

FIFTH ANNUAL

2022

# BUSINESS BENCHMARKS

AND RECOVERY



# BUSINESS BENCHMARKS

From a bygone era to reclaiming our competitive edge

MINNESOTA CHAMBER OF COMMERCE

GROWING MINNESOTA

# BENCHMARKS

Scaling economy  
A summit of growth and



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# MINNESOTA BUSINESS BENCHMARKS

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# MINNESOTA BUSINESS BENCHMARKS

2021

# 2025 BUSINESS BENCHMARKS

Determinants of a healthy economy

MINNESOTA 2018 Benchmarks

Sizing up Minnesota's business and economic climate



Ready for change

# BENCHMARKS

## RESILIENCY AND RECOVERY



# BENCHM

From a bygone era to  
our competitive edge



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# MINNESOTA

## 2019 BUSINESS BENCHMARKS

Sizing up  
Minnesota's  
business and  
economic climate



FIFTH ANNUAL

# MINNESOTA BUSINESS BENCHM

2019



Scoping economic peaks: growth and challenges

# 10<sup>TH</sup>

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# 2025 BUSINESS BENCHMARKS

## Determinants of a healthy economy

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# A note from the CEO

**F**or the last ten years, the Business Benchmarks report has laid out economic indicators in several categories that best determine a healthy economy and a competitive business climate. Our state has numerous economic strengths including a diverse industry base with businesses of all sizes, a legacy of innovation, hardworking labor force and great natural amenities. When asked why they choose to stay in Minnesota, a strong majority of business leaders say it is because their business was established here. We must honor that legacy and improve our comparative position so businesses can continue to start, grow and thrive in Minnesota.

## Determinants of a healthy economy:

- Strong GDP and job growth
- Costs conducive to private sector investment, expansion
- Sensible business regulations
- Near-and long-term workforce strategy
- Smart public sector investments that spur growth

In this tenth annual report, we look back on a decade of data and talk to business executives throughout the state, and a longer-term view comes into focus. What does an economy need to thrive?

### Strong GDP and job growth

A strong Gross Domestic Product (GDP) means an economy is expanding. It reflects increased production, rising incomes, higher consumer spending, expanded business and increased private sector investment. These elements together can expand the tax base without tax increases and increase the standard of living for citizens.

Individual businesses benefit from higher GDP through improved business confidence and increased consumer demand. Greater access to capital spurs innovation and growth. A stronger labor market gives businesses a larger pool of skilled workers, thanks to increased employment and training opportunities. Business leaders cite GDP growth as a top measurement of creating success. For them, it leads to new investments in their business and their employees.

Job growth is another key indicator of economic health as it signals business expansion, improved financial position for individuals and overall resiliency.

In the first Business Benchmarks report, Minnesota's GDP ranked 13<sup>th</sup> in the nation at 2.4%. Today, it ranks 40<sup>th</sup> at 1.6%. Each state has experienced ups and downs during that time and it's a complicated

set of circumstances that determine relative growth. Job growth has largely remained stagnant since the first report; ranked 30<sup>th</sup> then and 31<sup>st</sup> today (1.4% in both years). Over the past decade, Minnesota's economy expanded at a slower rate than the U.S. economy. GDP growth averaged 2.4% annually in the U.S., compared to just 1.7% in Minnesota. While this differential may not seem stark in the short-term, the long run implications are more significant. At this rate, it would take Minnesota's economy 41.5 years to double in size from 2023 levels, a full twelve years longer than it would take the U.S. economy to double, leaving future Minnesotans at a relative disadvantage.

### Costs should be conducive to investment, expansion

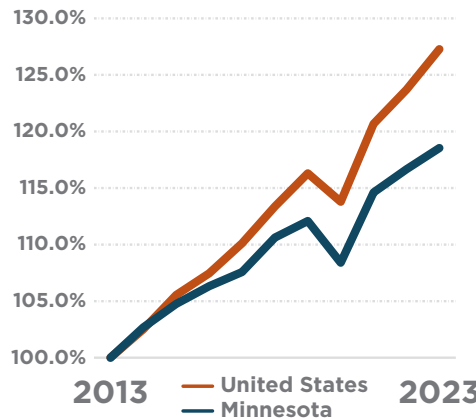
The cost of doing business can have an impact on numerous elements of a state's economic strength. Business executives cite high costs as the most important issue for elected officials to address. In a recent poll, reducing taxes, bringing down costs and reducing government spending accounted for 60% of overall responses. Lower business costs increase profitability and wages, encourage investment and create jobs, and spur innovation and entrepreneurship. Low costs can continue this trend and lead to growth.

Minnesota's tax rates have hovered in the top 10 highest nationally for more than a decade. In the 2023 legislative session alone, lawmakers drained a more than \$18 billion surplus and increased taxes by more than \$10 billion. Meanwhile, 29 other

states have lowered their tax rates, making Minnesota even more of an outlier.

These increases coupled with increased costs of doing business discourage growth and impact specific industries disproportionately high, including manufacturers and small businesses. Business leaders have taken note: When asked if they plan to stay and grow in Minnesota or look elsewhere, those who say they are growing or moving their business out of the state due to high taxes have increased by 10% over

**Real GDP growth index:**  
(2013 levels = 100%)  
**Minnesota and United States, 2013-2023**



Source: Bureau of Economic Analysis

the last year, now at 77%. And 71% of business leaders say that state taxes are a greater burden on their business than they were just five years ago.

**Sensible business regulations**

Sensible regulations can ensure accountability, uphold environmental standards and protect consumers. But overregulation increases business uncertainty and costs, and compliance burdens, and it stifles innovation. Balance is necessary to protect public interest and promote economic growth.

In the last two years, the number of mandates placed on business have burdened them with increased costs (such as payroll taxes) and the cost of staff time spent on compliance. Small-and medium-sized businesses are disproportionately impacted, as they have less budgetary flexibility and their time could instead be spent innovating, growing to compete and investing in their workforce.

Employers are already realizing the impact of the escalating number of workplace mandates. The paid leave mandate alone will raise payroll taxes by .88% and will continue to increase administrative burdens when it is fully implemented in 2026. Executives now list government regulations as the second biggest “barrier to business” in Minnesota.

**Near-and long-term workforce strategy**

Minnesota’s skilled workforce is often noted as a key component of business success. Our labor participation rate consistently ranks in the top 10 in the nation, which leads to job creation, supports growth and enhances quality of life. But that is a near-term strength and the data show concerns for the long-term.

Net domestic migration - the change in population moving into and out of our state - has ranked in the lower third in the nation for more than a decade. According to the State Demographer, by the late 2040s, any population growth the state experiences will be from migration instead of natural growth (birth versus deaths). Although Minnesota benefits from international migration, we have lost domestic migration for most of the last 20 years. In the 1990s, the state gained an average of 9,600 people from other states yearly. That trend reversed in the early 2000s when the state began registering net losses. In this year’s report, Minnesota is also ranked 35<sup>th</sup> in the nation, with a net loss of 4,686. Bringing and retaining our workforce is critical for our long-term success.

Educating our next generation of employees is another critical aspect of closing the workforce gap.

**The workforce in NW Minnesota [is a unique strength in Minnesota.] While limited in number, we believe people are uniquely hard working, conscientious and drive innovation + continuous improvement.”**

**- Dave Doherty, President, DigiKey, Thief River Falls**

Unfortunately, Minnesota’s test scores have declined faster than the national average, with 40% of fourth graders not reading at a basic level. In 2013, Minnesota ranked above the national average, but that strength has since eroded. Today we tie the national average but rank 25<sup>th</sup> in the nation. Minnesota must regain its historic strength of a robust, highly skilled workforce.

**“While Minnesota is known for its well-educated and hard-working workforce, the decline in the working-age population has posed challenges for expansion within the state.”**

**- Molly Jungbauer, CEO and Owner, Hollstadt Consulting, Eagan**

**4TH GRADE READING LEVELS**

YEAR	MINNESOTA	RANK	U.S. AVG.
2013	74%	11TH	67%
2015	71%	22ND	68%
2017	71%	12TH	67%
2019	69%	12TH	65%
2022	61%	25TH	61%

**Smart investments that spur growth**

Minnesota has a strong record of supporting long-term investment strategies that help businesses grow over time. Business executives cite the need for public investments that support growth, including Research and Development (R&D) opportunities and enabling access to capital.

One standout example is our state’s comprehensive transportation system. It boasts major ports and waterways, railways, an award-winning international airport and an interconnected road system. Increased investments have helped the state’s competitiveness overall.

**Public policy plays a role in competitiveness**

Minnesota’s lawmakers have a responsibility to understand the impact of their decisions on employers, employees and the state’s economy. The policies that they support can either stimulate or stifle growth and competitiveness and will impact how many people live here, start and grow a business here and our shared economic success for generations. We encourage the business community and elected officials to build a better understanding of how employers contribute to our economy and the quality of life in Minnesota. ■



Doug Loon  
President and CEO,  
Minnesota Chamber of Commerce



# Economy:

## Steady but slow to grow

Despite a strong legacy of innovation and a diverse industry base, Minnesota has lagged the nation in economic growth rankings for most of the last two decades. GDP growth - a fundamental measurement of economic strength - ranks 40<sup>th</sup> in the nation, with a rate of 1.6% (2.9% is the national average). Although annual job growth has increased, public sector jobs grew 5.1% fueled by policies from the 2023 legislature, greatly outpacing private sector job growth of 0.6%, which is less than half of 1.4% national average. Education and health care industries out-performed the national average in job growth, while Minnesota lost jobs in critical industries such as professional and business services, financial, construction, manufacturing, information, and mining and logging. Although Minnesota lags in personal income growth, its state average (\$71,866) still exceeds the national average (\$68,531). ■

### MINNESOTA RANKING: 1ST IS BEST

ANNUAL GROWTH IN STATE GDP	2023 <b>Ranked 40th</b> 1.6% National average: 2.9%	WORSE <b>5</b> SPOTS FROM 2022
ANNUAL EXPORTS	2023 <b>Ranked 41st</b> (-8.5%) National average: (-2%)	WORSE <b>26</b> SPOTS FROM 2022
ANNUAL JOB GROWTH	SEPTEMBER 2024 <b>Ranked 30th</b> 1.3% National average: 1.5%	WORSE <b>1</b> SPOT FROM 2023
ANNUAL PER CAPITA PERSONAL INCOME GROWTH	2023 <b>Ranked 47th</b> 3.8% National average: 5.4%	WORSE <b>30</b> SPOTS FROM 2022
OUTPUT PER WORKING ADULT	2023 <b>Ranked 15th</b> \$107,431 National average: \$105,703	WORSE <b>3</b> SPOTS FROM 2021
UNEMPLOYMENT RATE	SEPTEMBER 2024 <b>Ranked 21st</b> 3.4% U.S. rate: 4.1%	BETTER <b>2</b> SPOTS FROM 2023

# Taxes:

## Occupying the top spots in the nation

Minnesota business leaders consistently note high taxes as their top concern for their impact on growth and investment. As other states have used budget surpluses to lower taxes, Minnesota continues to raise these costs, placing the state at or near the top of several categories, including the corporate income tax, where Minnesota now has the number one rate in the nation. The state's overall state and local tax burden per capita has become far less competitive in recent years, as the gap between Minnesota's per capita burden and the national average have doubled since 2013. Costs will continue to increase as a result of the more than \$10 billion (over four years) in new tax increases passed by the legislature in 2023. Examples of these increases that are not yet included in the rankings are the gas tax, 1% metro sales tax increase, new payroll tax for paid leave and the new delivery fee. ■

### MINNESOTA RANKING: 1ST IS HIGHEST

STATE BUSINESS TAX CLIMATE INDEX	2024 <b>Ranked 7th highest cost</b>	BETTER <b>1</b> SPOT FROM 2023
PASS-THROUGH AND INDIVIDUAL INCOME TOP TAX RATES	2024 <b>Ranked 6th</b> 9.85%	SAME RANKING AS 2023
STATE AND LOCAL SALES TAX RATES	2024 <b>Ranked 15th</b> 8.12%	WORSE <b>2</b> SPOTS FROM 2023
CORPORATE INCOME TAX RATE	2024 <b>Ranked 1st</b> 9.8%	WORSE <b>1</b> SPOT FROM 2023
OVERALL STATE AND LOCAL TAXES PER CAPITA	2021 <b>Ranked 9th</b> \$7,457 National average: \$5,409	WORSE <b>1</b> SPOT FROM 2020
STATE GAS TAX	JULY 2024 <b>Ranked 30th</b> 28.6¢/gallon U.S. average: 32.61 cents/gallon	WORSE <b>1</b> SPOT FROM 2023

# Cost of doing business: Increases impacting competitiveness

**A**ffordability is an important consideration for both employers and employees. There is good news that Minnesota's cost of living is more competitive than other regions, which helps retain and attract a workforce, which is critical in Minnesota as most employers struggle to fill their needs. The costs of the United States are particularly higher: \$97.70 can buy \$100 of goods in Minnesota, compared to \$112.50 in California and \$109.40 in Massachusetts.

The cost of doing business is a more complicated story. Factors that businesses consider in terms of location or growth vary greatly. For example, manufacturers may place more importance on energy costs and workers' compensation premiums, and Minnesota ranks 12<sup>th</sup> highest in the nation (for both). Minnesota is known for high quality health care, but while premiums continue to rise in all states, Minnesota's ranking bounces around, from 38<sup>th</sup> in 2020, worse to 19<sup>th</sup> in 2021, then better to 30<sup>th</sup> in 2022, and now among the highest in the nation at 13<sup>th</sup>. ■

## MINNESOTA RANKING: 1ST IS HIGHEST COST

<p><b>ELECTRICITY</b> (AVERAGE PRICE FOR INDUSTRIAL CUSTOMERS)</p>	<p>2024 <b>Ranked 12th</b> 9.12¢/kWh National average: 7.98¢/kWh</p>	<p>WORSE <b>2</b> SPOTS FROM 2023</p> 
<p><b>INDIVIDUAL HEALTH INSURANCE PREMIUM</b> (EMPLOYER SPONSORED)</p>	<p>2023 <b>Ranked 13th</b> \$8,355 National average: \$8,182</p>	<p>WORSE <b>17</b> SPOTS FROM 2022</p> 
<p><b>WORKERS' COMPENSATION PREMIUMS</b></p>	<p>2022 <b>Ranked 12th</b> 122% of median National average 100%</p>	<p>WORSE <b>5</b> SPOTS FROM 2020</p> 
<p><b>UNEMPLOYMENT TAX RANKING</b></p>	<p>2024 <b>Ranked 20th</b></p>	<p>BETTER <b>3</b> SPOTS FROM 2022</p> 
<p><b>COST OF LIVING</b></p>	<p>2022 <b>Ranked 21st</b> 97.7 National average: 100</p>	<p>BETTER <b>1</b> SPOT FROM 2021</p> 





# Innovation:

## A strong legacy and critical for the future

Innovation has long-been a bright spot for Minnesota and key indicators continue the trend this year. Minnesota currently ranks 7<sup>th</sup> in the nation for patents and workforce technology. Although the state boasts fewer business start-ups (32<sup>nd</sup>), the state’s five-year survival rate is currently first in the nation, nearly 11% higher than the national average. Elements of business innovation will continue to be a critical component of the state’s future success. ■

**MINNESOTA RANKING: 1ST IS BEST**

<p>TECHNOLOGY AND SCIENCE WORKFORCE MILKEN INDEX</p>	<p>2022 <b>Ranked 7th</b></p>	<p>WORSE <b>1</b> SPOT FROM 2020</p> 
<p>VENTURE CAPITAL PER CAPITA</p>	<p>2023 <b>Ranked 18th</b> \$2,168 National average: \$508</p>	<p>WORSE <b>3</b> SPOTS FROM 2022</p> 
<p>BUSINESS 5-YEAR SURVIVAL</p>	<p>2018-2023 <b>Ranked 1st</b> 57.6% National average: 52%</p>	<p>BETTER <b>10</b> SPOTS FROM 2017-2022</p> 
<p>ENTREPRENEURSHIP NEW EMPLOYER BUSINESS RATE STARTUP ACTIVITY</p>	<p>2022 <b>Ranked 33rd</b> 0.13 per 100 people National average: 0.15 per 100 people</p>	<p>WORSE <b>1</b> SPOT FROM 2022</p> 
<p>PATENTS PER CAPITA</p>	<p>2023 <b>Ranked 7th</b> 639/million people National average: 466/million people</p>	<p>WORSE <b>1</b> SPOT FROM 2022</p> 

# Infrastructure: Continued success

Quality infrastructure is a critical component of the state’s business climate. Minnesota’s comprehensive transportation system offers clear advantages to the state’s diverse industries, with major ports and waterways, attentive railways, an award-winning international airport and an interconnected road system. The state’s national rankings continue to improve in this category in highway performance, safety and road conditions. Since 2013, performance has jumped from 27<sup>th</sup> in the nation to 12<sup>th</sup>, and urban interstate road conditions have jumped from 39<sup>th</sup> in the nation to 27<sup>th</sup>. ■

## MINNESOTA RANKING: 1ST IS BEST

TOTAL SCHEDULED FLIGHTS	2024 <b>Ranked 15th</b> of 770 airports 140,475 flights	BETTER <b>3</b> SPOTS FROM 2023
TOTAL FREIGHT RAIL MILES	2021 <b>Ranked 8th</b> 4,373 freight rail miles	SAME RANKING AS 2020
COMMUTE TIMES	2022 <b>Ranked 17th</b> 23.3 minutes National average: 26.7 minutes	WORSE <b>5</b> SPOTS FROM 2021
OVERALL HIGHWAY PERFORMANCE	2023 Study, 2021 data <b>Ranked 12th</b>	BETTER <b>6</b> SPOTS FROM 2020
BROADBAND COVERAGE AND SPEED (100 MBPS ACCESS AND SPEED AT LEAST)	2023 <b>Ranked 20th</b> 95.6% coverage, 86.1 mbps National average: 92.5%	SAME RANKING AS 2022



# Workforce:

## Near-term gains with future hurdles

Minnesota's skilled workforce is often noted as a key component of business success. And while the state ranks in the top 10 for labor participation (6<sup>th</sup>), outcomes from Minnesota's education system signal trouble for the future. While test scores have also been declining nationally, Minnesota's test scores have declined faster than the national average for nearly a decade. Nearly 40% of fourth graders are not reading at a basic level today, 18% lower than 2013. 90% of Minnesota 4<sup>th</sup> graders tested at or above the basic level in 2013 compared to 78% in the most recent ranking. ■

### MINNESOTA RANKING: 1ST IS BEST

4TH-GRADE READING SCORES	2022 <b>Ranked 25th</b> 61% at or above basic National average: 61%	WORSE <b>13</b> SPOTS 2019 
ON-TIME HIGH SCHOOL GRADUATION RATE	2022 <b>Ranked 35th</b> 84% National average: 87%	WORSE <b>3</b> SPOTS 2020 
LABOR PARTICIPATION RATE	SEPTEMBER 2024 <b>Ranked 6th</b> 67.7% National average: 62.7%	BETTER <b>1</b> SPOT FROM 2023 
NET DOMESTIC MIGRATION	07/01/22 TO 06/30/23 <b>Ranked 35th</b> (4,686) net loss	BETTER <b>7</b> SPOTS FROM 2022 
NET INTERNATIONAL IMMIGRATION	07/02/22 TO 06/30/23 <b>Ranked 19th</b> 14,575 gain	SAME RANKING 2022 



# Thank you, Chamber Federation

Minnesota Chamber advocacy is further bolstered by the 50-plus partners who are unified as the Minnesota Chamber Federation – local chambers of commerce that adopt and advocate for your top legislative priorities.

Albert Lea Freeborn County Chamber of Commerce

Alexandria Lakes Area Chamber of Commerce

Anoka Area Chamber of Commerce

Apple Valley Chamber of Commerce

Austin Area Chamber of Commerce

Bemidji Area Chamber of Commerce

Blue Earth Chamber of Commerce

Brainerd Lakes Chamber

Burnsville Chamber of Commerce

Cloquet Area Chamber of Commerce

Cottage Grove Area Chamber of Commerce

Cuyuna Lakes Chamber of Commerce

Dakota County Regional Chamber of Commerce

Detroit Lakes Regional Chamber of Commerce

Duluth Area Chamber of Commerce

The Chamber Grand Forks – East Grand Forks

Eden Prairie Chamber of Commerce

Elk River Area Chamber of Commerce

Fairmont Area chamber of Commerce

Fargo Moorhead West Fargo Chamber of Commerce

Faribault Area Chamber of Commerce and Tourism

Fergus Falls Area Chamber of Commerce

Glenwood Lakes Area Chamber of Commerce

Grand Rapids Area Chamber of Commerce

Greater Mankato Growth, Inc.

Greater Stillwater Chamber of Commerce

Hastings Area Chamber of Commerce & Tourism Bureau

Hermantown Area Chamber of Commerce

Hibbing Area Chamber of Commerce

Hutchinson Area Chamber of Commerce & Tourism

I-94 West Chamber of Commerce

International Falls Area Chamber of Commerce

Lake City Chamber of Commerce

Lake County Chamber of Commerce

Lakeville Chamber of Commerce & Tourism

Laurentian Chamber of Commerce

Litchfield Area Chamber of Commerce

Lonsdale Chamber of Commerce

Marshall Area Chamber

MetroNorth Chamber of Commerce

New Prague Chamber of Commerce

New Ulm Area Chamber of Commerce

Northfield Area Chamber of Commerce & Tourism

Owatonna Area Chamber of Commerce and Tourism

Park Rapids Lakes Area Chamber of Commerce

Pipestone Area Chamber of Commerce

Red Wing Area Chamber of Commerce

Redwood Area Chamber and Tourism

River Heights Chamber of Commerce

Rochester Area Chamber of Commerce

Sauk Centre Area Chamber of Commerce

Shakopee Chamber of Commerce

Southwest Metro Chamber of Commerce

Saint Anthony Area Chamber of Commerce

St. Cloud Area Chamber of Commerce

St. Paul Area Chamber

Thief River Falls Chamber of Commerce

Twin Cities North Chamber of Commerce

Waconia Chamber of Commerce

Waseca Area Chamber of Commerce

White Bear Area Chamber of Commerce

Willmar Lakes Area Chamber of Commerce

Winona Area Chamber of Commerce

Woodbury Area Chamber of Commerce

Worthington Area Chamber

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