



## QBR: Mixed signals emerge in local economy

King Banaian and Rich MacDonald, SPECIAL TO THE TIMES

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St. Cloud-area employment declined over the year ending October 2015 as several key sectors (including education and health, construction, retail trade, and professional and business services) shed jobs. While economic fundamentals in the St. Cloud area remain solid, a variety of mixed signals have

emerged that suggest a sustained period of slower future local growth. Surveyed businesses remain optimistic, but firms' hiring has weakened. The leading economic indicator series declined in the last quarter, but the predicted probability of local recession remains low. The local labor force declined, and many area firms continue to be plagued by a shortage of qualified workers.

1. Overall employment in the St. Cloud area declined by 0.6 of a percent in the 12 months through October 2015. Employment in the private sector (which represents 85.4 percent of area workers) declined by 0.9 of a percent over this same period. Nearly 700 fewer people were employed in St. Cloud in October compared to one year earlier. At 2.9 percent, the October unemployment rate in the St. Cloud area was unchanged from one year ago. The local labor force also fell.
2. The health care and education sector shed jobs in October for the first time in more than two years. Employment in this sector, which accounts for 20.1 percent of all local jobs, declined by 1.1 percent over the year ending October 2015. Employment in the mining/logging/construction sector — construction likely accounts for most of this sector in the St. Cloud area — declined by 5 percent. Professional and business services shed 3.7 percent of its workers, and retail trade employment contracted by 3.2 percent.
3. The St. Cloud Index of Leading Economic Indicators decreased by 0.67 of a percent in the latest quarter, as two of the four indicators went down. The decrease in the index is mostly attributable to lower new filings for business incorporation in the St. Cloud area as well as a recent decrease in help-wanted lineage in the St. Cloud Times.

The future outlook of area businesses is weaker than it was one year ago, but is still more optimistic than is usually found in the St. Cloud Area Business Outlook Survey at this time of year. Fifty-nine percent of surveyed firms expect a future increase in business activity and 45 percent expect to expand payrolls. Sixty-one percent indicate they expect pay to be higher, and nearly one-third of surveyed firms expect to be able to increase prices. A smaller share of surveyed firms experienced improved business activity over the recent three months than is customary for this time of year. While 38 percent of firms saw business conditions improve in the most recent quarter, one-quarter of firms experienced reduced business activity. Thirty-eight percent of surveyed firms found it to be more difficult to attract qualified workers in the last quarter.



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King Banaian's Quarterly Business Report highlights

Only 14 percent of surveyed firms found it more difficult to collect on accounts receivable over the past six months. Most firms (59 percent) indicate there was no change in collecting bills, while 16 percent of firms found collections easier. More than half of surveyed firms expect to be negatively impacted by rising interest rates (although most of these firms expect the adverse effect to be small), while 11 percent of firms expect to benefit from higher rates. Twenty-one percent of firms report being unfavorably impacted by a rising international exchange value of the U.S. dollar. Half of survey respondents report no discernible effect of the rising dollar.



Dec. 21, 2015, 7:34 a.m.