

REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

GENERAL BUSINESS SURVEY

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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.



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 14 and August 1, 2025
- Received 731 responses from across Ninth District
- Shout out to our partners for distributing the survey!
- Strong showing from Greater Minnesota
- Continued balance by firm size and sector
- Results are a snapshot
 - Convenience sample
 - Interpret cautiously



QUICK TAKE-AWAYS

- Continued slow revenue and profit trends
- The advantage of size reappeared; larger firms seeing better (or less bad) trends than smaller firms
- Clear softening in labor demand; fewer hiring, and full-time jobs continued to decline
- Wage pressure easing
- Businesses reported higher wholesale & retail inflation
- Biggest challenge? Government policies, particularly around tariffs, saw big increase
- Outlook: Overall sentiment turned from net-positive in January to net-negative in July; a lot of uncertainty





**RECENT REVENUE &
PROFIT TRENDS**

RECENT REVENUE TRENDS

Chart pointers:

Color scheme:

- orange = decline
- blue = growth

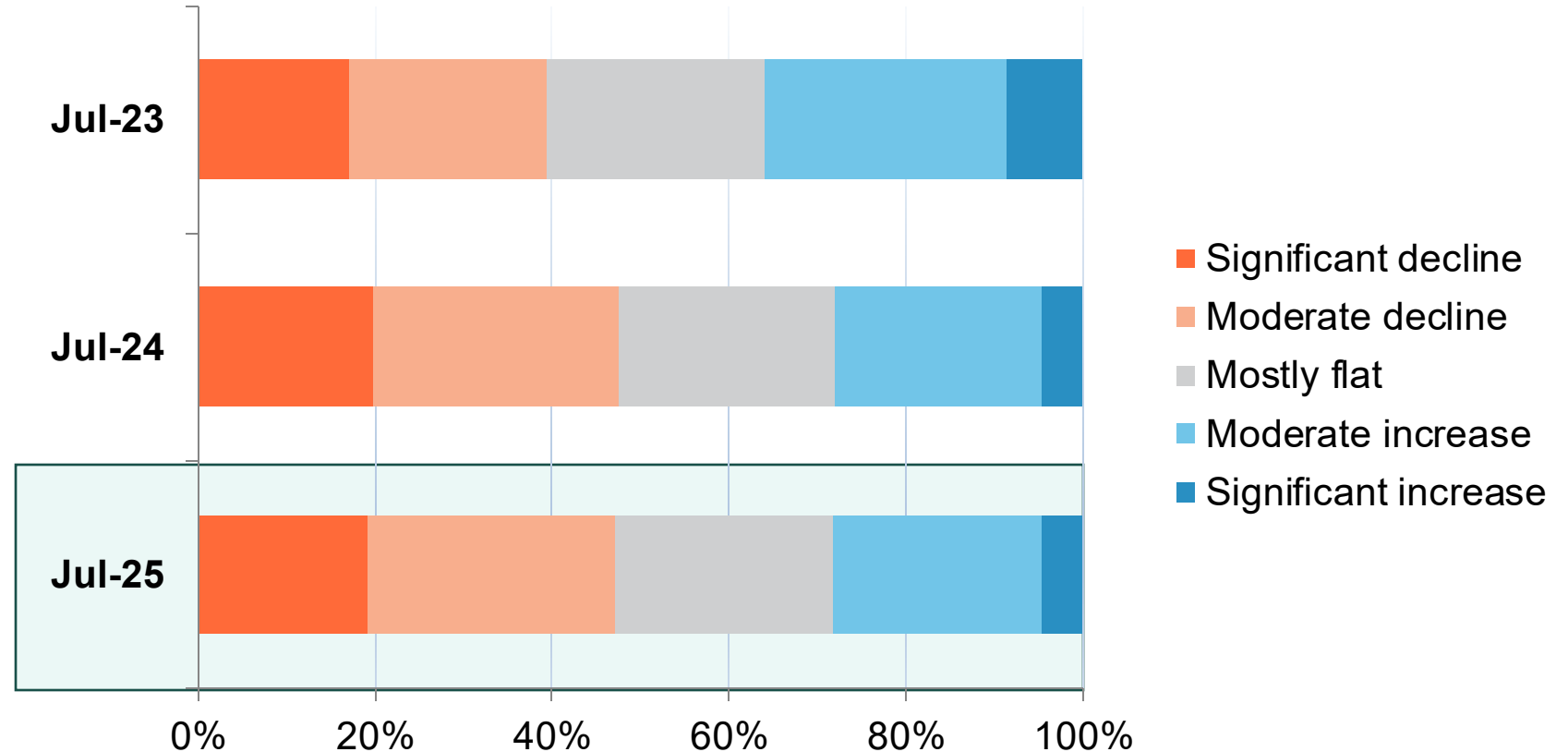
Most recent survey always at bottom

Main revenue trends

- Negative overall
- Unchanged from last year

Recent-quarter revenue compared w/ last year

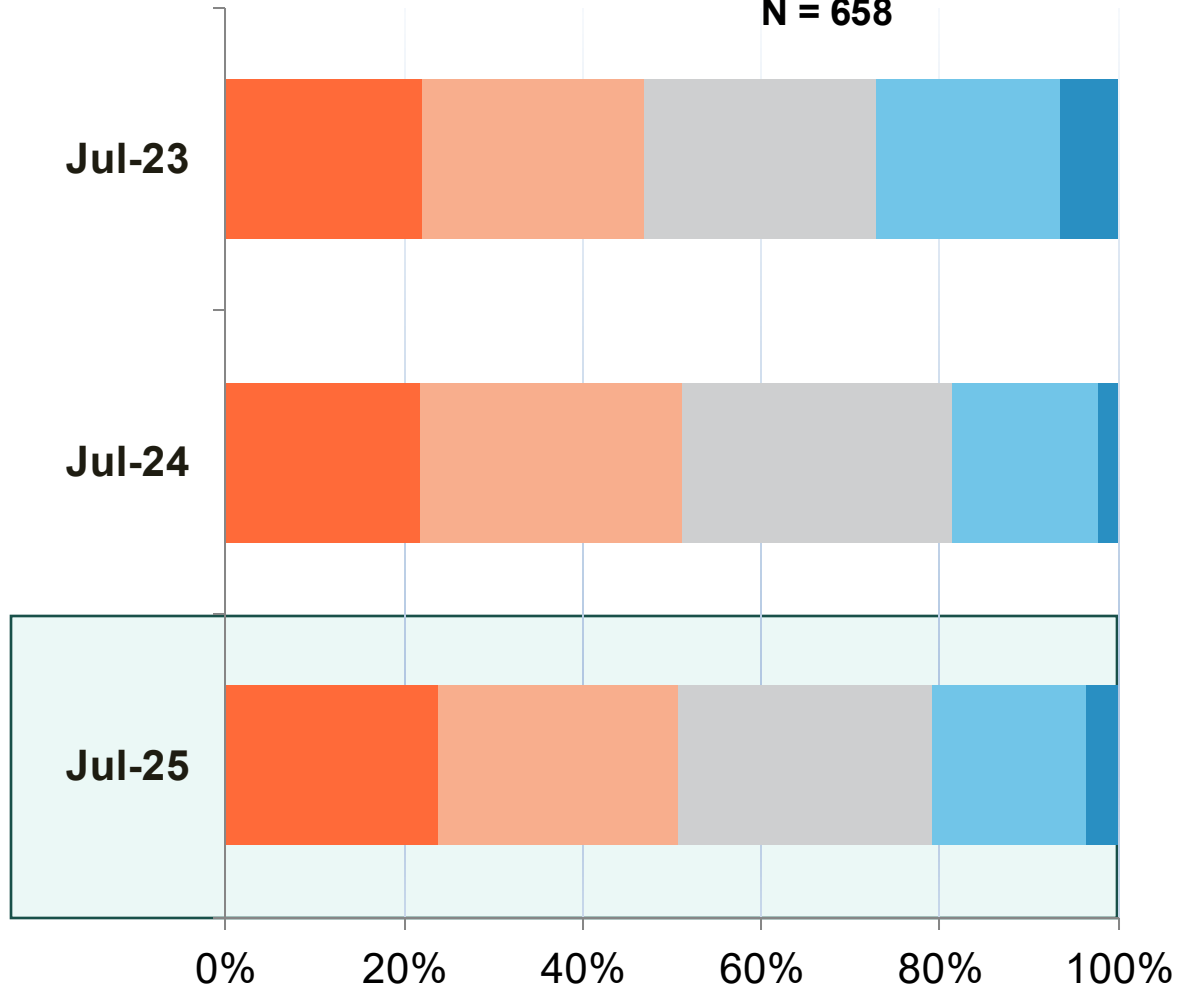
N = 697



PROFIT MARGINS

Recent-quarter profit compared w/ last year

N = 658



- Profit struggles continue
- Source of struggle? The list is long ... more in a bit

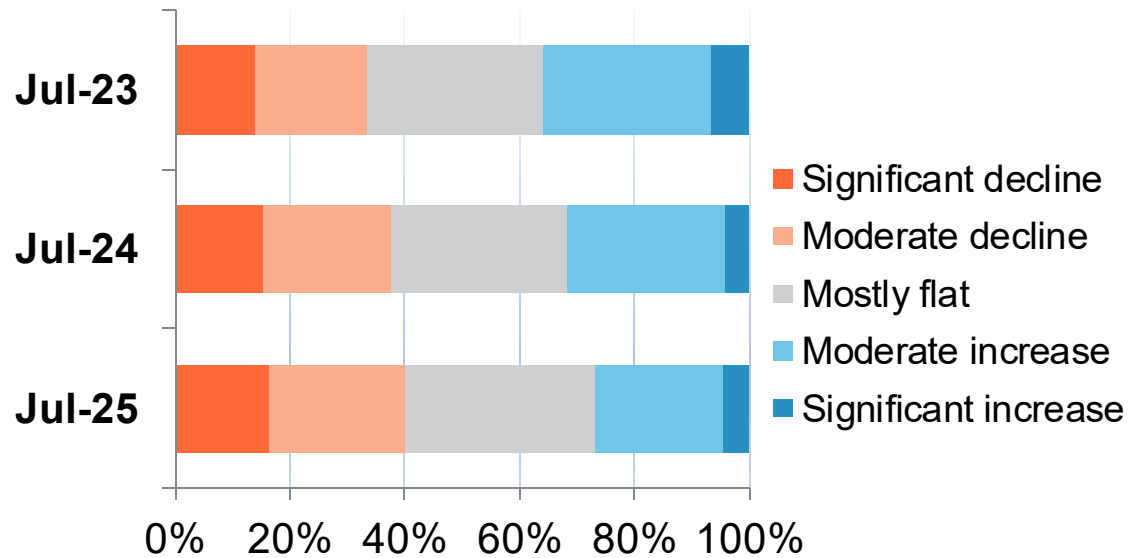


REVENUE & PROFIT EXPECTATIONS

- Expectations for coming quarter remain negative by a sizeable margin
- Technically, small revenue improvement; modestly fewer predicting decline
 - Still more seeing decline than growth

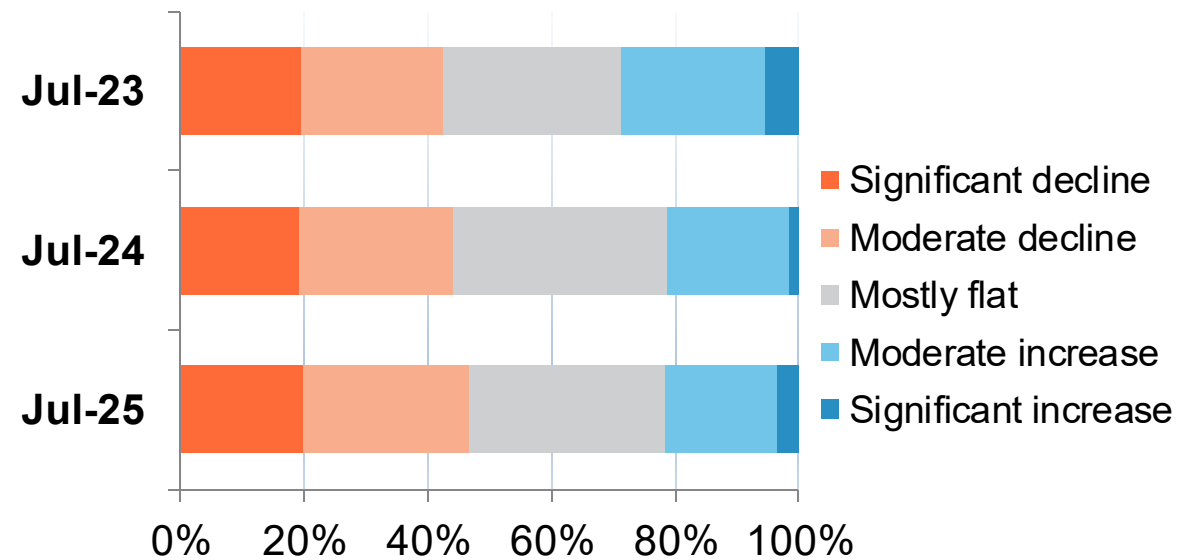
Revenue expectations for next quarter compared with last year

N = 700



Profit expectations for next quarter compared with last year

N=670

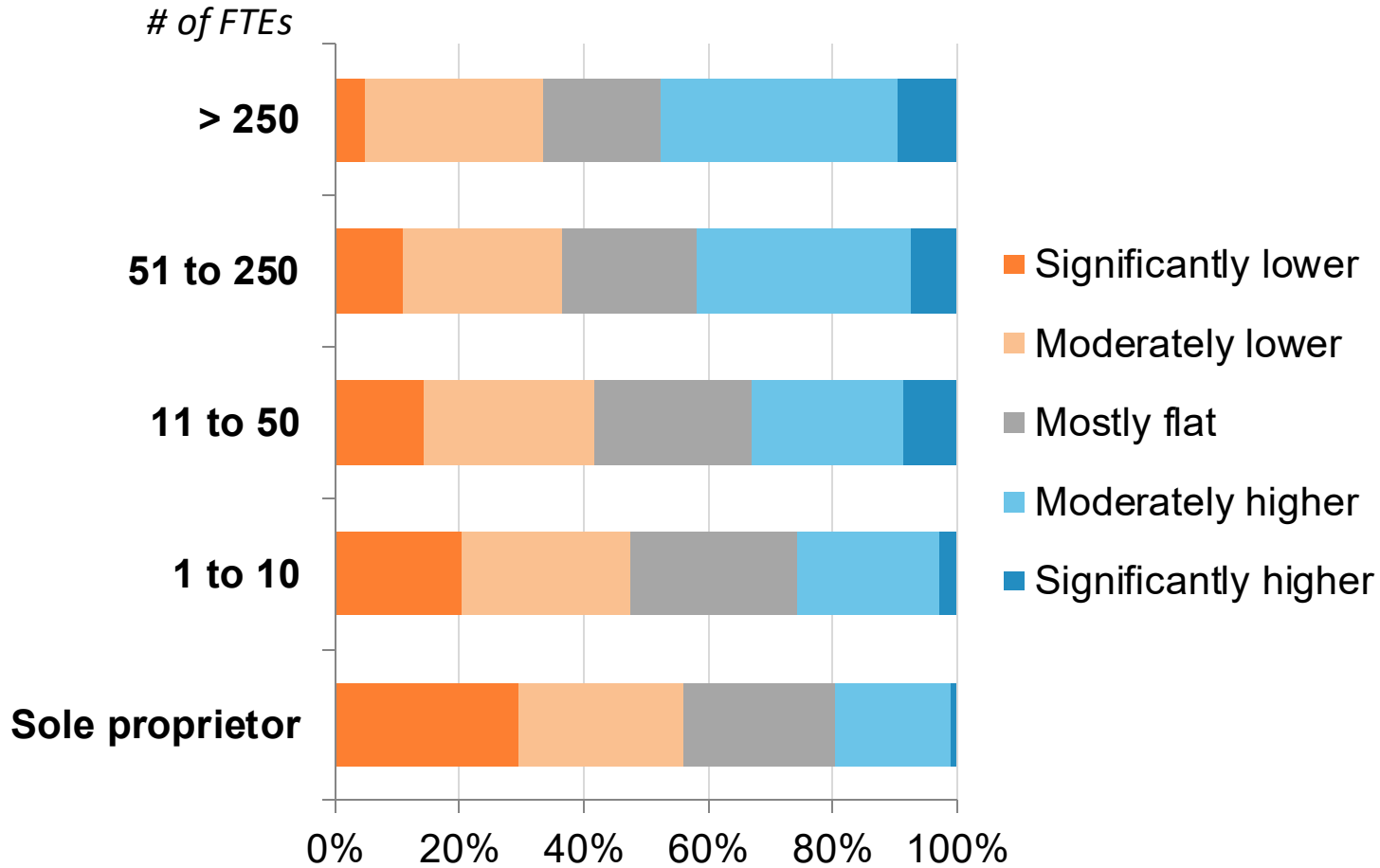




**OTHER VIEWS:
PERFORMANCE BY FIRM TRAITS**

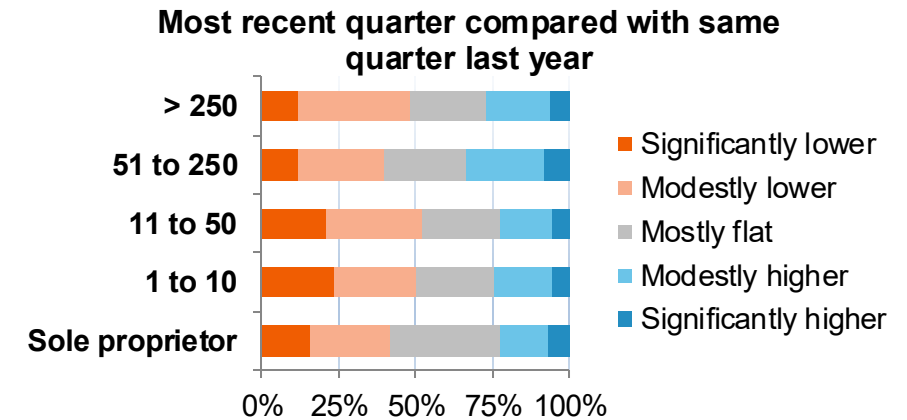
REVENUES BY FIRM SIZE

Recent-quarter revenue compared w/ last year, by firm size



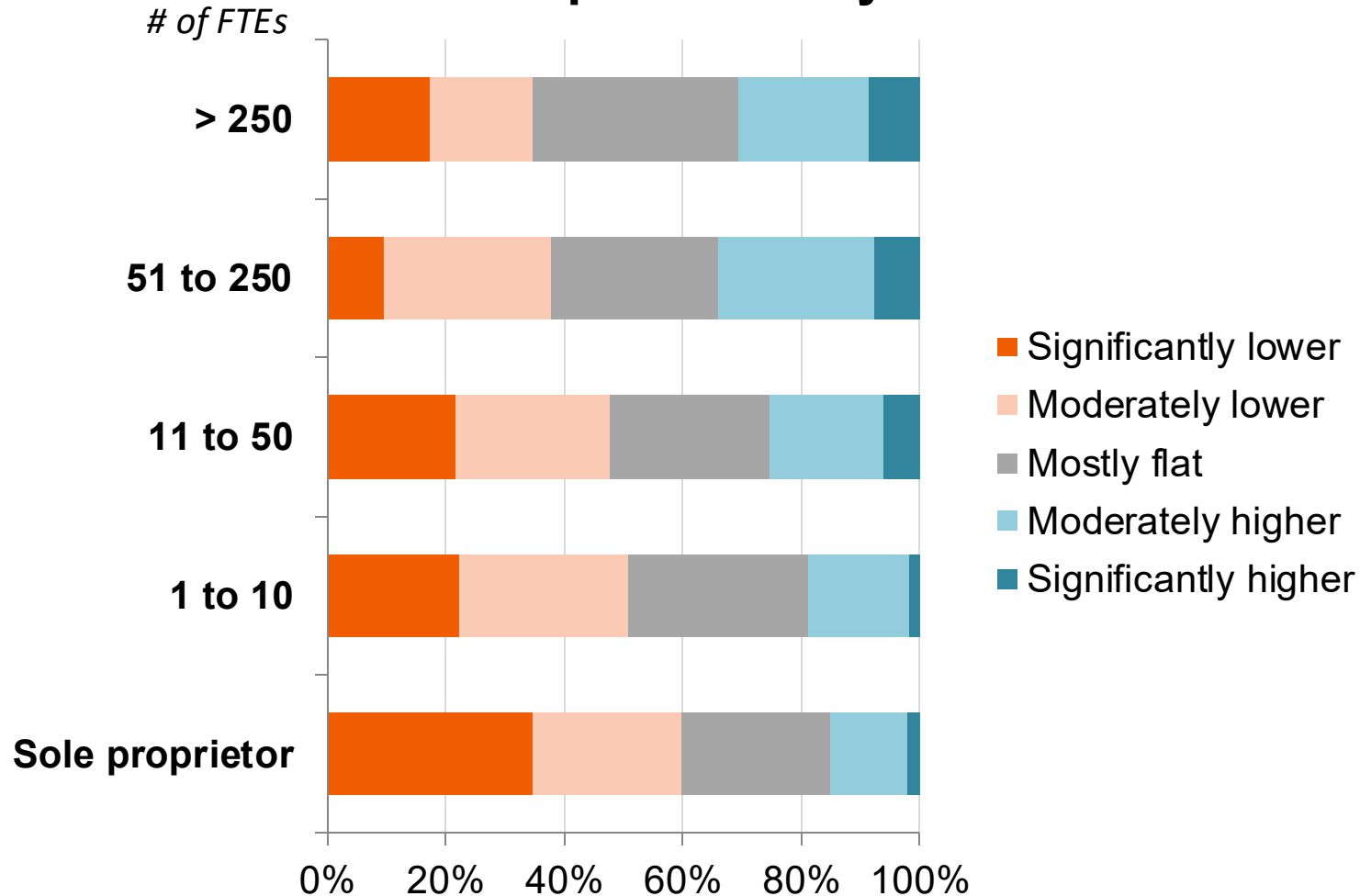
- Tiered performance; larger firms did better compared with January survey
- Expectations for Q3 fell for larger companies, but still better than smaller firms

January 2025 survey



PROFITS BY FIRM SIZE

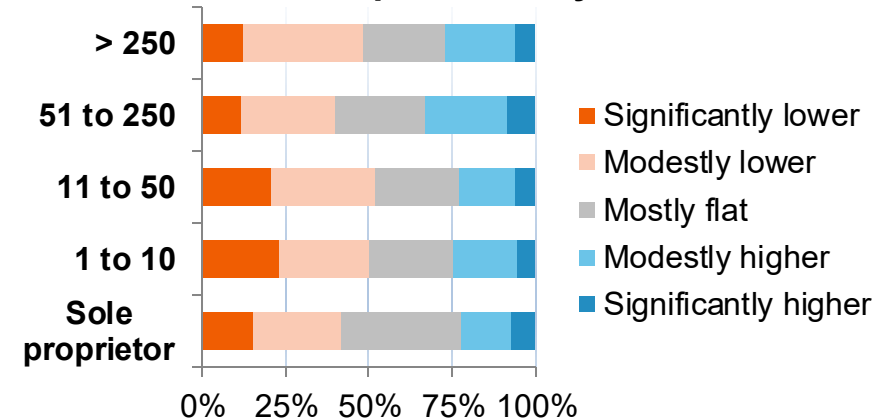
Recent-quarter profits compared with same quarter last year



- Larger firms also seeing comparatively better (but not necessarily good) profit performance

January 2025 survey

Recent-quarter profits compared with same quarter last year



RESULTS BY SECTOR & STATE

- *First, caution:* Small samples among industry sectors make for cautious interpretations
- Finance, insurance and real estate (FIRE) & transportation/warehouse were only sectors with net-positive revenue performance
- Wholesale & retail trade, education/child care health care & manufacturing experienced the worst revenue trends (yoy)
- Among states, only Montana saw net-positive response on Q2 revenues; *however*, state had disproportionately large FIRE response, and saw negative Q1 GDP





WORKFORCE & WAGE TRENDS

LABOR DEMAND

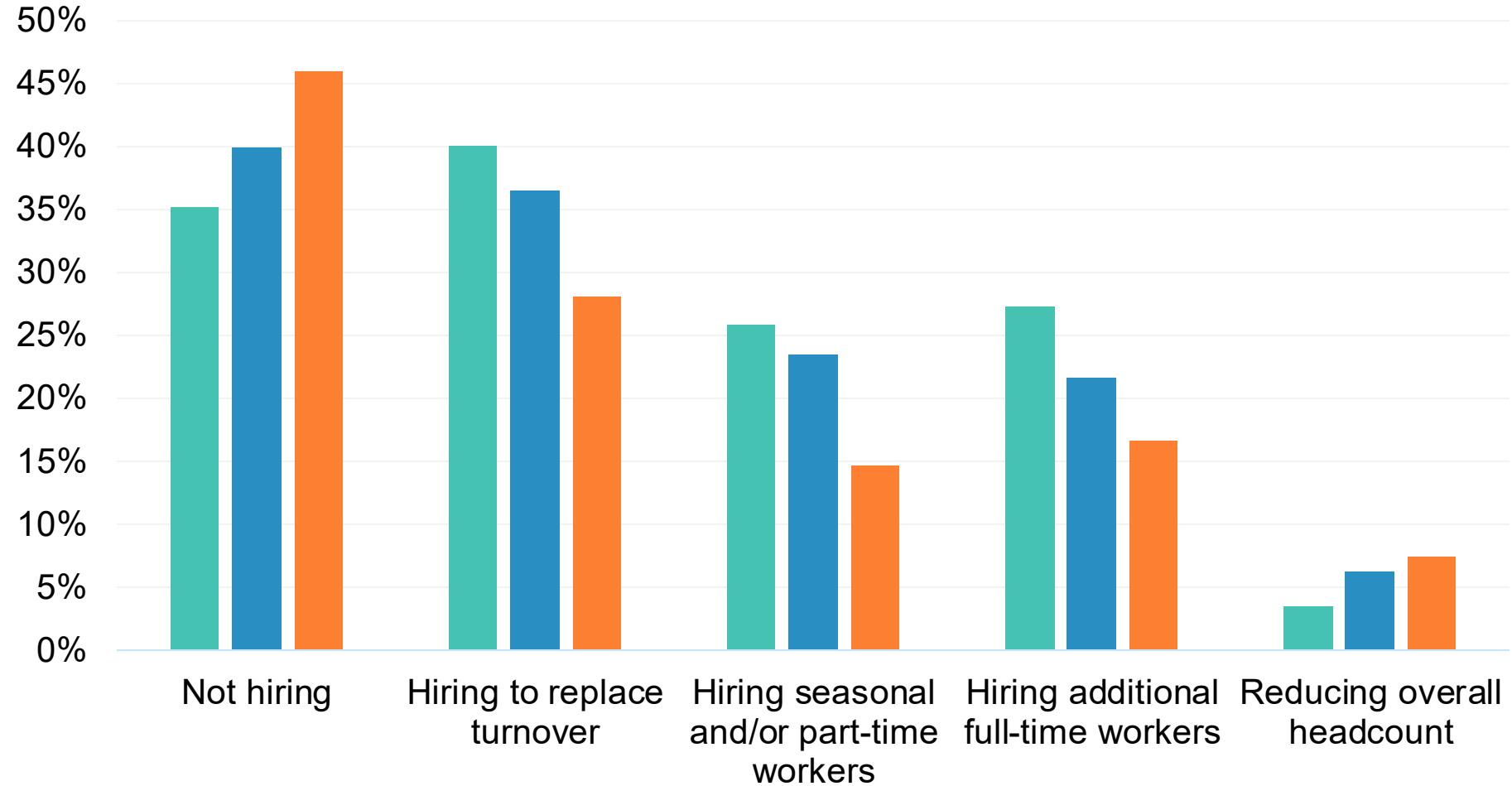


- Hiring has pulled back across the board
- A small but slightly growing share reducing headcount

Describe current hiring plans at your company*

N = 693

■ Jul-23 ■ Jul-24 ■ Jul-25

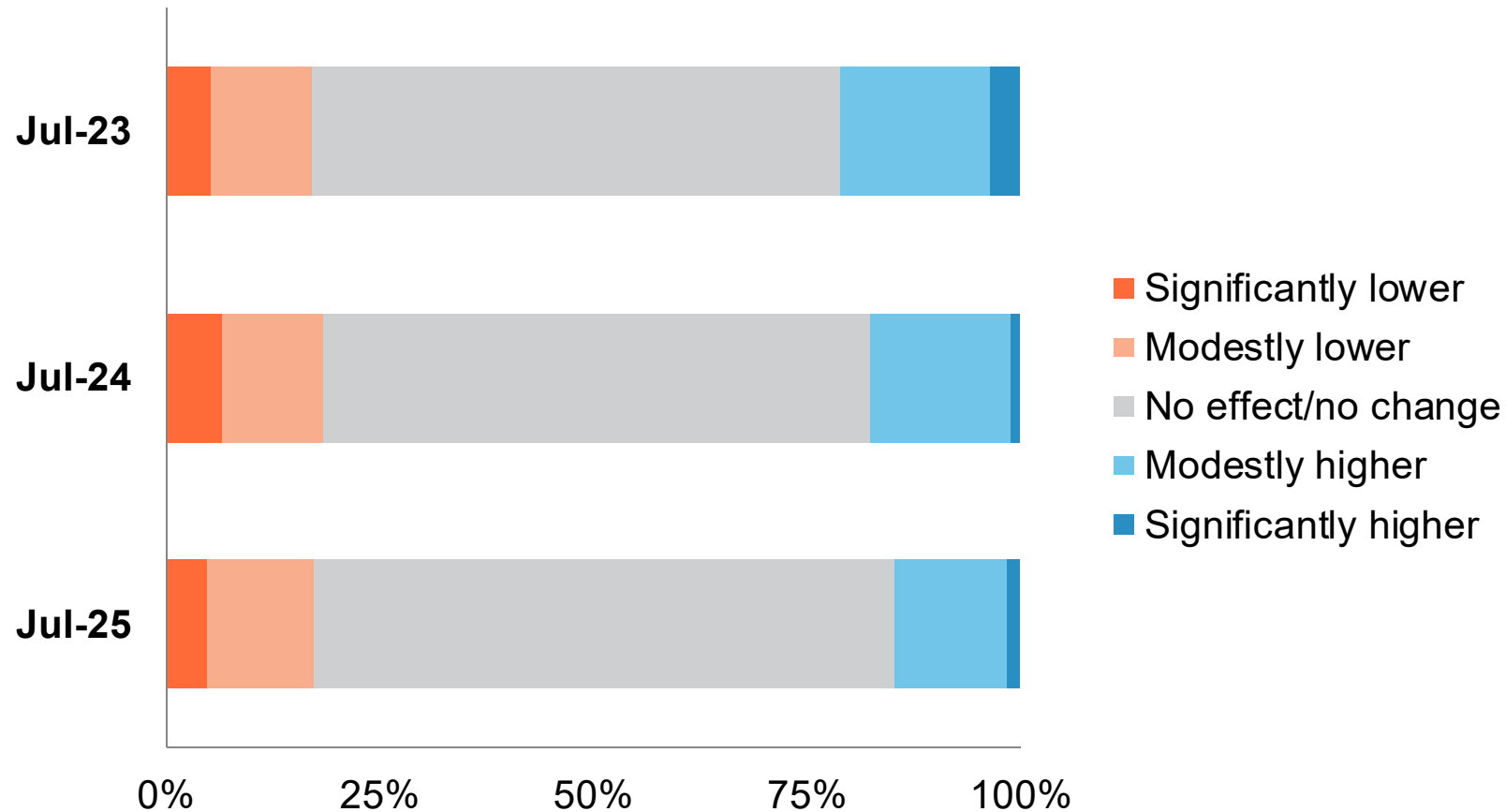


* Respondents could select all that apply

STAFFING

Expected staffing in 6 months compared with current staffing

N = 691



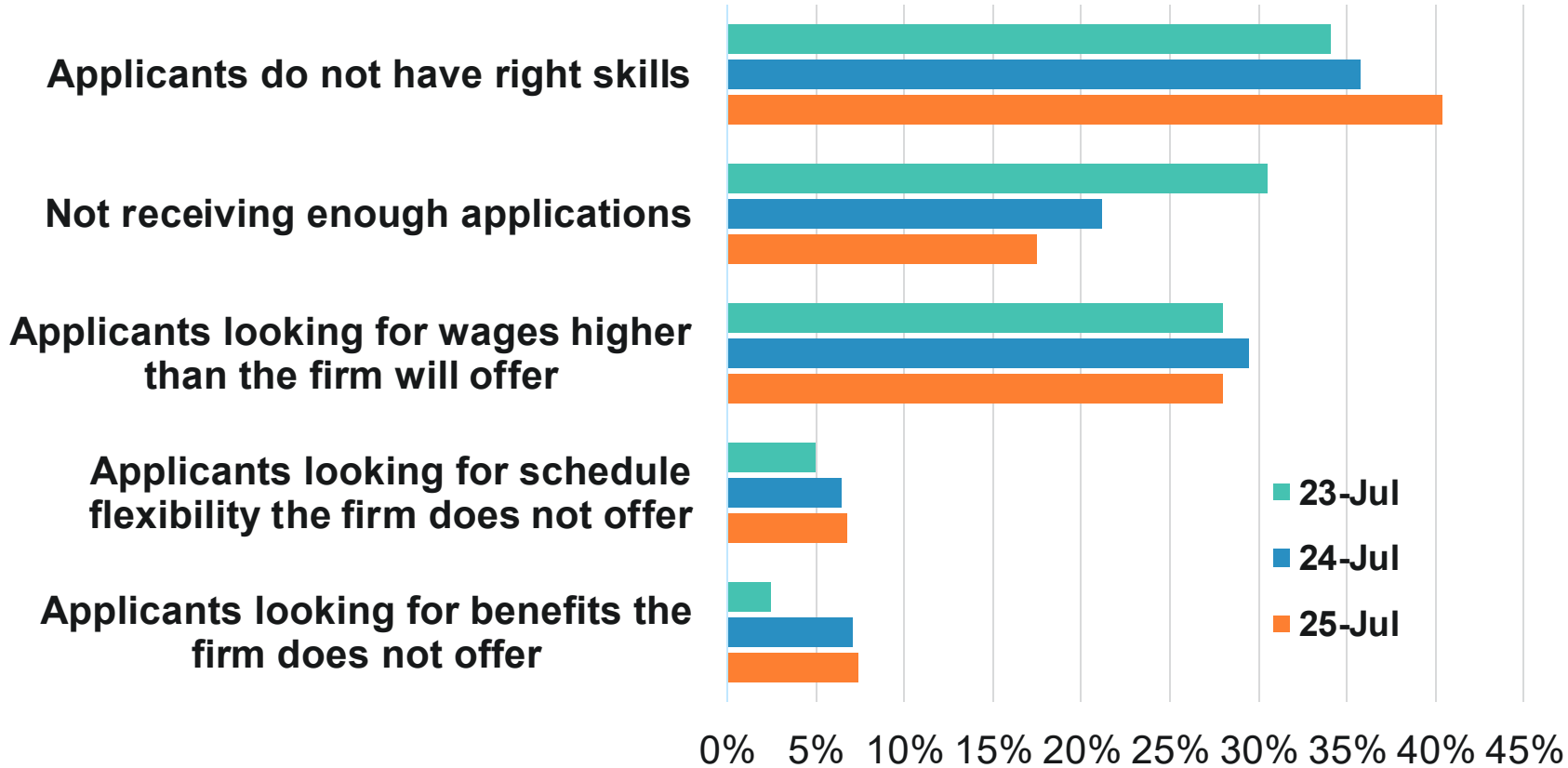
- Most planning to keep staffing flat
- Slightly more firms expecting to decrease staff than those that expect to increase



HIRING ISSUES

Greatest challenge when hiring

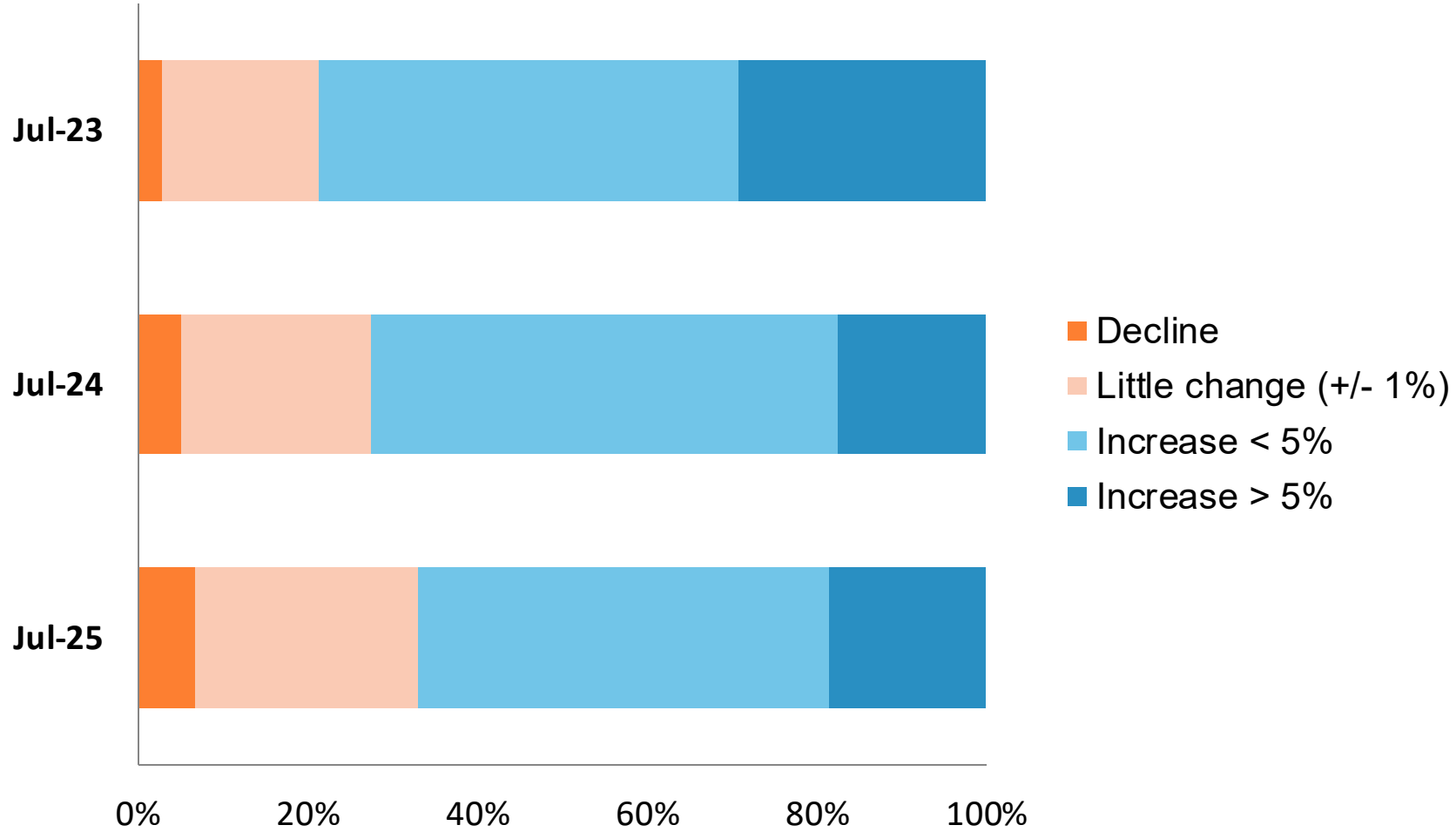
N=503



- Labor availability still tight but improved since 2023
- Fewer issues with lack of applicants, more with lack of skills

WAGES

Average wages compared with 12 months ago N = 647

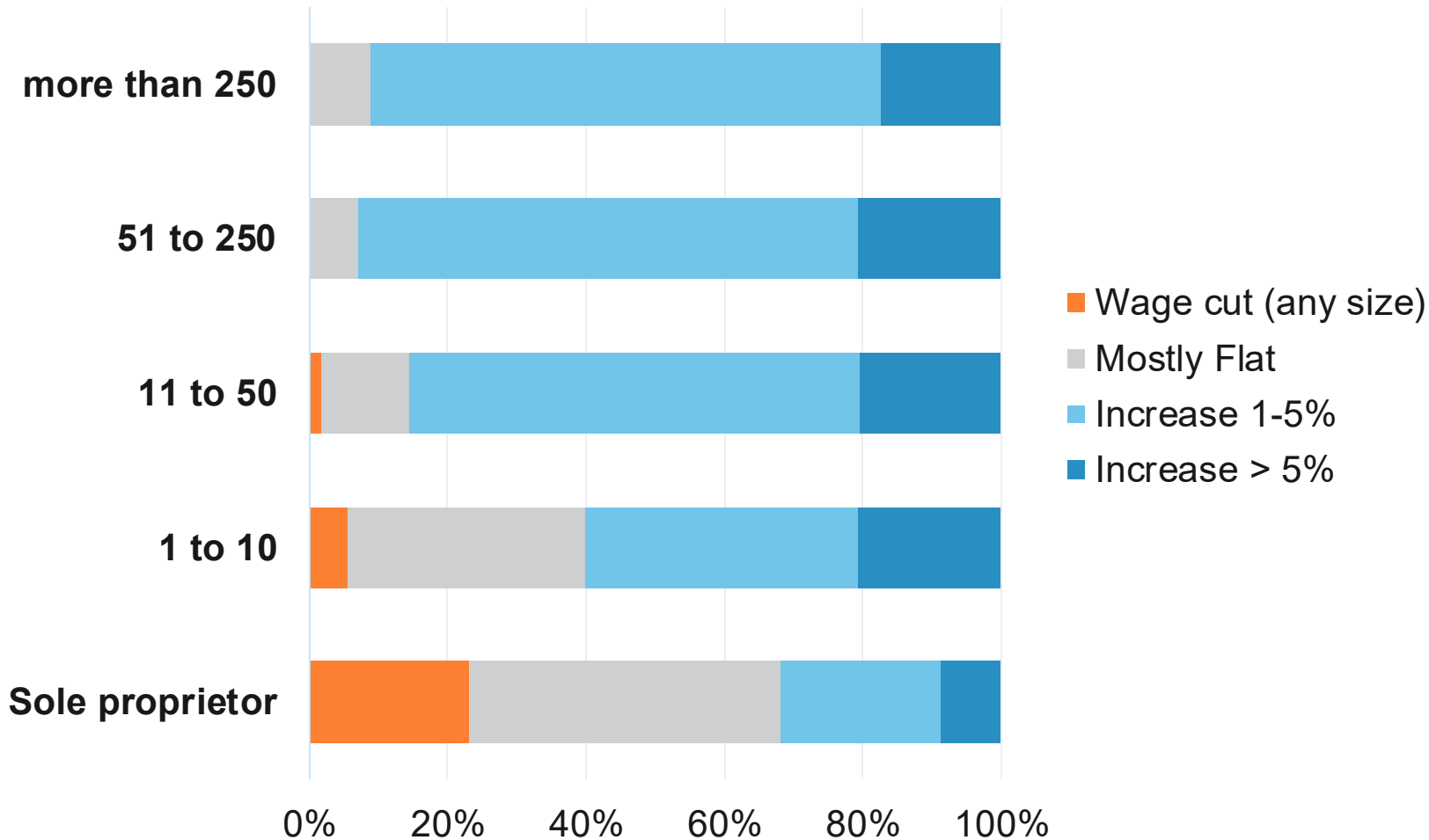


- **Businesses still increasing wages overall**
- **Share not raising wages has grown**



WAGE GROWTH BY FIRM SIZE

Average wages compared with 12 months ago
N = 629



- Larger businesses still tend to raise wages more than smaller businesses
- Smaller businesses = lower revenue = harder to afford labor costs



A stylized, light teal outline of an eagle with its wings spread, set against a teal background. The eagle's head is turned to the left. Several five-pointed stars are scattered around the eagle's head and wings. In the top left corner, there is a dark teal horizontal bar with a white gradient.

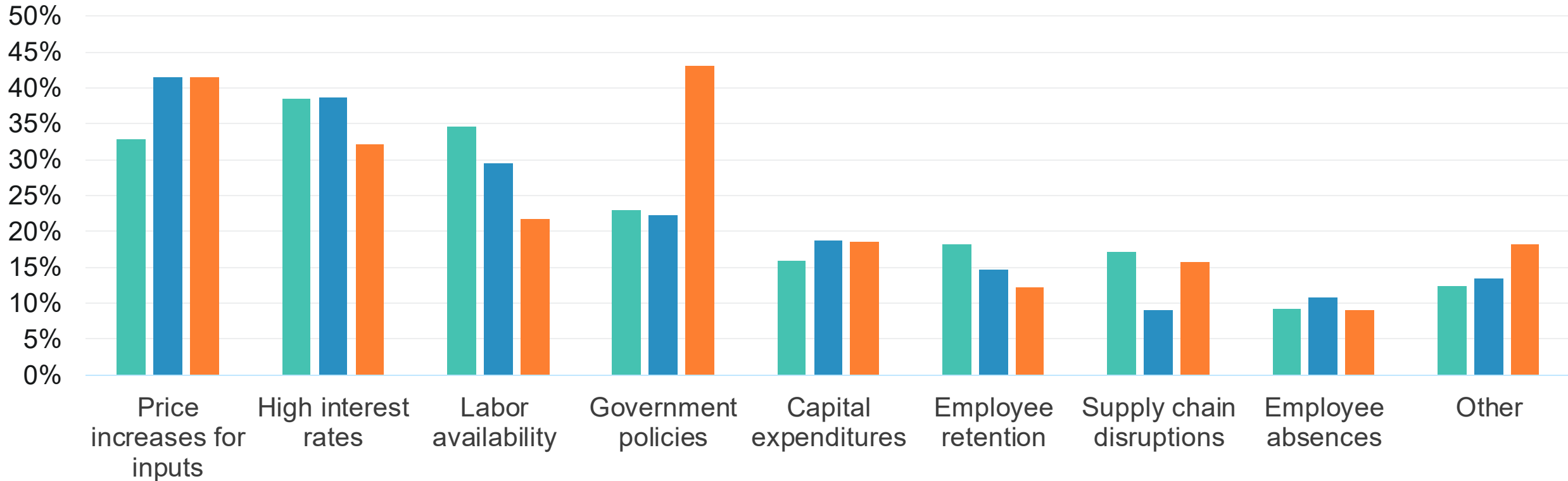
CHALLENGES

CHALLENGES TO OPERATIONS

Pick up to two: Greatest challenge to operating capacity and productivity

N = 724

■ Jul-23 ■ Jul-24 ■ Jul-25



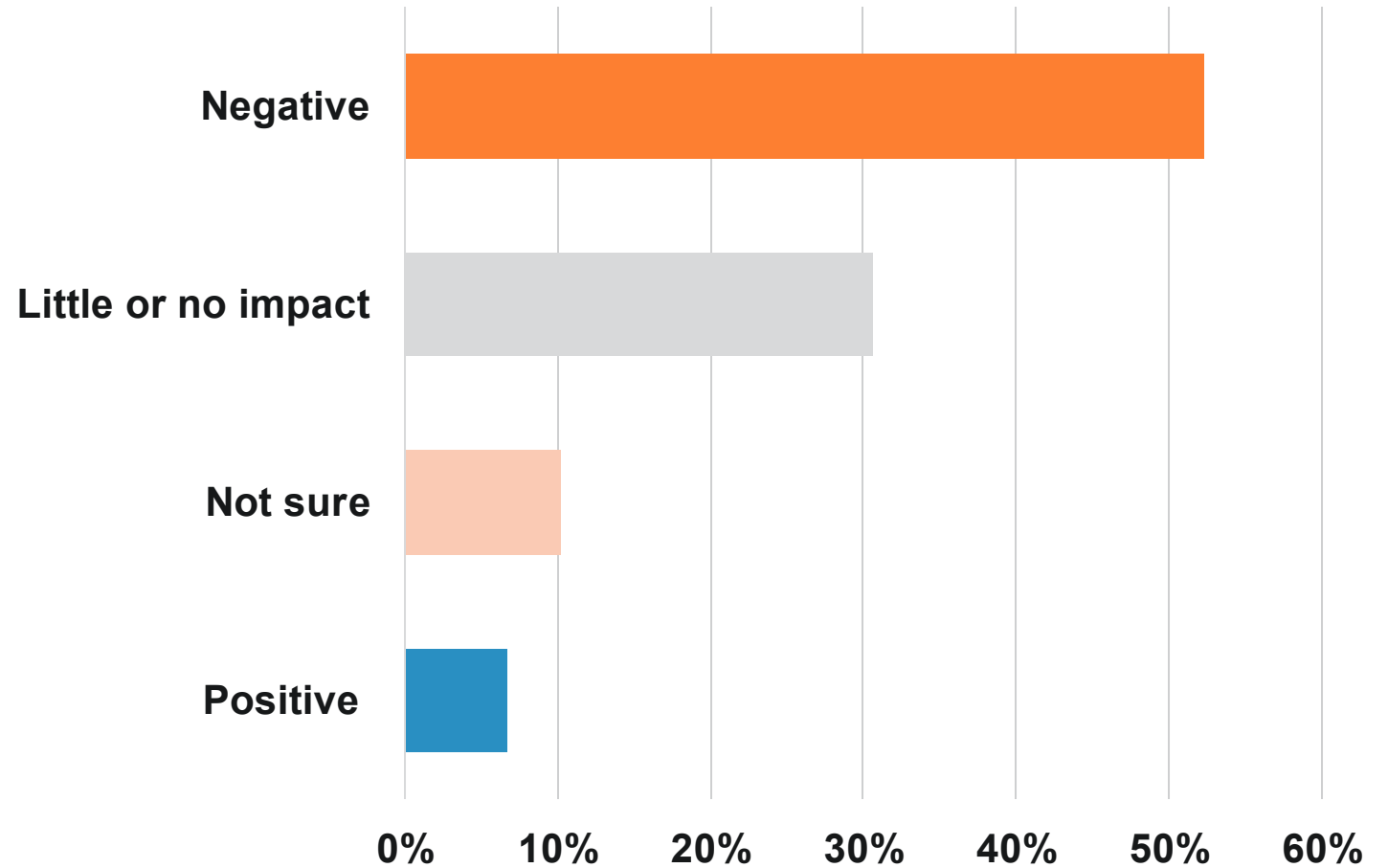
- **Government policies** most frequently reported as a challenge
- **Price increases** remains a top challenge. **Supply chain** issues ticked up again.

TRADE QUESTION

- Issues with price increases, uncertainty, and customer anxiety
- Most negatively impacted: Manufacturing, wholesale, and retail businesses

Impact of proposed or implemented tariffs this year

N = 655

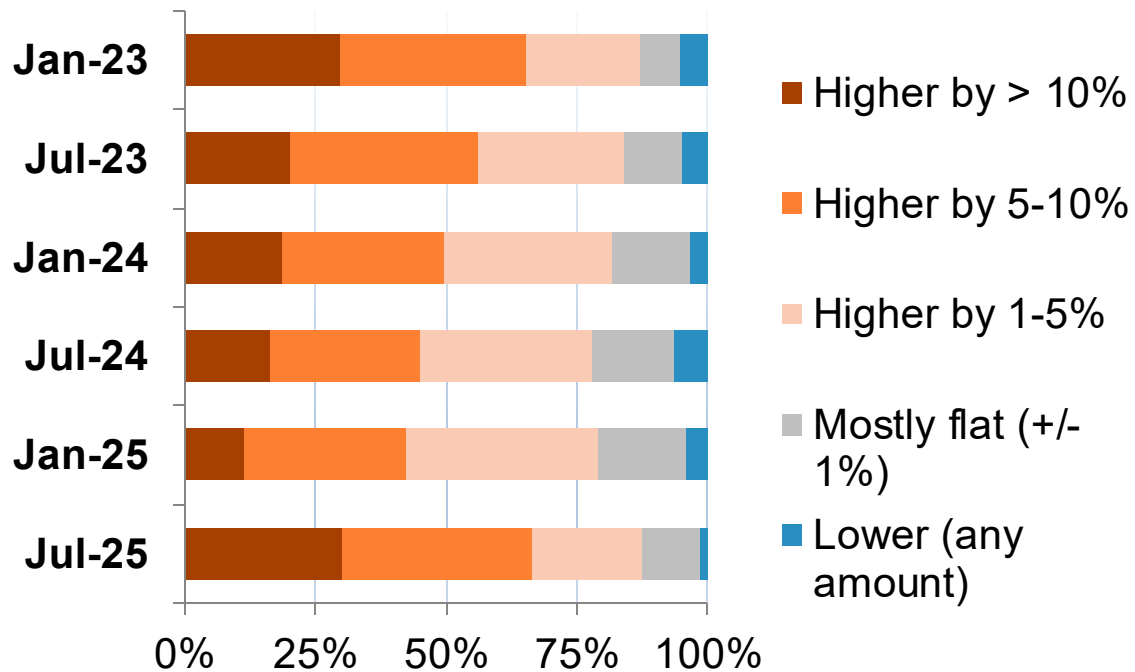


PRICES & INFLATION

Wholesale (B2B) inflation pivoted; retail prices saw smaller increase

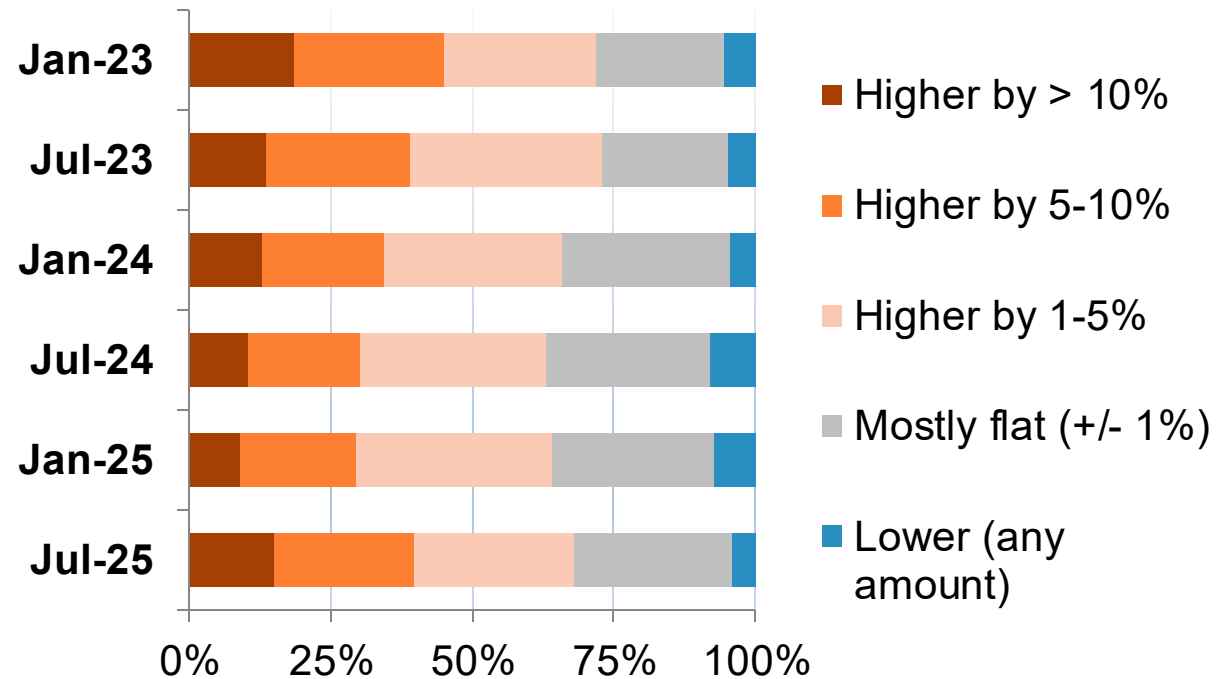
Non-labor input prices (wholesale)

N = 643



Final prices to customers (retail)

N = 652



A large, light teal graphic of an eagle with its wings spread, set against a teal background. The eagle is surrounded by several five-pointed stars. The entire graphic is rendered in a simple, line-art style.

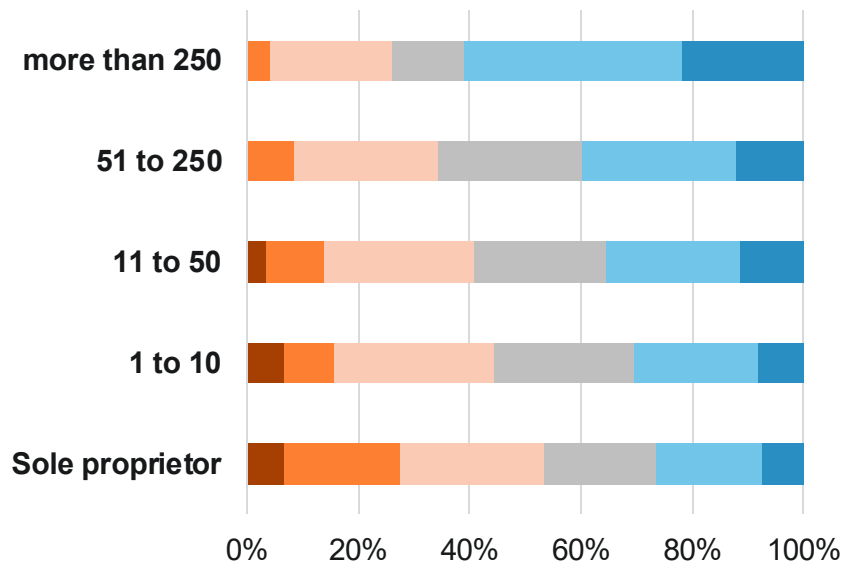
OUTLOOK

OUTLOOK

Outlook net-negative compared to prior years

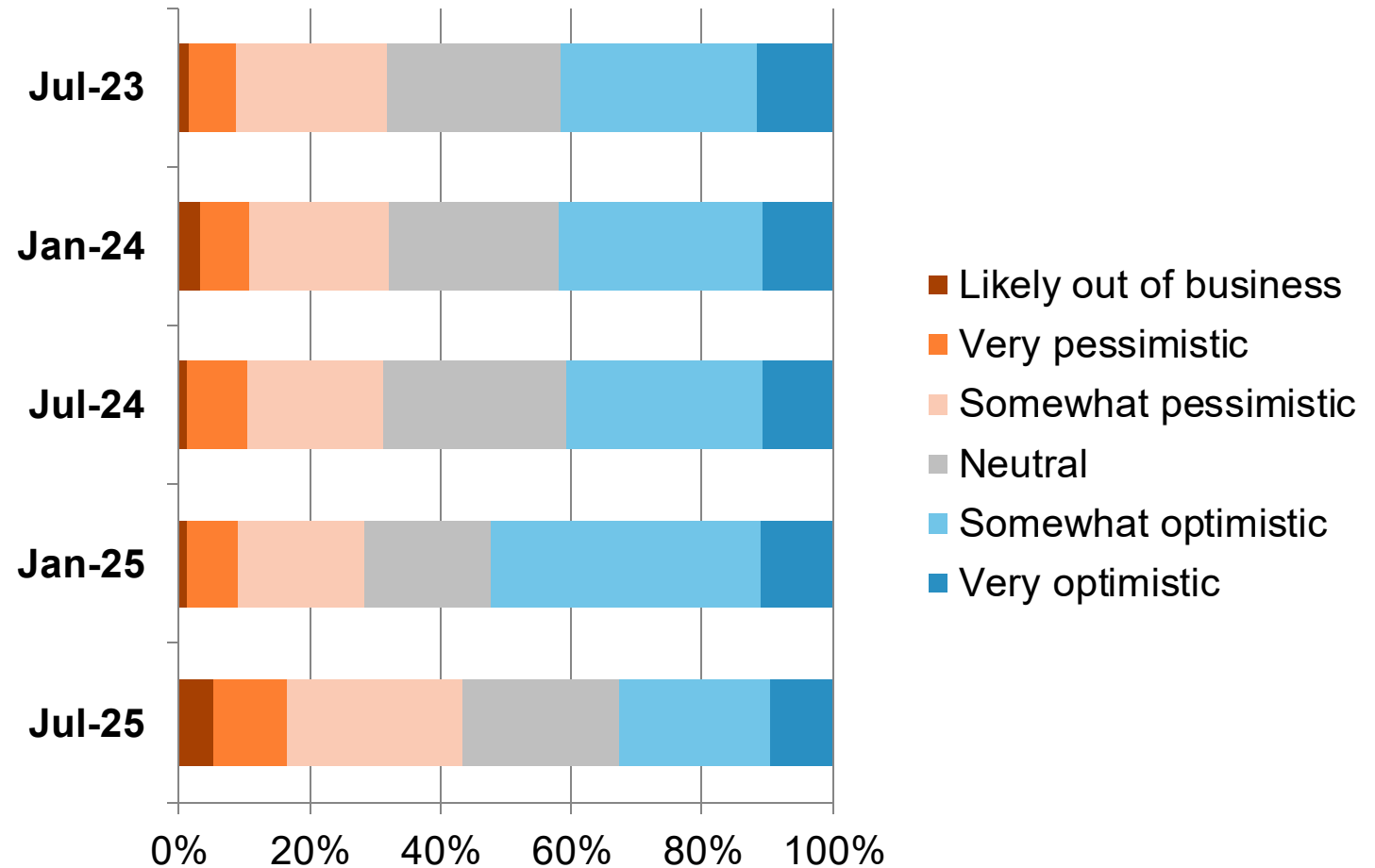
Optimism stronger among larger firms

Outlook by firm size



What is the outlook for your business the next six months?

N = 661



FINAL THOUGHTS

- Overall, conditions appear to be softening among Ninth District businesses
- Revenue & profit trends remain negative for many
- Smaller firms appear to be having more difficulty in current environment
- Labor demand has pulled back; as a result, wage pressures continued to ease
- Government policies top concern, led by tariffs
- Respondents report that prices have pivoted higher
- Outlook is net-negative; lots of uncertainty





BEFORE Q&A:

**THE MINNEAPOLIS FED NEEDS
YOUR INPUT!**

MINNEAPOLIS FED'S BUSINESS PULSE SURVEY

Tell us your company's story!

Be a regular contact!

2-min. commitment 4x/year

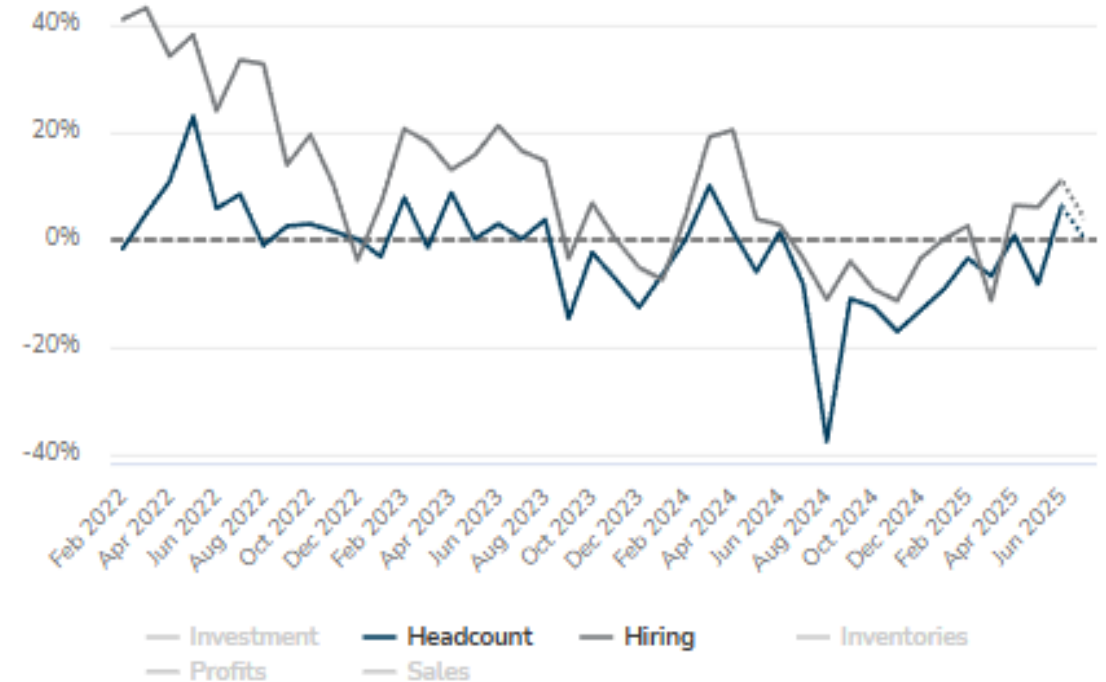
Sign-up using the QR code



Business Pulse Survey (monthly)

How business performance is changing

Net share of business contacts who report indicators are increasing



THANK YOU! QUESTIONS?

Be a Business Pulse
Survey respondent!



Your insights
help everyone!