Quarterly Economic Briefing

Friday, September 22, 2006

Center for Econometric Model Research

Indiana Department of Workforce Development

Indiana Business Research Center at Indiana University's Kelley School of Business

National & Indiana Outlooks

Bill Witte

Co-Director, Center for Econometric Research

Associate Professor of Economics

Indiana University

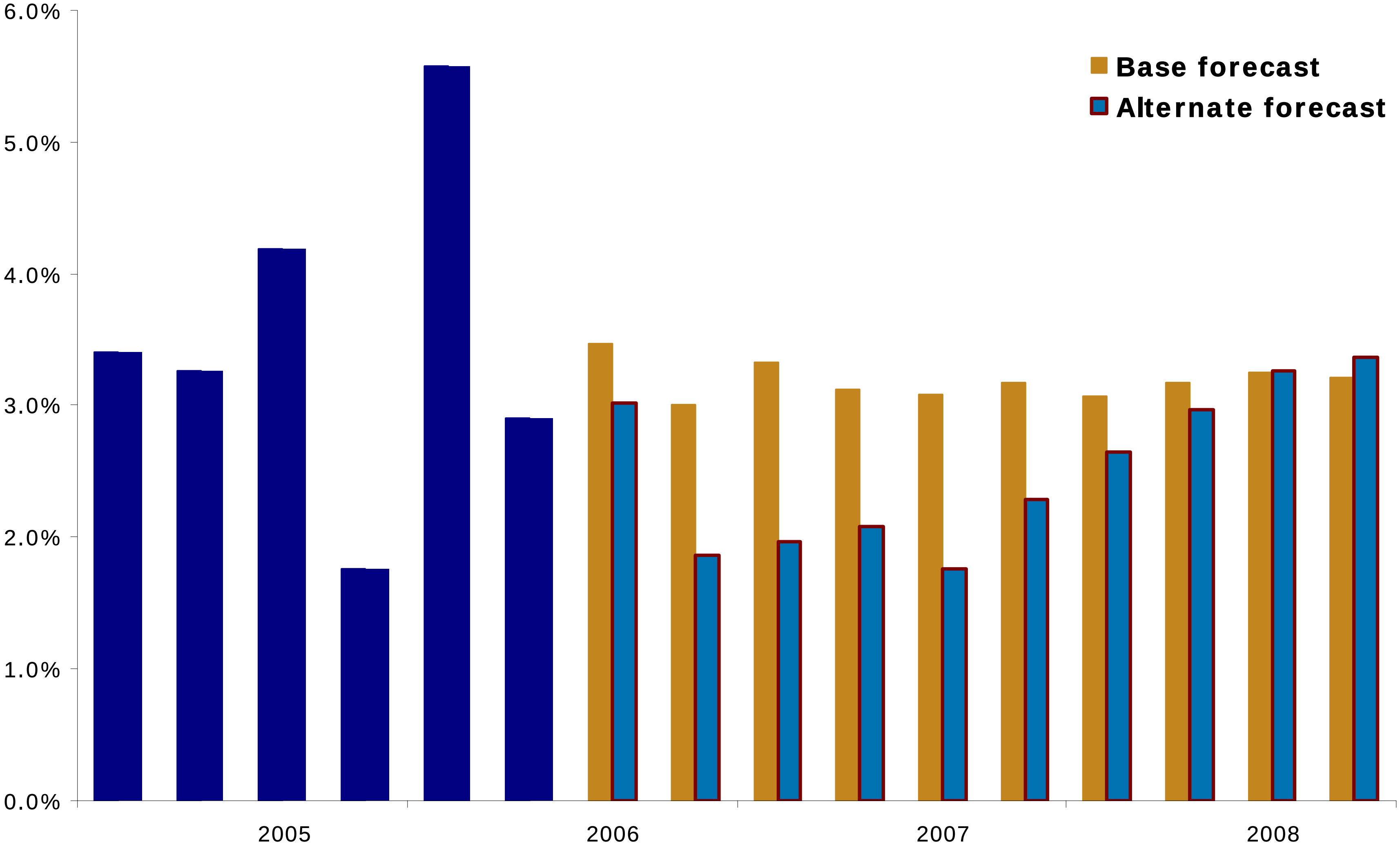
Jim Smith

Co-Director, Center for Econometric Research

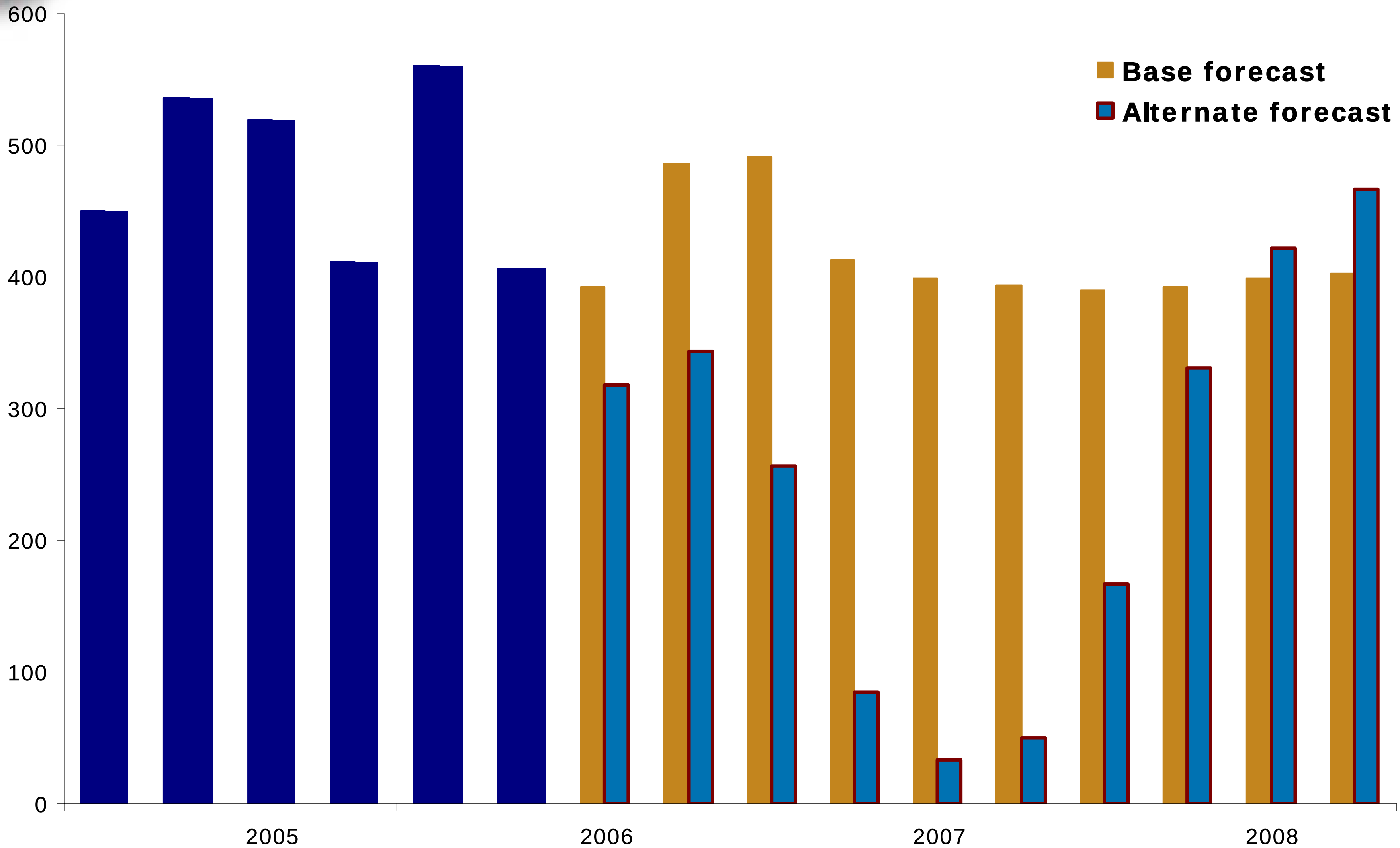
Senior Lecturer in Finance

Kelley School of Business - Indianapolis

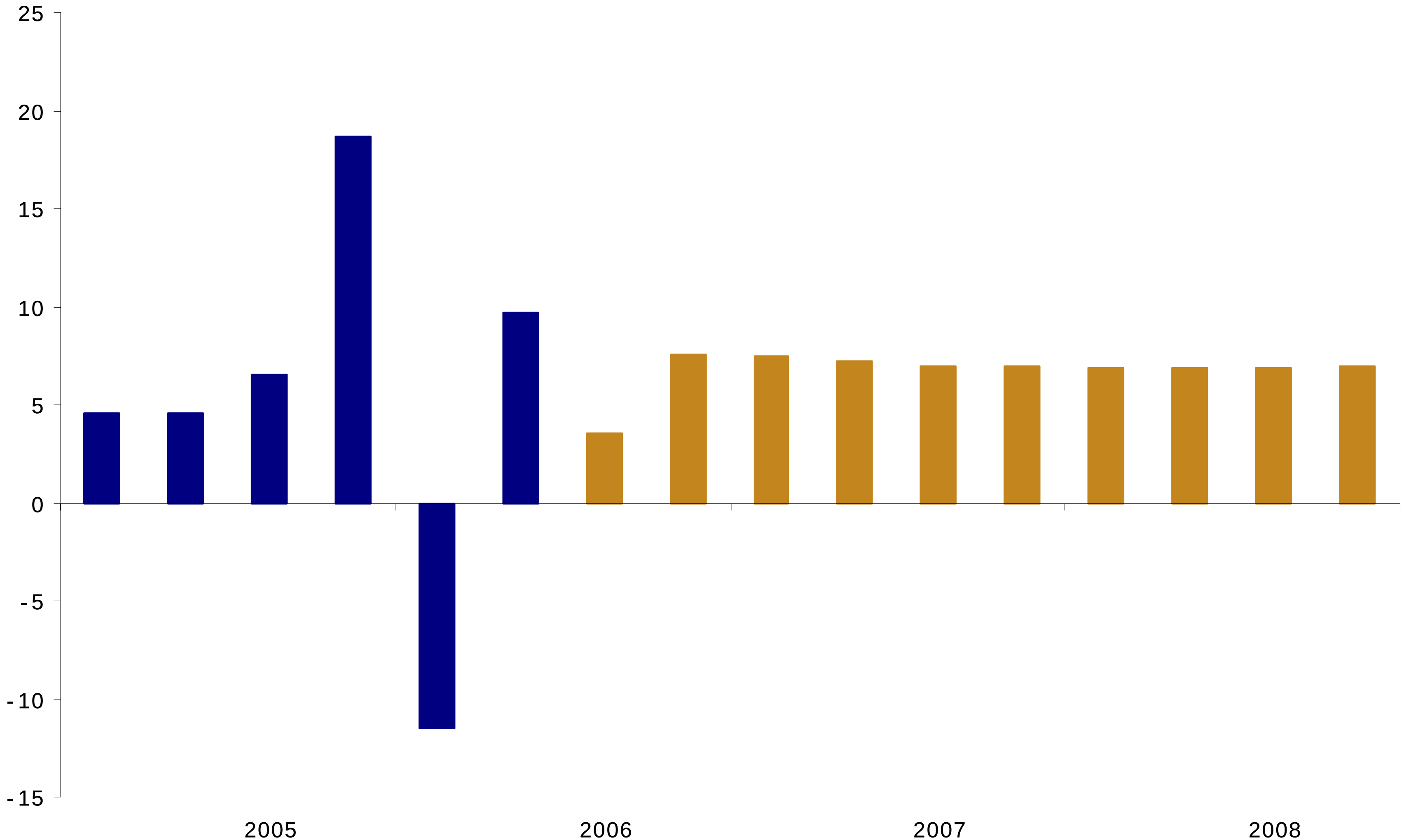
Growth in Real Output (U.S. Annual Rate)



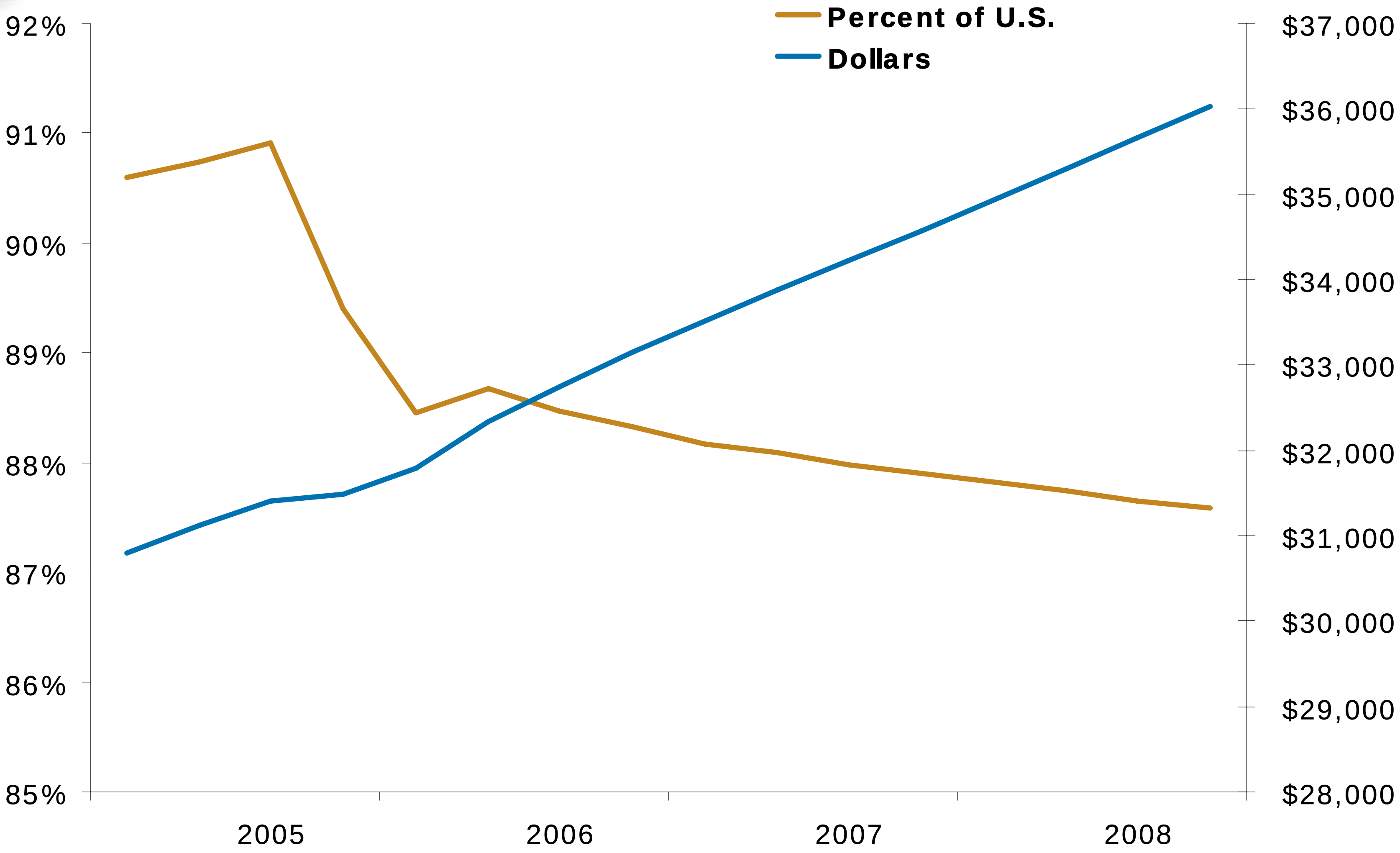
Change in Payroll Employment (U.S., Thousands)



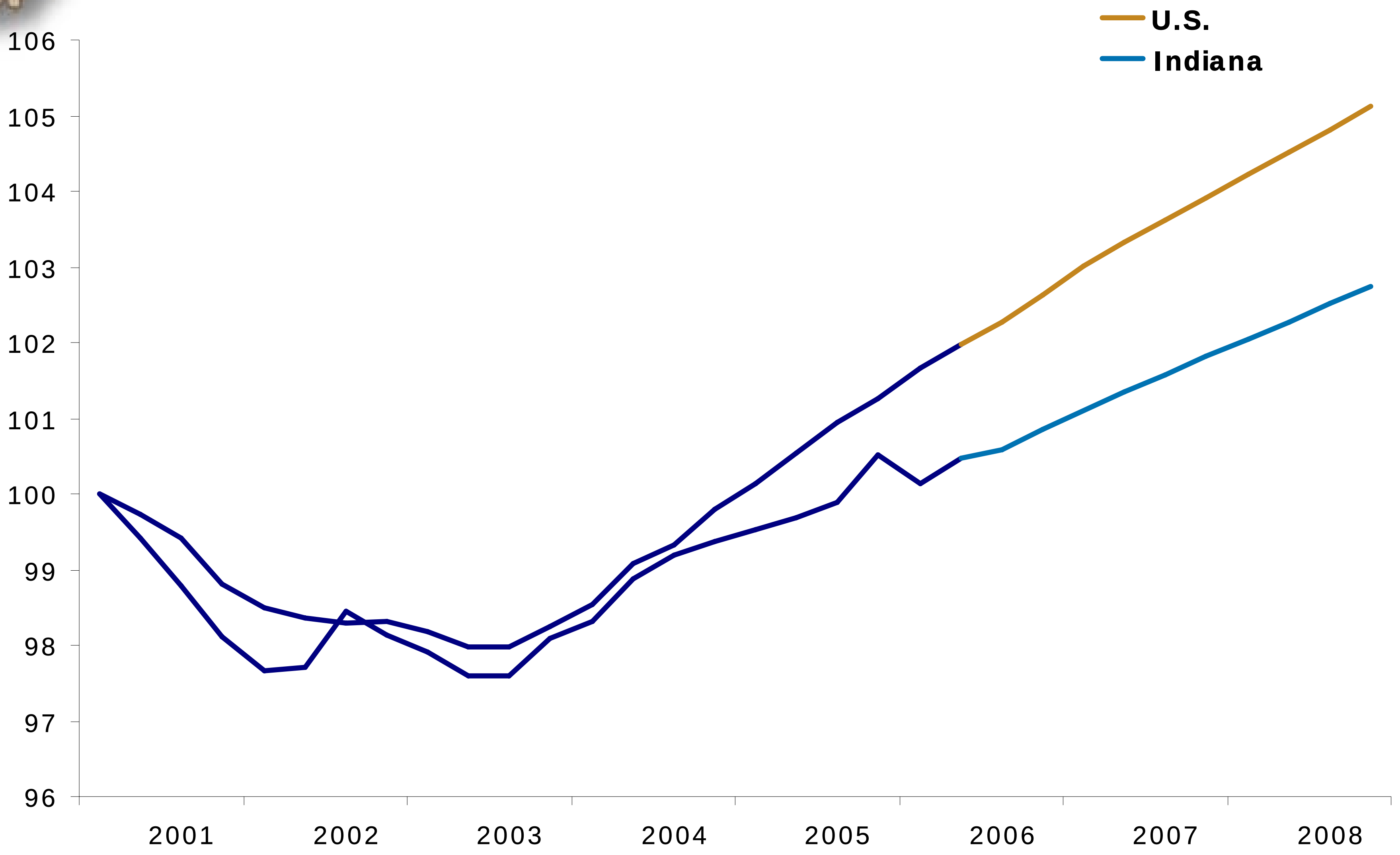
Change in Payroll Employment (Indiana, Thousands)



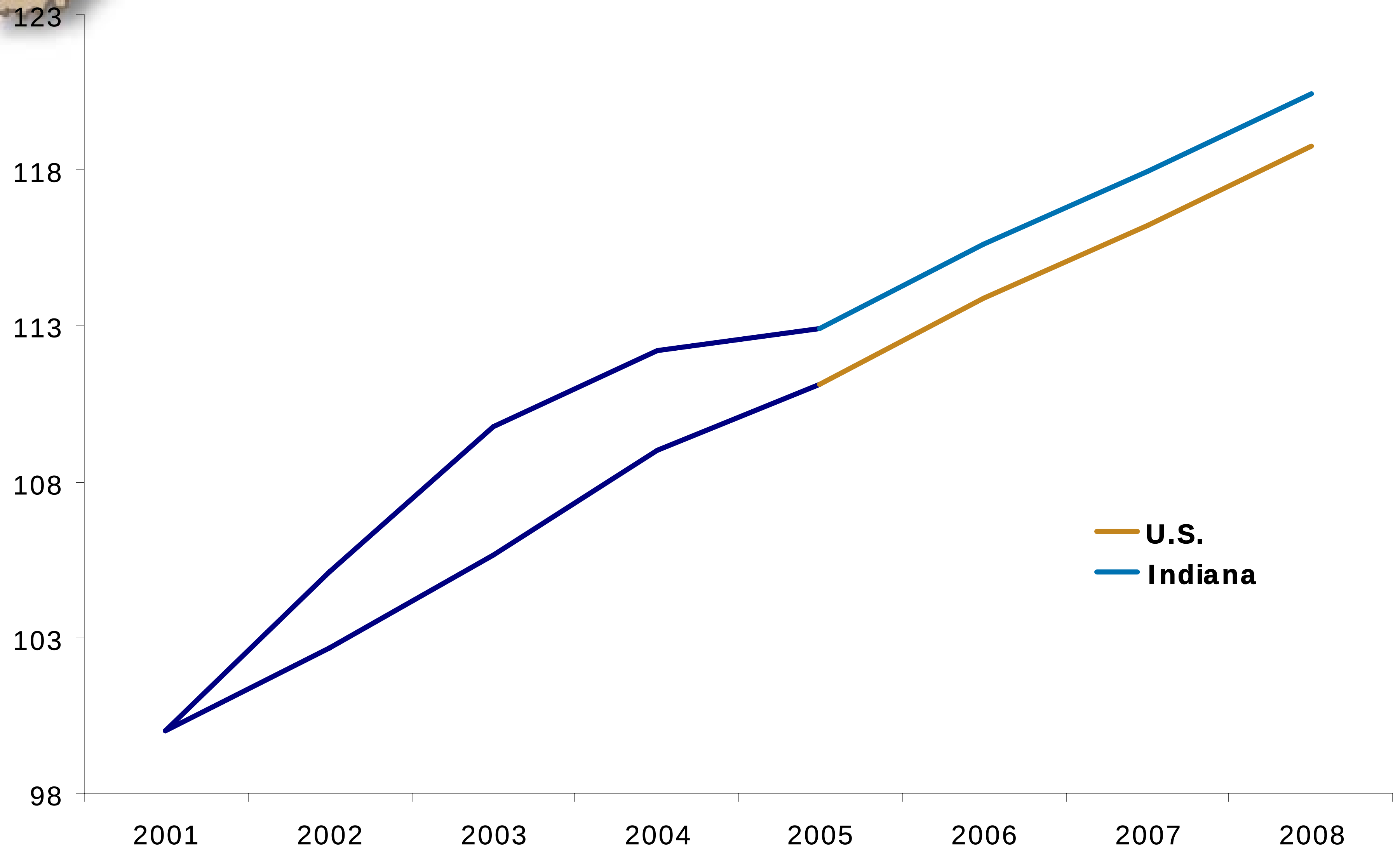
Per Capita Income



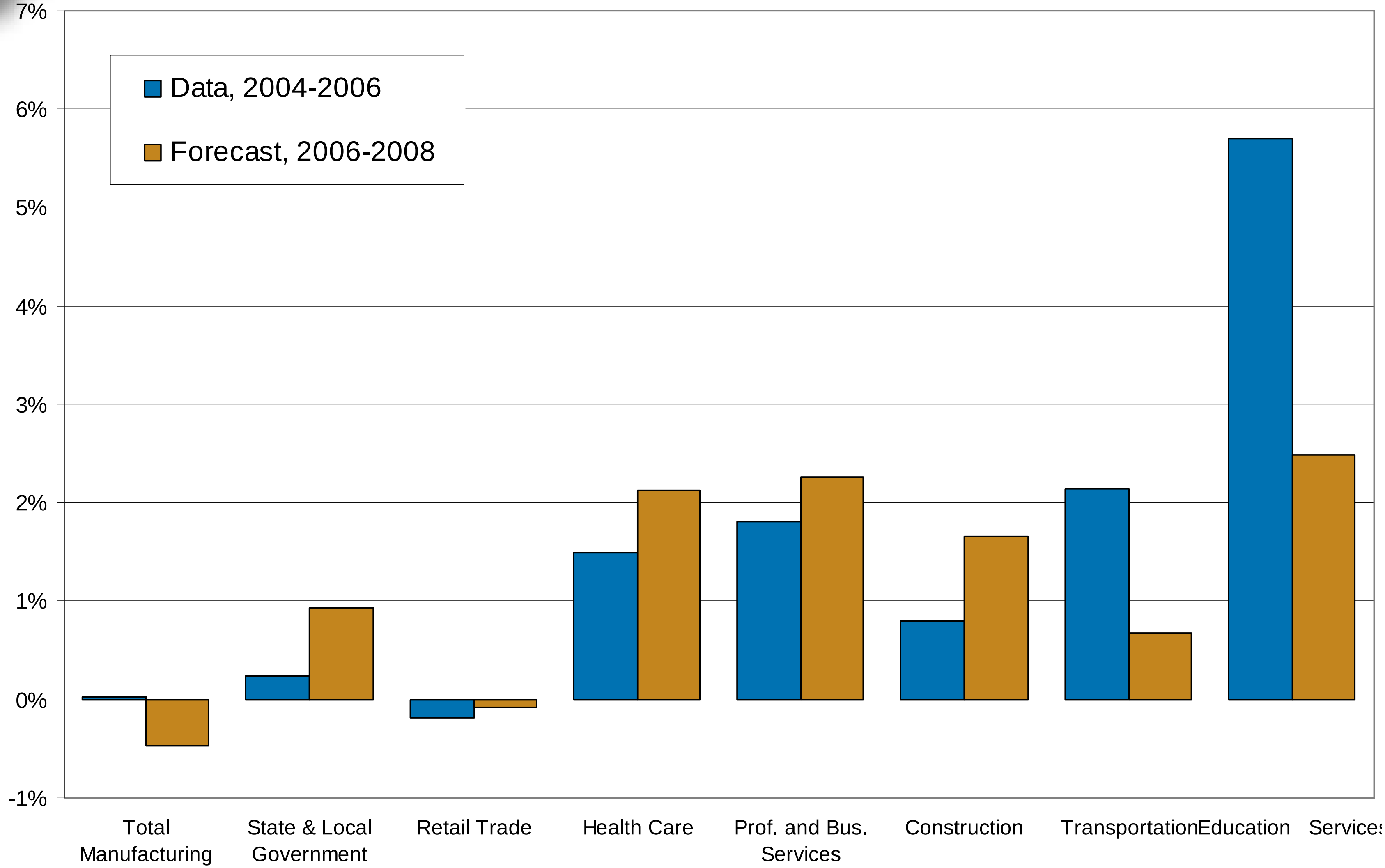
Payroll Employment Indices (2001:1 = 100)



Labor Productivity Indices (2001 =100)



Employment Growth by Sector (Annual Rate)



New Analyses of Interest

Jerry Conover

Director

Indiana Business Research Center

Carol Rogers

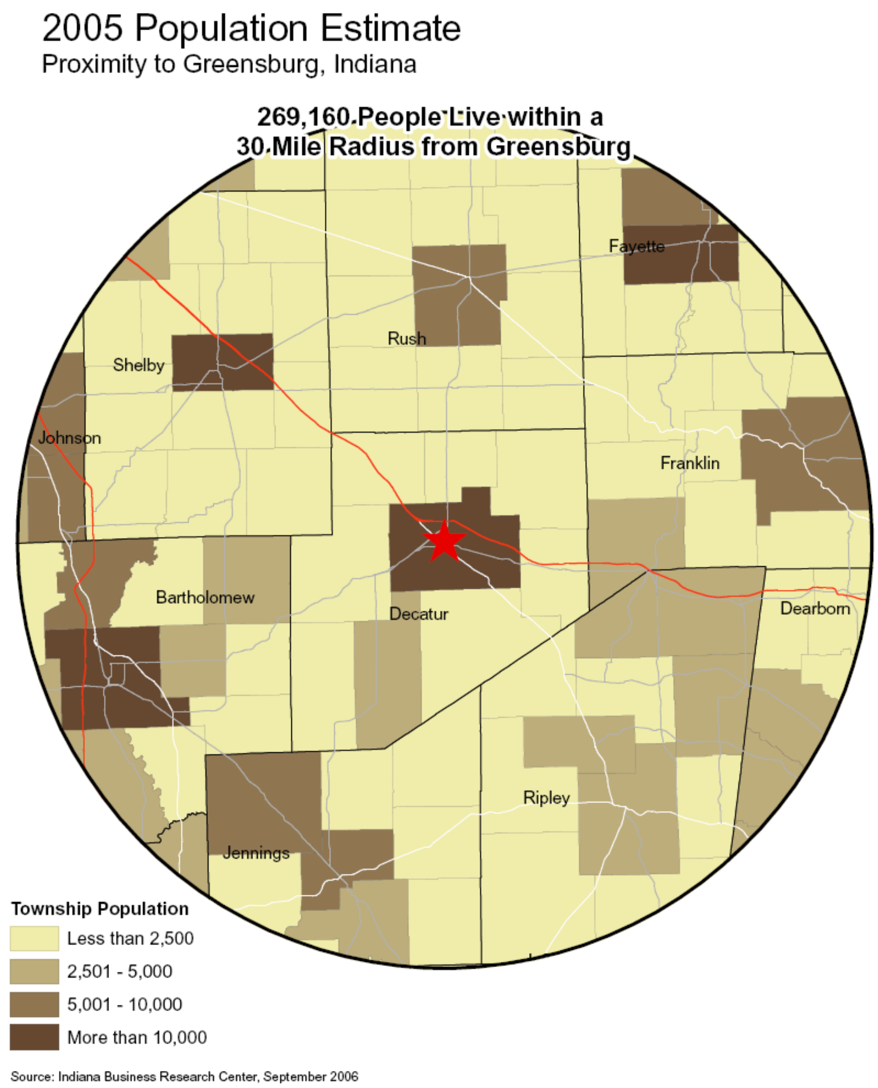
Associate Director, Information Systems & Services

Indiana Business Research Center

The New Honda Plant:
How Will It Affect Labor Markets?

The plant in Greensburg will employ ~2,000 workers. **Where will they come from?**

A quarter million people live within 30 miles.



2005 Population by Age
Decatur, Bartholomew & Shelby Counties

	Decatur	Bartholomew	Shelby	Total
Preschool (0 to 4)	1,862	4,974	2,798	9,634
School Age (5 to 17)	4,819	14,231	8,287	27,337
College Age (18 to 24)	1,925	5,509	3,601	11,035
Young Adult (25 to 44)	7,073	20,224	12,174	39,471
Older Adult (45 to 64)	6,004	19,046	11,415	36,465
Older (65 plus)	3,501	9,556	5,491	18,548

87,000 working-age adults (18-64)

Three-County Labor Force
(2005 annual averages)

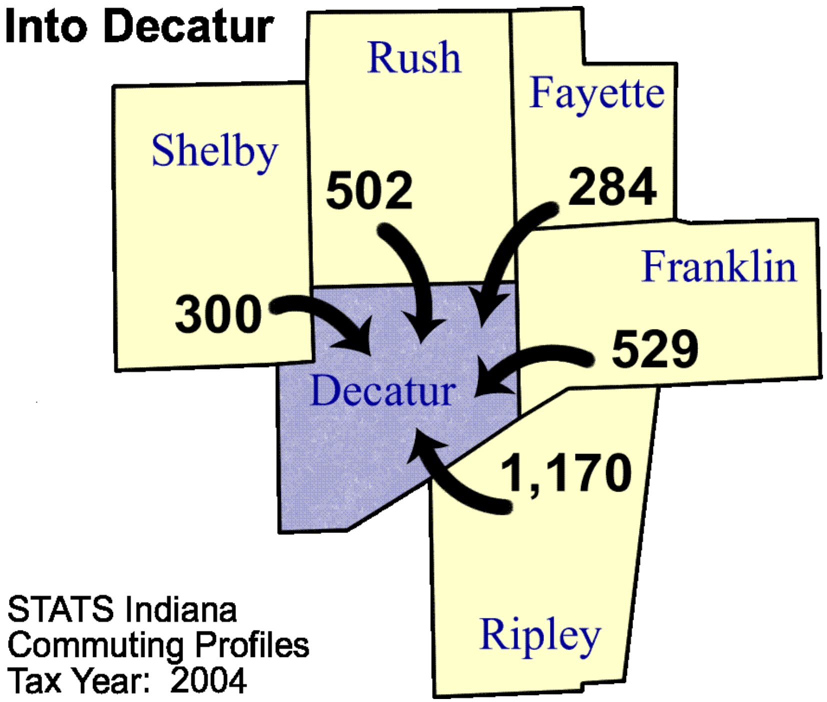
- 74,113 in the total labor force
- Unemployment ~5% (3,655 people)
- 10-year change in number employed:

Decatur:	-18.0%
Bartholomew:	-8.3%
Shelby:	+1.3%

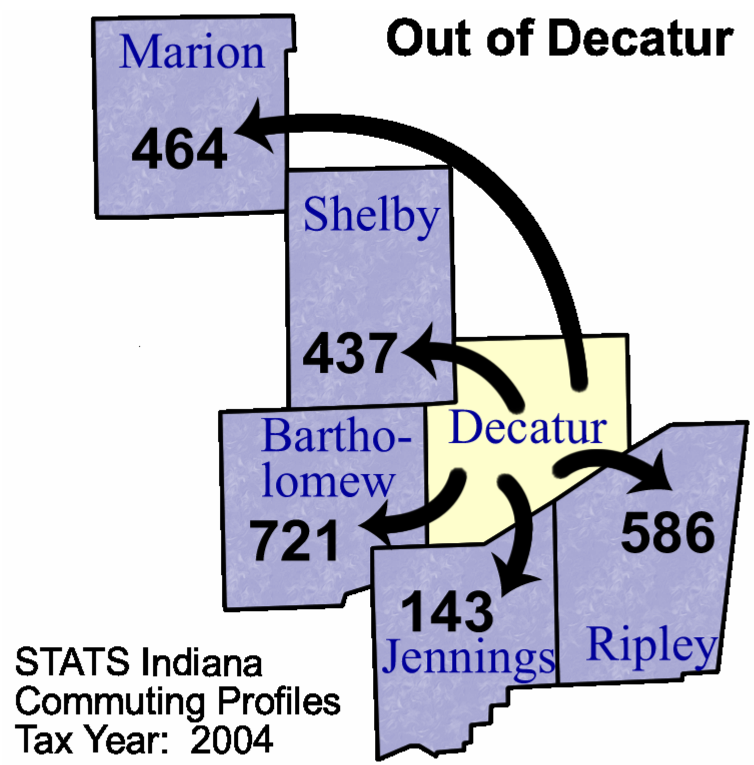
There's some potential to absorb increased demand for workers.

Commuting to & from Decatur County is Likely to Shift

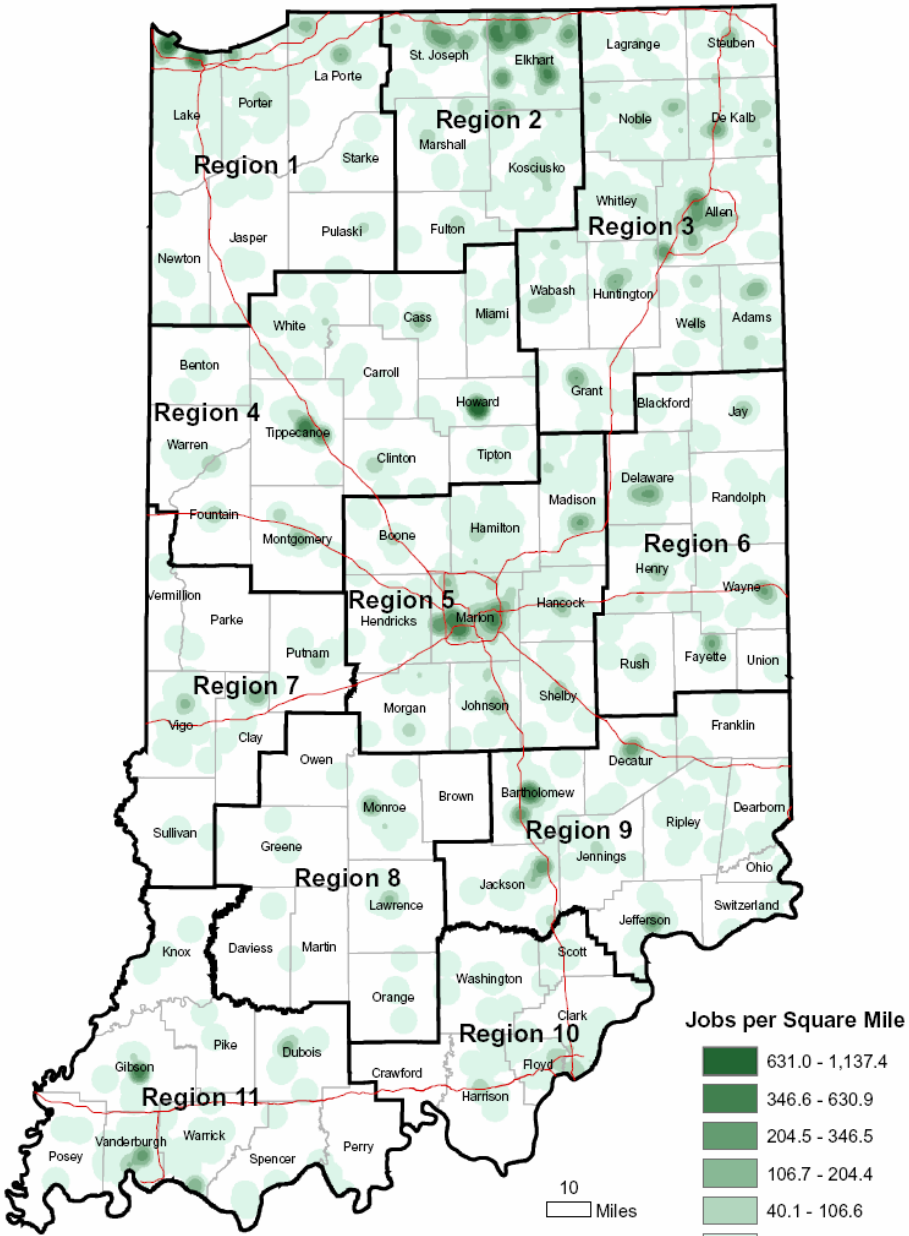
3,751 go there to work:



2,981 leave county:



Advanced Manufacturing Job Concentration, 2004:3



Source: Indiana Department of Workforce Development (block-level ES-202 data)
Indiana Business Research Center, May 2005

Greensburg is a (modest) regional hub for manufacturing jobs.

Mfg. jobs as % of total:

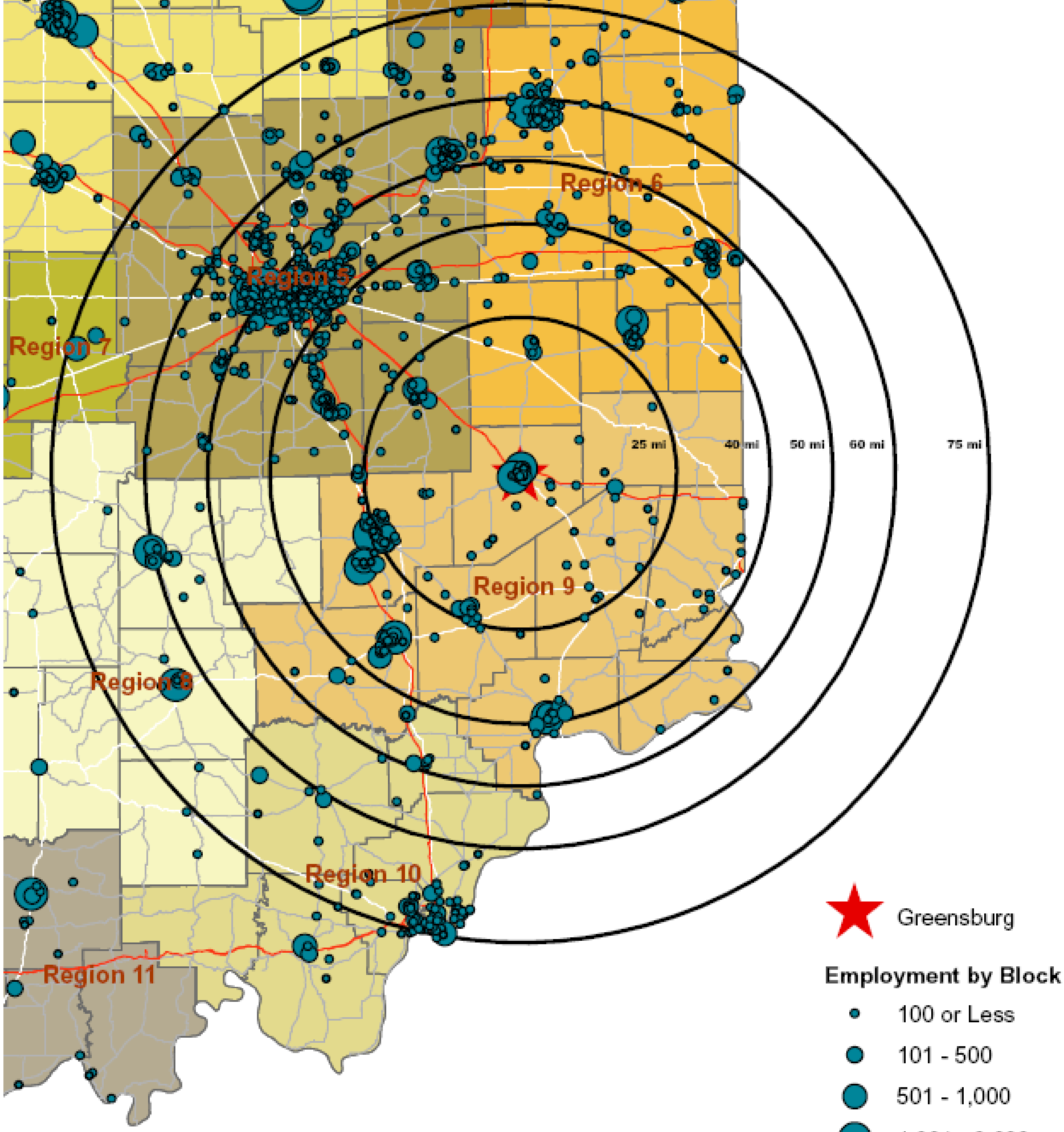
Decatur County	40.6%
Bartholomew County	35.8%
Shelby County	31.6%

Avg. manufacturing wages:

Decatur County	$38,013
Bartholomew County	$52,126
Shelby County	$41,430

Will new plant push salaries up in the region?

Many Auto Parts Supplier Jobs in the Region



Notes: Regional boundaries are economic growth regions. Based on block-level data from 2004:3.
NAICS codes included in analysis are 331, 332, 333, 335 and 336.
Source: Indiana Business Research Center, July 2006

The plant should stimulate lots of job growth in the surrounding area

The American Community Survey: A Cautionary Tale

A New Information Resource for Indiana and the U.S.

- A few facts gleaned the more than 1,000 tables now available
- PLUS a few cautions

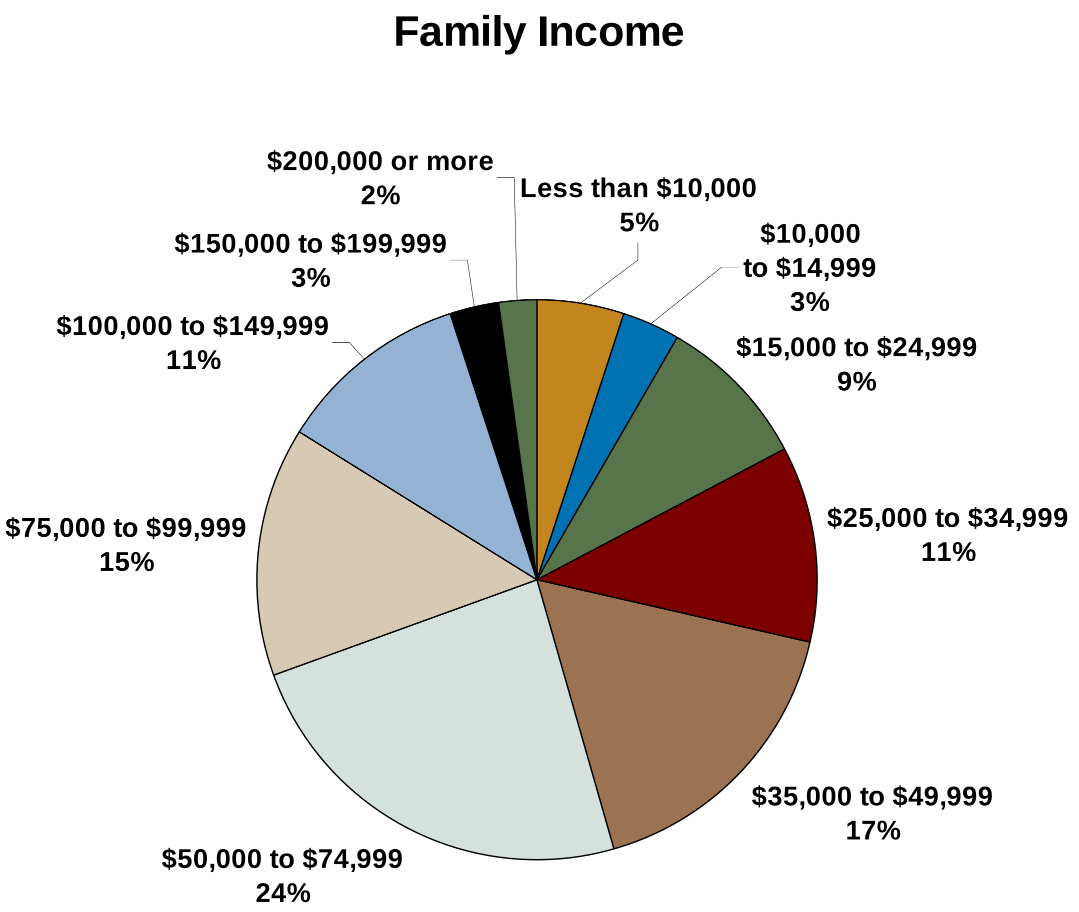
What We Can Learn from ACS

Children with working parents

IN – 68% | US – 66%

Children *under six* with working parents

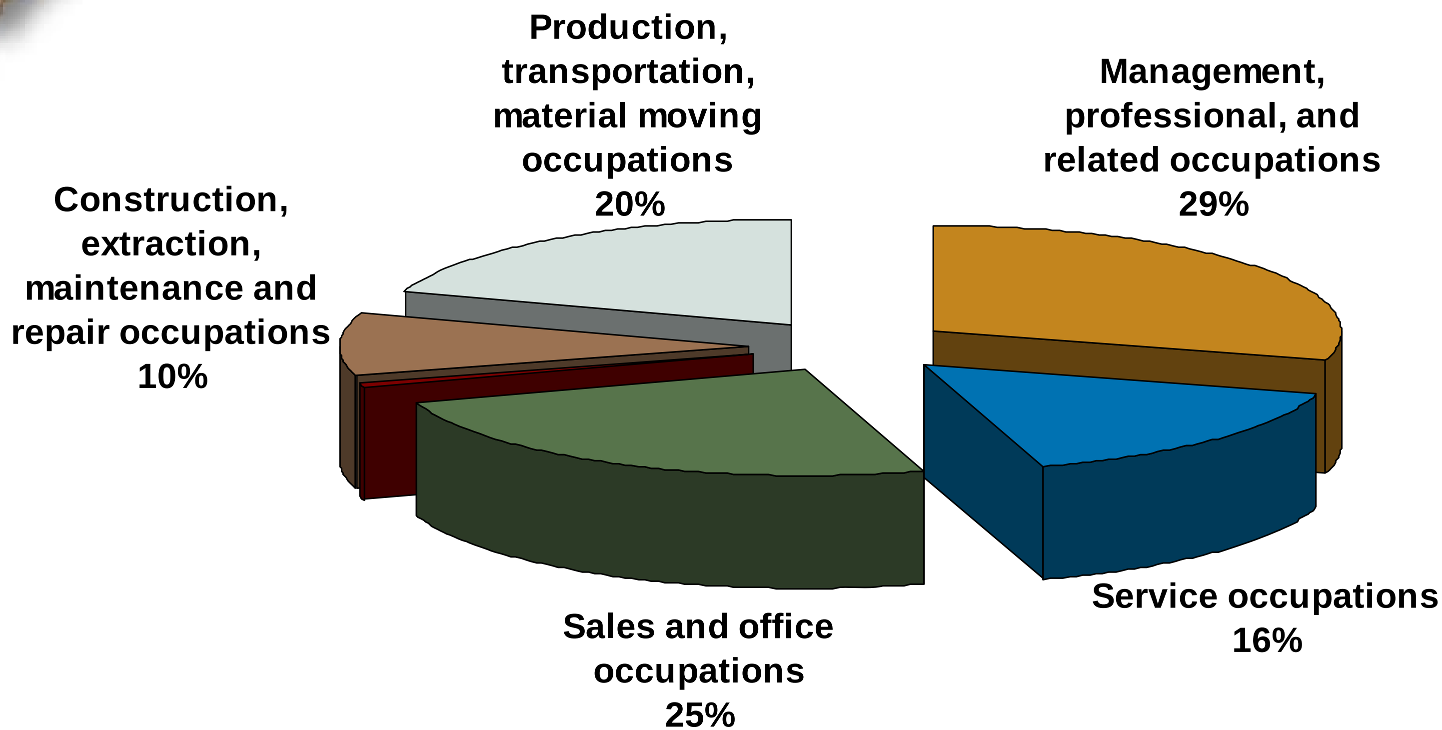
IN – 63% | US – 60%



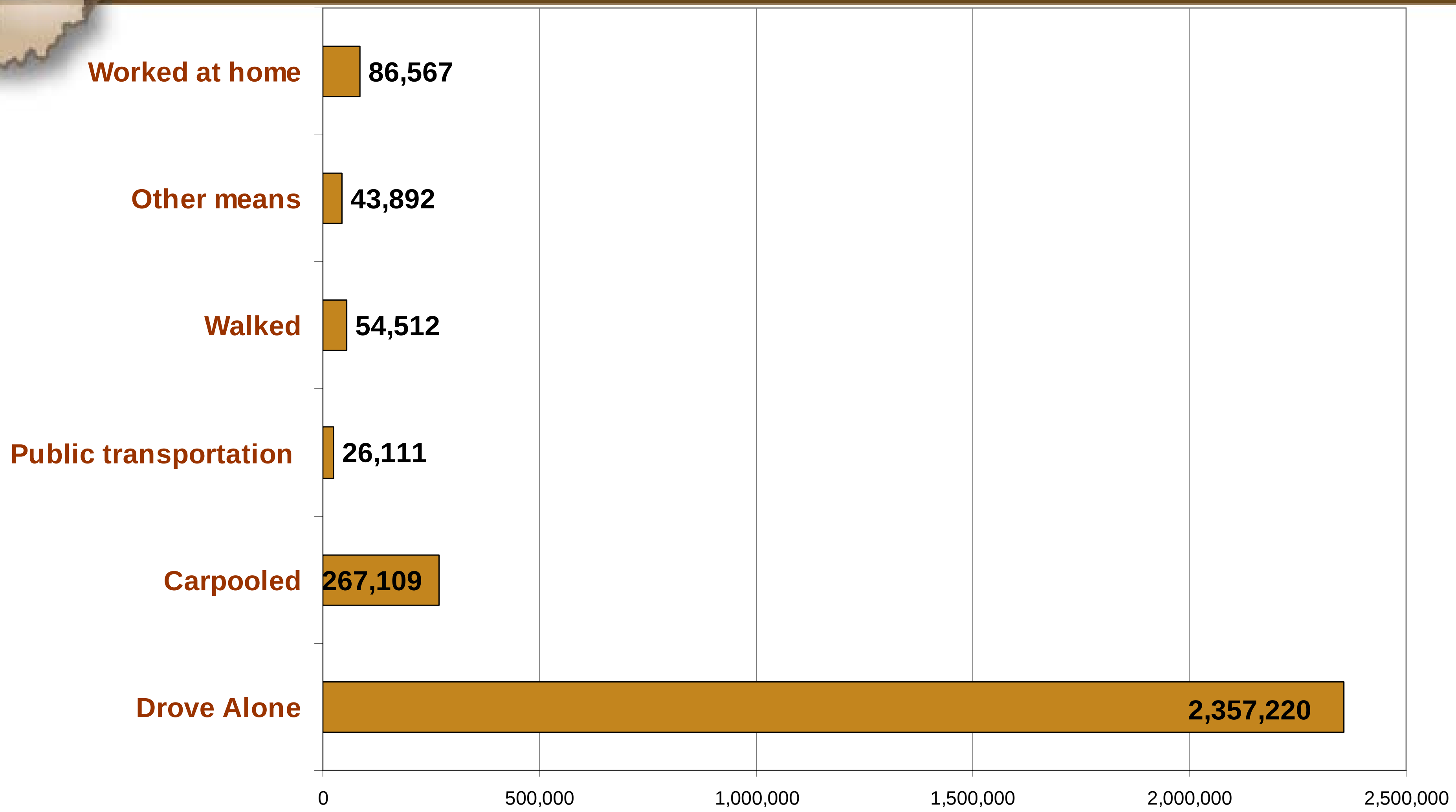
Where Our Household Income Comes From

	Indiana	U.S.
Work earnings	81%	80%
Social Security	27%	27%
Retirement Income	18%	17%
Supplemental Security	3%	4%
Cash Public Assistance	3%	3%
Food Stamps	9%	8%

What We Do


Production, transportation, material moving occupations 20%
Management, professional, and related occupations 29%
Construction, extraction, maintenance and repair occupations 10%
Service occupations 16%
Sales and office occupations 25%

How We Get to Work – in 2005, Gas Wasn't the Issue



Married, Divorced, Etc.

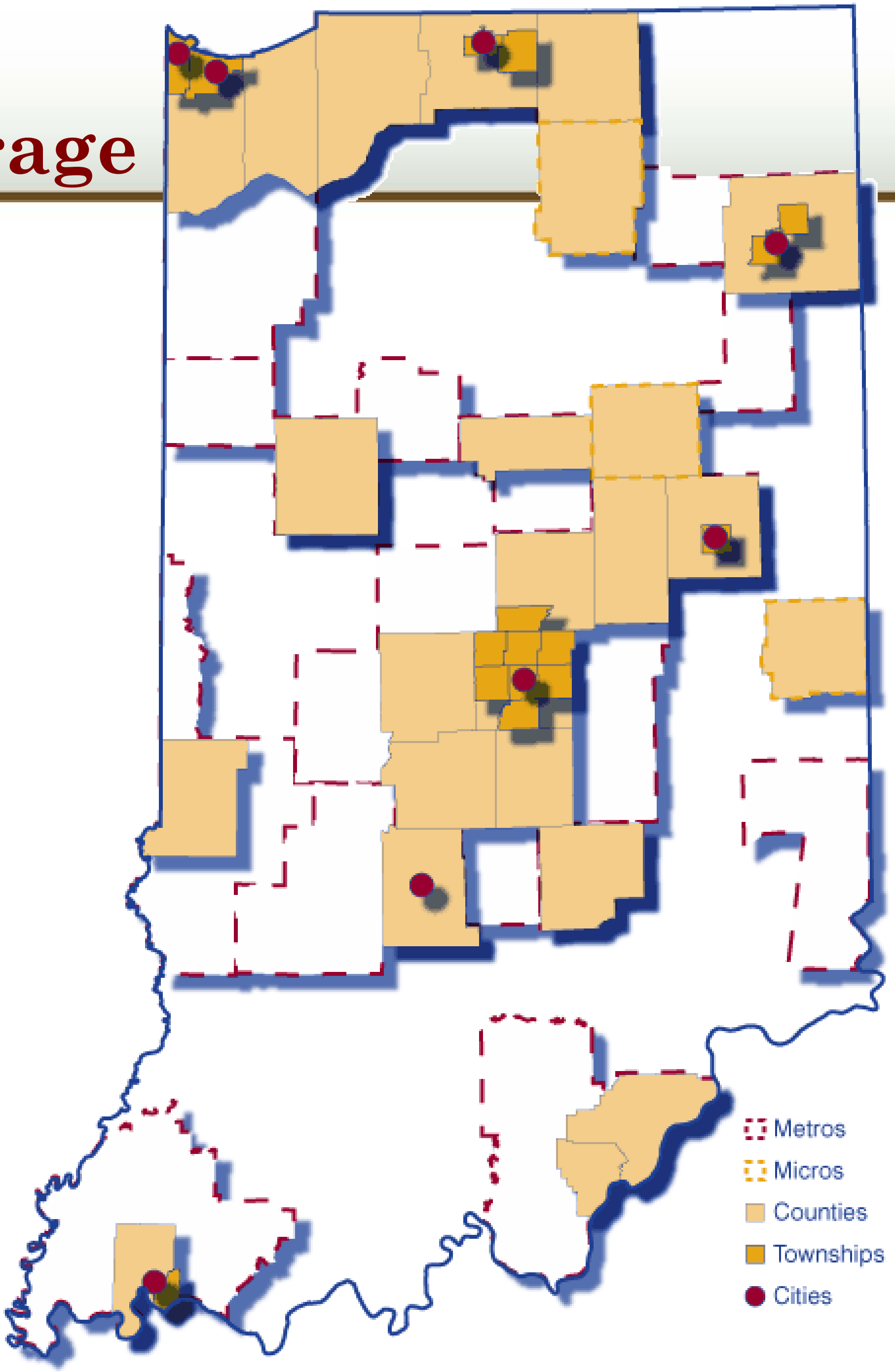
Marital Status	Number 15+	Percent
Never married	1,226,809	25.7%
Now married	2,639,333	55.3%
Separated	70,879	1.5%
Widowed	290,870	6.1%
Divorced	542,120	11.4%

About ACS: Geographic Coverage

Areas with 65,000 or more population

- Counties
- Cities
- School districts
- Townships
- Metro and Micro areas

Beginning in 2008, ACS data for State Legislative Districts, more counties and towns



About ACS: Information Coverage

August 15, 2006

Demographic Characteristics

- Race and ethnicity
- Origins and language
- Age and sex
- Education
- Marital status
- Grandparents as caregivers
- Veterans status
- Disability status
- Household size
- Citizenship and year of entry

August 29, 2006

Economic Characteristics

- Income
- Poverty
- Employment status
- Occupation
- Industry
- Journey to work

October 3, 2006

Housing Characteristics

- Housing occupancy
- Units in structure
- Year structure built
- Rooms
- Bedrooms
- Housing ownership or rental status
- Year householder moved into unit
- Vehicles available
- House heating fuel
- Selected characteristics
- Occupants per room
- Value
- Mortgage status and selected monthly owner costs
- Gross rent

Now for the Cautions

1. The ACS collects data for all 12 months of the year, not for just a single point in time.

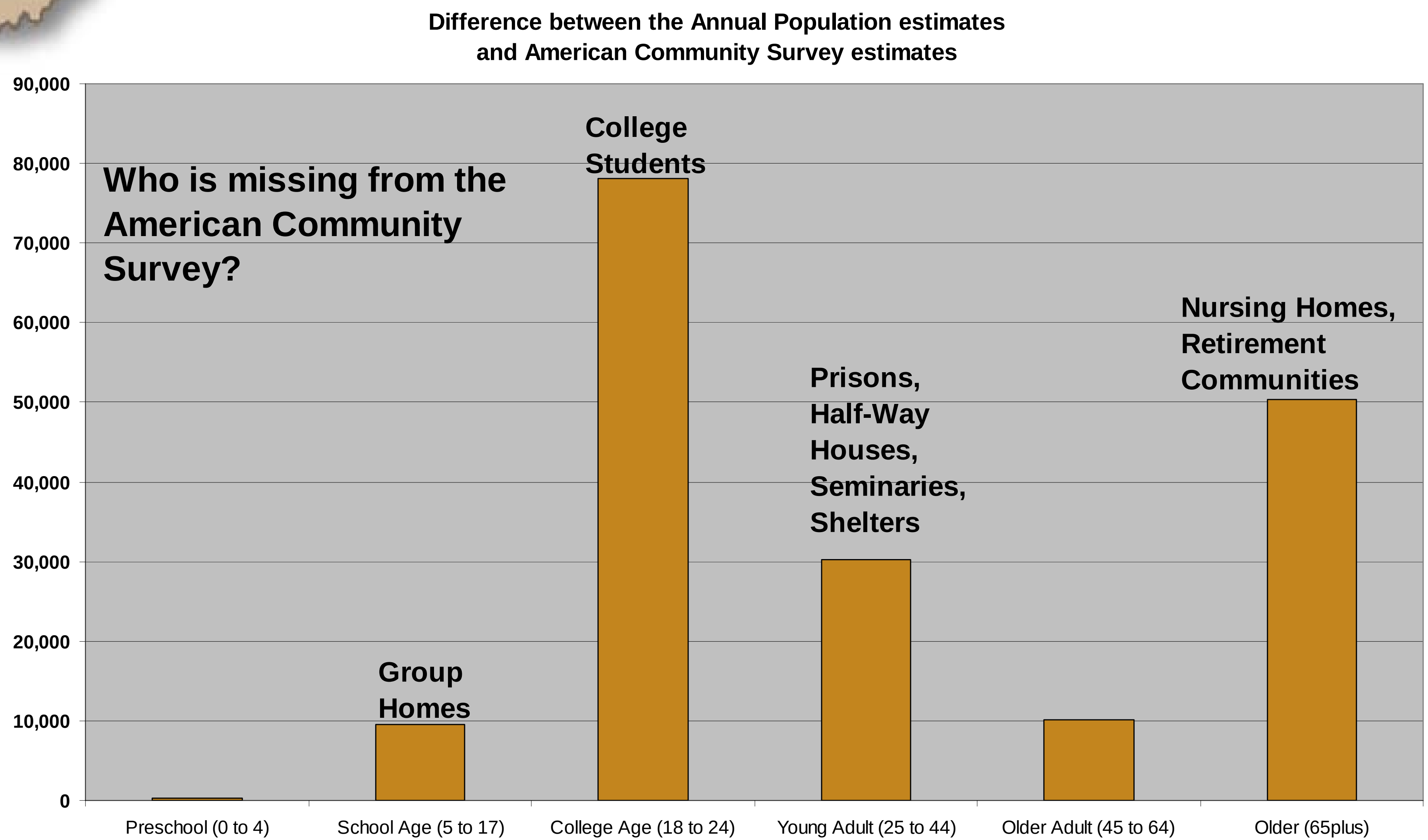
It's an average

2. It samples ONLY people living in households

It doesn't include folks in college, nursing homes, jails, etc.

2005 Population Estimate:	**6,271,973**
2005 ACS Estimate:	**6,093,372**
	178,601

So what does *Household Only* population mean?



What's in the Sample

ACS 2005	Number in Sample	Number of Interviews
Allen	3,194	2,260
Bartholomew	650	499
Clark	905	659
Delaware	1,128	824
Elkhart	1,447	1,057
Floyd	631	492
Grant	806	559
Hamilton	1,738	1,299
Hendricks	1,046	751
Howard	799	603
Johnson	1,049	773
Kosciusko	870	628
Lake	4,165	2,786
LaPorte	1,152	840
Madison	1,396	996
Marion	8,426	5,575
Monroe	1,093	769
Morgan	627	436
Porter	1,233	957
St. Joseph	2,342	1,683
Tippecanoe	1,388	1,008
Vanderburgh	1,609	1,188
Vigo	1,004	718
Wayne	723	534

Bottom line:

1. Use the numbers but exercise caution.
2. If you don't understand something, call or e-mail us:

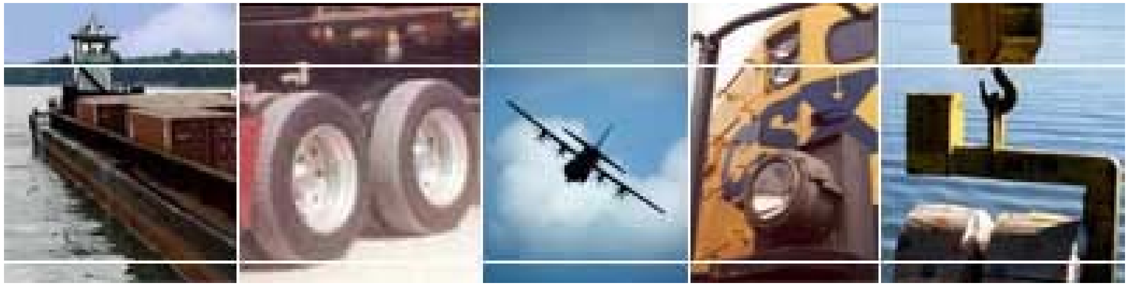
ibrc@iupui.edu

Explore the data:

http://factfinder.census.gov

Indiana's Logistics Future

Roger Schmenner
Associate Dean
Kelley School of Business, Indianapolis



A series of trends will shape Indiana's logistics future.

- Supply chains are longer, more complex, and more synchronized than ever before.
- Transportation is less costly, quicker, and more reliable.
- Supply chain control – tracking, tracing, accounting for, redirecting on the fly, communicating up and down the chain – will get better and better.
- Companies are holding fewer buffer inventories and bullwhip effects have been understood and managed better.
- Bottlenecks are inevitable in the transport and logistics system and economic growth will uncover them.
- Most transportation/logistics jobs are good paying jobs, both in transport itself and in warehousing/distribution. Logistics accounts for about 10% of the state's GDP and 8+% of its workforce.

The implications of these trends are not all good for Indiana.

"Location, location, location" won't hack it any more. Being the Crossroads of America won't be enough. Simple warehousing and single modes of transportation will not grow like more complex arrangements – e.g., value-adding downstream links in the supply chain and multimodal transportation links.

We have got to add more value and we have to add flexibility to dampen the fragility that complex, stretched, low inventory supply chains can imply. It will increasingly be "Location, technology, flexibility".

As bottlenecks occur, the system of transportation will get more diffuse and less classic "hub and spoke". Indiana as a crossroads state will become less and less important.

Selected strategies need to be considered, such as …

- Steal from Chicago. As increasing congestion bottlenecks Chicago, we can re-direct some of that business to Indiana. But, to do so means that we need to match what Chicago has done over the years, and Indiana’s infrastructure is not there yet.
- Become more multimodal. This will be expensive, but it can be a significant growth area for the state.
- Invest in supply chain control technologies to see what they could mean for Indiana manufacturers and for other Hoosier shippers.

Discussion