

Fall 2009

Wright State University Regional Economic Report, Fall 2009

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R E P O R T
Fall 2009

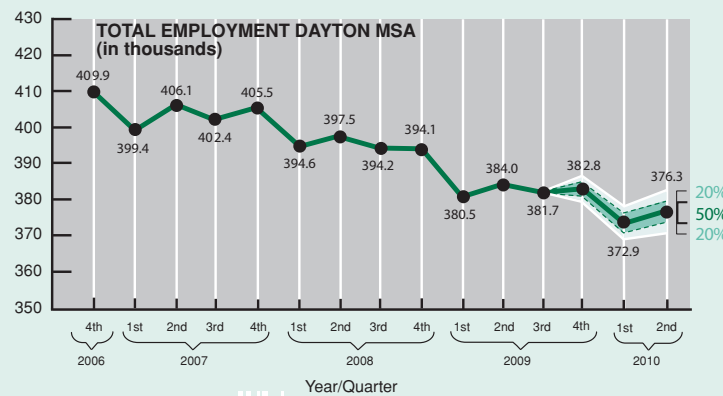
INDUSTRY EMPLOYMENT FORECASTS FOR THE DAYTON MSA

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.

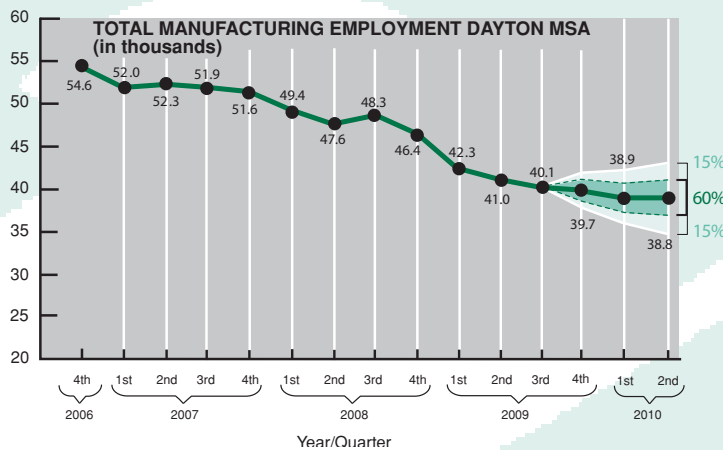
Total employment for the Dayton Metropolitan Area now stands at an average of 381,700 for the third quarter of this year. After falling precipitously from late 2007 until early this year, total regional employment has begun to level. The manufacturing sector has shed over 11,000 jobs since the third 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.

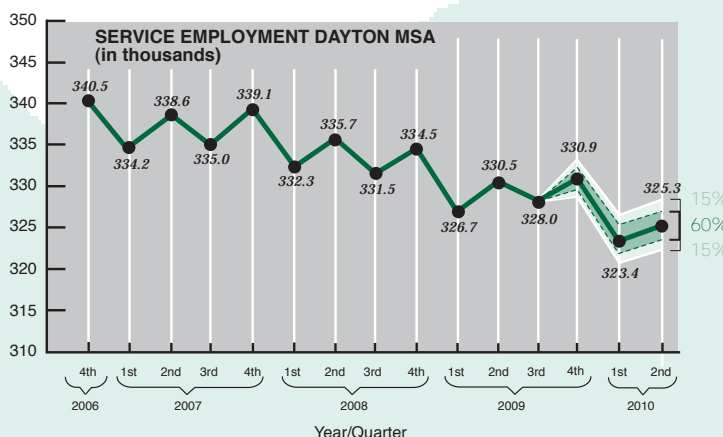
The following six figures illustrate recent trends along with the employment forecasts for the Dayton region through the second quarter of 2010.



➤ Total employment for the Dayton MSA (Greene, Miami, Montgomery, and Preble counties) is expected to rise slightly in the fourth quarter as regular seasonal effects outweigh the impact of the underperforming economy. A regular first quarter decline of roughly 10,000 employees is expected before recovering moderately by 3000 to 4000 by the middle of 2010. This represents a smaller decline in regional employment, on a quarter over quarter basis, than occurred this last year. Overall, total employment is expected to fall by around 8000 workers from mid-year 2009 to mid-year 2010 (settling at approximately 376,000 workers, which is smaller than the 13,500 jobs that were lost over the previous year.



➤ Manufacturing industry employment is expected to continue declining but at a significantly reduced rate from the past two years. The primary factor that is expected to cause this moderation is the decline in the value of the dollar which should enhance the price competitiveness of local manufacturers based in many, but not all (like China), countries. If the dollar does not weaken, manufacturing employment may decline by more than forecasted here. By the middle of 2010, manufacturing employment is expected to be nearly 39,000 workers, a loss of little more than 1000 employees from the current level.



➤ After rising slightly during the fourth quarter holiday season, employment in the service sector is expected to fall significantly during the first quarter of 2010. A moderate recovery is expected over the second quarter. Nonetheless, service employment is expected to be roughly 325,000 workers during the second quarter, representing a decline of around 5000 from the second quarter of 2009.

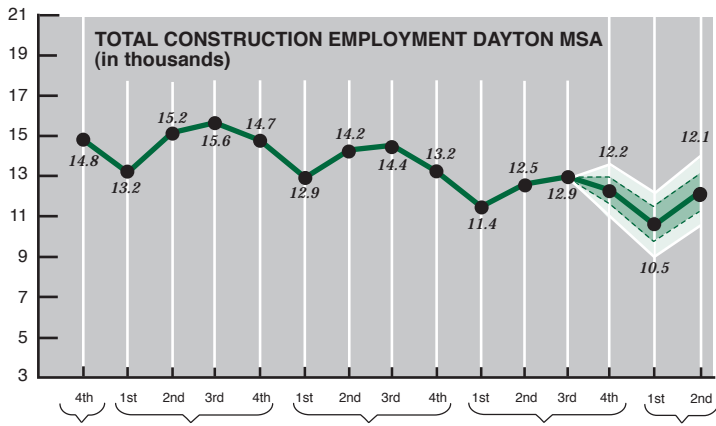
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Questions or comments regarding the *Report* should be directed to Professor Thomas L. Traynor, Wright State University, Department of Economics, 3640 Colonel Glenn Hwy., Dayton, OH 45435-0001, or via e-mail to: thomas.traynor@wright.edu.

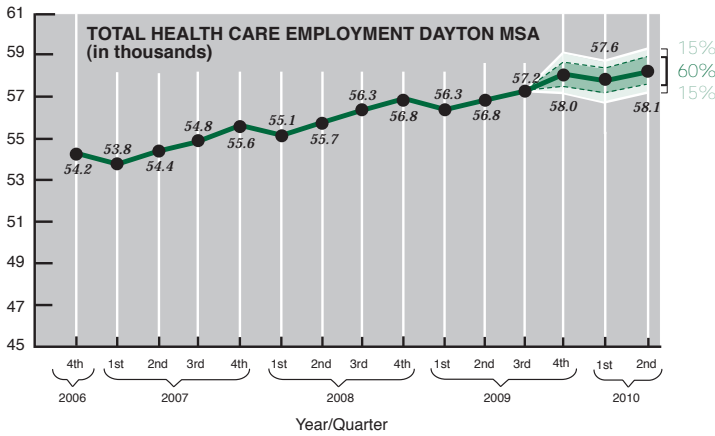
The *Report* is published semiannually and provides articles and forecasts on the Greater Dayton Area's economy. The *Report* is sent to friends of Wright State University and is available at no cost to any interested parties. To be added to the mailing list, please call (937) 775-3070.

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

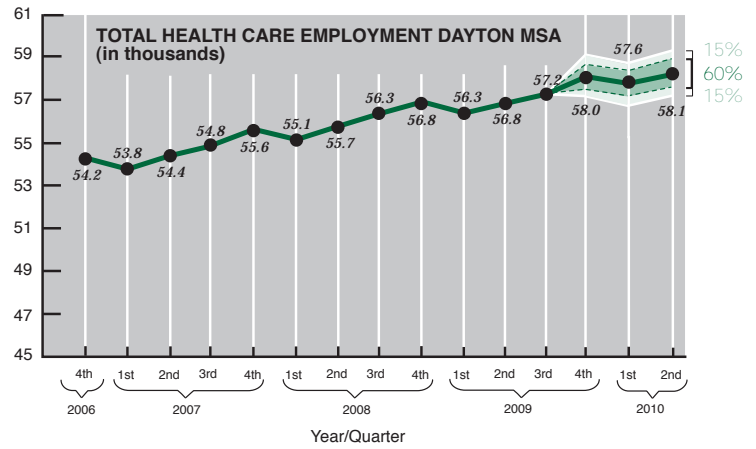
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➤ Construction industry employment is expected to follow the seasonal pattern typically experienced, with a sharp decline of activity during the first three months of 2010 followed by a steady rise over the next two quarters. But construction employment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



➤ Employment in the health care and private social services industry is expected to remain on its generally steady upward path through the second quarter of 2010. A slight seasonal decline at the end of 2009 is the only expected blip in this pattern. Employment in this industry is expected to reach more than 58,000 workers by the middle of 2010, making up over 15% of the region's workforce.



➤ 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

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