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.
REC: A new webinar series from the Minneapolis Fed

• Extension of annual Regional Economic Conditions Conference connecting people & research related to Ninth District economy

• More surveys and more real-time data being gathered

• Webinars help Bank connect w/ business and community leaders about real-time conditions in the Ninth District

• Enhanced data sharing: Greater value for survey partners and survey participants
TODAY’S PRESENTATION

- The Federal Reserve
  - The Ninth District

- Services sector

- Survey results
  - Generally speaking: Poor conditions
  - Outlook pessimistic

- Pandemic impacts
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THE SERVICES SECTOR

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, 2019, U.S. & NINTH DISTRICT

Source: Bureau of Economic Analysis
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SERVICES SECTOR IN CONTRACTION

- Ninth District survey
  - Conducted July and August, looking backward and forward one year (four quarters)
  - Random sample of services firms, polled online
  - Stratified by state and firm size
  - All states, 236 respondents

- Conducted in partnership with Minnesota DEED
LAST YEAR HAS BEEN DIFFICULT, EVEN WITH GROWTH IN LATE 2019/EARLY 2020

SURVEY RESULTS

<table>
<thead>
<tr>
<th>2019/2020 Performance</th>
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<tbody>
<tr>
<td>Sales revenue</td>
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<td>Profits</td>
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<td>Productivity</td>
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</tbody>
</table>

**Diffusion index***

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
SURVEY RESULTS

COMING ON THE HEELS OF MANY YEARS OF GROWTH

*Index number above 50 indicates expansion.
Index number below 50 indicates contraction.
OUTLOOK FOR NEXT YEAR REMAINS PESSIMISTIC

SURVEY RESULTS

2020/2021 Outlook

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

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OPTIMISM AT ITS LOWEST LEVEL IN HISTORY OF SURVEY

SURVEY RESULTS

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STATE ECONOMIC OUTLOOKS PESSIMISTIC TOO

SURVEY RESULTS

2020/2021 Outlook

Employment
Consumer spending
Inflation
Corporate profits
Mergers and acquisitions

Diffusion index*

0 10 20 30 40 50 60 70 80

2020 outlook
2019 outlook

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IMPACT OF THE COVID-19 PANDEMIC ON YOUR BUSINESS

- Cash availability
- Revenue
- Employee productivity
- Employee furloughs
- Employee layoffs
- Employees working from home
- Missed loan payments
- Missed rent payments
- Requested financial assistance

Chart showing percentages of businesses affected by factors such as cash availability, revenue, employee productivity, and more, with the option to increase, no change, or decrease.
IN YOUR OPINION, HOW LONG WILL IT BE BEFORE YOUR BUSINESS GOES BACK TO NORMAL OPERATIONS?

- 1 month or less: 49%
- 2-3 months: 13%
- 4-6 months: 18%
- More than 6 months: 11%
- I don't believe my business will go back to normal: 2%
- There has been little or no effect on my business: 2%
- Going out of business: 2%
THANK YOU!

SPEECH REFERRALS WELCOME!

@MINNEAPOLISFED

JOSEPH.MAHON@MPLS.FRB.ORG

OR CONNECT ON LINKEDIN