GENERAL BUSINESS SURVEY OF 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.

THE COVID DATA CHALLENGE

- Speed of pandemic = need for real-time information
- Most macro data time-lagged; less COVID-relevant
- How to start filling the gap? More outreach!
  - Regional Outreach: 11 surveys since mid-March; almost 9,000 business responses, 25,000 comments
  - General business survey (July 20-24): 1,100+ responses
  - Construction survey (July 27-31): 600+ responses
  - Professional services survey: Currently in the field

REC: A new webinar series from the Minneapolis Fed

- Extension of annual Regional Economic Conditions Conference connecting people & research related to Ninth District economy
- More surveys and more real-time data being gathered
- Webinars help Bank connect w/ businesses and community leaders about real-time conditions in the Ninth District
- Enhanced data sharing: Greater value for survey partners and survey participants

A BIG THANK YOU TO PARTNERS

- Too many to list and thank individually
- Almost 30 partnering organizations that send Bank survey to members/contacts
- Every District state represented
  - State chambers of commerce
  - Regional chambers of commerce
  - Economic development organizations, including those representing minority-, woman- and veteran-owned businesses

GENERAL BUSINESS SURVEY

- Conducted July 20-24, 2020
- Total responses: 1,129
    - Responses from all states in the District, though smaller responses in the Dakotas, Montana and Upper Peninsula
    - Broad sectoral response
    - Good representation from minority-, woman- and veteran-owned firms

DISCUSSION OVERVIEW

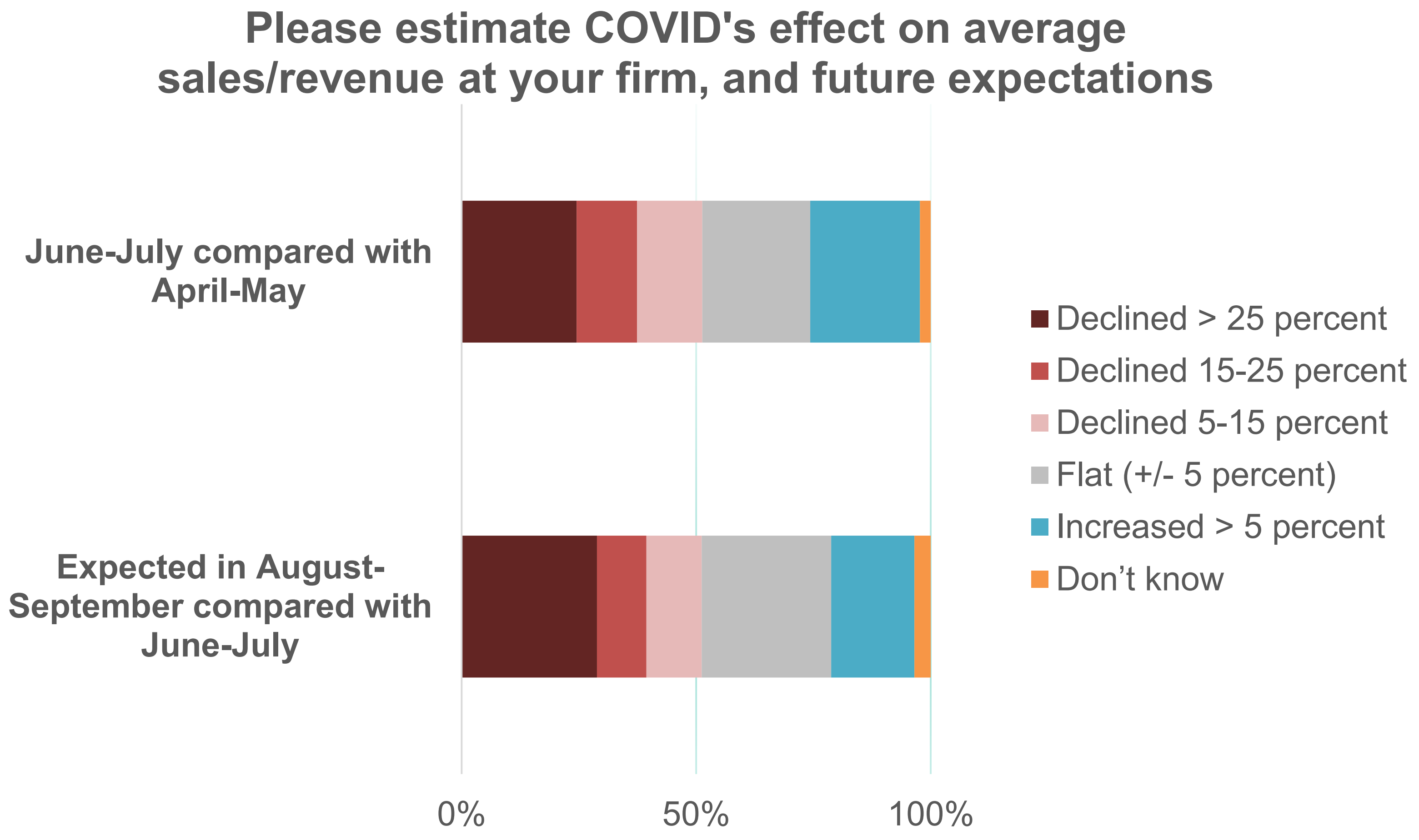
- Trends in revenues, staffing, wages, capacity, customer demand, solvency
- Firm traits: State – Sector – Size – Ownership
- Results are a snapshot
  - Not a scientifically sampled survey
  - Interpret with care
- Use the chat box for questions (taken at end)

OVERALL TREND: CURRENT AND FUTURE REVENUE

Sales continue to struggle

Roughly half seeing negative revenue trend

Respondents nervous about the near-term



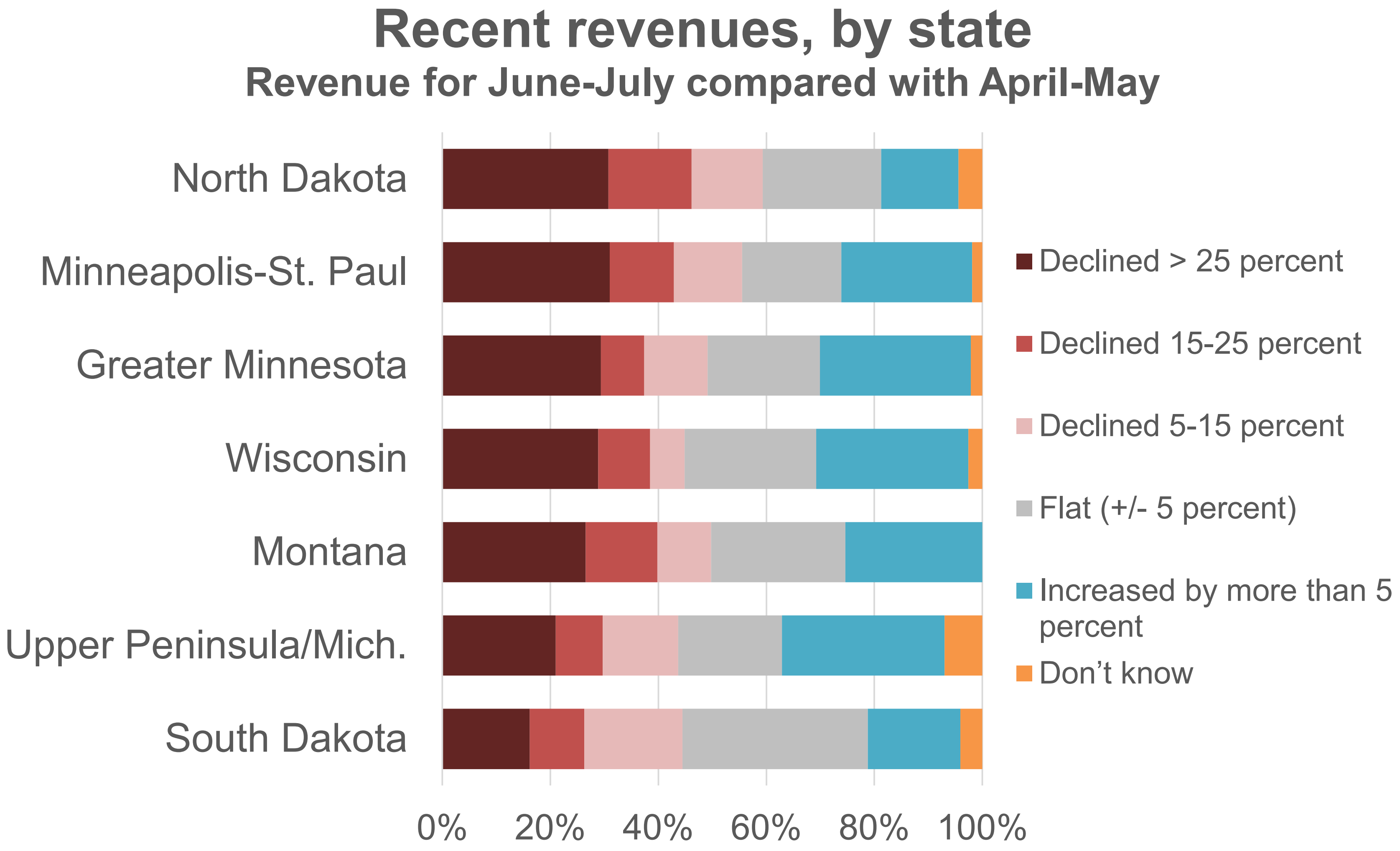
COVID IMPACT: BY STATE

Geography matters*
(* = some)

Results by state: more same than different

State policy:

- **Some role, but likely on margins; response composition matters**
- **SD = more finance responses; no sole proprietor responses**



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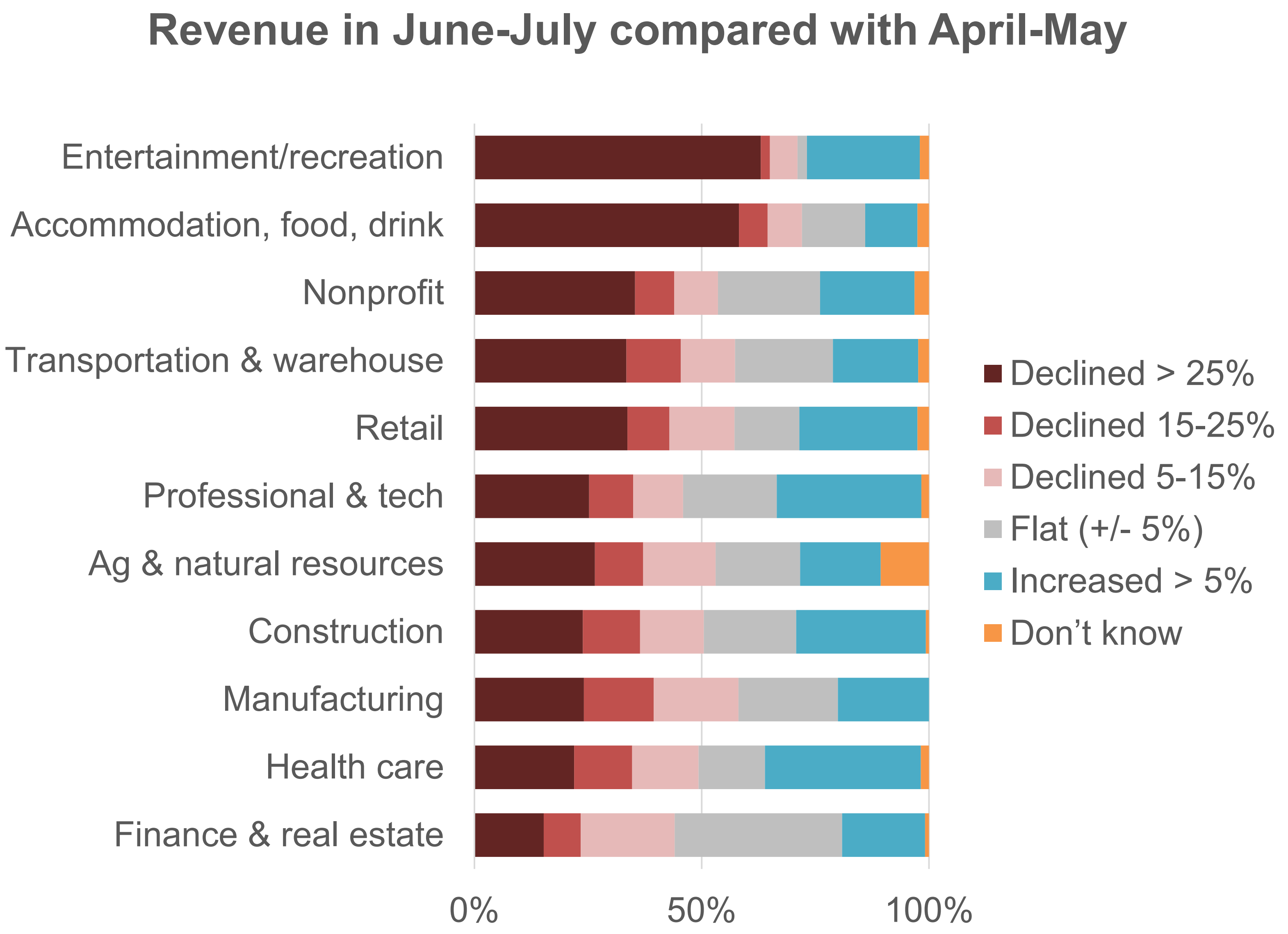
COVID IMPACT: BY INDUSTRY SECTOR



Industry sector matters:

All sectors hurt, but entertainment/recreation, accommodation, food & drink firms damaged the most

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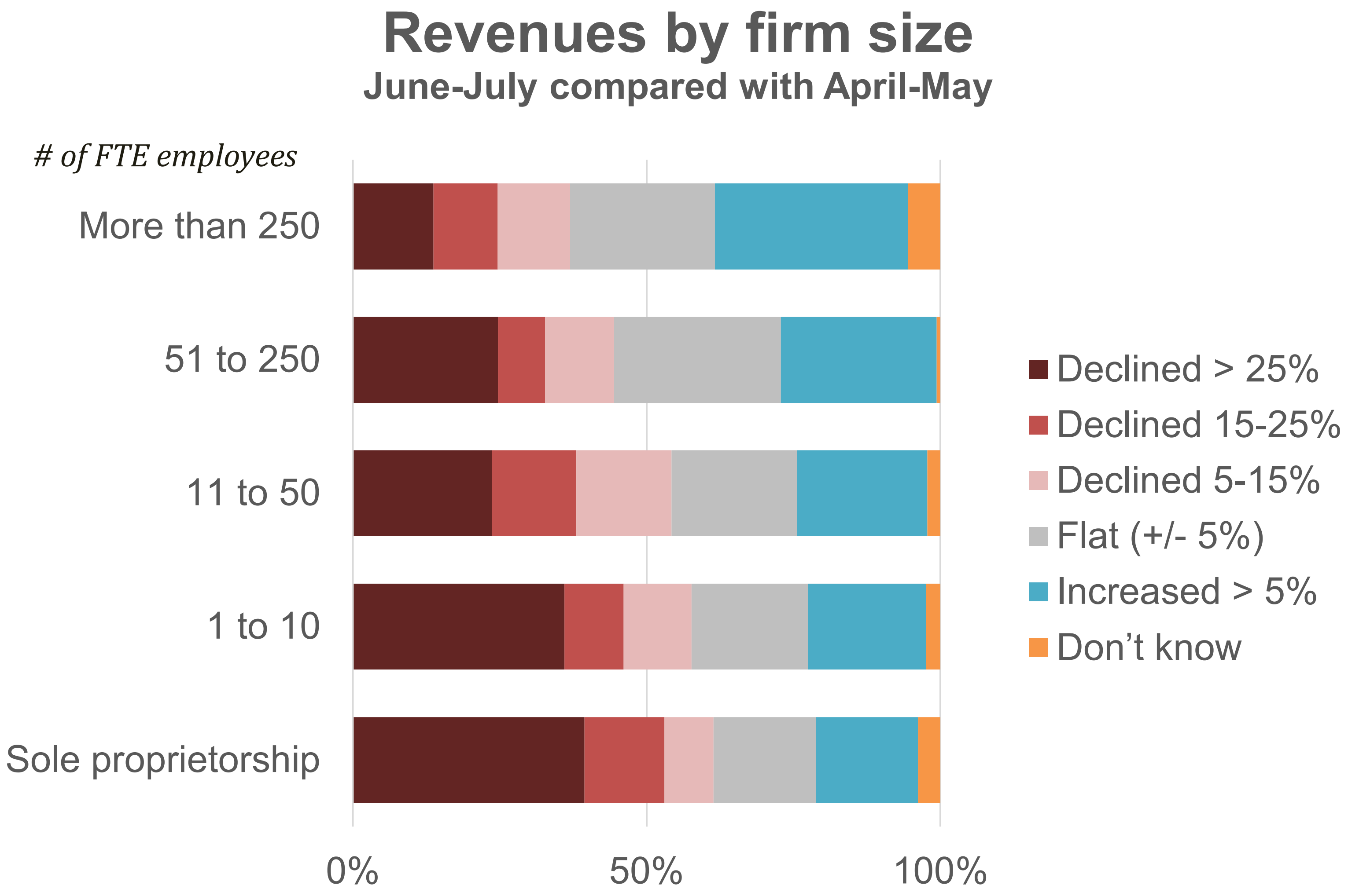
COVID IMPACT: BY FIRM SIZE

Size matters

Sole proprietors and small firms more likely to see revenue decline (also taking the brunt of wage cuts)

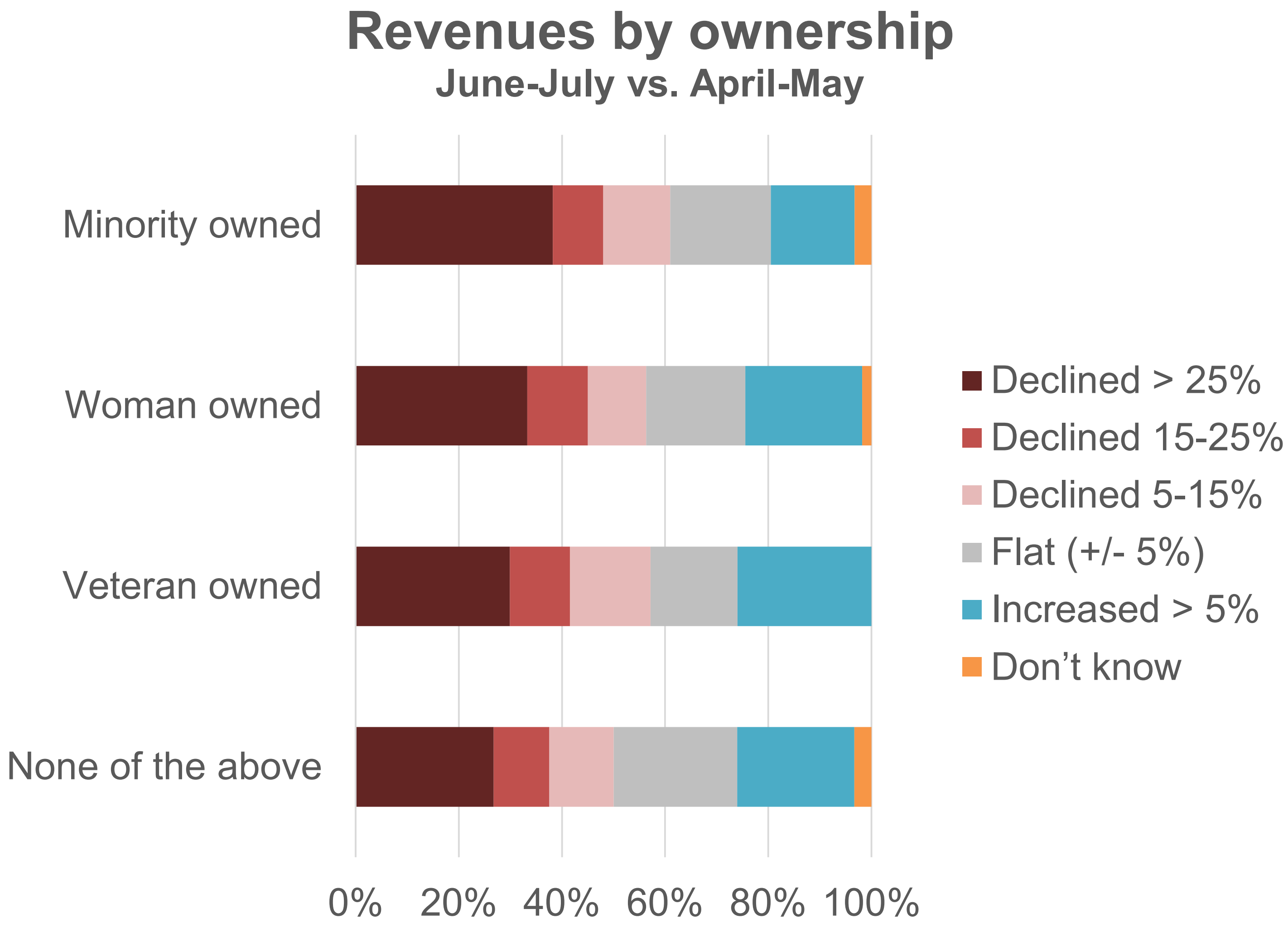


COVID IMPACT BY OWNERSHIP

Ownership matters

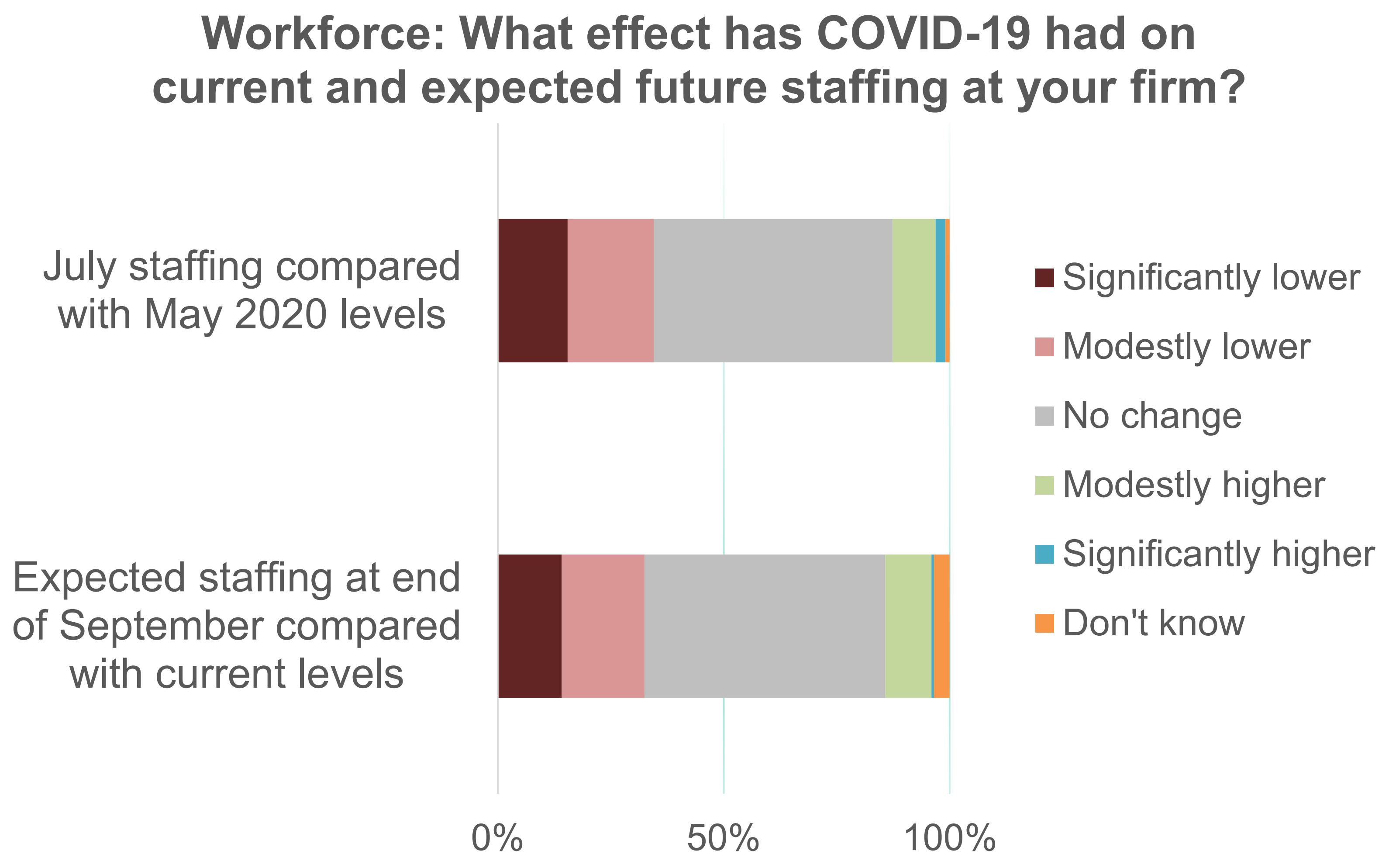
Minority-, woman- and veteran-owned firms saw more negative impacts on revenue

However these firms also:
1) tend to be smaller; and
2) tend to be over-represented in harder-hit sectors (food, lodging, entertainment, retail)



OTHER ‘BIG PICTURE’ RESULTS

WORKFORCE CUTS



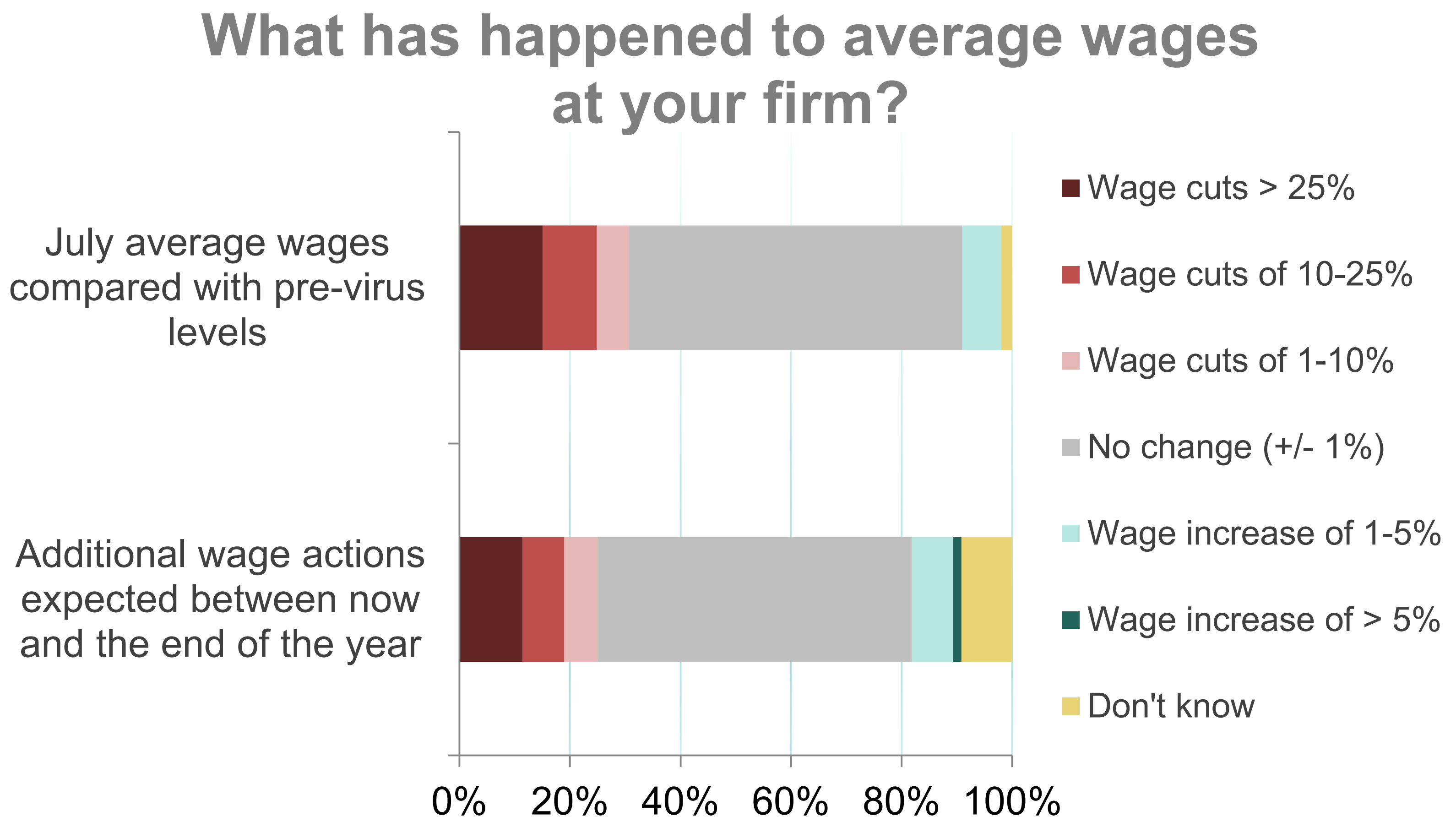
One third of firms continue to see workforce cuts, and they expected further cuts over the coming months.

COVID'S EFFECTS ON WAGES

Roughly one-third of firms have cut wages at some level

Wage cuts tend to be by > 10 percent

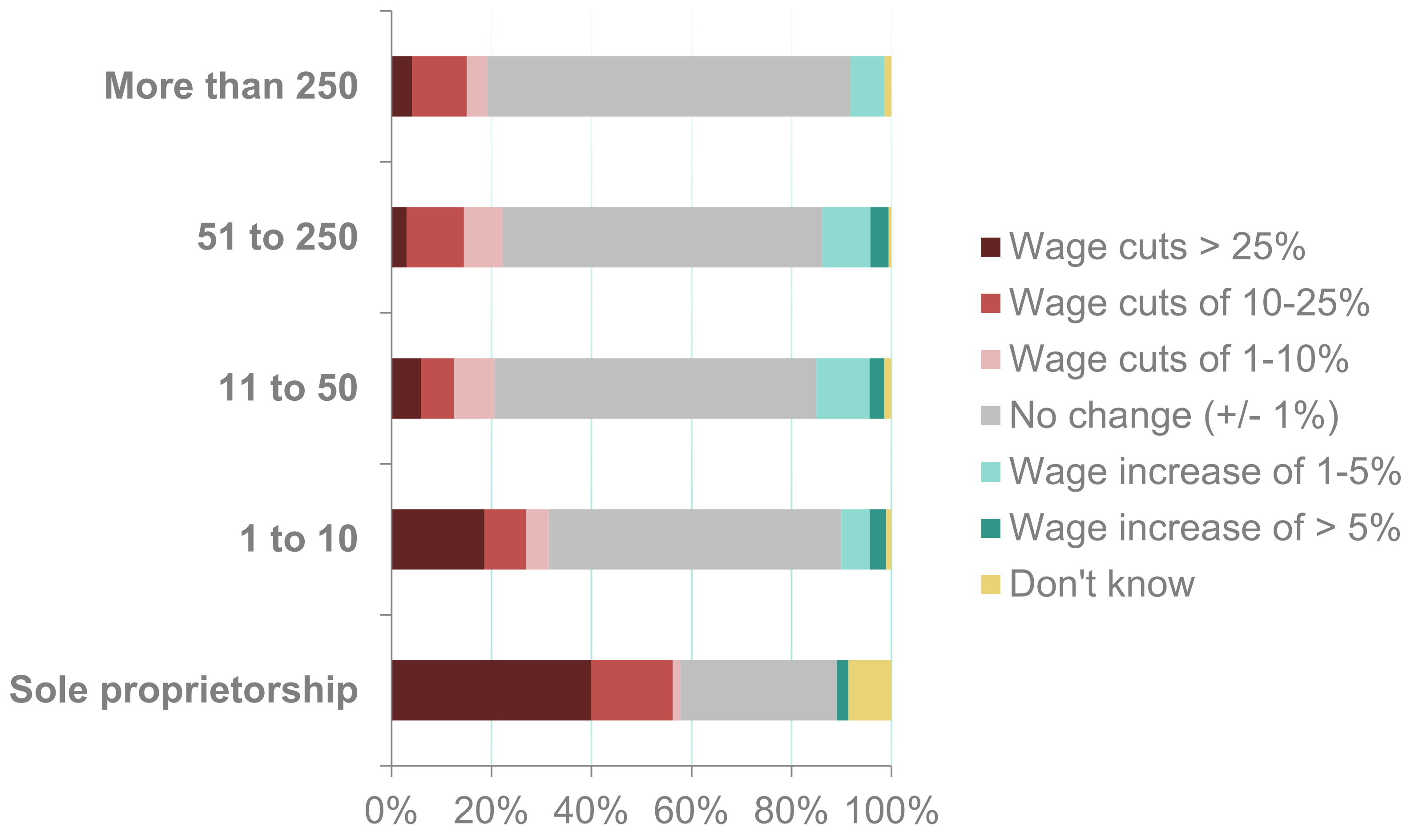
About one-quarter envision additional wage cuts by end of the year



WAGES CONT. – SOLE PROPRIETORS & SMALL FIRMS

Firms of all sizes experiencing wage cuts, but sole proprietors and very small firms seeing much more negative impact

July average wages compared with pre-virus levels



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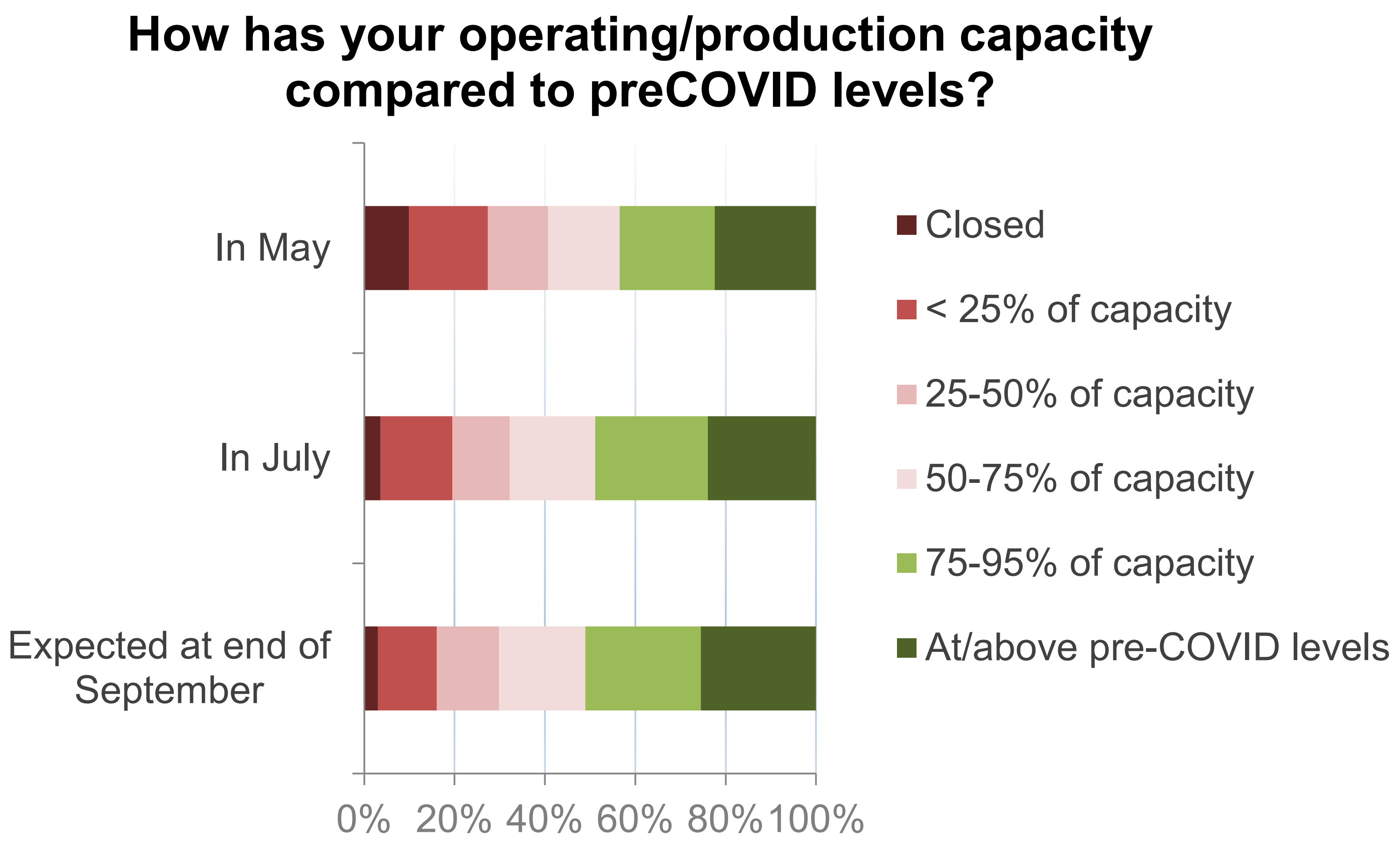
SUPPLY VS DEMAND: PART 1, SUPPLY

Overall operating capacity has improved since the early onset and shutdown in most states, but …

- Has not changed much since May
- Is not expected to improve much by end of September

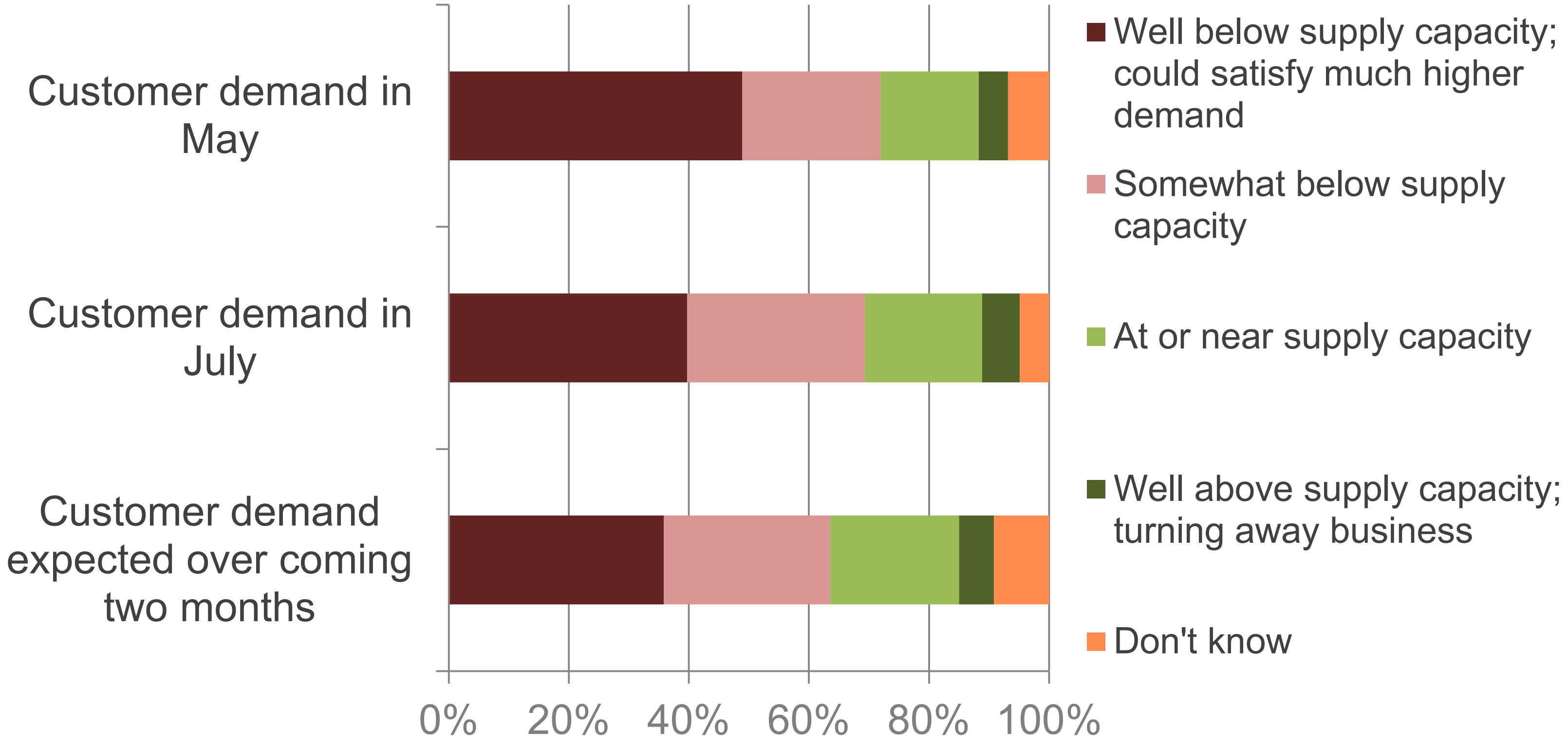


SUPPLY VS. DEMAND, PART 2: CUSTOMER DEMAND

Customer demand lagging even with restrained capacity

Expected to improve, but only marginally

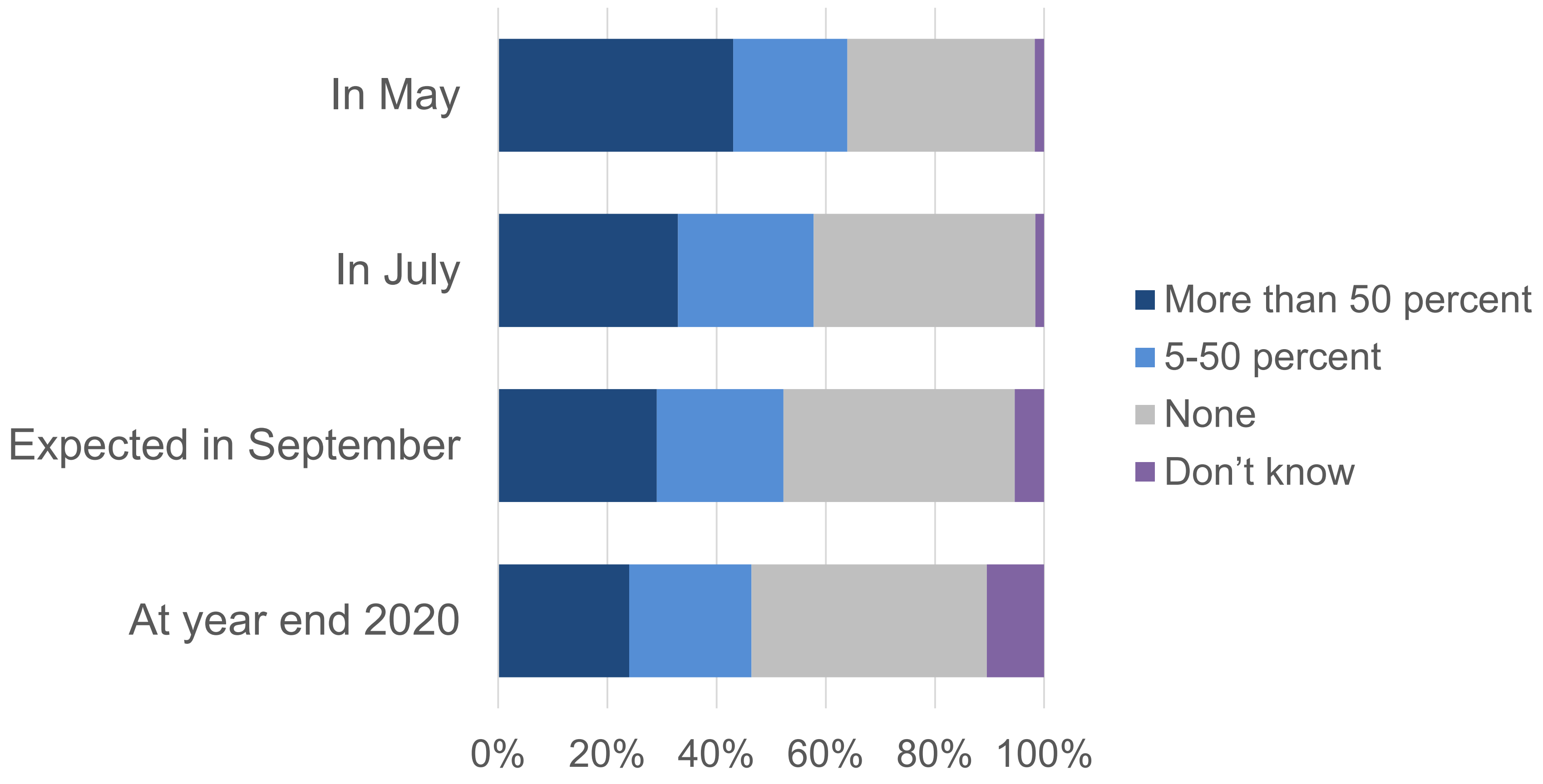
Tell us about customer demand in relation to operating capacity



REMOTE WORK

Firms pulling back only modestly on the new home-office environment

Please estimate the share of staff work time done remotely at different times this year

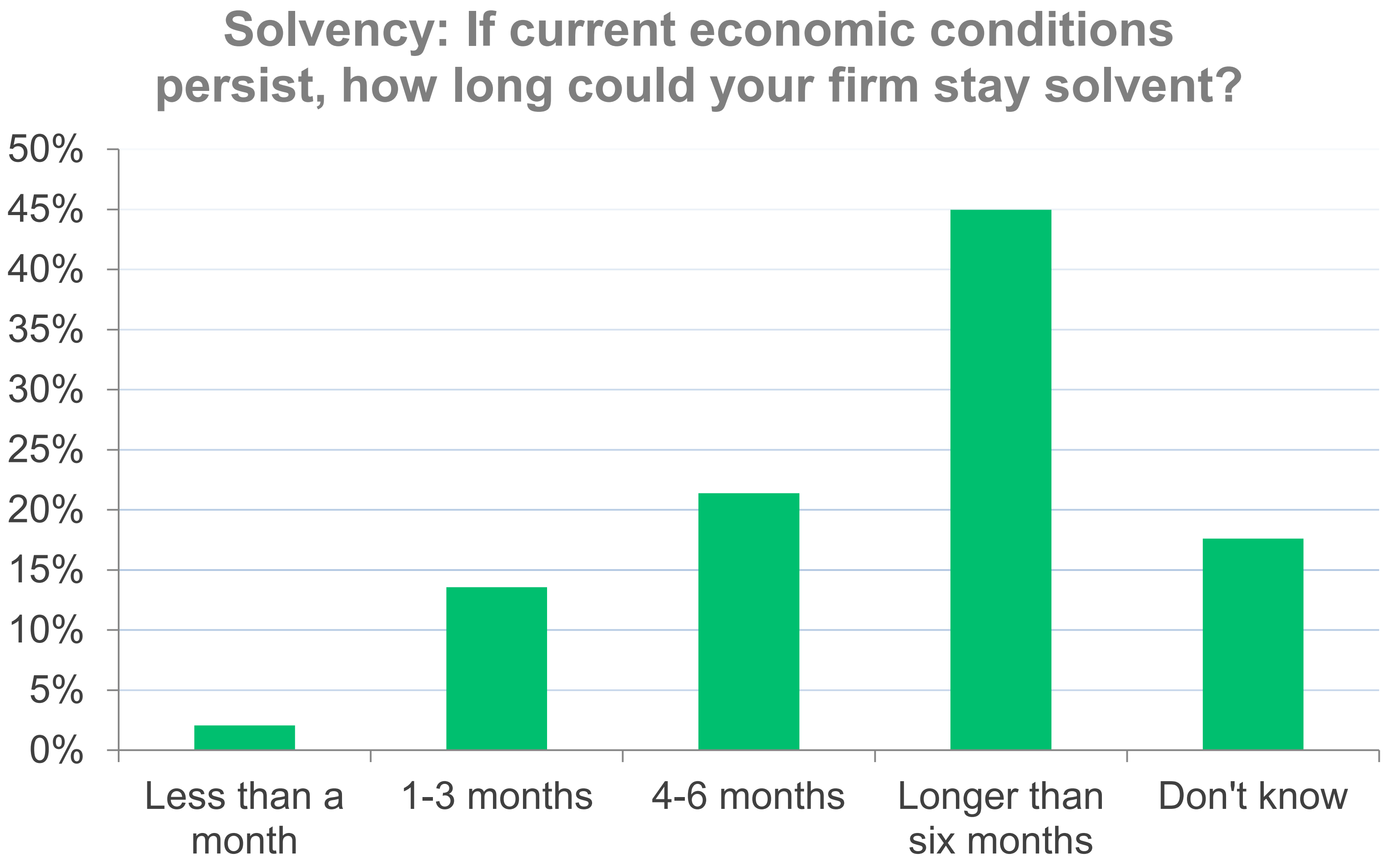


SOLVENCY: IMPROVING

1 in 6 firms say they could not last more than three months under current conditions

Actually seeing steady improvement in solvency …

… might be from previous respondents dropping out

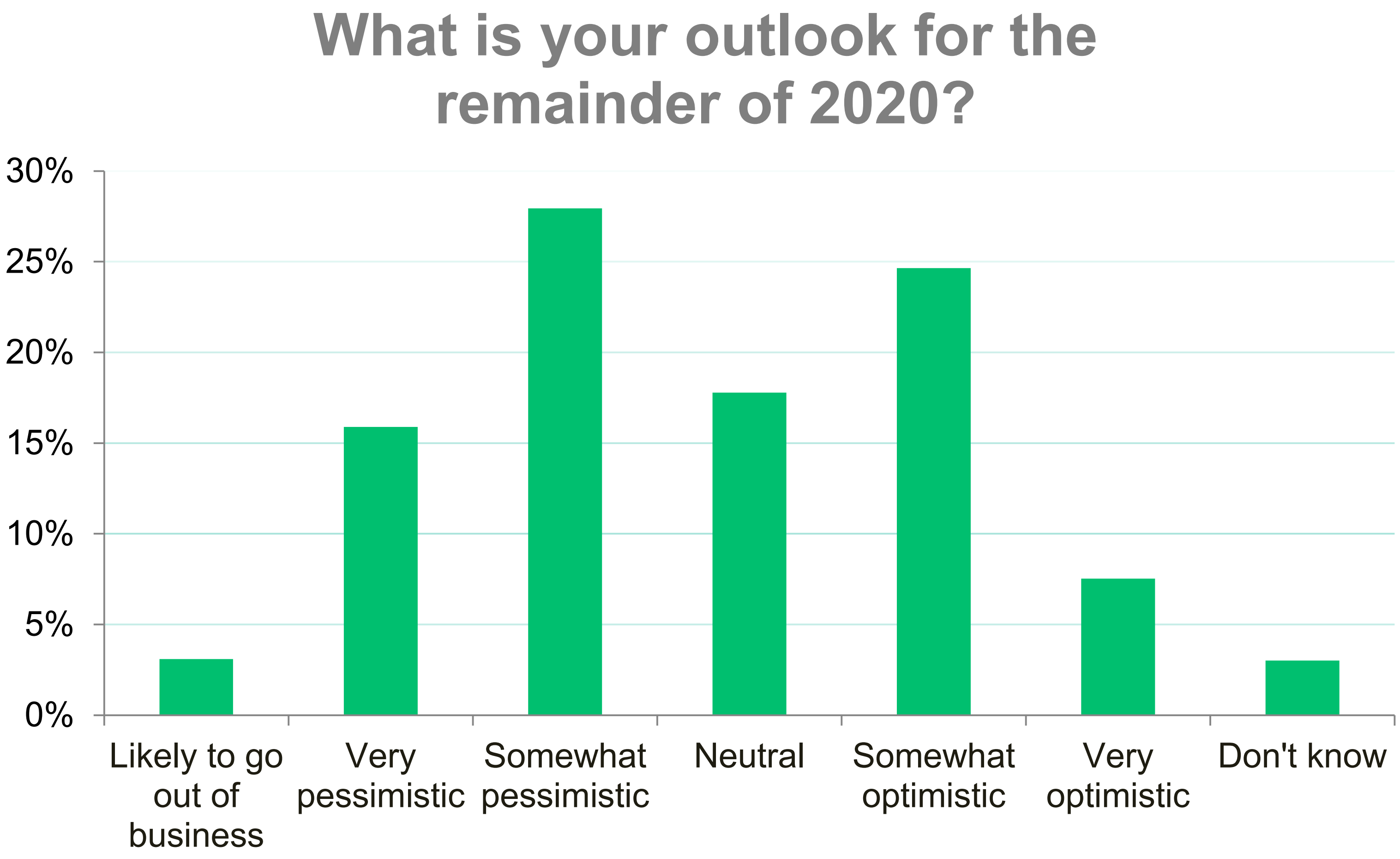


AND LASTLY: OUTLOOK

Half full:

- **1/2 of respondents are not pessimistic**

Half empty … circumstances remain tough for many firms



MOVING FORWARD: TRACKING COVID

- CONTINUED SURVEY WORK
- MORE & BETTER REAL-TIME MEASURES OF ECONOMIC ACTIVITY

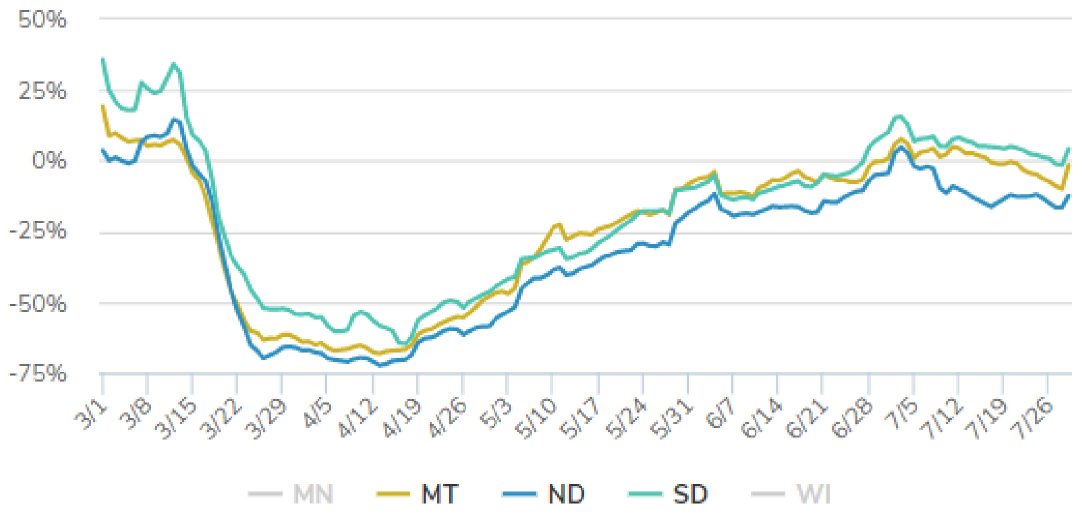
LOOKING AHEAD: BETTER REAL-TIME DATA

COVID-19 and the Ninth District economy: A dashboard

SafeGraph foot traffic mobility

Sit-down restaurants

YoY Percent, seven-day rolling average



Note: Compared to same day and week in 2019
Source: SafeGraph

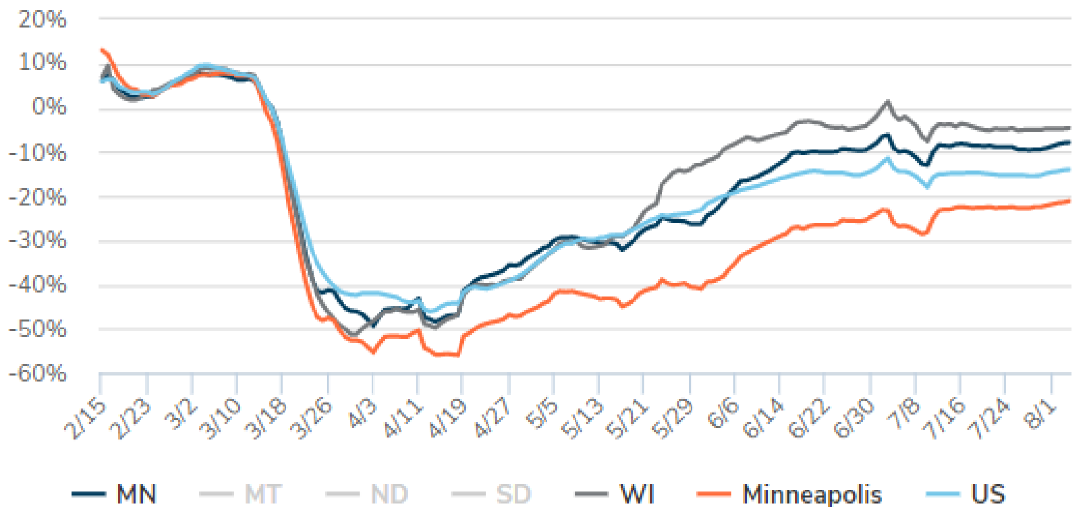
Filter by location type:

○Movie theaters ◉Sit-down Restaurants ○Bars ○Malls ○Hotels

Google Mobility Reports

Retail and recreation

Percent change from baseline, seven-day rolling average



Note: Compared to median day-value from the 5-week period in Jan 3-Feb 6, 2020
Source: Google Community Reports

Filter by location type:

◉Retail & recreation ○Grocery ○Parks ○Transit stations ○Workplaces

MORE SURVEY RESULTS TO SHARE!

CONSTRUCTION MARKET UPDATE
AUGUST 27 WEBINAR
9:00 TO 9:30 AM

- Minneapolis Fed survey of construction firms
- Firms from all Ninth District states participated
- Almost 650 responses

Look to webinar chat box for registration link!

THANK YOU!

QUESTIONS?

Use the chat box to submit questions to the host

THANK YOU!

SPEECH/WEBINAR REFERRALS WELCOME!

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