BUSINESS PLAN RESPONSE TO COVID-19

DOUG LOON, PRESIDENT
STRENGTHS

• Innovation and growth
• More jobs, increased wages, more trade

CHALLENGES

• Slower growth than other states
• Top five taxes in too many categories
• Workforce!
COVID-19 RESPONSE

• Governor Walz has signed 75 executive orders (EOs) since March to address the COVID-19 cases in Minnesota and the impacts on the economy.

• EO 20-01 signed March 13 to provide a Peacetime Emergency giving the Governor increased powers. And, extended now into July.

• EOs have also created a process for “exempting” certain critical industries and have been expanded through guidance and subsequent EOs.
  ▪ Many segments of the Chamber’s membership are exempt and connected supply chains included.
  ▪ While other Chamber members were not exempt, most noteworthy office based businesses, retail, restaurants and entrainment venues.
  ▪ Additional EOs have provided for partial opening of these.
COVID-19 RESPONSE

Chamber actively to mitigate the impact of the closures and protect the state’s economy short and long term:

• Timely information

• Business assistance

• Working to safely reopen closed or partially closed segments of the private marketplace

• Establishment of best practices to best ensure businesses, employees and customers are safe

• Engagement with policy makers throughout to support businesses
MN Ready Coalition: Over 70 business organizations designed to support reopening safely

• Letters to Governor Walz
• Events & video vignettes featuring small business stories + social media
• Webinar with Governor Walz
• Local chamber outreach and assistance to member businesses
• Grow Minnesota! Partnership business assistance – virtual visits and Return to Work best practices + checklist
• MN Supplier Match
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary Balance-February</td>
<td>$1.513 Billion</td>
</tr>
<tr>
<td>Projected Revenue</td>
<td>($3.611 Billion)</td>
</tr>
<tr>
<td>Estimated Spending</td>
<td>$391 Million*</td>
</tr>
<tr>
<td>Updated Budgetary Deficit</td>
<td>($2.426 Billion)</td>
</tr>
<tr>
<td>NOT INCLUDED IN FORECAST:</td>
<td></td>
</tr>
<tr>
<td>*$550 million GF spending likely reimbursed from $2.187 billion federal COVID-19 funds</td>
<td></td>
</tr>
<tr>
<td>$2.359 billion in State Budget Reserves</td>
<td></td>
</tr>
</tbody>
</table>
Some key assumptions in forecast:

• Spread of COVID-19 peaks; dissipate in second quarter 2020
• Social distancing restrictions lifted during the third quarter
• Economic recovery begins in 3rd quarter 2020; GDP growth turns positive in 4th quarter
• 5.4% decline in GDP in 2020 and 6.3% positive growth in 2021

*Forecast exceptionally uncertain, economic outlook to remain volatile and unpredictable for some time.*
Empowering Minnesota’s Economic Future
Minnesota Economic Recovery Tracker

Minneapolis Total Employment (seasonally adjusted):
Share of 2019 Annual Levels

Source: Minnesota Chamber Foundation, DEED Current Employment Statistics
May job gains a positive sign, but only a fraction of what’s needed to get to full recovery

Minnesota Total Employment (seasonally adjusted)

- Minnesota gained 9,800 jobs in May (seasonally adjusted basis)
- Minnesota needs to gain another 381,600 jobs to recover to 2019 levels

Source: Minnesota Chamber Foundation, DEED Current Employment Statistics
Employment by sector, May 2020

Percent change vs. year-ago

-49.8  Leisure & hospitality
-24.9  Other services
-14.9  Information
-11.1  Educational & health svcs.
  -6.4  Professional & business svcs.
  -7.4  Trade, transp., & utilities
  -6.3  Construction & mining
  -7.9  Manufacturing

Source: IHS Markit
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Optimistic and Pessimistic Scenarios

Alternative Forecasts: Minnesota Real Gross State Product ($ millions)

2019Q4: baseline high, pre-COVID19

2020Q2: baseline low during COVID19

2022Q3, return to pre-COVID19 levels.

Source: IHS Markit

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Unemployment Rate 2021Q1
(Minnesota: 5.5)
Real Gross State Product Growth, 2020
Minnesota: -8.0%
Real Gross State Product Growth, 2021
Minnesota 4.8%
Minnesota unemployment still below U.S., but Minnesota rates rise in May as U.S. rates fall

Unemployment Rate (seasonally adjusted): Minnesota and United States

Source: Minnesota Chamber Foundation, Bureau of Labor Statistics
Minnesota’s most concentrated industries fell less far in March and April, but didn’t rebound in May

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs lost/gained in March and April</th>
<th>Jobs lost/gained in May</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and Food Services</td>
<td>-126,200</td>
<td>11,900</td>
<td>-114,300</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-30,600</td>
<td>10,300</td>
<td>-20,300</td>
</tr>
<tr>
<td>Construction</td>
<td>-11,000</td>
<td>7,100</td>
<td>-3,900</td>
</tr>
<tr>
<td>Other Services</td>
<td>-34,300</td>
<td>3,500</td>
<td>-30,800</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>-46,200</td>
<td>3,100</td>
<td>-43,100</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>-30,100</td>
<td>1,900</td>
<td>-28,200</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>-5,100</td>
<td>1,900</td>
<td>-3,200</td>
</tr>
<tr>
<td>Administrative and Support and Waste</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and Remediation Services</td>
<td>-16,900</td>
<td>1,400</td>
<td>-15,500</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>-1,200</td>
<td>-100</td>
<td>-1,300</td>
</tr>
<tr>
<td>Federal Government</td>
<td>100</td>
<td>-100</td>
<td>0</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>-3,300</td>
<td>-300</td>
<td>-3,600</td>
</tr>
<tr>
<td>Educational Services</td>
<td>-16,000</td>
<td>-500</td>
<td>-16,500</td>
</tr>
<tr>
<td>Mining and Logging</td>
<td>-100</td>
<td>-800</td>
<td>-900</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
<td>-3,400</td>
<td>-1,100</td>
<td>-4,500</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-23,100</td>
<td>-1,200</td>
<td>-24,300</td>
</tr>
<tr>
<td>State Government</td>
<td>-2,000</td>
<td>-1,300</td>
<td>-3,300</td>
</tr>
<tr>
<td>Information</td>
<td>-4,000</td>
<td>-1,700</td>
<td>-5,700</td>
</tr>
<tr>
<td>Transportation, Warehousing, and Utilities</td>
<td>-6,800</td>
<td>-3,300</td>
<td>-10,100</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>-2,600</td>
<td>-4,600</td>
<td>-7,200</td>
</tr>
<tr>
<td>Local Government</td>
<td>-25,000</td>
<td>-16,300</td>
<td>-41,300</td>
</tr>
</tbody>
</table>

Blue rows = industries where Minnesota has above ave share of jobs compared to U.S.
Key findings & reasons for optimism

- Ingredients for recovery:
  - More certainty or clarity around management of virus
  - Ability to reopen – safely
  - Interaction is key
  - Public education campaign on safety

- MN’s fundamental economic strengths:
  - Diversity of business enterprises
  - Agile and capable of handling ambiguity
  - Innovative – ways to address workforce challenges

- #1 Challenge: Workforce