

MICHIANA BUSINESS

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2nd 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 June 2023, 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. For the most part, these indicators are 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 SECOND QUARTER OF 2023

U.S. Bureau of Labor Statistics data¹ showed that, during the second quarter of the year, the labor force increased by 321 in the South Bend-Mishawaka MSA, yet shrank by 827 in the Elkhart-Goshen MSA. Meanwhile, payroll employment data showed an increase of 568 workers in South Bend – Mishawaka and a decline of 165 workers in Elkhart-Goshen. The number of unemployed declined by 247 in South Bend – Mishawaka and 662 in Elkhart-Goshen. The interplay of the above labor market dynamics in both areas contributed to lower jobless rates. The unemployment rate in the South Bend-Mishawaka MSA fell by 0.23 percentage points to a quarterly average of 3.80 percent. The jobless rate for the Elkhart-Goshen metropolitan area decreased from 4.17 percent in the first quarter to an average of 3.63 percent in the second quarter of 2023.

The employment data by industry² showed that the total nonfarm employment in the South Bend-Mishawaka MSA gained 1,800 jobs from the first quarter to a quarterly average of 140,000 jobs, a 1.30 percent increase in the second quarter of 2023. Job additions were observed in the following industries: natural resources, mining and construction (+467 jobs); financial activities (+67 jobs); professional and business services (+467 jobs); private educational and health services (+133 jobs); leisure and hospitality (+700 jobs); other services (+100 jobs); and government (+33 jobs). Employment declined in manufacturing (-100 jobs) and trade, transportation, and utilities (-67 jobs), whereas, there was no change in information.

The Elkhart-Goshen MSA experienced minor job growth in the second quarter of 2023. Total nonfarm employment in this region increased by 567 to an average of 141,933 jobs in the second quarter. Specifically, job increases were seen in natural resources, mining and construction (+400 jobs); trade, transportation and utilities (+133 jobs); professional and business services (+267 jobs); private educational and health services (+133 jobs); leisure and hospitality (+467 jobs); other services (+67 jobs) and government (+100 jobs). Manufacturing lost 1000 jobs, whereas information and financial services remained the same.

2. REGIONAL ECONOMIC INDICATORS

As the table below shows, the average monthly total nonfarm employment index in South Bend-Mishawaka lost 0.49 points from the first quarter to an average of 131.42 in the second quarter. The manufacturing employment index of the area lost 1.13 points, and the non-manufacturing employment index was down 0.48 points this quarter. Meanwhile, the index of industrial electricity usage declined by 3.74 points during the same period, reaching a quarterly average of 83.23.

The index of the number of new permits issued for single-family housing went up by 4.59 points to a quarterly average of 31.91 and the index of the total value of the new permits increased by 3.04 points to 145.33. Ultimately, the mean index of the average value of new permits was down 7.43 points from the last quarter and settled at 44.38.

Indiana Association of Realtors statistics³ indicated that the closed sales of existing single-family homes dropped 9.3 percent in the second quarter of 2023 from a year ago. Meanwhile, the median sales price in the second quarter of 2023 went down 4.2 percent over the year. The supply of homes in South Bend-Mishawaka, measured by the inventory of homes for sale, increased by 30.5 percent in April and 21.6 percent in May, but declined by 1.1 percent in June 2023, compared to the same months in 2022.

The Elkhart-Goshen MSA's total nonfarm employment index lost 2.37 points to 155.02 in the second quarter of 2023. The quarterly average manufacturing employment index dropped 3.29 points to 143.26, and the quarterly average non-manufacturing employment index declined by 0.49 points to 168.83. Meanwhile, the index of electricity usage edged down 0.13 points to 61.30 in the second quarter of 2023.

In summary, the second quarter regional economic data indicated a resilient labor market in the South Bend-Mishawaka MSA. The labor force expanded, and employment grew quarter-over-quarter. Meanwhile, unemployment declined moderately, leading to a lower unemployment rate, of 3.80 percent, in the second quarter of 2023. The unemployment rate was about 1 percent higher compared to a year ago. The total nonfarm employment grew 1.30 percent in the second quarter of 2023 and saw job increases in most sectors.

The second quarter labor market in the Elkhart-Goshen MSA did not improve from the first quarter. Although the unemployment rate seems lower, it is mainly attributed to workers dropping out of the labor force. The total nonfarm employment was essentially unchanged, with the service sectors gaining jobs, yet the manufacturing sector shedding the most jobs. Moreover, the industrial electricity usage index was lower in the second quarter for both MSAs, indicating less production activities.

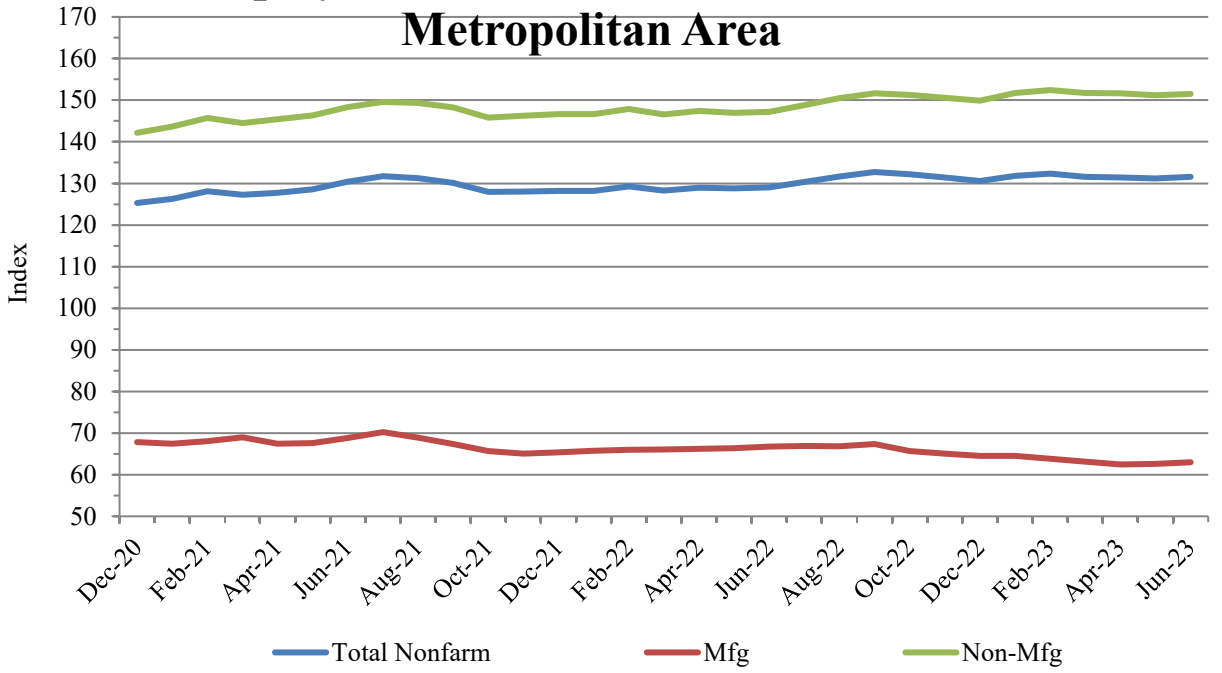
The housing sector in South Bend-Mishawaka continued to slow down in the second quarter of 2023. Although the number of new building permits issued and the total value of the building permits rose from the first quarter, overall, the two indicators were lower in the year-over-year analysis. Moreover, each permit's average value fell in quarter-over-quarter and year-over-year comparisons. The housing market slowdown is also reflected in the existing home sales and the median sales price, both of which declined in the second quarter year-over-year.

The second quarter labor market statistics indicated that the local labor market held up to the higher interest rate. The target Federal funds rate was raised to 5.00 - 5.25 percent in May, the highest since 2008. The higher interest rate is intended to slow demand and lower inflation. The manufacturing sector had the most impact, laying off workers for two consecutive quarters. However, the service sectors, especially leisure and hospitality, have added jobs. On the other hand, the higher interest rate has a more significant impact on the St. Joseph County housing market. Compounded by the already pent-up housing price, the demand for homes

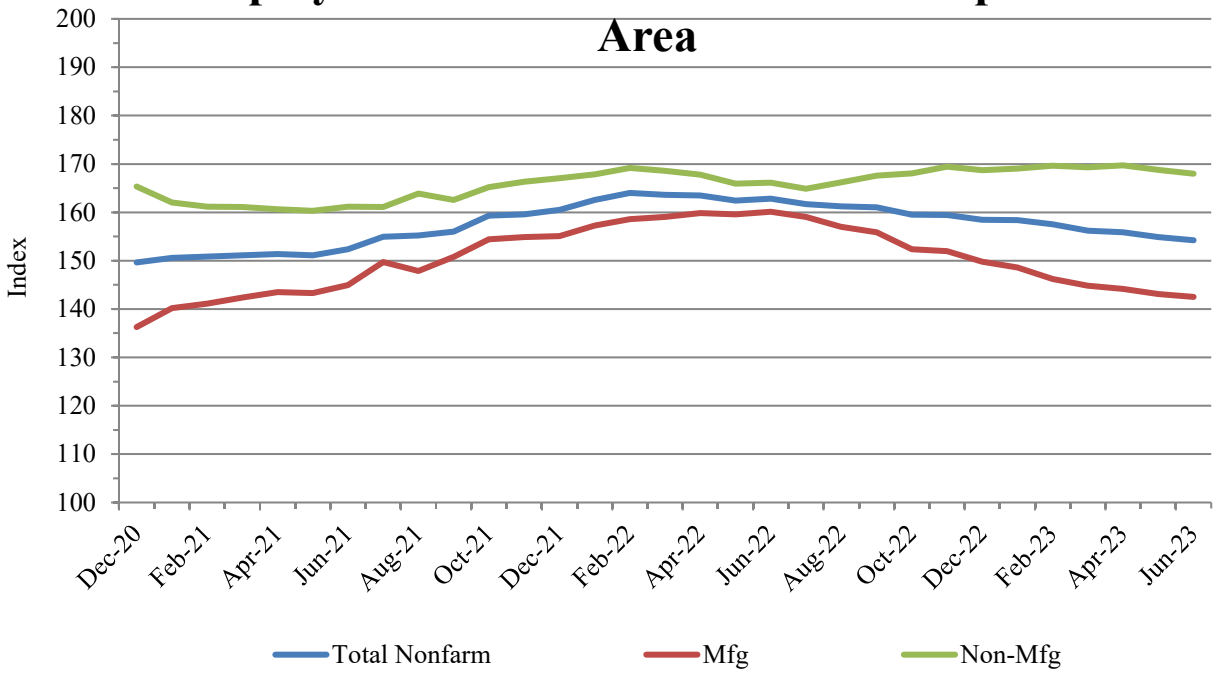
declined. Although the supply of existing homes increased, the number of homes available in this region is still below the 2019 level. The shortage of houses is due to the high mortgage rates. According to Freddie Mac data, the current average rate on the popular 30-year fixed mortgage is close to 7 percent. Yet, most homeowners have mortgage rates under 5 percent that provide them with no incentive to sell. As the Fed was expected to raise interest rates further in 2023, the housing market will be under greater pressure. The soaring housing price hopes to ease and decline, allowing first-time buyers to afford homes.

	2nd Quarter 2023				
	April	May	June	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	131.45	131.23	131.58	131.42
	Manufacturing Employment	62.46	62.64	63.01	62.71
	Non-manufacturing Employment	151.66	151.21	151.51	151.46
	Unemployment Rate	3.00	4.00	4.40	3.80
	Electricity Usage	81.88	83.35	84.45	83.23
	Single-Family Housing				
	Number of New Permits	24.03	31.97	39.74	31.91
	Total Value of New Permits	107.14	168.53	160.32	145.33
	Average Value of a New Permit	43.16	51.72	38.28	44.38
Elkhart - Goshen	Employment				
	Total Nonfarm Employment	155.90	154.91	154.24	155.02
	Manufacturing Employment	144.13	143.11	142.53	143.26
	Non-manufacturing Employment	169.72	168.79	168.00	168.83
	Unemployment Rate	2.80	3.70	4.40	3.63
	Electricity Usage	62.66	62.37	58.86	61.30
Note: All figures except unemployment rates are seasonally adjusted indexes with the base year of 2002 = 100 using the BLS seasonal adjustment program.					

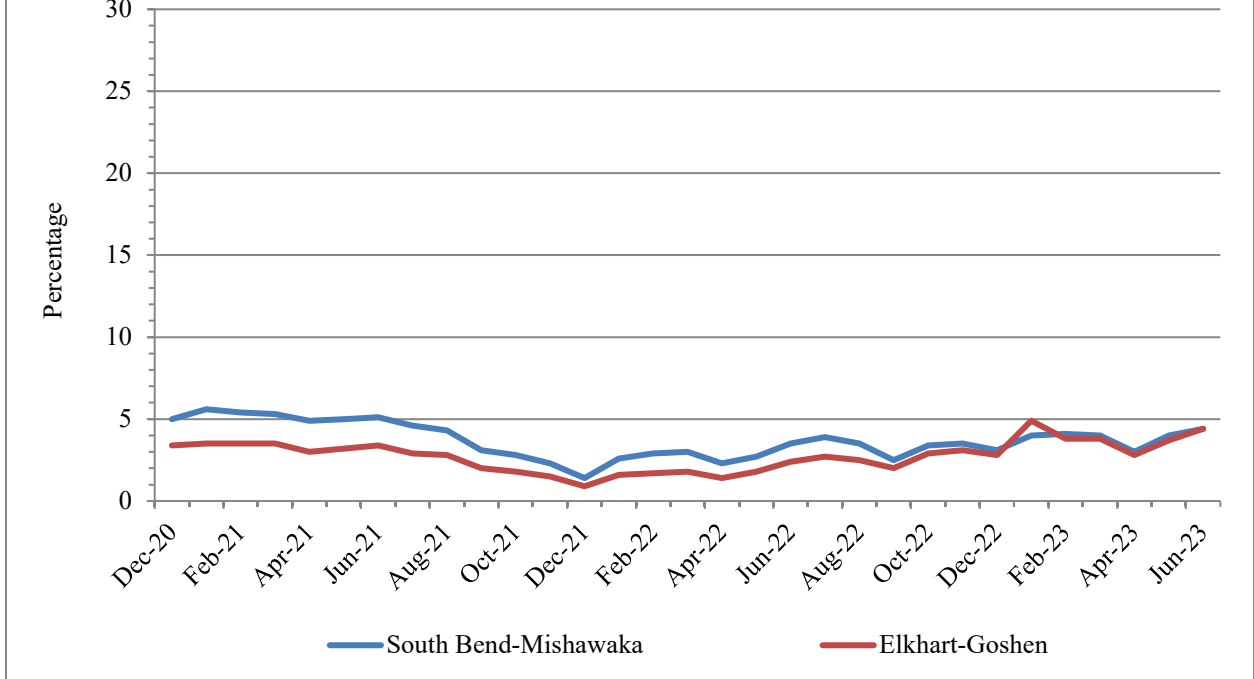
Employment in South Bend-Mishawaka Metropolitan Area



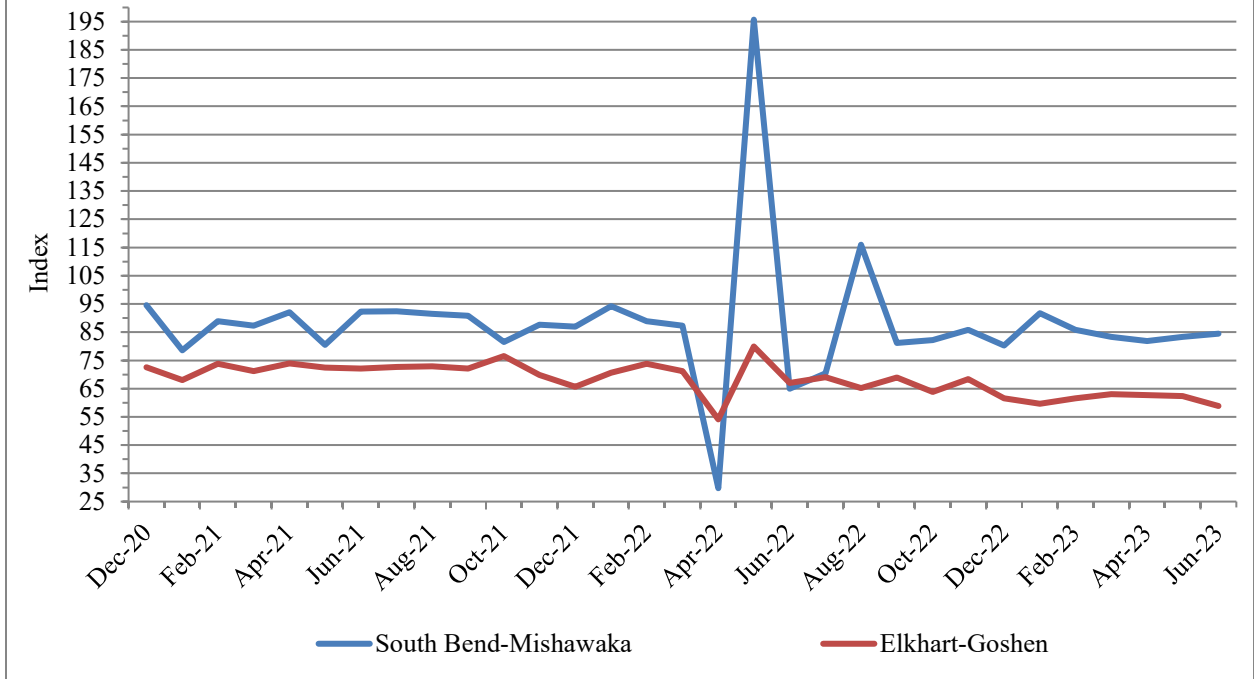
Employment in Elkhart-Goshen Metropolitan Area



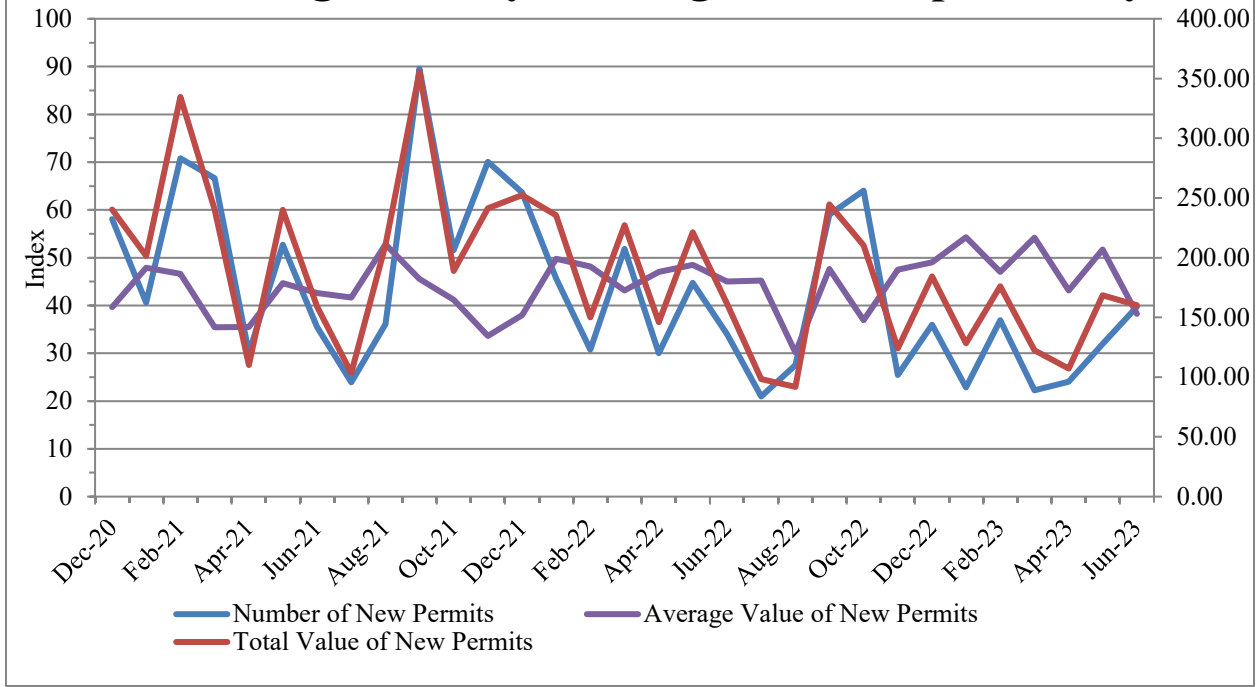
Unemployment Rate



Industrial Electricity Usage



Single-Family Housing in St. Joseph County



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.htm>

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