

MICHIANA BUSINESS

INSIDE THIS ISSUE

- *Introduction 3rd Quarter 2020 Summary*
- *Summary of Regional Economic Conditions in the 3rd Quarter of 2020*
- *Regional Economic Indicators*

3rd 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 September 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. SUMMARY OF REGIONAL ECONOMIC CONDITIONS IN THE THIRD QUARTER OF 2020

The third-quarter data from the U.S. Bureau of Labor Statistics¹ showed improvements in the local labor markets, though the labor force declined by 1,613 people in the South Bend-Mishawaka MSA and 4,069 people in the Elkhart-Goshen MSA. The number of employed persons rose by 7,707 in the South Bend-Mishawaka MSA and 8,060 workers in the Elkhart-Goshen MSA. The number of unemployed persons dropped by 9,320 in South Bend-Mishawaka and 12,128 in Elkhart-Goshen. As a result, the jobless rate in the two areas fell in the third quarter of 2020. South Bend-Mishawaka's unemployment rate was down 7.00 percentage points to 8.60 percent, and Elkhart-Goshen's unemployment rate decreased by 10.53 percentage points to 6.50 percent.

The employment data by industry² also showed rebounds in nonfarm jobs in both regions. In the South Bend-Mishawaka MSA, total nonfarm employment rosed by 3.81 percent (+4,767 jobs) in the third quarter of 2020. Most of the industry sectors experienced job gains. In particular, employment in leisure and hospitality increased by 1,567, followed by gains in private educational and health services (+1,100 jobs), professional and business services (+933.33 jobs), other services (+933.33 jobs), and trade, transportation and utilities (+933 jobs). Employment grew in natural resources, mining, and construction (+267 jobs), and manufacturing (+100 jobs). Government employment declined by 1066.67 in the third quarter of 2020. Employment was unchanged in information and financial activities.

In the Elkhart-Goshen MSA, total nonfarm employment added 7,600 jobs in the third quarter, with almost two-thirds of the gain in manufacturing (+4,767 jobs). Employment increase was observed in the following sectors: trade, transportation and utilities (+1,100 jobs); leisure and hospitality (+967 jobs); professional and business services (+633 jobs); natural resources, mining, and construction (+367 jobs); other services (+300 jobs); and financial activities (+33 jobs). Employment declined in government (-533 jobs) and private educational and health services (-33 jobs). Information saw no job change in the third quarter of 2020.

2. REGIONAL ECONOMIC INDICATORS

As displayed in the table below, the total nonfarm employment index in South Bend-Mishawaka averaged 122.86 in the third quarter, up 5.49 points from the previous quarter. The manufacturing employment index rose 0.94 point to a quarterly average of 60.46 and the non-manufacturing employment index increased by 6.71 points to 140.95. Also, the average index of industrial electricity usage in South Bend-Mishawaka grew 18.47 points to 95.45 in the third quarter of 2020.

The index of new single-family housing building permits issued, which reflects new home constructions in the South Bend-Mishawaka MSA, averaged 33.54 points in the third quarter of 2020, up 6.72 points from the second quarter. The index of these permits' total value also gained 16.89 points to a quarterly average of 122.07. Overall, the average value of new permits was virtually unchanged in the third quarter and sat at a quarterly average of 35.61.

The Indiana Association of Realtors data showed that the number of existing single-family homes sold jumped 10.5 percent to 1,230, and the median sales price rose 7.8 percent to \$165,000 in July-September of 2020 from a year ago. Furthermore, the St. Joseph housing market continued to experience a shortage of home supply and inventory in the third quarter of 2020.

The region's monthly supply of inventories went down 48.5 percent, 50.0 percent, and 51.5 percent in July, August, and September 2020, respectively, than one year ago. Another indicator, the inventory of homes for sale also declined in the year-over-year comparison by 49.6 percent, 49.9 percent, and 51.9 percent in July-September 2020, respectively.

The index of total nonfarm employment gained 8.78 points to an average of 137.54 in Elkhart-Goshen during the third quarter of 2020. The manufacturing employment index rose 9.90 points to a quarterly average of 117.07. The non-manufacturing employment index went up 7.66 points to an average of 161.64 in the third quarter. Moreover, the average index of electricity usage added 10.83 points to a quarterly average of 71.01.

In summary, the labor market enhanced when the local economy continued to reopen in the third quarter. The employment rose and the number of unemployed persons fell, despite a shrinking labor force, which resulted in a significant drop in the unemployment rate. Meanwhile, the index of electricity usage rose in both areas, indicating more business activities. However, compared to the first quarter of 2020, the third-quarter labor force is 5,106 and 4,392 less in South Bend-Mishawaka and Elkhart-Goshen, respectively. The nonfarm employment in South Bend-Mishawaka and Elkhart-Goshen is 13,467 and 11,234 less than that in the first quarter, respectively. The underlying information is that the economy is recovering, yet there is a long way to return to the pre-pandemic level.

When looking ahead, the economy will continue to recover. However, the concerns are that consumers may have become more conscious about their shopping, keeping their purchases focused on the most basic needs, and turning to digital commerce. In addition, the need for social distance to prevent the spread of COVID-19 also significantly affected consumers' decisions on entertainment, dining, accommodation, and traveling. Hence, leisure and hospitality, sensitive retail (i.e., department stores), personal services would still be

impacted adversely. The resurging of COVID-19 cases across the nation, with the Midwest leading the new cases per capita, could again trigger movement and activity restrictions. Meanwhile, without a clear timetable when the vaccine will be available to the public, consumers will likely continue to exercise caution on attending crowded places, which cast a dark cloud over how far the labor market recovery will be.

The local housing market in St. Joseph seemed unusually active in the third quarter. There were more new home constructions and sales of existing homes. Part of the rising activities is attributed to the reopening of the economy, making the home listing and

transactions easier. In addition, the U.S. mortgage rate continued to trend down in the third quarter. According to the primary mortgage market survey by Freddie Mac, the U.S. 30-year fixed mortgage rate averaged 2.95 percent in the third quarter of 2020, which was the lowest in statistics dated back to 1971. The low mortgage rates provided incentive to home buyers. Also, the work-from-home trend may have boosted the demand for housing, to a certain extent, to improve living conditions. However, the shortage of inventory continued to plague the local housing market. Under the dynamics of higher demand but supply shortage, the median sales price rose again in the third quarter of 2020.

3rd Quarter 2020

July August September Monthly Average

Employment

| | | | | |
|------------------------------|--------|--------|--------|--------|
| Total Nonfarm Employment | 121.74 | 123.43 | 123.41 | 122.86 |
| Manufacturing Employment | 61.88 | 60.16 | 59.34 | 60.46 |
| Non-manufacturing Employment | 139.16 | 141.77 | 141.92 | 140.95 |
| Unemployment Rate | 10.20 | 8.30 | 7.30 | 8.60 |
| Electricity Usage | 97.34 | 96.44 | 92.56 | 95.45 |

Single-Family Housing

| | | | | |
|-------------------------------|--------|--------|-------|--------|
| Number of New Permits | 31.43 | 42.99 | 26.21 | 33.54 |
| Total Value of New Permits | 101.99 | 176.26 | 87.95 | 122.07 |
| Average Value of a New Permit | 31.29 | 37.04 | 38.51 | 35.61 |

Employment

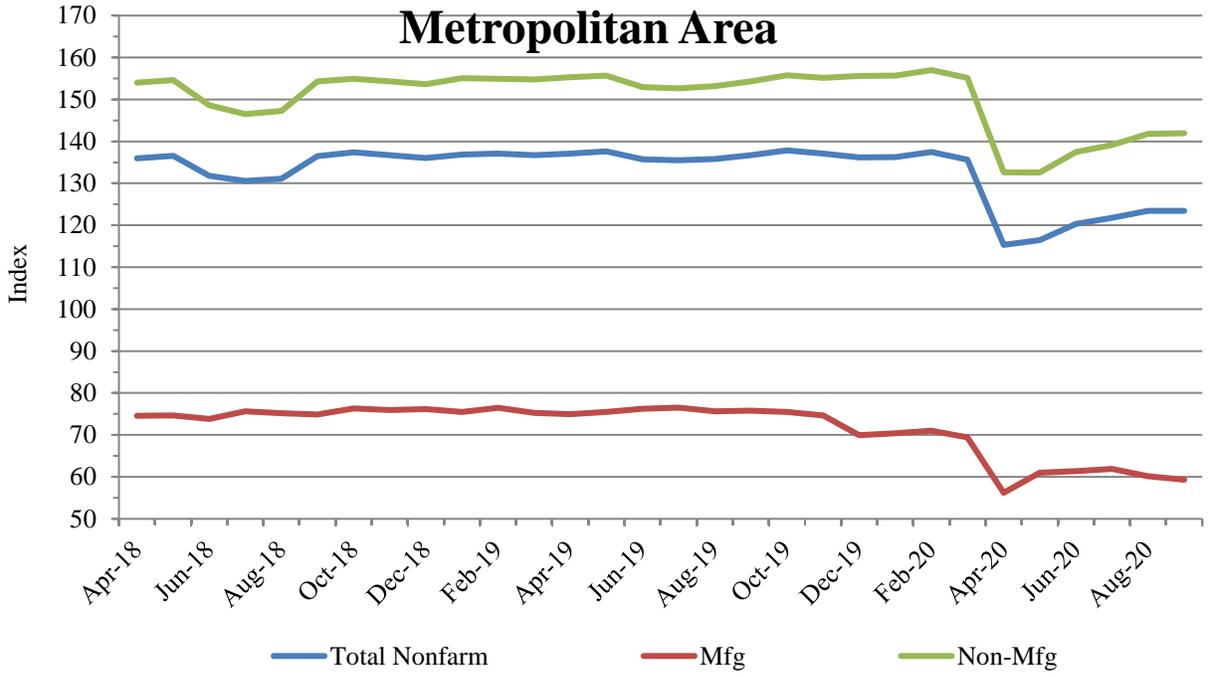
| | | | | |
|------------------------------|--------|--------|--------|--------|
| Total Nonfarm Employment | 135.93 | 137.93 | 138.77 | 137.54 |
| Manufacturing Employment | 115.48 | 117.26 | 118.48 | 117.07 |
| Non-manufacturing Employment | 159.90 | 162.19 | 162.82 | 161.64 |
| Unemployment Rate | 8.1 | 6.1 | 5.3 | 6.50 |
| Electricity Usage | 71.45 | 71.37 | 70.20 | 71.01 |

South Bend - Mishawaka

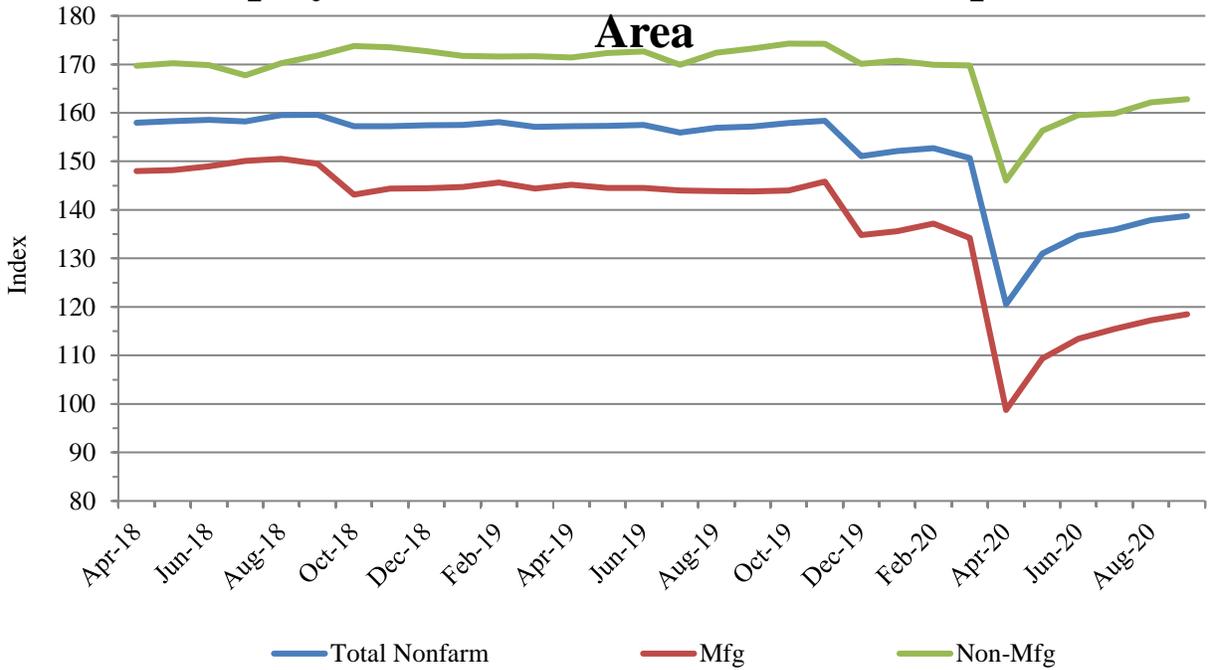
Elkhart - Goshen

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

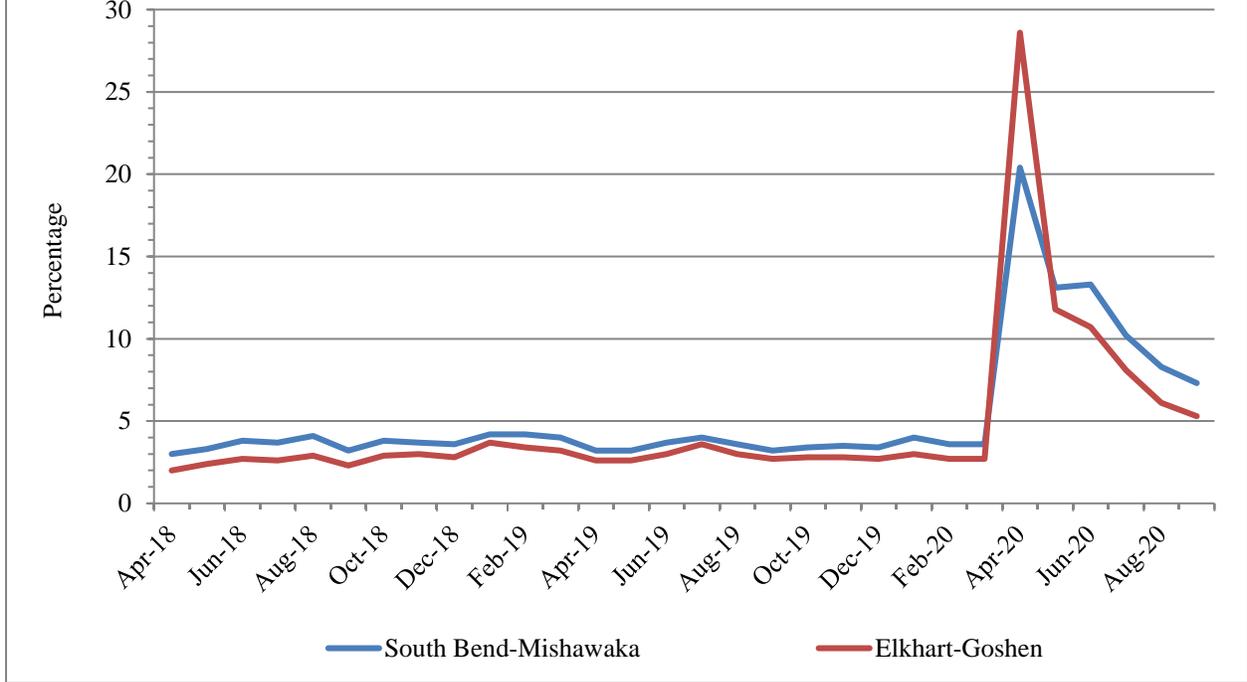
Employment in South Bend-Mishawaka Metropolitan Area



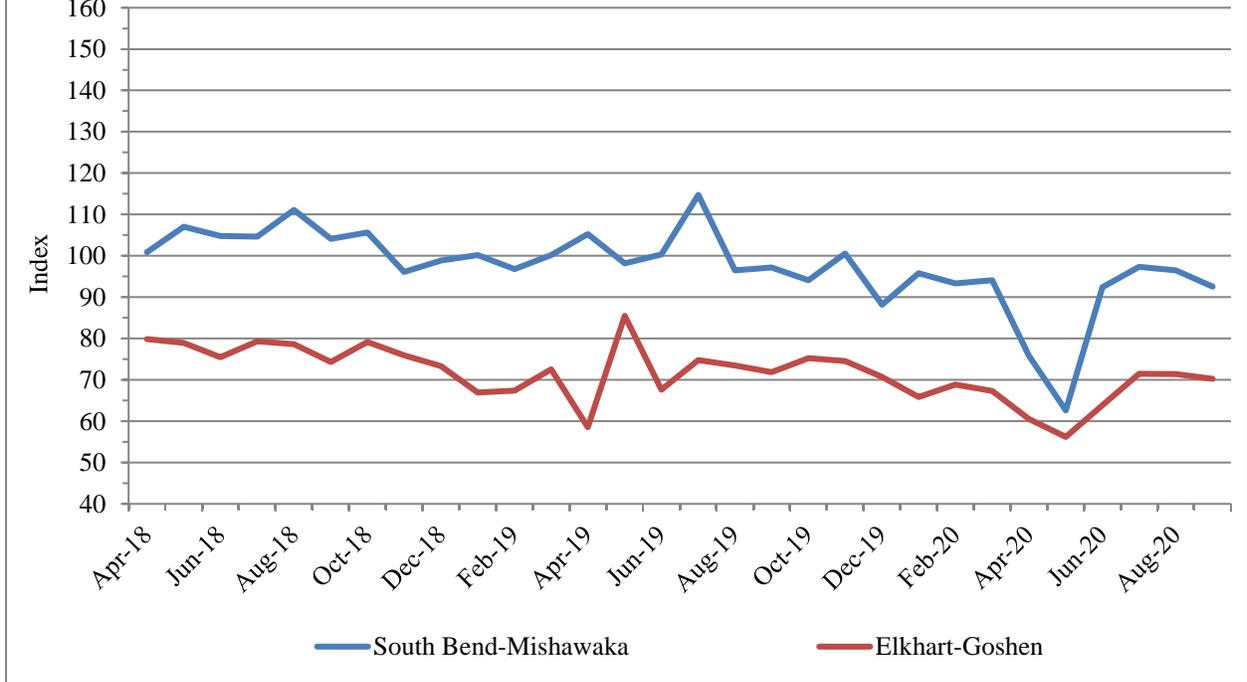
Employment in Elkhart-Goshen Metropolitan Area



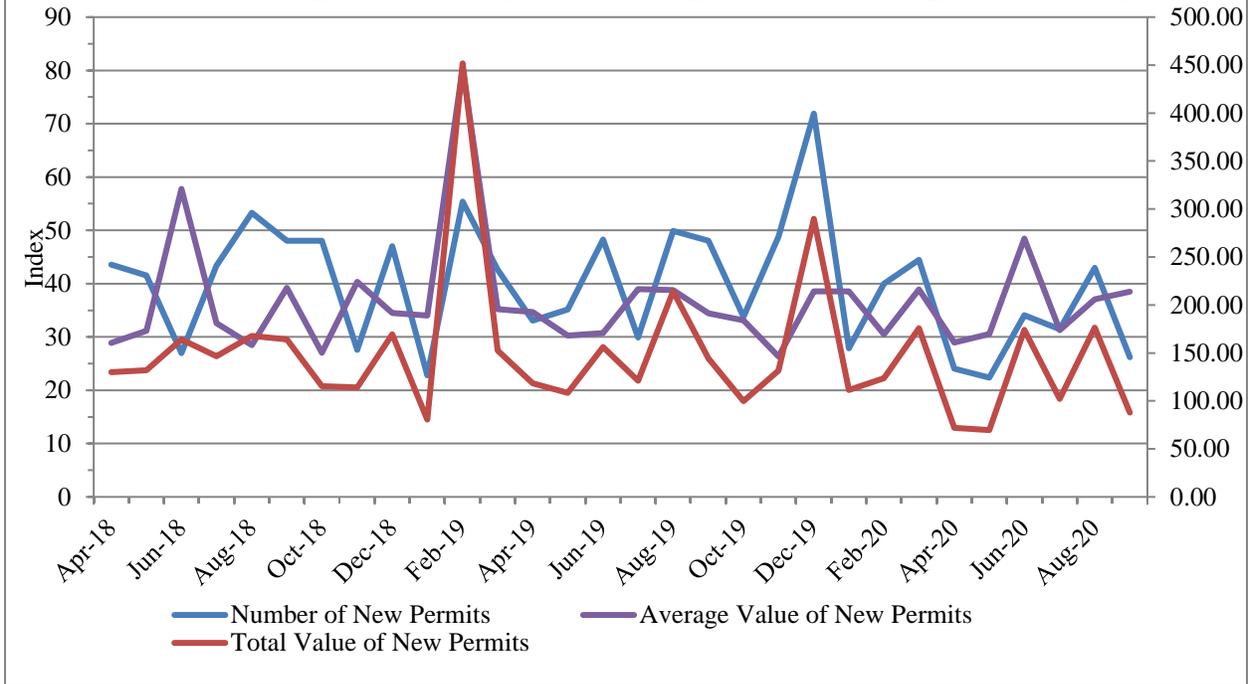
Unemployment Rate



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>

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