THE ECONOMY: PANDEMIC AND RECOVERY

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Joe Mahon

Regional Outreach Director



FEDERAL RESERVE BANK OF MINNEAPOLIS

DISCLAIMER

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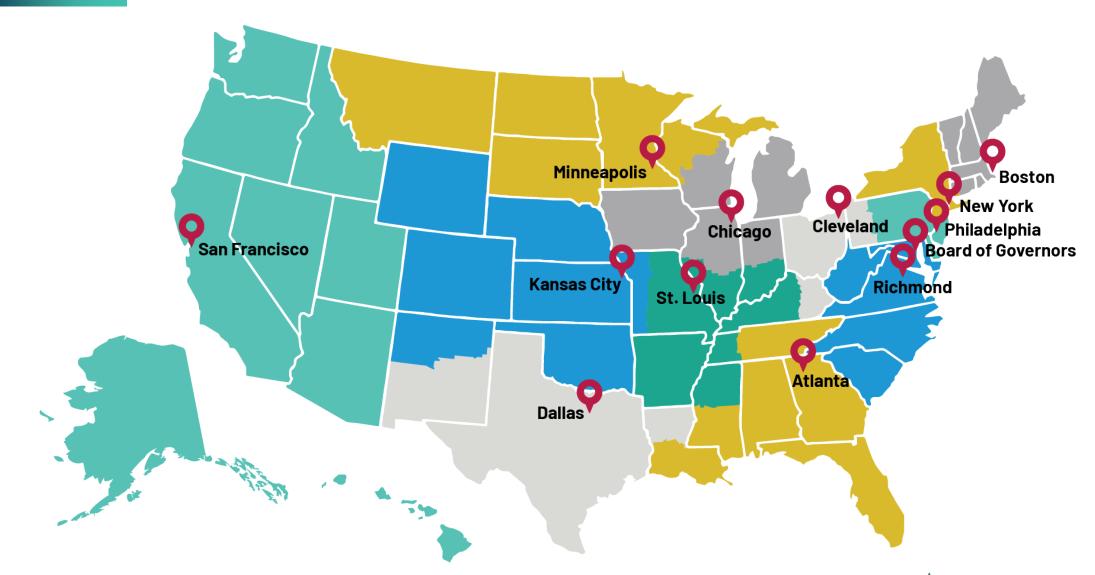


TODAY'S TALK

- The Federal Reserve
- National economic update
- Regional economic update
 - Surveys
 - General business
 - COVID indicators & outlook

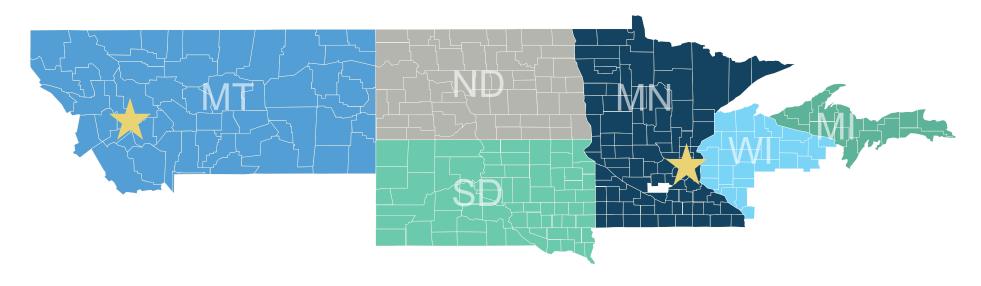


THE FEDERAL RESERVE





FEDERAL RESERVE BANK OF MINNEAPOLIS



- Incorporated and opened in 1914 Helena Branch established in 1921
- The Ninth District
 - Includes Minnesota, Montana, North Dakota, South Dakota, the Upper Peninsula of Michigan, and northwestern Wisconsin
 - A diverse economy, from mining to tourism to agriculture to technology





NATIONAL OVERVIEW

1. Recovery has continued, but slowed

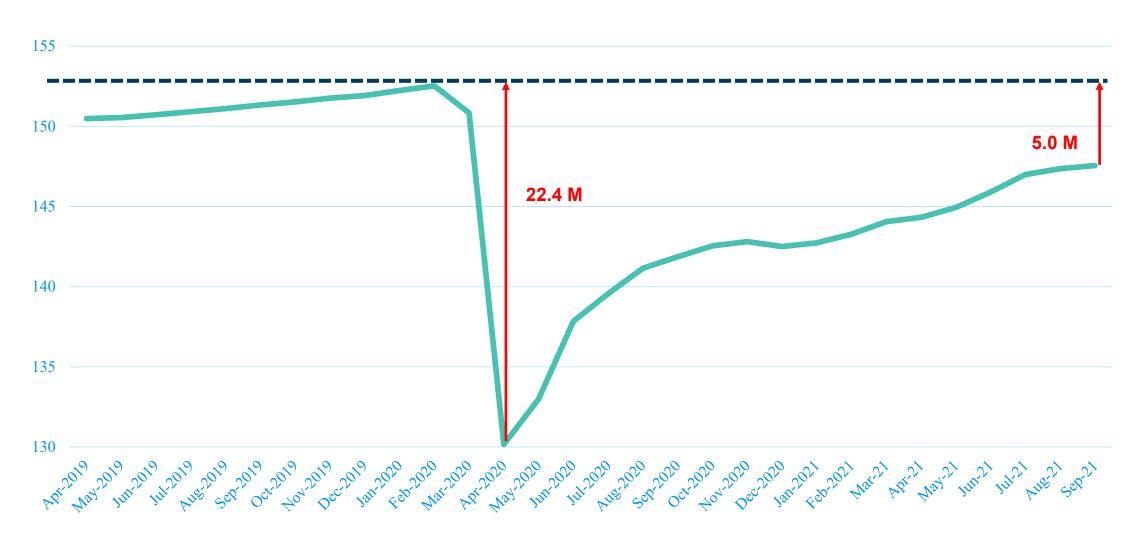
2. Job gains picking up, but huge employment losses remain

3. Inflation has jumped above 2%, still reflecting transitory factors



NONFARM EMPLOYMENT

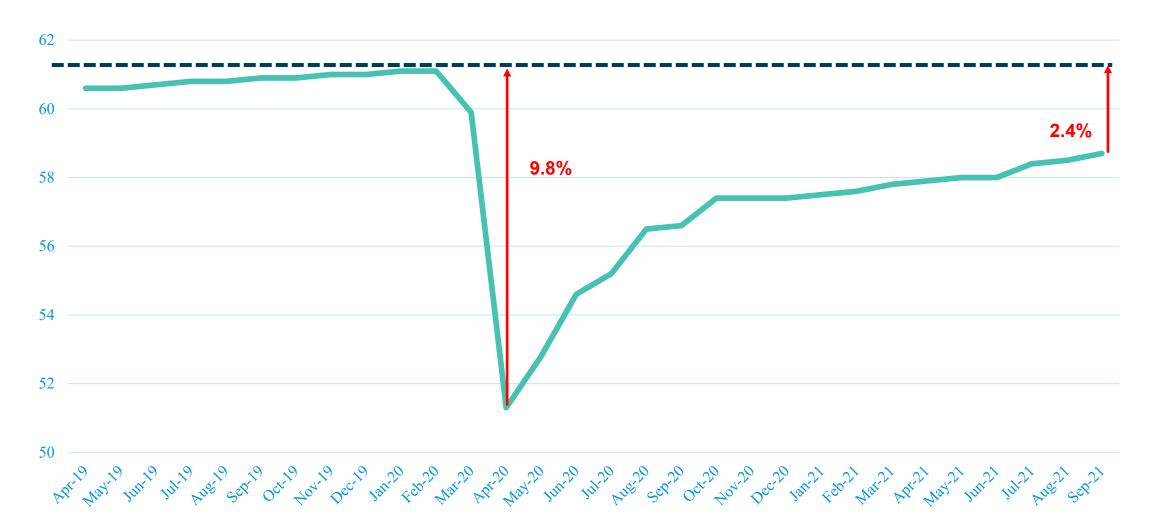
MILLIONS, LEVEL





EMPLOYMENT-POPULATION RATIO

16+, PERCENT



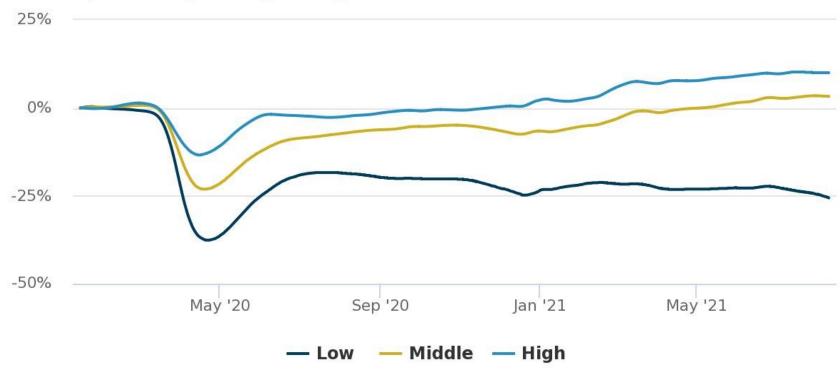


CHANGE IN EMPLOYMENT BY WAGE: US

PERCENT, SEVEN-DAY MOVING AVERAGE

United States

Percent, seven-day moving average



Source: Opportunity Insights Economic Tracker

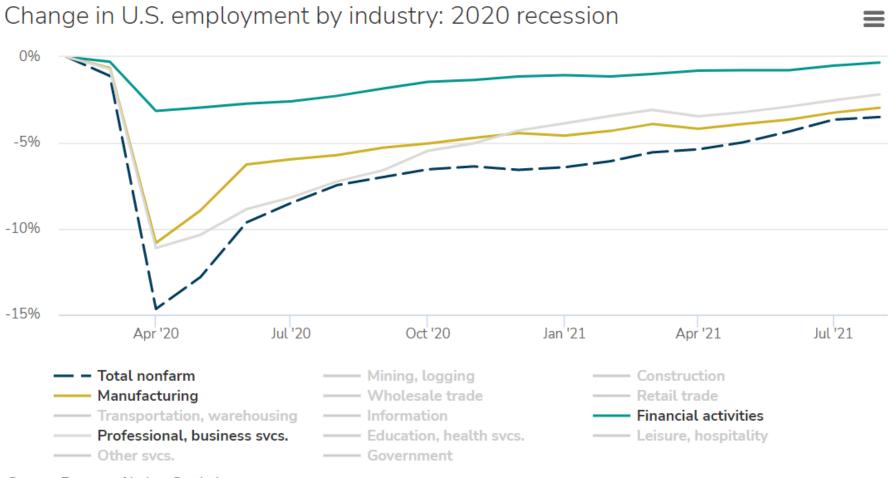
Note

Note: Compared to January 4–31, 2020. National-level includes forecasted data. Opportunity Insights defines low-wage as <\$27K, medium-wage as \$27K–\$60K, and high-wage as >\$60K.

Source: Opportunity Insights Economic Tracker.



MANUFACTURING EMPLOYMENT STRONGER THAN OVERALL...

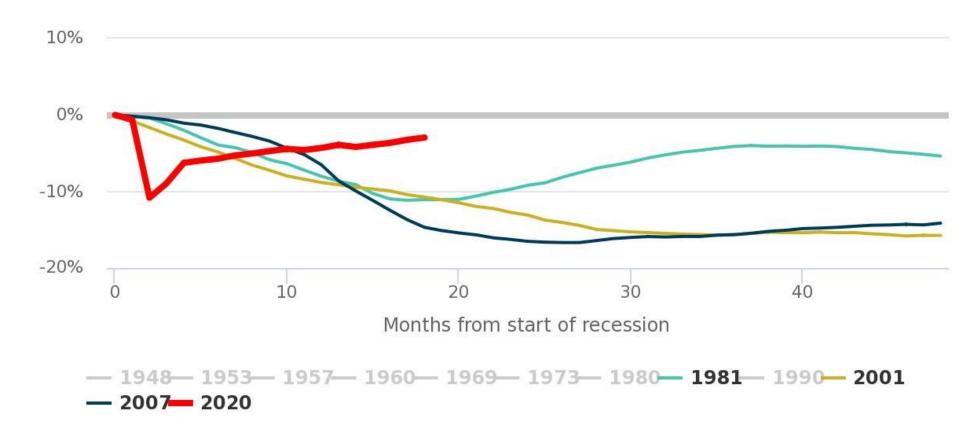






... AND STRONGER IN THIS RECESSION THAN PREVIOUS ONES

Manufacturing



Source: Bureau of Labor Statistics



OVERVIEW

1. Recovery has continued, but slowed

2. Job gains picking up, but huge employment losses remain

3. Inflation has jumped above 2%, still reflecting transitory factors



WHOLESALE PRICE INFLATION

PPI 12-MONTH PERCENT CHANGE





CONSUMER INFLATION

PCE 12-MONTH PERCENT CHANGE





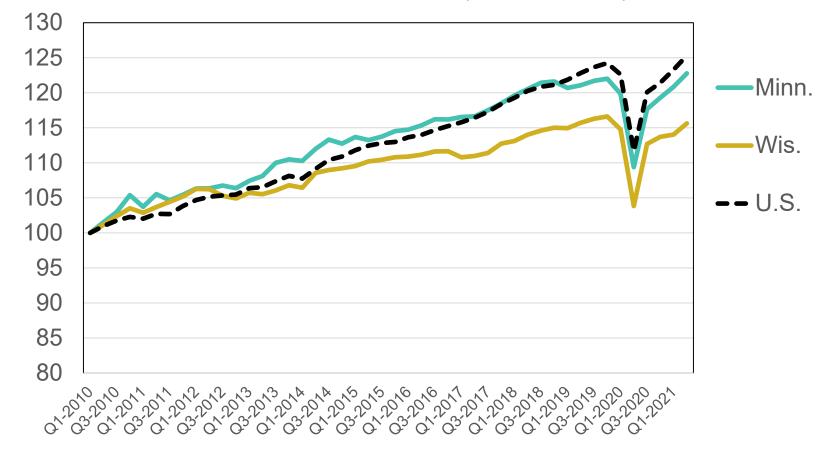


PANDEMIC OUTPUT

Gross Domestic Product

2010 to 2021Q2, Index (Q1 2010 =100)

Output has recovered to exceed prepandemic peak in U.S., Minn., but not quite back yet in Wis.





PANDEMIC EMPLOYMENT



Employment growing, but still well below prepandemic peak



PANDEMIC EMPLOYMENT

Unemployment recovering, but trajectory is flattening

Unemployment

Seasonally adjusted

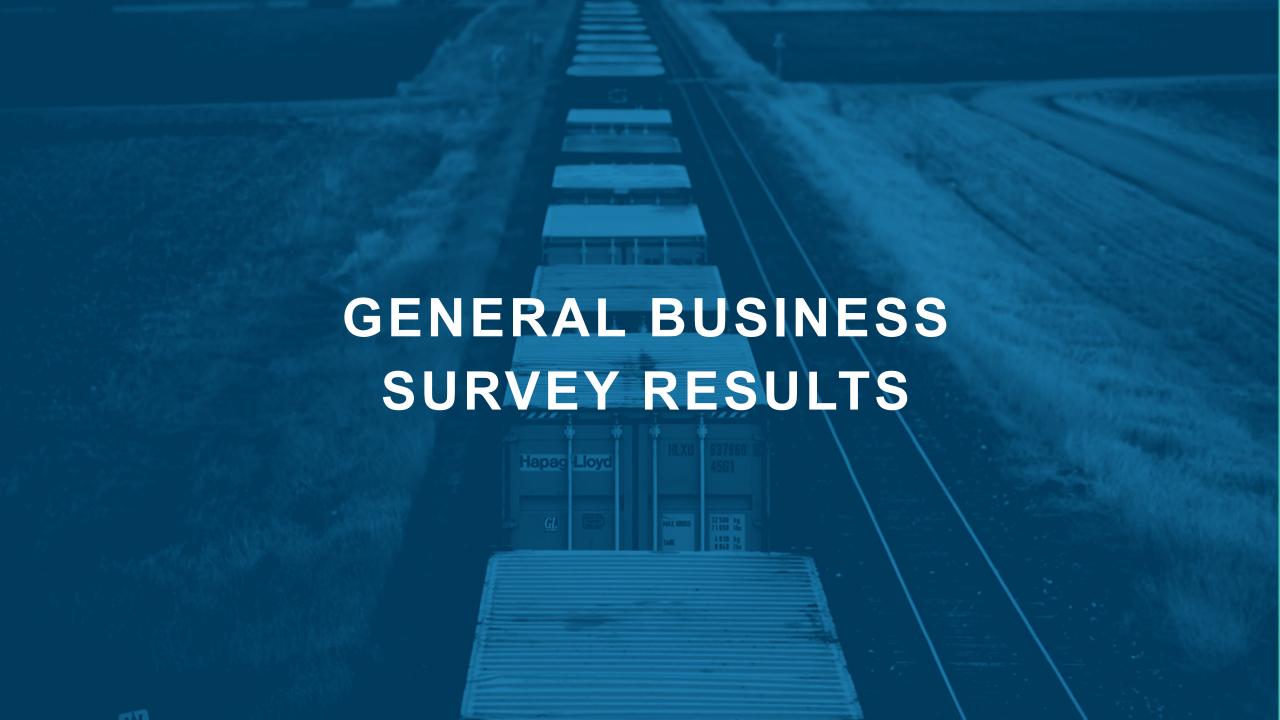


- Minnesota- Montana- North Dakota- South Dakota- Wisconsin- United States

Source: Bureau of Labor Statistics via Haver Analytics

Updated September 28, 202







QUICK TAKE-AWAYS

- Most recent 3-month period saw solid revenue growth among reporting firms
- Notable differences by size and ownership
- Workforce growth was notably slow among all firms – likely hampered by labor availability – but less so among larger firms, and that matters
- Similar story for wages: Moderate wage growth overall, but stronger growth at larger firms
- Firms face significant challenges, but (for the moment, at least) not directly Covid-related
- Outlook quite optimistic, but results precede the recent increase in Delta variant cases



RECENT REVENUE AND STAFFING TRENDS

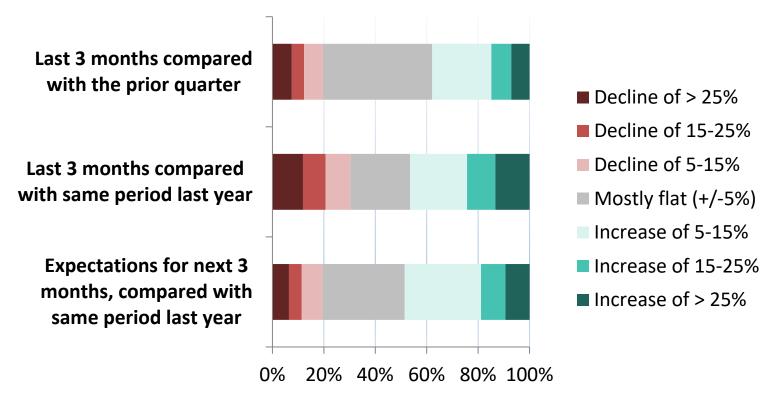
OVERALL TREND: RECENT AND FUTURE REVENUE IMPACT

Positive revenue growth overall, y-o-y and q-o-q

About twice as many firms saw revenue gains vs. declines

Outlook even more upbeat, with almost half expecting revenue gains over last year

Recent quarterly revenue at your firm, and expectations for the near future

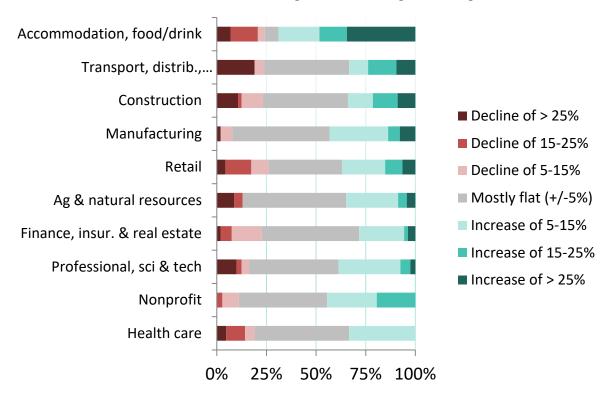




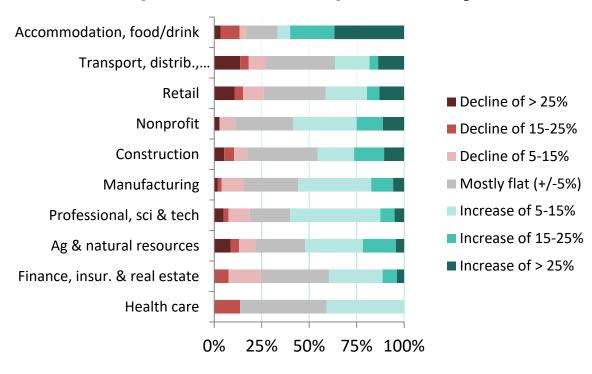
FUTURE REVENUE TRENDS, BY SECTOR

Continued variation but all sectors reported net revenue growth, expecting more of same over next three months

Last 3 months compared w/ prior quarter



Expectations for next 3 months, compared with same period last year

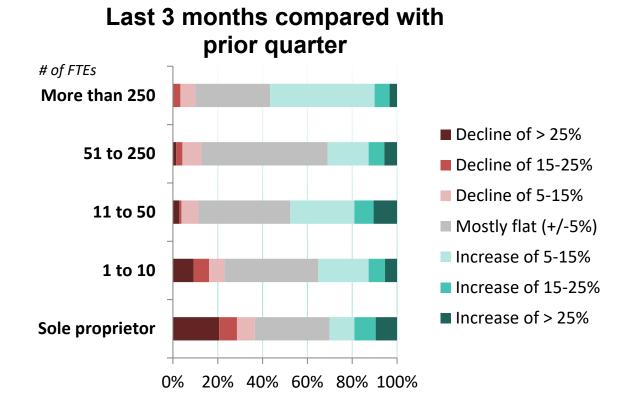




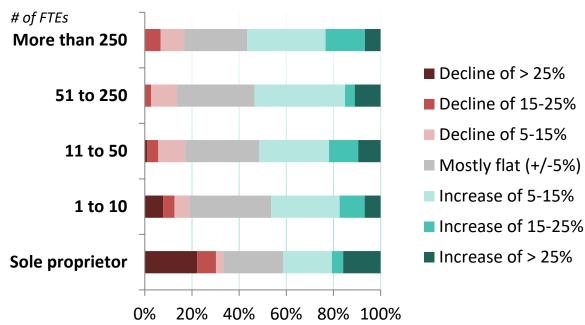
REVENUE TRENDS, BY FIRM SIZE

Size matters

Large firms continue to see stronger revenue trends
Better news: Expectations quite strong, esp. for employer firms

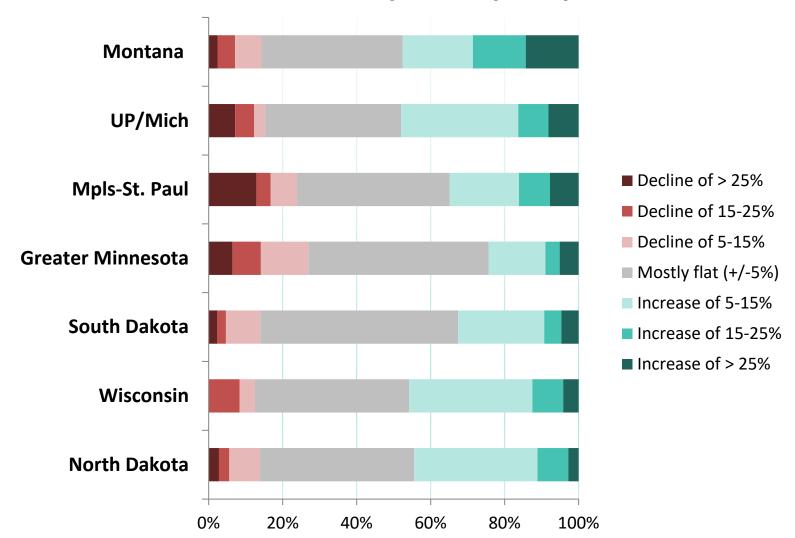


Expectations for next 3 months compared with same period last year



REVENUE TRENDS, BY STATE

Last 3 months compared w/ prior quarter



Mpls-St. Paul & Greater MN firms 'appear' to be lagging

However, response composition matters *a lot*

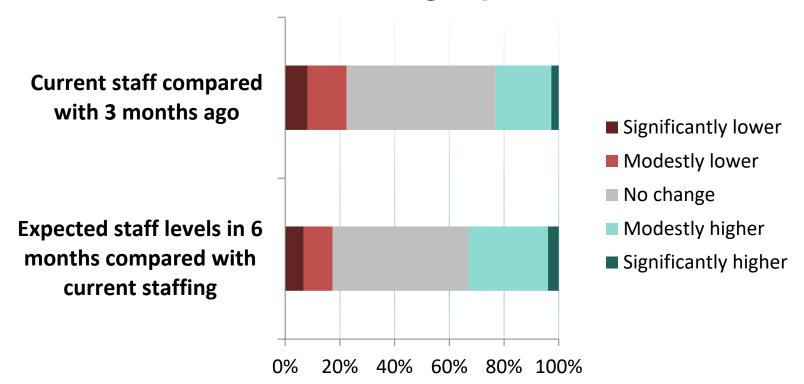
- Mpls-St. Paul and Greater MN had highest shares of small firms, including 20 percent sole proprietors
- ND biggest share of larger firms, followed by SD
- MT and ND had <u>zero</u> sole proprietors; SD, 5%

Reinforces the effect of firm size in survey results



WORKFORCE DEMAND

Please estimate recent changes in staffing, and future staffing expectations



Overall, firms reported no net growth in workforce

Workforce demand by firm size a different matter (more in a bit)

Firms more upbeat regarding expected staffing levels in 6 months, and across all firm sizes

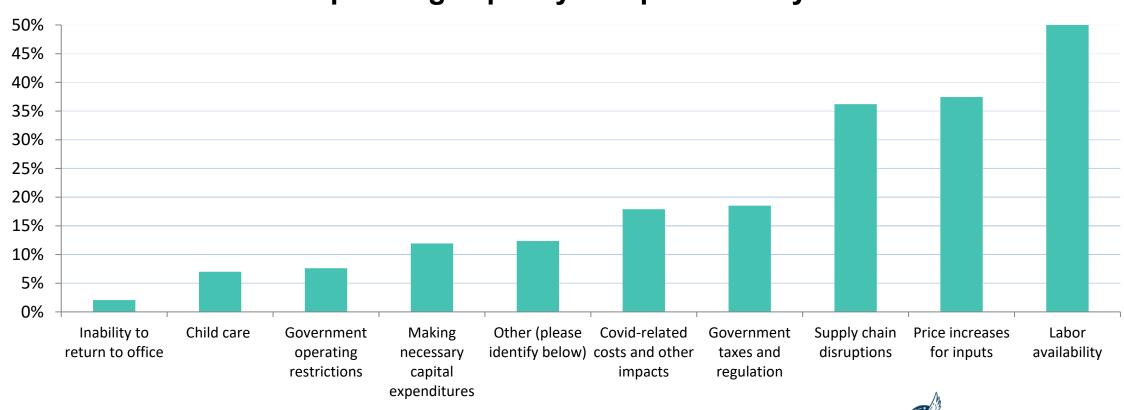


CHALLENGES & OTHER METRICS

CHALLENGES TO OPERATIONS

Firms facing many challenges, but three BIG ones

Pick two: What are the two greatest challenge to your current operating capacity and productivity?



RESERVE BANK OF MINNEAPOLIS

CHALLENGES - LABOR AVAILABILITY

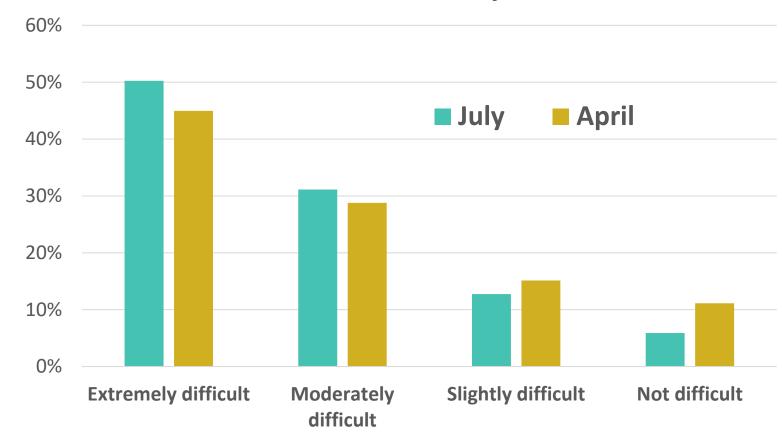
Job openings



Job <u>hirings</u>

Labor conditions continue to get tighter

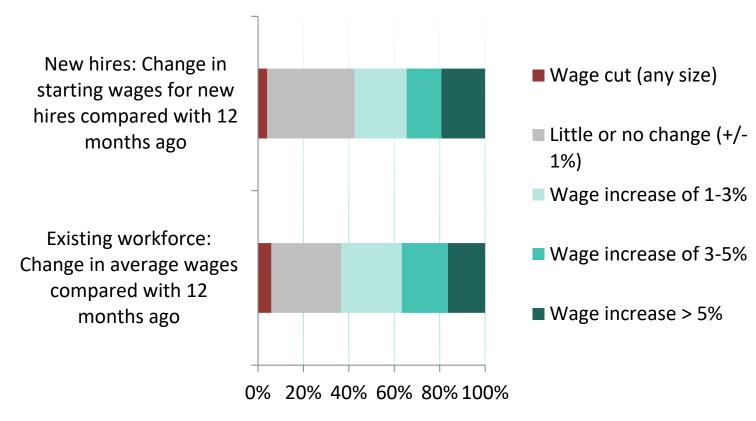
If hiring, how would you assess current ability to find and hire necessary labor?





WAGES RISING

Please describe recent changes to average wages at your firm, and expected future changes



Overall, firms
reported moderate
wage increases; about
35 percent said wages
had risen by 3 percent
or more

However, wages by firm size tell a different wage story

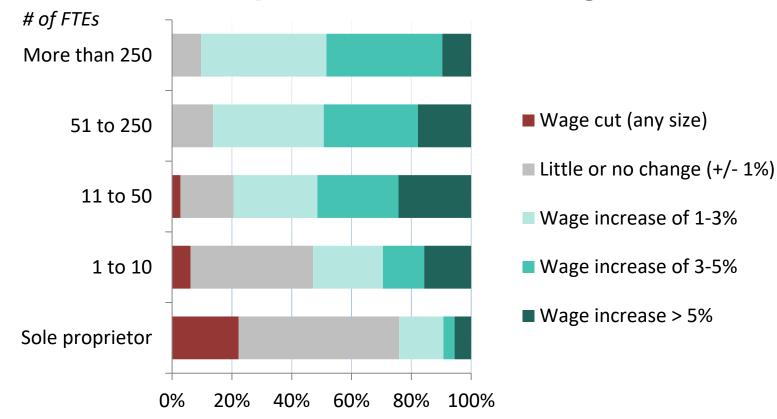


WAGES BY FIRM SIZE

Wage growth much stronger among larger firms

Among all employers with > 50 employees, almost half gave wage increases > 3 percent; only 13 percent gave no wage increase

Change in average wages for existing staff compared with 12 months ago





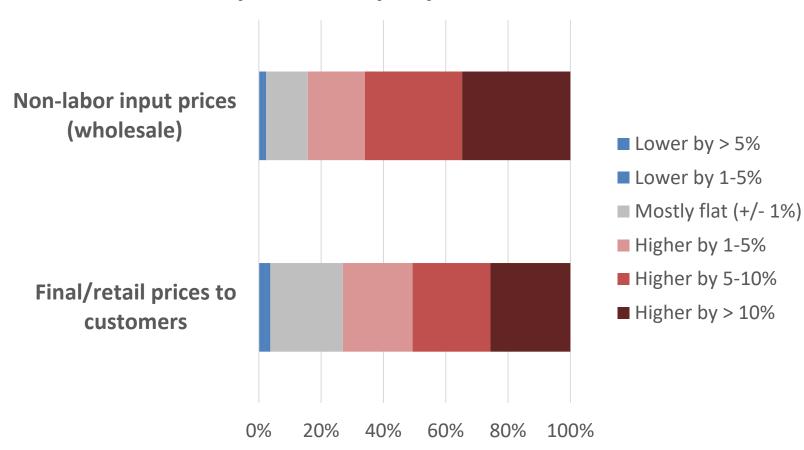
PRICES RISING

How would you describe current price levels compared with pre-pandemic levels?

66% said wholesale prices rose by > 5%

April survey = 48%

Price increases flowing through to customers; 51% said final prices rose by > 5% (April = 38%)

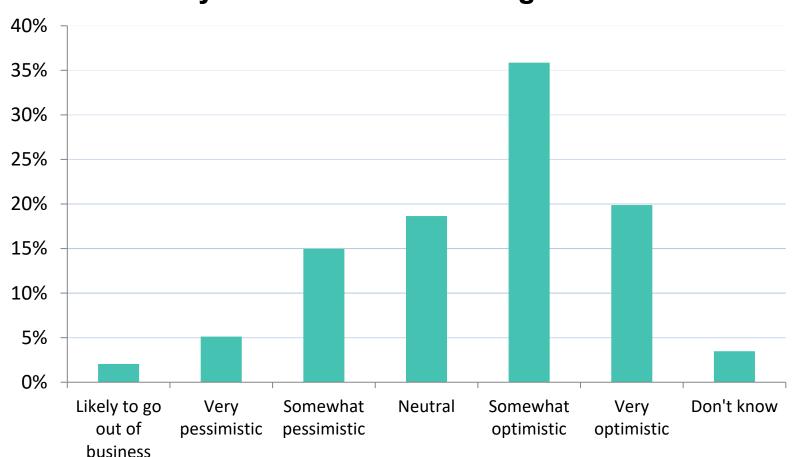




OUTLOOK: STAYING POSITIVE

OUTLOOK = CONTINUED OPTIMISM

What is your outlook for coming six months?



Quite positive outlook from respondents

55% optimistic versus20% pessimistic

Larger firms had modestly better outlook

Second consecutive survey with positive outlook

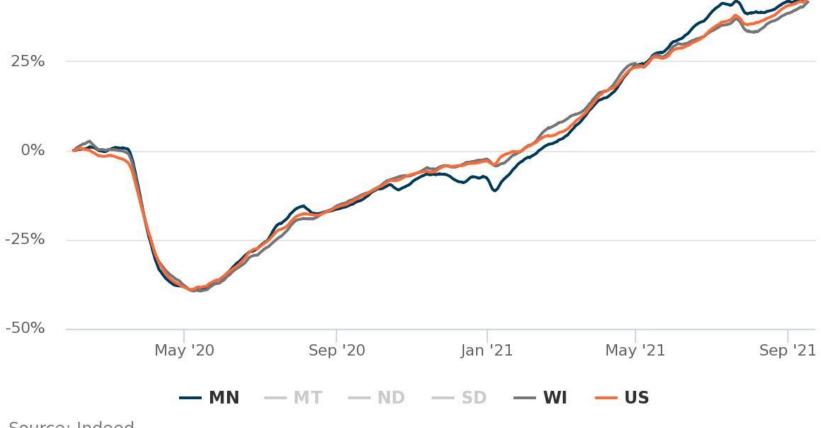




JOB POSTINGS CLIMBING QUICKLY

Change in online job postings

Relative to Feb 1st, 2020, 7-day moving average SA



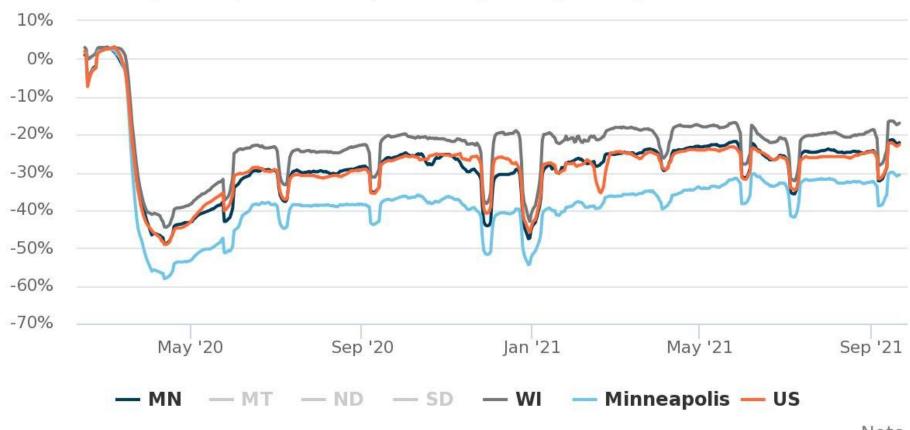




TRAVEL TO WORK STILL BELOW PRE-PANDEMIC

Workplaces

Percent change from Jan-Feb 2020, seven-day rolling average



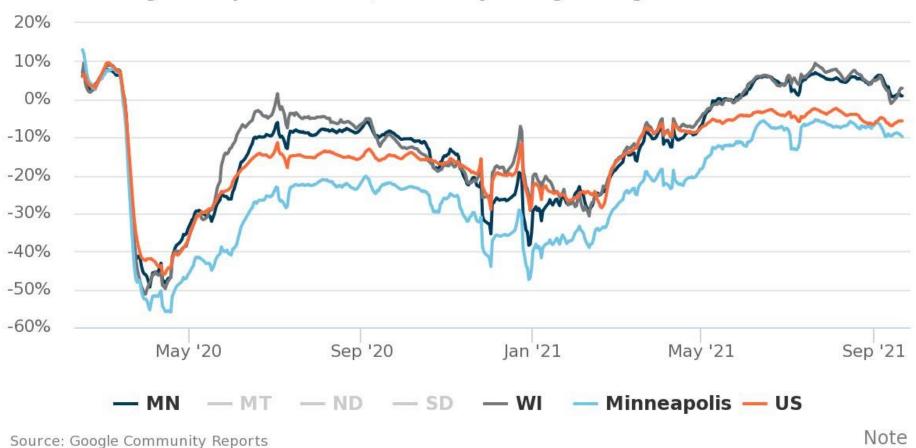
Source: Google Community Reports



RECREATIONAL TRAVEL UP (BUT SO ARE CASES)

Retail and recreation

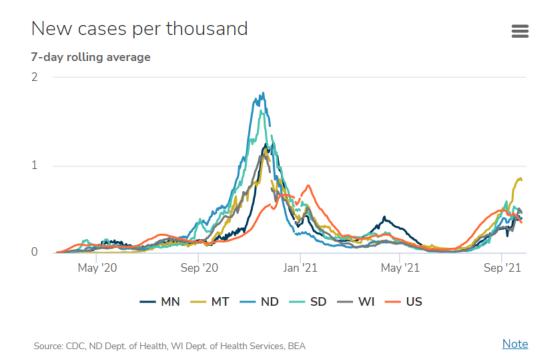
Percent change from Jan-Feb 2020, seven-day rolling average







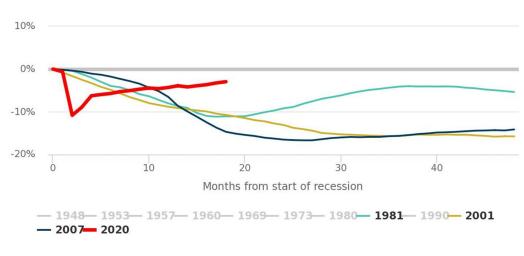
COVID-19 and the Ninth District economy: A dashboard



OTHER RESOURCES

The Recession in Perspective

Manufacturing



Source: Bureau of Labor Statistics



THANK YOU! SPEECH REFERRALS WELCOME!

@MINNEAPOLISFED

JOSEPH.MAHON@MPLS.FRB.ORG

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