Oil & Gas Related Employment

OCTOBER 2015 NONFARM EMPLOYMENT (estimates)

NOT SEASONALLY ADJUSTED

Statewide	CURRENT MONTH OCTOBER 2015	PREVIOUS MONTH SEPTEMBER 2015	OVER MONTH CHANGE Number	OVER MONTH CHANGE Percent	YEAR AGO OCTOBER 2014	OVER YEAR CHANGE Number	OVER YEAR CHANGE Percent
Total Nonfarm	464,800	463,900	900	0.2%	474,400	-9,600	-2.0%
Mining & Logging	25,600	26,900	-1,300	-4.8%	30,900	-5,300	-17.2%
Construction	39,000	39,400	-400	-1.0%	38,700	300	0.8%
Manufacturing	26,100	26,000	100	0.4%	26,400	-300	-1.1%
Wholesale Trade	26,100	26,200	-100	-0.4%	27,700	-1,600	-5.8%
Retail Trade	51,300	50,700	600	1.2%	51,100	200	0.4%
Transportation, Warehousing & Utilities	28,100	28,100	0	0.0%	28,800	-700	-2.4%
Information	6,700	6,800	-100	-1.5%	6,800	-100	-1.5%
Financial Activities	23,700	23,900	-200	-0.8%	24,100	-400	-1.7%
Professional and Business Services	36,500	36,300	200	0.6%	37,500	-1,000	-2.7%
Education and Health Services	59,700	58,600	1,100	1.9%	60,200	-500	-0.8%
Leisure and Hospitality	40,500	41,000	-500	-1.2%	41,600	-1,100	-2.6%
Other Services	17,700	17,300	400	2.3%	17,400	300	1.7%
Government	83,800	82,700	1,100	1.3%	83,200	600	0.7%

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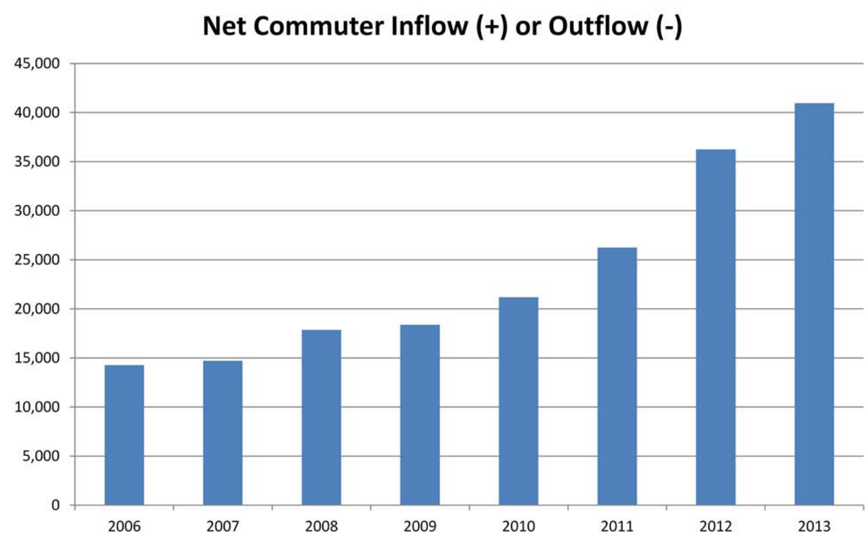
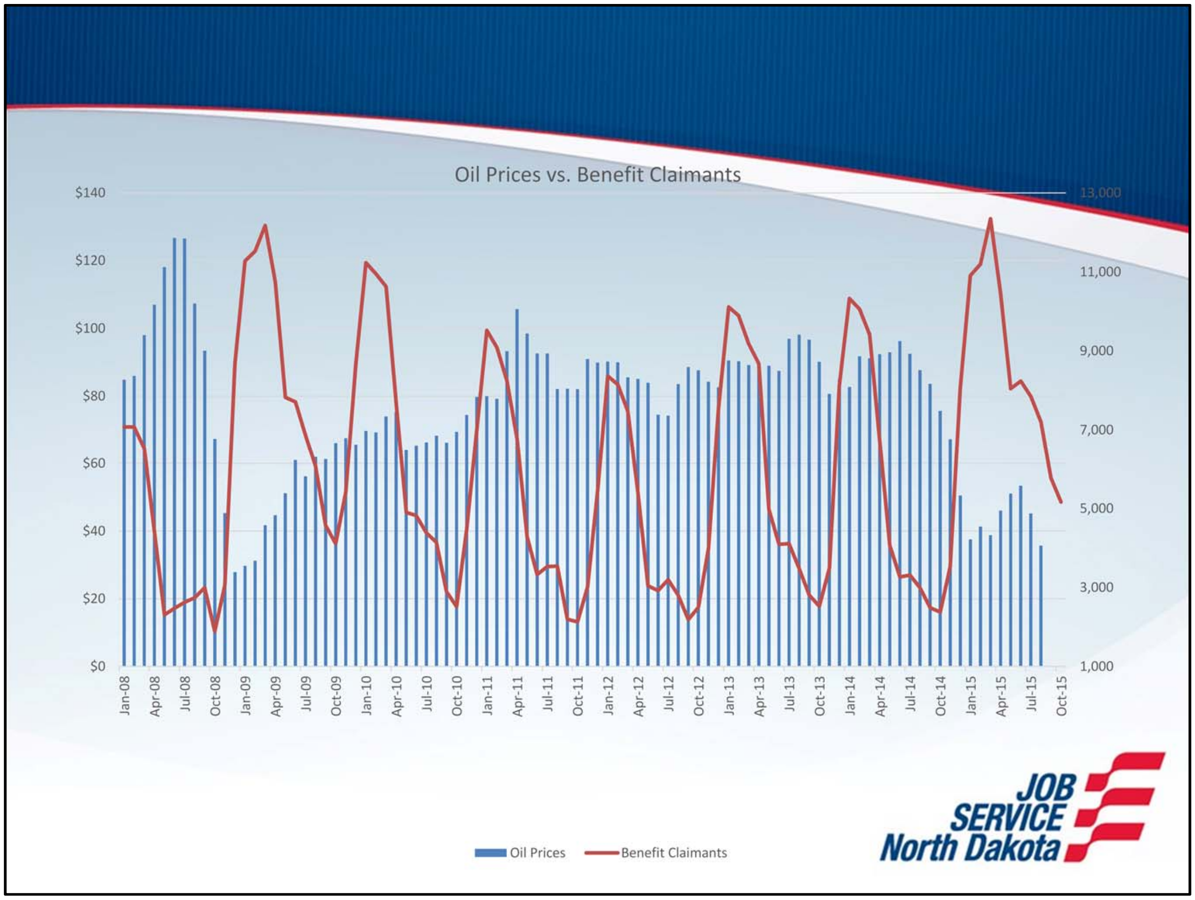
Universe employment and wage data from the Covered Employment and Wages program (built from the quarterly contribution reports of businesses) has a lag period. Second quarter of 2015 data will be available on December 2nd. We expect that to begin showing the more substantial effects of lower oil prices on industries most closely associated with the Energy Sector, which are Mining and Transportation. There has been offsetting strength in other industries such as healthcare, and especially construction aided by infrastructure dollars provided by the legislature. We know this will have the effect of lowering the Hub City percentages. The level we don't know yet. Those data will be available for 2015 annual averages in early June 2016.

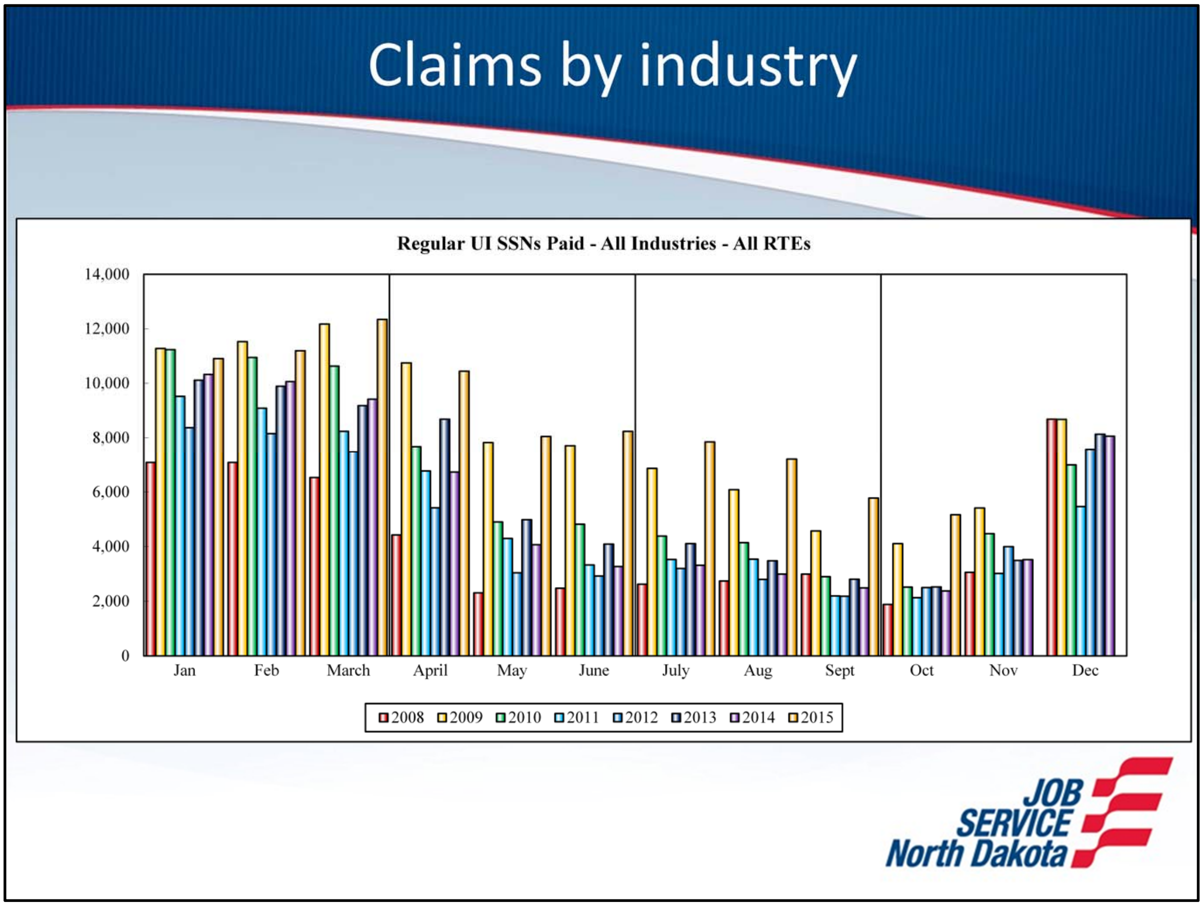
Another expected effect will be lower wages, especially among Mining, Transportation, and Equipment Rental & Leasing industries. Other sectors may see somewhat lower wage rates as well as the competition for workers eases somewhat. What I have displayed here are nonfarm employment estimates through the month of October for the state.



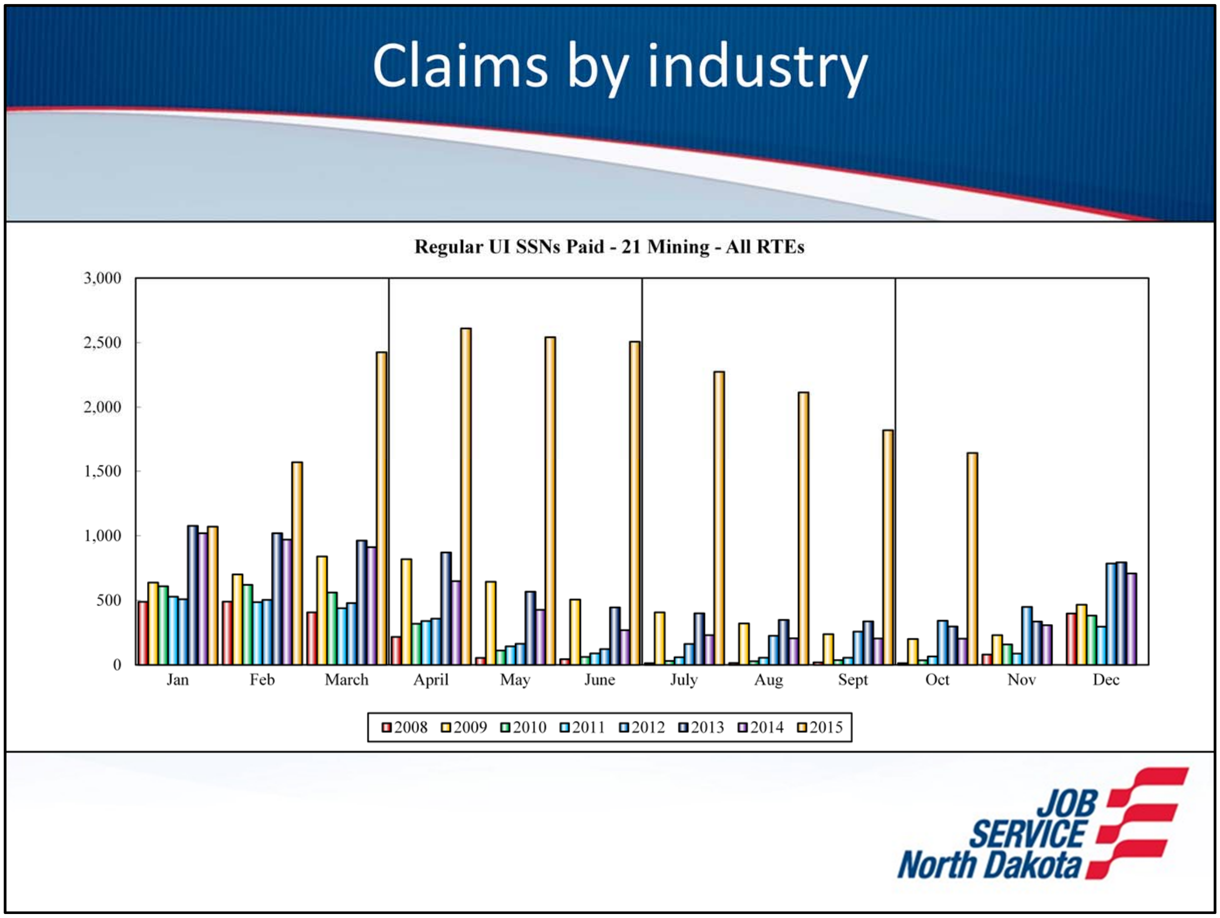
Our current month unemployment rate is 2.0% in October. That may seem quite low especially in light of layoff events especially in NW North Dakota. However, many of the first affected workers were super commuters. In 2009, and prior, worker flow tended to be day commuters, the majority of who were from Minnesota working across the border in Grand Forks and Fargo. The influence of "super commuters" began from 2010 to current. These workers were largely taking positions in the Bakken and had nontraditional work schedules (2 weeks on/off, etc.) These commuter workers are accounted for in our jobs data, however, they are not included in labor force data. So, as commuter workers are affected by lower oil prices, and return home, they show up in their home state unemployment rates. Although North Dakota trust fund is responsible for benefit payments on earnings they have in the state, if they are found to be eligible.



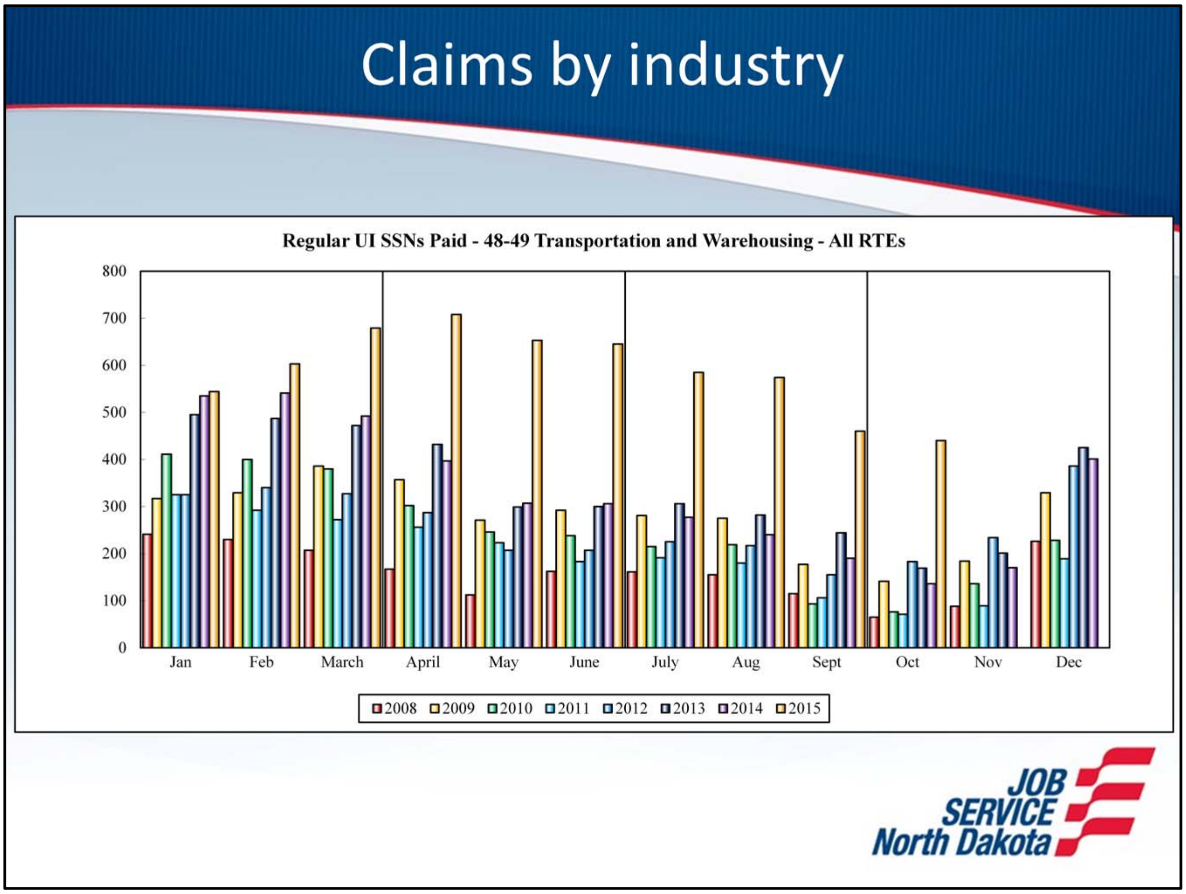
This chart displays the trends of oil prices to benefit claimants. As the graph displays, there has always been a strong seasonality to benefit recipients over a year. Claims tend to peak in 1st quarter as regular seasonal unemployment occurs among industries such as construction and certain components of manufacturing such as ready mix plants, and potato & sugar beet processing. However, the upticks in 2009 & current period are influenced greatly by change in oil prices. For past 12 months just under half of the benefit recipients have been out-of-state residents. This has accounted for about 54% of the dollar amount paid, (or $85M of $157M). Historically out-of-state claimants accounted for slightly over 10% of benefit payments. As well, average duration of an out-of-state claimant is not that different from the total at about 11.6 weeks versus 11.2 for all.



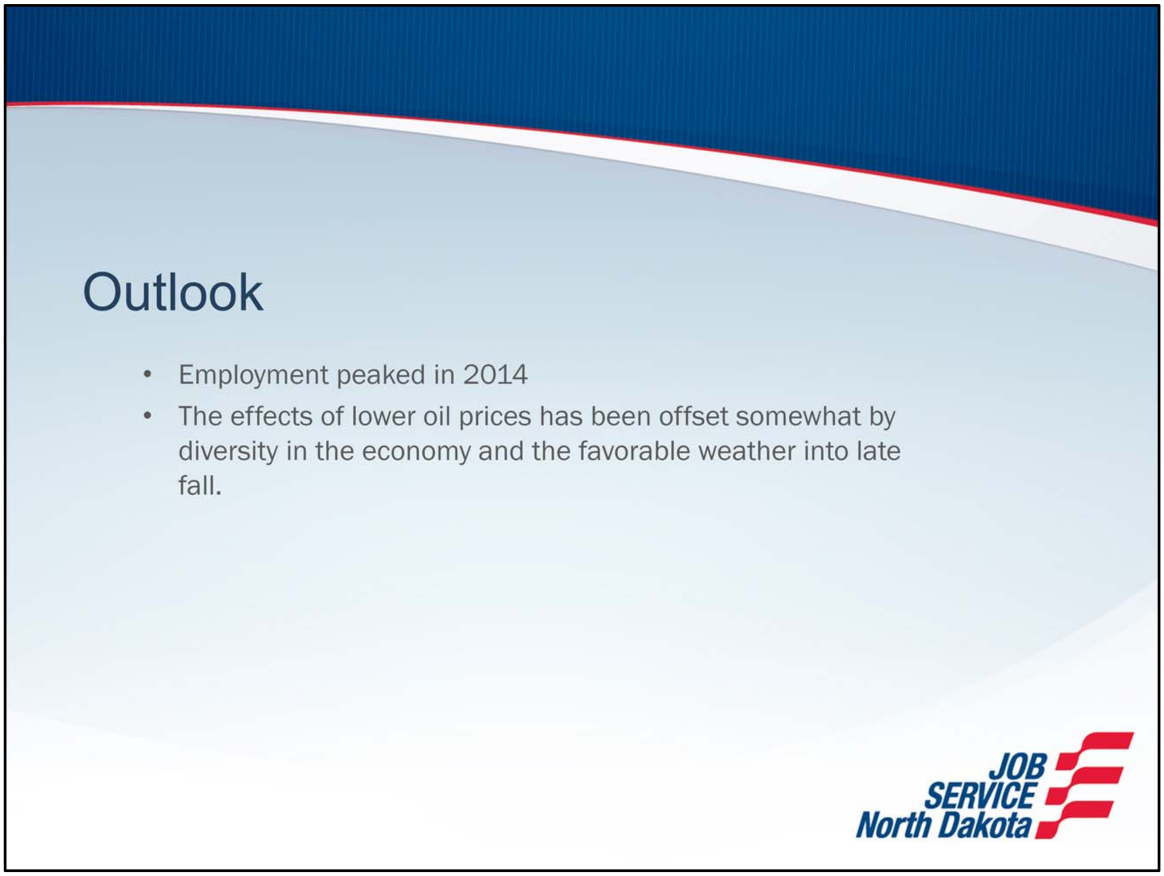
This chart shows the trends of all Unemployment Insurance benefit payments for the past several years, and the increase year-over-year we are currently experiencing. It is especially evident when looking at industry breakout such as the next two slides.



This is a graph of the Mining industry and certainly shows the effect of lower prices. It also reinforces the prior statements that the substantial changes began occurring in 2nd quarter of 2015. Claimants in the Mining industry have tended to be eligible for maximum duration and benefit amounts due to their earnings history.



The other industry very closely associated with the Bakken is Transportation. And this graphic shows the recent trends for claimant activity in that industry. Both Mining and Transportation also tended to have a lot of super commuters associated with them.



There appears to be about a six month time lag in the change of oil prices and employment. So, when oil prices do rebound, it will take a certain amount of time for that to reflect in more jobs in related industry. However, oil & gas employment may not return to its peak levels as the transition was already occurring from the more labor intensive exploration and drilling to production.