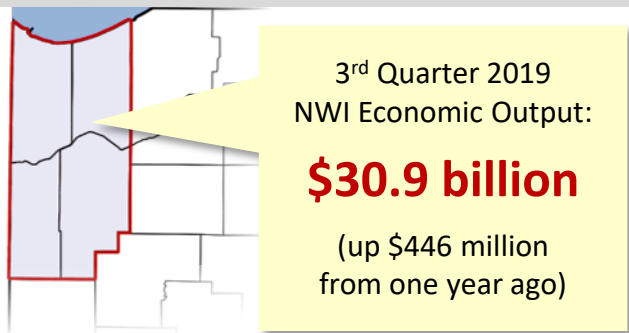




2020 Northwest Indiana Economic Outlook

Figure 1: Northwest Indiana Gross Metropolitan Product (GMP) - go.iu.edu/nwi



Nominal GMP/GDP growth:

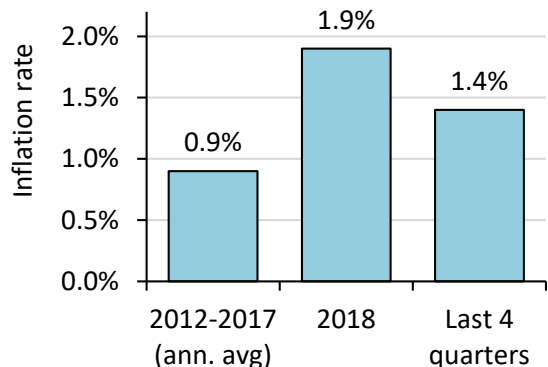
| | NWI | Indiana | U.S. |
|-----------|-----------------|----------|----------|
| 2019* | 1.3% | 2.3%* | 4.3% |
| 2018 | 1.9% | 3.8% | 4.9% |
| 2012-2017 | 1.2%/yr. | 3.4%/yr. | 3.9%/yr. |

*Annualized growth, Q1:Q3 for NWI, Q1:Q2 for IN & U.S.;

Sources: Northwest Indiana Gross Metropolitan Product (NWI GMP) & BEA;

Figure 2: Recent Inflation

Figure 3: Change in real GMP/GDP per person



| Period | NWI | Indiana | U.S. |
|------------------------|-------------------------|--------------------------|----------------------------|
| 2018:Q2 to 2019:Q2 | +\$34 (+0.1%) | +\$353 (+0.7%) | +\$974 (+1.7%) |
| 2018 | +\$21 (+0.1%) | +\$746 (+1.4%) | +\$1,462 (+2.5%) |
| 2013-2017 average/year | -\$51 (-0.1%) | +\$714 (+1.5%) | +\$925 (+1.7%) |

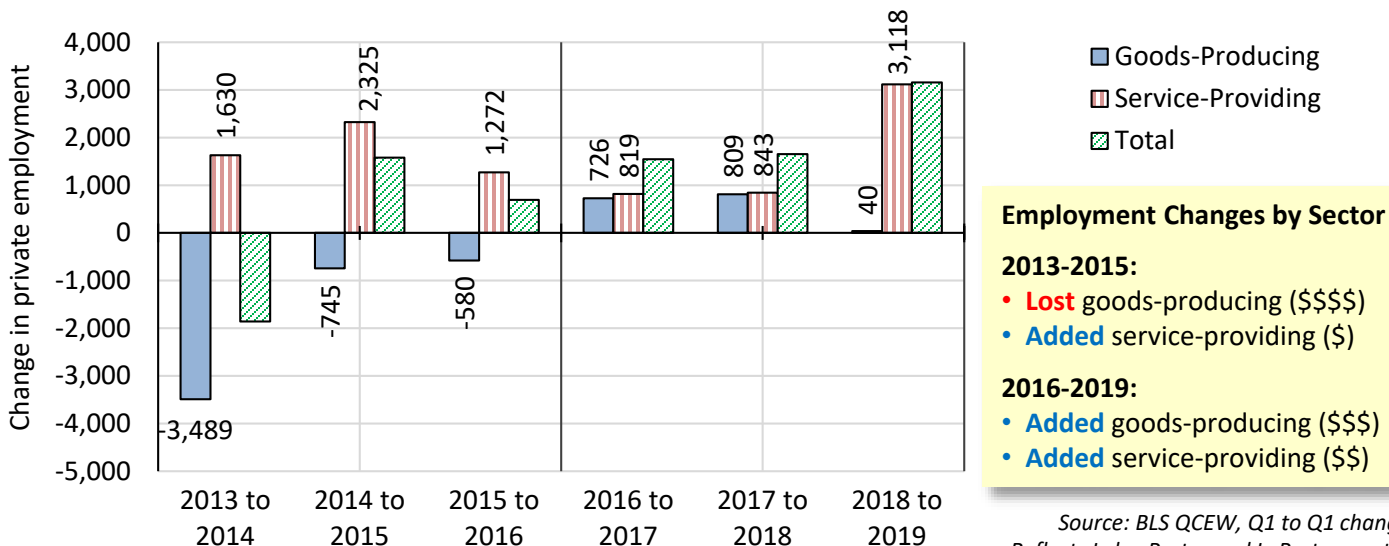
Inflation has been higher than typical

Inflation-adjusted average income/output per person, a common measure of economic prosperity, has grown slightly for NWI.

Source: BLS CPI for Midwest Urban areas

Sources: NWI GMP, BEA, Census;
Reflects Lake, Porter, Jasper & Newton counties.

Figure 4: Northwest Indiana Employment Change by Sector



Employment Changes by Sector

- 2013-2015:**
- **Lost** goods-producing (\$\$\$\$)
 - **Added** service-providing (\$)
- 2016-2019:**
- **Added** goods-producing (\$\$\$)
 - **Added** service-providing (\$\$)

Source: BLS QCEW, Q1 to Q1 change.
Reflects Lake, Porter and LaPorte counties

Figure 5: Improving Industry Mix and Pay

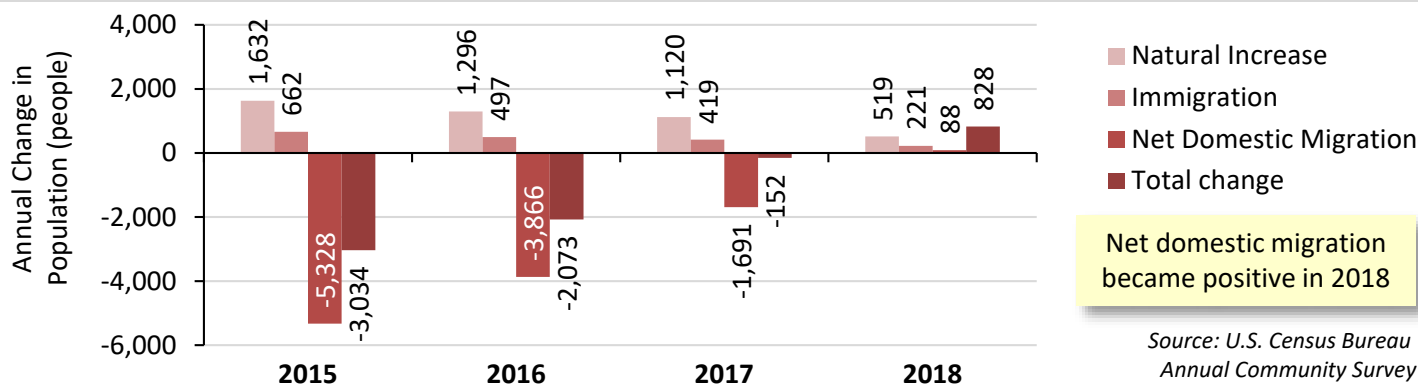
| Average annual pay in... | 2012 to 2015 | 2016 to 2019 |
|------------------------------------|------------------|------------------|
| ... industries losing jobs | \$64,033 | \$55,736 |
| ... industries gaining jobs | \$39,457 | \$41,021 |
| <i>Difference:</i> | -\$24,576 | -\$14,715 |

Examples of industries adding jobs (2016-2019): Healthcare (\$\$\$), food service & drinking places (\$), construction (\$\$\$), professional & tech. (\$\$\$)

Examples of industries losing jobs (2016-2019): Metal manufacturing (\$\$\$\$), retail stores (\$), amusement & gambling (\$), educational services (\$)

Source: BLS QCEW, reflects Lake, Porter & LaPorte counties.

Figure 6: Components of NWI Population Growth



Source: U.S. Census Bureau Annual Community Survey Reflects Lake, Porter & LaPorte counties.

Figure 7: Measures of Steel Industry & Manufacturing Health

| Measure/Variable | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|--------------|----------------|----------------|--------------|
| Steel futures | +61.9% | +4.6% | +9% | -27% |
| Share prices (X, MT) | +319%, +73% | +8%, +48% | -48%, -36% | -37%, -27% |
| Steel shipments, new orders | +5.7%, +7.5% | +10.4%, +14.3% | +16.0%, +16.6% | -8.6%, -8.2% |
| ISM manufacturing index | +12.2% | +9.4% | -8.6% | -12.0% |

Sources: FACTSET, Datastream

In September 2019, ISM manufacturing index fell to lowest value (47.8) since June 2009

Figure 8: Forecast for 2020

| | 2019 Forecast | 2019 Actual | 2020 Forecast |
|------------------------------------|--------------------------|---------------------|--------------------------|
| Northwest Indiana Coincident Index | +1.8% to +2.0% | +1.5% | +0.8% to +1.2% |
| Employment | +0.9% (+2,500 jobs) | +0.7% (+1,900 jobs) | +0.7% (+2,000 jobs) |
| Unemployment Rate | 4.0% | 3.9% | 4.0% |
| Gross Metropolitan Product (GMP) | +\$550 to +\$610 million | +\$446 million | +\$300 to +\$340 million |

Why the pessimistic forecast for 2020?

Incredible uncertainty from:

- Long-term effects of tariffs and continued trade-war.
- Possibility of coming recession (inverted yield curve?).
- Federal Reserve & interest rates (historically low).
- Political uncertainty from an election year.

Some leading indicators compared with one year ago:

- U.S. Manufacturing Index (ISM) is **down 19.7%**.
- Housing Market Index is **up 1.5%**.
- DJ Transportation Index is **down 6.5%**.
- Interest Rate Spread **down from 0.96 to -0.12** (Oct.).

For additional details and analysis please see:

- Pollak (2019) "Gary Forecast 2020," *Indiana Business Review* Vol. 94, No. 4

