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St. Cloud Area Quarterly Business Report, Vol. 16, No. 2

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Q ST. CLOUD AREA QUARTERLY BUSINESS REPORT

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AREA FIRMS REPORT WORKER SHORTAGE SURVEY SHOWS LOCAL INTEREST IN NEW AIR SERVICE

ABOUT THE AUTHORS



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King Banaian specializes in analyzing data and writing about it in the second portion of this report. Rich MacDonald collects and analyzes responses to the St. Cloud Area Business Outlook Survey, covered in an early portion of the report. Only MacDonald has access to the confidential list of surveyed businesses and the returned surveys. Questions about the survey can be directed to him. Special questions asked in the survey may at times deal with public policy but do not reflect a political agenda of either of the authors.

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ST. CLOUD STATE UNIVERSITY

EXECUTIVE SUMMARY

The St. Cloud-area labor market continues to experience broad-based improvement as employment grew in almost all sectors during the over 12 months. While regional and national economic conditions appear to have been adversely affected last quarter by abnormally poor winter weather, current performance of the local economy is solid, and the future outlook is strong.

Local job creation expanded at a 2.9 percent pace over the year ending in April — well above its annual average of 0.8 percent over the past 15 years. By comparison, at a 1.5 percent annual rate, current job growth for the entire state is much lower than in the St. Cloud area. The April unemployment rate in St. Cloud was 4.6 percent, a favorable improvement from 5.6 percent one year earlier.

Once again, private sector employment gains in the St. Cloud area were led by a strong surge in the local professional/business services, con-

ST. CLOUD INDEX OF LEADING ECONOMIC INDICATORS

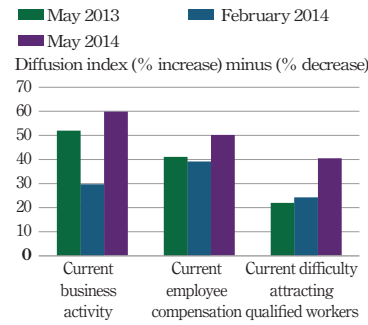


struction and leisure/hospitality sectors. Annualized employment growth in these sectors was 7.6 percent in each of the first two and 6.6 percent in the third. The local transportation/utilities/warehousing and information sectors (combined, these two sectors only account for 5 percent of local employment) were the only sectors of the local economy that experienced declining employment.

The new St. Cloud Index of Leading Economic Indicators rose again by 0.65 percent in the most recent quarter and 1.4 percent over the last year. All four indicators in the index were positive. The new St. Cloud Probability of Recession Index was virtually zero in April, indicating no recession expected this summer or fall.

Sixty-eight percent of 62 surveyed firms experi-

KEY RESULTS OF SURVEY



enced improved business activity over the past three months, while only 8 percent reported decreased activity. Forty percent of firms indicate increased difficulty attracting qualified workers. No firms report decreased difficulty attracting qualified workers.

Survey results of the future outlook continue to be very optimistic. Sixty percent of firms expect increased business activity by November, and only 3 percent expect activity to fall. Forty-four percent of firms expect to add workers to their payroll over the next six months, but 37 percent of firms expect worker shortages to get worse over the coming months.

In this quarter's special questions, area firms were asked to indicate the extent to which they

plan to use the new United Express air service to/from St. Cloud for business travel over the next 12 months. Almost half of surveyed firms plan to use the service. Most firms expect to take between one and 10 business trips using the new air service, using a budget between \$1 and \$9,999 for business travel. Eleven surveyed firms have a local air travel budget between \$10,000 and \$99,999 over the next 12 months, one firm expects to spend between \$100,000 and \$249,999, and another firm expects local air travel costs to exceed \$250,000.

In a special feature, this quarter's report uses mapping technology to outline new business filings of incorporation and limited liability company with the Office of the Minnesota Secretary of State in the three-county St. Cloud area over the first four months of the year. The pattern of new business formation in the area is concentrated in and around the city of St. Cloud as well as in the southern portion of Sherburne County.

THE ST. CLOUD AREA BUSINESS OUTLOOK SURVEY

CURRENT ACTIVITY

Tables 1 and 2 report the most recent results of

the Business Outlook Survey. Responses are from 62 area businesses that returned the recent mail-

ing in (time to be included in the report. Participating firms are representative of the diverse col-

lection of businesses in the St. Cloud area. They

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TABLE 1-CURRENT BUSINESS CONDITIONS

	May 2014 vs. three months ago			Diffusion Index ³	February 2014 Diffusion Index ³
	Decrease (%)	No Change (%)	Increase (%)		
What is your evaluation of:					
Level of business activity for your company	8	22.6	67.7	59.7	29.7
Number of employees on your company's payroll	8	46.8	45.2	37.2	18.9
Length of the workweek for your employees	4.8	59.7	32.2	27.4	10.8
Capital expenditures (equipment, machinery, structures, etc.) by your company	1.6	66.1	32.3	30.7	28.4
Employee compensation (wages and benefits) by your company	0	48.4	50	50	39.2
Prices received for your company's products	3.2	80.6	16.1	12.9	13.6
National business activity	1.6	41.9	45.2	43.6	29.8
Your company's difficulty attracting qualified workers	0	56.5	40.3	40.3	24.3

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.

Sources: St. Cloud State University Department of Economics and School of Public Affairs Research Institute

MORE ONLINE

The St. Cloud Area Quarterly Business Report has been produced four times each year since January 1999. Electronic access to all past editions of the QBR is available at <http://repository.stcloudstate.edu/scqbr>

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include retail, manufacturing, construction, financial, health services and government enterprises both small and large. Survey responses are strictly confidential. Written and oral comments have not been attributed to individual firms.

FUTURE EMPLOYEE COMPENSATION



Survey responses from Table 1 show continued improvement from earlier periods. This quarter's diffusion index on current business activity (its current value is 59.7) is the highest ever recorded in the May survey. Only one time (in June 1999) has the current business activity index been higher. By comparison, during the recessionary periods of May 2008 and May 2009, the current business activity index reading was 11.6 and 9.6, respectively. A diffusion index represents the percentage of respondents indicating an increase minus the percentage indicating a decrease in any given quarter. For any given item, a positive index usually indicates expanding activity, while a negative index implies declining conditions.

CURRENT NATIONAL BUSINESS ACTIVITY



Area labor market conditions have strengthened considerably since February. The index on employment and average hours worked are much

TABLE 2-FUTURE BUSINESS CONDITIONS

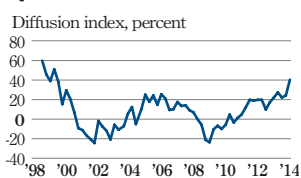
	Six months from now vs. May 2014			February 2014	
	Decrease (%)	No Change (%)	Increase (%)	Diffusion Index ³	Diffusion Index ³
What is your evaluation of:					
Level of business activity for your company	3.2	30.6	59.7	56.5	56.8
Number of employees on your company's payroll	4.8	48.4	43.5	38.7	36.5
Length of the workweek for your employees	4.8	72.6	17.7	12.9	23
Capital expenditures (equipment, machinery, structures, etc.) by your company	4.8	66.1	25.8	21	35.2
Employee compensation (wages and benefits) by your company	0	51.6	43.5	43.5	48.6
Prices received for your company's products	4.8	69.4	21	16.2	13.5
National business activity	3.2	46.8	33.9	30.7	39.1
Your company's difficulty attracting qualified workers	0	56.5	37.1	37.1	21.6

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.

Sources: St. Cloud State University Department of Economics and School of Public Affairs Research Institute

higher than three months ago, and 50 percent of surveyed firms report higher employee compensation in May compared with three months earlier. No surveyed firm is reporting lower wages and benefits this quarter. Some of this strength in local labor market activity is likely related to improving national business activity. Despite revised reports of a decline in real output in the first quarter of this year, 45 percent of firms evaluate national business activity to be increasing. As noted in the accompanying chart, the index on current national business activity is the highest it has ever been.

CURRENT DIFFICULTY ATTRACTING QUALIFIED WORKERS



One drawback of improved area business conditions is that it is getting more difficult to attract qualified workers. Forty percent of firms indicate more difficulty attracting qualified workers, and no firms report decreased difficulty. As seen in the accompanying chart, the on current work-

er shortage index is the highest it has been since September 1999 (a time when worker shortages were consistently cited as the prevailing concern of area businesses).

The capital expenditures index leveled off this quarter. This diffusion index has hovered between 25 and 30 since May 2012. It is worth noting that this is a marked improvement over negative readings in 2008 and 2009. Finally, despite strong local growth, prices received by area firms appear to be largely unchanged. The prices received index is currently 12.9, approximately the same as it was one year ago and slightly lower than last quarter.

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

» Long-term demographics are a major concern for us to remain competitive in our industry.

» Competition is increasing.

» We compete nationally, so Minnesota business climate is making it difficult to compete with competitors from lower cost states. Our regional work ethic advan-

tage of the past seems to be disappearing.

» Finding decent employees continues to be a struggle for us. We have lowered our standards for qualifications and increased the starting wage to see if that will spur some interest.

» Labor force is our biggest issue.

» Winter weather this year.

» Local minimum wage seems to be going up, and we will need to respond.

» Attracting qualified and motivated workers remains a challenge. Right now that's the biggest effect on our business.

» Food prices are rising along with utilities — shrinks profit margins.

» 1. Attracting employees. 2. Taxation.

» As always, we are seasonal business, so we are busiest November through April. Our survey shows a decrease in business now, but we are having a great year ... so an increase in business year-over-year.

» Escalating raw material costs that are not easily passed on to customers. Shortage of transportation for raw materials — primarily flatbed trucks.

» Attracting qual-

ity workers with the skills needed to meet local demands. Do not see this changing for quite some time.

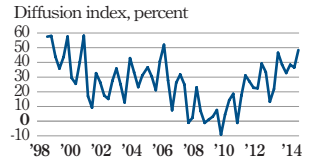
» Just received my health insurance renewal rates and it was a big increase. Obamacare is not going to be very affordable for us. Ouch!

FUTURE OUTLOOK

Table 2 reports the future outlook for area businesses. Given solid current conditions, it is no surprise that the six-month local outlook is strong. The index on future overall business activity is virtually identical to its value three months ago and is only slightly below its reading in May 2013. Sixty percent of surveyed firms expect increased activity in six months, and only 3 percent of firms expect conditions to worsen. Future employment is expected to rise substantially by November. Forty-four percent of firms expect to add to payrolls in the coming months. As can be seen in the accompanying chart, the future employment index is the highest it has been since February 2006 (a time of very strong local growth).

The other labor market number of

FUTURE EMPLOYMENT



note relates to future worker shortages.

Firms are expecting increased difficulty attracting qualified workers to extend into the fall. Thirty-seven percent of surveyed firms expect increased difficulty attracting qualified workers in six months' time, and no firms anticipate reduced difficulty finding workers. These worker shortages are expected to put upward pressure on average hours worked and employee compensation, although the indexes on this survey item are fairly normal for this time of year.

Future capital expenditure plans appear to be moderating. The index on this item in Table 2 is the lowest recorded since August 2012. This index is still much improved from its negative readings in 2008 and 2009.

Finally, future national business conditions are expected to remain solid, and firms' pricing power is not expected to improve much by November. Only 21 percent of

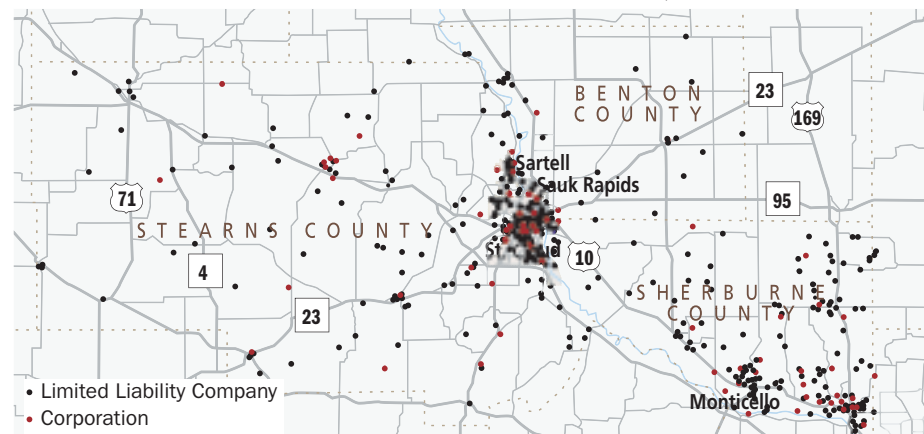
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New data on business filings provide a geographic look at area business formation

Recently the Office of the Minnesota Secretary of State, in collaboration with the School of Public Affairs Research Institute at St. Cloud State University, produced a set of reports on business formation and economic development in six regions of Minnesota. The data are unique insofar as it is the first time that we are aware that data on business filings have been available at the ZIP code level. The full dataset, which can be purchased from the Secretary of State's office, includes street addresses.

We use these data to produce the map that shows the location of each new business filing for a corporation or a limited liability company (LLC) in Stearns, Benton and Sherburne counties between January and

NEW BUSINESS FILINGS FOR INCORPORATION AND LIMITED LIABILITY COMPANIES, JANUARY-APRIL 2014



April. The red dots represent the corporations, and the black dots represent LLCs. There were 82 corporations and 430 LLCs formed in the first four months of this year. Looking at the pattern tells us a few expected patterns and one we might not have known.

1. Business formation

concentrates on major roads and in cities. Most of the dots on the map occur along and between U.S. Highway 10 and Interstate Highway 94, upward from Elk River/Big Lake along U.S. Highway 169, and along Minnesota Highway 15. We do not mean this to say that to get businesses

you just need to build roads, but clearly once a road is there, additional development along the road happens.

2. We sometimes receive comments about our measurement of St. Cloud by use of the Metropolitan Statistical Area or MSA definition, which includes Benton and

Stearns but not Sherburne County, even though parts of St. Cloud lie within all three. As the map shows, most of the new business filings of corporations and LLCs in Sherburne County in 2014 (to date) happened in the southeast corner of the county closest to the Twin Cities. Meanwhile, most of the development of Stearns and Benton counties lies in proximity to the city of St. Cloud. Thus the MSA definition provides us with the scope of the surrounding cities without including too many parts of the outlying parts of the two counties and without including parts of the Twin Cities growth.

3. At least within these four months, the dispersion of corporations and LLCs is greater than one might think. Rather than concentrating in the

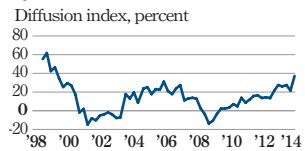
city of St. Cloud, we found many ZIP codes in filings from the farther reaches of the MSA. Only 42 percent of the filings for incorporation were in the city limits of St. Cloud; the number only grows to 58 percent by including Sauk Rapids and Sartell. For LLCs, the respective percentages were 46 percent and 62 percent. There is significant new business activity in other parts of our region than the center of the metropolitan region. This conclusion is tentative, as the sample of four months is too small to make strong statements, and the pattern may have been different early in the 2000s. We are now researching a much longer dataset, thanks to the newly available data from the Office of the Minnesota Secretary of State.

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surveyed firms expect to receive higher prices six months from now — 69 percent of firms expect unchanged prices received.

FUTURE DIFFICULTY ATTRACTING QUALIFIED WORKERS



SPECIAL QUESTIONS

Twice-daily, round-trip air service to Chicago's O'Hare International Airport began May 6 at St. Cloud Regional Airport. SkyWest Airlines, doing business as United Express, is flying the 50-passenger aircraft for an initial round-trip cost of approximately \$200. This marks the first time that daily air service has been offered out of St. Cloud Regional Airport since Delta discontinued its daily round-trip service to Minneapolis-St. Paul International Airport on Dec. 31, 2009. In announcing the daily round-trip service to St. Cloud, the Greater St. Cloud Development Corp. noted that this new

TABLE 3 - EMPLOYMENT TRENDS

	St. Cloud (Stearns and Benton)			13-county Twin Cities area			Minnesota		
	15-year trend rate of change	April '13-April '14 rate of change	April '14 employment share	15-year trend rate of change	April '13-April '14 rate of change	April '14 employment share	15-year trend rate of change	April '13-April '14 rate of change	April '14 employment share
Total nonagricultural	0.8%	2.9%	100%	0.5%	1.6%	100%	0.5%	1.5%	100%
Total private	0.8%	3.2%	84.3%	0.5%	1.6%	86.5%	0.5%	1.7%	84.8%
Goods producing	-0.5%	2.3%	18.6%	-1.5%	2.9%	13.5%	-1.3%	3.8%	14.9%
Construction/natural resources	1.1%	7.6%	4.4%	-1%	4.2%	3.2%	-0.5%	7.7%	3.6%
Manufacturing	-0.9%	0.8%	14.2%	-1.6%	2.4%	10.2%	-1.5%	2.5%	11.2%
Service providing	1.2%	3%	81.4%	0.8%	1.4%	86.5%	0.8%	1.1%	85.1%
Trade/transportation/utilities	-0.4%	1.8%	19.5%	-0.4%	0.8%	17.5%	-0.2%	1.2%	18.2%
Wholesale trade	1.1%	3.5%	4%	-0.1%	1.4%	4.5%	0.3%	3.1%	4.8%
Retail trade	-1%	1.8%	12.3%	-0.3%	0.8%	9.5%	-0.3%	0.8%	10.1%
Trans./warehouse/utilities	0.4%	-0.2%	3.3%	-1.1%	0.1%	3.4%	-0.6%	-0.3%	3.3%
Information	-1.5%	-1.8%	1.6%	-1.3%	-0.6%	2.1%	-1.3%	0.8%	1.9%
Financial activities	1.5%	1.4%	4.3%	0.5%	0.7%	7.8%	0.6%	-0.7%	6.4%
Professional, business services	2.9%	7.6%	8.8%	0.5%	-0.3%	15%	0.8%	1.5%	12.4%
Education & health	2.9%	3.4%	19.5%	3.6%	3.3%	16.9%	3.2%	1.9%	18%
Leisure & hospitality	1.3%	6.6%	8.7%	1.4%	3.4%	9.3%	1%	1.8%	8.8%
Other services (excluding govt.)	0.1%	1.3%	3.4%	0.7%	0.9%	4.3%	0.4%	1%	4.2%
Government	1%	0.8%	15.7%	0.3%	1.5%	13.5%	0.3%	0.4%	15.2%
Federal government	2.1%	0.3%	2.1%	-0.9%	-0.8%	1.1%	-0.5%	-0.6%	1.1%
State government	1.7%	0.2%	5%	0.5%	0.9%	3.9%	0.9%	-1.2%	3.7%
Local government	0.5%	1.2%	8.6%	0.3%	2.1%	8.5%	0.2%	1.1%	10.3%

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

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

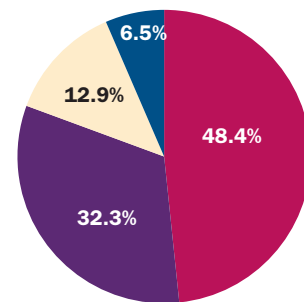
daily service to Chicago will give travelers access to 567 flights offered by United Airlines on its 127 domestic and 37 international destinations. Restoration of daily air service to St. Cloud was celebrated by community leaders who noted the importance of air service in helping the regional economy reach its potential.

Success of the new air service will significantly depend on the extent to which it is used for business travel by regional firms. We

asked surveyed firms several questions to determine their usage of this new service. Responses suggest the offering is popular with the local business community. Almost half of surveyed firms expect to use the service for business travel, and more than 20 percent of surveyed companies have budgeted for local travel expenditures in excess of \$10,000 per year. Our first special question asked:

“Does your company plan to use the new United

Express air service to/from St. Cloud for business travel in the next 12 months?”



NOTE: Numbers may not add up to 100 due to rounding.

Forty-eight percent of surveyed firms expect to use the new air service for business travel over the next year.

Of those that indicated they would not use the service, many commented that they don't use air travel in their business. Written comments seem to suggest the new service is well received by area firms.

These comments include:

» Do not travel for business (no air travel).

» Unsure if it will be needed.

» Maybe — we respond to disasters around the country. If we need to respond to one where service is provided,

we will use.

» Really glad to have this option.

» We obviously need to use it to the greatest extent possible — or we will lose it.

» Just tried and (it was) way too expensive — three times price out of Minneapolis.

» It's possible. Nothing firm in the works. It is being considered.

» Only travel to Twin Cities.

» We do very little travel.

» We have made

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all employees aware of the services but have very limited air travel for our business.

» Already have trips booked.

» I intend to use but for personal use only.

» If the need arises, it will be considered.

» Currently using when timing works.

» Do not use air service for our business activity.

» Pricing doesn't match up — just flew a group of people to New York direct from Minneapolis for \$250 and St. Cloud was \$500. I can't justify the difference.

» We look to use this as primary air travel outlet and expect to spend approximately \$30,000-\$50,000 annually.

» Between customers and vendor visits and our travels to visit customers, the airline service will be actively used when possible.

» Air travel isn't a part of our business.

» We have people calling on us every two weeks who flew to MSP and renting a car who are now go-

ing to fly direct to STC as they almost always come through Chicago on the way here. We will also be using it for our staff travel.

» I don't travel for work.

» Schedules, places to travel to and cost will affect our ability to use the service.

» There are many instances in which having access to Chicago market pricing will reduce the cost of flights, not to mention the savings in travel/parking cost to use the Twin Cities.

» If routes and destination match needs, we will use the local guys.

» We do nothing with travel.

» Meetings, conventions, visiting customers. It'll be nice that we don't have to drive to MSP.

» We will not use it a lot but will from time to time.

» Since we are the largest (firm in our sector) in St. Cloud, we will try hard to support the air service. We will use it as we can, but I'm guessing it will be periodically.

» Vacation travel.

» We do not have much opportunity to have our staff travel

TABLE 4 - OTHER ECONOMIC INDICATORS

	2013	2014	Percent change
St. Cloud MSA labor force April (Minnesota Workforce Center)	107,393	109,297	1.8%
St. Cloud MSA civilian employment # April (Minnesota Workforce Center)	101,397	104,290	2.9%
St. Cloud MSA unemployment rate* April (Minnesota Workforce Center)	5.6%	4.6%	N/A
Minnesota unemployment rate* April (Minnesota Workforce Center)	5.2%	4.5%	N/A
Minneapolis-St. Paul unemployment rate* April (Minnesota Workforce Center)	4.8%	4.1%	N/A
St. Cloud-area new unemployment insurance claims February-April average (Minnesota Workforce Center)	889.7	856.7	-3.7%
St. Cloud Times help-wanted ad linage February-April average	2,001	1,891	-5.5%
St. Cloud MSA residential building permit valuation In thousands, February-April average (U.S. Department of Commerce)	3,635.3	5,442.3	49.7%
St. Cloud index of leading economic indicators April (St. Cloud State University)**	101.2	102.5	1.4%

NOTE: July 2013 LEI estimated under experimental program. See text.

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

N/A - Not applicable

outside of Minnesota or North Dakota, but we will support the local United service whenever possible.

» Every time I search for a flight, I go first to see if it is possible to fly out of STC.

» We do not travel by plane.

» We don't have a lot of air travel but intend to use and support the service when we can.

» I've personally used it. Worked perfect. Key will be performance of the airline and of course occupancy.

» Travel is random, and use of United depends on destinations.

» Sales training in Chicago in July and sales training in September, also in Chicago.

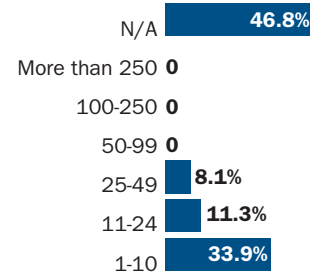
» For meetings in Chicago, it is great! We have tried to use it for other destinations, but the cost and time factor were an issue.

» Cheapest way to go.

We were also interested in how many trips surveyed firms were likely to schedule over the next 12 months. We asked:

“If you answered yes to Question 1, approximately how many business trips is your company likely to take over

the next 12 months using the new air service?”



While this question is not applicable to about half of the sample (since they don't intend to use the service), the majority of firms who intend to fly in and out of St. Cloud expect their business to log between one and 10 trips over the next year. Thirty-four percent of the sample expects their

company to use the new service for between one and 10 trips, while 11 percent expects to take between 11 and 24 trips. Eight percent of surveyed firms expect company travel for between 25 and 49 business trips. No surveyed firm expects to take more than 50 trips over the next 12 months.

Firms' annual travel budget for the United Express service ranges from zero for the 48 percent of firms that don't expect to use the service to more than \$250,000 for one firm that plans to make extensive use of St. Cloud Regional Airport. We asked:

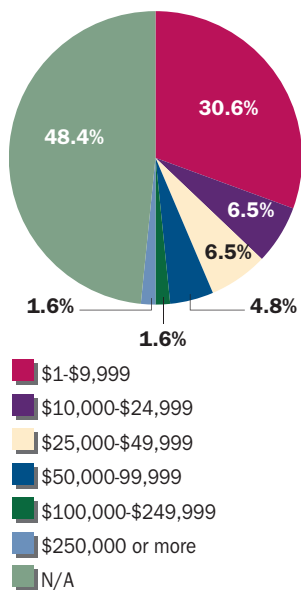
“If you answered yes to Question 1, approximately how large is your company's budget over the next 12 months for travel to/from St. Cloud using the new air service?”

Thirty-one percent of the sample has a local air travel budget less than \$10,000, while 21 percent have a budget in excess of this amount. Seven percent of firms plan to spend between \$10,000 and \$25,000.

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IF YOU ANSWERED YES TO QUESTION 1, APPROXIMATELY HOW LARGE IS YOUR COMPANY'S BUDGET OVER THE NEXT 12 MONTHS FOR TRAVEL TO/FROM ST. CLOUD USING THE NEW AIR SERVICE?



The same percentage of firms expects to spend between \$25,000 and \$50,000. Five percent of the sample expects to spend between \$50,000 and \$100,000 on local air travel, and two firms have budgeted for more than \$100,000 of expenditures out of St. Cloud Regional Airport.

NO DARK CLOUDS IN THE LOCAL DATA

It has been a very long time since we have seen the high rate of employment growth in St. Cloud shown in Table 3.

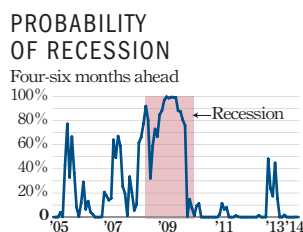
Employment grew 2.9 percent overall in the 12 months ending in April, and private sector growth was an even stronger 3.2 percent. Growth was strongest in professional and business services, leisure and hospitality, and construction (mining and logging locally are included in the data, but we know from other studies this is a miniscule part of the St. Cloud economy.) The gain in professional and business services was much larger in St. Cloud than in other parts of the state. The only areas showing decline were the transportation/warehousing/utilities and information sectors. Those two areas account for only 4.9 percent of area employment.

Interestingly, manufacturing growth was much stronger in the rest of Minnesota than in St. Cloud, with manufacturing employment in the Minneapolis-St. Paul area rising 2.4 percent in the last year compared with 0.8 percent in St. Cloud. We saw a reversed pattern earlier in this economic expansion.

One thing economists observe in la-

TABLE 5-ELEMENTS OF ST. CLOUD INDEX OF LEI

Changes from November 2013 to January 2014	Contribution to LEI
New claims for unemployment insurance	0.04%
Professional employment	0.41%
New business incorporations	0.13%
Help-wanted advertising in St. Cloud Times	0.07%
Total	0.65%



bor markets is that when employment grows rapidly, new workers and workers who had previously left the labor force due to discouragement over employment conditions return to job search. This can sometimes lead to a temporary rise in unemployment. But as Table 4 shows, growth in St. Cloud was strong enough that, though the labor force grew a healthy 1.8 percent, area unemployment fell to 4.6 percent in April. This was a full point lower than a year earlier and a more rapid decline than in Minnesota or the Twin Cities area.

Other indicators were largely positive. There was a surge (an increase of almost 50 percent) in the value of St. Cloud-area residential building permits

issued between February and April. Initial claims for unemployment insurance fell slightly. Only a slight decline in the value of help-wanted advertising blemished an otherwise very positive report. The new St. Cloud Index of Leading Economic Indicators (LEI) rose 1.4 percent, indicating that this level of robust growth should continue through summer and fall.

Within the LEI, all four elements grew. As seen in Table 5, the largest contribution of growth of the leading indicator series was professional employment growth. As we noted in the previous issue, this is a new indicator, fluctuations in which we believe track mostly fluctuations in temporary help services. Independent assessments from area help-services employers also have indicated that there is strong demand for temporary workers

in early 2014.

Smaller gains were found in new claims for unemployment insurance, new business filings of incorporation, and help-wanted advertising in the St. Cloud Times. The recent pattern of mixed indicators has disappeared in this past quarter.

Likewise, the recent good news from the new St. Cloud Probability of Recession Index continued in the most recent quarter. The probability reading has not been as high as 2 percent since July 2013, and the probability of recession for the next 4-6 months shown by the index is zero. Except for a brief blip in early 2013, the probability of recession has been low since March 2010.

The Probability of Recession Index includes the four indicators shown in Table 5 as well as the Minnesota Business Conditions Index from Creighton University. The Minnesota Business Conditions Index has performed above growth-neutral for 18 consecutive months through May. It indicates the state should expect

growth in manufacturing over the next three to six months and better wage performance. A more statistical model of Minnesota leading economic indicators used by the Federal Reserve Bank of Philadelphia showed a somewhat slower expansion but still a healthy performance.

After several years of caution, of growth coming in fits and starts, it is with some nervousness that we approach being so optimistic. Yet the data and the results from our survey participants point in only one direction. Several survey indicators, including difficulty attracting qualified workers — long a harbinger of strong economic growth — are marking high points not seen since before the 2008-09 recession. With confirming signals from so many fronts, 2014 is shaping up to be a banner year for the St. Cloud economy.

THE NEXT QBR

Participating businesses can look for the next St. Cloud Area Business Outlook Survey in August. The next St. Cloud Area Quarterly Business Report will appear in the St. Cloud Times on Sept. 14.