



## Regional Grade Comparison: Indiana and Neighboring States

U.S. STATE	MANUFACTURING INDUSTRY HEALTH	LOGISTICS INDUSTRY HEALTH	HUMAN CAPITAL	BENEFIT COSTS	GLOBAL REACH	PRODUCTIVITY and INNOVATION	TAX CLIMATE	DIVERSIFICATION	VENTURE CAPITAL per Capita
ILLINOIS	C	A	C	D-	B	C+	D	C	B-
INDIANA	A	A	C	C-	A	C+	A	C	C-
KENTUCKY	B	B	D-	C	B+	C-	C	C+	D
MICHIGAN	A	C+	D	D	A	C	C-	F	C
OHIO	A	A	C	D	A	C-	D-	B-	C
WISCONSIN	B+	B-	B+	D-	C	D-	C-	B-	C

### Quick Facts

- » Indiana is only state in the Midwest to avoid a grade of D or F in 2011.
- » Indiana's manufacturing employment has risen by 4.6 percent since the end of the recession.
- » United States manufacturing employment has declined by 2 percent since the end of the recession.
- » Indiana exports manufactured goods to every continent except Antarctica.
- » Manufacturing workers earn roughly 50 percent more than non-manufacturing workers with the same educational levels.

### Glossary

- » **ADULT BASIC EDUCATION:** Education in basic reading and writing, offered through either community/technical colleges or state workforce development agencies.
- » **COMMODITY FLOWS:** The value of shipments through a region.
- » **EXPORTS:** Products or commodities sold to foreign individuals and firms.
- » **FOREIGN DIRECT INVESTMENT:** Expenditures by foreign owned firms on plant and equipment in a region.
- » **HUMAN CAPITAL:** A measure of educational and skills attainment, and in some settings health of residents and workers within a region.
- » **IMPORTS:** Products or commodities purchased from foreign firms.
- » **INCOME:** All direct compensation to workers.
- » **INFRASTRUCTURE:** Road rail, bridge and other transportation related public goods.
- » **LOGISTICS:** Transportation and warehousing industry groups.
- » **MANUFACTURING:** The production of consumer durable and non-durable goods.
- » **PRODUCTIVITY:** The value of goods sold by a firm adjusted to a per worker basis.
- » **R&D:** Research and development, both in primary and applied science, usually measured in dollars.
- » **UNEMPLOYMENT INSURANCE:** A federal program dating to 1933 that requires firms to participate in state regulated insurance plans to compensate workers who are laid off or discharged from work.
- » **VALUE-ADDED:** Firm or industry measure of the value of the product sold, minus all input costs.
- » **WORKERS' COMPENSATION:** A federal program dating to 1913 that requires firms to provide disability and death insurance through state-administered or regulated insurance plans.

### Methodology

The categories in this report were chosen as those most likely to be considered by site selection experts for manufacturing and logistics firms, and by the prevailing economic research on growth. Each category included multiple variables that were aggregated and then ranked 1<sup>ST</sup> – 50<sup>TH</sup>, for each state—1<sup>ST</sup> being the most desirable. Within each category, the lowest aggregate score assigned provided the overall rank. Grades were assigned using a normal distribution of grades, A through F. Plus and minus scores were not assigned to A or F grades.

SEE THE MANUFACTURING AND LOGISTICS NATIONAL REPORT FOR A DETAILED EXPLANATION OF VARIABLES AND GRADES FOR ALL 50 STATES.



**CONEXUS**  
INDIANA

2011 MANUFACTURING + LOGISTICS

# Indiana State Report

The 2011 Manufacturing and Logistics Indiana State Report shows how Indiana ranks among the U.S.'s 50 states in several areas of the economy that underlie the success of manufacturing and logistics.

These specific measures include: manufacturing and logistics health, human capital, the cost of benefits, the global reach and diversification of the industries, state-level productivity and innovation, the tax climate, and venture capital activities.

### About Conexus Indiana

Conexus Indiana is a private sector-led initiative focused on the advanced manufacturing and logistics sectors—two industries that combined employ more than one of every five Hoosiers. We are focused on making Indiana a global manufacturing and logistics leader by strengthening the state's human capital, building industry partnerships to capitalize on new opportunities and address key challenges, and promoting a better understanding of the importance of these industries to our economic future.

Conexus Indiana's most urgent mission is building tomorrow's manufacturing and logistics workforce, preparing Hoosiers to take advantage of high-tech careers in these exciting fields. We are also focused on developing a unified strategy to enhance our logistics capabilities, linking manufacturers with in-state suppliers to streamline supply chains and spur investment in Indiana, and undertaking other strategic projects that will help the manufacturing and logistics sectors thrive here at the Crossroads of America.

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### About Ball State's CBER

The Center for Business and Economic Research (CBER) is an award-winning economic policy and forecasting research center housed within Ball State University's Miller College of Business. CBER research encompasses health care, public finance, regional economics, transportation, and energy sector studies.

The center produces the CBER Data Center—a one-stop shop for economic data, policy analysis, and regional demographics—and the Indiana Business Bulletin—a weekly newsletter with commentary on current issues and regularly updated data on housing, wages, employment, and dozens of other economic indicators.

In addition to research and data delivery, the center serves as the business forecasting authority in the Muncie area—holding the annual Indiana Economic Outlook luncheon and quarterly meetings of the Ball State University Business Roundtable.

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# Categories + Grades

A methodology for grade calculation and a glossary of terms can be found on the back page, along with a regional scorecard comparison. See the Manufacturing and Logistics National Report for a detailed explanation of variables and grades for all 50 states: [www.bsui.edu/cber](http://www.bsui.edu/cber) » "Current Studies and Publications"

## Overview

The economic recovery that has finally gripped the nation has had a remarkable impact on manufacturing. From consumer durables such as automobiles, to the purchase of business equipment and rolling stock, the manufacturing industry has recovered, boosting employment, incomes and production. This comes at an important time for Indiana, which has seen important improvements in its fiscal and business climate over the past decade. As the 2011 scorecard shows, Indiana is the only state to receive four A grades and nothing below a C- in the region.

This is important because so much new business investment is geographically constrained to a broad region, such as the Midwest or the Southeast. Indiana is poised to enjoy greater fruits of the recovery than it would if it were not performing well in a few areas, and not lagging dramatically in any area of manufacturing or logistics performance. However, there are cautionary notes. In particular, Indiana's human capital development is inadequate to sustain high level income growth and to continue to attract new investment in manufacturing over the coming decade.



### MANUFACTURING INDUSTRY: **A**

Indiana continues to have the largest share of income from manufacturing in the nation. The size and scope of Indiana's manufacturing sector warrants a strong A ranking in this reports.

### LOGISTICS INDUSTRY: **A**

Indiana's logistics sector has growth in both strength and scope over the three years of this index, moving from a B- to a solid A grade.

### HUMAN CAPITAL: **C**

Indiana's human capital has improved modestly from 37th to 29th nationally, primarily due to improvements in educational attainment. However, the state's human capital condition continues to slow manufacturing and logistics growth, and serves as an impediment to new capital formation in many regions. The state receives a C- grade in human capital.

### BENEFIT COSTS: **C-**

Health care premium costs have continued to keep our overall benefit costs near the national average. The state receives a C grade in benefit costs.

### GLOBAL REACH: **A**

Indiana is a strong exporter, with diversity in type and location of exports, and has shown remarkable adaptability to changes in demand over the past decade. It receives a solid A.

### PRODUCTIVITY AND INNOVATION: **C+**

Indiana's universities and private sector continue to increase their intellectual capital and provides an improving environment for entrepreneurs and overall productivity growth. The state receives a C+ in productivity and innovation.

### TAX CLIMATE: **A**

Indiana's tax climate remains robust and improving. The A grade for this year does not capture the most recent changes enacted by the legislature which improve the tax climate further. Importantly, the states expected tax changes reflect confidence in a fiscally solvent environment, which is conducive to new investment. This is an important and solid A for Indiana.

### DIVERSIFICATION: **C**

Indiana's manufacturing economy becomes more diversified each year. This dampens the effects of economic downturns, and increases the export adaptability of the state. However, the level of diversification remains at about the national average, giving the state a C in this category.

### VENTURE CAPITAL PER CAPITA: **C-**

The recession slowed venture capital growth in all but a few large financial centers around the country. Indiana experienced a sharp, but apparently short relative decline in venture capital. While, there is strong evidence that the trend has reversed, 2010 was a relatively poor year for venture capital expenditures in the state, earning Indiana a C- ranking.

## Indiana's Current and Past Scores

SUBJECT	2011		2010		2009	
	GRADE	RANK*	GRADE	RANK*	GRADE	RANK*
MANUFACTURING INDUSTRY HEALTH	A	1 <sup>ST</sup>	A	1 <sup>ST</sup>	A	1 <sup>ST</sup>
LOGISTICS INDUSTRY HEALTH	A	5 <sup>TH</sup>	B+	6 <sup>TH</sup>	B-	15 <sup>TH</sup>
HUMAN CAPITAL	C	29 <sup>TH</sup>	C-	31 <sup>ST</sup>	D+	37 <sup>TH</sup>
BENEFIT COSTS	C-	32 <sup>ND</sup>	C	25 <sup>TH</sup>	C	28 <sup>TH</sup>
GLOBAL REACH	A	1 <sup>ST</sup>	A	2 <sup>ND</sup>	A	3 <sup>RD</sup>
PRODUCTIVITY and INNOVATION	C+	18 <sup>TH</sup>	C	29 <sup>TH</sup>	C	24 <sup>TH</sup>
TAX CLIMATE	A	2 <sup>ND</sup>	A	5 <sup>TH</sup>	A	4 <sup>TH</sup>
DIVERSIFICATION	C	21 <sup>ST</sup>	C-	32 <sup>ND</sup>	-	-
VENTURE CAPITAL per Capita	C-	31 <sup>ST</sup>	C	20 <sup>TH</sup>	-	-

\* Rank among the 50 United States. See methodology.

## Manufacturing Income Forecast for Indiana and Selected Cities

CITY	FORECASTED YEAR-TO-YEAR CHANGE
ANDERSON	+1.79%
BLOOMINGTON	+0.70%
CHICAGO, ILLINOIS	+0.98%
COLUMBUS	+1.09%
ELKHART	+1.30%
EVANSVILLE	+0.40%
FORT WAYNE	+1.40%
INDIANAPOLIS	+1.21%
KOKOMO	+2.75%
MUNCIE	+2.26%
SOUTH BEND	+0.96%
AVERAGE FOR INDIANA	+1.03%

NOTE: Growth in total manufacturing payroll.

## State Manufacturing Compensation (\$ Billion)



## 2011 – 2012 State Forecast

In 2010 we predicted very robust growth in Indiana through 2011, with double-digit increases for income growth in Kokomo, Columbus, and Elkhart. These predictions reflected the rapid bounce manufacturing enjoyed in the 18 months following the recession.

The coming year will extend the full manufacturing recovery now underway in Indiana. Though high oil prices, uncertainty surrounding home prices, and the fear of inflation will slow the growth of demand for manufactured goods, it is clear that this will be a strong year for manufacturing in Indiana. The slower growth figures we predict reflect material growth as the industry returns to trend from the rapid expansion that occurred in the months following the recession.

This forecast predicts that 2011 will be a record year of manufacturing production in Indiana, accompanied by both job growth and income growth across the state. As the following table illustrates, we project incomes of manufacturing workers in Indiana to grow by 1.03 percent over the coming year. Some of the cities hardest hit by the recession will see the largest recoveries, with Kokomo and Muncie seeing income growth of more than 2.00 percent. This will largely be driven by increased investment by Chrysler in Kokomo and the continued recovery of domestic automobile production, and by hiring from Progress Rail and Brevini in Muncie. Elsewhere, growth in manufacturing reflects the recovery in manufacturing in Indiana.