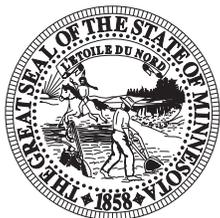




# Northwest Minnesota Economic and Business Conditions Report Second Quarter 2018

This issue is part of a series for the six planning areas of Minnesota –  
The Northwest Minnesota Planning Area consists of 26 counties:  
Becker; Beltrami; Cass; Clay; Clearwater; Crow Wing; Douglas; Grant; Hubbard; Kittson;  
Lake of the Woods; Mahnomon; Marshall; Morrison; Norman; Otter Tail; Pennington; Polk;  
Pope; Red Lake; Roseau; Stevens; Todd; Traverse; Wadena; and Wilkin.



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## EXECUTIVE SUMMARY

Continued steady economic growth is expected in the Northwest Minnesota planning area over the next several months according to the predictions of the St. Cloud State University Northwest Minnesota Index of Leading Economic Indicators (LEI). Four of five index components increased in the most recent quarter as the LEI rose 2.26 points. An increase in the Rural Mainstreet Index (which signals a more robust macroeconomic environment for rural America) and a larger number of residential building permits in Fargo/Moorhead and Grand Forks/East Grand Forks were among the positive components in this quarter's leading index. A rise in the number of new filings for LLC and incorporation in Northwest Minnesota and lower regional initial jobless claims also helped drive the LEI higher. Weakness in a national consumer sentiment index was the only negative index component in the second quarter.

There were 1,327 new business filings with the Office of the Minnesota Secretary of State in Northwest Minnesota in the second quarter of 2018 — representing a 9.2 percent increase from one year ago. With 119 filings, there were 1.7 percent fewer new filings for business incorporation in the second quarter compared to the same period last year. However, new LLC filings in Northwest Minnesota were up 13 percent from one year earlier—rising to 754. New assumed names totaled 397 in the second quarter—4.2 percent more filings than the same period in 2017. There were 57 new filings for Northwest Minnesota non-profit in the second quarter—eleven more filings than one year ago.

Sixty percent of new business filers in the Northwest Minnesota planning area completed the voluntary Minnesota Business Snapshot (MBS) survey in this year's second quarter. Results of this voluntary survey indicate that about 3.6 percent of new filers come from communities of color. Approximately 8.4 percent of new filers in Northwest Minnesota are veterans. About 2.2 percent of new filers come from the disability community and 0.9 percent of new filings in Northwest Minnesota are made by the immigrant community. Forty percent of new business filings in Northwest Minnesota in this year's second quarter were initiated by women. MBS results also show that most new business filers in Northwest Minnesota have between 0 and \$10,000 in annual gross revenues (although 108 new filers have revenues in excess of \$50,000). The most popular industries for new businesses in Northwest Minnesota are construction, retail trade, real estate/rental/leasing, and other services. Employment levels at most new firms are between 0 and 5 workers, and 44.3 percent of those starting a new business consider this a part-time activity.

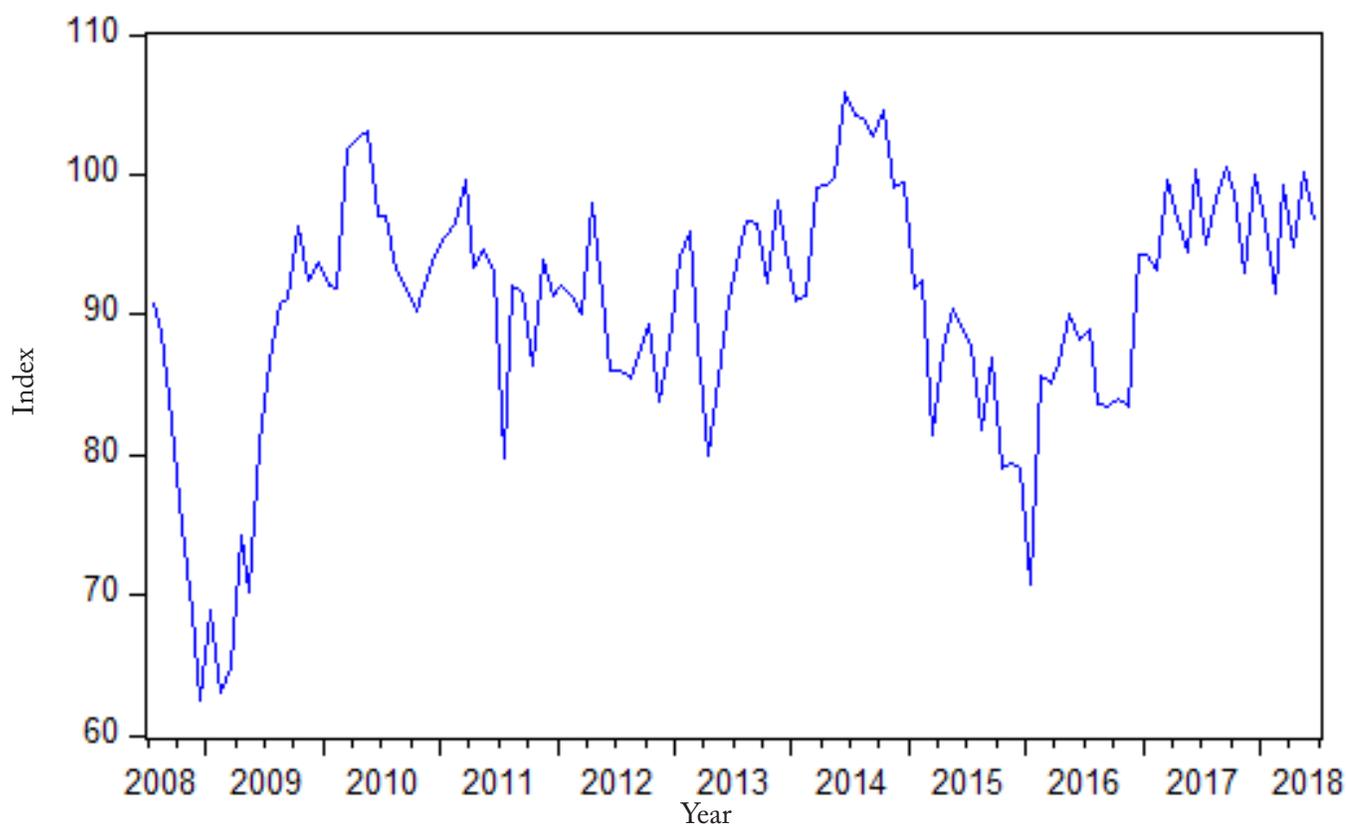
Employment of Northwest Minnesota residents increased by 4.3 percent over the year ending June 2018. The regional unemployment rate was 3.3 percent in June, which was considerably lower than the 4 percent rate observed one year ago. Initial claims for unemployment insurance in June 2018 were 5 percent lower than one year earlier and the Northwest Minnesota labor force increased by 4.2 percent. Average weekly wages rose 3.8 percent to \$794 in the most recent annual reporting period. Northwest Minnesota's total bankruptcies were unchanged from one year ago.

Economic performance in the Fargo/Moorhead Metropolitan Statistical Area (MSA) was mixed in the past quarter. This MSA tallied a small gain in overall employment (as well as larger job gains in the key mining/logging/construction and manufacturing sectors), increased average hourly earnings, a surge in the value of residential building permits and a lower relative cost of living. However, the Fargo/Moorhead area also experienced higher initial jobless claims, a decline in the regional workforce, flat average weekly work hours, and a rising unemployment rate. Economic activity in the Grand Forks/East Grand Forks MSA was mostly favorable in the second quarter. Higher overall employment (and increased employment in the manufacturing sector), a small increase in average hourly earnings, a rise in average weekly work hours, lower initial jobless claims and a small rise in the value of residential building permits helped improve the regional outlook in this metro area. Grand Forks/East Grand Forks also experienced a reduction in its relative cost of living. On the other hand, the area's labor force and unemployment rate were unchanged (as was mining/logging/construction employment).

## NORTHWEST MINNESOTA LEADING ECONOMIC INDICATORS INDEX

The SCSU Northwest Minnesota Leading Economic Indicators (LEI) index is designed to predict performance of the regional economy with a four-to-six month lead time. After a 7.43 point surge in the first quarter of 2018, the LEI expanded by 2.26 points in the second quarter. The index now stands 8.2 percent above its level of the second quarter of 2017. As shown in the accompanying graph, after flattening out in 2017, the LEI has shown strong upward movement in the first half of this year.

SCSU Northwest Minnesota Leading Economic Indicators Index  
(December 1999=100)



Components of SCSU Northwest Minnesota Leading Economic Indicators Index

| Component of Index  | Contribution to LEI, 2nd quarter 2018 | Contribution to LEI, 1st quarter 2018 |
|---|---------------------------------------|---------------------------------------|
| Rural Mainstreet Index  | 0.19                                  | 4.87                                  |
| Northwest Minnesota initial claims for unemployment insurance     | 0.21                                  | -1.25                                 |
| Northwest Minnesota new filings of incorporation and LLCs         | 0.47                                  | 0.40                                  |
| Fargo-Moorhead + Grand Forks-EGF MSA residential building permits | 2.75                                  | 1.04                                  |
| Consumer Sentiment, University of Michigan                        | -1.36                                 | 2.37                                  |
| <b>TOTAL CHANGE</b>   | <b>2.26</b>                           | <b>7.43</b>                           |

The Rural Mainstreet Index from Creighton University uses survey data from rural bankers and business leaders in towns averaging a population of 1,300 in 10 Midwestern states. This series is used as a proxy for economic activity in the rural areas of Northwest Minnesota. As can be seen in the accompanying table, this rural index had a positive impact on this quarter's index. An increase in residential building permits in Fargo/Moorhead and Grand Forks/East Grand Forks also had a considerable favorable impact on the leading index. In addition, increased new filings for incorporation and LLC in Northwest Minnesota and lower initial jobless claims helped contribute to the region's favorable outlook in the second quarter. Because Northwest Minnesota exports many recreational vehicles, consumer sentiment is included as a proxy for demand in that industry. The University of Michigan's Consumer Sentiment Index was the only LEI component to record a negative reading this quarter.

**SCSU Northwest Minnesota  
Leading Economic Indicators Index**

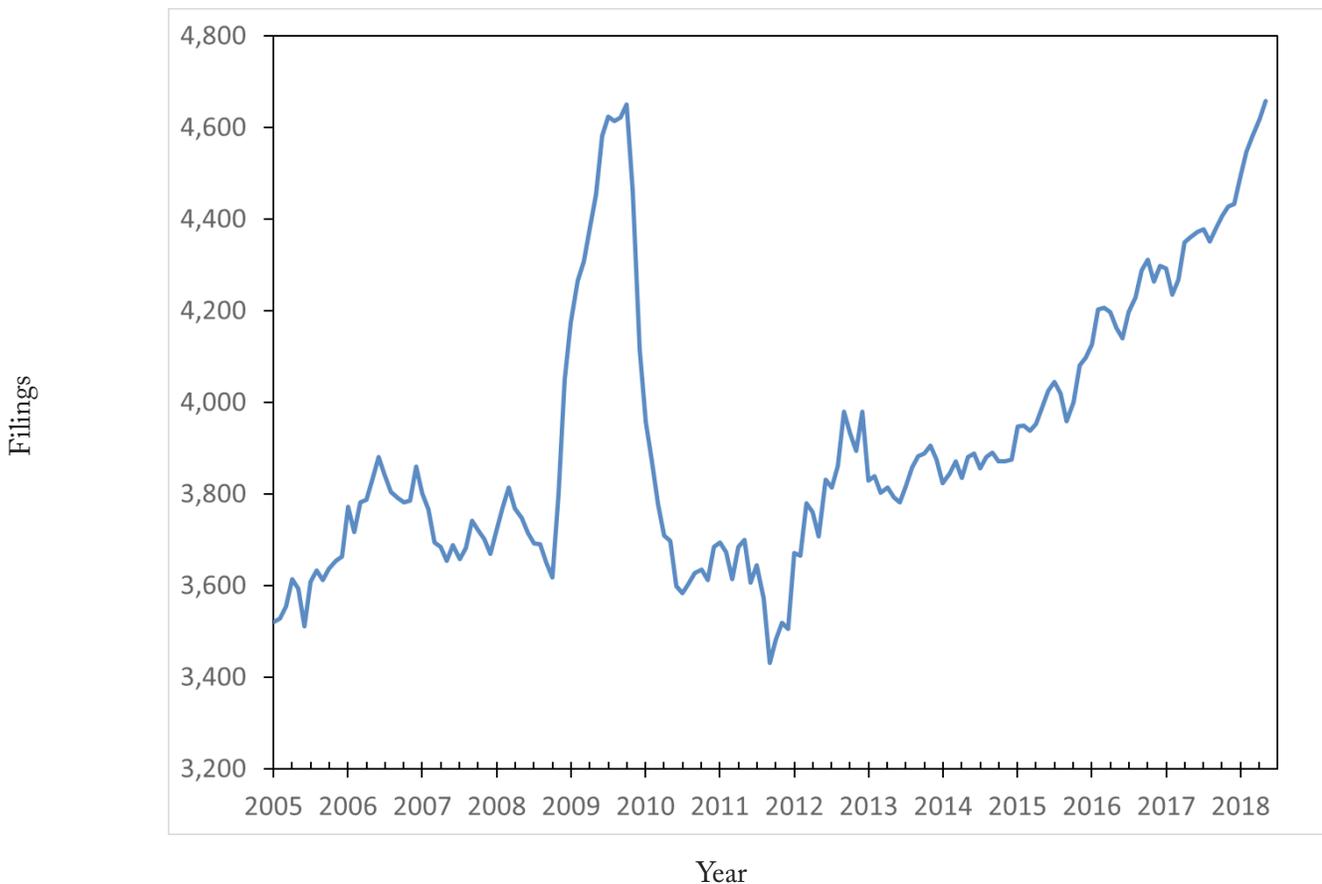
|  | 2018  | 2017  | Percentage change |
|--|-------|-------|-------------------|
| Rural Mainstreet Index, Creighton University, June                               | 55.3  | 51.7  | 7.0%              |
| Northwest Minnesota initial claims for unemployment insurance, June              | 994   | 1,046 | -5.0%             |
| Northwest Minnesota new filings of incorporation and LLCs, Second Quarter        | 873   | 788   | 10.8%             |
| Fargo-Moorhead and Grand Forks-EGF MSA single-family building permits, June      | 191   | 123   | 55.3%             |
| Consumer Sentiment, University of Michigan, June                                 | 98.2  | 95.1  | 3.3%              |
| Northwest Minnesota Leading Economic Indicators Index June (December 1999 = 100) | 172.7 | 159.6 | 8.2%              |

## NORTHWEST MINNESOTA BUSINESS FILINGS

The 12-month moving total of new business filings in this region increased in the second quarter as total new filings rose by 9.2% compared to the same period last year. The abrupt increase in new filings in the middle of 2008 is largely a result of increased new LLC filings. This outlier (resembling a shark fin) is related to considerably higher filings in the construction industry and appears to be a one-time only transitory event seen in the data in all regions of Minnesota.

Note: The graphs in this section show the 12-month moving total for the various new business filings in Northwest Minnesota that are registered with the Office of the Minnesota Secretary of State. This adjustment removes seasonal patterns from the data.

Total New Business Filings—Northwest Minnesota Planning Area  
(12-month moving total)



| Quarter   | II:<br>2017 | III:<br>2017 | IV:<br>2017 | I:<br>2018 | II:<br>2018 | 2018 Quarter II: Percent<br>change from prior year |
|---|-------------|--------------|-------------|------------|-------------|--|
| Northwest Minnesota<br>Total New Business Filings | 1,215       | 983          | 1,033       | 1,315      | 1,327       | 9.2%   |

New business incorporations trended downward in Northwest Minnesota from 2005 through 2011, but have leveled out since that time. After rising over the entire year of 2016, this series flattened out in the first half of 2017, but has been dragged down by four consecutive quarterly year-over-year declines in new incorporations. As can be seen in the accompanying table, second quarter 2018 new incorporations were 1.7 percent below their level of the same period in 2017.

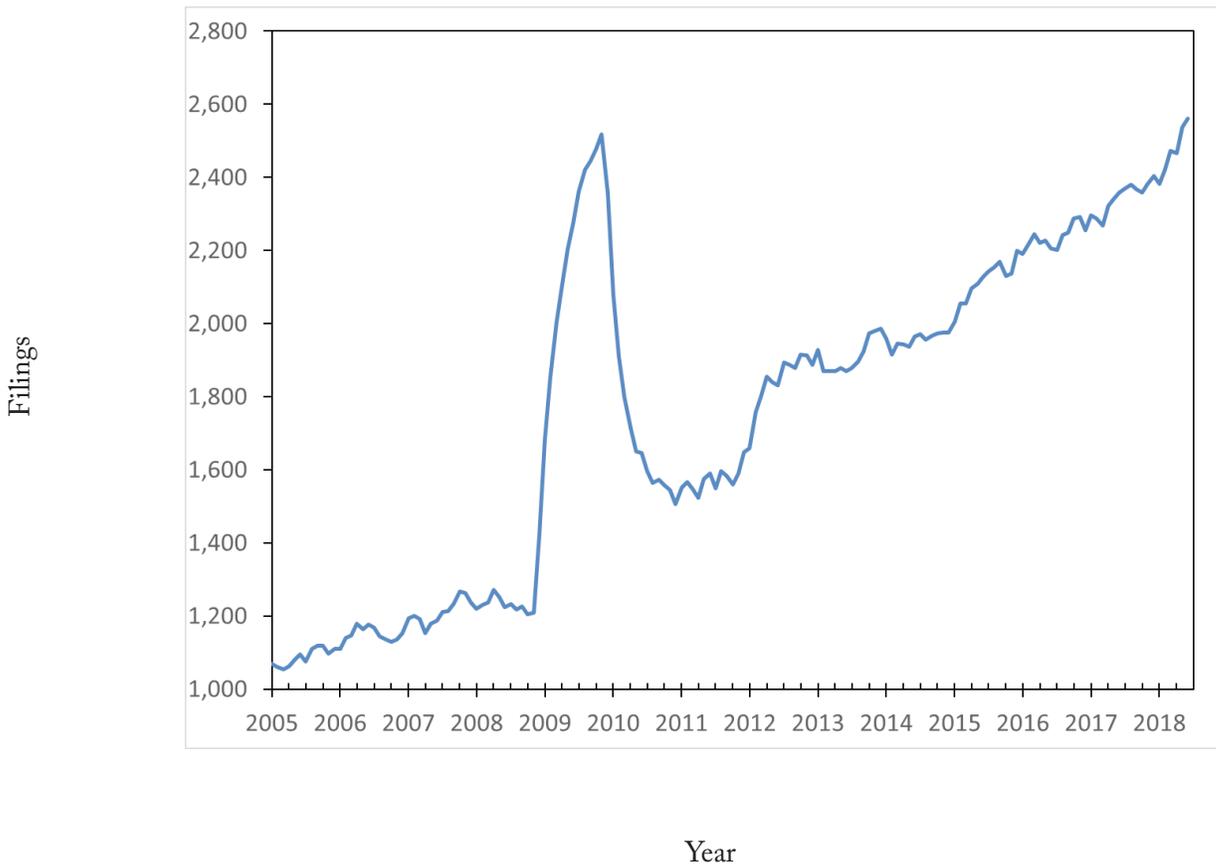
### New Incorporations—Northwest Minnesota Planning Area (12-month moving total)



| Quarter  | II:<br>2017 | III:<br>2017 | IV:<br>2017 | I:<br>2018 | II:<br>2018 | 2018 Quarter II: Percent<br>change from prior year |
|--|-------------|--------------|-------------|------------|-------------|--|
| Northwest Minnesota<br>New Business Incorporations | 121         | 84           | 99          | 113        | 119         | -1.7%  |

There has been a move in Northwest Minnesota (and the rest of the state) away from the traditional incorporation form of business organization towards the LLC. While new business incorporations remain an important indicator of new business formation in Northwest Minnesota, LLCs are increasingly useful in evaluating regional economic performance. As seen below, there has been a considerable upward trend in LLCs in Northwest Minnesota. With the exception of the outlier period in 2008–2009, new LLC formation has shown a fairly steady rate of growth over the last eleven years. This strong trend continued in the second quarter of 2018 as LLC filings rose 13 percent compared to the same period in 2017.

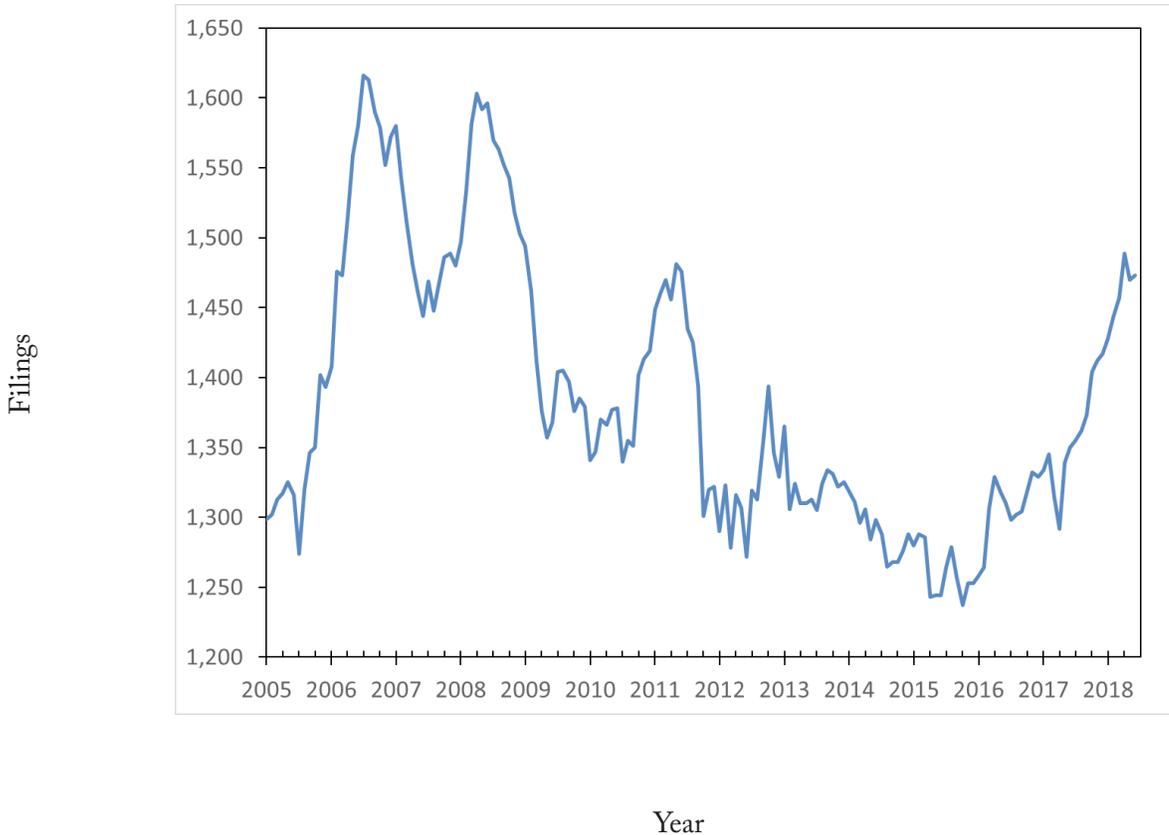
### New Limited Liability Companies—Northwest Minnesota Planning Area (12-month moving total)



| Quarter  | II:<br>2017 | III:<br>2017 | IV:<br>2017 | I:<br>2018 | II:<br>2018 | 2018 Quarter II: Percent<br>change from prior year |
|--|-------------|--------------|-------------|------------|-------------|--|
| Northwest Minnesota New<br>Limited Liability Companies | 667         | 538          | 547         | 721        | 754         | 13.0%  |

Assumed names, which include sole proprietors or organizations that do not have limited liability, rose by 4.2 percent compared to the same period last year. The 12-month moving total suggests this series bottomed out at the end of 2015 and has generally risen since that time.

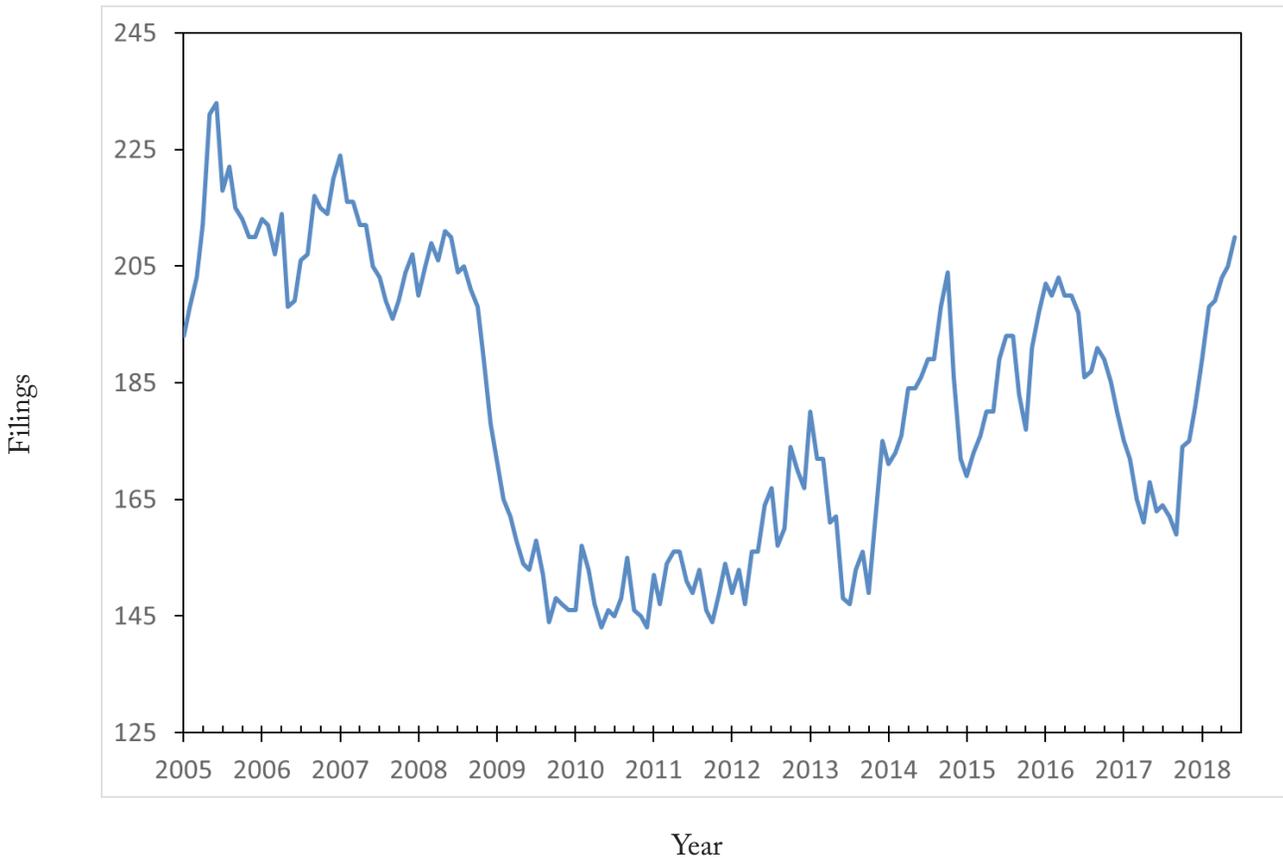
### New Assumed Names—Northwest Minnesota Planning Area (12-month moving total)



| Quarter                                  | II:<br>2017 | III:<br>2017 | IV:<br>2017 | I:<br>2018 | II:<br>2018 | 2018 Quarter II: Percent<br>change from prior year |
|--|-------------|--------------|-------------|------------|-------------|--|
| Northwest Minnesota<br>New Assumed Names | 381         | 325          | 328         | 423        | 397         | 4.2%   |

The number of new non-profits in the Northwest Minnesota planning area totaled 57 in the second quarter. This was 11 more filings (a 23.9 percent increase) than one year earlier.

### New Non-Profits—Northwest Minnesota Planning Area (12-month moving total)



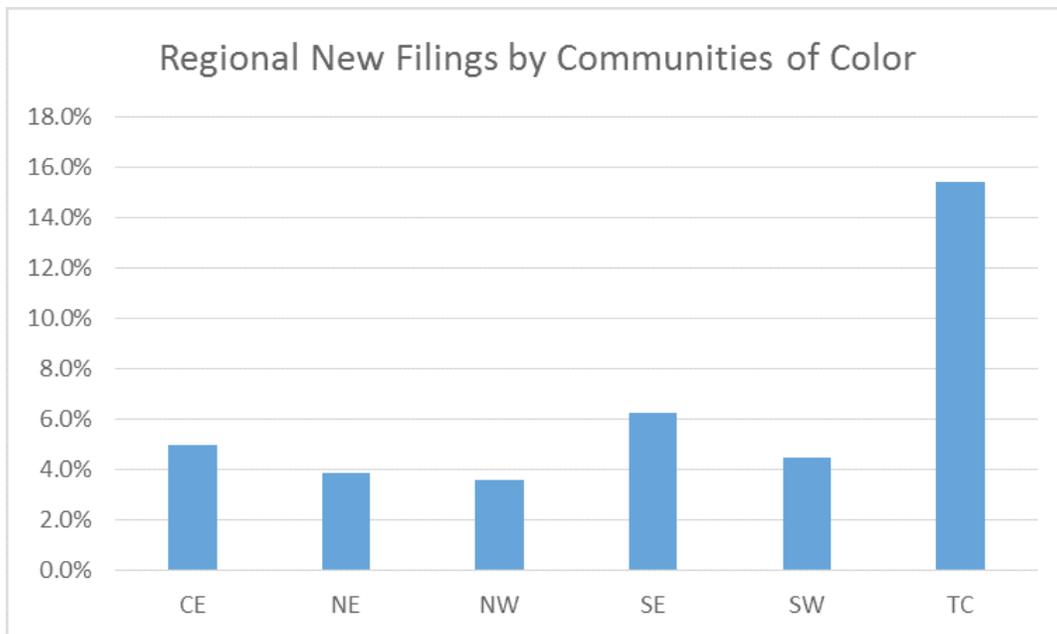
| Quarter                                | II:<br>2017 | III:<br>2017 | IV:<br>2017 | I:<br>2018 | II:<br>2018 | 2018 Quarter II: Percent<br>change from prior year |
|--|-------------|--------------|-------------|------------|-------------|--|
| Northwest Minnesota<br>New Non-Profits | 46          | 36           | 59          | 58         | 57          | 23.9%  |

## MINNESOTA BUSINESS SNAPSHOT SURVEY RESULTS

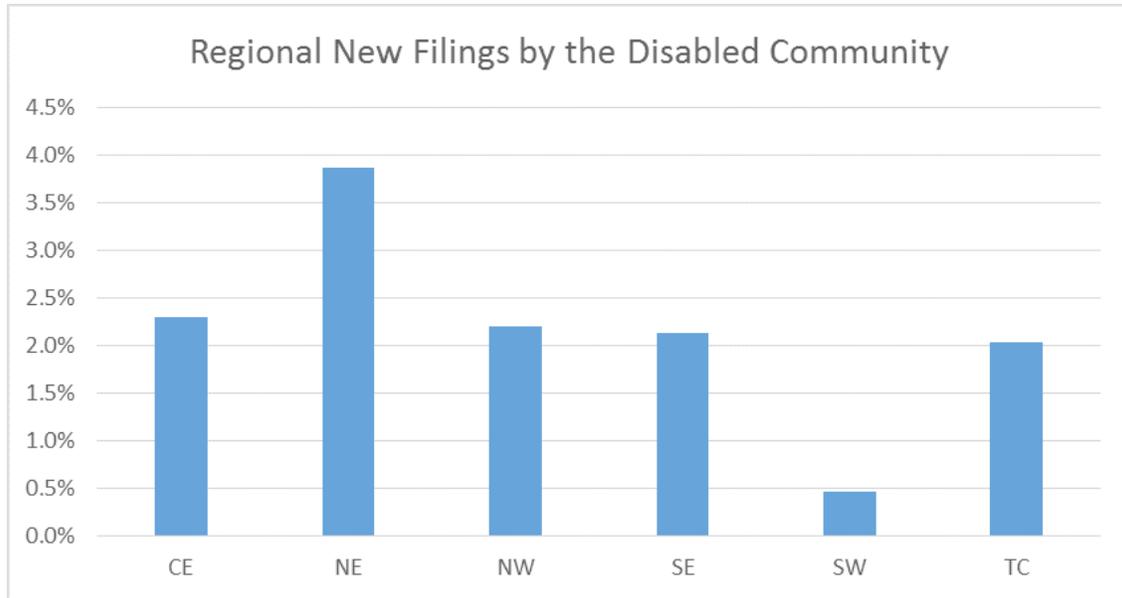
In Fall 2016, the Office of the Minnesota Secretary of State initiated a short voluntary survey (known as Minnesota Business Snapshot) for both new and continuing business filers. Questions found in the survey address basic questions related to the background of business filers, industry classification, employment levels and annual revenue of the filer, and whether the business is a full- or part-time activity for the filing entity. While a comprehensive analysis of this promising new data set is beyond the scope of this regional economic and business conditions report, the survey results do provide useful additional background information to complement the business filing data.

To match up the Minnesota Business Snapshot (MBS) information with the data analyzed in this report, only surveys accompanying new filings in the second quarter of 2018 are analyzed. For the entire State of Minnesota, the overall response rate for this voluntary survey is approximately 61 percent. This yields thousands of self-reported records in this emerging data set. For Northwest Minnesota, about 60 percent of new business filers completed at least some portion of the MBS survey. The results are reported in this section.

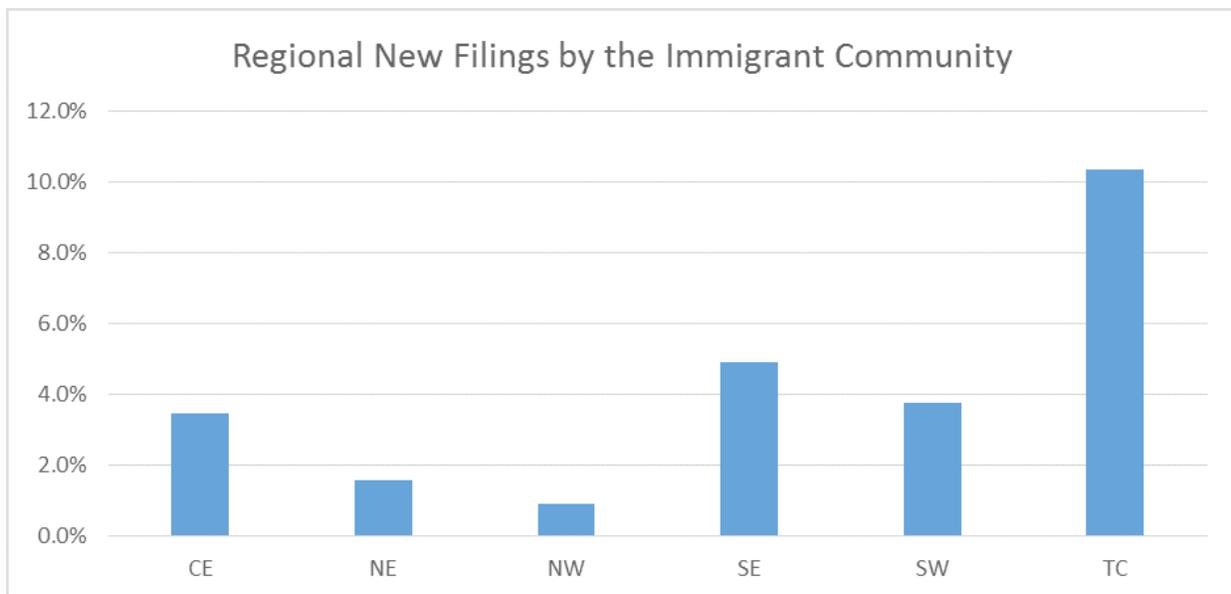
About 3.6 percent of those new filers completing the MBS from the Northwest Minnesota planning area report being from a community of color. This is the lowest percentage of Minnesota's six planning areas.



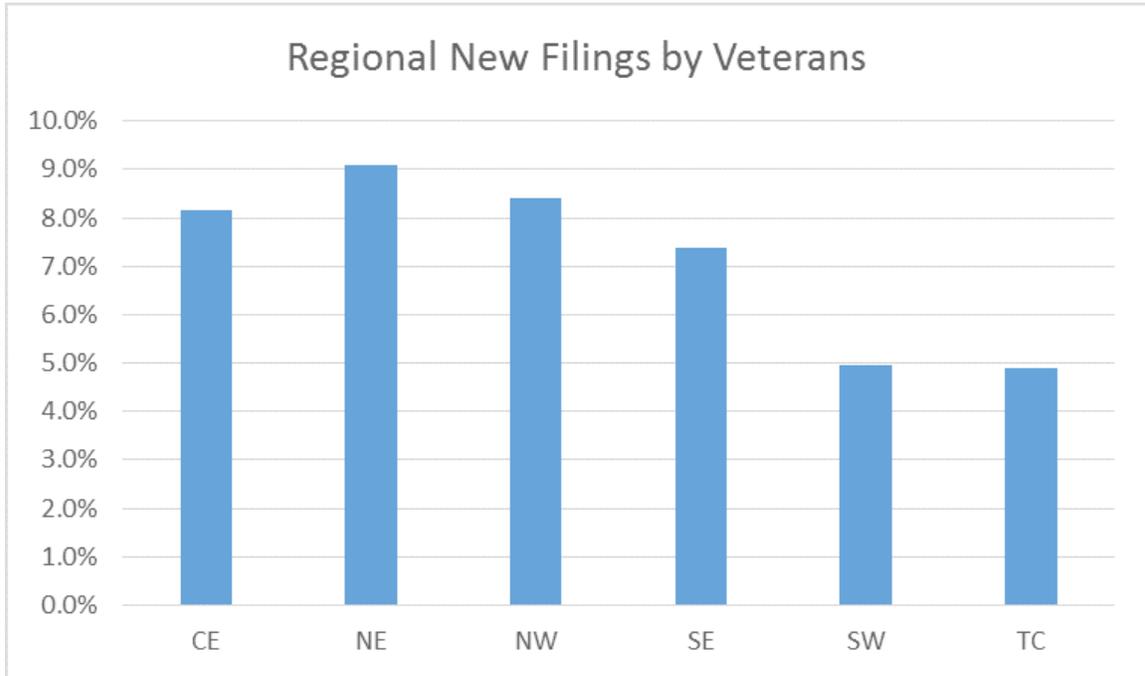
A small percentage of Northwest Minnesota’s new filers—approximately 2.2 percent—are from the disability community.



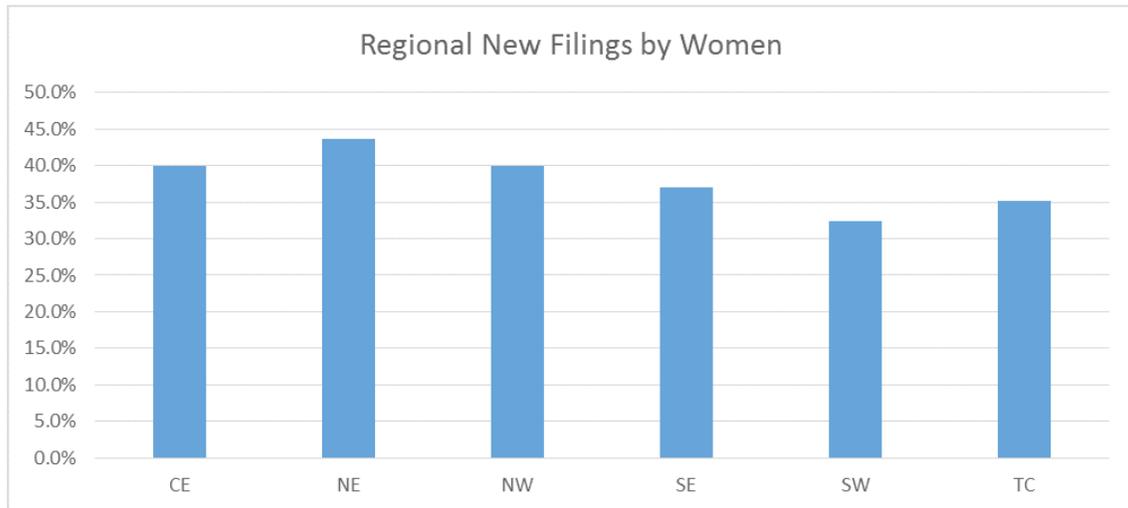
Only 0.9 percent of new business filings in Northwest Minnesota came from the immigrant community in the second quarter. This is lowest percentage of Minnesota’s six planning areas. By comparison, the percentage of immigrant new business filers in the Twin Cities is nearly twelve times larger than that found in the Northwest region of the state.



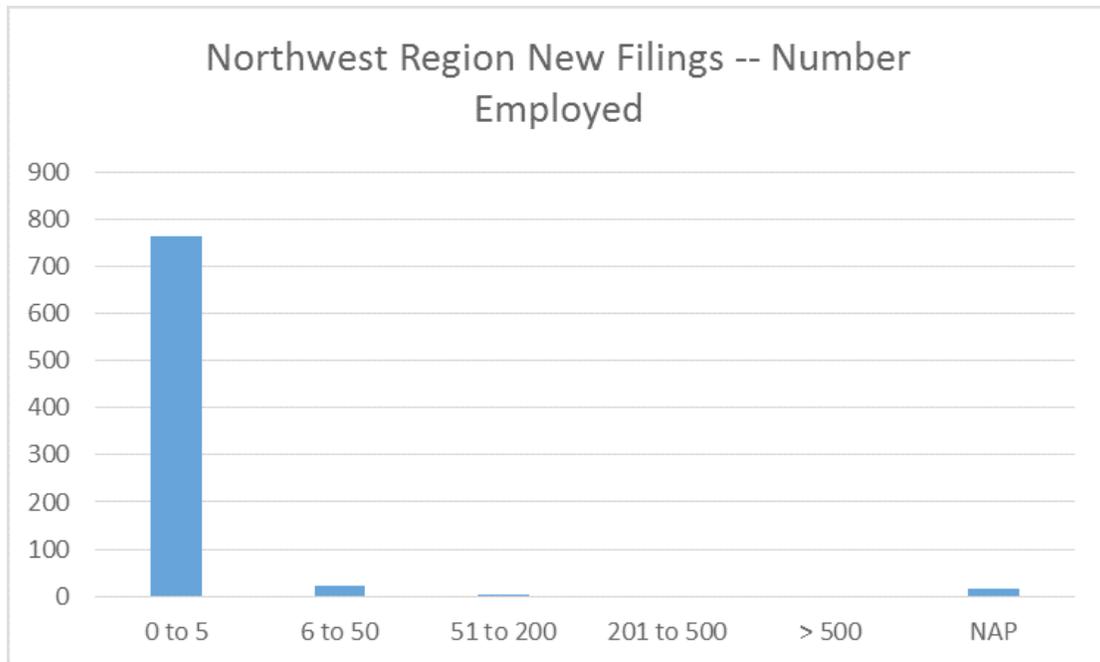
8.4 percent of new filings in Northwest Minnesota came from military veterans. Only the Northeast planning area has a higher percentage of veteran new filers.



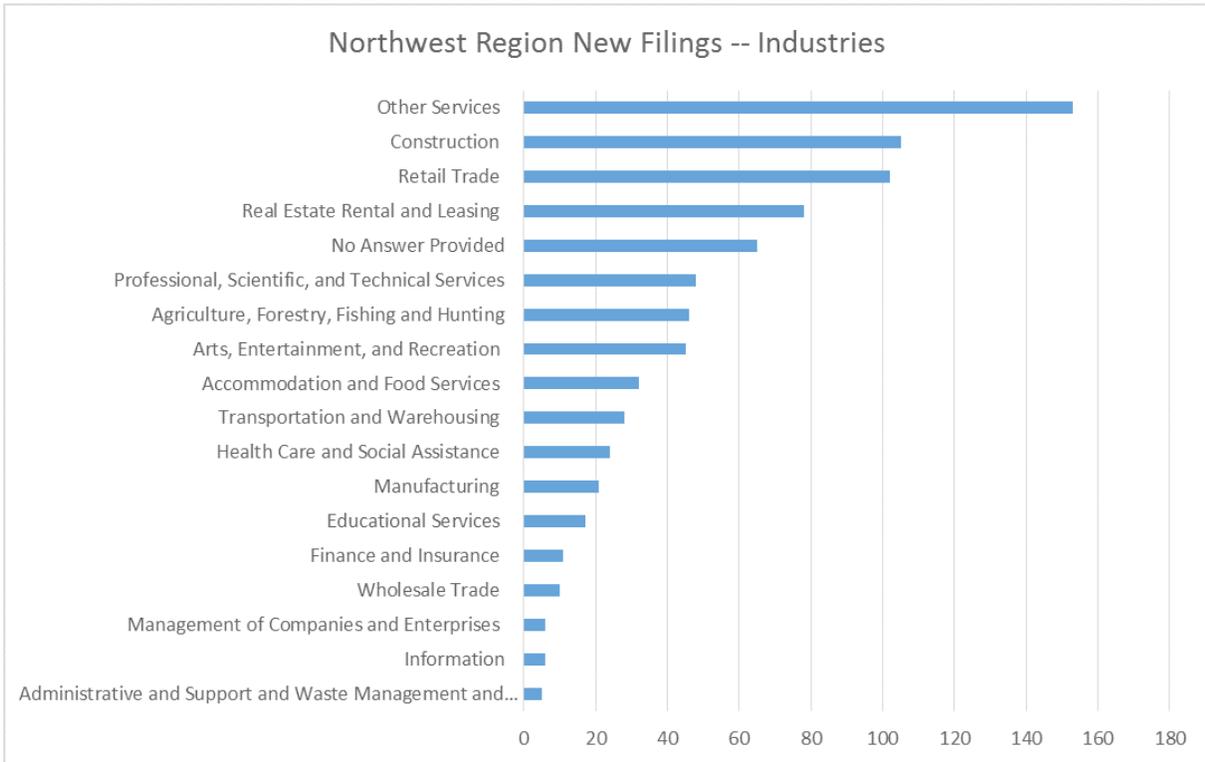
Woman owners represented 40 percent of the new business filings in Northwest Minnesota in the second quarter of 2018. This is also one of the highest percentages of new filers among Minnesota's six planning areas.



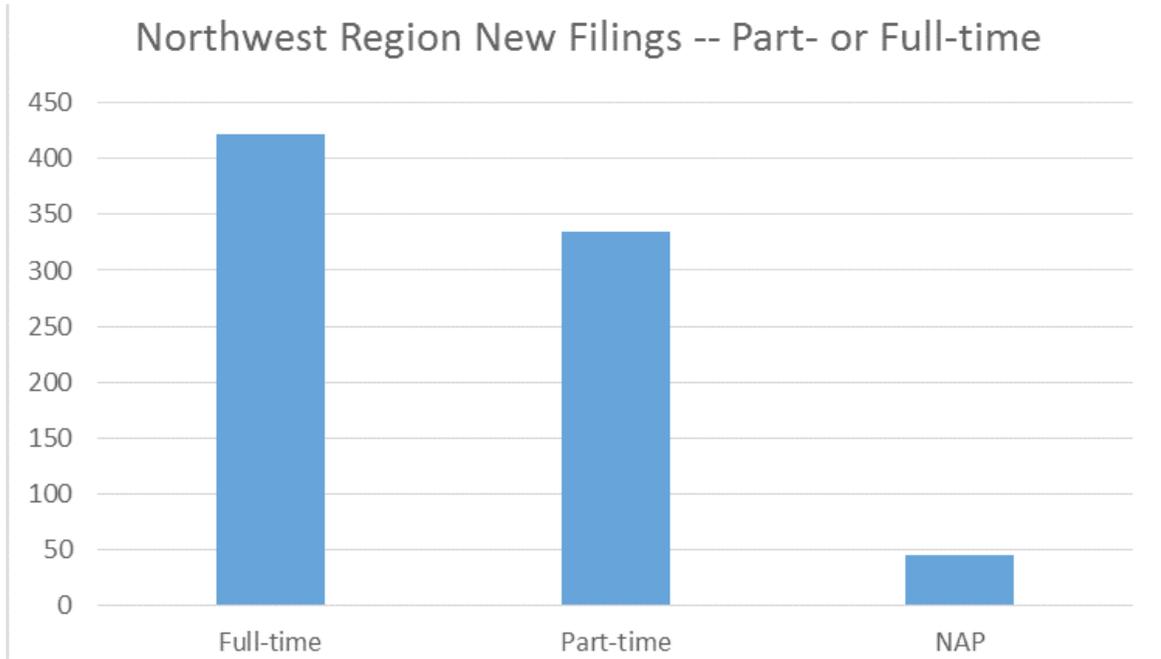
While not all of those participating in the survey completed all portions of the Minnesota Business Snapshot (those not responding to a particular question are represented in this section by “NAP”—no answer provided), 787 responses were tallied to a question asking the new business filer to indicate the range of employment at the business. As expected, most new businesses start small—employment at most companies submitting a new filing ranges from 0-5 employees.



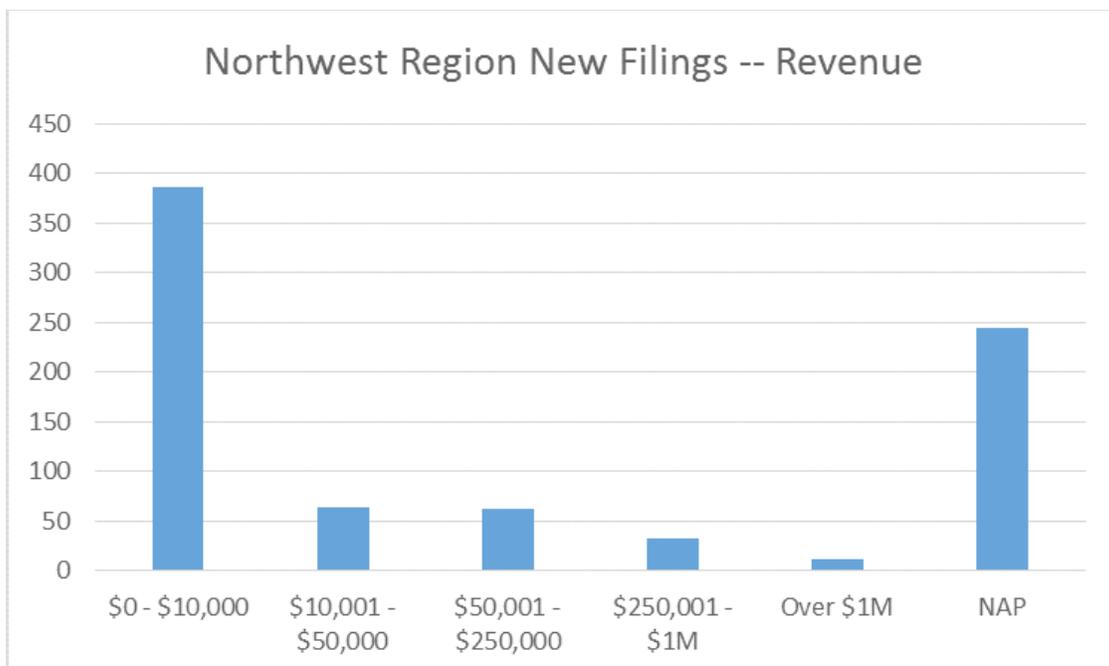
Using the North American Industry Classification System (NAICS), businesses submitting new filings were asked to identify the industry in which their company was operating. While a range of industries were reported, retail trade, construction, real estate/rental/leasing, and “other services” lead the way. Since businesses are often unsure of their industrial classification, the “other services” category is likely to represent a “catch-all” category for service-related businesses who were unable to specify their industry. Forty-eight new firms did not provide an answer to this survey item.



44.3 percent of those new business filers who answered the MBS question about full- or part-time status consider their business a part-time venture.



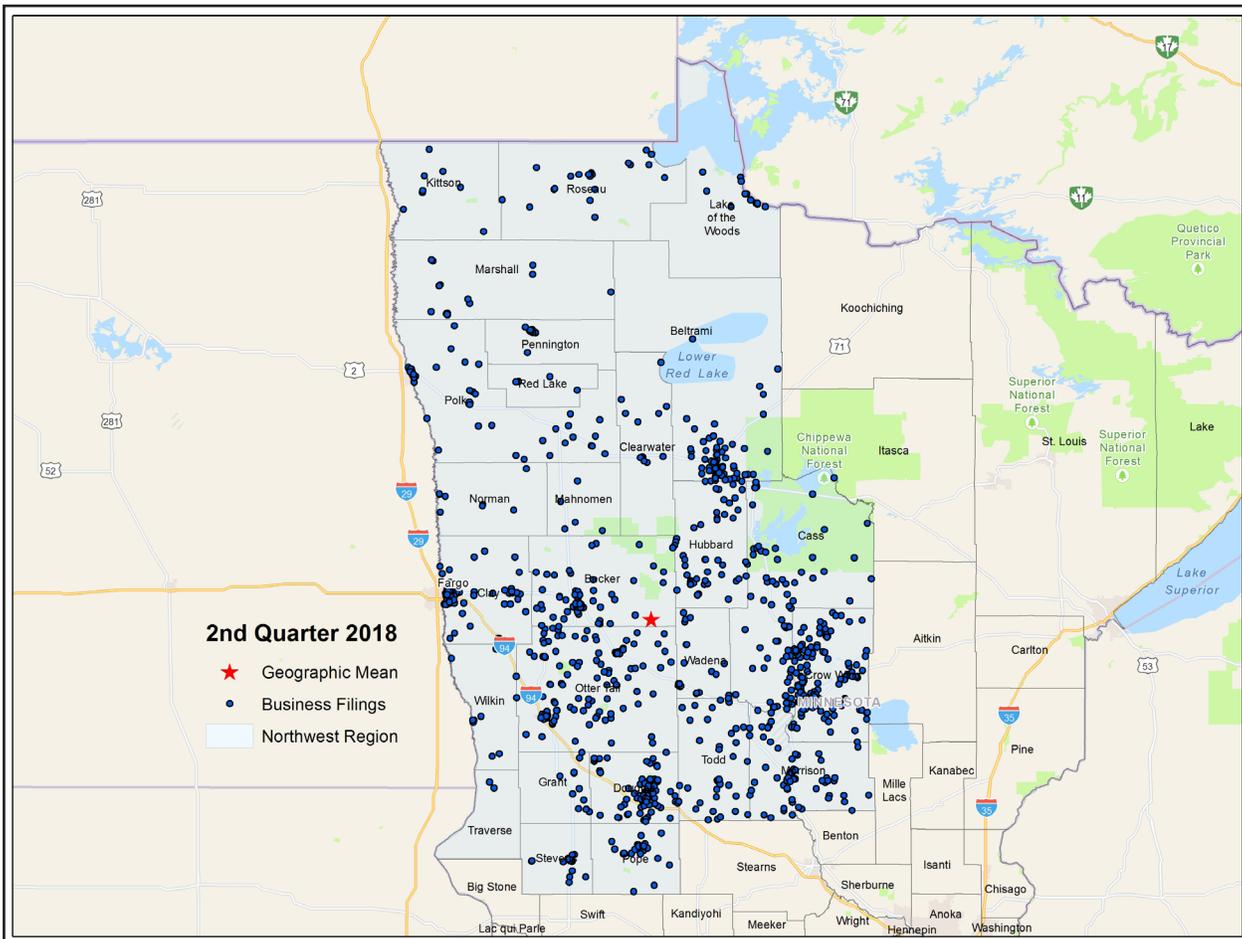
244 new business filers in Northwest Minnesota did not provide an answer to the MBS item that asked them to report the company's revenue. Of those businesses that answered the question, the largest share report revenues of less than \$10,000. 108 new firms report revenues in excess of \$50,000.



# MAPS

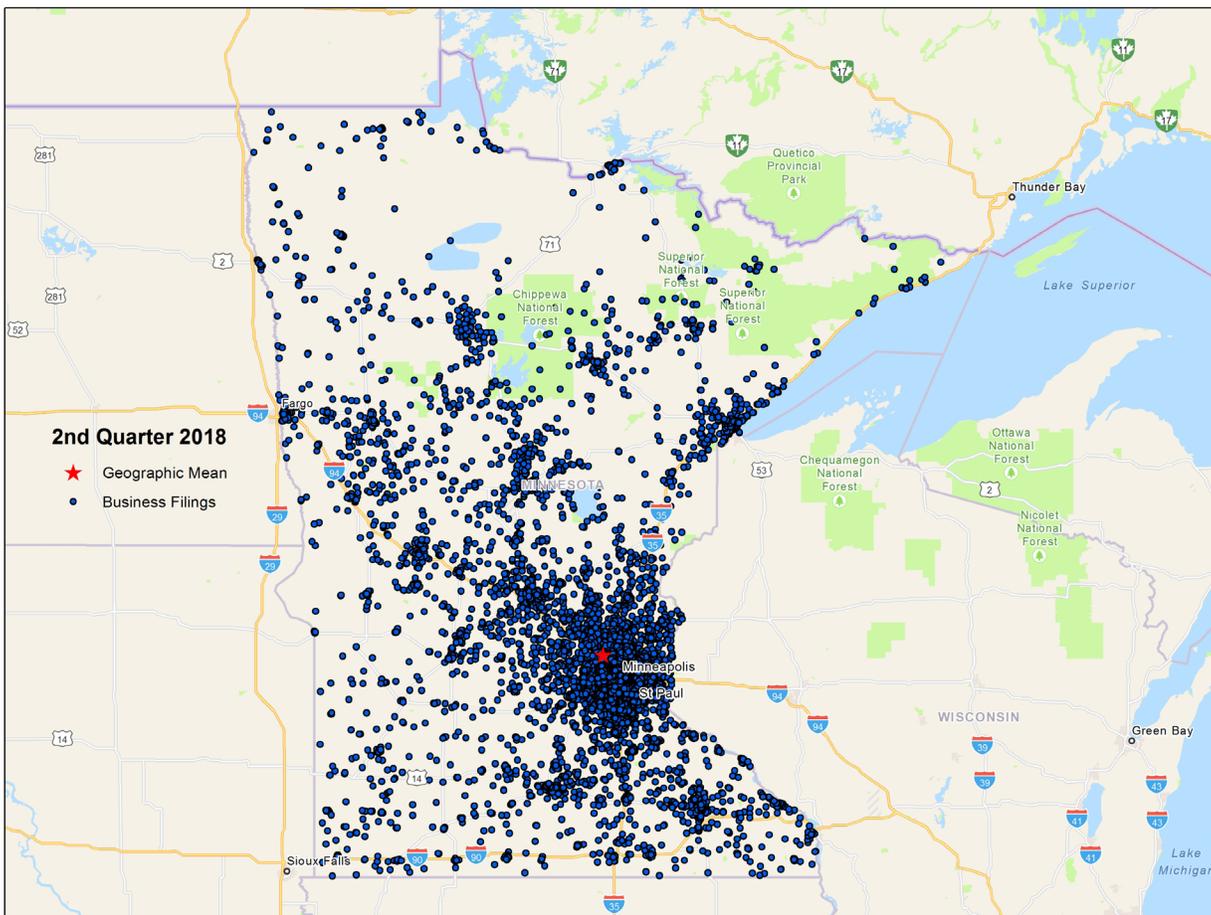
The first map shown below is a visual representation of new business formation around the Northwest Minnesota planning area in the second quarter of 2018. As has typically been the case, the densest areas of new business formation are in the Alexandria, Brainerd, Bemidji, and Detroit Lakes areas. Fergus Falls and Moorhead also showed considerable new business filing activity in the second quarter. The map demonstrates that most of the new business formation in this region occurs in the southern half of the planning area. Well-traveled roadways are also a predictor of new business formation in Northwest Minnesota.

## Northwest Minnesota Planning Area--New Business Formation--Quarter 2: 2018



The second map shows new business filings for the state as a whole. This visual aid demonstrates the considerable extent to which the Twin Cities metro area dominates new business formation in the state. The map shows how the Twin Cities metro stretches along roadways into the Southeast, Southwest and Central planning areas. The map demonstrates the importance of cities and roadways in encouraging economic development. St. Cloud now appears to be integrated into the Twin Cities metro as the I-94/US-10 corridor continues to be a magnet for new business formation. There is also considerable new business formation in the southern part of the state, particularly in Rochester and between the Twin Cities and Mankato. The importance of Interstates 90, 94, and 35 as well as US-10 and MN 61 (along the North Shore) in new business filings is also easily seen in this map.

## Minnesota--New Business Formation--Quarter 2: 2018

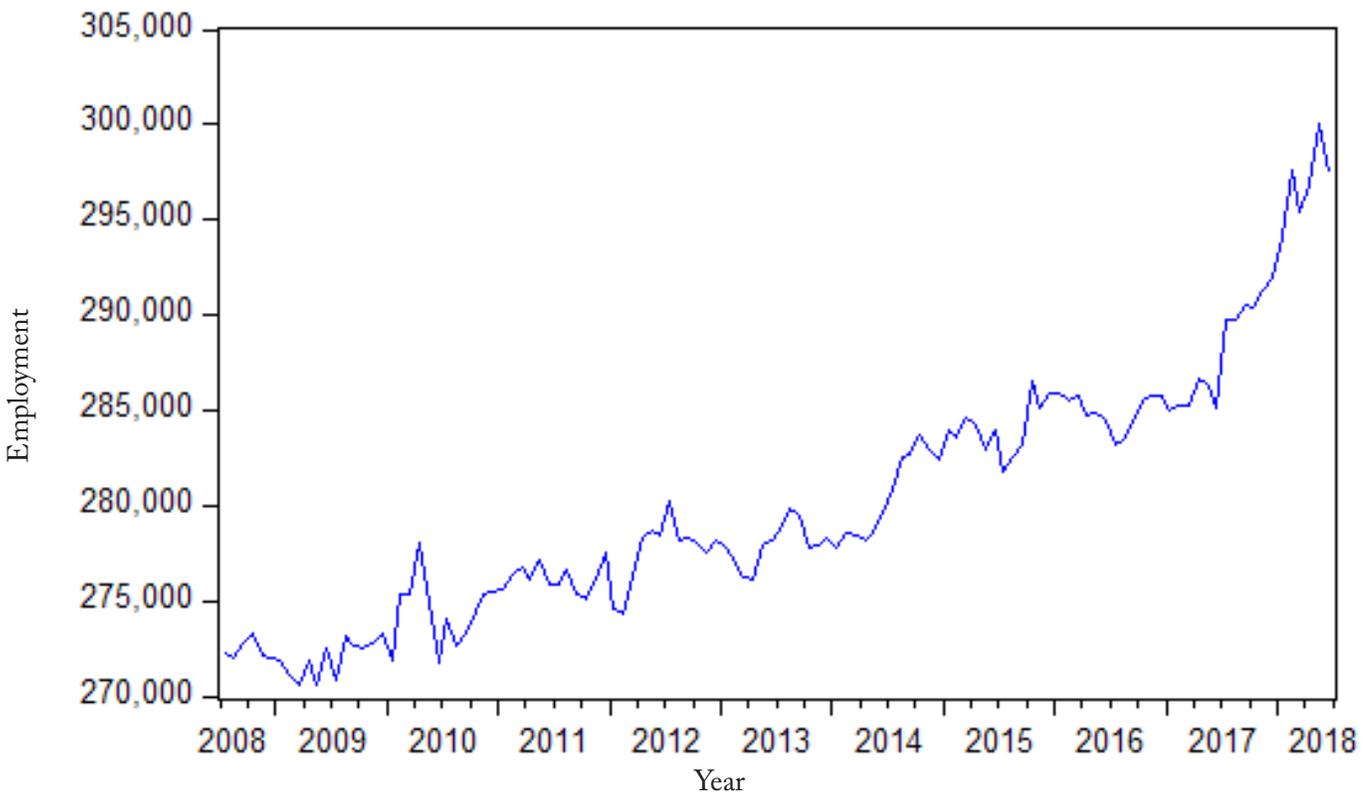


## NORTHWEST MINNESOTA LABOR MARKET CONDITIONS

Employment in the Northwest Minnesota planning area rose by 4.3 percent over the year ending June 2018. As can be seen in the accompanying graph, the 12-month moving average of total employment in the Northwest Minnesota planning area has risen sharply over the past year.

Note: seasonally adjusted labor market data are typically not available to evaluate regional economic performance so some series have been created to illustrate seasonal patterns of the regional labor market. Graphs of these indicators are found in this section of the report. Tabular data are not seasonally adjusted.

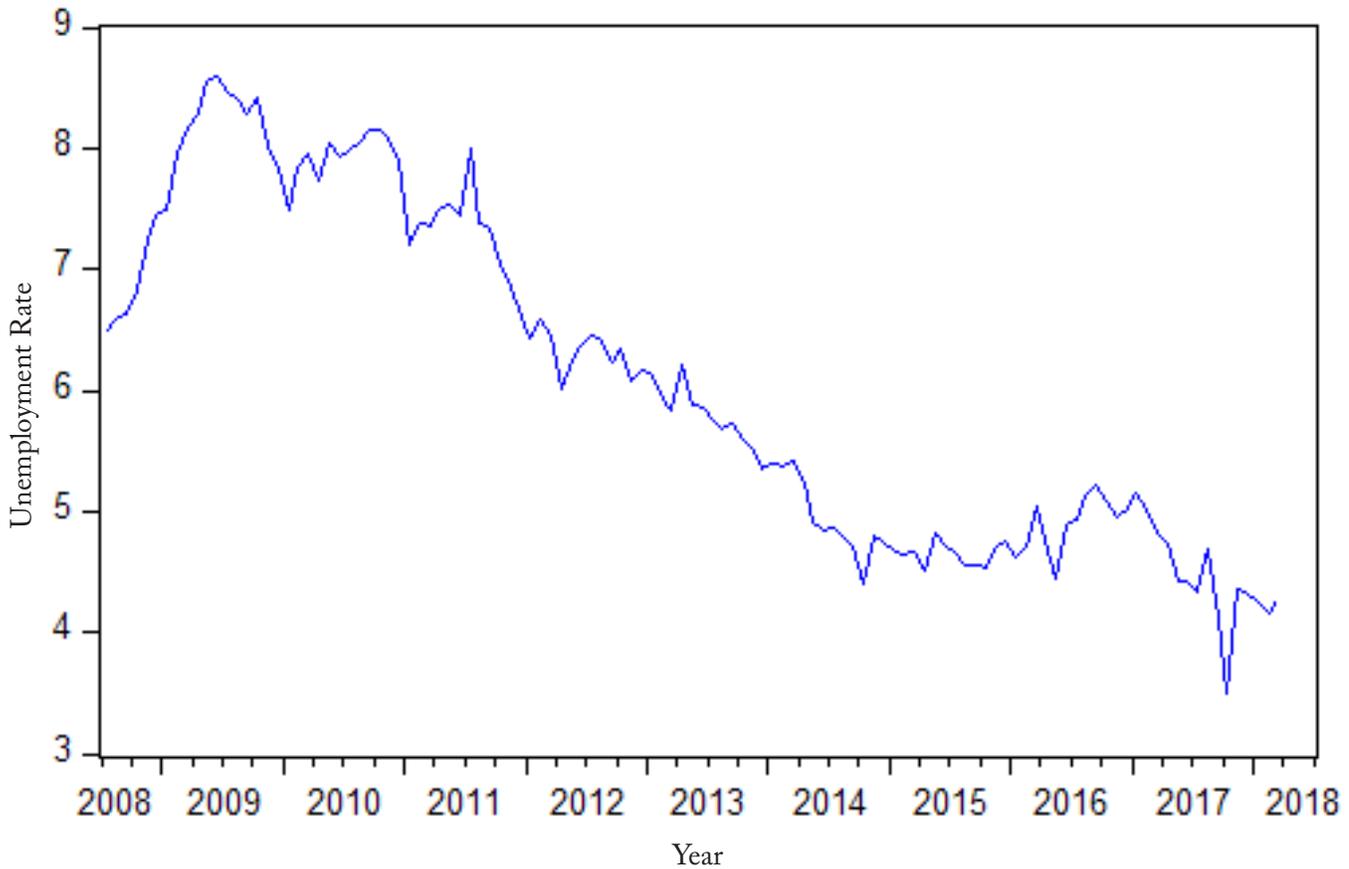
Employment—Northwest Minnesota Planning Area  
(12-month moving average)



| Month                                   | June 2017 | January 2018 | February 2018 | March 2018 | April 2018 | May 2018 | June 2018 |
|---|-----------|--------------|---------------|------------|------------|----------|-----------|
| Employment<br>(Not seasonally adjusted) | 290,937   | 288,199      | 289,911       | 290,249    | 295,116    | 302,470  | 303,480   |

After bottoming out in the third quarter of 2014, the seasonally adjusted unemployment rate in the region had leveled out until rising in 2016. However, the region’s seasonally adjusted unemployment rate declined throughout the first three quarters of 2017, until rising at the end of the year. As can be seen in the graph below, this series levelled out in the first half of the 2018. The non-seasonally adjusted unemployment rate is now 3.3% (which is considerably lower than the 4 percent rate tallied in June 2017).

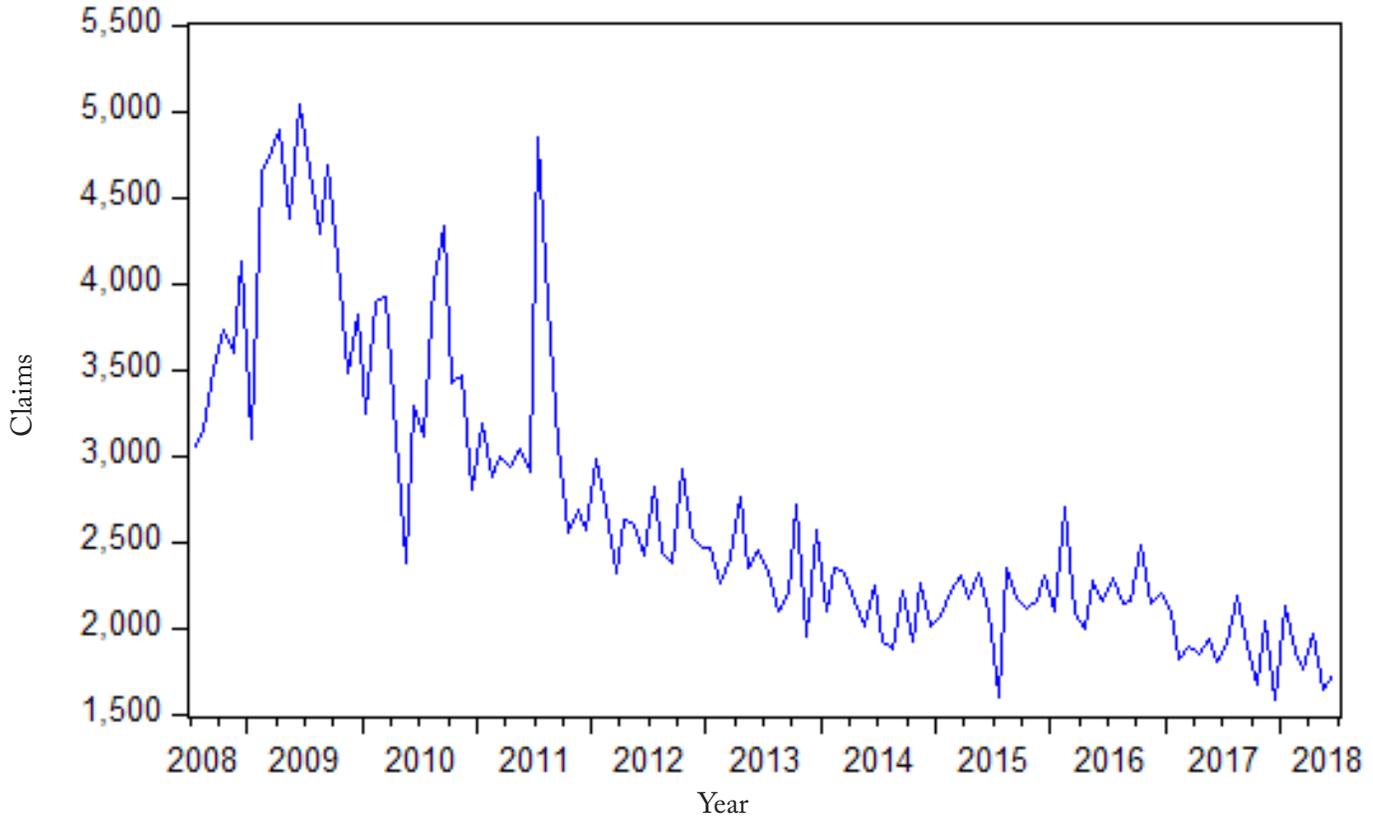
### Unemployment Rate, seasonally adjusted—Northwest Minnesota Planning Area



| Month                                       | June 2017 | January 2018 | February 2018 | March 2018 | April 2018 | May 2018 | June 2018 |
|---|-----------|--------------|---------------|------------|------------|----------|-----------|
| Unemployment Rate (Not seasonally adjusted) | 4.0%      | 6.2%         | 5.7%          | 5.6%       | 4.4%       | 3.0%     | 3.3%      |

New claims for June 2018 unemployment insurance were 5 percent lower than one year earlier. Seasonally adjusted jobless claims appear to have levelled out in recent quarters.

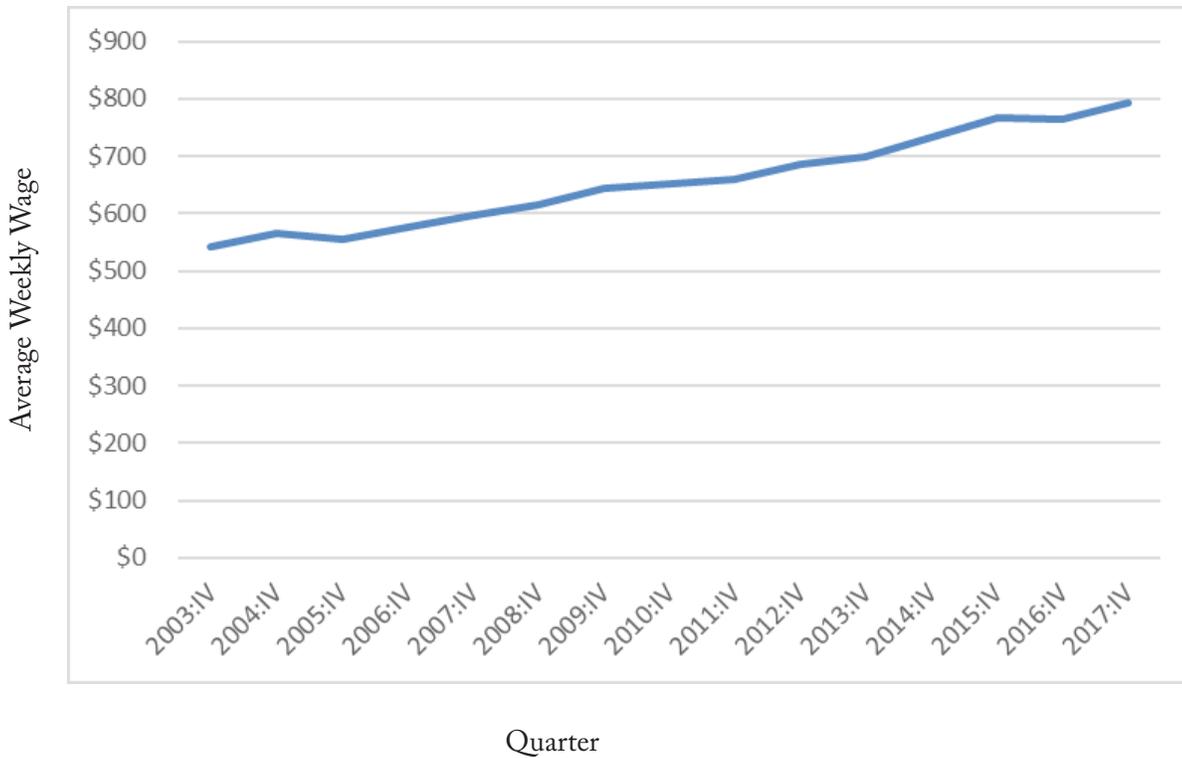
**Total Initial Claims for Unemployment Insurance, Seasonally Adjusted—  
Northwest Minnesota Planning Area**



| Period                                      | June 2017 | January 2018 | February 2018 | March 2018 | April 2018 | May 2018 | June 2018 |
|---|-----------|--------------|---------------|------------|------------|----------|-----------|
| Initial claims<br>(Not seasonally adjusted) | 1,046     | 2,547        | 1,357         | 1,388      | 1,288      | 1,146    | 994       |

Labor shortages are being reported all across Minnesota, so it is no surprise that firms' difficulty attracting qualified workers has put upward pressure on wages. Wage increases were seen in Northwest Minnesota in the most recent reporting period. For example, as seen in the table below, average weekly wages increased to \$794 over the year ending in the fourth quarter of 2017. This represented a 3.8 percent annual increase in Northwest Minnesota workers' weekly earnings.

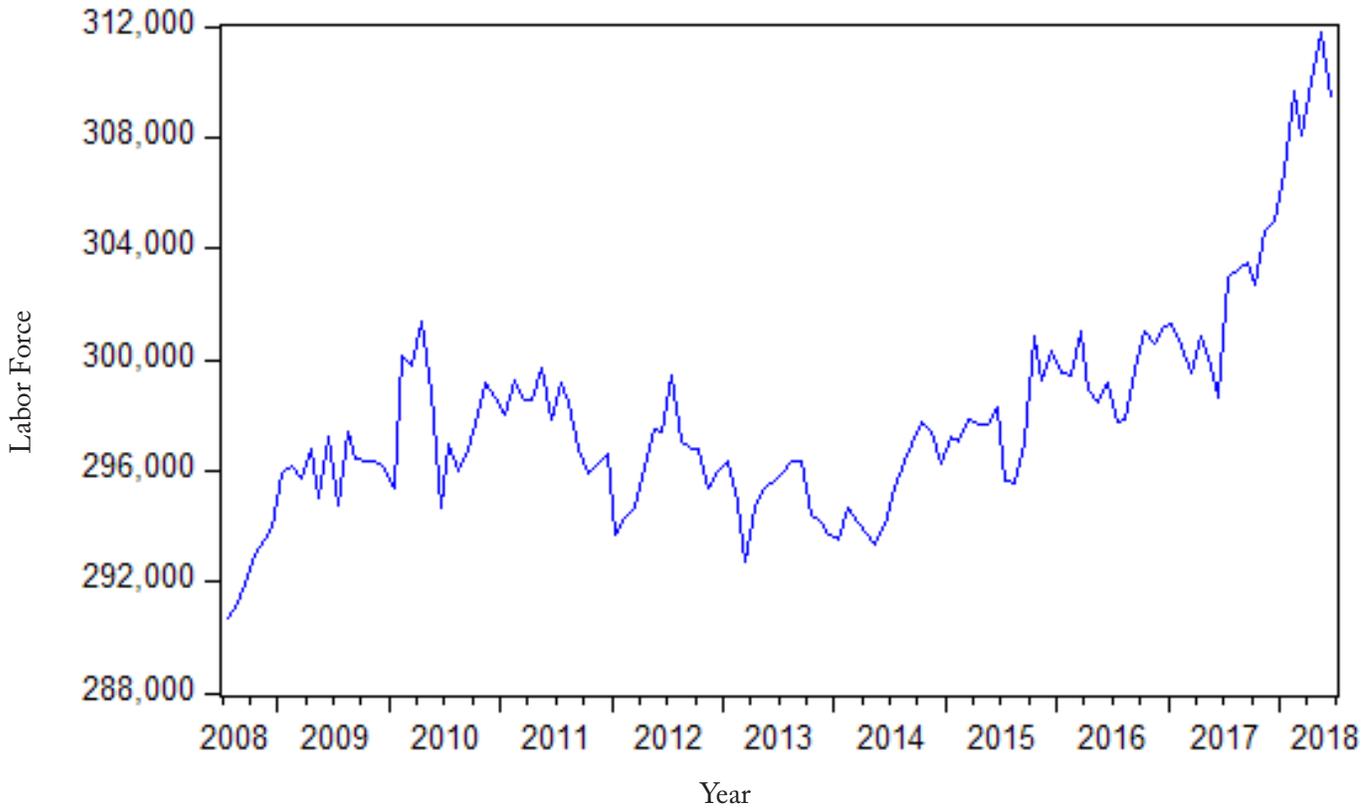
### Average Weekly Wages---Northwest Minnesota Planning Area



| Quarter             | 2012:IV | 2013:IV | 2014:IV | 2015:IV | 2016:IV | 2017:IV |
|---------------------|---------|---------|---------|---------|---------|---------|
| Average Weekly Wage | \$685   | \$698   | \$734   | \$768   | \$765   | \$794   |

The Northwest Minnesota labor force rose by 3.6 percent over the year ending June 2018. At 313,744, the regional labor force is now more than 10,000 larger than one year earlier. The seasonally adjusted labor force (shown in the figure below) has risen sharply over the past year.

Labor Force—Northwest Minnesota Planning Area (12-month moving average)

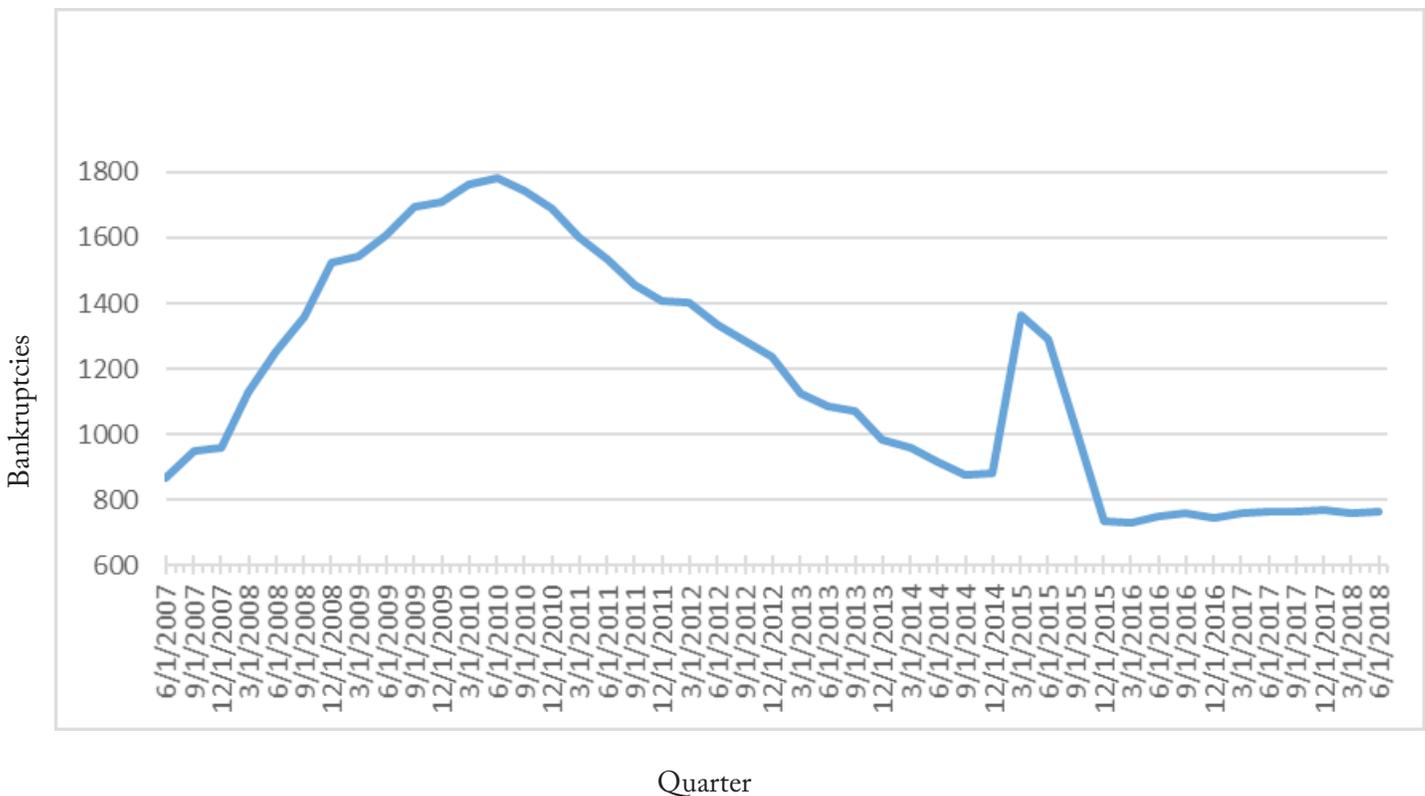


| Year (June)                           | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    |
|---------------------------------------|---------|---------|---------|---------|---------|---------|
| Labor Force (not seasonally adjusted) | 301,173 | 299,283 | 303,232 | 303,789 | 302,914 | 313,744 |

## NORTHWEST MINNESOTA BANKRUPTCIES

The figure below shows the 12-month moving total for Northwest Minnesota bankruptcies since the second quarter of 2007 (shortly before the beginning of the Great Recession). As can be seen in the figure, this moving total increased through the second quarter of 2010, and then declined steadily until the end of 2015. However, the series began to rise in the first quarter of 2015. A closer inspection of the Northwest Minnesota bankruptcy data suggests a disproportionately large number of bankruptcies came from Polk, Becker, and Clay counties at the beginning of 2015. This is the only one of Minnesota’s six planning areas to see a rise in this series at that time, so we took a closer look at the bankruptcy data set received from the US Bankruptcy Courts. The jump in bankruptcies in these three counties is in non-business bankruptcy filings (for example, personal bankruptcies). Since these three counties are close to the North Dakota border, one might imagine that an abrupt increase in non-business bankruptcies in the first quarter of 2015 would be seen in North Dakota’s Clay and Grand Forks counties, but bankruptcy filings in these counties did not jump like they did in the three Minnesota counties. These data points may simply have been an aberration. This interpretation seems to be confirmed by recent data readings. This series was unchanged over the last twelve months.

Northwest Minnesota Bankruptcies (12-month moving total)



| Year (Second Quarter)                         | 2013  | 2014 | 2015  | 2016 | 2017 | 2018 |
|---|-------|------|-------|------|------|------|
| Annual Bankruptcies (not seasonally adjusted) | 1,084 | 916  | 1,292 | 748  | 765  | 765  |

## ECONOMIC INDICATORS

| Fargo-Moorhead<br>MSA Indicators                        | Period Covered            | Current<br>Period | Prior Year | Annual Percent<br>Change | Long-Term Average<br>(since 1999, unless<br>noted) |
|---|---------------------------|-------------------|------------|--------------------------|--|
| Employment  | June 2018 (m)             | 142,700           | 142,100    | 0.4% ↑                   | 1.9%   |
| Manufacturing Employment                                | June 2018 (m)             | 10,000            | 9,800      | 2.0% ↑                   | 1.2%   |
| Mining, Logging, Construction<br>Employment             | June 2018 (m)             | 10,000            | 9,900      | 1.0% ↑                   | 2.0%   |
| Average Weekly Work Hours--<br>Private Sector           | June 2018 (m)             | 35.1              | 35.1       | 0.0% ↔                   | 34.0 (since 2007)                                  |
| Average Earnings Per Hour--Private<br>Sector            | June 2018 (m)             | \$25.34           | \$24.27    | 4.4% ↑                   | 3.1% (since 2007)                                  |
| Unemployment Rate                                       | June 2018 (m)             | 2.6%              | 2.4%       | NA ↑                     | 3.2%   |
| Labor Force   | June 2018 (m)             | 138,592           | 138,934    | -0.2% ↓                  | 1.5%   |
| Initial Jobless Claims                                  | June 2018 (m)             | 310               | 302        | 2.6% ↑                   | NA   |
| Fargo-Moorhead Residential<br>Building Permit Valuation | June 2018 (m)             | 44,572            | 30,230     | 47.4% ↑                  | NA   |
| Fargo-Moorhead Cost of Living<br>Index                  | First Quarter 2018<br>(Q) | 99.5              | 100.4      | -0.9% ↓                  | NA   |

**Grand Forks-  
East Grand Forks  
MSA Indicators**

|  | Period Covered         | Current Period | Prior Year | Annual Percent Change | Long-Term Average (since 1999, unless noted) |
|--|------------------------|----------------|------------|-----------------------|--|
| Employment   | June 2018 (m)          | 57,200         | 56,600     | 1.1% ↑                | 0.9%   |
| Manufacturing Employment   | June 2018 (m)          | 4,500          | 4,300      | 4.7% ↑                | 1.2%   |
| Mining, Logging, Construction Employment                           | June 2018 (m)          | 3,400          | 3,400      | 0.0% ↔                | 0.2%   |
| Average Weekly Work Hours--Private Sector                          | June 2018 (m)          | 34.6           | 34.2       | 1.2% ↑                | 33.8 (since 2007)                            |
| Average Earnings Per Hour--Private Sector                          | June 2018 (m)          | \$22.78        | \$22.38    | 0.1% ↑                | 1.3% (since 2007)                            |
| Unemployment Rate  | June 2018 (m)          | 3.1%           | 3.1%       | NA ↔                  | 4.1%   |
| Labor Force  | June 2018 (m)          | 56,638         | 56,660     | 0.0% ↔                | 0.4%   |
| Initial Jobless Claims   | June 2018 (m)          | 131            | 179        | -26.8% ↓              | NA   |
| Grand Forks-East Grand Forks Residential Building Permit Valuation | June 2018 (m)          | 4,399          | 4,377      | 0.5% ↑                | NA   |
| Grand Forks-East Grand Forks Cost of Living Index                  | First Quarter 2018 (Q) | 96.2           | 98.2       | -2.0% ↓               | NA   |

(m) represents a monthly series

The Bureau of Labor Statistics identifies two MSAs in Northwest Minnesota—each of which crosses the North Dakota/Minnesota border. While North Dakota business filing data are not incorporated into this report, a variety of economic measures can be analyzed. The data in the table show small employment gains in the Fargo/Moorhead area (including large job gains in the mining/logging/construction and manufacturing sectors), higher average hourly earnings, a large increase in year-over-year residential building permit valuation in the MSA, and a lower relative cost of living. However, the Fargo/Moorhead area also experienced flat average weekly work hours, rising initial jobless claims, a higher unemployment rate, and a decline in the labor force.

Grand Forks/East Grand Forks MSA economic activity was mostly favorable in the second quarter. The MSA experienced higher overall employment (and increased employment in the manufacturing sector), longer average weekly work hours, slightly higher average hourly earnings, lower initial jobless claims, a small rise in building permit valuations, and a reduced relative cost of living. However, the labor force was flat, mining/logging/construction sector employment was unchanged, and the unemployment stayed at 3.1 percent.

## STATE AND NATIONAL INDICATORS

| MINNESOTA Indicators                          | Jun 2018  | Mar 2018  | Jun 2017  | Change from one quarter ago | Annual Change |
|---|-----------|-----------|-----------|-----------------------------|---------------|
| Nonfarm payroll employment, SA                | 2,962,300 | 2,948,800 | 2,929,000 | 0.5%                        | 1.1%          |
| Average weekly hours worked, private sector   | 34.1      | 33.7      | 34.1      | 1.2%                        | 0%            |
| Unemployment rate, seasonally adjusted        | 3.1%      | 3.2%      | 3.4%      | NA                          | NA            |
| Earnings per hour, private sector             | \$28.78   | \$28.88   | \$27.94   | -0.3%                       | 3.0%          |
| Philadelphia Fed Coincident Indicator, MN     | 135.96    | 134.58    | 131.42    | 1.0%                        | 3.5%          |
| Philadelphia Fed Leading Indicator, MN        | 2.30      | 1.57      | 1.88      | 46.5 %                      | 22.3%         |
| Minnesota Business Conditions Index           | 58.8      | 61.0      | 68.0      | -3.6%                       | -13.5%        |
| Price of milk received by farmers (cwt)       | \$16.20   | \$16.10   | \$17.50   | 0.6%                        | -7.4%         |
| Enplanements, MSP airport, thousands          | 1,753.0   | 1,716.4   | 1,738.8   | 2.1%                        | 0.8%          |
| NATIONAL Indicators                           | Jun 2018  | Mar 2018  | Jun 2017  | Change from one quarter ago | Annual Change |
| Nonfarm payroll employment, SA, thousands     | 148,971   | 148,280   | 146,538   | 0.5%                        | 1.7%          |
| Industrial production, index, SA              | 107.7     | 106.4     | 103.8     | 1.2%                        | 3.8%          |
| Real retail sales, SA (\$)                    | 202,022   | 198,859   | 194,817   | 1.6%                        | 3.7%          |
| Real personal income less transfers, billions | 13,500.6  | 13,418.0  | 13,139.8  | 0.6%                        | 2.7%          |
| Real personal consumption expenditures, bill. | 12,886.2  | 12,759.8  | 12,539.3  | 1.0%                        | 2.8%          |
| Unemployment rate, SA                         | 4.0%      | 4.1%      | 4.3%      | NA                          | NA            |
| New building permits, SA, thousands           | 25,637    | 24,168    | 25,160.4  | 6.1%                        | 1.9%          |
| Standard & Poor's 500 stock price index       | 2,754.4   | 2,702.8   | 2,434.0   | 1.9%                        | 13.2%         |
| Oil, price per barrel in Cushing, OK          | \$67.87   | \$62.73   | \$45.18   | 8.2%                        | 50.2%         |

Most categories of economic performance found in the State and National Indicators table are favorable. For the state as a whole, there was growth in employment, a lower seasonally adjusted unemployment rate, and increased enplanements at the Minneapolis-St. Paul airport. Two of the three indicators series reported in the table are higher. Year-over-year, average hourly earnings rose but weekly work hours were flat. Milk prices continue to fall.

The national economic indicators found in the table are also highly favorable. Stock prices have now rebounded and employment has increased. Real income and consumer expenditures have expanded and the national unemployment rate continues to fall. Industrial production rose and the number of new building permits rose. Oil prices are now 50 percent higher than they were one year ago. The adverse impact of rising oil prices on household budgets is at least partially offset by the benefits of higher crude prices enjoyed in the domestic energy sector.

The Northwest Minnesota Quarterly Economic and Business Conditions Report is a collaboration between the Office of the Minnesota Secretary of State and the School of Public Affairs Research Institute (SOPARI) of St. Cloud State University. All calculations and text are the result of work by SOPARI, which is solely responsible for errors and omissions herein.

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