

# North Dakota Economic Conditions Minneapolis Federal Reserve Regional Economic Conditions Conference

David T. Flynn, Ph.D.  
Korus Professor & Director

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

January 15, 2025

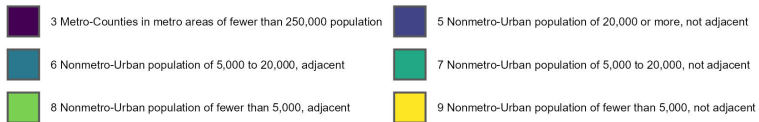
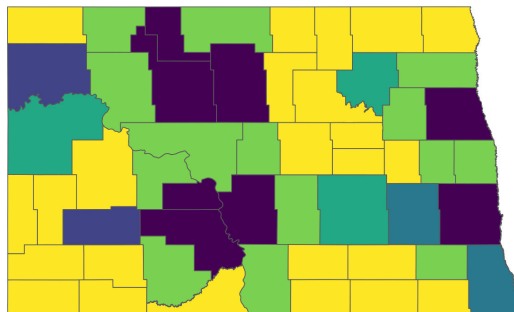
# Crucial Factors in ND Outlook

- ND economy is a story of resilience, strength
  - ▶ Persistent strength of the energy economy and its fiscal implications a welcome surprise.
  - ▶ Some population outflows surprising.
- Some key factors in the outlook include
  - ▶ Consistent if challenging, at times, labor market.
  - ▶ Strong energy position with national policy as a possible boost
  - ▶ Good to great fiscal position
  - ▶ Migration indicating possible resurgent substate strength
- As usual, there are significant correlations between these and other issues.

# Situation of the State

- It is an odd year, which in ND means a the biennial legislative session.
- There is always a great deal of activity and interest.
  - ▶ Helps establish the outlook for the coming two years with policy focus and priorities.
- With that backdrop it seems to make sense to look at the data and the outlook based on degree of rurality and note:
  - ▶ Persistence of the output gains of the nonmetro areas
  - ▶ Consistency of labor market situation across rural continuum
  - ▶ Turnaround in net domestic migration in the oil region.

# Rurality

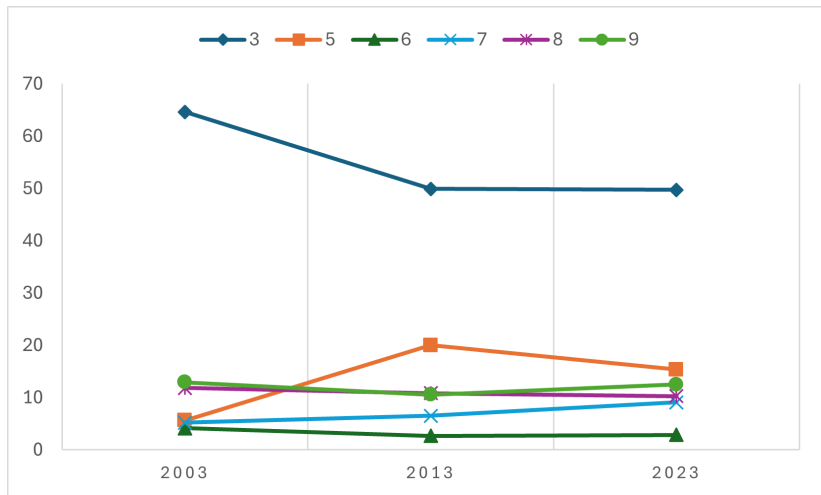


Source:USDA

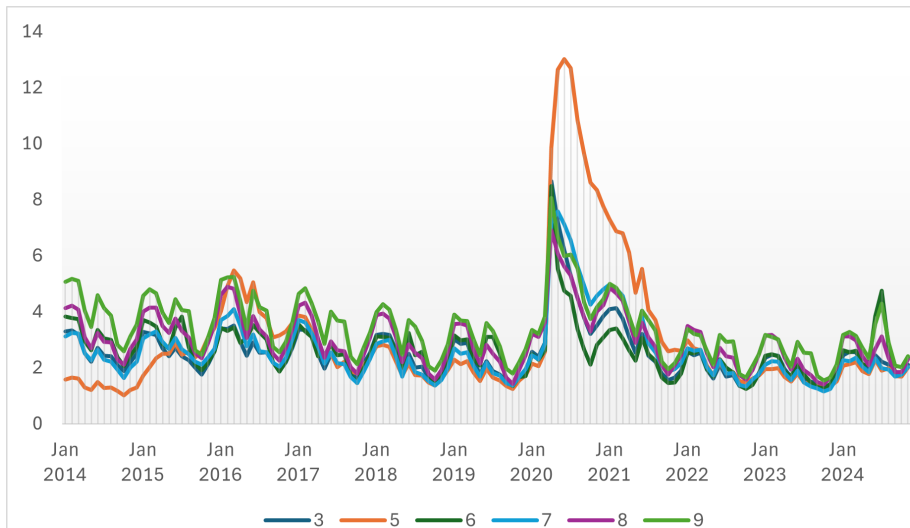
## Sampling of counties by categories

- (3) Metro counties - Burleigh, Cass, Grand Forks, Ward
- (5) Nonmetro but with 20,000 or more urban population but not adjacent to a metro area - Stark, Williams
- (6) Nonmetro with 5,000 to 20,000 urban population adjacent to a metro area - Richland, Barnes
- (7) Nonmetro with 5,000 to 20,000 urban population not adjacent to a metro area - McKenzie, Ramsey, Stutsman
- (8) Nonmetro with less than 5,000 urban population adjacent to a metro area - McLean, Mountrail, Walsh
- (9) Nonmetro with less than 5,000 urban population not adjacent to a metro area - Cavalier, Sioux, Slope

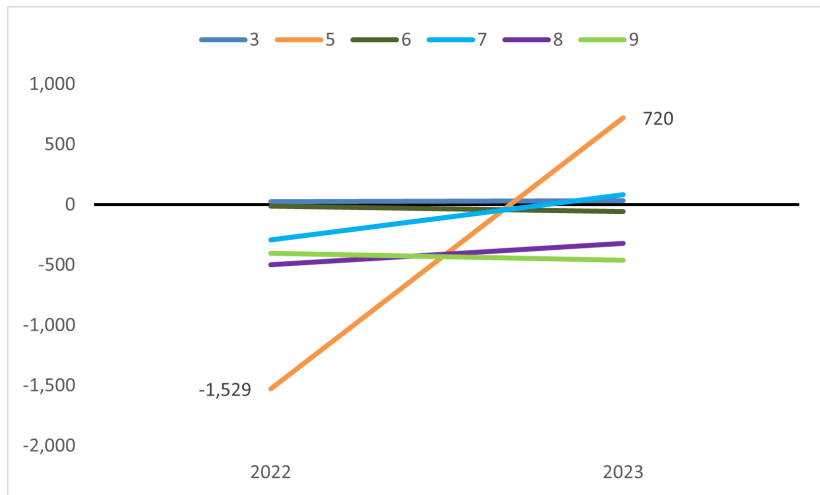
# Nonmetro gains indicative of economic transition



# Consistent UER across rural continuum



# ND Net Domestic Migration Changes





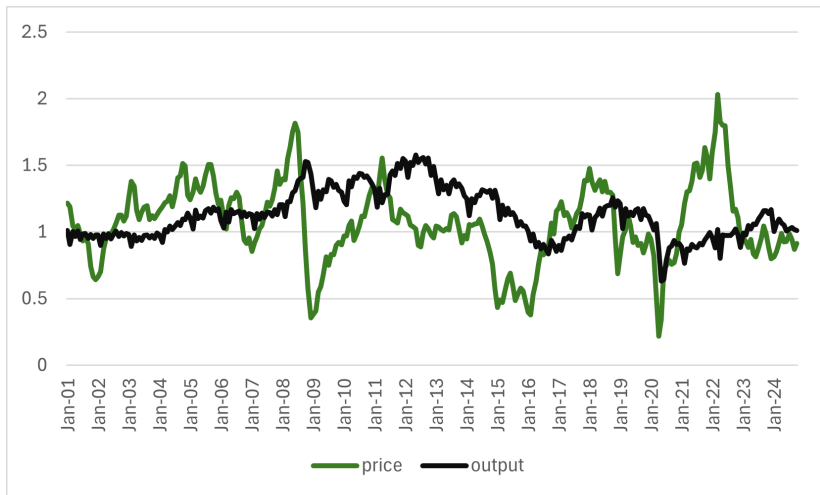
# Energy Outlook

- Recent election leading to speculation about strong outlook for oil economy.
- Labor markets, current market price may limit additional upside growth.
- Spillover effects to other industries and areas will likely be different and may be limited.
  - ▶ Limited enhancements to supply chain and value chain in recent years.

# Oil Price Near Recent Highs



# Oil Displays Momentum



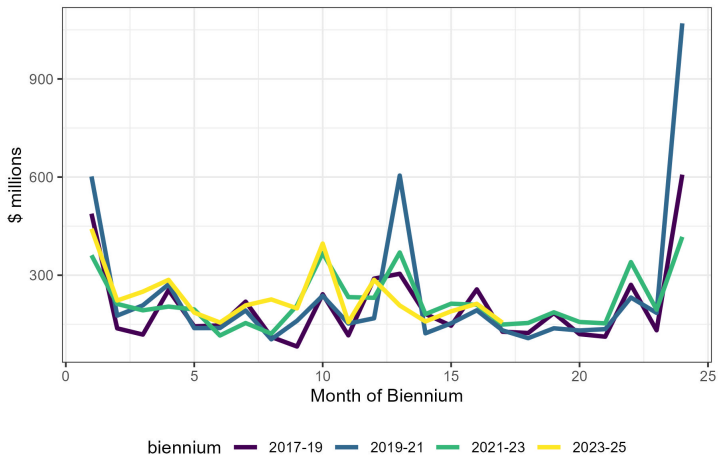
## Interest rate pressure release

- Federal Reserve reductions in key interest rates likely to help the economy.
- Still not in problem areas but nonperforming and nonaccrual status loans creeping up over the last 2 years.
- Housing price increases moderating but still positive.
  - ▶ About a 4-5% increase in 2024 compared to 5% in 2023 and over 10% in 2022.
  - ▶ Outlook is for further declines in price growth but still positive.
- Capital intensive industries looking at consolidation last few years can think of expansion now.

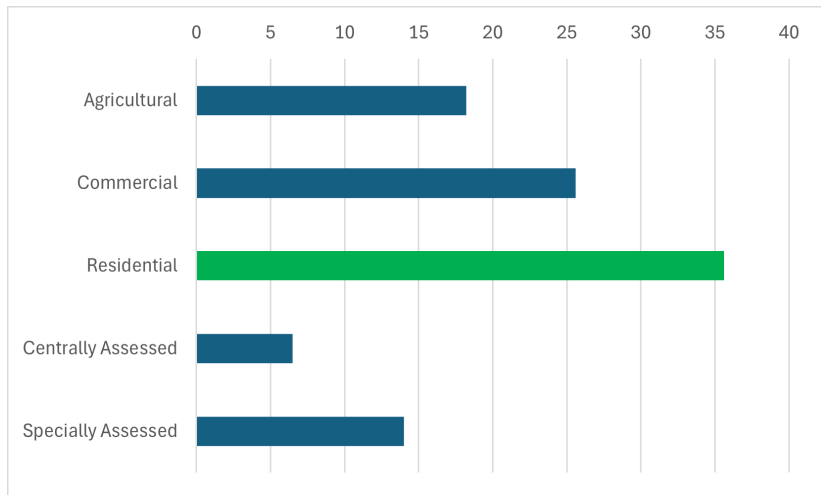
# ND Fiscal Outlook

- Tax collections
  - ▶ Total tax collections on track with other recent biennia (next slide).
  - ▶ Mid biennium collections high so current fiscal position ahead of forecasts.
- Property Taxes
  - ▶ Failed referendum on ban of property tax.
  - ▶ Now a policy topic for the legislative session.
  - ▶ Proposals look at coverage of reduced collections through other funds.
  - ▶ Most proposals seem to be forgoing simple solutions.
  - ▶ Change demands driven by volatile increases and general tax level concerns.

# Total Tax Collections On Track



# Cumulative Property Tax Collections %, 2015-22



## Strengths & Risks

- Energy economy outlook is as strong as it has been in years
  - ▶ Risk: Labor shortages, policy inconsistencies and delays, international events, stunting diversification
- Labor market closer to equilibrium but likely an inferior equilibrium.
  - ▶ Risks: International migration a huge success in recent years and subject to change with new administration, economic strength in other parts of the country
- Many expressed policies of new administration align with North Dakota economic sectors
  - ▶ Risk: Instantly shorter lifespan of this administration reduces time to capitalize, and could reduce innovation in key sectors