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St. Cloud Area Quarterly Business Report

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9-2023

### St. Cloud Area Quarterly Business Report, Vol. 25, No. 3

King Banaian

*St Cloud State University*

Mana Komai Molle

*St Cloud State University*

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CURRENT BUSINESS CONDITIONS							FUTURE BUSINESS CONDITIONS						
ST. CLOUD AREA BUSINESS OUTLOOK SURVEY Summary Aug/Sep 2023	Aug/Sep 2023 vs. Three Months Ago				June 2023 Diffusion Index <sup>3</sup>	Aug/Sep 2022 Diffusion Index <sup>3</sup>	ST. CLOUD AREA BUSINESS OUTLOOK SURVEY Summary Aug/Sep 2023	6 Months from Now vs. Aug/Sep 2023				June 2023 Diffusion Index <sup>3</sup>	Aug/Sep 2022 Diffusion Index <sup>3</sup>
	Decrease (%)	No Change (%)	Increase (%)	Diffusion Index				Decrease (%)	No Change (%)	Increase (%)	Diffusion Index		
What is your evaluation of:							What is your evaluation of:						
Level of business activity for your company	24.1	44.8	31	6.9	-14.7	24.3	Level of business activity for your company	27.6	31	41.4	13.8	15.7	33.3
Number of employees on your company's payroll	6.9	72.4	20.7	13.8	-2.9	24.2	Number of employees on your company's payroll	17.9	53.6	28.6	10.7	18.7	25.9
length of the workweek for your employees	3.4	89.7	6.9	3.5	8.8	3	length of the workweek for your employees	6.9	86.2	6.9	0	6.2	-6.4
Capital expenditures (equip., machinery, structures, etc.) by your company	3.6	60.7	35.7	32.1	35.3	36.4	Capital expenditures (equip., machinery, structures, etc.) by your company	14.3	60.7	25	10.7	43.8	23.4
Employee compensation (wages and benefits) by your company	0	46.4	53.6	53.6	50	57.6	Employee compensation (wages and benefits) by your company	0	48.3	51.7	51.7	56.3	51.6
Prices received for your company's products	6.9	58.6	34.5	27.6	23.6	54.5	Prices received for your company's products	3.4	51.7	44.8	41.4	25	58.1
National business activity	8.3	62.5	29.2	20.9	-24.2	13.3	National business activity	29.2	45.8	25	-4.2	-6.5	11.1
Your company's difficulty attracting qualified workers	10.7	67.9	21.4	10.7	0	13	Your company's difficulty attracting qualified workers	10.7	67.9	21.4	10.7	6.7	10.4
*Source: SCSU Department of Economics							*Source: SCSU Department of Economics						
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.							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.						

# Strong survey results move St. Cloud back toward growth

Business leaders positive on national economy over the summer, but still question the road ahead

BY KING BANAIAN AND MANA KOMAI MOLLE  
St. Cloud State University

**Business leaders reported stronger local results** in the last St. Cloud Quarterly Business Survey. Thirty-one percent said their business activity expanded over the summer, while 24% said it had declined. Hiring improved, with continuing strength in wages paid, capital spending and prices received for products.

► Few leaders felt

national business activity had decreased, while 29% felt it had increased, consistent with national economic reporting over the summer.

**The future outlook is murkier.** Forty-one percent said their business activity would expand over the next six months, while 28% said it would decline; the resulting diffusion index is little changed from our survey in May/June when we first predicted a recession would occur in St. Cloud.

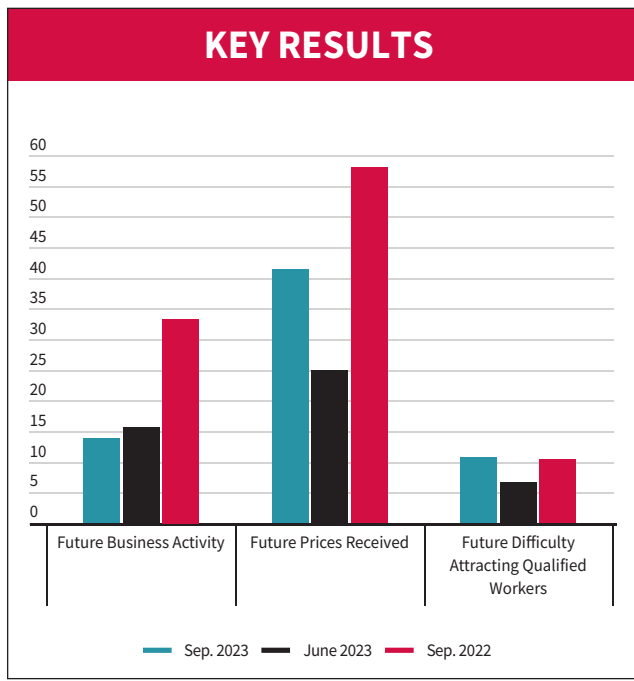
► Almost all underlying

survey questions continued to show weakness. Most notably, future capital expenditure plans fell dramatically (perhaps due to higher borrowing costs and tighter credit conditions.) 45% of business still expect to receive higher prices for their products, while only one firm thought it would receive lower prices.

► There was no real change in the future expectation of national business activity, with slightly more respondents

expecting it to retreat in the next six months, which would mean they expect recession by the end of the year or very early in 2024. "[E]conomic caution has impacted many of the businesses we work with this year," said one survey respondent.

Business leaders cited rising interest rates as an issue. One respondent indicated that rising rates "and lack of housing inventories has negatively impacted home loan volumes. Surprisingly, consumer loan demand



continues to be strong." Thus while national data are pushing the cable news experts to postpone the recession to 2024

or simply withdraw their predictions from earlier in the year, local business leaders seem much more wary.

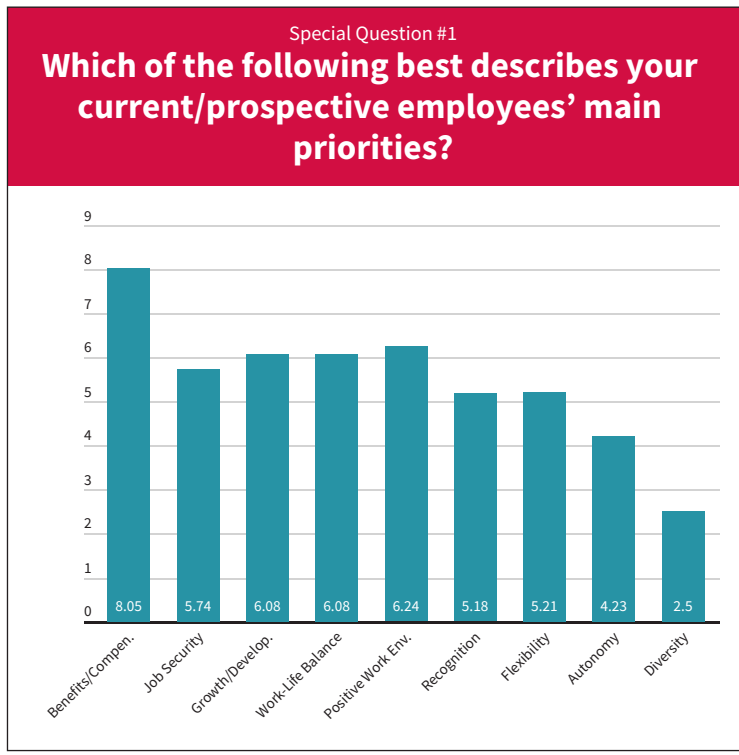
# We asked: What are your employees' main priorities?

BY KING BANAIAN AND MANA KOMAI MOLLE  
St. Cloud State University

Traditional workplace practices shifted during and after the COVID-19 pandemic amid pandemic-related pressure and a tight labor market. Certain cultural elements such as flexibility, work-life balance, supportive environment, autonomy, and freedom were prioritized; others, such as social interactions, workplace vitality, and organizational cohesion, were de-emphasized.

The pandemic has now receded and the U.S. labor market is showing signs of moderation in response to the Federal Reserve's continuous interest rate hikes. Although the U.S. economy added 187,000 jobs in August, unemployment rate grew to 3.8%, wage increases moderated, and labor force participation increased from 62.6 to 62.8 partly due to concerns about an economic downturn. Which cultural shifts should stay, and which should change back?

Intelligent leadership requires deliberate assessment of cultural shifts and strategic adjustments of employee-employer relationships,



interactions, expectations, and priorities.

Survey respondents indicate that, from the employers' point of view, benefits and compensations are employees' highest priority. "Money, money, money," one employer responded. The second place belongs to a positive work environment. Work-life balance and career growth and

development are tied in third place.

"This is my assessment, not the employees," one respondent said. Diversity and inclusion was considered the employees' least important consideration from the employers' point of view. "Our team is very career focused and foregoes flexibility for the culture," another employer responded.



**"Which of the following best describes your current/prospective employees' main priorities?"**

According to our survey responses, employee engagement and retention is the employers' highest priority followed by employee well-being in second place. "The ... employee is happier and more productive, which is

beneficial to every business," one respondent said. Payroll costs take the third place. The bottom of the list again belongs to diversity and inclusion based on our survey responses.

**"Which of the following best describes your main priorities in relationship with your employees?"**



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# St. Cloud Area QUARTERLY BUSINESS REPORT

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

## MEET THE AUTHORS:



**KING BANAIAN**  
College of Education  
and Learning Design  
**320-308-4797**



**MANA KOMAI MOLLE**  
St. Cloud State University  
Department of Economics  
**320-308-4781**

King Banaian specializes in analyzing data and writing about it in the second portion of this report.

Mana Komai Molle collects and analyzes responses to the St. Cloud Area Business Outlook Survey, covered in an early portion of the report. Only Molle has access to the confidential list of surveyed businesses and the returned surveys. Questions about the survey can be directed to her. 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.

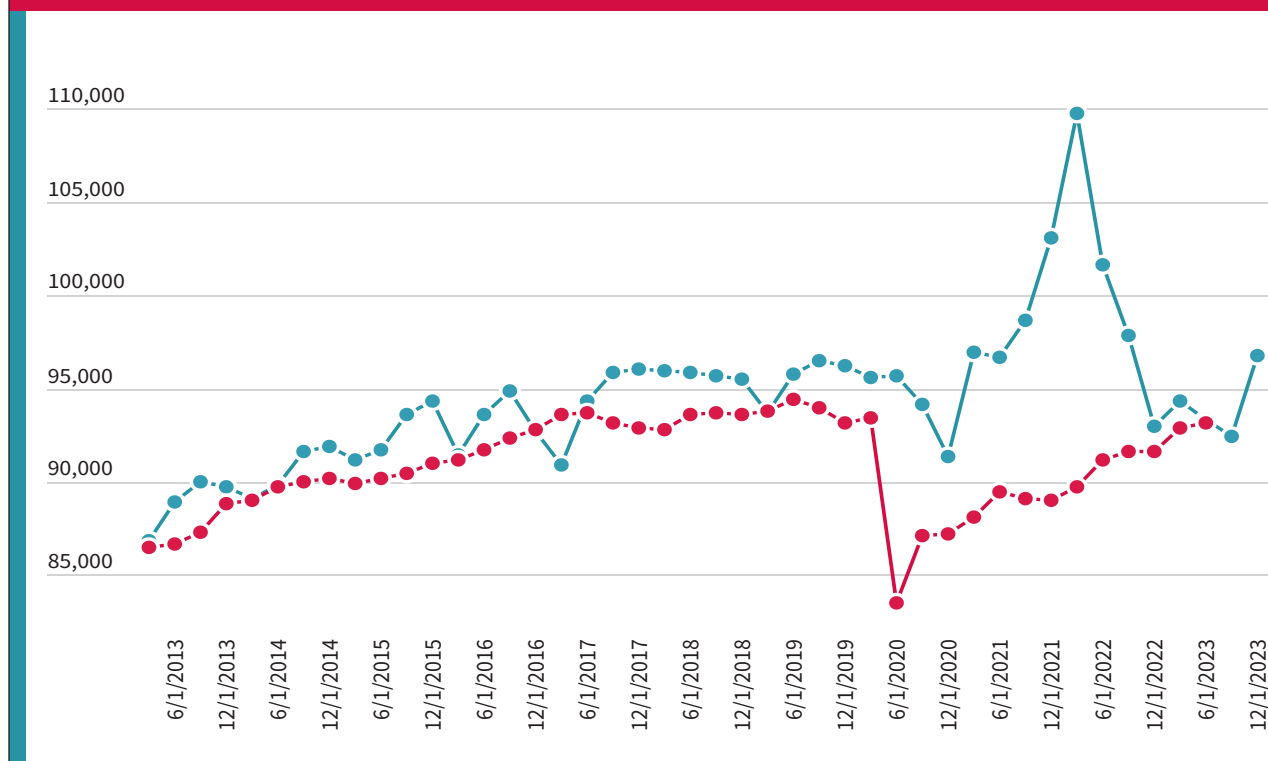


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## Private Employment vs LEI forecast St. Cloud MSA, 2013-2023



## Leading economic indicators trending upward

**BY KING BANAIAN AND MANA KOMAI MOLLE**  
St. Cloud State University

The St. Cloud Index of Leading Economic Indicators turned sharply higher in the most recent quarter after three quarters of flat performance. The strength of responses for both current and future conditions from the St. Cloud Area Quarterly Business Survey were largely responsible for the gains, reversing their negative reads from May and June.

Two other positive contributors were the positive recent performance of the St. Cloud Stock Price index and earlier performance of unemployment insurance. Initial claims predict growth or

recession with a greater lag in our model than does stock prices or the survey results. More recent results suggest claims may be increasing.

Professional employment, which includes the highly-predictive area of temporary help employment, was down over the last three months. We do not have specific data in this area for St. Cloud. The American Staffing Association reports that around the time of our data temporary help hirings was flat, and down about 4% from year-ago levels.

New business incorporations for our region have also trended lower though still well above the averages of the second half of the 2010s.

### Impact of Indicators on St. Cloud Leading Economic Indicators July 2023

	Up/Down?
Initial Claims for Unemployment Insurance	UP
New Business Incorporations	DOWN
Professional Employment	DOWN
St. Cloud 11 Stock Price Index	UP
Current Conditions in Survey	UP
Future Conditions in Survey	UP

## Advertising for jobs shows rapid decline

**BY KING BANAIAN AND MANA KOMAI MOLLE**  
St. Cloud State University

Since 2016 the Greater St. Cloud Development Corp. has hosted the GSDC JobSpot resource page that allows area businesses to post jobs that they have available and provide a portal for jobseekers to apply for them. Over time the number of jobs has expanded as well as engagement from potential employees.

The use of the Internet for matching workers and firms was accelerated during the pandemic and is now accepted as a preferred means to advertise and search. The online jobmatching firm Indeed now creates data

in major metropolitan markets to show the use of its site by both employers and employees.

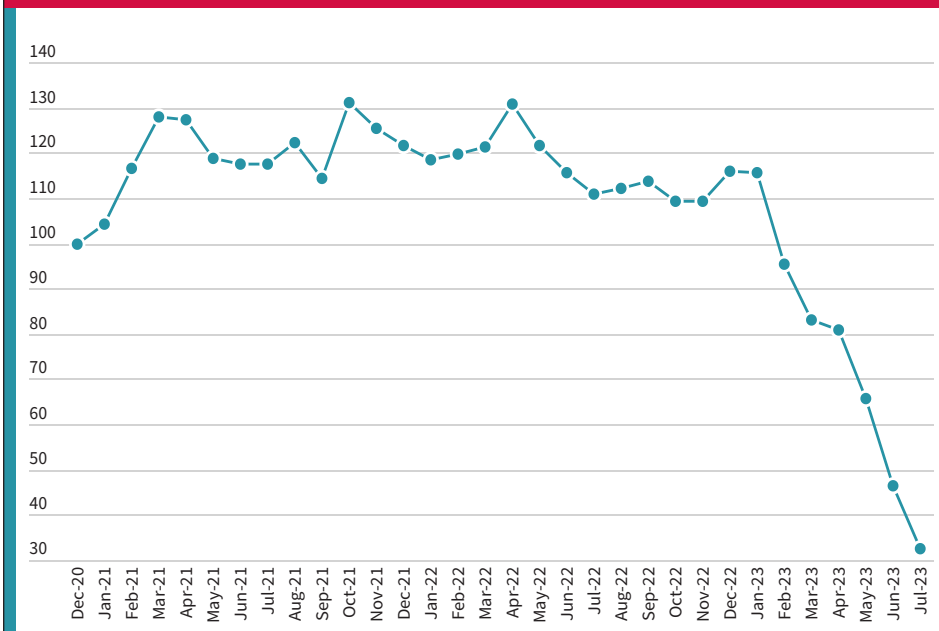
Dayta Marketing, a local firm, provides GSDC with support for JobSpot as part of GSDC's St. Cloud Shines initiative. With our partnership with GSDC, we approached Dayta Marketing to acquire data on the use of JobSpot. The graph above shows our first result. As we have only data since late 2019 and needed some baselining, we are only able to graph job postings since December 2020. The graph above shows that even from the very strong levels at the end of the first year of the pandemic (but before the widespread availability of COVID-19

vaccines) advertising was accelerating on the site. That acceleration continued through 2021 and into 2022.

Since late 2022, however, advertising of positions declined precipitously. A significant user of JobSpot is Amazon, whose warehouse opened in December 2021. Between it ending its startup phase and the slowing of purchases online, Amazon has undoubtedly curtailed some of its advertising. However, that does not account for all (or even a majority) of the decline in advertising. This might be because businesses may be finding other avenues for advertising jobs than JobSpot. Or it might be a sign that firms are less

### St. Cloud JobSpot Posting Index, 2020-23

(Dec. 2020 = 100); Source: GSDC, Dayta Marketing, SCSU



actively seeking workers, a story that would match our data on the difficulty of finding qualified workers from the survey.

We anticipate further

partnership with Dayta Marketing and the GSDC as we continue to explore the data that the website generates. We are able to look at the number of

visitors to the site who click on specific jobs, for instance, that might tell us about labor supply, a very elusive measure for our work. Stay tuned!

## St. Cloud Stock Price Index

The St. Cloud 11 Stock Price Index rose 9.5% in the three months ending July 31, 2023.

The close was near the high since we started calculating this index in 1994. Nine of the 11 stocks rose, led by New Flyer. The company's St. Cloud facility recently announced an increased backlog of orders for its electric buses. The stock was up 54% in the quarter.

The St. Cloud index slightly outperformed the S&P 500, which rose 9.4% in the same period, while the Dow Jones 30 Industrials index fell 14.6%.

### St. Cloud 11 Stock Price Index

(Nov. 1994 = 100)



We have left the LEI business climate meter at four (out of six), which is the same as the previous (June) QBR.

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