

MICHIANA BUSINESS

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4th Quarter 2020 Summary

This issue presents an analysis of economic conditions in the South Bend-Mishawaka and Elkhart-Goshen metropolitan statistical areas (MSAs) as of December 2020, 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. 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 2020

According to the U.S. Bureau of Labor Statistics¹, the 2020 fourth quarter's labor force in the South Bend-Mishawaka MSA averaged at 130,492, about a quarter of a percent less than that in the third quarter. The Elkhart-Goshen MSA's labor force was slightly improved, with an average labor force at 108,415 in the fourth quarter, 0.9 percent above the third-quarter level. The number of employed expanded in both areas, 122,744 workers in South Bend-Mishawaka (+2.64 percent) and 103,901 workers in Elkhart-Goshen (+3.42 percent). Meanwhile, unemployment declined by 3,497 in South Bend-Mishawaka and 2,466 in Elkhart-Goshen. Consequently, the fourth-quarter jobless rate decreased to 5.93 percent and 4.20 percent in South Bend-Mishawaka and Elkhart-Goshen, respectively.

The industrial level data² indicated a continuous recovery in the labor market as well. In the South Bend-Mishawaka MSA, total nonfarm employment added 2,933 jobs (+2.26 percent) in the fourth quarter of 2020. The job gains were observed in trade, transportation and utilities (+1,200 jobs), professional and business services (+300 jobs), private educational and health services (+1967 jobs), and government (+967 jobs). On the other hand, employment declined in natural resources, mining, and construction (-400 jobs), manufacturing (-167 jobs), and leisure and hospitality (-933 jobs). Employment remained unchanged in information, financial activities, and other services.

In the Elkhart-Goshen MSA, total nonfarm employment increased by 3,533 workers (+2.81 percent) in the fourth quarter.

Jobs were added in manufacturing (+1,933 jobs), trade, transportation and utilities (+867 jobs), professional and business services (+100 jobs), private educational and health services (+233 jobs), other services (+33 jobs), and government (+600 jobs). Employment decreased in natural resources, mining, and construction (-33 jobs), and leisure and hospitality (-200 jobs). Employment remained unchanged in financial activities and information.

2. REGIONAL ECONOMIC INDICATORS

As the table below shows, the monthly average total nonfarm employment index in South Bend-Mishawaka increased by 1.64 points to 124.41 in the fourth quarter. The manufacturing employment index of the area fell by 0.56 point to an average of 59.62; whereas, the metro's non-manufacturing employment increased by 2.26 points to 143.17. Furthermore, the metropolitan's index of industrial electricity usage gained 1.16 points to 96.61 over the same time period.

The recovery trend in the housing sector of South Bend-Mishawaka MSA continued in the fourth quarter, with the index of new building permits of single-family housing increasing by 9.13 points to 42.68. The total value of these permits jumped 34.96 points to 157.02. Consequently, the seasonally adjusted index of the average value of new permits rose 0.5 point.

Data from the Indiana Association of Realtors³ provide additional evidence of recovery in the region's housing markets. According to the year-over-year data, the number of existing single-family homes sold and median sales price went up in the fourth quarter by 15.9 percent and 13.6 percent, respectively, in comparison to the fourth quarter of 2019. By the end of the fourth quarter, the South Bend-Mishawaka metropolitan area's monthly supply of inventories dropped 40 percent, 39.1 percent, and 40 percent, in October, November, and December, respectively, than one year ago. Similarly, the area's inventory of homes for sale fell by 36.53 percent year-over-year in the fourth quarter of 2020.

The Elkhart-Goshen metro area's economic indicators showed an improving sign during the fourth quarter as well. In particular, the monthly average nonfarm employment index in the Elkhart-Goshen metro area gained 4.42 points to 142.07. The monthly average non-manufacturing employment index increased by 4.56 points from the previous quarterly level to 166.27, and the monthly average index of manufacturing employment rose 4.50 points to 121.71. In addition, the index of electricity usage was up 2.27 points to 73.28 in the fourth quarter.

In summary, the local labor market continued to improve in the fourth quarter of 2020. The labor force stayed relatively stable in South Bend-Mishawaka and slightly expanded in Elkhart-Goshen. Meanwhile, the increased employment brought down the unemployment rates in both MSAs, 5.93 percent in South Bend-Mishawaka and 4.2 percent in Elkhart-Goshen in the fourth quarter of 2020. Furthermore, the establishment survey also indicated an expanded workforce with a 2.26 percent and 2.81 percent rise in total nonfarm jobs in South Bend-Mishawaka and Elkhart-Goshen, respectively. The sector-wise analysis shows that trade, transportation and utilities, professional and business services, private educational and health services, and government gained employment in South Bend-Mishawaka. In addition to the four sectors mentioned earlier, manufacturing in Elkhart-Goshen also saw a rise in employment.

Meanwhile, the housing supply still remained tight in the real estate sector of South Bend-Mishawaka. The Indiana Association of Realtors statistics shows that the average inventory of homes for sale was 431 in the fourth quarter of 2020, 14.3 percent down from the previous quarter and 36.7 percent below its 2019 level. With higher demand for the housing, indicated by increased closed sales, the median sales price was driven higher in the fourth quarter of 2020 compared to one year ago.

However, the main concern regarding the economic recovery is that job growth slowed down in the fourth

quarter. According to the household survey, jobs grew 7,707 and 8,060 in South Bend-Mishawaka and Elkhart-Goshen, respectively, in the third quarter. In contrast, the fourth-quarter job addition was 3,160 and 3,436 in South Bend-Mishawaka and Elkhart-Goshen, respectively. The nonfarm employment from the establishment survey also indicated similar information. There were 4,767 and 7,600 new nonfarm jobs added to South Bend-Mishawaka and Elkhart-Goshen, respectively, in the third quarter compared to 2,933 and 3,533 new jobs added in the fourth quarter.

Leisure and hospitality was one of the industries that received the hardest hit by the pandemic in 2020. Other heavily-affected industries include manufacturing, professional and business services, and private

educational and health services. In the third quarter of 2020, leisure and hospitality recovered 1,567 and 967 jobs in South Bend-Mishawaka and Elkhart-Goshen, respectively. However, in the fourth quarter, this industry lost 933 and 200 jobs in South Bend-Mishawaka and Elkhart-Goshen, respectively. In January 2021, leisure and hospitality hired 14,400 workers in South Bend-Mishawaka and 7,400 workers in Elkhart-Goshen. Despite that other industries continued to gain employment in the fourth quarter of 2020, there is a longer path for the leisure and hospitality sector to recover. With improved weather and continuous rollout of the vaccination program in 2021, it is feasible that leisure and hospitality will see more job growth in 2021.

4th Quarter 2020

October November December Monthly Average

Employment

Total Nonfarm Employment	124.74	124.86	123.62	124.41
Manufacturing Employment	59.78	59.15	59.93	59.62
Non-manufacturing Employment	143.38	143.84	142.28	143.17
Unemployment Rate	6.70	6.10	5.00	5.93
Electricity Usage	98.69	96.59	94.54	96.61

Single-Family Housing

Number of New Permits	44.48	25.47	58.08	42.68
Total Value of New Permits	150.68	79.95	240.44	157.02
Average Value of a New Permit	38.09	30.62	39.63	36.11

Employment

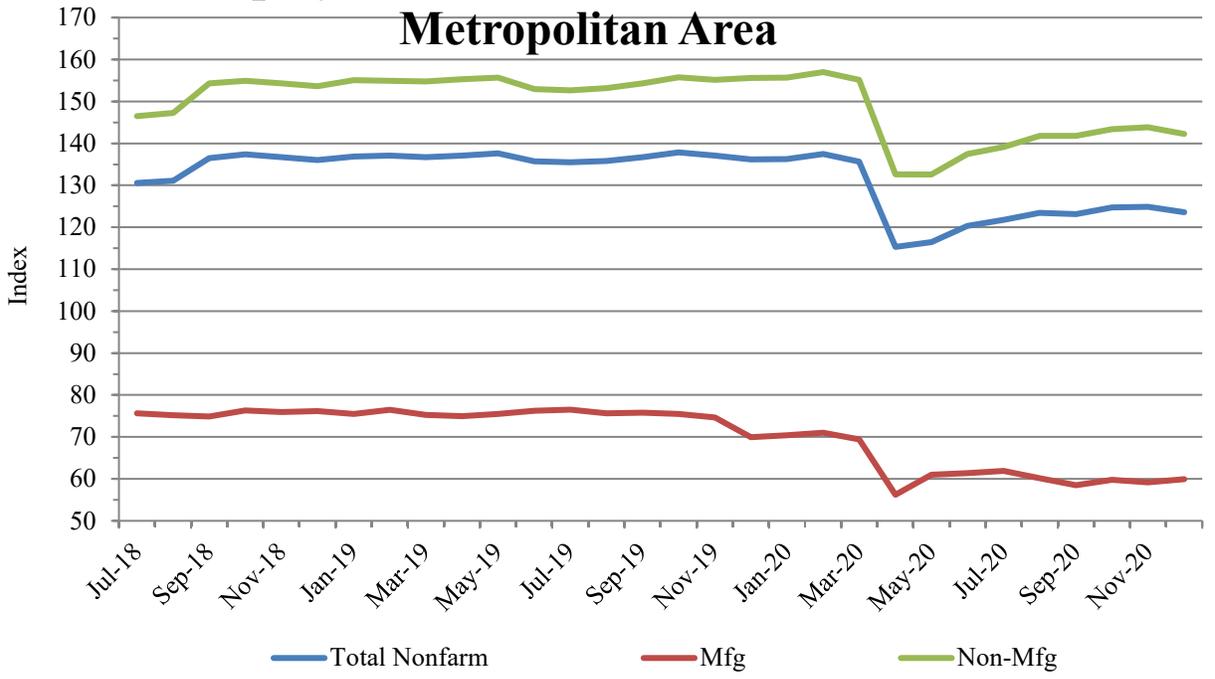
Total Nonfarm Employment	141.40	141.64	143.16	142.07
Manufacturing Employment	120.50	122.05	122.59	121.71
Non-manufacturing Employment	165.93	165.62	167.27	166.27
Unemployment Rate	4.70	4.50	3.40	4.20
Electricity Usage	76.03	71.26	72.54	73.28

South Bend - Mishawaka

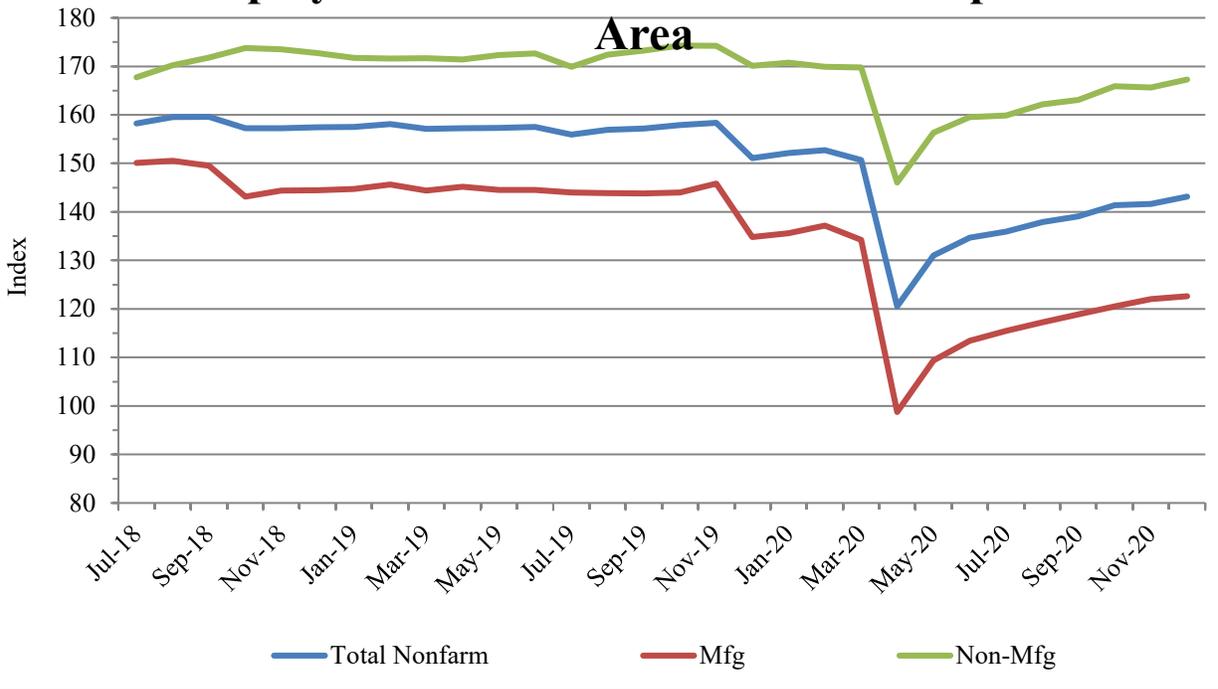
Elkhart - Goshen

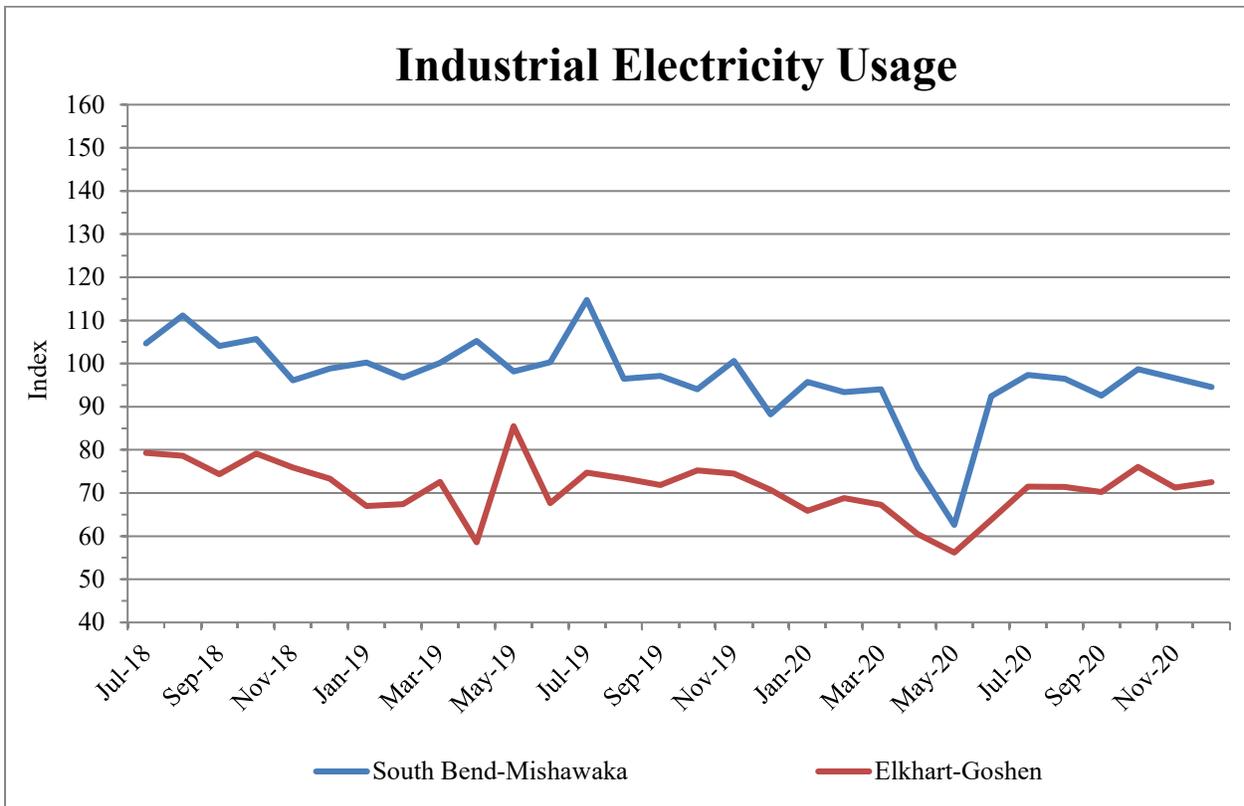
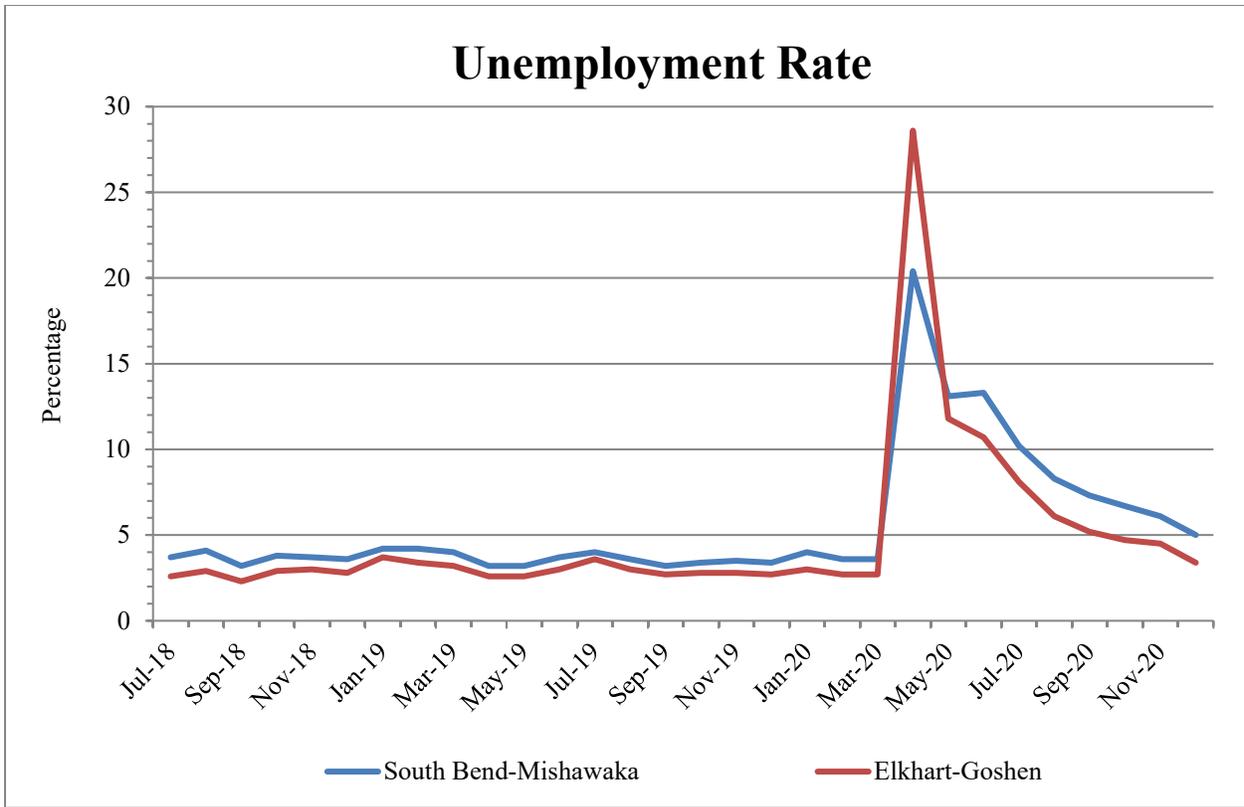
Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using BLS seasonal adjustment program.

Employment in South Bend-Mishawaka Metropolitan Area

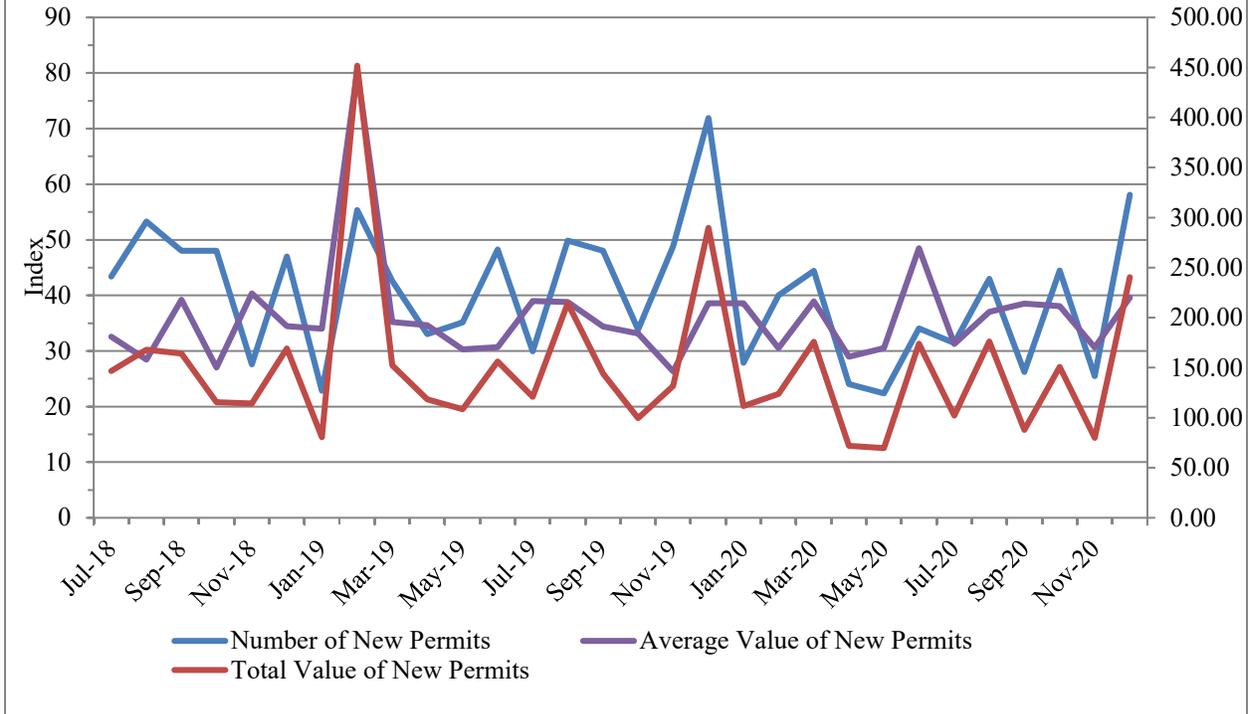


Employment in Elkhart-Goshen Metropolitan Area





Single-Family Housing in St. Joseph County



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- (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.ht>

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