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.
TODAY’S PRESENTATION

- Services sector
- Survey results
  - Steady activity over last 12 months
  - Outlook mildly optimistic
- Inflation challenges
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SECTORS WE SURVEYED

- Professional, scientific, and technical services (NAICS code 541)
  - Design, engineering, architecture
  - Marketing and advertising
  - Research and development
  - Legal services
  - Accounting, tax prep

- Administrative and support services (NAICS code 561)
  - Employment services
  - Business support
  - Clerical and administrative
  - Investigation and security
  - Facilities support and cleaning
OUTPUT BY INDUSTRY, 2022, U.S. & NINTH DISTRICT

Source: Bureau of Economic Analysis
EMPLOYMENT BY INDUSTRY, MAY 2023, U.S. & DISTRICT

U.S.
- Construction: 15%
- Trade, Transportation and Utilities: 6%
- Professional and Business Services: 5%
- Other Services: 8%
- Financial Services: 18%
- Government: 15%
- Manufacturing: 33%

Ninth District
- Construction: 15%
- Trade, Transportation and Utilities: 6%
- Professional and Business Services: 5%
- Other Services: 12%
- Financial Services: 18%
- Government: 11%
- Manufacturing: 33%

Source: Bureau of Labor Statistics
TODAY’S PRESENTATION

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BUSINESS STEADY, OUTLOOK MILDLY POSITIVE

• Ninth District survey
  • Conducted in May and June, looking backward and forward one year (four quarters)
  • Random sample of services firms, polled by mail
  • Stratified by state and firm size
  • All states, 332 respondents
• Conducted in partnership with Minnesota DEED
WHO TOOK THE SURVEY?

PLEASE CHECK ANY/ALL THAT APPLY TO YOUR FIRM'S OWNERSHIP:

- Minority-owned
- Woman-owned
- Veteran-owned
- Prefer not to answer
- None of the above
SALES AND PRICES UP, OTHER ACTIVITY STEADY

2022/2023 Performance

- Sales revenue
- Profits
- Productivity
- Employment level
- Labor availability
- Selling prices
- Input costs
- Space occupied (square footage)

Diffusion index*

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
PERFORMANCE DECLINED FROM LAST YEAR’S SURVEY

*Index number above 50 indicates expansion.
Index number below 50 indicates contraction.
12-MONTH OUTLOOK IS STILL CAUTIOUSLY OPTIMISTIC

SURVEY OUTLOOK

2023/2024 Outlook

Sales revenue
Profits
Productivity
Employment level
Labor availability
Selling prices
Input costs
Space occupied (square footage)

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
EXPECTED DOWN SLIGHTLY BUT OVERALL POSITIVE

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
ECONOMIC OUTLOOKS MORE OPTIMISTIC THAN LAST YEAR

SURVEY OUTLOOK

12-month Outlook

- Employment
- Consumer spending
- Inflation
- Corporate profits
- Mergers and acquisitions

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
TODAY’S PRESENTATION

● Services sector

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  • Steady activity over last 12 months
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● Inflation challenges
MOST SOURCES OF INFLATION STILL A MAJOR PROBLEM

COMPARED WITH 2022, HOW HAVE THE FOLLOWING SOURCES OF INFLATIONARY PRESSURE CHANGED?

- Technology costs
- Utilities costs
- Materials or other input costs
- Transportation costs
- Wages
- Administrative costs
- Benefits
- Supply chain disruptions
- Rent
- Demand for your company's services
- Inability to acquire/repair property/equipment

- Worse
- Same
- Better
- N/A
THANK YOU!

SPEECH REFERRALS WELCOME!

@MINNEAPOLISFED

JOSEPH.MAHON@MPLS.FRB.ORG

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