

# MICHIANA BUSINESS

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### 2<sup>nd</sup> Quarter 2021 Summary

This issue presents an analysis of economic conditions in the South Bend-Mishawaka and Elkhart-Goshen metropolitan statistical areas (MSAs) as of June 2021, 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. REGIONAL ECONOMIC CONDITIONS IN THE SECOND QUARTER OF 2021

The data provided by the U.S. Bureau of Labor Statistics<sup>1</sup> showed that in the second quarter of 2021, the labor force for the South Bend-Mishawaka and Elkhart-Goshen MSAs grew by 2,005 and 1,478 people, respectively. The number of employed persons increased by 2,467 workers in South Bend-Mishawaka and by 1,748 workers in Elkhart-Goshen. On the other hand, the number of unemployed persons decreased by 462 in South Bend-Mishawaka and by 270 in Elkhart-Goshen, thereby leading to a small decline in jobless rates for both areas in April-June of 2021. For South Bend-Mishawaka, the unemployment rate dropped by 0.43 percentage point to 5.0, and for Elkhart-Goshen, the unemployment rate dropped by 0.3 percentage point to 3.2.

The employment data by industry<sup>2</sup> also furthered the more optimistic trends seen so far in the second quarter. Total nonfarm employment in the South Bend-Mishawaka metropolitan area rose by 3.03 percent with an increase of 4,033 jobs. Most sectors in this area saw an increase in employment, most notably in natural resources, mining, and construction by 10.49 percent (+500 jobs), as well as in leisure and hospitality by 22.29 percent (+2,600 jobs). Other sectors that also experienced job increases were manufacturing (+167 jobs), financial activities (+33 jobs), professional and business services (+67 jobs), private educational and health services (+433 jobs), government (+100 jobs), and other services (+133 jobs). Two sectors, information as well as trade, transportation, and utilities did not experience any changes in employment for the second quarter.

Similarly, in the Elkhart-Goshen MSA, total nonfarm employment rose by 3,300 jobs, a 2.44 percent increase from the first quarter of 2021. Employment grew by 11.86 percent (+467 jobs) in natural resources, mining, and construction and by 12.97 percent (+800 jobs) in leisure and hospitality. Other sectors that saw growth in employment include manufacturing (+1,967 jobs), financial activities (+33 jobs), professional and business services (+333 jobs), private educational and health services (+33 jobs), and other services (+100 jobs). However, there were job losses in trade, transportation, and utilities (-133 jobs), as well as in government (-300 jobs). The information sector did not see any job changes in the second quarter.

## **2. REGIONAL ECONOMIC INDICATORS**

As seen from the table below, the total nonfarm employment index in South Bend-Mishawaka rose by 1.68 points from the previous quarter to an average of 128.91 in the second quarter of 2021. The manufacturing employment index dropped 0.07 point to 68.10, while the non-manufacturing employment index grew 2.04 points to 146.65. The metropolitan's index of industrial electricity usage increased by 3.40 points to 88.30 in April-June 2021.

The index for the number of new building permits for single-family housing in South Bend-Mishawaka averaged 39.42, which fell 19.92 points from the first quarter. The index for the total value of these new permits experienced a large decrease from the previous quarter, dropping 88.96 points to an average of 169.82. The average value for these new permits sat at 40.91, a small decline of 2.41 points from January-March 2021.

However, data from the Indiana Association of Realtors<sup>3</sup> indicated strong sales of existing homes. The number of existing single-family homes sold in April-June 2021 was 1,114, up 56 percent from the first quarter. The median sales price rose 20.8 percent to an average of \$175,000 in the second quarter. In

addition, the area's inventory of homes for sale fell 43.5 percent, 38.2 percent, and 26.4 percent in April, May and June, respectively, compared to a year ago.

In the Elkhart-Goshen MSA, the total nonfarm employment index did not experience much change from the first quarter of 2021, with a quarterly average of 151.59. The manufacturing employment index grew slightly by 2.79 points to an average of 144.0, and the non-manufacturing employment index was down 0.86 point to 160.56. Meanwhile, the index of electricity usage gained 1.82 points to 72.84 in the second quarter.

## **3. SUMMARY**

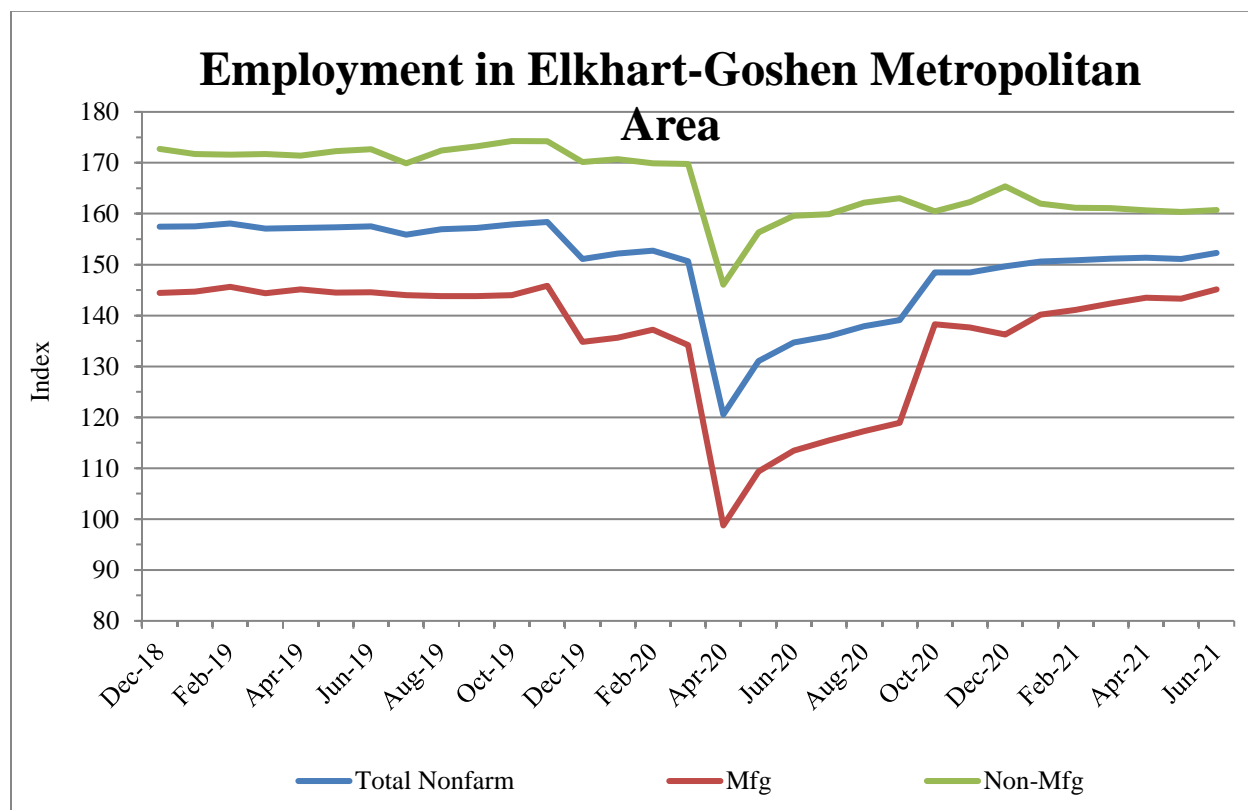
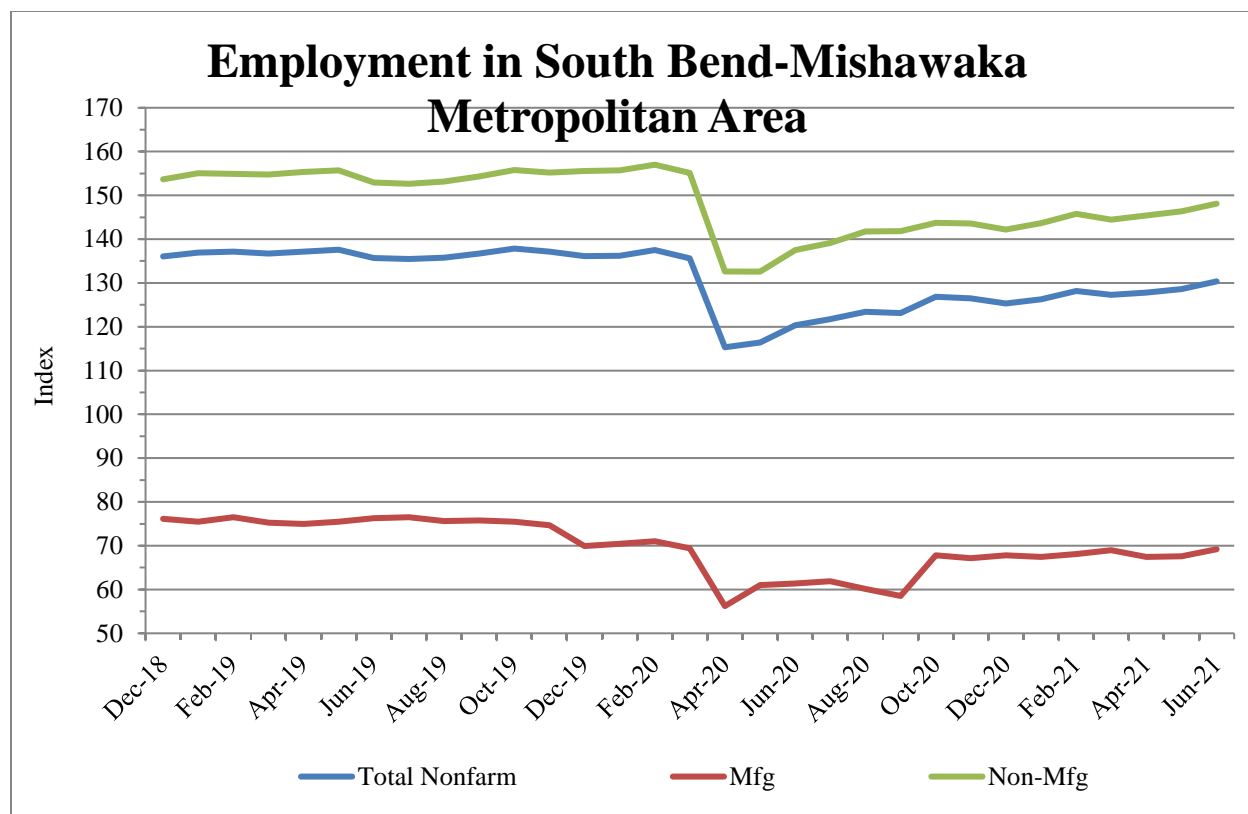
Overall, the local labor markets were optimistic in the second quarter of 2021 and demonstrated continuous improvements from both the BLS household and establishment surveys. The unemployment rates in South Bend-Mishawaka and Elkhart-Goshen were the lowest since the beginning of the lockdown to contain the spread of the coronavirus in late March 2020. In both areas, the major driving forces of job increases in the second quarter were natural resources, mining and construction, and leisure and hospitality. The growth in construction jobs was attributed to the recent housing market fever, the improved weather, and the lagged effect of a larger number of new single-family housing permits issued in the first quarter. Thanks to the continued rollout of the vaccination program and the easing of restrictions, leisure and hospitality employment rebounded significantly in both areas, 22.29 percent in South Bend-Mishawaka and 12.97 percent in Elkhart-Goshen. Despite the labor market improvement in the second quarter of 2021, it is worth noting that the total nonfarm employment in South Bend-Mishawaka is still about 5,300 workers below its pre-pandemic employment in the first quarter of 2020. Whereas, Elkhart-Goshen has recovered fully with its total nonfarm employment 3,500 workers above the first-quarter 2020 figure.

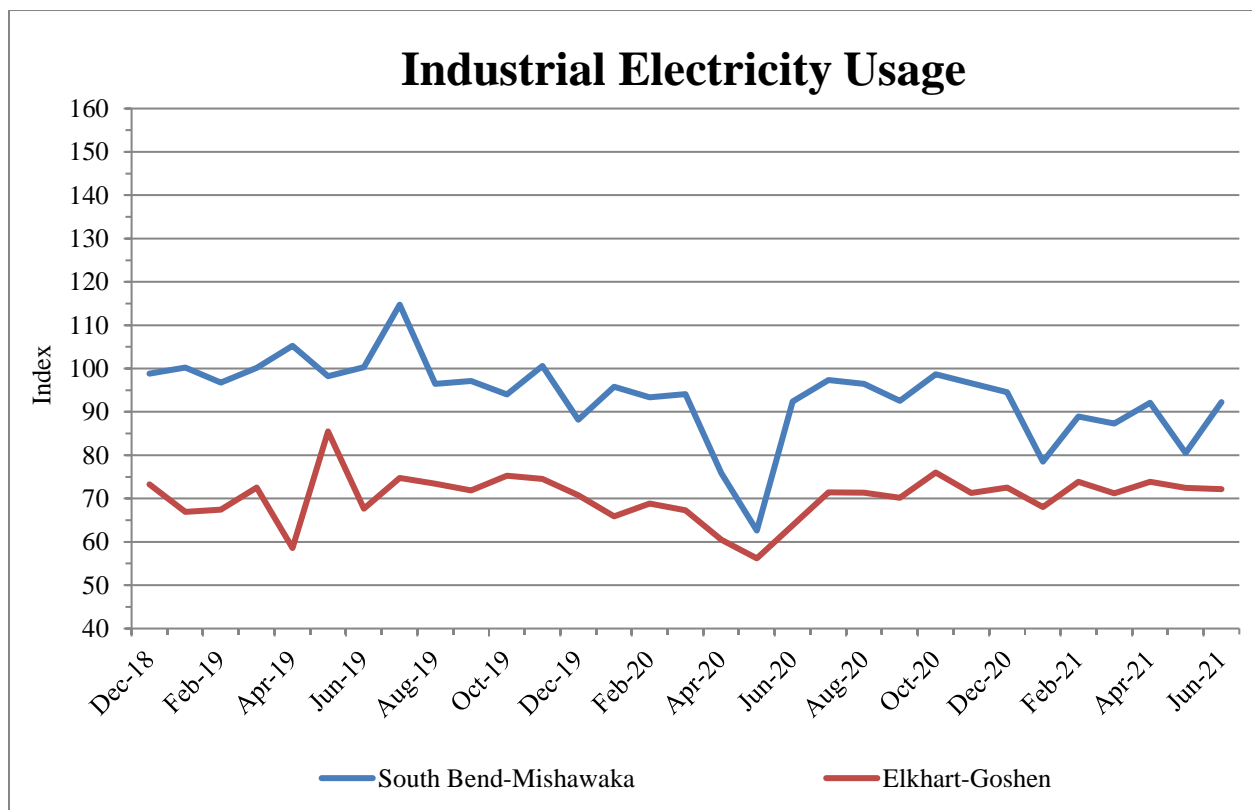
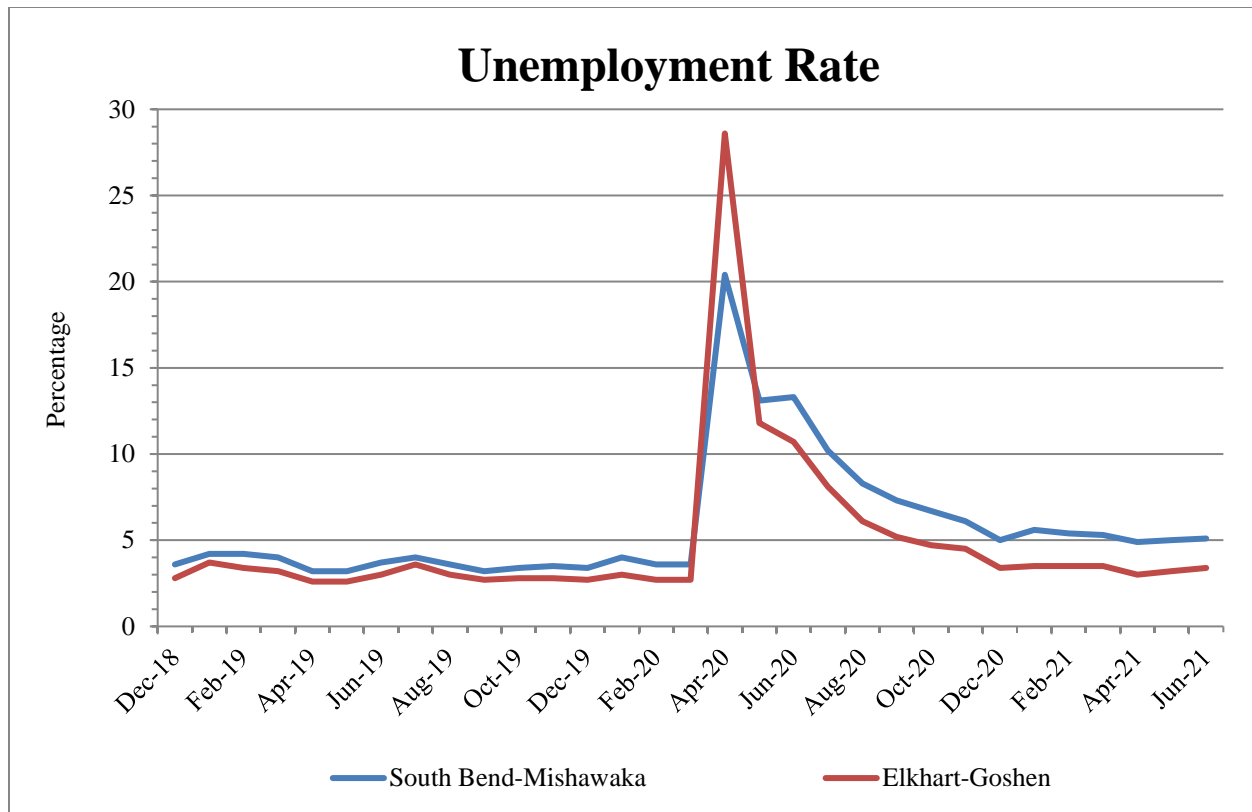
The housing sector in South Bend-Mishawaka stayed strong in the second quarter. The total number of building permits issued went up by 4 percent from the first quarter and was 44 percent higher than those issued in the second quarter of 2020. Although the sales were soft in the first quarter, April-June saw doubled sales of existing homes and a hike in the median sales price. The inventory of available homes for sale continued to trend down. As discussed in the

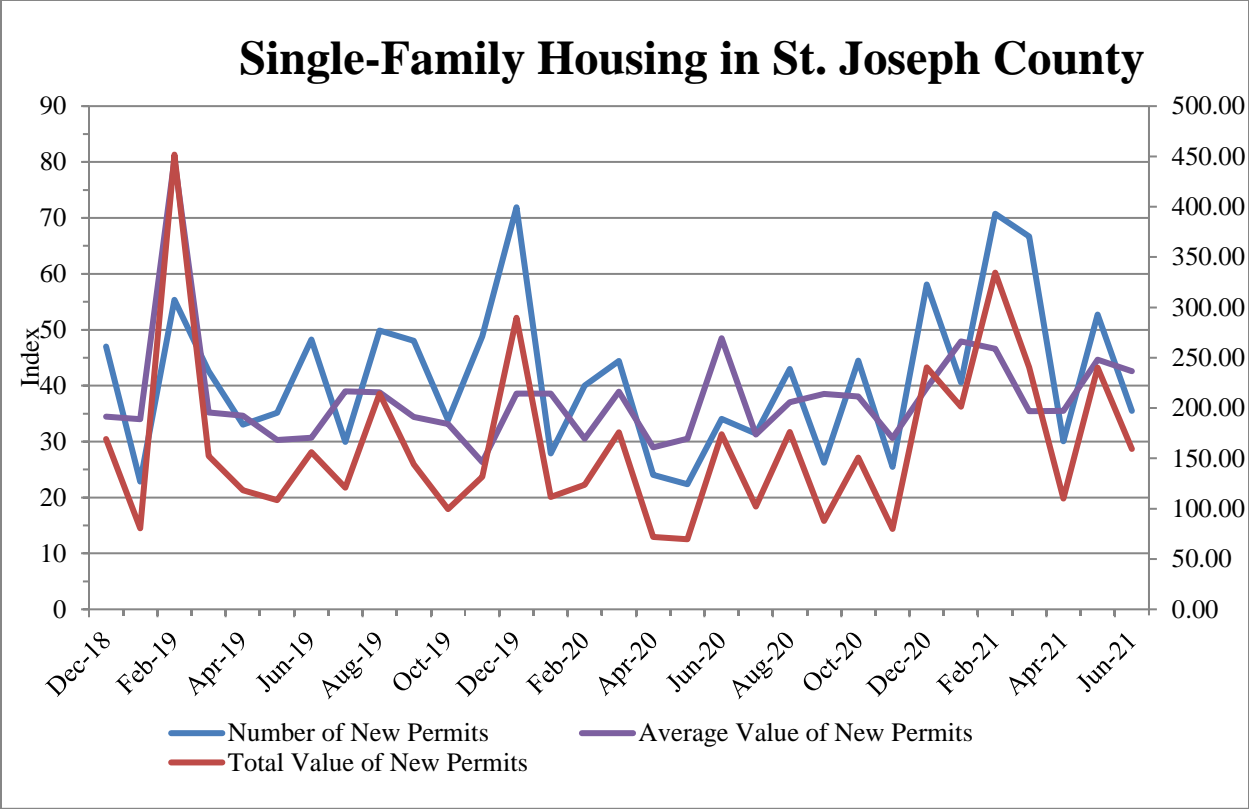
previous issue, the housing market fever is fueled by the demand for more space due to work-from-home and low mortgage rates. In the fall, with more people returning to the workplace and the increasing pressure to end the easy monetary policy due to the rising inflation rate, it is questionable whether the housing market rally will be sustainable.

	2nd Quarter 2021				
	April	May	June	Monthly Average	
South Bend - Mishawaka	Employment				
	Total Nonfarm Employment	127.77	128.61	130.36	128.91
	Manufacturing Employment	67.46	67.62	69.23	68.10
	Non-manufacturing Employment	145.44	146.37	148.13	146.65
	Unemployment Rate	4.9	5.0	5.1	5.0
	Electricity Usage	92.07	80.54	92.28	88.30
	Single-Family Housing				
	Number of New Permits	30.04	52.74	35.48	39.42
	Total Value of New Permits	110.17	240.06	159.24	169.82
	Average Value of a New Permit	35.50	44.65	42.58	40.91
Elkhart - Goshen	Employment				
	Total Nonfarm Employment	151.38	151.09	152.29	151.59
	Manufacturing Employment	143.52	143.31	145.16	144.00
	Non-manufacturing Employment	160.63	160.31	160.73	160.56
	Unemployment Rate	3.0	3.2	3.4	3.2
	Electricity Usage	73.88	72.47	72.17	72.84

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







## REFERENCES

- (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)
- (2) Employment by industries: Monthly Current Employment Statistics (CES) [http://www.stats.indiana.edu/ces/ces\\_naics/](http://www.stats.indiana.edu/ces/ces_naics/)
- (3) Indiana Housing Market Update <http://www.10kresearch.com/reports/IAR/Main.ht>

## Bureau of Business and Economic Research

### **BUREAU OF BUSINESS AND ECONOMIC RESEARCH STAFF:**

Dr. Hong Zhuang, Director

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1700 Mishawaka Ave.  
P.O. Box 1700  
South Bend, Indiana 46634

