

MICHIANA BUSINESS

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1st 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 March 2022, the latest month during the quarter for which all data are available for the indicators shown in the tables and graphs on pages 3-6. 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 FIRST QUARTER OF 2022

The U.S. Bureau of Labor Statistics¹ showed that the unemployment rate rose in both metropolitan areas, though the underlying labor market dynamics were different. In the South Bend-Mishawaka MSA, the labor force decreased by 2,301 (-1.73%) to 130,783 and the number of employed declined by 3,096 (-2.38%) to 127,091 in the first quarter of 2022. The number of unemployed rose by 795 to 3,692 and the unemployment rate increased by 0.63 percentage point to 2.80 percent. In the Elkhart-Goshen MSA, the labor force expanded by 3,248 (+2.79%) to 119,551 and the number of employed rose by 2,820 (2.46%) to 117,521. The number of unemployed increased by 427 to 2,030 and the jobless rate rose by 0.30 percentage point to 1.70 percent.

The industrial level data² also indicated different pictures of the labor market in the two MSAs. In the South Bend-Mishawaka MSA, total nonfarm employment fell by 1,567 (-1.15 percent) in the first quarter of 2022. Jobs declined in natural resources, mining, and construction (-200 jobs); trade, transportation and utilities (-333 jobs); financial activities (-33 jobs); professional and business services (-133 jobs); private educational and health services (-400 jobs); leisure and hospitality (-200 jobs); other services (-33 jobs); and government (-367 jobs). The only sector that saw job gain was manufacturing (+133 jobs). Employment has remained unchanged in information for the three consecutive quarters.

In the Elkhart-Goshen MSA, total nonfarm sectors rose by 1,700

jobs (+1.17 percent) in the first quarter of 2022. Employment increased in manufacturing (+1,533 jobs), and trade, transportation and utilities (+633 jobs). Jobs declined in natural resources, mining, and construction (-133 jobs), professional and business services (-67 jobs), leisure and hospitality (-167 jobs), and government (-100 jobs). Employment remained unchanged in financial activities, information, and private educational and health services.

2. REGIONAL ECONOMIC INDICATORS

As the table below shows, the monthly average total nonfarm employment index in South Bend-Mishawaka advanced 0.76 point to 128.82 in the first quarter. The average manufacturing employment index gained 0.57 point to 65.93 and the average non-manufacturing employment was 147.33, 1.10 points above the fourth quarter average. Meanwhile, the metropolitan's index of industrial electricity usage rose 4.76 points to 90.13.

The housing sector of South Bend-Mishawaka MSA drew back in the first quarter of 2022, with the index of new building permits of single-family housing plummeting 19 points to 42.76. The total value of these permits dropped 23.25 points to 204.30. Overall, the seasonally adjusted index of the average value of new permits was up 9.41 points to 47.00.

Data from the Indiana Association of Realtors³ also indicated a slowdown in house sales. The number of existing single-family homes sold in January – March 2022 was 415, a sharp decrease of 700 from the fourth quarter of 2022 and declining 41.9 percent compared to one year ago. Meanwhile, the St. Joseph County's monthly supply of inventories dropped 45.5 percent, 33.3 percent, and 12.5 percent in January, February and March, respectively, compared to one year ago. The median sales price climbed 16.6 percent in the first quarter of 2022 from one year ago.

The Elkhart-Goshen metro area's average nonfarm employment index gained 3.84 points to 163.65. The monthly average non-manufacturing employment index rose 3.52 points from the previous quarterly level

to 158.30, and the monthly average index of manufacturing employment was up 2.89 points to 169.08. Lastly, the index of electricity usage rose 1.20 points to 71.88 in the first quarter.

In summary, the first quarter of 2022 saw higher unemployment rates in both MSAs. However, the underneath statistics indicated different dynamics in the local labor markets. South Bend-Mishawaka's higher unemployment rate was accompanied by a smaller labor force and employment and a leap in unemployment of 27.44 percent from the fourth quarter of 2021. In addition, the total nonfarm employment loss was widespread in eight out of ten sectors. The receding labor market aligned with the economic downturn at the national level in the first three months of 2022. The U.S. real gross domestic product decreased by 1.7 percent in the first quarter of 2022 and was attributed to less restocking of goods in stores and warehouses; decreased spending by federal, state and local governments; and a decline in exports (Picchi, 2022)⁴.

On the other hand, the Elkhart-Goshen MSA's rising unemployment rate was due to more people joining the labor force, and the employment increase could not keep up with the larger labor force. The higher unemployment rate was not concerning; instead, it indicated an active and healthy labor market. It is worth noting that the labor force in Elkhart-Goshen has surpassed its pre-pandemic levels, i.e., the first quarter of 2020 by 8,742 and the first quarter of 2019 by 4,757. Elkhart-Goshen's most significant job increase was in manufacturing, which could benefit from the rising sales of durable goods in the first quarter of 2022.

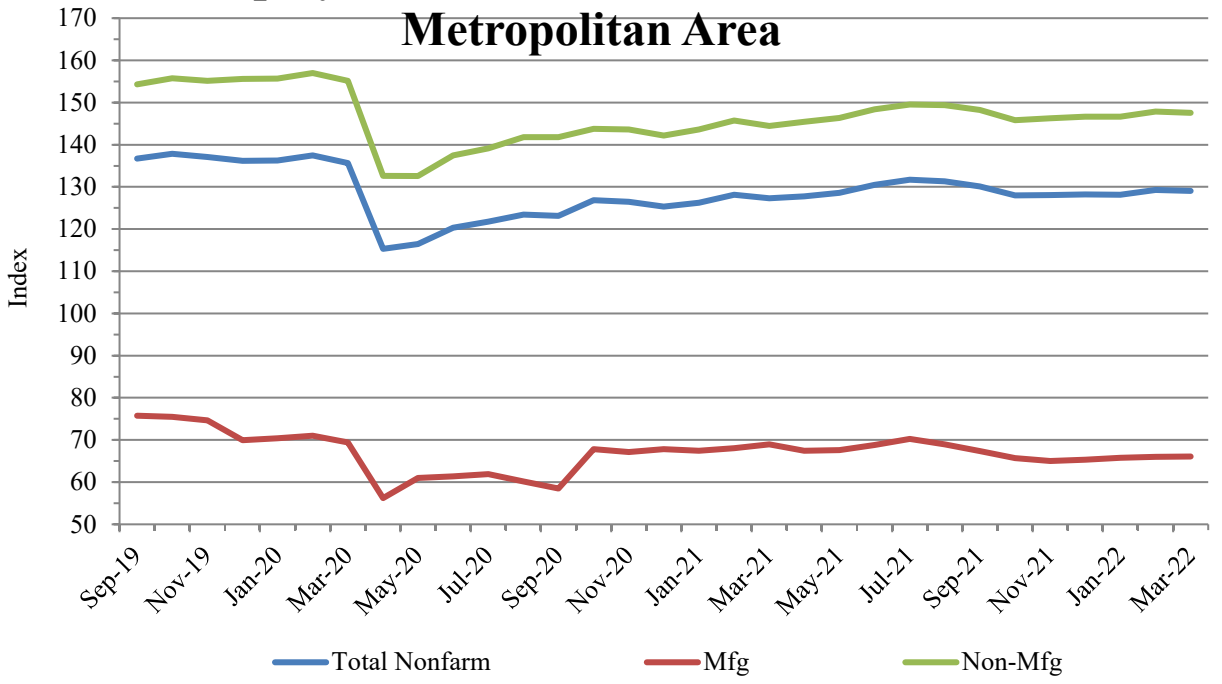
The housing market in St. Joseph County seems to slow down in the first quarter of 2022. One primary indicator is the decrease in new home construction, which is reflected by fewer new family building permits issued. The second indicator is the plummeted closed sales of existing homes, which the cold weather cannot fully explain. The year-over-year comparison shows that this figure is still below the values in the first quarter of 2019 and 2020 (598 and 718, respectively), prior to the

COVID-19 pandemic. One cannot help asking if the higher demand for housing boosted by the pandemic and the surge in household savings has been burnt out. Another concern to the local housing market is the fast-rising housing price, captured in the increasing average value of the housing permit and the median sales price

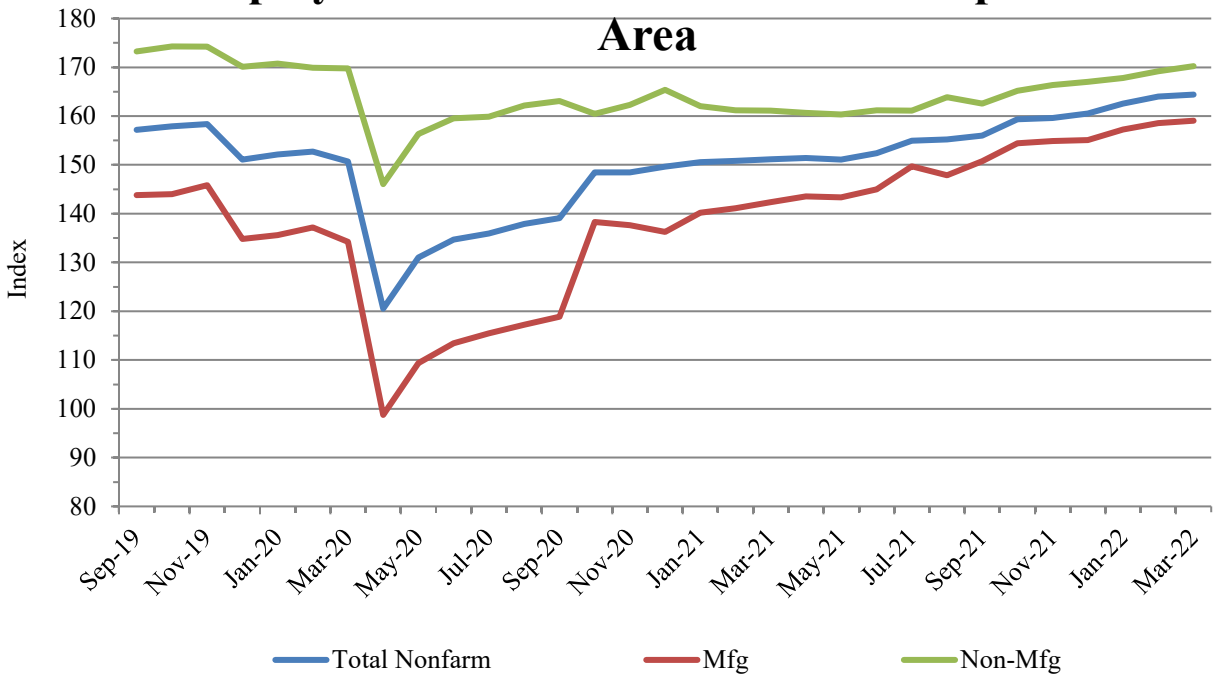
of existing homes. In addition, the Federal Reserve has raised the short-term benchmark interest rate to curb the rising inflation rate that moves the mortgage rate upward. Ultimately, the higher housing price and the increasing mortgage rate would squeeze more house hunters out of the market.

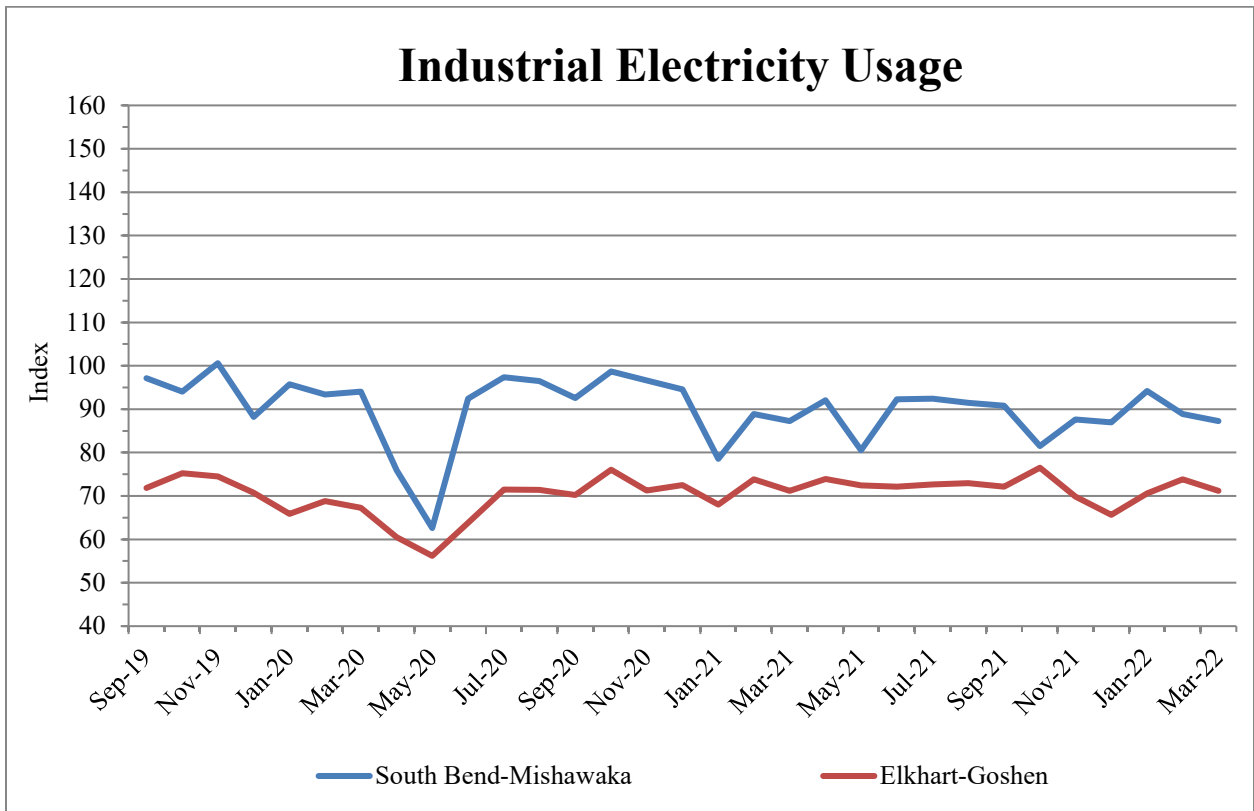
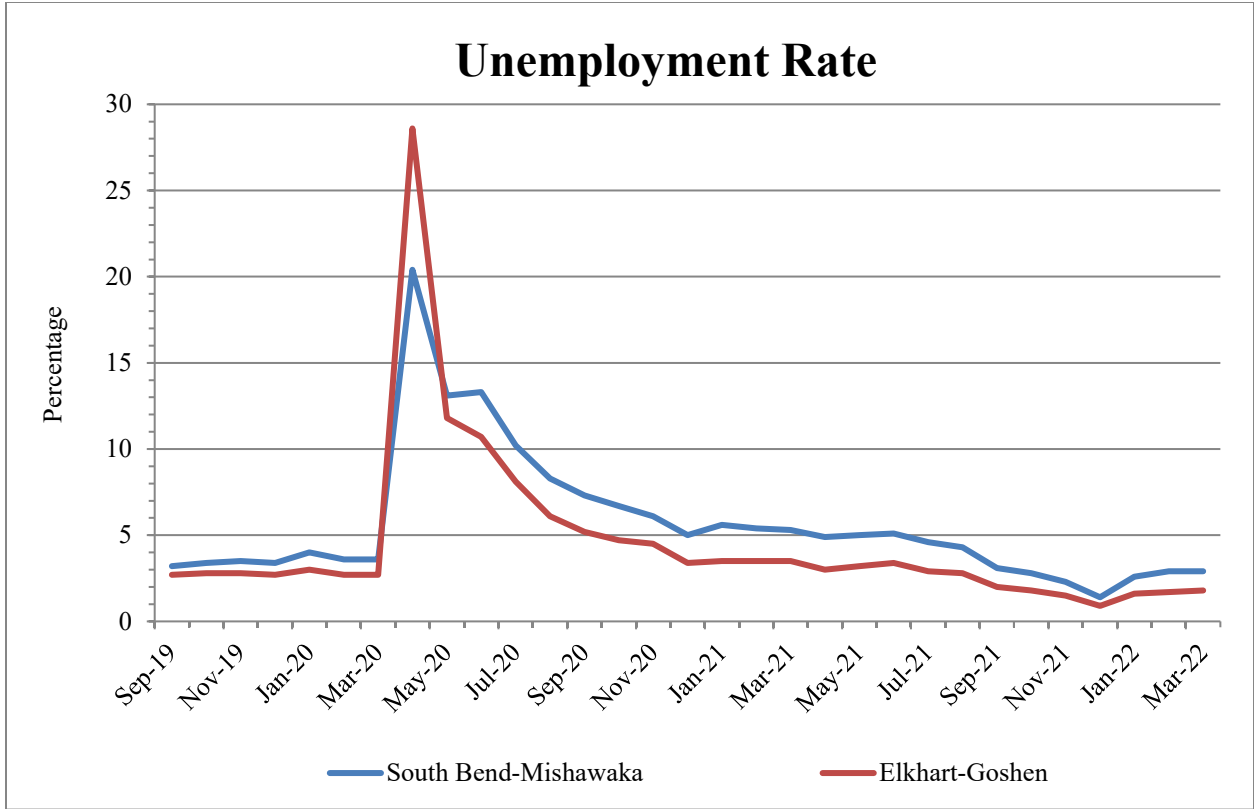
		1st Quarter 2022			
		January	February	March	Monthly Average
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	128.16	129.28	129.01	128.82
	Manufacturing Employment	65.77	65.97	66.06	65.93
	Non-manufacturing Employment	146.61	147.84	147.52	147.33
	Unemployment Rate	2.6	2.9	2.9	2.80
	Electricity Usage	94.22	88.90	87.27	90.13
	Single-Family Housing				
Number of New Permits	45.66	30.77	51.85	42.76	
Total Value of New Permits	235.45	150.18	227.28	204.30	
Average Value of a New Permit	49.76	48.13	43.11	47.00	
Elkhart - Goshen	Employment	162.55	164.01	164.40	163.65
	Total Nonfarm Employment	157.28	158.56	159.05	158.30
	Manufacturing Employment	167.83	169.16	170.25	169.08
	Non-manufacturing Employment	1.6	1.7	1.8	1.70
	Unemployment Rate	70.60	73.83	71.20	71.88
	Electricity Usage	128.16	129.28	129.01	128.82
	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

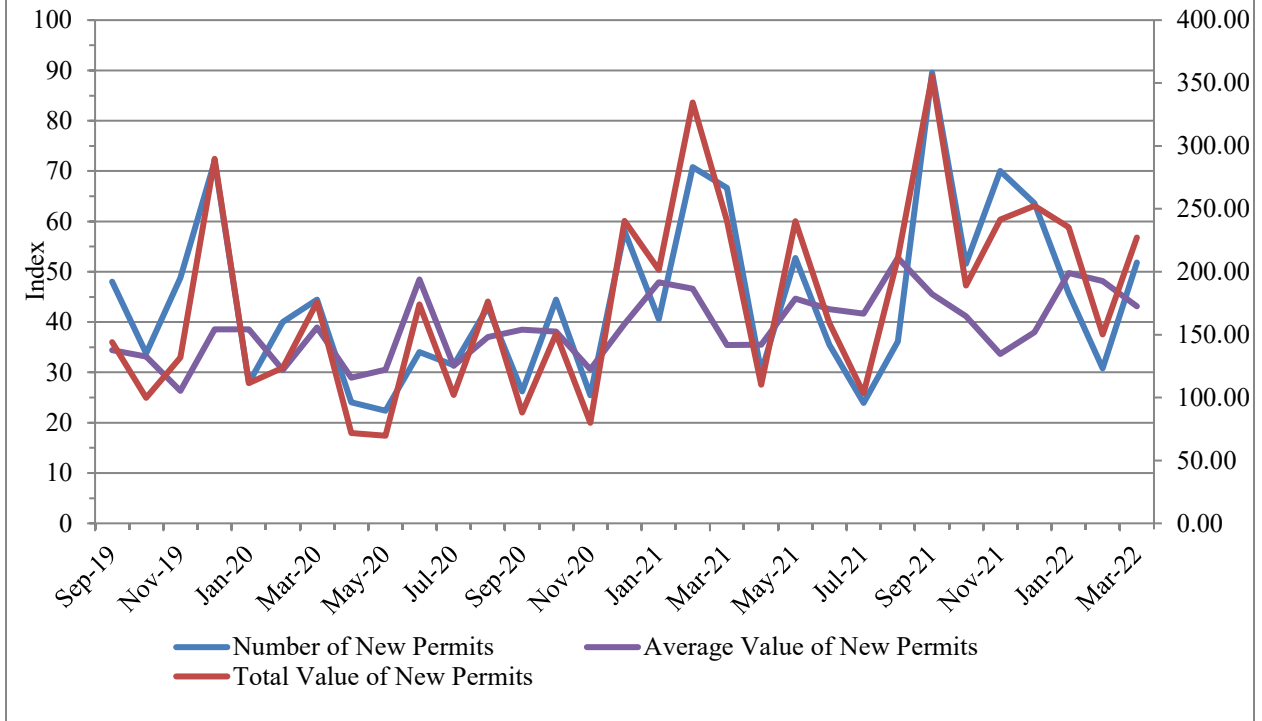


Employment in Elkhart-Goshen Metropolitan Area





Single-Family Housing in St. Joseph County



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- (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>
- (4) The U.S. economy shrank last quarter. Is a recession next? Aimee Picchi, May 3, 2022. <https://www.cbsnews.com/news/recession-risk-us-economy-shrank-q1-2022/>, accessed May 5, 2022

Bureau of Business and Economic Research

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2nd 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 June 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 SECOND QUARTER OF 2022

According to the U.S. Bureau of Labor Statistics¹, the labor force increased in both metropolitan areas by 2,671 (+2.05 percent) in the South Bend-Mishawaka MSA and 2,337 (+1.96 percent) in the Elkhart-Goshen MSA. The number of employed rose by 2,558 (+2.02 percent) in the South Bend-Mishawaka MSA and 2,141 (+1.83 percent) in the Elkhart-Goshen MSA. The number of unemployed persons went up by 113 (+3.04 percent) in the South-Mishawaka MSA and 196 (+9.64 percent) in the Elkhart-Goshen MSA. Ultimately, the second-quarter unemployment rate remained unchanged at 2.83 percent in the South Bend-Mishawaka MSA, and the jobless rate increased 0.13 percentage points to 1.83 percent in the Elkhart-Goshen MSA.

The industrial level data² also reflected the job market expansion in the two MSAs. In the South Bend-Mishawaka MSA, total nonfarm employment increased by 2,677 (+1.98 percent) in the second quarter of 2022. Job gains occurred in natural resources, mining, and construction (+533 jobs); manufacturing (+300 jobs); trade, transportation and utilities (+133 jobs); financial activities (+67 jobs); professional and business services (+133 jobs); private educational and health services (+533 jobs); leisure and hospitality (+800 jobs); other services (+33 jobs); and government (+133 jobs). Employment has remained unchanged in information for the fourth consecutive quarter.

In the Elkhart-Goshen MSA, total nonfarm sectors rose by 2,267 jobs (+1.54 percent) in the second quarter of 2022. Employment

increased in natural resources, mining, and construction (+300 jobs); manufacturing (+1,400 jobs); financial activities (+67 jobs); professional and business services (+67 jobs); private educational and health services (+133 jobs); leisure and hospitality (+400 jobs); and other services (+33 jobs). Jobs declined in trade, transportation and utilities (-67 jobs); and government (-67 jobs). Employment remained unchanged in information.

2. REGIONAL ECONOMIC INDICATORS

The table below shows that the average monthly total nonfarm employment index in South Bend-Mishawaka rose 0.39 points to 128.95. In particular, the monthly manufacturing employment index averaged 66.44, 0.51 points up from last quarter. The average monthly non-manufacturing employment index was 147.18 in the second quarter, 0.18 points higher than that in the first quarter. In addition, the metropolitan's index of industrial electricity usage gained 6.68 points to 96.81.

The housing sector in St. Joseph County continued to cool down in the second quarter of 2022. The new building permits of single-family housing index dropped 6.47 points to 36.28. The total value index of these permits went down 27.99 points to 176.31. Consequently, the index of the average value of new permits was 46.86, 0.14 points lower than the first quarter index.

The Indiana Association of Realtors³ statistics indicated that the number of existing single-family homes sold in April-June 2022 was 1335, an increase of 852 units from the first quarter of 2022. However, the year-over-year comparison indicated the sales were 16 units (-1.2 percent) less than one year ago. The median sales price was \$215,000, about 27.3 percent higher than the first quarter of 2022's median sales price and 22.9 percent higher than that of the second quarter of 2021. Meanwhile, St. Joseph County's monthly supply of inventories remained unchanged in May and increased 10 percent in June, compared to one year ago⁴.

The Elkhart-Goshen MSA's average monthly nonfarm employment index lost 0.63 points to 160.77 in the second quarter of 2022. Specifically, the average monthly manufacturing employment index increased 1.49 points to 159.79, whereas the average monthly non-manufacturing employment index fell 2.13 points to 166.39. Lastly, the index of electricity usage dropped 4.86 points to 67.02 in the second quarter.

The U.S economic growth, measured by the percent change of real gross domestic product (GDP), was -1.6 percent and -0.9 percent in the first and second quarters of 2022, respectively. The two consecutive quarters of negative real GDP growth have stimulated severe concerns about recessions, though the National Bureau of Economic Research (NBER) has not officially declared the recession yet. Despite the downturn in the macroeconomy at the national level, the local labor markets seem to have improved in the second quarter of 2022. The labor force in both MSAs was greater than that in the previous quarter and the second quarter of 2021. In addition, the Elkhart-Goshen MSA's labor force has overtaken its pre-pandemic level in the second quarter of 2019 by 4.5 percent. In contrast, the South Bend-Mishawaka MSA's labor force is still 3.4 percent below its pre-pandemic level in the second quarter of 2019. Similar trends were observed in employment in both areas. As more local workers joined the labor force, the unemployment rate remained essentially unchanged in South Bend-Mishawaka and was still below 2 percent in Elkhart-Goshen, indicating a healthy and active local labor market.

It is worth noting that, compared to the first quarter of 2022, industrial electricity usage declined in April in both areas, rebounded in May, and dipped again in June for South Bend-Mishawaka and Elkhart-Goshen. The year-over-year comparison also indicated that both areas had lower industrial electricity usage in April and June of 2022. As energy consumption is positively related to economic production, the lower industrial electricity usage implied that the local economic production could have been affected by the U.S.' economic decline. The decreased industrial electricity

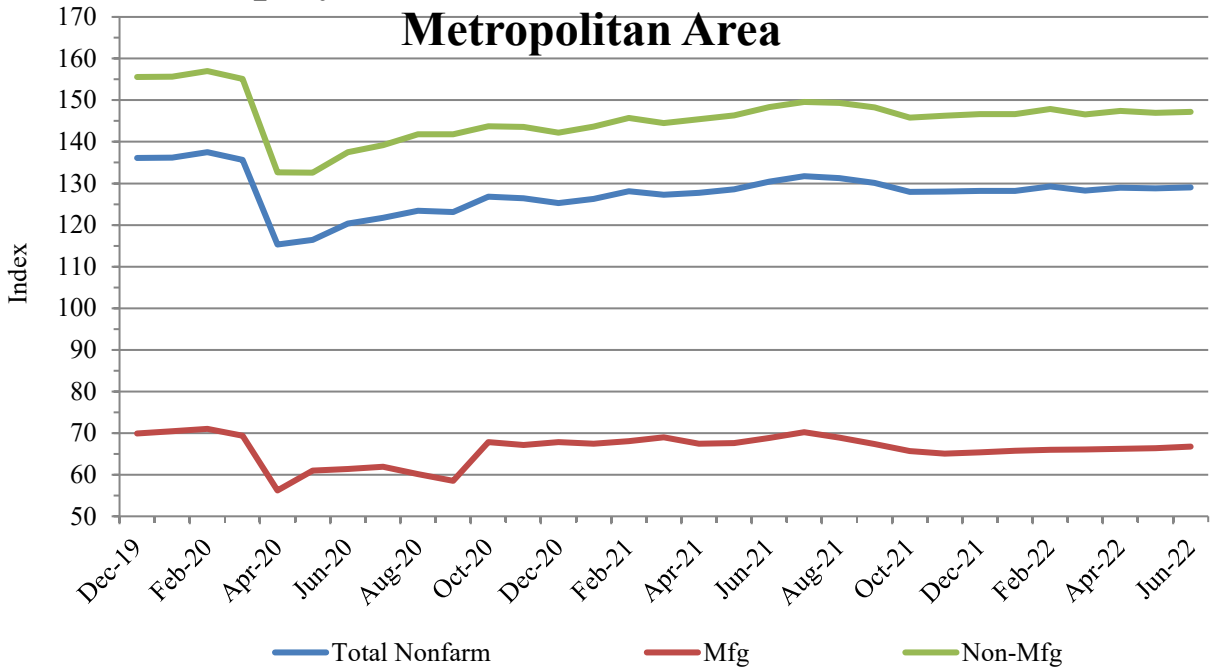
consumption could be a potential indicator of the labor market slowdown in the third quarter.

The St. Joseph housing market is under the effects of rising interest rates. The Federal Reserves have increased the baseline interest rate by 0.5 percentage points in May and 0.75 percentage points in June 2022 to tame the decades-high inflation rate⁵. The Fed's action results in higher mortgage rates. According to Freddie Mac, the national 30-year fixed mortgage rate was 5.7 percent at the end of the second quarter, about 2.7 percent higher than one year ago⁶. The higher mortgage rate increases the borrowing cost, thus

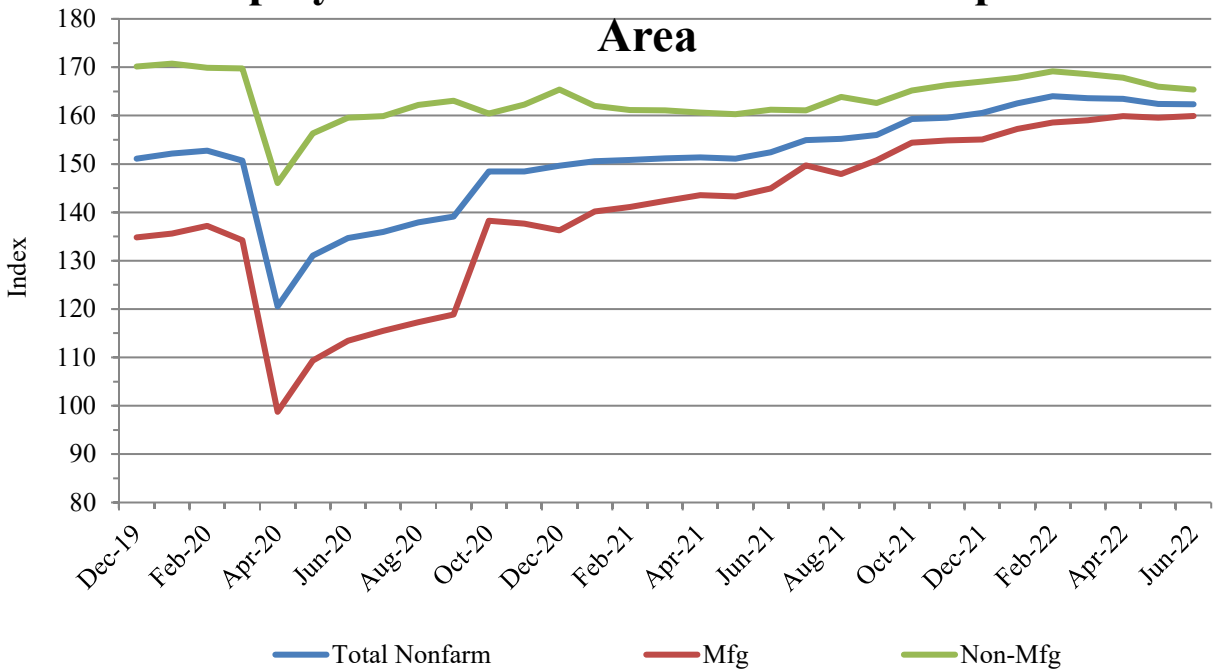
decreasing the demand for houses. As a result, the new home construction, indicated by the new building permits of single-family housing index, fell 6.47 points in the second quarter, which follows a 19-point decline in the first quarter of 2022. In addition, the existing single-family homes sales also slowed down in April-June, compared to the same period last year. Furthermore, the existing single-family home supply of inventories showed positive growth in June 2022 for the first time in ten years. Despite the retraction in housing demand, the median sales price in St. Joseph County kept rising in the second quarter of 2022, which marked another historic high of \$215,000.

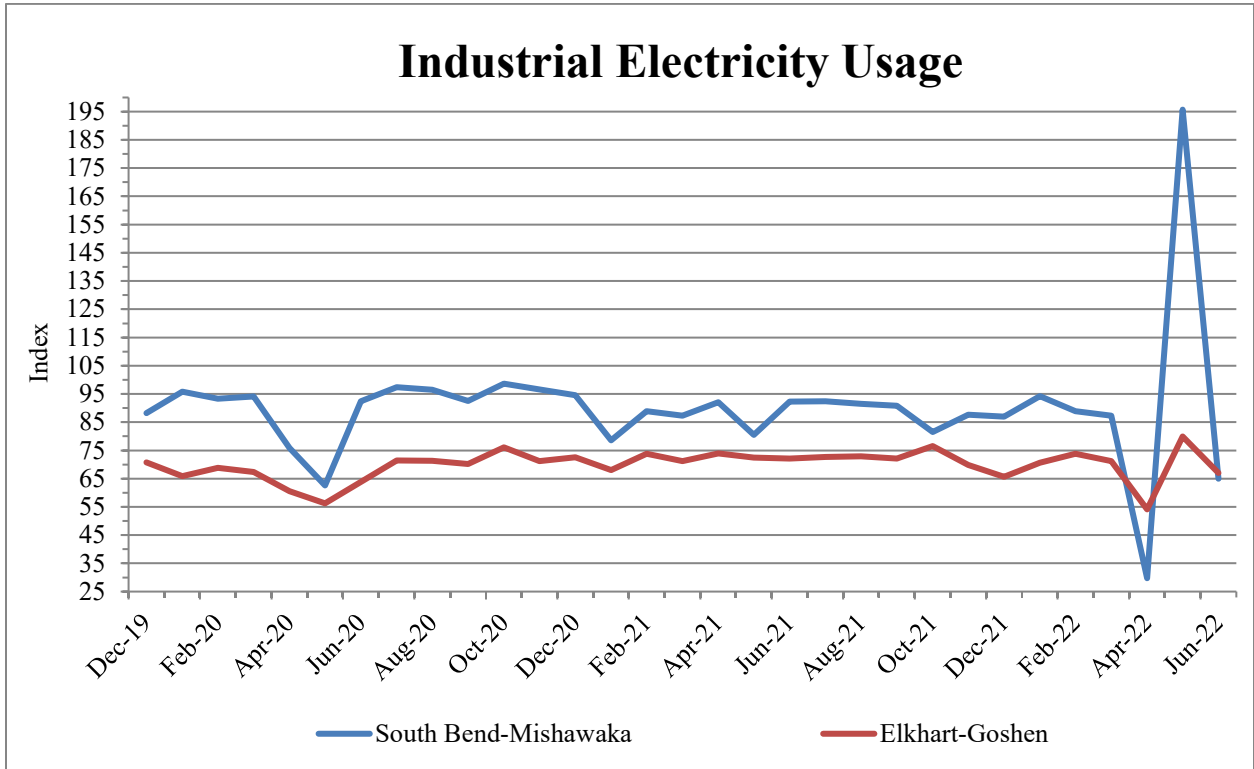
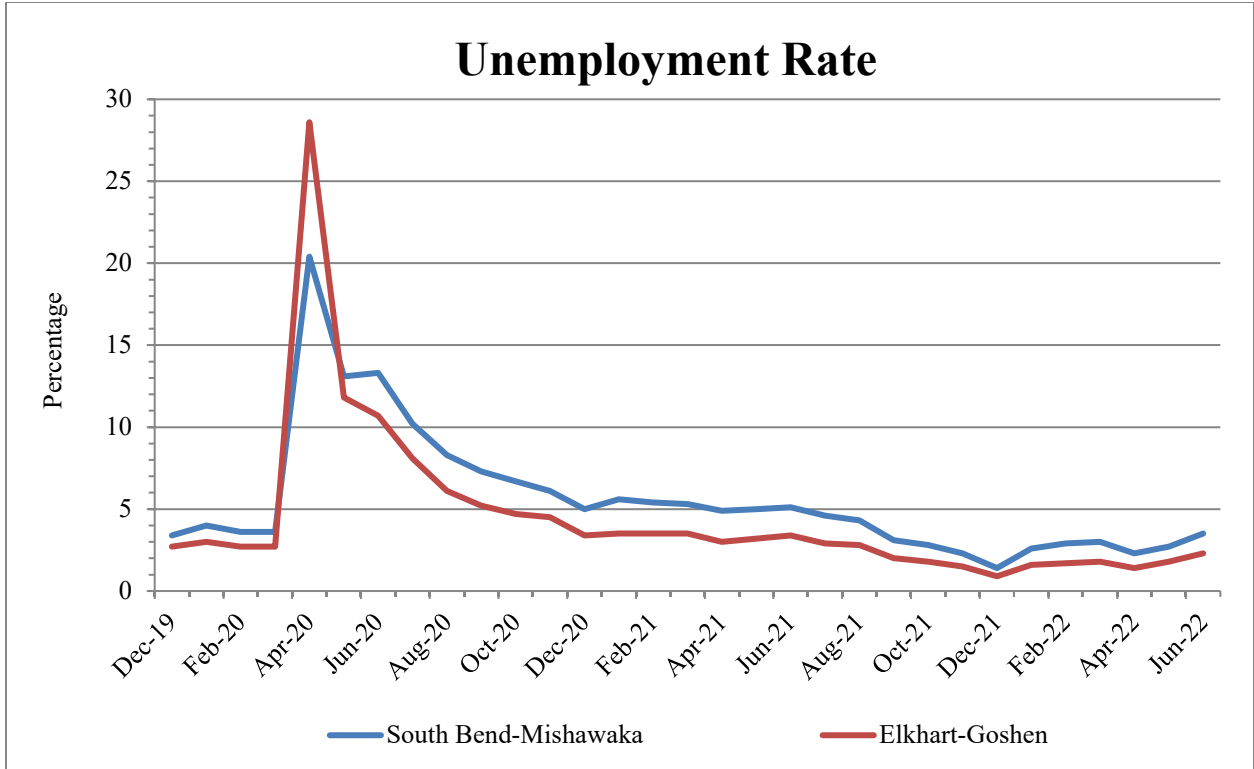
		2nd Quarter 2022			
		April	May	June	Monthly Average
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	129.00	128.80	129.05	128.95
	Manufacturing Employment	66.21	66.37	66.75	66.44
	Non-manufacturing Employment	147.39	146.98	147.16	147.18
	Unemployment Rate	2.30	2.70	3.50	2.83
	Electricity Usage	29.73	195.69	65.00	96.81
	Single-Family Housing				
	Number of New Permits	30.04	44.75	34.06	36.28
	Total Value of New Permits	145.92	221.36	161.65	176.31
	Average Value of a New Permit	47.02	48.52	45.03	46.86
Elkhart - Goshen	Employment				
	Total Nonfarm Employment	163.50	162.43	162.37	162.77
	Manufacturing Employment	159.87	159.57	159.92	159.79
	Non-manufacturing Employment	167.80	165.96	165.42	166.39
	Unemployment Rate	1.40	1.80	2.30	1.83
	Electricity Usage	54.12	79.93	67.01	67.02
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

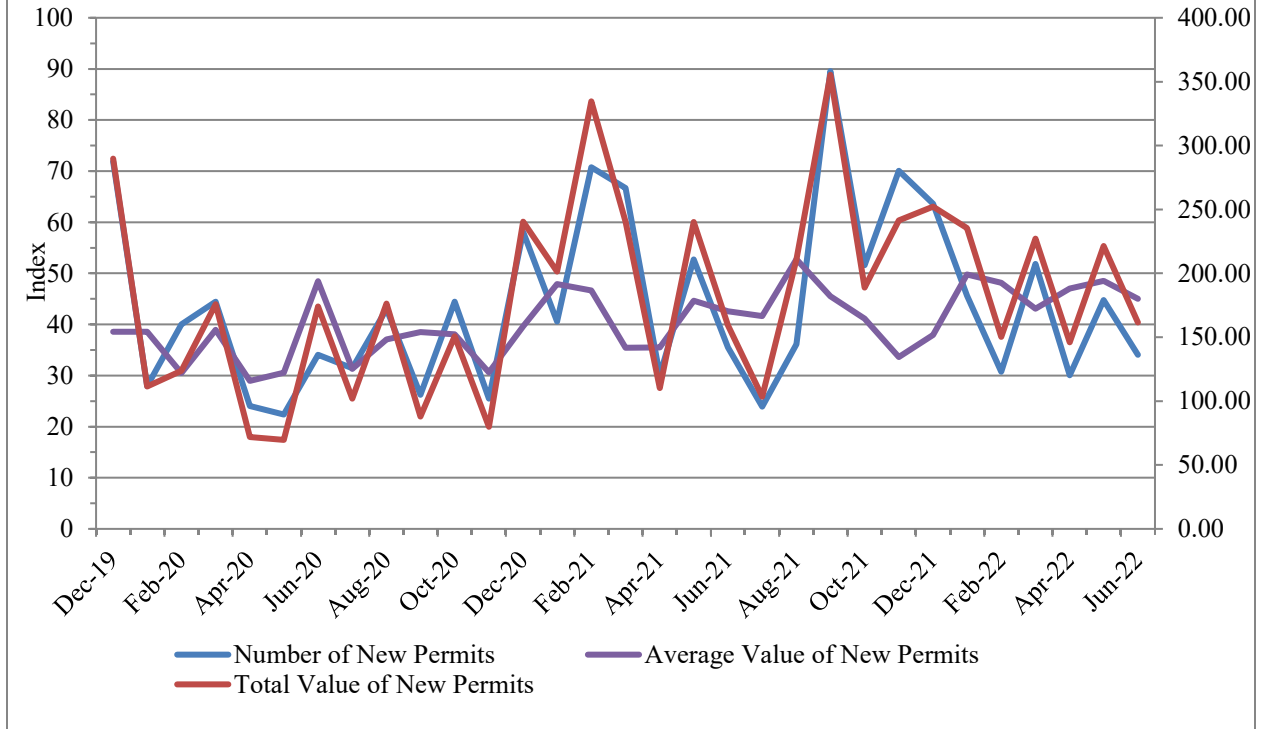


Employment in Elkhart-Goshen Metropolitan Area





Single-Family Housing in St. Joseph County



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http://www.stats.indiana.edu/ces/ces_naics/
- (3) Indiana Housing Market Update: <http://www.10kresearch.com/reports/IAR/Main.htm>
- (4) The April statistic on the monthly supply of inventories is unavailable because the April report on the Indiana housing market update was not completed due to a staff change.
- (5) Data source: <https://casaplorer.com/fed-interest-rate>
- (6) Data source: <https://www.freddiemac.com/pmms>

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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

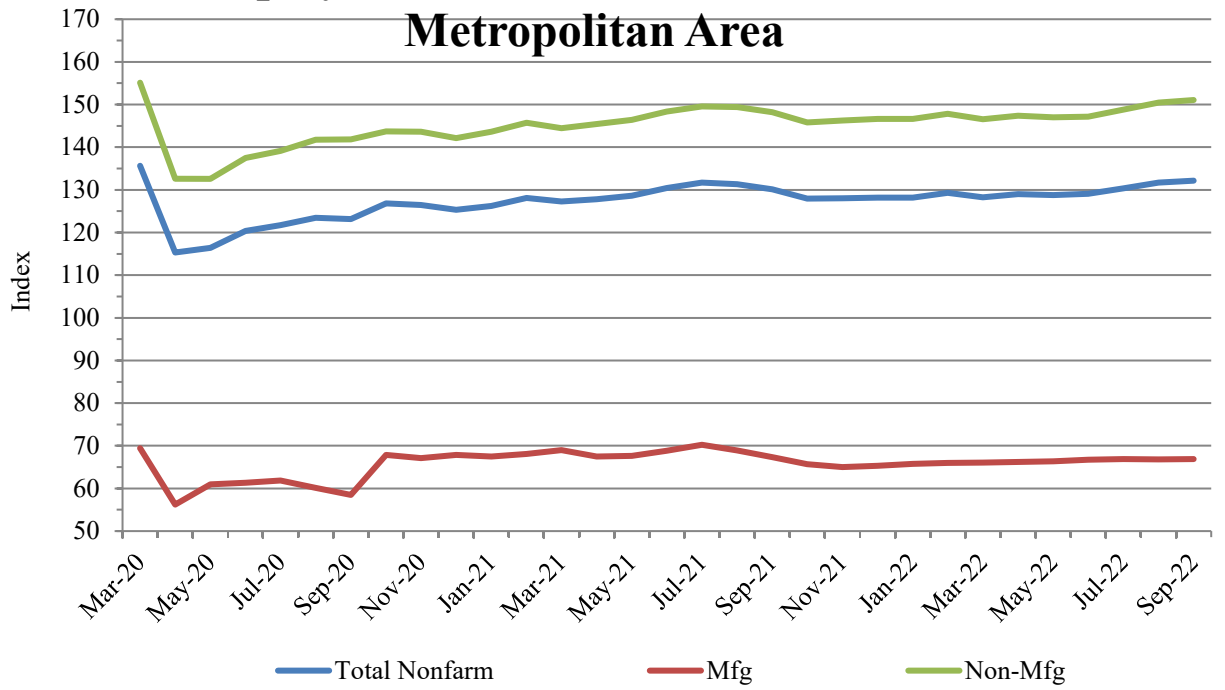
Industrial Association report, the total RV shipments in the year-to-year analysis declined by 33.4%, 36.0% and 48.5% in July, August, and September, respectively.⁴ The decline in the consumer demand for the RVs and the dominance of the RV industry in the Elkhart-Goshen MSA were responsible for the significant 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

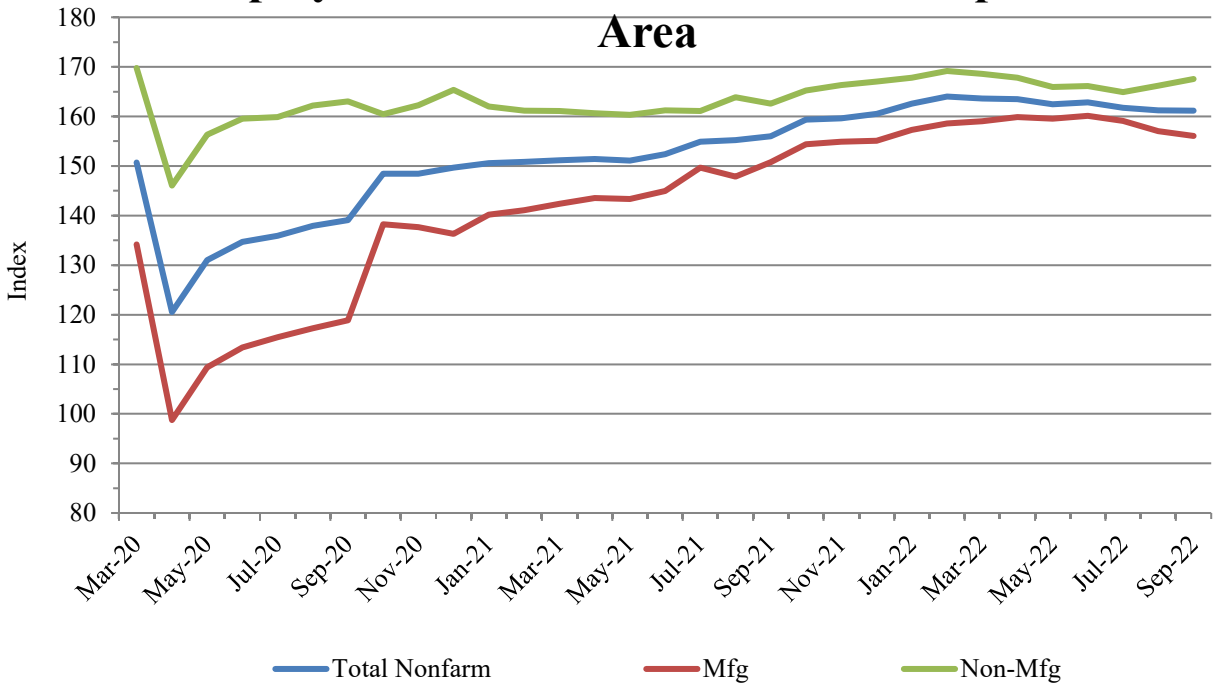
rates and historically high housing prices in this region. The hikes in the Federal Funds rate have pent up the mortgage rates. Along with the fast-rising housing prices, it has significantly increased the borrowing cost and cooled down the heated housing market. Therefore, the building permits of new 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.					

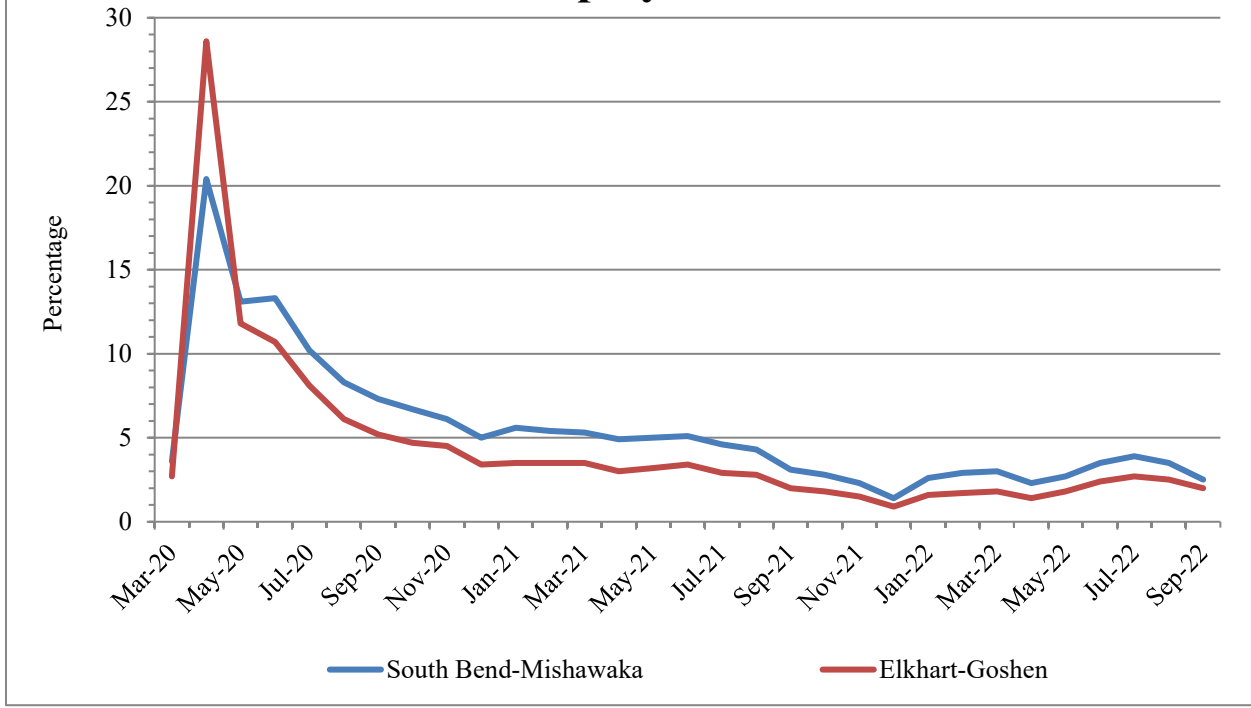
Employment in South Bend-Mishawaka Metropolitan Area



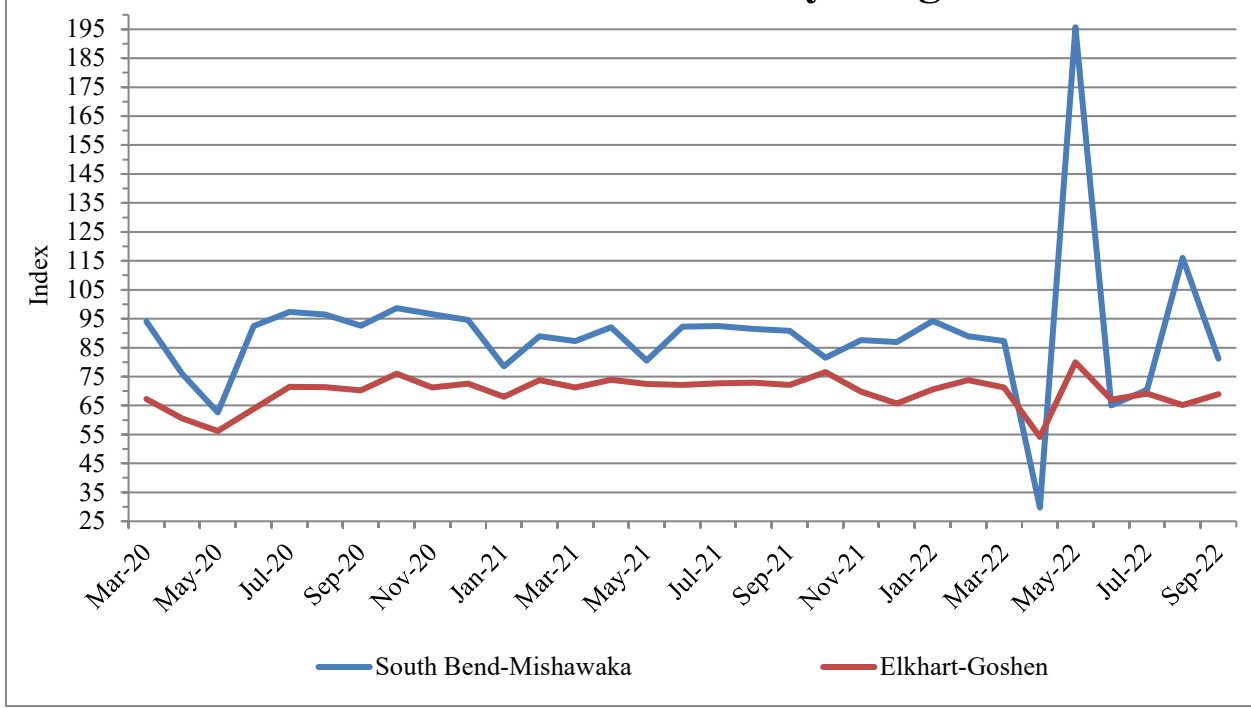
Employment in Elkhart-Goshen Metropolitan Area



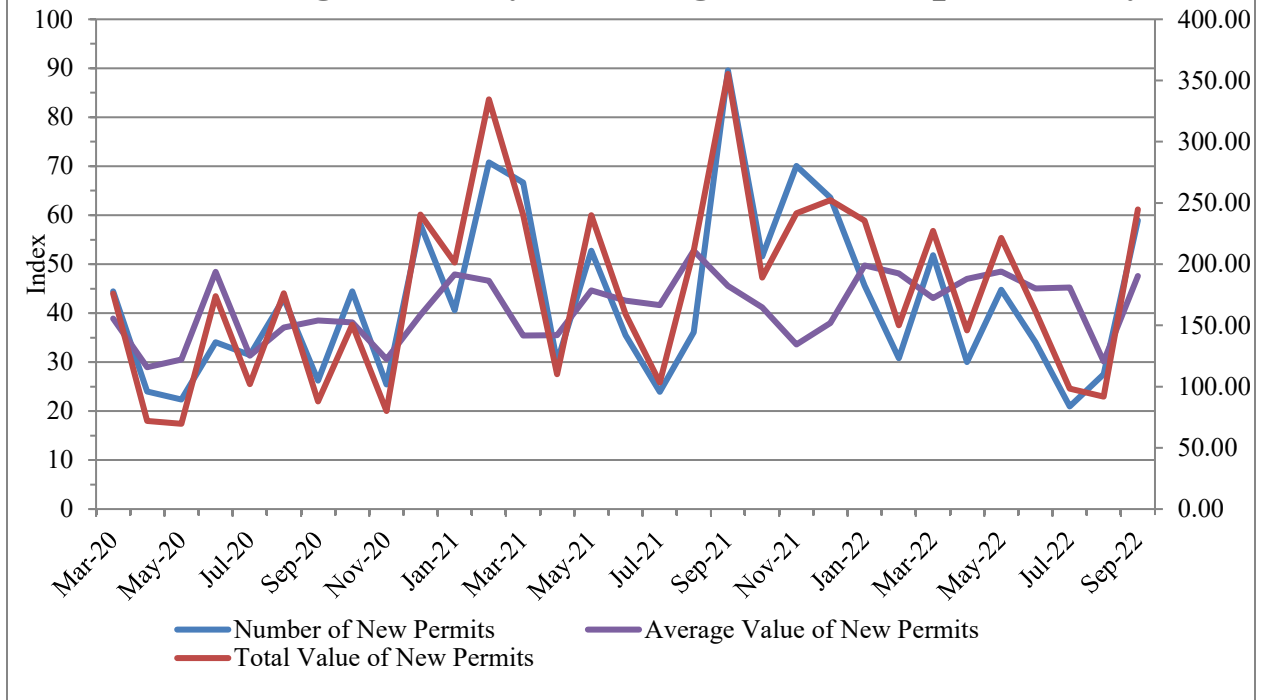
Unemployment Rate



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>

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MICHIANA BUSINESS

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- *Summary of Regional Economic Conditions in the 4th Quarter of 2022*
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4th 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 December 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. 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 2022

According to the U.S. Bureau of Labor Statistics¹, the 2022 fourth quarter's labor force in the South Bend-Mishawaka MSA was averaged at 134,843, about a tenth of a percent less than that in the third quarter. The average of Elkhart-Goshen MSA's labor force was 118,958 in the fourth quarter, 1.46 percent below the third-quarter level. The number of employed expanded by 125 in South Bend-Mishawaka (+0.10 percent), but declined by 1,995 in Elkhart-Goshen (-1.69 percent). Meanwhile, unemployment declined by 280 in South Bend-Mishawaka and increased by 235 in Elkhart-Goshen. Consequently, the fourth-quarter jobless rate decreased by 0.17 percentage points to 3.13 percent in South Bend-Mishawaka, and rose by 0.23 percentage points to 2.63 percent in Elkhart-Goshen.

The industrial level data² indicated a continuous recovery in the labor market as well. In the South Bend-Mishawaka MSA, total nonfarm employment was 141,900, adding 2,867 jobs (+2.06 percent) in the fourth quarter of 2022. The job gains were observed in trade, transportation and utilities (+800 jobs); financial activities (+100 jobs); private educational and health services (+833 jobs), and government (+1600 jobs). On the other hand, employment declined in natural resources, mining, and construction (-33 jobs), professional and business services (-133 jobs), and leisure and hospitality (-300 jobs). Employment remained unchanged in manufacturing, information, and other services.

In the Elkhart-Goshen MSA, total nonfarm employment lost 467

workers (-0.32 percent) in the fourth quarter. Jobs were added in trade, transportation and utilities (+567 jobs), private educational and health services (+100 jobs), and government (+700 jobs). Significant employment loss was seen in manufacturing (-1,400 jobs) and minor loss in natural resources, mining, and construction (-133 jobs); professional and business services (-133 jobs); and leisure and hospitality (-167 jobs). No changes to employment in financial activities, information and other services.

2. REGIONAL ECONOMIC INDICATORS

As the table below shows, the monthly average total nonfarm employment index in South Bend-Mishawaka increased by 1.69 points to 133.10 in the fourth quarter. The manufacturing employment index of the area gained 0.30 points to 67.18 and the non-manufacturing employment increased by 2.08 points to 152.19. However, the metropolitan's index of industrial electricity usage lost 6.46 points to 82.75 over the same time period.

The housing sector of South Bend-Mishawaka MSA improved slightly in the fourth quarter. The index of new building permits of single-family housing increased by 6.01 points to 41.83. The total value of these permits jumped 27.96 points to 172.89. Consequently, the seasonally adjusted index of the average value of new permits gained 3.49 points to 44.49.

Data from the Indiana Association of Realtors³ indicated that the region's existing home sales was cooling down. In the year-over-year comparison, the closed sales of existing single-family homes went down 27.1 percent in the fourth quarter of 2022, though the median sales price continued to rise, up 5.9 percent from last year. Meanwhile, the St. Joseph county's monthly supply of inventories increased by 27.3 percent, 44.6 percent, and 71.4 percent, in October, November, and December, respectively, from one year ago. Similarly, the area's inventory of homes for sale

was up 38.9 percent year-over-year in the fourth quarter of 2022.

The Elkhart-Goshen metro area's nonfarm employment index in the fourth quarter of 2022 was 161.42, essentially unchanged from the last quarter. The monthly average manufacturing employment index decreased by 2.20 points from the previous quarter to 155.19, and the monthly average index of non-manufacturing employment rose 2.99 points to 169.22. In addition, the index of electricity usage slid 3.15 points to 64.59 in the fourth quarter.

The Federal Reserves continued to raise the targeted federal funds rate in the fourth quarter of 2022 to combat the inflation rate. The federal funds rate went up in November by 0.75 percentage points and in December by 0.50 percentage points, and reached 4.25 – 4.50 percent during the Fed's last monetary policy meeting of 2022. The rate hike has pushed borrowing costs to the highest level since 2007. The higher interest rate intends to suppress the aggregate demand and slow down the increase in the price level. Meanwhile, the higher interest rate is expected to weaken the job market and will potentially increase the unemployment rate.

Under the tightening monetary policy, South Bend-Mishawaka's labor market held up well in the fourth quarter of 2022. The indicators presented in section 1 showed that the labor force was unchanged, and the employment increased. However, the Elkhart-Goshen's labor market saw modest withdrawal. The labor force and employment fell for the second consecutive quarter in 2022 and the unemployment rate rose to 2.63 percent. Although the unemployment rate in Elkhart-Goshen was the highest in the recent four quarters, it is still below the pre-pandemic rate of 2.83 percent in the first quarter of 2020.

The robust labor market in South Bend-Mishawaka could be attributed to the more diversified local economy. The majority of the labor force is employed by the service sector. The excess savings during the pandemic

could still be the power of household spending, which benefits the service sector employment growth. Meanwhile, the strong government hiring in the fourth quarter of 2022 is also a significant contributor to the well-performed labor market.

On the other hand, Elkhart-Goshen's job losses were concentrated in the manufacturing sector due to the dominant role of the RV industry. This industry experienced headwinds in several areas. As the concern of the pandemic eased over time, the demand for the RV has faded. Meanwhile, the rising interest rate has increased the finance cost of the RV purchase. The sustained high inflation rate and the uncertainty of 2023's economy may have reduced household spending on more luxurious options for transportation and vacation. On top of that, the high energy price could further dissuade consumers from purchasing RVs.

According to the RV Industry Association reports, total RV shipments were down 47.8 percent in the fourth quarter of 2022, compared to one year ago.⁴ The slow down in the RV sales attributed to the manufacturing layoffs in the Elkhart-Goshen MSA.

Lastly, the housing market further declined in St. Joseph county in the fourth quarter of 2022. The number of new housing building permits issued was slightly up; however, the existing home sales tumbled again in the last quarter of 2022. Meanwhile, the median sales price of existing homes and the average value of building permits continued to rise. The historic high housing prices and the rapid increase in mortgage rates have hurt the affordability for potential buyers in the market, and gradually shifted the market power from sellers to buyers.

4th Quarter 2022

October November December Monthly Average

Employment

Total Nonfarm Employment	133.70	133.28	132.32	133.10
Manufacturing Employment	67.83	67.12	66.58	67.18
Non-manufacturing Employment	152.60	152.40	151.58	152.19
Unemployment Rate	3.20	3.30	2.90	3.13
Electricity Usage	82.15	85.79	80.31	82.75

Single-Family Housing

Number of New Permits	64.06	25.47	35.95	41.83
Total Value of New Permits	210.45	123.98	184.25	172.89
Average Value of a New Permit	36.94	47.48	49.06	44.49

Employment

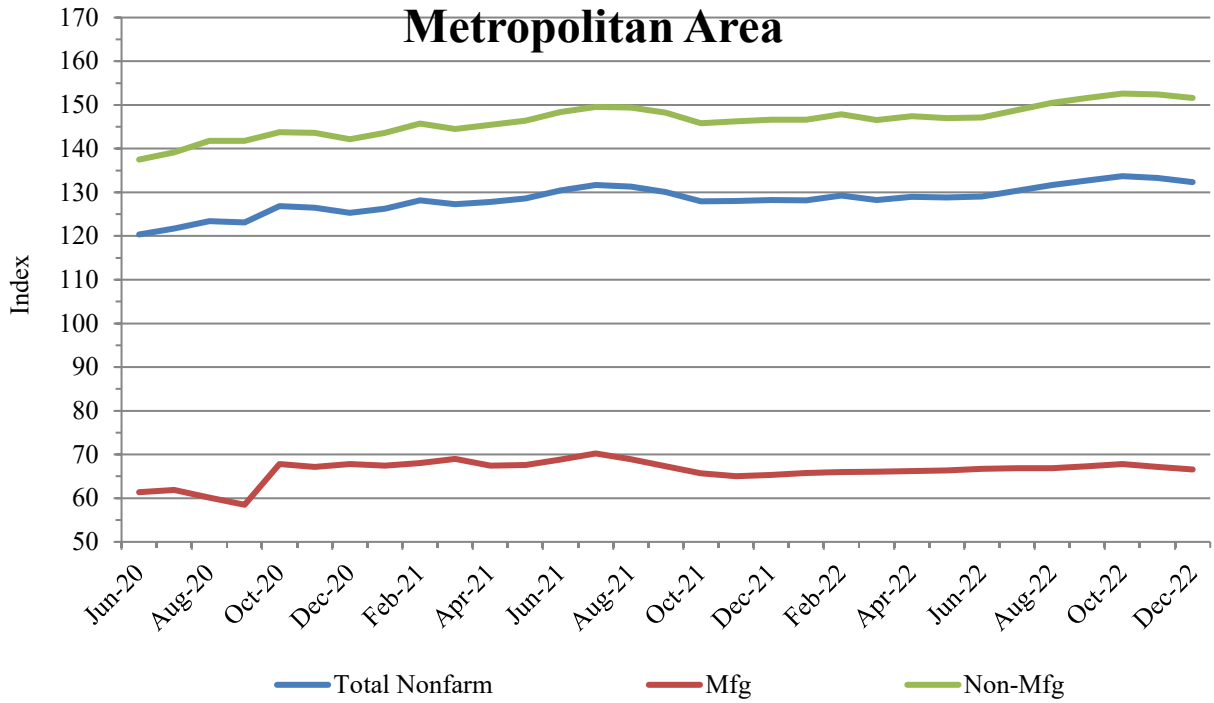
Total Nonfarm Employment	161.85	161.67	160.75	161.42
Manufacturing Employment	156.03	156.10	153.44	155.19
Non-manufacturing Employment	168.79	169.45	169.41	169.22
Unemployment Rate	2.60	2.80	2.50	2.63
Electricity Usage	63.81	68.42	61.53	64.59

South Bend - Mishawaka

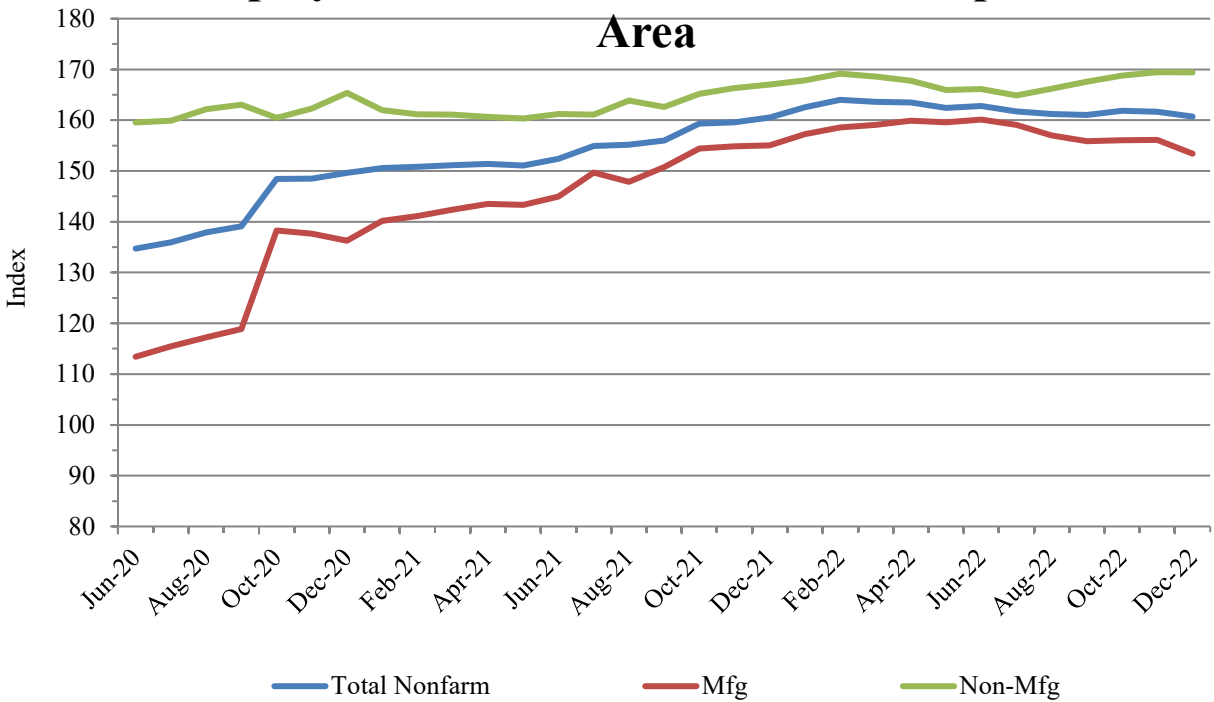
Elkhart - Goshen

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

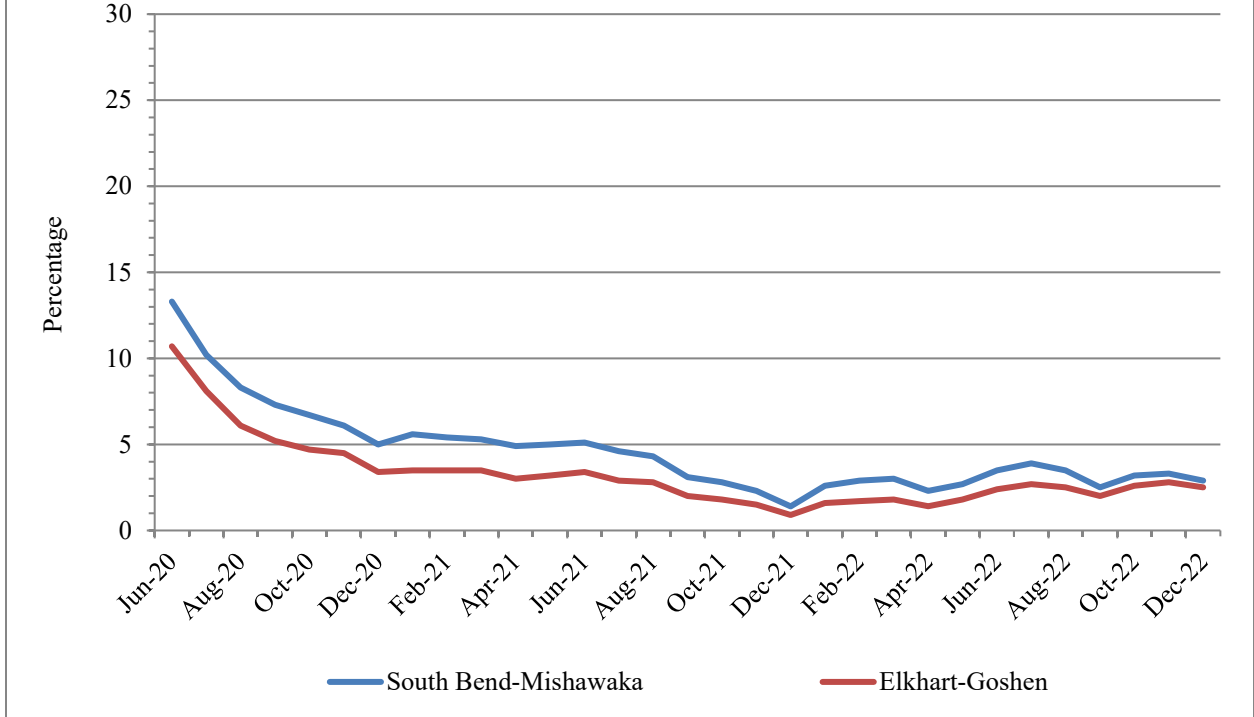
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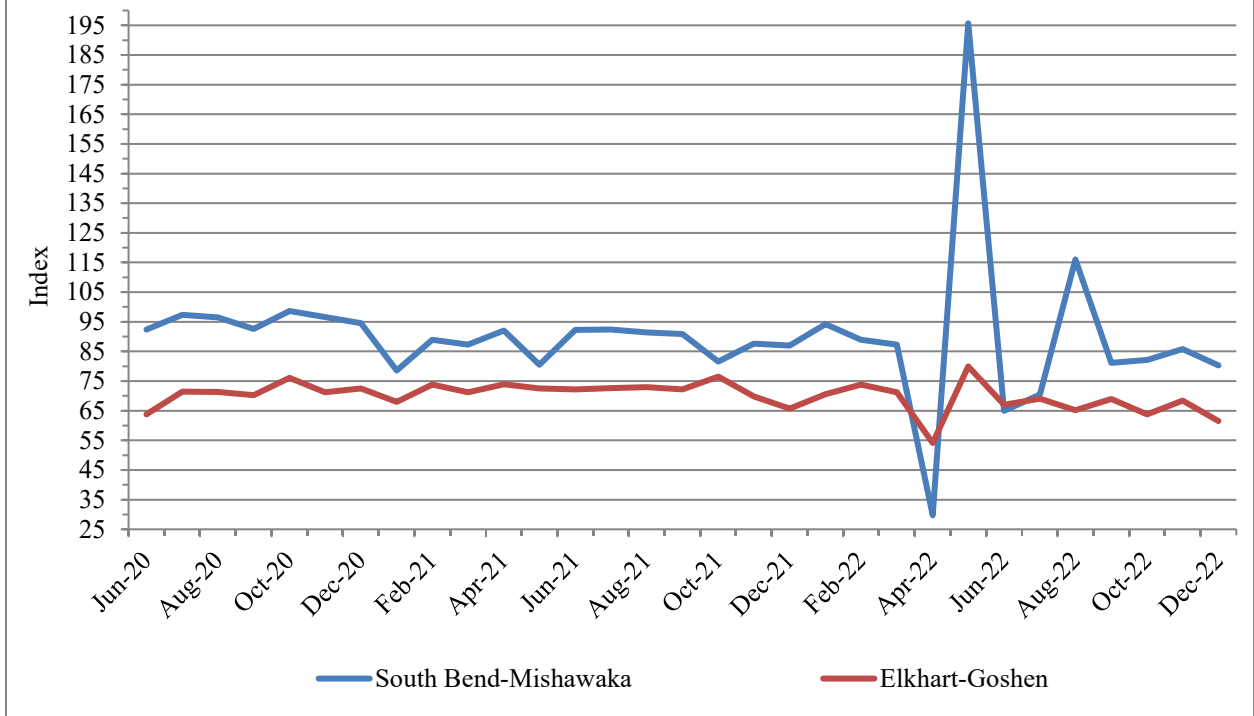
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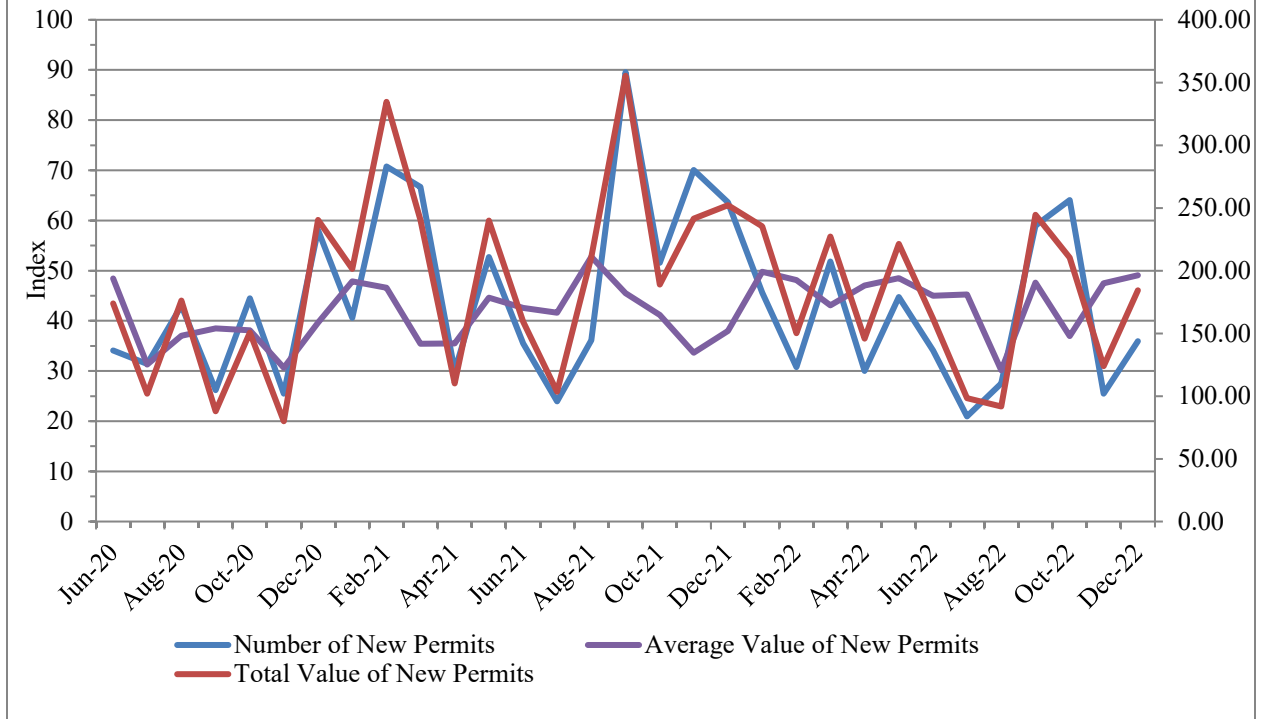
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REFERENCES

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- (3) Indiana Housing Market Update <http://www.10kresearch.com/reports/IAR/Main.ht>
- (4) The RV shipment data came from the RV Industry Association December 2022 market report. <https://www.rvia.org/news-insights/2022-rv-shipment-surpass-493000-third-best-year-record>, retrieved on January 30, 2023.

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