The Northwest Indiana Coincident Index

January / February 2014 Release

In February, the Northwest Indiana Coincident Index fell 0.5 points from 136.7 to 136.2. This decline follows a 0.6 point decrease in January. The two month fall in the index is primarily due to the unusually severe weather conditions during these months. Despite these declines, the forecast for the index over the next six months remains somewhat optimistic with weak growth of about 1-2%.

In the first two months of 2014 almost every component of the index declined. Employment led the decline with a loss of 9,800 jobs in January or 3.5% of all jobs in the region. While a decline in employment is not unusual for the region in December and January it is typically offset by an increase in hiring during February. However, in February the region only added 600 jobs.

In addition to the sharp decline in employment, between December and February average manufacturing hours fell by 0.7% and retail sales fell by 0.4%. While steel production rose 1.5% (+27,000 tons) this was less than the 2-3% growth typical between December and February.

In February alone the Housing Market Index fell a dramatic 10 points (-17.9%), the largest single-month decline in the history of the measure. The National Association of Home Builders attributes this decline to severe weather.\(^1\) During January and February the ISM manufacturing index fell by 9.2%, also primarily due to poor weather conditions.\(^2\) In January the interest rate spread rose 6.6 percentage points, followed by a 5.1 percentage point decrease in February. This volatility in interest rates reflects continued economic uncertainty, particularly about the slowing of quantitative easing.

The growth of the economy in Northwest Indiana is lagging behind the state and the nation. In the last six months the NWI economy declined 0.47% percent while the national economy grew by 1.36% and the economy of the state of Indiana grew by 2.44%. There is little doubt that severe weather in January and February significantly affected the Northwest Indiana economy and this is reflected in the value of the index. However, the weather was a one-time shock and the underlying fundamentals of the economy have not changed significantly since last year. As a result, we expect to see positive, if not dramatic, economic growth this spring.

<table>
<thead>
<tr>
<th>Leading Economic Indicators (between Dec. 2013 and Feb. 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Index</td>
</tr>
<tr>
<td>Housing Market Index</td>
</tr>
<tr>
<td>Transportation Index</td>
</tr>
<tr>
<td>U.S. Leading Index</td>
</tr>
<tr>
<td>Interest rate spread</td>
</tr>
</tbody>
</table>

Questions & Comments?

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The NWI Coincident Index is a monthly publication of the School of Business and Economics at Indiana University Northwest.

What is the NWI Coincident Index?
The Northwest Indiana Coincident Index measures the current pulse of the economy in Northwest Indiana and forecasts future growth for the region. The Coincident index is modeled after State and National coincident indices published by the Federal Reserve Bank of Philadelphia. For additional information about the NWI Coincident Index please visit http://www.nwiindex.com

The views expressed in this report are those solely of the authors and do not reflect the official views of the School of Business and Economics or Indiana University Northwest.