Indiana’s Personal Income Continues to Grow, But…

The federal government releases estimates of personal income each quarter for the 50 states, the District of Columbia and the nation as a whole. Recent first-quarter estimates for 2003 show an increase of 1.1 percent for Indiana over the fourth quarter of 2002, compared to 0.9 percent for the U.S. during the same period (see Figure 1). These estimates show continued growth in Indiana’s total personal income and percentage increases larger than the U.S. (see Figure 2).

A somewhat longer view, between the first quarters of 2001 and 2003, shows a 6.1 percent overall increase in Indiana’s personal income. Personal income is derived from work earnings; other labor income (such as employer payments into pension plans, health and life insurance and unemployment insurance funds); dividends, rent and interest; and transfer payments (such as social security, disability or welfare).

Transfer payments, specifically state unemployment insurance, had the largest percentage increase (219 percent) between the first quarters of 2001 and 2003 (see Table 1). In pure dollar terms, transfer payments increased by $4.5 billion between 2001 and 2003, increasing its overall share of the state’s personal income from 13.7 percent to 15.4 percent.

Earnings from work increased by $5.4 billion over that same period of time, but declined by 1 percent in its share of overall personal income for the state.

This is a trend analyzed by economist Morton Marcus in the Spring 2002 issue of the Indiana Business Review and bears reading to clearly understand the long-term trends at play in Indiana’s personal income.

While we plan to incorporate quarterly personal income statistics into STATS Indiana later this year, data-hungry readers can find more information at www.bea.gov.

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Table 1: Personal Income Detail for Indiana

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<tbody>
<tr>
<td>Personal income</td>
<td>168,181</td>
<td>178,427</td>
<td>10,246</td>
<td>6.1</td>
<td></td>
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<tr>
<td>Nonfarm personal income</td>
<td>167,459</td>
<td>177,925</td>
<td>10,466</td>
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<td>Farm income</td>
<td>723</td>
<td>501</td>
<td>-222</td>
<td>-30.7</td>
<td>0.4</td>
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Earnings by place of work 117,502 122,852 5,350 4.6 69.9 68.9

Less:
- Personal contributions for social insurance 7,309 7,834 525 7.2 4.3 4.4
- Adjustment for residence 3,366 4,085 719 21.4 2.0 2.3

Equals:
- Net earnings by place of residence 113,559 119,103 5,544 4.9 67.5 66.8

Plus:
- Dividends, interest and rent 31,636 31,850 214 0.7 18.8 17.9
- Transfer payments 22,986 27,474 4,488 19.5 13.7 15.4
- State unemployment insurance benefits 442 1,412 970 219.5 0.3 0.8
- Transfers excluding unemployment insurance 22,544 26,062 3,518 15.6 13.4 14.6

Note: Personal income is based on place of residence.
Source: U.S. Bureau of Economic Analysis