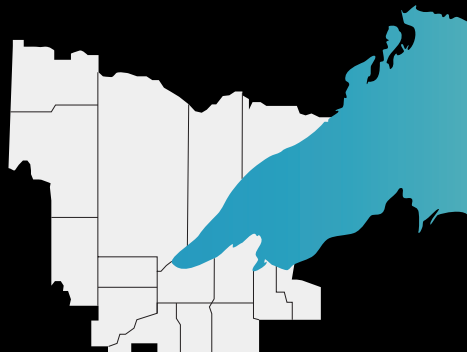




**FALL 2019**  
OVERVIEW

## REGIONAL ECONOMIC INDICATORS FORUM

The Regional Economic Indicators Forum (REIF), sponsored by the National Bank of Commerce, focuses on the current economic performance of a 15-county region that includes Northeastern Minnesota and Northwestern Wisconsin. As part of this forum, the College of St. Scholastica (CSS), University of Minnesota-Duluth (UMD) and University of Wisconsin-Superior (UWS) collect and monitor data related to county-level economic performance, business and consumer confidence, and regional stock performance.



## THE GOAL OF THE FORUM IS TO

- Support business owners in their business decisions by gathering key local economic indicators and trend information
- Develop specific economic indicators for this region that are not readily available to decision makers
- Develop tools to assess our progress in economic growth, prepare baseline measures that will allow comparison with other regions, and measure future progress of the region
- Track the region's participation in the "new economy" and development in the high-tech arena
- Collect and monitor data related to county-level economic performance, business and consumer confidence and regional stock performance
- Bring professionals together with business owners for discussion about the local economy and related critical issues in a collaborative, non-political environment
- Create a business recruitment and retention tool by publishing the information



**SPEAKER**  
**RON PAINTER**  
President & CEO  
National Association  
of Workforce Boards

Ron Painter is the Chief Executive Officer of the National Association of Workforce Boards, assuming his role in July of 2009. Ron was the founding CEO of the Three Rivers Workforce Investment Board in Pittsburgh. Under his leadership the organization focused on producing labor market research, working with public educators on improved student career information, supporting community leaders in the development of regional benchmarks, and establishing the Regional Workforce Collaborative. Its membership includes community colleges, WIBs, employers, labor, and economic development professionals. Before joining the Three Rivers Workforce Board, Ron worked in Washington, D.C., first on loan to the U.S. Department of Labor for the Enterprise Project and then for the National Alliance of Business. Ron holds an undergraduate degree in political science from Grove City College in Pennsylvania and a master's in public administration and advanced graduate coursework from the University of Pittsburgh's Graduate School of Public & International Affairs, where he served as adjunct faculty.

**HAVE A  
QUESTION?**

**TEXT IT TO  
715.919.6315**

**for a chance for it  
to be discussed  
during Q&A.**

## EXECUTIVE SUMMARY

Twice each year, students from the University of Minnesota-Duluth (UMD), the University of Wisconsin-Superior (UWS), and the College of St. Scholastica (CSS) join efforts to conduct research on the economic performance of the 15-county region surrounding the Twin Ports. This summary provides information on the results of the three schools' research, including a special focus on the workforce of the Twin Ports region, a glimpse into local consumer confidence, an analysis of regional stock performance, and survey results on business confidence and hiring practices.

Keeping with this forum's focus on workforce development, UMD's research team analyzed secondary data on the region's labor force, unemployment rate, and in-demand jobs. In 2018, the labor force participation rate in the 15-county region was 61%, and the unemployment rate was 4.2%. While the size of the region's labor force has not changed much over the past ten years, unemployment rates have decreased significantly, creating an imbalance between the number of job postings and the number of workers available to fill those jobs. In 2009, there were 11 job seekers for every posting in the Northeast region of Minnesota. By 2019, that number had fallen to 0.9 job seekers per posting. Still, there are a number of demographic groups that continue to have higher than average unemployment rates, including Native Americans, 16-19 year olds, black or African Americans, and disabled persons.

Two UWS student research teams conducted research for the forum. The first team, consisting of 16 students, surveyed consumers in the 15-county REIF region to gauge local consumer confidence. Surveys were distributed via telephone to randomly chosen households (120 in fall 2019) and via emails to previous REIF participants (73 in fall 2019). Using survey responses, three indices were computed: Index of Consumer Sentiment (ICS), Index of Current Conditions (ICC), and Index of Consumer Expectations (ICE). Survey results in fall 2019 show that compared to fall 2018, the general public and REIF participants overall had slightly negative sentiments about the regional economy. Both groups are cautious about current economic conditions as well as the future economic outlook. This data indicates that the expansion of the regional economy might not continue for long.

The second UWS research team tracked the equity performance of companies of local interest in the 15-county region to create a Regional Equity Index (REI). The selection of the fifteen firms for the Regional Equity Index (REI) is based on the firms' substantial presence in the REIF region as indicated by the number of employees hired locally or by the significance of the firms' regional activities to the regional economy. The findings show that the REI outperforms the benchmark index and that investors have mixed expectations for the majority of the stocks. Between October 2017 and October 2019, the REI has trended somewhat with the market, but it has significantly outperformed relative to the S&P 400 during the period. According to the Value Line® short-term expectations of future performance, most of the fifteen stocks in the REI are expected to perform similarly to the overall stock market. Long term, four of the stocks are expected to outperform the market, seven expected to mirror the market, and three are expected to underperform the market.

The research team at CSS distributed surveys to local Chambers of Commerce members to develop a better understanding of business confidence in the regional economy. In total, 88 businesses completed the survey. Of surveyed businesses, 59% reported an increase in general business activity over the past six months, and 16% reported a decrease. Looking forward, 59% of surveyed businesses expect to see an improvement in their business activity over the next six months, while only 14%

expect to see a decrease in activity. When asked about their current applicant pool, businesses reported that many applicants are lacking experience and hard skills for open positions. In response, over 68% of businesses report that they are providing in-house training, 49% are providing self-directed training to employees, and 42% are utilizing online training offerings to get new employees up to speed.

In summary, regional stock performance continues to outperform the benchmark index but investors have mixed expectations for the majority of the stocks. Meanwhile, consumer confidence appears to be flagging but business confidence remains strong, despite difficulties finding qualified workers. The difficulty finding qualified workers is widespread. In 2019, there were only 0.9 job seekers for every job posting.

## STUDENT PRESENTERS



**Nicholas Anderson** is a junior at The College of St. Scholastica (CSS), majoring in finance and accounting with a minor in economics. He is president of the school's accounting club, active in student government, and plays the violin in CSS's string ensemble. Nicholas has also interned with Hanft Fride law firm and the local public defender's office. He joined the REIF team in spring 2019 as an assistant researcher and is serving as the head student researcher for CSS this fall.



**Michael Huttner** is an economics and history major. He was awarded the UWS Summer Undergraduate Research Fellowship in 2019 to work on the research project "Economics of Community Engagement: Non-Profit vs. For-Profit Hospitals." He has been working with the UWS REIF team since fall of 2018 and is currently seeking employment for summer of 2020.



**Tommy Olafson** is a University of Minnesota Duluth senior economics and statistics double major and one of the university's Bureau of Business and Economic Research's (BBER) current undergraduate research assistants (UGRA). Through his position as a BBER UGRA, Tommy has worked on projects related to regional economic development and sustainability issues. With a strong interest in analysis and data driven issues, Tommy hopes to work in a position where he can help find solutions to relevant problems through data analysis. He graduates this December.



**Angelica Remache Lopez** is an international student from Ecuador, double majoring in political science and economics. She is Ecuador's Youth Ambassador at the Youth Assembly in New York. For the past seven months, she was interning at the Office of the President of the United Nations General Assembly, where she also co-founded "Youth for Global Change." Additionally, Angelica has published a book in Spanish. She has been working with the UWS REIF team for two years.

## UNIVERSITY OF MINNESOTA - DULUTH

### FOCUS ON THE REGIONAL WORKFORCE

Monica Haynes, M.S., Director of the Bureau of Business and Economic Research (BBER)

**Student Researcher:** Tommy Olafson

To provide greater insight into the keynote speaker's topic of workforce development, the University of Minnesota - Duluth (UMD) was asked to analyze secondary data sources on labor force and employment data for the 15-county region.

In 2018, the average unemployment rate for the region was 4.2%, slightly higher than the national rate of 3.9%. The unemployment rate represents the number of people in the region who are unemployed and actively searching for work divided by the number of people in the labor force. The labor force participation rate for the region was 61%. This measure includes everyone in the region who is employed or actively seeking employment divided by the total working age population (over 16 years of age).

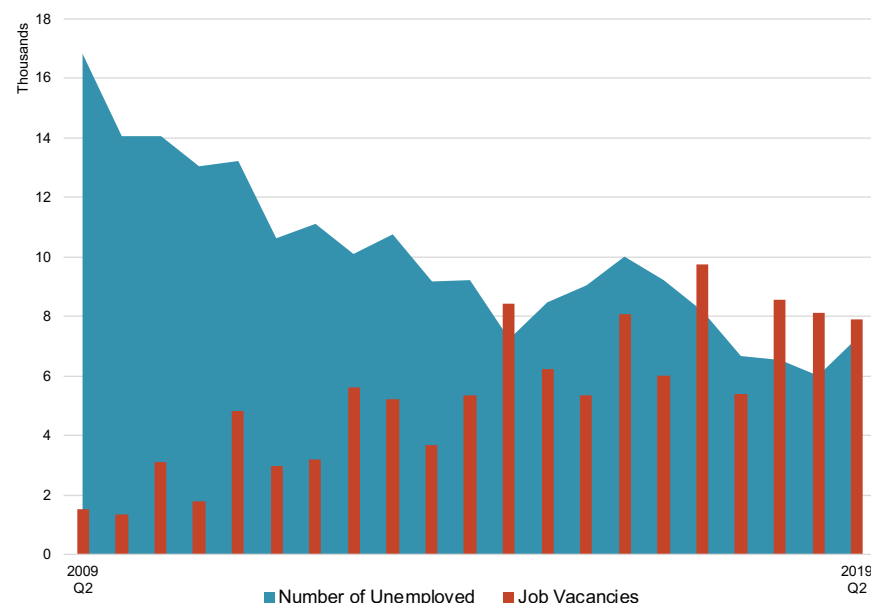
While the size of the region's labor force has not seen much change over the past ten years, unemployment rates have decreased significantly, creating an imbalance between the number of job postings and the number of workers available to fill those jobs. In 2009, there were 11 job seekers for every posting in the Northeast region of Minnesota. By 2019, that number had fallen to 0.9 job seekers per posting (Figure 1).

According to Minnesota's Department of Employment and Economic Development (DEED), eight of the top ten in-demand jobs in Northeast Minnesota require only a high-school education level and pay close to minimum wage. These include personal care aides, maids and housekeepers, food preparation and service workers, and janitors. DEED ranks these as the most "in-demand" occupations primarily because of the high volume of job postings seeking workers for those positions. However, there many in-demand jobs that require some type of formal education or training. These tend to have a lower volume of postings so are not ranked quite as high on the list but are still in high demand. Among these are registered nurses, nursing assistants, elementary school teachers, accountants, mechanics, and market research analysts. In addition, eight of the top ten in-demand positions requiring some type of education or training pay more than \$50,000 per year (Figure 2).

While the number of unemployed workers has fallen significantly over the past ten years, there are still a number of demographic groups in the region that have higher than average unemployment rates (Native Americans, Black or African Americans, disabled persons, 16-19 year olds) and/or lower than average labor force participation rates (60-74 year olds, disabled persons, Black or African Americans, and workers with less than a high school diploma. There could be opportunities to employ more of these populations or to bring them into the workforce.

**In 2019, there were 0.9 job seekers for every one vacancy in Northeastern Minnesota**

### Job Seekers per Vacancy, 2009-2019



Source: DEED Job Vacancy Survey, 2019

FIGURE 1. In 2009, there were roughly 11 job seekers for every one vacancy. By 2019, that number was 0.9.

### Top Ten In-Demand Jobs Requiring Some Education or Training

Occupation	Median Salary (Thousands)
Registered Nurses	\$66.2
Nursing Assistants	\$32.4
Licensed Practical/Vocational Nurses	\$44.6
Elementary School Teachers	\$73.0
Accountants and Auditors	\$61.8
Secondary School Teachers	\$54.6
Industrial Machinery Mechanics	\$61.0
Radiologic Technologists	\$64.2
Health Services Managers	\$92.7
Market Research Analysts	\$53.9

Source: DEED Occupations In Demand, 2019

FIGURE 2. Occupations in healthcare, education, and business are the most in-demand jobs that require some education or training.

## UNIVERSITY OF WISCONSIN - SUPERIOR CONSUMER CONFIDENCE INDICATORS

Rubana Mahjabeen, Ph.D., Associate Professor of Economics, Praopan Pratoomchat, Ph.D., Assistant Professor of Economics

**Student Researchers:** Munkhtulga Amarsanaa, Daniel Anderson, Jiratchaya Changtangtermpong, Madisen Chen, Zachary Farmakes, Tam Pham Bang Le, Kurumi Maeta, Kaden Matteen, Hung Nguyen, Angelica Remache, Mai Shinyashiki, Ramesh Shrestha, Pontus Tavemark, Ismael Tounkara, Ryan Volz, and Sam Waylee Jr.

To equip decision-makers with tools enabling them to anticipate the forthcoming fluctuations in the economy, economists developed consumer confidence indicators. These are composed of three indices: Index of Consumer Sentiment (ICS), Index of Current Conditions (ICC), and Index of Consumer Expectations (ICE). Generally speaking, the ICS is designed to gauge consumers' attitudes towards the business environment, personal finances, and consumption spending. The ICC is designed to gauge the current state of the economy. The ICE is used for business cycle forecasting, as it reflects the consumers' outlook on future economic and financial conditions. In order to construct these indicators, the University of Wisconsin-Superior (UWS) student research team surveyed households in the 15-county REIF region. Among randomly chosen households, 120 responded in fall 2019 via telephone surveys, while among previous REIF participants, 73 responded in fall 2019 via email surveys. For details on the methodology and survey questions go to following link: <https://www.nbcbanking.com/NBofC/media/pdfs/FINAL-2017-Annual-REIF-Report.pdf>

The results of the 15-county regional consumer confidence indices based on phone and email surveys are presented in Figure 3 and 4 respectively. These results show that in fall 2019 for randomly chosen households the Index of Current Conditions, Index of Consumer Sentiment, and Index of Consumer Expectations are falling. Compared to fall 2018 random households have started displaying slightly negative sentiments about personal finance and consumption spending and pessimism about current economic conditions (Figure 3). This has led them to be cautious about future conditions of the regional economy. Similarly, REIF participants have a negative outlook on personal finances, business conditions, and consumption spending. As shown in Figure 4, they thought the current state of the economy is not strong and expected future contraction in economic and financial conditions. These views of the two groups indicate that expansion of the regional economy is likely to end soon. When compared to the year-to-year changes in national consumer confidence indicators reported by the University of Michigan, the direction of those changes match with our findings on the regional consumer confidence indicators (Table 1).

**Compared to fall 2018 households have started displaying pessimism about current economic conditions.**

Regarding the special topic of workforce, respondents provided the following results. A majority of them in both consumer groups has more than 15 years of relevant work experience and is not interested in changing current jobs or employment status. This implies that the REIF regional workforce can be expected to remain unchanged.

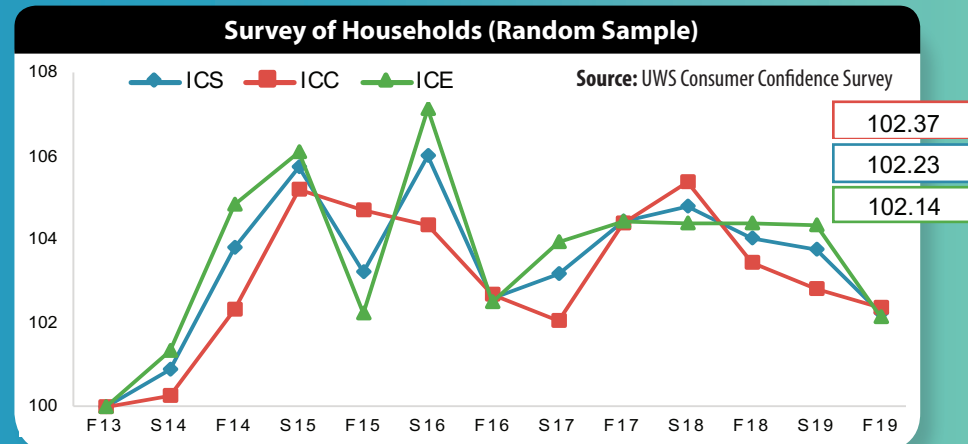


FIGURE 3. Random households have started displaying negative sentiments about personal finance, consumption spending and current economic conditions.

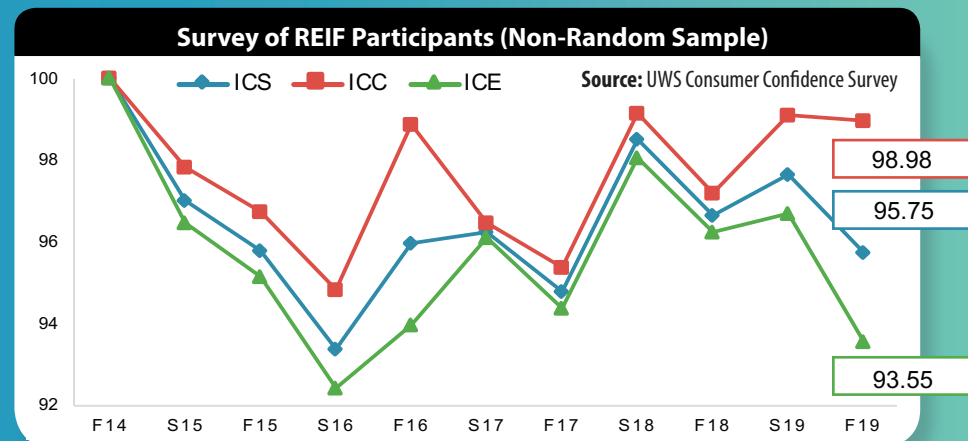


FIGURE 4. REIF participants have a negative outlook on personal finances, business conditions, and consumption spending.

### Consumer Confidence Indicators Year-to-Year Change

Indicators	Random Public Phone Survey (Fall 2018-Fall 2019)	Past REIF Participants (Fall 2018-Fall 2019)	National Consumer Confidence Indicators (September 2018-September 2019)
Index of Consumer Sentiment	-1.73	-0.91	-8.09
Index of Current Conditions	-1.06	1.82	-7.20
Index of Consumer Expectations	-2.16	-2.80	-8.95

Source: UWS Consumer Confidence Survey, Survey of Consumers by University of Michigan

TABLE 1. The downward direction of the national consumer confidence mirrors the findings from our regional consumer confidence indicators.

## UNIVERSITY OF WISCONSIN - SUPERIOR REGIONAL EQUITY INDEX

Sakib Mahmud, Ph.D., Associate Professor of Sustainable Management and Economics,  
David Koslowsky, Ph.D., Assistant Professor of Finance

**Student Researchers:** Sajid Chowdhury, Michael Huttner, Hung Nguyen, Ramesh Shrestha,  
and Pontus Tavemark.

For this portion of the research, University of Wisconsin - Superior (UWS) provided information and a financial analysis on the equity performance of companies of local interest in the REIF region. In all, fifteen companies in the REIF region were selected to construct the Regional Equity Index (REI). Selection criteria of the companies were based on the companies' significant presence in the REIF region, as indicated by the number of local employees or the companies' significance of operations in the REIF region. Currently, the list of fifteen (15) companies in the REI includes Allele, Armstrong World Industries, Ascena Retail Group, Calumet, Canadian National Railway, Charter Communications, Cleveland-Cliffs, Enbridge Energy Partners, Husky Energy, Louisiana-Pacific, Marriott International, Morgan Stanley, Polymet, UnitedHealth, and U.S. Steel. We have updated list of companies in REI to reflect changes in ownership. Since United States Gypsum (USG) Corporation was acquired by Knauf, a building materials company based in Germany, and delisted from the New York Stock Exchange and the Chicago Stock Exchange effective in April 2019, we included Armstrong World Industries in its place. We also included Husky Energy, a Canadian-based oil and gas refining company, which acquired one of the three U.S.-based refineries located in Superior, Wisconsin, which was formerly owned by Calumet.

**The REI trends somewhat with the market, but it has significantly outperformed relative to the S&P 400 during the period.**

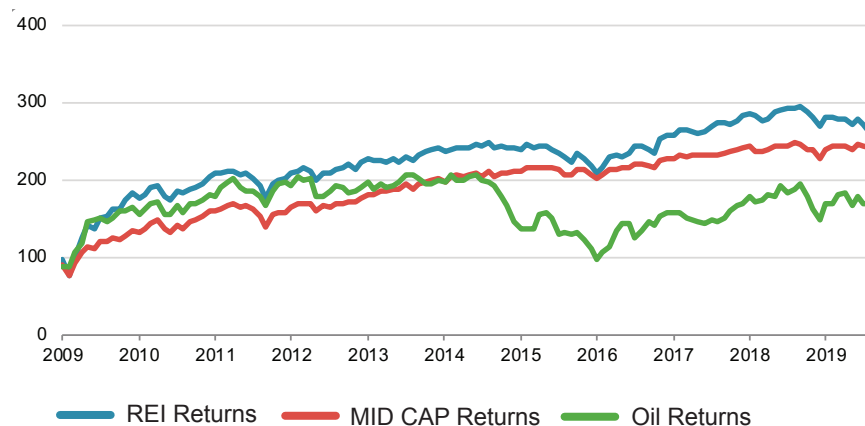
This ongoing research project tracks the companies' equity performance, creates an index of these local stocks to measure economic activity in the region, examines measures of future performance, and makes comparisons to industry averages and market indices. This edition of the executive summary extends the timeframe to 10/01/2019.

Of note, the REI outperforms the benchmark index, and investors are more bullish than bearish on the majority of the stocks. Figure 5 below illustrates the growth trend of a \$100 investment in the REI on January 2009 and held until October 1, 2019. This is compared to the trend of \$100 invested in the S&P 400 and the Crude Oil Futures over the same time period. Figure 5 shows that the REI trends somewhat with the market, but it has significantly outperformed relative to the S&P 400 during the period between October 2, 2017 (the seventh report ending period) and October 1, 2019 (the ninth report ending period). Compared to REI and S&P 400 values since the last report, REI is down 14.9%; whereas, S&P 400 is down by 0.41%. Considering the Crude Oil Futures, the REI has continued to show significant movement in step with changes in oil price, which indicates that the REI is more sensitive to fluctuations in commodities pricing than the diversified S&P 400.

The Value Line® Measures indicate that short-term expectations of future performance for the majority of stocks in the REI are that the stocks will perform similar to the overall stock market or

that they are expected to perform better. In next three to six months, Canadian National Railway, Marriott International, and Polymet are expected to outperform the market. Allele, Calumet, Charter Communications, Cleveland-Cliffs, Louisiana-Pacific, and United Health are expected to mirror the market. Enbridge, Husky Energy, Morgan Stanley and U.S. Steel are expected to underperform the market. Over the longer-term, Armstrong World Industries, Canadian National Railway, Charter Communications, and United Health are expected to outperform the market. In the next year, Allele, Enbridge, Louisiana-Pacific, Marriott International, and Morgan Stanley are expected to mirror the market. Cleveland-Cliffs, Husky Energy, and U.S. Steel are expected to underperform the market in the long-term. The Morning Star® Measures show that the REI's Price-to-Earnings ratio is lower than last year, implying that investors are expecting lower earnings growth. Of the companies that had data about the Forward Price-to-Earnings ratios, the earnings of the majority of them are expected to grow. The Short Interest ratio shows that investors have mixed short-term expectations of performance of the fifteen REI index stocks. Nine stocks have a short interest ratio of less than five, an indication that investors believe stock prices will rise for these companies. However, the other stocks have a short interest ratio more than five, implying that investors expect stock prices will fall for these companies.

### REI, S&P 400 and Oil Futures



Source: Yahoo Finance, 2019

FIGURE 5. While the REI has outperformed the S&P 400 since 2009, the index is more sensitive to fluctuations in commodity pricing than the diversified S&P 400.

## THE COLLEGE OF ST. SCHOLASTICA BUSINESS CONFIDENCE INDICATORS

Erica Henkel, MAcc, CPA, Assistant Professor

**Student Researchers:** Nicholas Anderson and Krista Heller

The College of St. Scholastica's (CSS) research team distributed business confidence surveys to local Chambers of Commerce located throughout the 15-county REIF region. The survey's purpose was to develop a better understanding of local businesses and their confidence in the economy. The survey asked each business to indicate their sector, number of employees, recent and projected changes in business activity, and factors inhibiting growth. In addition, the survey asked targeted questions regarding applicant skill levels, types of training provided to employees, and changes to hiring practices.

In total, 88 businesses completed the survey. According to the results, the most common sectors were professional and business services (n=21), education and health services (n=11), leisure and hospitality (n=9), and construction (n=8). More than half of those surveyed had fewer than 20 employees, while 8% of respondents reported 250 or more employees.

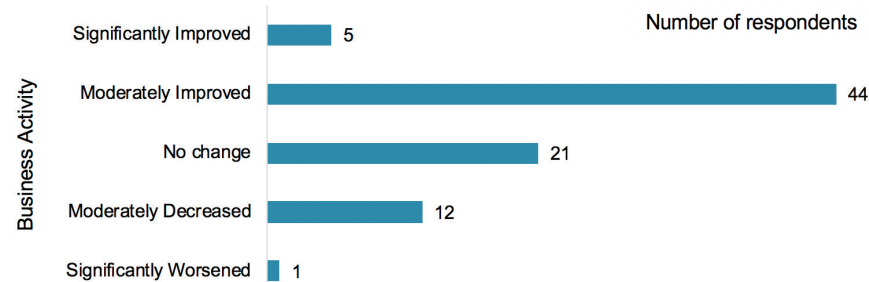
**Despite continuing difficulty in finding skilled and qualified employees, businesses remain confident in their overall business activities.**

Businesses were asked to evaluate their general business activity over the previous six months (Figure 6). In line with trends from recent years, businesses are optimistic regarding improvement. Of the survey's respondents, 59% reported improved business activity during the last six months, and only 16% reported decreased activity. Despite continuing difficulty in finding skilled and qualified employees, businesses remain confident in their overall business activities.

After evaluating the previous six months, businesses were then asked to forecast activity for the next six months based on the same criteria (Figure 7). Of the respondents, 59% are confident that business activity will improve in the next six months, and only 14% expect decreases in activity. Expectation of increasing profits continues a trend of optimism from last spring, with 41% predicting increasing profits, and 43% expecting profits to remain the same. Fewer than 10% of respondents anticipate decreases in average hours worked or number of employees in the next six months, and 29% reported expected increases in those indicators. Shortage of skilled labor was listed as the number one limiting factor in increasing business activity over the next six months.

A more detailed assessment of where applicants may be lacking skills revealed that while the majority of applicants reflect adequate basic education and soft skills, many applicants are lacking experience and hard skills for open positions (Figure 8). The overall assessment was that 36% of applicants are not meeting job requirements, and only 33% are meeting requirements. In response to this, over two-thirds of respondents (68%) are providing in-house training, 49% are providing self-directed training to employees, and 42% are utilizing online training offerings.

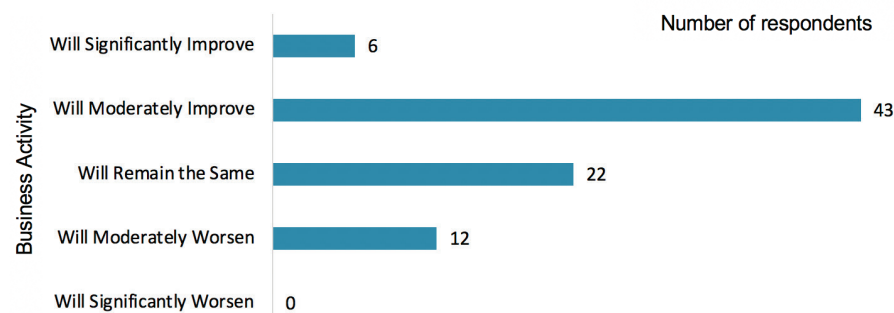
### General Business Confidence: Past Six Months



Source: CSS 2019 Business Confidence Survey

FIGURE 6. More than half of respondents reported improved business activity during the last six months.

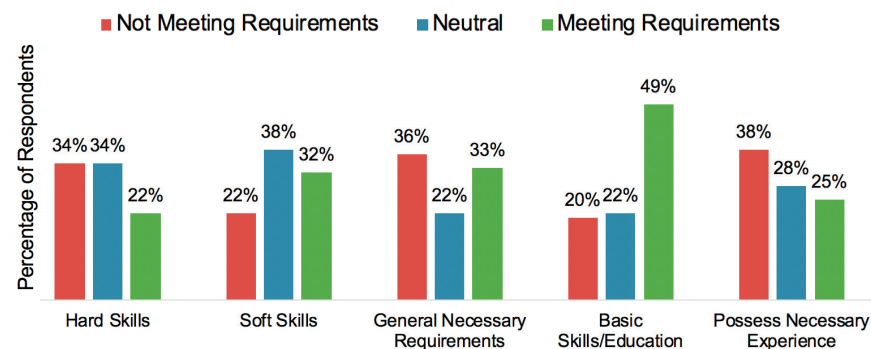
### General Business Confidence: Next Six Months



Source: CSS 2019 Business Confidence Survey

FIGURE 7. Of those surveyed, 59% are confident that business activity will improve in the next six months.

### Percentage of Applicants Meeting Job Requirements



Source: CSS 2019 Business Confidence Survey

FIGURE 8. While the majority of applicants had adequate education and soft skills, many applicants lacked experience and hard skills required for open positions.



# SPRING EVENT

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FROM 7-9:30 AT THE DECC IN THE  
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**SPEAKER**  
**RON WIRTZ**

**Regional Outreach Director,  
Federal Reserve Bank  
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