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St. Cloud Area Quarterly Business Report

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### St. Cloud Area Quarterly Business Report Vol. 21 No. 3

King Banaian

*St. Cloud State University*, [kbanaian@stcloudstate.edu](mailto:kbanaian@stcloudstate.edu)

Richard MacDonald

*St. Cloud State University*, [macdonald@stcloudstate.edu](mailto:macdonald@stcloudstate.edu)

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ST. CLOUD AREA

# Quarterly Business Report

SUNDAY, SEPTEMBER 8, 2019 | VOL. 21, ISSUE 3

PART OF THE USA TODAY NETWORK

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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- Electrolux closure not expected to have large impact on area firms. **Page 5**

**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>



Employees leave Electrolux and cross 33rd Avenue North on June 4 during an afternoon shift change in St. Cloud. JASON WACHTER/ST. CLOUD TIMES

## Area economic growth slows as Electrolux closure nears

Employment continued to rise in the St. Cloud area in recent months, but survey responses from area business leaders and other data measures point to slower future local economic growth. This slower growth will be further aggravated by the November closure of Electrolux, which, in January 2018 employed 860 workers (representing about 0.8% of total area employment).

With year over year job growth of 1.5%, St. Cloud once again outperformed both the state and Twin Cities in job creation in July. The construction, manufacturing, transportation/warehousing/utilities, educational/health and financial activities sectors of the local economy led the way in employment gains, while the retail trade, leisure and hospitality and information sectors shed jobs.

The St. Cloud Index of Leading Economic Indicators fell 1.6% over the last quarter and is virtually unchanged from one year ago. No surveyed firm indicates the November closure of Electrolux will have a "large" or "medium" negative impact on its business. A little over one-quarter of survey respondents think the closure will have a "small negative effect" and 16% of firms expect it to have a "small positive effect." Most firms (51%) expect the freezer manufacturer's departure from the St. Cloud market to have "no impact."

In other special questions, 78% of surveyed firms indicate the entry of Costco into the St. Cloud market has had no effect on their wage structure or in their ability to attract and retain employees. Area firms were also asked to comment on the extent to which their

**New St. Cloud Index of Leading Economic Indicators (1st quarter 2013 = 100)**



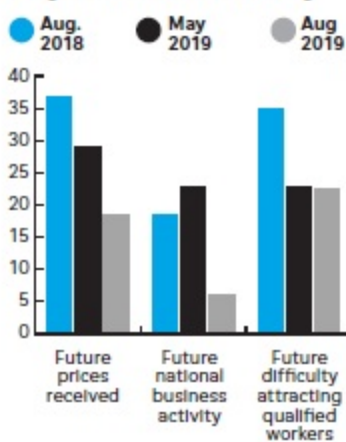
firm has been impacted by recent negative publicity about local immigration and refugee resettlement.

**KEY TAKEAWAYS**

- 1 Private sector payroll employment in the St. Cloud area rose 1.6% from one year earlier in the 12 months through July 2019. At 3%, the unemployment rate in the St. Cloud area in July was up from 2.6% one year ago. The local labor force rose 0.8% over the year ending July 2019 and initial jobless claims fell.
- 2 Employment in the manufacturing sector grew by 2.9% over the year ending July 2019 and annual local

See **ELECTROLUX**, Page 31

**Key results of survey**



## St. Cloud business cycle peaks and business closures are different

The forthcoming closure of Electrolux, where as many as 700 production workers will face unemployment on Nov. 1, comes at a time of significant uncertainty for the St. Cloud and U.S. economies.

Tariff policy and overseas economic turbulence are external forces; we write

this at a time that parliamentary maneuvering in Great Britain has greatly confounded anyone's guess of the future shape of Brexit, while Germany appears to be entering recession. Interest rate policies in the United States point towards economic softness.

When the Electrolux closing was an-

nounced in early 2018 we were able to find comfort in the likelihood that these workers would enter a robust job market. As results here suggest, the future looks far less robust to us now than then.

See **BUSINESS**, Page 31

# 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 49 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 but one of the current activity indexes found in Table 1 are lower than what was reported one year ago (when the local economy was growing rapidly) and all index values are lower than last quarter (which is a normal seasonal occurrence for many of the survey items). 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. The index on current business activity is 10 points below the level of one year ago. Still, 51% of firms report increased business activity over the past three months. The employment index is solid as 35% of surveyed firms added to payrolls in the past quarter. The accompanying graph shows the current prices received index. As can be seen, the index value on this item is the lowest in more than two years. Only 27% of surveyed firms report increased prices received over the past three months and 12% of firms received lower prices.

### Current prices received



The diffusion index on employee compensation fell from last quarter (but is still higher than one year ago). Forty-five percent of firms increased wages and salaries and no firms reported a reduction in employee compensation. Fewer firms reported increased difficulty attracting qualified workers this quarter. The diffusion index on current difficulty attracting qualified workers (see accompanying graph) is at its lowest level in three years. This may represent a moderation in area labor shortages — but it has also historically signaled a slowing of area economic growth.

### Current difficulty attracting qualified workers



**Table 1: Current business conditions**

St. Cloud Area Business Outlook Survey summary, August 2019

What is your evaluation of:	August 2019 vs. three months ago				February 2019 diffusion index <sup>3</sup>	May 2018 diffusion index <sup>3</sup>
	Percentage decrease	No change	Percentage increase	Diffusion index <sup>1</sup>		
Level of business activity for your company	20.4	28.6	51	30.6	41.7	40
Number of employees on your company's payroll	10.2	55.1	34.7	24.5	27.1	30
Length of the workweek for your employees	6.1	75.5	18.4	12.3	12.5	23.3
Capital expenditures (equipment, machinery, structures, etc.) by your company	8.2	63.3	28.6	20.4	25	26.7
Employee compensation (wages and benefits) by your company	0	55.1	44.9	44.9	58.3	43.3
Prices received for your company's products	12.2	59.2	26.5	14.3	39.5	26.7
National business activity	12.2	55.1	26.5	14.3	16.7	38.3
Your company's difficulty attracting qualified workers	4.1	63.3	30.6	26.5	37.5	46.7

**Table 2: Future business conditions**

St. Cloud Area Business Outlook Survey summary, August 2019

What is your evaluation of:	Six months from now vs. August 2019				May 2019 diffusion index <sup>3</sup>	August 2018 diffusion index <sup>3</sup>
	Percentage decrease	No change	Percentage increase	Diffusion index <sup>1</sup>		
Level of business activity for your company	24.5	26.5	40.8	16.3	39.6	8.3
Number of employees on your company's payroll	16.3	51	26.5	10.2	33.3	10.0
Length of the workweek for your employees	18.4	61.2	14.3	-4.1	14.5	0
Capital expenditures (equipment, machinery, structures, etc.) by your company	4.1	55.1	34.7	30.6	29.1	21.6
Employee compensation (wages and benefits) by your company	2.0	44.9	46.9	44.9	50.0	58.3
Prices received for your company's products	6.1	61.2	24.5	18.4	29.1	36.7
National business activity	14.3	53.1	20.4	6.1	22.9	18.3
Your company's difficulty attracting qualified workers	2.0	65.3	24.5	22.5	22.9	35.0

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

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

The ridiculous behavior of all politicians is building an uncertainty (for) the future. Between the rhetoric from Washington, and the challenges to the rhetoric, including the extreme tariffs applied to China, the country is at a tipping point that could affect the growth and well-being of not only our company, but most companies.

Still too much government involvement requiring multiple forms on state projects.

Tariffs. First came the original metal (steel & aluminum) tariffs, which dramatically increased our raw material costs. The tariffs that have followed affect us both directly (imported products) and indirectly (sowing fear and uncertainty in the marketplace). Only time will tell, but I believe the use of tariffs as a lever to negotiate against unfair (real and perceived) trade practices is likely to backfire.

Fed decrease in rates spurs mortgage transactions and businesses are typically more likely to make capital expenditures, expand, or acquire new locations as cost of

finance goes down.

1. Health insurance costs — degrading pay incentive benefits; 2. Poor farm commodity pricing — no farmers' business last 3-4 years — no extra spendable funds for leisure or self-enjoyment; 3. Tariffs — pushing costs and sale prices up.

The State of Minnesota Department of Commerce "licensing division" has been difficult to work with on continuing education and moving (our industry personnel) upward. Wisconsin, Iowa, and the Dakotas are much more accommodating.

## FUTURE OUTLOOK

The pattern of future business conditions survey responses found in Table 2 is different than what was seen one year ago in the August survey. While two survey items are improved from last August, another four items are notably lower. This highlights the ongoing uncertainty in getting a read on the path of future local economic activity.

As was noted in an earlier section of this report, the upcoming closure of Electrolux will come at a time when the area economy is going through some cyclical weakness. Continued concerns about U.S. trade policy and increasingly clear signals of global economic slowdown further cloud the

local economic outlook. However, we do note that the future business activity index in Table 2 is higher than it was one year ago... and more than 40% of surveyed firms expect a pickup in business activity over the next six months.

We also note that the future capital expenditures index (see accompanying chart) registered its highest reading since February 2018. Thirty-five percent of surveyed firms expect to increase capital expenditures by the first part of next year.

While 47% of surveyed firms expect to pay higher wages and salaries over the next six months, it is notable that the

diffusion index on employee compensation is the lowest value recorded in three years. Likewise, the future prices received index is at its lowest level since August 2016. Less than one-fourth of surveyed firms expect to receive higher prices by February 2020. Area firms appear to be expecting national business activity to slow over the next six months. Only 20% of firms expect national activity to increase and 14% expect decreased national activity. As can be seen in the accompanying chart, the diffusion index on national business activity is also at its lowest level in three years.

Finally, note that firms continue to expect lesser difficulty attracting qualified workers in the future. As was discussed briefly above, we remind readers that this series (see accompanying diagram) has historically followed a path that closely resembles the cyclical movement of the overall economy and is part of our leading economic indicators series. While an index value of 22.5 does not signal a recessionary economy (this series obtained negative values in the previous two recessions), its continued decline is worth watching — and is suggestive of weakening local economic growth.

### Future national business activity



### Future difficulty attracting qualified workers



### Future capital expenditures



# Electrolux

Continued from Page 11

job growth in the mining/logging/construction (most of these jobs represent the construction industry) sector surged by 11.4%. The area educational/health sector created 3.4% additional jobs over the year ending July 2019 and employment in the transportation/warehousing/utilities sector rose 7%. The retail trade sector shed 4.6% of its jobs in the last year and employment in the leisure and hospitality sector contracted by 3%.

**3** The new St. Cloud Index of Leading Economic Indicators fell by 1.6% in the May-July quarter and is now basically unchanged from one year ago. In the latest quarter, three of six indicators were down. The St. Cloud 13 Stock Price Index fell 8.6% over the year ending July 31, 2019. Over this same period, the S & P 500 rose 5.8%.

**4** The future outlook of those area businesses responding to the St. Cloud Area Business Outlook Survey was mixed. Forty-one percent of surveyed firms expect an increase in business activity over the next six months, and one-quarter of firms expect decreased activity. Fewer than 27% of surveyed firms expect to expand payrolls by February and only 20% anticipate improved national business conditions.

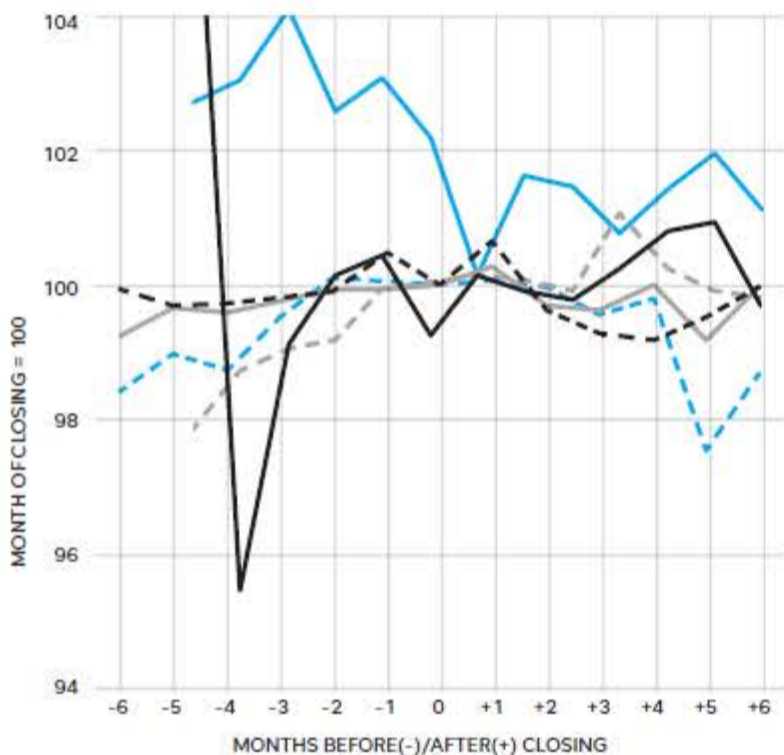
Compared to previous surveys over the past couple of years, fewer firms are expecting to increase prices over the next six months. The local labor shortage appears to be moderating as fewer firms expect to have increased difficulty attracting qualified workers by February.

**5** In special questions, 51% of firms expect their company to be unaffected by the upcoming closure of Electrolux. Twenty-seven percent of firms expect the closure to have a "small negative effect" and another 16% of firms anticipate a "small positive effect." No firms expect the closing of Electrolux to have either a medium or large negative impact on their business. These are very similar to the survey results we obtained 18 months ago, when we asked the same question after the January 2018 announcement that Electrolux was planning to leave St. Cloud. Firms were also asked to report the extent to which the entry of Costco into the St. Cloud market has impacted their company's wage structure and/or their ability to attract and retain employees. Seventy-eight percent of firms have been unaffected by Costco, and another 10% report it has had a "small negative effect." The final special question asked firms to comment on the extent to which recent negative publicity about immigration and refugee resettlement in St. Cloud has impacted or is expected to impact their firm. These written comments are found later in this report.



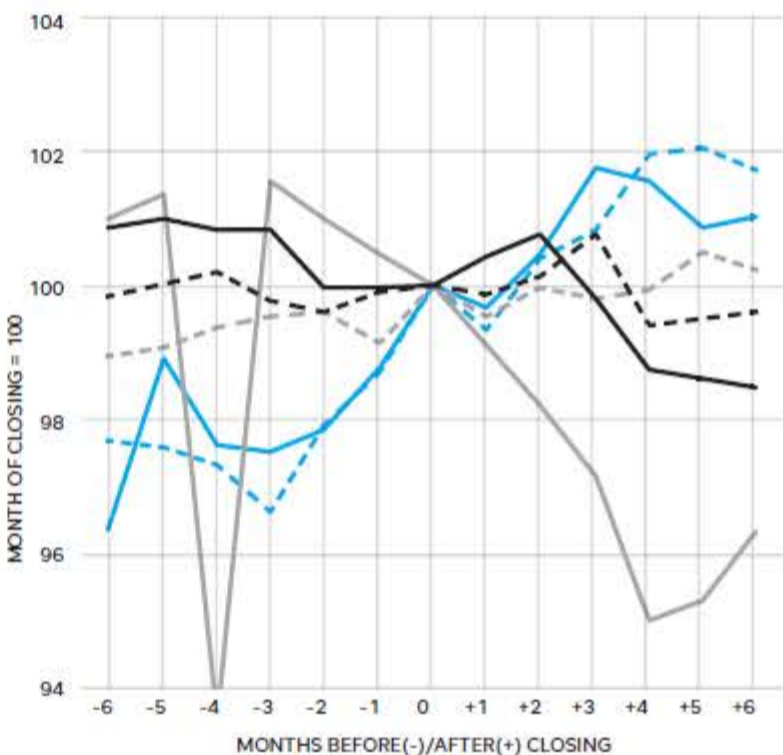
Store managers stand near the entrance June 18 of the new Costco Wholesale membership warehouse in St. Cloud. DAVE SCHWARZ / ST. CLOUD TIMES

## St. Cloud Manufacturing and Non-manufacturing employment around major plant closings



	Fingerhut	Verso	Quadgraphic
Manufacturing	—	—	—
Non-manufacturing	- - - -	- - - -	- - - -

## St. Cloud Manufacturing and Non-manufacturing employment around business cycle peaks



	July 1990	March 2001	Dec. 2007
Manufacturing	—	—	—
Non-manufacturing	- - - -	- - - -	- - - -

# Business

Continued from Page 11

Electrolux is not the largest business closure of this century in the St. Cloud market: That honor belongs to the Fingerhut closing in 2002. There have been closings more of the size of Electrolux. The Verso plant in Sartell was destroyed by fire in 2012 when the economy was coming out of the Great Recession. QuadGraphics closed its plant in Sauk Rapids in 2014. Both events laid off somewhat fewer workers than Electrolux, but the impact would be similar. The difference for Fingerhut from the others is that Fingerhut was not a manufacturer.

We have created two charts nearby to compare the impact of the other three closings on manufacturing and non-manufacturing employment and compare these results to the three recessions in 1990, 2001 and 2007-09 for which we have employment data for St. Cloud. The solid lines in the graphs represent manufacturing employment and the dashed lines represent non-manufacturing employment.

We look at employment in the St. Cloud MSA relative to the month of closing for each plant. The current economic expansion paused temporarily by the Verso and QuadGraphics manufacturing plant closings but did not decline. There's no question that growth would have been faster had the Verso fire not happened, but there was enough momentum in the economy to get through

both of the later closings.

In the case of Fingerhut, non-manufacturing employment overall fell by 1.3% in the six months after closure, as compared to growth of 1.7% in the six months beforehand. The size of Fingerhut was simply too large to not register in the data. However, manufacturing employment grew more than 1% after the closing of Fingerhut, and the expansion in St. Cloud overall took off at the end of the year.

In comparison, we show business cycle peaks — the moment when an economic expansion turns to recession — in a second graph nearby. The 1990 recession was relatively mild and in St. Cloud it did not leave a mark. Both employment series increased through that period. Manufacturing employment is generally thought by economists to be more cyclical than nonmanufacturing employment and the data bear this out. Manufacturing employment fell 3.6% and 1.5% in the two recessions of 2001 and 2007 while nonmanufacturing employment did not fall.

These graphs are only suggestive but are consistent with the story that, if a manufacturer of some size does close and the economy is expanding, the local economy has had enough robustness to not go into recession. Yet the current expansion may be slowing down, and we do not need to identify the imbalances in the local or national economy that will lead to recession before finding that a recession is happening. The 1990 recession was like that, and the robust growth in construction and manufacturing reported elsewhere in this report

may indicate a recession could happen elsewhere but not here.

But we cannot be sure. Some imbalance may be out there that we have not yet seen. If the economy has weakened, then the closing of a single, large em-

ployer may be visible in the data. But larger forces than that would be needed to tip St. Cloud into recession. St. Cloud area business leaders seem to agree, as seen in Special Question #1 elsewhere in this report.

# Growing employment, a mix of indicators

Unlike much of Minnesota, which is experiencing sluggish employment growth, the St. Cloud economy continues to grow jobs at a healthy pace. In Table 3 we see employment grew 1.5%, three times the statewide rate and much faster than the 0.1% growth of the Twin Cities. Growth was widespread. The area's goods-producing sectors grew 5.8%, much faster than the growth in this sector elsewhere in the state. The current national economic expansion was favorable for investment goods in 2018, and has turned toward consumer durables in 2019. Both types of products have helped St. Cloud goods-producing firms and their employees. Healthy growth in construction jobs helped this number as well.

Service-sector jobs have done fairly well also, growing 0.4% in the 12 months to July 2019 compared to a decline of 0.2% in the Twin Cities. Declines were felt in retail trade and in leisure and hospitality, but those were offset by increases in the transportation/warehousing/utility sector and in the education/health sector. This latter sector has been a continued source of strength for the St. Cloud economy for nearly two decades.

As seen in Table 4, the size of the labor force in the St. Cloud area grew by 945 (0.8%) in the 12 months to July 2019. The number of workers employed grew more slowly, such that the unemployment rate is now 3%. While this is 0.4 percentage points higher than one year ago, this rate is below that of the Twin Cities and the state more generally. Building permits rose and initial claims for unemployment insurance fell over this period, both positive indicators for the St. Cloud economy.

The St. Cloud 13 Stock Price index fell 8.6% in the year through July 31, 2019, a negative for the economy. The S&P 500 grew 5.8% over the same period. Eight stocks in the St. Cloud 13 declined in the last quarter, led by American Axle which fell 22.8% after reporting lower than expected sales and net revenue. Essilor was the biggest of the five gainers, adding 17.7% after better than expected earnings in June.

The new St. Cloud Index of Leading Economic Indicators fell by 1.6% in the last quarter and is virtually flat from year-ago levels. As seen in Table 5, half of indicators were up in the quarter and the other half were down. A significant increase in seasonally adjusted new business incorporations in the area



offset the weaker signals from current conditions in the St. Cloud Area Quarterly Business Survey. The other four items — initial claims for unemployment insurance, new building permits, the St. Cloud 13 stock price index and future responses in the survey — made marginal contributions to the leading indicators.

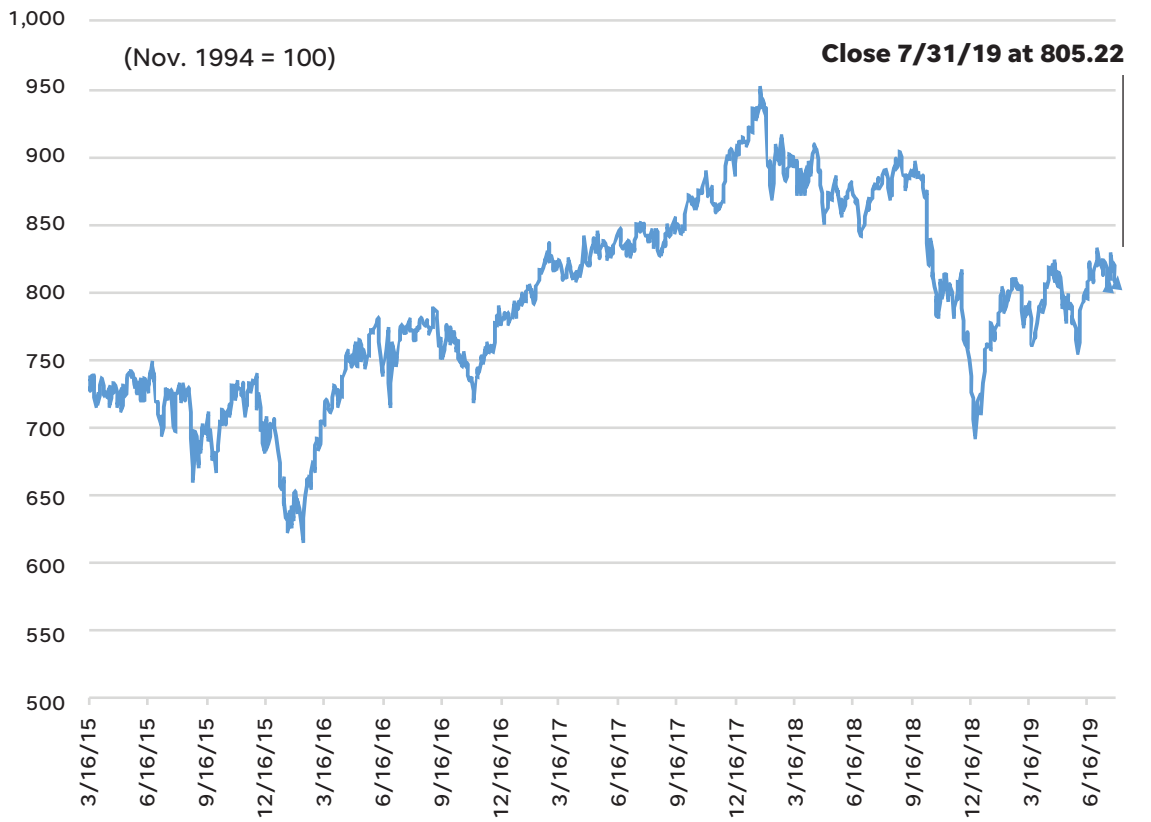
An even split of the indicators is a fair analogy to where our own opinions are on the economic situation of St. Cloud as it approaches the end of 2019. National conditions are challenging and a daily reminder comes from the closing of Electrolux. As usual, St. Cloud business leaders were less sanguine of current conditions at the end of summer — we observe this almost every year — but declines in expected difficulty hiring qualified workers has often been a sign of foreboding that we should not ignore.

It would be premature to signal a recession when employment growth has been significant, but much of the source of strength is in the goods-producing sector which is more cyclical than the service-sector, and the latter has shed some jobs in retail stores, restaurants and hotels. Should a change occur in local construction, or if another shock hits local manufacturing, the growth of the last year could slip away very quickly.

**Table 3: Employment trends**

	ST. CLOUD		MINNESOTA		TWIN CITIES	
	2004-'19 long term	July '18 to July '19 growth rate	2004-'19 long term	July '18 to July '19 growth rate	2004-'19 long term	July '18 to July '19 growth rate
Total non-ag	1.0%	1.5%	0.7%	0.5%	0.8%	0.1%
Total Private	1.0%	1.6%	0.8%	0.6%	0.9%	0.2%
<b>GOODS PRODUCING</b>	0.4%	5.8%	-0.2%	1.8%	-0.1%	2.0%
Mining/Logging/Construction	2.6%	11.4%	0.1%	6.1%	-0.1%	4.4%
Manufacturing	-0.6%	2.9%	-0.4%	-0.1%	-0.2%	-0.2%
<b>SERVICE PROVIDING</b>	1.1%	0.4%	0.9%	0.3%	1.0%	-0.2%
Trad/trans/utilities	0.7%	-1.4%	0.2%	-0.8%	0.2%	-0.2%
Wholesale Trade	1.6%	0.5%	0.2%	0.2%	0.0%	0.1%
Retail Trade	-0.2%	-4.6%	-0.1%	-0.8%	0.1%	-0.5%
Trans/Ware/Util	2.7%	7.0%	0.8%	-2.0%	0.7%	0.0%
Information	-3.0%	-6.3%	-1.6%	-5.5%	-1.2%	-2.4%
Financial Activities	1.7%	2.0%	0.6%	0.4%	0.6%	0.1%
Prof & Business Serv.	0.9%	0.4%	1.4%	-0.1%	1.5%	-0.2%
Education & Health	3.2%	3.4%	2.5%	0.7%	2.8%	-1.0%
Leisure & Hospitality	-0.1%	-3.0%	1.3%	3.9%	1.5%	2.1%
Other Services (Excl.Gvt)	-0.2%	0.4%	-0.2%	-1.6%	0.2%	-0.1%
Government	0.8%	0.7%	0.3%	0.1%	0.3%	-0.7%
Federal	2.7%	-1.1%	-0.3%	0.4%	-0.2%	-0.2%
State	0.3%	-0.4%	0.6%	0.3%	-0.1%	-0.2%
Local	0.5%	1.6%	0.3%	0.0%	0.5%	-0.9%

**St. Cloud 13 stock price index**



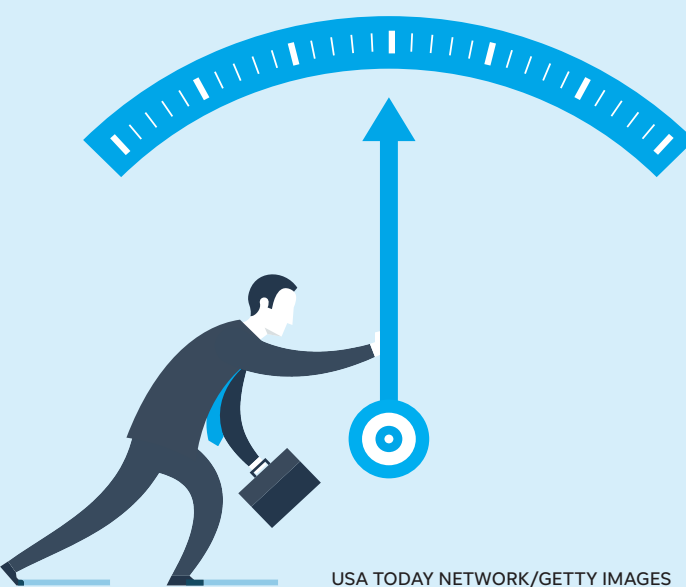
**Table 4: Other Economic Indicators**

	2019	2018	Percent change
St. Cloud MSA Labor Force July (MN Workforce Center)	114,515	113,570	0.8%
St. Cloud MSA Civilian Employment # July (MN Workforce Center)	111,042	110,642	0.4%
St. Cloud MSA Unemployment Rate* July (MN Workforce Center)	3.0%	2.6%	NA
Minnesota Unemployment Rate* July (MN Workforce Center)	3.3%	2.7%	NA
Mpls-St. Paul Unemployment Rate* July (MN Workforce Center)	3.1%	2.6%	NA
St. Cloud Area New Unemployment Insurance Claims May-July Average (MN Workforce Center)	441.7	461.0	-4.2%
St. Cloud 13 Stock Price Index as of July 31 (SCSU)	805.22	880.63	-8.6%
St. Cloud City Residential Building Permit Valuation in thousands, May- July Average (City of St. Cloud)	1,597.7	1,080.7	47.8%
St. Cloud Index of Leading Economic Indicators April (SCSU) 2012-13 = 100	111.3	111.3	0.0%

MSA = St. Cloud Metropolitan Area, comprised of Stearns and Benton counties. # The employment numbers here are based on household estimates, not the employer payroll estimates in Table 3; \* Not seasonally adjusted; NA Not applicable or not available.

**Table 5: Impact of Indicators on St. Cloud Leading Economic Indicators, July 2019**

Indicator	Impact on leading indicators
Initial Claims for Unemployment Insurance	DOWN ▼
New Business Incorporations	UP ▲
Professional Employment	DOWN ▼
St. Cloud 13 Stock Price Index	UP ▲
Current Conditions in Survey	DOWN ▼
Future Conditions in Survey	UP ▲



USA TODAY NETWORK/GETTY IMAGES

# Special question

## SPECIAL QUESTION 1

# The expected impact of the Electrolux closure

In our February 2018 survey, one month after Electrolux officials announced the future shuttering of their St. Cloud production facility, we asked area business leaders how they expected the plant closing would impact their company.

The result was worth noting: no area firms anticipated either a large positive or negative effect and only two firms thought it would have a medium-sized impact. Most firms (54%) expected no effect of the Electrolux closing, while one-quarter of survey respondents expected a "small negative effect" and 14% expected a "small positive effect."

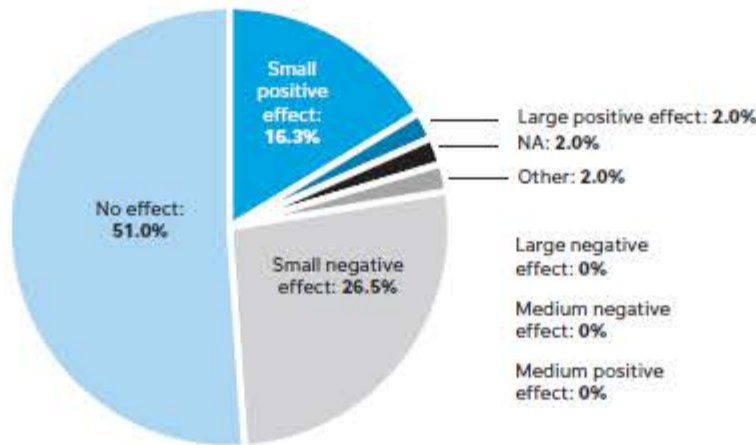
As we now approach the date when the plant is expected to close, we decided to revisit this question. We asked:

### TO WHAT EXTENT DO YOU EXPECT THE ANNOUNCED FUTURE CLOSING OF THE ELECTROLUX PRODUCTION FACILITY IN ST. CLOUD TO AFFECT YOUR COMPANY?

In last quarter's St. Cloud Area Quarterly Business Report, we reviewed a March 2018 economic impact study (for which we served as co-authors) on the closing of Electrolux. We noted that the economic consequences of a closed Electrolux run well beyond the lost jobs of the 860 employees that were on the company's payroll in January 2018. As with any significant plant closing, there will also be adverse indirect effects (felt by companies along the Electrolux supply chain) and an induced impact (which will be felt by all of those who sell goods and services to those who have

### Special Question 1

Electrolux has announced that it plans to end production on November 1, 2019. To what extent do you expect the closing of the Electrolux production facility in St. Cloud to affect your company?



lost their jobs).

Earlier in this report, we suggest the closing of Electrolux may not by itself be sufficient to tip the area economy into recession, but there is little doubt that the economic pain will be felt for many months (and years). This will be particularly true if displaced Electrolux employees are unable to immediately find employment in the St. Cloud area.

Considering all of this, the above chart shows that surveyed firms are no more concerned now than they were 18 months ago about the closing of Electrolux. As with the February 2018 survey, a

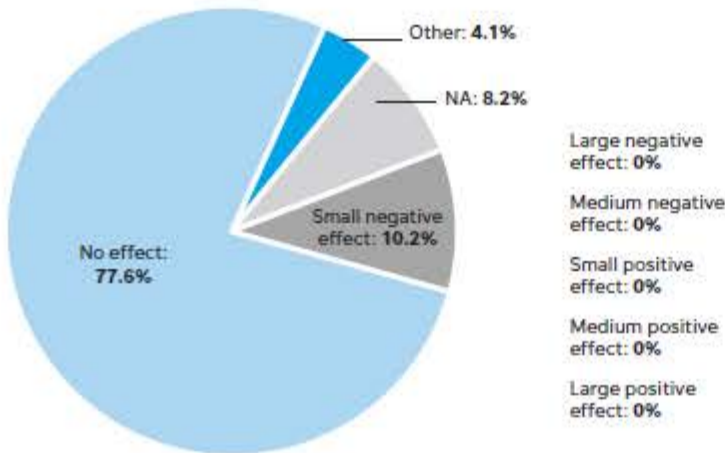
little over half of surveyed firms expect to be unaffected by the plant's closing, and approximately one-quarter of firms expect a "small negative effect." Sixteen percent of firms expect a small benefit from the closure of Electrolux. Comments on this survey item include:

- We are busy trying to hire some of their employees.
- Some of our customer base works there so they may not be in the market for any of our services for a while.
- DEED/Job Service will be assisting in providing job search workshops to the Electrolux employees who are laid off.
- The only correlation would potentially be an easing of current tight labor pool, but I do not anticipate the skills available (from Electrolux employees) to match with our sought-after skill sets.
- (The services that might be used by Electrolux employees) is a smaller portion of our business compared to (our other business activity), so we may not

- directly feel an effect from the closing.
- We have done some work for them in the past. Obviously, that will be gone.
- We may be able to attract some quality labor to add to our team.
- Their positions paid more than many available (jobs). Other than increasing the available workforce numbers, they will not impact us much.
- We don't sell many products locally so it will not impact the demand for our products. It should increase the pool of potential new employees.
- It will affect our area, but not our company directly.
- We don't sell to them or their employees
- It will have no effect on our business. I would suspect that the displaced employees will be rapidly re-employed based on the need for workers in the St. Cloud area.
- We have not seen any effect and do not anticipate any impact.
- Lost business.
- May allow us to find more qualified skilled labor applicants.
- Small to no effect.
- Demand for (our) services will not be reduced unless a significant portion of the workforce leaves Central Minnesota.
- Do not service (Electrolux).
- Pick up some workers.
- Likely we have several (Electrolux) employees who (use or services) that may be leaving the area to find new jobs. Some of our business clients will likely have a drop in revenues when no longer able to provide services to Electrolux.
- Will look to hire employees that fit our organization or other businesses in the area.
- Losing customers who worked there.
- Very little past interaction.
- Possible skilled labor availability.
- Not as many potential remodel projects.
- It won't have a direct long-lasting impact on what we do.

### Special Question 2

To what extent has the entry of Costco into the St. Cloud market impacted your firm's wage structure and/or your firm's ability to attract and retain employees?



## SPECIAL QUESTION 2

# The impact of Costco on the area labor market

Costco opened its doors for business in June. In addition to a considerable amount of construction employment, we noted a particularly visible effort by the company to hire local workers. For example, Costco employment tents could be found in several roadside locations in the months leading up to the store's opening.

Anecdotal evidence suggested that the pay scale offered to Costco workers had the potential to (at least temporarily) impact area labor markets by increasing entry-level wages and making it more difficult to attract and retain employees. So, we decided to ask area firms how the entry of Costco into the St. Cloud market was impacting labor cost and availability at their firm. We asked:

### TO WHAT EXTENT HAS THE ENTRY OF COSTCO INTO THE ST. CLOUD MARKET IMPACTED YOUR FIRM'S WAGE STRUCTURE AND/OR YOUR FIRM'S ABILITY TO ATTRACT AND RETAIN EMPLOYEES?

No firms indicate it has had a positive impact and only 10% of respondents reported a "small negative effect." More than three-fourths of surveyed firms indicate Costco's entry into St. Cloud has had "no effect" on their wage structure or their ability to attract and retain workers. Written comments include:

- Retail wages have no effect on our wage rates.
- They have hired many good people at competitive wages.
- They would not attract workers in

- our labor pool.
- No effect - different labor skill sets.
- We have not hired anyone in about 6 months, so we have not been impacted by wages paid by Costco.
- Their presence has no effect on us.
- We have not seen much impact on our finding and placing good talent in Central MN.
- No effect at all.
- Retail employment does not impact us.
- In the end, I believe Costco's wages and benefits will have a positive effect for St. Cloud area employees. The "Best Places to Work" award will certainly put pressure on similar businesses to their employees similarly.
- While it won't impact our wages or hiring, Costco has a warehouse/call center approach to selling (services from our industry) and will affect some of our business because they "rebate."
- We have seen no effect so far but expect upward pressure on entry-level wages.
- Some impact on the pool of available workers.
- Costco could one day be a customer and we will service these needs.
- We have not lost any staff to Costco, nor do we compete with the staff they hire to operate this store. Overall market is tight for labor... so, to some extent it makes for more difficulty in attracting new customer service staff.
- Have not felt anything.
- At this time it has not had an impact on us.
- Hasn't had any impact as of yet.