



The Bureau of Business and Economic Research Presents:

MICHIANA BUSINESS

2nd Quarter 2022

Judd Leighton School of Business & Economics | Indiana University South Bend

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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.

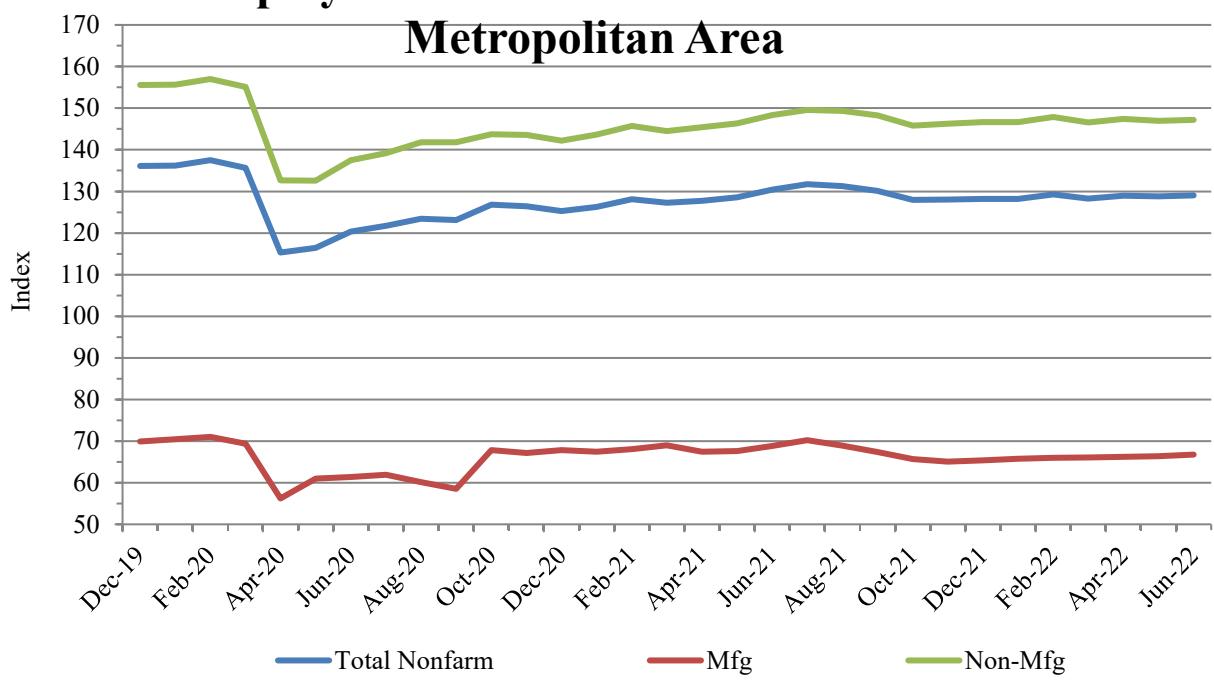
The St. Joseph housing market is under the effects of rising interest rates. The Federal Reserves have increased the baseline interest rate by 0.5 percentage points in May and 0.75 percentage points in June 2022 to tame the decades-high inflation rate⁵. The Fed's action results in higher mortgage rates. 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.

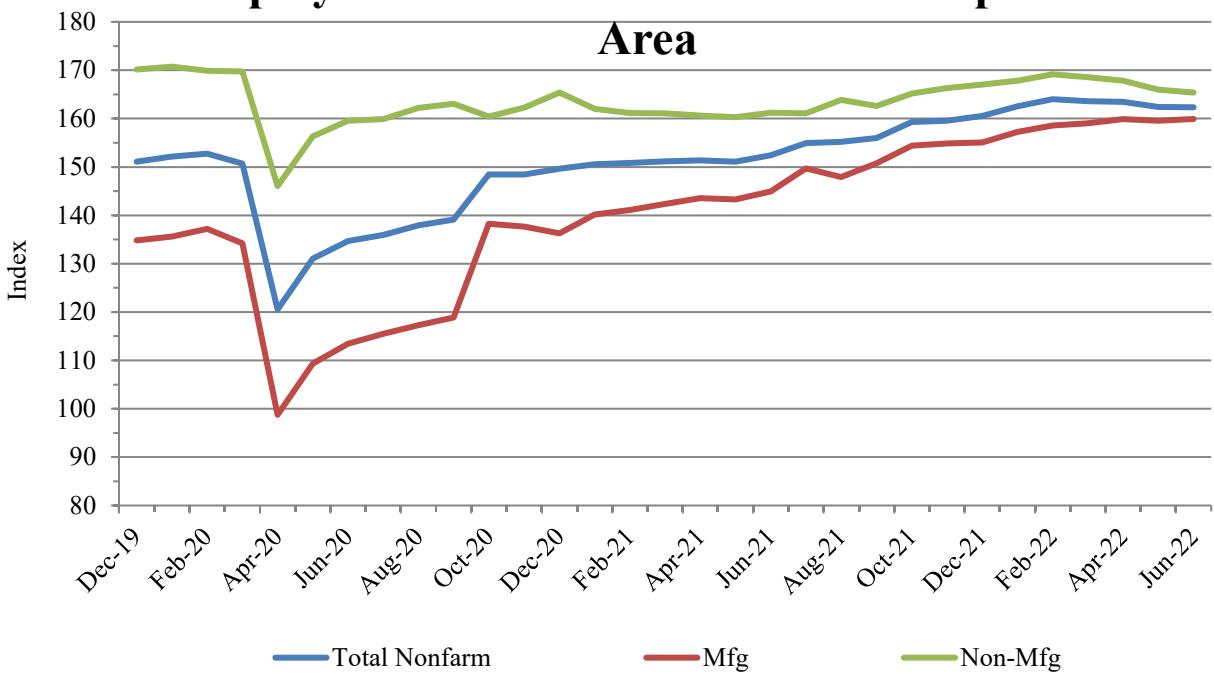
		2nd Quarter 2022			
		April	May	June	Monthly Average
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	129.00	128.80	129.05	128.95
	Manufacturing Employment	66.21	66.37	66.75	66.44
	Non-manufacturing Employment	147.39	146.98	147.16	147.18
	Unemployment Rate	2.30	2.70	3.50	2.83
	Electricity 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

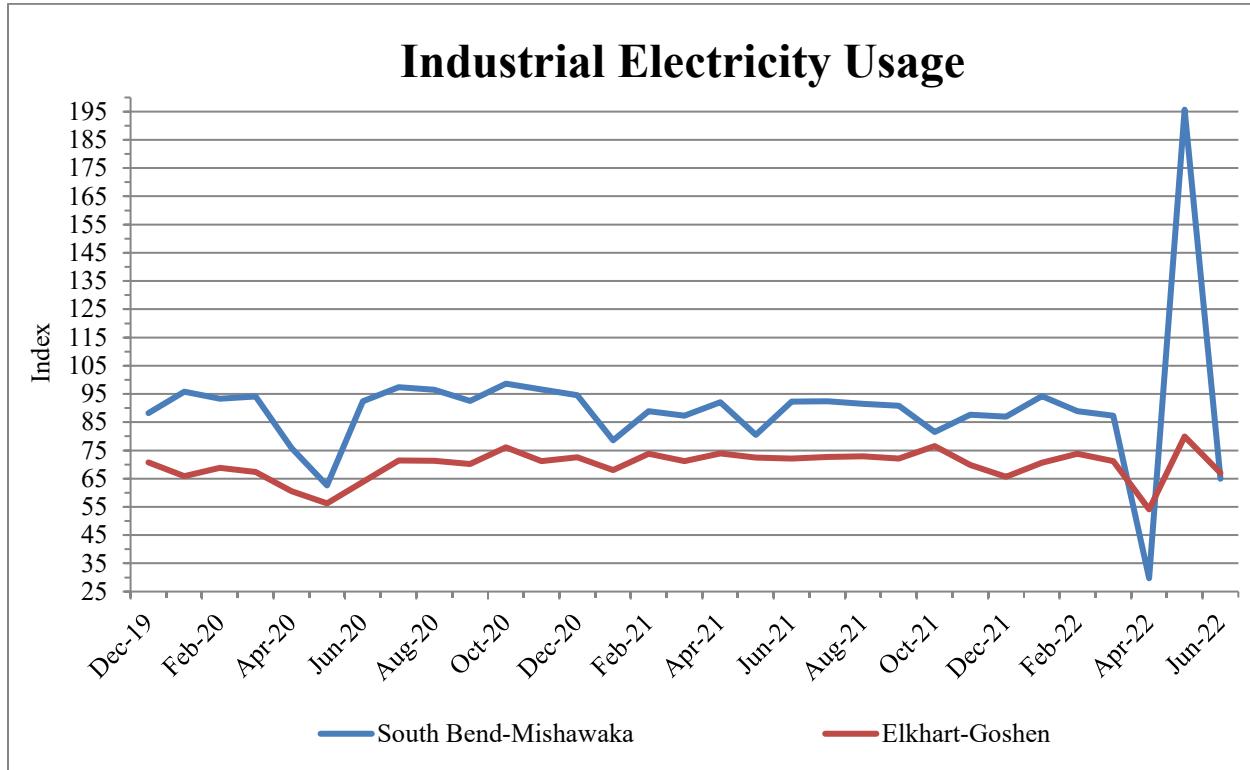
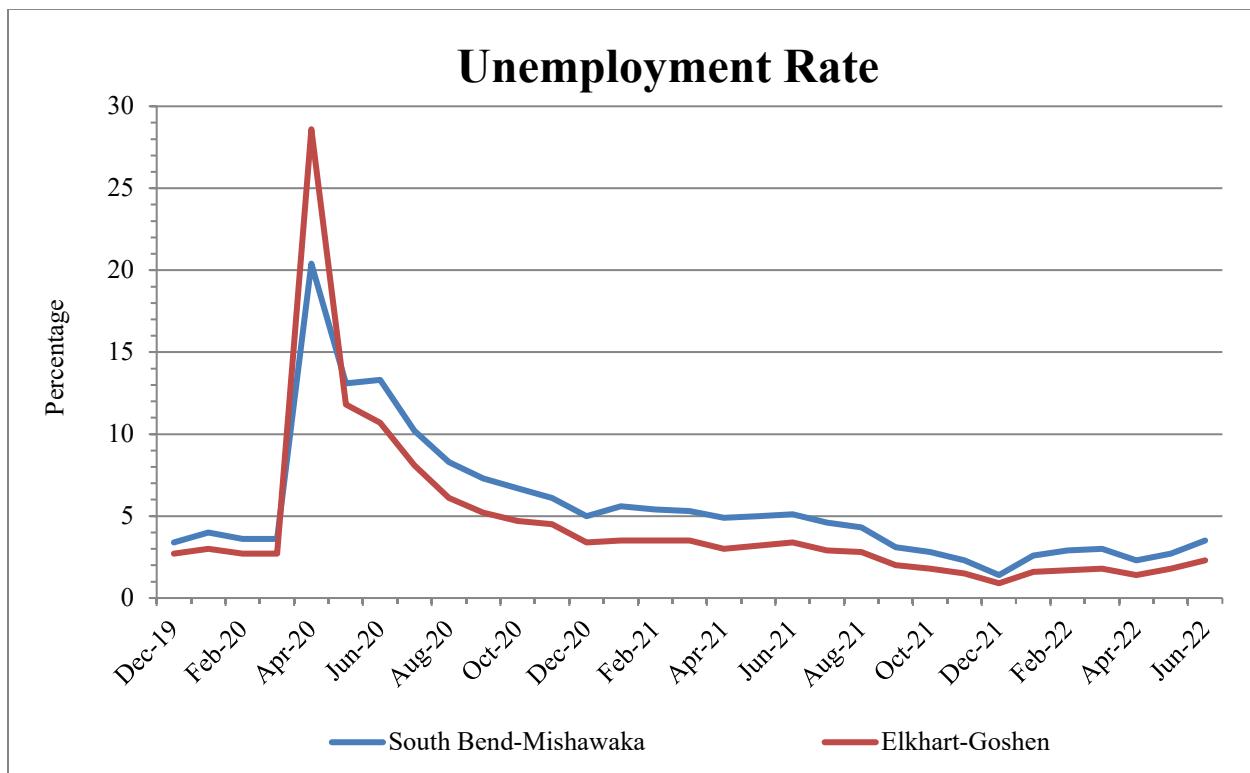
Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using the BLS seasonal adjustment program.

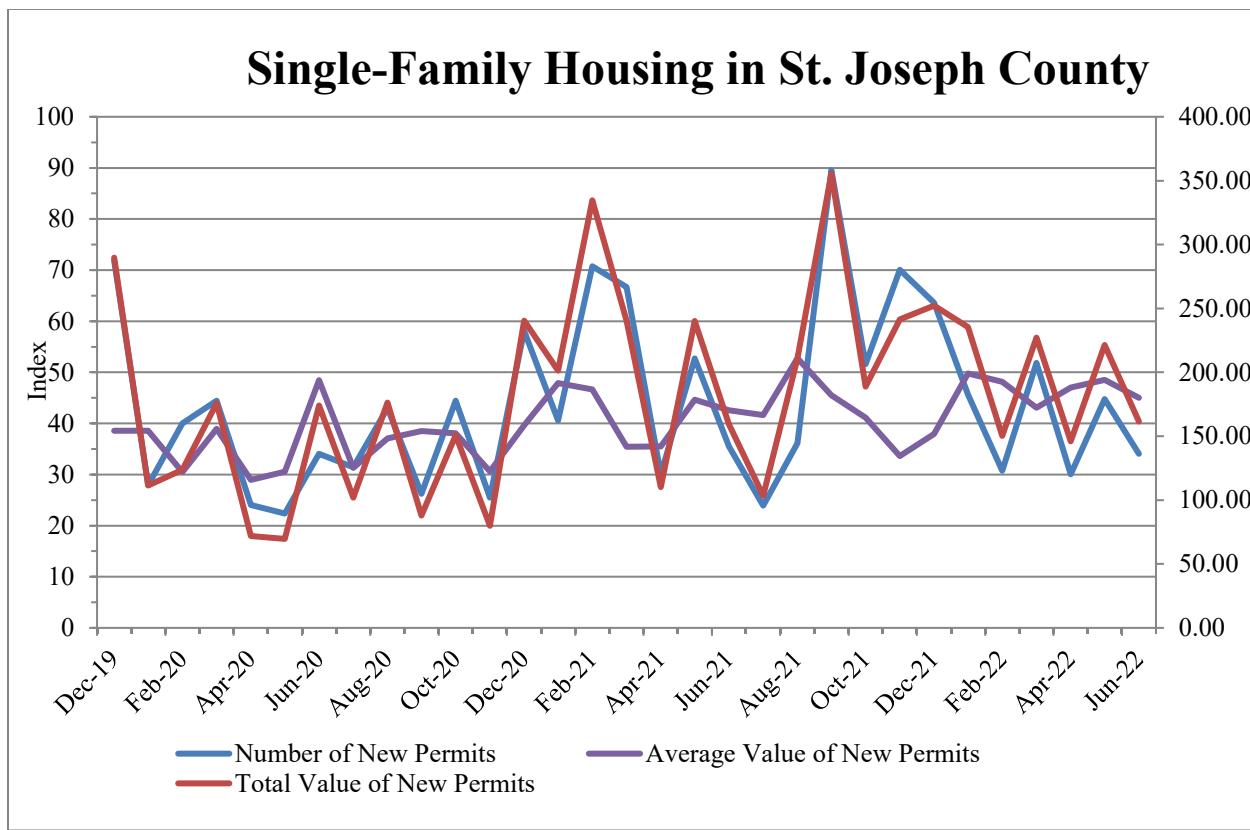
Employment in South Bend-Mishawaka Metropolitan Area



Employment in Elkhart-Goshen Metropolitan Area







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) 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://casaplayer.com/fed-interest-rate>
- (6) Data source: <https://www.freddiemac.com/pmms>

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