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ST. CLOUD AREA
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FIRMS EXPECT TOUGH YEAR

EXECUTIVE SUMMARY

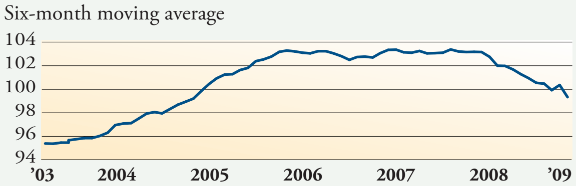
The area economy remains in recession, and recovery is unlikely over the next several months. Area employment declined by 0.8 percent as only three categories of area private sector employment experienced an increase in annual job growth.

The education and health sector is the lone bright spot in the area labor market, rising 7.4 percent in 2009.

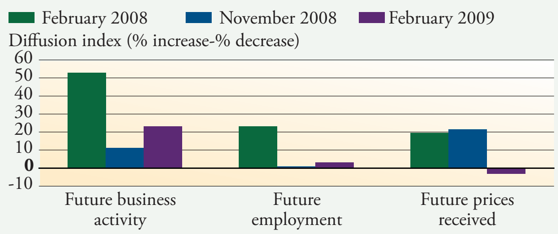
Employment conditions around the state are much worse than what's happening locally. For example, statewide employment declined by 2.8 percent over the year ending January 2009. The only category of statewide employment growth over the past 12 months is education and health, which represents 17 percent of Minnesota employment. All other sectors are declining, highlighted by state construction and natural resource employment falling by 17.7 percent and manufacturing jobs declining by 6.4 percent. In the Twin Cities, goods-producing jobs declined by 8.6 percent over the year ending January 2009. By comparison, the St. Cloud area shed 5.8 percent of its workers in the goods-producing sector over the same period.

The near-term outlook for the area economy is one of continued weakness. The St. Cloud Index of Leading Economic Indicators fell to a five-year low and has declined more than 8 percent since a year ago. The probability of local recession in the April-June period is estimated to be 94 percent.

INDEX OF LEADING ECONOMIC INDICATORS



KEY RESULTS OF SURVEY



Fifty-three percent of 95 surveyed firms report a decrease in economic activity over the past three months, while only 22 percent report an increase. The area labor market remains very weak, with 43 percent of respondents reporting declining employment, and only 12 percent increasing payrolls. Thirty-nine percent of firms reduced the length of the workweek (only 6 percent increased it). More firms reported a decrease in employee compensation than reported an increase (the first time this has happened in more than 10 years of surveying area businesses).

Compared to other February surveys, the six-month-ahead outlook by area businesses is much weaker than usually occurs at this time of year. Only 40 percent of the 95 area firms that responded to this quarter's survey expect conditions to improve six months from now, while 17 percent expect a decline in future business activity. By comparison, one year ago 60 percent of firms expected increased business activity and only 7 percent anticipated a decline. Every item in the future business conditions survey is much weaker than normal. Area firms appear to be bracing for economic weakness to extend through the end of summer.

In special questions, a majority of area firms report increased difficulty collecting on accounts receivable. In a separate question, more than 70 percent of responding firms reported some degree of concern about the prospect of potential future deflation. Finally, 60

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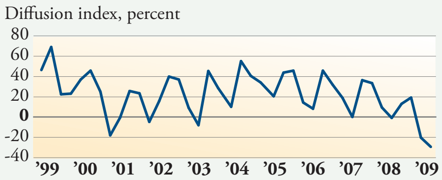
percent of firms indicate that legislators should balance the projected state budget deficit by cutting spending and leaving taxes unchanged.

CURRENT ACTIVITY

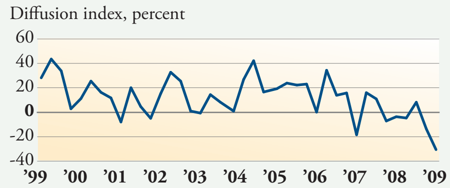
Survey responses from Table 1 are a continuation of the trend seen in recent issues of the St. Cloud Area Quarterly Business Report. In seven of the eight survey items measuring current economic performance, the result are the worst recorded since the survey began in December 1998. For example, the current activity diffusion index (representing the percentage of respondents indicating an increase minus the percentage indicating a decrease in any given quarter) is -30.5 — the lowest recorded. By comparison, the winter index value is typically +10. The accompanying chart demonstrates the downward drift we are finding in this series.

CURRENT BUSINESS ACTIVITY



As is noted later in this report, the unemployment rate in the St. Cloud area jumped to 9.4 percent in January 2009 (it was 5.7 percent one year earlier) and key survey measures of current local labor conditions demonstrate the historical weakness in the regional labor market. For example, the employment diffusion index is -31.6, as only 11.6 percent of surveyed firms report increased hiring over the past three months (see accompanying chart).

CURRENT EMPLOYMENT



In addition to reducing employment, area firms are also cutting back on the length of the workweek — the index on this item is the lowest recorded. Worker compensation is also declining. The diffusion index on employee compensation turned negative for the first time. With an index value of -6.3, there are now more area firms that lowered wages and benefits last quarter than increased them. Compare the current index value on this item to its all-time high of 66.2 in March 1999 and you can see the dramatic difference between current conditions and those experienced during the peak of St. Cloud-area economic strength. Few companies are experiencing difficulty attracting qualified workers — the -21.1 index value on this item is the second-lowest recorded (it was only lower in the March 2002 survey, which was right after Fingerhut announced its plan to close).

Most area firms have cut back on or not changed capital expenditures over the past three months — only 12 percent of firms increased their purchases of equipment, machinery and new structures. Nearly half of survey participants noted national business activity had declined over the past quarter. Finally, deflationary pressures appear to be hitting local firms. A diffusion index of -25.3 for prices received is well below the value of 0 reported last quarter. This is consistent with the findings of special question two.

ABOUT THE DIFFUSION INDEX

The diffusion index represents the percentage of survey respondents who indicated an increase minus the percentage indicating a decrease.

As always, firms were asked to report any factors affecting their business. These comments include:

- "We are watching federal and state

TABLE 1-CURRENT BUSINESS CONDITIONS

	February 2009 vs. Three months ago				November 2008
	Decrease (%)	No Change (%)	Increase (%)	Diffusion Index[3]	Diffusion Index[3]
What is your evaluation of:					
Level of business activity for your company	52.6	25.3	22.1	-30.5	-21.6
Number of employees on your company's payroll	43.2	45.3	11.6	-31.6	-14.7
Length of the workweek for your employees	35.8	56.8	6.3	-29.5	-13.6
Capital expenditures (equipment, machinery, structures, etc.) by your company	25.3	61.1	13.7	-11.6	-9.1
Employee compensation (wages and benefits) by your company	18.9	66.3	12.6	-6.3	10.3
Prices received for your company's products	33.7	56.8	8.4	-25.3	0.0
National business activity	46.3	33.7	11.6	-34.7	-25.0
Your company's difficulty attracting qualified workers	27.4	65.3	6.3	-21.1	-5.7

Notes: (1) Reported numbers are percentages of businesses surveyed. (2) Rows may not sum to 100 because of "not applicable" and omitted responses. (3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. A positive diffusion index is generally consistent with economic expansion.

Source: SCSU Center for Economic Education, Social Science Research Institute and Department of Economics proposals for carbon taxes or cap and trade legislation and are very concerned about impact on energy prices."

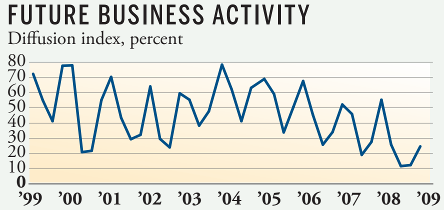
- "Toughest time in business we have experienced."
- "Commercial real estate is slower. Commercial real estate rents are softening."
- "Interest rates are so very volatile that any movement down makes the phone ring off the hook, while upticks cause dead silence. It's incredible! And I've done this for over 30 years. Haven't seen anything like it."
- "Our prices have been driven down to levels we had several years ago, but our material and labor costs continue to rise."
- "The past year's increase in fuel costs and decrease in business due to difficult housing and job markets has made a significant impact on our industry."
- "The 'economic stimulus' could help if our clients receive some of their money. We have seasonally laid off our field personnel."
- "Commodity lumber has been in deflation for two years!"
- "Concerned about high inflation and high interest rates in the future as a result of excessive spending."
- "I have friends who have state jobs and they tell me that when a co-worker misses work, they don't miss them. What does that tell you?"
- "We have noticed an increased amount of projects to bid. Everyone seems to be gearing up to get projects ready to go."

FUTURE OUTLOOK

Table 2 reports the future outlook for area businesses. Two of the survey items are at their all-time low values and all others are much weaker than ordinarily occur at this stage of the year. Given this outlook and data reported later, there is little hope that general area economic conditions will improve before August 2009.

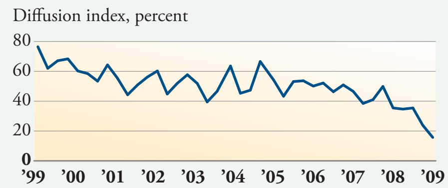
As shown in the accompanying chart, the diffusion index on future business activity, at a value of 23.2, is higher than last quarter's reading, but that is to be expected in the winter survey. Compared to other February readings, this quarter's index is markedly lower than normal. To illustrate this, consider that the February 2008 future business activity index was 52.9 (it was 49.8 in 2007, 64.7 in 2006, and 66 in 2005).

FUTURE BUSINESS ACTIVITY



Like the current conditions reported in Table 1, future labor market conditions are also projected to be very weak. The diffusion indexes on number of employees and expected length of workweek are flat, and firms expect to have little difficulty attracting qualified workers. In addition, as can be seen in the accompanying chart, the future employee compensation index is at its lowest recorded value. This is all to be expected. Reductions in employment, worker hours and employee compensation are all part of the natural adjustment that occurs when an economy experiences recession.

FUTURE EMPLOYEE COMPENSATION



With capacity utilization rates that are well below normal, it is no surprise firms have scaled back on planned capital expenditures. With a value of -1.1, the index on capital expenditures remains very weak, although it is higher than the -7.9 value recorded last quarter.

National business conditions remain uncertain. Twenty percent of respondents

TABLE 2-FUTURE BUSINESS CONDITIONS

	Six months from now vs. February 2009				
	Decrease (%)	No Change (%)	Increase (%)	Diffusion Index[3]	November 2008 Diffusion Index[3]
What is your evaluation of:					
Level of business activity for your company	16.8	32.6	40.0	23.2	11.4
Number of employees on your company's payroll	13.7	58.9	16.8	3.1	1.1
Length of the workweek for your employees	14.7	55.8	17.9	3.2	-5.7
Capital expenditures (equipment, machinery, structures, etc.) by your company	17.9	55.8	16.8	-1.1	-7.9
Employee compensation (wages and benefits) by your company	6.3	61.1	21.1	14.8	22.8
Prices received for your company's products	15.8	62.1	12.6	-3.2	21.6
National business activity	20.0	42.1	20.0	0.0	0.0
Your company's difficulty attracting qualified workers	22.1	60.0	8.4	-13.7	-3.4

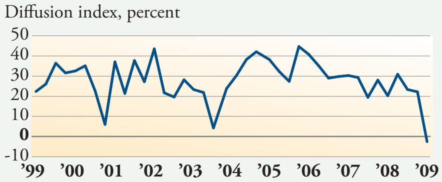
Notes: (1) Reported numbers are percentages of businesses surveyed. (2) Rows may not sum to 100 because of "not applicable" and omitted responses. (3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. A positive diffusion index is generally consistent with economic expansion.

Source: SCSU Center for Economic Education, Social Science Research Institute and Department of Economics expect decreased national activity in six months' time, while an equal and offsetting number expect increased activity. Forty-two percent of firms expect no change in national conditions. This kind of variation in future national outlook is a snapshot of the uncertainty that prevails as it relates to the national outlook. It should be noted that most survey responses were returned before details of the federal fiscal stimulus package were released, so any commentary of area businesses on the efficacy of the fiscal stimulus will have to wait until next quarter's survey.

Finally, the future outlook on prices received is the lowest recorded (this series has never before been negative). Many commentators have cautioned about the potential of future deflation, and this survey result suggests these concerns are worth weighing. To be sure, a number of observers are also worried about future inflation (as opposed to deflation), which is not unreasonable given that the Federal Reserve has expanded its assets by $1.1 trillion over the past year. At this point, there seems to be little evidence that markets are anticipating higher future inflation. Nor is there much evidence of sustained deflationary pressures. But any movements in the prices received index will be closely watched in the coming months as aggregate price data become more available.

FUTURE PRICES RECEIVED

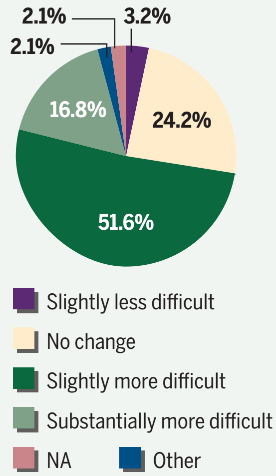
Diffusion index, percent



SPECIAL QUESTIONS

Last quarter we noted a number of area businesses that submitted (unsolicited) written comments on increased difficulty they were having collecting on accounts receivable. It is challenging for a firm witnessing declining demand for its products to also be experiencing increased difficulty collecting on customer accounts. Customers may be using suppliers as a substitute for bank credit. So, we decided to formally measure whether this was something that was affecting the broad set of area firms that participate in the survey. We asked:

QUESTION 1
To what extent has your business experienced difficulty in collecting on accounts receivable over the past six months?



Nearly 70 percent of surveyed firms report having slightly or substantially more difficulty collecting on accounts receivable in the past six months. Very few firms found it easier to collect.

Written comments include:

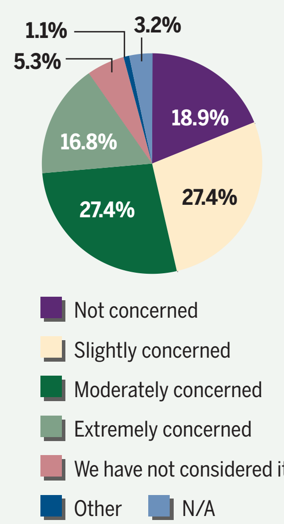
- "Our average age has increased about 10 days at this point."
- "Some accounts are defaulting on payment that in the past have not."
- "70% more bad debt."
- "Very little issues in a very ethical community."
- "We have four customers who filed Chapter 11 in 2008."
- "Retailers are paying loans, rent, and utilities… before they pay their suppliers."
- "A larger number of customers are slow pay and we have begun taking legal action with some accounts, But, overall, bad debts are still manageable."
- "Depends on insurance plans. High out-of-pocket is tough to collect."
- "Some are walking away from their debts."

Deflation has rarely been a problem in the U.S. economy. While the U.S. has, at times, experienced brief episodes of declining average overall prices, it is fair to say that the U.S. has struggled more with inflationary conditions over the past several decades. Indeed, some deflationary pressures arise from productivity improving technological advances that result in efficiency gains. However, one aspect of the Great Depression was deflation. From 1930-33, the overall price level fell more than 30 percent. While there is no current evidence the U.S. economy is in a demand-driven deflationary spiral of the form seen in the early 1930s, some observers have nonetheless started to express concern about potential future deflation.

Our longtime readers may recall a period in 2003 when there were concerns about deflation. At that time, we were not worried about the prospect of deflation, but we did ask survey participants (in those days we only had 52 survey respondents) to indicate if they had concerns about declining average prices. The responses were interesting at that time — 27 percent were slightly concerned, 25 percent were moderately concerned and 10 percent were extremely concerned.

We thought we would ask the same exact question we asked in March 2003. It wasn't long ago that we were worried about stagflation (read our Summer 2008 report written last August). During five of the past six months, however, the growth of the all-items Consumer Price Index was zero or less, so we wanted to find out if local businesses had deflationary concerns. We asked:

QUESTION 2
There has been a great deal of discussion in recent weeks about the possibility of deflation, a general decline in overall prices. To what extent is your company concerned about the prospect of potential future deflation?



*Numbers may not add up to 100 due to rounding.

Seventy-one percent of survey respondents express some degree of concern about potential deflation (this is about 9 percent larger than the smaller sample result from 2003). The major difference between this period and 2003 is that there is a larger share of respondents who are "extremely concerned" about future deflation. In 2003, 9.6

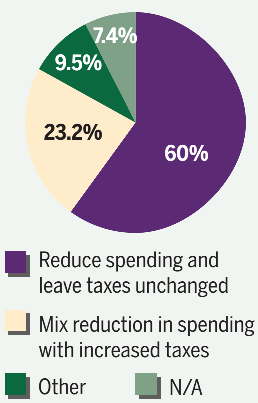
percent were extremely concerned while 16.8 percent expressed extreme concern in this quarter's survey.

On March 3, the state of Minnesota announced a projected budget shortfall of \$4.57 billion over the biennium that begins July 1. It was also announced that the current fiscal year is expected to end up in budget surplus (a deficit had been projected in November). The small improvement in budgetary outlook comes at a time when the national economic outlook — upon which the state's revenue forecast is at least partially based — has deteriorated. Revenue from the federal government is contributing to the improved state outlook; had the federal government not passed its \$787 billion fiscal stimulus package, the state's budget shortfall would have been a projected \$6.4 billion over the next biennium.

This is not the first time the state of Minnesota has had budgetary problems. Readers may recall that the Legislature faced a shortfall of more than \$2 billion in 2002. In our September 2002 survey of 53 area business leaders, we asked how the budget shortfall should be addressed. At that time 51 percent of respondents suggested mixing a reduction in spending with an increase in taxes. Forty-seven percent said reduce spending and leave taxes unchanged. No businesses favored raising taxes and leaving spending unchanged.

With the numbers changed to highlight the current projected shortfall, we decided to ask the same special question asked in September 2002:

QUESTION 3
Given the recent projection of a state budget shortfall of about \$4.8 billion over the next biennium, how does your business feel legislators should attempt to balance the budget in the current legislative session?



*Numbers may not add up to 100 due to rounding.

Once again, no surveyed businesses think taxes alone should be used to balance the budget. There is a substantial reduction in the share of businesses that think a mix of reduced spending and increased taxes should be used; only 23.2 percent favor that approach. This time, 60 percent of survey respondents think a policy of reduced spending and unchanged taxes is the best approach. A few other responses were also recorded.

Written comments include:

• "There must be pain; it goes with the price we pay for indulgences."

• "Business tax incentives and decreased taxes."

• "Cut state government by 2/3, cut taxes by ½."

• "Capture some of the federal stimulus dollars to help with the shortfall and reduce spending. Do not increase taxes."

• "Business cannot afford any additional tax increase. More layoffs will happen with even a small increase in the cost of doing business."

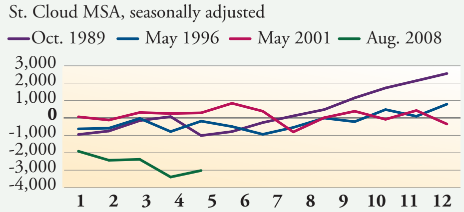
• "Prescriptive mandates are killing local governments. Unfunded mandates are livable, but local government seeks its own solutions. After three years, adopt the best practices that were developed."

• "Reduce spending and control taxes. Some should go down to stimulate growth, other user taxes could go up, if needed."

When did St. Cloud's recession begin?

In our last issue we noted we were close to putting a date on the start of the recession for the St. Cloud area. The national economy has been declared to have entered recession in December 2007 (by the National Bureau for Economic Research). Evidence from the Philadelphia Federal Reserve shows Minnesota entering recession in February 2008. However, the data for St. Cloud is harder to place within those months. Area payroll employment did not reach a peak until August 2008 on a seasonally adjusted basis, as shown in the graph below. For this reason we are marking that month as the start of the area recession.

EMPLOYMENT AFTER PEAKS
St. Cloud MSA, seasonally adjusted



NOTE: Data through August 2008.

The precipitous drop in seasonally adjusted employment in September brought the amount of employment lower than in any other recession since we started tracking local area employment (in 1988). Two of the three recessions we have experienced lasted less than a year, but the most recent one lasted seven quarters. Expansions last more than five years; the most recent one lasted 66 months.

The area is in its fourth recession in 20 years. By our dating, the recession of 2001-03 that included the closing of Fingerhut marked a long and severe recession. Time will tell if the current recession will reach that length. So far its depth has reached the levels found in the Fingerhut recession. That recession lasted 21 months, but the sharp decline in employment from Fingerhut did not start until the economy was well through the recession nationally. While the new, more complete data from DEED has reduced the overall level of employment, it did not make as large a difference in the size of the summer and fall decline.

BUSINESS CYCLE DATES, ST. CLOUD

Peak	Trough	Peak to trough	Months trough to peak	Peak to peak
Oct. 1989	April 1990	7	73	80
May 1996	Jan. 1997	8	52	60
May 2001	Feb. 2003	21	66	87

The local economy has very little good news

Is there any good news? Only in relative terms. The St. Cloud economy has held up better than the Twin Cities or the state. St. Cloud employment fell 0.8 percent for the 12 months up to January compared with a 2.8 percent decline in the state and Minneapolis-St. Paul. Construction employment in the Twin Cities continues to experience

TABLE 3 - EMPLOYMENT TRENDS

	St. Cloud (Stearns and Benton)			13-county Twin Cities area			Minnesota		
	15-year trend rate of change	Jan '08-Jan. '09 rate of change	January '09 employment share	15-year trend rate of change	Jan '08-Jan. '09 rate of change	January '09 employment share	15-year trend rate of change	Jan '08-Jan. '09 rate of change	January '09 employment share
Total nonagricultural	1.7%	-0.8%	100.0%	1.1%	-2.8%	100.0%	1.1%	-2.8%	100.0%
Total private	1.9%	-1.1%	84.6%	1.1%	-3.2%	86.1%	1.2%	-3.2%	84.3%
Goods producing	1.2%	-5.8%	19.7%	-0.5%	-8.6%	14.0%	-0.3%	-9.2%	15.1%
Construction/natural resources	3.1%	-4.2%	4.0%	1.2%	-22.3%	2.9%	1.5%	-17.7%	3.3%
Manufacturing	0.8%	-6.2%	15.8%	-0.9%	-4.2%	11.1%	-0.7%	-6.4%	11.8%
Service providing	1.9%	0.5%	80.3%	1.4%	-1.8%	86.0%	1.4%	-1.5%	84.9%
Trade/transportation/utilities	0.2%	-2.8%	20.7%	0.5%	-3.7%	18.9%	0.6%	-2.8%	19.3%
Wholesale trade	1.9%	0.2%	4.5%	1.2%	-1.8%	4.9%	1.3%	-0.8%	4.9%
Retail trade	-0.7%	-3.9%	12.7%	0.6%	-4.9%	10.2%	0.6%	-3.4%	10.9%
Trans./warehouse/utilities	1.9%	-2.6%	3.5%	-0.4%	-2.8%	3.7%	-0.1%	-3.5%	3.5%
Information	1.3%	-1.4%	1.2%	0.3%	-0.9%	2.4%	0.1%	-1.2%	2.2%
Financial activities	3.6%	0.7%	4.4%	1.2%	-0.2%	8.1%	1.4%	-0.4%	6.7%
Professional & business service	5.6%	-2.6%	8.3%	1.3%	-6.3%	14.2%	1.6%	-7.9%	11.2%
Education & health	3.5%	7.4%	17.5%	3.5%	2.9%	15.2%	3.5%	4.1%	17.0%
Leisure & hospitality	2.2%	-1.9%	8.8%	1.6%	-2.5%	8.8%	1.4%	-2.9%	8.5%
Other services (excluding govt.)	1.3%	1.3%	3.9%	1.6%	0.0%	4.4%	1.0%	-2.1%	4.3%
Government	1.0%	1.0%	15.4%	0.9%	-0.6%	13.9%	0.6%	-0.3%	15.7%
Federal government	1.0%	4.6%	1.9%	0.0%	-0.3%	1.3%	-0.1%	-0.2%	1.3%
State government	1.7%	10.2%	5.1%	1.2%	0.6%	4.0%	0.8%	-0.1%	3.6%
Local government	0.7%	-4.5%	8.5%	1.0%	-1.2%	8.6%	0.7%	-0.4%	10.8%

Note: Long-term trend growth rate is the compounded average employment growth rate in the specified period.

Source: Minnesota Department of Employment and Economic Development and author calculations.

TABLE 4-OTHER ECONOMIC INDICATORS

	2008	2009	Percent change
St. Cloud MSA labor force January (Minnesota Workforce Center)	107,398	108,639	1.2%
St. Cloud MSA civilian employment # January (Minnesota Workforce Center)	101,237	98,392	-2.8%
St. Cloud MSA unemployment rate* January (Minnesota Workforce Center)	5.7	9.4%	N/A
Minnesota unemployment rate* January (Minnesota Workforce Center)	5.3%	8.5%	N/A
Minneapolis-St. Paul unemployment rate* January (Minnesota Workforce Center)	4.7%	7.8%	N/A
St. Cloud-area new unemployment insurance claims Nov.-Jan. average (Minnesota Workforce Center)	1,283.7	2,765.3	115.4%
St. Cloud Times help-wanted ad linage Nov.-Jan. average, in inches	4,733	3,140	-33.7%
St. Cloud MSA residential building permit valuation In thousands, Nov.-Jan. average (U.S. Department of Commerce)	3,096.0	1,745.3	-43.6%
St. Cloud index of leading economic indicators January (St. Cloud State University)**	103.6	95.0	-8.3%

MSA = St. Cloud Metropolitan Statistical Area, composed of Stearns and Benton counties.
# - The employment numbers here are based on household estimates, not the employer payroll estimate in Table 3.
* - Not seasonally adjusted
**- October 2001=100
NA - Not applicable

significantly larger losses than in St. Cloud. Education and health services were particularly strong in St. Cloud, rising 7.4 percent in the past 12 months to January, though it was down in the past month.

The unemployment rate in January jumped to 9.4 percent, based on a surge of new workers entering the labor force and a more-than-expected drop in areas of the local economy not normally subject to post-holiday layoffs. The rate in St. Cloud is now significantly above the rate in the Twin Cities and all other metropolitan areas in Minnesota except Duluth. On average, the level of new claims for unemployment insurance in November through January has more than doubled from year-ago levels. Help wanted advertising in the St. Cloud Times has fallen sharply except for a significant uptick in January. Data from December and February are significantly less, however, so perhaps the January data point is an aberration.

The residential construction sector continues to reduce new housing starts. Business Week reported that if trends of the past two years continued there would be no housing starts in November 2009. Obviously this is not going to happen, and we may be approaching the end of the downturn in housing starts. That does not mean the housing market will perk up soon, but we may be approaching a period where the excess supply of houses begins to move toward lower level of home sales. That may begin a stabilization of home prices. The quantity of bank-owned real estate in the area appears not to be very large compared to annual real estate sales, though development and construction foreclosures may also put pressure on prices.

All four components of the St. Cloud Index of Leading Economic Indicators (LEI) pointed down in the latest period, providing the largest negative percentage change in the index year-over-year we have recorded. The largest changes in LEI came from help-wanted advertising and new claims for unemployment insurance.

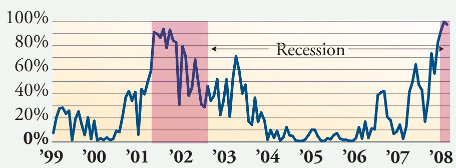
TABLE 5-ELEMENTS OF ST. CLOUD INDEX OF LEI

Changes from November 2008 to January 2009	Contribution to LEI
Help-wanted advertising in St. Cloud Times	-2.59%
Hours worked	-0.57%
New business incorporations	-0.08%
New claims for unemployment insurance	-1.05%
Total	-4.29%

The Probability of Recession Index at the end of December stood at 99 percent, meaning there was a 99 percent chance the St. Cloud economy would be in recession four to six months later. This index combines the measures of the LEI and a measure of coincident indicators from Creighton University, which indicated continued contraction in Minnesota through the first half of 2009.

PROBABILITY OF A RECESSION

Smoothed 3 months



The national economy continues to face a difficult period. The Wall Street Journal panel of economic forecasters predicted first quarter gross domestic product to decline 4.6 percent. GDP may grow in the second half of 2009 but not enough to prevent rising unemployment. One in eight expected the recession to last into 2010. The National Association of Business Economists survey of forecasters expects declines in GDP of 5 percent in the first quarter and 1.7 percent in the second, with a continued sharp decline in business investment. Data from the Federal Reserve indicated investment began to fall short of replacing depreciating capital in the third quarter of 2008. A continued decrease in capital is likely to decrease productivity in future years and reduce potential GDP over the long term. Large amounts of public sector borrowing would be expected to make rebuilding the capital stock harder.

IN THE NEXT QBR Participating businesses can look for the next survey in May and the St. Cloud Area Quarterly Business Report in the July-Sept. edition of ROI. Area businesses that wish to participate in the survey can call the St. Cloud State University Center for Economic Education at 320-308-2157.