

ECONOMIC INDICATORS December 2014

National

Consumer Prices - The 12-month percent change in the non-seasonally adjusted consumer price index (CPI), as reported by the Bureau of Labor Statistics, was 1.7% in October 2014, slightly above the 2013 annual average of 1.5%. According to *Moody's Analytics*, the CPI change is expected to average 1.7% during 2014. Projections indicate the rate will increase to an average of 1.9% for 2015, gradually increasing to 2.9% through the long-term forecast horizon of 2018.

Money Markets – The average yield on a three-month Treasury bill is currently .02%. Rates have remained below 20 basis points since June of 2009 and averaged only .1% for 2013. *Moody's* expects three month T-bill rates to average between 0.0% and 0.2% in 2014 and 2015, but increase to above 3.0% for 2017 and 2018. *Moody's* predicts that the prime rate, which has not gone above 3.3% since 2009, will average 3.3% for 2014 and 3.4% for 2015. Their forecast provides for a sharp increase in the ensuing years, to 6.6% in 2017 and 7.1% in 2018.

Personal Income – Personal income, as reported by *Moody's* in inflation-adjusted 2005 dollars, grew by .8% during 2013. *Moody's* predicts personal income growth will average 2.8% during 2014 and 3.5% in 2015. They predict annual growth rates of 4.2% in 2016 gradually decreasing to 2.9% in 2018.

Commodity Prices – Agricultural prices rose by an average of 1.0 % during 2013, the result of a 2.1% reduction in crop prices and a 5.2% increase in livestock prices. After projected increases of 3.5% in 2014 and 2015, the *Moody's* outlook provides for moderate levels of growth around 1.5% per year through 2018. The outlook for West Texas Intermediate crude, the benchmark oil forecast for *Moody's Analytics*, is for the average price per barrel to drop from the \$97.90 in 2013 to \$96.00 in 2014 and \$92.90 in 2015. *Moody's* predicts prices will gradually increase to between \$101.50 per barrel in 2016 to \$113.70 per barrel in 2018.

Local

Unemployment – North Dakota's non-seasonally adjusted unemployment rate in October 2014 remains the lowest in the nation at only 2.1%. The national average unemployment rate decreased to 5.5% in October.

Employment Growth – Nationally, according to State Policy Reports (S/P/R), the employment growth rate from August 2013 to August 2014 was 1.68%. North Dakota's employment growth rate was 4.41%, nearly three times the national average.

Personal Income – S/P/R reported that between the second quarters of 2013 and 2014, North Dakota's personal income increased by 6.18%. The national average during the same period was 4.05%.

Energy – The May 2013 legislative forecast was based on oil production increasing from 830,000 barrels per day at the start of the 2013-15 biennium to 850,000 barrels per day by the end of the biennium. North Dakota crude oil prices were estimated to average \$75 per barrel during fiscal year 2014 and \$80 per barrel during fiscal year 2015. The November 2014 executive revenue forecast is based on oil production reaching 1,290,000 barrels per day by the end of the 2013-15 biennium. Oil prices are estimated to range from \$72 to \$74 per barrel through June 2015. The current rig count is 186 rigs, 2 rigs more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

| | September 2014 | August 2014 | July 2014 |
|---------------------------------|-------------------|----------------|--------------|
| Actual average price per barrel | 80.31 | \$83.18 | \$90.02 |
| Production (barrels/day) | 1,184,635 | 1,132,331 | 1,114,421 |
| Drilling permits | 261 | 273 | 265 |
| Producing wells | 11,741 | 11,563 | 11,293 |
| Rig count | 195 | 193 | 192 |

Mortgage Rates – Mortgage rates remain low. Thirty-year fixed rate mortgages are available locally for 3.75%. Fifteen-year fixed rates are around 3.00%.