Minnesota’s Economic Outlook

Presented by

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To The Governor’s Workforce Development Board

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

Forecast risks:
- Inflation
- Monetary policy
- Supply chain issues
- Global growth

Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)
Inflation higher, expected to settle after next year

Contributing to inflation:
- Higher energy prices
- Supply chain disruptions
- Higher commodity prices
- Tight labor market

Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)
Strong demand for labor, low unemployment in U.S.

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.

Source: Bureau of Labor Statistics
Unemployment insurance claims at or below 2019 levels

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

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

77,000 fewer Minnesotans in the labor force compared to February 2020.

LFPR in June:
MN 68.4, US 62.1

MN rate lowest of any state, ever.
Minnesota employment recovering

MN Non-Farm Total Employment
Seasonally Adjusted Monthly Level, July 2022

Employment was around 3 million in February ‘20

Lost 418k jobs in March and April ‘20

Remaining gap: 61k (2.0%) fewer jobs than in February 2020.

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

Statewide: 214,000 job vacancies, highest on record
4 job-seekers for every 10 openings

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

- International Immigration
- Domestic Migration

Source: U.S. Census Bureau