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# Twin Cities Minnesota Economic and Business Conditions Report - Second Quarter 2017


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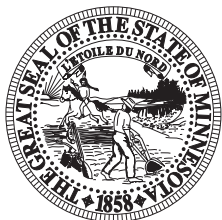
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# Twin Cities Area Economic and Business Conditions Report Second Quarter 2017

This issue is part of a series for the six planning areas of Minnesota: Central, Northeast, Northwest, Southeast, Southwest, and Twin Cities. The Twin Cities Planning Area consists of seven counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.



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## EXECUTIVE SUMMARY

Steady economic growth is expected over the next several months in the Twin Cities according to the prediction of the St. Cloud State University Twin Cities Index of Leading Economic Indicators (LEI). The Twin Cities LEI rose 2.54 points in the second quarter after a strong reading in the previous quarter. Three of five index components increased in the second quarter. Lower initial claims for unemployment insurance in the region had a favorable impact on this quarter's LEI. Strength in the Minnesota Business Conditions Index—a general measure of statewide business conditions—also had a positive effect on the index. Increased new filings of business incorporation and LLC also helped lift the Twin Cities LEI.

**There were 10,835 new business filings with the Office of the Minnesota Secretary of State in the seven-county metro area in the second quarter of 2017—representing a 6.4 percent increase from one year ago.** There were 1,475 new regional business incorporations in the second quarter, 0.9 percent fewer than year ago levels. Second quarter new LLC filings rose to 6,975 in the seven-county metro area—an 11.6 percent increase compared to the second quarter of 2016. New assumed names were 2.5 percent lower in the second quarter and there were 12 fewer new non-profit filings in the Twin Cities than one year ago.

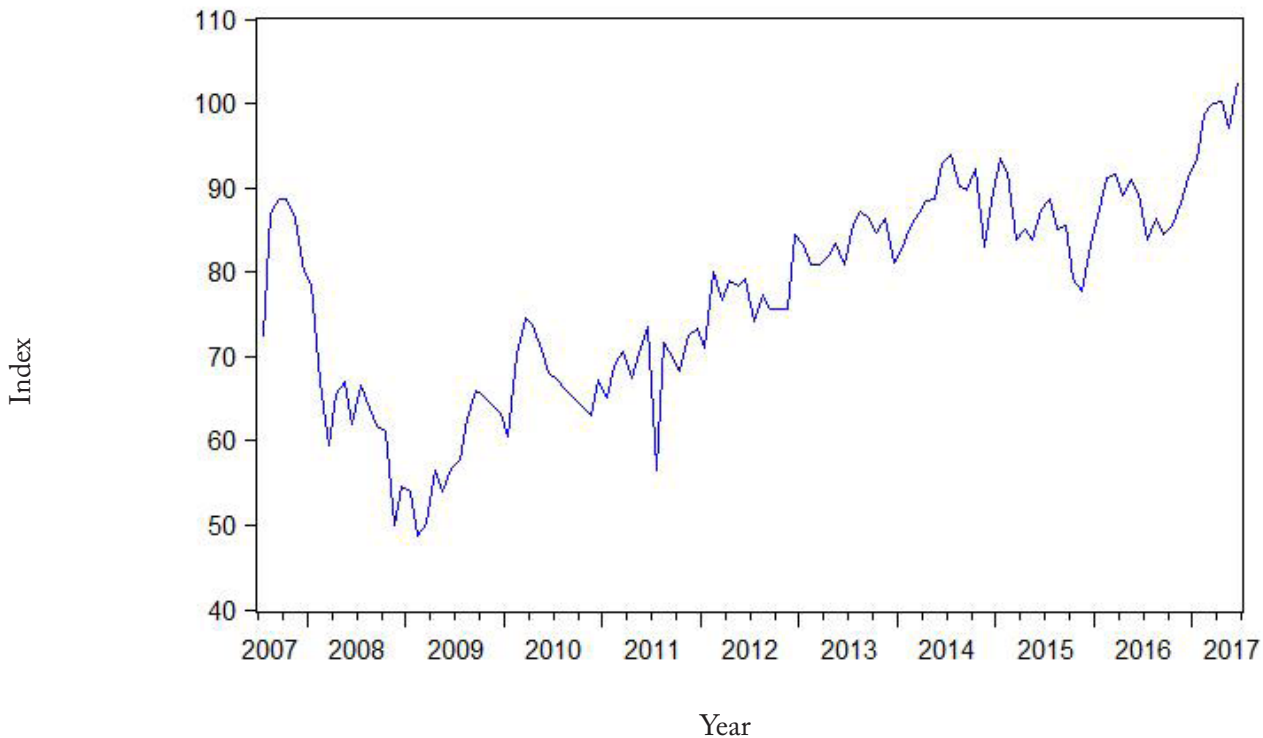
**Sixty percent of new business filers in the Twin Cities planning area completed the voluntary Minnesota Business Snapshot (MBS) survey in this year's second quarter.** Results of this voluntary survey indicate that almost 13 percent of new filers come from communities of color. Nearly 5 percent of new filings are veterans. About 2 percent of new filers come from the disability community and more than 8 percent of new filings are made by the immigrant community. Thirty-four percent of new business filings in the Twin Cities planning area in this year's second quarter were initiated by women. MBS results also show that most new business filers in the Twin Cities have between 0 and \$10,000 in annual gross revenues (although 652 new filers have revenues in excess of \$50,000). The most popular industries for new businesses in the Twin Cities are construction, retail trade, real estate/rental/leasing, professional/scientific/technical, arts/entertainment/recreation, and other services. Employment levels at most new firms are between 0 and 5 workers, and 43 percent of those starting a new business consider this a part-time activity.

**Twin Cities planning area employment increased by 2.7 percent over the year ending June 2017.** At 3.5 percent, the planning area's unemployment rate was lower than one year earlier. Initial claims for unemployment insurance were lower than year ago levels, falling by 7.1 percent to 6,867. Average weekly wages in the Twin Cities were lower than one year ago, although average weekly work hours and average hourly earnings rose for private sector workers in the 16-county Minneapolis-St. Paul MSA over the year ending June 2017. The planning area labor force increased by 2.5 percent over the year ending June 2017. Annual bankruptcies started to rise in the Twin Cities over the past twelve months. The relative cost of living in both Minneapolis and St. Paul increased.

## TWIN CITIES LEADING ECONOMIC INDICATORS INDEX

The SCSU Twin Cities Leading Economic Indicators (LEI) index is designed to predict performance of the regional economy with a four-to-six month lead time. After rising by a revised 9.07 points last quarter, the LEI rose another 2.54 points in the second quarter of 2017. The Twin Cities index is now 16.7 percent higher than one year ago.

### SCSU Twin Cities Index of Leading Economic Indicators (December 1999 = 100)



### Components of SCSU Twin Cities Leading Economic Indicators Index

| Component of Index                                    | Contribution to LEI, 2nd quarter 2017 | Contribution to LEI, 1st quarter 2017 |
|---|---------------------------------------|---------------------------------------|
| Minnesota Business Conditions Index                   | 2.90                                  | 5.08                                  |
| Twin Cities initial claims for unemployment insurance | 1.76                                  | -0.74                                 |
| Twin Cities new filings of incorporation and LLCs     | 0.84                                  | 1.02                                  |
| Mpls.-St. Paul MSA residential building permits       | -2.03                                 | 2.61                                  |
| Philadelphia Fed Minnesota leading indicators         | -0.93                                 | 1.10                                  |
| <b>TOTAL CHANGE</b>                                   | <b>2.54</b>                           | <b>9.07</b>                           |

The Twin Cities LEI contains five components—two reflecting state business conditions and three for local conditions (the LEI is an index equal to 100 in December 1999). The Federal Reserve Bank of Philadelphia (which creates a leading economic indicator series for each of the 50 states) reported a value for its Minnesota Leading Indicators series that made a negative contribution to the LEI this quarter. In addition, a decrease in single family residential permits across the Minneapolis-St. Paul MSA also weighed on the leading index. The Minnesota Business Conditions Index (constructed by Creighton University)—another general indicator of statewide economic conditions—had a positive impact on this quarter’s LEI. Two local measures also helped lift the LEI in the second quarter. Lower initial jobless claims in the region and higher new filings of incorporation and LLC contributed favorably to the second quarter leading index.

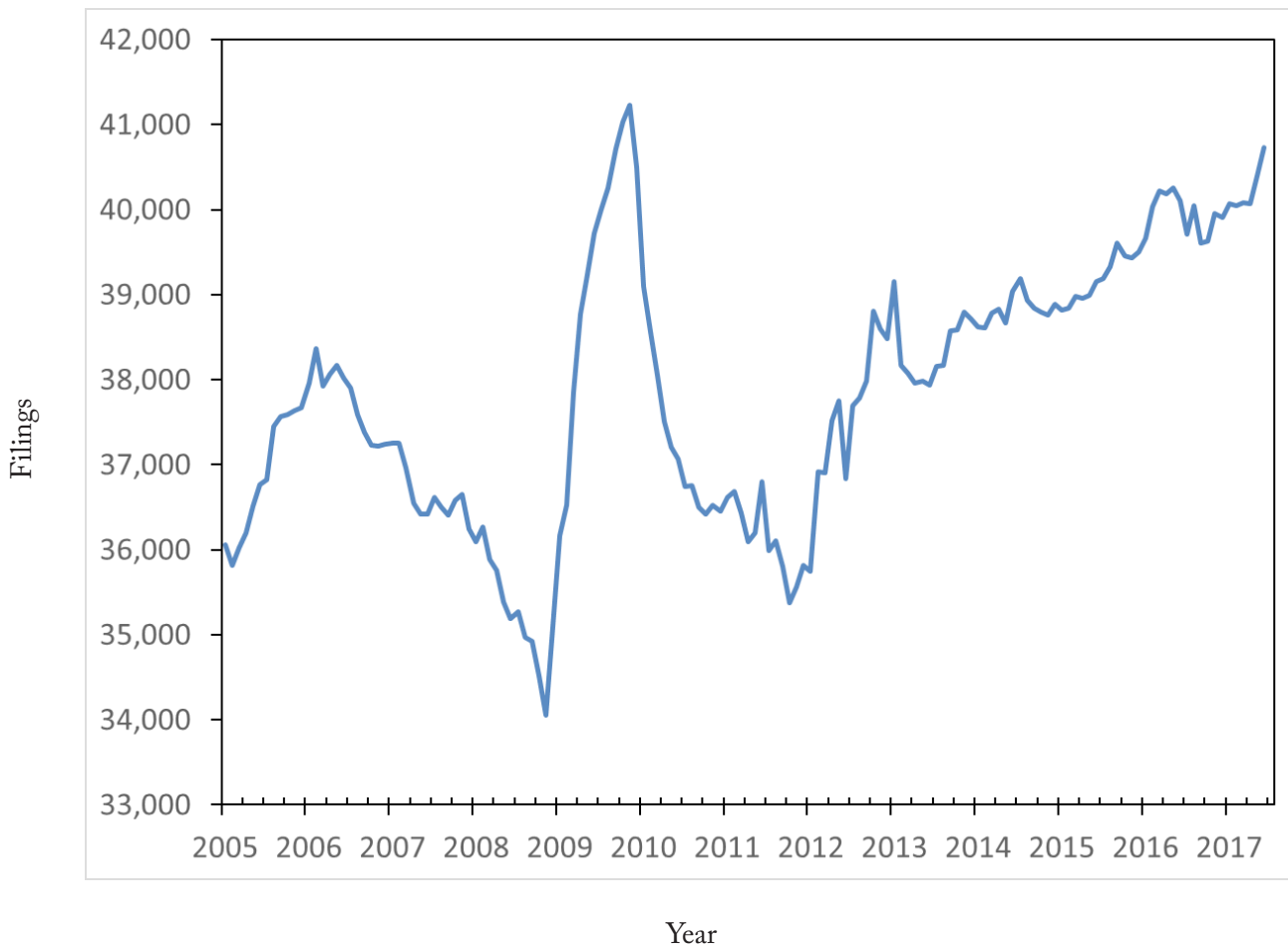
| SCSU Twin Cities<br>Leading Economic Indicators Index                       | 2017  | 2016  | Percentage<br>Change |
|---|-------|-------|----------------------|
| Minnesota Business Conditions Index<br>June                                 | 68    | 51.6  | 31.8%                |
| Twin Cities initial claims for unemployment insurance<br>June               | 6,867 | 7,395 | -7.1%                |
| Twin Cities new filings of incorporation and LLCs<br>Second Quarter         | 8,450 | 7,738 | 9.2%                 |
| Twin Cities MSA single-family building permits, June                        | 898   | 809   | 11.0%                |
| Index of Leading Economic Indicators<br>Philadelphia Federal Reserve, June  | 1.66  | 1.10  | 50.9%                |
| Twin Cities Leading Economic Indicators Index<br>June (December 1999 = 100) | 102.5 | 87.8  | 16.7%                |

## TWIN CITIES BUSINESS FILINGS

Total new business filings in the Twin Cities planning area have generally trended upward since the second half of 2011. This upward trend continued in the second quarter, as new filings rose 6.4 percent to 10,835 compared to one year earlier. The abrupt increase in new filings in the middle of 2008 is largely a result of increased new LLC filings. This outlier (resembling a shark fin) is related to considerably higher filings in the construction industry due to legal and regulatory issues, and appears to be a one-time only transitory event seen in the data in all regions of Minnesota.

Note: The graphs in this section show the 12-month moving total for the various new business filings in the Twin Cities that are registered with the Office of the Minnesota Secretary of State. This adjustment removes seasonal patterns in the data.

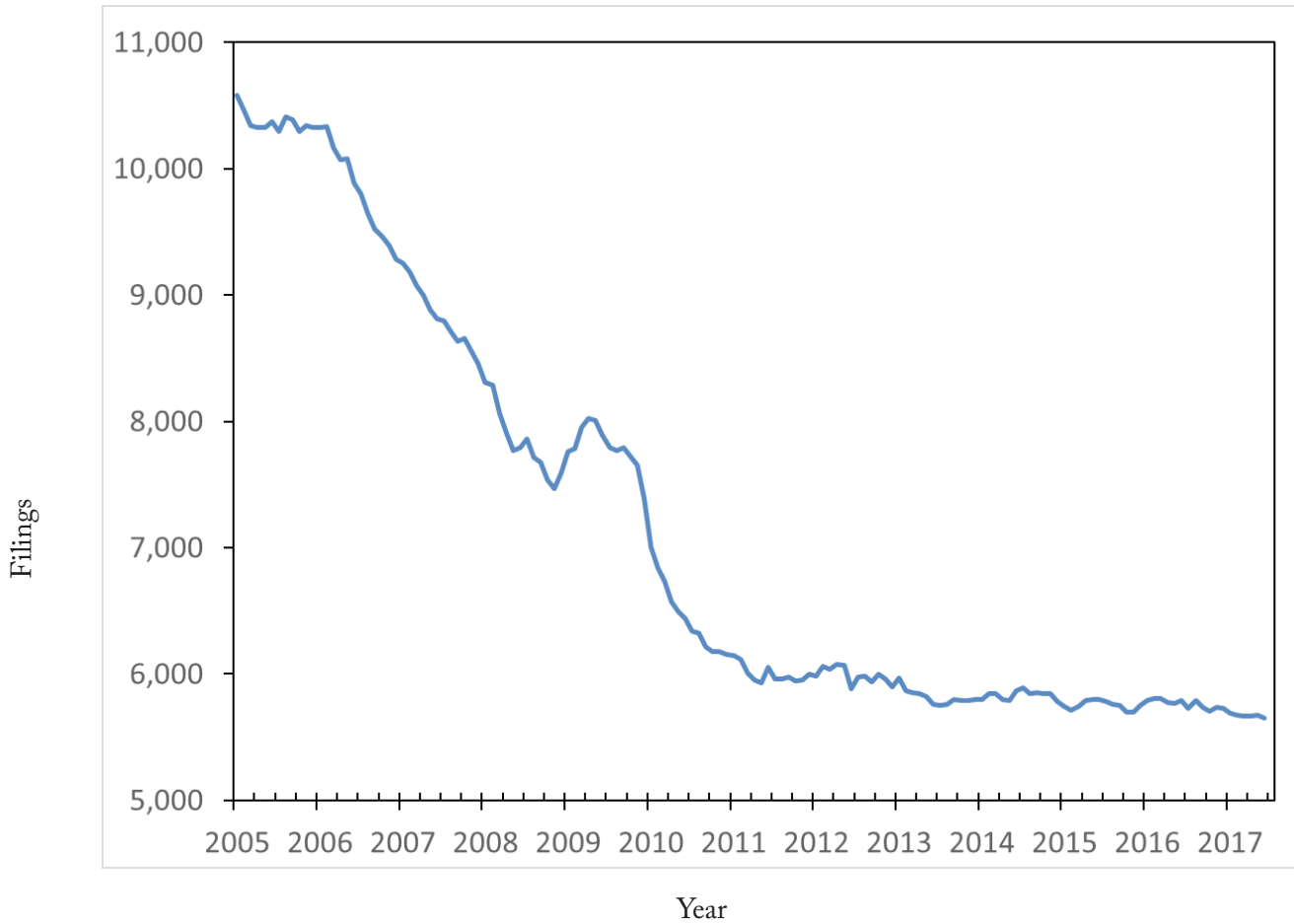
Total New Business Filings—Twin Cities Planning Area (12-month moving total)



| Quarter                                   | II:<br>2016 | III:<br>2016 | IV:<br>2016 | I:<br>2017 | II:<br>2017 | 2017 Quarter II: Percent<br>change from prior year |
|---|-------------|--------------|-------------|------------|-------------|--|
| Twin Cities Total<br>New Business Filings | 10,186      | 9,196        | 9,315       | 11,380     | 10,835      | 6.4%   |

New business incorporations trended downward in the Twin Cities from 2005 to 2011, and have levelled out since that time. Filings for new business incorporation fell 0.9 percent from one year earlier in the second quarter of 2017.

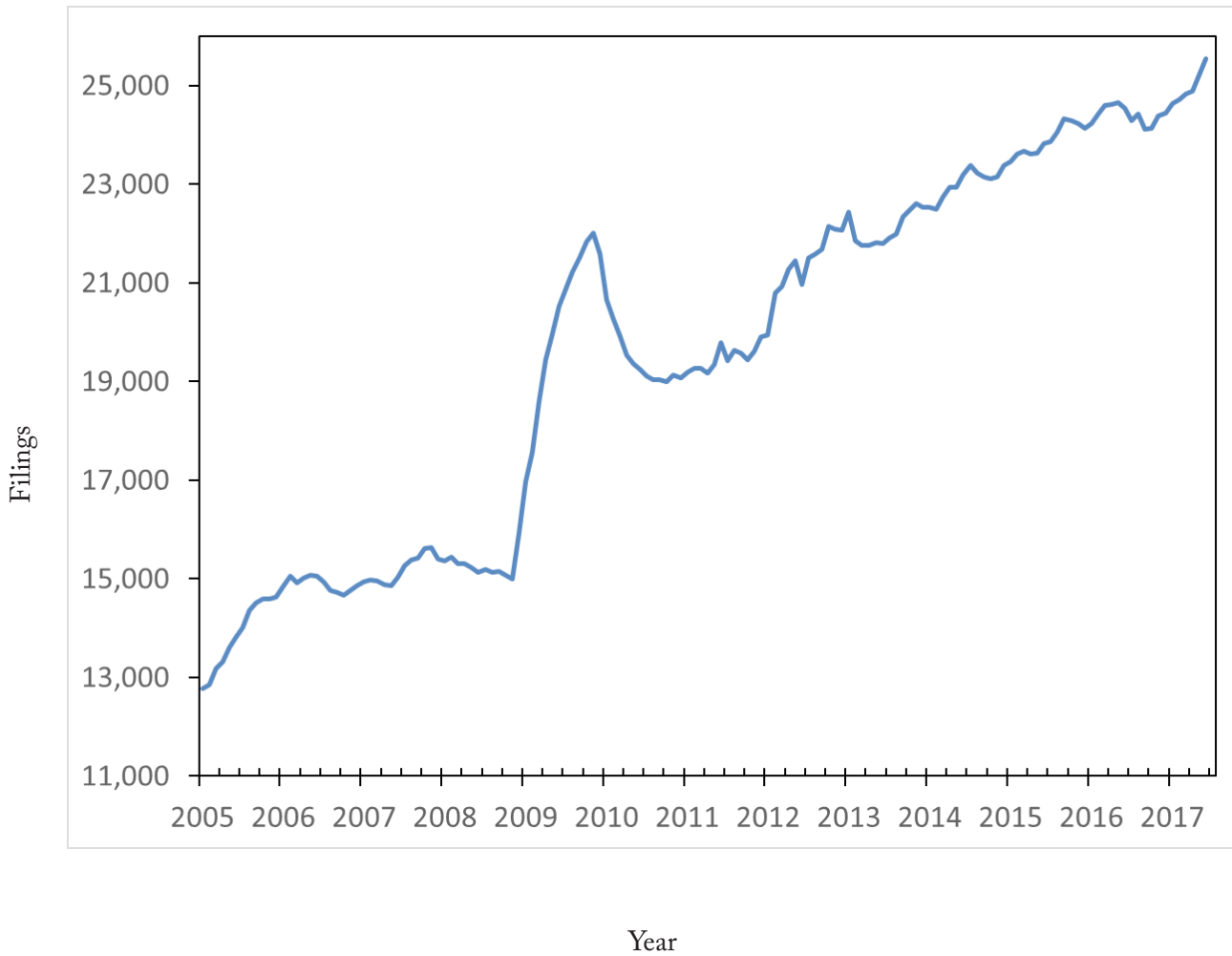
New Incorporations—Twin Cities Planning Area (12-month moving total)



| Quarter                                    | II:<br>2016 | III:<br>2016 | IV:<br>2016 | I:<br>2017 | II:<br>2017 | 2017 Quarter II: Percent<br>change from prior year |
|--|-------------|--------------|-------------|------------|-------------|--|
| Twin Cities New<br>Business Incorporations | 1,489       | 1,299        | 1,333       | 1,546      | 1,475       | -0.9%  |

There has been a move in the Twin Cities (and the rest of the state) away from the traditional incorporation form of business organization toward LLCs. While new business incorporations remain an important indicator of new business formation in the Twin Cities, LLCs are increasingly useful in evaluating regional economic performance. As seen below, there is a considerable upward trend in LLCs in the Twin Cities. With the exception of the outlier period in 2008-2009, new LLC formation has shown a fairly steady rate of growth since 2005. At a level of 6,975, new filings for LLC in the second quarter of 2017 were 11.6 percent higher than one year earlier.

**New Limited Liability Companies—Twin Cities Planning Area (12-month moving total)**

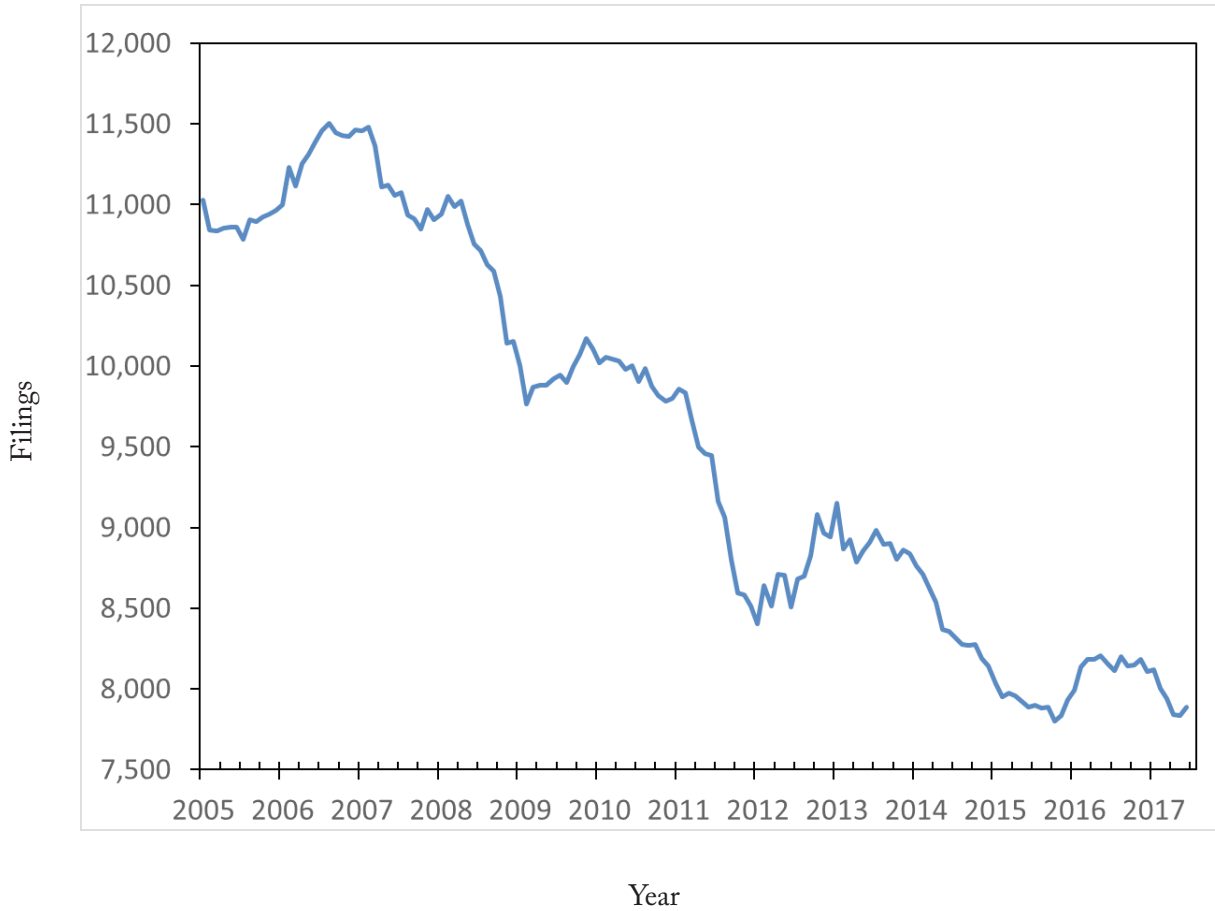


| Quarter                                     | II: 2016 | III: 2016 | IV: 2016 | I: 2017 | II: 2017 | 2017 Quarter II: Percent change from prior year |
|---|----------|-----------|----------|---------|----------|---|
| Twin Cities New Limited Liability Companies | 6,249    | 5,570     | 5,784    | 7,217   | 6,975    | 11.6%   |



Assumed names, which include sole proprietors or organizations that do not have limited liability, fell 2.5 percent in the second quarter relative to the same period in 2016.

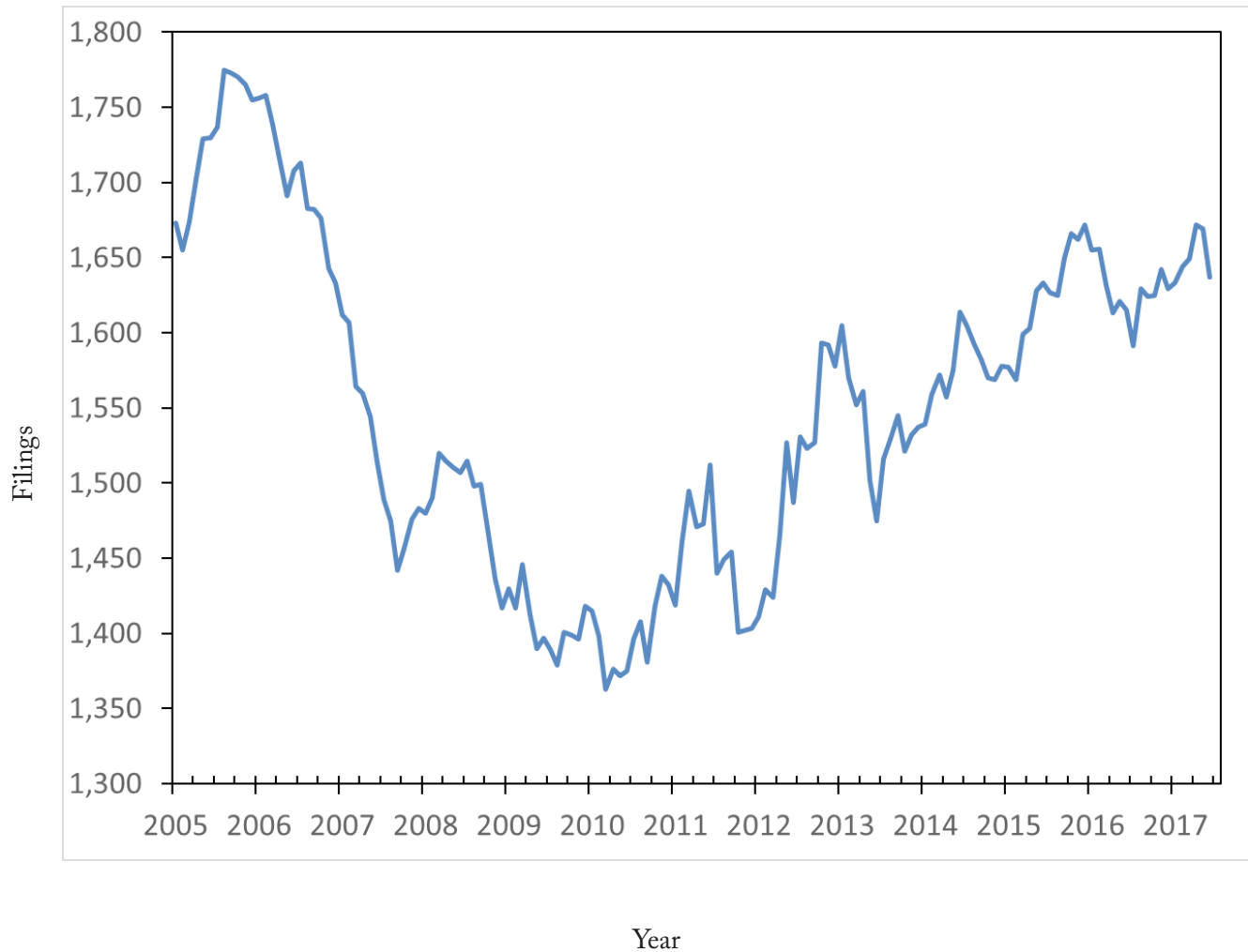
New Assumed Names—Twin Cities Planning Area (12-month moving total)



| Quarter                          | II:<br>2016 | III:<br>2016 | IV:<br>2016 | I:<br>2017 | II:<br>2017 | 2017 Quarter II: Percent<br>change from prior year |
|----------------------------------|-------------|--------------|-------------|------------|-------------|--|
| Twin Cities<br>New Assumed Names | 2,034       | 1,927        | 1,800       | 2,180      | 1,983       | -2.5%  |

After bottoming out in 2010, the number of new Twin Cities non-profits registered with the Office of the Minnesota Secretary of State had increased to a level last seen in the mid-2000s. However, this series pulled back during much of 2016, but recently resumed its upward trajectory. However, with 402 new non-profits registered in the second quarter, new filings in this sector fell by 2.9 percent compared to one year earlier.

**New Non-Profits—Twin Cities Planning Area (12-month moving total)**



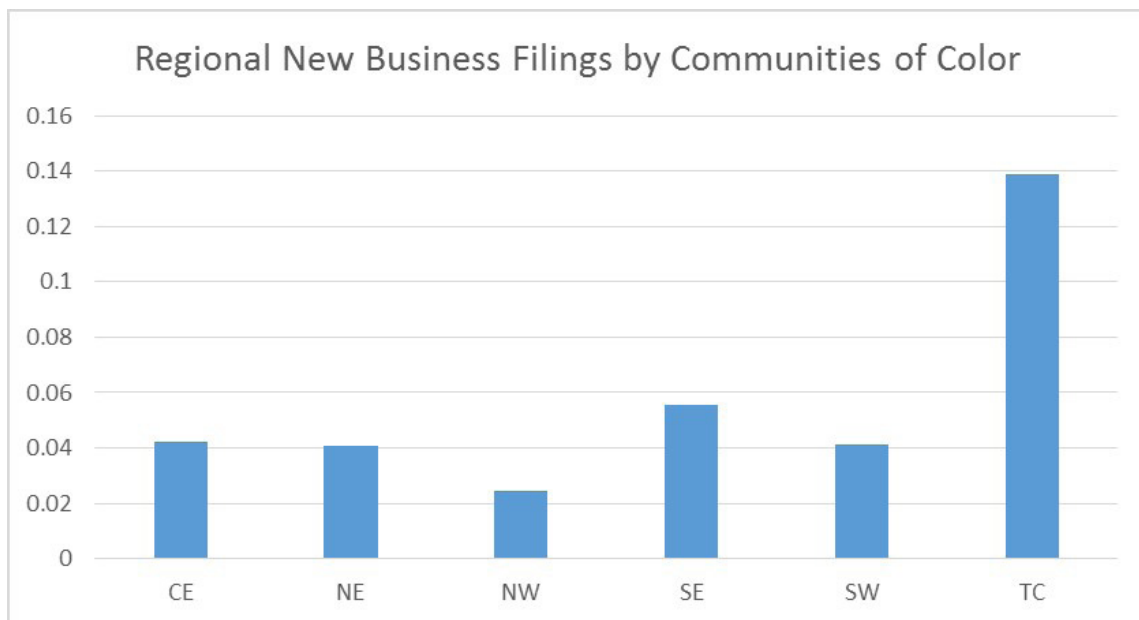
| Quarter                        | II:<br>2016 | III:<br>2016 | IV:<br>2016 | I:<br>2017 | II:<br>2017 | 2017 Quarter II: Percent<br>change from prior year |
|--------------------------------|-------------|--------------|-------------|------------|-------------|--|
| Twin Cities<br>New Non-Profits | 414         | 400          | 398         | 437        | 402         | -2.9%  |

## MINNESOTA BUSINESS SNAPSHOT SURVEY RESULTS

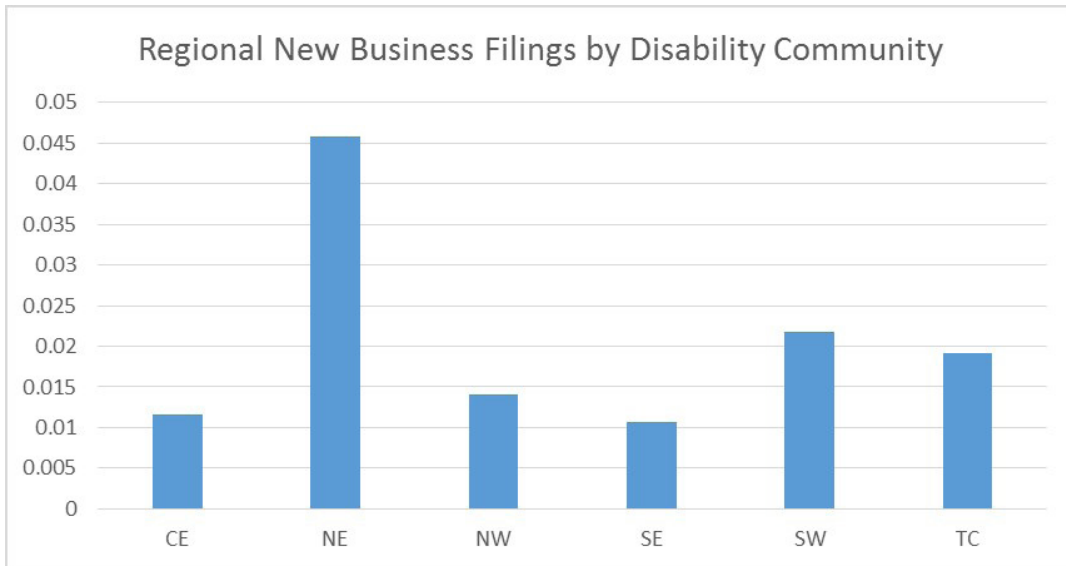
In Fall 2016, the Office of the Minnesota Secretary of State initiated a short voluntary survey (known as Minnesota Business Snapshot) for both new and continuing business filers. Questions found in the survey address basic questions related to the background of business filers, industry classification, employment levels and annual revenue of the filer, and whether the business is a full- or part-time activity for the filing entity. While a comprehensive analysis of this promising new data set is beyond the scope of this regional economic and business conditions report, the survey results do provide useful additional background information to complement the business filing data.

To match up the Minnesota Business Snapshot (MBS) information with the data analyzed in this report, only surveys accompanying new filings in the second quarter of 2017 are analyzed. For the entire State of Minnesota, the overall response rate for this voluntary survey is approximately 61 percent. This yields thousands of self-reported records in this emerging data set. For the Twin Cities 60 percent of new business filers completed at least some portion of the MBS survey. The results are reported in this section.

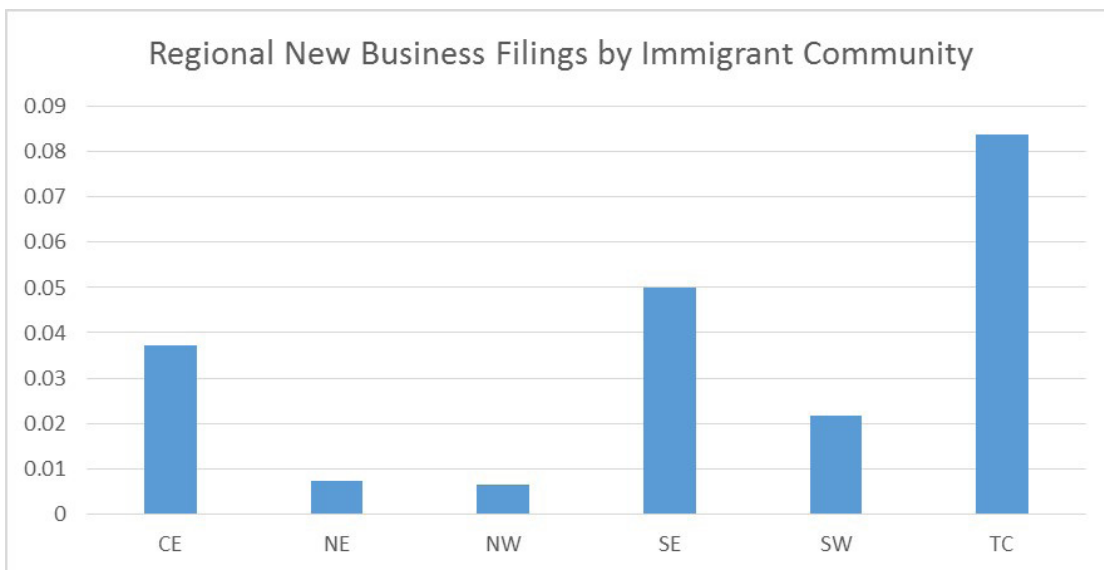
Nearly 14 percent of those new filers completing the MBS from the Twin Cities planning area report being from a community of color. This is more than twice the rate recorded in any of the other planning areas in the state.



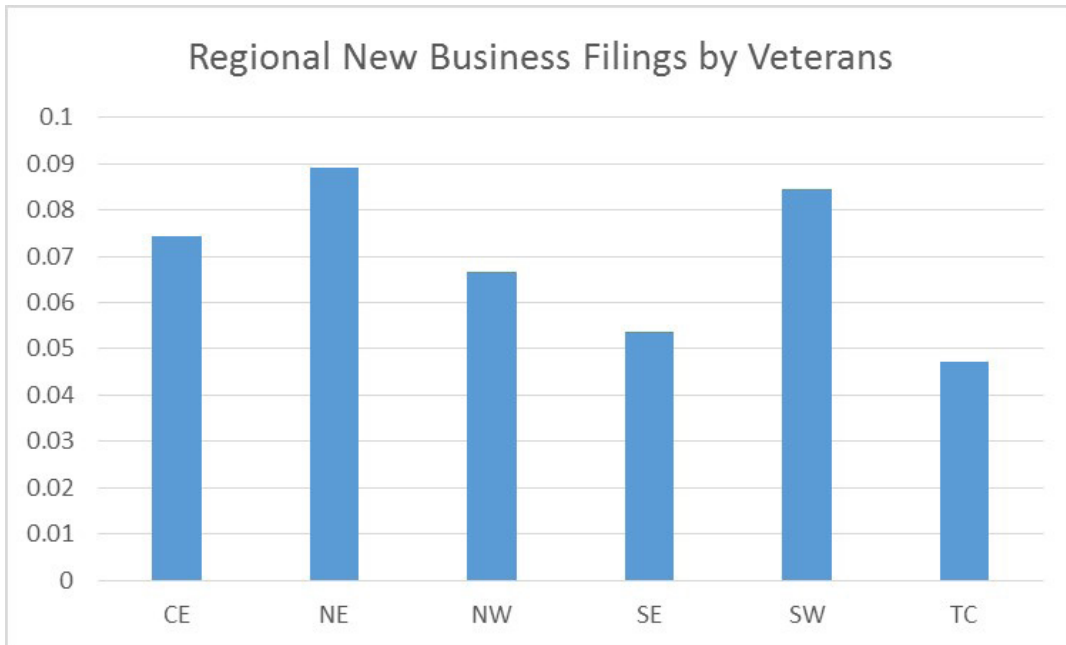
A small percentage of Twin Cities' new filers—around 2 percent—are from the disability community.



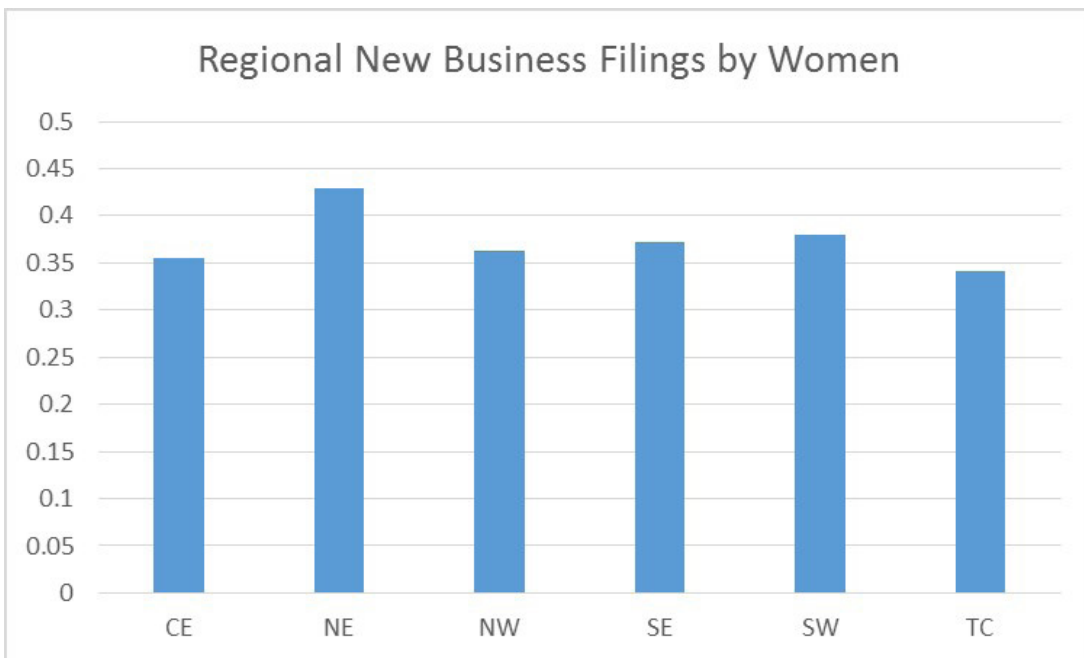
More than 8 percent of new business filings in the Twin Cities come from the immigrant community. With the exception of the southeast planning area, this is also more than twice the rate found in any other Minnesota planning area.



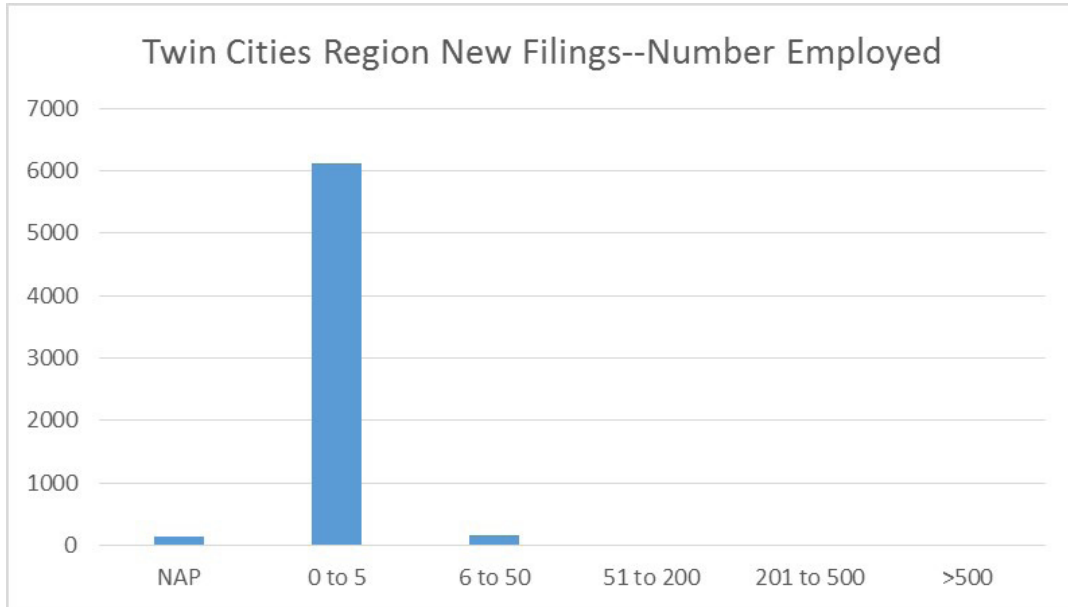
Nearly five percent of new filings in the Twin Cities come from military veterans. This is the lowest of Minnesota's six planning areas.



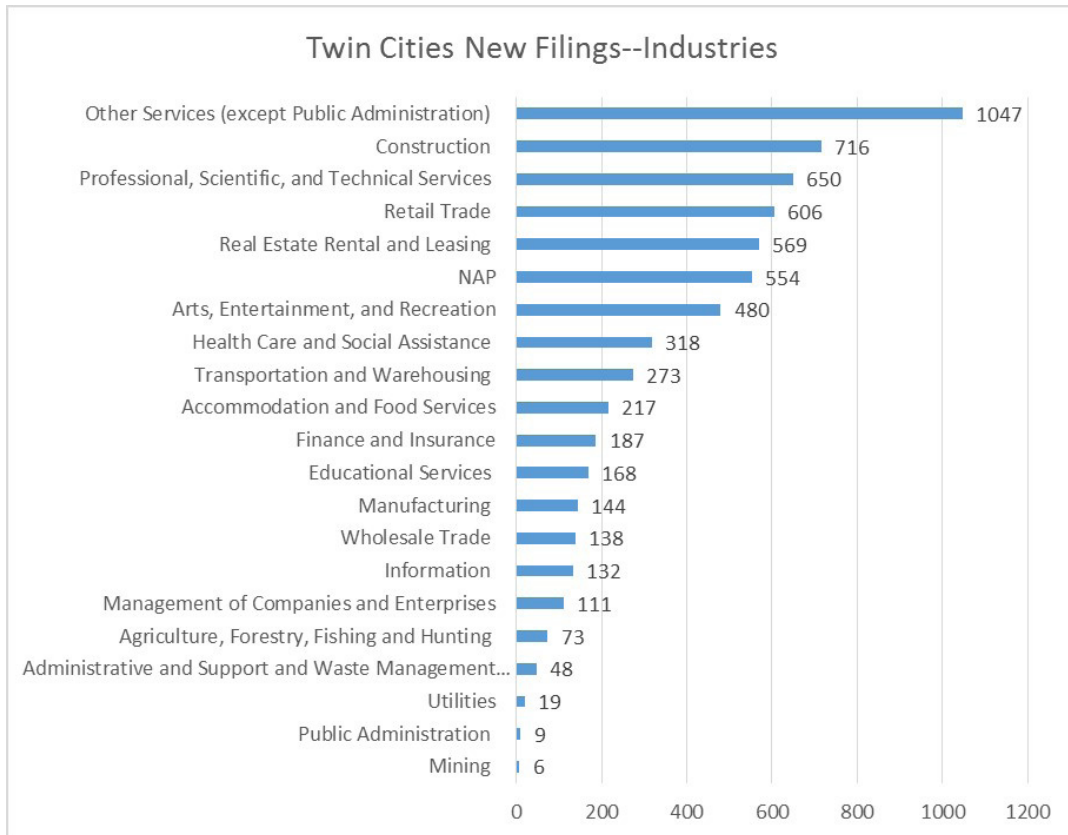
Woman owners represented approximately 34 percent of the new business filings in the Twin Cities in the second quarter of 2017.



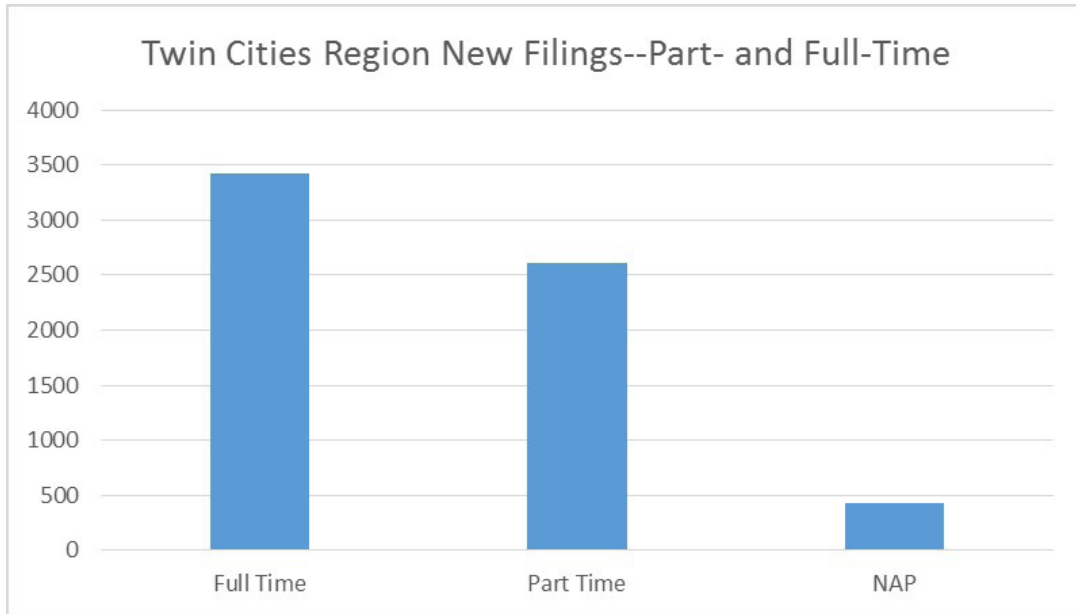
While not all of those participating in the survey completed all portions of the Minnesota Business Snapshot (those not responding to a particular question are represented in this section by “NAP”—no answer provided), more than 6,300 responses were tallied to a question asking the new business filer to indicate the range of employment at the business. As expected, most new businesses start small—employment at most companies submitting a new filing ranges from 0-5 employees.



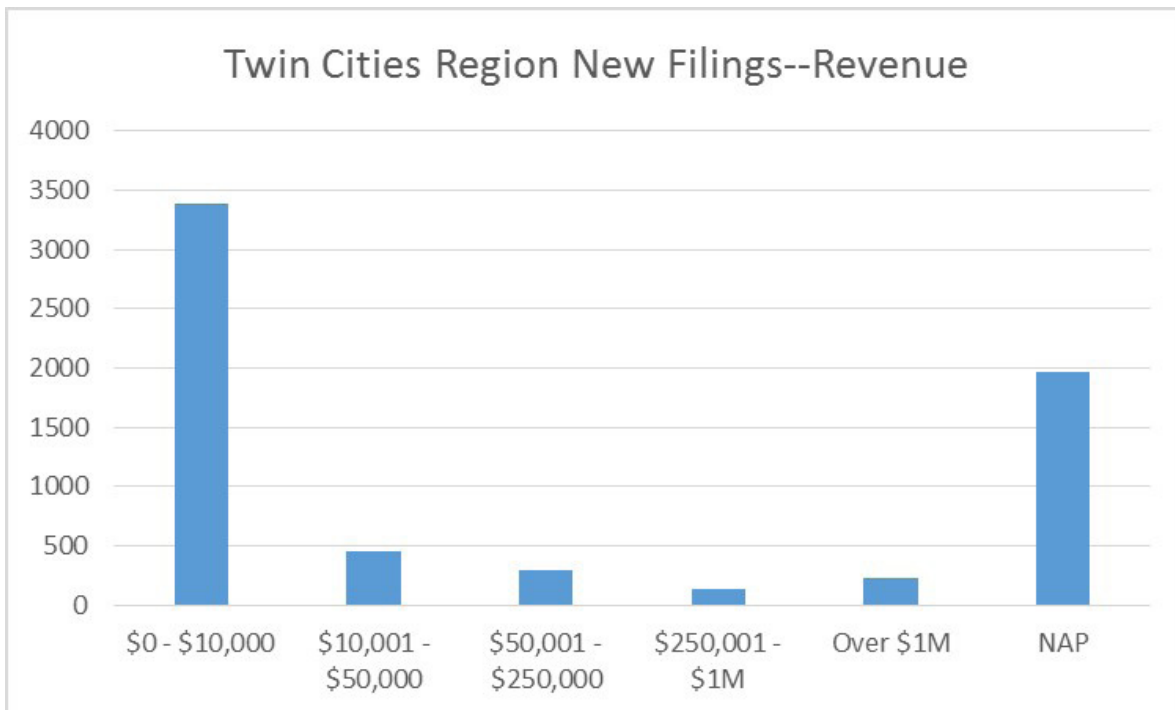
Using the North American Industry Classification System (NAICS), businesses submitting new filings were asked to identify the industry in which their company was operating. While a range of industries were reported, construction, professional/scientific/technical services, and “other services” lead the way. Since businesses are often unsure of their industrial classification, the “other services” category is likely to represent a “catch-all” category for service-related businesses who were unable to specify their industry. Retail trade, real estate/rental/leasing and arts/entertainment/recreation are also well represented in the sample. Five Hundred fifty-four new firms did not provide an answer to this survey item (see “NAP”)



Forty-three percent of those submitting a new business filing in the Twin Cities are part-time ventures.



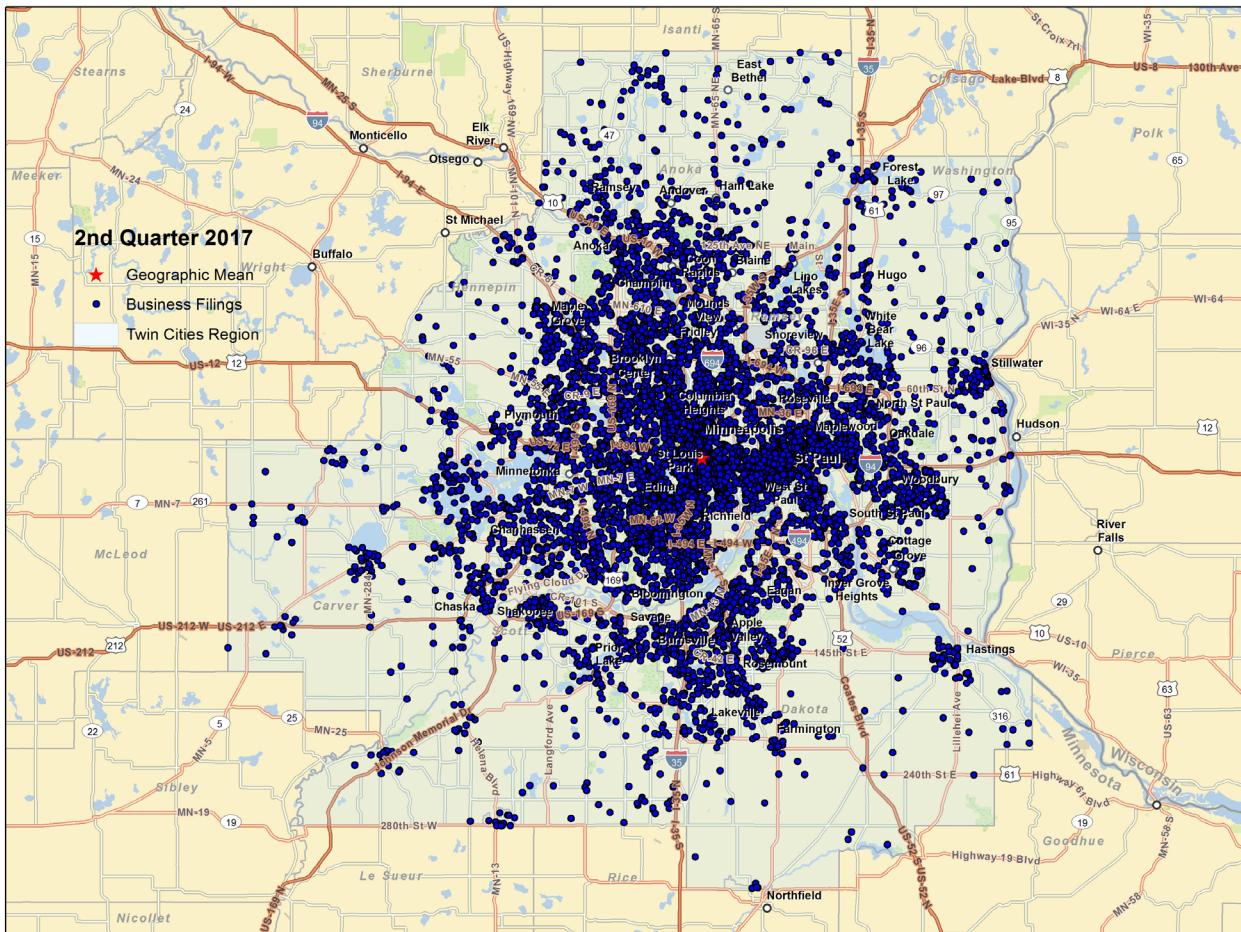
Nearly 2,000 new business filers in the Twin Cities did not provide an answer to the MBS item that asked them to report the company's revenue. Of those businesses that answered the question, the largest share report revenues of less than \$10,000. Six hundred fifty-two firms report revenues in excess of \$50,000.





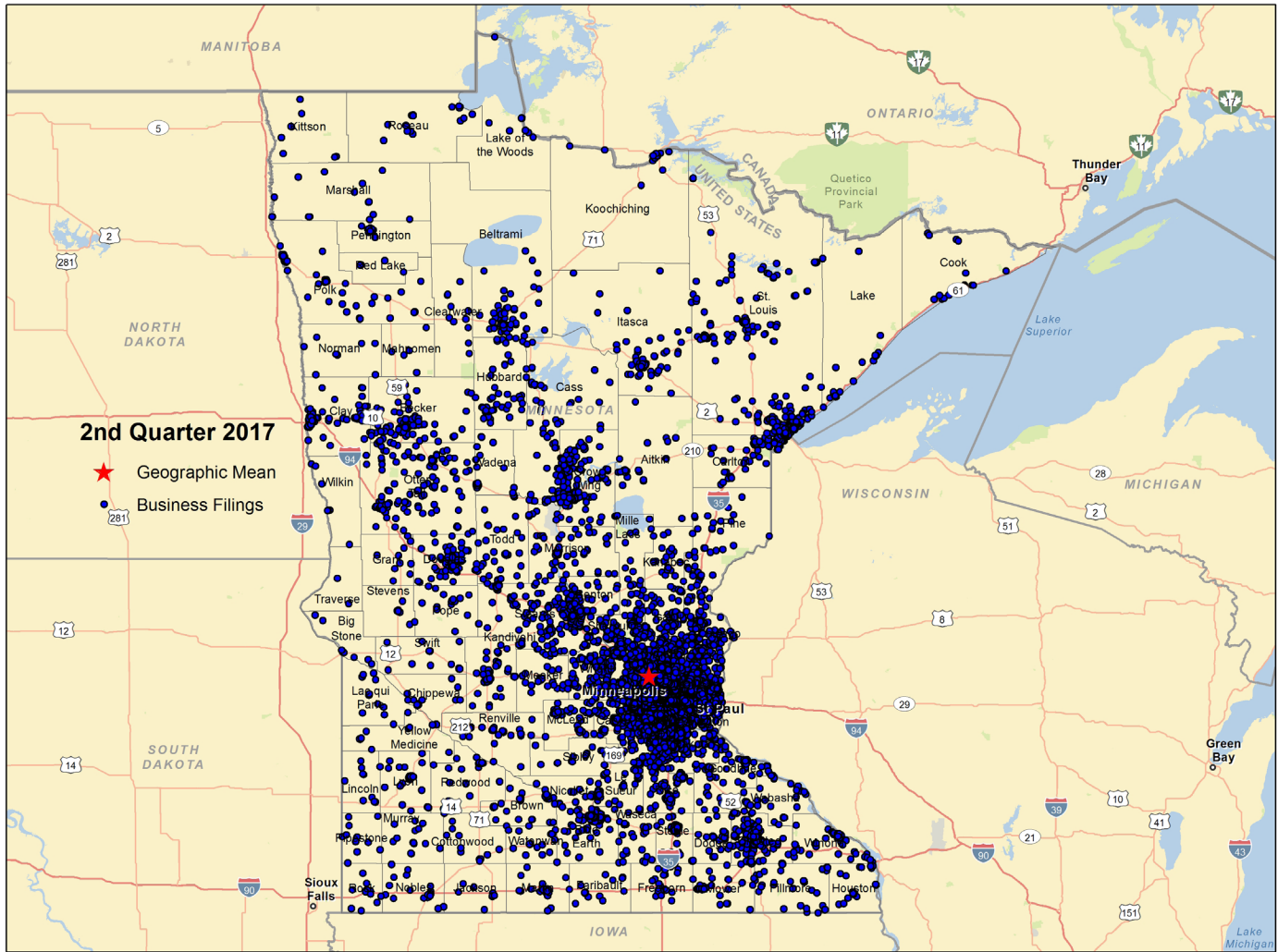
The first map shown below is a visual representation of new business formation around the Twin Cities planning area in the second quarter of 2017. The densest areas of new business formation are concentrated in the middle of the planning area, although virtually all portions of the area experienced some type of new business formation. Well-traveled roadways are a predictor of new business formation in the Twin Cities planning area.

## Twin Cities Planning Area--New Business Formation--Quarter 2: 2017



The second map shows new business filings for the state as a whole. This visual aid demonstrates the considerable extent to which the Twin Cities metro area dominates new business formation in the state. The map shows how the Twin Cities metro stretches along roadways into the Southeast, Southwest and Central planning areas. The map demonstrates the importance of cities and roadways in encouraging economic development. St. Cloud now appears to be integrated into the Twin Cities metro as the I-94/US-10 corridor continues to be a magnet for new business formation. The importance of Interstates 90 and 35 as well as US-10 and MN 61 (along the North Shore) in new business filings is also easily seen in this map.

### Minnesota--New Business Formation--Quarter 2: 2017

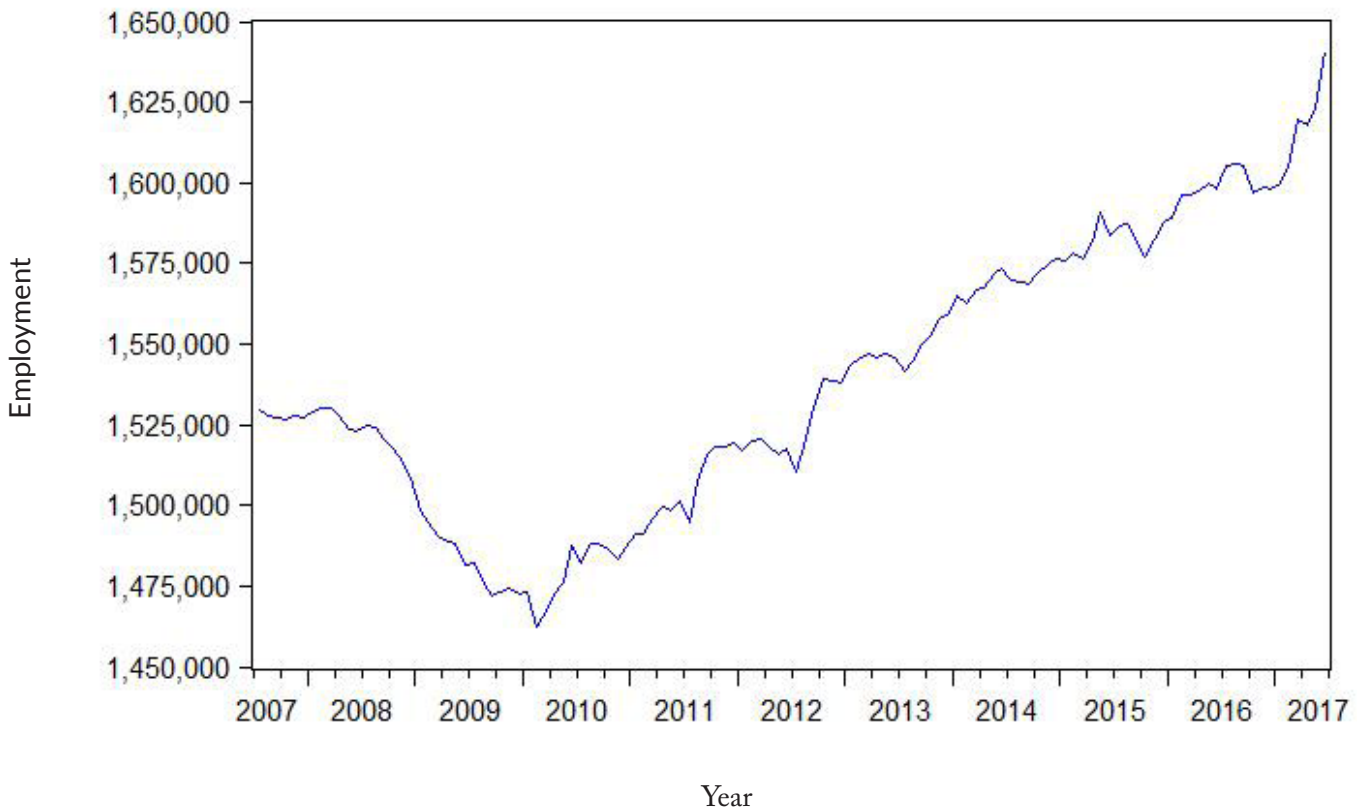


## TWIN CITIES LABOR MARKET CONDITIONS

Employment of Twin Cities planning area residents increased 1.5 percent over the past year. After relative stagnation through 2007 and a decline during the Great Recession, the area has experienced fairly steady employment growth since the start of 2010.

Note: seasonally adjusted labor market data are typically not available to evaluate regional economic performance. While there are seasonally adjusted labor market data for the Twin Cities metro area, these data include parts of Wisconsin. These seasonally adjusted data therefore do not accurately capture the Twin Cities planning area (which is confined to seven counties). Some graphs of labor market indicators found in this section of the report are adjusted so as to remove seasonal patterns from the data. Tabular data are not seasonally adjusted.

Employment—Twin Cities Planning Area (12-month moving average)



| Month                                | June 2016 | January 2017 | February 2017 | March 2017 | April 2017 | May 2017  | June 2017 |
|--------------------------------------|-----------|--------------|---------------|------------|------------|-----------|-----------|
| Employment (Not seasonally adjusted) | 1,606,172 | 1,578,396    | 1,592,141     | 1,604,993  | 1,618,125  | 1,629,537 | 1,649,167 |

The seasonally adjusted unemployment rate in the Twin Cities had declined since the end of the Great Recession in 2009. The accompanying graph shows the unemployment rate flattening out over the past three years. The non-seasonally adjusted unemployment rate now stands at 3.5 percent, lower than the 3.7 percent rate recorded one year earlier.

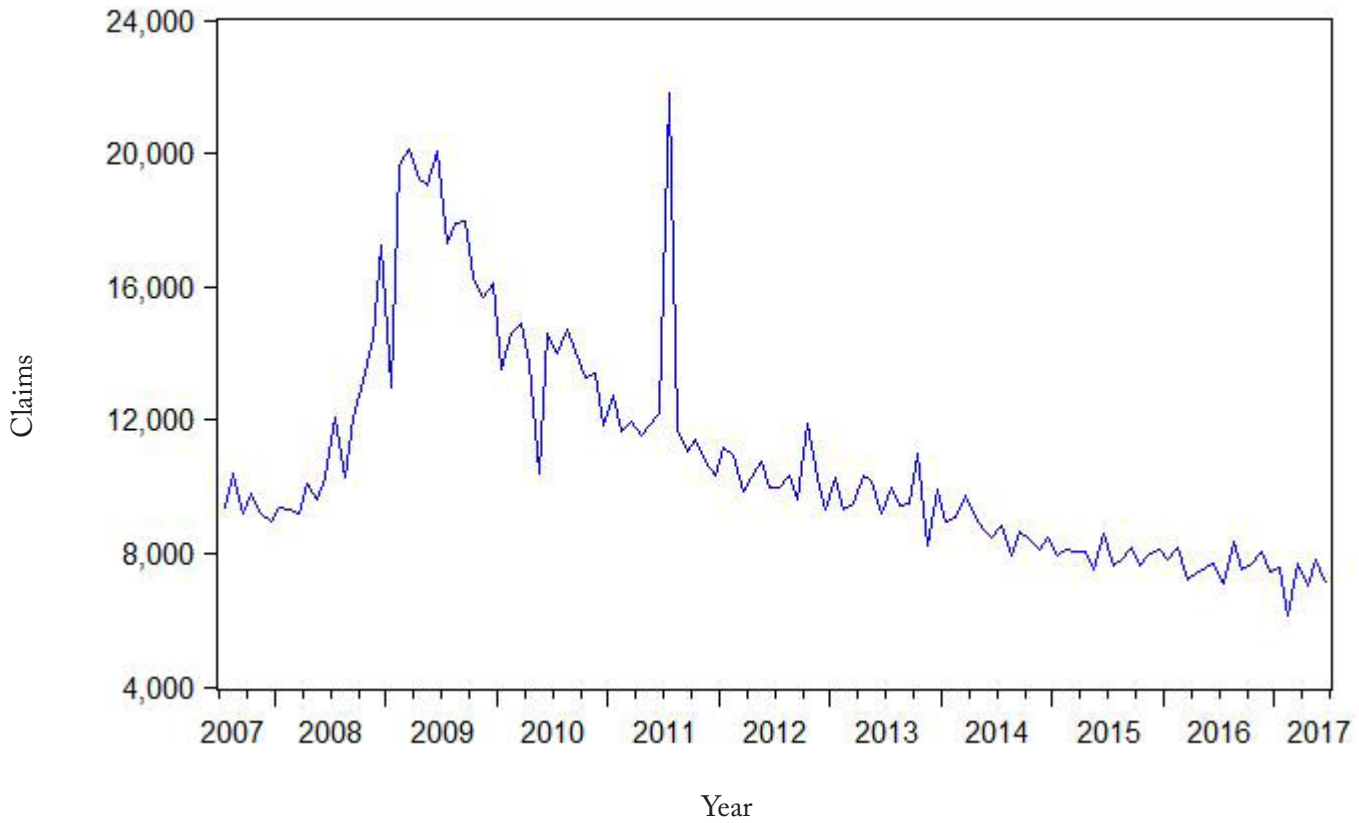
### Unemployment Rate, seasonally adjusted—Twin Cities Planning Area



| Month                                       | June 2016 | January 2017 | February 2017 | March 2017 | April 2017 | May 2017 | June 2017 |
|---|-----------|--------------|---------------|------------|------------|----------|-----------|
| Unemployment Rate (Not seasonally adjusted) | 3.7%      | 4.0%         | 3.9%          | 3.6%       | 3.2%       | 3.2%     | 3.5%      |

New claims for unemployment insurance were 7.1 percent below year ago levels in June 2017. The graph of the seasonally adjusted series suggests claims have slowly declined for the past several years.

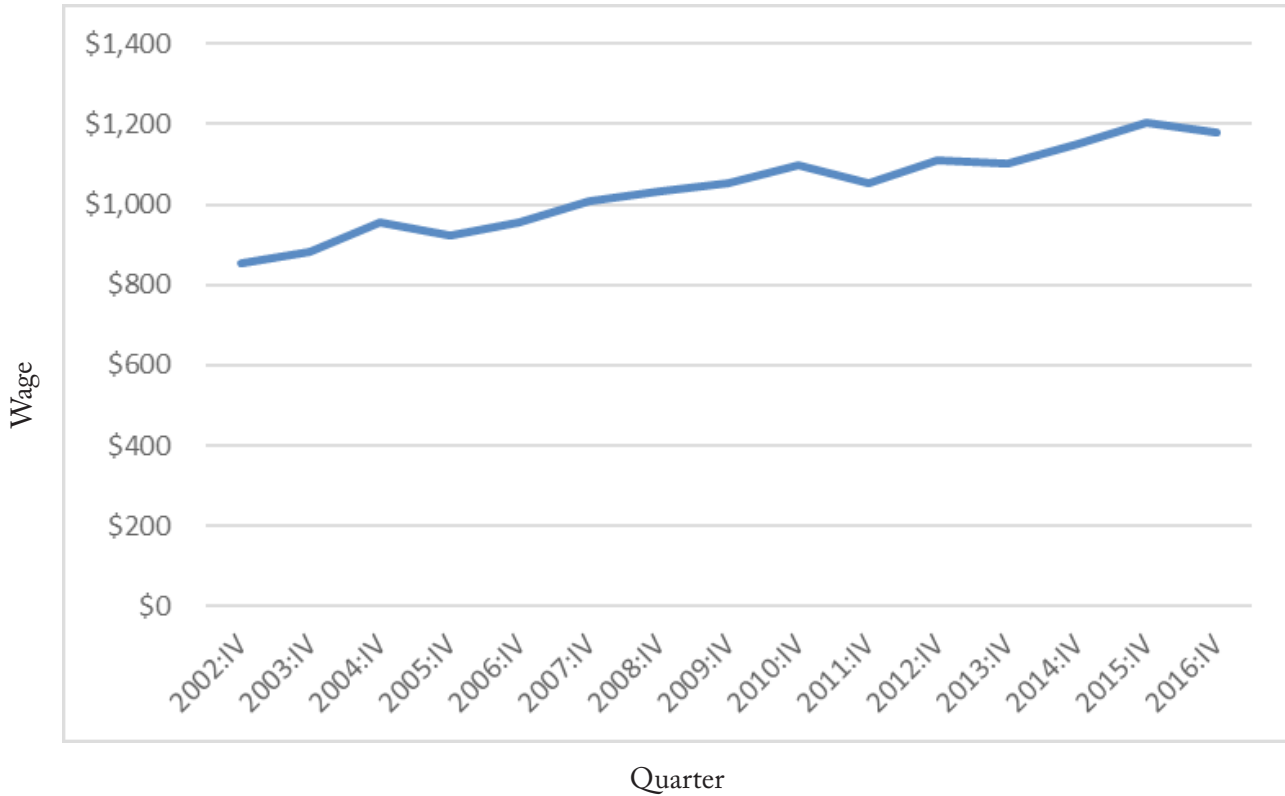
**Total Initial Claims for Unemployment Insurance, seasonally adjusted—  
Twin Cities Planning Area**



| Period                                      | June 2016 | January 2017 | February 2017 | March 2017 | April 2017 | May 2017 | June 2017 |
|---|-----------|--------------|---------------|------------|------------|----------|-----------|
| Initial claims<br>(Not seasonally adjusted) | 7,395     | 9,490        | 6,041         | 7,369      | 5,924      | 6,923    | 6,867     |

Average weekly wages in the Twin Cities were lower in last year’s fourth quarter than they were one year earlier. This same pattern is observed in all of Minnesota’s other planning areas. Wage pressures resulting from labor shortages around the state would seem to call into question whether declining wages are actually being observed in Minnesota’s six planning areas. It seems possible that these figures will be revised as more information becomes available.

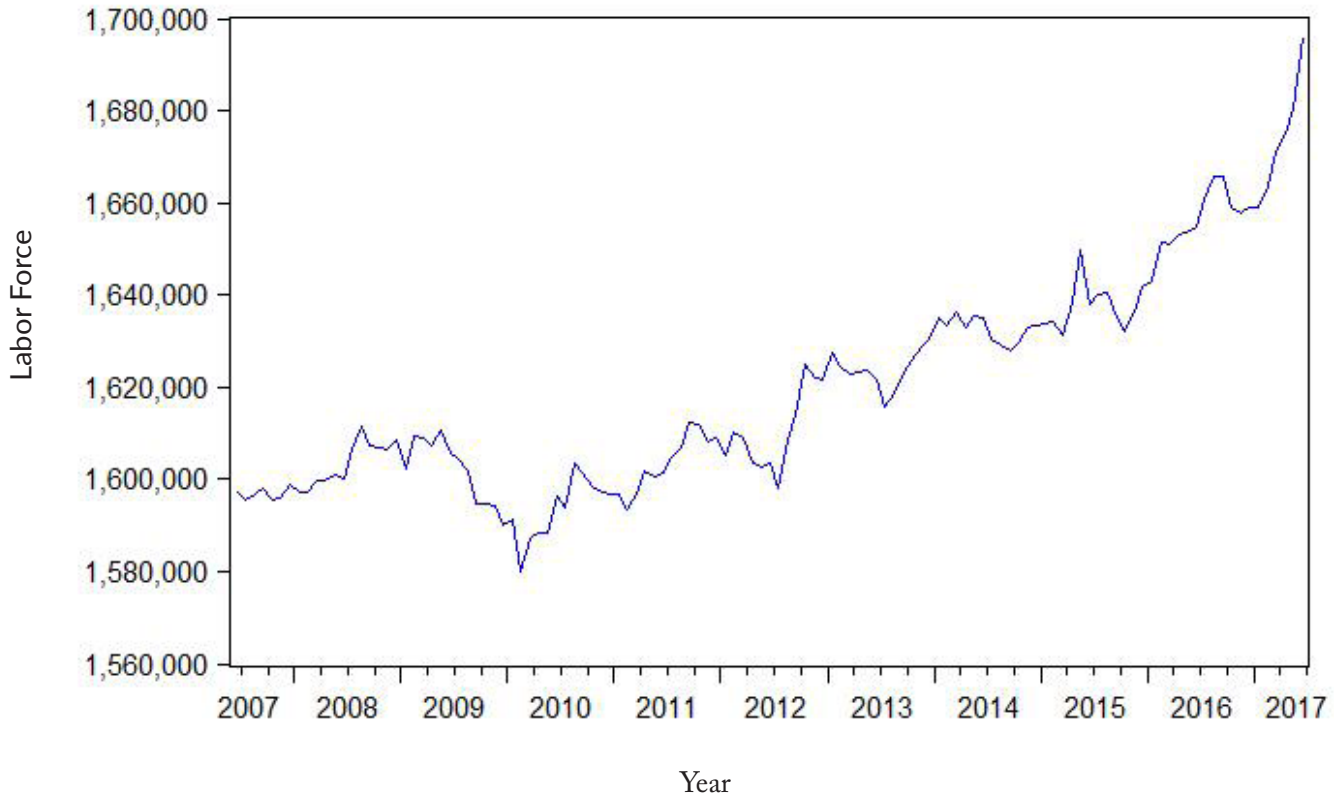
### Average Weekly Wage----Twin Cities Minnesota Planning Area



| Quarter             | 2011:IV | 2012:IV | 2013:IV | 2014:IV | 2015:IV | 2016:IV |
|---------------------|---------|---------|---------|---------|---------|---------|
| Average Weekly Wage | \$1,054 | \$1,112 | \$1,102 | \$1,150 | \$1,202 | \$1,181 |

The size of the Twin Cities labor force rose by 2.5 percent over the past twelve months. Two planning areas—northwest and southwest—actually saw a decline in their workforce over the year ending June 2017. The 12-month moving average (see accompanying graph) of the Twin Cities labor force continues to trend upward.

Labor Force—Twin Cities Planning Area (12-month moving average)

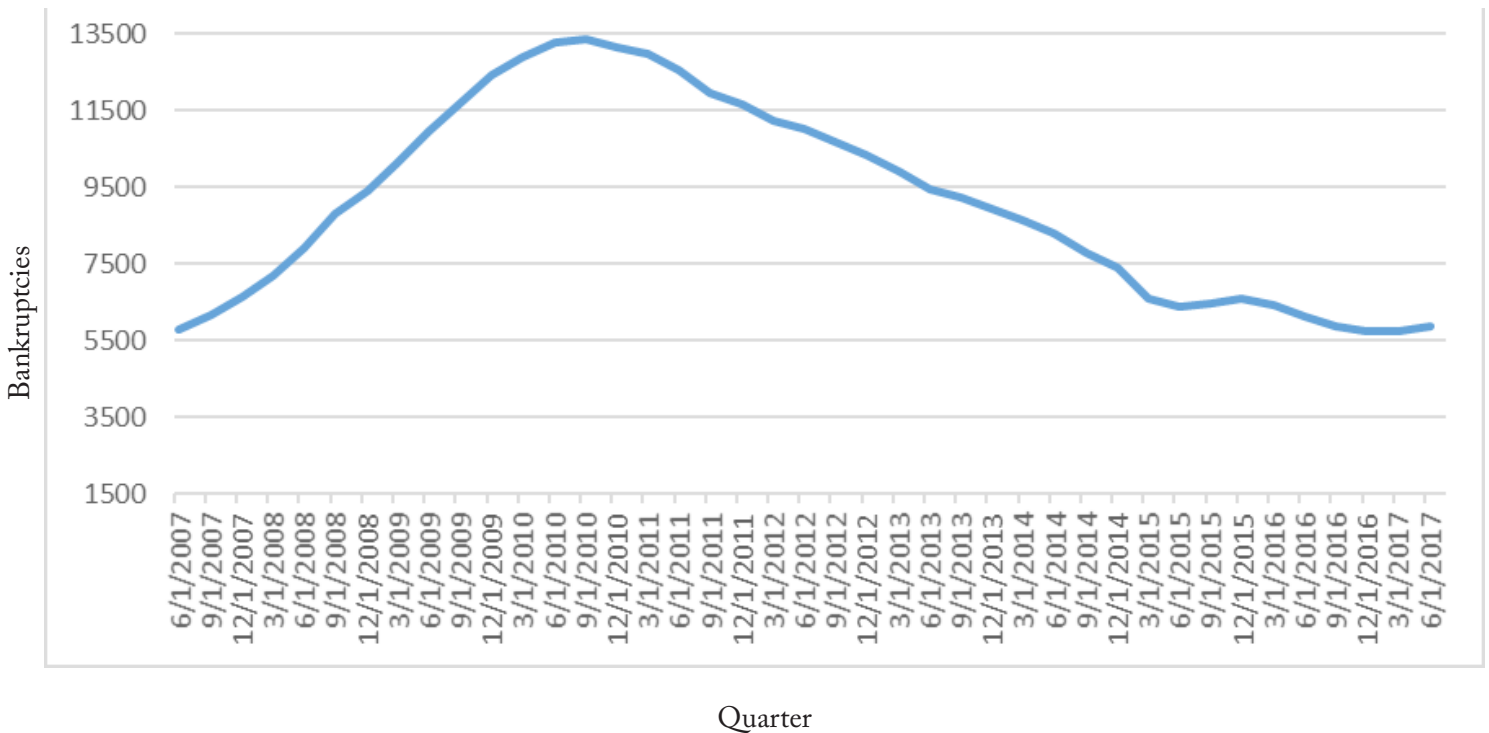


| Year (June)                           | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Labor Force (Not seasonally adjusted) | 1,613,880 | 1,632,337 | 1,646,369 | 1,650,089 | 1,667,631 | 1,709,261 |

## TWIN CITIES BANKRUPTCIES

The figure below shows the 12-month moving total for Twin Cities bankruptcies since the second quarter of 2007 (shortly before the beginning of the Great Recession). As can be seen in the figure, this moving total increased through the second quarter of 2010, and generally declined until the beginning of this year, at which time it began leveling out. With 5,877 bankruptcies over the past twelve months, the annual number of bankruptcies reported in the Twin Cities is now higher than it was in the first quarter of 2017 (when 5,741 annual bankruptcies were reported).

Twin Cities Bankruptcies (12-month moving total)



| Year (Second Quarter)                         | 2012   | 2013  | 2014  | 2015  | 2016  | 2017  |
|---|--------|-------|-------|-------|-------|-------|
| Annual Bankruptcies (not seasonally adjusted) | 11,008 | 9,433 | 8,283 | 6,389 | 6,109 | 5,877 |



| Twin Cities MSA Indicators                                   | Period Covered         | Current Period | Prior Year | Annual Percent Change | Long Term Average (since 1999 unless noted) |
|--|------------------------|----------------|------------|-----------------------|---|
| Employment   | June 2017 (m)          | 2,038,030      | 1,973,605  | 3.3% ↑                | 0.8%  |
| Manufacturing Employment                                     | June 2017 (m)          | 203,516        | 197,368    | 3.1% ↑                | -1.0%                                       |
| Average Weekly Work Hours Private Sector                     | June 2017 (m)          | 35.0           | 34.9       | 0.3% ↑                | 34.2 (since 2007)                           |
| Average Earnings Per Hour Private Sector                     | June 2017 (m)          | \$28.72        | \$27.31    | 5.2% ↑                | 1.0% (since 2007)                           |
| Average Weekly Work Hours Manufacturing (Production Workers) | June 2017 (m)          | 41.2           | 41.7       | -1.2% ↓               | 40.7 (since 2005)                           |
| Average Earnings Per Hour Manufacturing (Production Workers) | June 2017 (m)          | \$21.56        | \$21.18    | 1.8% ↑                | 1.5% (since 2005)                           |
| Unemployment Rate  | June 2017 (m)          | 3.5%           | 3.7%       | NA ↓                  | 4.7%  |
| Labor Force  | June 2017 (m)          | 1,999,708      | 1,950,951  | 2.5% ↑                | 0.7%  |
| MSP Residential Building Permit Valuation, in thousands      | June 2017 (m)          | 323,234        | 308,125    | 4.9% ↑                | NA  |
| Minneapolis Cost-of-Living Index                             | First Quarter 2017 (q) | 104.8          | 104.4      | 0.4% ↑                | NA  |
| St. Paul Cost-of-Living Index                                | First Quarter 2017 (q) | 104.5          | 103.6      | 0.9% ↑                | NA  |

(m) represents a monthly series

(q) represents a quarterly series

The Minneapolis-St. Paul Metropolitan Statistical Area (an MSA is a grouping of counties and municipalities identified by the Census as having economic and demographic forces in common) includes 14 Minnesota counties (the definition of the MSA was recently expanded to include Le Sueur, Mille Lacs, and Sibley counties): Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Le Sueur, Mille Lacs, Ramsey, Scott, Sherburne, Sibley, Washington and Wright. This MSA also includes the Wisconsin counties of Pierce and St. Croix. It is thus much larger than the seven-county Twin Cities planning area. Still, activity outside of the area influences economic behavior within it, and vice versa. The larger Minneapolis-St. Paul MSA experienced highly favorable economic performance over the past 12 months. Overall employment increased 3.3 percent in the Twin Cities MSA (and manufacturing employment also expanded). Average hourly earnings and average weekly work hours rose in the private sector and average hourly earnings also increased for production workers. The value of residential building permits increased in June 2017 relative to the same period one year earlier. The Twin Cities MSA unemployment rate was lower and the labor force was larger in June than it was one year ago. However, the relative cost of living in both Minneapolis and St. Paul increased and average weekly work hours for production workers fell.

## STATE AND NATIONAL INDICATORS

| MINNESOTA Indicators                               | Jun 2017  | Mar 2017  | Jun 2016  | Change from one quarter ago | Annual Change |
|--|-----------|-----------|-----------|-----------------------------|---------------|
| Nonfarm payroll employment, SA                     | 2,947,200 | 2,929,300 | 2,884,600 | 0.6%                        | 2.2%          |
| Average weekly hours worked, private sector        | 34.2      | 33.8      | 34.3      | 1.2%                        | -0.3%         |
| Unemployment rate, seasonally adjusted             | 3.7%      | 3.8%      | 3.9%      | NA                          | NA            |
| Earnings per hour, private sector                  | \$27.91   | \$28.28   | \$26.64   | -1.3%                       | 4.8%          |
| Philadelphia Fed Coincident Indicator, MN          | 198.59    | 196.51    | 192.04    | 1.1%                        | 3.4%          |
| Philadelphia Fed Leading Indicator, MN             | 1.66      | 2.96      | 1.10      | -43.9 %                     | 50.9%         |
| Minnesota Business Conditions Index                | 68.0      | 61.8      | 51.6      | 10%                         | 31.8%         |
| Price of milk received by farmers (cwt)            | \$17.50   | \$17.50   | \$15.00   | 0%                          | 16.7%         |
| Enplanements, MSP airport, thousands               | 1,735.4   | 1,731.6   | 1,726.5   | 0.2%                        | 0.5%          |
| NATIONAL Indicators                                | Jun 2017  | Mar 2017  | Jun 2016  | Change from one quarter ago | Annual Change |
| Nonfarm payroll employment, SA, thousands          | 146,406   | 145,823   | 144,166   | 0.4%                        | 1.6%          |
| Industrial production, index, SA                   | 105.2     | 103.8     | 103.1     | 1.3%                        | 2.0%          |
| Real retail sales, SA (\$)                         | 194,230   | 194,046   | 191,965   | 0.1%                        | 1.2%          |
| Real personal income less transfers (\$, bill.)    | 12,049.7  | 12,015.4  | 11,920.9  | 0.3%                        | 1.1%          |
| Real personal consumption expenditures (\$, bill.) | 11,849.8  | 11,816.1  | 11,575.3  | 0.3%                        | 2.4%          |
| Unemployment rate, SA                              | 4.4%      | 4.5%      | 4.9%      | NA                          | NA            |
| New building permits, SA, thousands                | 25,160    | 22,864    | 22,644    | 10.0%                       | 11.1%         |
| Standard & Poor's 500 stock price index            | 2,434.0   | 2,366.9   | 2,083.9   | 2.8%                        | 16.8%         |
| Oil, price per barrel in Cushing, OK               | \$45.18   | \$49.33   | \$48.76   | -8.4%                       | -7.3%         |

Across the state, nearly all year-over-year categories of economic performance found in the State and National Indicators table are favorable. There was growth in payrolls, higher earnings per hour, and a lower seasonally adjusted unemployment rate over the past twelve months. Coincident and leading indicators from the Federal Reserve Bank of Philadelphia are both higher than one year earlier and the Minnesota Business Conditions index rose nearly 32 percent. Milk prices are higher than one year ago and enplanements at the Minneapolis-St. Paul airport increased by 0.5 percent over the last twelve months. Average weekly work hours in the state's private sector are reported lower by 0.3% over the past twelve months. This is the only indicator with a negative year-over-year reading in the state portion of the indicators table.

The national economic indicators found in the table reinforce the strong economic outlook found throughout this report. Over the past twelve months, stock prices rose, employment increased, and real income and consumer expenditures expanded. The national unemployment rate fell and retail sales improved. Industrial production picked up. National building permits were also higher. Lower oil prices in the second quarter have favorably impacted the discretionary income of households, but they also have harmed the economic well-being of those employed in the energy sector (which has been struggling in recent years).

The Twin Cities Quarterly Economic and Business Conditions Report is a collaboration between the Office of the Minnesota Secretary of State and the School of Public Affairs Research Institute (SOPARI) of St. Cloud State University. All calculations and text are the result of work by SOPARI, which is solely responsible for errors and omissions herein.

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