

# Professional services firms' growth may be constrained by labor availability

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Business is picking up for firms that support other businesses, according to the annual survey of professional services firms conducted by the Federal Reserve Bank of Minneapolis and the Minnesota Department of Employment and Economic Development. But these companies are having a harder time finding the skilled labor—accountants, architects, engineers, graphic designers, market researchers, management consultants and other professionals—necessary to meet client demands.

The good news is that more services firms reported growth in sales and profits over the past four quarters than those reporting a decline, and respondents expect this trend to accelerate in the coming year (see chart). Employment also expanded over the past year, according to the balance of respondents, who are slightly more upbeat about the coming year as well.

The bad news for services firms is that more respondents said labor availability is getting tighter, and they do not expect the situation to meaningfully improve in the next year. At least some appear able to deal with tight labor conditions thanks to rising productivity at their firms—something that is also likely contributing to higher sales and profits. More firms reported rising (rather than falling) service prices and

input costs, and average wages over the past year increased by 2.7 percent and benefits by an average of 2.4 percent. While more growth is expected in the next year, respondents believe those trends will moderate at least slightly. Respondents from the low-unemployment Dakotas anticipate higher wage increases, while respondents from Michigan's Upper Peninsula, where unemployment is higher than the national average, reported slower wage growth.

More employers in this sector expect their state's economy, total employment and consumer spending to increase (rather than decrease) over the next four quarters. While corporate profits are expected to increase across the district, 62 percent of respondents also expect higher inflation, with only 1 percent believing that inflation will decrease.

Increased oil exploration and drilling activities in North Dakota have had a positive effect, as 27 percent of respondents reported higher sales revenue and 11 percent noted higher employment as a result of the oil boom. However, not many have opened new locations or expanded into North Dakota. **f**

**Bakken** from page 11

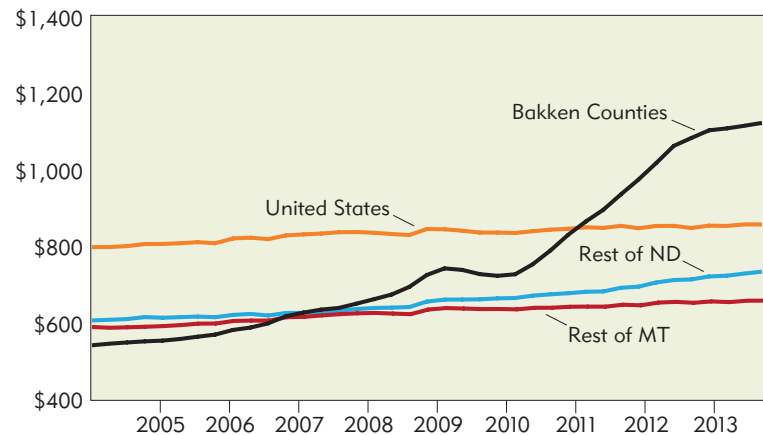
cludes Dickinson, N.D., dropped to 760 in 2013 from 1,484 in 2012. In 2004, housing units authorized in Dickinson represented 2 percent of all authori-

zations in North Dakota. In 2013, the county represented almost 9 percent of all authorizations in the state.

For more Bakken data, analysis and maps, see the Minneapolis Fed's Bakken section online at [minneapolisfed.org](http://minneapolisfed.org). **f**

Chart 4

## Recent weekly wage increases easing 4-quarter moving average in 2013 dollars



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

# Crying over spilled oil

The Bakken oil boom has been a big economic story over the past few years, not just in the region but nationally. But it hasn't been all economic good news. Booming oil extraction has led to a big increase in spills of oil, chemicals and other drilling byproducts, according to an analysis of state records by EnergyWire.

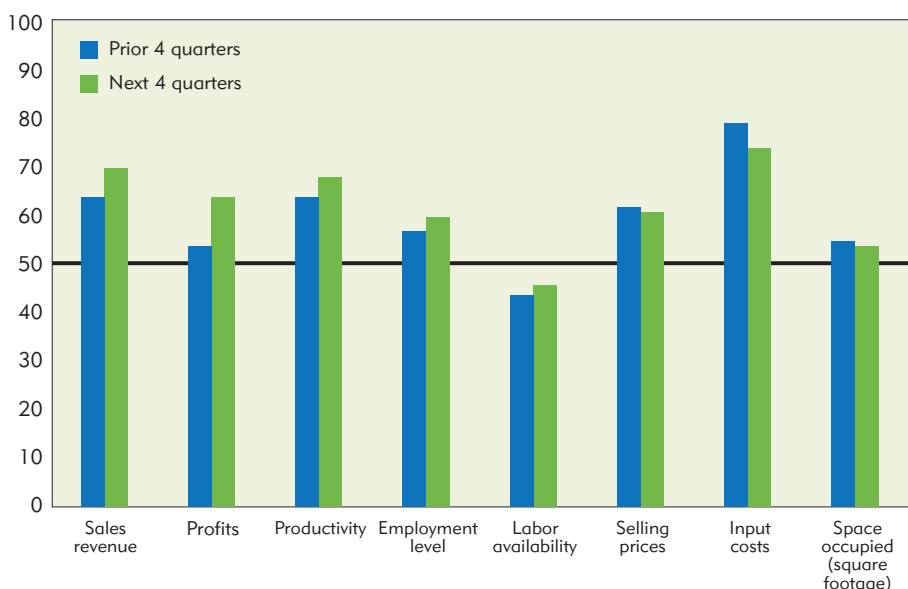
From 2009 to 2013, the number of spills tripled, roughly in line with the increase in oil production (see chart). Most of the spills (and oil production) occurred in North Dakota. The volume of fluid spilled has grown even faster, in part because of a dramatic spike in 2013. One of the biggest incidents was a wastewater spill of 17,000 barrels last

November in Bowman County, N.D.

As that incident attests, not all of these occurrences are oil spills. The fracking process used to extract shale oil from formations like the Bakken requires pumping large volumes of water mixed with other chemicals at high pressure. Some of the spills in the database are of seawater and other fracking fluids. And a few of the records cover spills of diesel fuel and assorted other fluids used by drilling machinery. Over the past several years, the proportion of spills involving oil appears to have remained fairly stable, at around two-thirds.

—Joe Mahon

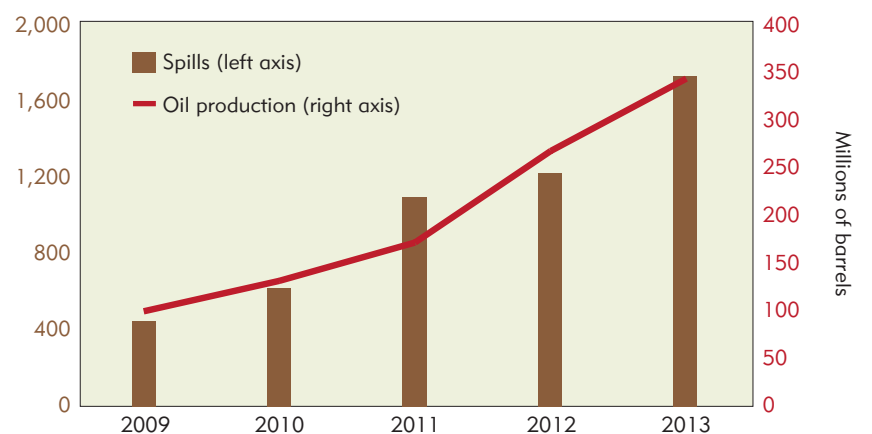
## Professional services firms expect to expand (Above 50 indicates expansion; below 50 indicates contraction\*)



\* Percent of respondents indicating increase plus half indicating no change

Source: Federal Reserve Bank of Minneapolis; Minnesota Department of Employment and Economic Development

## Spill incidents and oil production in Montana and North Dakota



Source: EnergyWire, Montana Department of Environmental Quality, North Dakota Department of Mineral Resources