

# MICHIANA BUSINESS

## INSIDE THIS ISSUE

- *Introduction 4<sup>th</sup> Quarter 2023 Summary*
- *Summary of Regional Economic Conditions in the 4<sup>th</sup> Quarter of 2023*
- *Regional Economic Indicators*

### 4<sup>th</sup> Quarter 2023 Summary

This issue presents an analysis of economic conditions in the South Bend-Mishawaka and Elkhart-Goshen metropolitan statistical areas (MSAs) as of December 2023, the latest month during the quarter from which all data are available for the indicators shown in the tables and graphs on pages 4 - 7. These indicators are, for the most part, 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 FOURTH QUARTER OF 2023

According to the U.S. Bureau of Labor Statistics<sup>1</sup>, the labor force in the South Bend-Mishawaka MSA during the fourth quarter of 2023 averaged 131,530, which is approximately 0.62 percent less than that of the third quarter. Similarly, the Elkhart-Goshen MSA's labor force declined by 1.85 percent, averaging 112,582 in the fourth quarter. Employment in South Bend-Mishawaka expanded slightly by 261 workers (+0.21 percent), while Elkhart-Goshen saw a decrease of 871 workers (-0.80 percent). Concurrently, unemployment dropped by 1,079 in South Bend-Mishawaka and 1,249 in Elkhart-Goshen. Consequently, the fourth-quarter jobless rates decreased to 3.63 percent and 3.47 percent in South Bend-Mishawaka and Elkhart-Goshen, respectively.

The industrial level data<sup>2</sup> revealed that total nonfarm employment in the South Bend-Mishawaka MSA added 2,300 jobs (+1.64 percent) in the fourth quarter of 2023. Job gains were observed in trade, transportation, and utilities (+1,000 jobs), financial activities (+33 jobs), private educational and health services (+900 jobs), and government (+1,133 jobs). Conversely, employment declined in natural resources, mining, and construction (-233 jobs), manufacturing (-67 jobs), professional and business services (-200 jobs), leisure and hospitality (-167 jobs), and other services (-100 jobs). Employment remained unchanged in the information sector.

In the Elkhart-Goshen MSA, total nonfarm employment increased by 733 jobs (+0.52 percent) in the fourth quarter.

Jobs were added in trade, transportation, and utilities (+600 jobs), financial activities (+33 jobs), private educational and health services (+267 jobs), and government (+800 jobs). Employment decreased in natural resources, mining, and construction (-67 jobs), manufacturing (-667 jobs), professional and business services (-167 jobs), and leisure and hospitality (-67 jobs). No changes were observed in employment in the information and other services sectors.

## 2. REGIONAL ECONOMIC INDICATORS

As illustrated in the table below, the monthly average total nonfarm employment index in South Bend-Mishawaka increased by 0.96 points to 133.51 in the fourth quarter. The manufacturing employment index for the area decreased by 0.13 points to an average of 62.98, while the metropolitan area's non-manufacturing employment rose by 1.25 points to 153.93. However, the index of industrial electricity usage dropped by 3.08 points to 81.34 over the same period.

In the South Bend-Mishawaka MSA, new home constructions were notably active. The index of new building permits for single-family housing surged by 20.91 points to 60.24. The total value of these permits increased by 43.94 points to 249.01. Ultimately, the seasonally adjusted index of the average value of new permits decreased by 0.22 points to 51.18. Data from the Indiana Association of Realtors<sup>3</sup> indicated a 6.5 percent year-over-year increase in the number of new listings for existing single-family homes, while closed sales declined by 2.0 percent. The median sales price experienced a 4.4 percent year-over-year increase.

In the Elkhart-Goshen MSA, the monthly average nonfarm employment index gained 1.40 points, reaching 155.41. The average monthly manufacturing employment index decreased by 0.70 points from the previous quarterly level to 141.01, and the average monthly index of non-manufacturing employment rose by 4.11 points to 172.72. However, the index of electricity usage increased by 2.53 points to 65.52 in the fourth quarter.

In summary, the ongoing impact of the tightening monetary policy persisted in the local labor market, leading to a reduction in the local labor force. Both MSAs witnessed a consecutive rise in workers exiting the labor force in the fourth quarter of 2023. Furthermore, the fourth-quarter labor force in both areas was smaller than it was a year ago. Specifically, the average labor force in South Bend-Mishawaka for the fourth quarter of 2023 was 131,530, representing a 0.60 percent decrease from a year ago. Elkhart-Goshen's average labor force was 112,582, down by 4.14 percent from the fourth quarter of 2022. The discouraged worker effects contributed to a decline in the unemployment rate in both MSAs.

Secondly, the increase in labor costs, measured by average hourly earnings in the private sector, exhibited a slowdown in the fourth quarter of 2023 compared to the previous year. The average hourly earnings for South Bend-Mishawaka in the fourth quarter of 2023 were \$28.47, 2.35 percent higher than the previous quarter. However, the quarterly growth rate in labor costs was less than the 5.25 percent growth rate in the second quarter and 3.35 percent in the third quarter of 2023. Additionally, the fourth-quarter average hourly earnings in the Elkhart-Goshen MSA were \$30.96, marking a 1.16 percent decrease from the third quarter of 2023, representing the second consecutive quarter of decreasing labor costs.

Thirdly, the combination of higher interest rates and a sustained elevated price level continued to suppress the demand for RVs. According to the RV Industry Association report<sup>4</sup>, total shipments in October-December 2023 were 75,053 units, a 2.53 percent decrease from the previous year. The total shipments in 2023 amounted to 313,174 units, a significant 36.5 percent drop compared to 2022 figures. The diminished demand for RVs likely played a significant role in the persistent job losses in Elkhart-Goshen's manufacturing sector, where manufacturing employment declined for four consecutive quarters in 2023, shrinking by 5,067 jobs (-6.85 percent) from the fourth quarter of 2022 to the fourth quarter of 2023.

Lastly, the housing sector exhibited a mixed response to high interest rates. Existing home sales contracted, but new home construction unexpectedly rose in the fourth quarter, despite mortgage rates reaching the highest levels in over two decades. According to the

Primary Mortgage Market Survey provided by Freddie Mac, the U.S. 30-year fixed mortgage rate was 7.79 percent at the end of October. This increase in housing supply may contribute to improved housing affordability in the South Bend-Mishawaka MSA.

4th Quarter 2023

October      November      December      Monthly Average

**Employment**

Total Nonfarm Employment	131.72	131.22	132.32	131.75
Manufacturing Employment	68.26	68.38	69.91	68.85
Non-manufacturing Employment	149.93	149.39	150.61	149.98
Unemployment Rate	2.80	2.30	1.40	2.17
Electricity Usage	81.54	87.61	86.96	85.37

**Single-Family Housing**

Number of New Permits	51.60	70.05	63.61	61.75
Total Value of New Permits	188.93	241.47	252.26	227.55
Average Value of a New Permit	41.17	33.63	37.96	37.59

**Employment**

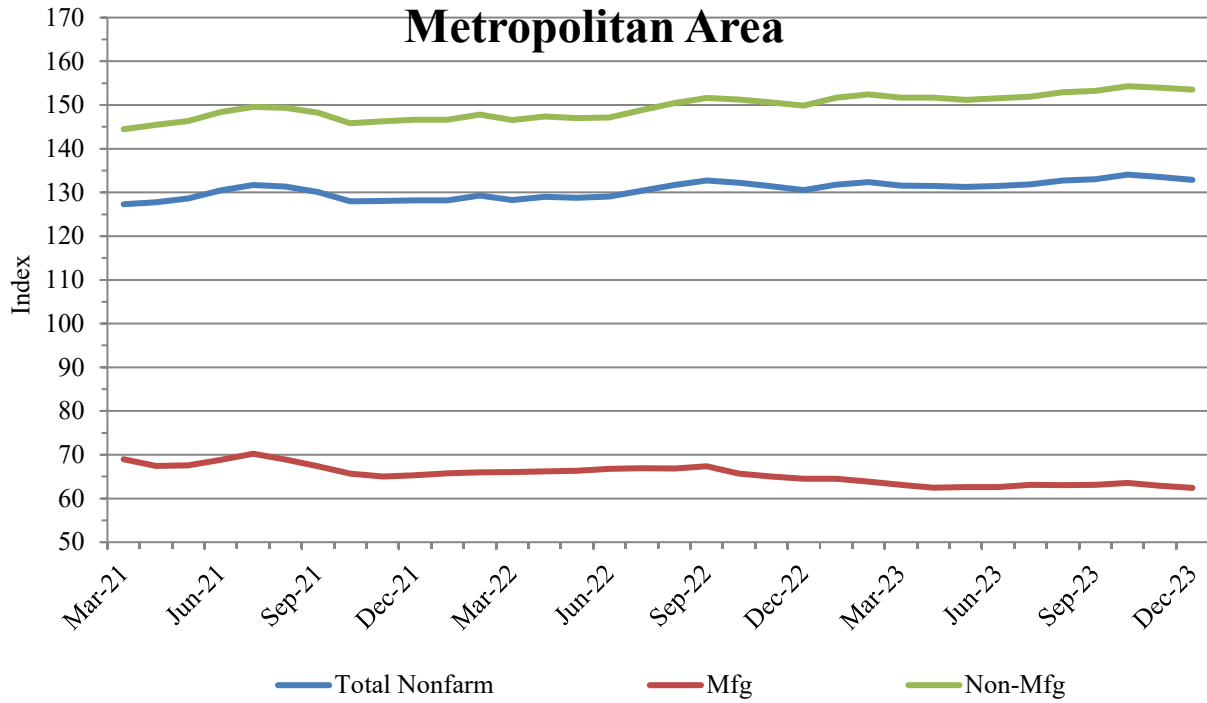
Total Nonfarm Employment	158.22	158.70	159.54	158.82
Manufacturing Employment	152.15	152.20	152.62	152.32
Non-manufacturing Employment	165.45	167.53	167.75	166.91
Unemployment Rate	1.80	1.50	0.90	1.40
Electricity Usage	76.51	69.85	65.67	70.68

South Bend -  
Mishawaka

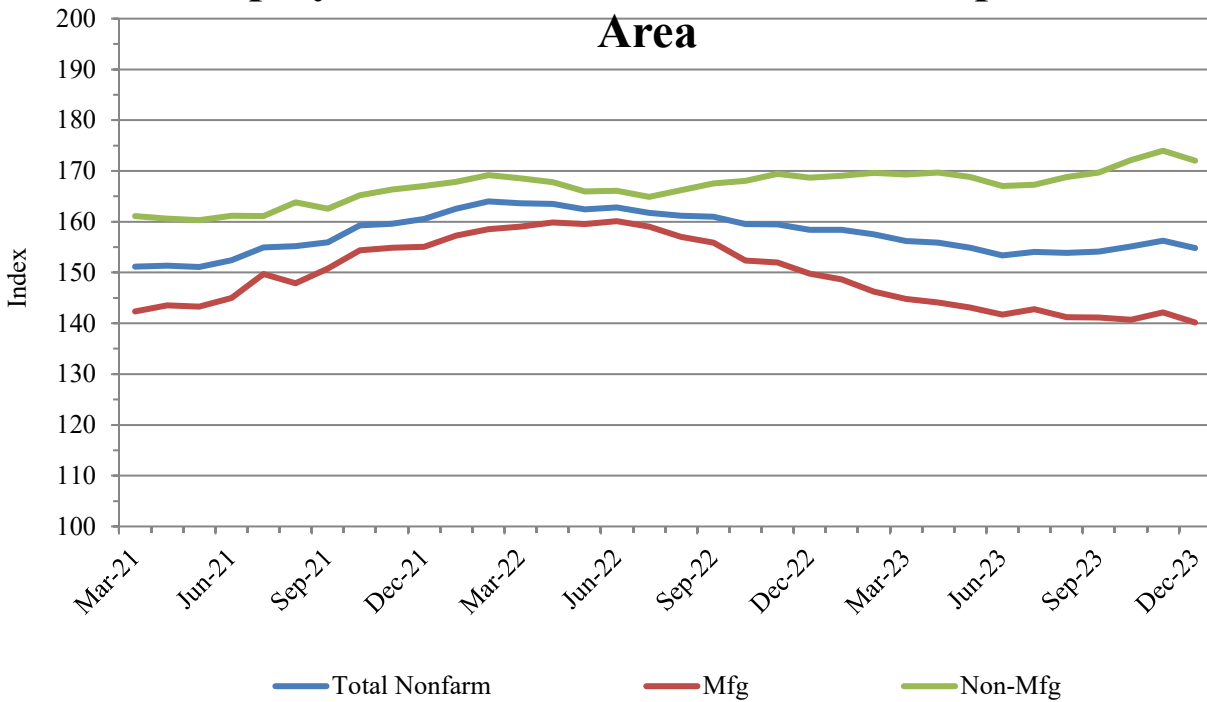
Elkhart - Goshen

Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using the BLS seasonal adjustment program.

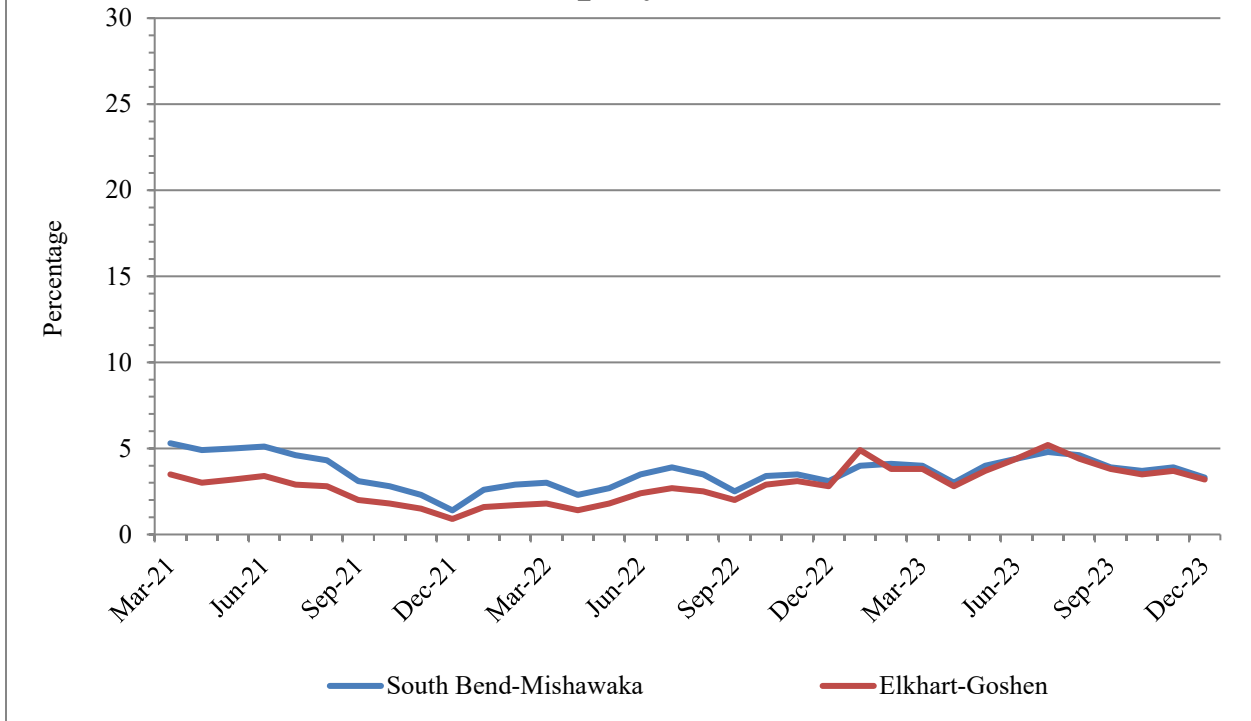
## Employment in South Bend-Mishawaka Metropolitan Area



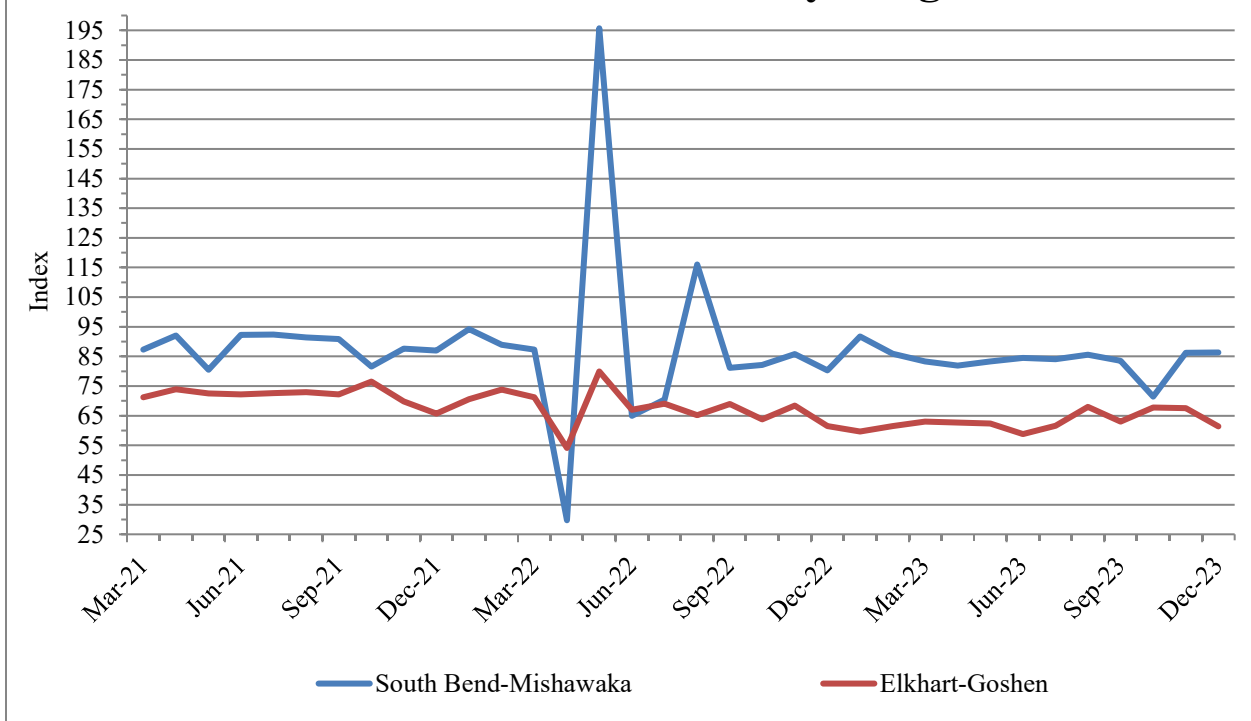
## Employment in Elkhart-Goshen Metropolitan Area



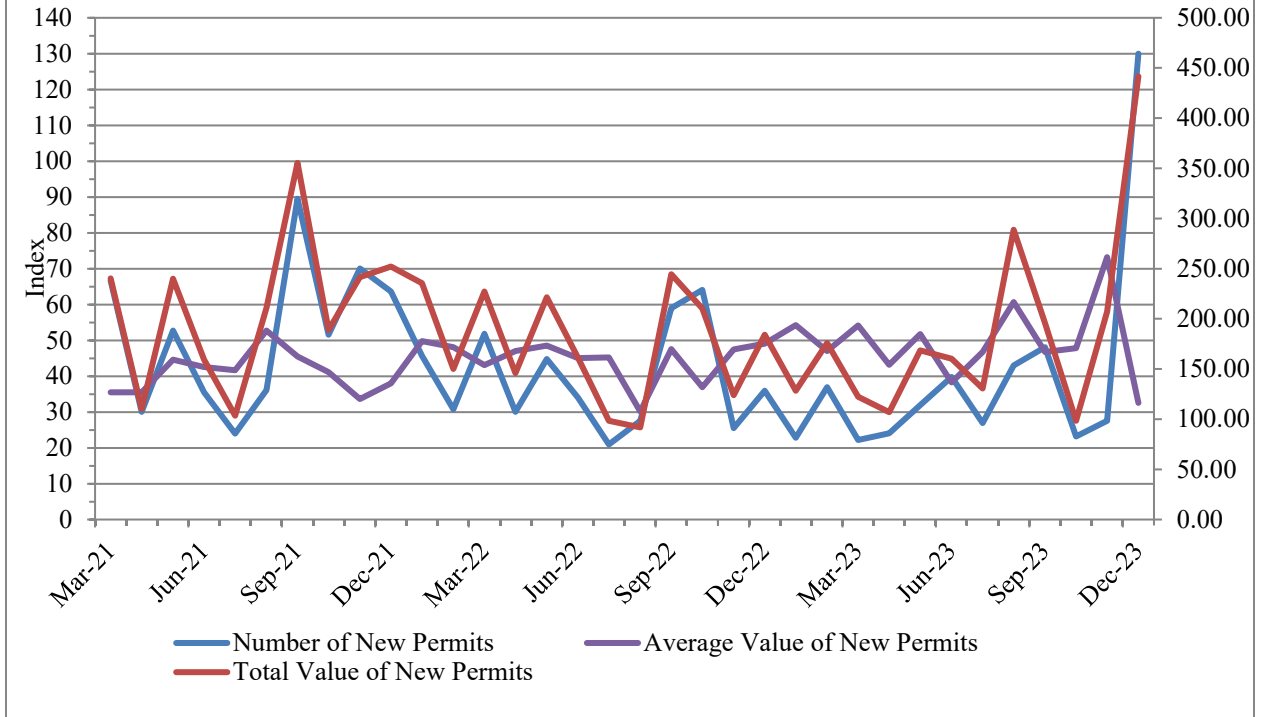
## Unemployment Rate



## Industrial Electricity Usage



## Single-Family Housing in St. Joseph County



## REFERENCES

- (1) Labor Force Estimates and Unemployment Rates [http://www.stats.indiana.edu/laus/laus\\_view3.html](http://www.stats.indiana.edu/laus/laus_view3.html)
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- (3) Indiana Housing Market Update <http://www.10kresearch.com/reports/IAR/Main.ht>
- (4) RV Industry Association, December 2023, Monthly Shipment Report. <https://www.rvia.org/news-insights/august-shipment-report-now-available>, retrieved on February 2, 2024.
- (5) Freddie Mac, February 2024, Primary Mortgage Market Survey, <https://www.freddiemac.com/pmms>, retrieved on February 2, 2024.

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