North Dakota Outlook: Where are we, and where are we going?

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NDSU PUBLIC CHOICE PRIVATE ENTERPRISE

Acknowledgements

- Thank you all for joining us today.
- Thank you Joe Mahon for organizing this event and inviting me to speak.

The views in this presentation belong to the presenters and do not reflect the views of North Dakota State University.

Outline

- Where are we?
  - National Economy
  - State Economy
- Where are we going?
  - National Economy
  - State Economy
- Summary Points

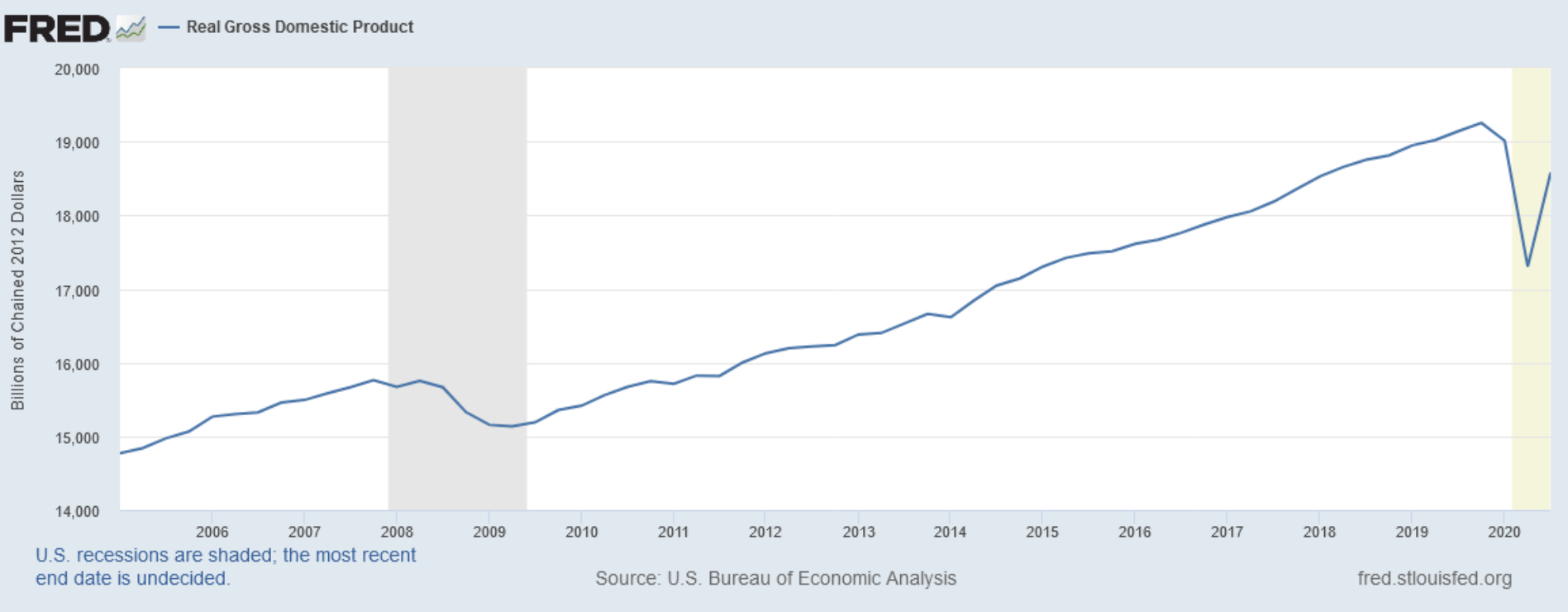
- Questions

WHERE
ARE WE?

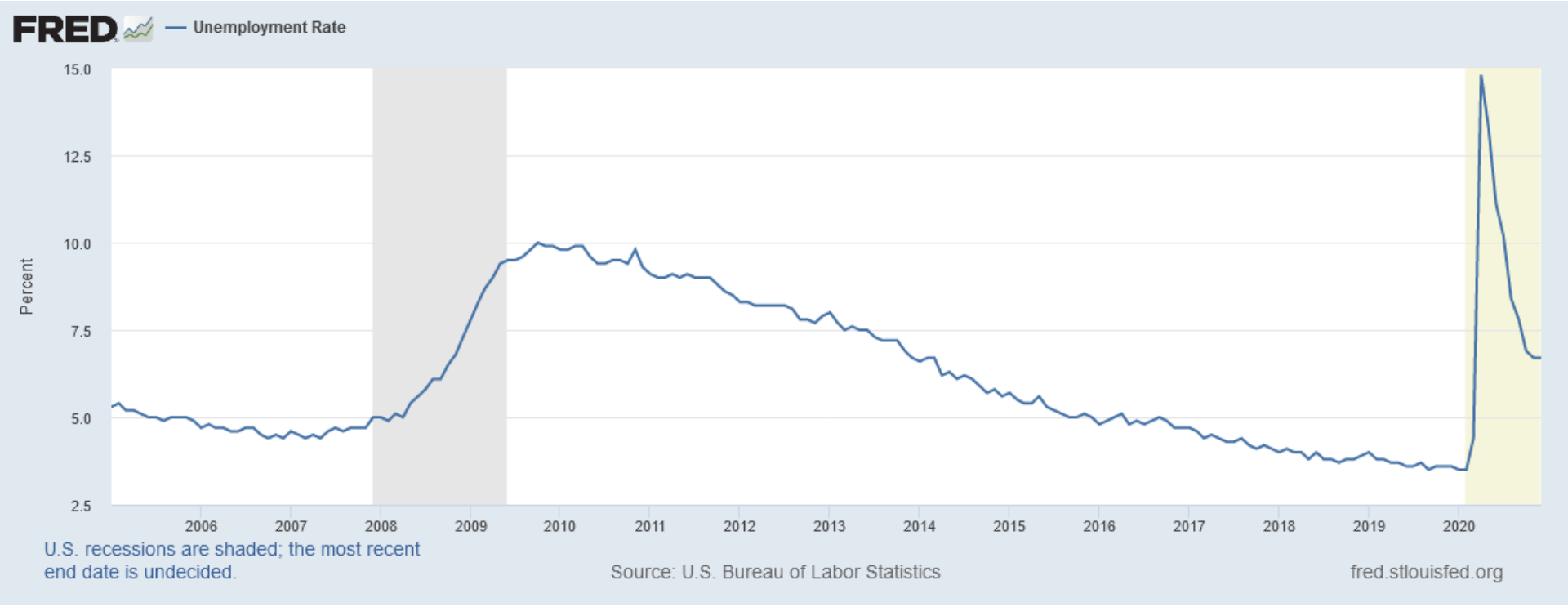
National Economy

- Gross Domestic Product
- Unemployment Rate
- Consumption
- Net Investment
- Corporate Profits
- Crude Oil

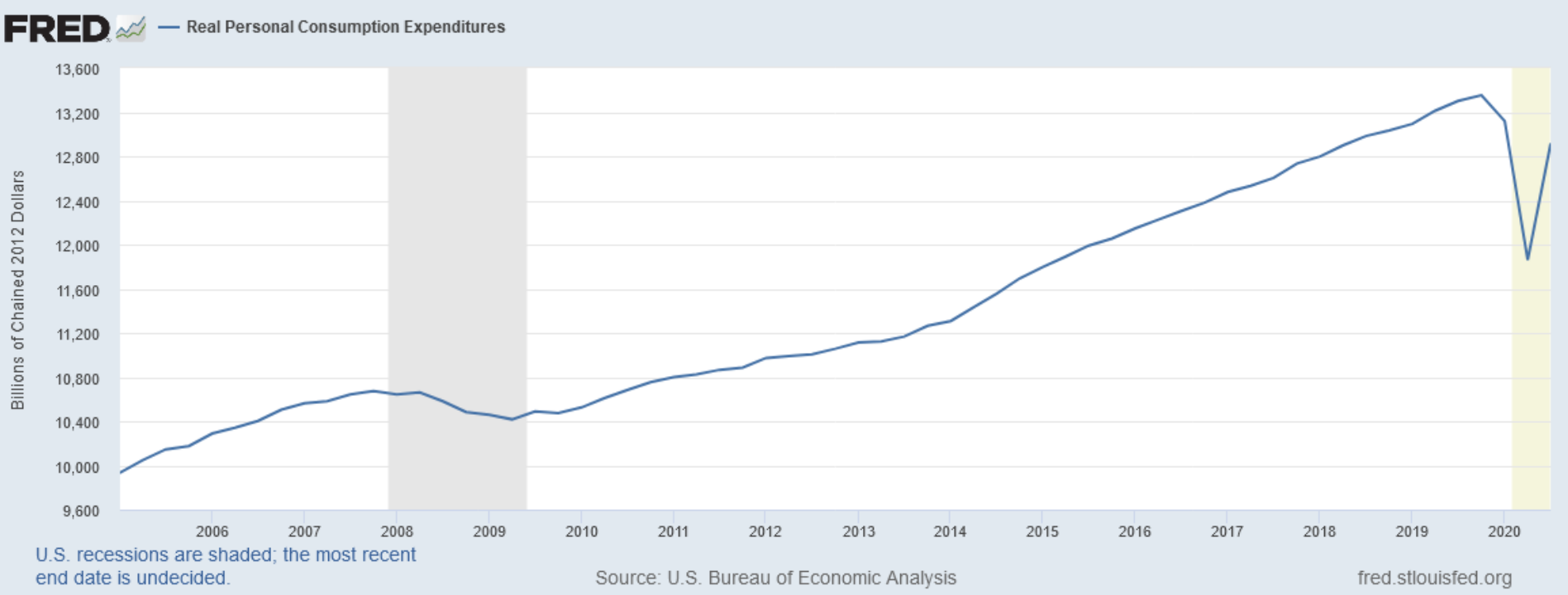
National GDP



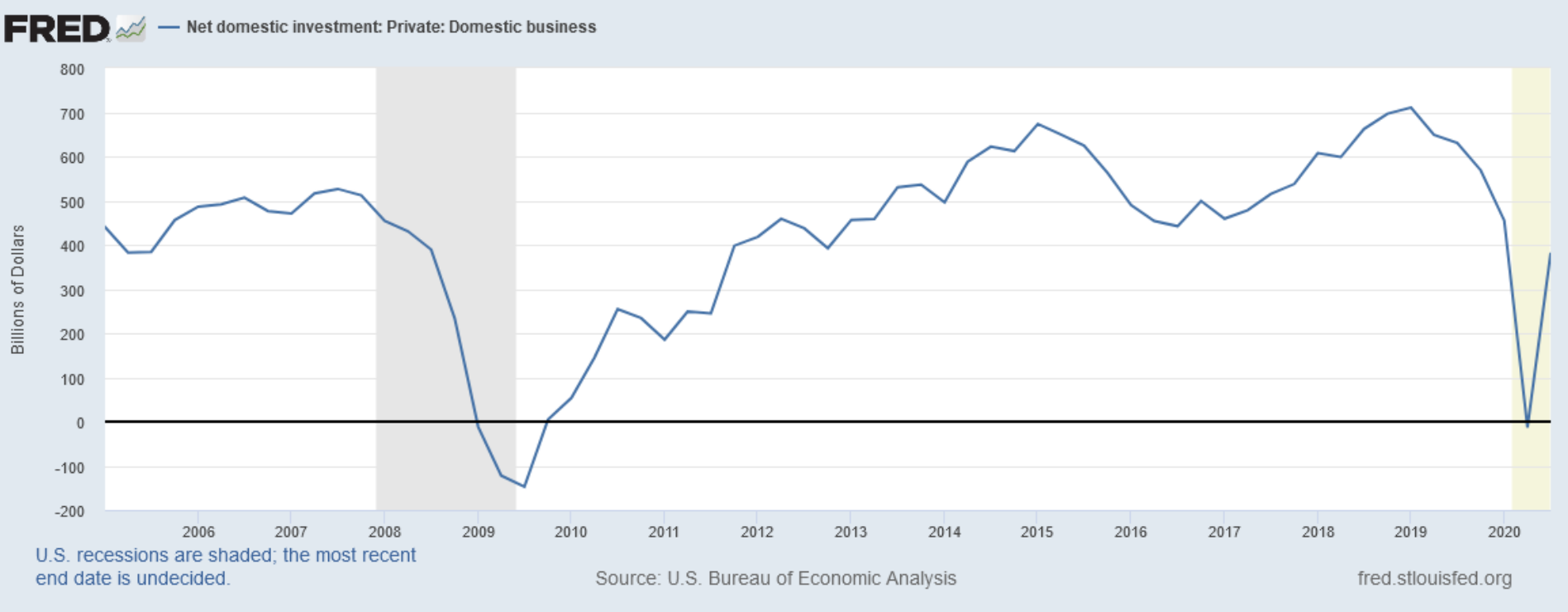
National UR


FRED
Unemployment Rate
15.0
12.5
10.0
7.5
5.0
2.5
Percent
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
U.S. recessions are shaded; the most recent end date is undecided.
Source: U.S. Bureau of Labor Statistics
fred.stlouisfed.org

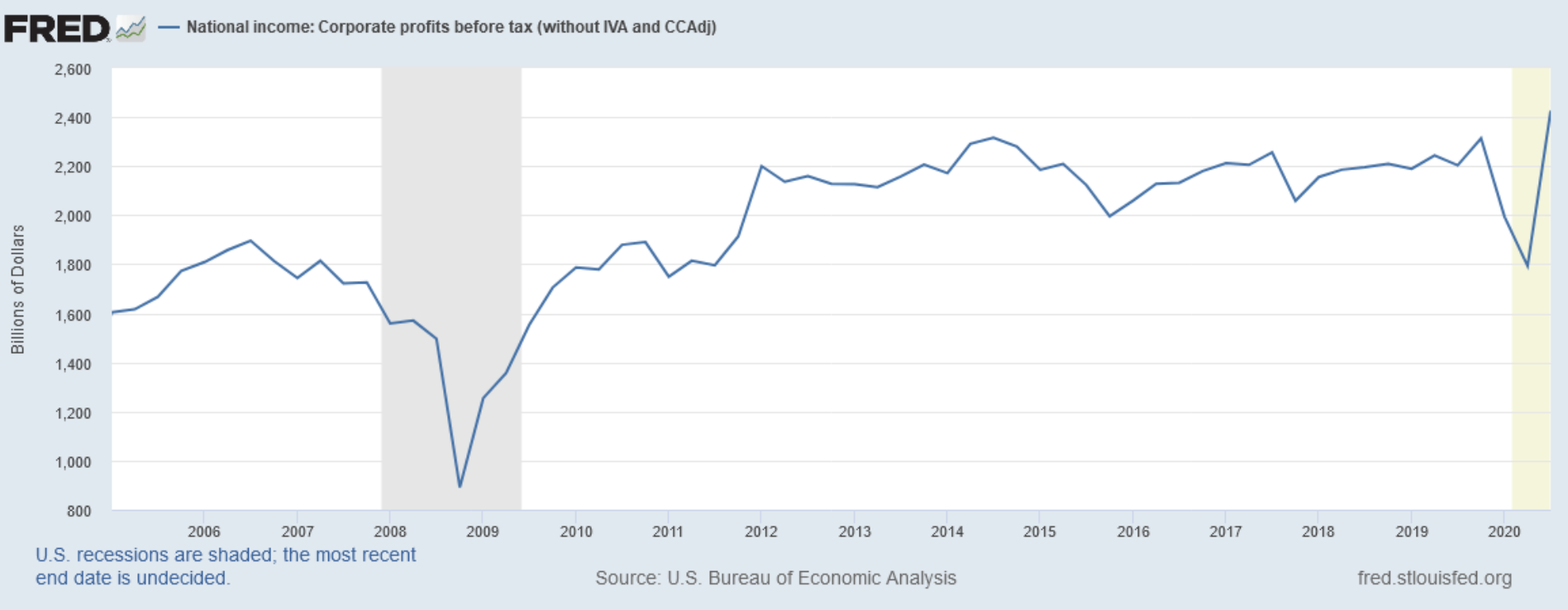
Consumption



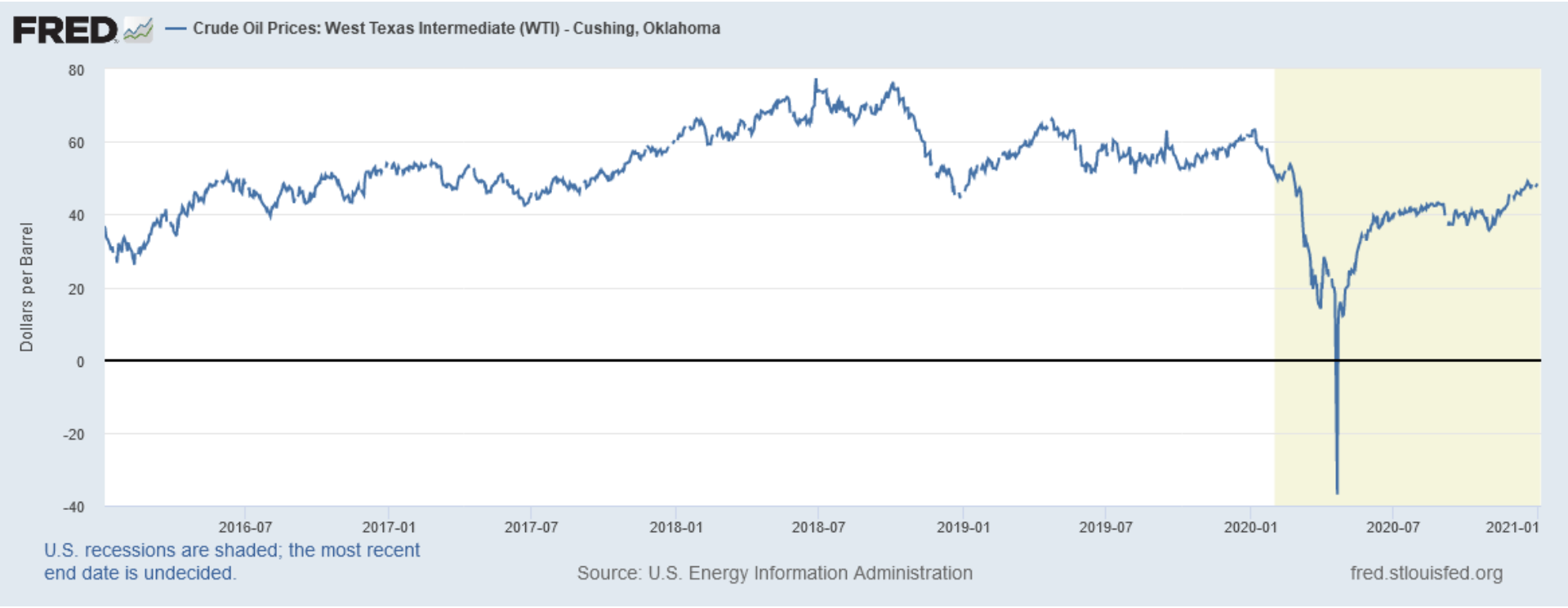
Net Investment



Corporate Profits



WTI Crude Futures



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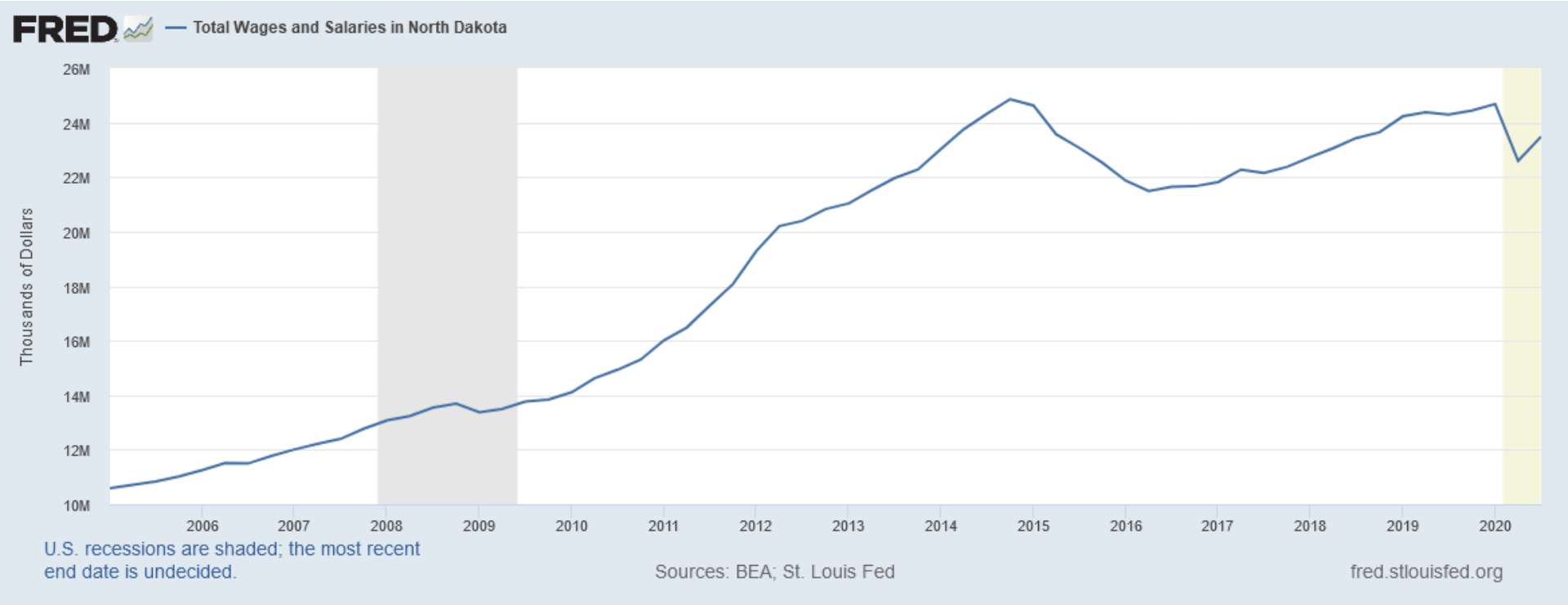
State Economy

- ND Total Wages and Salaries
- ND Labor Force
- ND Unemployment Rate
- ND Gross State Product
- ND Total Tax Revenue

ND Total Wages and Salaries



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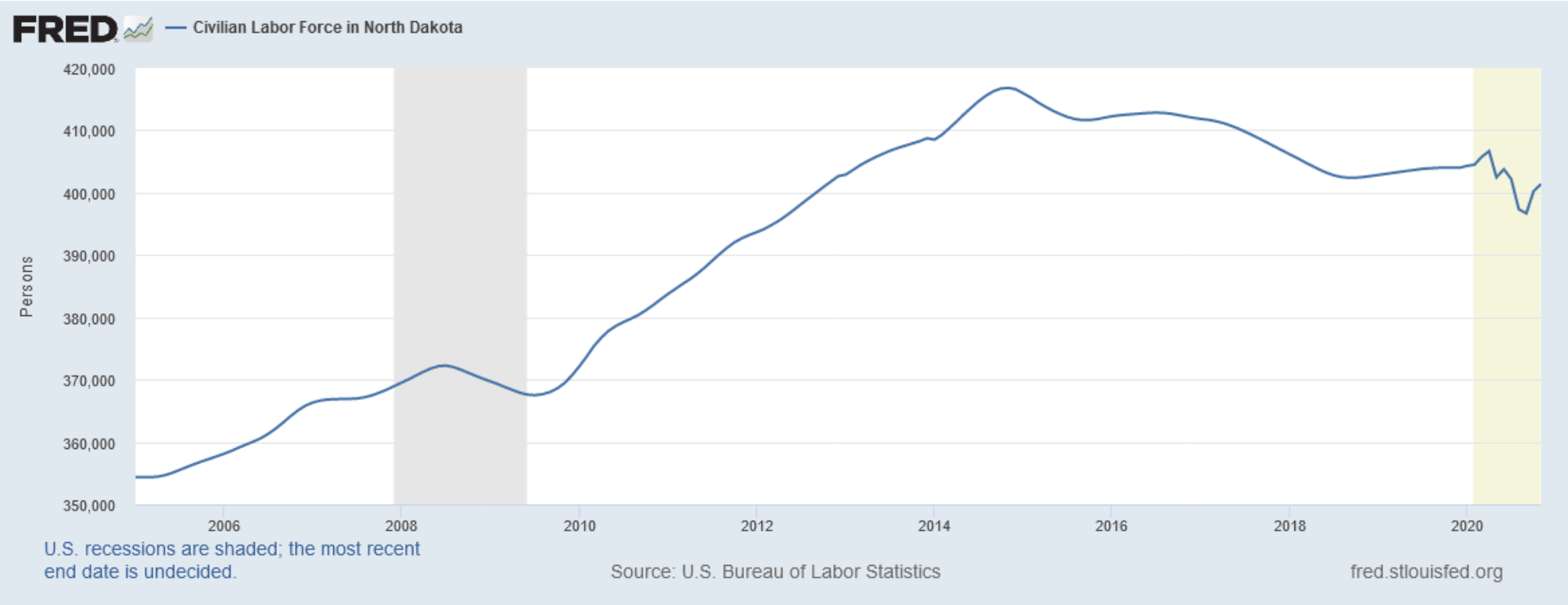
ND Labor Force



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ND Unemployment Rate

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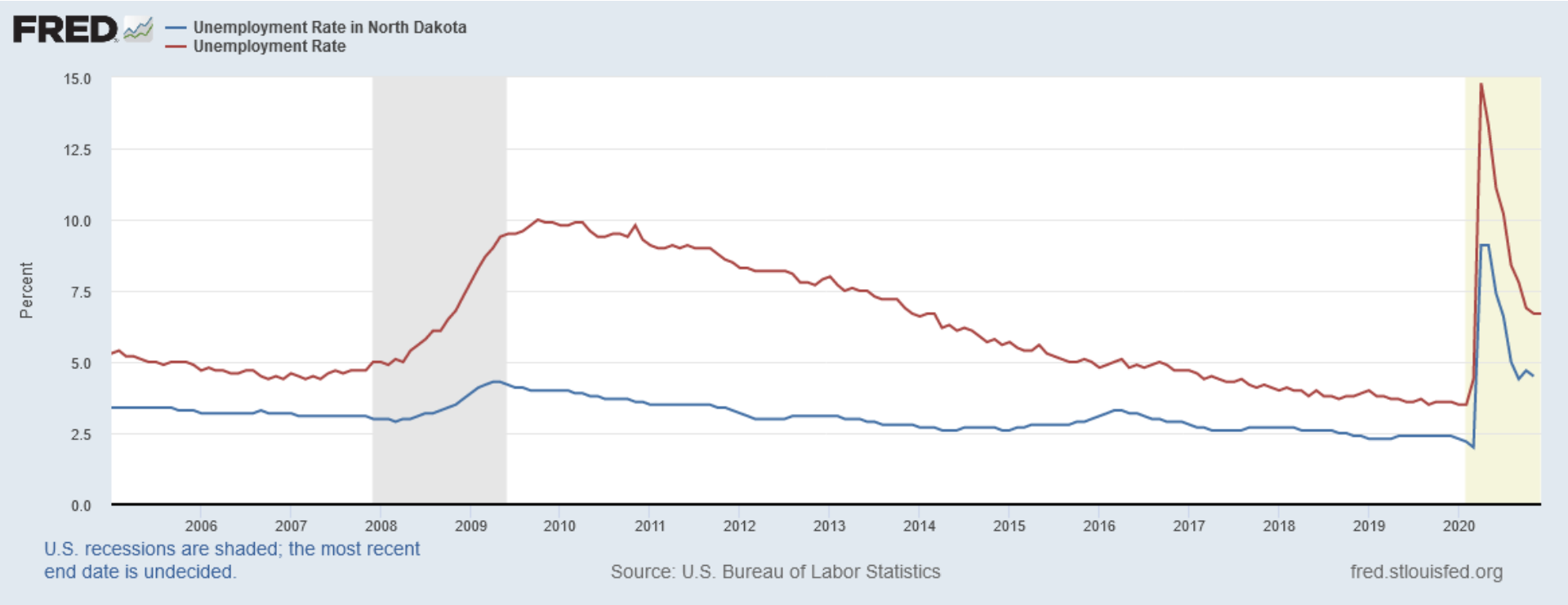
ND Unemployment Rate



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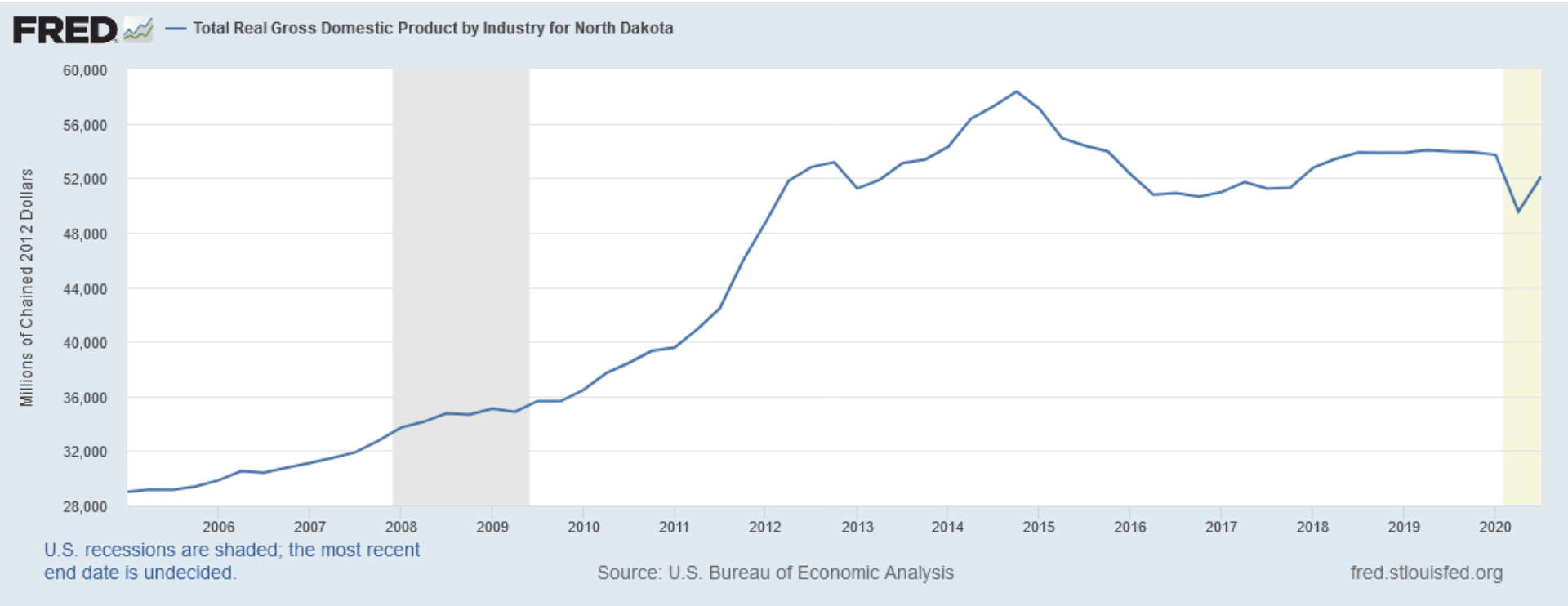
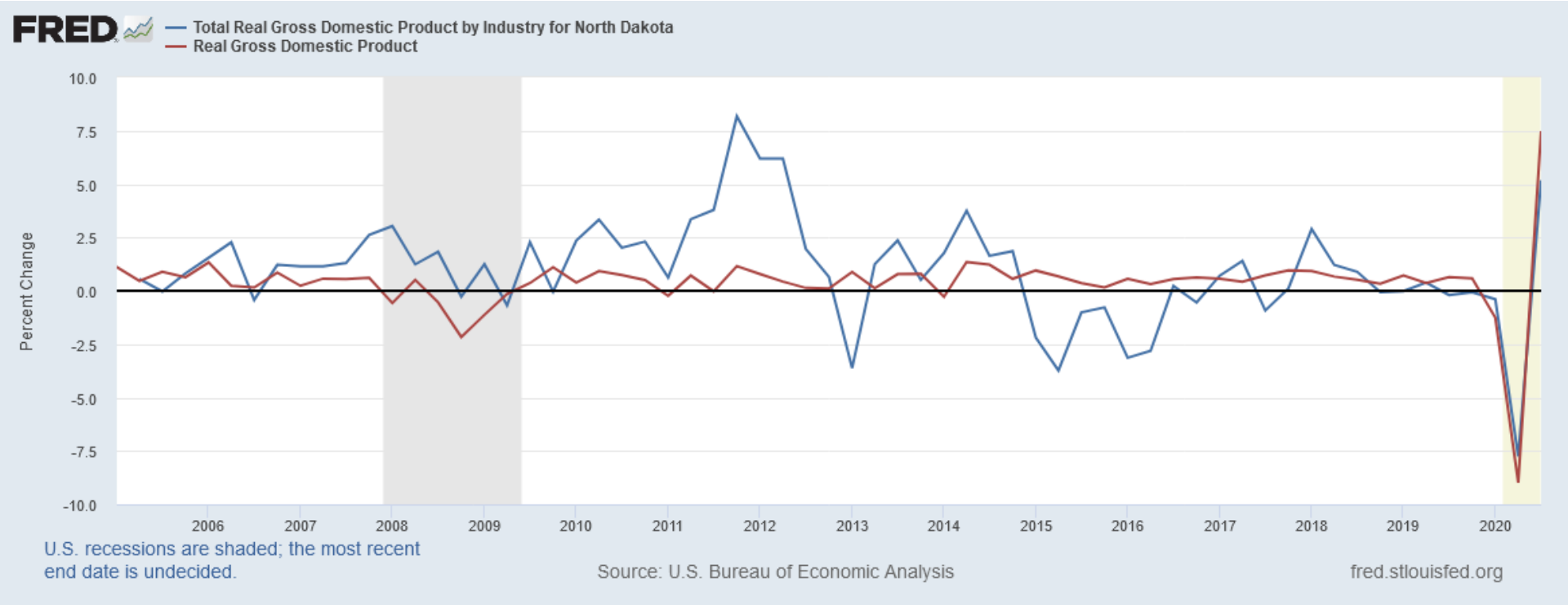
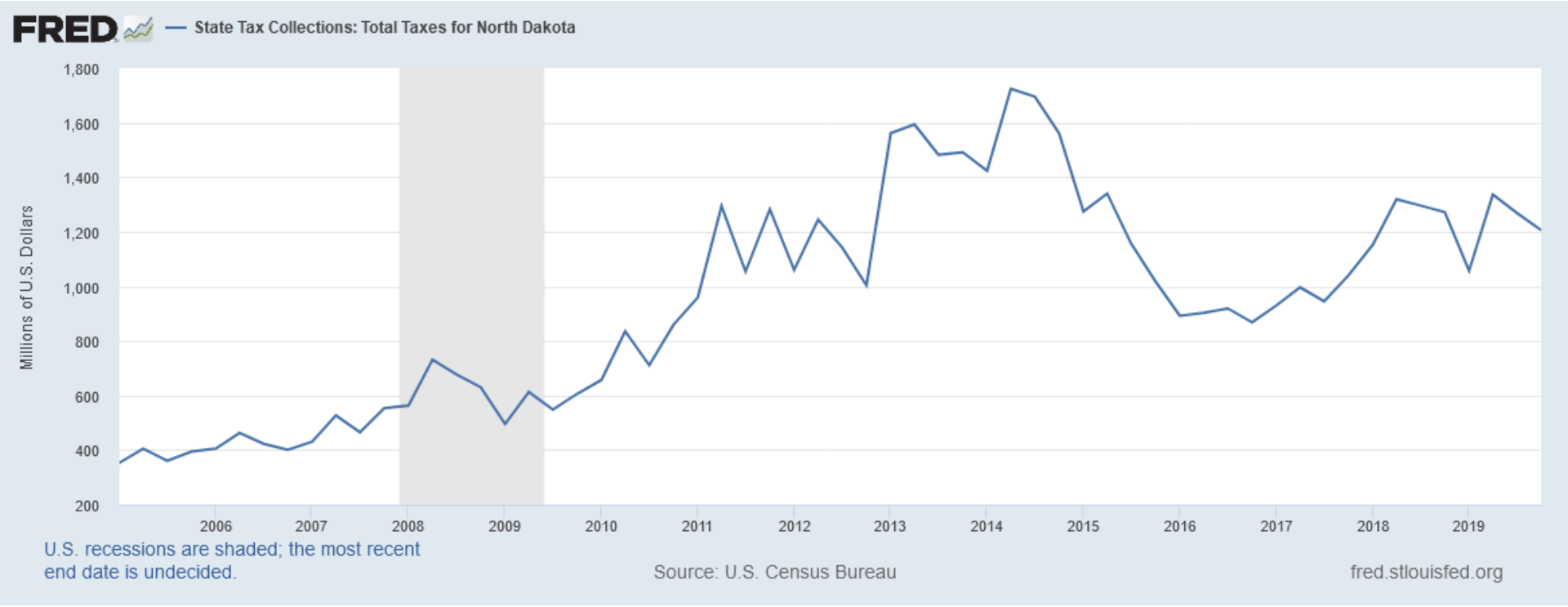
ND Gross State Product



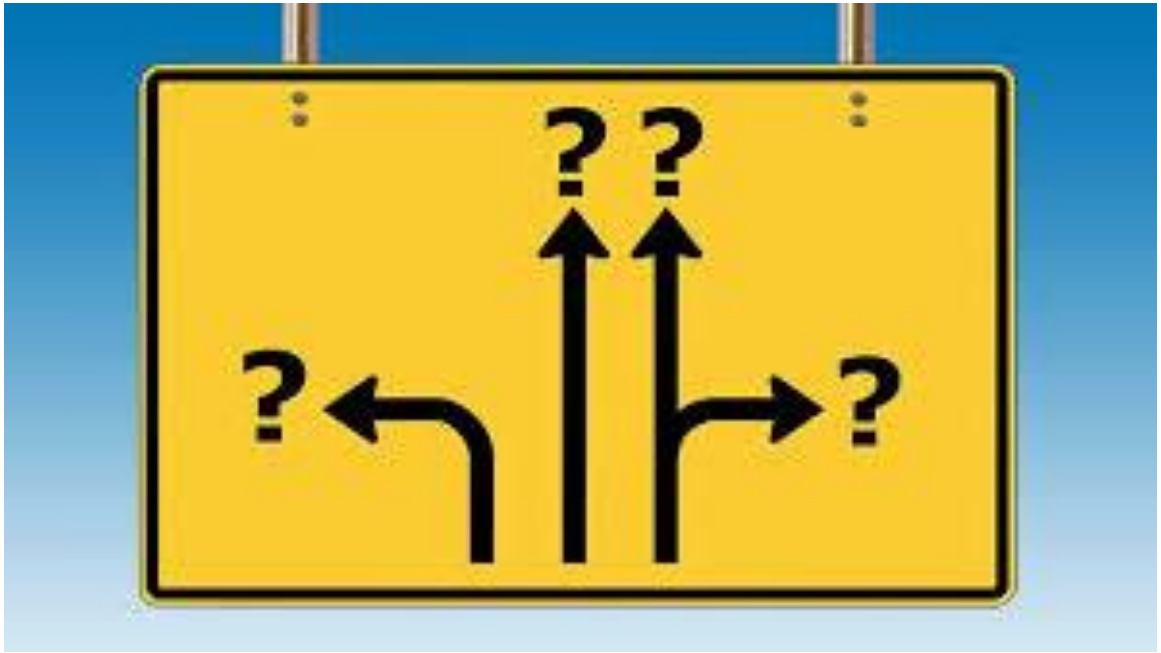
ND GSP and GPD (% Change)



ND Total Tax Collections



NDSU PUBLIC CHOICE PRIVATE ENTERPRISE



Where are we going?

ND Forecast Model

- We are publishing an Economic Outlook Quarterly Report using the North Dakota Forecast Model.
  - https://www.ndsu.edu/centers/pcpe/research/economic_outlook/
- The model requires regularly updated and accessible data.
  - Currently, all data used in the model is available from the Federal Reserve Economic Database (FRED) hosted by the St. Louis Federal Reserve Bank.
  - https://fred.stlouisfed.org/
- Methodology is Vector Auto Regression (VAR)

A word of caution...

Why Forecast?

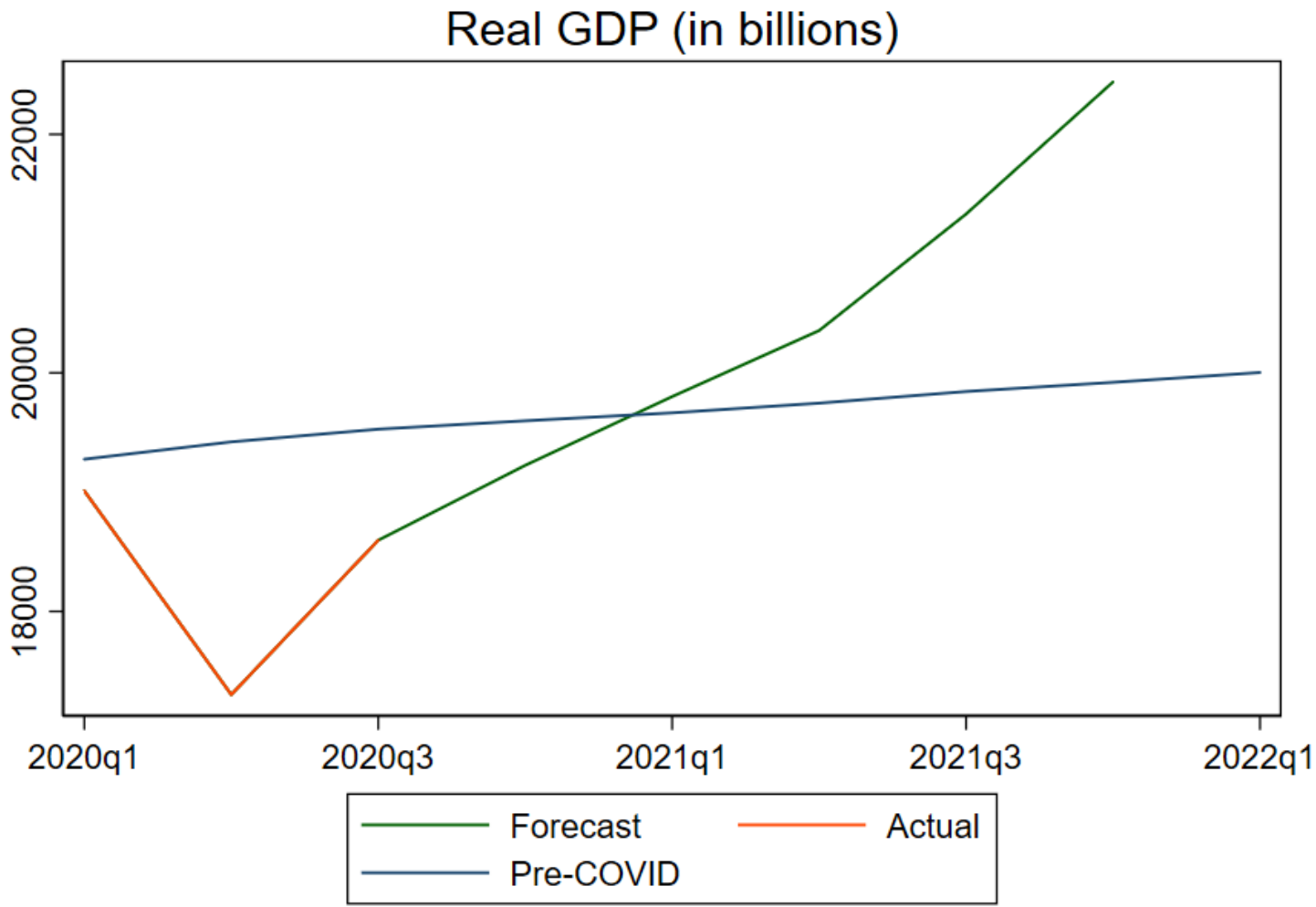
- Even though wrong, forecasts give us useful information that can help us plan for the future.
- Forecasts can reveal trends and patterns that aren’t readily evident in casual observance of the data.
- Forecast methods allow us to calculate what “may” happen in hypothetical scenarios.
- Forecasts, done properly, can reveal information about risk and the range of possible outcomes.

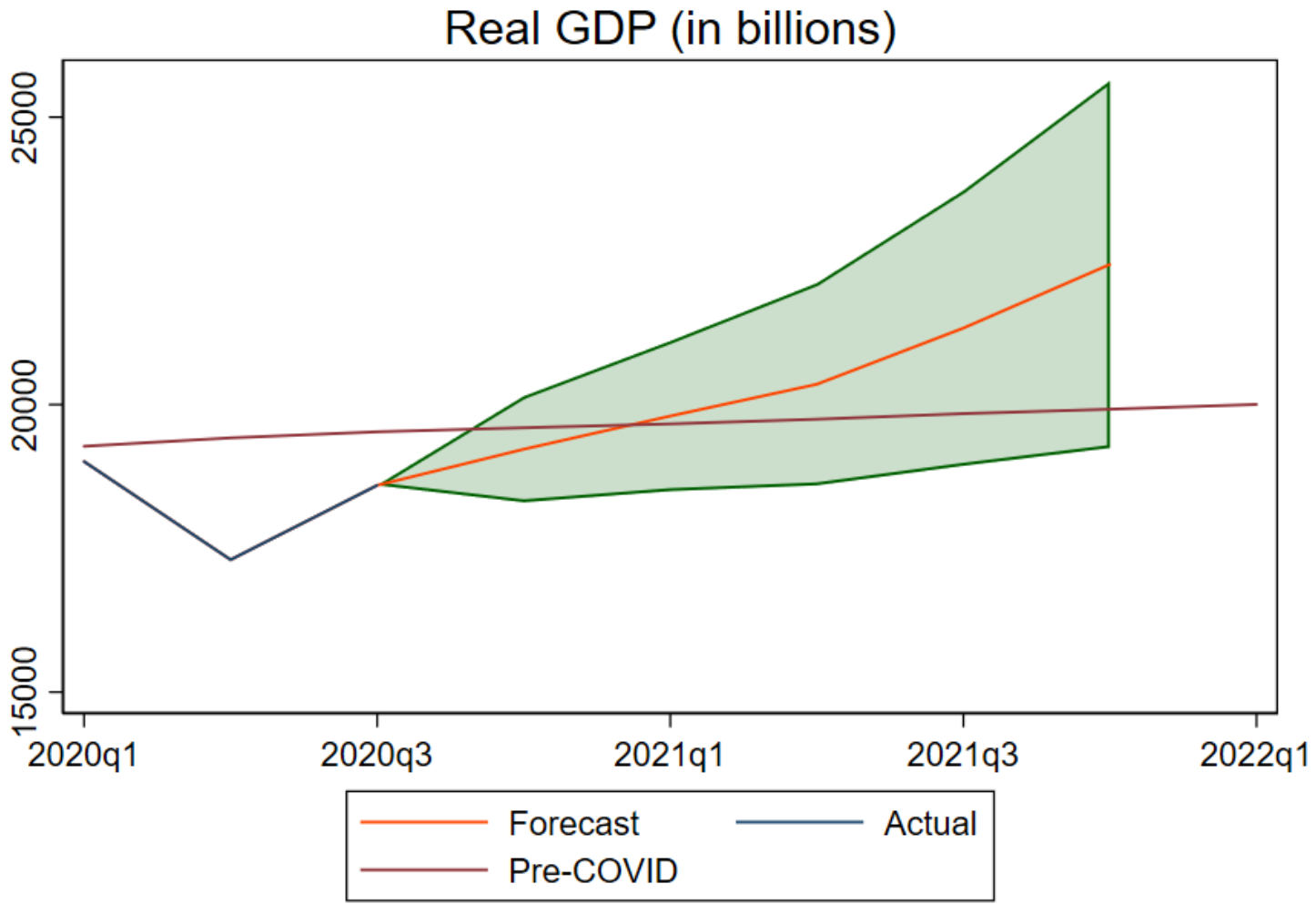
The Forecast – latest run 1/9/2021

National Economy

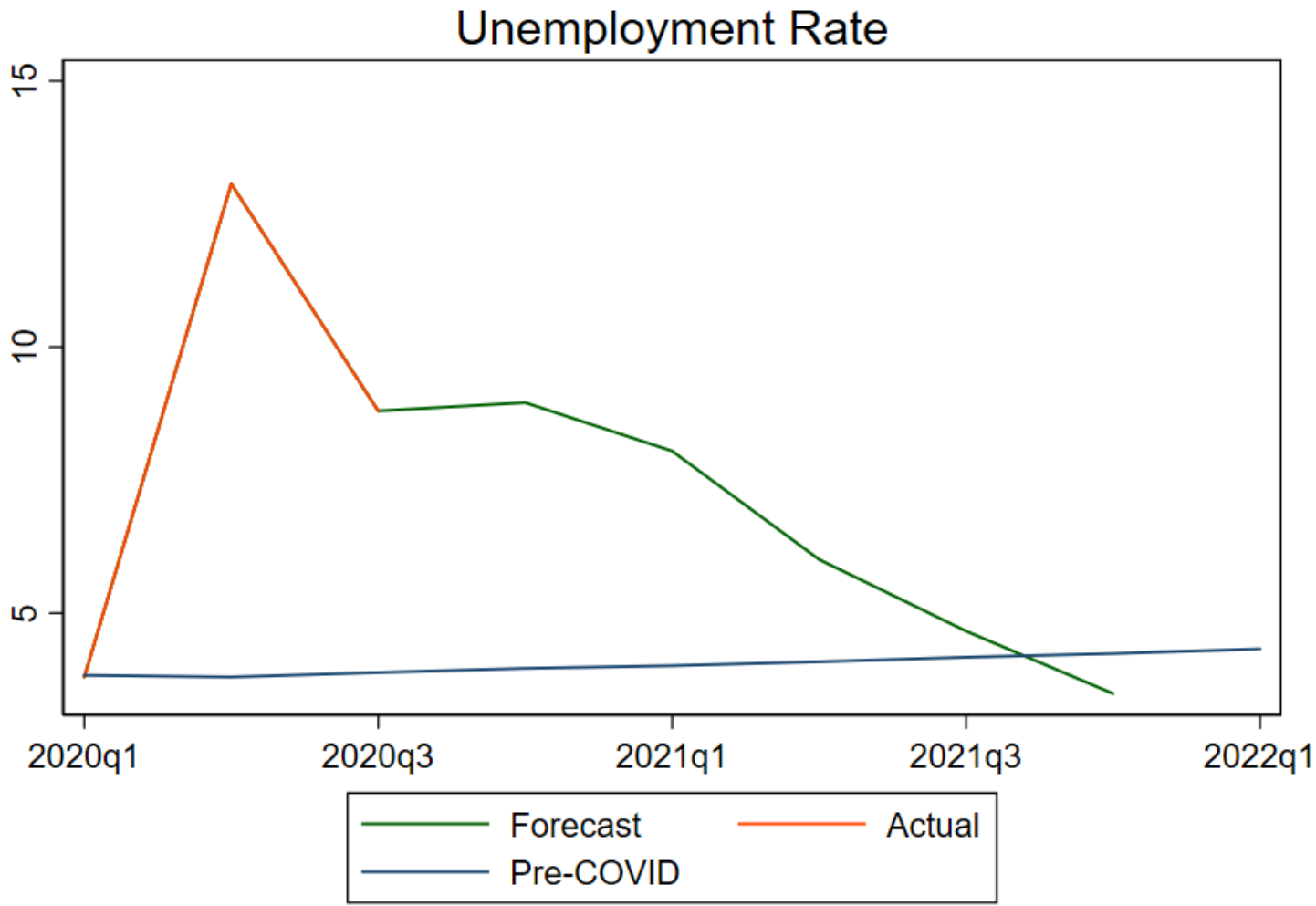
- Gross Domestic Product
- Unemployment Rate
- Consumption
- Net Investment
- Corporate Profits
- Commodities

- Highly Volatile 2020 Economy has created lots of uncertainty moving forward
- Largest Quarter Contraction (Q2) and Quarter Growth (Q3) in history
- Following this massive 3rd quarter growth is a wildly unrealistic forecast of economic growth

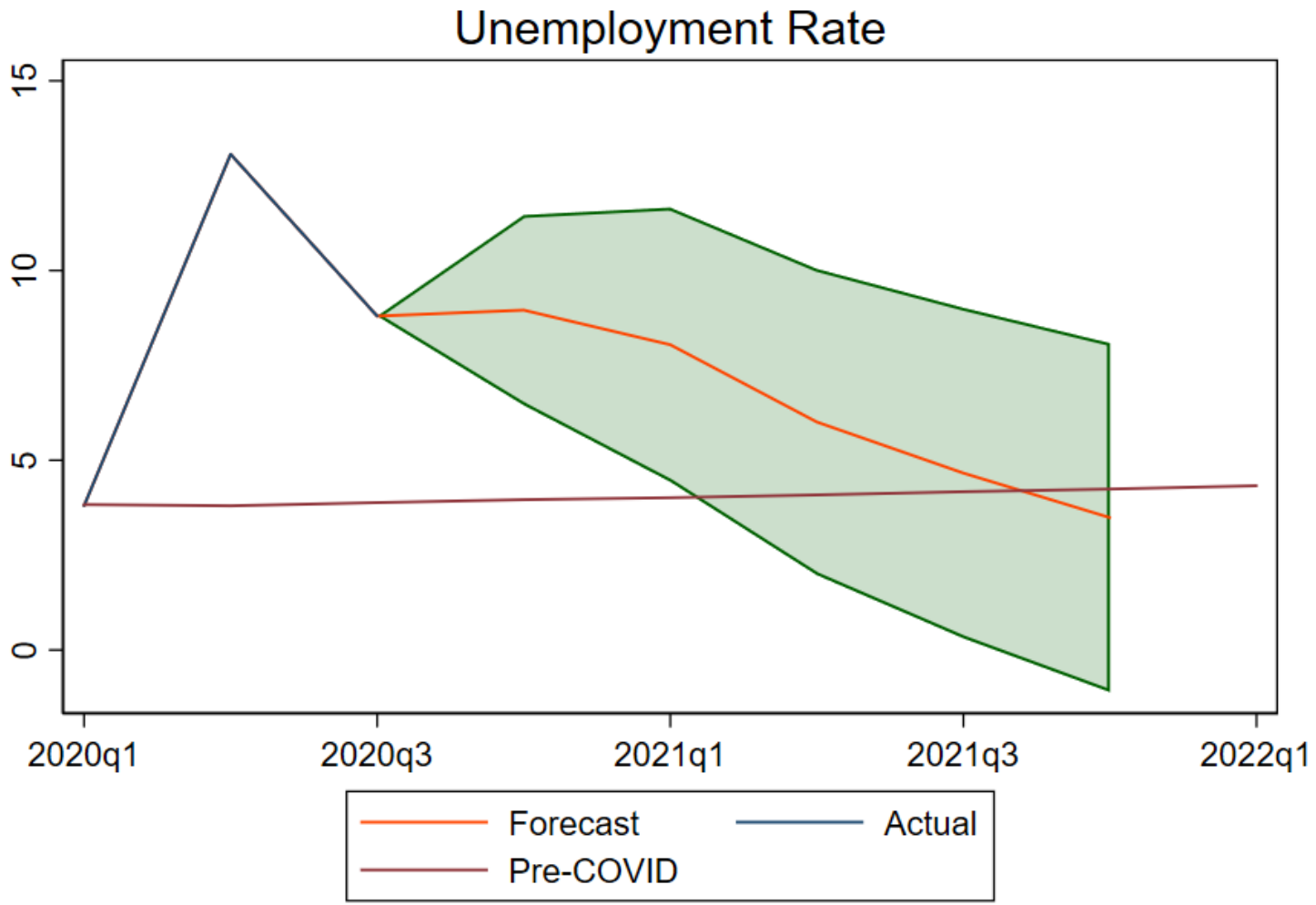

Real GDP (in billions)
22000
20000
18000
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

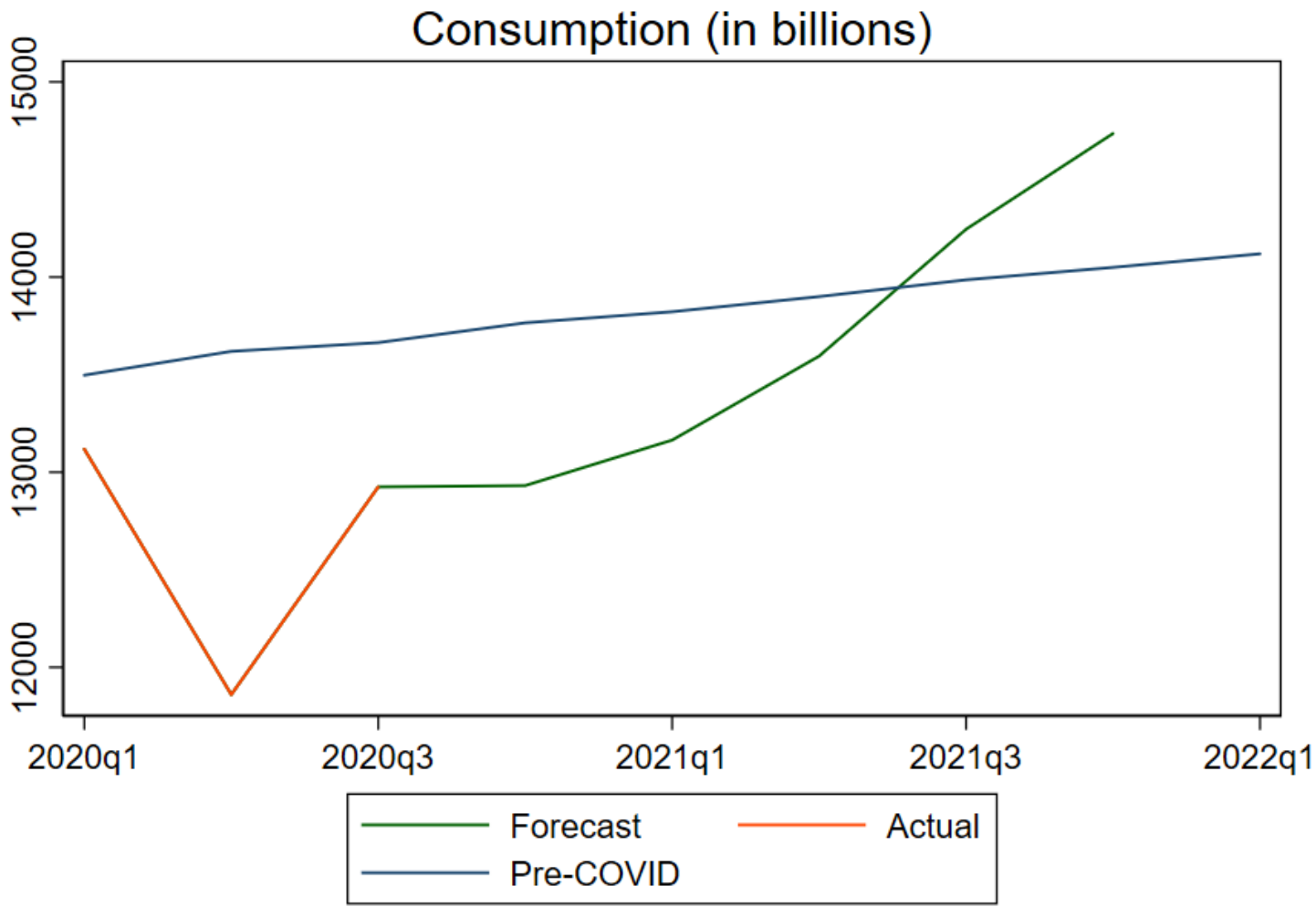

Real GDP (in billions)
25000
20000
15000
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

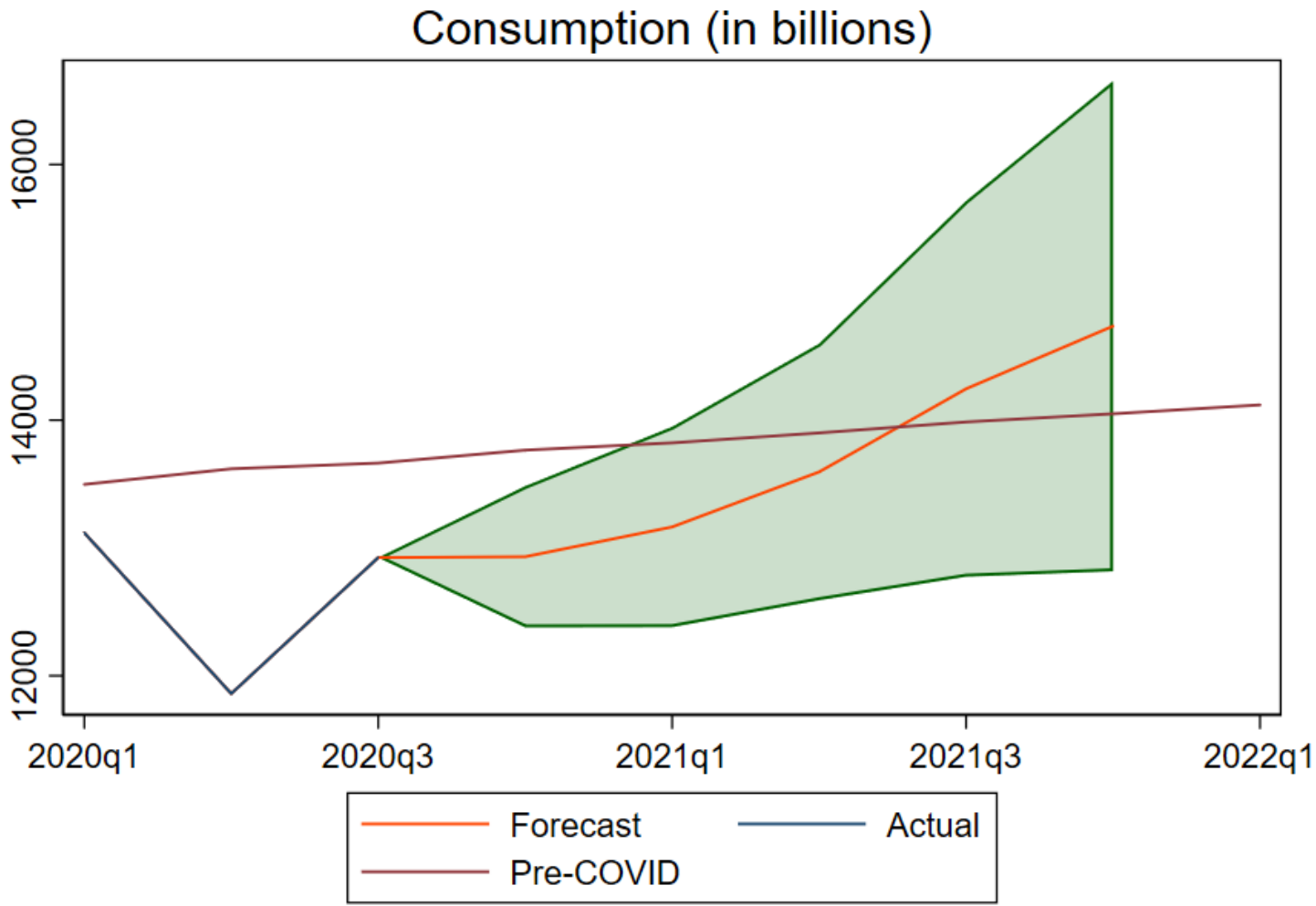
NDS


Unemployment Rate
15
10
5
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

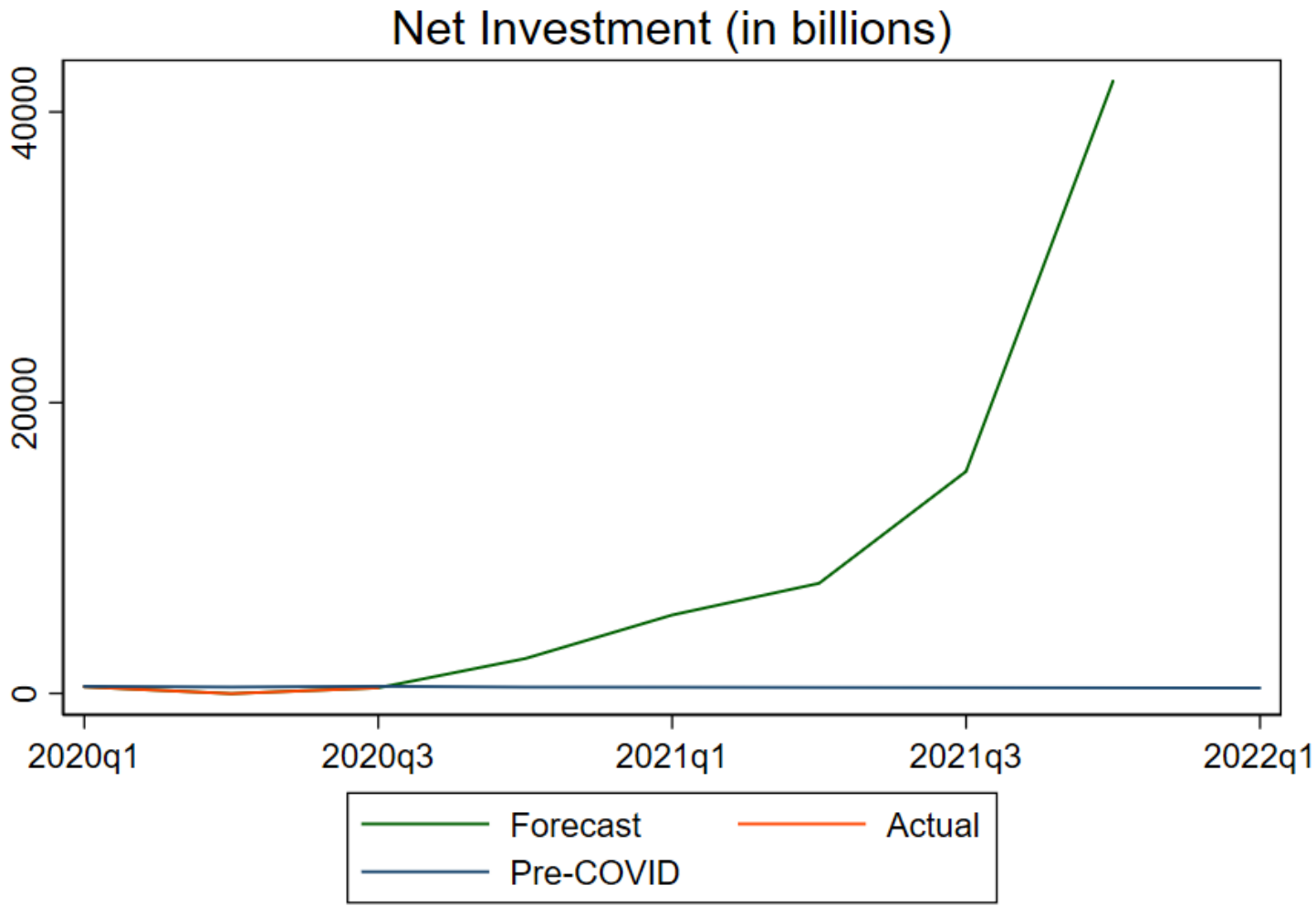
NDS


Unemployment Rate
15
10
5
0
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

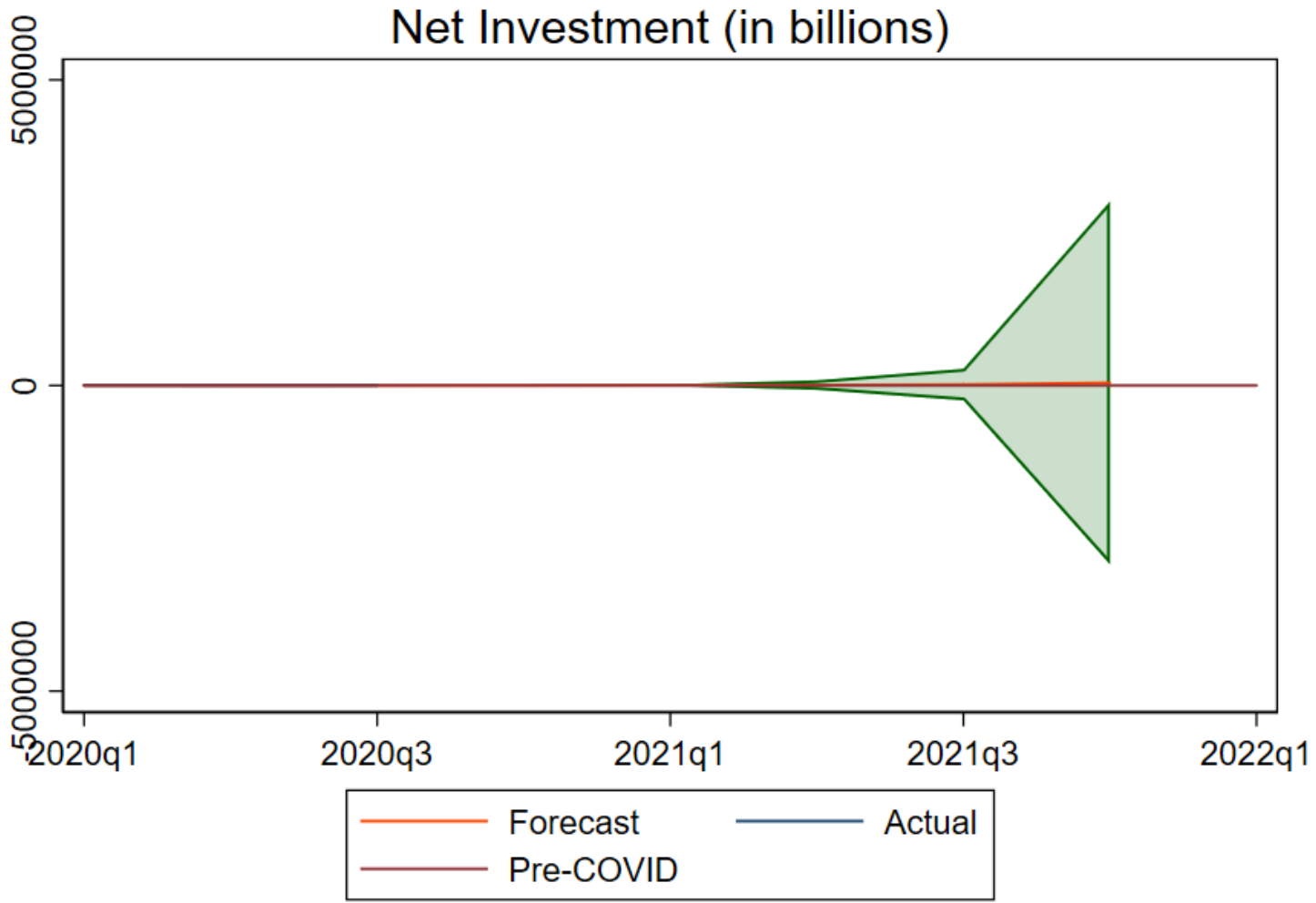

Consumption (in billions)
15000
14000
13000
12000
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

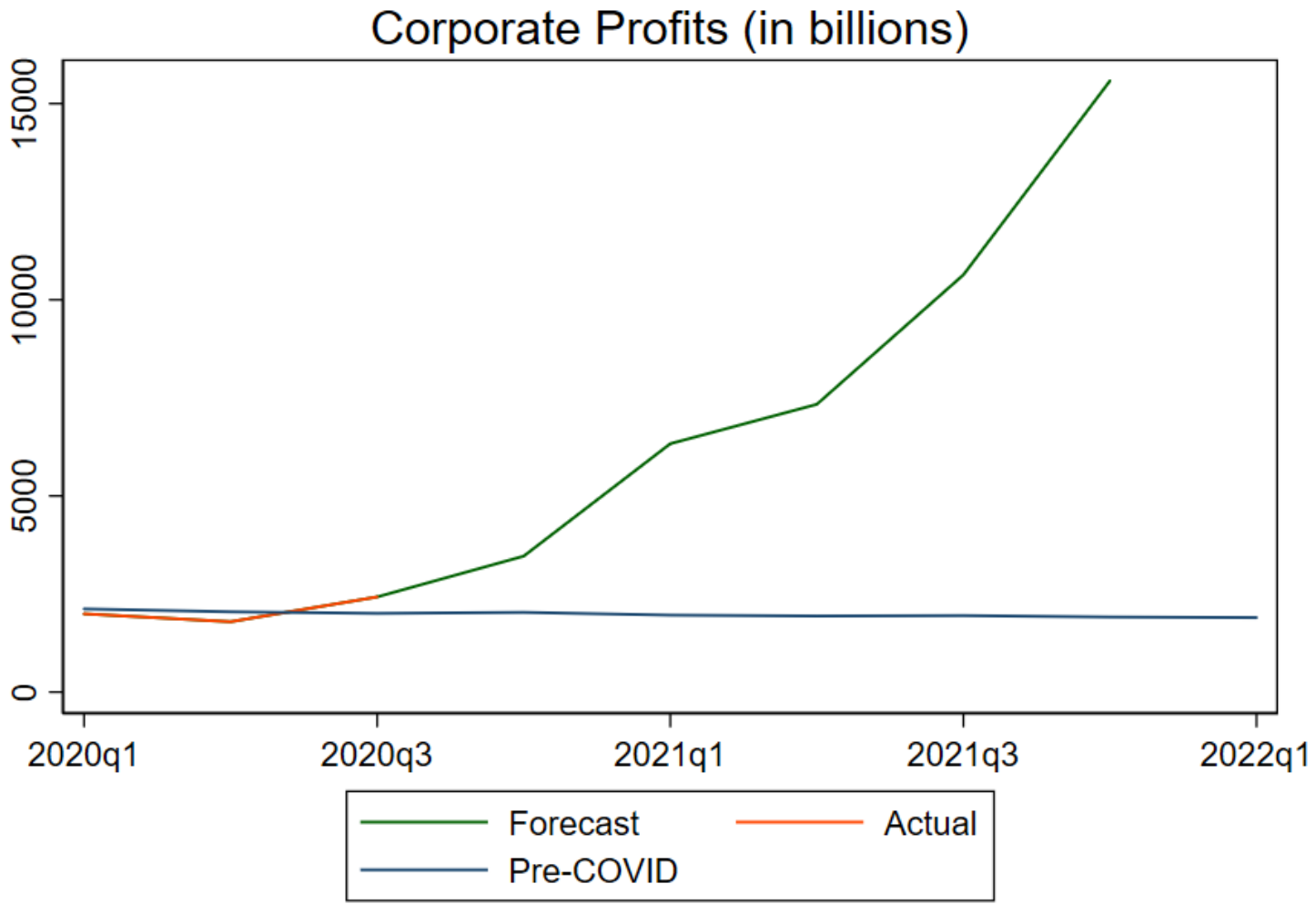

Consumption (in billions)
16000
14000
12000
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

NDS

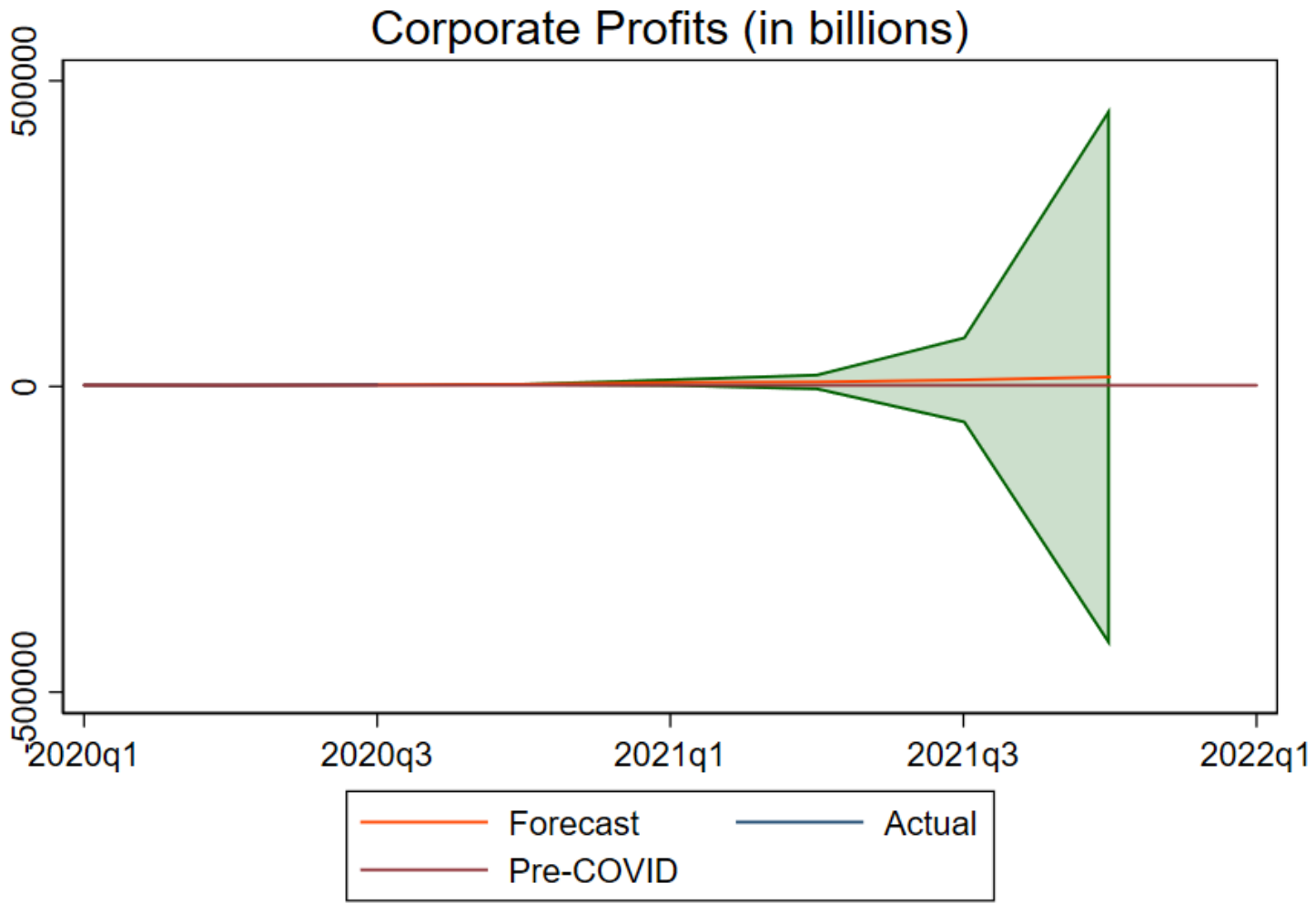

Net Investment (in billions)
40000
20000
0
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

NDS

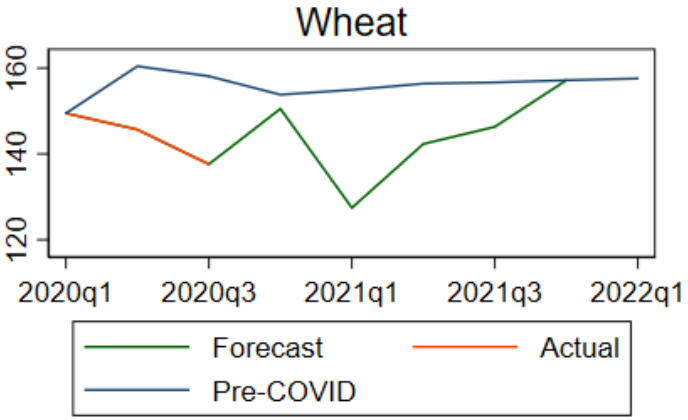

Net Investment (in billions)
5000000
0
-5000000
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

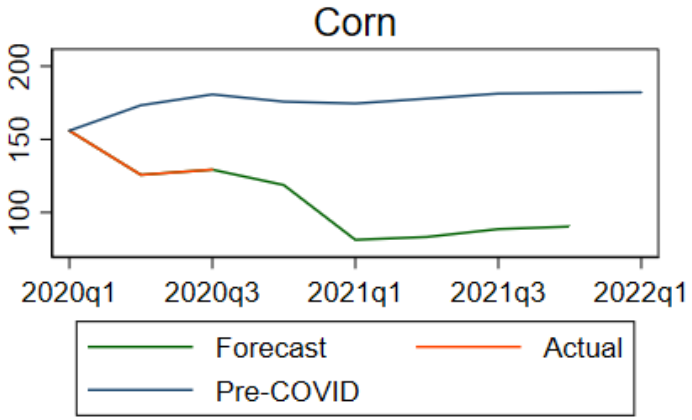

Corporate Profits (in billions)
15000
10000
5000
0
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

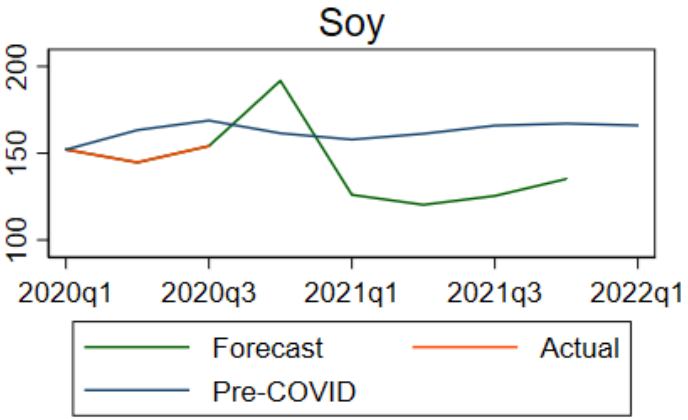
NDS

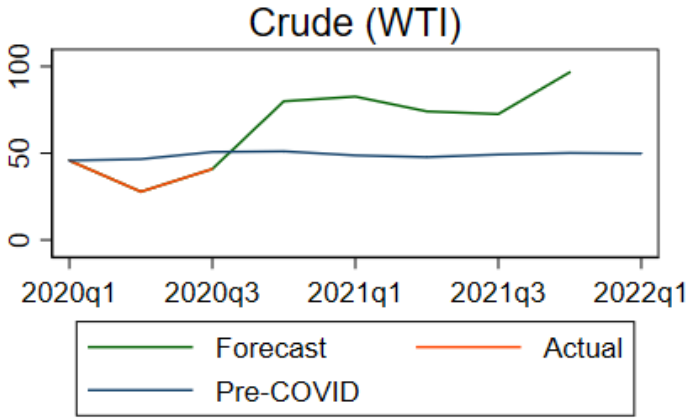

Corporate Profits (in billions)
500000
0
-500000
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

Commodity Quarterly Outlook



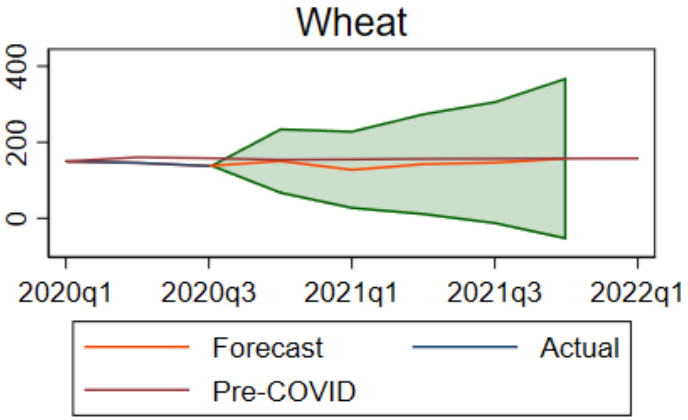


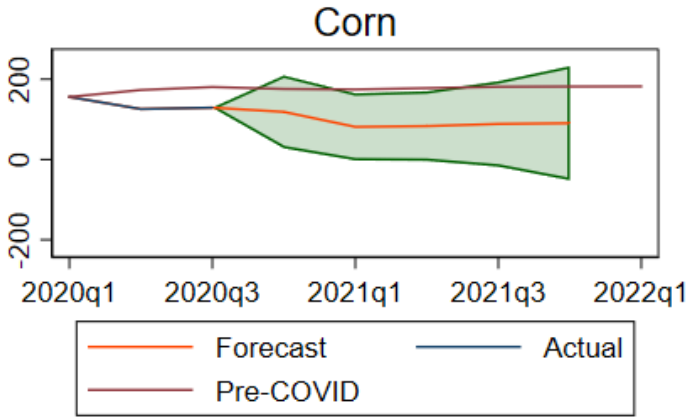


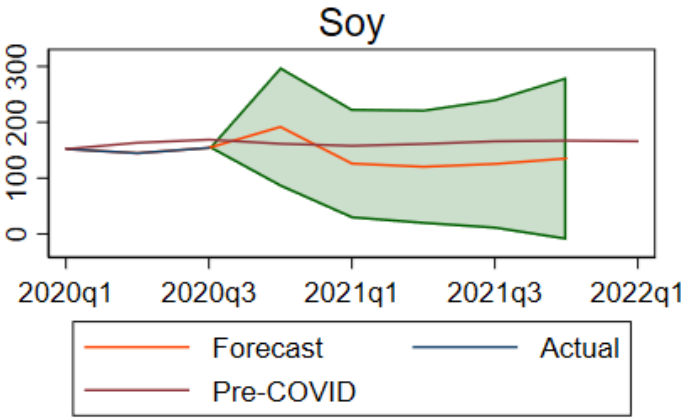


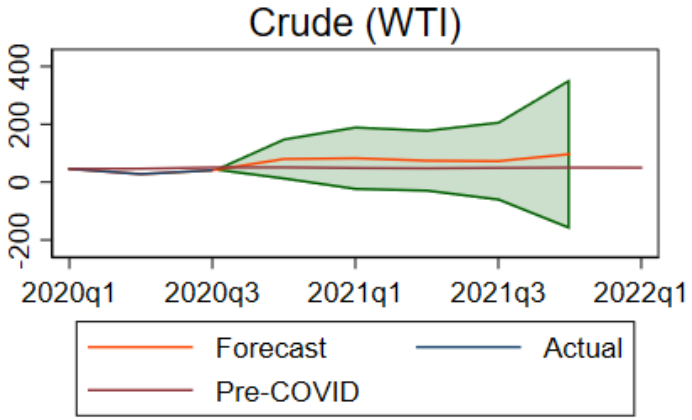
NDS

Commodity Quarterly Outlook





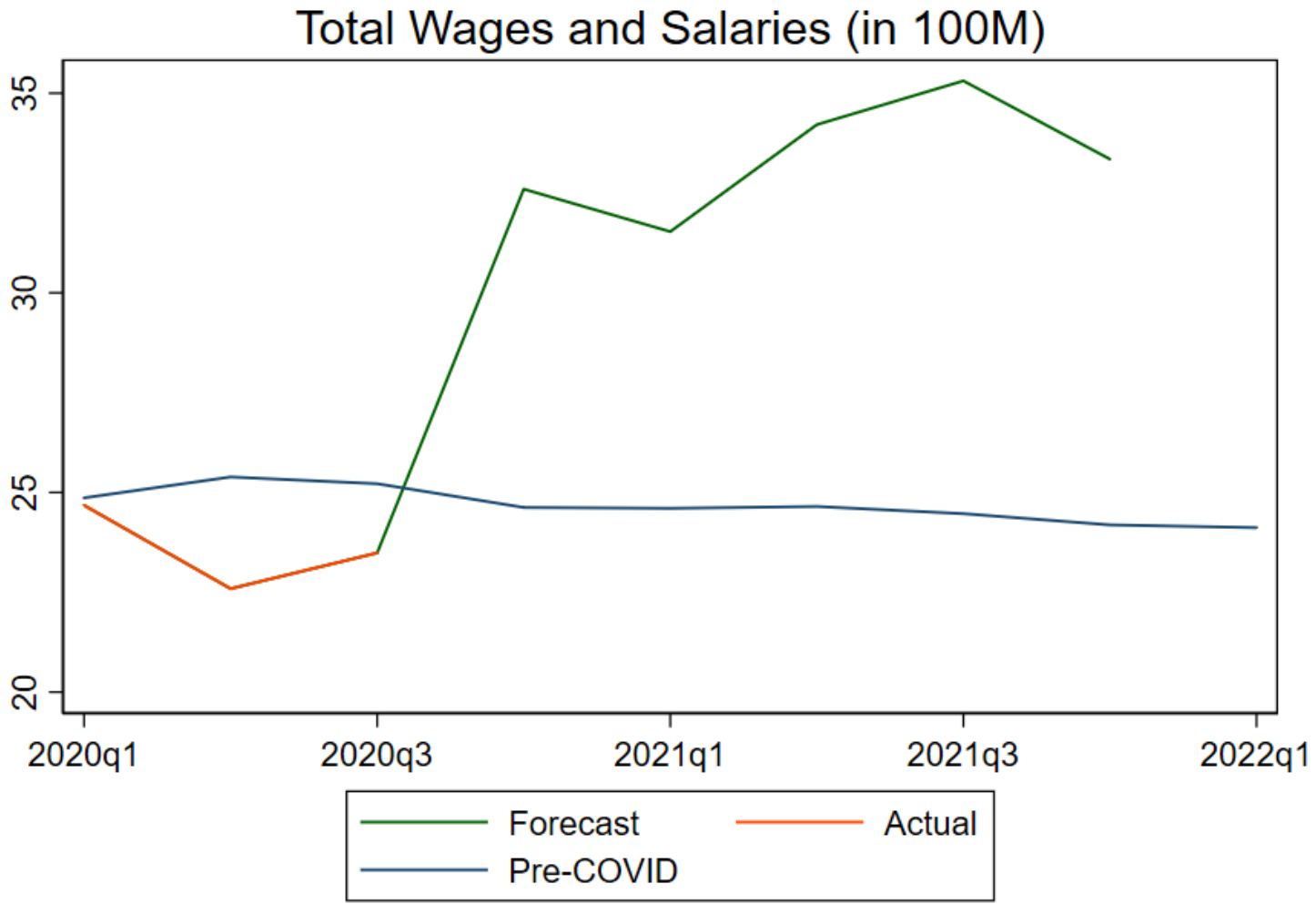




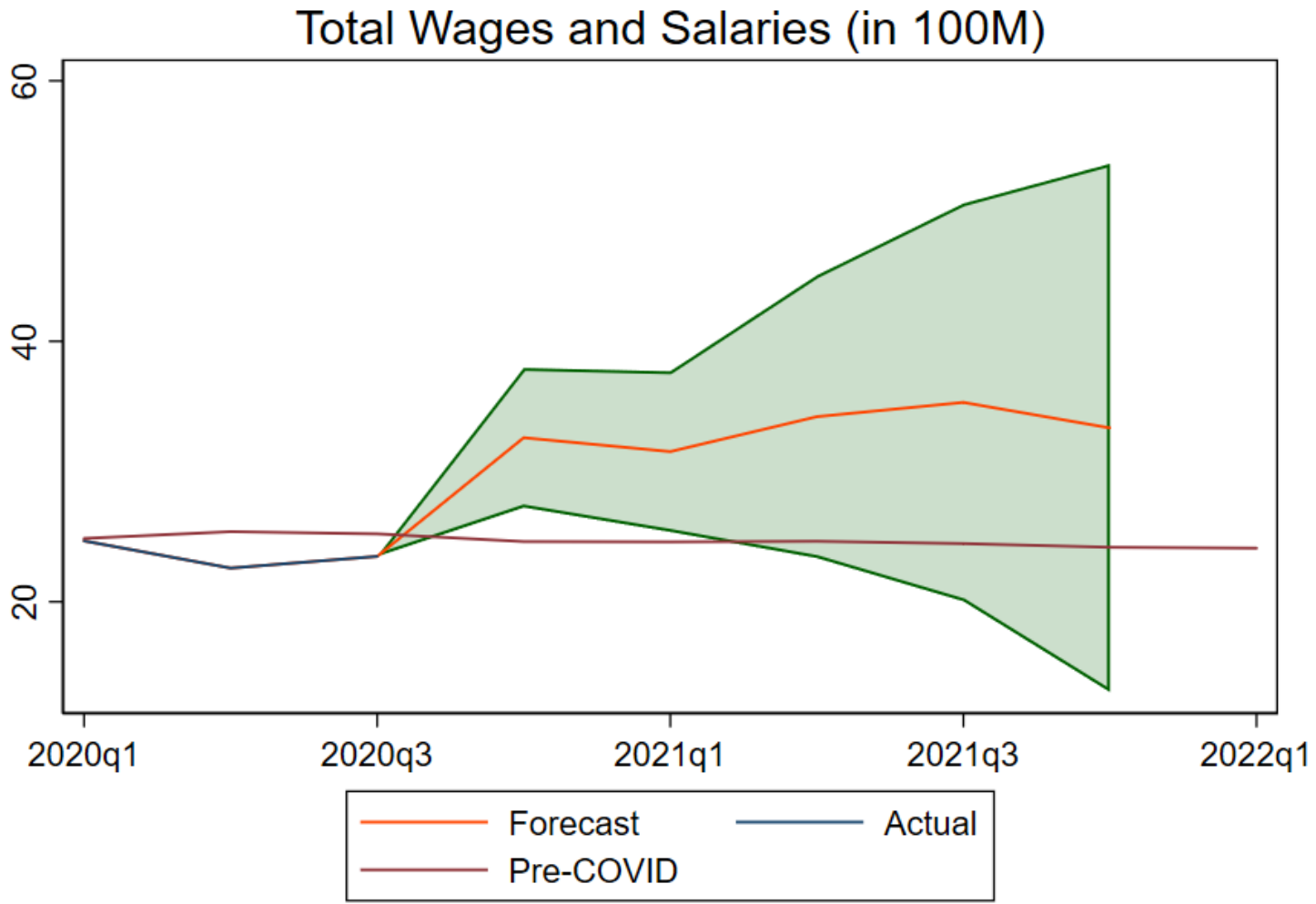
State Economy

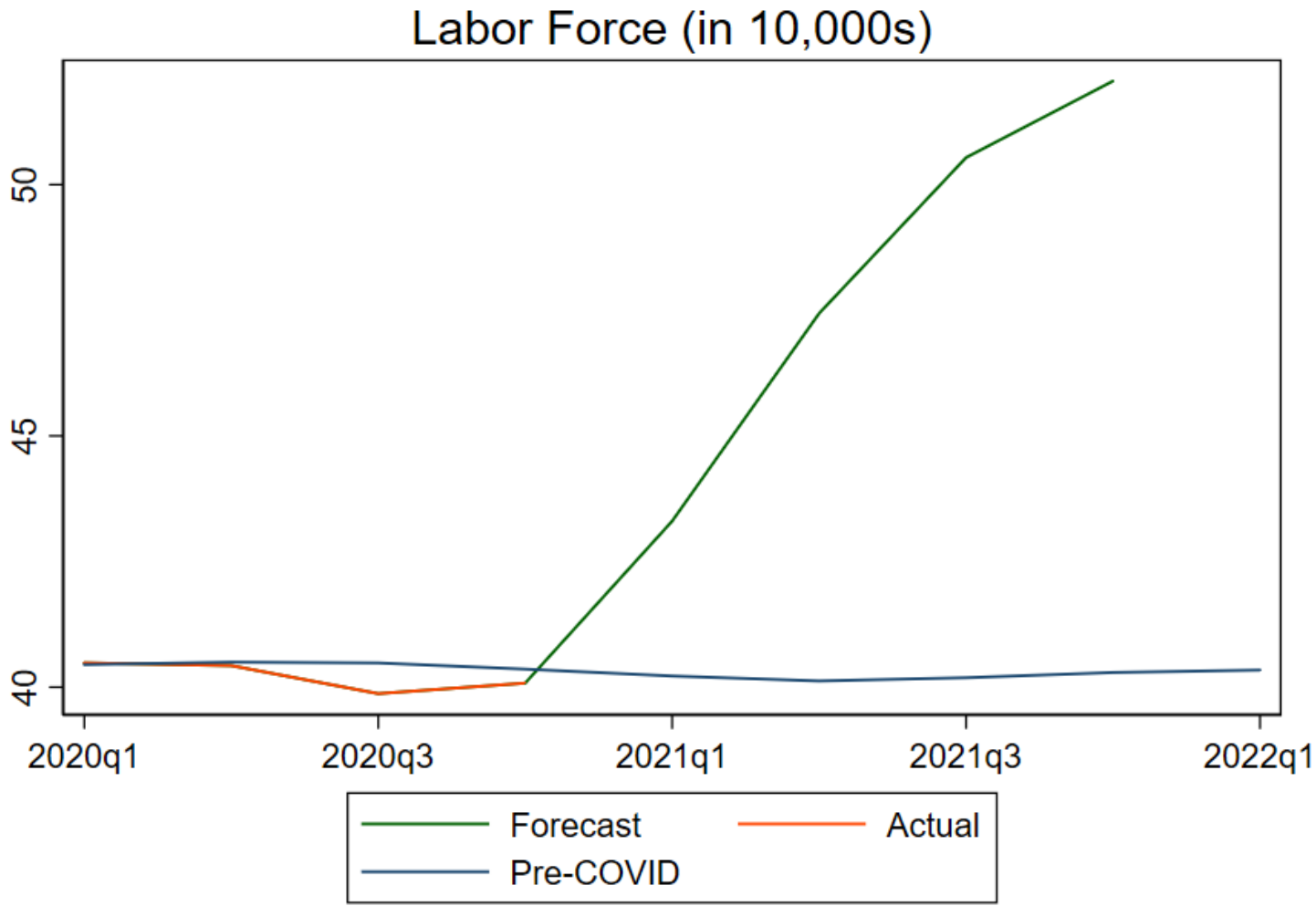
- ND Total Wages and Salaries
- ND Labor Force
- ND Unemployment Rate
- ND Gross State Product
- ND Total Tax Revenue

- Highly Volatile 2020 Economy has created lots of uncertainty moving forward
- Largest Quarter Contraction (Q2) and Quarter Growth (Q3) in history
- Following this massive 3rd quarter growth is a wildly unrealistic forecast of economic growth

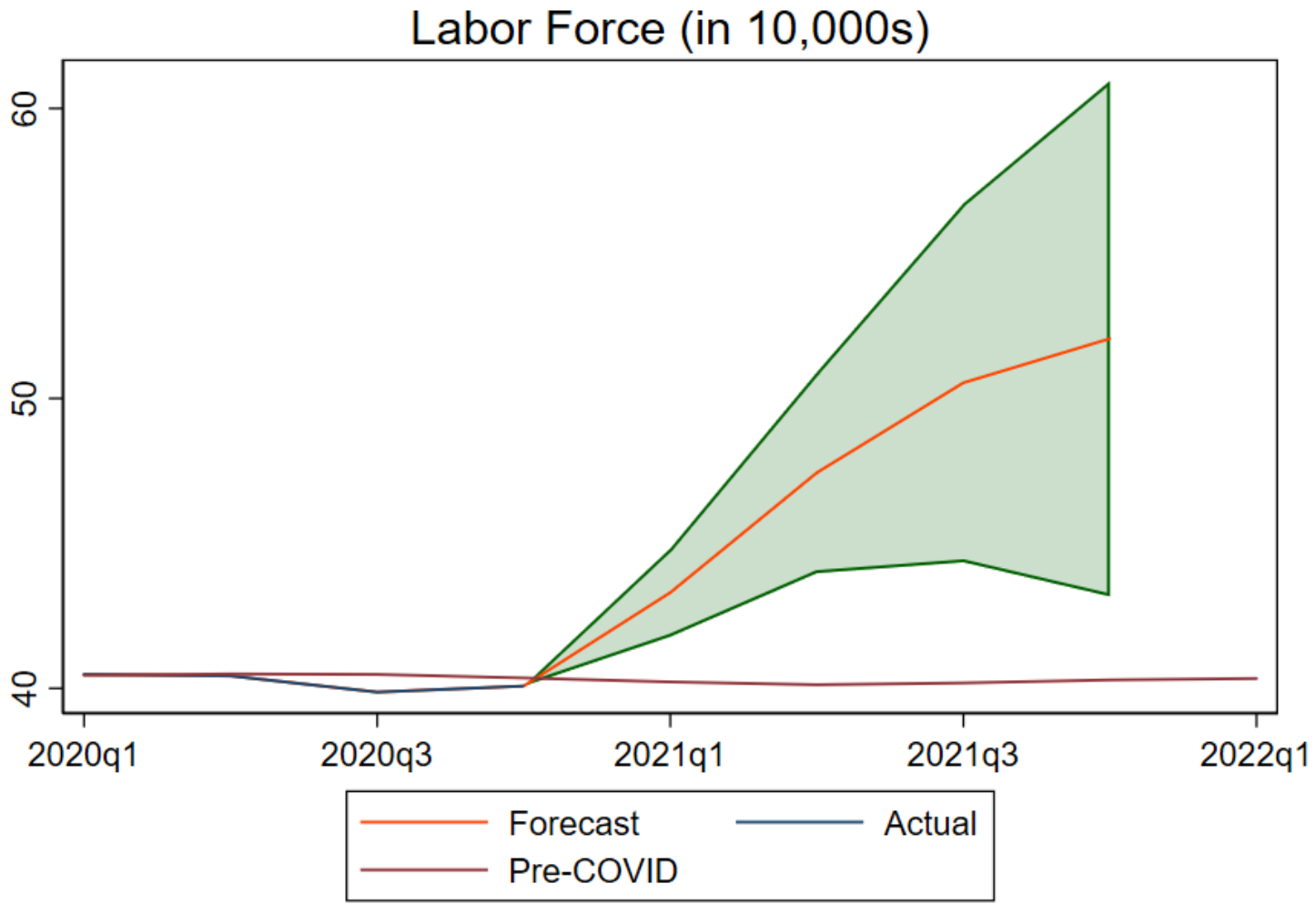

Total Wages and Salaries (in 100M)
35
30
25
20
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

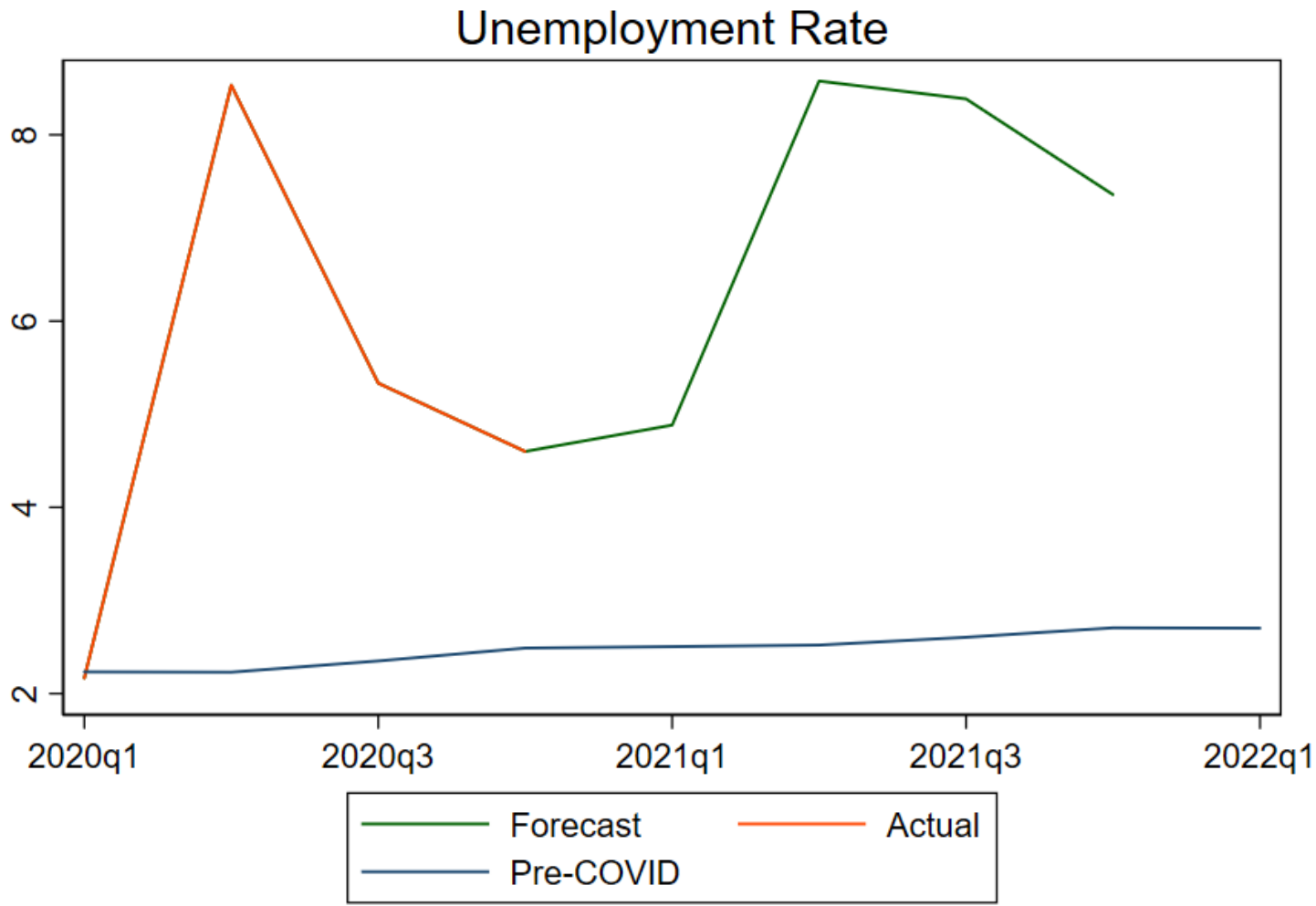
NDS


Total Wages and Salaries (in 100M)
60
40
20
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

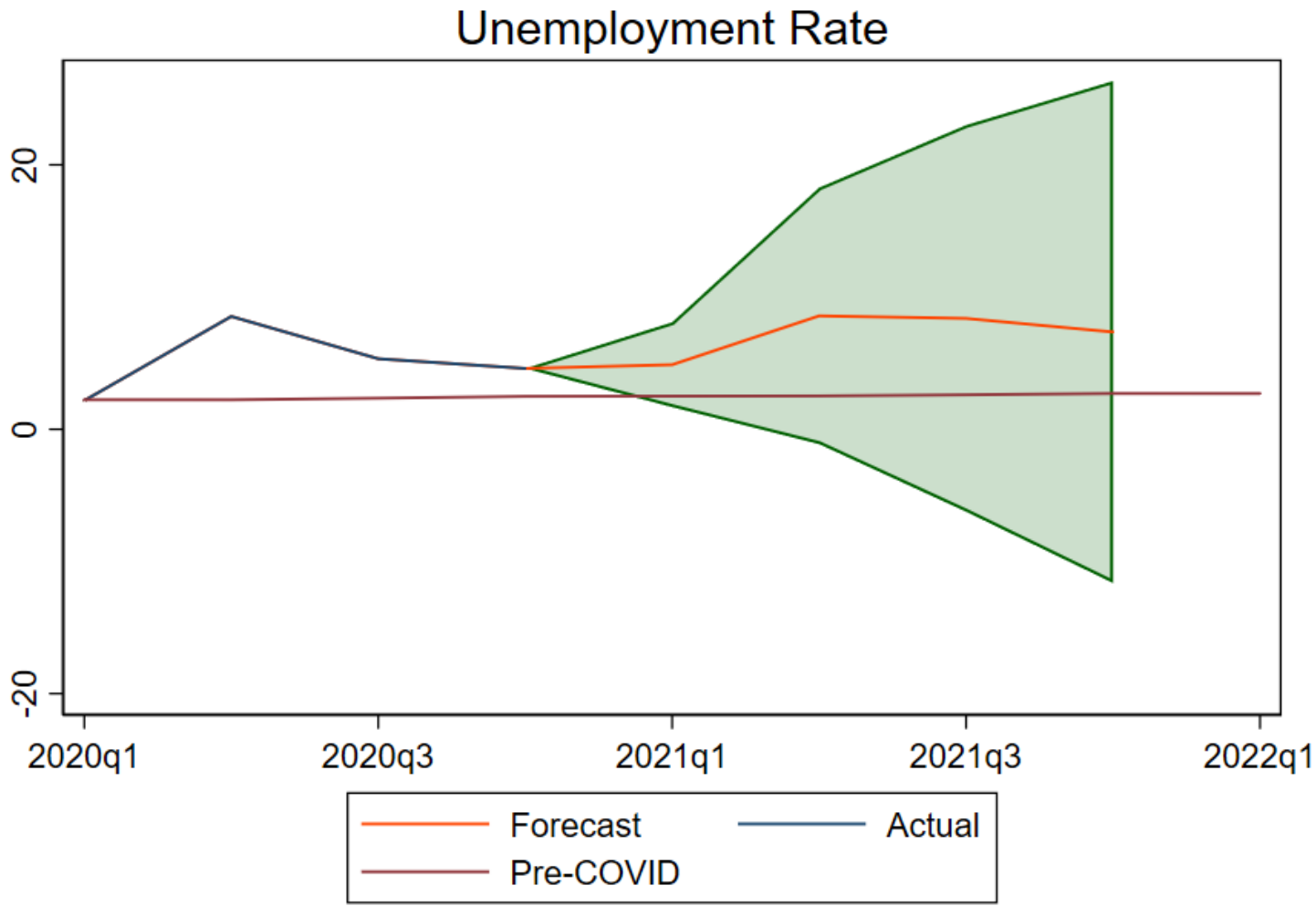

Labor Force (in 10,000s)
50
45
40
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

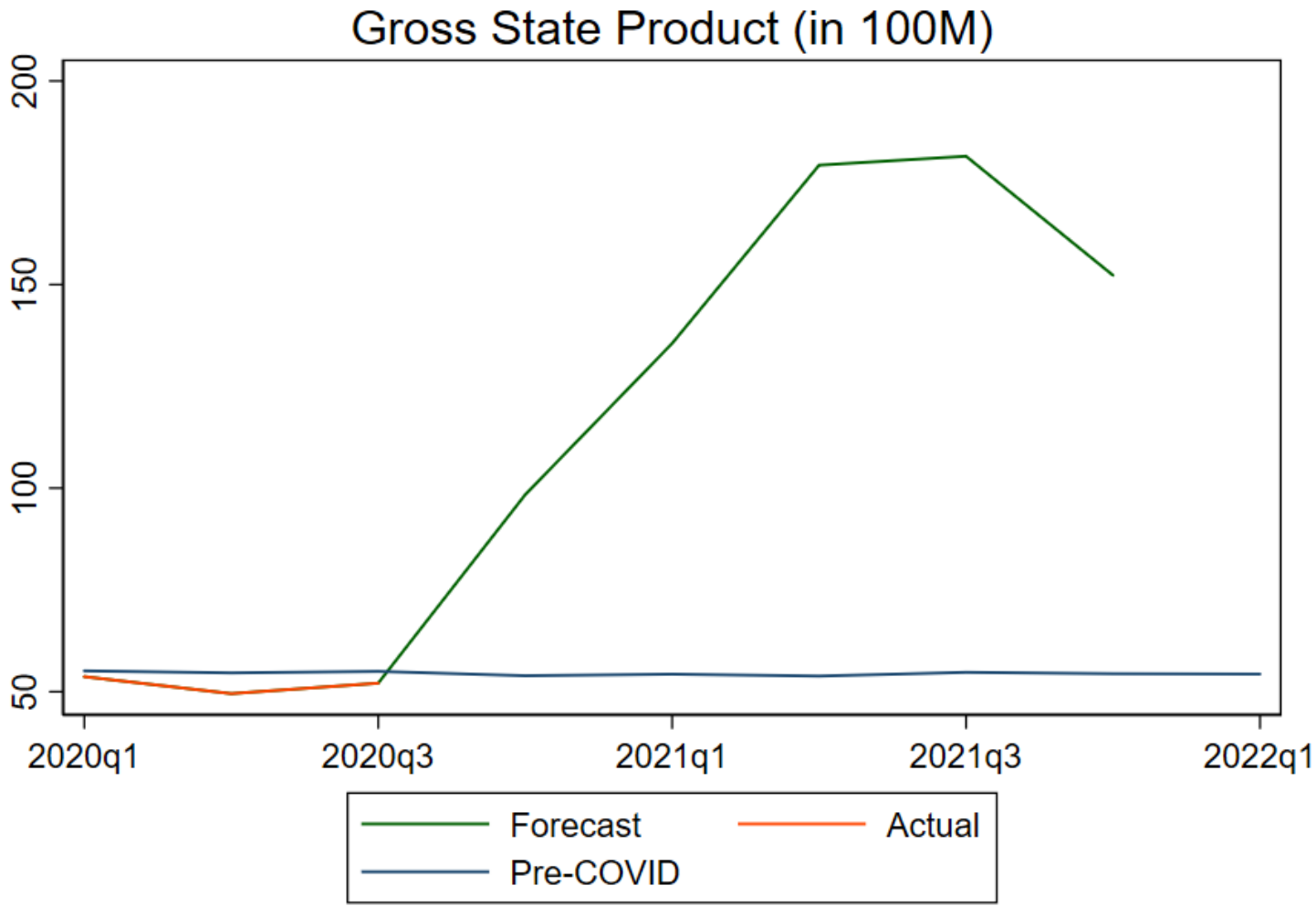
NDS


Labor Force (in 10,000s)
60
50
40
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

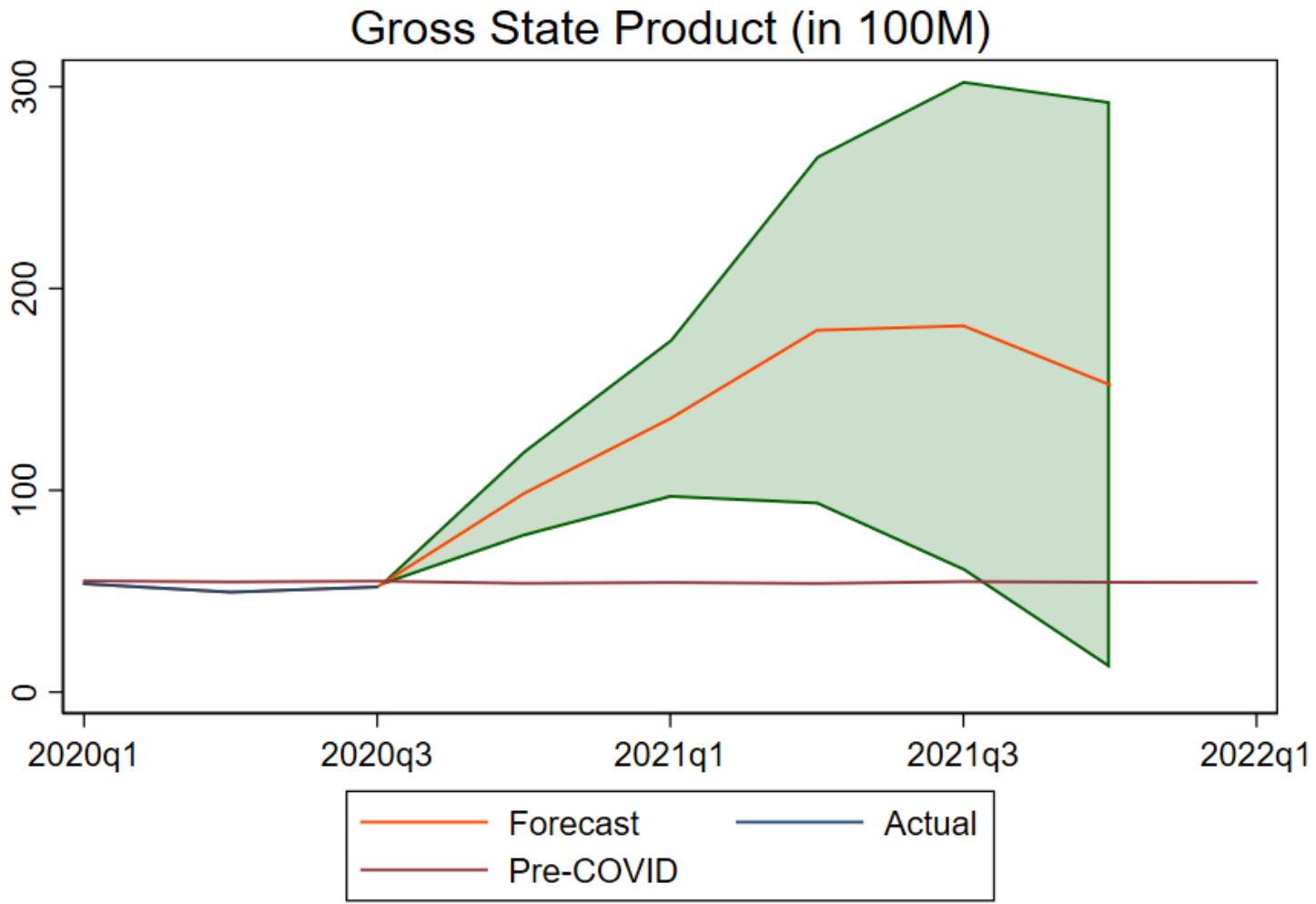

Unemployment Rate
8
6
4
2
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

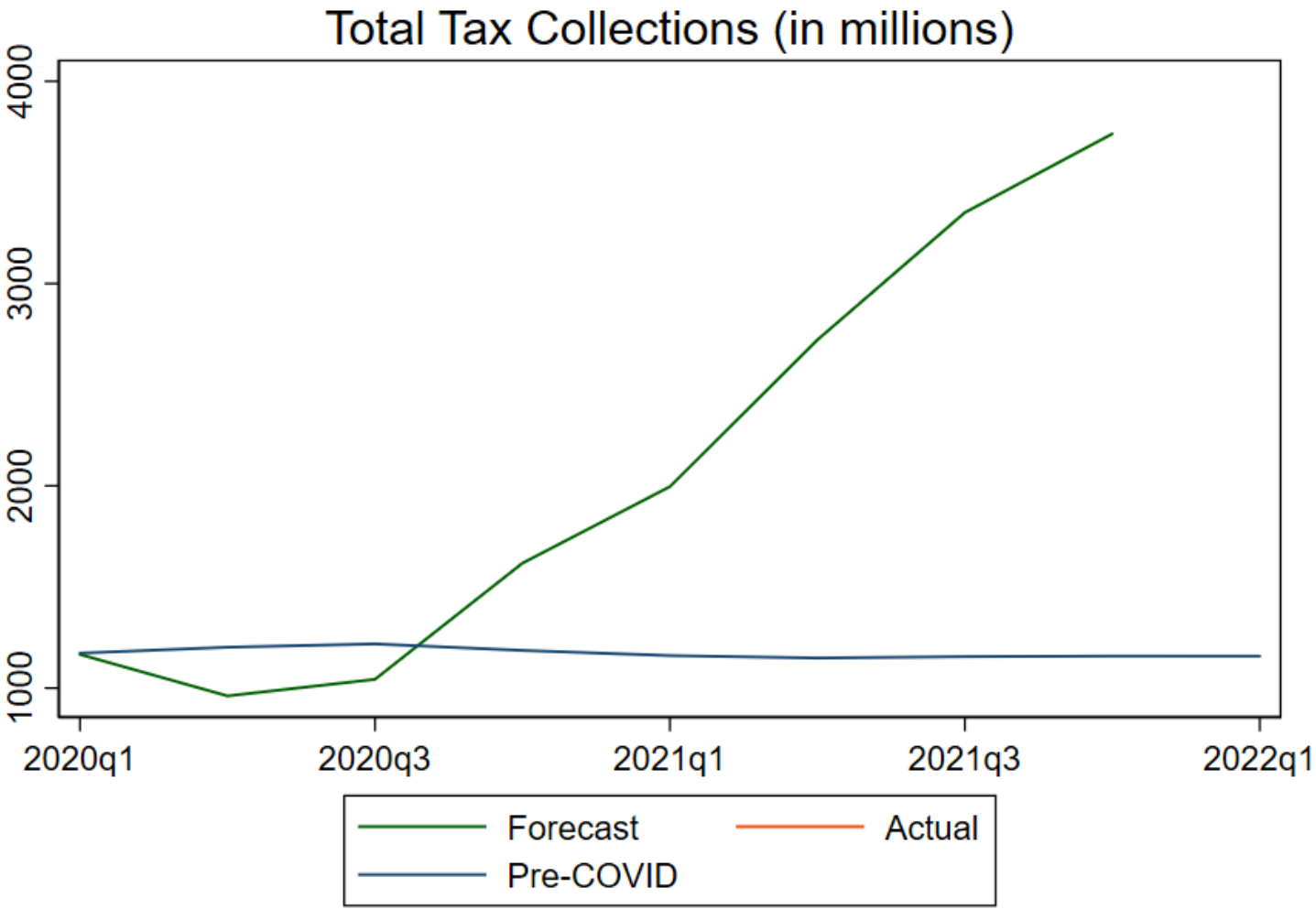
NDS


Unemployment Rate
20
0
-20
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

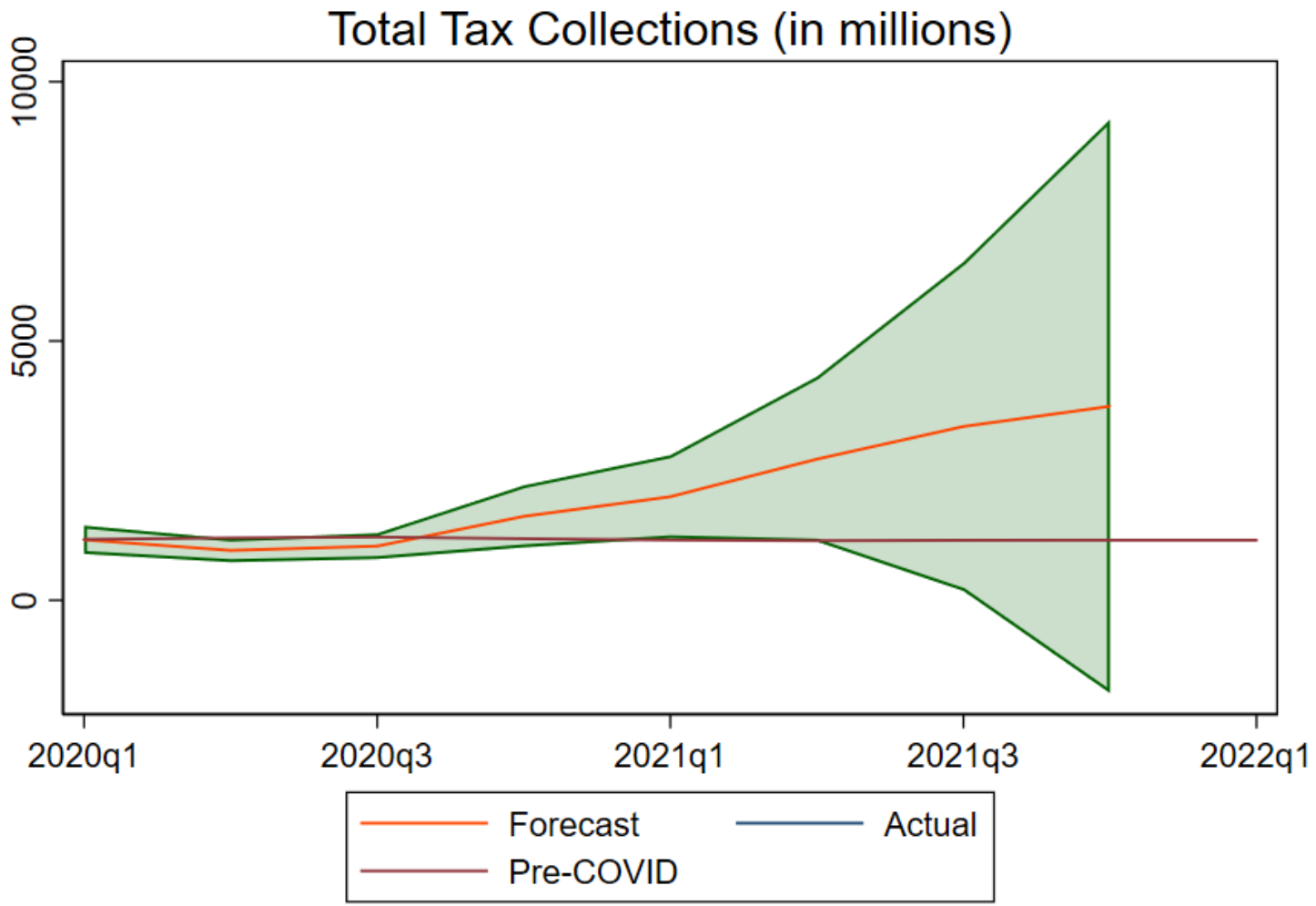

Gross State Product (in 100M)
200
150
100
50
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

NDS


Gross State Product (in 100M)
300
200
100
0
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID


Total Tax Collections (in millions)
4000
3000
2000
1000
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

NDS


Total Tax Collections (in millions)
10000
5000
0
2020q1
2020q3
2021q1
2021q3
2022q1
Forecast
Actual
Pre-COVID

Summary Points

- First forecast that has a trend with economic growth...
  - This is largely an artifact of the unsustainable economic growth of Q3 2020
- Much uncertainty remains as the national and state responses to the pandemic remain fluid.
  - The national and state responses will continue to shape the recovery
- Both the US and ND economies are positioned for a recovery
  - The recovery for each is fraught with uncertainty
  - If the pandemic were to miraculously end immediately, we would be poised for recovery

Center for the Study of Public Choice and Private Enterprise

Our Mission

- We engage in research and educational programs to explore the institutions and policies that promote human flourishing.

Current and Future Projects

- Economic Outlook quarterly report
- COVID-19 economic research

NDSU PUBLIC CHOICE PRIVATE ENTERPRISE

www.ndsu.edu/centers/pcpe

Questions

Questions and comments are welcome

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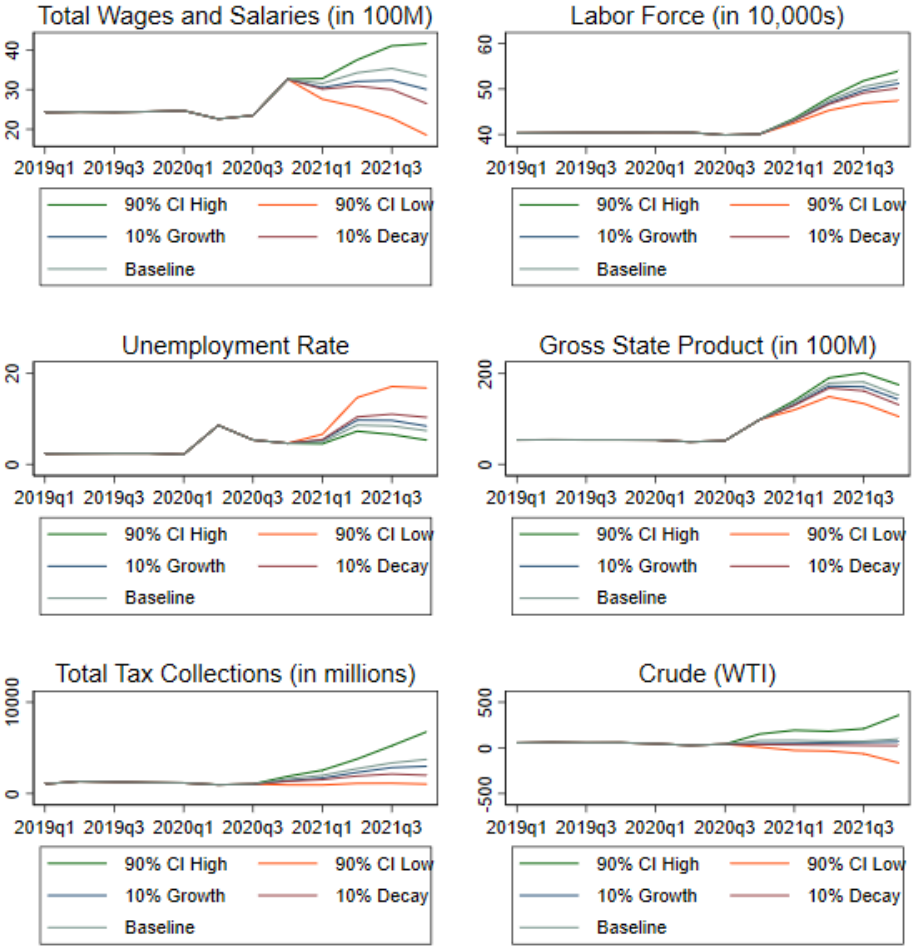
North Dakota Quarterly Outlook - Alternate Scenarios



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