

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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Figure 1: Change in Personal Income, 2002:4 to 2003:1

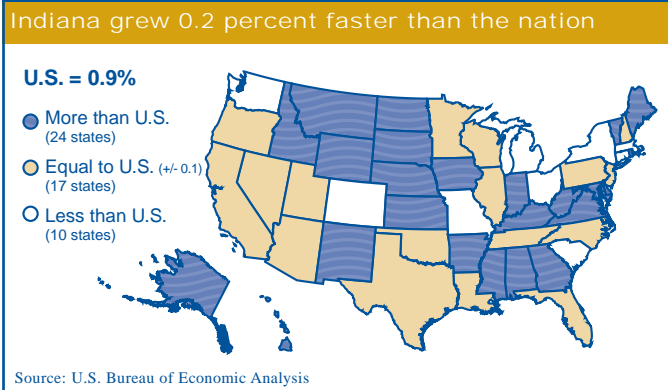


Figure 2: Change From Same Quarter of Previous Year

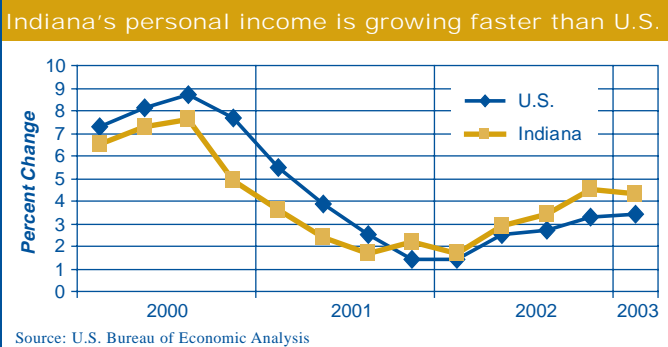


Table 1: Personal Income Detail for Indiana

Scaled in millions of dollars	2001:1	2003:1	Change	Percent Change	Percent of 2001:1 2003:1	
Personal income	168,181	178,427	10,246	6.1		
Nonfarm personal income	167,459	177,925	10,466	6.3	99.6	99.7
Farm income	723	501	-222	-30.7	0.4	0.3
Personal income consists of:						
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
Plus:						
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
Plus:						
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