August 2014 Release

In August the Northwest Indiana Coincident Index rose 0.3 points from 139.0 to 139.3. This growth continues a trend of expansion and recovery that is consistent with, but lagging behind slightly, the state and national economy. Due to overall weakness in the index and leading components, the forecast for economic growth over the next six months for the region has been downgraded to weak or no growth (less than 1% growth).

While none of the core components of the Index showed significant improvement during August, they did remain stable. In July Northwest Indiana employment fell 4,700 due to a regular seasonal decline in education jobs over the summer months. While most of these jobs are typically recovered at the end of August and into September the August regional employment numbers do not show the usual signs of rehiring, which will be a concern if it continues into September.

In August the majority of leading economic indicators were mildly positive. The Institute for Supply Management’s Manufacturing Index rose 1.9 points (+3.33%). The Housing Market Index posted a 2 point gain (+3.77%), the fourth month in a row of improvement.

The Dow-Jones Transportation Index, which is tied closely to the performance of the stock market, broke its trend of strong and consistent growth by falling 1% in August. The U.S. Leading Indicators, an index used to predict the direction of the economy’s movements in the months to come, rose a negligible 0.2 points to 103.8, the highest level it has been since November 2007.

For the last five months the interest rate spread has remained positive and stable in the 0-3% range. However, in August it rose to 3.11% which suggests some volatility may be returning to interest rates reflecting some of the uncertainty about the Federal Reserve’s plan to reduce quantitative easing.

In August the economy of Northwest Indiana grew 0.22% which was slightly slower than the nation as a whole (0.25% growth) and slower than the State of Indiana (0.37% growth). Since March 2014 the region has experienced consistent moderate growth. However, there are some signs this growth is beginning to slow. As a result, we expect to see weak to no growth over the next six months, in the range of 0-1%.

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 as well as past releases please visit:

www.iun.edu/business/nwi/

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.