



July 28, 2010

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Ninth District--Minneapolis

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The Ninth District economy grew slightly since the last report. Consumer spending, tourism, manufacturing, energy, mining and agriculture saw increases. Residential construction and the services sectors experienced mixed activity, while commercial construction remained weak.

Commercial and residential real estate activity decreased. Labor markets continued to strengthen somewhat. Wages were generally level with a year ago, and price increases remained restrained.

Consumer Spending and Tourism

Consumer spending increased modestly. A major Minneapolis-based retailer reported that same-store sales in June were up almost 2 percent compared with a year earlier. A mall manager in North Dakota noted that recent sales were up 4 percent over last year and were running a little ahead of 2008, when activity was relatively strong. In South Dakota, a mall manager noted that recent sales were mixed; consumers remained cautious as traffic continued to be driven by promotions. A Montana auto dealer noted that June sales were behind a year ago, but July sales have picked up substantially.

Summer tourism was up slightly from a year ago. Representatives of South Dakota tourism businesses and attractions noted that the early part of the summer season was going well. In western Montana, hotel bookings were about the same as a year ago, while Glacier National Park is expected to have a record year due to its 100th anniversary celebration. Tourism activity in the Upper Peninsula of Michigan was about the same as last year. Meanwhile, a Minnesota travel agency noted that corporate sales were up about 20 percent during June and early July compared with 2009.

Construction and Real Estate

Commercial construction remained weak. A commercial contractor in Montana said that the number of projects up for bidding decreased; existing projects were smaller and had more bidders. In contrast, a heavy infrastructure contractor in Minnesota and Wisconsin saw improvement in its market segment. In addition, the value of June commercial permits in Sioux Falls, S.D., nearly doubled from the previous June. Residential construction was mixed. June residential permits increased slightly in value for the Minneapolis-St. Paul area and for Fargo, N.D., compared with the same month a year earlier. However, residential permits decreased substantially in value in Sioux Falls and Rochester, Minn.

Weakness remained in the commercial real estate sector. Office vacancy increased in Minneapolis-St. Paul. A commercial real estate broker in western Montana characterized the market as level with last year's slow activity. Residential real estate activity softened slightly. The number of closed sales in Minneapolis-St. Paul decreased in June from a year earlier. A real estate agent in Fargo said activity was steady, but not as active as usual for this time of year. Meanwhile, a Realtor in northeastern Minnesota recently noticed an increase in inquiries for properties.

Services

Activity in the professional business services sector was mixed since the last report. An engineering firm that supports the mining and energy sector noted an increase in activity. A human resources consulting firm noted a slight uptick in new business. Architectural firms reported slow demand. Information technology consultants reported that business was flat with a lot of maintenance projects rather than new software development. A firm that assists nonprofits noted a slight decrease in

activity. A Minnesota energy management consultant noted an increase in orders.

Manufacturing

Manufacturing output was up since the last report. A June survey of purchasing managers by Creighton University (Omaha, Neb.) showed that manufacturing activity increased significantly in Minnesota and the Dakotas. A construction equipment manufacturer in North Dakota was increasing production. A South Dakota wind energy equipment producer increased production significantly due to increased demand.

Energy and Mining

Activity in the energy and mining sectors increased since the last report. Mid-July oil exploration increased from early June. Wind energy projects have come online, and more are planned in the western portion of the District. In Montana, a company applied for permits to develop an underground gold mine. A Montana copper mine was "doing excellent," according to an official, due to strong production and prices. However, iron ore production in Minnesota decreased in June compared with May because of maintenance at one of the mines.

Agriculture

Agricultural activity increased. The U.S. Department of Agriculture raised the price estimates for corn, soybeans and wheat. The vast majority of the District corn and soybean crops were rated as either good or excellent. Meanwhile, drought conditions eased across most of the District, but some areas were experiencing excess moisture.

Employment, Wages, and Prices

Labor markets continued to strengthen somewhat. According to respondents to a recent St. Cloud (Minn.) Area Business Outlook Survey, 28 percent expect to increase staffing levels at their companies over the next six months, while 9 percent expect to decrease staff. In last year's survey, 19 percent expected to boost hiring, while 12 percent anticipated decreases. A recent survey of businesses conducted by the North Dakota Chamber of Commerce showed that 39 percent expect to increase staffing in the next six months; the majority of respondents expect to keep payrolls level.

Increases in temporary employment were noted. A representative of an employment services firm in Minneapolis-St. Paul reported that demand for temporary workers has continued to grow during the past two months. In the Dakotas, demand for seasonal construction employment was up; however, temporary construction and manufacturing employment was slow in the Duluth, Minn., area, according to bank directors. In northwestern Montana, two employment offices reported that postings for temporary and part-time listings were up; however, overall job orders by employers were down 50 percent compared with a year ago. Signs of continued weakness also include an announcement that a bank will lay off about 80 employees in Minnesota.

Wages were generally level with a year earlier. Over 70 percent of respondents to the St. Cloud survey expected no changes in employee compensation over the next six months. A nurses union and 14 hospitals in the Minneapolis-St. Paul area agreed on a contract that averted an open-ended strike; pension and health benefits were not changed.

Price increases remained restrained. Minnesota gasoline prices at the beginning of July were about the same as prices a month earlier. Bank directors noted that prices have remained generally level for area businesses with some exceptions. Significant increases included copper and brass products in electrical wiring, steel fencing materials and unemployment taxes. Scrap metal prices were above year-ago levels, but dropped during the past month.

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