

REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

GENERAL BUSINESS SURVEY

February 4, 2022

Ron Wirtz

Regional Outreach Director



FEDERAL RESERVE BANK
OF MINNEAPOLIS

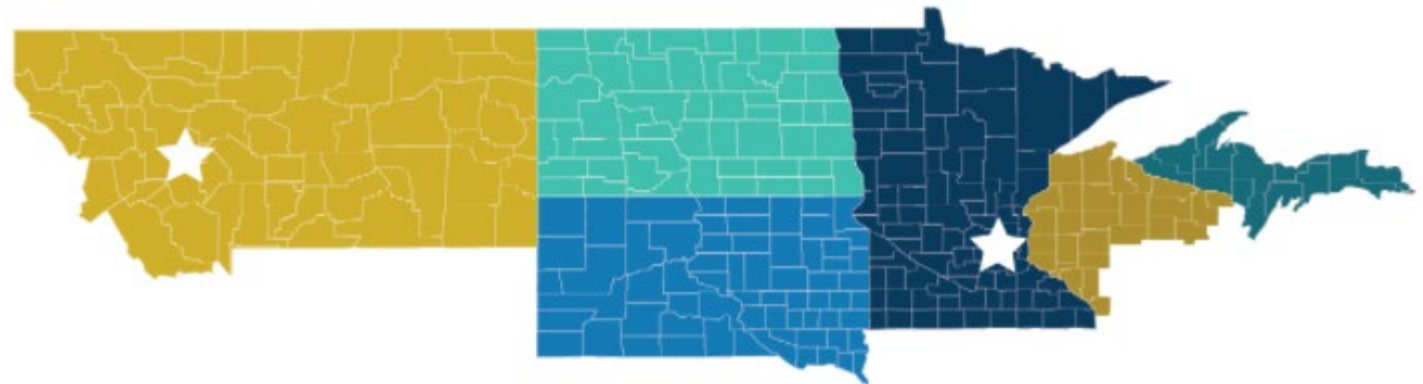
DISCLAIMER

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



THANK YOU TO PARTNERS (AND SURVEY-TAKERS!)

- Minneapolis Fed partners with chambers of commerce, government agencies and other business/workforce organizations to distribute survey to businesses across the Ninth District



- One of largest, regular surveys of business conditions among 12 Reserve District Banks





TODAY'S FOCUS

GENERAL BUSINESS SURVEY

- Conducted January 17-24, 2021
- 394 responses from across the Ninth District, with a majority in Minnesota
- Results are a snapshot
 - Not a scientifically sampled survey
 - Interpret cautiously



QUICK TAKE-AWAYS

- Most recent 3-month period saw continued growth, with some signs of caution
- Performance differences persist among firms, esp. by size, sector and ownership
- Major challenges persist for firms
 - high prices
 - supply chain disruptions
 - labor availability
 - growing wage pressure
- Outlook still optimistic, and improved slightly over October; hard to know Omicron's full impact, but seems to be some stability in face continued surges





RECENT REVENUE TRENDS

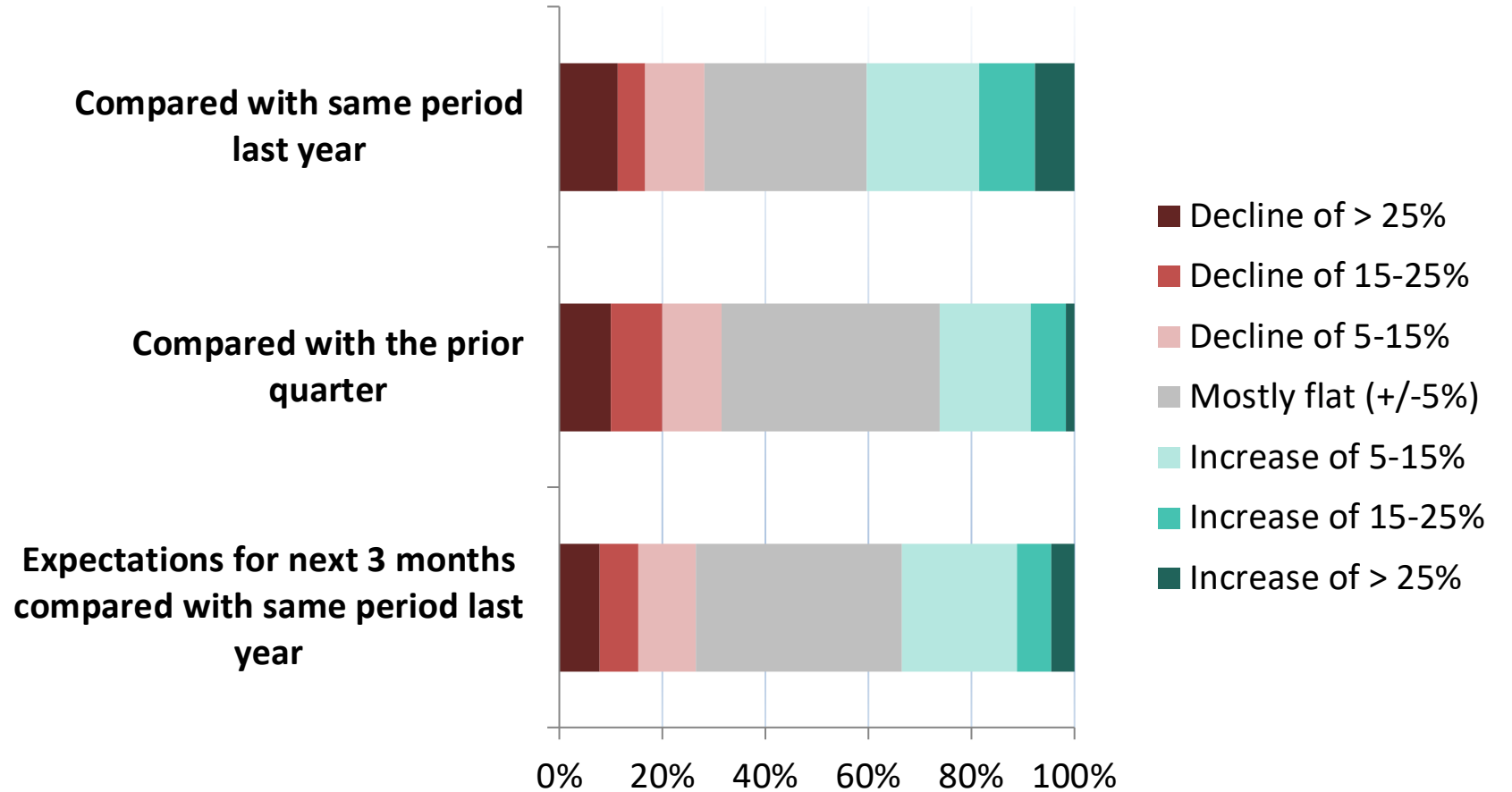
RECENT AND FUTURE REVENUE

Year-over-year revenue: Modestly positive; rising costs could be a factor

Quarter-over-quarter: Some slowing, but seasonality could be factor

Outlook remains upbeat, but more cautious

Recent quarterly sales/revenue and expectations for near future





HOW DO THINGS LOOK OVER TIME?

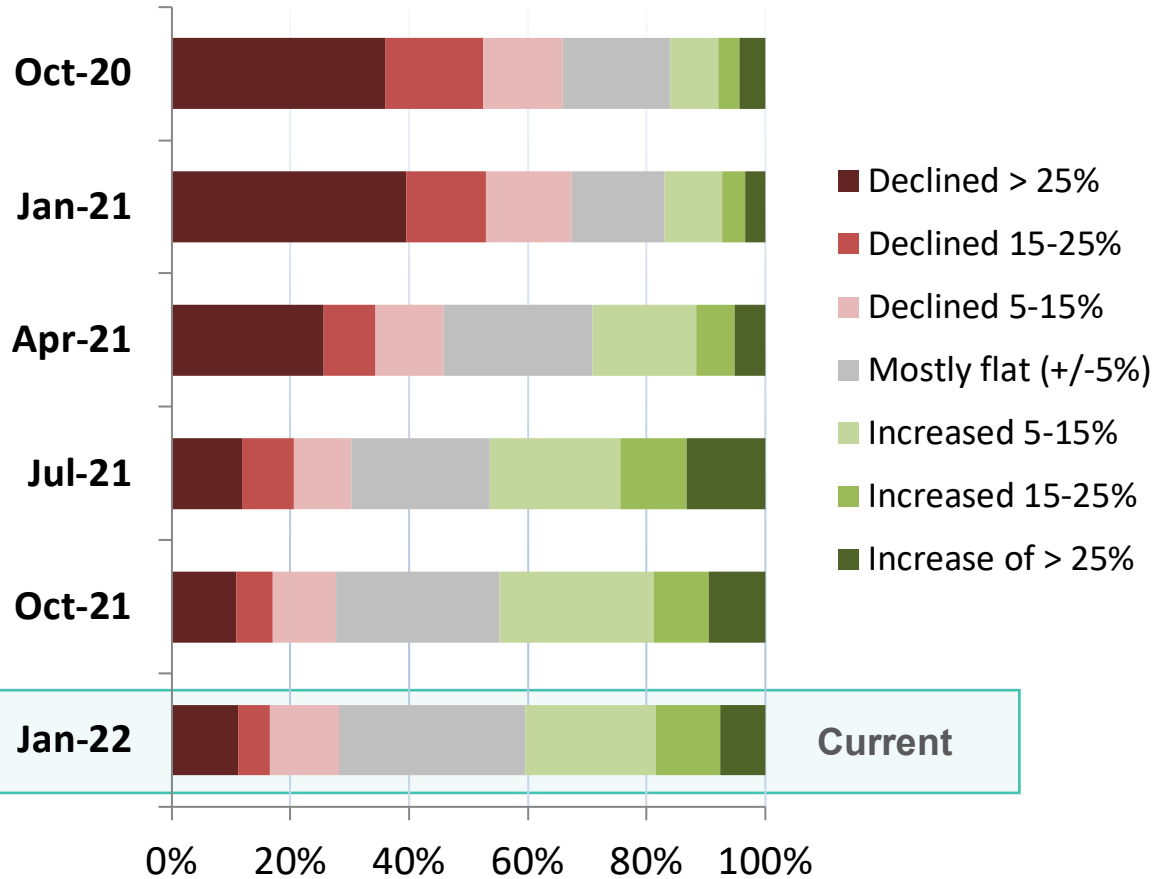
- Convenience sample for survey best viewed as a snapshot of conditions
- “Repeated cross sections” offer some insight on experiences over the course of pandemic
- *Please interpret carefully:* More accurate in a directional sense than as an exact path



REVENUE TRENDS OVER TIME: PAST SURVEYS

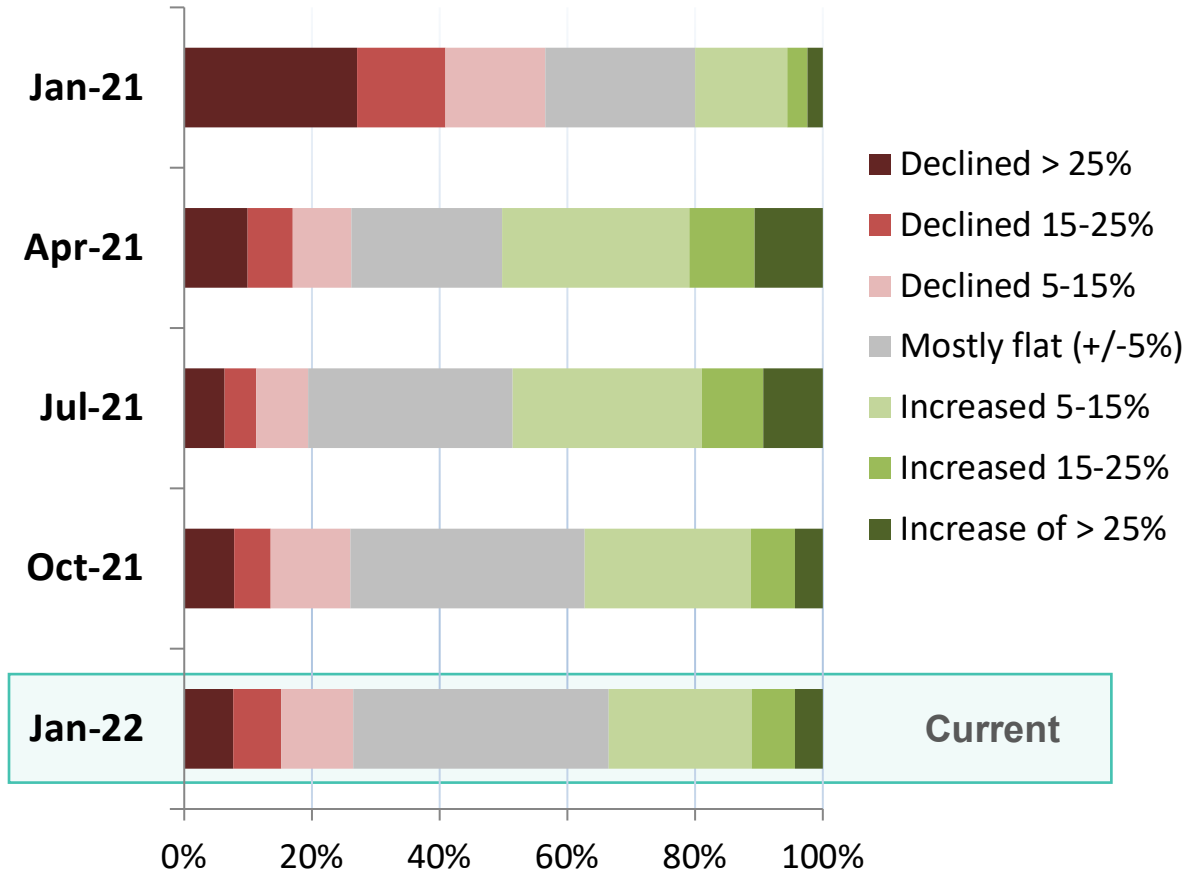
Past surveys

Recent revenues, year-over-year



Past surveys

Next quarter expectations, year-over-year





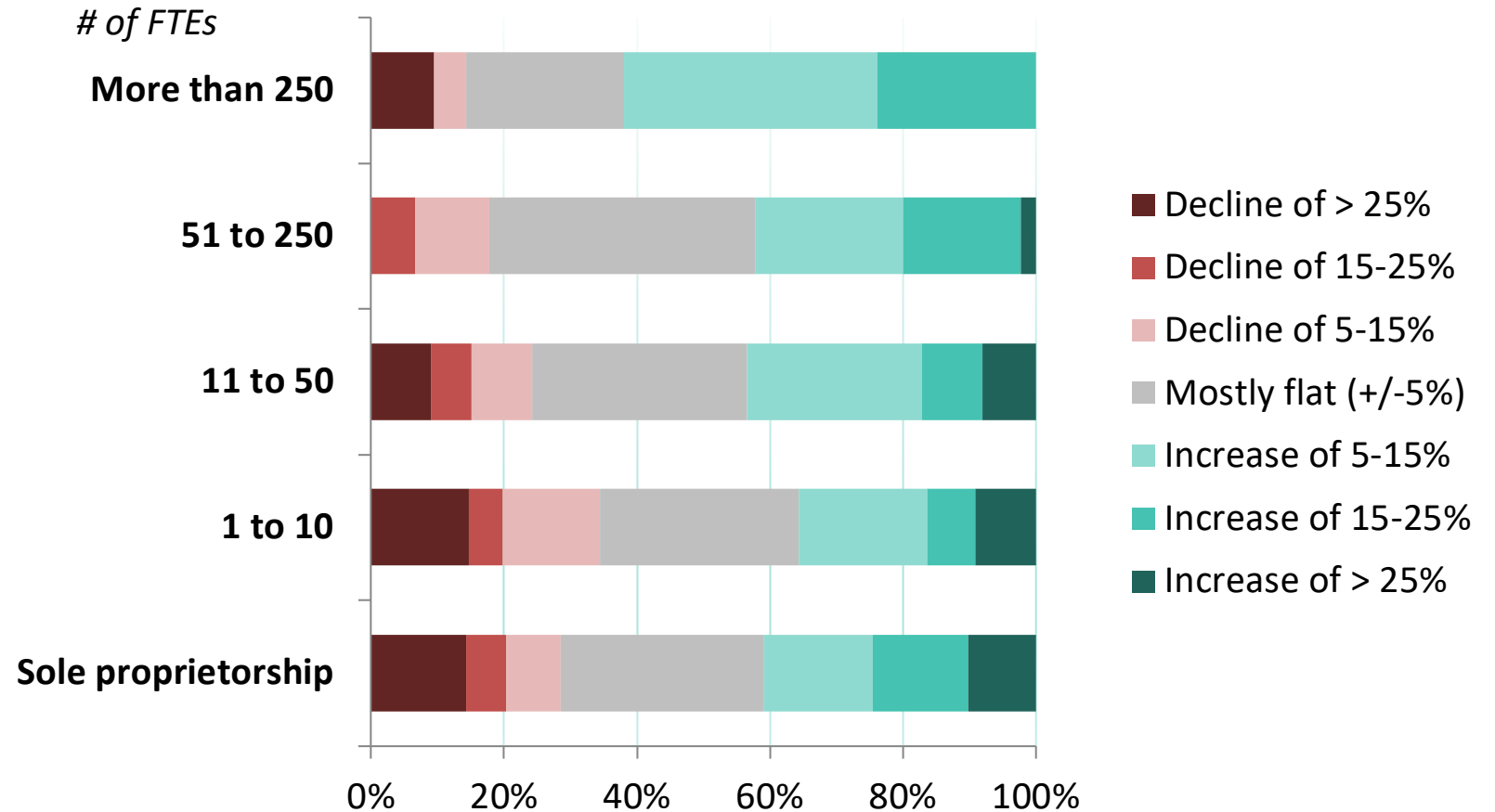
**OTHER REVENUE SNAPSHOTS
BY FIRM TRAITS**

REVENUES, BY FIRM SIZE

Throughout pandemic, larger firms have generally seen more positive revenue trends

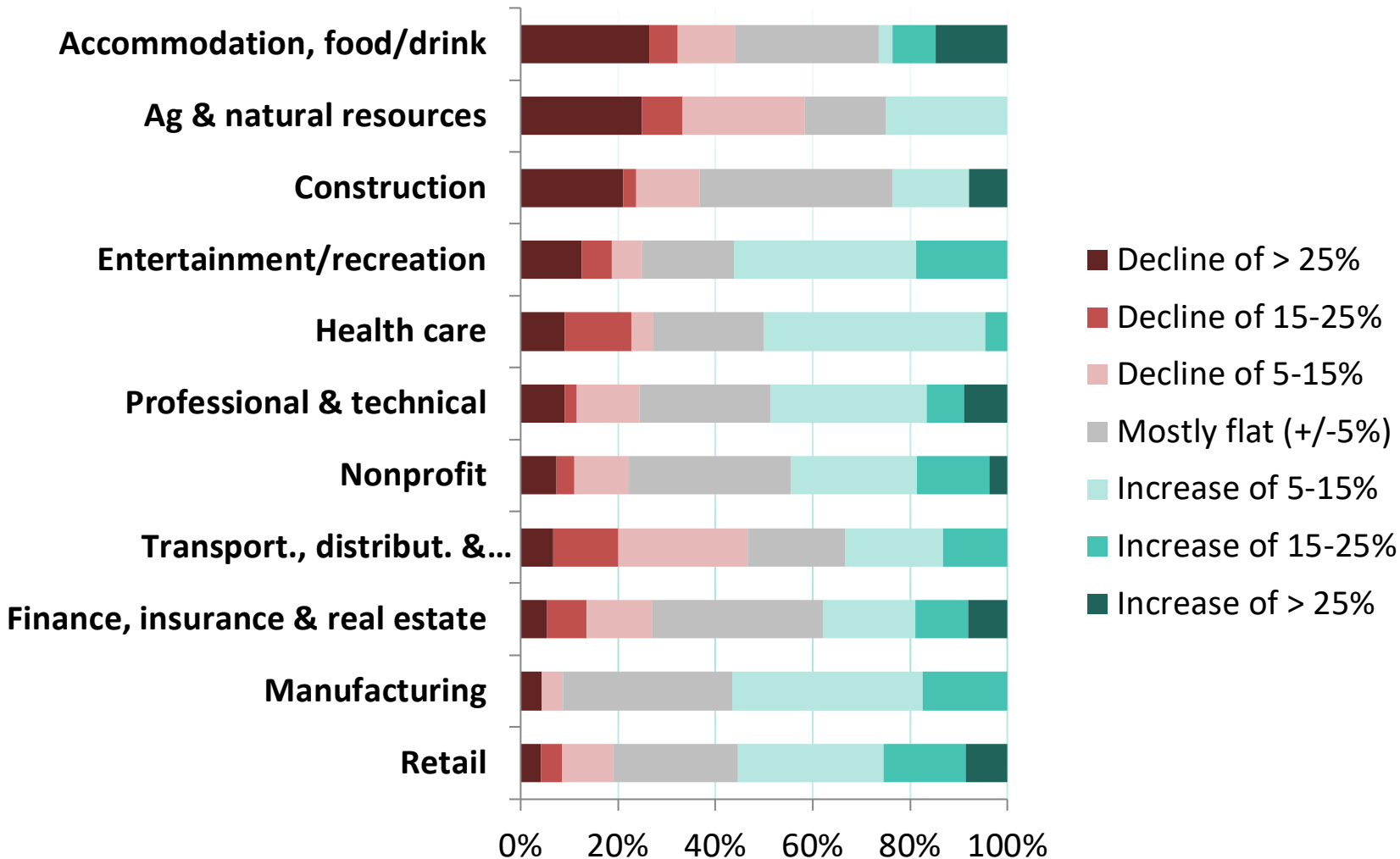
Same holds true in January survey, though revenue trends compressing except at the very top

Recent revenues compared with same period last year



REVENUE TRENDS, BY SECTOR

Last 3 months compared with same period last year



Fairly volatile results among sectors

Note: small sample sizes for some sectors, interpret carefully

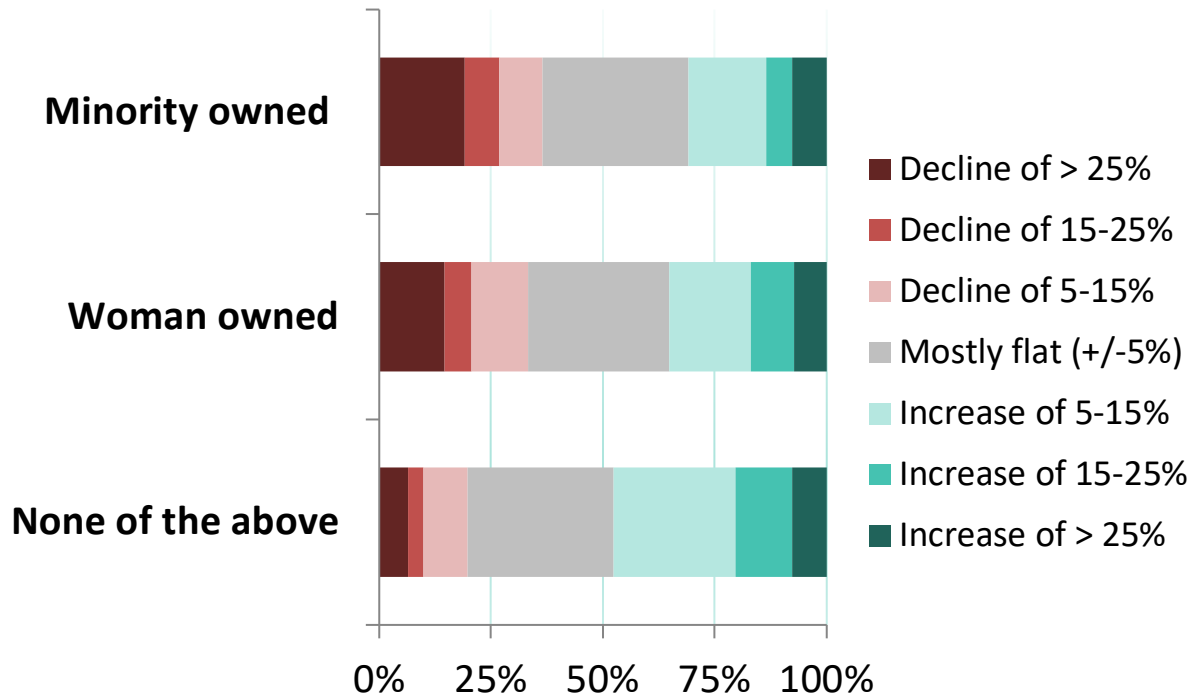
Omicron, cost inflation and supply chains likely having impact on some sectors more than others



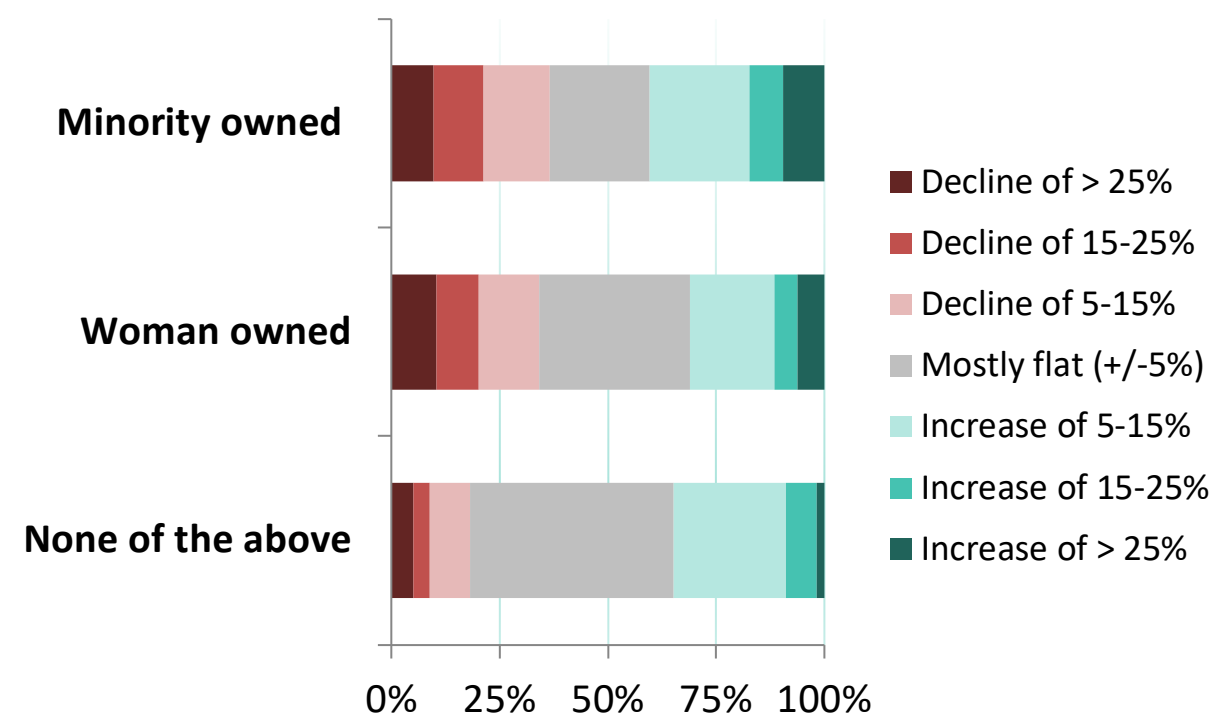
REVENUES, BY OWNERSHIP

Minority- & women-owned firms continue to see worse revenue trends

Recent revenue compared with same period last year



Expectations for next 3 months, compared with same period last year

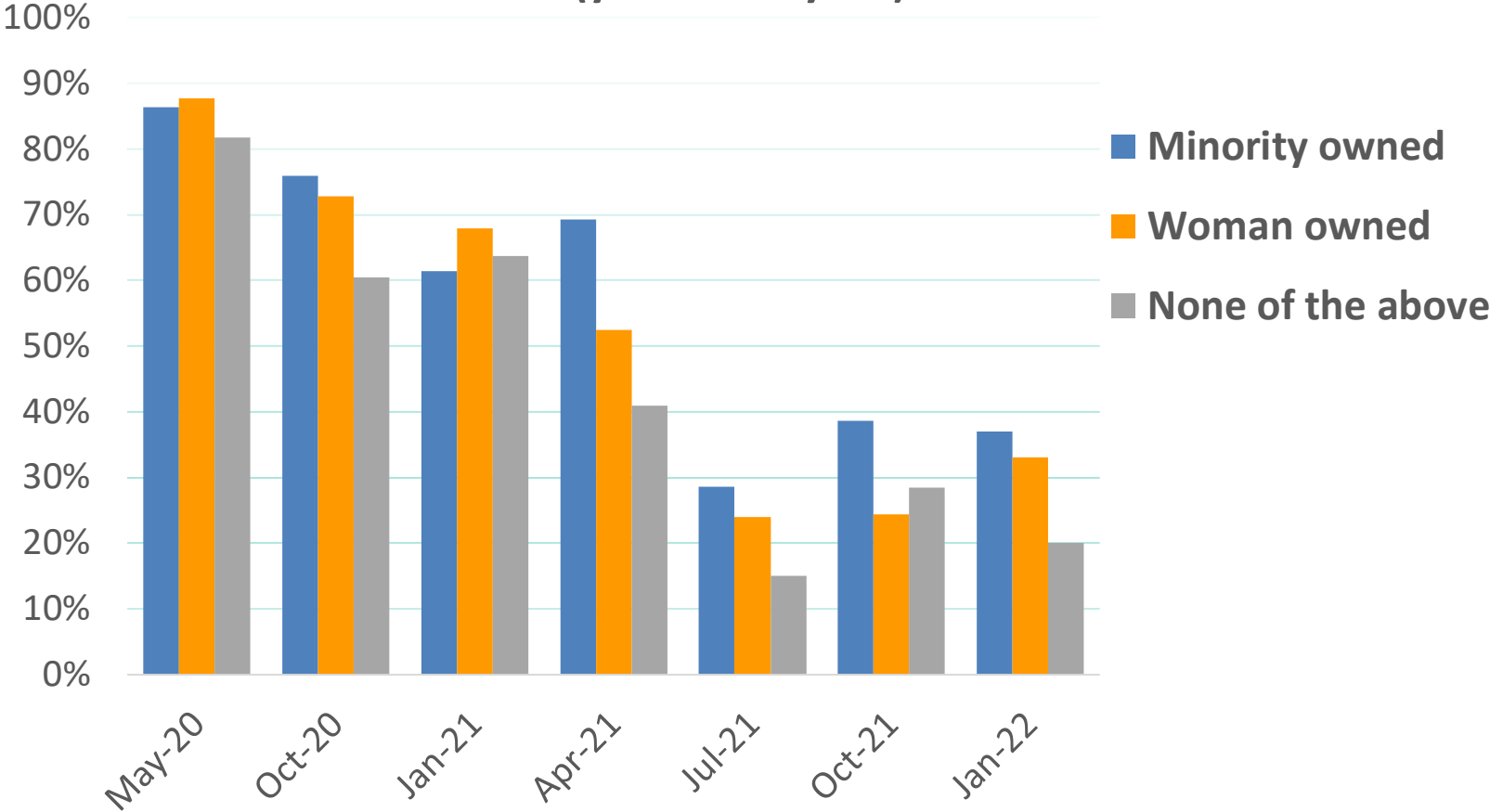


REVENUES DURING PANDEMIC



More minority-owned firms seeing negative revenue trends, esp. over the last year

Share of respondents reporting negative quarterly revenues (year-over-year)

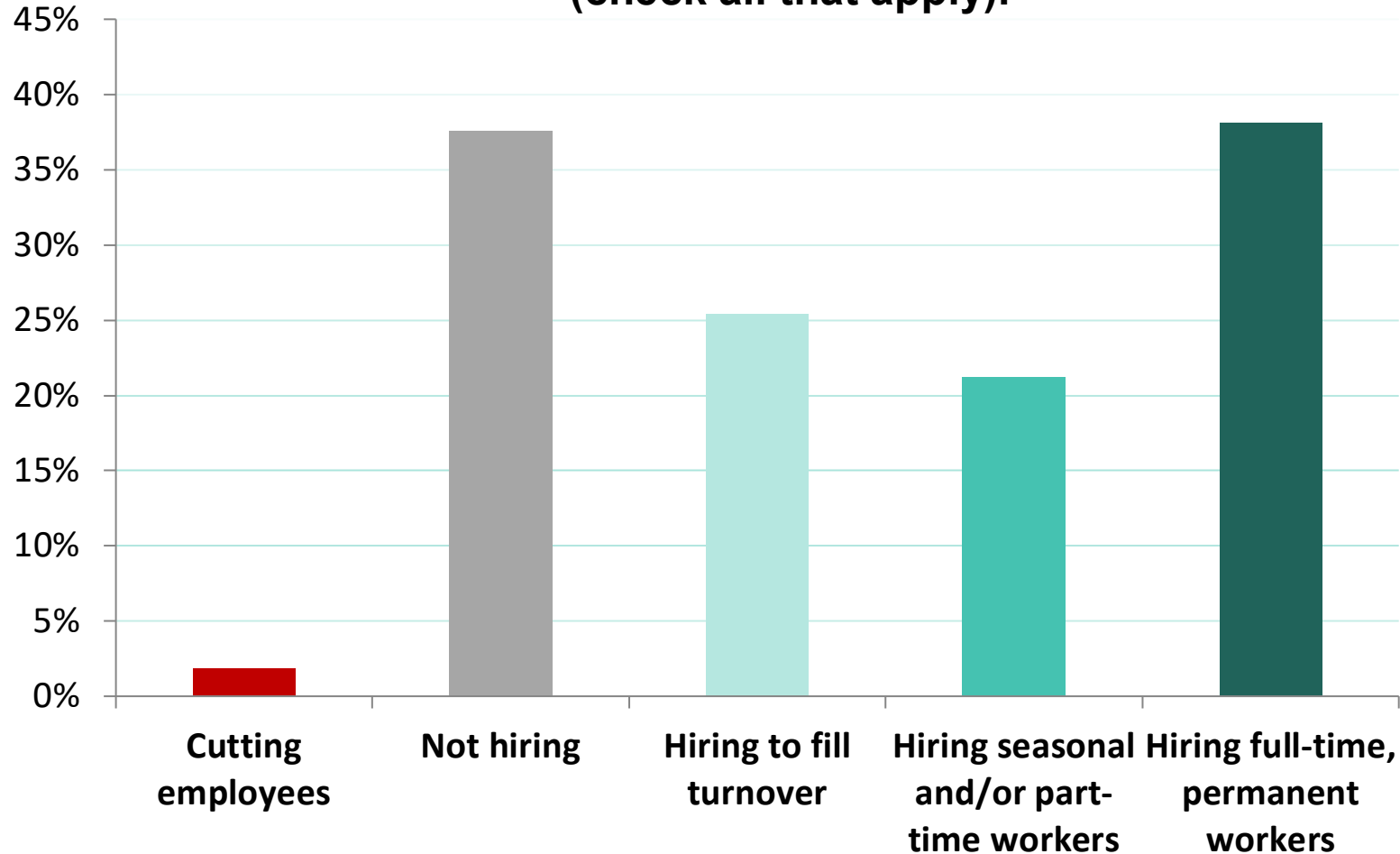




WORKFORCE & WAGE TRENDS

LABOR DEMAND

Please indicate current hiring demand/job openings (check all that apply).

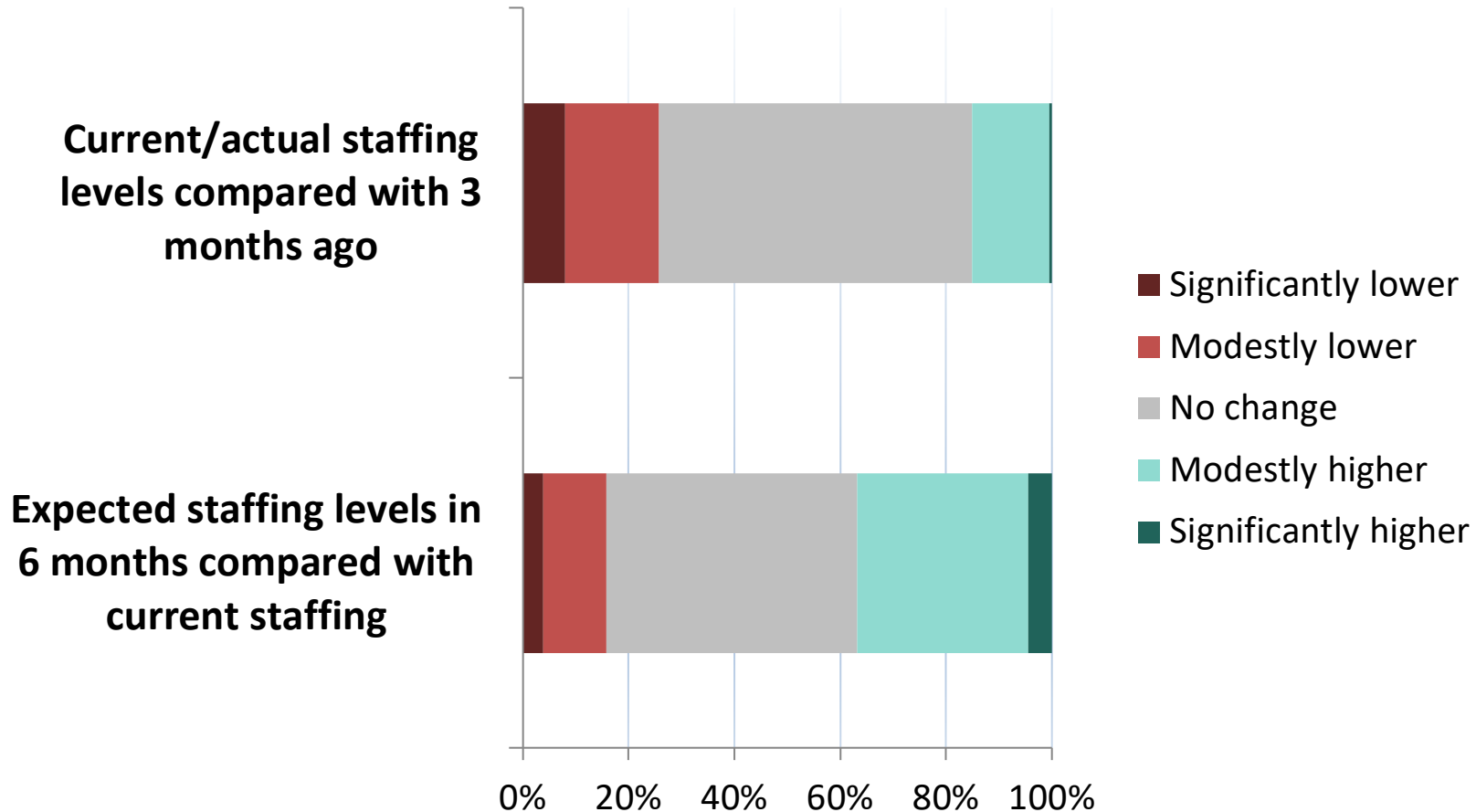


60 percent of firms hiring in some capacity, and nearly 40 percent trying to expand full-time permanent headcount



WORKFORCE DEMAND: HELP WANTED, *PLEASE*

Recent and expected staffing levels at your firm



Overall, firms struggled to add staff despite interest in doing so

Only large firms reported a net rise of staffing levels

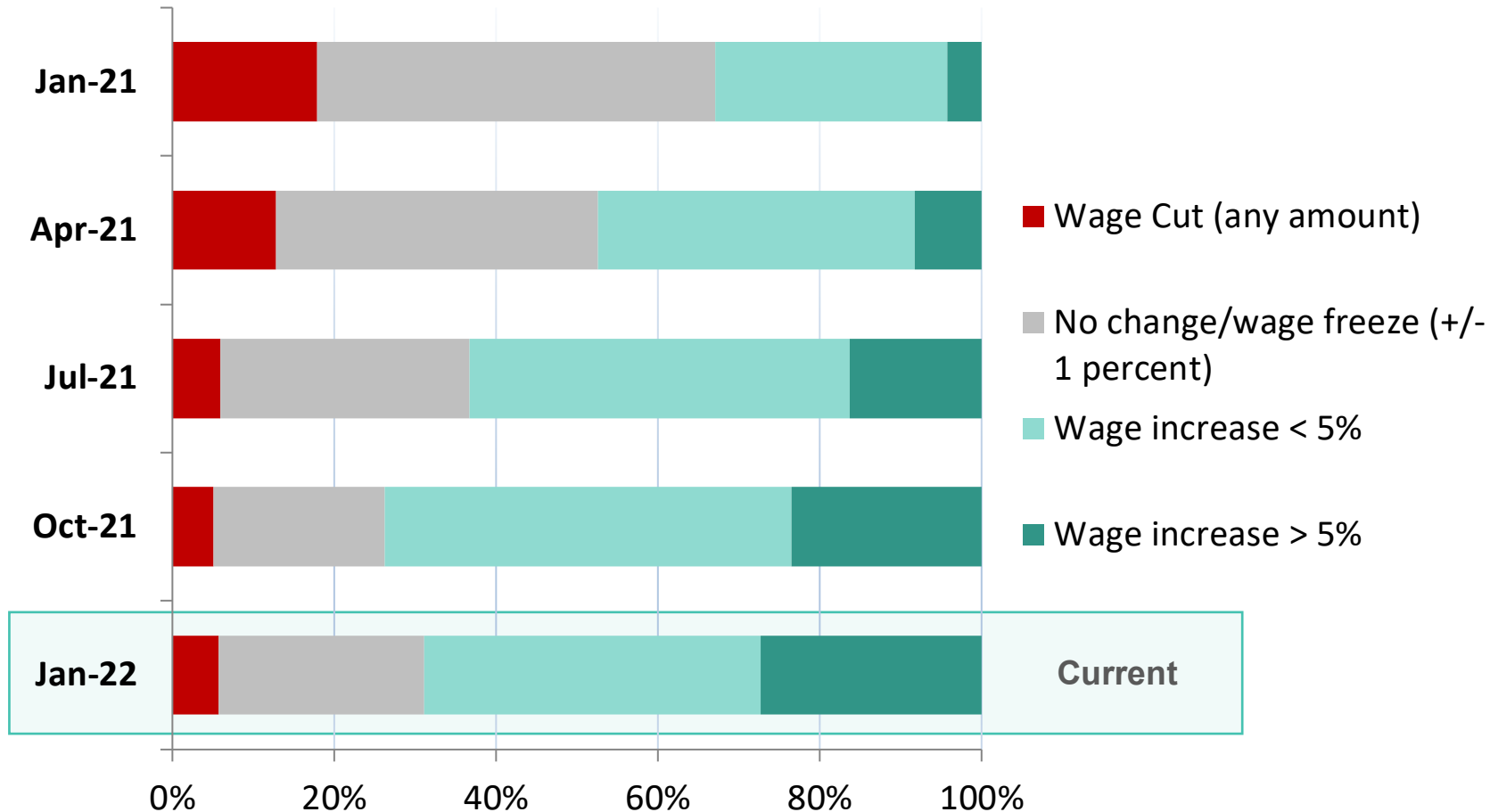
Firms of all sizes were optimistic regarding *expected future* staffing growth, and optimism increased with firm size



WAGES RISING

Past surveys

Average wages compared w/ one year ago

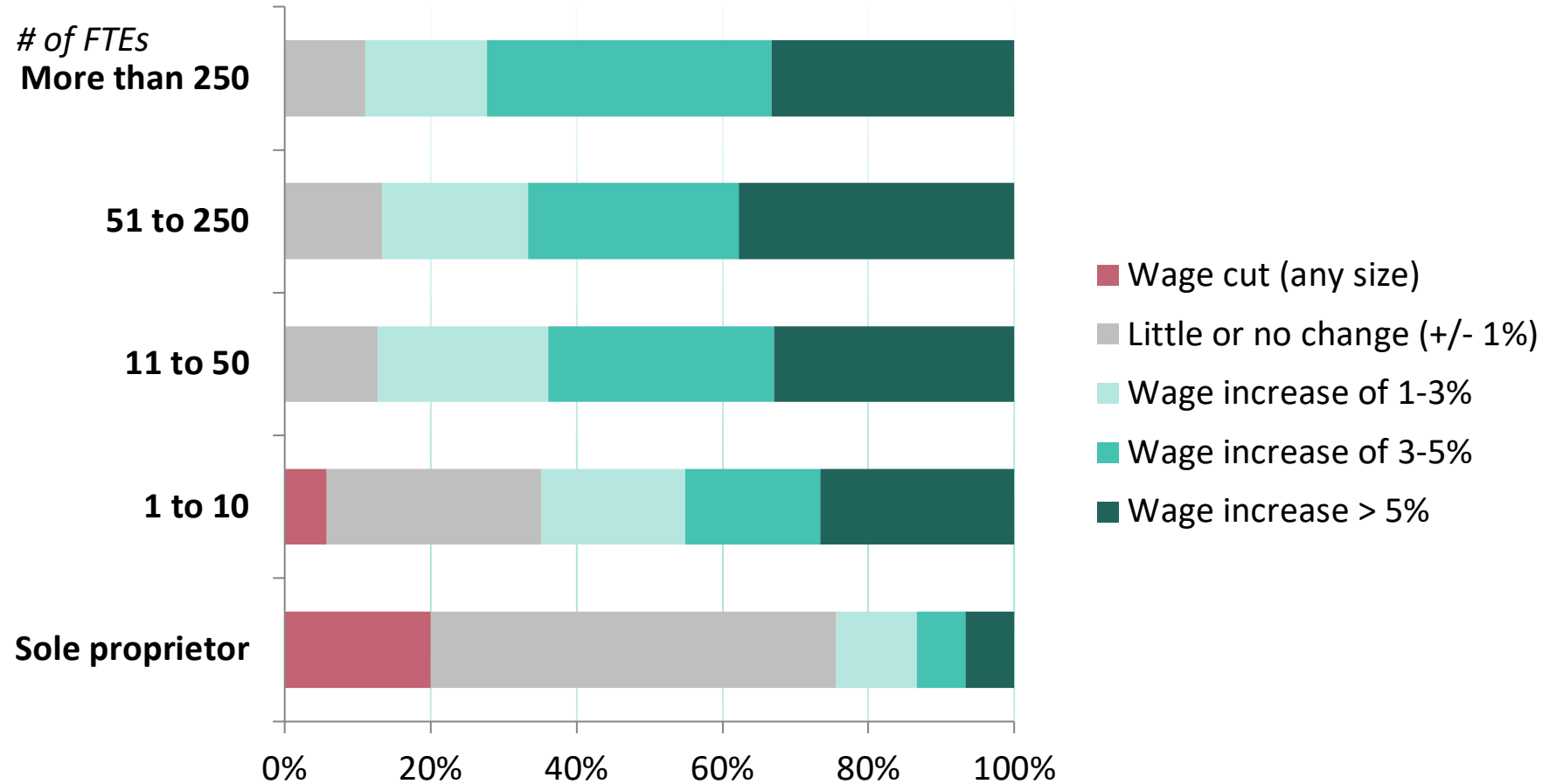


Share of firms raising wages has leveled off, but the share giving *bigger* raises continues



WAGES BY FIRM SIZE

Change in average wages compared with 12 months ago



Wage growth much stronger among larger firms

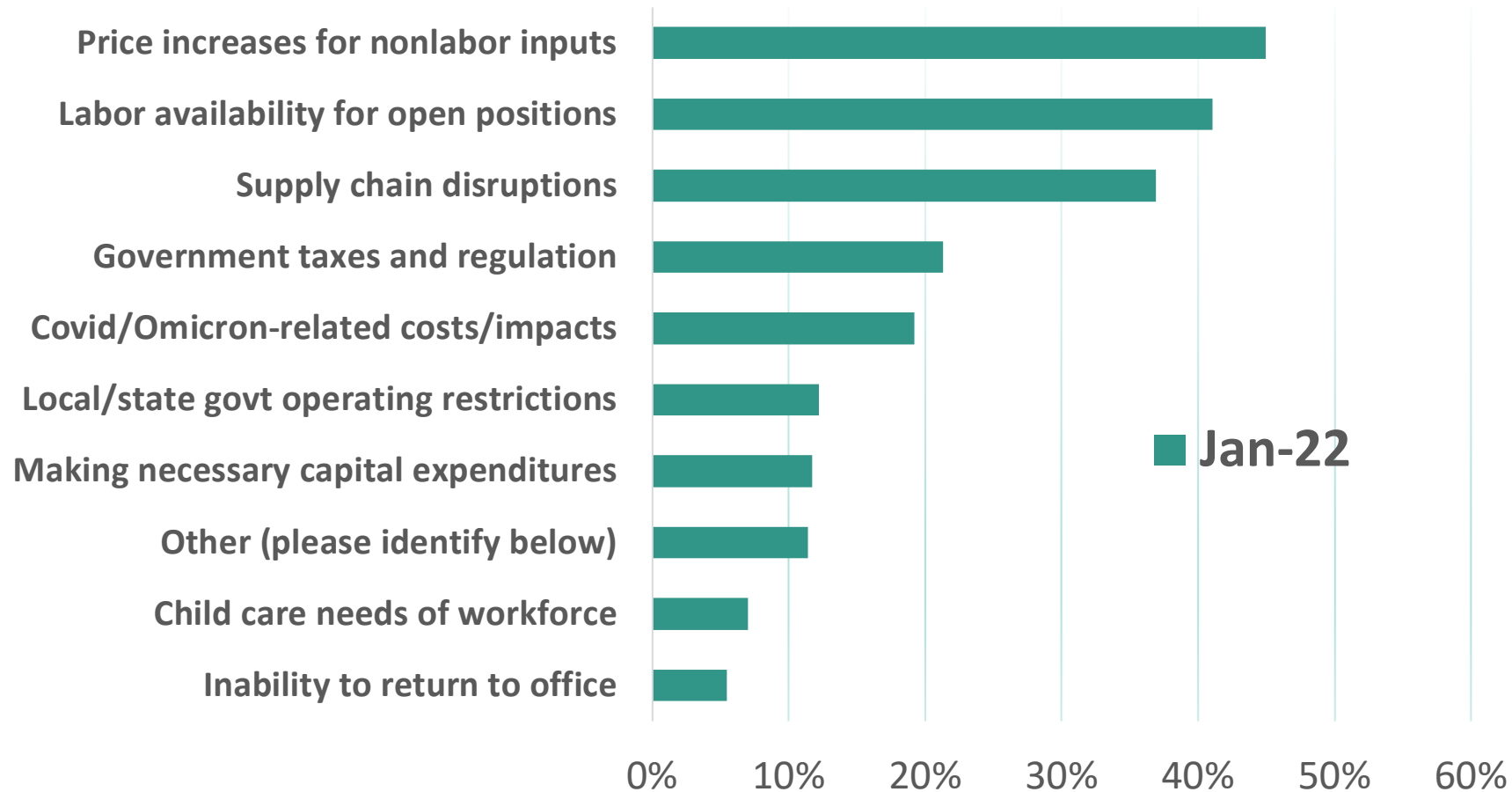
Large firms employ disproportionate share of workers, so a larger share of workers getting larger pay raises



CHALLENGES & OTHER METRICS

CHALLENGES TO OPERATIONS

What are the two greatest challenges to your current operating capacity and productivity?



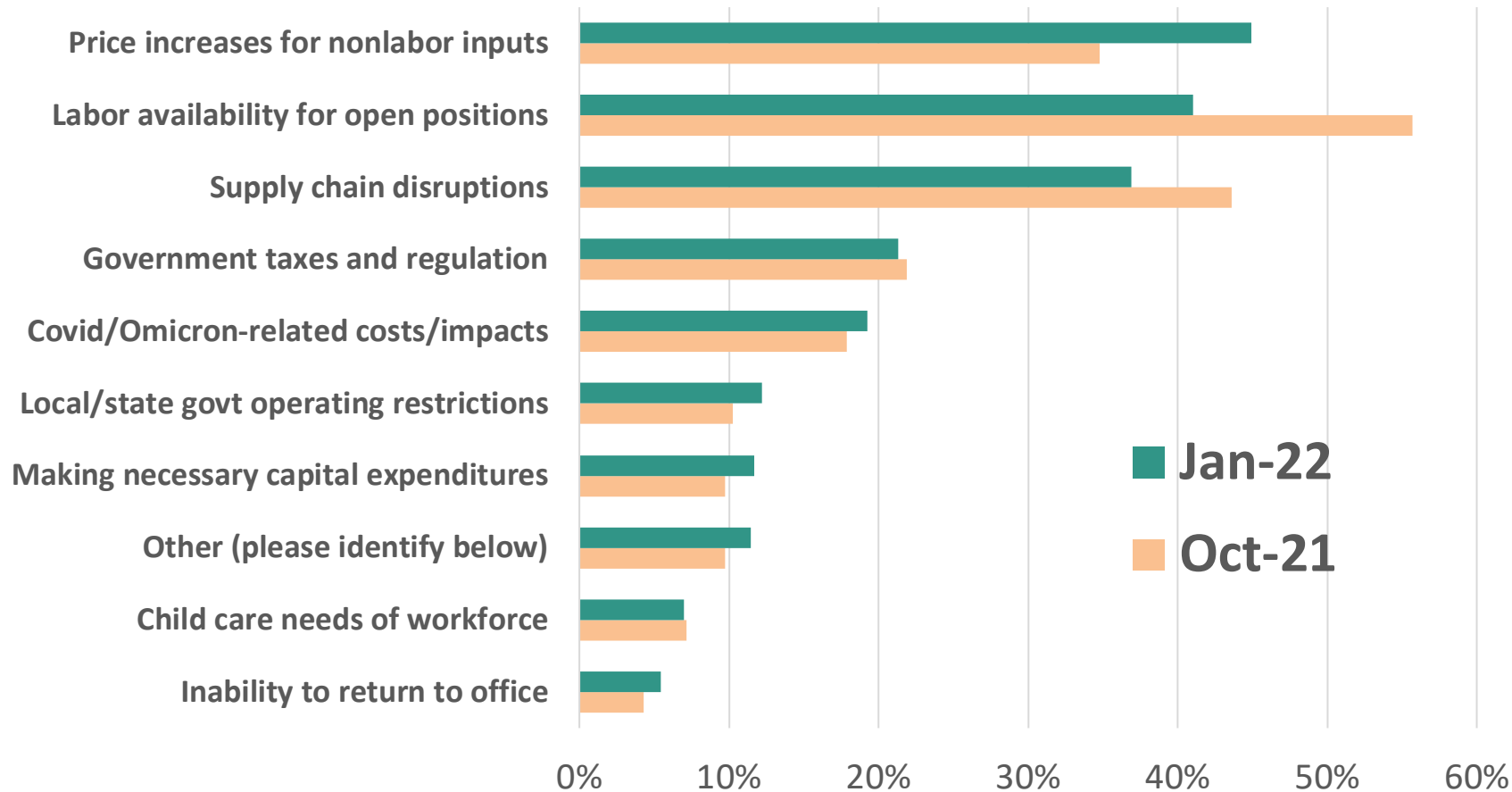
Firms facing many challenges, but three BIG ones:

- Inflation
- Labor availability
- Supply chain problems



CHALLENGES TO OPERATIONS

What are the two greatest challenge to your current operating capacity and productivity?



Compared with October survey:

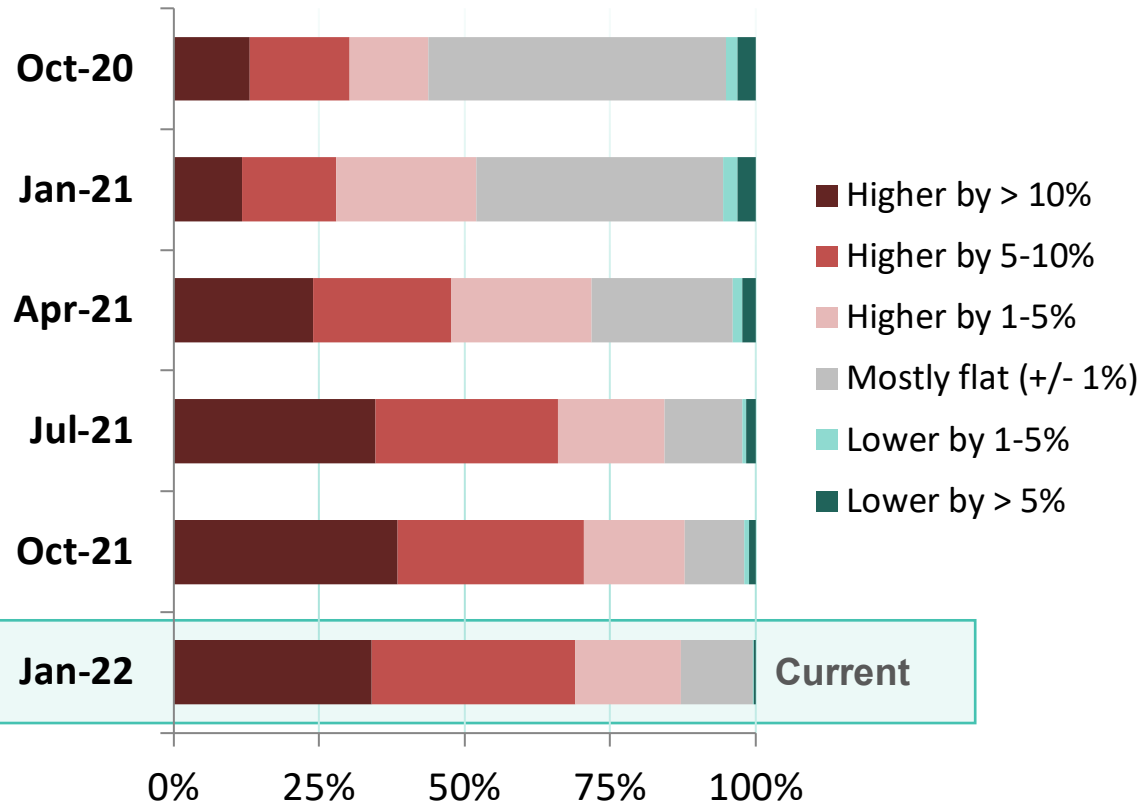
- Inflation concerns worsened
- Labor availability & supply chain improved



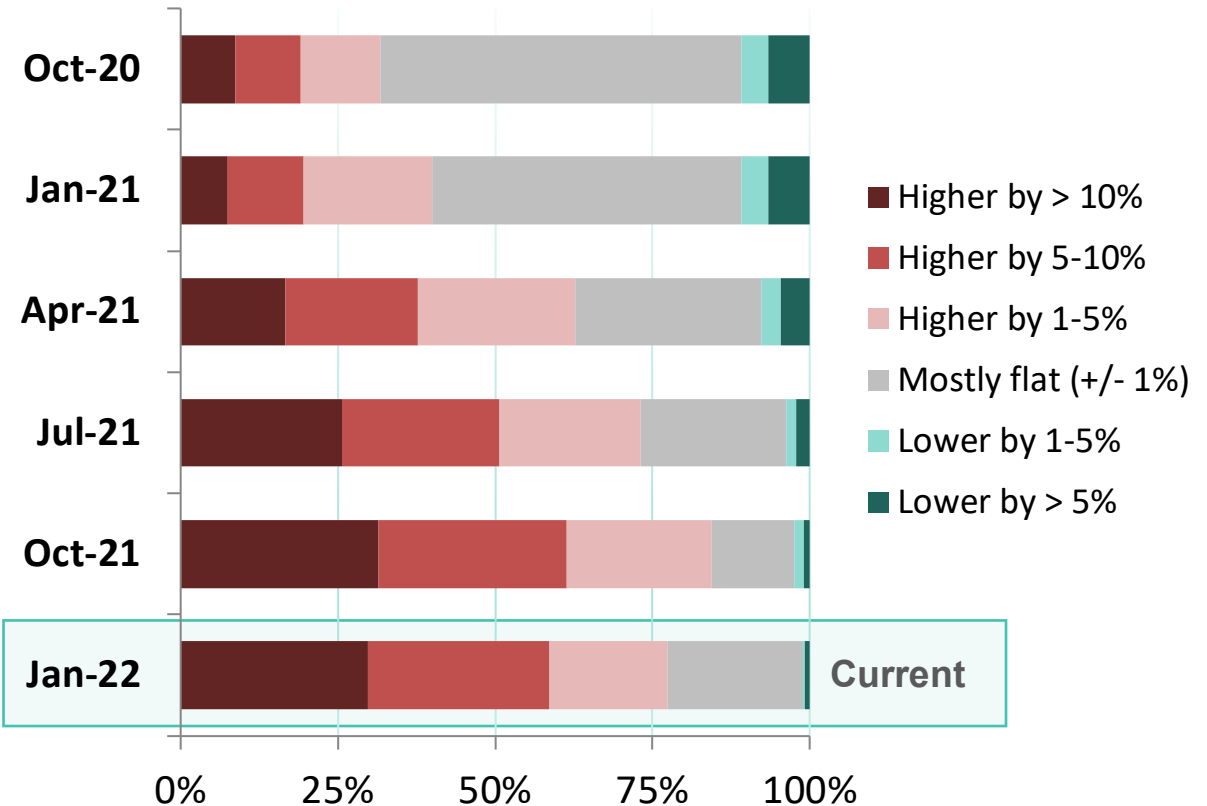
PRICES & INFLATION

Higher prices still a problem, but maybe peaking?

Non-labor input prices

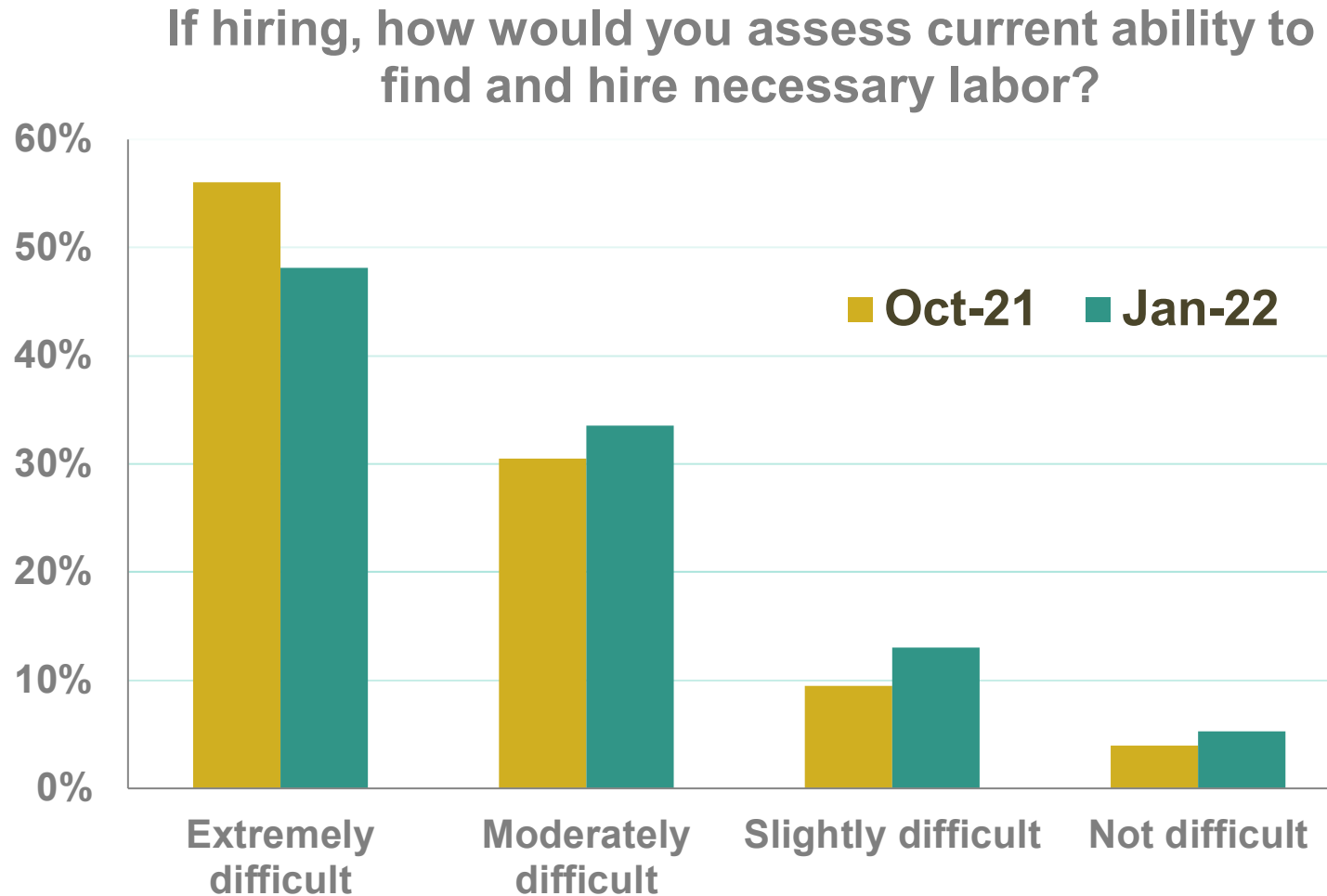


Final/retail prices to customers



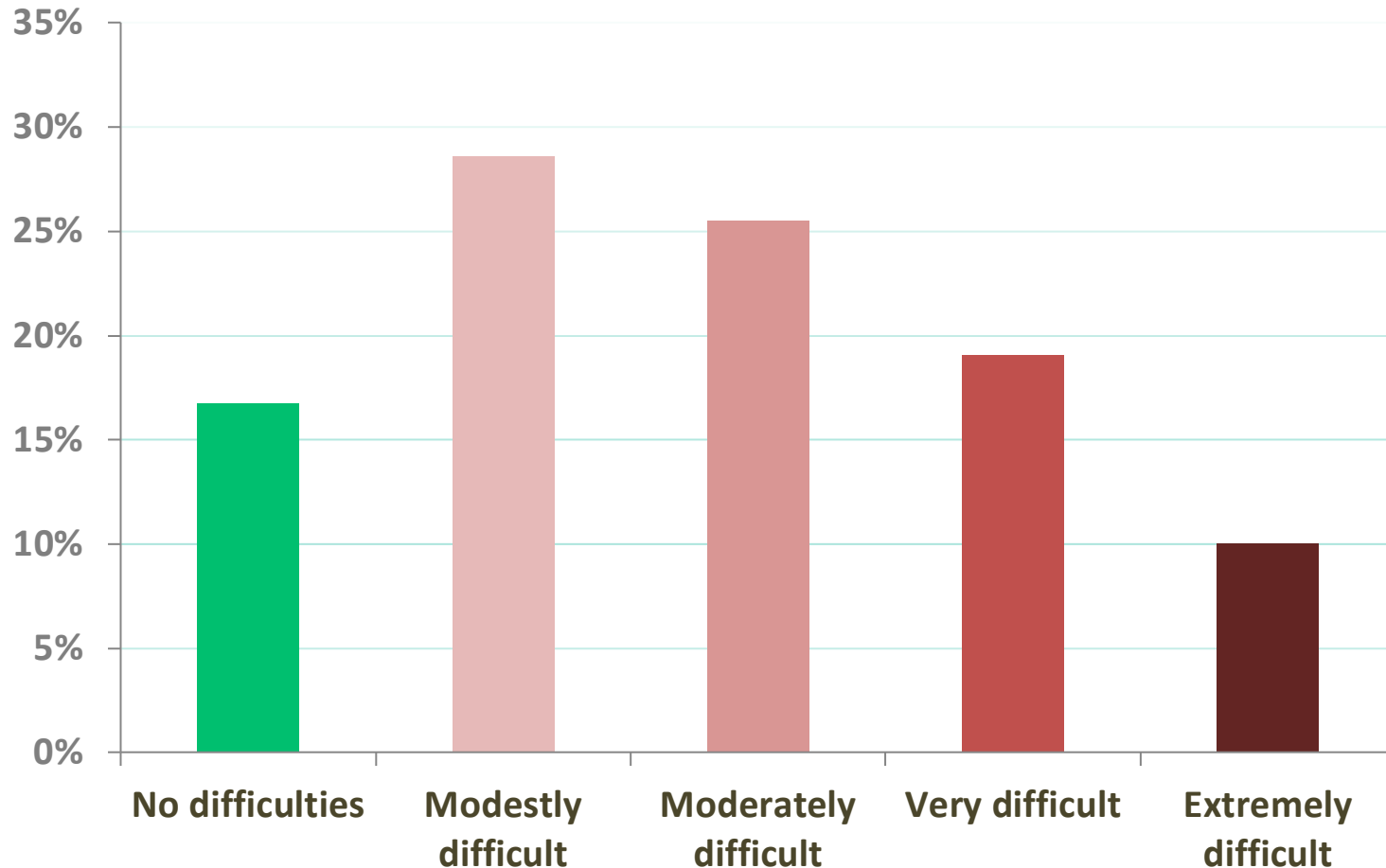
CHALLENGES – LABOR AVAILABILITY

Labor availability (or lack thereof) improved modestly compared with October results



CHALLENGE: SUPPLY CHAIN

How would you describe your firm's ability to receive critical supplies for your operations?



More than half of firms said they were having moderate supply chain problems, or worse

Supply chain difficulties intensified slightly with firm size, likely because of scale and persistent growth in demand

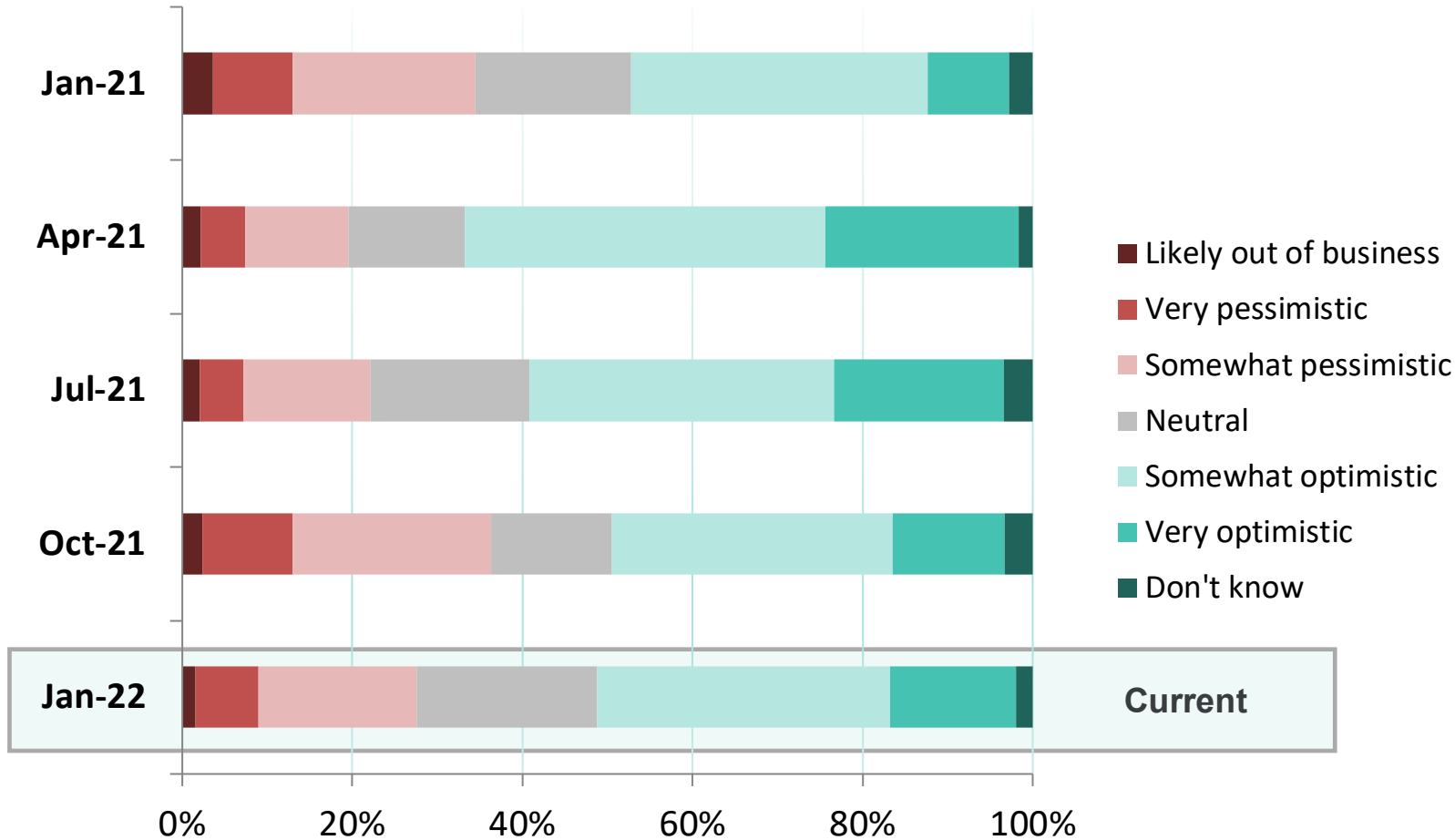


A large, faint, light teal watermark of an eagle with its wings spread, surrounded by stars, is centered on a solid teal background. The eagle's head is turned to the left, and its wings are spread wide. The stars are arranged in a circular pattern around the eagle's head and tail. The overall style is minimalist and graphic.

OUTLOOK: STAY POSITIVE

OUTLOOK = SMALL IMPROVEMENT

What is your outlook for the near future?



Outlook net-positive, and has improved modestly over October survey





FINAL THOUGHTS

- Survey shows continued growth, and some modest improvements over October survey
- Demand appears healthy; hiring demand also strong, but actual hiring much slower
- Challenges related to labor availability, price inflation and supply chains fairly embedded now
 - Covid surges are big obstacle to correcting these market challenges, but also not crippling activity
- Outlook remains positive, and improved modestly over October





THANK YOU!

Up next:

Joe Mahon

Annual Manufacturing Survey



FEDERAL RESERVE BANK OF MINNEAPOLIS