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 the largest, regular surveys of business conditions among the 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

Source: Minneapolis Fed, preliminary results, General Business Survey, October 2021
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

Oct-20
Jan-21
Apr-21
Jul-21
Oct-21

- Declined > 25%
- Declined 15-25%
- Declined 5-15%
- Mostly flat (+/-5%)
- Increased 5-15%
- Increased 15-25%
- Increase of > 25%

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

Jan-21
Apr-21
Jul-21
Oct-21

- Declined > 25%
- Declined 15-25%
- Declined 5-15%
- Mostly flat (+/-5%)
- Increased 5-15%
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- Increase of > 25%

FEDERAL RESERVE BANK OF MINNEAPOLIS
Delta impacts showing in some sectors – directly and indirectly – while other sectors showing growth.

Note: smaller response samples by sector.
• Minority-owned firms continue to see worse revenue trends
• Due in part to respondent concentration in Twin Cities, and harder-hit sectors
WORKFORCE & WAGE TRENDS
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**

<table>
<thead>
<tr>
<th># of FTEs</th>
<th>Significantly lower</th>
<th>Modestly lower</th>
<th>No change</th>
<th>Modestly higher</th>
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<td>More than 250</td>
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### October survey

**Expected staff levels in 6 months**

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The prevalence and size of wage increases have both risen notably over the past year.
Wages by Firm Size

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?

- Labor availability for open positions
- Supply chain disruptions
- Price increases for material/nonlabor inputs
- Government taxes and regulation
- Covid-related costs and other impacts
- Local/state govt operating restrictions
- Other (please identify below)
- Making necessary capital expenditures
- Child care needs of existing workforce
- Inability to return to office

October Graph
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?

- Labor availability for open positions
- Supply chain disruptions
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- **July**
- **October**
Labor availability (or lack thereof) is flowing upstream.

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

- Oct-21
- Apr-21

Options:
- Extremely difficult
- Moderately difficult
- Slightly difficult
- Not difficult
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?

Number of job applicants
- Decline
- No change or impact
- Very small improvement
- Modest improvement
- Moderate improvement
- Significant improvement

Quality of job applicants
- Decline
- No change or impact
- Very small improvement
- Modest improvement
- Moderate improvement
- Significant improvement
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:

- **Non-labor input prices**
  - 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%
PRICES OVER TIME: PERSISTENT INCREASES

Non-labor input prices

- Oct-20: Higher by > 10%, Higher by 5-10%, Higher by 1-5%, Mostly flat (+/- 1%), Lower by 1-5%, Lower by > 5%
- Jan-21: Higher by > 10%, Higher by 5-10%, Higher by 1-5%, Mostly flat (+/- 1%), Lower by 1-5%, Lower by > 5%
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Final/retail prices to customers

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OUTLOOK: STAY POSITIVE
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