The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.
• 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
TODAY’S PRESENTATION

● The Federal Reserve
  • The Ninth District

● Services sector

● Survey results
  • Conditions down but varied greatly
  • Outlook optimistic

● Lingering pandemic impacts
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THE SERVICES SECTOR

SECTORS WE SURVEYED

• Professional, scientific, and technical services (NAICS code 541)
  • Design, engineering, architecture
  • Marketing and advertising
  • Research and development
  • Legal services
  • Accounting, tax prep

• Administrative and support services (NAICS code 561)
  • Employment services
  • Business support
  • Clerical and administrative
  • Investigation and security
  • Facilities support and cleaning
OUTPUT BY INDUSTRY, 2020, U.S. & NINTH DISTRICT

U.S.

- Natural resources: 2%
- Construction: 4%
- Manufacturing: 11%
- Professional and Business Services: 19%
- Government: 22%
- Other Services: 13%
- Trade, Transportation & Utilities: 16%
- Finance, Insurance & Real Estate: 13%
- Veterans Affairs: 19%

Ninth District

- Natural resources: 3%
- Construction: 5%
- Manufacturing: 11%
- Professional and Business Services: 14%
- Government: 21%
- Other Services: 18%
- Trade, Transportation & Utilities: 17%
- Finance, Insurance & Real Estate: 11%

Source: Bureau of Economic Analysis
EMPLOYMENT BY INDUSTRY, 2020, U.S. & DISTRICT

Source: Bureau of Labor Statistics
TODAY’S PRESENTATION

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SERVICES SECTOR IN CONTRACTION

• Ninth District survey
  • Conducted in May and June, looking backward and forward one year (four quarters)
  • Random sample of services firms, polled online
  • Stratified by state and firm size
  • All states, 311 respondents
• Conducted in partnership with Minnesota DEED
Survey Results

Activity was down, even with reopening

2020/2021 Performance

- Sales revenue
- Profits
- Productivity
- Employment level
- Labor availability
- Selling prices
- Input costs
- Space occupied (square footage)

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
BUT REBOUNDED RELATIVE TO LAST YEAR

*Index number above 50 indicates expansion.
Index number below 50 indicates contraction.
OUTLOOK FOR NEXT YEAR IS OPTIMISTIC

SURVEY RESULTS

2021/2022 Outlook

Sales revenue
Profits
Productivity
Employment level
Labor availability
Selling prices
Input costs
Space occupied (square footage)

*Index number above 50 indicates expansion.
Index number below 50 indicates contraction.
BUSINESS OPTIMISM BACK UP TO PRE-PANDEMIC LEVEL

SURVEY RESULTS

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
STATE ECONOMIC OUTLOOKS MUCH MORE OPTIMISTIC

SURVEY RESULTS

2021/2022 Outlook

- Employment
- Consumer spending
- Inflation
- Corporate profits
- Mergers and acquisitions

Diffusion index*

0 10 20 30 40 50 60 70 80 90 100

2021 Outlook
2020 Outlook

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
TODAY’S PRESENTATION

- The Federal Reserve
  - The Ninth District
- Services sector
- Survey results
  - Conditions down but varied greatly
  - Outlook optimistic
- Lingering pandemic impacts
IMPACT OF THE COVID-19 PANDEMIC ON YOUR BUSINESS IN THE LAST 12 MONTHS

- Cash availability
- Revenue
- Profits
- Delays with suppliers
- Employee furloughs
- Employee layoffs
- Employees working from home
- Employee productivity

- Increase
- No Change
- Decrease
CHANGES IN YOUR BUSINESS SINCE JANUARY 2021

- Will allow employees to telework permanently
- Reduce office space permanently
- Employees returning to work in-person
- Requiring COVID-19 vaccine for employees
- Rehired furloughed employees
- Received financial assistance

Use the chart below to indicate the percentage of your workforce that has been impacted by each of the changes listed above. Please select from Yes, No, or Not Applicable.

Yes  No  Not Applicable
In your opinion, how long will it be before your business goes back to normal operations?

- 24% 1 month or less
- 11% 2-3 months
- 14% 4-6 months
- 3% More than 6 months
- 1% I don't believe my business will go back to normal
- 6% There has been little or no effect on my business
- 18% Already at normal operations
- 1% Going out of business
THANK YOU!

SPEECH REFERRALS WELCOME!

@MINNEAPOLISFED

JOSEPH.MAHON@MPLS.FRB.ORG

OR CONNECT ON LINKEDIN