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NOTICE:

Web Only in March

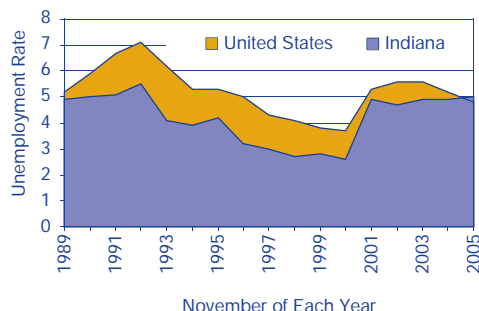
Beginning with the March issue, InContext will be a Web-only publication. The improved, online format will be available at www.incontext.indiana.edu.

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November Unemployment

Every year prior to 2005, Indiana's November unemployment rate* has fared better than the nation's. The biggest difference was in 1993, with Indiana's rate 2.1 percentage points below the nation's rate. In November 2005, however, the unemployment rate for Indiana rose to 5 percent, while the nation's rate dropped to 4.8 percent.



*Not seasonally adjusted

Indiana's Manufacturing Counties

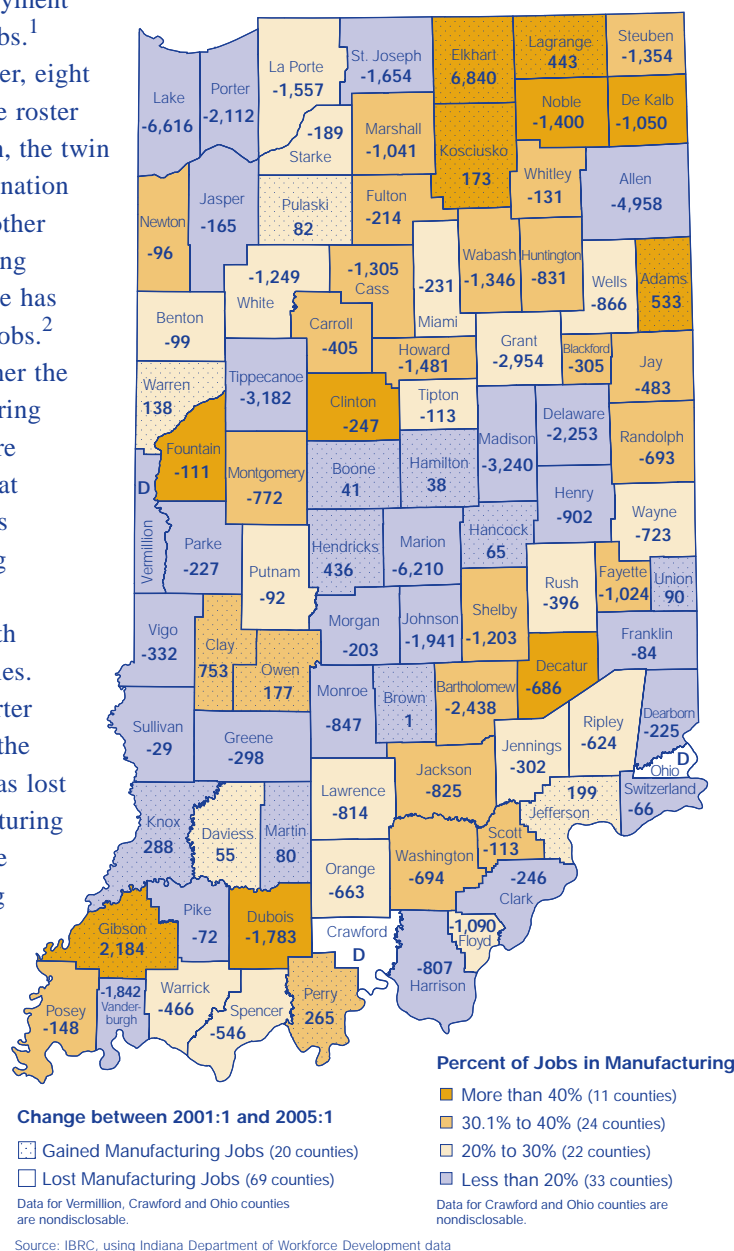
In 1973, George Steinbrenner bought the Yankees for \$10 million, the World Trade Center officially opened, U.S. troops withdrew from

Vietnam, and Indiana's manufacturing employment peaked at 758,200 jobs.¹ Thirty-three years later, eight players on the Yankee roster earn over \$10 million, the twin towers are gone, our nation is in the midst of another war, and manufacturing employment statewide has dropped to 572,900 jobs.² Times change. Whether the decline in manufacturing jobs results from more efficient processes that require fewer workers or production shifting overseas, Indiana continues to cope with these changing realities.

Since the first quarter of 2001 (the start of the recession), Indiana has lost over 61,000 manufacturing jobs, with twenty-five counties experiencing declines of 1,000 or more. Nevertheless, **Figure 1** shows that 20 counties actually increased manufacturing employment during that same time period; however,

the total increase for these 20 counties with manufacturing employment gains totaled only 12,881, over half of which was in Elkhart County alone.

FIGURE 1: MANUFACTURING CONCENTRATION AND CHANGE



Hoosiers are more reliant on manufacturing than the nation, where production accounts for only 11 percent of all jobs. Statewide, 20 percent of all jobs fall within the manufacturing industry (as of the first quarter of 2005). From a local perspective, 33 counties fall below Indiana's average (with 2 counties being nondisclosable), leaving 57 counties to exceed it (see **Figure 1**). Eleven counties, most of which are concentrated in northeast Indiana, have more than 40 percent of their jobs in manufacturing. This article will look at those counties (Adams, Clinton, De Kalb, Decatur, Dubois, Elkhart, Fountain, Gibson, Kosciusko, Lagrange and Noble) to see how Indiana's most manufacturing-intensive areas are faring in this changing economy.

Employment

One-fourth of all the manufacturing jobs statewide are found in these 11 counties, which had nearly 141,400 manufacturing jobs in the first quarter of 2005 (see **Table 1**). Noble and Elkhart counties both have over half of their total employment in manufacturing. With over 63,000 manufacturing jobs, Elkhart County is second only to Marion County statewide in the number of

TABLE 2: LARGEST MANUFACTURING COMPANIES IN EACH COUNTY

County	Company	Industry	City	Annual Sales
Largest Manufacturers Have Less than 1,000 Employees				
Clinton	Emerson Appliance Controls	Relays and Industrial Controls	Frankfort	\$100,000–\$499,999
	Federal-Mogul	Rubber Supplies	Frankfort	\$100,000–\$499,999
De Kalb	Cooper-Standard Automotive	Automobile Parts and Supplies	Auburn	\$100,000–\$499,999
	Guardian Automotive	Glass	Auburn	\$100,000–\$499,999
	Steel Dynamics	Steel Mills	Butler	\$100,000–\$499,999
Lagrange	Redman Homes	Mobile Homes	Topeka	\$100,000–\$499,999
Noble	Dalton	Gray and Ductile Iron Foundries	Kendallville	\$20,000–\$49,999
	Dexter Axle	Axles	Albion	\$100,000–\$499,999
	Guardian Auto Glass	Glass Products	Ligonier	\$50,000–\$99,999
	Kraft	Candy and Confectionery	Kendallville	\$100,000–\$499,999
	Silgan Plastics	Plastic Bottles	Ligonier	\$100,000–\$499,999
Largest Manufacturers Have More than 1,000 Employees				
Adams	Fleetwood Motor Homes	Motor Homes	Decatur	\$100,000–\$499,999
Decatur	Delta Faucet	Plumbing Fixture Fittings and Trim	Greensburg	\$100,000–\$499,999
	Gecom	Automobile Parts and Supplies	Greensburg	\$100,000–\$499,999
Dubois	Best Chairs	Furniture	Ferdinand	\$50,000–\$99,999
Elkhart	Bayer	Biological Products	Elkhart	\$100,000–\$499,999
	Fairmont Homes	Mobile Homes	Nappanee	\$100,000–\$499,999
	Home Crest	Cabinets	Goshen	\$50,000–\$99,999
	Monaco Coach	Motor Homes	Wakarusa	\$500,000–\$999,999
	Supreme Industries	Truck Bodies	Goshen	n/a
Fountain	Master Guard	Automobile Bumpers, Guards and Grills	Veedersburg	\$100,000–\$499,999
Gibson	Toyota Motor Manufacturing	Automobiles	Princeton	\$1,000,000+
Kosciusko	Biomet Manufacturing	Orthopedic Prosthetic/Surgical Appliances	Warsaw	n/a
	R R Donnelley & Sons	Printers	Warsaw	\$100,000–\$499,999
	Zimmer	Orthopedic Prosthetic/Surgical Appliances	Warsaw	n/a

Source: InfoUSA

manufacturing jobs. Kosciusko County is in the top ten with nearly 15,200 manufacturing jobs. **Table 2** shows a few of the major manufacturing employers in these counties.

Five of the 11 counties gained manufacturing jobs between 2001:1 and

2005:1. Elkhart County saw the largest increase from a numeric perspective (6,840 jobs), while Gibson County saw the largest percentage increase (49.6 percent).

While several counties no longer have 40 percent of their total

TABLE 1: INDIANA'S MANUFACTURING JOBS, 2005:1

Area	Manufacturing		Total Covered Employment		Percent of Total		Change in Manufacturing Since 2001:1	
	Establishments	Jobs	Establishments	Jobs	Establishments	Jobs	Change in Jobs	Percent Change in Jobs
Indiana	8,731	570,528	139,690	2,817,662	6.3	20.2	-61,274	-9.7
Manufacturing Counties	1,723	141,389	12,765	296,610	13.5	47.7	4,896	3.6
Noble	147	10,052	859	19,249	17.1	52.2	-1,400	-12.2
Elkhart	817	63,085	4,499	122,784	18.2	51.4	6,840	12.2
Lagrange	113	5,973	690	11,966	16.4	49.9	443	8.0
De Kalb	115	10,088	914	21,286	12.6	47.4	-1,050	-9.4
Kosciusko	186	15,170	1,679	33,891	11.1	44.8	173	1.2
Fountain	16	2,456	329	5,544	4.9	44.3	-111	-4.3
Adams	70	6,476	686	14,640	10.2	44.2	533	9.0
Dubois	112	12,011	1,218	28,156	9.2	42.7	-1,783	-12.9
Decatur	52	5,081	591	12,239	8.8	41.5	-686	-11.9
Gibson	46	6,584	686	15,934	6.7	41.3	2,184	49.6
Clinton	49	4,413	614	10,921	8.0	40.4	-247	-5.3

Source: IBRC, using Indiana Department of Workforce Development data

employment in manufacturing, Gibson County is the only one of the current 11 not in that group back in 2001. Expansions at the 10-year-old Toyota plant are responsible for many of its 2,184 new jobs.

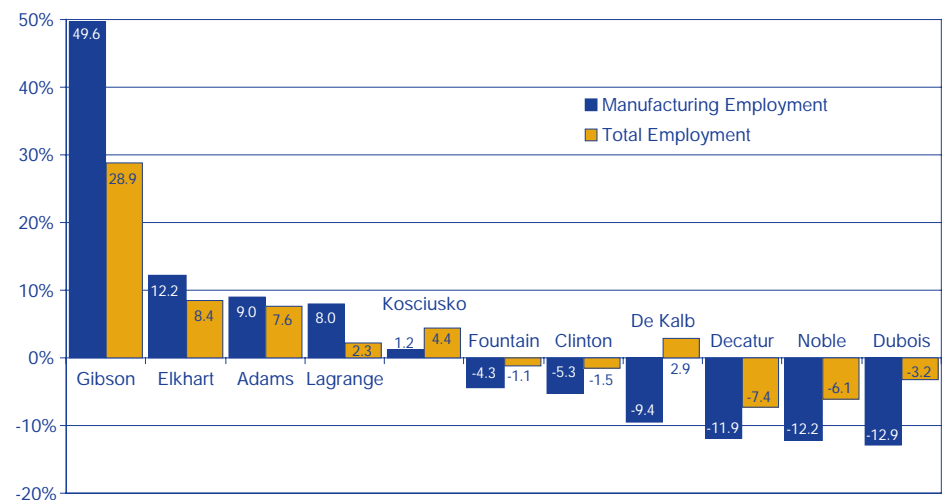
These new manufacturing jobs were responsible for about 61 percent of the growth in total employment in Gibson County, and manufacturing constituted over 71 percent of total employment growth in Elkhart County. In Lagrange County, the increase in manufacturing (443 jobs) was 66 percent higher than the increase in total employment (267), indicating losses in other industries (namely agriculture, forestry, fishing and hunting, which lost 268 jobs, and retail trade, which lost 167 jobs).

De Kalb was the only one of the 11 counties to lose manufacturing jobs and still see increases in total employment (see **Figure 2**). A tripling of wholesale trade (857 jobs), together with a 69 percent increase in administrative and support services (330 jobs), more than offset De Kalb's manufacturing decline. The remaining five counties with losses saw manufacturing declines range from -111 in Fountain County to -1,783 in Dubois County, with total employment losses ranging from -64 in Fountain County to -1,241 in Noble County.

Population

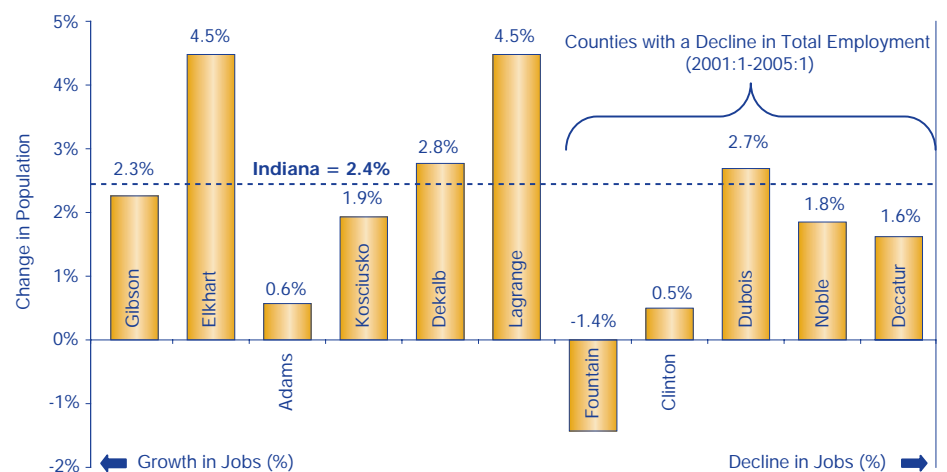
Indiana's manufacturing-intensive counties have 577,432 residents, according to 2004 estimates. Of the 11, only Fountain County lost population (256 fewer people) between 2000 and 2004 (see **Figure 3**). As a group, the counties picked up over 15,500 new residents. Elkhart and Lagrange counties had the largest population growth (8,226 and 1,566, respectively), nearly twice the state rate, at 4.5 percent. (Due to its large

FIGURE 2: PERCENT CHANGE IN EMPLOYMENT, 2001:1 TO 2005:1



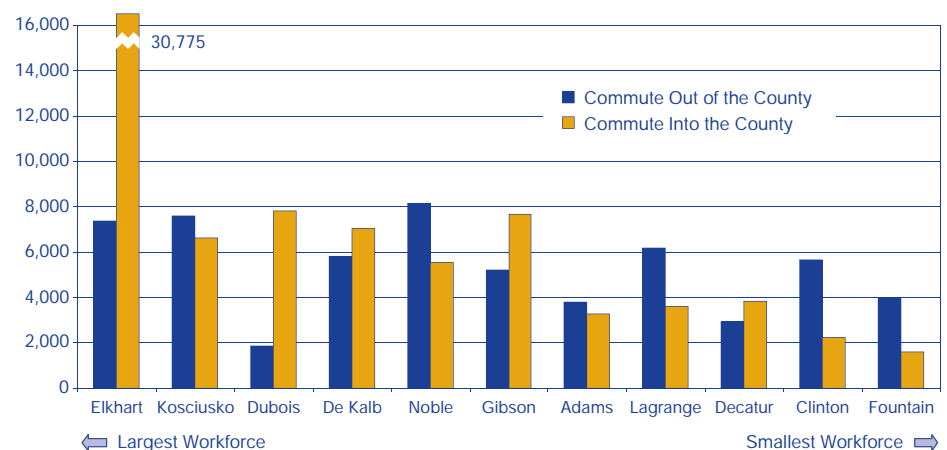
Source: IBRC, using Indiana Department of Workforce Development data

FIGURE 3: POPULATION CHANGE, 2000 TO 2004



Source: IBRC, using U.S. Census Bureau data

FIGURE 4: COMMUTING, 2003



Source: STATS Indiana 2003 commuting profiles

Amish population with above average birth rates, Lagrange County typically exceeds the state average.) Adams and Clinton counties grew the slowest, each gaining fewer than 200 residents for growth rates under 1 percent.

Commuting

About 389,962 people work in these 11 counties, according to data from 2003. Just 69 percent of those who work in Gibson County also live there, while that number reaches all the way up to 88 percent in Clinton County. In Elkhart, Dubois, Gibson, De Kalb and Decatur counties, more people

commute into the county for work than commute out of the county (see **Figure 4**).

Those commuting into the county for work make up one-fourth of the workforce in De Kalb County and 31 percent of the workforce in Gibson County. Meanwhile, more than 25 percent of the employed residents in Fountain, Lagrange, Noble and Clinton counties earn their livings outside their county of residence. These are relatively rural areas that had high rates of commuting to begin with; however, three of these four counties (Lagrange is the exception) have seen

total employment decrease in the past several years, so it is possible that even more people will need to travel farther to find work.

Wages

Quarterly manufacturing wages in the 11 manufacturing-intensive counties exceeded \$1.4 billion in the first quarter of 2005. In all but Decatur and Dubois counties, the manufacturing sector made up over 50 percent of all wages earned in the county (see **Table 3**). The average weekly wage per manufacturing worker ranged from \$632 in Dubois County to \$1,139 in Kosciusko County. Growth in manufacturing earnings outpaced growth for total earnings, except in Decatur and Adams counties.

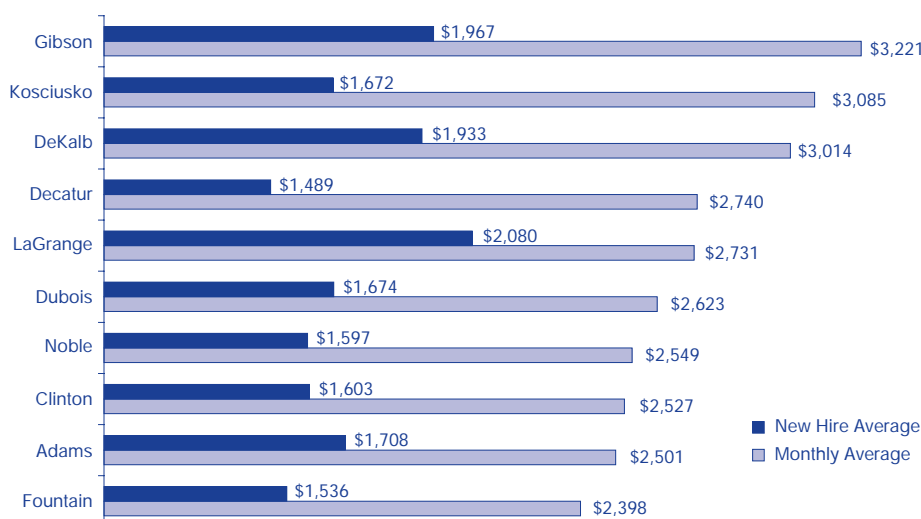
Local Employment Dynamics data are a little older, but show what new employees are making compared to the overall average wage. Average new hire monthly earnings for all industries for the third quarter of 2004 ranged from \$2,080 in Lagrange County down to \$1,489 in Decatur County (see **Figure 5**). Kosciusko County had the biggest gap between new hire earnings and average earnings (\$1,413), while Lagrange County had the smallest (\$651). New hire earnings fell in four counties compared to three years earlier (2001:3). Not surprisingly, three of those four counties had declines in manufacturing employment. Meanwhile, average earnings went up by at least \$240 in all 11 counties compared to 2001:3, with Gibson County showing a gain of nearly \$540.

TABLE 3: **WAGES, 2005:1**

Area	Manufacturing		Total Covered Employment		Percent of Total	
	Quarterly Wages	Average Weekly Wage	Quarterly Wages	Average Weekly Wage	Quarterly Wages	Average Weekly Wage
Indiana	6,925,371,716	\$934	24,423,875,264	\$667	28.4	140.0
Manufacturing Counties	1,408,116,934	\$766	2,458,892,060	\$638	57.3	120.1
Kosciusko	224,600,766	\$1,139	359,659,649	\$816	62.4	139.6
Gibson	85,058,903	\$994	152,189,034	\$735	55.9	135.2
De Kalb	118,438,843	\$903	190,173,459	\$687	62.3	131.4
Clinton	42,905,533	\$748	80,640,214	\$568	53.2	131.7
Lagrange	55,677,370	\$717	88,463,460	\$569	62.9	126.0
Elkhart	575,913,473	\$702	1,013,722,400	\$635	56.8	110.6
Noble	90,046,089	\$689	142,326,992	\$569	63.3	121.1
Decatur	42,802,735	\$648	86,467,068	\$543	49.5	119.3
Adams	53,796,990	\$639	97,623,939	\$513	55.1	124.6
Fountain	20,246,627	\$634	35,999,756	\$499	56.2	127.1
Dubois	98,629,605	\$632	211,626,089	\$578	46.6	109.3

Source: Indiana Department of Workforce Development

FIGURE 5: **MONTHLY EARNINGS, 2004:3**



Source: IBRC, using U.S. Census Bureau data

Notes

1. 1973 annual average
2. Average of the most recent four quarters (2004:2 to 2005:1)

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

Inside the Data Center

Minority Buying Power

A recent report from the University of Georgia's Selig Center for Economic Growth shows that the buying power of U.S. consumers, including that of African-Americans, Asians, Native Americans and Hispanics will continue to have substantial gains. Buying power is total personal income available after taxes, not including money that was borrowed or saved in previous years. It does not measure wealth and does not include spending by tourists.

Data from the report, *The Multicultural Economy 2005: America's Minority Buying Power*, shows that the buying power of both the African-American and Hispanic populations in the United States is already larger than the GDP (in dollars) of all but nine countries in the world. By 2010, the size of both those markets could surpass the GDP of Canada, the world's ninth largest economy.

In Indiana, the African-American market is larger than the economies

of countries like Jordan and Jamaica. By 2010, it could exceed the GDPs of Latvia and Iceland. The Hispanic market in Indiana is greater than the economies of Mali and Armenia and could surpass those of Uganda and Nepal by 2010.

The Selig Center projects that Indiana's total buying power will increase from \$85.4 billion in 1990 to \$177.5 billion in 2005, and to \$225.5 billion in 2010 (see **Table 1**). The growth rate for 1990–2010 is 164 percent, much greater than the 68 percent increase in the U.S. consumer price index (CPI) for all urban consumers for the same period. From 1990 to 2005, total buying power in Indiana will have risen by 108 percent while the CPI will have risen by 48.9 percent (see **Figure 1**). Between 2000 and 2005, total buying power will have grown 23 percent (CPI growth of 13.1 percent). Between 2005 and 2010, it will grow 27 percent (CPI growth of 12.6 percent).

Access the report at www.selig.uga.edu/forecast/GBEC/GBEC053Q.pdf.

State of the Cities Data Systems (SOCDS)

With data from the Census Bureau, Bureau of Labor Statistics and Federal Bureau of Investigation, the SOCDS provides users with data for individual metropolitan areas, central cities and suburbs:

- Detailed demographic and economic characteristics from the 1970, 1980, 1990 and 2000 censuses.
- Unemployment rate and labor force data from 1990 to 2005.
- Jobs, business establishments and average pay from county business patterns since 1992.

TABLE 1: INDIANA'S TOTAL BUYING POWER (THOUSANDS OF DOLLARS)

Race	1990	2000	2005	2010
Native American	\$141,690	\$318,554	\$413,035	\$560,672
Asian	\$697,716	\$1,628,561	\$2,546,026	\$3,897,539
Hispanic	\$1,047,786	\$3,272,047	\$4,866,103	\$7,108,853
African American	\$4,475,644	\$8,954,318	\$11,276,805	\$14,887,163
White	\$80,098,655	\$132,418,998	\$162,199,087	\$204,669,086
State Total	\$85,413,705	\$144,059,123	\$177,500,003	\$225,541,799

Source: Selig Center for Economic Growth, Terry College of Business, University of Georgia, May 2005

- Violent and property crime rates from 1992 to 2002.
- Residential construction permit data on an annual basis from 1980 and monthly since 1997.
- Public finance data from 1992, 1997 and 2002.
- Comprehensive Housing Affordability Strategy (CHAS) data, showing housing problems and the availability of affordable housing.

To learn more about the SOCDS and to download data, visit <http://socds.huduser.org/index.html>.

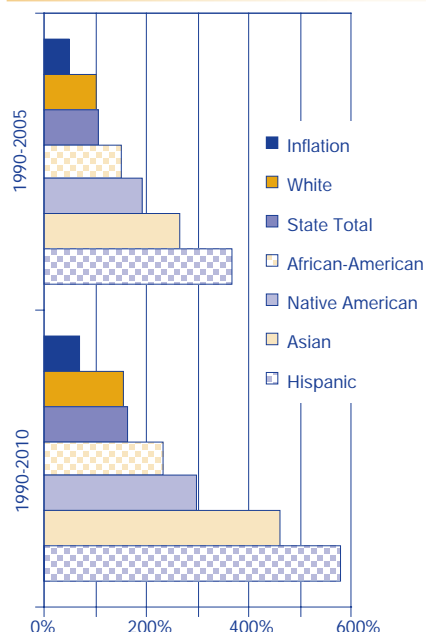
More ACS Data Released

In November 2005, the Census Bureau released over 600 additional tables from the 2004 American Community Survey (ACS). The ACS contains estimates for the state of Indiana; Allen, Lake, Marion and St. Joseph counties; the Fort Wayne, Indianapolis and South Bend metro areas; the City of Indianapolis; and Congressional District 7.

The Census Bureau also released new subject tables, similar to the Census 2000 quick tables. The subject tables show percent distributions rather than just the estimates. They also allow for other measures like medians and means when appropriate and include imputation rates for some measures. Subject tables were issued in 42 subjects, including education, employment, poverty, income, language and housing. The additional data may be found at <http://factfinder.census.gov>.

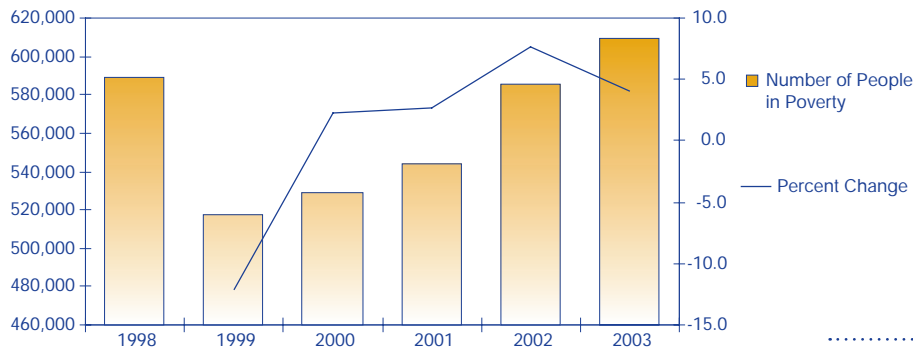
—Frank Wilmot, State Data Center Coordinator, Indiana State Library

FIGURE 1: BUYING POWER GROWTH, INDIANA



Source: Selig Center for Economic Growth, Terry College of Business, University of Georgia, May 2005

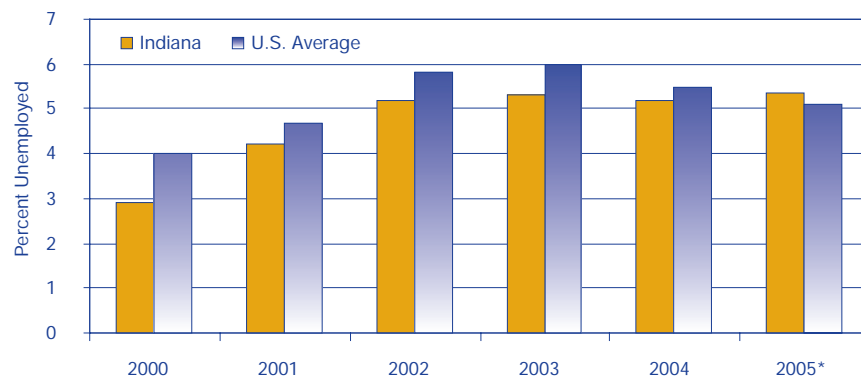
NUMBER OF HOOSIERS LIVING IN POVERTY



Source: IBRC, using U.S. Census Bureau data

Based on small area income and poverty estimates data recently released by the U.S. Census Bureau, Indiana's total poverty rate of 10 percent for 2003 was tied for 13th lowest in the country, along with Colorado, Nebraska and Utah. At 6.4 percent, New Hampshire had the lowest poverty rate in the country. However, with 609,171 Hoosiers living in poverty, Indiana ranked 19th for the most individuals living in poverty. Unfortunately, that number has steadily increased since 1999.

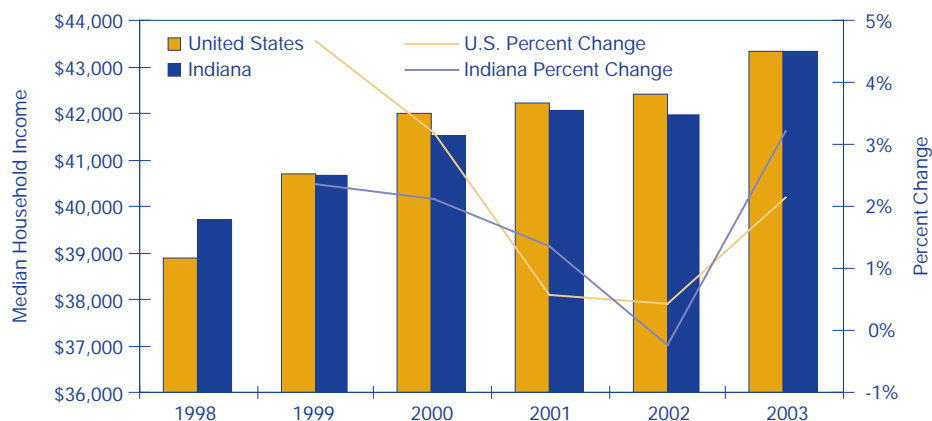
UNEMPLOYMENT IN INDIANA AND THE UNITED STATES



*Based on average monthly data through November 2005
Source: STATS Indiana

Between 2000 and 2004, Indiana's unemployment rate was lower than the U.S. average; however, over the last several years, the gap between them has narrowed. Indiana's unemployment rate of 2.9 percent in 2000 was 1.1 percentage points better than the U.S. average, but by 2004, the difference between the unemployment rates decreased to 0.3 percentage points. Based on monthly data through November 2005, Indiana's average unemployment rate for 2005 was 5.4 percent and exceeded the U.S. average of 5.1 percent.

MEDIAN HOUSEHOLD INCOME AND PERCENT CHANGE IN INDIANA AND THE UNITED STATES



Source: IBRC, using U.S. Census Bureau data

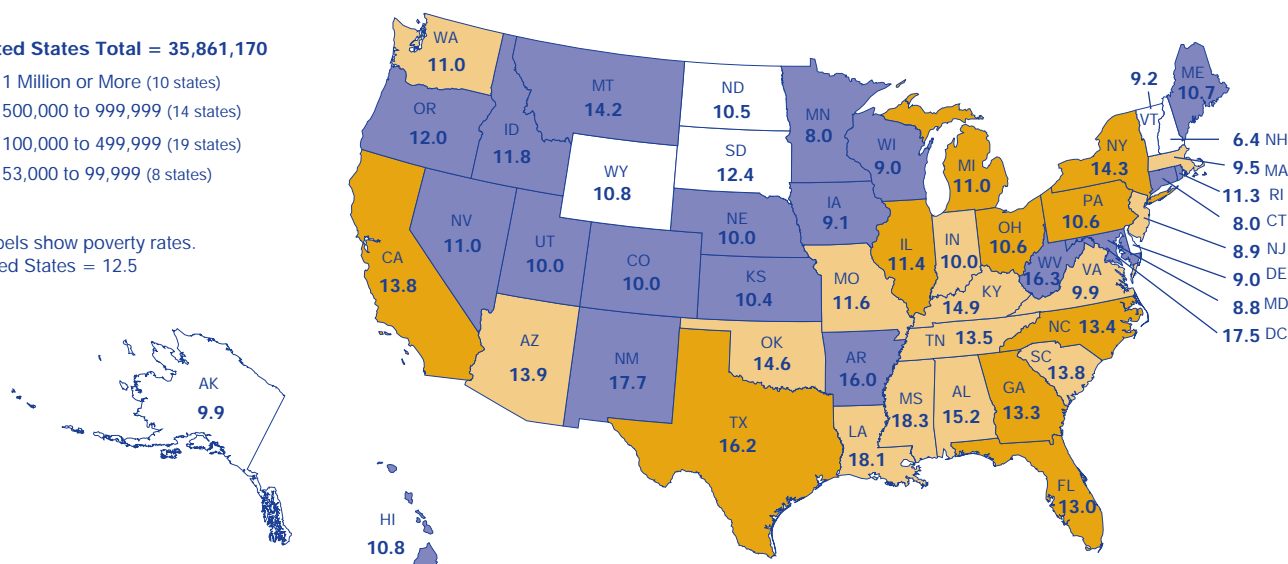
Between 1999 and 2002, Indiana's median household income trailed the U.S. average, according to the Census Bureau's small area income and poverty estimates. However, with a 3.2 percent increase in median income between 2002 and 2003, Indiana was able to catch up to the U.S. average median household income of \$43,318.

TOTAL POVERTY BY STATE, 2003

United States Total = 35,861,170

- 1 Million or More (10 states)
- 500,000 to 999,999 (14 states)
- 100,000 to 499,999 (19 states)
- 53,000 to 99,999 (8 states)

*Labels show poverty rates.
United States = 12.5



Source: IBRC, using U.S. Census Bureau data

With a poverty rate of 10 percent in 2004, Indiana tracked closely with its Midwestern neighbors (11.2 percent average, including Wisconsin). Due to their larger populations, Illinois, Michigan and Ohio each had more than 1 million individuals living in poverty, while Indiana had just over 600,000. At 15 percent, the Southeastern states¹ had the highest average poverty rate in the country, while the Northeastern states² enjoyed the lowest average poverty rate of 9.0 percent.

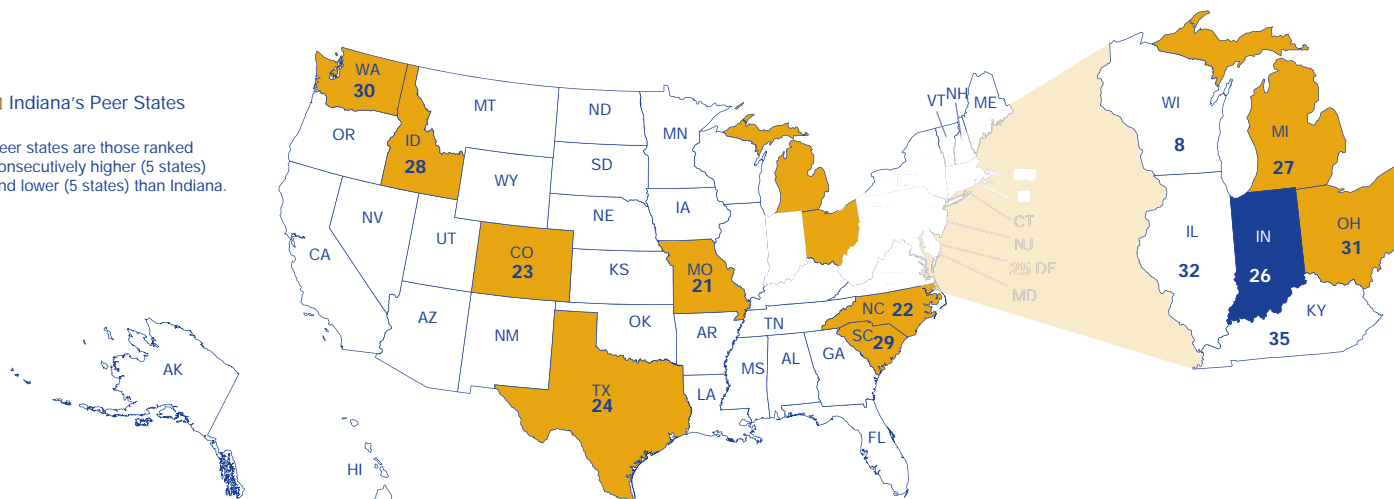
1. Southeastern states include Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee.
2. Northeastern states include Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, Rhode Island and Vermont.

According to Morgan Quitno's annual reference book *Education State Rankings, 2005–2006* (www.morganquitno.com/edrank.htm), Indiana is the 26th smartest state in the country for the 2005–2006 school year. Though Indiana may be rated in the middle for the United States, it ranks higher than its Midwestern neighbors, with Michigan at 27th, Ohio at 31st, Illinois at 32nd and Kentucky at 35th. Wisconsin, however, ranked in the top ten, as the eighth smartest state. The rankings were based on 21 factors, including average class size, pupil-to-teacher ratios, average daily attendance, high school drop out rates and average proficiency test scores.

EDUCATION RANKINGS, 2005–2006 SCHOOL YEAR

Indiana's Peer States

Peer states are those ranked consecutively higher (5 states) and lower (5 states) than Indiana.



Source: IBRC, using www.morganquitno.com/edrank.htm data

Economic Growth Region 2: North-Central Indiana

Economic Growth Region 2 (EGR 2) includes Elkhart, Fulton, Kosciusko, Marshall and St. Joseph counties. With over 2,270 square miles of land, the five-county region is home to about 601,000 people, or 9.6 percent of Indiana's total population. South Bend in St. Joseph County is the largest city in the region, with more than 105,000 people. Over 76 percent of the region's population resides in Elkhart and St. Joseph counties. Compared to Indiana, EGR

2 has not kept up with the population growth rate. From 2000 to 2004, Indiana's population increased by 2.4 percent, while EGR 2 increased by 2 percent. **Figure 1** shows the expected change in population for each age group from 2004 to 2020.

Jobs

Region 2 mirrors the state exactly in terms of the top five industries with the most employees:

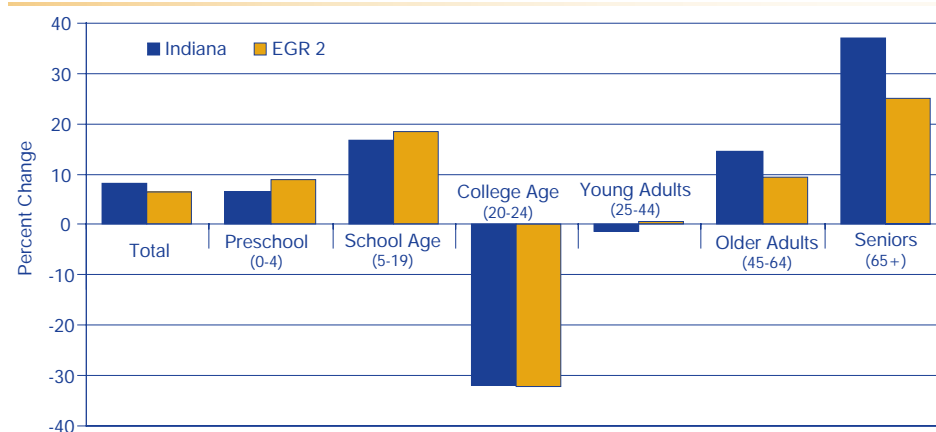
1. Manufacturing

2. Health care and social services
3. Retail trade
4. Educational services
5. Accommodation and food services

While retail trade ranked third for employment in 2005, it experienced job losses in both EGR 2 (a 9.4 percent decline) and the state (a 6.8 percent decline). Retail trade lost the most jobs from the first quarter of 2001 to the same time in 2005 at the regional level and was second only to job losses in manufacturing at the state level.

The five-county region seems to be holding its weight in the manufacturing industry. In 2004, manufacturing made up 34.7 percent of all jobs in the region; compare that to only 20.2 percent for the state. On a similar note, the state lost over 61,000 jobs (a 9.7 percent decline) from 2001 to 2005 in the manufacturing industry, while EGR 2 added about 4,100 jobs (a 4 percent increase). This difference between Region 2 and the state could increase with the opening of a new Keystone plant (RV manufacturer) in Elkhart County. It is expected to bring about 300 jobs to the area in the coming year.¹ As shown in **Table 1**, EGR 2 fared better than the state overall in terms of change in jobs, adding 8,627 (a 2.9 percent increase), while the state lost 27,778 (a 1 percent decrease).

FIGURE 1: PERCENT CHANGE IN POPULATION BY AGE, 2004 TO 2020



Source: Indiana Business Research Center

TABLE 1: CHANGE IN JOBS IN EGR 2 AND INDIANA, 2001:1 TO 2005:1

Industry	EGR 2			Indiana		
	2005:1	Change Since 2001:1	Percent Change	2005:1	Change Since 2001:1	Percent Change
Total	304,716	8,627	2.9	2,817,662	-27,778	-1.0
Administrative, Support and Waste Management	12,418	2,833	29.6	146,172	17,690	13.8
Utilities*	445	64	16.8	16,202	-427	-2.6
Educational Services	28,709	2,884	11.2	251,304	18,824	8.1
Accommodation and Food Services	19,391	1,543	8.6	224,942	8,553	4.0
Arts, Entertainment and Recreation*	1,726	126	7.9	38,812	-415	-1.1
Health Care and Social Services	30,533	2,097	7.4	341,266	27,254	8.7
Public Administration	9,059	458	5.3	124,880	2,533	2.1
Transportation and Warehousing	7,678	317	4.3	124,742	-2,933	-2.3
Manufacturing	105,602	4,104	4.0	570,528	-61,274	-9.7
Real Estate, Rental and Leasing	3,463	124	3.7	36,154	-49	-0.1
Agriculture, Forestry, Fishing and Hunting	834	26	3.2	10,218	168	1.7
Wholesale Trade	13,712	173	1.3	119,557	-4,300	-3.5
Professional, Scientific and Technical Services	7,592	-173	-2.2	92,787	3,584	4.0
Finance and Insurance	7,726	-401	-4.9	99,965	-5,406	-5.1
Other Services (Except Public Administration)	8,004	-535	-6.3	82,485	-2,521	-3.0
Management of Companies and Enterprises*	1,933	-145	-7.0	26,230	-600	-2.2
Information	4,534	-375	-7.6	46,831	-5,120	-9.9
Retail Trade	29,845	-3,109	-9.4	323,880	-23,506	-6.8
Construction	11,206	-1,196	-9.6	133,766	373	0.3

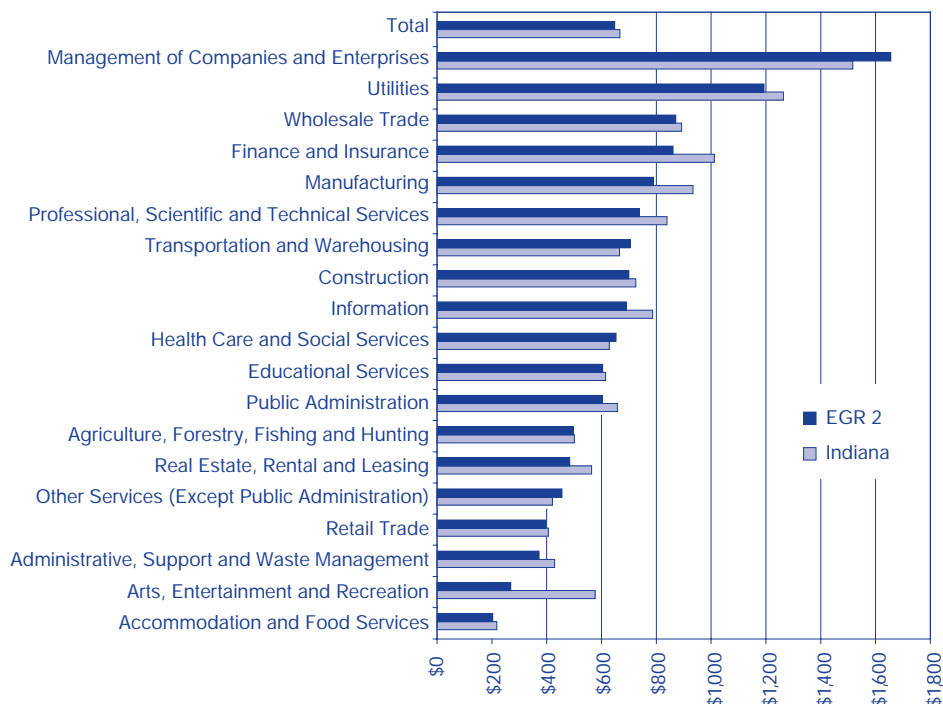
*Does not include nondislosable data. The mining industry is not included due to nondisclosure reasons.
Source: IBRC, using ES-202 data

Income and Wages

While EGR 2 has increased wages at a faster rate than the state from the first quarter of 2001 to the first quarter of 2005, it has not managed to catch up to Indiana's average weekly wage across all industries (\$667). Region 2 wages increased by \$65 but remained \$19 shy of breaking even with Indiana's average.

The management of companies and enterprises industry paid the most in

FIGURE 2: AVERAGE WEEKLY WAGE IN INDIANA AND EGR 2, 2005:1



Source: IBRC, using ES-202 data

average weekly wages for the first quarter of 2005 both in EGR 2 and Indiana (see **Figure 2**). While Region 2 increased wages paid in this industry by \$128, Indiana decreased the wages paid by \$142 (an 8.6 percent decline from its 2001 level), creating the largest difference in pay where EGR 2 paid more than the state. On the other hand, Indiana paid \$308 more per week for employees in the arts, entertainment and recreation industry. These dramatic differences are offset by the fact that both industries combined made up only 1.2 percent of jobs in Region 2 and 2.3 percent of jobs in Indiana.

Unemployment

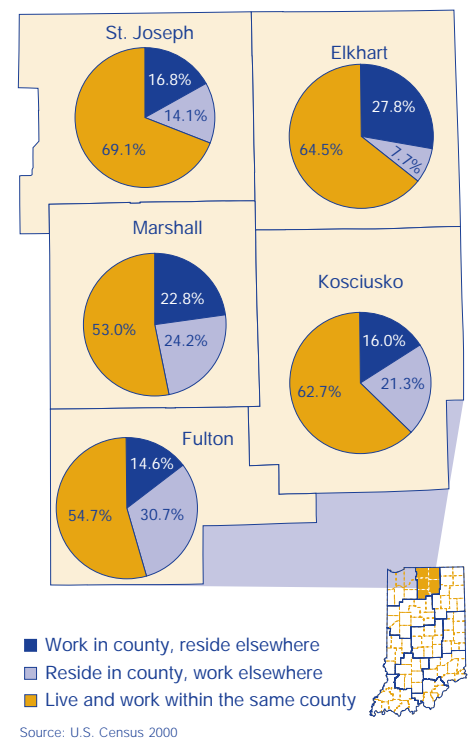
Indiana's unemployment rate in October 2005 was higher than both EGR 2 and the nation by 0.4 percentage points. For the past 13 years, EGR 2 has maintained an unemployment rate below both the nation and the state,

with the exceptions of 1997, 2000 and 2001 when it remained below the nation but was higher than the state.

Building Permits

EGR 2 is not issuing building permits nearly as much as the state. From 1990 to 2004, EGR 2 increased the number of building permits issued by 8.7 percent (up to 3,044 units) while the state added 58.1 percent (just over 39,000 units). As a percent of the state total, EGR 2 makes up only 7.7 percent of all building permits, which could help explain the nearly 1,200 loss in jobs in the construction industry shown in **Table 1**. Similarly, in the 14-year period, the cost for Indiana building permits has increased 177.9 percent, while the region's costs have increased 108.1 percent. Of the building permits issued, the majority for both EGR 2 (88 percent) and Indiana (82 percent) were for single-family units.

FIGURE 3: EGR 2 COMMUTING PATTERNS



Source: U.S. Census 2000

Commuting

More than 325,000 workers either reside in or commute to EGR 2, according to Census 2000. Of those, 87 percent reside and work within the region, while another 13 percent live outside the region but commute into it. Not surprisingly, of all those working in Region 2, 79.5 percent worked in either St. Joseph or Elkhart County. At the same time, Fulton and Marshall counties only had a combined 29,446 people (9.5 percent of all workers working in the region). Of all those living in the region and working anywhere, only 5.3 percent leave the region to work.

Notes

1. Marilyn Odendahl, "More RV Jobs on the Way to Elkhart County," *Truth Publishing* 10 December 2005.

—Molly Marlatt, Research Associate, Indiana Business Research Center, Kelley School of Business, Indiana University

Retail Sales and the Elusive Internet Shopping Industry

American consumers will have spent about \$460 billion this past holiday shopping season, according to the Purdue Retail Institute.¹ To put this figure into perspective, that is a little more than the nation of Liberia's gross domestic product. If you want a perspective a little closer to home, that figure is inching close to the gross state product of Illinois.

Traditional in-store sales still dominate the retail industry, despite all the media attention to holiday shopping on the Internet. The Purdue Retail Institute estimates that "Internet sales will climb to \$26 billion, up from \$21 billion last year (a 22 percent increase). While a 22 percent increase is notable, Internet sales still account for only 10 percent of holiday sales." Again, to put this figure of \$26 billion into

perspective, that amount is close to Indiana's budget for the last two years.

A private research firm, comScore Networks, forecasted similar fourth quarter Internet sales (\$26.5 billion) and predicts that online spending for 2005 will be around \$83 billion—a 24 percent increase over 2004.²

The most recent Census Bureau data for the nation on e-commerce comes from the Monthly Retail Trade Survey and is for the third quarter of 2005. Going into the holiday season, there were \$962.7 billion in retail sales, and e-commerce sales³ comprised 2.2 percent of total sales. Gradually, e-commerce sales have taken a larger piece of the pie thanks to annual growth rates that are three times in-store retailers (see **Table 1**).

Although the material is dated, we can get fairly detailed information on shopping via the Internet using the 2002 Economic Census. In 2002, 5,498 businesses with paid employees generated \$24 billion in Internet sales, excluding electronic auctions, which is now close to the amount that is generated by online shopping on a quarterly basis.

Note that businesses with a combination of in-store sales and Internet sales are not included. For example, goods sold online at Sam's Club, Best Buy and car dealerships would be excluded.

Table 2 shows the nation's top five product lines by Internet sales. Computer hardware, software and supplies comprised almost 16 percent of Internet sales in the nation. In addition, there were 95 electronic auctions like eBay, which posted \$903 million in sales. Since 1997, there are 5,920 more electronic shopping and mail-order businesses with an

TABLE 1: ESTIMATED QUARTERLY U.S. RETAIL SALES: TOTAL AND E-COMMERCE* NOT ADJUSTED

Quarter	Retail Sales (millions of dollars)		E-commerce as a Percent of Total	Percent Change from Prior Quarter		Percent Change from Same Quarter Last Year	
	Total	E-commerce*		Total	E-commerce	Total	E-commerce
2005:3 (p)	\$962,707	\$20,817	2.2	1.1	5.1	8.6	26.4
2005:2	\$952,392	\$19,812	2.1	11.8	3.6	8.1	25.8
2005:1	\$852,249	\$19,124	2.2	-10.5	-11.1	6.3	23.4
2004:4	\$952,572	\$21,519	2.3	7.5	30.6	8.3	24
2004:3	\$886,091	\$16,473	1.9	0.6	4.6	6.3	22.1

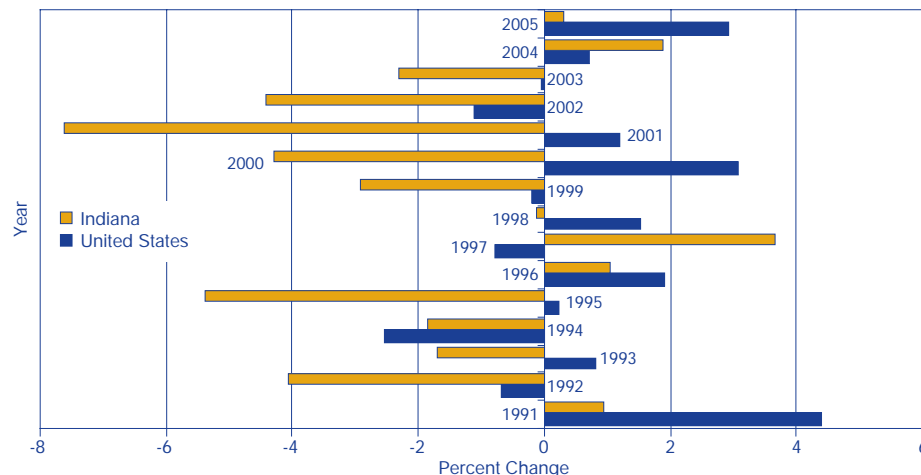
*E-commerce sales are sales of goods and services where an order is placed by the buyer or price and terms of sale are negotiated over an Internet, extranet, Electronic Data Interchange (EDI) network, electronic mail or other online system. Payment may or may not be made online.
(p) = Preliminary estimate
Source: U.S. Census Bureau

TABLE 2: TOP 5 PRODUCT LINES IN THE U.S. BY ELECTRONIC SHOPPING (INTERNET SALES), 2002

	Establishments	Sales/Receipts/Revenue with Line (Thousands)	Sales (Thousands)	Line Sales as a Percent of Total Sales of NAICS
Industry Total—Electronic Shopping (Internet Sales of Merchandise)	5,498	X	24,057,284	100
Computer Hardware, Software and Supplies	764	8,830,357	3,815,925	15.9
All Other Merchandise	1,442	8,621,389	3,389,723	14.1
Computer and Peripheral Equipment	617	8,551,243	3,142,684	13.1
Books	497	5,109,537	1,753,697	7.3
Drugs, Health Aids and Beauty Aids (Including Cosmetics)	510	4,050,903	1,584,512	6.6

Source: U.S. Census Bureau

FIGURE 1: NONSTORE RETAIL ESTABLISHMENTS PERCENT CHANGE, FIRST QUARTER



Source: Bureau of Labor Statistics

The chart is a stacked area graph with the following data series and trends:

- Mail-Order Houses (Yellow Area):**
 - 1991: 102
 - 2004: 73
- Indiana Nonstore Retailers (Blue Area):**
 - 1990: ~900
 - 1991: ~880
 - 1992: ~850
 - 1993: ~830
 - 1994: ~810
 - 1995: ~790
 - 1996: ~780
 - 1997: ~820
 - 1998: ~830
 - 1999: ~800
 - 2000: ~750
 - 2001: ~700
 - 2002: ~680
 - 2003: ~670
 - 2004: ~670

Year	Indiana Nonstore Retailers	Mail-Order Houses	Total
1990	~900	~100	~1,000
1991	~880	102	~982
1992	~850	~100	~950
1993	~830	~100	~930
1994	~810	~100	~910
1995	~790	~100	~890
1996	~780	~100	~880
1997	~820	~100	~920
1998	~830	~100	~930
1999	~800	~100	~900
2000	~750	~100	~850
2001	~700	~100	~800
2002	~680	~100	~780
2003	~670	~100	~770
2004	~670	73	~743

Figure 1 shows volatility in nonstore retailers' growth in both Indiana and the nation over the past fifteen years. However, where the United States has averaged a gain of 240 businesses each

year, Indiana has lost lost 14. Indiana's slow slide in nonstore retailers, which can be seen in **Figure 2**, is partly due to the decline in the number of mail-order houses and, because of the break in the time series with this industry, it is difficult to capture the remainder. On a brighter side, Indiana has outstripped the nation in the growth of electronic shopping retailers over the past two years (see **Figure 3**). The state gained 18 electronic shopping retailers, bringing the total to 68.

Figure 4 examines nonstore retailers' sales on a per capita basis, which is a way of comparing sales volume for this industry across counties. However, these figures do not just reflect the online and mail-order spending of the county populace because online shopping and mail-orders can cross county and state lines.

The
National

Year	India (%)	United States (%)
2002	-13.5	4.5
2003	2.5	12.5
2004	28.5	13.5
2005	36.5	23.5

First Quarter of Each Year
*Labels show number of establishments in India

Source: Bureau of Labor Statistics

Retail Federation found that “the average consumer plans to spend \$738.11 this holiday season, up 5.1 percent from the previous year and

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\$461 to \$2,229
 (10 counties)

\$203 to \$460
 (24 counties)

\$54 to \$202
 (20 counties)

Note: D = nondisclosable data; ND = no data; 2002 population estimates for counties used
Source: U.S. Census Bureau

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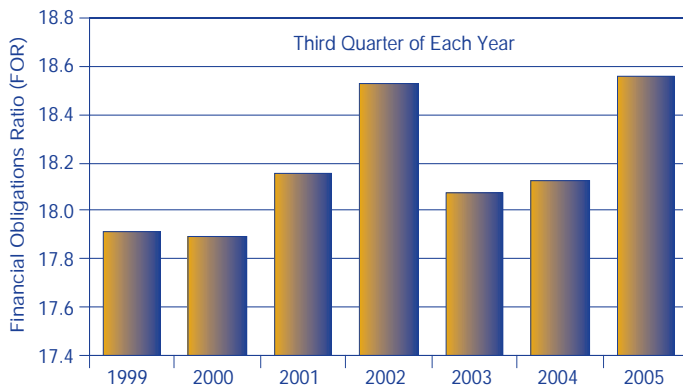
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while debit cards will be the most popular form of payment this holiday season, cash will replace credit cards as the second most popular method of payment.”⁴ It isn’t too surprising that consumers were a little more conscious of taking on more debt given that consumers had a larger debt ratio heading into the holiday season than recent previous third quarters, plus the expectation of higher gas prices (see **Figure 5**).

FIGURE 5: U.S. HOUSEHOLD DEBT AS A PERCENT OF DISPOSABLE INCOME



Notes: The household debt service ratio (DSR) is an estimate of the ratio of debt payments to disposable personal income. Debt payments consist of the estimated required payments on outstanding mortgage and consumer debt. The financial obligations ratio (FOR) shown in the above graph adds automobile lease payments, rental payments on tenant-occupied property, homeowners' insurance and property tax payments to the DSR.
Source: Federal Reserve

Notes

1. <http://news.uns.purdue.edu/html4ever/2005/051117.T.Feinberg.shop05.html>
2. comScore online spending forecasts are for non-travel and electronic auctions and large corporate spending are excluded; press release at www.comscore.com/press/pr.asp 12/4/2005.
3. The Monthly Retail Trade Survey includes only retail firms. It excludes non-retail operations, such as travel agencies, financial services, manufacturers and wholesalers.
4. National Retail Federation information available at www.nrf.com/content/default.asp?folder=press/release2005&file=holiday1105.htm&bhpc=1 and www.nrf.com/content/default.asp?folder=press/release2005&file=holiday1005.htm&bhpc=1

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