

North Dakota Economic Conditions Minneapolis Federal Reserve Regional Economic Conference

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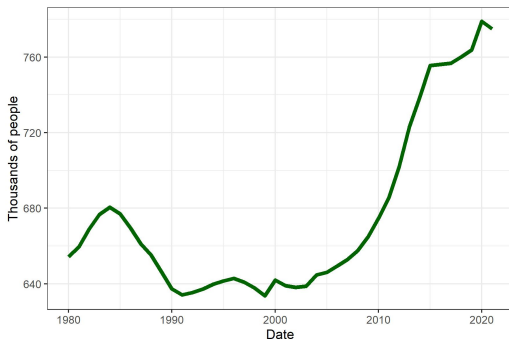
January 13, 2023

Laying the groundwork

The North Dakota Decade?

13.4% population growth (Census 2010 to Census 2020)

Population

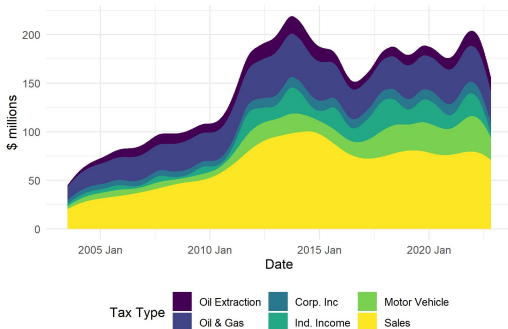


Laying the groundwork

The North Dakota Decade?

Significant rise in monthly revenues

Major tax categories



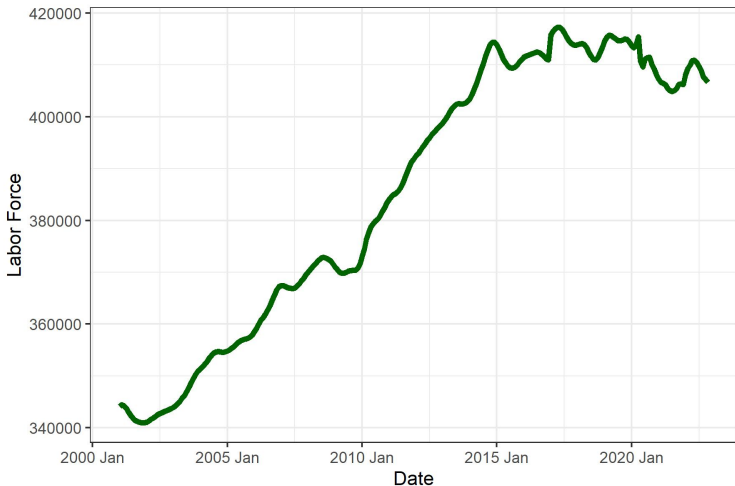
The North Dakota Decade?

- In a few years time we might see books describing the time period 2010 to 2019 as the North Dakota decade.
 - ▶ In addition to population and taxes the state experienced 66% growth in nominal GSP from 2010 to 2019
- Much of this directly or indirectly attributable to the 525% increase in monthly oil production.
- The question faced now: *Can or will this continue?*

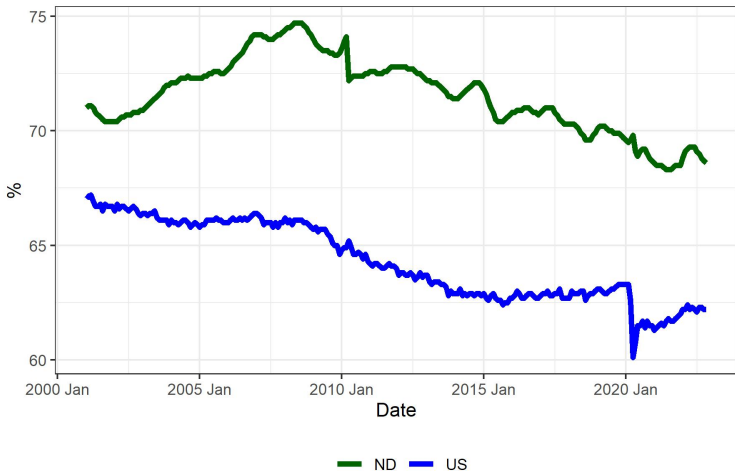
Economic Opportunities & Challenges

- Like much of the country the economy in the state of North Dakota finds itself at a crossroads.
- There are old and new challenges, both similar and distinct when compared to the broader regional and national picture.
- Key questions include: labor supply, inflation, and interest rates.
- North Dakota has a good foundation for growth, but it is not clear what the next growth driver will be.

Challenge 1: Labor force not expanding



Challenge 2: Labor force participation decline predates COVID

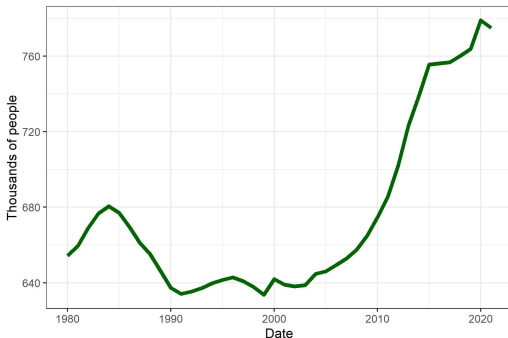


Population Peaking, Plateauing, or Continuing to Rise?

Population Increasing

The increases in population explain the math behind the decline in the participation rate to some extent. That expansion also explains the first opportunity.

Population Growing

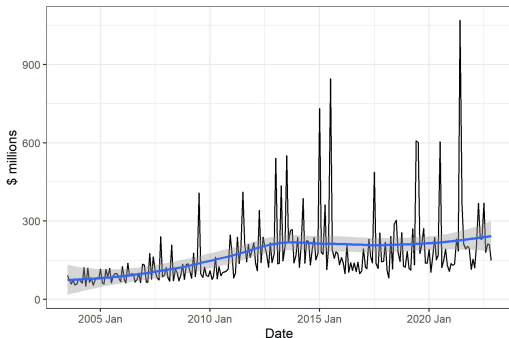


Monthly Revenue Collections

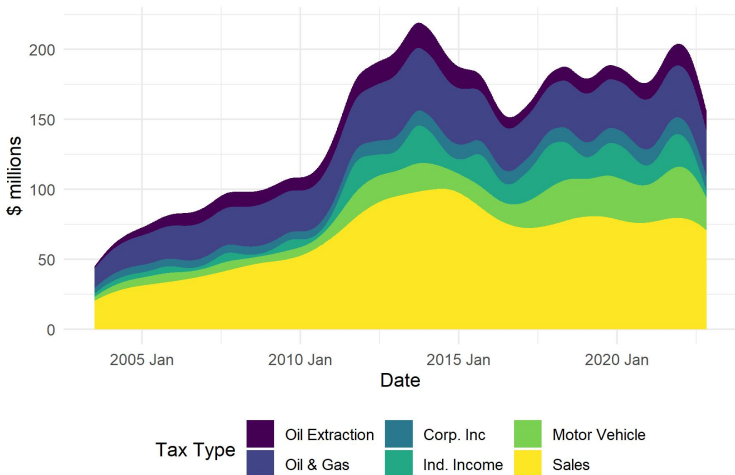
Increasing collections

There is significant volatility in overall collections and components on a month to month basis. The pace of increase is slowing too.

Growth, but moderating



Tax Policy Changes Possible



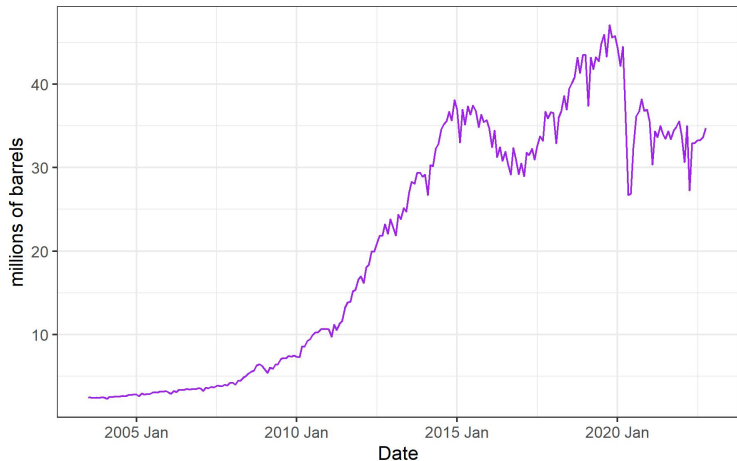
Fiscal flexibility

- North Dakota current fiscal resources adequate to entertain policy overhauls.
 - ▶ Could be used to spur economic growth.
 - ▶ Could be an investment in state's future.
- In addition to current revenues there is \$8 billion in the *Legacy Fund*.

Extractive Sector Maturing

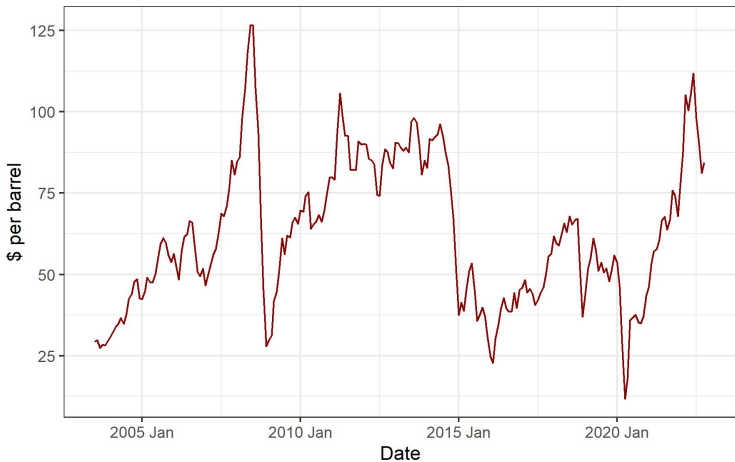
- Oil & other extractive industries are still a growth driver.
- However the situation is changing as sector is no longer in rapid expansion.
- Looking at co-production activities with existing extractive industries.
- Communities looking to adjust to changes in local industry base.

Oil output moving sideways...



Source: ND DMR

...despite a strong price increase



Source: EIA.gov

Energy Sector Still a Keystone

- Maturing does not mean less important.
- It is still a bedrock for tax revenues and other economic activity.
- Can be an important part of co-production activities and innovations.
- Requires long time horizon vision and planning.

Risks to State Economic Outlook

- Increasing interest rates
- US debt ceiling game of chicken and risk of US debt default.
- Too many lack experience with inflation and higher rates right now for confidence in decision processes.
- Lack of concerted effort on defined direction with economic growth initiatives in the state.