

South Bend and Elkhart Area Forecast 2014

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The South Bend-Mishawaka MSA and Elkhart-Goshen MSA recovered much of the losses in production, per capita income and real wages since the Great Recession ended. Although total employment levels have improved in the two MSAs, they remain significantly below pre-recession levels. The sharp decline in the region's labor force has abated, and unemployment rates fell below recession levels.

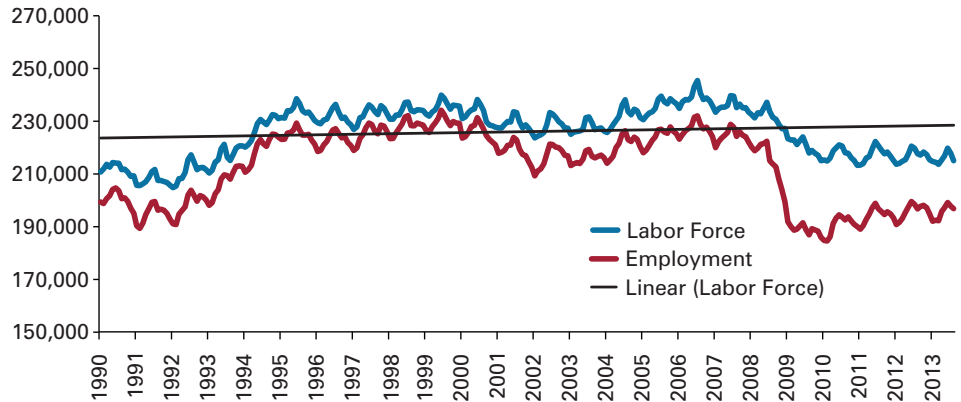
Real Metropolitan GDP

The good news is that the combined size of the local economy — the South Bend-Mishawaka MSA and Elkhart-Goshen MSA — measured by its real metropolitan gross domestic product (RGDP) was \$4.1 billion higher in 2012 (an increase of 24 percent) than its low in 2009.¹ Separately, the Elkhart-Goshen MSA grew by \$3 billion (45 percent) while the South Bend-Mishawaka MSA grew by \$1 billion (9.6 percent) from their respective recession lows. The combined production level for the region was nearly half a billion dollars (-\$586 million) below its pre-recession 2007 level. Despite its spectacular recovery, the Elkhart MSA's RGDP remained more than a half-billion dollars below the 2007 pre-recession level, while the South Bend-Mishawaka MSA's RGDP was more than \$150 million above its 2007 level.

Labor Force and Employment

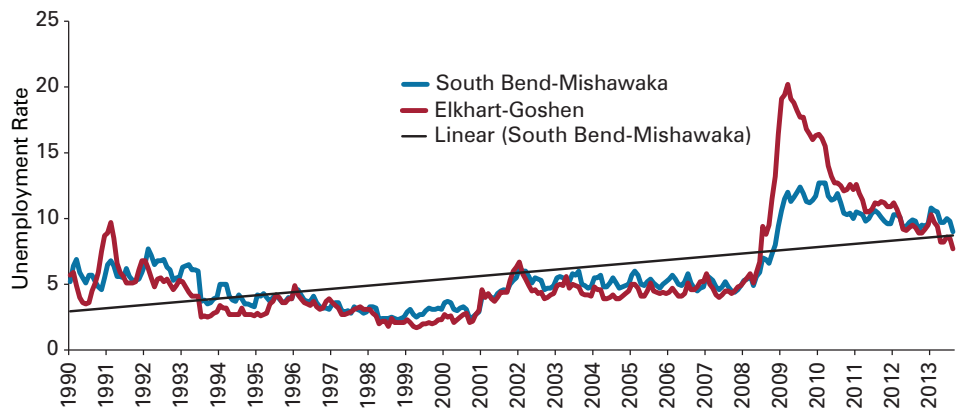
The earlier sharp decline of the local economy's labor force slowed down significantly (see **Figure 1**). In July 2013, the combined labor force stabilized at 217,771 workers, after steadily declining from the record 2006 high of 245,480 workers.² As a result, the region's combined labor force in July 2013 was 27,709 workers smaller than its July 2006 level and 941 workers lower than its July 2012

FIGURE 1: Labor Force and Employment in the Elkhart-Goshen and South Bend-Mishawaka MSAs Combined, January 1990 to August 2013



Note: Data are not seasonally adjusted.
Source: STATS Indiana, using Bureau of Labor Statistics data

FIGURE 2: Unemployment Rate in the Elkhart-Goshen and South Bend-Mishawaka MSAs Combined, January 1990 to August 2013



Note: resident labor force rates are not seasonally adjusted.
Source: STATS Indiana, using Bureau of Labor Statistics data

level. The year-over-year numbers show the Elkhart-Goshen MSA gained 444 jobs in July 2013, while the South Bend-Mishawaka MSA lost 1,120 jobs. This is mainly due to the different rates of economic recovery in the two MSAs. From July 2012 to July 2013, total employment for both areas increased from 196,722 workers to 197,770 workers. Meanwhile, the Elkhart-Goshen MSA added 444 jobs while employment in the South Bend-

Mishawaka MSA fell by 1,120 workers during the same time period.

Unemployment

As the local economy recovered, the number of people unemployed fell and unemployment rates declined in both areas. The number of unemployed plunged 18 percent and 8.3 percent in Elkhart-Goshen and South Bend-Mishawaka MSAs, respectively. The very strong recovery in the Elkhart-Goshen MSA drove

its unemployment rate down to 7.7 percent in August 2013 from 9.3 percent a year earlier and more than 12.5 percentage points (62 percent) below its recession high of 20.2 percent. South Bend-Mishawaka MSA's jobless rate declined slightly (-0.8 percentage point) from 9.8 percent in August 2012 or -3.7 percentage points (-29 percent) from the recession peak of 12.7 percent. **Figure 2** presents the two MSAs' monthly unemployment rates from 1990 to 2013. As the figure shows, these rates were considerably lower by August 2013 than they were during the same month in 2009 and 2012.

Table 1 presents the MSAs' employment by industry. The recent employment data indicate modest job growth for the local economy.³ The total nonfarm sector added 600 new jobs from July 2012 to July 2013. The following industries experienced job growth during the past year in the combined MSAs: trade, transportation and utilities; private education and health

services; professional and business services; leisure and hospitality; and government. All the gains in trade, transportation and utilities (400 jobs) were from the Elkhart MSA, and all the jobs in professional and business services added since last year (600 jobs) were gains in the South Bend-Mishawaka MSA. Both MSAs gained equally in leisure and hospitality, adding 200 jobs each since July 2012.

The biggest losses for the combined area in the past year occurred in manufacturing (-500 jobs) since July of 2012 and natural resources (-400 jobs). While the Elkhart-Goshen area added 1,400 jobs from July 2012 to the same month in 2013, the South Bend-Mishawaka MSA's employment fell by 800 jobs. The top five industries contributed 86 percent (Elkhart-Goshen) and 77 percent (South Bend-Mishawaka) of nonfarm employment. Private education and health care and trade, transportation and utilities are the two employment leaders in the South Bend-Mishawaka MSA with 46 percent of total nonfarm

employment. Manufacturing and trade, transportation and utilities contributed over 60 percent to the Elkhart-Goshen MSA's total nonfarm employment.

From July 2012 to July 2013, seven industries in the Elkhart-Goshen MSA experienced job gains. The following industries each added 200 new jobs: natural resources; manufacturing; education and health services; and leisure and hospitality. Trade, transportation and utilities added 400 jobs, while other services and government sectors added 100 jobs and 500 jobs, respectively. The area also experienced job losses in information services (-100 jobs), professional and business services (-300 jobs). Employment in the financial services sector remained flat.

Meanwhile, the South Bend-Mishawaka MSA added 600 new jobs in professional business services; 100 jobs in education and health care; and 200 jobs in leisure and hospitality. The area experienced job losses in manufacturing (-700); natural

TABLE 1: Employment by Industry and Metro Area, July 2013

Industry	Elkhart-Goshen		South Bend-Mishawaka		Combined MSAs		
	Employment July 2013	Change since July 2012	Employment July 2013	Change since July 2012	Employment July 2013	Change since July 2012	Change since July 2007
Total Nonfarm	115,200	1400	130,100	-800	245,300	600	-25,900
Manufacturing	51,900	200	16,100	-700	68,000	-500	-15,200
Private Educational and Health Services	11,100	200	32,400	100	43,500	300	2,900
Trade, Transportation and Utilities	18,300	400	24,900	0	43,200	400	-4,200
Government (Includes Public Schools and Hospitals)	7,700	500	13,400	-200	21,100	300	-1,700
Professional and Business Services	7,900	-300	12,900	600	20,800	300	-1,700
Leisure and Hospitality	7,100	200	13,000	200	20,100	400	0
Financial Activities	3,200	0	6,000	-200	9,200	-200	-1,200
Other Services	3,700	100	5,500	-100	9,200	0	-700
Natural Resources, Mining and Construction	3,800	200	4,200	-600	8,000	-400	-3,300
Information	500	-100	1,700	100	2,200	0	-800

Source: STATS Indiana, using Current Employment Statistics data

resources (-600); financial services and government (-200) and other services (-100). The information service sector employment remained flat in the South Bend-Mishawaka MSA.

Looking ahead to 2014, employment should grow 2.5 percent in the Elkhart-Goshen MSA and 1.5 percent in the South Bend-Mishawaka MSA.

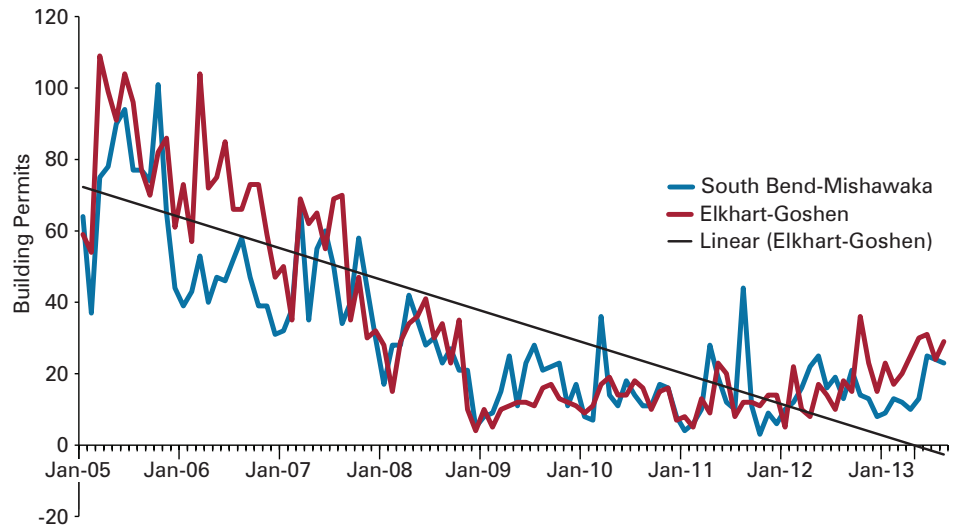
Local Wages and Hours Worked

Average weekly wages in the combined MSAs increased over the last year. The average weekly wage of \$756 in the Elkhart-Goshen MSA represents a 1.5 percent increase since last year. The South Bend-Mishawaka MSA's average weekly wage of \$768 was 5.6 percent higher than the first quarter of 2012. Average weekly hours declined in the combined MSAs.⁴ After expanding gradually since January 2011, the average weekly hours in the local economy fell in August 2013. In the Elkhart-Goshen MSA, the average weekly hours fell 3.2 percent to 36.2 hours but remained above the index's low of 33.9 hours recorded in December 2008. Similarly, the South Bend-Mishawaka MSA's average weekly hours fell 2.3 percent to 34.6 hours but remained above the low of 34 hours recorded in April 2009. This decline should be temporary. Average weekly wages and hours should rise as the local economic recovery continues for the remainder of 2013 and during the first half of next year.

Housing

Single-family building permits rose in both MSAs in 2013. The Elkhart-Goshen MSA had 199 single-family building permits filed compared to 130 permits in September 2012. Similarly, single-family housing permits in the South Bend-Mishawaka MSA rose to 199 through August of 2013 compared to 108 filed during first nine months of 2012 (see **Figure**

FIGURE 3: Single-Family Residential Building Permits by Metropolitan Area, January 2005 to August 2013



Source: U.S. Census Bureau

3). According to recent housing market data released by the Indiana Association of Realtors,⁵ the local housing market continues to recover. The year-over-year inventory of homes for sale fell 3 percent in September in the local housing markets. Closed sales and median home prices also increased in both the Elkhart-Goshen and South Bend-Mishawaka MSAs. As average wages and employment rise and mortgage rates remain below historic levels, housing demand should expand modestly the first half of 2014.

Summary

The recovery that began in June 2010 is continuing in the local economy. Both MSAs have experienced modest income and job growth, a significant decline in unemployment rates, rising wages and low interest rates. The outlook for 2014 is guardedly optimistic. Strong and successful pro-growth public and private sector partnerships and initiatives in the two MSAs should spur employment and job growth in the metros. Existing companies are expanding, while new ones are being created. At the same

time, other businesses are moving plants and operations into the MSAs, adding jobs to the local economy. Accompanied by rising wages and historically low interest rates, unemployment rates should fall steadily below current levels to 7 percent in the Elkhart-Goshen MSA and 8.5 percent in the South Bend-Mishawaka MSA through the first half of 2014. ■

References for More Data

- Bureau of Economic Analysis: www.bea.gov/newsreleases/regional/gdp_metro/gdp_metro_newsrelease.htm.
- STATS Indiana Covered Employment and Wages, 2013: www.stats.indiana.edu/cew/.
- STATS Indiana Labor Force Estimates Time Series View, 2012: www.stats.indiana.edu/laus/laus_view3.html.
- STATS Indiana Current Employment Statistics: www.stats.indiana.edu/ces/ces_naics/.
- Indiana Association of Realtors® Indiana Housing Market Update: www.indianaishome.com (go to Latest Stats).

Notes

1. Using Bureau of Economic Analysis 2012 data.
2. STATS Indiana, 2013 data.
3. U.S. Bureau of Labor Statistics.
4. Source: STATS Indiana, 2013.
5. Source: STATS Indiana, Indiana Housing Market Update, 2013.