

MICHIANA BUSINESS

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4th 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 December 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. 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 2022

According to the U.S. Bureau of Labor Statistics¹, the 2022 fourth quarter's labor force in the South Bend-Mishawaka MSA was averaged at 134,843, about a tenth of a percent less than that in the third quarter. The average of Elkhart-Goshen MSA's labor force was 118,958 in the fourth quarter, 1.46 percent below the third-quarter level. The number of employed expanded by 125 in South Bend-Mishawaka (+0.10 percent), but declined by 1,995 in Elkhart-Goshen (-1.69 percent). Meanwhile, unemployment declined by 280 in South Bend-Mishawaka and increased by 235 in Elkhart-Goshen. Consequently, the fourth-quarter jobless rate decreased by 0.17 percentage points to 3.13 percent in South Bend-Mishawaka, and rose by 0.23 percentage points to 2.63 percent in Elkhart-Goshen.

The industrial level data² indicated a continuous recovery in the labor market as well. In the South Bend-Mishawaka MSA, total nonfarm employment was 141,900, adding 2,867 jobs (+2.06 percent) in the fourth quarter of 2022. The job gains were observed in trade, transportation and utilities (+800 jobs); financial activities (+100 jobs); private educational and health services (+833 jobs), and government (+1600 jobs). On the other hand, employment declined in natural resources, mining, and construction (-33 jobs), professional and business services (-133 jobs), and leisure and hospitality (-300 jobs). Employment remained unchanged in manufacturing, information, and other services.

In the Elkhart-Goshen MSA, total nonfarm employment lost 467

workers (-0.32 percent) in the fourth quarter. Jobs were added in trade, transportation and utilities (+567 jobs), private educational and health services (+100 jobs), and government (+700 jobs). Significant employment loss was seen in manufacturing (-1,400 jobs) and minor loss in natural resources, mining, and construction (-133 jobs); professional and business services (-133 jobs); and leisure and hospitality (-167 jobs). No changes to employment in financial activities, information and other services.

2. REGIONAL ECONOMIC INDICATORS

As the table below shows, the monthly average total nonfarm employment index in South Bend-Mishawaka increased by 1.69 points to 133.10 in the fourth quarter. The manufacturing employment index of the area gained 0.30 points to 67.18 and the non-manufacturing employment increased by 2.08 points to 152.19. However, the metropolitan's index of industrial electricity usage lost 6.46 points to 82.75 over the same time period.

The housing sector of South Bend-Mishawaka MSA improved slightly in the fourth quarter. The index of new building permits of single-family housing increased by 6.01 points to 41.83. The total value of these permits jumped 27.96 points to 172.89. Consequently, the seasonally adjusted index of the average value of new permits gained 3.49 points to 44.49.

Data from the Indiana Association of Realtors³ indicated that the region's existing home sales was cooling down. In the year-over-year comparison, the closed sales of existing single-family homes went down 27.1 percent in the fourth quarter of 2022, though the median sales price continued to rise, up 5.9 percent from last year. Meanwhile, the St. Joseph county's monthly supply of inventories increased by 27.3 percent, 44.6 percent, and 71.4 percent, in October, November, and December, respectively, from one year ago. Similarly, the area's inventory of homes for sale

was up 38.9 percent year-over-year in the fourth quarter of 2022.

The Elkhart-Goshen metro area's nonfarm employment index in the fourth quarter of 2022 was 161.42, essentially unchanged from the last quarter. The monthly average manufacturing employment index decreased by 2.20 points from the previous quarter to 155.19, and the monthly average index of non-manufacturing employment rose 2.99 points to 169.22. In addition, the index of electricity usage slid 3.15 points to 64.59 in the fourth quarter.

The Federal Reserves continued to raise the targeted federal funds rate in the fourth quarter of 2022 to combat the inflation rate. The federal funds rate went up in November by 0.75 percentage points and in December by 0.50 percentage points, and reached 4.25 – 4.50 percent during the Fed's last monetary policy meeting of 2022. The rate hike has pushed borrowing costs to the highest level since 2007. The higher interest rate intends to suppress the aggregate demand and slow down the increase in the price level. Meanwhile, the higher interest rate is expected to weaken the job market and will potentially increase the unemployment rate.

Under the tightening monetary policy, South Bend-Mishawaka's labor market held up well in the fourth quarter of 2022. The indicators presented in section 1 showed that the labor force was unchanged, and the employment increased. However, the Elkhart-Goshen's labor market saw modest withdrawal. The labor force and employment fell for the second consecutive quarter in 2022 and the unemployment rate rose to 2.63 percent. Although the unemployment rate in Elkhart-Goshen was the highest in the recent four quarters, it is still below the pre-pandemic rate of 2.83 percent in the first quarter of 2020.

The robust labor market in South Bend-Mishawaka could be attributed to the more diversified local economy. The majority of the labor force is employed by the service sector. The excess savings during the pandemic

could still be the power of household spending, which benefits the service sector employment growth. Meanwhile, the strong government hiring in the fourth quarter of 2022 is also a significant contributor to the well-performed labor market.

On the other hand, Elkhart-Goshen's job losses were concentrated in the manufacturing sector due to the dominant role of the RV industry. This industry experienced headwinds in several areas. As the concern of the pandemic eased over time, the demand for the RV has faded. Meanwhile, the rising interest rate has increased the finance cost of the RV purchase. The sustained high inflation rate and the uncertainty of 2023's economy may have reduced household spending on more luxurious options for transportation and vacation. On top of that, the high energy price could further dissuade consumers from purchasing RVs.

According to the RV Industry Association reports, total RV shipments were down 47.8 percent in the fourth quarter of 2022, compared to one year ago.⁴ The slow down in the RV sales attributed to the manufacturing layoffs in the Elkhart-Goshen MSA.

Lastly, the housing market further declined in St. Joseph county in the fourth quarter of 2022. The number of new housing building permits issued was slightly up; however, the existing home sales tumbled again in the last quarter of 2022. Meanwhile, the median sales price of existing homes and the average value of building permits continued to rise. The historic high housing prices and the rapid increase in mortgage rates have hurt the affordability for potential buyers in the market, and gradually shifted the market power from sellers to buyers.

4th Quarter 2022

October November December Monthly Average

Employment

Total Nonfarm Employment	133.70	133.28	132.32	133.10
Manufacturing Employment	67.83	67.12	66.58	67.18
Non-manufacturing Employment	152.60	152.40	151.58	152.19
Unemployment Rate	3.20	3.30	2.90	3.13
Electricity Usage	82.15	85.79	80.31	82.75

Single-Family Housing

Number of New Permits	64.06	25.47	35.95	41.83
Total Value of New Permits	210.45	123.98	184.25	172.89
Average Value of a New Permit	36.94	47.48	49.06	44.49

Employment

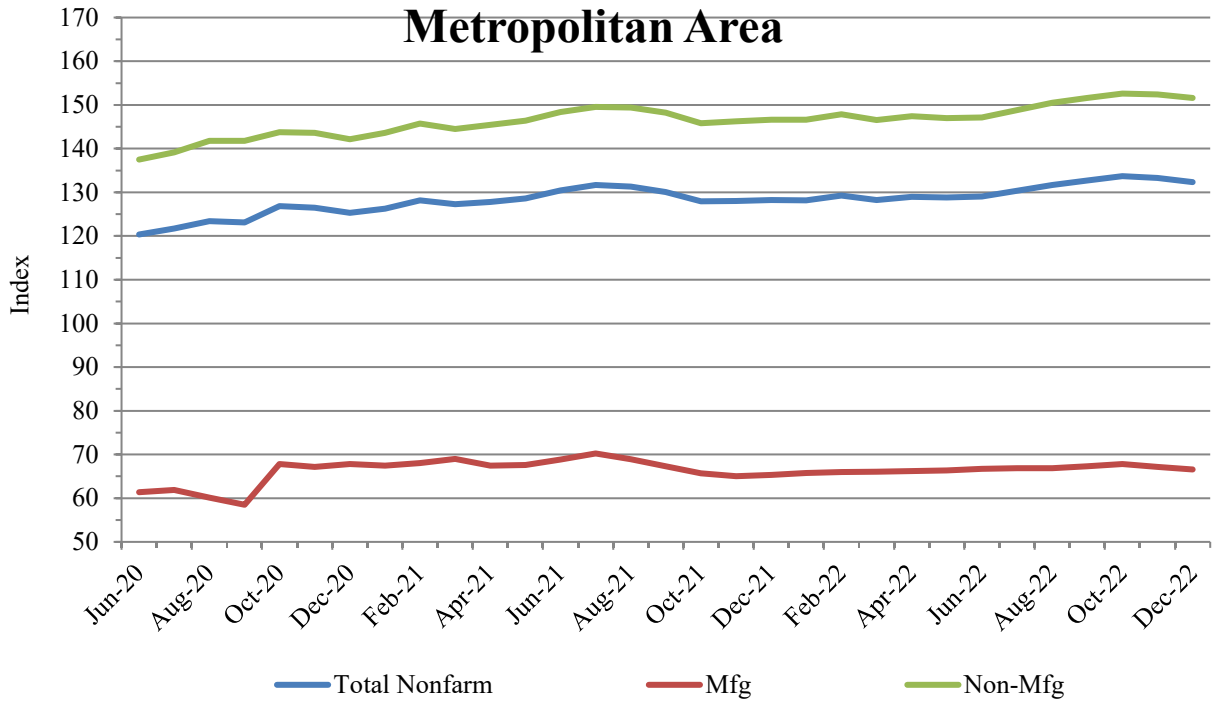
Total Nonfarm Employment	161.85	161.67	160.75	161.42
Manufacturing Employment	156.03	156.10	153.44	155.19
Non-manufacturing Employment	168.79	169.45	169.41	169.22
Unemployment Rate	2.60	2.80	2.50	2.63
Electricity Usage	63.81	68.42	61.53	64.59

South Bend - Mishawaka

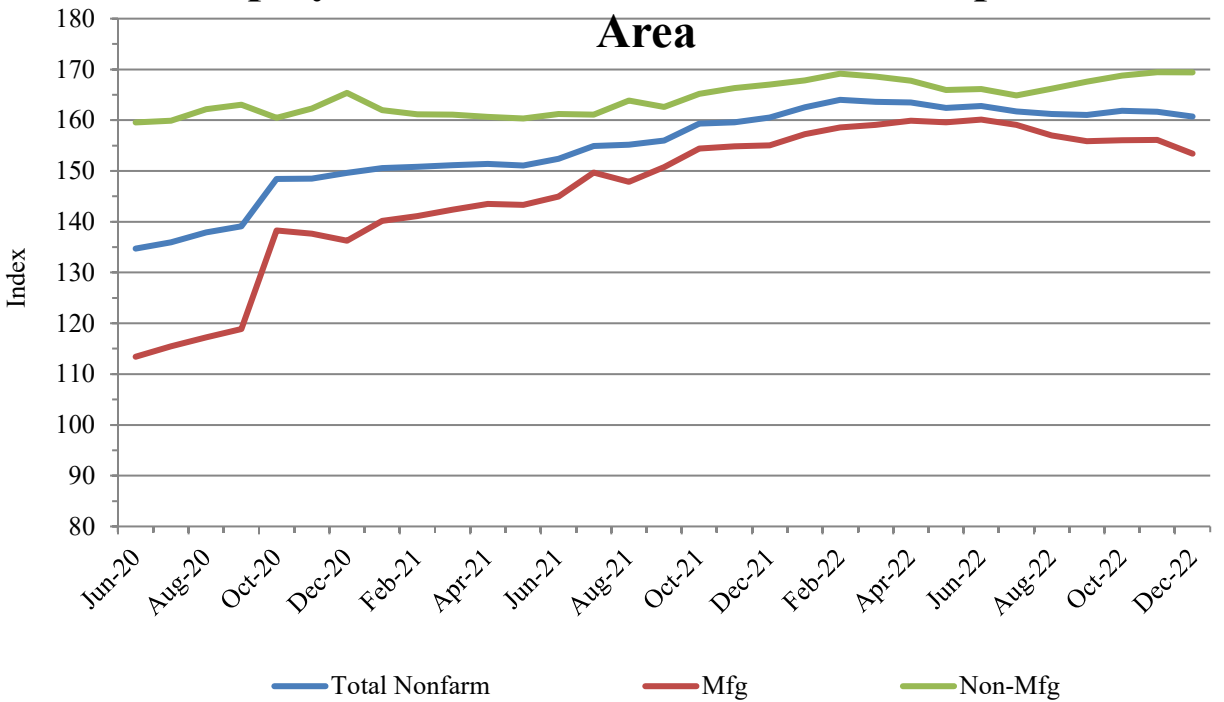
Elkhart - Goshen

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

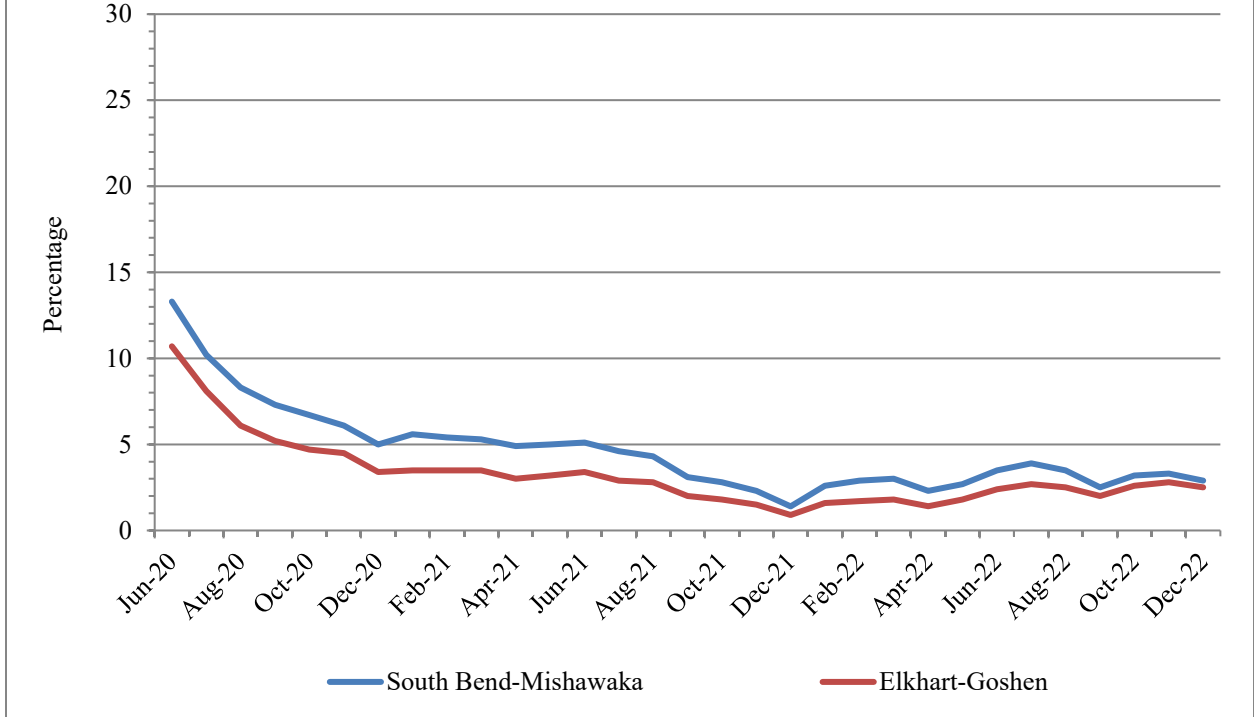
Employment in South Bend-Mishawaka Metropolitan Area



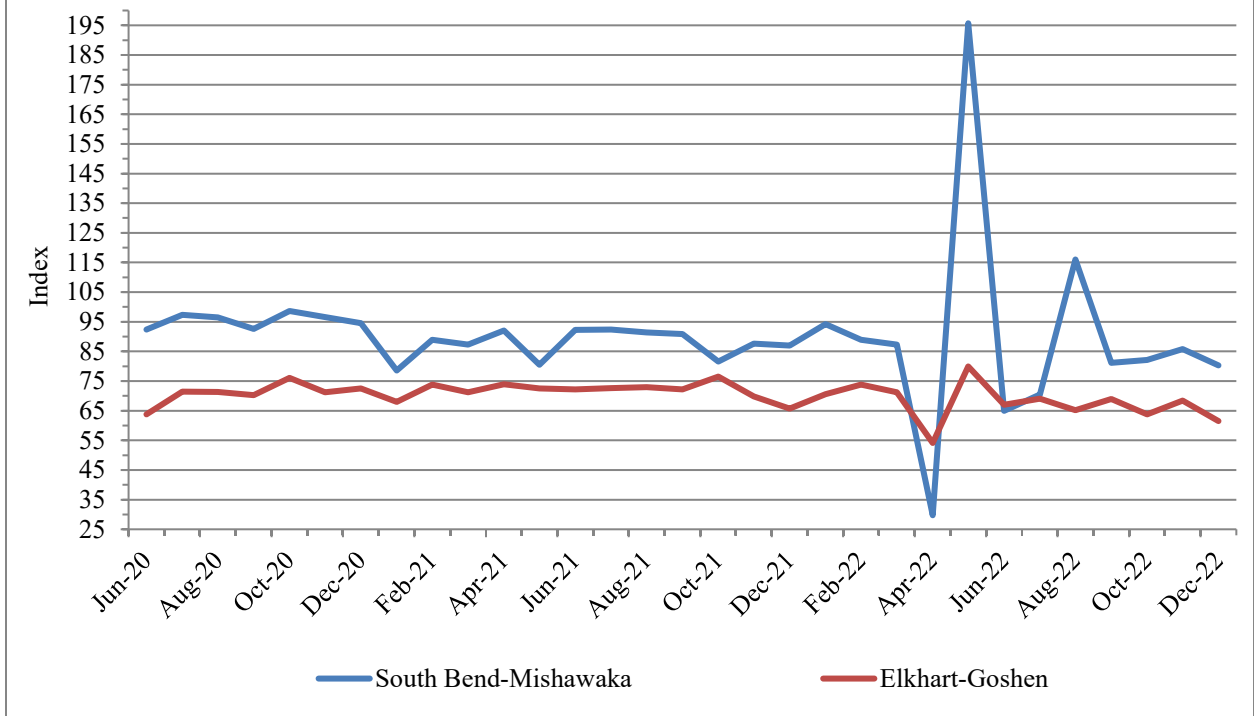
Employment in Elkhart-Goshen Metropolitan Area



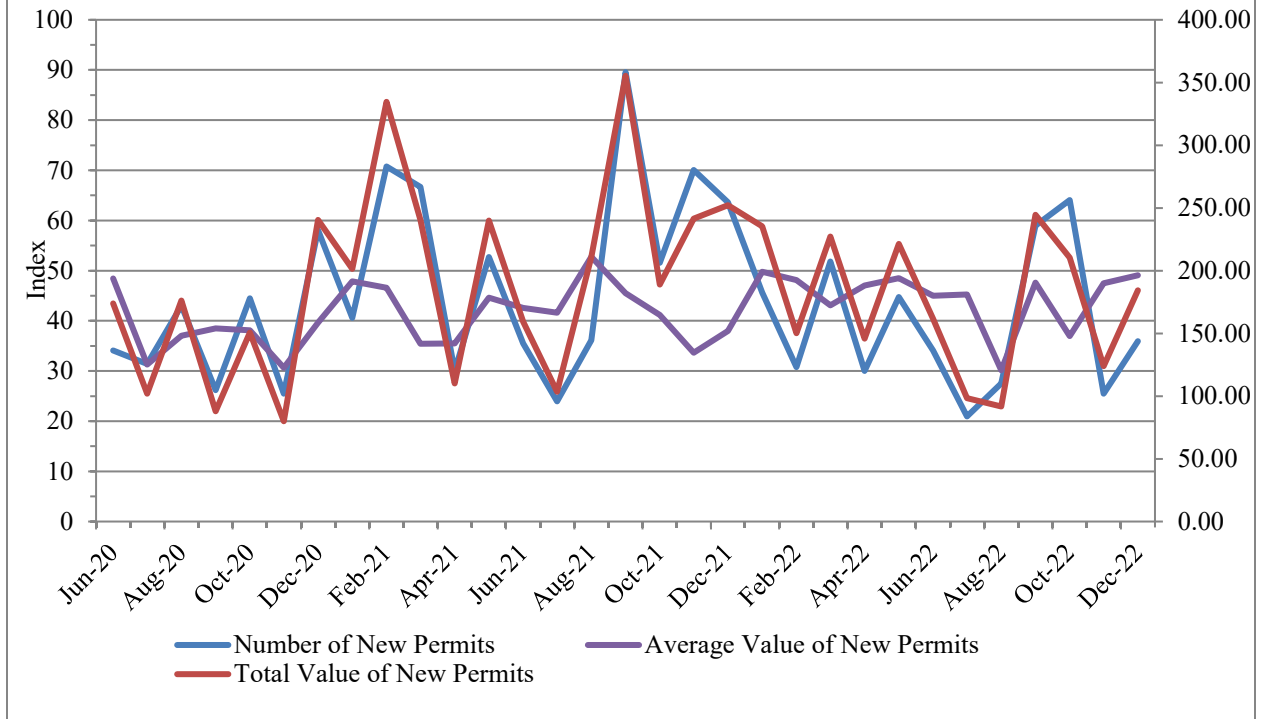
Unemployment Rate



Industrial Electricity Usage



Single-Family Housing in St. Joseph County



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- (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) The RV shipment data came from the RV Industry Association December 2022 market report. <https://www.rvia.org/news-insights/2022-rv-shipment-surpass-493000-third-best-year-record>, retrieved on January 30, 2023.

Bureau of Business and Economic Research

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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.



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