

MICHIANA BUSINESS

INSIDE THIS ISSUE

- *Introduction 1st Quarter 2023 Summary*
- *Summary of Regional Economic Conditions in the 1st Quarter of 2023*
- *Regional Economic Indicators*

1st 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 March 2023, 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. 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 FIRST QUARTER OF 2023

According to data from the U.S. Bureau of Labor Statistics¹, the labor force remained essentially unchanged in the South Bend-Mishawaka and Elkhart-Goshen metropolitan areas in the first quarter of 2023. However, payroll employment declined by 845 (-0.66 percent) and 1416 (-1.25 percent) in South Bend-Mishawaka and Elkhart-Goshen, respectively. The number of unemployed individuals rose by 896 (+20.33 percent) and 1,462 (+43.06 percent) in South Bend-Mishawaka and Elkhart-Goshen, respectively. As a result, the unemployment rates in both areas increased during the first quarter of 2023. The first-quarter unemployment rate in the South Bend-Mishawaka metropolitan area averaged 4.03 percent, which was 0.70 percentage points higher than the fourth-quarter average of 2022. The average jobless rate was 4.13 percent in the Elkhart-Goshen metropolitan area, which was 1.20 percentage points up from the last quarter.

Employment data by industry² indicated that South Bend-Mishawaka's total nonfarm employment experienced a job loss of 2,100 during the first quarter of 2023. The metropolitan area saw employment decrease in natural resources, mining, and construction (-200 jobs); manufacturing (-300 jobs); trade, transportation, and utilities (-567 jobs); information (-67 jobs); financial services (-100 jobs); professional and business services (-433 jobs); private educational and health services (-200 jobs); and government (-267 jobs). Only leisure and hospitality saw minor job growth (+33 jobs).

The Elkhart-Goshen MSA experienced a greater loss in total nonfarm employment, which decreased by 3,367 over the quarter.

Further sectoral data reveals that employment declined in natural resources, mining, and construction (-100 jobs); manufacturing (-2,533 jobs); trade, transportation, and utilities (-167 jobs); professional and business services (-367 jobs); leisure and hospitality (-200 jobs); and government (-67 jobs). However, there was job growth in other services (+67 jobs). Employment in information, financial services, and private educational and health services remained unchanged in the first quarter of 2023.

2. REGIONAL ECONOMIC INDICATORS

As displayed in the table below, the total nonfarm employment index in South Bend-Mishawaka averaged 131.78, which was 0.40 points up from the last quarter. The monthly average manufacturing employment index was 63.84, decreasing by 1.25 points from the fourth quarter of 2022. The non-manufacturing employment edged up 1.19 points to 151.78 over the quarter. The index of industrial electricity usage in South Bend-Mishawaka rose by 4.22 points on average to 86.97 in the first quarter of 2023.

New home construction trended down in the first three months of 2023 as the average index of new building permits for single-family housing lost 14.50 points to 27.32, and the total value of these permits declined by 30.61 points to an average of 142.29. However, the average value index of new permits went up 7.33 points to 51.82.

According to data from the Indiana Association of Realtors³, the closed sales of existing homes were 616 in January-March of 2023, down 7.4 percent from a year ago. The median sales price rose 9.1 percent in the first quarter of 2023 to \$185,000, compared to the first quarter of 2022. Further statistics showed that the area's inventory of homes for sale rose 56.3 percent in January, 38.2 percent in February, and 24.6 percent in March, respectively, in the year-over-year comparison.

The average monthly nonfarm employment index in the Elkhart-Goshen metropolitan area was 157.35 in the first quarter of 2023, which is a 1.80-point down from the last quarter. The manufacturing employment index experienced a decline of 4.82 points, dropping to 146.55. In contrast, the average monthly index of non-manufacturing employment increased by 0.51 points to 169.25. The index of electricity usage also decreased by 3.16 points, with a quarterly average of 61.43 in the first quarter of 2023.

Overall, the local labor market conditions eased in the first quarter of 2023. The rise in the federal funds rate in 2022 led to a spike in unemployment, despite the labor force remaining mostly unchanged. The average unemployment rate in South Bend-Mishawaka MSA was 4.03 percent, which is the highest since the third quarter of 2022. Job losses were widespread across various sectors, except for leisure and hospitality. In the housing sector, new home constructions in St. Joseph County decreased, with the number of new single-family housing building permits issued falling by 46.0 percent quarter-over-quarter and 41.1 percent year-over-year. Sales of existing homes also decreased in the first quarter of 2023, and the inventory of homes for sale rose, indicating a slowdown in the demand for housing. However, housing prices continued to rise, as seen in the higher average value of single-family building permits and the higher median sales prices of existing homes.

In the Elkhart-Goshen MSA, the labor market experienced its highest unemployment rate since the first quarter of 2021, at 4.13 percent. The manufacturing sector saw the most significant job losses, with employment falling to 71,467, a similar level as in the first quarter of 2021. The decline in manufacturing jobs was due to the slowdown in recreational vehicle (RV) sales, which can be attributed to several factors. First, during the coronavirus pandemic, RVs became a preferred choice for transportation, leading to high demand.

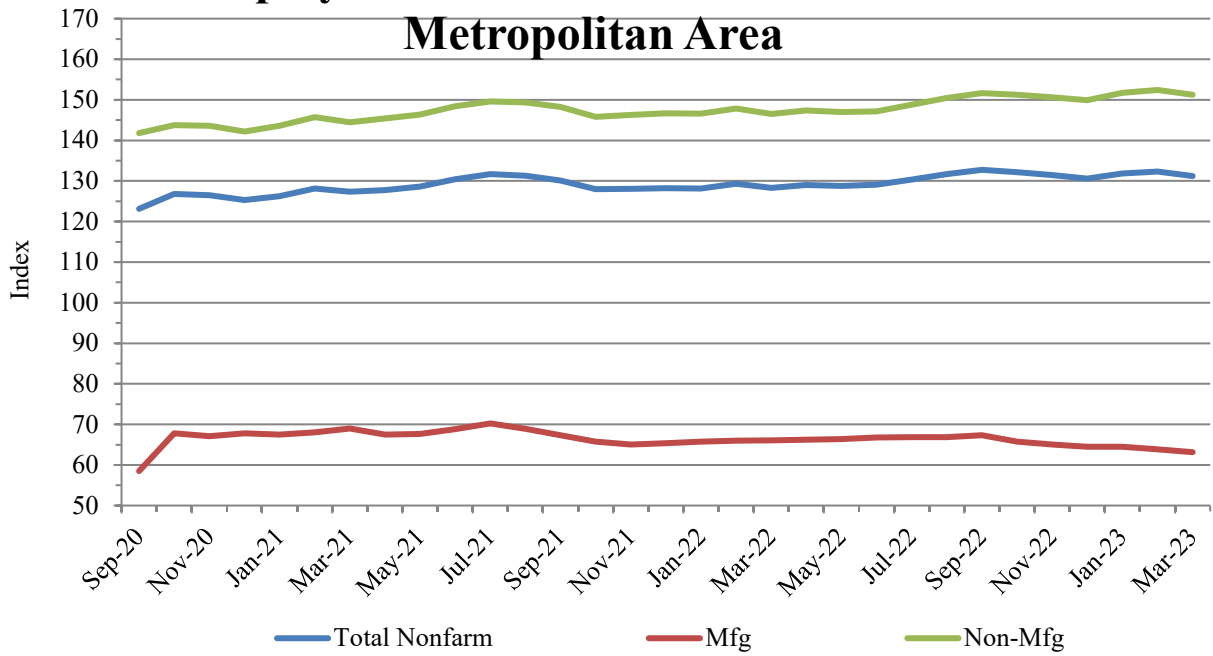
However, after the pandemic ended in 2022, consumer preferences shifted towards airlines. Second, consumers spend more on services like restaurants, entertainment, and travel when the economy is back to normal, and the spending on durable goods like RVs tends to decline. Lastly, RVs are luxurious, durable goods and expensive to own, and demand for them decreased as consumer

savings dwindled post the pandemic and interest rates rose. According to the RV industry association report⁴, the total RV shipments declined by 54.3 percent in the first quarter of 2023 year-over-year, leading to significant job losses in the manufacturing sector and a rise in the unemployment rate in the Elkhart-Goshen MSA.

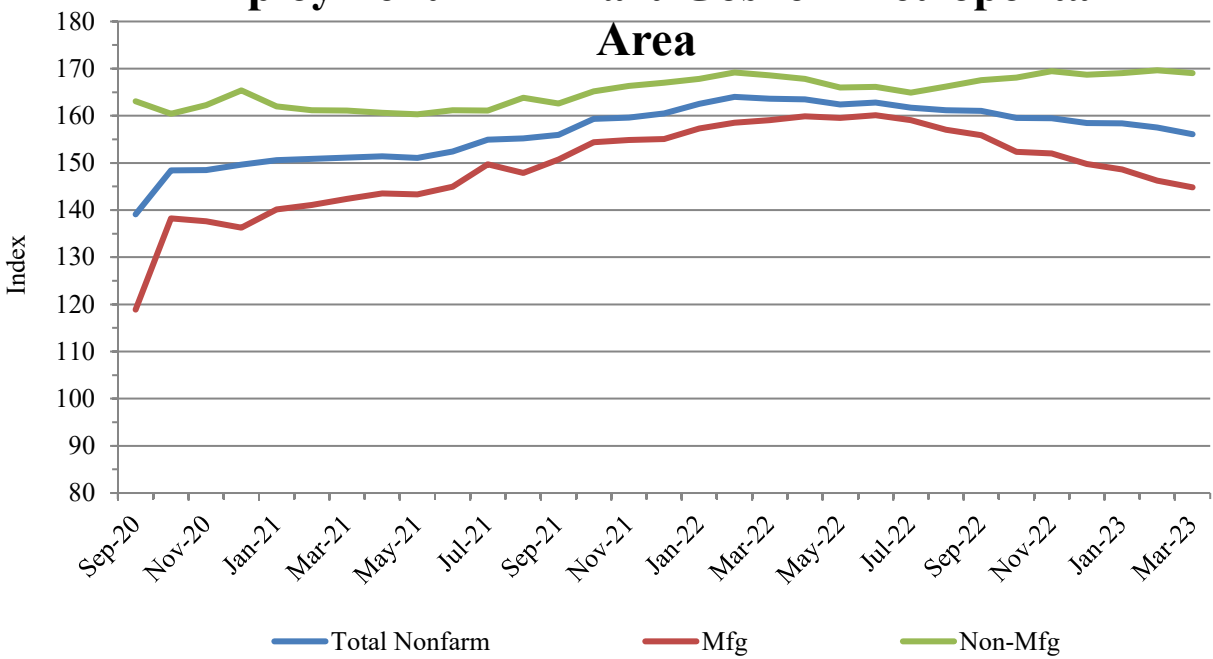
	1st Quarter 2023				
	January	February	March	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	131.81	132.34	131.19	131.78
	Manufacturing Employment	64.51	63.87	63.13	63.84
	Non-manufacturing Employment	151.71	152.42	151.20	151.78
	Unemployment Rate	4.00	4.10	4.00	4.03
	Electricity Usage	91.70	85.88	83.33	86.97
	Single-Family Housing				
	Number of New Permits	22.83	36.92	22.22	27.32
	Total Value of New Permits	128.42	176.05	122.39	142.29
	Average Value of a New Permit	54.28	47.02	54.16	51.82
Elkhart -Goshen	Employment				
	Total Non-farm Employment	158.41	157.53	156.11	157.35
	Manufacturing Employment	148.62	146.24	144.80	146.55
	Non-manufacturing Employment	169.05	169.65	169.05	169.25
	Unemployment Rate	4.9	3.8	3.7	4.13
	Electricity Usage	59.67	61.54	63.07	61.43

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

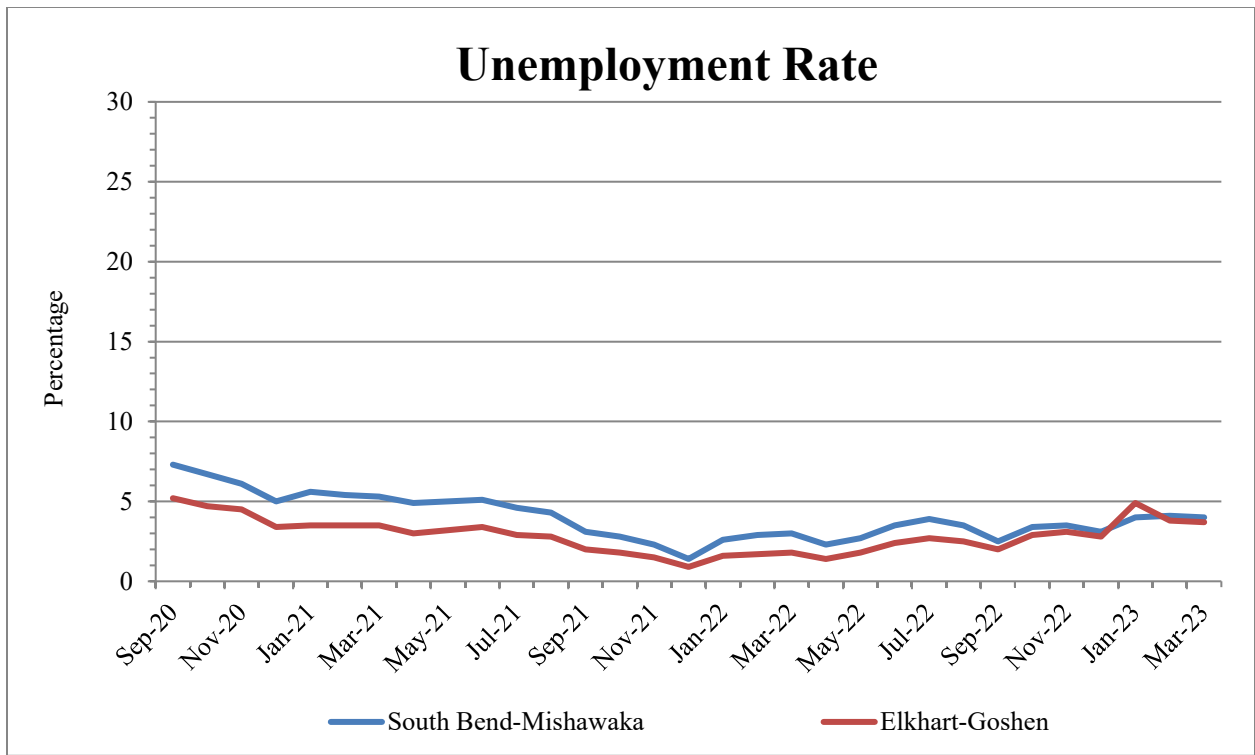
Employment in South Bend-Mishawaka Metropolitan Area



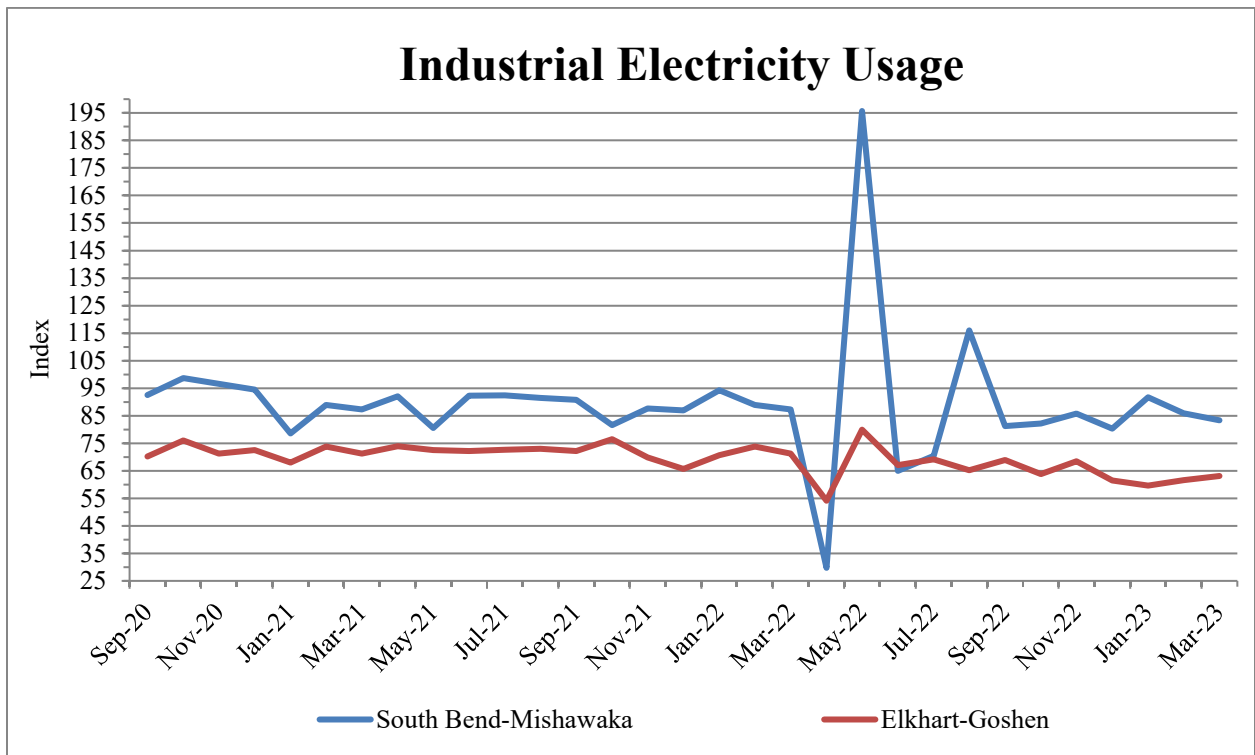
Employment in Elkhart-Goshen Metropolitan Area



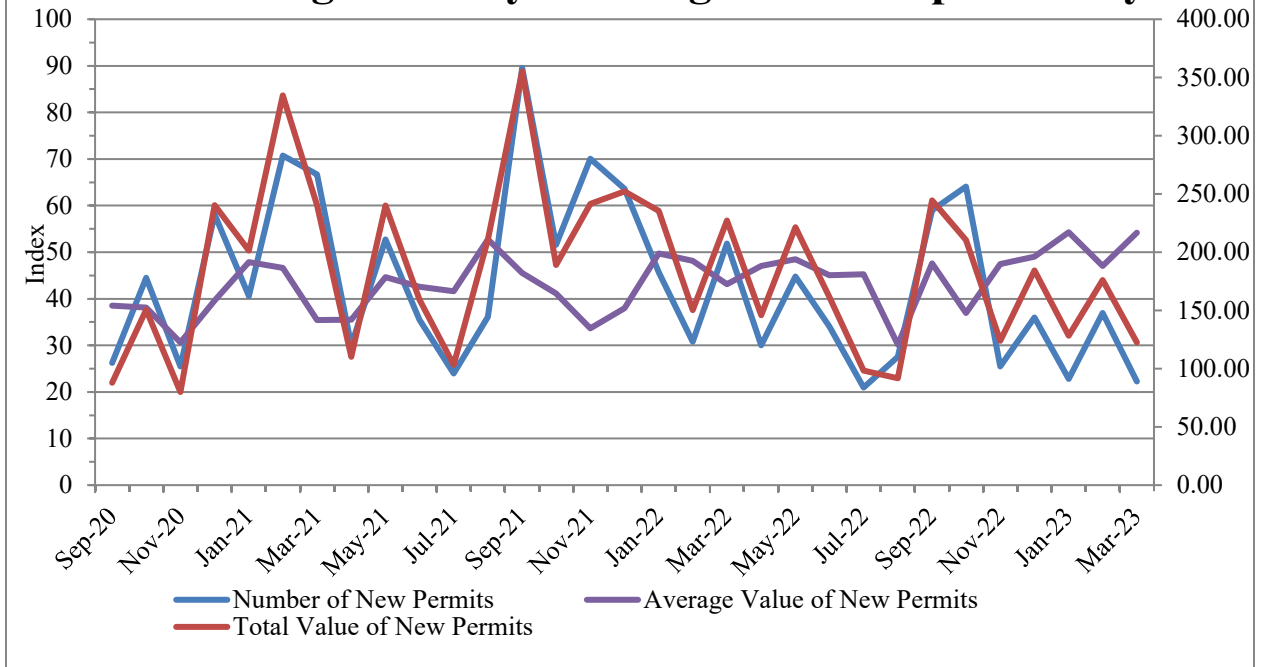
Unemployment Rate



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.
- (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) RV Industry Association Report. <https://www.rvia.org/news-insights/march-shipment-report-now-available>.

Michiana Bureau of Business and Economic Research

BUREAU OF BUSINESS AND ECONOMIC RESEARCH STAFF:

Dr. Hong Zhuang, Director

Michiana Business is published quarterly by the Bureau of Business and Economic Research at Indiana University South Bend under the generous sponsorship of 1st Source Bank. Subscriptions are available at no charge. For information, contact the BBER at 574-520-4133.



1700 Mishawaka Ave.
P.O. Box 1700
South Bend, Indiana 46634

MICHIANA BUSINESS

INSIDE THIS ISSUE

- *Introduction 2nd Quarter 2023 Summary*
- *Summary of Regional Economic Conditions in the 2nd Quarter of 2023*
- *Regional Economic Indicators*

2nd 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 June 2023, 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 2023

U.S. Bureau of Labor Statistics data¹ showed that, during the second quarter of the year, the labor force increased by 321 in the South Bend-Mishawaka MSA, yet shrank by 827 in the Elkhart-Goshen MSA. Meanwhile, payroll employment data showed an increase of 568 workers in South Bend – Mishawaka and a decline of 165 workers in Elkhart-Goshen. The number of unemployed declined by 247 in South Bend – Mishawaka and 662 in Elkhart-Goshen. The interplay of the above labor market dynamics in both areas contributed to lower jobless rates. The unemployment rate in the South Bend-Mishawaka MSA fell by 0.23 percentage points to a quarterly average of 3.80 percent. The jobless rate for the Elkhart-Goshen metropolitan area decreased from 4.17 percent in the first quarter to an average of 3.63 percent in the second quarter of 2023.

The employment data by industry² showed that the total nonfarm employment in the South Bend-Mishawaka MSA gained 1,800 jobs from the first quarter to a quarterly average of 140,000 jobs, a 1.30 percent increase in the second quarter of 2023. Job additions were observed in the following industries: natural resources, mining and construction (+467 jobs); financial activities (+67 jobs); professional and business services (+467 jobs); private educational and health services (+133 jobs); leisure and hospitality (+700 jobs); other services (+100 jobs); and government (+33 jobs). Employment declined in manufacturing (-100 jobs) and trade, transportation, and utilities (-67 jobs), whereas, there was no change in information.

The Elkhart-Goshen MSA experienced minor job growth in the second quarter of 2023. Total nonfarm employment in this region increased by 567 to an average of 141,933 jobs in the second quarter. Specifically, job increases were seen in natural resources, mining and construction (+400 jobs); trade, transportation and utilities (+133 jobs); professional and business services (+267 jobs); private educational and health services (+133 jobs); leisure and hospitality (+467 jobs); other services (+67 jobs) and government (+100 jobs). Manufacturing lost 1000 jobs, whereas information and financial services remained the same.

2. REGIONAL ECONOMIC INDICATORS

As the table below shows, the average monthly total nonfarm employment index in South Bend-Mishawaka lost 0.49 points from the first quarter to an average of 131.42 in the second quarter. The manufacturing employment index of the area lost 1.13 points, and the non-manufacturing employment index was down 0.48 points this quarter. Meanwhile, the index of industrial electricity usage declined by 3.74 points during the same period, reaching a quarterly average of 83.23.

The index of the number of new permits issued for single-family housing went up by 4.59 points to a quarterly average of 31.91 and the index of the total value of the new permits increased by 3.04 points to 145.33. Ultimately, the mean index of the average value of new permits was down 7.43 points from the last quarter and settled at 44.38.

Indiana Association of Realtors statistics³ indicated that the closed sales of existing single-family homes dropped 9.3 percent in the second quarter of 2023 from a year ago. Meanwhile, the median sales price in the second quarter of 2023 went down 4.2 percent over the year. The supply of homes in South Bend-Mishawaka, measured by the inventory of homes for sale, increased by 30.5 percent in April and 21.6 percent in May, but declined by 1.1 percent in June 2023, compared to the same months in 2022.

The Elkhart-Goshen MSA's total nonfarm employment index lost 2.37 points to 155.02 in the second quarter of 2023. The quarterly average manufacturing employment index dropped 3.29 points to 143.26, and the quarterly average non-manufacturing employment index declined by 0.49 points to 168.83. Meanwhile, the index of electricity usage edged down 0.13 points to 61.30 in the second quarter of 2023.

In summary, the second quarter regional economic data indicated a resilient labor market in the South Bend-Mishawaka MSA. The labor force expanded, and employment grew quarter-over-quarter. Meanwhile, unemployment declined moderately, leading to a lower unemployment rate, of 3.80 percent, in the second quarter of 2023. The unemployment rate was about 1 percent higher compared to a year ago. The total nonfarm employment grew 1.30 percent in the second quarter of 2023 and saw job increases in most sectors.

The second quarter labor market in the Elkhart-Goshen MSA did not improve from the first quarter. Although the unemployment rate seems lower, it is mainly attributed to workers dropping out of the labor force. The total nonfarm employment was essentially unchanged, with the service sectors gaining jobs, yet the manufacturing sector shedding the most jobs. Moreover, the industrial electricity usage index was lower in the second quarter for both MSAs, indicating less production activities.

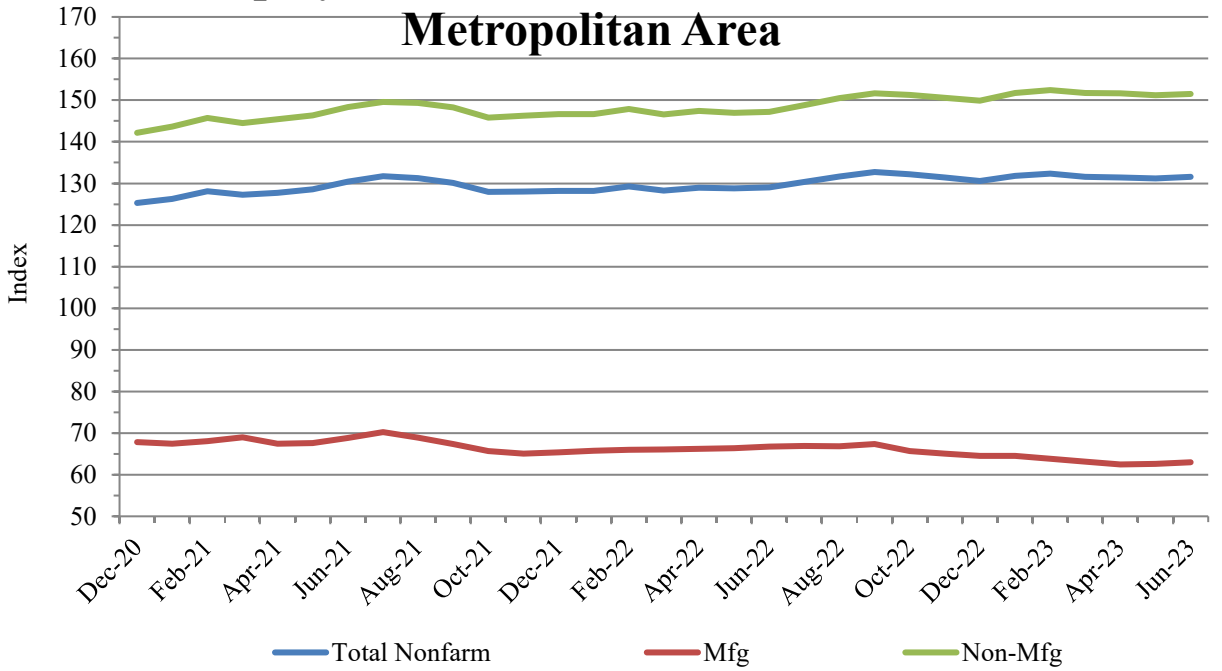
The housing sector in South Bend-Mishawaka continued to slow down in the second quarter of 2023. Although the number of new building permits issued and the total value of the building permits rose from the first quarter, overall, the two indicators were lower in the year-over-year analysis. Moreover, each permit's average value fell in quarter-over-quarter and year-over-year comparisons. The housing market slowdown is also reflected in the existing home sales and the median sales price, both of which declined in the second quarter year-over-year.

The second quarter labor market statistics indicated that the local labor market held up to the higher interest rate. The target Federal funds rate was raised to 5.00 - 5.25 percent in May, the highest since 2008. The higher interest rate is intended to slow demand and lower inflation. The manufacturing sector had the most impact, laying off workers for two consecutive quarters. However, the service sectors, especially leisure and hospitality, have added jobs. On the other hand, the higher interest rate has a more significant impact on the St. Joseph County housing market. Compounded by the already pent-up housing price, the demand for homes

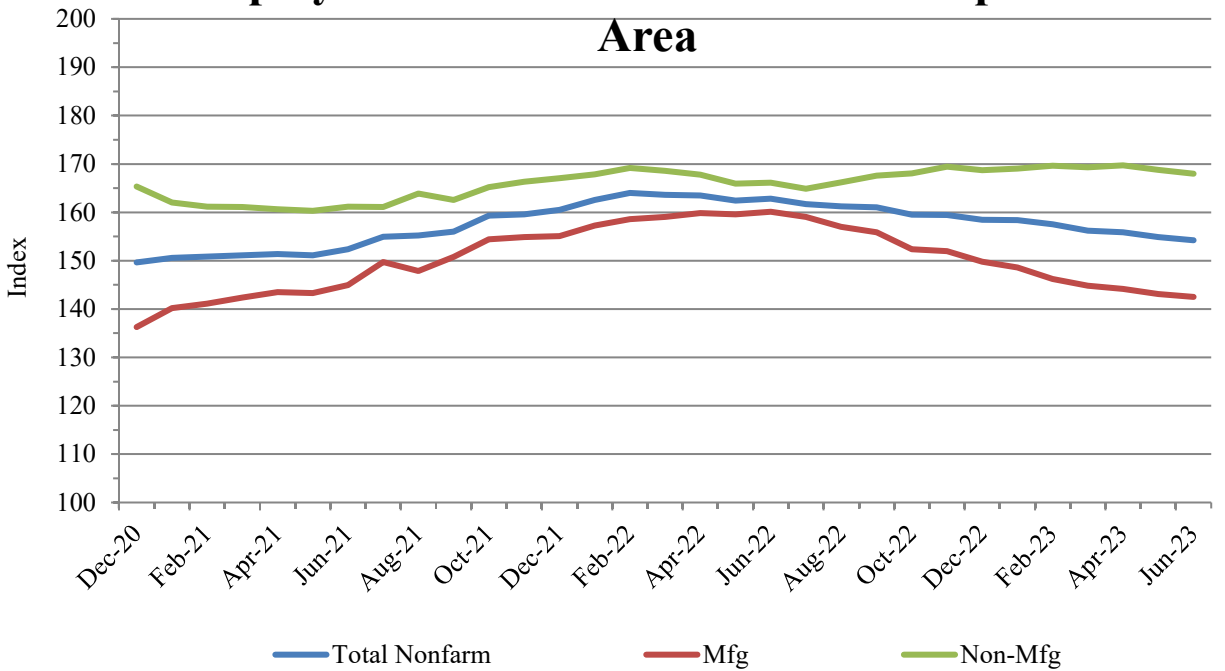
declined. Although the supply of existing homes increased, the number of homes available in this region is still below the 2019 level. The shortage of houses is due to the high mortgage rates. According to Freddie Mac data, the current average rate on the popular 30-year fixed mortgage is close to 7 percent. Yet, most homeowners have mortgage rates under 5 percent that provide them with no incentive to sell. As the Fed was expected to raise interest rates further in 2023, the housing market will be under greater pressure. The soaring housing price hopes to ease and decline, allowing first-time buyers to afford homes.

	2nd Quarter 2023				
	April	May	June	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	131.45	131.23	131.58	131.42
	Manufacturing Employment	62.46	62.64	63.01	62.71
	Non-manufacturing Employment	151.66	151.21	151.51	151.46
	Unemployment Rate	3.00	4.00	4.40	3.80
	Electricity Usage	81.88	83.35	84.45	83.23
	Single-Family Housing				
	Number of New Permits	24.03	31.97	39.74	31.91
	Total Value of New Permits	107.14	168.53	160.32	145.33
	Average Value of a New Permit	43.16	51.72	38.28	44.38
Elkhart - Goshen	Employment				
	Total Nonfarm Employment	155.90	154.91	154.24	155.02
	Manufacturing Employment	144.13	143.11	142.53	143.26
	Non-manufacturing Employment	169.72	168.79	168.00	168.83
	Unemployment Rate	2.80	3.70	4.40	3.63
	Electricity Usage	62.66	62.37	58.86	61.30
Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using the BLS seasonal adjustment program.					

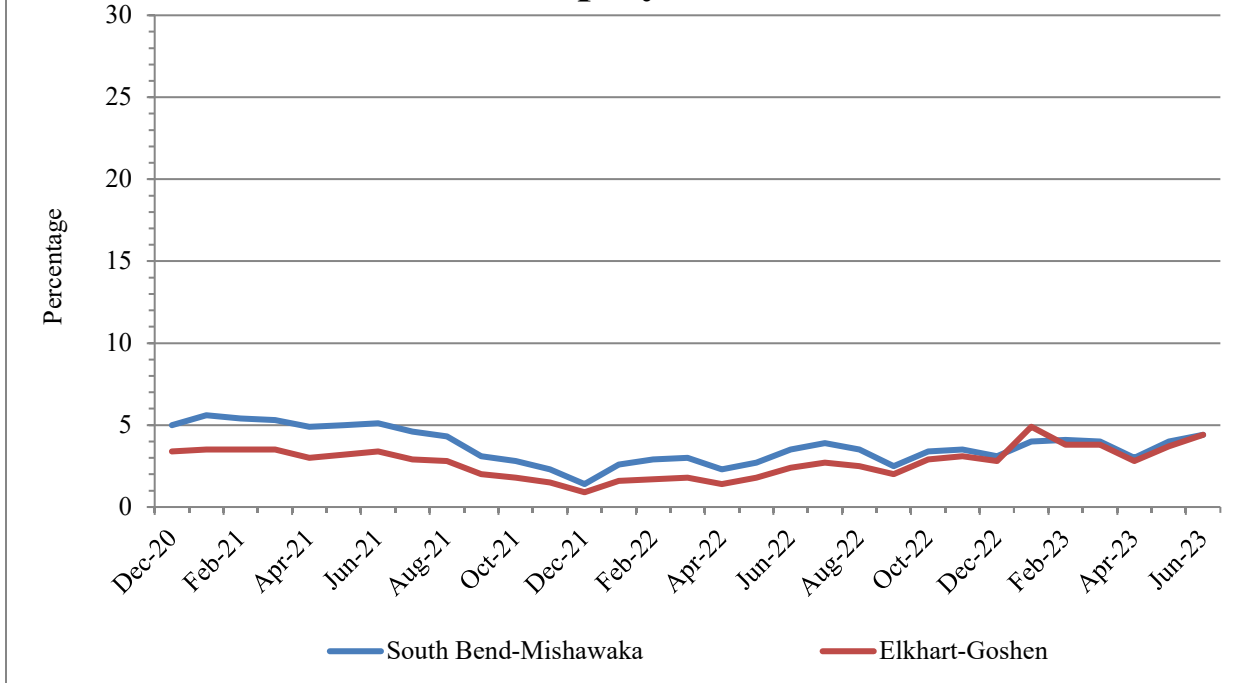
Employment in South Bend-Mishawaka Metropolitan Area



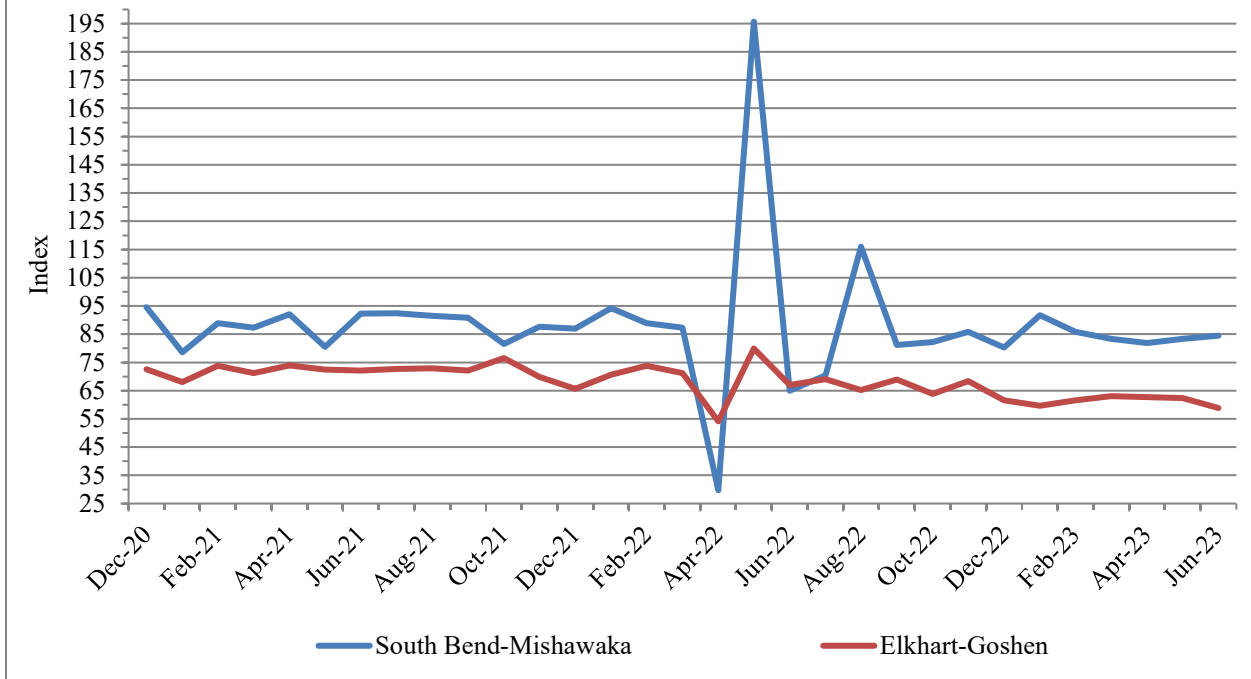
Employment in Elkhart-Goshen Metropolitan Area



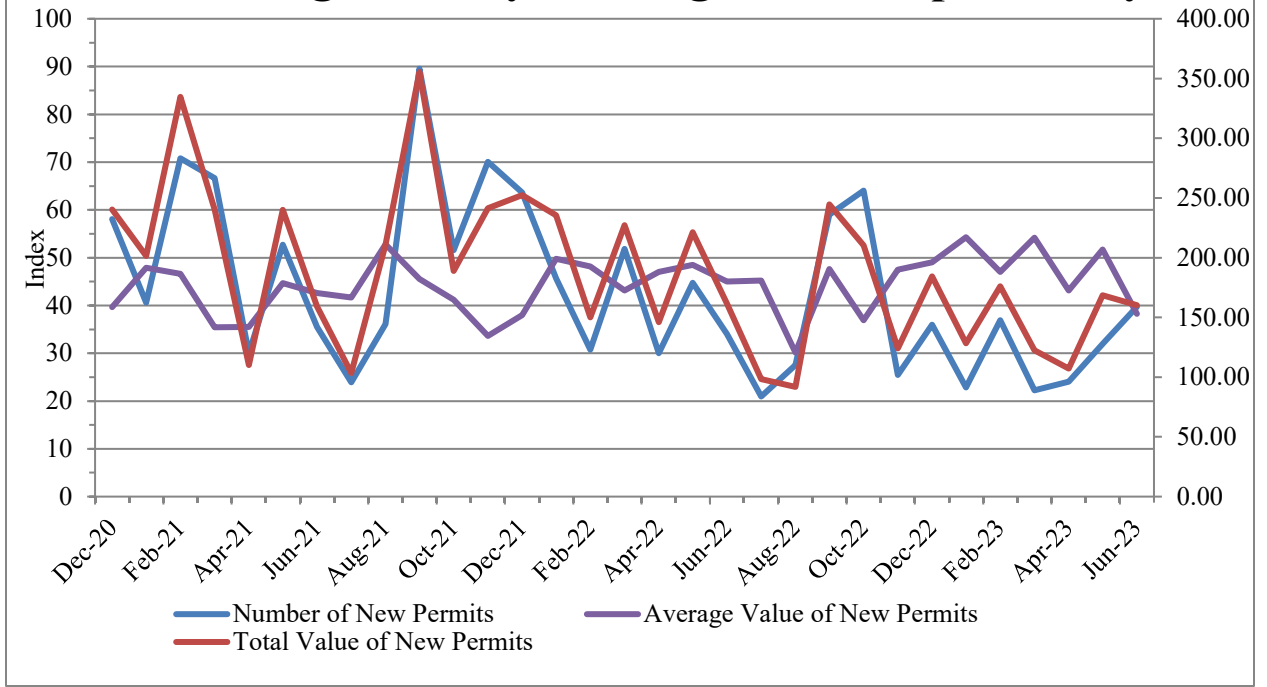
Unemployment Rate



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
- (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>

Bureau of Business and Economic Research

BUREAU OF BUSINESS AND ECONOMIC RESEARCH STAFF:

Dr. Hong Zhuang, Director

Michiana Business is published quarterly by the Bureau of Business and Economic Research at Indiana University South Bend under the generous sponsorship of 1st Source Bank. Subscriptions are available at no charge. For information, contact the BBER at 574-520-4133.

1700 Mishawaka Ave.
P.O. Box 7111
South Bend, Indiana 46634

BF

MICHIANA BUSINESS

INSIDE THIS ISSUE

- *Introduction 3rd Quarter 2023 Summary*
- *Summary of Regional Economic Conditions in the 3rd Quarter of 2023*
- *Regional Economic Indicators*

3rd 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 September 2023, the latest month during the quarter for which all data are available for the indicators shown in the tables and graphs on pages 4-8. 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. REGIONAL ECONOMIC CONDITIONS IN THE THIRD QUARTER OF 2023

U.S. Bureau of Labor Statistics¹ data in the third quarter of 2023 saw a small easing in the local labor market. The labor force and employment in the South Bend-Mishawaka MSA declined by 401 (-0.3%) and 1,192 (-0.93%), respectively, and the number of unemployed increased by 790 (+15.56%). Meanwhile, the Elkhart-Goshen MSA's labor force and employment decreased by 926 (-0.8%) and 1,859 (-1.67%), respectively, and unemployment rose by 933 (+22.19%). Under the above labor market dynamics, the jobless rates in the two areas were higher in the third quarter of 2023. In the South Bend-Mishawaka MSA, the average unemployment rate in July-September was 4.43%, 0.63 percentage points up from the last quarter. Elkhart-Goshen's quarterly unemployment rate was 4.47%, 0.83 percentage points above the second quarter rate of 2023.

Total nonfarm payroll employment in the South Bend-Mishawaka MSA was essentially unchanged in the third quarter (+67 jobs or +0.05%). The employment data by industry² showed employment gains in natural resources, mining, and construction (+133 jobs); trade, transportation, and utilities (+167 jobs); professional and business services (+67 jobs); leisure and hospitality (+300 jobs), and other services (+200 jobs). Jobs were lost in private educational and health services (-133 jobs) and government (-667 jobs). Employment remained unchanged in manufacturing, information, and financial activities.

However, total nonfarm employment in the Elkhart-Goshen MSA lost 1033 jobs over July-September 2023, a 0.73% decline from

the last quarter. Notable job losses occurred in manufacturing (-700 jobs); government (-667 jobs); and trade, transportation, and utilities (-100 jobs). Employment increased in natural resources, mining, and construction (+200 jobs); financial activities (+67 jobs); professional and business services (+67 jobs); leisure and hospitality (+33 jobs), and other services (+67 jobs). There were no job changes in information and private educational and health services.

2. REGIONAL ECONOMIC INDICATORS

As the table below displays, the monthly total nonfarm employment index in South Bend-Mishawaka averaged 132.55 in the third quarter of 2023, 1.16 points up from the last quarter. In particular, the manufacturing employment index of the area gained 0.55 points to 63.11 and the non-manufacturing employment index increased by 1.22 points to 152.68. In addition, the index of industrial electricity usage in South Bend-Mishawaka rose by 1.19 points to 84.42 in the third quarter of 2023.

The housing sector of St. Joseph County was mixed in the third quarter of 2023. The average index of new building permits for single-family houses gained 7.42 points to 39.33. The average index of the total value of these permits increased significantly by 59.73 points to a quarterly average of 205.06. The mean seasonally adjusted index of the average value of new permits was up 7.01 points to a quarterly average of 51.39.

Additional data from the Indiana Association of Realtors³ showed that new listings of existing single-family homes dropped by 10.7% in July-September 2023 compared to one year ago, and closed sales plummeted by 21.2%. Despite the tanked sales, the median sales price rose by 1.6% in the third quarter of 2023 compared to one year ago. Furthermore, the year-over-year comparison shows that the region's inventory of homes for sale fell by 4.7% in July but

increased by 6.2% and 7.3% in August and September, respectively.

In the third quarter of 2023, the Elkhart-Goshen metro area saw its seasonally adjusted index of monthly nonfarm employment down 0.64 points to 154.09. Specifically, Elkhart-Goshen's monthly average manufacturing employment index decreased by 1.21 points to 141.78, and the monthly average non-manufacturing employment index edged up 0.16 points to 168.68. Lastly, the average index of electricity usage rose by 1.7 points to 63.0.

3. SUMMARY

Overall, both areas were impacted by the Fed's contractionary monetary policy in the third quarter of 2023. This influence manifested in a smaller labor force, increased unemployment, and a higher unemployment rate. Upon closer examination of month-to-month variations, it becomes apparent that the decline in the unemployment rate from July to September was not indicative of improving conditions. Instead, it resulted from more workers exiting the labor force. Conversely, a higher unemployment rate could be viewed positively for employers, making it easier for them to find qualified workers and potentially slowing the rise in wages, thus alleviating tight labor market conditions.

The service sector, which holds a significant share of employment in the South Bend-Mishawaka MSA, experienced growth in the third quarter of 2023. In contrast, the Elkhart-Goshen MSA, with its strong manufacturing sector focused on RV production, faced challenges. Higher interest rates and an increasing price level led to reduced demand for durable goods, particularly evident in a 20.1% reduction in RV shipments from July to September 2023 compared to the previous year, according to the RV Industry Association's market report.⁴ The manufacturing sector in Elkhart-Goshen lost 1% of employment

during this period due to decreased demand for RVs. If the shift in consumer preferences away from RVs persists, the future labor market conditions in Elkhart-Goshen may not be optimistic.

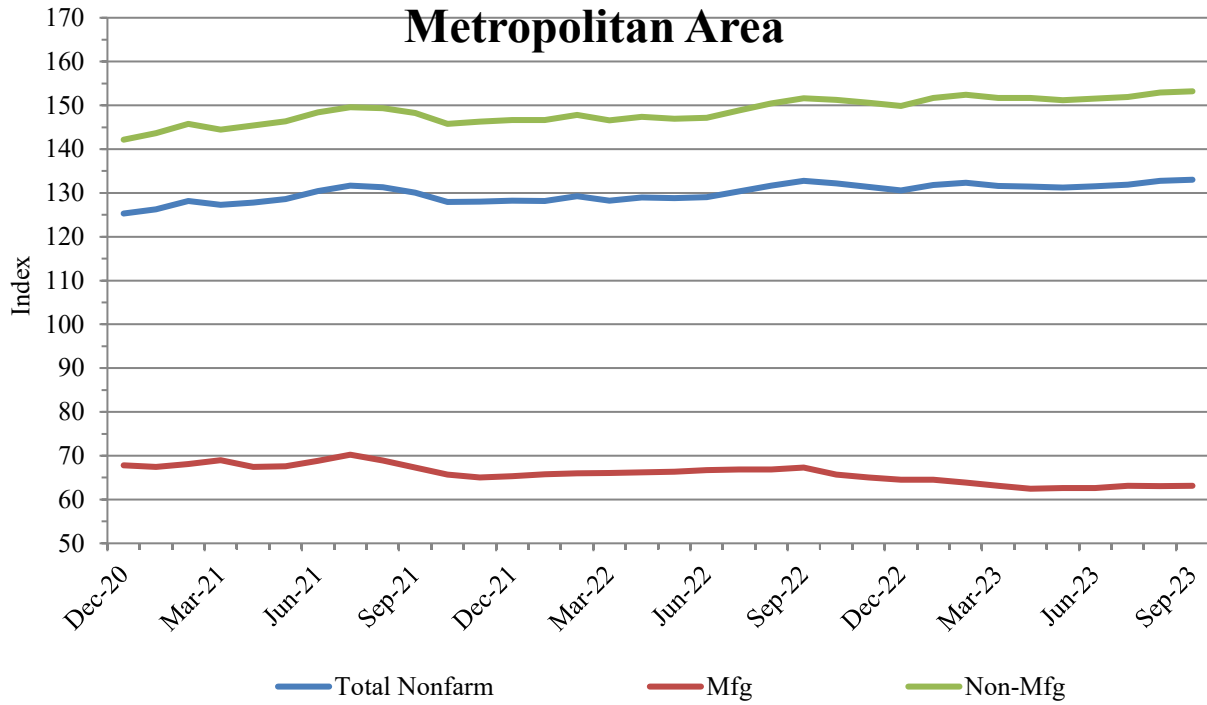
The housing market was also affected by higher interest rates and prices in the third quarter of 2023. St. Joseph County's housing prices reached a historic high, with the median sales price in July-September at \$218,500, the highest in local history. Simultaneously, the Federal Reserve increased the federal funds rate target range by 25 basis points in July 2023, from 5.25% to 5.50%, resulting in higher mortgage rates. According to Freddie Mac statistics, 30-year fixed mortgage rates rose from 5.70% to 7.31% from July to September.⁵ These elevated mortgage rates

significantly increased borrowing costs, making it more challenging for first-time buyers to secure loans. Existing homeowners, who locked in lower mortgage rates, have less incentive to sell, contributing to a decline in demand. New housing constructions have lagged, with third-quarter building permits higher than the second quarter but lower in year-over-year comparison and notably lower than 2005-2006 levels. Inflation in building materials and labor costs has led to more expensive new homes, further tightening supply and reducing housing affordability. The combination of low demand, constrained supply, and persistent inflation suggests that the housing market stagnation will persist until the inflation rate returns to the target range, and the Fed reduces the federal funds rate.

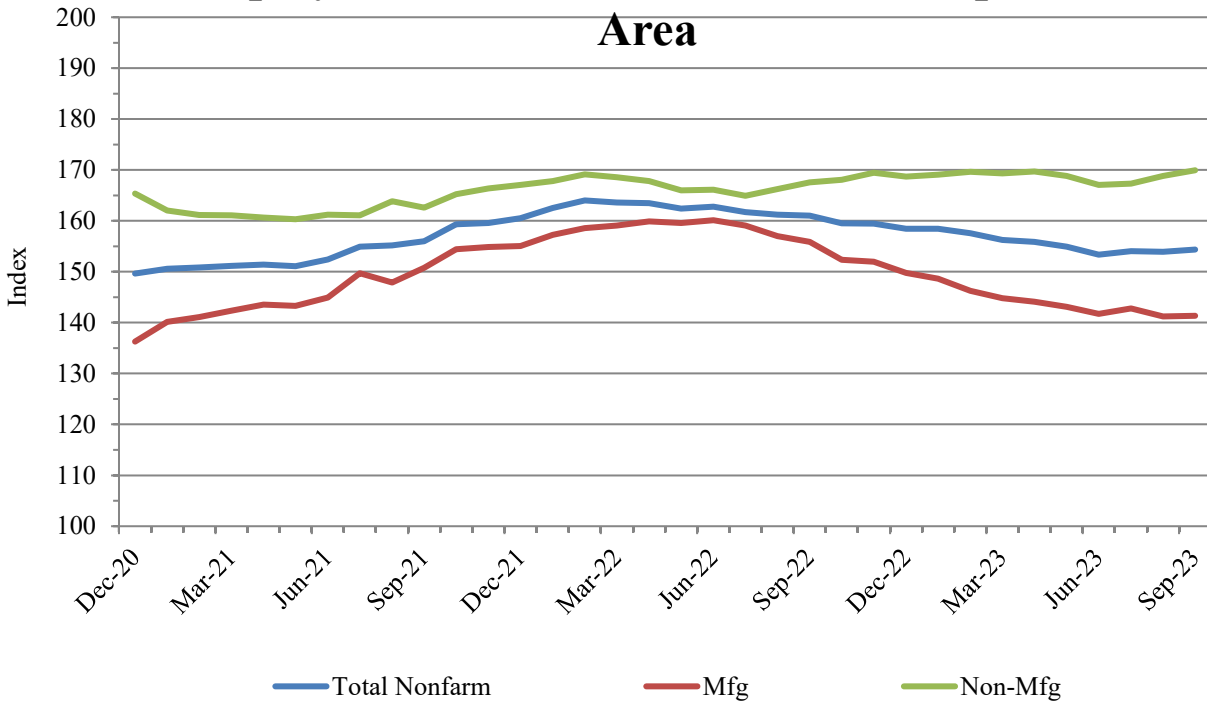
	3rd Quarter 2023				
	July	August	September	Monthly Average	
South Bend-Mishawaka	Employment				
	Total Nonfarm Employment	131.89	132.73	133.02	132.55
	Manufacturing Employment	63.13	63.08	63.13	63.11
	Non-manufacturing Employment	151.90	152.93	153.21	152.68
	Unemployment Rate	4.80	4.60	3.90	4.43
	Electricity Usage	84.11	85.60	83.55	84.42
	Single-Family Housing				
	Number of New Permits	26.94	42.99	48.06	39.33
	Total Value of New Permits	130.60	288.84	195.75	205.06
	Average Value of a New Permit	46.74	60.70	46.75	51.39
Elkhart-Goshen	Employment				
	Total Nonfarm Employment	154.04	153.89	154.33	154.09
	Manufacturing Employment	142.77	141.20	141.36	141.78
	Non-manufacturing Employment	167.29	168.83	169.94	168.68
	Unemployment Rate	5.2	4.4	3.8	4.47
	Electricity Usage	58.86	61.63	67.96	63.00

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

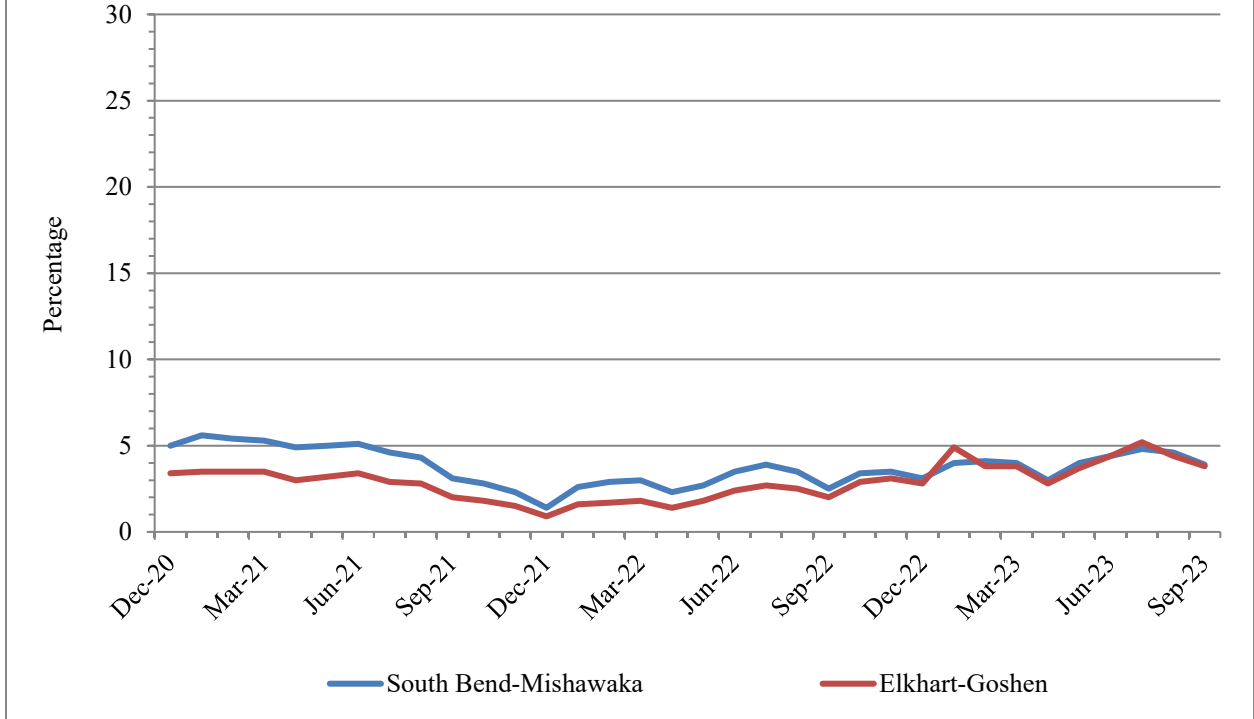
Employment in South Bend-Mishawaka Metropolitan Area



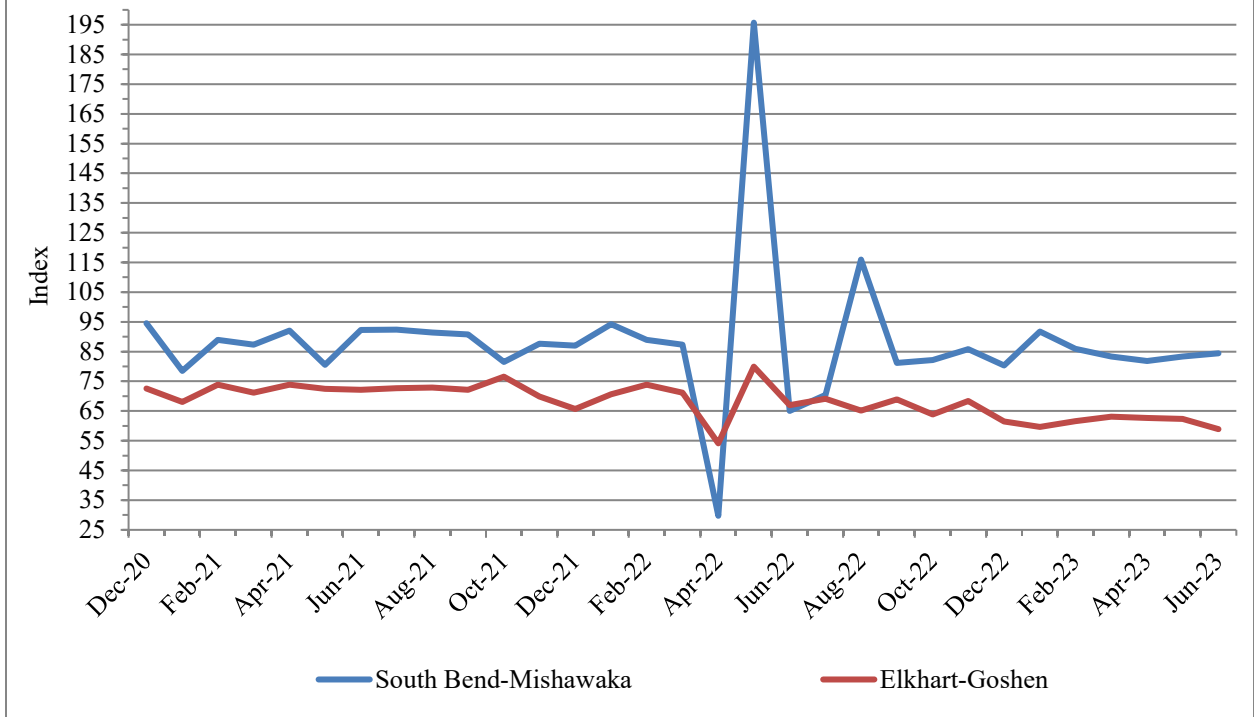
Employment in Elkhart-Goshen Metropolitan Area



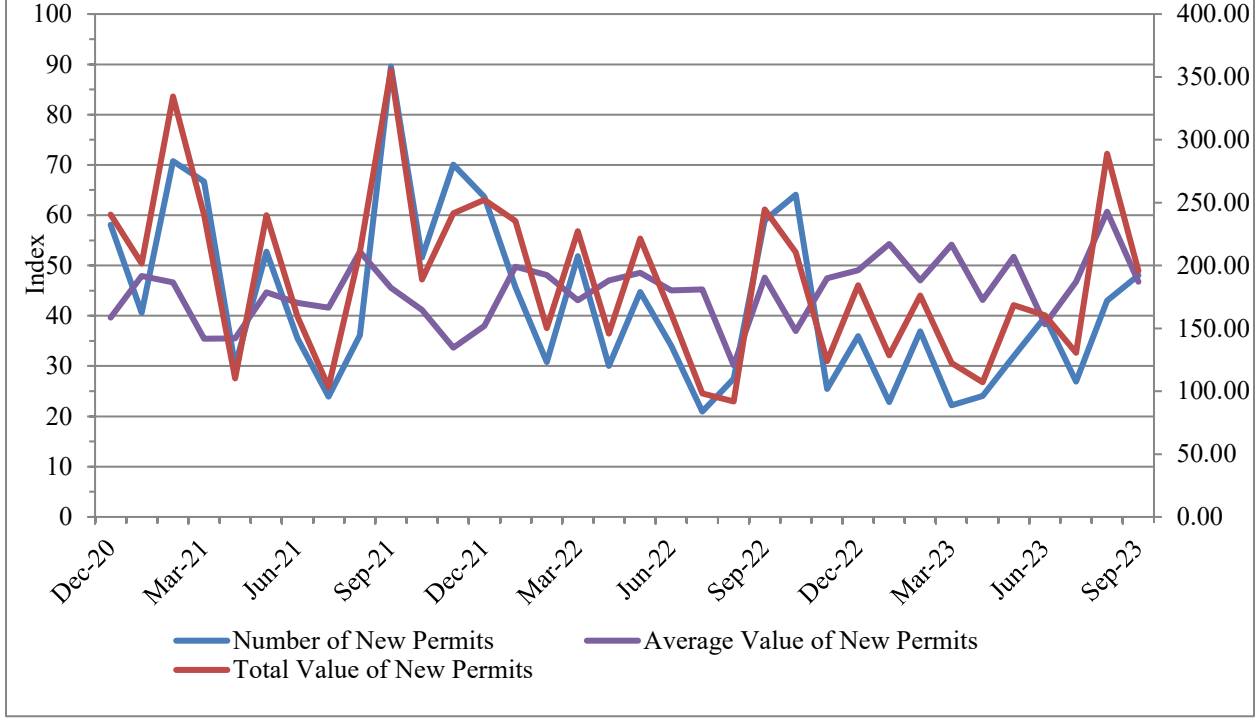
Unemployment Rate



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
- (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) R.V. Industry Association Historical Data, <https://www.rvia.org/historical-rv-data>
- (5) Freddie Mac, <https://www.freddiemac.com/pmms>

Bureau of Business and Economic Research

BUREAU OF BUSINESS AND ECONOMIC RESEARCH STAFF:

Dr. Hong Zhuang, Director

Irfan Ejaz, Research Assistant

Michiana Business is published quarterly by the Bureau of Business and Economic Research at Indiana University South Bend under the generous sponsorship of 1st Source Bank. Subscriptions are available at no charge. For information, contact the BBER at 574-520-4133.



1700 Mishawaka Ave.
P.O. Box 1700
South Bend, Indiana 46634

MICHIANA BUSINESS

INSIDE THIS ISSUE

- *Introduction 4th Quarter 2023 Summary*
- *Summary of Regional Economic Conditions in the 4th Quarter of 2023*
- *Regional Economic Indicators*

4th 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 Statistics¹, 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 data² 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 Realtors³ 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 report⁴, 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

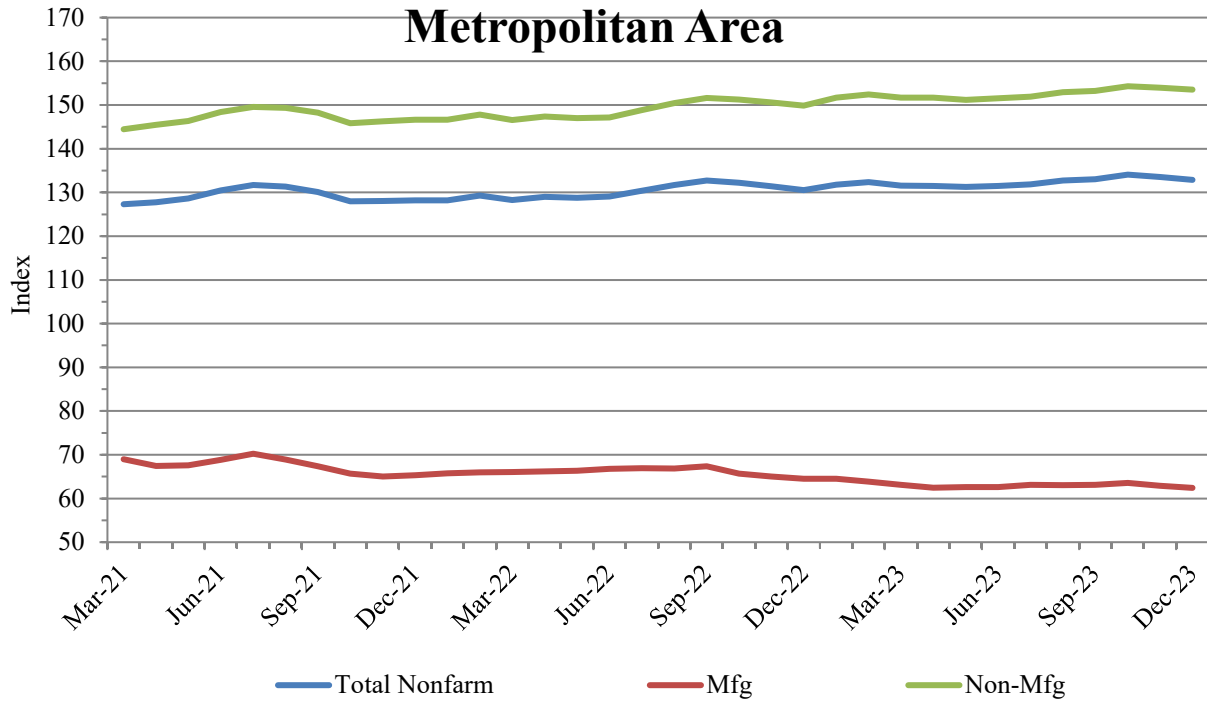
Total Nonfarm Employment	158.22	158.70	159.54	158.82
Manufacturing Employment	152.15	152.20	152.62	152.32
Non-manufacturing Employment	165.45	167.53	167.75	166.91
Unemployment Rate	1.80	1.50	0.90	1.40
Electricity Usage	76.51	69.85	65.67	70.68

South Bend - Mishawaka

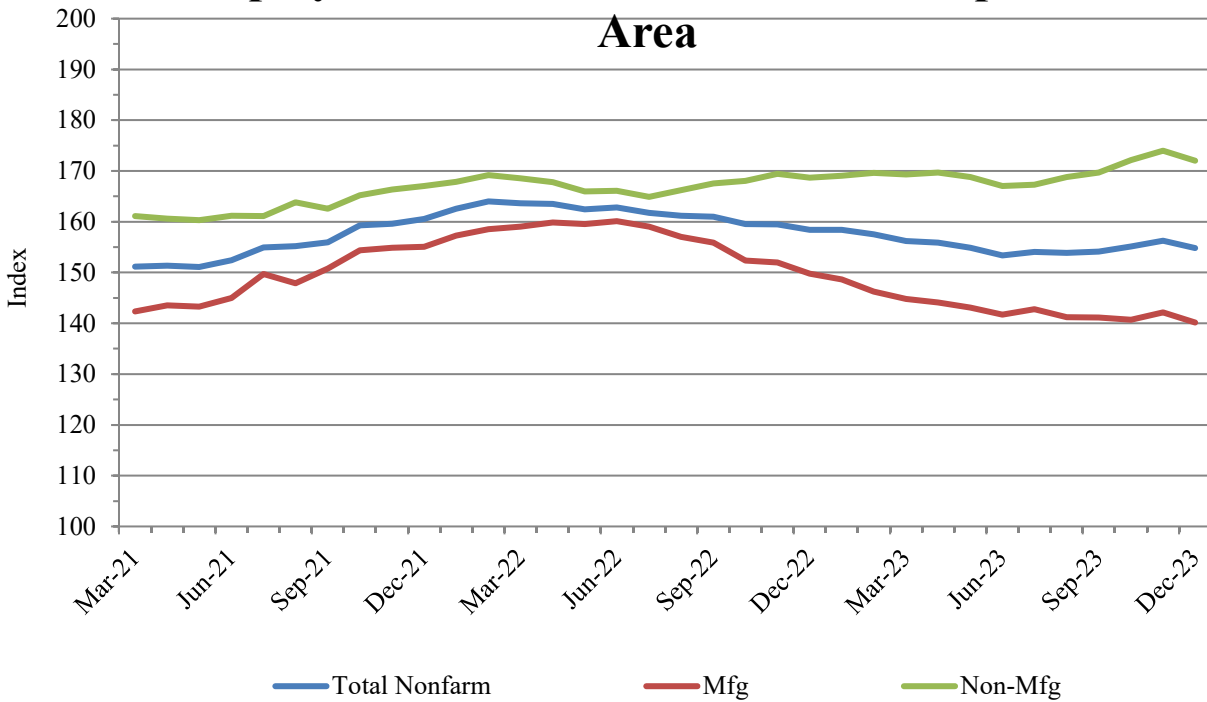
Elkhart - Goshen

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

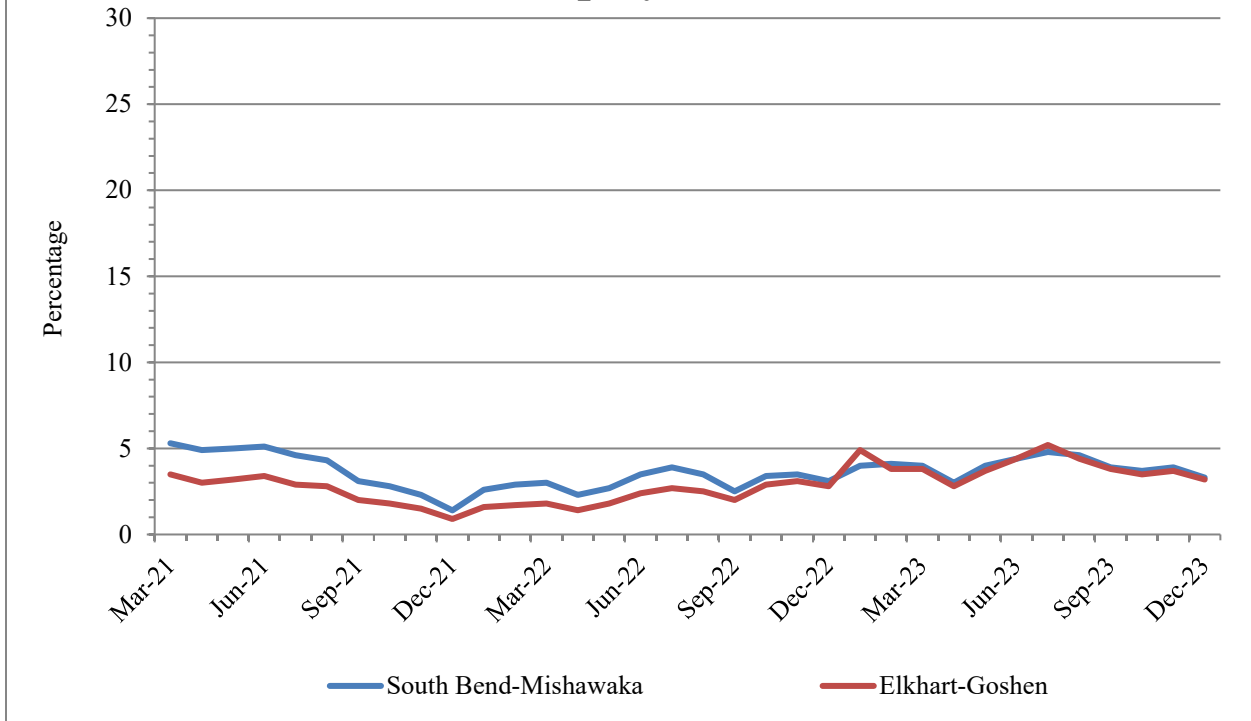
Employment in South Bend-Mishawaka Metropolitan Area



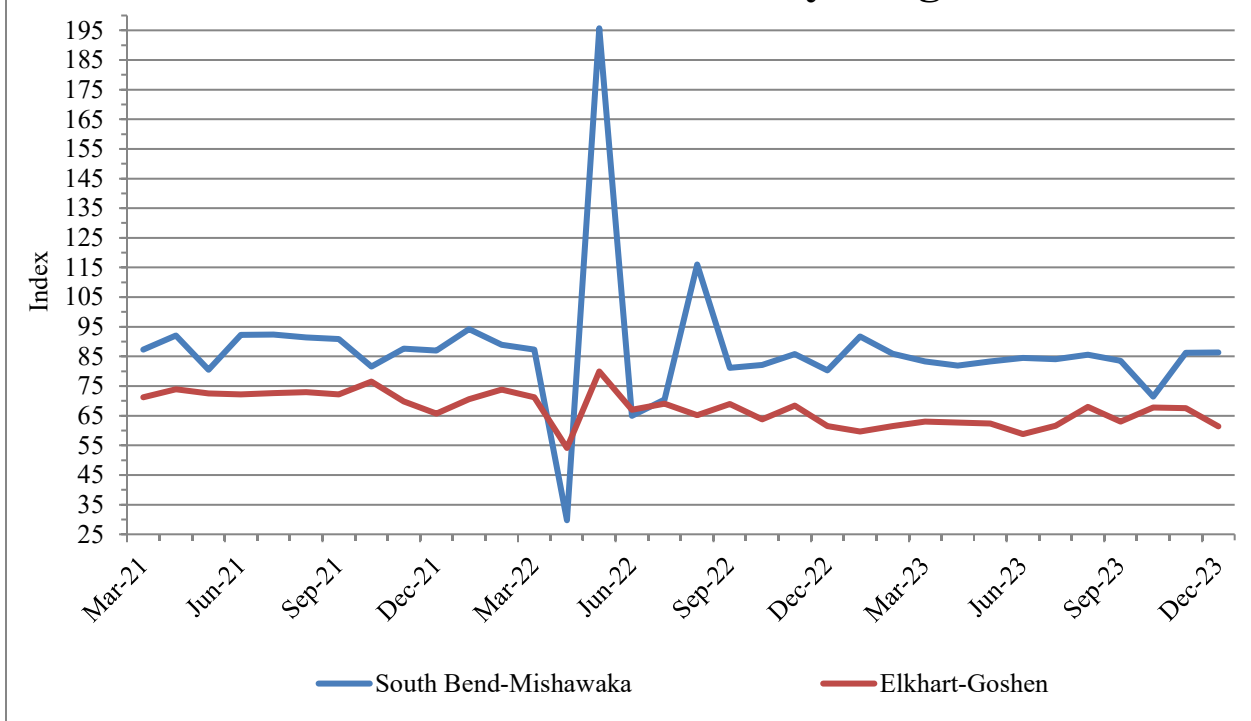
Employment in Elkhart-Goshen Metropolitan Area



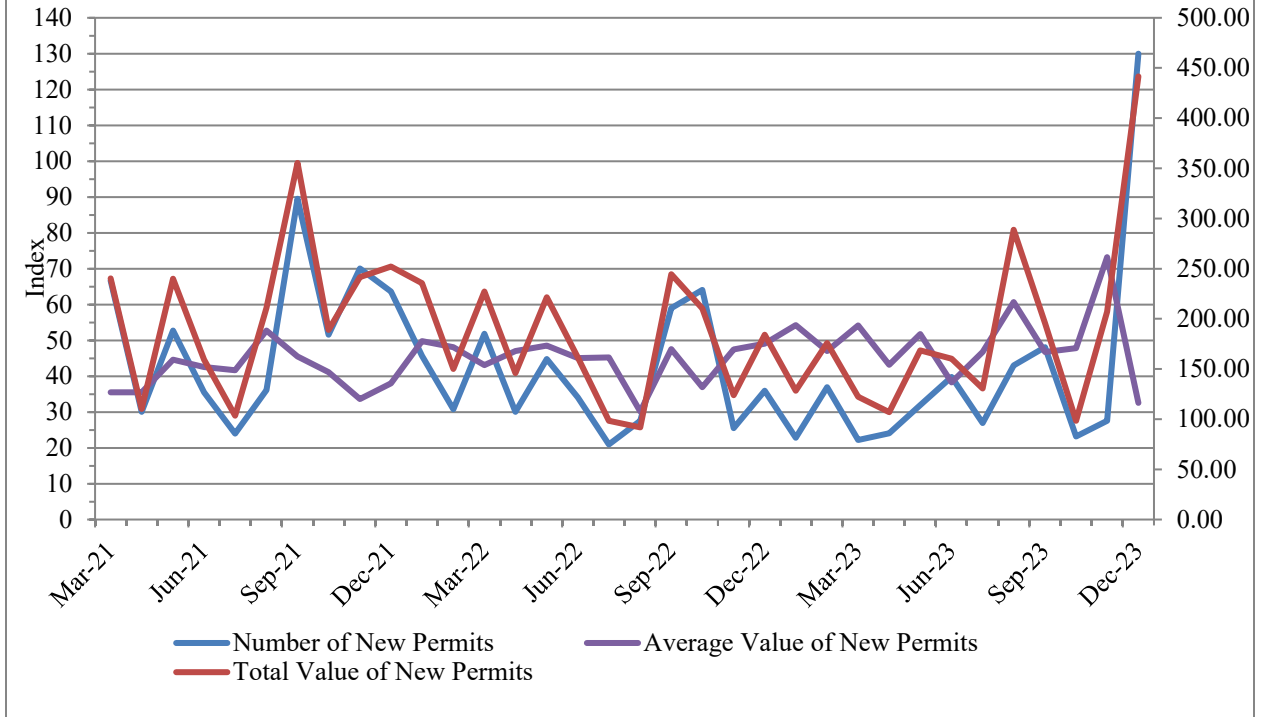
Unemployment Rate



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
- (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) 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.

Bureau of Business and Economic Research

BUREAU OF BUSINESS AND ECONOMIC RESEARCH STAFF:

Dr. Hong Zhuang, Director

Michiana Business is published quarterly by the Bureau of Business and Economic Research at Indiana University South Bend under the generous sponsorship of 1st Source Bank. Subscriptions are available at no charge. For information, contact the BBER at 574-520-4133.



1700 Mishawaka Ave.
P.O. Box 7111
South Bend, Indiana 46634