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# St. Cloud Area Quarterly Business Report, Vol. 17, No. 1

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# Quarterly Business Report

Every three months two St. Cloud State University economists analyze the latest business and worker data as well as the results from a survey of local business leaders. The result is the St. Cloud Area Quarterly Business Report. It has been published four times a year since 1999.

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.

COLLABORATING PUBLISHERS



## Inside

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- » Comparing local job growth to other areas.  
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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>

KEY TAKEAWAYS

## LOCAL EMPLOYMENT GAINS CONTINUE

### LESS RAPID FUTURE GROWTH EXPECTED AS AREA EXPANSION MATURES

Health and education sector growth has been very fast in the last two years. This sector now accounts for one in five jobs in the region. Business optimism remains solid, even though the leading indicator series has gone sideways for more than a year. Gas price declines typically boost confidence, but local business leaders expect the recent declines are temporary, and other macroeconomic concerns exist.

**1** Job creation in the St. Cloud area slowed to a 1.4 percent pace in the 12 months through January 2015. Annual data revisions suggest a slower pace of local job growth than was previously reported, although this year's numbers are slightly improved from a 1.3 percent gain reported for this period one year ago. Private sector job gains were 1.9 percent for the last 12 months. The January unemployment rate stands at 5 percent, down from 5.9 percent a year ago.

**2** Many of the revised job gains occurred in the health care and education sector, which has gained 5.5 percent employment in the last year and 11.5 percent in the last two years. Leisure and hospitality employment bounced back in the latest quarter after experiencing several quarters of decline. A sharp decline in professional and business services employment may in fact indicate that those holding temporary jobs had found permanent work in other sectors of the economy.

**3** The St. Cloud Index of Leading Economic Indicators was a little higher in the latest quarter, with gains in three of the four indicators. Only somewhat higher filings of initial claims for unemployment insurance marred an otherwise positive outlook. More recent data not yet in the index seems to be moving downward.

**4** The future outlook of area businesses remains solid, according to the St. Cloud Area Business Outlook Survey. Sixty percent of surveyed firms expect a future



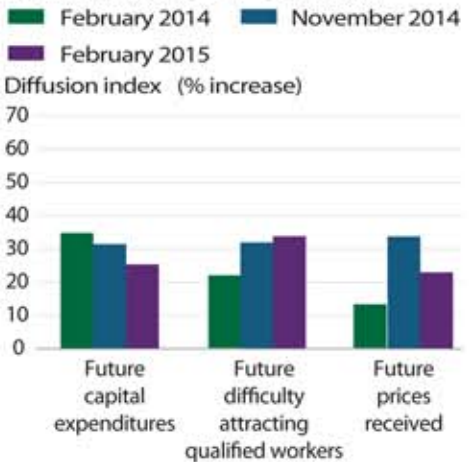
The building is for lease at the former site of Kmart in Waite Park, shown in a photo taken March 12. Two-thirds of area firms surveyed in the St. Cloud Area Quarterly Business Report indicated that they had at least some concern about recent retail store closings.

### MINNESOTA RETAIL GAS PRICES, 2012-'15



increase in business activity, and 42 percent expect to expand payrolls. More than half indicate they expect pay to be higher and about a quarter expect to be able to increase prices. Nearly one-third of surveyed firms have found it to be more difficult to attract qualified workers in the last quarter, a trend they expect to continue in 2015. There was slightly less optimism about the national economic outlook than in previous reports.

### KEY RESULTS OF SURVEY



**5** Two-thirds of area firms surveyed in special questions indicated that they had at least some concern about recent retail store closings. Over 70 percent of firms indicated that the decline in recent energy prices had a favorable impact on their company, with 32.3 percent saying the favorable impact was "medium" or "large." On the other hand, 85.5 percent expect gas prices to be higher than they were in mid-February at \$2.19 per gallon. Prices have already risen more than 20 cents since then.

## WITH DATA REVISIONS, WORKER NUMBERS RISE IN 2 AREAS

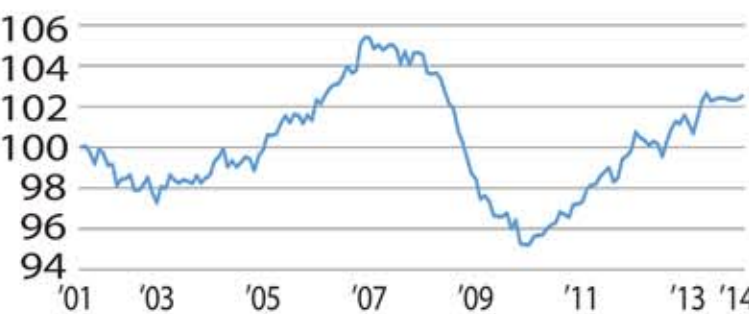
Longtime readers of this report are accustomed to our focus on data revisions from the Minnesota Department of Employment and Economic Development every March. Most data we use come from surveys of either employers or households. Annually, the survey data are benchmarked to a census that comes from businesses filing unemployment insurance taxes (as nearly all employers are required to file.)

The smaller the region, the larger the potential for the benchmarking to significantly change the results of surveys. So it is for St. Cloud, as we have seen in the past. And the 2015 benchmarking has been no different.

Total nonfarm employment estimated for January 2013 was raised by about 1,300 workers, and by 1,400 workers for January 2014. While this revision is not constant from month to month, the increase in the estimate of workers in St. Cloud-area firms holds through last December (though fourth quarter 2014 data are still estimated with-

### ST. CLOUD INDEX OF LEADING ECONOMIC INDICATORS

Nov. 2001=100



out benchmarking, as unemployment insurance data for that quarter are still incomplete.)

We note two significant changes in a positive direction. Health and education workers were revised upward by 1,000. Almost all of this gain appears to happen in 2014, particularly in the last four months. And manufacturing employment is revised upward beginning in Decem-

ber 2013, with 500 additional jobs in place. One factor that can make the survey underpredict actual job growth is the opening of new firms. Geringhoff would be a notable example, though its employment level at last report was around 100 jobs, and not all in manufacturing.

One area in which we saw a significant decline was in professional and business services. While the data were revised

slightly upward for 2013, a noticeable decline in employment in this area started in May 2014, with employment about 800 fewer in December than previously estimated.

This is notable insofar as this series is serving as one of our four leading economic indicators, and thus this revision influences the reading of our leading index. It is used as a measure of job outlook as that category holds all temporary workers hired out by staffing agencies. It could be the case, though, that in a more mature recovery and with qualified jobseekers difficult to find, many working in those staffing agencies have filtered into other sectors of the economy.

For example, if an area manufacturer turns to a staffing agency for a temporary worker, it is recorded as a professional or business service. Should the manufacturer subsequently put that temporary worker on her own payroll, employment goes up in manufacturing and down in professional and business services.



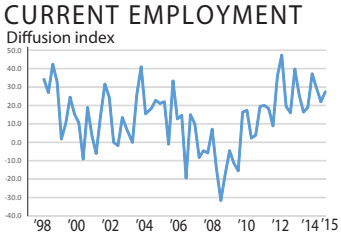
# SURVEY RESULTS

## QBR SURVEY RESULTS FOR STANDARD QUESTIONS

### CURRENT ACTIVITY

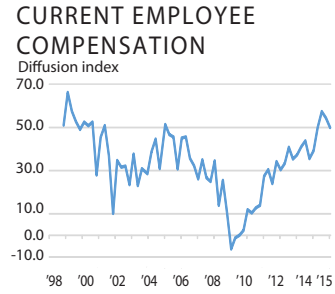
Tables 1 and 2 report the most recent results of the St. Cloud Area Business Outlook Survey. Responses are from 62 area businesses that returned the recent mailing in time to be included in the report. Participating firms are representative of the diverse collection of businesses in the St. Cloud area. They 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.

Survey responses from Table 1 are improved from three months ago, and four of the eight responses are the best ever reported in the February survey. This quarter's diffusion index on current business activity is 30.7 with 47 percent of surveyed businesses reporting increased activity over the past three months. Note that the all-time low for this index was in February 2009 when its value stood at minus 30.5. 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.



Area labor market conditions remain strong. The index on employment is considerably higher than one year ago. February hiring appears to be much stronger than usual, perhaps explaining why the average length of workweek measure is the lowest it has been in the last two years. As noted elsewhere in this report, area firms may be making permanent additions to their workforce while at the same time reducing the hours worked of existing employees. The employee compensation index (see accompanying chart) is down a little from last quarter, but has been 50 or above for all of the surveys in the last year. Area firms continue to struggle with attracting qualified workers. Nearly one-third of surveyed firms experienced increased worker shortages this quarter.

More than one-third of survey respondents report increased capital spending in the



recent quarter, and only two firms reduced capital formation. Firms' perception of national business activity slipped in the recent quarter — the reading on the current national business activity index is the lowest recorded since November 2013. Finally, while the prices-received index is higher than last quarter, only 21 percent of firms report higher prices this quarter. More than two-thirds of surveyed firms report no change in pricing.

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

- » (Tenant) is moving out — \$60,000 per year impact.
- » We raised the minimum wage to the \$9.50 level already but it may not be enough. Having problems hiring now.
- » Unrelenting pressure on prices coupled with the ever increasing government regulations and giveaways to those that don't really want to work. Customer expectations and demands also make it very difficult to run our type of business successfully.
- » Hiring experienced engineers.
- » We are struggling to fill certain positions.
- » As of Jan. 1, 2015, we closed our ... business.
- » Medical insurance, uncertainty.
- » Cost to operate in Minnesota. We compete nationally.
- » Finding individuals appreciating a job, and committing themselves to be a valuable member of the team.
- » Excess state and federal regulations are unnecessarily increasing construction costs!

### FUTURE OUTLOOK

Table 2 reports the future outlook for area businesses. While the six-month ahead local outlook remains solid, it is somewhat weaker than it has been in recent years' February survey. The lower numbers may suggest a maturing local expansion. The index on future overall business activity is higher than was reported last quarter (this is a normal seasonal effect), but is the lowest recorded in our February survey since 2010.

Sixty percent of surveyed firms expect increased activity in six months, and only 6.5 percent expect conditions to worsen. Forty-two percent of

### Table 1 - Current Business Conditions

	February 2015 vs. 3 months ago				Nov. 14	Feb. 14
	Decrease %	No change %	Increase %	Diffusion Index	Diffusion Index	Diffusion Index
<b>What is your evaluation of:</b>						
Level of business activity for your company	16.1	35.5	46.8	30.7	23.5	29.7
Number of employees on your company's payroll	6.5	58.1	33.9	27.4	22.0	18.9
Length of the work week for your employees	9.7	71.0	16.1	6.4	16.2	10.8
Capital expenditures (equipment, machinery, structures)	3.2	56.5	35.5	32.3	35.3	28.4
Employee compensation (wages and benefits)	0	48.4	50.0	50.0	54.4	39.2
Prices received for your company's products	8.1	67.7	21.0	12.9	2.9	13.6
National business activity	11.3	45.2	32.3	21.0	29.4	29.8
Your company's difficulty attracting qualified workers	1.6	62.9	32.3	30.7	29.4	24.3

#### Notes:

Reported numbers are percentages of businesses surveyed.

Rows may not sum to 100 because of "not applicable" and omitted responses.

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 School of Public Affairs Research Institute

### Table 2 - Future Business Conditions

	February 2015 vs. 3 months ago				Nov. 14	Feb. 14
	Decrease %	No change %	Increase %	Diffusion Index	Diffusion Index	Diffusion Index
<b>What is your evaluation of:</b>						
Level of business activity for your company	6.5	25.4	59.7	53.2	50.0	56.8
Number of employees on your company's payroll	4.8	46.8	41.9	37.1	38.3	36.5
Length of the work week for your employees	9.7	61.3	19.4	9.7	11.7	23
Capital expenditures (equipment, machinery, structures)	4.8	54.8	30.6	25.8	30.9	35.2
Employee compensation (wages and benefits)	0	41.9	51.6	51.6	57.4	48.6
Prices received for your company's products	0	66.1	24.2	24.2	33.8	13.5
National business activity	6.5	48.4	29.0	22.5	35.3	39.1
Your company's difficulty attracting qualified workers	0	59.7	32.3	32.3	30.9	21.6

#### Notes:

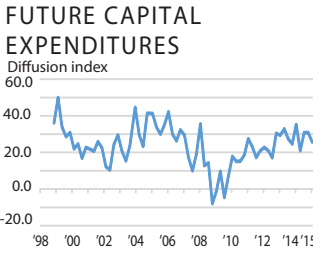
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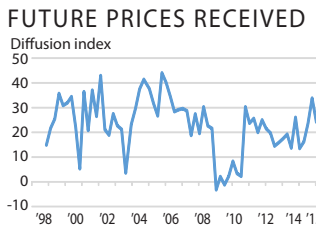
Source: SCSU School of Public Affairs Research Institute

firms expect to expand payrolls over the next six months, and only three firms expect to trim employment. The index on length of the workweek is much lower than it was one year ago. More than half of surveyed firms expect to pay higher wages by August and no firms expect lower employee compensation. Consistent with the current conditions discussed in the previous section, the outlook for future national business activity slipped this quarter — the index on this item is the lowest recorded since August 2013.



As the local expansion matures, so too does planned cap-

ital spending. While 31 percent of surveyed firms expect higher capital expenditures by August, as can be seen in the accompanying figure, the index on this item has leveled out in recent quarters. As interest rates begin to rise and the effect of an appreciating currency begins to be felt, we may see this index begin to decline in future surveys.



With lower energy costs and a stronger dollar, many of the price pressures that were of concern in recent surveys seem to have moderated. The index on future prices received is 24.2, which is considerably lower than last quarter's reading of 33.8. Two-thirds of sur-

### FUTURE DIFFICULTY ATTRACTING QUALIFIED WORKERS



veyed businesses expect no change in prices received by August. Still, it is worth noting that no firm expects lower future prices, and the prices-received index in Table 2 is considerably higher than it was one year ago.

Finally, the area labor shortage is expected to continue into August 2015. Thirty-two percent of surveyed firms expect increased difficulty attracting qualified workers over the next six months, and no firms expect the worker shortage to diminish. With a value of 32.3, this is the highest February reading on this survey item ever recorded.

## SPECIAL QUESTION 1: LOCAL RETAIL STORE CLOSINGS

### To what extent is your firm concerned about the recent wave of retail store closings in the St. Cloud area?

Since the beginning of the year, the local media have been keen to report on a number of closings of local retail establishments. The authors of this report have largely seen this as a natural outcome of a dynamic, modern market economy. After all, there have been a lot of business openings also and the way that customers engage in the retail experience has undergone considerable change in recent years. According to DEED, the highest number of business closings in retail was in 2006, with 56 firms closing in the St. Cloud Metropolitan Statistical Area (and 42 opening.) In 2012, the last year available, only 30 retail firms closed (and 46 opened.) Still, the recent retail store closings do seem to come up in casual conversation across the community, so we thought we would ask area business leaders what they thought.

Two-thirds of surveyed firms expressed some degree of concerns with the recent closings. Only 30 percent of firms were "not at all concerned" about store closings. Most firms consider this of "small concern" or "medium concern."

### COMMENTS

- » It's a cycle. I call it thinning of the herd.
- » We're a nationwide provider; concern relates to attracting and retaining employees.
- » Business closings are always a concern. Seems we are losing top tier retail and being replaced with dollar stores.
- » Normal evolution of retail and continued erosion to online sales.
- » Concerned for the visible signs of decay that could affect

St. Cloud in general.

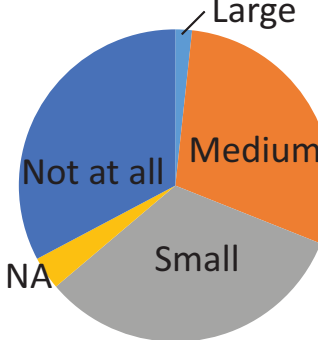
- » When they close we have more people out of work and retail is important.
- » Closings are probably due to increased online retail.
- » It's always concerning when you see businesses close. At the same time, we are also seeing new businesses enter the market.
- » We do not see it as a "wave" but rather economic forces impacting bad business models.
- » Things may have expanded more than they should have, so this is maybe just a weeding out process that has to happen from time to time.
- » While there have been retail store closings, there have also been retail store openings. In order for a forest to remain healthy and grow, some trees have to be allowed to die to make room for prosperous new trees. Kmart effec-

tively closed years ago.

- » It means more workers looking for jobs, which is good for our business.
- » It will help as new tenants open stores; we'll get (more business).
- » I would be more concerned if LOCAL business ownership either went out of business or sold to large corporations not based in St. Cloud.
- » Although not a direct impact to our company, I think it speaks for the overall business climate that if we're in an expanding economy. Why are so many businesses closing their doors?
- » Concern stems from impact on local economy and potential impact on families of our employees.
- » Economy is not what it should be after six years of "stimulus."
- » My thoughts are, that retail in general is changing.

#### Special Question 1

To what extent is your firm concerned about the recent wave of retail store closings in the St. Cloud area?



As online purchases keep increasing, like they are, and in my opinion continue doing so, retail stores will decrease. Between the cost of the four walls, and the definite increase in employee costs, online sales will be less expensive and ultimately attract the consumer.

- » Sudden closures is somewhat unsettling.
- » I see it as a correction in the marketplace.
- » Employment in the area is always a concern.



# SURVEY RESULTS

## SPECIAL QUESTION 2: IMPACT OF RECENT DECLINE IN ENERGY PRICES

### Considering the overall effect on your company, how is your firm impacted by the recent decline in energy prices?

Energy prices have declined considerably in recent months. While this has potentially disrupted economic activity in energy sensitive sectors of the economy, this has also produced a “consumer dividend” in the form of cost savings on energy purchases. On balance, most observers think the net effect of lower energy prices will benefit the national economy. We were interested to hear what local businesses think.

More than 70 percent of surveyed businesses are being favorably impacted by lower energy prices and 23 percent indicate this is having no impact on their company. Two surveyed firms report a negative impact. Thirty-nine percent of firms indicate this is having a “small favorable impact,” while nearly one-quarter of survey respondents report a “medium favorable impact.” This is having a “large favor-

able impact” on 8 percent of firms.

#### COMMENTS

» More money for our employees.

» Gas and diesel are lower, but natural gas and electric prices seem to be rising.

» Stronger currency is giving us some mild headwinds in international markets, costs are a bit lower so net result is very little impact so far.

» Low utility bills and low snowplowing costs are wonderful!!!

» We have several vehicles with a large fuel bill monthly.

» Decline in oil price impacts our raw product.

» More disposable income could generate more purchases (of our product).

» The leisure and travel industry will benefit as people will be more willing to take vacations further away from

home with less expensive gasoline costs.

» The benefit of lower energy costs and other commodities is more than offset by the corresponding negative impacts of the stronger dollar which is making us less competitive overseas and foreign products cheaper here.

» Energy costs are not a large part of our operating costs.

» Transportation has become more affordable, a positive outcome.

» With running 11 trucks, we’ll see a savings in fuel costs.

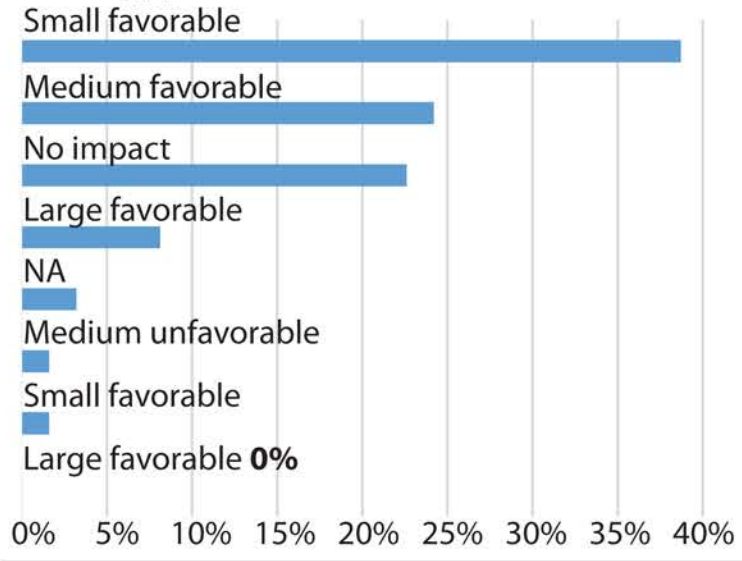
» Our sales stayed the same, buyers just switched to SUVs and not high MPG cars.

» Lower operating costs to run our trucks and equipment.

» Has a small reduction in our manufacturing costs along with a reduction on inbound freight, but much of our energy costs (fuel) is passed on to our customers.

### Special Question 2

Considering the overall effect on your company, how is your firm impacted by the recent decline in energy prices?



» Delivery and truck expense reduction.

» We have fleet of vehicles so we have small favorable impact.

» As an example, airfares

will not go down to reflect these cost factors.

» Should not have fuel surcharge any more, but companies are continuing to profit over fuel surcharges.

## SPECIAL QUESTION 3: FUTURE DIRECTION OF GAS PRICE MOVEMENTS

### On Feb. 15, St. Cloud-area gas prices were \$2.19 per gallon. Six months from now, do you expect gas prices to be higher, lower or largely unchanged?

Gas prices remain historically low and there is much discussion about how long these prices can stay at current low levels. We thought it might be interesting for area business leaders to see what others are thinking about future gas prices.

Not one of the 62 survey

respondents thought gas prices would go lower, and only 11 percent of business leaders thought gas prices would be “largely unchanged.” Eighty-six percent of firms expect gas prices to be higher than \$2.19 per gallon on Aug. 15 (given the variable nature of gas prices, the current local pump

price is already well above \$2.19 as we are writing this report). We cannot recall any time in 17 years of surveying area business leaders in which respondents have been in more universal agreement than on this question. We will update readers in six months on whether area business leaders

had it right.

#### COMMENTS

» Summer prices are routinely higher. Gas prices will be higher than \$2.19 but still significantly less than 2014.

» We need the Keystone pipeline.

» They have already started upward and as always become higher when summer travel picks up.

» I cannot imagine prices will stay low. Refinery refit to summer blend will be used as an excuse to charge more.

» What we read indicates we have 12-18 months of consistent fuel prices.

» Another market rebalance

See GAS, Page 5I



# WHAT THE DATA MEAN

## LEADING INDICATORS POINT TO HOLDING PATTERN

In Table 3 we see that total nonfarm employment grew 1.4 percent in the 12 months to January 2015, well above its long-run trend since 2000. Private sector employment grew 1.9 percent. Employment growth was particularly strong in the construction, education and health, and wholesale trade sectors. In each case that growth outpaced growth in those sectors statewide and in the Twin Cities. Professional and business service sector employment fell significantly, based on more complete data from a revision performed by the Minnesota Department of

Employment and Economic Development. There was also a sizeable drop in employment in St. Cloud's relatively small information sector. Public sector employment fell 1.1 percent in the last year. New data from DEED about unemployment rates showed that the area unemployment rate was 5 percent in January. This is 0.9 percent below its January 2014 level. Labor force participation likely grew in the last year (overall area population growth is estimated by the state demographer to be growing at less than 0.5 percent per year between 2010

and 2013). Household employment rose 2.4 percent. St. Cloud unemployment is above the state rate currently and 0.9 percent above that for the Minneapolis-St. Paul region. Much of this could be due to the higher share of retail employment in the St. Cloud area. Elsewhere in Table 4 we see that initial claims for unemployment insurance fell slightly in the last three months from year-ago levels. This series is always highest in the months of November, December and January. Help-wanted advertising increased substantially in the period, while

the value of residential building permits in the metro area was virtually unchanged. The St. Cloud Index of Leading Economic Indicators rose 0.1 percent over the last year, indicating that growth has been in a roughly neutral position over the period, consistent with employment growth in the range of 1-1½ percent. As seen in Table 5, three of the four indicators grew in the last quarter. New claims for unemployment insurance on a seasonally adjusted basis were higher in the November-January period, thus having a negative effect on LEI. New business incorpo-

rations moved up significantly, which improved LEI. The index has traveled in a holding pattern since reaching its post-recession high mark in August 2013. Consistent with this, the St. Cloud Area Probability of Recession Index (not shown) indicates a zero probability for recession through the second quarter of 2015. This zero reading has persisted for the last two years. As noted in special questions, the fall in gas prices over the past several months has contributed significantly, in

See INDICATORS, Page 51

Table 3- Employment Trends

	St. Cloud		Minnesota		Twin Cities	
	2000-'15	1/14-1/15	2000-'15	1/14-1/15	2000-'15	1/14-1/ 15
	long-term	growth	long-term	growth	long-term	growth
	trend	rate	trend	rate	trend	rate
Total non-agricultural	0.8%	1.4%	0.4%	1.3%	0.5%	1.7%
Total private	0.8%	1.9%	0.5%	1.6%	0.5%	1.9%
GOODS PRODUCING	-0.2%	3.7%	-1.3%	1.4%	-1.3%	2.8%
Mining/Logging/Construction	2.7%	12.3%	-0.7%	0.0%	-0.8%	3.0%
Manufacturing	-1.0%	1.0%	-1.5%	1.8%	-1.5%	2.7%
SERVICE PROVIDING	1.1%	0.9%	0.8%	1.3%	0.8%	1.5%
Trade/trans/utilities	-0.5%	0.9%	-0.2%	1.5%	-0.3%	1.4%
Wholesale trade	0.9%	5.3%	0.3%	2.4%	0.2%	2.5%
Retail trade	-1.3%	-0.6%	-0.4%	1.5%	-0.4%	0.7%
Trans/ware/utilities	1.4%	0.9%	-0.5%	0.2%	-0.9%	1.6%
Information	-1.8%	-5.9%	-1.6%	-0.4%	-1.5%	-0.7%
Financial activities	2.2%	2.7%	0.6%	0.5%	0.5%	0.2%
Professional, business services	1.5%	-7.7%	0.8%	2.4%	0.8%	3.3%
Education & health	3.3%	5.5%	3.1%	1.7%	3.4%	1.5%
Leisure & hospitality	1.2%	2.4%	1.1%	1.7%	1.4%	2.4%
Other services (excl. gvt)	0.0%	2.2%	0.0%	2.0%	0.6%	1.8%
Government	1.0%	-1.1%	0.2%	-0.2%	0.1%	-0.1%
Federal	2.5%	-0.2%	-0.3%	0.9%	-0.5%	0.4%
State	2.2%	-3.0%	0.9%	-1.0%	0.1%	-0.4%
Local	0.1%	-0.2%	0.1%	-0.1%	0.2%	-0.1%

TABLE 4 - OTHER ECONOMIC INDICATORS	2014	2015	Percent change
St. Cloud MSA Labor Force January (Minnesota DEED)	108,896	110,505	1.5%
St. Cloud MSA Civilian Employment #+ January (Minnesota DEED)	102,514	104,931	2.4%
St. Cloud MSA Unemployment Rate*+ January (Minnesota DEED)	5.9%	5.0%	NA
Minnesota Unemployment Rate* January (Minnesota DEED)	5.4%	4.6%	NA
Mpls-St. Paul Unemployment Rate*+ January (Minnesota DEED)	4.9%	4.1%	NA
St. Cloud Area New Unemployment Insurance Claims November-January Average (Minnesota DEED)	1,632	1,534.3	-6%
St. Cloud Times Help Wanted Ad Linage November-January Average	1,493	2,013	34.9%
St. Cloud MSA Residential Building Permit Valuation in thous., Nov. - Jan. Average (U.S. Dept. of Commerce)	2,656	2,672	0.6%
New St. Cloud Index of Leading Economic Indicators January (SCSU) October 2001 = 100	102.3	102.4	0.1%
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. + - St. Cloud and Minneapolis-St. Paul labor force, employment and unemployment figures in Table 4 are based on preliminary data that had not yet been published when this report was prepared. * - Not seasonally adjusted N/A - Not applicable			

Table 5 - Elements of new St. Cloud Index of LEI	Contributions
Changes from Nov. 2014 to Jan. 2015	to LEI
New claims for unemployment insurance	-0.04%
Professional employment	0.00%
New business incorporations	0.17%
Help-wanted advertising in St. Cloud Times	0.04%
Total	0.18%



# Gas

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thing going on here. I think gas will get to \$3-something a gallon and settle there until some other event takes place.

» Don't believe it is regulated as best it can be, therefore I anticipate an increase.

» I feel any little issue seems to raise the price of gas, and we do usually see an increase in summer.

» We are budgeting for prices to go back up because we are locked in to contract prices for a long time.

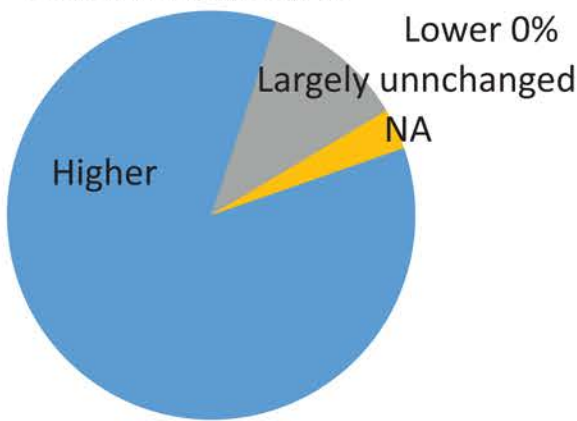
» Although oil prices are forecast to drop further yet, I don't believe gas companies will allow them to drop much below \$2 per gallon.

» Expecting oil companies to continue to work on pushing prices back up.

» Commodity, supply/

## Special Question 3

On Feb.15, 2015, St. Cloud area gas prices were \$2.19 per gallon. Six months from now, do you expect these gas prices to be higher, lower or largely unchanged?



demand will push up price and speculation ... go long on crude oil.

» Even if the cost of oil doesn't increase, which it probably will, our elected officials will take this opportunity to increase taxes either on the wholesale level, the retail level or both.

» Price is artificially low now.

» Prices seem to have leveled off and I would expect them to move back up again.

» I can't imagine OPEC will be able to continue to undercut their own production costs.

# Indicators

Continued from Page 4I

our estimation, to the numbers continuing to be strong. In December the Pew Research Center plotted its consumer confidence measure against gasoline prices and reported that it sees "a moderately strong negative correlation — that is, consumer sentiment rose as pump prices fell." [1] Lower fuel prices also help businesses by improving cash flow, which may have caused a rebound in confidence. But fuel prices have already risen almost 50 cents from their lows in January, so one cause for increased confidence may be slipping.

We would add other concerns. At the moment we are writing this, the Federal Reserve seems poised to give notice to markets that short-term interest rates should rise from zero. Much more than any financing concerns for firms, this move will likely increase the value of the dollar and make it harder for firms who do business internationally. Add this to the decline in commodity prices already pinching area farmers and one can find plenty of causes for

St. Cloud nonfarm employment, revised and previous, 2013-'14



concern for an economy that is only expanding modestly now.

But little of this matters, it seems, as long as a fill-up leaves an extra \$10-20 in the consumer's hands right now. Until those broader economic effects come home to Central Minnesota, it appears the economy will continue its slow growth.

[1] Drew Desilver, "Do lower gasoline prices make for confident consumers?" FactTank, Pew Research Center, online at <http://www.pewresearch.org/fact-tank/2014/12/16/gas-prices-consumer-sentiment/> (last accessed March 11, 2015.)