

MICHIANA BUSINESS

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1st Quarter 2018 Summary

This issue presents an analysis of economic conditions in the South Bend – Mishawaka and Elkhart – Goshen metropolitan statistical areas (MSAs) as of March 2018, the latest month during the quarter for which all data are available for the indicators shown in the tables and graphs on pages 3 - 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 FIRST QUARTER OF 2018

Data from the U.S. Bureau of Labor Statistics¹ for the first quarter of 2018 showed that the labor force increased by 1735 people in the South Bend – Mishawaka MSA and gained 2516 people in the Elkhart – Goshen MSA. Meanwhile, payroll employment rose in both MSAs with an increase of 1271 works in South Bend-Mishawaka and 2308 workers in Elkhart-Goshen. The average number of unemployed was 464 people higher in the South Bend – Mishawaka area and 208 people higher in the Elkhart – Goshen metropolitan area. Consequently, under the above labor market dynamics the jobless rate in the two areas showed similar changes with South Bend-Mishawaka's unemployment rate tipping up 0.33 percentage point to a quarterly average of 3.6 percent and Elkhart-Goshen's unemployment rate edging up 0.14 percentage point to a quarterly average of 2.37 percent by the end of the first quarter of 2018.

Contrary to the payroll employment increase, total nonfarm employment in the South Bend – Mishawaka MSA lost 1833 jobs in the first quarter of 2018, representing a 1.27 percent job decline from the fourth quarter of 2017. The employment data by industry² indicated job losses in natural resources, mining and construction (-533 jobs); information (-100 jobs); trade, transportation and utilities (-800 jobs); professional and business services (-367 jobs); private education and health service (-767 jobs); and government (-167 jobs). In the meantime, sectors experiencing job increases were manufacturing (+67 jobs), leisure and hospitality (+800 jobs), and other services (+33 jobs). Financial activities had no change in employment.

Total nonfarm employment in the Elkhart – Goshen MSA added 433 jobs in the first quarter of 2018, about 0.31 percent up from the fourth quarter of 2017. Manufacturing is the only sector that saw a job increase, adding 1,467 jobs, equivalent to 2.09 percent employment rise. As indicated by the sectoral employment data, job losses were observed in the following sectors: -11.01 percent in natural resources, mining and construction (-400 jobs); -0.82 percent in trade, transportation and utilities (-167 jobs); -1.19 percent in financial activities (-33 jobs); -1.86 percent in professional and business services (-200 jobs); -0.27 percent in private educational and health services (-33 jobs); -0.85 percent in leisure and hospitality (-67 jobs); -0.79 percent in other services (-33 jobs); and -1.14 percent in government (-100 jobs). No employment changed in information in the first quarter of 2018.

2. REGIONAL ECONOMIC INDICATORS

As the table below displays, the monthly average total non-farm employment index in South Bend – Mishawaka rose to 136.42 during the first quarter of 2018, 1.32 points above the average of the fourth quarter in 2017. Further decomposition shows that the manufacturing employment index of the area rose 5.75 points, whereas the non-manufacturing employment index gained just 0.32 point in this quarter. The index of industrial electricity usage in South Bend-Mishawaka lost 0.77 point in the first quarter of 2017, indicating less active production activities than the last quarter.

The housing sector of the South Bend- Mishawaka MSA seemed to be mixed in the first quarter of 2018. While the average index of new building permits of single-family housing decreased by 1.02 points to 44.37 in the first quarter of 2018, the total value of these permits increased significantly by 48.4 points to a quarterly average of 173.04. As a result, the average seasonally adjusted index of the average value of new permits increased by 8.93 points to 37.16 in the first quarter of 2018.

In addition, data from Indiana Association of Realtors showed that the number of existing single-family homes sold rose 11.2 percent and the median sales price increased by 4.6 percent in January through March year-over-year. On the other hand, the supply of homes in South Bend-Mishawaka continued to decline. The region's monthly supply of inventories decreased 20.6 percent in March 2018 than one year ago associated with a further decline in inventory of homes for sale of 11.5 percent.

In the Elkhart – Goshen metro area, the average seasonally adjusted index of monthly nonfarm employment in the first quarter of 2018 were 3 points higher than that in the fourth quarter of 2017. Meanwhile, the monthly average manufacturing employment index showed a substantial gain of 5.74 points. However, the monthly average non-manufacturing employment index dropped 1.4 points from the fourth quarter of 2017. Meanwhile, the average index of electricity usage lost 6.19 points to a quarterly average of 76.06.

Overall, the labor market conditions showed signs of improvement in the South Bend-Mishawaka MSA in the first quarter of 2018. More local residents joined the labor force and were employed in the first three months of 2018. Although the unemployment rate was slightly higher, the larger labor force and employment indicated a more dynamic labor market. However, the employment growth in the nonfarm sectors was unbalanced with leisure and hospitality adding the most jobs in South Bend-Mishawaka and substantial job losses in six other nonfarm sectors. Ultimately, 1833 nonfarm jobs were lost in the South Bend-Mishawaka MSA, offsetting part of the job increase from the last quarter. Largely, the housing sector seemed continuing to rebound in the first quarter of 2018. Although there were fewer new building permits of single-family housing issued, the average value of those building permits was higher in the first quarter

of 2018 compared to one year ago. The closed sales and the median sales prices both increased while the monthly supply of inventories declined in the year-over-year comparison.

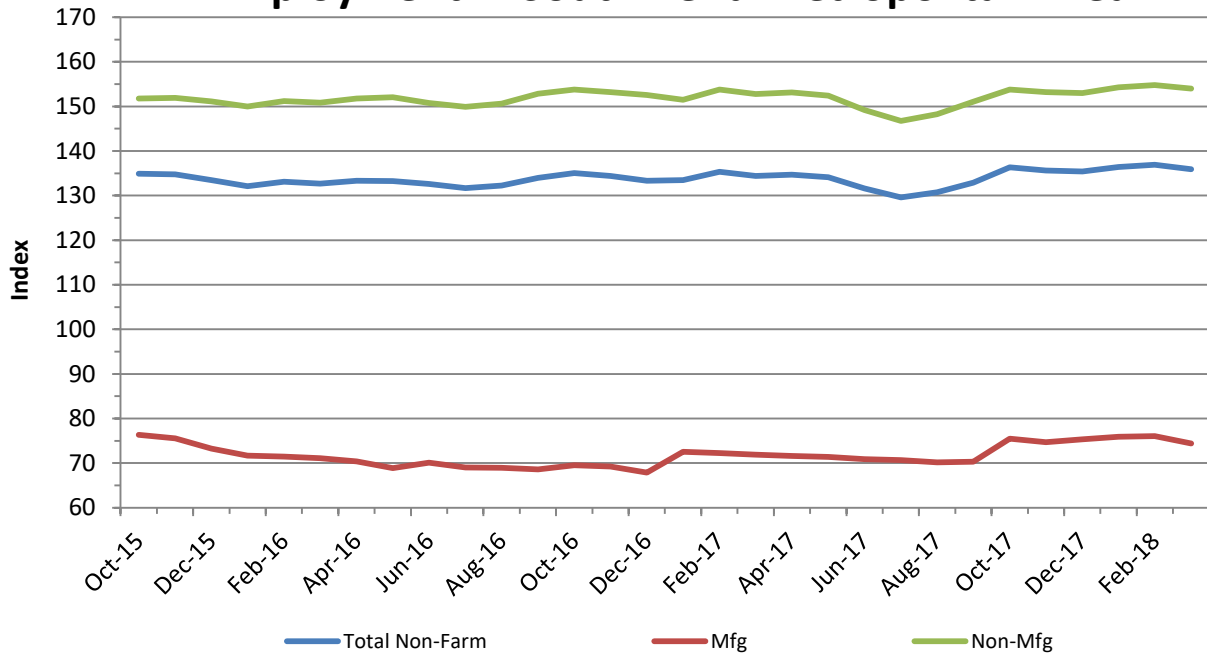
The Elkhart-Goshen MSA's labor market outperformed in the first quarter of 2018 presenting 2.19 percent growth in the labor force and 2.06 percent increase in the employment. The unemployment rose slightly because of an expanded labor force, resulting in 0.14 percentage point

increase in the unemployment rate. Job growth was observed in manufacturing for the fifth consecutive quarter, adding the most new positions to local labor market. However, the other nonfarm sectors in Elkhart-Goshen experienced either job losses or no change that dampened the manufacturing job growth. Additionally, the decline in the electricity usage in the first quarter of 2018 indicated less active industrial activities in Elkhart-Goshen that might predict a lower manufacturing employment in the future.

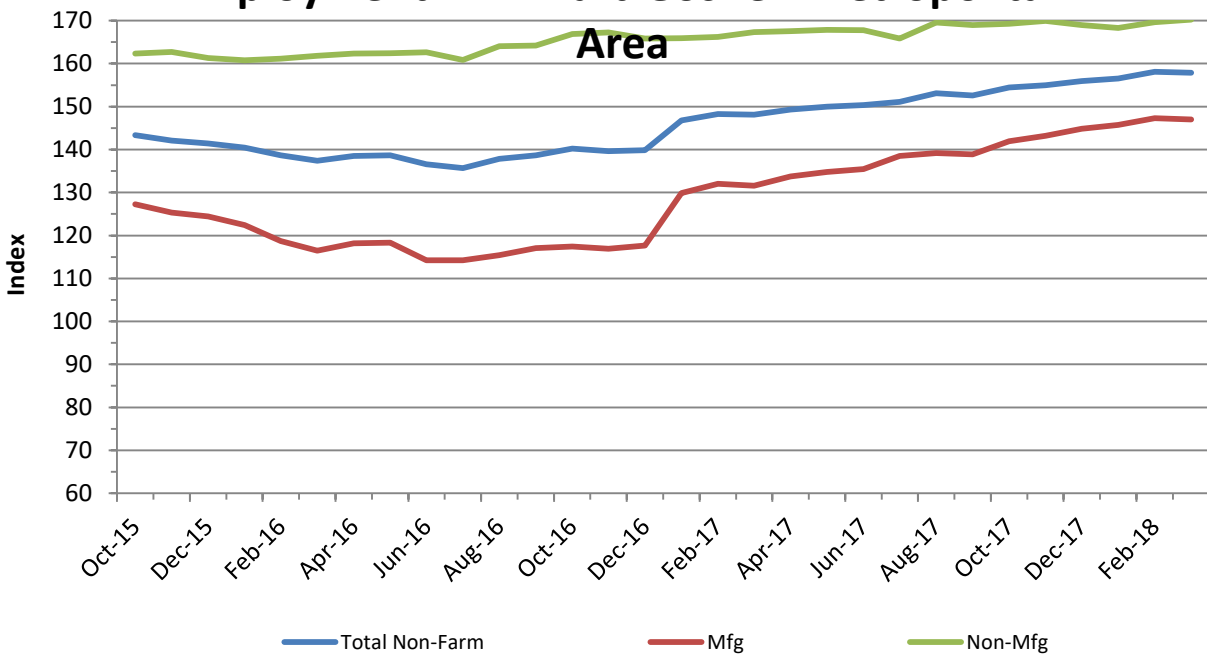
	1st Quarter 2018				
	January	February	March	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Non-farm Employment	135.78	134.97	134.56	135.10
	Manufacturing Employment	70.38	69.64	69.08	69.70
	Non-manufacturing Employment	154.54	153.85	153.76	154.05
	Unemployment Rate	3.5	3.6	3.3	3.47
	Electricity Usage	95.61	99.15	94.95	96.57
	Single Family Housing				
	Number of New Permits	51.60	40.33	44.25	45.39
	Total Value of New Permits	111.20	141.89	120.82	124.64
	Average Value of a New Permit	24.23	34.32	26.14	28.23
Elkhart -Goshen	Employment				
	Total Non-farm Employment	154.04	154.30	155.14	154.49
	Manufacturing Employment	139.90	140.92	141.99	140.94
	Non-manufacturing Employment	170.70	171.12	170.61	170.81
	Unemployment Rate	2.4	2.5	2.1	2.33
	Electricity Usage	83.17	83.62	79.98	82.25

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

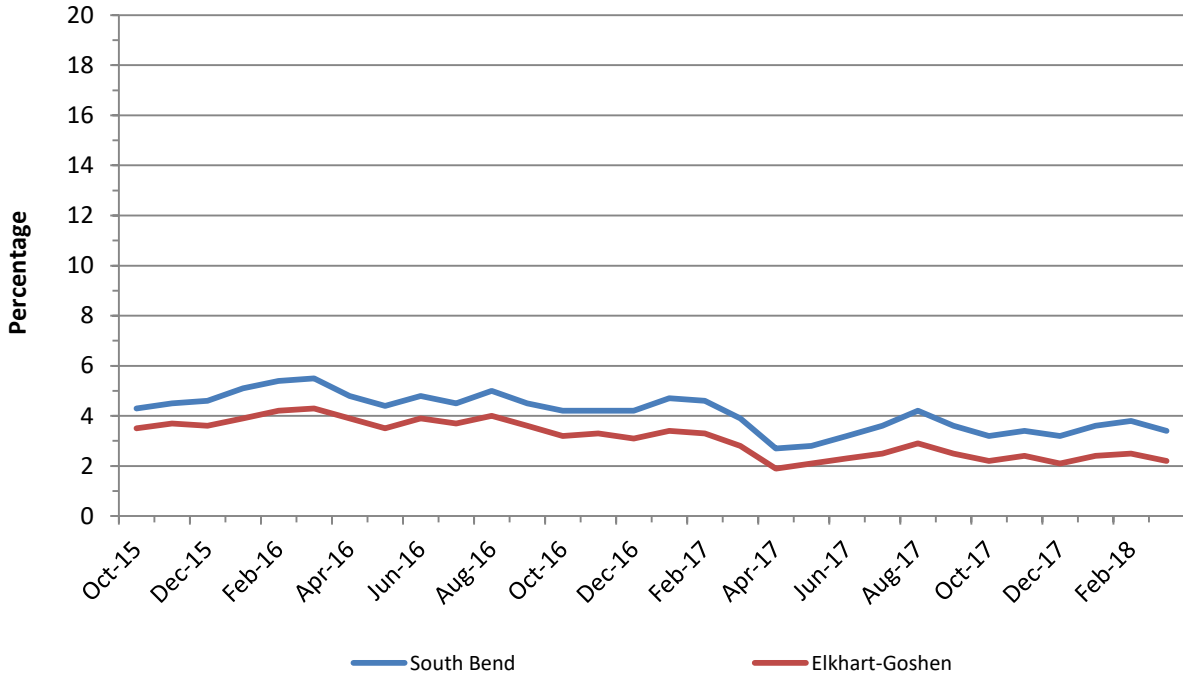
Employment in South Bend Metropolitan Area



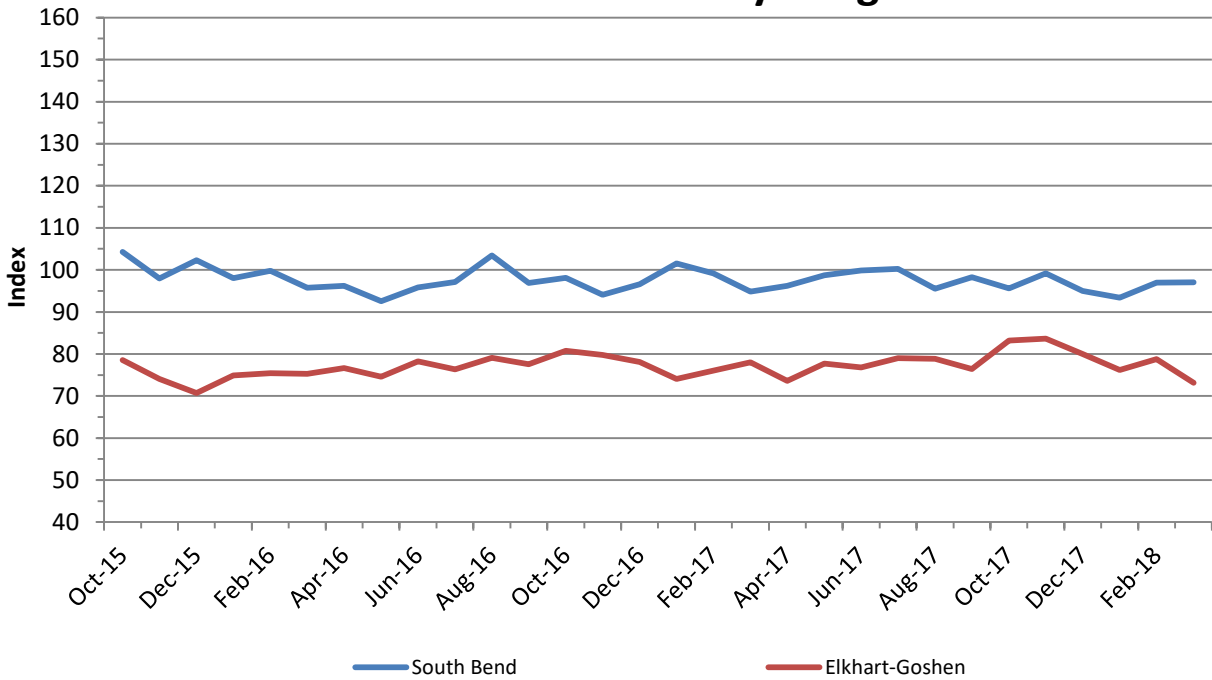
Employment in Elkhart-Goshen Metropolitan Area



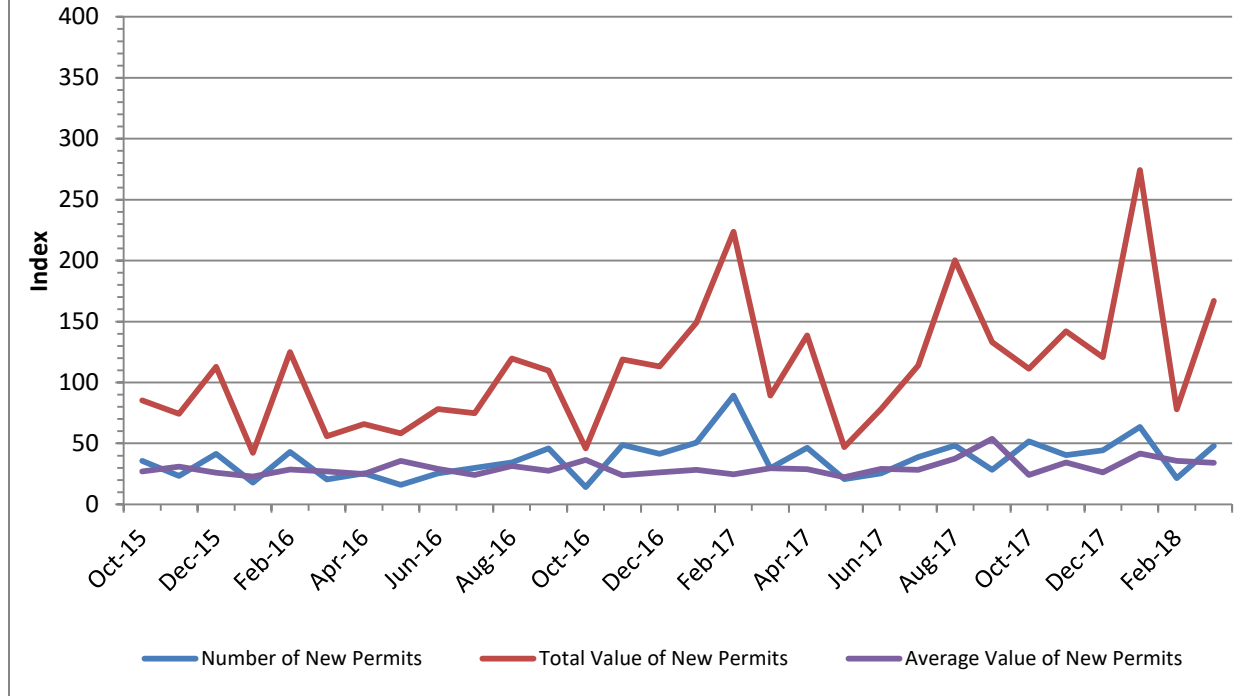
Unemployment Rate



Industrial Electricity Usage



Single-Family Housing in St. Joseph County



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http://www.stats.indiana.edu/laus/laus_view3.html

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(2) Employment by industries: Monthly Current
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Michiana Bureau of Business and Economic Research

BUREAU OF BUSINESS AND ECONOMIC RESEARCH STAFF:

Dr. Hong Zhuang, Director

Valentina Protasenko, Research Assistant

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

