

# MICHIANA BUSINESS

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### 3<sup>rd</sup> Quarter 2017 Summary

This issue presents an analysis of economic conditions in the South Bend – Mishawaka and Elkhart – Goshen metropolitan statistical areas (MSAs) as of September 2017, 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 THIRD QUARTER OF 2017

U.S. Bureau of Labor Statistics<sup>1</sup> data in the third quarter of 2017 showed that the labor force declined in the South Bend – Mishawaka MSA by 1,373 people while expanded by 1,844 people in the Elkhart – Goshen MSA. Meanwhile, payroll employment decreased by 2,515 workers in the South Bend-Mishawaka MSA but increased by 1,215 workers in the Elkhart – Goshen MSA. The number of unemployed went up by 1,141 in South Bend – Mishawaka and 629 in Elkhart – Goshen respectively. Consequently, under the above labor market dynamics the jobless rate in the two areas rose in the third quarter of 2017. In the South Bend-Mishawaka MSA, the average unemployment rate in July-September 2017 was 3.80 percent, up 0.90 percentage point from the last quarter. The Elkhart-Goshen's quarterly unemployment rate was 2.63 percent, 0.53 percentage point higher than the second quarter of 2017.

The nonfarm sectors in the South Bend-Mishawaka MSA cut 3,667 jobs over the summer, indicating 2.58 percent job loss from the second quarter of 2017. The employment data by industry<sup>2</sup> showed steep employment declines in private educational and health services (-1,000 jobs) and government (-2,533 jobs). Employment dropped moderately in manufacturing (-367 jobs) and trade, transportation and utilities (-300 jobs). In addition, job increase was observed in natural resources, mining and construction (+33 jobs); professional and business services (+300 jobs); and leisure and hospitality (+300 jobs). Employment remained unchanged in information, financial activities and other services in the third quarter of 2017.

The sectoral employment picture was more promising in the Elkhart – Goshen MSA in the third quarter of 2017. Total nonfarm employment gained 1,733 jobs over the period of July - September of 2017, 1.26 percent increase from the last quarter. Employment rose in the following sectors: 3.16 percent in natural resources, mining and construction (+100 jobs); 2.97 percent in manufacturing (+1,967 jobs); 1.53 percent in trade, transportation and utilities (+300 jobs); 1.20 percent in financial activities (+33 jobs); 1.80 percent in professional and business services (+200 jobs); and 0.83 percent in leisure and hospitality (+67 jobs). Job losses occurred in information (-33 jobs), private educational and health services (-33 jobs), other services (-33 jobs) and government (-833 jobs).

## **2. REGIONAL ECONOMIC INDICATORS**

As the table below displays, the monthly total non-farm employment index in South Bend – Mishawaka averaged at 131.09 in the third quarter of 2017, down 3.21 points from the last quarter. In particular, the manufacturing employment index of the area tipped down 0.78 point whereas the non-manufacturing employment index fell 4.03 points this quarter. In addition, the index of industrial electricity usage in South Bend-Mishawaka lost slightly by 0.26 point in the third quarter of 2017.

After the temporary downturn of new home constructions in the second quarter of 2017, the housing sector of the South Bend- Mishawaka MSA continued to recover in the third quarter of 2017. The average index of new building permits of single-family housing was 38.49, gaining 7.52 points from the last quarter. The average index of total value of these permits rose significantly by 61.09 points to a quarterly average at 149.06 over the period of July-September. The average seasonally adjusted index of the average value of new permits was up 13.13 points to a quarterly average of 39.85.

In addition, data from Indiana Association of Realtors<sup>3</sup> showed that the number of existing single-family homes sold increased 13 percent and the median sales price jumped up 4.8 percent in the third quarter of 2017 compared to one year ago. On the other hand, the supply of homes in South Bend-Mishawaka failed to keep up. The year-over-year comparison shows that the region's monthly supply of inventories fell by 13.6 percent in September 2017 than one year ago and the inventory of homes for sale decreased by 3.0 percent.

In the third quarter of 2017, the Elkhart – Goshen metro area saw 2.42 points up in the average seasonally adjusted index of monthly nonfarm employment. Specifically, the monthly average manufacturing employment index in the Elkhart – Goshen metro area increased 4.22 points and the monthly average non-manufacturing employment index gained 0.48 point. In addition, the average index of electricity usage was 78.12, about 2.08 points higher than the second quarter figure.

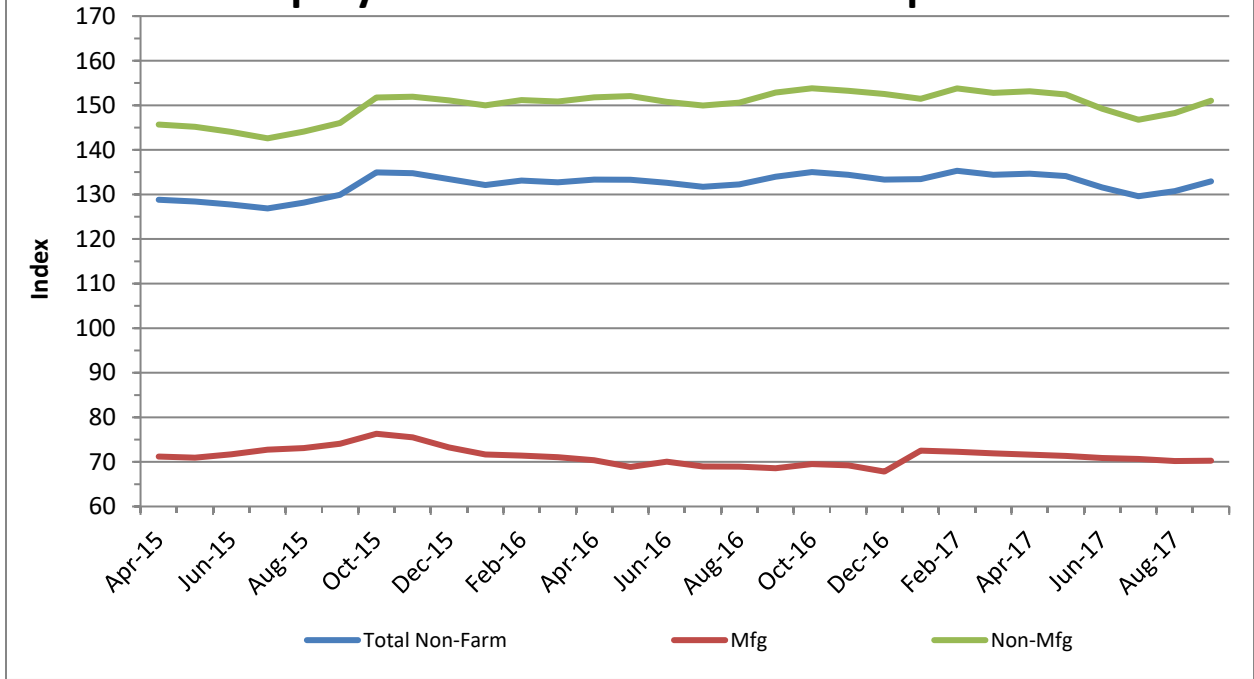
In summary, the labor market performance was mixed in the South Bend-Mishawaka and Elkhart-Goshen MSAs in the third quarter of 2017. The strong expansion in labor force and hiring in South Bend-Mishawaka in the last quarter was halted over the months of July-September. The labor force shrank by 1.03 percent and employment declined by 1.94 percent, resulting in the higher unemployment rate in the third quarter of 2017. The industrial employment data also presented a negative picture of labor market in South Bend-Mishawaka that the nonfarm sectors lost over 3,500 jobs, offsetting the job increase in the second quarter. Moreover, significant job loss was observed in private educational and health services (-3.04 percent) and government (-16.34 percent) which are two important employers in this area. In addition, manufacturing continued to lose jobs in the third consecutive quarter.

On the other hand, the labor market in Elkhart-Goshen trended up in the third quarter of 2017 that more people joined the labor force (+1.66 percent) and more jobs were created (+1.11 percent). Furthermore, the job growth in the nonfarm sectors persisted into the third quarter despite that the pace decelerated. Industrial employment data revealed that employment increased in more nonfarm sectors in Elkhart-Goshen than in South Bend-Mishawaka, especially in manufacturing adding close to 2000 new jobs.

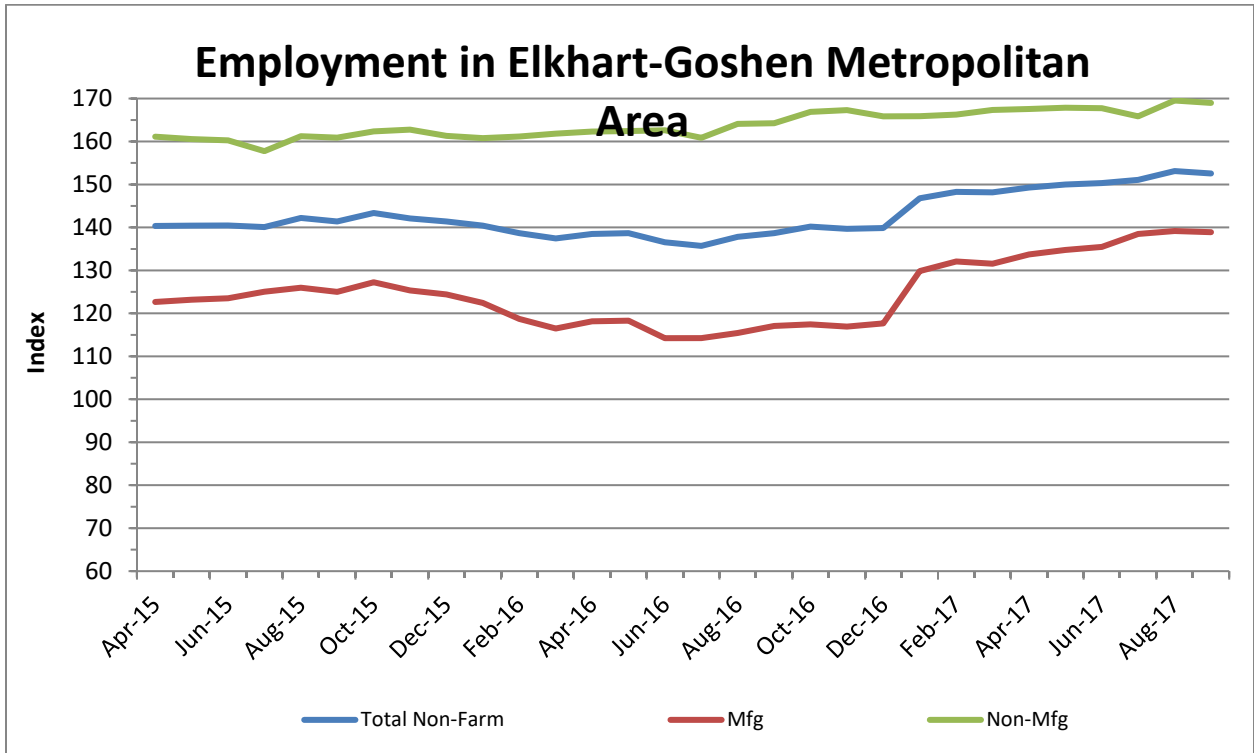
The housing market in South Bend continued to prosper in the third quarter of 2017 as indicated by more authorized new building permits of single-family housing and higher value of those permits. Meanwhile, the market data provided by the Indiana Association of Realtors implied that the supply of existing homes decreased and the median sales price was higher in the third quarter of 2017.

		3rd Quarter 2017			
		July	August	September	Monthly Average
South Bend - Mishawaka	<b>Employment</b>				
	Total Non-farm Employment	129.61	130.74	132.92	131.09
	Manufacturing Employment	70.65	70.19	70.28	70.37
	Non-manufacturing Employment	146.75	148.27	151.02	148.68
	Unemployment Rate	3.6	4.2	3.6	3.80
	Electricity Usage	100.22	95.53	98.29	131.09
	<b>Single Family Housing</b>				
	Number of New Permits	38.91	48.15	28.40	38.49
	Total Value of New Permits	113.90	200.29	132.98	149.06
	Average Value of a New Permits	28.22	37.58	53.74	39.85
Elkhart -Goshen	<b>Employment</b>				
	Total Non-farm Employment	151.08	153.12	152.58	152.26
	Manufacturing Employment	138.50	139.17	138.91	138.86
	Non-manufacturing Employment	165.86	169.54	168.99	168.13
	Unemployment Rate	2.50	2.90	2.50	2.63
	Electricity Usage	79.02	78.87	76.45	78.12
Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using BLS seasonal adjustment program.					

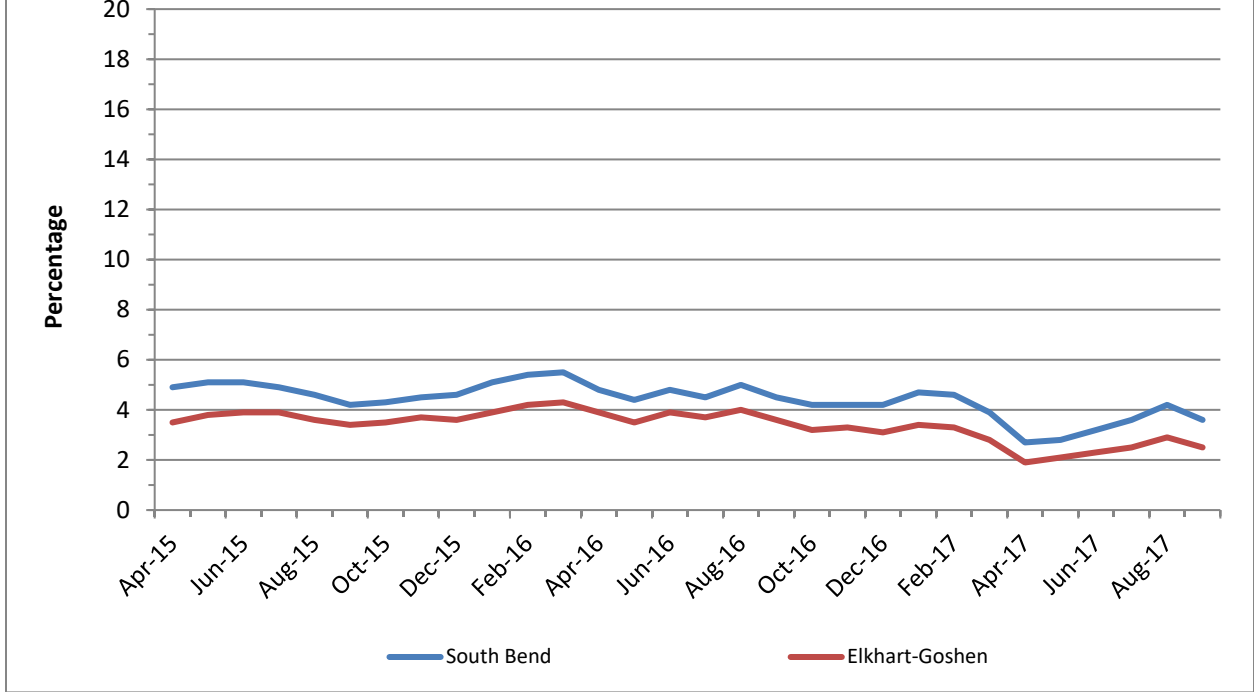
### Employment in South Bend Metropolitan Area



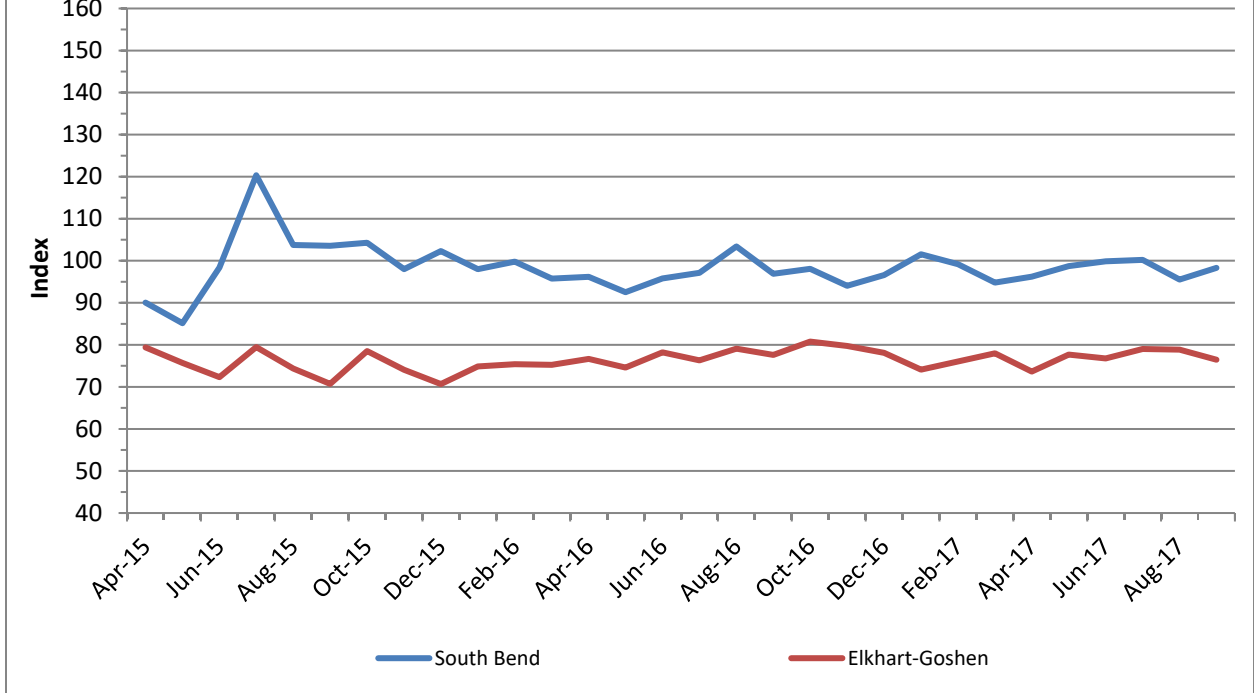
### Employment in Elkhart-Goshen Metropolitan Area



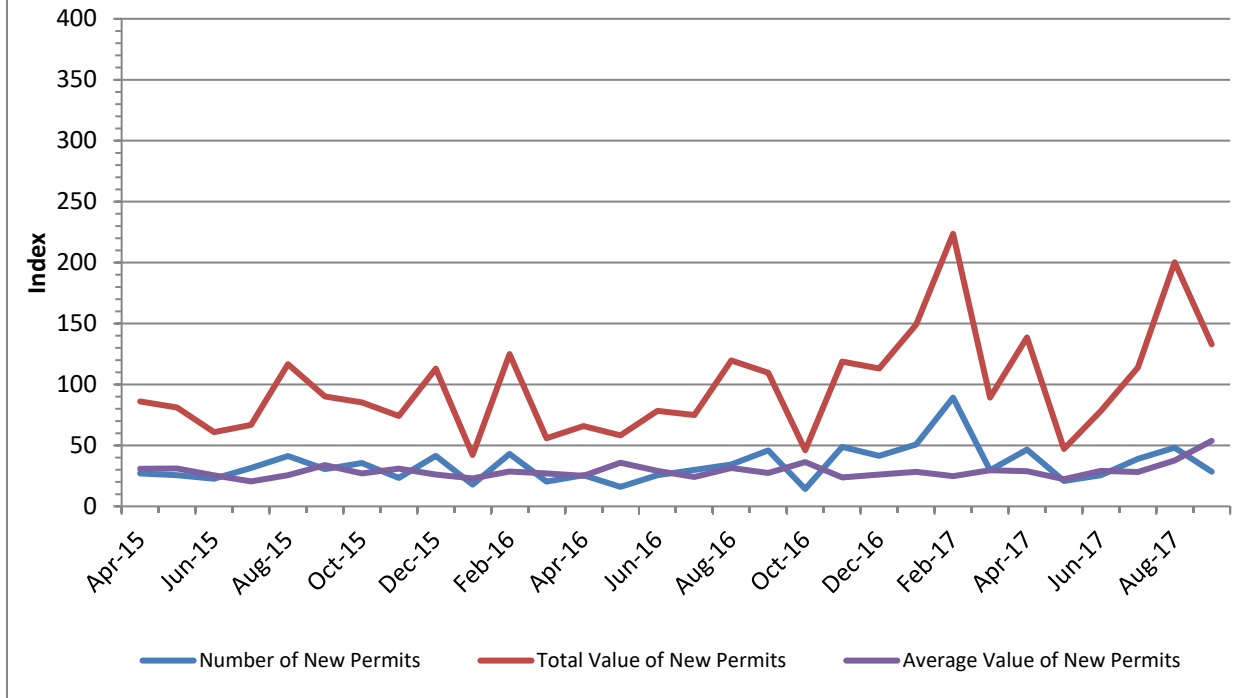
## Unemployment Rate



## Industrial Electricity Usage



## Single-Family Housing in St. Joseph County



## REFERENCES

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(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)

(3) Indiana Housing Market Update  
<http://www.10kresearch.com/reports/IAR/Main.ht>

(2) Employment by industries: Monthly Current  
Employment Statistics (CES)

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