

REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

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Ron Wirtz

Regional Outreach Director



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.



REGIONAL ECONOMIC CONDITIONS (REC) WEBINAR SERIES

- 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

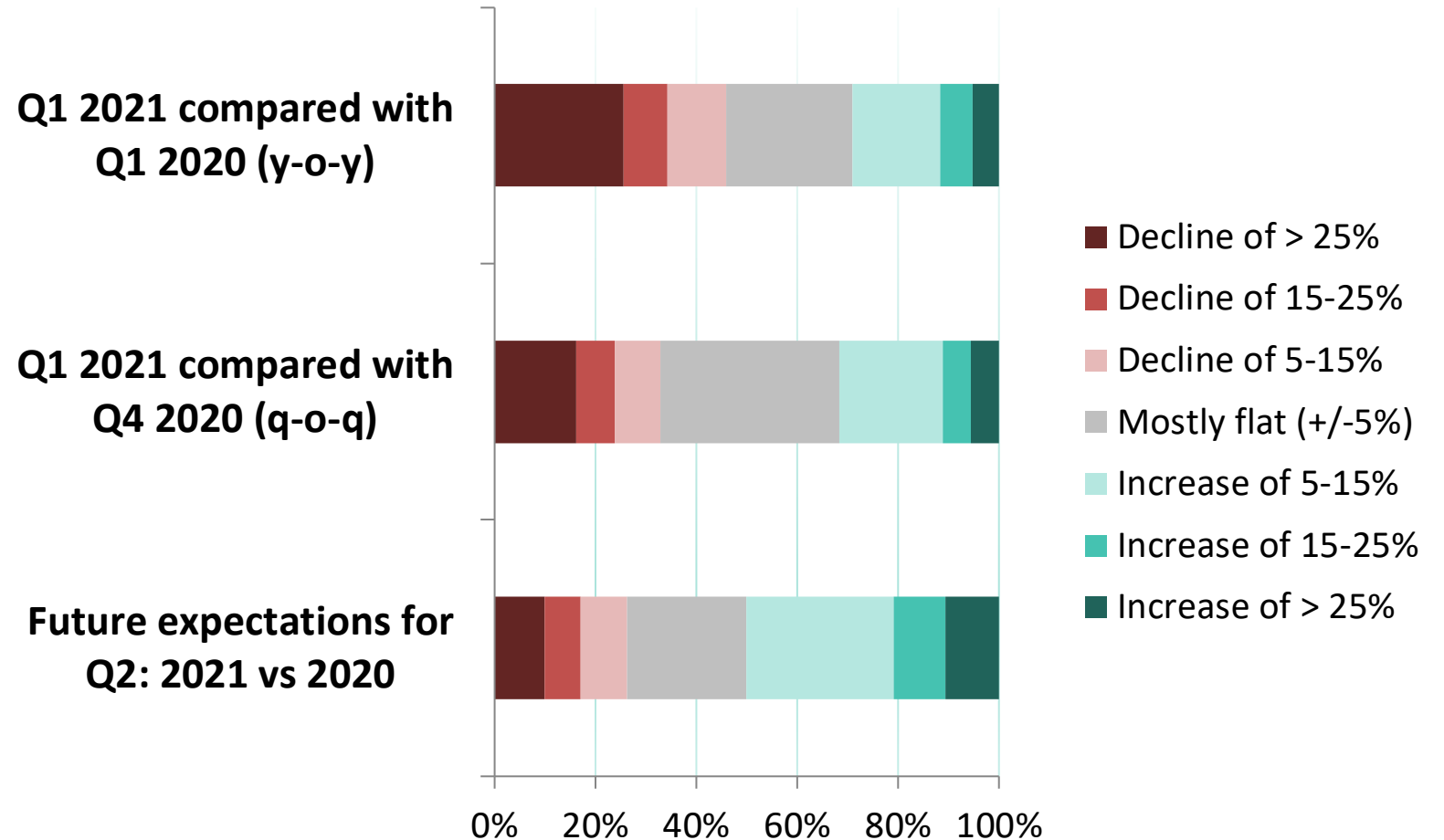
OVERALL TREND: RECENT AND FUTURE REVENUE IMPACT

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



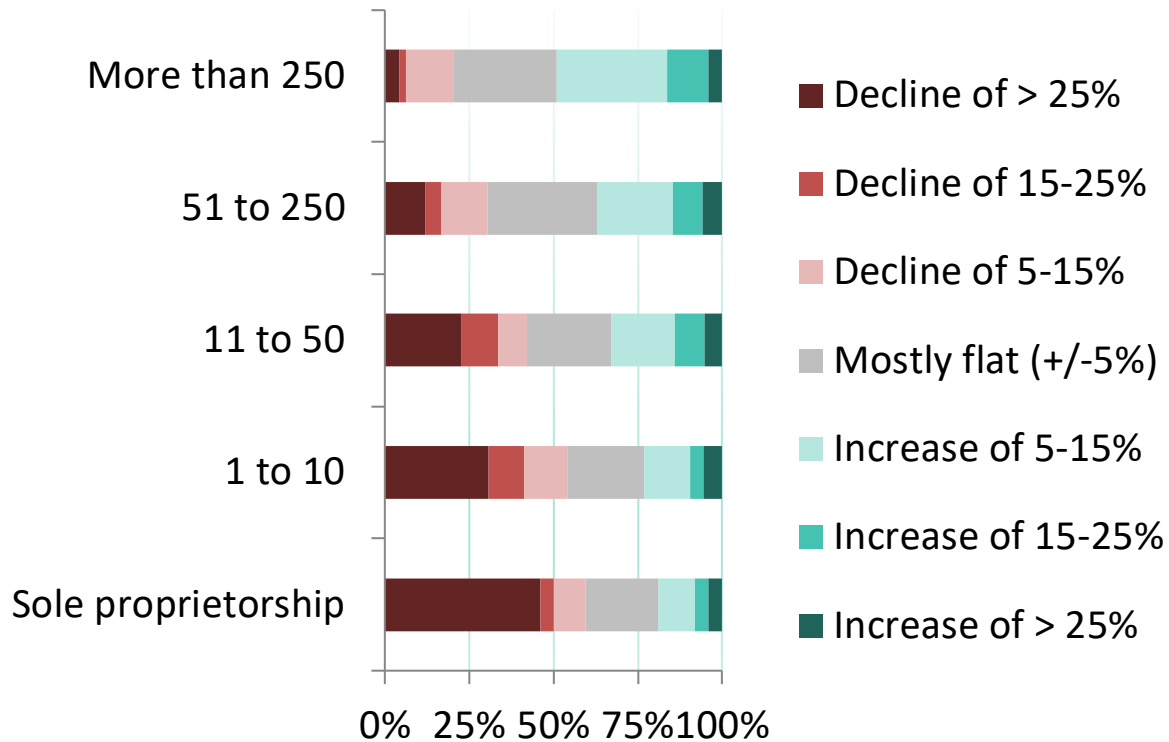
REVENUE TRENDS, BY FIRM SIZE

Size matters

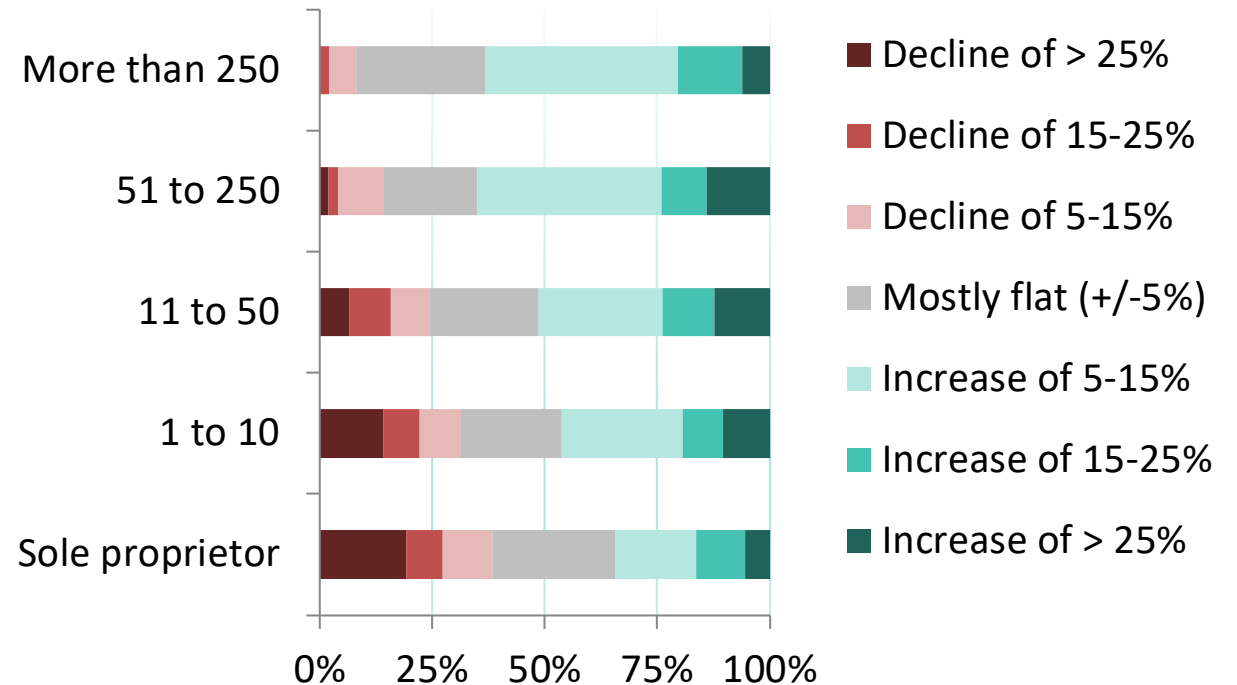
One positive: Large firms continue to see stronger revenue trends

Better news: Q2 expectations improved across the board

Q1 2021 revenue compared with last year

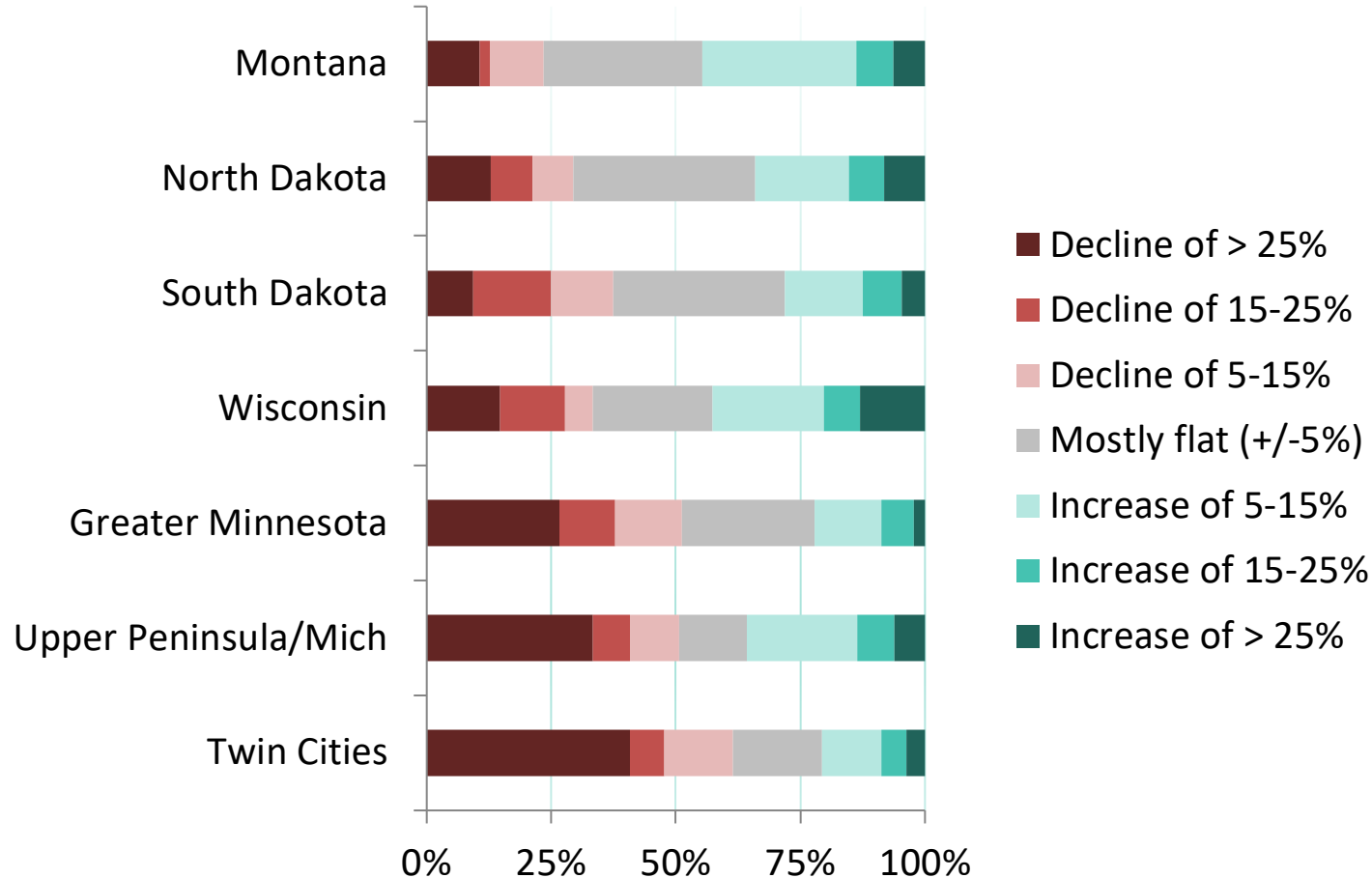


Future expectations: Q2 2021 revenue compared with last year



REVENUE TRENDS, BY STATE

Q1 2021 revenue compared with last year



Western District states faring better overall

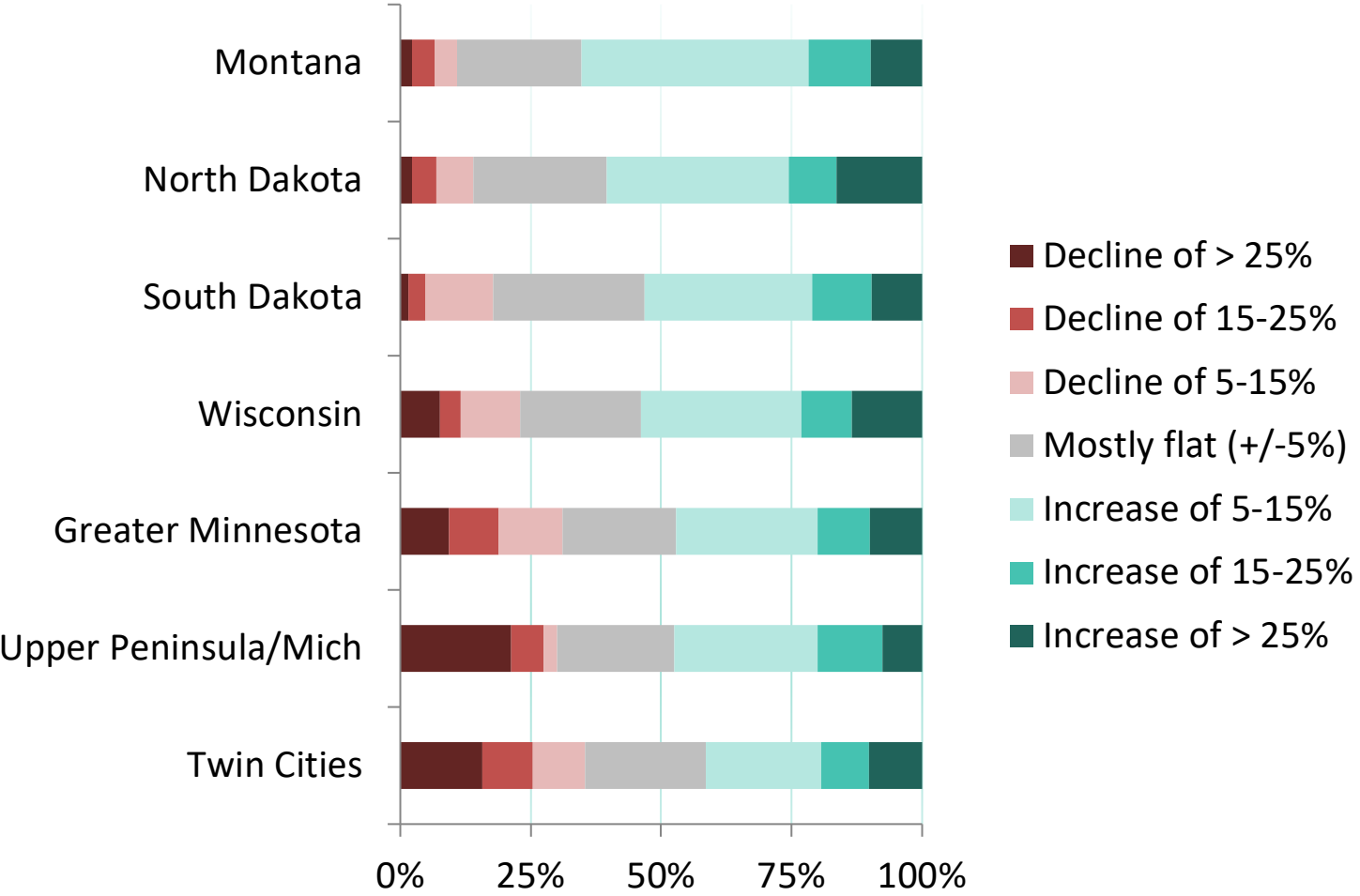
Some compositional effects

- **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



REVENUES BY STATE: Q2 OUTLOOK

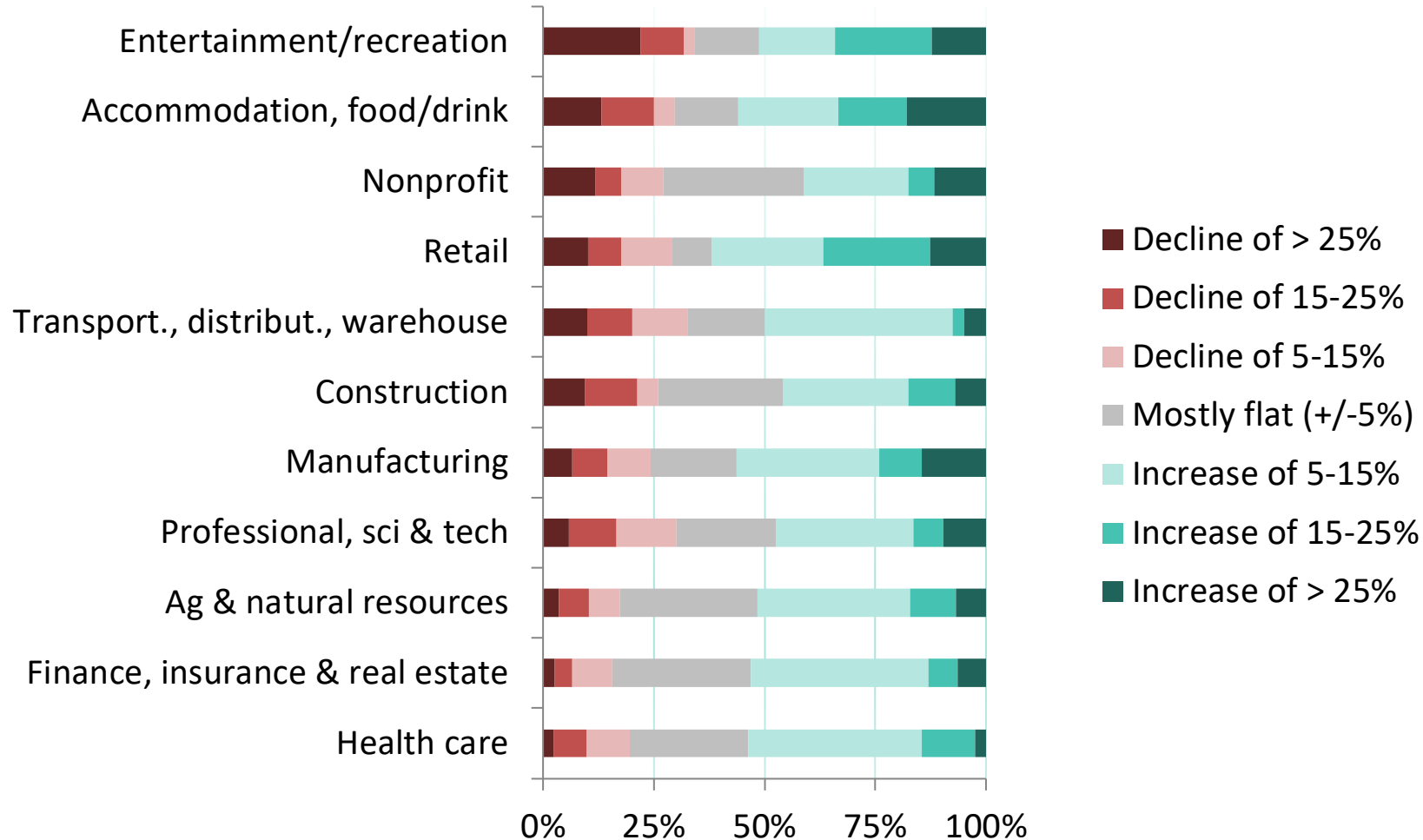
Future expectations: Q2 2021 revenue compared with last year



Similar stratification in response, but improved across the board

FUTURE REVENUE TRENDS, BY SECTOR

Future expectations: Q2 2021 compared with last year



Some sectors continuing to see tougher conditions

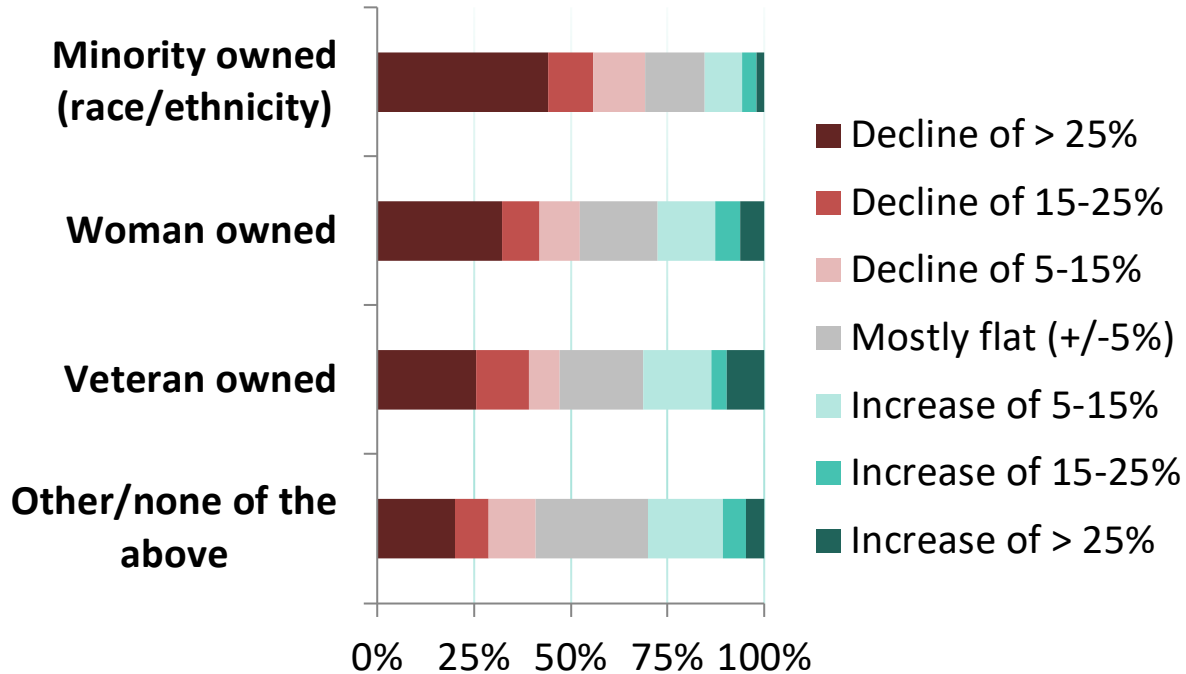
BUT: In all sectors, more firms projecting revenue growth than decline for Q2



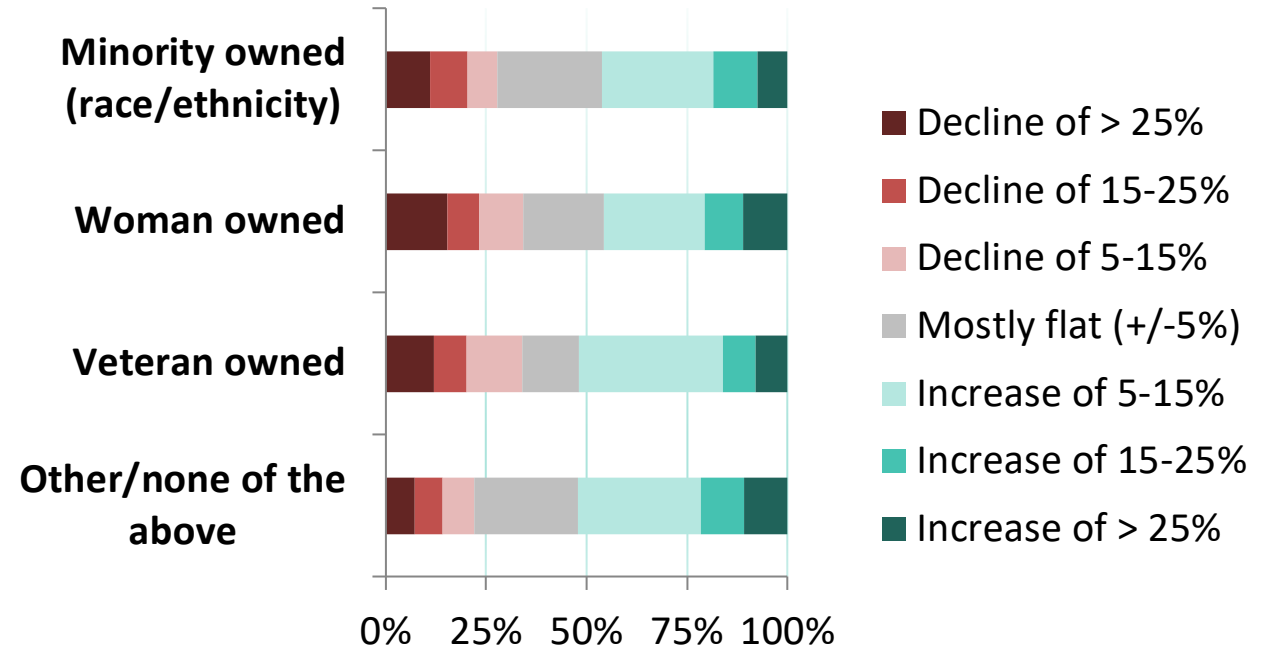
REVENUES, BY OWNERSHIP

Minority-owned firms continue to see worse revenue trends, but Q2 expectations much improved

Q1 2021 compared with last year

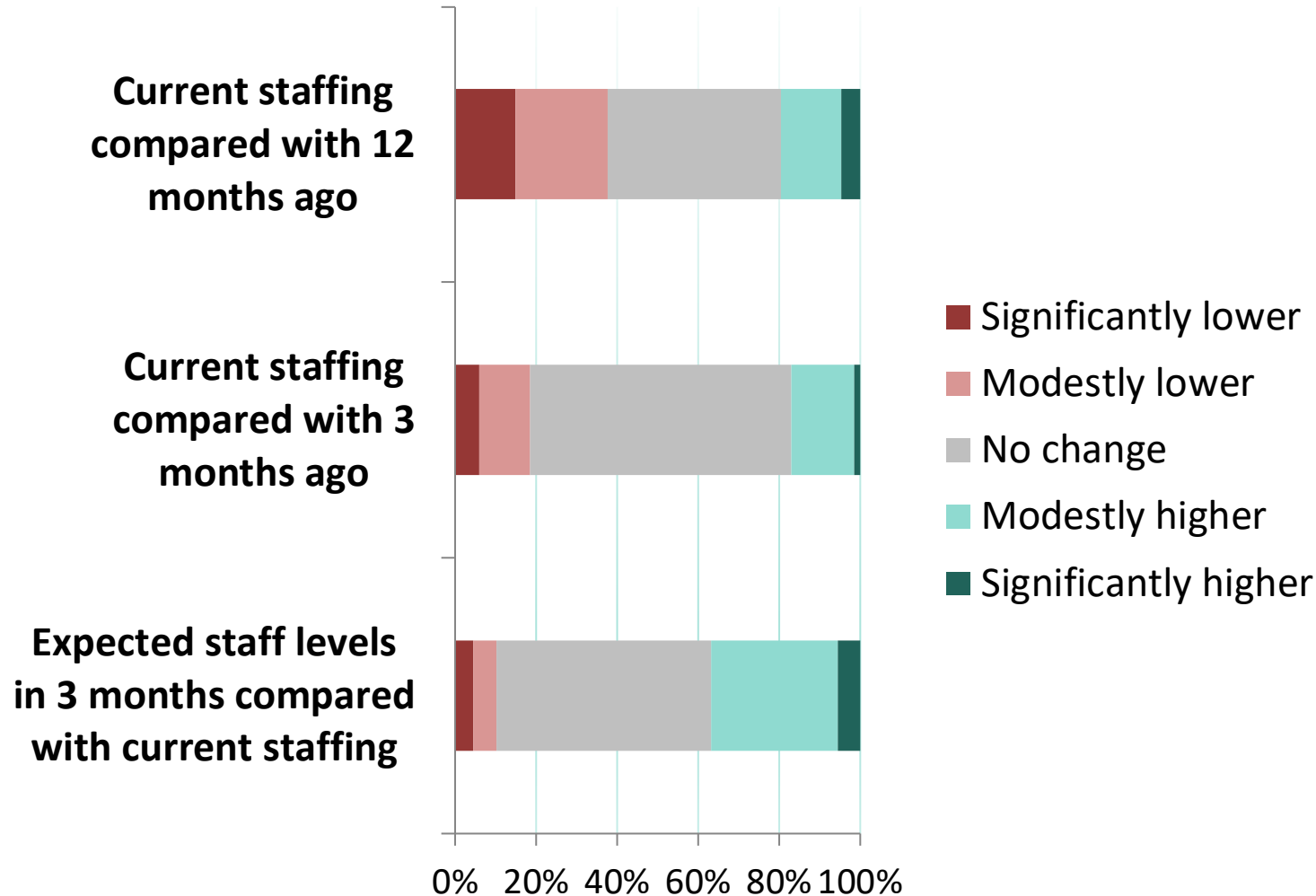


Future expectations: Q2 2021 compared with last year



WORKFORCE DEMAND RISING ALSO

Recent and future staffing changes



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





CHALLENGES

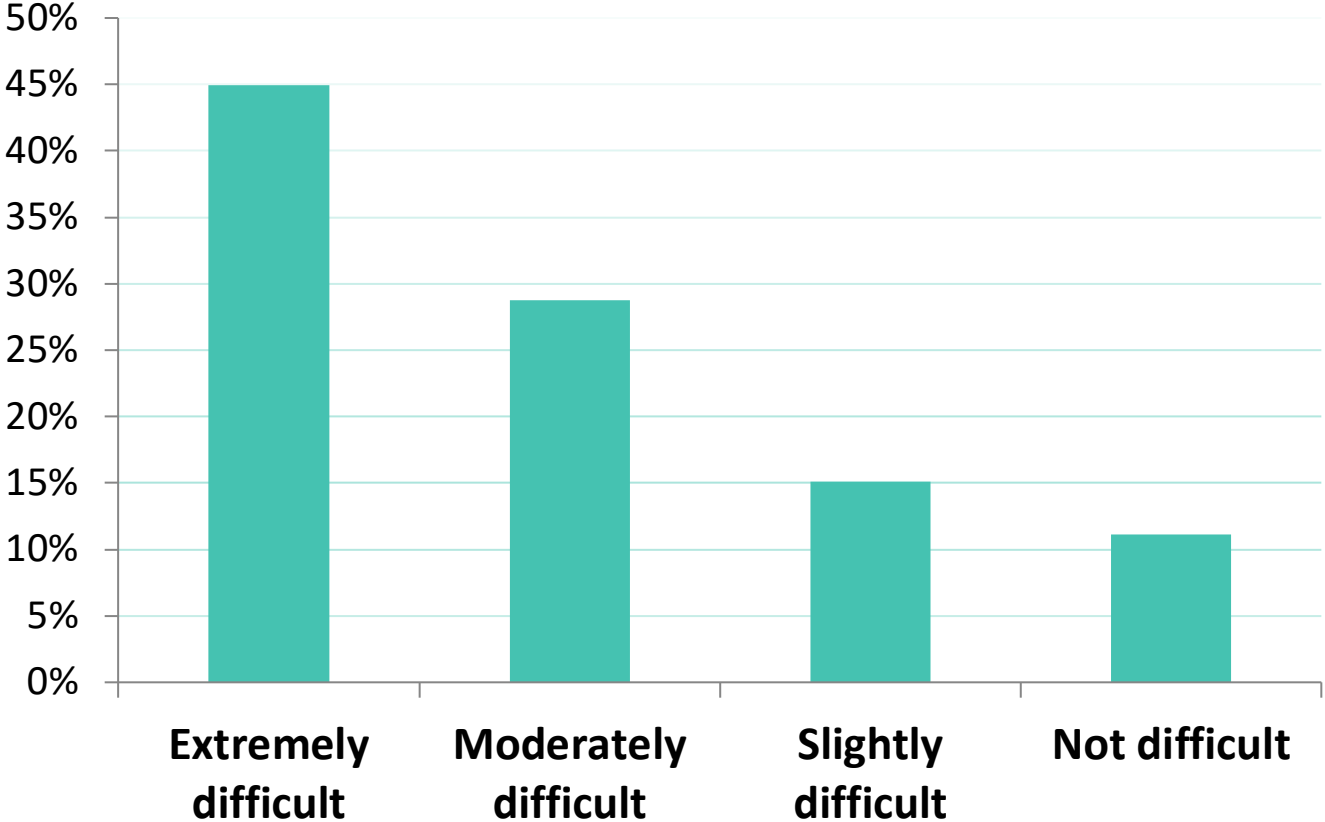
WORKFORCE CONTINUED – LABOR AVAILABILITY

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

Job openings



Job hirings



CHALLENGES TO OPERATIONS

Firms facing many challenges

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



WAGES

Recent changes to average wages at your firm, and expected future changes



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

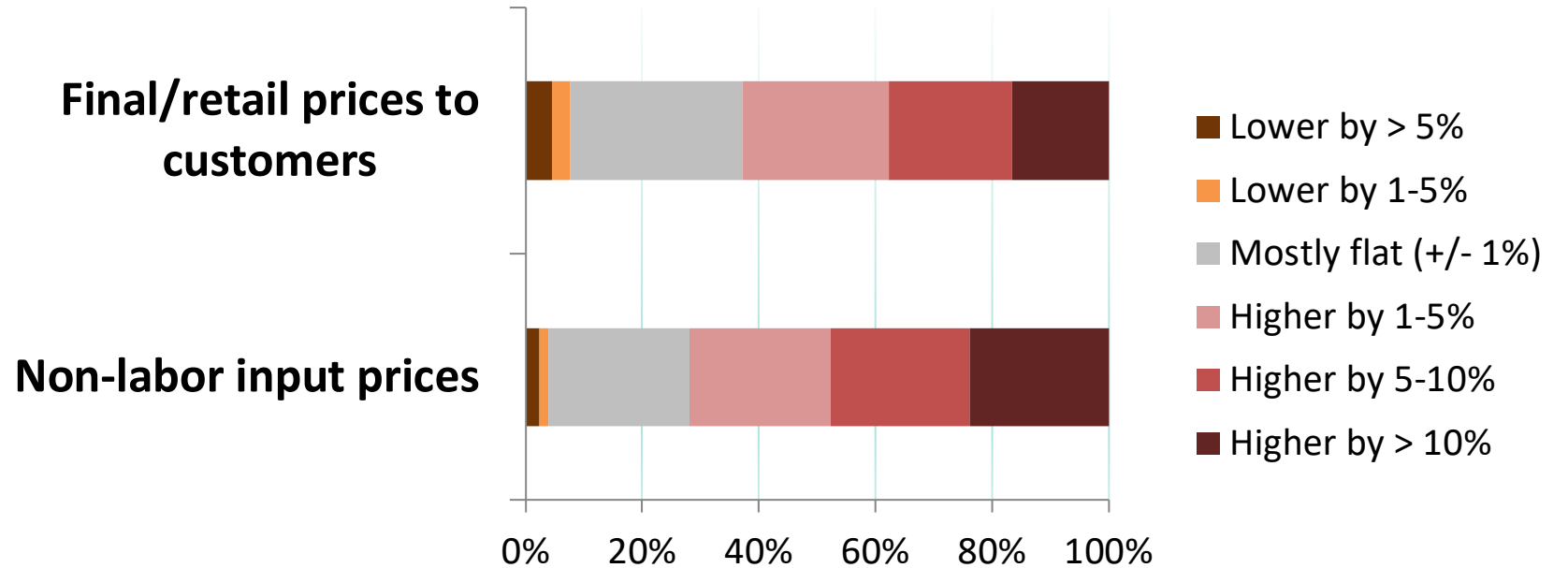


PRICES RISING

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

Current price levels compared with pre-pandemic levels

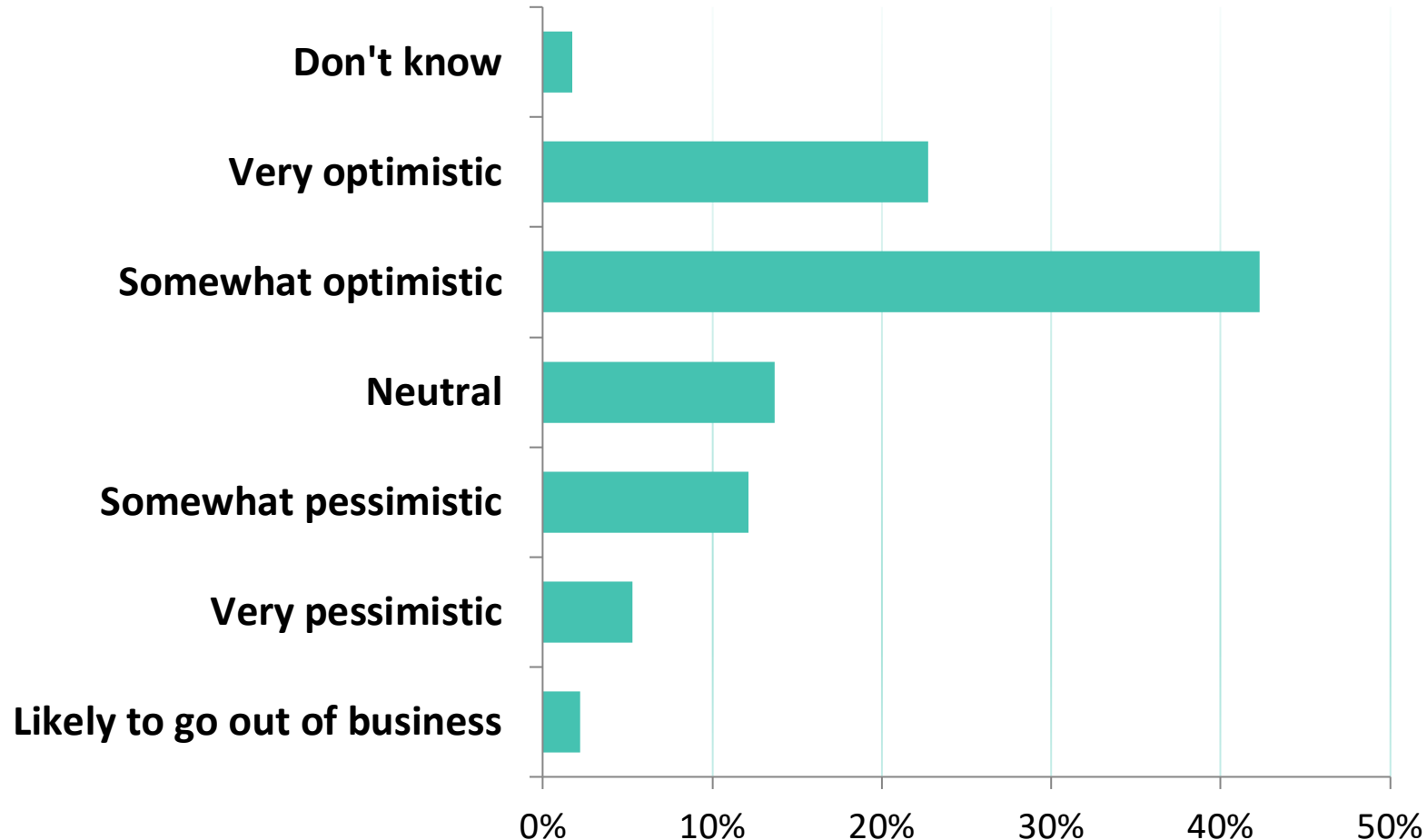


The background is a solid teal color. In the center, there is a faint, stylized outline of an eagle with its wings spread, facing left. The eagle is surrounded by several five-pointed stars. The entire graphic is rendered in a lighter shade of teal, creating a subtle watermark effect.

STAY POSITIVE: OUTLOOK

OUTLOOK OFFERS SOME OPTIMISM

What is your outlook for the coming six months?



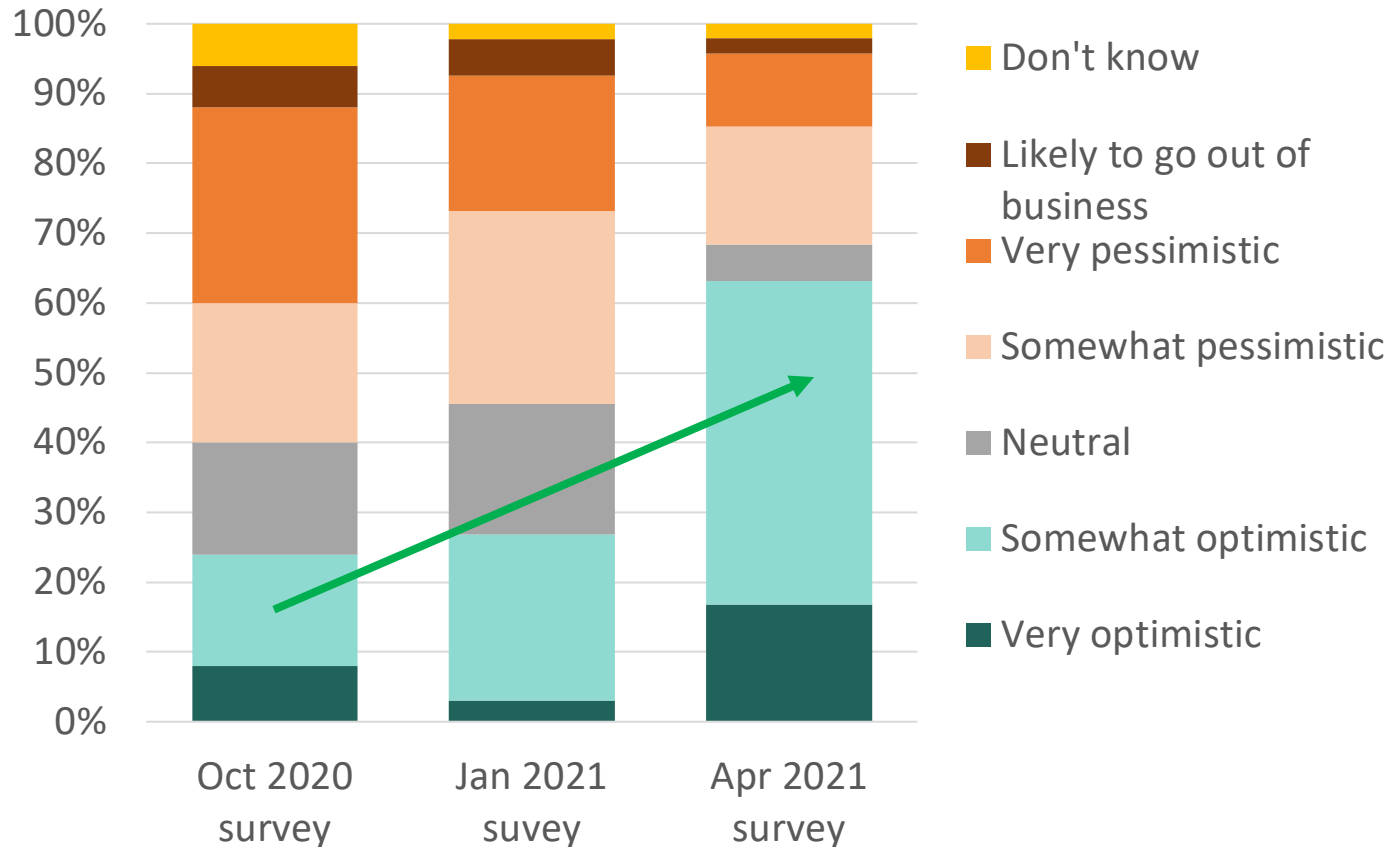
Very positive overall outlook from respondents

From (roughly) net negative in October, to neutral/cautious in January, to strongly positive in April



OUTLOOK CONT.

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 than 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



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