REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

GENERAL BUSINESS SURVEY

August 25, 2026

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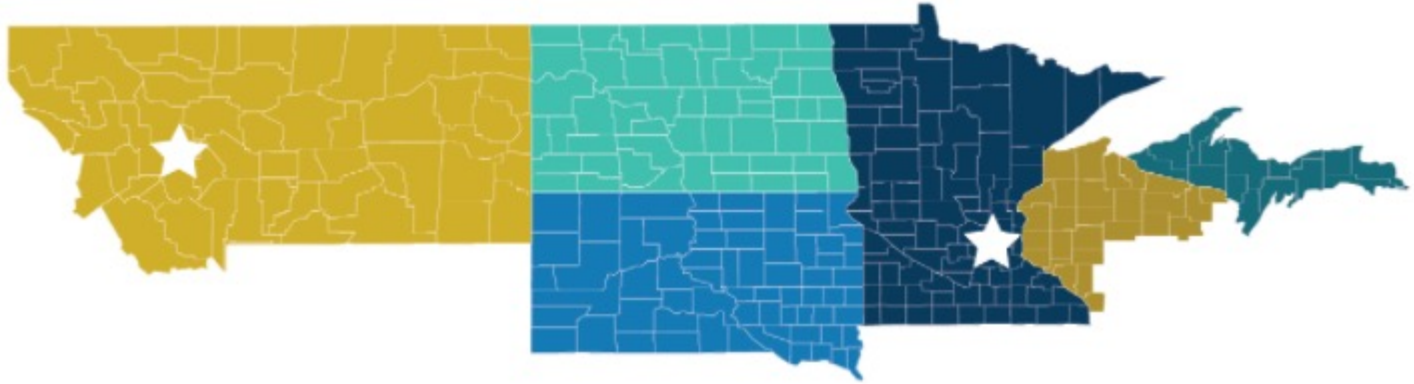
FEDERAL RESERVE BANK OF MINNEAPOLIS

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-member groups to distribute the survey to businesses across the Ninth District



- One of the largest, regular surveys of business conditions among the 12 district banks

TODAY'S FOCUS

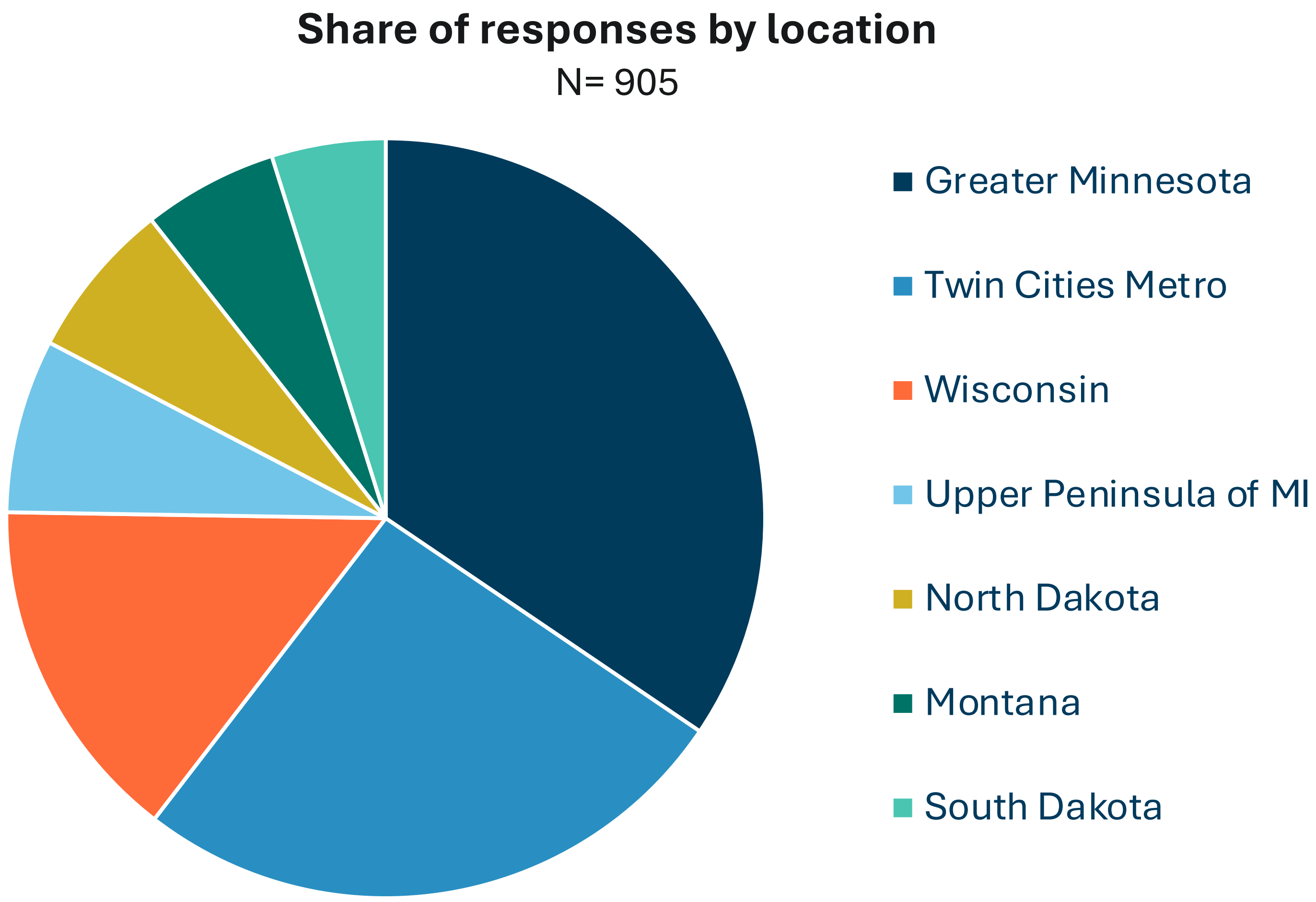
GENERAL BUSINESS SURVEY

- Conducted between July 13 and July 31, 2026
- Received 905 responses from across Ninth District
- Results are a snapshot
  - Convenience sample
  - Interpret cautiously

RESPONSE BREAKDOWN

Respondent pool:

- Higher than average share of Greater MN and Wisconsin respondents
- Decent balance by firm size and sector:
    - Top 5 sectors were professional services, manufacturing, retail, accommodation and food services, health care
    - Decrease in financial services, increase in health care this time around



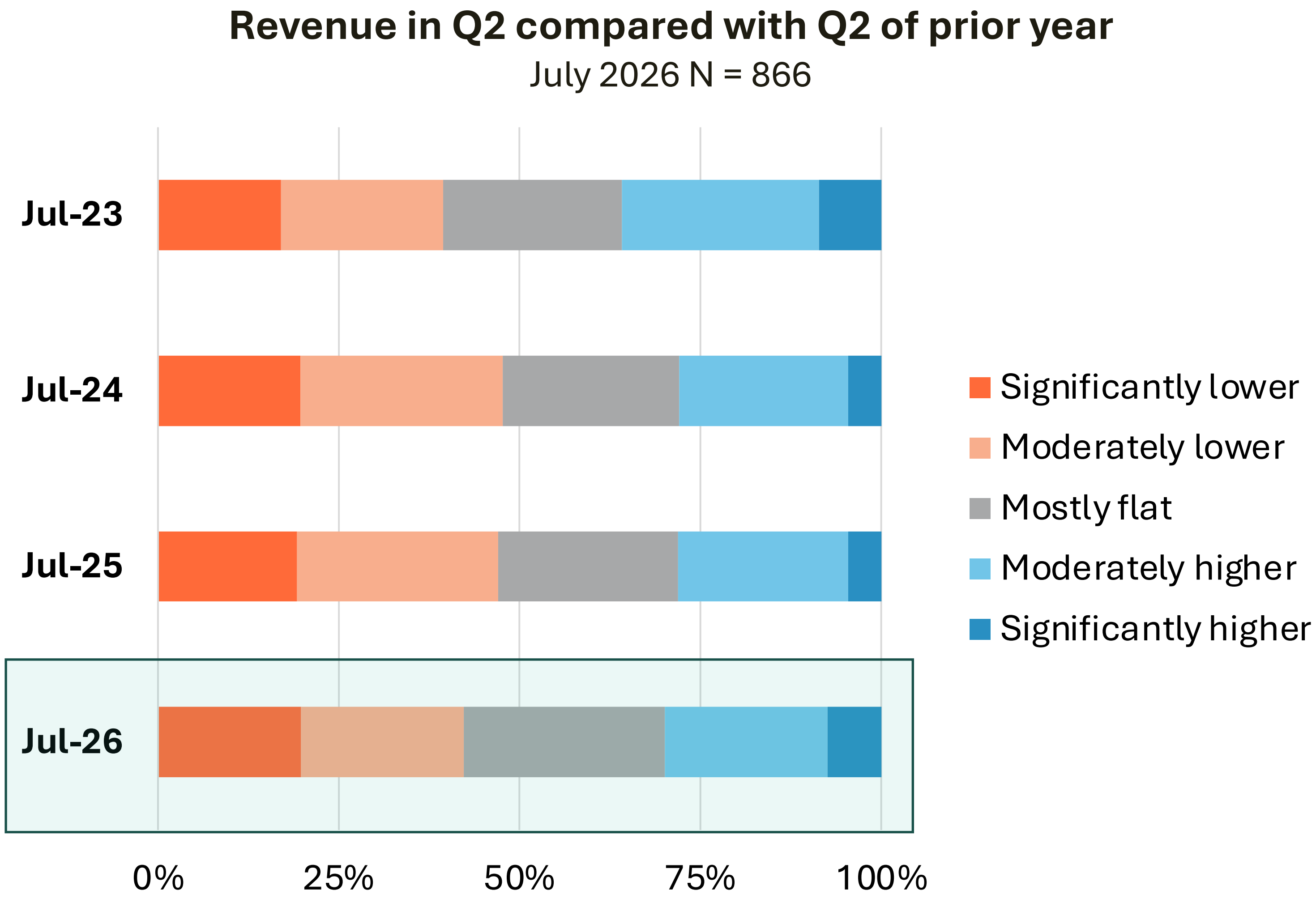
QUICK TAKE-AWAYS

- Profits declined for many; revenue as well but not to same extent
- Turnover increased; over half not hiring
- Wage pressures continue to cool
- Businesses reported higher wholesale & retail prices
- Biggest challenges? Price increases and gov policies
- Outlook: Overall sentiment mixed, leans negative

RECENT REVENUE & PROFIT TRENDS

REVENUE AND PROFIT CHANGES

- **Revenue still net negative, but decrease in negative share over last two years**
- **Some customers pulling back on discretionary spending**
- **Some increases due to retail price increases**

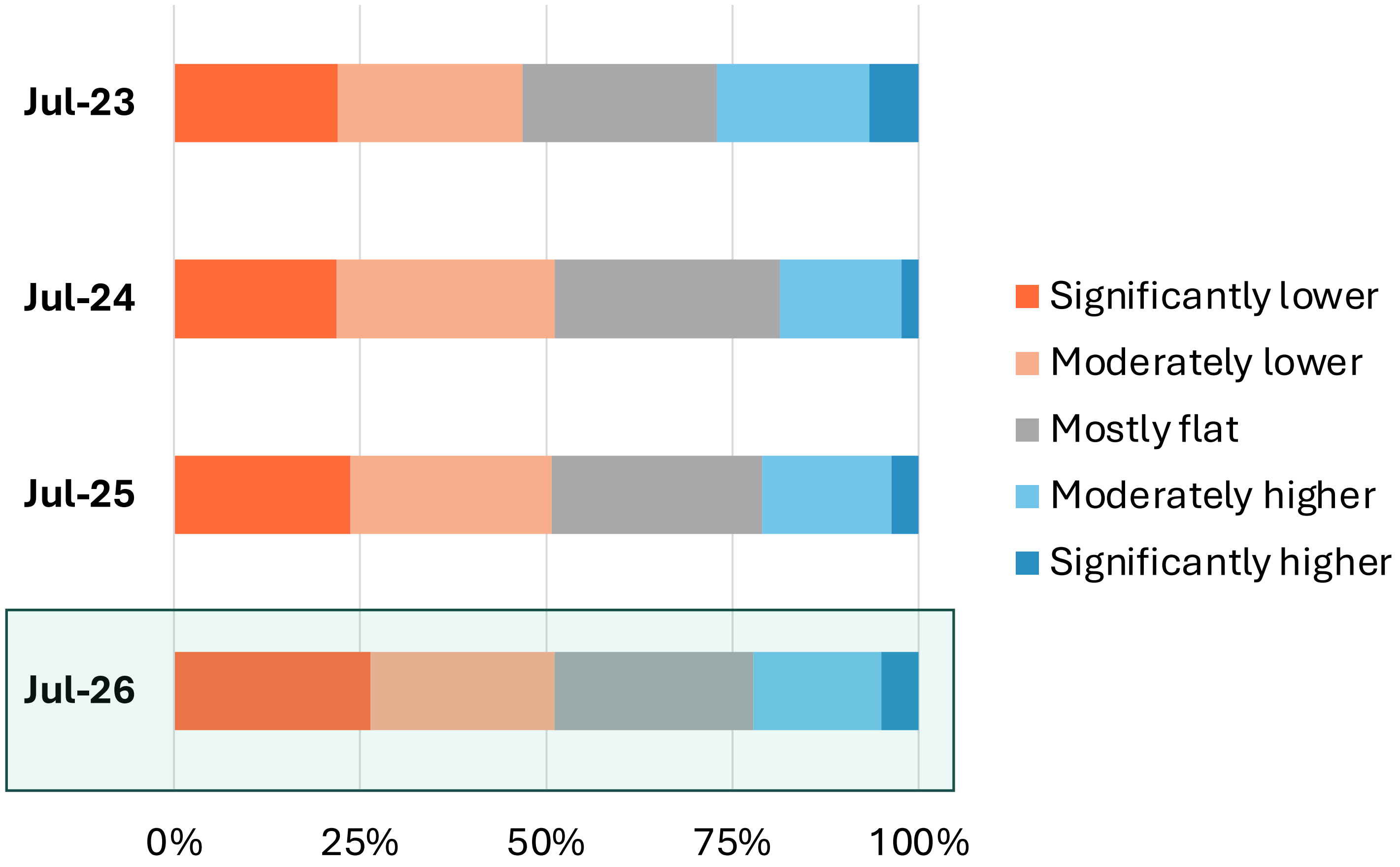


REVENUE AND PROFIT CHANGES

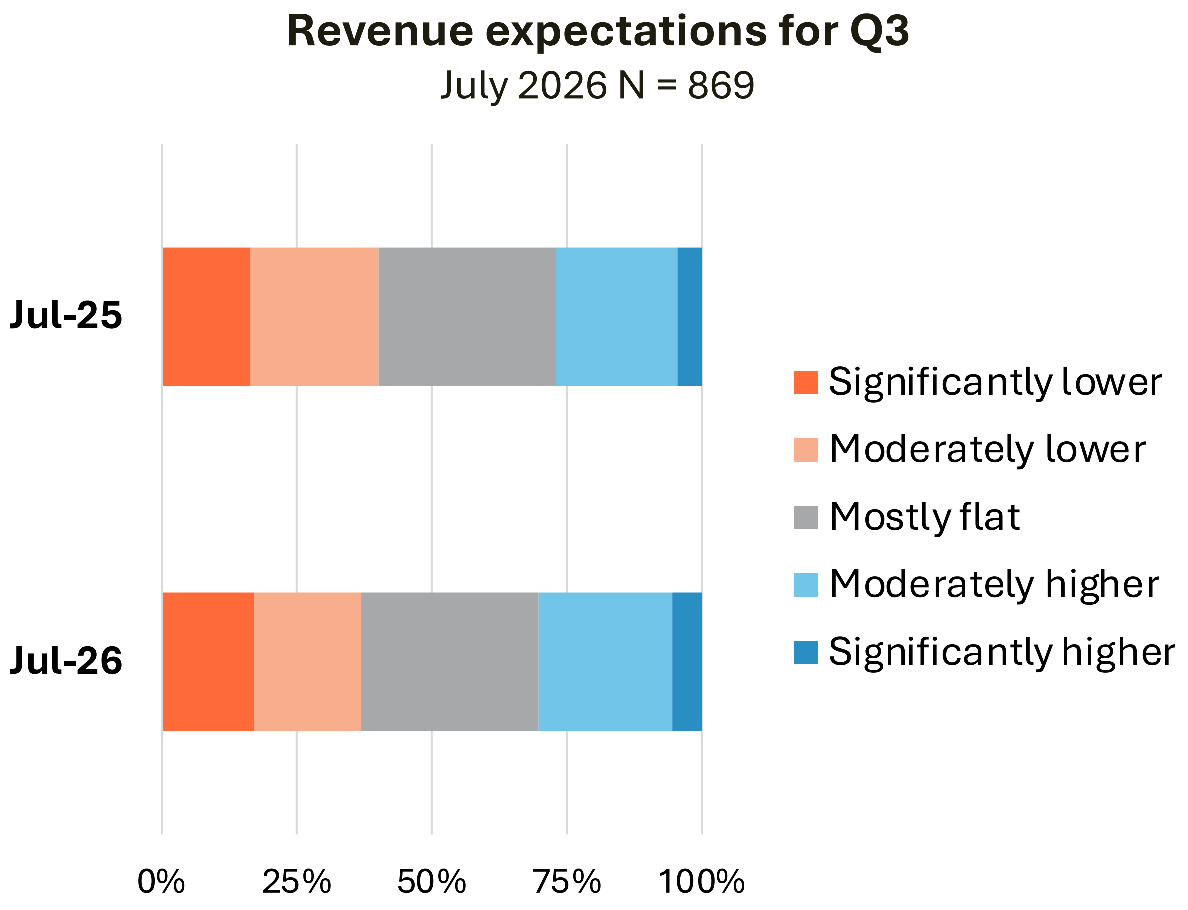
- **Small growth in the share reporting increases, but also some growth in share reporting decreases**
- **New and rising costs adding strain**

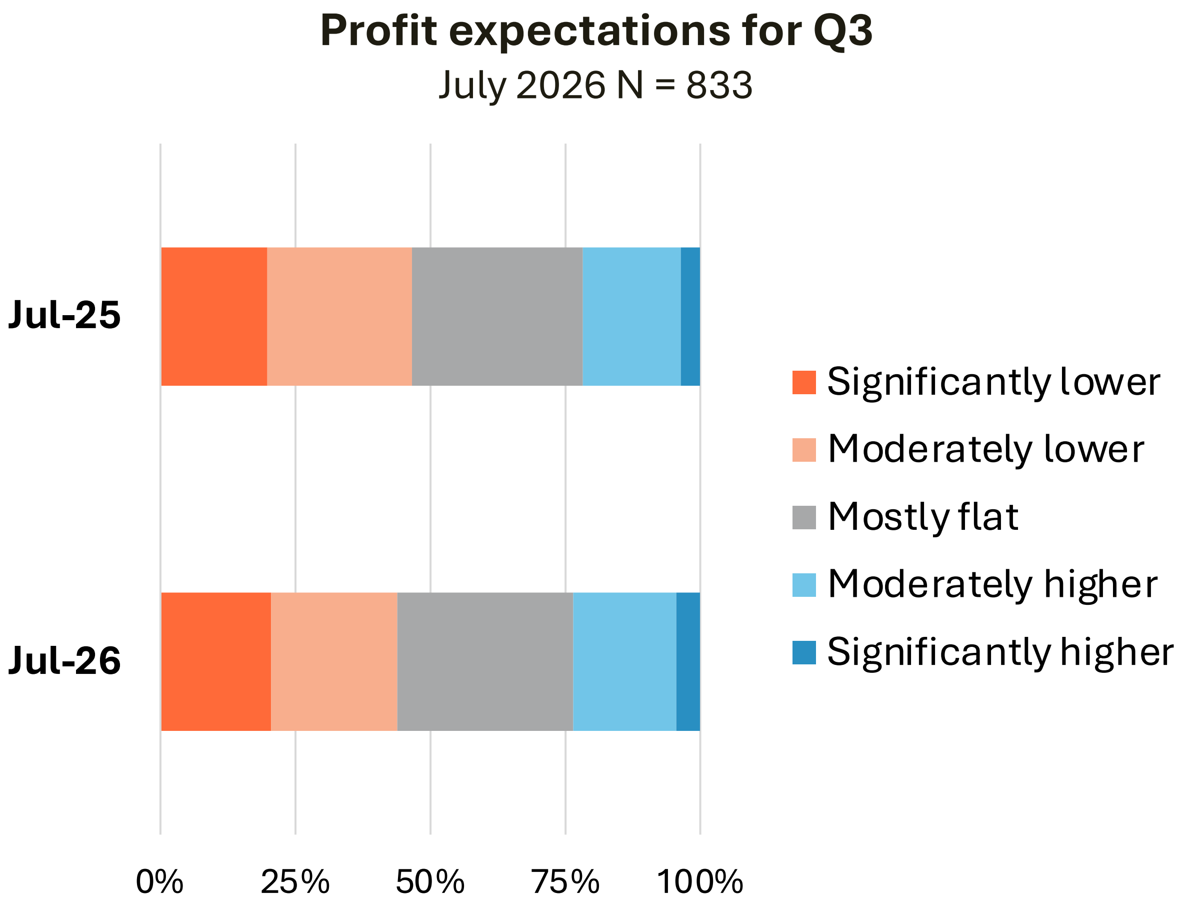
Profits in Q2 compared with Q2 of prior year

July 2026 N = 823



REVENUE & PROFIT EXPECTATIONS

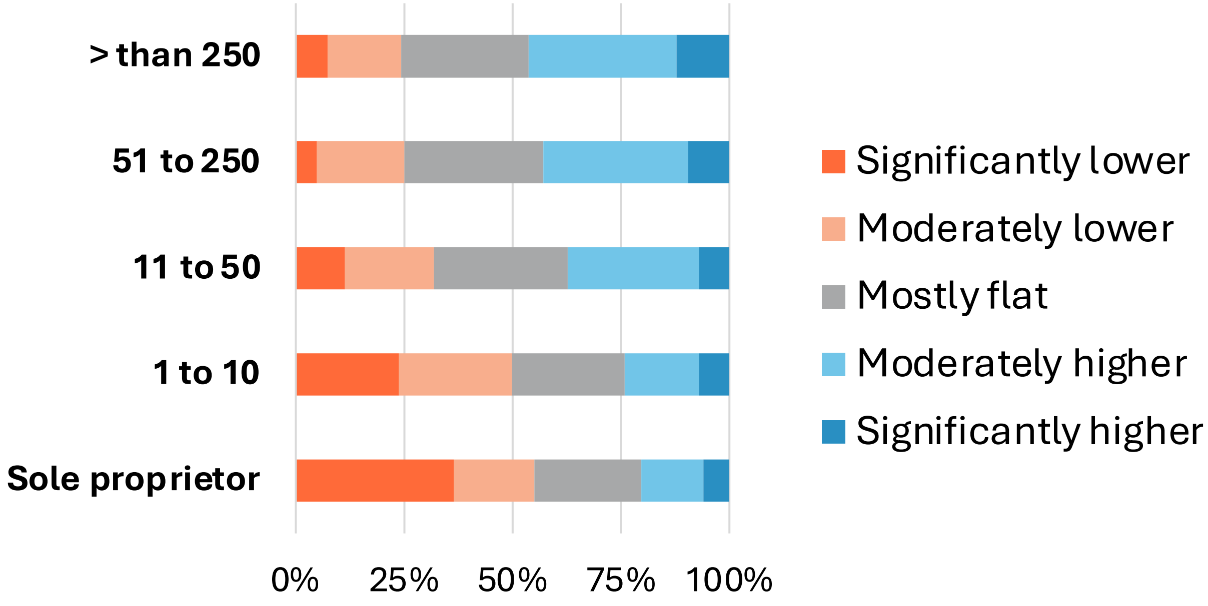




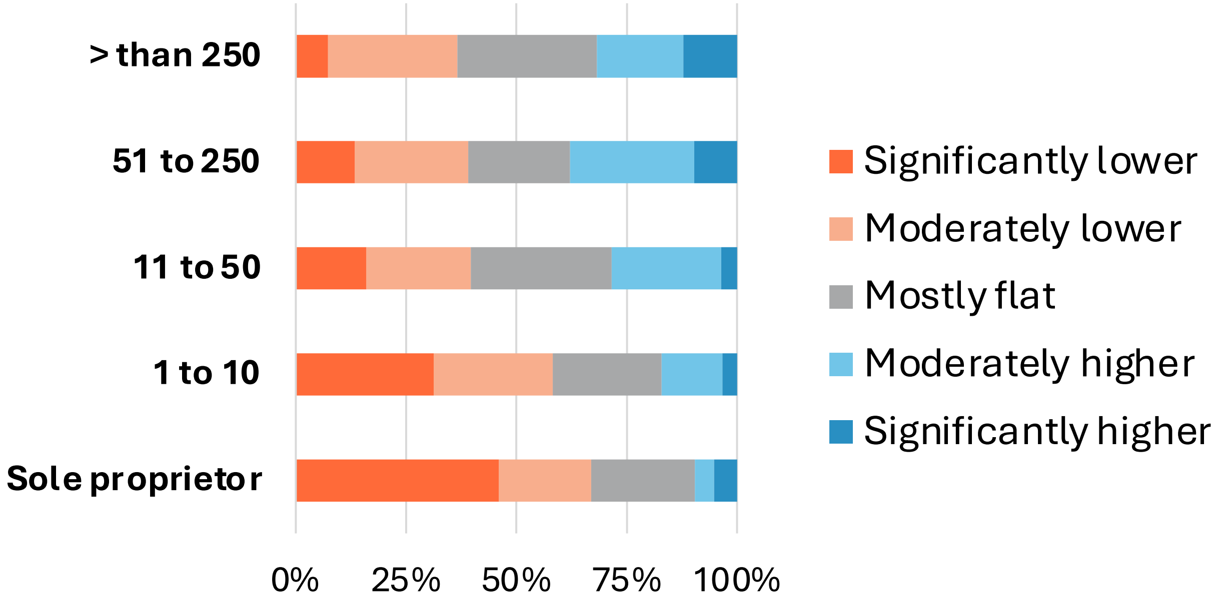
- **Expectations for near future more positive than what was experienced in Q2**
- **Slight improvement in positive expectations from last summer, but still net negative overall**

REVENUES AND PROFITS BY FIRM SIZE

Revenue in Q2 '26 compared with Q2 '25
N = 806



Profits in Q2 '26 compared with Q2 '25
N = 806



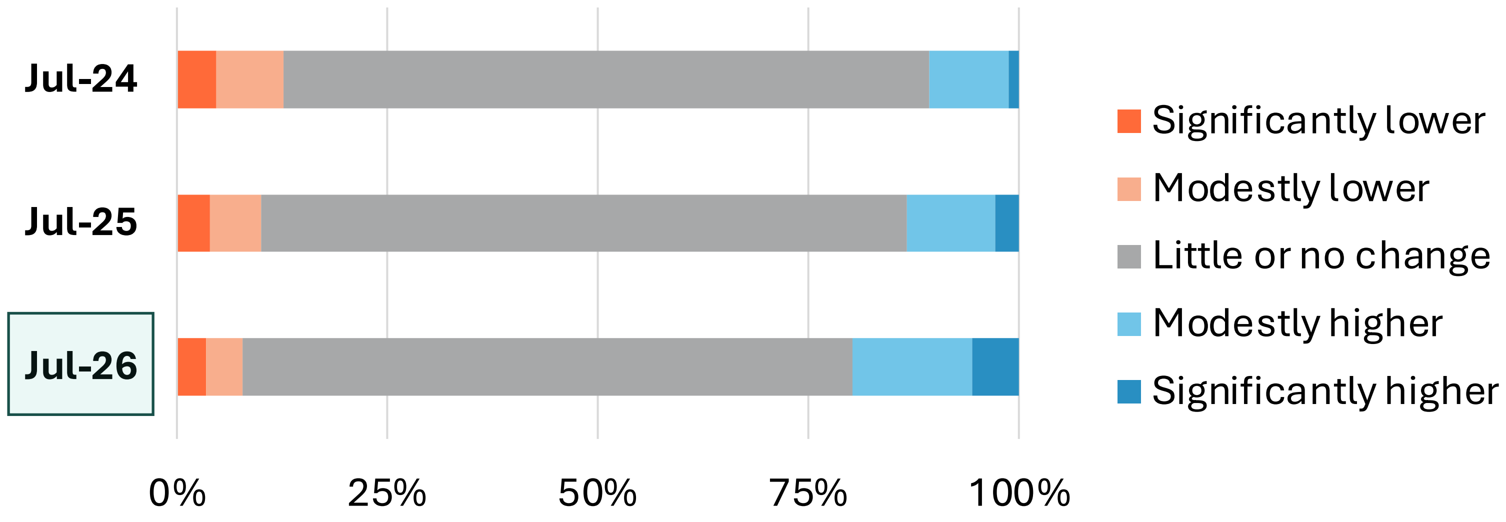
- **"K-shaped" experience for businesses holds**
- **Smaller businesses often fairing worse than larger ones, especially with revenue declines**

WORKFORCE & WAGE TRENDS

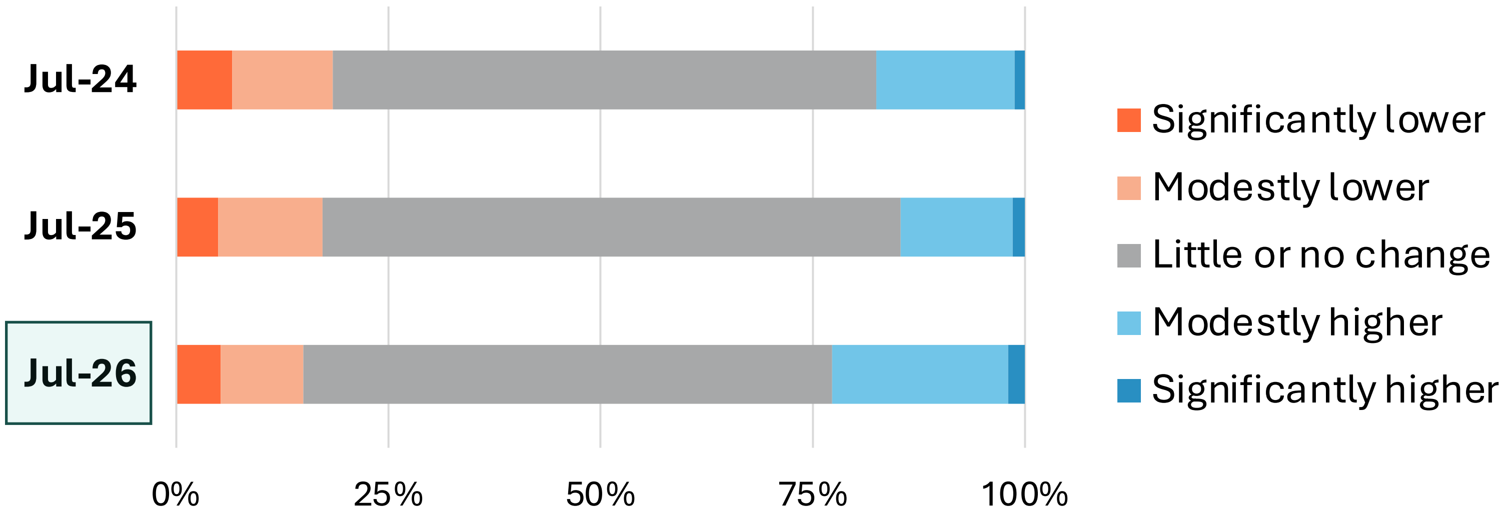
STAFFING

- **Growing share reporting turnover**
- **56% reported they were not hiring**
- **Very small share of respondents were planning layoffs**

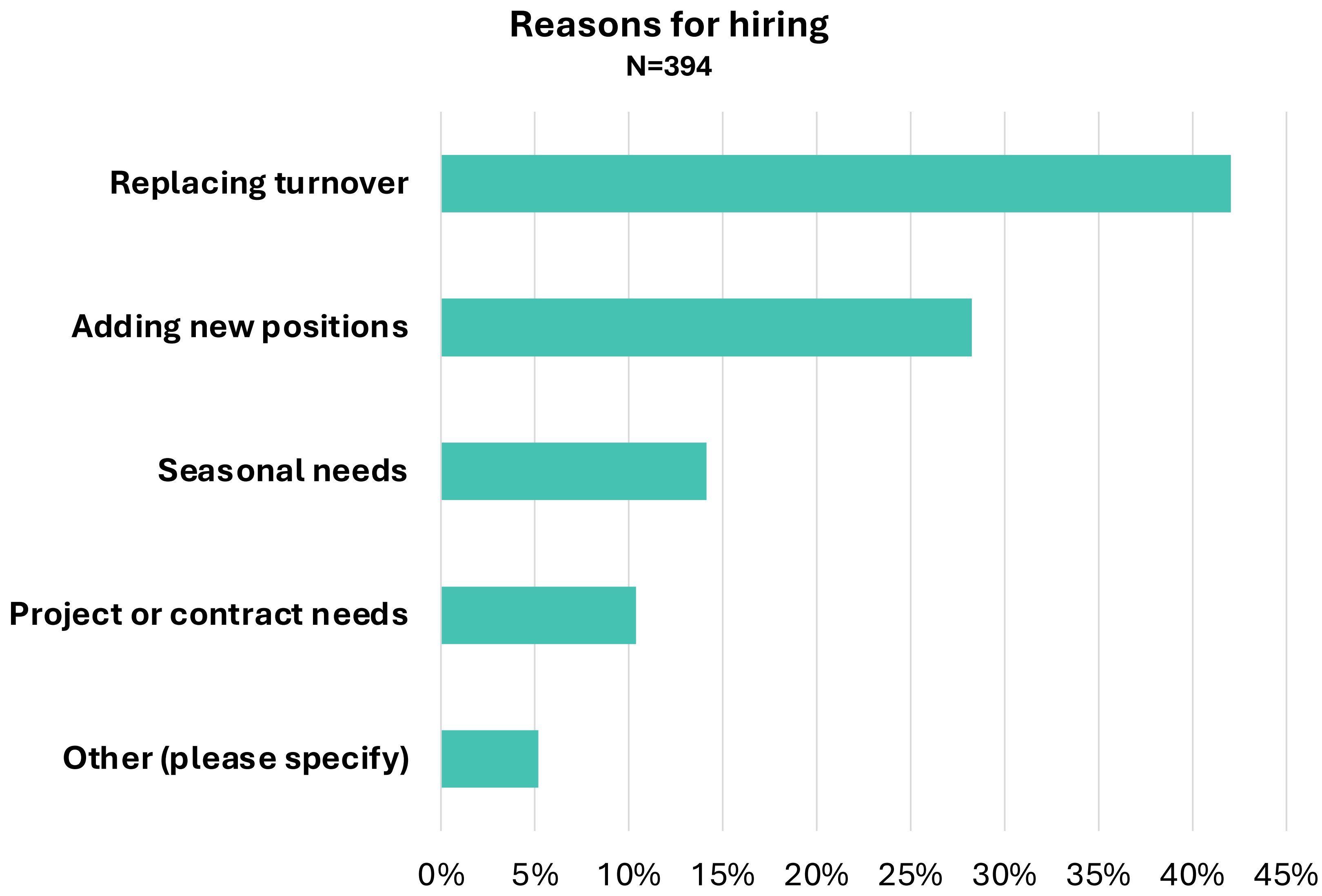
Turnover compared with 3 months ago
July 2026 N = 887



Expected staff levels in 6 months
July 2026 N = 897



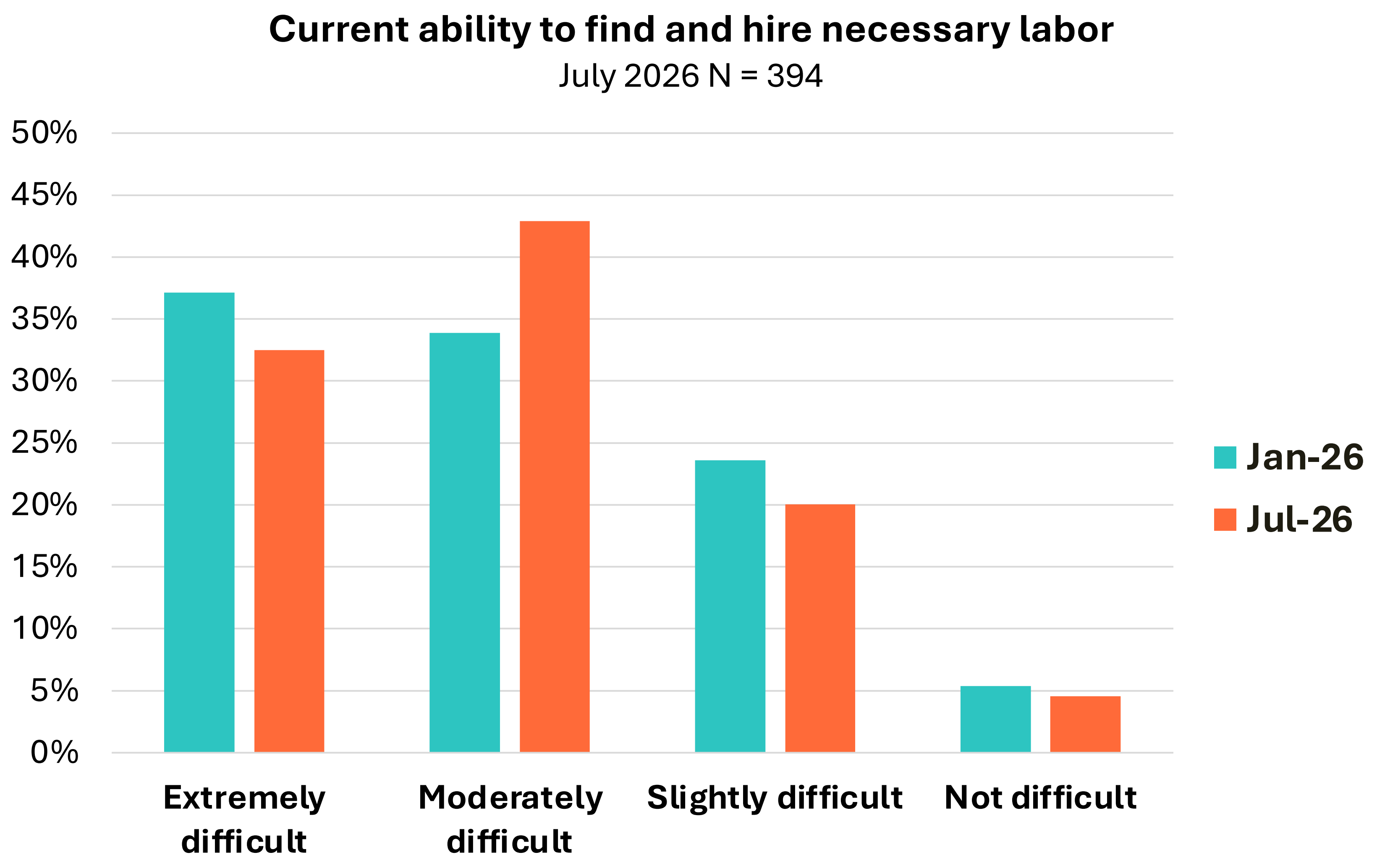
LABOR DEMAND



- **Many were hiring to replace turnover**
- **Smaller but notable share were adding to their staffing levels**

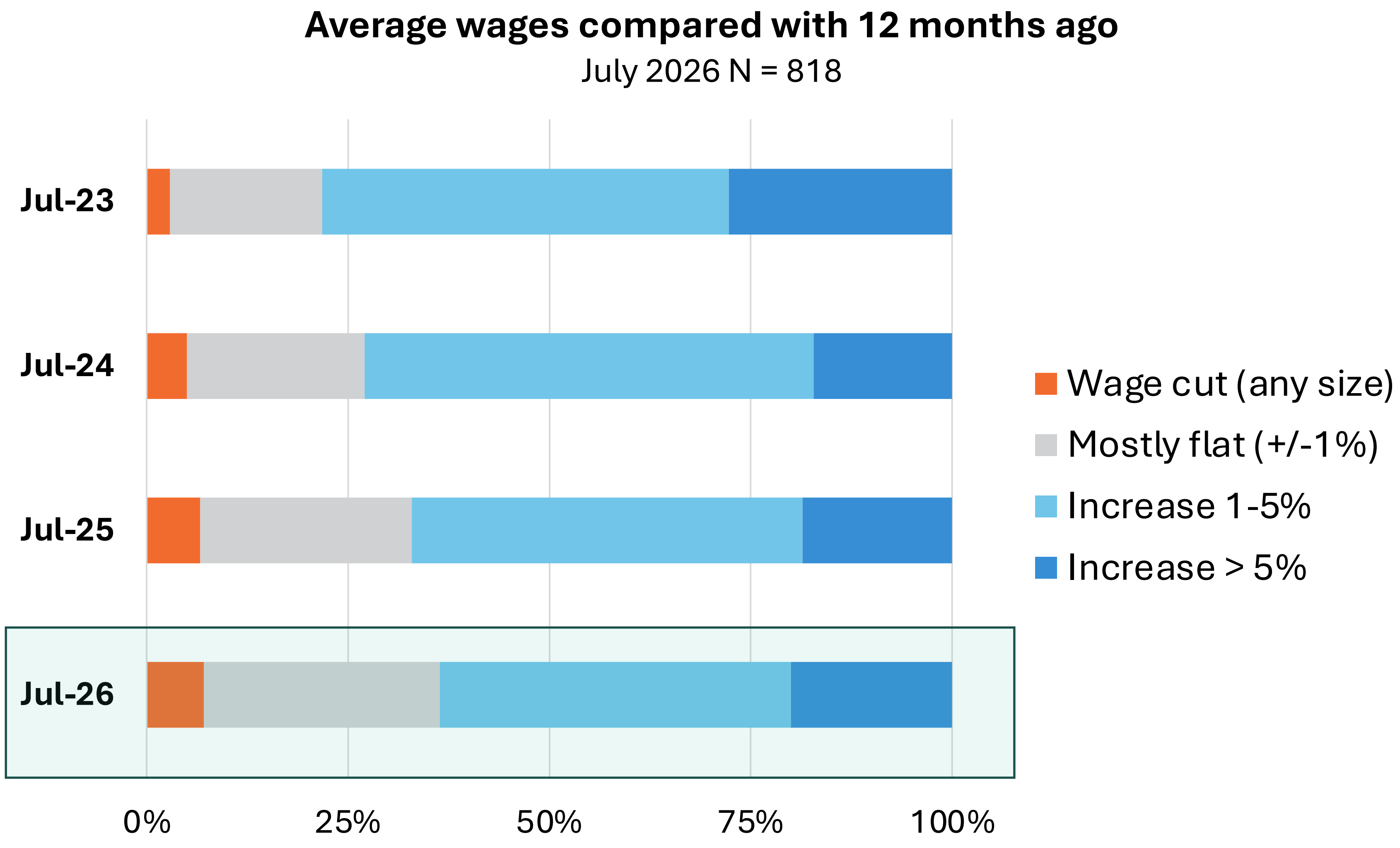
*Respondents could select all that apply

HIRING ISSUES



- Hiring difficulties now more moderate than extreme. Seasonality?
- Some comments about small labor pool in more rural areas, UP and Greater MN reported most difficulty

WAGES



- **Growing share keeping wages flat or cutting them**
- **Pressure remains to increase to recruit/retain staff**

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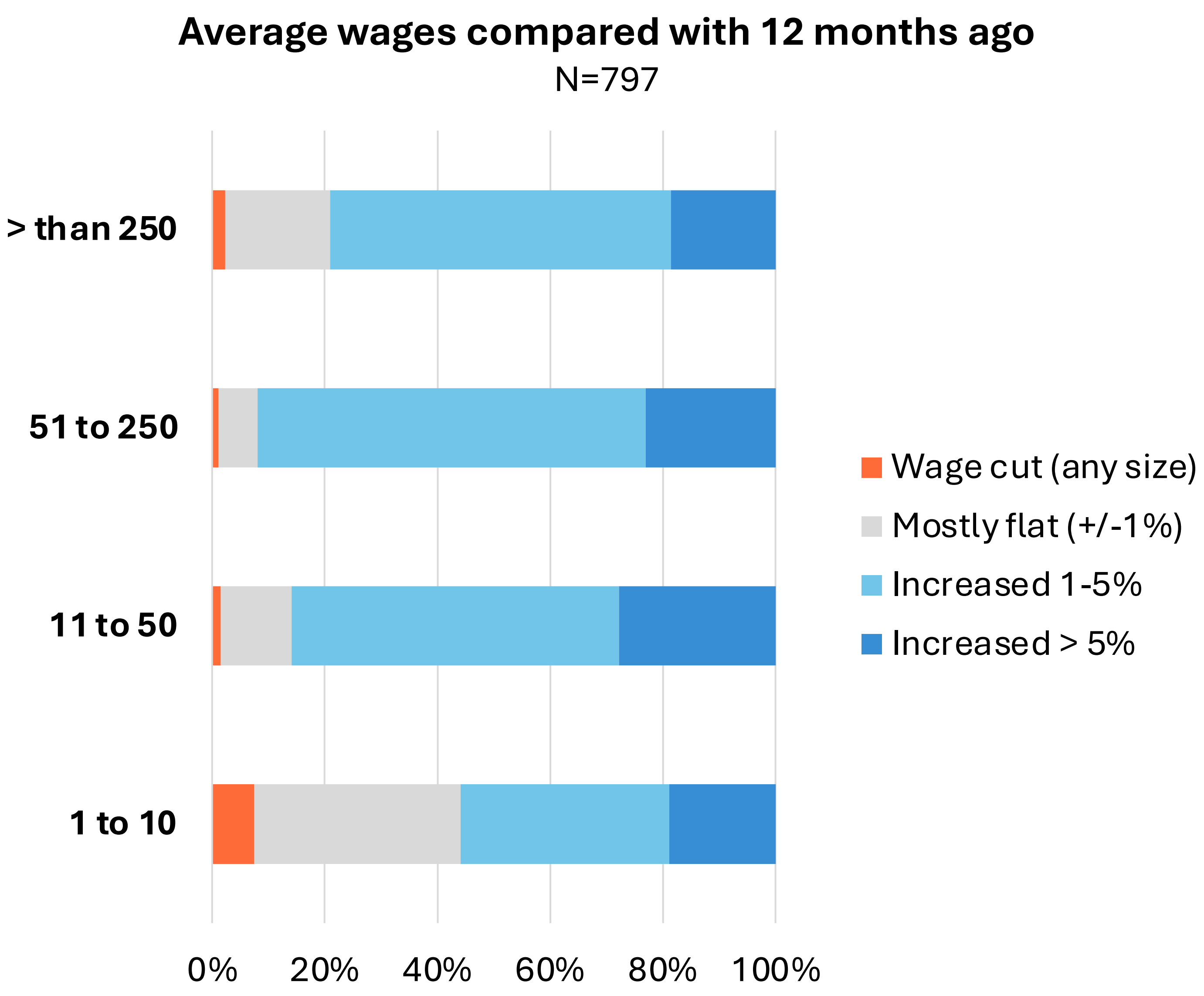
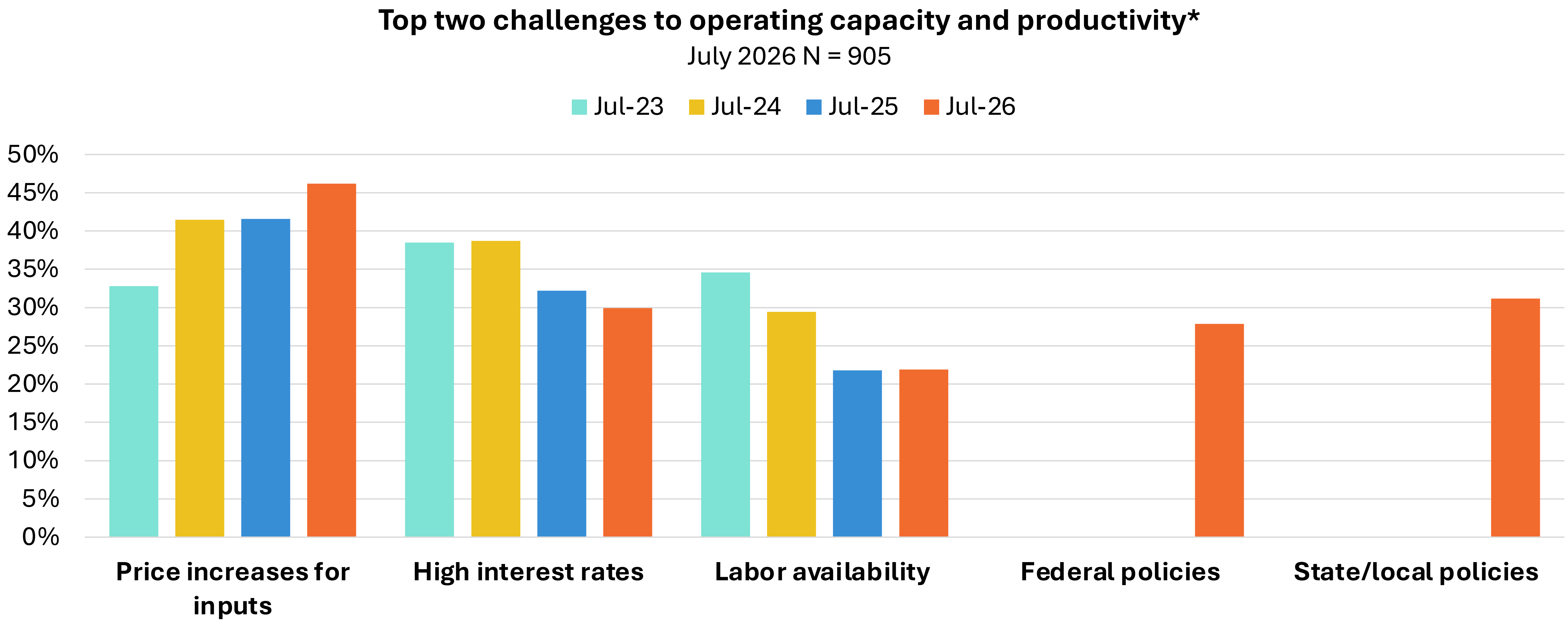
WAGE GROWTH BY FIRM SIZE

- The smallest businesses were the least likely to be raising wages
- Why? Thinner margins and tougher competition cited



CHALLENGES

CHALLENGES TO OPERATIONS



- **Price increases increased as a challenge**
- **Government policies split into two categories in July 2026, combined 48%**
- **Discuss more later**

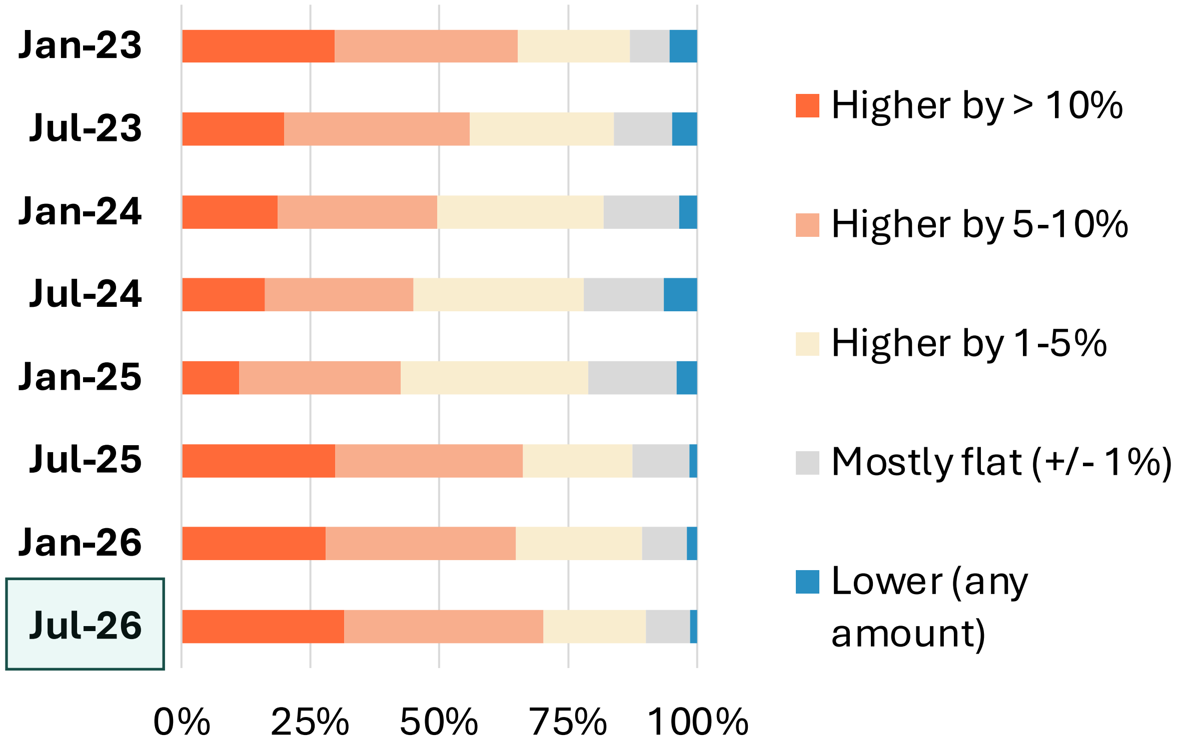
*Only top five of nine challenges shown in chart

PRICES & INFLATION

- More businesses reporting wholesale price increases >= 5%
- Increasing share passing costs on to customers

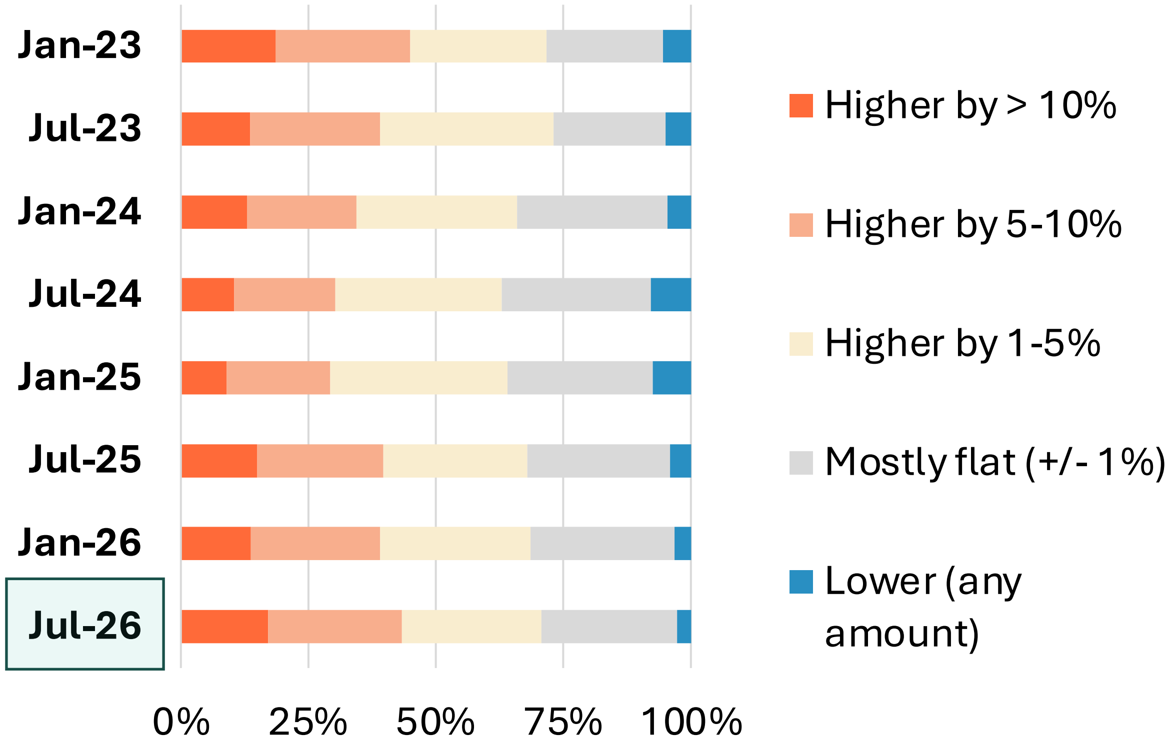
Non-labor input prices (wholesale)

July 2026 N = 808



Final prices to customers (retail)

July 2026 N = 804



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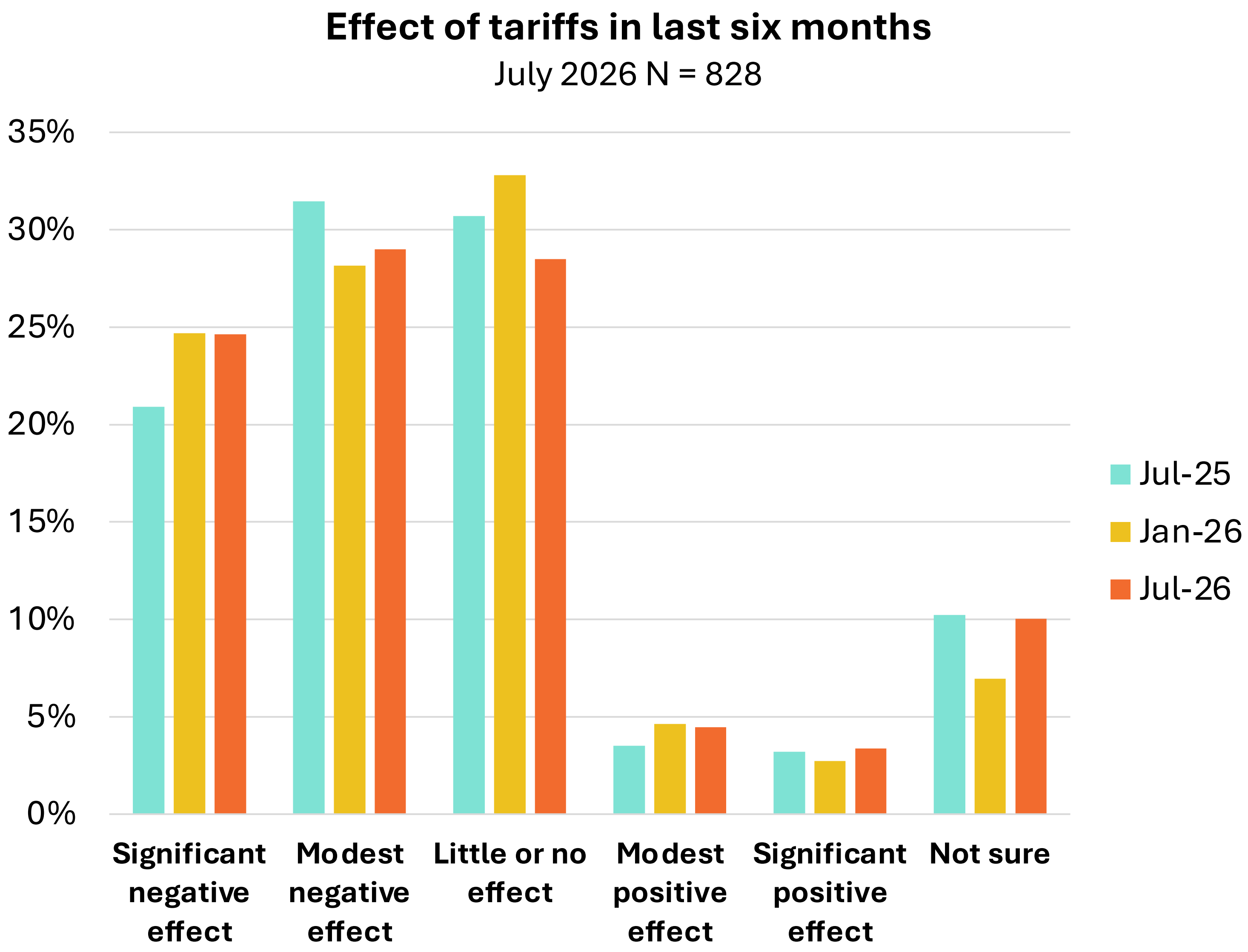
POLICY CHALLENGES

- **54% say tariffs have had negative effect, severity up since last July**

- **Other recent challenges:**

  - **MN time off policies**
    - **Staff shortages**
    - **Administrative burden**
    - **Additional costs**

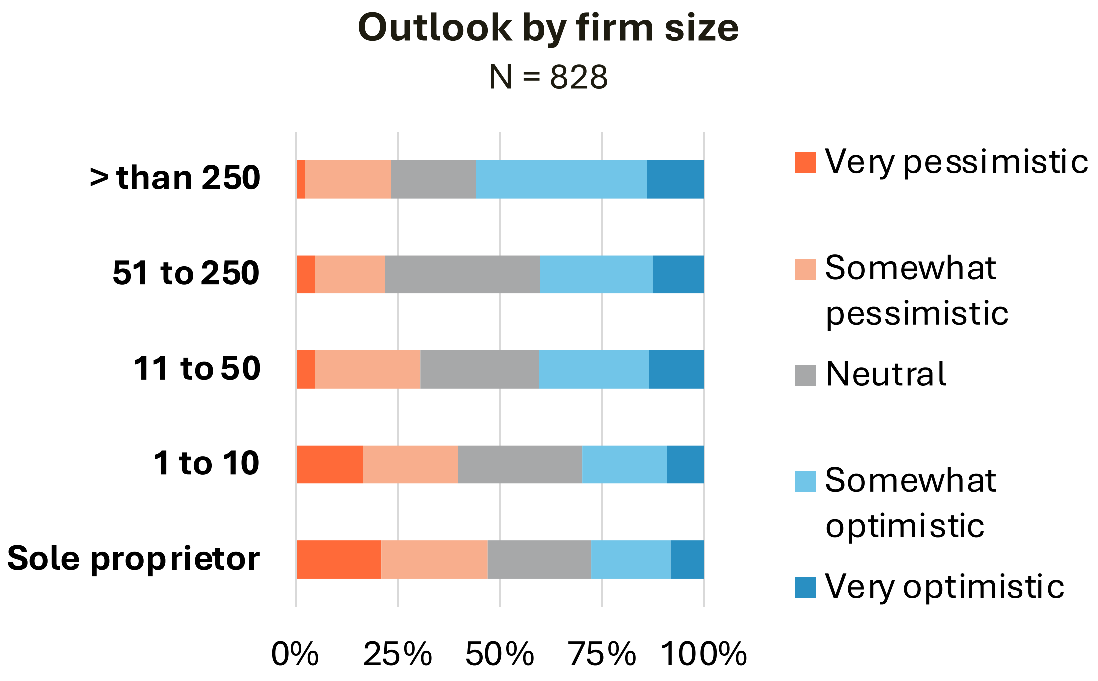


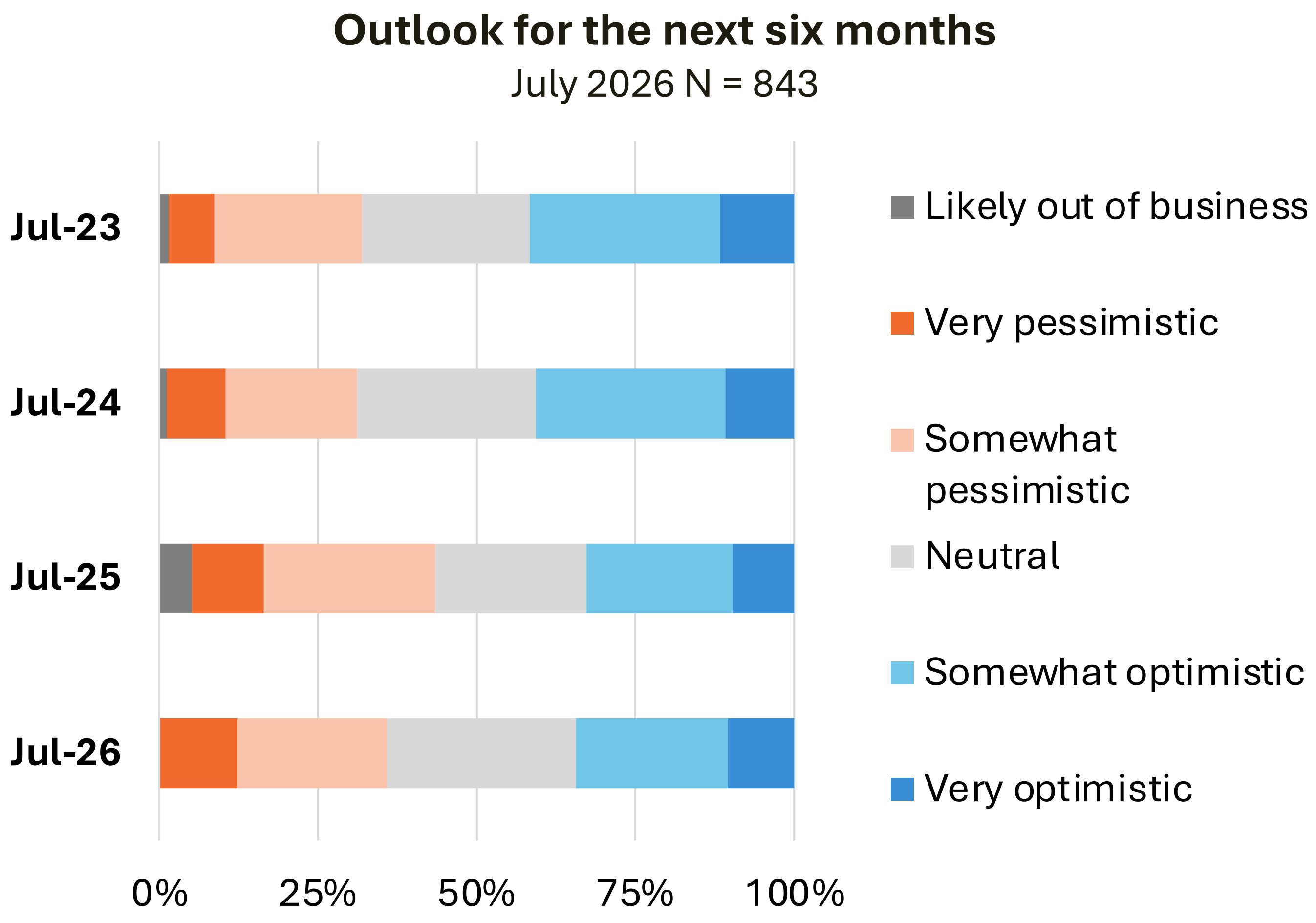
OUTLOOK

OUTLOOK MOSTLY MIXED

Outlook leans slightly negative but mostly mixed; improved from last July

Note: 'Out of business' option removed this year





FINAL THOUGHTS

- Revenue & profit trends negative for many
- Over half weren’t hiring, but hiring expectations more positive than negative
- Wage pressures were cooling
- Respondents reported increase in wholesale and retail prices
- Price increases and government policies were top challenges
- Outlook is mixed, leans negative but improved over the year

BEFORE Q&A:

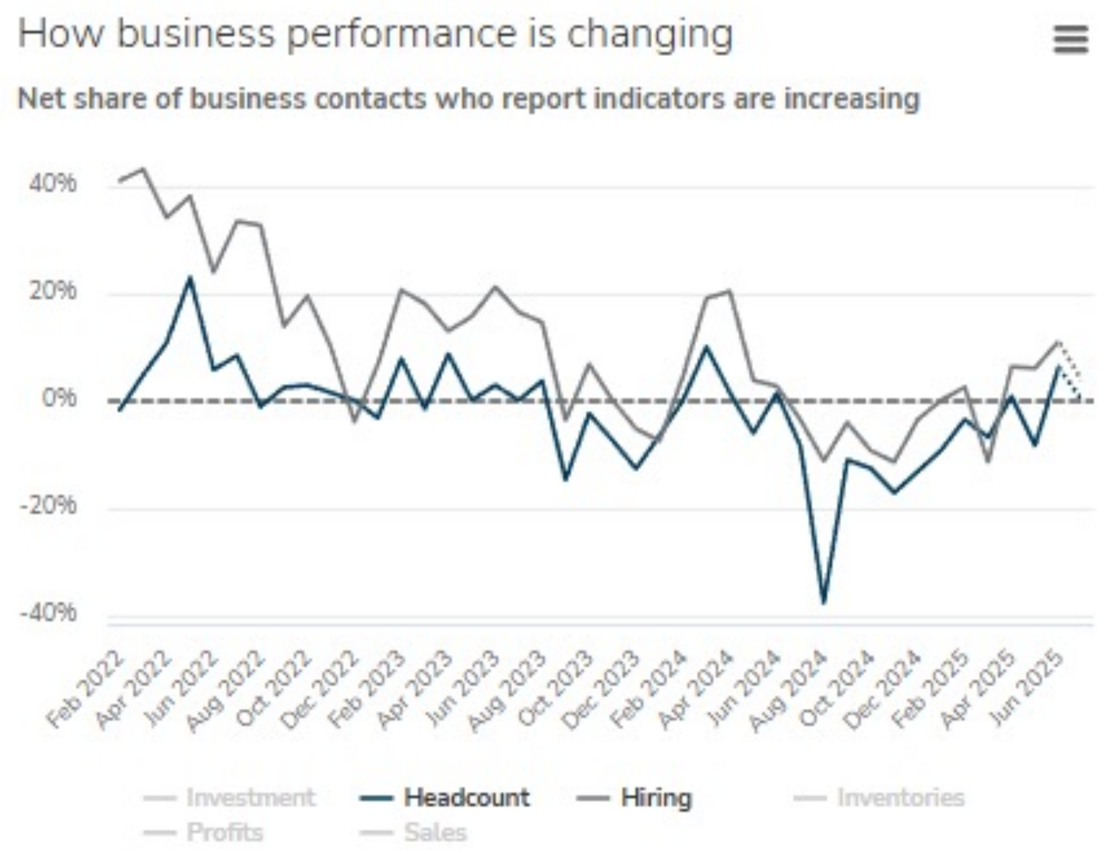
THE MINNEAPOLIS FED NEEDS YOUR BUSINESS’S INPUT

MINNEAPOLIS FED'S BUSINESS PULSE SURVEY

Tell us your company's story!

Sign up using the QR code or link in chat

Business Pulse Survey (monthly)



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THANK YOU!

QUESTIONS?

Are you a business owner or key financial decision-maker?

Be a Business Pulse Survey respondent! Your insights help everyone.