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

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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 UR

U.S. recessions are shaded; the most recent end date is undecided.

Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org

NDSU PUBLIC CHOICE PRIVATE ENTERPRISE
Consumption

Source: U.S. Bureau of Economic Analysis
fred.stlouisfed.org

U.S. recessions are shaded; the most recent end date is undecided.
Net Investment

U.S. recessions are shaded; the most recent end date is undecided.

Source: U.S. Bureau of Economic Analysis

fred.stlouisfed.org
Corporate Profits

U.S. recessions are shaded; the most recent end date is undecided.

Source: U.S. Bureau of Economic Analysis

fred.stlouisfed.org
WTI Crude Futures

Source: U.S. Energy Information Administration

federalreserve.gov

U.S. recessions are shaded; the most recent end date is undecided.
State Economy

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

U.S. recessions are shaded; the most recent end date is undecided.

Source: U.S. Bureau of Labor Statistics

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ND Unemployment Rate

Source: U.S. Bureau of Labor Statistics

U.S. recessions are shaded; the most recent end date is undecided.
ND Unemployment Rate

Source: U.S. Bureau of Labor Statistics

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ND Gross State Product

U.S. recessions are shaded; the most recent end date is undecided.

Source: U.S. Bureau of Economic Analysis

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ND GSP and GPD (% Change)

Source: U.S. Bureau of Economic Analysis

U.S. recessions are shaded; the most recent end date is undecided.

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ND Total Tax Collections

Source: U.S. Census Bureau

U.S. recessions are shaded; the most recent end date is undecided.
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/](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/](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
Corporate Profits (in billions)

- **Forecast**
- **Actual**
- **Pre-COVID**
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 Tax Collections (in millions)

Forecast vs Actual vs 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

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• 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

www.ndsu.edu/centers/pcpe
Questions

Questions and comments are welcome

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