



## Banaian: Economic prospects for 2016 are strong



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3:48 p.m. CDT June 11, 2016



(Photo: Courtesy of St. Cloud State University)

Given the current positive state of the local economy, St. Cloud State University economist King Banaian is considering revising his remarks of a possible recession made at the 2016 Winter Institute.

In February, Banaian said he was "queasy" about the optimism other national economists were exhibiting toward the U.S. economy.

But given Monday's favorable reports of the national economy from Federal Reserve Chair Janet Yellen and recent results from the St. Cloud Area Quarterly Business Report, Banaian admits the data used to prepare his yearly outlook might have been a "little bit of a head fake."

"The last four months have changed my mind," he said. "The prospects for the second half of 2016 appear to be good."

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King Banaian's Quarterly Business Report.

Banaian and the QBR co-author, St. Cloud State economist Rich MacDonald, report area firms continue to have a positive outlook when it comes to future economic conditions here.

However, a tight labor market continues to affect Central Minnesota businesses.

Thirty-two percent of the 57 area firms participating in the latest QBR Business Outlook Survey said they had experienced increased worker shortages.

A closer look at that issue was part of the reason behind a survey question on employees quitting in the past six months.

Just over 35 percent of firms said they have had difficulty due to their quit rate.

"Many people believe that the quitting rate is a sign of a healthy economy," Banaian said. "Because people don't generally quit their jobs unless other jobs are available."

While not as big of an issue as originally thought, Banaian predicts that as the local economy continues to expand the quit rate will continue to rise.



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Banaian does not rule out possible recession for 2016

Nationally, Yellen has stated quit rate is close to returning to pre-recession levels.

Banaian said this could have an effect on boosting wages for employees.

"We are in a time where it is relatively good to be an employee," he said.

Increasing wages, particularly the \$15-an-hour minimum wage debate in the city of Minneapolis, has piqued the interest of many local firms as well.

Banaian said QBR asked for area businesses to respond to the possible effects of a Minneapolis \$15 an-hour-minimum wage ordinance.

Banaian said the responses indicated more firms feared \$15 would become the statewide minimum wage rate than they were concerned that Central Minnesota talent would flood the Twin Cities.

"They are concerned that the rate would eventually march up here," he said.

Sixty percent of businesses responded there would some sort of unfavorable effect to a potential wage increase in Minneapolis.

"A few of the businesses believe they will lose employees," he said. "Others are saying they will adapt, but they would really feel the pressure."

Banaian said he has not heard talks from the city of St. Cloud about a similar minimum wage increase ordinance. But he said the Minneapolis debate is something to watch, especially for the hospitality and retail trade sector.

"We can expect retail trade to hurt," he said. "A \$15 minimum wage will be much more difficult in greater Minnesota than it would be in Minneapolis."

Minnesota's minimum wage will increase to \$9.50 on Aug. 1.

Banaian and MacDonald also tackled the issue of the November presidential election and the decline in the number of new firms in the area in the latest edition of the QBR.

St. Cloud Area Quarterly Business Report can be viewed in full in the June 12 St. Cloud Times or online at [www.sctimes.com/money](http://www.sctimes.com/money).

*Follow Vicki Ikeogu on Twitter @VickiSCTimes or on [Facebook](#) at [facebook.com/sctimesvicki](https://www.facebook.com/sctimesvicki). Call her at 259-3662.*

## Learn more at QBR Review on Thursday

Learn more about Central Minnesota's economic condition and what the St. Cloud Area Quarterly Business Report means for your decision-making by attending the QBR Review from 7:30-9 a.m. Thursday, June 16, at Sauk Rapids Government Center, 250 Summit Ave. N, Sauk Rapids.

The event is part of a series tied to each quarterly report. It is sponsored by Great River Federal Credit Union in collaboration with Times Media, St. Cloud State University and the Greater St. Cloud Development Corp.

To make a reservation for this free event, go to <http://bit.ly/24tB8yX>.

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