

REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

GENERAL BUSINESS SURVEY

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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/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

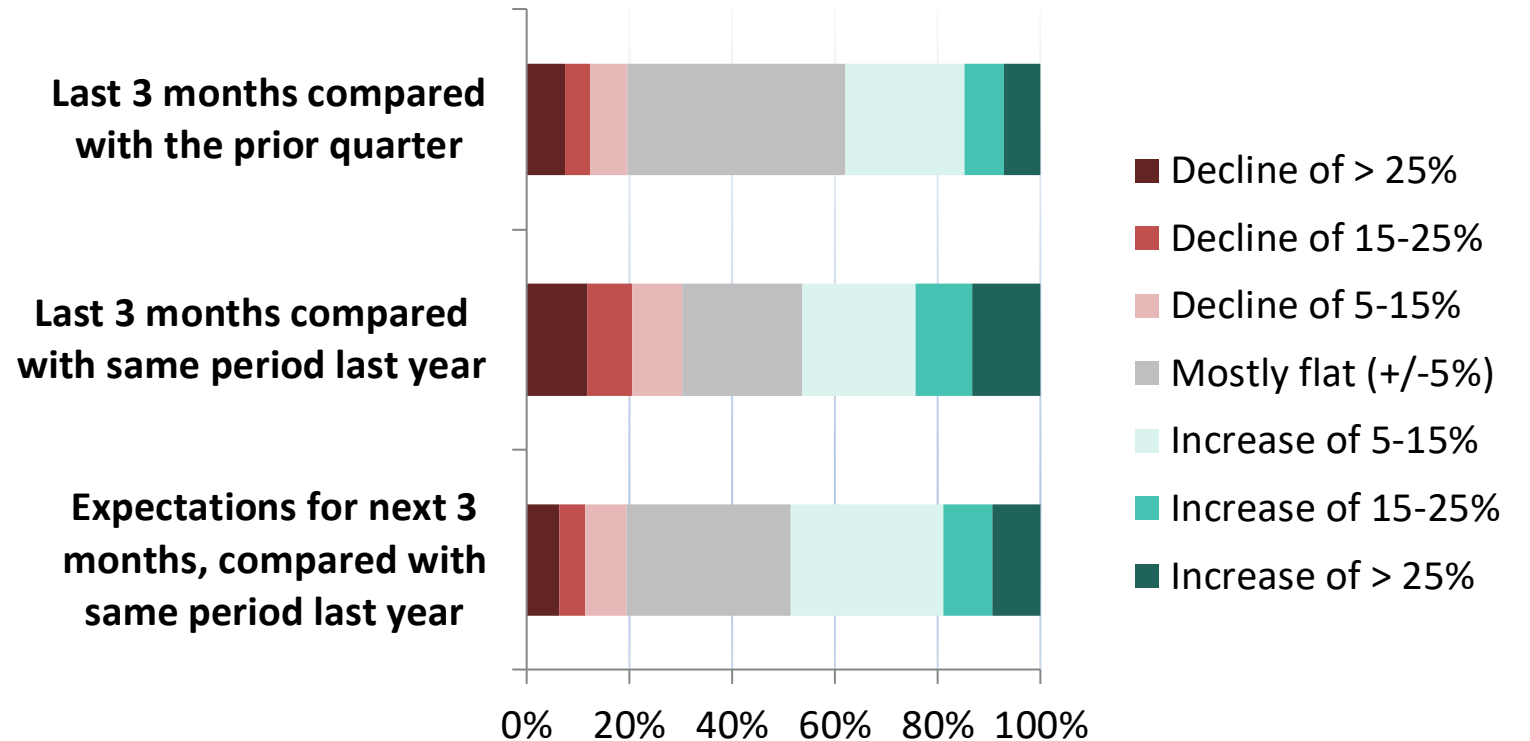
OVERALL TREND: RECENT AND FUTURE REVENUE IMPACT

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

Recent quarterly revenue at your firm, and expectations for the near future



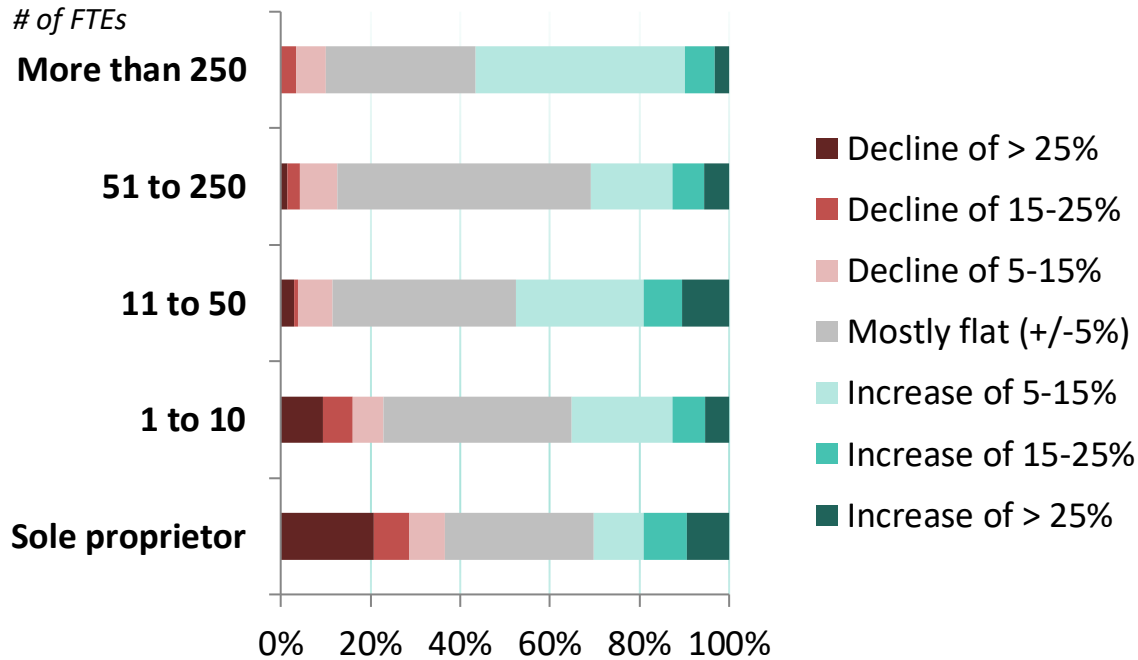
REVENUE TRENDS, BY FIRM SIZE

Size matters

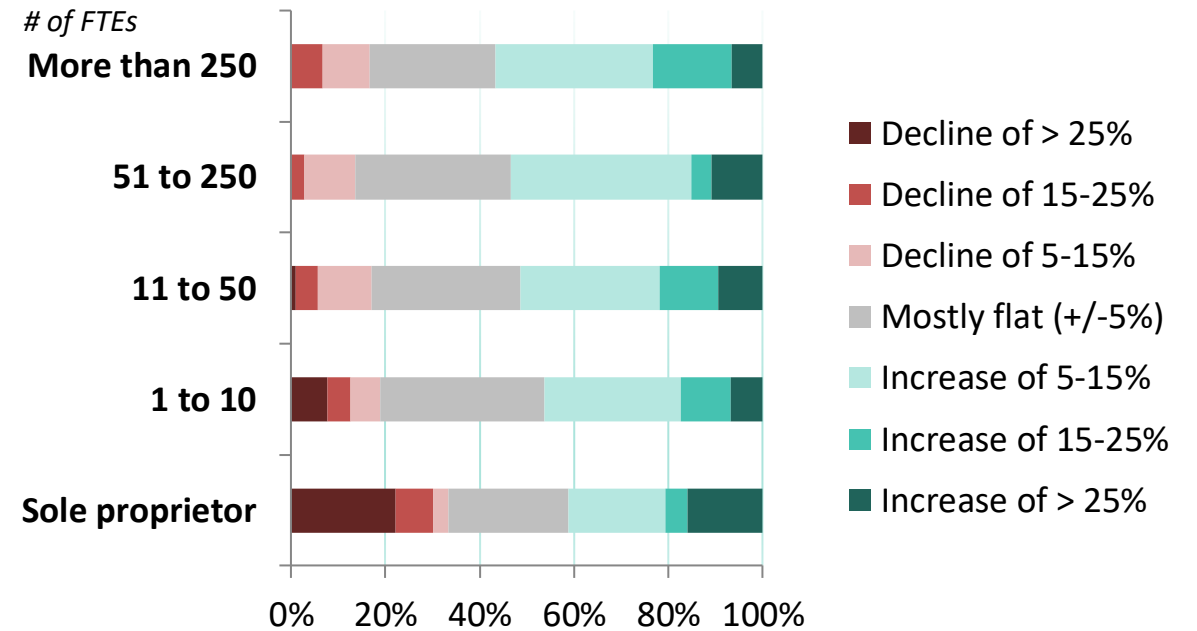
Large firms continue to see stronger revenue trends

Better news: Expectations quite strong, esp. for employer firms

Last 3 months compared with prior quarter

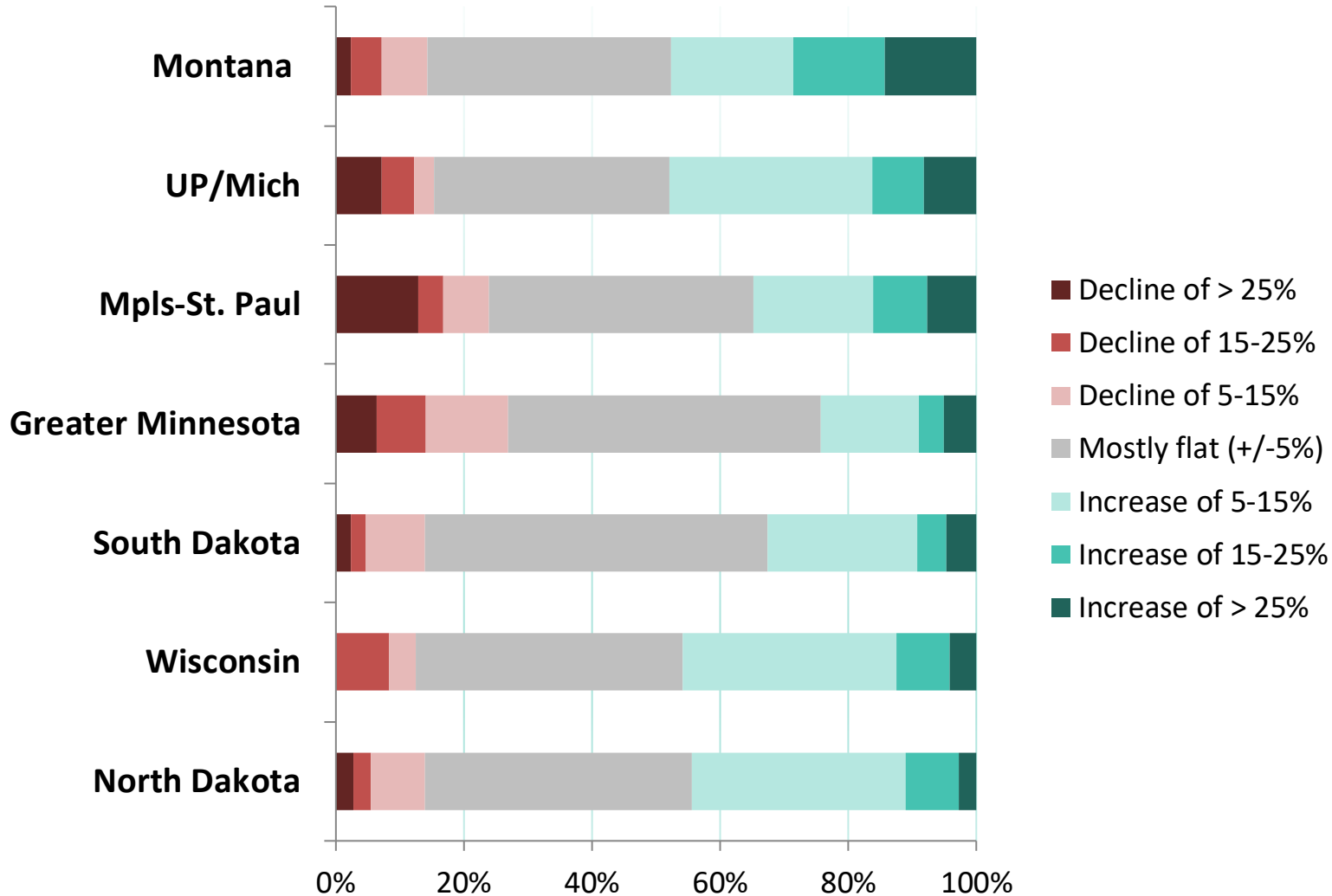


Expectations for next 3 months compared with same period last year



REVENUE TRENDS, BY STATE

Last 3 months compared w/ prior quarter



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%

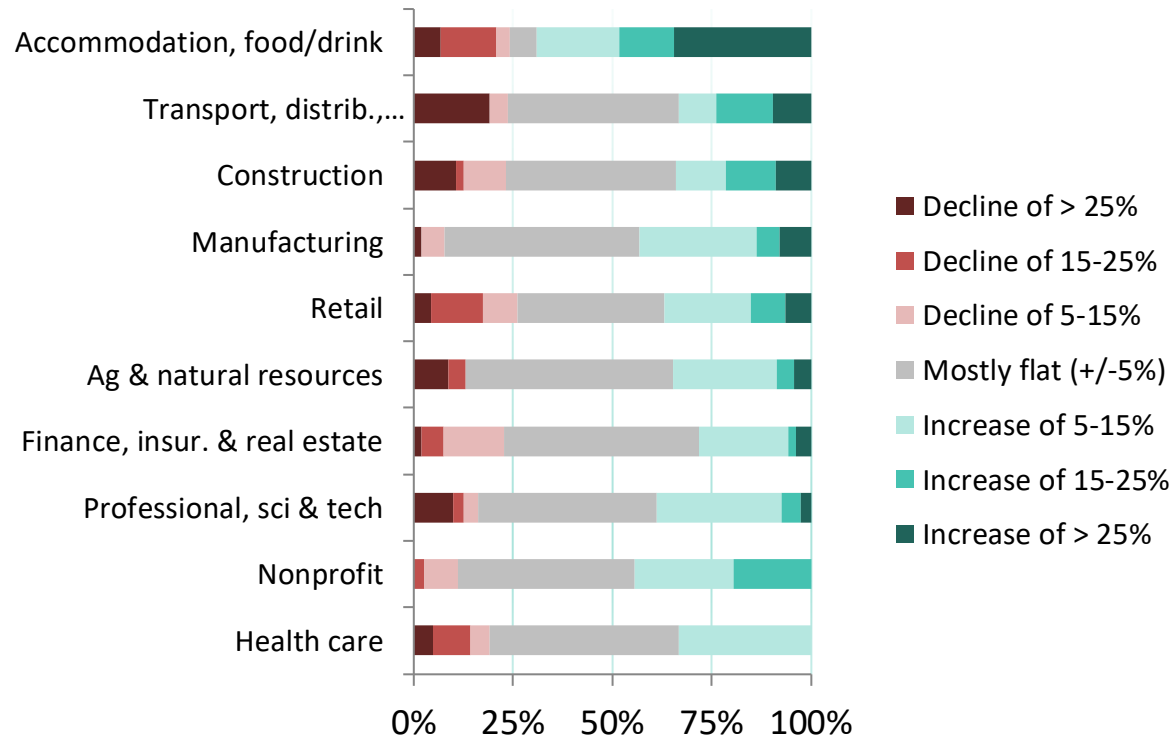
Reinforces the effect of firm size in survey results



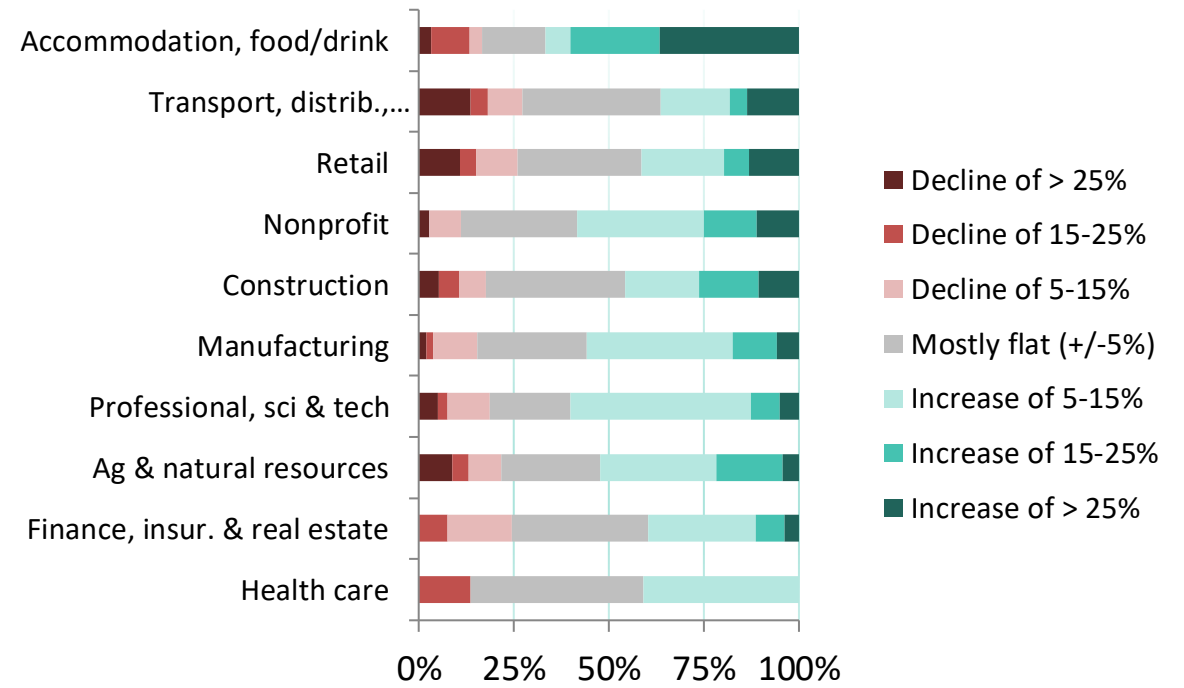
FUTURE REVENUE TRENDS, BY SECTOR

Continued variation but all sectors reported net revenue growth, expecting more of same over next three months

Last 3 months compared w/ prior quarter



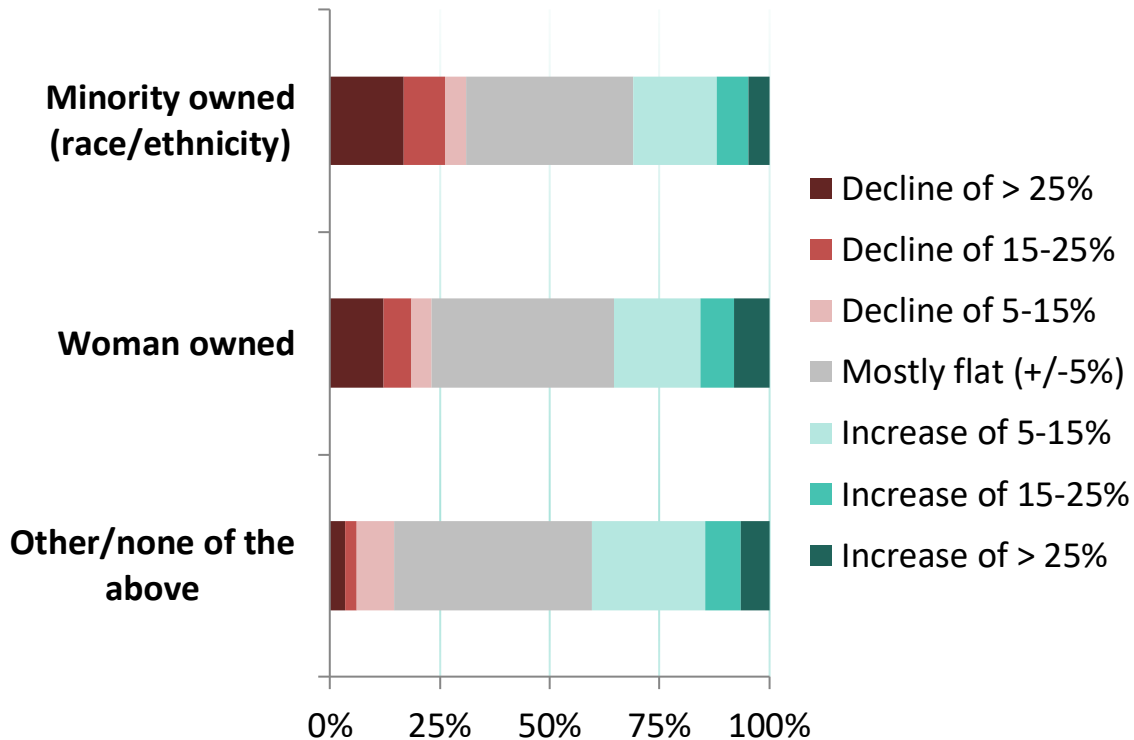
Expectations for next 3 months, compared with same period last year



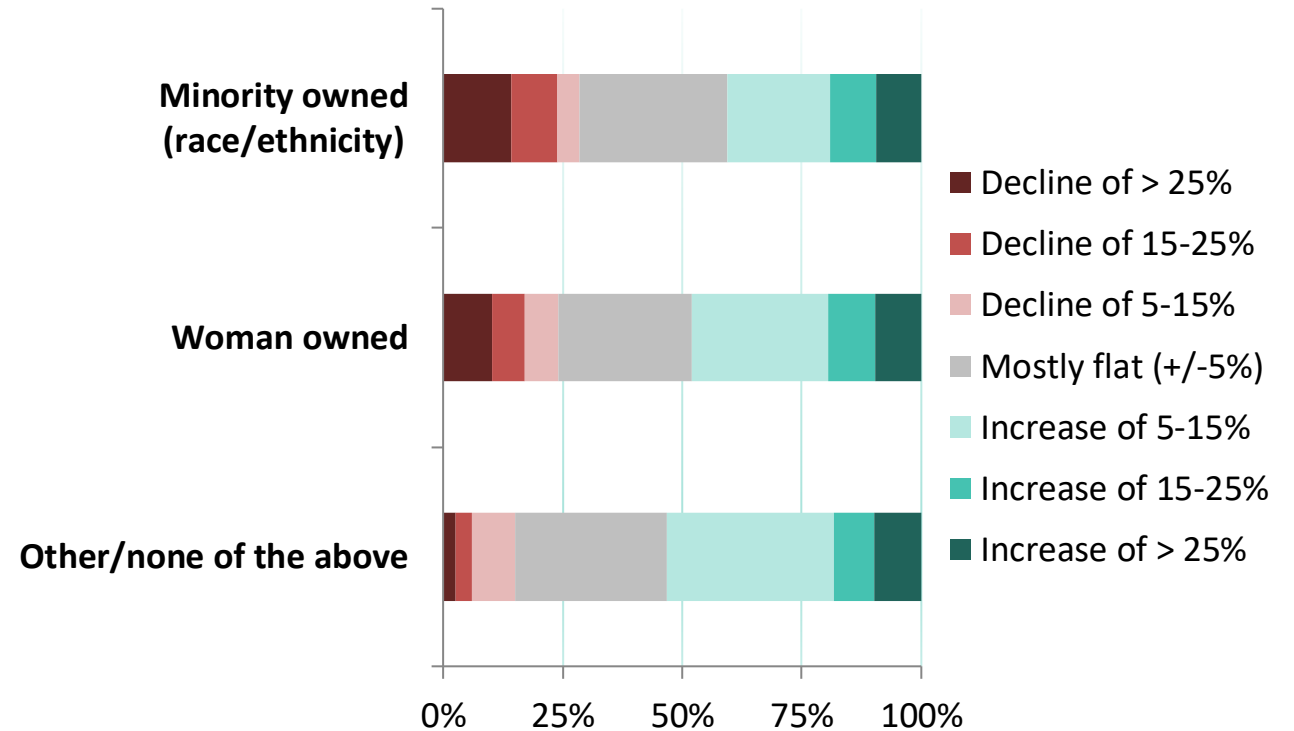
REVENUES, BY OWNERSHIP

Minority- and women-owned firms continue to see worse revenue trends
Future expectations also lag, but improved

Last 3 months compared w/ prior quarter

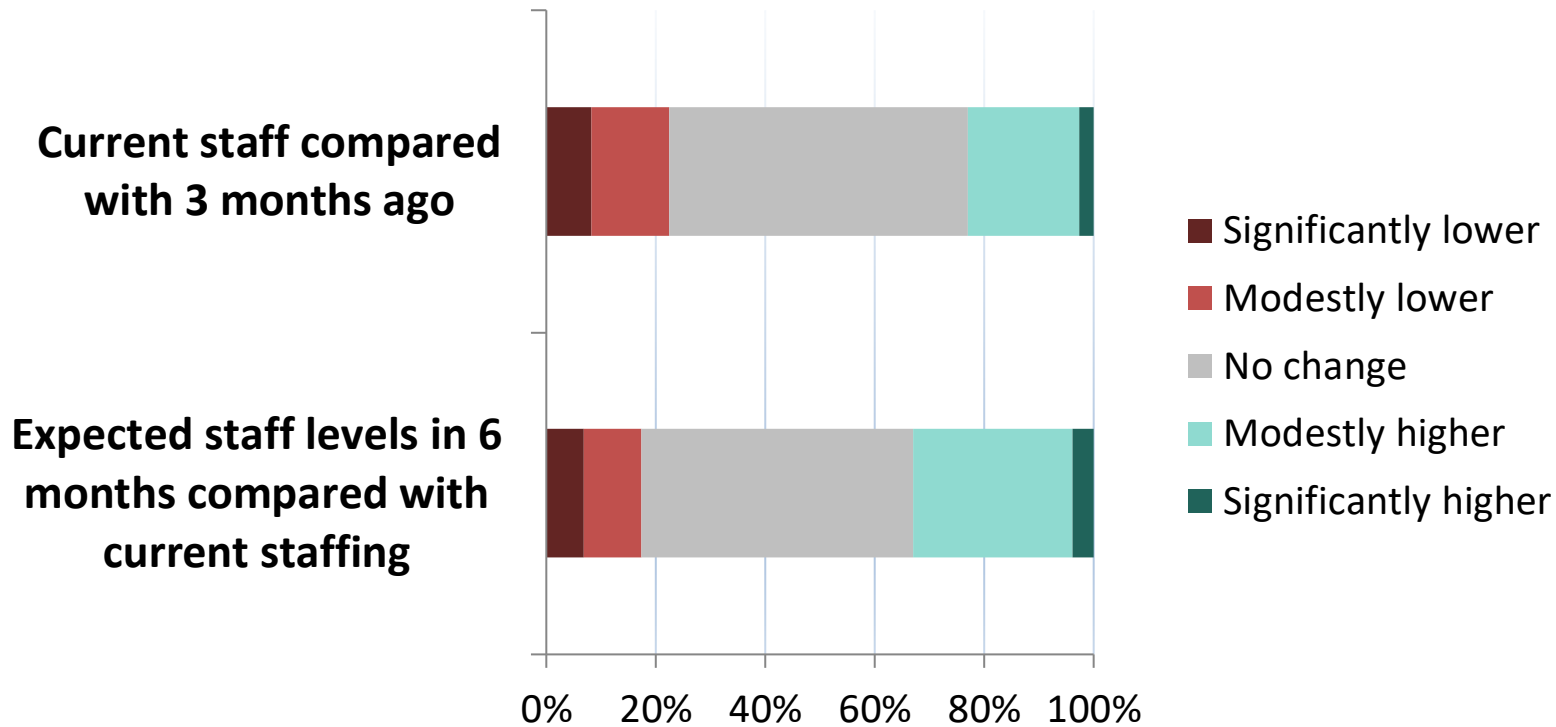


Expectations for next 3 months, compared with same period last year



WORKFORCE DEMAND

Please estimate recent changes in staffing, and future staffing expectations



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



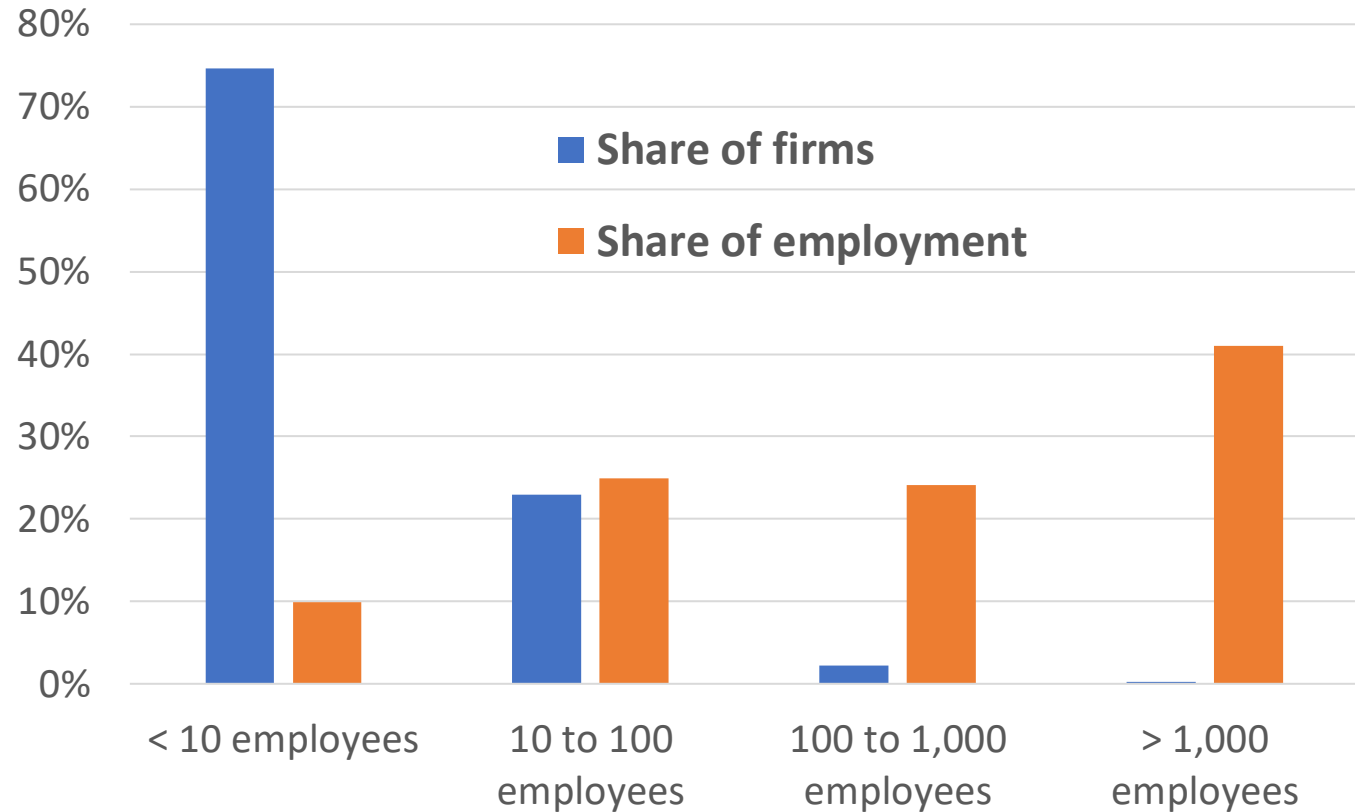
WORKFORCE: NOT ALL FIRMS CREATED EQUAL

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

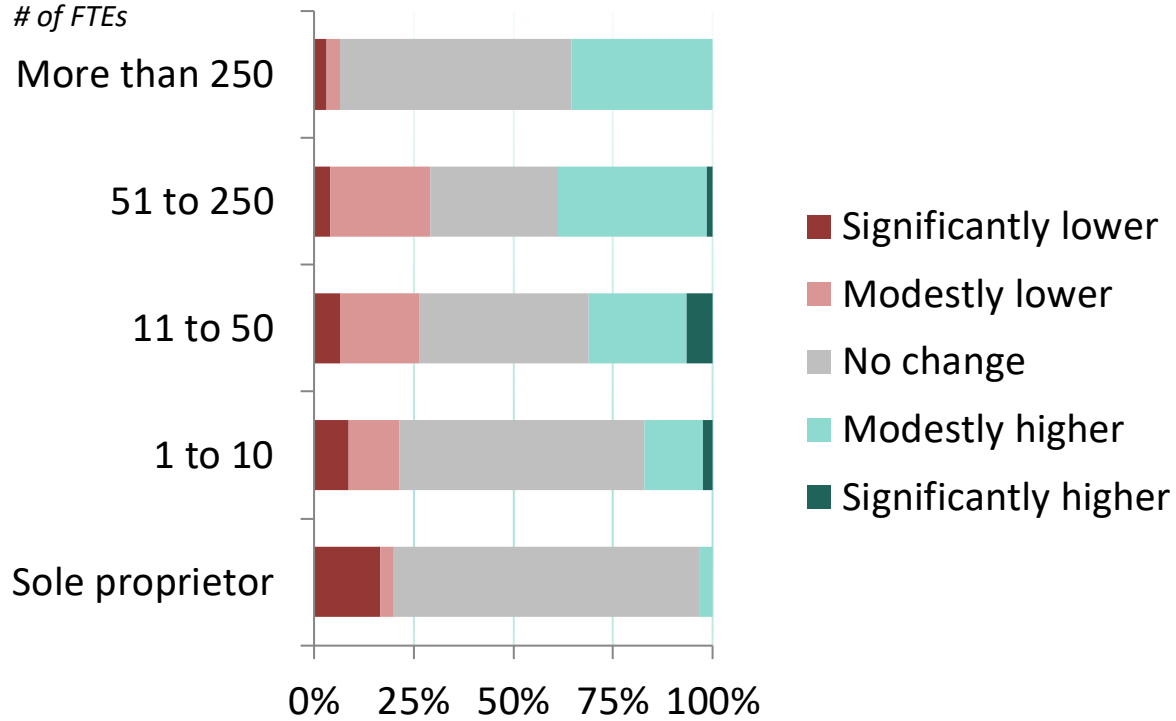
Share of U.S. firms & jobs
By firm size, 2020



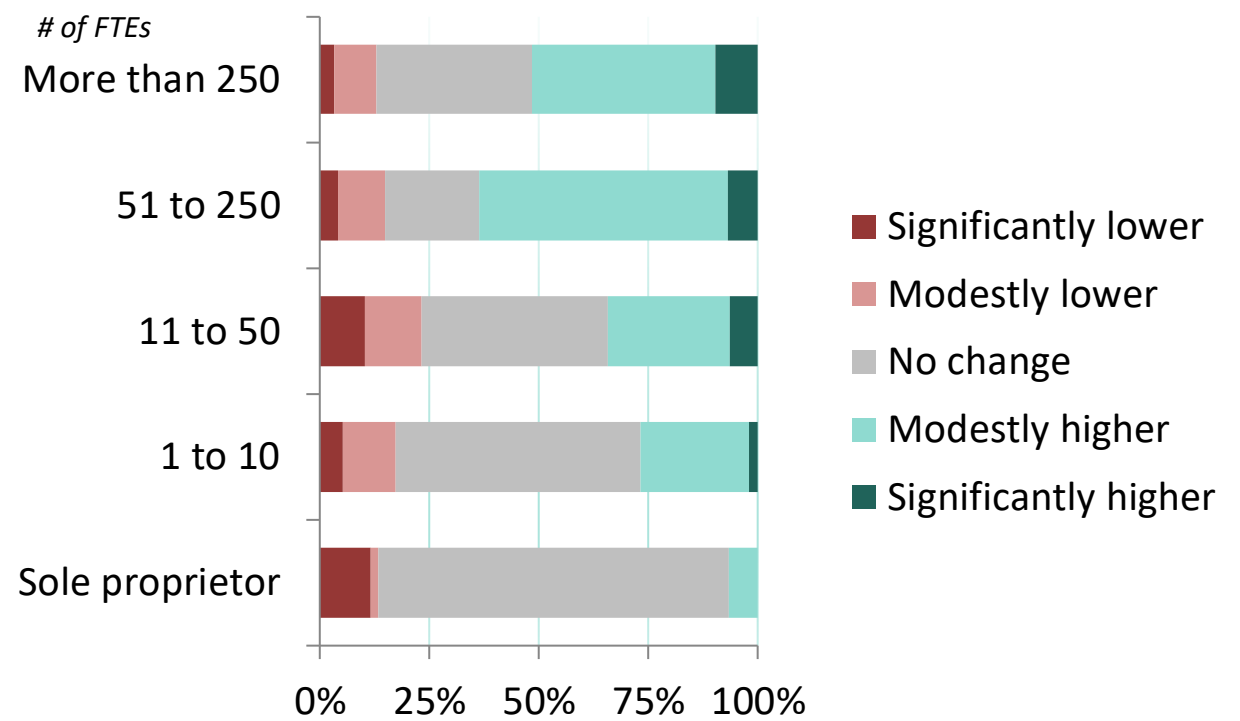
WORKFORCE GROWTH, BY FIRM SIZE

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



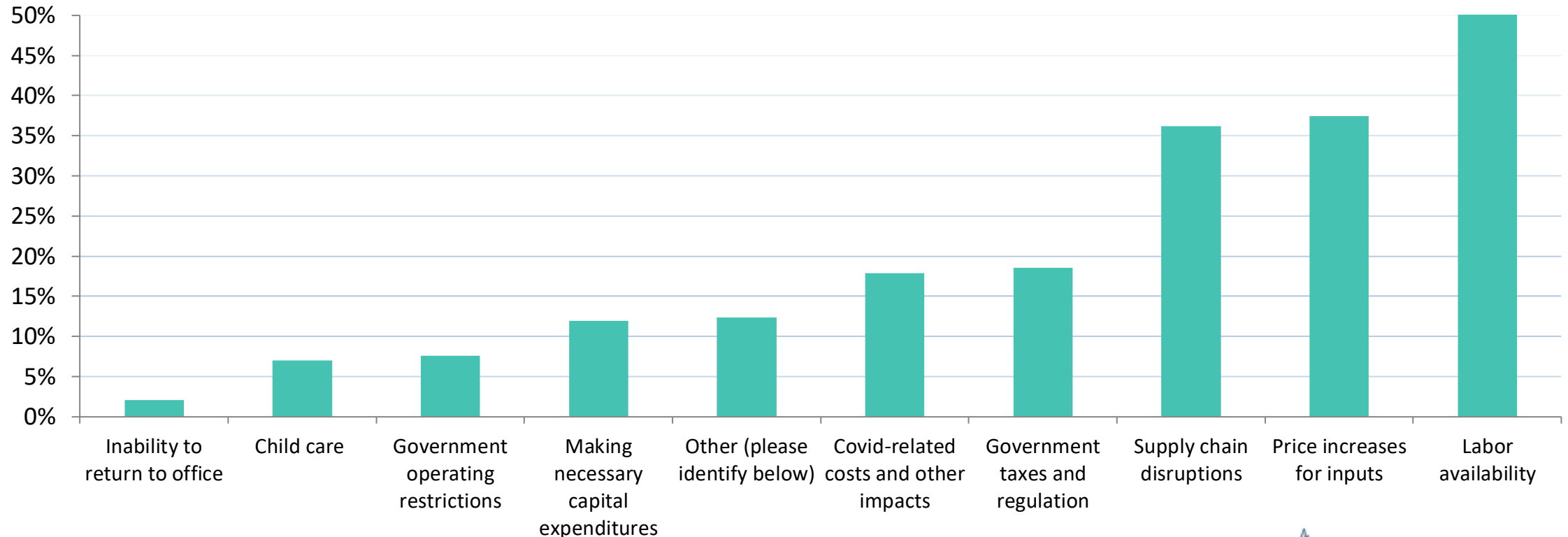


CHALLENGES & OTHER METRICS

CHALLENGES TO OPERATIONS

Firms facing many challenges, but three BIG ones

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



CHALLENGES – LABOR AVAILABILITY

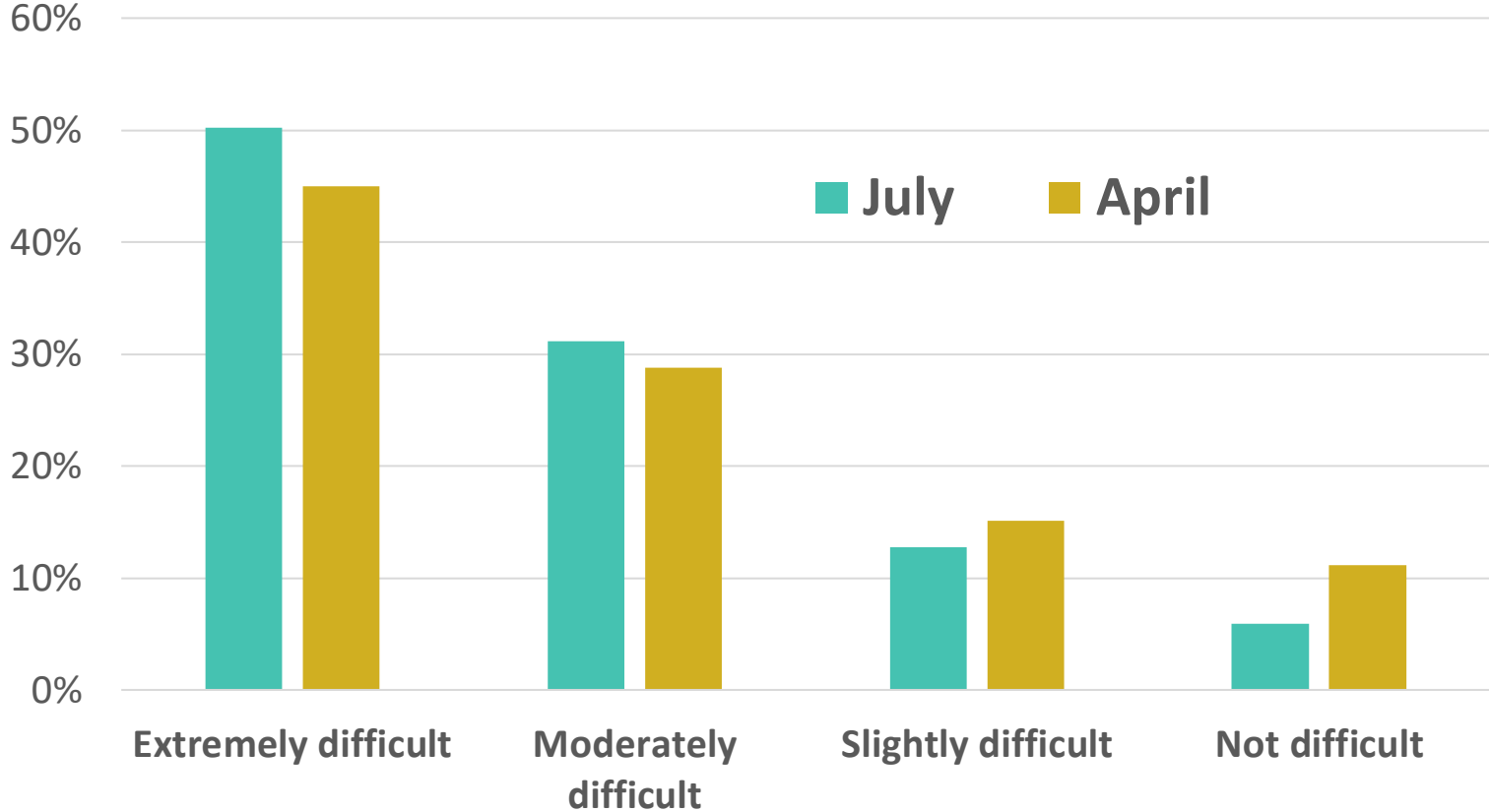
Job openings



Job hirings

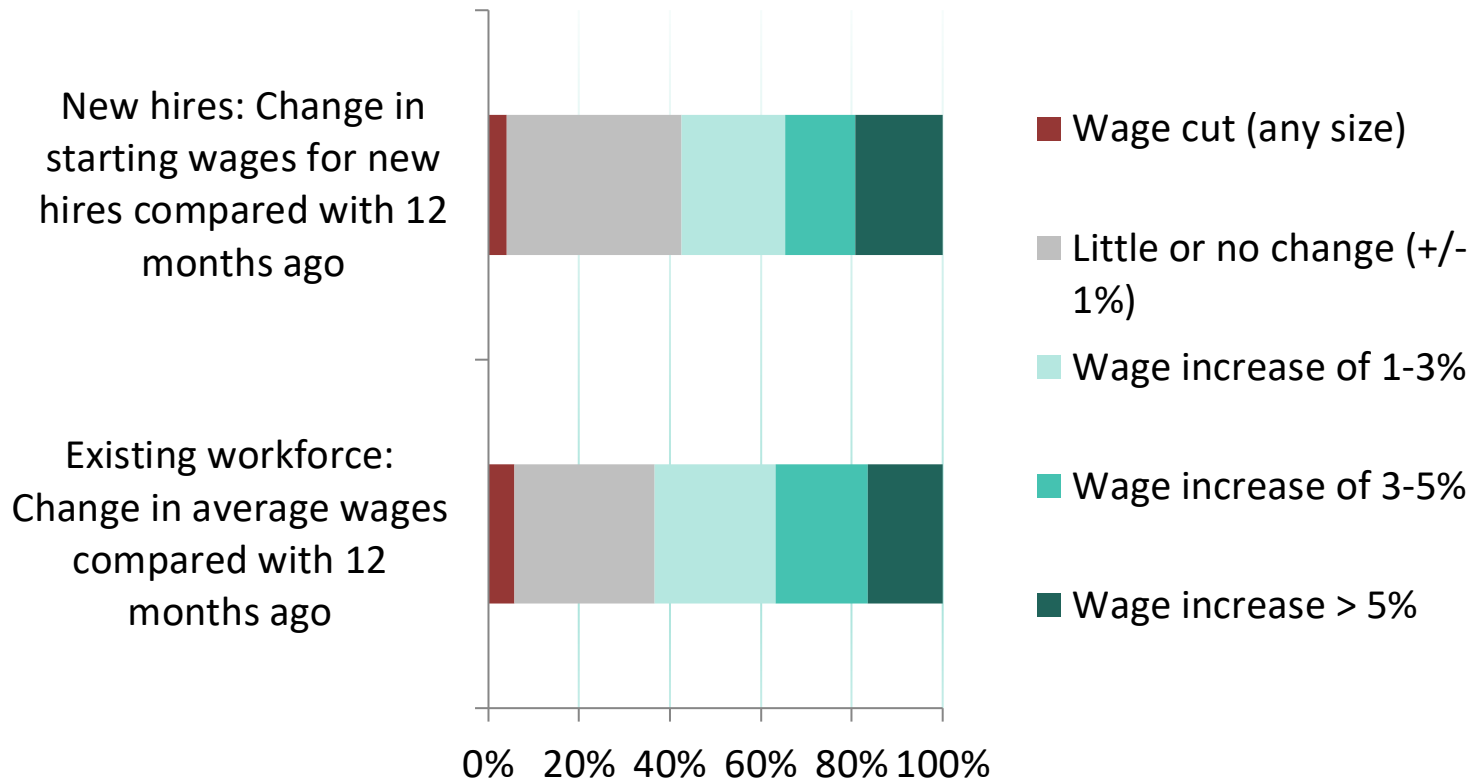
Labor conditions continue to get tighter

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



WAGES RISING

Please describe recent changes to average wages at your firm, and expected future changes



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

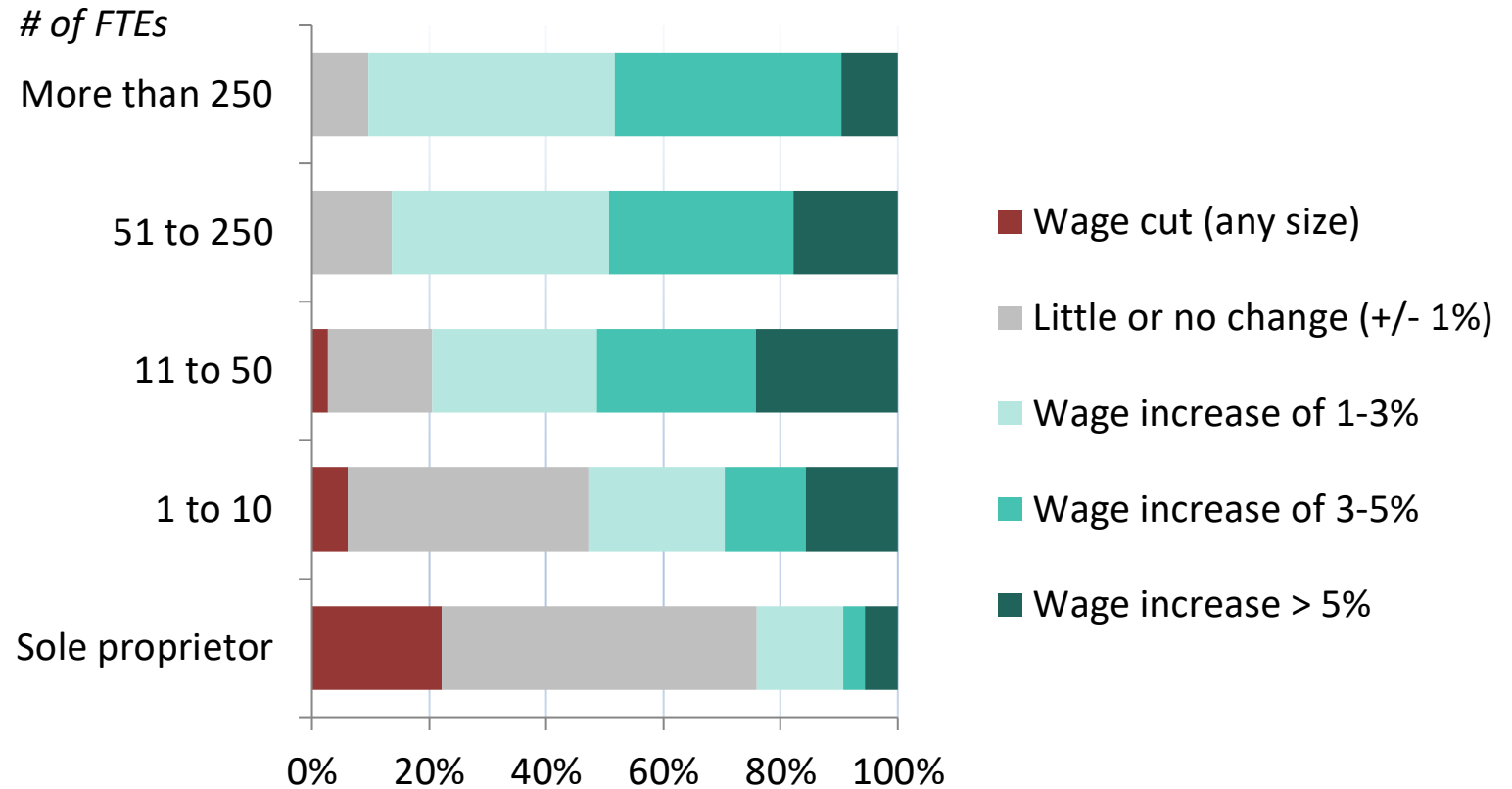


WAGES BY FIRM SIZE

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

Change in average wages for existing staff compared with 12 months ago



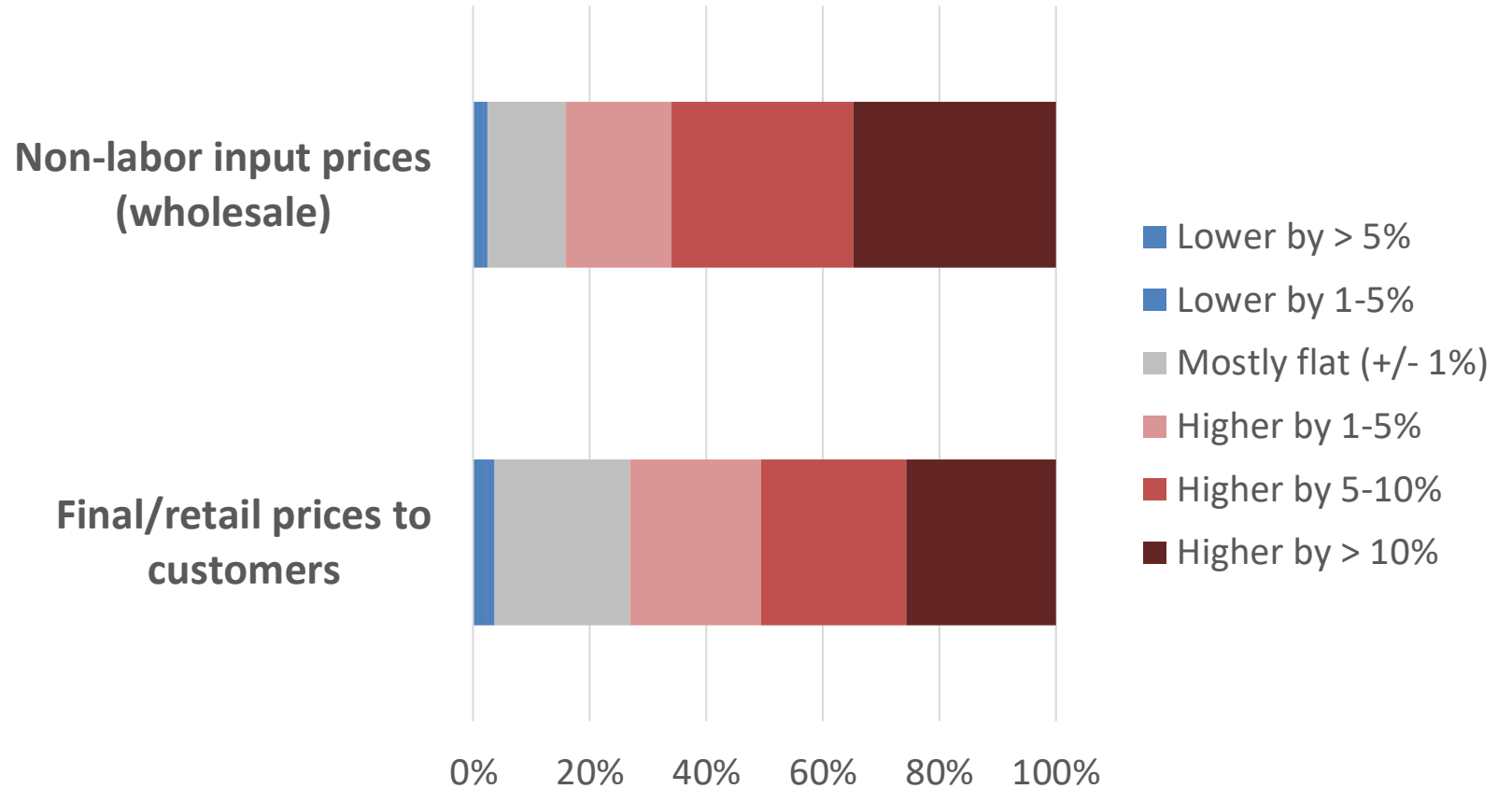
PRICES RISING

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

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%)

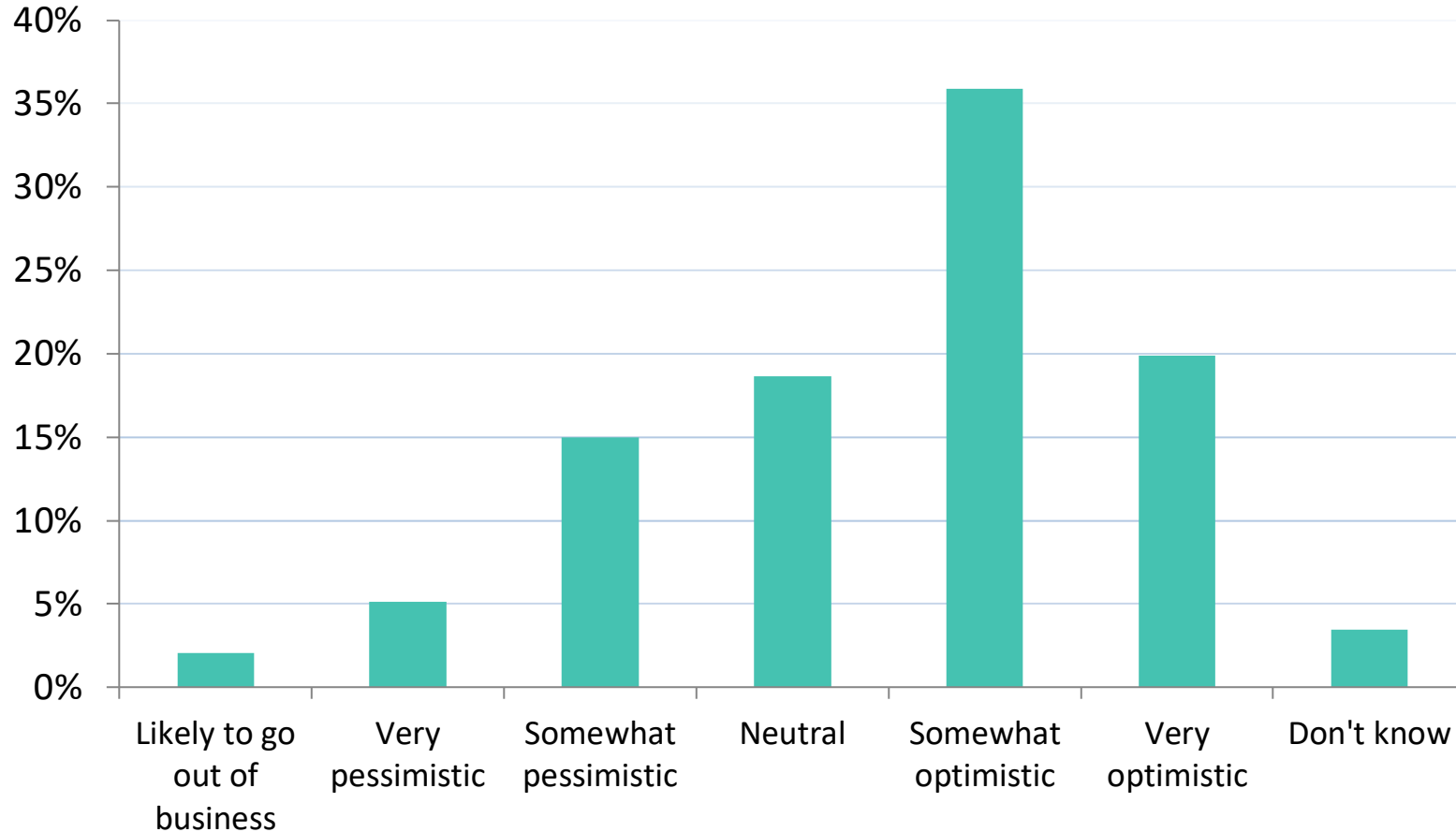




OUTLOOK: STAY POSITIVE

OUTLOOK = CONTINUED OPTIMISM

What is your outlook for coming six months?



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





MOVING FORWARD: TRACKING THE RECOVERY

- **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



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