

Minnesota's Economic Outlook

Presented by

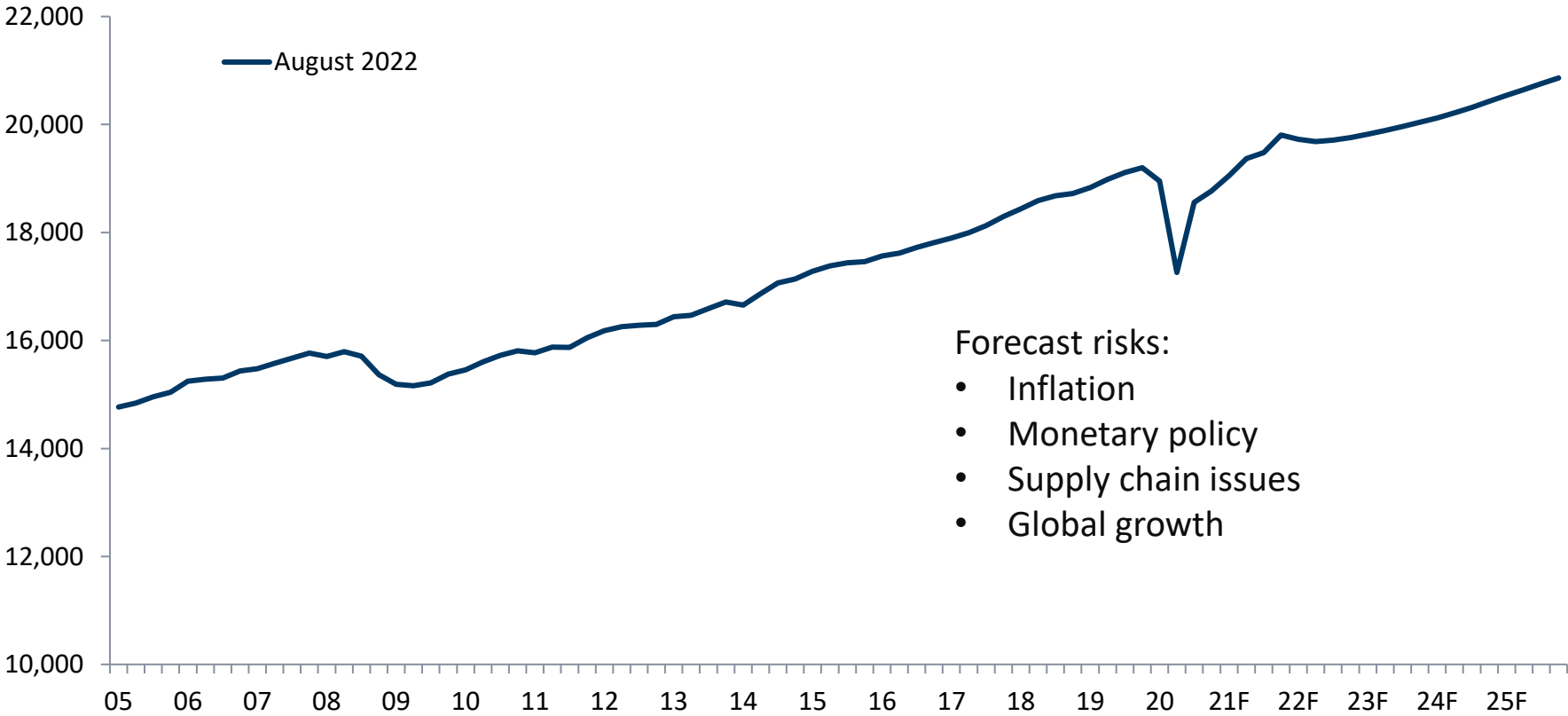
Prof. Laura Kalambokidis

To The Governor's Workforce Development Board

August 24, 2022

U.S. economic growth expected to continue; recession risks elevated

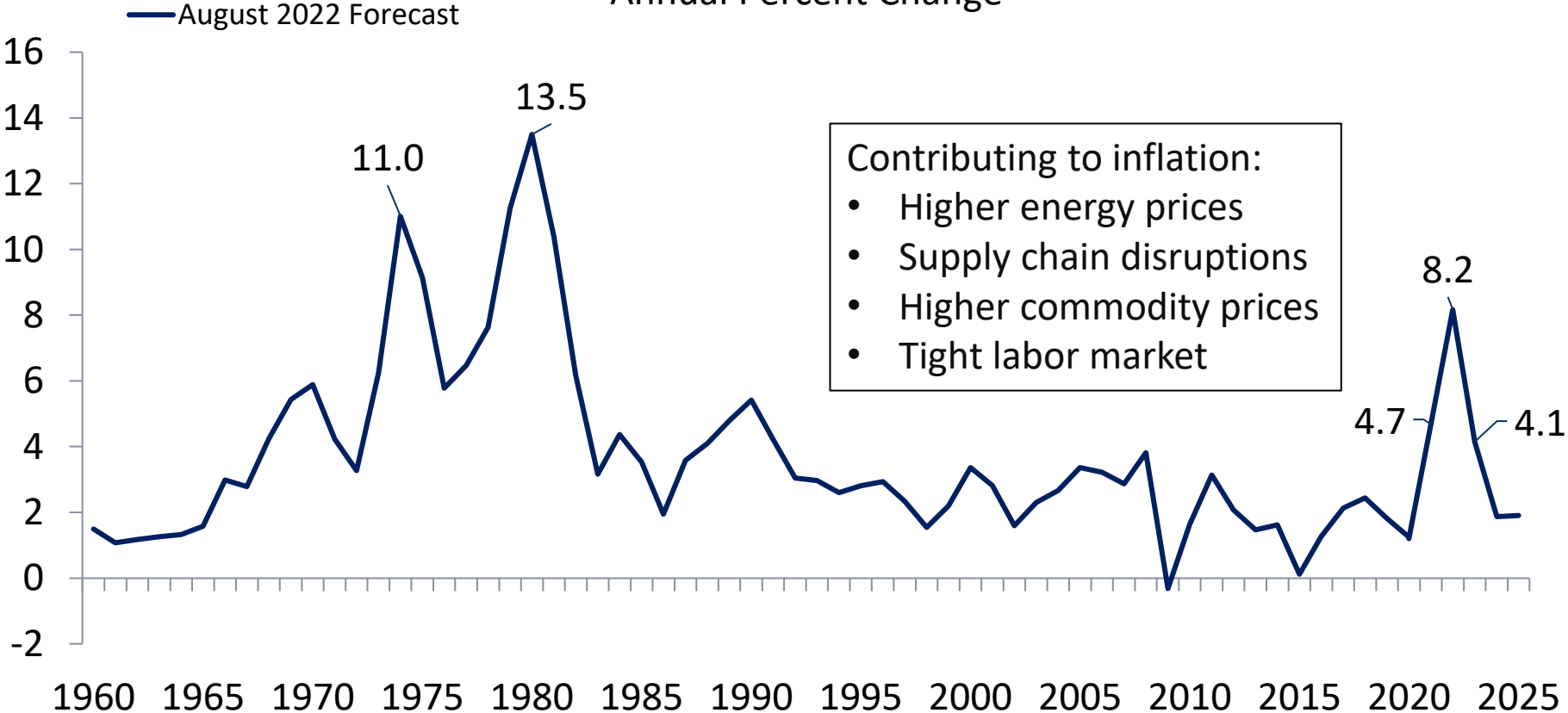
U.S. Real Gross Domestic Product
(Billions, chained U.S. Dollars 2012)



Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Inflation higher, expected to settle after next year

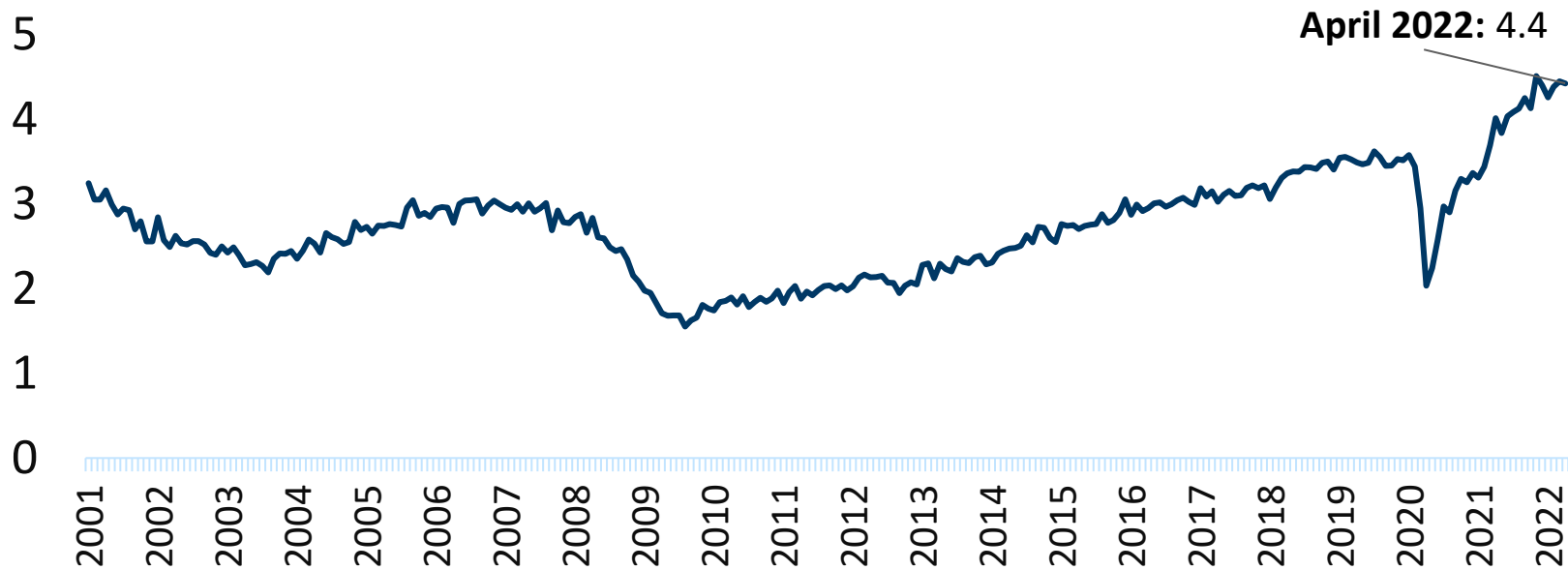
Consumer Price Index Annual Percent Change



Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Strong demand for labor, low unemployment in U.S.

U.S. Quits, Total Nonfarm
millions, seasonally adjusted

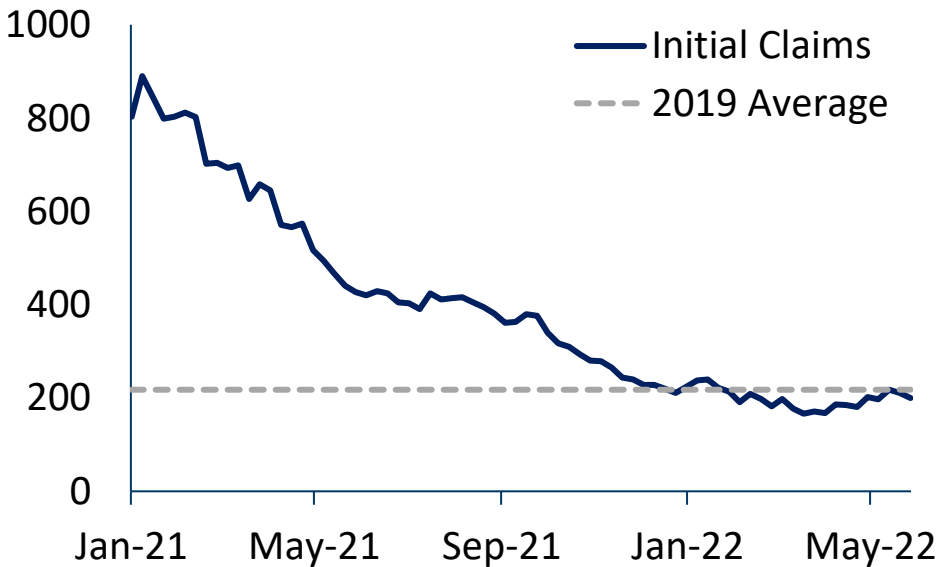


Source: Bureau of Labor Statistics

Quits increased noticeably starting in mid-2021. The level of quits has reached all-time highs several months in the past year. 4.4 million workers quit their jobs in both March and April.

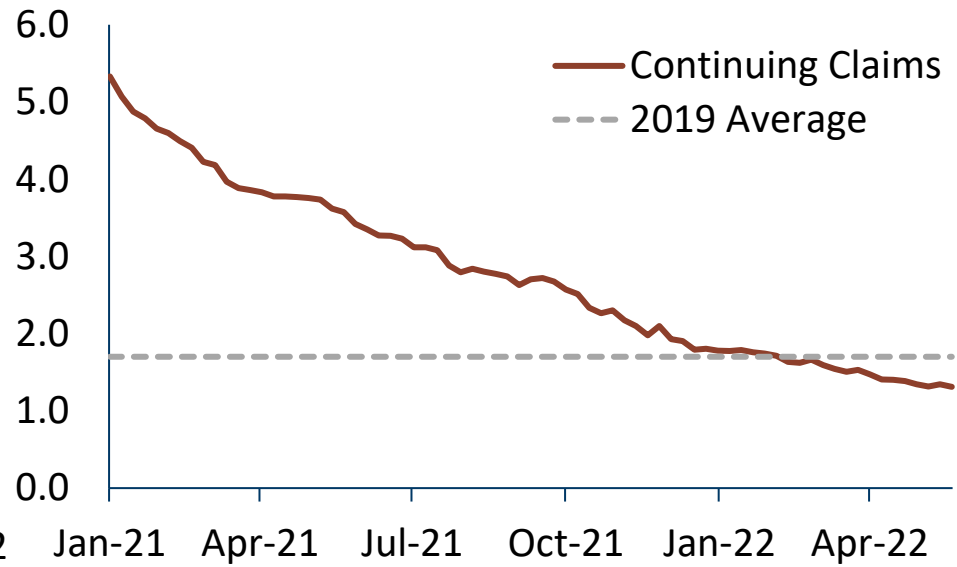
Unemployment insurance claims at or below 2019 levels

U.S. Initial Claims for UI thousands



Source: FRED, Federal Reserve Bank of St. Louis

U.S. Continuing Claims for UI millions

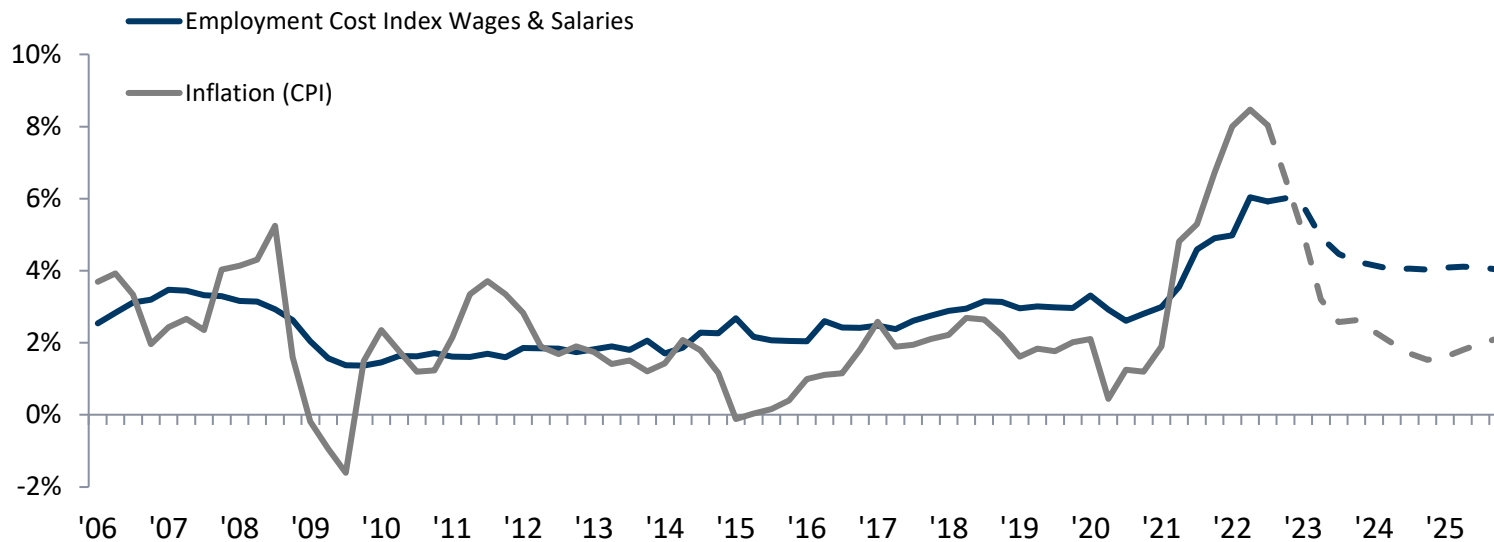


Source: FRED, Federal Reserve Bank of St. Louis

Continued claims in recent weeks have been at their lowest level since 1970. In the first quarter of 2022, UI benefits comprised a similar share of personal disposable income as they did in 2019, indicating that UI benefits are no longer providing an extra boost to income growth.

Wage income growth slower than inflation

U.S. Employment Cost Index and Inflation
Year-Over-Year Percent Change

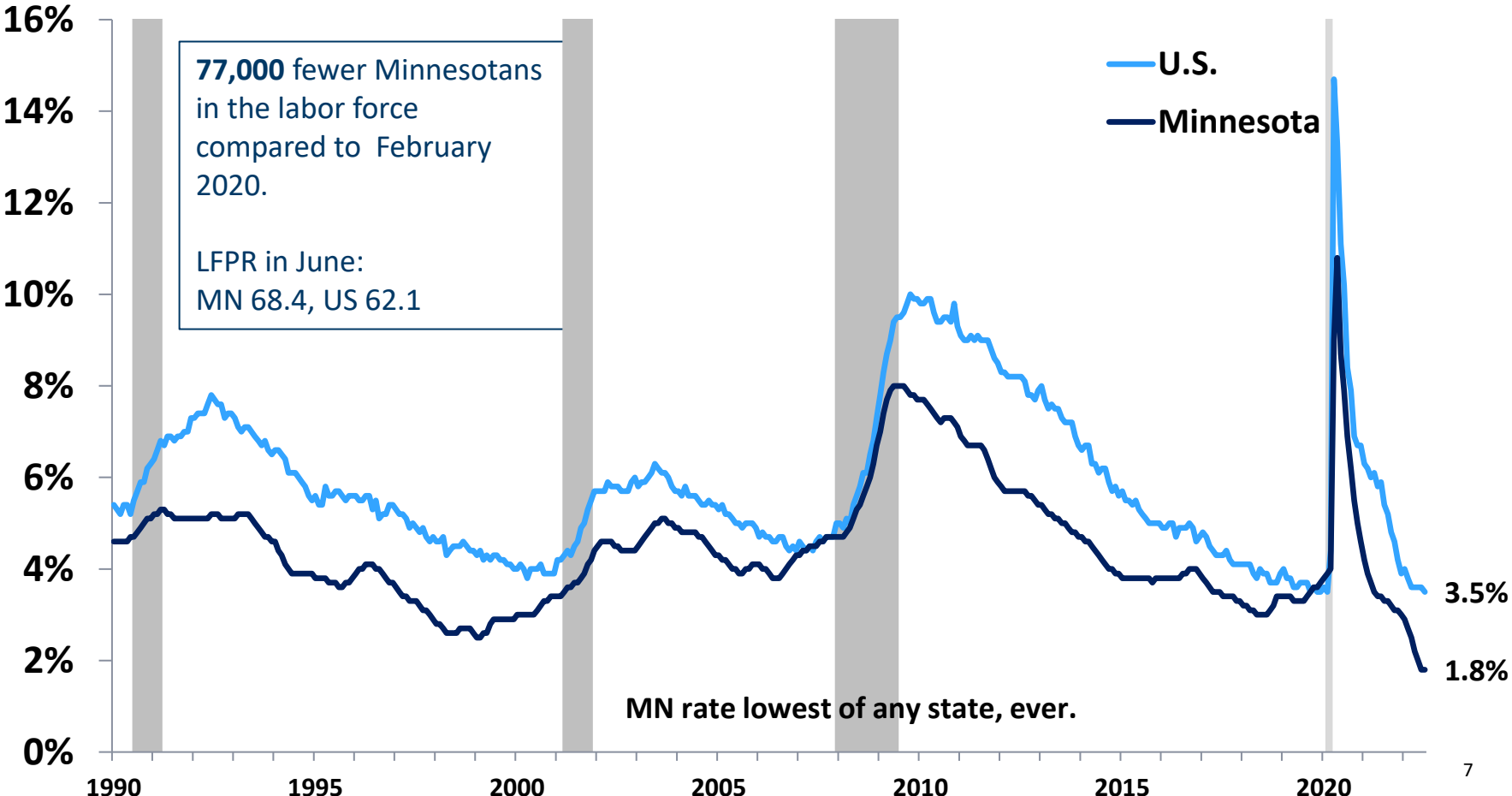


Source: IHS Economics

The U.S. ECI reached 6.0 percent in the first quarter of 2022, the highest since 1981. At the same time, the percent change in prices as measured by the CPI reached 8.5 percent, a 40-year high. The growth in prices as measured by the CPI has exceeded the growth in wages as measured by the ECI for the past five quarters. While nominal wage growth has been strong, it has not yet outpaced inflation. (Exception: High-vacancy, low-wage jobs affected by pandemic restrictions.)

State unemployment rate at record low

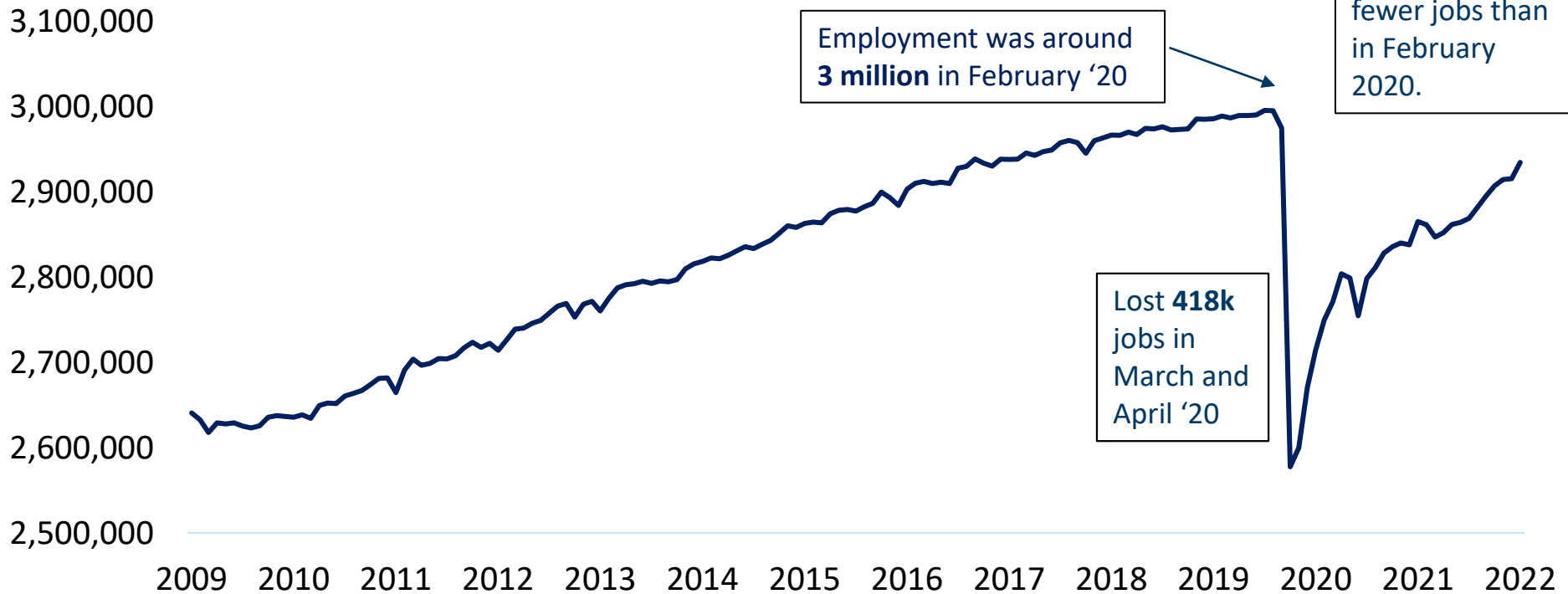
Unemployment Rate
Monthly, Seasonally Adjusted, July 2022



Minnesota employment recovering

MN Non-Farm Total Employment

Seasonally Adjusted Monthly Level, July 2022



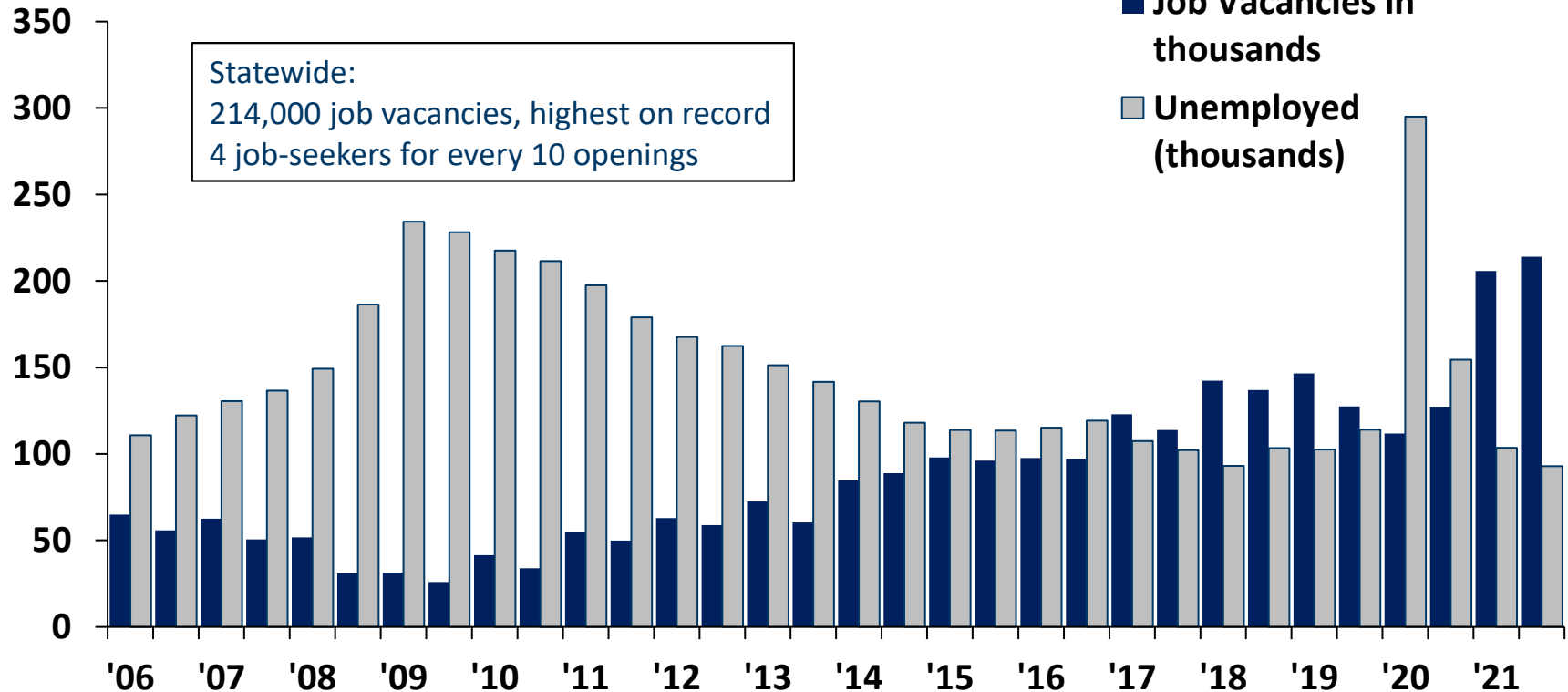
Source: MN Department of Employment and Economic Development (DEED)

Source: MN Department of Employment and Economic Development (DEED), Current Employment Statistics (CES)

Strong demand for labor, low unemployment in Minnesota

Minnesota Labor Market Indicators

Thousands

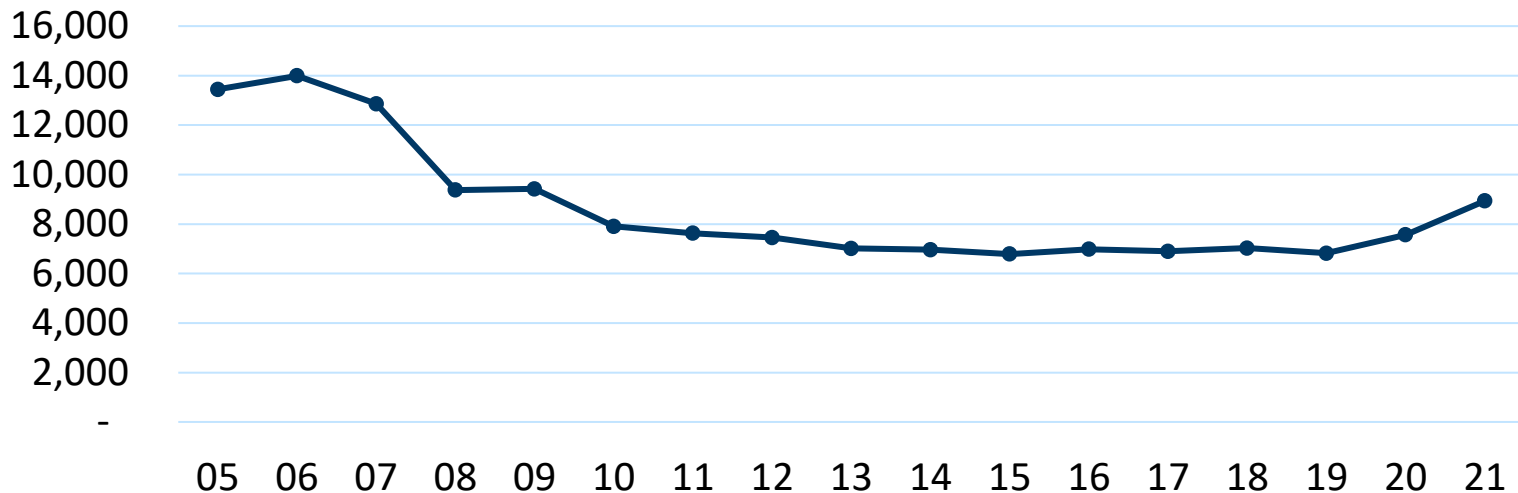


Source: MN Department of Employment and Economic Development (DEED)

Source: MN Department of Employment and Economic Development (DEED), Current Employment Statistics (CES)

Business creation has been increasing in Minnesota

New Business Applications with Planned Wages
Minnesota



Source: Census Bureau

Business applications with planned wages in Minnesota were higher in 2020 and significantly higher in 2021 than they were in the prior decade. About 7,500 applications were filed in 2020, and nearly 9,000 applications were filed in 2021, 25 percent more than the 2010-2019 annual average.

Migration to Minnesota matters

Total Migration into Minnesota

