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St. Cloud Area Quarterly Business Report Vol. 20 No. 3

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Quarterly Business Report

SUNDAY, SEPTEMBER 9, 2018 ■ VOL. 20, ISSUE 3

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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.

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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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INSIDE

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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>

Strong growth continues

Area firms reported strong economic conditions over the past three months as local employment grew at a 1.9 percent rate over the year ending July 2018. Results of the St. Cloud Area Business Outlook Survey indicate strong current business activity by area firms despite historic difficulty finding qualified workers. The six-month ahead future business activity outlook was weaker for surveyed firms as 30 percent of firms expect decreased business activity by February 2019. As the future closure of Electrolux approaches and the impact of national tariffs begins to be felt, the area economy is entering a period of heightened uncertainty that clouds the future outlook for many area firms.

The manufacturing, education/health, wholesale trade, transportation/warehousing/utilities and construction sectors of the regional economy showed strong job growth over the past year, while employment contracted in the retail trade, professional and business services and financial activities sectors. The new St. Cloud Index of Leading Economic Indicators fell from its elevated level last quarter, but remained 1.2 percent higher than its reading of one year ago. Area firms report increased prices received — a trend that has been observed throughout 2018. Survey responses indicate area firms are experiencing a relatively less favorable impact from national economic policies than was initially anticipated when the administration entered the White House at the beginning of 2017.

KEY TAKEAWAYS

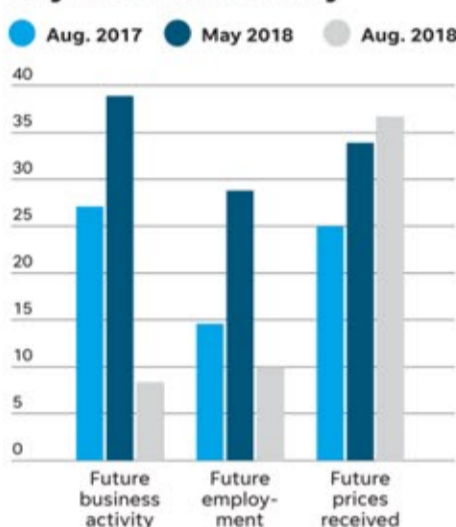
1 Private sector payroll employment in the St. Cloud area rose 2 percent from one year earlier in the 12 months through July 2018. Goods producing industries (which account for only 21.6 percent of jobs in the area) experienced year-over-year job gains of 4.9 percent as activity in the local manufacturing and construction sectors surged. Service providing industries (which account for the other 78.4 percent of local payrolls) saw employment rise 1.1 percent over the past year. The unemployment rate in the St. Cloud area in July fell to 2.6 percent from 3.3 percent one year ago. This is the lowest July reading since area monthly unemployment rates were first measured in 1990. The labor force rose by 2.5 percent in the St. Cloud area over the past year.

2 Employment in the health and educational sector grew by 4.2 percent over the year ending July 2018. As has been noted in previous reports, this sector now accounts for nearly one out of every five jobs in the area. Annual local job growth in the wholesale trade sector was 3.8 percent and manufacturing employment is estimated to have increased by 5.6 percent over the last twelve months. Sectors experiencing job gains represented nearly 74 percent of area employment over the past year. Local sectors that experienced year-over-year job losses include

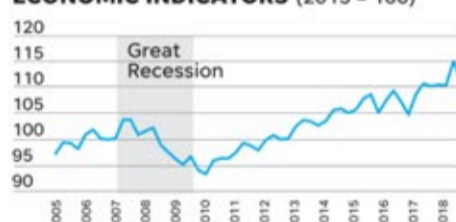


Day-shift workers cross 33rd Avenue North as they leave the Electrolux plant in St. Cloud in this 2008 file photo. PAUL MIDDLESTAEDT, AP

Key results of survey



NEW ST. CLOUD INDEX OF LEADING ECONOMIC INDICATORS (2013 = 100)



retail trade (which shed 2.8 percent of its workers), information, financial activities and professional and business services sectors.

3 The new St. Cloud Index of Leading Economic Indicators fell 3 percent in the May-July quarter but is up 1.2 percent from a year ago. The St. Cloud I3 Stock Price Index rose 0.9 percent over the three months ending July 31, 2018. Over this same period, the S & P 500 rose 3.6 percent.

4 The future outlook of those area businesses responding to the St. Cloud Area Business Outlook Survey is mixed. 38 percent of surveyed firms expect an increase in business activity over the next six months, but 30 percent expect decreased activity. These are the weakest numbers we have ever seen in the August future business activity index. We note that some of this weakness is seasonal and the changing composition of surveyed firms may also account for some of this result. We will need to see a couple of additional quarters of this survey item's performance before we reach any clear conclusions about a change in firms' future business activity outlook. Only 23 percent of surveyed firms expect to expand payrolls by February and 58 percent anticipate

higher employee compensation. 37 percent of surveyed firms anticipate higher prices received by February 2019 and no firms think prices will be lower. This continues a recent trend (seen since the beginning of the year) of area firms' expectations of higher future prices. The area worker shortage is expected to continue. 35 percent of surveyed firms expect it to be more difficult to attract qualified workers in six months' time and no firms expect less difficulty finding qualified workers.

5 Nearly half of surveyed firms report being unfavorably impacted by the trade policy initiated by the Trump Administration. When the administration was taking office in 2017, only 16 percent of firms expected trade policies to have an unfavorable impact. Note that 17 percent of survey respondents report a favorable impact of these trade policies. In February 2017, 27 percent of firms expected to be favorably impacted by new trade policies. Taxation is the area of economic policy that has most favorably impacted area firms. 72 percent of survey respondents report being favorably impacted by the Trump Administration's tax policy (although the favorable impact has not been as large as was anticipated in February 2017). 43 percent of firms indicate favorable results from regulatory policy. On balance, the results of this quarter's special question on the impact of the Trump Administration's economic policy indicate area firms have not experienced a favorable impact of these policies to the extent that was initially anticipated when the administration took office in 2017.

The role of trade in the St. Cloud economy: Look North

We have often asked questions regarding the impact of international trade on the local economy. These questions have typically not raised significant interest because the St. Cloud economy is not greatly exposed to international markets. As written elsewhere in this issue, however, the share of respondents who believe the Trump Administration's trade policy will have an unfavorable impact on their busi-

nesses — small, medium or large in size — rose from 15.5 percent in February 2017 to 48.3 percent in August 2018. What leads to this increase in concern?

Exports from the St. Cloud metro area represented \$266.3 million in 2016. While we do not know with precision what share of production this represents, the 2012 Economic Census

Direction of exports

St. Cloud MSA, 2016, in millions

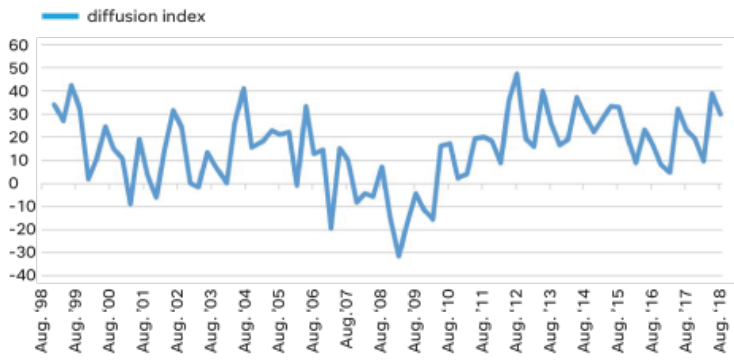
TOTAL	\$266.32
NAFTA	\$185.58
EU	\$10.92
Asia	\$44.24
All others	\$25.58

Note: total value of shipments in manufacturing, 2012: \$4,221.13

See **EXPORTS**, Page 51

Survey Results for Standard Questions

Current employment



Current activity

Tables 1 and 2 report the most recent results of the St. Cloud Area Business Outlook Survey. Responses are from 60 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.

Most of the current activity indexes found in Table 1 are similar to what was reported last quarter (which is a sign of solid current conditions, since the spring survey is usually somewhat stronger than the summer survey) and, in most cases, the diffusion index numbers from this table are also stronger than one year ago. 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. Indexes on business activity, level of employment, prices received, national business activity and difficulty attracting qualified workers all compare favorably to one year ago. The readings on capital expenditures and employee compensation are lower than one year ago and the index on length of workweek is little changed from August 2017. Indicators in Table 1 make clear that local economic performance remained strong throughout the summer months, highlighted by favorable conditions in the area's labor market. The accompanying chart helps illustrate this point. The current employment index remains elevated near the 5-year high it achieved in May.

The diffusion index on current business activity is higher than one year ago as one-half of surveyed firms report improved conditions in August and only 10 percent (representing six firms) experienced decreased activity. Likewise, only one firm (1.7 percent) had a shorter workweek in August and 25 percent had increased average hours worked. Forty percent of survey respondents

added to payrolls last quarter. With rising interest rates and a cloudy local (and national) outlook, firms appear to be pursuing modest capital formation plans. The capital expenditures index is lower than it was one year ago as 63 percent of surveyed firms report no change in capital purchases over the past three months. The diffusion index on current prices received remains elevated (as it has been throughout 2018). The current quarter reading on this item is the fourth highest recorded value since mid-2005. Labor costs remain high, but "only" 43 percent of firms report increased employee compensation in the current quarter (last quarter 59 percent of surveyed firms reported higher wages, salaries and employee benefits).

The diffusion index on national business activity obtained a historically high level last quarter and it remained there in the summer months. At a value of 38.3, this index has only been higher two other times (in May 2014 and last quarter). Finally, the big story in the regional labor market over the last four years has been area firms' increasing difficulty attracting qualified workers. Worker shortages are being reported around the state and the area unemployment rate is at an historic low. One way to visualize the difficulty area firms are having with the worker shortage is to look at path of the diffusion index on current difficulty attracting qualified workers. As can be seen in the accompanying figure, this index is at its highest level in 19 years.

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

- Need to get health insurance reform. Preliminary reports indicate another 15% increase for next year's premiums and higher deductible? What's the solution? Tort reform may help.

- The policies and changes by this presidential administration have been very favorable for small business!

- Labor market is tightening up and hampers our growth.

- Seasonal increase in construction, but the late, wet spring delayed the start of the construction season. We are a month behind where we were in 2017.

- Most young people don't want to work 40 hour weeks and tend to miss at least 1 day a

Table 1: Current business conditions

St. Cloud Area Business Outlook Survey summary, August 2018

What is your evaluation of:	August 2018 vs. three months ago				May 2018 diffusion index ³	August 2017 diffusion index ³
	Percentage decrease	No change	Percentage increase	Diffusion index ²		
Level of business activity for your company	10.0	38.3	50.0	40.0	42.3	35.5
Number of employees on your company's payroll	10.0	46.7	40.0	30.0	39.0	23.0
Length of the workweek for your employees	1.7	70.0	25.0	23.3	22.0	25.0
Capital expenditures (equipment, machinery, structures, etc.) by your company	3.3	63.3	30.0	26.7	27.1	35.4
Employee compensation (wages and benefits) by your company	0	55.0	43.3	43.3	59.3	52.1
Prices received for your company's products	5.0	55.0	31.7	26.7	28.8	16.6
National business activity	1.7	38.3	40.0	38.3	40.7	16.6
Your company's difficulty attracting qualified workers	0	50.0	46.7	46.7	39.0	45.8

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 School of Public Affairs Research Institute

Table 2: Future business conditions

St. Cloud Area Business Outlook Survey summary, August 2018

What is your evaluation of:	Six months from now vs. August 2018				May 2018 diffusion index ³	August 2017 diffusion index ³
	Percentage decrease	No change	Percentage increase	Diffusion index ²		
Level of business activity for your company	30.0	28.3	38.3	8.3	38.9	27.1
Number of employees on your company's payroll	13.3	58.3	23.3	10.0	28.8	14.6
Length of the workweek for your employees	13.3	70.0	13.3	0	8.4	10.4
Capital expenditures (equipment, machinery, structures, etc.) by your company	6.7	58.3	28.3	21.6	28.6	18.7
Employee compensation (wages and benefits) by your company	0	40.0	58.3	58.3	55.9	54.2
Prices received for your company's products	0	53.3	36.7	36.7	33.9	25.0
National business activity	6.7	48.3	25.0	18.3	35.6	8.4
Your company's difficulty attracting qualified workers	0	58.3	35.0	35.0	39.0	33.3

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. Source: SCSU School of Public Affairs Research Institute

week.

- Our ability to attract employees who want to work is severely hampering growth opportunities.

- State and federal funding of (technologies that will assist our company).

- Owner's health.

- Skilled worker shortage.

- Labor shortage. Finding qualified people to do general work.

Future outlook

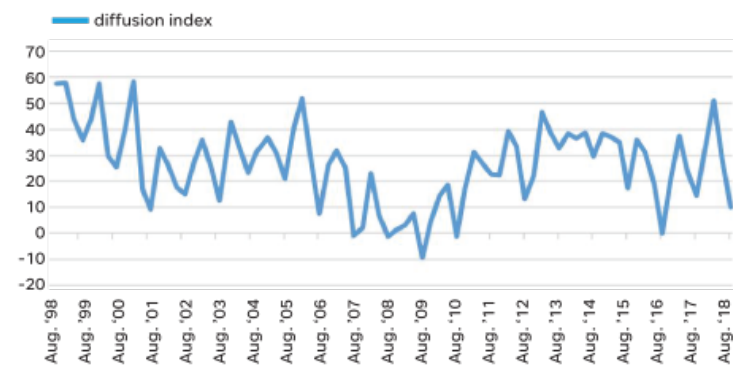
As was indicated on page 1 of this report, the future business conditions survey responses found in Table 2 suggest an uncertain future outlook of area businesses. This is particularly true of surveyed firms' six-month ahead outlook on business activity. At a value of 8.3, the diffusion index on future business activity has never been lower. We note some of this is a normal seasonal effect — many area firms experience slower business conditions in February than they do in August. And, the composition of survey respondents has changed over time as new firms have been added and others dropped from the St. Cloud Area Business Outlook Survey. We also note a historically low reading two years ago — in August 2016 — the last time we had local, state and national elections, so we are not sure what to make of this quarter's reading on this survey item. As can be seen in the accompanying figure, despite a pronounced pattern of seasonal variation in the future business activity index, this quarter's index reading is clearly an outlier. While a couple of the other readings in Table 2 are weaker than expected, it is the future business activity index that stands out. With 30 percent of surveyed businesses expecting decreased business activity by February 2019, this will be an item worth watching in future quarters.

A further concern is that this quarter's future employment index (see adjacent figure) in Table 2 experienced its second lowest reading since August 2010. Only 23 percent of surveyed firms anticipate adding to their payrolls by February. Increased worker shortages, historically lower unemployment rates, accelerating employee compensation and fewer retail

Future prices received



Future employment



outlets hiring may contribute to area firms feeling constrained in their ability to find employees in the future. Some of these concerns appear in the comments by area firms in the previous section of this report.

This quarter's future capital expenditures index is lower than that which was observed over the last two quarters (at which time the index registered particularly strong readings). Twenty-eight percent of firms expect increased purchases of equipment, machinery and structures in six months' time and only four firms anticipate decreased capital spending. Seventy percent of surveyed firms expect no change in the length of the workweek by February 2019 and only one quarter of firms expect increased national business activity over this time period. Worker shortages are expected to persist over the next six months. Thirty-five percent of firms anticipate increased future difficulty attracting qualified workers and no firms think the labor shortage will moderate.

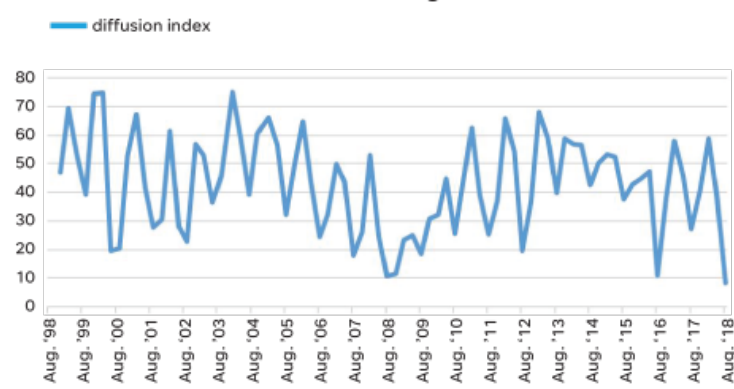
Over the last couple of quarters, area firms have commented on their concerns about the effect the tariffs imposed by the Trump Administration were having on costs and prices. Nationally, overall inflation has begun to inch up above levels

that make the Federal Reserve comfortable, leading to increasing short-term interest rates. Area firms will want to pass along these increased costs in higher prices. This is what is seen in the accompanying chart. The future prices received index is at 36.7 (its second highest reading in the past 12 years) and no surveyed firm expects lower future prices in February. Not to be outdone, the employee compensation index in Table 2 is also elevated. Fifty-eight percent of firms expect higher employee compensation over the next six months, and no firm thinks labor costs will fall. This all translates into a future in which area firms can expect to experience rising costs. While firms responding to the St. Cloud Area Business Outlook Survey have experienced labor cost pressures in the past, some have also enjoyed the benefits of lower commodity prices. So (along with any productivity gains they have experienced) this has helped firms retain margins without adjusting prices in a highly competitive marketplace. But this time it is different — cost pressures are becoming more widespread, inflation rates have slowly tickled up, labor shortages have persisted, interest rates are rising, etc.

Current difficulty attracting qualified workers



Future business activity



Special Question

SPECIAL QUESTION: THE IMPACT OF THE TRUMP ADMINISTRATION'S ECONOMIC POLICIES

In 2017, the Trump Administration took over the White House with a broad agenda to re-shape the nation's economic policies. Among other things, this agenda included health care reform, deregulation, tax reform, increased infrastructure spending and changes in both trade and immigration policy. In the February 2017 St. Cloud Area Business Outlook Survey, we seized the opportunity to ask area firms how they expected they might potentially be impacted by the economic policy agenda that the new administration was likely to pursue. The results were reported in the March 2017 St. Cloud Area Quarterly Business Report (which the reader can access by going to the SCSU Institutional Repository at <https://repository.stcloudstate.edu/scqbr/>) and are reproduced below. The February 2017 survey results set a baseline for how surveyed firms expected to be impacted by any new policies. Eighteen months have now elapsed and the administration has either proposed or enacted a range of different economic policy measures. Some of this policy agenda has been passed with legislative approval and some it has been undertaken by executive order.

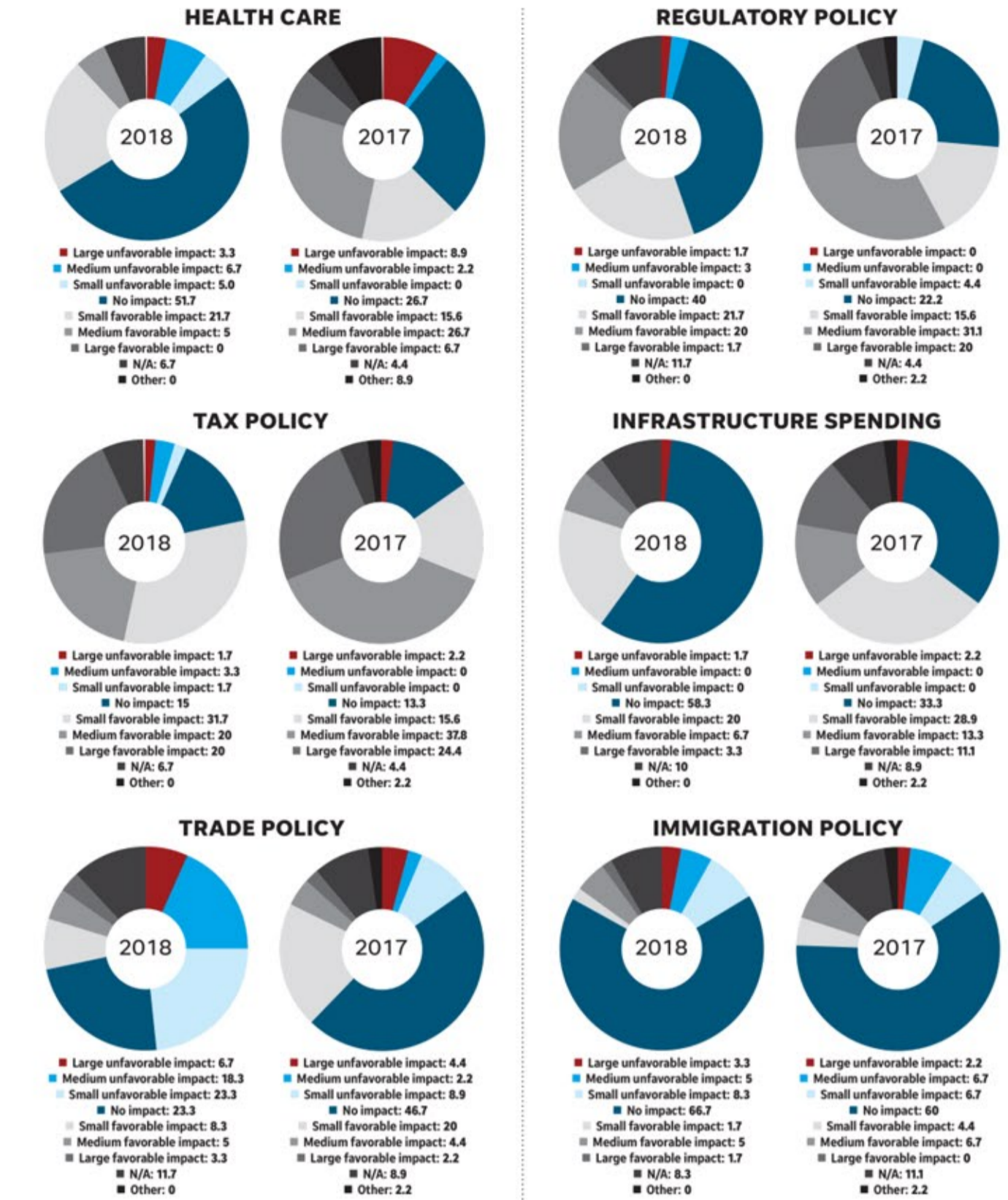
Attempts at comprehensive health care reform have proved futile as repealing the Affordable Health Care Act has proved politically difficult. The administration's goal of eliminating regulations at a 2:1 ratio is hard to measure, but a number of deregulatory actions have occurred. The president's proposal to spend \$1.5 trillion on infrastructure has encountered congressional resistance, but a sweeping tax reform — the Tax Cuts and Jobs Act — was passed at the end of 2017. Sweeping tariffs and other trade restrictions imposed on a range of U.S. trade partners have been implemented in recent months and the administration's immigration policy has included travel bans, increased immigration enforcement and a phase out of the Deferred Action for Childhood Arrivals policy (which has been blocked by federal courts), among other things. It is beyond the scope of this report to provide detailed and exhaustive commentary on the administration's economic policies, but we think readers might be interested in how the economic policies of the administration have measured up to the original expectations. So, we asked area firms:

PRESIDENT TRUMP HAS NOW HAD INFLUENCE OVER A RANGE OF ECONOMIC POLICIES WHOSE EFFECTS ARE LIKELY TO INFLUENCE BUSINESS ACTIVITY. CONSIDERING BOTH DIRECT AND INDIRECT EFFECTS, TO WHAT EXTENT DO YOU FEEL YOUR COMPANY HAS BEEN IMPACTED IN EACH OF THE FOLLOWING POLICY AREAS THAT HAVE BEEN INFLUENCED BY THE TRUMP ADMINISTRATION?

This special question closely parallels what was asked in February 2017. Firms were asked to indicate how they have been impacted (on a seven-point Likert scale) in six different economic policy areas. The results are broad-based and interesting. On balance, surveyed firms appear to have had higher expectations for the administration's economic policy reforms than has occurred to date. For example, in the area of health care policy reform, 51.7 percent of surveyed firms report "no impact" of the administration's policies. In the February 2017 survey, 49 percent of firms expected either a small, medium or large favorable impact of the administration on health care policies. In this quarter's parallel survey, the favorable impact was limited to 26.7 percent of respondents (most of whom reported a "small favorable impact").

In the area of regulatory policy, most firms report either "no impact" or some level of favorable impact from the administration's policies. However, in February 2017, only 22.2 percent of firms expected "no impact" from regulatory policy reform and two-thirds expected some form of favorable impact. In this quarter's survey, 40 percent of firms report "no impact" of regulatory policy and 43 percent report a favorable impact. Only one firm (1.7 percent of the survey) reports a "large favorable impact" of regulatory policy. In February 2017, 20 percent of firms believed they would experience a "large favorable impact" from the administration's regulatory policy.

Tax reform has been a major achievement of the Trump Administration. Among other things, the Tax Cuts and Jobs Act of 2017 lowers personal income tax rates and increases the standard deduction (but eliminates the personal exemption), increases child tax credits and lowers corporate tax rates. Seventy-two percent of surveyed businesses indicate this has had some form of favor-



able impact on their firm. In one sense this is in line with what firms expected in February 2017 when 78 percent of those surveyed expected the new administration's tax policy to favorably impact them. However, the big difference is that a larger share of firms in 2017 expected a "medium favorable impact" than has actually occurred. Instead, 31.7 percent of firms report a "small favorable impact" in the current survey. In 2017, this number was expected by only 15.6 percent of the sample. Still, 20 percent of surveyed firms report that the new tax policy has had a "large favorable impact" on their business. This is in line with what was expected in 2017.

Surveyed firms report relatively little favorable impact of infrastructure spending compared to what they anticipated in February 2017. 58.3 percent of firms in this quarter's survey report "no impact" of infrastructure spending and 20 percent indicate a "small favorable impact." Contrast this with the February 2017 survey, when one-third of firms expected "no impact" and 29 percent anticipated a "small favorable impact." In the February 2017 survey, nearly one-quarter of firms expected either a medium or large favorable impact from infrastructure spending. To date, only 10 percent of survey respondents have experienced a medium or large favorable impact in this policy area.

Trade policy is the one area of economic policy that has unfavorably diverged from initial expectations. Few firms (15.5 percent) expected to be unfavorably impacted by the administration's trade policy in February 2017. At that time, nearly half of surveyed firms thought trade policy would have "no impact" and another 26.6 percent believed it would have some form of a favorable impact. In this quarter's survey, 48.3 percent of firms report being unfavorably impacted by the administration's trade policy. 23.3 percent of firms indicate this is having a "small unfavorable impact" and another 18.3 percent report a "medium unfavorable impact." Compared to what was anticipated in February 2017, few firms (16.6 percent) report being favorably impacted by the administration's trade policy.

Finally, the one area of the administration's economic policy that has not deviated very much from what was expected in February 2017 is immigration policy. Eighteen months ago, survey respondents expected "no impact" from

What the Results Mean

Solid growth in local employment

Table 3: Employment Trends

	ST. CLOUD		MINNESOTA		TWIN CITIES	
	2003-'18 long term	July '17-July '18 growth rate	2003-'18 long term	July '17-July '18 growth rate	2003-'18 long term	July '17-July '18 growth rate
Total non-agricultural	1.1%	1.9%	0.8%	2.0%	1.0%	2.2%
Total private	1.1%	2.0%	0.9%	2.2%	1.1%	2.2%
GOODS PRODUCING	0.4%	4.9%	-0.2%	3.2%	-0.1%	3.6%
Mining/logging/construction	2.0%	3.6%	-0.1%	4.0%	-0.1%	4.8%
Manufacturing	-0.3%	5.6%	-0.2%	2.9%	-0.1%	3.1%
SERVICE PROVIDING	1.3%	1.1%	1.0%	1.8%	1.2%	1.9%
Trade/trans/utilities	0.7%	-0.1%	0.4%	1.4%	0.5%	2.3%
Wholesale trade	1.4%	3.8%	0.4%	1.8%	0.4%	3.4%
Retail trade	0.1%	-2.8%	0.1%	0.9%	0.3%	1.4%
Trans/ware/utilities	2.1%	4.4%	1.1%	2.3%	1.0%	2.8%
Information	-1.9%	-3.4%	-1.3%	0.3%	-1.4%	-1.4%
Financial activities	1.9%	-1.6%	0.4%	-1.0%	0.5%	0.8%
Professional and business services	1.2%	-1.7%	1.6%	1.5%	1.7%	2.0%
Education and health	3.2%	4.2%	2.6%	2.1%	2.9%	0.7%
Leisure and hospitality	0.8%	1.4%	1.5%	5.9%	1.7%	4.6%
Other services (excluding gov't.)	0.0%	2.2%	-0.2%	-0.8%	0.3%	1.5%
Government	0.8%	1.3%	0.3%	1.3%	0.2%	2.2%
Federal	2.7%	2.6%	-0.4%	-0.2%	-0.3%	-0.5%
State	0.8%	0.6%	0.7%	3.3%	-0.4%	5.0%
Local	0.3%	1.1%	0.3%	0.8%	0.5%	1.5%

Payroll employment in the St. Cloud metro area grew 1.9 percent between August 2017 and July 2018, as shown in Table 3. Overall, this is slightly less than the job growth of the state economy and that in the Twin Cities, but significant differences appear. Manufacturing employment continues to grow at a very fast pace, rising 5.6 percent over the year to July, a streak of growth that began late last year. This growth is much stronger than elsewhere in the state. Following several department store closings, retail trade employment has fallen by 2.8 percent year-over-year and now represents 12 percent of area employment. This is the lowest July reading since area employment was first measured monthly in 1990. Statewide, retail trade employment grew 0.9 percent.

Weakness in employment was also found in the information and in the professional and business services sectors. The latter is important to predicting

short-term movement in the area economy as it includes temporary workers that may later be added to permanent payrolls. Following the rest of the state, construction employment in the area continues to grow significantly faster than the job growth in the overall St. Cloud economy. Overall, sectors representing 74 percent of area employment experienced job growth in the last 12 months.

Household employment — residents of Stearns and Benton counties who are employed — rose 3.3 percent in the 12 months to July 2018. As shown in Table 4, the labor force grew 2.5 percent over this period, which contributed to a reduction in the July local unemployment rate to 2.6 percent. This is equal to the unemployment rate in the Minneapolis-St. Paul metro area. The unemployment rate has been below 3 percent for three consecutive months in the summer, which has not happened since 1999. Further representing the robust labor

Household employment — residents of Stearns and Benton counties who are employed — rose 3.3 percent in the 12 months to July 2018. As shown in Table 4, the labor force grew 2.5 percent over this period, which contributed to a reduction in the July local unemployment rate to 2.6 percent.

market, new claims for unemployment insurance in the St. Cloud area fell 16.1 percent between May and July from year-ago levels.

Table 4: Other Economic Indicators

	2018	2017	Percentage change
St. Cloud MSA Labor Force July (MN Workforce Center)	113,521	110,708	2.5%
St. Cloud MSA Civilian Employment # July (MN Workforce Center)	110,601	107,063	3.3%
St. Cloud MSA Unemployment Rate* July (MN Workforce Center)	2.6%	3.3%	NA
Minnesota Unemployment Rate* July (MN Workforce Center)	2.7%	3.3%	NA
Mpls-St. Paul Unemployment Rate* July (MN Workforce Center)	2.6%	3.3%	NA
St. Cloud Area New Unemployment Insurance Claims May-July Average (MN Workforce Center)	461.0	549.3	-16.1%
St. Cloud 13 Stock Price Index as of July 31 (SCSU)	880.63	840.92	4.7%
St. Cloud City Residential Building Permit Valuation in thousands, May-July Average (City of St. Cloud)	2,240.0	3,670.0	-39.0%
New St. Cloud Index of Leading Economic Indicators July (SCSU) 2012-13 = 100	111.5	110.1	1.2%

The value of building permits in the city of St. Cloud between May and July fell by 39 percent. However, the Central Minnesota Builders Association reports that total single family building permits in the area (including Rockville, Sartell, Sauk Rapids, St. Augusta, St. Joseph, Cold Spring, Waite Park, Foley and Rice) were up 10 units in July 2018 versus July 2017 after showing flat for the first six months of the year.

The St. Cloud 13 Stock Price Index stood at 880.63 on July 31, 2018, up 4.7 percent from one year ago and 0.9 percent over the last quarter. Eight stocks were up and five were down. The leading gainer was Wolters Kluwer, up 10.8 percent, while New Flyer and Pilgrim's Pride were down 17.2 percent and 17.5 percent, respectively.

Of interest to the St. Cloud 13 is the sale on Aug. 28 of General Growth Properties to Brookfield Property Partners.

See GROWTH, Page 51

What the Results Mean

Growth

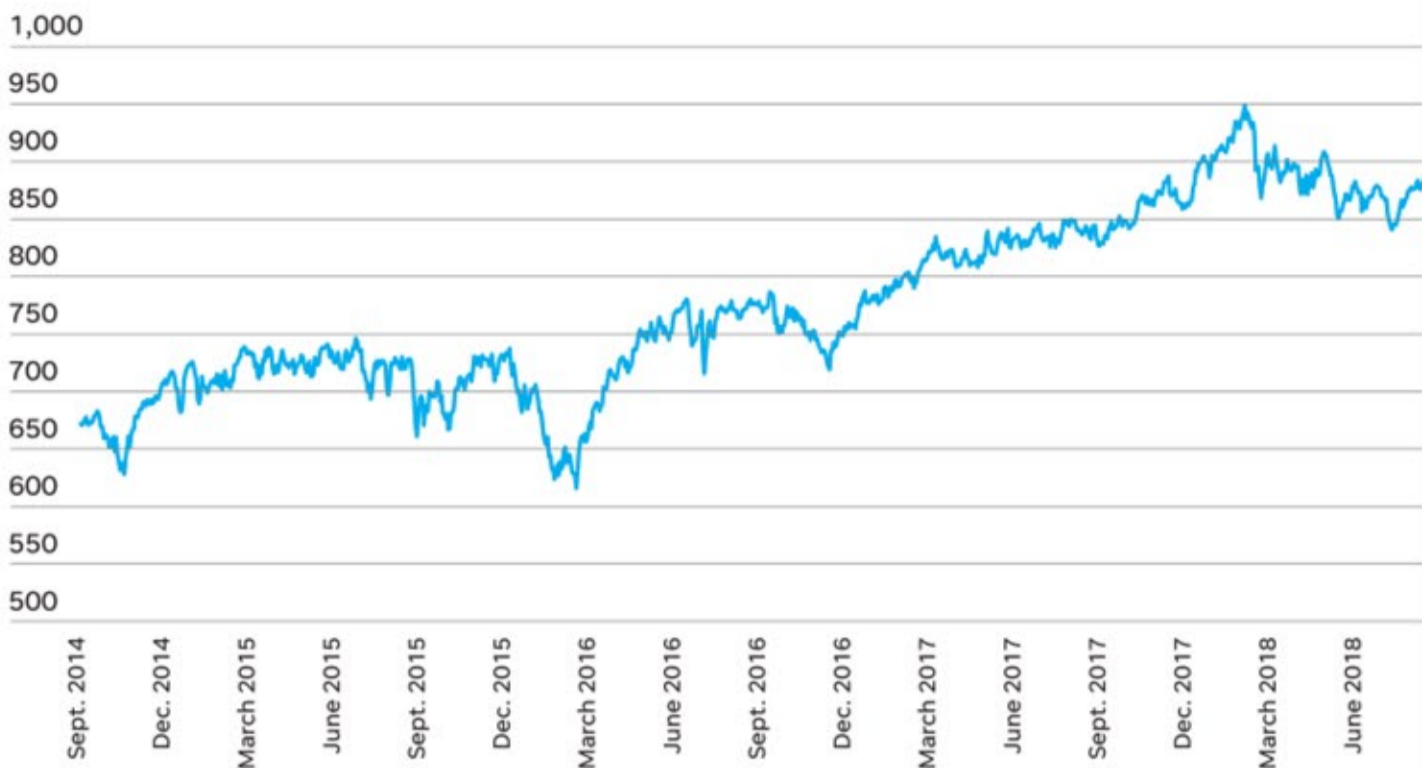
Continued from Page 4I

Brookfield, a Toronto-based company, had already owned a third of GGP, owner of Crossroads Mall. When GGP decided to put itself on the market last year, Brookfield was the only firm to bid on its assets. We intend to replace GGP with Brookfield Property Partners (NASDAQ: BPY) in our stock index in the next issue of the St. Cloud Area Quarterly Business Report.

The National Federation of Independent Businesses provides support for the optimism local business leaders displayed in this report. NFIB chief economist Bill Dunkelberg stated, "small business owners have never been so optimistic for so long, helping to power the second longest expansion in history. Despite challenges in finding qualified workers to fill a record number of job openings, they're taking advantage of this economy and pursuing growth." While we and some business leaders see a few troubling signs in the data, as growth seems more focused in the goods sector industries of manufacturing and construction, there's no doubt that this expansion has the ability to extend into 2019.

St. Cloud 13 Stock Price Index

November 1994 = 100



Exports

Continued from Page 1I

shows manufacturers shipped \$4.2 billion of goods and services. Therefore, exports are likely a much smaller share of the St. Cloud economy than in the U.S. economy nationwide.

Over 47 percent of these exports came from three sectors: transportation equipment manufacturing, machinery manufacturing and food manufacturing. The first of these, transportation equipment, consists of 10 firms, almost a quarter of all area exports, and employment totaling 1,428 workers.

New Flyer is a Canadian firm based in Winnipeg that operates plants pro-

Exports in key manufacturing sectors

St. Cloud MSA, 2016

	Transportation equipment	Machinery	Food	All Manufacturing
Employment	1,428	824	2,996	15,158
Establishments	10	22	41	330
Payroll (millions)	\$75.24	\$51.55	\$124.74	\$725.32
Exports (millions)	\$65.10	\$33.30	\$28.00	\$266.32

ducing buses and motor coaches, and has plants in both St. Cloud and Crookston. Under NAFTA, buses produced in St. Cloud can be sent tariff-free to Canadian purchasers. Beyond NAFTA, New Flyer is concerned with "Buy America" regulations that induce public transit firms that use Federal Transit Administration grants to purchase buses in the U.S. For this reason

some shells of buses are produced in Canada then sent to the U.S. to meet these requirements. New Flyer states it is closely monitoring the impact of NAFTA on their business. The company's 2017 Annual Report says, "Any amendments that would impose duties on parts, shells and finished buses and coaches could have a financial impact given materials comprise 69% of man-

ufacturing costs and complete buses and coaches are imported to each country on a regular basis." (p. 11)

NAFTA indeed is the destination of almost 70 percent of exports that come from the St. Cloud metro area. The area is much less dependent on China, though the rural parts of Benton and Stearns County in 2017 produced 6.67 million bushels of soybeans that are impacted by our trade issues there. This likely constitutes a significant portion of the \$44.2 million in exports to Asia.

The lengthening of global supply chains, as the New Flyer example shows, is one reason why we should continue to pay attention to trade issues, particularly with neighboring Canada.

Special Question

Trump

Continued from Page 31

immigration policy, and in this quarter's survey two-thirds of those surveyed indicated these policies had "no impact."

As always, firms' written comments on this ranging special question are informative:

■ I believe getting a trade balance is what his intentions are. It will probably have a negative impact for a bit but then turn around to be a positive. Just need MN to follow the fed tax to have the most benefit.

■ Business is more robust, barriers removed to make us more profitable providing quality services.

■ Tax changes and a stronger economy are good for the professional services industry.

■ Trade policy has resulted in a rapid price rise for products made from steel, and for the cost of construction. Customer projects are being delayed due to budgetary reasons.

■ Trump's tax cuts have allowed us to increase workers' wages and allow us to do more capital spending than we had planned.

■ We have no employee issues with immigration.

■ It's about time someone started taking care of America.

■ We are feeling the effects of a very low unemployment rate now, and with the decrease in potential employees, due to the decrease in immigration, it is only going to get worse.

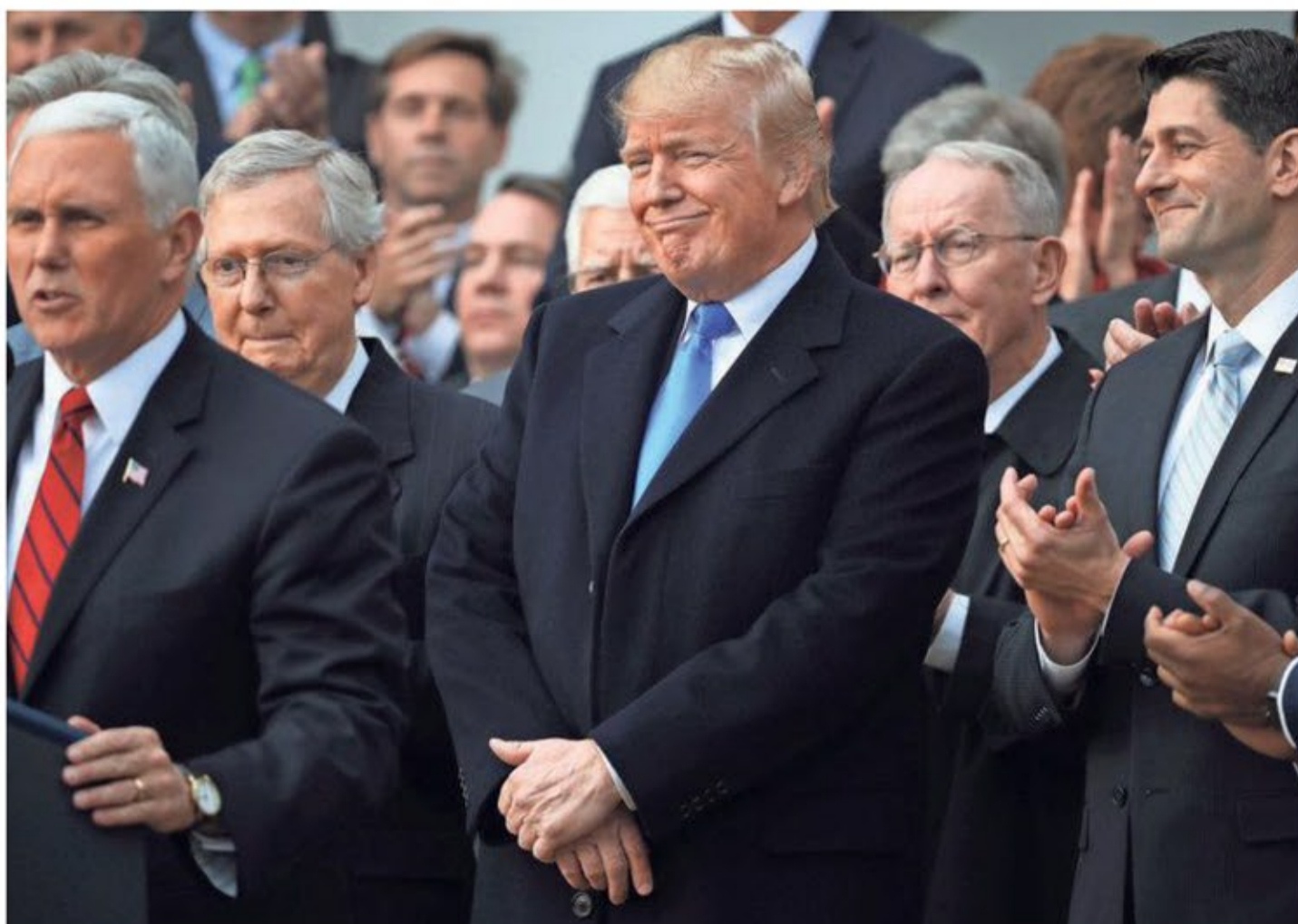
■ Generally speaking Trump's policies are favorable and have created a positive business climate.

■ There is some greater level of spending on the part of some of our customers. Additionally, the general increase in economic activity positively affects our trucking customers who carry that freight.

■ Generally policies are favorable but I have concerns about trade policy affecting ag prices negatively, which impacts many of our customers.

■ SWAG estimate at this point.

■ There has not been much actual change to date.



President Donald Trump, flanked by Republican lawmakers, celebrates Congress passing the Tax Cuts and Jobs Act with Republican members of the House and Senate on the South Lawn of the White House on Dec. 20, 2017, in Washington, D.C.

CHIP SOMODEVILLA, GETTY IMAGES

■ The improvement in the corporate tax structure has helped us move forward on a number of capital projects. We are experiencing increased interest and demand for the products we produce as buyers are moving toward our products vs. less expensive subsidized products from China. Hopefully the tariffs being considered aren't just a setup for an alternative agenda to once again help importers rather than manufacturers that can create local jobs and pay local taxes.

■ Reduction of regulations has been favorable, but immigration policy has been a disaster and is dividing our country. In that area, Trump has empowered "fringe" groups to be vocal and express

largely unfounded and false information about immigrants. This has been a terrible disservice to our country.

■ My (firm) has many farms and ag-business customers and many have been hurt by low commodity prices which may be related to trade policy.

■ We can't afford to offer our staff health insurance due to the uncertainty of costs.

■ I believe the trade issues will be resolved and we will get back to more favorable conditions.

■ I feel it's too early to tell on health care and regulations. Tax policy is favorable "for now." Is there an actual trade and immigration policy or is it just a

"tweet storm?"

■ Tariffs are having an impact as of July 2018.

■ Trump is doing nothing good for this country! Everything he does is for himself and his cronies!

■ Aluminum tariffs.

■ The increasing price of steel has been the largest impact we have seen.

■ Enforced and even proposed immigration policy seems to be affecting (our business).

■ This is a really challenging question. I can't statistically say we have been directly impacted this way. But I can "sense" the challenges and the (divisiveness) these policies are having.