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S T . C L O U D A R E A
QUARTERLY BUSINESS REPORT

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Executive Summary

The St. Cloud area economy is expected to grow at a moderate to rapid pace over the next several months according to the most recent projections of the **St. Cloud Index of Leading Economic Indicators** and the **St. Cloud Area Business Outlook Survey**. Both instruments are designed to forecast economic conditions in the St. Cloud area over the next four to six months. While many area businesses apparently experienced a slowing of growth over the quarter ending in September, most signs point to a continuation of the strong local economic performance observed in recent years.

The **St. Cloud Index of Leading Economic Indicators** reached its all-time high in August 2000. Large increases in new residential electrical hookups and a lengthening of the local manufacturing workweek are the major contributors to the impressive recent run-up in the local index. Sluggishness in the number of new local business start-ups along with recent weakness in the U.S. leading economic indicators index have offset some of the gains observed in the St. Cloud area index. Area nonfarm employment grew at a 2.9 percent rate for the year ending August 2000. This exceeds the rate of national and state job growth for the same period. It is, however, much slower than the nearly 5 percent job growth experienced in the St. Cloud area in late 1999. The recent rate of job growth is in line with the 3.2% trend rate of local employment growth that was observed from 1988-2000. All indications are that the St. Cloud area economy is now growing at a rate that appears to be sustainable on a long-term basis.

Forty-four percent of area businesses participating in the **St. Cloud Area Business Outlook Survey** expect an increase in the level of business activity for their company over the next six months. This compares to 24 percent who expect conditions to worsen. This is almost identical to the similar survey item reported in June 2000. The local labor shortage is expected to continue to moderate over the next six months. While 32 percent of surveyed businesses indicate that they expect increased difficulty attracting qualified workers in six month's time, 5 percent expect a decrease in the difficulty finding workers. Only 1 out of every 4 survey respondents indicates that the labor shortage worsened over the recently concluded quarter. While the labor shortage has obviously not disappeared, these numbers compare favorably to those that were reported one

year ago (in which more than half of responding firms indicated a worsening of the area labor shortage). Fifteen percent of responding firms expect to lengthen the workweek over the next six months (an equal percentage of firms expect to decrease the length of the workweek over the same period) and fifty-four percent plan to pay higher employee compensation.

There has been a moderation in the inflationary pressures experienced by area firms. Thirty-two percent of survey respondents indicate that prices received for their company's products were higher over the past three months while 29 percent expect higher prices six months from now. These numbers are down significantly from those reported in the June 2000 **St. Cloud Area Business Outlook Survey**. Results reported in that survey indicated that 43 percent of firms were receiving higher prices for their products. Perhaps the Federal Reserve's attempts to contain inflationary pressures by restricting the growth of credit may have helped engineer this softening of local pricing conditions. Local firms continue to be concerned about national business conditions. An approximately equal number of businesses expect a future decrease in national economic activity as expect an increase. The overall survey findings are a little less optimistic than the predictions of the **St. Cloud Index of Leading Economic Indicators**. Local survey results suggest that the index should be interpreted with caution since its sharp rise can be traced primarily to strong growth in residential electrical hook-ups. Other signs seem to point toward moderate future growth.

A special question in the September 2000 **St. Cloud Area Business Outlook Survey** asked St. Cloud area businesses to indicate the extent to which their company is being affected by rising health care costs. Thirty-nine percent of responding firms indicate that rising health care costs are having a "moderate" effect on their company. Thirty-seven percent of firms suggest that these costs are having a "strong" or "very strong" effect while 24 percent indicate that it has "no" or "small" effects on their business. Overall, while area firms appear to be concerned about rising health care costs, this does not appear to have reached a "crisis" stage.

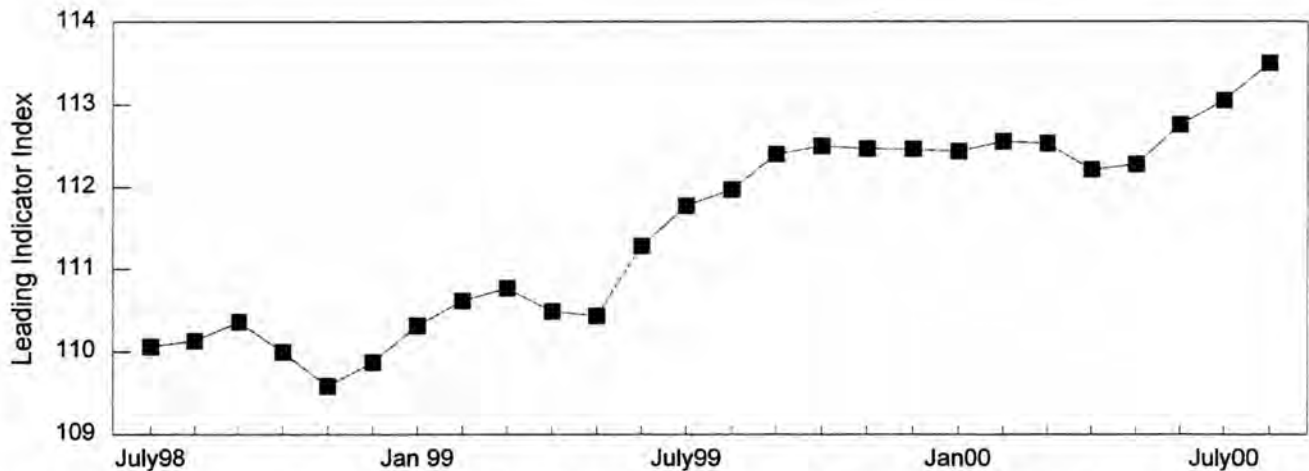
Another special question asked area firms to indicate whether their company supported the proposed ½ percent hike in sales taxes that will appear on St. Cloud ballots in November. Forty-one percent of the 59 responding firms support the tax hike while fifty-six percent oppose it. Airport expansion is the most favored project, followed by roads & bridges, park & recreation improvements, and library expansion. Airport expansion continues to be the most highly favored project when the survey responses are restricted to those who indicated support for the tax hike. Relative support for road & bridge projects, however, declines below park & recreation improvements and library expansion when the survey is broken out in this way. It therefore appears that support for roads & bridges is more highly concentrated in the firms who are likely to be opposed to the tax hike.

St. Cloud Index of Leading Economic Indicators

The August 2000 **St. Cloud Index of Leading Economic Indicators** forecasts that area economic activity will strengthen through the end of 2000. The St. Cloud economy took a little breather in the Spring, but has since rebounded to near its long-term trend growth rate. This resumes the rapid pace that the area economy has experienced dating back to early 1998. A large increase in new St. Cloud residential electrical hookups has had a powerful influence on the

Four to Six Month Leading Indicator Index

St. Cloud, MN (1994=100) August 2000



Source: SCSU Center for Economic Education, Social Science Research Inst., R.MacDonald, M.Partridge

overall index. A modest rise in the average St. Cloud manufacturing workweek also has contributed to recent growth in the index. Weakness in the number of new local business start-ups and the U.S. Index of Leading Economic Indicators has had a depressing effect on the index. The **St. Cloud Index of Leading Economic Indicators** has sharply increased since April, setting an all time record in August. As a rule of thumb, three consecutive positive changes suggest an expanding economy, while three consecutive decreases suggest a contracting economy and/or a slowing of economic growth.

Accelerating local growth can be seen in the number of nonfarm jobs created over the past twelve months. St. Cloud metropolitan area (MSA) employment increased by 2.9% for the year ending in August 2000. This compares favorably to employment growth of 2.3% for the year ending April 2000. The current employment growth rate is in line with the 1988-2000 long-term trend rate of 3.2%. That the St. Cloud area has been able to sustain long-term trend employment growth of 3.2% reflects the continued prosperity that the local area has experienced. Despite this, it is unlikely that area job growth will soon equal the impressive 5% annual rate tallied at the end

of 1999.

While the local economy continues to race ahead, the same cannot be said for the state and national economies, both of which softened over the past summer. For the year ending in August 2000, state and national employment grew 1.7% and 1.9%, respectively. This marks a slowdown from the 2-3% pace that has been more common in recent years. Most of the softening of Minnesota's employment numbers has originated in the Twin Cities. Twin Cities MSA job growth was 1.2% for the year ending in August 2000, which was down sharply from the 2.7% rate experienced in the immediately preceding year. Rochester and Duluth MSAs also grew at a slower pace than the St. Cloud area with annual job growth rates of 2.2% and 1.5%, respectively, in August 2000. While the national, state, and Twin Cities economies have all slowed down in 2000 compared to 1999, the St. Cloud MSA continues to fare much better than most other comparison groups.

Why St. Cloud tends to outperform the rest of the state over the last couple of decades is of critical importance to local decision makers. The St. Cloud area continues to be a magnet for new residents, a pattern that dates back until at least the late 1960s. New residents increase demand at local businesses as well as represent the new workers that help alleviate labor shortages. More recently, the rapid acceleration of new electrical hookups indicates that new residents continue to flock to St. Cloud. The U.S. Bureau of Labor Statistics also reports a steady increase in the size of the St. Cloud MSA labor force (which includes all *residents* employed or actively seeking work). For the year ending in August 2000, the labor force grew by 3.9%, which is more rapid than the impressive 3.1% rate experienced in the immediately preceding year. By comparison, Minnesota's labor force grew at a 2.6% rate and national labor force growth was 1.0% over the year ending August 2000. While some new members of the St. Cloud labor force are likely commuting to the Twin Cities, this robust labor force growth suggests that many St. Cloud area employers have enough workers to stay just ahead of the labor "shortage" curve. Indeed, a continued moderation of the local labor shortage reported in the most recent **St. Cloud Area Business Outlook Survey** confirms this observation.

As long as St. Cloud area employers can remain competitive and offer high-quality jobs, worker migration to the St. Cloud area can be expected to continue. Area amenities that reflect the quality of life are another factor influencing worker migration. The upcoming sales tax ballot initiative in St. Cloud will help gauge the local support for projects that would improve area amenities. Will voters agree to a ½ percent increase in sales taxes in order to fund area projects? Would the tax hike adversely affect the competitiveness of St. Cloud area businesses? Results from a survey of business leaders on this issue are reported in the final section of this report.

Although St. Cloud has seemingly rebounded from its short pause earlier this year, there are some downside risks. First is the uncertain future path of the U.S. economy. Is the recent national slowdown temporary? Will the Federal Reserve feel the need to resume its tightening moves and lift short-term interest rates? How might this affect the high-flying local construction industry as well as other interest-sensitive sectors of the area economy? Alternatively, if the national economy continues to slow, will this spill over to local manufacturers and other firms that rely on national markets? Continued sluggishness of the stock market and related financial

market uncertainty could conceivably have a negative impact on consumer confidence and thus adversely affect local businesses. Rising energy prices might also change the local outlook. While energy expenditures represent a much smaller proportion of business and household costs than in the 1970s, past recessions have been caused by adverse shocks to energy supplies. This may help explain the caution of area firms in their evaluation of national business activity in the **St. Cloud Area Business Outlook Survey**. A nearly equal number of responding firms expect national business activity to decrease as expect it to increase over the next six months. This may reflect some of the concerns noted above.

Most sectors of the St. Cloud economy are expanding. The sectors that are currently leading St. Cloud in terms of job growth in the year ending in August are state government education (14.5%), federal government (13.2%), construction (12.7%), wholesale trade (5.2%), and services net of health and education services (7.0%). Employment in services net of education and health (e.g., legal, accounting, hotels) has been rapidly expanding with over 2500 new jobs created since May 1998. As St. Cloud continues to grow, rising demand for higher-skilled service workers, such as those in accounting, legal, and finance occupations, should continue to boost this sector. Local population growth augmented by stable or slightly falling long-term interest rates has markedly lifted the local construction sector. For example, in March 2000, at the height of Federal Reserve short-term interest rate hikes, local construction employment was down about 200 jobs from March 1999 levels. However, August 2000 construction jobs were up 500 jobs from the year earlier period. New St. Cloud Area home building permits, as reported by the U.S. Department of Commerce, were up about 11% in August from year earlier levels. These signs suggest that the residential construction sector will remain lively into the Fall months. Finally, note that it is difficult to discern a trend from monthly data due to the volatility of St. Cloud government employment in the last few years. Consequently, no particular pattern emerges to explain recent growth in government employment in the St. Cloud area.

Local manufacturing employment was up by 0.9% in the year ending August 2000. This compares favorably to a *decline* in state and national manufacturing employment of -0.4% and -0.2%, respectively. Average production worker hourly wages are up about 4.1% in the year ending in August (including overtime) in the St. Cloud area. This exceeds the 3.1% national rate. Most local manufacturing growth is centered around durable goods, with durable goods employment up 2.5% in the latest year. However, even though durable goods manufacturing is lifting overall manufacturing employment, the overall manufacturing job growth rate is well below its 3.1% 1988-2000 long-term trend growth rate, illustrating that local manufacturing continues to struggle in a very competitive global environment.

Some local sectors have experienced declines in job growth over the most recent year. They include nondurable manufacturing (-1.5%), retail trade (-1.3%), and the relatively erratic local government education (-4.1%) and state government net of education (-2.0%) sectors. Many local nondurable manufacturers have been especially pinched by the fiercely competitive manufacturing environment. The recent closing of Gold'N Plump's Sauk Rapids facility exemplifies the dynamics of an intensely competitive marketplace. Although the strong value of the U.S. dollar in foreign exchange markets has its positive attributes, U.S. manufacturing has found it very difficult to compete in international markets. The closing of Herberger's

headquarters operations explains much of the local decline in retail jobs, but not all of it. The loss of high-wage management positions at Herberger's further exacerbates St. Cloud's low-wage reputation. In the other-retail (net of large retail stores) sector, employment is also down by over 100 workers in the latest year. This is likely related to the difficulties small retailers are having finding workers in this relatively low wage sector. Many area retailers have been struggling for a long time. Between August 1990 and August 1995, local retail employment grew at a 4% annual clip. Since August 1995, the average has fallen to a 0.5% annual rate (vs. 1.7% in Minnesota).

The St. Cloud MSA August unemployment rate was 2.6%, slightly above its low 2.4% rate in August 1999. Minnesota's unemployment rate (not seasonally adjusted) was a comparable 2.5% in August 2000 (unchanged from one year earlier). Likewise, all other Minnesota MSA unemployment rates are also holding steady in the 2%-3% range, with the exception of Duluth where the unemployment rate has continued a steady decline to 3.3% in August. Given the variation in month-to-month measurements of the local unemployment rates, it is impossible to detect a firm trend in these small changes except to say that, on average, the unemployment rate is no longer declining as it did throughout most of the 1990s.

Despite the recent robustness in the local economy, other indicators give a more mixed picture. Total help-wanted ad lineage in the *St. Cloud Times* is actually down 13% in the June-August quarter compared to year earlier levels. One possible explanation is that employers are finding traditional help-wanted advertising to be ineffective, although it is unclear as to why there would be such a sudden drop-off after several years of double-digit growth. New unemployment insurance claims in the St. Cloud area are starting to rise with claims up 25% in the quarter ending in August compared to same period in 1999. Even more striking is that state claims are up 39% from the corresponding period in 1999. Although this appears worrisome, note that unemployment claims in 1999 were at their lowest levels in recent history. Note that St. Cloud again appears to fare better than the state average. Overall, most of the economic tea leaves suggest that the local economy is faring quite well. There are a few worrisome trends that are mostly confined to the national and international economy. Because of this, there are even some credible national forecasters who are seeing the *possibility* of a national recession. This is a shift from the strong growth forecasts of recent years. Despite this, a local economic downturn seems very remote well into 2001.

St. Cloud Area Business Outlook Survey

The **St. Cloud Area Business Outlook Survey** is a survey of current business conditions and area firms' future outlook. It is administered quarterly with the cooperation of the St. Cloud Area Chamber of Commerce. Survey results reported in Tables 1 through 4 reflect the responses of fifty-nine area business firms who returned the recent mailing of the **St. Cloud Area Business Outlook Survey**. Participating firms are representative of the collection of diverse business interests in the St. Cloud area. They include retail, manufacturing, construction, financial, and government enterprises of sizes ranging from small to large. Survey responses are strictly confidential. Written and oral comments have not been attributed to individual firms.

Area businesses experienced a moderation of growth over the Summer, a pattern which they expect to persist over the next six months. Table 1 reports survey results of area business leaders' evaluation of business conditions for their company in September versus three months earlier. The results from this table are less favorable than those reported in June. For example, the diffusion index (representing the percentage of respondents indicating an increase minus the percentage indicating a decrease in any given category) for the level of business activity decreased from 44.3 in June to 23.8 in September. Forty-four percent of surveyed firms reported an increase in business activity in this most recent quarter while 20% noted that business activity had decreased at their company. Several firms note the seasonal influence on their business. One firm notes that the "real estate market remains strong in the St. Cloud area." Another firm comments that "fuel prices increases continue to negatively impact the ability of our customers to operate ... profitably." One firm notes that its business continues to be influenced by "mergers, buyouts, consolidations, and competition." This is consistent with the report of another local firm who comments that "(a recent) acquisition will cause large increase in local hiring for nationwide expansion of our business." Finally, one area firm remarks that "the St. Cloud business climate is slowing down compared to the metro (Mpls/St. Paul) area and surrounding larger cities--therefore we are marketing in other areas."

Other indicators of slowing business activity that are found in Table 1 include the decrease in the diffusion indexes for number of payroll employees and the length of the workweek. These results are, of course, consistent with a moderation of the labor shortage in the St. Cloud area, which is confirmed by the decreased diffusion index for the question asking companies about their difficulty attracting qualified workers. The diffusion index for this question decreased from 29.5 in June to a current value of 20.3. Note, however, that one firm reports that it is "very hard to attract good people." In recent months, surveyed firms have also found themselves less able to pass on price increases to customers. The diffusion index in this category decreased from 34.4 to 23.7 over the June to September period. Almost 32 percent of respondents indicate that prices received were higher in September than they were three months earlier. This is substantially lower than a similar 43 percent response to the same item in the June survey. This could suggest that the credit tightening measures undertaken by the Federal Reserve have helped contain price pressures locally. Despite this, one area firm notes that "home prices continue to escalate. Housing affordability and homelessness are becoming significant factors to deal with in the St. Cloud area." A slowing of national business activity reinforces the moderate local growth trend. Various factors, such as rising fuel prices and increasingly volatile financial markets appear to have contributed to a decline in the diffusion index on national business activity from 6.6 to -1.7 over the most recent quarter.

Responses tallied in Table 2 paint a less optimistic picture about the expected future pace of local business activity than is suggested by the **St. Cloud Index of Leading Economic Indicators**. Summary results from questions related to survey respondents' expectations six months from now versus September 2000 are reported in this table. The diffusion index for the survey question that asks about the level of future business activity for area companies is a continuation of the pattern observed in the June survey. This index remains at a relatively low 20.4 in September, a marked decrease from the 74.6 level reported in the March survey. While 44 percent of survey respondents expect business activity to increase six months from now, 24

percent expect a slowdown. Note that one year ago, 57 percent of the companies surveyed expected improved future business conditions while 18 percent expected a decrease in activity. The diffusion index on capital expenditures has declined significantly from the June survey. This index suggests that capital purchases may slow (in relative terms), possibly due to the increase in financing costs from 1999 levels. Likewise, area firms expect a further reduction in their ability to pass on price increases over the next six months. Only 29% expect prices received to increase over the next six months. This compares to 43% reported on the same item in the June survey.

Although they are anticipated to be less burdensome than they were one year ago (continuing a moderating trend over the last couple of quarters), worker shortages are expected to persist over the next six months. Thirty-two percent of surveyed firms expect increased difficulty attracting qualified workers six months from now. While this is not an encouraging sign for area employers, it is an improvement on the 50 percent response that was reported in the October 1999 **St. Cloud Area Quarterly Business Report**. Higher anticipated employee compensation will help area firms overcome worker shortages. Fifty-four percent of surveyed firms expect to pay higher wages and benefits over the next six months. This is a continuation of a trend observed in previous surveys.

Health Care Costs

Surveyed firms were asked to comment on the extent to which their company is being affected by rising health care costs. Results reported in Special Question 1 in Table 1 indicate that 76% of surveyed firms indicate that health care costs are having a "moderate", "strong", or "very strong" effect on their business. This compares to 24% who report that health care costs are having a "small" or "no" effect on their company. While thirty-seven percent of businesses are strongly or very strongly affected by rising health care costs, survey results seem to indicate that there is not a sense of despair on the part of area businesses in coping with these rising costs. It is likely that area firms see health insurance as an important tool to retain and attract workers in a competitive labor market. This would be a reflection of trends that are being observed across the nation. For example, an article in the September 29, 2000 edition of the *Wall Street Journal* reported that the percentage of U.S. small businesses offering health insurance sharply increased from 54% to 66% in 1999. The U.S. Census Bureau also reported that the number of Americans without health insurance declined slightly in 1999. Despite presumed increases in the costs of health care coverage, surveyed firms do not seem to sense that there is a health care crisis in the St. Cloud area.

Business comments include "other expenses have to go down to compensate." And "smaller firms that can't self insure can't buy family coverage at prices that compete favorably with larger firms." Another firm notes that "we do not provide health insurance benefits."

The Proposed ½ Percent Sales Tax Hike

Firms were asked to indicate whether or not their business supports the proposed ½ percent increase in local sales taxes to fund various public projects. Results of Special Question 2 are

reported in Table 2. Fifty-six percent of the 59 surveyed firms indicate that their business does not support the proposed tax hike while 41 percent are in favor of the tax proposal. Comments include "we should be more efficient with the dollars already collected." Also "there is no need for a sales tax increase. Do as everyone else does, cut back on something else." Another firm remarks that "(we support the tax increase) if and only if it is applied to Waite Park and St. Cloud." Another firm notes that it supports the tax increase "if it sunsets and is used only for airport expansion, park & recreation improvements, and library expansion." Another firm indicates that "we compete with businesses throughout the country. A local sales tax increase will drive business away." "If we can't find a way to fund these projects, we should re-evaluate where we are spending all of the money" is the comment of another firm. One company notes that "the tax increase would deter capital investment for our business in St. Cloud." Another firm remarks that "the concept of a sales tax to pay for 'regional' facilities is a good one. However, not having a joint agreement between the central MN mayors is wrong! I question the projects the mayor has selected and just how 'regional' they truly are." One employer states that "it continues to be imperative that business support taxation & expenditures which will improve the 'quality of life' in Central Minnesota and thus improve our ability to attract qualified workers." Finally, one area firm notes that it supports the tax hike "only because it may help (keep) property tax increases in check."

Special Question 3 asked survey respondents to assume that the tax increase passed. Firms were asked to choose those projects for which the sales tax revenues should be used. They were given the choices of airport expansion, park & recreation improvements, library expansion, road & bridge projects, and "other" (note that firms were allowed to choose more than one project). Airport expansion was mentioned by 58 percent of responding firms, followed by a 46 percent response to road & bridge projects, 39 percent for park & recreation improvements, and 36 percent for library expansion. "Other" items mentioned include police, fire, community center (cited twice), events center, and youth intervention. Table 4 breaks out the response to Special Question 3 by those who indicated their support for the tax increase in Special Question 2. That is, the projects supported by the 24 firms that indicated their support for the tax hike are reported in Table 4. Airport expansion continues to be the favored public project of surveyed firms. Seventy-one percent of firms note their support for this project. Note, however, that in this sample, road & bridge projects become the least favored of the public projects. This indicates that the popularity of road & bridge projects is disproportionately concentrated among those who are least likely to support the sales tax hike.

Note that no attempt has been made to determine the voting residency of survey respondents. Also note that this survey only attempts to gauge the extent to which surveyed businesses support the proposed tax hike. While personal tax philosophies no doubt influence individual responses, determining likely individual voting behavior is not the intention of this survey. Area business leaders appear to have given this public issue a great deal of thought. It will be interesting to observe the extent to which the business community is willing to rally around this issue in the weeks leading up to the referendum in November. Look for the next survey in December and the accompanying **St. Cloud Area Quarterly Business Report** (including the **St. Cloud Index of Leading Economic Indicators**) in January 2001.

TABLE 1--CURRENT BUSINESS CONDITIONS*

ST. CLOUD AREA BUSINESS OUTLOOK SURVEY Summary September 2000	September 2000 vs. Three Months Ago				June 2000 Diffusion Index ³
	Decrease (%)	No Change (%)	Increase (%)	Diffusion Index ³	
What is your evaluation of:					
level of business activity for your company	20.3	32.2	44.1	23.8	44.3
number of employees on your company's payroll	18.6	47.5	33.9	15.3	24.5
length of the workweek for your employees	5.1	77.8	16.9	11.8	14.8
capital expenditures (equipment, machinery, structures, etc.) by your company	13.6	57.6	27.1	13.5	13.2
employee compensation (wages and benefits) by your company	1.7	44.1	54.2	52.5	50.8
prices received for your company's products	8.5	54.2	32.2	23.7	34.4
national business activity	18.6	50.8	16.9	-1.7	6.6
your company's difficulty attracting qualified workers	5.1	67.8	25.4	20.3	29.5
SPECIAL QUESTION 1: Considering such factors as profitability, recruitment, and retention (of workers), please indicate the extent to which your company is being affected by rising health care costs	No Effect 5.1	Small Effect 18.6	Moderate Effect 39.0	Strong Effect 30.5	Very Strong Effect 6.8
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

TABLE 2--FUTURE BUSINESS CONDITIONS*

ST. CLOUD AREA BUSINESS OUTLOOK SURVEY Summary September 2000	Six Months from Now vs. September 2000				June 2000 Diffusion Index ³
	Decrease (%)	No Change (%)	Increase (%)	Diffusion Index ³	
What is your evaluation of:					
level of business activity for your company	23.7	27.1	44.1	20.4	19.7
number of employees on your company's payroll	11.9	45.8	37.3	25.4	29.5
length of the workweek for your employees	15.3	64.4	15.3	0	-4.9
capital expenditures (equipment, machinery, structures, etc.) by your company	11.9	54.2	28.8	16.9	24.6
employee compensation (wages and benefits) by your company	1.7	39.0	54.2	52.5	57.4
prices received for your company's products	6.8	54.2	28.8	22.0	34.4
national business activity	16.9	44.1	18.6	1.7	4.9
your company's difficulty attracting qualified workers	5.1	57.6	32.2	27.1	29.5
SPECIAL QUESTION 2: We are interested in the views of St. Cloud area business leaders about the desirability of a ½ percent increase in local sales taxes to fund various public projects. Please indicate whether or not your business supports the proposed tax hike.	Yes 40.7	No 55.9			
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

TABLE 3—Survey Support for Proposed Projects*

SPECIAL QUESTION 3: If a tax increase were to pass, please choose those projects for which the additional revenues should be used.	Airport Expansion	Park & Recreation Improvements	Library Expansion	Road & Bridge Projects
	57.6	39.0	35.6	45.8

* Assuming proposed tax increase passes.

TABLE 4—Survey Support for Proposed Projects from Businesses that Support the Proposed Tax Hike

Support for proposed projects by surveyed businesses that responded that their business supported the proposed sales tax hike	Airport Expansion	Park & Recreation Improvements	Library Expansion	Road & Bridge Projects
	70.8	66.7	58.3	45.8