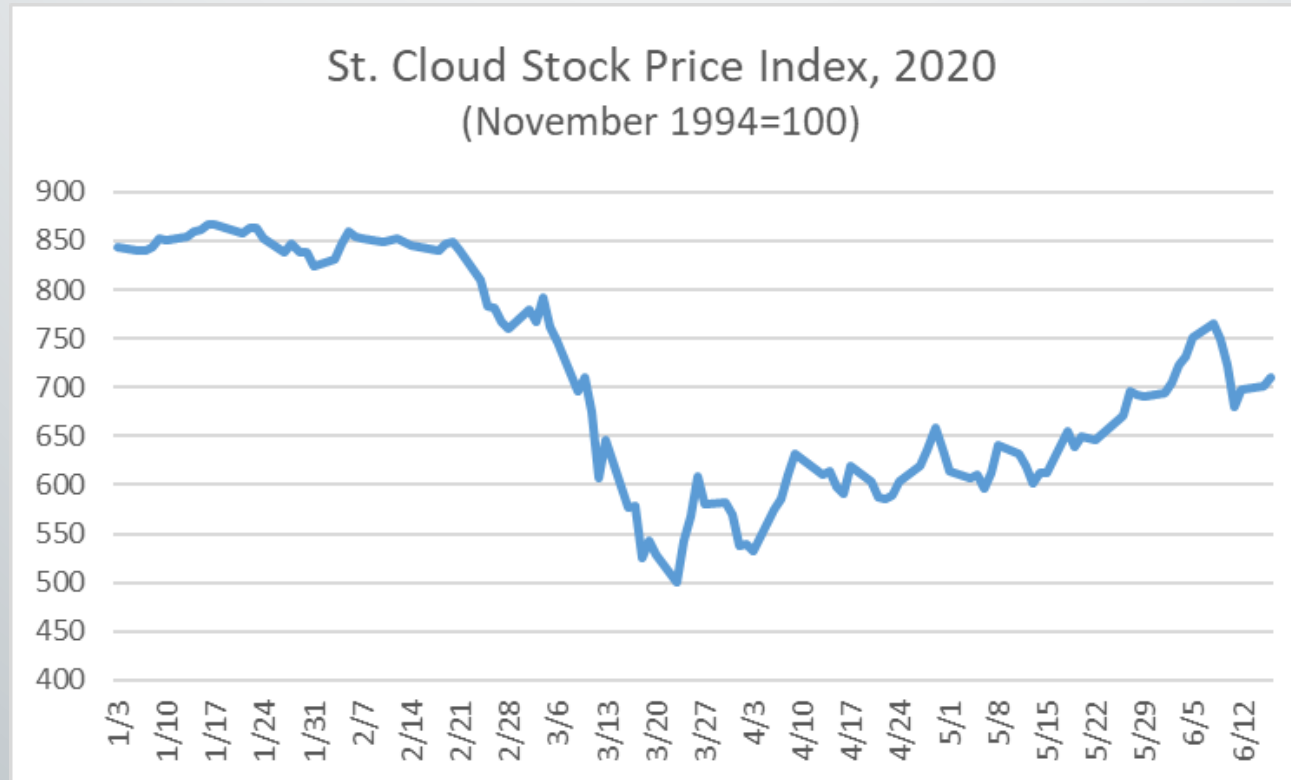# St. Cloud Area Quarterly Business Report Review

June 18, 2020

King Banaian, Dean, School of Public Affairs

UNLEASH *AMAZING*

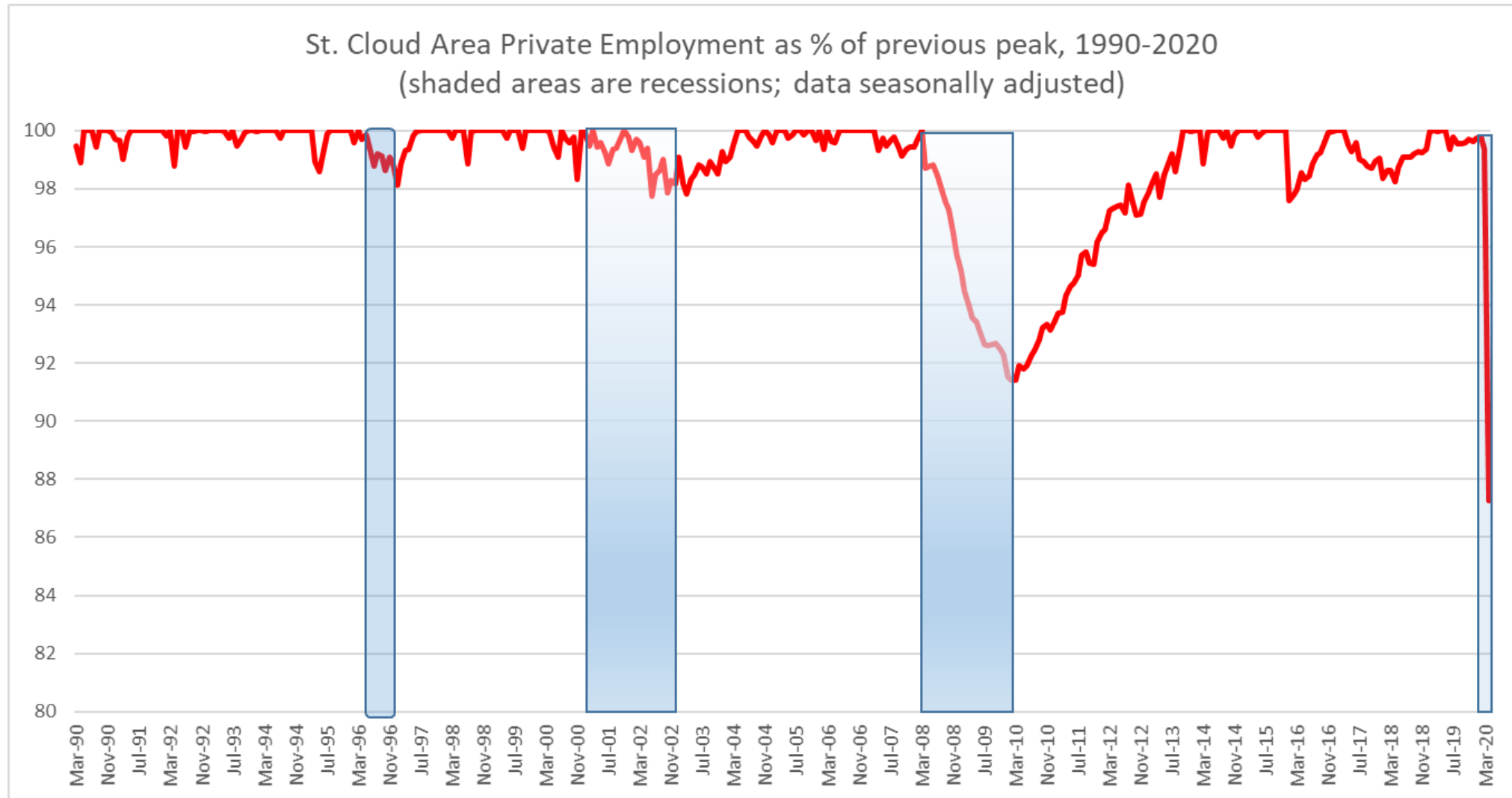# Local public firms were trading down by mid-February, have not fully recovered

St. Cloud Stock Price Index, 2020
(November 1994=100)

The difference between February and May (from Table 1)

Share responding "decrease" for evaluation vs three months earlier	May 2020	February 2020
Level of business activity for your company	66.0	20.9
Number of employees on your payroll	38.3	11.6
Length of workweek for your employees	44.7	20.9
Capital expenditures by your company	51.1	7.0
Employee compensation by your company	23.4	2.3
Prices received for your company's products	23.4	11.6
National business activity	57.4	16.3
Your company's difficulty attracting qualified workers	14.9	9.3

The current recession started in February, already larger than the Great Recession

St. Cloud Area Private Employment as % of previous peak, 1990-2020
(shaded areas are recessions; data seasonally adjusted)

LEI was already signaling weakness in mid-2019

St. Cloud private employment as % of previous peak vs St. Cloud LEI, 2005-2020
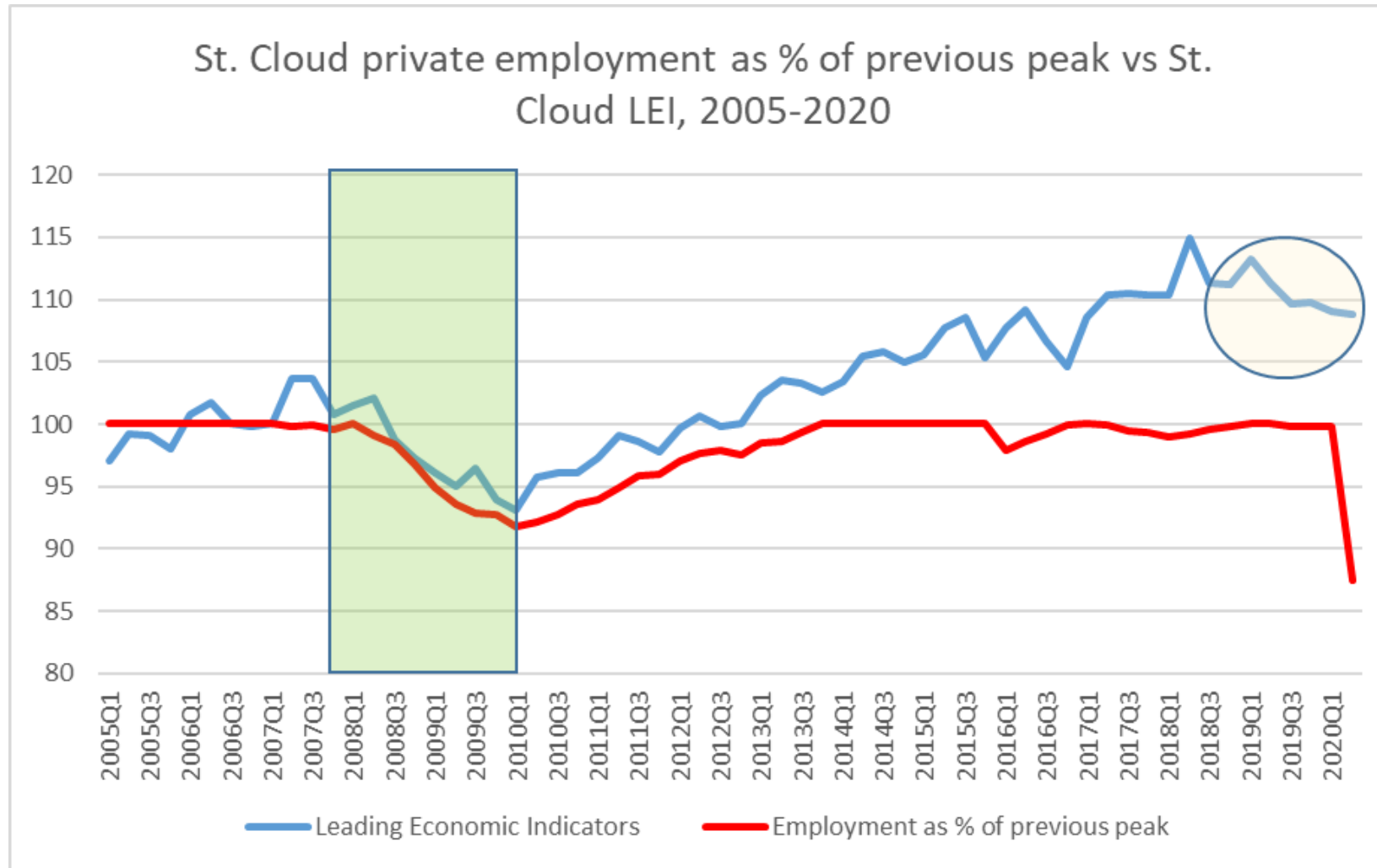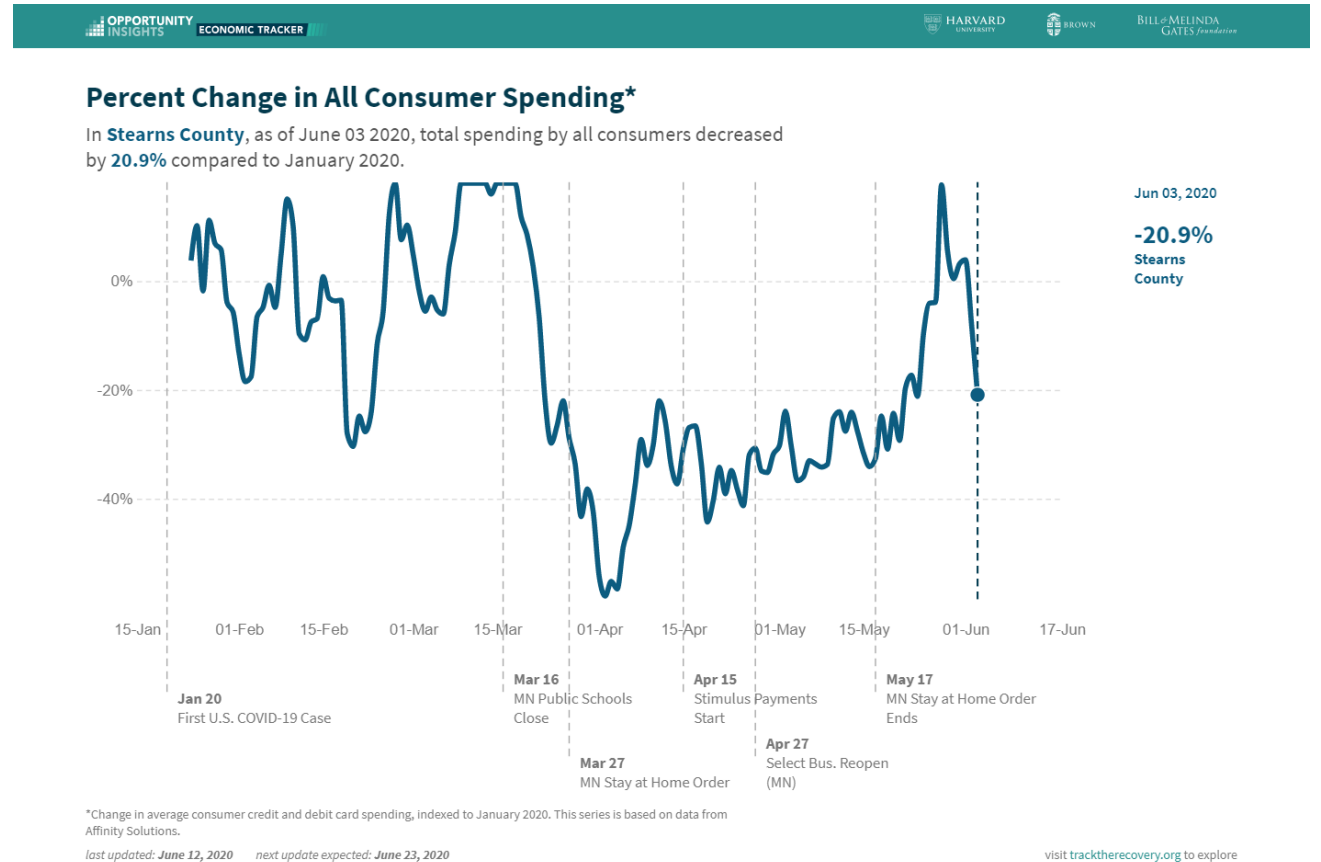
Most of the decline in Stearns County came before stay@home, and little changed since
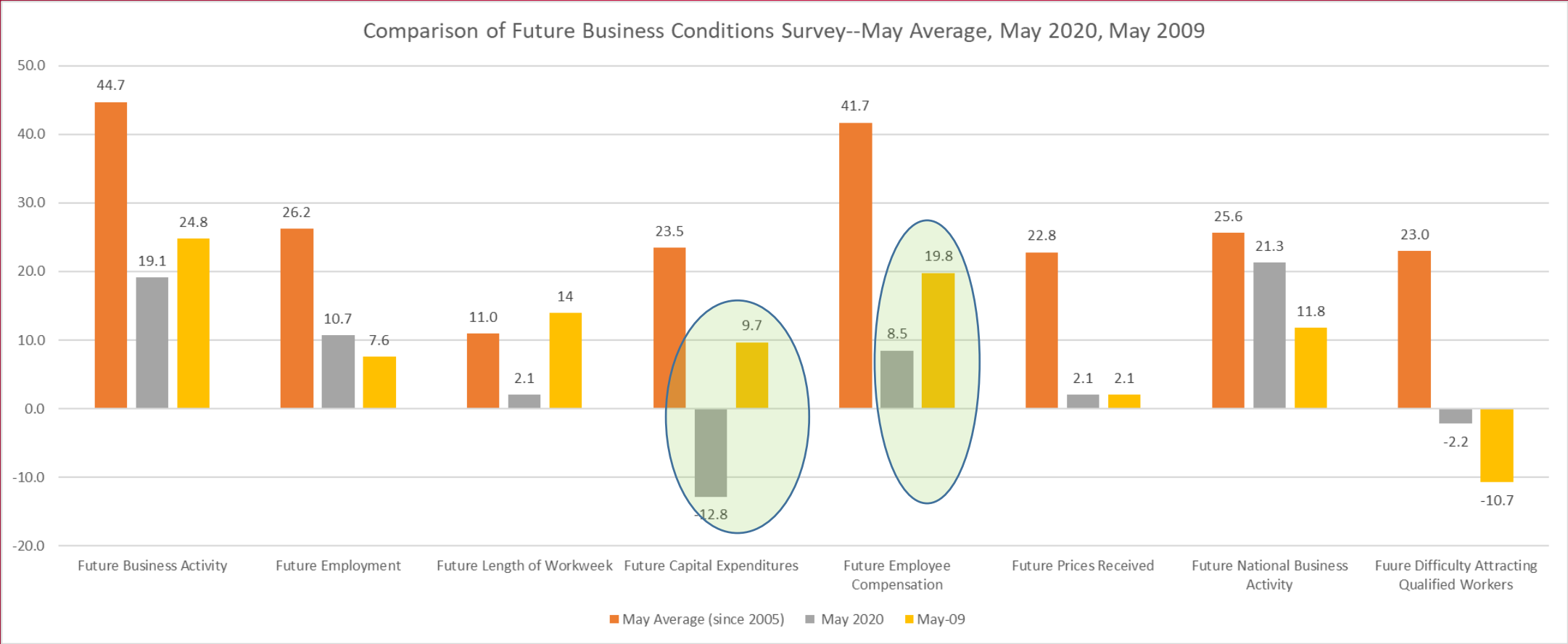
After closing of schools, restaurants, salons, etc., according to data from tracktherecovery.org, consumer spending fell 28.9%.

Bottom of curve is April 2, drop is 57.9% but by time of stimulus payment we are down 26.6%.

Except for Memorial Day weekend, the numbers have not moved as much as hoped (last date June 3.)

OPPORTUNITY INSIGHTS ECONOMIC TRACKER — HARVARD UNIVERSITY · BROWN · BILL & MELINDA GATES foundation

Percent Change in All Consumer Spending*

In **Stearns County**, as of June 03 2020, total spending by all consumers decreased by **20.9%** compared to January 2020.

Jun 03, 2020
-20.9%
Stearns County

Jan 20
First U.S. COVID-19 Case

Mar 16
MN Public Schools Close

Mar 27
MN Stay at Home Order

Apr 15
Stimulus Payments Start

Apr 27
Select Bus. Reopen (MN)

May 17
MN Stay at Home Order Ends

*Change in average consumer credit and debit card spending, indexed to January 2020. This series is based on data from Affinity Solutions.

last updated: **June 12, 2020**   next update expected: **June 23, 2020**

visit tracktherecovery.org to explore

Compared to 2009, less capital spending, weaker wage increases

Comparison of Future Business Conditions Survey--May Average, May 2020, May 2009

Legend: ■ May Average (since 2005) ■ May 2020 ■ May-09

Category	May Average (since 2005)	May 2020	May-09
Future Business Activity	44.7	19.1	24.8
Future Employment	26.2	10.7	7.6
Future Length of Workweek	11.0	2.1	14
Future Capital Expenditures	23.5	-12.8	9.7
Future Employee Compensation	41.7	8.5	19.8
Future Prices Received	22.8	2.1	2.1
Future National Business Activity	25.6	21.3	11.8
Fuure Difficulty Attracting Qualified Workers	23.0	-2.2	-10.7

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Two more bits of evidence

Impact on mobility relative to baseline of 1st 5 weeks of 2020

Stearns County, MN	April 5	June 7
Retail & recreation	-48%	-6%
Grocery & pharmacy	-21%	+4%
Parks	+6%	+105%
Transit stations	-61%	0
Workplace	-35%	-11%
Residential	11%	0

Source: Google Mobility Reports

The impact on leisure/hospitality

St. Cloud City Hotel/Motel and Food/Beverage Tax Receipts , change in 2020 vs 2019

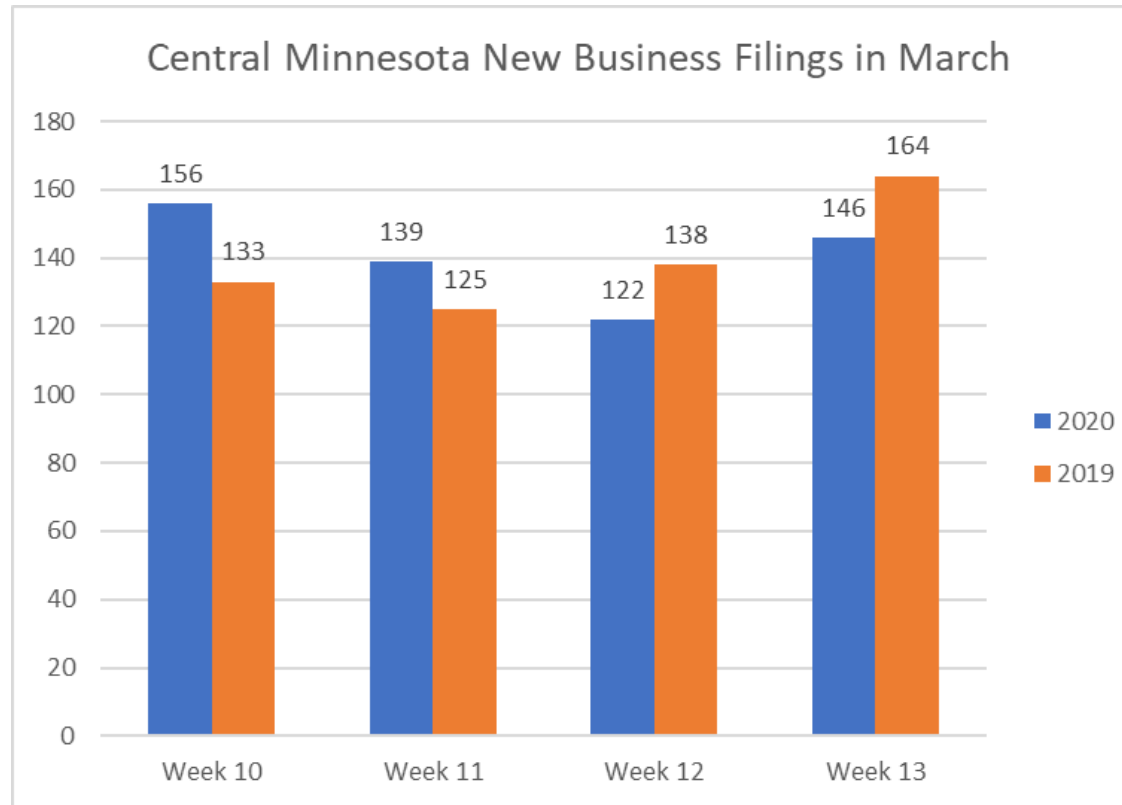|	January	February	March	April
Hotel-Motel	0%	-4%	-51%	-83%
Food&Beverage	5%	6%	10%	-33%
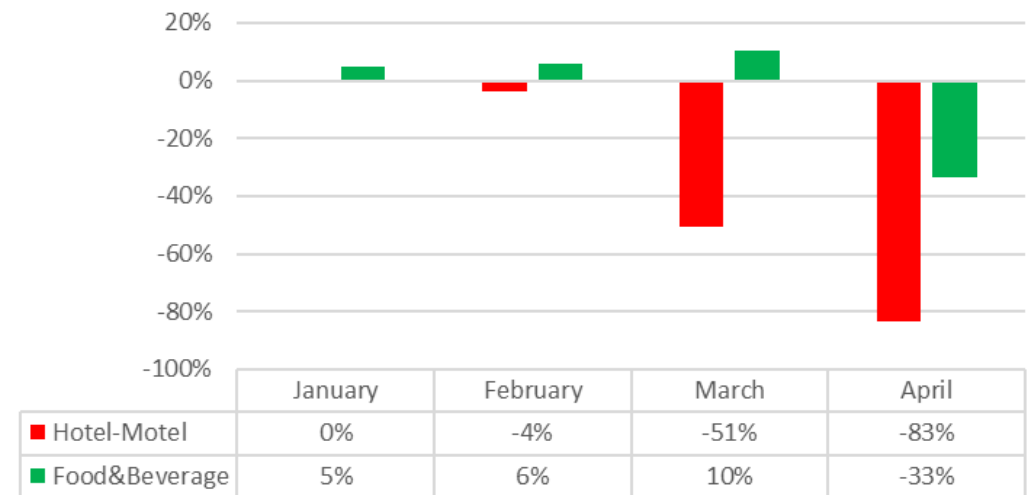
Source: City of St. Cloud

After many claims from manual services, more claims are coming from manufacturing

Initial claims March 17 to June 2, Central MN Planning Area, by occupation, Top 15					
Occupation	Total claims	March	April	May	"Sparkline"
Food and Beverage Serving Workers	5,997	3,723	1,674	600	
Construction Trades Workers	6,535	1,890	3,089	1,556	
Cooks and Food Preparation Workers	2,928	1,612	925	391	
Personal Appearance Workers	2,519	1,482	873	140	
Retail Sales Workers	4,929	1,316	2,718	895	
Other Healthcare Support Occupations	3,006	1,121	1,355	530	
Health Technologists and Technicians	2,269	1,113	856	300	
Information and Record Clerks	2,499	881	1,208	410	
Other Food Preparation and Serving Related Workers	1,671	727	688	256	
Other Production Occupations	4,091	656	1,984	1,451	
Health Diagnosing and Treating Practitioners	1,963	550	935	478	
Motor Vehicle Operators	2,219	545	1,112	562	
Other Office and Administrative Support Workers	1,768	541	865	362	
Vehicle and Mobile Equipment Mechanics, Installers	1,486	443	865	178	
Metal Workers and Plastic Workers	1,964	392	1,055	517	

Business formation slowed down in 2ⁿᵈ half of March

Central Minnesota New Business Filings in March

|	Week 10	Week 11	Week 12	Week 13
2020	156	139	122	146
2019	133	125	138	164

Impact on state finances
(City of St. Cloud projects $10mln, 13% revenue loss)

Current Biennium: FY 2020-21 General Fund Revenues
Change from February 2020 Forecast

($ in millions)	May 2020 Projection	$ Change	% Change
Individual Income Tax	$24,329	$(1,659)	(6.4)%
General Sales Tax	10,693	(1,351)	(11.2)
Corporate Franchise Tax	2,710	(405)	(13.0)
State General Property Tax	1,550	(12)	(0.8)
Other Tax Revenue	3,877	(84)	(2.1)
Subtotal	**$43,158**	**$(3,511)**	**(7.5)%**
Non-Tax Revenues	1,463	(100)	(6.4)
Other Resources	520	0	0.0
Total Revenue	**45,141**	**$(3,611)**	**(7.4)%**

Leading indicators was pointing down even before COVID

New St. Cloud Index of Leading Economic Indicators
(1st quarter 2013 = 100)
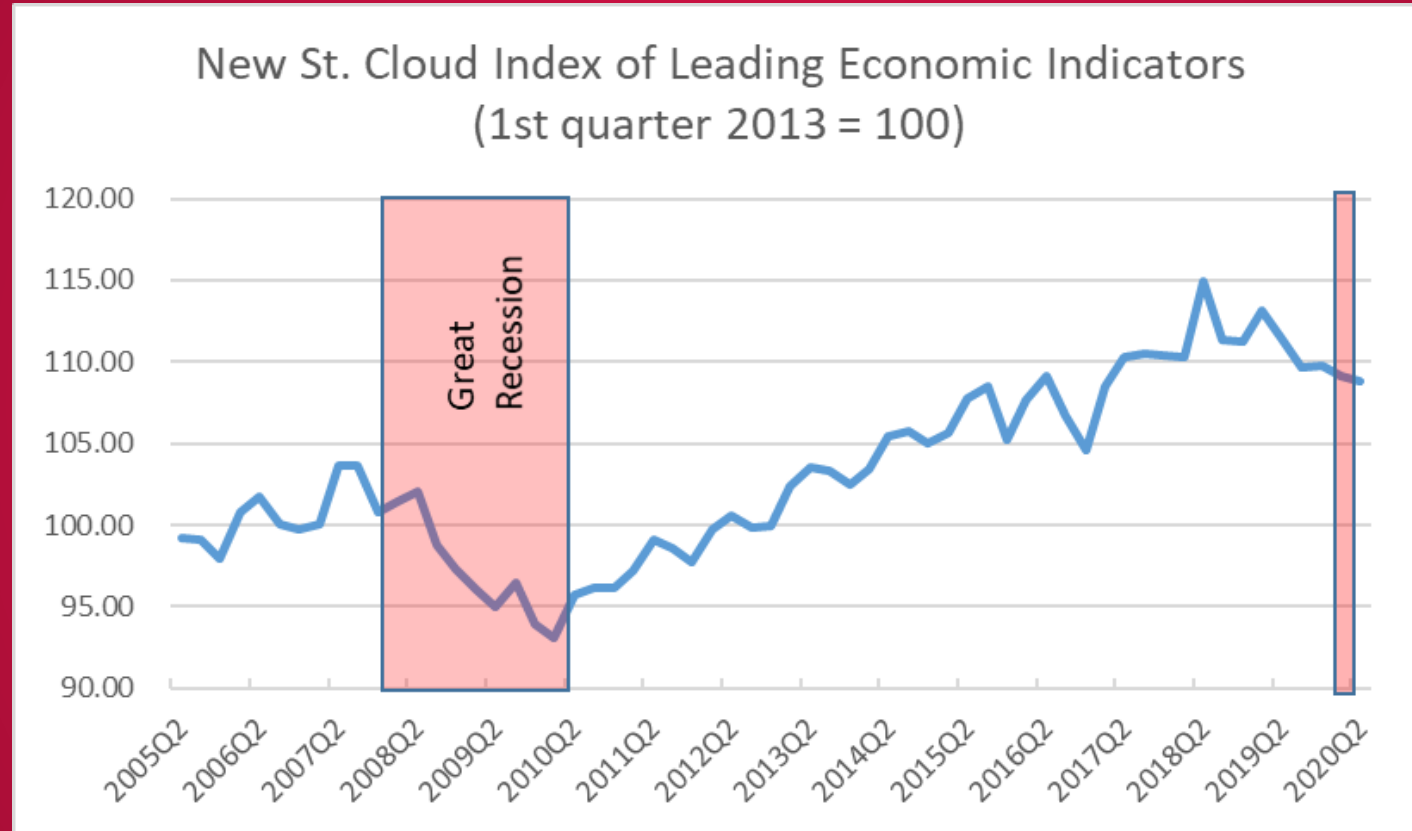
Only future expectations point upward

St. Cloud Index of Leading Economic Indicators as of April 2020, indicators that are positive.
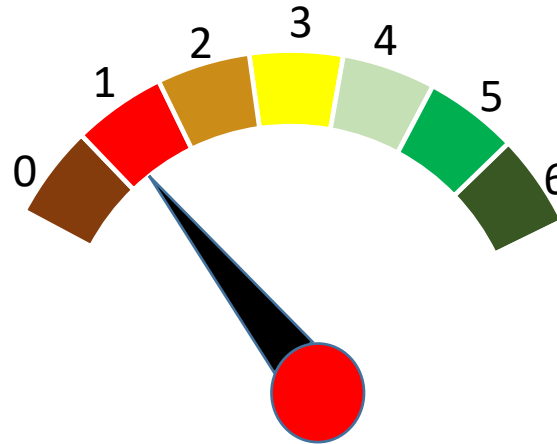
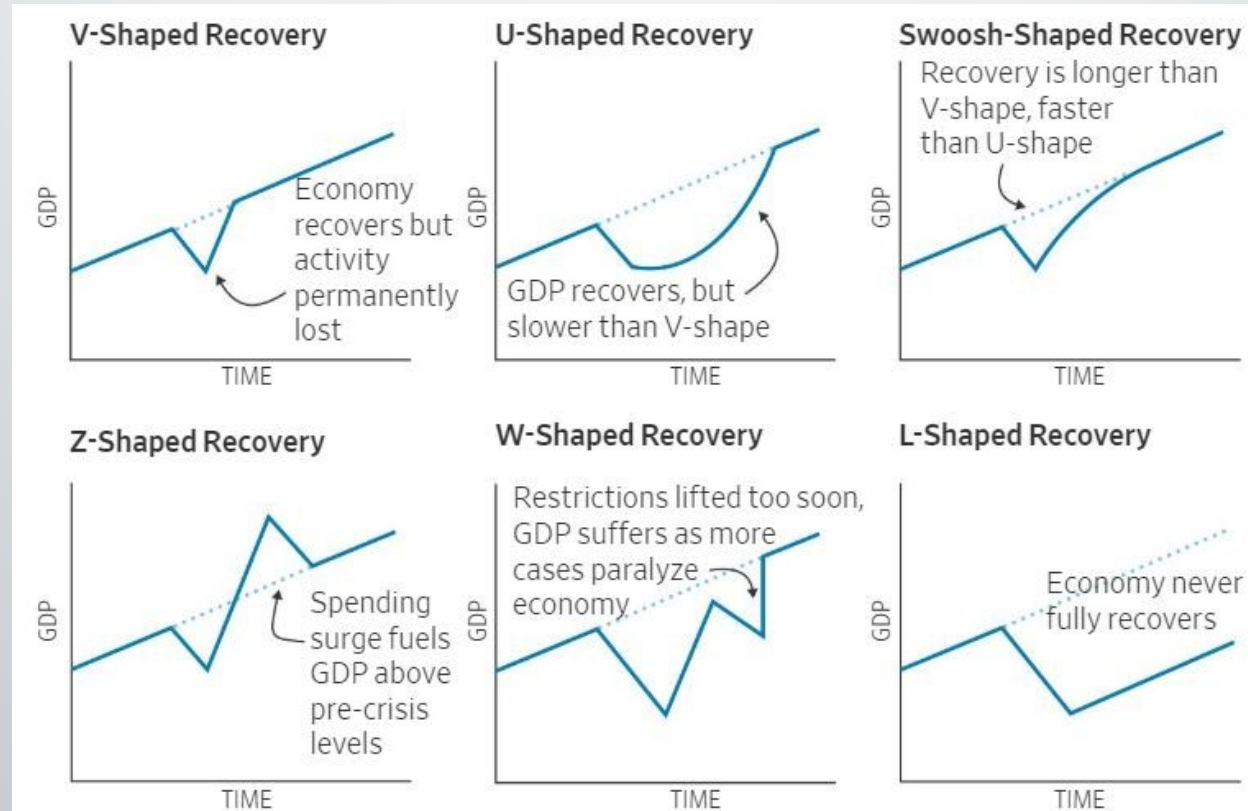| Indicator	Impact on LEI	
Initial Claims for Unemployment Insurance	DOWN	↓
New Business Incorporations	DOWN	↓
Professional Employment	DOWN	↓
St. Cloud 12 Stock Price Index	DOWN	↓
Current Conditions in Survey	DOWN	↓
Future Conditions in Survey	UP	↑

We use letters to describe recessions

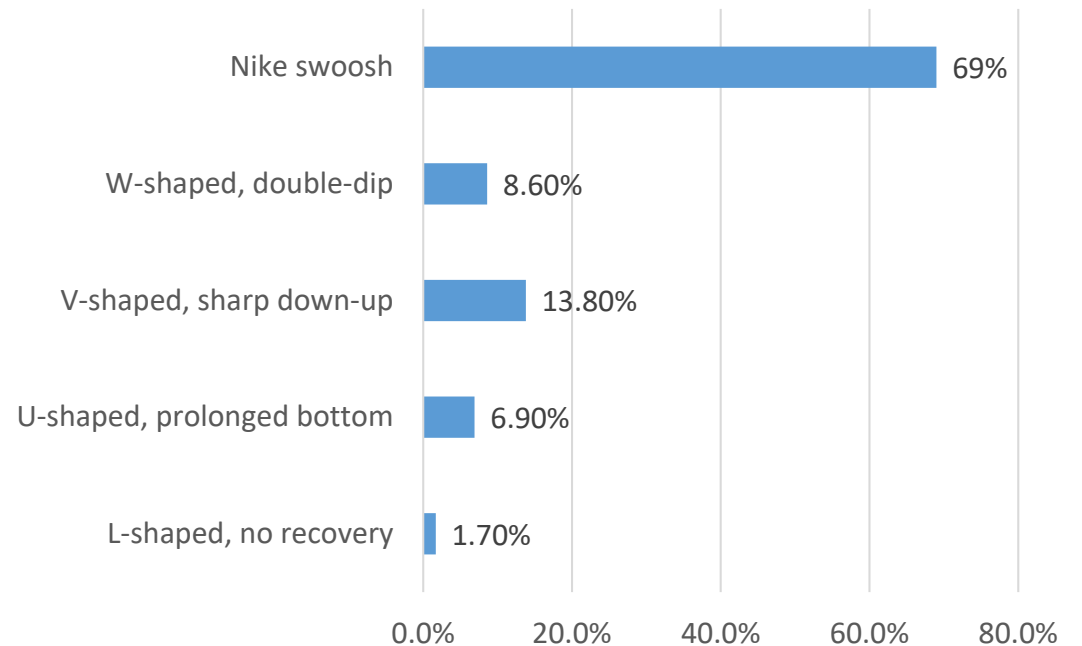# Two projections of the shape of the recovery

St. Cloud Area Business Outlook Survey

Which of the following does your firm expect when the overall economy recovers from the COVID-19 economic shock?
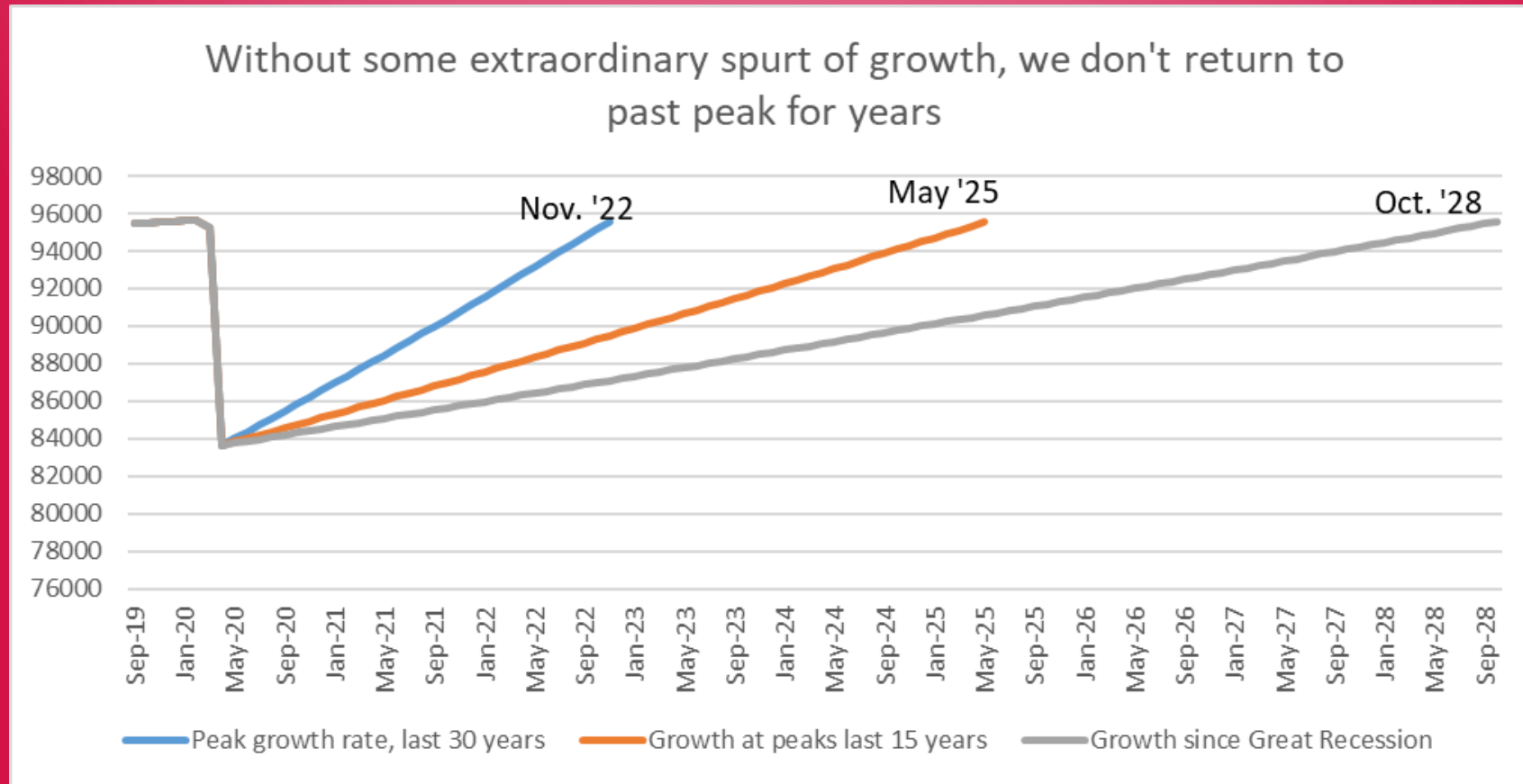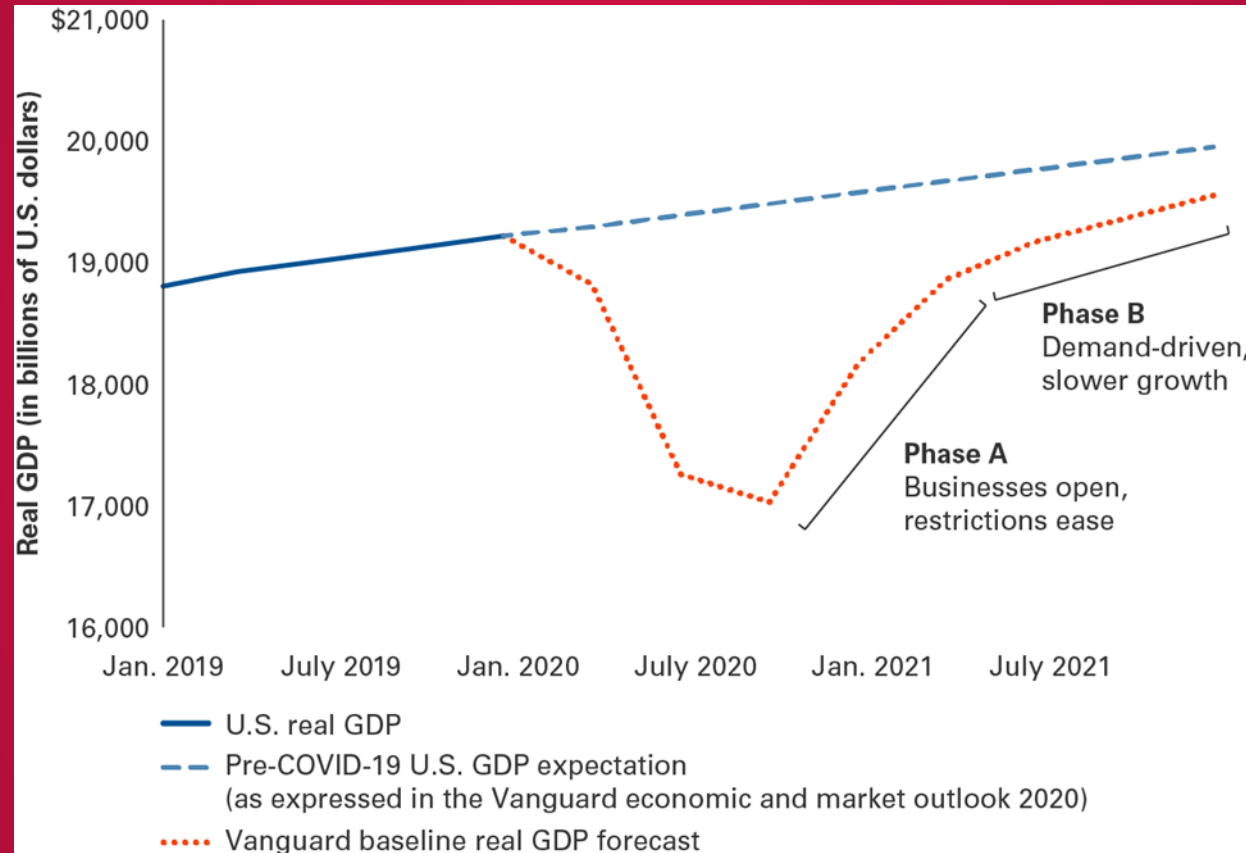
Shape	Percent
W-shaped	17.0%
V-shaped	10.6%
U-shaped	60.6%
L-shaped	7.4%
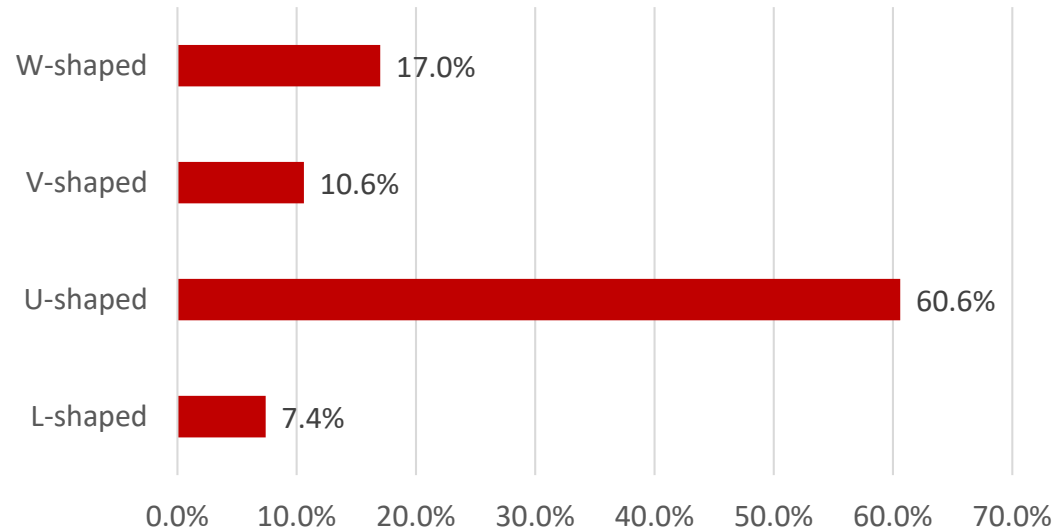
WSJ Survey of Economists

What shape will the recovery look like?

Shape	Percent
Nike swoosh	69%
W-shaped, double-dip	8.60%
V-shaped, sharp down-up	13.80%
U-shaped, prolonged bottom	6.90%
L-shaped, no recovery	1.70%

What the "swoosh" might look like

Without some extraordinary spurt of growth, we don't return to past peak for years

A modified swoosh

Change in April 2020 Employment by Sector, St. Cloud MSA
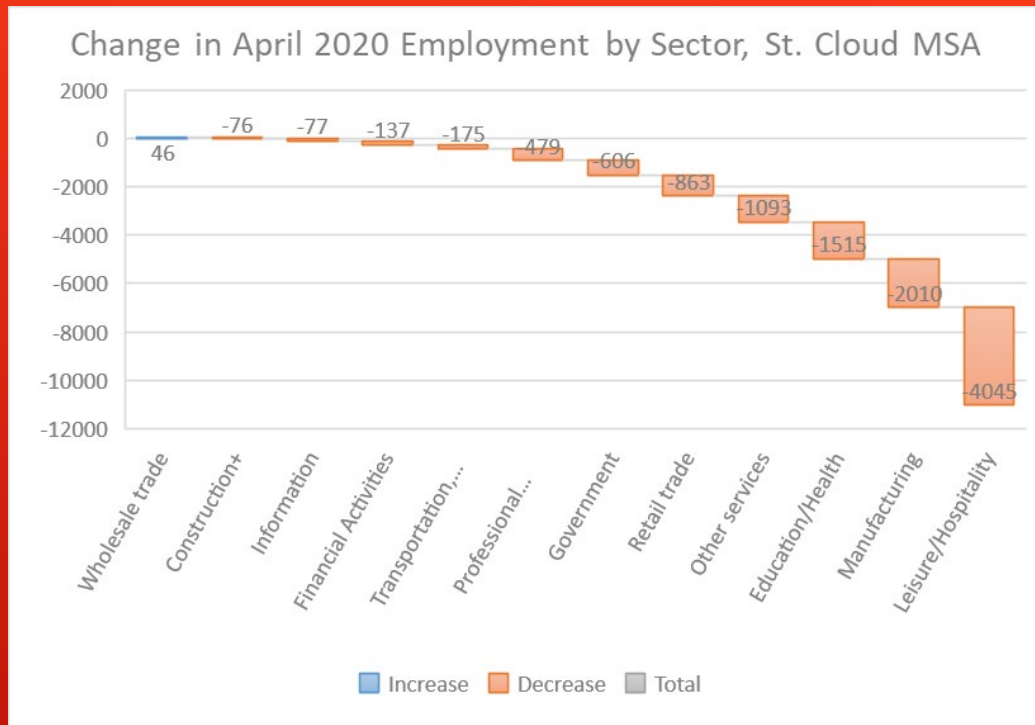
- Health sector was temporary clearing of work to prepare for COVID, likely to return quickly.

- Manufacturing may bounce back depending on what happens elsewhere in world.

- Questions are in retail, leisure/hospitality, arts and manual services.

DIFFERENT SECTORS WILL COME BACK AT DIFFERENT SPEEDS

How quick, how close?
This drives the shape of the swoosh

	Damage done	Any evidence?	Likelihood
Households	Lost savings, more borrowing drained savings, late mortgages/credit cards	Some national evidence, we don't have local information.	In the short run, not much: stimulus has offset many of these losses. In longer term?
State and local government	Lower income and sales tax revenues	Loss of leisure/hospitality revenues; state forecast	Has already happened; not yet sure of severity
Businesses	Increased bankruptcies, loss of new firm creation, lower investment	Future capital expenditure plans, lower business formation	How much investment is defensive vs increasing productivity, new products, etc.?
Human capital	Separating firms & workers leads to lower productivity, increased job search	Not yet apparent	Depends on sector, but in manual services it seems more likely

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Growth is the norm

- Removing pressures will end recession

- But imbalances can occur the longer it persists, which increases the gap between old and new growth paths.

THANK YOU!