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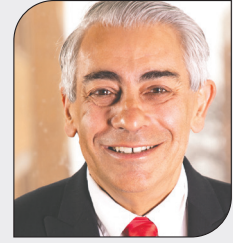
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St. Cloud Area QUARTERLY BUSINESS REPORT

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.

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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. 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.



ONLINE

For the full report, log on to www.stcloudlive.com.



ST. CLOUD STATE UNIVERSITY

St. Cloud unemployment rate drops, but still higher than state

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

ST. CLOUD — The labor force of the St. Cloud MSA fell by 65 workers between January 2023 and January 2024, according to data from Minnesota DEED. The number of workers employed grew by 195 in that same time period, which thus reduced the unemployment rate to 3.6% from 3.8%.

A drop in the unemployment rate is good news for the area, but stagnant labor force growth is a constraint that causes employers to look harder and spend more resources looking for workers. The results in our survey, shown elsewhere in this report, confirm that difficulty finding qualified workers continues to be a problem for area firms.

Unemployment in St. Cloud is still higher than for the state, though the latter rate was unchanged over the last year.

Other area indicators gave mixed results. As noted elsewhere on these pages, the stock price index for 10 of 11 publicly traded stocks with significant presence in St. Cloud rose to a record high on Feb. 28. However, initial claims for unemployment benefits rose 12.7% in the quarter ending Jan. 31, compared with year-ago levels. The valuation of residential building permits in the city of St. Cloud fell almost 22% in that same period.

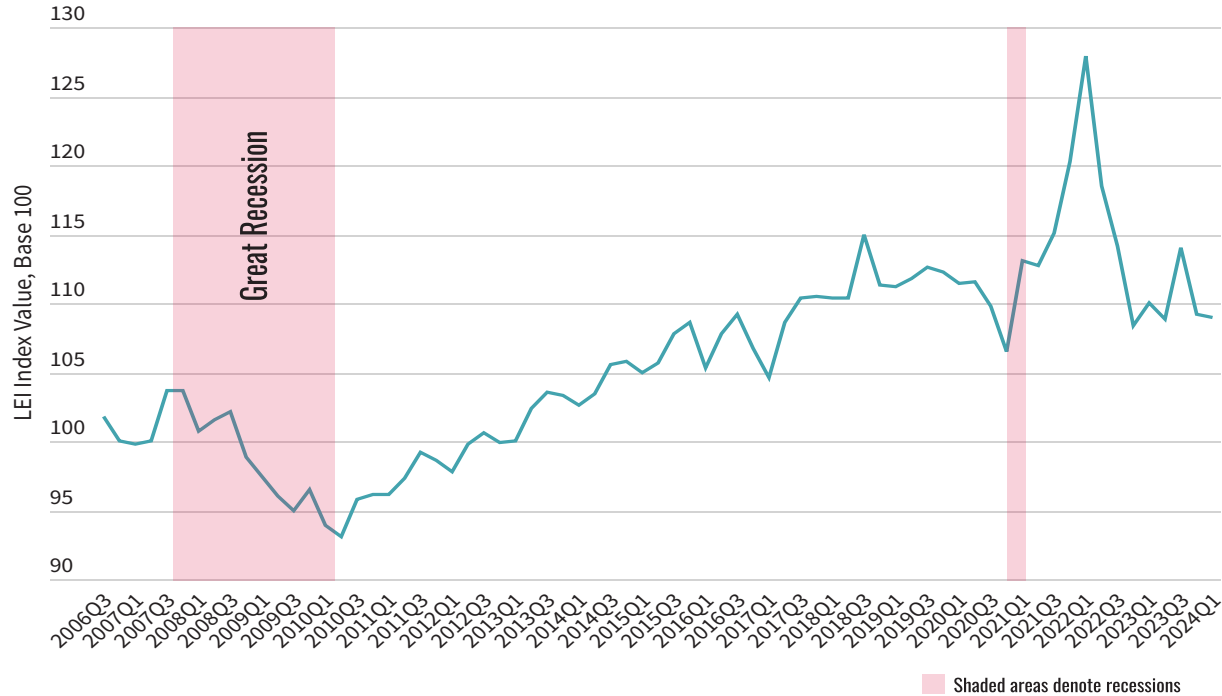
The claims and stock price data were two of the six components of the St. Cloud Index of Leading Economic Indicators, which is slightly down from one year ago.

St. Cloud Economic Indicators

	2024	2023	% change
St. Cloud MSA Labor Force January (MN Workforce Center)	112,207	112,272	-0.1%
St. Cloud MSA Civilian Employment # January (MN Workforce Center)	108,176	107,981	0.2%
St. Cloud MSA Unemployment Rate* January (MN Workforce Center)	3.6%	3.8%	N/A
Minnesota Unemployment Rate* January (MN Workforce Center)	3.3%	3.3%	N/A
Mpls-St. Paul Unemployment Rate* January (MN Workforce Center)	3.0%	2.9%	N/A
St. Cloud Area New Unemployment Insurance Claims Nov. - Jan. Average (MN Workforce Center)	1,233.0	1,094.3	12.7%
St. Cloud Stock Price Index As of February 28 (SCSU)	1,284.55	1,019.88	26.0%
St. Cloud City Residential Building Permit Valuation in thousands, Nov. -Jan. Average (City of St. Cloud)	770.3	985.4	-21.8%
St. Cloud Index of Leading Economic Indicators January (SCSU) 2012-13 = 100	109.0	110.0	-0.9%

New St. Cloud Index of Leading Economic Indicators

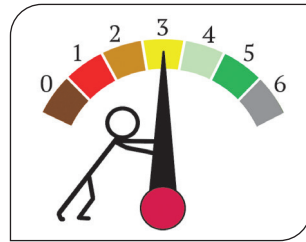
(1st quarter 2013 = 100, shaded areas are recessions)



Leading indicators show MARGINAL DIP

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

ST. CLOUD — The St. Cloud Index of Leading Economic Indicators fell by a very marginal 0.1% over the most recent quarter (data through January 2024.) Three indicators were up and three others were down.



Positive contributions were mainly due to the response from St. Cloud area business leaders about their experiences between November and January, and

from the recent increase in the St. Cloud 11 Stock Price Index. However, future expectations of business leaders — in particular, the recent change to future expectations on investing in capital equipment and an expectation of future difficulty hiring qualified workers — contributed negatively to the index.

The other elements — initial claims for unemployment insurance; new business incorporations; and professional and business services employment — were marginal contributors.

The very slight decline in jobs forecasted over the next four to six months is within the margin of error in the statistical analysis we use to calibrate LEI. That is to say, it is not significantly different from zero.

Impact of Indicators on St. Cloud Leading Economic Indicators

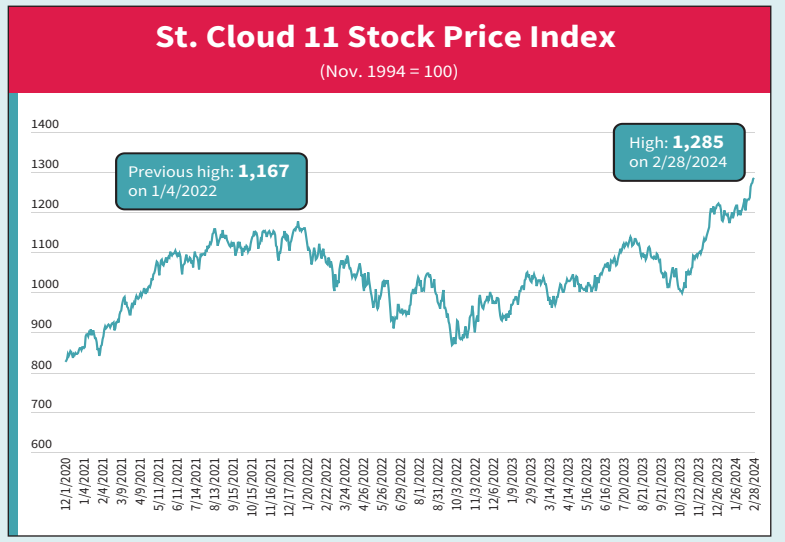
January 2024

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

St. Cloud Stock Price Index makes a new high

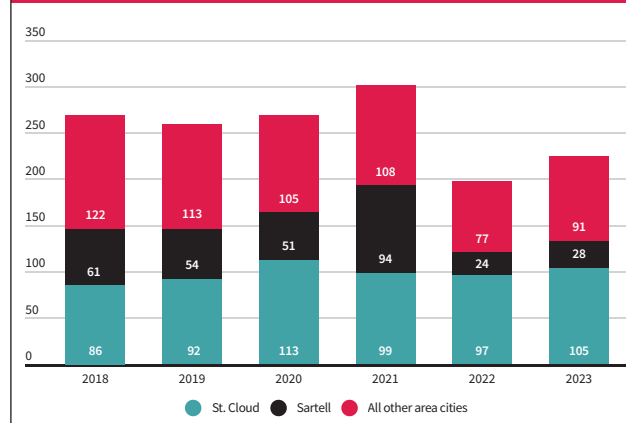
ST. CLOUD — The St. Cloud Stock Price Index rose 18.1% in the period between November 1, 2023 and January 31, 2024, greater than the 14.7% growth of the Dow Jones Industrial Average and 14.3% of the S&P 500. The prices of 5 of the 11 stocks in the index grew by more than 20%, led by Capital One, up 35%. The company reported much higher earnings at the end of October. Encore Capital Group was up 33.8%. Only one stock fell in price during these three months: New Flyer declined 1.4%.

The rally in the index began in October and now has extended for the last five months. Though not included in our statistical analysis, the graph above shows that the stock price index extended gains and reached a new historical high at the end of February.



Single family building permits, 2018-23

Source: Central MN Builders Association



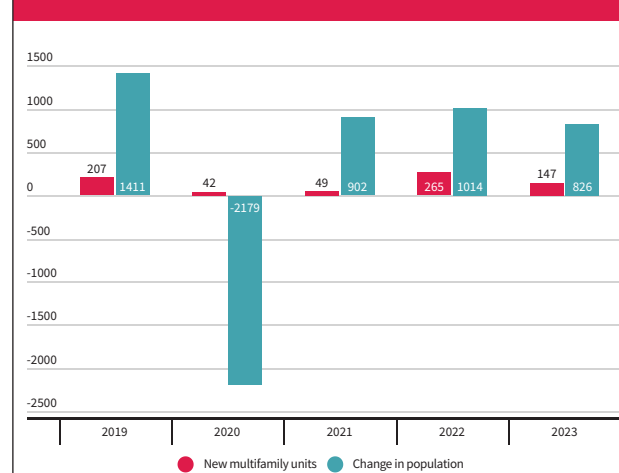
» **WE ASKED** continued

data are from the U.S. Census.) This included a substantial decline in population during 2020 at the height of the

pandemic. Census data show that 2,905 were added to the population between April 1, 2020, and July 1, 2023, raising total population to 202,577. Of that total addition, 2,365 were due

Multifamily housing and population change St. Cloud MN MSA, 2019-2023

Source: U.S. Census



to the number of births exceeding the number of deaths.

An additional net 436 persons migrated into the

MSA between those dates, with 2,064 net added in international migration and 1,628 out-migration to other domestic places.



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CURRENT BUSINESS CONDITIONS

FUTURE BUSINESS CONDITIONS

ST. CLOUD AREA BUSINESS OUTLOOK SURVEY Summary Feb/Mar 2024	Feb/Mar 2024 vs. Three Months Ago				December 2023 Diffusion Index ³	Feb/March 2023 Diffusion Index ³
	Decrease (%)	No Change (%)	Increase (%)	Diffusion Index ³		
What is your evaluation of:						
Level of business activity for your company	16	48	36	20	-4.5	3.1
Number of employees on your company's payroll	16	44	40	24	-18.2	9.4
Length of the workweek for your employees	8	80	12	4	-9.1	0
Capital expenditures (equip., machinery, structures, etc.) by your company	8	64	28	20	31.8	19.4
Employee compensation (wages and benefits) by your company	0	56	44	44	31.8	54.8
Prices received for your company's products	0	70.8	29.2	29	14.3	32.3
National business activity	23.8	57.1	19	-4.8	-22	-12.9
Your company's difficulty attracting qualified workers	12	64	24	12	0	16.1

*Source: SCSU HBS College of Business; 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.

ST. CLOUD AREA BUSINESS OUTLOOK SURVEY Summary Feb/March 2024	6 Months from Now vs. Feb/Mar 2024				Dec 2023 Diffusion Index ³	Feb/March 2023 Diffusion Index ³
	Decrease (%)	No Change (%)	Increase (%)	Diffusion Index ³		
What is your evaluation of:						
Level of business activity for your company	16.7	33.3	33.3	33.3	9.5	32.3
Number of employees on your company's payroll	0	66.7	33.3	33.3	0	25.8
Length of the workweek for your employees	4.2	83.3	12.5	8.3	4.5	12.9
Capital expenditures (equip., machinery, structures, etc.) by your company	4.2	50	45.8	41.6	4.8	40
Employee compensation (wages and benefits) by your company	0	33.3	66.7	66.7	0	56.7
Prices received for your company's products	8.3	54.2	37.5	29.2	9.5	30
National business activity	5	65	30	25	20	3.3
Your company's difficulty attracting qualified workers	0	70.8	29.2	29.2	9.5	13.3

*Source: SCSU HBS College of Business; 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.

SURVEY:

Local leaders report better results over winter

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

ST. CLOUD — St. Cloud area business leaders reported better results in the November 2023 to January 2024 period, with 36% reporting higher business activity and only 16% reporting lower business activity. This result reversed what was observed last fall, when more business reported lower than higher activity.

► Forty percent of

businesses reported expanding their payroll over that period versus 16% reporting fewer workers. 44% reported they had raised their wages (not unusual for the start of a new calendar year) and none reported declining compensation.

► There was a drop in the share of businesses who increased their capital spending in the most recent quarter.

There has been no decline in the expectations of future

price increase. An identical number of business leaders reported receiving higher prices for their goods in the last three months and expect to be able to raise prices through the spring and summer of 2024.

► Business are skeptical of what is happening nationally, with less than 1 in 3 expecting increased activity over the next six months.

► Almost 30% expect it to be harder to find qualified workers in the future, which historically

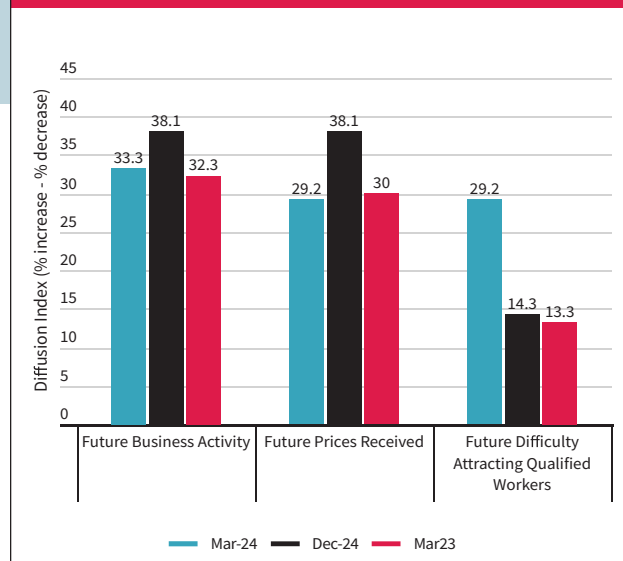
has been a good sign for the area economy.

Businesses were divided on whether public policy should prioritize affordable child care or workforce housing as a workforce development tool. There was roughly equal support for both as a priority.

► Business leaders also found on-the-job training and coaching/mentoring as most beneficial to develop their own employees.

► Soft skills were

KEY RESULTS



a priority in business organizations, slightly more than technical skills or skills specific to one's

industry. More details on these results appear elsewhere in this report.

We asked:

About workforce initiatives, in public policy and business

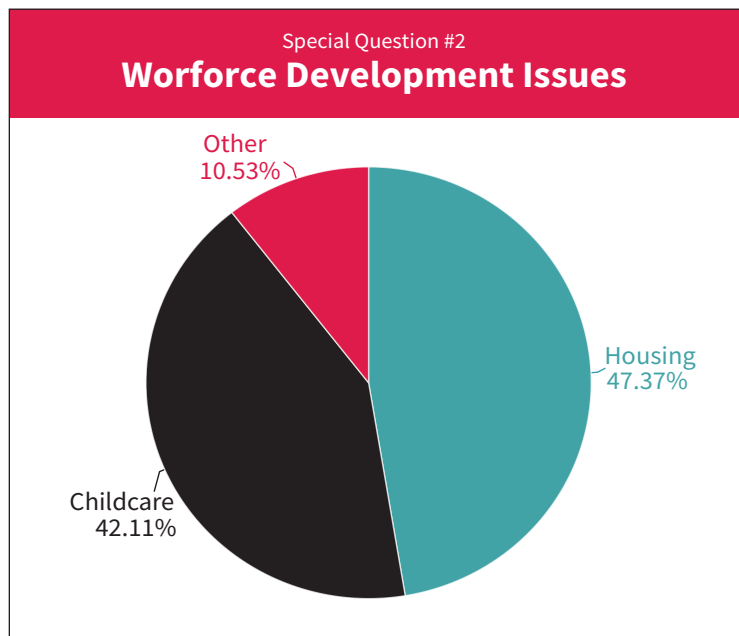
BY KING BANAIAH AND MANA KOMAI MOLLE
St. Cloud State University

ST. CLOUD — Sustained economic growth and development requires increased workforce participation and enhanced labor productivity. Thus, strategies and initiatives which remove structural barriers to workforce participation, and improve employee productivity are essential at the macroeconomic as well as organizational level.

At the institutional level attention is often focused on improving employee productivity through formal education, technical skills, enhanced knowledge of the work place, continued learning, adaptation to different roles and circumstances, and leadership abilities; at the macroeconomic level policies can address notable structural barriers to workforce participation such as housing and childcare.

Our special questions are designed to address the issue of workforce initiatives both at the public policy level and within business firms.

We asked three questions: **"Workforce development is referred to activities and initiatives aimed to enhance employee skills and abilities within the workplace. Which**



of the following practices are more beneficial to your organization? Please rank."

- Online courses
- Classroom training
- On the job training
- Coaching and mentoring
- Cross training (providing exposure to different roles in the workplace)
- Leadership development.

Business leaders ranked these six options, so a score of 6 would have meant every owner ranked that activity was their top choice of most beneficial. Survey respondents

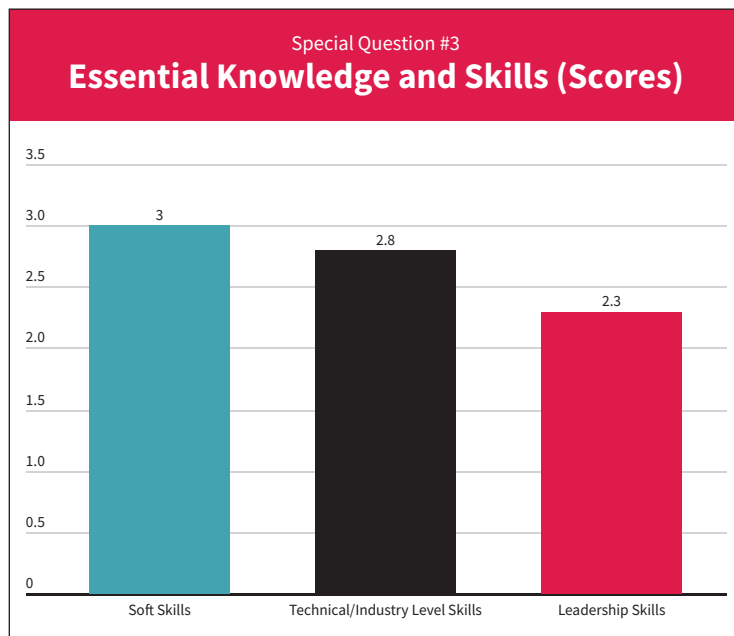
consider on the job training to be the most beneficial in enhancing employee skills and abilities. "On the job training is our primary focus," one respondent said. "We either hire consultants to build programs for training or do it in house," another respondent suggested.

The second place belongs to coaching and mentoring followed closely by cross training. Leadership development is ranked in the fourth place followed closely by classroom training. The last place belongs to online courses. "On the job (training is) better, online more available," one employer responded.

"In the last year, area leaders and nonprofits have led discussions identifying housing affordability and child care as other workforce development issues. Of those two items, which one would be more likely to help your workforce needs?"

- Affordable/more housing
- Affordable/more child care
- Other

Forty-seven percent of our respondents believe affordable housing will be more helpful to their employees, while 42% suggest affordable child care is more likely to help their workforce. 11% suggested another item was most important to workforce development. It is evident that both items matter to workforce development and business

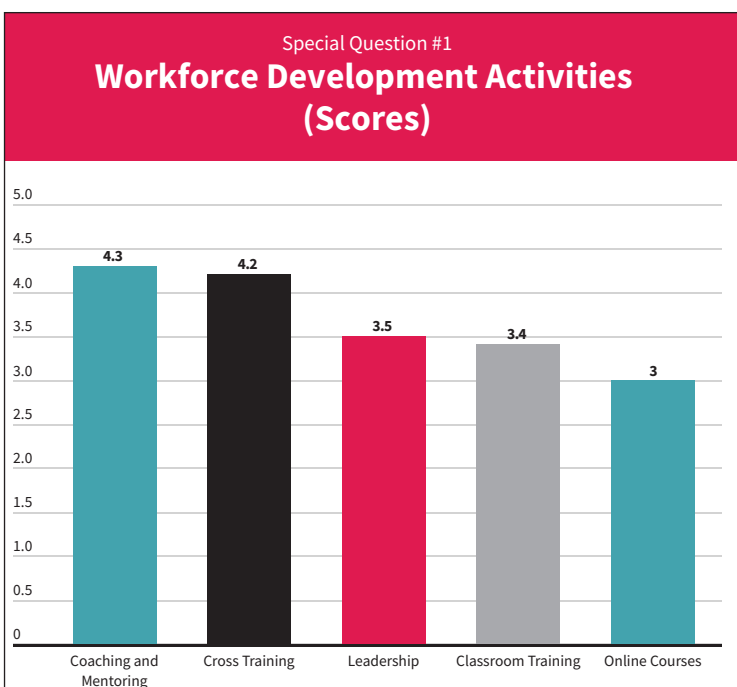


attitudes do not help prioritize

"Which of the following employee knowledge/skills are more essential to your organization. Please rank."

- Technical skills
- Industry specific knowledge and skills
- Leadership skills
- Soft skills (such as communication, collaboration, relationship building, etc.)

Our rankings are on a four-point scale. Respondents rank soft skills as the most essential to the work place, followed by technical and industry level skills tied for second place. "Listening, communicating, and relationship building are the base of our growth but you have to pay to play with the technical background," one respondent said. Leadership skills took the last place.



Construction drop-off coincides with rise in interest rates

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

ST. CLOUD — With the results of the special question on housing vs. child care as a workforce solution, we thought some additional data on these issues could shed some light.

The Central Minnesota Builders Association provides us with data on single-family building permit data that helps us consider the increase in supply of housing in that segment of the market. As we have noted before, construction employment

and building permits have been relatively stable over the last five years. There has been a drop off in the last two years however, coincident with the rise in interest rates. That change has been most notable in Sartell.

But these only reflect one part of the housing market. Between 2019 and 2023, 18 multifamily buildings (with at least four units in each) with 710 total units have been added to the stock of housing. Over that same period, the St. Cloud MSA added 1,974 persons. (Both

WE ASKED to next page ►