

NORTH DAKOTA

ECONOMIC DRIVERS



EMPLOYMENT GROWTH RANK

2014-2016 49 5th quintile	2014-2019 34 4th quintile
Best=1, Worst=54	

BUSINESS COSTS

INDEX 95% U.S.=100%	RANK 36 Highest=1, Lowest=51
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VITALITY

RELATIVE 102% U.S.=100%	RANK 17 Best=1, Worst=51
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BUSINESS CYCLE STATUS



ANALYSIS

Recent Performance. The weight of the historic drop in oil prices has finally become too much for the North Dakota economy to bear. The first full quarter of year-over-year job losses since the Great Recession has put the expansion at risk, and if losses continue through the end of the year, the state will be in full-blown recession. There are pockets of strength, most notably in the state's three metro areas, but weakness in the more rural Oil Patch is more than offsetting their positive influence. Since peaking at the beginning of the year, employment in nonmetro ND has fallen by about 14,000, while employment in the state's metro areas has risen by about 2,000. The resilience of metro areas is apparent in other economic measures. Average hourly earnings continue to increase and remain markedly higher than the national average. House prices are still outpacing the U.S. average, though homebuilding has slowed considerably.

intermediate oil regularly fetches more than \$50 to \$55 per barrel next year will it break back above this threshold. Long term, production will increase with higher oil prices, but in the meantime job losses will remain concentrated around the oil boom's epicenter in the western part of the state.

Metro gains. While workers and their families are leaving the Oil Patch, many will elect to stay in ND and specifically its metro areas where costs of living are lower and there are plenty of jobs. Those that have left have been successful finding work, especially in Bismarck, the state's leader in job growth since the oil price collapse. Because energy work is so scarce, not just in ND but nationwide, many workers are taking positions in construction or low-skill manufacturing. Job increases in these industries have been extremely strong this year in Bismarck and Grand Forks, where tight labor markets constrained growth during the oil boom.

Energy. The near-term outlook for ND's energy industry has become more dire because of the realization of several downside risks. The biggest game changer is the forging and subsequent congressional approval of the Iranian nuclear deal. The agreement, handicapped as a long shot earlier in the year, allows Iran to bring more barrels of oil to the international market, adding to what is already a strong supply. Iran has as many as 30 million to 40 million barrels of oil stockpiled that it can slowly bring to market over the next year or two, and eventually Iranian production could reach 500,000 to 1 million barrels of oil per day. The additional global supply has changed the arithmetic on the Moody's Analytics oil price forecast, which now assumes prices remain in the \$45 to \$50 per barrel range in the fourth quarter before gradually climbing to about \$60 per barrel by the end of next year. The statewide rig count fell below 70 after Congress gave the agreement its implicit approval, and not until West Texas In-

Housing. Construction is doing well thanks to more public and commercial projects, but homebuilding has softened considerably and will be slow to turn back up. Builders are hesitant to add to the housing stock with the state's economic future seemingly in flux. Even though house prices are increasing faster than they are nationally, residential construction will remain low until oil prices begin to turn a corner in early 2016.

North Dakota's oil boom has come to an end, and the state will underperform the nation for the next several years. ND will flirt with recession through early 2016, when energy producers will gain confidence as oil prices get to more profitable levels. In the meantime, metro areas will take on greater importance to the outlook as they welcome more displaced oil field workers and take advantage of the state's enviable fiscal position.

Dan White 1-866-275-3266
October 2015 help@economy.com

STRENGTHS & WEAKNESSES

STRENGTHS

- » Large oil reserves in the Bakken Shale formation.
- » Major producer and exporter of several important agricultural commodities.
- » Strong state fiscal situation.
- » Location along a key trade corridor and proximity to Canada and major interstates.

WEAKNESSES

- » Lack of strong growth drivers outside energy and agriculture.

FORECAST RISKS

SHORT TERM	LONG TERM
RISK EXPOSURE 2015-2020	2 1st quintile Highest=1 Lowest=51

UPSIDE

- » Western transportation and refining infrastructure is updated quickly enough to accommodate renewed energy growth.

DOWNSIDE

- » Oil prices remain low enough for long enough to bring about outright production declines.
- » Agriculture prices further weaken in response to a stronger U.S. dollar.
- » Safety concerns force costly regulations and decreased volumes of oil traveling by rail.

MOODY'S RATING

Aa1

AS OF DEC 16, 2010

2009	2010	2011	2012	2013	2014	INDICATORS	2015	2016	2017	2018	2019	2020
32.0	34.3	37.6	45.0	45.4	48.2	Gross state product (C09\$ bil)	50.2	53.4	56.5	58.6	60.2	61.5
367	376	396	429	444	462	Total employment (ths)	465	470	482	491	496	499
-0.2	2.6	5.4	8.2	3.6	3.9	% change	0.7	1.2	2.4	1.9	1.1	0.5
4.1	3.8	3.5	3.0	2.9	2.7	Unemployment rate (%)	2.9	2.7	2.5	2.5	2.4	2.5
-2.6	10.5	13.2	18.5	1.3	4.8	Personal income growth (%)	-0.8	3.8	6.4	6.2	4.7	4.0
665	674	685	702	724	739	Population (ths)	749	757	765	771	778	784
3.8	5.7	7.3	12.3	17.9	10.3	Net migration (ths)	5.1	3.3	2.8	2.0	2.1	2.2
1,704	2,084	2,913	4,540	3,899	4,531	Single-family permits (#)	2,163	3,108	3,750	4,128	3,194	2,827
1,491	1,749	3,288	5,800	6,633	7,647	Multifamily permits (#)	5,101	5,268	4,016	3,107	2,536	2,012
251	254	264	280	307	331	FHFA house price (1980Q1=100)	346	346	348	349	353	360
3.8	3.4	3.2	2.9	2.7	2.3	Mortgage delinquency rate (%)	2.3	2.7	2.5	2.5	2.5	2.4
22.4	27.7	35.5	39.4	43.7	45.3	New vehicle registrations (ths)	43.7	42.9	40.2	38.8	38.9	39.3
1,528	1,582	1,222	945	792	667	Personal bankruptcies (#)	615	604	660	831	994	1,117

ECONOMIC HEALTH CHECK

3-MO MA

	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15
Employment, change, ths	10.4	1.4	-1.7	-2.7	-1.7	-1.6
Unemployment rate, %	3.0	3.1	3.1	3.0	3.0	2.9
Initial unemployment claims, ths	2.9	2.9	3.1	2.9	2.8	2.8
Labor force participation rate, %	72.6	72.2	71.8	71.3	70.7	70.2
Merchandise exports, \$ bil	4.3	4.3	4.1	4.0	3.9	3.7
Average weekly hours, #	35.5	35.3	35.1	34.9	35.0	34.9
Industrial production, 2007=100	107.6	107.5	107.1	107.2	107.4	107.8
Residential permits, #	5,141	8,190	9,029	10,642	8,259	8,537

Better than prior 3-mo MA
 Unchanged from prior 3-mo MA
 Worse than prior 3-mo MA

Sources: BLS, Census Bureau, Dept. of Labor, Moody's Analytics

STATE TAX REVENUE

\$ PER CAPITA

Sources: Census Bureau, Moody's Analytics

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO

Sources: BLS, Moody's Analytics

% CHANGE YR AGO, 3-MO MA

	Jan 15	May 15	Sep 15
Total	4.2	2.0	-0.9
Mining	15.2	0.3	-11.6
Construction	10.8	8.6	-0.3
Manufacturing	2.9	1.3	-0.6
Trade	3.0	2.3	-0.8
Trans/Utilities	5.3	-0.2	-4.3
Information	0.0	-0.5	-1.5
Financial Activities	3.3	2.2	-0.4
Prof & Business Svcs.	5.1	0.0	-0.5
Edu & Health Svcs.	0.8	0.7	-0.2
Leisure & Hospitality	4.4	3.6	0.3
Other Services	6.3	6.6	5.3
Government	1.0	1.1	0.9

Sources: BLS, Moody's Analytics

HOUSE PRICE

1996=100, NSA

Sources: FHFA, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE (JAN 2005=100)

Sources: BLS, Moody's Analytics

EDUCATIONAL ATTAINMENT

% OF POPULATION 25 AND OLDER

Level	ND	U.S.
Graduate school	8	11
College	20	19
Some college	37	29
High school	28	28
< High school	8	13

Sources: Census Bureau, Moody's Analytics, 2014

INCOME TAX DISTRIBUTION

Sources: IRS, Moody's Analytics, 2013

PRODUCTIVITY

REAL OUTPUT PER WORKER, \$ THS

2014 ND \$80,265
 MW \$78,987
 U.S. \$84,896

Source: Moody's Analytics

MERCHANDISE EXPORTS

Destination	\$ mil	% of total
World	3,392.6	100.0
Canada	2,194.9	64.7
Mexico	178.3	5.3
Belgium	88.9	2.6
Australia	83.3	2.5
Germany	67.5	2.0

Industry	\$ mil	% of total
World	3,392.6	100.0
Machinery manuf.	1,033.4	30.5
Oil and gas extraction	740.6	21.8
Crop production	557.7	16.4
Food manufacturing	235.7	6.9
Transp.equip. manuf.	204.1	6.0

Sources: Census Bureau, Moody's Analytics, 2014

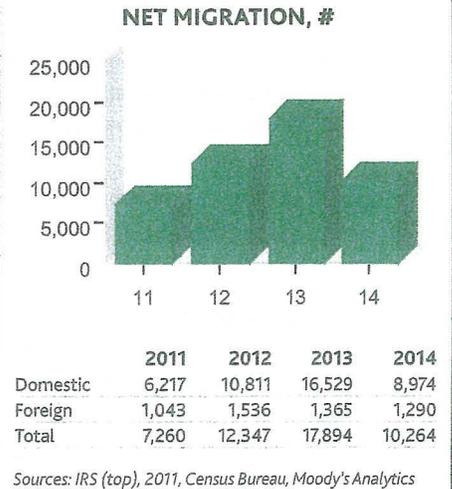
POPULATION BY AGE, %

Sources: Census Bureau, Moody's Analytics, 2014

EMPLOYMENT & INDUSTRY		MIGRATION FLOWS																																																																																																
<p style="text-align: center;">TOP EMPLOYERS</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>Sanford Health</td><td style="text-align: right;">9,130</td></tr> <tr><td>North Dakota State University</td><td style="text-align: right;">4,464</td></tr> <tr><td>Essentia Health</td><td style="text-align: right;">3,381</td></tr> <tr><td>St. Alexius Medical Center</td><td style="text-align: right;">2,305</td></tr> <tr><td>Basin Electric Power Cooperative</td><td style="text-align: right;">1,372</td></tr> <tr><td>Noridian Healthcare Solutions</td><td style="text-align: right;">1,371</td></tr> <tr><td>Case New Holland Corp.</td><td style="text-align: right;">1,250</td></tr> <tr><td>Wanzek Construction Inc.</td><td style="text-align: right;">1,100</td></tr> <tr><td>US Bank Service Center</td><td style="text-align: right;">1,059</td></tr> <tr><td>Wal-Mart Stores Inc.</td><td style="text-align: right;">1,035</td></tr> <tr><td>Eventide Senior Living Communities</td><td style="text-align: right;">1,006</td></tr> <tr><td>Altru Health System</td><td style="text-align: right;">1,001</td></tr> <tr><td>University of North Dakota</td><td style="text-align: right;">1,001</td></tr> <tr><td>Grand Forks Air Force Base</td><td style="text-align: right;">1,001</td></tr> <tr><td>Fargo VA Medical Center</td><td style="text-align: right;">1,000</td></tr> <tr><td>Noridian/Blue Cross Blue Shield</td><td style="text-align: right;">882</td></tr> <tr><td>Aetna Inc.</td><td style="text-align: right;">880</td></tr> <tr><td>Microsoft Business Solutions</td><td style="text-align: right;">859</td></tr> <tr><td>Shooting Star Casino, Hotel and Event Center</td><td style="text-align: right;">854</td></tr> <tr><td>MDU Resources Group Inc.</td><td style="text-align: right;">780</td></tr> </table> <p style="font-size: small;">Sources: Combined Lists, Moody's Analytics, 2015</p> <p style="text-align: center;">PUBLIC</p> <table border="1" style="width:100%; 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Sector	INDUSTRY EMPLOYMENT		Average Annual Earnings	
	% of Total Employment		ND	
	ND	U.S.	ND	U.S.
Mining	6.4%	0.6%	\$108,873	\$108,705
Construction	7.6%	4.4%	\$74,584	\$61,655
Manufacturing	5.6%	8.8%	\$60,517	\$78,447
Durable	68.3%	63.1%	\$60,699	\$80,476
Nondurable	31.7%	36.9%	\$60,738	\$75,052
Transportation/Utilities	6.1%	3.7%	\$82,196	\$65,427
Wholesale Trade	5.9%	4.2%	\$82,904	\$83,751
Retail Trade	11.0%	11.1%	\$32,000	\$33,494
Information	1.5%	2.0%	\$67,072	\$108,937
Financial Activities	5.2%	5.7%	\$52,240	\$54,020
Prof. and Bus. Services	7.8%	13.7%	\$55,855	\$65,204
Educ. and Health Services	12.9%	15.4%	\$48,742	\$52,501
Leisure and Hosp. Services	8.8%	10.6%	\$21,151	\$26,128
Other Services	3.7%	4.0%	\$35,422	\$35,611
Government	17.4%	15.7%	\$56,182	\$73,862

Sources: Percent of total employment — Moody's Analytics, BLS, 2014, Average annual earnings — BEA, 2014



INCOME	HIGH-TECH EMPLOYMENT	LEADING INDUSTRIES BY WAGE TIER																																																				
<p style="text-align: center;">Median Household Per Capita</p> <p style="text-align: center;">Legend: ND (Green), U.S. (Red)</p> <p style="font-size: x-small;">Sources: Census Bureau (household), 2014, BEA, 2014 (per capita), Moody's Analytics</p>	<p style="text-align: center;">HOUSING RELATED EMPLOYMENT</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th></th> <th style="text-align: center;">Ths</th> <th style="text-align: center;">% of total</th> </tr> <tr><td>ND</td><td style="text-align: right;">10.6</td><td style="text-align: right;">2.3</td></tr> <tr><td>U.S.</td><td style="text-align: right;">6,553.6</td><td style="text-align: right;">4.7</td></tr> </table> <p style="font-size: x-small;">Source: Moody's Analytics, 2014</p>		Ths	% of total	ND	10.6	2.3	U.S.	6,553.6	4.7	<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">NAICS Industry</th> <th style="text-align: center;">Location Quotient</th> <th style="text-align: center;">Employees (ths)</th> </tr> </thead> <tbody> <tr><td rowspan="3" style="text-align: center;">HIGH</td><td>2131 Support activities for mining</td><td style="text-align: right;">16.7</td><td style="text-align: right;">26.7</td></tr> <tr><td>4842 Specialized freight trucking</td><td style="text-align: right;">8.5</td><td style="text-align: right;">13.6</td></tr> <tr><td>GVF Federal Government</td><td style="text-align: right;">0.9</td><td style="text-align: right;">9.1</td></tr> <tr><td rowspan="3" style="text-align: center;">MID</td><td>4238 Machinery, equip. & supplies merch. whls/lrs.</td><td style="text-align: right;">3.5</td><td style="text-align: right;">8.5</td></tr> <tr><td>6221 General medical and surgical hospitals</td><td style="text-align: right;">1.0</td><td style="text-align: right;">16.6</td></tr> <tr><td>ML Total Military Personnel</td><td style="text-align: right;">1.6</td><td style="text-align: right;">11.3</td></tr> <tr><td rowspan="5" style="text-align: center;">LOW</td><td>2382 Building equipment contractors</td><td style="text-align: right;">1.4</td><td style="text-align: right;">9.6</td></tr> <tr><td>5221 Depository credit intermediation</td><td style="text-align: right;">1.2</td><td style="text-align: right;">7.0</td></tr> <tr><td>GVL Local Government</td><td style="text-align: right;">0.9</td><td style="text-align: right;">46.7</td></tr> <tr><td>FR Farms</td><td style="text-align: right;">3.7</td><td style="text-align: right;">33.8</td></tr> <tr><td>GVS State Government</td><td style="text-align: right;">1.4</td><td style="text-align: right;">24.8</td></tr> <tr><td>7225 Restaurants and other eating places</td><td style="text-align: right;">0.7</td><td style="text-align: right;">24.5</td></tr> </tbody> </table> <p style="font-size: x-small;">Source: Moody's Analytics, 2014</p>		NAICS Industry	Location Quotient	Employees (ths)	HIGH	2131 Support activities for mining	16.7	26.7	4842 Specialized freight trucking	8.5	13.6	GVF Federal Government	0.9	9.1	MID	4238 Machinery, equip. & supplies merch. whls/lrs.	3.5	8.5	6221 General medical and surgical hospitals	1.0	16.6	ML Total Military Personnel	1.6	11.3	LOW	2382 Building equipment contractors	1.4	9.6	5221 Depository credit intermediation	1.2	7.0	GVL Local Government	0.9	46.7	FR Farms	3.7	33.8	GVS State Government	1.4	24.8	7225 Restaurants and other eating places	0.7	24.5
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MID	4238 Machinery, equip. & supplies merch. whls/lrs.	3.5	8.5																																																			
	6221 General medical and surgical hospitals	1.0	16.6																																																			
	ML Total Military Personnel	1.6	11.3																																																			
LOW	2382 Building equipment contractors	1.4	9.6																																																			
	5221 Depository credit intermediation	1.2	7.0																																																			
	GVL Local Government	0.9	46.7																																																			
	FR Farms	3.7	33.8																																																			
	GVS State Government	1.4	24.8																																																			
7225 Restaurants and other eating places	0.7	24.5																																																				

About Moody's Analytics

Economic & Consumer Credit Analytics

Moody's Analytics helps capital markets and credit risk management professionals worldwide respond to an evolving marketplace with confidence. Through its team of economists, Moody's Analytics is a leading independent provider of data, analysis, modeling and forecasts on national and regional economies, financial markets, and credit risk.

Moody's Analytics tracks and analyzes trends in consumer credit and spending, output and income, mortgage activity, population, central bank behavior, and prices. Our customized models, concise and timely reports, and one of the largest assembled financial, economic and demographic databases support firms and policymakers in strategic planning, product and sales forecasting, credit risk and sensitivity management, and investment research. Our customers include multinational corporations, governments at all levels, central banks and financial regulators, retailers, mutual funds, financial institutions, utilities, residential and commercial real estate firms, insurance companies, and professional investors.

Our web periodicals and special publications cover every U.S. state and metropolitan area; countries throughout Europe, Asia and the Americas; the world's major cities; and the U.S. housing market and other industries. From our offices in the U.S., the United Kingdom, the Czech Republic and Australia, we provide up-to-the-minute reporting and analysis on the world's major economies.

Moody's Analytics added Economy.com to its portfolio in 2005. Now called Economic & Consumer Credit Analytics, this arm is based in West Chester PA, a suburb of Philadelphia, with offices in London, Prague and Sydney. More information is available at www.economy.com.

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