

MICHIANA BUSINESS

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4th 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 December 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 FOURTH QUARTER OF 2017

U.S. Bureau of Labor Statistics¹ data in the fourth quarter of 2017 showed that the labor force shrank by 388 and 2,501 people in the South Bend – Mishawaka MSA and Elkhart – Goshen MSA respectively. Meanwhile, payroll employment added 52 workers to the South Bend-Mishawaka MSA but lost 2,122 workers in the Elkhart – Goshen MSA. Both MSAs experienced a decline in the number of unemployed, 440 and 389 people down from the last quarter in South Bend – Mishawaka and Elkhart – Goshen respectively. Under the above labor market changes, the jobless rate in the two areas declined slightly in the fourth quarter of 2017. In the South Bend-Mishawaka MSA, the fourth quarter average unemployment rate was 3.47 percent, down 0.33 percentage point from the last quarter. The Elkhart-Goshen's quarterly unemployment rate was 2.33 percent, 0.30 percentage point lower than the third quarter of 2017.

The nonfarm sectors in the South Bend-Mishawaka MSA rebounded in the fourth quarter of 2017, adding 4,800 jobs, about 3.45 percent growth from the third quarter of 2017. The employment data by industry² showed that job increase came from private educational and health services (+3,633 jobs), government (+2,533 jobs) and trade, transportation and utilities (+100 jobs). Employment declined in natural resources, mining and construction (-367 jobs); manufacturing (-200 jobs); financial activities (-67 jobs); professional and business services (-267 jobs); leisure and hospitality (-267 jobs); and other services (-67 jobs). Employment remained unchanged in information in the fourth quarter of 2017.

The fourth quarter employment growth was less strong in the Elkhart – Goshen MSA. Total nonfarm employment added 1,467 jobs, 1.06 percent increase from the last quarter. Employment gains were observed in the following sectors: 0.98 percent in manufacturing (+667 jobs); 0.33 percent in trade, transportation and utilities (+67 jobs); 3.57 percent in financial activities (+100 jobs); 0.79 percent in private educational and health services (+100 jobs); 0.82 percent in other services (+33 jobs); and 13.25 percent in government (+1,100 jobs). Four sectors experienced job loss: natural resources, mining and construction (-167 jobs); information (-33 jobs); professional and business services (-100 jobs); and leisure and hospitality (-300 jobs).

2. REGIONAL ECONOMIC INDICATORS

As the table below shows, the monthly average total non-farm employment index in South Bend – Mishawaka gained 4.01 points from the last quarter and reached 135.10 in the fourth quarter of 2017. In particular, the manufacturing employment index of the area edged down 0.67 point while the non-manufacturing employment index displayed an increment of 5.37 points. In addition, the index of industrial electricity usage in South Bend-Mishawaka declined 1.44 points in the fourth quarter of 2017.

The housing sector in the South Bend-Mishawaka MSA was mixed over the period of October - December. The average index of new building permits of single family housing was 45.39, 6.91 points above the last quarter. However, the average index of total value of these permits lost significantly by 24.42 points to a quarterly average at 124.64. Consequently, the average seasonally adjusted index of the average value of new permits was down 11.62 points to a quarterly average of 28.23.

In addition, data from Indiana Association of Realtors³ showed that the number of existing single-

family homes sold increased 15.4 percent and the median sales price rose 9.7 percent in the fourth quarter of 2017 compared to one year ago. However, the year-over-year comparison indicated that the region's monthly supply of inventories fell 5.9 percent and the inventory of homes for sale increased 5.9 percent in December 2017 than one year ago.

In the fourth quarter of 2017, all three indices of employment were higher in the Elkhart – Goshen metro area. The average seasonally adjusted index of monthly nonfarm employment gained 2.24 points. The monthly average manufacturing employment index in the Elkhart – Goshen metro area increased 2.08 points and the monthly average non-manufacturing employment index gained 2.68 points. In addition, the electricity usage index rose by 4.14 points and was averaged at 82.25 over the last quarter of 2017.

In summary, the labor force in the South Bend-Mishawaka MSA continued to contract for the consecutive second quarter. The payroll employment added a small number of 52 jobs that did not overhaul the significant loss of 2,515 jobs in the third quarter of 2017. Because of local residents dropping out of labor force, the unemployment rate was lower in the fourth quarter of 2017. The spotlight in South Bend's labor market was the 4,800 nonfarm jobs added in the fourth quarter of 2017, overturning the nonfarm job loss in the previous quarter. The sectors gained the most jobs were private educational and health services and government. It is worth noting that manufacturing has been losing jobs for three consecutive quarters.

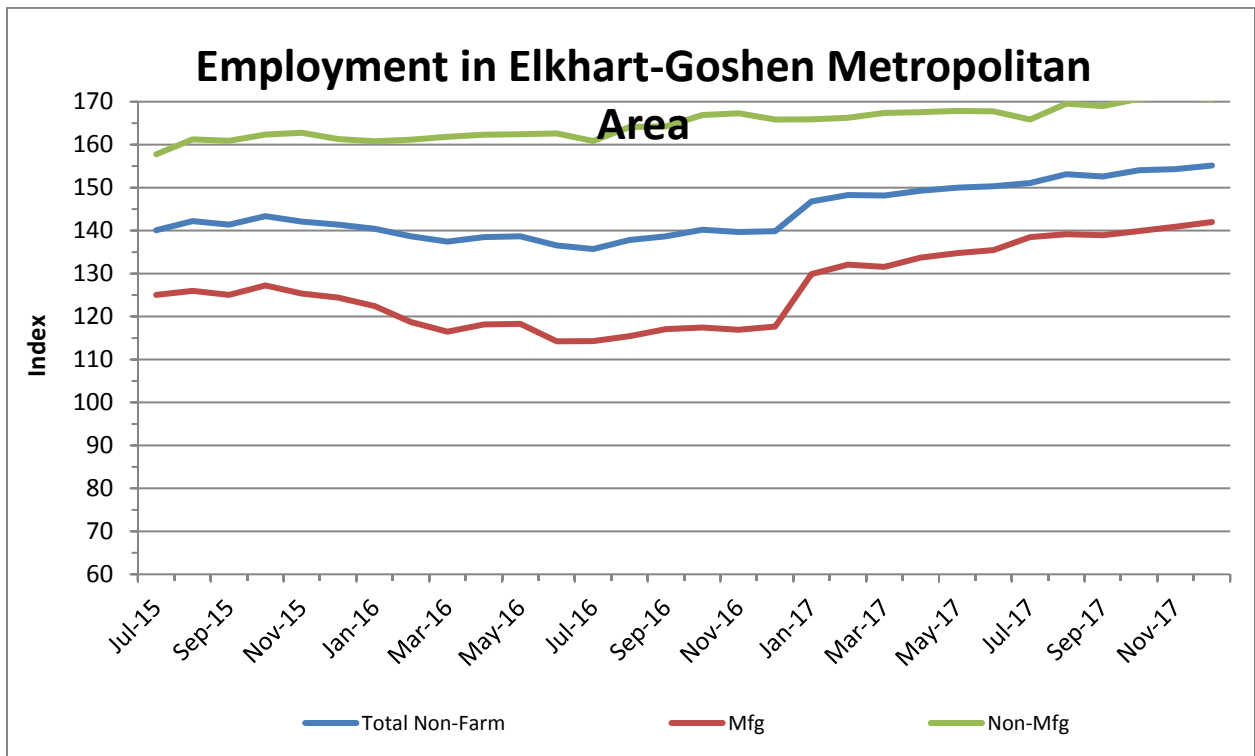
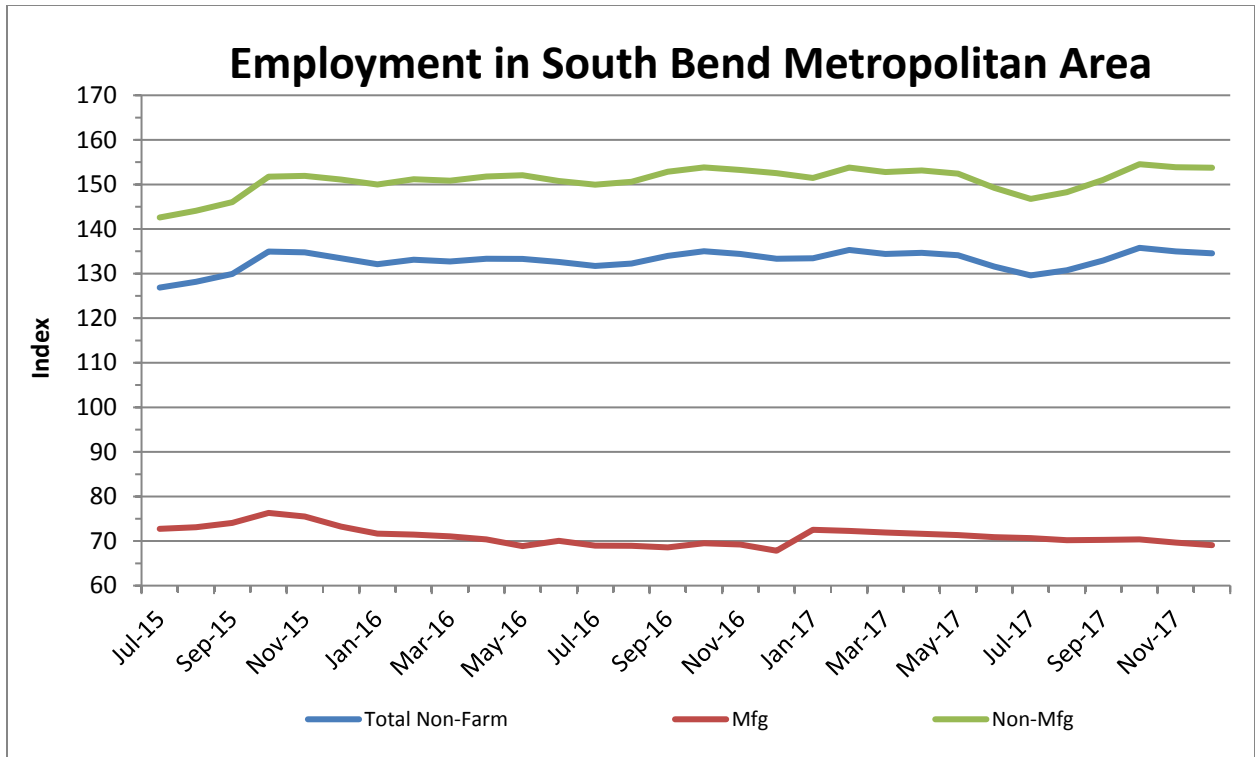
The housing market in this area seemed continuing to gain its strength indicated by the higher average index of new building permits of single-family housing and more pushed up median sales price of houses in the last quarter of 2017.

However, the labor market was mixed in the Elkhart-Goshen MSA in the fourth quarter of 2017. The labor force dropped significantly by 2.21 percent, losing 2,122 workers in employment and 389 people in unemployment. As a result, the average unemployment rate fell by 0.3 percentage point and reached 2.1 percent in December 2017. Despite the underperformance in labor force and

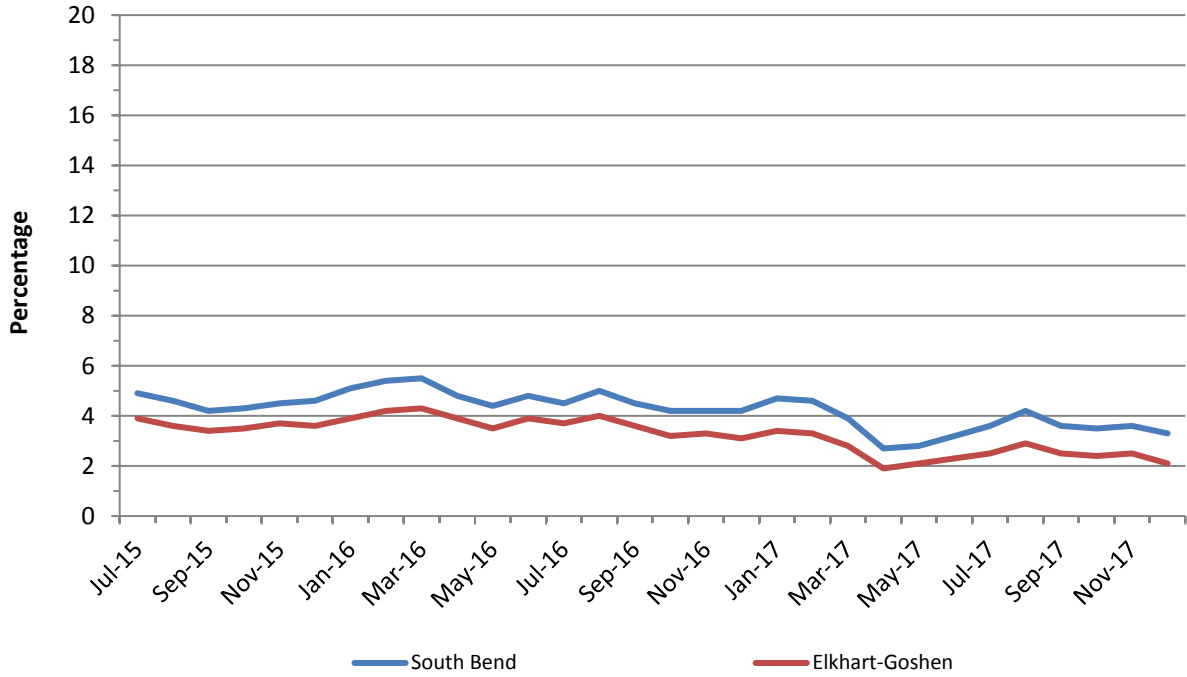
payroll employment, the nonfarm sectors in Elkhart-Goshen were active in creating new jobs in the four quarter of 2017 with six sectors gaining employment. In contrast to South Bend-Mishawaka, manufacturing has remained strong in Elkhart-Goshen adding new jobs throughout the four quarters.

	4th Quarter 2017				
	October	November	December	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Non-farm Employment	135.78	134.97	134.56	135.10
	Manufacturing Employment	70.38	69.64	69.08	69.70
	Non-manufacturing Employment	154.54	153.85	153.76	154.05
	Unemployment Rate	3.5	3.6	3.3	3.47
	Electricity Usage	95.61	99.15	94.95	96.57
	Single Family Housing				
	Number of New Permits	51.60	40.33	44.25	45.39
	Total Value of New Permits	111.20	141.89	120.82	124.64
	Average Value of a New Permits	24.23	34.32	26.14	28.23
Elkhart -Goshen	Employment				
	Total Non-farm Employment	154.04	154.30	155.14	154.49
	Manufacturing Employment	139.90	140.92	141.99	140.94
	Non-manufacturing Employment	170.70	171.12	170.61	170.81
	Unemployment Rate	2.4	2.5	2.1	2.33
	Electricity Usage	83.17	83.62	79.98	82.25

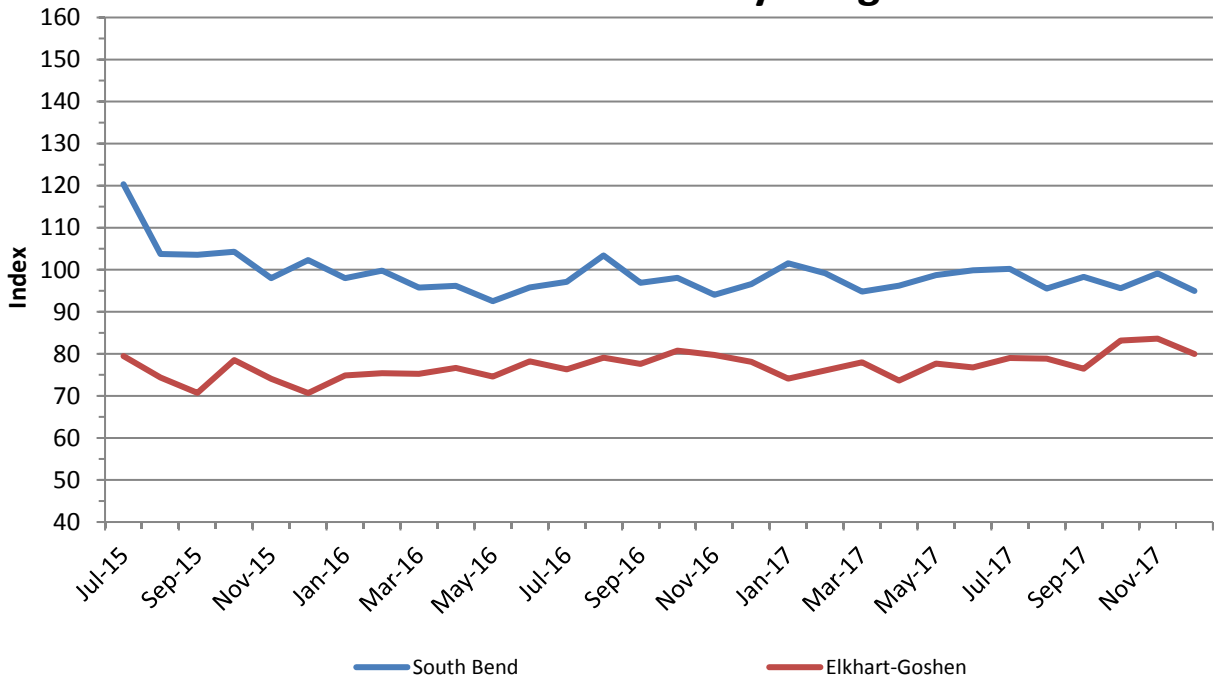
Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using BLS seasonal adjustment program.



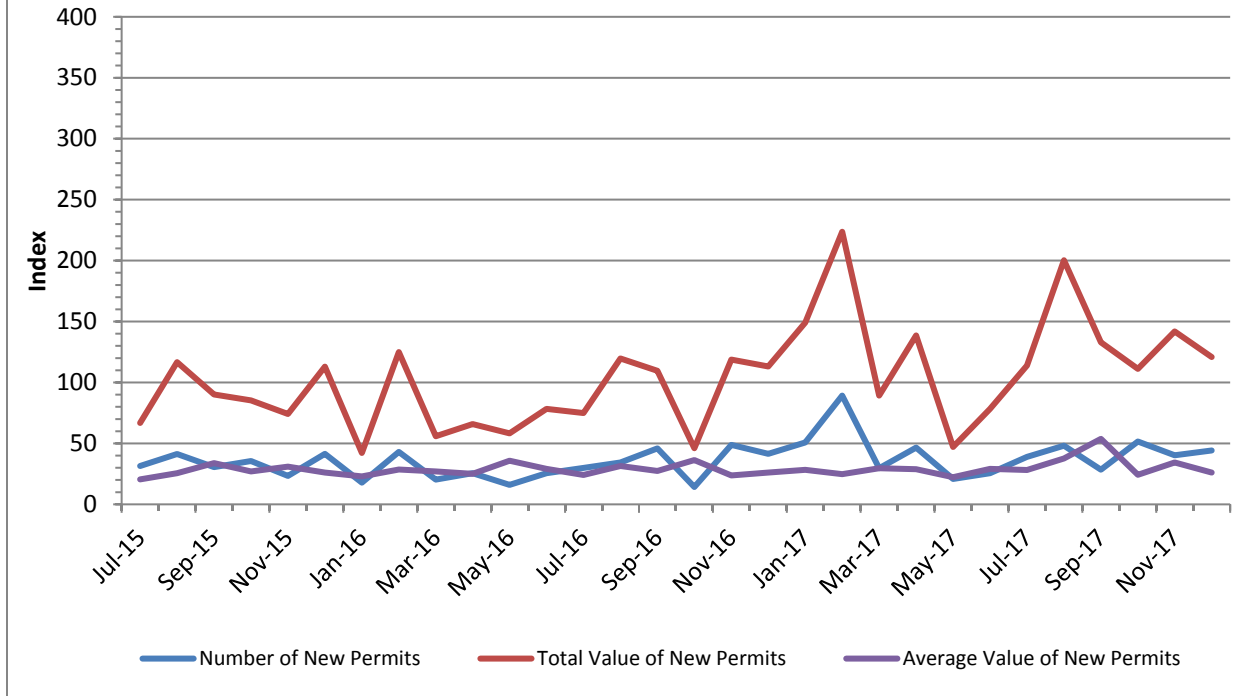
Unemployment Rate



Industrial Electricity Usage



Single-Family Housing in St. Joseph County



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(2) Employment by industries: Monthly Current
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