

MICHIANA BUSINESS

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2nd 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 June 2020, 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. REGIONAL ECONOMIC CONDITIONS IN THE SECOND QUARTER OF 2020

The U.S. Bureau of Labor Statistics¹ data for the second quarter of 2020 showed that the labor force contracted by 3,030 people in the South Bend-Mishawaka MSA and 76 people in the Elkhart-Goshen MSA, respectively. Meanwhile, the number of employed persons fell by 18,612 in the South Bend-Mishawaka MSA to 111,404 and 16,114 workers in the Elkhart – Goshen MSA to 91,754 in the second quarter of 2020. The number of unemployed persons rose by 15,582 in South Bend-Mishawaka and 16,038 in Elkhart-Goshen. As a result, the jobless rate in the two areas jumped sharply in April – June 2020. South Bend-Mishawaka's unemployment rate increased by 11.90 percentage points to 15.63 percent and Elkhart-Goshen's unemployment rate soared by 14.30 percentage points to 17.10 percent in the second quarter of 2020. This is the largest over-the-quarter unemployment rate increase in both metropolitan areas, as well as the highest quarterly unemployment rate in South Bend-Mishawaka since January 1990. It is also worth noting that the April unemployment rate was the highest (20.40 percent in South Bend-Mishawaka and 28.60 percent in Elkhart-Goshen) in both areas in the past three decades.

The employment data by industry² also posted significant job losses in both MSAs. In the South Bend-Mishawaka MSA, total nonfarm employment declined by 12.42 percent (-17,767 jobs) in the second quarter of 2020. Sectors that experienced job loss included: 14.34 percent in manufacturing (-2,400 jobs); 7.98 percent in trade, transportation and utilities (-2,067 jobs); 7.69 percent in information (-100 jobs); 13.29 percent in professional

and business services (-1,900 jobs); 14.62 percent in private educational and health services (-5,467 jobs); 23.09 percent in leisure and hospitality (-3,333 jobs); 24.39 percent in other services (-1,667 jobs); and 5.86 percent in government (-900 jobs). 67 new jobs were added in natural resources, mining, and construction (+1.28 percent). There was no job change in financial activities.

In the Elkhart-Goshen MSA, a similar dismal labor market picture was seen in the second quarter of 2020. Total nonfarm employment in this region declined by 18,500 jobs in April - June, 13.56 percent lower than the last quarter. Employment losses were observed in the following sectors: 20.35 percent in manufacturing (-13,467 jobs); 9.58 percent in trade, transportation and utilities (-1,900 jobs); 50 percent in information (-200 jobs); 4.21 percent in private educational and health services (-533 jobs); 23.29 percent in leisure and hospitality (-1,700 jobs); 11.90 percent in other services (-500 jobs); and 5.60 percent in government (-500 jobs). Two sectors experiencing job increase were natural resources, mining, and construction (+167 jobs) and professional and business services (+133 jobs). Financial activities saw no job change in the second quarter of 2020.

2. REGIONAL ECONOMIC INDICATORS

As the table below displays, the total nonfarm employment index in South Bend-Mishawaka was averaged at 117.52 in the second quarter, 18.94 points down from the previous quarter. In particular, the manufacturing employment index of the area lost 10.76 points to a quarterly average of 59.52 and the non-manufacturing employment index declined by 21.50 points this quarter to an average of 134.44. Also, the average index of industrial electricity usage in South Bend-Mishawaka fell 17.42 points to 76.97 in the second quarter of 2020.

New home constructions in the South Bend-Mishawaka MSA, which is measured by the average index of new building permits of single-family housing issued,

dwindled by 10.62 points to an average of 26.82 points in the second quarter of 2020. The average index of the total value of these permits dipped down 31.86 points to a quarterly average of 105.18. Overall, the average value of new permits was almost unchanged in the second quarter with a quarterly average of 35.99.

In addition, data from Indiana Association of Realtors³ showed that the number of existing single-family homes sold decreased year-over-year in April-June of 2020 by 17.3 percent, despite the fact that the second-quarter median sales price rose 3.7 percent from 2019 to 2020. Meanwhile, the supply shortage of homes in South Bend-Mishawaka continued in the second quarter of 2020. The region's monthly supply of inventories decreased by 37.0 percent, 41.4 percent, and 48.4 percent in April, May, and June 2020, respectively than one year ago. Another indicator, the inventory of homes for sale also declined in the year-over-year comparison by 36.7 percent, 44.6 percent, and 49.5 percent in April, May, and June 2020, respectively.

The average index of total nonfarm employment dropped 23.14 points to 128.72 in Elkhart-Goshen during the second quarter of 2020. Specifically, the average manufacturing employment index was down 28.57 points to a quarterly average of 107.11 and the average non-manufacturing employment index contracted 16.16 points to a quarterly average of 153.97 in April – June 2020. Moreover, the average index of electricity usage went down 7.15 points to a quarterly average of 60.17.

3. SUMMARY

In summary, South Bend-Mishawaka and Elkhart-Goshen MSAs both saw their April unemployment rates spike to historically high levels in three decades, due to the coronavirus outbreak forcing local economic shutdowns. The unemployment rates declined in May and June as the local economy began to reopen. However, the unemployment rates in both areas were still in the double digits. For South Bend-Mishawaka, the unemployment rate decreased from 20.40 percent in

April to 13.40 percent in June, which is still above the highest unemployment rate during the Great Recession. For Elkhart-Goshen, the unemployment rate quickly dropped from 28.60 percent in April to 10.90 percent in June, comparable to the level in early 2011, that suggests a path to economic recovery.

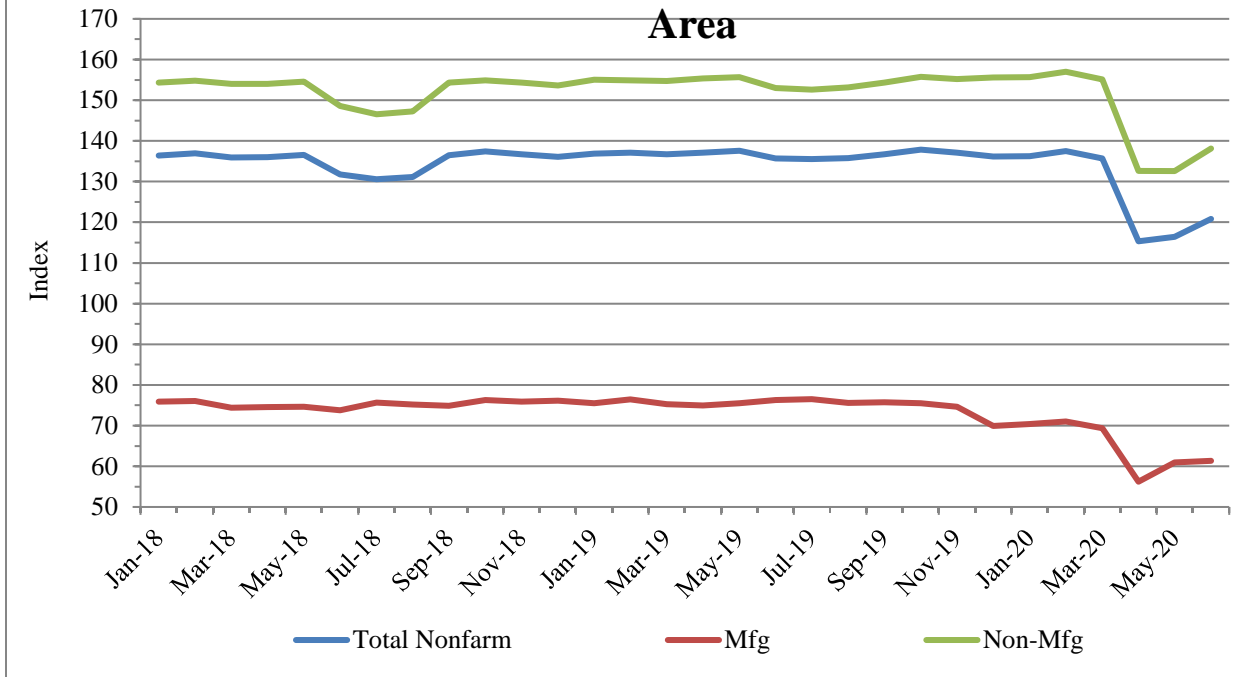
Among specific industries, leisure and hospitality experienced the hardest hit, with employment falling by 23.09 percent and 23.29 percent in South Bend-Mishawaka and Elkhart-Goshen, respectively. Also, manufacturing and other services were devastated, shedding 14.34 percent and 24.39 percent employment in South Bend-Mishawaka and 20.35 percent and 11.90 percent employment in Elkhart-Goshen, respectively.

The pandemic also caused a drop in new housing construction, especially in April and May when

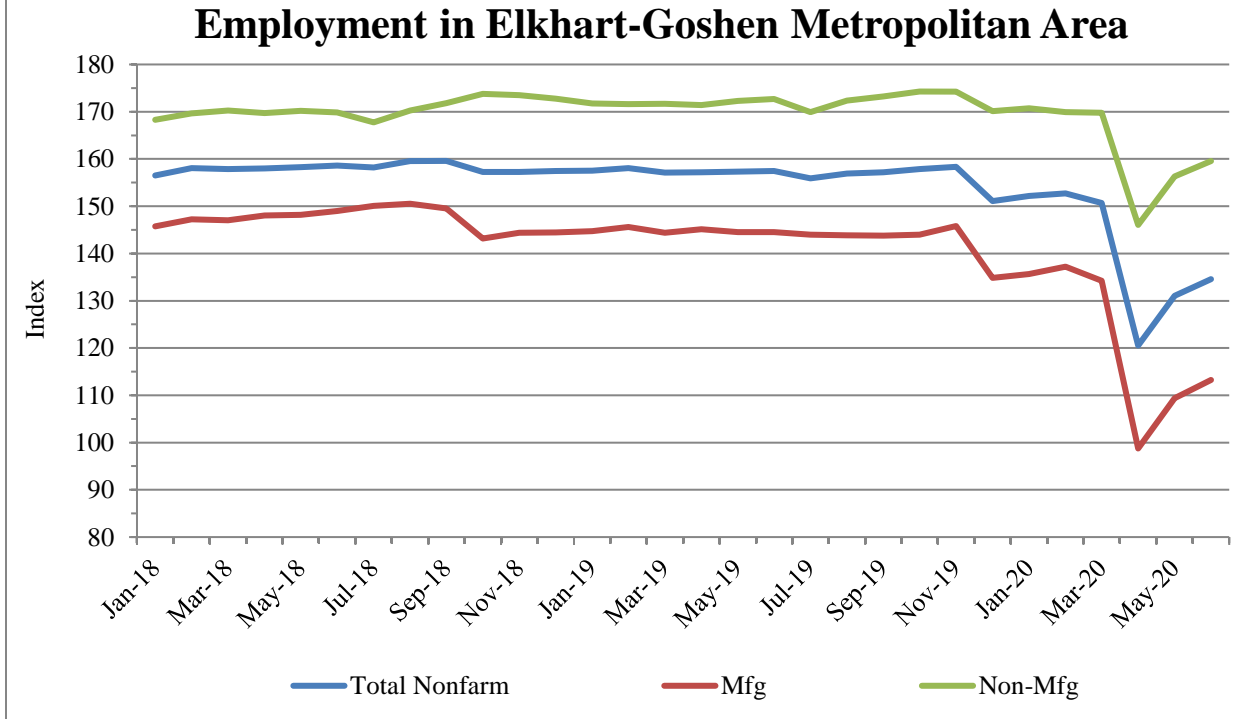
nonessential businesses were closed. The new housing construction in June 2020 was close to a year ago, indicating fairly strong demand. In addition, the stay-at-home order imposed in the spring largely put the St. Joseph housing market on pause. Potential sellers put off listing their houses and the closed sales were down in April and May compared to a year ago. With the stay-at-home order lifted in the summer, the housing market in St. Joseph was active in June. New listings went up 1.3 percent in a year-over-year comparison. The housing market seemed resilient in the second quarter as the median sales price saw year-over-year increases of 9.0 percent in April, 4.2 percent in May, and 2.7 percent in June, respectively.

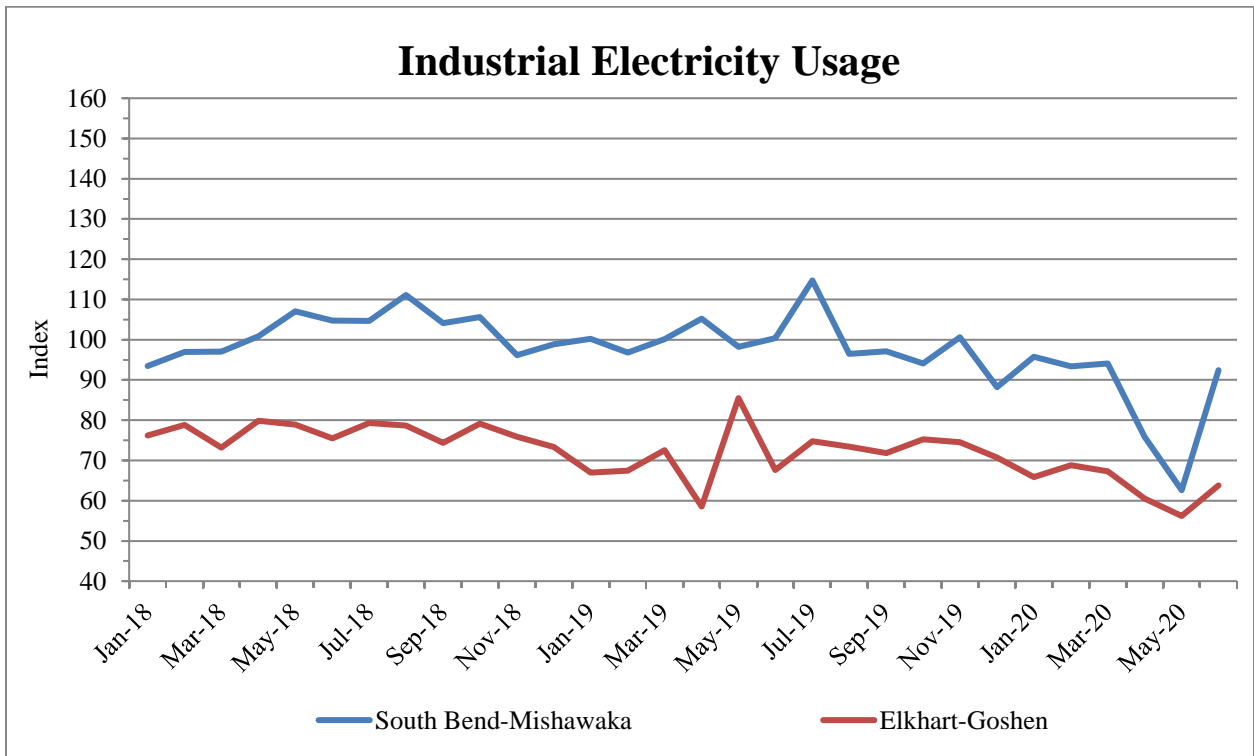
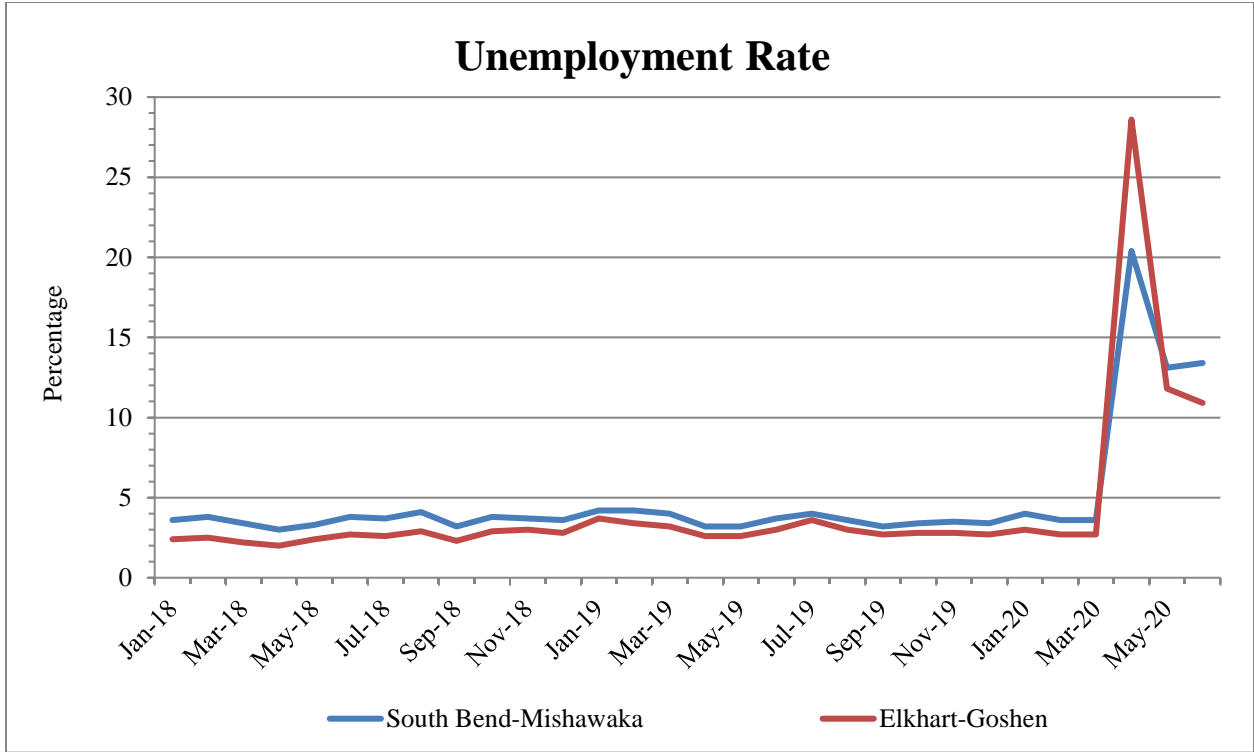
	2nd Quarter 2020				
	April	May	June	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	115.31	116.43	120.82	117.52
	Manufacturing Employment	56.22	60.98	61.36	59.52
	Non-manufacturing Employment	132.63	132.58	138.10	134.44
	Unemployment Rate	20.40	13.10	13.40	15.63
	Electricity Usage	75.89	62.61	92.43	76.97
	Single-Family Housing				
	Number of New Permits	24.03	22.38	34.06	26.82
	Total Value of New Permits	71.89	69.64	174.01	105.18
	Average Value of a New Permit	28.96	30.53	48.47	35.99
Elkhart - Goshen	Employment				
	Total Nonfarm Employment	120.53	131.04	134.61	128.72
	Manufacturing Employment	98.75	109.36	113.22	107.11
	Non-manufacturing Employment	146.05	156.31	159.56	153.97
	Unemployment Rate	28.60	11.80	10.90	17.10
	Electricity Usage	60.51	56.19	63.81	60.17
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

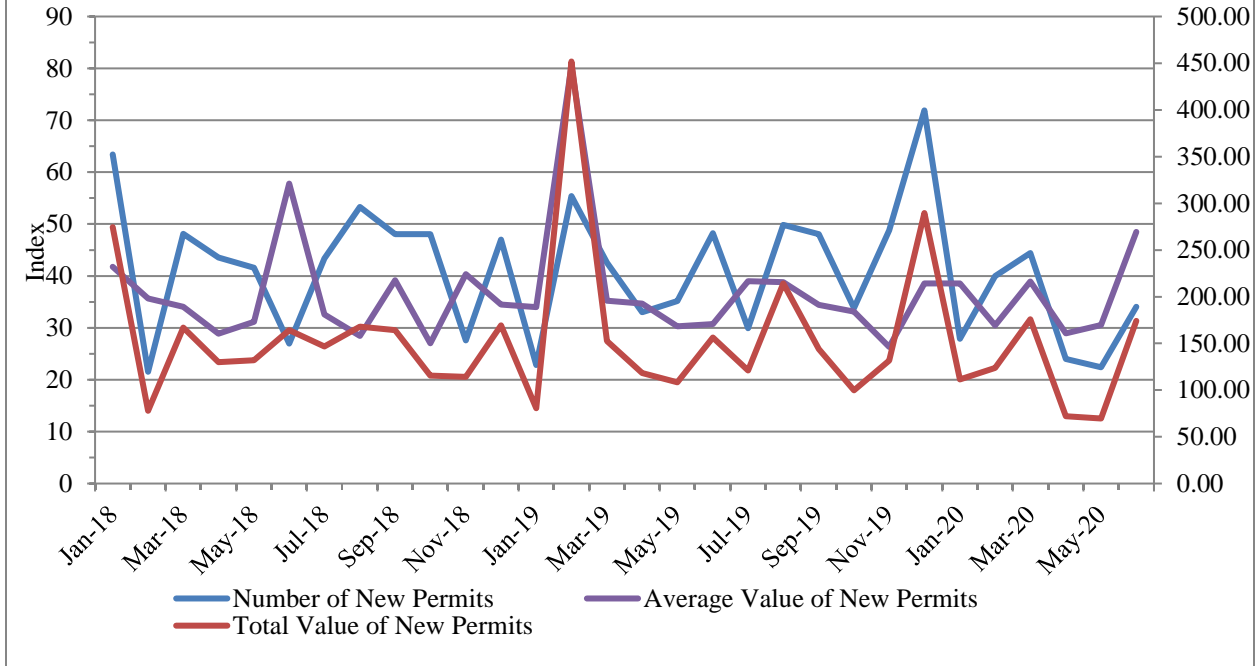


Employment in Elkhart-Goshen Metropolitan Area





Single-Family Housing in St. Joseph County



REFERENCES

- (1) Labor Force Estimates and Unemployment Rates http://www.stats.indiana.edu/laus/laus_view3.html
- (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>

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