

MICHIANA BUSINESS

INSIDE THIS ISSUE

- *Introduction 1st Quarter 2020 Summary*
- *Summary of Regional Economic Conditions in the 1st Quarter of 2020*
- *Regional Economic Indicators*

1st Quarter 2020 Summary

This issue presents an analysis of economic conditions in the South Bend – Mishawaka and Elkhart – Goshen metropolitan statistical areas (MSAs) as of March 2020, 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 2020

The first quarter labor force fell by 1,436 and 4,571 in the South Bend-Mishawaka and Elkhart-Goshen metropolitan areas, respectively, according to the U.S. Bureau of Labor Statistics data¹. Payroll employment declined by 1,860 and 4,547 in South Bend-Mishawaka and Elkhart-Goshen, respectively. The number of unemployed rose by 425 in South Bend-Mishawaka, but decreased by 25 in Elkhart-Goshen. The above labor market dynamics resulted in rising unemployment rates in both areas during the first quarter of 2020. The first-quarter unemployment rate in the South Bend-Mishawaka metropolitan area averaged at 3.77 percent, 0.33 percentage point higher than the fourth quarter average of 2019. The average jobless rate was 2.83 percent in the Elkhart-Goshen metropolitan area, 0.07 percentage point up from the last quarter.

The employment data by industry² reported a job loss of 2,833 in total nonfarm employment of South Bend-Mishawaka during the first quarter of 2020. The metropolitan area experienced employment decrease in natural resources, mining and construction (-1,067 jobs); manufacturing (-667 jobs); trade, transportation and utilities (-233 jobs); information (-167 jobs); financial services (-100 jobs); professional and business services (-100 jobs); leisure and hospitality (-333 jobs); other services (-133 jobs); and government (-1,033 jobs). Only private educational and health services saw job growth (+1000 jobs).

Total nonfarm employment in the Elkhart-Goshen MSA decreased over the quarter by 4,867, a greater loss than that in the South Bend-Mishawaka MSA. Further sectoral data reveals that

employment declined in natural resources, mining and construction (-300 jobs); manufacturing (-2,733 jobs); trade, transportation and utilities (-533 jobs); professional and business services (-933 jobs); and leisure and hospitality (-600 jobs). Jobs grew in financial activities (+33 jobs); private educational and health services (+67 jobs); and government (+133 jobs). Employment in information and other services remained unchanged in the first quarter of 2020.

2. REGIONAL ECONOMIC INDICATORS

As displayed in the table below, the total non-farm employment index in South Bend-Mishawaka averaged at 136.74, 0.30 point down from the last quarter. The monthly average manufacturing employment index was 70.55, decreasing by 2.80 points from the fourth quarter of 2019. The non-manufacturing employment edged up 0.72 points to 156.22 over the previous quarter. The index of industrial electricity usage in South Bend-Mishawaka rose by 0.11 point to a monthly average of 94.39 in the first quarter of 2020.

New home construction trended down in the first three months of 2020 as the average index of new building permits of single-family housing lost 14.06 points to 37.45 and the total value of these permits declined by 36.69 points to an average of 137.03. However, the average value index of new permits went up 3.31 points to 35.99 attributed to a larger decrease in the total value of new permits than that in the number of new permits.

The existing-home closed sales was 718 in January – March of 2020, up 20.1 percent from a year ago, according to the Indiana Association of Realtors data³. The median sales price rose 10 percent in the first quarter of 2020 to \$133,000, compared to the first quarter of 2019. Further statistics showed that the area’s inventory of homes for sale declined 34.7 percent in January, 41.0 percent in February and 31.3

percent in March, respectively, in the year-over-year comparison.

In the Elkhart-Goshen metropolitan area, the average monthly nonfarm employment index was 152.27 in the first quarter of 2020, 3.51 points down from the last quarter. The manufacturing employment index dropped 5.27 points to 136.29, from 141.56 in the fourth quarter of 2019. The average monthly index of non-manufacturing employment was down 2.58 points to 170.30. The index of electricity usage also decreased by 6.18 points to a quarterly average of 67.33 in the first quarter of 2020.

In summary, the above economic data showed significant hits to the local labor markets in the South Bend-Mishawaka and Elkhart-Goshen MSAs. Because of the seasonal factor, the first-quarter labor market typically performed weaker than the previous quarter. On top of seasonality, the COVID-19 pandemic exerts additional pressures on the local labor markets due to the stay-at-home orders and the shut-down of establishments deemed nonessentials to contain the spread of coronavirus disease. Therefore, both MSAs saw lower employment and higher unemployment rates in the first quarter of 2020, as most of the sectors shed jobs. Vavra (2020) identifies six sectors that are most directly affected: “restaurants and bars, travel and transportation, entertainment (e.g. casinos and amusement parks), personal services (e.g., dentists, daycare providers, barbers), other sensitive retail (e.g., department stores and car dealers), and sensitive manufacturing (e.g., aircraft and car manufacturing).”⁴ Consistently, both areas saw employment decrease in natural resources, mining and construction; manufacturing; trade, transportation and utilities; and leisure and hospitality.

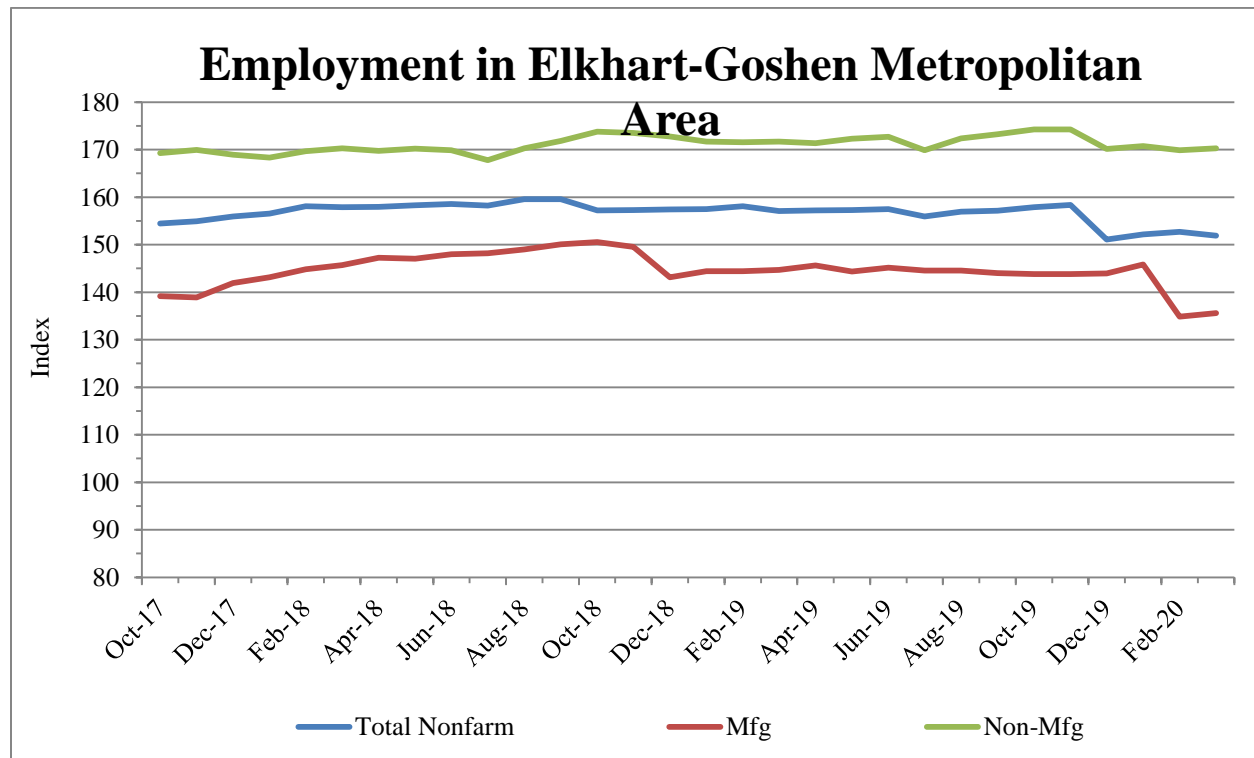
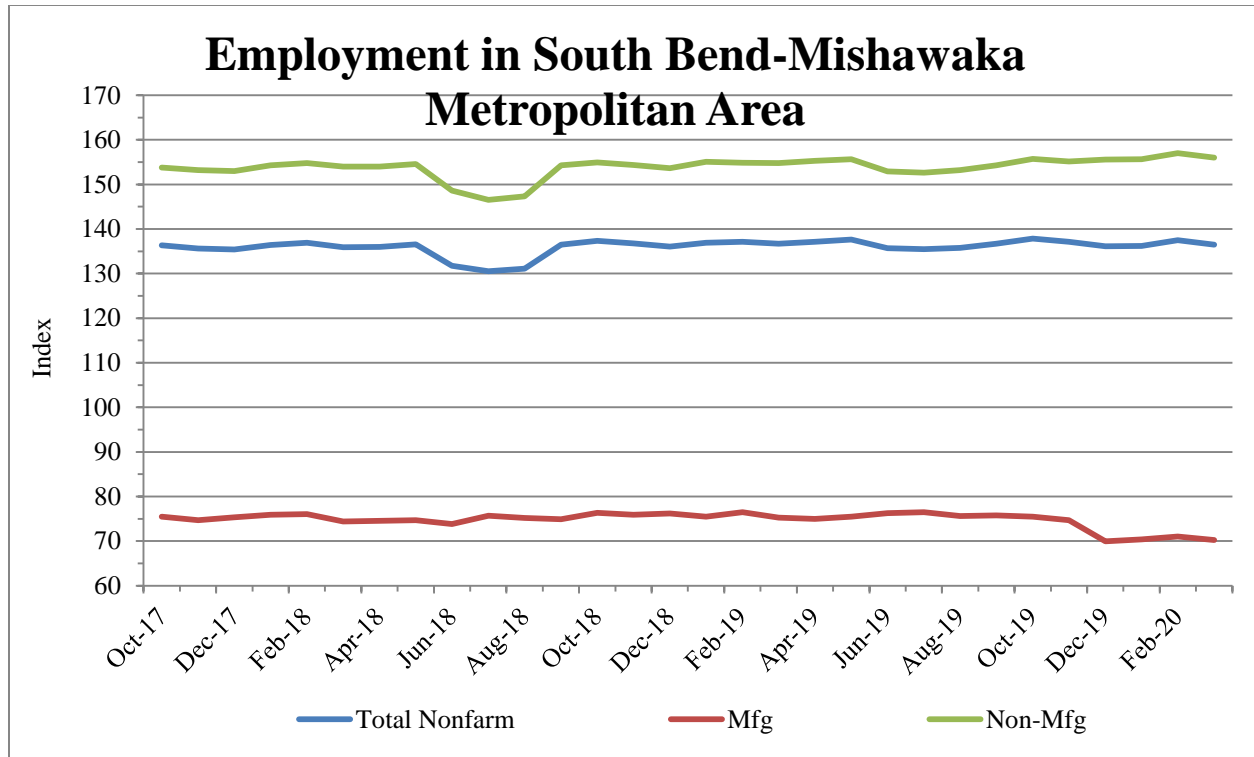
The seasonal factors and possibly the COVID-19 pandemic also caused fewer new home constructions in the first quarter of 2020. The index of new building permits of single-family housing in

the first quarter of 2020 declined by 14.06 points from the fourth quarter of 2019, and was 4.67 points below the first-quarter average of 2019. Despite the slowdown in the new home construction, the existing home sales seemed to remain solidly strong with the closed sales up, demonstrated by the 20.1 percent increase in the closed sales and higher

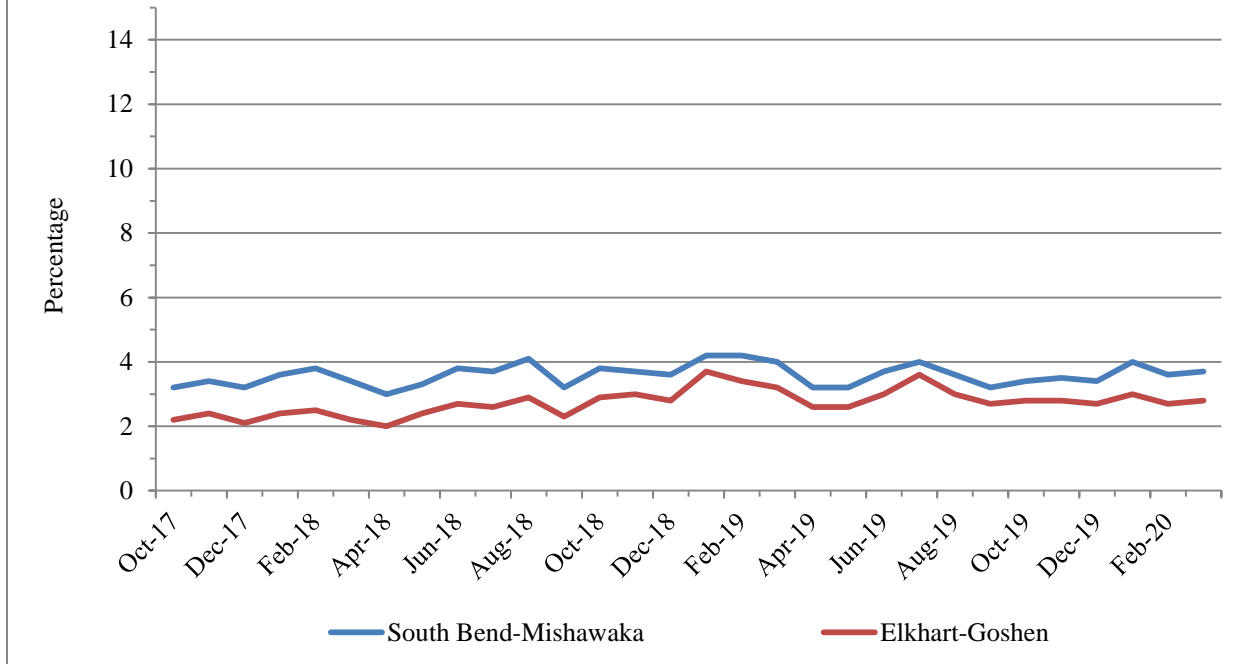
median sales price. However, the employment decline and wage loss due to the continued shutdown orders would significantly reduce worker earnings and thus the purchasing capacity, which will eventually be passed on to the existing home sales.

	1st Quarter 2020				
	January	February	March	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Non-farm Employment	136.22	137.50	136.50	136.74
	Manufacturing Employment	70.41	71.01	70.24	70.55
	Non-manufacturing Employment	155.68	157.00	155.99	156.22
	Unemployment Rate	4	3.6	3.7	3.77
	Electricity Usage	95.77	93.35	94.07	94.39
	Single Family Housing				
Number of New Permits	27.90	40.00	44.44	37.45	
Total Value of New Permits	111.54	123.67	175.88	137.03	
Average Value of a New Permit	38.57	30.49	38.92	35.99	
Elkhart -Goshen	Employment				
	Total Non-farm Employment	152.15	152.73	151.91	152.27
	Manufacturing Employment	135.63	137.20	136.04	136.29
	Non-manufacturing Employment	170.75	169.89	170.25	170.30
	Unemployment Rate	3.0	2.7	2.8	2.83
	Electricity Usage	65.85	68.82	67.30	67.33

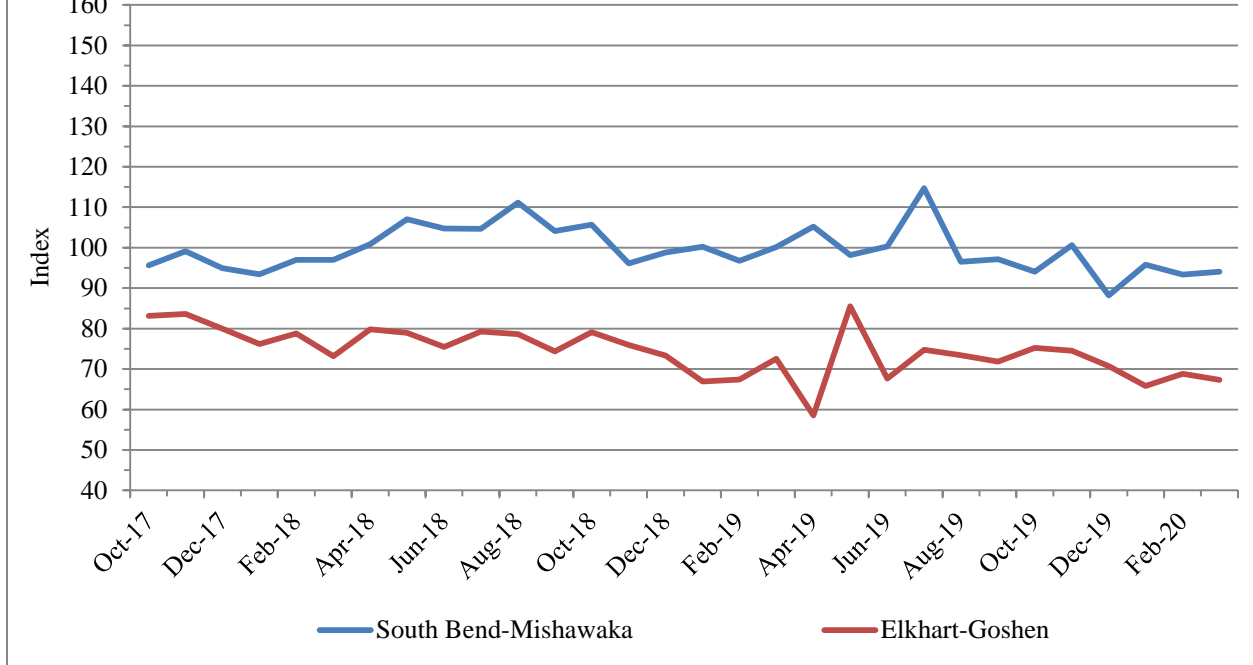
Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using BLS seasonal adjustment program.



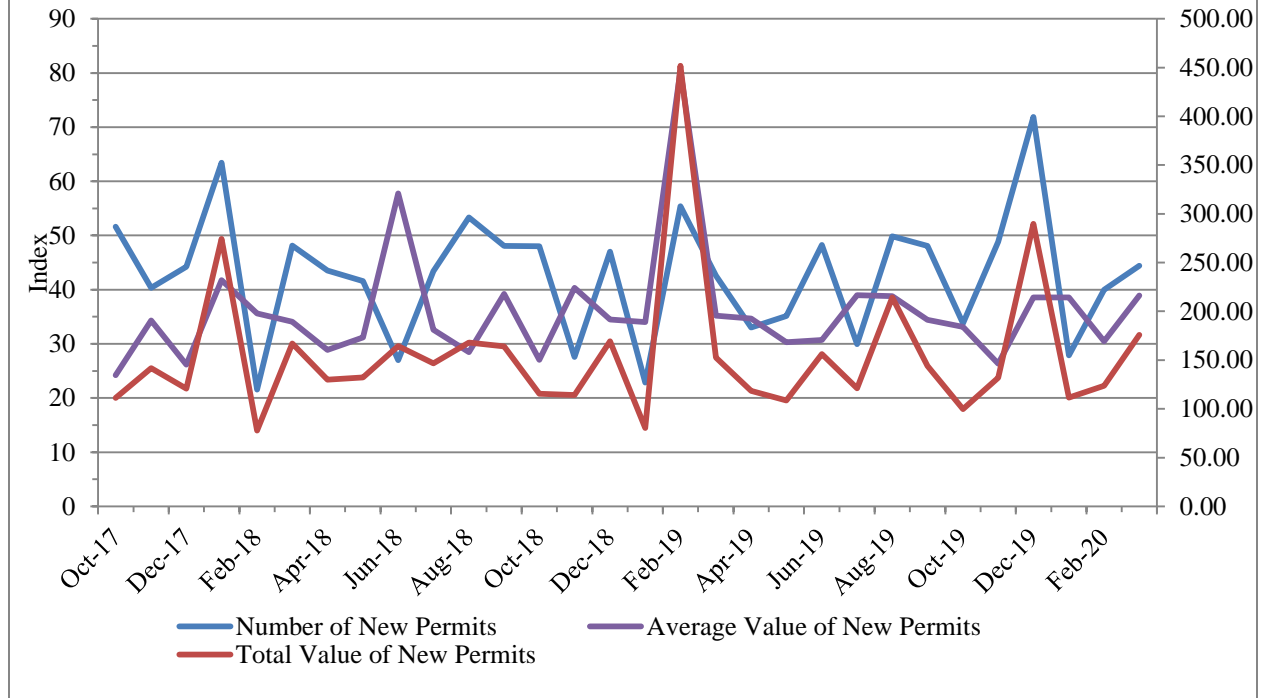
Unemployment Rate



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) Joseph S. Vavra, “Shutdown sectors represent large share of all U.S. employment” (Chicago, IL: Becker Friedman Institute for Economics at the University of Chicago, March 31, 2020),
<https://bfi.uchicago.edu/insight/blog/key-economic-facts-about-covid-19>

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