

Fall 2011

Wright State University Regional Economic Report, Fall 2011

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R E G I O N A L economic

RAJ SOIN
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R E P O R T
Fall 2011

THE STATE OF THE REGION'S ECONOMY

The year-over-year employment growth that began in 2010 continued through the first three quarters of 2011 for the Dayton MSA. The industries that grew by at least 2 percent from the fall of 2010 through the fall of 2011 are:

- Leisure services (up 2,300 workers, 6.25 percent)
- Federal government (up 700 workers, 3.7 percent)
- Health and social services (up 1,250 workers, 2.2 percent)
- Professional/Business Services (up 940 workers, 2 percent)

The industry that suffered significant job losses last year was:

- Local government services (down 3,000 workers, 13 percent)

The fact that many more industries experienced job growth than experienced job losses also indicates some renewed strength for the regional economy.

Earnings and employment data for the region suggest that per capita income in the Dayton MSA will prove to have grown 2.0 percent–2.5 percent during 2011 but will have remained between 12 percent and 15 percent below U.S. per capita income for 2011. Sales tax receipts have continued to grow at a rate exceeding 5 percent for the year in the four county Dayton MSA, a further indication of increased economic activity for the region. Finally, the region's cost of living remains nearly 10 percent below the U.S. average, mitigating some of the deleterious effects of the region's low average income level. Overall, the regional economy continues to lag well behind its long-run potential in terms of employment and income, but is beginning to show some extended signs of growth for the first time in more than a decade.

EMPLOYMENT FORECASTS FOR THE FIRST HALF OF 2012

As of this writing in mid-December 2011, the Dayton regional economy should expect to see a seasonal drop in employment during the first quarter of 2012 followed by a rebound by mid-year 2012, but will continue the recent trend of year-over-year job growth. The factors that are expected to propel economic growth for the region should include continued growth in health care demand, the deceleration of post-stimulus government spending cuts, continued growth in manufacturing output following dollar devaluation and inflation in China, and (hopefully) continued growth in business services on the national and international market as well as to the Department of Defense.

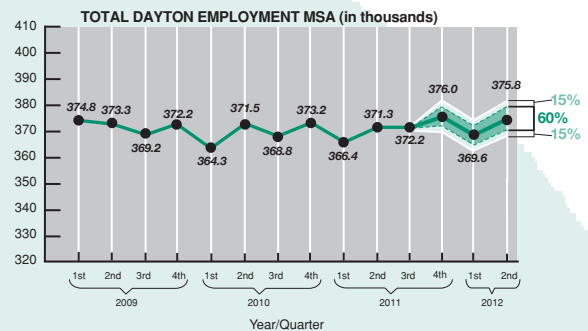
Although expected to be less influential than the positive factors, there are several anticipated and potential negative influences that are worth mentioning. The continued weakness of the national economy will be a drag on the Dayton MSA's growth during 2012. Furthermore, should Europe fall into another recession or should Congress follow through with budget cutbacks promised in the face of the failure of the congressional super committee to satisfy its deficit reduction mandate, the regional economy will be negatively impacted.

INDUSTRY EMPLOYMENT FORECASTS

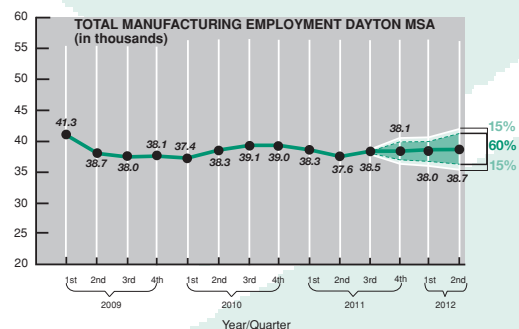
Figures 1 through 6 illustrate recent trends along with the employment forecasts for the Dayton region through July 2012.

The *Report* is published semiannually and provides articles and forecasts on the Greater Dayton Area's economy. The *Report* is sent to friends of Wright State University and is available at no cost to any interested parties. To be added to the mailing list, please call (937) 775-3070.

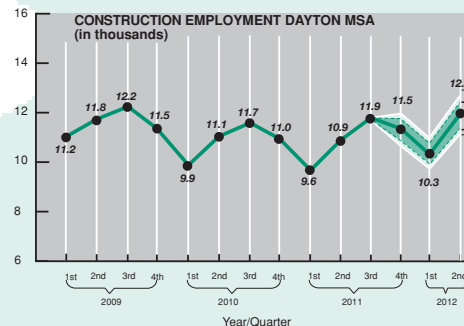
Questions or comments regarding the *Report* should be directed to Professor Thomas L. Traynor, Wright State University, Department of Economics, 3640 Colonel Glenn Hwy., Dayton, OH 45435-0001, or via e-mail to: thomas.traynor@wright.edu. Send address corrections to: karla.truman@wright.edu.



- **Fig. 1:** The Dayton MSA is forecasted to produce continued year-over-year increases in total employment through the middle of 2012. On a quarter-to-quarter basis seasonal effects will be strong as usual, with a significant drop in employment during the first quarter followed by significant job growth during the second quarter.



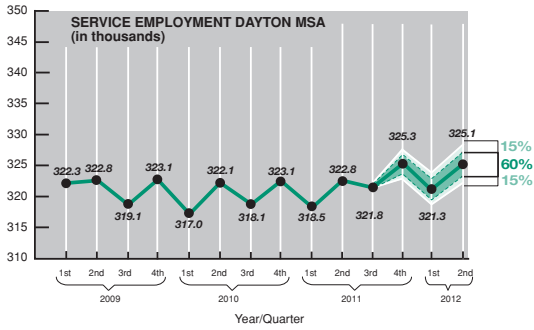
- **Fig. 2:** Manufacturing industry employment is forecasted to remain fairly steady through mid-year 2012 as economic factors remain relatively favorable to U.S. manufacturers, offsetting the industry's diminished reliance on labor for production.



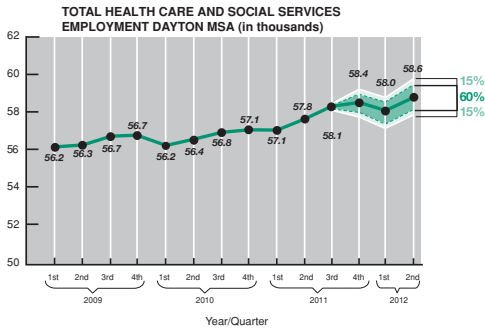
- **Fig. 3:** Construction industry employment is forecasted to experience some year-over-year growth through the first half of 2012. Of course, it will follow its usual seasonal form of significantly less activity during the early months of the year before recovering by July.

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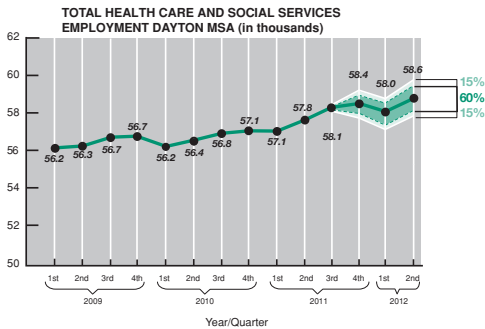
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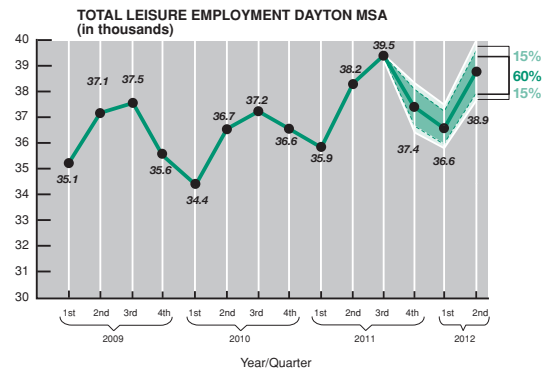
• Fig. 4: Service sector employment is projected to grow, but only very slightly, on a year-over-year basis as some service industries grow while others contract (see below)



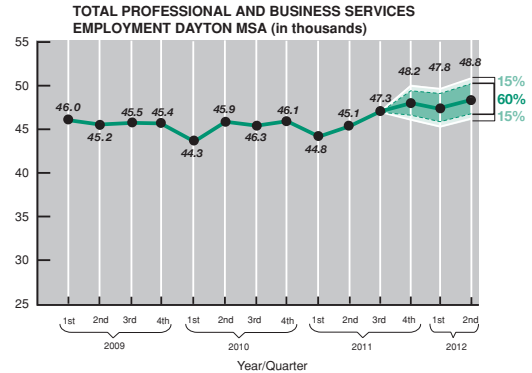
• Fig. 5: Employment in the health care and private social services industry is expected to continue its long steady year-over-year rise as demand for that industry's services continue to rise, adding nearly 1000 jobs by mid-2012.



• Fig. 6: Retail trade employment is forecasted to have a slight year-over-year decline despite increased retail sales as retailers continue to identify ways to reduce labor usage. As usual, a strong seasonal decline is expected during the first quarter of 2012 before employment partially recovers toward the middle of the year.



• Fig. 7: Leisure services (restaurants, hotels, entertainment, etc...) employment is forecasted to continue rising fairly strongly on a year-over-year basis through the middle of 2012, adding 500-1000 jobs over 2011 levels.



• Fig. 8: The professional and business services industry is forecasted to experience a slight increase in employment of roughly 500 jobs in the first half of 2012 after strong growth in the last half of 2011.

The forecasts are based on econometric models designed to quantify the link between industry employment levels and their leading indicators. The margins of error are illustrated via the light and dark green shaded regions around the forecasts; actual employment is expected to have a 50 percent chance of being within the dark shaded regions and a 90 percent chance of being in the light or dark shaded regions. In other words, the chance that employment will be near the forecast value is much stronger than the chance that it will be near the outer ends of the margins of error.

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