

The logo consists of a dark blue rounded rectangle containing the text "MINNESOTA CHAMBER OF COMMERCE" in white, bold, sans-serif capital letters. The word "MINNESOTA" is on the first line, "CHAMBER OF" is on the second line, and "COMMERCE" is on the third line.

**MINNESOTA
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GROWING MINNESOTA

2018-2019 Grow Minnesota! Annual Report

WHAT IS THE GROW MINNESOTA!® PARTNERSHIP?

Business
Retention

Business
Assistance

Statewide:
90 local
partners

17 years old

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GROW MINNESOTA!® PARTNERSHIP 2003-PRESENT

12,675
business
retention
visits



2,716
businesses
assisted



20,679
jobs
protected



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GROW MINNESOTA!® PARTNERSHIP

HOW DOES IT WORK?

Grow Minnesota! staff and local partners conduct one-on-one business visits



Information from visits is recorded using Grow Minnesota! reporting guide/questionnaire



Data is analyzed and turned into action through 4 mechanisms

One-on-one business
assistance

Events, forums, and
one-time initiatives

Large scale programs

Inform chambers'
public policy priorities

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2018-2019 VISITS BY INDUSTRY

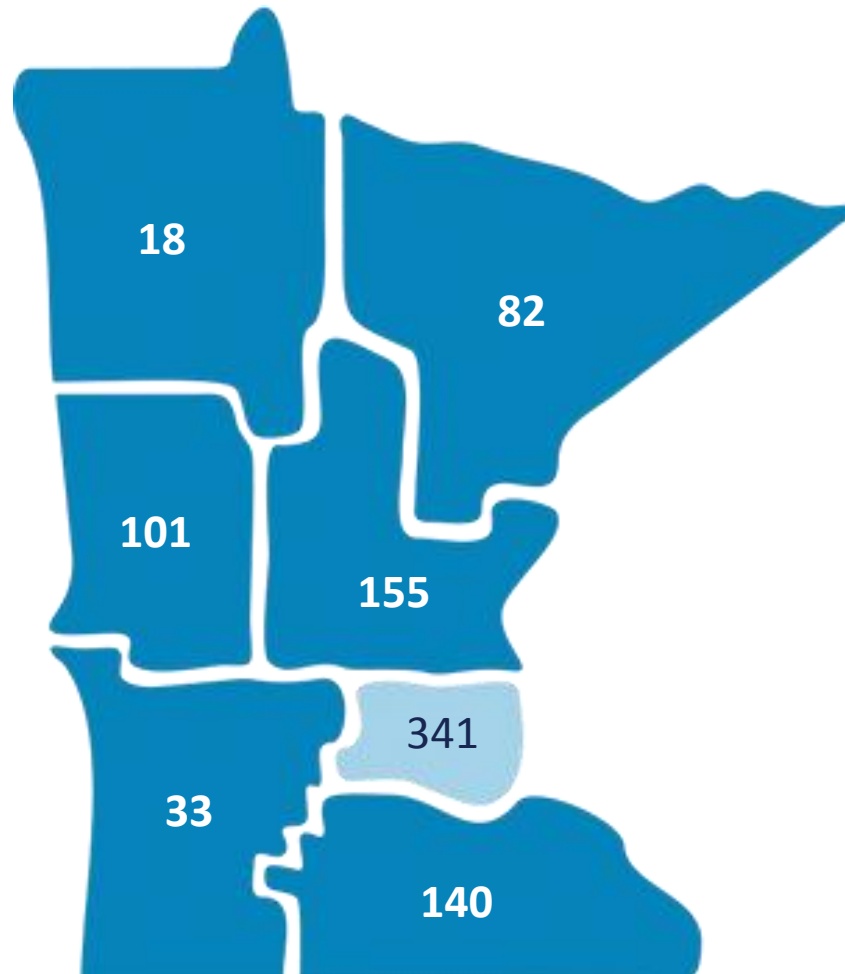


Program year runs October 2018 – September 2019

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VISITS BY LOCATION 2018-2019 PROGRAM YEAR



Program year runs October 2018 – September 2019

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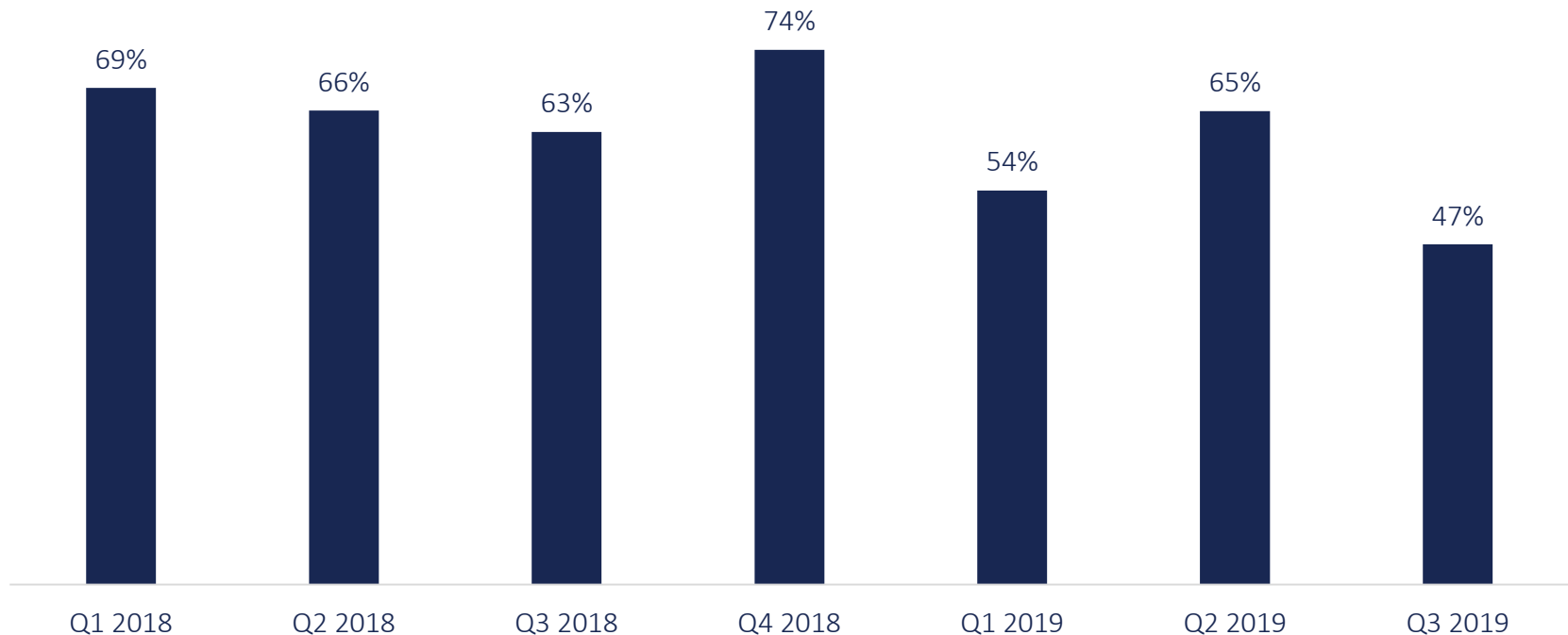
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KEY FINDINGS FROM 2018-2019 PROGRAM YEAR

1. Innovation remains a bright spot, with new technologies and products enhancing businesses' competitiveness.
2. Industries tied to construction, professional services, and regional/national consumer markets reported strongest growth.
3. Industries tied to agriculture, senior care/senior living, and legacy products (e.g. forestry products, publishing, telecommunications) struggled in the face of low prices, wage pressures, and policy impacts.
4. The manufacturing sector has largely held on despite fears of a sectoral downturn. While some firms report weaker demand and negative impacts from tariffs, others continued to see steady growth as they implement new technologies and bring new products to market.
5. Tariffs and trade uncertainty appear to be impacting exports, with the state's total export growth declining for the first time in 10 consecutive quarters.
6. While some healthcare providers (particularly senior care facilities) are facing challenges, hospitals and clinics are investing heavily in new facilities, renovations, and expansion of services.
7. Businesses reported navigating multiple layers of cost drivers, from shipping and supplies, to wages and health insurance, to state-imposed business costs and federal tariffs.
8. Despite various challenges and uncertainties, businesses remain fairly optimistic about their outlook for 2020.

BUSINESSES STILL REPORTING REVENUE GROWTH, BUT AT LOWER RATES THAN 2018

Net percentage of businesses with increased revenue in past 12 months



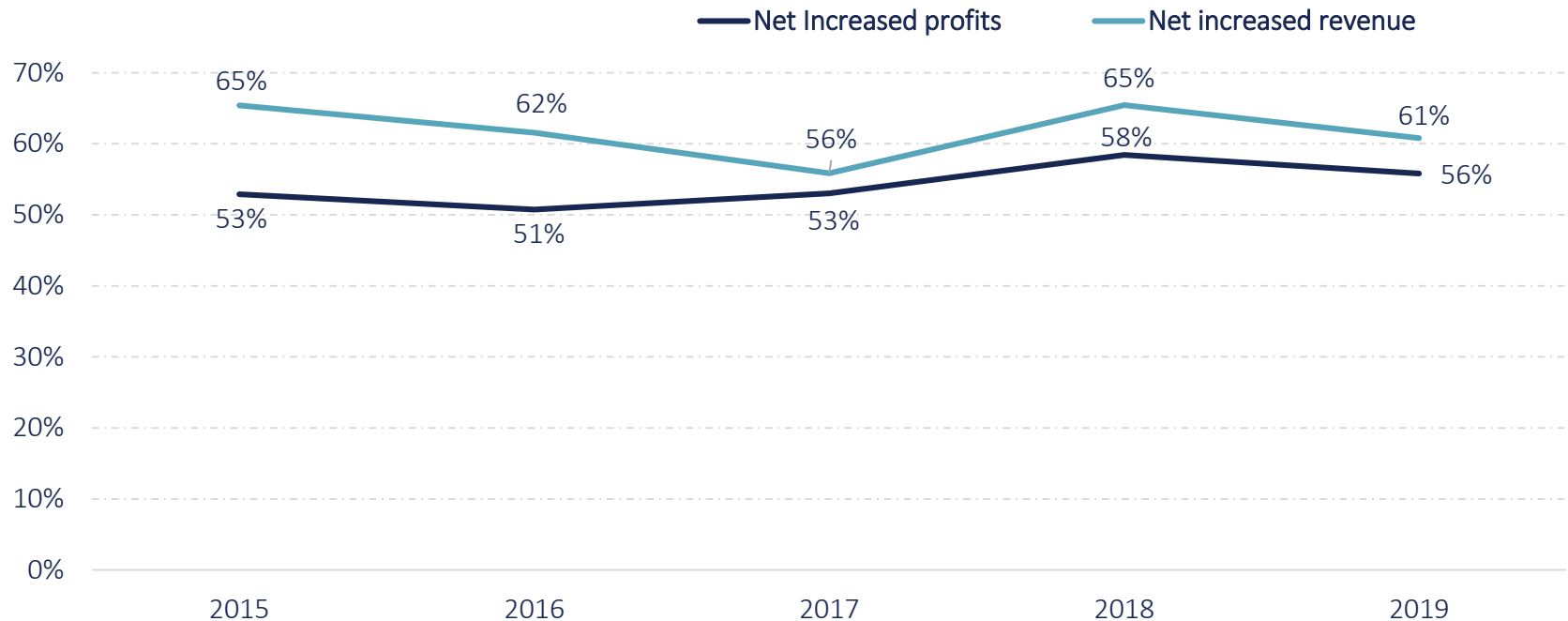
Source: Grow Minnesota! Partnership, 2019

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BUSINESSES REPORTING STABLE RATES OF PROFITABILITY

Net percentage of businesses with increased revenue and profit in past 12 months



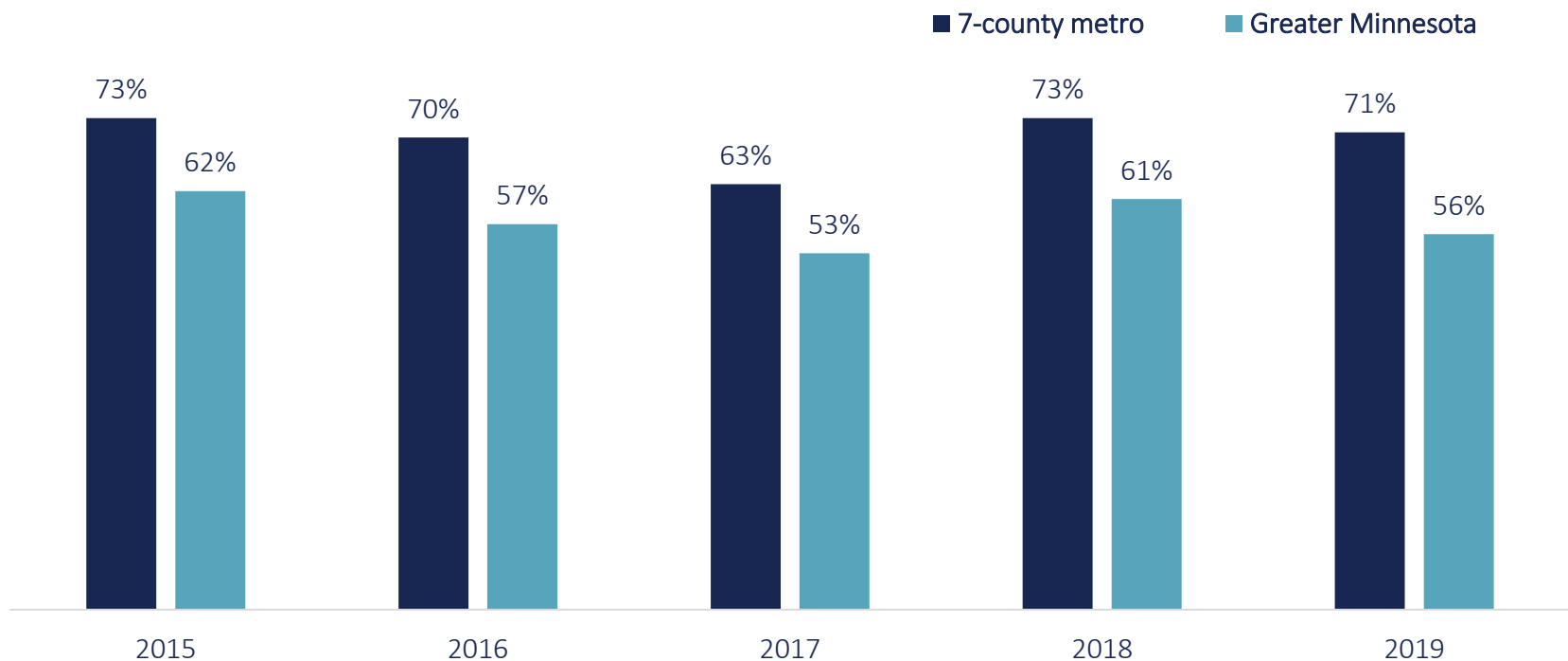
Source: Grow Minnesota! Partnership, 2019

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TWIN CITIES METRO BUSINESSES REPORT REVENUE GAINS AT HIGHER RATE

Net percentage of businesses with increased revenue in past 12 months



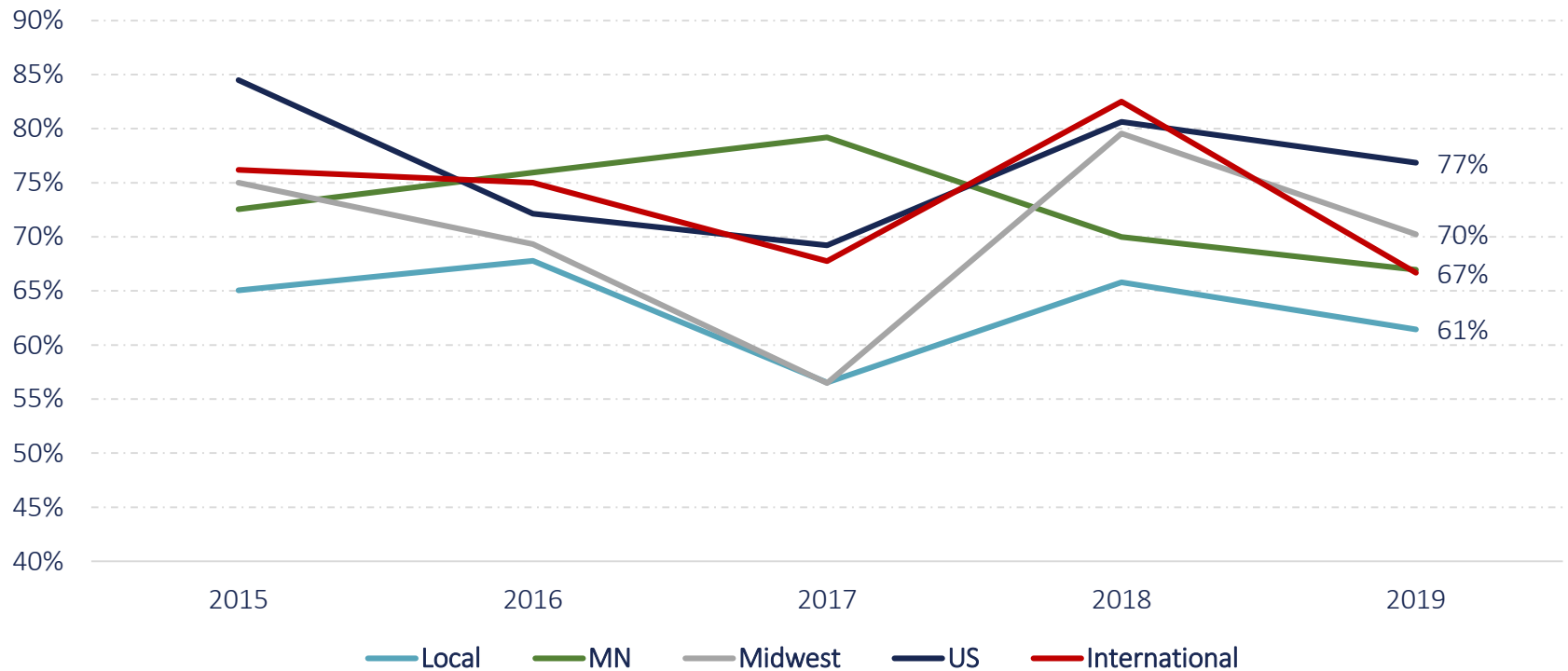
Source: Grow Minnesota! Partnership, 2019

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COMPANIES WITH NATIONAL AND MIDWEST CUSTOMER BASE REPORTED STRONGEST REVENUE GAINS

Net percentage of businesses with increased revenue in past 12 months, by location of primary market



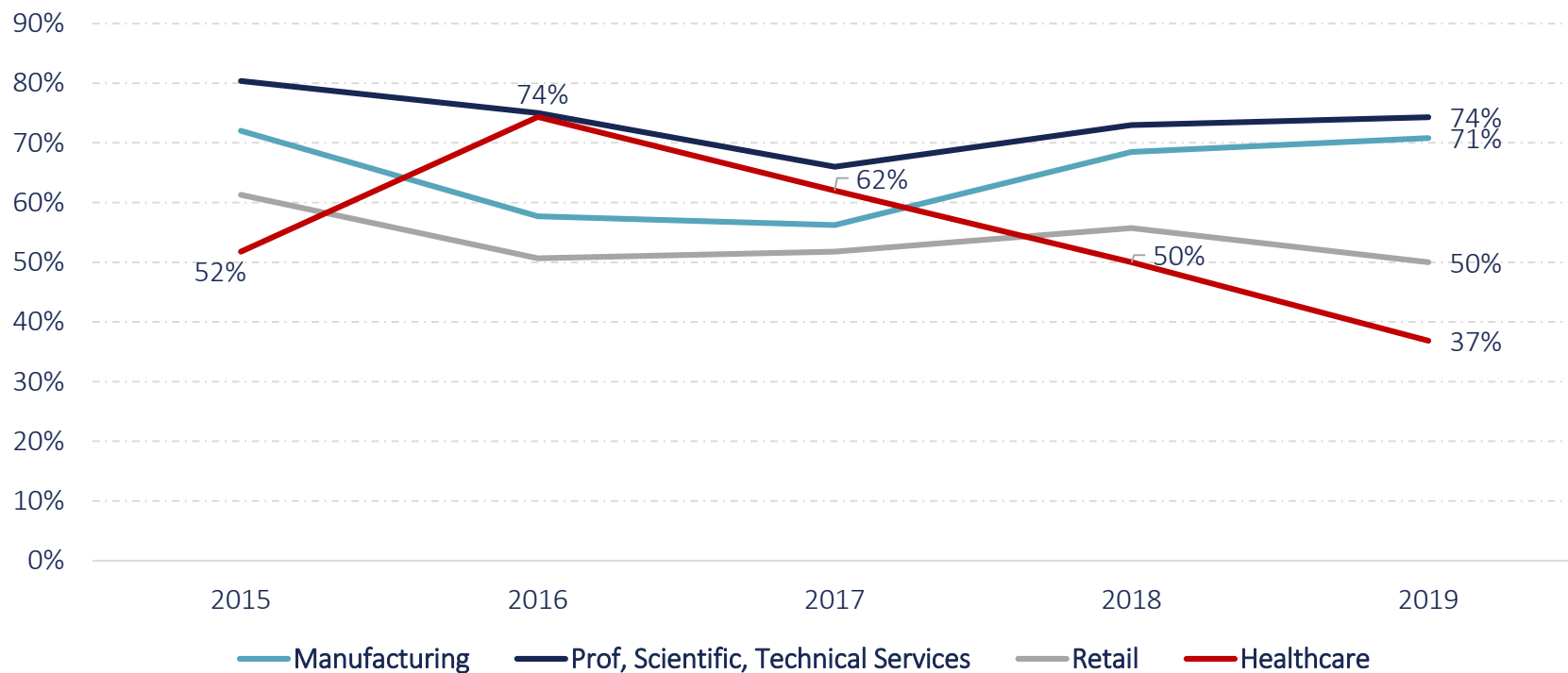
Source: Grow Minnesota! Partnership, 2019

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FEWER HEALTHCARE PROVIDERS REPORTING REVENUE GAINS, IN CONTRAST TO RELATIVELY STEADY PERFORMANCE FROM OTHER SECTORS

Net percentage of businesses with increased revenue in past 12 months



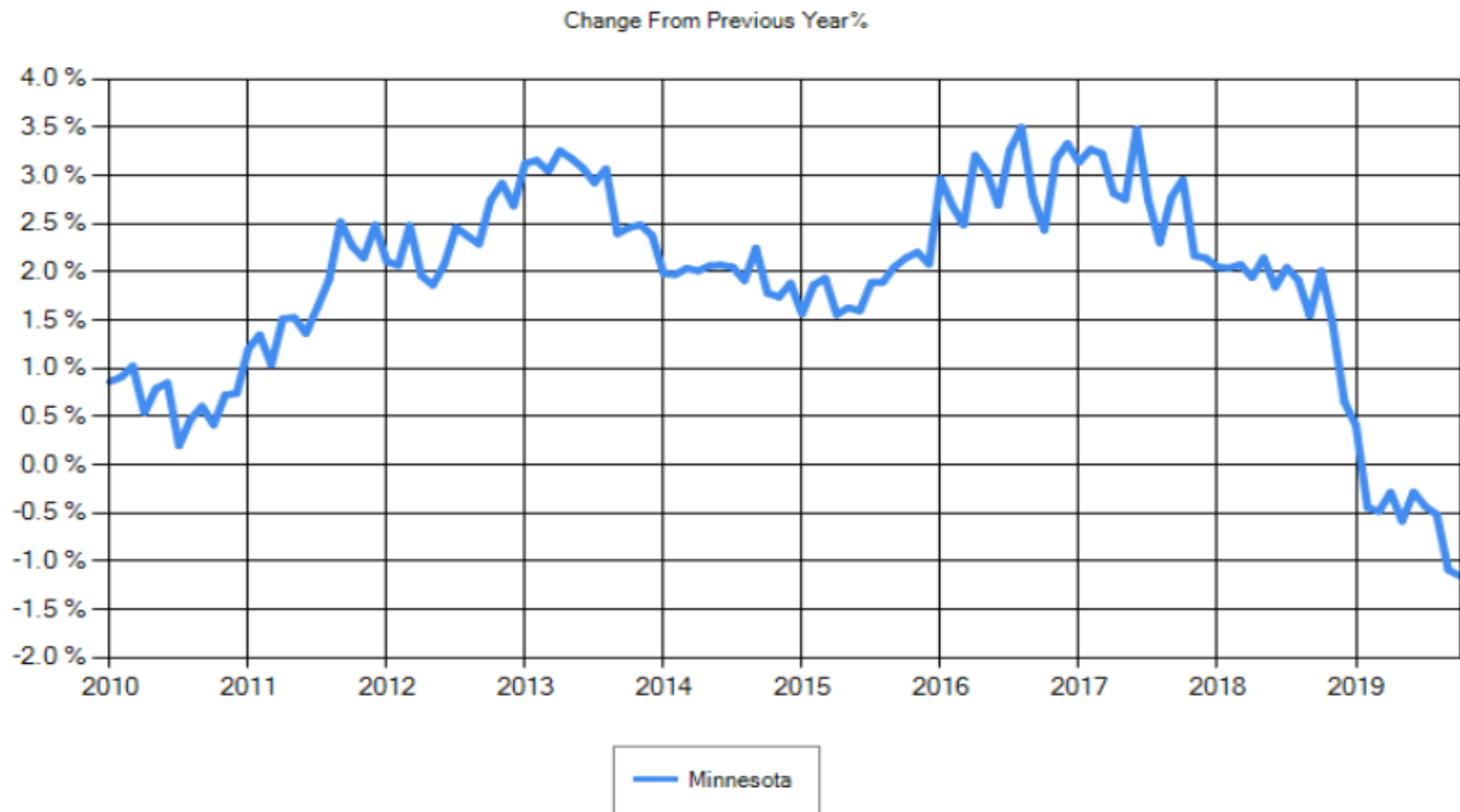
Source: Grow Minnesota! Partnership, 2019

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HEALTHCARE GROWTH TREND ALIGNS WITH STATE EMPLOYMENT DATA, SHOWING RECENT DECLINE

Minnesota Total Employment: Healthcare and Social Assistance



Source: Current Employment Statistics, DEED, 2019

WHAT ARE HEALTHCARE PROVIDERS SAYING?

Explain reason for change in profits and revenue

- Revenues are tied to government funding. Federal and state budget cuts, healthcare costs, benefits, and government compliance are cost drivers. *(Senior care facility in Twin Cities)*
- Medicare reimbursements are decreasing. Cost for educated staff is increasing. Now looking at new strategies to decrease waste, increase quality. *(Healthcare clinic in Northwest Minnesota)*
- To increase profitability we need an increase in reimbursement rates, reduced insurance expenses, and increase technology advancements. *(Assisted living facility in Northeastern Minnesota)*

OTHER SECTORS REPORTING CHALLENGES

Explain change in profits and revenue

Commodity-based products and businesses with significant tariff exposure

- Profits tied to commodity prices; overproduction is lowering prices. (Turkey farm)
- Expect growth next year, but past year was down due to down ag markets. 30% of our business is ag related. (Metal fabricator)
- Steel tariffs are hurting manufacturers and slowing new products in the market. (Contract manufacturer)

Legacy products and small retailers that compete with e-commerce

- Industry decline; legacy products. (paper manufacturer)
- Declining revenues are due to legacy services. (telecommunications service provider)
- Hard to compete for talent with larger companies. (local newspaper)
- People are shopping more online or are going elsewhere. (local shoe store)

Source: Grow Minnesota! Partnership, 2019

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WHO IS REPORTING STRONG GROWTH?

Explain change in profits and revenue

Construction

- Business has been increasing over last five years. (General contractor)
- Business is booming. (Electrical contractor)
- The past three years have been strong, likely due to a steady local economy. (Construction materials supplier)

Professional, Scientific, Technical Services

- We are growing rapidly. We have an aggressive sales team and are active across the state of Minnesota. (Energy consulting firm)
- 20% growth this year. (Marketing agency)
- Growth has steadily increased - could be faster however, hiring issues are a drag on growth. (Translator/language services provider)
- Experiencing 30% growth every year. (IoT services firm)

Source: Grow Minnesota! Partnership, 2019

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MANUFACTURING IS A MIXED BAG, AS INDUSTRY COMES OFF A STRONG 2018: EXAMPLES

- 2018 was a **record year** due to strong sales execution and reorganizing the business. We saw a cool down in Q4 2018 but then a strong Q1 of 2019. (Food processing technology/equipment manufacturer)
- 2019 started out low. Impacts to the **Ag market** affect us. (Agricultural equipment manufacturer)
- Experiencing incredible growth, both through **expansion** in MN and **acquisition** of other companies. (3D printing and custom mfg)
- Future revenue is projected to be stable or slightly decrease. Decrease due to **legacy products**. (Automotive components manufacturer)
- Growth due to **new technologies** and use of **analytics**. (Computer and electronics manufacturer)
- We have the equipment to produce, but are currently turning down business due to the **lack of available qualified workers**. (Precision metals manufacturer)
- Up until 2018 sales had been increasing. Hitting a plateau now due to **tariffs** impacting the store fixture and switch lines of business. (Furniture/fixture manufacturer)
- Future growth will come from **online sales**. They sell through wholesalers, but in 2015 started to create the ability for people to directly purchase online. (MRO supplies manufacturer)

Source: Grow Minnesota! Partnership, 2019

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GROW MN!® PARTNERSHIP LEADING INDICATORS



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INNOVATION

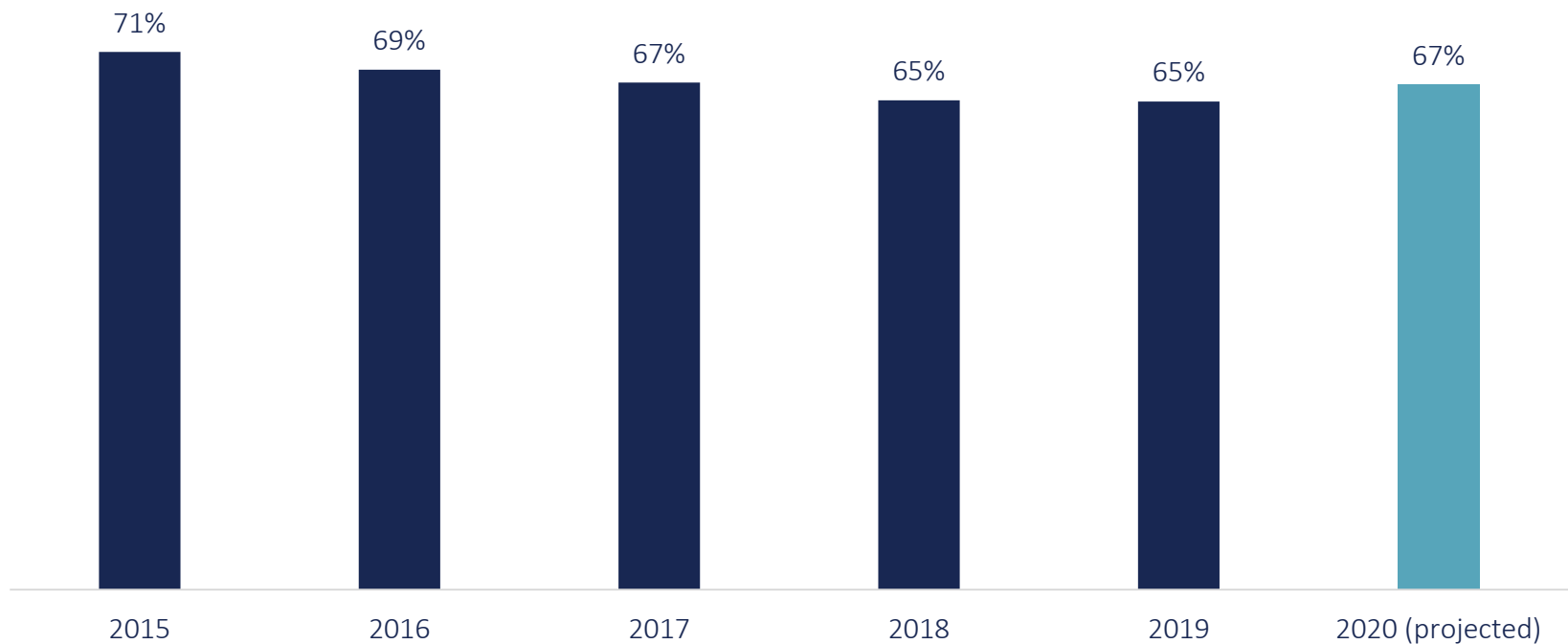
The background is a dark blue gradient with a subtle grid pattern. Several large, stylized blue arrows of varying shades (from dark blue to light blue) point upwards and to the right, creating a sense of growth and progress. The word 'INNOVATION' is centered in the upper half in a white, bold, sans-serif font.

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INNOVATION REMAINS STEADY BUT DOWN SLIGHTLY FROM PREVIOUS YEARS

Percentage of businesses with new products or services in past 12 months



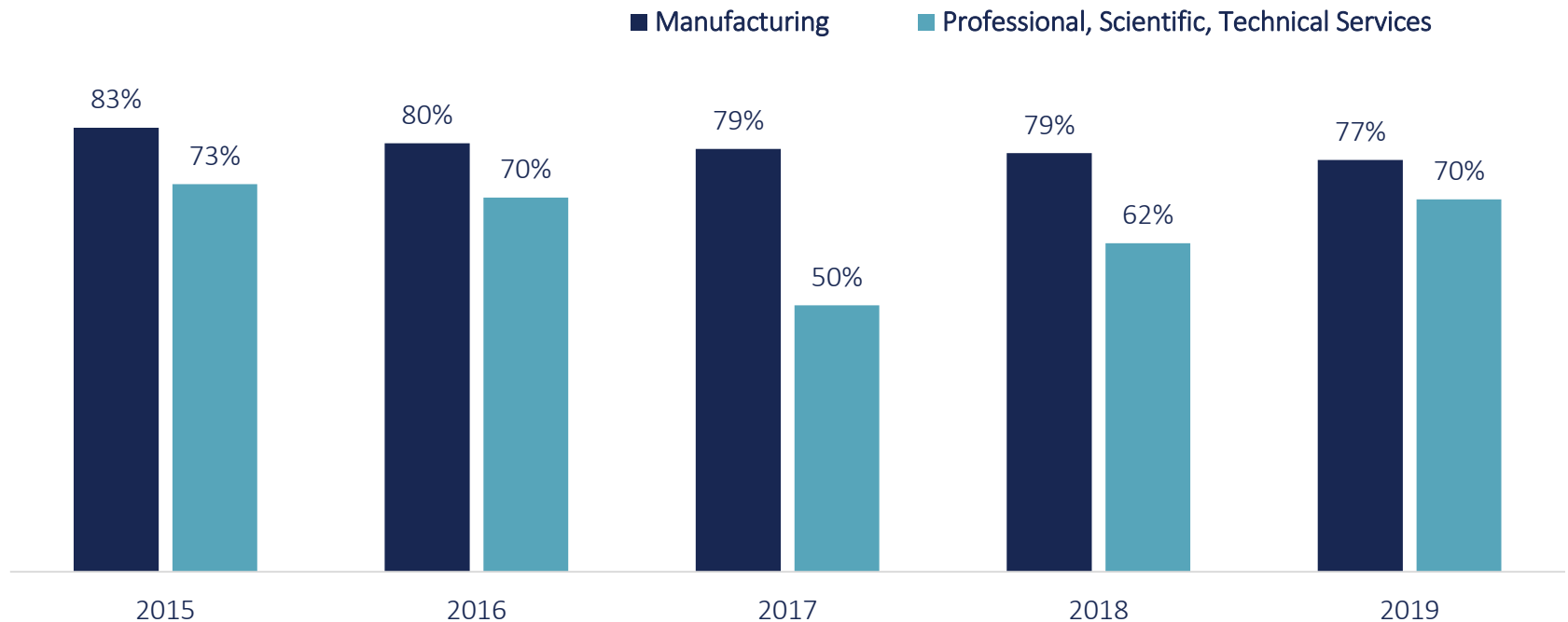
Source: Grow Minnesota! Partnership, 2019

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MANUFACTURERS AND PROFESSIONAL/TECHNICAL SERVICES INNOVATING AT HIGH RATES

Percentage of businesses with new products or services in past 12 months



Source: Grow Minnesota! Partnership, 2019

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NEW TECHNOLOGIES AND VALUE-ADDED SERVICES DRIVING INNOVATION IN PROFESSIONAL SERVICES

How is innovation changing your business and industry?

- Evolution of 3-D modeling, conference calls instead of travel, collaborative software (*Engineering and consulting firm*)
- Artificial intelligence will impact field greatly (*Marketing agency*)
- Investing in AI technology and focusing more on value-added analytics capabilities as compliance services become increasingly commodified (*Public accounting firm*)
- Up until a few years ago we weren't focusing on solutions. We have flipped the sales model to focus on value-added services. Offer pricing and value engineering earlier in the process (*Electrical engineering consulting firm*)
- Technology and automation, particularly cloud-based software systems are changing the industry. We now have software that can provide instant reporting functions for customers. Our organizational structure is moving from a traditional pyramid to a diamond or oval, with technology reducing the number of people needed to perform routine tasks. (*Public accounting firm*)

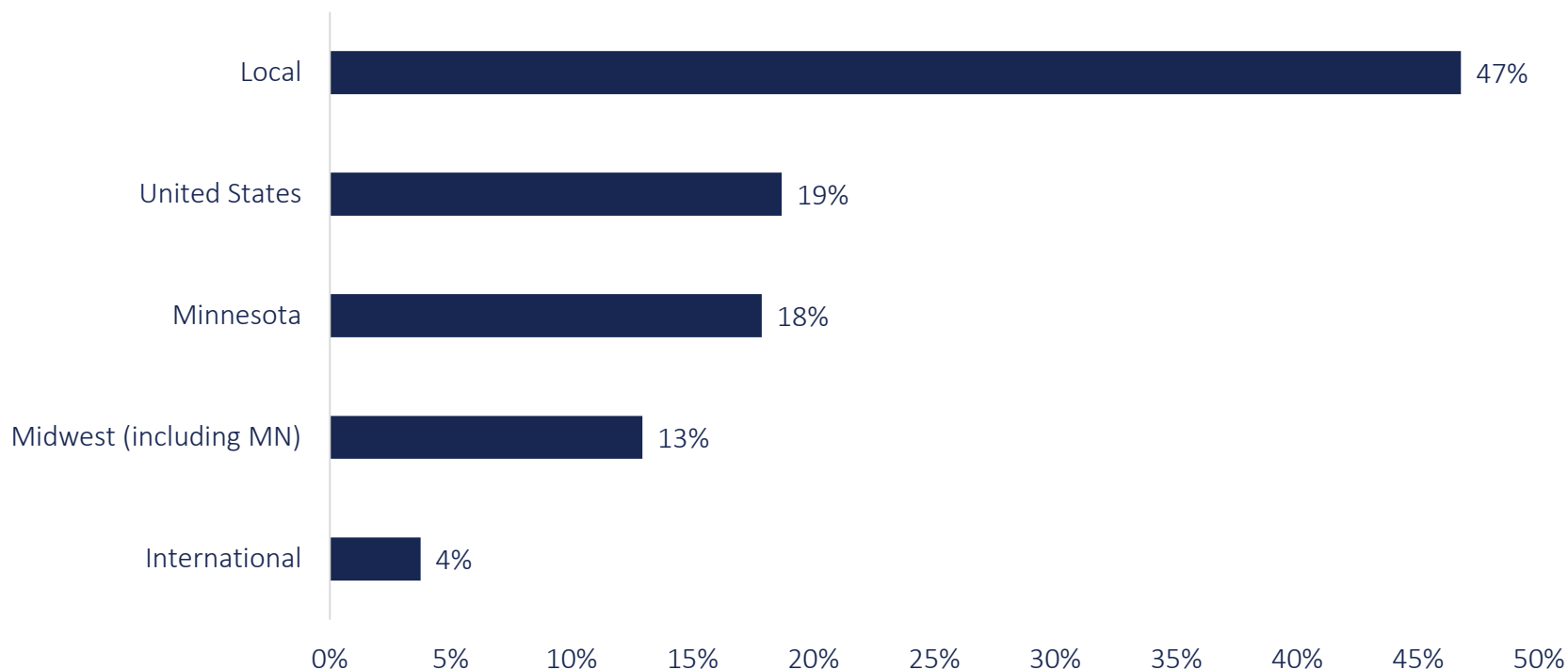
MARKETS AND EXPORTS

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BUSINESSES SERVE VARIETY OF MARKET LOCATIONS

Where is your primary market?



Source: Grow Minnesota! Partnership, 2019

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MINNESOTA BUSINESSES SERVE A VARIETY OF INDUSTRIES AND CONSUMER MARKETS

What industries do you serve?



Source: Grow Minnesota! Partnership, 2019

MINNESOTA RELIES ON MARKETS NEAR AND FAR

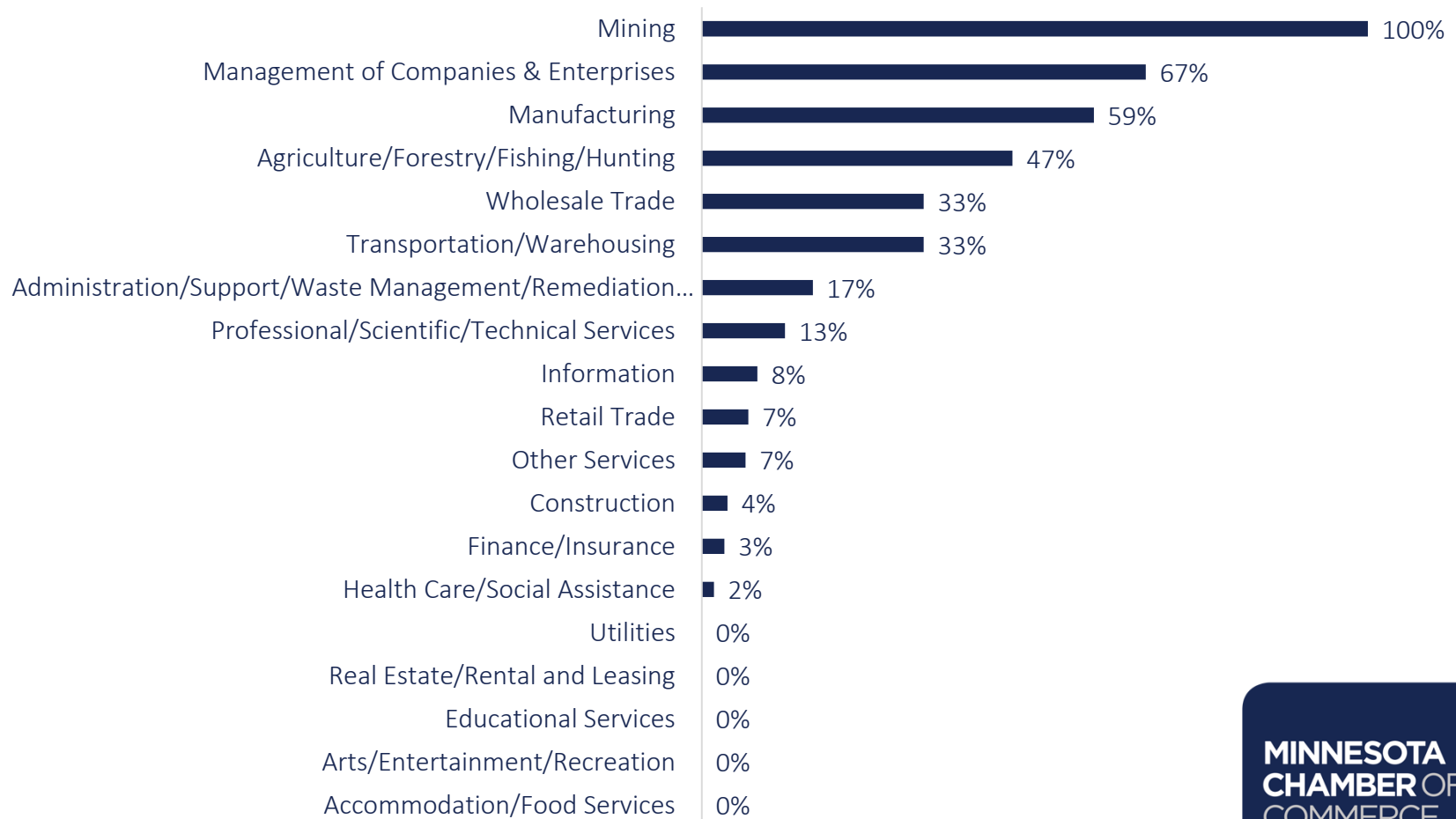
Where are your customers?



Source: Grow Minnesota! Partnership, 2019

EXPORTS ESPECIALLY IMPORTANT TO MFG, NATURAL RESOURCES, AND HEADQUARTERS

Percentage of businesses visited that export, by industry



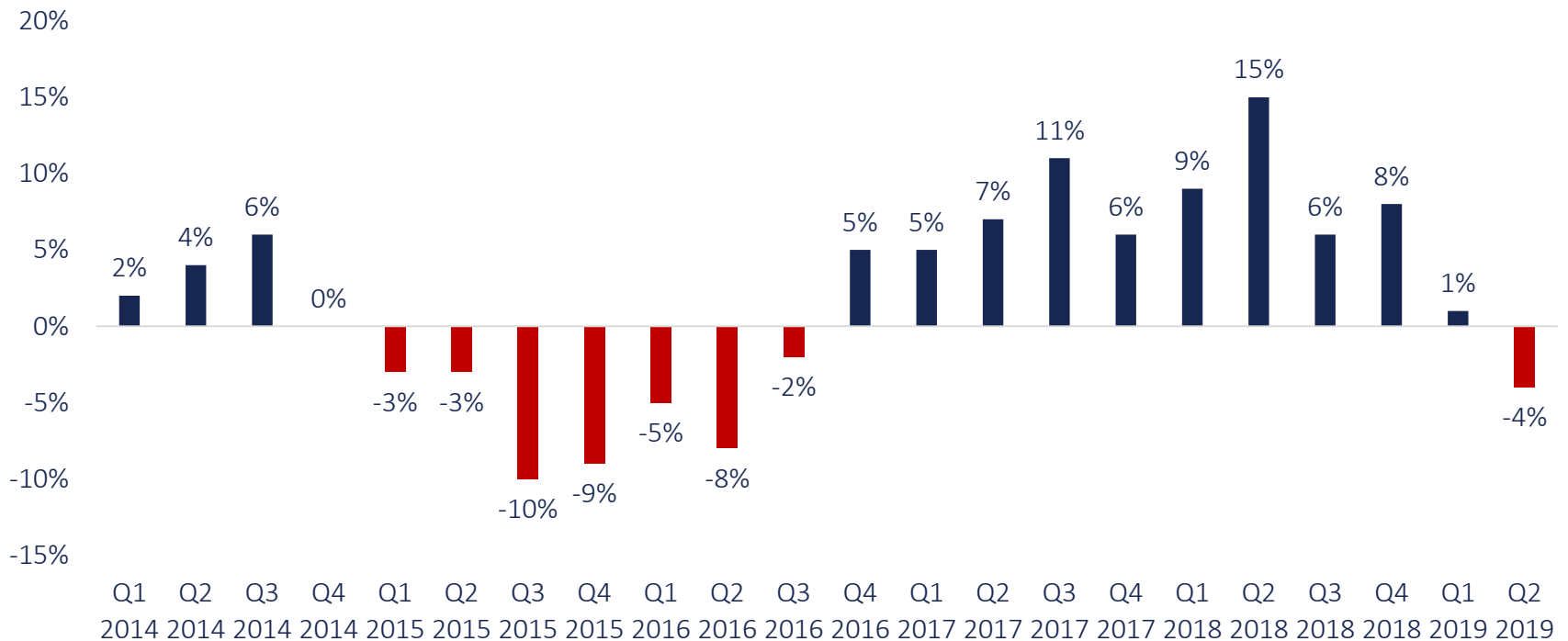
Source: Grow Minnesota! Partnership, 2019

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EXPORTS SLOW AFTER 10 CONSECUTIVE QUARTERS OF GROWTH

Percentage change from same quarter of previous year



Source: Minnesota Trade Office, Quarterly Export Statistics, 2019

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WORKFORCE

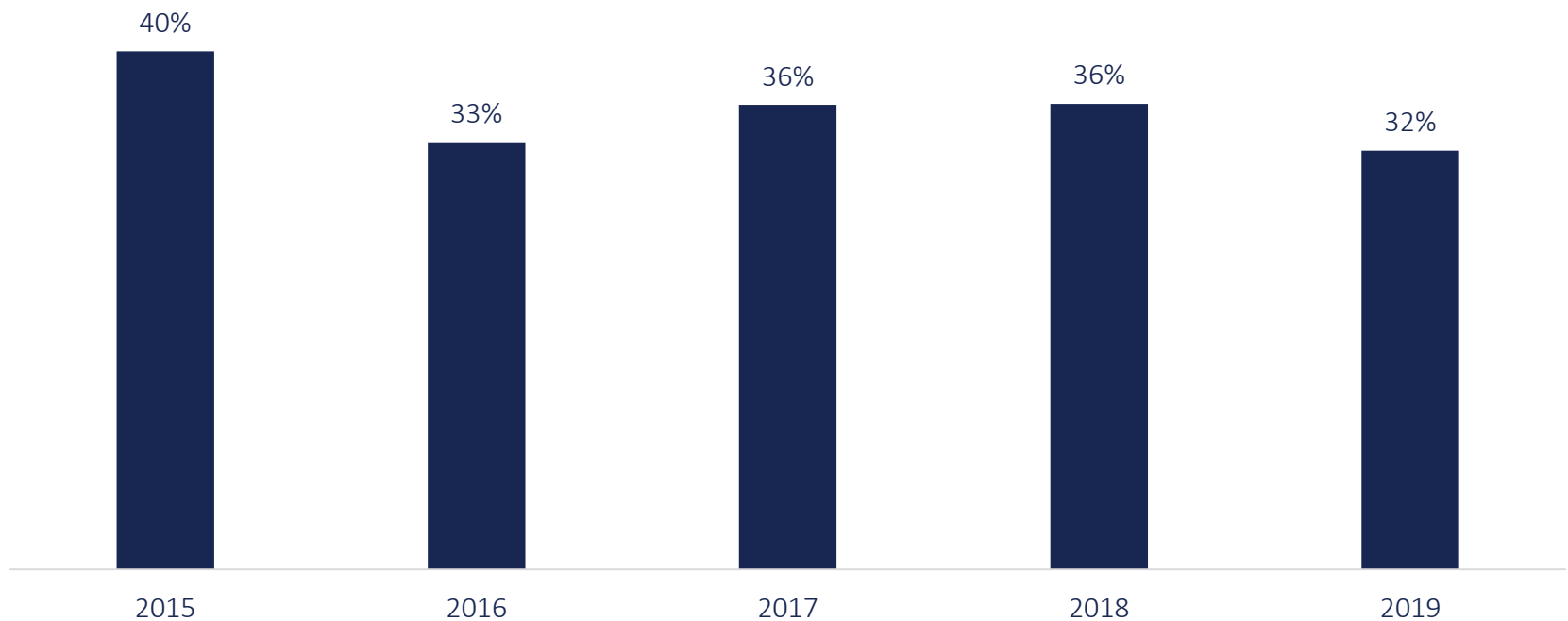
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SLOW AND STEADY JOB GROWTH CONTINUES

Net percentage of businesses that added jobs in past 12 months



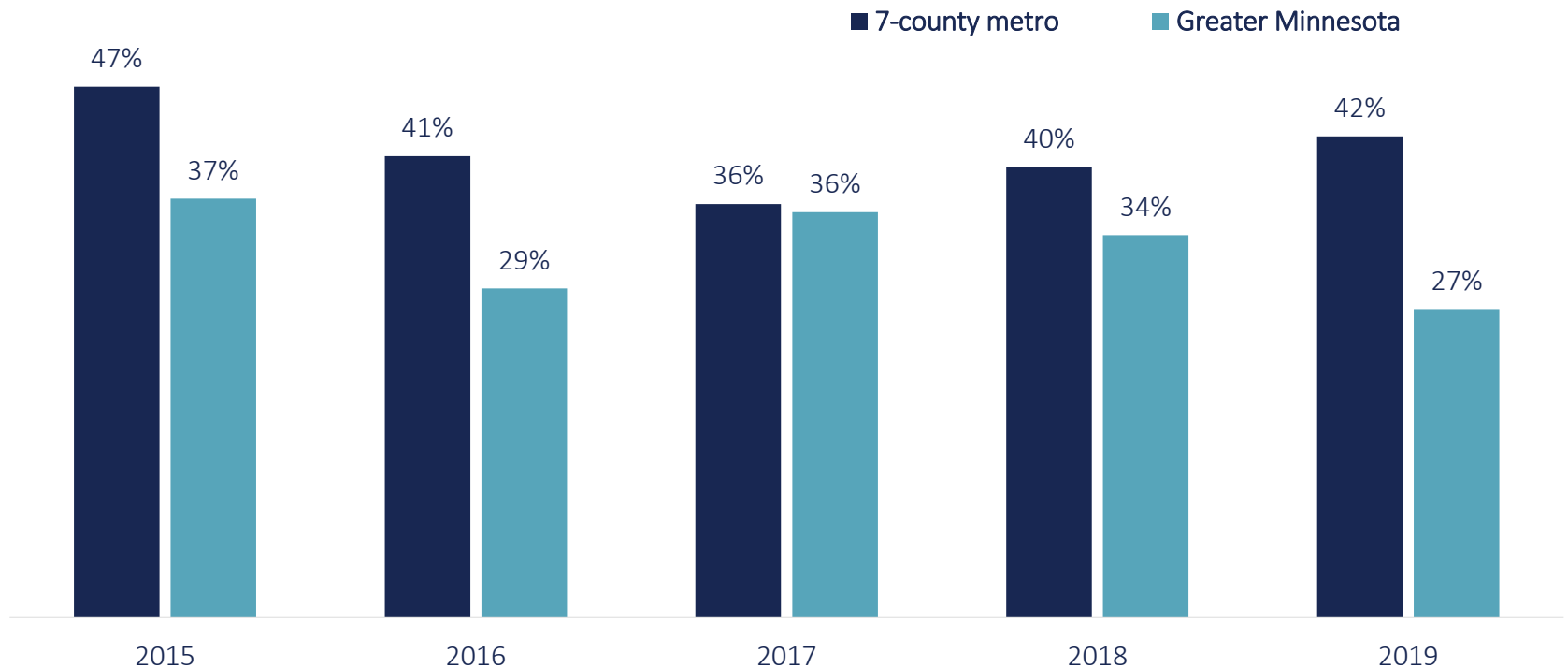
Source: Grow Minnesota! Partnership, 2019

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SMALLER SHARE OF GREATER MN BUSINESSES ADDING JOBS

Net percentage of businesses that added jobs in past 12 months

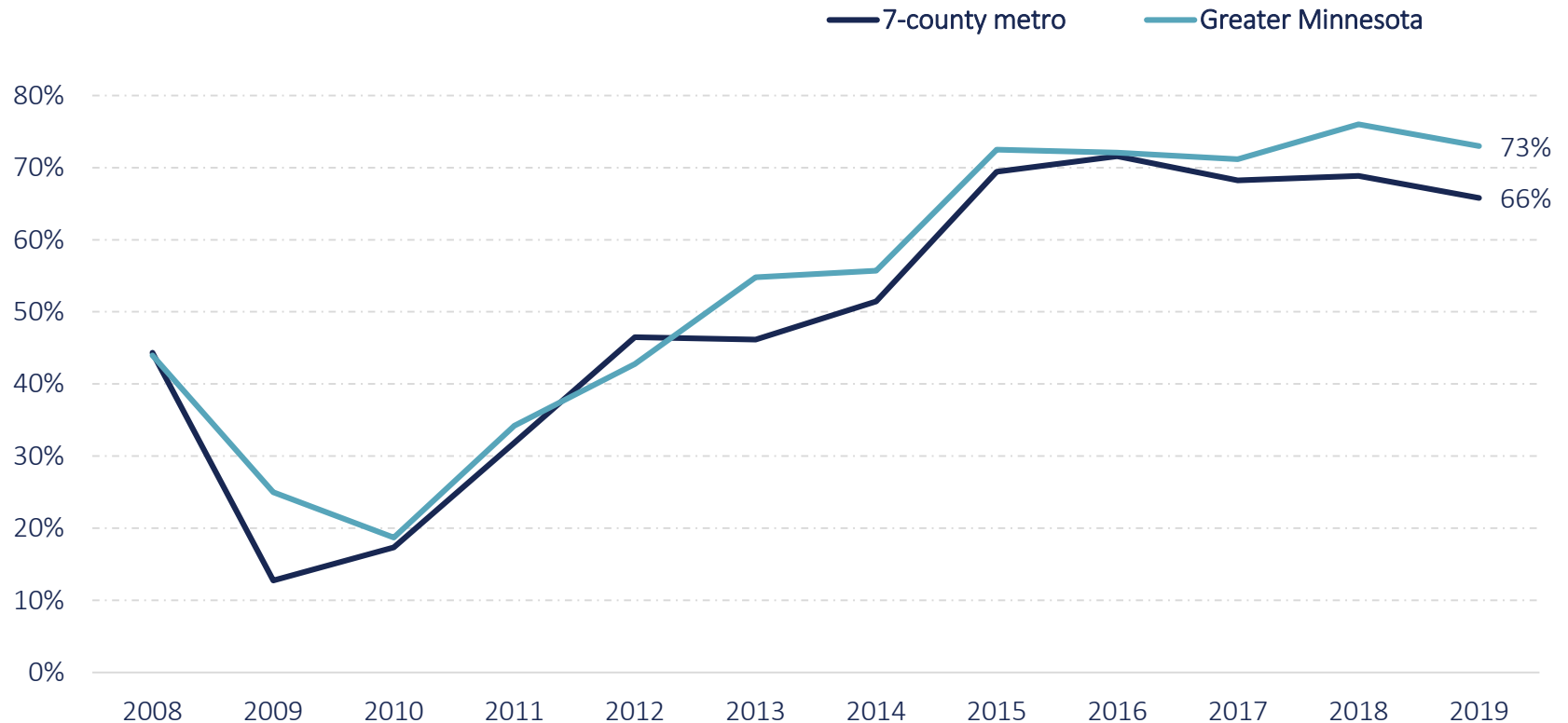


Source: Grow Minnesota! Partnership, 2019

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DIFFICULTY HIRING REMAINS TOP CHALLENGE, THOUGH SLOW JOB CREATION MAY BE LESSENING IMPACT



Source: Grow Minnesota! Partnership, 2019

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NEW CAPITAL INVESTMENTS

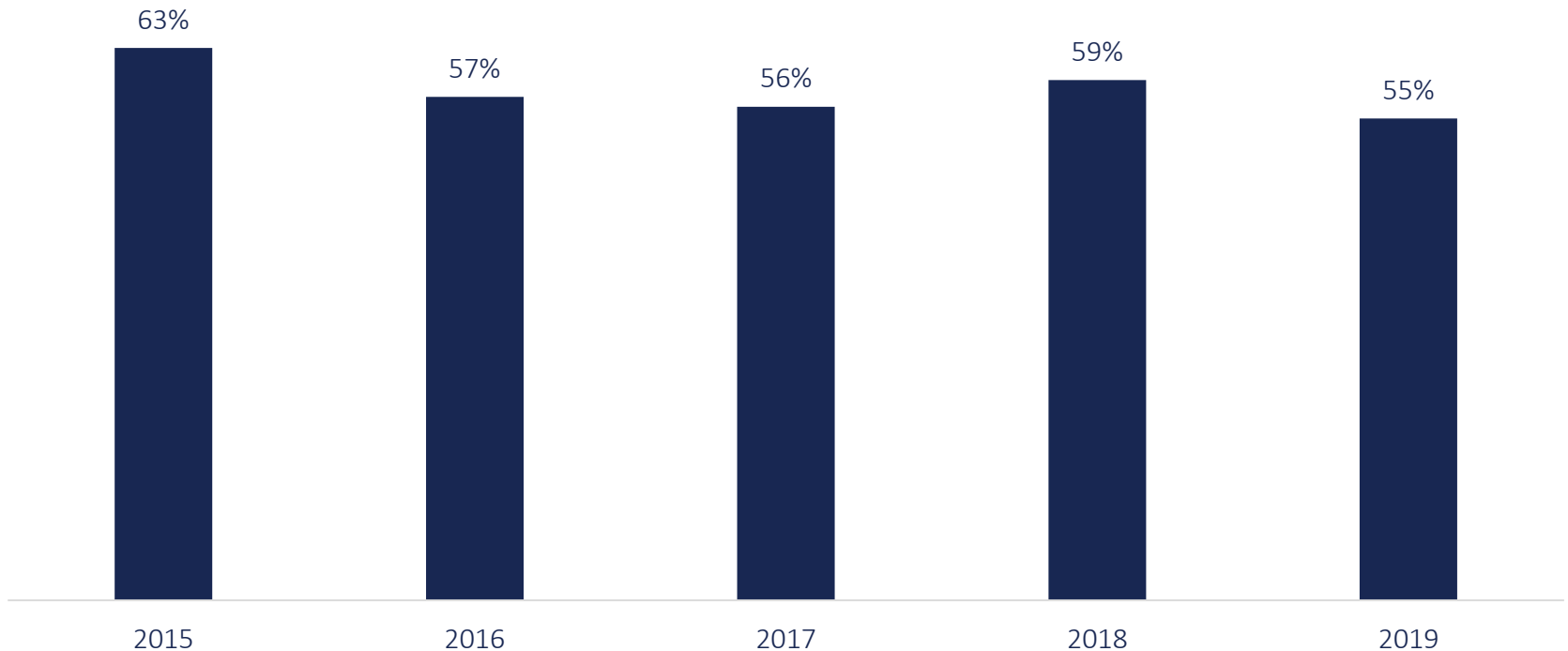
The background of the slide is a dark blue gradient. It features several large, stylized blue arrows pointing upwards and to the right, suggesting growth and progress. A faint grid pattern is visible across the entire background.

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COMPANIES STILL PLANNING NEW INVESTMENTS, BUT AT SLIGHTLY LOWER RATE

Percentage of businesses planning new capital investments



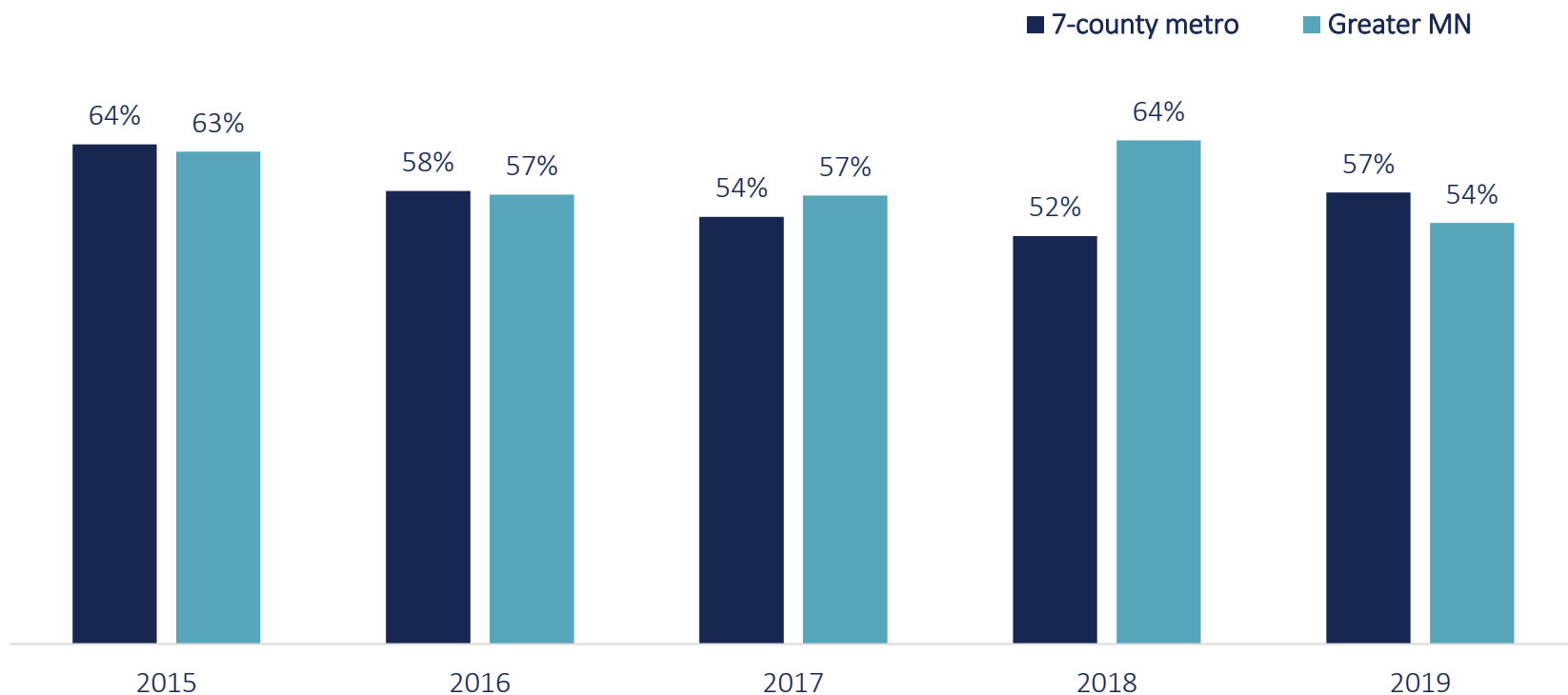
Source: Grow Minnesota! Partnership, 2019

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NO CONSISTENT DIFFERENCE BETWEEN METRO AND GREATER MN BUSINESSES OVER 5-YEAR AVERAGE

Percentage of businesses planning new capital investments



5-year average (% of businesses with new capital investment plans)
Metro = 57% Greater Minnesota = 59%

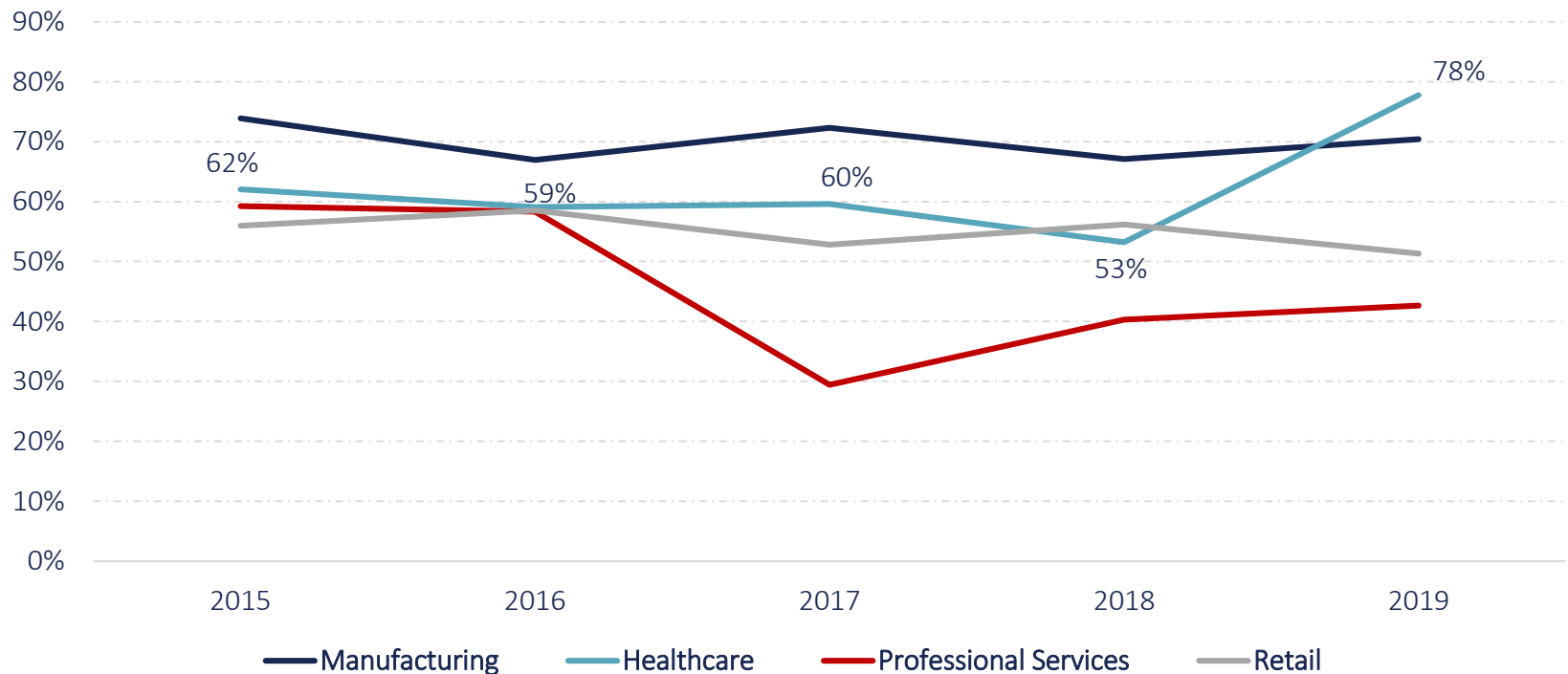
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Source: Grow Minnesota! Partnership, 2019

HEALTHCARE STANDS OUT AMONG OTHER SECTORS IN NEW CAPITAL INVESTMENT SPENDING

Percentage of businesses planning new capital investments, by industry



Source: Grow Minnesota! Partnership, 2019

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NEW CAPITAL INVESTMENTS IN HEALTHCARE

Notable expansions

- Essentia in Duluth: \$800 million expansion
- Carris Health in Redwood Falls: New medical health campus, \$60 million over ten years
- Fairview/UMN Hospital in Minneapolis: \$111 million renovation
- CentraCare Health in Central MN: Expanding Telestroke/Vascular Neurology Clinic to eight new sites
- Cuyuna Regional Medical Center: \$13 million expansion in Crosby

POLICIES AND COST TRENDS

The logo for the Minnesota Chamber of Commerce, featuring the text "MINNESOTA CHAMBER OF COMMERCE" in a bold, sans-serif font, with "MINNESOTA" on the first line, "CHAMBER OF" on the second line, and "COMMERCE" on the third line.

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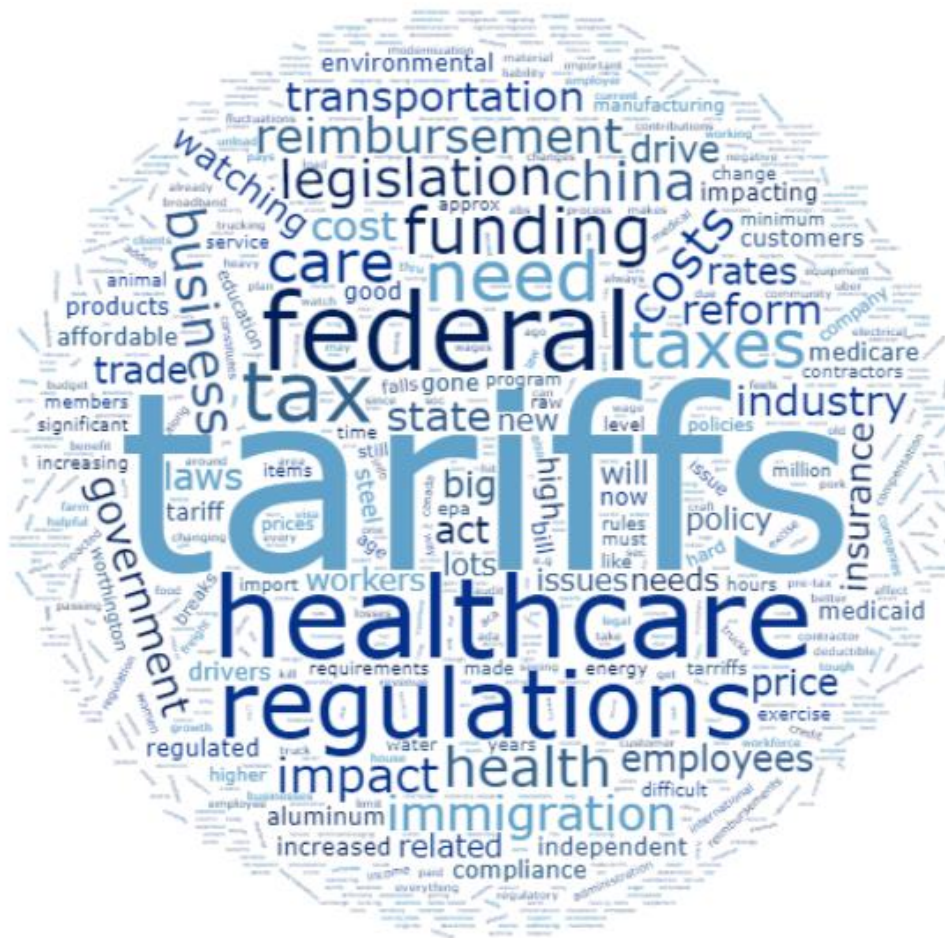
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WHAT STATE POLICIES ARE BUSINESSES TRACKING?



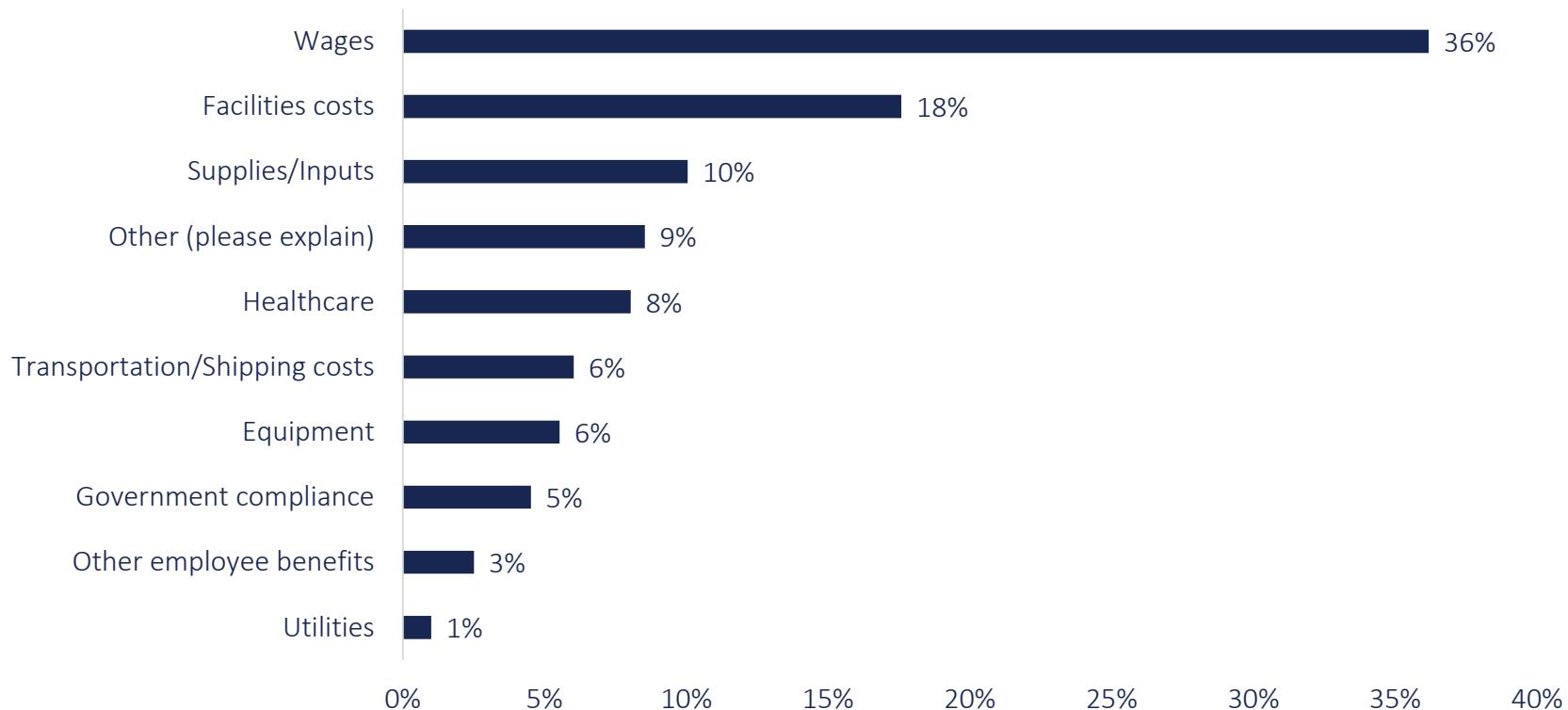
Source: Grow Minnesota! Partnership, 2019

WHAT FEDERAL POLICIES ARE BUSINESSES TRACKING?



Source: Grow Minnesota! Partnership, 2019

FASTEST GROWING EXPENSES



Source: Grow Minnesota! Partnership, 2019

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BUSINESSES EXPLAIN FASTEST GROWING EXPENSES

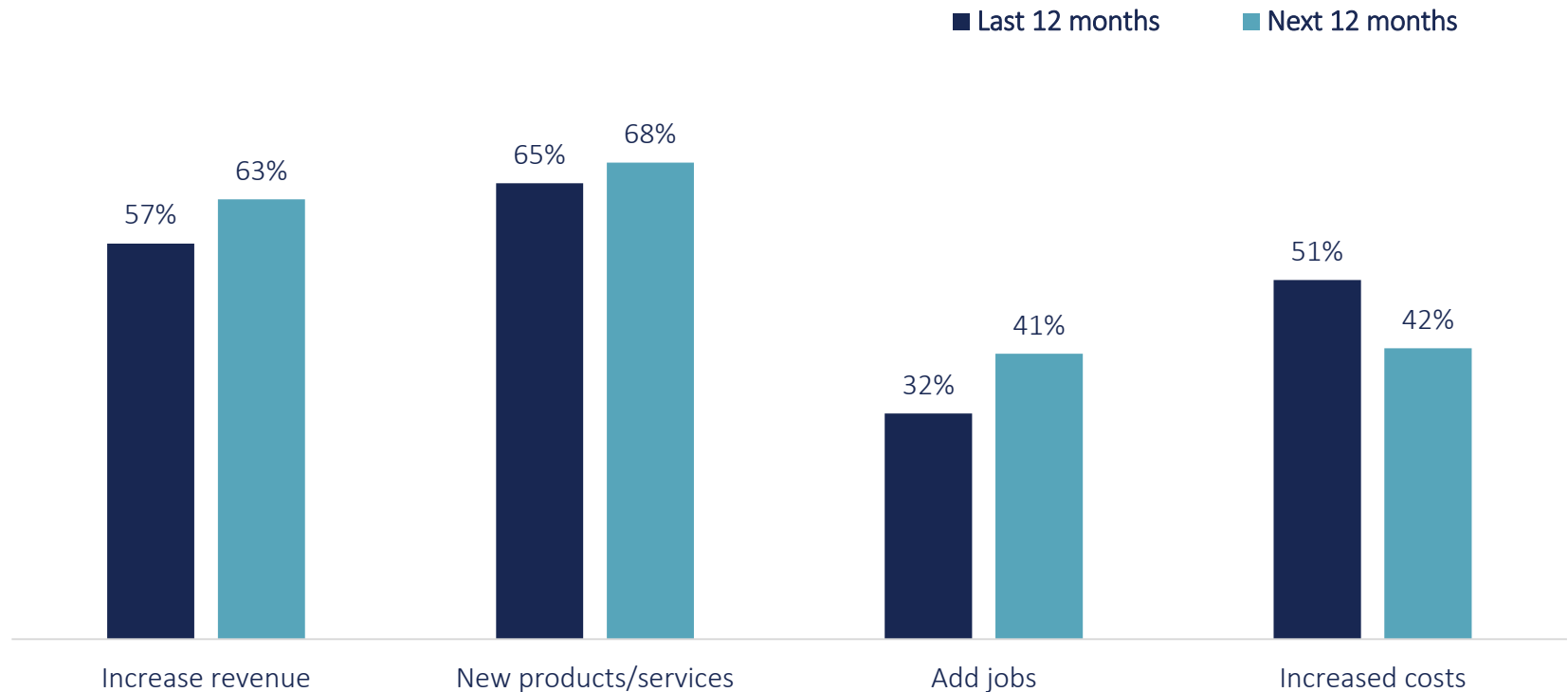
- **Wages** – Our wages are increasing 5-6% a year due to a tight labor market.
- **Healthcare costs** – It costs us \$500K to cover 44 employees.
- **Shipping costs** – Amazon and e-commerce is driving up shipping costs.
- **Supplies/tariffs** – Tariffs have driven supply costs up 25%, costing us approximately \$1 million.

2020 OUTLOOK

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DESPITE FEARS OF RECESSION AND TRADE UNCERTAINTY, BUSINESSES REMAIN GENERALLY OPTIMISTIC ABOUT 2020 OUTLOOK



Taken from responses in Q2 and Q3 2019 to show more recent results

Source: Grow Minnesota! Partnership, 2019

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THANK YOU!

QUESTIONS?

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