

REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

GENERAL BUSINESS SURVEY

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FEDERAL RESERVE BANK
OF MINNEAPOLIS

DISCLAIMER

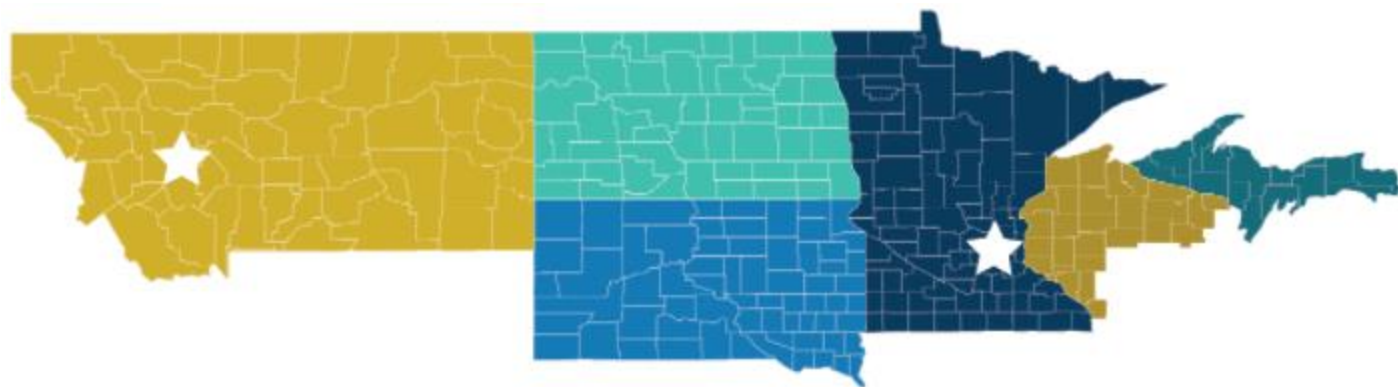
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THANK YOU TO PARTNERS (AND SURVEY TAKERS!)

- 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 between July 16 and July 29, 2024
- Almost 590 responses from across Ninth District
- At least 60 responses from every Ninth District state, save for Montana
- Shout out to our partners for distributing the survey!
- Continued balance by firm size, sector and state
 - Proportionally more from South Dakota (similar to July '23), but fewer from Mpls-St. Paul
- Results are a snapshot
 - Convenience sample
 - Interpret cautiously





QUICK TAKE-AWAYS

Most recent 3-month period didn't see a lot of change:

- Continued lower revenue and lower profit trends
- Inflation top concern, followed by interest rates
- Larger firms seeing slower revenue (somewhat new), but profits also rebounded
- Hiring still happening, but slowing
- Labor availability improving; wage pressure still present, but easing
- Outlook: Overall sentiment is modestly positive





RECENT REVENUE & PROFIT TRENDS

RECENT AND FUTURE REVENUE

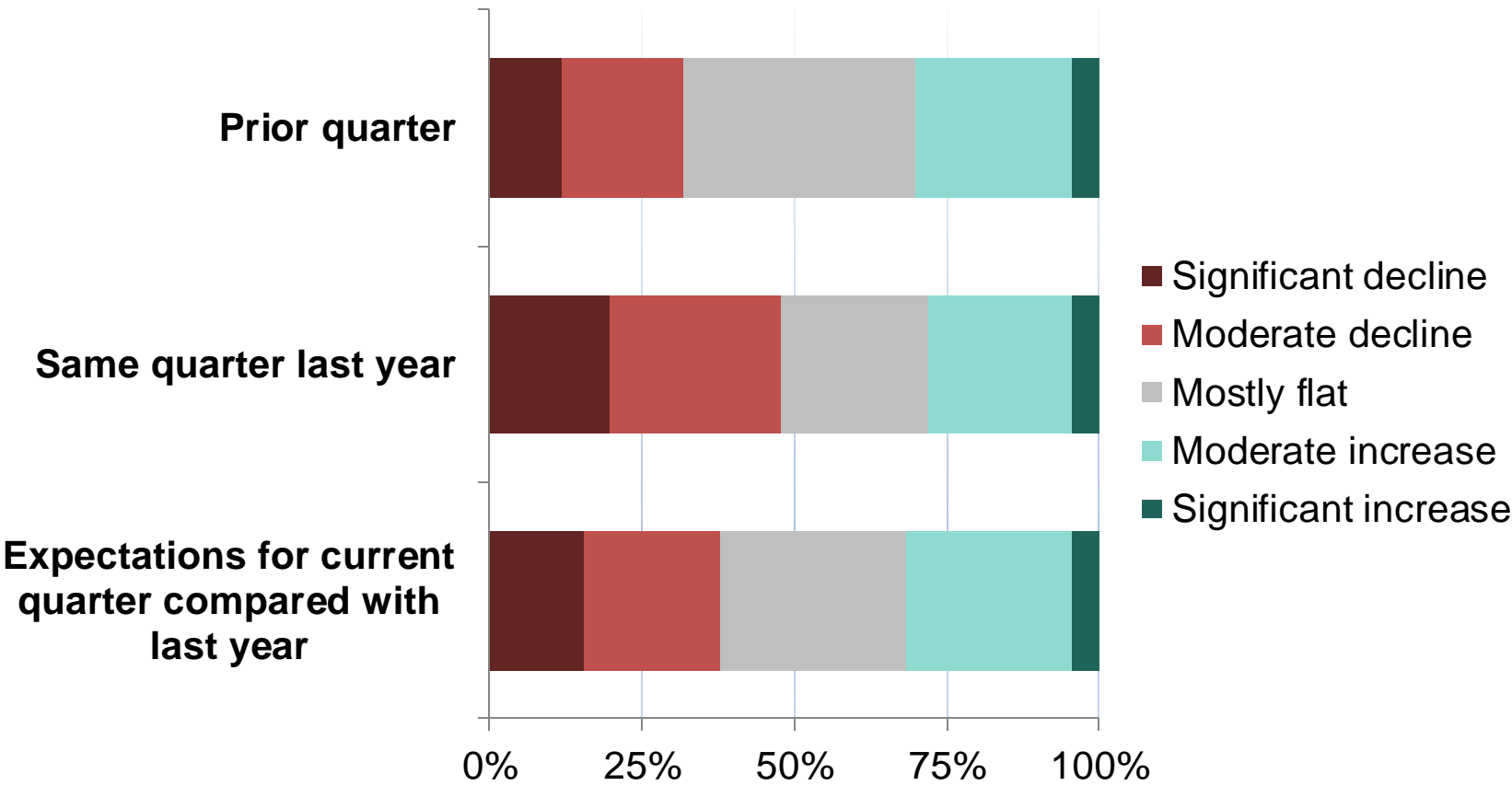
Revenue trends weak,
esp. year-over-year

Quarter-over-quarter
results flat

But Q1 GDP negative
in MN, ND, SD, so ‘flat’
is not great

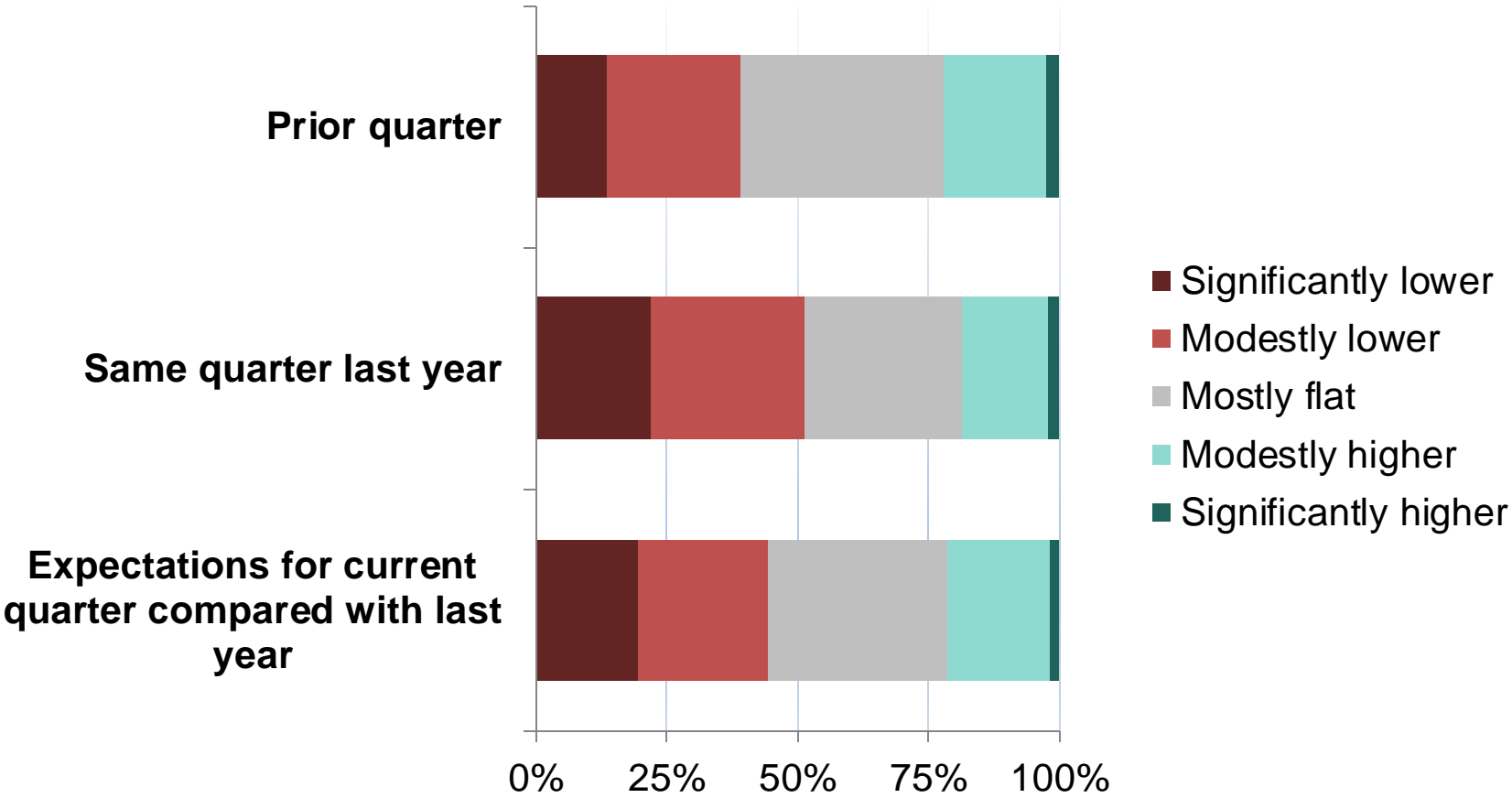
Expectations for
current quarter: More
of the same

Recent quarterly revenue compared with:



PROFITS DECLINED

Recent profits compared with:



Margins continue to be squeezed across the board

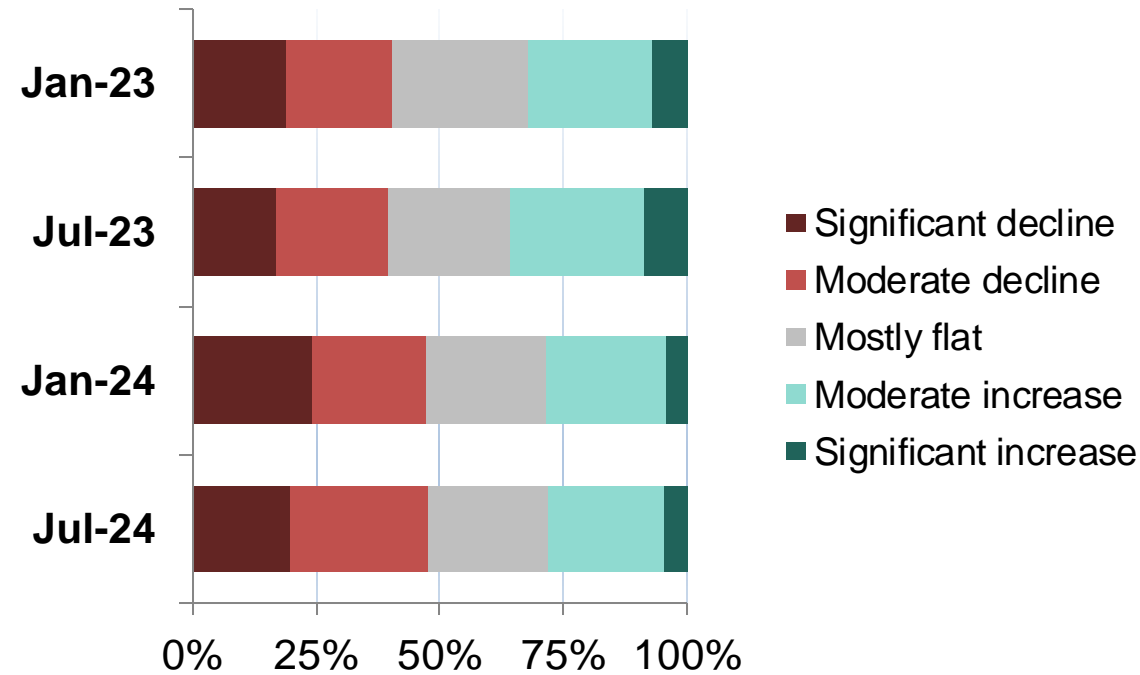
Sources: Higher-than-average inflation, high interest rates, weak revenue

“Lower” profits doesn’t mean *unprofitable*, but not a good sign

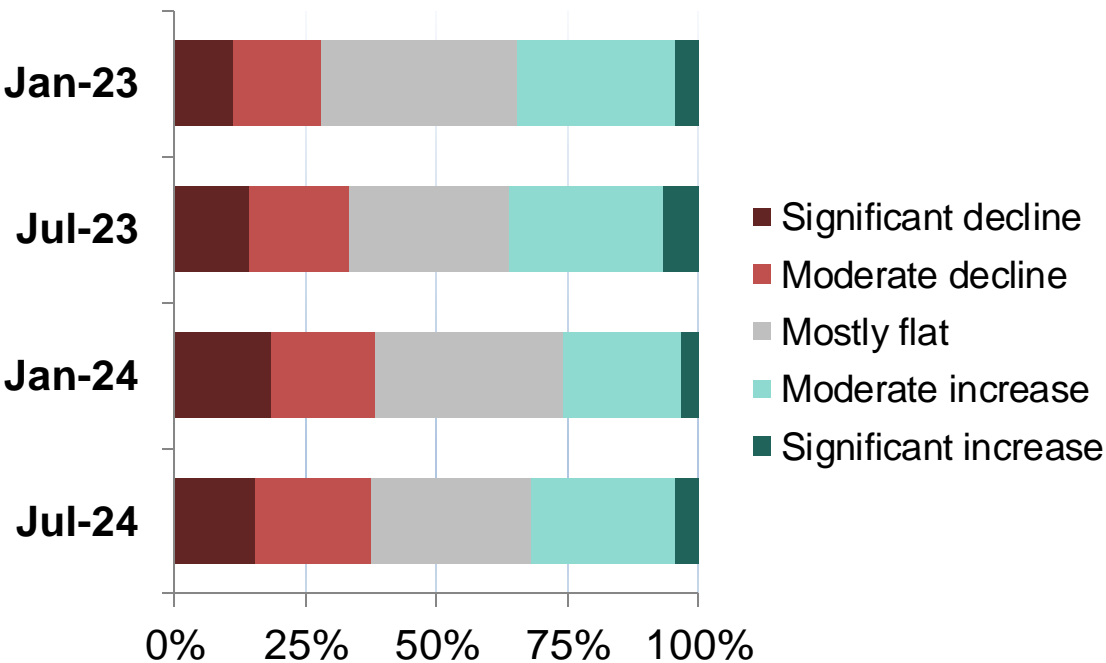
REVENUE COMPARISON OVER TIME

Revenue trend weak by comparison, and future expectations pretty flat

Recent revenues compared with same period last year



Expectations for current quarter compared with last year



A teal background with a faint, stylized graphic of a globe. The globe features several five-pointed stars and a jagged, line-art style border. The text is centered over this graphic.

OTHER VIEWS

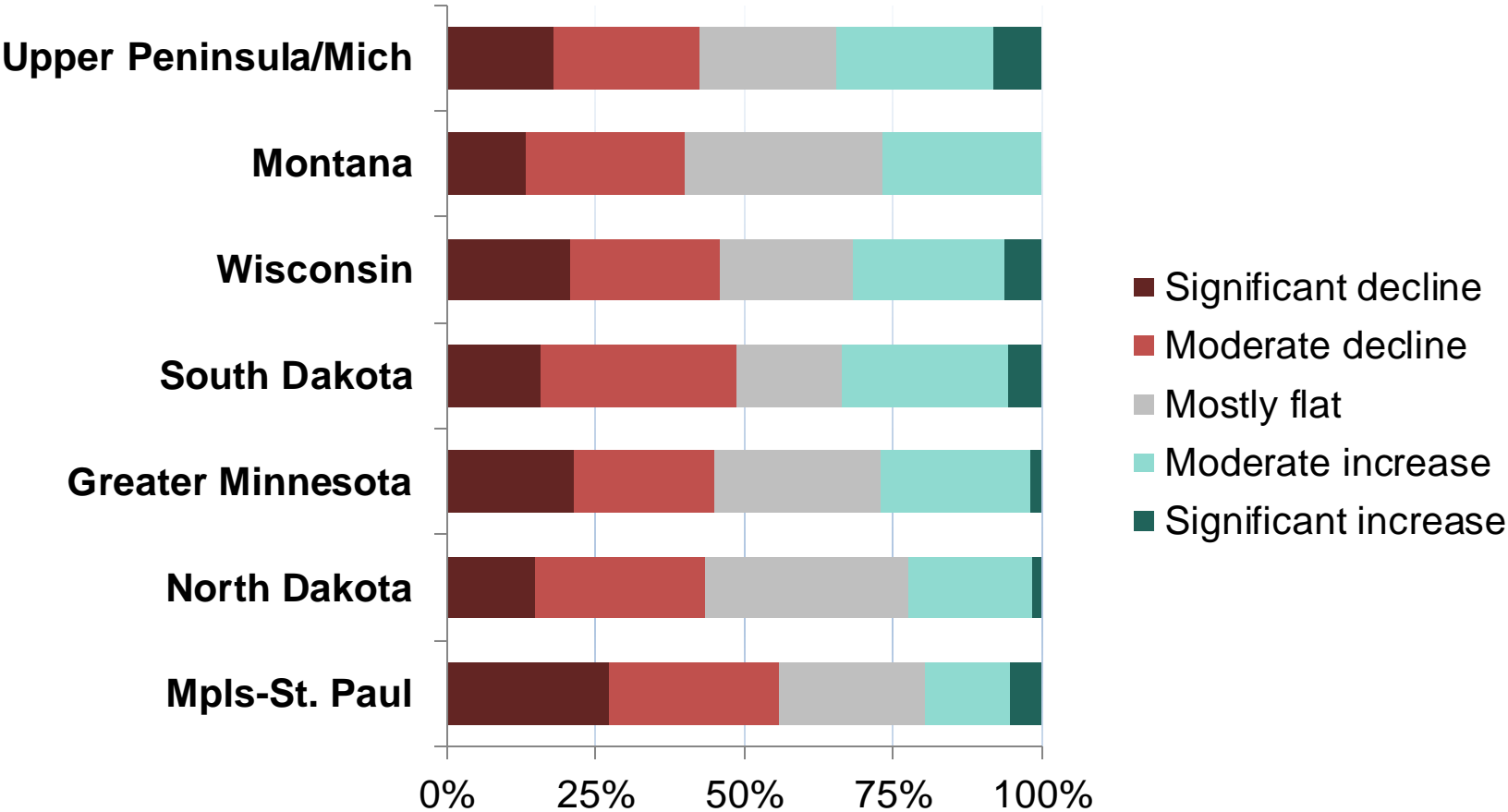
REVENUE BY FIRM TRAITS

REVENUE TRENDS, BY STATE

Most recent quarter compared with same quarter last year

Responses by state are idiosyncratic, but all generally reflect the same “slow revenue” trend

Please interpret very, very cautiously





RESULTS BY SECTOR

Among those sectors with at least 25 responses

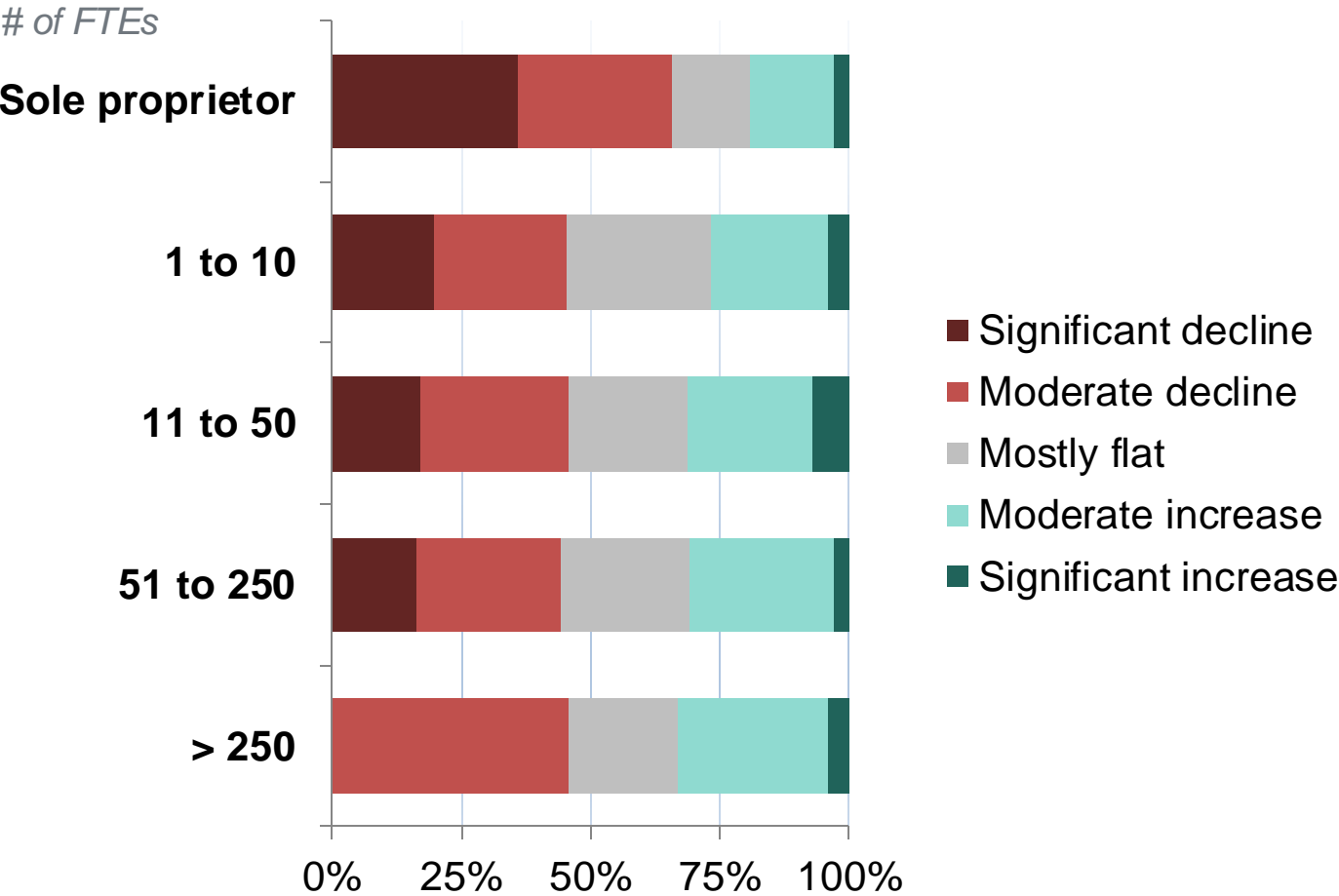
- Finance, insurance and real estate (FIRE) & nonprofits were only sectors that saw positive year-over-year revenue trend
- Construction, manufacturing, retail trade & accommodation reported the most decline in YOY revenue



REVENUES BY FIRM SIZE

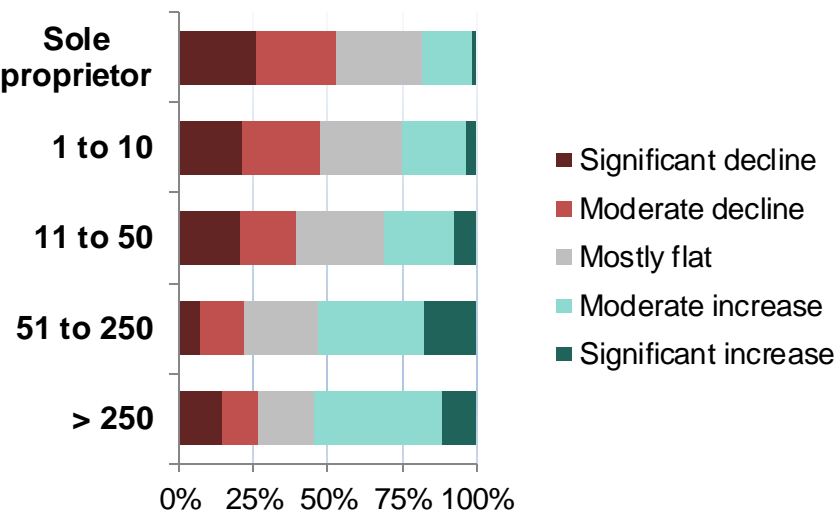
Recent revenue compared with last year

By full-time-equivalent staffing level



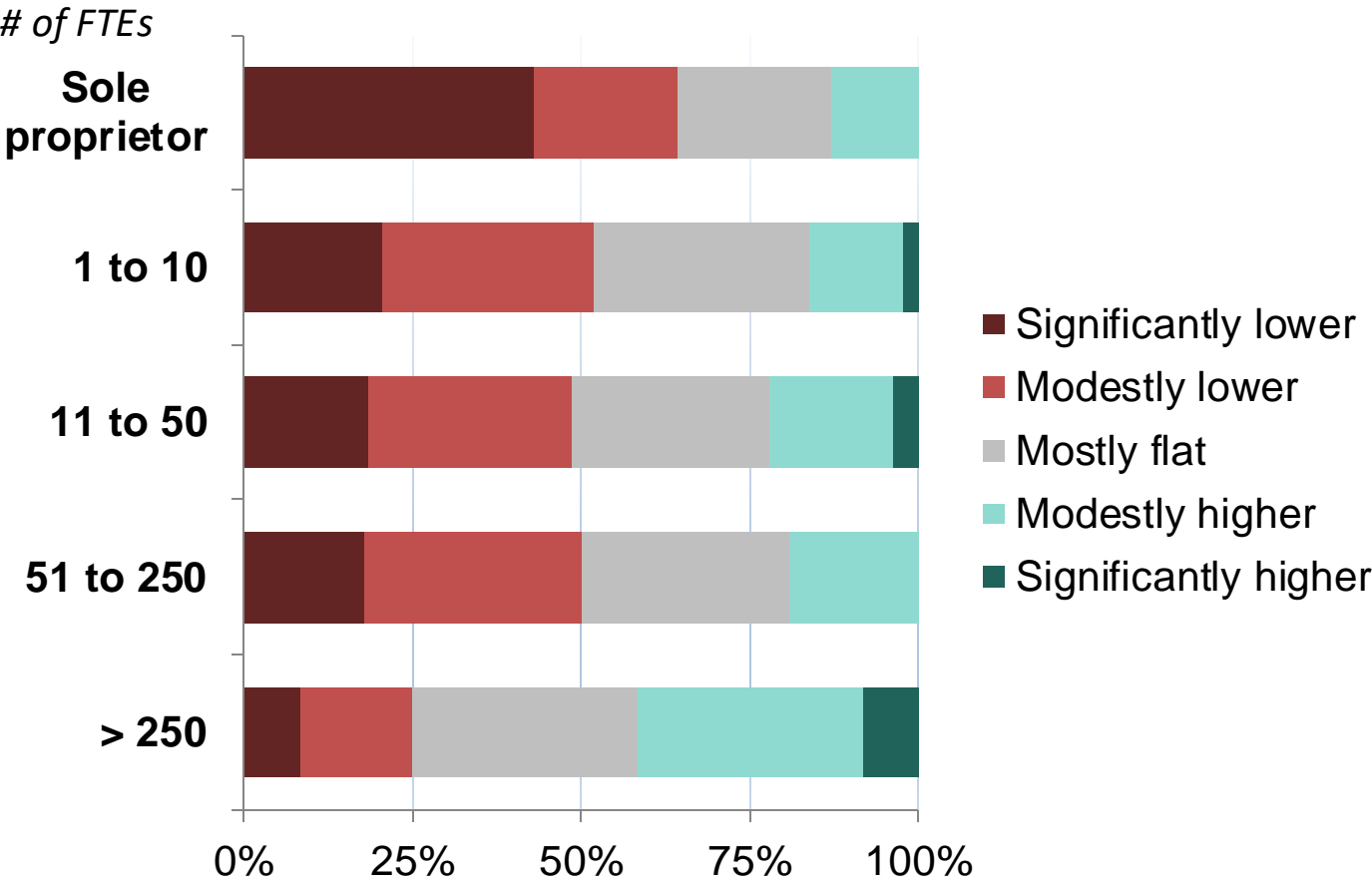
Most of the “size advantage” seen earlier in pandemic recovery has receded

Revenue by size: January 2023 survey

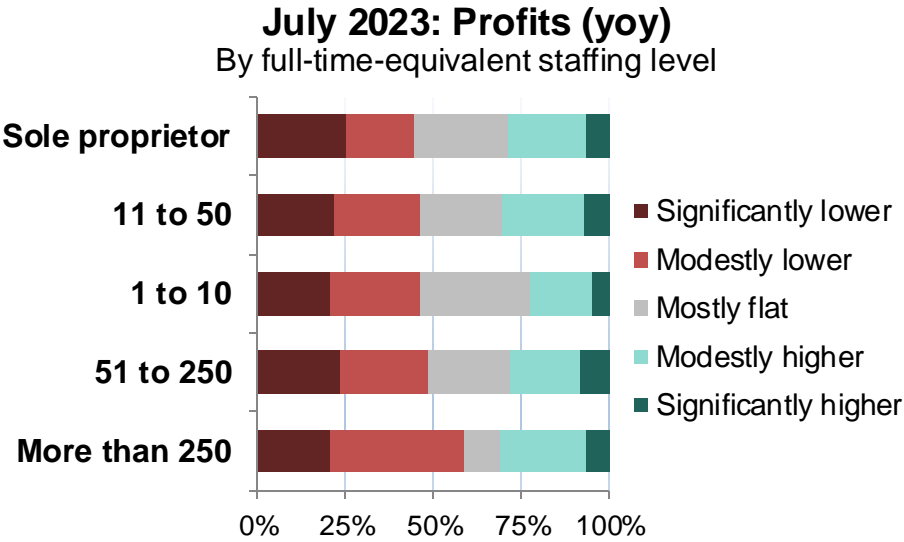


PROFITS BY FIRM SIZE

Profits for most recent quarter compared with same quarter last year



Profits lower for most, but *improved* among largest firms (> 250 FTEs) compared with last year





WORKFORCE & WAGE TRENDS

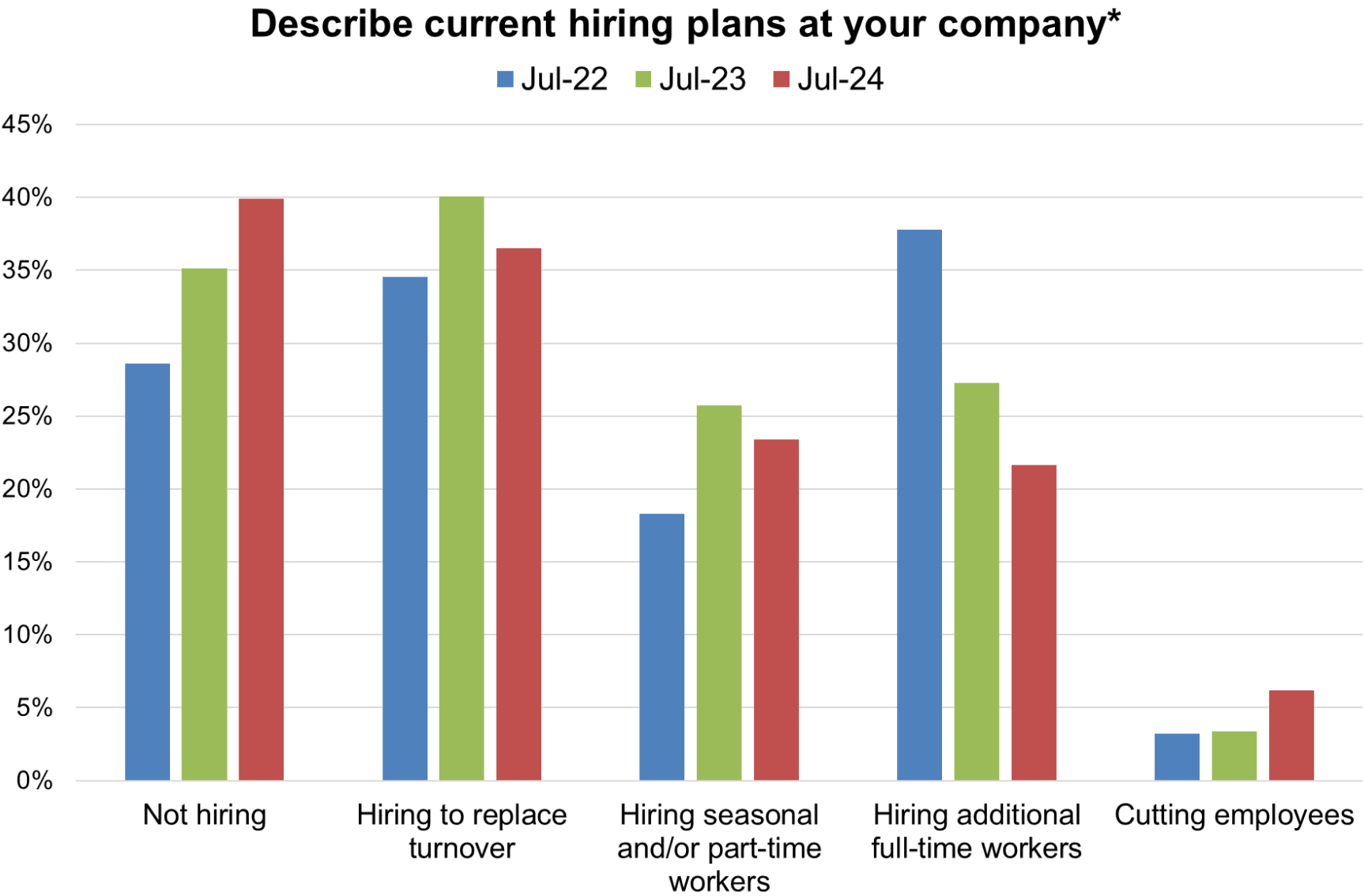
LABOR DEMAND



Many firms still hiring in some capacity, but overall labor demand declined

Share hiring more full-time workers continued to erode

More firms cutting or not hiring

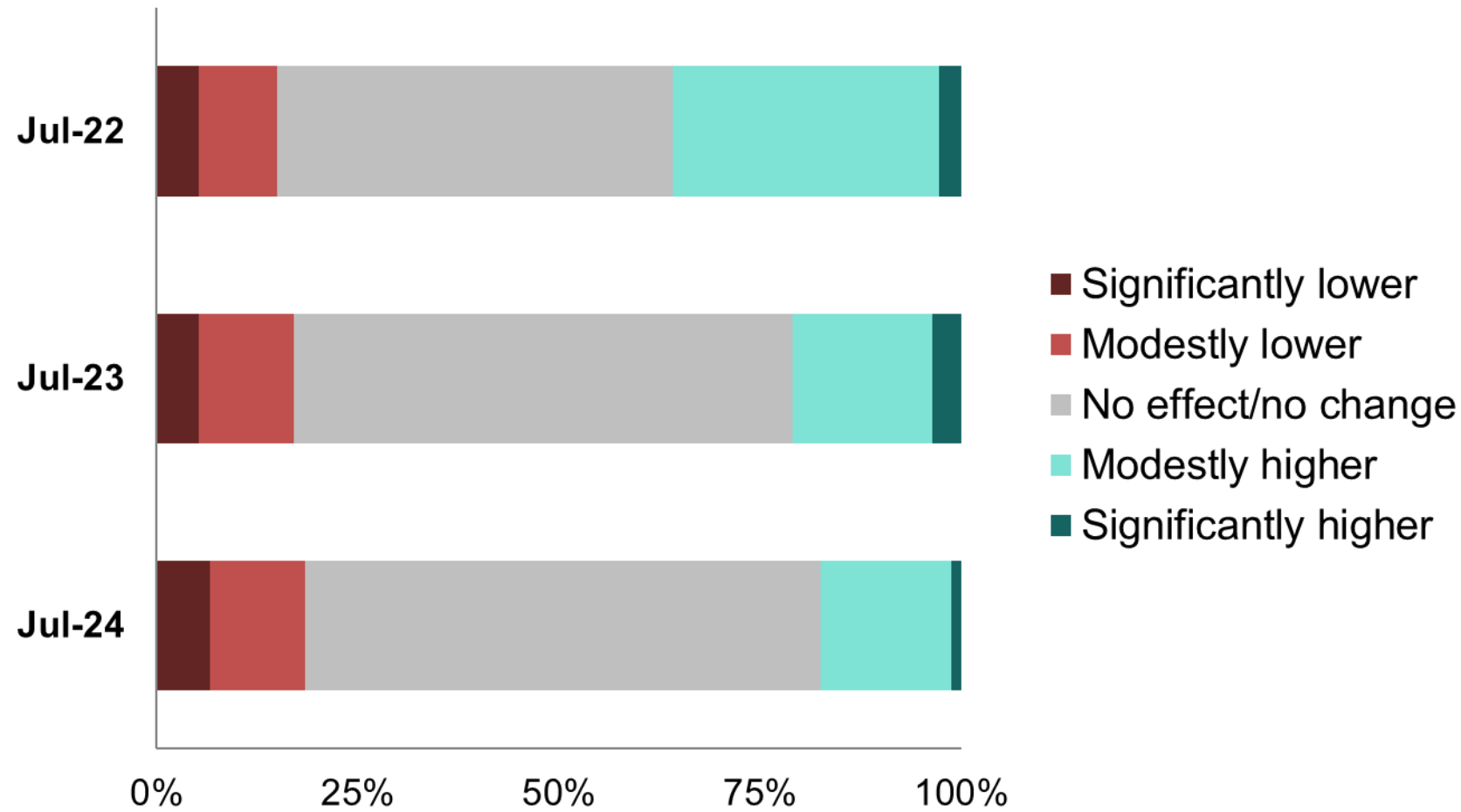


*Respondents could select all that apply.

STAFFING



Expected staffing in 6 months compared with current staffing

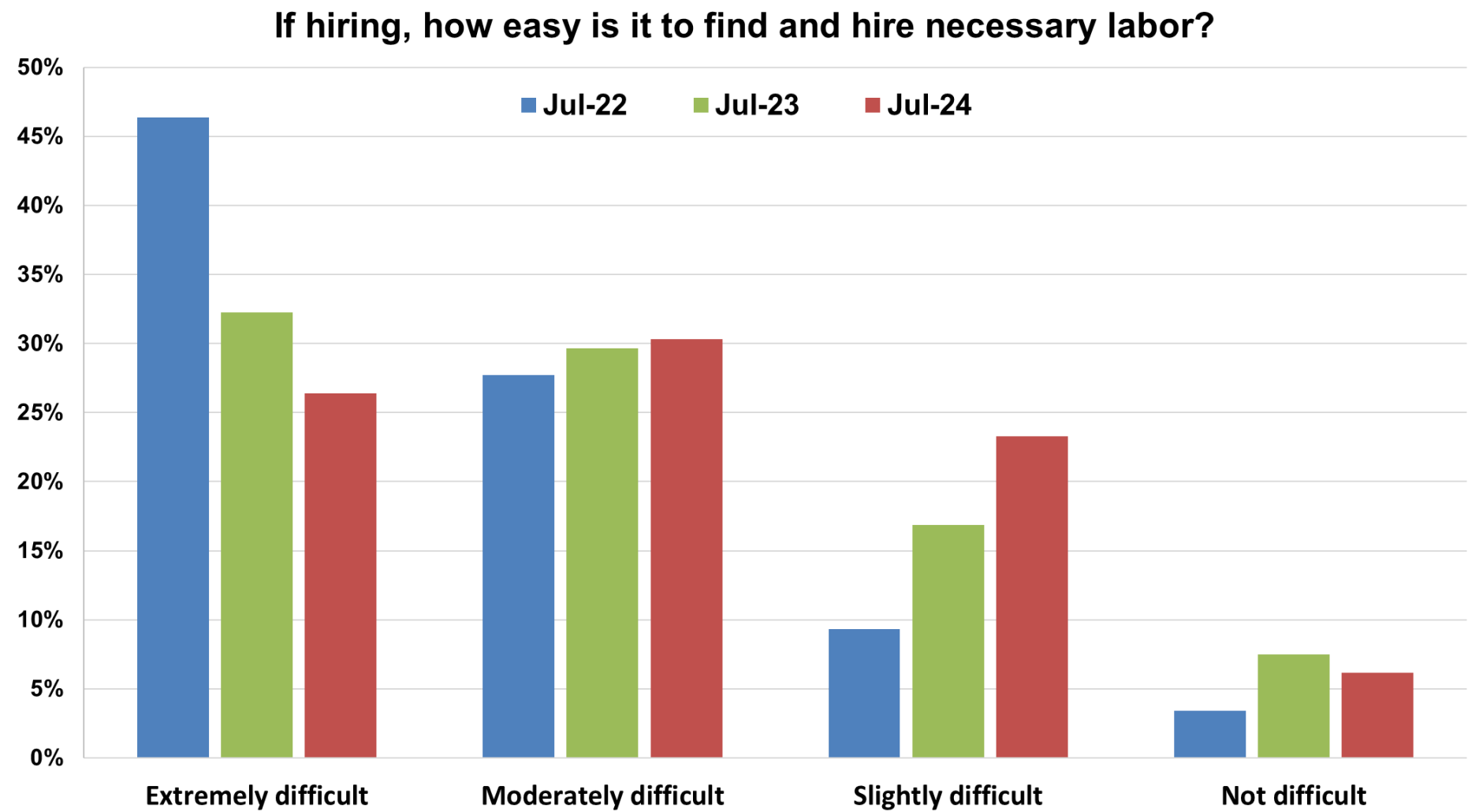


Net-zero difference between firms expecting to increase staff and those expecting to decrease staff

Most continuing to plan to keep staffing flat

LABOR AVAILABILITY

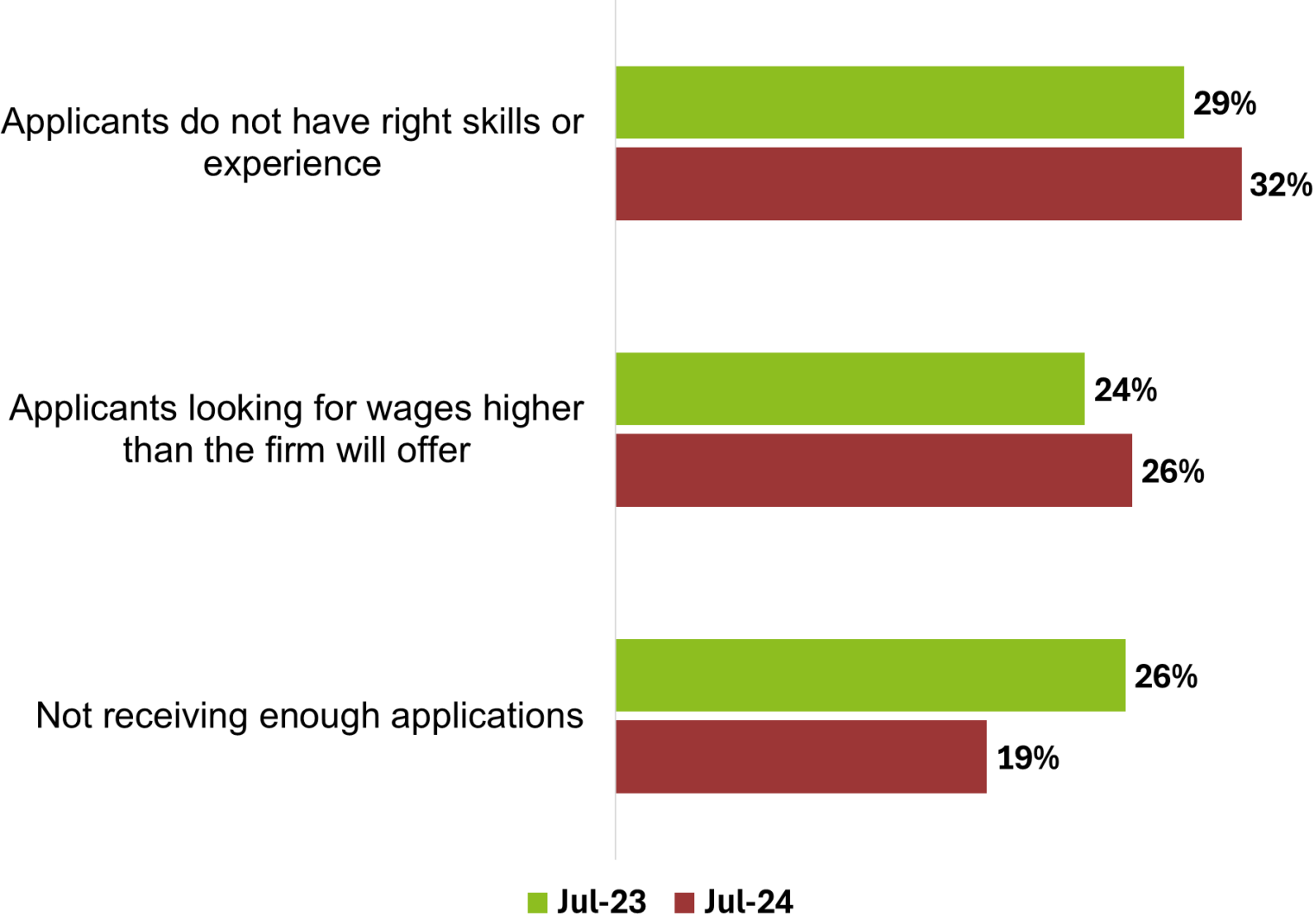
- Labor availability still somewhat difficult but has continued to improve



LABOR AVAILABILITY

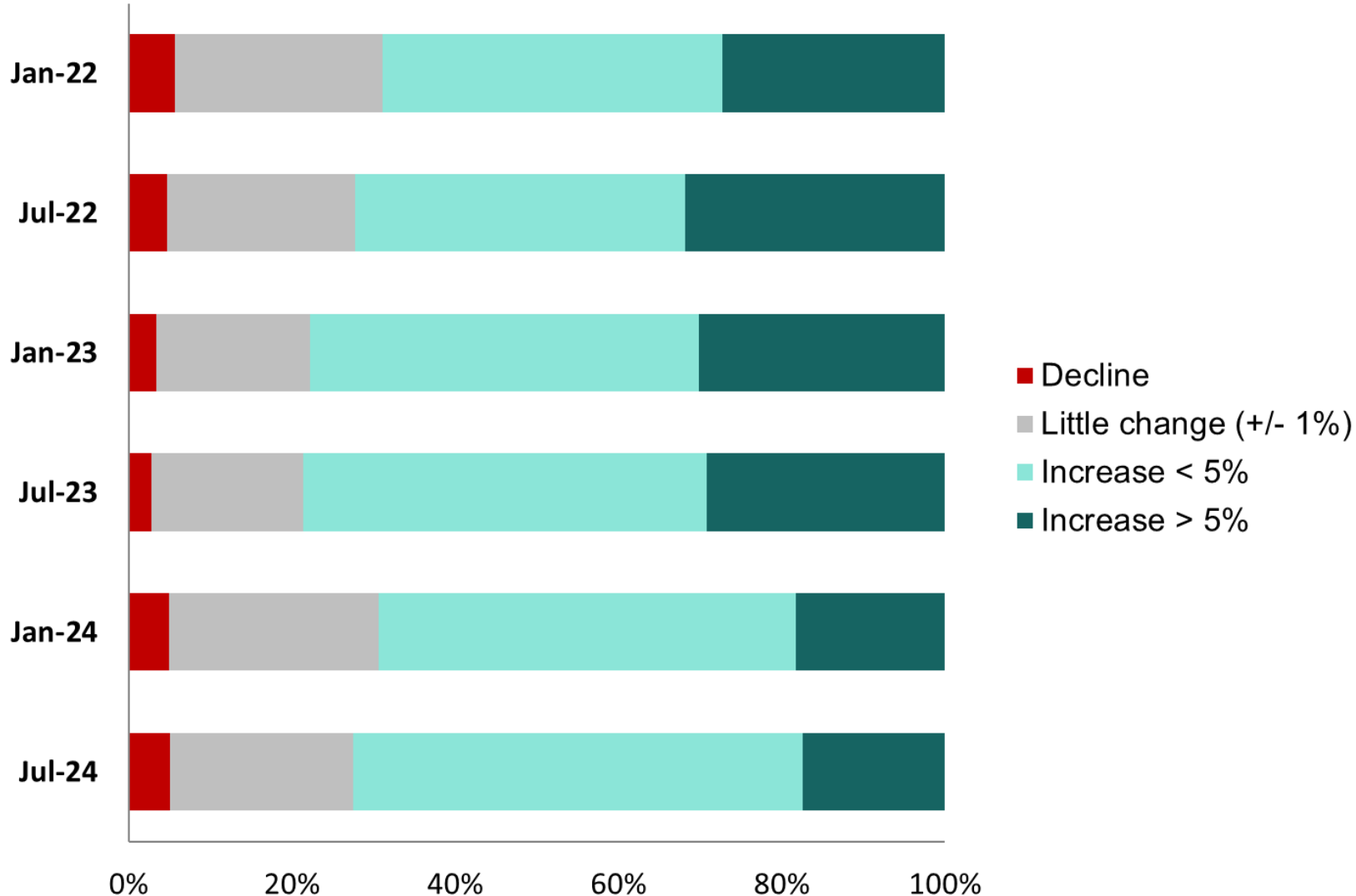
- Lack of applicants less of a problem now than it was in last July survey
- More businesses point to applicants without right skills or experience as a top challenge

Top challenge when hiring new employees?



WAGES

Average wages compared with 12 months ago

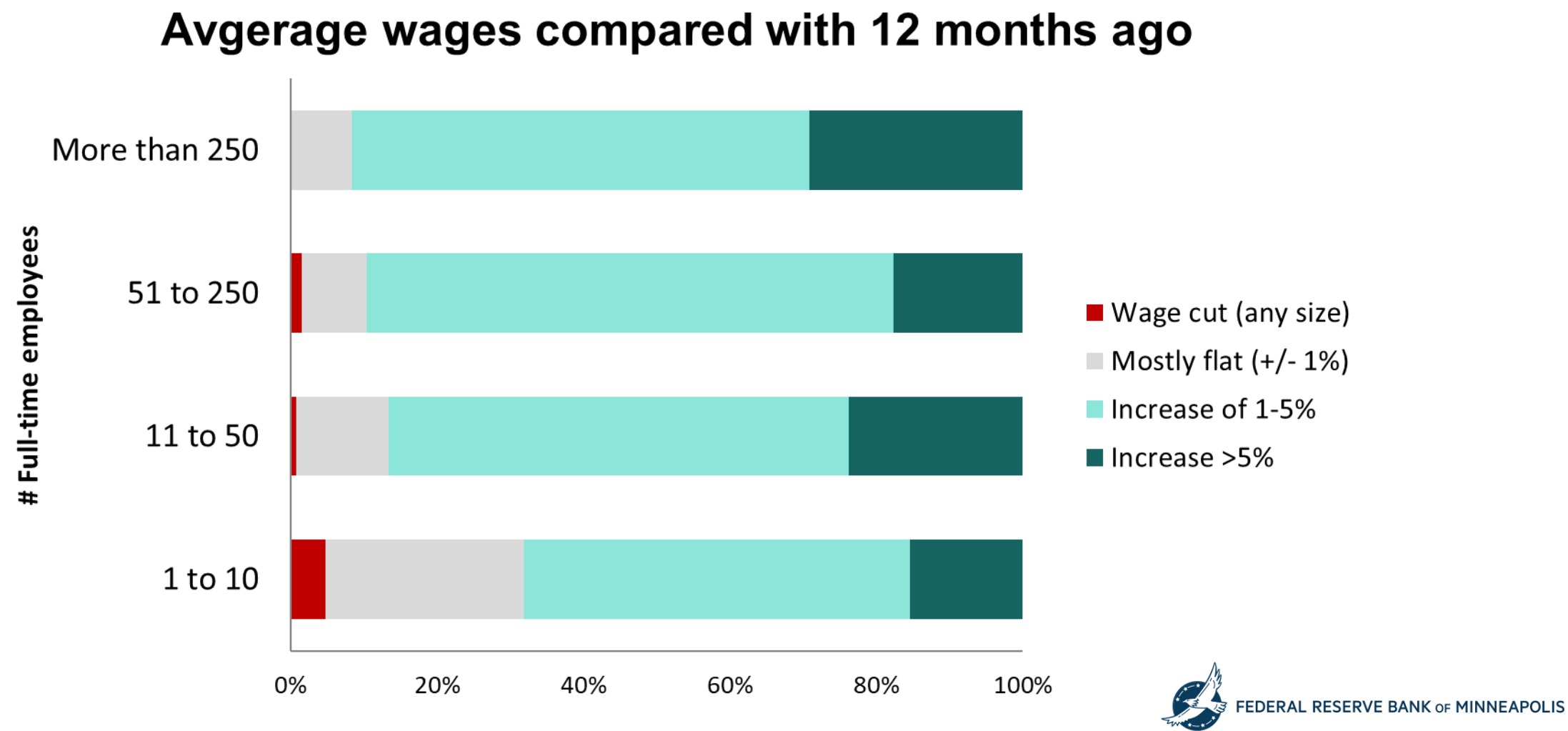


- **Businesses still increasing wages overall, but to a lesser extent than last July**
- **Often increasing wages to retain current employees and/or attract new hires**



WAGE GROWTH BY FIRM SIZE

- Larger businesses still raising wages more than small businesses

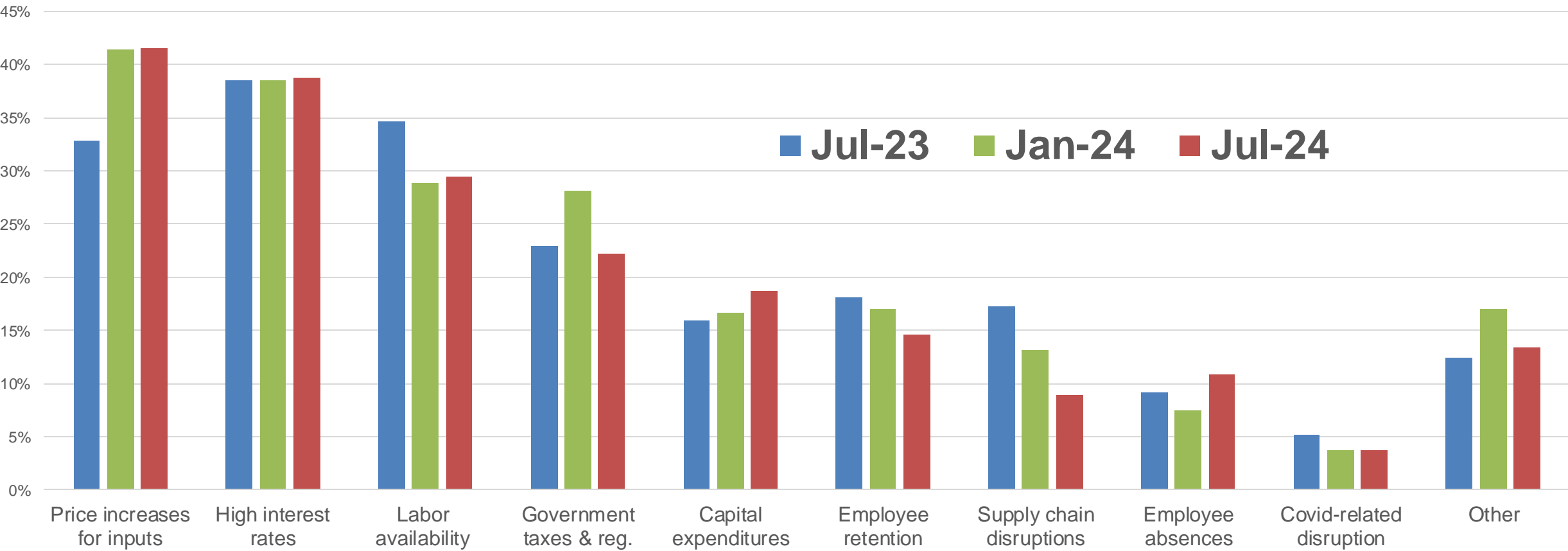




CHALLENGES

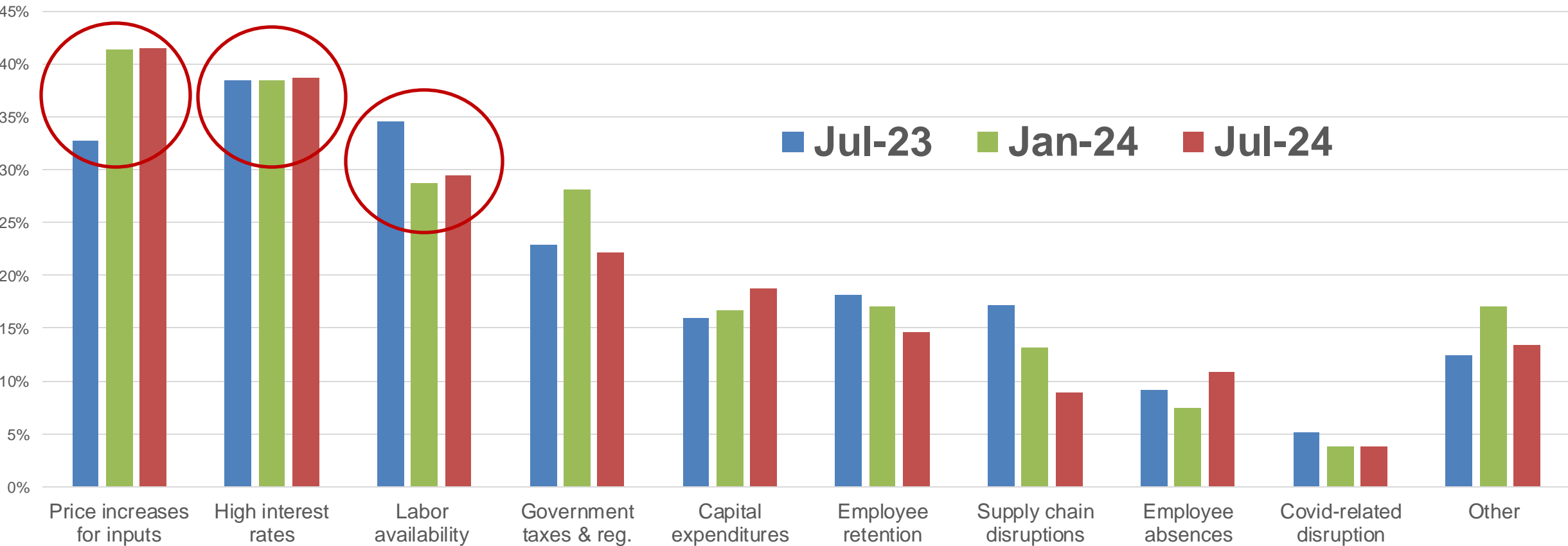
CHALLENGES TO OPERATIONS

Pick two: Greatest challenge to operating capacity and productivity



CHALLENGES TO OPERATIONS

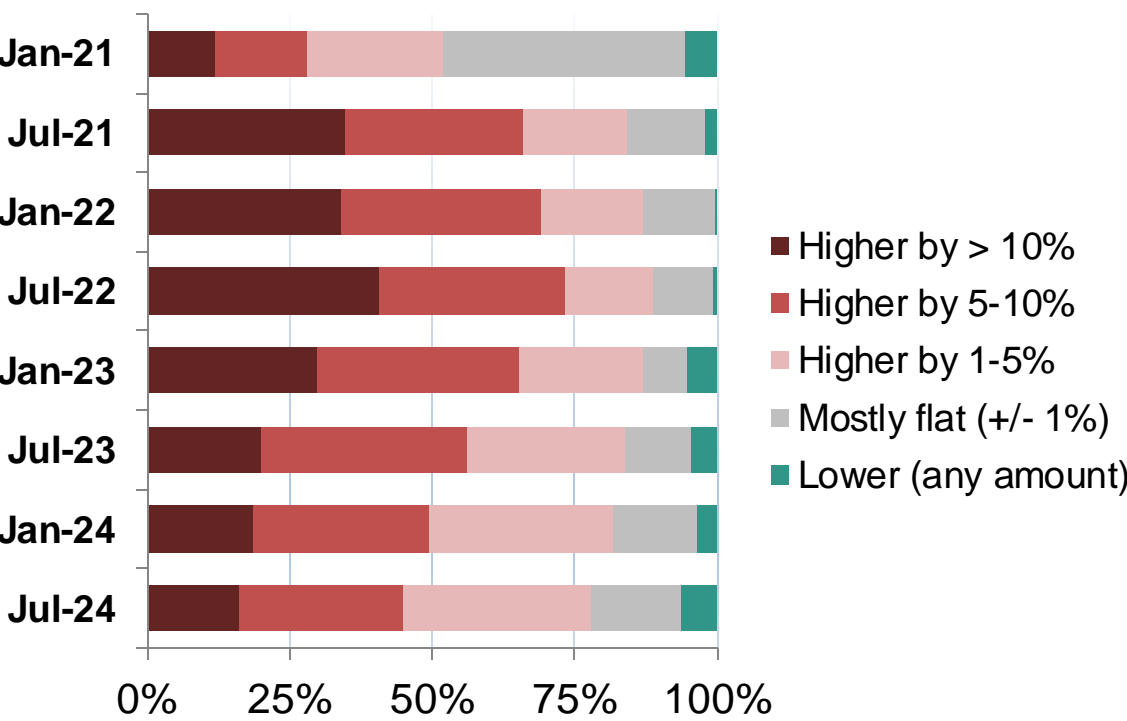
Pick two: Greatest challenge to operating capacity and productivity



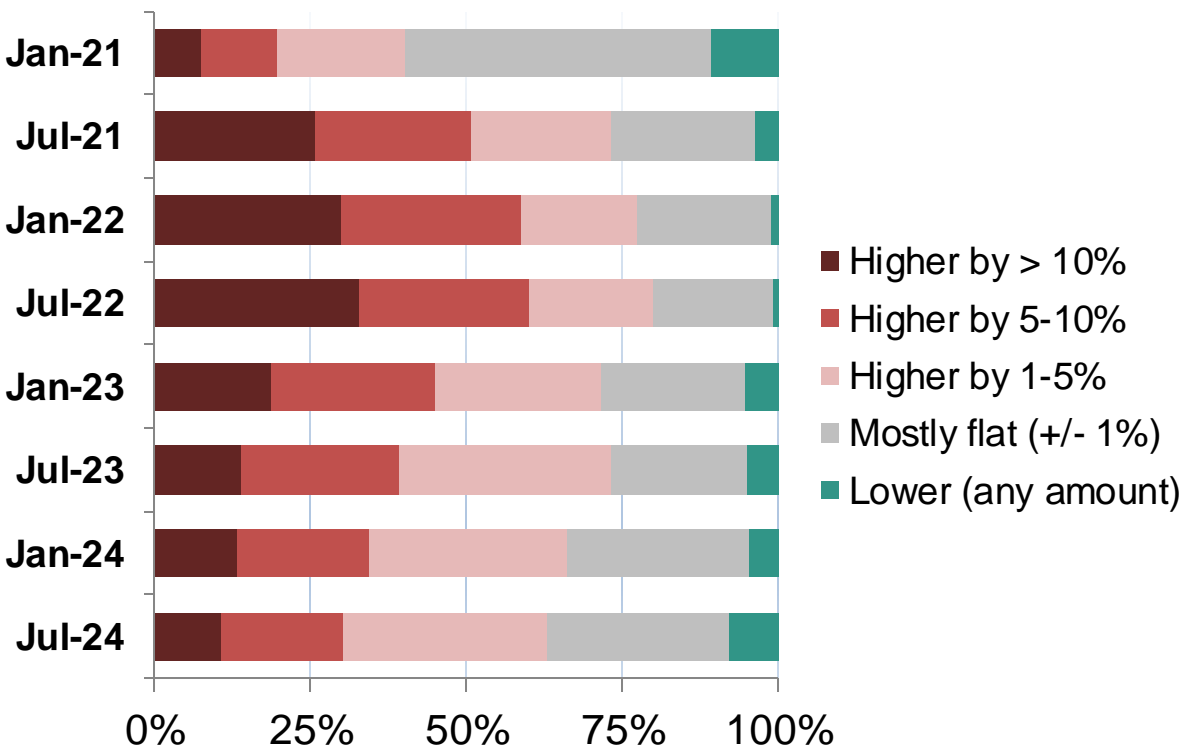
PRICES & INFLATION

Wholesale and retail inflation improving, slowly, esp. at retail level

Non-labor input prices (wholesale)

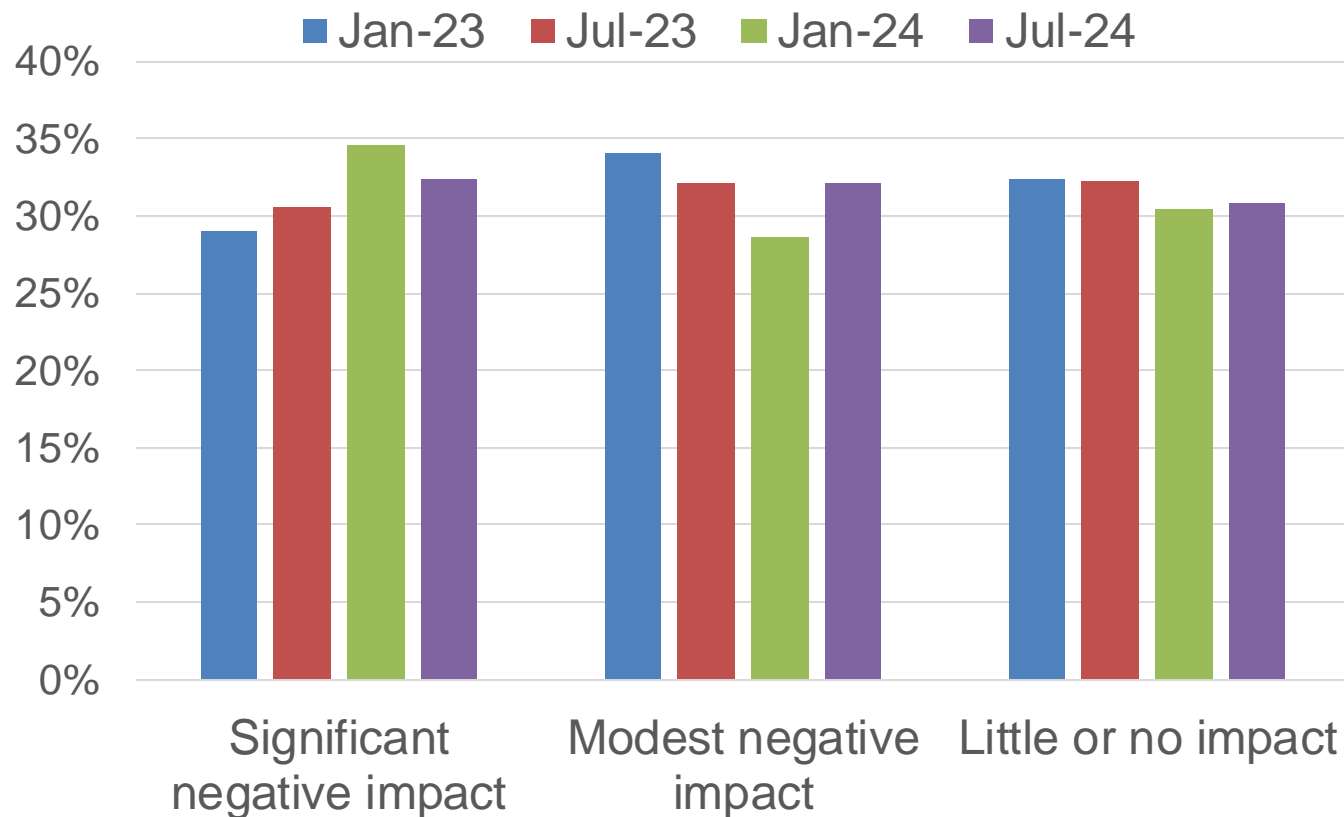


Final prices to customers (retail)



INTEREST RATES

Impact of current interest rates on your business



Interest rates continue to be problematic, regardless of firm size

Leveling off, but still significant

A few (< 6%) are seeing positive effects



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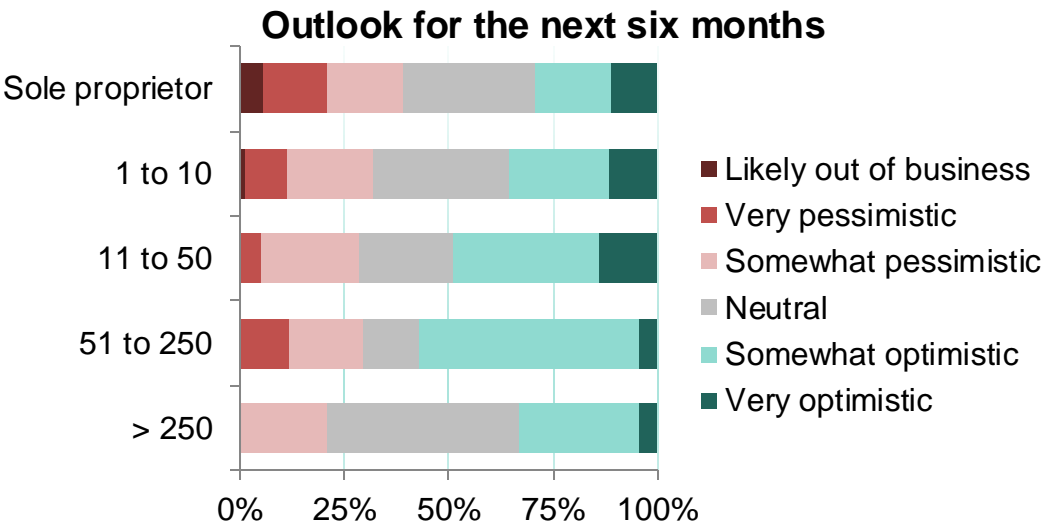


OUTLOOK

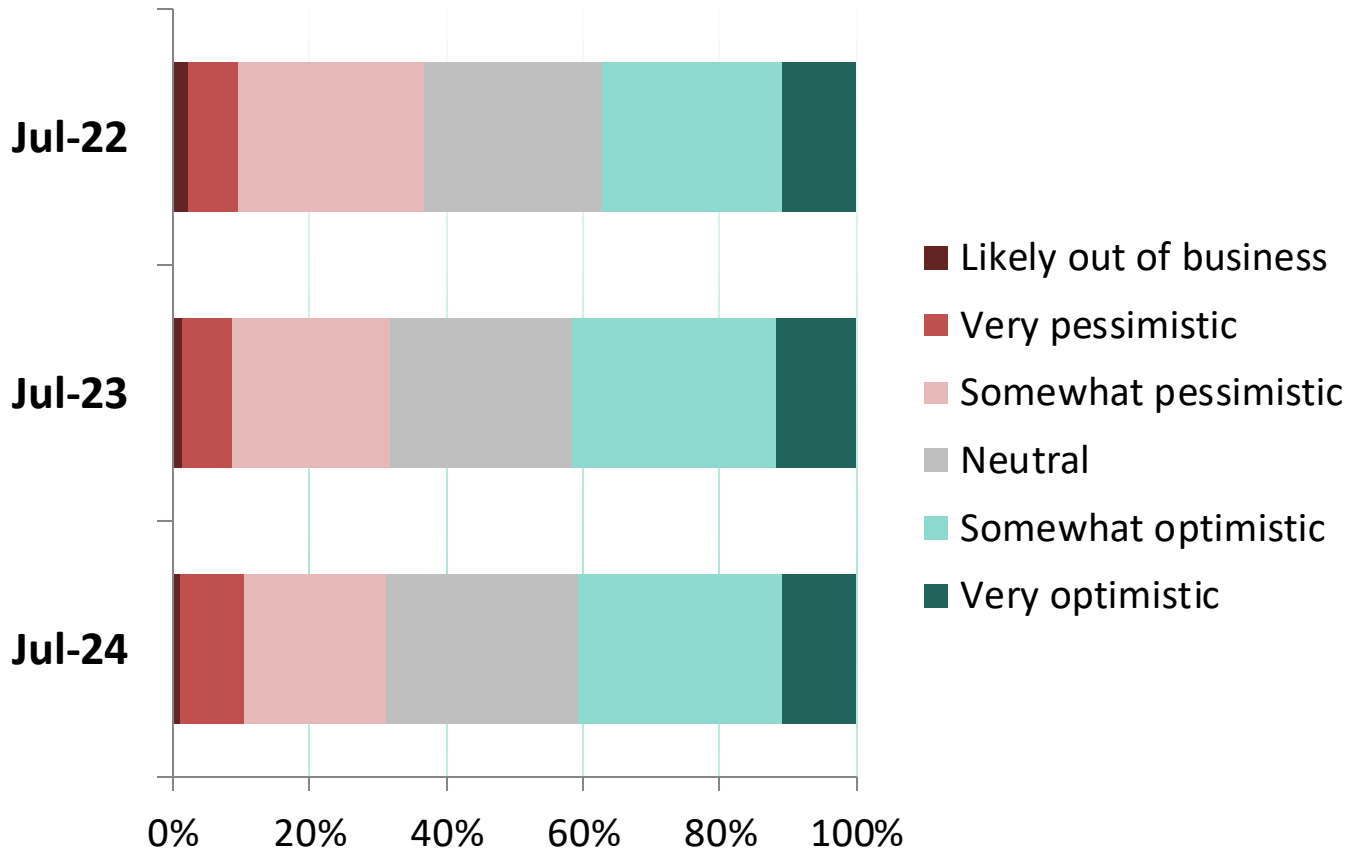
OUTLOOK: DECLINE, STILL POSITIVE OVERALL

Outlook pretty static, *but still net positive* despite revenue and profit trends

And: Much more positive outside of sole proprietors



What is your outlook for the near future?





FINAL THOUGHTS

- Revenues & profits continued to be soft
- Labor demand remains positive, but has slowed
- Inflation still major concern
- Some important pressures are easing: Prices, labor availability, and wage pressure all improved
- Outlook is modestly positive; more so among larger firms
- Overall, economic and employment growth has been slower in Ninth District than national average this year, and appears to be continuing





FUTURE SURVEYS FROM THE MINNEAPOLIS FED



MINNEAPOLIS FED SURVEYS

- Monthly Ninth District Business Conditions
 - **Anyone interested in being a panelist, click the link in the chat!**
- Hospitality & Tourism: in the field now!
- Construction: November
- Manufacturing: Nov-Dec
- General Business (this one): January



**WANT TO BECOME A SURVEY PARTNER, OR A
SURVEY RESPONDENT?**

SCAN TO LEARN MORE:





THANK YOU!

QUESTIONS?



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