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Wright State University Regional Economic Report, Spring 2010

Thomas L. Traynor

Wright State University - Main Campus, thomas.traynor@wright.edu

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R E P O R T
Spring 2010

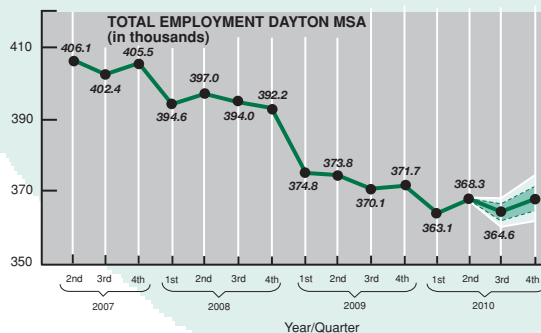
INDUSTRY EMPLOYMENT FORECASTS FOR THE DAYTON MSA

As the U.S. economic recovery continues, the Dayton Metropolitan Statistical Area (Greene, Miami, Montgomery, and Preble counties) is expected to also show signs of recovery over the latter half of 2010. The best information available for following the state of the region's economy in real time is industry employment data. Data measuring local production, income levels, or other important economic indicators tend to be gathered and released too slowly to provide good insight into current conditions. Also, employment data provides some insight into the performance of specific industries and into sources of payroll based income for the region's population. Recently, the employment declines suffered by nearly every industry have begun to level off. Additional, albeit moderate, improvements in local labor markets are expected as more industries begin to progressively add employees over the last half of this year.

Total employment for the Dayton Metropolitan Area is expected to remain flat for the remainder of the year, and should complete the year slightly below the employment level that existed one year earlier. Regional employment appears to be poised to return to its pre-recession trend of slight year-over-year declines. The industries most likely to see seasonally adjusted employment growth by the end of this year are expected to be the health care, retail trade, and manufacturing industries. In addition, there is a temporary increase in federal employment due to the 2010 census.

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

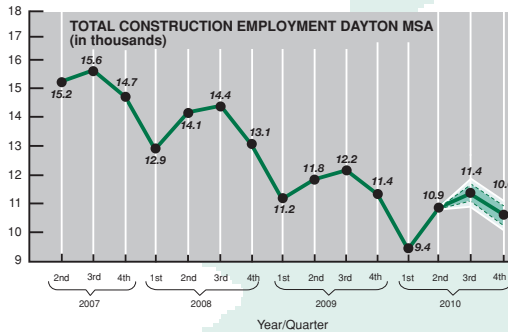
- Total employment for the Dayton MSA is expected to remain fairly flat for the remainder of 2010, finishing the year with slightly lower employment for the region on a year-over-year basis, but recovering most of the jobs lost in the first three months of 2010.



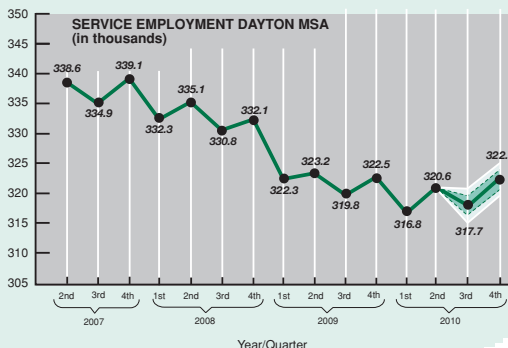
- Manufacturing industry employment is also expected to remain fairly flat for the rest of 2010, but below the fourth quarter 2009 level by about 1500. This flattening pattern is consistent with the improvements that have recently occurred throughout the U.S. in this industry; the recovery of the national economy together with a declining trade deficit should provide a brief respite from the dramatic declines experienced by this industry over the past decade. The region lost more than 42,000 manufacturing jobs in the last 10 years. This is more than half of the employment level that existed in that industry in 2000, and is 64% of the total jobs lost in the region over the decade.



- Construction industry employment is expected to follow the seasonal pattern typically experienced, with a sharp decline of activity during the first three months of 2010, followed by a steady rise over the next two quarters. However, construction employment will continue to experience a decline in year-over-year levels by 500 to 1000 workers in each remaining quarter in 2010.



- Employment in the service sector is expected to rise slightly by the end of the year and may end up, roughly, at the same level it was at the end of 2009. This pattern is expected as a result of offsetting increases and decreases in employment across several service industries, as described below.

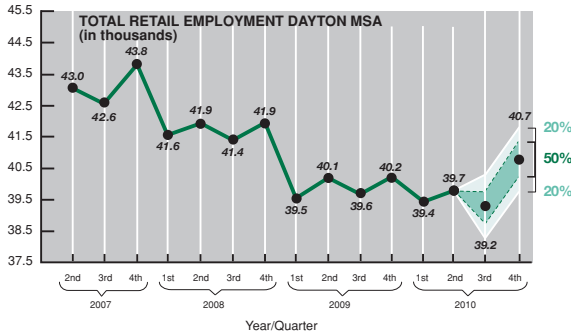


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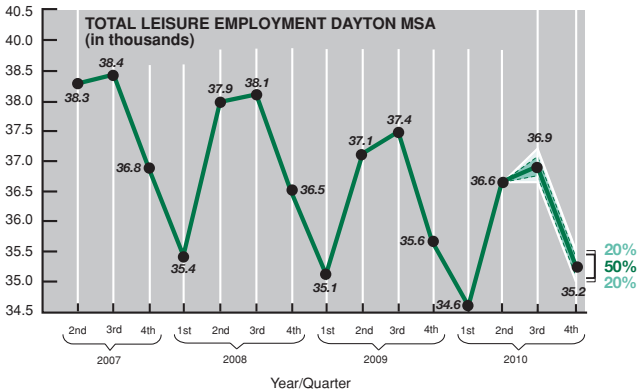
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➤ Employment in the health care and private social services industry (not pictured) is expected to continue on a steady and moderately increasing path through 2010. A slight and temporary seasonal decline, at the end of 2010, is the only expected alteration in this pattern.

➤ Retail trade industry employment is forecasted to benefit from the economic recovery during the final months of the year. While retail employment usually peaks at the end of each year, employment is expected to rise somewhat more than the normal seasonal amount due to the income generated from the improving manufacturing industry. Fourth quarter retail employment is forecasted to be roughly 500 jobs greater (about 1.25%) than in 2009.

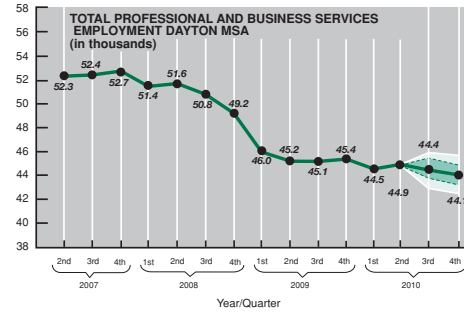


➤ Restaurant, hotel, and leisure services employment is forecasted to continue following a moderate declining trend as it continues to adjust to the region's now smaller economy. This industry's strong pattern of seasonal fluctuation is expected to continue.

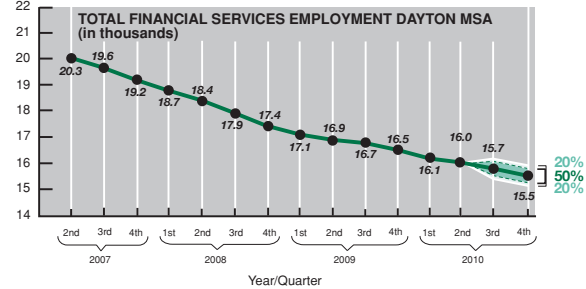


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➤ The professional and business services industry, which is a broad collection of business to business services firms, is forecasted to experience a slight drop in employment this year as firms in this industry also continue adjusting to declines in the size of their regional customer base.



➤ The financial services industry is forecasted to continue reducing employment as a result of consolidation and the declining local customer base.



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% chance of being within the dark shaded regions and a 90% chance of being in the light or dark shaded regions.

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.

The *Wright State University Regional Economic Report* is underwritten by the Raj Soin College of Business, Wright State University, Berkwood Farmer, Dean.

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.

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3640 Colonel Glenn Hwy.
Dayton, OH 45435-0001
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