

CONSTRUCTION SURVEY IN THE NINTH DISTRICT

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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.





A BIG THANK YOU TO PARTNERS

- About 35 partnering construction organizations across six Ninth District states
 - They deliver Bank survey to members
- Fifth construction survey since start of pandemic; second survey to be District-wide
- To date, close to 3,000+ responses; crucial insights for Bank on bellwether sector



CONSTRUCTION SECTOR SURVEY

- Conducted October 26 to November 2, 2020
- Total responses: 393
 - Responses from all Ninth District states
 - More than half from Minneapolis-St. Paul firms
 - Small response in Montana, the Dakotas, U.P./Mich.
 - Each of the four main sectors represented:
 - Residential, Commercial, Industrial, Infrastructure
 - All firm types sought, from architecture, design, engineering, contractors, materials/supply and more





DISCUSSION OVERVIEW

- **Volatility and challenges continues in industry**
 - Recent revenue trends are mixed; firms crowding to either side of the revenue see-saw
 - Cancellations & delays still prevalent
- **Sector still hiring; but labor availability still tight**
- **Residential housing seeing best results among sectors**
- **Notable concerns for future work; many report that pipeline of future projects shrinking**
- **Sector in decent financial health, at least by comparison to other sectors**





OVERVIEW, CONT.

- Survey results are a snapshot
 - Not a scientifically sampled survey
 - Interpret with care
- Pace will be quick; PPT and video will be posted to website and shared with all registered guests





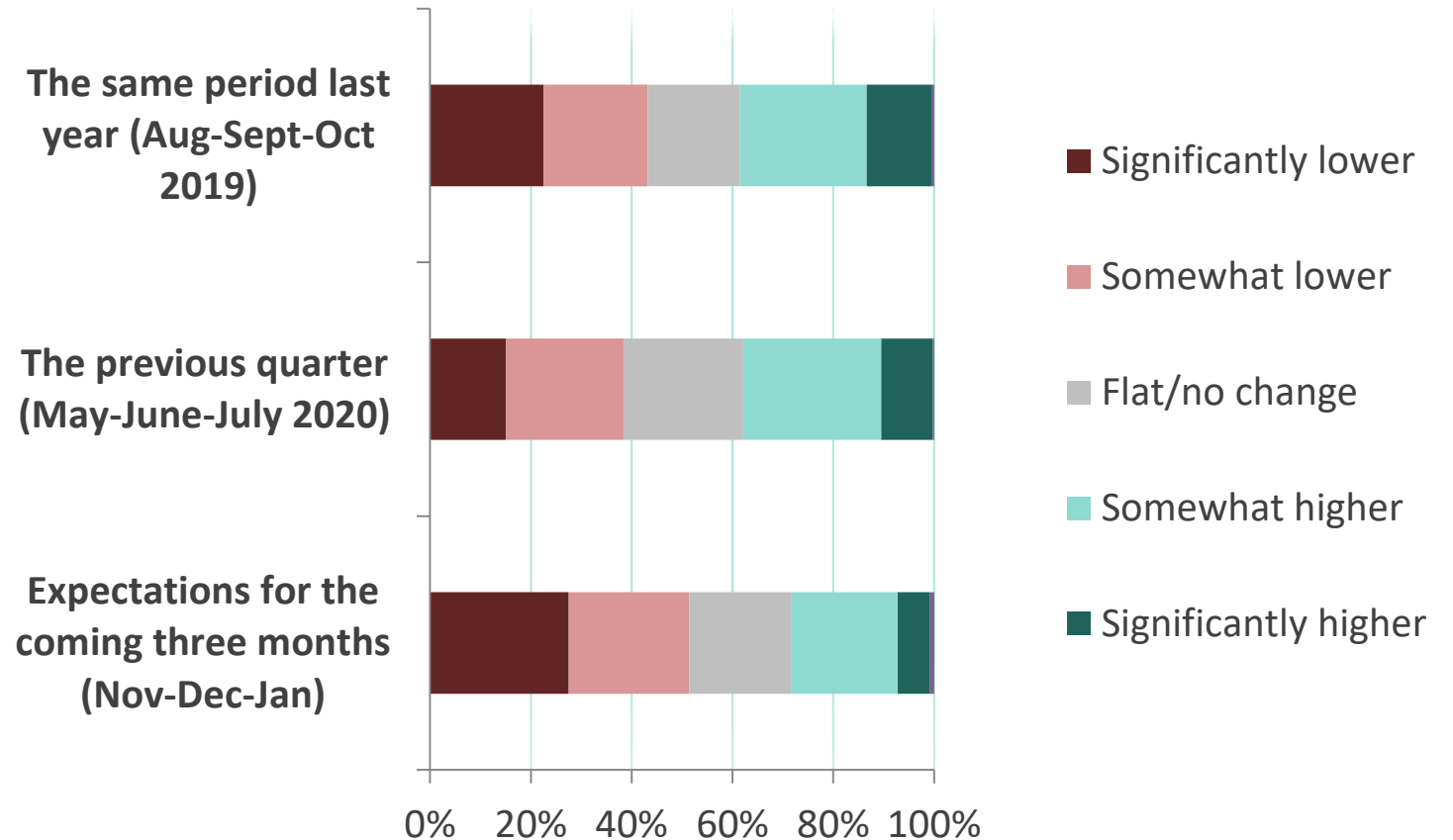
**FIRST FOCUS:
REVENUE TRENDS,
CANCELLATIONS & DELAYS**

RECENT REVENUE TRENDS

Lots of firms seeing revenue swings (+/-) compared with last year and last quarter; roughly equal shares on both sides of ledger

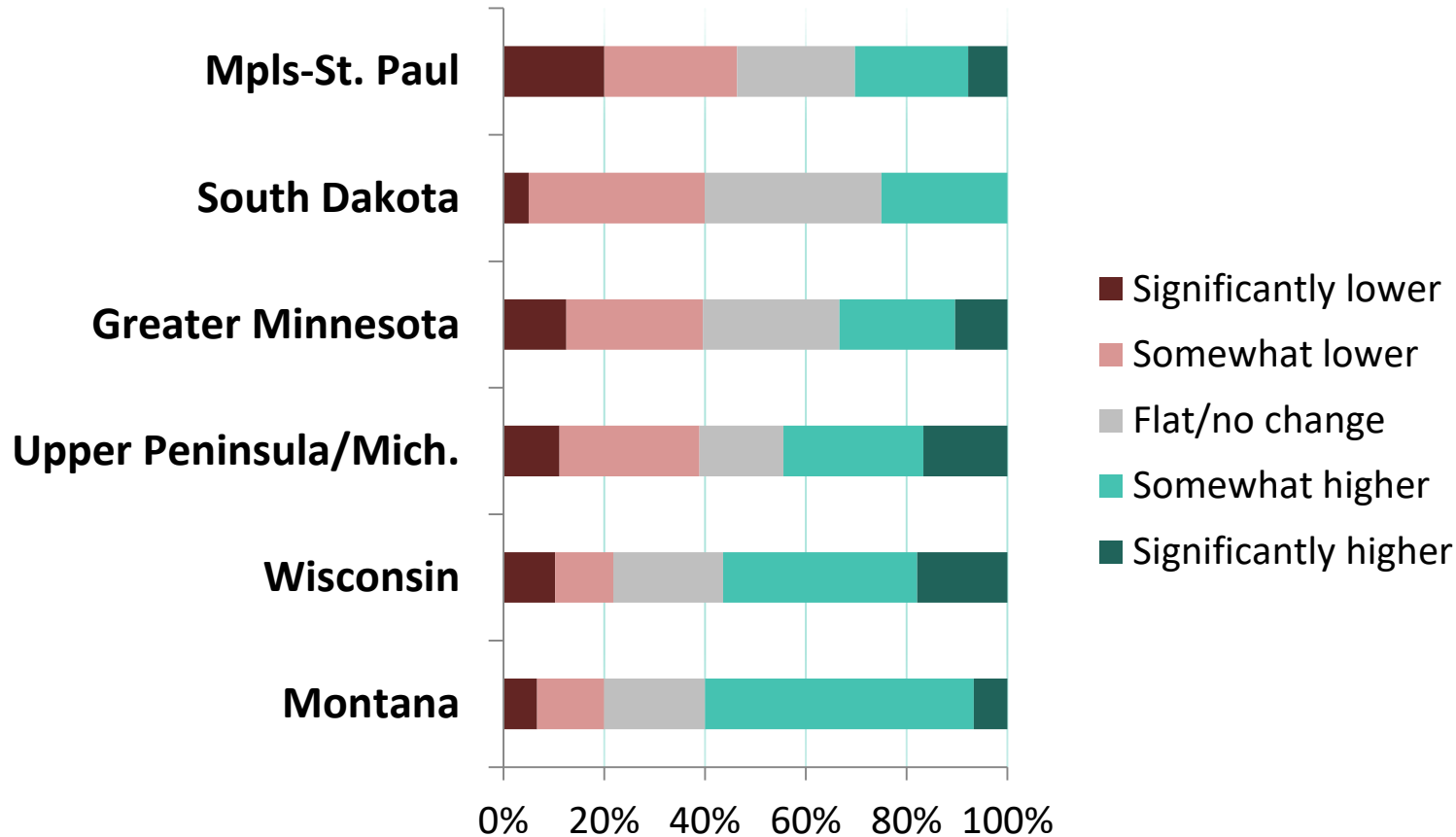
But future quarter expectations were more downbeat

Revenue trends over the last three months (Aug-Sept-Oct) compared with ...



REVENUE TRENDS BY STATE

Revenue over last three months (Aug-Sept-Oct)
compared with May-June-July, by state



**Construction zone:
Proceed with caution!**

Minneapolis-St. Paul

- Strong response
- Likely factor in poorer results in commercial sector

Low responses in MT, ND, SD, UP/Mich = hard to trust their results

Wisconsin: Good response, but heavily in residential sector

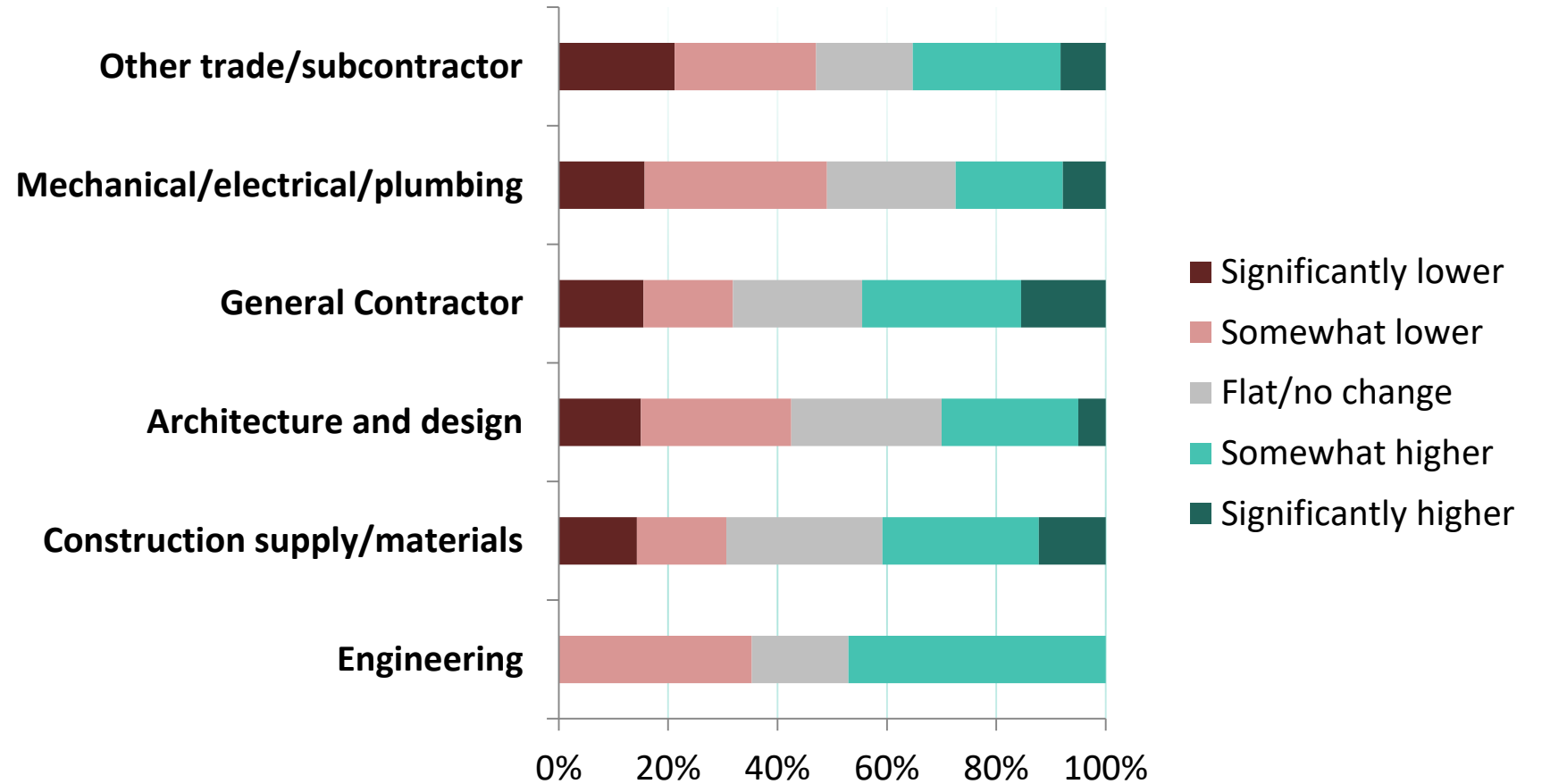


REVENUE TRENDS BY FIRM TYPE

Revenue over last three months (Aug-Sept-Oct) compared with May-June-July, by firm type

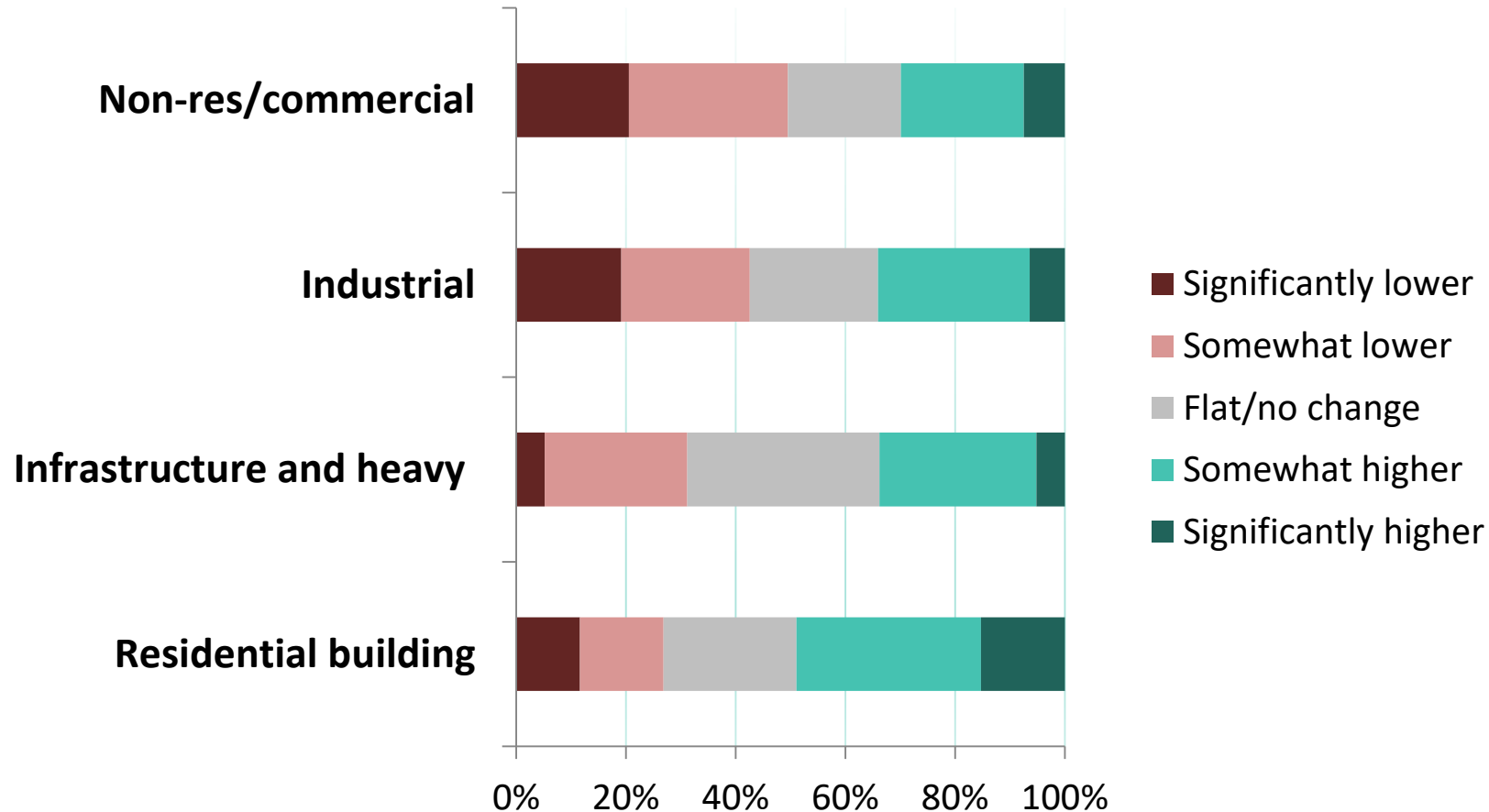
In general, firm of all types on both sides of the revenue see-saw

Engineering most upbeat, but had < 20 responses



REVENUE TRENDS BY CONSTRUCTION SECTOR

Revenue over last three months (Aug-Sept-Oct)
compared with May-June-July, by sector



Poorer revenue trend
in commercial sector
reflects tougher
conditions reported in
Mpls-St. Paul

More seeing growth in
residential sector



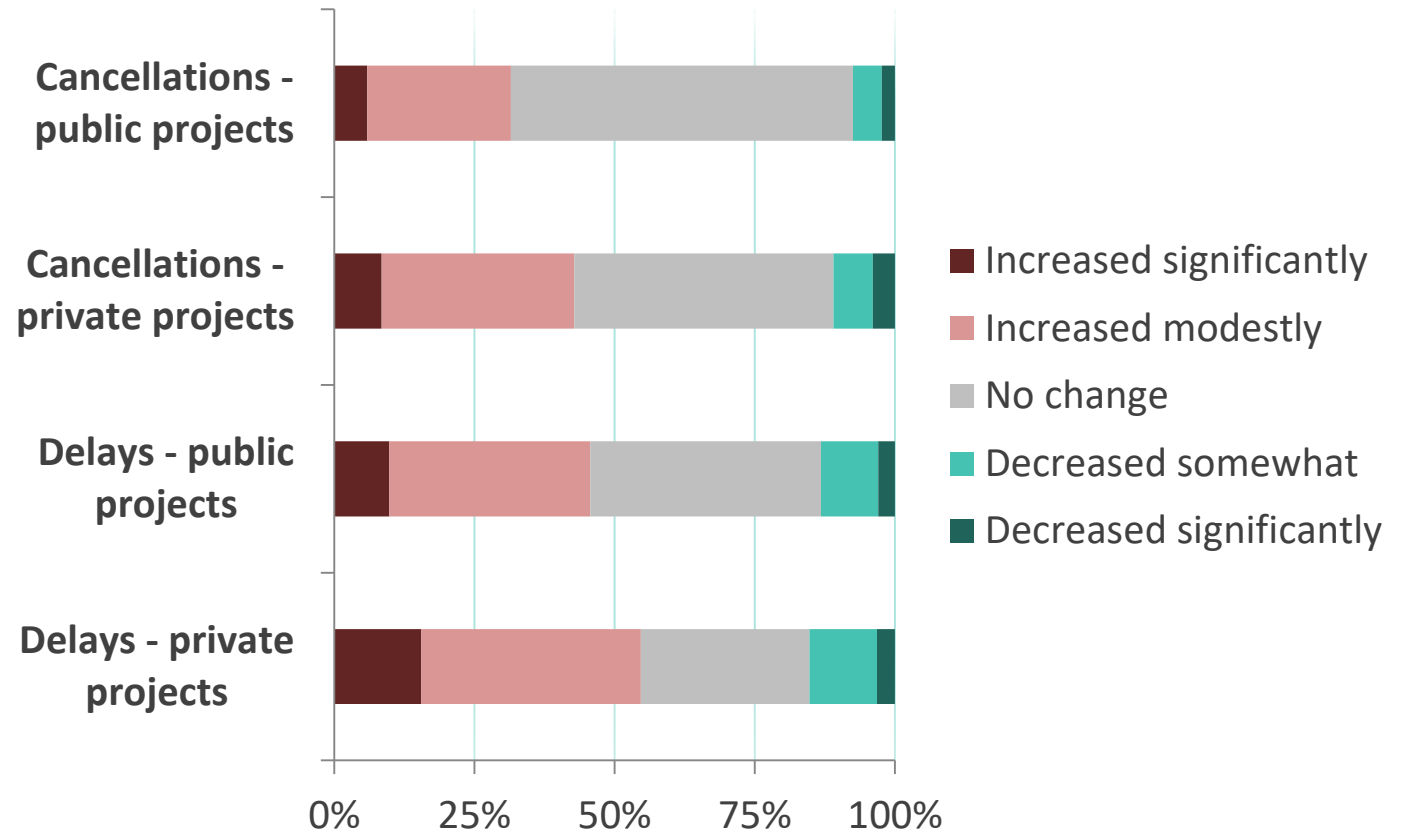
CANCELLATIONS & DELAYS

Project cancellations and delays affecting many firms

Responses for private projects slightly more negative

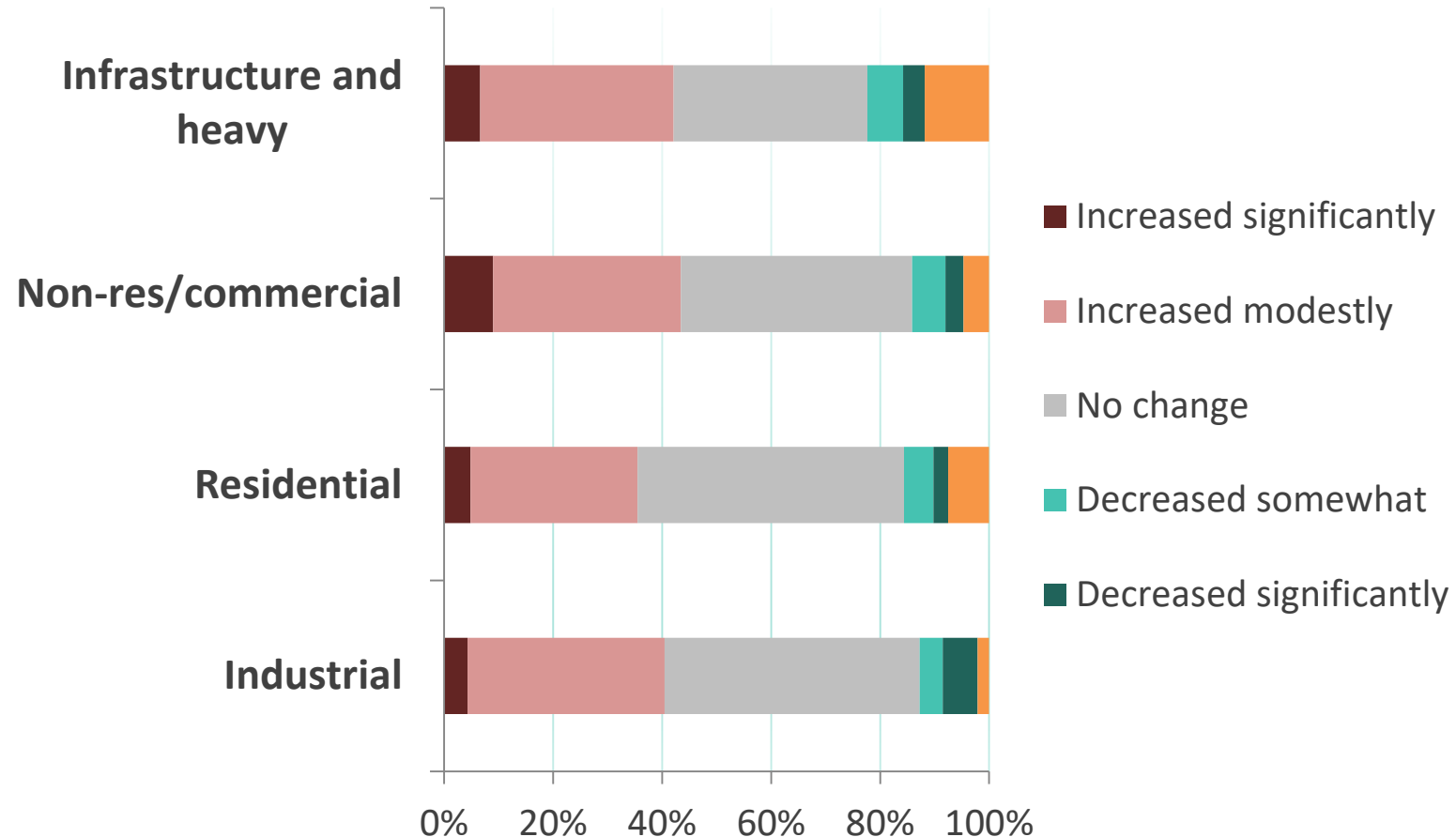
Virtually unchanged from July survey

Cancellations and delays Compared with July levels



PROJECT CANCELLATIONS: BY SECTOR

Private project cancellations Compared with July levels



Among the four major construction sectors, everyone seeing cancellations of private projects, even housing

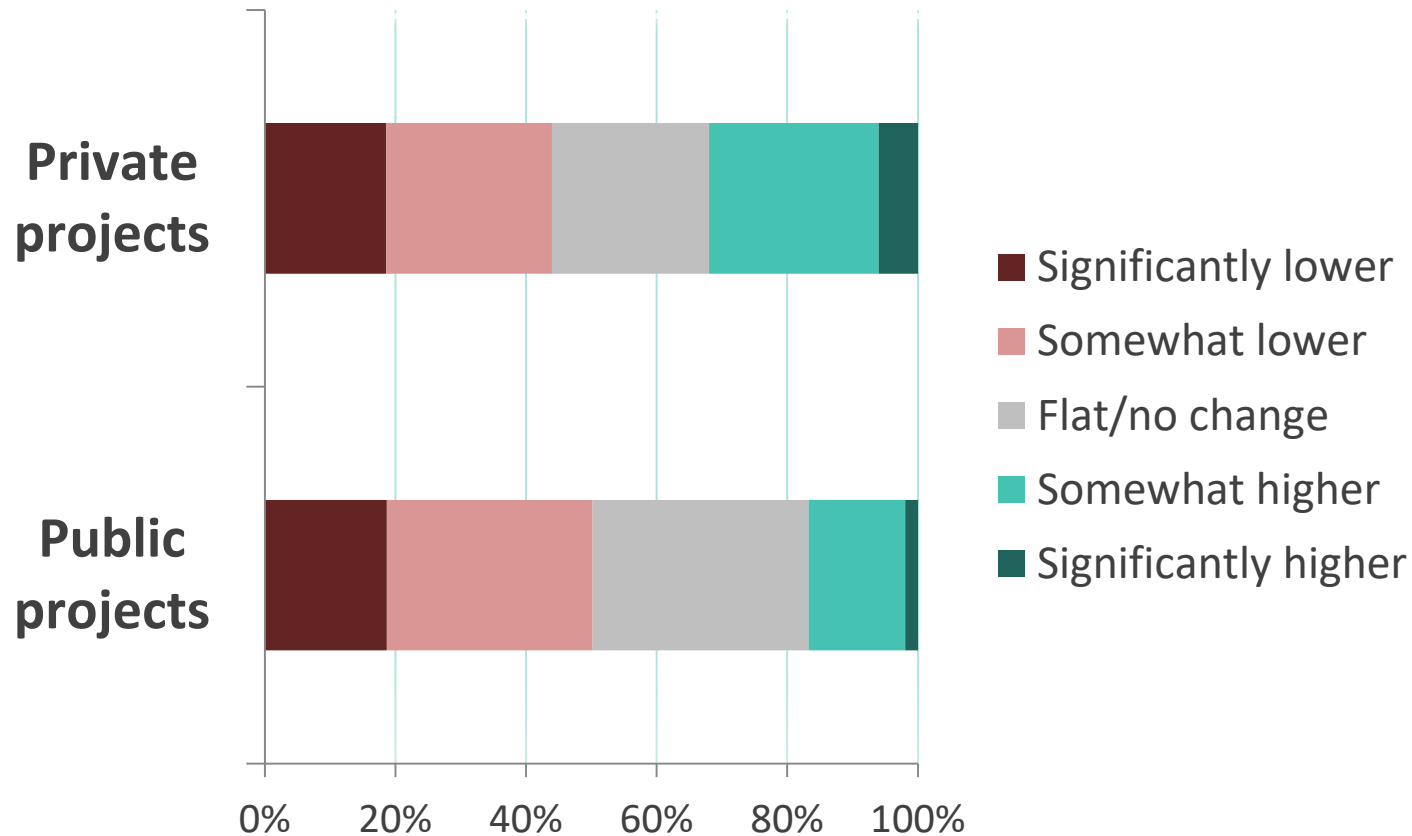




**SECOND FOCUS:
REQUESTS FOR PROPOSALS**

FUTURE ACTIVITY: REQUEST FOR PROPOSALS

Request for proposals: Future projects out for bid compared with July levels



Pipeline of future projects to bid on continues to contract

Roughly similar trends for private & public projects

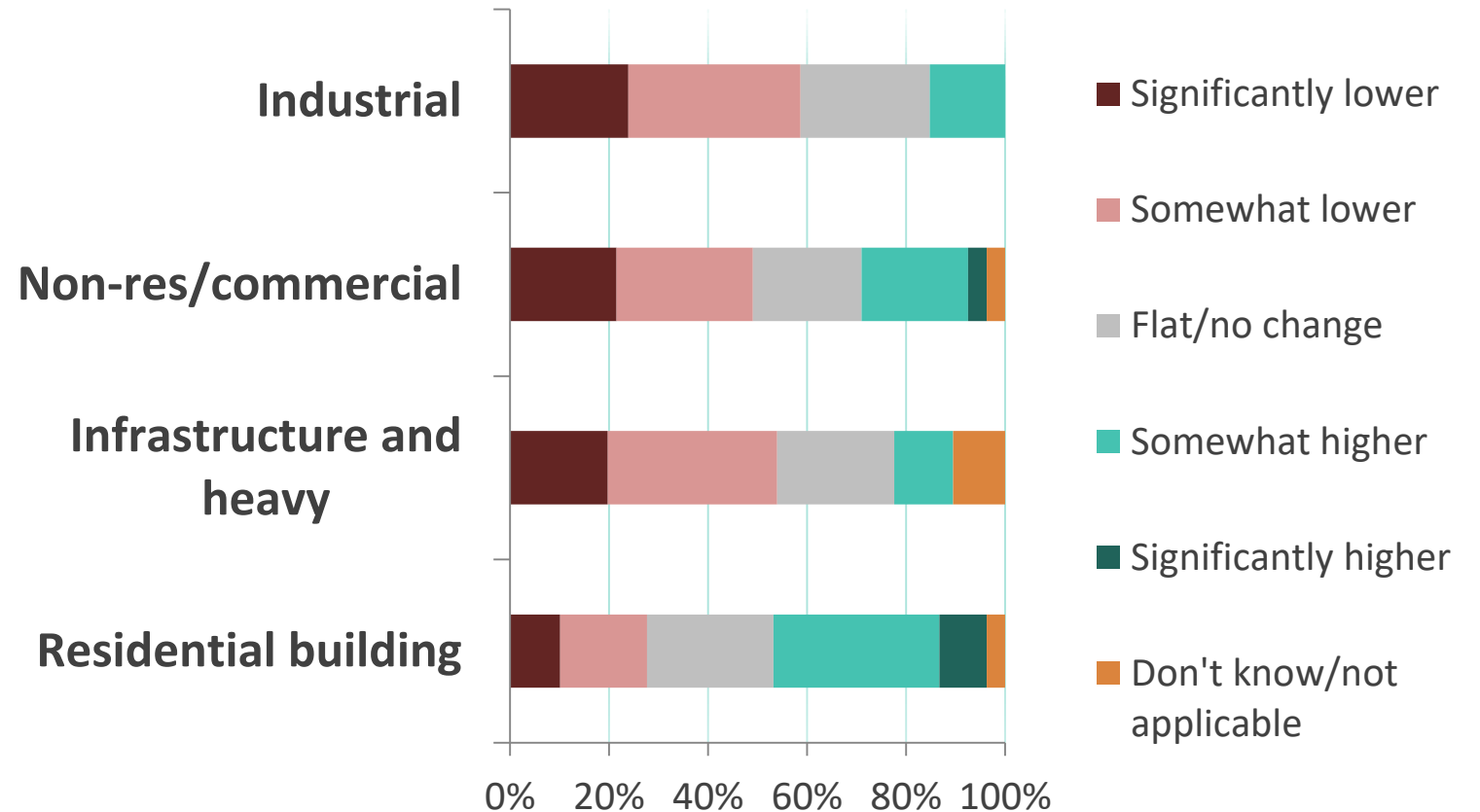
Levels mostly unchanged from July survey; very slight improvement for private projects



REQUEST FOR PROPOSALS, CONT.– BY SECTOR

Request for proposals: Private projects out for bid compared with July levels

Residential builders a comparative bright spot – lower levels of RFP decline, and higher levels of RFP increase





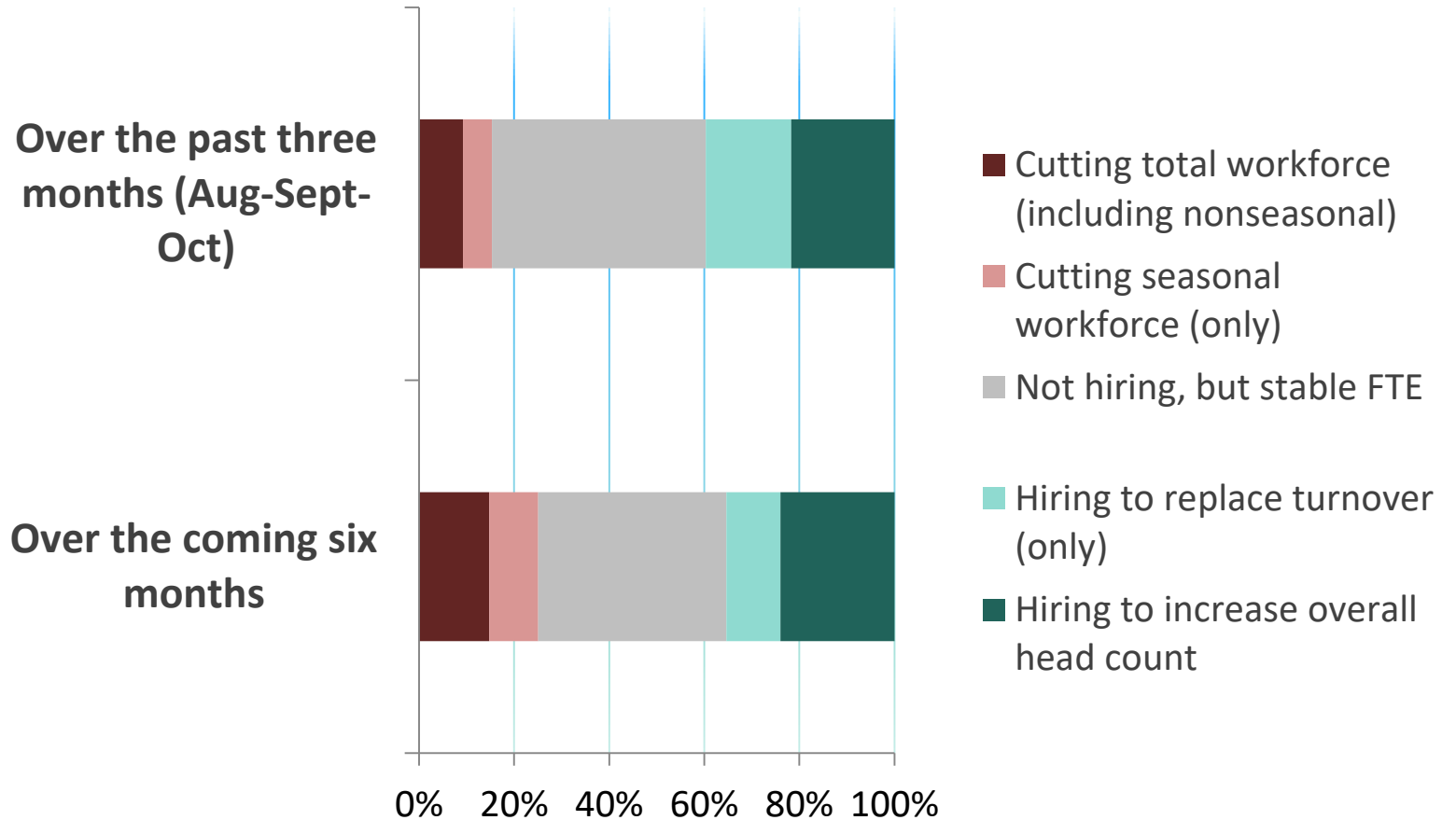
THIRD FOCUS: OTHER METRICS

WORKFORCE

More construction firms hiring than cutting.

Hiring/firing gap expected to narrow modestly over the coming six months, likely due to seasonality and factors tied to tighter RFP levels

Describe current and future hiring demand

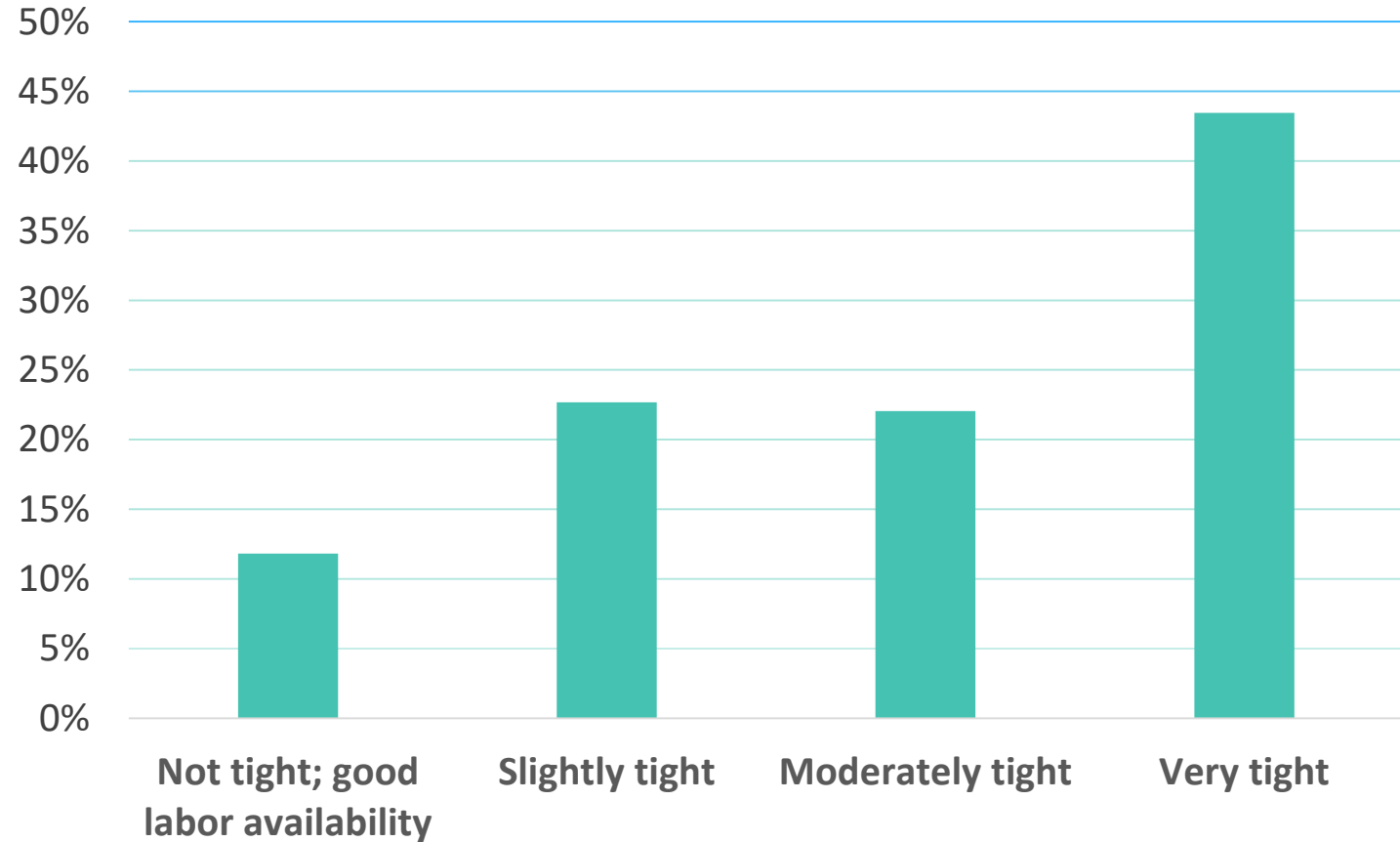


LABOR AVAILABILITY

**News flash (not!)
Construction
firms continue to
struggle finding
workers**

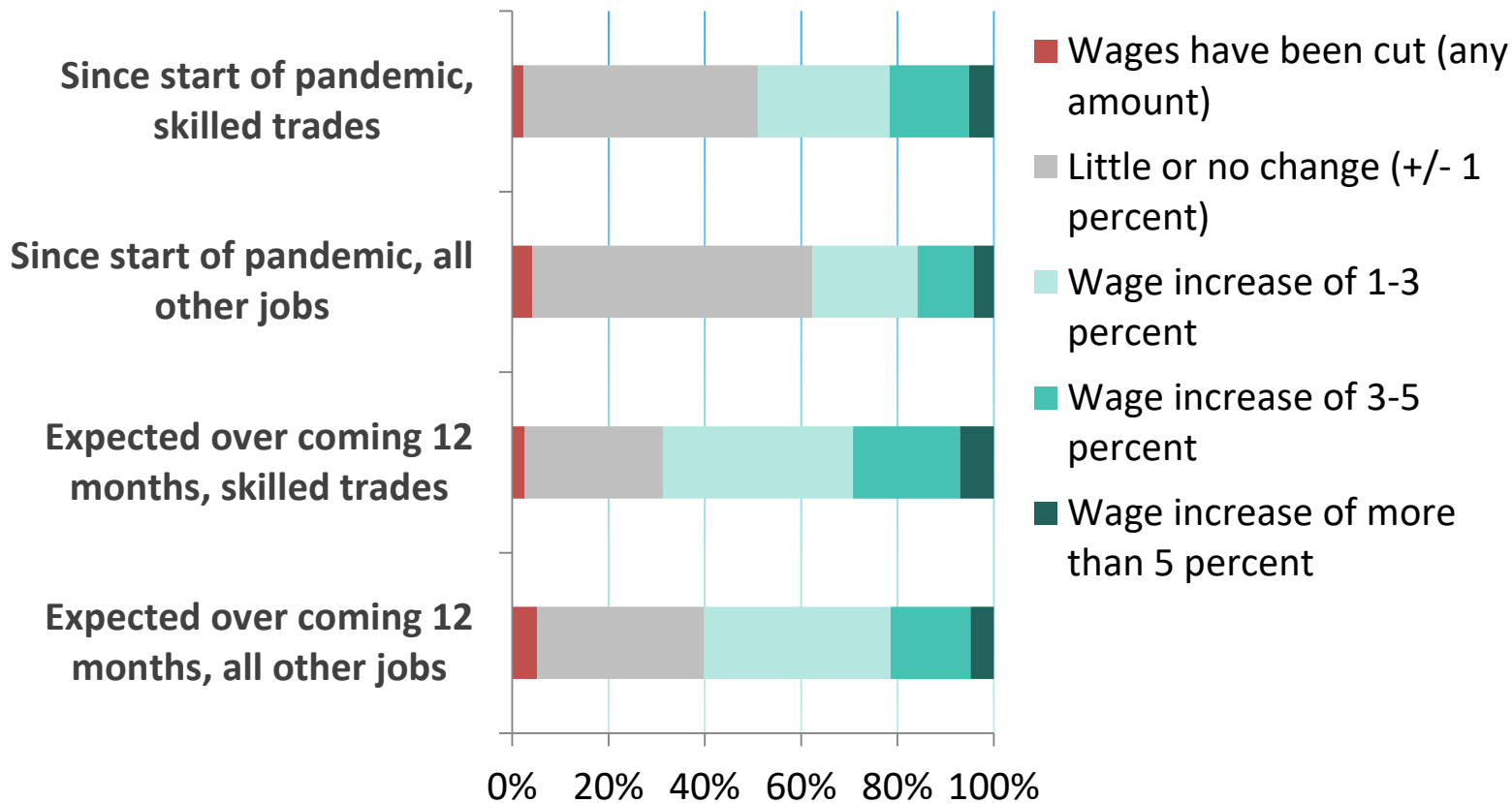
How would you describe labor availability?

Among firms reportedly looking for workers



WAGES

Describe average wage pressure at your firm



Wage growth more persistent in construction than other sectors

Skilled trades seeing greater wage pressure

Wage pressure expected to accelerate over next 12 months

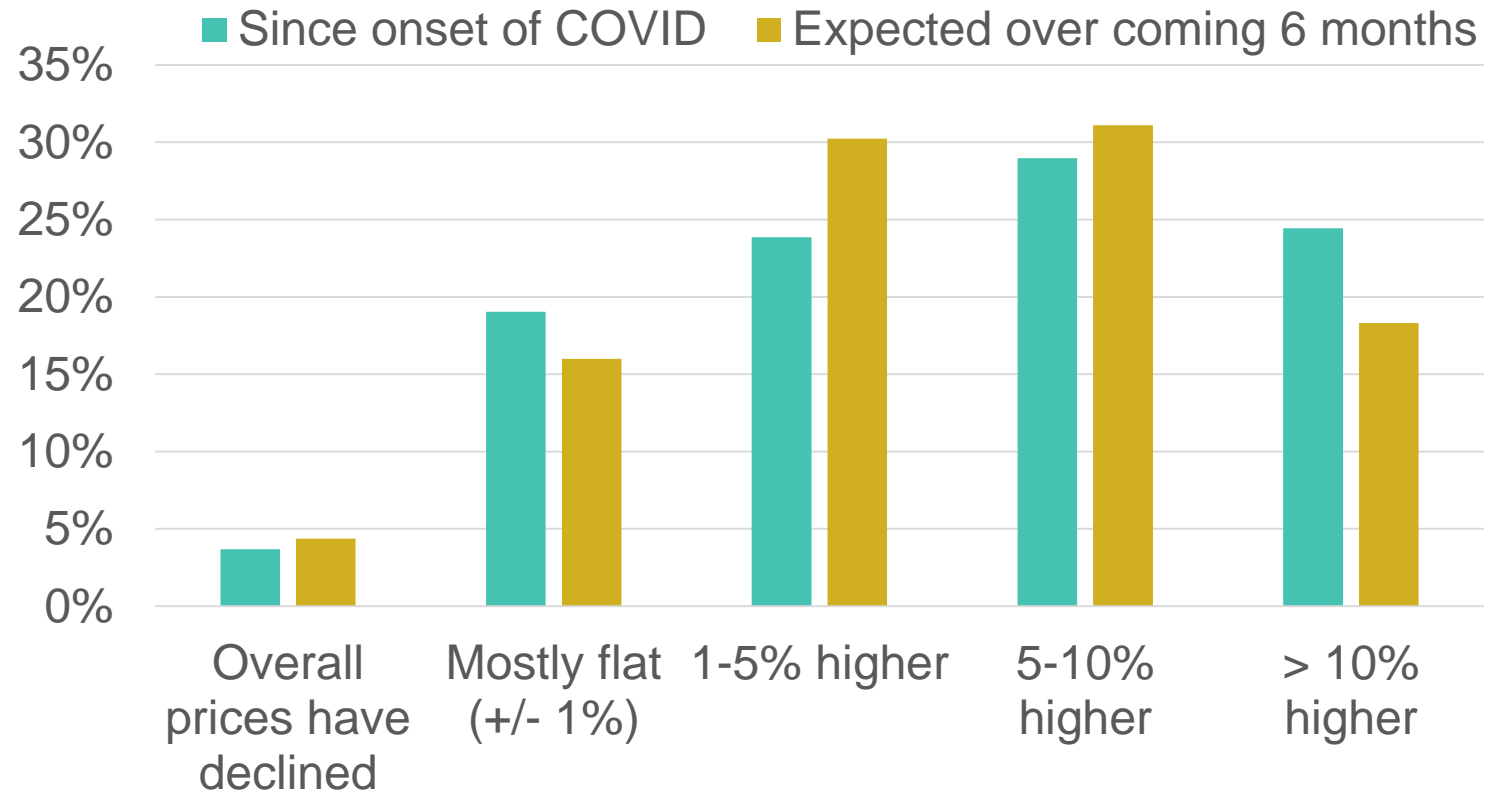


PRICES & INFLATION

Firms have seen moderate to strong price inflation, due to supply chain issues and increased demand for some products

Some “regression to the middle” from both sides over the next 6 months

Average price inflation for nonlabor inputs/materials

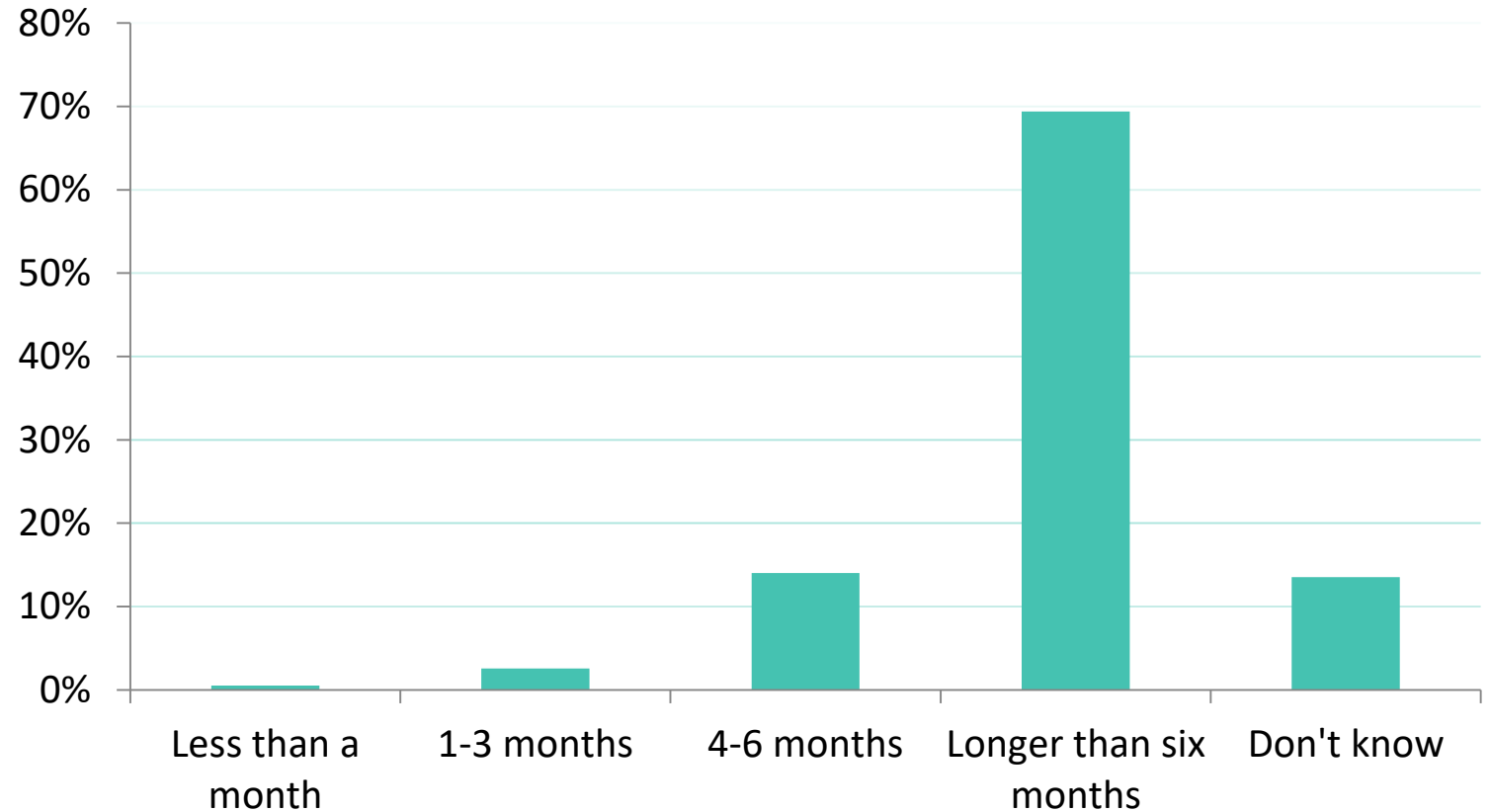


SOLVENCY: CONTINUES TO IMPROVE

Just 2% say they could not last more than three months under current conditions

Firms appear to be stabilizing as they understand the new competitive landscape

If current economic conditions persist, how long could your firm stay solvent?





FUTURE TRACKING OF SECTOR

- **Next construction survey in early February**
- **Continued expansion of partners for broader response**
- **Any construction groups interested in participating should contact me**



THANK YOU!

SPEECH/WEBINAR REFERRALS WELCOME!

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