



**BREAKFAST**  
March 31, 2020

# ECONOMIC TRENDS IMPACTING THE COUNTY REGION

UMD

UNIVERSITY OF MINNESOTA DULUTH

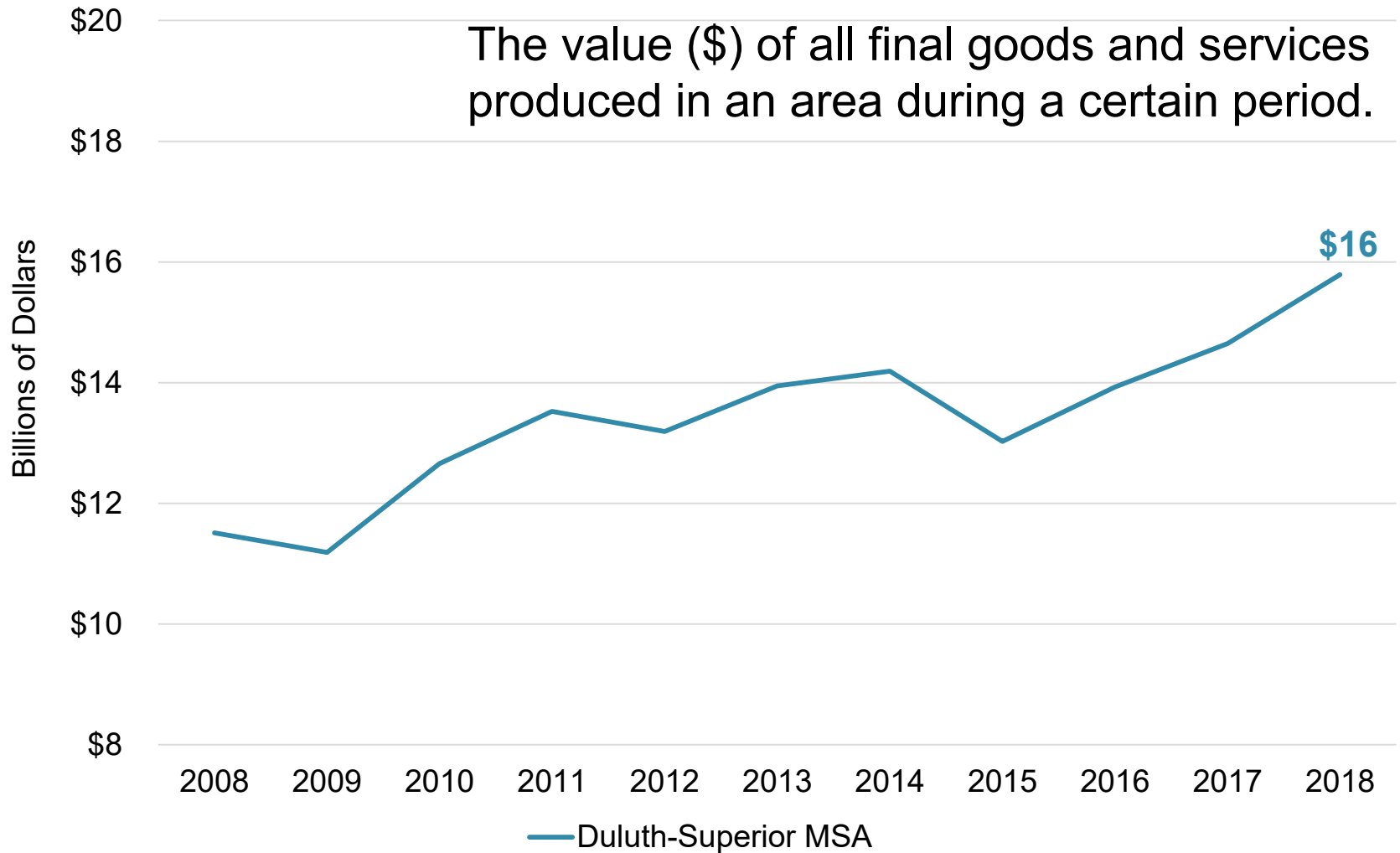
**Driven to Discover**

**Matthew Hockert**

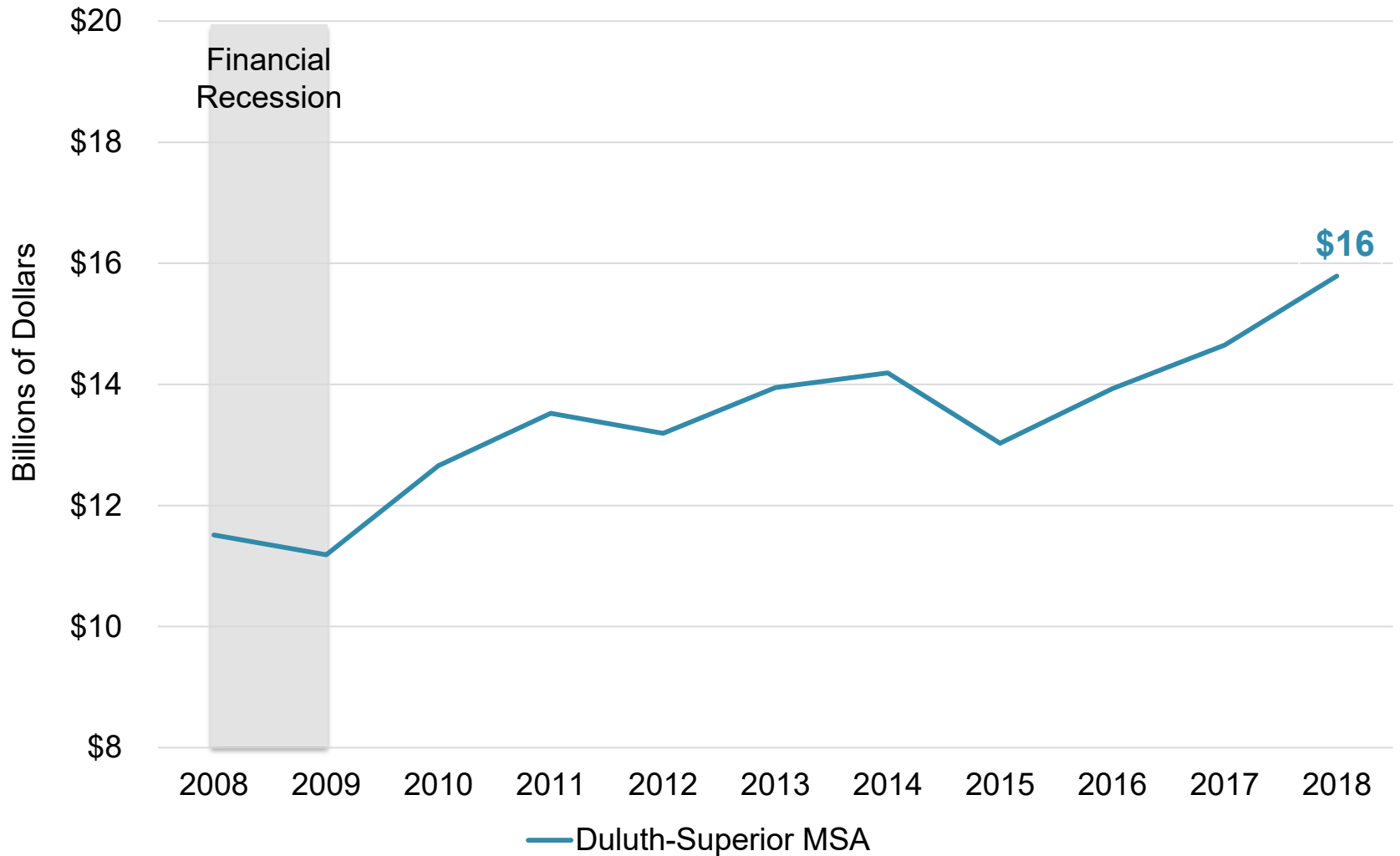
Bureau of Business and Economic Research  
Labovitz School of Business and Economics, UMD



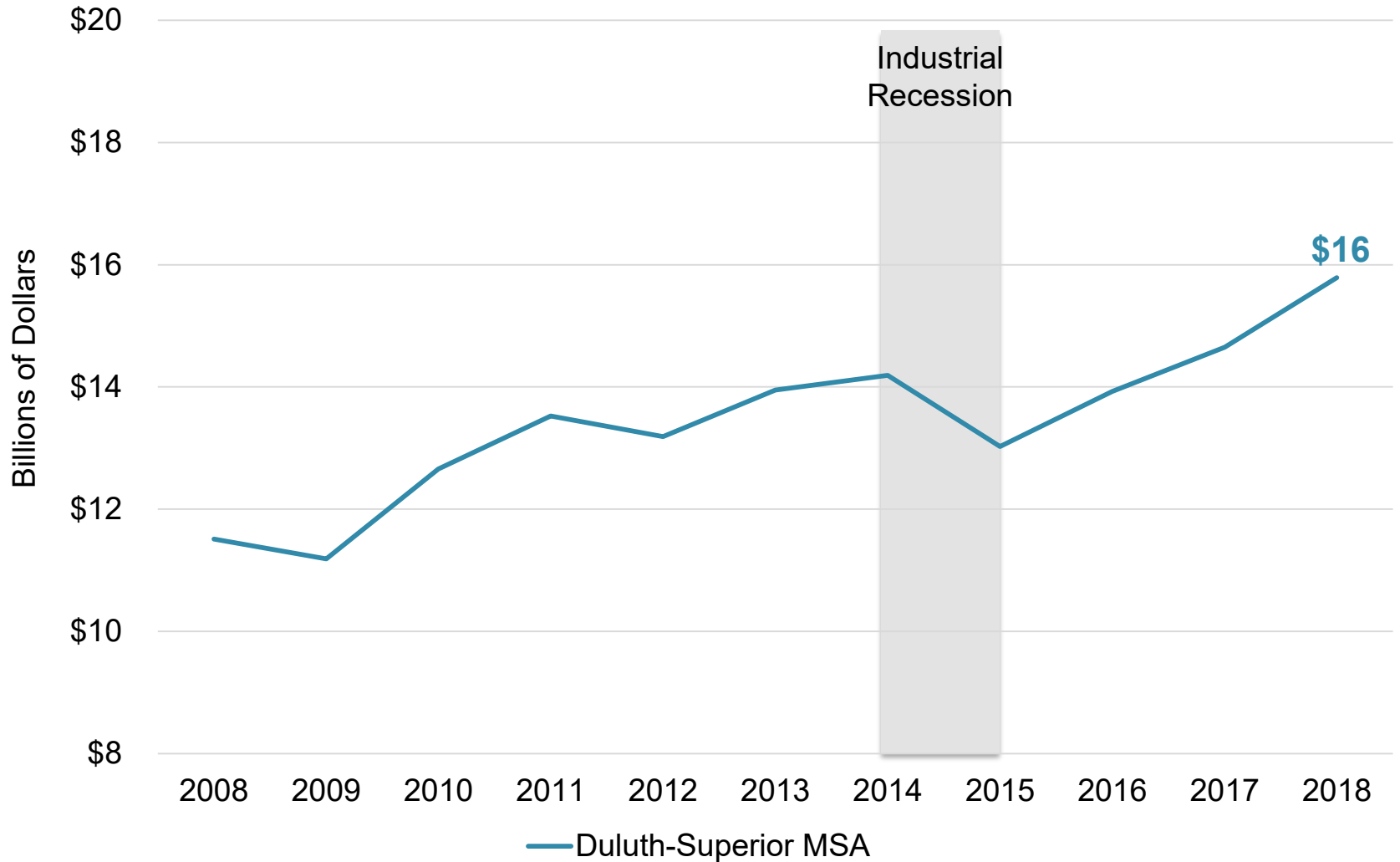
# GROSS REGIONAL PRODUCT



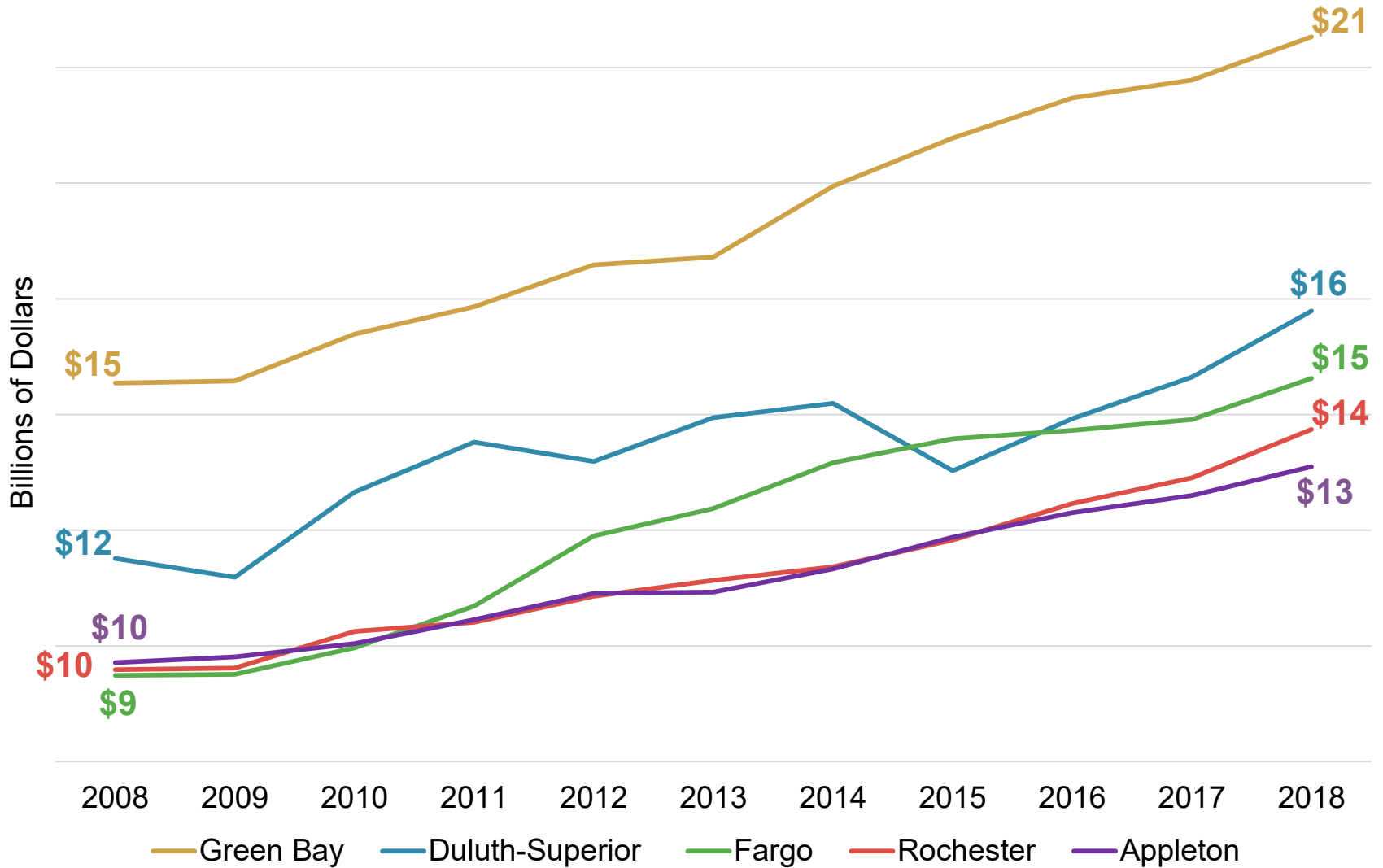
# GROSS REGIONAL PRODUCT



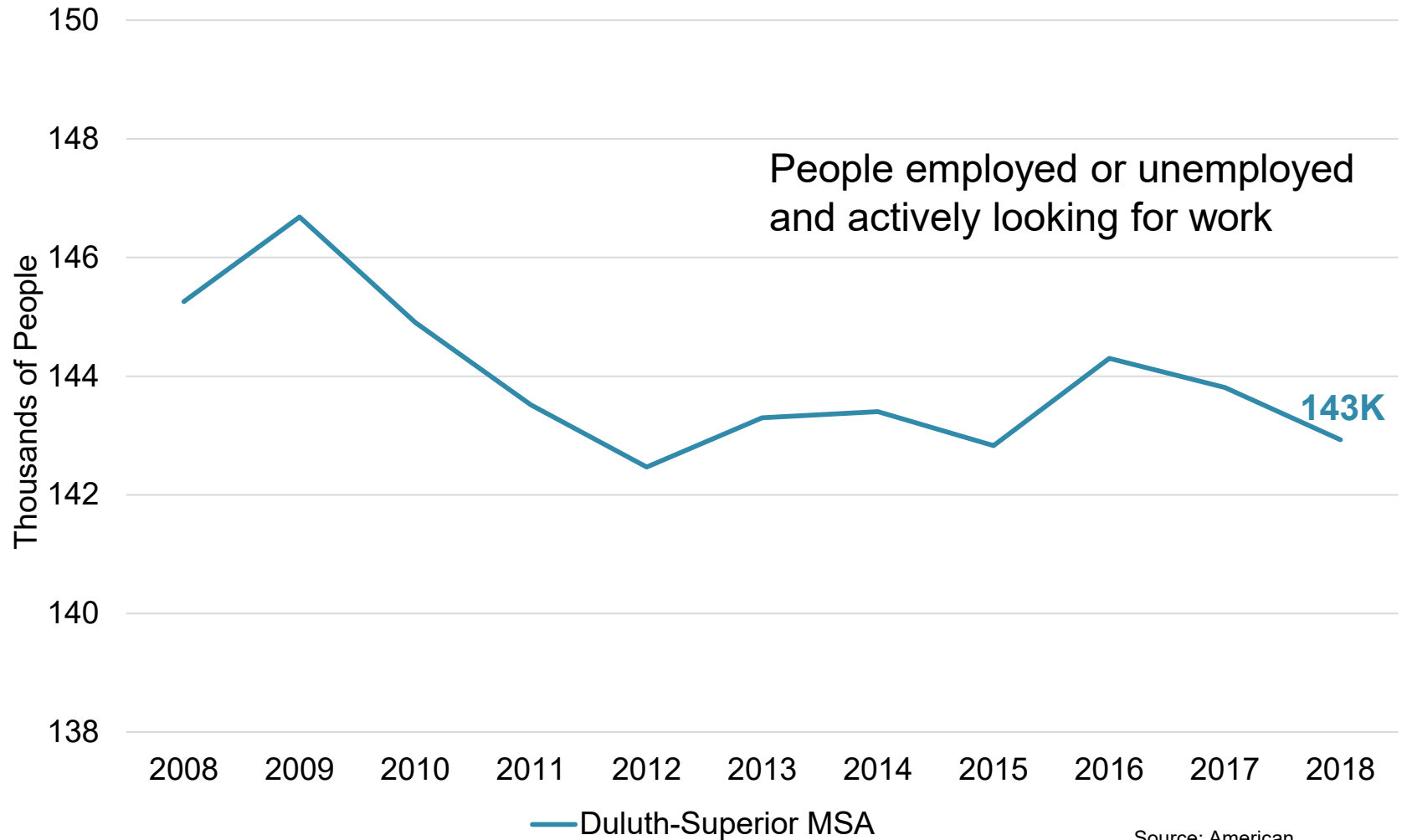
# GROSS REGIONAL PRODUCT



# GROSS REGIONAL PRODUCT

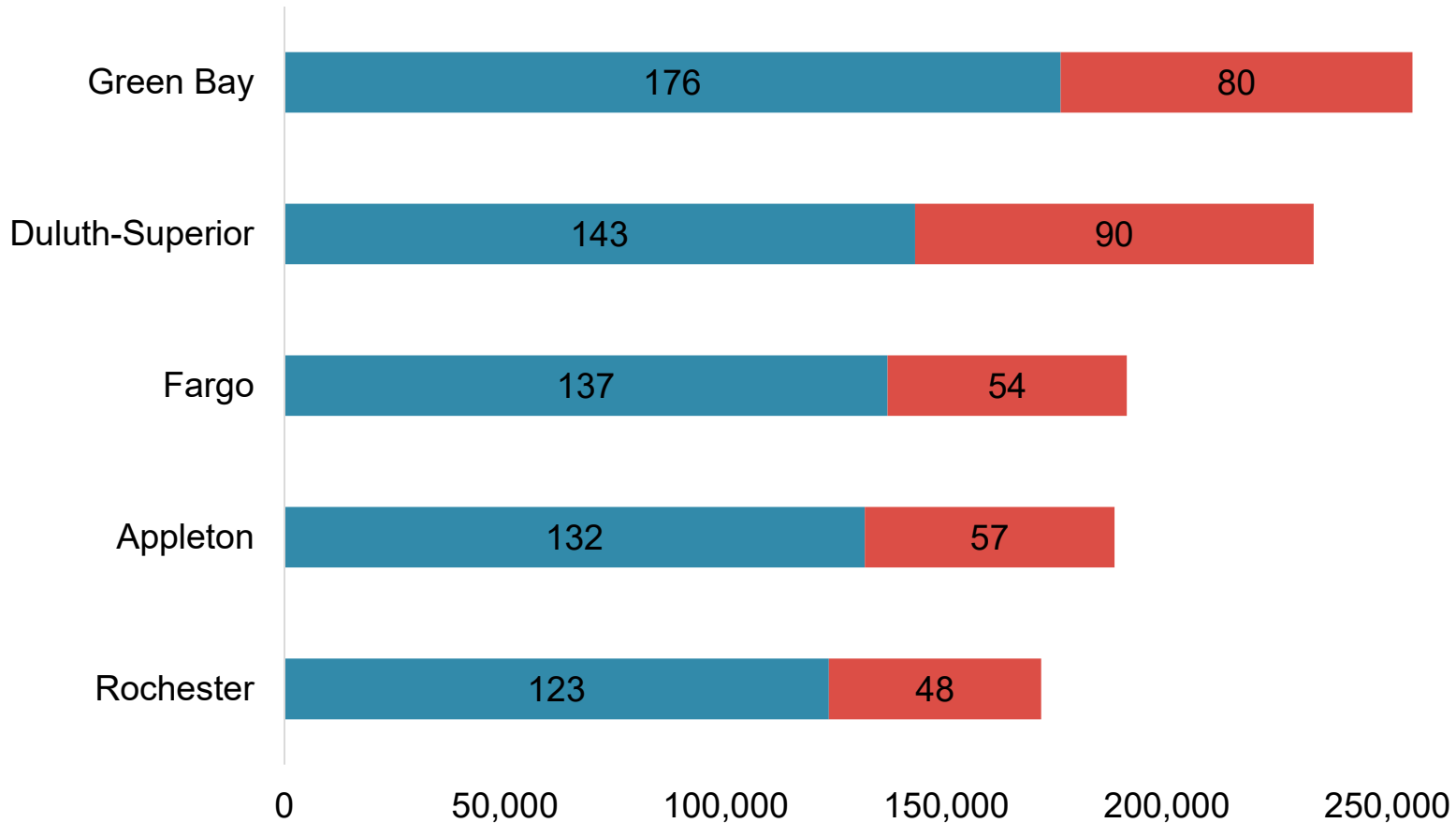


# LABOR FORCE



Source: American  
Community Survey 5-Year  
Estimates, 2020

# MSA LABOR FORCE & WORKING AGE POPULATION (2018)



Thousands of People

■ Labor Force ■ Non-participants in Labor Force



# LABOR FORCE PARTICIPATION RATE

Labor Force

-----  
Working Age Population

- Provides insight on what percentage of the eligible population are involved in the labor force
- The labor force is the number of people employed or unemployed and actively looking for work
- Working age population
  - 16 years and older

# LABOR FORCE PARTICIPATION RATES (2018)



# GRP/LABOR FORCE

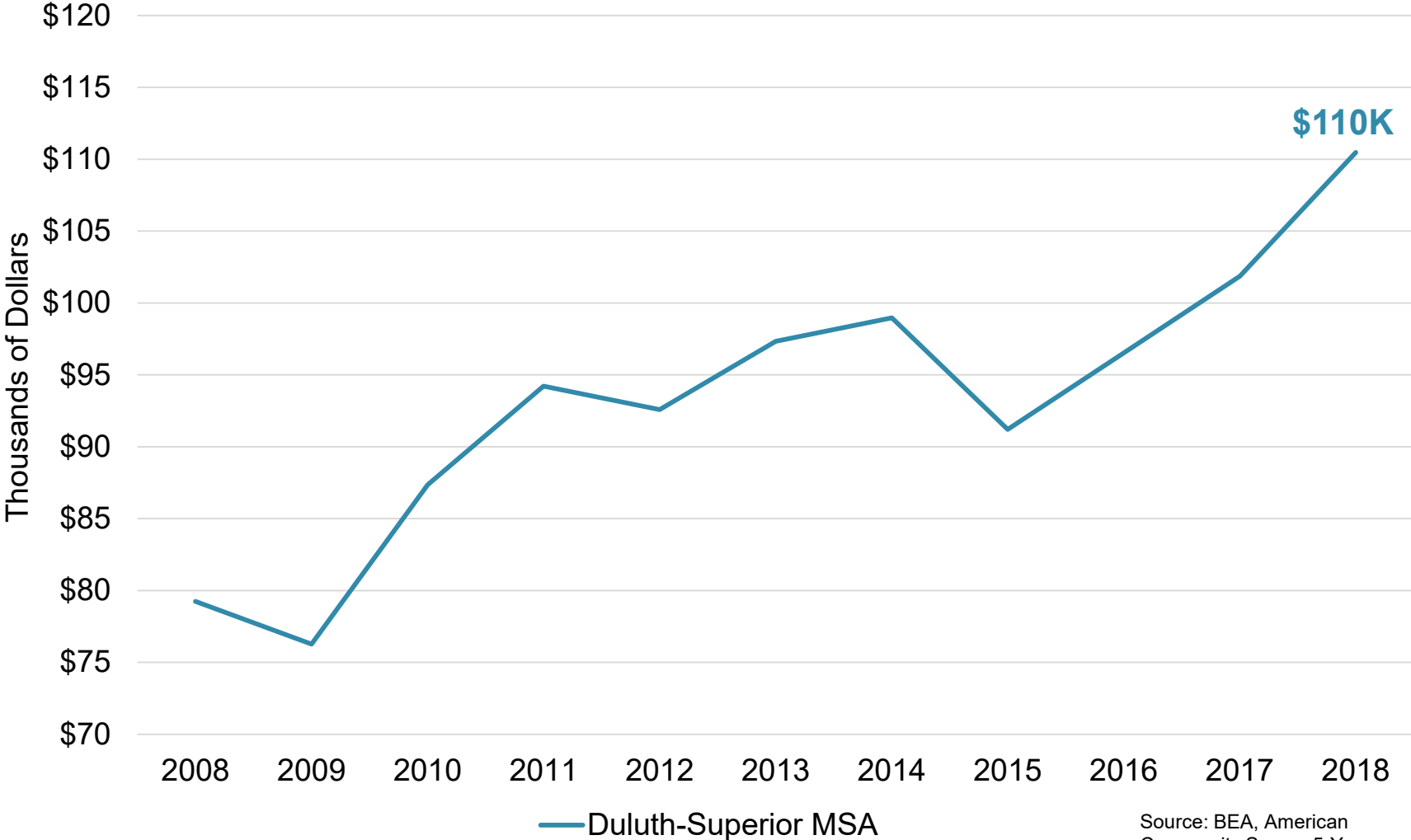
Gross Regional Product

-----

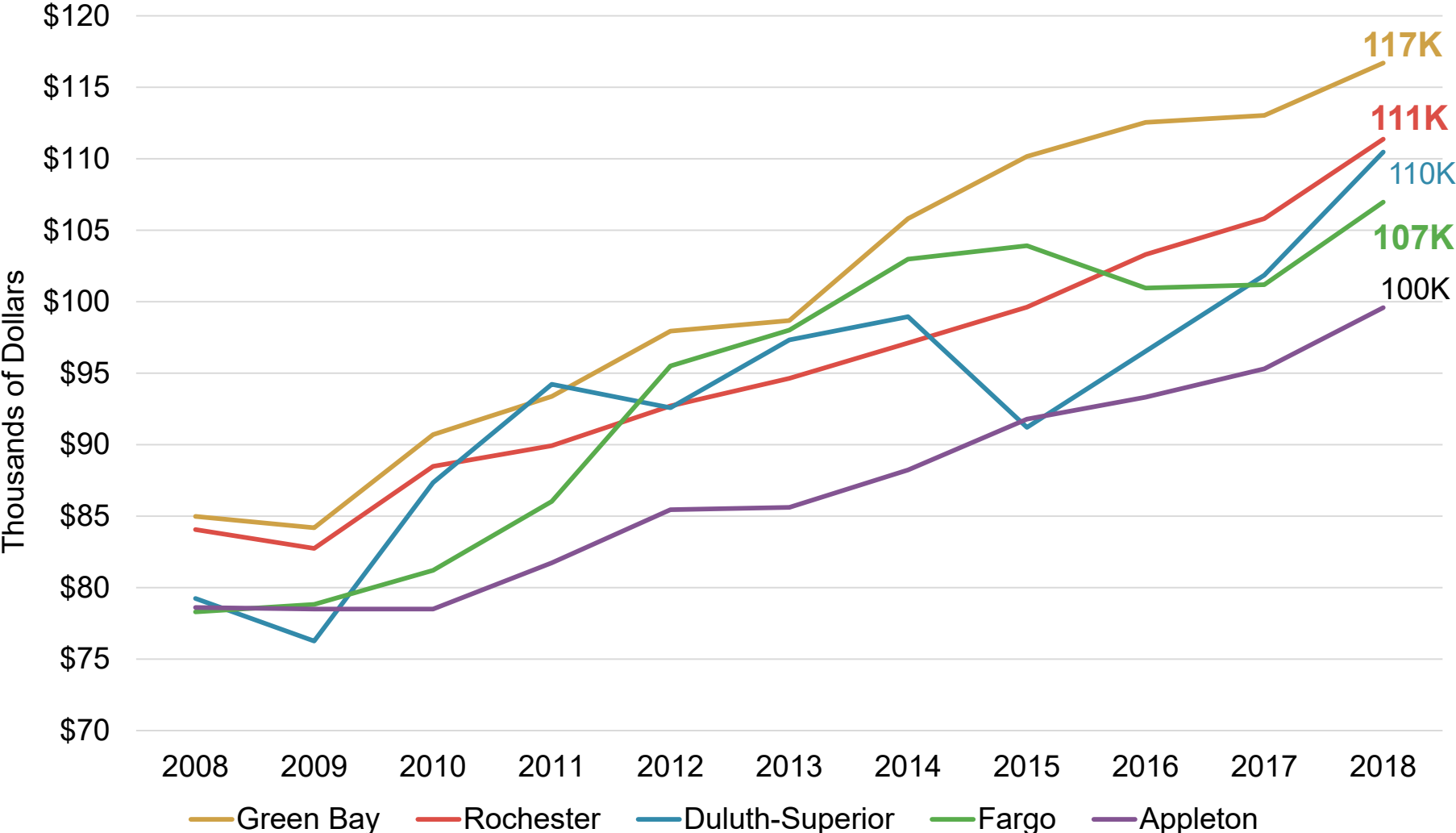
Labor Force Size

- Insight on the total value added of each labor force member
- Similar to GDP per capita but has some unique advantages

# GRP / LABOR FORCE MEMBER



# GRP / LABOR FORCE MEMBER



Source: BEA, American Community Survey 5-Year Estimates, 2020

# SUMMARY

- GRP grew in 2018 after three years of little to no growth.
- The Duluth-Superior MSA labor force has shrunk over the last three years.
- Duluth-Superior MSA has lower than average labor force participation rates.
- GRP/Labor force member is growing in the Duluth–Superior MSA but is slightly below Rochester and Green Bay.

# CONSUMER CONFIDENCE INDICATORS



**Angelica Remache**

University of Wisconsin-Superior



# STUDENT TEAM & DATA COLLECTION TIME

**Spring 2020:** 17 UW-Superior Student Researchers

**Majors:** Economics, Finance, Accounting, Marketing, Management, Political Science, International Business, Transportation & Logistics, Supply Chain Management

**Data Collection until March 9, 2020 (Black Monday):**  
76% of the Phone Surveys; 98% of the Email Surveys



# CONSUMER CONFIDENCE INDICATORS

***Consumer confidence: leading economic indicator***

## **Index of Consumer Sentiments (ICS)**

As consumer outlook on personal finances, business conditions and consumption spending

## **Index of Current Conditions (ICC)**

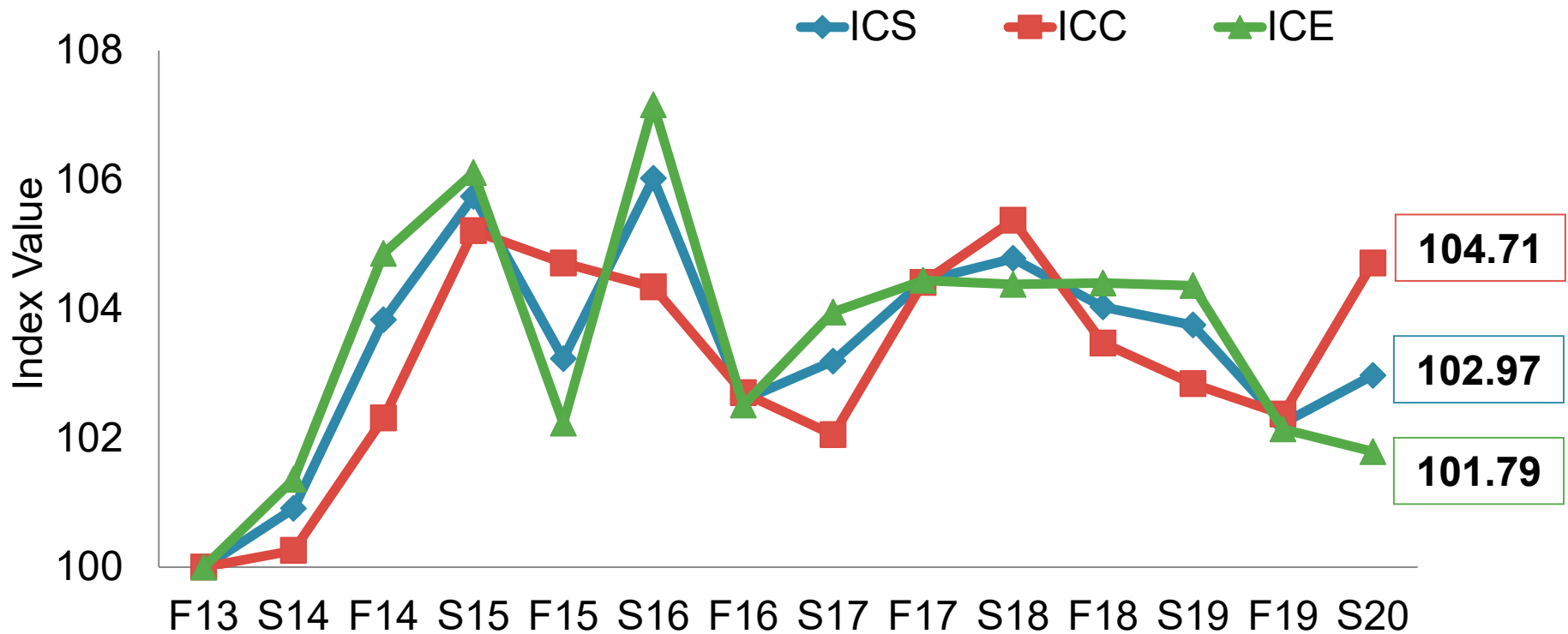
Gauges current state of the economy

## **Index of Consumer Expectations (ICE)**

Projects future economic and financial conditions

# CONSUMER CONFIDENCE INDICATORS

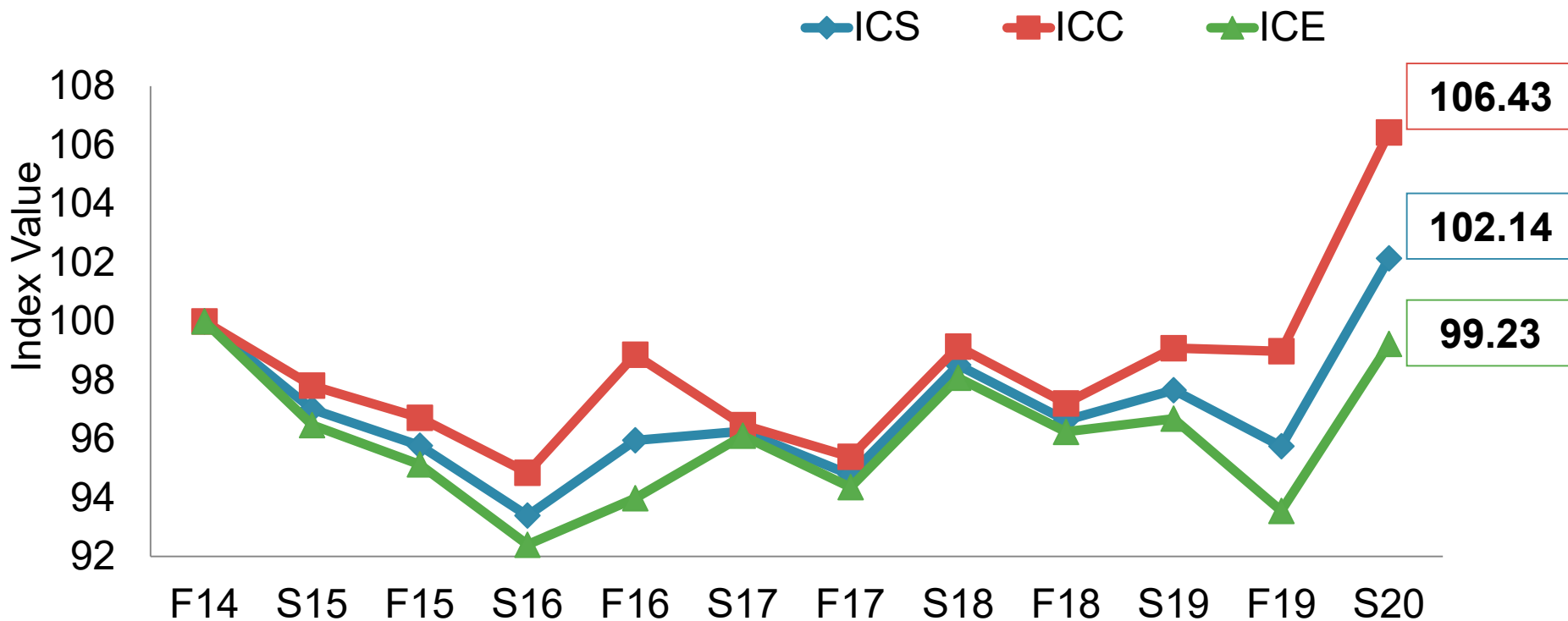
PUBLIC SURVEY (RANDOM SAMPLE): 120



Source: UWS Consumer Confidence Survey

# CONSUMER CONFIDENCE INDICATORS

**SURVEY OF REIF PARTICIPANTS (NON-RANDOM SAMPLE): 52**



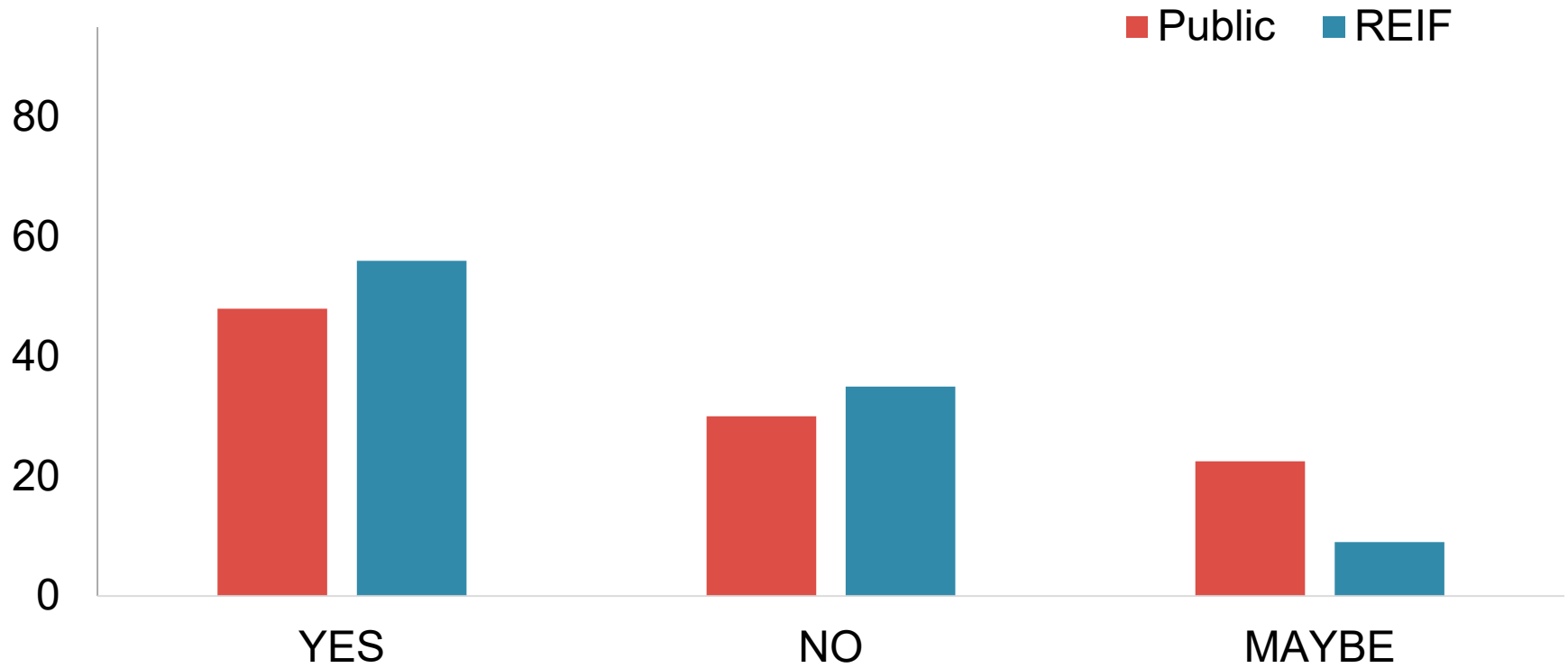
Source: UWS Consumer Confidence Survey

# CONSUMER CONFIDENCE INDICATORS

Indicator	Public Survey (Random)	REIF Survey (Non-Random)
ICS	Rising optimism about short-term economic outlook	Rising optimism about short-term economic outlook
ICC	Strong current state of the economy	Strong current state of the economy
ICE	Expectations of future economic slowdown	Expectations of continued economic expansion

# REIF REGION: WAGE RISE IN THE LAST 12 MONTHS

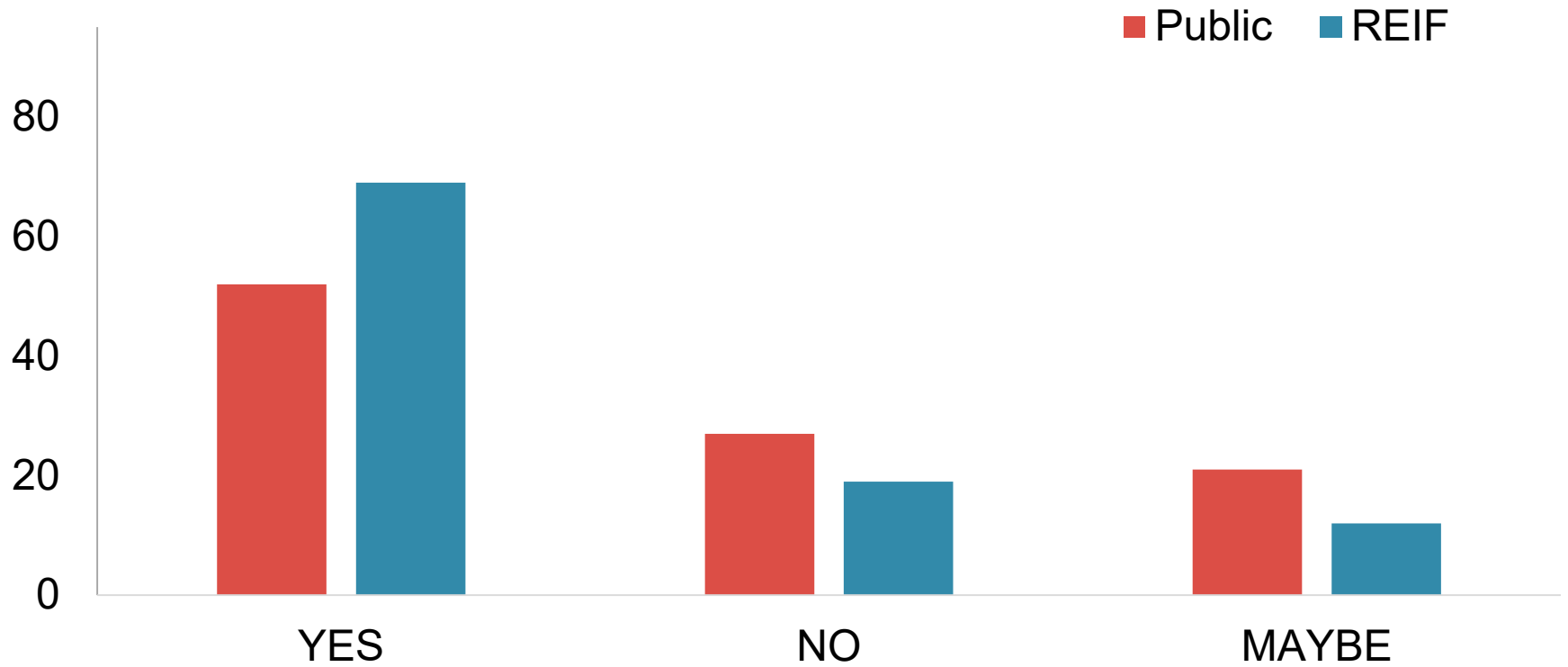
PERCENTAGE of RESPONDENTS



Source: UWS Consumer Confidence Survey

# REIF REGION: PRICE RISE IN THE LAST 12 MONTHS

PERCENTAGE of RESPONDENTS



Source: UWS Consumer Confidence Survey

# SUMMARY OF CONSUMER SURVEY

<b>Consumer Confidence Indicators</b>	<p>Strong positive outlook about the current state of the regional economy</p> <p>Mixed expectations about future economic conditions</p> <p>Majority of the data was collected before March 9, 2020 (Black Monday)</p>
<b>REIF Region Wages &amp; Prices</b>	<p>Majority agree that both wages and prices have risen in the last 12 months</p>

# REGIONAL EQUITY INDEX



**Michael Huttner**

University of Wisconsin-Superior





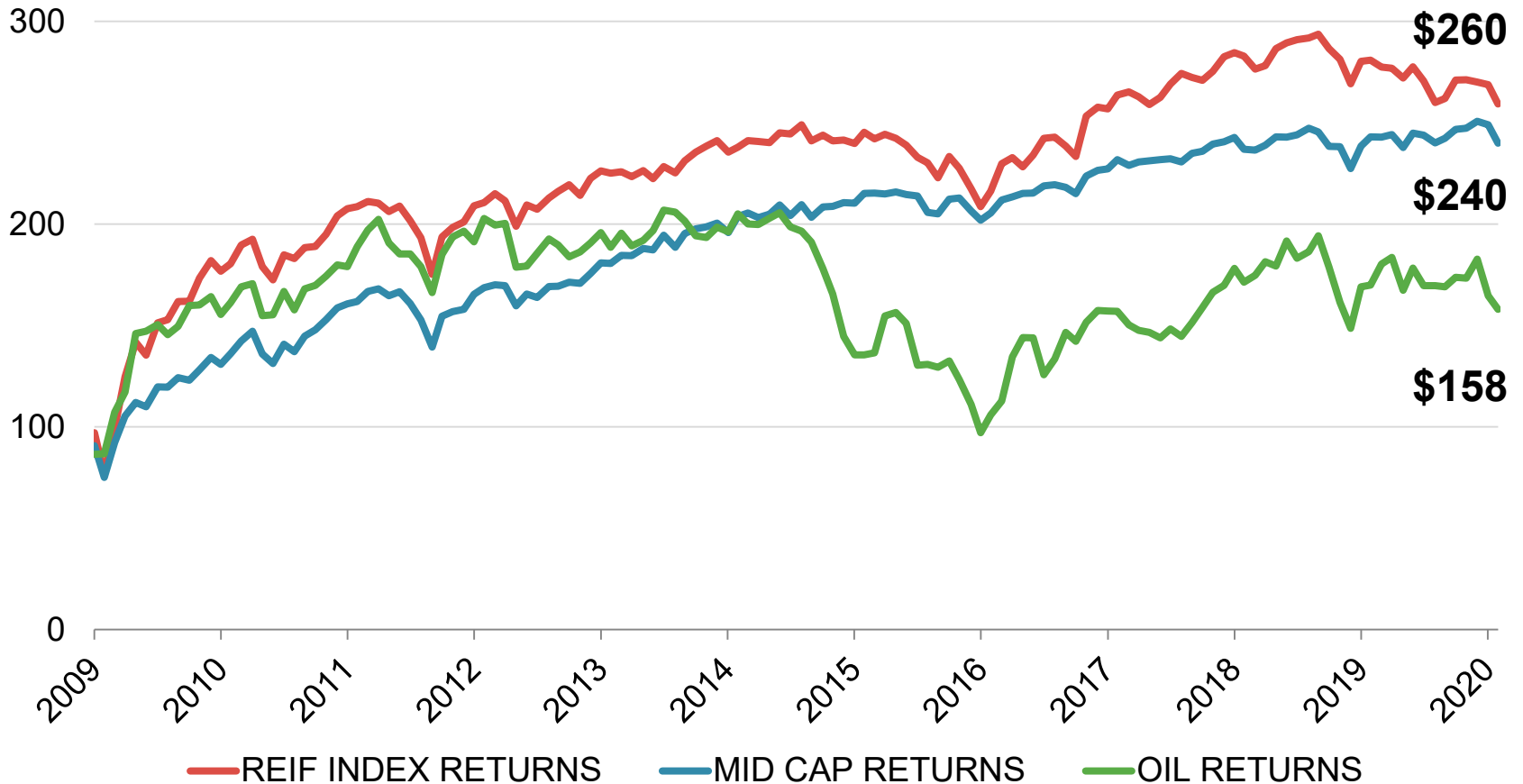
# EQUITY PERFORMANCE ANALYSIS

## STOCKS OF LOCAL INTEREST

- Allete
- Armstrong World Industries
- Ascena Retail Group
- Calumet
- Canadian National Railway
- Charter Communications
- Cliffs Natural Resources
- Enbridge Energy Partners
- Husky Energy
- Louisiana-Pacific
- Marriott International
- Morgan Stanley
- Polymet
- UnitedHealth Group
- US Steel

# GROWTH OF \$100

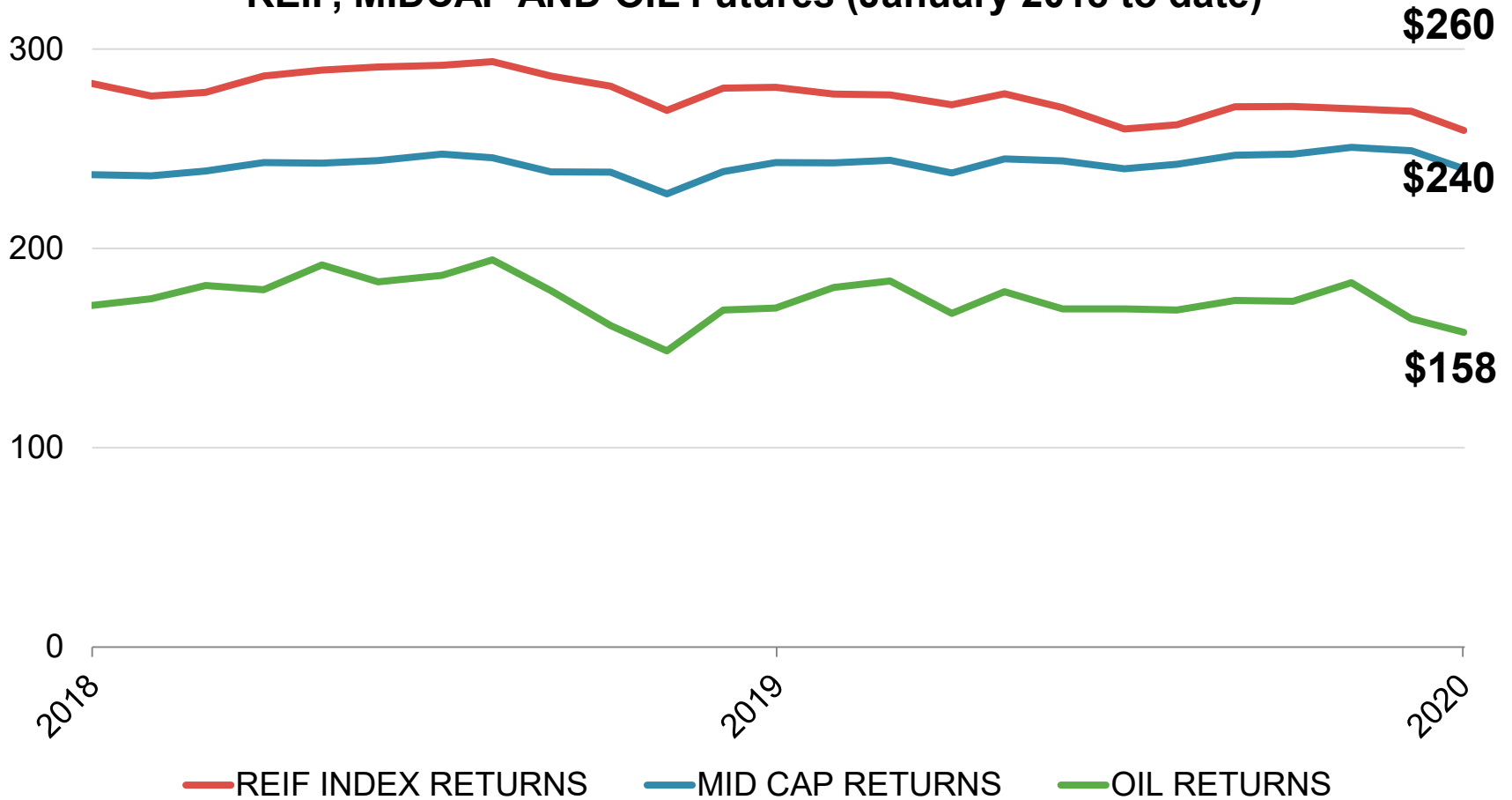
REIF, MIDCAP AND OIL Futures (January 2009 to date)



Source: UW-Superior REI Analysis using Yahoo Finance data

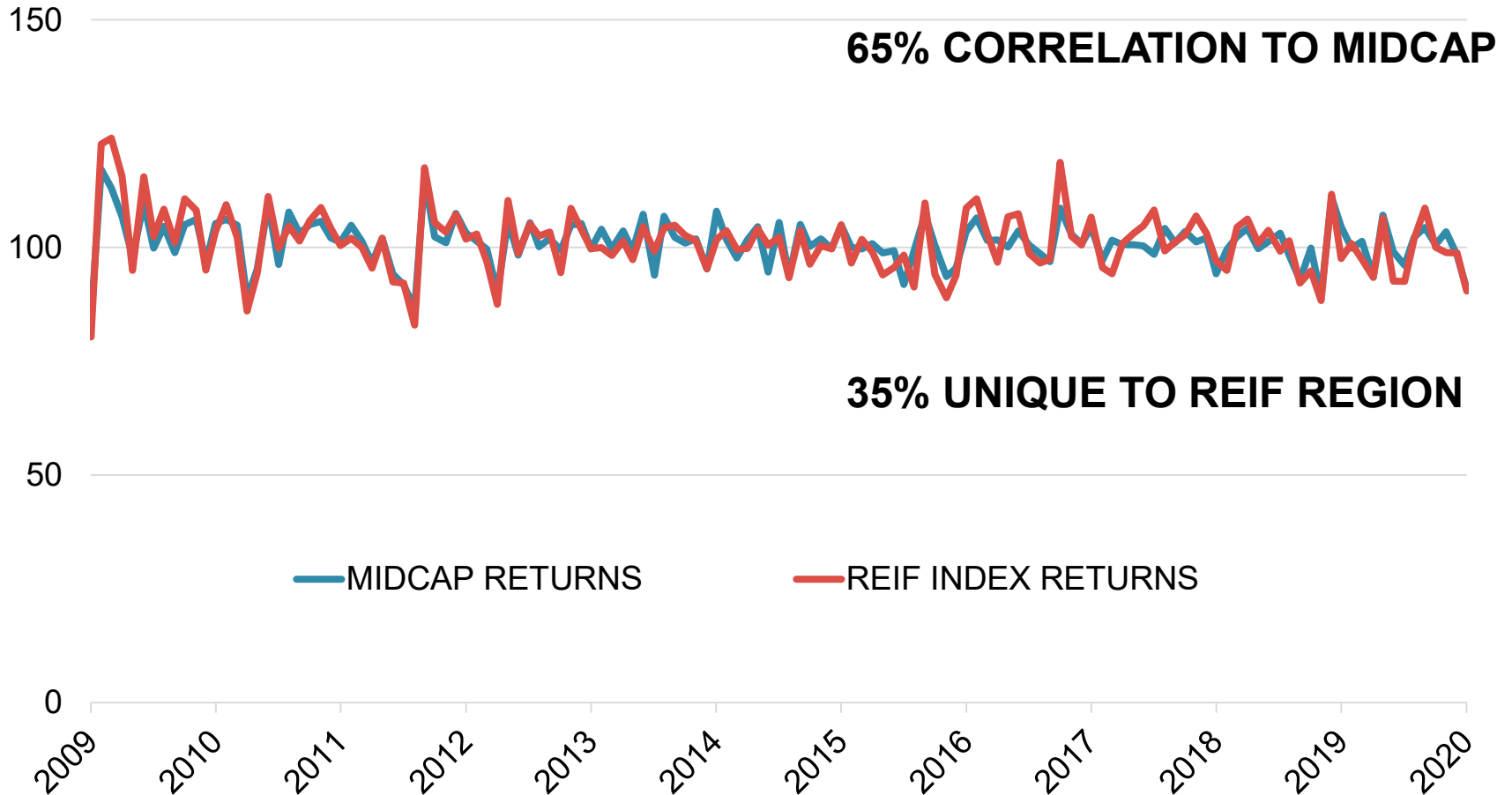
# GROWTH OF \$100

REIF, MIDCAP AND OIL Futures (January 2018 to date)



Source: UW-Superior REI Analysis using Yahoo Finance data

# REIF AND MID-CAP CORRELATION



Source: UW-Superior REI Analysis using Yahoo Finance data

# SUMMARY OF FINDINGS

## ANALYST OPINIONS

### MORNINGSTAR®

- P/E RATIO
  - Prices lower than the industry standard but slightly higher than before
- FORWARD EARNINGS
  - Expected to increase slightly
- SHORT RATIO
  - Index average decrease to 4.91

### VALUELINE®

- PERFORMANCE
  - Outperform
- SAFETY
  - Mirror the market
- TECHNICAL
  - Mirror the market
- PRICE STABILITY
  - Slightly Outperform
- PRICE GROWTH
  - Slightly Below Average

# REIF FIRMS: BY SECTOR & INDUSTRY

Sector	REIF Firm(s)
Materials (4)	Cliffs Natural Resources
	Louisiana-Pacific
	Polymet
	United States Steel
Energy (3)	Calumet
	Enbridge
	Husky
Consumer Cyclical (2)	Ascena Retail Group
	Marriott International
Utilities (1)	Allete
Basic Materials (1)	Armstrong World Industries
Industrials (1)	Canadian National Railway
Communications (1)	Charter Communications
Financials (1)	Morgan Stanley
Health Care (1)	UnitedHealth Group

# ADDITIONAL FINDINGS

## OVERALL IMPLICATIONS

- REI vs S&P MID CAP 400
  - REI is expected to slightly outperform
- Limited technological and industrial sectors in the region limits diversification
- Regression analysis shows more price volatility, but higher returns

# BUSINESS CONFIDENCE INDICATORS



College

**Krista Heller and Ethan Rundquist**

Accounting, Finance and Economics Department





# OVERVIEW

## **Business Sectors Represented**

Leisure and Hospitality	39
Professional & Business Services	35
Education & Health Services	32
Trade, Transportation and Utilities	23
Other Sectors	51

## **Number of Employees**

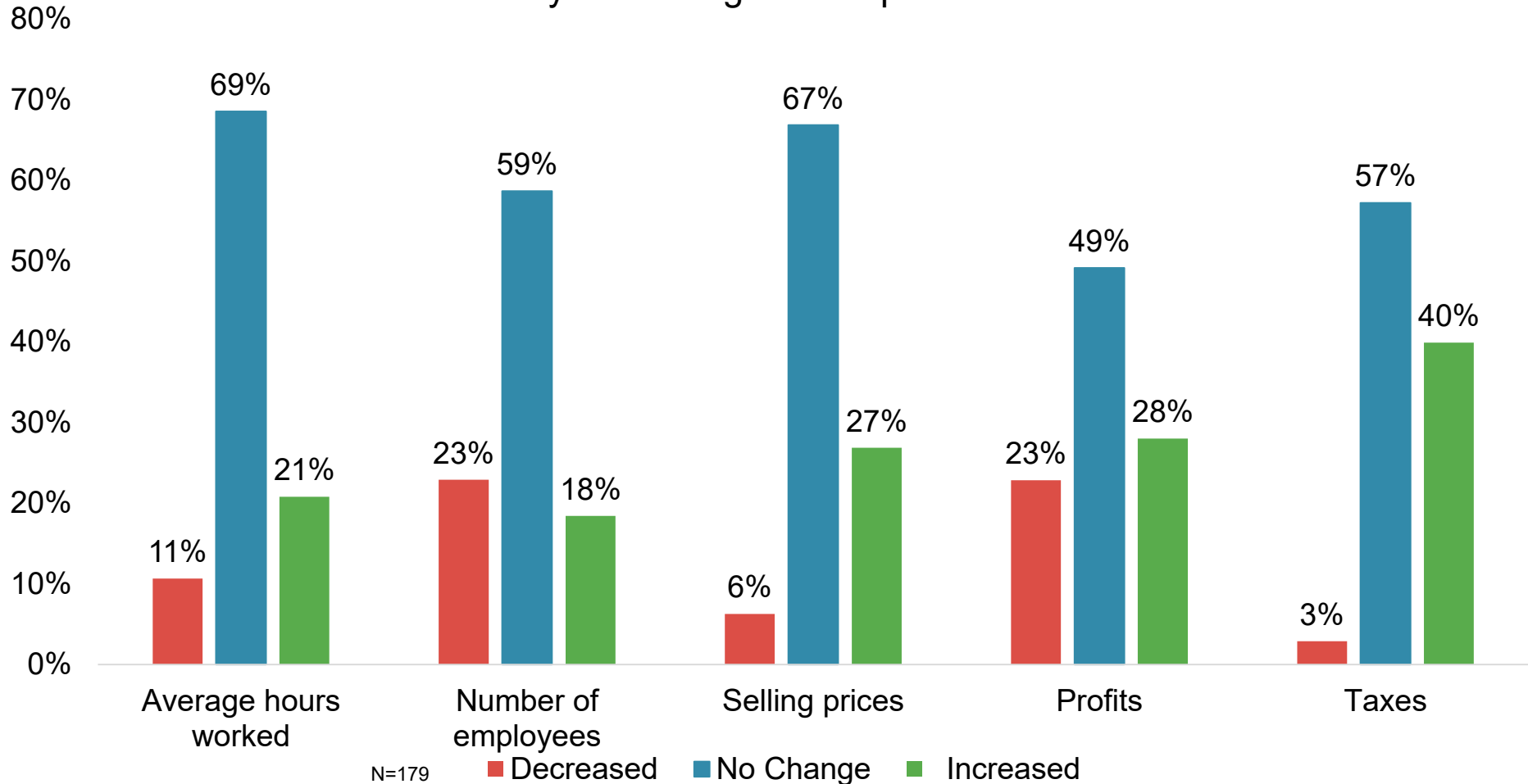
1 to 19	106
20 to 99	51
100 or more	23

N=180

# SPECIFIC CONFIDENCE INDICATORS

## Previous Six Months

By Percentage of Respondents

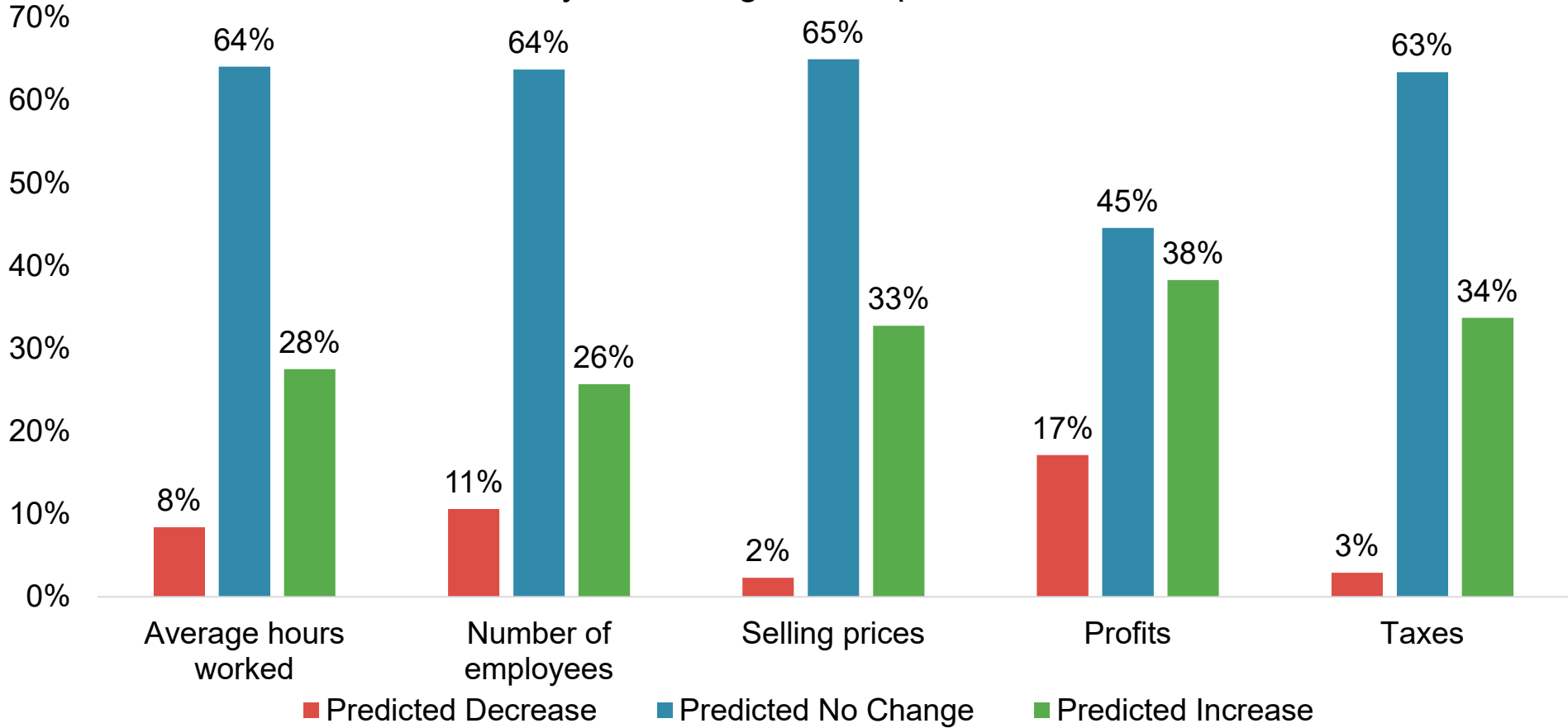


Source: CSS Spring 2020 Business Confidence Survey

# SPECIFIC CONFIDENCE INDICATORS

## Next Six Months

By Percentage of Respondents



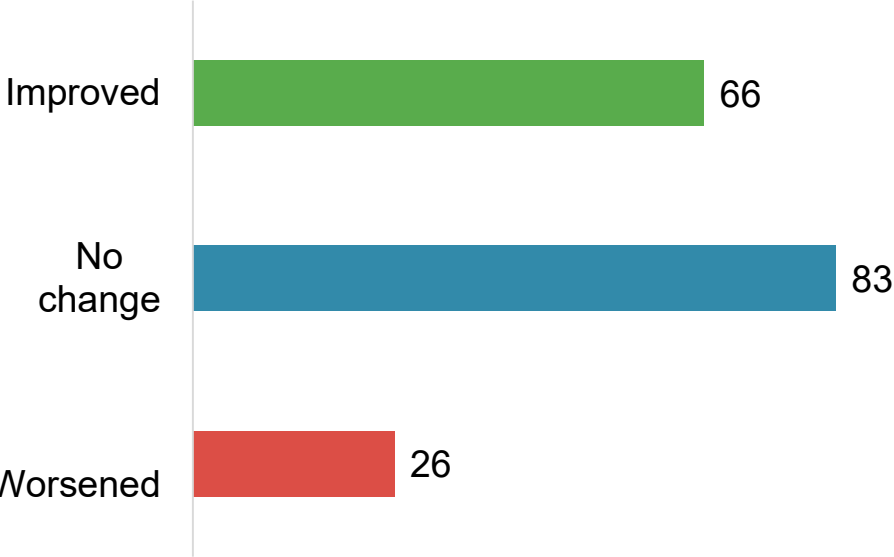
N=179

Source: CSS Spring 2020 Business Confidence Survey

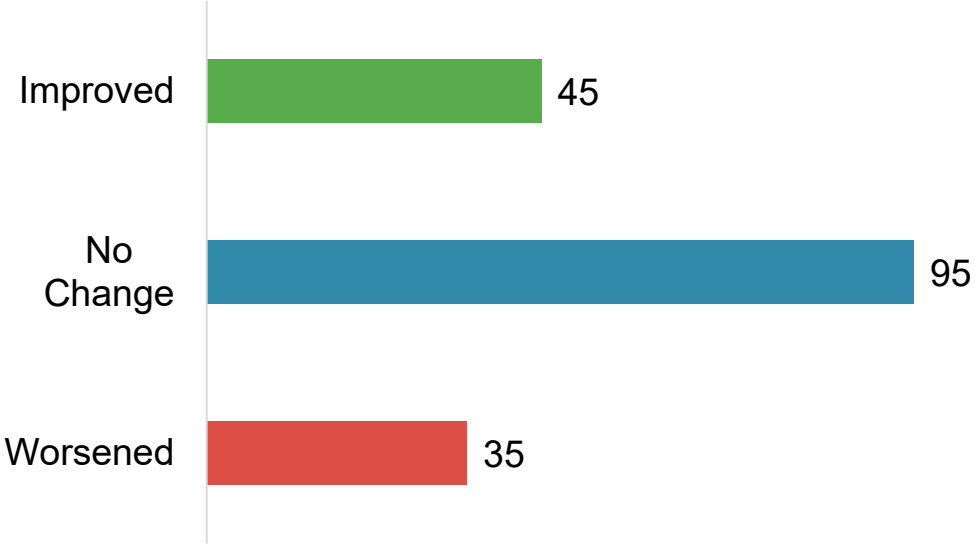
# GENERAL BUSINESS CONDITIONS

Previous 6 Months

**What is your evaluation of the level of your business's activity?**



**How has your business environment changed?**



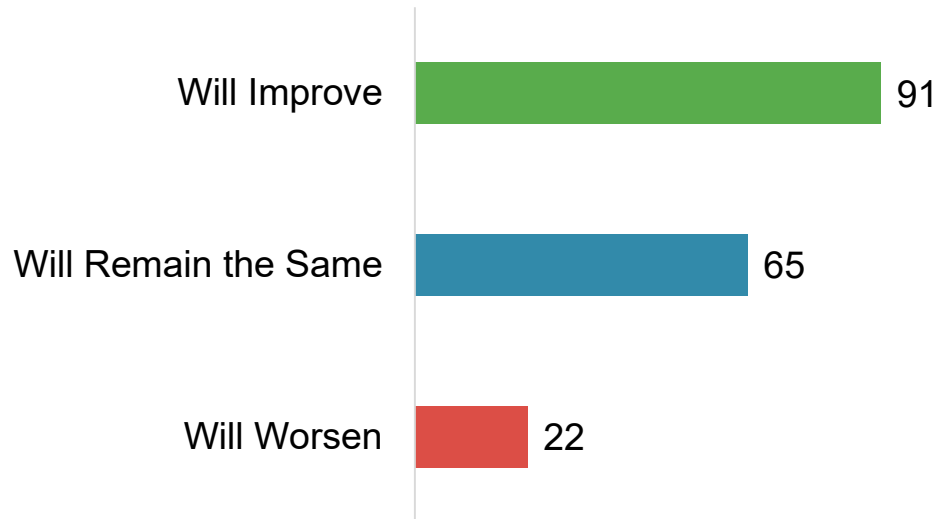
N=175

Source: CSS 2020 Business Confidence Survey

# GENERAL BUSINESS CONDITIONS

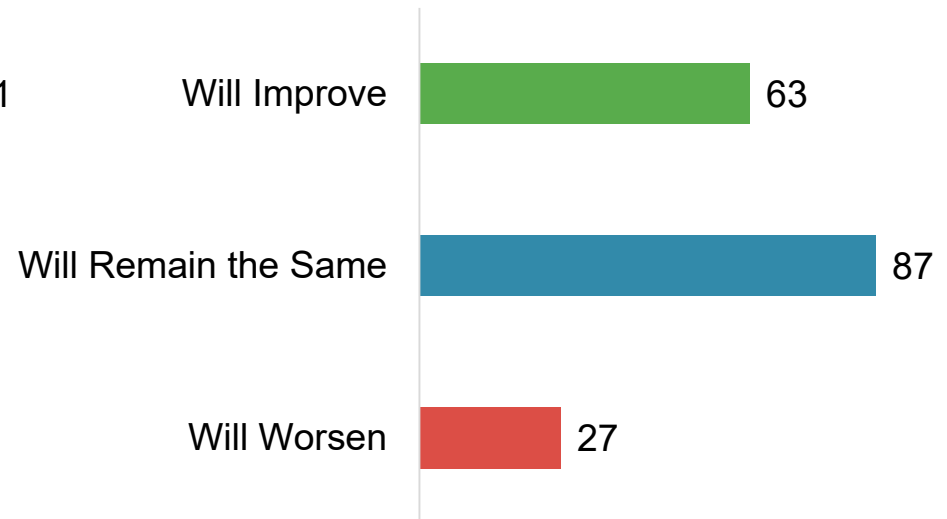
Next 6 Months

**What is your outlook for your business's activity?**



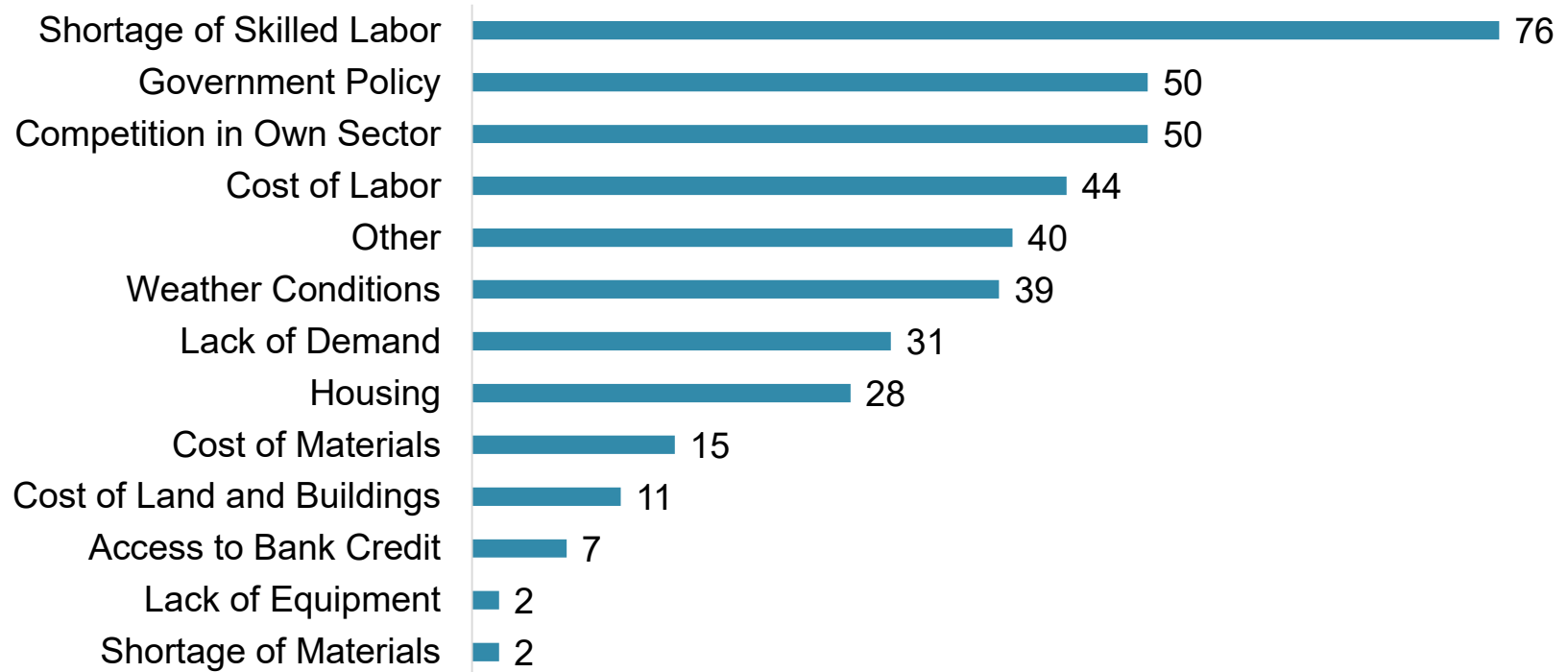
N=178

**How will your business environment change?**



Source: CSS 2020 Business Confidence Survey

# FACTORS LIMITING INCREASED BUSINESS ACTIVITY



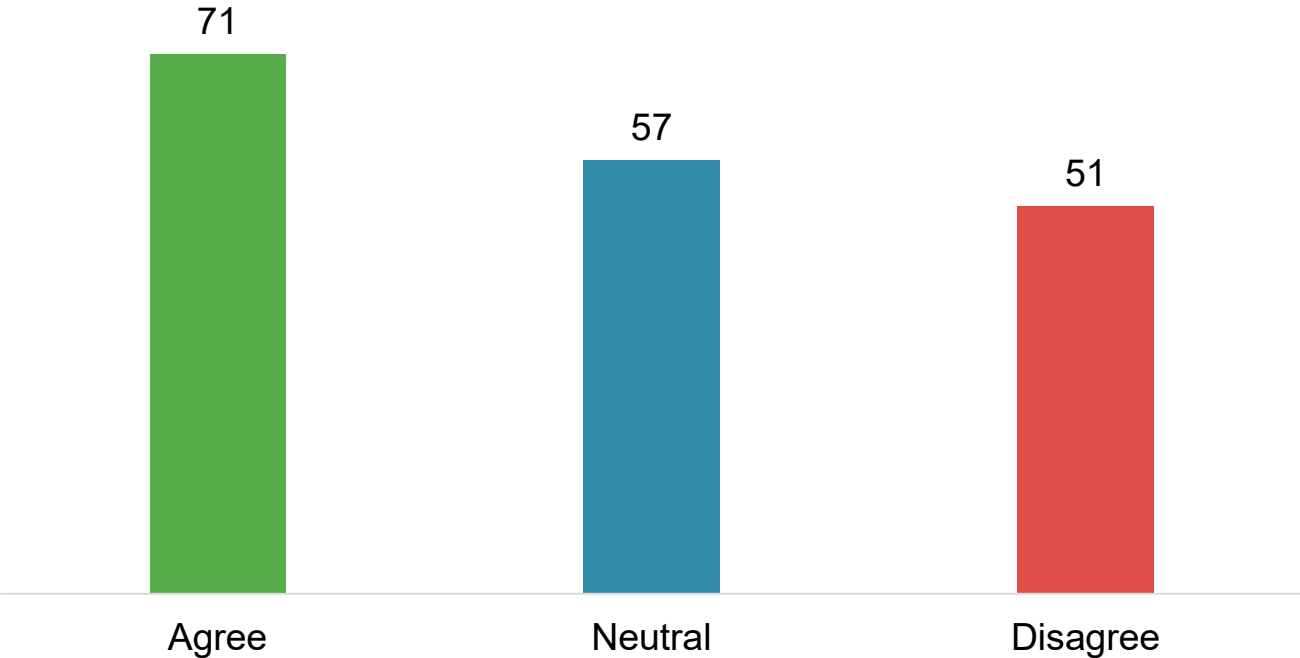
Number of Respondents

n = 179; up to 3 per respondent

Source: CSS 2020 Business Confidence Survey

# CAUSES OF UNFILLED POSITIONS

## Lack of Qualified/Skilled/Experienced Candidates

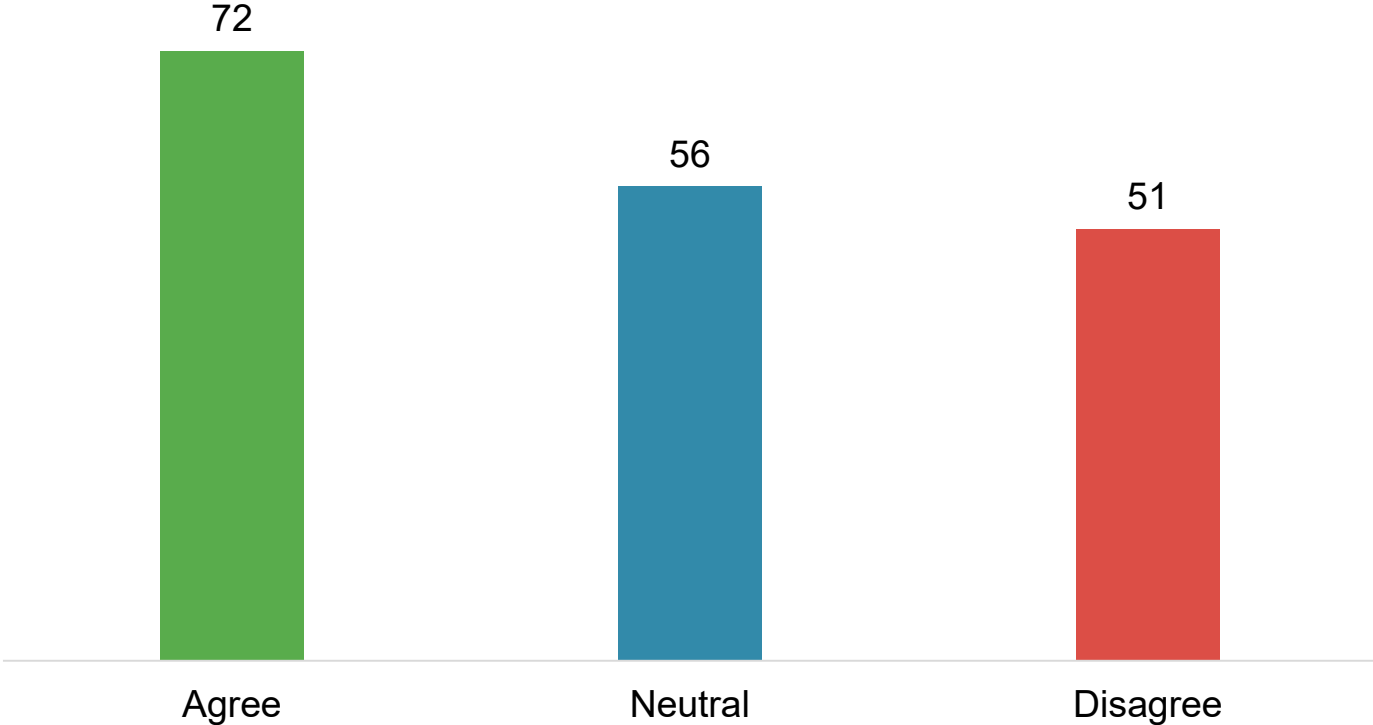


N=179

Source: CSS 2020 Business Confidence Survey

# CAUSES OF UNFILLED POSITIONS

## Lack of Willing/Interested Candidates



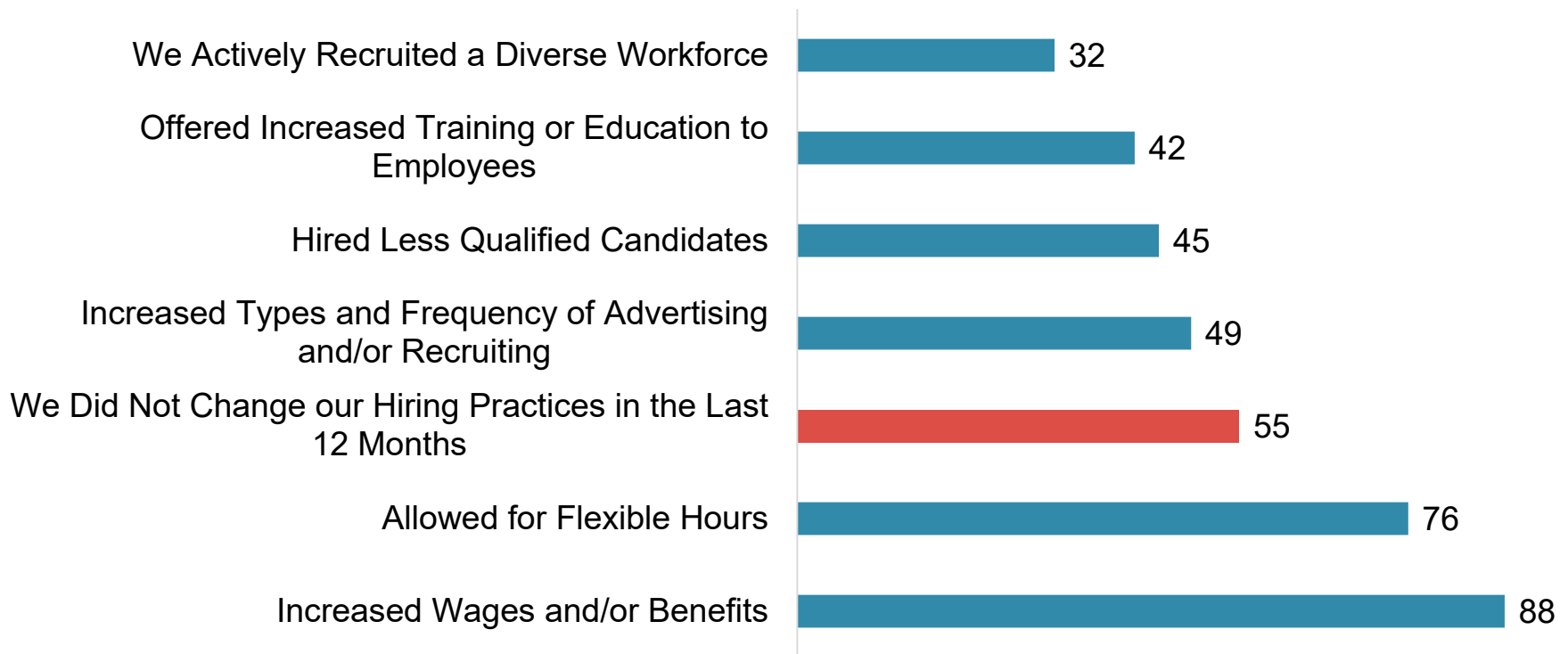
N=179

Source: CSS 2020 Business Confidence Survey



# CHANGES IN HIRING PROCESSES

**What actions were taken by businesses in the last 12 months to prevent or alleviate hiring difficulties?**



N= 178; Up to 6 per respondent

Source: CSS 2020 Business Confidence Survey

# RESOURCES

## National Bank of Commerce

nbcbanking.com

## The College of St. Scholastica

Rick Revoir, Ed.D.  
Dean, Stender School of  
Business and Technology  
rrevoir@css.edu

Erica Henkel, CPA  
Assistant Professor of Finance  
and Economics  
ehenkel@css.edu

## University of Minnesota Duluth

Monica Haynes  
Director of the Bureau of Business  
and Economic Research  
mrhaynes@d.umn.edu

## University of Wisconsin Superior

Rubana Mahjabeen, Ph.D.  
Associate Professor of Economics  
rmahjabe@uwsuper.edu

Sakib Mahmud, Ph.D.  
Associate Professor in Sustainable  
Management and Economics  
smahmud@uwsuper.edu

David Koslowsky, Ph.D.  
Assistant Professor of Finance  
dkoslow@uwsuper.edu

**DUE TO COVID-19, WE HAD  
SUSPENDED THIS REIF BREAKFAST**

**WE WILL UPDATE YOU  
ON THE NEXT REIF EVENT**

