

MICHIANA BUSINESS

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3rd Quarter 2022 Summary

This issue presents an analysis of economic conditions in the South Bend-Mishawaka and Elkhart-Goshen metropolitan statistical areas (MSAs) as of September 2022, the latest month during the quarter for which all data are available for the indicators shown in the tables and graphs on pages 4-7. For the most part, these indicators are seasonally adjusted index numbers that permit a comparison of conditions in the two metropolitan areas. The data are collected and processed by the Judd Leighton School of Business and Economics' Bureau of Business and Economic Research.

1. SUMMARY OF REGIONAL ECONOMIC CONDITIONS IN THE THIRD QUARTER OF 2022

According to the U.S. Bureau of Labor Statistics¹, the South Bend-Mishawaka MSA saw that the labor force and employment increased in the third quarter of 2022 by 1,594 (+1.20%) and 942 (+0.73%), respectively, and the number of unemployed rose by 652 (+17.02%). Meanwhile, the Elkhart-Goshen MSA's labor force and employment declined by 956 (-0.79%) and 1,639 (-1.37%), respectively, and unemployment went up by 684 (30.51%). Consequently, the jobless rate in both areas increased in the third quarter of 2022. In the South Bend-Mishawaka MSA, the average unemployment rate in July-September 2022 was 3.30%, 0.47 percentage points up from the last quarter. Elkhart-Goshen's quarterly unemployment rate was 2.40%, 0.53 percentage points higher than the second quarter's rate.

Total nonfarm payroll employment in the South Bend-Mishawaka MSA added 1,467 jobs (+1.07%) in the third quarter. The employment data by industry² showed employment gains in natural resources, mining and construction (+233 jobs); trade, transportation and utilities (+533 jobs); financial activities (+33 jobs); professional and business services (+67 jobs); private educational and health services (+33 jobs); leisure and hospitality (+433 jobs); and government (+167 jobs). Employment remained unchanged in information and other services yet declined in manufacturing (-33 jobs).

Total nonfarm employment in the Elkhart-Goshen MSA shrank by 1,900 jobs (-1.27%) over July-September 2022. Notable job

losses occurred in manufacturing (-1,333 jobs) and government (-700 jobs). Minor job losses were observed in trade, transportation and utilities (-133 jobs); and professional and business services (-67 jobs). Employment increased in natural resources, mining and construction (+67 jobs); financial activities (+33 jobs); private educational and health services (+133 jobs); and leisure and hospitality (+100 jobs). There were no job changes in information and other services.

2. REGIONAL ECONOMIC INDICATORS

As the table below displays, the monthly total nonfarm employment index in South Bend-Mishawaka averaged 131.40 in the third quarter of 2022, 2.46 points up from the last quarter. In particular, the manufacturing employment index of the area gained 0.44 points to 66.88 and the non-manufacturing employment index increased by 2.93 points to 150.11. However, the index of industrial electricity usage in South Bend-Mishawaka dropped by 7.60 points to 89.21 in the third quarter of 2022.

The housing sector of the South Bend-Mishawaka MSA slowed down in the third quarter of 2022. The average index of new building permits for single-family houses was 35.82, down 0.47 points from the previous quarter. The index of the total value of these permits declined significantly by 31.38 points to a quarterly average of 144.93. The seasonally adjusted index of the average value of new permits was down 5.86 points to a quarterly average of 41.00.

Additional data from the Indiana Association of Realtors³ showed that new listings of existing single-family homes and the closed sales were down 6.9% and 7.6%, respectively, in July-September 2022 than one year ago. The median sales price rose by 11.0% to \$215,000 in the third quarter of 2022, in the year-over-year comparison. Furthermore, the home supplies in St. Joseph County were relaxed. The region's monthly supply of inventories fell by 2.6% year-over-year in July, but increased by 5.3% and 3.3% year-over-year in August and September, respectively.

In the third quarter of 2022, the Elkhart-Goshen metro area saw its seasonally adjusted index of monthly nonfarm employment down 1.56 points to 161.36. Specifically, Elkhart-Goshen's monthly average manufacturing employment index decreased by 2.47 points to 157.39, and the monthly average non-manufacturing employment index lost 0.40 points to 166.23. In addition, the average index of electricity usage was slightly up by 0.72 points to 67.74.

Overall, the local labor market remained strong in the South Bend-Mishawaka MSA in the third quarter of 2022. The labor force and employment expanded, reaching their highest level in two years. Although the number of unemployed rose, the unemployment rate was still one of the lowest since 2001. While the adverse impact of the pandemic has faded, the local labor market has not fully recovered yet. Compared to the pre-pandemic level, the labor force and employment were 4,330 and 3,935 workers short of the 2019 third-quarter figures.⁴ A similar trend was observed in the total nonfarm employment in South Bend-Mishawaka, with solid job growth in trade, transportation and utilities, leisure and hospitality, and construction sectors.

On the other hand, Elkhart-Goshen's strong labor market growth seemed to have halted in the third quarter of 2022. The area's employment has been growing for eight consecutive quarters from the third quarter of 2020 to the second quarter of 2022, yet declined for the first time in the third quarter of 2022. The loss of employment was mainly in manufacturing and government. While the cause of government job loss was unclear, the manufacturing job loss could be attributed to the contractionary monetary policy. The Federal Reserve raised the baseline interest rate five times by September 2022. The target federal funds rate was 3.00% - 3.25% by the end of September 2022, the highest in 14 years. While the fear of COVID gradually faded, the rising gas price has made recreational vehicles (RV) less attractive. The higher interest rate also made the RVs less affordable for buyers who need loans to finance their purchases. According to the RV

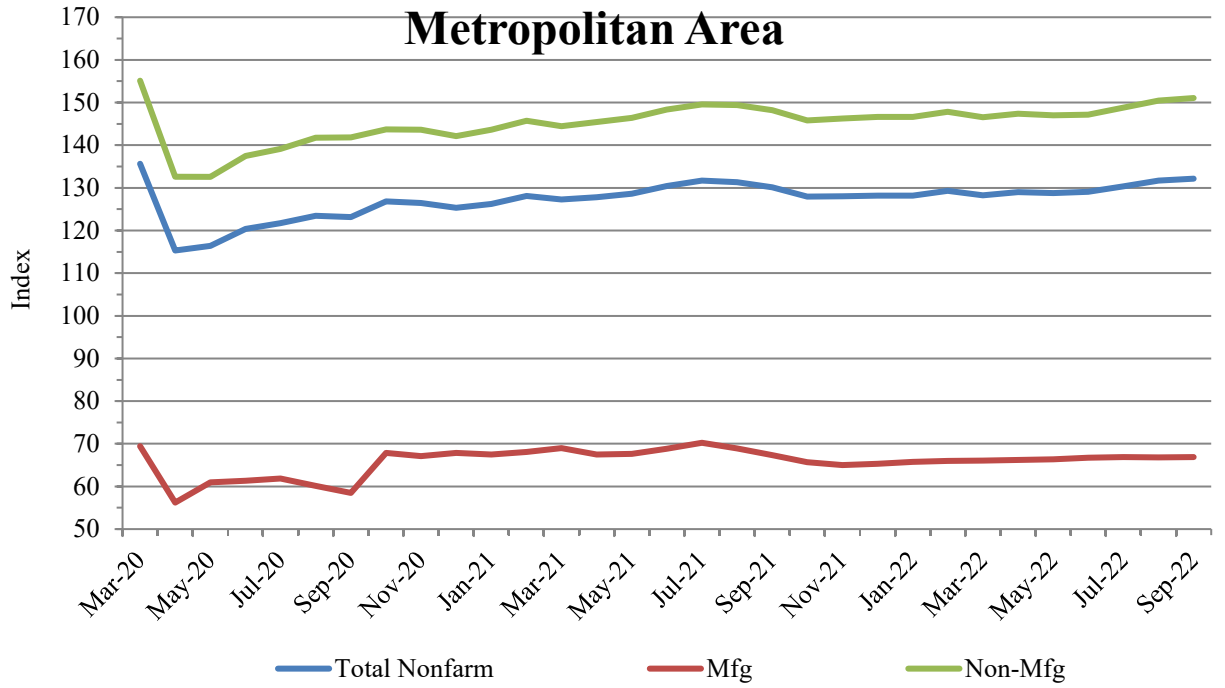
Industrial Association report, the total RV shipments in the year-to-year analysis declined by 33.4%, 36.0% and 48.5% in July, August, and September, respectively.⁴ The decline in the consumer demand for the RVs and the dominance of the RV industry in the Elkhart-Goshen MSA were responsible for the significant job loss in manufacturing in the third quarter. It is also concerning that if the high gas price and inflation rate persist and the Fed continues to hike interest rates, the adverse impact on the local manufacturing sector could be exacerbated.

The housing market in St. Joseph County showed signs of slowing down under the impact of the higher interest

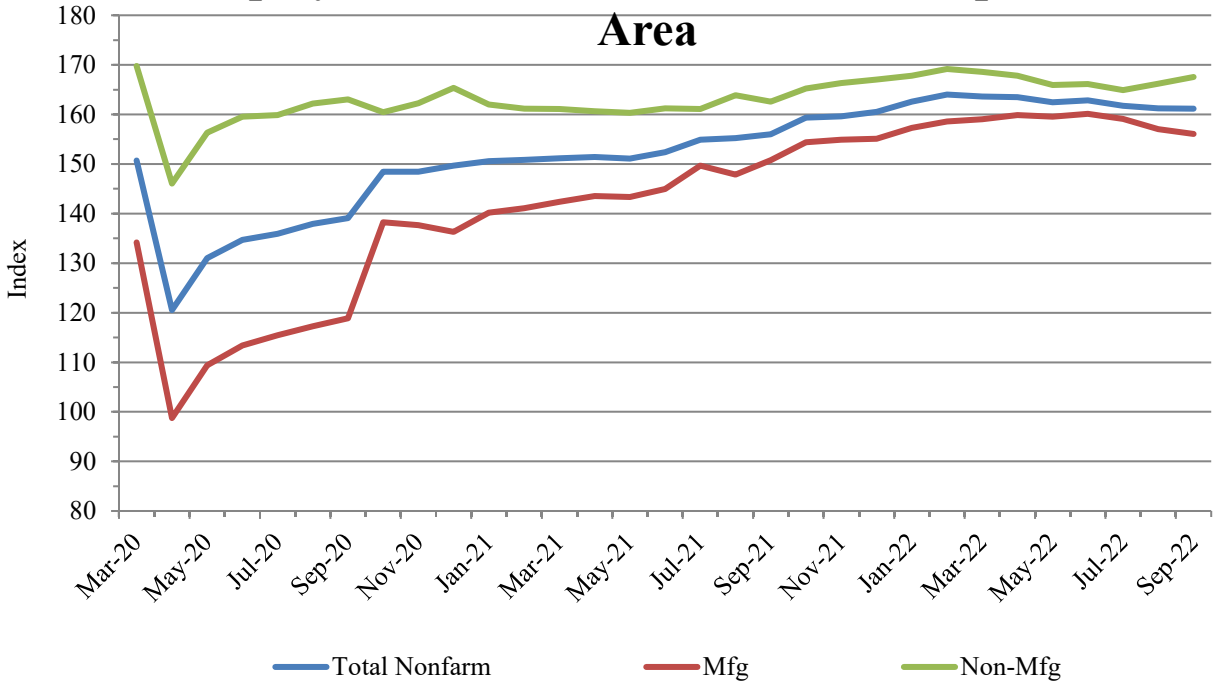
rates and historically high housing prices in this region. The hikes in the Federal Funds rate have pent up the mortgage rates. Along with the fast-rising housing prices, it has significantly increased the borrowing cost and cooled down the heated housing market. Therefore, the building permits of new single-family homes were 20.8% down in the third quarter of 2022 and 26.9% down from the third quarter of 2021. In addition, the listing and closed sales of existing homes also went down for three consecutive quarters in the year-over-year analysis.

	3rd Quarter 2022				
	July	August	September	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	130.37	131.69	132.17	131.41
	Manufacturing Employment	66.89	66.84	66.91	66.88
	Non-manufacturing Employment	148.83	150.48	151.02	150.11
	Unemployment Rate	3.9	3.5	2.5	3.3
	Electricity Usage	70.42	115.99	81.21	89.21
	Single-Family Housing				
	Number of New Permits	20.95	27.52	58.98	35.82
	Total Value of New Permits	98.33	91.84	244.61	144.93
	Average Value of a New Permit	45.25	30.15	47.60	41.00
Elkhart - Goshen	Employment				
	Total Nonfarm Employment	161.73	161.21	161.13	161.36
	Manufacturing Employment	159.07	157.02	156.07	157.39
	Non-manufacturing Employment	164.90	166.22	167.56	166.23
	Unemployment Rate	2.7	2.5	2.0	2.4
	Electricity Usage	69.10	65.19	68.93	67.74
Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using the BLS seasonal adjustment program.					

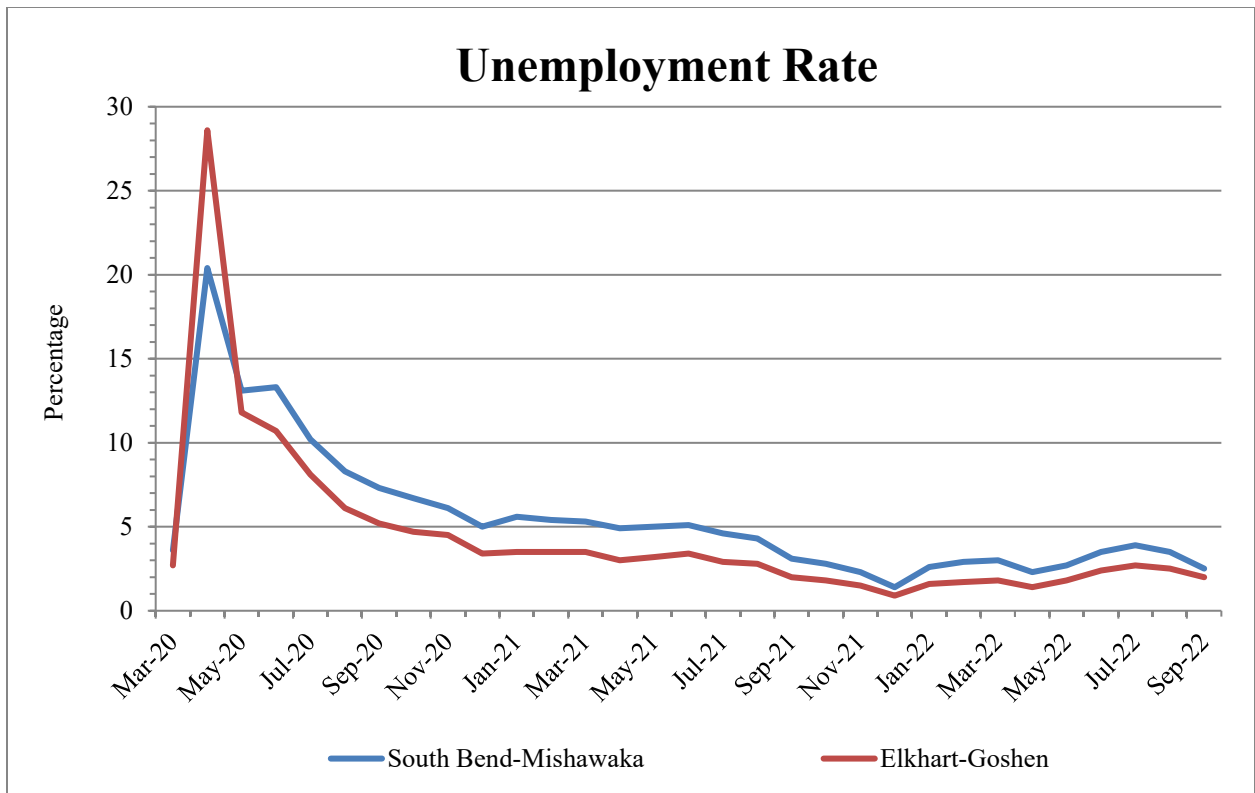
Employment in South Bend-Mishawaka Metropolitan Area



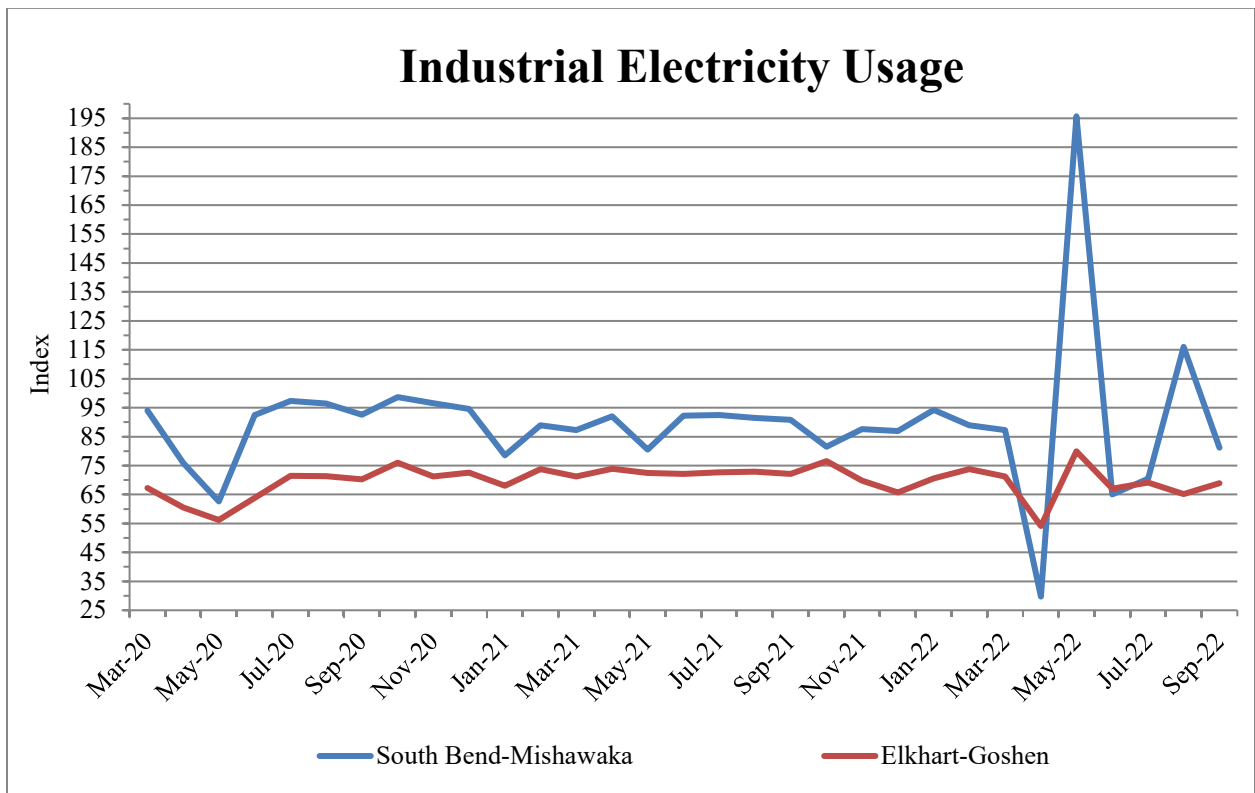
Employment in Elkhart-Goshen Metropolitan Area



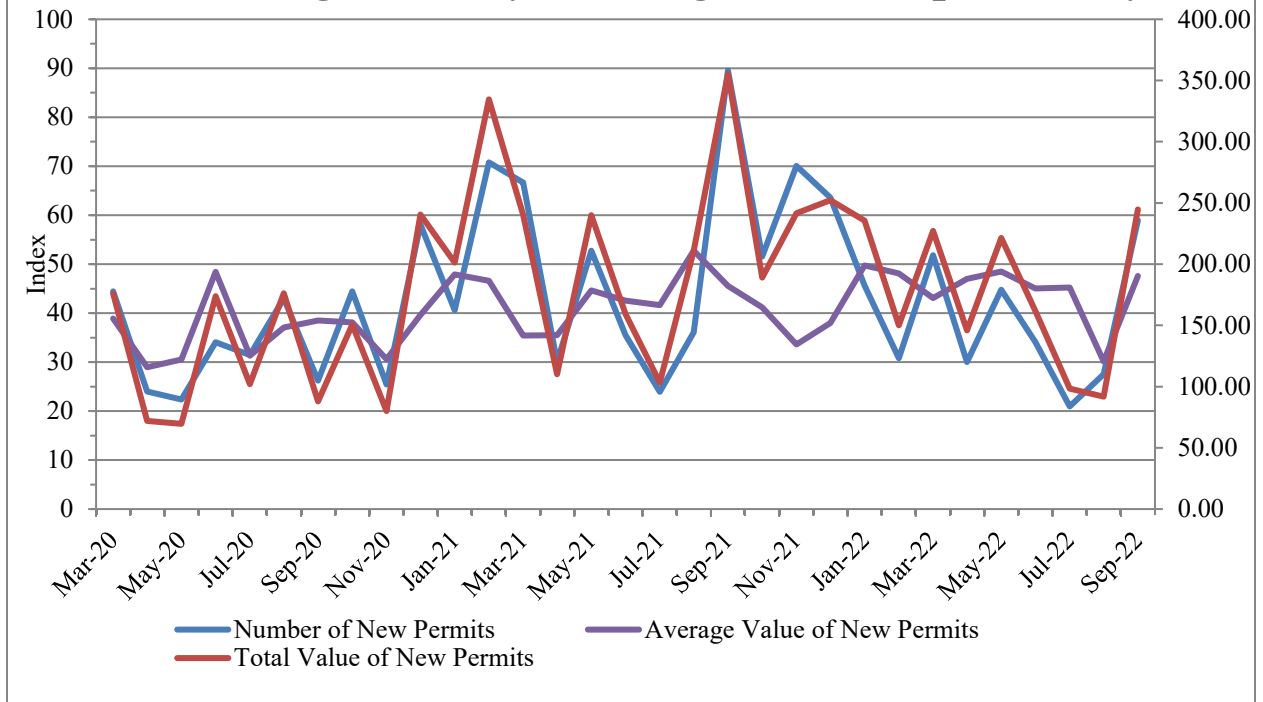
Unemployment Rate



Industrial Electricity Usage



Single-Family Housing in St. Joseph County



ENDNOTES

- (1) Labor Force Estimates and Unemployment Rates: http://www.stats.indiana.edu/laus/laus_view3.html
- (2) Employment by industries: Monthly Current Employment Statistics (CES):
http://www.stats.indiana.edu/ces/ces_naics/
- (3) Indiana Housing Market Update: <http://www.10kresearch.com/reports/IAR/Main.htm>
- (4) South Bend-Mishawaka's labor force was 134,850 in the 2022 third quarter and 139,180 in the 2019 third quarter. The employment was 130,364 in the 2022 third quarter and 134,299 in the 2019 third quarter.
- (5) RV Industrial Association Historical Data: <https://www.rvia.org/historical-rv-data>

Bureau of Business and Economic Research

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