Central Minnesota
Economic and Business Conditions Report
Fourth Quarter 2015

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.

Office of the Minnesota
Secretary of State

School of Public Affairs
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Executive Summary

Slower economic growth in the Central Minnesota planning area is expected to persist over the next several months according to predictions of the Central Minnesota Index of Leading Economic Indicators (LEI). For the second consecutive quarter, the leading index fell in the most recent period, with three components becoming negative. Weakness in a general measure of statewide business conditions and an increase in seasonally adjusted initial jobless claims in Central Minnesota helped drag the LEI lower in the fourth quarter. Also contributing to slower growth was a fall in the number of St. Cloud area residential building permits. Increased new filings of incorporation and higher national durable goods orders helped lift the index.

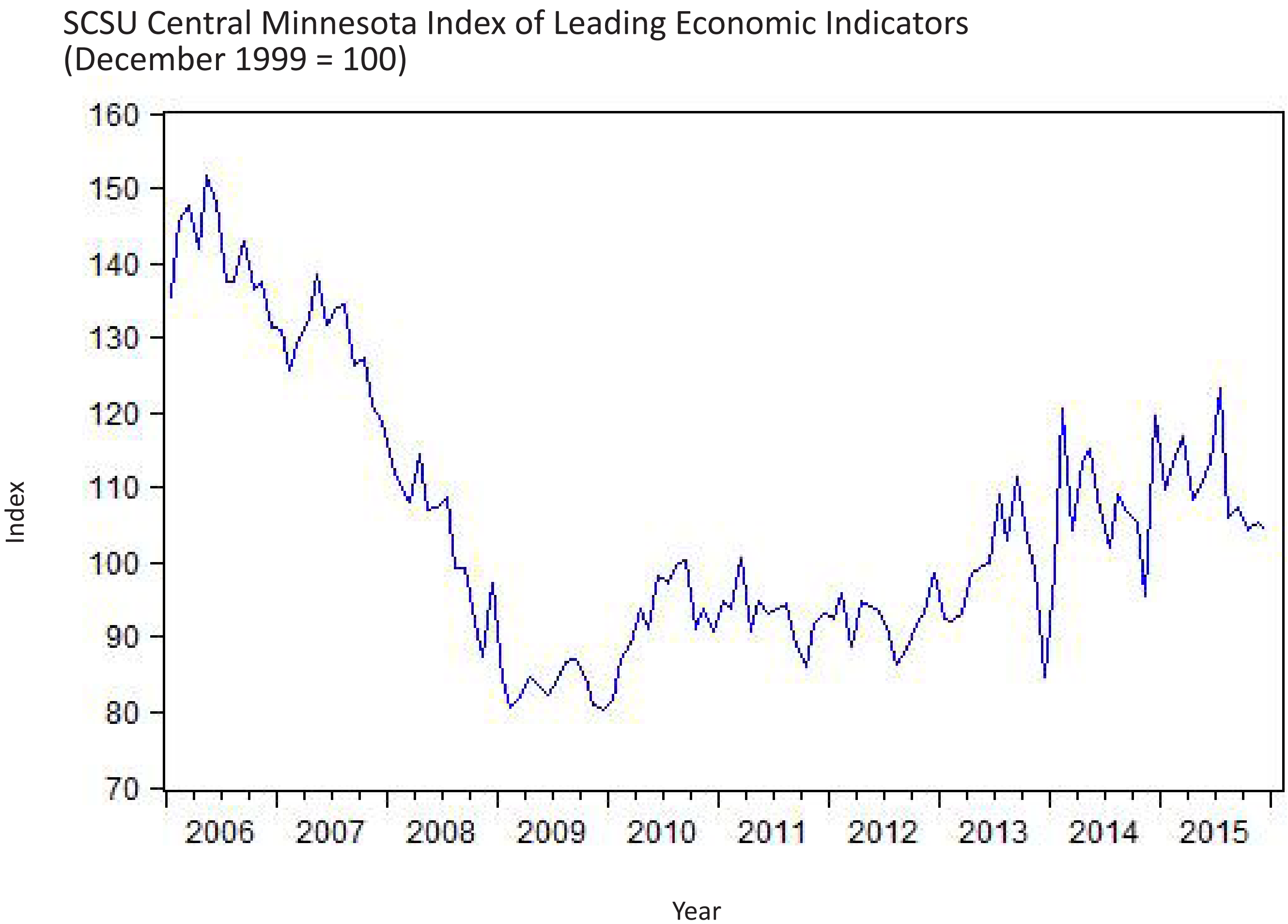
There were 1,329 new business filings with the Office of the Minnesota Secretary of State in Central Minnesota in the fourth quarter of 2015 — representing an 11.5 percent increase from one year ago. There were 177 new regional business incorporations in the fourth quarter, a 14.9 percent increase from year ago levels. New limited liability company (LLC) filings in Central Minnesota increased 5.1 percent relative to the fourth quarter of 2014—rising to 723 in this year’s fourth quarter. New assumed names totaled 384 over the recent quarter—a rise of 25.5 percent compared to the same period in 2014. There were 45 new filings for Central Minnesota non-profits in the fourth quarter—one more filing than one year ago.

Central Minnesota employment was 2.5 percent higher in December 2015 than it was one year earlier. Compared to one year ago, 9,042 more residents of Central Minnesota now have jobs. The December regional unemployment rate was unchanged from one year ago at 4.2 percent. Initial claims for unemployment insurance were 1.5 percent lower in December than they were one year earlier. The Central Minnesota labor force continues to grow (rising 3.3 percent over the past year) and average weekly wages rose to $740 in this year’s second quarter—a 4.1 percent increase from the same period in 2014.

Economic performance in the St. Cloud area was mixed, with weaker employment and lower new business filings being offset by accelerating wages, a rising work week, lower unemployment rates, fewer jobless claims and more help wanted linage. A recent survey of St. Cloud area business leaders was largely less optimistic than one year earlier. Median home sales prices declined in Central Minnesota’s largest metropolitan area, although a general index suggested the relative cost of living had increased in St. Cloud in 2014.

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 at -2.70 points in the fourth quarter and has now declined since the middle part of 2015. Compared to last year, the LEI is 9.84 percent lower. While the volatility of the LEI has increased since 2013, it does appear Central Minnesota will see slower economic growth in the first half of 2016.



Components of SCSU Central Minnesota Leading Economic Indicators Index

Component of Index	Contribution to LEI, 4th quarter 2015	Contribution to LEI, 3rd quarter 2015
Minnesota Business Conditions Index	-1.88	-0.48
Central Minnesota initial claims for unemployment insurance	-1.40	1.42
Central Minnesota new filings of incorporation	1.11	-0.88
St. Cloud MSA single family building permits	-1.46	-5.99
National new orders for durable goods, real	0.93	0.09
TOTAL CHANGE	**-2.70**	**-5.84**

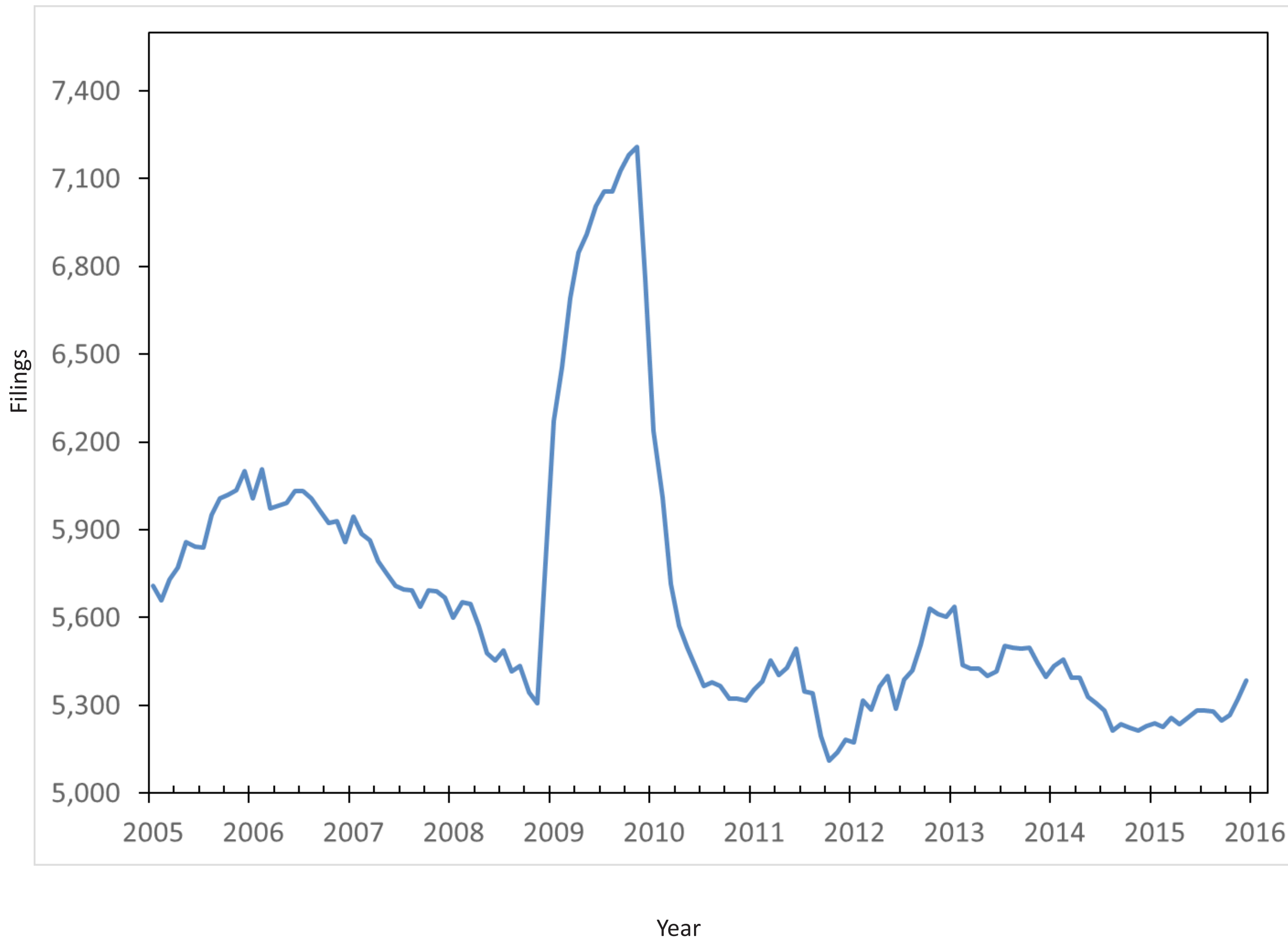
Two index components—Central Minnesota new filings of incorporation and national durable goods orders—had a positive impact on the LEI in the fourth quarter. Since Central Minnesota is an exporter of consumer durables, national durable goods orders are used as a proxy for regional economic performance. As was indicated in previous reports, the Bureau of Census tally of St. Cloud MSA residential building permits appears to be underreported, so we use an algorithm to estimate area permits based on limited information from city offices. This allows the LEI to be calculated, but it is not the Census' figure and cannot be compared to their 2014 number. As can be seen in the table above, these residential building permits were a drag on the leading index in last quarter. Higher initial jobless claims over the past several months and a weakening of the Minnesota Business Conditions Index also had a negative impact on this quarter's LEI.

SCSU Central Minnesota Leading Economic Indicators Index	2015	2014	Percentage change
Minnesota Business Conditions Index December	48.2	61.4	-21.50%
Central Minnesota initial claims for unemployment insurance December	6,358	6,447	-1.38%
Central Minnesota new filings of incorporation Fourth Quarter	177	154	14.94%
St. Cloud MSA residential building permit valuation, in thousands December	8	17	-52.94%
National new orders for durable goods, billions of real 1984 dollars, December	223.4	213.3	4.74%
Central Minnesota Leading Economic Indicators Index December (December 1999 = 100)	104.5	115.9	-9.84%

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 1,329 new business filings in Central Minnesota in the fourth quarter. This represents an 11.5 percent increase from the same period in 2014. 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. The 12-month moving total of new business filings had been fairly steady in recent quarters, but the fourth quarter jump in filings may signal a change in the recent trend.

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



Quarter	IV: 2014	I: 2015	II: 2015	III: 2015	IV: 2015	2015 Quarter IV: Percent change from prior year
Central Minnesota Total New Business Filings	1,192	1,478	1,396	1,181	1,329	11.5%

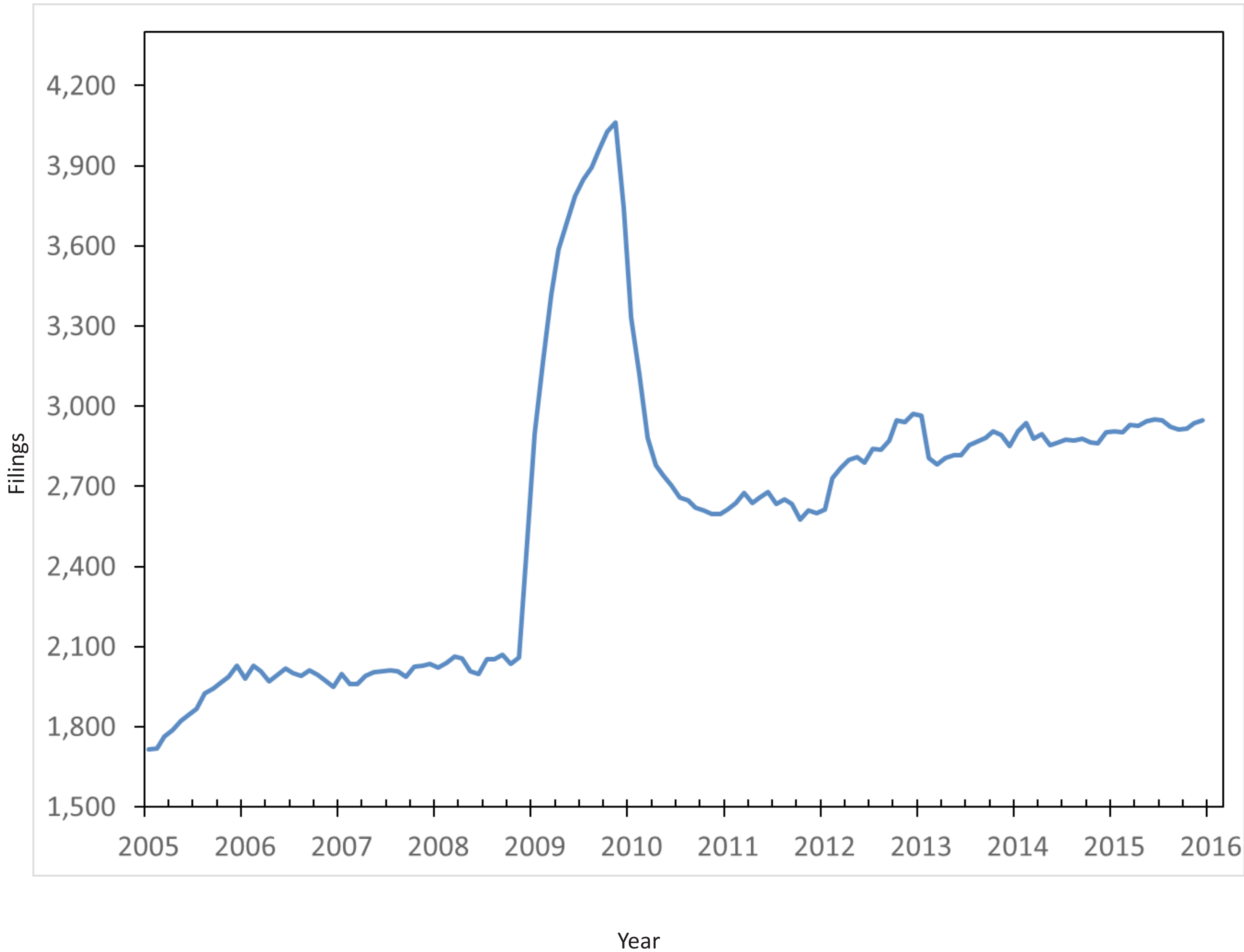
New business incorporations have trended downward in Central Minnesota for most of the past decade. However, over the past several quarters, the 12-month moving total of this series has risen. Compared to one year ago, quarterly figures of new business incorporations increased by 14.9 percent in the fourth quarter—rising from 154 in 2014: IV to 177 in the most recent period.

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

Quarter	IV: 2014	I: 2015	II: 2015	III: 2015	IV: 2015	2015 Quarter IV: Percent change from prior year
Central Minnesota New Business Incorporations	154	191	166	114	177	14.9%

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 increased by 5.1 percent (to 723) from one year earlier. 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	IV: 2014	I: 2015	II: 2015	III: 2015	IV: 2015	2015 Quarter IV: Percent change from prior year
Central Minnesota New Limited Liability Companies	688	773	783	669	723	5.1%

Assumed names, which include sole proprietors or organizations that do not have limited liability, increased sharply compared to fourth quarter 2014. After a decade of decline (other than a brief steady period in 2011-12), this series has been trending upward in recent quarters. New assumed names filings grew far more rapidly in Central Minnesota than any other region of Minnesota in the most recent quarter.

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

Quarter	IV: 2014	I: 2015	II: 2015	III: 2015	IV: 2015	2015 Quarter IV: Percent change from prior year
Central Minnesota New Assumed Names	306	458	399	348	384	25.5%

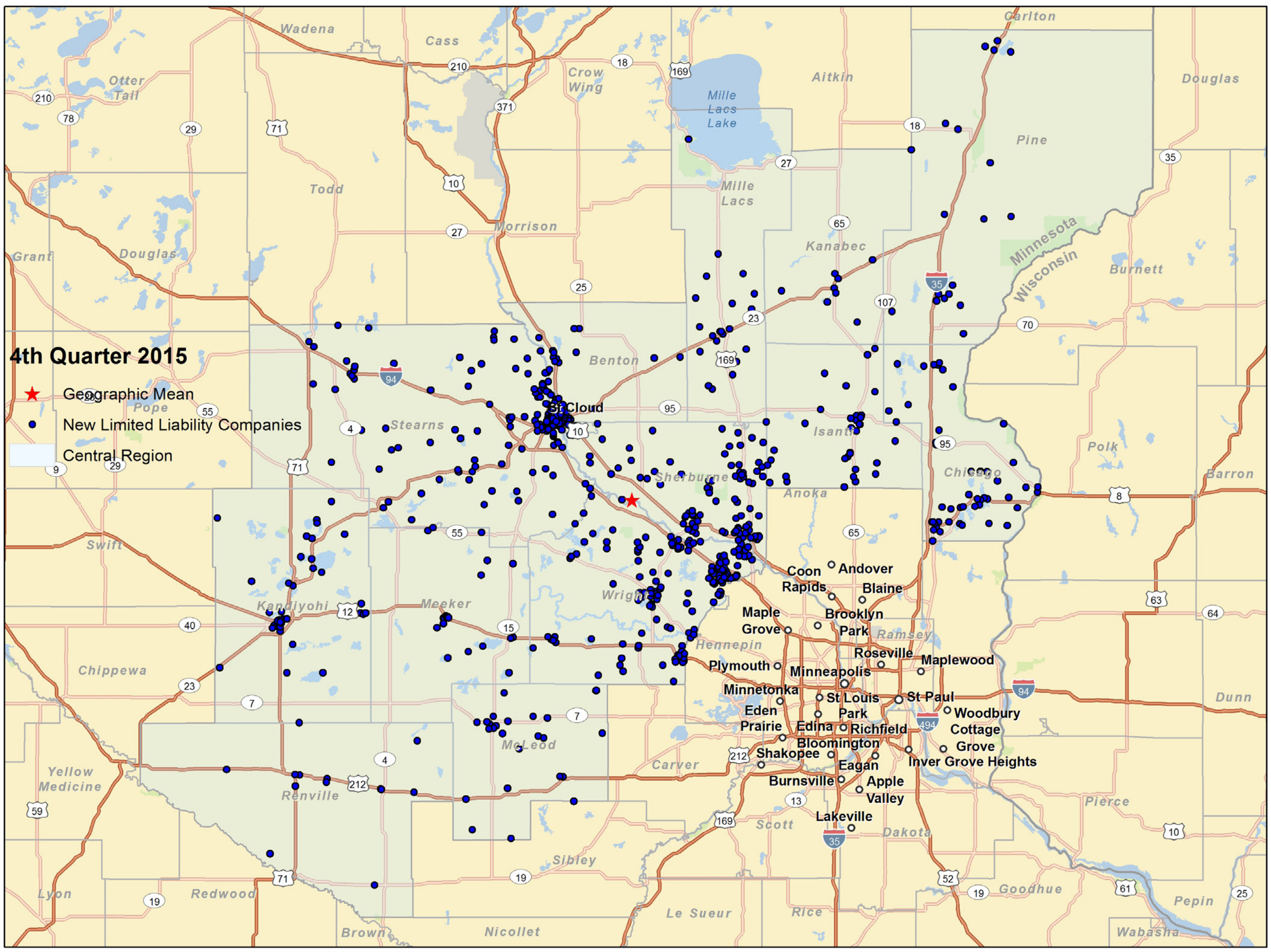
There were 45 new Central Minnesota non-profits registered with the Office of the Minnesota Secretary of State in the fourth quarter of 2015. This was little changed from one year earlier.

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

Quarter	IV: 2014	I: 2015	II: 2015	III: 2015	IV: 2015	2015 Quarter IV: Percent change from prior year
Central Minnesota New Non-Profits	44	56	48	50	45	2.3%

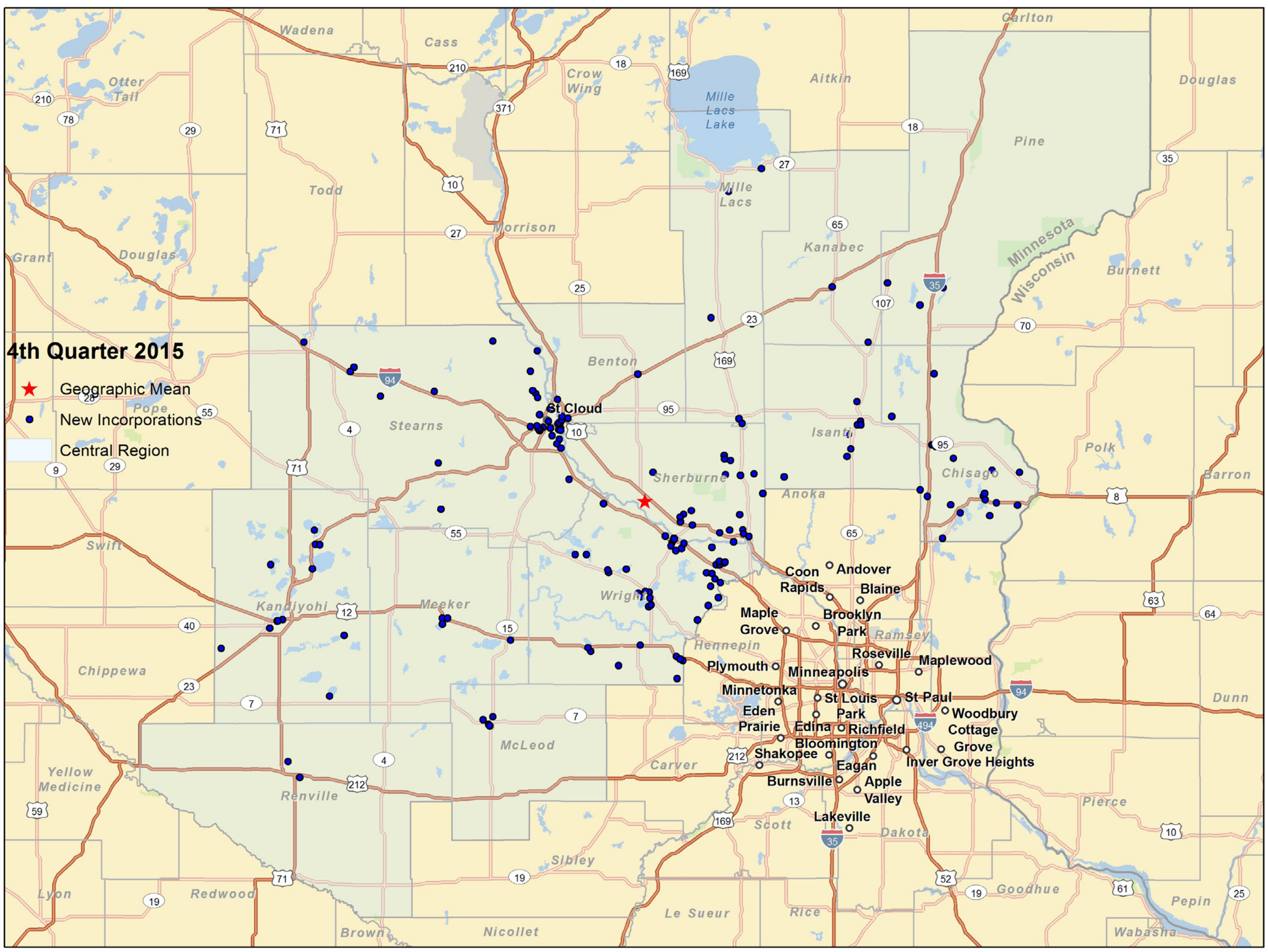
The first map shown below is a visual representation of new limited liability company formation around the Central Minnesota planning area in the fourth quarter of 2015. The densest areas of new business formation are in the St. Cloud metro as well as along the I-94/US-10 corridor approaching the Twin Cities. The geographic center of new filings lies within that I-94/US-10 corridor. Well-traveled roadways are also a predictor of new LLC formation in Central Minnesota.

Central Minnesota Planning Area -- New Limited Liability Company Formation-- Quarter 4: 2015



The second map shows new incorporations in the Central Minnesota planning area. While there are considerably fewer new incorporations than LLCs, the distribution of newly incorporated businesses is similar to new LLCs (note that the geographic mean is largely the same in the two maps). The ratio of new LLCs to incorporations was 4.08 in Central Minnesota in the fourth quarter. This is approximately the same ratio as was observed in the Twin Cities planning area, but is much lower than the ratio of new LLCs to new incorporations in the Southeast Minnesota planning area (where it was a statewide high of 6.9).

Central Minnesota Planning Area--New Incorporations--Quarter 4: 2015

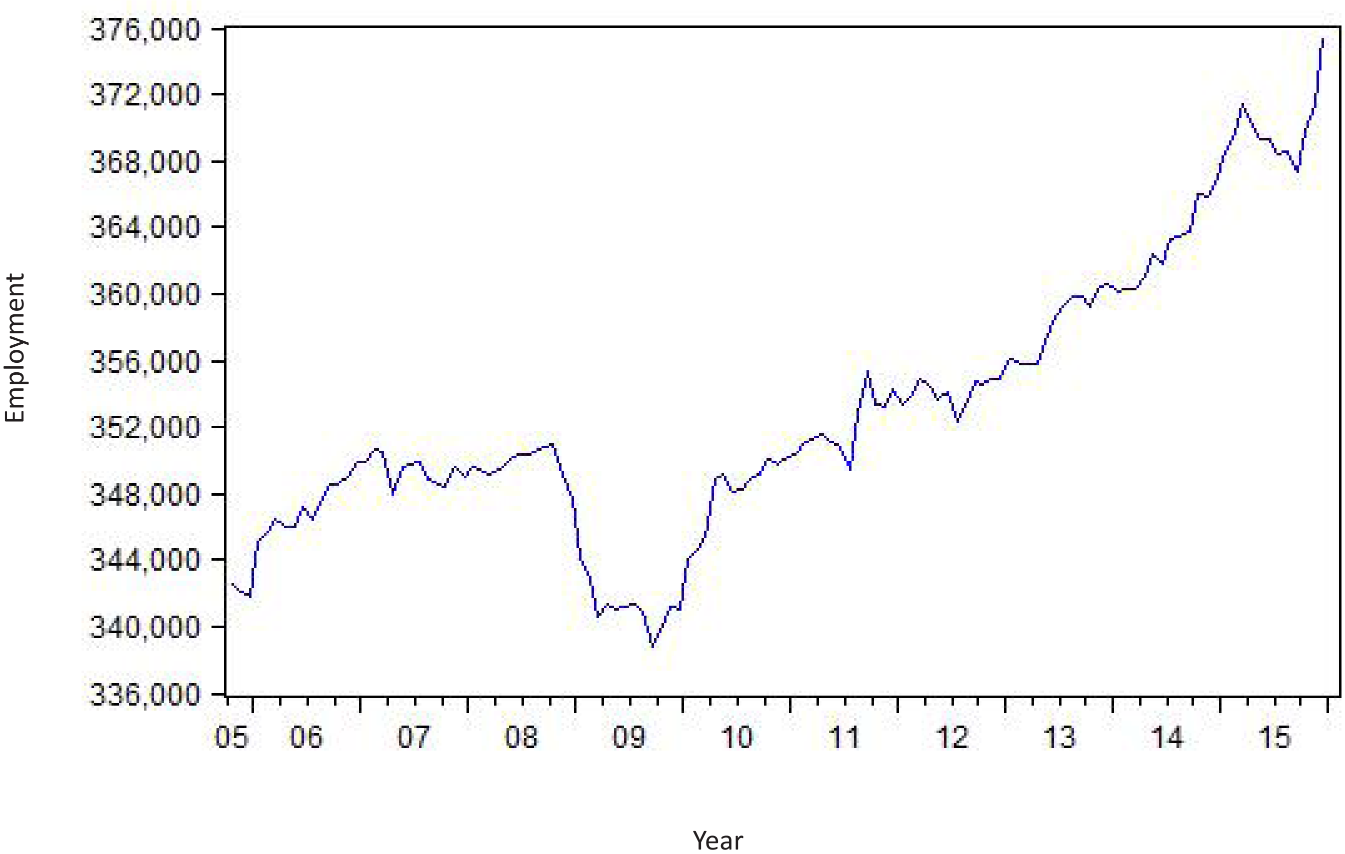


Central Minnesota Labor Market Conditions

Central Minnesota employment grew 2.5 percent in 2015. With the exception of the Great Recession of 2008–2009 (and a brief blip in the first half of 2015), Central Minnesota has continually demonstrated its ability to create jobs over the past decade. As can be seen in the accompanying graph, the 12-month moving average of Central Minnesota employment has returned to its longer term trend over the past several months.

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	December 2014	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015
Employment (Not seasonally adjusted)	364,319	371,979	370,020	368,450	372,899	372,633	373,361

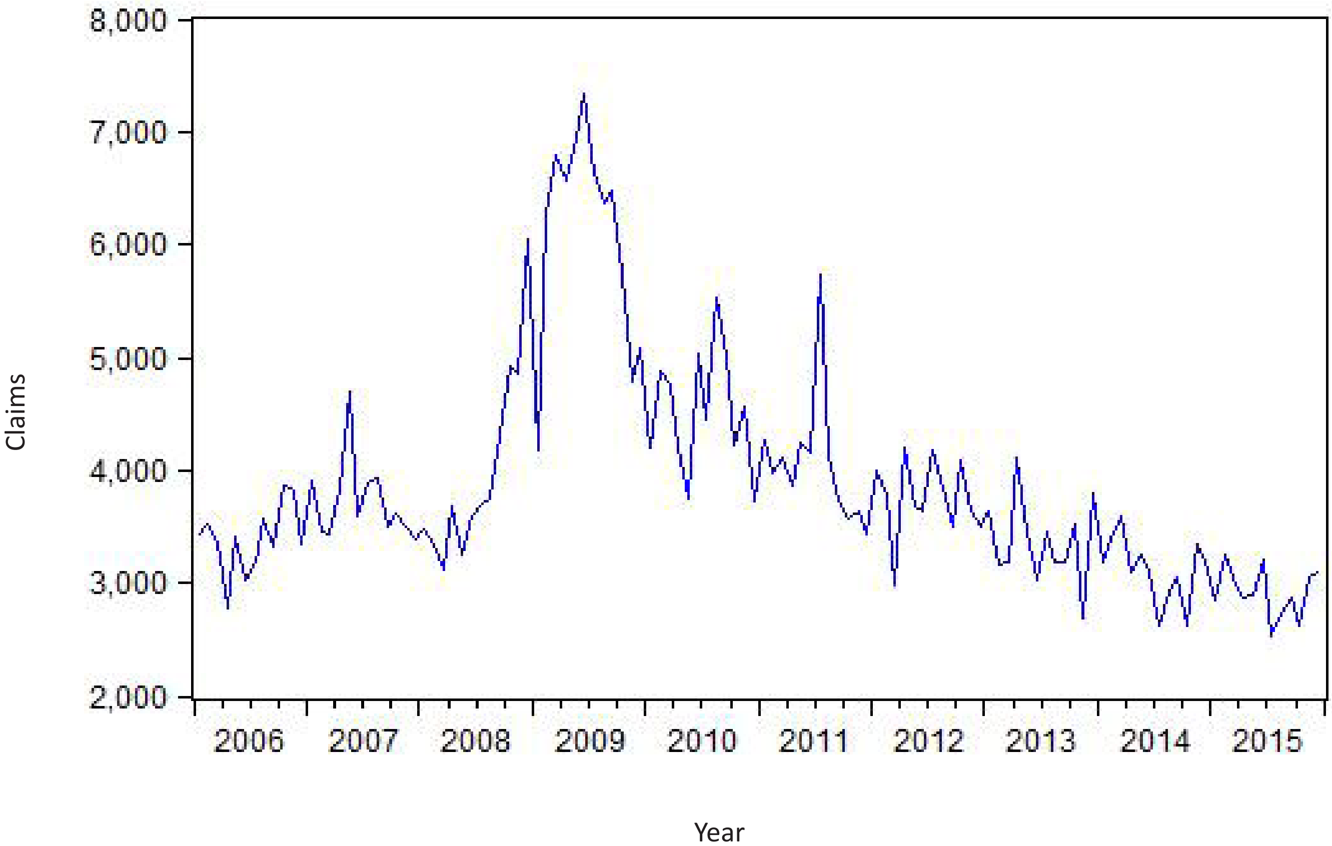
Central Minnesota's unemployment rate was 4.2 percent in December 2015, unchanged from one year earlier. However, the seasonally adjusted unemployment rate continued to inch down after spiking in early 2015.

Unemployment Rate, seasonally adjusted—Central Minnesota Planning Area

Month	December 2014	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015
Unemployment Rate (Not seasonally adjusted)	4.2%	3.9%	3.5%	3.2%	3.0%	3.2%	4.2%

Initial claims for unemployment insurance in the Central Minnesota planning area were 6,358 in December 2015. While this is 1.5 percent fewer claims than one year earlier, the seasonally adjusted initial jobless claims series has trended upward in recent months.

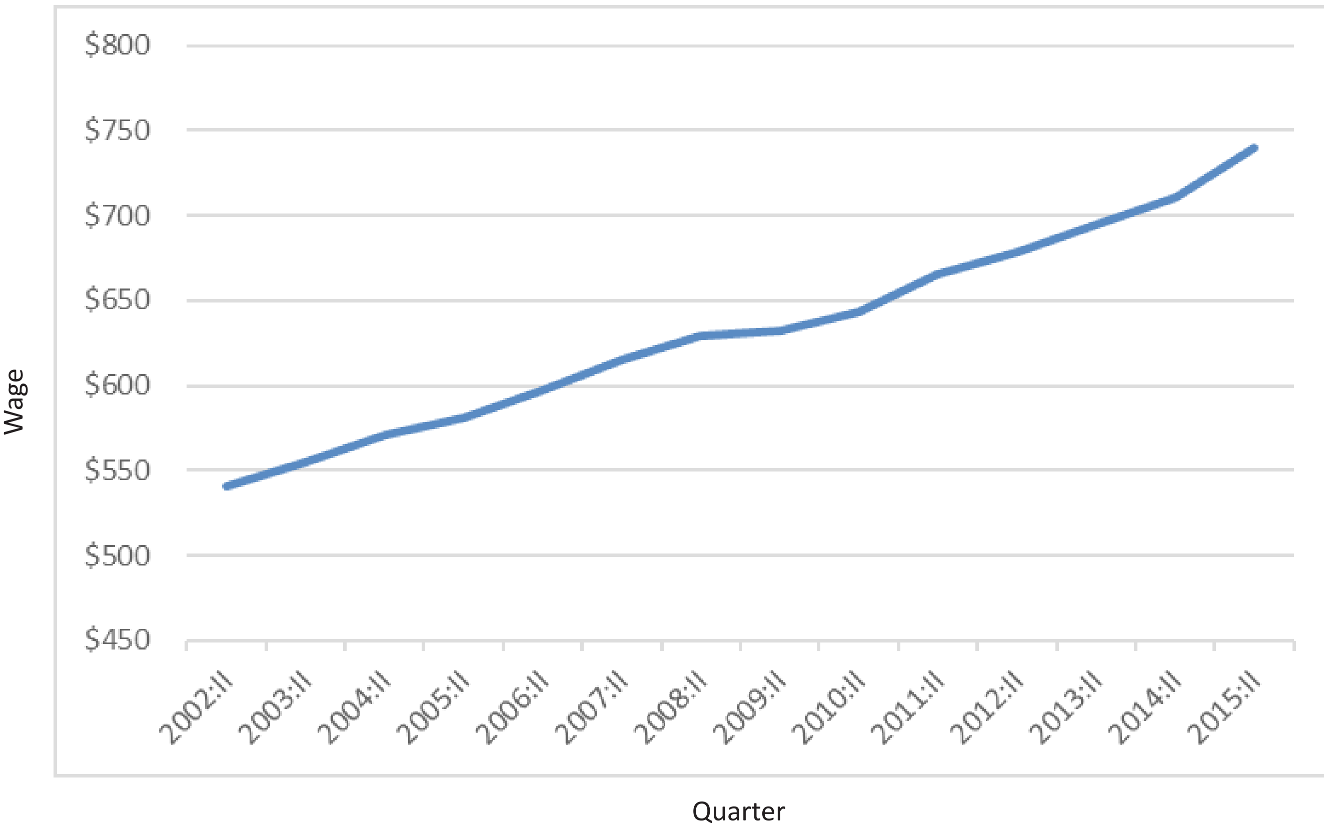
Total Initial Claims for Unemployment Insurance, seasonally adjusted—Central Minnesota Planning Area



Period	December 2014	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015
Initial claims (Not seasonally adjusted)	6,452	1,818	1,564	1,728	2,102	5,536	6,358

Central Minnesota average weekly wages rose in this year's second quarter (this is the most recently available data). The $740 weekly wage rate (an increase of 4.1 percent from one year earlier) is higher than in the Southwest and Northwest planning areas (where average weekly wage rates are $703 and $680, respectively). However, Central Minnesota wages are below those found in the other three planning areas of Minnesota. At $1,098, Twin Cities' average weekly wages lead the state (and are considerably higher than all other planning areas).

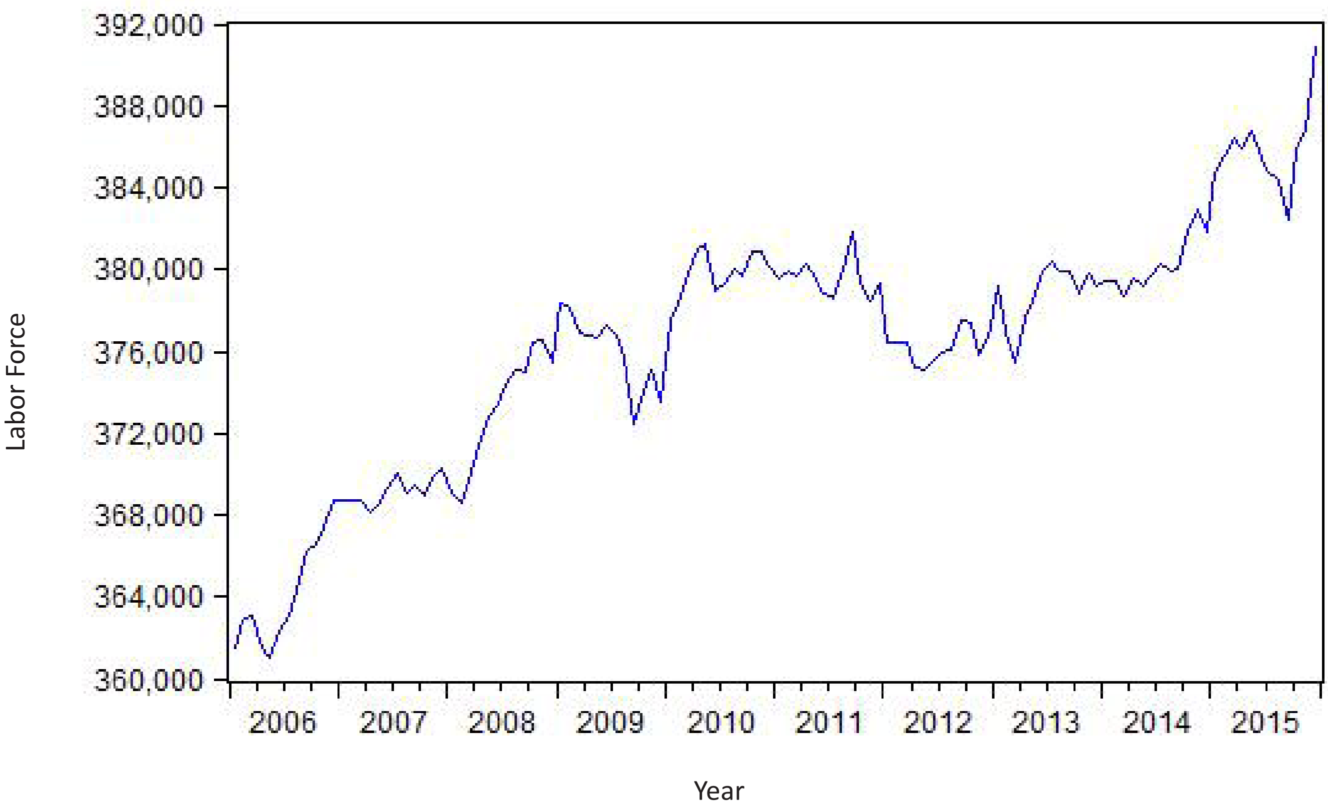
Average Weekly Wages--Central Minnesota Planning Area



Quarter	2010:II	2011:II	2012:II	2013:II	2014:II	2015:II
Average Weekly Wage	$643	$665	$679	$695	$711	$740

The Central Minnesota labor force grew at a year-over-year rate of 3.3 percent in December 2015. As seen in the accompanying graph, after declining earlier in 2015, the 12-month moving average of the regional labor force picked up in the last half of the year.

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

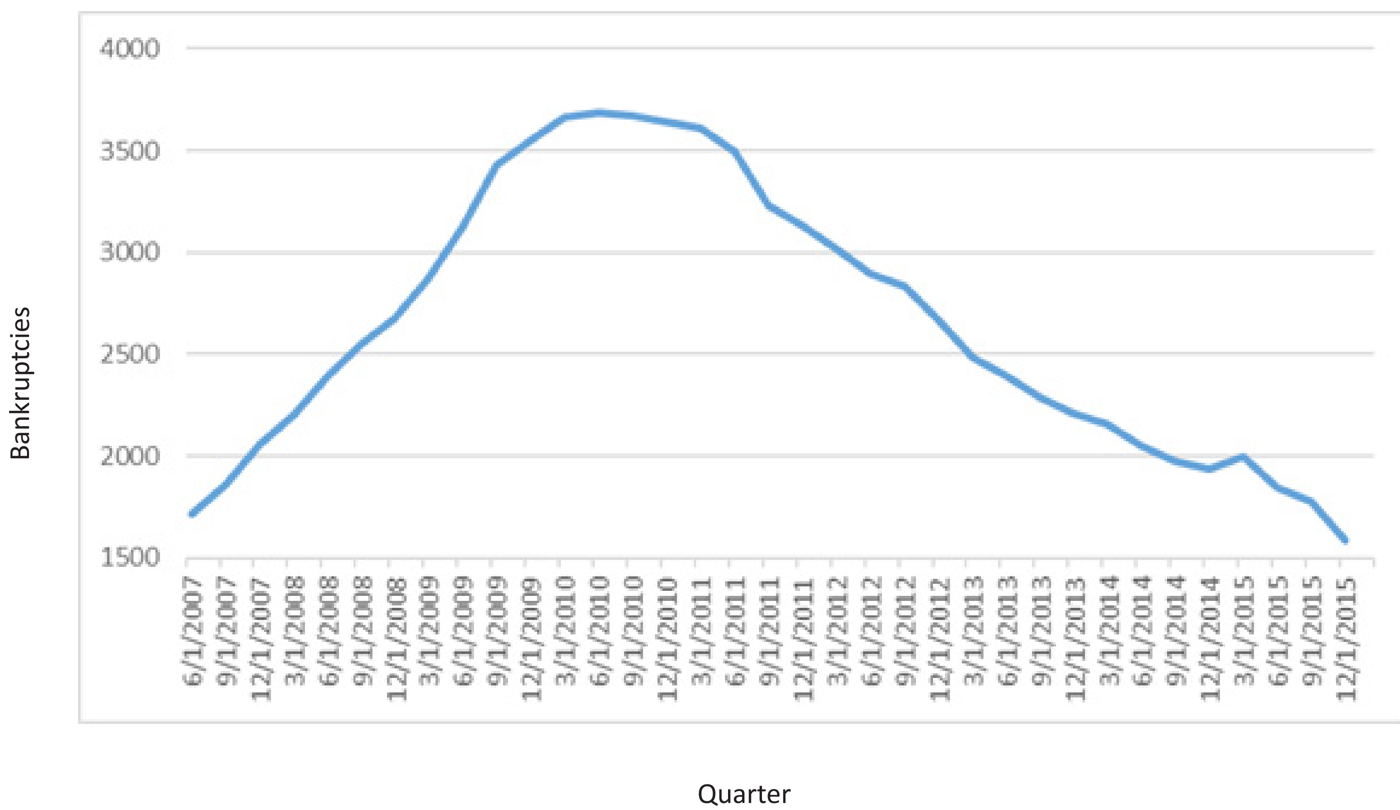


Year (December)	2010	2011	2012	2013	2014	2015
Labor Force (Not seasonally adjusted)	377,100	375,997	376,449	377,109	380,351	389,625

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 continued to decline since that time. With 1,584 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.

Central Minnesota Bankruptcies (12-month moving total)



Year (Fourth Quarter)	2010	2011	2012	2013	2014	2015
Annual Bankruptcies (Not seasonally adjusted)	3,640	3,132	2,668	2,213	1,936	1,584

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	December 2015 (m)	107,608	107,754	-0.1% ↓	0.7%
Manufacturing Employment	December 2015 (m)	15,324	15,364	-0.3% ↓	-0.9%
Average Weekly Work Hours--Private Sector	December 2015 (m)	32.4	31.6	2.5% ↑	33.4 (since 2006)
Average Earnings Per Hour--Private Sector	December 2015 (m)	$25.64	$22.86	12.2% ↑	3.3% (since 2007)
Unemployment Rate	December 2015 (m)	3.7%	3.8%	NA ↓	4.9%
Labor Force	December 2015 (m)	110,626	109,867	0.7% ↑	0.6%
SCSU Future Employment Index	November 2015 (q)	35.7	38.3	-6.8% ↓	22.6 (since 2005)
SCSU Future Length of Workweek Index	November 2015 (q)	0	11.7	-100.0% ↓	4.8 (since 2005)
SCSU Future Employee Compensation Index	November 2015 (q)	60.7	57.4	5.7% ↑	43 (since 2005)
SCSU Future Worker Shortage Index	November 2015 (q)	35.7	30.9	15.5% ↑	16.4 (since 2005)
St. Cloud-Area New Unemployment Insurance Claims	December 2015 (m)	1,689	1,936	-12.8% ↓	NA
St. Cloud Times Help Wanted Linage	October 2015 (q)	2,190	2,161	1.3% ↑	NA
BUSINESS FORMATION					
New Business Filings	Fourth Quarter 2015	339	356	-4.8% ↓	328 (since 2000)
Assumed Names	Fourth Quarter 2015	91	95	-4.2% ↓	108 (since 2000)
Business Incorporations	Fourth Quarter 2015	43	52	-17.3% ↓	60 (since 2000)
Limited Liability Companies	Fourth Quarter 2015	194	200	-3.0% ↓	145 (since 2000)
Non-Profits	Fourth Quarter 2015	11	9	22.2% ↑	15 (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	November 2015 (q)	42.8	50	-14.4% ↓	37.9 (since 2005)
SCSU Future Capital Expenditures Index	November 2015 (q)	28.5	30.9	-7.8% ↓	21.8 (since 2005)
SCSU Future National Business Activity Index	November 2015 (q)	30.4	35.3	-13.9% ↓	22.2 (since 2005)
St. Cloud Index of Leading Economic Indicators	October 2015 (m)	102.5	102.3	0.2% ↑	NA
St. Cloud Residential Building Permit Valuation	December 2015 (m)	NA	4,670	NA	NA
PRICES					
St. Cloud Cost of Living Index	Annual Average 2015	96.1	94.8	1.4% ↑	NA
St. Cloud Median Home Sales Prices	December 2015 (m)	138,774	144,800	-4.2% ↓	NA
SCSU Future Prices Received Index	November 2015 (q)	32.1	33.8	-5.0% ↓	26.1 (since 2005)

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

Central Minnesota contains the St. Cloud MSA, where mixed signals of the future economic health of this metropolitan area have emerged in recent months. For example, business optimism in a survey of business leaders conducted quarterly by St. Cloud State University was somewhat weaker than one year ago. In addition, payroll employment, new business filings, and median home sales prices have declined. But several labor market indicators have improved. Average hourly earnings jumped by 12.2 percent, the unemployment rate fell, Help Wanted linage in the St. Cloud Times increased, and average hours worked rose. The St. Cloud area cost of living appears to have increased relative to other U.S. metropolitan areas in 2015.

State and National Indicators

MINNESOTA Indicators	Dec 2015	Sep 2015	Dec 2014	Change from one quarter ago	Annual Change
Nonfarm payroll employment, SA	2,873,700	2,855,200	2,831,400	0.6%	1.5%
Average weekly hours worked, private sector	33.7	33.9	33.9	-0.6%	-0.6%
Unemployment rate, seasonally adjusted	3.5%	3.8%	3.7%	NA	NA
Earnings per hour, private sector	$26.49	$26.00	$25.82	1.9%	2.6%
Philadelphia Fed Coincident Indicator, MN	176.47	175.40	172.34	0.6%	2.4%
Philadelphia Fed Leading Indicator, MN	1.53	1.30	1.84	17.7%	-16.8%
Minnesota Business Conditions Index	39.4	53.0	61.4	-25.7%	-35.8%
Price of milk received by farmers (cwt)	$17.00	$17.80	$20.50	-4.5%	-17.1%
Enplanements, MSP airport, thousands	1,429.0	1,506.7	1,387.6	-5.2%	3.0%

NATIONAL Indicators	Dec 2015	Sep 2015	Dec 2014	Change from one quarter ago	Annual Change
Nonfarm payroll employment, SA, thousands	143,242	142,391	140,592	0.6%	1.9%
Industrial production, index, SA	106.0	107.6	107.9	-1.5%	-1.8%
Real retail sales, SA	188,393	188,097	185,548	0.2%	1.5%
Real personal Income less transfers	11,782.3	11,690.1	11,396.9	0.8%	3.4%
Real personal consumption expenditures	11,344.7	11,292.7	11,061.0	0.5%	2.6%
Unemployment rate, SA	5.0%	5.1%	5.6%	NA	NA
New building permits, SA, thousands	17,620	18,482	15,098	-4.7%	16.7%
Standard & Poor's 500 stock price index	2,054.1	1,944.4	2,054.3	5.6%	0%
Oil, price per barrel in Cushing, OK	$37.19	$45.48	$59.29	-18.2%	-37.3%

Across the state there was growth in payrolls and higher earnings per hour in the private sector over the past twelve months. The seasonally adjusted unemployment rate was lower, but average weekly hours worked in the private sector declined. Two indicators from the Federal Reserve Bank of Philadelphia suggest improved current and future conditions in the state economy. Milk prices were 35.8 percent lower than one year ago in December. This is an important unfavorable indicator in many areas of Minnesota. Enplanements at the Minneapolis-St. Paul airport increased by 3 percent over the last twelve months.

On balance, the national economic indicators reported in the table suggest improved economic activity in recent months. While industrial production was lower and stock prices flat, most of the indicators showed strength. Employment, retail sales, consumer expenditures, and income all experienced growth over the recent quarter and the national unemployment rate fell. Oil prices continued to decline. While this has put additional discretionary income in the hands of consumers, it has also created dislocation in some key sectors of the economy. New building permits were much stronger than one year ago as residential construction continues to recover from historically low levels during the Great Recession.

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.

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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.

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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

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

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