

MICHIANA BUSINESS

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2nd 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 June 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 SECOND QUARTER OF 2018

Data from the U.S. Bureau of Labor Statistics¹ for the second quarter of 2018 showed that the labor force expanded in both metropolitan areas, adding 1,740 people to the South Bend – Mishawaka MSA and 2,516 people to the Elkhart – Goshen MSA. Meanwhile, payroll employment also increased in both MSAs with 1,950 additional workers employed in South Bend-Mishawaka and 3,792 more workers in Elkhart-Goshen. The average number of unemployed decreased by 209 people in the South Bend – Mishawaka area but rose by 93 people in the Elkhart – Goshen metropolitan area. As a result, the average jobless rate over the second quarter of 2018 in South Bend-Mishawaka ended up at 3.37 percent, about 0.23 percentage point lower than the first quarter average; whereas the second quarter average unemployment rate in Elkhart-Goshen remained unchanged at 2.37 percent.

The employment data by industry² indicated that total nonfarm employment in the South Bend – Mishawaka MSA gained 533 jobs in the second quarter of 2018, representing 0.37 percent job increase from the first quarter of 2018. Job losses were observed in manufacturing (-67 jobs), private educational and health services (-1500 jobs), and government (-200 jobs). On the other hand, job increases were witnessed in natural resources, mining and construction (+633 jobs); trade, transportation and utilities (+467 jobs); financial activities (+100 jobs); professional and business services (+100 jobs); leisure and hospitality (+833 jobs); and other services (+167 jobs). Employment in information stayed the same as the last quarter.

Total nonfarm employment in the Elkhart – Goshen MSA increased 2.45 percent from the first quarter of 2018, adding 3,467 new jobs in the second quarter. Government was the only sector experiencing a decline in employment, losing 200 jobs from the last quarter. Meanwhile, job increases were indicated in natural resources, mining and construction (+467 jobs); manufacturing (+1467 jobs); trade, transportation and utilities (+500 jobs); financial activities (+33 jobs); professional and business services (+533 jobs); private educational and health services (+33 jobs); and leisure and hospitality (+633 jobs). No employment changed in information and other services in the second quarter of 2018.

2. REGIONAL ECONOMIC INDICATORS

As the table below displays, the monthly average total non-farm employment index in South Bend – Mishawaka was 134.77 during the second quarter of 2018, a 1.65-point drop from the 2018 first quarter average. In particular, the manufacturing employment index of the area fell 1.12 points and the non-manufacturing employment index lost 1.97 points from the previous quarter. The index of industrial electricity usage in South Bend-Mishawaka hiked 8.43 points in the second quarter, indicating a spike in production activities.

The housing sector of the South Bend- Mishawaka MSA seemed to slow down in the second quarter of 2018. Both the number of new building permits issued for single-family housing and the total value of the new permits in the South Bend - Mishawaka MSA decreased. Statistics show a 7-point drop in the average index for the number of new building permits and a 30.92-point drop in the average index for the total value of the new permits. Nonetheless, the average index of the average value of new permits saw a minor increase of 2.13 points.

In addition, data from Indiana Association of Realtors³ showed that the number of existing single-family homes sold rose slightly by 0.9 percent and

the median sales price increased by 5.5 percent in April through June year-over-year. However, the supply of homes in South Bend-Mishawaka continued to fall that the monthly supply of inventory declined 16.2 percent in June compared to a year ago. The year-over-year statistics revealed 9.8, 8.7 and 9.0 percent decline in inventory of homes for sale in April – June respectively, suggesting a contraction in available housing options for the region.

In the Elkhart – Goshen metro area, the average seasonally adjusted index of monthly nonfarm employment in the second quarter of 2018 was 0.8 point up from the last quarter. Meanwhile, the average monthly manufacturing employment index rose 1.72 points and the average monthly non-manufacturing employment index gain little by 0.52 point from the first quarter of 2018. In addition, the average index of electricity usage was 2.02 points higher, reaching a quarterly average of 78.09.

Overall, the labor market conditions were optimistic in the South Bend-Mishawaka MSA in the second quarter of 2018. The local labor force and employment continued to expand, indicating that more local residents joined the labor force actively searching jobs and more workers were hired by local private and public sectors. With the expansion in employment slightly greater than that in labor force, South Bend – Mishawaka saw a further decline in its unemployment rate. The small scale gain in the nonfarm sector employment in the second quarter of 2018 offset the job loss in the first quarter partially. The spotlight in the nonfarm sector is leisure and hospitality, adding jobs for consecutively two quarters. Unfortunately, private educational and health services as well as government incurred job losses again in the second quarter of 2018. The supply of new homes seemed to remain stagnant over the period of April to June with fewer new building permits of single-family housing issued, although the average value of those building permits was higher in the second quarter. Meanwhile, the decline in the

supply of homes was also reflected in lower inventory of homes for sale in April through June, which further pushed up the median sales prices.

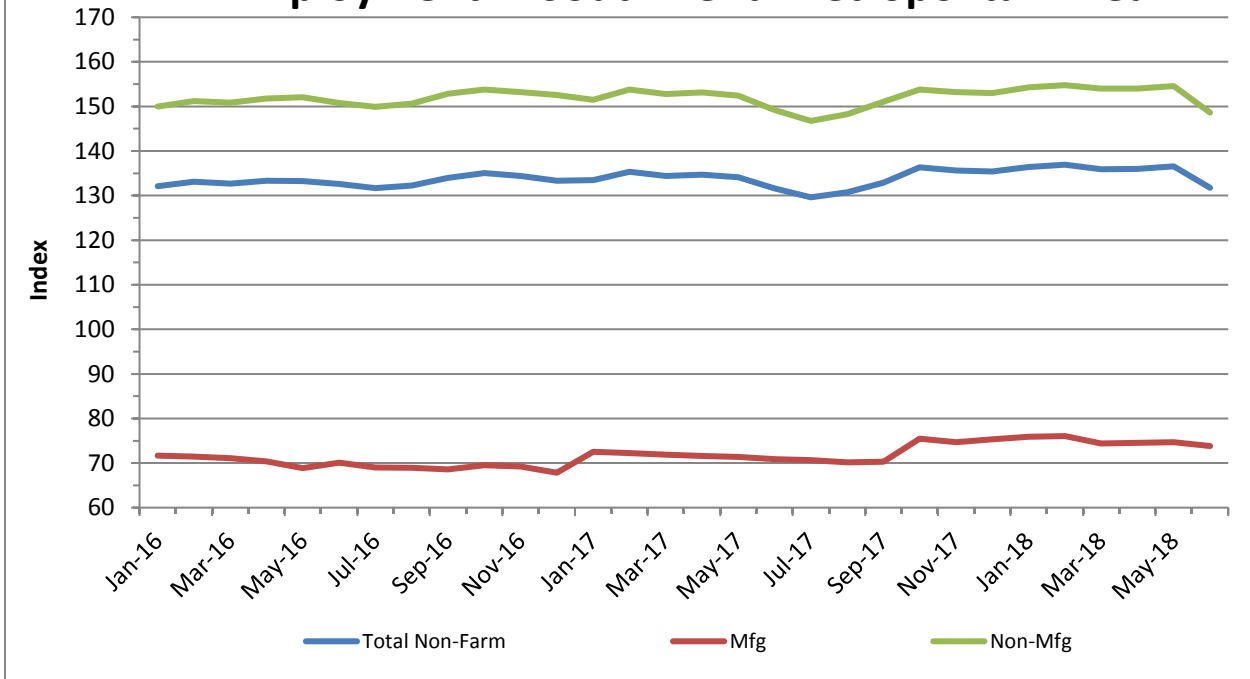
The Elkhart-Goshen MSA saw a significant employment increase of 3,467 workers in the non-farm sector, out passing its performance in the first quarter of 2018. Furthermore, majority of the

nonfarm sectors experienced job increases in the second quarter, with manufacturing being the driving force. It is worth pointing out that this is sixth consecutive quarters for the manufacturing sector in the Elkhart-Goshen MSA adding jobs. Although the unemployment rate remained unchanged in this area, the larger labor force and employment indicated a more dynamic labor market.

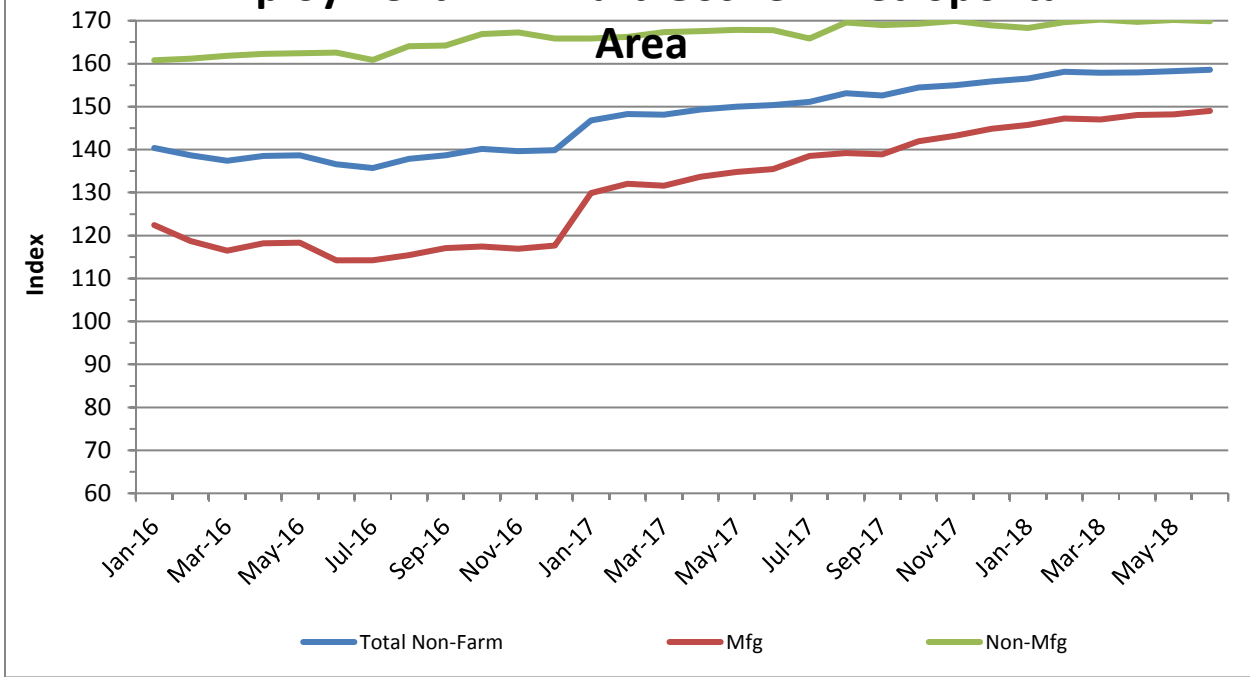
	2nd Quarter 2018				
	April	May	June	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Non-farm Employment	135.98	136.57	131.77	134.77
	Manufacturing Employment	74.54	74.67	73.79	74.33
	Non-manufacturing Employment	153.98	154.60	148.61	152.40
	Unemployment Rate	3.0	3.3	3.8	3.37
	Electricity Usage	100.86	107.05	104.77	104.23
	Single Family Housing				
	Number of New Permits	43.56	41.55	26.97	37.36
	Total Value of New Permits	130.03	132.10	164.22	142.12
	Average Value of a New Permit	28.90	31.18	57.78	39.29
Elkhart -Goshen	Employment				
	Total Non-farm Employment	157.99	158.29	158.58	158.29
	Manufacturing Employment	148.02	148.19	149.00	148.40
	Non-manufacturing Employment	169.72	170.20	169.87	169.93
	Unemployment Rate	2.0	2.4	2.7	2.37
	Electricity Usage	79.82	78.94	75.49	78.08

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

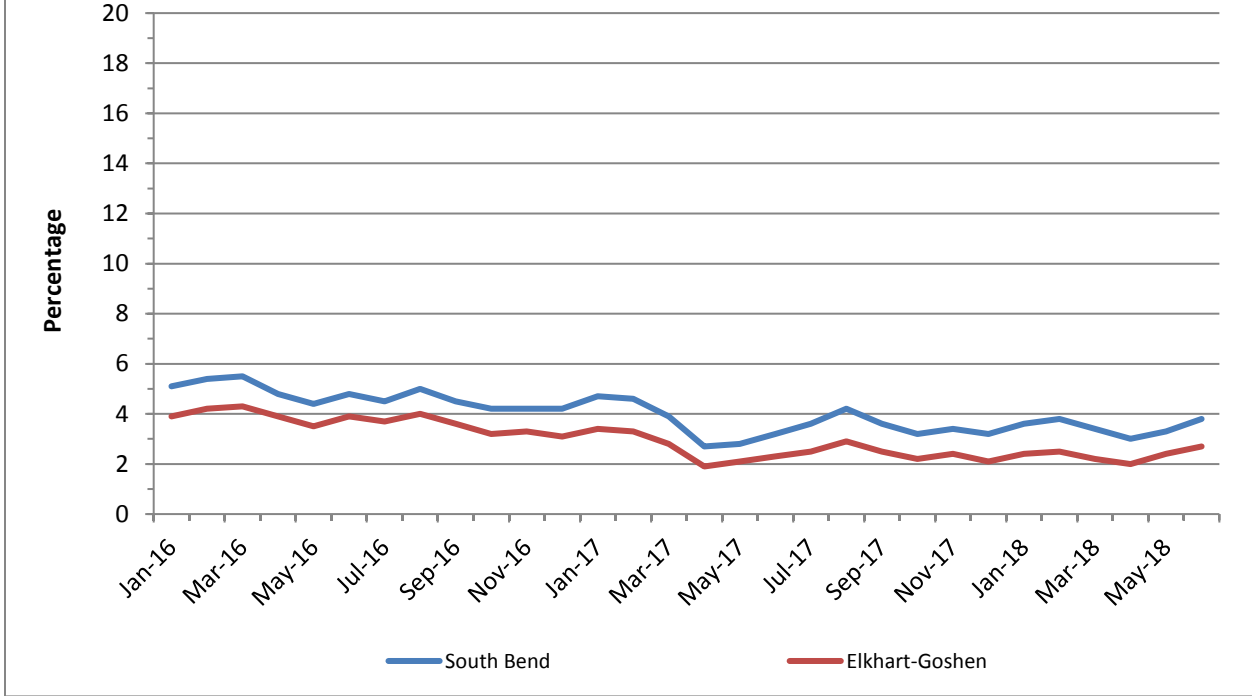
Employment in South Bend Metropolitan Area



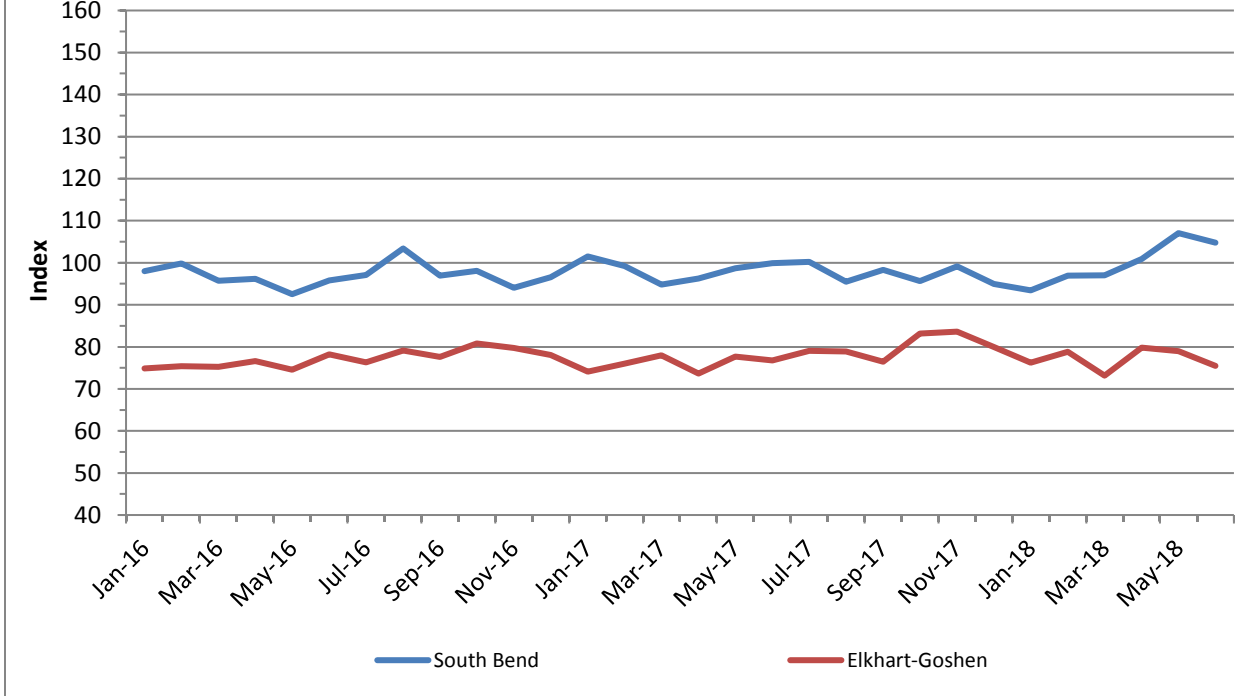
Employment in Elkhart-Goshen Metropolitan Area



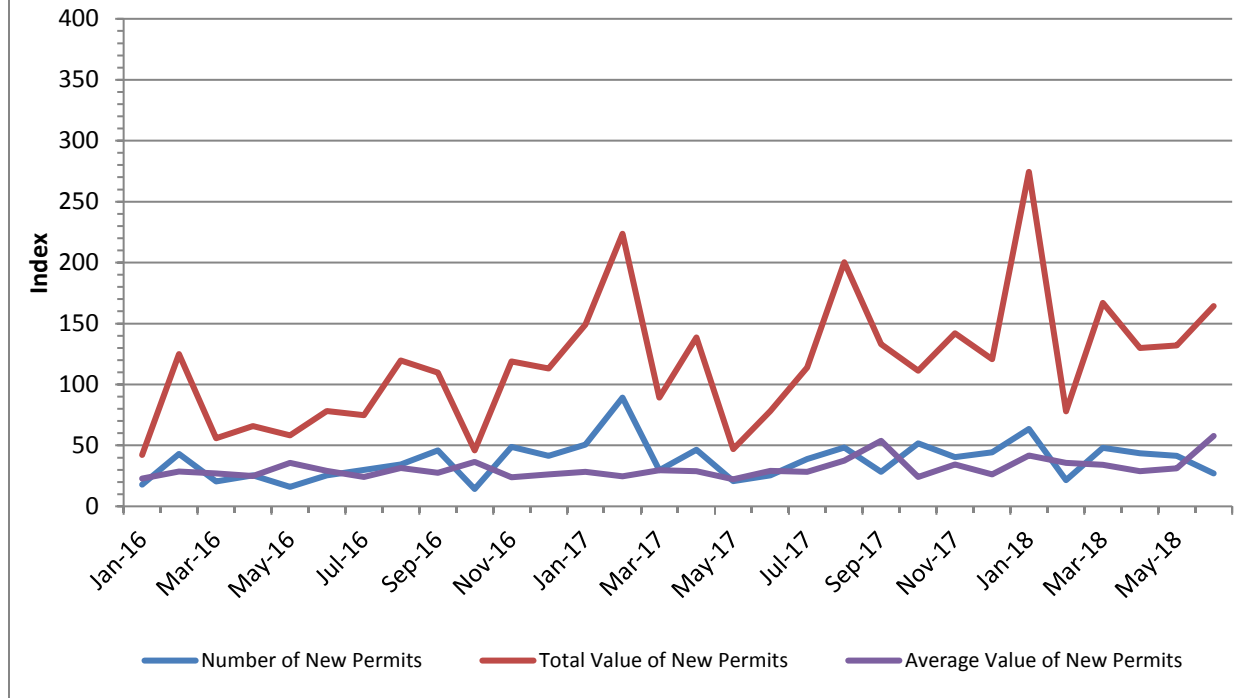
Unemployment Rate



Industrial Electricity Usage



Single-Family Housing in St. Joseph County



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(3) Indiana Housing Market Update
<http://www.10kresearch.com/reports/IAR/Main.ht>

(2) Employment by industries: Monthly Current
Employment Statistics (CES)

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