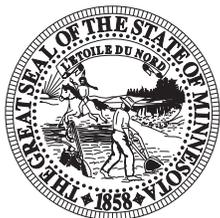




Central Minnesota
Economic and Business Conditions Report
Second Quarter 2015



OFFICE OF THE MINNESOTA
SECRETARY OF STATE



SCHOOL OF PUBLIC AFFAIRS
RESEARCH INSTITUTE
ST. CLOUD STATE UNIVERSITY.

TABLE OF CONTENTS

Executive Summary	1
Central Minnesota Leading Economic Indicators Index.....	2
Central Minnesota Business Filings	4
Central Minnesota Labor Market Conditions	11
Central Minnesota Bankruptcies	16
Economic Indicators	17
Sources	20

Executive Summary

Moderate economic growth in the Central Minnesota planning area is projected over the next several months according to predictions of the Central Minnesota Index of Leading Economic Indicators (LEI). After experiencing some weakness in the first part of the year, four of the five components of the LEI turned positive in the second quarter. The only negative component of the LEI is St. Cloud area residential building permits, which appear to have been underreported on the Bureau of the Census website over the past several months. Consequently, the Central Minnesota outlook is stronger than a pure reading of the LEI would suggest. Improvements in a general measure of state business conditions, lower initial jobless claims in recent months, stronger new business filings for incorporation, and higher national durable goods orders all contributed favorably to the regional outlook.

There were 1,396 new business filings with the Office of the Minnesota Secretary of State in Central Minnesota in the second quarter of 2015 — representing a 1.9 percent increase from one year ago. There were 166 new regional business incorporations in the second quarter, a 9.9 percent increase from year ago levels. Over the past 12 months, new limited liability company (LLC) filings in Central Minnesota increased 2.8 percent—rising to 783 in this year’s second quarter. New assumed names totaled 399 over the recent quarter—a reduction of 3.9 percent from the same period in 2014. There were 48 new filings for Central Minnesota non-profits in the second quarter—six more filings than one year ago.

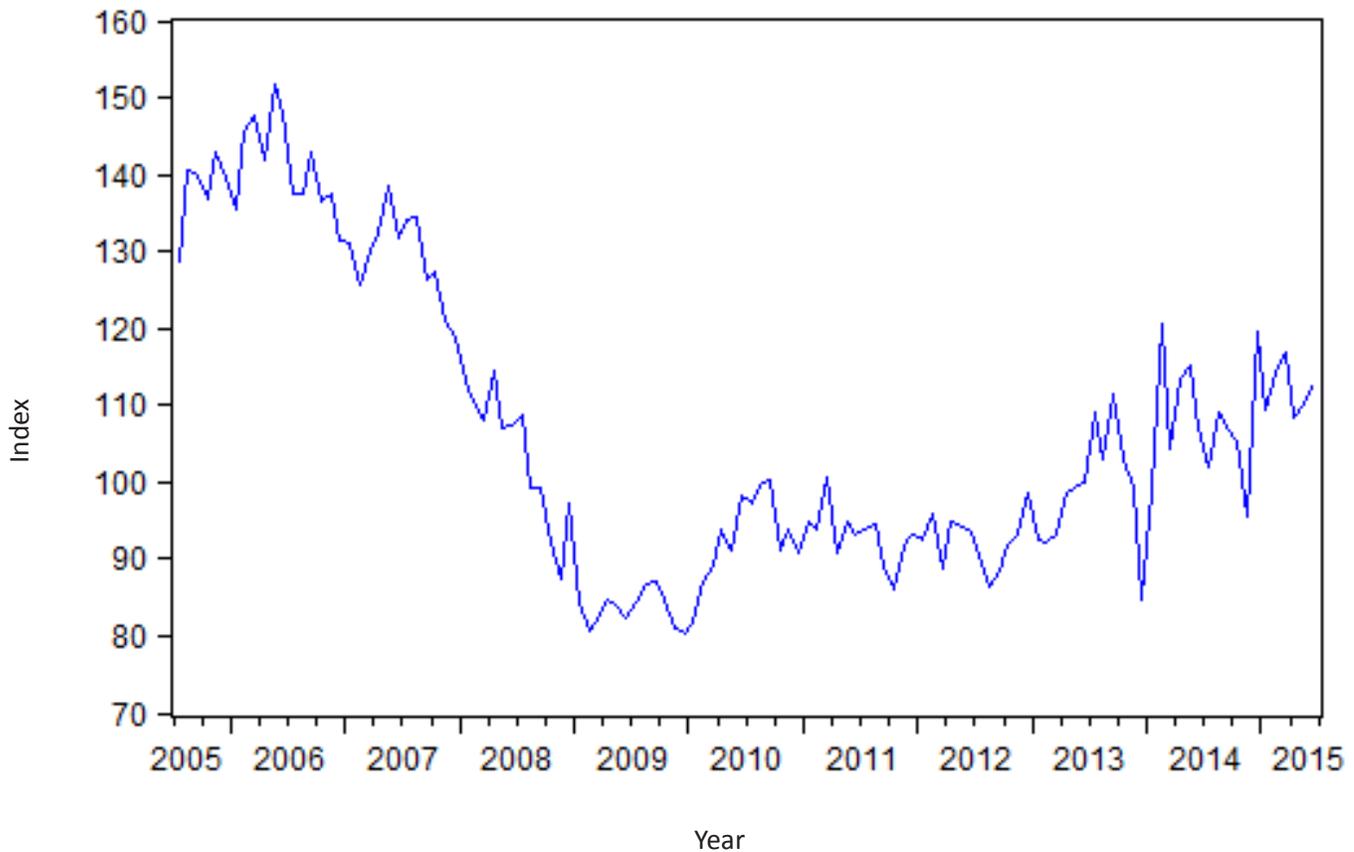
Central Minnesota employment was 1.9 percent higher in June 2015 than it was one year earlier. Compared to one year ago, 7,006 more residents of Central Minnesota now have jobs. The regional unemployment rate was 4.1 percent in June, slightly lower than the 4.3 percent rate reported one year ago. Initial claims for unemployment insurance were 2.7 percent higher in June than they were one year earlier. The Central Minnesota labor force continues to grow (rising 1.7 percent over the past year) and average weekly wages jumped by \$23 in the fourth quarter of 2014—a 3.1 percent increases over one year earlier.

Economic performance in the St. Cloud area was mixed, with weaker employment and lower work hours being offset by accelerating wages, lower unemployment rates, fewer jobless claims and more help wanted linage. A recent survey of St. Cloud area business leaders was mostly favorable. New business filings also remain strong in the largest market in the Central Minnesota planning area.

Central Minnesota Leading Economic Indicators Index

The SCSU Central Minnesota Leading Economic Indicators (LEI) index is designed to predict performance of the regional economy with a four-to-six month lead time. The LEI finished 1.38 points lower in this year's second quarter. However, the LEI is 5.42 percent above its level one year ago. As noted in previous editions of this report, the LEI has shown a high degree of quarterly volatility so this period's negative reading does not appear to signal sustained future economic weakness in Central Minnesota. Indeed, the regional economy appears poised for moderate growth in the coming quarters.

SCSU Central Minnesota Index of Leading Economic Indicators
(December 1999 = 100)



Components of SCSU Central Minnesota Leading Economic Indicators Index

Component of Index	Contribution to LEI, 2nd quarter 2015	Contribution to LEI, 1st quarter 2015
Minnesota Business Conditions Index	1.16	-4.06
Central Minnesota initial claims for unemployment insurance	0.96	-1.24
Central Minnesota new filings of incorporation	1.14	-0.86
St. Cloud MSA residential building permits	-5.41	4.28
National new orders for durable goods, real	0.77	0.09
TOTAL CHANGE	-1.38	-1.79

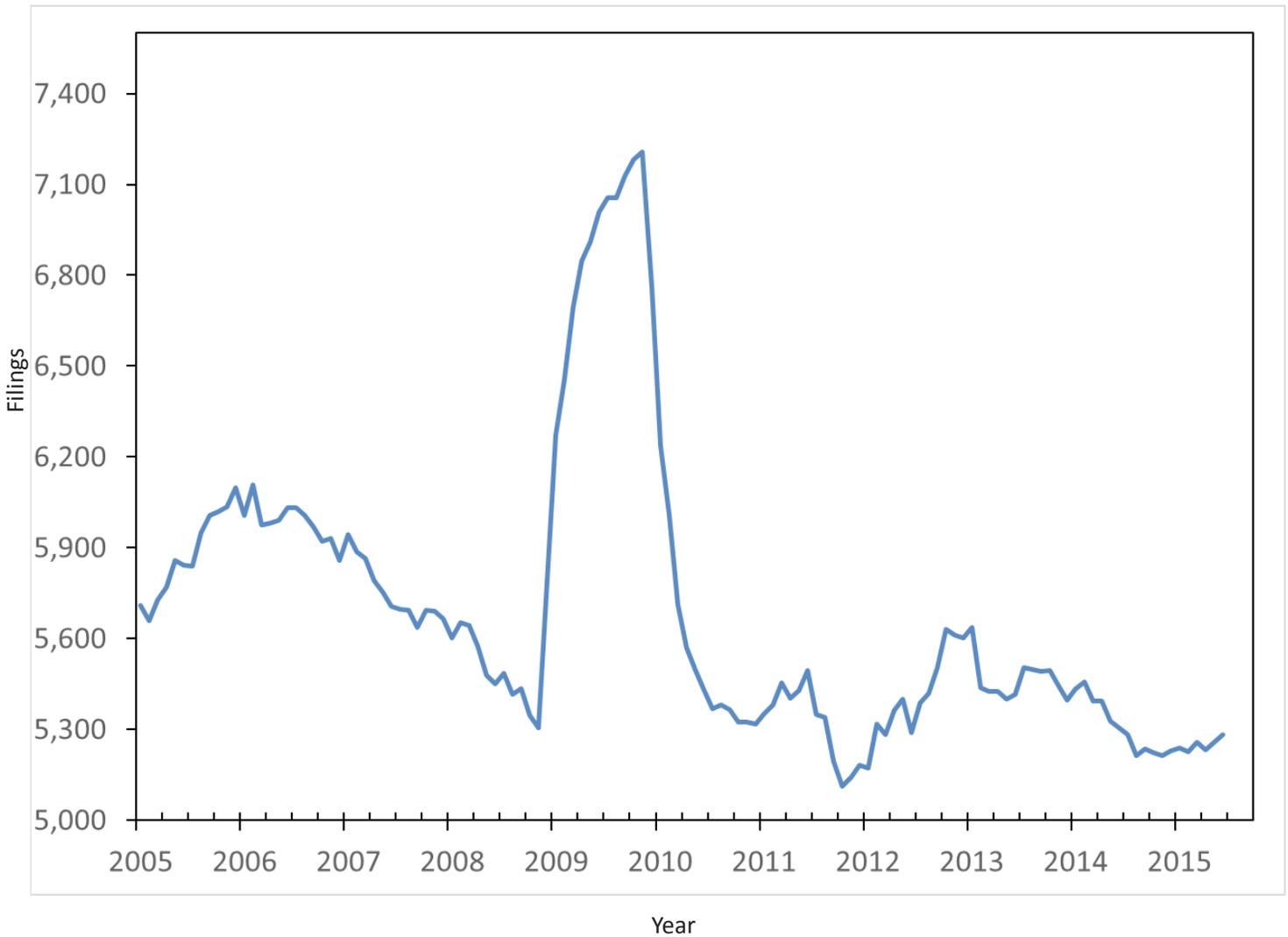
Four index components—Central Minnesota initial claims for unemployment insurance, the Minnesota Business Conditions index, new filings of incorporation, and national durable goods orders—had a positive impact on the LEI in the second quarter. Since Central Minnesota is an exporter of consumer durables, national durable goods orders are used as a proxy for regional economic performance. St. Cloud MSA residential building permits appear, based on conversations with local leaders, to be misreported. We have chosen to not report the Census figure. We use an algorithm to estimate area permits based on limited information from city offices so that LEI can be calculated, but it is not the Census’ figure and cannot be compared to their 2014 number.

SCSU Central Minnesota Leading Economic Indicators Index	2015	2014	Percentage change
Minnesota Business Conditions Index June	53	70.1	-24.39%
Central Minnesota initial claims for unemployment insurance June	2,400	2,336	2.74%
Central Minnesota new filings of incorporation Second Quarter	166	151	9.93%
St. Cloud MSA residential building permit valuation June	n/a	5,616	n/a
National new orders for durable goods, billions of real 1984 dollars, June	217.4	209.9	3.62%
Central Minnesota Leading Economic Indicators Index June (December 1999 = 100)	112.9	107.1	5.42%

Central Minnesota Business Filings

The graphs in this section show 12-month moving totals for the various new business filings in Central Minnesota that are registered with the Office of the Minnesota Secretary of State. There were 1,396 new business filings in Central Minnesota in the second quarter. This represents a 1.9 percent increase from the same period last year, although there were 82 more filings last quarter. As can be seen in the accompanying graph, there was an abrupt increase in new business filings in mid-2008. This resulted from a sharp increase in new LLC filings at that time. This outlier (resembling a shark fin) is related to considerably higher filings in the construction industry and appears to be a one-time only transitory event seen in the data in all regions of Minnesota.

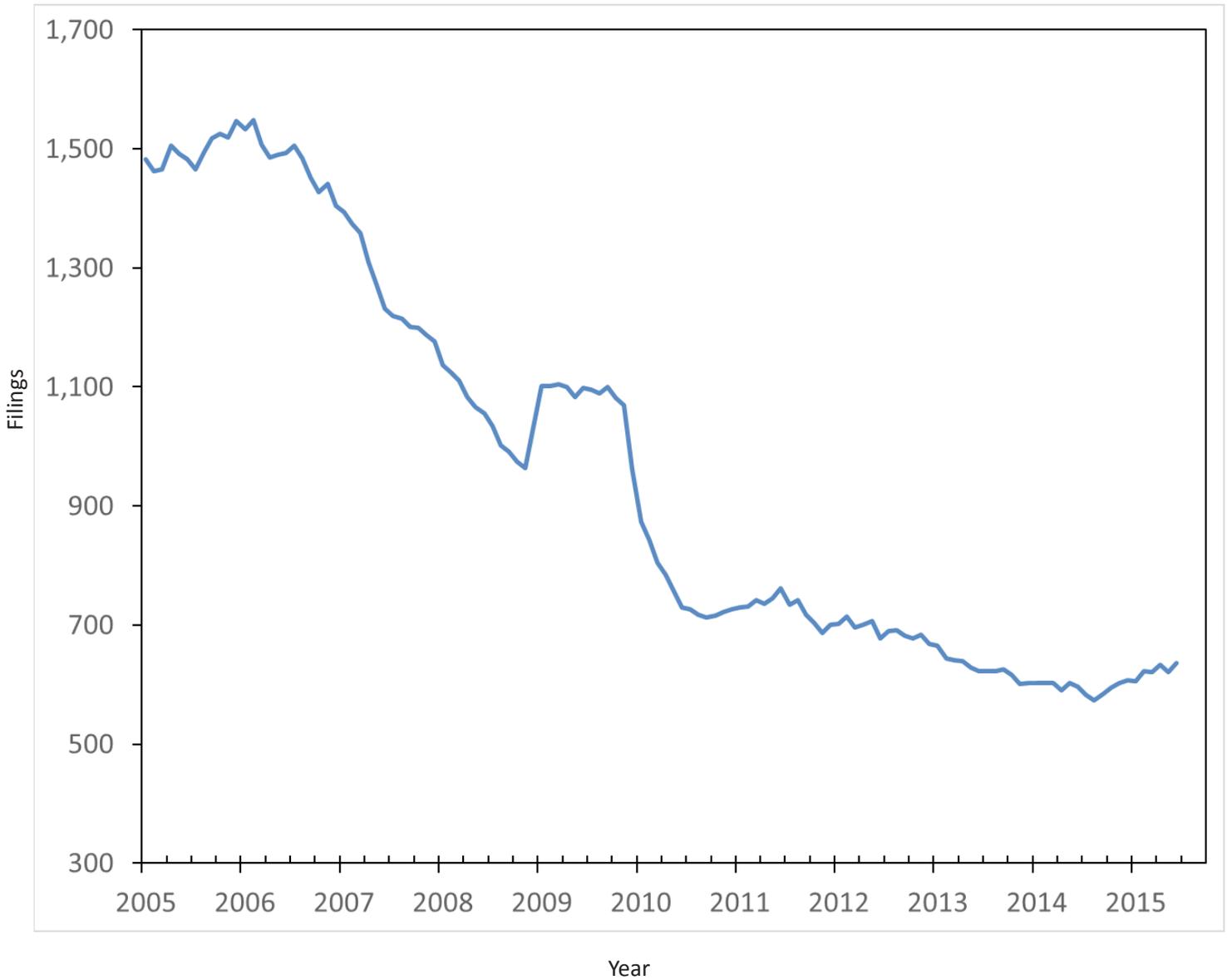
Total New Business Filings—Central Minnesota Planning Area (12-month moving total)



Quarter	II: 2014	III: 2014	IV: 2014	I: 2015	II: 2015	2015 Quarter II: Percent change from prior year
Central Minnesota Total New Business Filings	1,370	1,217	1,192	1,478	1,396	1.9%

New business incorporations have trended downward in Central Minnesota for most of the past decade. However, over the past year, this series has stabilized. Compared to one year ago, quarterly figures of new business incorporations increased by 9.9 percent in this year’s second quarter—rising from 151 one year ago to 166 one year later.

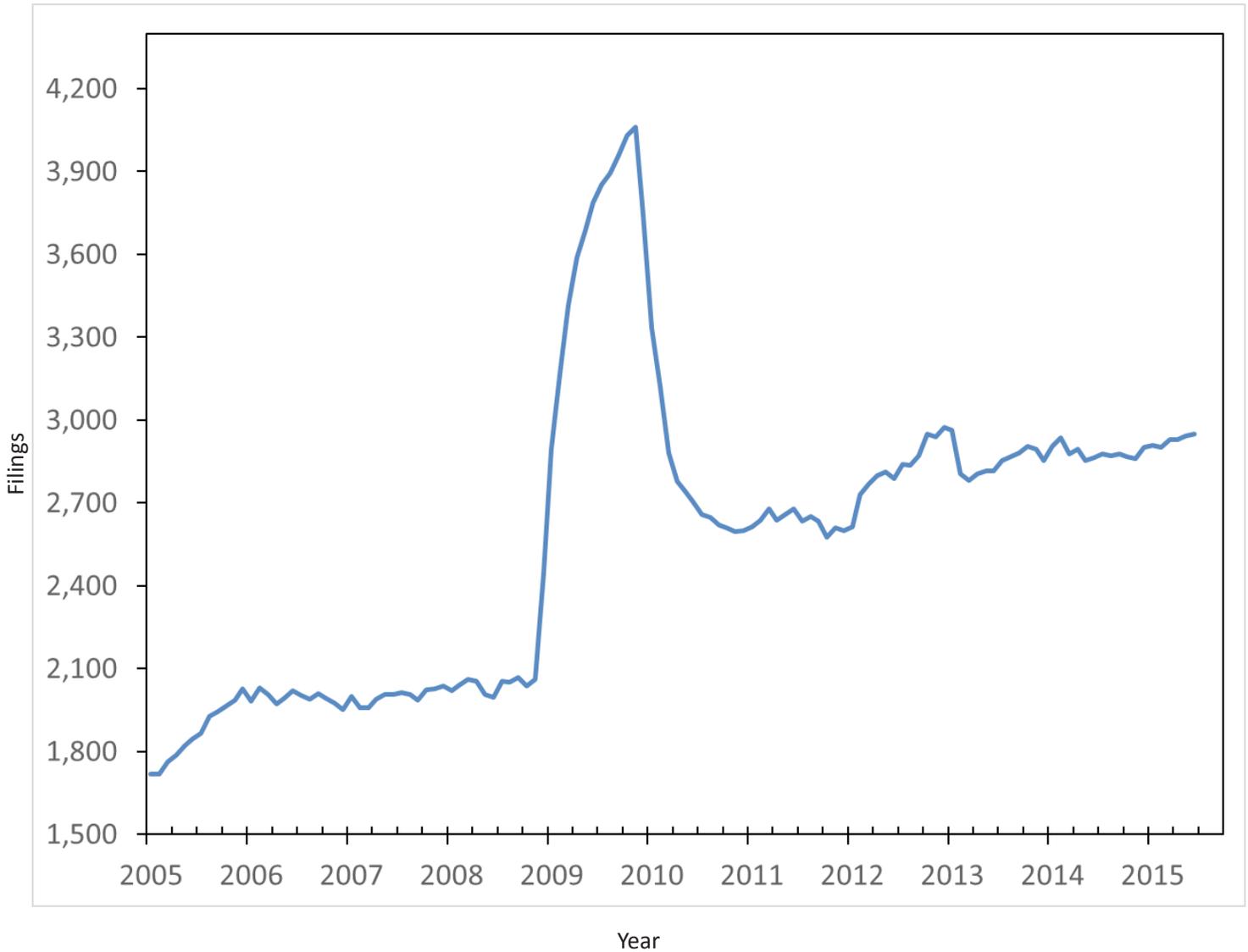
New Incorporations—Central Minnesota Planning Area (12-month moving total)



Quarter	II: 2014	III: 2014	IV: 2014	I: 2015	II: 2015	2015 Quarter II: Percent change from prior year
Central Minnesota New Business Incorporations	151	125	154	191	166	9.9%

There has been a move away from the traditional incorporation form of business organization towards the LLC throughout Minnesota. While new business incorporations remain an important indicator of new business formation in Central Minnesota, LLCs are increasingly useful in evaluating regional economic performance. The number of new LLCs expanded by 2.8 percent (to 783) over the past twelve months. As can be seen in the accompanying graph, the number of Central Minnesota LLCs has slowly trended upward in recent years.

New Limited Liability Companies—Central Minnesota Planning Area (12-month moving total)



Quarter	II: 2014	III: 2014	IV: 2014	I: 2015	II: 2015	2015 Quarter II: Percent change from prior year
Central Minnesota New Limited Liability Companies	762	706	688	773	783	2.8%

Assumed names, which include sole proprietors or organizations that do not have limited liability, declined by 3.9 percent compared to last year’s second quarter. With the exception of a brief steady period in 2011-12, this series has been trending downward for nearly a decade.

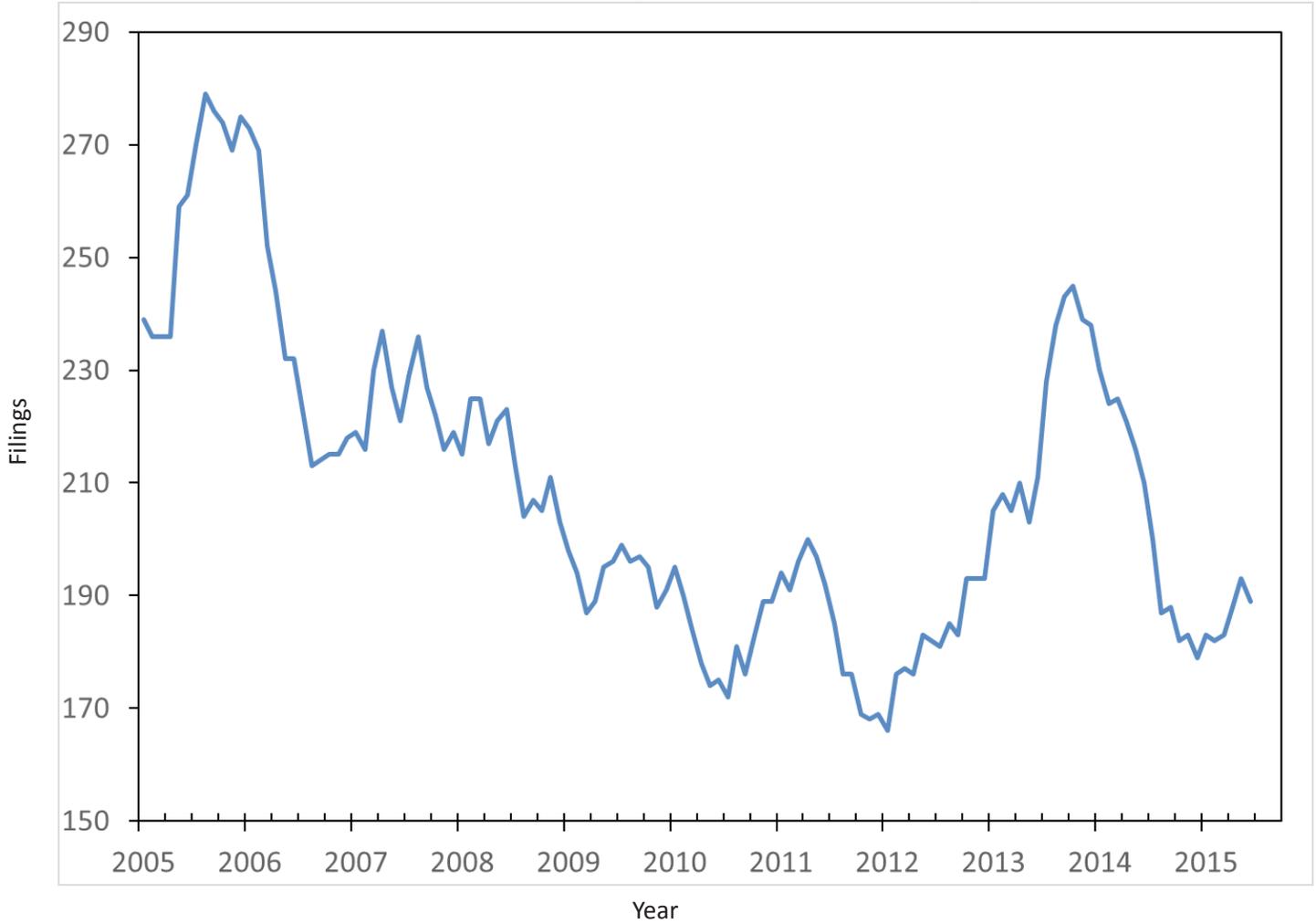
New Assumed Names—Central Minnesota Planning Area (12-month moving total)



Quarter	II: 2014	III: 2014	IV: 2014	I: 2015	II: 2015	2015 Quarter 2: Percent change from prior year
Central Minnesota New Assumed Names	415	345	306	458	399	-3.9%

There were 48 new Central Minnesota non-profits registered with the Office of the Minnesota Secretary of State in the second quarter of 2015 — six more new non-profits than were recorded one year ago. This represents a 14.3 percent increase in new non-profits compared to last year’s second quarter.

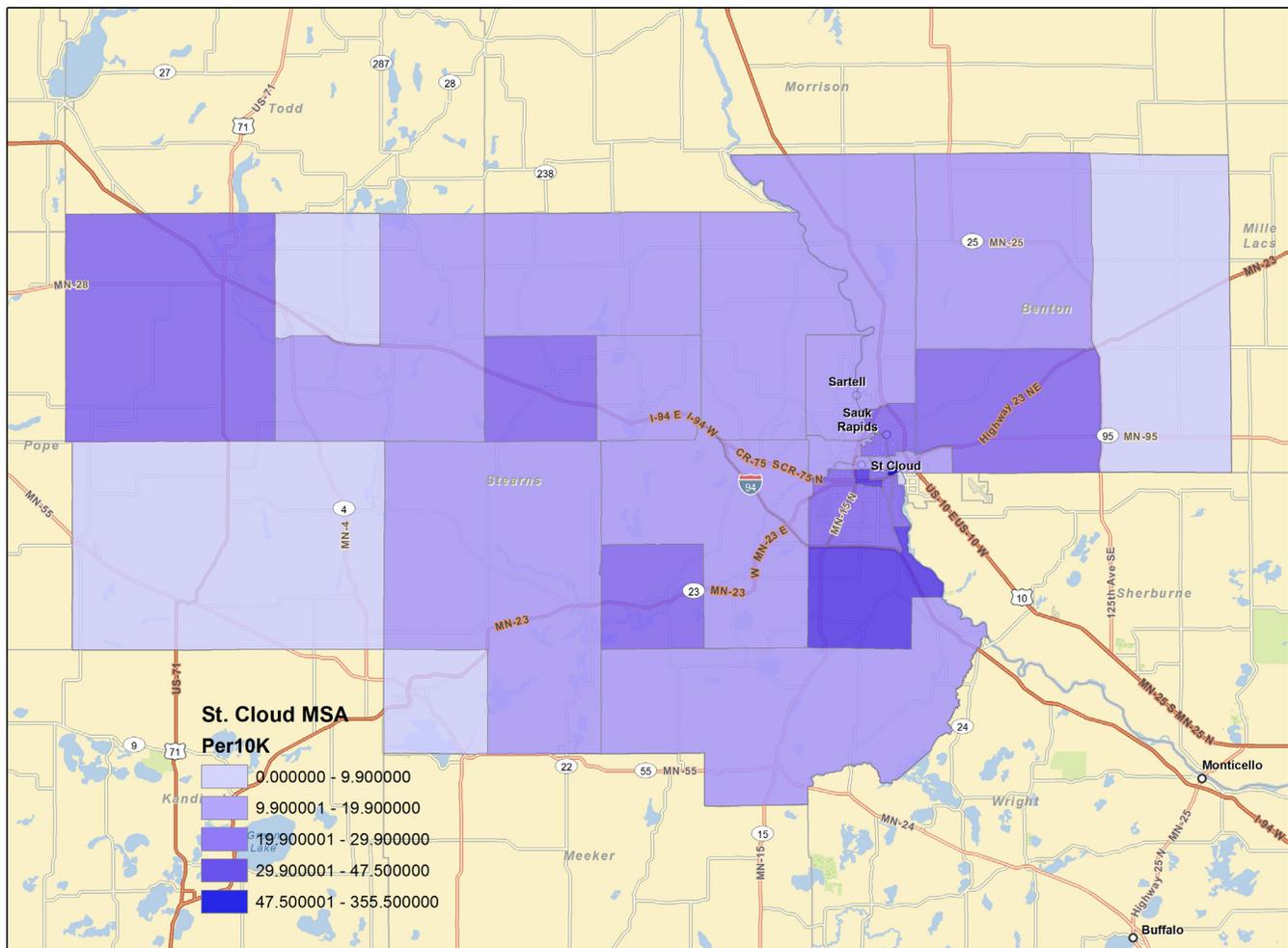
New Non-Profits—Central Minnesota Planning Area (12-month moving total)



Quarter	II: 2014	III: 2014	IV: 2014	I: 2015	II: 2015	2015 Quarter II: Percent change from prior year
Central Minnesota New Non-Profits	42	41	44	56	48	14.3%

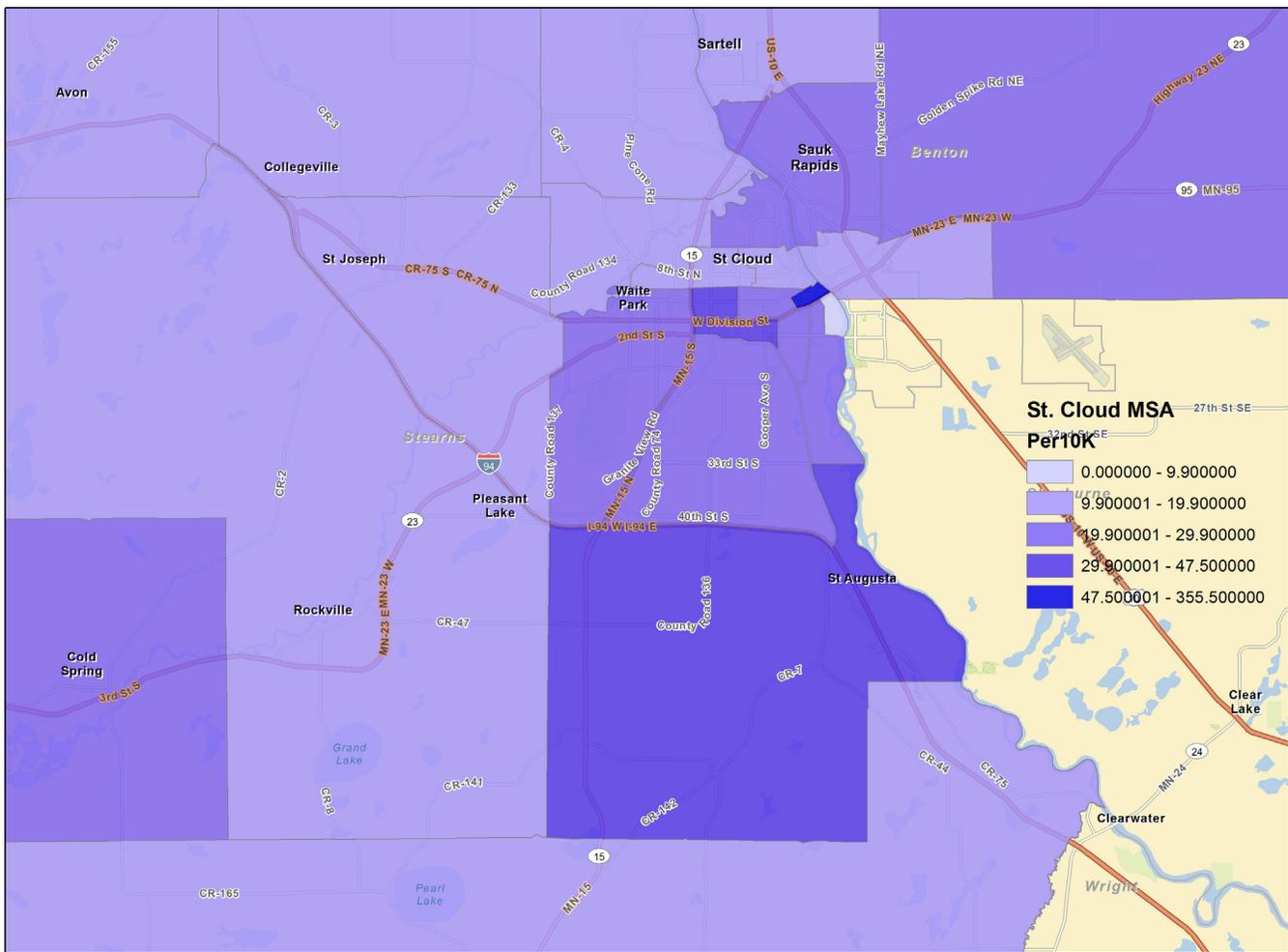
The map below highlights per capita new business formation by census tract in this year’s second quarter in the St. Cloud Metropolitan Statistical Area (MSA). This MSA consists of two counties—Stearns and Benton. While there were 391 new business filings in the St. Cloud MSA in this year’s second quarter, the distribution of new filings is clearly uneven over the metro area. Using census tract population numbers from the 2010 census, the map shows some portions (represented by the lighter colored blocks) of the St. Cloud MSA experienced relatively little new per capita business formation in this period, while others (the darker colored blocks) enjoyed fairly strong gains. Some areas naturally experience a disproportionately large number of per capita new business filings. For example, relatively few people live in downtown areas (where there tends to be a lot of office space), while business filings tend to be strong. This map is a reminder that after controlling for population, some areas of the MSA are more likely than others to experience new economic development.

New Business Formation Per 10,000 People By Census Tract in 2015, Quarter 2—St. Cloud MSA



The map below zooms in on some of the areas of the St. Cloud MSA that experienced the most rapid per capita new business formation in this year's second quarter. Note that the small dark blue sliver of the map representing the densest area of new per capita business filings is a census tract in downtown St. Cloud, west of the Mississippi River.

New Business Formation Per 10,000 People By Census Tract in 2015, Quarter 2—St. Cloud MSA

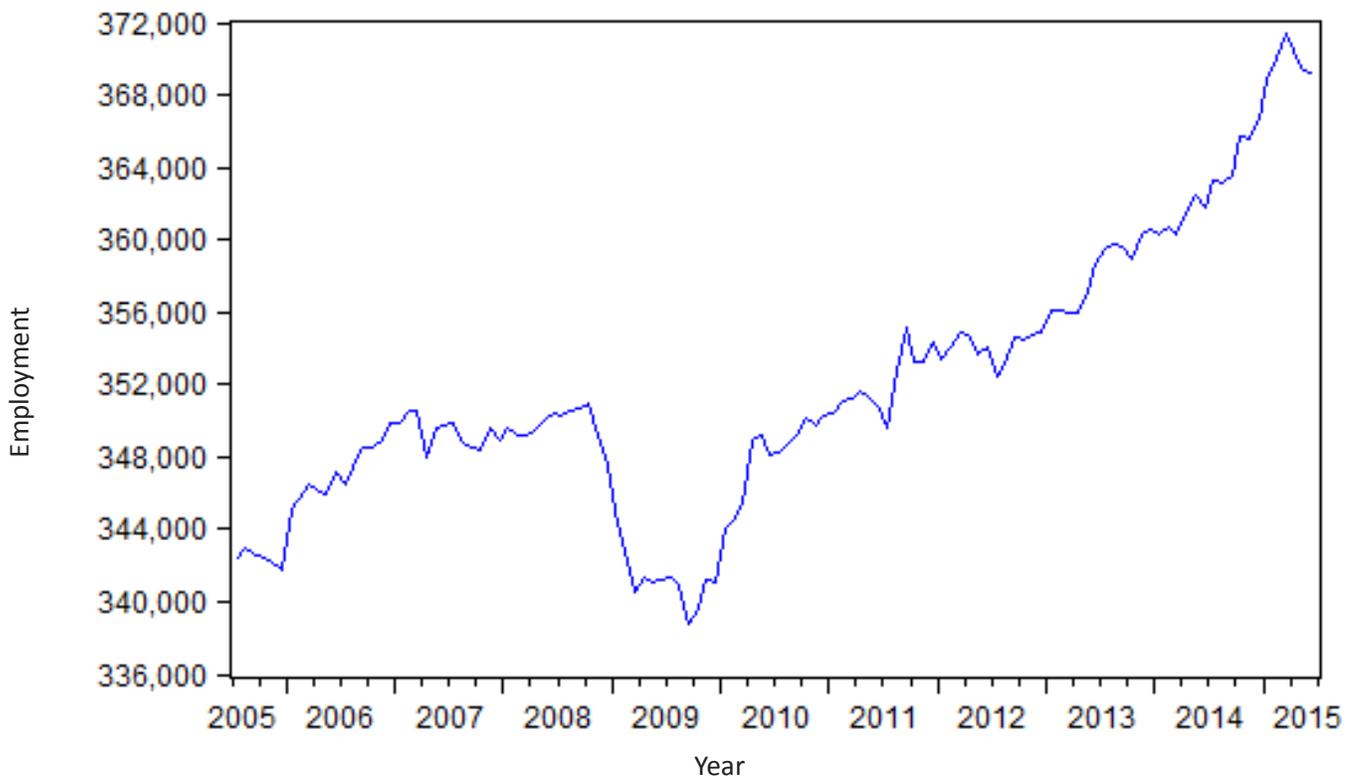


Central Minnesota Labor Market Conditions

Central Minnesota employment grew 1.9 percent over the past year. With the exception of the Great Recession of 2008–2009, Central Minnesota has continually demonstrated its ability to create jobs over the past decade.

Note: seasonally adjusted labor market data are typically not available to evaluate regional economic performance so some series have been created to illustrate seasonal patterns of the regional labor market. Graphs of these indicators are found in this section of the report. Tabular data are not seasonally adjusted. To request access to seasonally adjusted series, please contact the SCSU School of Public Affairs Research Institute, soparesearch@stcloudstate.edu.

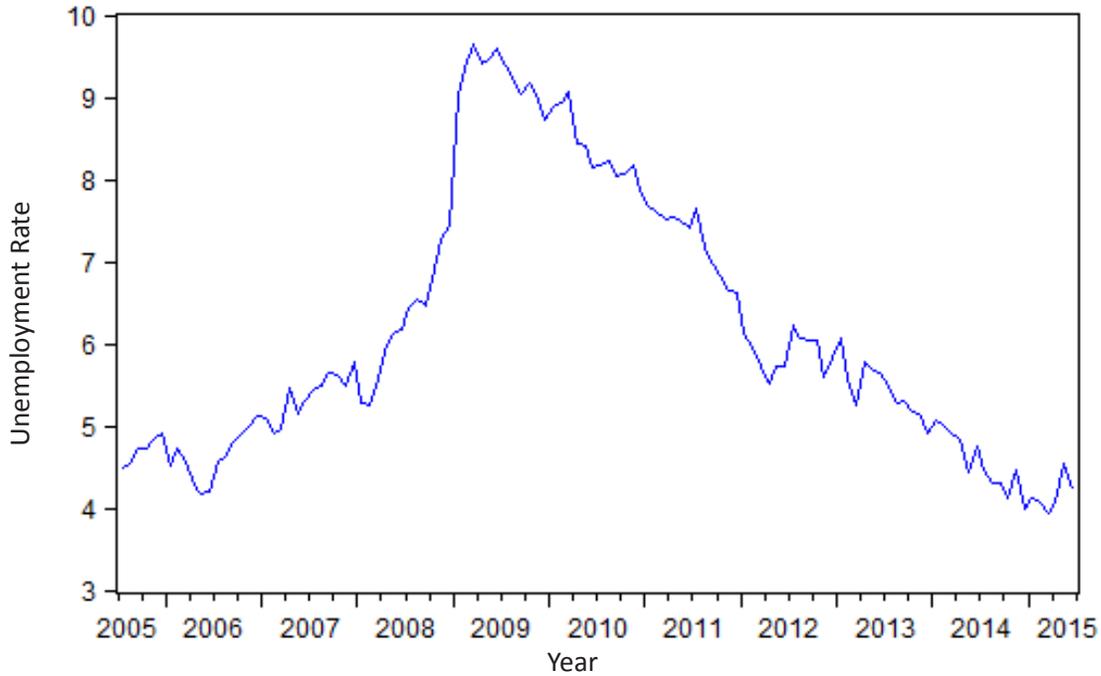
Employment—Central Minnesota Planning Area (12-month moving average)



Month	June 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
Employment (Not seasonally adjusted)	363,426	363,635	365,647	368,159	370,205	371,243	370,432

Central Minnesota’s unemployment rate was 4.1 percent in June 2015, slightly lower than the regional unemployment rate one year ago. Note that the seasonally adjusted unemployment rate seems to have bottomed out at the beginning of 2015.

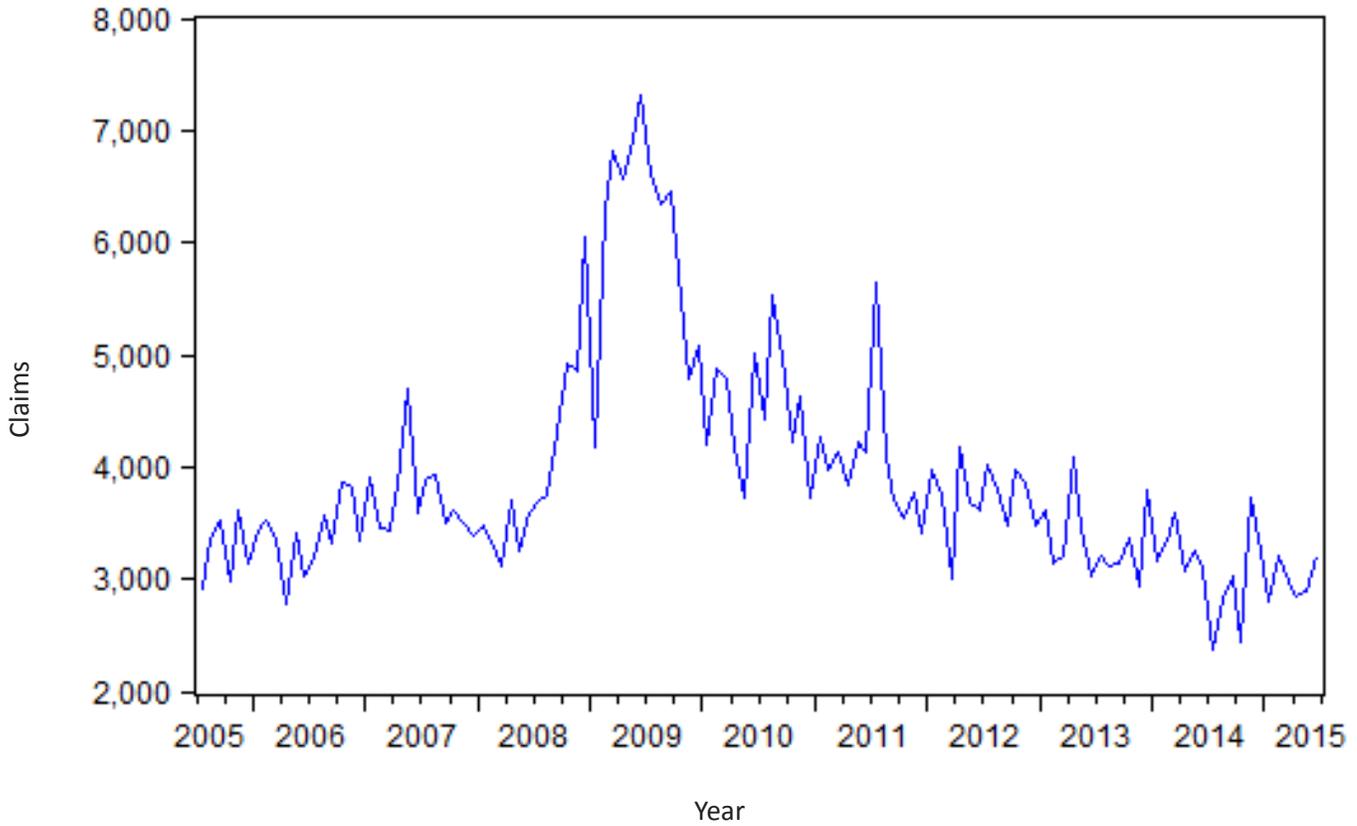
Unemployment Rate, seasonally adjusted—Central Minnesota Planning Area



Month	June 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
Unemployment Rate (Not seasonally adjusted)	4.3%	5.5%	5.4%	5.4%	4.2%	3.8%	4.1%

Initial claims for unemployment insurance in the Central Minnesota planning area rose to 2,400 in June 2015. This is 2.7 percent more claims than in June 2014.

Total Initial Claims for Unemployment Insurance, seasonally adjusted—Central Minnesota Planning Area



Month	June 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
Initial claims (Not seasonally adjusted)	2,336	3,786	2,908	2,860	2,206	2,231	2,400

Average weekly wages in the Central Minnesota planning area increased by 3.1 percent to \$774 over the year ending in the fourth quarter of 2014 (this is the most recently available data). Central Minnesota average wages rank fourth out of the six Minnesota planning areas. Only Northwest and Southwest planning areas have lower wages.

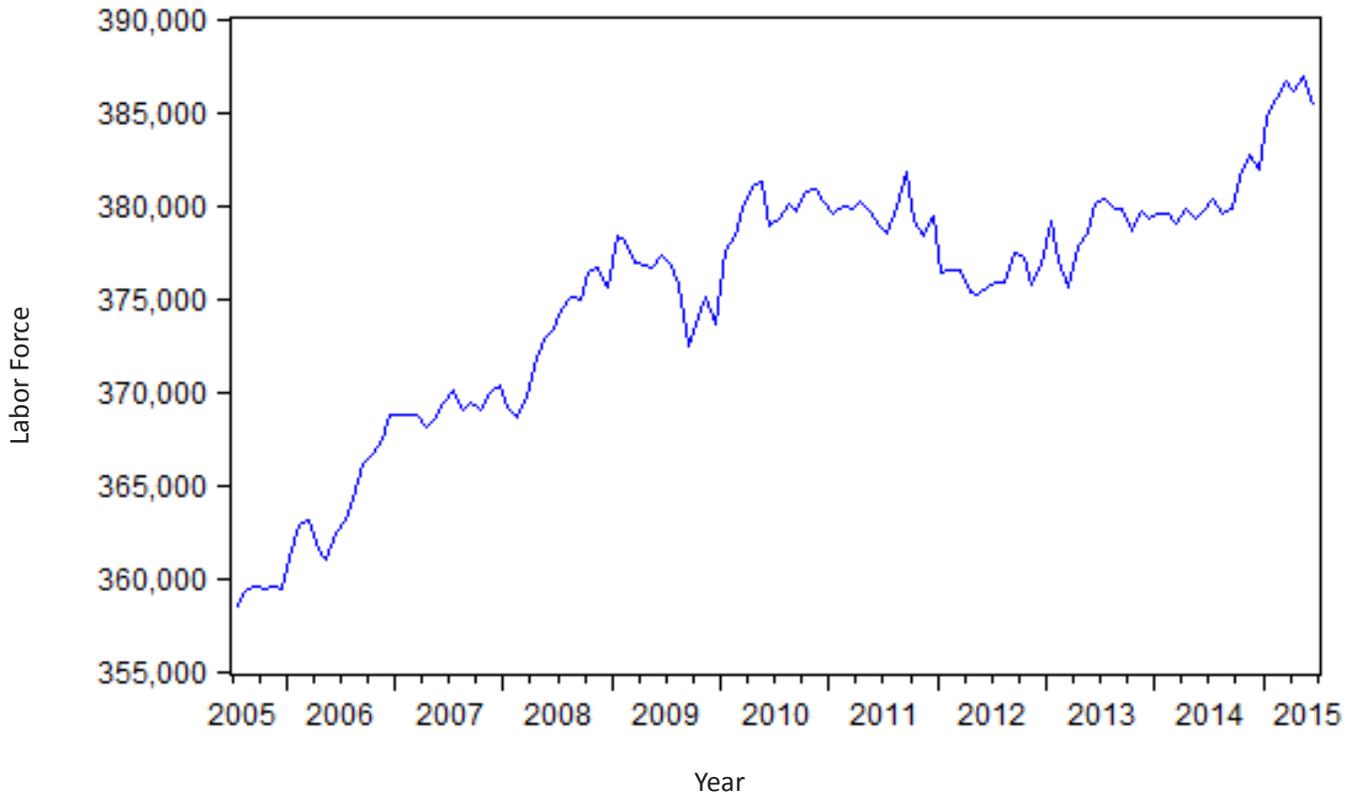
Average Weekly Wages--Central Minnesota Planning Area



Quarter	2009:IV	2010:IV	2011:IV	2012:IV	2013:IV	2014:IV
Average Weekly Wage	\$696	\$713	\$710	\$744	\$751	\$774

The Central Minnesota labor force grew by 1.7 percent over the year ending June 2015. For the first time in several years, each of Minnesota’s six planning areas experienced a year over year increase in their work force in June.

Labor Force—Central Minnesota Planning Area (12-month moving average)

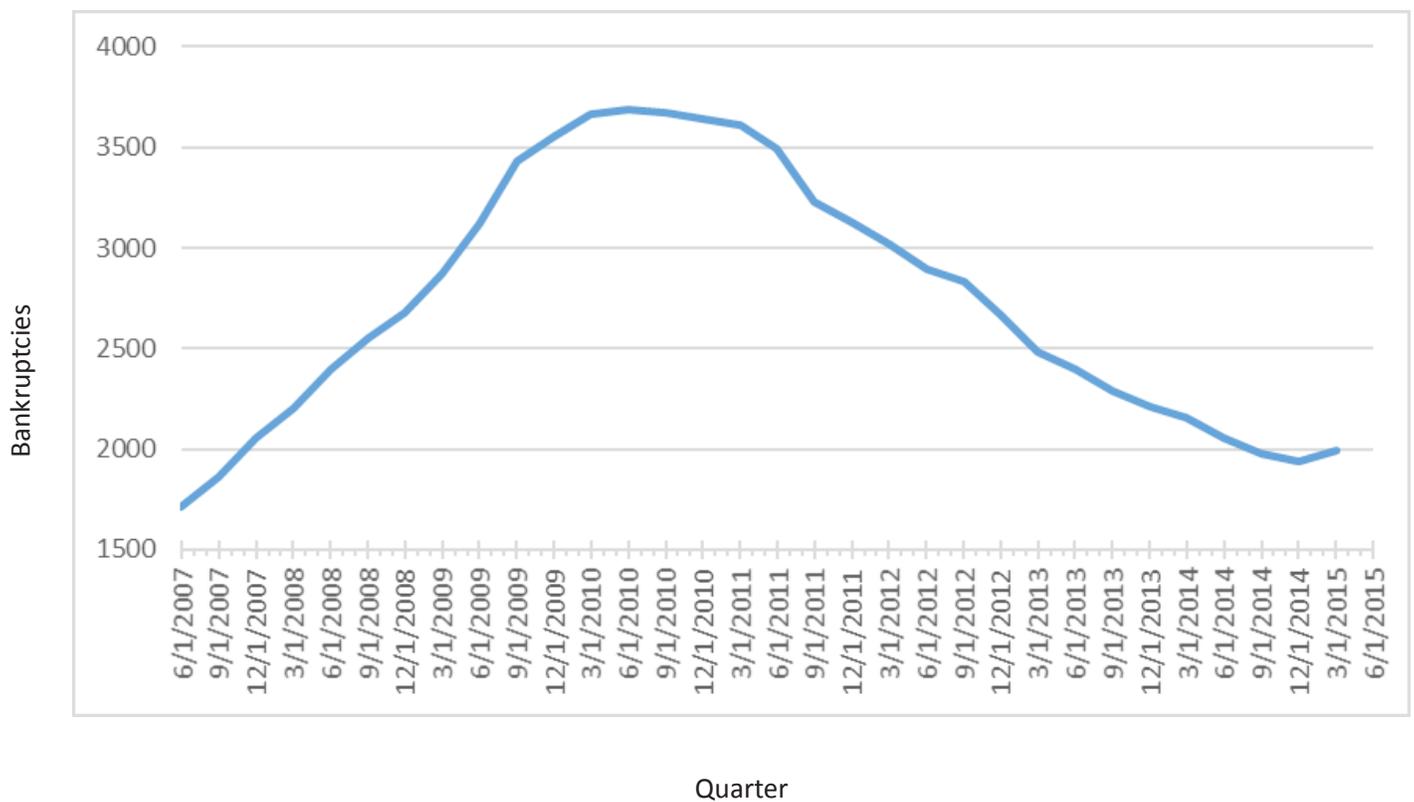


Year (June)	2010	2011	2012	2013	2014	2015
Labor Force (Not seasonally adjusted)	378,004	379,067	378,978	379,784	379,789	386,340

Central Minnesota Bankruptcies

The figure below shows the 12-month moving total for Central Minnesota 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 has steadily declined since that time (although it has leveled out in recent quarters). With 1,994 bankruptcies over the past twelve months, the level of bankruptcies in Central Minnesota has now returned to a level last seen prior to the Great Recession years. Each of Minnesota's six planning areas experienced a year over year increase in their work force in June.

Central Minnesota Bankruptcies (12-month moving total)



Year (First Quarter)	2010	2011	2012	2013	2014	2015
Annual Bankruptcies (Not seasonally adjusted)	3,666	3,607	3,016	2,483	2,154	1,994

Economic Indicators

St. Cloud MSA Indicators	Period Covered	Current Period	Prior Year	Annual Percent Change	Long-Term Average (since 1999, unless noted)
LABOR MARKET					
Employment	June 2015 (m)	106,295	106,460	-0.2% ↓	0.9%
Manufacturing Employment	June 2015 (m)	15,605	15,548	0.4% ↑	-0.7%
Average Weekly Work Hours--Private Sector	June 2015 (m)	32.3	32.6	-0.9% ↓	34 (since 2007)
Average Earnings Per Hour--Private Sector	June 2015 (m)	\$24.17	\$22.30	8.4% ↑	3.1% (since 2007)
Unemployment Rate	June 2015 (m)	4.0%	4.1%	NA ↓	4.9%
Labor Force	June 2015 (m)	108,595	108,273	0.3% ↑	0.6%
SCSU Future Employment Index	May 2015 (q)	34.8	38.7	-10.1% ↓	26.2 (since 2005)
SCSU Future Length of Workweek Index	May 2015 (q)	17.4	12.9	34.9% ↑	10.3 (since 2005)
SCSU Future Employee Compensation Index	May 2015 (q)	58	43.5	33.3% ↑	39.1 (since 2005)
SCSU Future Worker Shortage Index	May 2015 (q)	34.8	37.1	-6.2% ↓	19.1 (since 2005)
St. Cloud-Area New Unemployment Insurance Claims	June 2015 (m)	676	704	-4.0% ↓	NA
St. Cloud Times Help Wanted Linage	April 2015 (q)	2,084	1,891	10.2% ↑	NA
BUSINESS FORMATION					
New Business Filings	Second Quarter 2015	391	362	8.0% ↑	367 (since 2000)
Assumed Names	Second Quarter 2015	123	107	15.0% ↑	131 (since 2000)
Business Incorporations	Second Quarter 2015	37	37	0.0% ↔	66 (since 2000)
Limited Liability Companies	Second Quarter 2015	213	205	3.9% ↑	154 (since 2000)
Non-Profits	Second Quarter 2015	18	13	38.5% ↑	17 (since 2000)

(m) represents a monthly series; (q) represents a quarterly series

St. Cloud MSA Indicators, Cont'd.

	Period Covered	Current Period	Prior Year	Annual Percent Change	Long-Term Average (since 1999, unless noted)
BUSINESS ACTIVITY					
SCSU Future Business Activity Index	May 2015 (q)	52.2	56.5	-7.6% ↓	45.3 (since 2005)
SCSU Future Capital Expenditures Index	May 2015 (q)	31.9	21	51.9% ↑	22.6 (since 2005)
SCSU Future National Business Activity Index	May 2015 (q)	24.7	30.7	-19.5% ↑	24.4 (since 2005)
St. Cloud Index of Leading Economic Indicators	April 2015 (m)	102.6	102.5	0.1% ↑	NA
St. Cloud Residential Building Permit Valuation	June 2015 (m)	NA	7061	NA	NA
PRICES					
St. Cloud Cost of Living Index	First Quarter 2015	95.1	95.7	-0.6% ↓	NA
St. Cloud Median Home Prices	June 2015 (m)	167,000	155,000	7.7% ↑	NA
SCSU Future Prices Received Index	May 2015 (q)	26.1	16.2	61.1% ↑	21.6 (since 2005)

(m) represents a monthly series; (q) represents a quarterly series

Central Minnesota contains the St. Cloud MSA, where a survey of business leaders is done quarterly by St. Cloud State University. Among other things, this survey indicates rising future wages and prices as St. Cloud area firms adjust to a worker shortage. While payroll employment declined by 0.2 percent over the year ending June 2015 (and average weekly work hours fell), all other labor market indicators improved. For example, average hourly earnings jumped by 8.4 percent, the labor force expanded, and the unemployment rate fell. New business formation was very strong in the St. Cloud area in the second quarter of 2015 and planned capital expenditures also rose. Median home prices in St. Cloud rose by 7.7 percent over the last twelve months.

State and National Indicators

MINNESOTA Indicators	Jun 2015	Mar 2015	Jun 2014	Change from one quarter ago	Annual Change
Nonfarm payroll employment, SA	2,854,500	2,844,600	2,817,700	0.3%	1.3%
Average weekly hours worked, private sector	34.0	33.9	34.5	0.3%	-1.4%
Unemployment rate, seasonally adjusted	3.8%	3.7%	4.4%	NA	NA
Earnings per hour, private sector	\$25.75	\$26.32	\$25.73	-2.2%	0.1%
Philadelphia Fed Coincident Indicator, MN	174.58	173.50	169.66	0.6%	2.9%
Philadelphia Fed Leading Indicator, MN	1.21	1.43	1.78	-15.4%	-32.0%
Minnesota Business Conditions Index	54.3	50.0	70.1	8.6%	-22.5%
Price of milk received by farmers (cwt)	\$17.60	\$17.10	\$23.40	2.9%	-24.8%
Enplanements, MSP airport, thousands	1,673.7	1,629.6	1,609.6	2.7%	4.0%

NATIONAL Indicators	Jun 2015	Mar 2015	Jun 2014	Change from one quarter ago	Annual Change
Nonfarm payroll employment, SA, thousands	141,842	141,178	138,907	0.5%	2.1%
Industrial production, index, SA	107.1	107.4	105.7	-0.3%	1.3%
Real retail sales, SA	185,895	186,041	183,689	-0.1%	1.2%
Real personal Income less transfers	11,511.0	11,416.2	11,116.6	0.8%	3.5%
Real personal consumption expenditures	11,176.3	11,104.4	10,860.8	0.6%	2.9%
Unemployment rate	5.3%	5.5%	6.1%	NA	NA
New building permits, SA, thousands	1,337	1,038	1,033	28.8%	29.4%
Standard & Poor's 500 stock price index	2,099.28	2,079.99	1,947.09	0.9%	7.8%
Oil, price per barrel in Cushing, OK	\$59.82	\$47.82	\$105.79	25.1%	-43.5%

Across the state there was growth in payrolls and a decline in the unemployment rate from one year ago. Average weekly hours worked fell and earnings per hour in the private sector were essentially unchanged over the past year. Two of three broader indicators suggest softening in the state economy in the second quarter. Milk prices were 24.8 percent lower than one year ago in June. This is an important unfavorable indicator in many areas of Minnesota. Enplanements at the Minneapolis-St. Paul airport increased by 4 percent over the last twelve months.

The national economic indicators reported in the table suggest strong economic performance at the national level. Compared to year earlier levels, stock prices, industrial production, retail sales, real income, real consumption expenditures, payroll employment, and the unemployment rate are all improved. Oil prices have declined significantly over the past year. While this has put additional discretionary income in the hands of consumers, it has also created dislocation in some key sectors of the economy. The national economy appears to have rebounded from a soft patch in the year's first quarter and now appears poised to grow at a moderate rate through the remainder of 2015.

The Central Minnesota 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.

This issue is part of a series for the six planning areas of Minnesota—Central, Northeast, Northwest, Southeast, Southwest and Twin Cities. The Central Minnesota Planning Area consists of 13 counties: Benton, Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, Stearns and Wright.

Text authored by Professors King Banaian and Rich MacDonald of the Economics Department of St. Cloud State University. Research assistance provided by Paul Ryan and Joe Kucan. Professor David Wall of the SCSU Geography Department provided GIS assistance.

Sources

Council for Community and Economic Research: Cost of Living Index.

Creighton University Heider College of Business: Minnesota Business Conditions Index, Rural MainStreet Index.

Federal Reserve Bank of Philadelphia: Minnesota Coincident Indicator Index, Minnesota Leading Indicators Index.

Federal Reserve Board of Governors: Industrial Production.

Institute for Supply Management: Manufacturing Business Survey, Purchasing Managers Index.

Metropolitan Airports Commission: MSP Enplanements.

Minnesota Department of Employment and Economic Development (and U.S. Department of Labor Bureau of Labor Statistics): Average Hourly Earnings, Average Weekly Work Hours, Employment, Initial Claims for Unemployment Insurance, Job Vacancies, Labor Force, Manufacturing Employment, Unemployment Rate.

Office of the Minnesota Secretary of State: Assumed Names, Business Incorporations, Limited Liability Companies, Non-Profits.

SCSU School of Public Affairs Research Institute: SCSU Central Minnesota Index of Leading Economic Indicators, SCSU Future Business Activity Index, SCSU Future Capital Expenditures Index, SCSU Future Employee Compensation Index, SCSU Future Employment Index, SCSU Future Length of Workweek Index, SCSU Future National Business Activity Index, SCSU Future Prices Received Index, SCSU Future Worker Shortage Index, St. Cloud Index of Leading Economic Indicators.

St. Cloud Area Association of REALTORS: Median Home Prices.

St. Cloud Times: St. Cloud Times Help Wanted Linage.

Standard & Poor's: Standard & Poor's 500 Stock Price Index.

Thomson Reuters and University of Michigan: Index of Consumer Sentiment

U.S. Bankruptcy Courts: Bankruptcies

U.S. Bureau of Census: Durable Goods Orders, Housing Permits, Residential Building Permits, Retail Sales.

U.S. Department of Agriculture: Milk Prices.

U.S. Department of Commerce Bureau of Economic Analysis: Real Personal Consumption, Real Personal Income, Real Wages and Salaries.

U.S. Energy Information Administration: Oil Prices.