REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

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FEDERAL RESERVE BANK OF MINNEAPOLIS

DISCLAIMER

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

REC: A new webinar series from the Minneapolis Fed

- Extension of annual Regional Economic Conditions Conference connecting people & research related to Ninth District economy
- Pandemic = More surveys and other data and intel being gathered
- Webinar outreach connects Bank with businesses, community leaders, policy makers and the public to discuss current economic conditions in the Ninth District

A BIG THANK YOU TO PARTNERS

- About 35 partnering organizations across the Ninth District
  - Chambers of commerce, economic development organizations, government agencies and other business/workforce organizations
- Fifth general business survey since start of pandemic; survey now being conducted quarterly

PANDEMIC OUTREACH

- Speed of pandemic = need for real-time information
- How to start filling the gap? More outreach!
  - Minneapolis Fed: 12 pandemic surveys since mid-March
  - 10,000 business responses, 26,000 open comments
- Today's focus: General Business Survey
  - Conducted October 5-12, 2020
  - Total responses: 591 from MN, UP/Mich., WI and SD
- Results are a snapshot
  - Not a scientifically sampled survey
  - Interpret with care

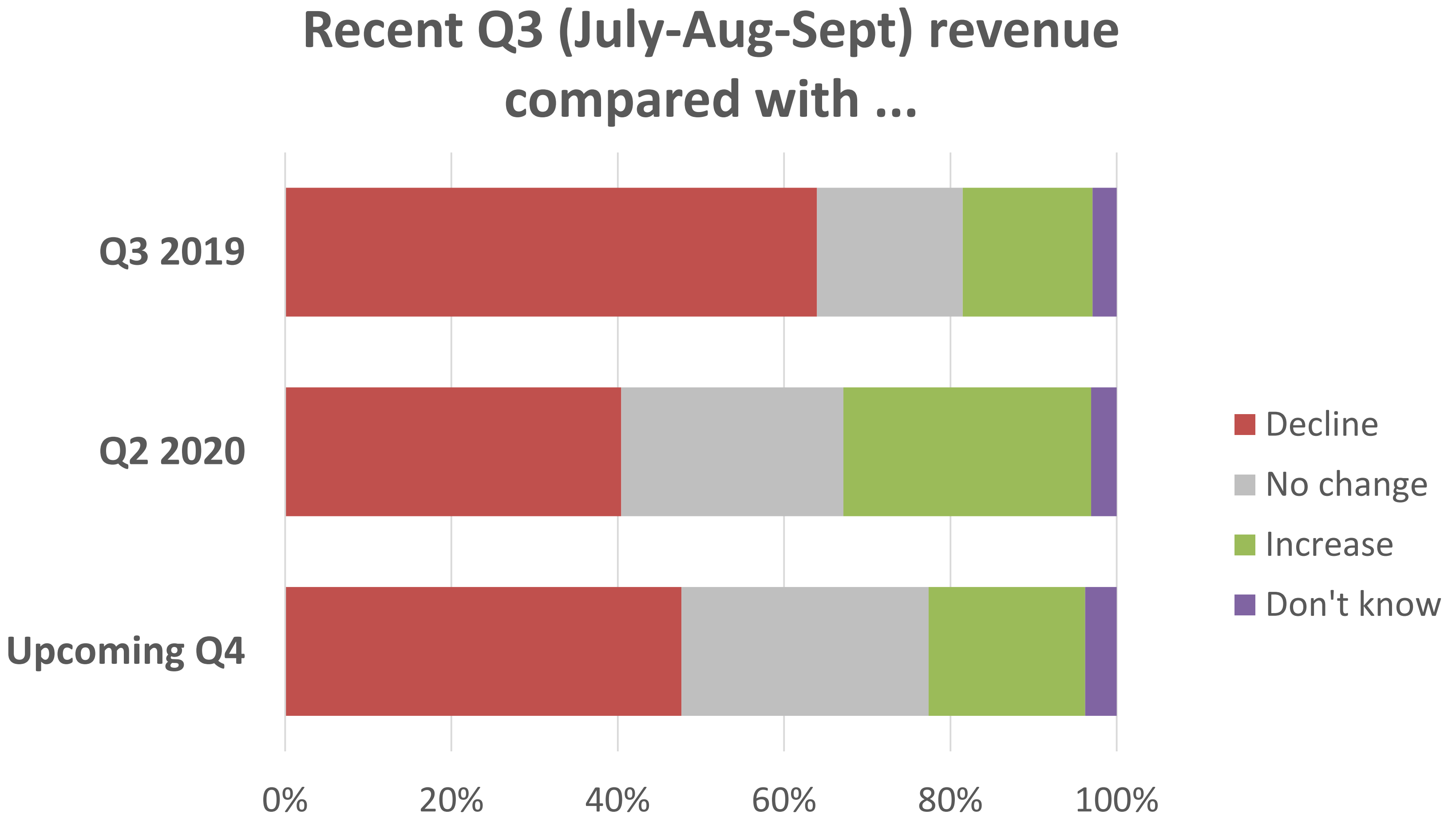
RECENT SALES & REVENUE PERFORMANCE

OVERALL TREND: RECENT AND FUTURE REVENUE IMPACT

Revenues still significantly worse compared with last year

Modestly better compared with last quarter, but still net-negative

Negative outlook for Q4



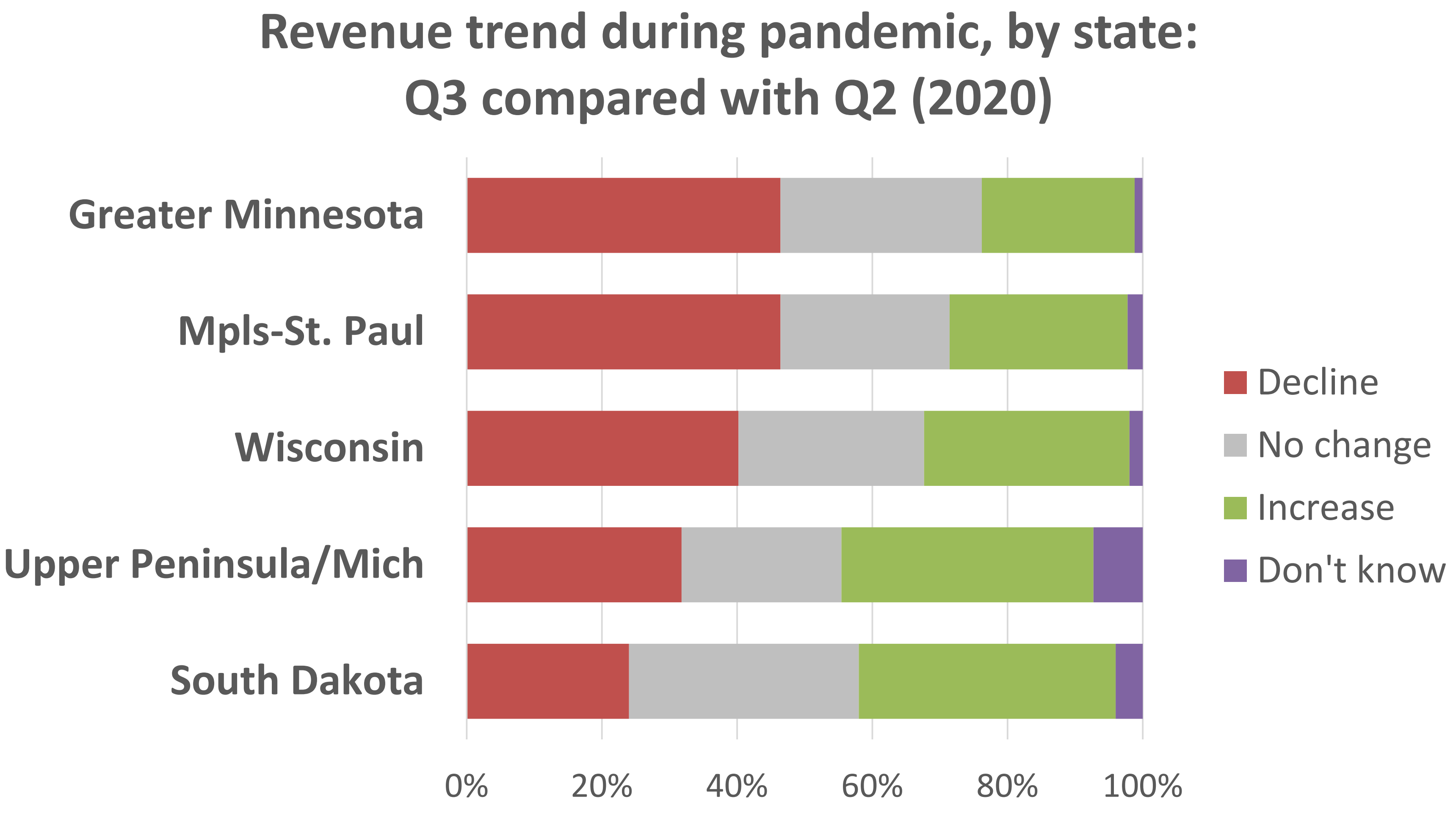
REVENUE TRENDS, BY STATE

State results:

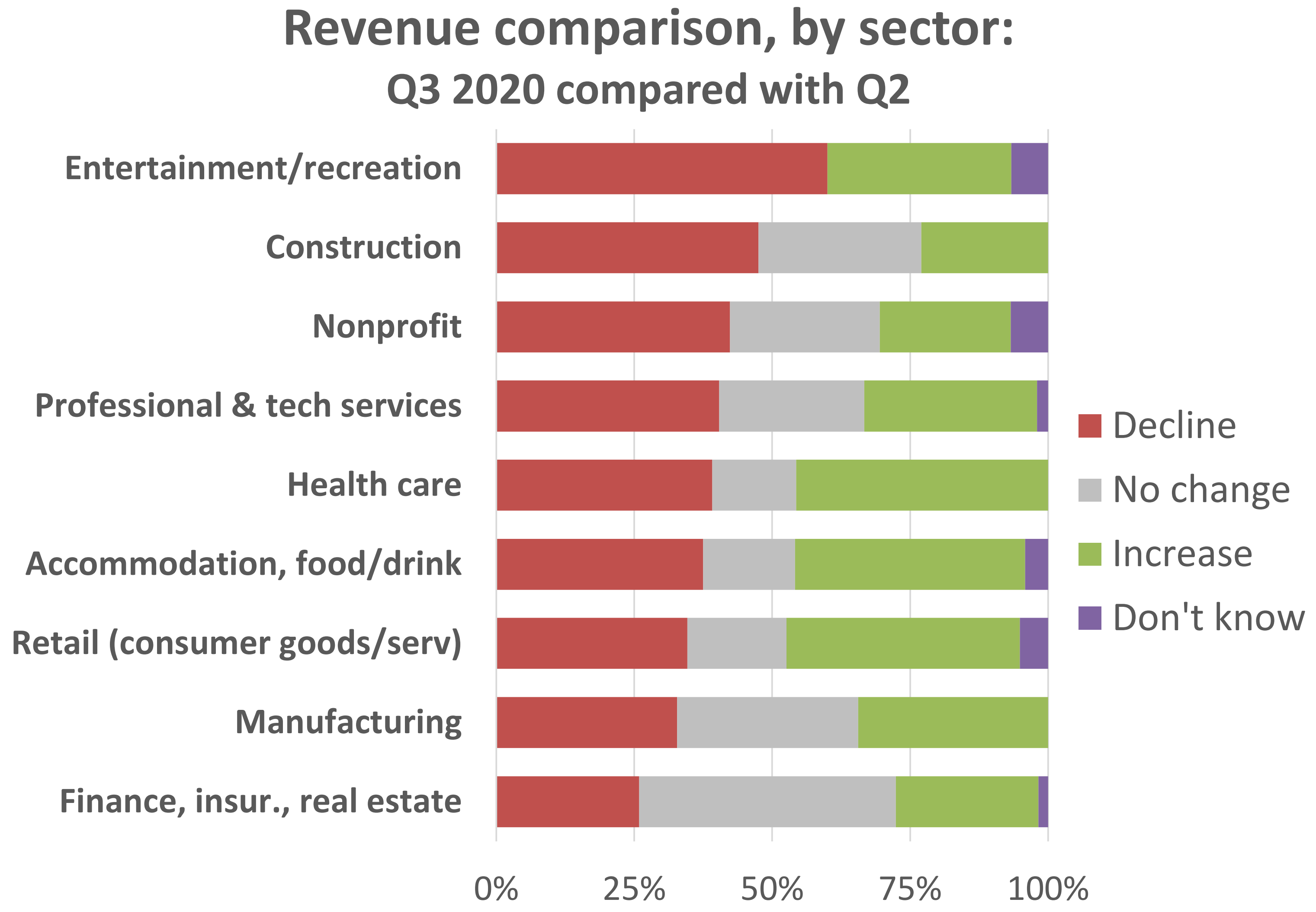
Geography matters, but with caveats

UP/Mich saw bounce-back, in part from strong summer tourism

SD saw best results, but response composition:
- underrepresented among sole proprietors
- over-represented among large firms and less-impacted sectors



REVENUE TRENDS, BY SECTOR



Sector matters

Some sectors hurt early in pandemic (health care, accommodation, retail) saw modest bounce-back

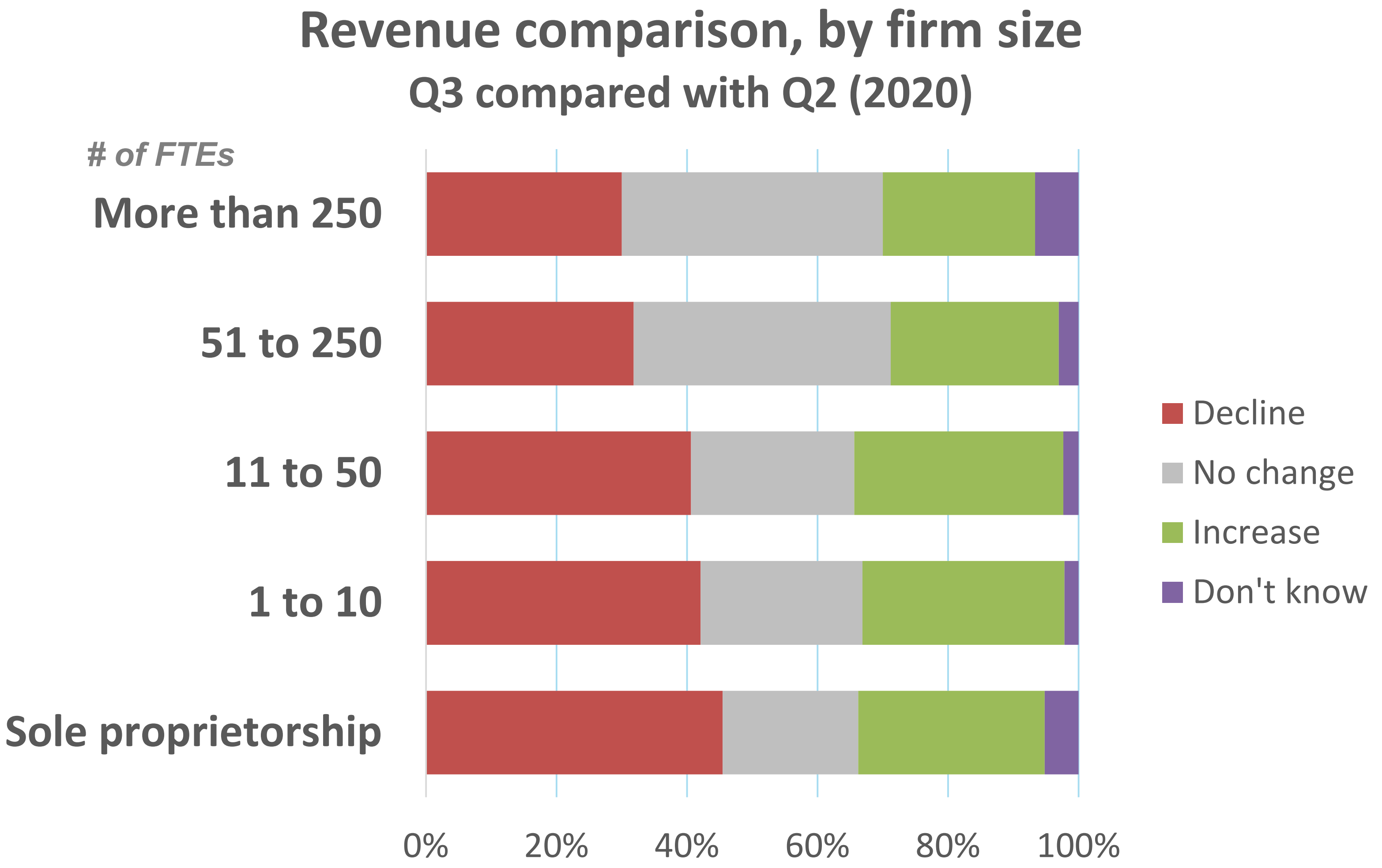
BUT, more firms experiencing large revenue *decline* compared with those seeing large *increase*

REVENUE TRENDS, BY FIRM SIZE

Size matters

Sole proprietors and small firms more likely to experience:

- Revenue decline
- A *large* revenue decline (>25 percent)

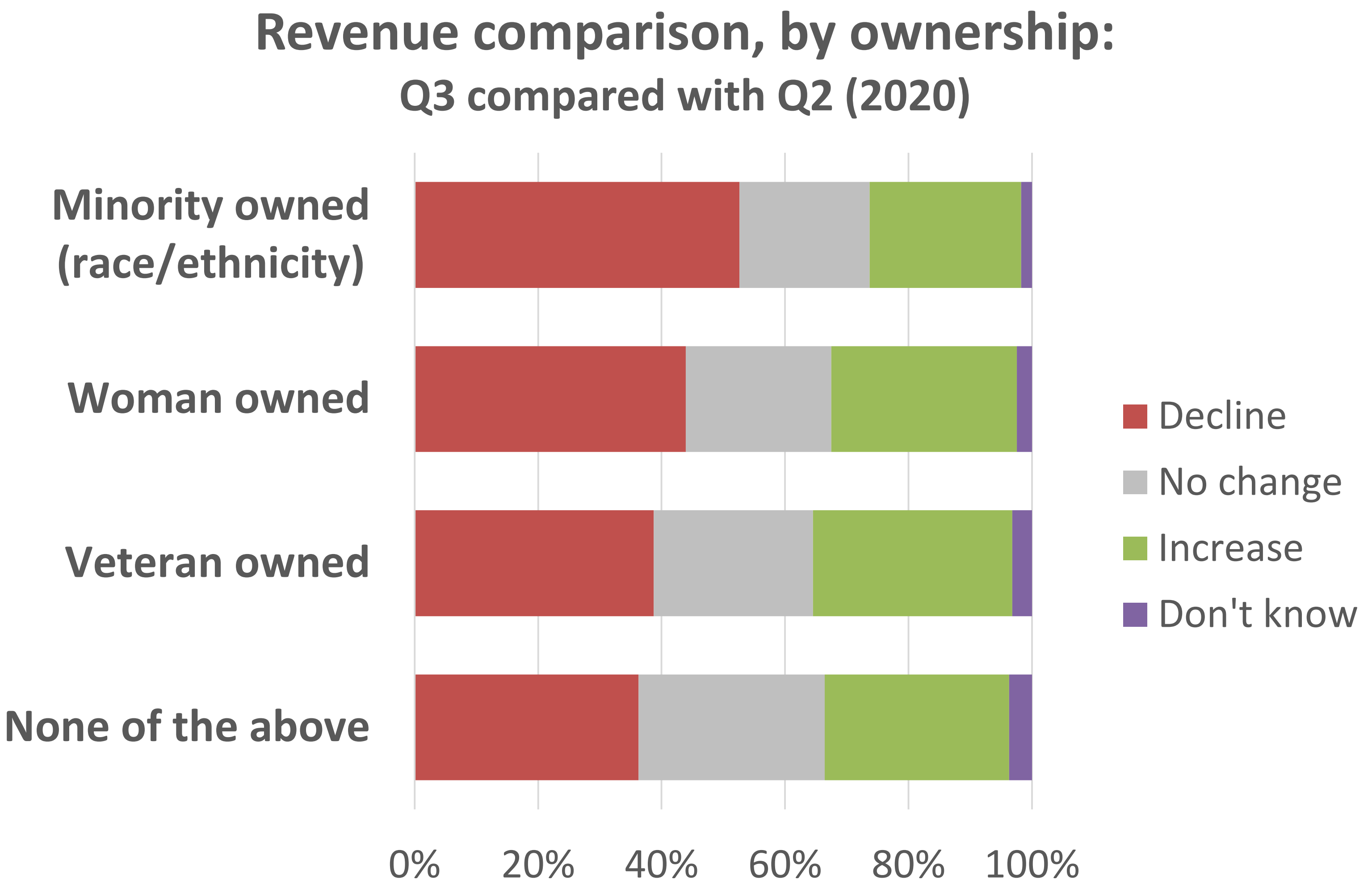


REVENUE TRENDS, BY FIRM OWNERSHIP

Ownership matters

Minority-owned businesses: 2:1 decliners vs growers

White-owned: 6:5



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OTHER RESULTS

WORKFORCE

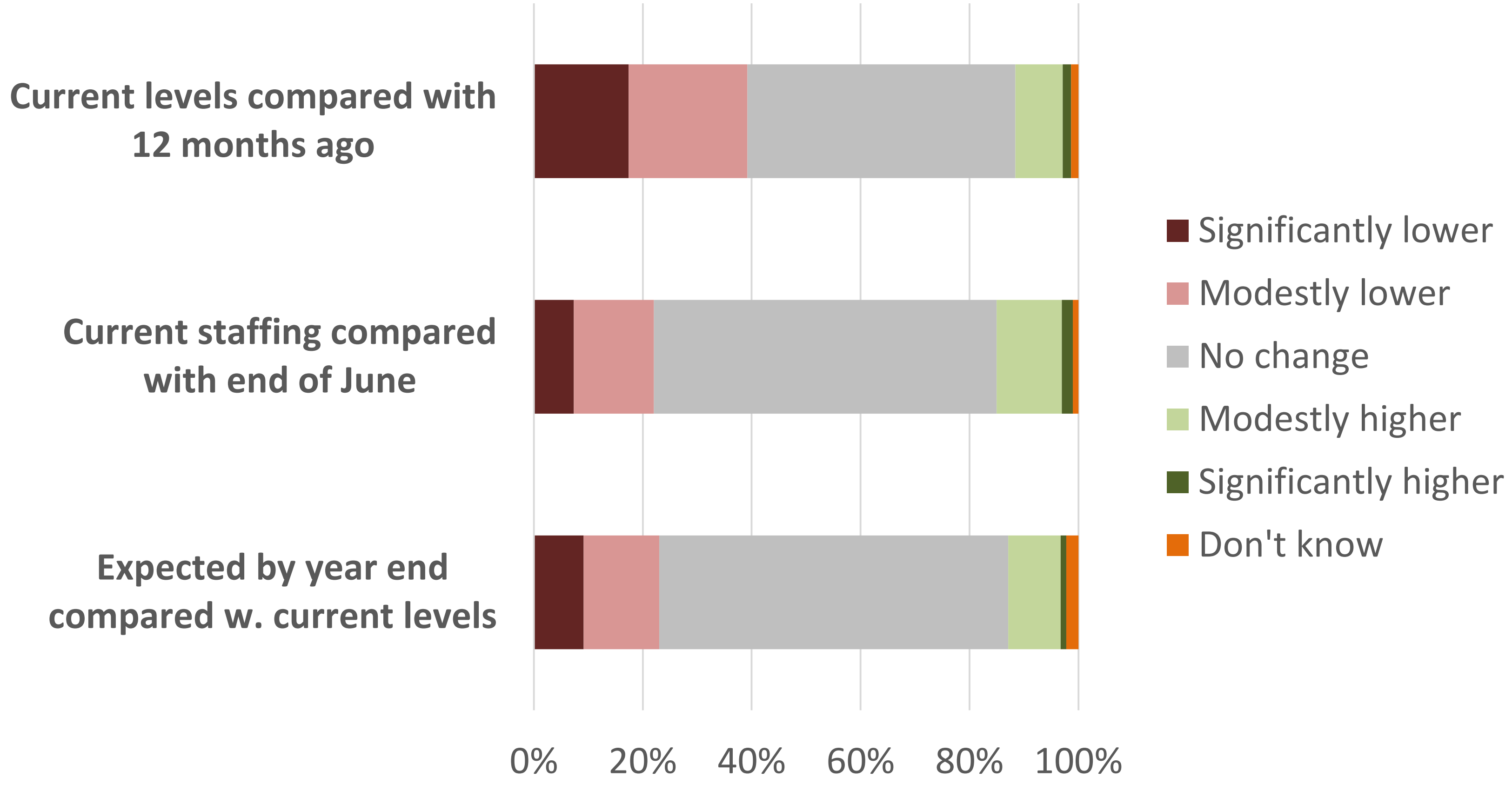
Workforce levels lower than Q3 2019 (no surprise)

Also net-negative compared with June levels

Job cuts relatively balanced across employer firms

Additional (net) cuts expected in Q4

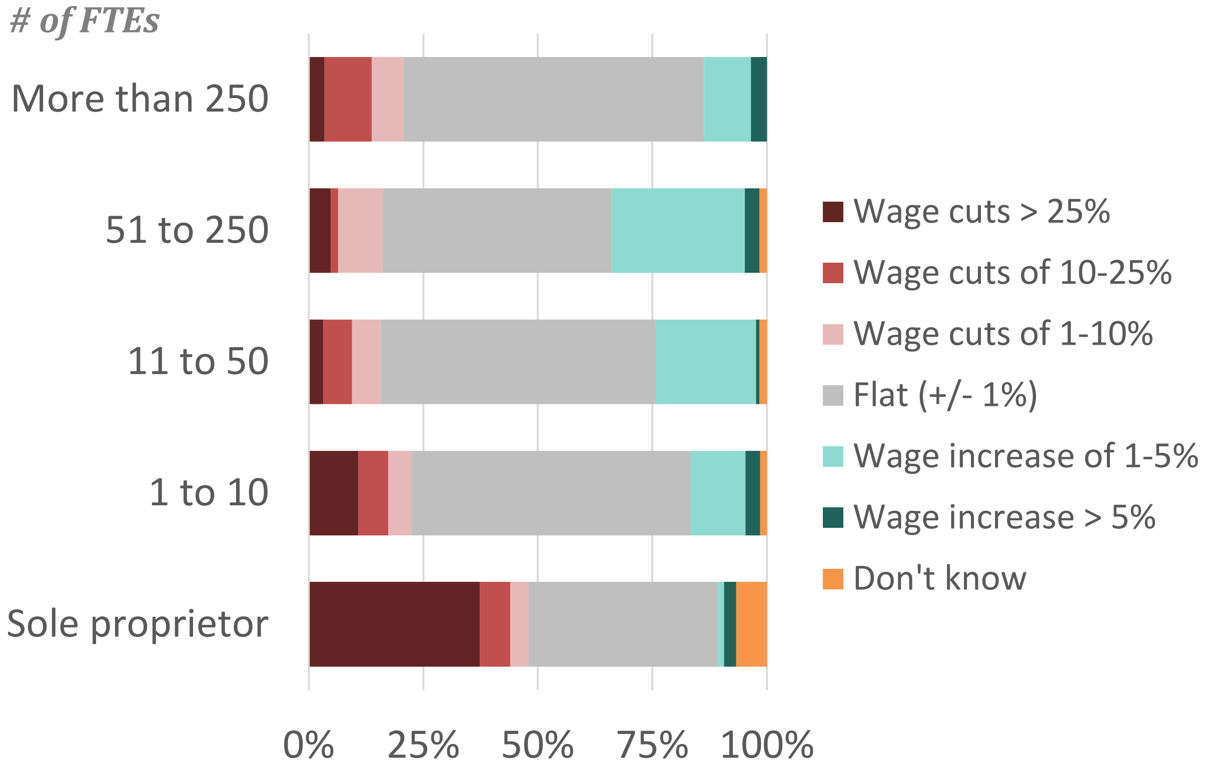
Please estimate current staffing levels, and expectations for the near future



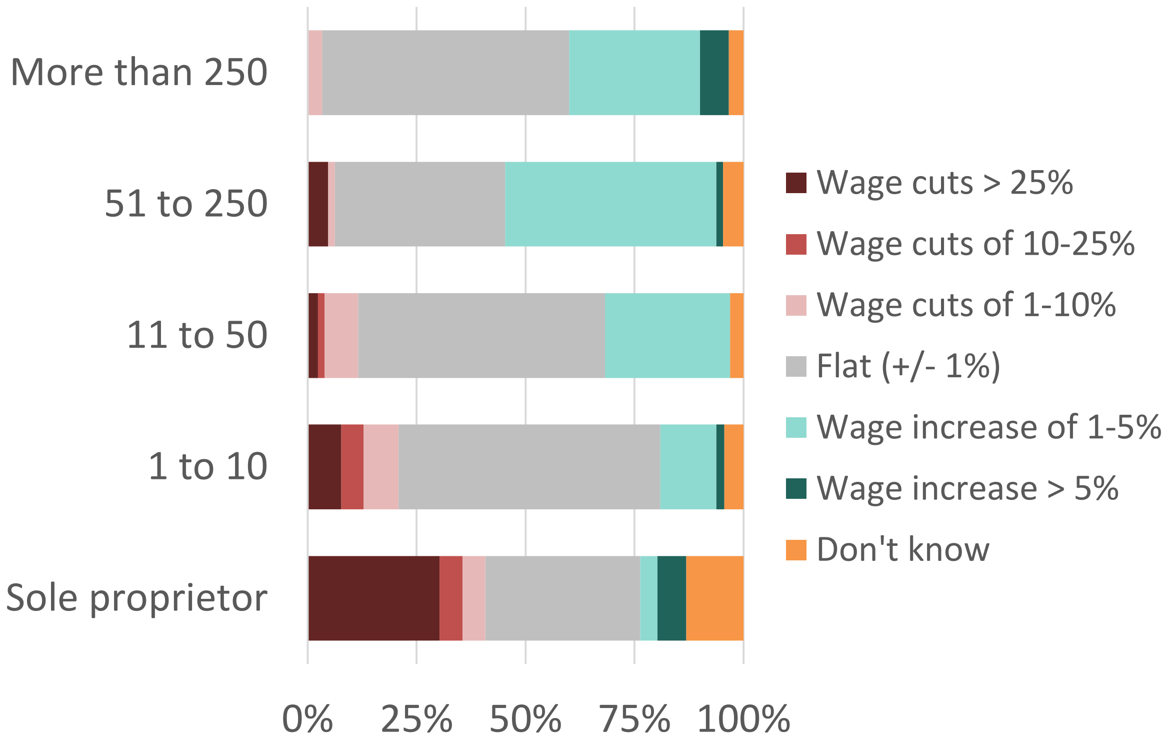
WAGES

Wage cuts much more likely among very small firms
Moderate wage growth expected going forward among employer firms

Please describe recent changes to average wages at your firm



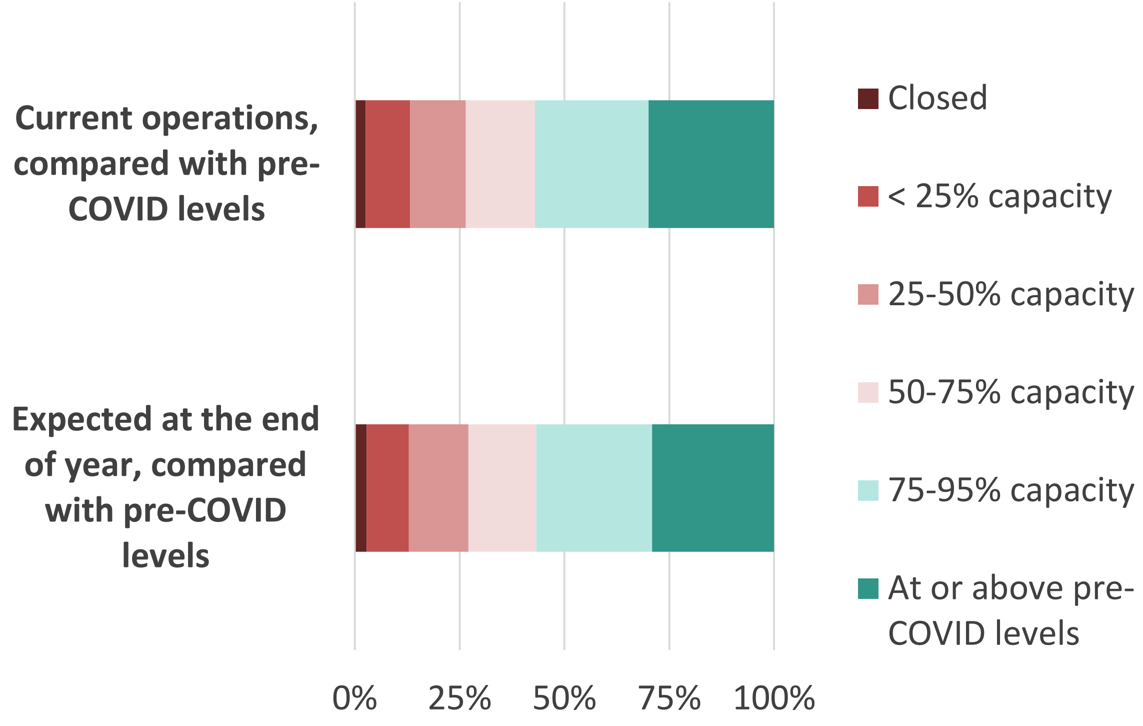
Additional wage actions expected over the coming 6 months



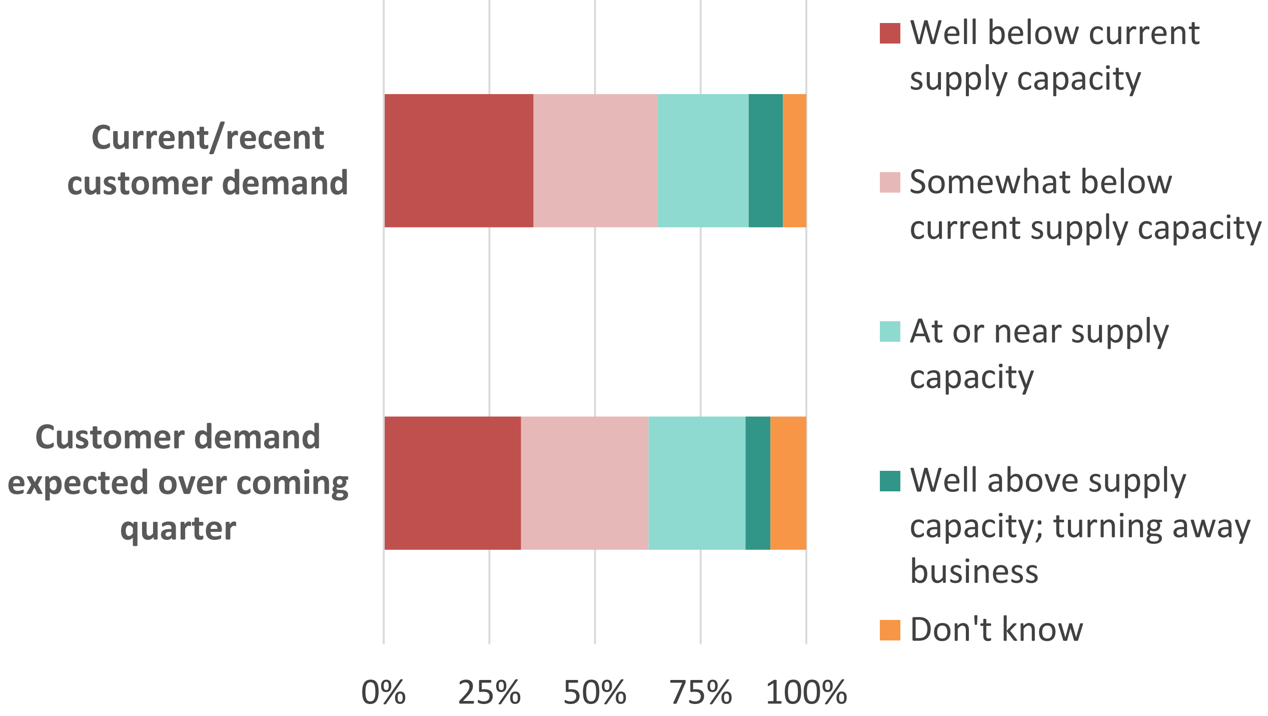
SUPPLY VS. DEMAND

Customer demand lagging restrained capacity

Tell us about current production capacity, and expected changes by year-end



Tell us about customer demand in relation to your firm's operating capacity



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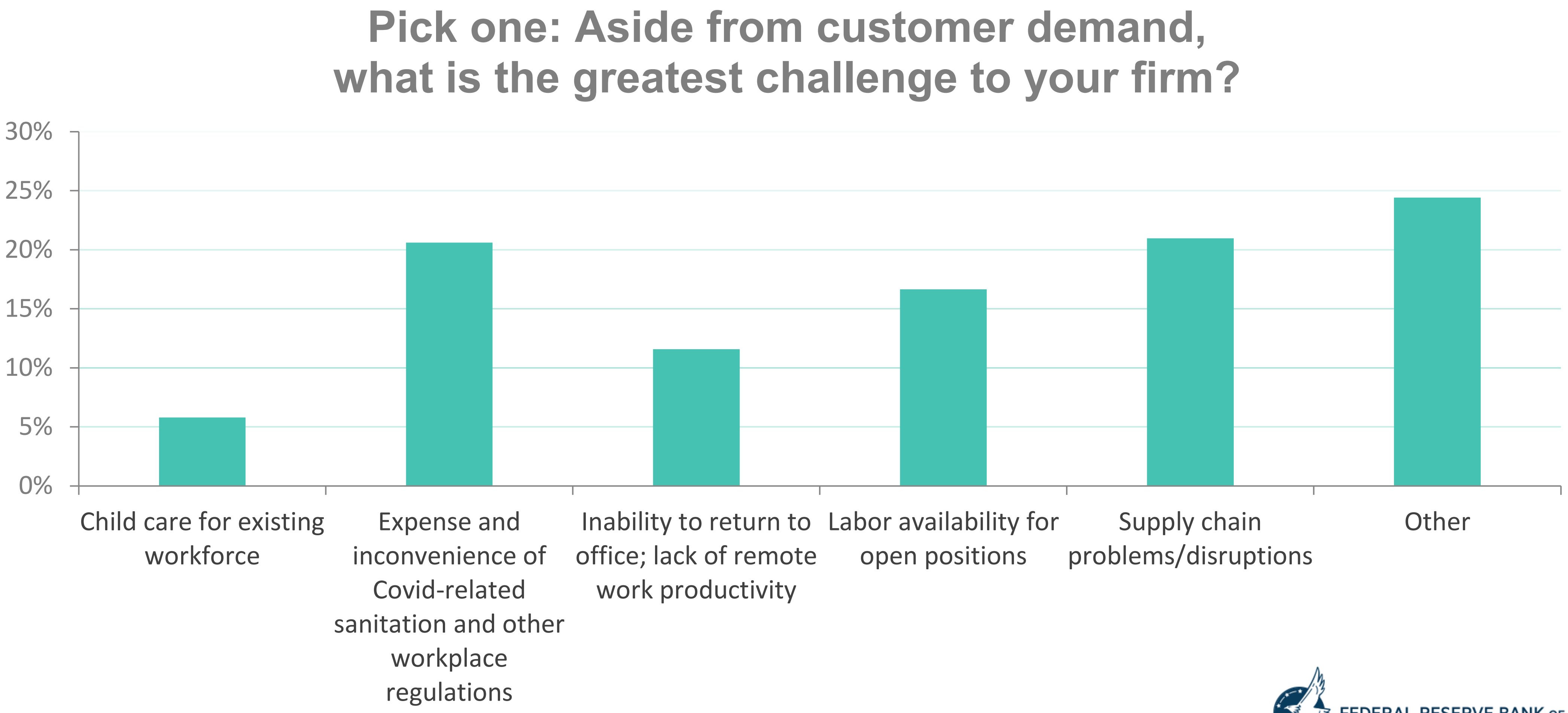
CHALLENGES TO OPERATIONS

Firms facing many additional challenges aside from slack demand



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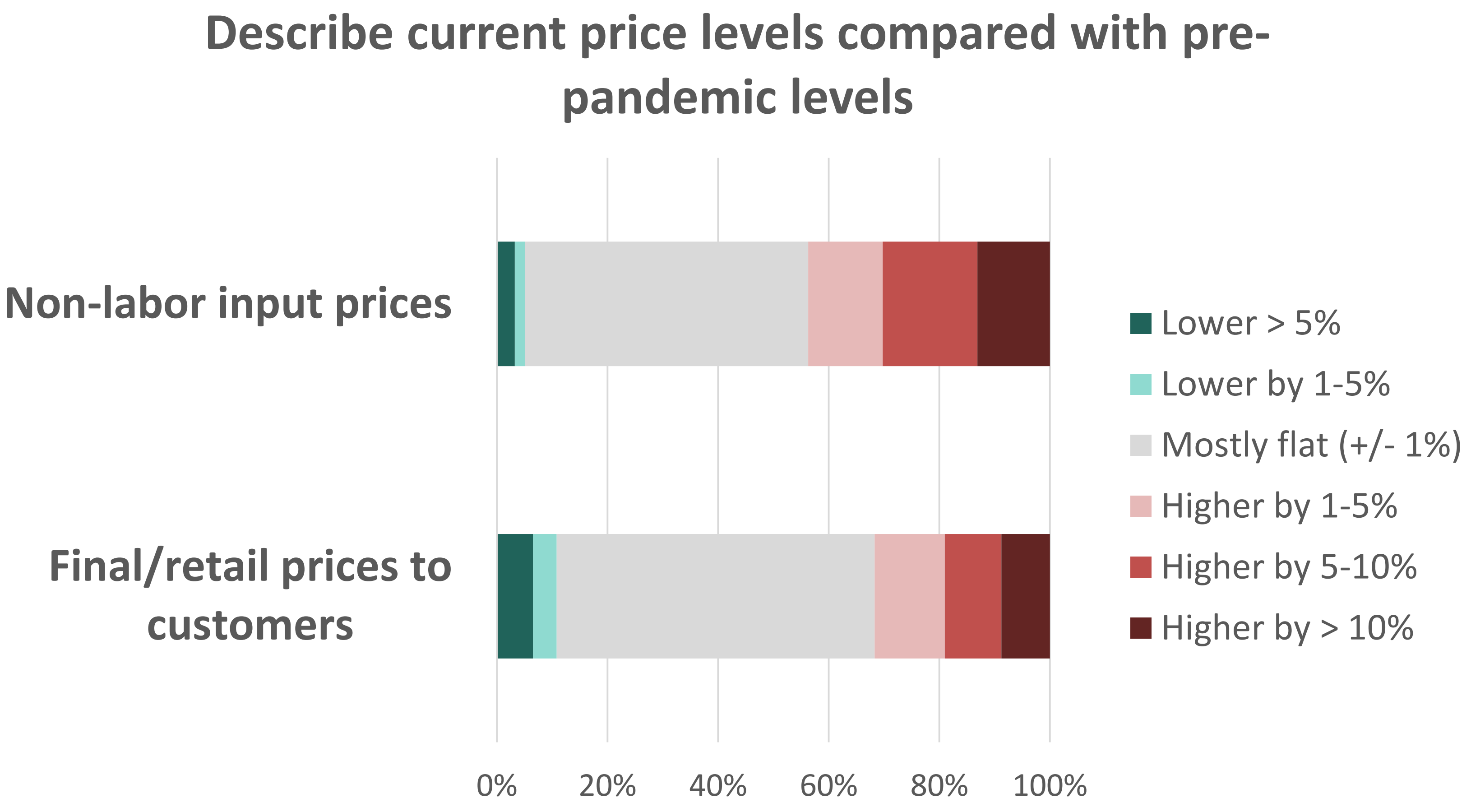
INFLATION: INPUT COSTS AND FINAL PRICES

Firms are reporting a notable rise in input costs, with some bleed-thru to final prices

Fairly balanced across firm size

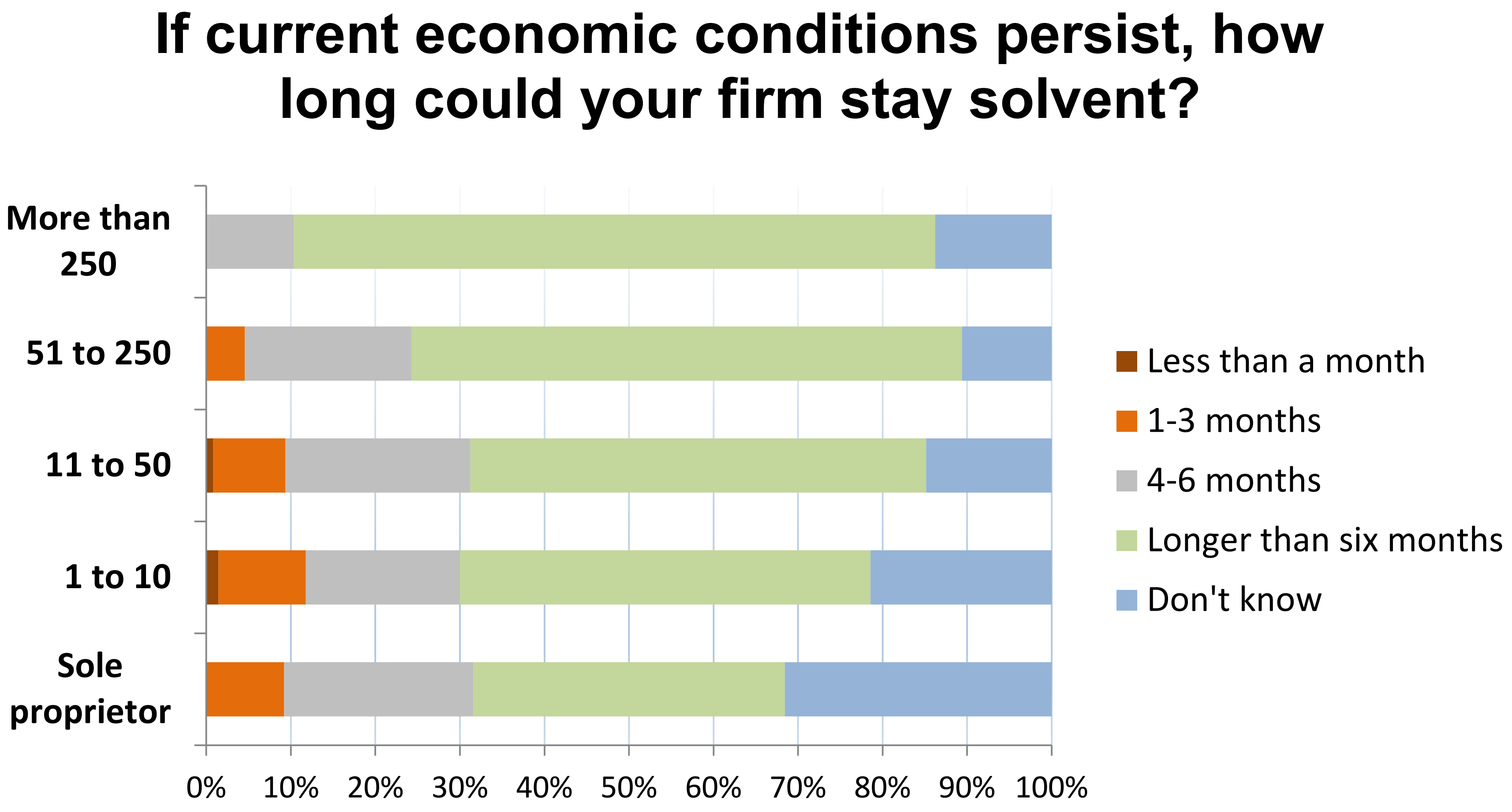


SOLVENCY: IMPROVING

One in 10 firms insolvent in 3 months; large firms more stable

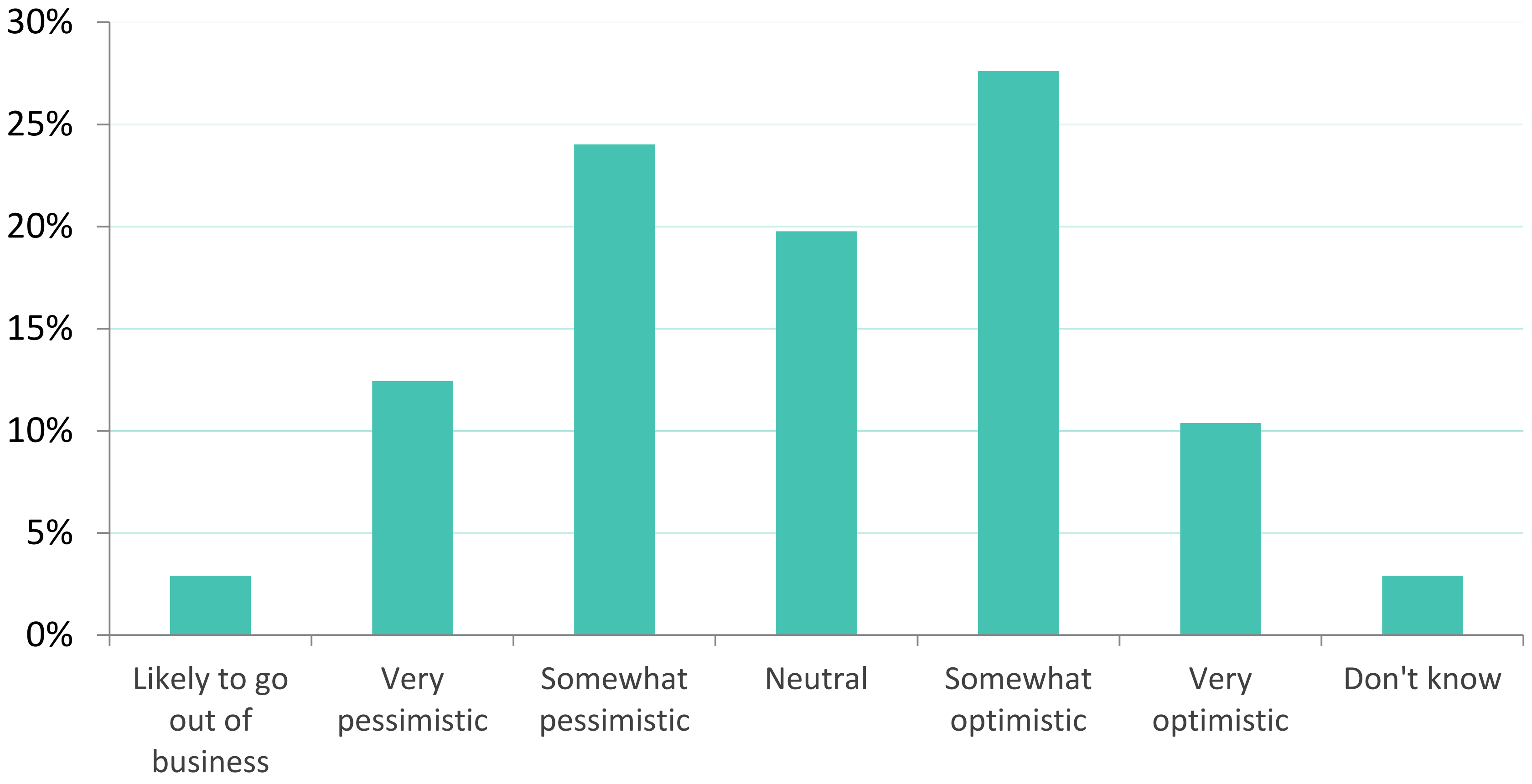
The good news: Steady improvement during pandemic
July survey: 16%
May survey: 28%

Fair amount of uncertainty in future



OUTLOOK

What is your outlook for remainder of 2020?



Balance, but volatile

Pessimism and optimism are both relatively high (39% v. 38%)

QUICK TAKE-AWAYS

- Modest improvement from earlier in pandemic, but recent revenue trends still negative
- Small firms, minority-owned firms, and consumer-facing/crowd-based firms among hardest hit
- Staffing levels have been soft, and look to continue
- Soft demand a problem, but businesses face many other operating challenges
- Solvency appears to be improving, but still big threat
- Businesses facing lots of uncertainty and low visibility into 2021

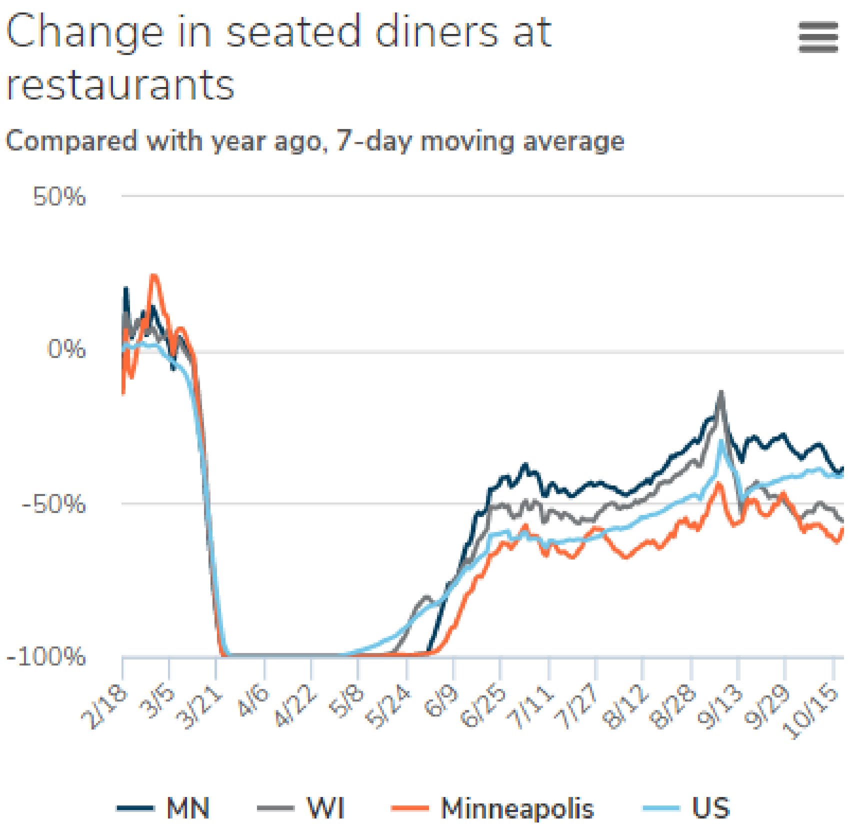
MOVING FORWARD:

TRACKING THE COVID ECONOMY

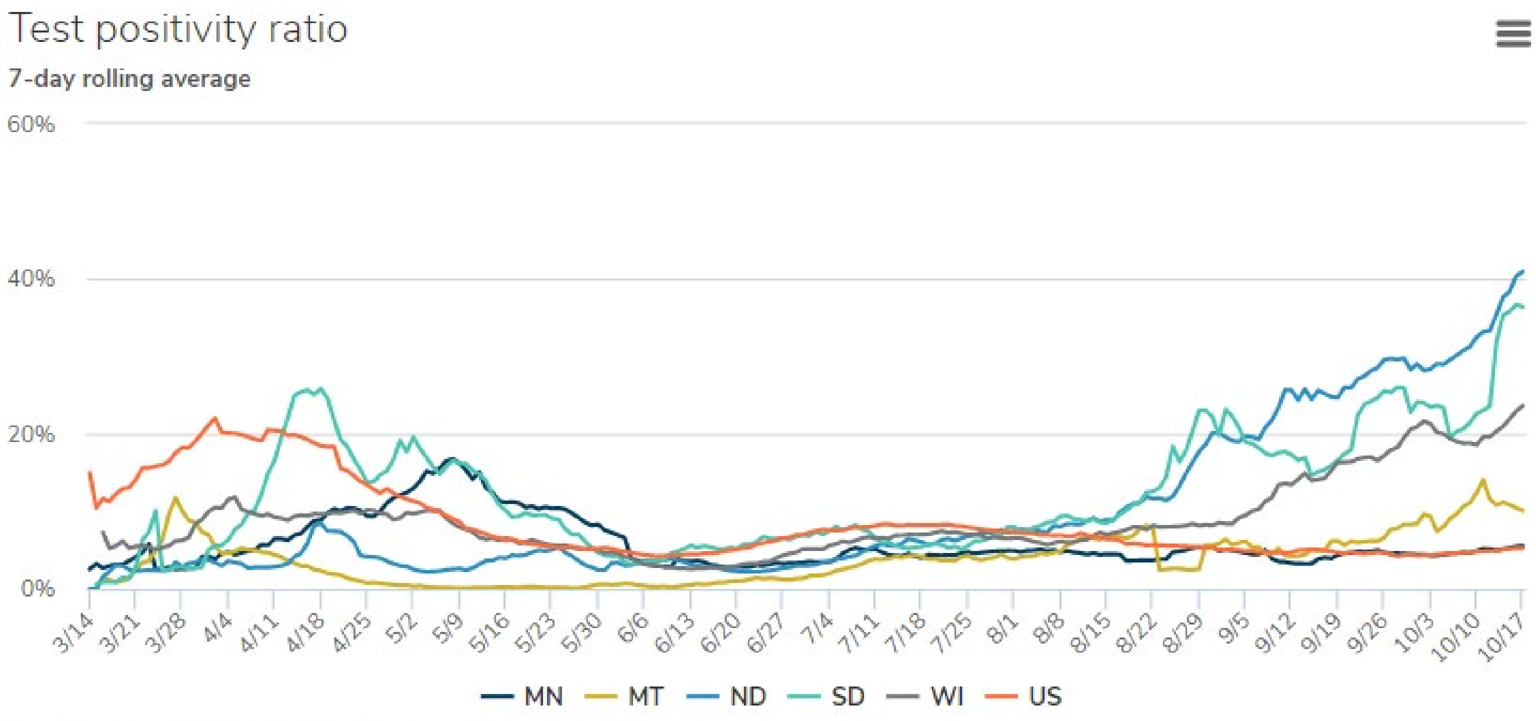
- Continued survey work
  - Construction firms, October 26-30
  - Ag credit conditions survey, November
- More & better real-time metrics on economic activity

BETTER REAL-TIME DATA

COVID-19 and the Ninth District economy: A dashboard



Source: OpenTable



Note: Test positivity ratio is the ratio of new positive cases over newly tested
Source: The COVID Tracking Project, MN Dept. of Health, MT Dept. of Health & Human Services, ND Dept. of Health, SD Dept. of Health, WI Dept. of Health Services

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THANK YOU!

QUESTIONS?

Submit written questions to the host

THANK YOU!

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