



BREAKFAST
October 31, 2018

• PRESENTED BY •

National Bank of Commerce



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Wealth
Management

ECONOMIC TRENDS IMPACTING THE REGION



UNIVERSITY OF MINNESOTA DULUTH

Driven to Discover

Hattie Ecklund

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



GRP/LABOR FORCE

GROSS REGIONAL PRODUCT

LABOR FORCE SIZE

- Productivity of each labor force member in the region
- Similar to GDP per capita but has some unique advantages

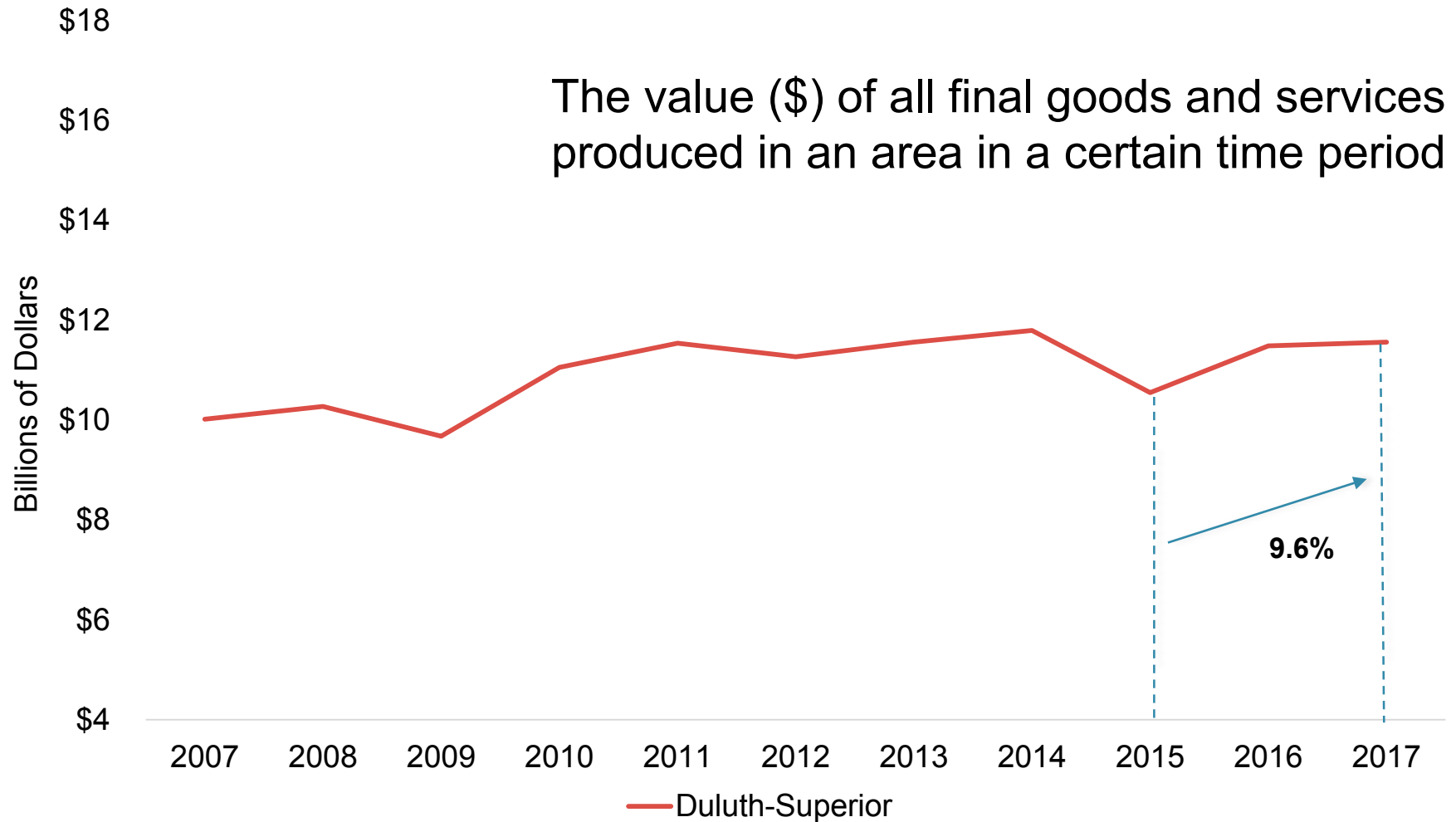
DULUTH-SUPERIOR PEER AREAS

Peer metropolitan statistical areas (MSAs) chosen through similarities in geographic size, regional output, population and other factors

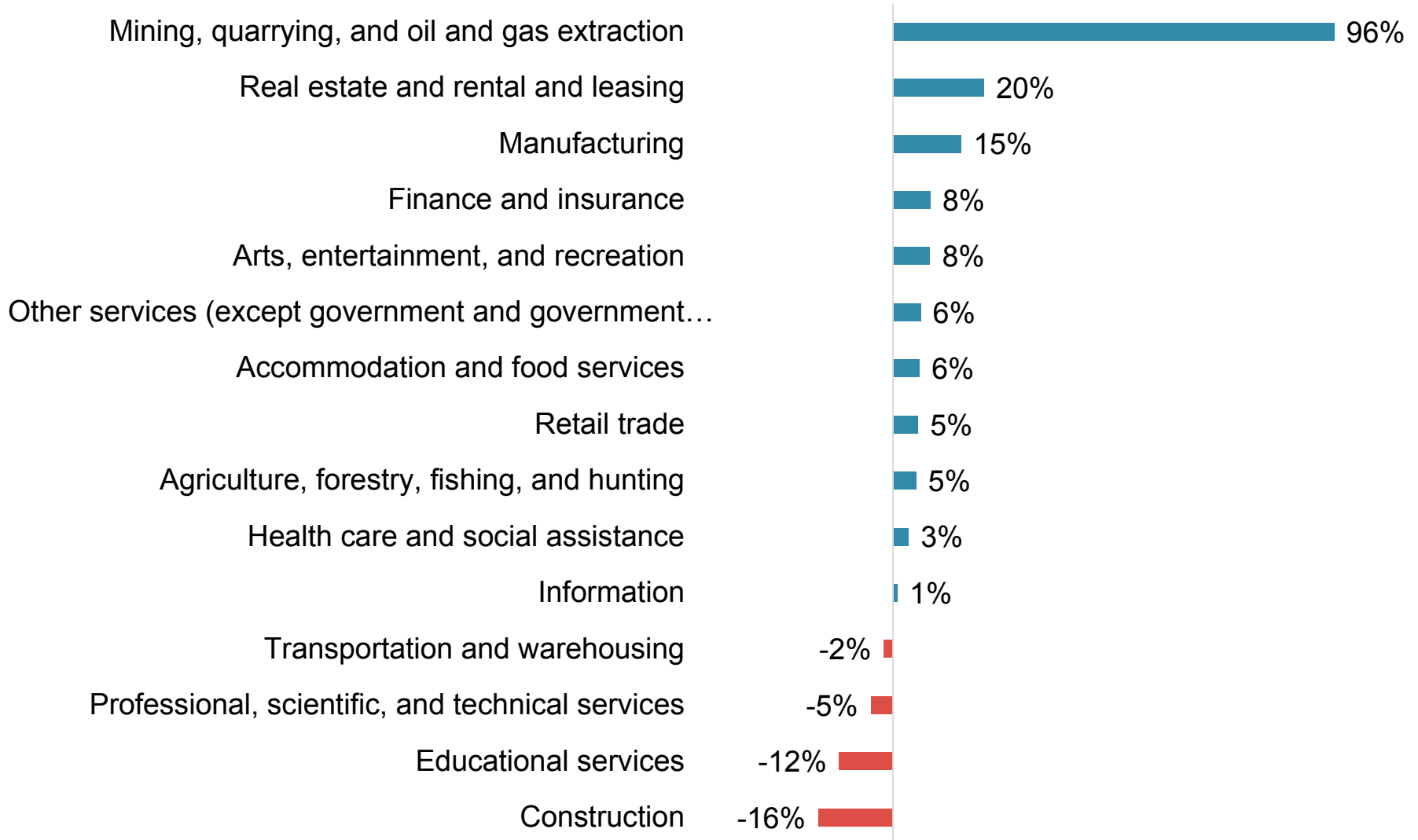
- Fargo, ND
- Green Bay, WI
- Rapid City, SD
- Rochester, MN
- Sioux Falls, SD



GROSS REGIONAL PRODUCT

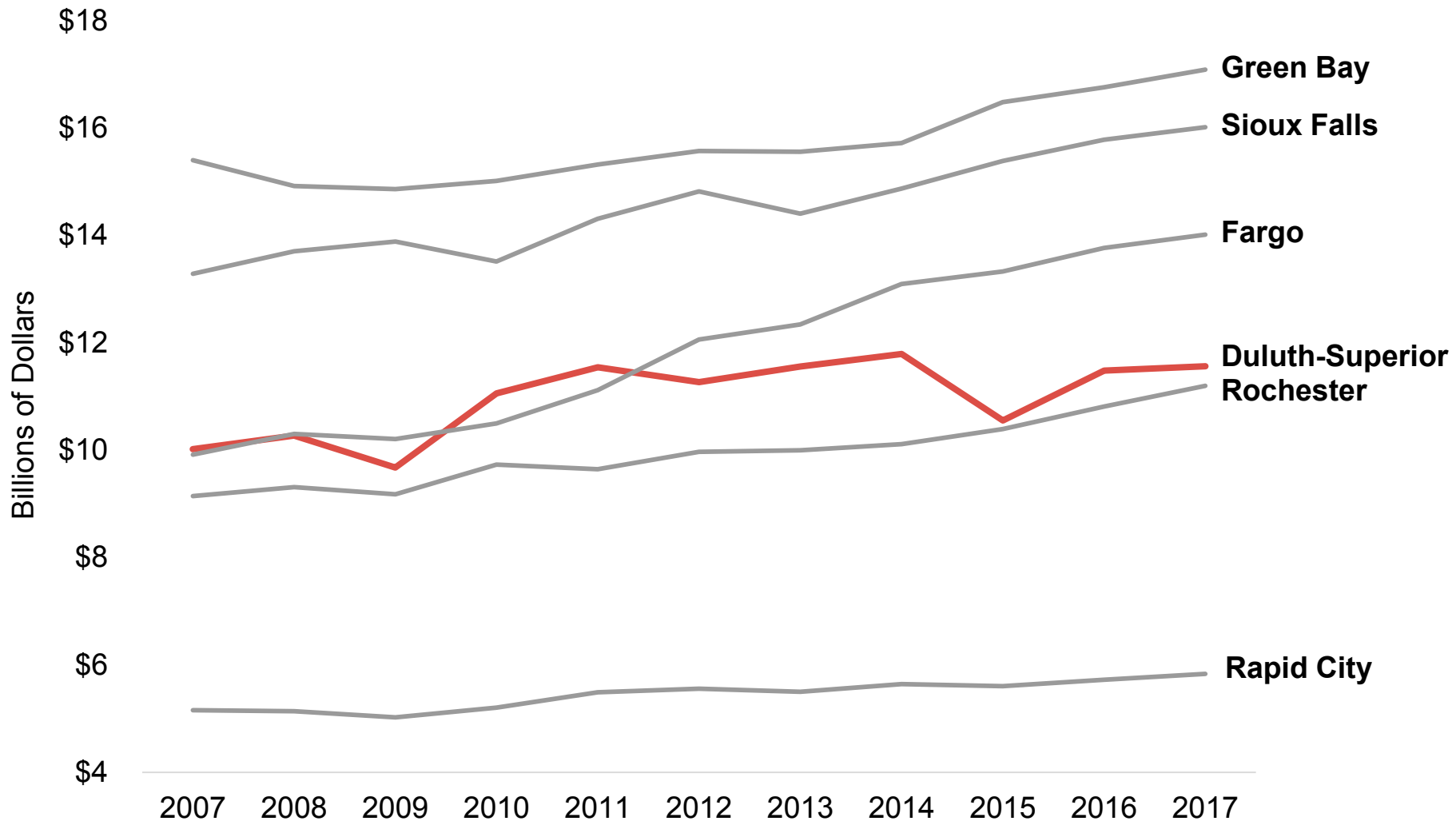


GRP INDUSTRY GROWTH (2015-2017)





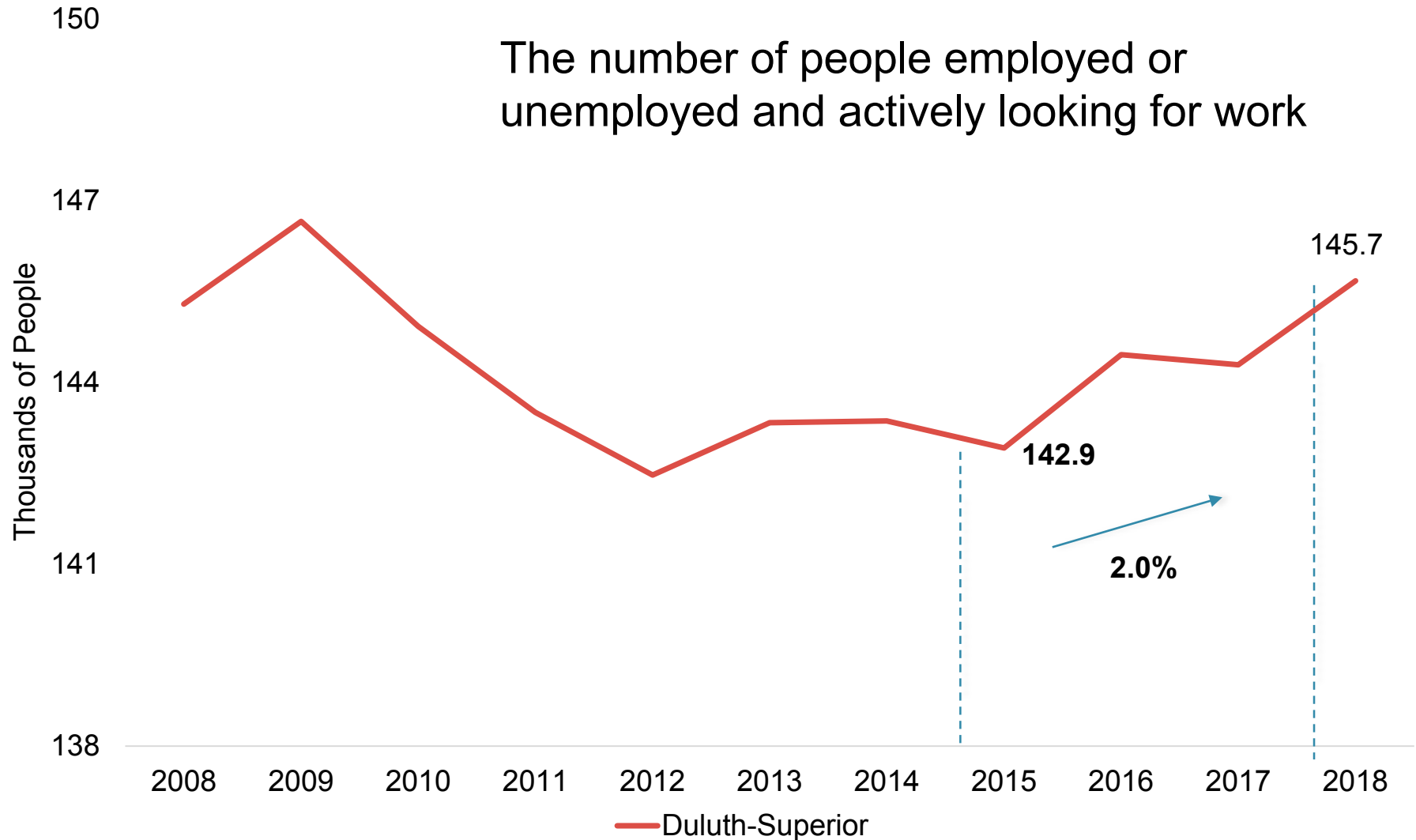
GROSS REGIONAL PRODUCT





LABOR FORCE

The number of people employed or unemployed and actively looking for work



Source: LAUS, FRED, 2018

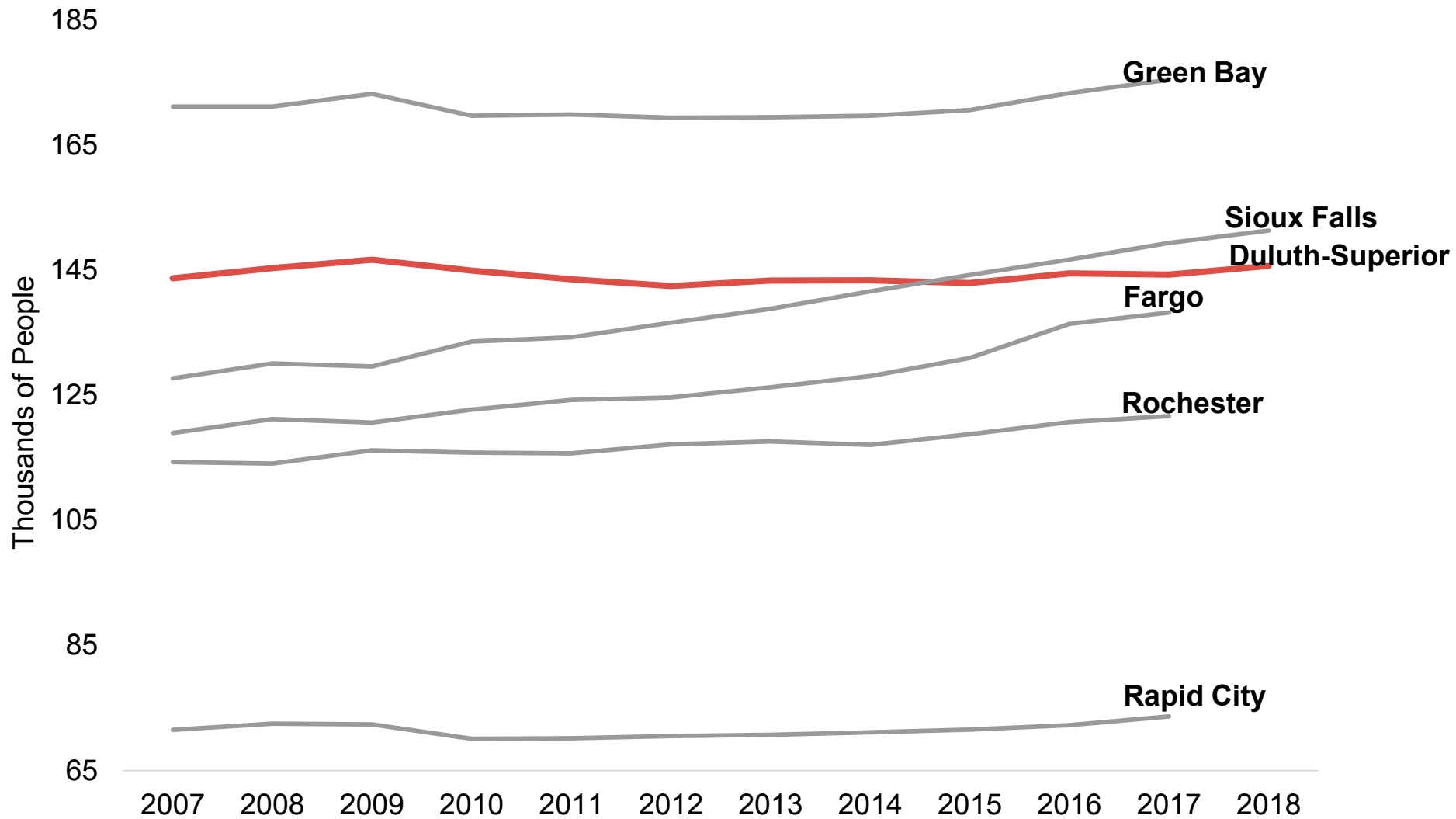
LABOR FORCE GROWTH (2015-2017)

Demographic groups with growth in the labor force

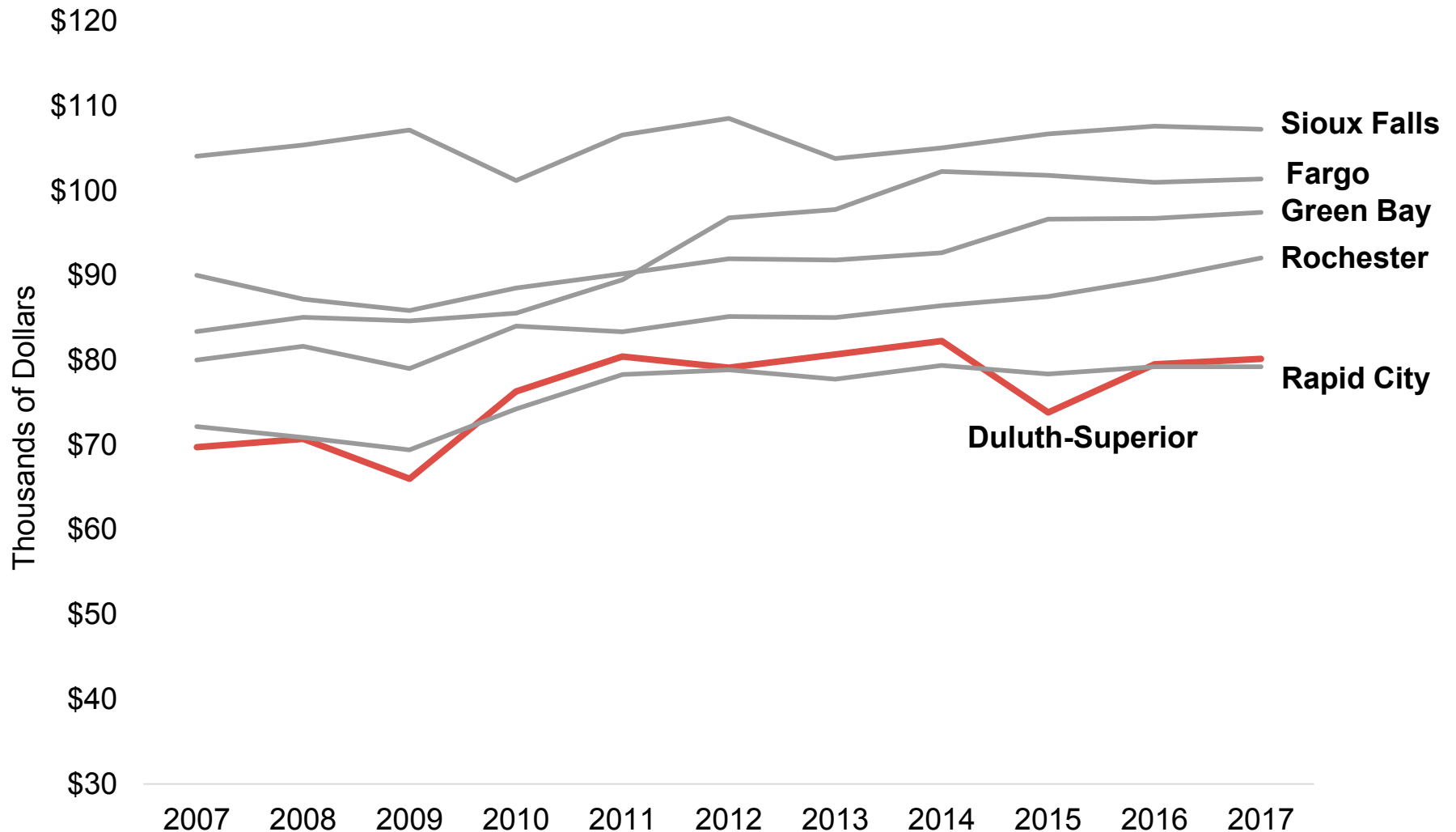
- Workers ages 35-44
- Workers age 55-59
- Females 20-64
- Females 20-64 with children
- Population with a bachelor's degree or higher



LABOR FORCE



GRP / LABOR FORCE MEMBER



SUMMARY

- Gross regional product has seen nearly 10% growth from 2015-2017.
- Growth in GRP was led by mining, real estate, and manufacturing.
- Labor force size has increased by 2% from 2015-2018.
- Labor force growth primarily driven by older workers, women, and those with a bachelor's degree or higher.
- Duluth-Superior MSA has a large labor force relative to its GRP.

CONSUMER CONFIDENCE INDICATORS



Opeyemi Omiwale

University of Wisconsin-Superior



CONSUMER CONFIDENCE INDICATORS

- **INDEX OF CONSUMER SENTIMENT (ICS)**

Consumer outlook on personal finances, business conditions and consumption spending

- **INDEX OF CURRENT CONDITIONS (ICC)**

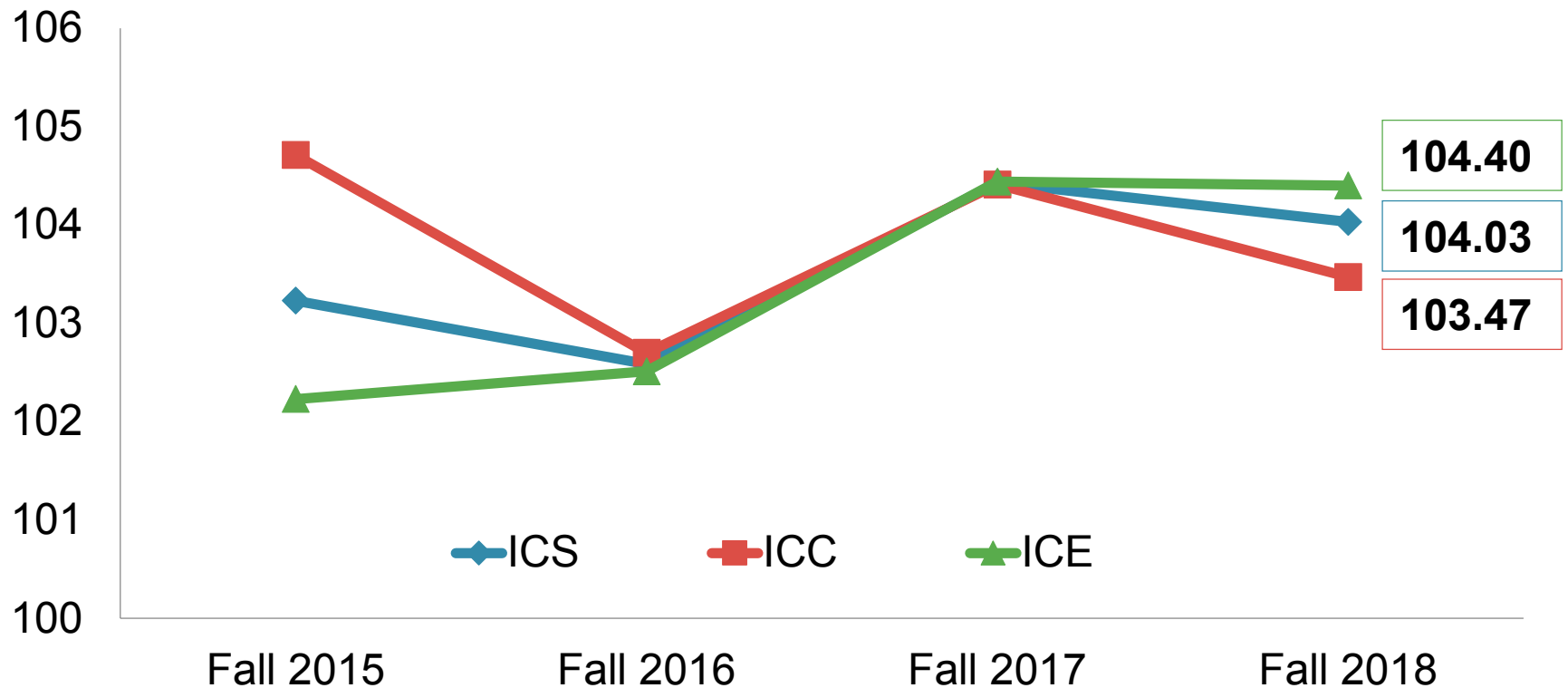
Gauges current state of the economy

- **INDEX OF CONSUMER EXPECTATIONS (ICE)**

Projects future economic and financial conditions

CONSUMER CONFIDENCE INDICATORS

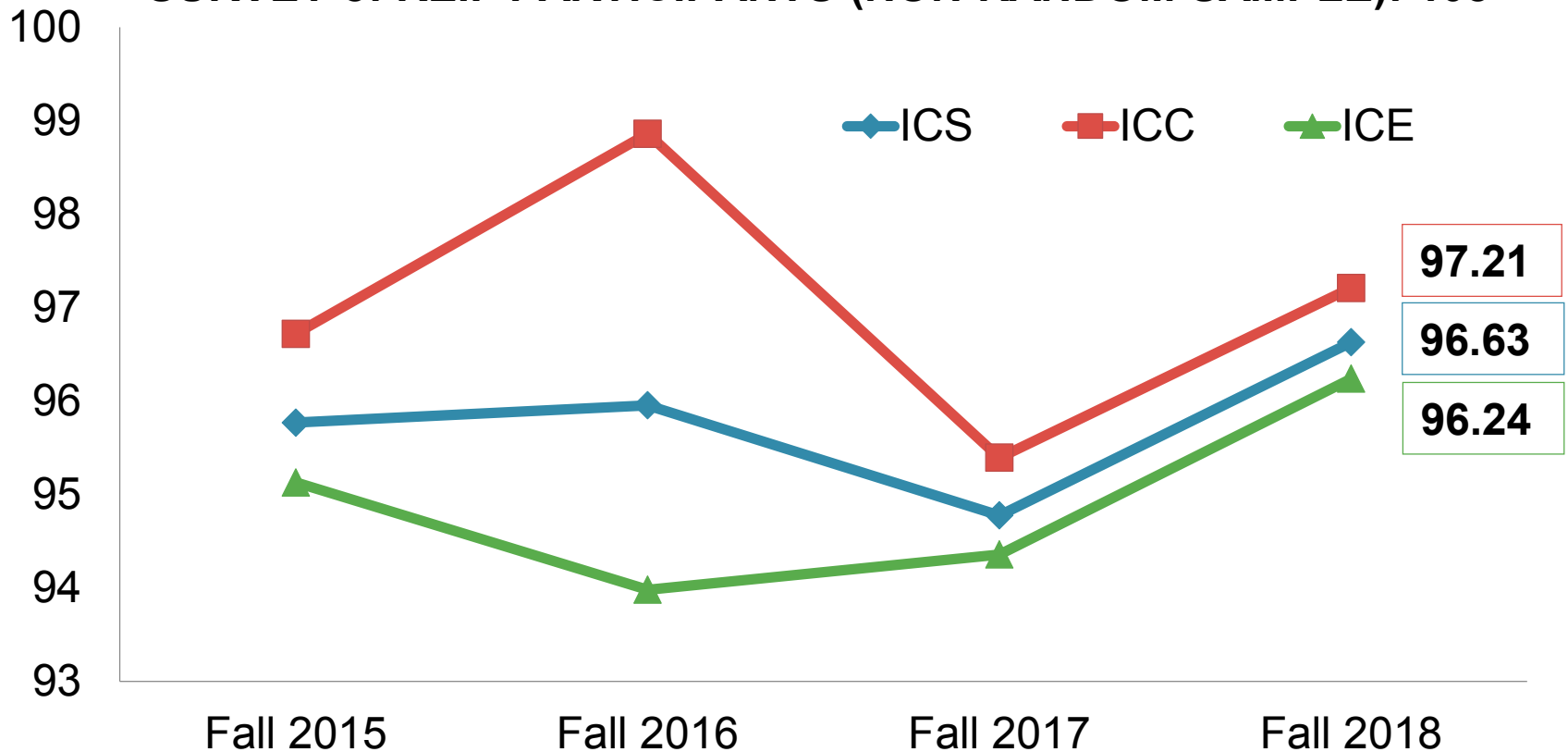
PUBLIC SURVEY (RANDOM SAMPLE): 131






Source: UWS Consumer Confidence Survey

CONSUMER CONFIDENCE INDICATORS

SURVEY of REIF PARTICIPANTS (NON-RANDOM SAMPLE): 108



CONSUMER CONFIDENCE INDICATORS

Indicator	Public Survey (Random)	REIF Survey (Non-Random)
ICS 	Optimistic short-term economic outlook	Rising optimism about short-term economic outlook
ICC 	Slightly cautious about current economic condition	Strong current state of the economy
ICE 	Expectations of economic expansion	Expectations of economic expansion

SUMMARY OF CONSUMER SURVEY

Consumer Confidence Indicators

Overall positive sentiments about the economy and optimism about future economic and financial conditions among random households and past REIF participants

REGIONAL EQUITY INDEX



Nikolas Kosman

University of Wisconsin-Superior

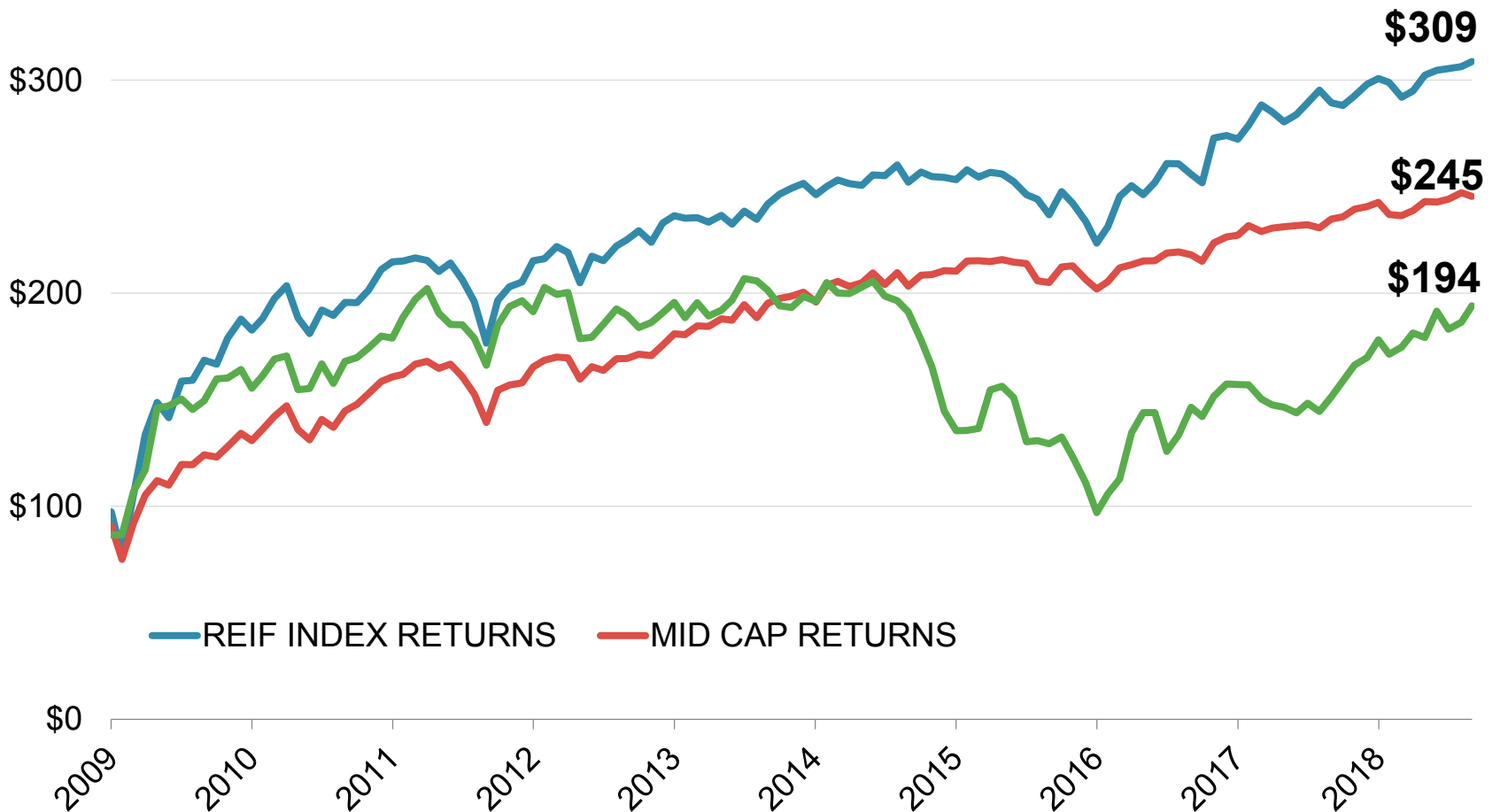


EQUITY PERFORMANCE ANALYSIS

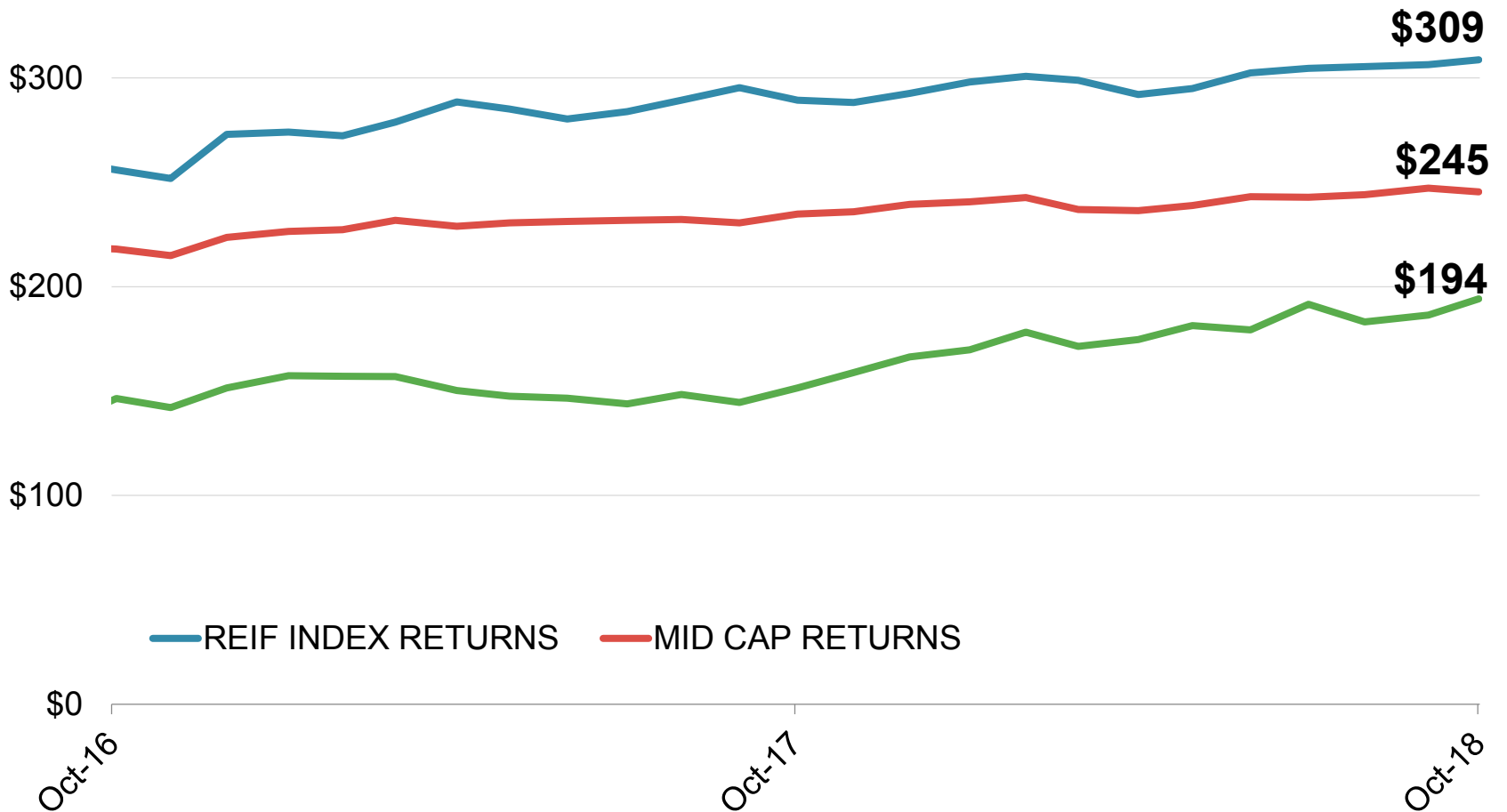
STOCKS OF LOCAL INTEREST

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

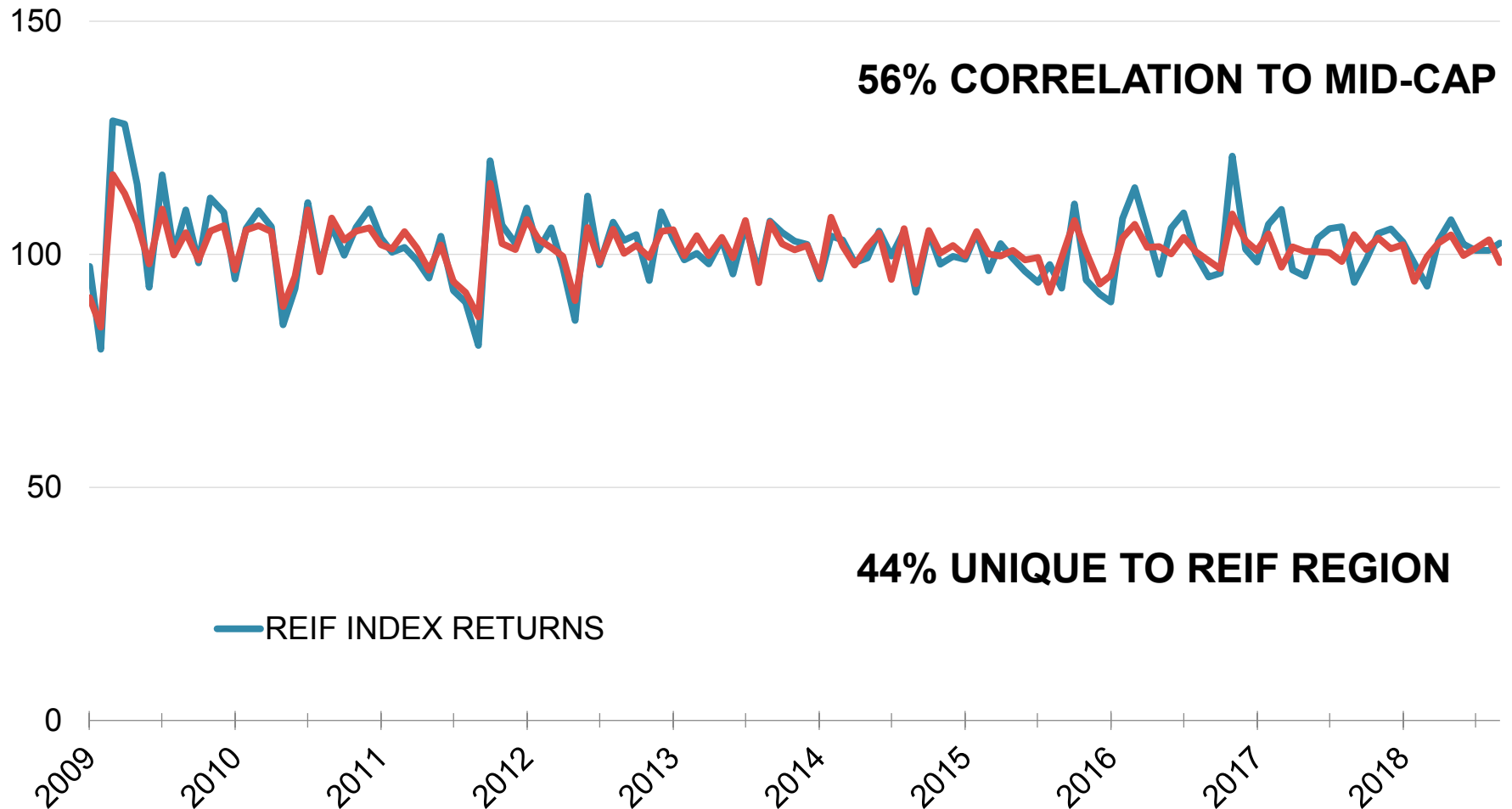
GROWTH OF \$100



GROWTH OF \$100



REIF AND MID-CAP CORRELATION



SUMMARY OF FINDINGS

ANALYST OPINIONS

MORNINGSTAR®

- P/E RATIO
 - Higher than before; expecting higher earnings growth
- FORWARD EARNINGS
 - Expected to increase slightly
- SHORT RATIO
 - Index average increase to 5.77

VALUELINE®

- PERFORMANCE
 - Slightly outperform
- SAFETY
 - Slightly outperform
- TECHNICAL
 - Outperform
- PRICE STABILITY
 - Slightly Outperform
- PRICE GROWTH
 - Average

ADDITIONAL FINDINGS

OVERALL IMPLICATIONS

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

BUSINESS CONFIDENCE INDICATORS



C ge

Cole Martin

Economics Department
The College of St. Scholastica





OVERVIEW

87 responses

Sector

- Professional Services - 21
- Education - 14
- Other - 15

Employee Size

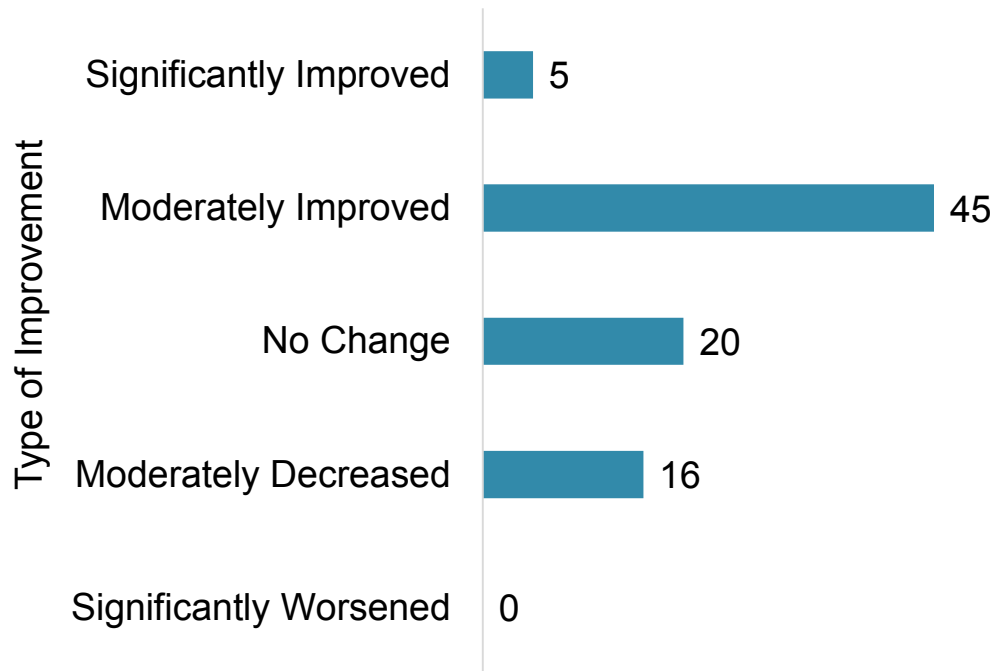
- 1 to 19 - 47
- 20 to 49 - 10
- 100+ - 30

Leading economic indicator questions



GENERAL BUSINESS CONFIDENCE

Previous Six Months Overall Outlook



N=87

Spring 2018 Forecast

- 48% improvement
- 39% no change
- 13% will worsen

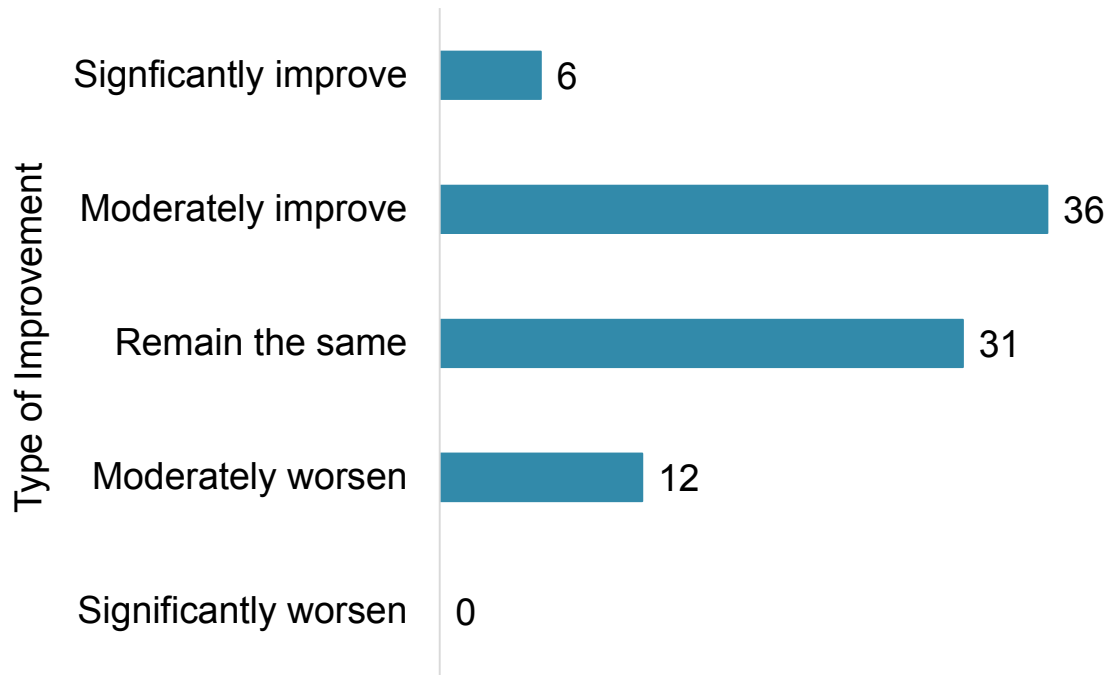
Fall 2018 Actual

- 52% improved
- 23% saw no change
- 19% saw a worsened condition



GENERAL BUSINESS CONFIDENCE

Next Six Months Overall Outlook



Three-Year Trend
accurate up to a 4%
difference on average
between forecasts for the
next 6 months

N=87



SPECIFIC CONFIDENCE INDICATORS

Profits

Projected Fall 2017

41% increase, 15% decrease

Actual Spring 2018

31% increased, 31% decreased

Projected Spring 2018

44% increase 10% decrease

Actual Fall 2018

37% increased, 19% decreased

Projected Fall of 2018

32% increase, 13% decrease

Source: CSS 2018 Business Confidence Survey

SPECIFIC CONFIDENCE INDICATORS

Employment

Projected Fall of 2017

23% increase, 13% decrease

Actual Spring of 2018

27% increased, 15% decreased

Projected Spring of 2018

32% increase, 8% decrease

Actual Fall of 2018

35% increased, 9% decreased

Projected Fall of 2018

34% increase, 6% decrease



FACTORS LIMITING RECRUITING QUALIFIED EMPLOYEES





SUMMARY

- Businesses are having difficulty in finding qualified and skilled employees for a new and creative economy.
- The REIF Region remains confident with 42% reporting an outlook of improvement.

TEXT YOUR QUESTIONS
at any time during this presentation to

715.969.6144

Chris Farrell
Economics Commentator
MPRnews

RESOURCES

National Bank of Commerce

nbcbanking.com

The College of St. Scholastica

Robert Hoffman, Ph.D.
Assistant Professor of Economics
rhoffman@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

SAVE THE DATE

THE NEXT REGIONAL ECONOMIC INDICATORS FORUM

Tuesday, April 2, 2019

Harbor Side Ballroom, DECC

Look for your email to provide feedback on today's event or go
online at

<http://bit.ly/2018fallreif>

