

MICHIANA BUSINESS

INSIDE THIS ISSUE

- *Introduction 1st Quarter 2023 Summary*
- *Summary of Regional Economic Conditions in the 1st Quarter of 2023*
- *Regional Economic Indicators*

1st Quarter 2023 Summary

This issue presents an analysis of economic conditions in the South Bend – Mishawaka and Elkhart – Goshen metropolitan statistical areas (MSAs) as of March 2023, 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. 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 2023

According to data from the U.S. Bureau of Labor Statistics¹, the labor force remained essentially unchanged in the South Bend-Mishawaka and Elkhart-Goshen metropolitan areas in the first quarter of 2023. However, payroll employment declined by 845 (-0.66 percent) and 1416 (-1.25 percent) in South Bend-Mishawaka and Elkhart-Goshen, respectively. The number of unemployed individuals rose by 896 (+20.33 percent) and 1,462 (+43.06 percent) in South Bend-Mishawaka and Elkhart-Goshen, respectively. As a result, the unemployment rates in both areas increased during the first quarter of 2023. The first-quarter unemployment rate in the South Bend-Mishawaka metropolitan area averaged 4.03 percent, which was 0.70 percentage points higher than the fourth-quarter average of 2022. The average jobless rate was 4.13 percent in the Elkhart-Goshen metropolitan area, which was 1.20 percentage points up from the last quarter.

Employment data by industry² indicated that South Bend-Mishawaka's total nonfarm employment experienced a job loss of 2,100 during the first quarter of 2023. The metropolitan area saw employment decrease in natural resources, mining, and construction (-200 jobs); manufacturing (-300 jobs); trade, transportation, and utilities (-567 jobs); information (-67 jobs); financial services (-100 jobs); professional and business services (-433 jobs); private educational and health services (-200 jobs); and government (-267 jobs). Only leisure and hospitality saw minor job growth (+33 jobs).

The Elkhart-Goshen MSA experienced a greater loss in total nonfarm employment, which decreased by 3,367 over the quarter.

Further sectoral data reveals that employment declined in natural resources, mining, and construction (-100 jobs); manufacturing (-2,533 jobs); trade, transportation, and utilities (-167 jobs); professional and business services (-367 jobs); leisure and hospitality (-200 jobs); and government (-67 jobs). However, there was job growth in other services (+67 jobs). Employment in information, financial services, and private educational and health services remained unchanged in the first quarter of 2023.

2. REGIONAL ECONOMIC INDICATORS

As displayed in the table below, the total nonfarm employment index in South Bend-Mishawaka averaged 131.78, which was 0.40 points up from the last quarter. The monthly average manufacturing employment index was 63.84, decreasing by 1.25 points from the fourth quarter of 2022. The non-manufacturing employment edged up 1.19 points to 151.78 over the quarter. The index of industrial electricity usage in South Bend-Mishawaka rose by 4.22 points on average to 86.97 in the first quarter of 2023.

New home construction trended down in the first three months of 2023 as the average index of new building permits for single-family housing lost 14.50 points to 27.32, and the total value of these permits declined by 30.61 points to an average of 142.29. However, the average value index of new permits went up 7.33 points to 51.82.

According to data from the Indiana Association of Realtors³, the closed sales of existing homes were 616 in January-March of 2023, down 7.4 percent from a year ago. The median sales price rose 9.1 percent in the first quarter of 2023 to \$185,000, compared to the first quarter of 2022. Further statistics showed that the area's inventory of homes for sale rose 56.3 percent in January, 38.2 percent in February, and 24.6 percent in March, respectively, in the year-over-year comparison.

The average monthly nonfarm employment index in the Elkhart-Goshen metropolitan area was 157.35 in the first quarter of 2023, which is a 1.80-point down from the last quarter. The manufacturing employment index experienced a decline of 4.82 points, dropping to 146.55. In contrast, the average monthly index of non-manufacturing employment increased by 0.51 points to 169.25. The index of electricity usage also decreased by 3.16 points, with a quarterly average of 61.43 in the first quarter of 2023.

Overall, the local labor market conditions eased in the first quarter of 2023. The rise in the federal funds rate in 2022 led to a spike in unemployment, despite the labor force remaining mostly unchanged. The average unemployment rate in South Bend-Mishawaka MSA was 4.03 percent, which is the highest since the third quarter of 2022. Job losses were widespread across various sectors, except for leisure and hospitality. In the housing sector, new home constructions in St. Joseph County decreased, with the number of new single-family housing building permits issued falling by 46.0 percent quarter-over-quarter and 41.1 percent year-over-year. Sales of existing homes also decreased in the first quarter of 2023, and the inventory of homes for sale rose, indicating a slowdown in the demand for housing. However, housing prices continued to rise, as seen in the higher average value of single-family building permits and the higher median sales prices of existing homes.

In the Elkhart-Goshen MSA, the labor market experienced its highest unemployment rate since the first quarter of 2021, at 4.13 percent. The manufacturing sector saw the most significant job losses, with employment falling to 71,467, a similar level as in the first quarter of 2021. The decline in manufacturing jobs was due to the slowdown in recreational vehicle (RV) sales, which can be attributed to several factors. First, during the coronavirus pandemic, RVs became a preferred choice for transportation, leading to high demand.

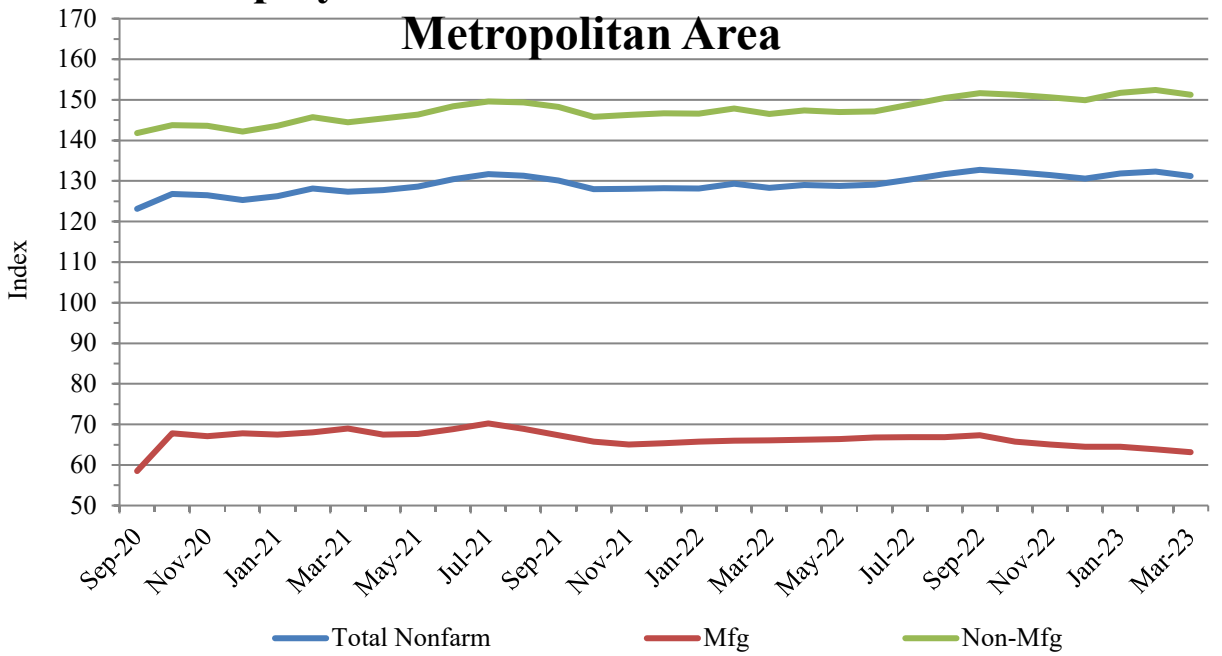
However, after the pandemic ended in 2022, consumer preferences shifted towards airlines. Second, consumers spend more on services like restaurants, entertainment, and travel when the economy is back to normal, and the spending on durable goods like RVs tends to decline. Lastly, RVs are luxurious, durable goods and expensive to own, and demand for them decreased as consumer

savings dwindled post the pandemic and interest rates rose. According to the RV industry association report⁴, the total RV shipments declined by 54.3 percent in the first quarter of 2023 year-over-year, leading to significant job losses in the manufacturing sector and a rise in the unemployment rate in the Elkhart-Goshen MSA.

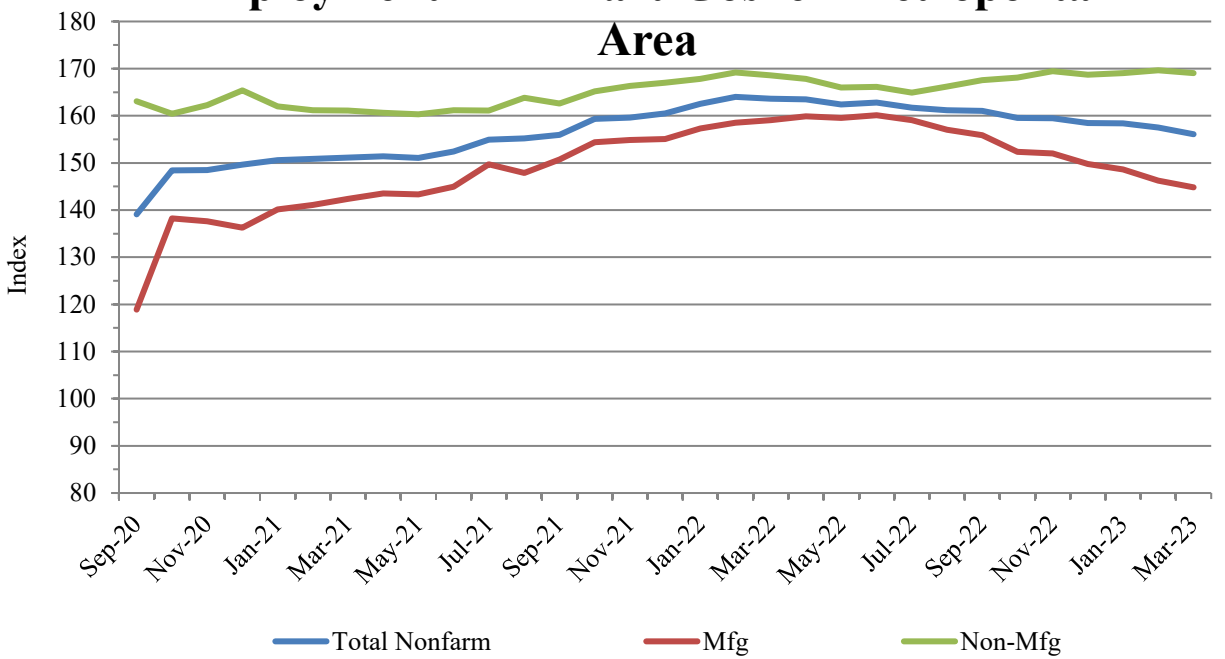
	1st Quarter 2023				
	January	February	March	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	131.81	132.34	131.19	131.78
	Manufacturing Employment	64.51	63.87	63.13	63.84
	Non-manufacturing Employment	151.71	152.42	151.20	151.78
	Unemployment Rate	4.00	4.10	4.00	4.03
	Electricity Usage	91.70	85.88	83.33	86.97
	Single-Family Housing				
	Number of New Permits	22.83	36.92	22.22	27.32
	Total Value of New Permits	128.42	176.05	122.39	142.29
	Average Value of a New Permit	54.28	47.02	54.16	51.82
Elkhart -Goshen	Employment				
	Total Non-farm Employment	158.41	157.53	156.11	157.35
	Manufacturing Employment	148.62	146.24	144.80	146.55
	Non-manufacturing Employment	169.05	169.65	169.05	169.25
	Unemployment Rate	4.9	3.8	3.7	4.13
	Electricity Usage	59.67	61.54	63.07	61.43

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

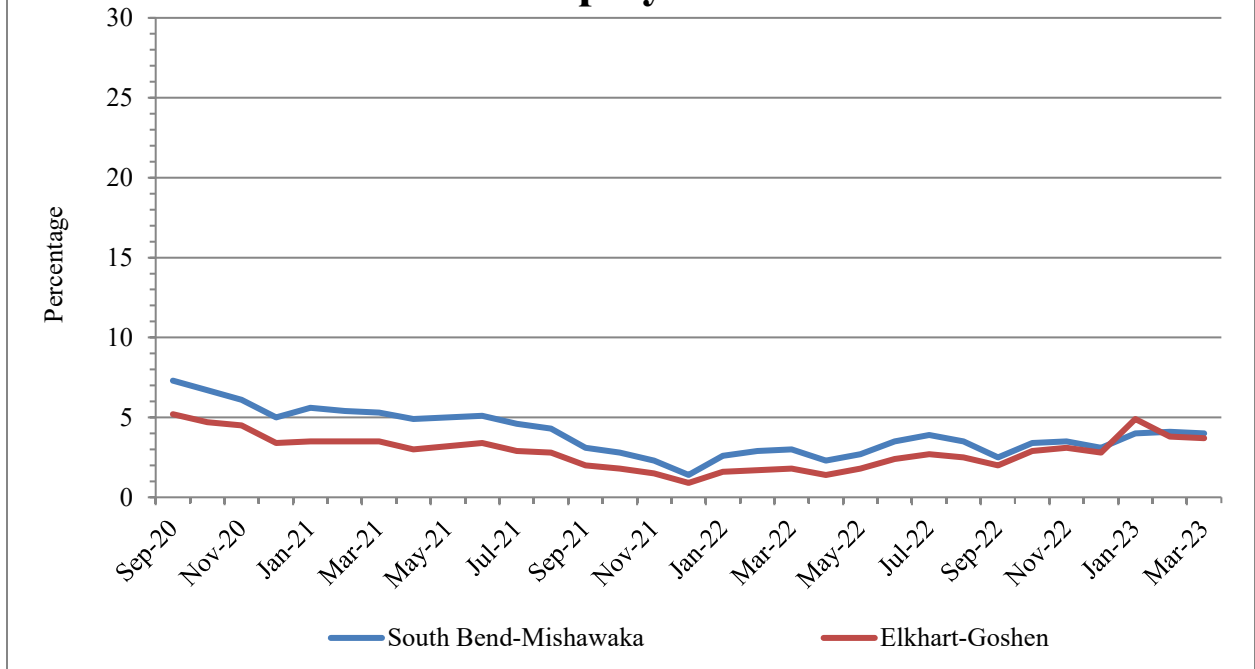
Employment in South Bend-Mishawaka Metropolitan Area



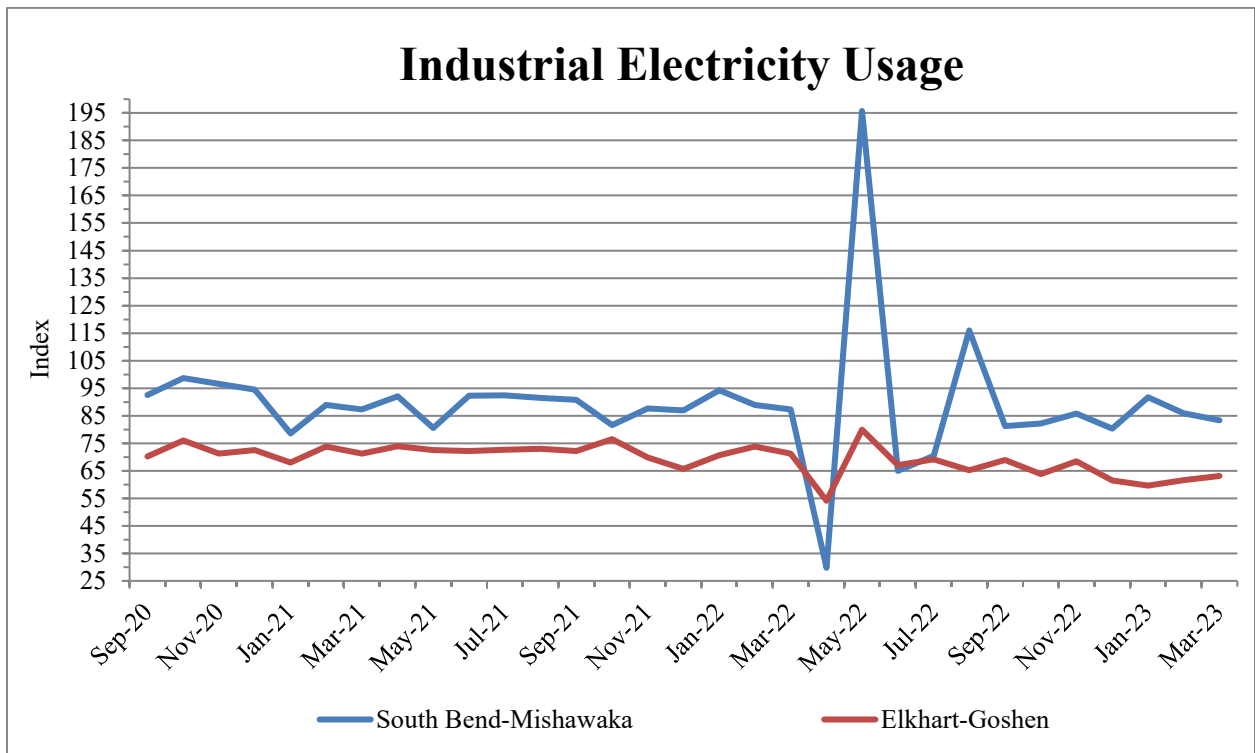
Employment in Elkhart-Goshen Metropolitan Area



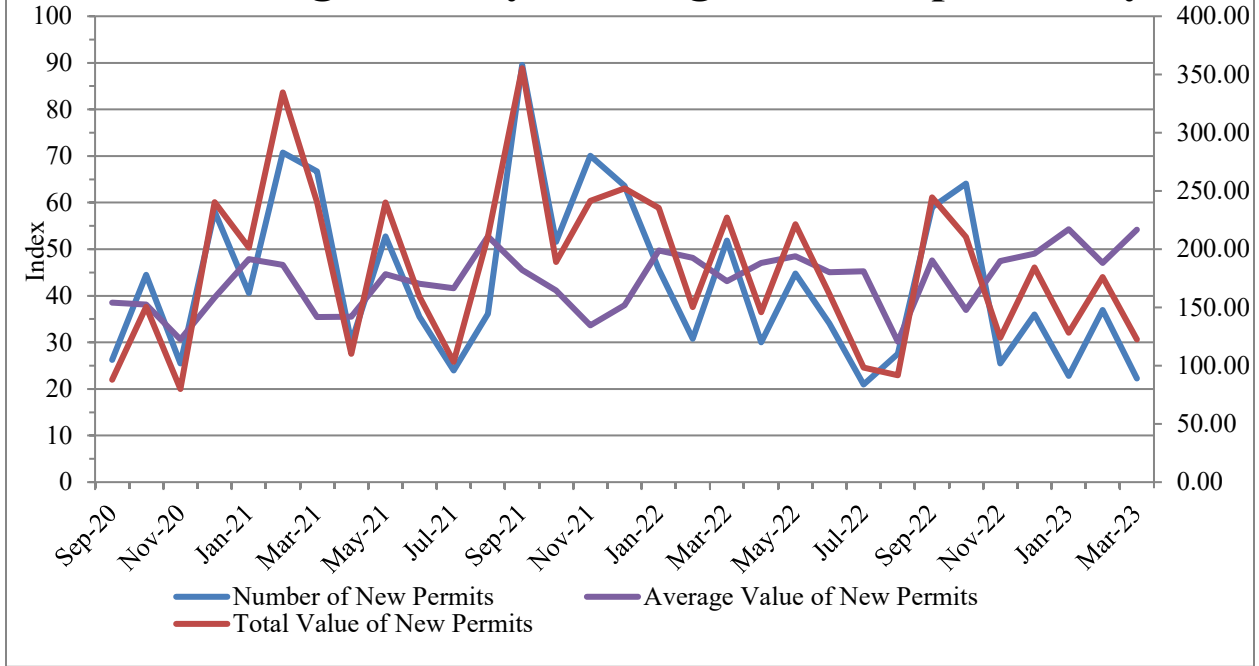
Unemployment Rate



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) RV Industry Association Report. <https://www.rvia.org/news-insights/march-shipment-report-now-available>.

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