

Spring 2005

## Wright State University Regional Economic Report, Spring 2005

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## THE REGIONAL ECONOMY TODAY

By Thomas L. Traynor, Professor of Economics, Wright State University

### Employment in the Dayton Area

Over the past year, total employment appears to have stabilized in the Dayton MSA. After shedding just over 20,000 jobs from a peak of 429,400 in the first quarter of 2000, to 407,300 in the first quarter of 2004 (a 5.1 percent decline), employment rose to 409,000 in the first quarter of this year. Over the year 2004, local job markets generated enough job growth during the final months of the year to offset the employment drop that occurred during the first three months of the year.

As displayed in Figure 1, the local employment trend continued to lag behind the national pattern. Total employment in the U.S. rose by 1.8 percent (nearly returning to its previous high) while growing by .4 percent in the Dayton MSA from the first quarter of 2004 through the first quarter of this year.

Figure 2 illustrates the employment trends for the region's goods producing and service providing sectors. As is well known, goods producing employment (mostly manufacturing) suffered a significant decline in the early part of the decade—a 20 percent decline from 2000 to now. This was also true of the manufacturing industry throughout the nation—which suffered a 10.4 percent

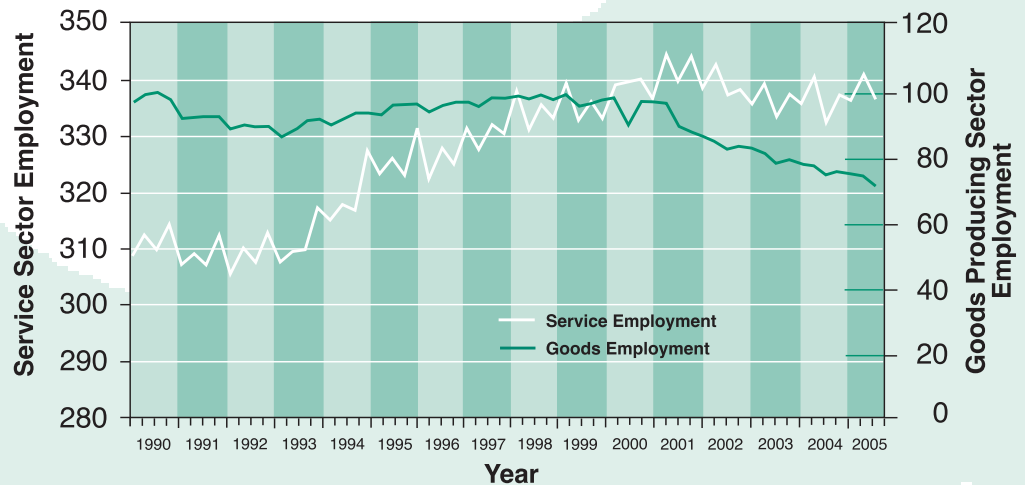
Figure 1

### U.S. Employment vs. Dayton MSA Employment



Figure 2

### Dayton Employment by Sector



**Editor's note:** While I take advantage of a faculty development leave during the 2005–2006 academic year to focus on a long-term research project, I will not produce the Regional Economic Report. I look forward to resuming the report in the fall of 2006.

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decline. Over the same period, local service sector employment failed to rise, and in fact fell slightly (by less than 1 percent). This occurred while national service sector employment rose by 4.2 percent from 2003 through this year. So both the local goods producing and service providing sectors have been lagging behind national trends.

An industry breakdown of employment changes for the Dayton MSA is presented in Figure 3 (percent changes) and Figure 4 (numbers of employees). The strongest growth has occurred in the hotel-restaurant-leisure, health care, and financial services industries. In addition to manufacturing, the retail trade, wholesale trade, and transportation-warehousing industries have experienced the greatest declines.

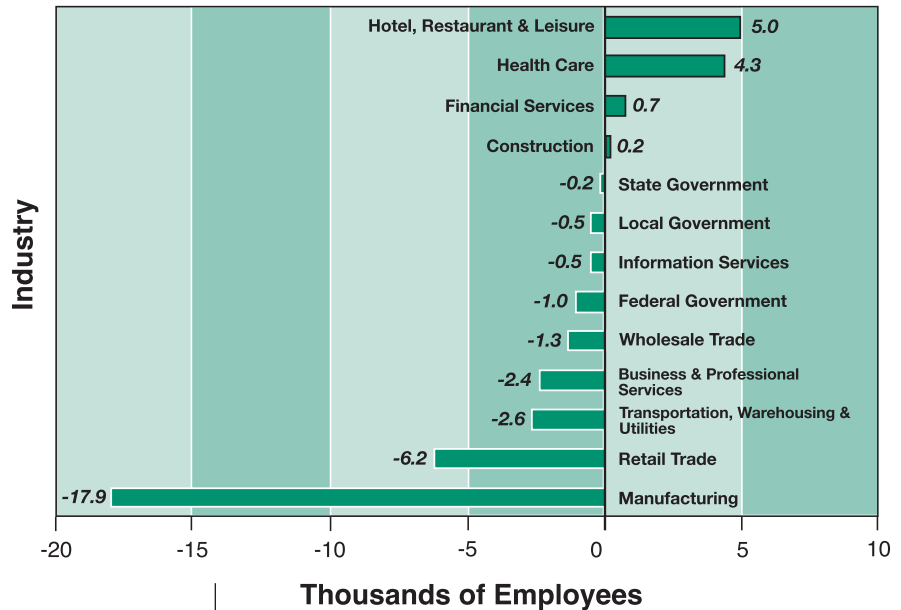
### Income in the Dayton Area

Per capita personal income in the Dayton MSA for the year 2003 (the most recent available measure) was \$30,748. This was a 3.2 percent increase from the previous year. Local per capita income remained below the U.S. per capita income of \$31,472, which grew 2.2 percent from 2002, but is closing the gap that exists with the national average. After controlling for the cost of living, local per capita income is at least as high as the national income because the region's cost of living is between 3 percent and 7 percent below the

Figure 4

### Employment Change by Major Industry

First Quarter 2001 to First Quarter 2005



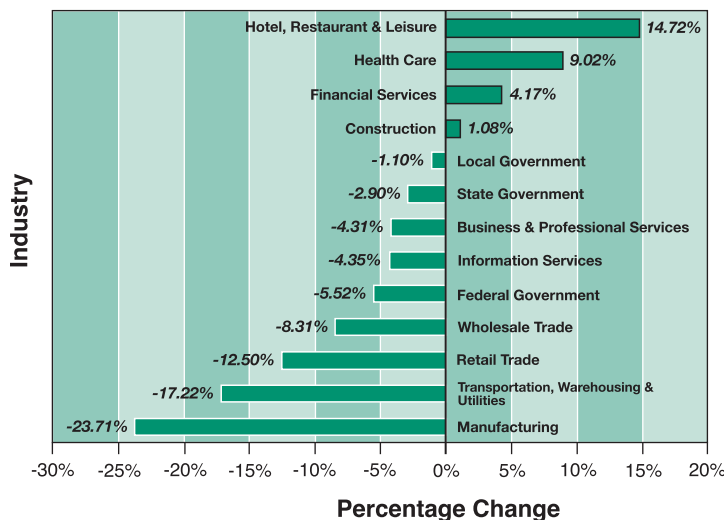
national average (depending on the source). Occupational employment and wage estimates for November 2003 (the most recent available) indicate that average annual earnings for all local workers was \$36,650 which was just above the U.S. average of \$36,520. Unfortunately, up-to-date income data for the region is simply not available, preventing us from seeing the current income picture.

Mean hourly earnings among hourly manufacturing workers in the first quarter of 2005 was \$20.03 in the Dayton MSA which is down from \$20.13 a year ago, and above the national mean of \$16.42, and grew from \$13.66.

Figure 3

### Percentage Change in Employment by Industry

First Quarter 2001 to First Quarter 2005



*“Local per capita income remained below the U.S. per capita income of \$31,472, ...but is closing the gap.”*

Questions or comments regarding the *Report* should be directed to Professor Thomas L. Traynor, Wright State University, Department of Economics, 3640 Colonel Glenn Hwy., Dayton, OH 45435-0001, or via E-mail to: thomas.traynor@wright.edu.

# INDUSTRY EMPLOYMENT FORECASTS

The forecasts presented in this issue are the result of individual term projects conducted by students in the M.S. in Social and Applied Economics program at Wright State University. Students in the program's forecasting course were each assigned an industry and industry for which they developed an econometric model that would produce a proficient forecast. Eight of these were chosen based on their relative importance to the local economy, either as major employment sectors or as key components to the region's economic base. All forecasts were carefully reviewed before they were included in this newsletter.

Employment in the Dayton Metropolitan Statistical Area (Greene, Miami, Montgomery, and Preble Counties) is expected to finally reverse the significant decline that occurred over the past five years. Please note that the Dayton MSA has been changed by the census bureau to exclude Clark County and include Preble County. This new MSA has a smaller labor force. The econometric model used to develop the forecasts for the *Report* predicts a modest increase in total employment for the region, mostly late in the year.

**Total Employment**—Total employment should be roughly 415,000 through the third quarter of 2005 before rising to meet increased seasonal demand in the last months of the year.

**Construction**—The construction industry will continue to experience its traditional seasonal pattern, rising through the third quarter to just over 16,000 employees before declining by roughly 800 workers during the final quarter of 2005.

**Manufacturing Industry**—Local employment in the manufacturing industry is projected to continue to hold fairly level at just under 60,000 employees for the remainder of 2005, as economic conditions in the Great Lakes states continue to improve. For the time being, this should stem the tide of declining manufacturing employment that many experts expect to resume in the long-run.

**Retail Trade**—Local retail trade employment will rise to over 45,000 employees in the second quarter and remain at roughly that level until rising in the fourth quarter due primarily to seasonal retail activity.

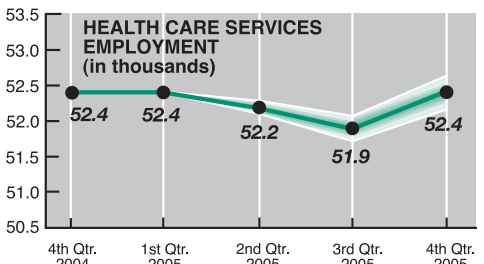
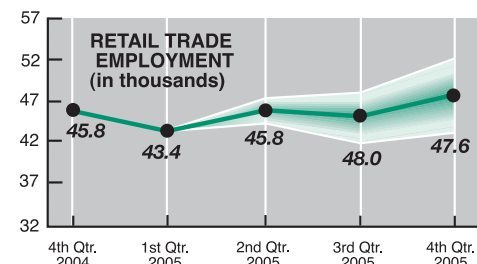
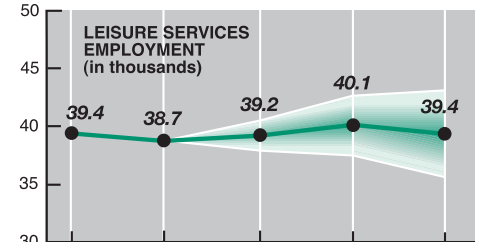
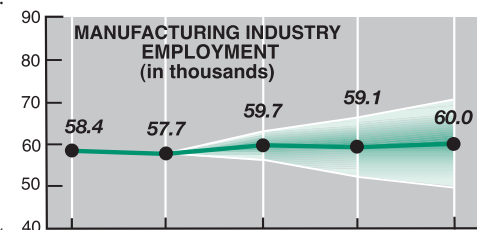
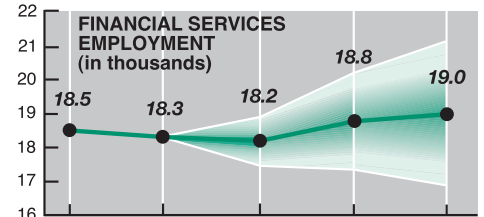
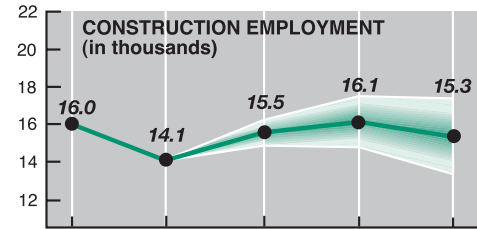
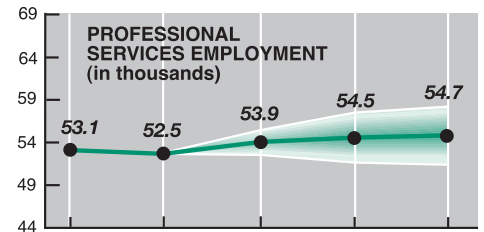
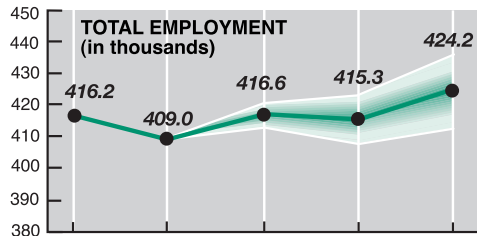
**Professional Services**—The professional services industry consists of all forms of business and professional service providers, and currently consists of 52,500 employees (nearly 13 percent of total local employment) is expected to continue its pattern of moderate employment growth through the remainder of 2005 in response to recent growth in both the national economy and local economic base.

**Financial Services**—Dayton area financial services industry employment is forecasted to rise very slightly through 2005 after a slight drop in the past few quarters in response to recent improvements in the national economy that should offset losses attributable to increasing mortgage interest rates.

**Hotel, Restaurant, and Leisure Services**—Employment in the hotel, restaurant and leisure services industry is projected to continue to remain relatively unchanged in 2005, following a pattern of fairly constant employment that has lasted for more than two years.

**Health Services**—Dayton area health services employment is forecasted to drop very slightly through the third quarter of 2004 before returning to roughly 52,500 by the end of the year, continuing a distinct cyclical pattern that has existed in this industry of over a decade.

The students involved in the production of these forecasts are: Divya Ashok, Keith Brunton, Elom Dossa, Hihan Ezel, Larry Hartlaub, Li Li, Andrew Mahurin, Danny Manley, Albert Manyengawana, Mohamed Moulaye, Lubomir Petrasek, and Michael Shadle.





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