ECONOMIC TRENDS IMPACTING THE REGION

Hattie Ecklund

Bureau of Business and Economic Research
Labovitz School of Business and Economics, UMD
GROSS REGIONAL PRODUCT

LABOR FORCE SIZE

- Productivity of each labor force member in the region
- Similar to GDP per capita but has some unique advantages
Peer metropolitan statistical areas (MSAs) chosen through similarities in geographic size, regional output, population and other factors

- Fargo, ND
- Green Bay, WI
- Rapid City, SD
- Rochester, MN
- Sioux Falls, SD
GROSS REGIONAL PRODUCT

The value ($) of all final goods and services produced in an area in a certain time period

Duluth-Superior

Source: BEA, 2018

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University of Minnesota Duluth
GRP INDUSTRY GROWTH (2015-2017)

Mining, quarrying, and oil and gas extraction  96%
Real estate and rental and leasing  20%
Manufacturing  15%
Finance and insurance  8%
Arts, entertainment, and recreation  8%
Other services (except government and government…  6%
Accommodation and food services  6%
Retail trade  5%
Agriculture, forestry, fishing, and hunting  5%
Health care and social assistance  3%
Information  1%
Transportation and warehousing  -2%
Professional, scientific, and technical services  -5%
Educational services  -12%
Construction  -16%

Source: BEA, 2018
GROSS REGIONAL PRODUCT

Billions of Dollars


Source: BEA, 2018
LABOR FORCE

The number of people employed or unemployed and actively looking for work

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Source: LAUS, FRED, 2018
LABOR FORCE GROWTH (2015-2017)

Demographic groups with growth in the labor force

- Workers ages 35-44
- Workers age 55-59
- Females 20-64
- Females 20-64 with children
- Population with a bachelor’s degree or higher

Source: American Community Survey
2017 One-Year Estimate
SUMMARY

• Gross regional product has seen nearly 10% growth from 2015-2017.

• Growth in GRP was led by mining, real estate, and manufacturing.

• Labor force size has increased by 2% from 2015-2018.

• Labor force growth primarily driven by older workers, women, and those with a bachelor’s degree or higher.

• Duluth-Superior MSA has a large labor force relative to its GRP.
CONSUMER CONFIDENCE INDICATORS

• INDEX OF CONSUMER SENTIMENT (ICS)
  Consumer outlook on personal finances, business conditions and consumption spending

• INDEX OF CURRENT CONDITIONS (ICC)
  Gauges current state of the economy

• INDEX OF CONSUMER EXPECTATIONS (ICE)
  Projects future economic and financial conditions
CONSUMER CONFIDENCE INDICATORS

PUBLIC SURVEY (RANDOM SAMPLE): 131

Source: UWS Consumer Confidence Survey
CONSUMER CONFIDENCE INDICATORS

SURVEY of REIF PARTICIPANTS (NON-RANDOM SAMPLE): 108

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Source: UWS Consumer Confidence Survey
## CONSUMER CONFIDENCE INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Public Survey (Random)</th>
<th>REIF Survey (Non-Random)</th>
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<tbody>
<tr>
<td>ICS</td>
<td>Optimistic short-term economic outlook</td>
<td>Rising optimism about short-term economic outlook</td>
</tr>
<tr>
<td>ICC</td>
<td>Slightly cautious about current economic condition</td>
<td>Strong current state of the economy</td>
</tr>
<tr>
<td>ICE</td>
<td>Expectations of economic expansion</td>
<td>Expectations of economic expansion</td>
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</table>
SUMMARY OF CONSUMER SURVEY

Consumer Confidence Indicators

Overall positive sentiments about the economy and optimism about future economic and financial conditions among random households and past REIF participants
REGIONAL EQUITY INDEX

Nikolas Kosman
University of Wisconsin-Superior
EQUITY PERFORMANCE ANALYSIS

STOCKS OF LOCAL INTEREST

- Allete
- Ascena Retail Group
- Calumet
- Canadian National Railway
- Charter Communications
- Cliffs Natural Resources
- Enbridge Energy Partners
- Louisiana-Pacific
- Marriott International
- Morgan Stanley
- Polymet
- UnitedHealth Group
- USG Corporation
- US Steel
GROWTH OF $100

REIF INDEX RETURNS

MID CAP RETURNS

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REIF AND MID-CAP CORRELATION

56% CORRELATION TO MID-CAP

44% UNIQUE TO REIF REGION

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SUMMARY OF FINDINGS

ANALYST OPINIONS

MORNINGSTAR®

• P/E RATIO
  - Higher than before; expecting higher earnings growth

• FORWARD EARNINGS
  - Expected to increase slightly

• SHORT RATIO
  - Index average increase to 5.77

VALUEMALE®

• PERFORMANCE
  - Slightly outperform

• SAFETY
  - Slightly outperform

• TECHNICAL
  - Outperform

• PRICE STABILITY
  - Slightly Outperform

• PRICE GROWTH
  - Average

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ADDITIONAL FINDINGS

OVERALL IMPLICATIONS

• REI vs S&P MID CAP 400
  • REI is expected to slightly outperform

• Lack of technological industries in the region limits diversification

• Regression analysis shows more price volatility, but higher returns
BUSINESS CONFIDENCE INDICATORS

Cole Martin
Economics Department
The College of St. Scholastica
OVERVIEW

87 responses

Sector
- Professional Services - 21
- Education - 14
- Other - 15

Employee Size
- 1 to 19 - 47
- 20 to 49 - 10
- 100+ - 30

Leading economic indicator questions
GENERAL BUSINESS CONFIDENCE

Previous Six Months Overall Outlook

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<tr>
<th>Type of Improvement</th>
<th>N</th>
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<tr>
<td>Significantly Improved</td>
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<tr>
<td>Moderately Improved</td>
<td>45</td>
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<tr>
<td>No Change</td>
<td>20</td>
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<tr>
<td>Moderately Decreased</td>
<td>16</td>
</tr>
<tr>
<td>Significantly Worsened</td>
<td>0</td>
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</tbody>
</table>

N=87

Spring 2018 Forecast
- 48% improvement
- 39% no change
- 13% will worsen

Fall 2018 Actual
- 52% improved
- 23% saw no change
- 19% saw a worsened condition
GENERAL BUSINESS CONFIDENCE

Next Six Months Overall Outlook

<table>
<thead>
<tr>
<th>Type of Improvement</th>
<th>Count</th>
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</thead>
<tbody>
<tr>
<td>Significantly improve</td>
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<tr>
<td>Moderately improve</td>
<td>36</td>
</tr>
<tr>
<td>Remain the same</td>
<td>31</td>
</tr>
<tr>
<td>Moderately worsen</td>
<td>12</td>
</tr>
<tr>
<td>Significantly worsen</td>
<td>0</td>
</tr>
</tbody>
</table>

N=87

Three-Year Trend accurate up to a 4% difference on average between forecasts for the next 6 months
SPECIFIC CONFIDENCE INDICATORS

Profits

Projected Fall 2017
41% increase, 15% decrease

Actual Spring 2018
31% increased, 31% decreased

Projected Spring 2018
44% increase. 10% decrease

Actual Fall 2018
37% increased, 19% decreased

Projected Fall of 2018
32% increase. 13% decrease

Source: CSS 2018 Business Confidence Survey
SPECIFIC CONFIDENCE INDICATORS

Employment

**Projected** Fall of 2017
23% increase, 13% decrease

**Actual** Spring of 2018
27% increased, 15% decreased

**Projected** Spring of 2018
32% increase, 8% decrease

**Actual** Fall of 2018
35% increased, 9% decreased

**Projected** Fall of 2018
34% increase, 6% decrease
FACTORS LIMITING RECRUITING QUALIFIED EMPLOYEES

Responses (n=87)

- Competition for Employees: 43
- Other: 19
- High Wage Rates: 19
- Poor Work Attitudes: 17
- Independent Labor Skills: 15
- Lack of Child Care: 13
- Workers Moving to Metropolitan Areas: 8
- High Cost of Training: 6
- Workers Will Not Commute: 5
- Cold Weather: 5
- Lack of Entertainment: 1

Source: CSS 2018 Business Confidence Survey
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The College of St. Scholastica
SUMMARY

• Businesses are having difficulty in finding qualified and skilled employees for a new and creative economy.

• The REIF Region remains confident with 42% reporting an outlook of improvement.
TEXT YOUR QUESTIONS at any time during this presentation to

715.969.6144

Chris Farrell
Economics Commentator

MPRnews
RESOURCES

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SAVE THE DATE

THE NEXT
REGIONAL ECONOMIC INDICATORS FORUM

Tuesday, April 2, 2019
Harbor Side Ballroom, DECC

Look for your email to provide feedback on today’s event or go online at