ECONOMIC CONDITIONS IN THE SERVICES SECTOR

June 29, 2022

Joe Mahon
Regional Outreach Director
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.
TODAY’S PRESENTATION

- Services sector
- Survey results
  - Steady activity over last 12 months
  - Outlook mildly optimistic
- Firms embracing on-site work
TODAY’S PRESENTATION

- Services sector
- Survey results
  - Steady activity over last 12 months
  - Outlook mildly optimistic
- Firms embracing on-site work
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
<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S. Percentage</th>
<th>Ninth District Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural resources</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Finance, Insurance &amp; Real Estate</td>
<td>22%</td>
<td>14%</td>
</tr>
<tr>
<td>Construction</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>Government</td>
<td>13%</td>
<td>19%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>Other Services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EMPLOYMENT BY INDUSTRY, MAY 2022, U.S. & DISTRICT

U.S.
- Construction: 15%
- Trade, Transportation and Utilities: 8%
- Professional and Business Services: 5%
- Other Services: 6%
- Government: 19%
- Financial Services: 12%
- Manufacturing: 6%
- Ninth District

Source: Bureau of Labor Statistics
TODAY’S PRESENTATION

- Services sector
- Survey results
  - Steady activity over last 12 months
  - Outlook mildly optimistic
- Firms embracing on-site work
BUSINESS STEADY, OUTLOOK MILDLY POSITIVE

- **Ninth District survey**
  - Conducted in May and June, looking backward and forward one year (four quarters)
  - Random sample of services firms, polled by mail
  - Stratified by state and firm size
  - All states, 333 respondents
- Conducted in partnership with Minnesota DEED
WHO TOOK THE SURVEY?

PLEASE CHECK ANY/ALL THAT APPLY TO YOUR FIRM’S OWNERSHIP:

- Minority-owned
- Woman-owned
- Veteran-owned
- Prefer not to answer
- None of the above
SALES AND PRICES UP, OTHER ACTIVITY STEADY

SURVEY RESULTS

2021/2022 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.
REBOUND FROM PANDEMIC CONTINUED

SURVEY RESULTS

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
12-MONTH OUTLOOK IS CAUTIOUSLY OPTIMISTIC

SURVEY OUTLOOK

2022/2023 Outlook

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

Diffusion index*

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.

FEDERAL RESERVE BANK OF MINNEAPOLIS
EXPECTATIONS DOWN SLIGHTLY BUT STILL TYPICAL

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

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

● Services sector

● Survey results
  • Steady activity over last 12 months
  • Outlook mildly optimistic

● Firms embracing on-site work
IS YOUR BUSINESS USING OR CONSIDERING A TELEWORK REMOTE/ON-SITE WORK MODEL?

- Yes, for some employees
- No, everybody is back on-site full time
- No, our work requires people on-site
- Yes, telework a few days a week
- Not applicable
- No, we don’t see any savings
- Yes, full-time telework
- No, there are issues with telework
- Other
- Yes, we expect savings with telework model
- Yes, for everyone
THANK YOU!

SPEECH REFERRALS WELCOME!

@MINNEAPOLISFED

JOSEPH.MAHON@MPLS.FRB.ORG

OR CONNECT ON LINKEDIN