

REGIONAL PERSPECTIVES

North Dakota Economic Outlook



J.P.Morgan

Economic Forecast

OUTPUT AND EMPLOYMENT

	2012	2013	2014	2015	2016	2017	2018	2019
United States								
Real GDP								
\$ billions (fourth quarter)	\$15,540	\$15,907	\$16,464	\$17,081	\$17,722	\$18,342	\$18,984	\$19,554
% change over the four quarters	2.0%	2.4%	3.5%	3.8%	3.8%	3.5%	3.5%	3.0%
Nonfarm employment								
Job count (fourth quarter)	134,462,667	136,729,000	138,288,195	140,277,551	142,295,525	144,148,171	146,024,938	147,527,236
% change over the four quarters	1.6%	1.7%	1.1%	1.4%	1.4%	1.3%	1.3%	1.0%
Average monthly change	181,333	181,333	181,333	181,333	181,333	181,333	181,333	181,333
North Dakota								
Real GDP								
\$ billions (fourth quarter)	\$39	\$41	\$44	\$47	\$51	\$54	\$57	\$60
% change over the four quarters	10.0%	5.3%	6.7%	7.2%	6.8%	6.4%	5.8%	5.4%
Nonfarm employment								
Job count (fourth quarter)	437,700	454,851	472,957	496,057	519,491	541,004	562,797	580,242
% change over the four quarters	7.0%	3.9%	4.0%	4.9%	4.7%	4.1%	4.0%	3.1%
Average monthly change	2,386	1,429	1,509	1,925	1,953	1,793	1,816	1,454

WHAT THE TABLE SHOWS:

- North Dakota's GDP forecast is derived from the national forecast by allocating output to each of the 50 states based on employment shares. Forecast misses reflect surprises in the aggregate forecast as well as unexpected shifts in a state's GDP share.
- The state's economy is soaring as it develops the Bakken shale gas and oil field.

KEY MESSAGES:

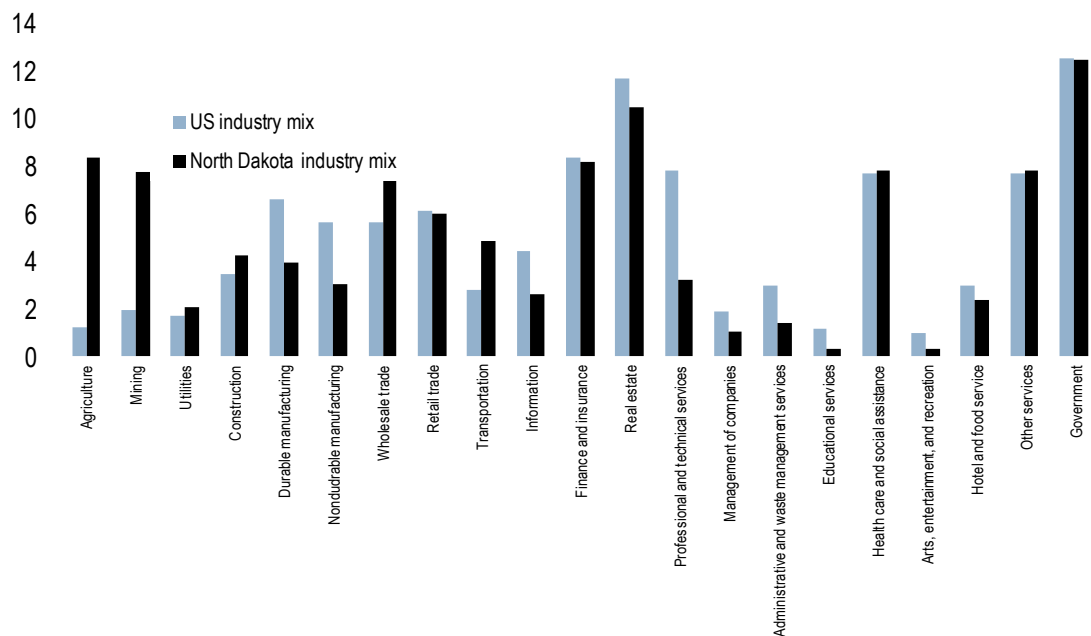
- North Dakota's economy is forecast to continue to expand at a fast pace.
- The broadening of the state's economy built on its energy assets is expected to sustain the state's supercharged growth pace for the next half decade.

Note: GDP figures are based on quarterly values that are interpolated from annual GDP estimates using quarterly employment changes. Unbolded figures are reported actual values and bold figures represent forecasts.

Sources: US Department of Commerce;
US Department of Labor.

The Economy's Structure

PERCENT OF TOTAL GDP DERIVED FROM SELECTED INDUSTRIES



WHAT THE CHART SHOWS:

- The figure compares the relative importance of selected industries to the state's economy with the national footprint of each industry (state and national figures reflect the value added of each industry as a percent of aggregate state or US nominal GDP, respectively).
- The agriculture and government (defense) sectors account for a much larger share of the region's GDP compared with those industry's share of the national economy.
- Dependence on health care and government activity is also a source of stability.

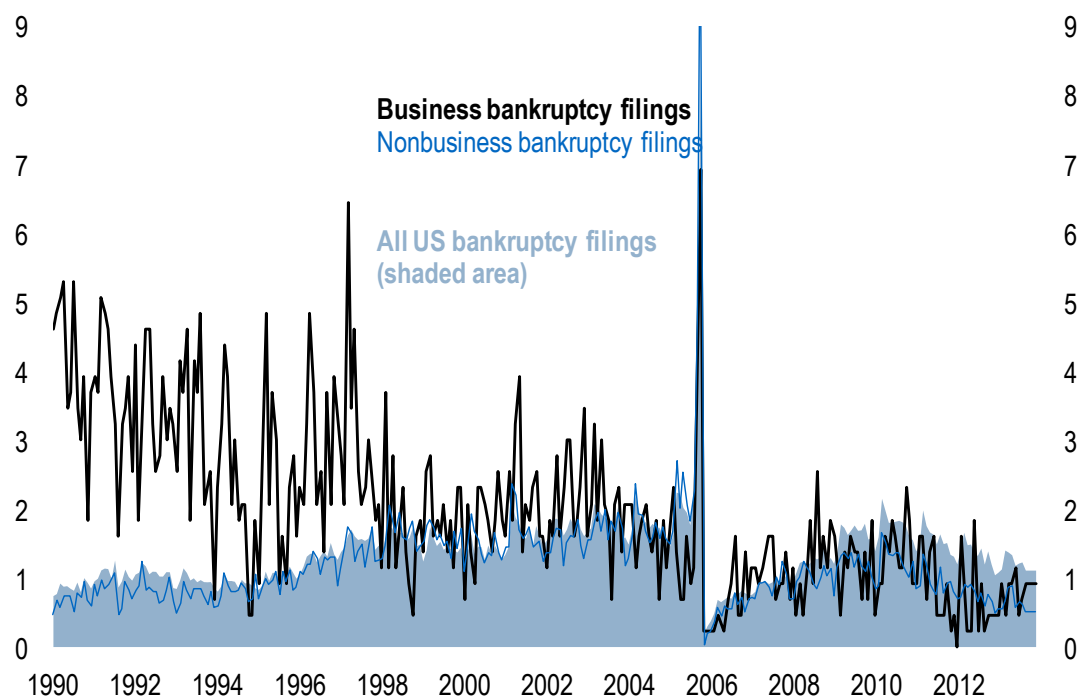
KEY MESSAGES:

- The strength of the agriculture and energy sectors are a plus for North Dakota.

Source: US Department of Commerce. Updated through 2011.

Bankruptcies

RATIO OF BANKRUPTCY FILINGS TO THE 2007 Q4 NUMBER



WHAT THE CHART SHOWS:

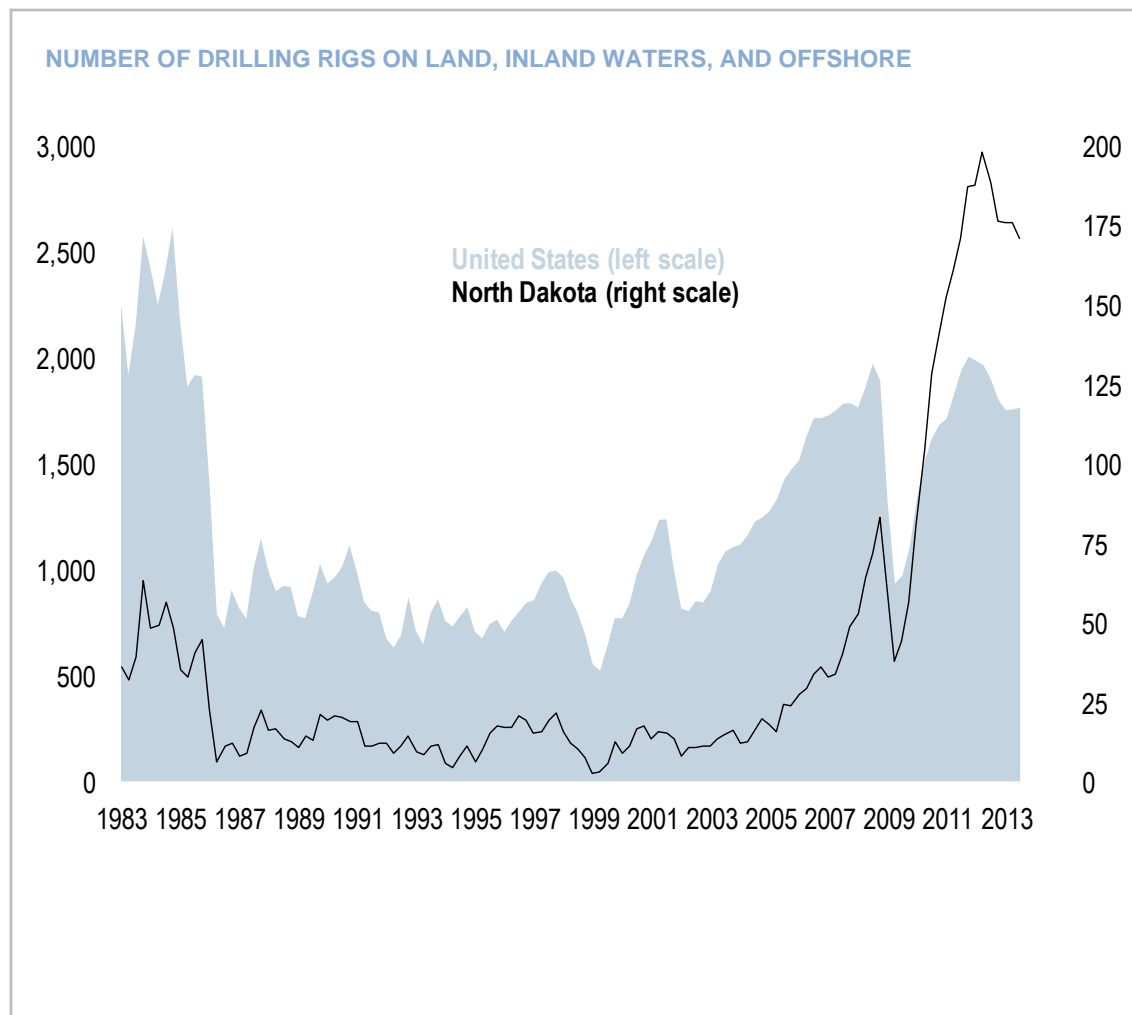
- The figure illustrates trends in bankruptcy filings by businesses and persons relative to the number of filings in 2007 Q4, prior to the recession.
- The number of bankruptcy filings is negligible.

KEY MESSAGES:

- Indicators of financial stress are a useful coincident indication of economic distress.
- The state's business community remains vibrant.

Source: Administrative Office of the U.S. Courts; Updated through September 2013.

Oil & Gas Activity



WHAT THE CHART SHOWS:

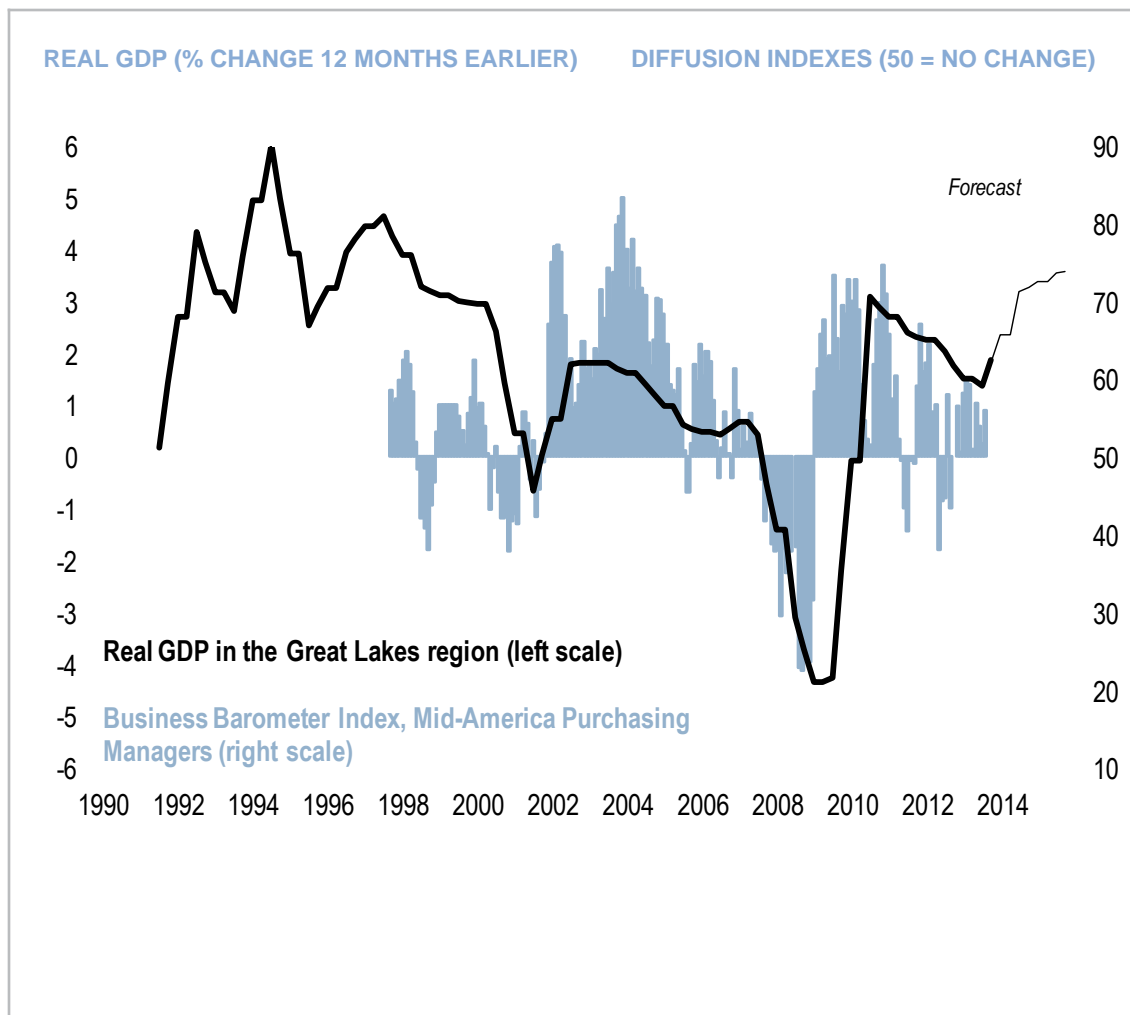
- The illustration identifies trends in the Baker Hughes rig count.
- Drilling activity continues to surge, providing the key spur to the state's economic boom.

KEY MESSAGES:

- Robust demand for energy is an important cushion for North Dakota.

Source: Baker Hughes rig count. Updated through 2013 Q3.

Private Business Surveys



WHAT THE CHART SHOWS:

- The figure features a survey of purchasing managers in the Midwest and real GDP growth in the Great Lakes area.
- Business activity in the Midwest has moderated but this has little impact on North Dakota's economy.

KEY MESSAGES:

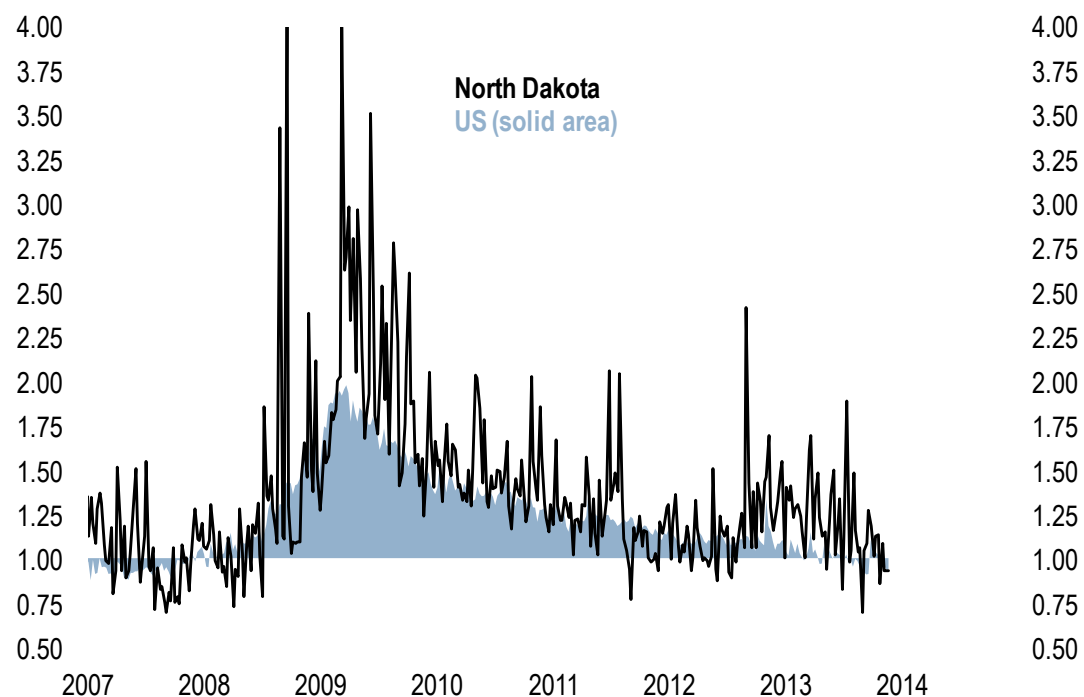
- Diffusion indexes, like those based on responses from purchasing managers, are a timely indicator of activity in the state and these may be moderating.
- Business surveys point to slightly subdued activity compared with the early years of the recovery.

Note: Business Barometer data unavailable prior to 1997.

Sources: Institute of Supply Management; US Department of Commerce. Updated through 2013 Q3 (survey) and 2013 Q3 (GDP).

Initial Jobless Claims

RATIO OF INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE TO THE 2007 Q4 LEVEL



WHAT THE CHART SHOWS:

- The figure tracks layoffs in North Dakota and the national level of claims.
- Weekly layoffs, both the state and national tallies, are illustrated in the figure as a ratio to the level of layoffs in the fourth quarter of 2007, prior to the recession.
- Layoffs are up slightly this year.

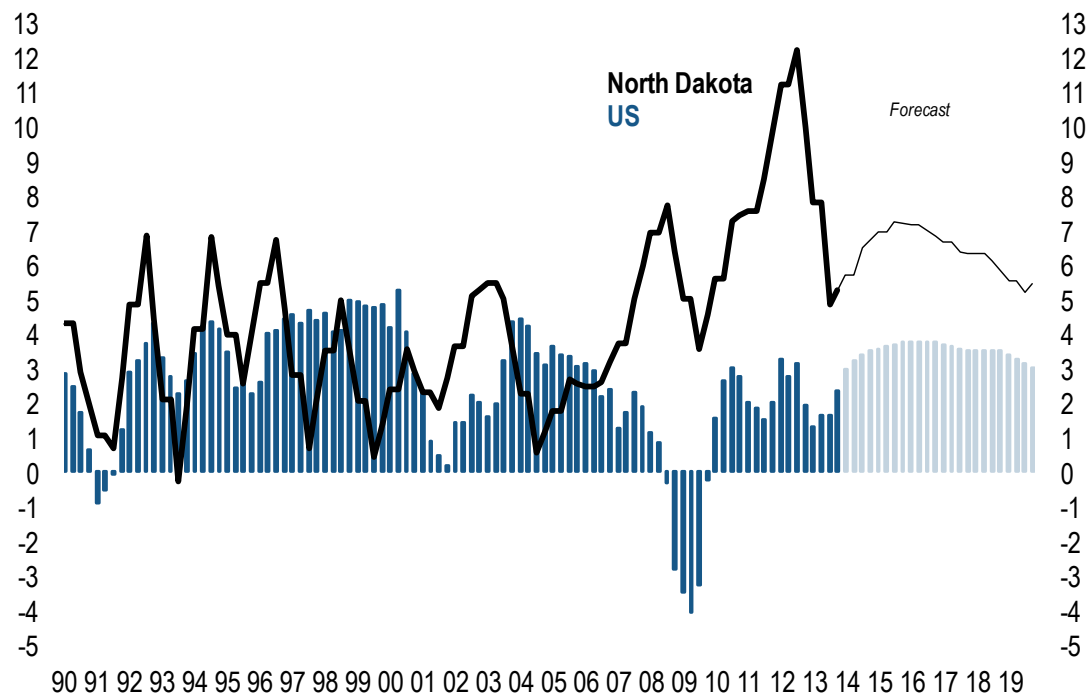
KEY MESSAGES:

- The state has the wind at its back.

Source: US Department of Labor. Updated through November 16, 2013 (state) and November 23, 2013 (US).

Economic Growth

REAL GDP GROWTH (PERCENT CHANGE FROM FOUR QUARTERS EARLIER)



WHAT THE CHART SHOWS:

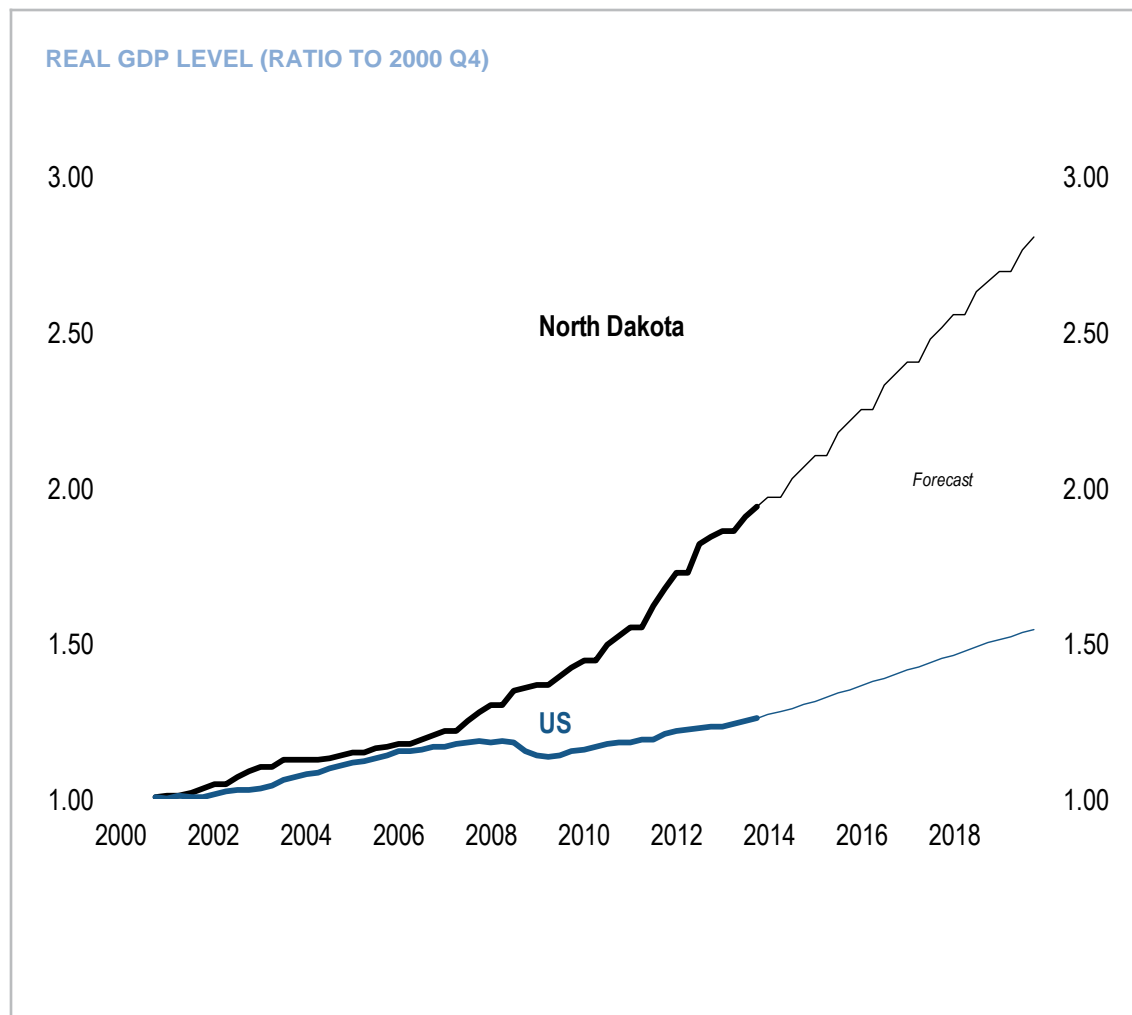
- Real GDP growth in North Dakota (the line in the figure) is superimposed on top of US real GDP growth (bars in the figure).
- The state's economy remains strong, swimming against the national tide.

KEY MESSAGES:

- The strength of the agricultural and energy sectors is expected to power North Dakota's economy in 2013.
- Development of the state's energy assets is expected to sustain rapid growth for a while.

Source: US Department of Commerce. Updated through 2012 (state) and 2013 Q3 (US). Quarterly estimates for states after 2012 are interpolated from employment figures, based on the historical correlation of state and national employment changes.

Economic Output



WHAT THE CHART SHOWS:

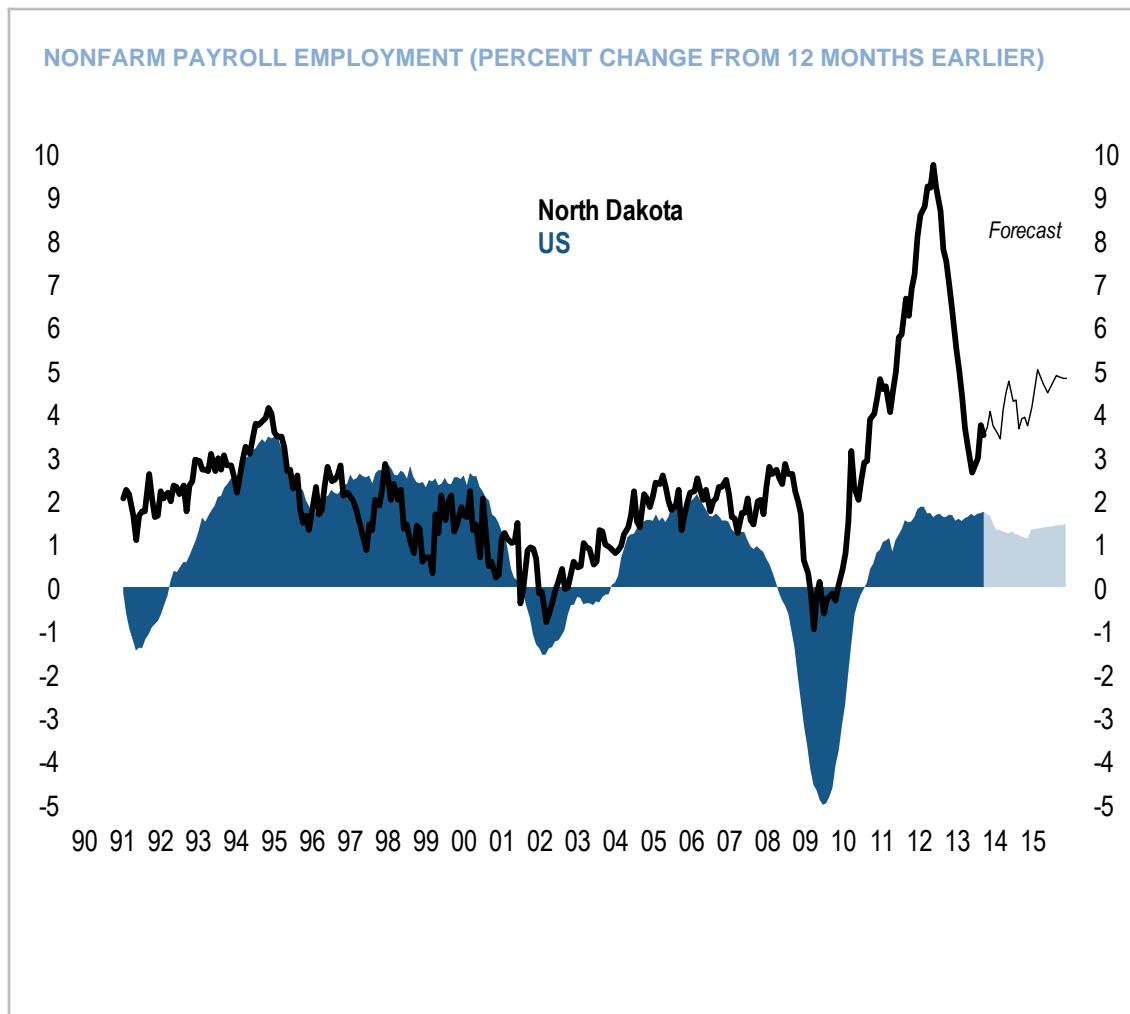
- The figure illustrates the evolution of real GDP of the state and the overall US economy since the fourth quarter of 2000, the peak of the previous business cycle—that is, at any point in time the lines trace the ratio of real GDP to its level in 2000 Q4.
- The state's economy has doubled in size over the most recent 13 years even as the national economy has expanded only 25 percent in that time.

KEY MESSAGES:

- North Dakota was untouched by the national recession and now is expanding rapidly

Source: US Department of Commerce. Updated through 2012 (state) and 2013 Q3 (US). Quarterly estimates for states after 2012 are interpolated from employment figures, based on the historical correlation of state and national employment changes.

Employment Growth



WHAT THE CHART SHOWS:

- North Dakota's employment trend, compared with the nation's.
- Employment is booming.

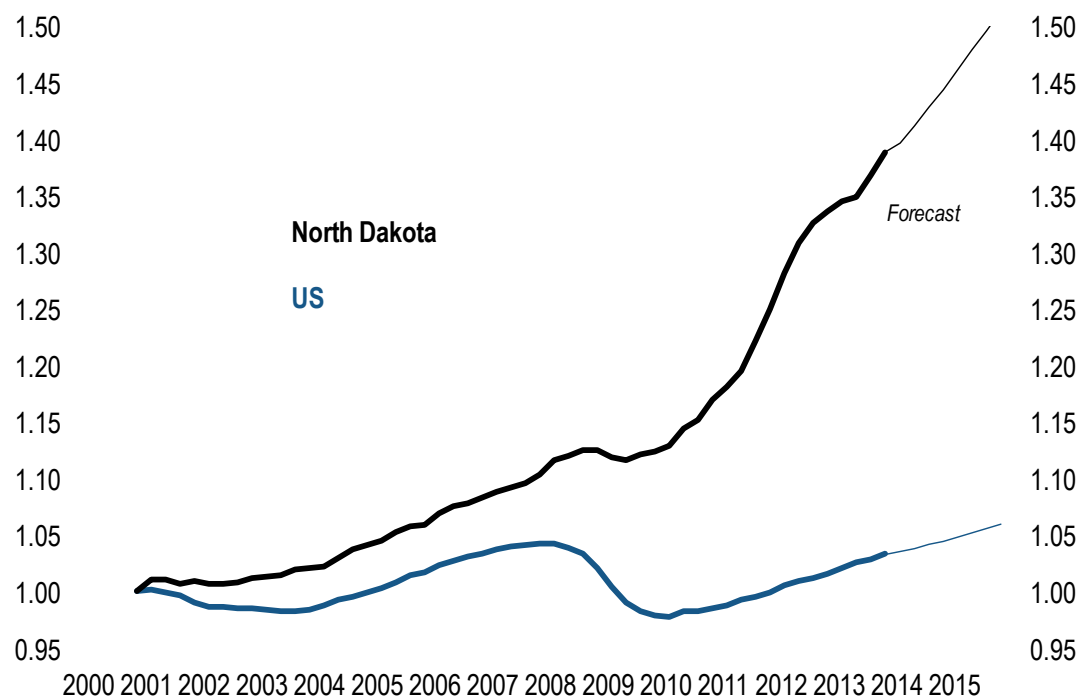
KEY MESSAGES:

- Employment is expected to continue to grow at a robust pace.

Source: US Department of Labor. Updated through October 2013.

Employment

NONFARM PAYROLL EMPLOYMENT (RATIO TO THE 2000 Q4 LEVEL)



WHAT THE CHART SHOWS:

- The figure illustrates the evolution of employment in the state compared with the nation since 2000 Q4, the peak of the previous business cycle. The lines trace out the ratio of employment at the time to employment in 2000 Q4.
- North Dakota's employment base stands 25 percent above the level a decade ago.

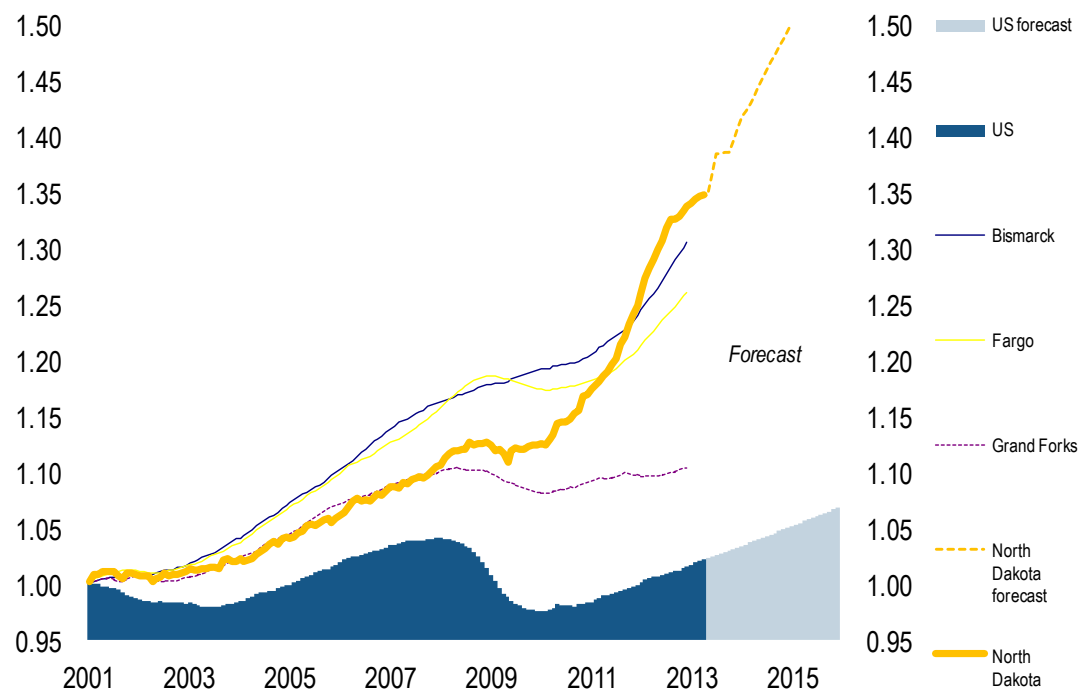
KEY MESSAGES:

- North Dakota stands apart from most regions.

Source: US Department of Labor. Updated through October 2013.

Intrastate Employment

NONFARM PAYROLL EMPLOYMENT IN SELECTED COMMUNITIES (RATIO TO 2000 Q4 LEVEL)



WHAT THE CHART SHOWS:

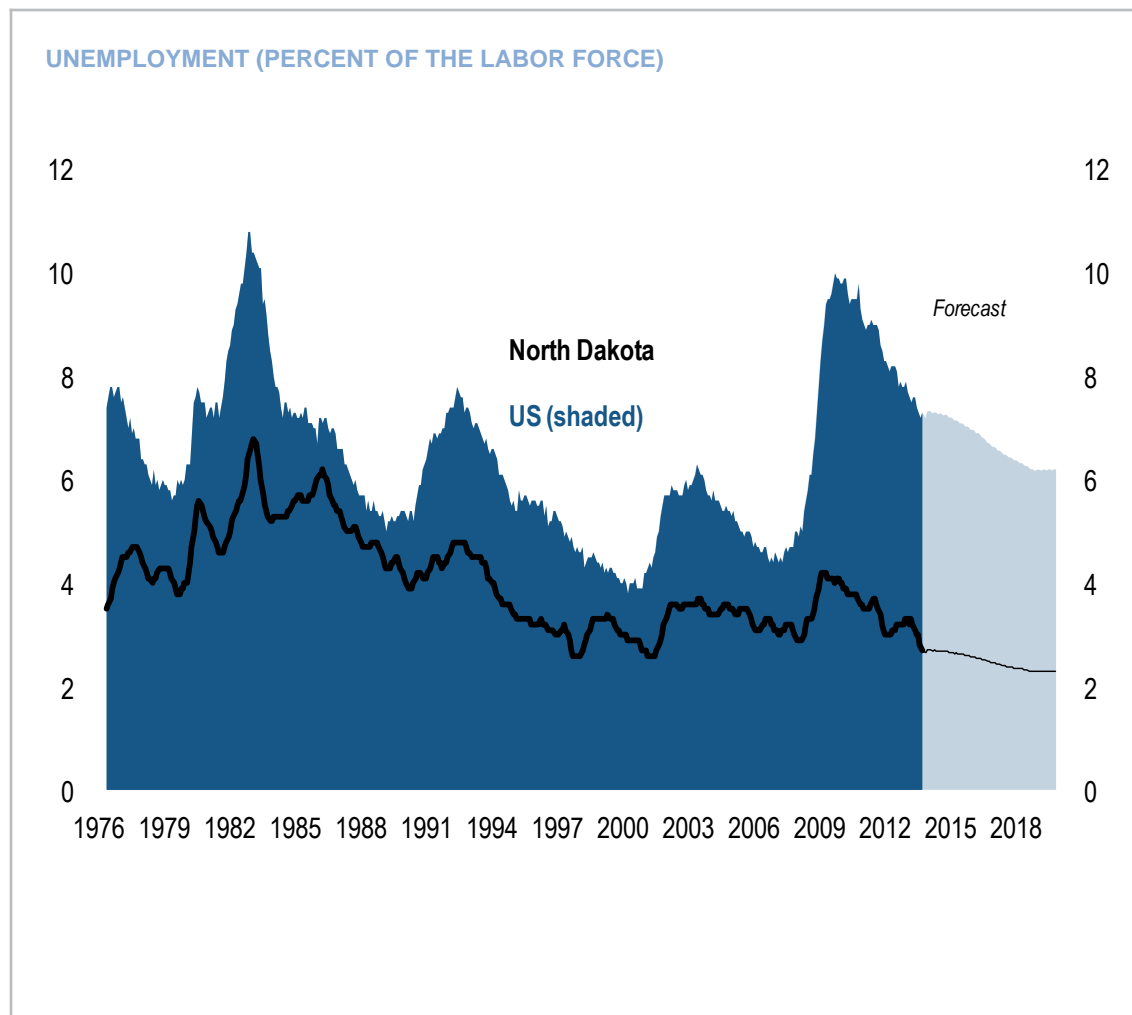
- Job trends in local communities within the state.
- The strength in the state's economy is fairly diverse.

KEY MESSAGES:

- North Dakota enjoys unprecedented growth.

Source: US Department of Labor. Updated through April 2013.

Unemployment



WHAT THE CHART SHOWS:

- Unemployment rate trends in North Dakota, compared with the national average.
- Unemployment is negligible in the state.

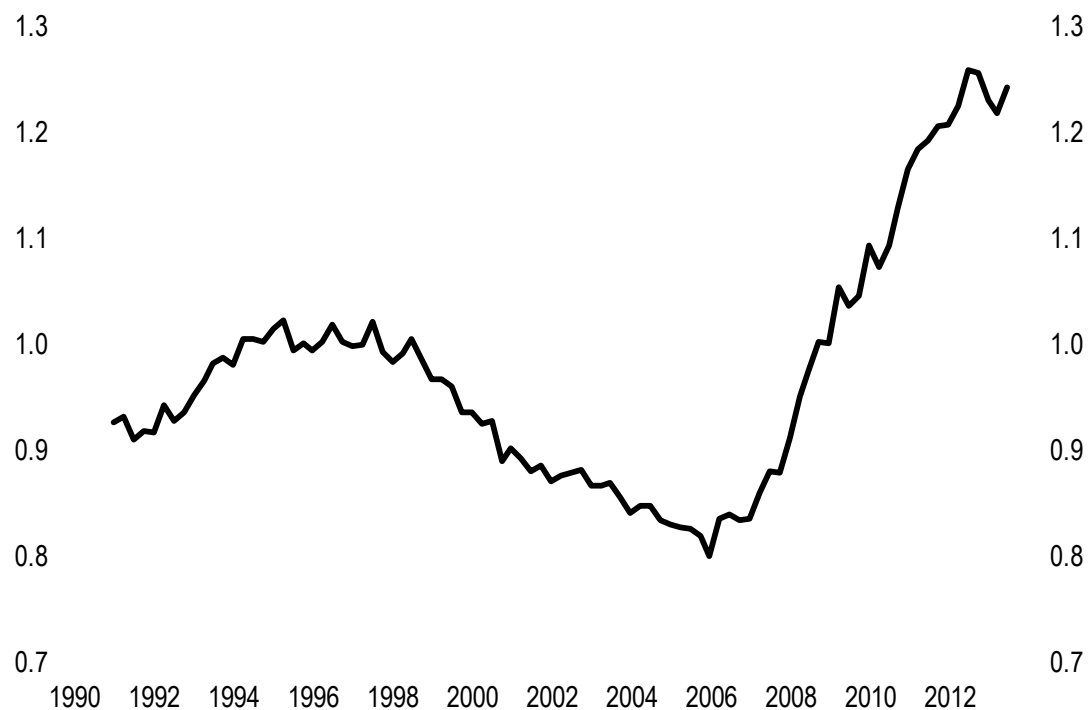
KEY MESSAGES:

- The unemployment rate is the single best indicator of the relative economic performance of a region.
- Economic activity is robust, judging by unemployment trends.

Source: US Department of Labor. Updated through October 2013.

Relative House Prices

RATIO OF THE STATE'S HOUSE PRICES TO THE NATIONAL AVERAGE (1995 Q2 = 1.0)



WHAT THE CHART SHOWS:

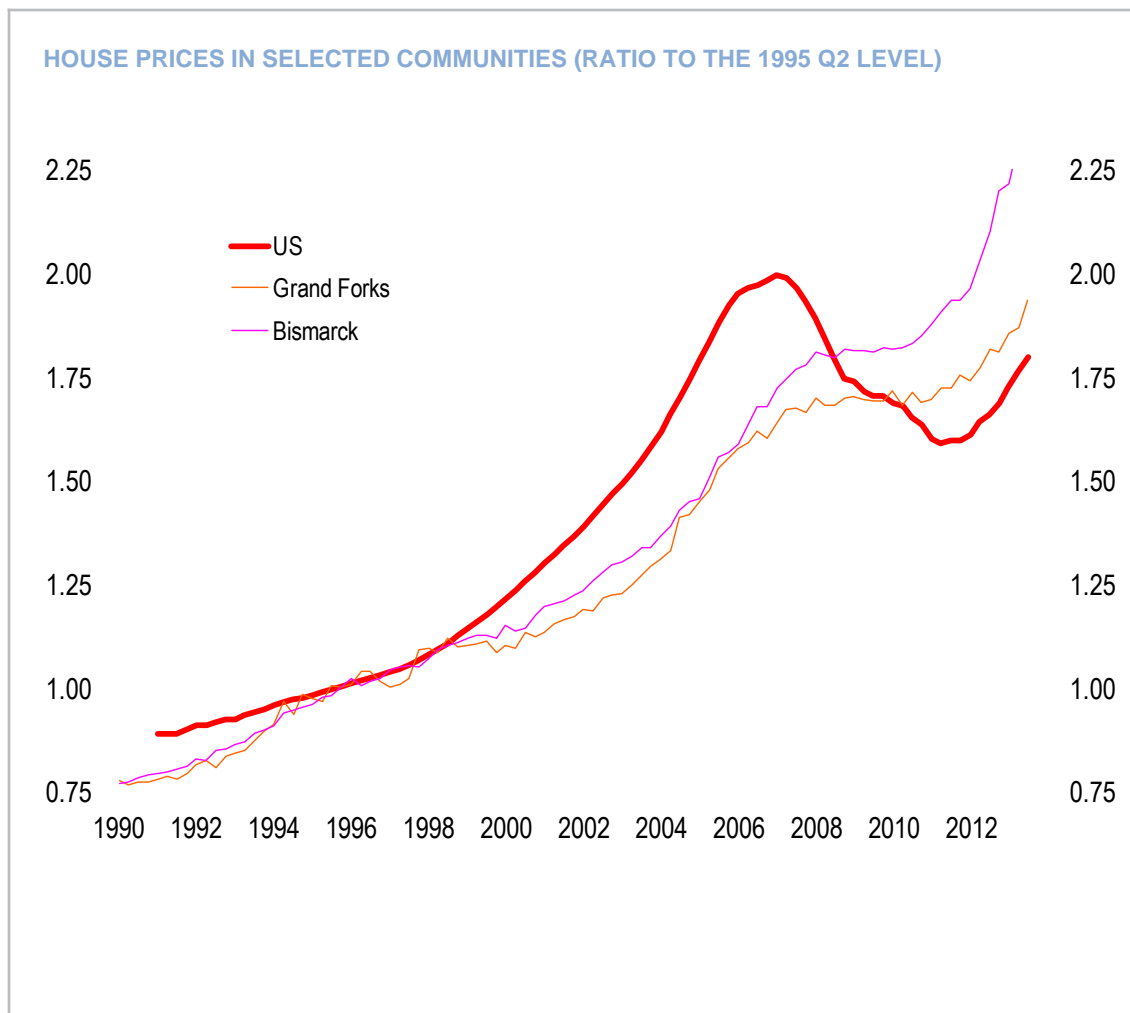
- The figure tracks the relative price of houses in the state versus the nation—that is, it reflects the ratio of the state price index to the national house price index, with that ratio set to unity in the summer of 1995. A drop in the line means that house prices in the state lag the national trend. States that did not suffer from speculative conditions saw a decline in the relative price of houses in this last decade.
- The state's energy boom is lifting real estate values.

KEY MESSAGES:

- North Dakota is not plagued by the housing excesses that were common to the south and the west.

Source: FHFA. Updated through 2013 Q3.

Real Estate Markets



WHAT THE CHART SHOWS:

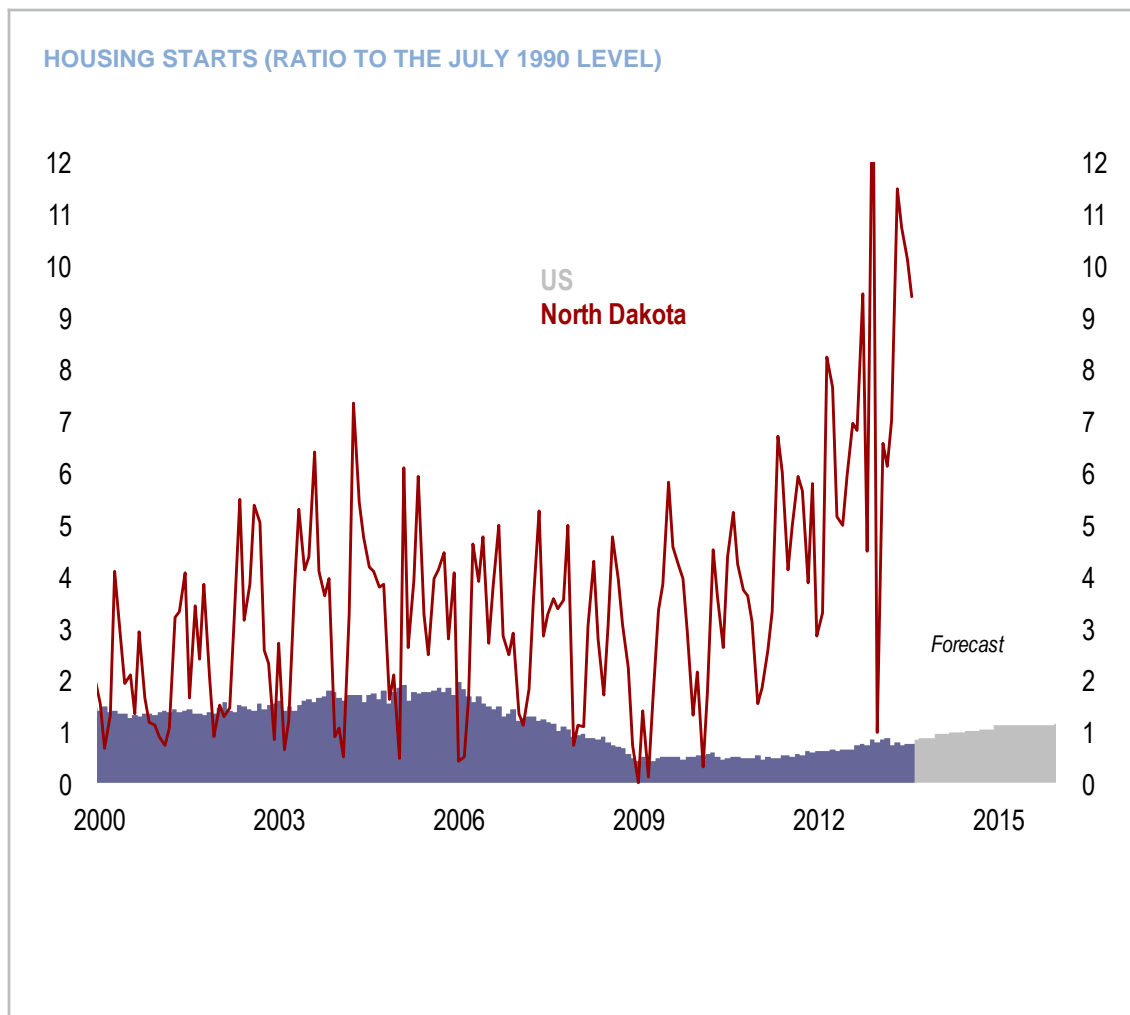
- The figure tracks the cumulative percentage deviation in house prices since 1995 in selected local markets and compares those with the national average.
- Real estate values are marching to a different drummer in North Dakota.

KEY MESSAGE:

- Trends across the state are similar.

Source: FHFA. Updated through 2013 Q3.

New Home Building



WHAT THE CHART SHOWS:

- The pace of new home building (housing starts) in North Dakota, compared with the national trends.
- Naturally, home building activity is booming.

KEY MESSAGES:

- The housing outlook is quite favorable in North Dakota.

Source: Census Department. Updated through August 2013.

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