

REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

GENERAL BUSINESS SURVEY

November 12, 2021

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.





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 is one of largest, regular surveys of business conditions 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 October 15-22, 2021
- 431 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 continued growth, but some signs of slowing, caution
- Performance differences remain by size, sector and ownership
- Major challenges persist for firms:
 - high prices
 - supply chain disruptions
 - labor availability; wage pressure growing
- Expected relief to these pressures delayed due to Delta, but also broader labor force trends
- Outlook still optimistic, but less so than July





RECENT REVENUE TRENDS

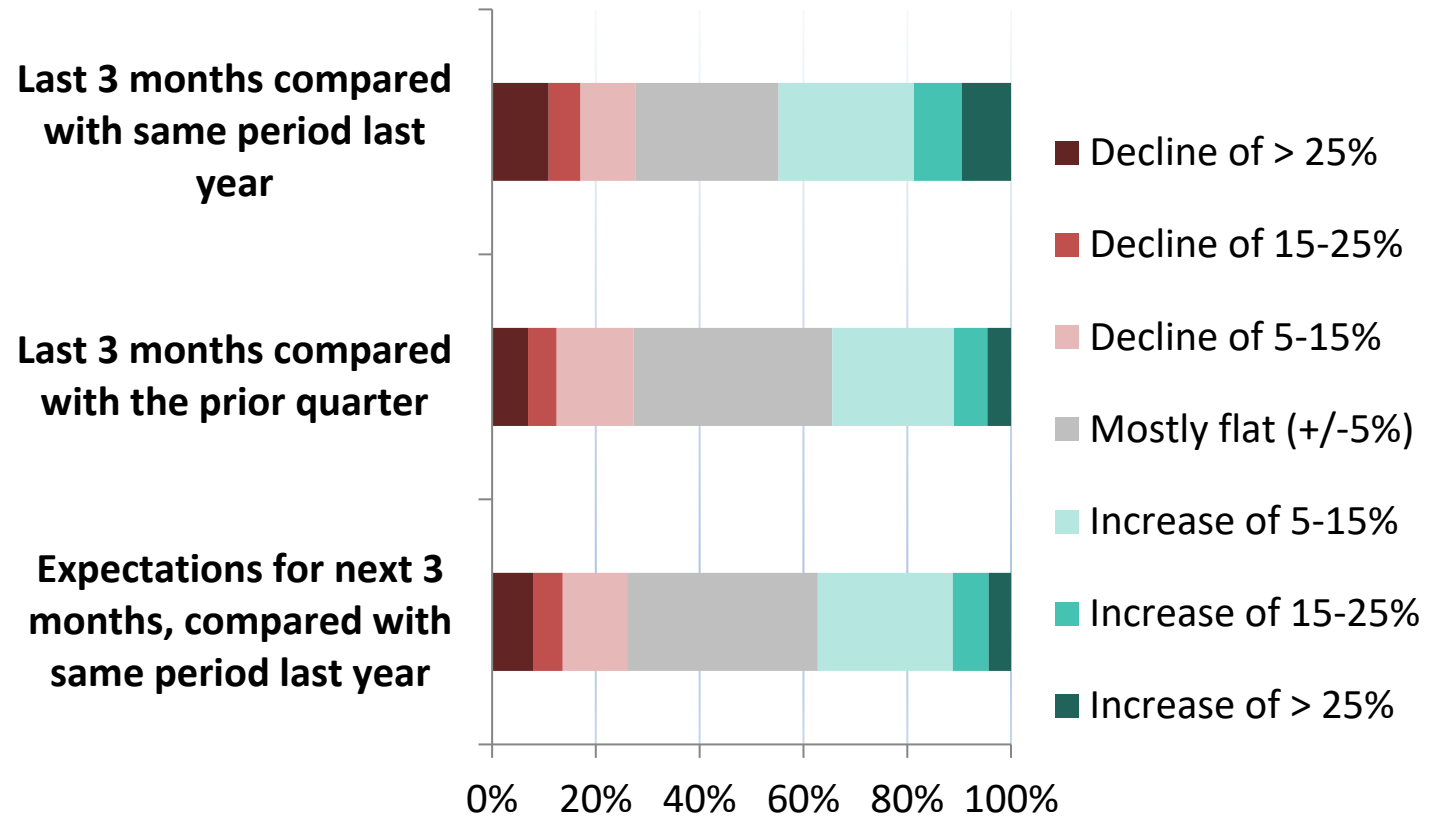
RECENT AND FUTURE REVENUE

Positive revenue growth year-over-year

Quarter-over-quarter also positive, but suggests modest slowing from July

Outlook remains upbeat, but more cautious

Recent quarterly sales/revenue and expectations for the near future





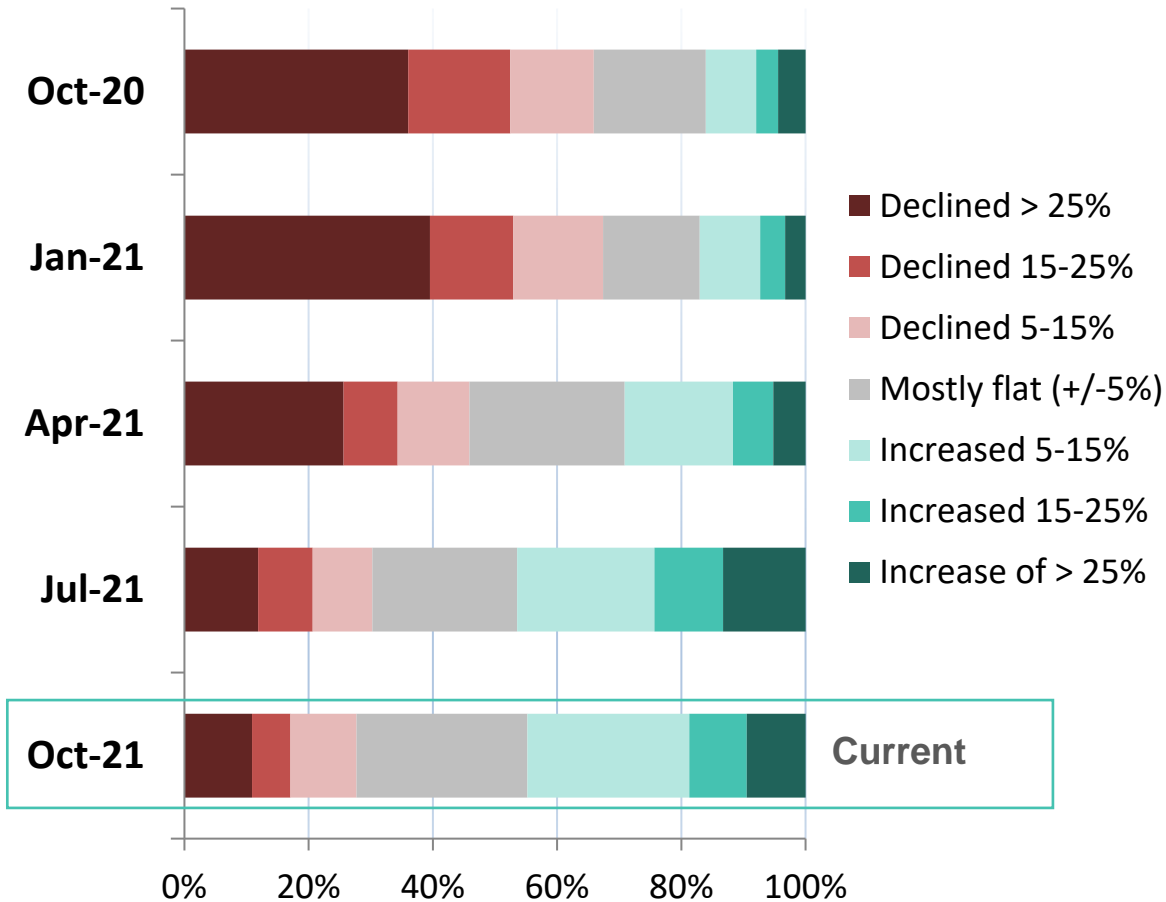
HOW DO THINGS LOOK OVER TIME?

- **Convenience sample of survey best viewed as a snapshot of conditions**
- **However, consistency in responses by sector and firm size, which have been the two most consistent factors related to firm performance**
- **“Repeated cross sections” offer some insight on experiences over the course of pandemic**
- **Please interpret carefully: More accurate in a directional sense than as an exact path**

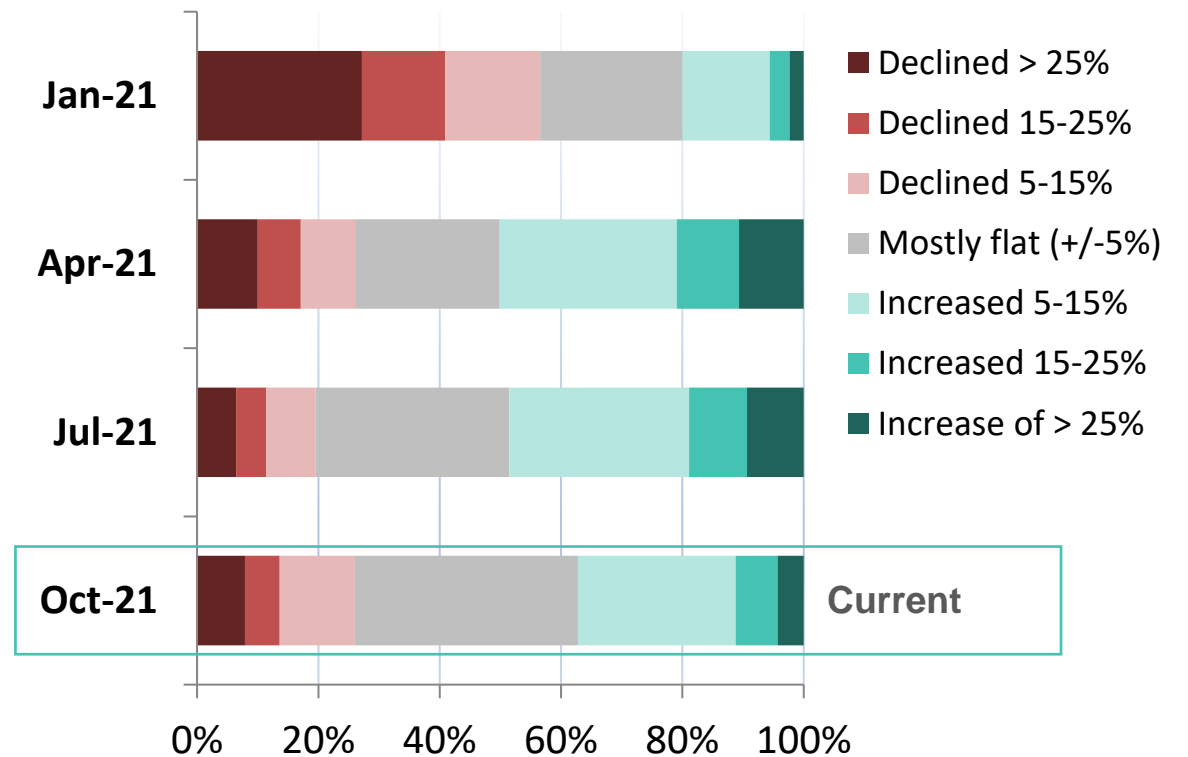


REVENUE TRENDS OVER TIME: PAST SURVEYS

Past surveys:
Recent quarter: Year-over-year

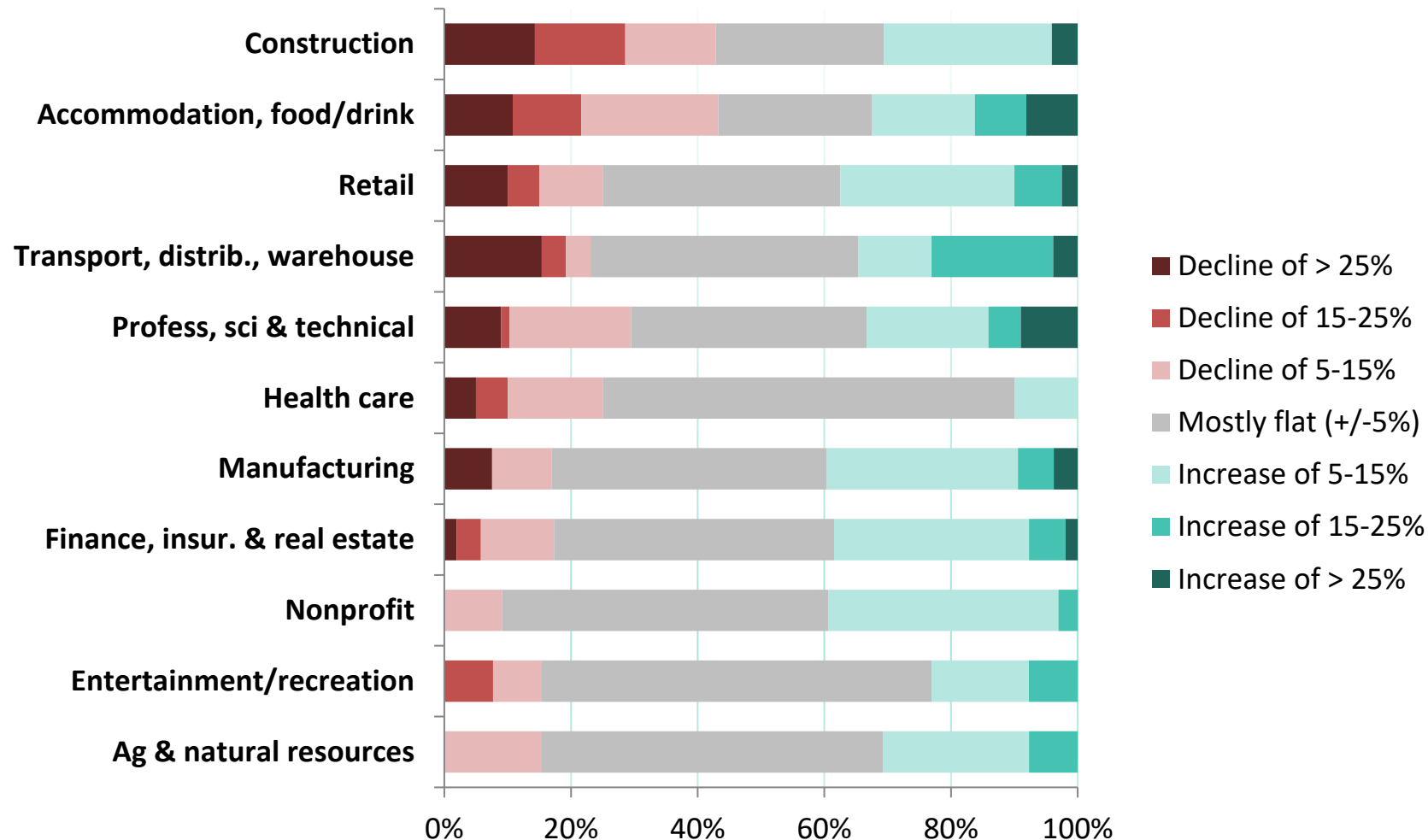


Past surveys:
Next quarter expectations:
Year-over-year



REVENUE TRENDS, BY SECTOR

Recent revenue trends: Quarter-over-quarter, by sector



Delta impacts showing in some sectors – directly and indirectly – while other sectors showing growth

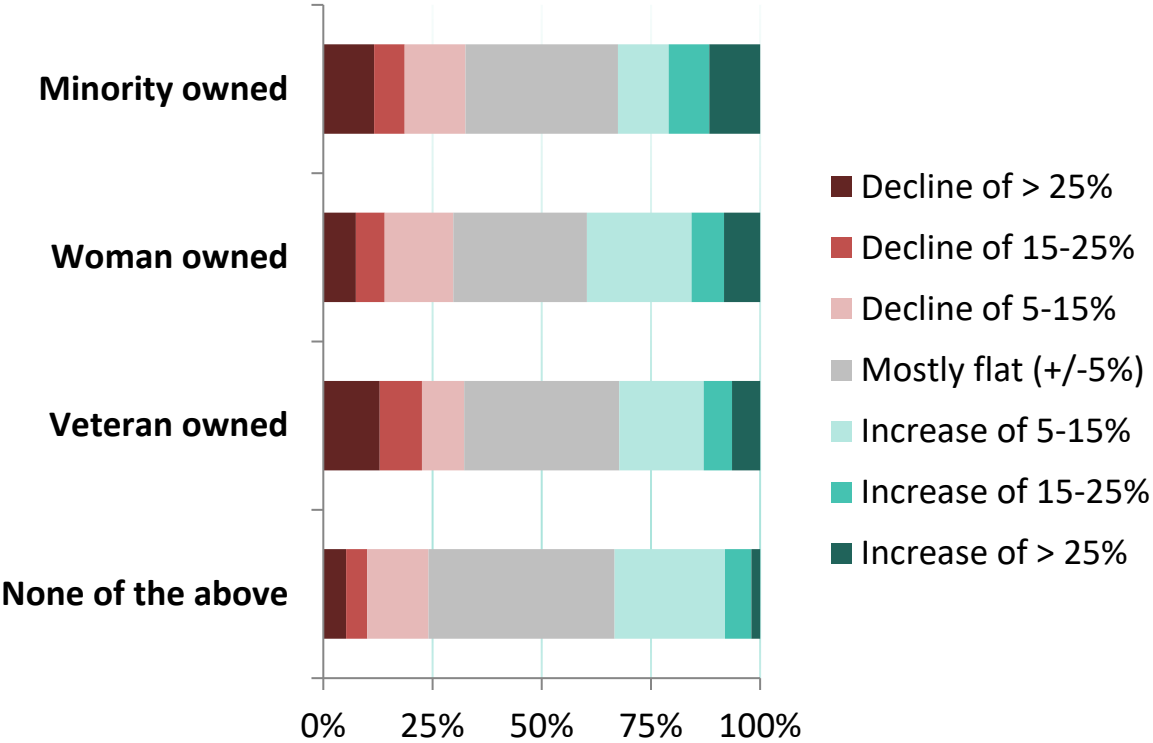
Note: smaller response samples by sector



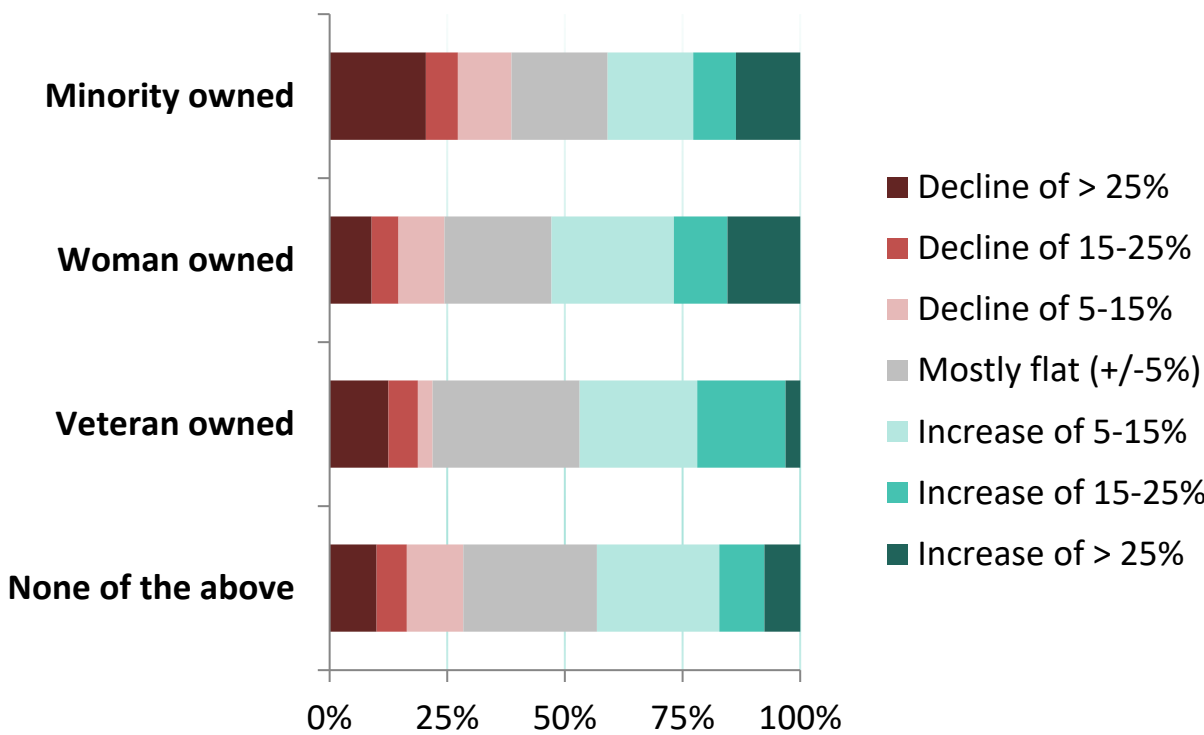
REVENUES, BY OWNERSHIP

- **Minority-owned firms continue to see worse revenue trends**
- **Due in part to respondent concentration in Twin Cities, and harder-hit sectors**

Recent revenue compared with prior quarter



Recent revenue compared with same period last year

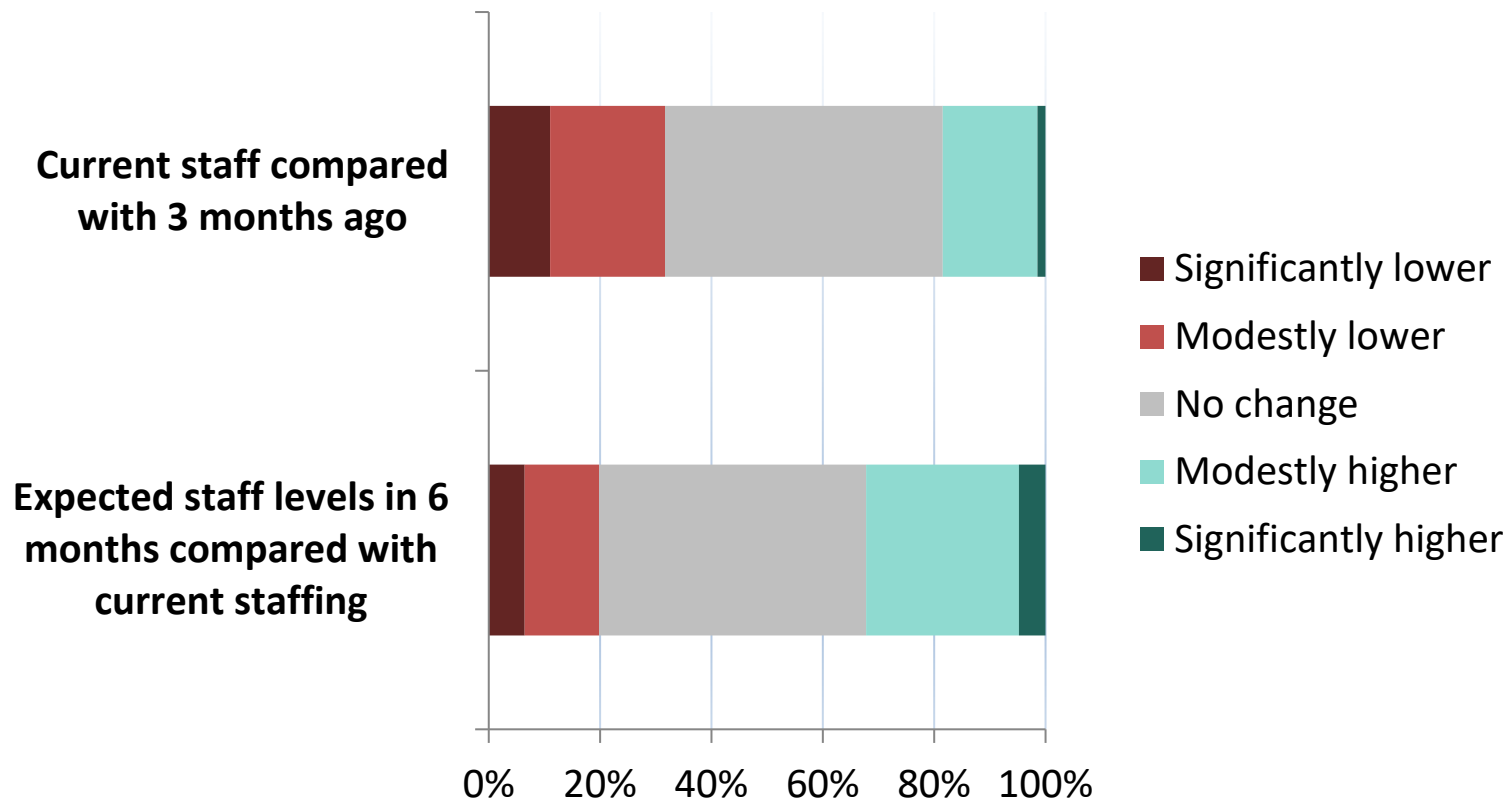




WORKFORCE & WAGE TRENDS

WORKFORCE DEMAND: MURKY

Please estimate recent changes in staffing levels at your firm, and your future staffing expectations



Overall, firms reported staffing contraction

In past surveys, large firms more likely be increasing staff, & smaller firms more likely see staff reductions

In this survey, large firms were the *most* likely to have seen staff *reductions*, possibly due to federal vaccine mandate

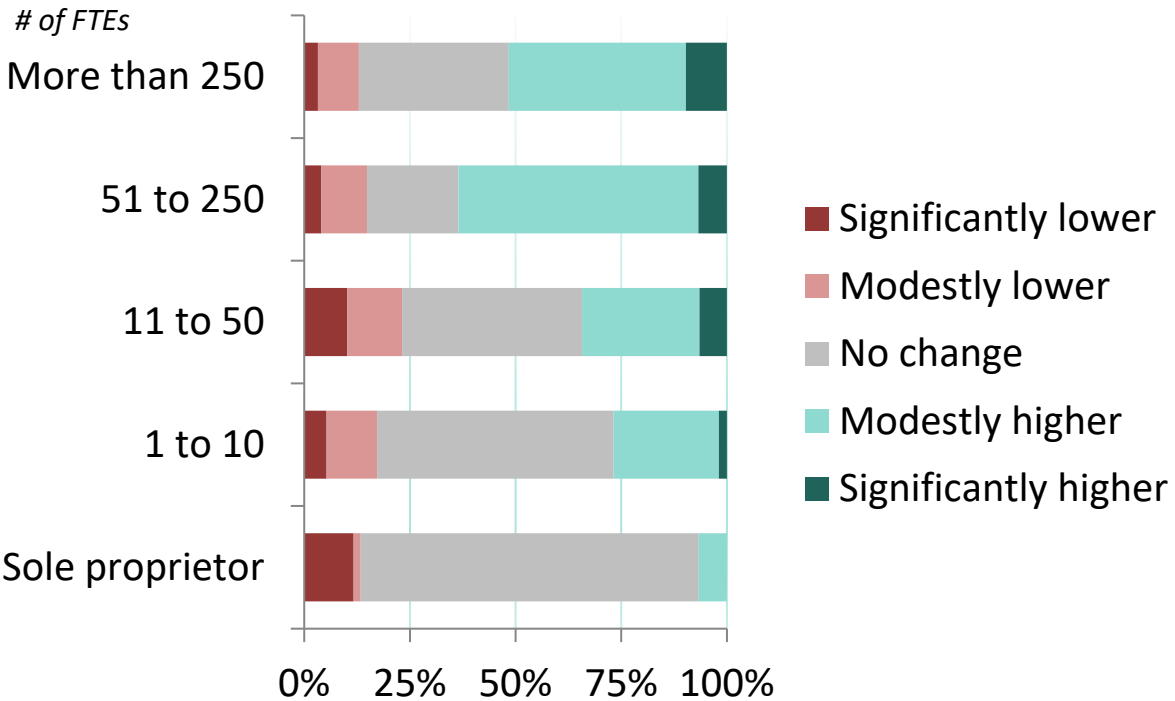
Firms still upbeat regarding future staffing levels, though large firms were evenly split



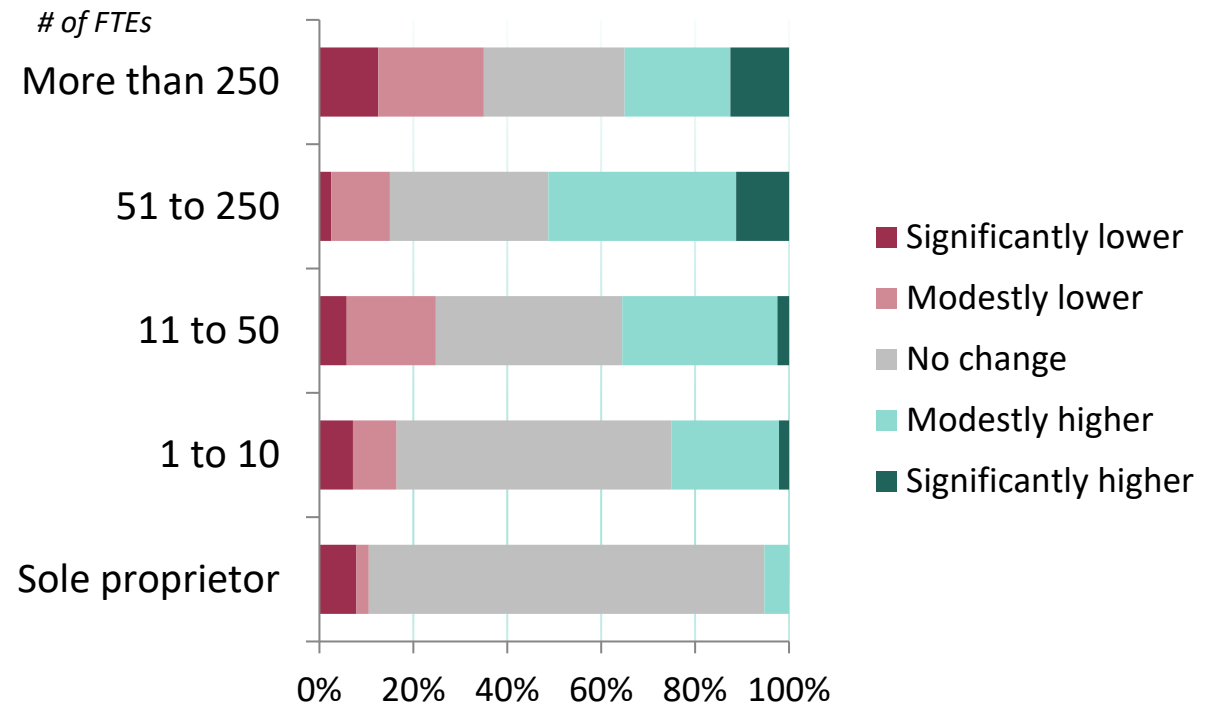
WORKFORCE GROWTH, BY FIRM SIZE

- Hiring expectations have changed for the largest firms
- Small response sample (40), but notable shift, deviates from past surveys

July survey
Expected staff levels in 6 months



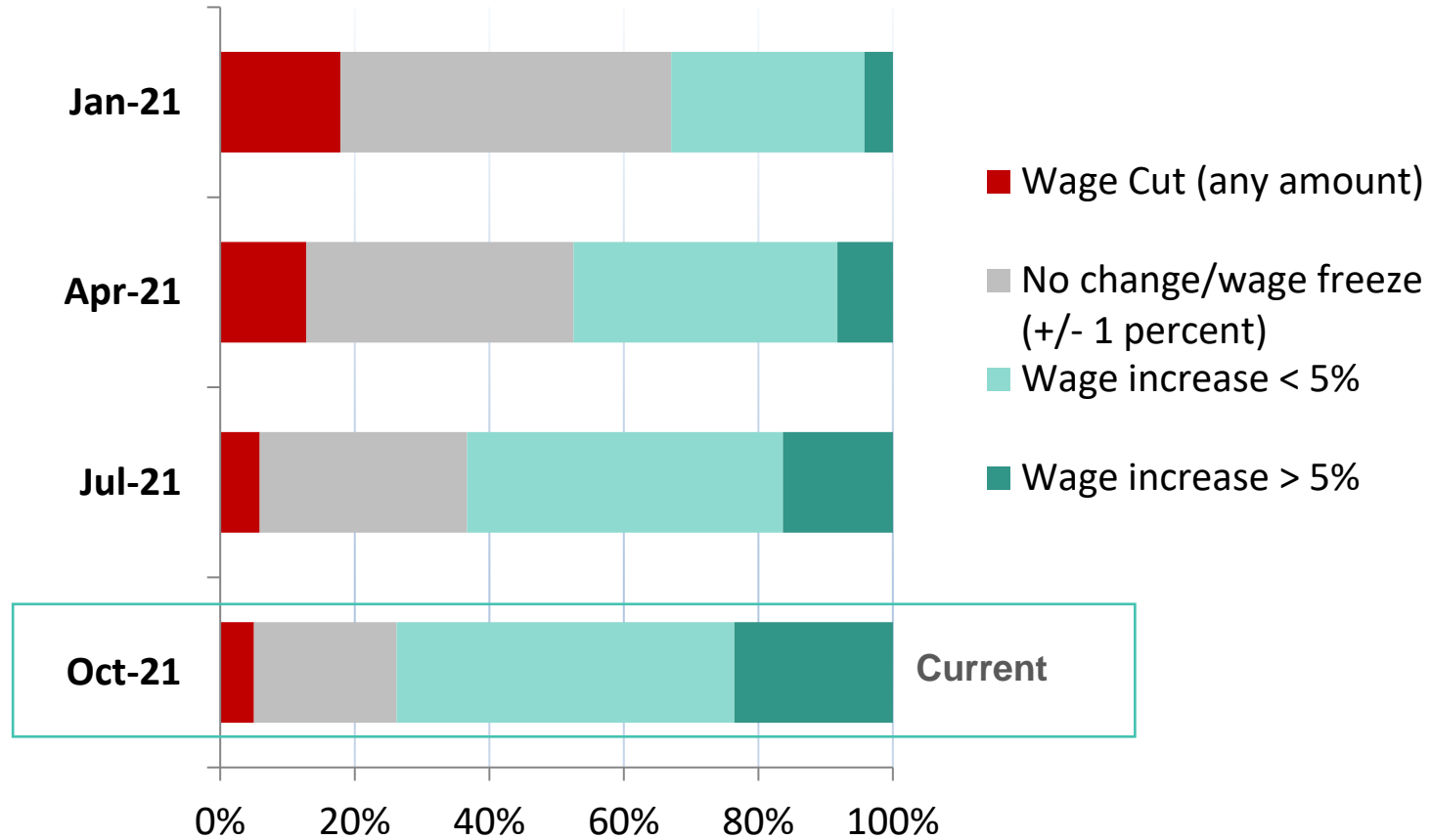
October survey
Expected staff levels in 6 months



WAGES RISING

Past surveys

Average wages compared w/ one year ago

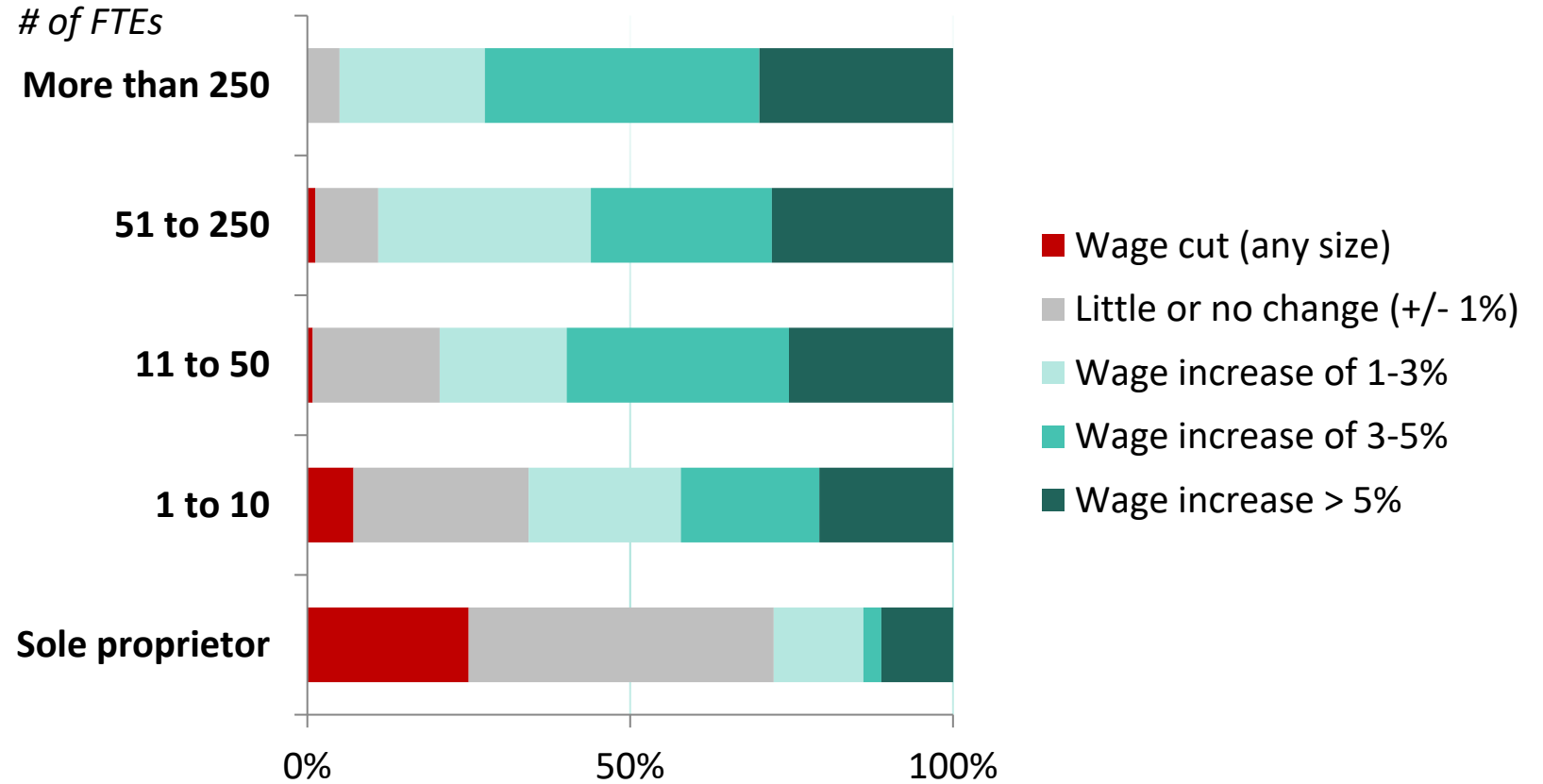


The prevalence and size of wage increases have both risen notably over the past year



WAGES BY FIRM SIZE

Change in average wages compared with 12 months ago
October 2021 survey



Wage growth much stronger among larger firms

This means a larger share of workers overall are getting larger pay raises



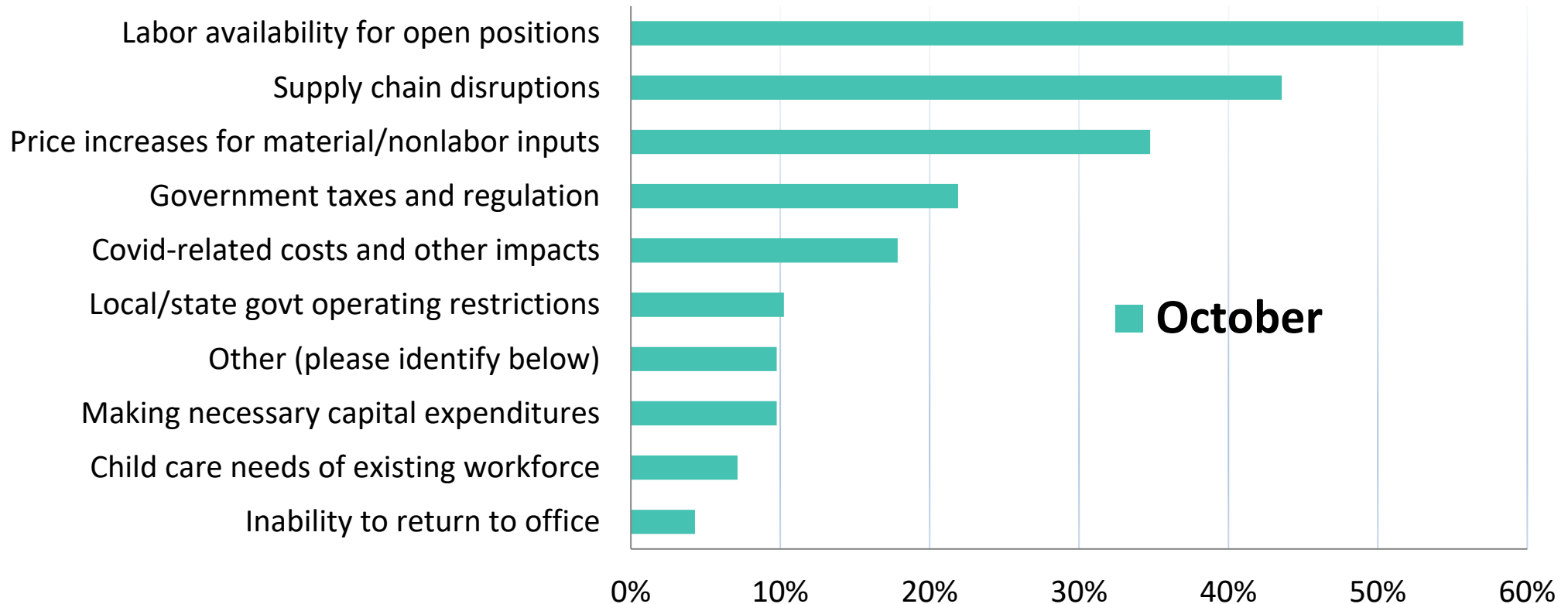


CHALLENGES & OTHER METRICS

CHALLENGES TO OPERATIONS

- Firms facing many challenges, but three BIG ones

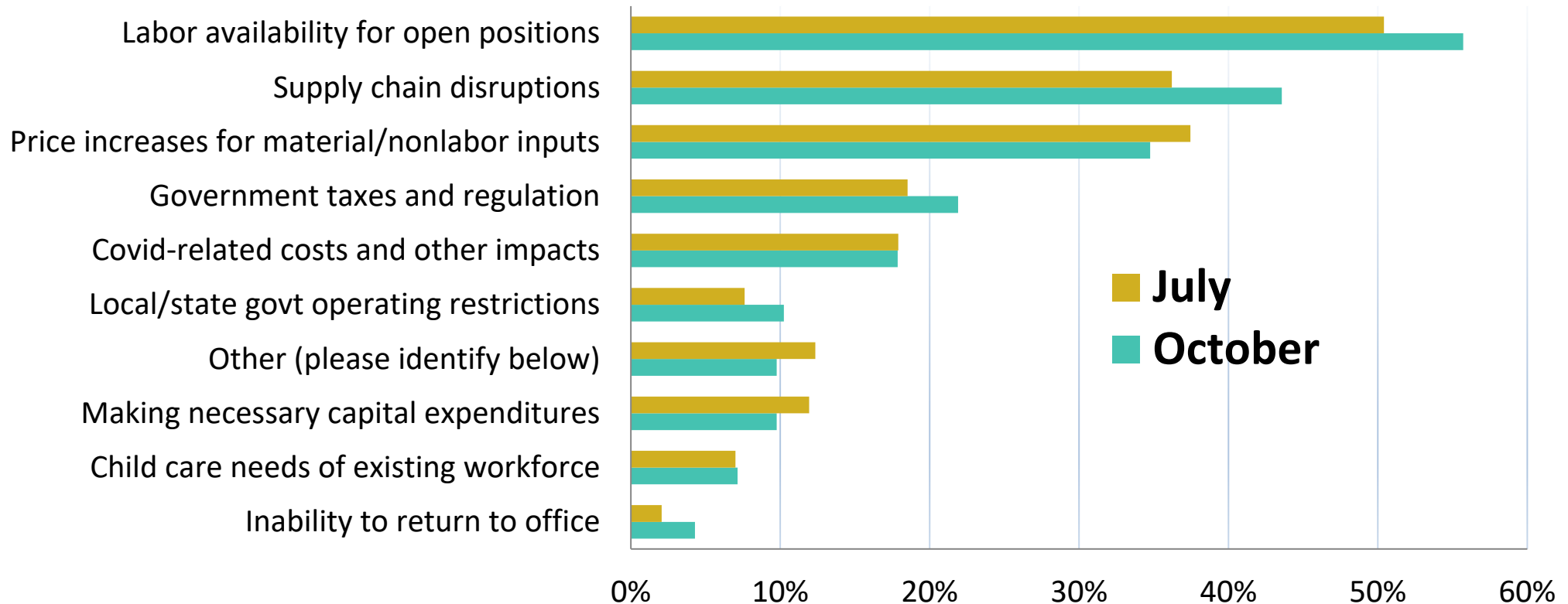
What are the two greatest challenges to operating capacity and productivity?



CHALLENGES TO OPERATIONS

- Firms facing many challenges, but three BIG ones
- The top two challenges have worsened since July

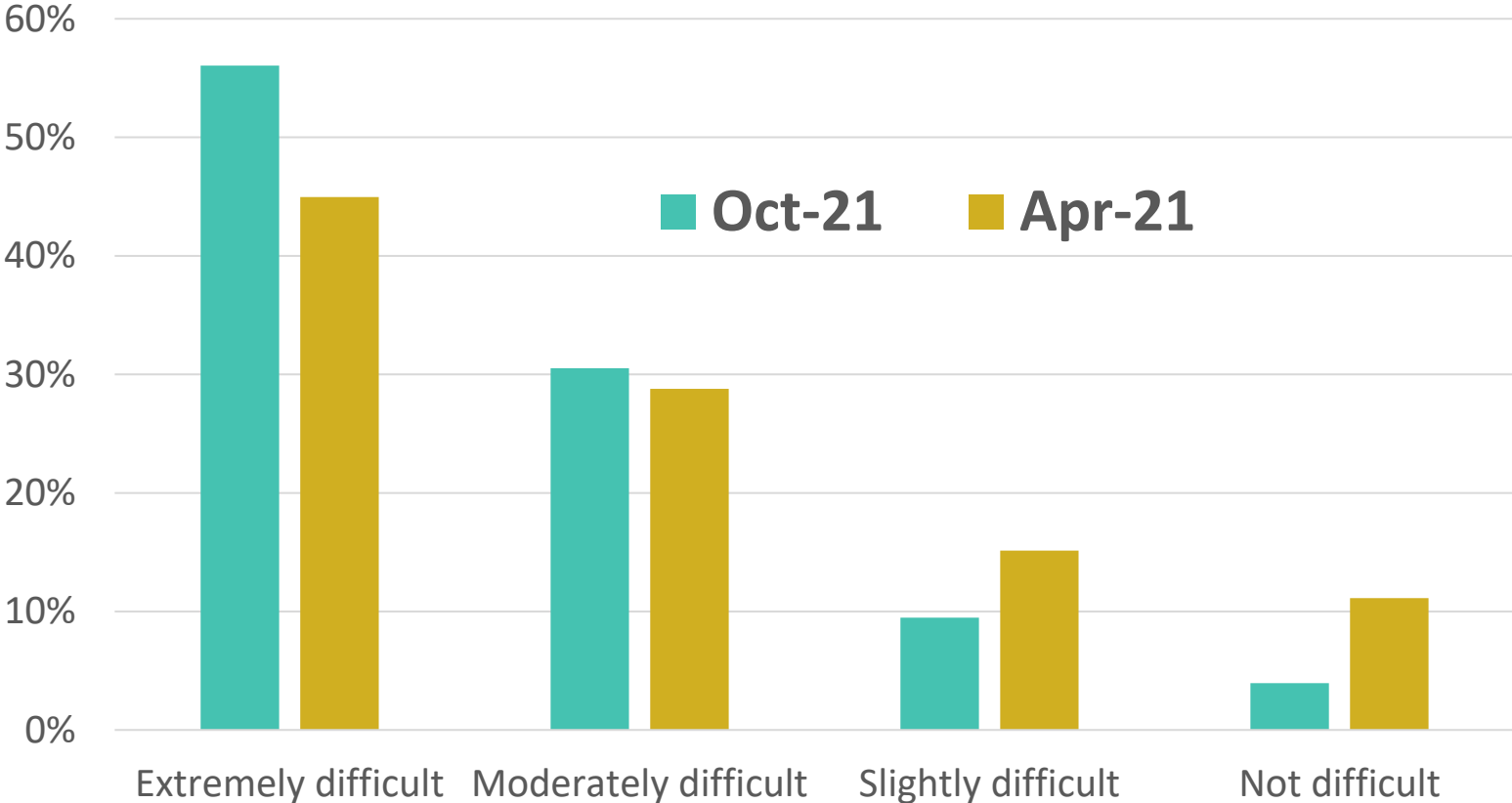
What are the two greatest challenges to operating capacity and productivity?



CHALLENGES – LABOR AVAILABILITY

Labor availability
(or lack thereof)
is flowing
upstream

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

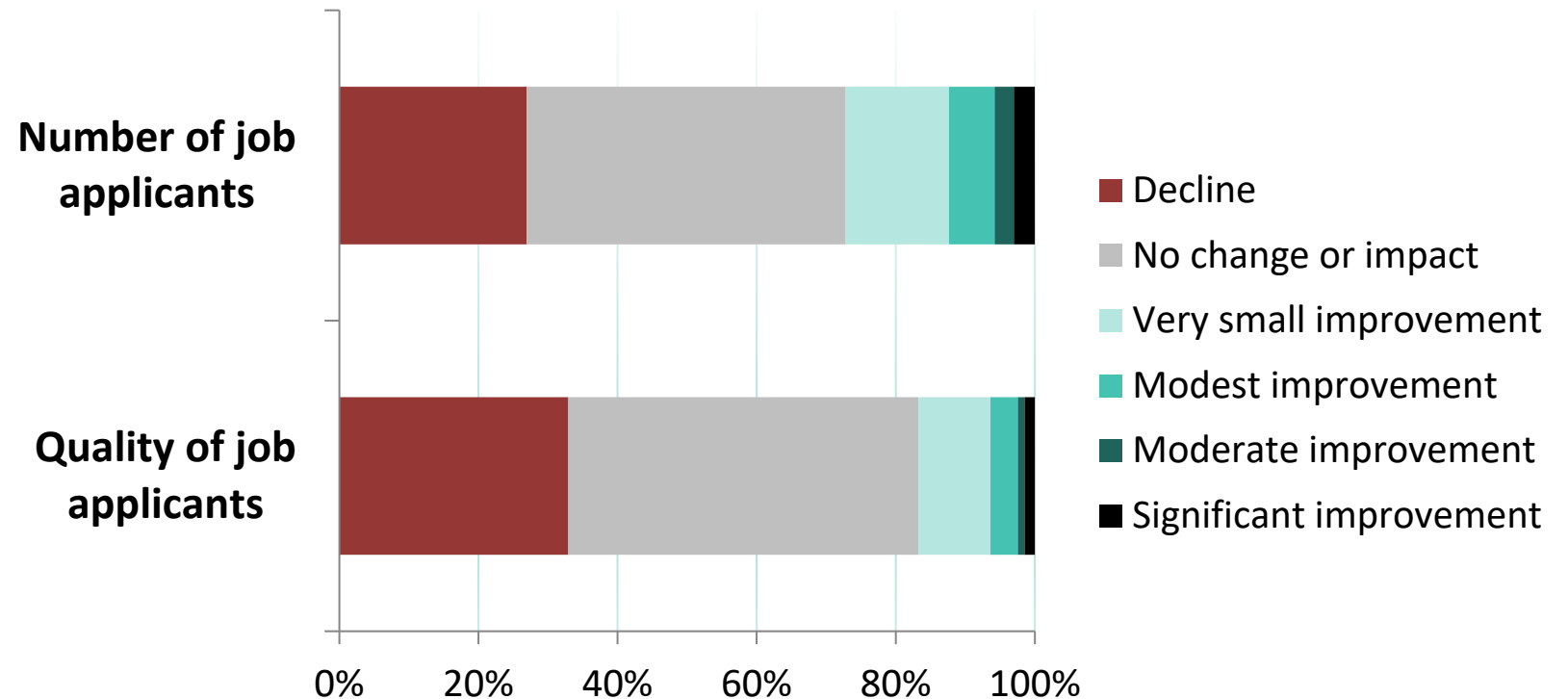


SPECIAL QUESTION: PANDEMIC UNEMPLOYMENT

Termination of pandemic era unemployment benefits has had little net effect on labor markets (so far)

Special question

What changes have you seen since the termination of pandemic-era UI programs?

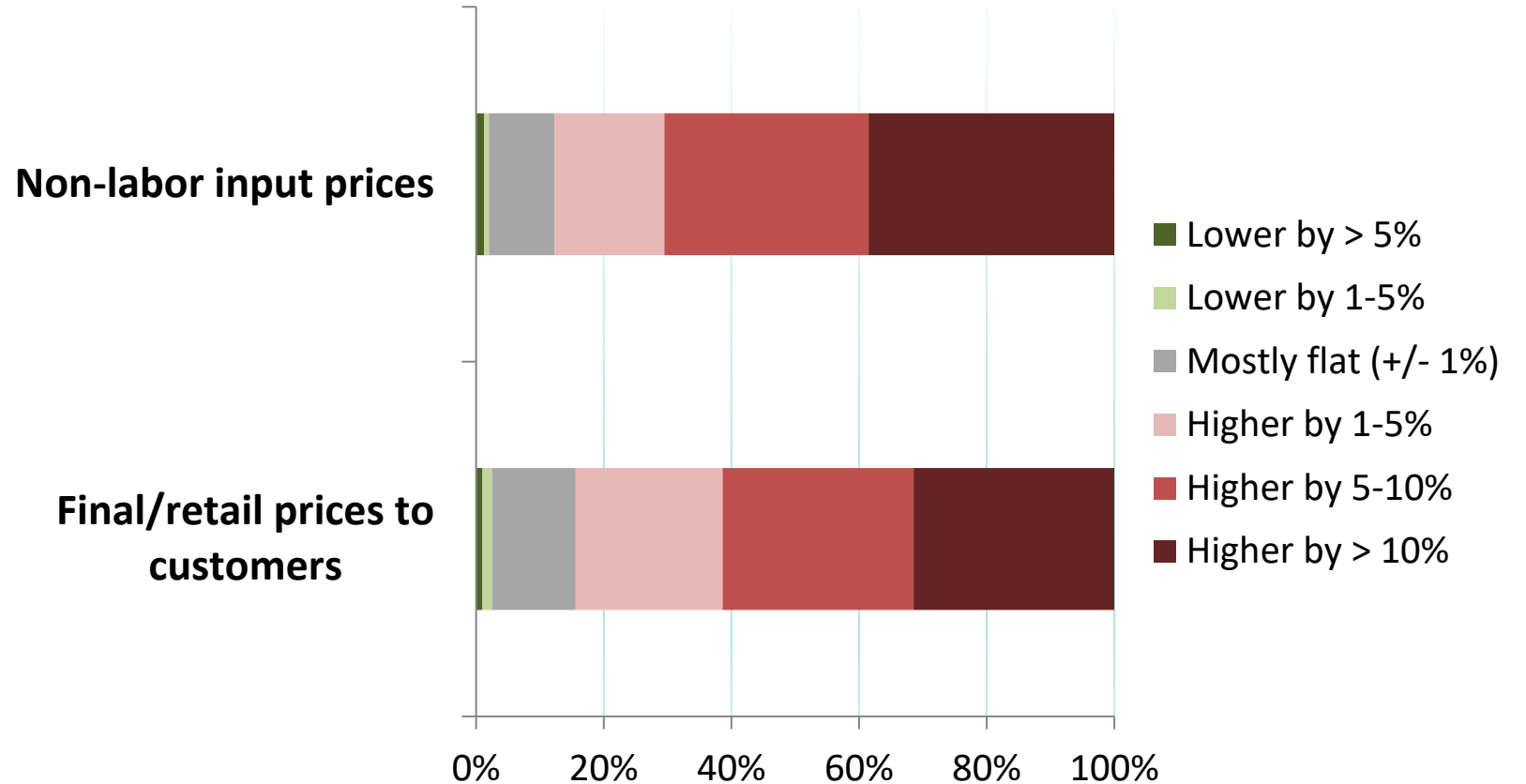


PRICES RISING

70% said input prices rose by > 5%

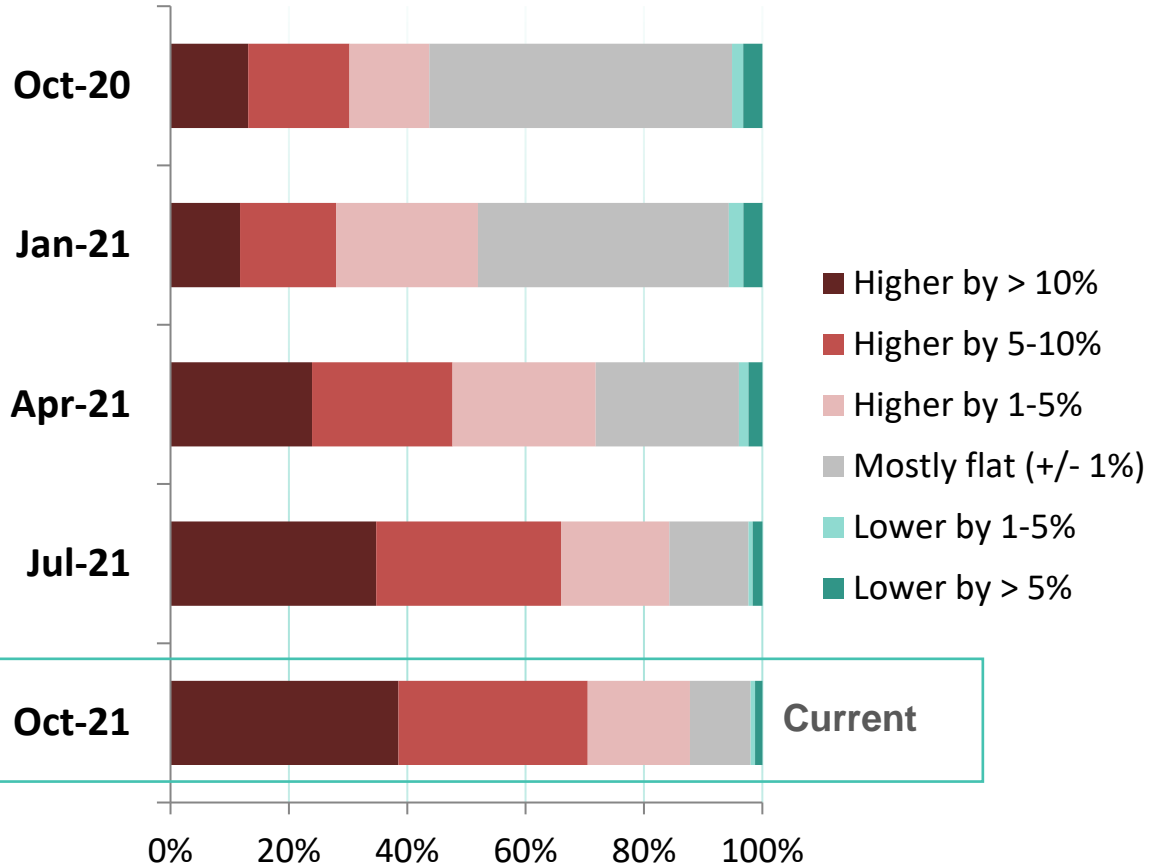
Price increases flowing through to customers; 61% said final prices rose by > 5%

Please describe current price levels compared with pre-pandemic levels

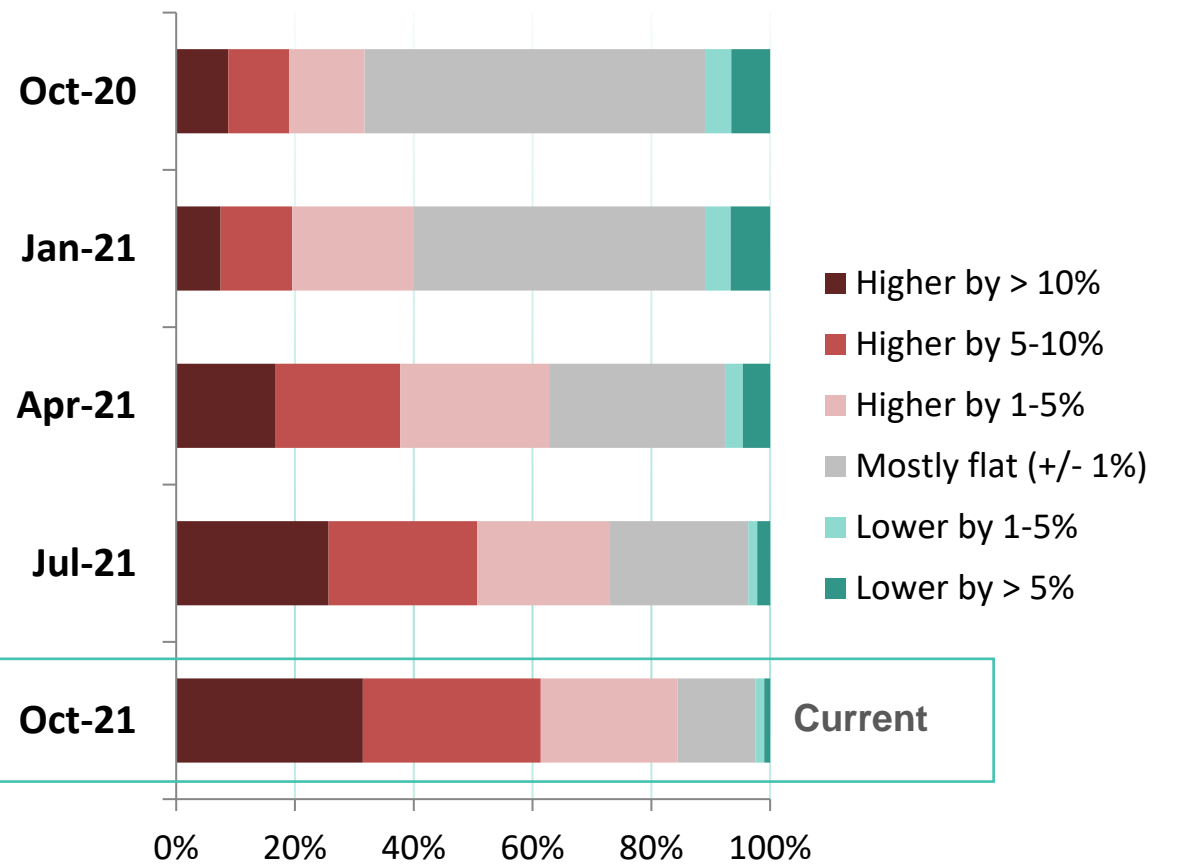


PRICES OVER TIME: PERSISTENT INCREASES

Non-labor input prices



Final/retail prices to customers

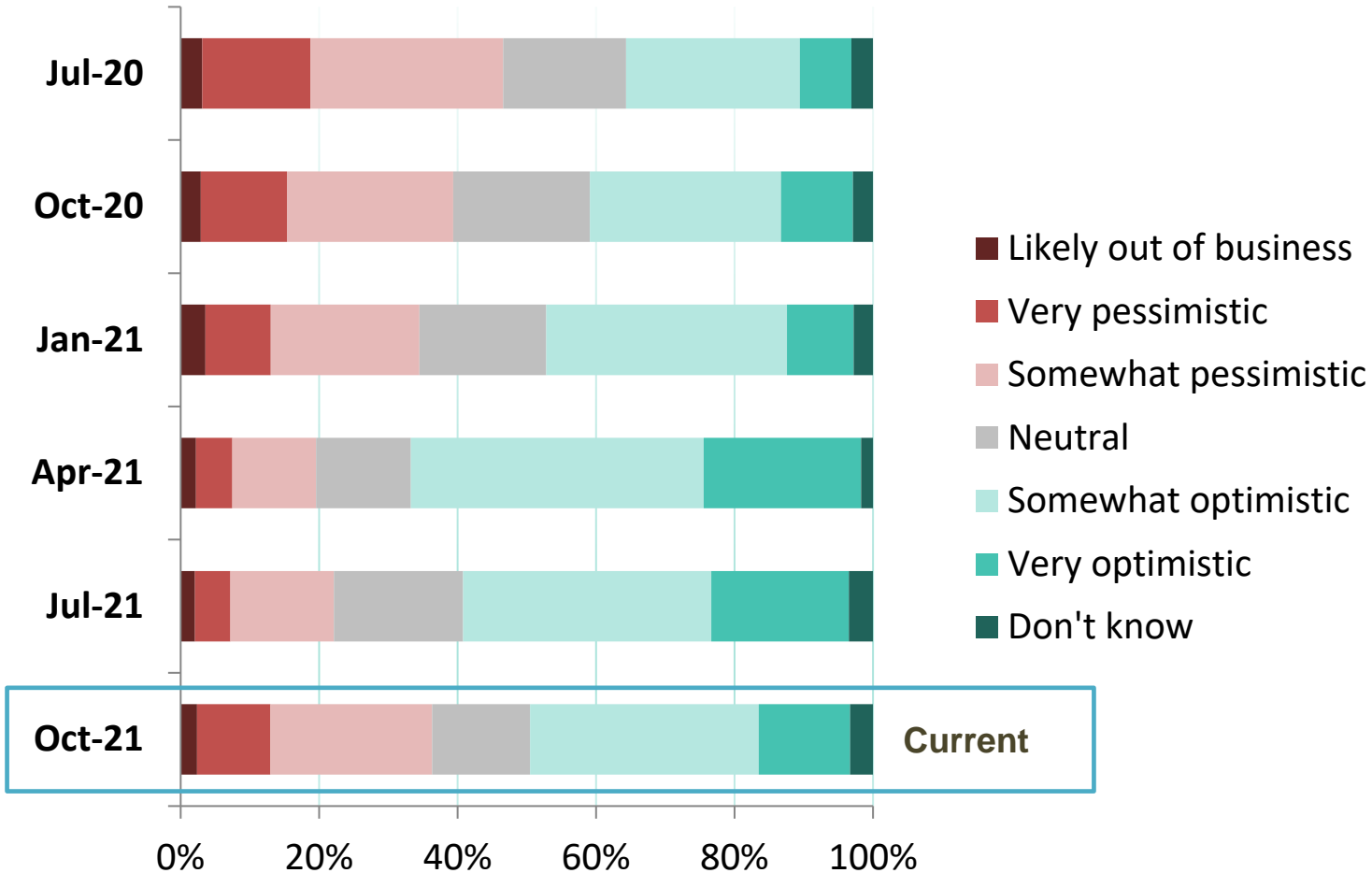




OUTLOOK: STAY POSITIVE

OUTLOOK = MORE CAUTIOUS

What is your outlook for the future?



Outlook still net-positive, but has turned much more cautious

Optimism gap between large and small firms also narrowing





FINAL THOUGHTS

- Survey results still net-positive
- Growth = much better than the alternative
- But more caution among respondents
- Firms battling significant challenges regarding labor, supply chains and higher prices
- Delta remains an underlying force obstructing market's ability to repair itself
- Outlook remains positive despite challenges



TRACKING THE RECOVERY: FUTURE SURVEYS & WEBINARS

- **Ag conditions webinar: Joe Mahon**
 - **Friday, Nov. 19 @ 9:00am**
- **Upcoming surveys**
 - **Construction survey** in field Nov. 15-22
 - REC Update webinar – Friday, Dec. 3 @ 9:00am
 - **Hospitality & Tourism survey**
 - In field after Thanksgiving
 - Look for results from survey partners:
Hospitality Minnesota and Explore Minnesota





THANK YOU!
QUESTIONS?

Submit written questions via chat box



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