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
- This survey one of largest regular business surveys among 12 Federal Reserve District Banks
- Always looking for more partners to get our surveys to more businesses
TODAY’S FOCUS
GENERAL BUSINESS SURVEY

• Conducted July 16-29, 2021
• 492 responses from Minnesota, Dakotas, Montana, western Wisconsin and Michigan’s Upper Peninsula
• Results are a snapshot
  • Not a scientifically sampled survey
  • Interpret with care
QUICK TAKE-AWAYS

● Most recent 3-month period saw solid revenue growth among reporting firms

● Notable differences by size and ownership

● Workforce growth was notably slow among all firms – likely hampered by labor availability – but less so among larger firms, and that matters

● Similar story for wages: Moderate wage growth overall, but stronger growth at larger firms

● Firms face significant challenges, but (for the moment, at least) not directly Covid-related

● Outlook quite optimistic, but results precede the recent increase in Delta variant cases
RECENT REVENUE AND STAFFING TRENDS
OVERALL TREND: RECENT AND FUTURE REVENUE IMPACT

Positive revenue growth overall, y-o-y and q-o-q

About twice as many firms saw revenue gains vs. declines

Outlook even more upbeat, with almost half expecting revenue gains over last year
Size matters

Large firms continue to see stronger revenue trends
Better news: Expectations quite strong, esp. for employer firms
Mpls-St. Paul & Greater MN firms ‘appear’ to be lagging

However, response composition matters a lot

- Mpls-St. Paul and Greater MN had highest shares of small firms, including 20 percent sole proprietors
- ND – biggest share of larger firms, followed by SD
- MT and ND had zero sole proprietors; SD, 5%

Reinforces the effect of firm size in survey results
Continued variation but all sectors reported net revenue growth, expecting more of same over next three months.
Minority- and women-owned firms continue to see worse revenue trends. Future expectations also lag, but improved.
Overall, firms reported no net growth in workforce.

Workforce demand by firm size a different matter (more in a bit)

Firms more upbeat regarding expected staffing levels in 6 months, and across all firm sizes.

Please estimate recent changes in staffing, and future staffing expectations.

Current staff compared with 3 months ago:
- Significantly lower
- Modestly lower
- No change
- Modestly higher
- Significantly higher

Expected staff levels in 6 months compared with current staffing:
- Significantly lower
- Modestly lower
- No change
- Modestly higher
- Significantly higher
Large firms are *tiny* share of all firms

But they have a *huge* share of all employment and, thus, drive job growth disproportionately

Firm size of survey respondents reflects this dynamic
WORKFORCE GROWTH, BY FIRM SIZE

Notable gap in staffing growth among biggest, smallest
All but the largest firms still seeing staffing volatility

Current staff levels compared with 3 months ago

Expected staff levels in 6 months compared with current staffing

FEDERAL RESERVE BANK OF MINNEAPOLIS
CHALLENGES & OTHER METRICS
Firms facing many challenges, but three BIG ones

Pick two: What are the two greatest challenge to your current operating capacity and productivity?
Job openings ≠ Job hirings

Labor conditions continue to get tighter

If hiring, how would you assess current ability to find and hire necessary labor?

- Extremely difficult
- Moderately difficult
- Slightly difficult
- Not difficult

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<th>July</th>
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<td>Extremely difficult</td>
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Overall, firms reported moderate wage increases; about 35 percent said wages had risen by 3 percent or more.

However, wages by firm size tell a different wage story.
WAGE GROWTH MUCH STRONGER AMONG LARGER FIRMS

Among all employers with > 50 employees, almost half gave wage increases > 3 percent; only 13 percent gave no wage increase.
66% said wholesale prices rose by > 5%
April survey = 48%
Price increases flowing through to customers;
51% said final prices rose by > 5%
(April = 38%)

How would you describe current price levels compared with pre-pandemic levels?

Non-labor input prices (wholesale):
- Lower by > 5%
- Lower by 1-5%
- Mostly flat (+/- 1%)
- Higher by 1-5%
- Higher by 5-10%
- Higher by > 10%

Final/retail prices to customers:
- Lower by > 5%
- Lower by 1-5%
- Mostly flat (+/- 1%)
- Higher by 1-5%
- Higher by 5-10%
- Higher by > 10%
OUTLOOK: STAY POSITIVE
Quite positive outlook from respondents
55% optimistic versus 20% pessimistic
Larger firms had modestly better outlook
Second consecutive survey with positive outlook
FINAL THOUGHTS

- Survey results largely positive, especially among larger firms that have an outsized impact on current economic activity.
- But small firms, certain sectors, and MWBEs continue to lag in recovery.
- Uncertain whether Delta variant has substantively changed sentiment and activity levels.
  - Preliminary: Survey of MN hospitality and tourism firms suggest it’s been a strong summer in many places.
  - Preliminary: Construction activity pretty healthy, but future project pipelines showing some slowdown.
Upcoming surveys

- Hospitality & Tourism survey
  - Survey closed today
  - Look for results from survey partners: Hospitality Minnesota and Explore Minnesota
- Construction survey, currently in field
  - REC Update webinar – Friday, Sept. 10 @ 9:00am
THANK YOU!

QUESTIONS?

Submit written questions via chat box