Wright State University Regional Economic Report, Fall 2009

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As the U.S. economy begins recovering from the recession, improvements in the Dayton regional labor markets should follow over the coming year. Unfortunately, the improvements are expected to be in the form of smaller declines in employment as opposed to actual increases in employment. Of course, this is the way recoveries typically play out in their initial stages. Furthermore, with the memories of the consistent declines in regional employment during the last U.S. economic expansion still fresh, this should not be surprising news. A potentially important development for the region is that the weakening value of the dollar against most of the world's currencies should also have a beneficial impact, primarily by helping the local manufacturing industry become relatively more competitive with manufacturers based in other countries.

Total employment for the Dayton Metropolitan Area now stands at an average of 381,700 for the third quarter of this year. After falling precipitously from late 2007 until early this year, total regional employment has begun to level. The manufacturing sector has shed over 11,000 jobs since the third quarter of 2007 (22.5%), and service sector employment has fallen by roughly 7,000 (2%) over the same time period.

Although employment in most local industries is expected to continue falling through the middle of 2010 (the forecast horizon for this newsletter), the decline is expected to continue moderating and be much less severe than the past two years.

The following six figures illustrate recent trends along with the employment forecasts for the Dayton region through the second quarter of 2010.

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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, Berwood Farmer, Dean.
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. But construction employment will continue to experience a decline in year-over-year levels by 500 to 1000 workers in each quarter.

The retail trade industry should increase employment by about 1000 workers for the end of year holiday season before shedding about 2000 workers during the first quarter of 2010. The retail industry is expected to recover nearly all of the jobs lost during the second quarter of 2010. Year over year employment should be relatively unchanged at about 4,000 among retailers.

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 60% chance of being within the dark shaded regions and a 90% chance of being in the light or dark shaded regions.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics

Acknowledgment: The work of a student in the M.S. in Social and Applied Economics, Jerome Cox, was instrumental to the development of this issue of the Report.