

# 2017 Northwest Indiana Economic Overview and Outlook

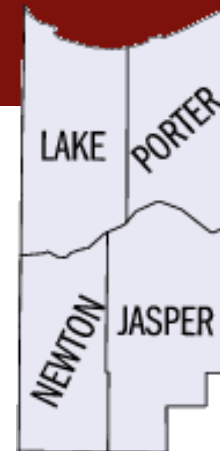
Micah Pollak, Ph.D.  
Assistant Professor of Economics  
Indiana University Northwest



INDIANA UNIVERSITY  
NORTHWEST

SCHOOL OF BUSINESS AND ECONOMICS

# The Northwest Indiana Economy



## The Northwest Indiana Coincident Index

- Measures the health of the NWI economy
  - September 2017: **145.2**
  - One year ago: 142.9
  - Average growth rate since 2009? **1.6%**

About **1.6%**  
growth in 2017



# The Northwest Indiana Economy

Gross Metropolitan Product (GMP)  
for **Northwest Indiana** in 2017-Q3 was...

**\$29.99 billion**

In the last year:

	NWI	Indiana	U.S.
<b>GMP/GDP</b>	<b>+1.6%</b>	<b>+3.6%</b>	<b>+4.1%</b>

# The Northwest Indiana Economy

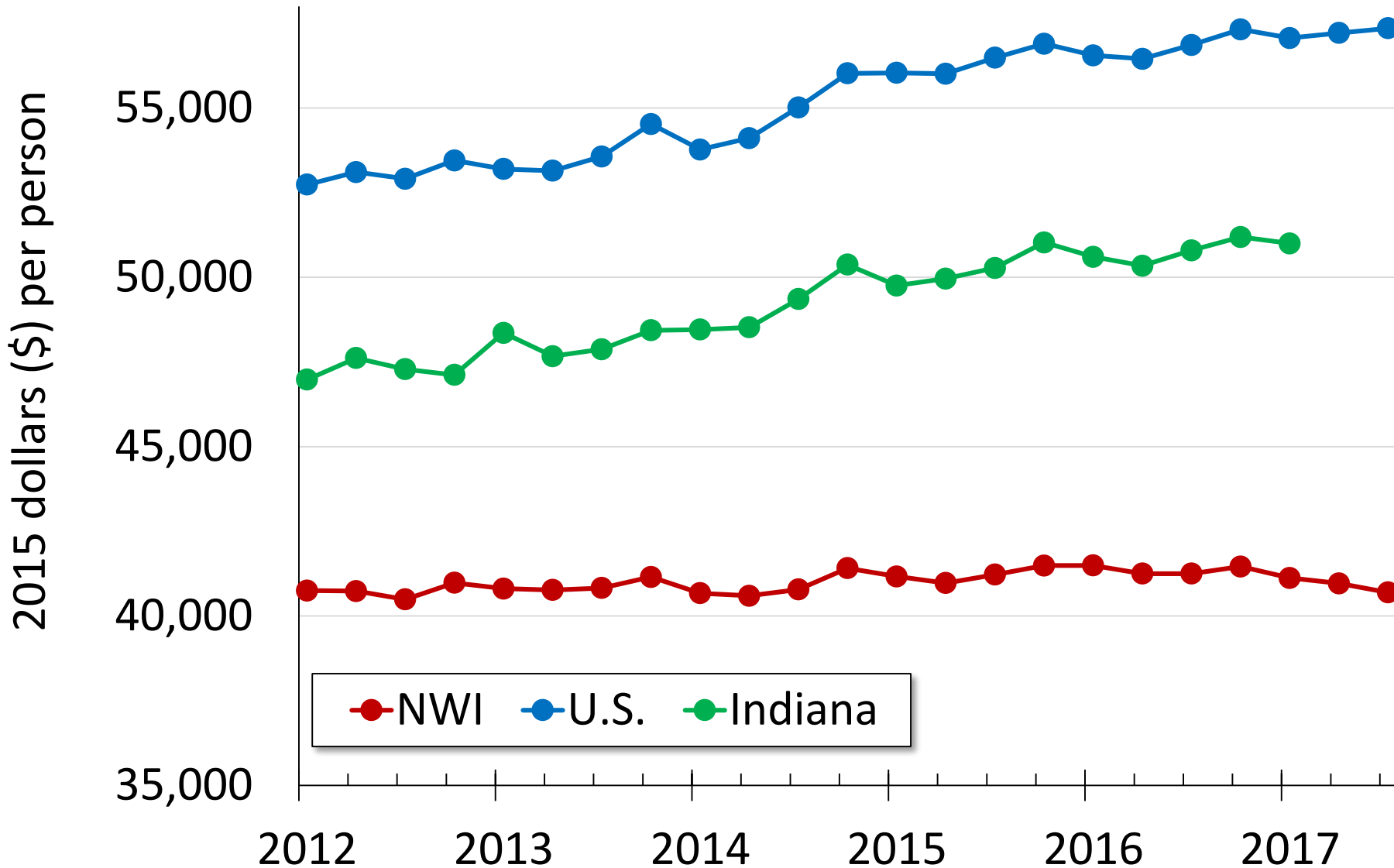
Northwest Indiana Real GMP per capita  
(i.e. average real income per person):

	NWI	Indiana	U.S.
2017, third quarter	\$40,696	\$51,000	\$57,352

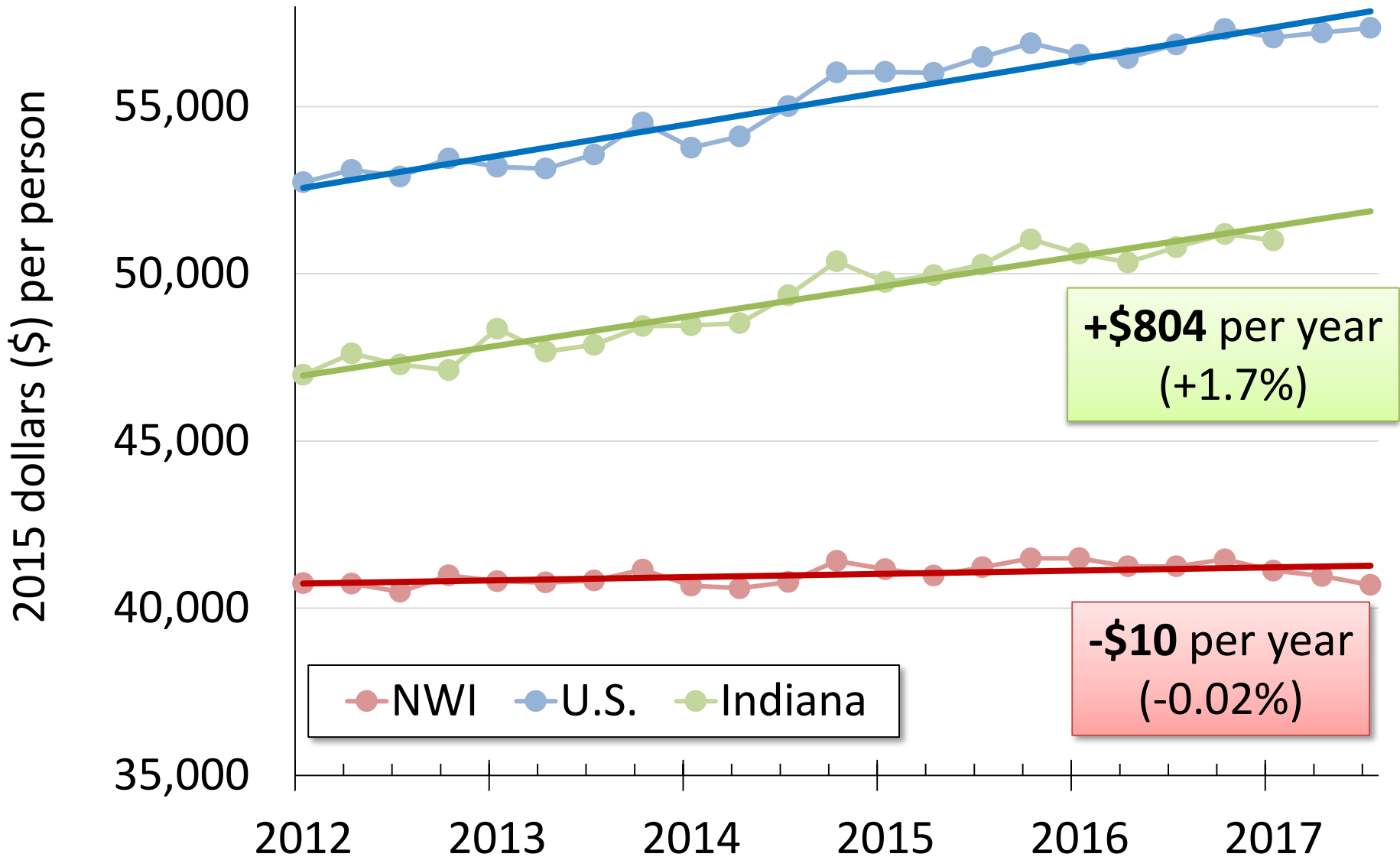
Average income per person in Northwest Indiana:

- **\$10,300** less per year (20% lower) than for **Indiana**
- **\$16,656** less per year (29% lower) than for the **U.S.**

# Real GMP/GDP per capita

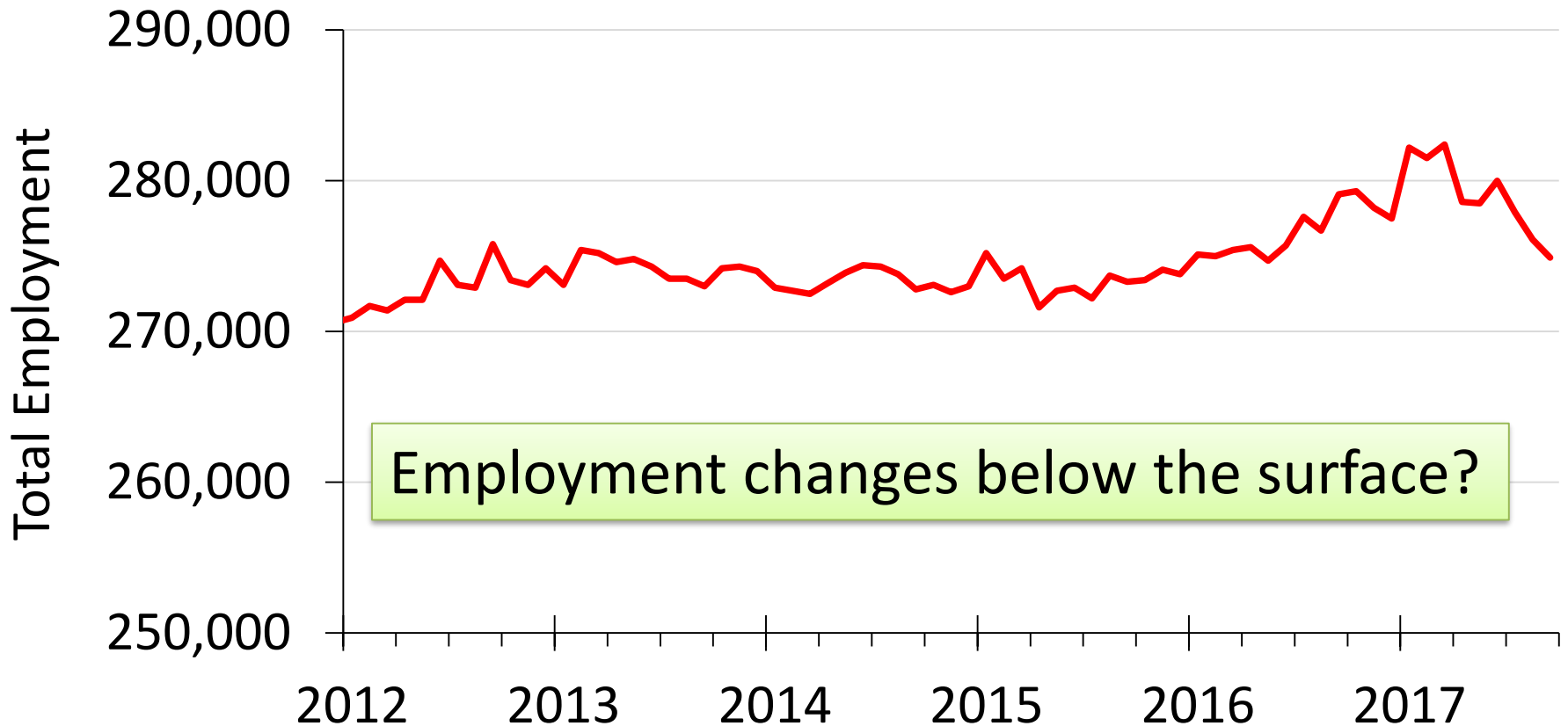


# Real GMP/GDP per capita

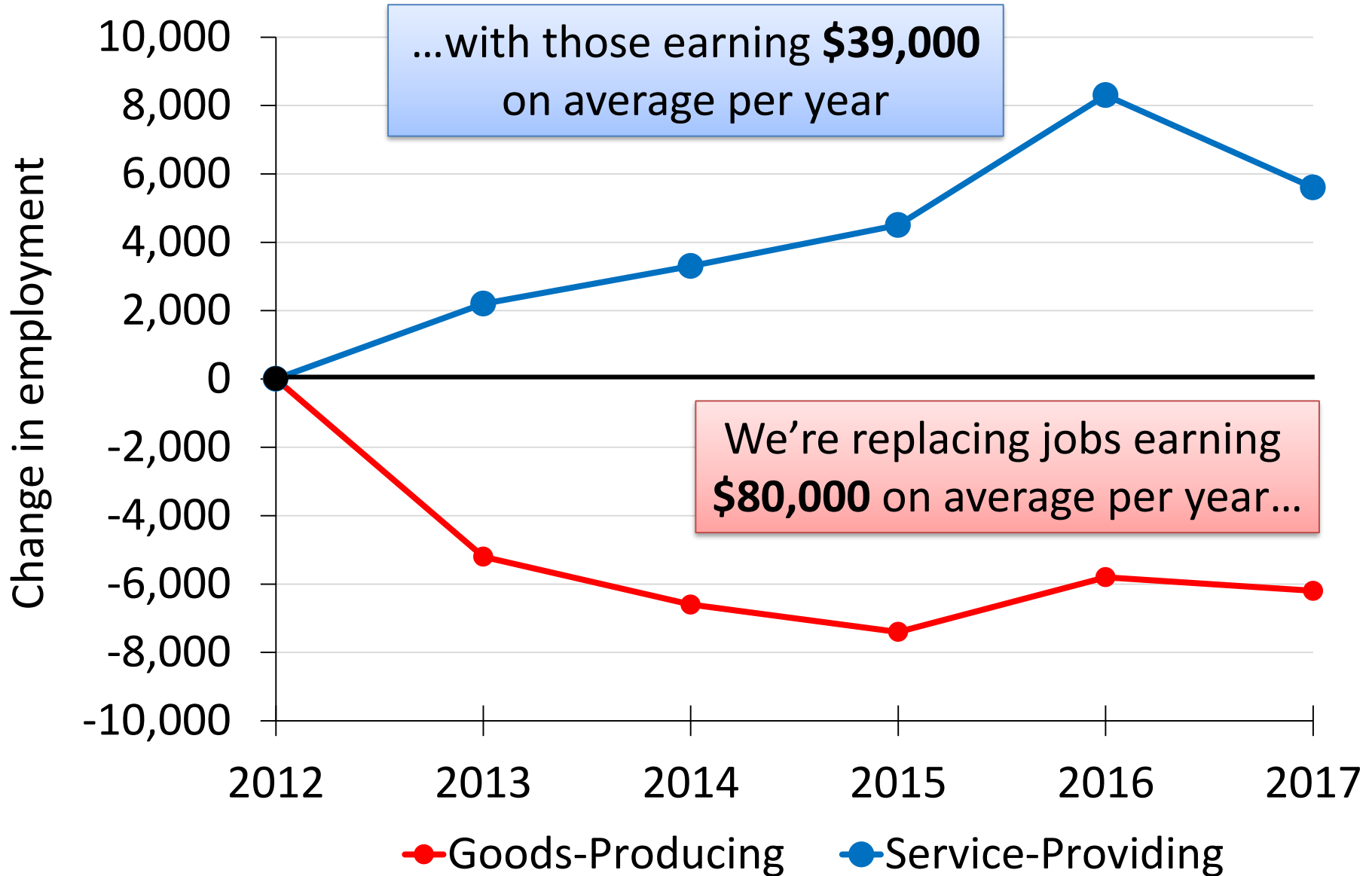


# Improvement on the surface?

- But, since **2012** in Northwest Indiana...
  - Unemployment rate fell from **8.0%** to **4.9%**
  - Total employment has risen slightly:



# Change in Employment since 2012





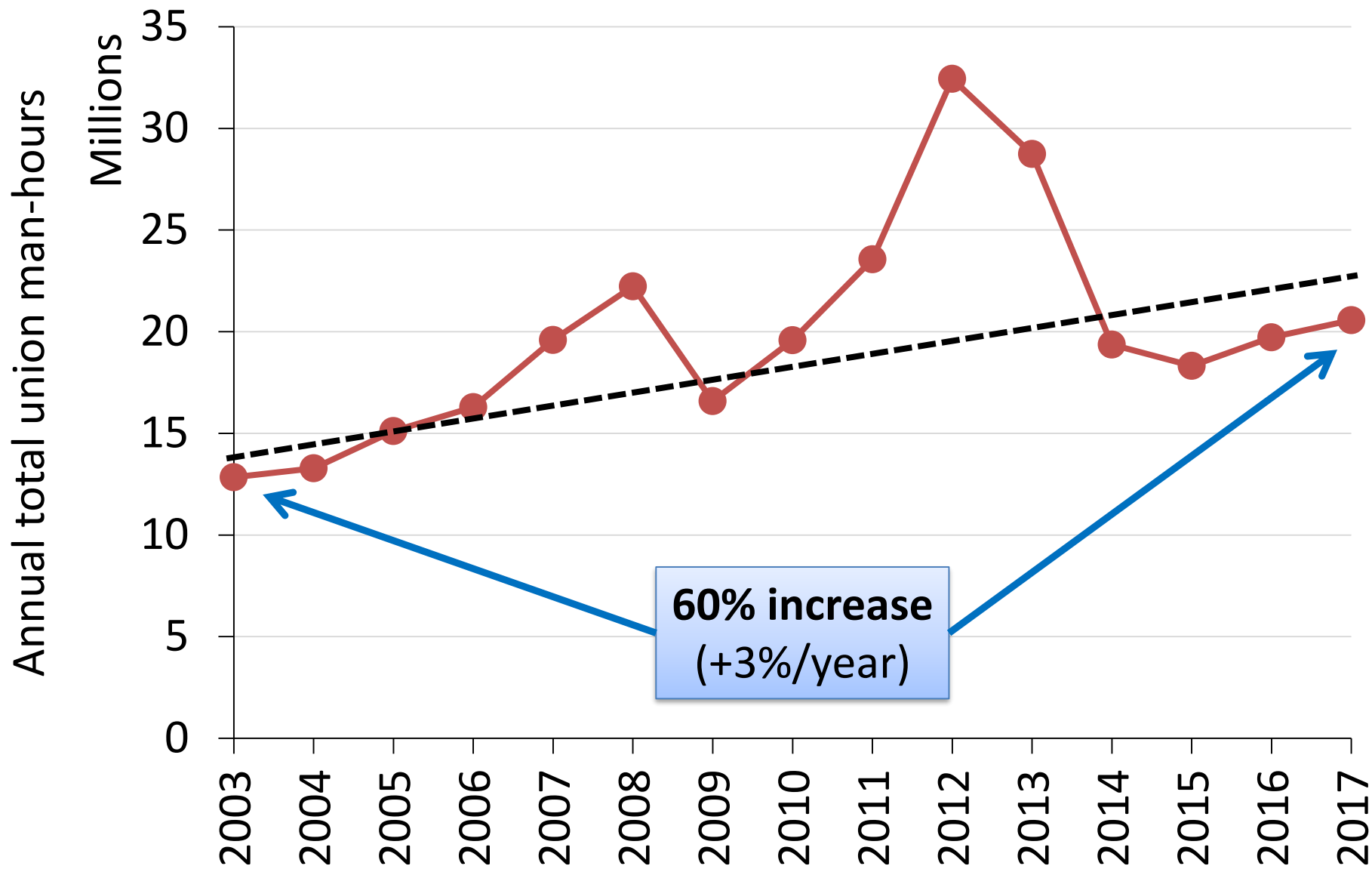
# 1. Goods-Producing

- Since 2012, **lost 6,200** goods-producing jobs

Industry	Jobs Lost	Avg. Income
Construction	<b>5,100</b>	\$65,875

- Some caveats:
  - **Construction** employment was artificially high (major projects like BP-Whiting refinery)
  - Union man-hours continue to rise (more hours/worker)

# Union Man-Hours



Source: Construction Advancement Foundation, CAF (2017)

## 2. Service-Providing

- Since 2012, **added 5,600** service-providing jobs
  - Unfortunately many new jobs are low pay:

Industry	Jobs Added	Avg. Income
Retail trade	<b>1,635</b>	\$26,104

- There are some important exceptions:

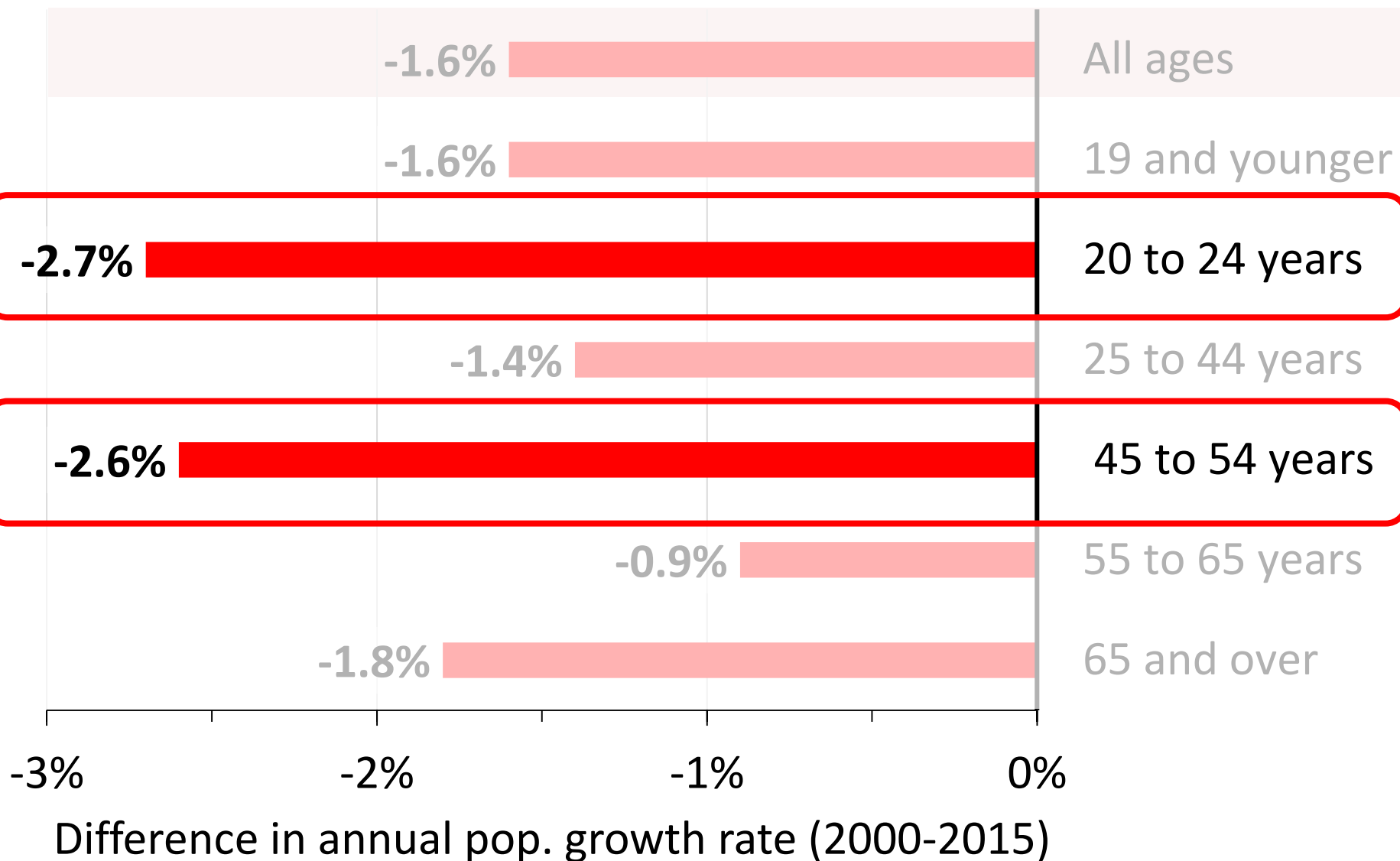
Ambulatory Health Care Services	<b>1,814</b>	\$53,456
---------------------------------	--------------	----------

# What's going on?

- A “drain on human capital” problem.
- Since 2000:
  - **U.S.** population grew **2.38%** per year
  - **NWI** population grew **0.74%** per year  
(in Lake, Porter and LaPorte)
- Within every age group, NWI grew slower.

**1.6** percentage points slower!

# NWI Population Growth Relative to U.S.



Source: U.S. Census Bureau, 2000 Decennial Census & 2015 ACS

# NWI Population Growth Relative to U.S.

Two age groups growing relatively slowest:  
(early warning signs)

## 1. 20 to 24 years old

- Since 2000, grew 3.5% for U.S., 0.8% for NWI per year
- **Young college-educated population.** Millennials, often highly mobile, likely to begin families, quality of place is important.

## 2. 45 to 54 years old

- Since 2000, grew 3.2% for U.S., 0.5% for NWI per year
  - **Middle-aged, educated and successful.** At peak lifetime earnings, can afford to be mobile, likely to have families.
- Let's look at outflows for these two...

# 1. College aged (20 to 24 years old)

- Between 2011 and 2015:
  - **3,431** people aged **20-24** left Lake, Porter & LaPorte
- Where did they go?
  - **22%** to **Chicago** (Cook Co.)
  - **12.5%** to **Lafayette** (Tippecanoe Co.)
  - **9.4%** to **Indianapolis** (Marion Co.)
  - **9.2%** to **Bloomington** (Monroe Co.)
- Do some return?
  - **1,069** went to **Lafayette, Indianapolis & Bloomington**
  - **356** came from these counties.

## 2. Peak earnings aged (45 to 54 years old)

- Between 2011 and 2015:
  - **1,701** people aged **45-54** left Lake, Porter & LaPorte
- Where did they go?
  - **26%** to **Chicago** (Cook Co.)
  - **16%** to **Indianapolis** (Marion & Hamilton Co.)
  - **7%** to **Minneapolis, MN** (Hennepin Co.)
  - **5%** to **Milwaukee, WI** (Milwaukee Co.)
  - **3%** to **South Bend** (St. Joseph Co.)
  - **3%** to **SW Michigan** (Berrien Co.)



# What's our challenge?

The global economy in transition:

- 1. Agricultural economy** (prior to late 1800s)
- 2. Industrial Age** (late 1800s+)
- 3. Information Age** (late 1900s+)
- 4. Knowledge Economy** (2000s+)

# What is the Knowledge Economy?

“Production and services are based on knowledge-intensive activities that contribute to an accelerated pace of technical and scientific advance, as well as rapid obsolescence. **The key component of a knowledge economy is a greater reliance on intellectual capabilities than on physical inputs or natural resources.**

*- Powell & Kasia (2004). "The Knowledge Economy"  
Annual Review of Sociology*

- In the **knowledge economy**, knowledge and education are directly:
  - Productive assets
  - Products themselves

# Amazon Headquarters Bid

- 50,000 jobs, with average pay \$100,000+/year

*"In the end it will have to be someplace where they'll be able to hire a massive number of skilled tech workers."*

*- Jed Kolko, chief economist, Indeed.com*

*"Quality of life is an important issue. At the end that will make it easier for Amazon to hire people from outside of the city and move them into this new headquarters."*

*- Carlos Farré, researcher at IESE*

# A regional master plan

- Need for a unified regional economic plan.

*Today, less than 20% of NWI jobs are in manufacturing...  
...but we give them 80% or more of our attention.*

- Whether it's Amazon or the *next* corporate headquarters, we need to be ready.
- Knowledge-economy jobs are the future.
  - Does not preclude manufacturing!

# A regional master plan

## How do we build a knowledge-economy?

### 1. **Train** workers for the knowledge-economy.

– Our excellent colleges & universities already do this.

### 2. **Keep** knowledge-economy workers here.

– Improve quality of place

#### – **South Shore Line Expansion**

- Provide access to Chicago jobs, keep our workers here.
- Make it easier for workers to move here before the jobs, improve our human capital.

### 3. **Go after** knowledge-economy jobs.

# Forecast for NWI's next year?

	2017 Forecast
Coincident Index	+1.5%
Employment	+0.5% (+1,500 jobs)
Gross Metropolitan Product (GMP)	+\$450 million

- For more information please visit: [go.iu.edu/nwi](http://go.iu.edu/nwi)

**THANK YOU!**