Central Minnesota
Economic and Business Conditions Report
Third Quarter 2015

Office of the Minnesota
Secretary of State

School of Public Affairs
Research Institute
St. Cloud State University

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Executive Summary

Mixed signals of the future economic health of the Central Minnesota planning area have emerged as predictions of the Central Minnesota Index of Leading Economic Indicators (LEI) have weakened in the past quarter. After seeing gains in four of the five components of the LEI in the second quarter, the leading index has now turned down, with three components becoming negative. One negative compononet of the LEI is St. Cloud area residential building permits. Also dragging down this quarter's index is a general measure of state business conditions and weaker new filings of incorporation in Central Minnesota. Improved initial jobless claims and higher national durable goods orders helped lift the index.

There were 1,181 new business filings with the Office of the Minnesota Secretary of State in Central Minnesota in the third quarter of 2015 — representing a 3 percent decrease from one year ago. There were 114 new regional business incorporations in the third quarter, an 8.8 percent decrease from year ago levels. Over the past 12 months, new limited liability company (LLC) filings in Central Minnesota decreased 5.2 percent—falling to 669 in this year's third quarter. New assumed names totaled 348 over the recent quarter—a rise of 0.9 percent compared to the same period in 2014. There were 50 new filings for Central Minnesota non-profits in the third quarter—nine more filings than one year ago.

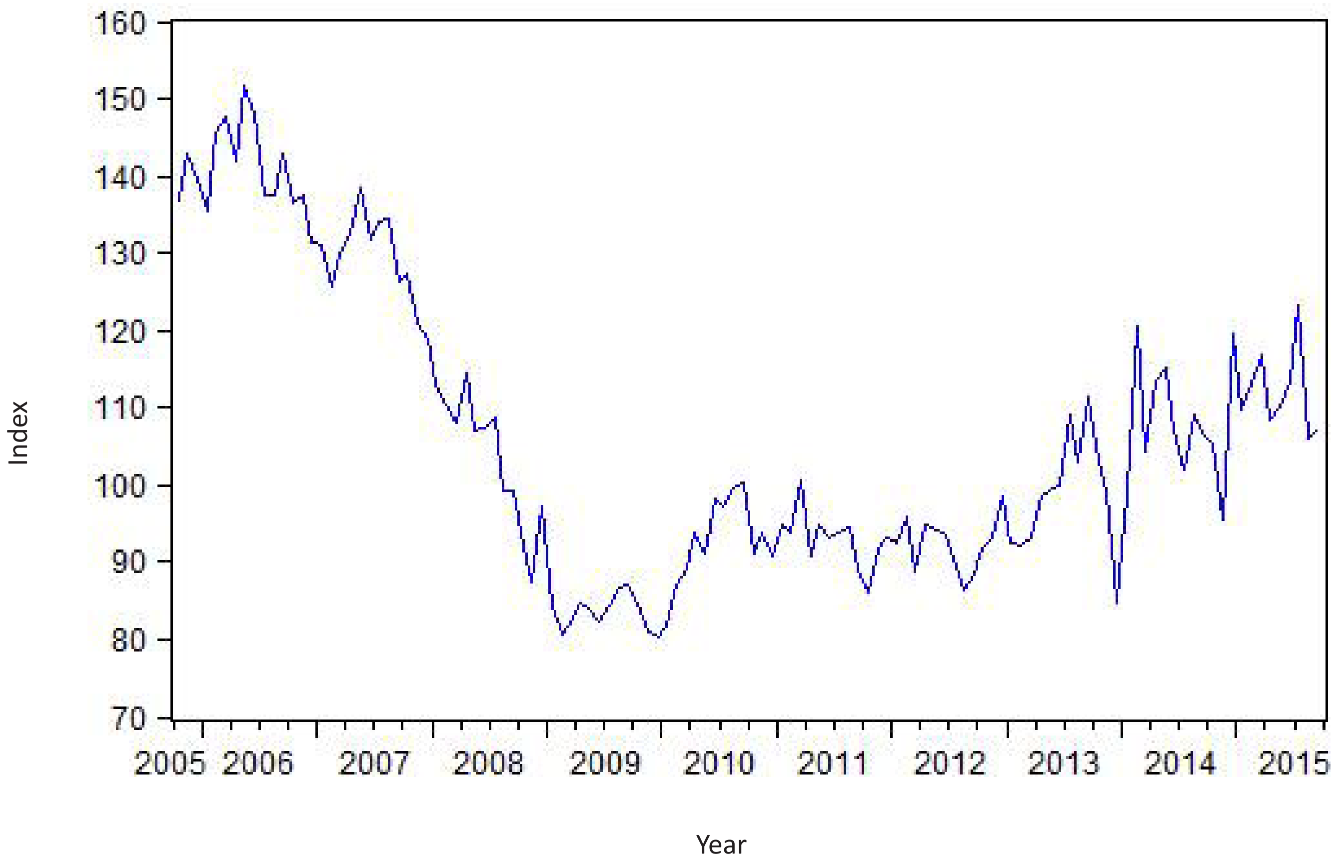
Central Minnesota employment was 1.1 percent higher in September 2015 than it was one year earlier. Compared to one year ago, 4,018 more residents of Central Minnesota now have jobs. The regional unemployment rate was 3.2 percent in September, lower than the 3.6 percent rate reported one year ago. Initial claims for unemployment insurance were 6.2 percent lower in September than they were one year earlier. The Central Minnesota labor force continues to grow (rising 0.8 percent over the past year) and job vacancy rates jumped in this year's second quarter. Nearly 77 vacancies now exist for every 100 people unemployed in the area.

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 less optimistic than one year earlier. New business filings weakened 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 at -5.84 points in this year's third quarter and has now been in negative territory for the past two quarters. Compared to last year, the LEI is 5.51 percent lower. As noted in previous editions of this report, the LEI has shown a high degree of quarterly volatility so these recent negative readings do not necessarily signal sustained future economic weakness in Central Minnesota. However, given various mixed signals about the performance of the regional economy, future quarters are likely to see slower growth.

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, 3rd quarter 2015	Contribution to LEI, 2nd quarter 2015
Minnesota Business Conditions Index	-0.48	1.64
Central Minnesota initial claims for unemployment insurance	1.42	-0.75
Central Minnesota new filings of incorporation	-0.88	1.06
St. Cloud MSA residential building permits	-5.99	-5.66
National new orders for durable goods, real	0.09	0.97
TOTAL CHANGE	**-5.84**	**-2.74**

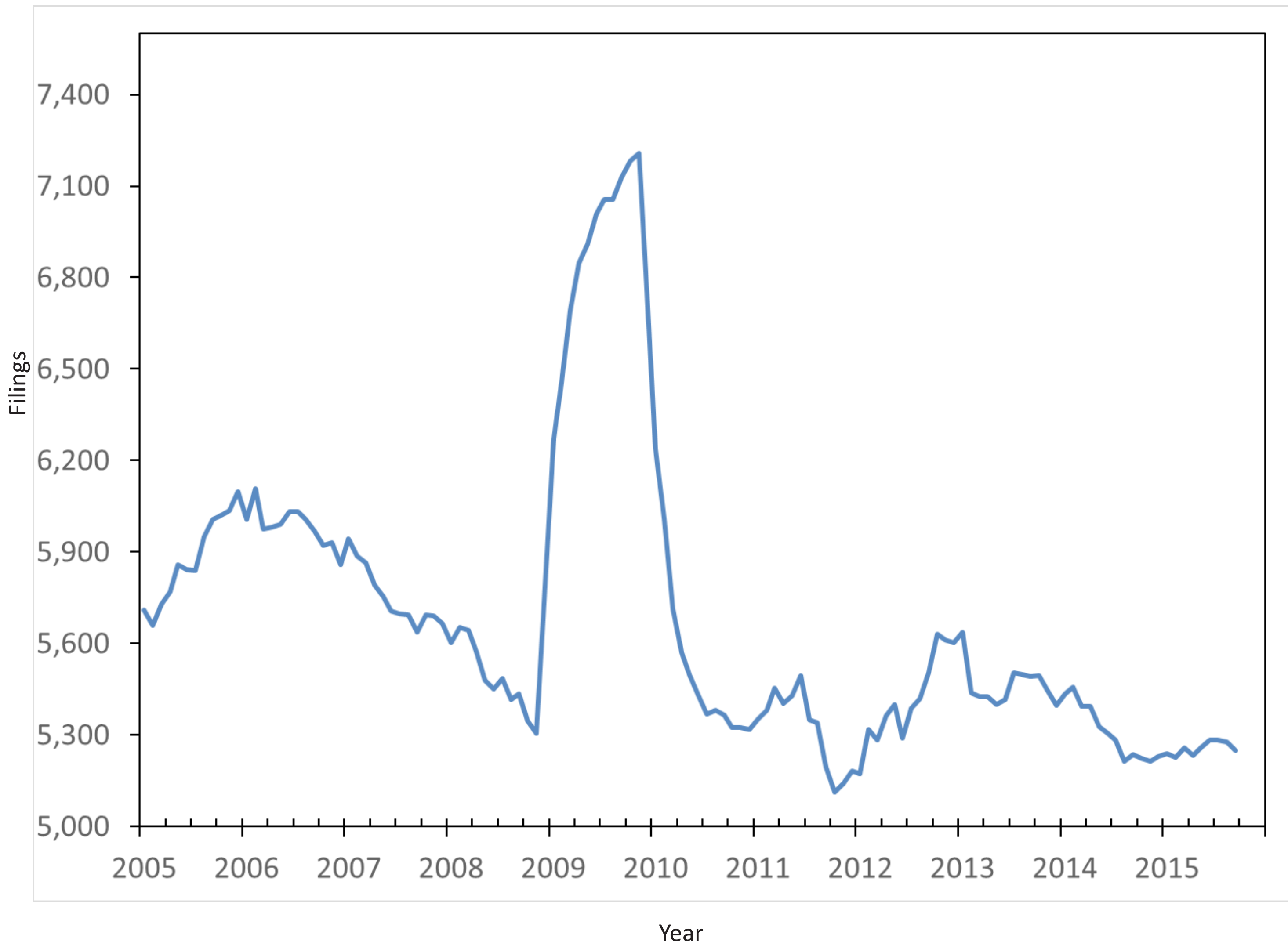
Two index components—Central Minnesota initial claims for unemployment insurance and national durable goods orders—had a positive impact on the LEI in the third quarter. Since Central Minnesota is an exporter of consumer durables, national durable goods orders are used as a proxy for regional economic performance. St. Cloud MSA residential building permits appear, based on conversations with local leaders, to be misreported. We have chosen to not report the current Census figure. We use an algorithm to estimate area permits based on limited information from city offices so that the LEI can 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 have been a drag on the leading index over the past two quarters. Lower regional filings of new business incorporation and 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 September	53	66.3	-20.06%
Central Minnesota initial claims for unemployment insurance September	1,728	1,842	-6.19%
Central Minnesota new filings of incorporation Third Quarter	114	125	-8.80%
St. Cloud MSA residential building permit valuation, in thousands September	n/a	11,491	n/a
National new orders for durable goods, billions of real 1984 dollars, September	218.8	210.6	3.89%
Central Minnesota Leading Economic Indicators Index September (December 1999 = 100)	107.3	113.6	-5.51%

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 1,181 new business filings in Central Minnesota in the third quarter. This represents a 3 percent decrease from the same period last year. 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 has been fairly steady since 2012, and has changed little over the past year.

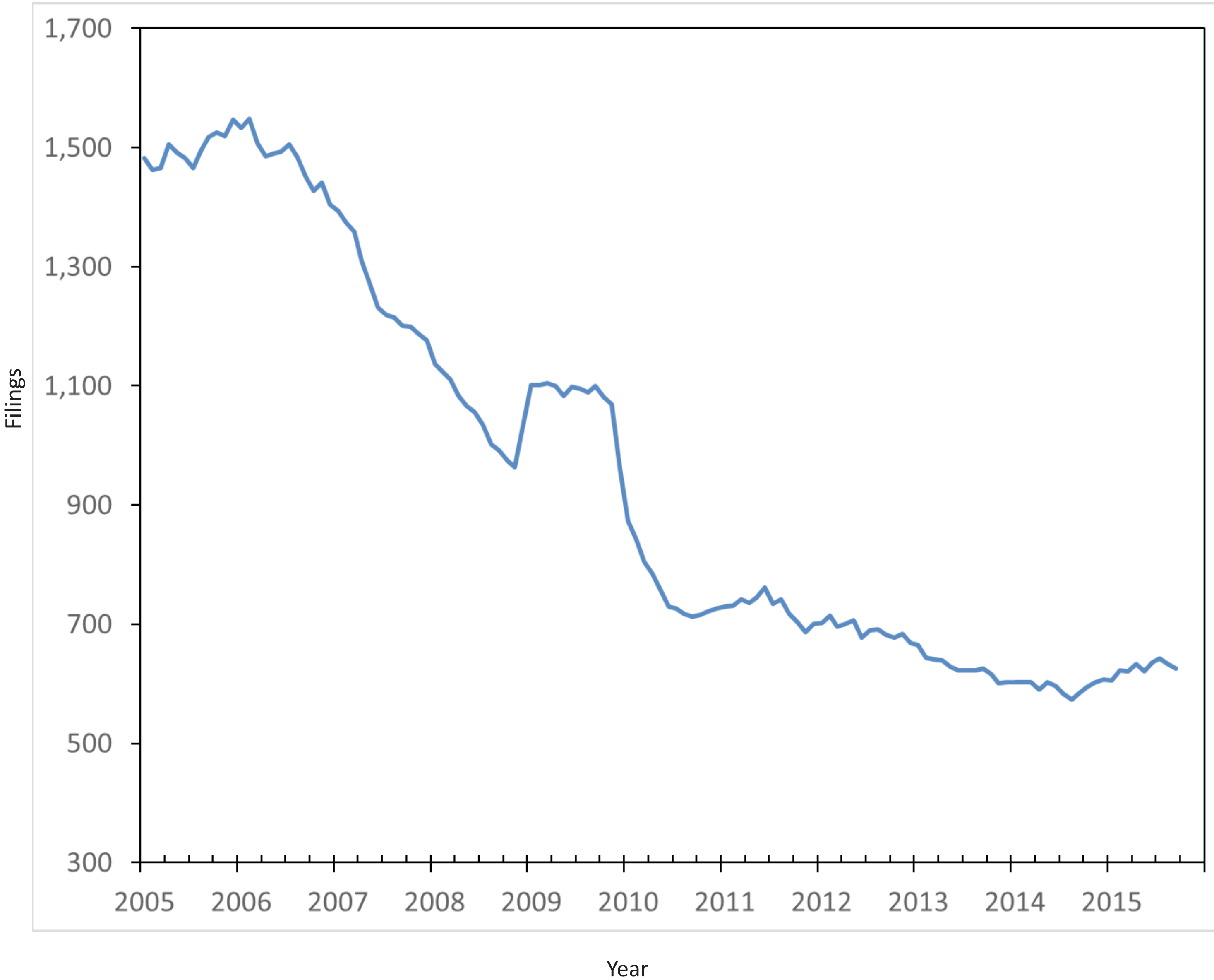
Total New Business Filings—Central Minnesota Planning Area (12-month moving total)



Quarter	III: 2014	IV: 2014	I: 2015	II: 2015	III: 2015	2015 Quarter III: Percent change from prior year
Central Minnesota Total New Business Filings	1,217	1,192	1,478	1,396	1,181	-3.0%

New business incorporations have trended downward in Central Minnesota for most of the past decade. However, over the past year, the 12-month moving total of this series has stabilized. Compared to one year ago, quarterly figures of new business incorporations decreased by 8.8 percent in this year's third quarter—falling from 125 one year ago to 114 this quarter.

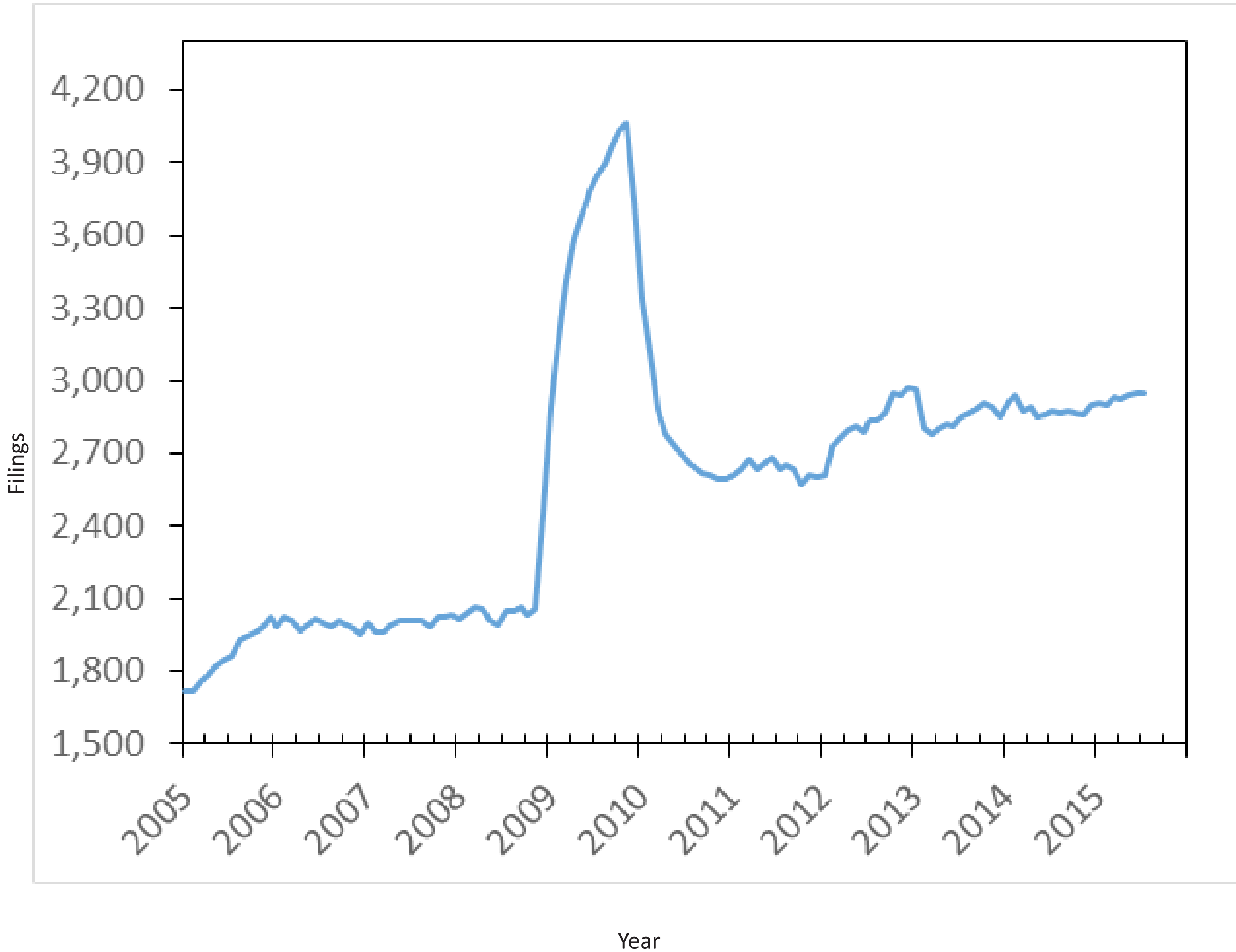
New Incorporations—Central Minnesota Planning Area (12-month moving total)



Quarter	III: 2014	IV: 2014	I: 2015	II: 2015	III: 2015	2015 Quarter III: Percent change from prior year
Central Minnesota New Business Incorporations	125	154	191	166	114	-8.8%

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 contracted by 5.2 percent (to 669) 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	III: 2014	IV: 2014	I: 2015	II: 2015	III: 2015	2015 Quarter III: Percent change from prior year
Central Minnesota New Limited Liability Companies	706	688	773	783	669	-5.2%

Assumed names, which include sole proprietors or organizations that do not have limited liability, increased by 0.9 percent compared to last year's third quarter. With the exception of a brief steady period in 2011-12, this series has been trending downward for nearly a decade (although it appears to have leveled out in 2015).

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

Quarter	III: 2014	IV: 2014	I: 2015	II: 2015	III: 2015	2015 Quarter III: Percent change from prior year
Central Minnesota New Assumed Names	345	306	458	399	348	0.9%

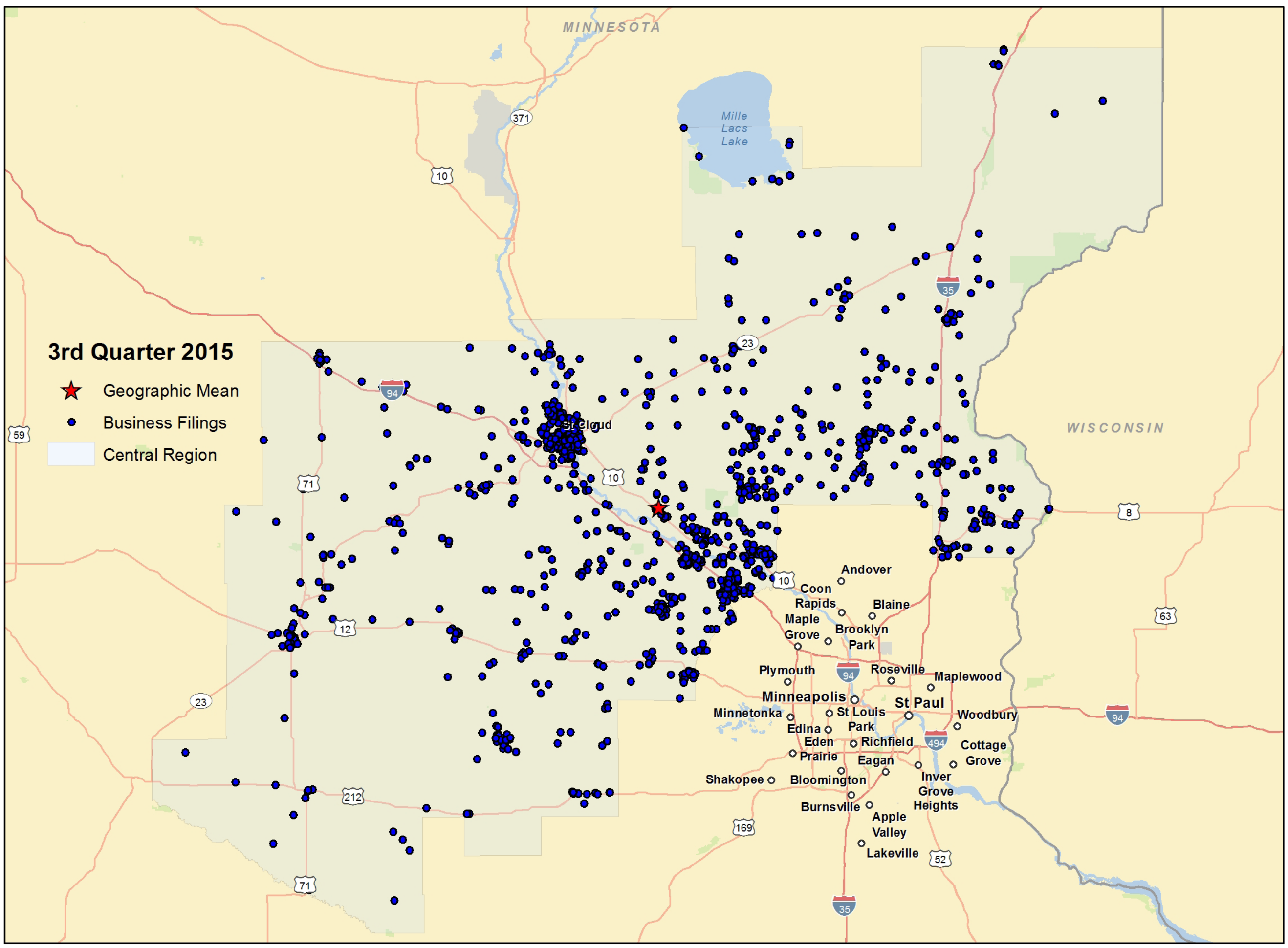
There were 50 new Central Minnesota non-profits registered with the Office of the Minnesota Secretary of State in the third quarter of 2015 — 9 more new non-profits than were recorded one year ago. This represents a 22 percent increase in new non-profits compared to last year's third quarter.

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

Quarter	III: 2014	IV: 2014	I: 2015	II: 2015	III: 2015	2015 Quarter III: Percent change from prior year
Central Minnesota New Non-Profits	41	44	56	48	50	22.0%

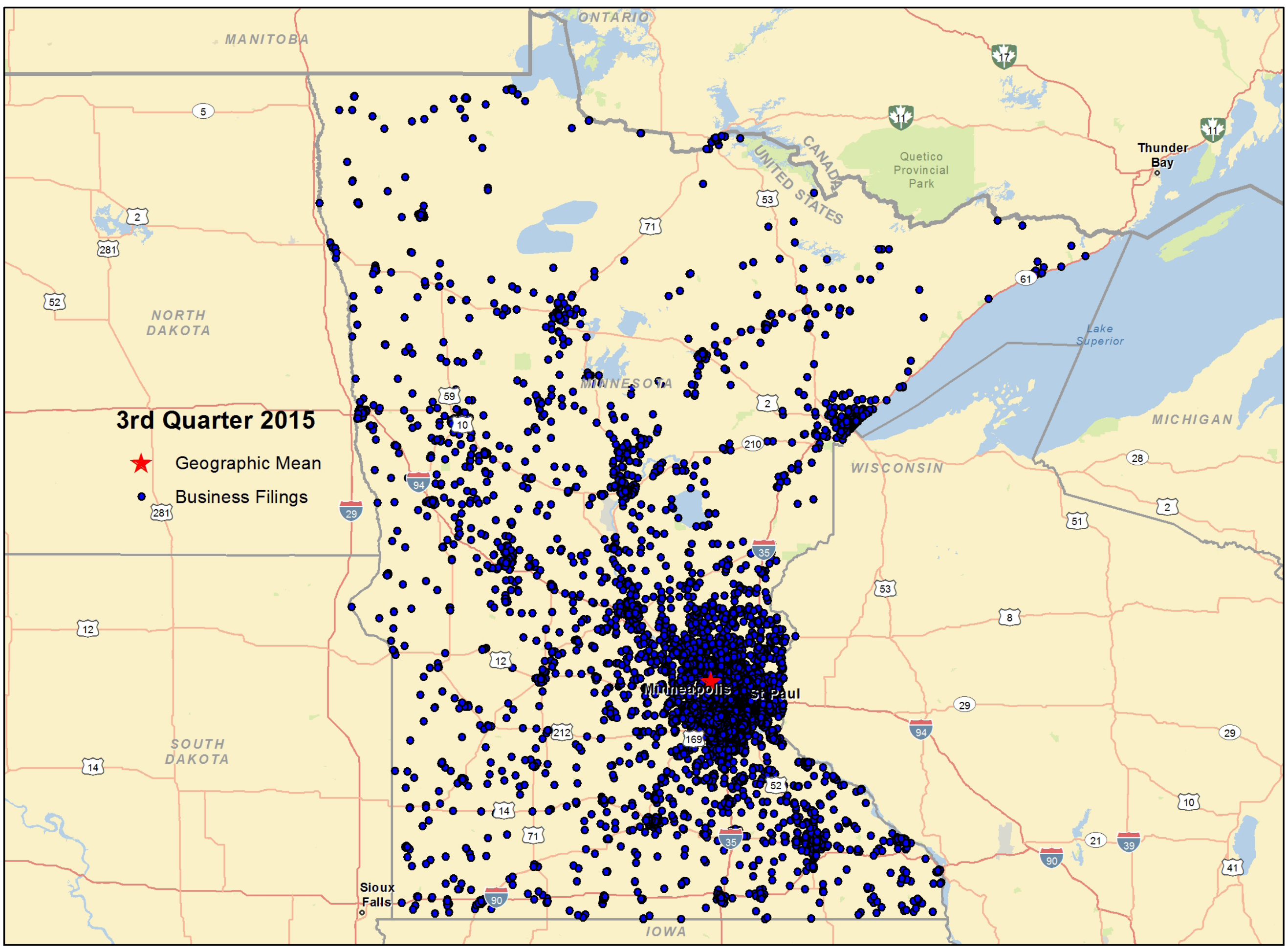
The first map shown below is a visual representation of new business formation around the Central Minnesota planning area in this year's third quarter. The densest areas of new business formation are in the St. Cloud metro as well as along the I-94 corridor approaching the Twin Cities. The center of new filings lies within the I-94/US-10 corridor. Well-traveled roadways are also a predictor of new business formation in Central Minnesota.

Central Minnesota Planning Area -- New Business Formation -- Quarter 3: 2015



The second map shows new business formation around the entire State of Minnesota in the most recent quarter. Note the dominance of the Twin Cities metropolitan area in statewide new business formation. This also reinforces the importance of roadways (and the Mississippi River) in new business filing locations. Also noteworthy is the extent to which the spread of new businesses extends both Northwest (towards St. Cloud) and South (towards Rochester and Mankato).

State of Minnesota -- New Business Formation -- Quarter 3: 2015

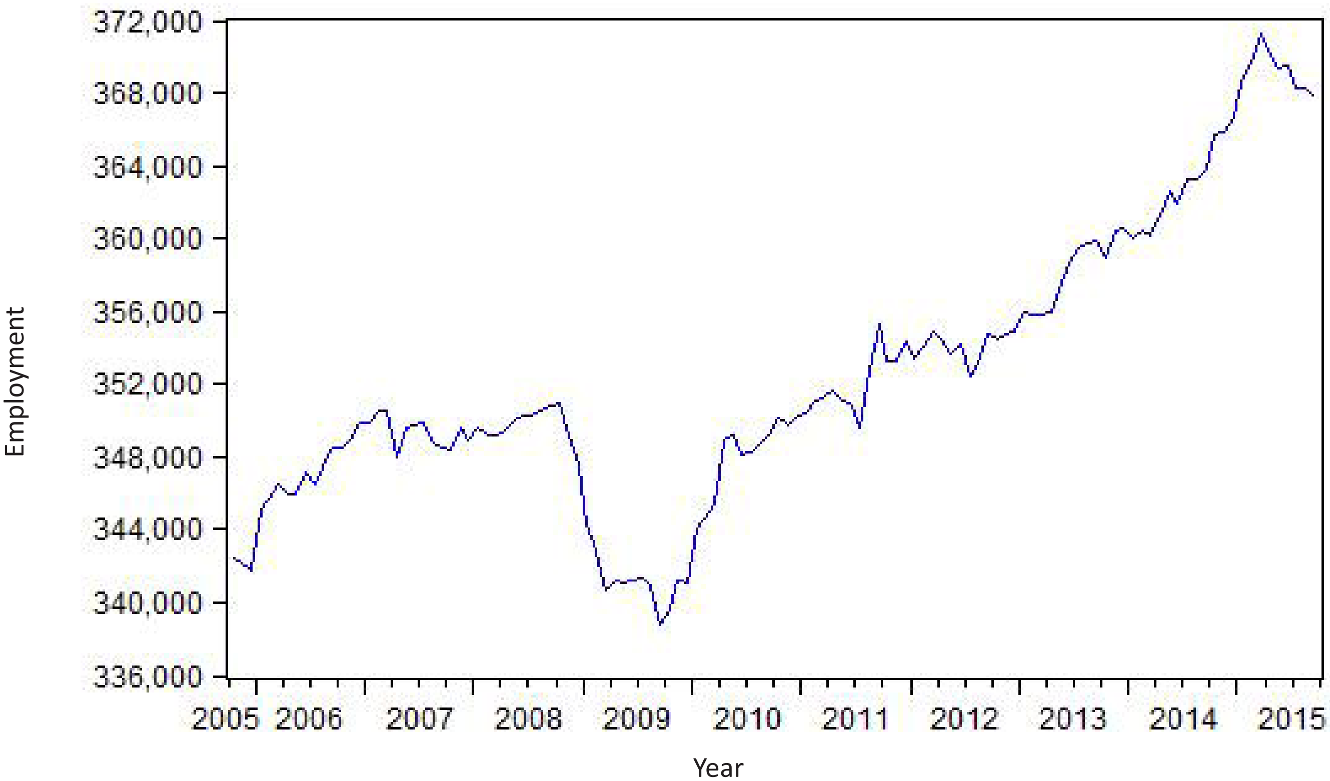


Central Minnesota Labor Market Conditions

Central Minnesota employment grew 1.1 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. However, the 12-month moving average of Central Minnesota employment has shown weakness in 2015.

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.

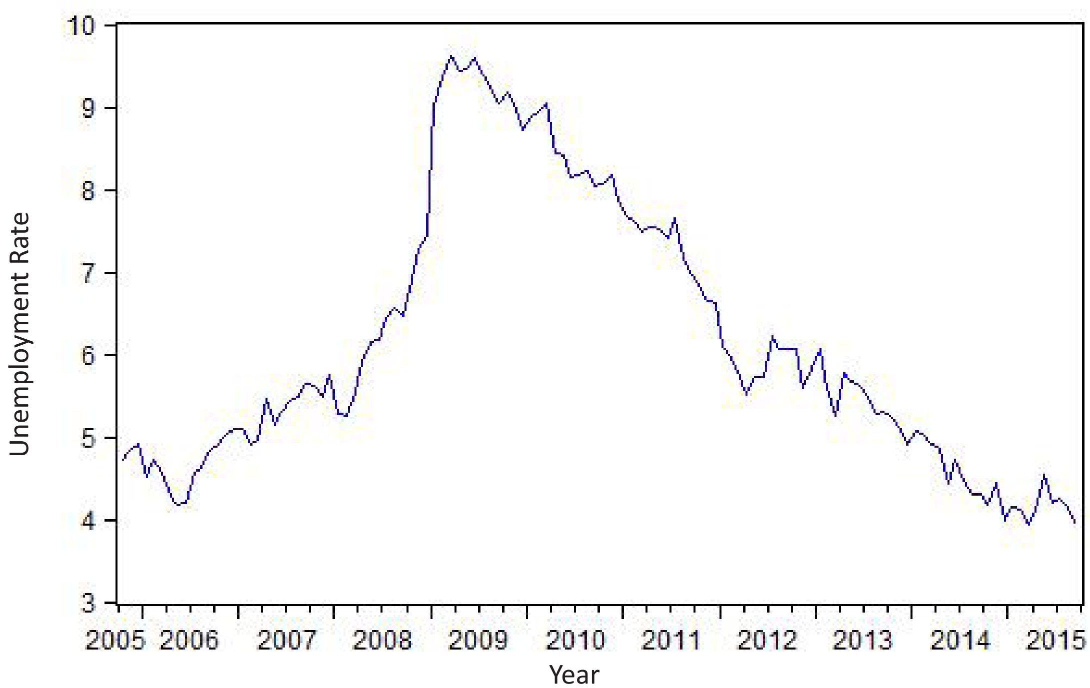
Employment—Central Minnesota Planning Area (12-month moving average)



Month	September 2014	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015
Employment (Not seasonally adjusted)	364,732	370,205	371,243	370,711	371,979	370,020	368,750

Central Minnesota's unemployment rate was 3.2 percent in September 2015, lower than the regional unemployment rate one year ago. However, the seasonally adjusted unemployment rate has leveled out in 2015. This may signal that future improvements in the regional unemployment rate will be difficult to achieve.

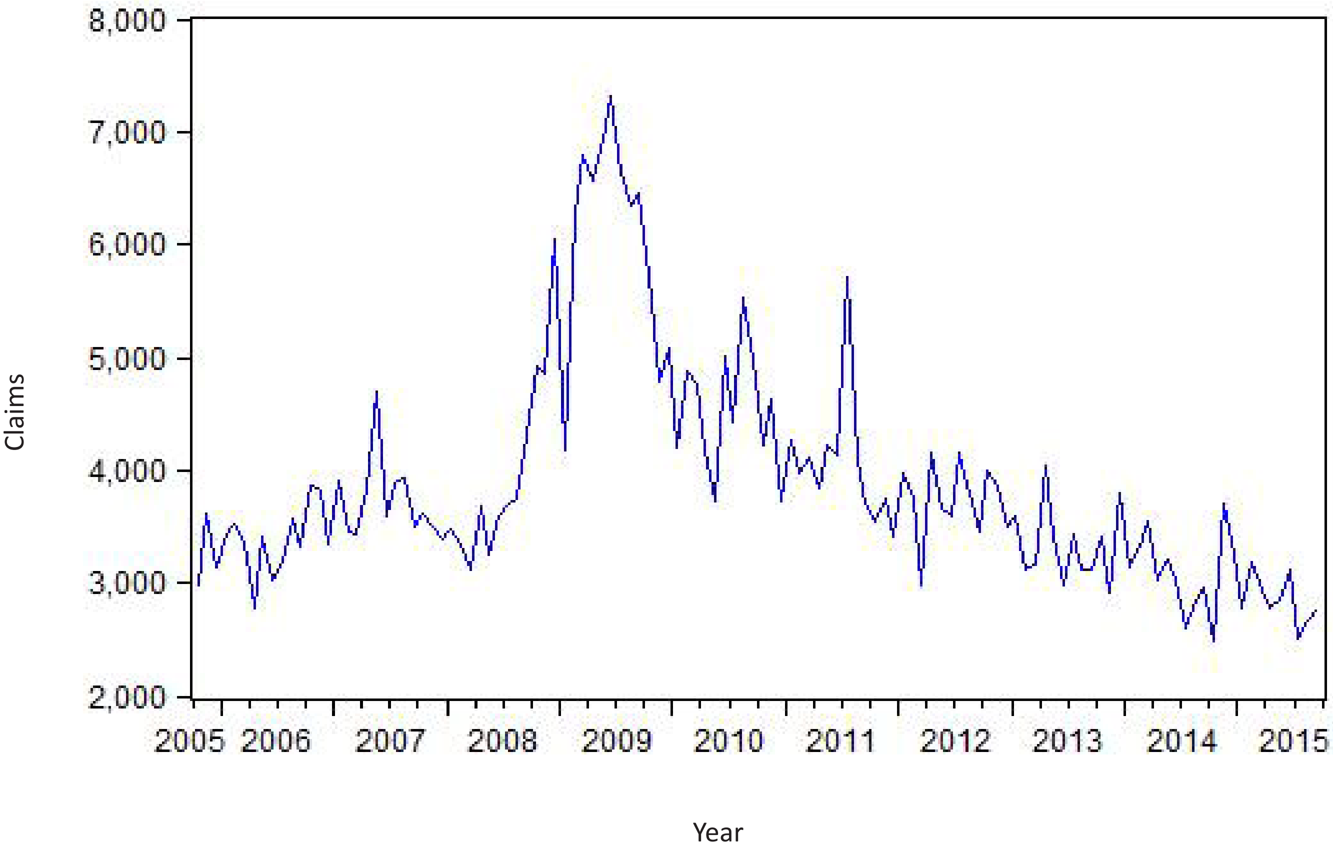
Unemployment Rate, seasonally adjusted—Central Minnesota Planning Area



Month	September 2014	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015
Unemployment Rate (Not seasonally adjusted)	3.6%	4.2%	3.8%	4.1%	3.9%	3.5%	3.2%

Initial claims for unemployment insurance in the Central Minnesota planning area were 1,728 in September 2015. This is 6.2 percent fewer claims than in September 2014.

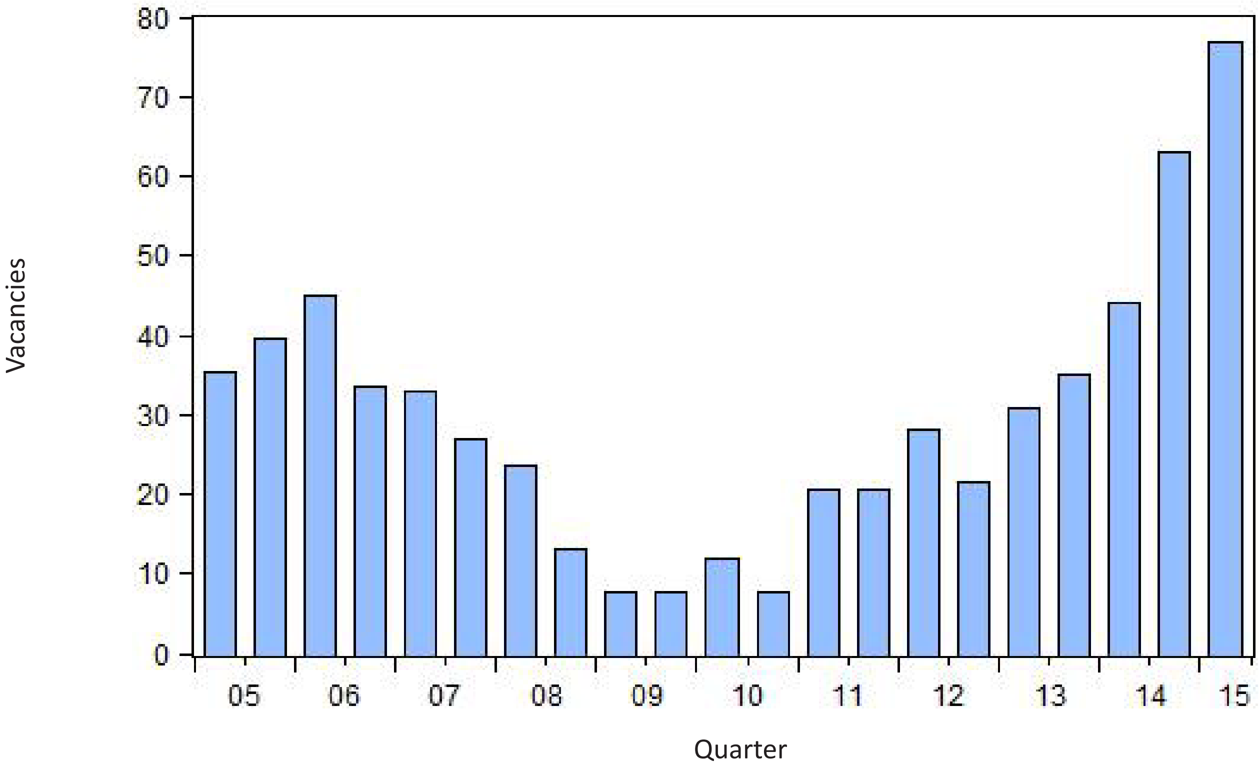
Total Initial Claims for Unemployment Insurance, seasonally adjusted—Central Minnesota Planning Area



Period	September 2014	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015
Initial claims (Not seasonally adjusted)	1,842	2,206	2,231	2,400	1,818	1,564	1,728

Central Minnesota job vacancies rose in this year's second quarter (this is the most recently available data). The rate of regional job vacancies per 100 unemployed is now higher than it has been for several years. Note, however, that the job vacancy rate is higher in the Twin Cities, Southeast, and Southwest planning areas of the state (the Northwest rate is the same as in the Central region). Only the Northeast Minnesota planning area has a lower rate of job vacancies.

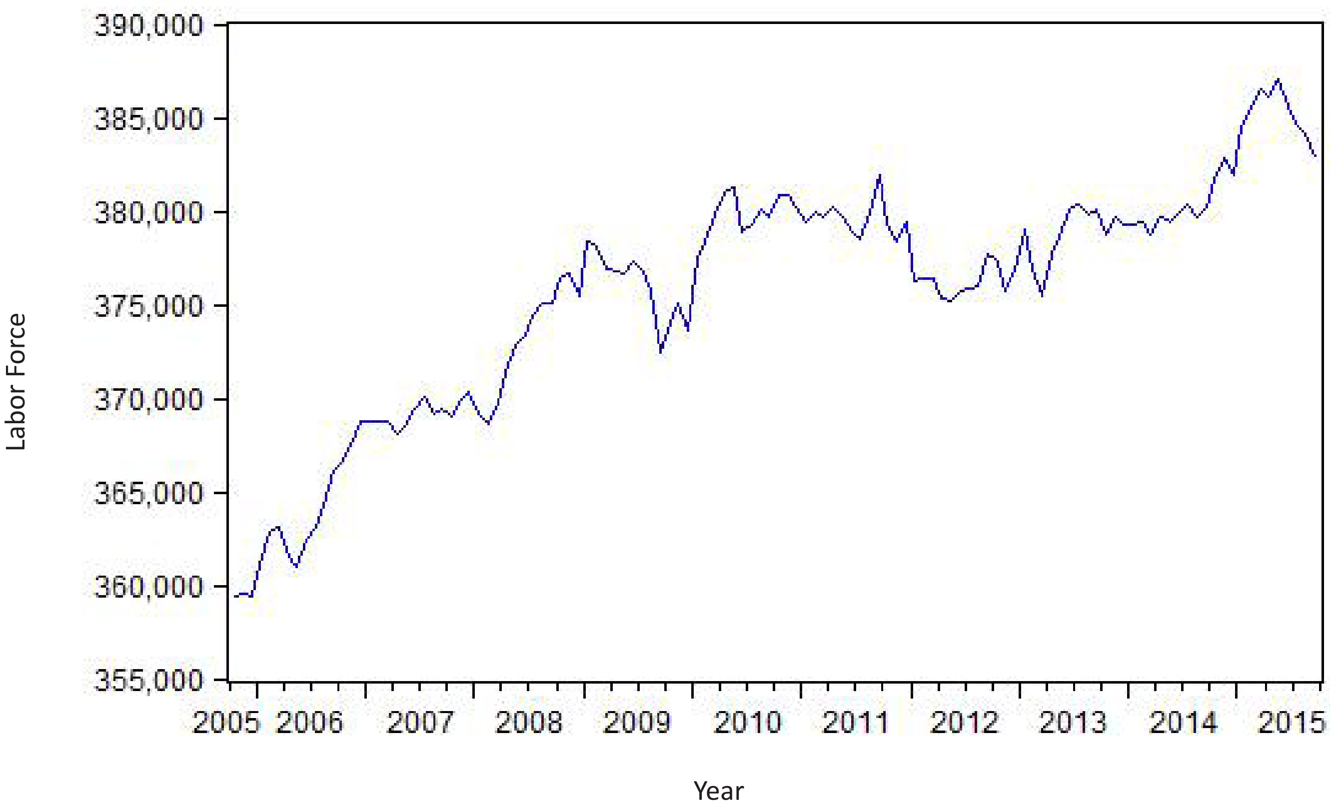
Job Vacancies per 100 Unemployed--Central Minnesota Planning Area



Quarter	2012:IV	2013:II	2013:IV	2014:II	2014:IV	2015:II
Job Vacancies per 100 Unemployed	25.06	33.02	39.90	47.53	62.99	76.77

The Central Minnesota labor force grew by 0.8 percent over the year ending September 2015, although the 12-month moving average of the labor force has declined since the beginning of the year. The Northeast planning area is the only region of Minnesota to experience a year-over-year labor force decline in September.

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

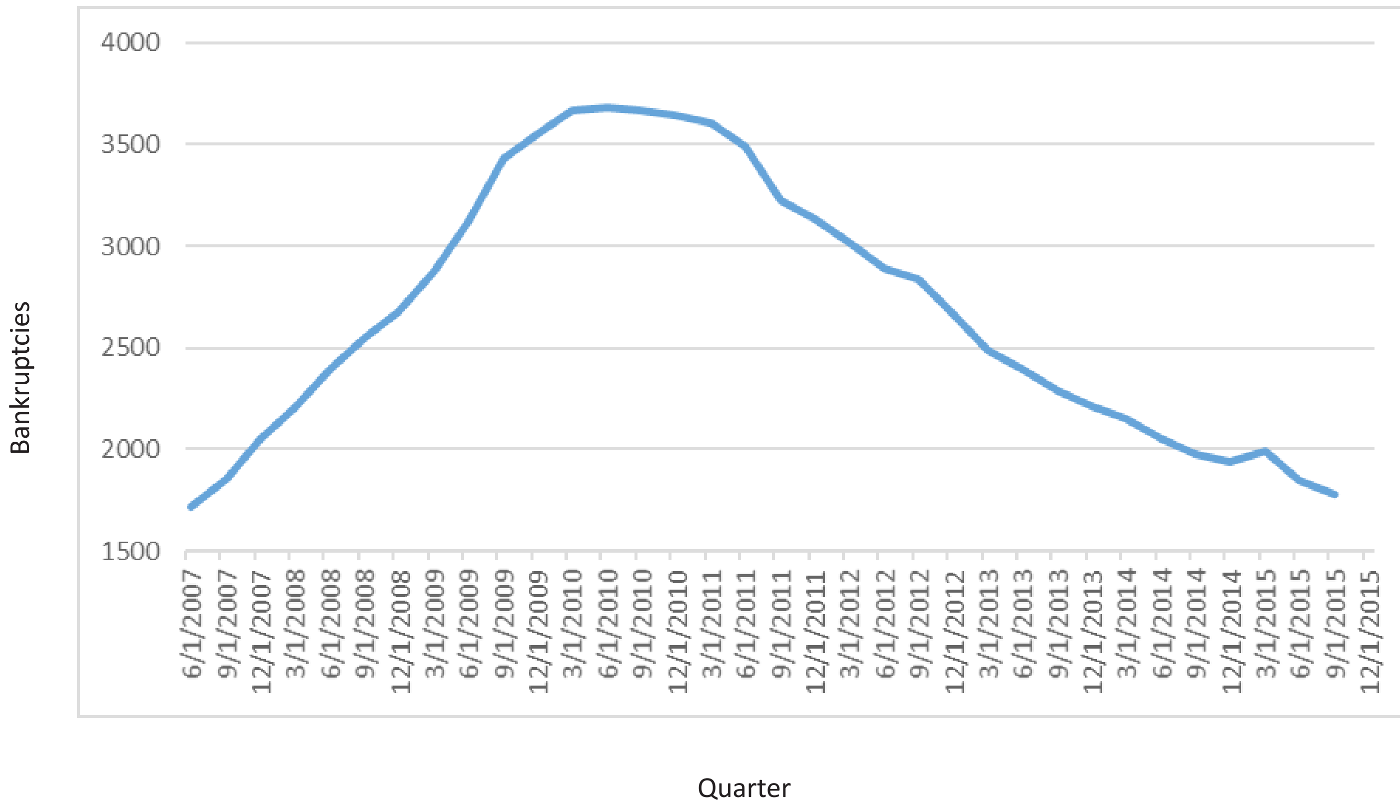


Year (September)	2010	2011	2012	2013	2014	2015
Labor Force (Not seasonally adjusted)	376,650	376,709	376,623	377,266	378,159	381,022

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 1,994 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.

Central Minnesota Bankruptcies (12-month moving total)



Year (Third Quarter)	2010	2011	2012	2013	2014	2015
Annual Bankruptcies (Not seasonally adjusted)	3,669	3,226	2,835	2,285	1,974	1,777

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	September 2015 (m)	106,891	107,325	-0.4% ↓	0.9%
Manufacturing Employment	September 2015 (m)	15,520	15,551	-0.2% ↓	-0.8%
Average Weekly Work Hours--Private Sector	September 2015 (m)	32.3	32.5	-0.6% ↓	33.8 (since 2007)
Average Earnings Per Hour--Private Sector	September 2015 (m)	$25.02	$23.53	6.3% ↑	3.0% (since 2007)
Unemployment Rate	September 2015 (m)	3.1%	3.4%	NA ↓	4.3%
Labor Force	September 2015 (m)	107,753	108,715	-0.9% ↓	0.5%
SCSU Future Employment Index	August 2015 (q)	17.2	29.4	-41.5% ↓	11.9 (since 2005)
SCSU Future Length of Workweek Index	August 2015 (q)	-3.1	-1.5	-106.7% ↓	-4.2 (since 2005)
SCSU Future Employee Compensation Index	August 2015 (q)	43.8	54.4	-19.5% ↓	38.4 (since 2005)
SCSU Future Worker Shortage Index	August 2015 (q)	32.8	36.8	-10.9% ↓	16.2 (since 2005)
St. Cloud-Area New Unemployment Insurance Claims	September 2015 (m)	416	512	-18.8% ↓	NA
St. Cloud Times Help Wanted Linage	July 2015 (q)	2,736	2,145	27.6% ↑	NA
BUSINESS FORMATION					
New Business Filings	Third Quarter 2015	323	338	-4.4% ↓	306 (since 2000)
Assumed Names	Third Quarter 2015	92	95	-3.2% ↓	114 (since 2000)
Business Incorporations	Third Quarter 2015	19	28	-32.1% ↓	14 (since 2000)
Limited Liability Companies	Third Quarter 2015	199	200	-0.5% ↓	48 (since 2000)
Non-Profits	Third Quarter 2015	13	15	-13.3% ↓	14 (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	August 2015 (q)	37.5	42.6	-12.0% ↓	26.7 (since 2005)
SCSU Future Capital Expenditures Index	August 2015 (q)	25	30.9	-19.1% ↓	19 (since 2005)
SCSU Future National Business Activity Index	August 2015 (q)	26.5	25	6.0% ↑	16.7 (since 2005)
St. Cloud Index of Leading Economic Indicators	July 2015 (m)	103.2	102.4	0.8% ↑	NA
St. Cloud Residential Building Permit Valuation	September 2015 (m)	NA	11,491	NA	NA
PRICES					
St. Cloud Cost of Living Index	Second Quarter 2015	98	94.8	3.4% ↑	NA
St. Cloud Median Home Sales Prices	September 2015 (m)	152,000	153,400	-0.9% ↓	NA
SCSU Future Prices Received Index	August 2015 (q)	20.3	23.6	-14.0% ↓	17.2 (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, the labor force, and average weekly work hours have declined. But other labor market indicators have improved. Average hourly earnings jumped by 6.3 percent, the unemployment rate fell, and Help Wanted linage in the St. Cloud Times increased. St. Cloud MSA new business formation was weak compared to one year ago. The St. Cloud area cost of living appears to have increased relative to other U.S. metropolitan areas in in the second quarter of 2015, although area median home prices were lower than year-earlier levels in September 2015.

State and National Indicators

MINNESOTA Indicators	Sep 2015	Jun 2015	Sep 2014	Change from one quarter ago	Annual Change
Nonfarm payroll employment, SA	2,855,200	2,857,200	2,819,200	-0.1%	1.3%
Average weekly hours worked, private sector	33.9	34.1	34.1	-0.6%	-0.6%
Unemployment rate, seasonally adjusted	3.8%	3.9%	3.7%	NA	NA
Earnings per hour, private sector	$26.00	$25.70	$25.75	1.2%	1.0%
Philadelphia Fed Coincident Indicator, MN	176.38	175.11	171.14	0.7%	3.1%
Philadelphia Fed Leading Indicator, MN	2.17	1.28	1.21	69.5%	79.3%
Minnesota Business Conditions Index	53.0	54.3	66.3	-2.4%	-20.1%
Price of milk received by farmers (cwt)	$17.80	$17.90	$27.10	-0.6%	-34.3%
Enplanements, MSP airport, thousands	1,506.7	1,680.9	1,411.3	-10.4%	6.8%

NATIONAL Indicators	Sep-15	Jun-15	Sep-14	Change from one quarter ago	Annual Change
Nonfarm payroll employment, SA, thousands	142,383	141,870	139,619	0.4%	2.0%
Industrial production, index, SA	107.4	106.7	106.7	0.7%	0.7%
Real retail sales, SA	188,171	186,611	184,083	0.8%	2.2%
Real personal Income less transfers	11,618.2	11,512.5	11,190.5	0.9%	3.8%
Real personal consumption expenditures	11,298.0	11,205.1	10,948.6	0.8%	3.2%
Unemployment rate, SA	5.1%	5.3%	5.9%	NA	NA
New building permits, SA, thousands	1,848	2,419	1,638	-23.6%	12.8%
Standard & Poor's 500 stock price index	1,944.4	2099.28	1993.23	-7.4%	-2.4%
Oil, price per barrel in Cushing, OK	$45.48	$59.82	$93.21	-24.0%	-51.2%

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 slightly higher and average weekly hours worked in the private sector were lower. Two of three broader indicators suggest improvement in the state economy in the third quarter. Milk prices were 34.3 percent lower than one year ago in September. This is an important unfavorable indicator in many areas of Minnesota. Enplanements at the Minneapolis-St. Paul airport increased by 6.8 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, industrial production, retail sales, real income, real consumption expenditures, payroll employment, building permits 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. Stock prices were the only indicator that declined on a year-over-year basis in September 2015. These prices have since rebounded from these temporarily low readings.

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.

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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.