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Quarterly Commerce Economic Briefing

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Executive Summary

North Dakota's real GDP was \$52.78 billion, slightly lower than its fourth quarter of 2019 pre-pandemic real GDP of \$53.90 billion. In North Dakota, the agriculture industry was the leading contributor to the fourth-quarter increase in real GDP, and the energy industry was the second leading contributor. In comparison to neighboring states (South Dakota, Minnesota, and Montana), North Dakota's real GDP growth was slightly below the average of the three states in the fourth quarter of 2020. This report analyzes the impacts of the COVID-19 pandemic by the quarter-on-quarter growth rate in real GDP at the state and sector level.

State-Level Impacts

North Dakota's real GDP increased at a quarterly rate of 1.3% in the fourth quarter of 2020, above the national average quarterly rate, and was the 12th highest quarterly growth rate in the nation (Figure 1 in Appendix). The increase in the real GDP reflected a 1.6% increase in compensation of employees (the most significant component of personal income) and a 5.3% increase in the gross operating surplus, which were partly offset by a 4.7% decrease in the total taxes. The decrease in state tax collections reflected a sharp decline in individual income taxes of 48% and general sales and gross receipts taxes of 6%. North Dakota's compensation of employees was \$28.58 billion of current dollars, with \$23.18 billion in wages and salaries and \$5.40 billion in supplements to wages and salaries. Supplements to wages and salaries consist of employer contributions for government social insurance and employer contributions for employee pension and insurance funds. The gross operating surplus, which includes consumption of fixed capital, proprietors' income, corporate profits, and business current transfer payments, was \$26.28 billion of current dollars.

The fourth-quarter growth rate in neighboring state of the real GDP ranged from 0.9% in Montana to 2.4% in South Dakota. Montana's quarterly growth rate was below the national average, while South Dakota had the nation's highest quarterly growth rate. The smaller increases in real GDP in the fourth quarter reflected both the continued economic recovery from the sharp decreases at the start of the COVID-19 pandemic in 2020 and the ongoing impact of the COVID-19 pandemic.

Sector Specific Impacts

Real GDP for the **agriculture** industry (which includes forestry, fishing, and hunting) increased in North Dakota, Minnesota, and Montana. The fourth quarter's quarterly growth rate ranged from -0.8% in South Dakota to +9.8% in North Dakota. Among the four states, only South Dakota had a negative growth rate in real GDP in the fourth quarter of 2020. In comparison to neighboring states, the agriculture industry's growth was particularly strong in North Dakota, where it grew 9.8% in the fourth quarter of 2020, almost seven times higher than the national average (see Figure 2 in Appendix). The real GDP growth reflected a sharp increase in farm proprietors' income. In North Dakota, farm proprietors' income increased to \$2.8 billion, a 108% increase from the third quarter of 2020 and a 164% increase from its pre-pandemic figure in the fourth quarter of 2019. The growth in North Dakota's farm proprietors' income was partly due to the Federal Pandemic Response Programs - the Coronavirus Food Assistance Program (CAFP) and Paycheck Protection Program (PPP). The CAFP, initially established by the CARES Act, provides direct

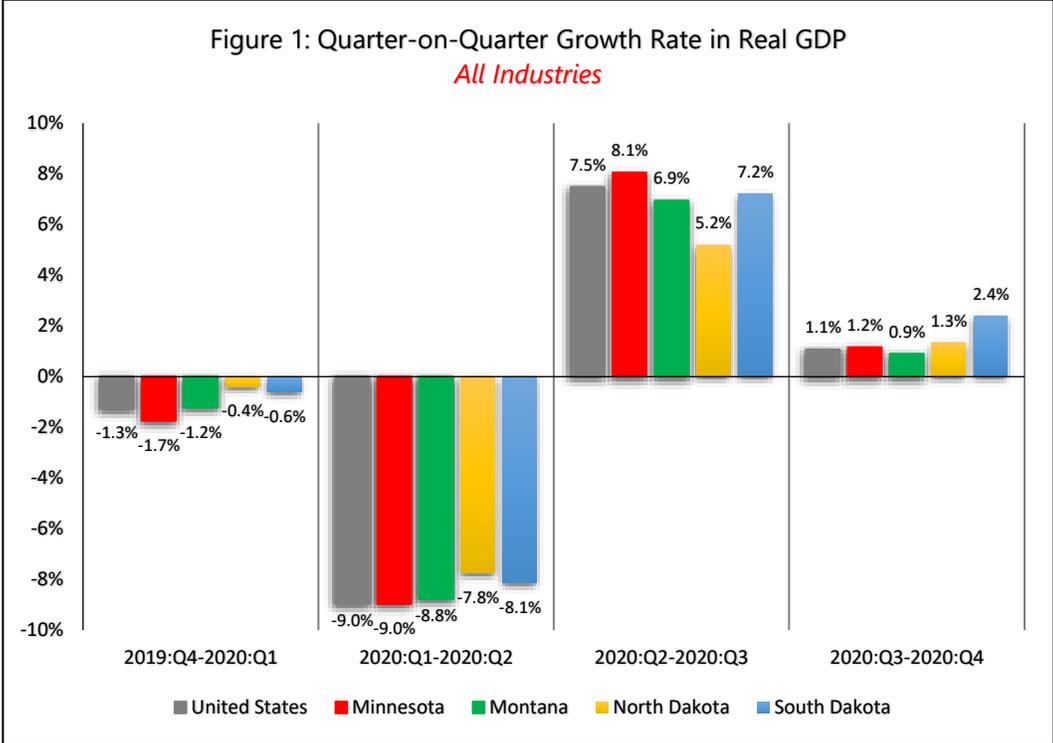
support to farmers and ranchers where the COVID-19 pandemic has impacted prices and market supply chains. In the fourth quarter of 2020, the CAFP accounted for 59% (\$1.66 billion), while the PPP loans to businesses accounted for only 2% (\$43.3 million) of the farm proprietors' income.

In the fourth quarter of 2020, real GDP for the **energy** industry (including mining, quarrying, and oil and gas extraction) increased across all four states. The quarterly growth rates ranged from 3% in Montana to 3.7% in Minnesota and were higher than the national average (see Figure 3 in Appendix). North Dakota had the second-highest quarterly growth rate of 3.5% compared to its neighboring states. The increase in North Dakota's real GDP in the fourth quarter of 2020 reflected increases in the compensation of employees, severance taxes, and taxable sales and purchases in the energy industry. North Dakota's severance taxes were \$356 million of current dollars, up 16% from the third quarter of 2020 but down considerably from its pre-pandemic figure in the fourth quarter of 2019 (\$633 million). North Dakota's taxable sales and purchases in the mining and oil extraction industry were \$336 million, up 14% from the third quarter of 2020 but 52% lower than the fourth quarter of 2019. Overall, North Dakota's real GDP was \$6.9 billion in the fourth quarter of 2020, down 17% compared to the fourth quarter of 2019 (\$8.4 billion).

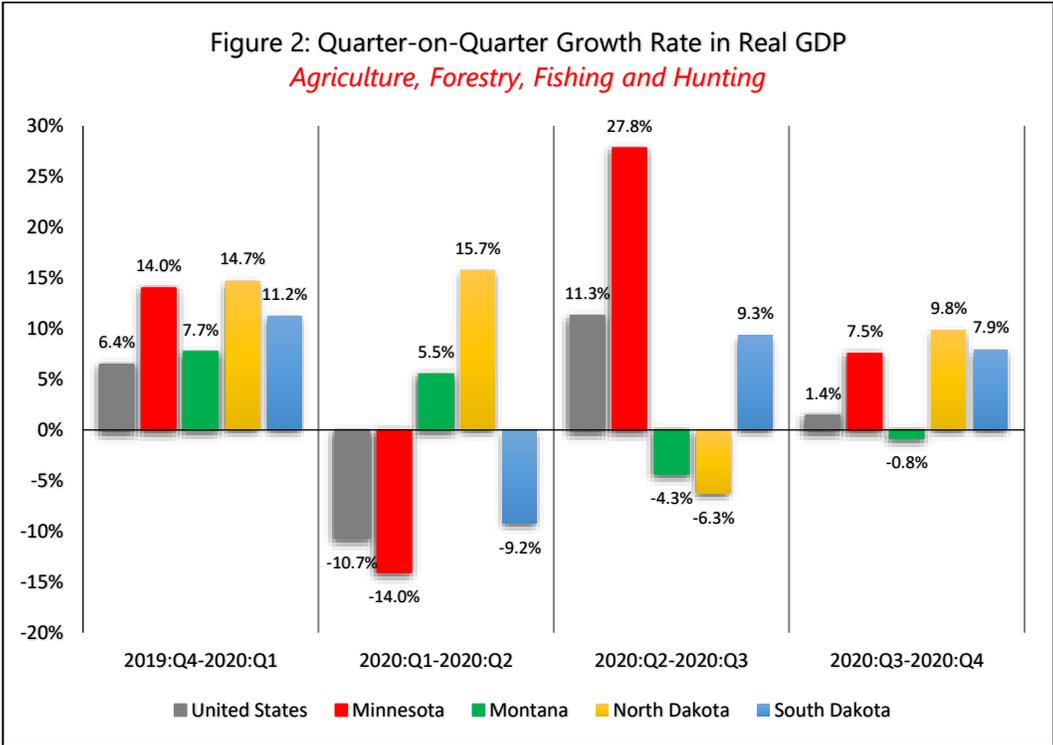
The quarterly growth rate in real GDP for the **manufacturing** industry (which includes durable goods manufacturing and nondurable goods manufacturing) ranged from -0.2% in Montana to +2.1% in South Dakota (see Figure 4 in Appendix). North Dakota's real GDP in the fourth quarter of 2020 was \$3.8 billion, up 1.2% from the prior quarter and slightly above the national average but 0.9% lower than the fourth quarter of 2019. The increase in North Dakota's real GDP reflected increases in taxable sales and purchases, which offset a decrease in compensation of employees in the manufacturing industry. In the fourth quarter of 2020, taxable sales and purchases were \$461 million, up 64% from the prior quarter and a 113% increase from the fourth quarter of 2019.

In the fourth quarter of 2020, the quarterly growth rate in real GDP for the **accommodation and food services industry** ranged from -5.9% in Minnesota to +1.7% in South Dakota (see Figure 5 in Appendix). Among the four states, only South Dakota had a positive growth rate in real GDP in the fourth quarter of 2020. North Dakota had the second-lowest quarterly growth rate of -4.9% compared to its neighboring states. The decrease in North Dakota's real GDP reflected declines in the taxable sales and purchases and compensation of employees in the accommodation and food services industry. North Dakota's taxable sales and purchases in the accommodation and food services industry were \$356 million in the fourth quarter of 2020, down 15% from the prior quarter and a 13% decrease from the fourth quarter of 2019.

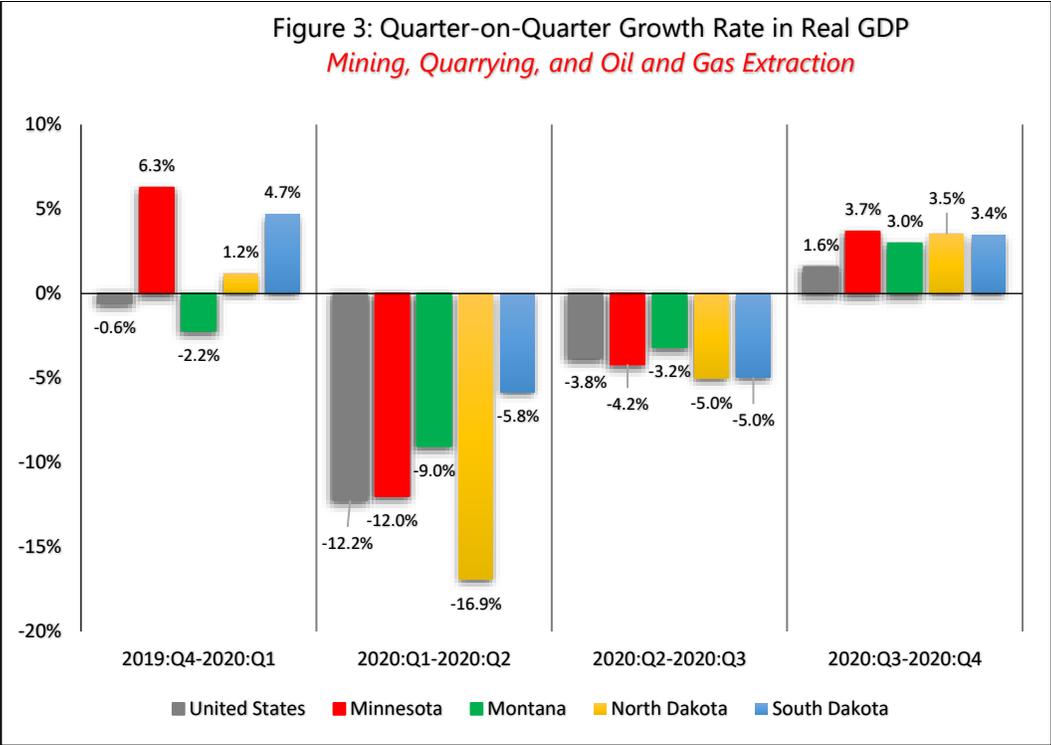
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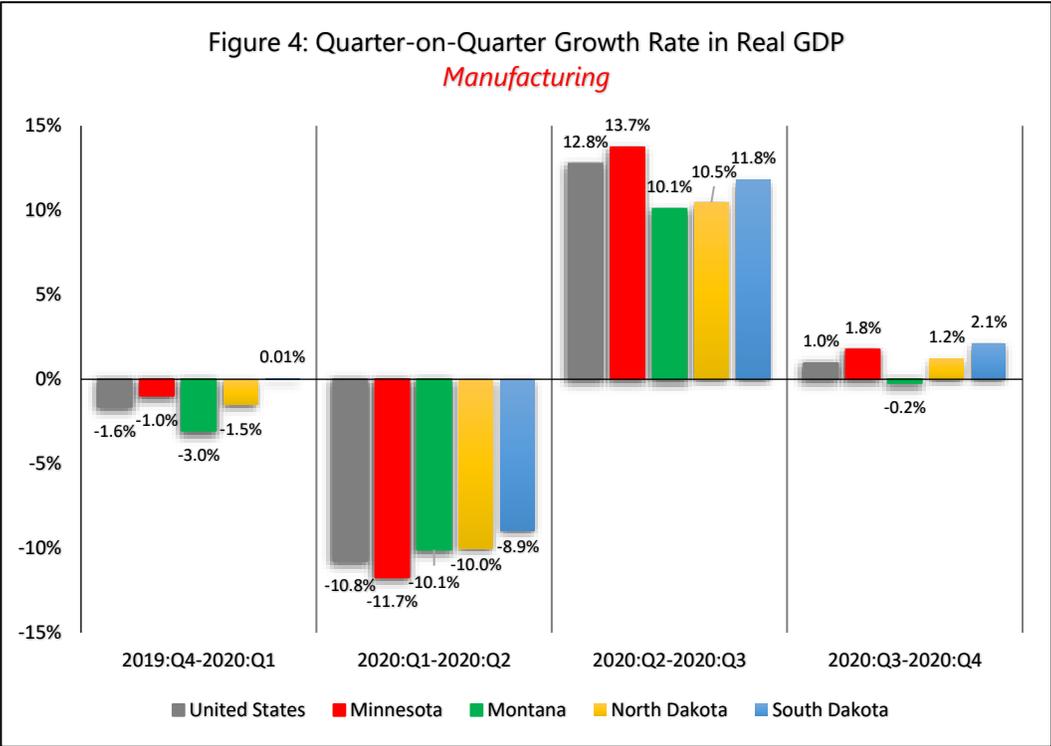
Source: U.S. Bureau of Economic Analysis



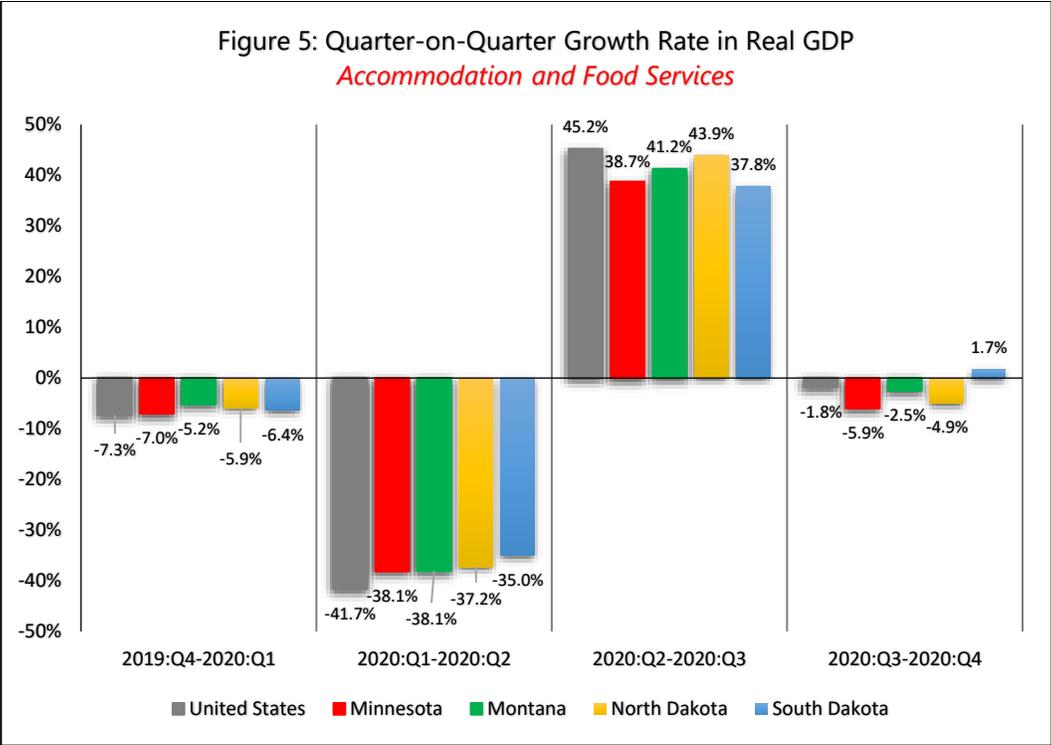
Source: U.S. Bureau of Economic Analysis



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