

Minnesota's Economic Outlook

Presented by

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To House Workforce and Business Development Finance & Policy
Committee

January 25, 2021

U.S. outlook improved since November

U.S. Real Gross Domestic Product Annual Percent Change

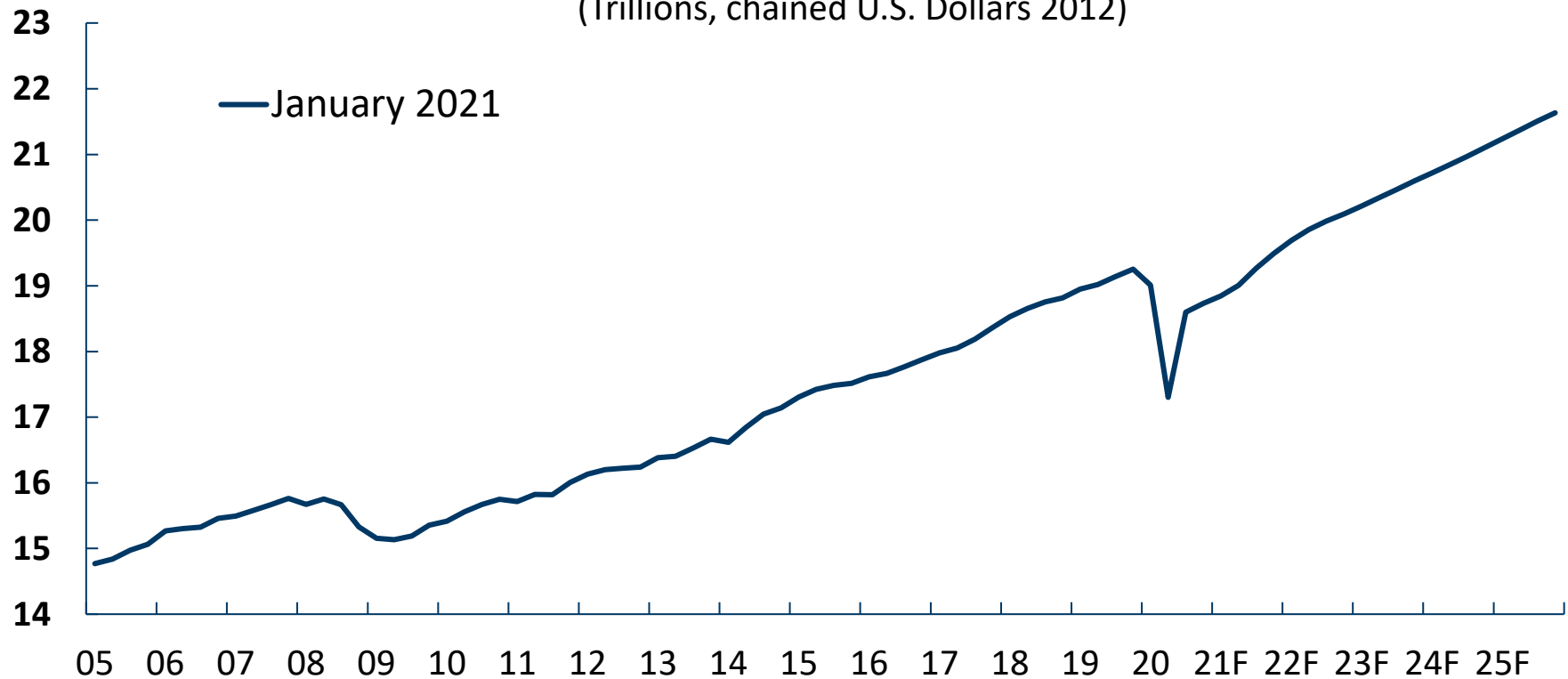
■ November 2020

■ January 2021



U.S. recovery expected to persist

U.S. Real Gross Domestic Product
(Trillions, chained U.S. Dollars 2012)



Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Pandemic adds to forecast risks

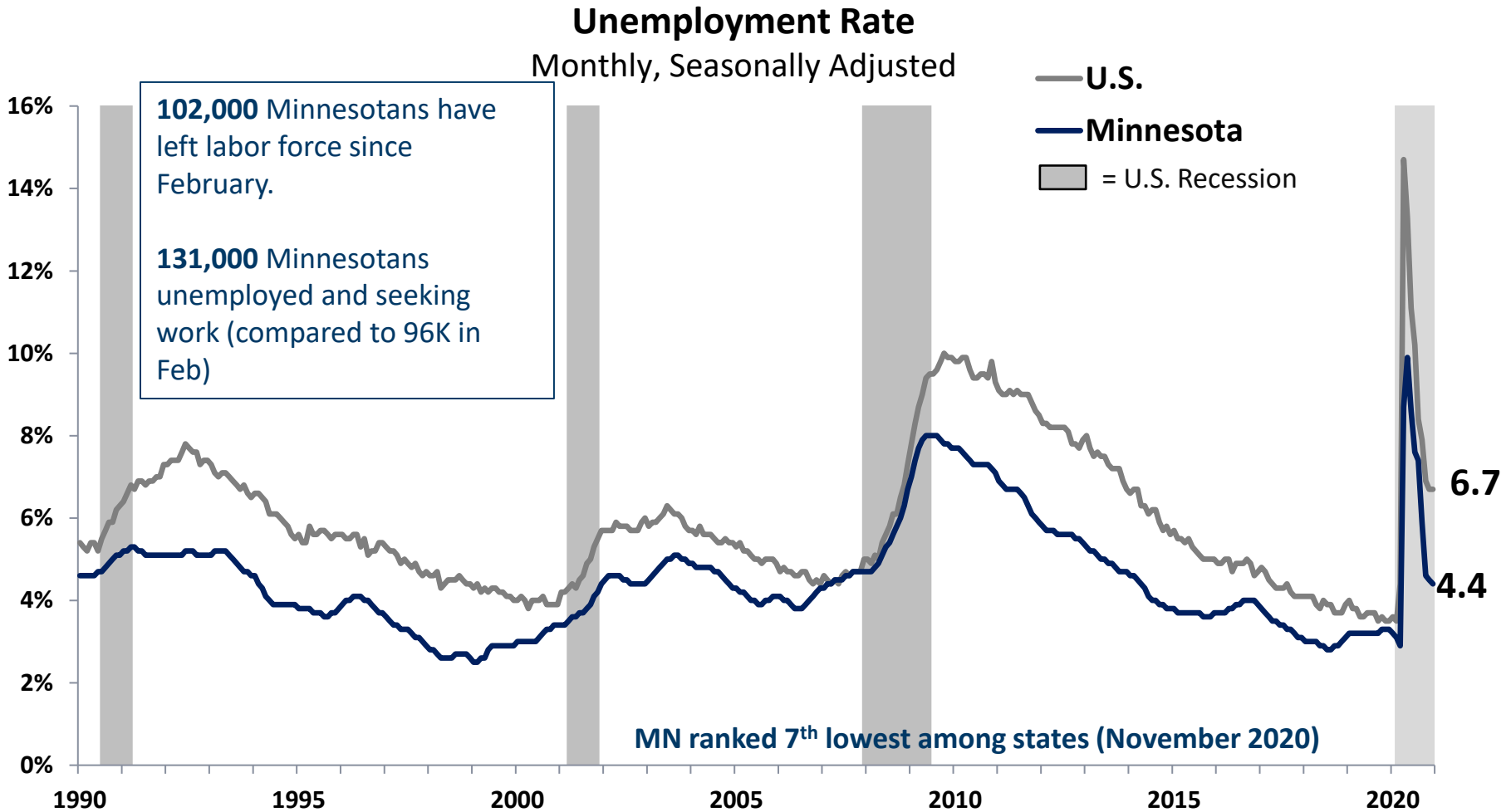
COVID-19

- Path of pandemic
- Timing of vaccine
- Pace of lifting restrictions

Economic uncertainty

- Consumer and business confidence
- Business survival
- Federal fiscal policy

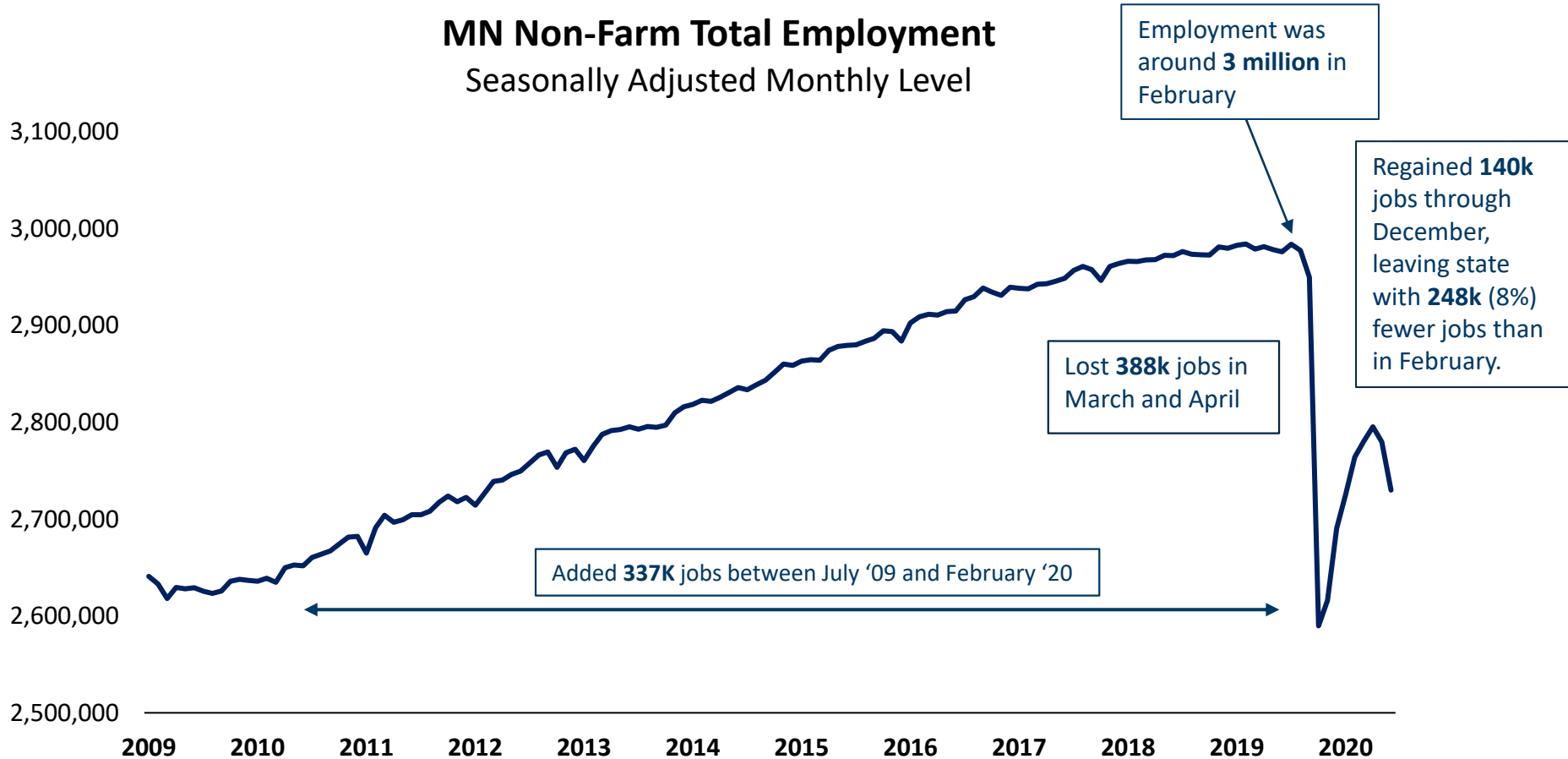
State unemployment rate down from May peak



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

Minnesota employment fell in 2020

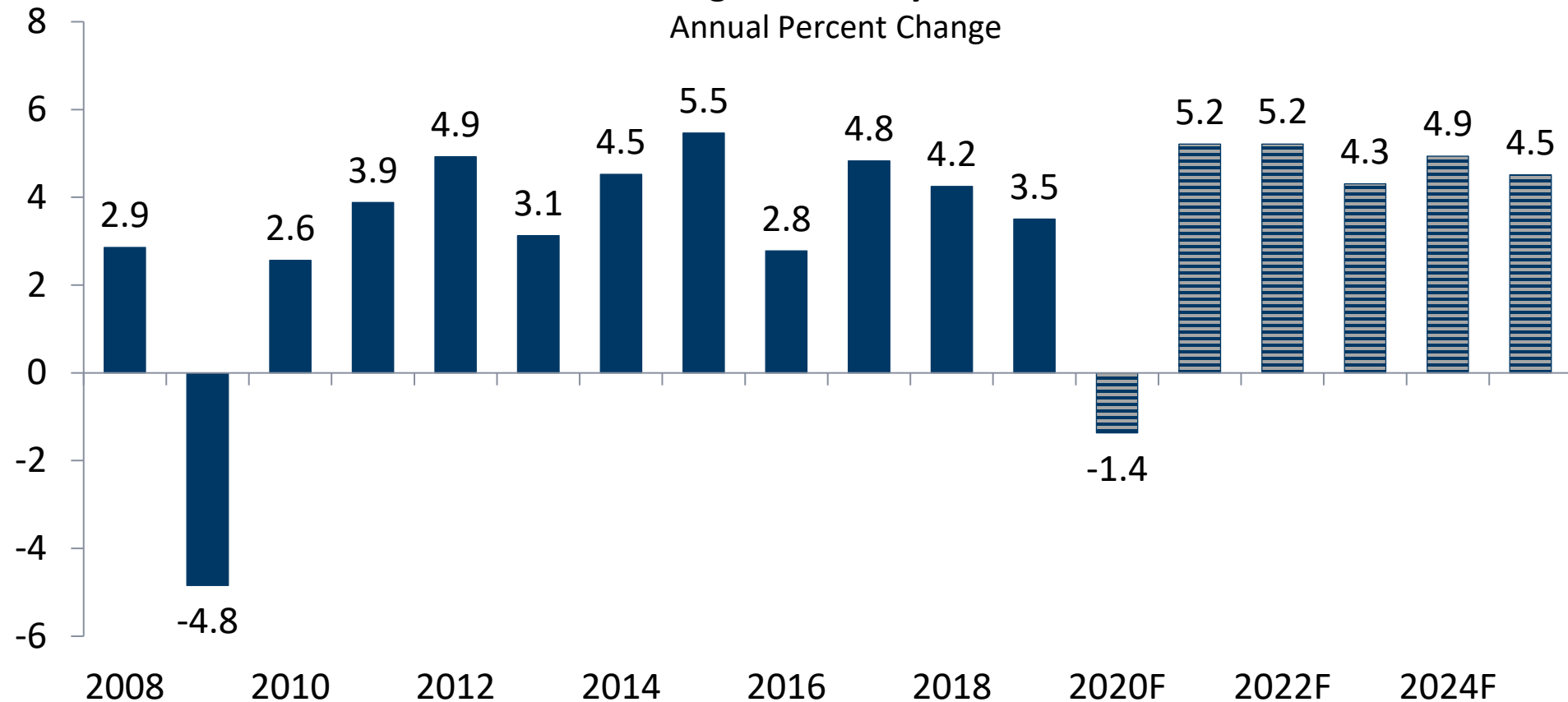
MN Non-Farm Total Employment
Seasonally Adjusted Monthly Level



Source: MN Department of Employment and Economic Development (DEED), Current Employment Statistics (CES)

Minnesota total wage and salary income fell in 2020

MN Total Wage and Salary Disbursements
Annual Percent Change

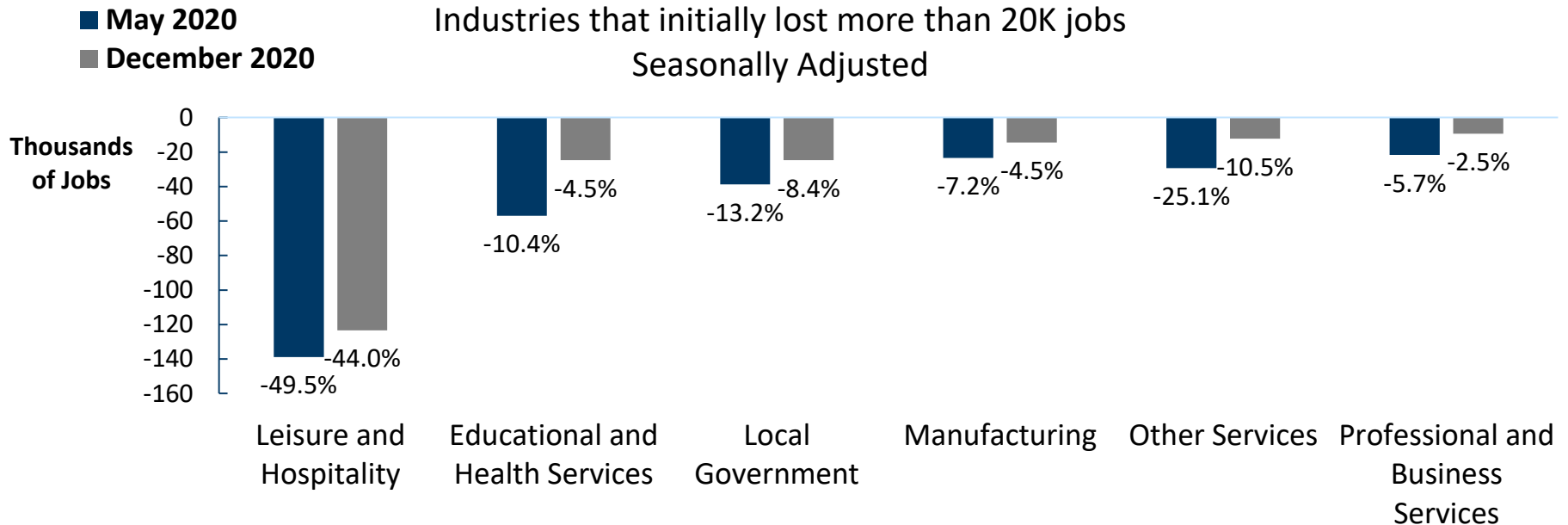


Source: MN Management and Budget (MMB), U.S. Bureau of Economic Analysis (BEA)

Leisure and hospitality sector hit hardest

Minnesota Annual Employment Change since February

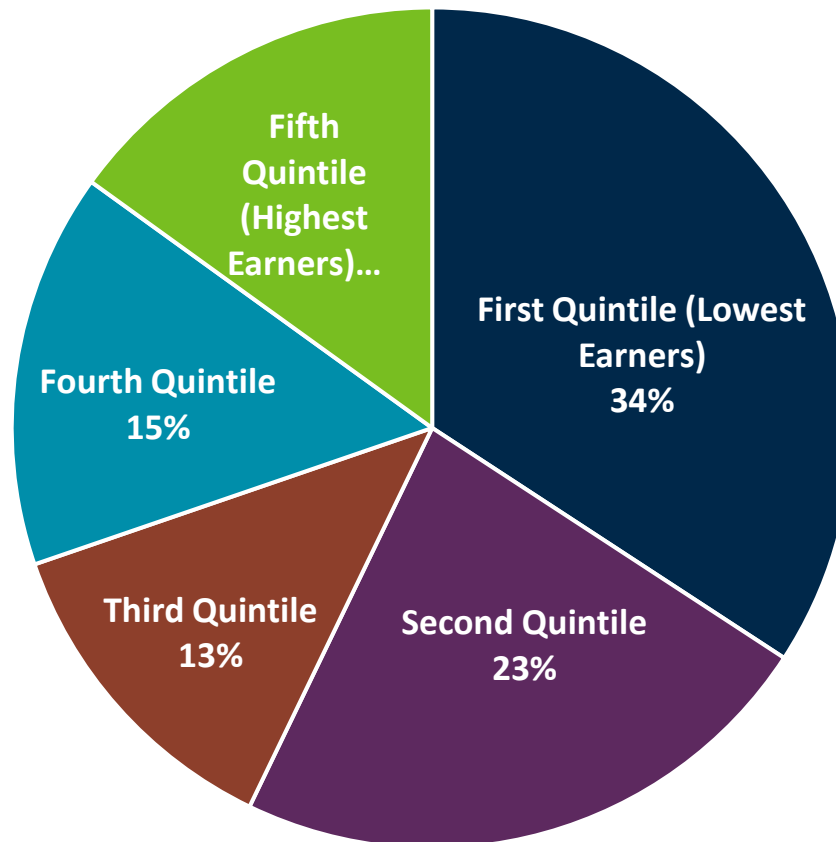
Industries that initially lost more than 20K jobs
Seasonally Adjusted



Through December, there were 123,400 fewer leisure and hospitality jobs in Minnesota than there were in February resulting in a 44% drop in employment. Through December, all other sectors combined have 113,000 fewer jobs.

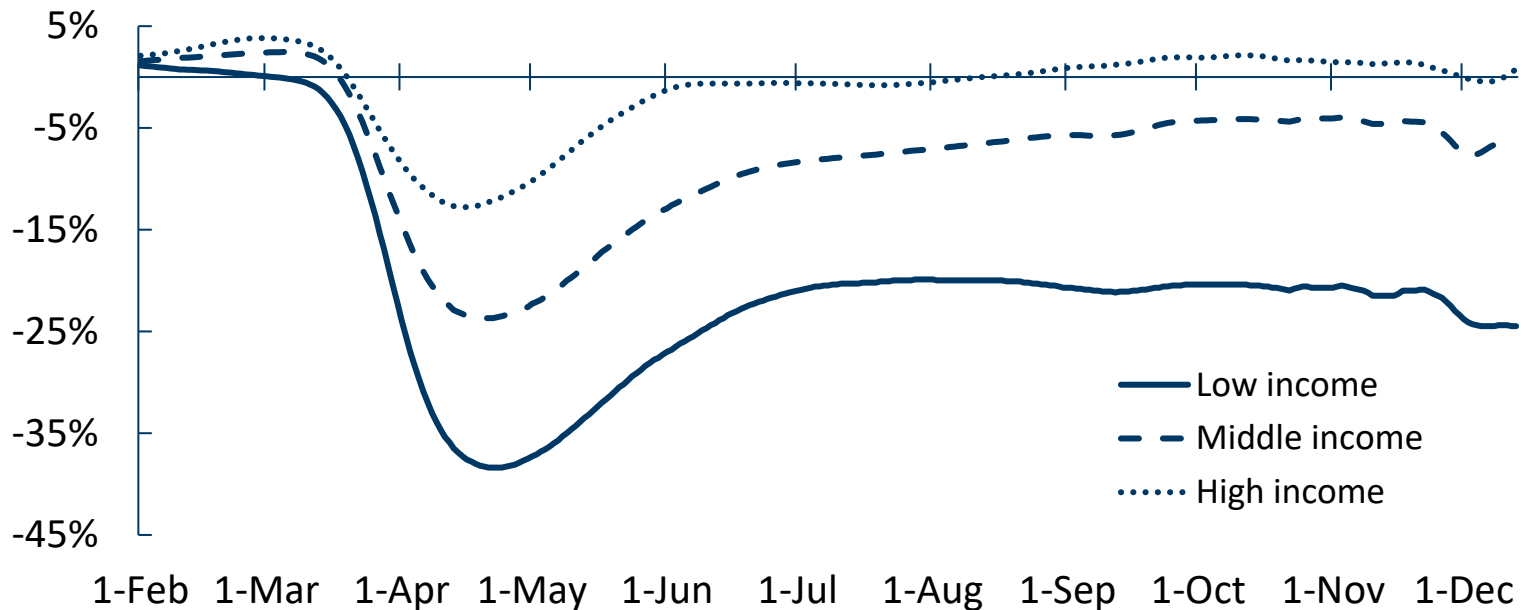
Lowest wage-earners most affected

**MN UI Initial Claims by Median Hourly Wage Quintile
March 16 to November 22, 2020**



Duration of unemployment longer for lower-wage workers (U.S.)

Change in U.S. Employment by Income Level
(Relative to January 2020)

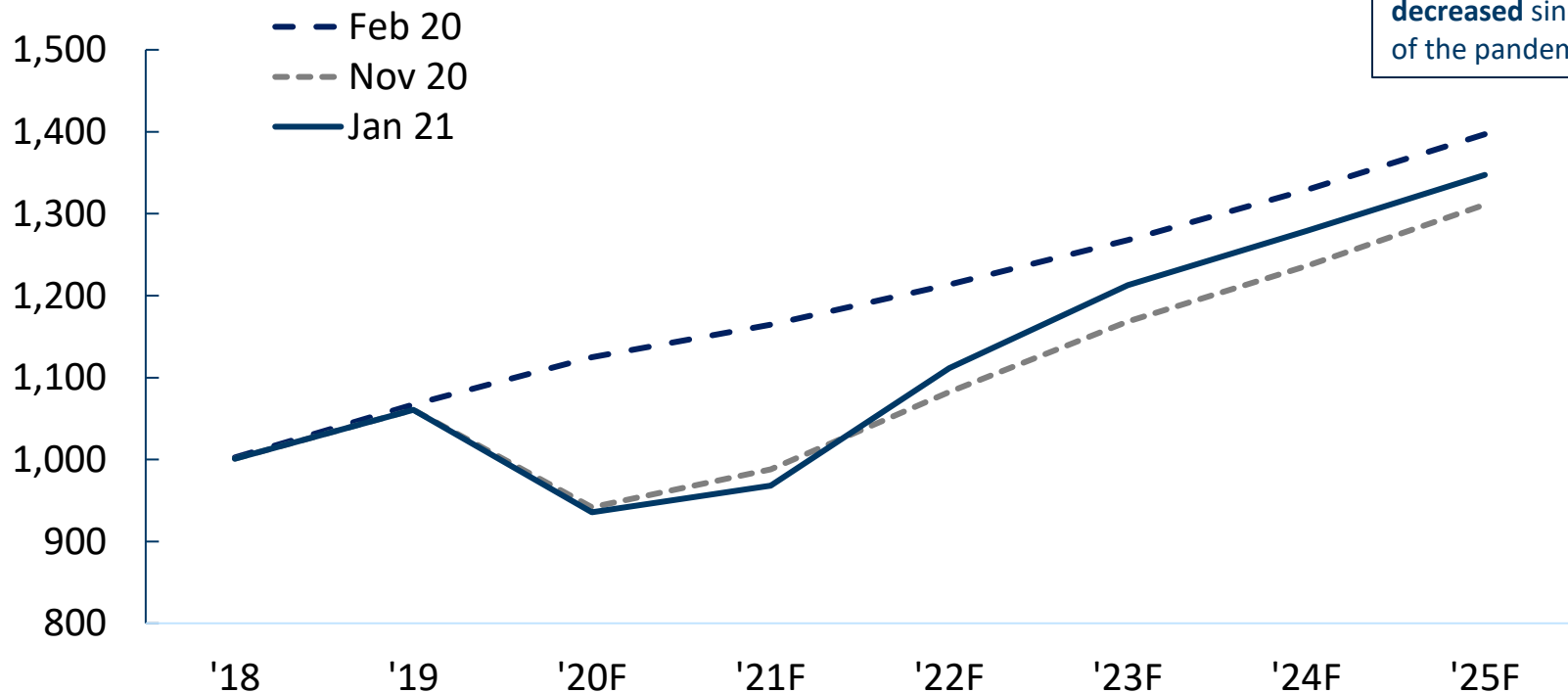


Source: Opportunity Insights

Consumer spending shifted away from some services

U.S. Consumer Spending Other Services

Dollars, Billions



Consumer spending on some services has **decreased** since the onset of the pandemic.

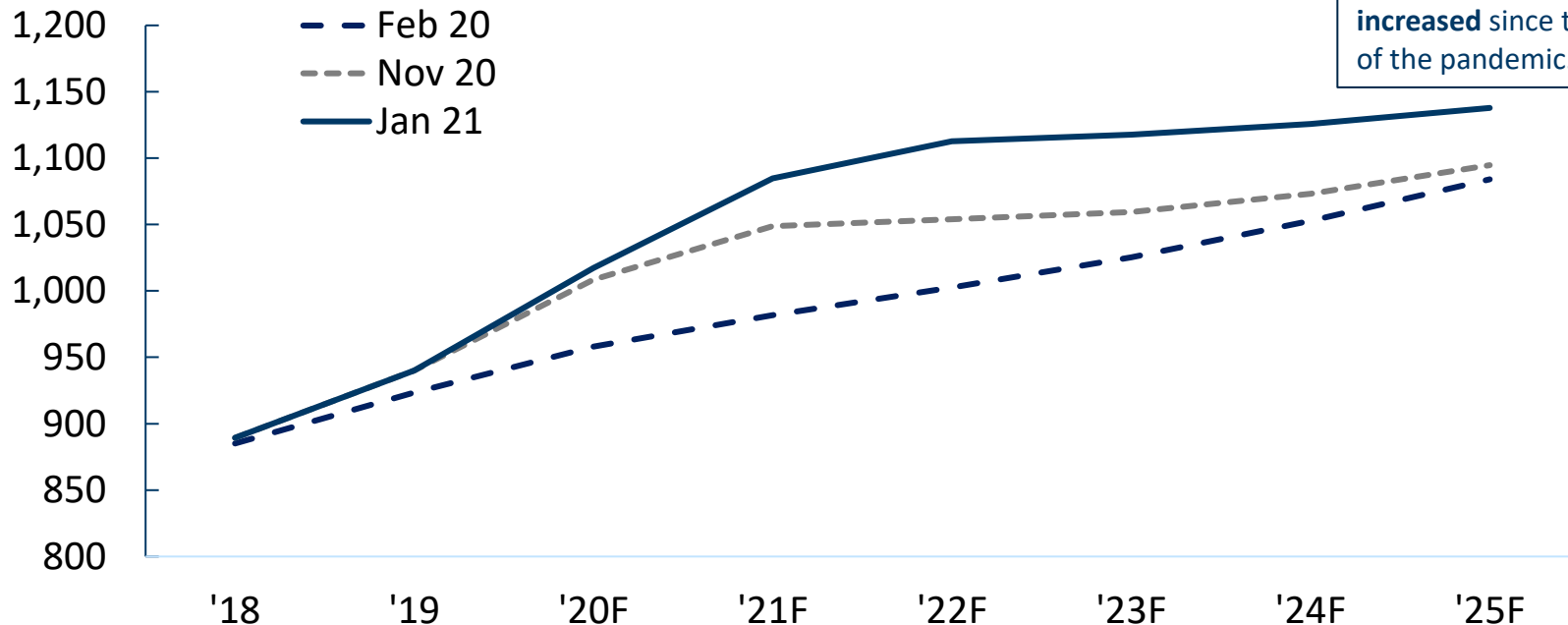
Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Source: IHS Economics (IHS), U.S. Bureau of Economic Analysis (BEA)

Consumers spending more than expected on taxable goods

U.S. Consumer Spending on Durable Goods Excluding Auto and Medical Devices

Dollars, Billions



Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

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