North Dakota Economic Conditions
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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.
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
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

![Graph showing oil output responses over time]

- Vertical axis: Barrels
- Horizontal axis: Date

The graph illustrates a significant increase in oil output, particularly from 2010 to 2020.
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

Month of Biennium

$ millions

biennium  2017-19  2019-21  2021-23  2023-25
Fiscal Revenue Consistency-Cumulative Collections

Month of Biennium

$ millions

biennium  2017-19  2019-21  2021-23  2023-25
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

Change (000s)
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.