March 2016 Quarterly Summary

During the first quarter of 2016 the Northwest Indiana Coincident Index rose 1.1 points to 141.9, up 0.3 points from February. A rise in the index is typical in the first quarter of each year as part of a seasonal trend but this year’s growth was stronger than normal. While this is positive news, it follows a dismal fourth quarter in which the index fell 0.8 points. Overall the index is up almost two points from a year ago. Over the next six months, the forecast for regional economic growth has been upgraded to moderate growth of 1.5 points or slightly above 1%.

The strong improvement during the first quarter was driven primarily by growth in steel production, which was up 12% in March compared to the end of the fourth quarter. Unfortunately, this increase in steel production may only be temporary given the continued uncertainty in the international steel market.

Employment typically declines over the first quarter each year and this year the region shed 6,800 jobs (-2.4%), which was within the usual range. In March the region employed a total of 272,100 workers, still 16,900 behind the peak prior to the 2007 Great Recession. Retail sales fell slightly, which is also normal following the winter holiday shopping season. Average manufacturing hours worked remained unchanged at 41.7 hours/week, which is near its all time peak.

At the end of the first quarter most leading economic indicators were promising. The Transportation Index rose 1.3% and both the Manufacturing Index and U.S. Leading Index continue to remain near their highest level since before the great recession. Since December short-term interest rates have been rising, as the Federal Reserve ended its zero-rate policy, while long-term rates have been falling, reflecting a strong U.S. dollar and weak global economy.

During the first quarter of 2016 the Northwest Indiana economy expanded by 0.78%. Over this same period based on similar indices, the national economy grew by a similar amount while the Indiana economy declined slightly. The economic forecast for the region is for moderate growth of close to 1% over the next six months.

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.