

R E G I O N A L
economic

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R E P O R T
 Spring 2009

INDUSTRY EMPLOYMENT FORECASTS FOR THE DAYTON MSA

The U.S. economy's decline is clearly continuing.

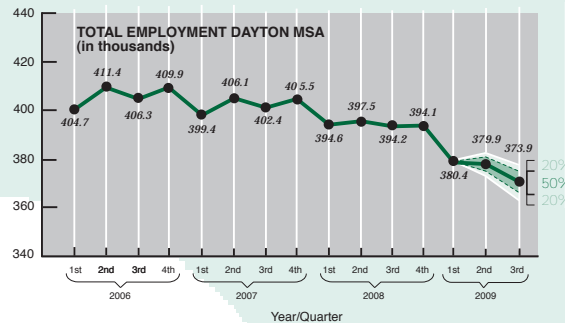
GDP continued to fall at a very rapid rate (over 6 percent per year) through the first quarter. Recently though, the pace of decline appears to have begun to decelerate. Employment is continuing to fall by more than 500,000 employees per month, still a huge decline by long term historical standards, but smaller than the monthly declines of late 2008 and early 2009. Being a lagging indicator of the performance of the economy, employment will continue to fall for a while even after GDP begins rising. So the U.S. employment level is not expected to rise until at least mid-2010.

Regionally, the methodology used by the Bureau of Labor Statistics to estimate state and local employment statistics was updated. This resulted in revised estimates for the past eighteen months which are significantly lower than previously reported. Total employment for the Dayton Metropolitan Area now stands at an average of 380,470 for the first quarter of this year, a drop of nearly 50,000 from the region's first quarter peak level in 2001. Timely data does not exist regarding the recession's impact on household income levels in the Dayton MSA's income levels (the most recent estimates of per capita income for the region are for 2007). So, although the recession has undoubtedly hurt the average family's income level, there is no way of knowing the degree of this impact with reasonable accuracy as of yet. The cost of living in the region remains somewhere between 5 percent and 10 percent below the national average, depending on the source used.

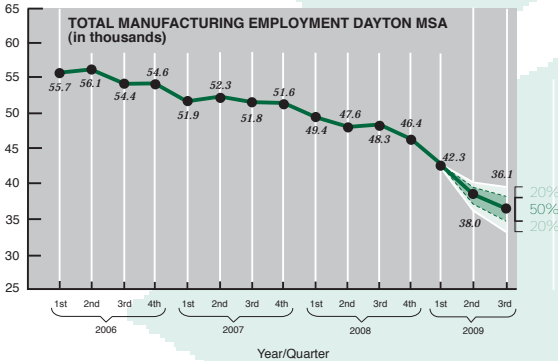
Employment in nearly every industry is expected to fall for the next two quarters, with the only exceptions being due to temporary seasonal effects (such as the springtime increase in construction employment). Even in these cases, seasonal increases will be tempered by the economic downturn.

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

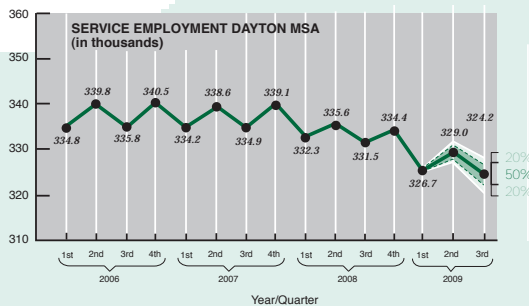
- Total employment for the Dayton MSA (Greene, Miami, Montgomery, and Preble counties) is expected to decline very little during the second quarter of the year before suffering another significant drop of roughly 6000-7000 employees in the third quarter as the recession continues.



- Manufacturing industry employment is expected to continue declining rapidly through the third quarter of the year to just over 35,000 workers, less than half the number that worked in that industry at the beginning of the decade.



- Employment in the service sector is expected to rise slightly, and briefly, in the second quarter before falling noticeably over the third quarter of the year. The increase will occur in seasonal service industries like leisure services.



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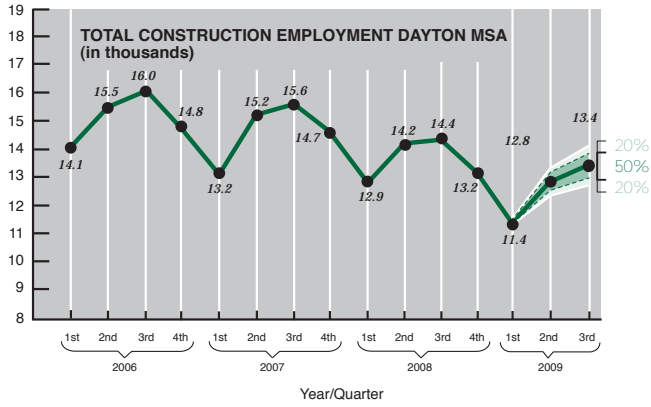
Questions or comments regarding the *Report* should be directed to Professor Thomas L. Traynor, Wright State University, Department of Economics, 3640 Colonel Glenn Hwy., Dayton, OH 45435-0001, or via e-mail to: thomas.traynor@wright.edu.

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.

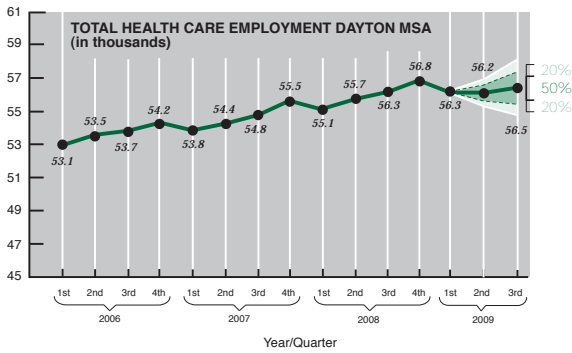
The *Wright State University Regional Economic Report* is underwritten by the Raj Soin College of Business, Wright State University, Berkwood Farmer, Dean.

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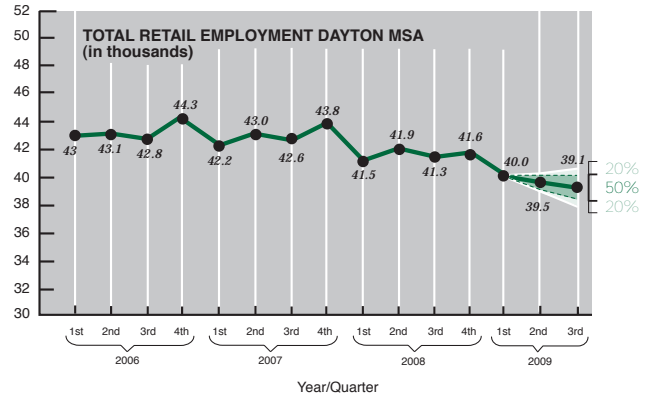
➤ Construction industry employment is expected to rise over the next two quarters as it does in the spring and summer of every year. But construction employment will fall short of year-over-year levels by around 1000 workers (a 7.5 percent decline).



➤ Employment in the health care and private social services industry is expected to remain fairly level over the next two quarters as continued increases in need are offset by diminished ability to pay for these services.



➤ The retail trade industry is expected to rank behind only the manufacturing industry in job losses over the coming months as households continue to hold down spending.



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.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics

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