

# MICHIANA BUSINESS

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### 1<sup>st</sup> 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 March 2022, the latest month during the quarter for which all data are available for the indicators shown in the tables and graphs on pages 3-6. 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 FIRST QUARTER OF 2022

The U.S. Bureau of Labor Statistics<sup>1</sup> showed that the unemployment rate rose in both metropolitan areas, though the underlying labor market dynamics were different. In the South Bend-Mishawaka MSA, the labor force decreased by 2,301 (-1.73%) to 130,783 and the number of employed declined by 3,096 (-2.38%) to 127,091 in the first quarter of 2022. The number of unemployed rose by 795 to 3,692 and the unemployment rate increased by 0.63 percentage point to 2.80 percent. In the Elkhart-Goshen MSA, the labor force expanded by 3,248 (+2.79%) to 119,551 and the number of employed rose by 2,820 (2.46%) to 117,521. The number of unemployed increased by 427 to 2,030 and the jobless rate rose by 0.30 percentage point to 1.70 percent.

The industrial level data<sup>2</sup> also indicated different pictures of the labor market in the two MSAs. In the South Bend-Mishawaka MSA, total nonfarm employment fell by 1,567 (-1.15 percent) in the first quarter of 2022. Jobs declined in natural resources, mining, and construction (-200 jobs); trade, transportation and utilities (-333 jobs); financial activities (-33 jobs); professional and business services (-133 jobs); private educational and health services (-400 jobs); leisure and hospitality (-200 jobs); other services (-33 jobs); and government (-367 jobs). The only sector that saw job gain was manufacturing (+133 jobs). Employment has remained unchanged in information for the three consecutive quarters.

In the Elkhart-Goshen MSA, total nonfarm sectors rose by 1,700

jobs (+1.17 percent) in the first quarter of 2022. Employment increased in manufacturing (+1,533 jobs), and trade, transportation and utilities (+633 jobs). Jobs declined in natural resources, mining, and construction (-133 jobs), professional and business services (-67 jobs), leisure and hospitality (-167 jobs), and government (-100 jobs). Employment remained unchanged in financial activities, information, and private educational and health services.

## 2. REGIONAL ECONOMIC INDICATORS

As the table below shows, the monthly average total nonfarm employment index in South Bend-Mishawaka advanced 0.76 point to 128.82 in the first quarter. The average manufacturing employment index gained 0.57 point to 65.93 and the average non-manufacturing employment was 147.33, 1.10 points above the fourth quarter average. Meanwhile, the metropolitan's index of industrial electricity usage rose 4.76 points to 90.13.

The housing sector of South Bend-Mishawaka MSA drew back in the first quarter of 2022, with the index of new building permits of single-family housing plummeting 19 points to 42.76. The total value of these permits dropped 23.25 points to 204.30. Overall, the seasonally adjusted index of the average value of new permits was up 9.41 points to 47.00.

Data from the Indiana Association of Realtors<sup>3</sup> also indicated a slowdown in house sales. The number of existing single-family homes sold in January – March 2022 was 415, a sharp decrease of 700 from the fourth quarter of 2022 and declining 41.9 percent compared to one year ago. Meanwhile, the St. Joseph County's monthly supply of inventories dropped 45.5 percent, 33.3 percent, and 12.5 percent in January, February and March, respectively, compared to one year ago. The median sales price climbed 16.6 percent in the first quarter of 2022 from one year ago.

The Elkhart-Goshen metro area's average nonfarm employment index gained 3.84 points to 163.65. The monthly average non-manufacturing employment index rose 3.52 points from the previous quarterly level

to 158.30, and the monthly average index of manufacturing employment was up 2.89 points to 169.08. Lastly, the index of electricity usage rose 1.20 points to 71.88 in the first quarter.

In summary, the first quarter of 2022 saw higher unemployment rates in both MSAs. However, the underneath statistics indicated different dynamics in the local labor markets. South Bend-Mishawaka's higher unemployment rate was accompanied by a smaller labor force and employment and a leap in unemployment of 27.44 percent from the fourth quarter of 2021. In addition, the total nonfarm employment loss was widespread in eight out of ten sectors. The receding labor market aligned with the economic downturn at the national level in the first three months of 2022. The U.S. real gross domestic product decreased by 1.7 percent in the first quarter of 2022 and was attributed to less restocking of goods in stores and warehouses; decreased spending by federal, state and local governments; and a decline in exports (Picchi, 2022)<sup>4</sup>.

On the other hand, the Elkhart-Goshen MSA's rising unemployment rate was due to more people joining the labor force, and the employment increase could not keep up with the larger labor force. The higher unemployment rate was not concerning; instead, it indicated an active and healthy labor market. It is worth noting that the labor force in Elkhart-Goshen has surpassed its pre-pandemic levels, i.e., the first quarter of 2020 by 8,742 and the first quarter of 2019 by 4,757. Elkhart-Goshen's most significant job increase was in manufacturing, which could benefit from the rising sales of durable goods in the first quarter of 2022.

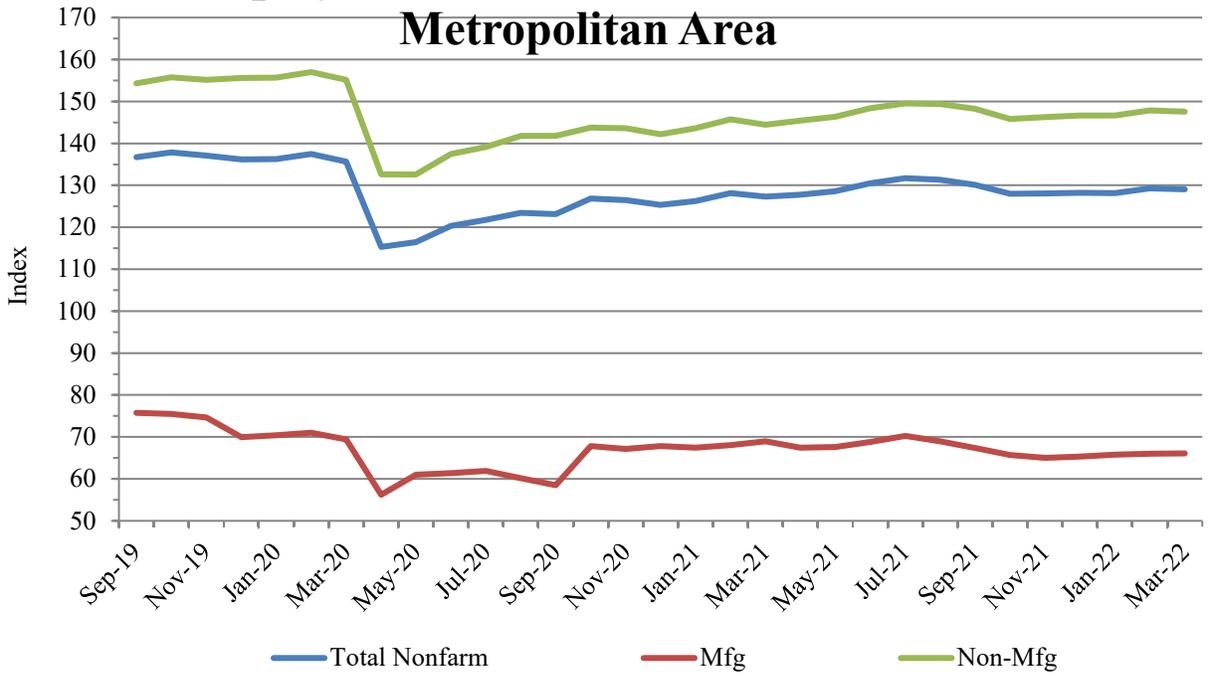
The housing market in St. Joseph County seems to slow down in the first quarter of 2022. One primary indicator is the decrease in new home construction, which is reflected by fewer new family building permits issued. The second indicator is the plummeted closed sales of existing homes, which the cold weather cannot fully explain. The year-over-year comparison shows that this figure is still below the values in the first quarter of 2019 and 2020 (598 and 718, respectively), prior to the

COVID-19 pandemic. One cannot help asking if the higher demand for housing boosted by the pandemic and the surge in household savings has been burnt out. Another concern to the local housing market is the fast-rising housing price, captured in the increasing average value of the housing permit and the median sales price

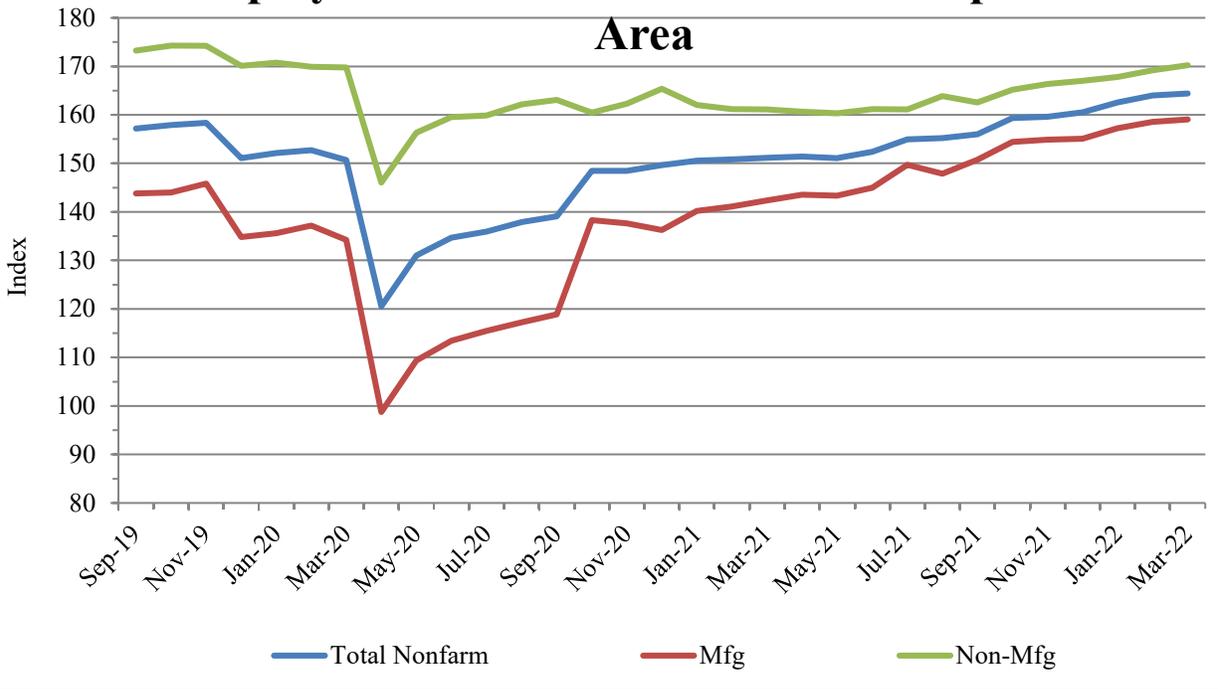
of existing homes. In addition, the Federal Reserve has raised the short-term benchmark interest rate to curb the rising inflation rate that moves the mortgage rate upward. Ultimately, the higher housing price and the increasing mortgage rate would squeeze more house hunters out of the market.

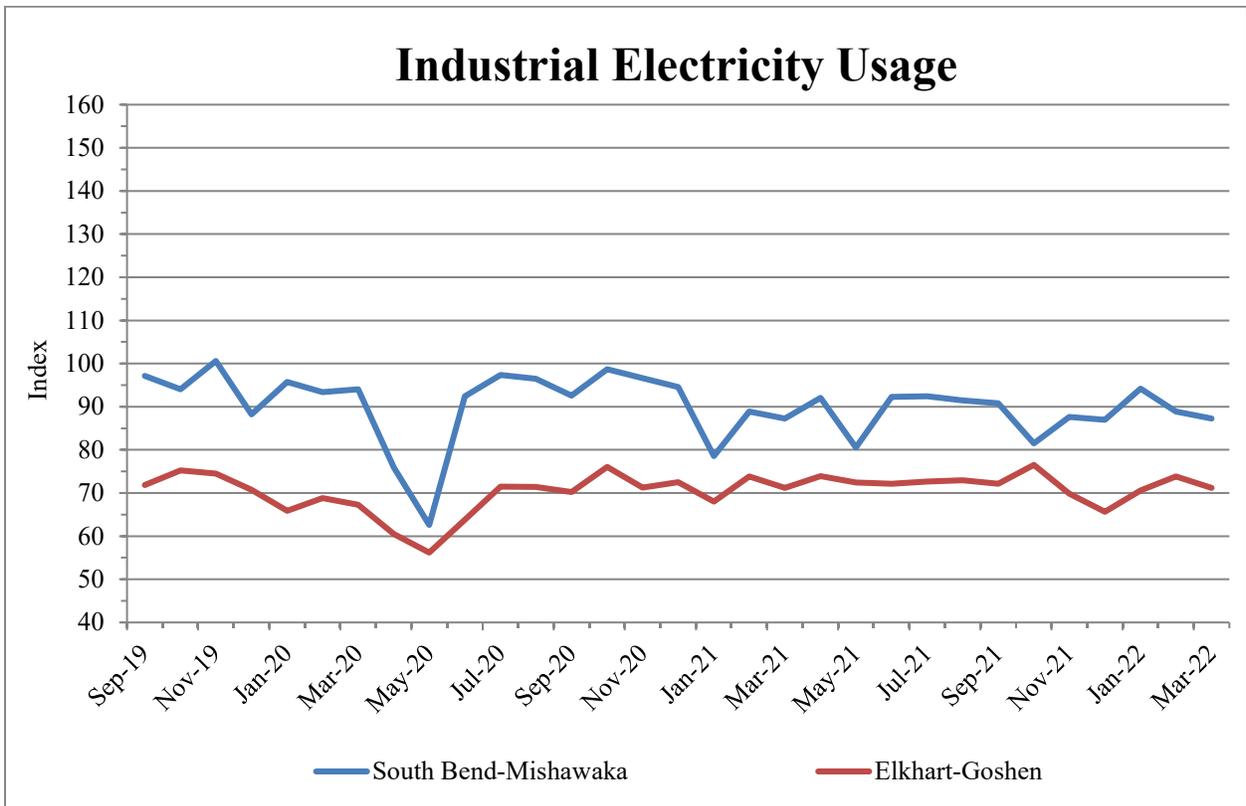
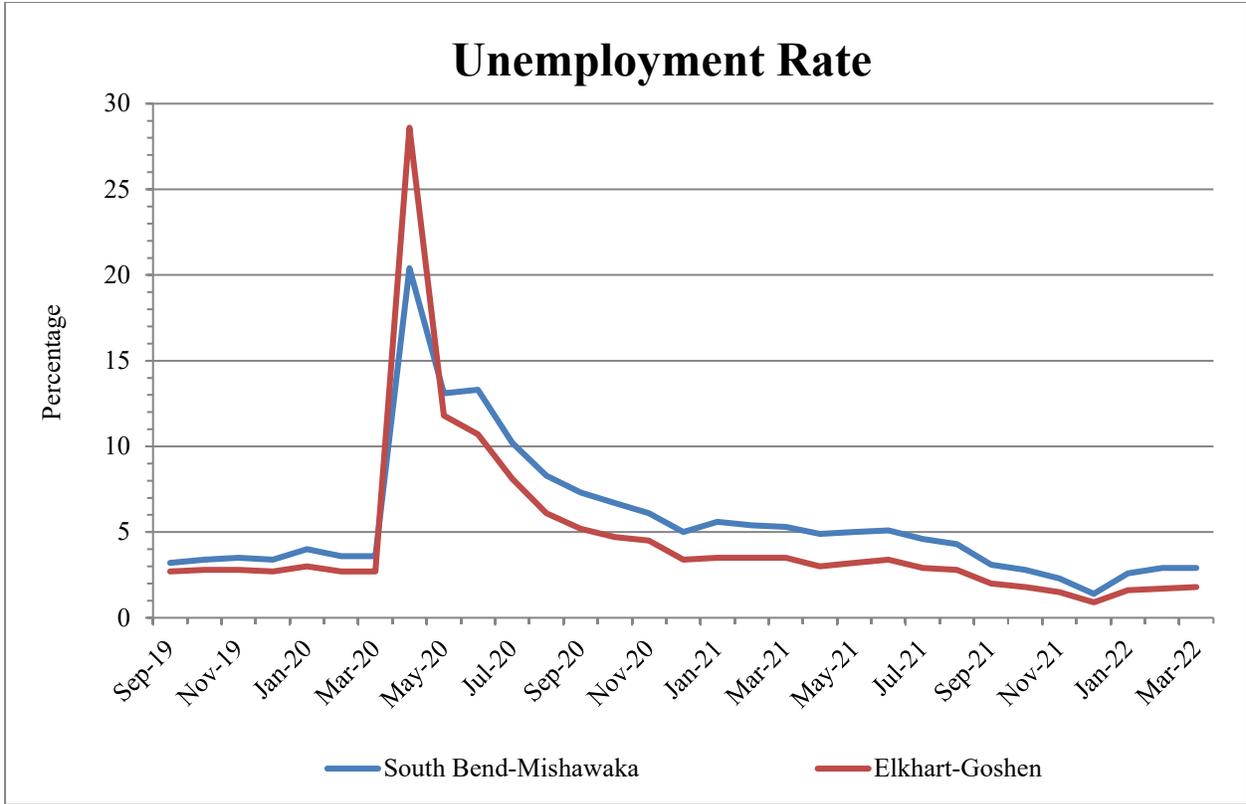
		1st Quarter 2022			
		January	February	March	Monthly Average
South Bend - Mishawaka	<b>Employment</b>				
	Total Nonfarm Employment	128.16	129.28	129.01	128.82
	Manufacturing Employment	65.77	65.97	66.06	65.93
	Non-manufacturing Employment	146.61	147.84	147.52	147.33
	Unemployment Rate	2.6	2.9	2.9	2.80
	Electricity Usage	94.22	88.90	87.27	90.13
	<b>Single-Family Housing</b>				
Number of New Permits	45.66	30.77	51.85	42.76	
Total Value of New Permits	235.45	150.18	227.28	204.30	
Average Value of a New Permit	49.76	48.13	43.11	47.00	
Elkhart - Goshen	<b>Employment</b>	162.55	164.01	164.40	163.65
	Total Nonfarm Employment	157.28	158.56	159.05	158.30
	Manufacturing Employment	167.83	169.16	170.25	169.08
	Non-manufacturing Employment	1.6	1.7	1.8	1.70
	Unemployment Rate	70.60	73.83	71.20	71.88
	Electricity Usage	128.16	129.28	129.01	128.82
	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-Mishawaka Metropolitan Area

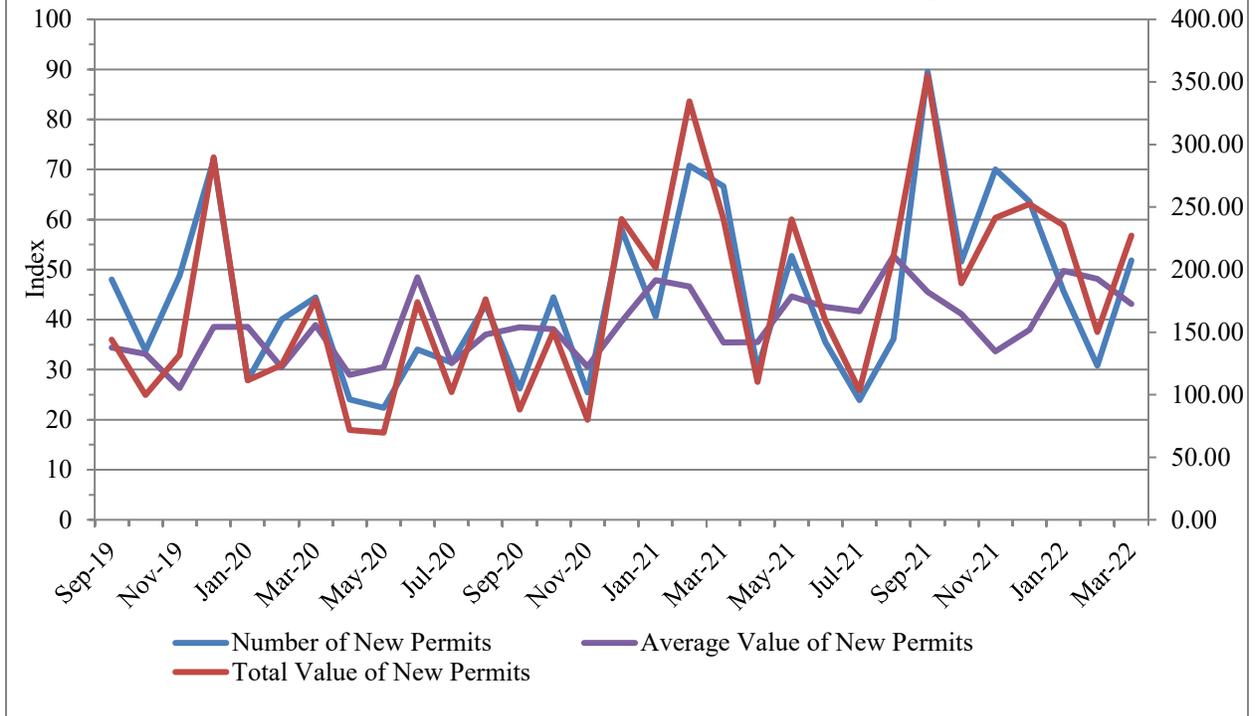


## Employment in Elkhart-Goshen Metropolitan Area





## Single-Family Housing in St. Joseph County



## REFERENCES

- (1) Labor Force Estimates and Unemployment Rates [http://www.stats.indiana.edu/laus/laus\\_view3.html](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/](http://www.stats.indiana.edu/ces/ces_naics/)
- (3) Indiana Housing Market Update <http://www.10kresearch.com/reports/IAR/Main.ht>
- (4) The U.S. economy shrank last quarter. Is a recession next? Aimee Picchi, May 3, 2022. <https://www.cbsnews.com/news/recession-risk-us-economy-shrank-q1-2022/>, accessed May 5, 2022

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