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.
• Accelerated survey work due to the pandemic; complements existing work
  • Quarterly: General business, construction, hospitality & tourism, & ag credit
  • Annual: Manufacturing, professional services
• Minneapolis Fed connecting with more businesses across the Ninth District
• Webinars help disseminate and discuss what businesses are telling us about current conditions
THANK YOU TO PARTNERS (AND SURVEY-TAKERS!)

- About 60 partnering organizations across the Ninth District
  - Chambers of commerce, economic development organizations, government agencies and other business/workforce organizations
- Partners get our surveys out to their members and contact networks
- Always looking for more partners to get our surveys to more businesses
TODAY’S FOCUS

GENERAL BUSINESS SURVEY

• Conducted April 12-19, 2021
• 822 responses from Minnesota, Dakotas, Montana, western Wisconsin and Michigan’s Upper Peninsula
• Improved geographic balance
• Results are a snapshot
  • Not a scientifically sampled survey
  • Interpret with care
THE QUICK-TAKE

- Q1 revenues were not particularly upbeat
- However, size, sector, state and ownership remain big factors
  - Size illustrates a picture of overall growth
- Improved, growing optimism across many metrics and most subgroups
- Significant threats remain, particularly related workforce, increased costs and supply chains
RECENT REVENUE TRENDS
OVERALL TREND: RECENT AND FUTURE REVENUE IMPACT

Q1 revenues not particularly upbeat on the surface

But other data suggest Q1 activity stronger than implied here

That strength appears to be spreading into Q2 outlook

Recent and future revenues

- Q1 2021 compared with Q1 2020 (y-o-y)
- Q1 2021 compared with Q4 2020 (q-o-q)
- Future expectations for Q2: 2021 vs 2020

0% 20% 40% 60% 80% 100%

Decline of > 25%
Decline of 15-25%
Decline of 5-15%
Mostly flat (+/-5%)
Increase of 5-15%
Increase of 15-25%
Increase of > 25%
Size matters

One positive: Large firms continue to see stronger revenue trends
Better news: Q2 expectations improved across the board

Q1 2021 revenue compared with last year

- More than 250
- 51 to 250
- 11 to 50
- 1 to 10
- Sole proprietorship

Future expectations: Q2 2021 revenue compared with last year

- More than 250
- 51 to 250
- 11 to 50
- 1 to 10
- Sole proprietor

- Decline of > 25%
- Decline of 15-25%
- Decline of 5-15%
- Mostly flat (+/-5%)
- Increase of 5-15%
- Increase of 15-25%
- Increase of > 25%
**REVENUE TRENDS, BY STATE**

**Western District states faring better overall**

**Some compositional effects**

- **MT**: highest share of finance respondents
- **ND**: biggest share of larger firms
- **UP/Mich**: 27% of respondents in accommodation/food; few large firms
- **Twin Cities**: high rate of professional & technical firms, along with construction
Similar stratification in response, but improved across the board.
Future expectations: Q2 2021 compared with last year

Some sectors continuing to see tougher conditions

BUT: In all sectors, more firms projecting revenue growth than decline for Q2
Minority-owned firms continue to see worse revenue trends, but Q2 expectations much improved.

**Q1 2021 compared with last year**

- **Minority owned (race/ethnicity)**
  - Decline of > 25%
  - Decline of 15-25%
  - Decline of 5-15%
  - Mostly flat (+/-5%)
  - Increase of 5-15%
  - Increase of 15-25%
  - Increase of > 25%

- **Woman owned**
  - Decline of > 25%
  - Decline of 15-25%
  - Decline of 5-15%
  - Mostly flat (+/-5%)
  - Increase of 5-15%
  - Increase of 15-25%
  - Increase of > 25%

- **Veteran owned**
  - Decline of > 25%
  - Decline of 15-25%
  - Decline of 5-15%
  - Mostly flat (+/-5%)
  - Increase of 5-15%
  - Increase of 15-25%
  - Increase of > 25%

- **Other/none of the above**
  - Decline of > 25%
  - Decline of 15-25%
  - Decline of 5-15%
  - Mostly flat (+/-5%)
  - Increase of 5-15%
  - Increase of 15-25%
  - Increase of > 25%
WORKFORCE DEMAND RISING ALSO

More good news: Clear trend toward rising demand for workers, especially on a net basis.

Recent and future staffing changes

- Current staffing compared with 12 months ago
- Current staffing compared with 3 months ago
- Expected staff levels in 3 months compared with current staffing

- Significantly lower
- Modestly lower
- No change
- Modestly higher
- Significantly higher
CHALLENGES
WORKFORCE CONTINUED – LABOR AVAILABILITY

How would you assess current ability to find and hire necessary labor?

- Extremely difficult: 45%
- Moderately difficult: 20%
- Slightly difficult: 15%
- Not difficult: 5%

Job openings ≠ Job hiring
Firms facing many challenges

Pick two: Aside from customer demand, what are the two greatest challenges to your operations?

- Labor availability for open positions
- Supply chain disruptions
- Local/state government operating restrictions
- Expense and inconvenience of COVID-related workplace practices
- COVID-related quarantine of workers
- Other (please identify below)
- Child care needs of existing workforce
- Inability to return to office; lack of remote work productivity
Wages are rising – and perceptions maybe even more so – but 80 percent of firms rose wages by less than 3 percent.

Modestly stronger wage growth is expected in the coming year.
Firms reporting rising prices from strong demand, supply chain disruptions and capacity constraints. Much of the increase appears to be flowing through to final customers.
STAY POSITIVE: OUTLOOK
Outlook offers some optimism

Very positive overall outlook from respondents

From (roughly) net negative in October, to neutral/cautious in January, to strongly positive in April
Accommodations and food service sector:
Short-term outlook over last three surveys

Change from mostly pessimistic to mostly optimistic

Also: few are neutral, so firms seem to have more clarity and visibility

Entertainment & recreation sector has seen similar improvement in outlook
QUICK TAKE-AWAYS

- Q1 revenues not great, but better than overall responses suggest (larger firms = more growth)
- Small firms, minority-owned firms and accommodation/food/entertainment still seeing the worse revenues trends
- Q2 expectations are higher across the board, including significant improvements for those hit hardest (see above)
- Realizing growth potential will be harder: Labor availability, rising input prices, supply chain disruptions + Covid create significant hurdles
- Overall? Way better then the road we just traveled
MOVING FORWARD:
TRACKING THE COVID ECONOMY

● Upcoming surveys
  • Hospitality & tourism (MN only), May 11-17
  • Construction firms, May 18-24
THANK YOU!

QUESTIONS?

Submit written questions via chat box