

# REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

# GENERAL BUSINESS SURVEY

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**Haley Chinander**

Regional Analyst

**Ron Wirtz**

Regional Outreach Director



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 between Jan 13 And Feb 7, 2025
- Almost 570 responses from across Ninth District
- Shout out to our partners for distributing the survey!
- Improved response rates in Montana and North Dakota
- Continued balance by firm size and sector
- Results are a snapshot
  - Convenience sample
  - Interpret cautiously



## QUICK TAKE-AWAYS

- Continued lower revenue and lower profit trends
- Size doesn't confer much advantage any longer; Larger firms seeing similar revenue and profit trends as smaller firms
- Labor demand still positive, but softening; roughly half of firms no longer hiring
- Labor availability improving; wage pressure easing
- Wholesale and retail price inflation improved, but inflation is still top concern
- Uncertainty rising, but hard to measure exactly
- Outlook: Overall sentiment is solidly positive

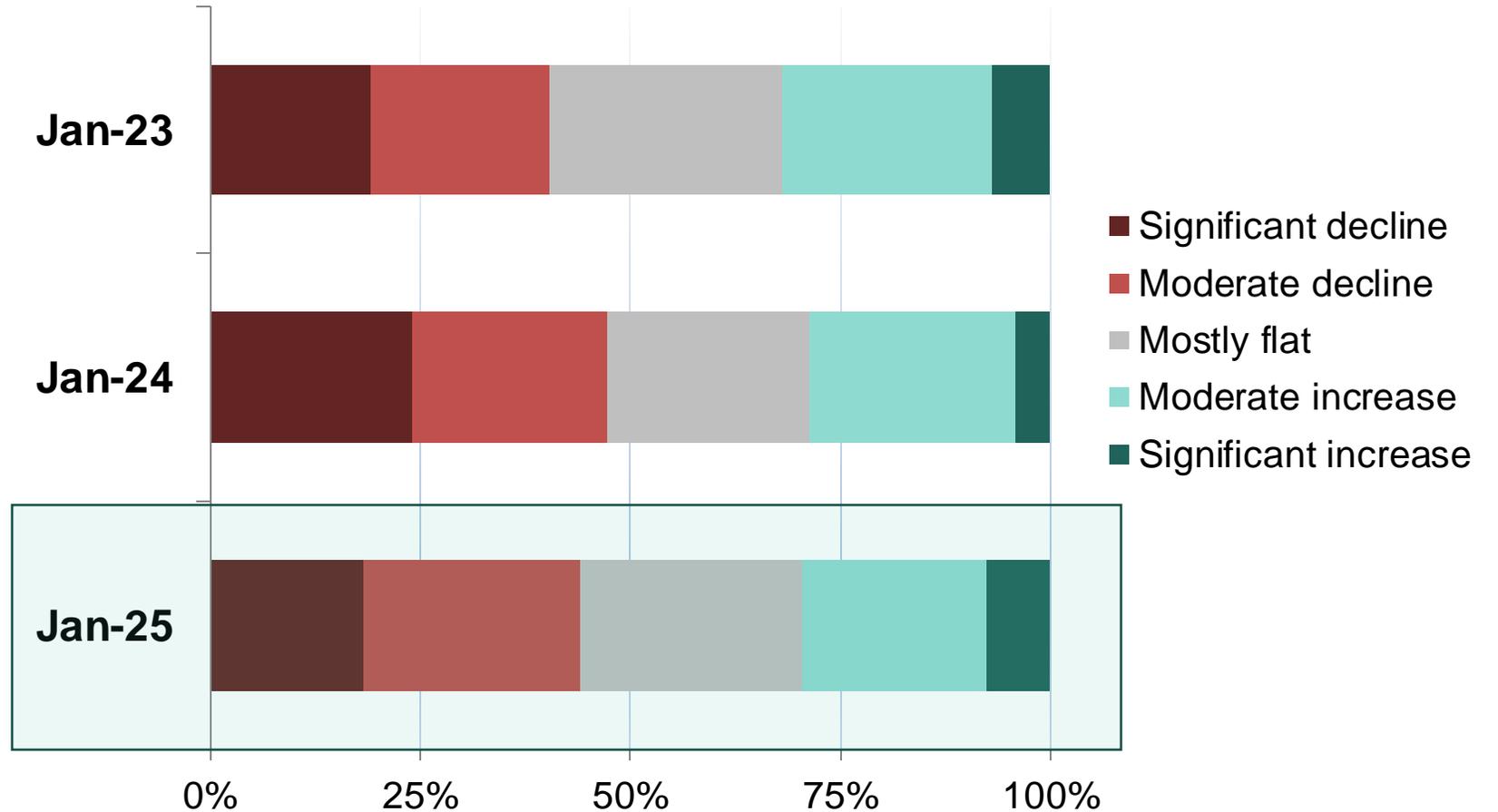




**RECENT REVENUE &  
PROFIT TRENDS**

# RECENT REVENUE TRENDS

## Recent quarter revenue compared w/ last year



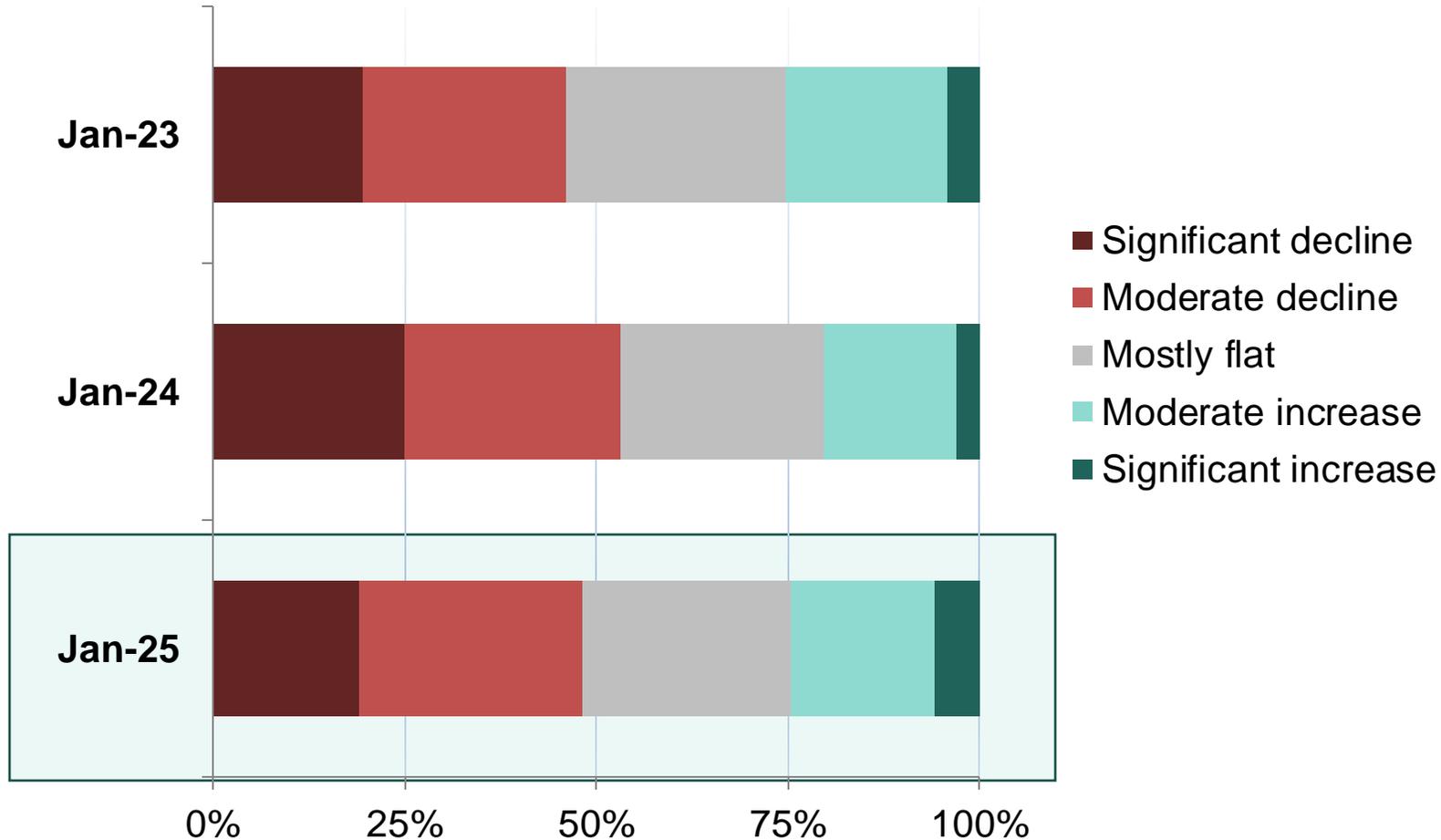
Revenue trend remains weak

Mostly unchanged from previous two January surveys



# PROFIT MARGINS

## Recent quarter profits compared w/ last year



Profit struggles continue; 2:1 ratio say profits fell

Sources: Stubborn inflation, high interest rates, weak revenue

Some caveats:

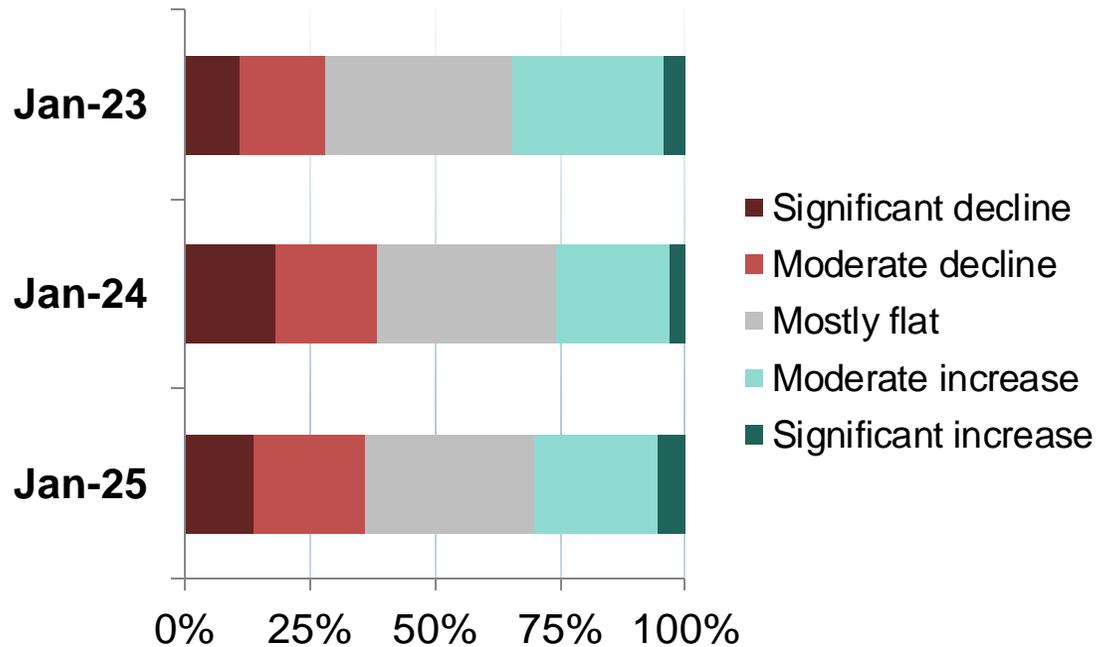
- “Lower” profits doesn’t mean *unprofitable*
- Negative selection bias possible, but hard to tease out



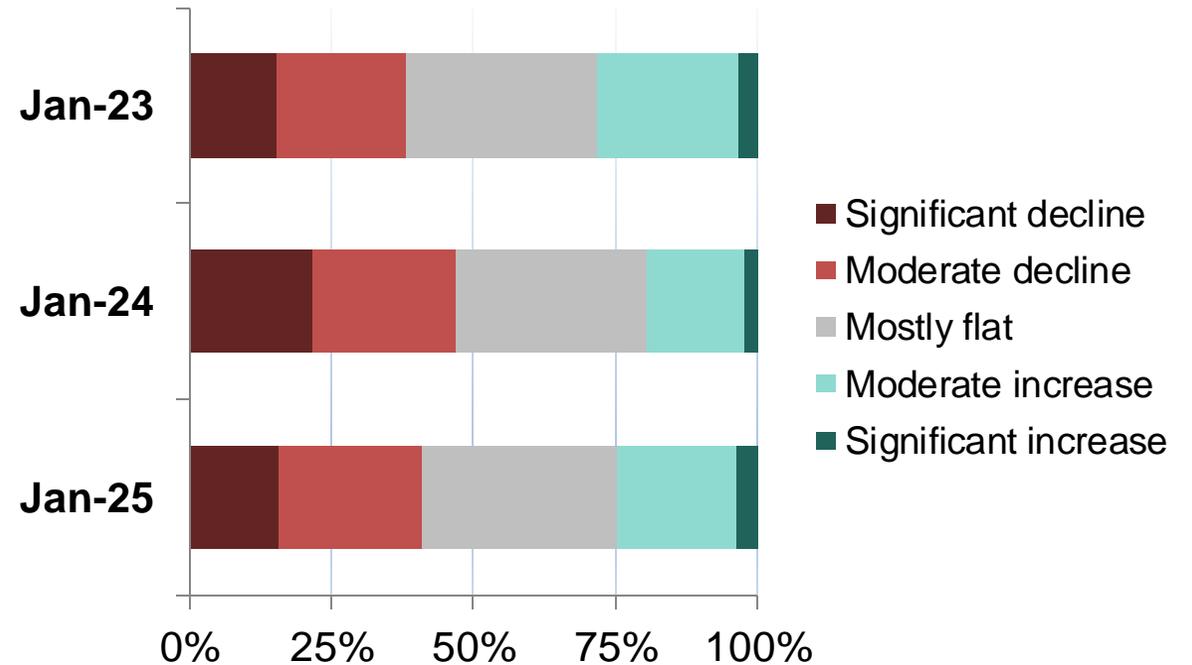
# REVENUE & PROFIT EXPECTATIONS

Expectations slightly better, but that doesn't mean they are "good"

### Revenue expectations for next quarter compared with last year



### Profit expectations for next quarter compared with last year





**OTHER VIEWS:  
PERFORMANCE BY FIRM TRAITS**

# REVENUE TRENDS, BY STATE

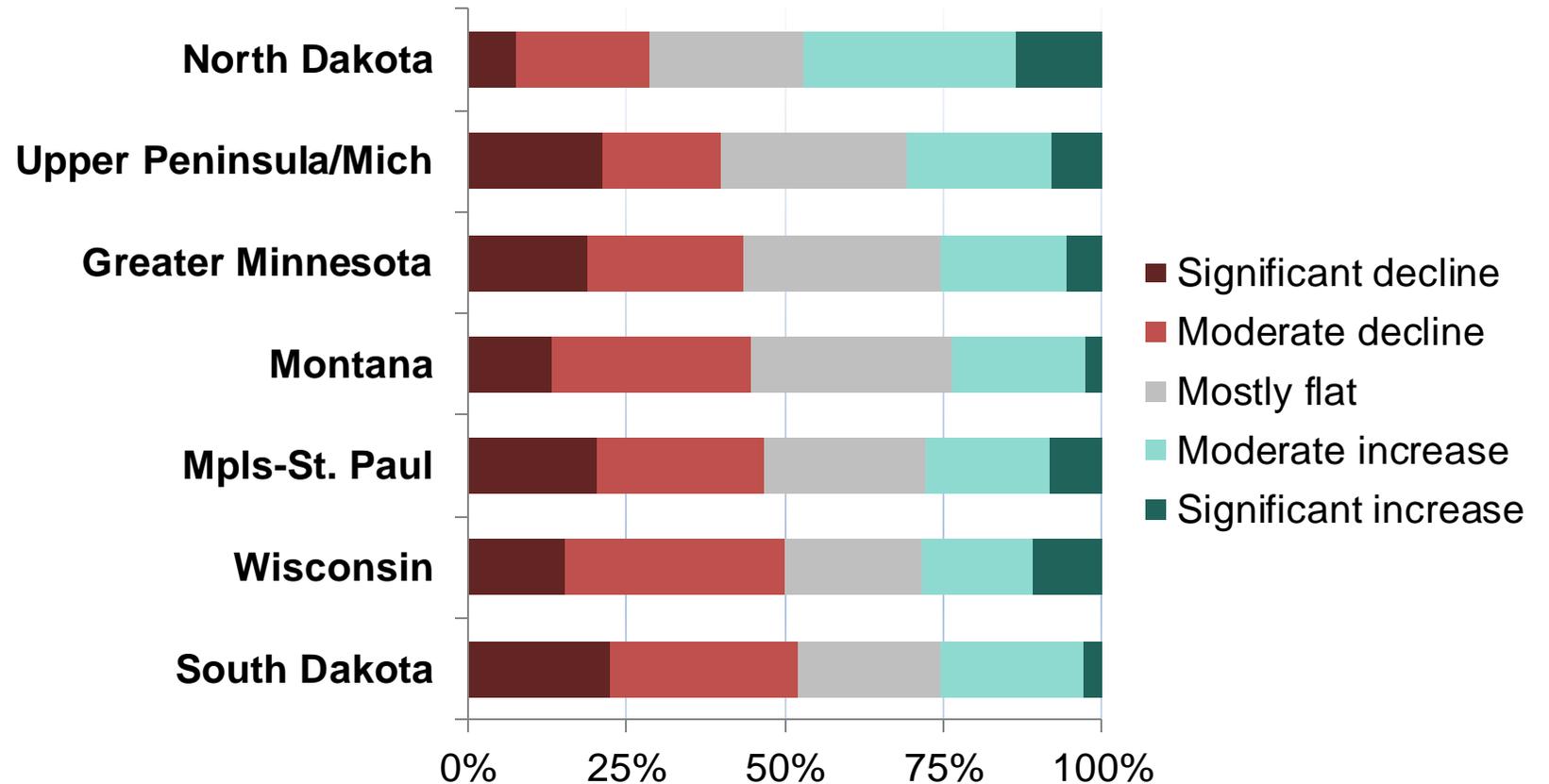
- North Dakota only state with overall “growth” response
- Other states reflect “slow revenue” trend

Responses more geographically balanced than ever, but some still had < 50 responses

= pretty idiosyncratic

Please interpret very, very cautiously

## Most recent quarter compared with same quarter last year





## RESULTS BY SECTOR

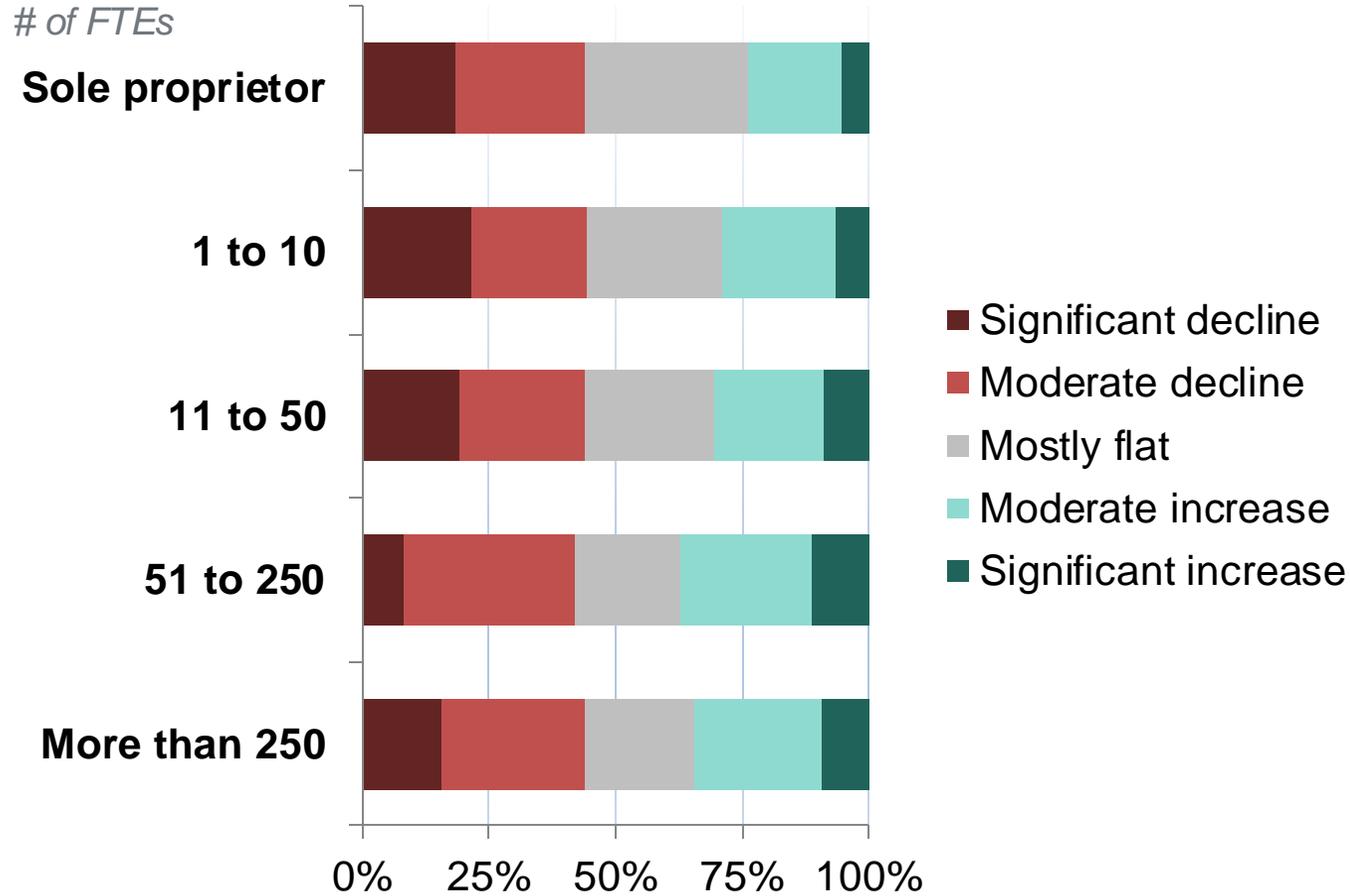
- Finance, insurance and real estate (FIRE), health care, nonprofits, public sector saw positive year-over-year revenue
- Education/child care, transport, wholesale & retail trade, construction & manufacturing saw the worst revenue performance (yoy)
- *Again: Small samples across many sectors, so interpret with caution*



# REVENUES BY FIRM SIZE

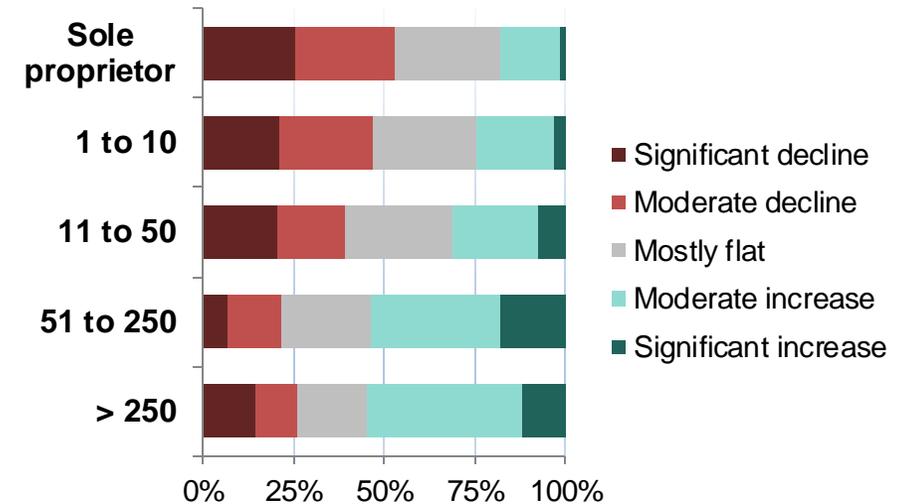
## Recent revenue compared with last year

By full-time-equivalent staffing level



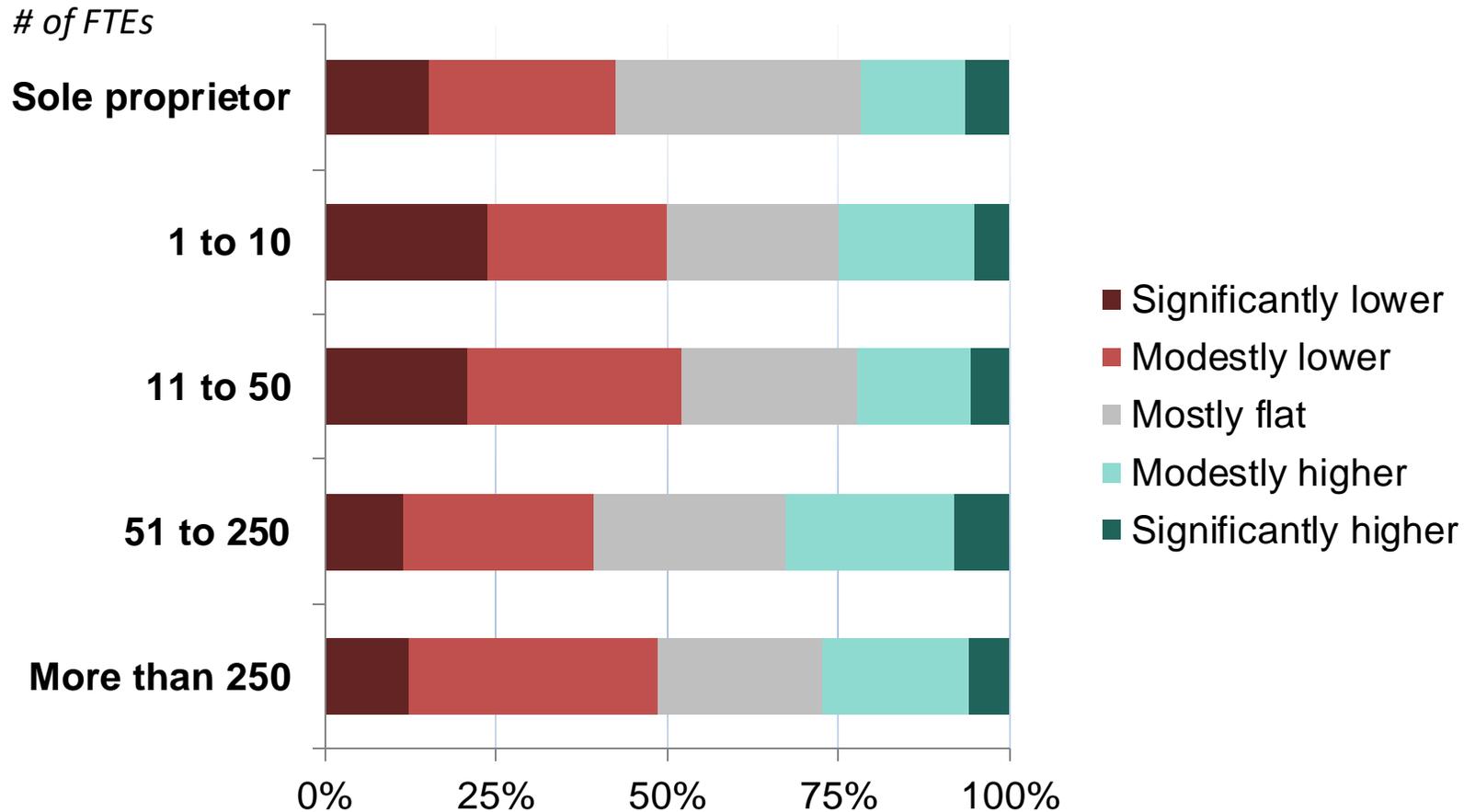
Most of the “size advantage” seen earlier in pandemic recovery has receded

## Revenue by size: January 2023 survey



# PROFITS BY FIRM SIZE

Profits for most recent quarter compared with same quarter last year



Profits a little more differentiated by size, but no hard, clear pattern *specifically related to size*

1-10 FTEs and >250 FTEs almost identical





# WORKFORCE & WAGE TRENDS

# LABOR DEMAND

Labor demand is softening

Roughly half no longer hiring

Share hiring additional FTEs continued to decline

But only small % cutting workers

## Describe current hiring plans at your company\*

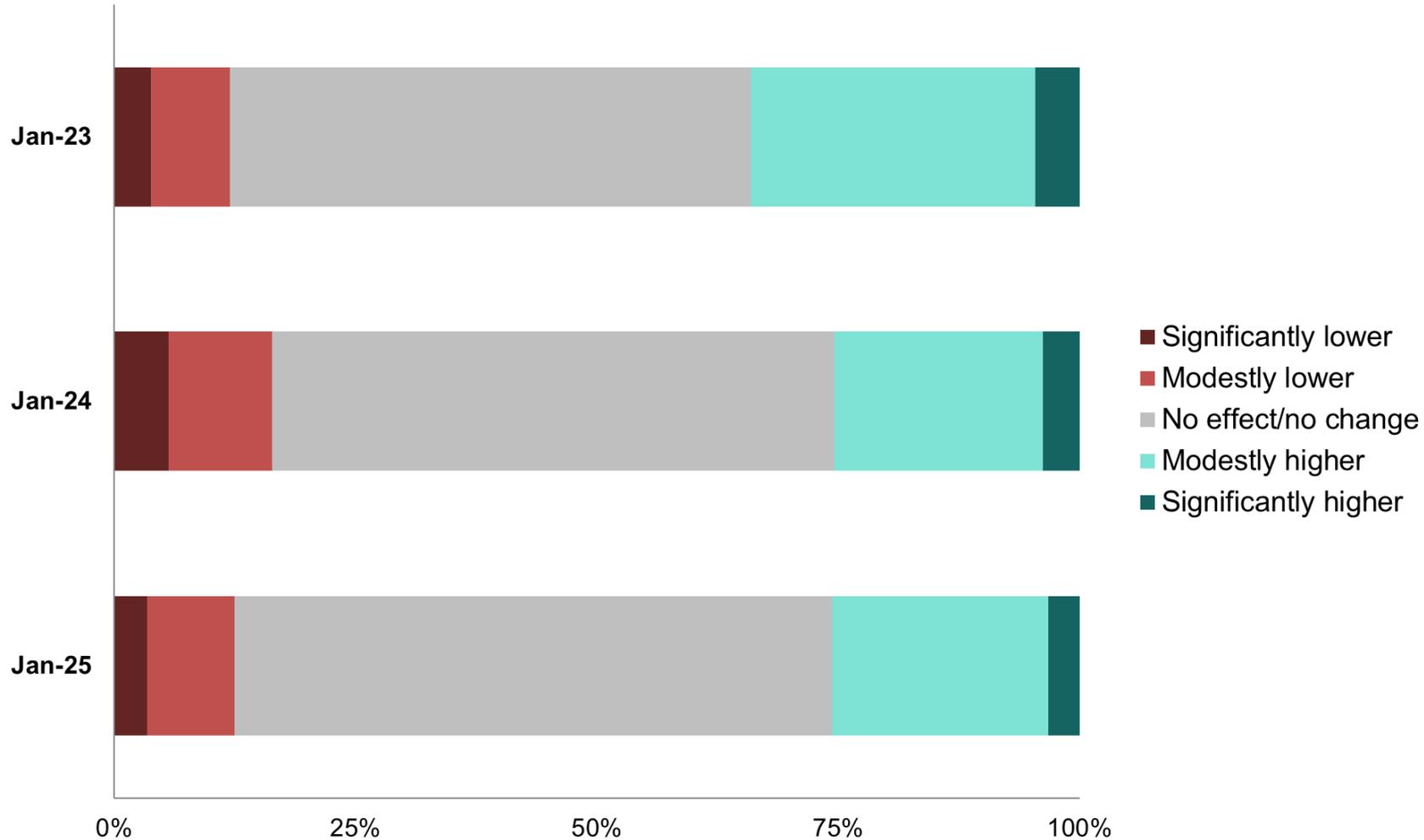


\*Respondents could select all that apply.

# STAFFING



### Expected staffing in 6 months compared with current staffing



**Slightly more firms expecting to increase staff than decrease**

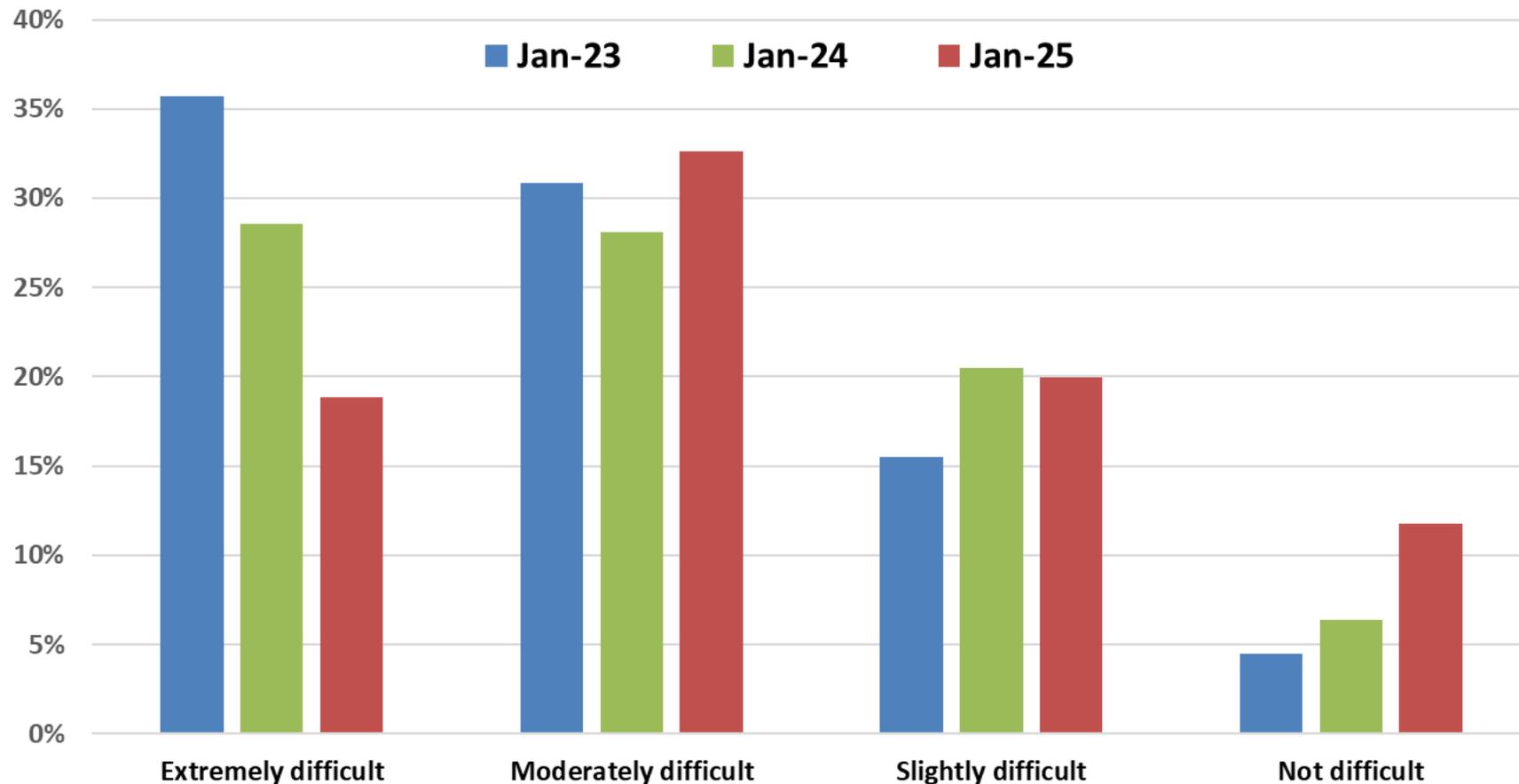
**Most continuing to plan to keep staffing flat**



# LABOR AVAILABILITY

- Labor availability continues to improve; severe difficulty down significantly
- Labor availability maybe still not “good,” but definitely better

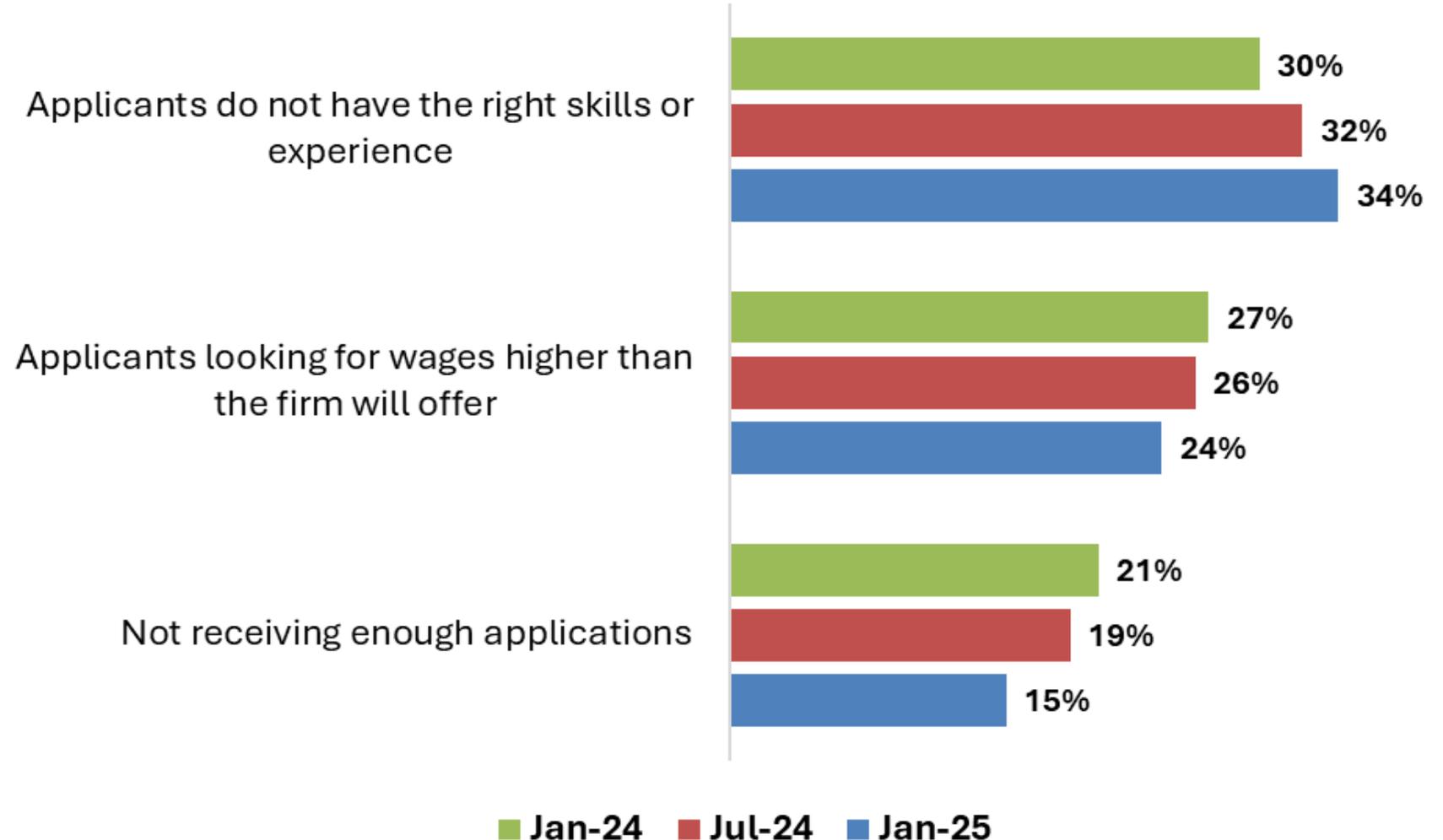
How would you assess your current ability to hire necessary labor?



# LABOR AVAILABILITY

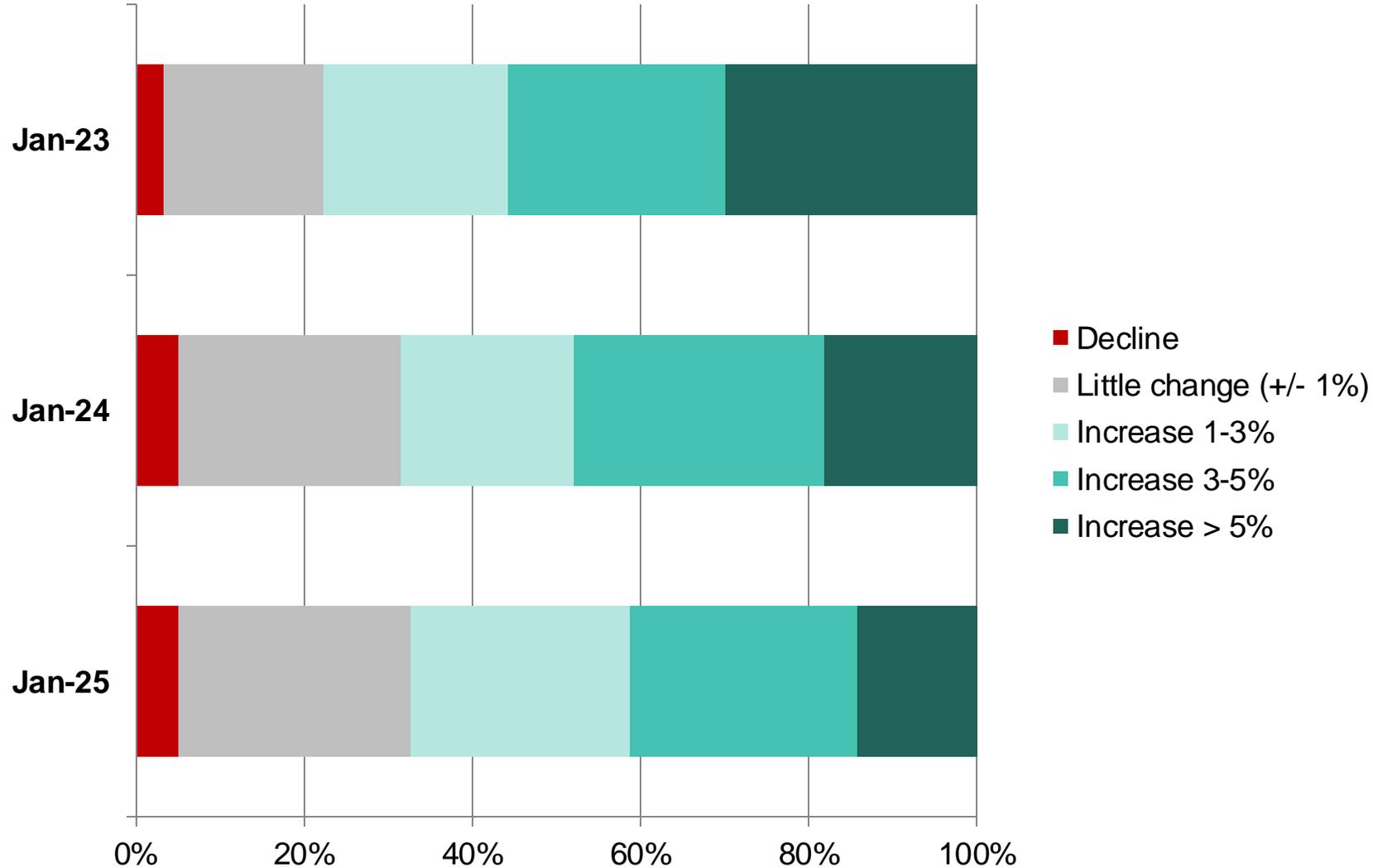
- Businesses report getting more applicants, but often aren't the right match
- Wage demands still a concern for some but to a lesser extent than previous surveys

## Top challenge when hiring



# WAGES

## Average wages compared with 12 months ago



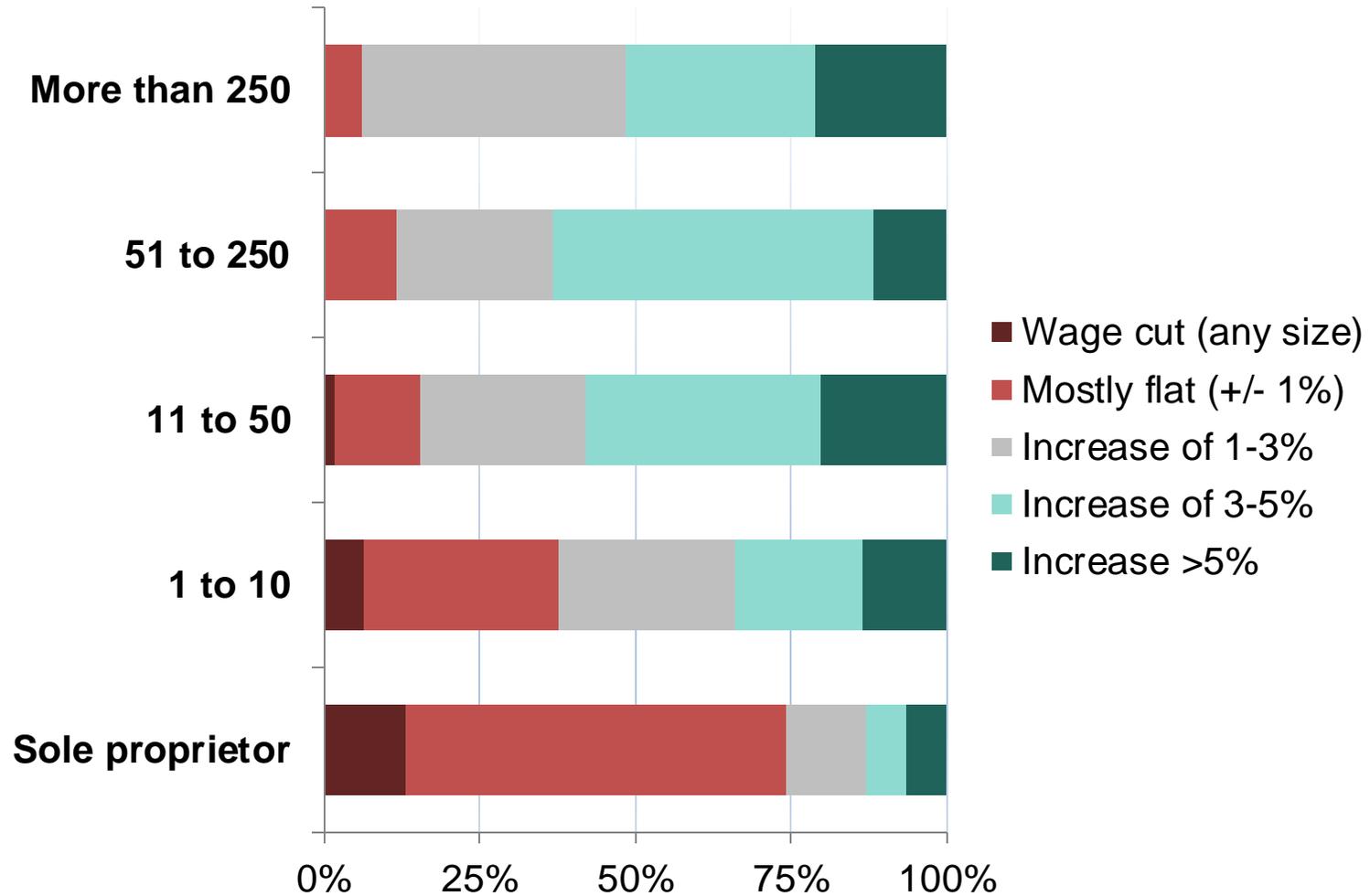
- **Businesses still increasing wages overall, but share giving large raises diminished**



# WAGE GROWTH BY FIRM SIZE



## Wages compared with 12 months ago



- Larger businesses tend to raise wages more than small businesses
- However, growth is slower among 250+ employee firms



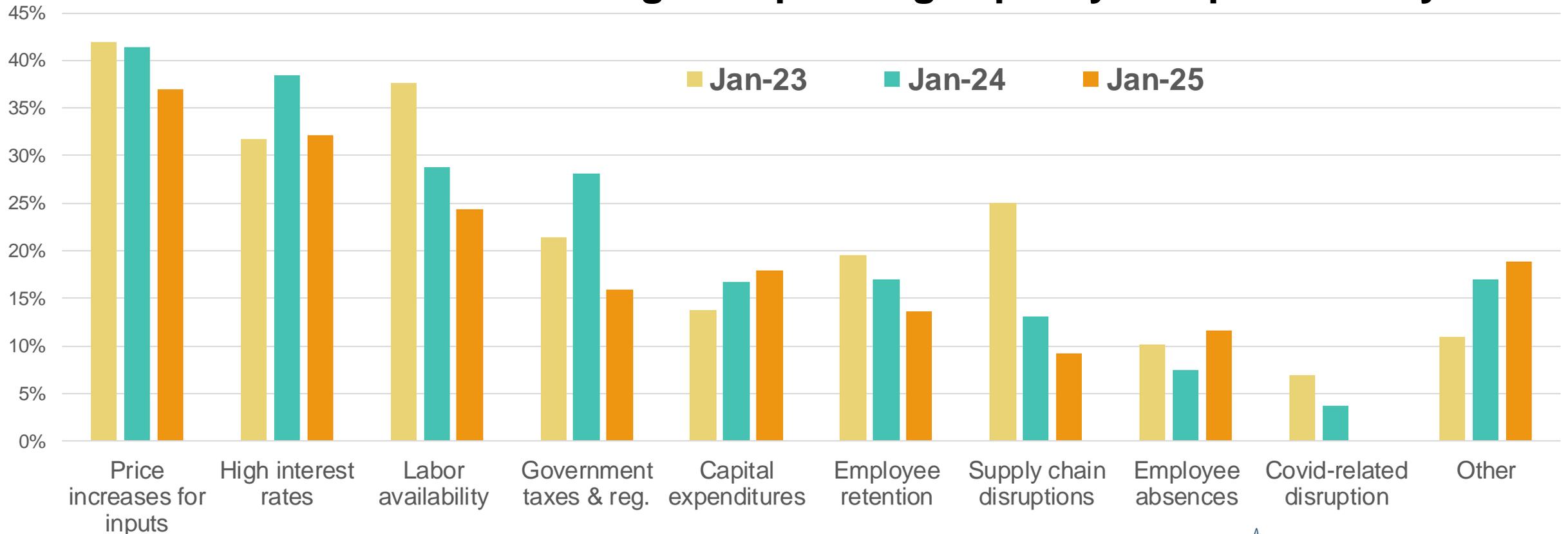
A stylized, light teal outline of an eagle with its wings spread, set against a teal background. The eagle's head is turned to the left. Several five-pointed stars are scattered around the eagle's head and wings. In the top left corner, there is a small, dark teal horizontal bar.

# CHALLENGES

# CHALLENGES TO OPERATIONS

- Inflation remains top challenge; interest rates & labor availability also high, but declining
- Higher uncertainty (other + comments) – ESST, tariffs, other federal policy actions

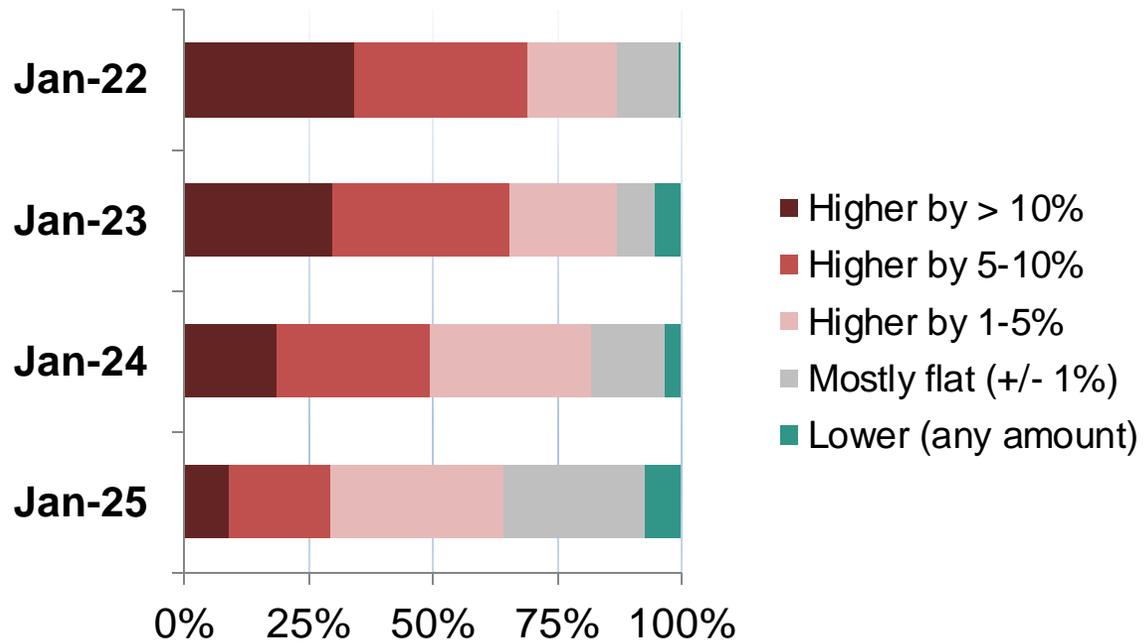
## Pick two: Greatest challenge to operating capacity and productivity



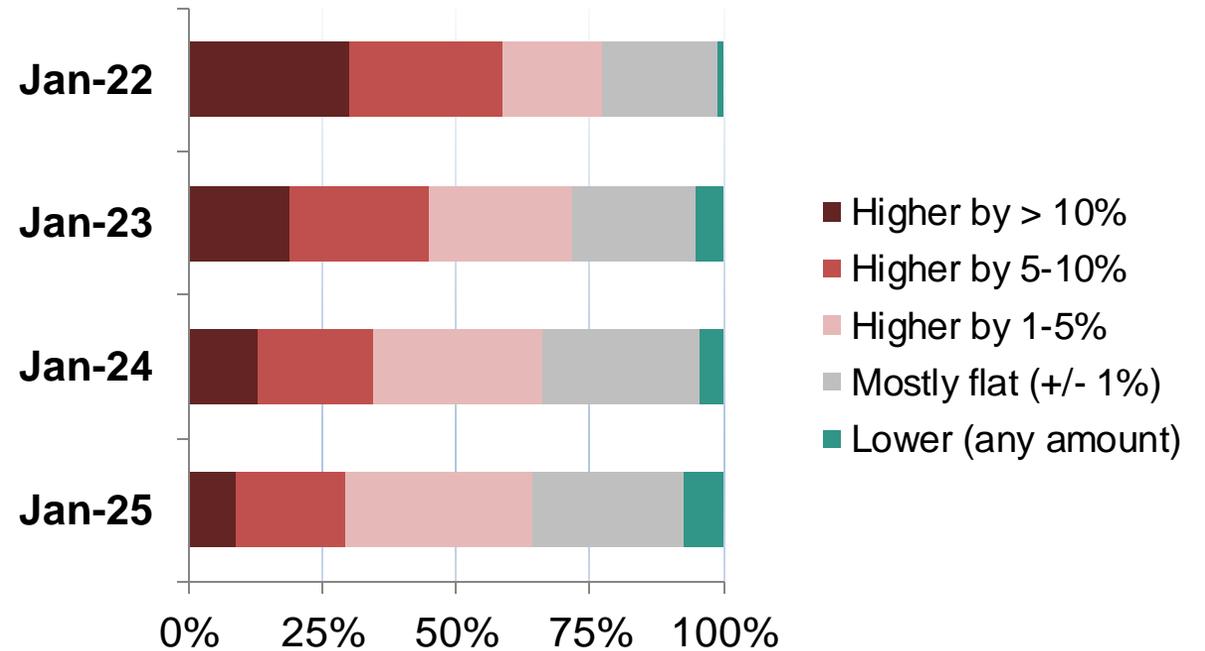
# PRICES & INFLATION

Wholesale (B2B) inflation improved considerably; retail hikes also lower

### Non-labor input prices (wholesale)

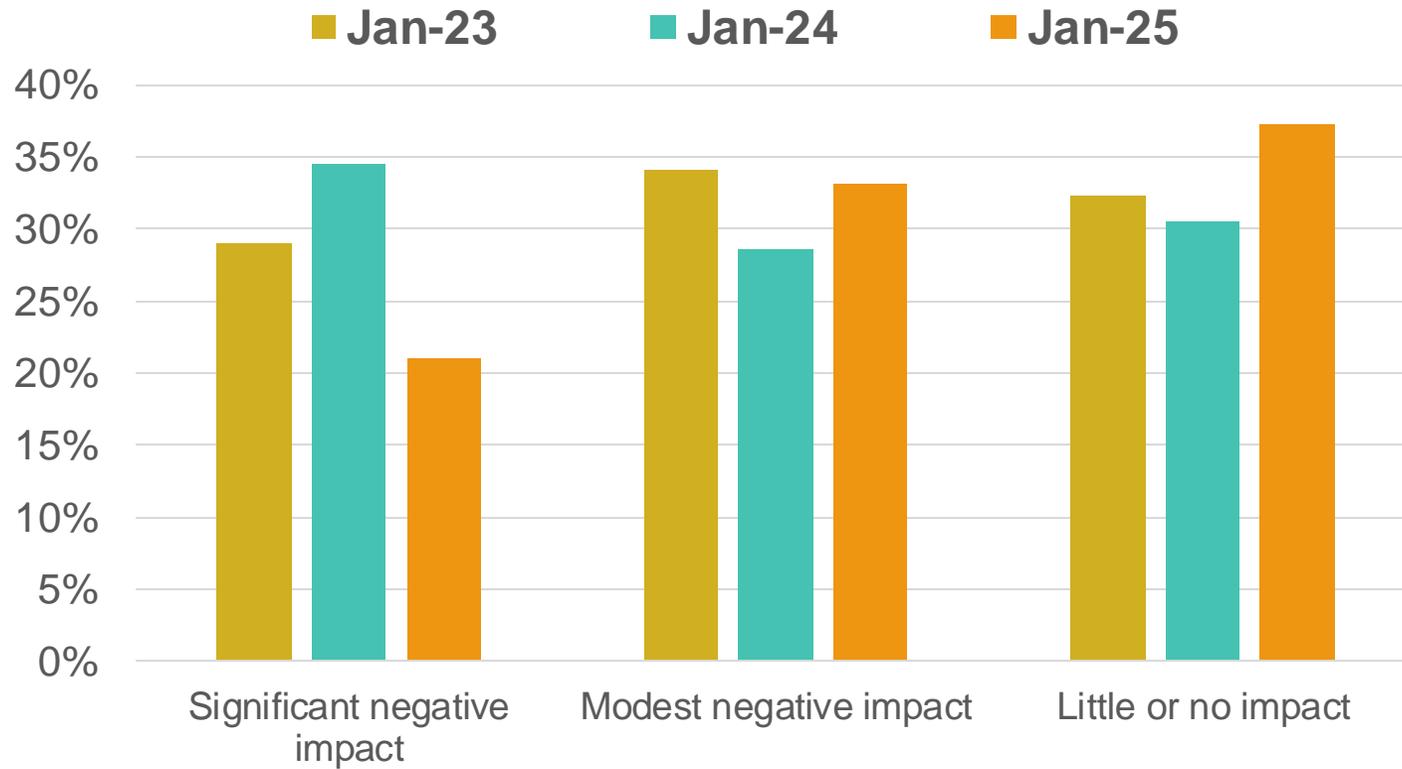


### Final prices to customers (retail)



# INTEREST RATES

## Impact of current interest rates on your business



Interest rates still problematic, but less so

Slightly more negative effects were seen among larger firms

Small but growing share (8%) seeing positive impact, likely related to company savings



A large, light teal graphic of an eagle with its wings spread, set against a teal background. The eagle is surrounded by several five-pointed stars. The entire graphic is rendered in a simple, line-art style.

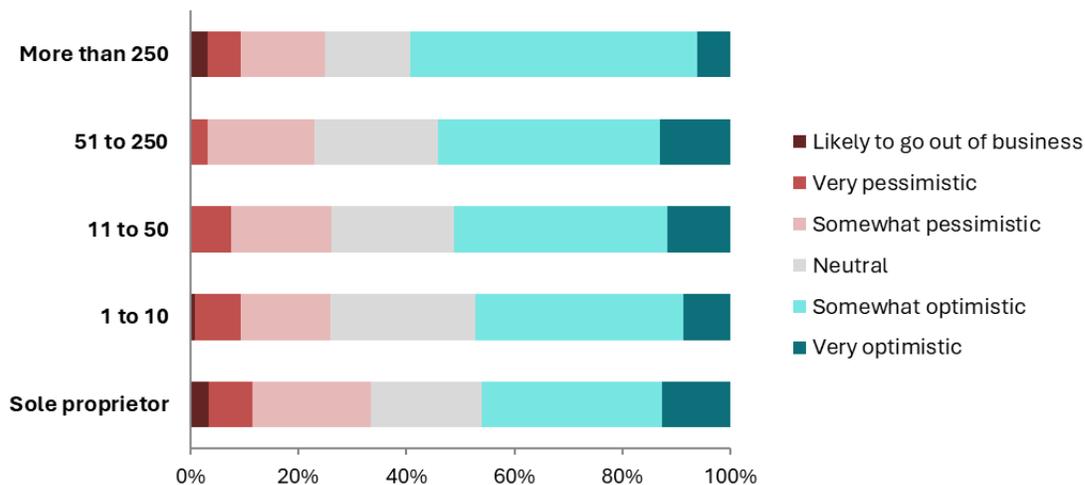
# OUTLOOK

# OUTLOOK: DECLINE, STILL POSITIVE OVERALL

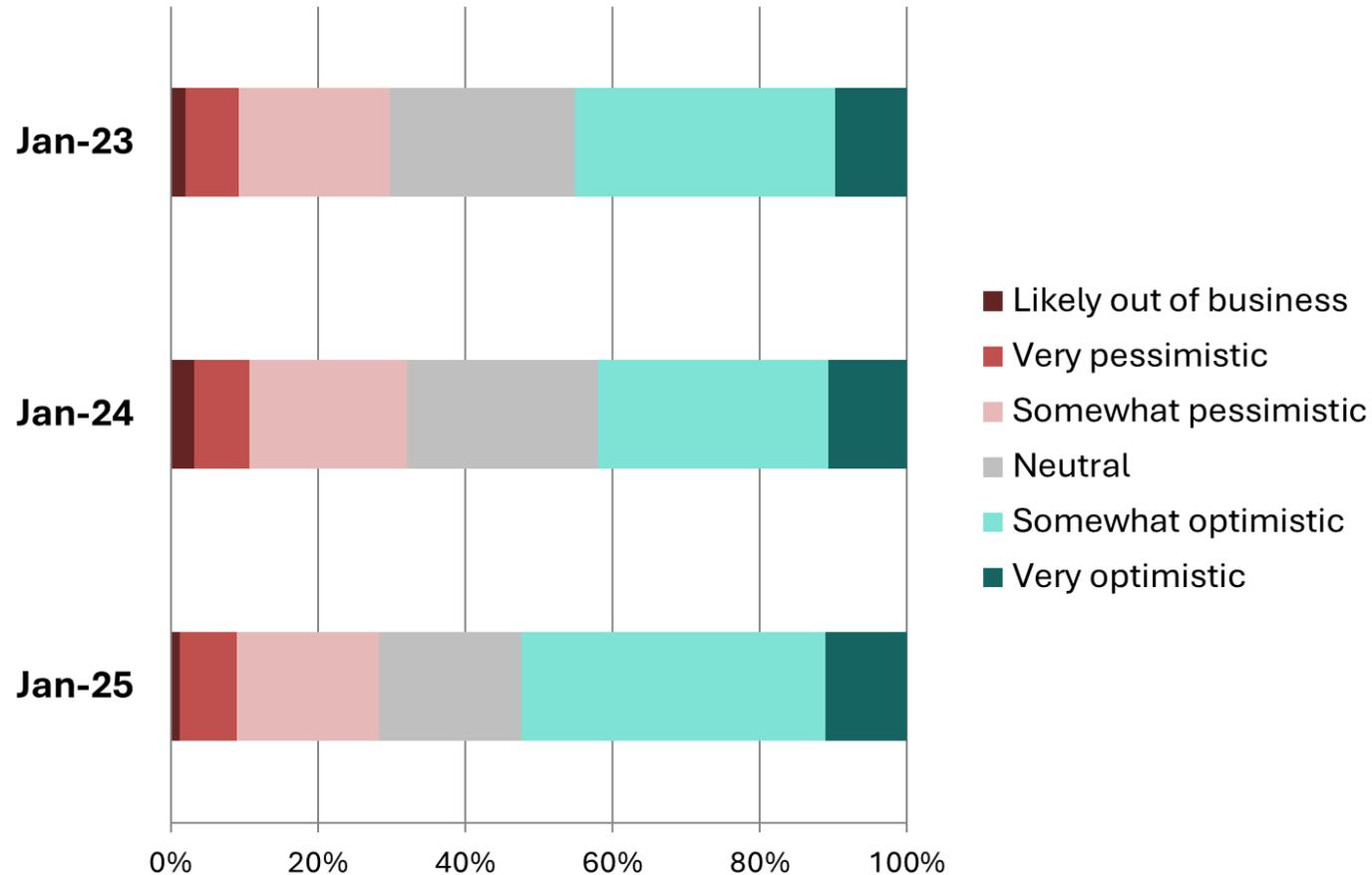
Outlook solidly net positive compared to prior years

Optimism is stronger among larger firms

### Outlook in next 6 months by firm size



### Outlook for the next 6 months





## FINAL THOUGHTS

- Revenues & profits continued to be soft
- Labor demand also softening, but still positive
- The rate of price growth fell, but inflation remains a major concern
- Other pain-points also eased: labor availability and wage pressure
- Outlook is solidly positive, however there seems to be an uptick in hard-to-define uncertainty





**HELP INFORM  
THE MINNEAPOLIS FED!**

**SIGN UP TO BE A  
SURVEY RESPONDENT TODAY**



**Scan to learn more**

# THANK YOU! QUESTIONS?

Be a Business Pulse  
Survey respondent!

**2 min., couple times/yr**

Scan to learn more:



Your insights  
help everyone!