Indiana:

2008 was a difficult time for many manufacturers in Indiana. Despite continued high levels of productivity and a relatively good business climate in Indiana, high energy costs and the credit crisis of early fall took a toll on many firms. Indiana firms that produced automobile and related goods were especially hard hit, and the second half of 2008 saw deep layoffs in some regions. The recession will continue to take a toll on the industry through 2009. A longer term view of the industry is far more optimistic.

Indiana continues to do well in the overall manufacturing ranking, receiving an A grade. Likewise, in the areas of global reach and tax climate the state receives an A grade. These data do not yet capture the effect of recent changes in sales and property taxes. The future of unemployment insurance will likely affect these rankings in coming years. The logistics industry received a B- grade, largely based on past infrastructure spending that has shown increased activity in recent years, which have not yet been captured by these data.

The state performs less well in the areas of benefit costs and innovation. Both of these areas have direct policy implications that should be at the forefront of legislative consideration if improvement in these areas is to be realized.

An otherwise good report card is marred by Indiana’s human capital ranking. Indiana, to a higher degree than many states, has an aging manufacturing and logistics workforce. A vibrant future in these industries relies on replacing these workers as they retire. If the region cannot offer firms a reliable source of educated workers, we will see a dwindling presence of manufacturing as business seek workers with the right set of skills and education.

Relying upon the 2009 Indiana Econometric Model, we predict manufacturing employment to remain more volatile than in recent years, but to recover to early 2008 levels by mid to late 2010.

About the Report Card:

The 2009 Manufacturing and Logistics Report Card grades states in six areas of the economy which underlie the success of manufacturing and logistics in each state. These include specific measures of manufacturing and logistics health, human capital, the cost of benefits, the global position of the industries, state level productivity and innovation and the tax climate.

A more complete explanation of these data and scores for all fifty states are contained in the 2009 National Manufacturing and Logistics Report Card.