



BREAKFAST

April 3, 2018

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National Bank of Commerce



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ECONOMIC TRENDS IMPACTING THE 15 COUNTY REGION



UNIVERSITY OF MINNESOTA DULUTH

Driven to Discover™

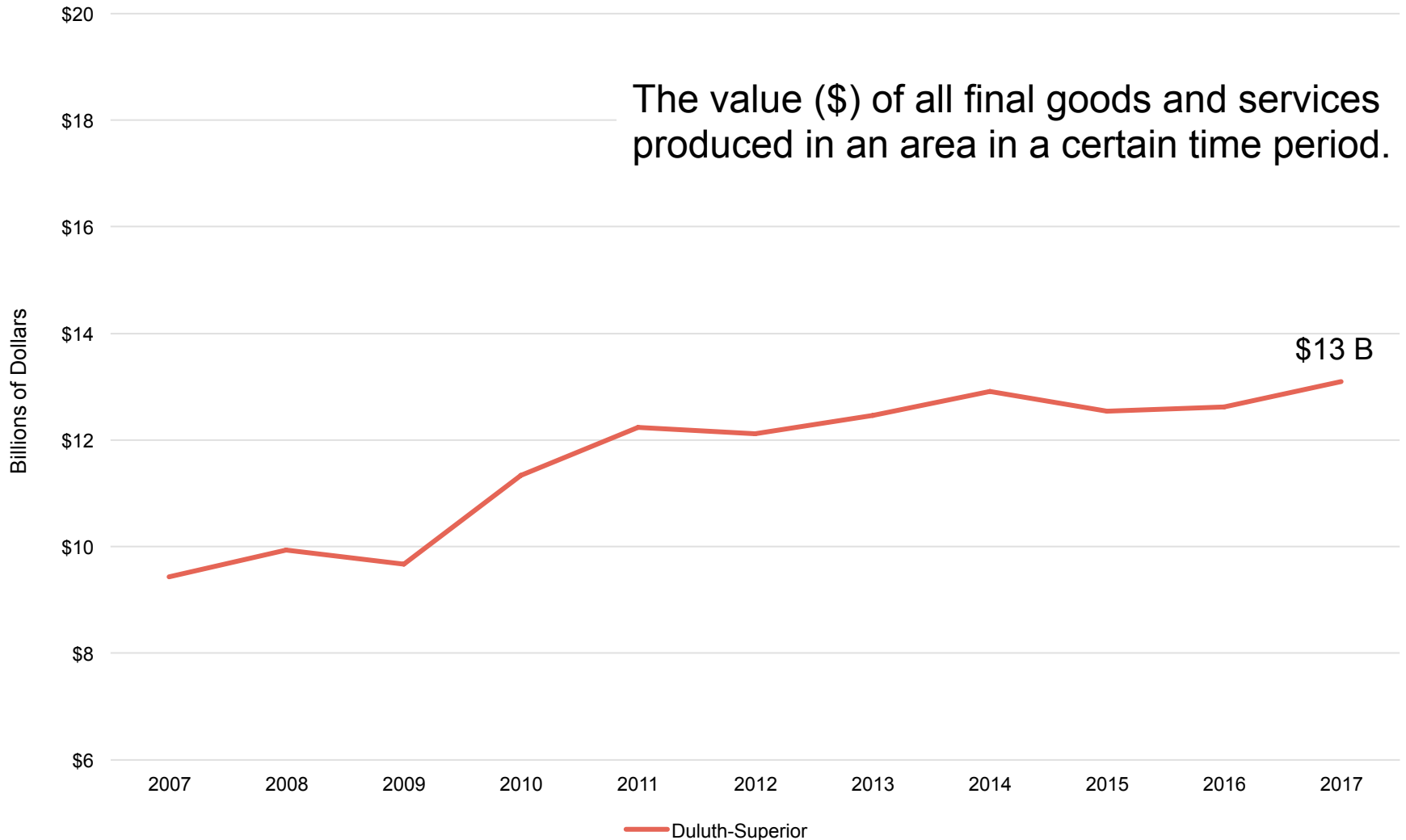
Alexander Hook

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

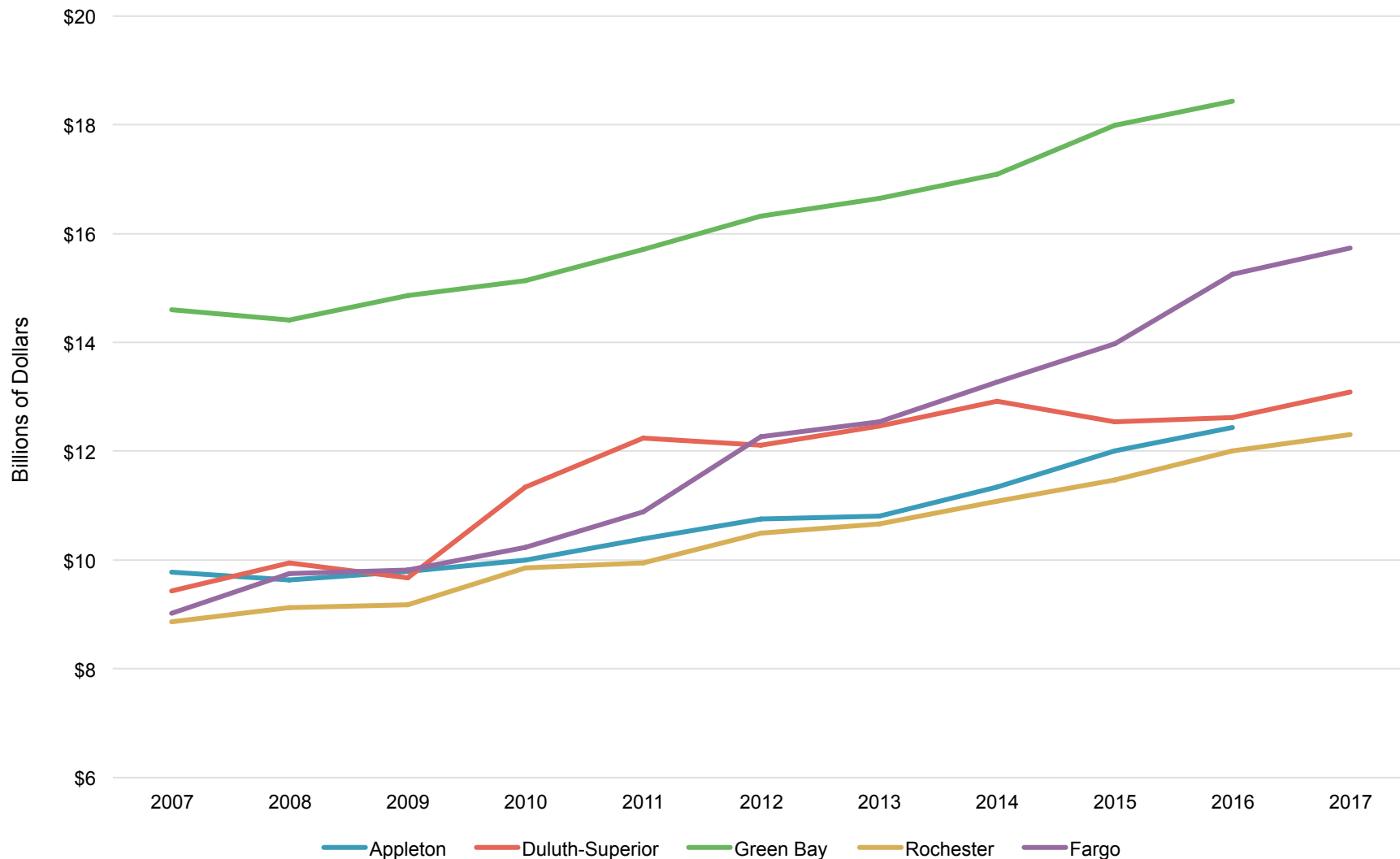


GROSS REGIONAL PRODUCT

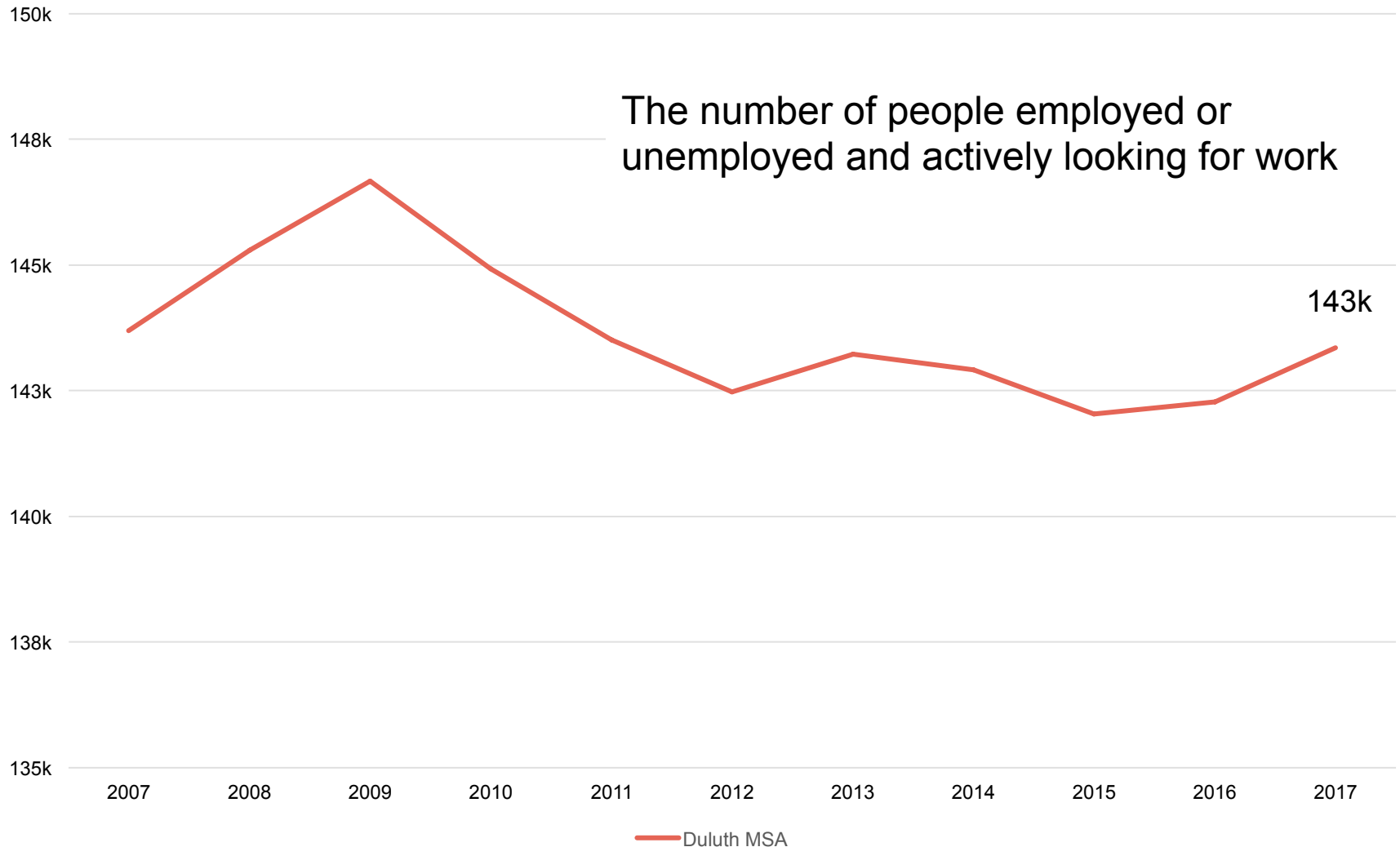
The value (\$) of all final goods and services produced in an area in a certain time period.



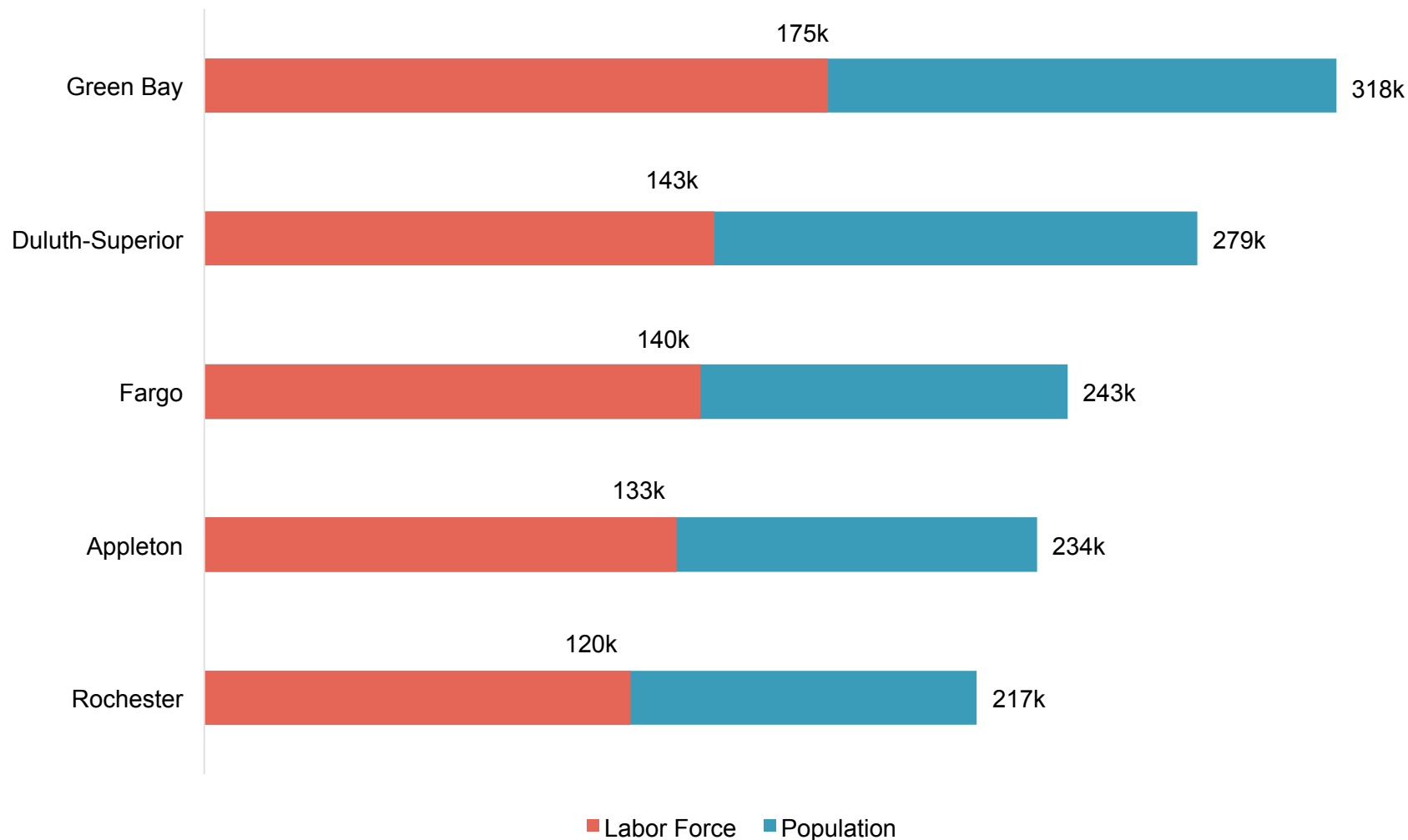
GROSS REGIONAL PRODUCT



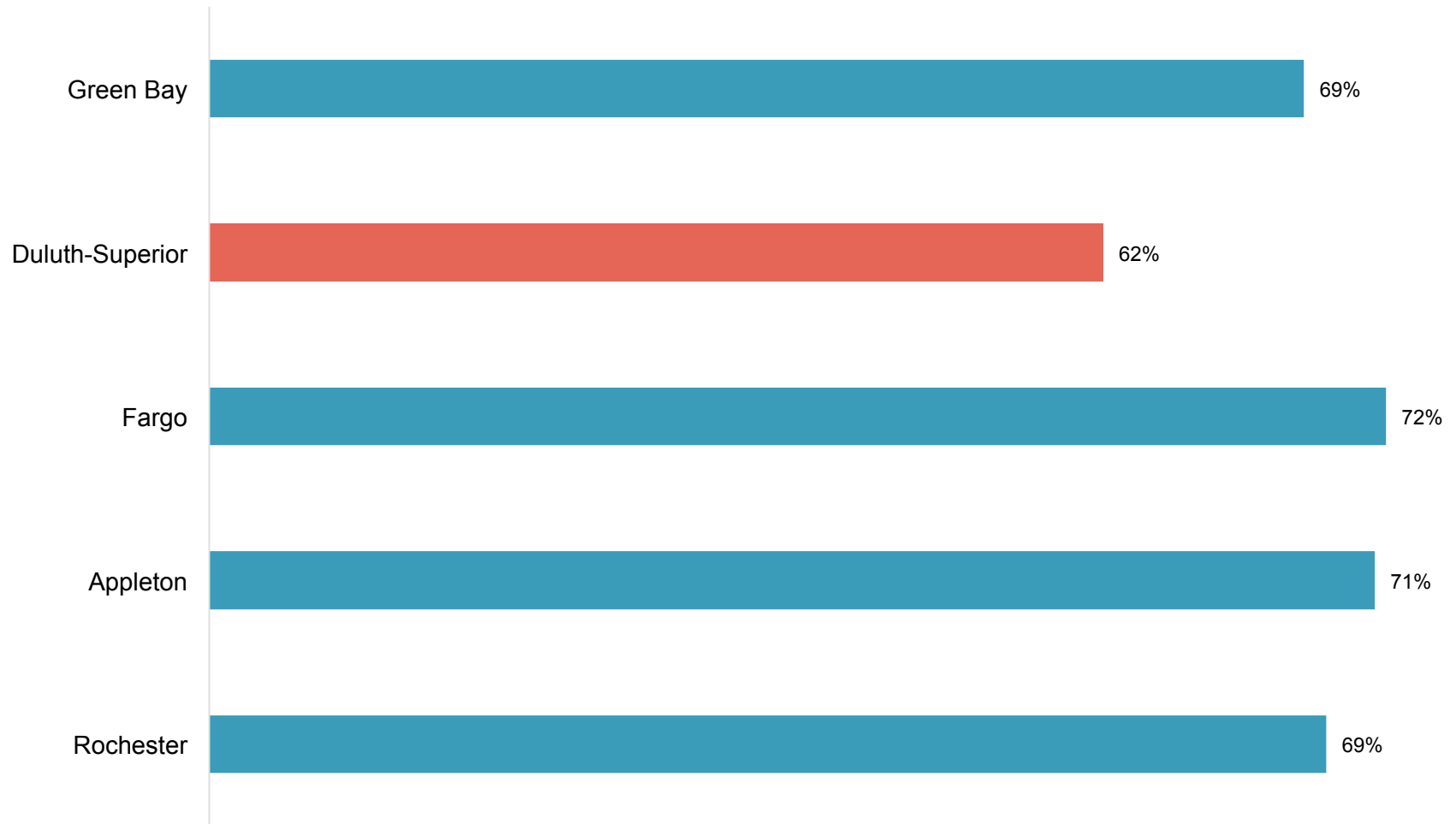
LABOR FORCE



MSA LABOR FORCE & POPULATION (2017)



LABOR FORCE PARTICIPATION RATES (2017)



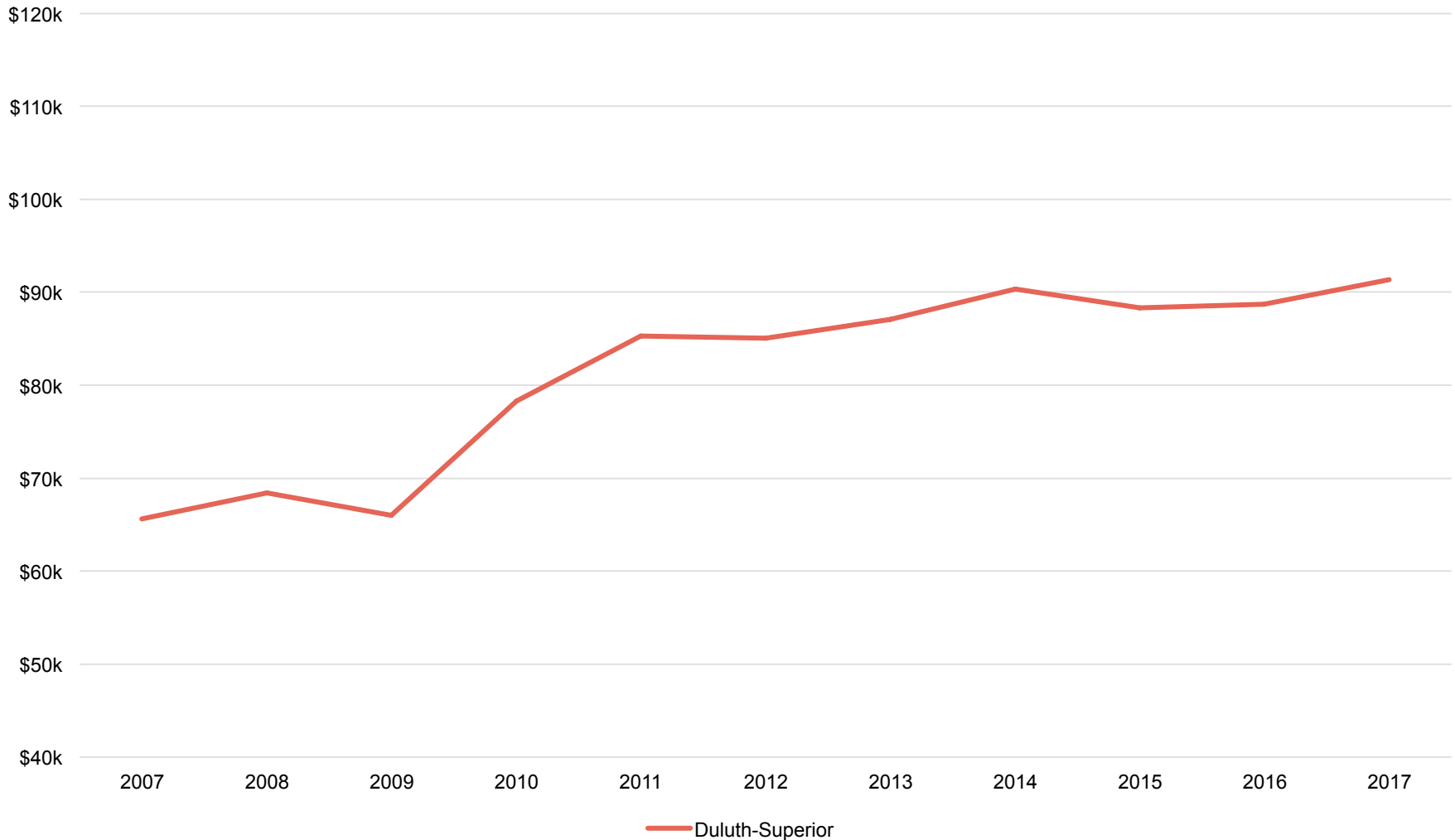
GRP/LABOR FORCE

Gross Regional Product

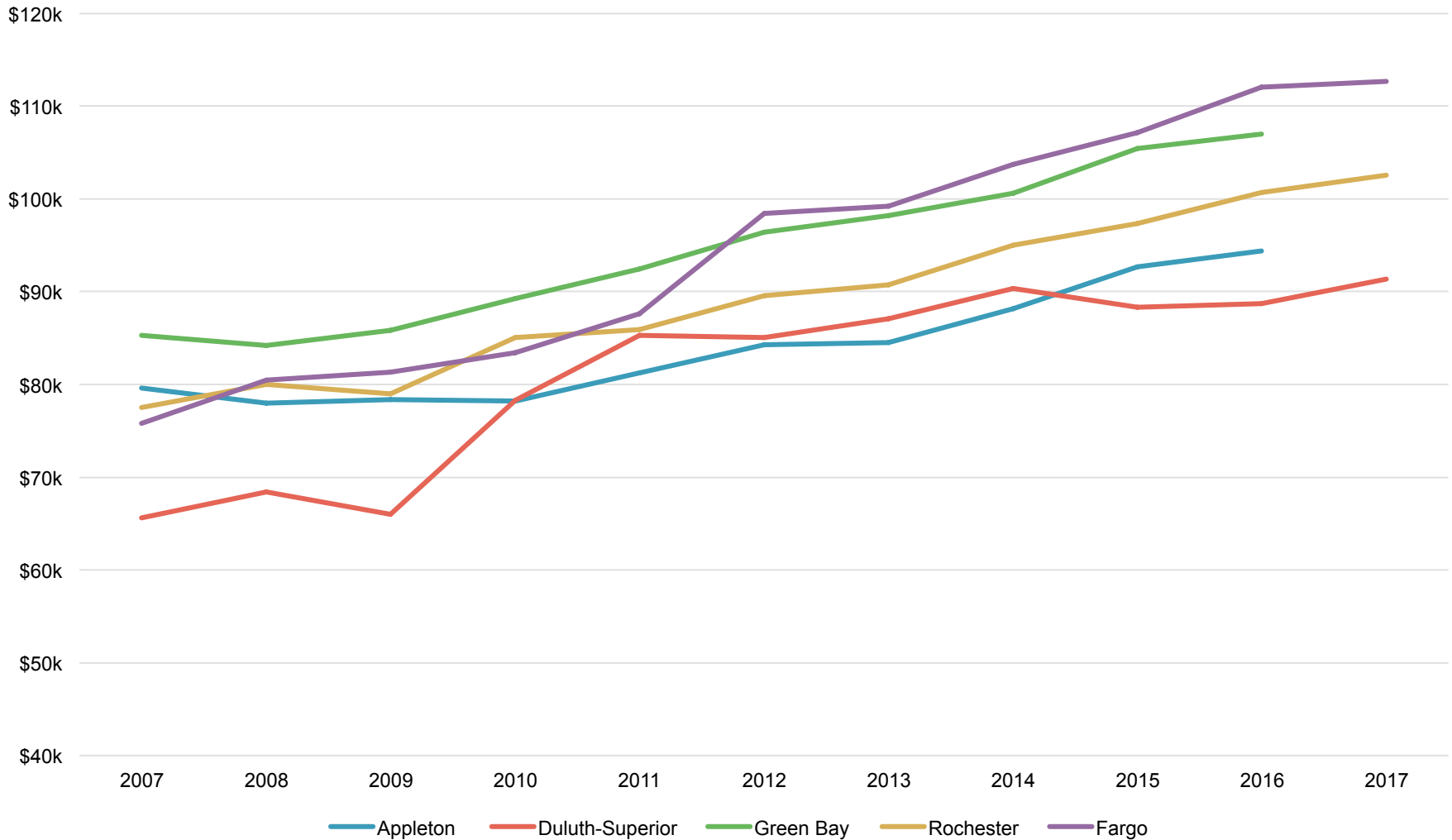
Labor Force Size

- 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



SUMMARY

- GRP grew in 2017 after three years of little to no growth.
- The Duluth-Superior MSA labor force has grown over the last two years.
- Duluth-Superior MSA has lower than average labor force participation rates.
- GRP/Labor force member is growing but is slightly below peer MSA regions.

CONSUMER CONFIDENCE INDICATORS



Almira Salimgarieva

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)**

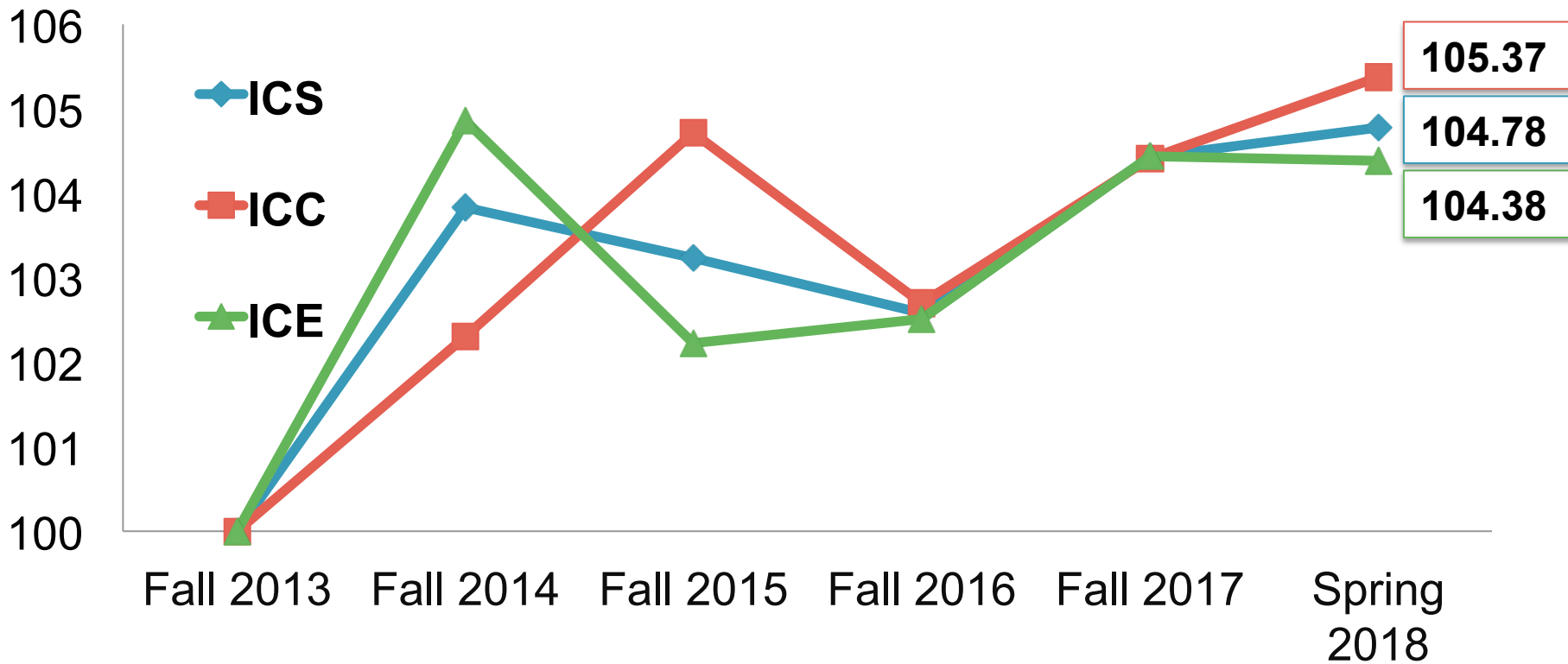
Gauges current state of the economy

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

Projects future economic and financial conditions

CONSUMER CONFIDENCE INDICATORS

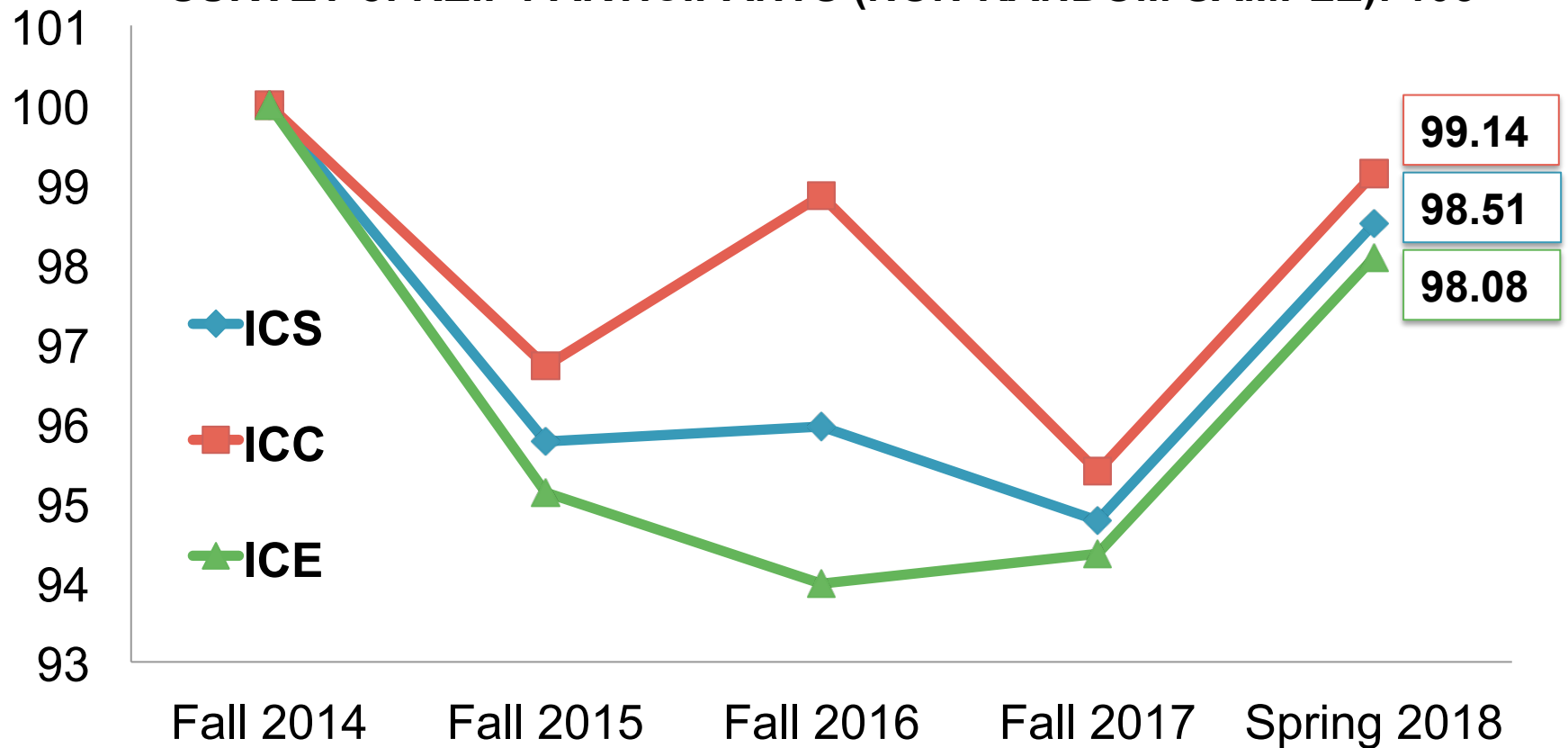
PUBLIC SURVEY (RANDOM SAMPLE): 166






Source: UWS Consumer Confidence Survey

CONSUMER CONFIDENCE INDICATORS

SURVEY of REIF PARTICIPANTS (NON-RANDOM SAMPLE): 105



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 expansion	Expectations of future economic expansion

SUMMARY OF CONSUMER CONFIDENCE SURVEY

Both random households and past REIF participants have strong positive outlook about the current state of the regional economy as well as its future economic condition.

REGIONAL EQUITY INDEX



Mitchell Blomberg

University of Wisconsin-Superior



EQUITY PERFORMANCE ANALYSIS

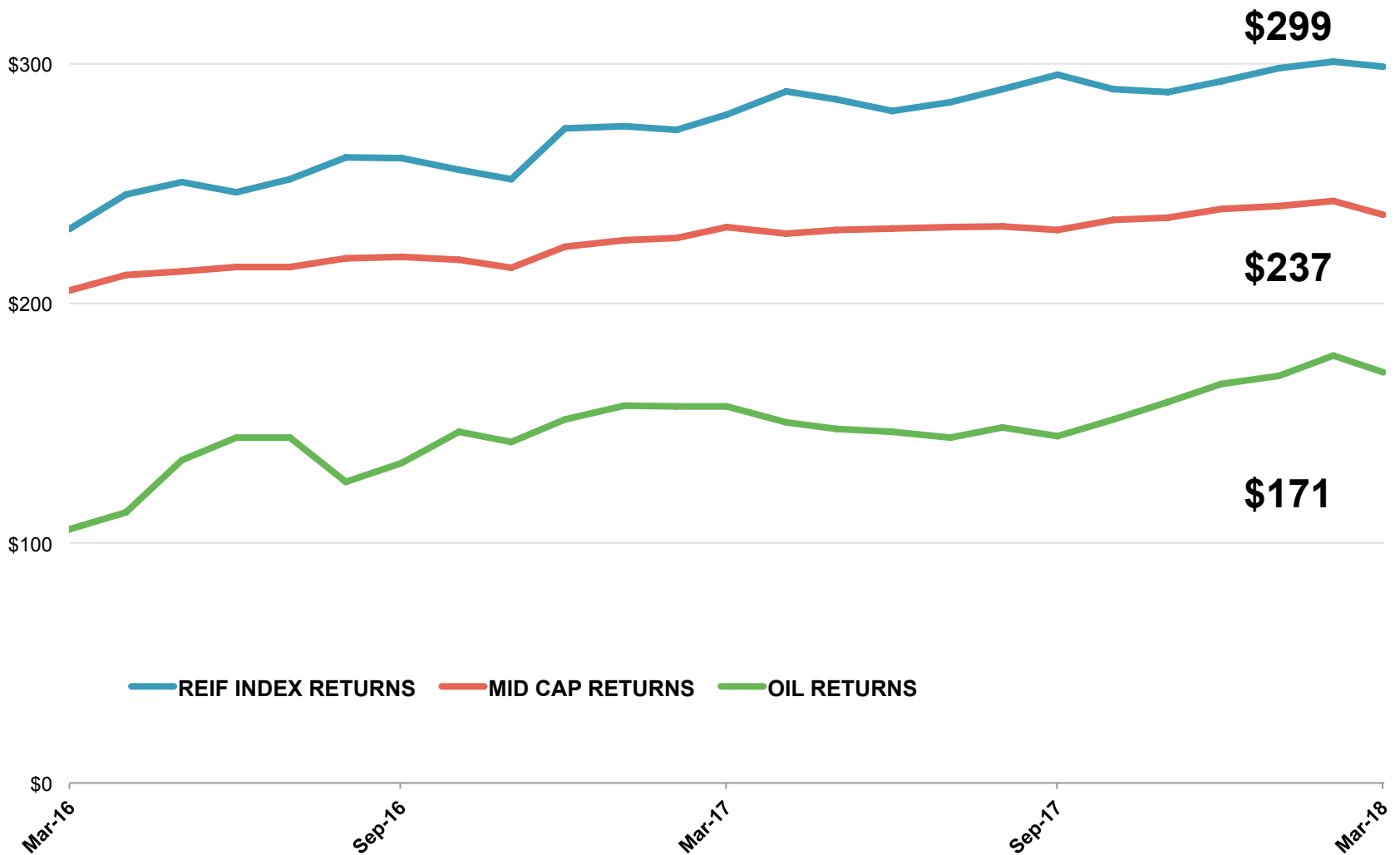
STOCKS OF LOCAL INTEREST

- 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

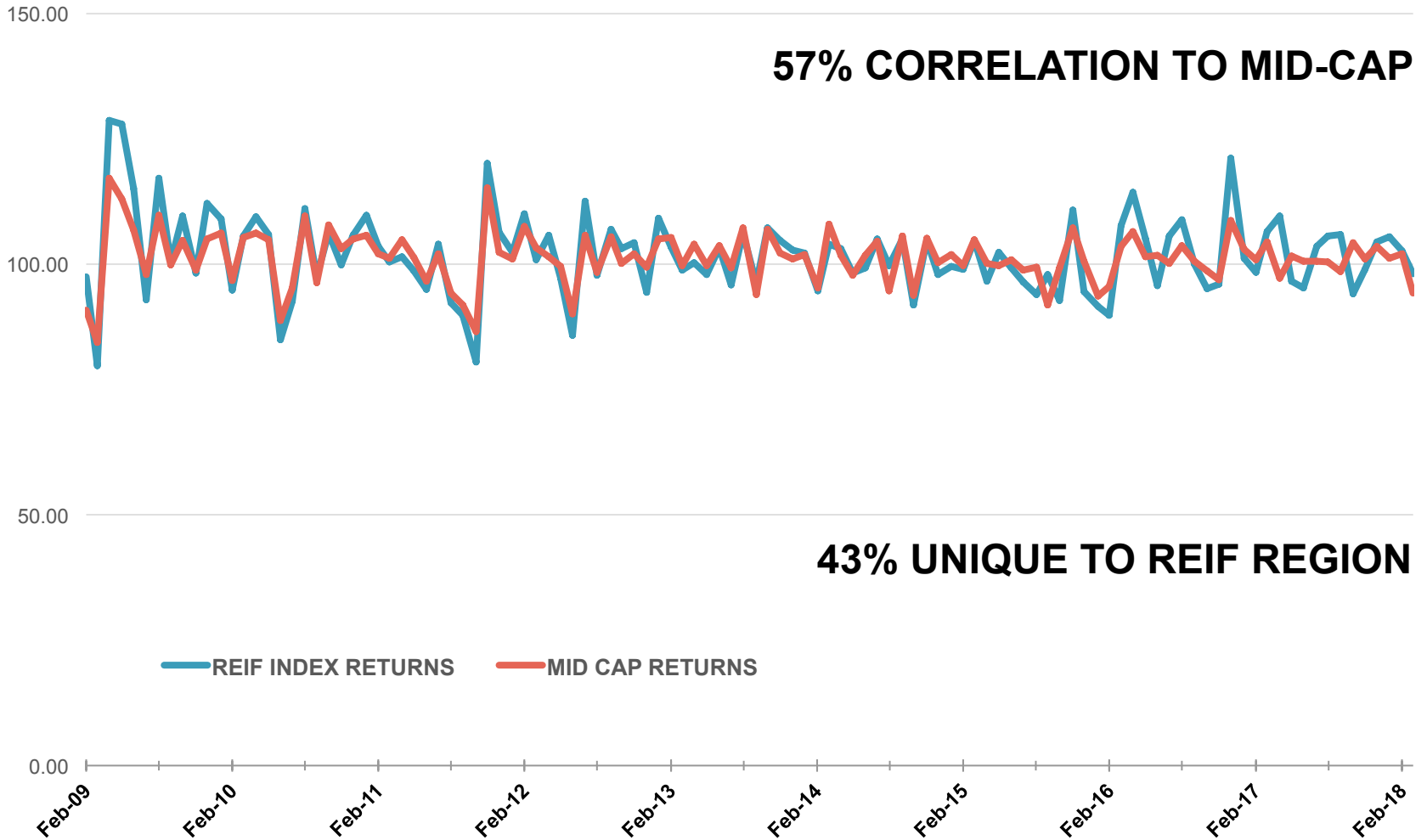
GROWTH OF \$100



GROWTH OF \$100



REIF AND MID-CAP CORRELATION



SUMMARY OF FINDINGS

ANALYST OPINIONS

MORNINGSTAR®

- P/E RATIO
 - Expecting high earnings growth
- FORWARD EARNINGS
 - Expected to increase slightly
- SHORT RATIO
 - Index average decline to 4.01

VALUELINE®

- PERFORMANCE
 - Slightly outperform
- SAFETY
 - Slightly underperform
- TECHNICAL
 - Slightly underperform
- PRICE STABILITY
 - Underperform
- PRICE GROWTH
 - Average

ADDITIONAL FINDINGS

OVERALL IMPLICATIONS

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

SUMMARY OF REGIONAL EQUITY INDEX

The Regional Equity Index (REI) outperforms the benchmark index and investors are more bullish than bearish on the majority of the stocks.

BUSINESS CONFIDENCE INDICATORS



The College of
St. Scholastica

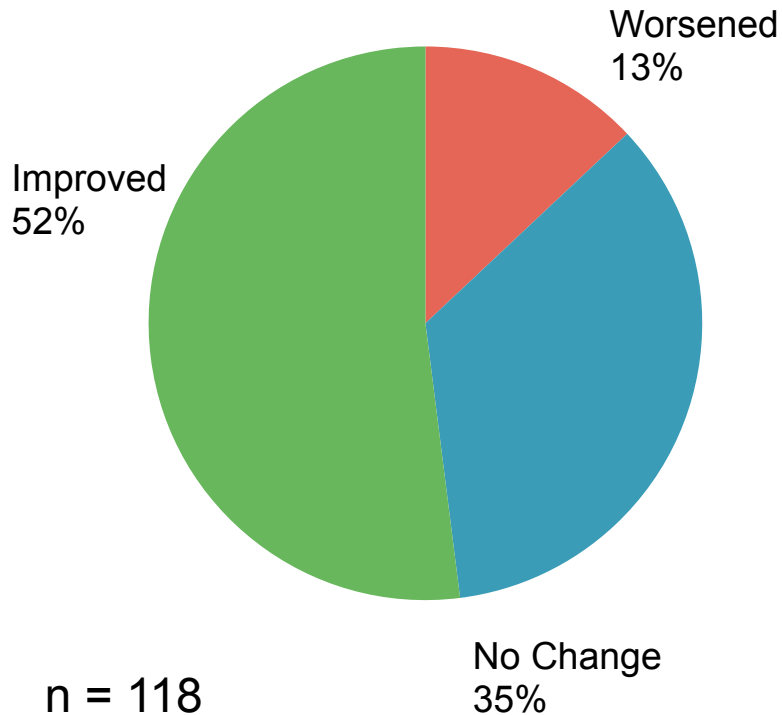
Katherine Grotte

Economics Department
The College of St. Scholastica

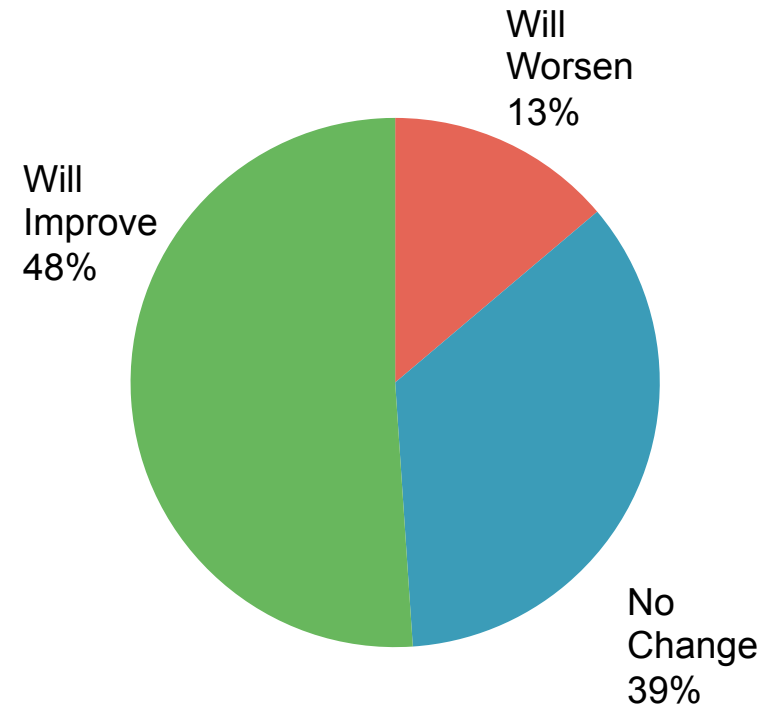


GENERAL BUSINESS CONFIDENCE

Last 6 months
Overall Outlook




Next 6 months
Overall Outlook



SPECIFIC CONFIDENCE INDICATORS


Last 6 Months

Employment

27% 

15% 


Profits

31% 

31% 


Next 6 Months

Employment

32% 

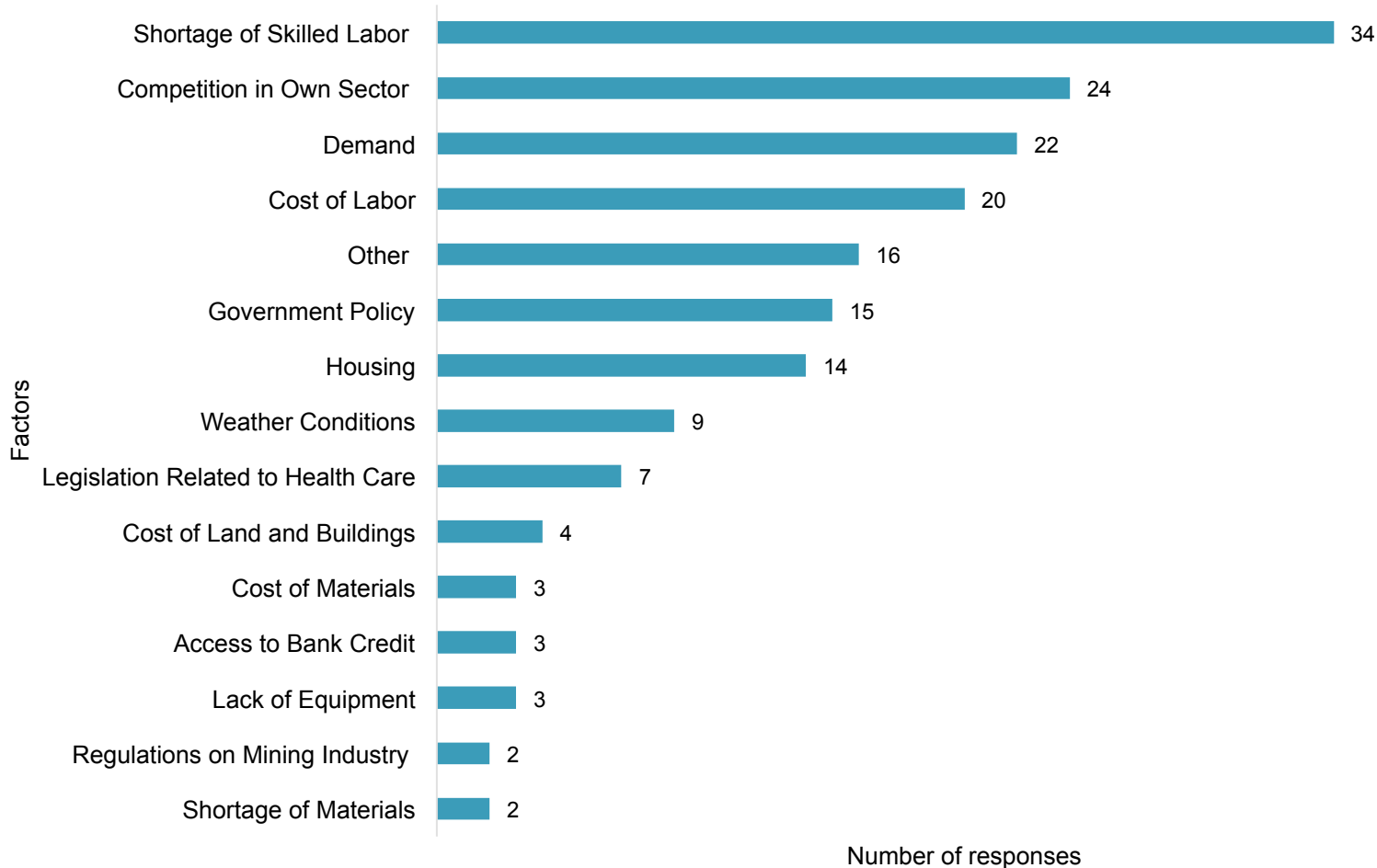
8% 

Profits

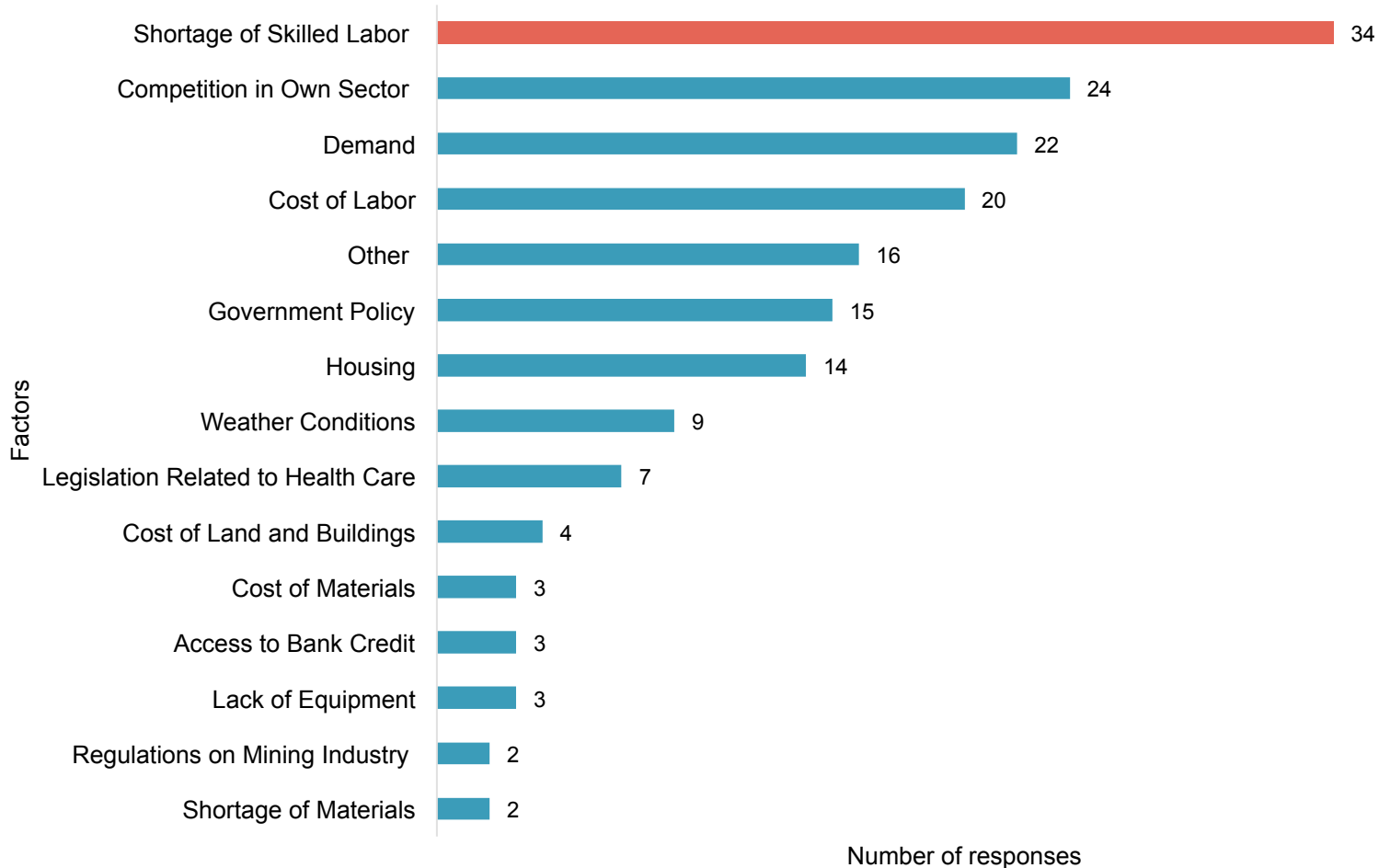
44% 

10% 

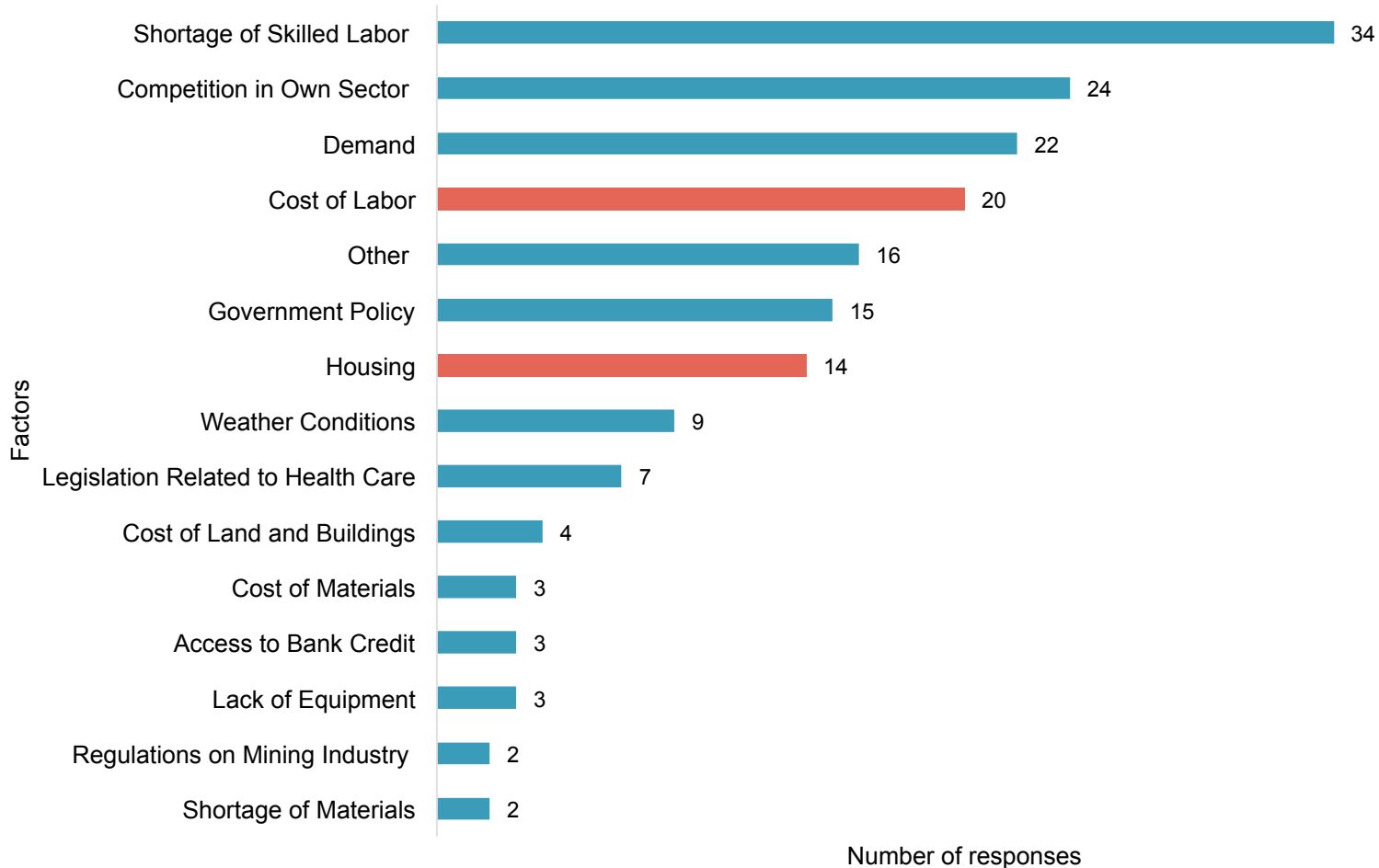
FACTORS LIMITING BUSINESS ACTIVITY



FACTORS LIMITING BUSINESS ACTIVITY



FACTORS LIMITING BUSINESS ACTIVITY



SUMMARY

- Shortage of skilled labor remains the leading factor limiting local business' increased activity.
- Businesses' expectations were exceeded, and businesses continue to be optimistic about the future.

SUMMARY OF STUDENT PRESENTATIONS

GRP per labor force member is growing in the Duluth-Superior area but at a slower pace than other similar MSAs

Households of REIF region have strong positive outlook about the current state of the regional economy as well as its future economic condition.

The Regional Equity Index (REI) outperforms the benchmark index and investors are more bullish than bearish on the majority of the stocks.

The optimistic REIF region continues to anticipate improved business conditions. Last year, 41% of the businesses surveyed thought they would see positive changes, and when recently surveyed again, 52% reported their expectations were exceeded.

TEXT YOUR QUESTIONS
at any time during this presentation to

218.721.8318

RESOURCES

National Bank of Commerce

nbcbanking.com

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PARTICIPATE

To participate in the next round of surveys, please complete the form on your table and drop it off at the registration table as you leave.



We are seeking business principals to participate in on-going, future business confidence survey collection efforts.

If you are willing to help out the student research team and provide less than 5 minutes of your time, please fill out this form and return it to a REIF Steering Committee Member before you leave today.

Name: _____

Position: _____

Organization/Company: _____

Email: _____

Phone: _____

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APEX
gets business

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UNIVERSITY OF MINNESOTA DULUTH
Driven to Discover

Business North

UNIVERSITY of WISCONSIN
Superior

DEVELOPMENT ASSOCIATION

SAVE THE DATE

THE NEXT REGIONAL ECONOMIC INDICATORS FORUM

Wednesday, October 31, 2018

Lake Superior Ballroom, DECC

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

<http://bit.ly/reifspring2018>

