Economic Outlook

An economic update and forecast for Northwest Indiana

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From National to Local

U.S. Economy

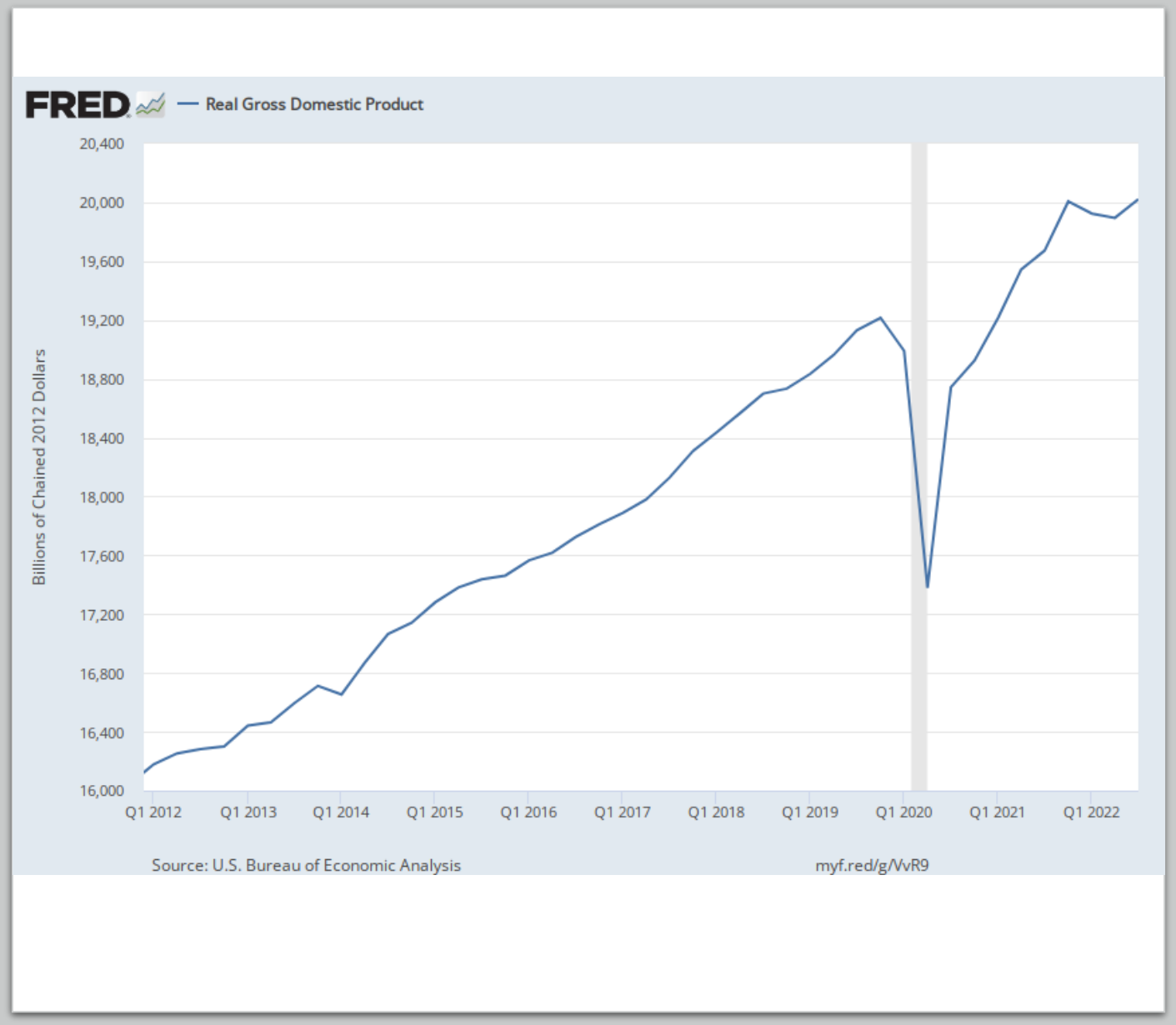
- **Real GDP, (2012 Dollars)**
- **July 2022 = $20.021T**

- **From 2012 to Q2, 2022 annualized**
- **Growth rate = 2.144%**

- **RGDP in Q4 2019 and Q1 2020 declined by 10.46%.**

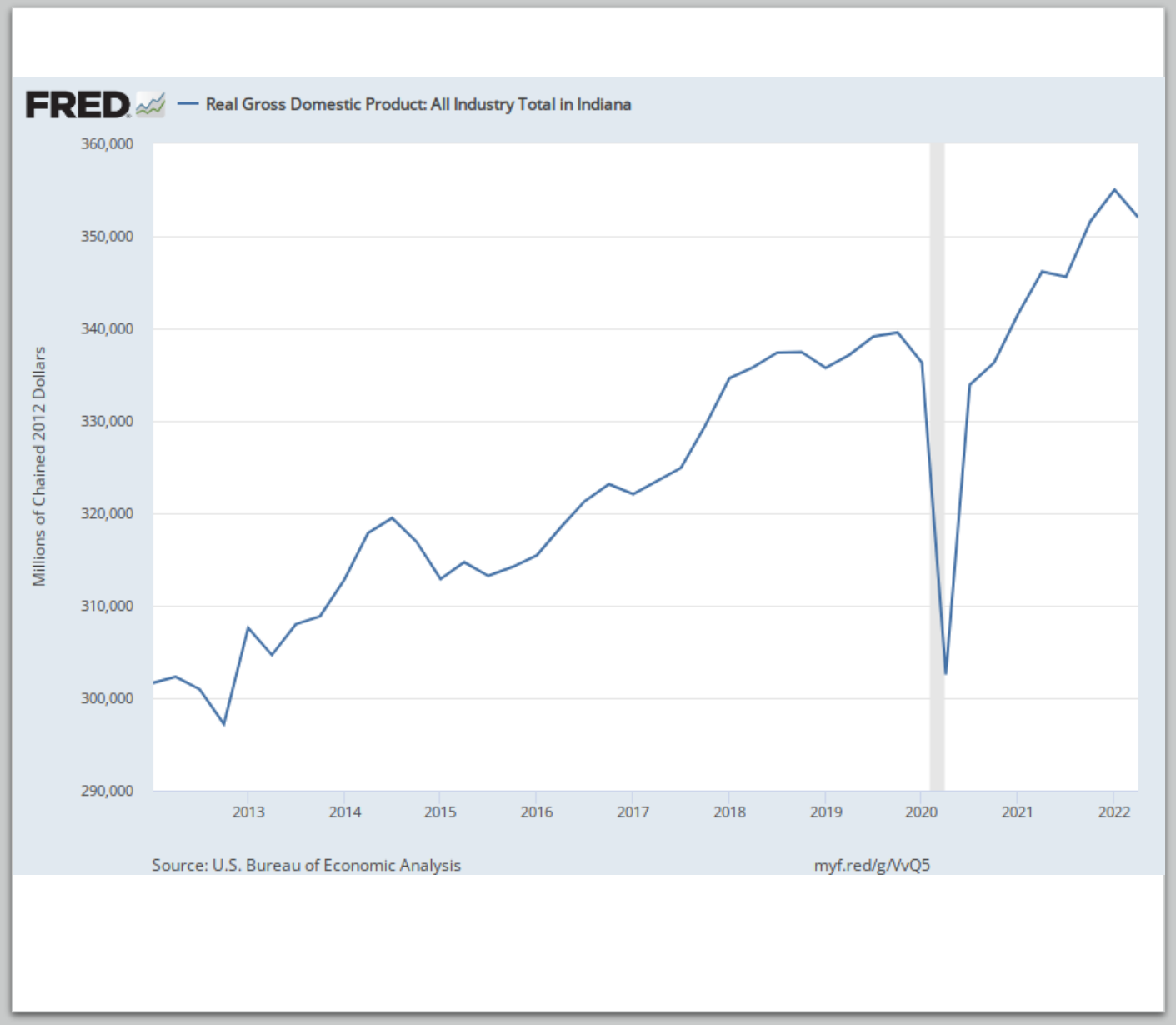
- **But bounced back to give us a net average growth rate of 2.9% in 2020.**

- **2021 growth rate = 1.4%**



Indiana

- **Real GDP, (2012 Dollars)**
- **$352.022B**
- **From 2012 to Q1, 2022**
  Growth rate = 0.41%
  (Annualized)
- **RGDP in 2020 declined by over 3.4%! But rose by 5.8% in 2021**

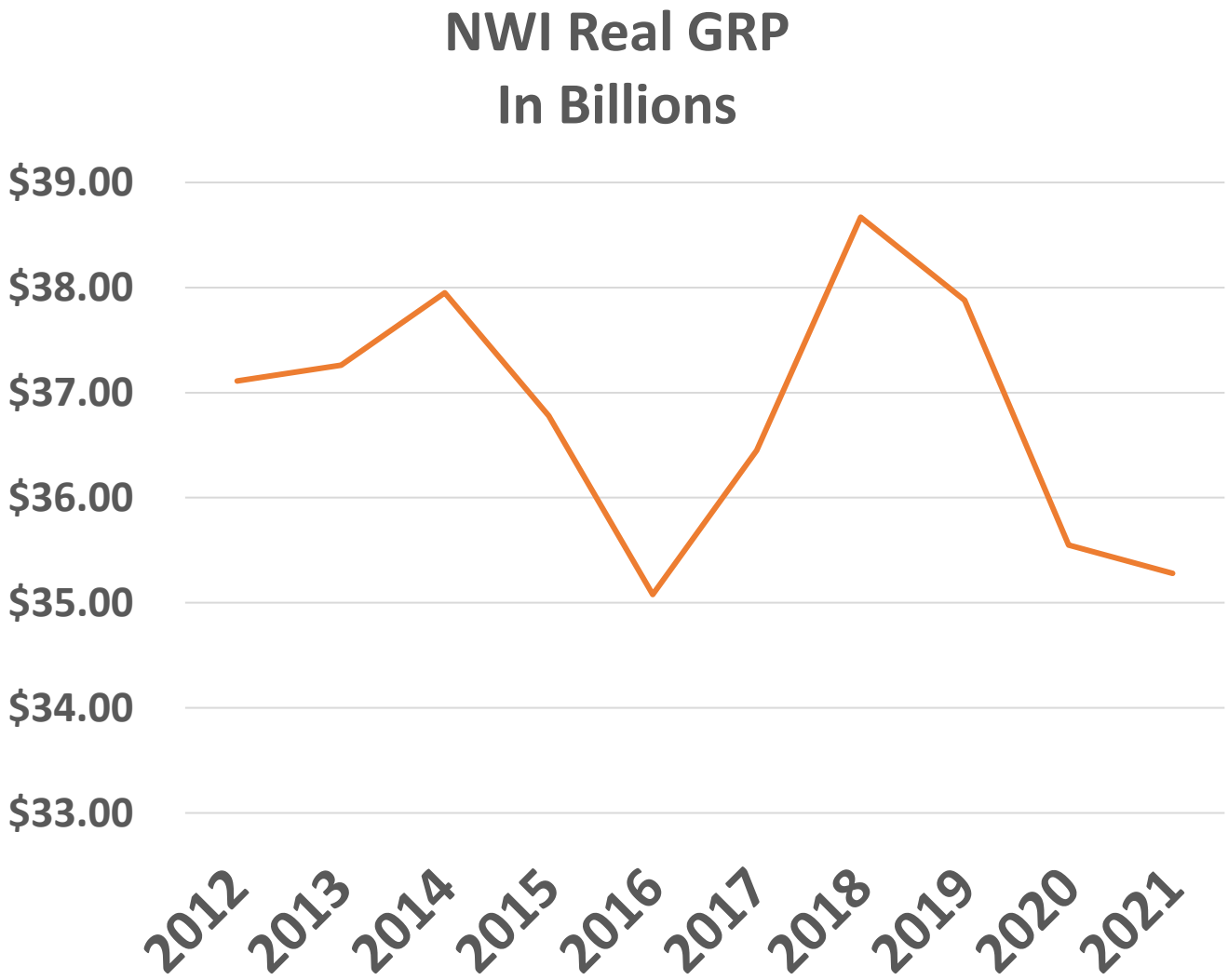


Northwest Indiana Economy

Real GDP, (2012 Dollars)
December 2021 = $35.28 B

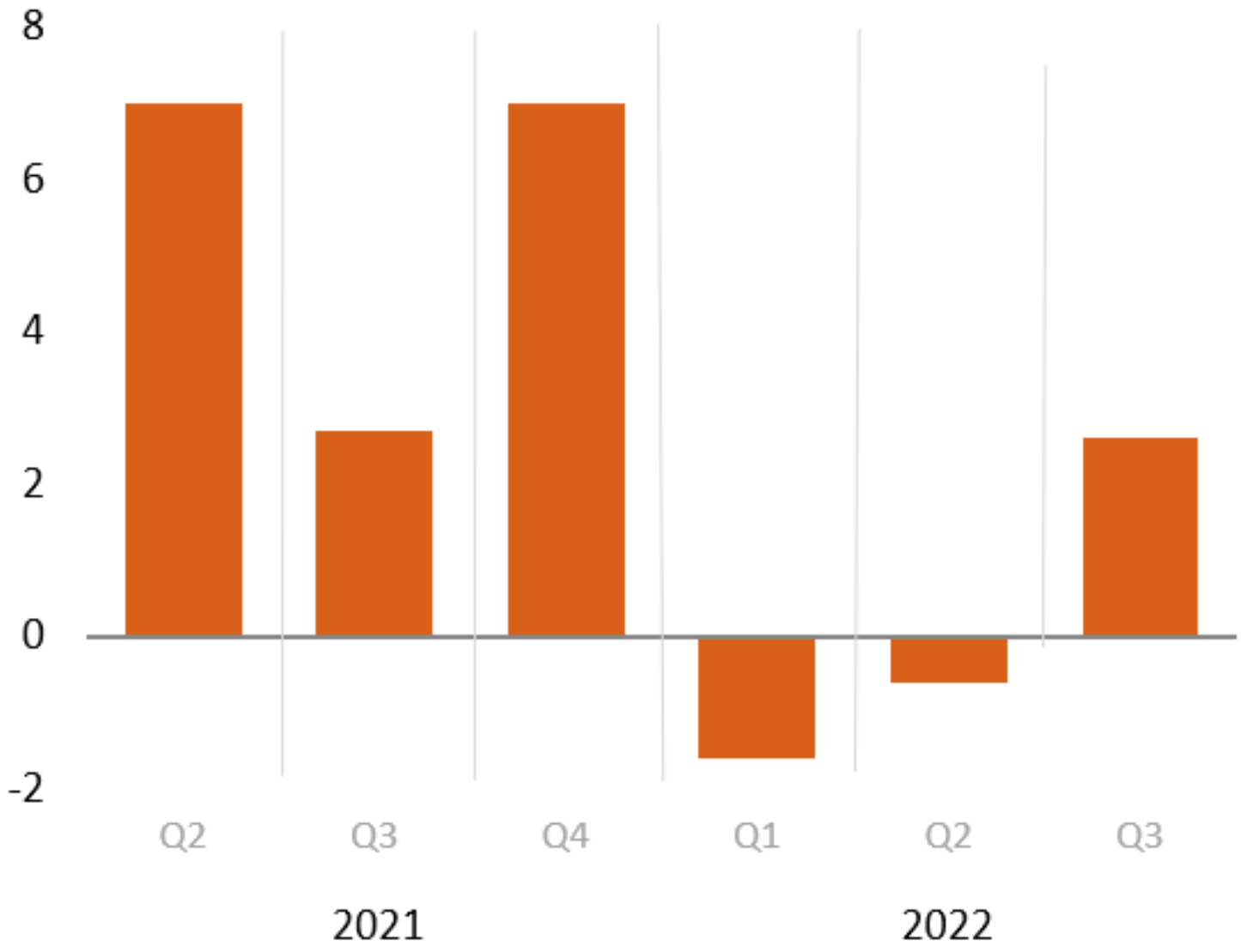
From 2011 to 2021 annualized
Real Growth rate = near zero! (-0.049%)

RGDP in 2017 & 2018 rose by 9.97%.
But declined in 2020 to 2021 by 0.76%
Leveling off



Sources: bea.gov, Emsi Q4 2021 Data Set, author's calculations

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

69.43
INFLATION
69.258
%
%
%
+0,37%

12-month percentage change, Consumer Price Index, metropolitan areas, all items, not seasonally adjusted

12-month Percentage Change
8.7%

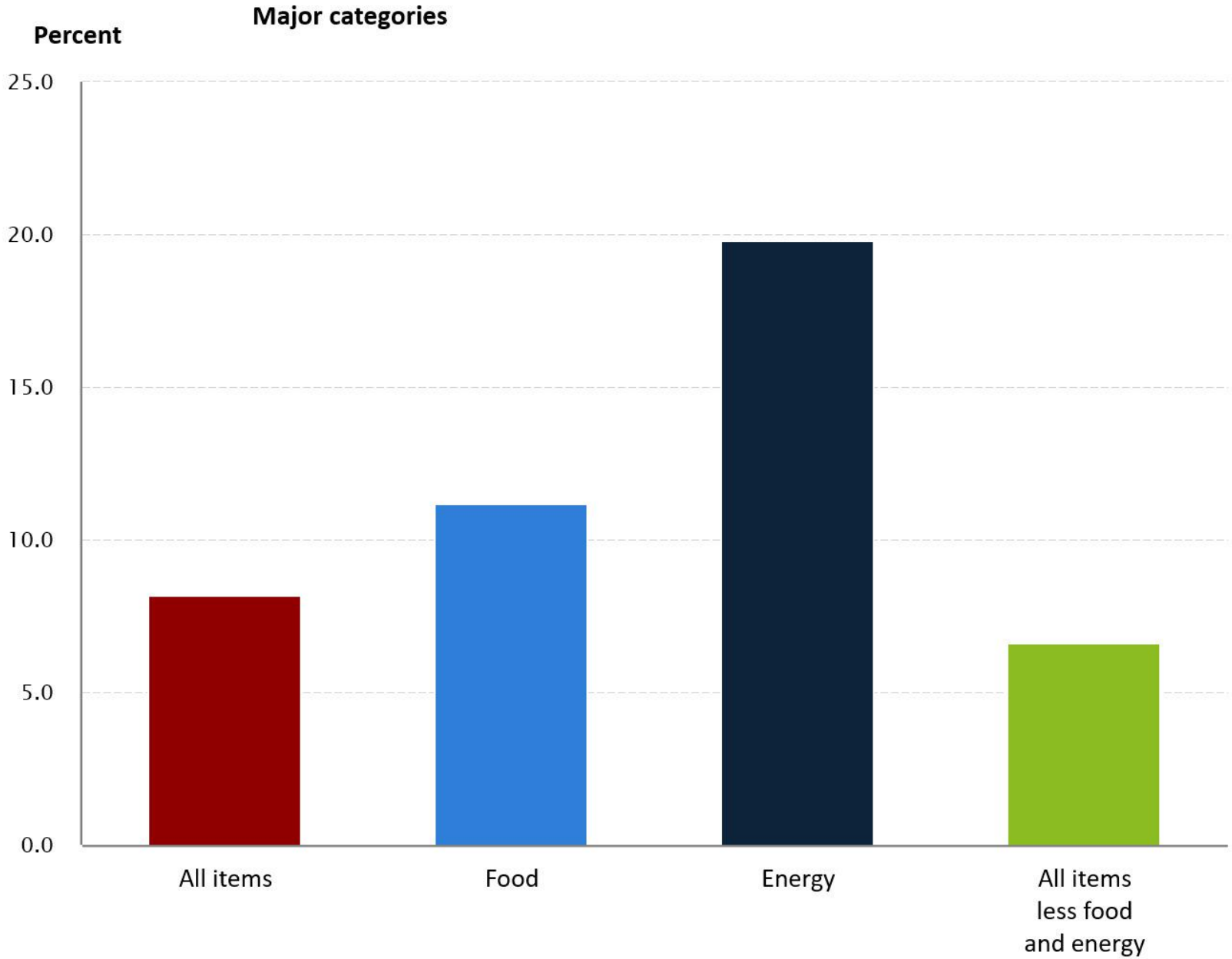
Hover over chart to view data.
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.

Inflation

Selected Expenditure Categories	Sep 21 – Sep 22	Aug 22 – Sep 22
All Items	8.2%	0.4%
Food	11.2%	0.8%
Meats, Poultry, Fish, Eggs	9.0%	0.7%
Cereals and bakery products	16.2%	0.9%
Dairy and related products	15.9%	0.3%
Energy	19.8%	-2.1%
Gasoline	18.2%	-4.9%
Electricity	15.5%	0.4%

12-month percentage change, Consumer Price Index, selected categories, September 2022, not seasonally adjusted

Click on columns to drill down



Source: U.S. Bureau of Labor Statistics.

Free Money

Covid Spending:

Total Budgetary Resources	**$4.6 Trillion**
Total Obligations	**$4.4 Trillion**
Total Outlays	**$4.0 Trillion**
Per Capita	**$12,048.19**

Source: https://www.usaspending.gov/disaster/covid-19?publicLaw=all and author's calculations

Not So Free Money (7.08%)

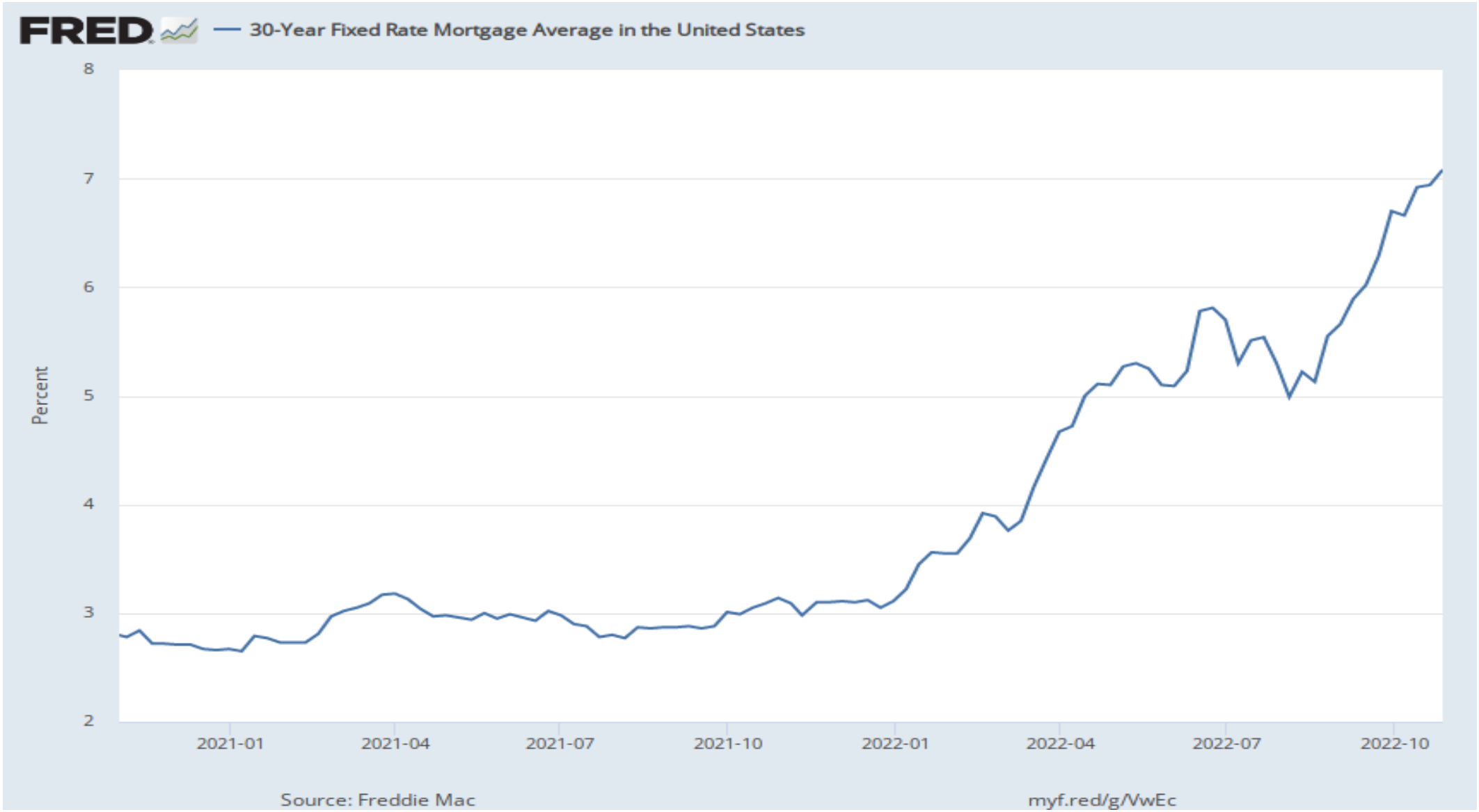
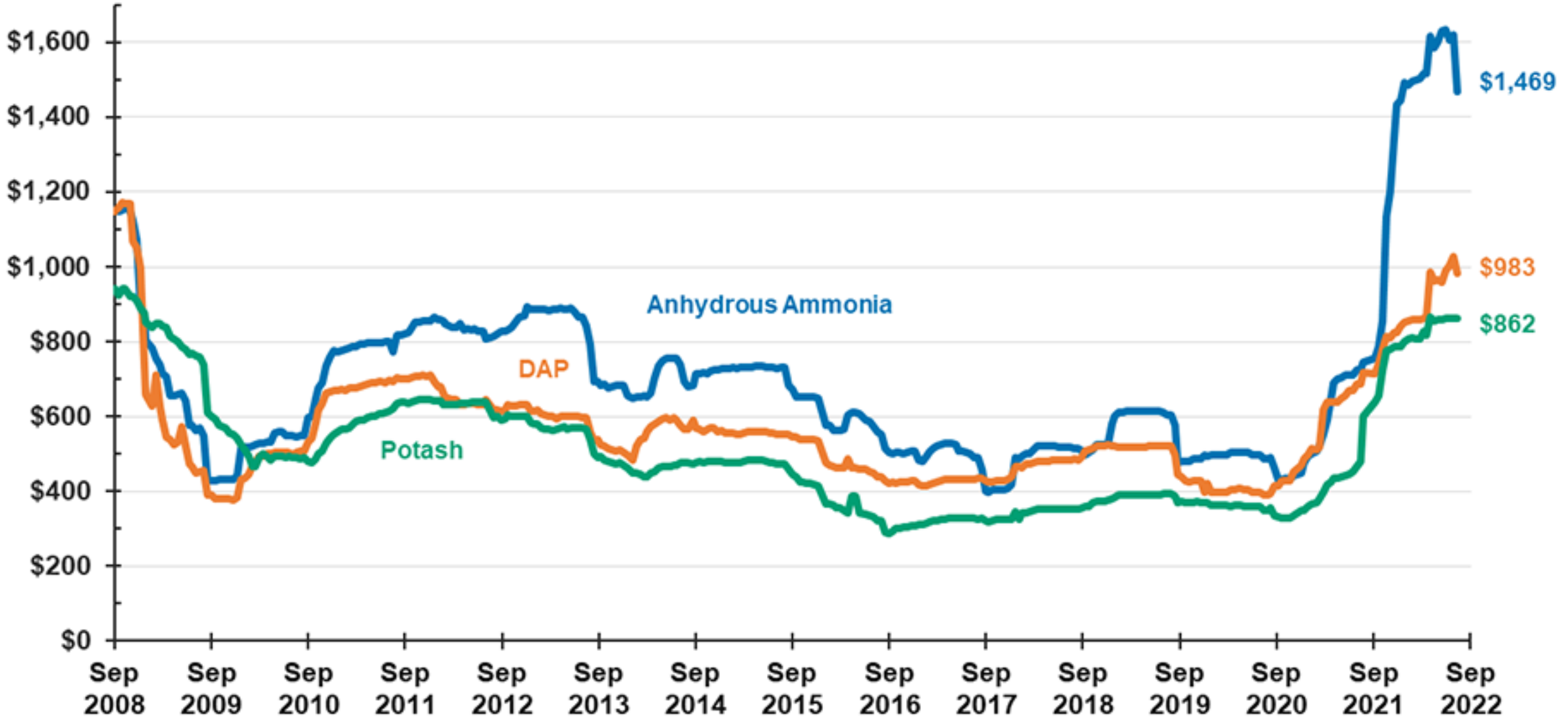


Figure 1. Fertilizer Prices per Ton in Illinois From 2008 to 2022



ILLINOIS

Source: US Department of Agriculture, Agricultural Marketing Service

farmdoc

According to Agricultural Marketing Service (AMS), fertilizer prices on July 14, 2022, were $1,469 per ton for anhydrous ammonia, from $726.
Up 106%

$983 per ton for diammonium phosphate (DAP), from $688. Up 42.88%

$862 per ton for potash, from $481. Up 79.2%

Source: https://farmdocdaily.illinois.edu/2022/07/nitrogen-fertilizer-outlook-for-2023-decisions.html

Corn production was forecast at 13.9 billion bushels, down 415 million or 3% from last month's estimate and down 8% from 2021 based on reductions to harvested area and yield.

The national yield is forecast at 172.5 bushels per acre, down 2.9 bushels from a month ago and down 4.5 bushels from last year.

Total planted area, at 88.6 million acres, is down 1% from the previous estimate and down 5% from the previous year.

Area harvested for grain is forecast at 80.8 million acres, down 1% from the previous forecast and down 5% from a year ago.

Butter inventories are tight and there's concern about end of year stocks for holiday ordering

Milk cow numbers are reduced.

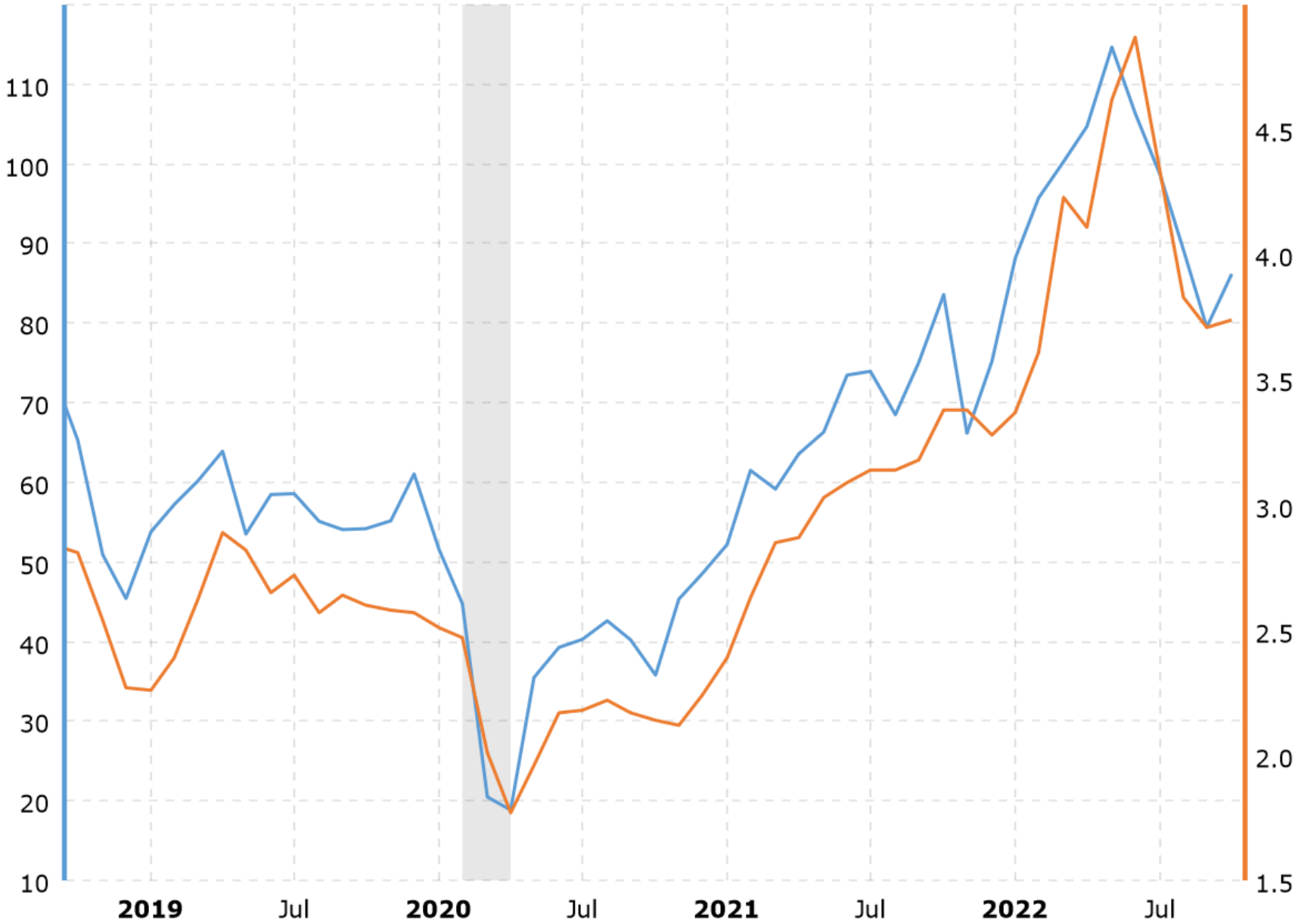
Butter was projected to average $2.85 per pound in 2022, up 6.5 cents from a month ago and compares to $1.7325 in 2021

Source: https://www.farmersadvance.com/story/news/2022/09/28/butter-inventories-tight-and-theres-concern-end-year-stocks/8089329001/

Break-even prices likely will be much higher in 2023 – near $5 per bushel for corn and $11 per bushel for soybeans

Nov 2022,
Corn $6.82/Bushel
Soybeans $14.40/Bushel

Crude Oil vs Gasoline Prices



October 2022
Gas: $3.74
Oil: $86.18

Source: https://www.macrotrends.net/2501/crude-oil-vs-gasoline-prices-chart

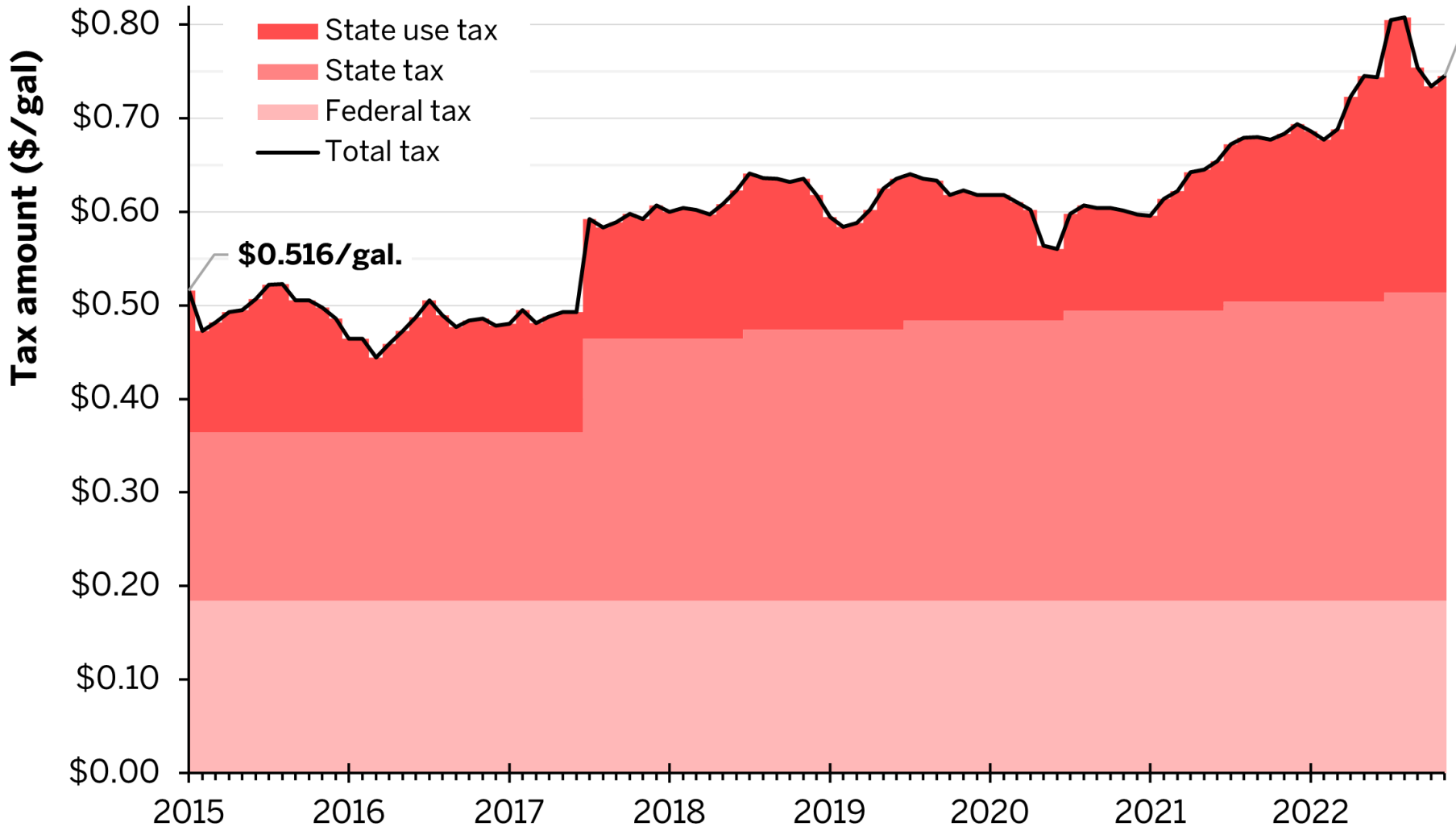
Put in Perspective

Year	Regular Gas Price per gallon
1970	$.357 (Leaded)
1980	$1.245
1990	$1.164
2000	$1.437
2010	$2.74
2012	$3.606 ($4.66 in 2022!)
October 2022.	$3.92.5. In 1980 dollars = $1.12

Source: U.S. Energy Information Administration, Gasoline and Diesel Fuel Update

Indiana Gasoline Taxes

Indiana:	**$0.745/gal.**
Kentucky:	**$0.430/gal.**
Ohio:	**$0.385/gal.**



$0.745/gal.

(A) Indiana use tax of 7% of the average price of gasoline in the previous month per gallon (**$0.231/gal.** for Nov-22).

(B) Indiana tax on gasoline of **$0.33/gal.** *(Raised by $0.10/gal. in 2017 and automatically goes up by $0.01/gal. every July until 2024)*

(C) Federal tax on gasoline of **$0.184/gal.** *(unchanged since 1993)*

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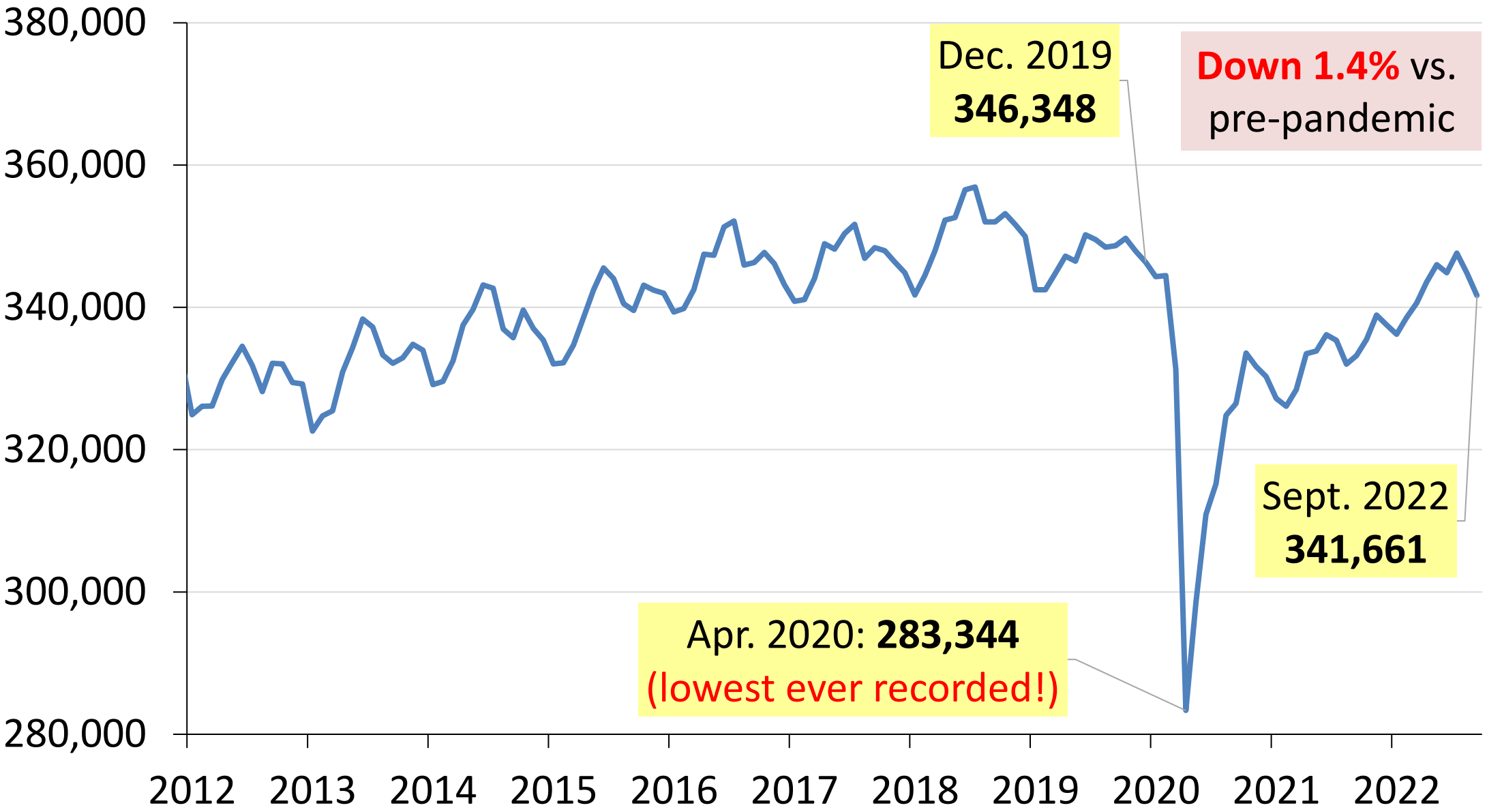
Source: *Indiana Department of Revenue (in.gov/dor)*

NWI Labor Market:

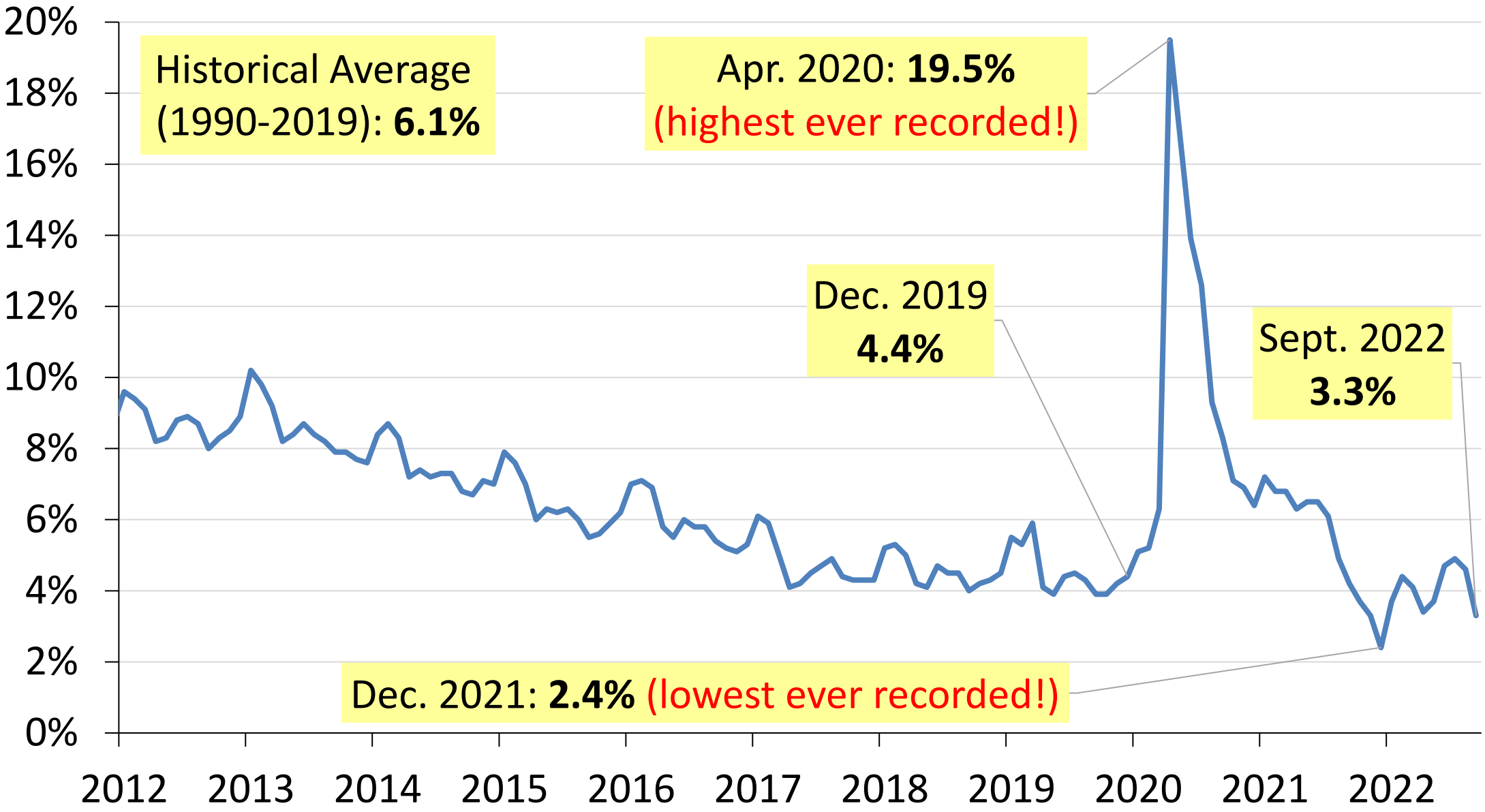
Emerging from the Pandemic

NWI Employment (Lake, Porter, LaPorte)



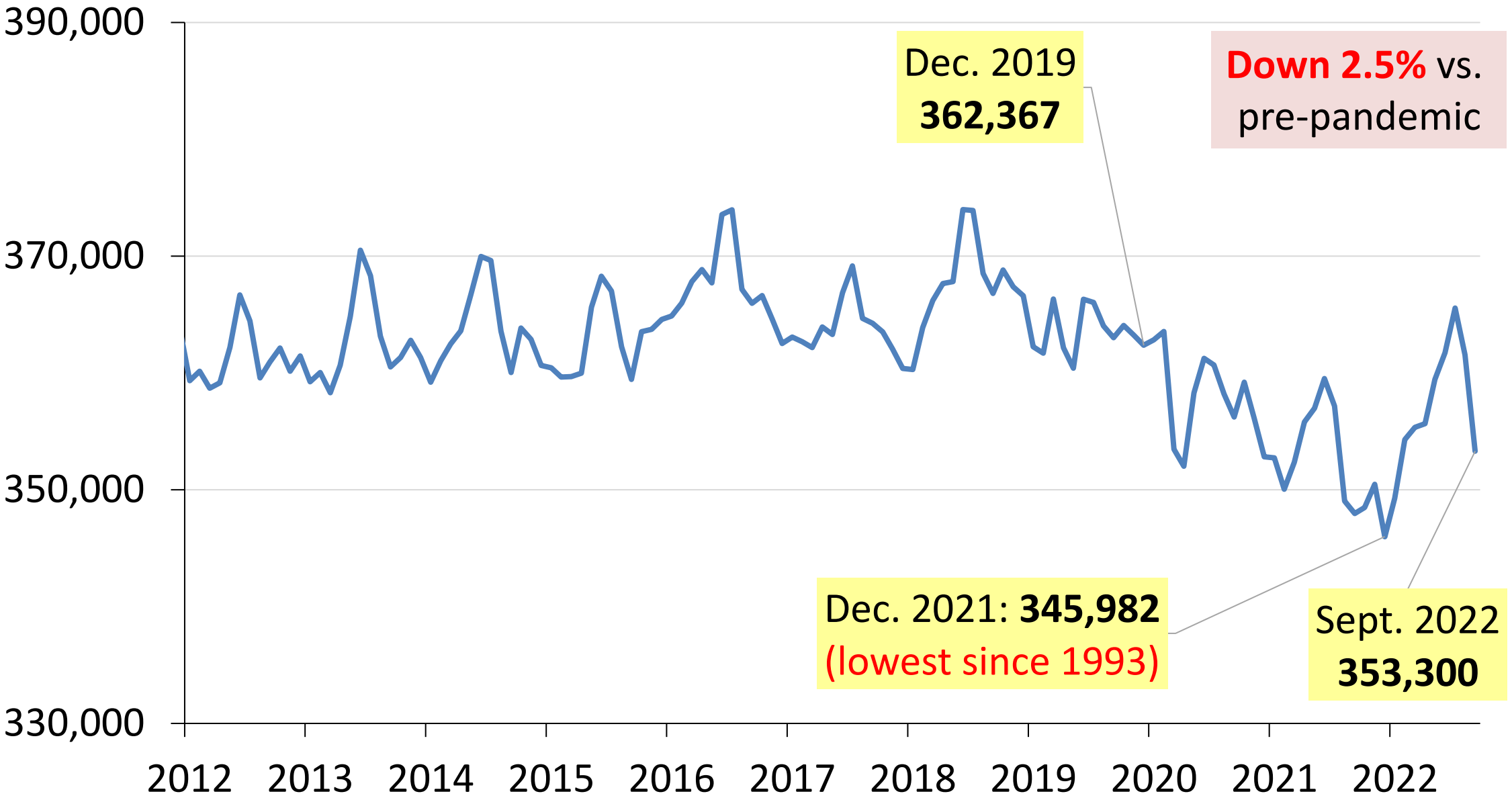
SOURCES/NOTES: BLS LAUS

NWI Unemployment Rate (Lake, Porter, LaPorte)



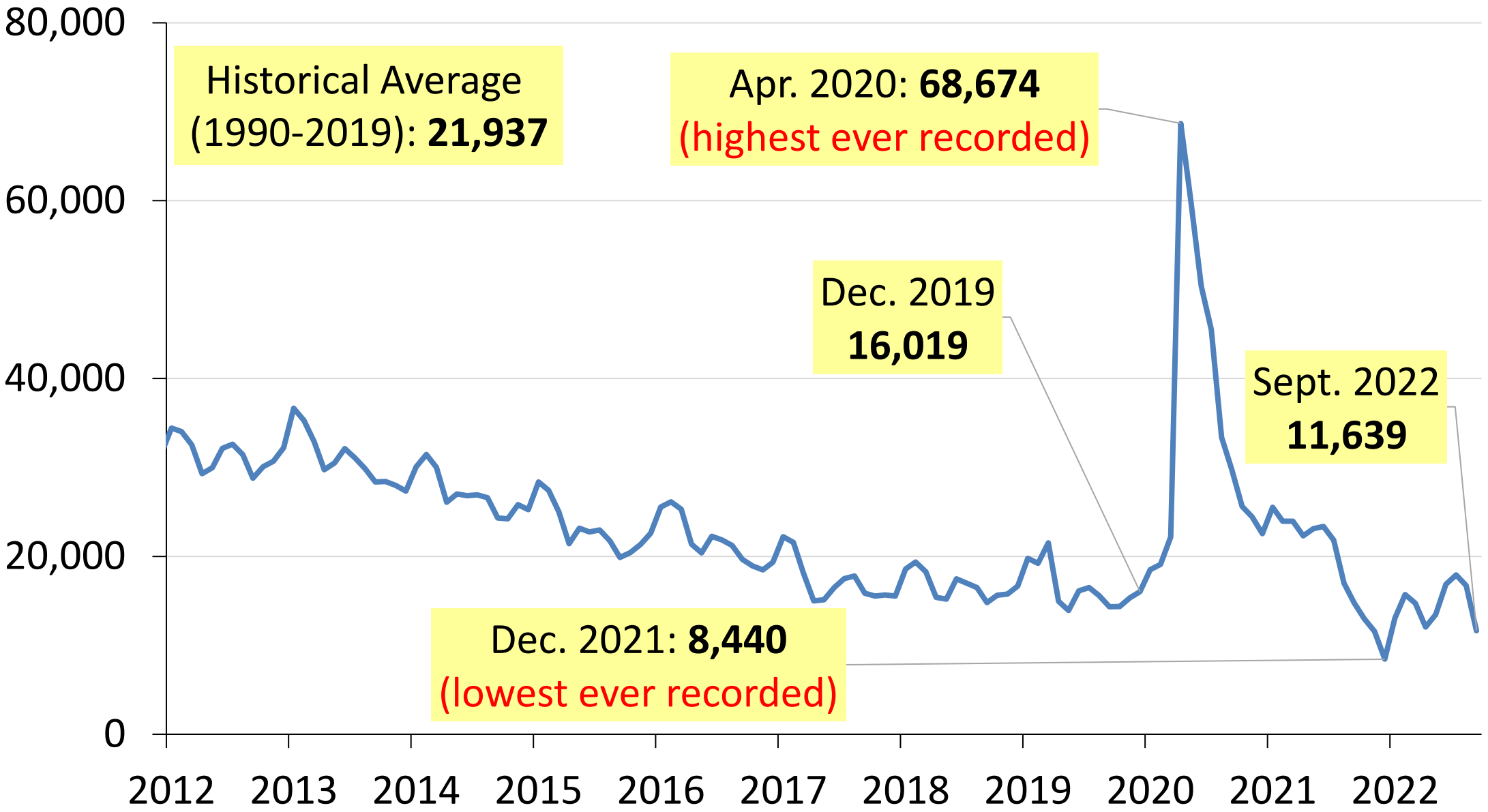
SOURCES/NOTES: BLS LAUS

NWI Labor Force (Lake, Porter & LaPorte)



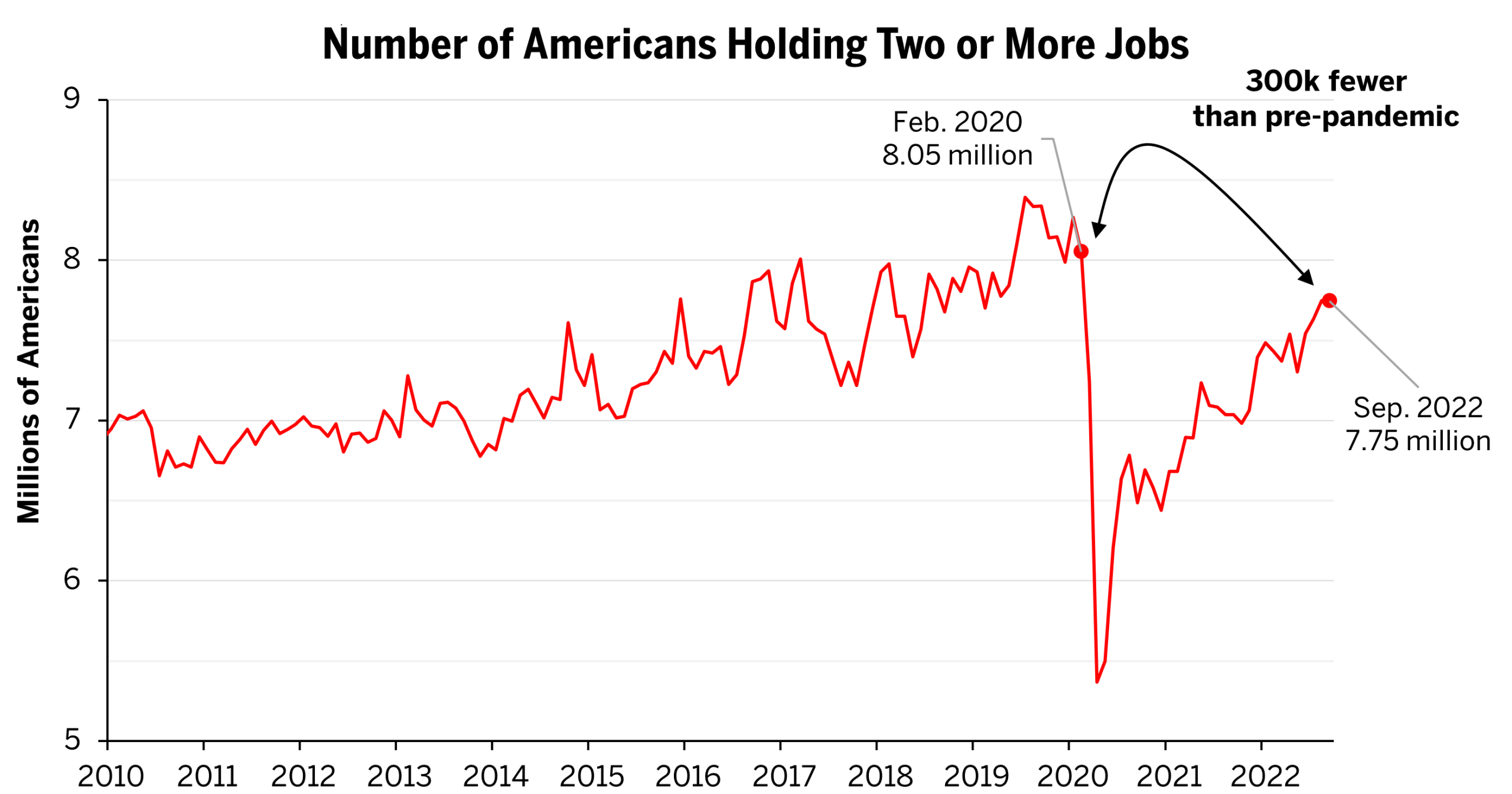
SOURCES/NOTES: BLS LAUS

NWI Unemployed (Lake, Porter & LaPorte)



SOURCES/NOTES: BLS LAUS

Number of Americans Holding Two or More Jobs



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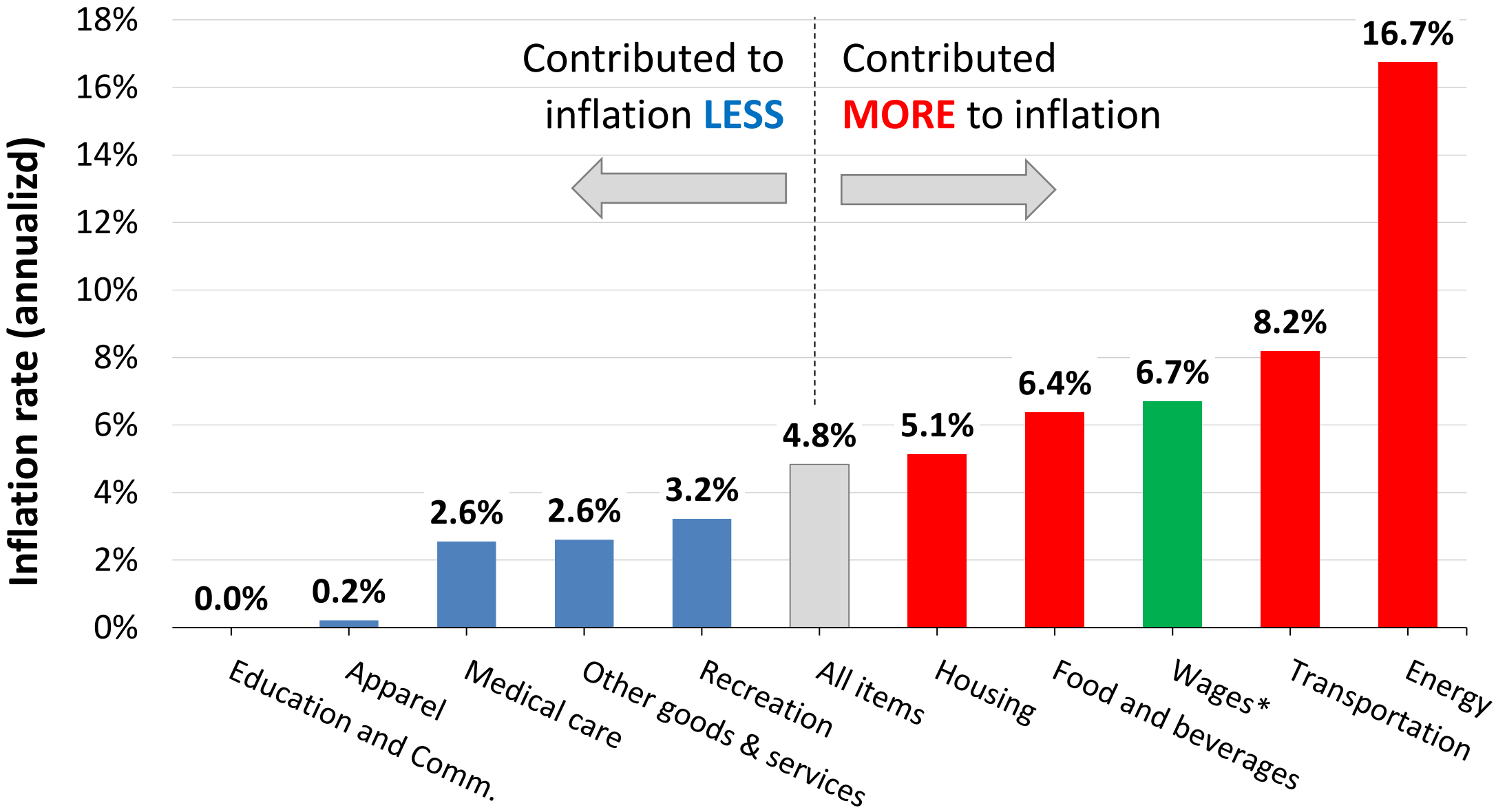
Source: *U.S. Bureau of Labor Statistics, Multiple Jobholders*

Components of Inflation in NWI (2019-2022)



SOURCES/NOTES: BLS CPI; BLS QCEW; * = Gary Metropolitan Area

Growth in Average Weekly Pay
(total private, 2019:Q3 to 2022:Q3)

	Annualized Growth
Average weekly pay (all industries)	
United States	+4.3%
Indiana	+3.1%
Northwest Indiana	**+6.7%**
Inflation rates (*Chicago Metro Area*)	
All items	+4.8%
Energy	+16.7%
All items less energy	+4.0%

Source: BLS QCEW

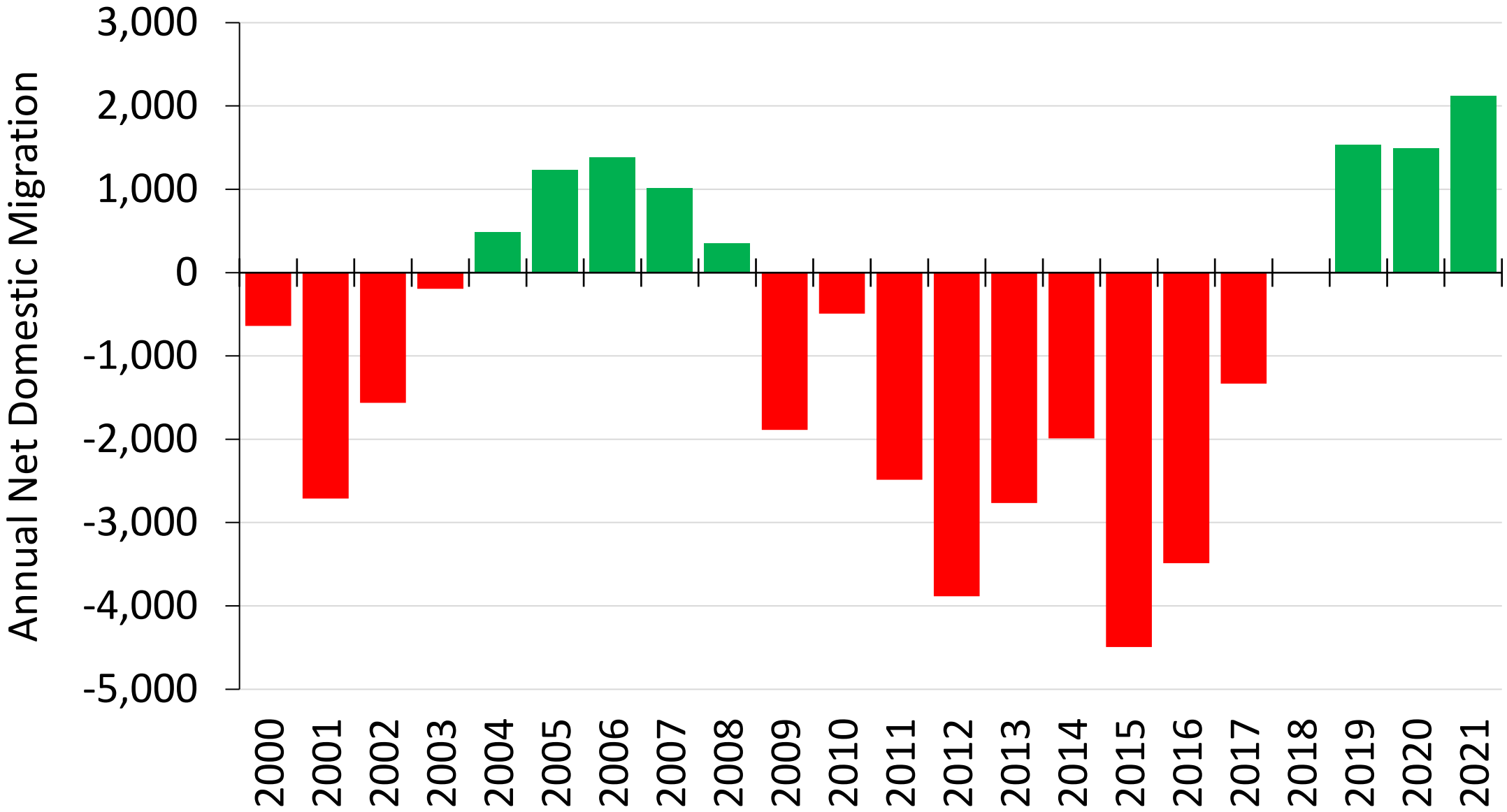
Growth in NWI Average Weekly Pay

(select industries, 2021:Q1 to 2022:Q1)

	Growth	Employment %
Average weekly pay (*Gary Metro Area*)		
All industries	**+9.3%**	100.0%
Manufacturing	+20.4%	13.4%
Wholesale trade	+12.3%	3.3%
Retail trade	+10.0%	12.7%
Health Care and Social Services	+6.7%	16.8%
Nursing and Residential Care Facilities	+15.2%	2.4%
Accommodation and Food Services	+19.2%	9.9%
Food services and drinking places	+11.0%	9.3%
Inflation rates (*Chicago Metro Area*)		
All items	**+8.5%**	
Energy	+33.7%	
All items less energy	+6.0%	

Source: BLS QCEW, 2021:Q1 to 2022:Q2. Gary Metropolitan Area

Net Domestic Migration (Gary Metro)



Source: U.S. Census, ACS

Perspectives

1. **Households/workers** have fared well
   - **Wage growth** outpacing inflation (*at least in NWI*).
   - Highest wage growth among:
     - Lower-paid service industries (food service & retail)
     - Higher-paid manufacturing (steel)
   - **Rising interest rates** (housing market)

2. **Firms/employers** face major challenges
   - Labor force reductions/changes ("Great Reassessment of Work")
   - **Rising costs**
     - High inflation AND high wage growth.
   - **Rising interest rates** (investment)

Regional Economic Topics

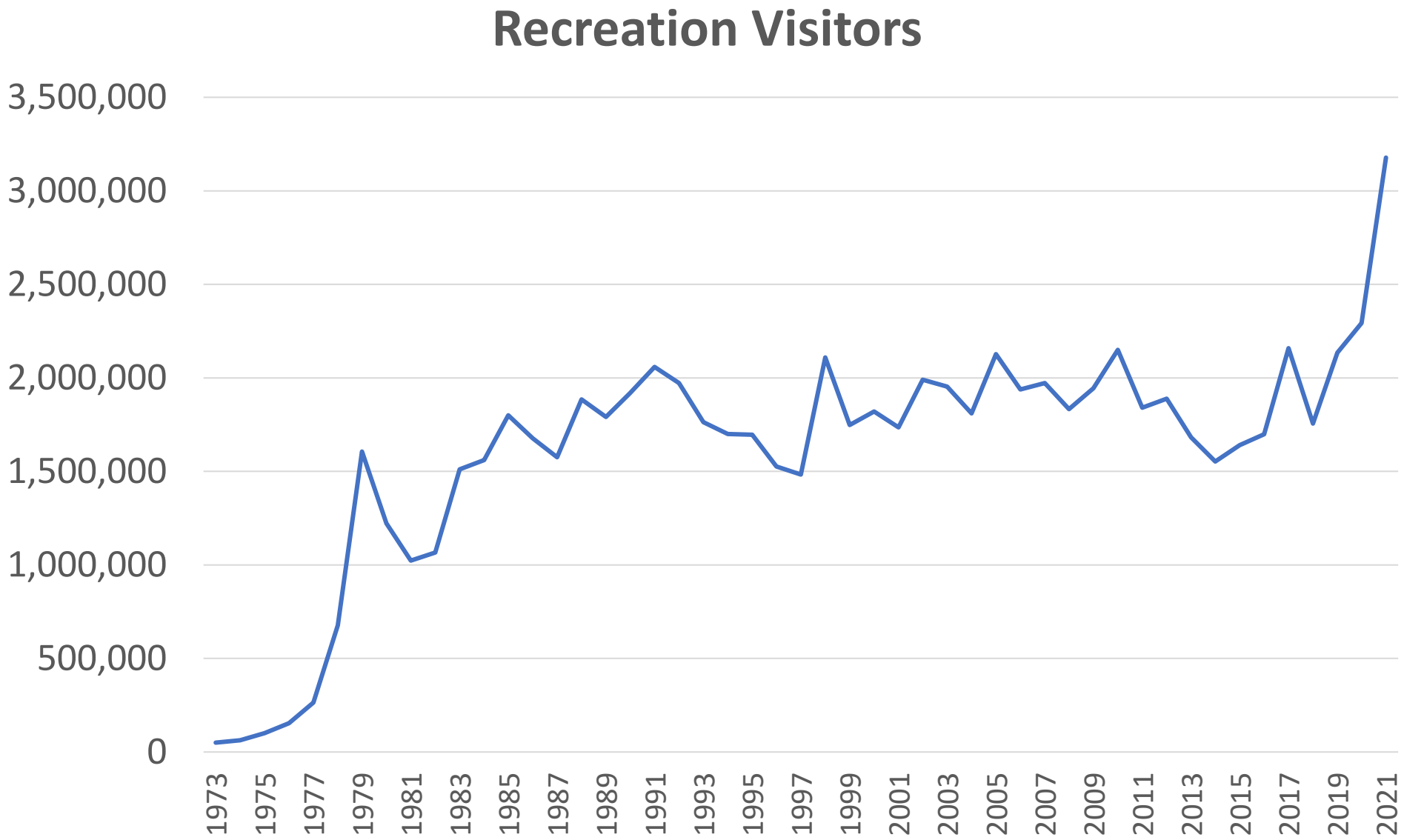
Indiana Dunes National Park

Indiana Dunes National Park

Regional Multipliers:

Total Sales:	**1.6449**
Total Jobs:	**1.0670**
Total Earnings:	**1.5633**

In 2021, each visitor contributed approximately $72.71 to GRP.
(3,177,210 recreational visitors, $231M to GRP)


Recreation Visitors
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
1973
1975
1977
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021

Expectations

2020 estimates: 6.4% increase in visitors over 2019.

Was 7.4%

2021 estimates: 13.7% over 2020.

I was incredibly wrong!

Grew by 38.55%!

Visitor Growth 2011 - 2021

2011	1,840,513	
2012	1,889,381	2.66%
2013	1,681,695	-10.99%
2014	1,553,372	-7.63%
2015	1,640,195	5.59%
2016	1,698,223	3.54%
2017	2,158,471	27.10%
2018	1,756,079	-18.64%
2019	2,134,285	21.54%
2020	2,293,106	7.44%
2021	3,177,210	38.55%

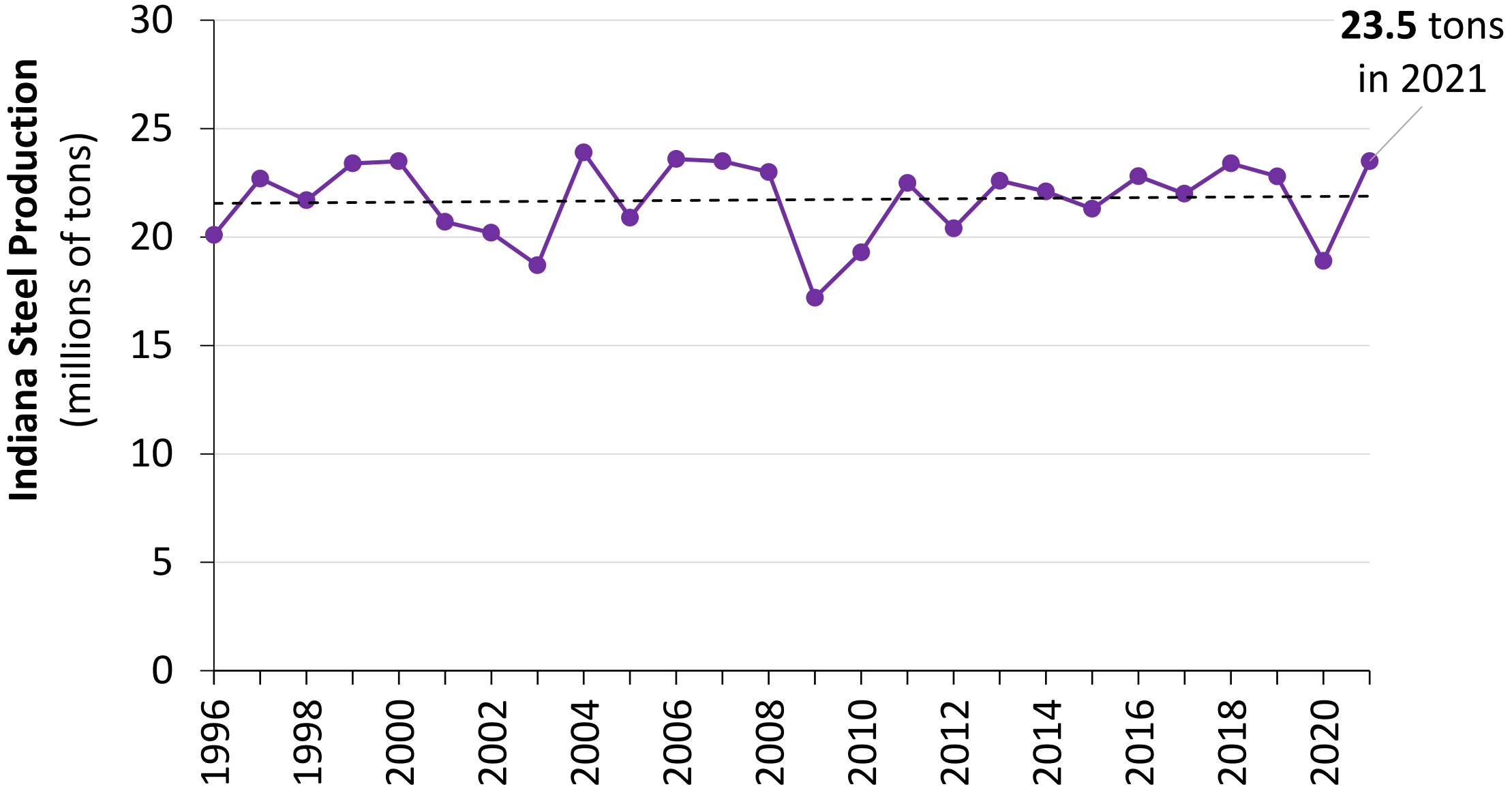
Actual Economic Impact

Total Recreation Visits	Total Visitor Spending ($000s)	Jobs	Labor Income ($000s)	Value Added ($000s)	Economic Output ($000s)
		2020			
2,293,106	**$103,047**	**1,234**	**$53,371**	**$90,347**	**$140,651**
		2021			
3,177,210	**$156,400**	**1,880**	**$88,000**	**$141,000**	**$231,000**

Forecast…If I dare!

2022: 13.26% over 2021

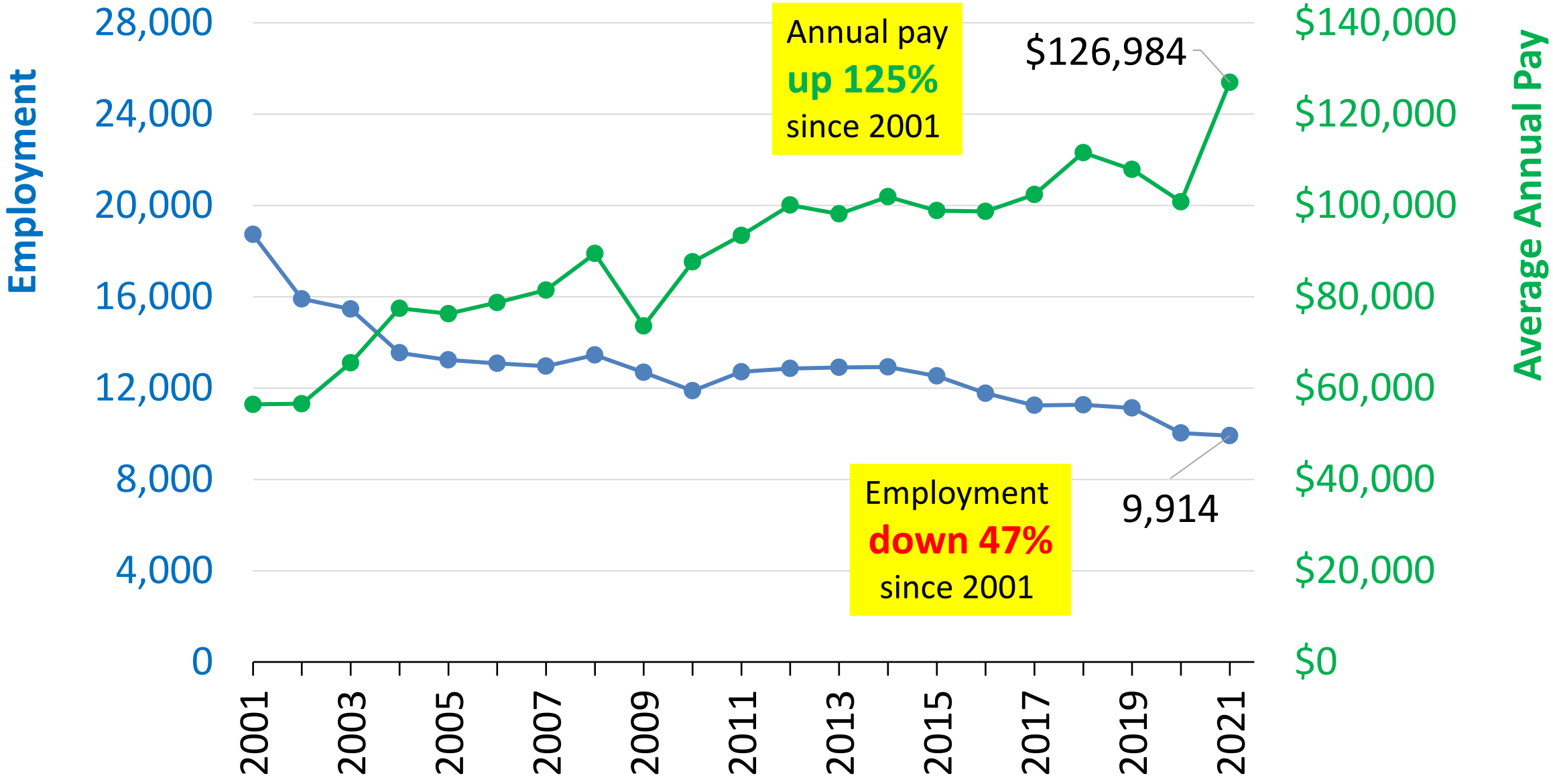
Steel Industry – Production (Indiana)



Source: World Steel Association; USGS

Primary Metal Manufacturing

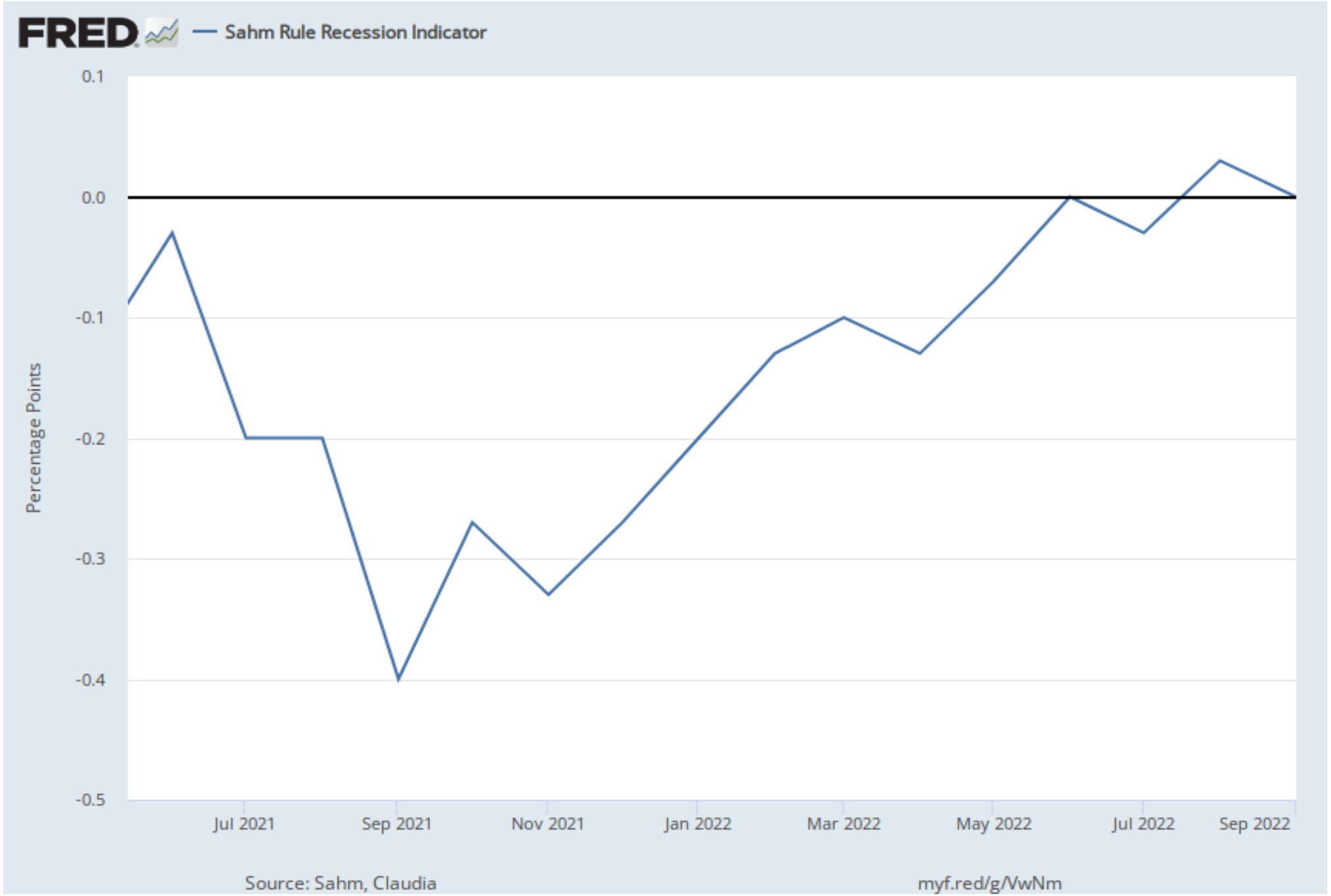
(Employment and Annual Pay in Lake County)



Source: BLS QCEW

Forecast for 2023

RECESSION?


FRED
Sahm Rule Recession Indicator
0.1
0.0
-0.1
-0.2
-0.3
-0.4
-0.5
Percentage Points
Jul 2021
Sep 2021
Nov 2021
Jan 2022
Mar 2022
May 2022
Jul 2022
Sep 2022
Source: Sahm, Claudia
myf.red/g/VwNm

Source:

Sahm, Claudia

Sahm Recession Indicator signals the start of a recession when the three-month moving average of the national unemployment rate (U3) rises by 0.50 percentage points or more relative to its low during the previous 12 months.

Sahm Rule Recession Indicator [SAHMCURRENT],
retrieved from FRED,
Federal Reserve Bank of St. Louis;
https://fred.stlouisfed.org/series/SAHMCURRENT,
November 2, 2022.

Forecast for 2023 (Micah)

- **Interest rates** will continue to rise
  - Into Q1/Q2 of 2023; remain at historically reasonable levels.
- **Inflation** and **wage growth** to slow.
  - Little or no Real GDP growth in 2023
- **Labor force** will likely remain tight
  - Employment will rise as more workers return.
  - Unemployment rate remain historically low.
  - Worker gains likely to remain.
- **Housing market** to slow substantially
- Concern over population migration.

Thank you!