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St. Cloud Area Quarterly Business Report Vol. 20, No. 4

King Banaian

St. Cloud State University, kbanaian@stcloudstate.edu

Richard A. MacDonald

St. Cloud State University, macdonald@stcloudstate.edu

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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.

About the authors



KING BANAIAN

School of Public Affairs,
St. Cloud State University,
320-308-4797



RICH MACDONALD

School of Public Affairs
Research Institute,
St. Cloud State University,
320-308-4781

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>

Slower growth and higher prices expected; health care reform remains top priority

After strong regional economic performance throughout 2018, area business leaders are preparing for slower growth and rising prices by the spring of next year.

While growth is expected to slow, the area economy still remains on solid foundations as 2019 approaches. The continuing uncertainty over national trade policy, rising inflationary pressures (and associated increased interest rates), ongoing health insurance cost concerns and the looming future closure of Electrolux all create headwinds, however, that will likely cause the area economy to grow less rapidly in 2019.

Current economic conditions over the past three months are strong as local employment grew at a 1.6 percent rate over the year ending October 2018. Results of the St. Cloud Area Business Outlook Survey indicate strong current business activity by area firms despite continued difficulty finding qualified workers. The 6-month ahead future business activity outlook was the weakest November reading since the recessionary month of November 2008.

While the local economy is in little jeopardy of entering a recession any time soon, there are many local firms who are less optimistic about the six-month ahead outlook than is normal for this time of year.

Pricing pressures are also being reported at unprecedented rates. Nearly half of surveyed firms expect to receive higher prices by May 2019.

In recent months, the local sectors that enjoyed strong employment growth included manufacturing, construction, wholesale trade, transportation/warehousing/utilities, financial activities, and leisure/hospitality. Sectors in which year-over-year employment contracted included education/health and retail trade (which combined account for nearly one-third of area employment).

The new St. Cloud Index of Leading Economic Indicators was 111.2 and is now 0.7 percent higher than its reading of one year ago.

Survey responses indicate the top legislative priorities of area firms are “health care reform” and the “tax burden.” “Job creation” and “transportation policy” are also important legislative initiatives for area firms. Most surveyed firms do not expect to be impacted by the November election results.

KEY TAKEAWAYS

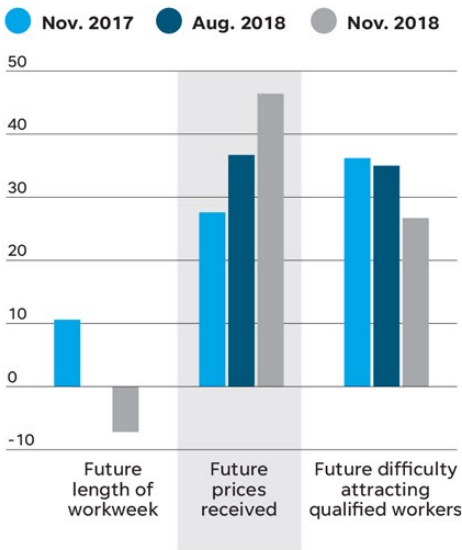
1 Private sector payroll employment in the St. Cloud area rose 1.7 percent from one year earlier in the 12 months through October 2018. The unemployment rate in the St. Cloud area in October fell to 2.1 percent from 2.3 percent one year ago. This is the second-lowest unemployment rate reading since 1990. The labor force rose by 1.4 percent in the St. Cloud area over the past year.

2 Employment in the manufacturing sector grew by 6 percent over the year ending October 2018. This sector accounts for 14.3 percent of jobs



Construction continues on the parking lot and apartment building at The Club at Heritage Apartments Oct. 29, along Roberts Road in Sartell. JASON WACHTER, JWACHTER@STCLOUDTIMES.COM

Key results of survey

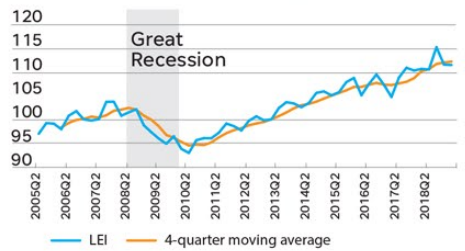


in the St. Cloud area. Annual local job growth in the mining/logging/construction (most of these jobs represent the construction industry) sector was 5.9 percent and wholesale trade employment jumped 4.2 percent. Transportation/warehousing/utilities employment grew 7.2 percent and annual employment in the local financial activities sector was up by 4.6 percent. The leisure and hospitality sector saw a 3.2 percent increase in employment over the last twelve months. Sectors experiencing job gains represented approximately 65 percent of area employment over the past year. Local sectors that experienced year over year job losses include retail trade (which shed 4.6 percent of its workers), information, educational/health (which accounts for nearly one in five area jobs), and federal government.

3 The new St. Cloud Index of Leading Economic Indicators fell 0.1 percent in the August-October quarter but is up 0.7 percent from a year ago. The St. Cloud 13 Stock Price Index fell 9.6 percent over the three months ending October 31, 2018. Over this same period, the S & P 500 fell 3.7 percent.

4 The future outlook of those area businesses responding to the St. Cloud Area Business Outlook Survey is weaker than normal for this time

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



of year. Forty-eight percent of surveyed firms expect an increase in business activity over the next six months, but 18 percent expect decreased activity. These are the weakest numbers we have seen in the November future business activity index since the recessionary period of November 2008, a very different time than now. Only thirty-two percent of surveyed firms expect to expand payrolls by May and 55 percent anticipate higher employee compensation. Strikingly, forty-eight percent of surveyed firms anticipate higher prices received by May 2019 and only one firm thinks prices will be lower. This is the highest value ever recorded on this survey item. The area worker shortage is expected to continue.

5 Seventy-five percent of surveyed firms indicate “health care reform” is an important initiative in the upcoming legislative session, with 46 percent of firms identifying it as their top initiative. Addressing “tax burden” is indicated to be important by 54 percent of firms and the top concern of 28 percent of area firms. “Transportation policy” is identified as an important legislative agenda item for nearly one-third of area firms and “job creation” is mentioned by 23 percent of firms. Relatively few firms select “energy policy,” “environmental policy,” “higher education funding,” or “K-12 education funding” as important initiatives in St. Paul. Compared to two years ago, “health care reform,” “tax burden,” and “job creation” seem to be somewhat less important legislative initiatives for firms in the sample. Relatively few local firms appear to be impacted by the outcome of the November election.

Have wages in St. Cloud kept up with those elsewhere?

Conversations in the region on a variety of topics, from affordable housing to development of a new large retail outlet, have focused on low wages in the St. Cloud area. On the surface the data

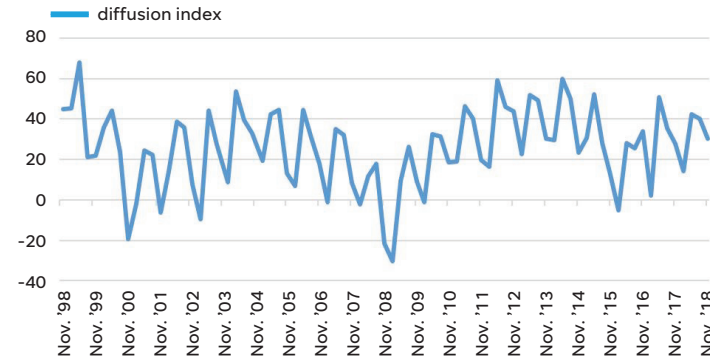
would support the view that St. Cloud wages have risen more than those in the Twin Cities; average hourly earnings rose 3.4% per year between 2007 and 2017 in St. Cloud, compared to 1.5% in the

Minneapolis-St. Paul MSA. Area wages vary for many reasons, including age, experience, education, and

See **WAGES**, Page 41

Survey Results for Standard Questions

Current business activity



Current Activity

Tables 1 and 2 report the most recent results of the St. Cloud Area Business Outlook Survey. Responses are from 56 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.

All of the current activity indexes found in Table 1 are weaker than was reported last quarter (which is a normal seasonal occurrence), but compared to one year ago the diffusion index numbers from this table are mixed. 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 current business activity, employee compensation, and prices received compare favorably to one year ago, but the employment and national business activity values are little changed. The readings on length of workweek, capital expenditures, and difficulty attracting qualified workers are clearly weaker this quarter than they were in November 2017. The accompanying chart on current business activity clearly shows the seasonal variation of overall business conditions, but it is worth noting that this series has drifted upward since November 2015, underscoring the strong performance of the St. Cloud economy over the last three years.

As noted, the diffusion index on current employment is little changed from one year ago as only 27 percent of surveyed firms report increased hiring over the last three months. The index value on length of workweek in Table 1 is considerably lower than one year ago. While twenty percent of firms increased the length of the workweek, sixteen percent cut back on average hours worked. The diffusion index on employee compensation is slightly higher than one year ago, although most firms report no change in wages and benefits over the past three months. While a substantial number of firms still report increased difficulty attracting qualified workers over the past quarter, it must be noted that the diffusion index

on this item is considerably lower than twelve months ago and is the lowest value recorded since May 2017. Overall, the four labor market survey indicators found in Table 1 show a mixed performance of the area's labor market. With the persistence of labor shortages, some area firms are likely holding off on attempts to hire new workers and are instead focused more on retaining their existing employees.

As was noted earlier, a growing share of local firms report receiving increased prices. Historically, few firms who respond to the St. Cloud Area Business Outlook Survey have reported altering their prices received during the fall quarter, so it is no surprise that this quarter's index value on current prices received is lower than was observed in other times of the year. However, it is noteworthy that the November 2018 diffusion index on current prices received is higher than any other November value that has been recorded in the twenty years that the survey has been conducted. The national business activity index is slightly higher in Table 1 than it was twelve months ago, but is lower than the value recorded in August. Finally, the accompanying chart shows the path of the diffusion index on current capital expenditures. The value of this index plunged to 17.9, from a 34.1 reading one year ago. Indeed, we have to go back to November 2009 (at a time when the area economy was beginning to rebound from the Great Recession and there was plenty of excess capacity) to find a time when the fall reading of the current capital expenditures index was weaker. It is unclear what the source of this weakness is. By comparison, the future capital expenditures item in Table 2 shows relatively strong expected capital spending by May 2019.

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

- The lack of knowledge of the education a student receives after going through a program at tech colleges. Programs need to change to more how they used to be when tech colleges started to teach a specific skill, so they don't waste their money by going to secondary education.
- Trade war with China is hurting us as an exporter. Our Chinese customers are subject to retaliatory tariffs imposed by their government in reaction to the U.S. government's tariffs on imported Chinese goods.
- A significant acquisition in (our) industry was (recently) announced....This should have a positive effect on our business if

Table 1: Current business conditions

St. Cloud Area Business Outlook Survey summary, November 2018	November 2018 vs. three months ago				August 2018 diffusion index ³	November 2017 diffusion index ³
	Percentage decrease	No change	Percentage increase	Diffusion index ²		
What is your evaluation of:						
Level of business activity for your company	16.1	37.5	46.4	30.3	40.0	27.7
Number of employees on your company's payroll	8.9	64.3	26.8	17.9	30.0	19.2
Length of the workweek for your employees	16.1	64.3	19.6	3.5	23.3	17.0
Capital expenditures (equipment, machinery, structures, etc.) by your company	10.7	60.7	28.6	17.9	26.7	34.1
Employee compensation (wages and benefits) by your company	0	64.3	35.7	35.7	43.3	31.9
Prices received for your company's products	5.4	62.5	30.4	25.0	26.7	17.0
National business activity	5.4	28.5	33.9	28.5	38.3	25.5
Your company's difficulty attracting qualified workers	1.8	58.9	37.5	35.7	46.7	44.7

Notes: (1) reported numbers are percentages of businesses surveyed. (2) rows may not sum to 100 because of "not applicable" and omitted responses. (3) diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. A positive diffusion index is generally consistent with economic expansion. Source: SCSU School of Public Affairs Research Institute

Table 2: Future business conditions

St. Cloud Area Business Outlook Survey summary, November 2018	Six months from now vs. November 2018				August 2018 diffusion index ³	November 2017 diffusion index ³
	Percentage decrease	No change	Percentage increase	Diffusion index ²		
What is your evaluation of:						
Level of business activity for your company	17.9	30.4	48.2	30.3	8.3	40.4
Number of employees on your company's payroll	12.5	51.8	32.1	19.6	10.0	31.9
Length of the workweek for your employees	16.1	71.4	8.9	-7.2	0	10.6
Capital expenditures (equipment, machinery, structures, etc.) by your company	5.4	57.1	33.9	28.5	21.6	19.1
Employee compensation (wages and benefits) by your company	1.8	39.3	55.4	53.6	58.3	63.8
Prices received for your company's products	1.8	44.6	48.2	46.4	36.7	27.6
National business activity	8.9	46.4	25.0	16.1	18.3	34.0
Your company's difficulty attracting qualified workers	5.4	55.4	32.1	26.7	35.0	36.2

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

approved by (the Department of Justice).

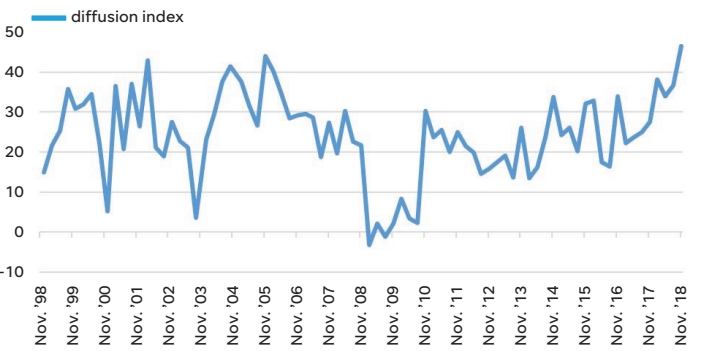
- I believe we have more government involvement than we need. Let us run our companies to be productive and employ people.
- Nothing unique. Workforce issues and rising costs are our biggest concerns at this time.
- A lack of skilled workers who want to work in a factory.
- Seeing more inflation everywhere within our cost structure.
- Finding skilled engineers.
- Finding qualified workers continues to challenge us
- Impact of interest rates.
- Minimum wage discussions, social service initiatives, high taxes. Minnesota does not make it attractive for businesses to be here.
- Neighboring retailers will and should object to their market valuation and real estate taxes based on the city [allegedly] selling the [Costco] site for below market value.

Future Outlook

As was indicated on the first page of this report, the future business conditions survey responses found in Table 2 suggest a weakening future outlook of area businesses. This is true for six of the eight indicators in the future business conditions table. Only the future capital expenditures index (which is higher than its recorded value in November 2017, but is still lower than was found in most of the November surveys conducted since 2012) and the prices received index (which is discussed below) are higher than was observed twelve months ago. Of particular note, the future business conditions index is the lowest recorded value for this item in the fall survey since the Great Recession year of 2008. Area business leaders are usually much more optimistic about the future outlook in the November survey than they are this year.

Likewise, the diffusion index on the level of employment is also the lowest November value recorded since 2010. As can be seen in the accompanying chart, the future employee compensation index (which has never exhibited a pronounced seasonal pattern) has been slowly drifting down since May 2017. Anecdotal evidence suggests that at this stage of the hiring cycle (in which we are effectively at full employment), many of the workers that

Future prices received



Future difficulty attracting qualified workers



are available for hire are relatively unskilled and/or inexperienced. These workers' potential contributions to firms' productivity limits the wage/benefit offers that firms are willing to make to secure their services.

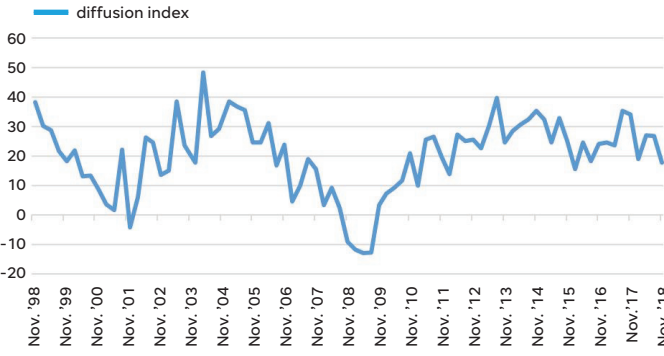
The future length of the workweek is expected to fall for several surveyed firms. While 71 percent of firms expect no change in the length of the workweek by May 2019, sixteen percent expect lesser weekly average hours worked by their employees. Few firms expect the length of the workweek to expand. Note the future national business activity index declined again this quarter. Other than the August readings tallied in 2016 and 2017, this is the lowest value recorded for the future national business activity index since the Great Recession. After a year of strong output gains — some of which was fueled by tax cuts implemented in early 2018 — most observers expect slower growth in 2019 as the effect of the tax cuts wears off, interest rates rise, financial market performance begins to weigh on consumers, and global trade uncertainties persist. The possibility of stronger inflationary pressures may also impact the national economic outlook.

This report has emphasized the extent to which area firms are expecting to receive higher prices in the future. The diffusion index on future prices re-

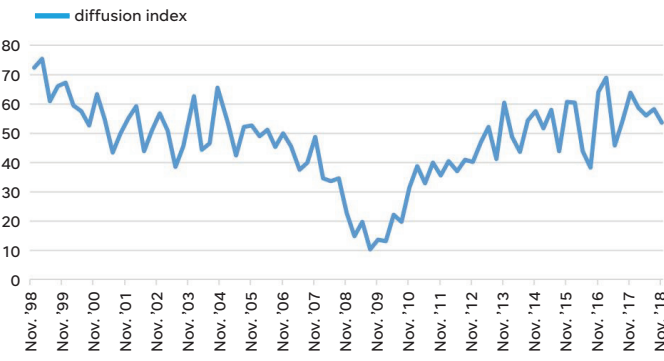
ceived in Table 2 is at its highest level recorded in the 20 year history of the local survey. Not even during the high flying years of 2004-2005 did as many area businesses expect price increases. The exact nature of expected higher future prices received is unknown. It might be because firms' costs are increasing or, alternatively, local firms may have gained more pricing power and improved profit margins. Regardless, this survey item highlights the importance of paying attention to area pricing data in the coming months.

Finally, as we have noted on several occasions in the St. Cloud Area Quarterly Business Report, the future difficulty attracting qualified workers diffusion index has typically followed a cyclical pattern that resembles the path of economic activity experienced in the overall economy. We have traditionally kept a close eye on this chart, since the expected future labor shortages implied by this index seem to signal the future economic performance of the local economy. The accompanying chart suggests that this index is now starting to decline as it has fallen for four consecutive quarters. As can be seen in the chart, this index has typically followed a cyclical pattern (with no apparent seasonal variation), so the recent downward path of this index hints at slowing local business conditions.

Current capital expenditures



Future employee compensation



Survey Results for Special Questions

SPECIAL QUESTION 1: PRIORITIES FOR THE 2019 LEGISLATIVE SESSION IN ST. PAUL

Over the years, we have found it interesting to track area businesses’ priorities in the state legislature. At times, area businesses have been most concerned with “job creation.” At other times, the overall “tax burden” has weighed most heavily on area firms. In recent years, survey respondents have indicated that “health care reform” was their top legislative priority. Since we have asked area firms about their legislative priorities in November 2005, November 2011, November 2014, and November 2016 we have a baseline to which to compare this quarter’s results of this special question. Of particular interest is how these survey results compare to two years ago, when there was a new incoming administration in Washington that promised, among other things, health care reform, tax cuts, deregulation, increased infrastructure spending, new immigration and trade policies. This year’s mid-term elections appear to have altered the balance of power in the nation’s capital as Democrats have reclaimed the House of Representatives. In addition, Minnesota has a new governor-elect and the DFL has a legislative majority in the Minnesota House. With this noted, we asked firms to “select all that apply” to the following question:

WHICH OF THE FOLLOWING DOES YOUR BUSINESS FEEL IS A PRIORITY OF THE 2019 LEGISLATIVE SESSION IN ST. PAUL?

Seventy-five percent of survey respondents selected “health care reform” and 54 percent indicated “tax burden” was a legislative priority. Nearly one-third of firms selected “transportation policy” and “job creation” was chosen by 23 percent of firms. There was considerably lower interest in educational funding (both K-12 and higher ed), energy policy, and environmental legislation. While health care reform retains its high ranking as a priority in the upcoming legislative session, compared to the 2016 survey, a smaller percentage of firms indicate this is important. Two years ago, 90 percent of surveyed firms listed this as a priority. We note that in 2006, sixty-seven percent of firms chose “health care reform,” in 2011, 47 percent of firms chose this item, and 62 percent of survey respondents chose “health care reform” in the November 2014 survey.

Likewise, “tax burden” remains im-

Which of the following does your business feel is a priority of the 2019 legislative session in St. Paul? (Select all that apply)

Note: This compares answers for 2019 to the same question for 2017

	2017	2019
Energy policy	8%	11%
Environmental policy	8%	9%
Health care reform	90%	75%
Higher education funding	12%	13%
Job creation	32%	23%
K-12 education funding	14%	11%
Tax burden	64%	54%
Transportation policy	32%	32%
Other	2%	9%
NA	4%	4%

portant to area firms, but a larger percentage of firms thought this was a priority two years ago. It is worth noting that in 2005, only 46 percent of surveyed firms selected “tax burden” as a legislative priority. By 2011, 62 percent of firms were concerned about the tax burden, although this percentage moderated to 56 percent three years later. “Job creation” has been the most variable legislative priority over the years. In 2005 (when we were at local full employment), only 26 percent of respondents thought this was a priority. But, by 2011 (when we were recovering from the Great Recession), 62 percent of firms highlighted job creation as a legislative priority. This number has slowly declined (it was 40% in 2014, 32% in 2016, and 23 percent in this quarter’s survey) since that time.

Transportation policy was selected by the same percentage of firms in both 2016 and 2018. Nearly one-third of local firms surveyed identified transportation policy as a legislative priority.

Other priorities mentioned by surveyed firms include:

- Regulatory burden.
- Technical education.
- Infrastructure needs investment.
- Job training.
- Job creation — Reduce assistance forcing people into employment to fill open jobs.
- Transportation policy (I-94 planning; Hwy 23 Corridor).
- Workforce development/recruitment.
- Farmers are being hit hard on real estate taxes (\$40-\$60 per acre).

SPECIAL QUESTION 2: MOST IMPORTANT LEGISLATIVE PRIORITY

While surveyed firms were invited to identify a range of legislative priorities in this quarter’s first special question, we asked them to choose the most important priority in special question two. Given that 75 percent of firms selected “health care reform” in the first question — and given the intensity of their preferences — it is no surprise that “health care reform” was selected by nearly half of surveyed firms. “Tax burden” ran a distant second as the highest legislative priority. We do note that compared to 2016, “tax burden” has become a relatively more important top legislative priority. A few firms selected some of the other options as their top legislative priority. We asked survey respondents the following question:

WHICH ONE OF THE LEGISLATIVE PRIORITIES LISTED ABOVE DOES YOUR COMPANY FEEL IS MOST IMPORTANT?

Forty-six percent of firms chose “health care reform” as the top legislative priority and 28 percent selected “tax burden.” “Job creation” was the third most popular selection with 7 percent of respondents. We note that in 2005, 2011, and 2014, “health care reform” never reached a level above 30 percent. This puts another exclamation point on health care reform as area firms’ overriding priority in the upcoming legislative session.

We note in August of this year, Suffolk University, commissioned by the St. Cloud Times, conducted a survey of 500 registered voters in Minnesota, which was picked up by the St. Cloud Times. Some of the themes of this survey were similar to those found in this quarter’s St. Cloud Area Business Outlook Survey. In particular, results of the Suffolk University/SC Times survey indicate “Healthcare” was the most important issue of 26.2 percent of those who were voting for U.S. Senate and “The Economy” was selected by 21.6 percent of registered voters. “Immigration” ran third at 14.6 percent. The results were somewhat similar when registered Minnesota voters were asked about the most important issues when

Which one of the legislative priorities listed above does your company feel is most important?

Note: This compares answers for 2019 to the same question for 2017

	2017	2019
Energy policy	0%	2%
Environmental policy	0%	0%
Health care reform	52%	46%
Higher education funding	0%	4%
Job creation	6%	7%
K-12 education funding	4%	0%
Tax burden	16%	28%
Transportation policy	8%	4%
Other	4%	2%
NA	10%	9%

voting for governor. 20.8 percent identified “healthcare,” 16.6 percent selected the “economy,” 16 percent chose “taxes,” and 15 percent opted for “education.”

The written comments by St. Cloud area business leaders to our local survey include:

- Tax burden. Minnesota continues to place a tax burden on small businesses that makes it very difficult for small businesses to thrive.
- Tax burden. Our taxes in MN are some of the highest in the country.
- Taxes are always an issue doing business in MN.
- Job creation is essential to growth of any community. Failure to train employees for the future is a fatal flaw for economic growth.
- Cost and availability of health care has to be the priority, not only for St. Paul, but for Washington as well. Paying more for less coverage is now the norm, and that isn’t acceptable.
- Health care reform. We would like to be able to offer a package to employees again, but is cost prohibitive currently.
- Transportation — The roads in our state are in a general state of disrepair. Also, expanded lanes on I-94 between St. Cloud and the Twin Cities are needed.

See QUESTION 2, Page 41

SPECIAL QUESTION 3: THE IMPACT OF THE NOVEMBER ELECTIONS

Two years ago, at a time when the presidential election was in the spotlight, we asked area firms the open ended question to comment on how the election outcomes were expected to impact their business. This yielded a number of interesting responses and we invite our readers to re-visit those comments by accessing the historical archives of the QBR. With many federal, state, and local offices up for re-election this year, we decided to ask firms to once again comment on the impact of the election on their businesses. As can be seen, the November 2018 election appears to have had relatively little impact on area firms. We let the comments below tell the story. We waited until the results of the November election were known and asked:

HOW DO YOU EXPECT YOUR BUSINESS TO BE IMPACTED BY THE OUTCOME OF THE NOVEMBER LOCAL, STATE, AND FEDERAL ELECTIONS?

Written responses to this item include:

- Yes. We will continue to have a regressive governor and a house that will want to give away the ship at the cost of the working class and small business.
- No change.
- No real impact.
- Most likely St. Paul only wants to tax everyone to support those that choose not to work.
- We expect a minimal impact.
- Not sure, not anticipating significant impacts.
- No Impact.
- In reality, not much. I don’t see partisanship going away, and until that happens, we will be stuck with innuendos and accusations, resulting in nothing happening.
- No change expected.
- Too early to tell.
- Nothing on the national level will change, obstruction will remain. On a state level, we will pay dearly for some of the decisions of the voters.
- Not sure yet but gridlock can be good in some ways. The status quo can

be better than what changes can bring.

- We do not expect any impact from the election.
- Minimal impact.
- Hopefully more infrastructure spending will drive more economic activity. Strong showing in the federal Senate will hopefully keep anti-business agendas at bay.
- No idea. Who can predict?
- None.
- We don’t see any significant changes to our business as a result of this election.
- Added capital regulations could cause slow down.
- Fear of tax increases.
- In the State of MN, our business will most likely be negatively impacted by the election.
- Minimally. Tariffs are causing finished products purchased for resale to be more costly.
- Nothing will get done.
- Unsure at this time. Will wait to see (for future funding levels). Current estimate is same funding level as recent years.
- Limited.
- We will probably see more government spending and more stifling regulations.
- Negative. If gas taxes go up or any taxes.
- No change, because the government (elected officials) seem more concerned with party agendas and not improving our country.
- I do not expect any impact from the elections.
- Local — very little impact. State — negative impact with another democratic governor. Federal — ?
- Increase taxes, increase health care, increase regulations (Democrats).
- Very little.
- Better now that we have a more balanced government.
- Expecting a downturn.
- Unknown.

See QUESTION 3, Page 41

Survey Results for Special Questions/What the Results Mean

Average Weekly Wages, Manufacturing

Minnesota cities, 2007-2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Blaine	\$966	\$979	\$967	\$1,025	\$1,054	\$1,066	\$1,087	\$1,102	\$1,130	\$1,116	\$1,133
Duluth	\$893	\$942	\$924	\$933	\$1,094	\$1,008	\$1,002	\$1,084	\$1,075	\$1,109	\$1,116
Mankato	\$789	\$808	\$803	\$837	\$870	\$911	\$922	\$969	\$1,066	\$1,088	\$1,145
Minneapolis	\$1,050	\$1,097	\$1,105	\$1,172	\$1,130	\$1,183	\$1,119	\$1,164	\$1,165	\$1,187	\$1,246
Plymouth	\$1,155	\$1,160	\$1,148	\$1,213	\$1,257	\$1,370	\$1,377	\$1,415	\$1,550	\$1,516	\$1,603
Rochester	\$1,445	\$1,484	\$1,508	\$1,519	\$1,539	\$1,505	\$1,548	\$1,526	\$1,569	\$1,557	\$1,645
Saint Cloud	\$803	\$821	\$809	\$808	\$843	\$853	\$884	\$903	\$954	\$983	\$1,018
Saint Paul	\$1,264	\$1,129	\$1,139	\$1,199	\$1,218	\$1,260	\$1,226	\$1,271	\$1,281	\$1,292	\$1,341
Winona	\$781	\$813	\$829	\$876	\$901	\$907	\$942	\$989	\$1,009	\$986	\$1,033

Wages

Continued from Page 11

the mix of industries in a region. For example, due to the greater presence of higher education in the St. Cloud area the resulting labor force tends to be younger, which reduces St. Cloud wages. This makes a direct comparison of the average wage in Rochester (\$35.08 in October 2018) and St. Cloud (\$25.49 during the same period) misleading.

To explore this further, the accompanying tables show the difference in wages within three different industries – manufacturing, retail trade, and health care – for 9 Minnesota cities that have more than 20,000 employees. This includes two suburban communities on the northwest side of the Minneapolis-St. Paul area. What can we learn from this?

1. The retail sector of St. Cloud has indeed seen a substantial increase in wages. The 45.4% increase locally is higher than in any of the other 8 cities, and has risen from 5th to 3rd highest wages within this grouping of cities. Within retail is a large variety of experiences. For example, wages for food and beverage retail employees rose from \$400 per week to \$470 between 2007 and 2017 in St. Cloud, similar to increases in other regional centers in Minnesota. In the four cities in the metro Minneapolis-St. Paul area, increases were much smaller in this sub-sector. It is possible that the mix of retail stores in Greater Minnesota changed over the last 10 years, bringing positions with higher value-added by employees who engage customers.

Average Weekly Wages, Retail Trade

Minnesota cities, 2007-2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Blaine	\$397	\$409	\$425	\$438	\$426	\$434	\$431	\$460	\$526	\$530	\$547
Duluth	\$380	\$383	\$395	\$404	\$417	\$424	\$424	\$443	\$458	\$467	\$470
Mankato	\$369	\$370	\$384	\$399	\$407	\$413	\$419	\$438	\$442	\$461	\$480
Minneapolis	\$536	\$599	\$550	\$529	\$503	\$510	\$523	\$534	\$568	\$582	\$606
Plymouth	\$742	\$694	\$682	\$721	\$773	\$661	\$692	\$671	\$719	\$751	\$814
Rochester	\$406	\$415	\$424	\$428	\$439	\$451	\$456	\$477	\$500	\$512	\$531
Saint Cloud	\$403	\$429	\$460	\$466	\$466	\$488	\$513	\$528	\$566	\$569	\$586
Saint Paul	\$458	\$470	\$477	\$498	\$516	\$530	\$541	\$532	\$555	\$569	\$567
Winona	\$414	\$411	\$418	\$431	\$422	\$407	\$405	\$419	\$427	\$445	\$449

Average Weekly Wages, Health Care

Minnesota cities, 2007-2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Blaine	\$427	\$468	\$493	\$518	\$564	\$556	\$538	\$540	\$569	\$593	\$657
Duluth	\$816	\$860	\$801	\$781	\$812	\$873	\$949	\$978	\$1,043	\$1,030	\$1,060
Mankato	\$727	\$751	\$754	\$754	\$792	\$821	\$850	\$860	\$867	\$880	\$932
Minneapolis	\$937	\$929	\$954	\$934	\$951	\$955	\$952	\$974	\$1,007	\$1,030	\$1,046
Plymouth	\$761	\$762	\$857	\$842	\$869	\$909	\$919	\$951	\$1,018	\$1,050	\$1,153
Rochester	\$1,148	\$1,182	\$1,209	\$1,421	\$1,283	\$1,316	\$1,344	\$1,395	\$1,434	\$1,461	\$1,512
Saint Cloud	\$903	\$925	\$955	\$953	\$978	\$974	\$1,001	\$994	\$1,073	\$1,092	\$1,117
Saint Paul	\$859	\$880	\$914	\$920	\$927	\$947	\$932	\$948	\$987	\$1,000	\$1,023
Winona	\$545	\$533	\$548	\$564	\$620	\$643	\$668	\$691	\$738	\$758	\$793

Question 2

Continued from Page 31

■ Job creation. Our employee base is aging and we need a younger generation to help fill their positions.

■ Health care reform. Making affordable and accessible to more middle and low income individuals.

■ Health care is too expensive.

■ Higher education funding...

■ Job creation — Reduce assistance forcing people into employment to fill open jobs.

■ Health care coverage stability and affordability.

■ Health care reform — insurance prices are out of control.

■ Health care reform — health care costs continue to increase at a greater rate than inflation.

■ Health care — industry that’s out of

2. St. Cloud area weekly wages in manufacturing continue to trail the other cities in Minnesota, although wage increases have largely kept pace with other cities over the past decade. Here too, the mix of firms and types of manufacturing are a significant part of the explanation. St. Cloud in 2007 had 19 printing establishments hiring over 2,000 employees; in 2017, 13 remained and hired 737 workers. These jobs paid less than the average manufacturing job. Thus the rise in the local average weekly wage in manufacturing may not reflect progress in pay as much as a change in the mix of position types; workers in manufacturing do not move easily between subsectors.

3. Health workers in Rochester make up more than a third of its employment and most work within the Mayo system. With a high volume of specialty medical services, it makes sense that its wages are higher than other Minnesota cities. St. Cloud has kept pace with most other employers and now pays better than Minneapolis on a weekly wage basis.

The wage question that policymakers ask has two components, of which the above sheds light on one. Relative to other parts of the state, St. Cloud wages have kept up with other cities and, in the area of retail trade, may have increased. On the other hand, policymakers want to know if wages are keeping up with the cost of living in St. Cloud. We do not share an opinion on this point except to say that, if they are not, the cure for this may be more towards reducing the cost of living through other policy moves. If wages are to be higher in St. Cloud, it will result from putting more capital and technology with each worker, which will make higher wages more affordable to employers.

Table 3: Employment Trends

	ST. CLOUD		MINNESOTA		TWIN CITIES	
	2003-'18 long term	Oct. '17-Oct. '18 growth rate	2003-'18 long term	Oct. '17-Oct. '18 growth rate	2003-'18 long term	Oct. '17-Oct. '18 growth rate
Total non-agricultural	1.0%	1.6%	0.7%	1.2%	0.9%	1.7%
Total private	1.1%	1.7%	0.8%	1.3%	1.0%	1.7%
GOODS PRODUCING	0.3%	6.0%	-0.2%	3.0%	-0.1%	3.7%
Mining/logging/construction	2.1%	5.9%	-0.1%	5.9%	-0.2%	5.2%
Manufacturing	-0.4%	6.0%	-0.3%	1.8%	-0.1%	3.0%
SERVICE PROVIDING	1.2%	0.5%	0.9%	0.9%	1.1%	1.3%
Trade/trans/utilities	0.6%	-0.7%	0.3%	1.3%	0.4%	2.8%
Wholesale trade	1.8%	4.2%	0.3%	1.2%	0.4%	3.1%
Retail trade	-0.2%	-4.6%	0.0%	1.0%	0.2%	2.6%
Trans/ware/utilities	2.4%	7.2%	1.1%	2.1%	1.0%	2.9%
Information	-2.0%	-3.1%	-1.3%	-0.6%	-1.2%	-0.9%
Financial activities	2.2%	4.6%	0.5%	1.4%	0.5%	1.8%
Professional and business services	1.0%	0.4%	1.5%	1.0%	1.6%	1.6%
Education and health	2.9%	-0.7%	2.5%	0.5%	2.9%	0.6%
Leisure and hospitality	0.9%	3.2%	1.2%	2.3%	1.3%	0.6%
Other services (excluding gov't.)	0.0%	2.1%	-0.2%	-1.8%	0.3%	-0.7%
Government	0.5%	1.0%	0.3%	0.7%	0.3%	1.1%
Federal	2.9%	-1.3%	-0.4%	-1.2%	-0.3%	-1.6%
State	-0.2%	3.7%	1.0%	1.7%	0.0%	1.9%
Local	0.4%	0.3%	0.2%	0.6%	0.4%	1.1%

Construction, manufacturing continue to power economy

Private-sector employment in the St. Cloud area grew 1.7 percent over the 12 months to October 2018, led by a 6 percent increase in employment in the goods-producing sectors. As seen in Table 3 nearby, this sector has grown on average 0.3 percent over the last 15 years. Construction sector employment has grown around the state, but the growth in area manufacturing in the last year — which has been in long-term decline — is double that of the Twin Cities and more than three times the statewide growth rate. The share of employment in these two sectors reached 20.8 percent in October, the highest October observation since before the Great Recession of 2008-10. The share in construction was 6.5 percent, the highest October reading on record since data began to be collected in 1990. While manufacturing grew 6 percent in the last year, the share of workers in this sector, at 14.3 percent, is still well off the share before the Great Recession when this number was 16-18 percent. With the coming closure of the Electrolux plant in St. Cloud, expect this number to continue to decline.

These two sectors combined to add

The local share of employment in the retail sector has consistently fallen over the last 25 years, from around 19 percent in the mid-1990s to a most recent observation of 11.7 percent in October.

1,324 jobs over the last year. This more than offset the 4.6 percent decline (637 jobs) in retail trade observed in Table 3. The local share of employment in the retail sector has consistently fallen over the last 25 years, from around 19 percent in the mid-1990s to a most recent observation of 11.7 percent in October. Table 3 shows that employment in retail has fallen 0.2 percent per year over the last 15 years compared to zero growth statewide and a 0.2 percent rise in the Twin Cities. For more on this and the wage growth of this sector, see the story “Have wages in St. Cloud kept up with those elsewhere?” found earlier in this report.

There were slight employment declines in the information sector (which

See **JOBS, Page 51**

control.

■ Health care — another double digit increase in premiums this year.

■ Health care reform — improve access to affordable health insurance. Being mindful of premiums and the patient responsibility for copays, deductibles, etc.

■ Tax burden — as a corporation, we have no vote yet our taxes increase.

■ Funding for higher education is our bread and butter.

■ Health care reform — costs are ridiculous.

■ Workforce development.

■ Why are we supporting non-profitable solar energy? I’d like to see a study on cost vs. benefit vs. natural gas produced electrical energy. What experts say — solar is 14 times more expensive.

■ A lower tax burden potentially provides more dollars for homeowners to make home improvements and more dollars for home buyers to purchase.

■ Anyone’s guess.

■ I anticipate very modest changes to funding of higher education which should help in the long run.

■ No impact.

■ MN will continue to tax Social Security and the elderly’s income. South Dakota, North Dakota and Texas don’t.

Question 3

Continued from Page 31

■ Don’t know. Our government accomplishes so little that my expectations are very low.

What the Results Mean

Table 4: Other Economic Indicators

	2018	2017	Percentage change
St. Cloud MSA Labor Force October (MN Workforce Center)	113,096	111,510	1.4%
St. Cloud MSA Civilian Employment # October (MN Workforce Center)	110,724	108,958	1.6%
St. Cloud MSA Unemployment Rate* October (MN Workforce Center)	2.1%	2.3%	NA
Minnesota Unemployment Rate* October (MN Workforce Center)	2.2%	2.4%	NA
Mpls-St. Paul Unemployment Rate* October (MN Workforce Center)	2.1%	2.4%	NA
St. Cloud Area New Unemployment Insurance Claims Aug.-Oct. Average (MN Workforce Center)	383.0	400.3	-4.3%
St. Cloud 13 Stock Price Index as of October 31 (SCSU)	795.73	885.71	-10.2%
St. Cloud City Residential Building Permit Valuation in thousands, Aug.-Oct. Average (City of St. Cloud)	2,572.3	2,536.0	1.4%
New St. Cloud Index of Leading Economic Indicators October (SCSU) 2012-13 = 100	111.2	110.4	0.7%

Jobs

Continued from Page 41

is relatively small in St. Cloud) and in educational/health (which represents nearly 20 percent of area employment). Service-sector job growth occurred in the leisure/hospitality, wholesale trade and transportation/warehousing/utilities sectors.

In Table 4 we see the unemployment rate in St. Cloud fell to 2.1 percent in October, down 0.2 percent from a year ago. This is the second lowest monthly reading on record; the rate was 2.0 percent in October 1999. Rates are similarly low around the state. The labor force in St. Cloud grew 1.4 percent in the last year, well above the long-run growth rate of 0.7 percent of the last 15 years, a rate that

is expected to continue slowing and even fall according to state demographic projections. An additional 1,766 St. Cloud residents found employment over the last 12 months, leading to an annual increase in civilian local employment of 1.6 percent.

Unemployment insurance claims fell mildly over the last year, which is positive in the short run for the St. Cloud economic outlook. Building permit valuations rose slightly, also a positive short-run development. On the other hand, over the twelve months ending October 31, the St. Cloud 13 Stock Price Index fell 10.2 percent, compared to a 5.0 percent gain for the S&P 500 over the same period. Twelve of the 13 stocks were lower, led by Textron, which fell 21.4 percent over the quarter. Only Bluestem Brands moved upward in the quarter.

The St. Cloud Leading Economic Indi-

St. Cloud 13 Stock Price Index

November 1994 = 100



Change to the St. Cloud 13 Stock Price Index

The St. Cloud 13 Stock Price Index is a price-weighted index of 13 stocks that represent firms with significant presence in the St. Cloud area. One of these stocks has been General Growth Properties, owners of Crossroads Mall. Its inclusion has been to represent the impact of retail on the area, rather than measuring the stock of larger retail stores themselves (for which St. Cloud might not be a large share of their businesses.) On August 24 Brookfield Property Partners acquired control of General Growth and bought out its shareholders by issuing new stock called Brookfield Property REIT. The new stock trades under the ticker symbol BPR on the NASDAQ Global Select Market. We have replaced GGP with BPR in the St. Cloud 13 as of August 29, 2018, the first day the new shares traded, and slightly adjusted the divisor as a result. The adjustment allows for seamless transition and comparability of our index before and after the sale.

cator index fell slightly in the last quarter but rose over the last year by 0.7 percent. The leading contributor to growth of the index this quarter was the increase in incorporation of new firms in the area. Responses to the current condition of area businesses and the sharp decline in area stock prices were the largest negative contributors. Altogether these conditions predict a slowing of employment growth by about 0.5 percent over the next six months from the current 1.6 percent.

Such a forecast does not portend a recession, and recent improvement in stock prices since measuring the LEI

would support a claim that no recession is in sight for the next six months. But a range of factors from slower labor force growth to higher interest rates give us pause. Higher rates would slow the housing market, one engine of our recent employment growth. Electrolux is expected to take another 0.7 percent from the employment level in the next 12-18 months, not including any "multiplier" effects as well. At some point mature expansions become late expansion, and after that comes the peak. We're not there yet, but we sense it may not be too far away.