798,160	1,834,180	36,020	2.0%	32
Michigan	4,760,950	4,812,400	51,450	1.1%	41
Ohio	5,307,356	5,491,823	184,467	3.5%	15
United States	130,150,000	132,229,000	2,079,000	1.6%	N/A



Employment - Hours - Earnings

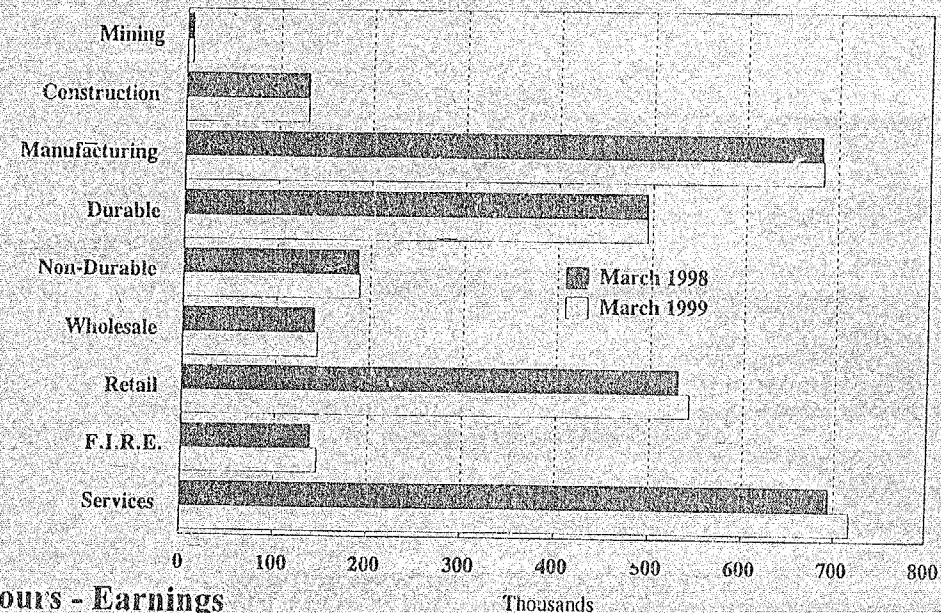
(Not seasonally adjusted)

Metropolitan Statistical Areas (MSAs) in Indiana

NON-AG WAGE & SALARIED EMPLOYMENT	MARCH 1998	MARCH 1999	CHANGE	
			NUMBER	PERCENT
Bloomington MSA	65,100	64,500	-600	-0.9%
Elkhart-Goshen MSA	118,300	123,700	5,400	4.6%
Evansville MSA	152,900	158,500	5,600	3.7%
Fort Wayne MSA	268,700	274,100	5,400	2.0%
Gary MSA	261,900	268,000	6,100	2.3%
Indianapolis MSA	836,500	858,000	21,500	2.6%
Kokomo MSA	51,400	52,100	700	1.4%
Lafayette MSA	93,800	96,200	2,400	2.6%
Muncie MSA	59,900	60,600	700	1.2%
New Albany Area*	87,700	90,700	3,000	3.4%
South Bend MSA	133,600	136,800	3,200	2.4%
Terre Haute MSA	66,700	67,700	1,000	1.5%

Indiana's Non-Ag Employment

Total Non-Ag Employment in March 1999 was 2,936,200, up 2.2% from the same month a year ago.

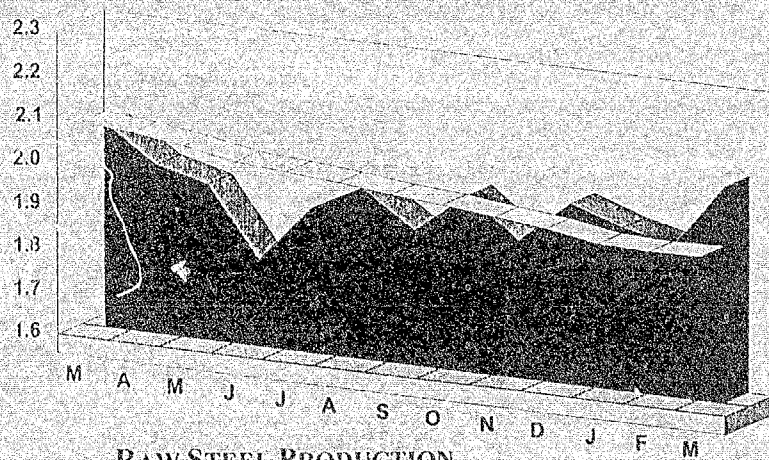


MANUFACTURING	MARCH 1999	EMPLOYMENT	AVERAGE WEEKLY HOURS	AVERAGE HOURLY EARNINGS	AVERAGE WEEKLY EARNINGS
Bloomington MSA		9,100	40.6	\$12.59	\$511.15
Elkhart-Goshen MSA		63,200	39.8	\$12.72	\$506.26
Evansville MSA		33,600	44.3	\$14.48	\$641.46
Fort Wayne MSA		74,600	40.3	\$15.54	\$626.26
Gary MSA		49,800	44.3	\$19.34	\$856.76
Indianapolis MSA		128,900	44.3	\$15.57	\$689.75
Kokomo MSA		20,400	46.8	\$22.62	\$1,058.62
Lafayette MSA		22,300	43.5	\$15.67	\$681.65
Muncie MSA		10,700	45.6	\$15.02	\$684.91
New Albany Area*		19,200	43.4	\$13.08	\$567.67
South Bend MSA		22,500	41.1	\$11.99	\$492.79
Terre Haute MSA		12,100	43.6	\$14.53	\$633.51

*The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. Employment and earnings data for this area are included in the Louisville MSA totals.

Current Trends in Indiana's Economy

March 1998 — March 1999



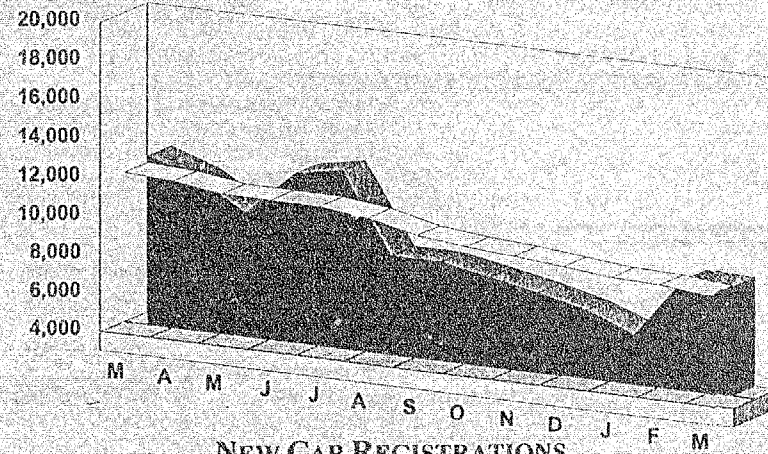
RAW STEEL PRODUCTION

American Iron and Steel Institute

Year to date: 6.0 million net tons

12-month total: 23.6 million net tons

Peak month: January 1998



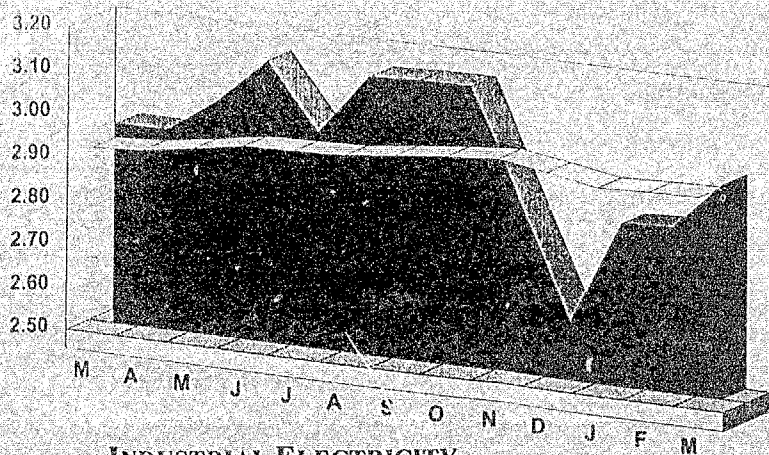
NEW CAR REGISTRATIONS

R.L. Polk and Company

Year to date: 25,861

12-month total: 116,669

Peak month: May 1996



INDUSTRIAL ELECTRICITY

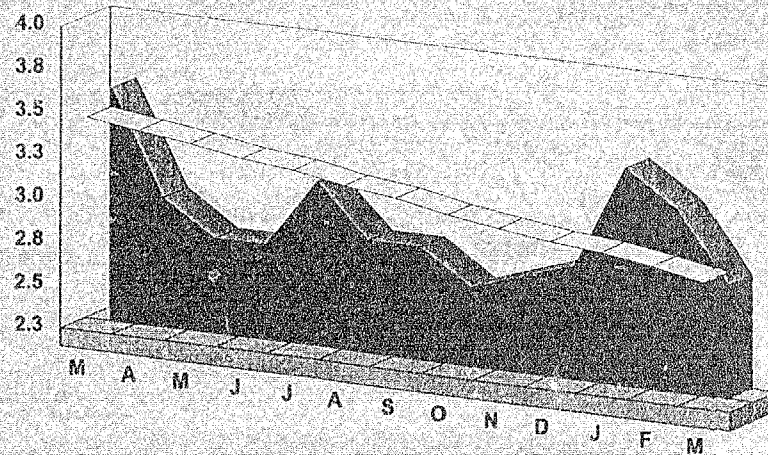
SALES (BILLIONS)

The 5 investor owned utilities

Year to date: 8.7 billion kwh

12-month total: 35.8 billion kwh

Peak month: June 1998



UNEMPLOYMENT RATE

Indiana Department of Workforce Dev.

Peak month: February 1994

Moving Average



Peak = since 1994

Monthly



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THE UNIVERSITY OF CHICAGO

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Second in importance to the 4th quarter advance was a dramatic rise in farm earnings (23% of the net growth). The farm sector is often highly volatile; in the 4th quarter of '98, farm earnings nearly doubled from their 3rd quarter level.

When seen in the perspective of the 4th quarter year-over-year, farming's contribution decreased to just 4% of the total growth in the state's earnings. Moreover, on an annual basis, farm income actually declined by 22% and was a drag on the state's growth.

Thus, the 4th quarter spurt in earnings was due to exceptionally strong growth in just two sectors: durable goods manufacturing and farming. Over the longer term, services contributed one-quarter of the annual growth on a base of 22% of earnings and the financial sector (F.I.R.E.) added 10% from its 6% base.

It would be injudicious to see any trend in the performance of a single quarter. Despite our Hoosier perspective, life is not a basketball game which ends in the 4th quarter.

-mm

Figure 3.

Figure 3.	Two Most Recent Quarters			Most Recent Quarter Compared to Same Quarter a Year Earlier			Year-to-Year Change		
	Change	Percent	Contribution	Change	Percent	Contribution	Change	Percent	Contribution
	1998:3 to 1998:4 (\$ millions)	change 1998:3 to 1998:4	to change (%)	1997:4 to 1998:4 (\$ millions)	change 1997:4 to 1998:4	to change (%)	1997 to 1998 (\$ millions)	change 1997 to 1998	to change (%)
Total earnings	2,531	2.4	100	6,408	6.3	100	6,061	6.1	100
Farm earnings	581	93.4	23	226	23.1	4	-207	-21.6	-3
Non-farm earnings	1,952	1.9	77	6,184	6.2	97	6,268	6.4	103
Ag. serv., forestry, fishing, & other	26	5.5	1	53	11.8	1	47	10.8	1
Mining	-1	-0.2	0	3	0.7	0	19	4.6	0
Construction	113	1.6	4	422	8.2	7	594	9.1	10
Manufacturing, durable goods	780	3.4	31	955	4.2	15	1,222	5.5	20
Manufacturing, nondurable goods	4	0.0	0	431	4.8	7	526	5.9	9
Transportation and public utilities	95	1.5	4	316	5.2	5	350	5.9	6
Wholesale trade	130	2.1	5	397	6.9	6	382	6.8	6
Retail trade	49	0.5	2	423	4.5	7	431	4.7	7
Finance, insurance, and real estate	246	3.8	10	759	12.8	12	590	10.2	10
Services	202	1.3	12	1,763	8.1	28	1,545	7.2	25
Federal, civilian	59	3.3	2	123	7.2	2	56	3.2	1
Military	-1	-0.5	0	-3	-1.3	0	-3	-1.2	0
State and local govt.	160	1.5	6	542	5.4	6	512	5.2	8



Support for this publication is provided by the Indiana Department of Commerce and the State of Indiana. WEB address: <http://www.iupui.edu/it/brc> The IBRC is a partner in the Indiana Data Center Program with the Indiana State Library, Dept. of Commerce and U.S. Census Bureau. UPDATE Staff: Terry Creeth, managing editor; Morton J. Marcus, contributor; and Michael Hollingsworth, graphic design.