

REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

GENERAL BUSINESS SURVEY

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FEDERAL RESERVE BANK
OF MINNEAPOLIS

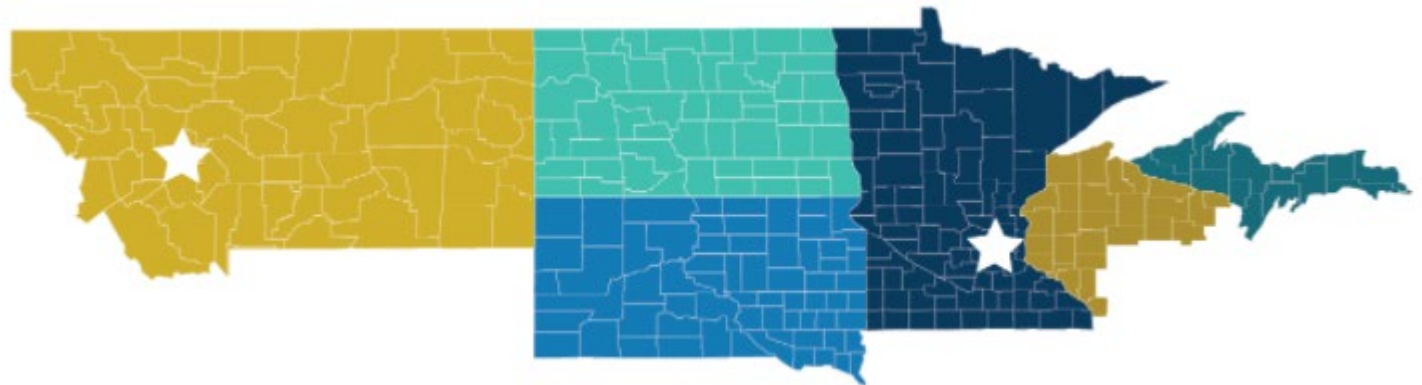
DISCLAIMER

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





TODAY'S FOCUS

GENERAL BUSINESS SURVEY

- 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





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





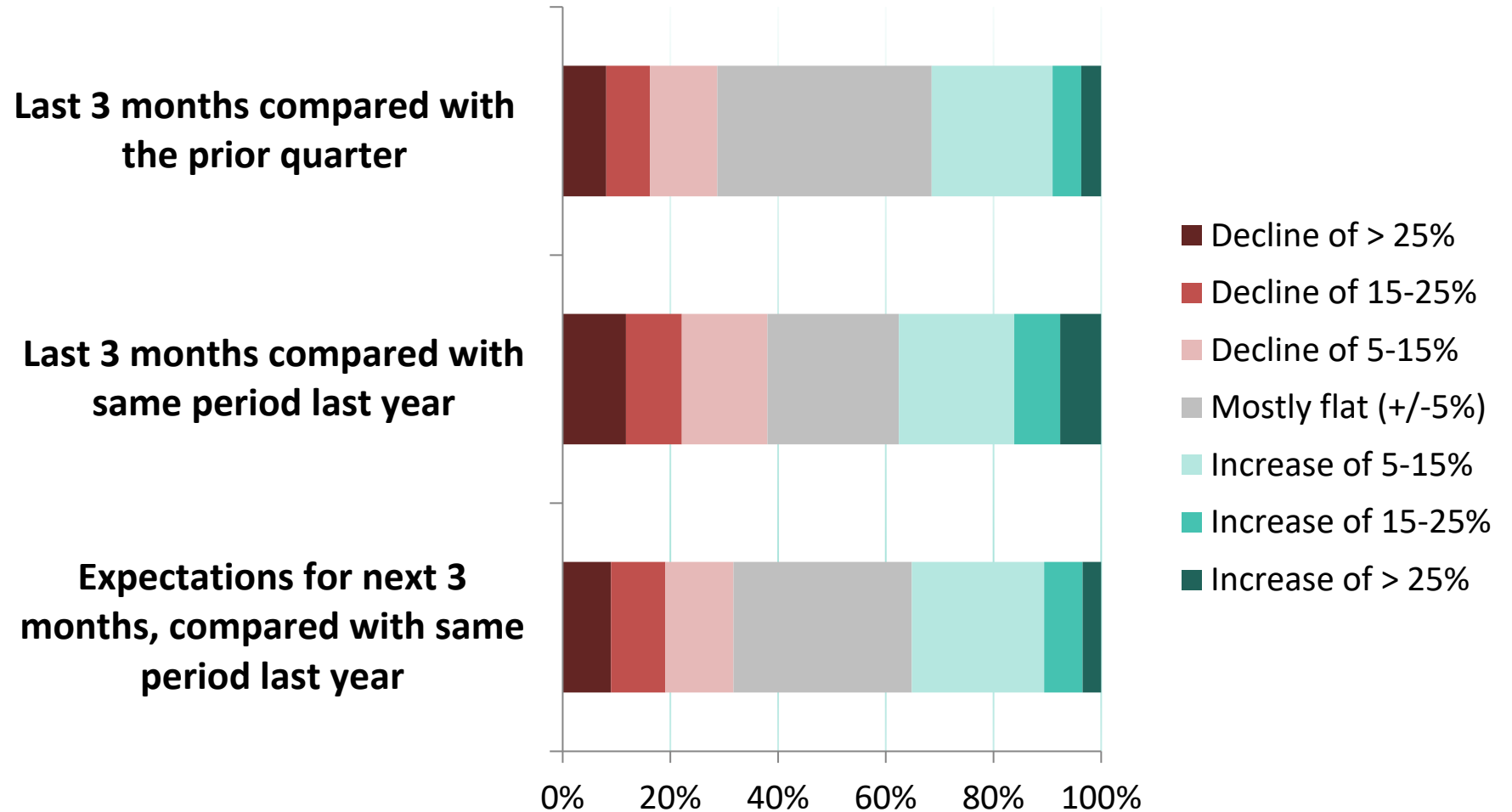
**RECENT REVENUE &
PROFIT TRENDS**

RECENT AND FUTURE REVENUE

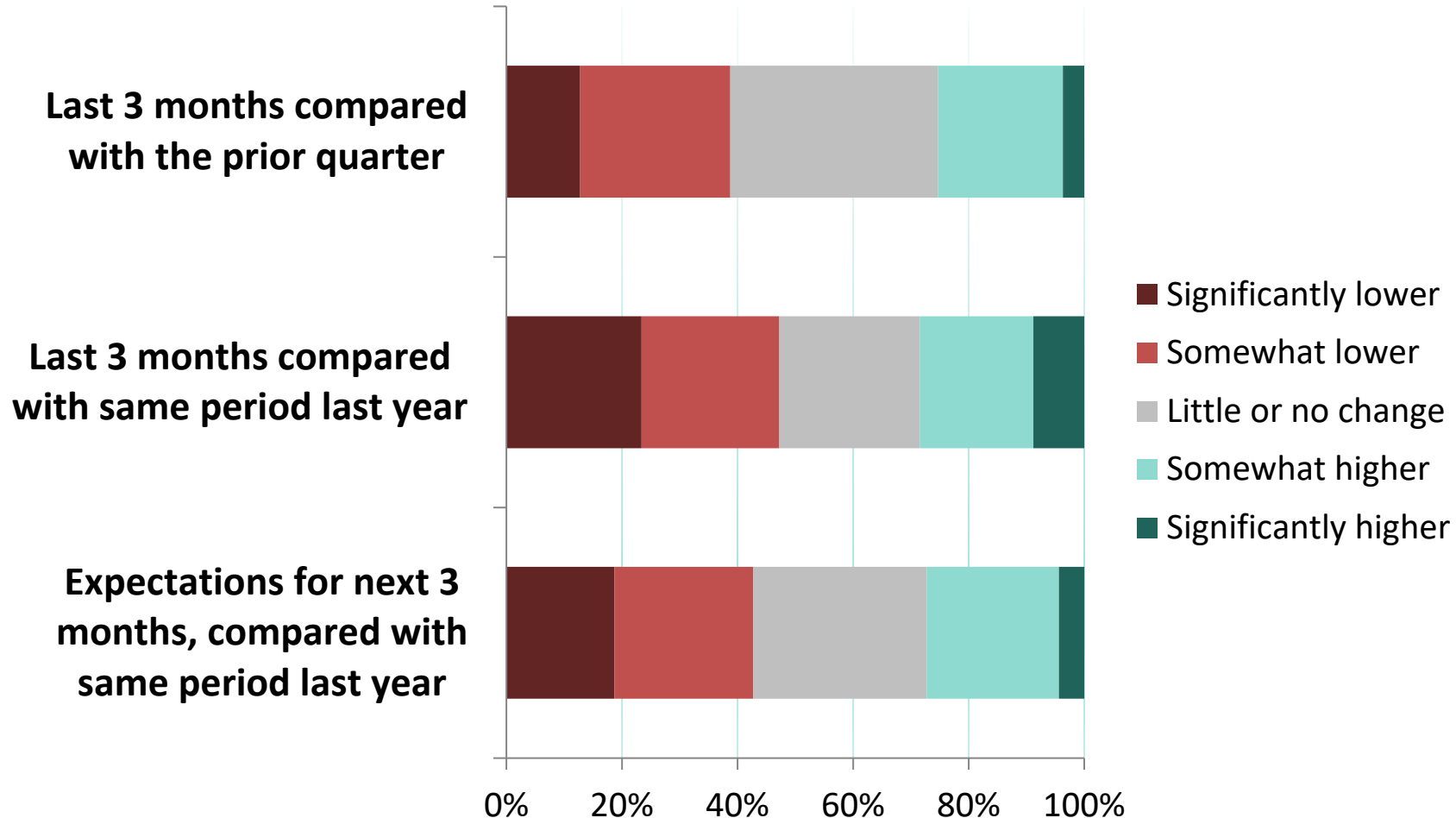
Across all timeframes, the message is “mixed/flat”

Roughly similar shares seeing decline and growth

Recent and future revenues



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?

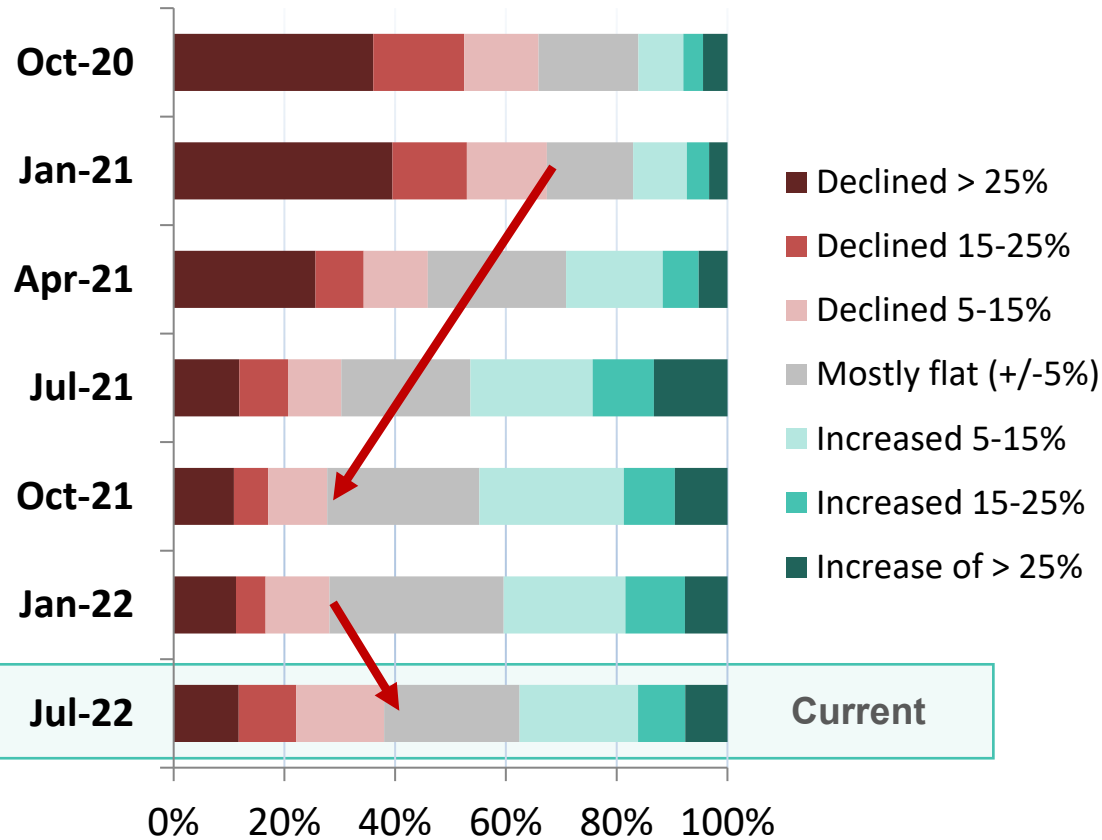
- Convenience sample used by survey best viewed as a snapshot of conditions
- “Repeated cross sections” offer some insight on issues over the course of pandemic
- Note: Survey has gone from quarterly to bi-annual; doesn’t ‘affect’ results, but be aware in time series
- *Please interpret carefully:* More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



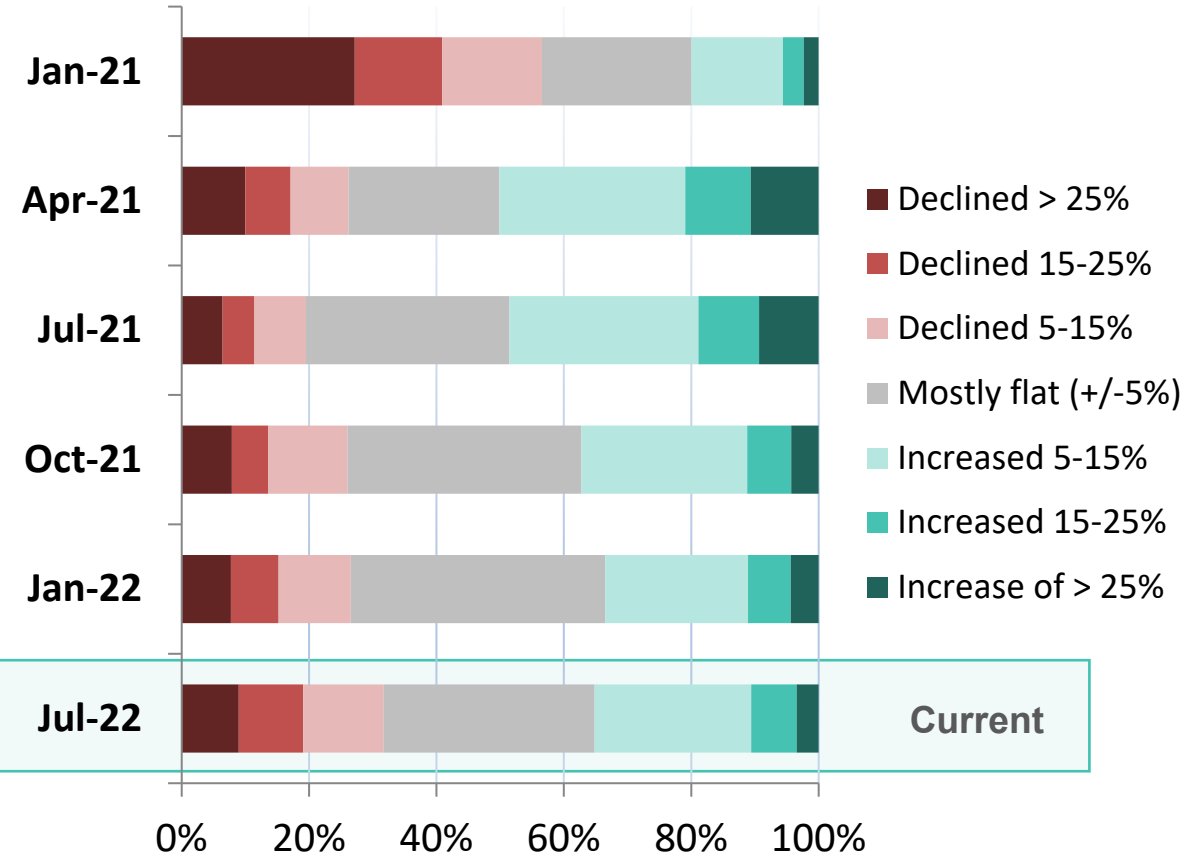
REVENUE TRENDS OVER TIME

Recent and future revenue trends have eroded

Quarterly revenue compared to last year



Future revenue expectations

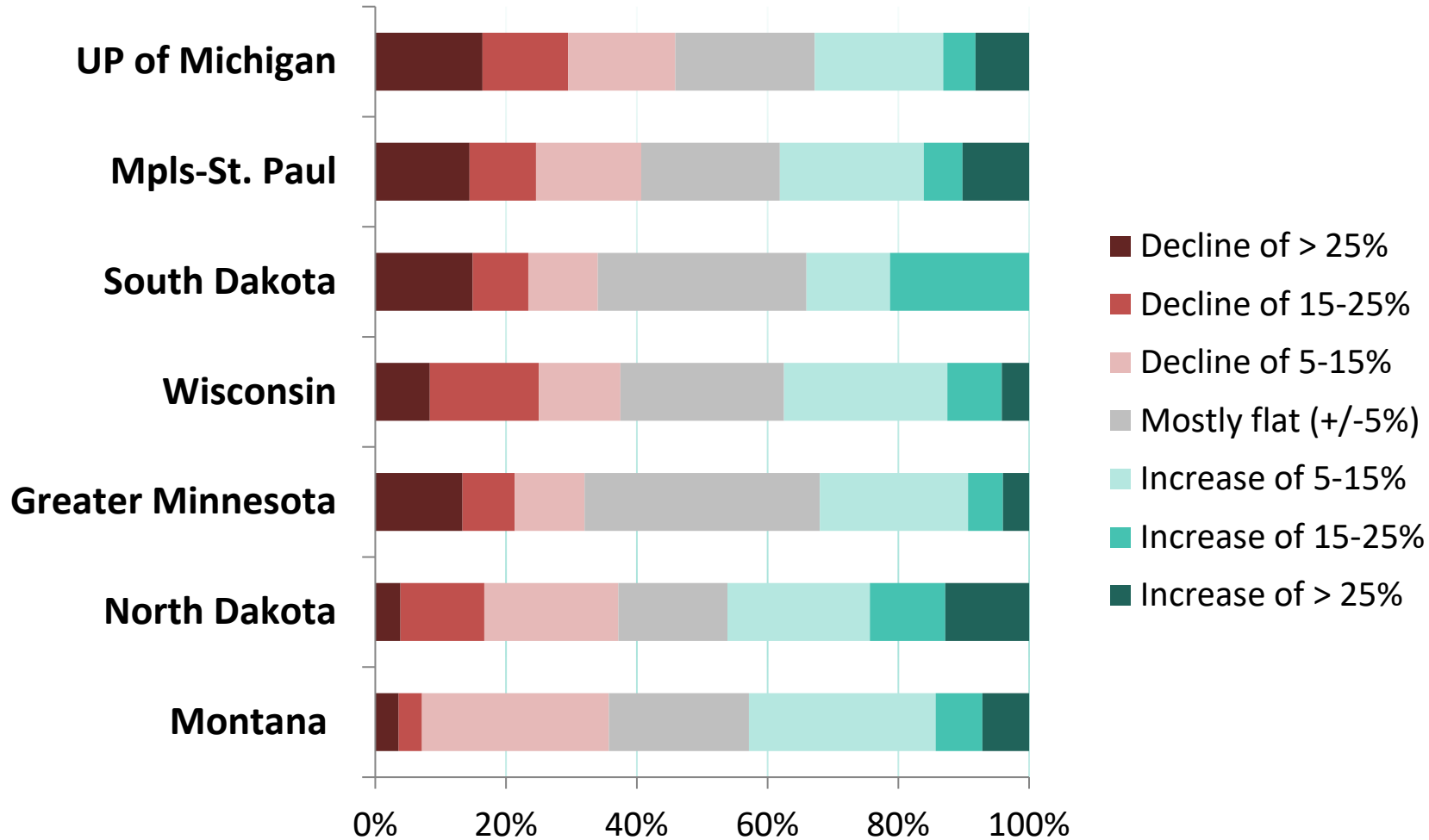




**OTHER REVENUE SNAPSHOTS
BY FIRM TRAITS**

REVENUES BY STATE

Quarterly revenue compared with last year



Modest degrees of difference in revenue trend by state

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

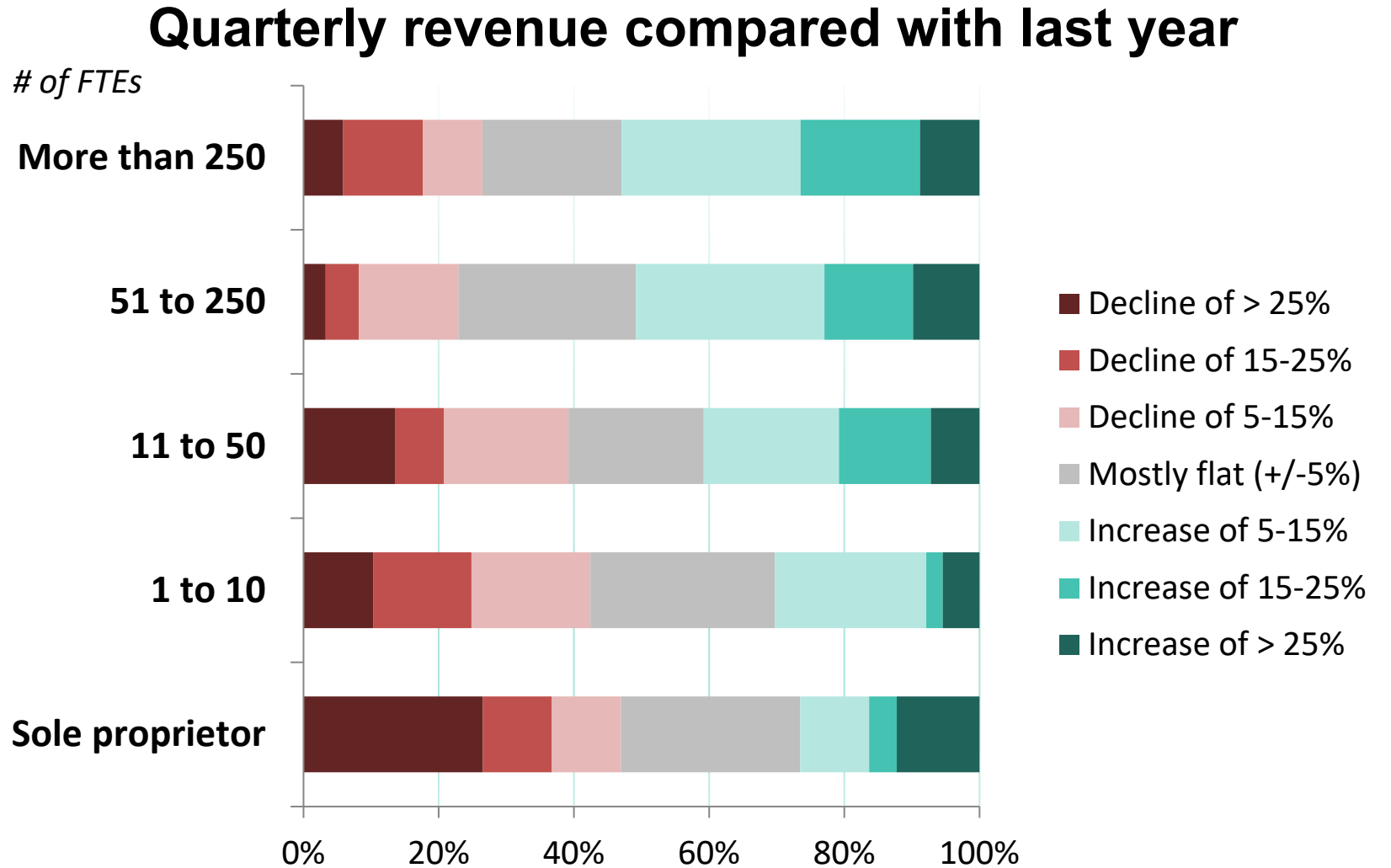
Also, small responses in some states (e.g., MT)



REVENUES, BY FIRM SIZE

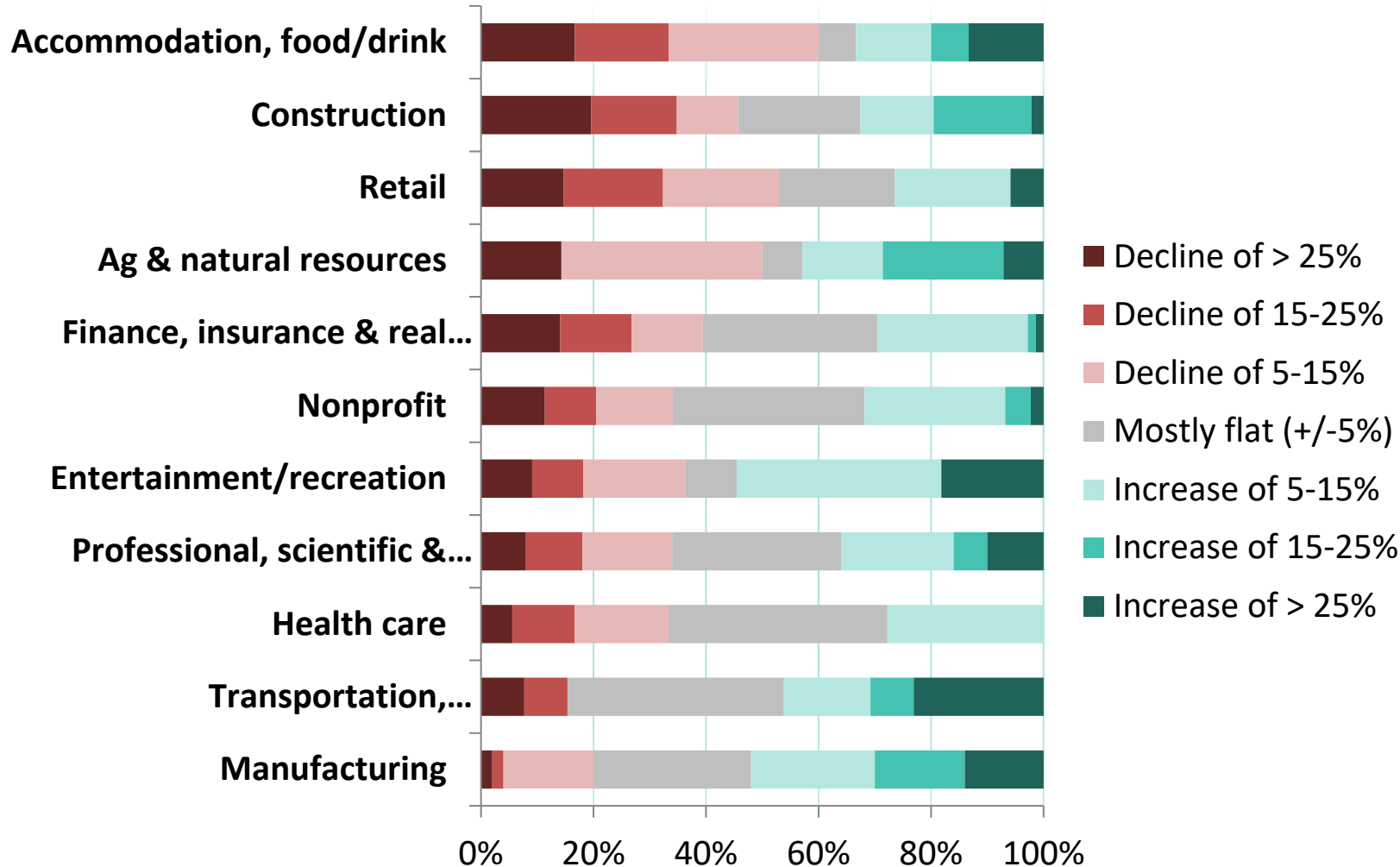
Throughout pandemic, larger firms have generally seen more positive (“less negative”) revenue trends

Compared with January, every category saw more respondents “in the red” and fewer seeing growth



REVENUE TRENDS, BY SECTOR

Quarterly revenue compared with last year



Consumer & high-input sectors affected most

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

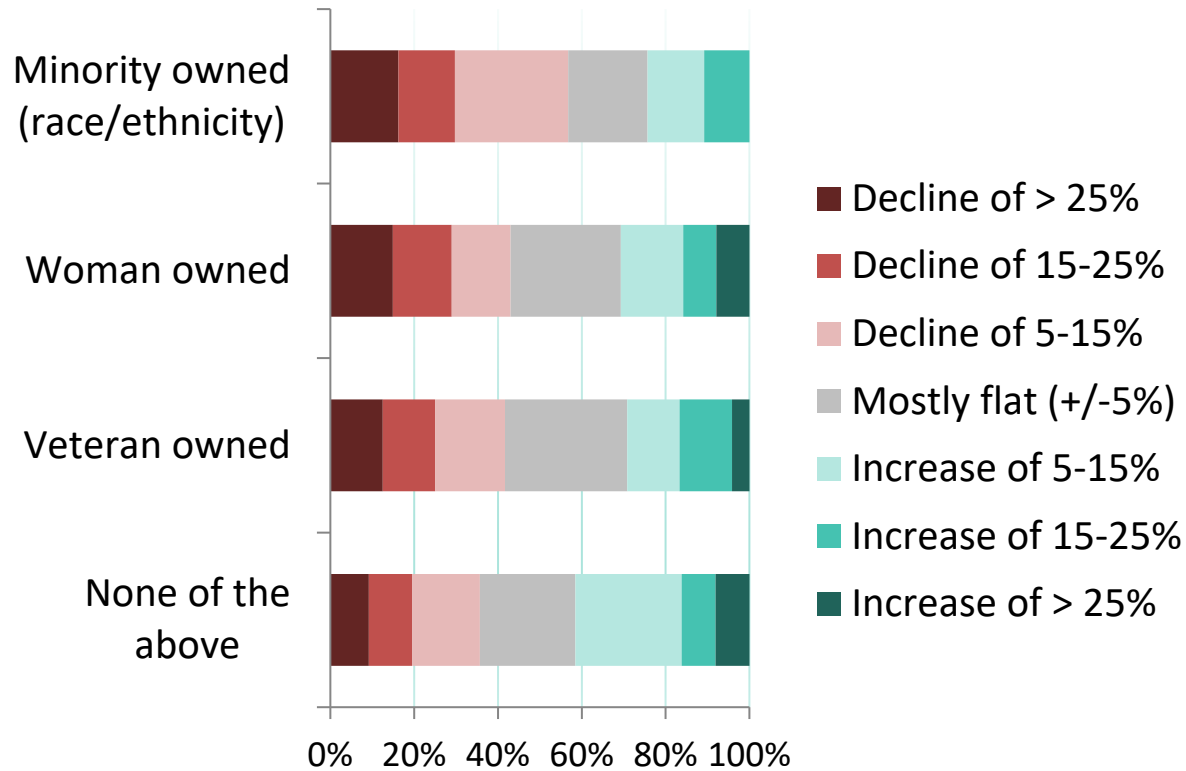
Note: small sample sizes for some sectors (ag, entertainment, transport) please interpret carefully



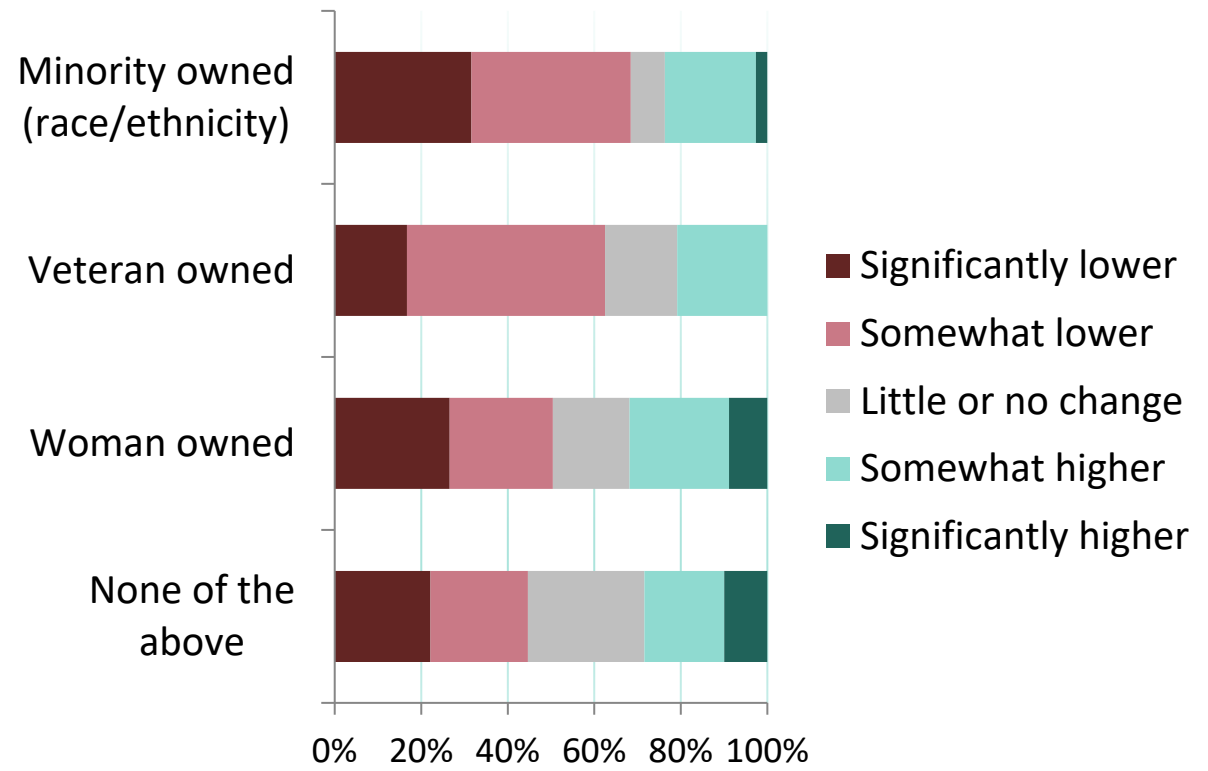
REVENUES, BY OWNERSHIP

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



Quarterly profit compared with same period last year



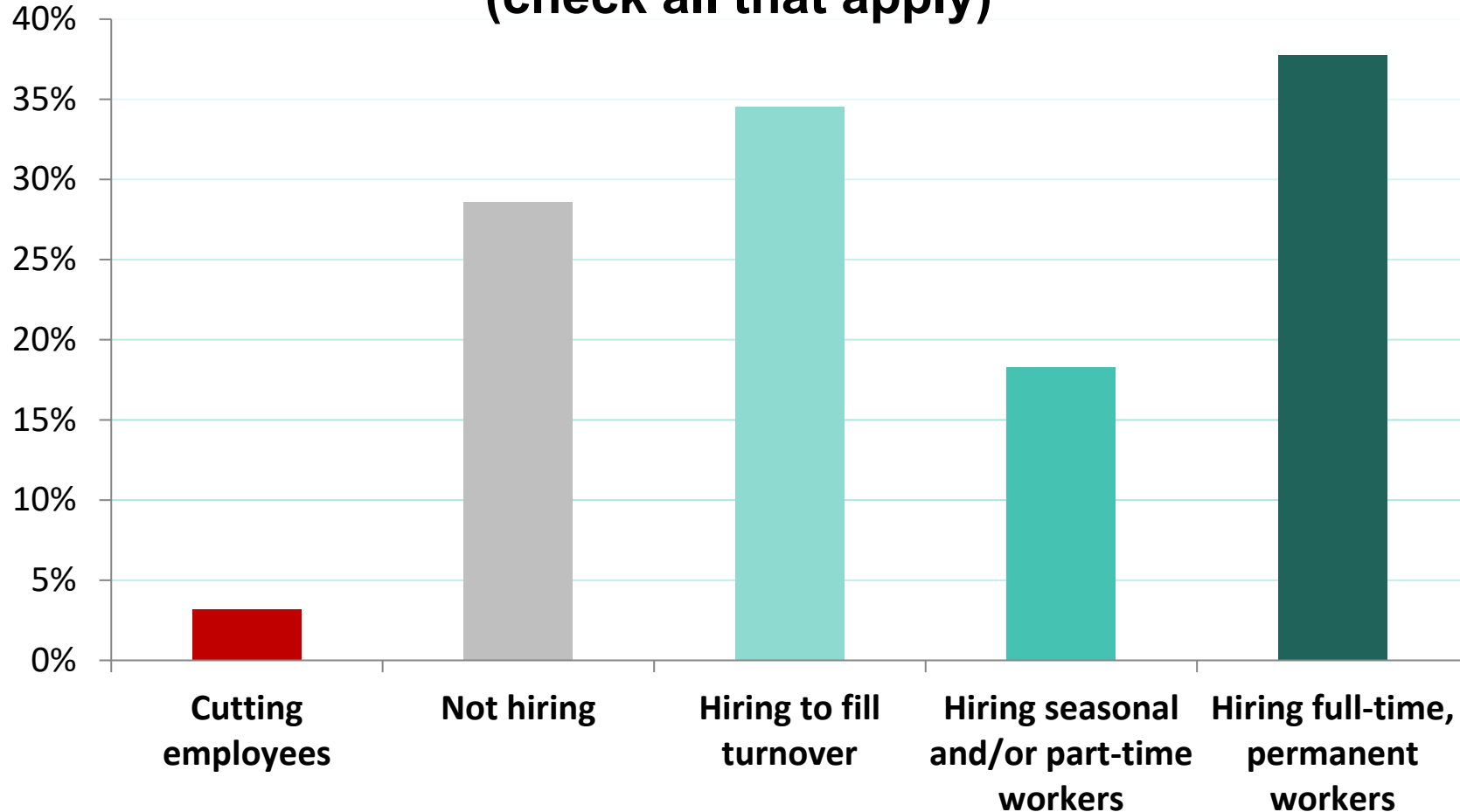


SOME GOOD NEWS!

WORKFORCE & WAGE TRENDS

LABOR DEMAND

Current hiring demand/job openings (check all that apply)



Almost 70% of firms still hiring in some capacity!

Close to 40% trying to expand full-time headcount

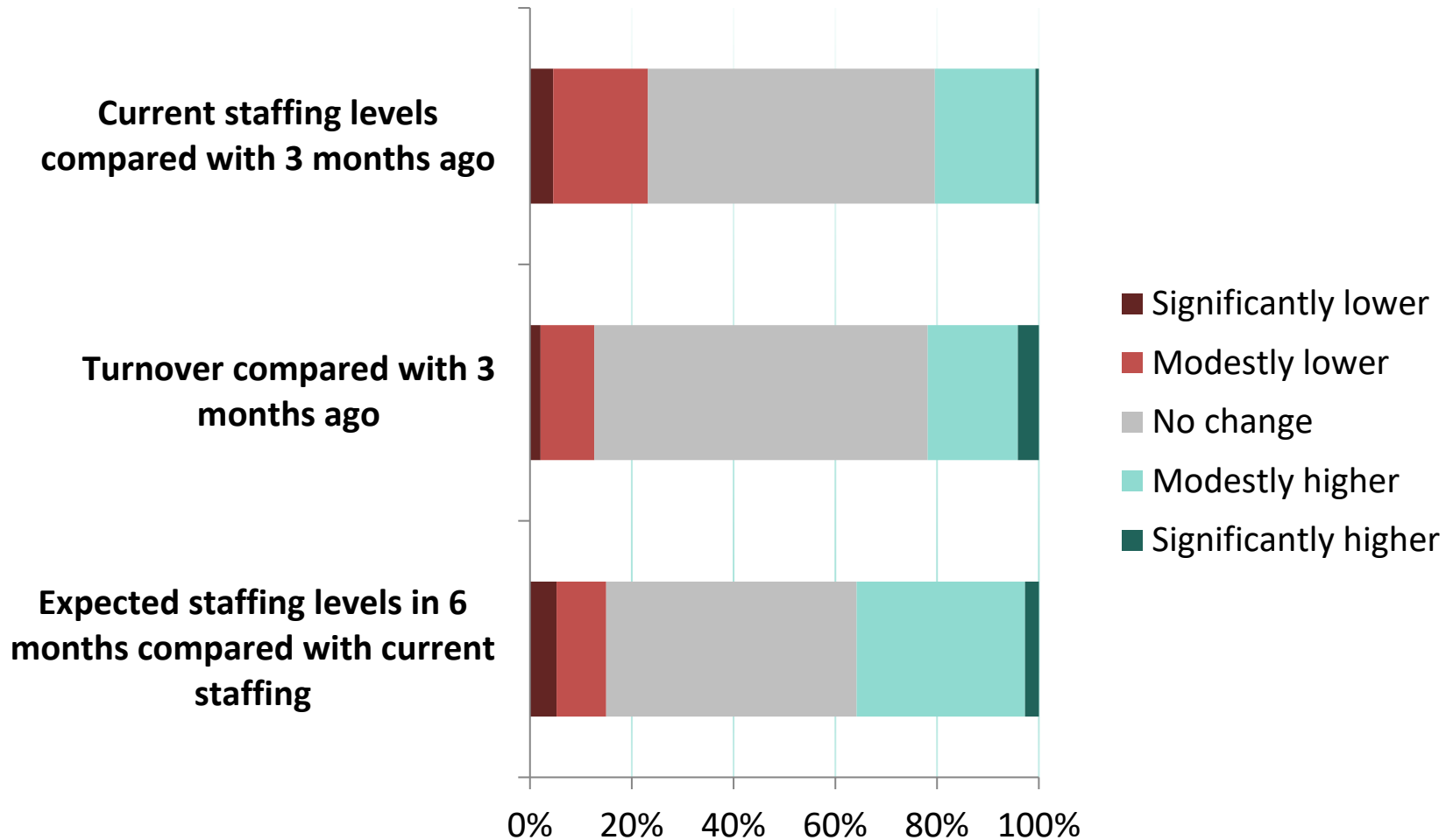
Compared with January, fewer said they were not hiring (37% to 28%)

More also hiring to replace turnover (35% to 25%)



STAFFING CHANGES: HELP WANTED, *PLEASE*

Recent and future staffing changes



Overall, firms struggled to add staff

Only larger firms reported a net rise of staffing levels

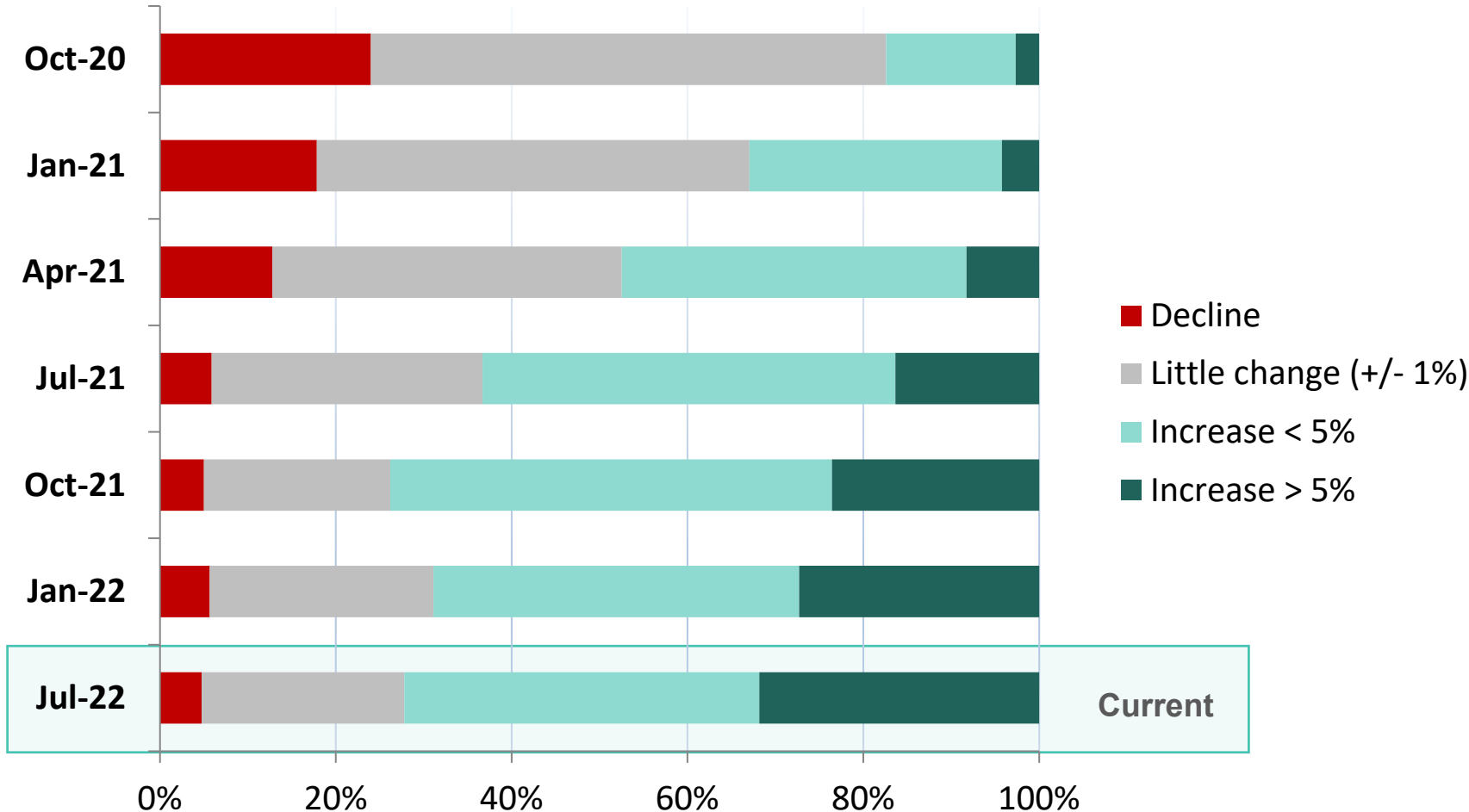
Turnover rising, esp. for larger firms

Despite current labor and economic conditions, firms remain optimistic about need and ability to add staff in the future



WAGES RISING

Average wages compared w/ one year ago



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

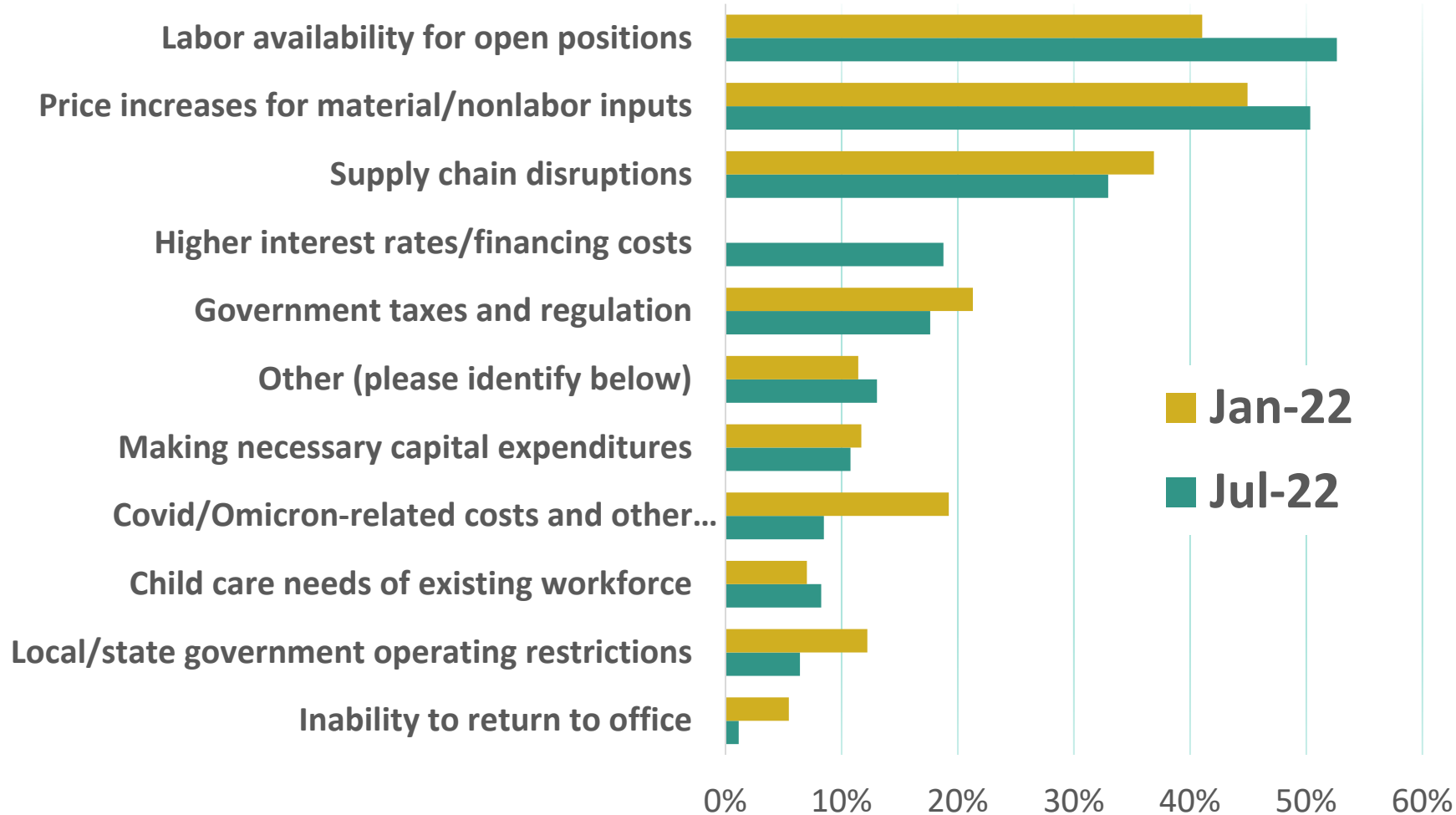




CHALLENGES & OTHER METRICS

CHALLENGES TO OPERATIONS

Two greatest challenges for your business



Still the 'big three':

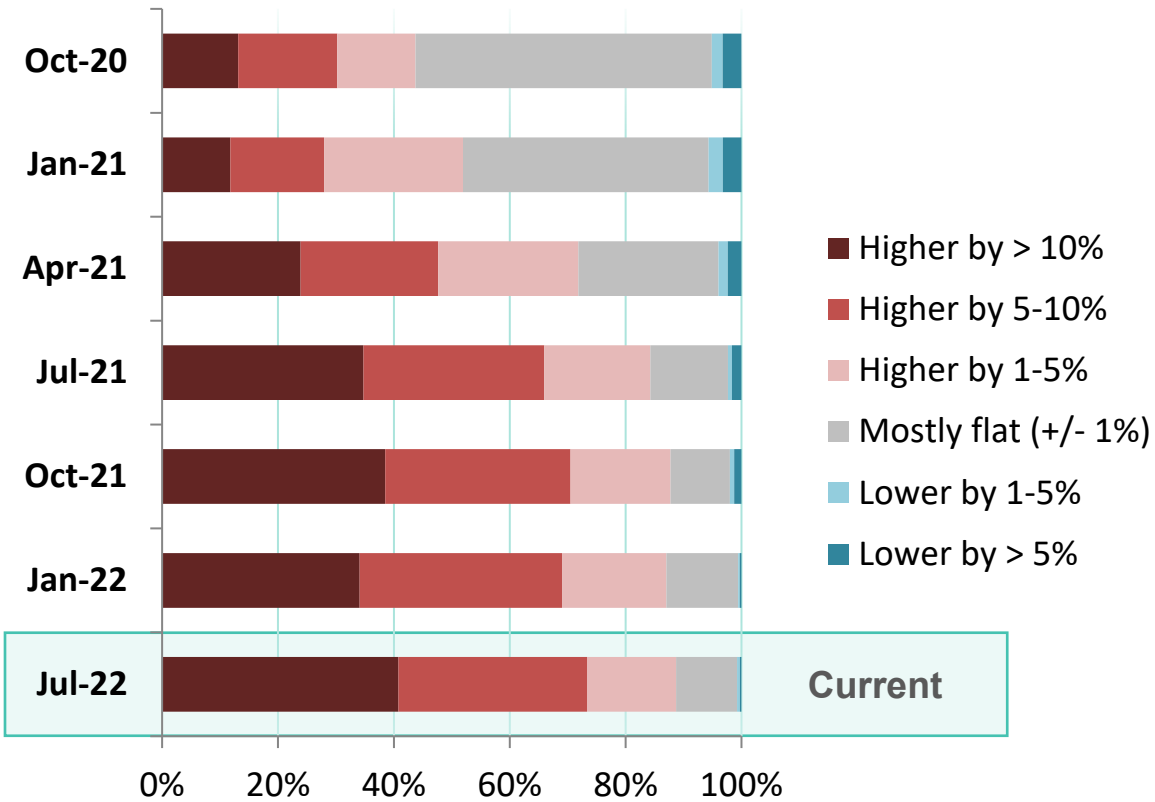
- Labor availability and inflation both worsened
- Supply chain improved modestly
- Higher interest rates also new on the radar
- Covid concern cut in half



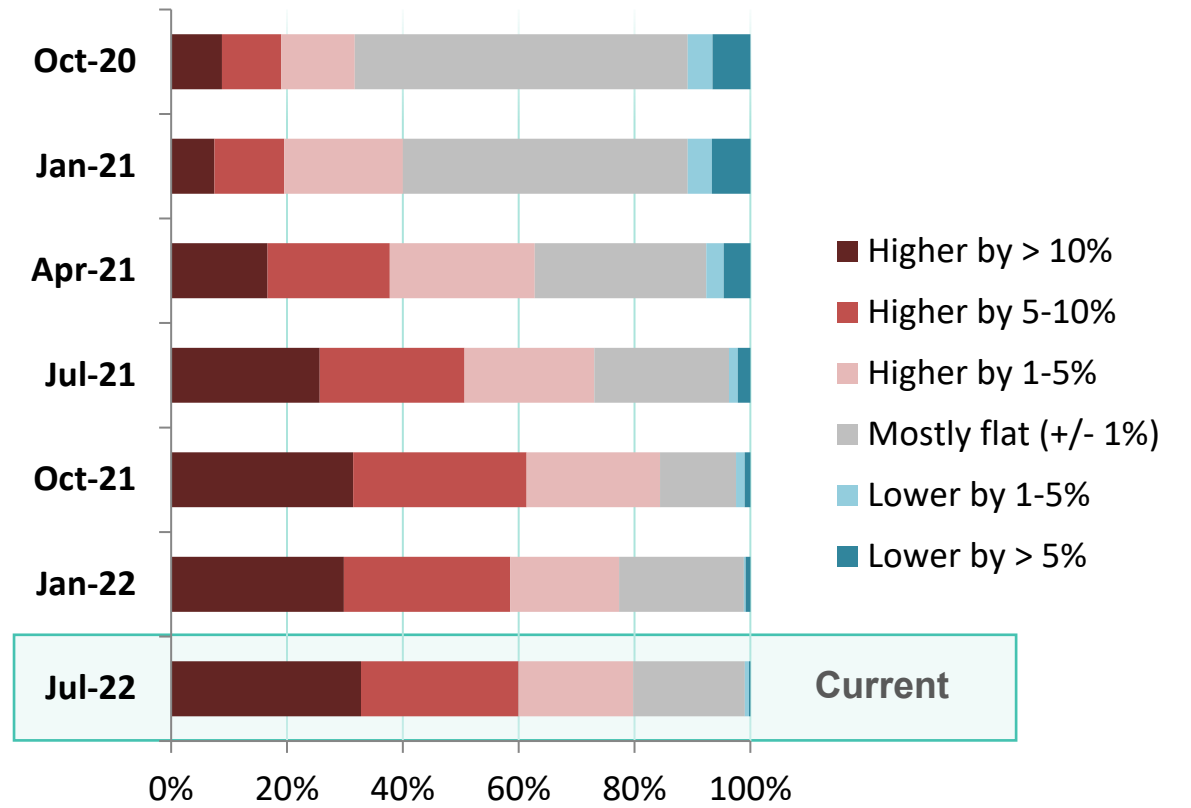
PRICES & INFLATION

Higher wholesale and retail prices are holding

Non-labor input prices (wholesale)



Final/retail prices to customers

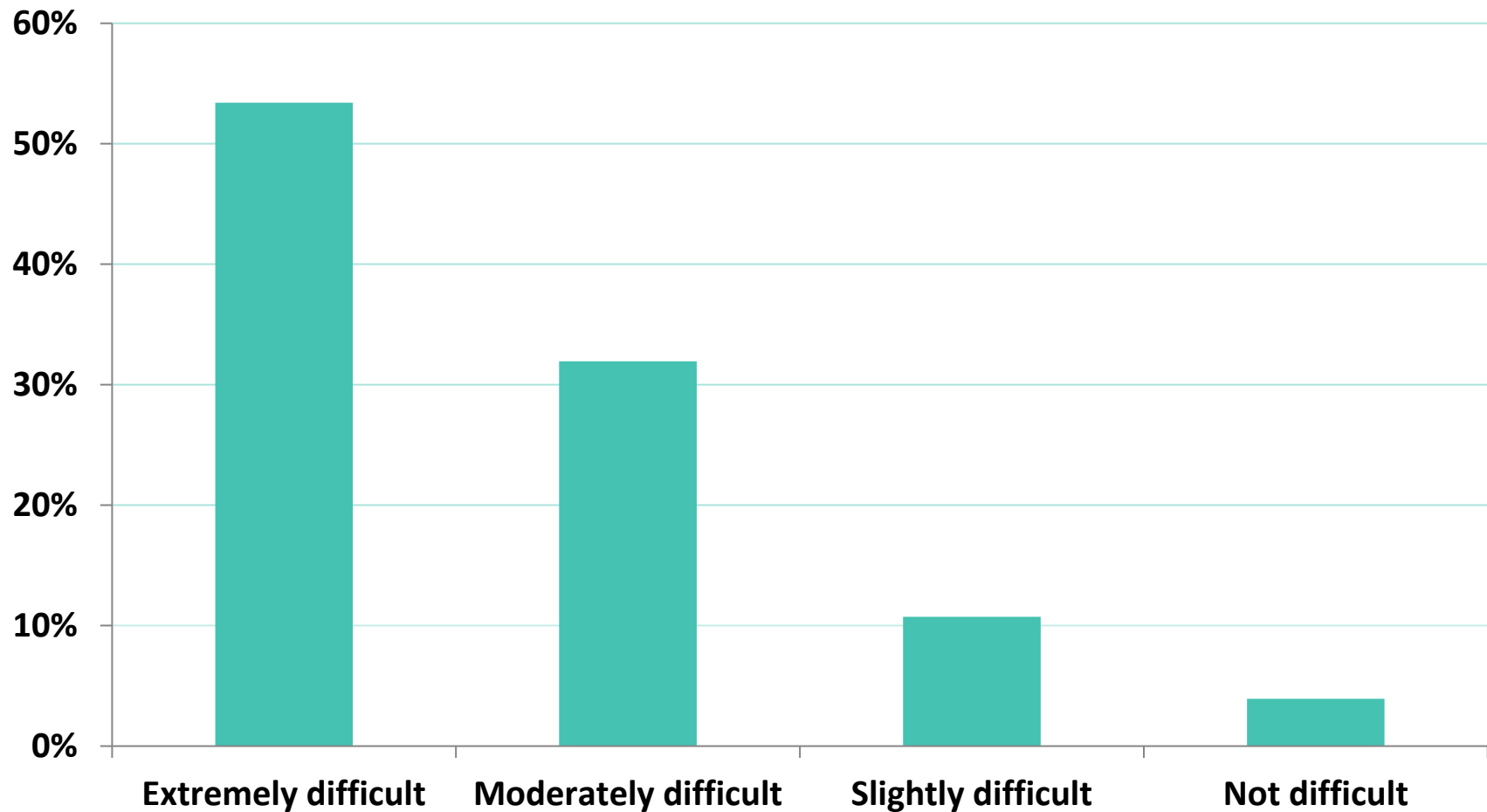


CHALLENGES – LABOR AVAILABILITY

85% say labor extremely or moderately tight

Labor unavailability pretty locked in; similar to surveys going back to 2021

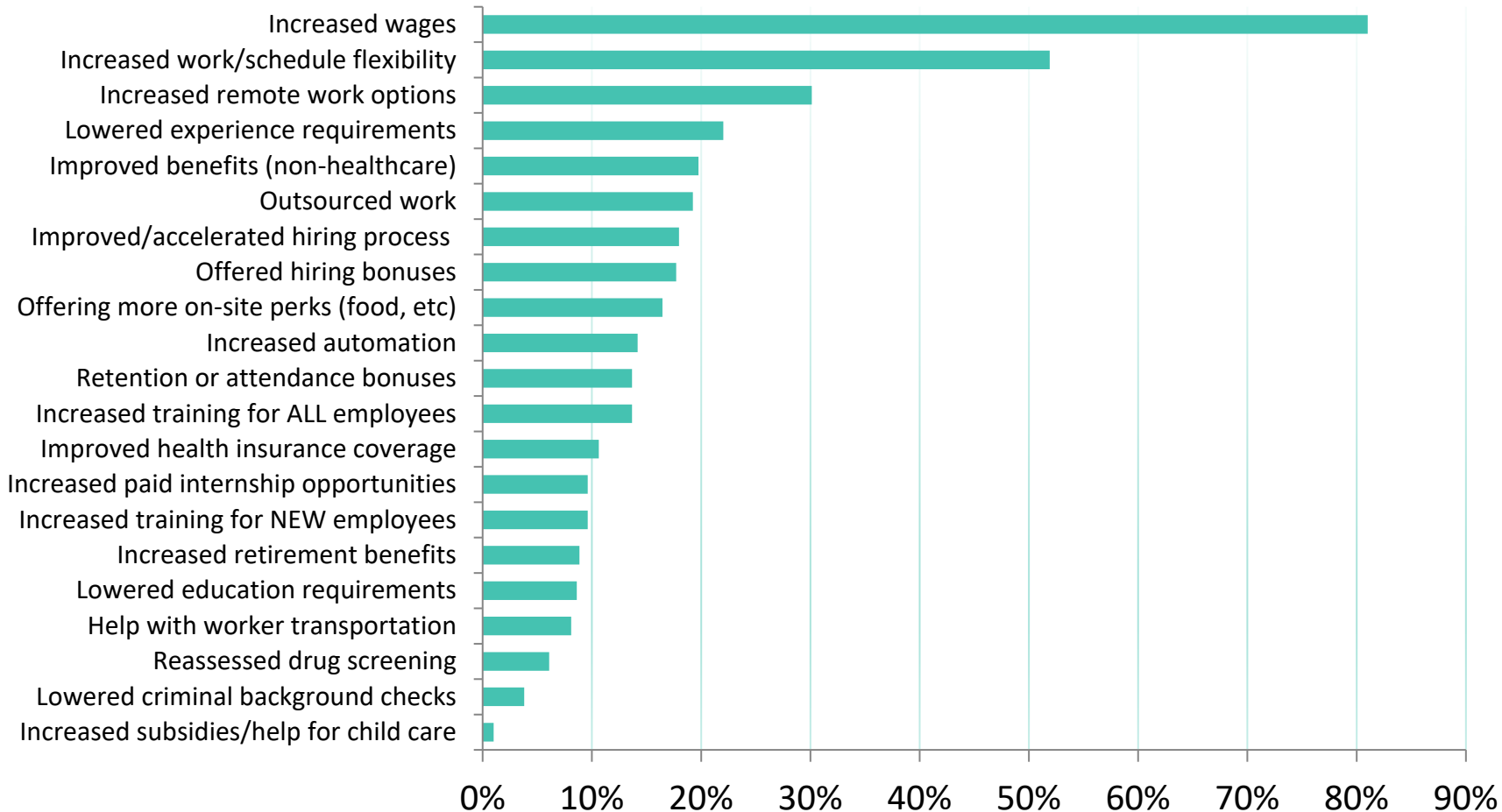
Ability to find and hire necessary labor



EMPLOYER RESPONSES TO LABOR NEEDS

Employer labor efforts

What has your company done in the last six months to address labor needs? (Check all that apply)



Employer efforts start with increased wages and work flexibility, & then a smorgasbord of other efforts

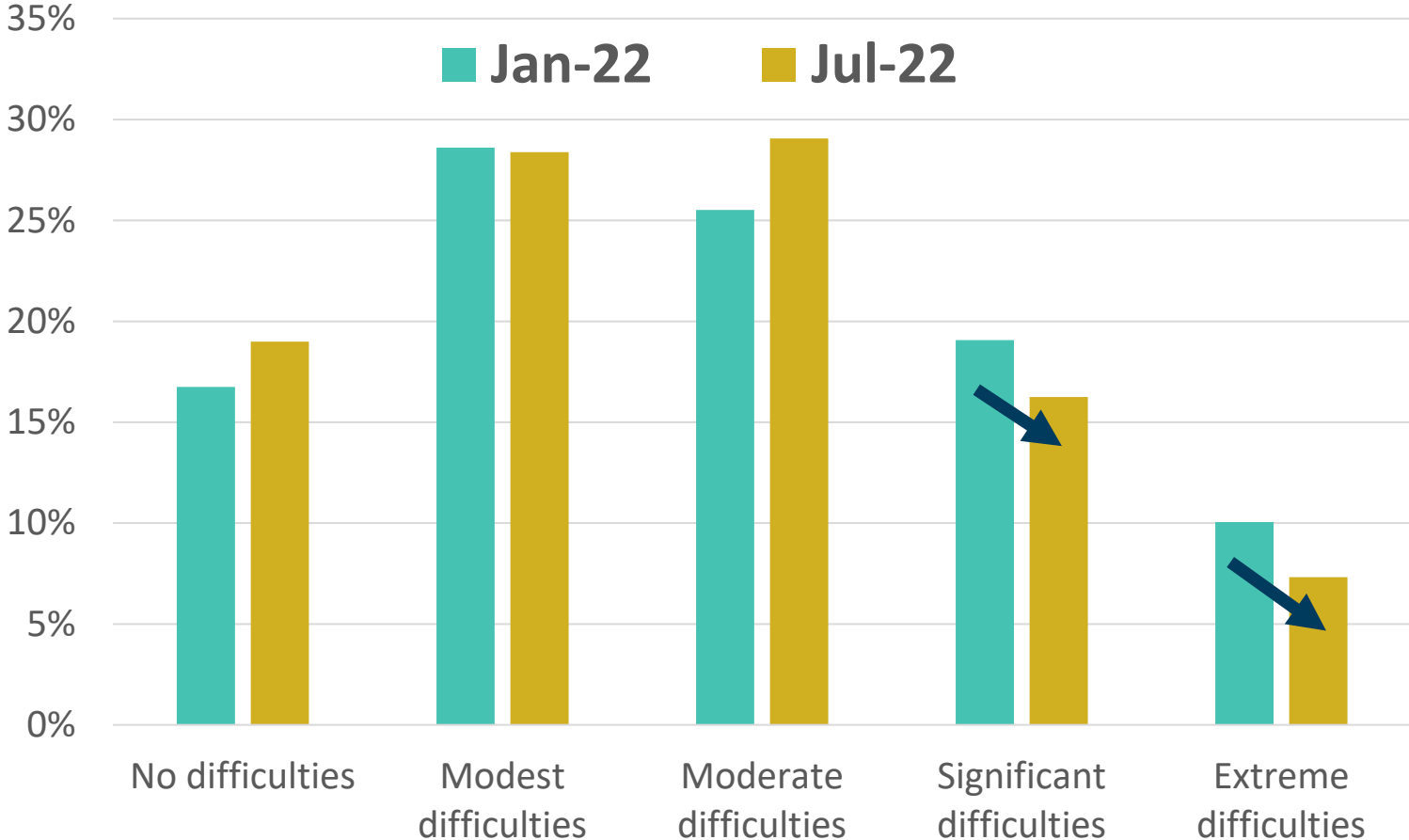
Larger firms checked twice as many boxes as smaller firms

Very little related to child care, despite being a major obstacle for many workers



CHALLENGE: SUPPLY CHAIN

Ability to receive critical company supplies



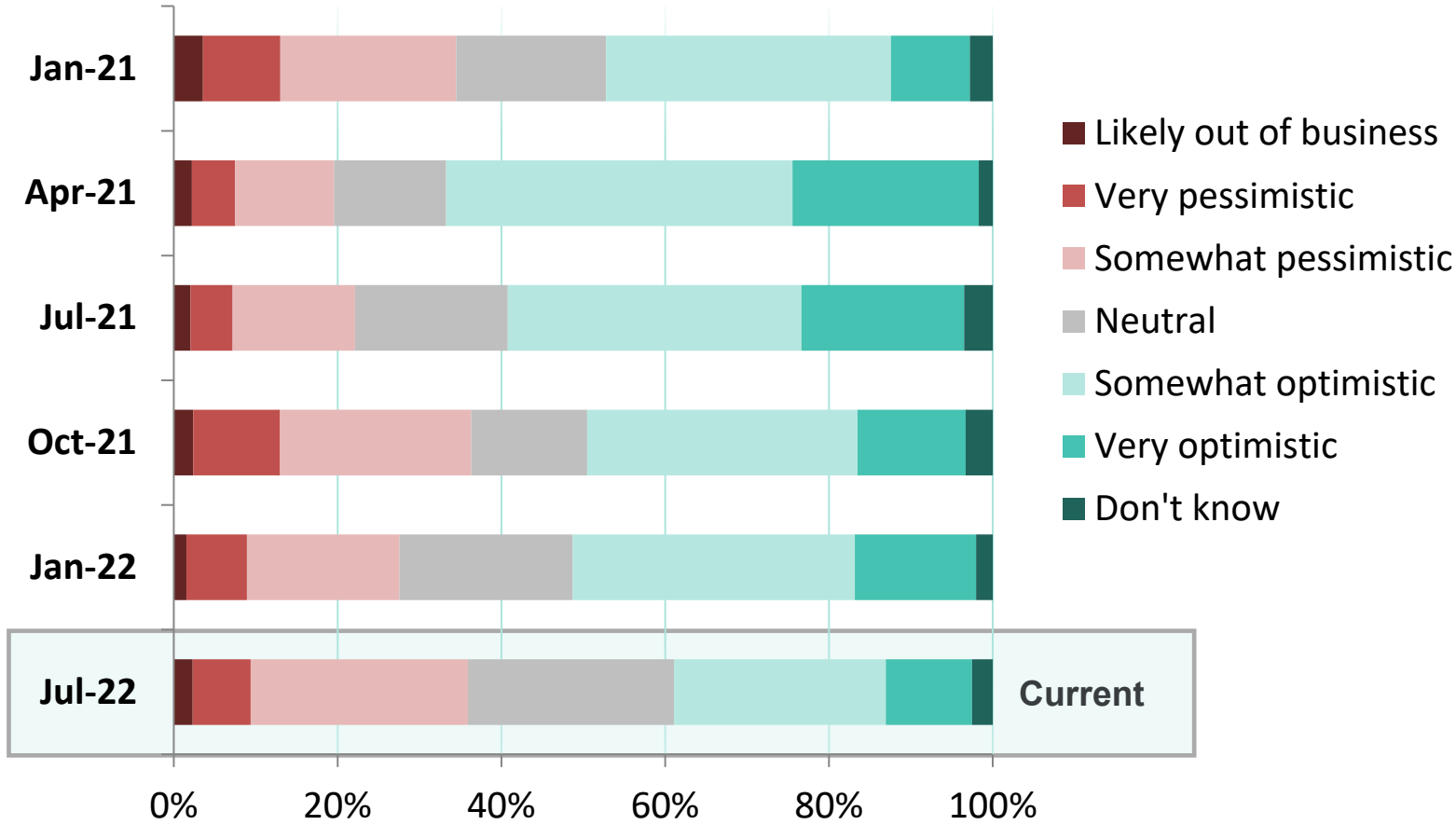
Supply chains still problematic; some modest gains at the extremes



**OUTLOOK:
HALF FULL OR EMPTY?**

OUTLOOK WORSENERD, BUT STILL POSITIVE

What is your outlook for near future?



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
- ron.wirtz@mpls.frb.org
- haley.chinander@mpls.frb.org





THANK YOU!

QUESTIONS?



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