

North Dakota Economic Conditions Minneapolis Federal Reserve Regional Economic Conference

David T. Flynn, Ph.D.

Institute of Policy & Business Analytics
Nistler College of Business & Public Administration
University of North Dakota

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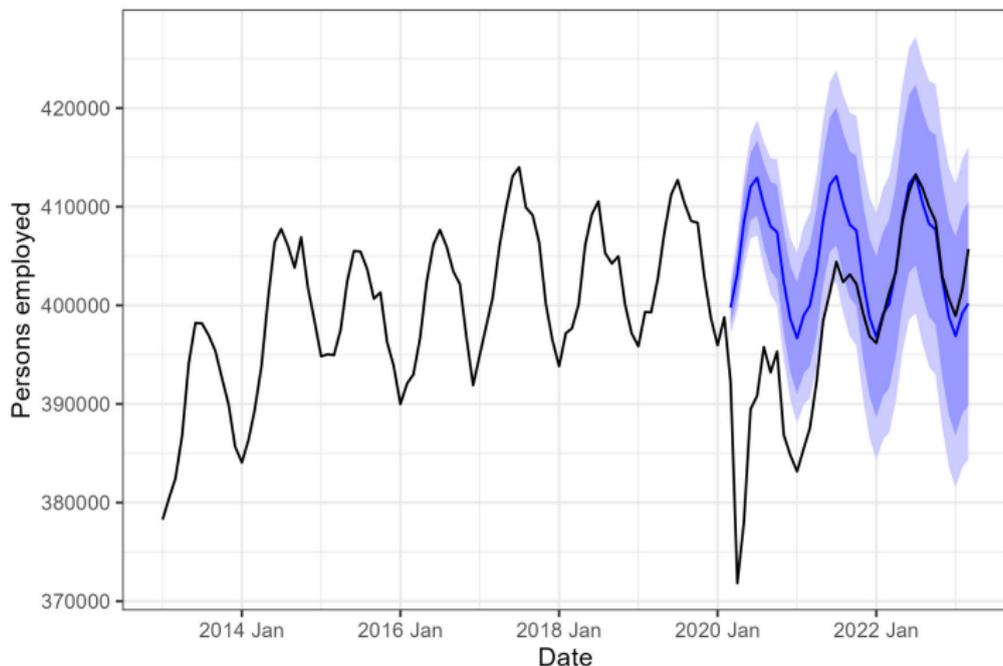
Crucial Factors for ND Outlook

- Never a shortage of consequential factors.
- - ▶ Labor market concerns
 - ▶ Energy sector depth and expansion
 - ▶ Fiscal position
 - ▶ Related demographic issue: Migration
- As is always the case, there are significant overlaps and dependencies between these and other issues.

Ongoing Labor Market Challenges

- The rest of the country is finally experiencing labor market issues like North Dakota circa 2010:
 - ▶ No slack in labor market.
- Impacting most industries and most parts of the state.
- Both nearby and long term consequences for employers.
 - ▶ Expansion plans at risk.
 - ▶ Replacing retirees a concern too.

Employment only back to Pre-COVID path



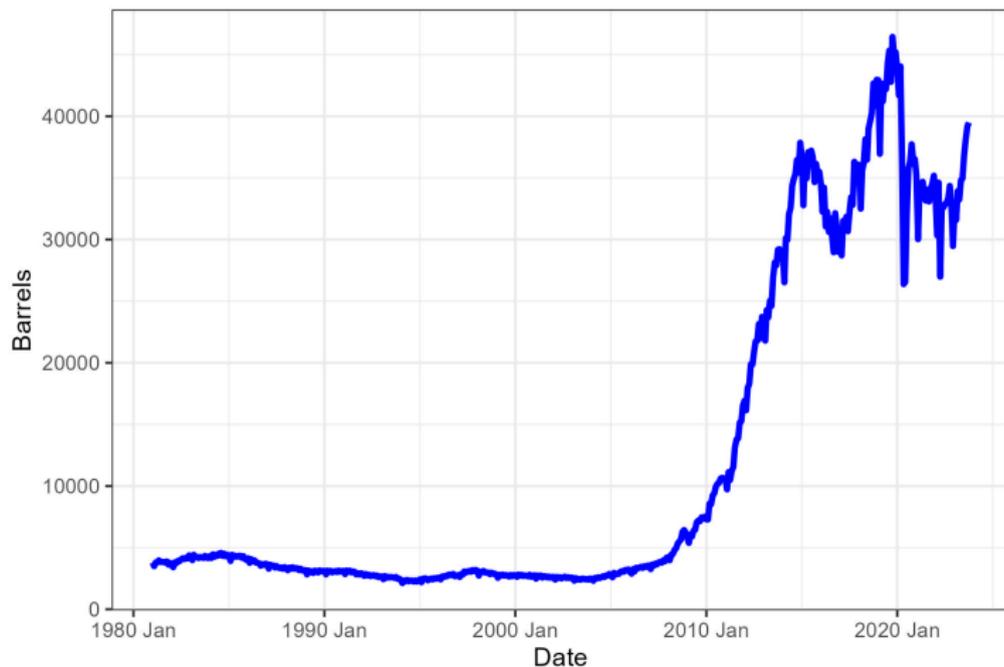
Energy sector as key driver

- There is a constant argument about which sector is more important: agriculture or energy?
- They both play important roles.
- Right now think of agriculture as the foundation or base level activity for its lesser volatility.
- Energy (broadly defined) represents the driver of a boom–bust cycle in state economic measures.

Oil Price Volatility



Oil Output Responses



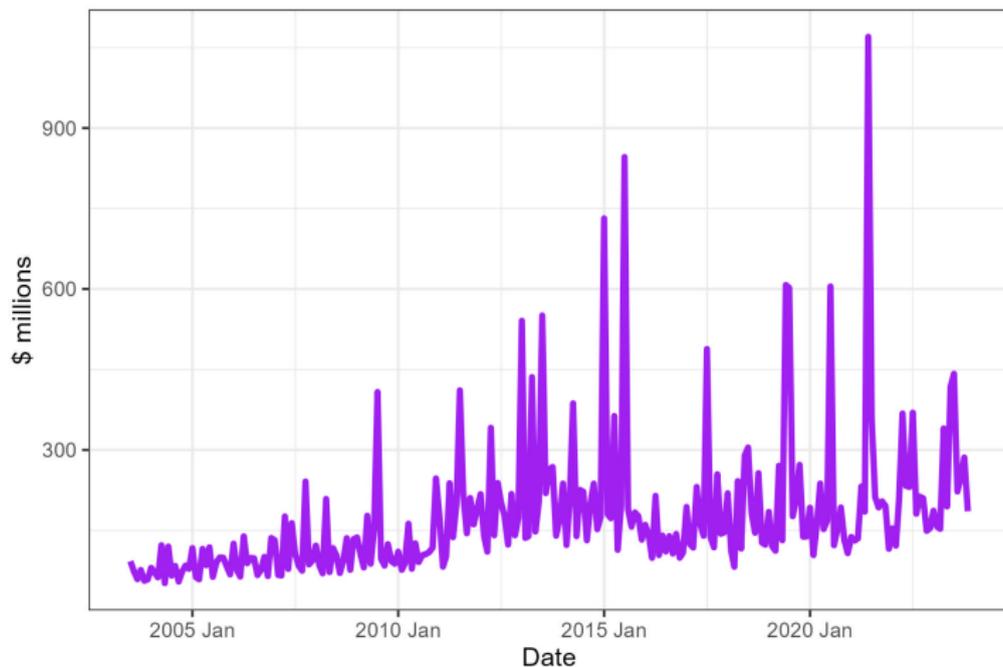
More than oil

- Fossil fuels still the large driver of energy activity.
- Starting to see branching out with research into *rare earth elements* and *critical minerals* research.
 - ▶ These can be extracted from existing fossil fuel production processes.
 - ▶ Need further steps in the value chain.
- The changes in the energy sector impact the fiscal and demographic aspects of North Dakota too.

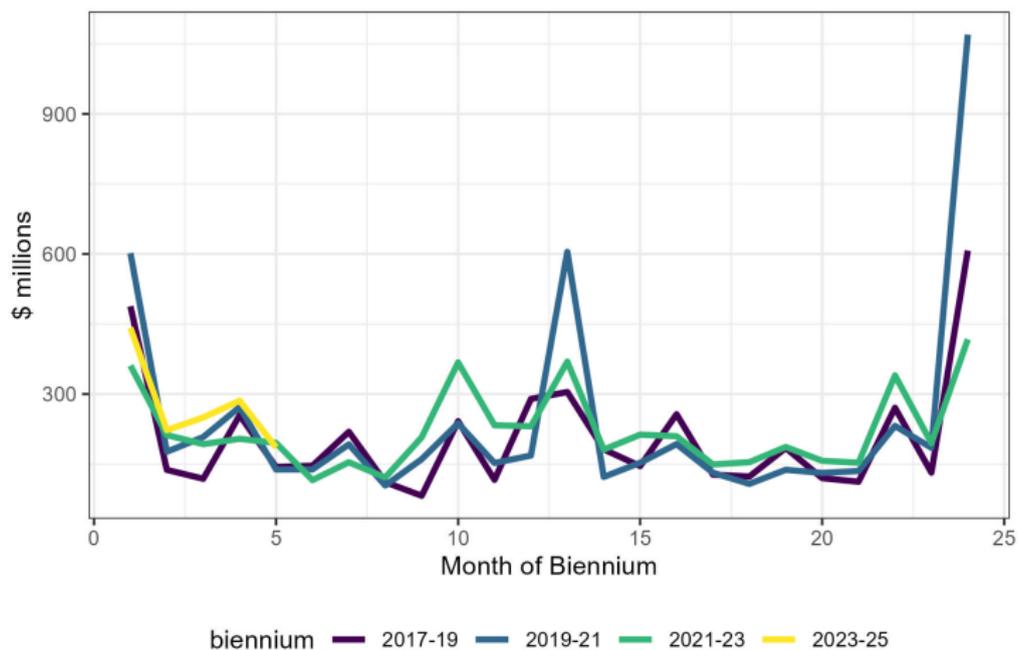
Fiscal Pictures

- The fiscal situation in North Dakota is strong currently and relatively stable as far as revenue generation.
- Add to this the current level of the *Legacy Fund* and the fiscal resources for North Dakota are solid.
- Presidential election years are actually not so good for tax collections with calendar year collections averaging a decline of 20% compared to prior years.
 - ▶ For non-Presidential election years the average is 15% increases over prior years.
- In Presidential election years personal income increases in ND are around 160% higher than other years (7.82% compared to 4.94%).

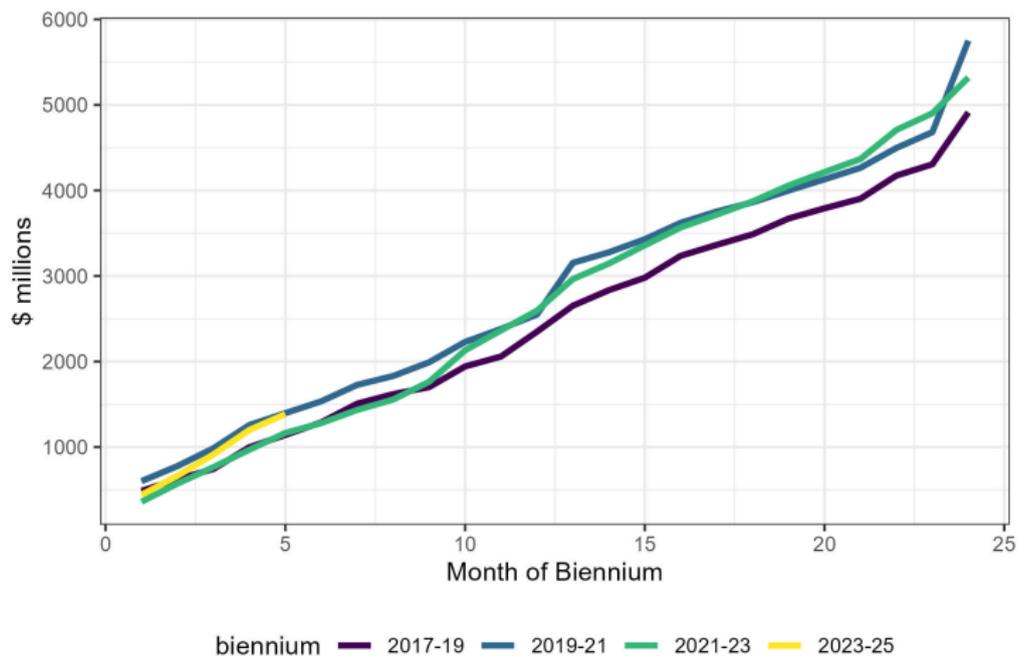
Long Run Tax Collections



Fiscal Revenue Consistency-Monthly Collections



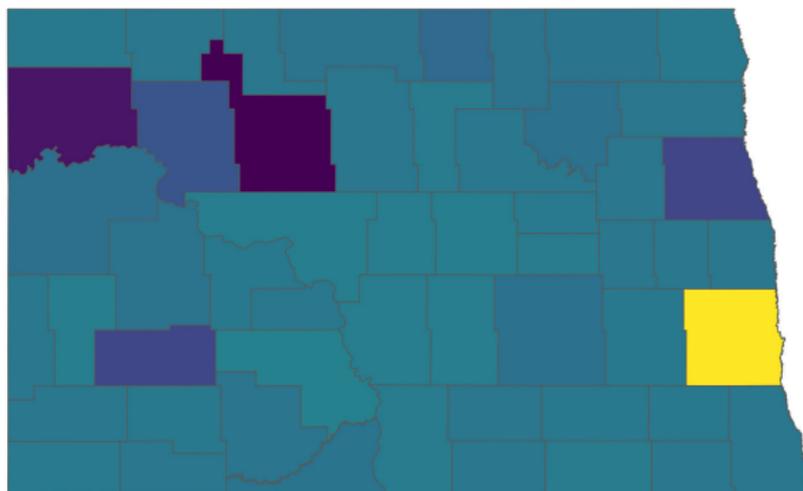
Fiscal Revenue Consistency-Cumulative Collections



A key cog for economic change

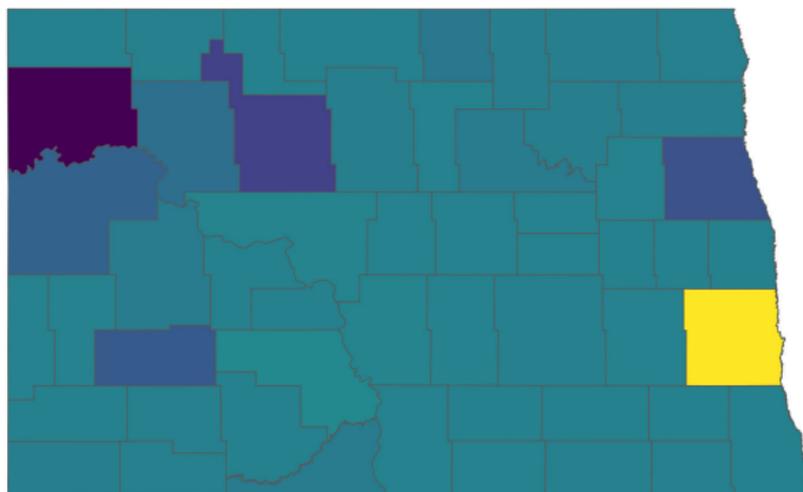
- Even with better birth rates than the national average North Dakota is starting from a low population and would take too long to *birth* a solution to labor force problems.
- IPBA is putting a survey in the field now to assess *migration intention* in North Dakota.
- Migration offers a more temporally proximate solution.
- Driven by energy sector largely which is a problem given the maturing of the industry out of its rapid growth phase.
- This can be seen in the following maps.

Net Domestic Migration 2021-2022



Change (000s) 
-1.0 -0.5 0.0 0.5 1.0 1.5

Net Domestic Migration 2020-2022



Looking ahead

- North Dakota continues to have a good foundation for growth, with opportunistic drivers for further growth.
- Labor continues to be a challenge and will lead to growth left on the table.
- Interest rate policy changes and asset prices (housing, etc.) leave consumer balance sheets in play.

Risks to State Economic Outlook

- The return of inflation left large groups of people making adjustments for the first time, and now they might face another adjustment.
- US fiscal policy seems as devoid of any sense of reality or propriety as it ever is.
- Recovery in other regions of the country will further tax labor resources in North Dakota and the region.