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

- One of largest, regular surveys of business conditions among 12 Reserve District Banks
Conducted July 11-29, 2022
444 responses from across the Ninth District, with improved balance across states
Results are a snapshot
  Not a scientifically sampled survey
  Interpret cautiously

TODAY’S FOCUS
GENERAL BUSINESS SURVEY
QUICK TAKE-AWAYS

● Most recent 3-month period saw revenue trends slow, and profits decline notably
● However, strong demand for workers continues
● Labor availability still very poor, and a top concern;
● Employers reported a lot of new workforce efforts
● Other major challenges remain: prices, (concern worsened), supply chain (improved slightly), higher interest rates (new on radar); wages still strong
● Outlook: Overall flat, but with very mixed opinions
RECENT REVENUE & PROFIT TRENDS
Across all timeframes, the message is “mixed/flat”

Roughly similar shares seeing decline and growth
Recent and future profits

Recent profits down for many firms, particularly on y-o-y basis

Future expectations also net-negative
HOW DO THINGS LOOK OVER TIME?

- Convenience sample used by survey best viewed as a snapshot of conditions
- “Repeated cross sections” offer some insight on issues over the course of pandemic
- Note: Survey has gone from quarterly to bi-annual; doesn’t ‘affect’ results, but be aware in time series
- *Please interpret carefully:* More useful for general direction (activity, sentiment) than as an exact path
Recent and future revenue trends have eroded.
OTHER REVENUE SNAPSHOT
BY FIRM TRAITS
REVENUES BY STATE

Quarterly revenue compared with last year

UP of Michigan
Mpls-St. Paul
South Dakota
Wisconsin
Greater Minnesota
North Dakota
Montana

Modest degrees of difference in revenue trend by state

UP-MI saw worst revenue trend, but other states all close to ‘flat/mixed’ trend

Also, small responses in some states (e.g., MT)
Throughout the pandemic, larger firms have generally seen more positive ("less negative") revenue trends. Compared with January, every category saw more respondents “in the red” and fewer seeing growth.
REVENUE TRENDS, BY SECTOR

Consumer & high-input sectors affected most

Manufacturing and transportation notable exceptions; little pandemic slowdown in these sectors

Note: small sample sizes for some sectors (ag, entertainment, transport) please interpret carefully
Minority-, veteran- & women-owned firms continue to see worse revenue trends
Tend to be smaller in size, and in sectors seeing more difficulty

**Quarterly revenue compared with same period last year**

- Minority owned (race/ethnicity)
  - Decline of > 25%
  - Decline of 15-25%
  - Decline of 5-15%
  - Mostly flat (+/-5%)
  - Increase of 5-15%
  - Increase of 15-25%
  - Increase of > 25%

- Woman owned
  - Decline of > 25%
  - Decline of 15-25%
  - Decline of 5-15%
  - Mostly flat (+/-5%)
  - Increase of 5-15%
  - Increase of 15-25%
  - Increase of > 25%

- Veteran owned
  - Decline of > 25%
  - Decline of 15-25%
  - Decline of 5-15%
  - Mostly flat (+/-5%)
  - Increase of 5-15%
  - Increase of 15-25%
  - Increase of > 25%

- None of the above
  - Decline of > 25%
  - Decline of 15-25%
  - Decline of 5-15%
  - Mostly flat (+/-5%)
  - Increase of 5-15%
  - Increase of 15-25%
  - Increase of > 25%

- **Quarterly profit compared with same period last year**

- Minority owned (race/ethnicity)
  - Significantly lower
  - Somewhat lower
  - Little or no change
  - Somewhat higher
  - Significantly higher

- Veteran owned
  - Significantly lower
  - Somewhat lower
  - Little or no change
  - Somewhat higher
  - Significantly higher

- Woman owned
  - Significantly lower
  - Somewhat lower
  - Little or no change
  - Somewhat higher
  - Significantly higher

- None of the above
  - Significantly lower
  - Somewhat lower
  - Little or no change
  - Somewhat higher
  - Significantly higher
SOME GOOD NEWS!

WORKFORCE & WAGE TRENDS
Almost 70% of firms still hiring in some capacity!

Close to 40% trying to expand full-time headcount

Compared with January, fewer said they were not hiring (37% to 28%)

More also hiring to replace turnover (35% to 25%)
Overall, firms struggled to add staff
Only larger firms reported a net rise of staffing levels
Turnover rising, esp. for larger firms
Despite current labor and economic conditions, firms remain optimistic about need and ability to add staff in the future
WAGES RISING

Share of firms raising wages has leveled off, but share giving bigger raises continues.

Larger firms much more likely to give raises, and to give bigger raises.

Average wages compared w/ one year ago

- Decline
- Little change (+/- 1%)
- Increase < 5%
- Increase > 5%

Current
CHALLENGES & OTHER METRICS
**Challenges to Operations**

- **Labor availability** and inflation both worsened.
- Supply chain improved modestly.
- Higher interest rates also new on the radar.
- Covid concern cut in half.

### Two greatest challenges for your business

- **Jan-22**
  - Labor availability for open positions
  - Price increases for material/nonlabor inputs
  - Supply chain disruptions
  - Higher interest rates/financing costs
  - Government taxes and regulation
  - Making necessary capital expenditures
  - Covid/Omicron-related costs and other...
  - Child care needs of existing workforce
  - Local/state government operating restrictions
  - Inability to return to office

- **Jul-22**
  - Labor availability for open positions
  - Price increases for material/nonlabor inputs
  - Supply chain disruptions
  - Higher interest rates/financing costs
  - Government taxes and regulation
  - Making necessary capital expenditures
  - Covid/Omicron-related costs and other...
  - Child care needs of existing workforce
  - Local/state government operating restrictions
  - Inability to return to office
Higher wholesale and retail prices are holding

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**Non-labor input prices (wholesale)**

- **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%

- **Apr-21**
  - Higher by > 10%
  - Higher by 5-10%
  - Higher by 1-5%
  - Mostly flat (+/- 1%)
  - Lower by 1-5%
  - Lower by > 5%

- **Jul-21**
  - Higher by > 10%
  - Higher by 5-10%
  - Higher by 1-5%
  - Mostly flat (+/- 1%)
  - Lower by 1-5%
  - Lower by > 5%

- **Oct-21**
  - Higher by > 10%
  - Higher by 5-10%
  - Higher by 1-5%
  - Mostly flat (+/- 1%)
  - Lower by 1-5%
  - Lower by > 5%

- **Jan-22**
  - Higher by > 10%
  - Higher by 5-10%
  - Higher by 1-5%
  - Mostly flat (+/- 1%)
  - Lower by 1-5%
  - Lower by > 5%

- **Jul-22**
  - 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**

- **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%

- **Apr-21**
  - Higher by > 10%
  - Higher by 5-10%
  - Higher by 1-5%
  - Mostly flat (+/- 1%)
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  - Lower by > 5%

- **Jul-21**
  - Higher by > 10%
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  - Lower by 1-5%
  - Lower by > 5%

- **Jan-22**
  - Higher by > 10%
  - Higher by 5-10%
  - Higher by 1-5%
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  - Lower by 1-5%
  - Lower by > 5%

- **Jul-22**
  - Higher by > 10%
  - Higher by 5-10%
  - Higher by 1-5%
  - Mostly flat (+/- 1%)
  - Lower by 1-5%
  - Lower by > 5%
85% say labor extremely or moderately tight.

Labor unavailability pretty locked in; similar to surveys going back to 2021.
Employer efforts start with increased wages and work flexibility, & then a smorgasbord of other efforts

Larger firms checked twice as many boxes as smaller firms

Very little related to child care, despite being a major obstacle for many workers
Supply chains still problematic; some modest gains at the extremes.
OUTLOOK:
HALF FULL OR EMPTY?
OUTLOOK WORSENED, BUT STILL POSITIVE

What is your outlook for near future?

- Likely out of business
- Very pessimistic
- Somewhat pessimistic
- Neutral
- Somewhat optimistic
- Very optimistic
- Don't know

Outlook saw a notable pullback compared with January, BUT overall sentiment still net-positive.
FINAL THOUGHTS

- The bad: Revenues and profits both slowed
- The good: Hiring demand remains strong
- Inflation and labor availability lead a pack of challenges; supply chain improved a bit
- Outlook worsened, still net-positive
- Recent context: New inflation and other data suggest some macro improvements related to inflation; *but it’s early*; Federal Reserve remains committed to bringing inflation down, hopefully while retaining job growth
FINAL-FINAL THOUGHTS

● Lastly: Lots (and lots) of comments to this survey, some of which were quite colorful. We hear you.

● If there are business groups that would like to participate in future surveys, or might be interested in similar presentations, please contact me or Haley

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THANK YOU!

QUESTIONS?