REGIONAL ECONOMIC CONDITIONS

THE CONSTRUCTION SECTOR

December 12, 2025

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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, PARTNERS!

THE SURVEY

- Partner distribution model
- More than 50 associations from the states in the Ninth District
  - Minnesota, North Dakota, South Dakota, Montana 26 counties in Wisconsin, and the Upper Peninsula of Michigan
- 264 complete responses
- 20 questions
  - Most recent activity (March – October 2025)
  - Expectations for the upcoming 6 months (November 2025 – March 2026)

TAKE-AWAYS

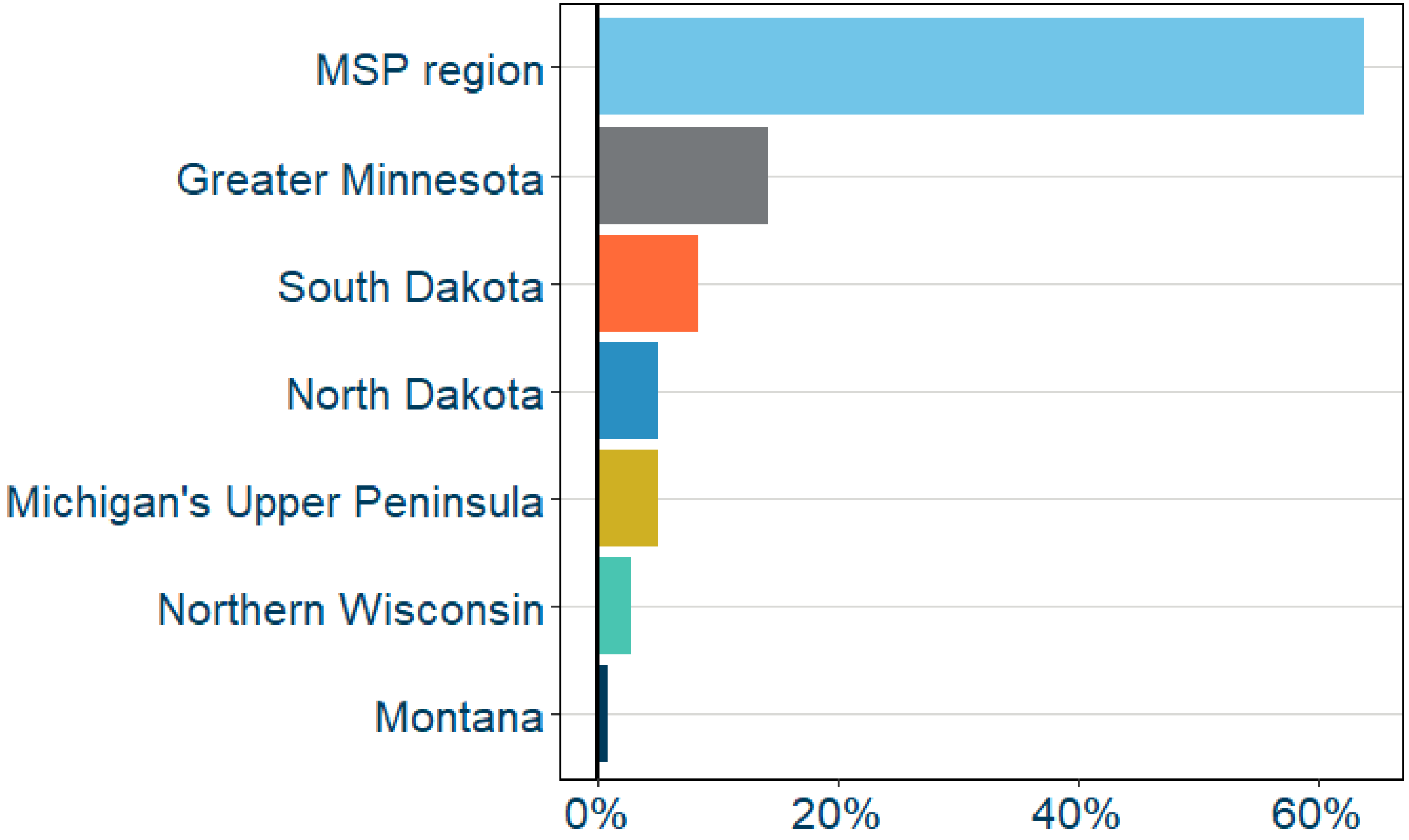
- Uncertainty persists
- Decreasing availability of new projects
- Lower but stubborn cost increases
- Unrelenting labor challenges
- Expectations remain subdued

WHO COMPLETED THE SURVEY?

FEDERAL RESERVE BANK OF MINNEAPOLIS

GEOGRAPHIC CONCENTRATION

SHARE OF RESPONDENTS | N = 264

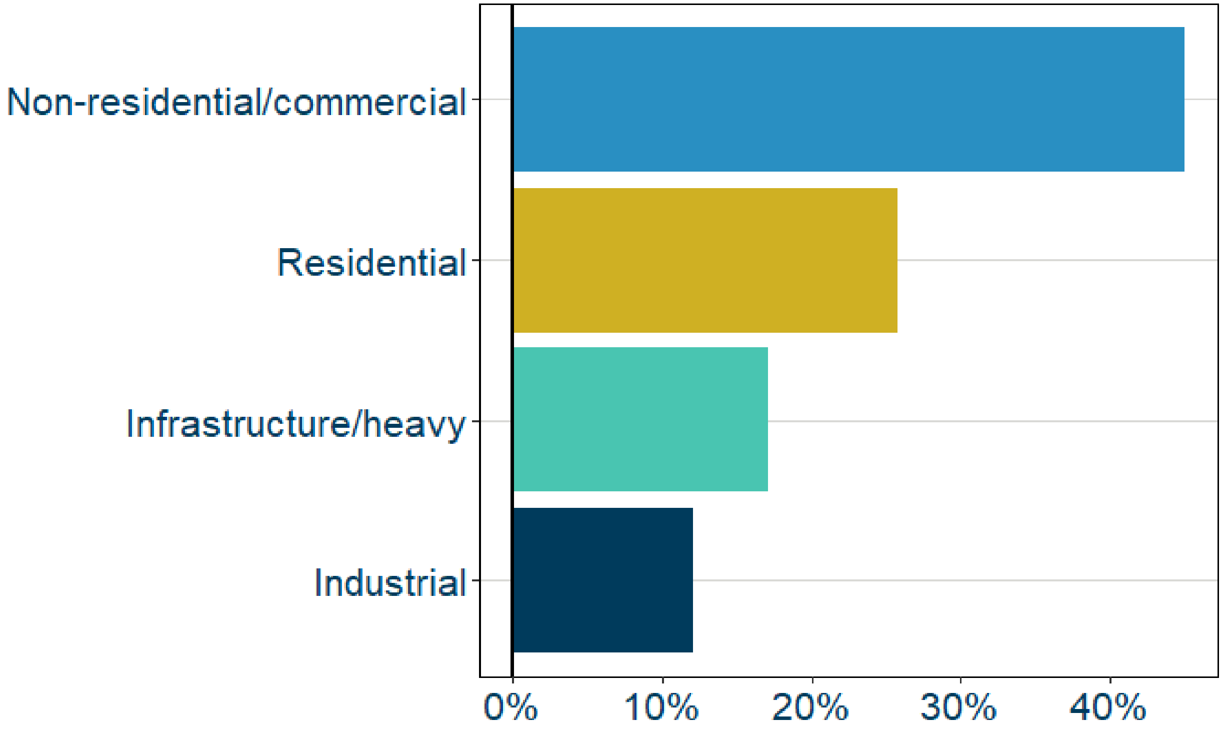


Source: Federal Reserve Bank of Minneapolis

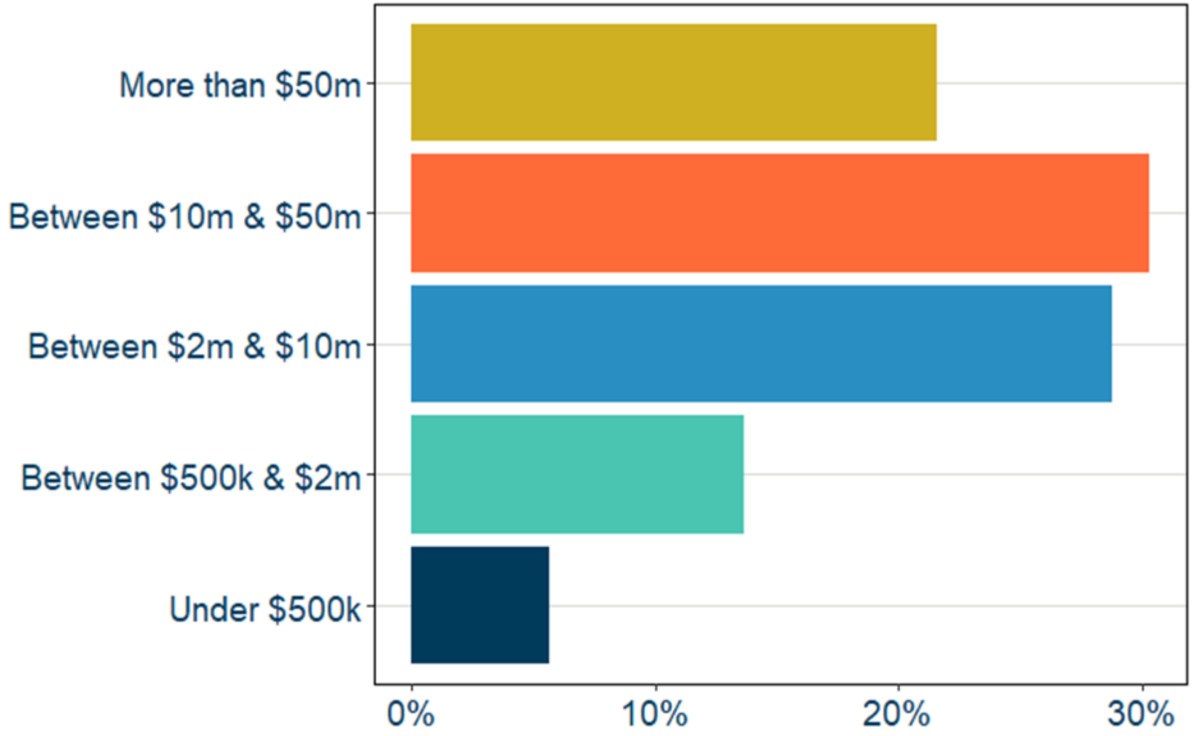
SECTOR CONCENTRATION AND SIZE

SHARE OF RESPONDENTS | N = 264

SUB-SECTOR



ANNUAL REVENUE



Source: Federal Reserve Bank of Minneapolis

INTERPRETATION OF RESULTS

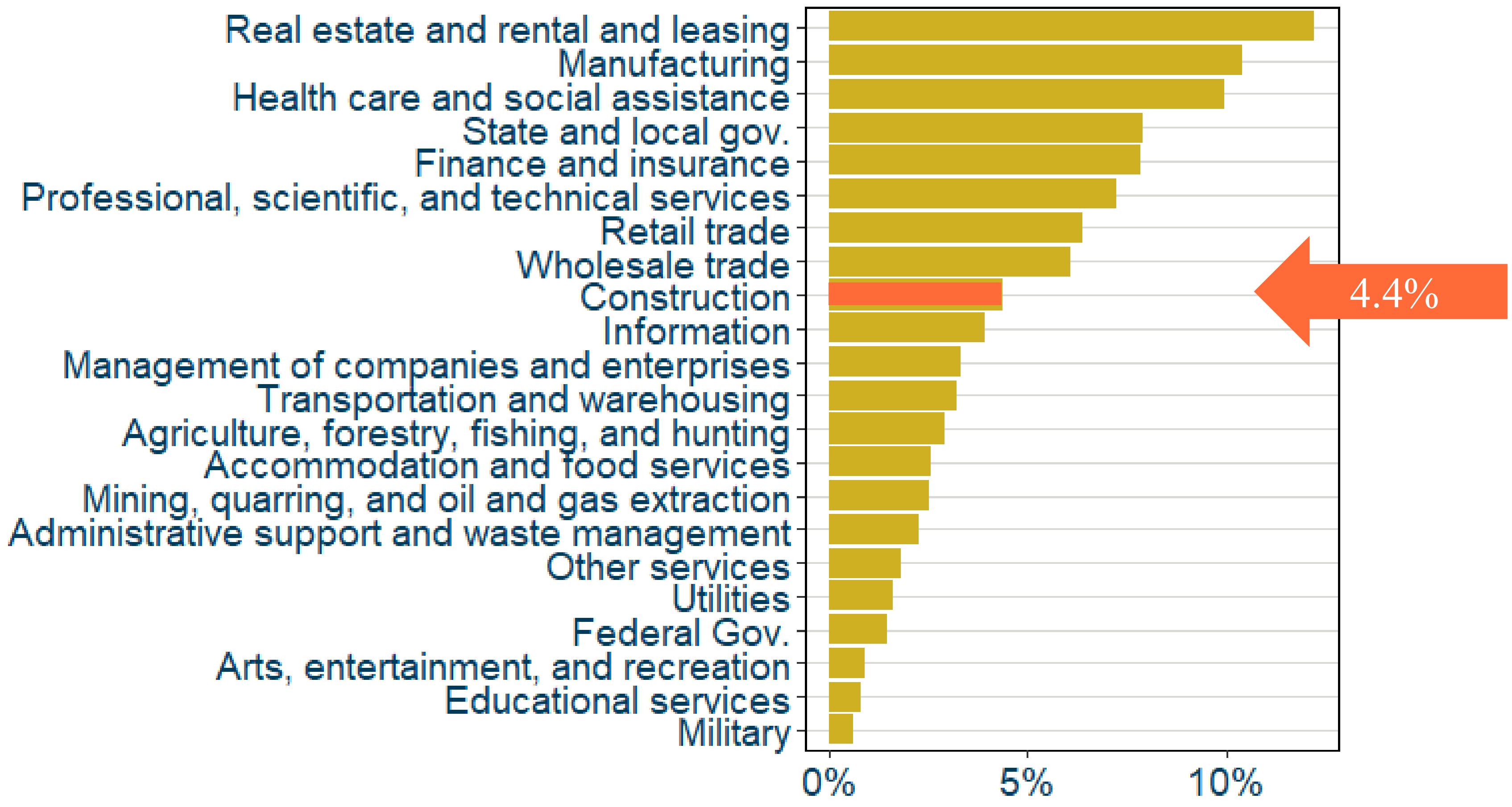
- Convenience sample
- Commentary and sentiment of economic conditions in the industry
- Metrics compare changes between April and October 2025, to the same period 12 months prior
- Expectations based on companies' individual experiences

RECENT CHANGES

CONSTRUCTION MAKES UP ROUGHLY 4.4% OF REGIONAL GDP

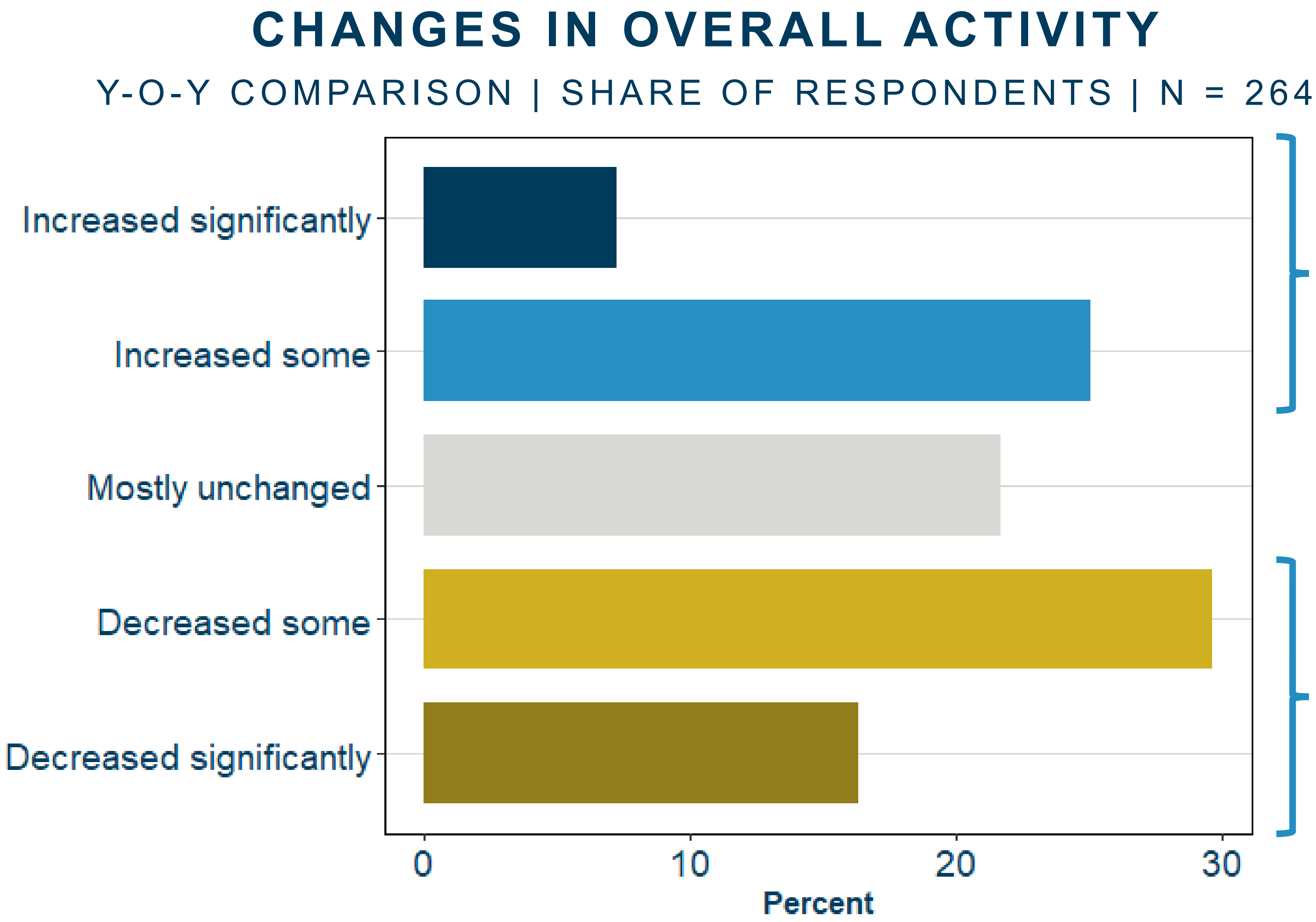
INDUSTRY SHARES OF GDP - 2024

NINTH DISTRICT



Source: Bureau of Economic Analysis
Note: Excludes Wisconsin and Michigan

CONSTRUCTION ACTIVITY WAS NET NEGATIVE



32 % Experienced increases in activity

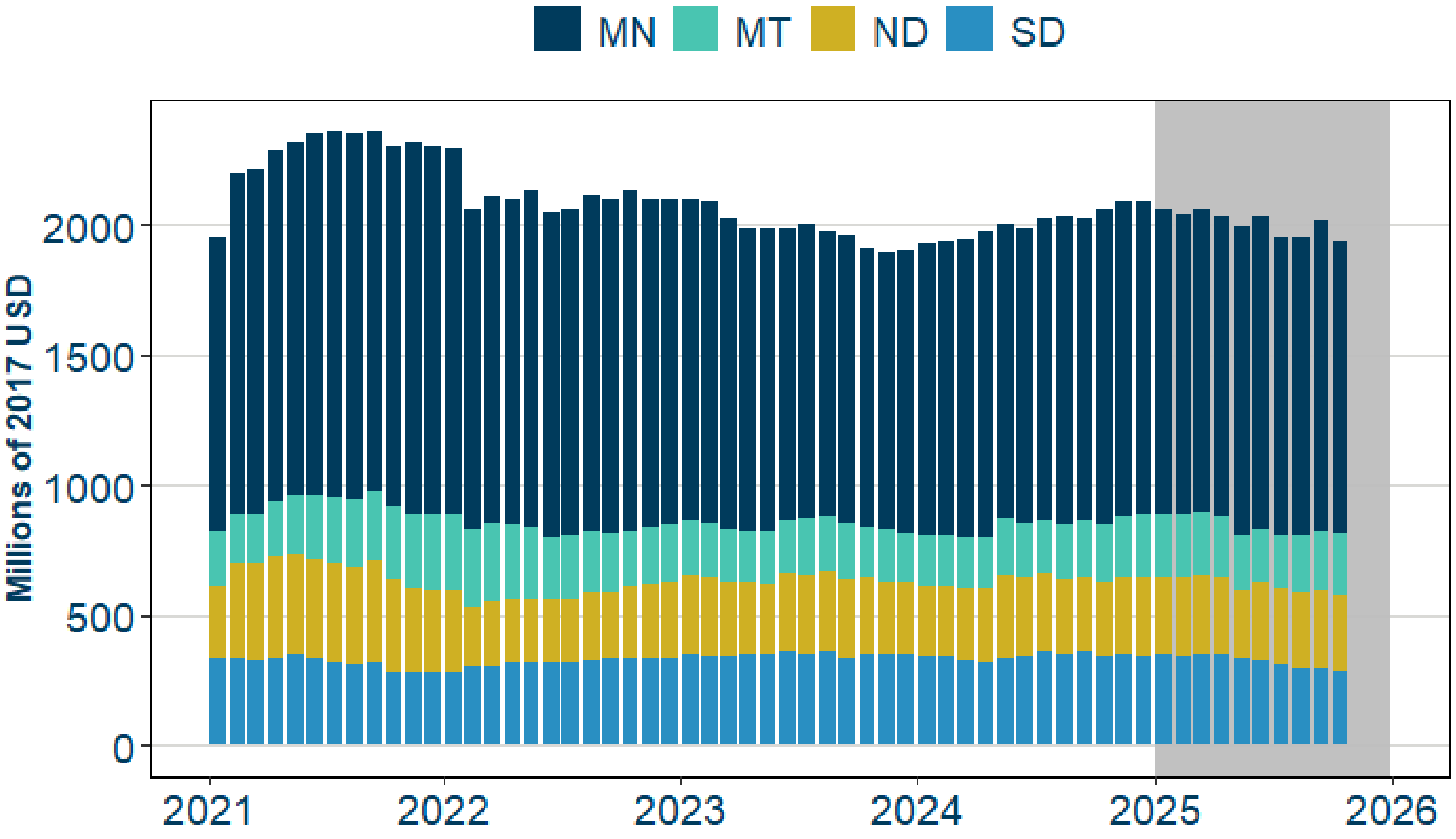
46 % Experienced declines in activity

Source: Federal Reserve Bank of Minneapolis

DO OTHER DATA SETS AGREE?

REAL VALUE OF ACTIVE CONSTRUCTION PROJECTS

NINTH DISTRICT STATES | 12 MO. ROLLING AVERAGES

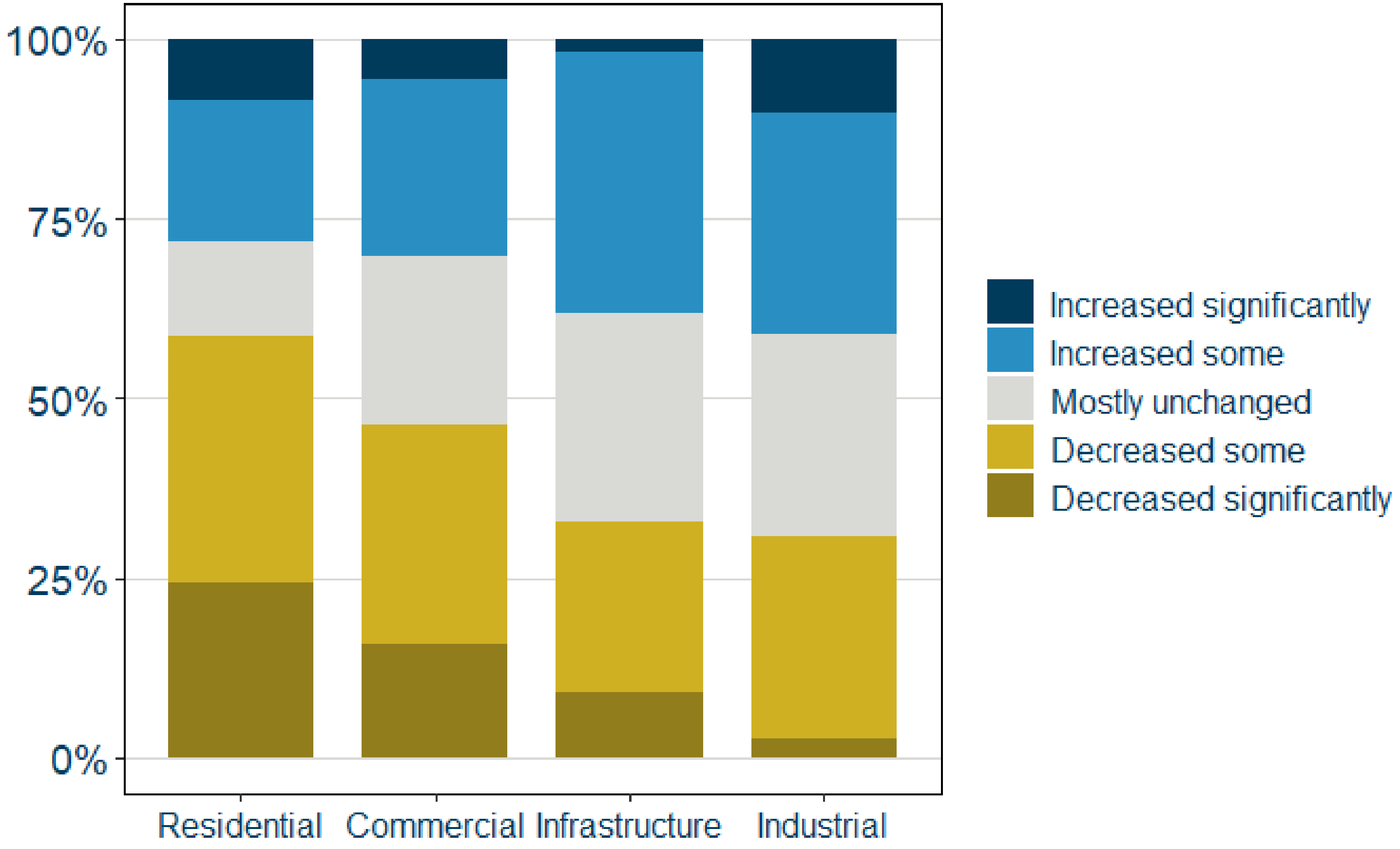


Source: Dodge Data & Analytics
Note: Excludes WI and MI, shaded area highlights the most recent 12-month period

PERFORMANCE VARIED ACROSS SUBSECTORS

CHANGES IN ACTIVITY BY SUBSECTOR

Y-O-Y COMPARISON | SHARE OF RESPONDENTS | N = 264



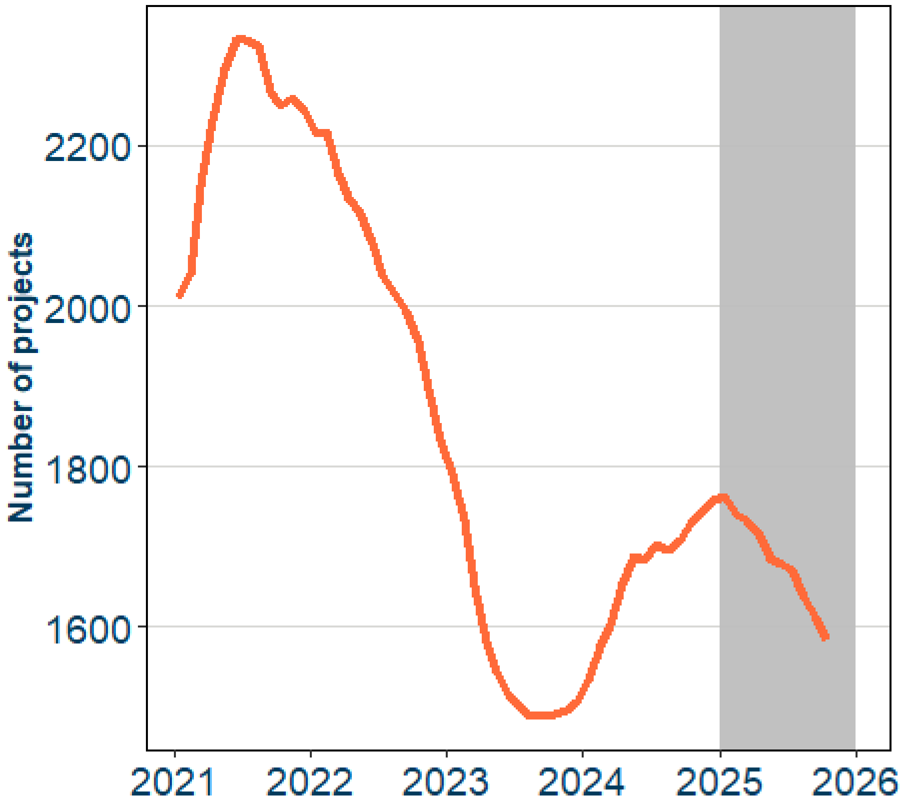
Source: Federal Reserve Bank of Minneapolis

WHAT DOES THE OTHER DATA SAY?

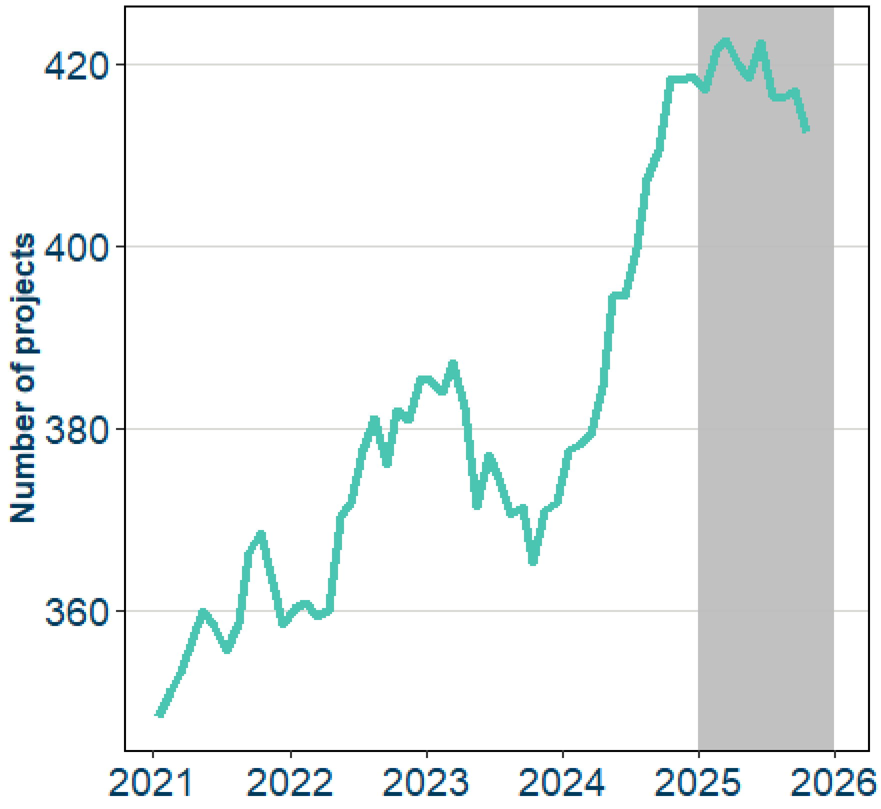
NUMBER OF ACTIVE CONSTRUCTION PROJECTS

NINTH DISTRICT STATES | 12 MO. ROLLING AVERAGES

RESIDENTIAL



NONRESIDENTIAL

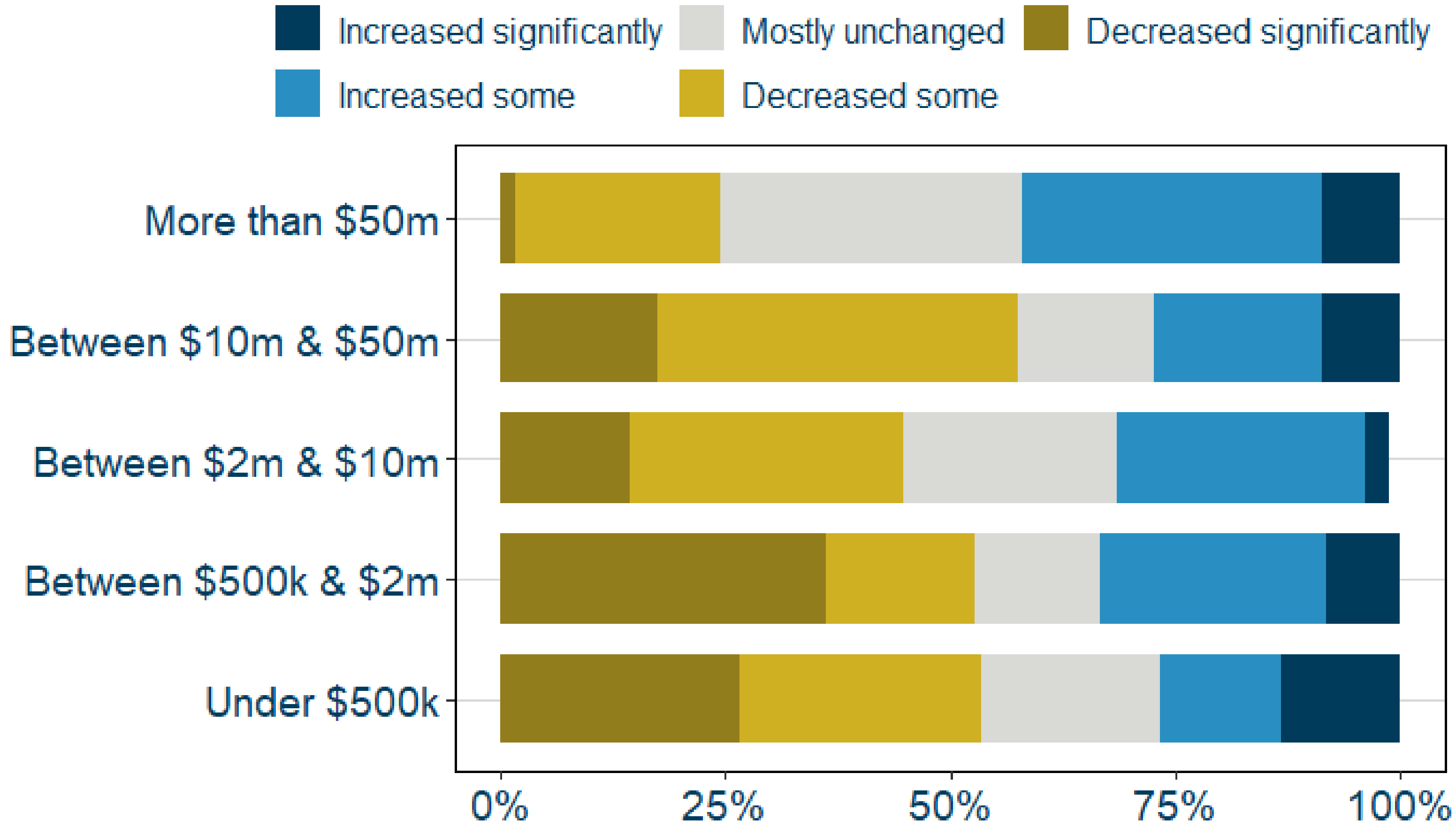


Source: Dodge Data & Analytics
Note: Excludes WI and MI, shaded area highlights the most recent 12-month period

PRESSURE WAS STRONGER FOR SMALLER FIRMS

CHANGES IN ACTIVITY BY FIRM SIZE

Y-O-Y COMPARISON | SHARE OF RESPONDENTS | N = 264

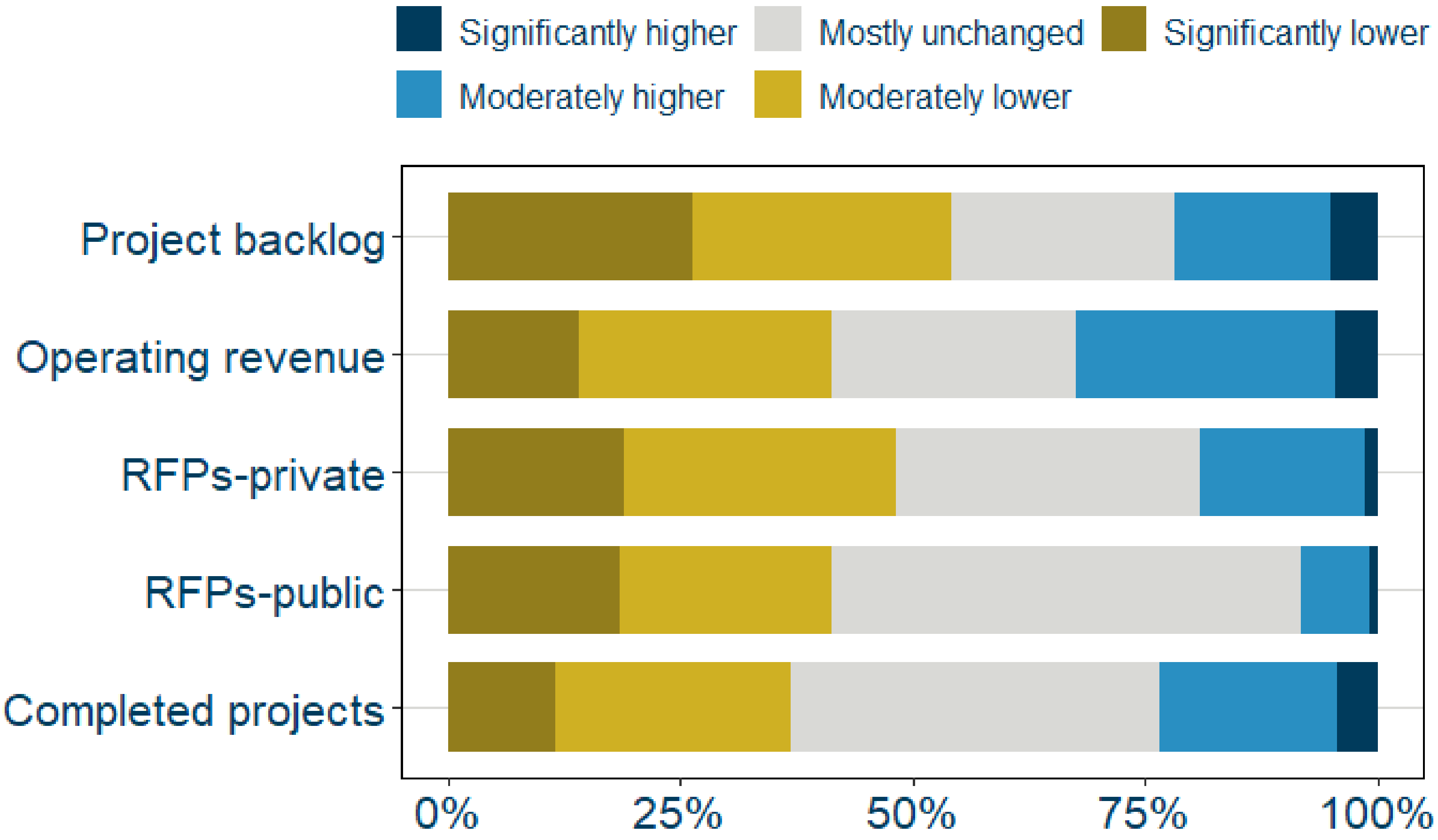


 Source: Federal Reserve Bank of Minneapolis

SHRINKING BACKLOGS AND REQUESTS FOR PROPOSALS

CHANGES OVER THE LAST 6 MONTHS

Y-O-Y COMPARISON | SHARE OF RESPONDENTS | N = 264

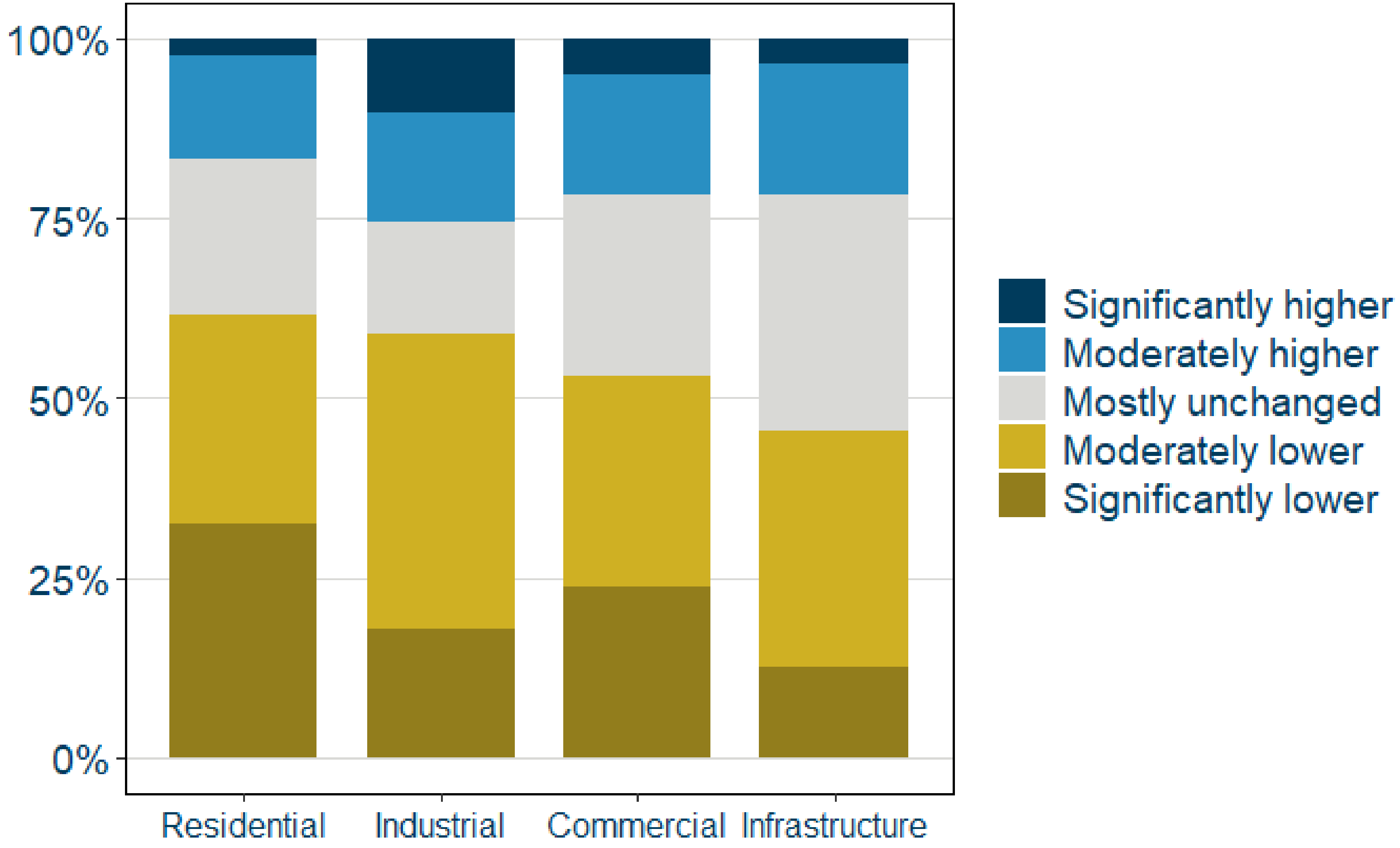


 Source: Federal Reserve Bank of Minneapolis

PRESSURE FROM BACKLOGS HEAVIER ON RESIDENTIAL

BACKLOGS OF SECURED PROJECTS

Y-O-Y COMPARISON | SHARE OF RESPONDENTS BY SUBSECTOR | TOTAL N = 264



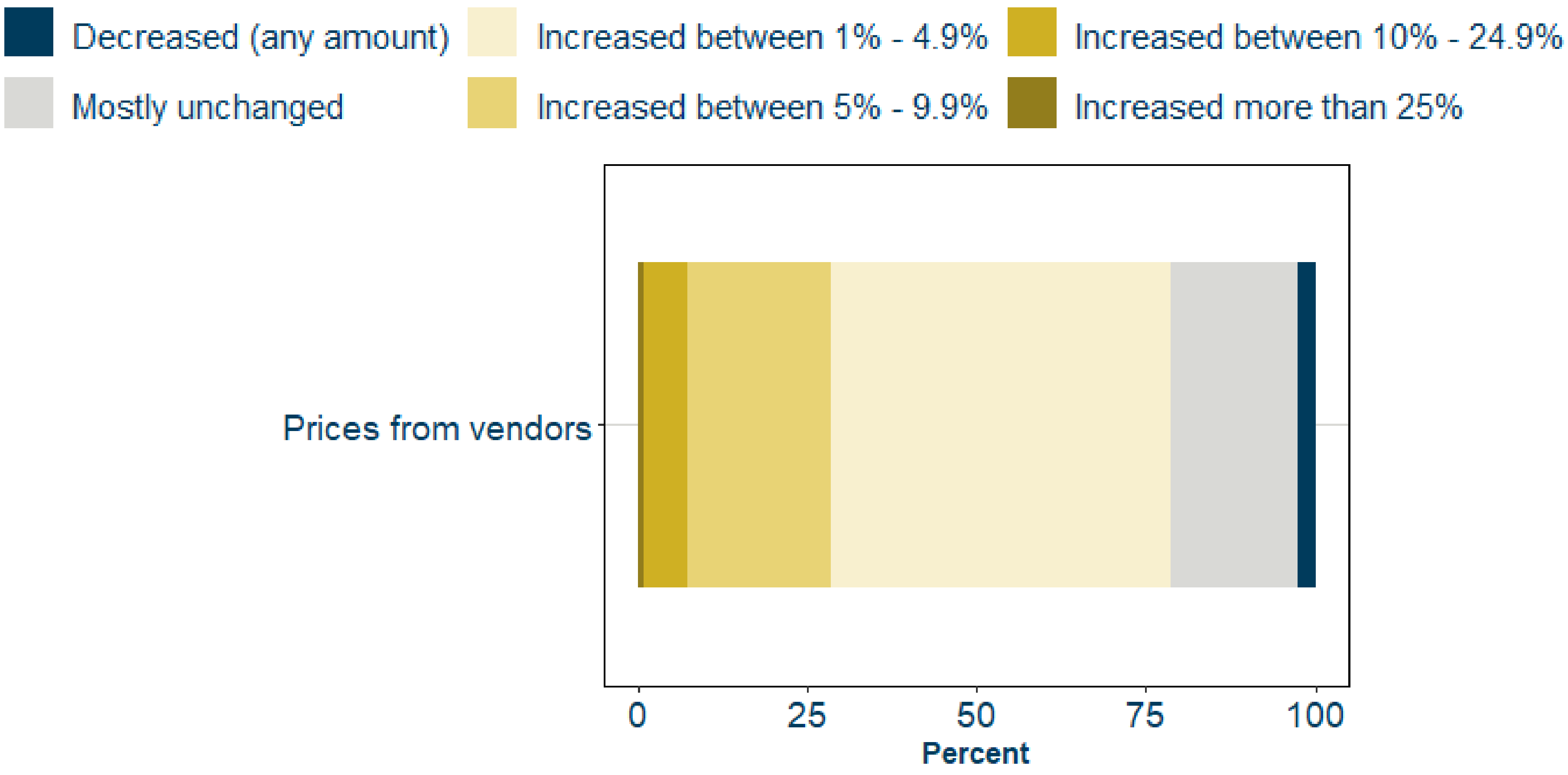
Source: Federal Reserve Bank of Minneapolis

COSTS

THE HIGHER COST OF INPUTS

CHANGE IN PRICES RECEIVED

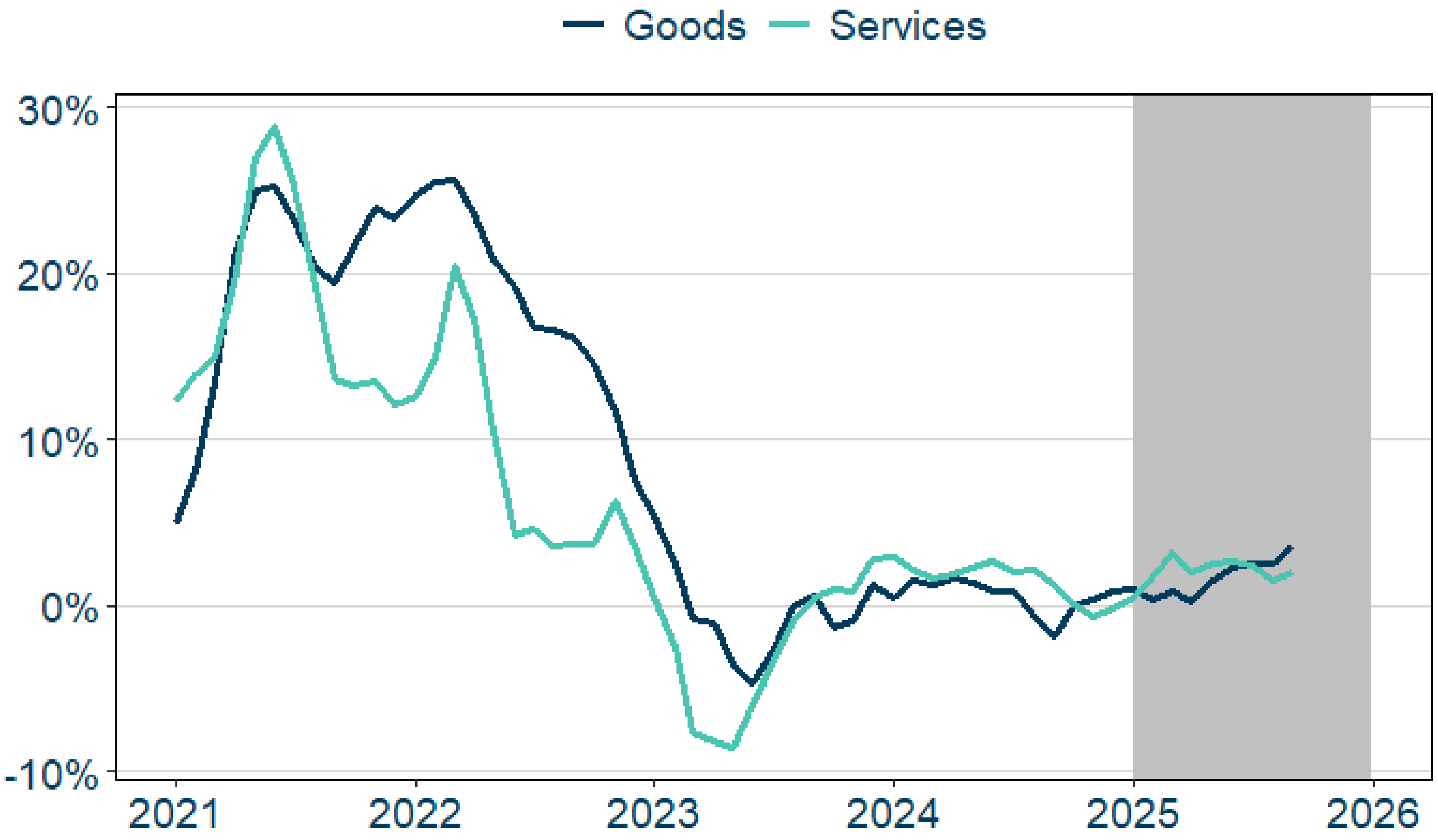
Y-O-Y COMPARISON | SHARE OF RESPONDENTS | N = 264



 Source: Federal Reserve Bank of Minneapolis

PRODUCER PRICE INDEX – INPUTS TO NEW CONSTRUCTION

NON SEASONALLY ADJUSTED – YOY CHANGE

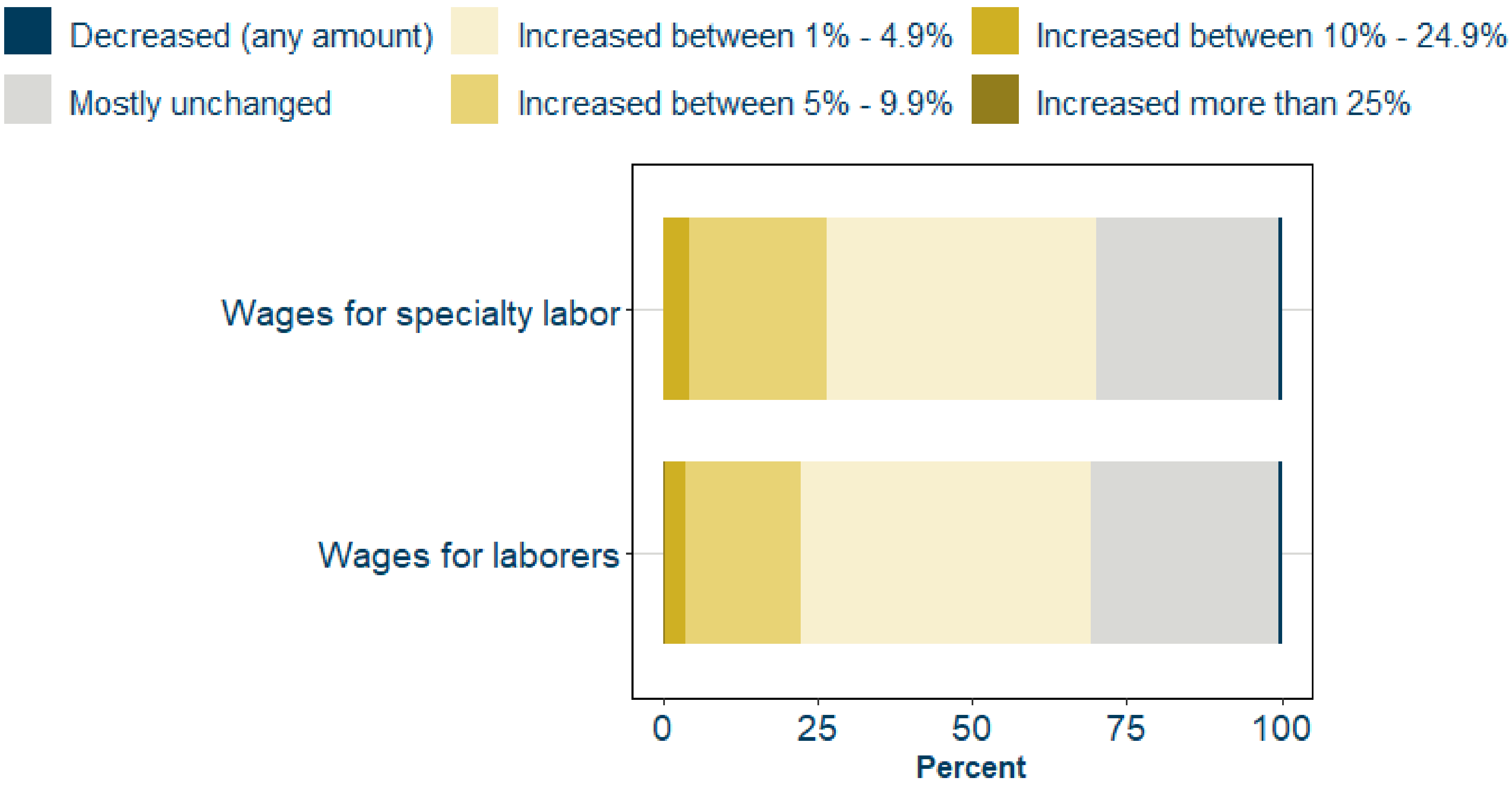


Source: Bureau of Labor Statistics
Note: Shaded area highlights the most recent 12-month period

WAGE INCREASES PERSIST

CHANGE IN WAGES

Y-O-Y COMPARISON | SHARE OF RESPONDENTS | N = 264



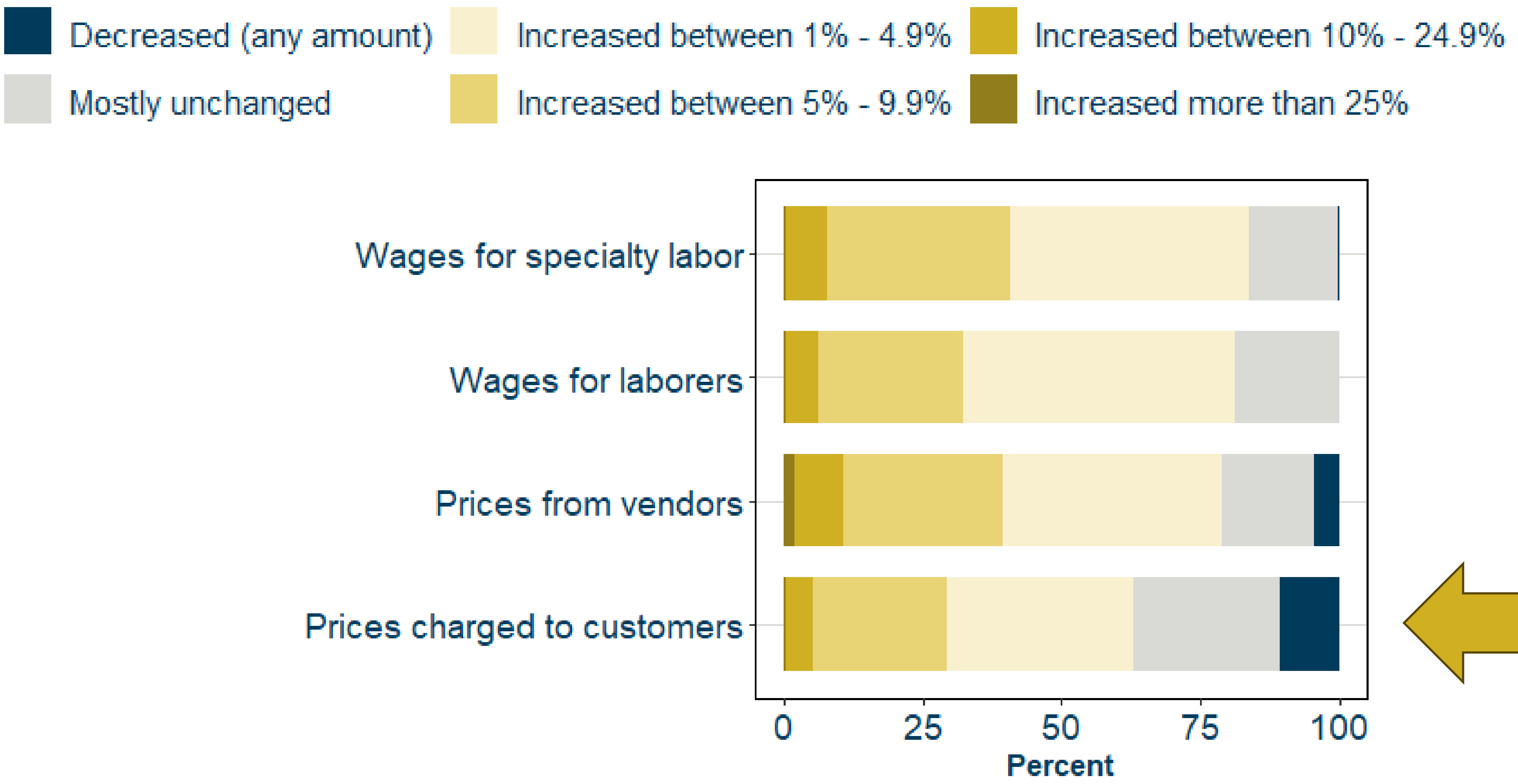
 Source: Federal Reserve Bank of Minneapolis

FEDERAL RESERVE BANK OF MINNEAPOLIS

RESTRAINED ABILITY TO PASS ON COSTS

CHANGE IN INPUT COSTS AND FINAL PRICES

Y-O-Y COMPARISON | SHARE OF RESPONDENTS | N = 264



 Source: Federal Reserve Bank of Minneapolis

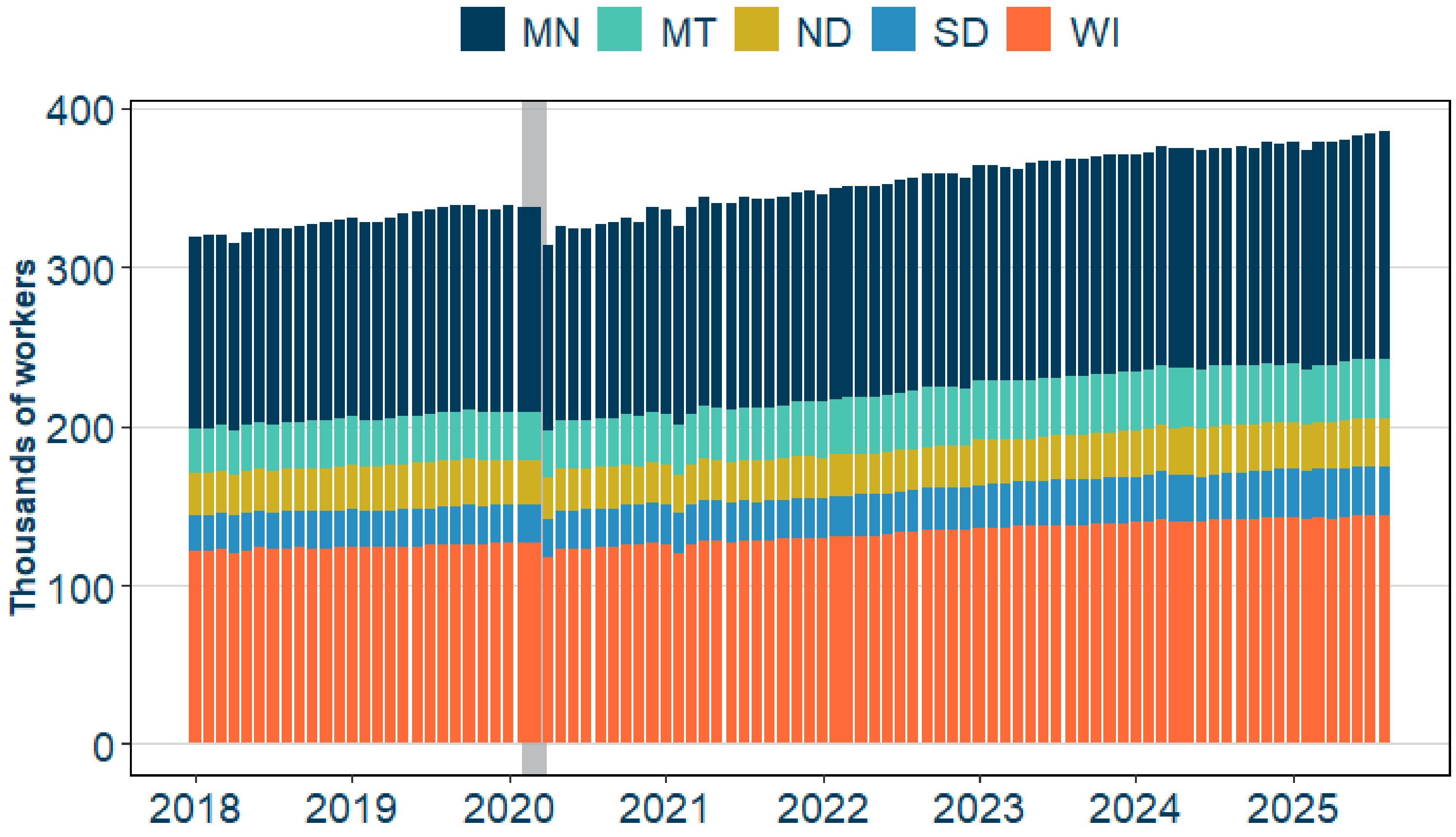
LABOR

 24

EMPLOYMENT LEVELS

EMPLOYMENT - CONSTRUCTION

SEASONALLY ADJUSTED |12 MO. ROLLING AVERAGES

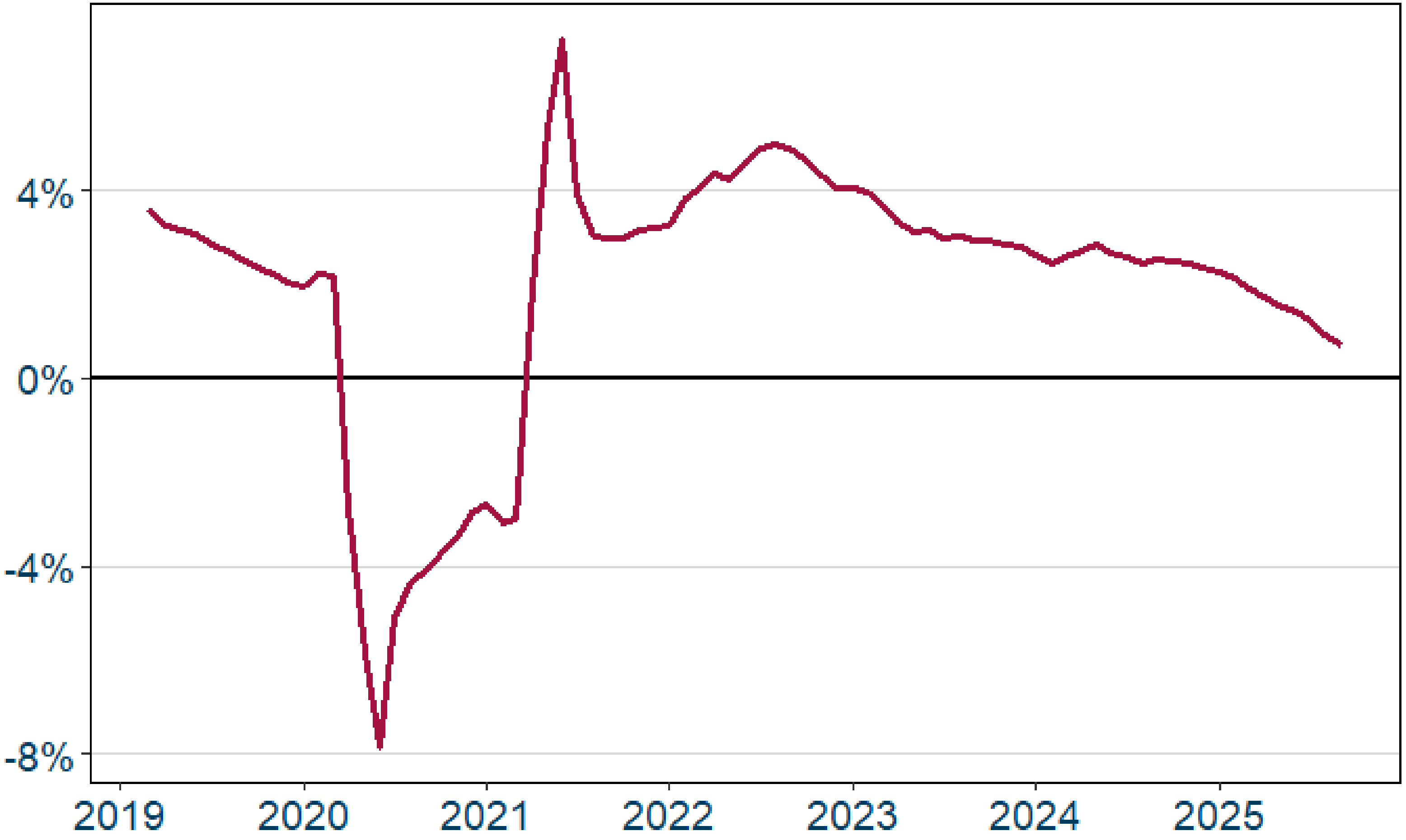


Source: Bureau of Labor Statistics

CONSTRUCTION EMPLOYMENT GROWTH HAS SLOWED

CHANGE IN CONSTRUCTION EMPLOYMENT – U.S.

YEAR-OVER-YEAR CHANGE OF 3 MO. ROLLING AVERAGE (NSA)

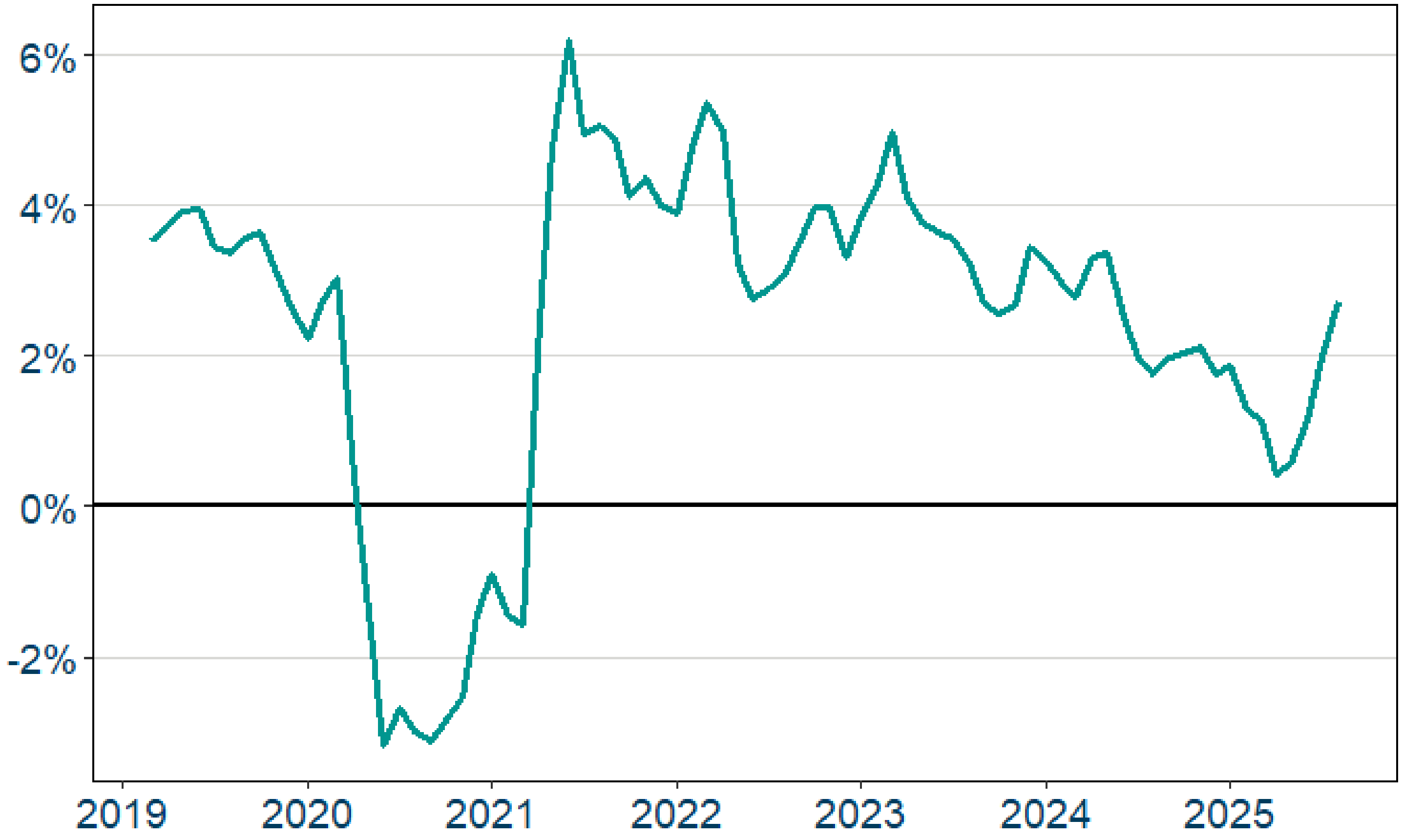


Source: Bureau of Labor Statistics, presenter’s calculations

CONSTRUCTION EMPLOYMENT GROWTH HAS SLOWED

CHANGE IN CONSTRUCTION EMPLOYMENT – REGIONAL

YEAR-OVER-YEAR CHANGE OF 3 MO. ROLLING AVERAGE (NSA)

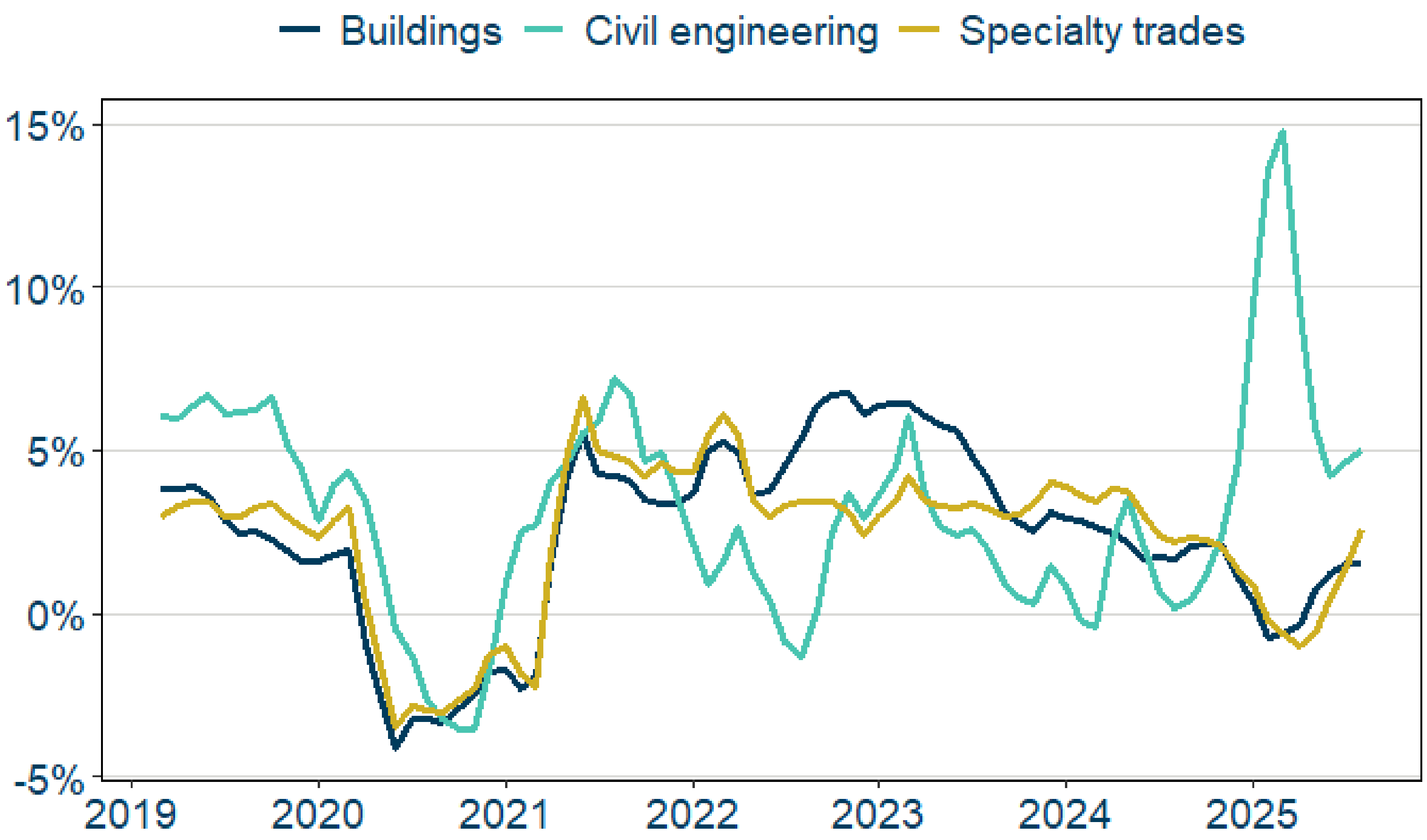


Source: Bureau of Labor Statistics, presenter’s calculations
Note: Includes MN, MT, SD, ND, all of WI and excludes MI.

CONSTRUCTION EMPLOYMENT GROWTH HAS SLOWED

CHANGE IN CONSTRUCTION EMPLOYMENT – REGIONAL

YEAR-OVER-YEAR CHANGE OF 3 MO. ROLLING AVERAGE (NSA)

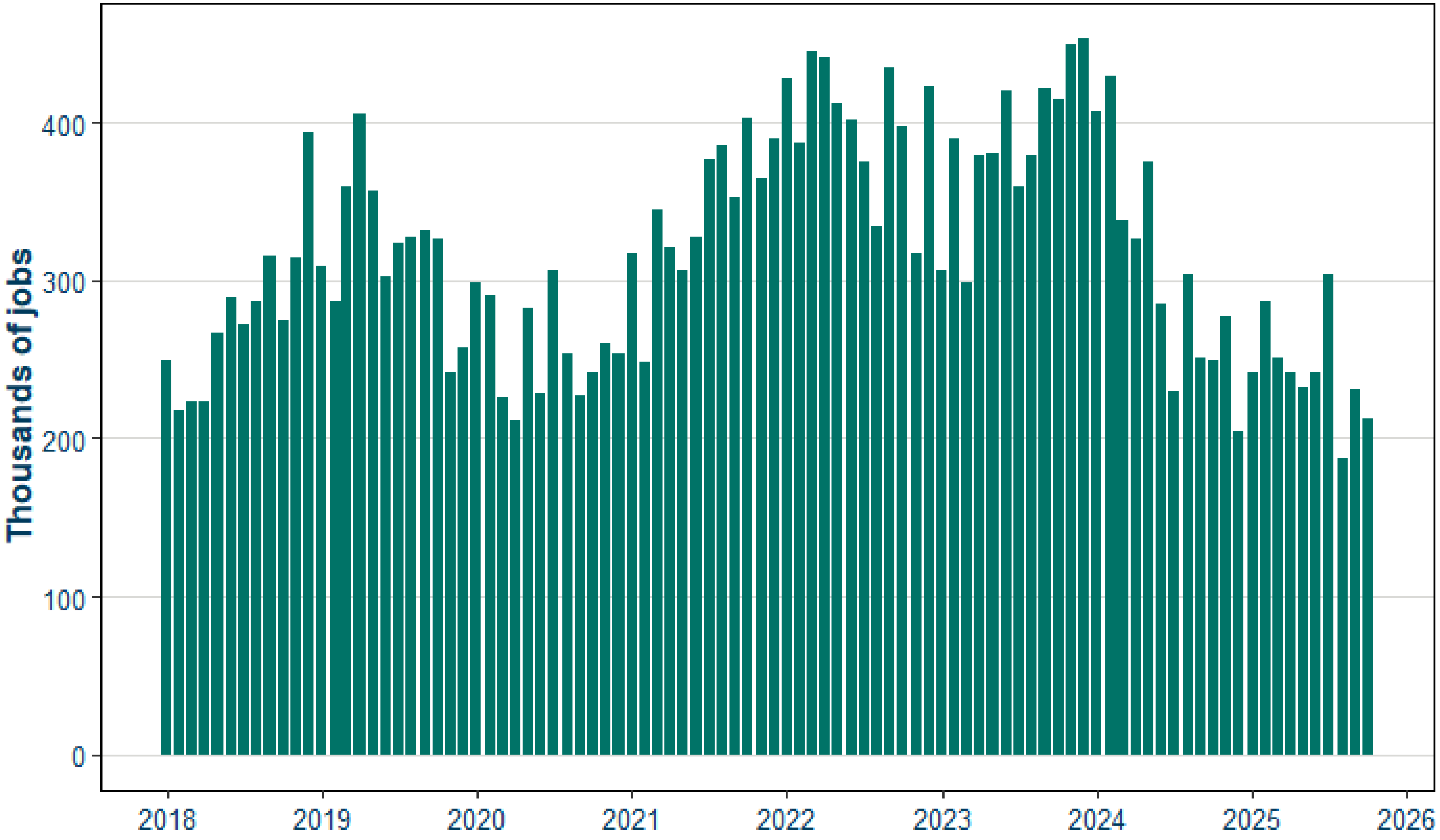


Source: Bureau of Labor Statistics, presenter's calculations
Note: Includes MN, MT, SD, ND, all of WI and excludes MI.

DEMAND FOR WORKERS HAS SLOWED NATIONALLY

JOB OPENINGS – CONSTRUCTION (U.S.)

SEASONALLY ADJUSTED – THOUSANDS OF JOBS

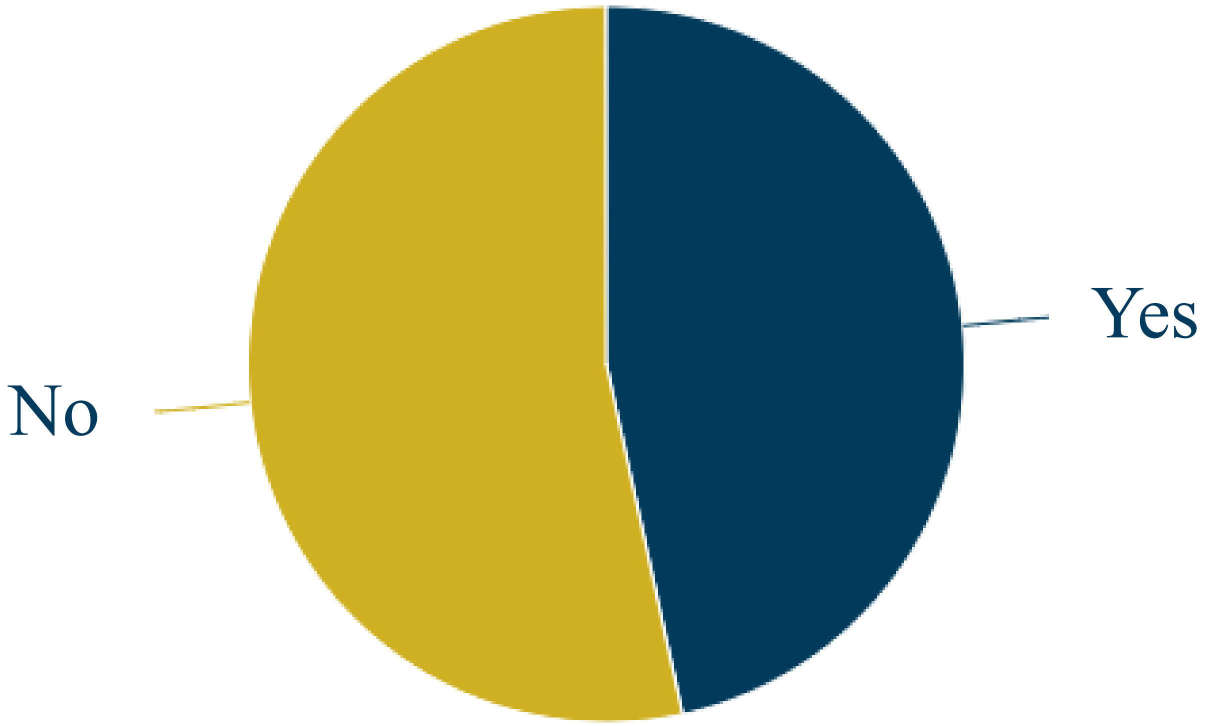


Source: Bureau of Labor Statistics

LOWER BUT STRONG LABOR DEMAND IN THE DISTRICT

IS YOUR COMPANY ACTIVELY TRYING TO HIRE?

SHARE OF RESPONDENTS | N = 264



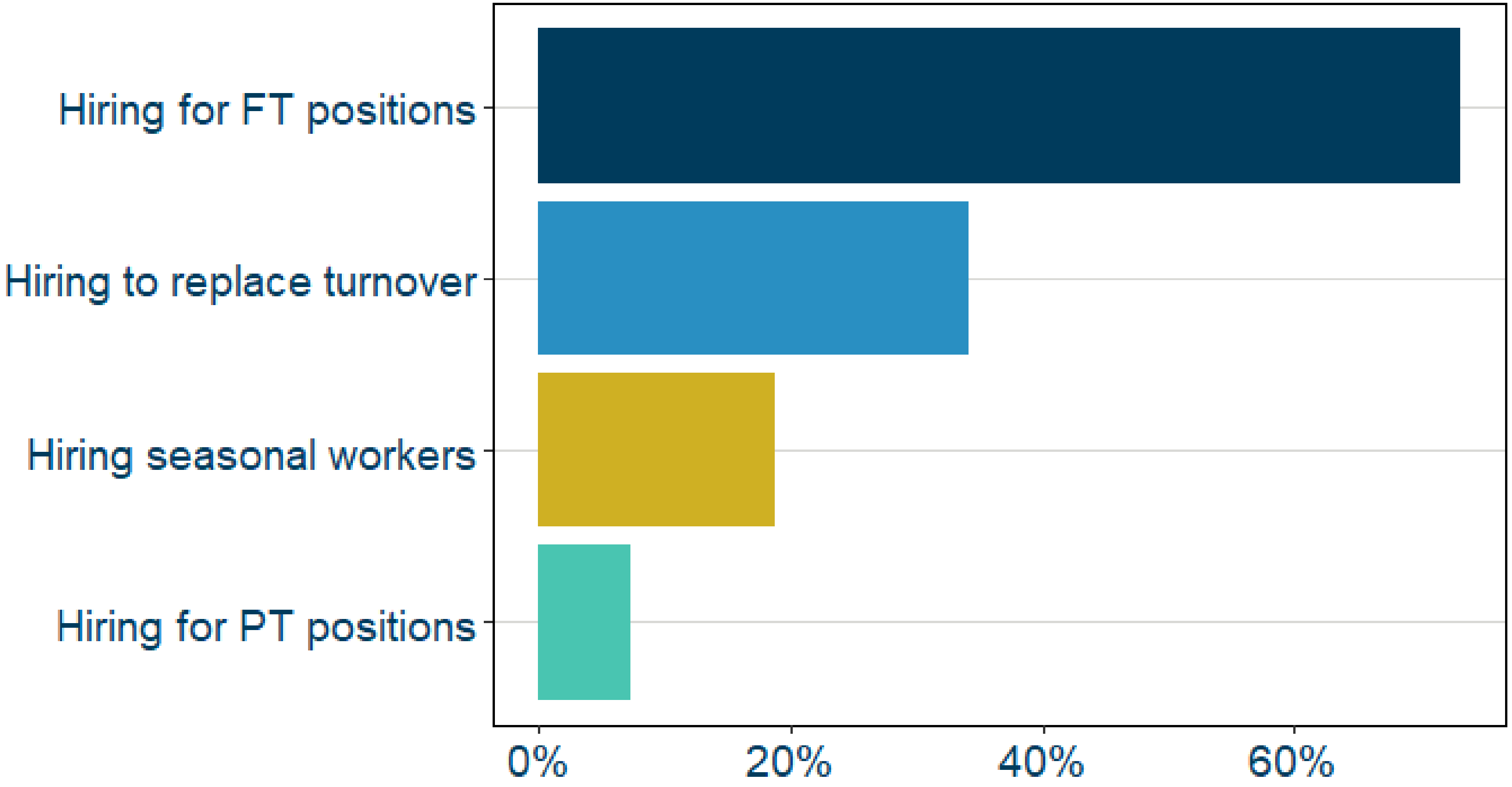
47 percent of firms were hiring

Source: Federal Reserve Bank of Minneapolis

LOWER BUT STRONG LABOR DEMAND

POSITIONS FOR WHICH LABOR IS NEEDED

SHARE OF RESPONDENTS | N = 123

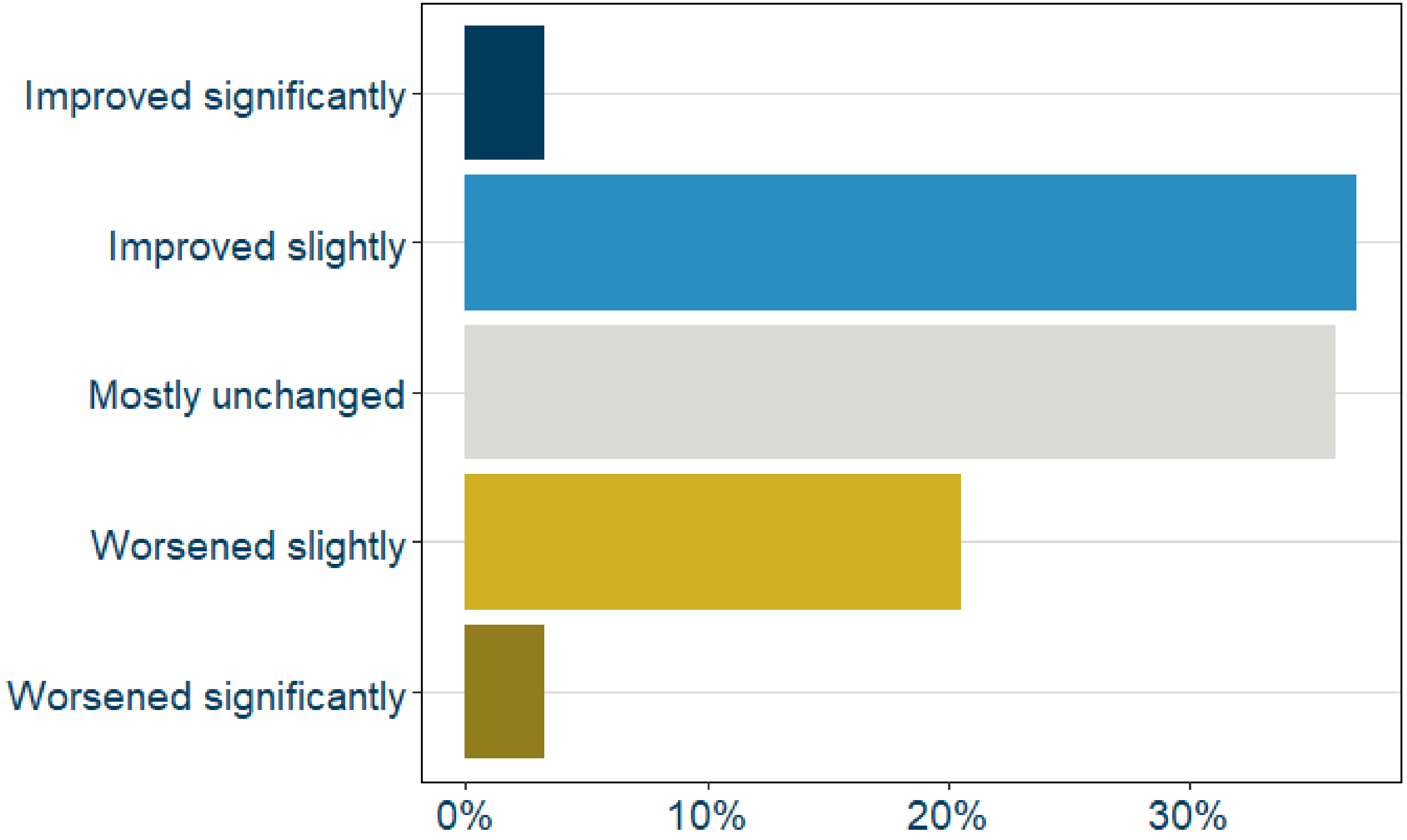


Source: Federal Reserve Bank of Minneapolis

CHALLENGES TO FIND WORKERS LINGER

AVAILABILITY OF WORKERS COMPARED TO A YEAR AGO

SHARE OF RESPONDENTS | N = 123

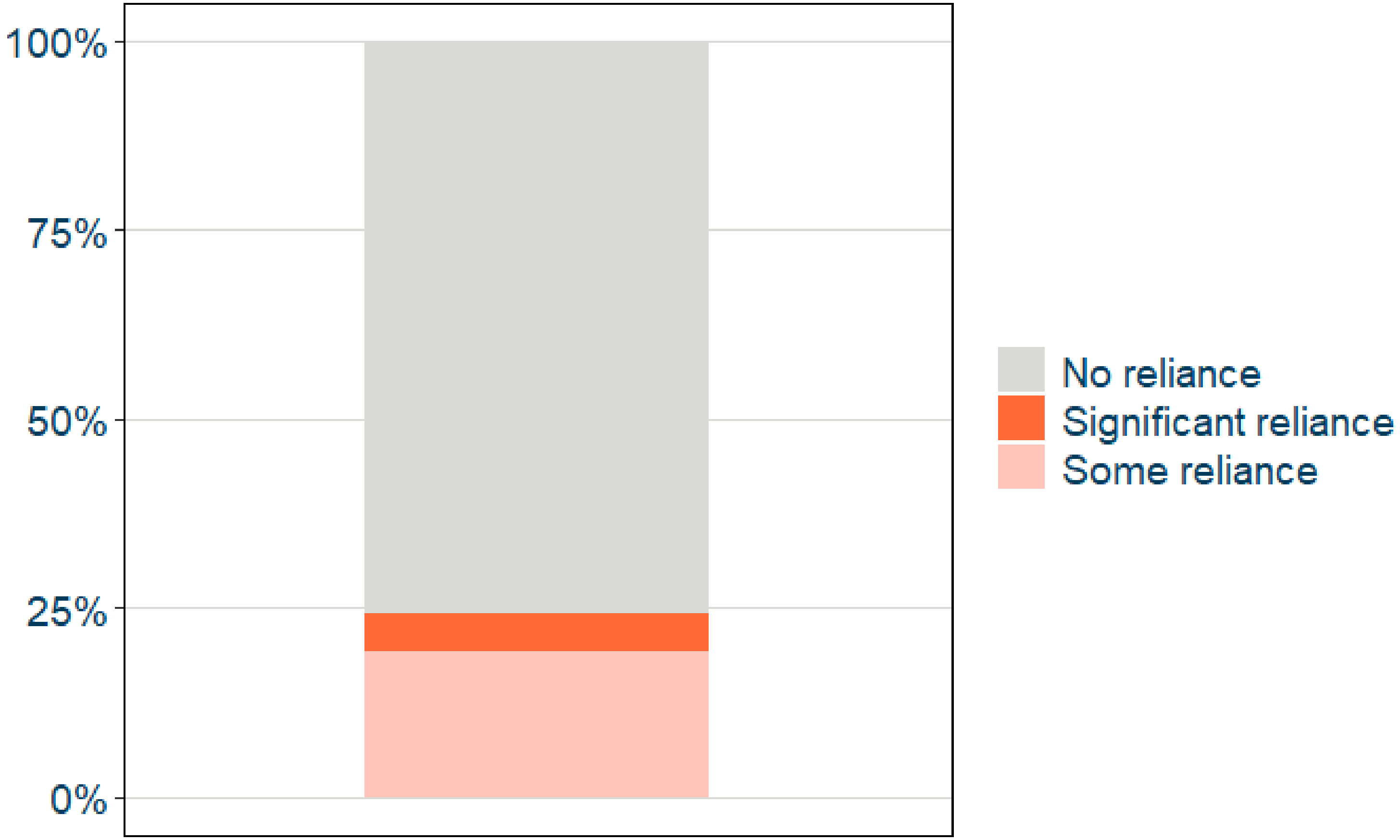


Source: Federal Reserve Bank of Minneapolis

HOW RELIANT ARE FIRMS ON FOREIGN-BORN WORKERS?

RELIANCE ON FOREIGN-BORN LABOR

SHARE OF RESPONDENTS (N = 264)



Infrastructure – 27%

Commercial – 23%

Residential – 21%

Industrial – 18%

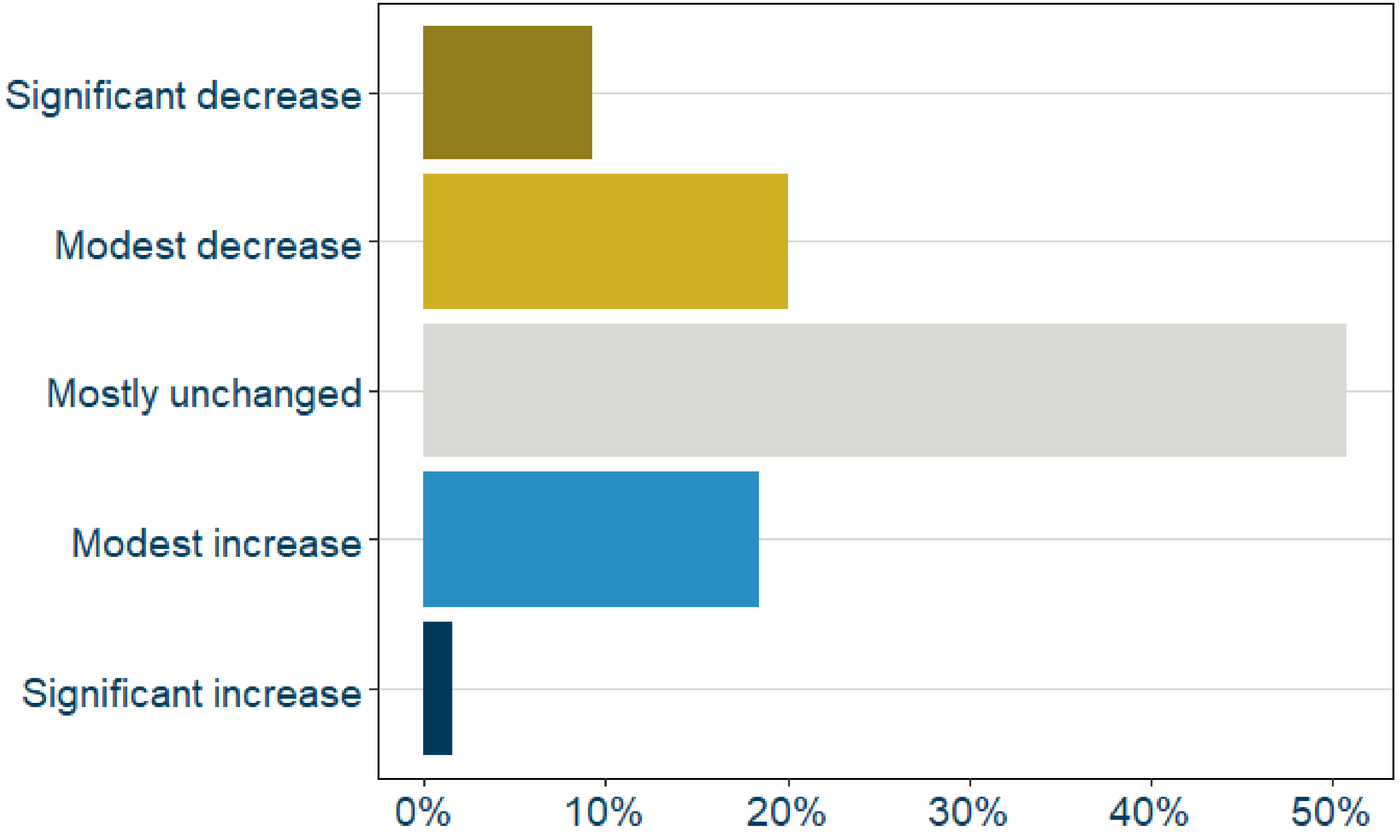
Residential more "significantly reliant"

Source: Federal Reserve Bank of Minneapolis

LITTLE CHANGE IN FOREIGN-BORN LABOR HEADCOUNT

CHANGE IN FOREIGN-BORN EMPLOYMENT

SHARE OF RESPONDENTS (N = 63)

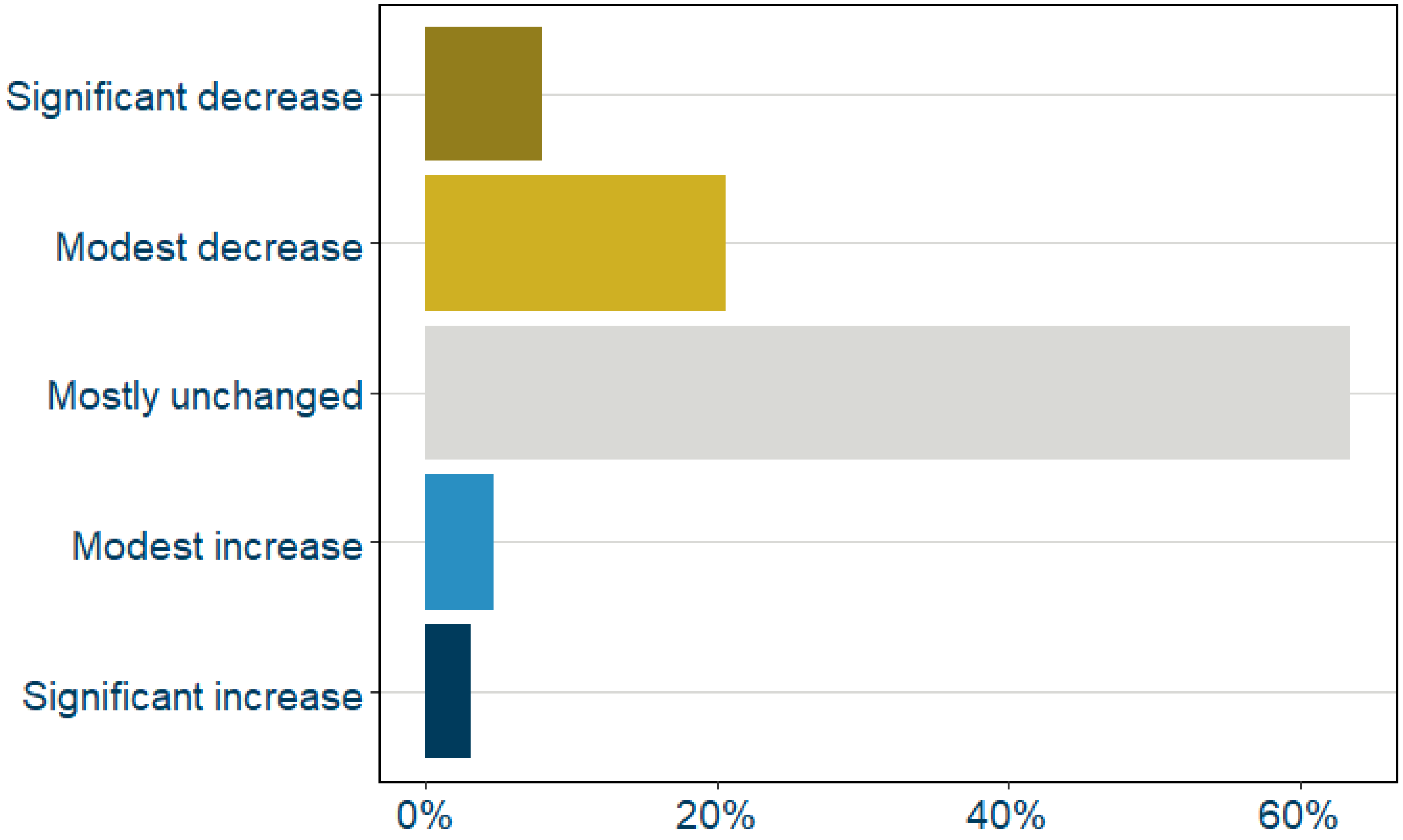


Source: Federal Reserve Bank of Minneapolis

AVAILABILITY OF FOREIGN-BORN APPLICANTS

CHANGE IN FOREIGN-BORN LABOR AVAILABILITY

SHARE OF RESPONDENTS (N = 63)



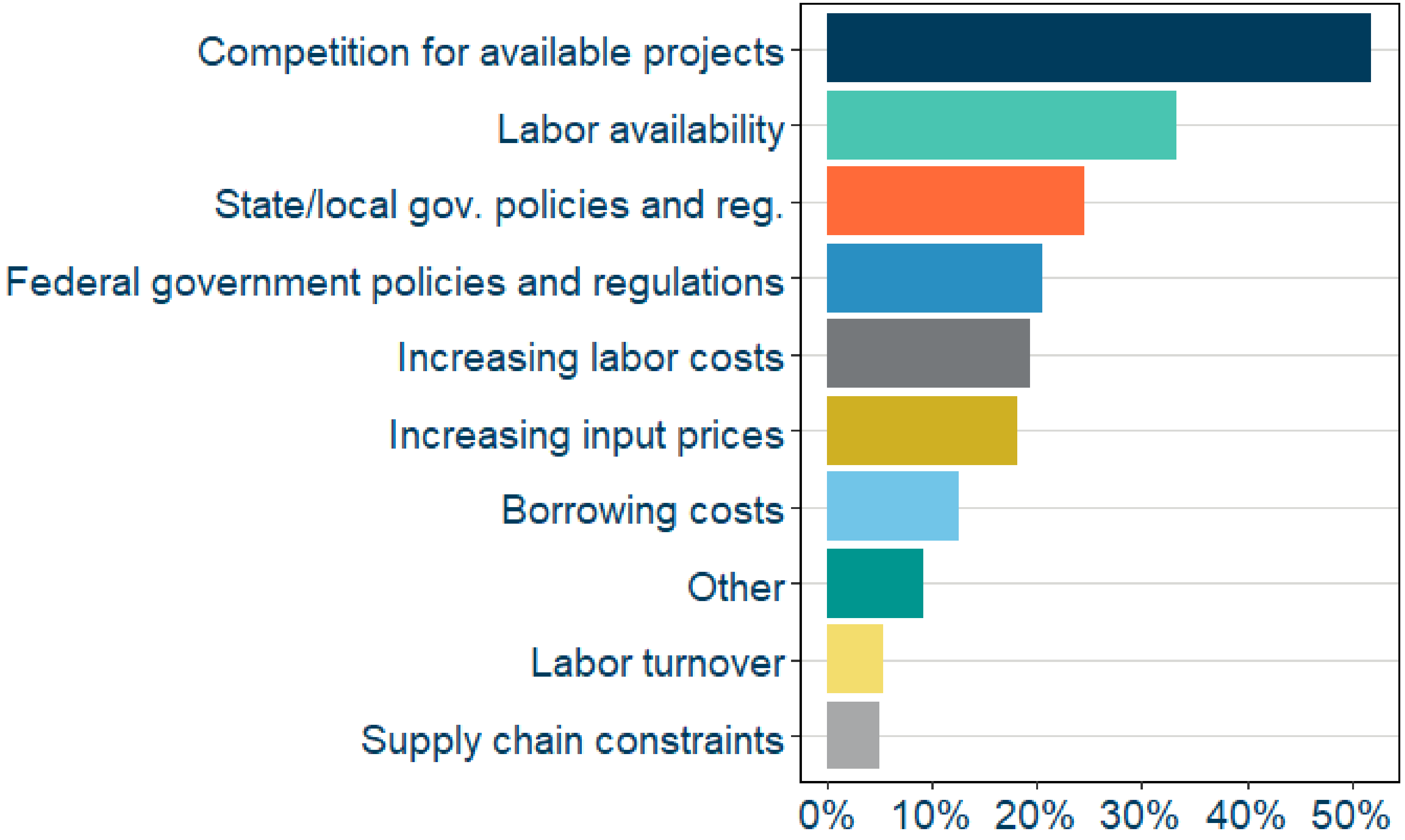
Source: Federal Reserve Bank of Minneapolis

CHALLENGES

MORE THAN HALF ARE CONCERNED WITH COMPETITION

CHALLENGES FOR CONSTRUCTION FIRMS

TOP TWO CHALLENGES SELECTED | N = 264

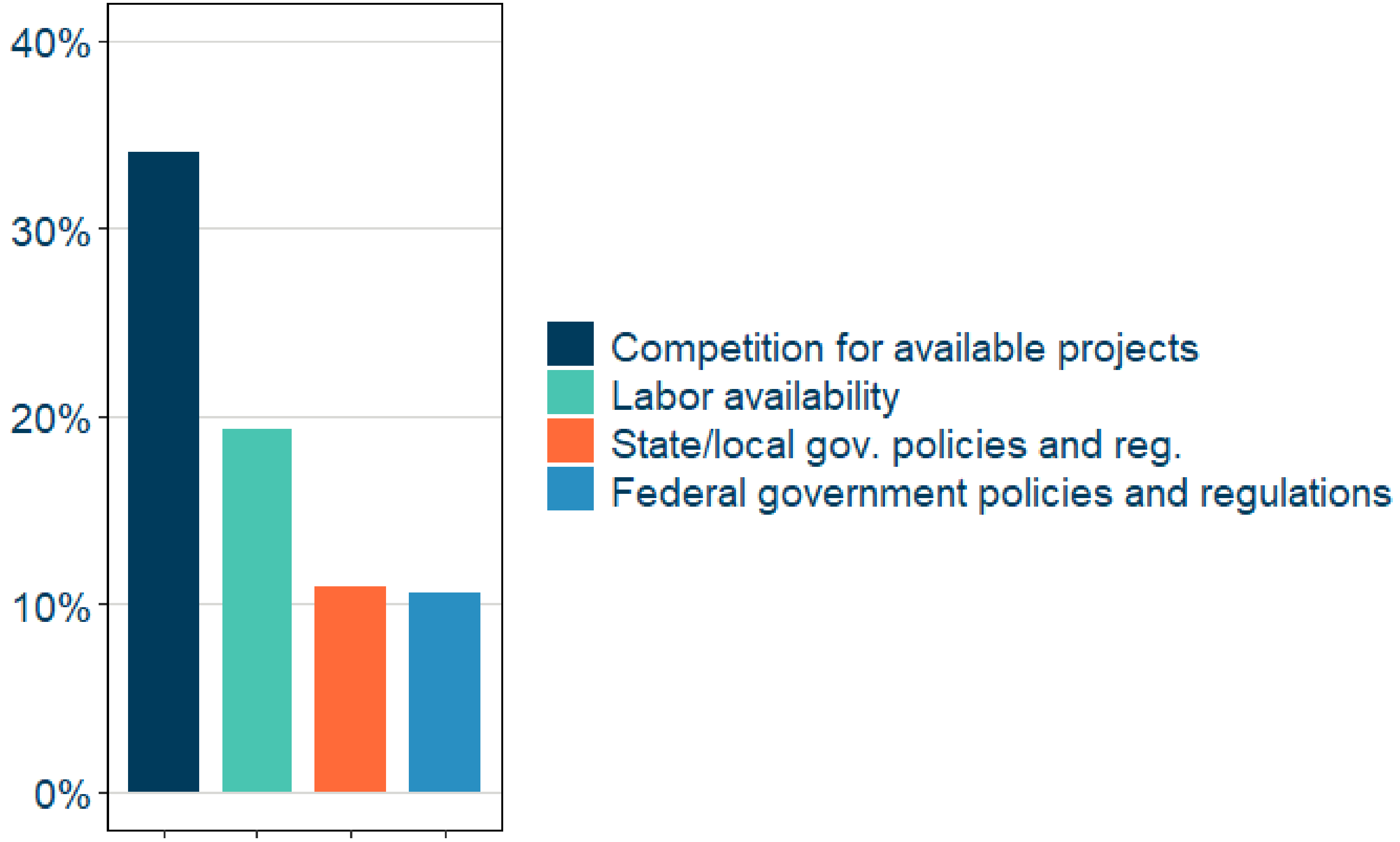


 Source: Federal Reserve Bank of Minneapolis

THE NUMBER ONE CHALLENGES

MOST PRESSING CHALLENGE

CHALLENGES WITH MORE THAN 10% OF RESPONSES | N = 264



Source: Federal Reserve Bank of Minneapolis

HOW ARE THOSE CHALLENGES MANIFESTING?

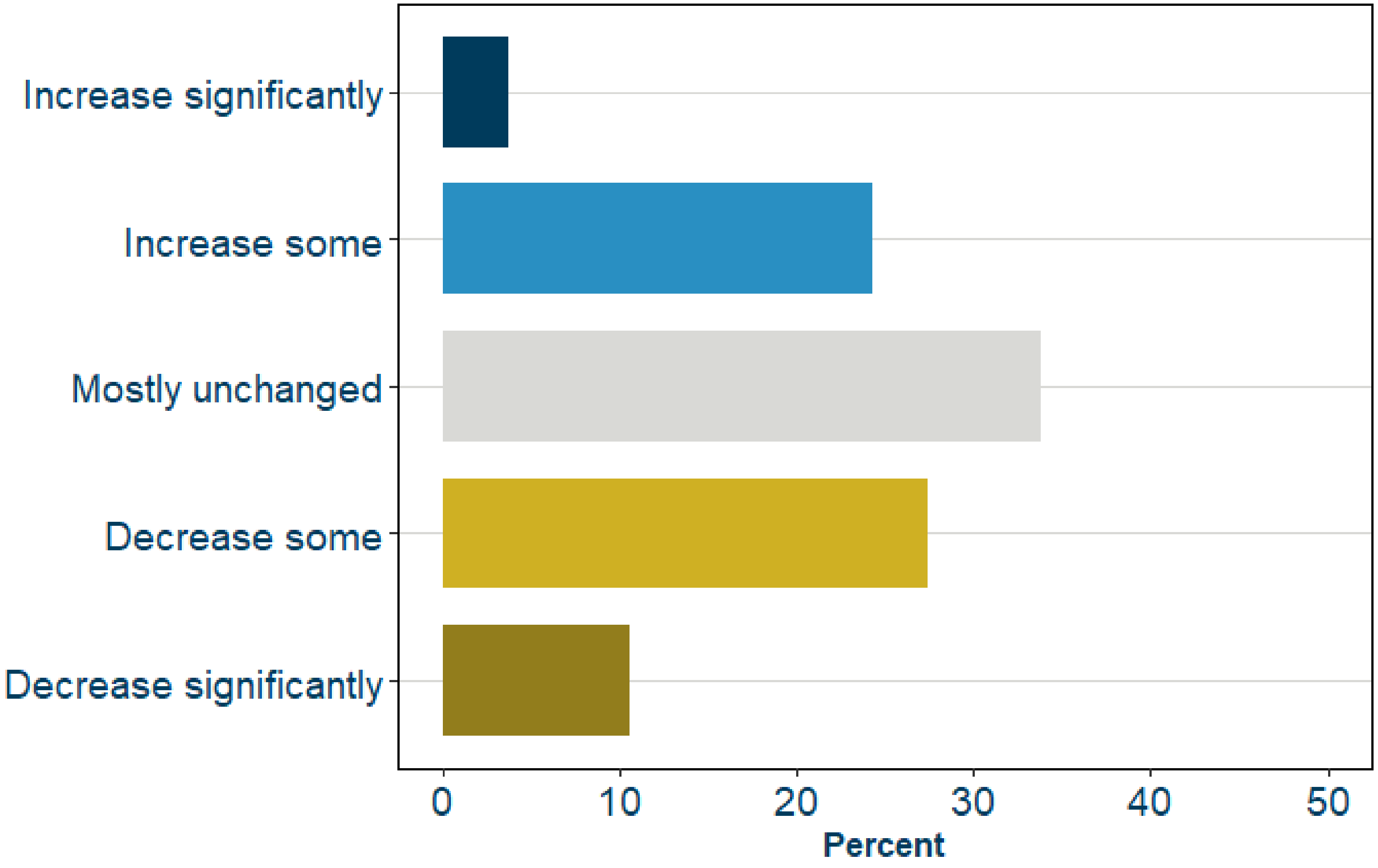
- Uncertainty around tariffs slowing down bidding
- Federal grants and other policies affecting agreements and funding
- More projects being paused leading to heightened competition
- Higher material lead times
- Projects being awarded at lower margins
- Inability to secure talent
- Reduced capacity affecting competitiveness

THE ROAD AHEAD

EXPECTATIONS FOR THE UPCOMING 6 MONTHS

CHANGES IN OVERALL ACTIVITY

Y-O-Y COMPARISON | N = 264



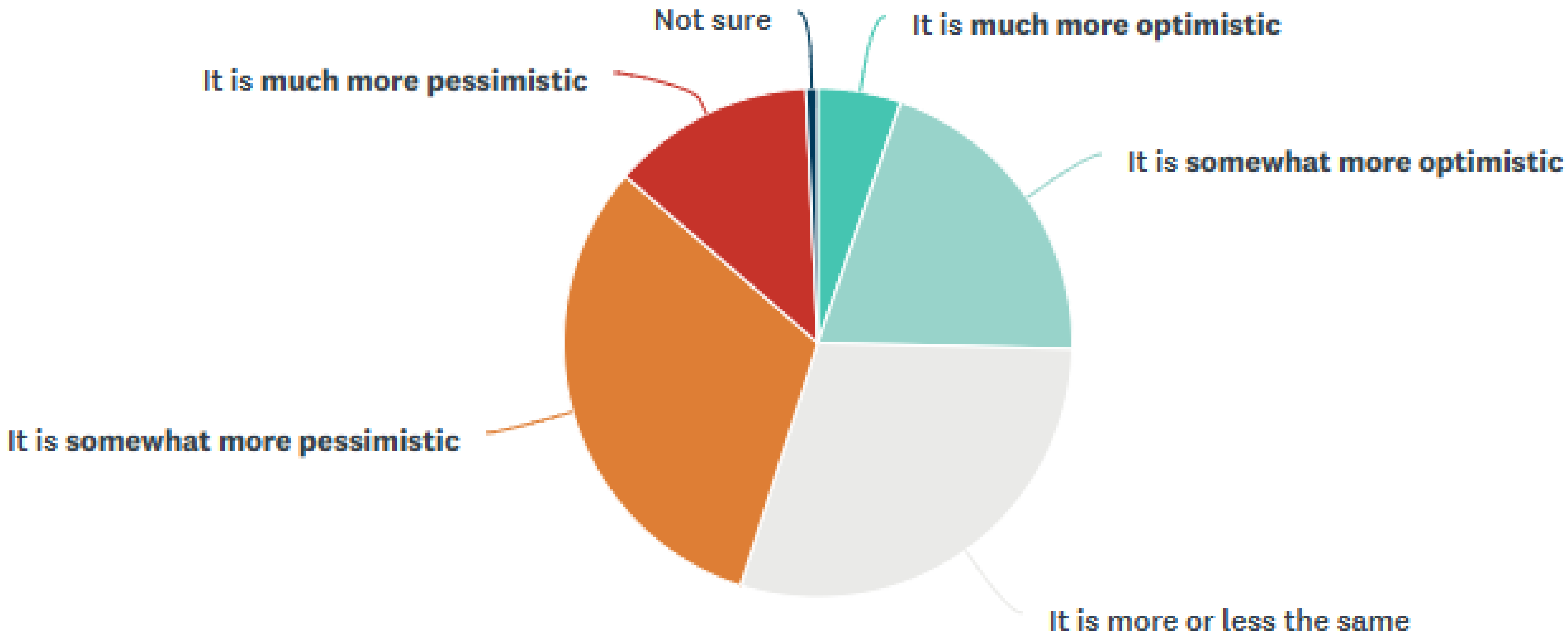
28 %
Expect increases in activity

38 %
Expect declines in activity

Source: Federal Reserve Bank of Minneapolis

HOW HAS YOUR OUTLOOK CHANGED SINCE MID – 2025?

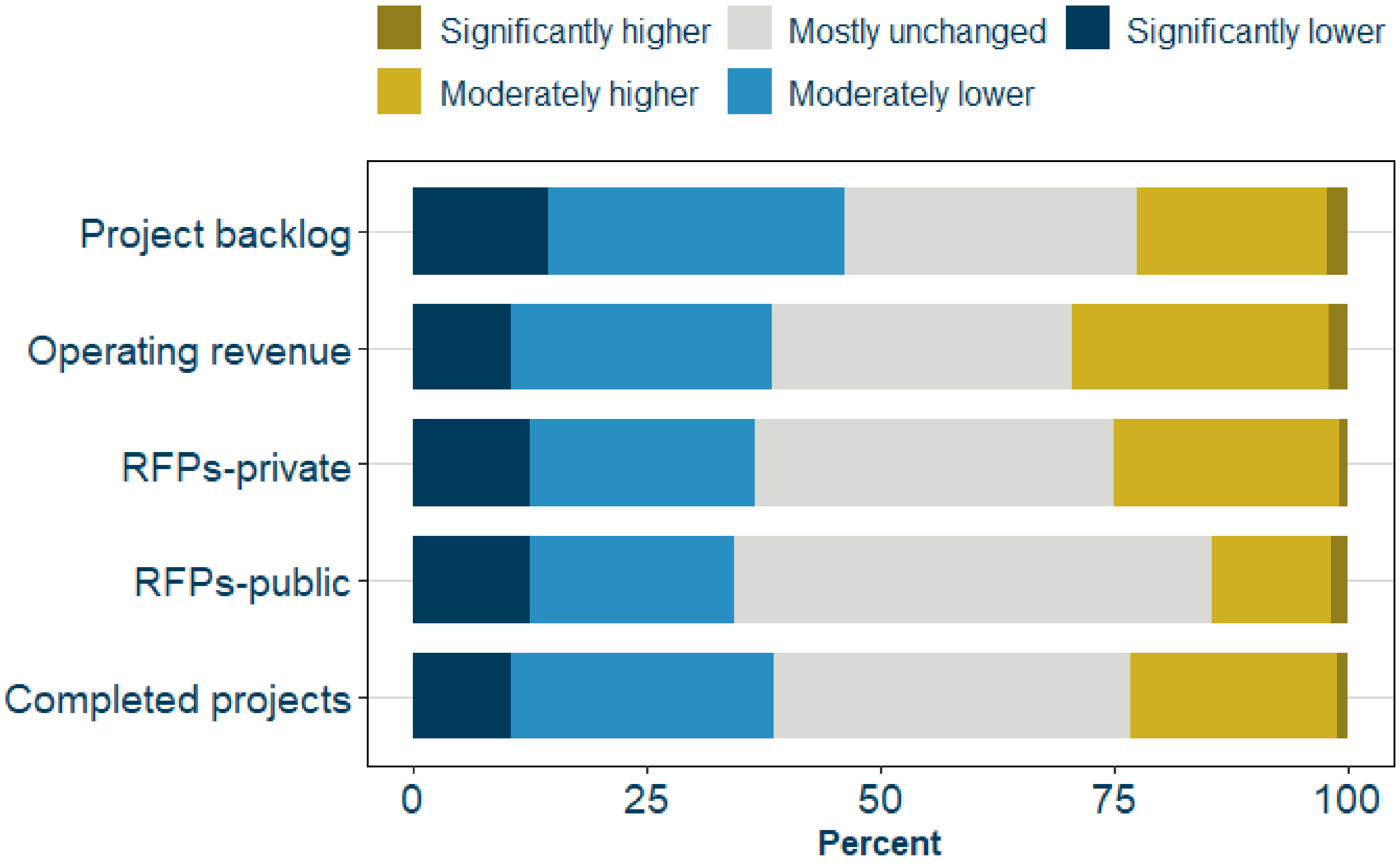
SHARE OF RESPONDENTS | N = 264



Source: Federal Reserve Bank of Minneapolis

EXPECTATIONS FOR THE UPCOMING 6 MONTHS

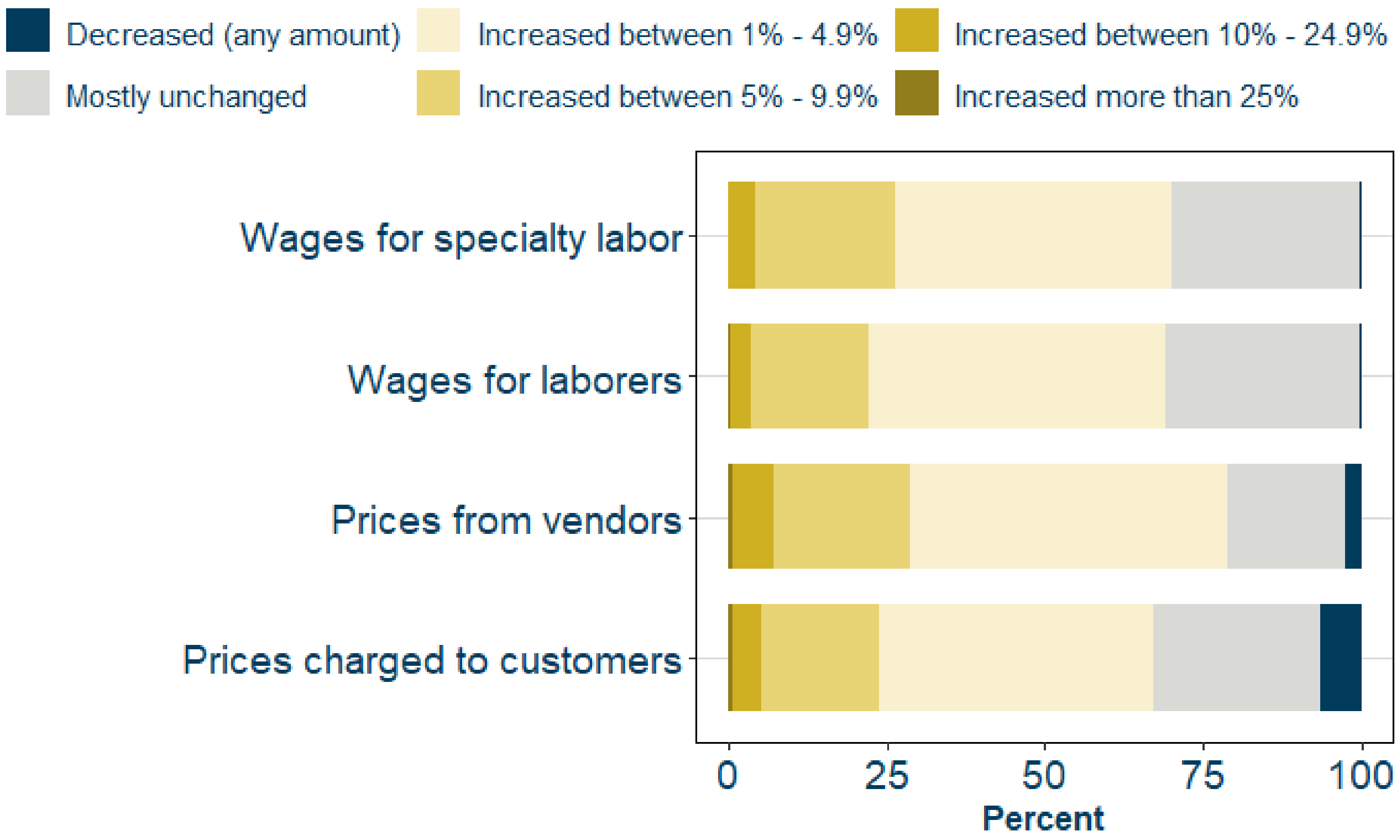
Y-O-Y COMPARISON | SHARE OF RESPONDENTS | N = 264



Source: Federal Reserve Bank of Minneapolis

EXPECTATIONS FOR THE UPCOMING 6 MONTHS

Y-O-Y COMPARISON | SHARE OF RESPONDENTS | N = 264



Source: Federal Reserve Bank of Minneapolis

WRAP-UP

- Construction activity declined in the fall compared to a year ago
- Residential construction was the most affected
- As backlogs shrink, competition has heightened
- Employment growth has been slowing
- Labor demand in the region remained relatively strong
- Expectations for future activity were slightly downcast

THANK YOU!

SHARE YOUR INSIGHTS WITH THE FED

Sign up to become a survey respondent

www.research.net/r/fedbizpulse