



May 2025 U.S. and Minnesota Economic Outlook

Presented to the St. Paul Budget Committee

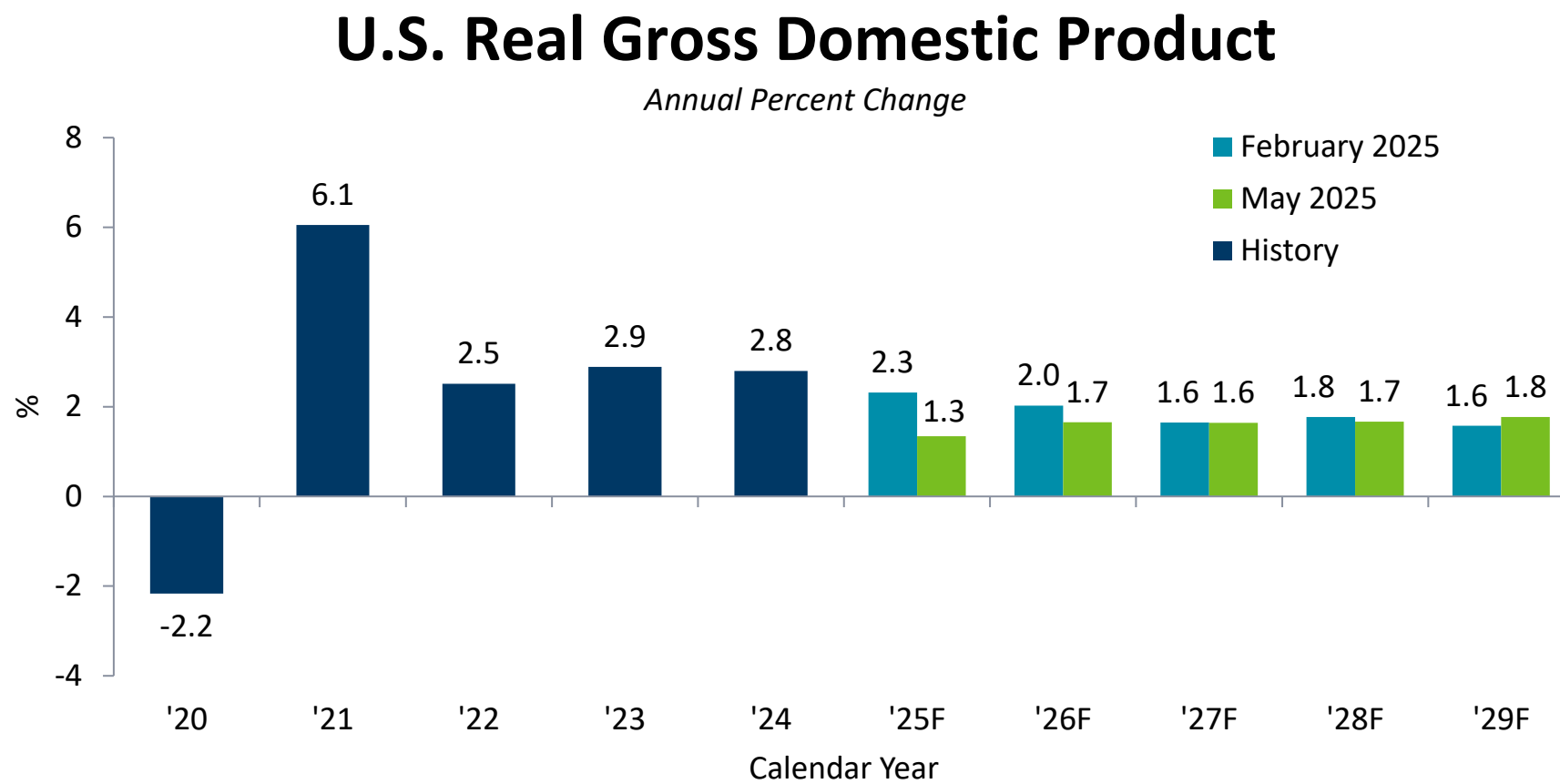
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US Economic Outlook

Economic Forecast Assumptions

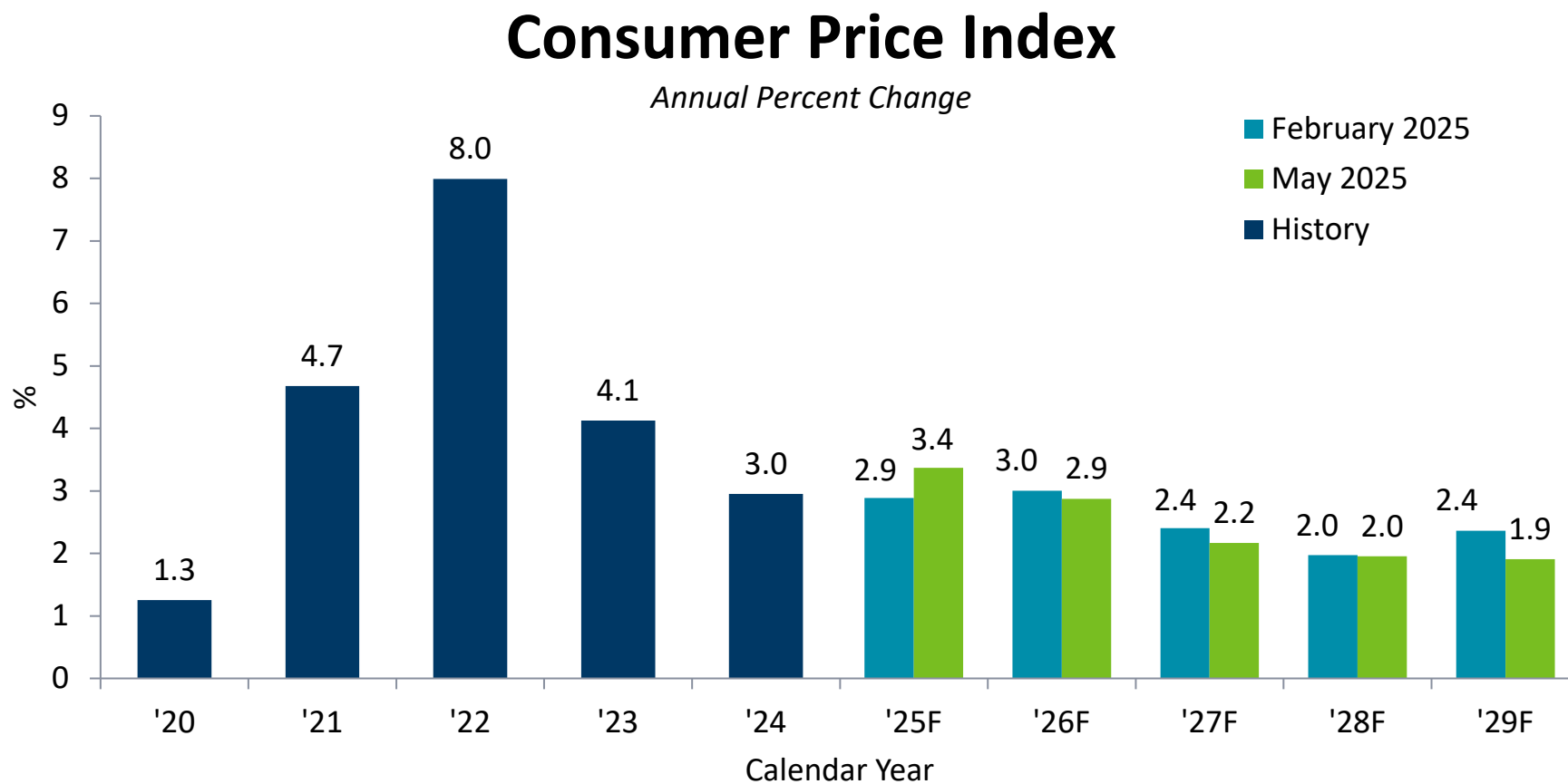
- SPGMI forecast released on May 6, 2025
- Baseline 10% universal tariff on imports. Additional trade assumptions include:
 - Tariffs on China are assumed to be 125%, stepping down to 17% in the fourth quarter of 2025
 - 25% tariffs on goods and autos from Mexico and Canada not in compliance with USMCA, except for autos, with rates stepping down to 12 percent by early 2026; and
 - Section 232 tariffs on copper, lumber, semiconductors, pharmaceuticals, and critical minerals ranging from 10% to 25%
- One interest rate cut in 2025 in December
- Personal tax cuts under 2017 TCJA made permanent
- Decrease in corporate tax rate from 21% to 15% for domestic producers
- Population revised downward to account for less immigration
- Debt ceiling increased or suspended as needed
- Federal civilian employment lowered by 255,000 jobs by August

Near-term U.S. Economic Outlook Worsens, No Recession in Outlook



Source: U.S. Bureau of Economic Analysis (BEA), SPGMI

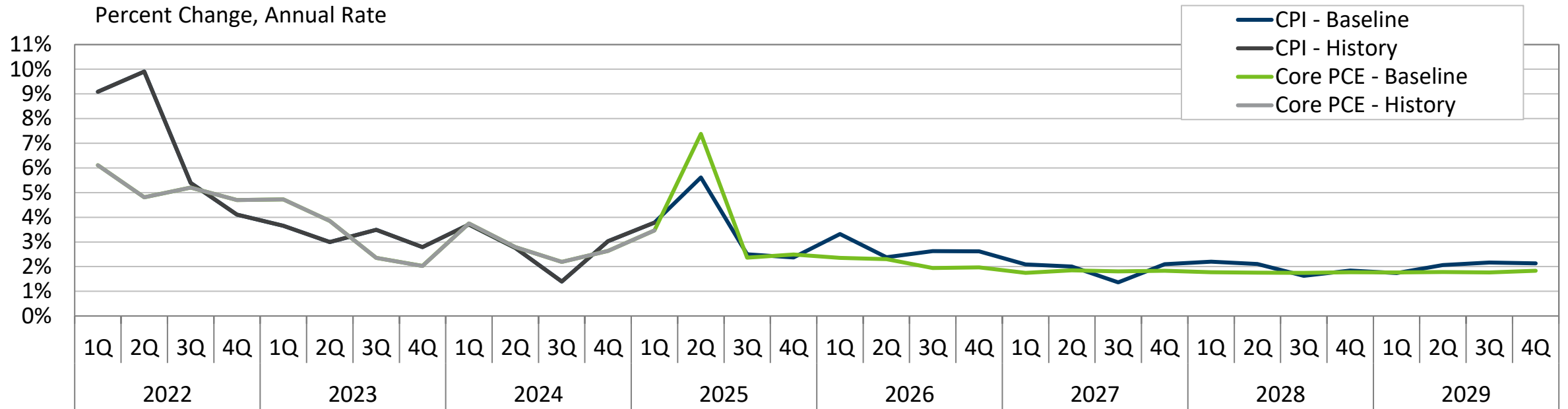
Inflation Higher in the Near-Term



Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

Inflation Higher in the Near-Term

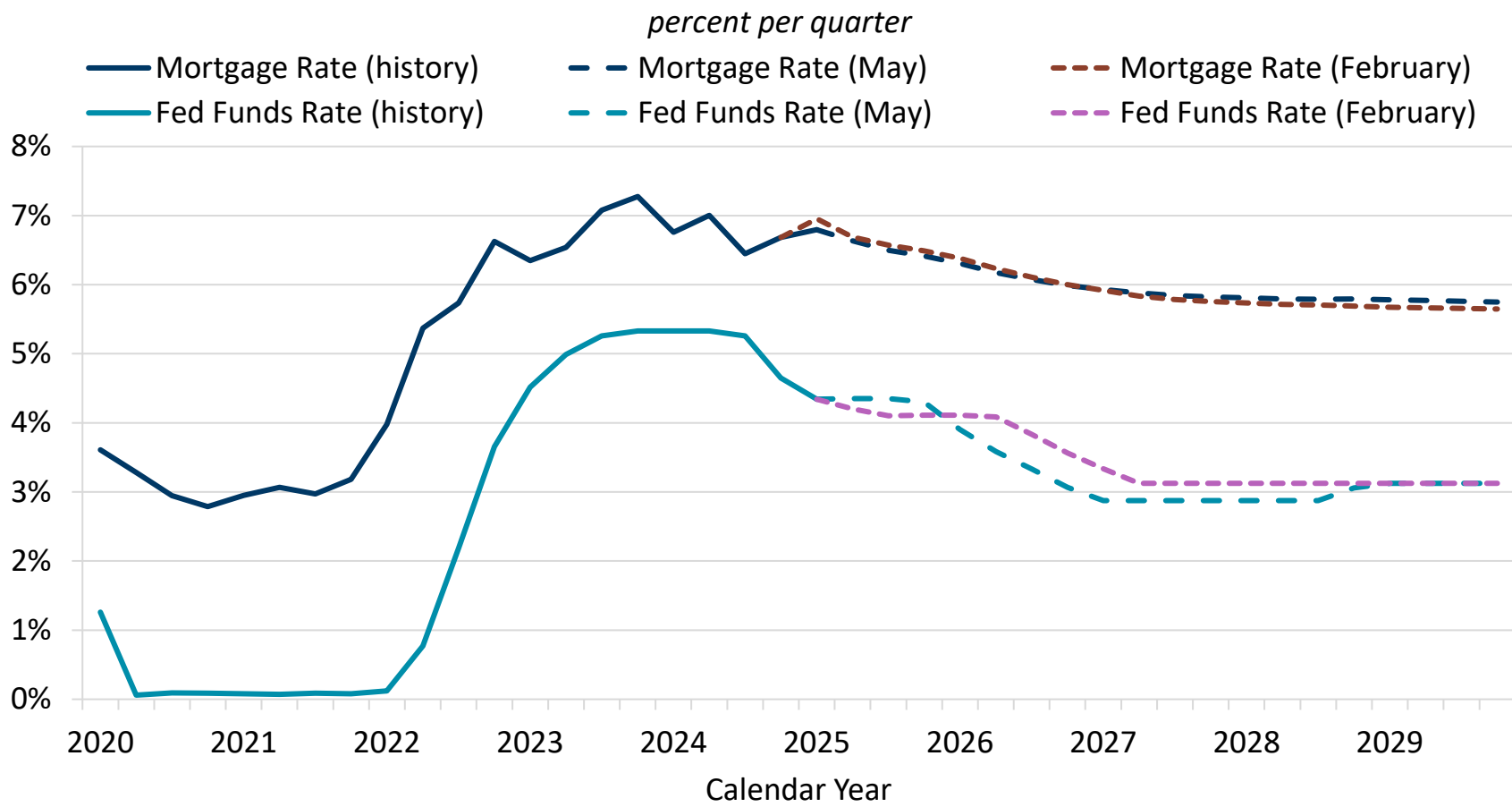
Consumer Price Index vs Core Personal Consumption Expenditures



CPI expected to peak at 5.6 percent in the second-quarter of 2025.
Core PCE expected to peak at 7.4 percent in the second-quarter of 2025.

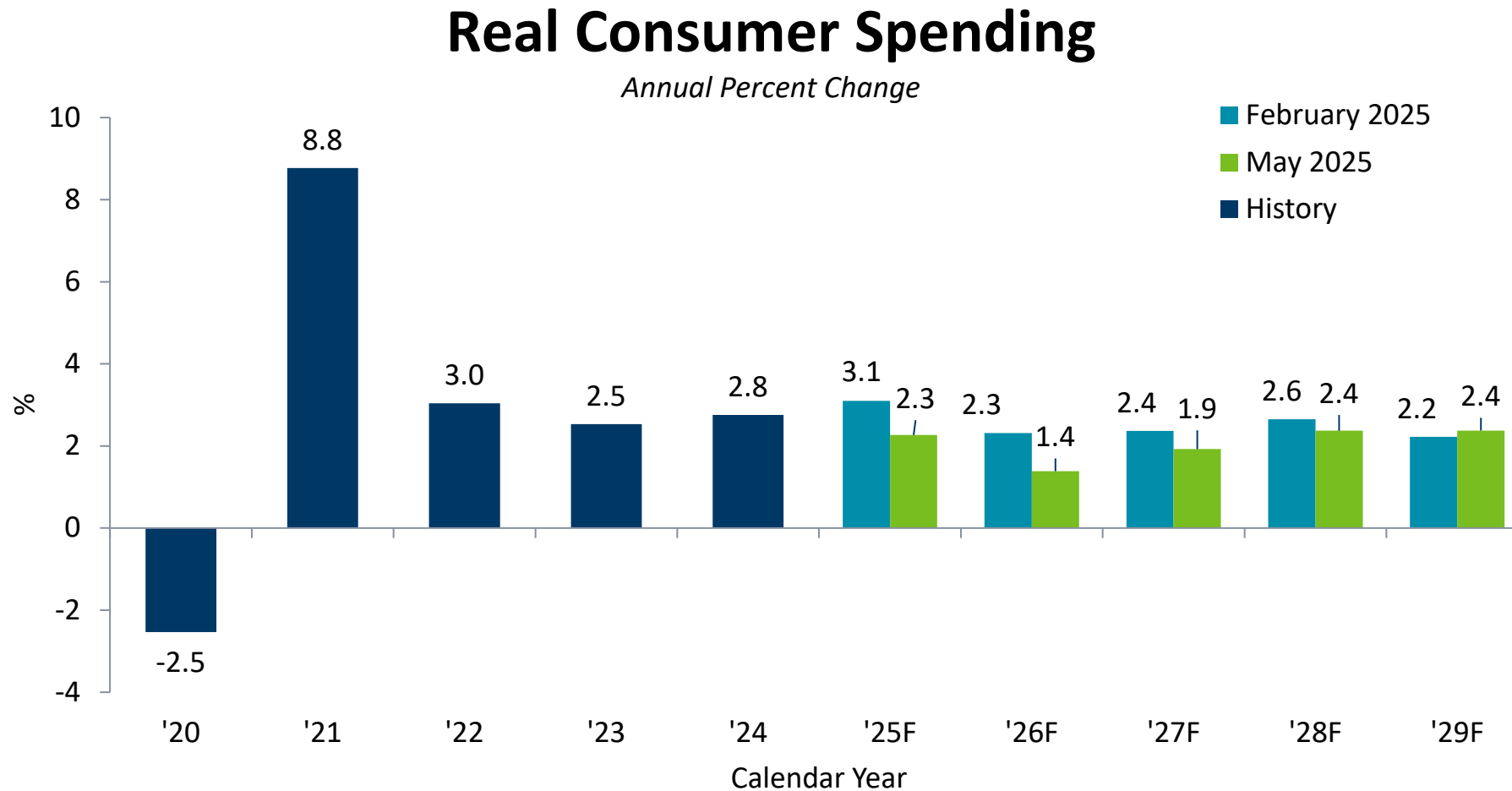
Interest Rate Cuts to Slow

Fed Funds Rate vs 30-Year Fixed Mortgage Rate



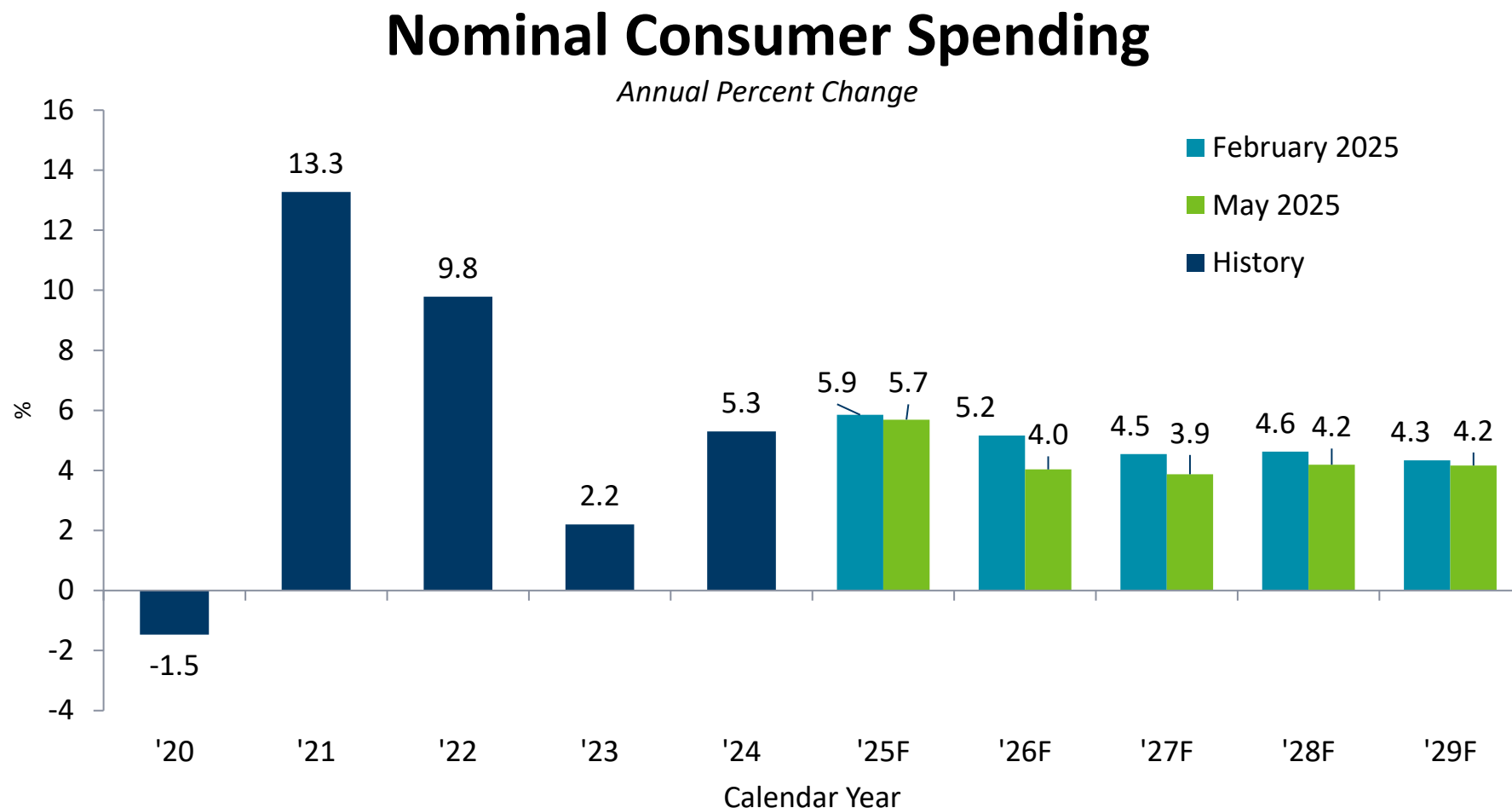
Source: Freddie Mac, SPGMI

Real Consumer Spending Revised Down



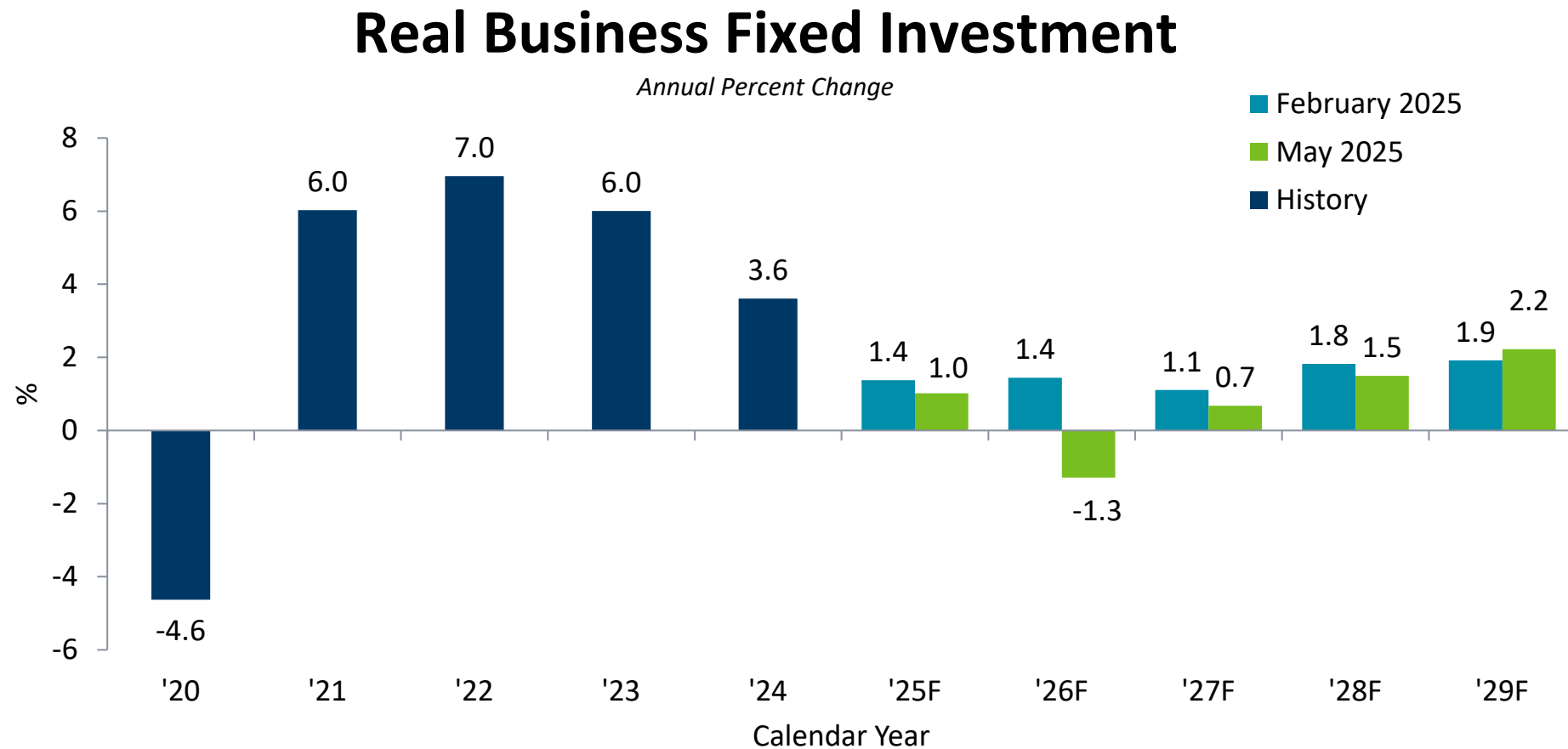
Source: U.S. Bureau of Economic Analysis (BEA), SPGMI

Higher Inflation Impacts Nominal Consumer Spending



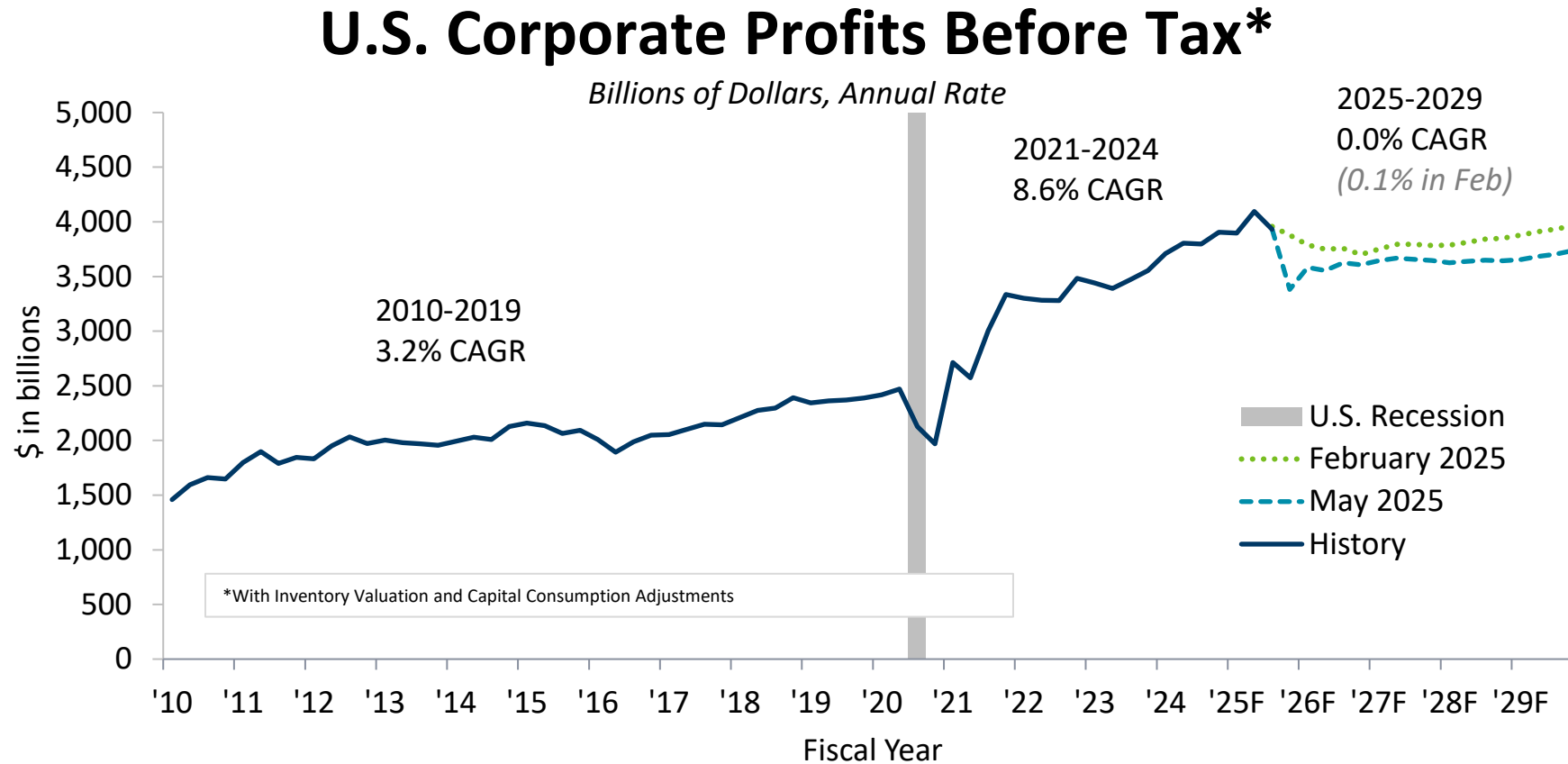
Source: U.S. Bureau of Economic Analysis (BEA), SPGMI

Uncertainty Impacts Real Business Fixed Investments



Source: U.S. Bureau of Economic Analysis (BEA), SPGMI

Corporate Profit Growth Lower

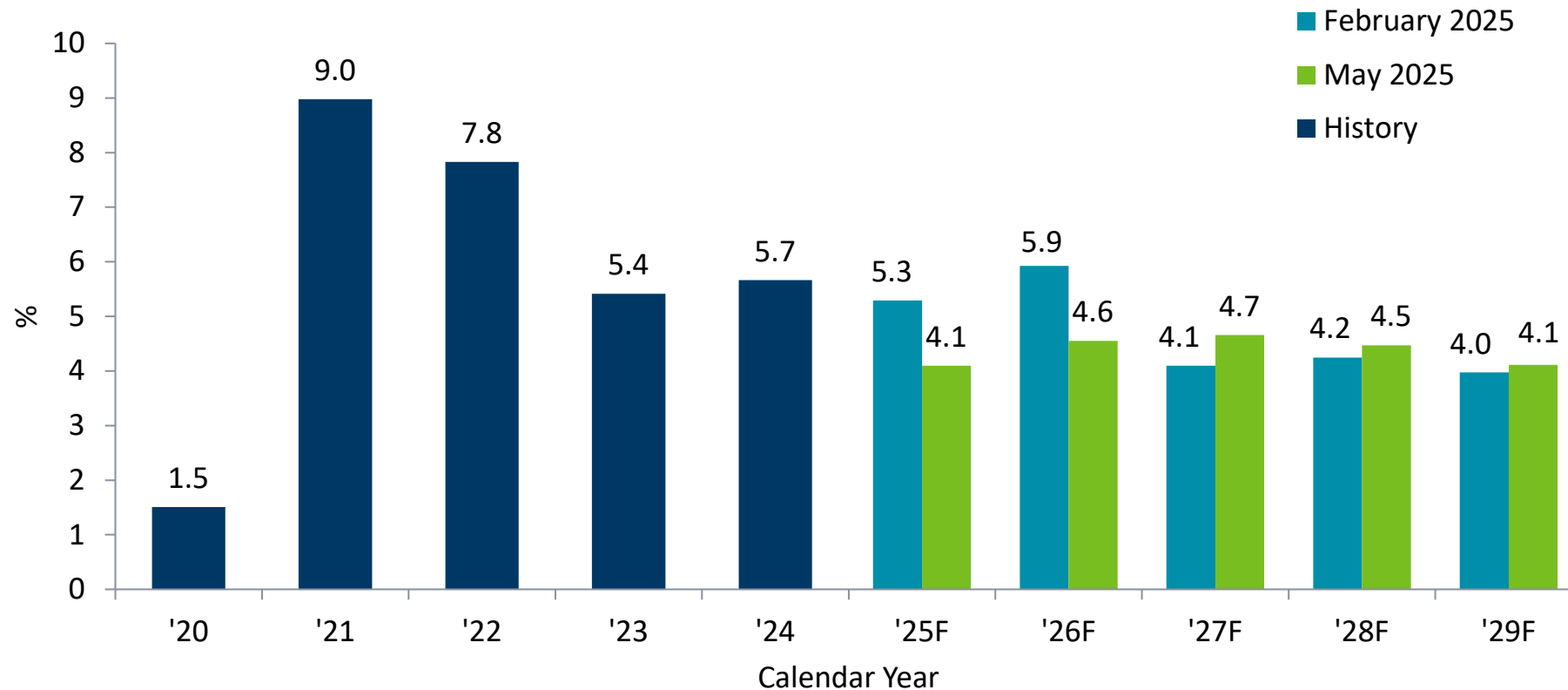


Source: U.S. Bureau of Economic Analysis (BEA), SPGMI, Minnesota Management & Budget (MMB)

Downward Revision in Growth of Wages & Salaries

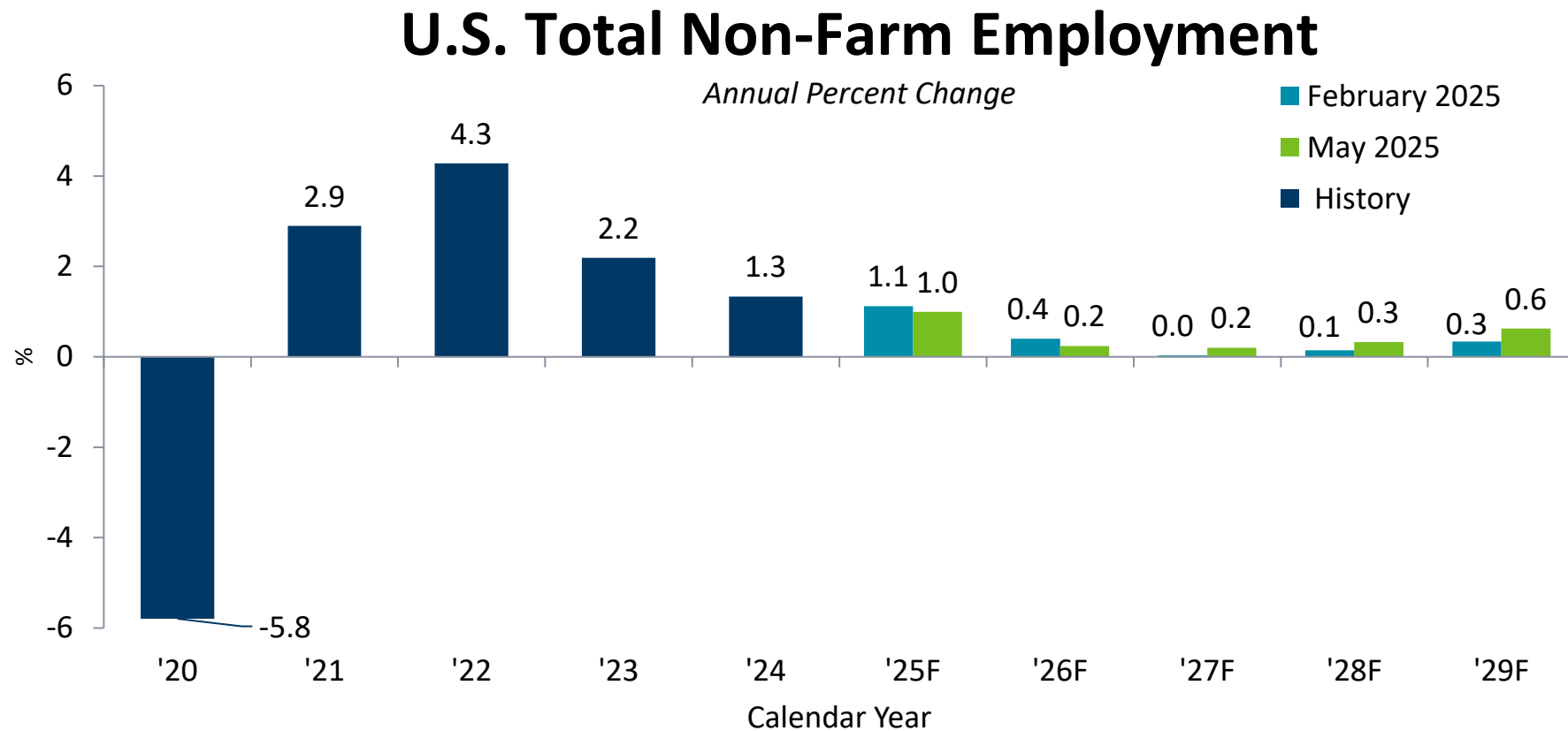
US Total Wage and Salary Disbursements

Annual Percent Change



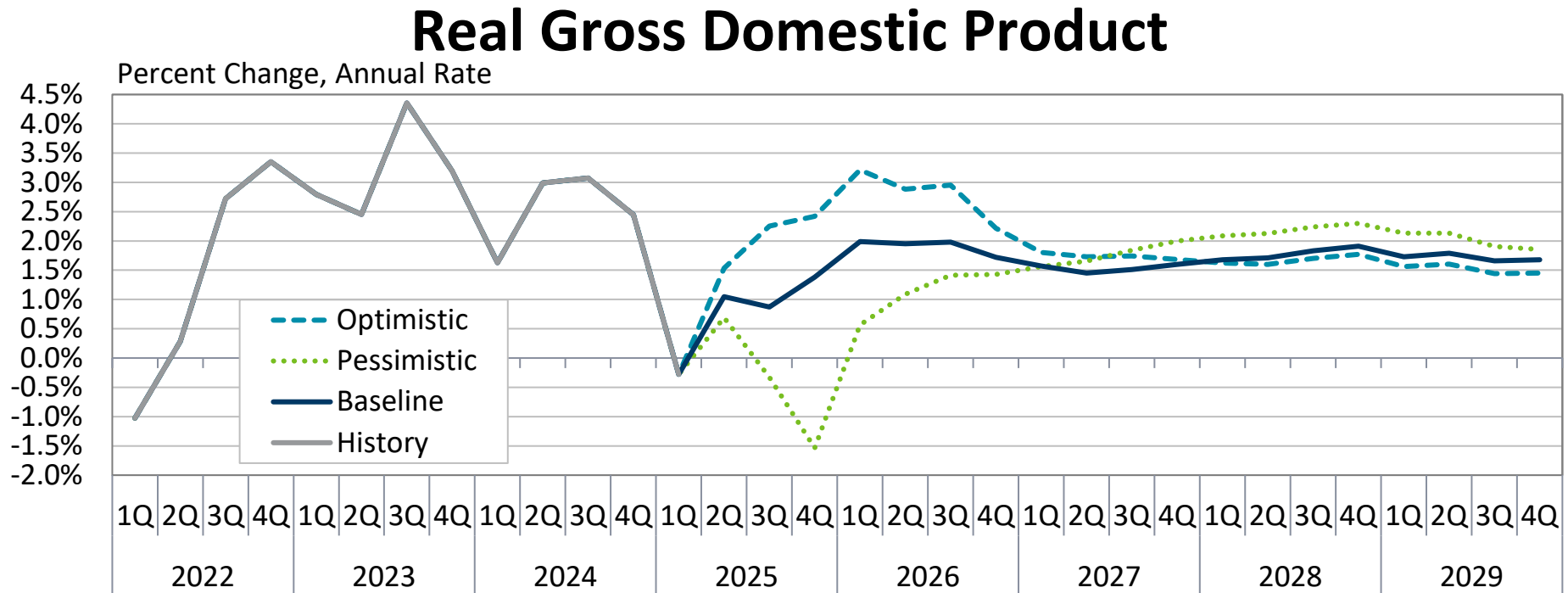
Source: Bureau of Economic Analysis (BEA), SPGMI

Employment Growth Stalls



Source: U.S. Bureau of Labor Statistics (BLS), SPGMI

Alternative Scenarios



SPGMI assigns a 50 percent probability to the baseline forecast, 35% to the pessimistic scenario, and 15% to the optimistic scenario. Downside risks stem from worsening financial conditions and a more negative response to the baseline assumptions regarding trade and immigration. The upside potential is defined by more favorable financial conditions due to a more lenient trade policy along with less restrictions on immigration resulting in fewer deportations than in the baseline.

U.S. Economic Forecast Risks



Policy Uncertainty: trade and tariffs, immigration, energy policies



Disruptions from federal agency closures, contract suspensions



U.S. fiscal policy uncertainties – expenditures and taxation



Inflation



Monetary policy



28 months until the end of FY 2026-27

Revenue Forecast Risks

- Effect on the revenue forecast is uncertain
- Uncertainty Report gives a 90% CR for FY2026-27 of \$64.5 billion \pm \$7.1 (\pm 11%)
- Revenues to date are above forecast
- February 2025 forecast is the second of six for FY2026-27
- We will continue to provide updates as new forecasts are released

Minnesota Economic Profile

Minnesota's Persistent Assets

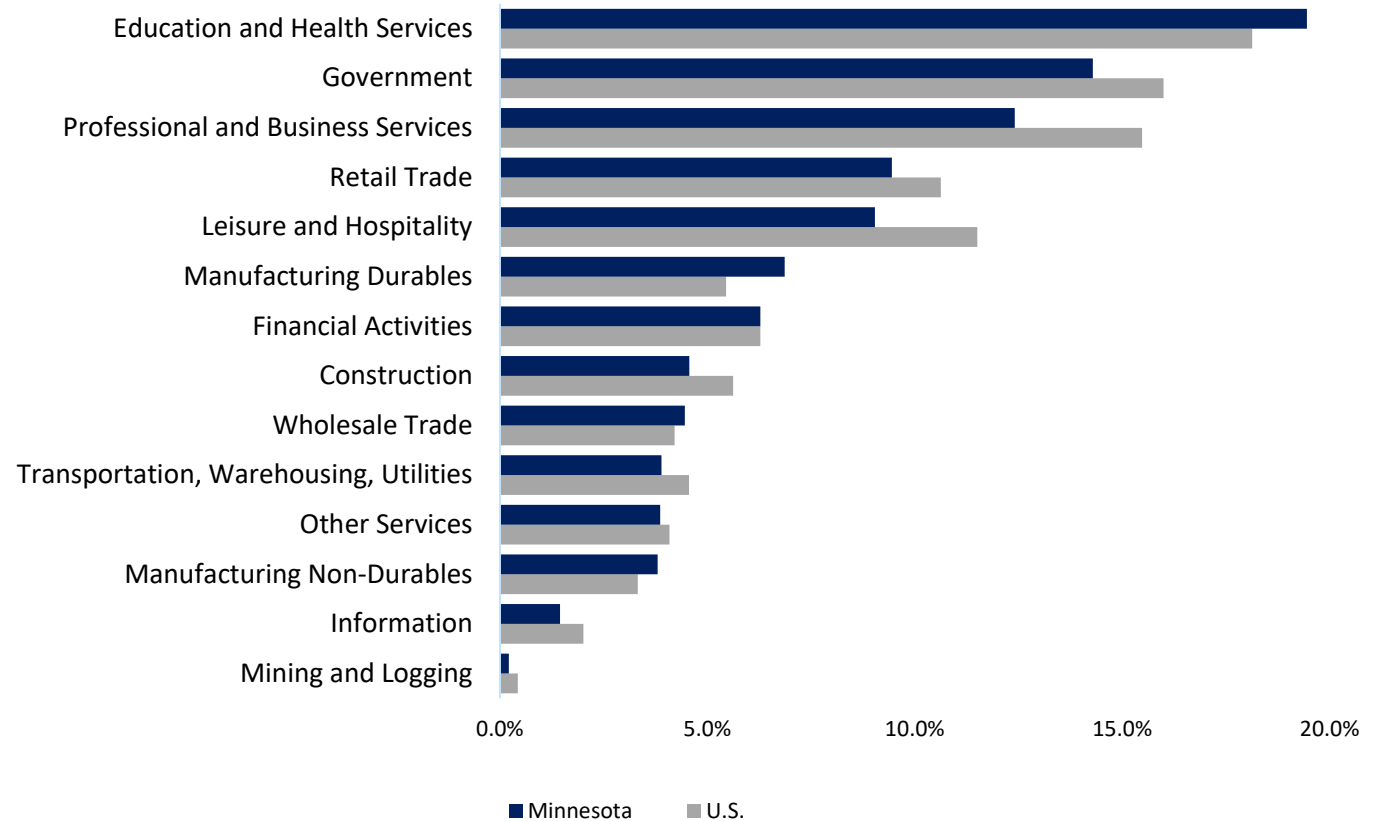
- Highly educated labor force
- Diverse industry base
- Headquarters Economy (High levels of innovation)
- Per capita personal income persistently above the US and low poverty rate
- MN performs well on many high-standards-of-living indicators

Minnesota's Industry Base

Minnesota's diverse industry base generally mirrors the U.S. and is a source of economic resilience.

- Minnesota is a national leader in the life sciences and healthcare sectors.
- Minnesota's largest employment sector is Private Education and **Healthcare Services**. This sector is primarily (85 percent) health care services employment.
- Minnesota has a **larger share of employment than the U.S.** in Private Education and Healthcare Services, Manufacturing, Wholesale Trade, and Financial Activities.

Percent of Total Non-Farm Employment by Sector
2024 Average





Minnesota's Headquarters Economy

Minnesota is among top states for Fortune 500 Companies.

- Minnesota is currently home to 17 Fortune 500 companies and 8 of Forbes largest private companies.
- Minnesota ranks 4th among states in Fortune 500 companies per 1 million people, and 10th in total number of companies.
- The Twin Cities ranks third in Fortune 500 per 1 million people among the 30 largest U.S. metros.

Many of the nation's largest and most recognizable companies are based in Minnesota:

- UnitedHealthCare is the nation's largest health insurer.
- The largest private company in the country- Cargill- is headquartered here.
- Mayo Clinic is the first and largest not-for-profit medical group practice in the world.
- Minnesota-based manufacturers include 3M, Medtronic, Cargill, Ecolab, Polaris, General Mills, Land O' Lakes, and Hormel.
- Minnesota-based retailers include Target and Best Buy.
- Minnesota-based financial institutions include U.S. Bancorp, Thrivent Financial, and Ameriprise.



Top 40 MN Businesses by Sector Total Revenues (billions \$)



Minnesota's High Standard of Living

The state's population is well-educated, poverty levels are low, and labor force participation is high compared to the U.S. and other states.

Minnesota ranks 5th nationwide and 1st in the Midwest in **patent registration** per 1 million people.

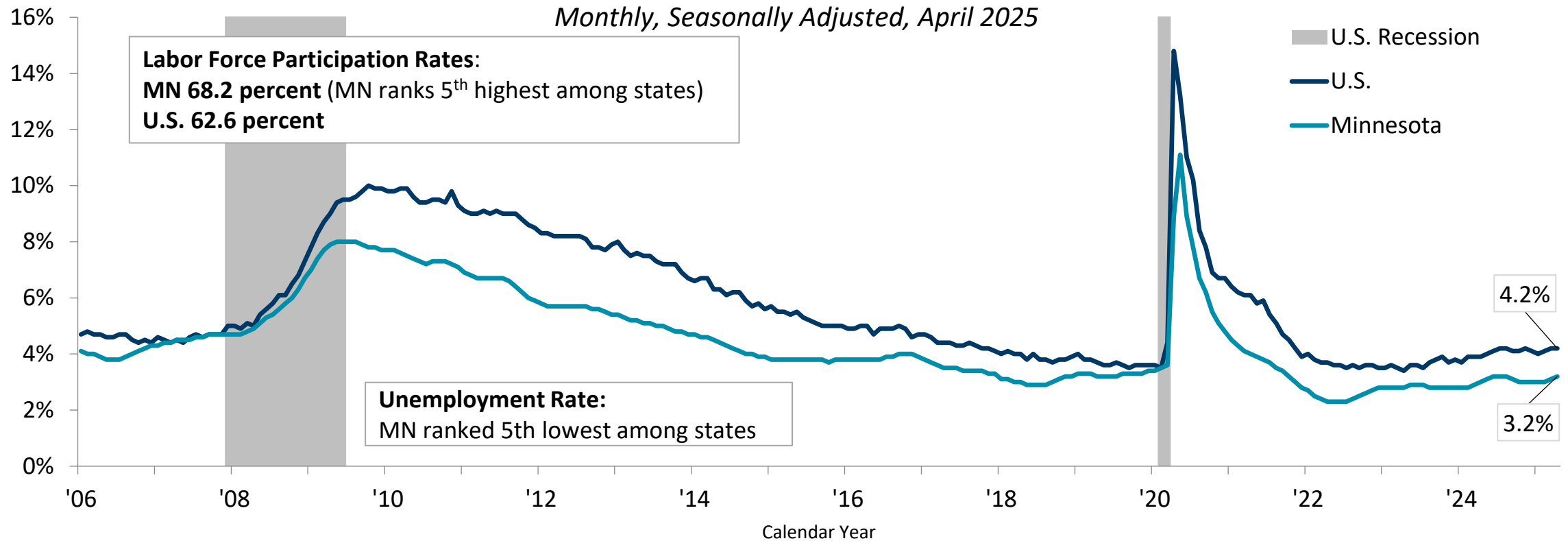
			Minnesota Rank
High School Diploma or Higher (Percent of Persons Age 25+, 2023)	89.8%	94.3%	6th
Poverty Rate (Percent of Persons, 2023)	12.5%	9.3%	3 rd lowest
Home Ownership Rate (Percent of Occupied Households, 2023)	65.9%	74.0%	8th
Patents Per Capita (Per 1,000,000 people, 2023)	467	678	5th
Labor Force Participation Rate (Percent of Persons March 2025, Seasonally Adjusted)	62.6%	68.2%	5th

Minnesota Economic Outlook

Minnesota's Labor Market

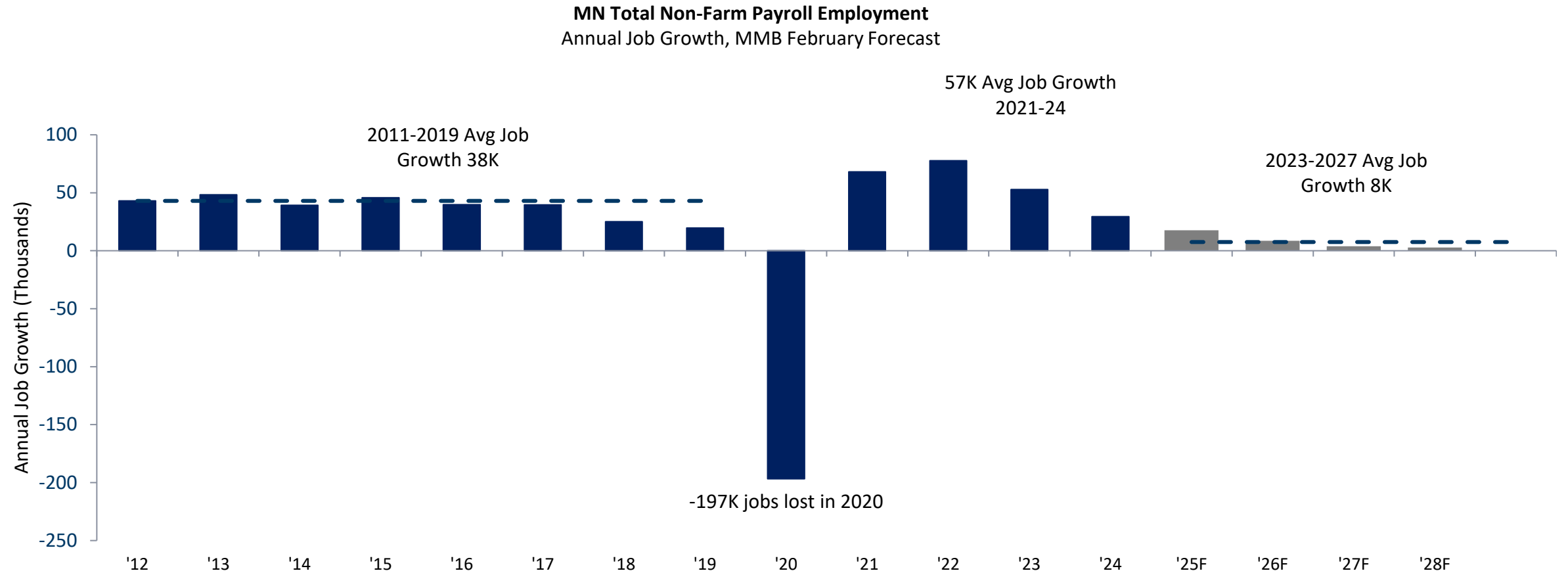
Unemployment Rate

Monthly, Seasonally Adjusted, April 2025



Source: MN Department of Employment and Economic Development (DEED), MMB

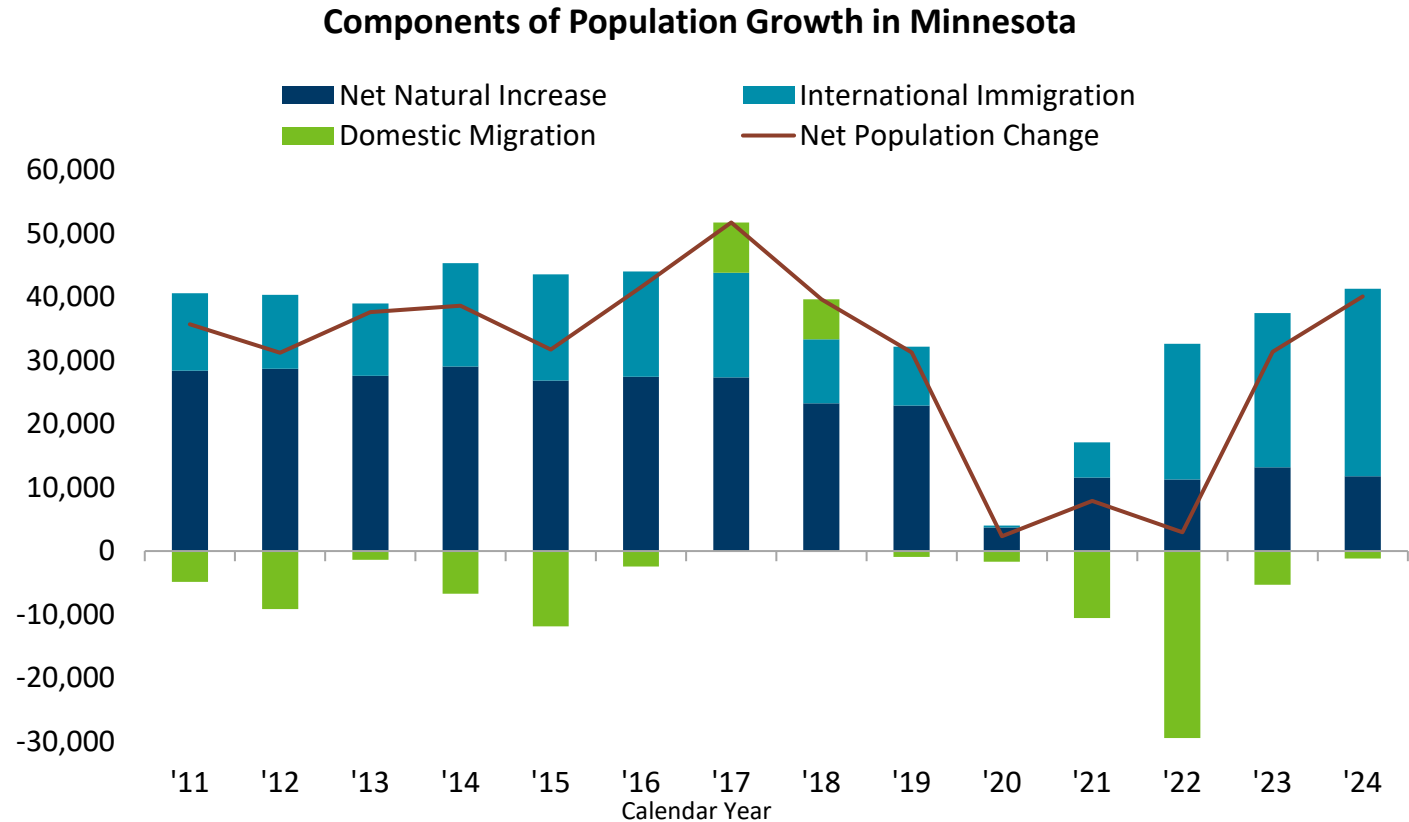
Stagnating Payroll Employment Growth



Minnesota's Population Growth

Minnesota tends to experience net outflows of people to other U.S. states, but losses are typically countered by international migration.

Per the 2023 population estimates, MN ranks 11th nationwide and 1st in the Midwest in 1-year natural population increase (births minus deaths) with more than 13,843 people.



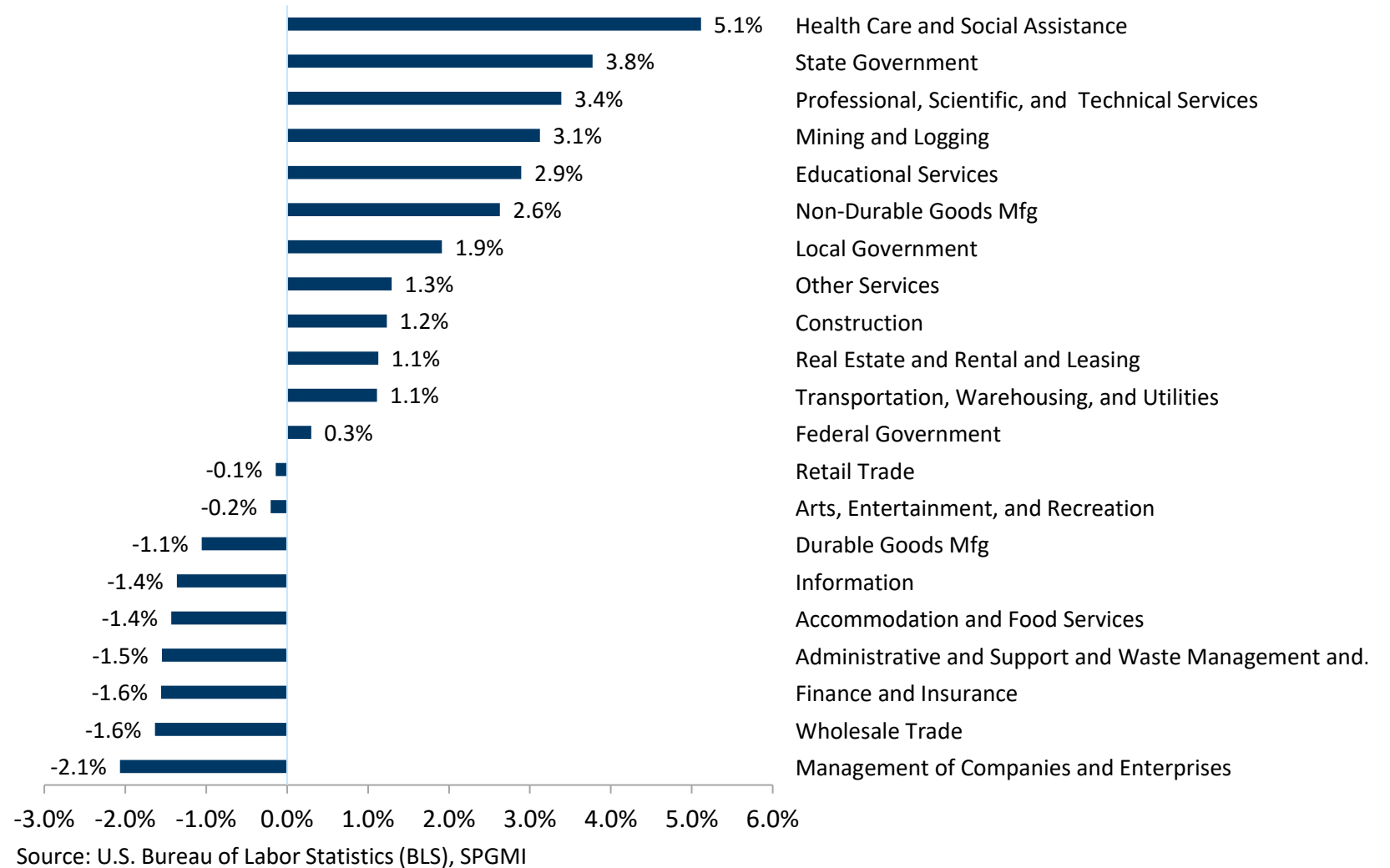
Source: Minnesota Management & Budget (MMB)

Source: US. Census Bureau. State Population Vintage 2023

Early Labor Market Indicators Signal Softening

Through March 2025, total non-farm employment in the state is up 1.2 percent compared to one year ago.

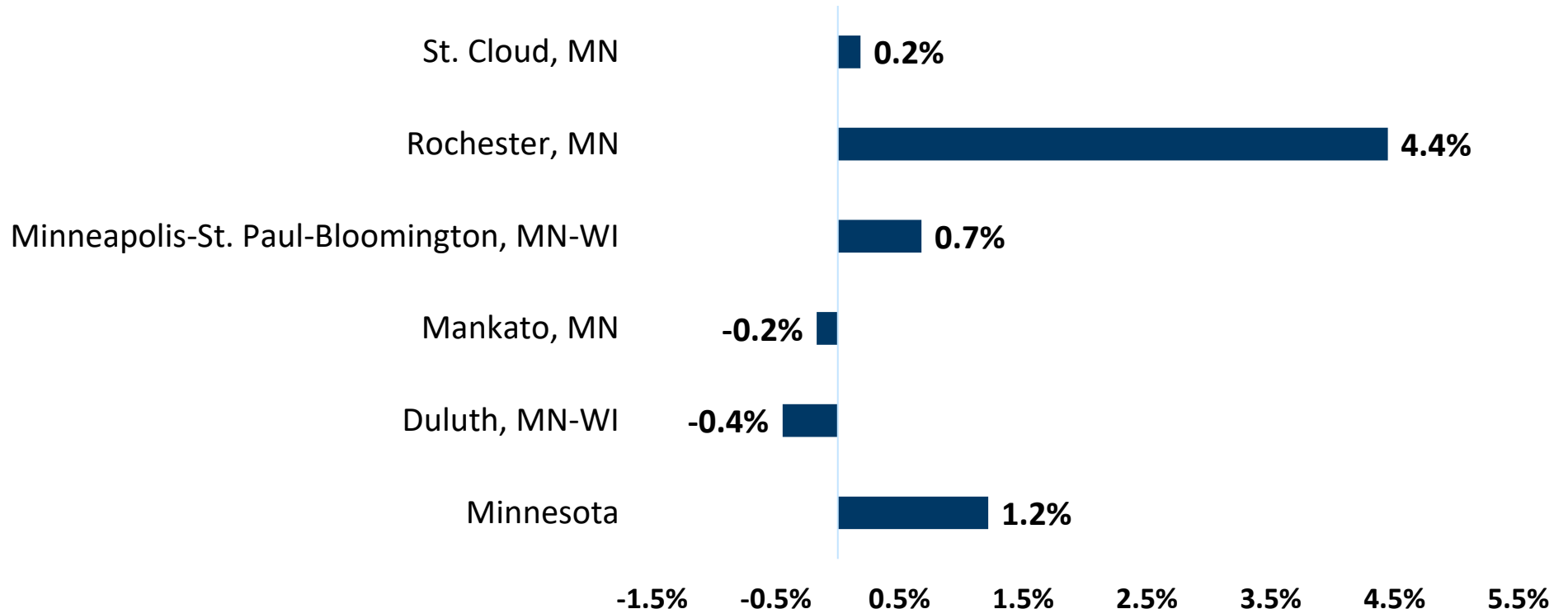
March 2024 to March 2025 Employment Change by Sector



Early Labor Market Indicators Signal Softening

Employment, Total Nonfarm, March 2025, SA

Percentage Change over one year ago



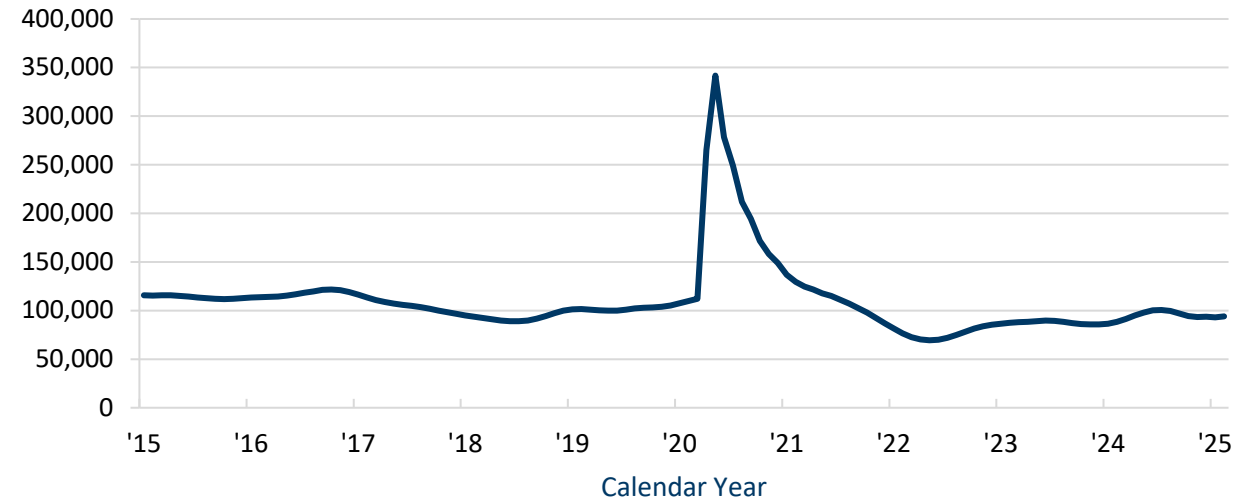
Labor Market is Still Tight, with more Job Openings than Unemployed Workers

Minnesota Job Openings
1,000s, seasonally adjusted



Source: U.S. Bureau of Labor Statistics (BLS), Minnesota Management and Budget

Minnesota Number of Unemployed
seasonally adjusted



Source: U.S. Bureau of Labor Statistics (BLS), Minnesota Management and Budget (MMB)

Job openings averages:

- 222K in 2022
- 195K in 2023
- 171K in 2024

Number of unemployed averages:

- 76K in 2022
- 88K in 2023
- 95K in 2024

Early Labor Market Indicators Signal Softening

Private Workweek

*Average Hours Worked
12 month avg through March 2025*

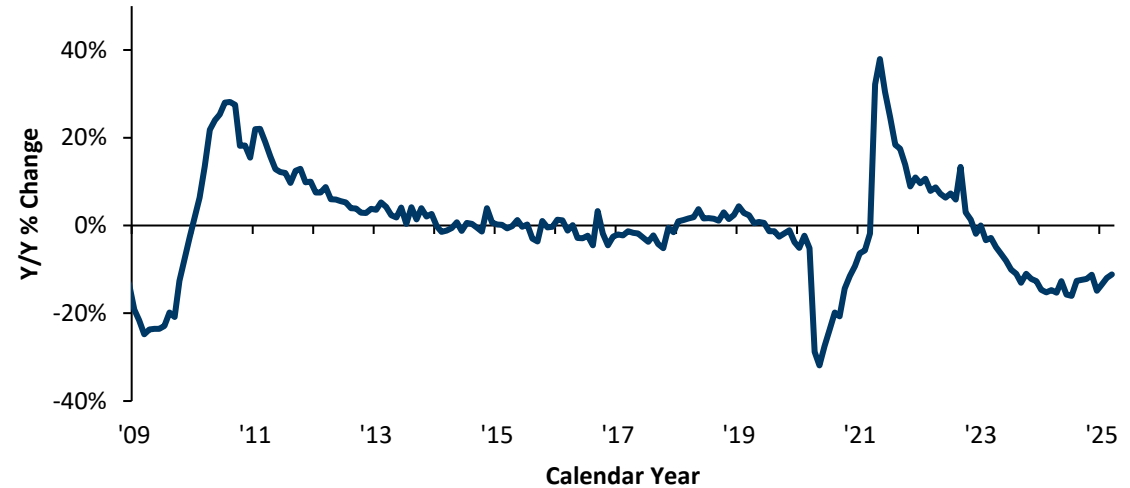


Average Hours Worked:

- 33.9 in 2022
- 33.7 in 2023
- 33.1 in 2024

Temporary Help Employment

Year-Over-Year Percent Change



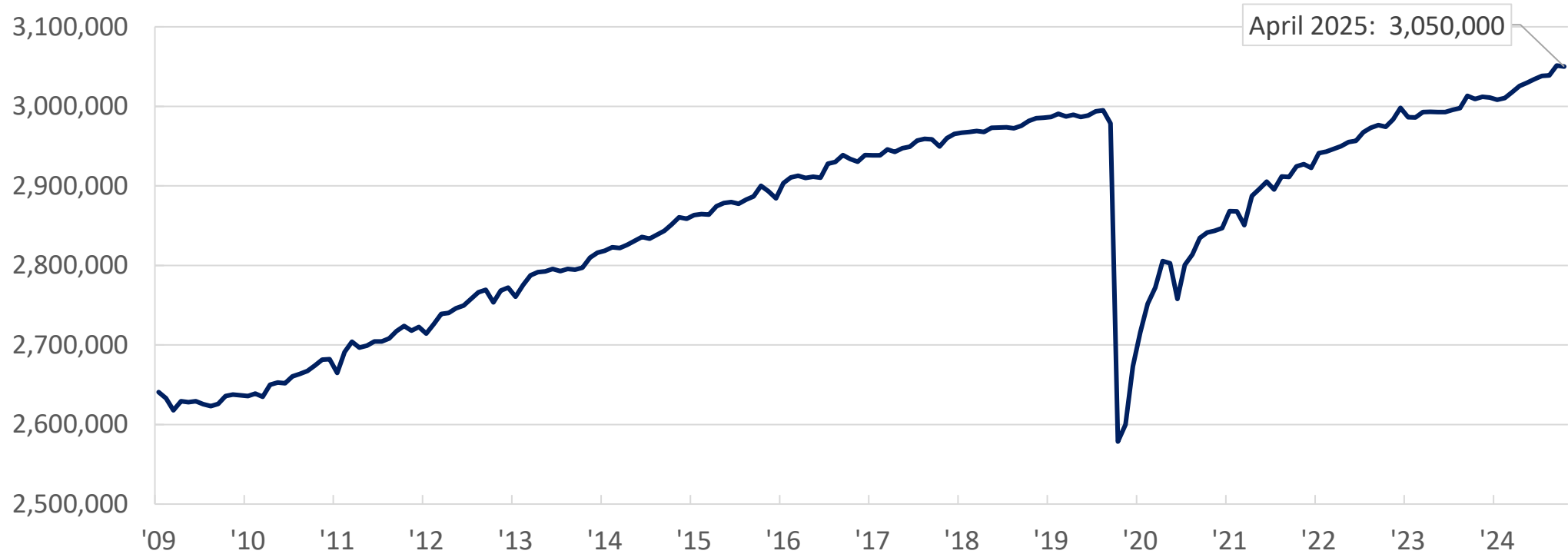
Average Number of Temp Employees:

- 60K in 2022
- 56K in 2023
- 48K in 2024

Minnesota Non-Farm Total Employment

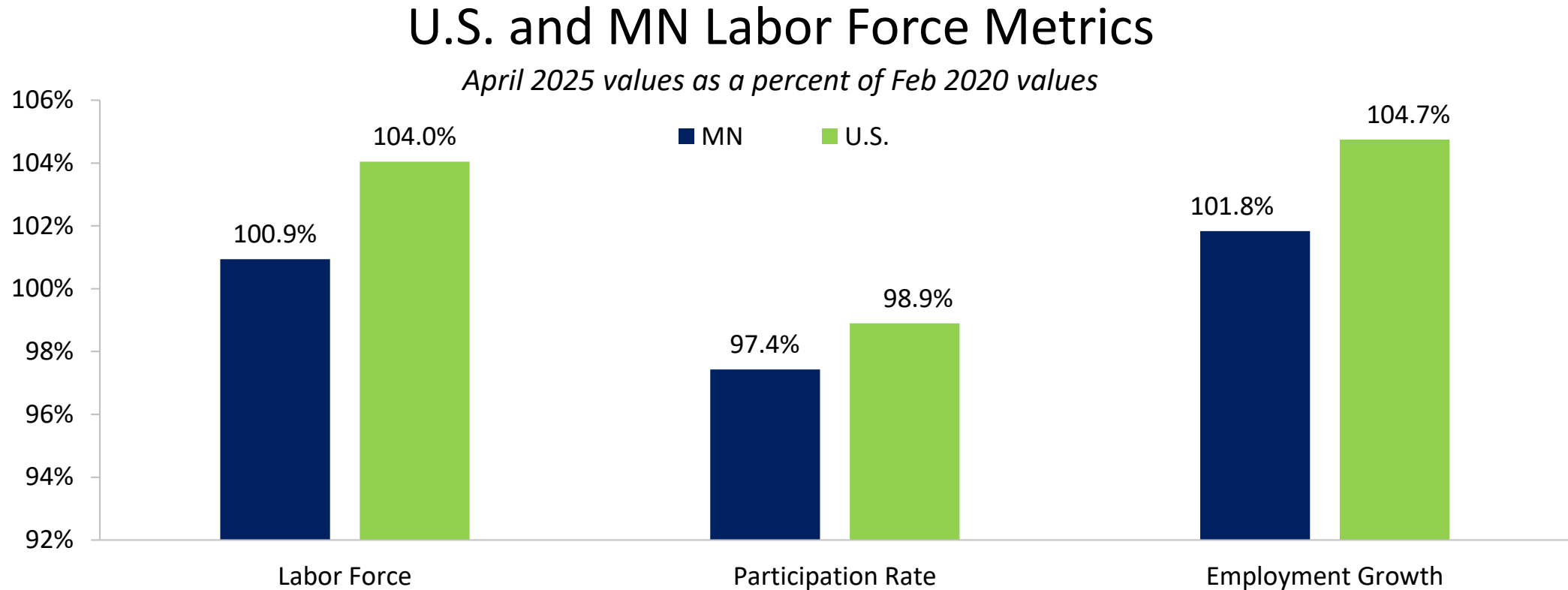
MN Non-Farm Total Employment

Seasonally Adjusted Monthly Level, April 2025



Source: MN Department of Employment and Economic Development (DEED)

U.S. and MN Labor Force Metrics



Source: MN Department of Employment and Economic Development (DEED), Minnesota Management & Budget (MMB), U.S. Bureau of Economic Analysis (BEA), SPGMI