

DAYTON

Dayton Area
Chamber of Commerce

The Voice of Business

UNITED STATES CHAMBER OF COMMERCE

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2018

Dayton Region Economic Outlook



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Introduction

The Dayton Area Chamber of Commerce (DACC) knows economic forecasts help our regional businesses plot a course in the year ahead. The Dayton Area Chamber of Commerce holds an annual meeting with our Research Advisory Council (RAC) to identify trends, areas of growth, and challenges in the next 365 days. The combined efforts of the RAC plus government data and research from industry partners predict where our local and regional economy is headed.

2018 Research Advisory Council

- Daniel Davis – PNC Bank
- Stephanie Keinath – Dayton Area Chamber of Commerce
- Keith Klein – City of Dayton
- Diane Shannon – City of Dayton
- David Snipes – Montgomery County
- Dr. Richard Stock – Business Research Group, University of Dayton
- Dr. Thomas Traynor – Dept. of Economics, Wright State University
- Jessica Wagner – Dayton Area Chamber of Commerce
- Matt Watson – James Investment Research
- Chris Wimsatt – City of Dayton

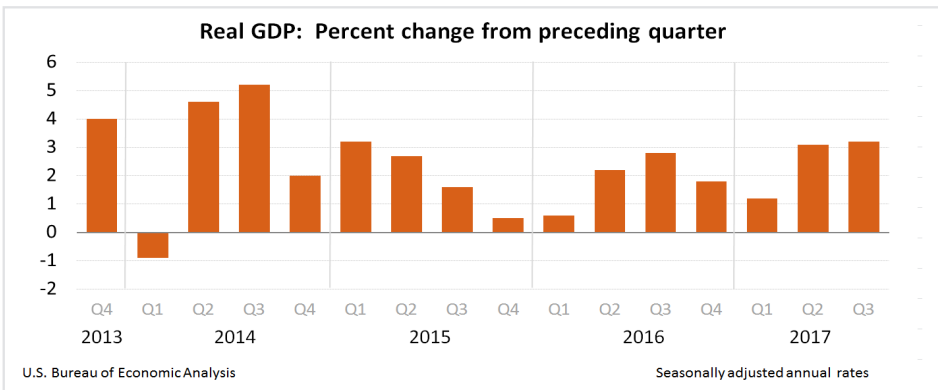


National Outlook

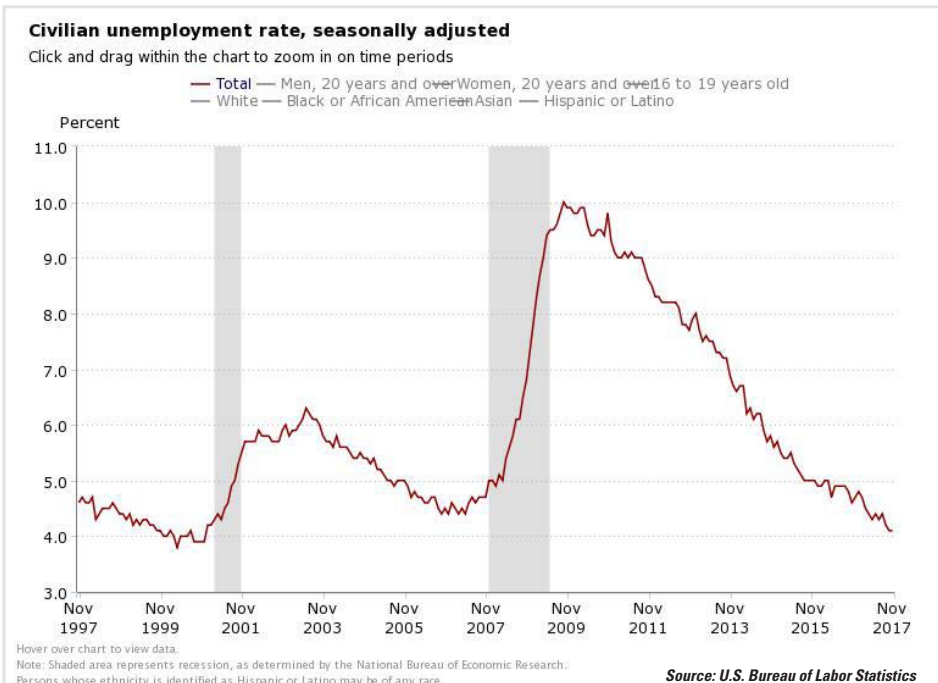
The RAC said the country was in its third largest expansion on record and overall 2017 was a good year both here at home and across the country. In late December 2017, The Federal Reserve raised the interest rate from 1.25 to 1.5%. That was the third increase by the Fed in 2017 alone – signaling the central bank is confident in the strength of the economy. The Fed predicted stronger economic growth over the next three years, growing 2.5% in 2018. The RAC came to a similar conclusion, predicting growth between 2 and 2.5%.

That forecast was strengthened after the U.S. Bureau of Economic Analysis reported GDP (Gross Domestic Product) increased by 3.2 percent in the third quarter of 2017.

Although markets have been surging, the RAC and other economists caution a more than 8-year bull market at some point will come to an end. In its updated economic forecast, the Federal Reserve predicted inflation would stay below the Fed's 2% target in 2018. Fed officials predict they will raise rates three times in 2018.



According to the Bureau of Labor Statistics, the unemployment rate for November 2017 remained steady at 4.1% - a nearly 17-year low – but council members agreed it's slowing and would be surprised if it dropped below 4%. The Dayton, MSA was in line with the rest of the nation for November, dropping to 4.1%. That's compared to 4.8% in Ohio.



Local Economy

Slow and Steady. That's the mantra from the RAC in regards to the Dayton's economy for the past couple of years. And members concluded the same will be true in 2018. While some industries face challenges, others continue to tick upward; signaling an overall positive outlook for the region.

From 2011 to 2016, jobs in the 9-county DACC region increased by nearly 7% to 783,997 by the end of 2016. In 2018, jobs are expected to grow to nearly 800,000. That's almost 2% growth in a two year period. The RAC predicts the region will hold steady around 1 to 1.2% employment growth in 2018, which is consistent with the trends of the last couple of years.

As for unemployment, the rate has decreased dramatically in the last five years as the region recovers from the recession. According to the Bureau of Labor Statistics, the Dayton Metropolitan Statistical Area (MSA) unemployment rate was at 4.3% in October. That's significantly better than the state at 5.1% but lagging slightly behind the national unemployment rate at 4.1%.

The RAC agreed it's unlikely the unemployment rate in the Dayton region will fall below 4% in 2018 but if it does, we're likely to see employers react by increasing wages.

Industry Trends

Education

Although the industry as a whole continues to grow, the Dayton region is lagging behind the rest of the country. In the chamber's 9-county region, employment at all levels of education was 12% below the national average. The industry is predicted to grow only 1.7% between 2016 and 2018. According to SOCHE (Southwestern Ohio Council for Higher Education), part-time enrollment in public universities and colleges jumped just over 11% between the 2010-2011 and 2015-2016 academic years. On the other hand, full-time enrollment in the same time frame decreased by 5.3%. SOCHE also reported enrollment declines since 2010 for public two-year colleges. Even so, SOCHE said enrollments remain about pre-recession levels. The RAC noted as enrollment in higher education drops, so does employment for public two-year colleges.

Housing

Much like the rest of the country, demand for housing downtown is on the rise. The city has answered the call. Since the release of the Greater Downtown Dayton Plan in 2010, 332 housing units have been added to the core of downtown. That meets the 18% jump in population from 2010 to 2016. According to a Downtown Dayton Housing Demand Analysis report, downtown has the tightest apartment market in the region, with an occupancy rate between 96 and 98%. The RAC noted that elsewhere in the region, the housing market appears steady with some growth. According to data from the Dayton Area Board of Realtors, the region saw increases in both the number of homes sold and sale prices.

Manufacturing

It's no secret manufacturing in the Dayton region took a hit in the early 2000's. Since then, the industry is starting to rebound with big wins like Fuyao Glass America in Moraine, but also with growth and expansion in medium to small manufacturers. However, the RAC expects that industry to grow faster than both the state and nation at 2.3% between 2016 and 2018. However, that industry in particular faces some workforce challenges. Many employers say they're struggling to find candidates who can pass a drug test. Similar concerns were raised by logistics and warehousing companies, yet both industries continue to grow.

Healthcare

The RAC calls healthcare “one of the strongest” performers in the Dayton region, adding about 1,000 jobs per year. The RAC predicts healthcare will continue growth next year, increasing about 4.7% from 2016. There are a lot of drivers pushing employment up at all levels – partly because of the area’s aging population. In fact, home health aides are one of the fastest growing occupations in the DACC area.



Logistics

Logistics is another industry that continues to attract new employers for the Dayton region. Part of that is due to Dayton's location at the Crossroads of America – the intersection of I-70 and I-75 – and Dayton International Airport. The RAC notes that some of the logistics growth, in particular around the airport, will



attract some smaller manufacturers that want to be close to their suppliers. In fact, logistics jobs are expected to grow 3.2% in the DACC region between 2016 and 2018. The RAC notes this industry has a strong potential for long-term moderate growth.

Retail

The RAC noted that this industry can be difficult to predict because it moves so quickly. The RAC predicts only slight growth for the 9-county DACC region compared to the national average. Retailers in Dayton and across the nation are facing increasing challenges from online retailers like Amazon. But, the council pointed out, the restaurant industry in the Greater Dayton area seems to be booming. Between 2011 and 2016,

the restaurant industry added more than 5,000 jobs; a jump of 10% in just five years. The Ohio Restaurant Association predicts same-store sales to expand at a stronger pace, 2.8%, in 2018.

The organization says consumers are driving towards establishments that not only serve great food at a great price, but



also ones that have a strong digital footprint on social media and mobile ordering.

Wright-Patterson Air Force Base

As it has said in years past, the RAC predicts Wright-Patterson Air Force Base will remain a steady employer for the region and may even hire quicker in the coming year to fill hundreds of jobs left vacant after a federal hiring freeze in early 2017. In late 2017, the “National Defense Authorization Act” was signed into law, which in part will support jobs and research functions at Wright-Patt. The RAC says the base continues to recruit engineering and business students directly from local universities. More broadly, the RAC predicts an uptick in defense employment as Wright-Patt continues to fill those open positions.

The Role of Workforce in Economic Development

It's no surprise that finding a skilled workforce was a common theme throughout the council's discussion. It's a challenge that employers of any industry, of any size and in any location face. In a 2017 issue, Site Selection Magazine said workforce is the "secret sauce for attracting and retaining high-value companies." Site selectors are increasingly emphasizing the need for an available labor force rather than traditional discussions around economic incentives.

The struggle to find and retain qualified workers consistently ranks a top issue in the chamber's annual survey of its 2,400 members. The RAC agrees workforce will be a priority for employers in the year ahead – especially as more and more baby boomers retire. The RAC predicts wages may start to rise, especially if the unemployment rate continues to drop.

That's why educational institutions, industry trade groups and community leaders are listening to the business community and finding solutions to close the skills gap. In 2017, the chamber launched DaytonWorkforce.com, a resource page that connects employers and jobs seekers with training, education and certificates. It also provides an in-depth look at workforce trends of the region's current and future labor market in six core industries: Logistics & Transportation, Aerospace & Defense, Healthcare & Biosciences, Information Technology, Business Services and Advanced Manufacturing.



Employers are also turning more and more toward automation. According to economic development professionals with Montgomery County, automated equipment will replace both skilled and unskilled positions, along with a few highly skilled technicians required to program and maintain these systems. The U. S. Bureau of Labor Statistics predicts that over the next 10 years jobs like electronic assemblers and word processors, which are more susceptible to automation, are anticipated to drop by 45,300 and 25,000,



respectively, by 2026. On the flip side, automation is also adding new jobs. The Bureau of Labor Statistics reports a rise in demand for statisticians and software developers. Businesses are

relying more and more on workforce partners like universities, community colleges, trade schools, and the Dayton Metro Library for training opportunities to fulfill the new jobs created by the rise in automation.



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About the Dayton Area Chamber of Commerce: The Dayton Area Chamber of Commerce brings together more than 2,400 businesses and organizations in a nine-county area surrounding Dayton, Ohio. The chamber strives to improve the region's business climate and overall standard of living through public policy advocacy, economic development initiatives and providing networking and training opportunities for its members.

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