REGIONAL ECONOMIC CONDITIONS

THE CONSTRUCTION SECTOR

May 28, 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!

THE SURVEY

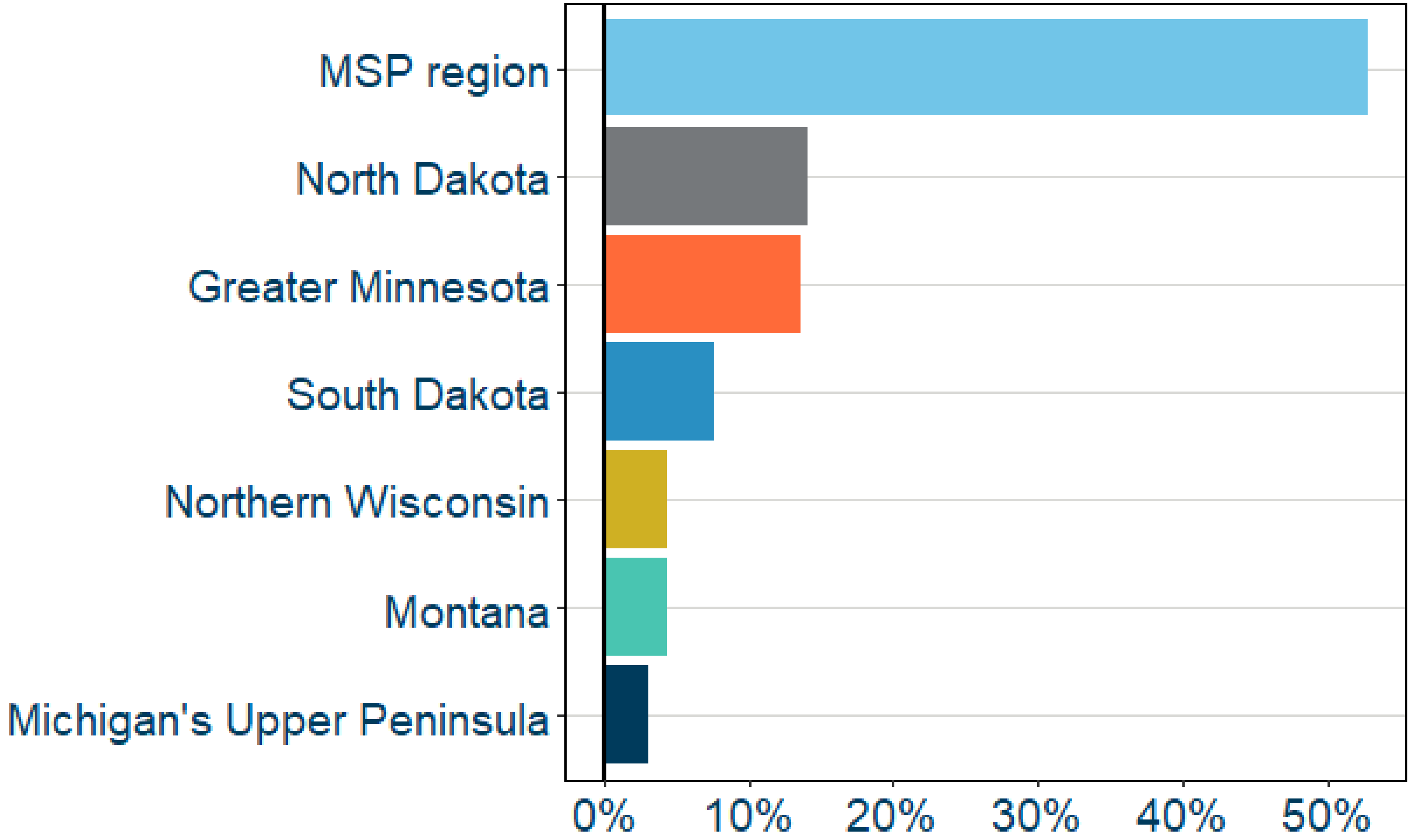
- Partner model distribution
- More than 50 associations from the states in the Ninth District
  - Minnesota, North Dakota, South Dakota, Montana 26 counties in Wisconsin, and the Upper Peninsula of Michigan
- 252 complete responses – 93% completion rate
- 20 questions
  - Most recent activity (November – April)
  - Expectations for the upcoming 6 months

TAKE-AWAYS

- Declining activity on balance
- Pressures across the sector
- Relaxed but persistent cost increases
- Unrelenting labor challenges
- Expectations for the coming months on the lower end
- Uncertainty

GEOGRAPHIC CONCENTRATION

SHARE OF RESPONDENTS | N = 252

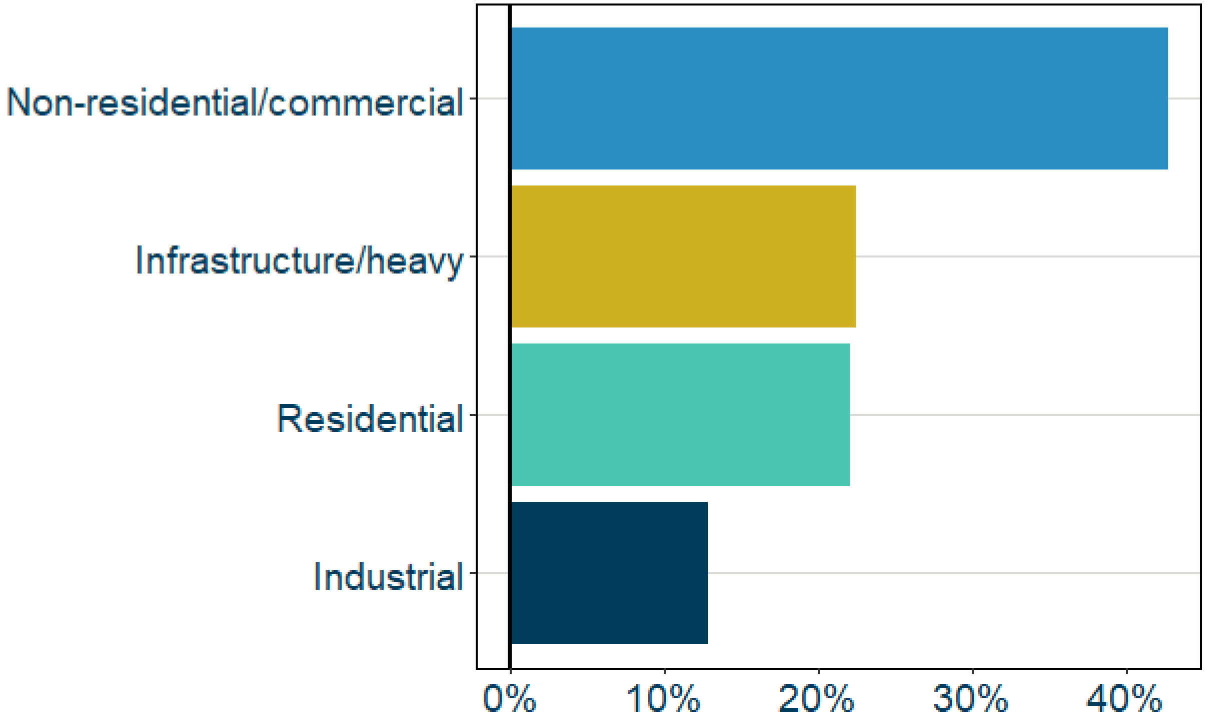


Source: Federal Reserve Bank of Minneapolis

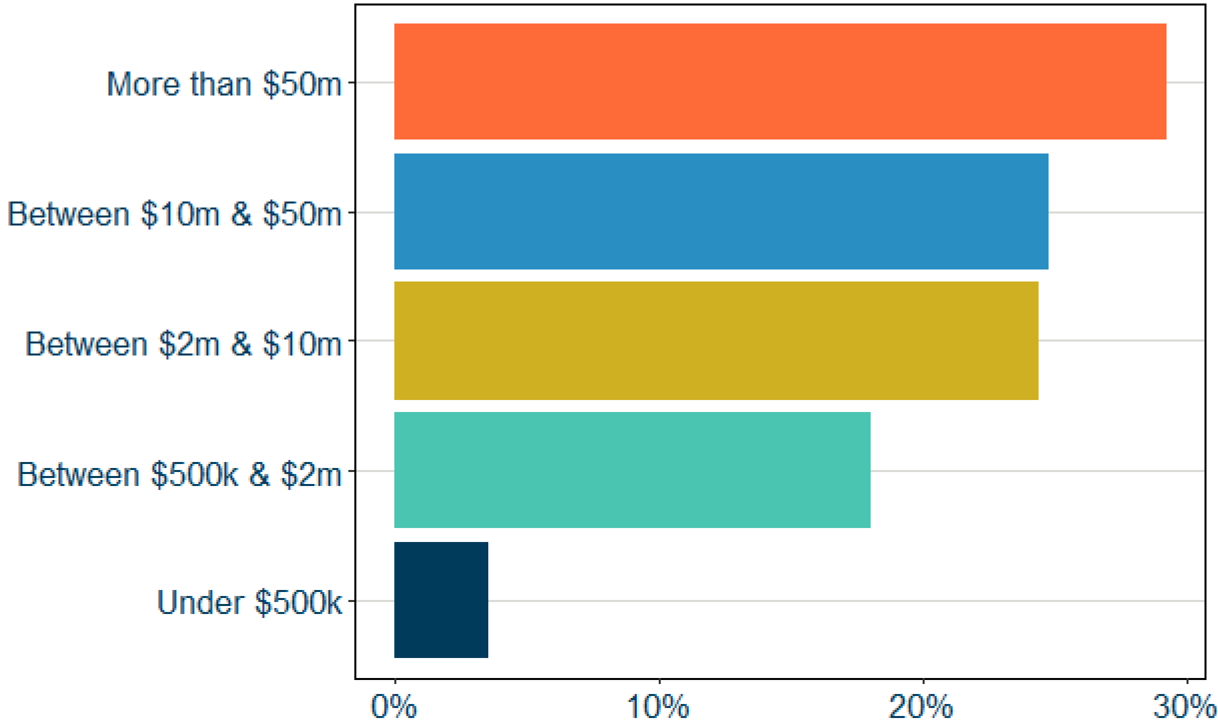
FIRM CONCENTRATION AND SIZE

SHARE OF RESPONDENTS | N = 252

SUB-SECTOR



ANNUAL REVENUE



Source: Federal Reserve Bank of Minneapolis

RECENT CHANGES

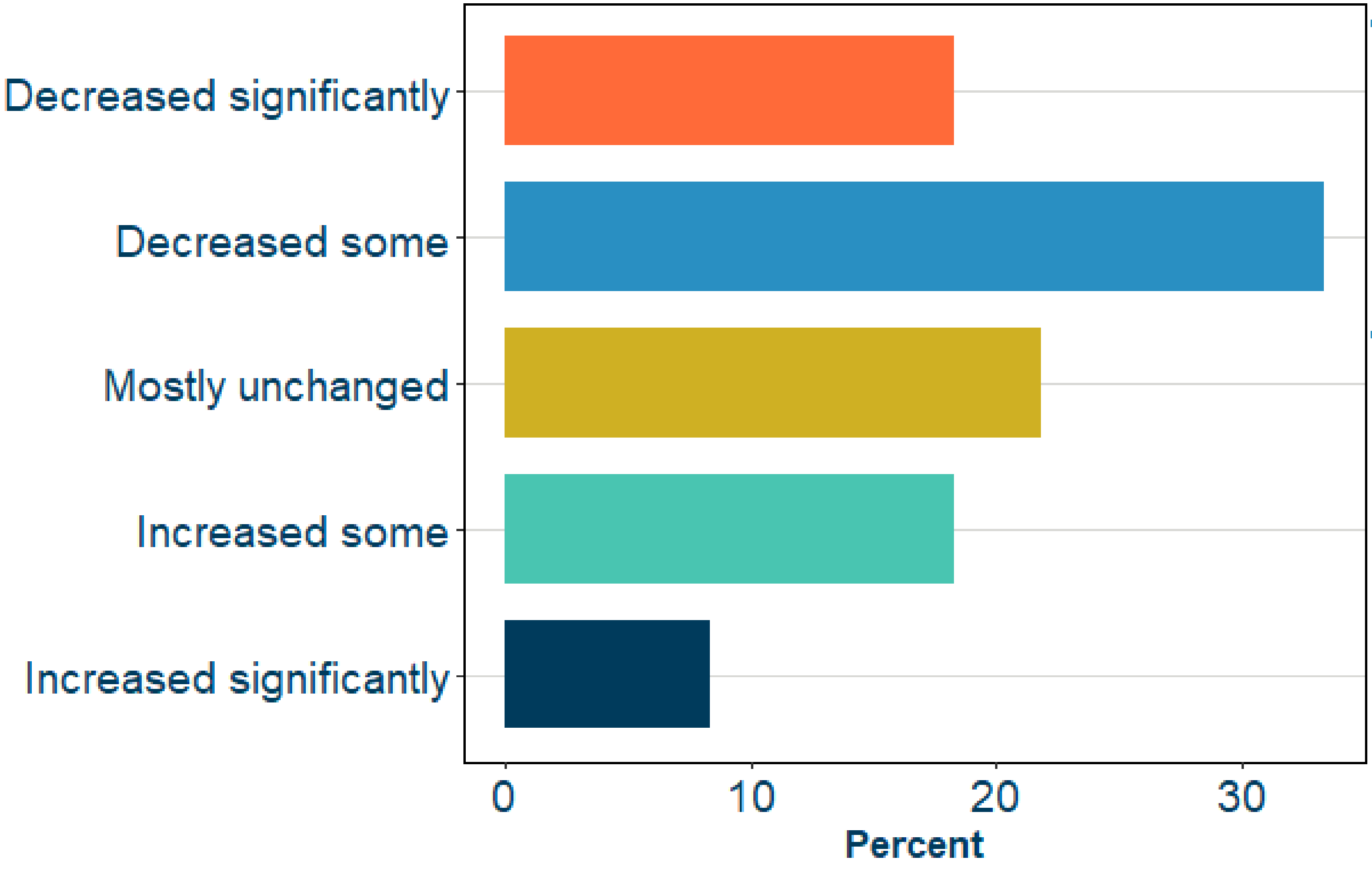
INTERPRETATION OF RESULTS

- Convenience sample
- Commentary and sentiment of economic conditions in the industry
- Metrics compare changes between November 2024 and April 2025, to the same period 12 months prior:
  - *How did prices and costs change in the last 6 months (November through April) compared to the same period a year ago?*

CONSTRUCTION SECTOR PERFORMANCE

CHANGES IN OVERALL ACTIVITY

SHARE OF RESPONDENTS | N = 252 | CHANGES BETWEEN NOV. – APR.



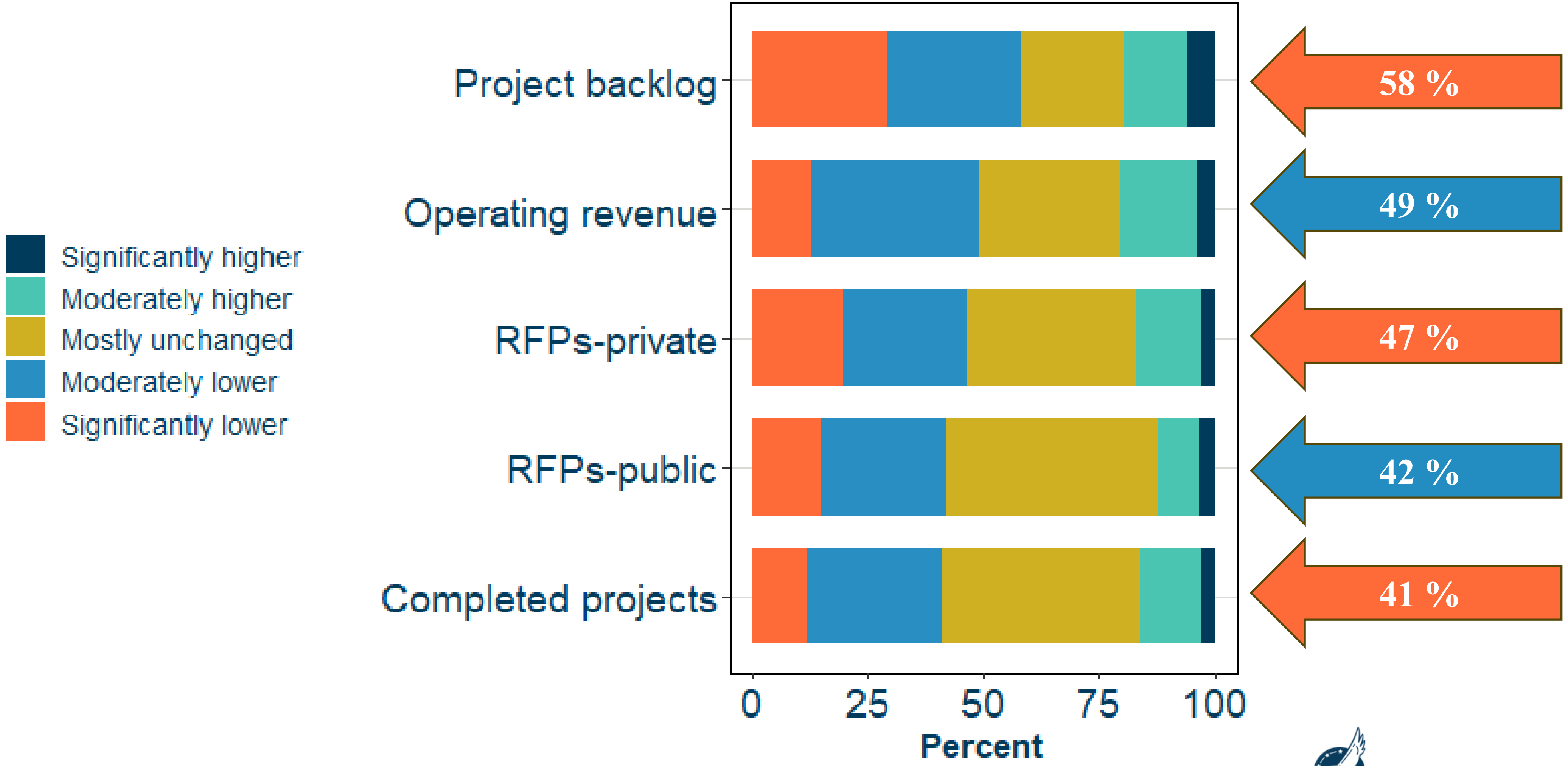
52 % Experienced declines in activity

 Source: Federal Reserve Bank of Minneapolis

DECLINES ACROSS METRICS

CHANGES OVER THE LAST 6 MONTHS

YOY COMPARISON | SHARE OF RESPONDENTS | N = 252



 Source: Federal Reserve Bank of Minneapolis

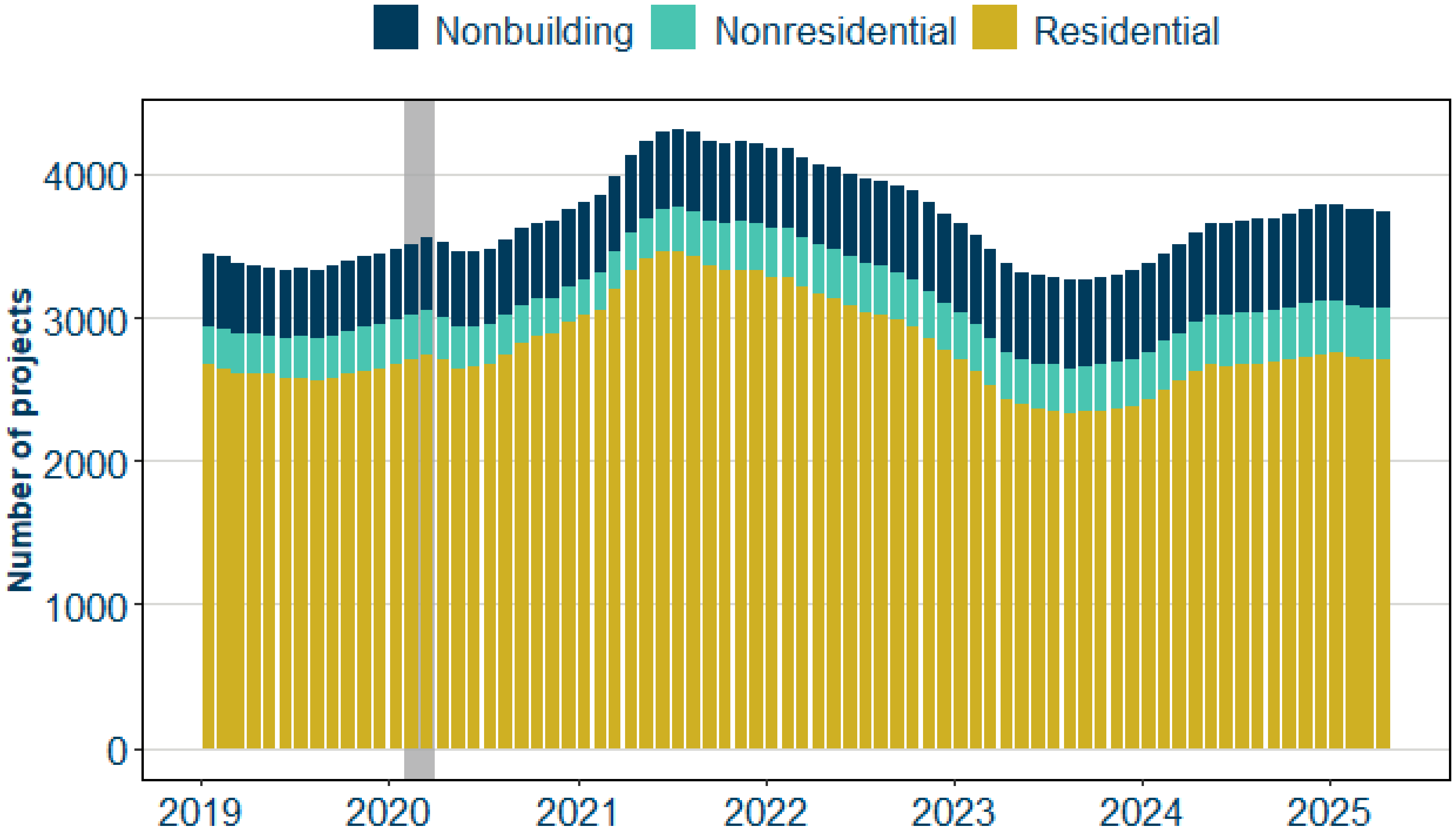
WHAT IS AFFECTING BACKLOGS?

- Wait-and-see approach from clients hoping for lower interest rates and moderating prices in 2025
- Completion of projects
- Slower scheduling of new projects
- Lower but pervasive cost increases
- Added uncertainty from trade policy
- Bidding difficulties
- Increased pauses

WHAT DOES THE "HARD DATA" SAY?

ACTIVE CONSTRUCTION PROJECTS

NINTH DISTRICT STATES | 12 MO. ROLLING AVERAGES



Source: Dodge Data & Analytics
Note: Includes all of WI, excludes Michigan's UP | Gray bar denotes recession

CONTINUED PRICE MODERATION

CHANGE IN INPUT COSTS

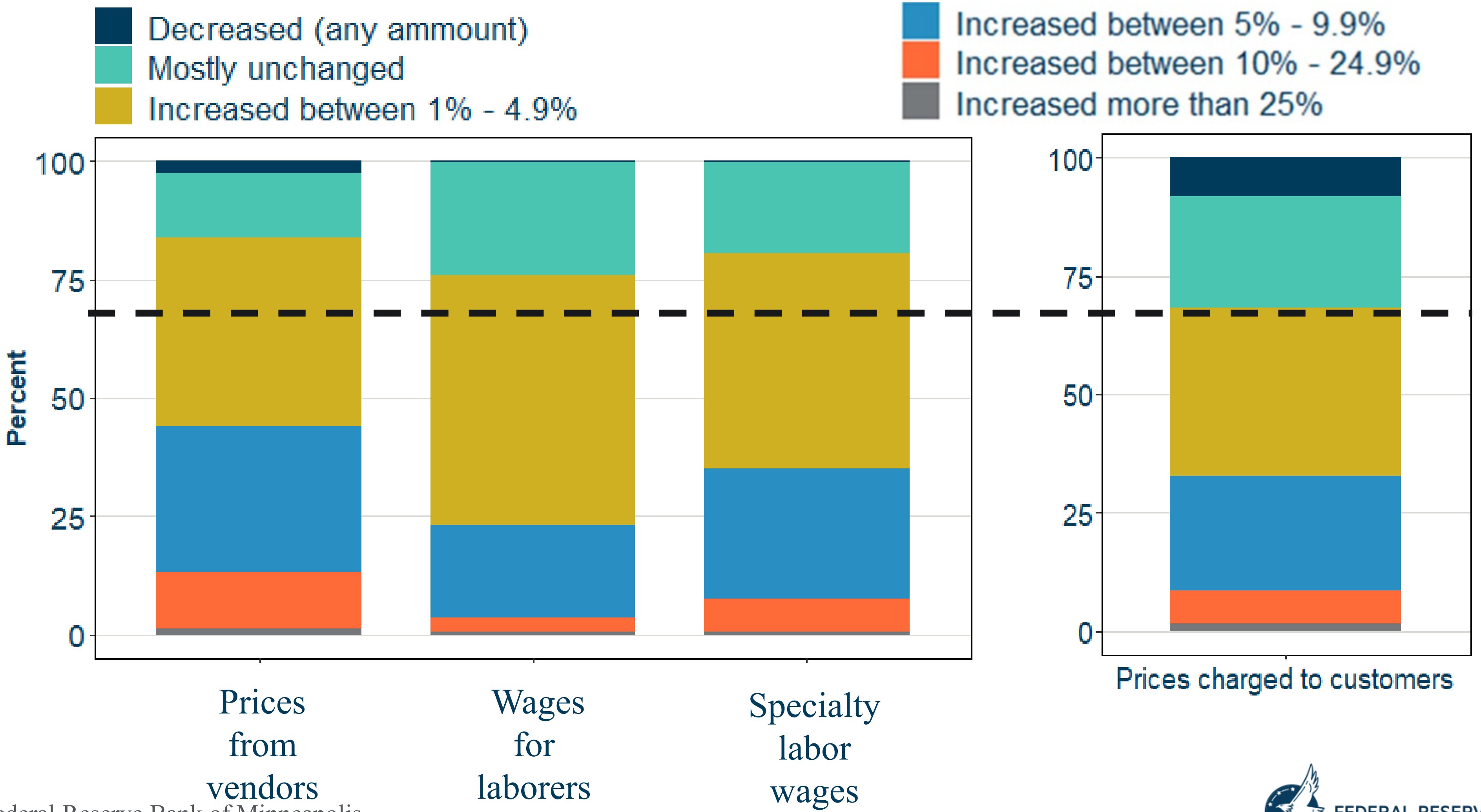
SHARE OF RESPONDENTS | N = 252 | NOV - APR

Source: Federal Reserve Bank of Minneapolis

REDUCED ABILITY TO PASS ON COSTS

CHANGE IN INPUT COSTS AND FINAL PRICES

SHARE OF RESPONDENTS | N = 252 | NOV - APR



 Source: Federal Reserve Bank of Minneapolis

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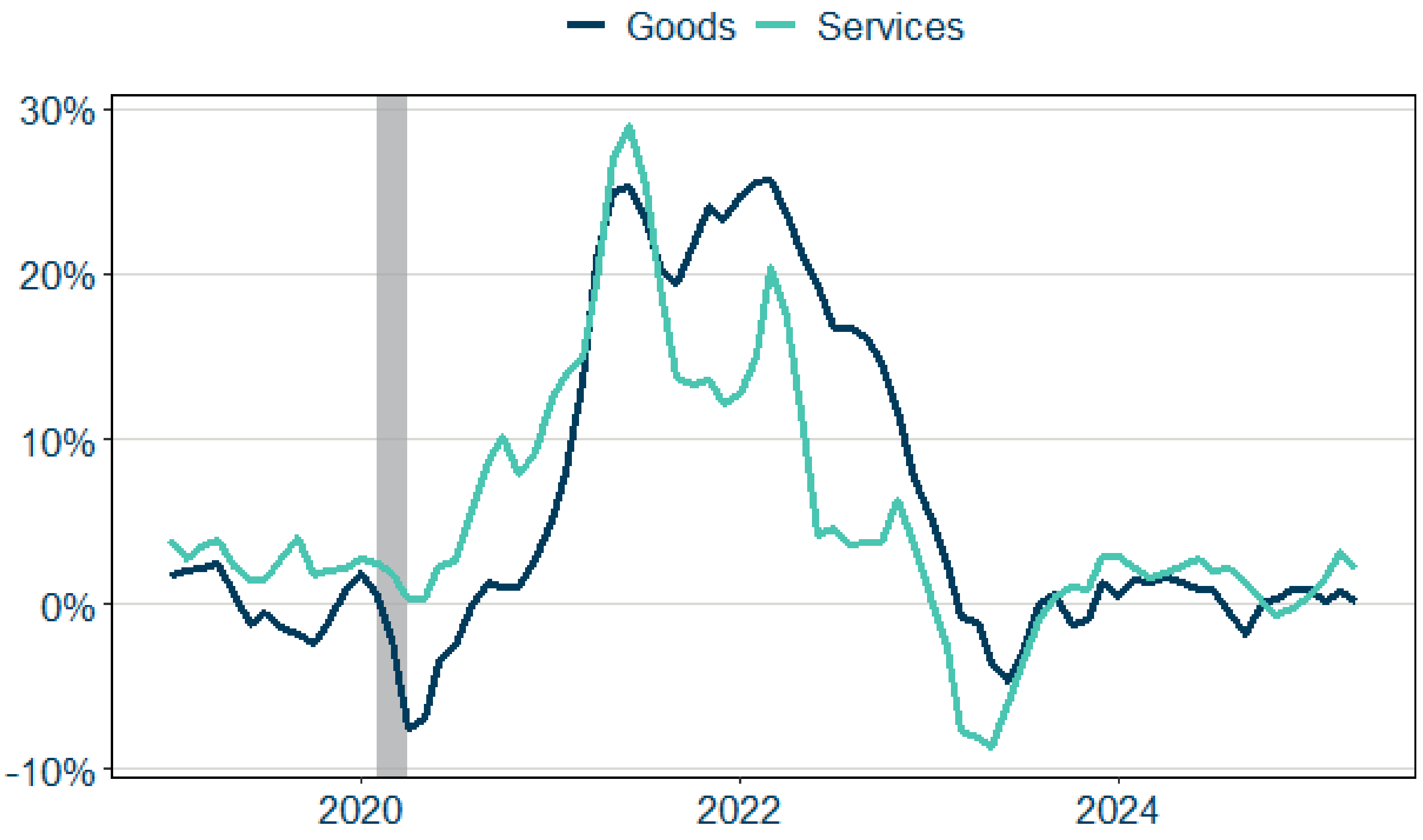
PRODUCER PRICE INDEX – INPUTS TO NEW CONSTRUCTION

NON SEASONALLY ADJUSTED – YOY CHANGE



Source: Bureau of Labor Statistics

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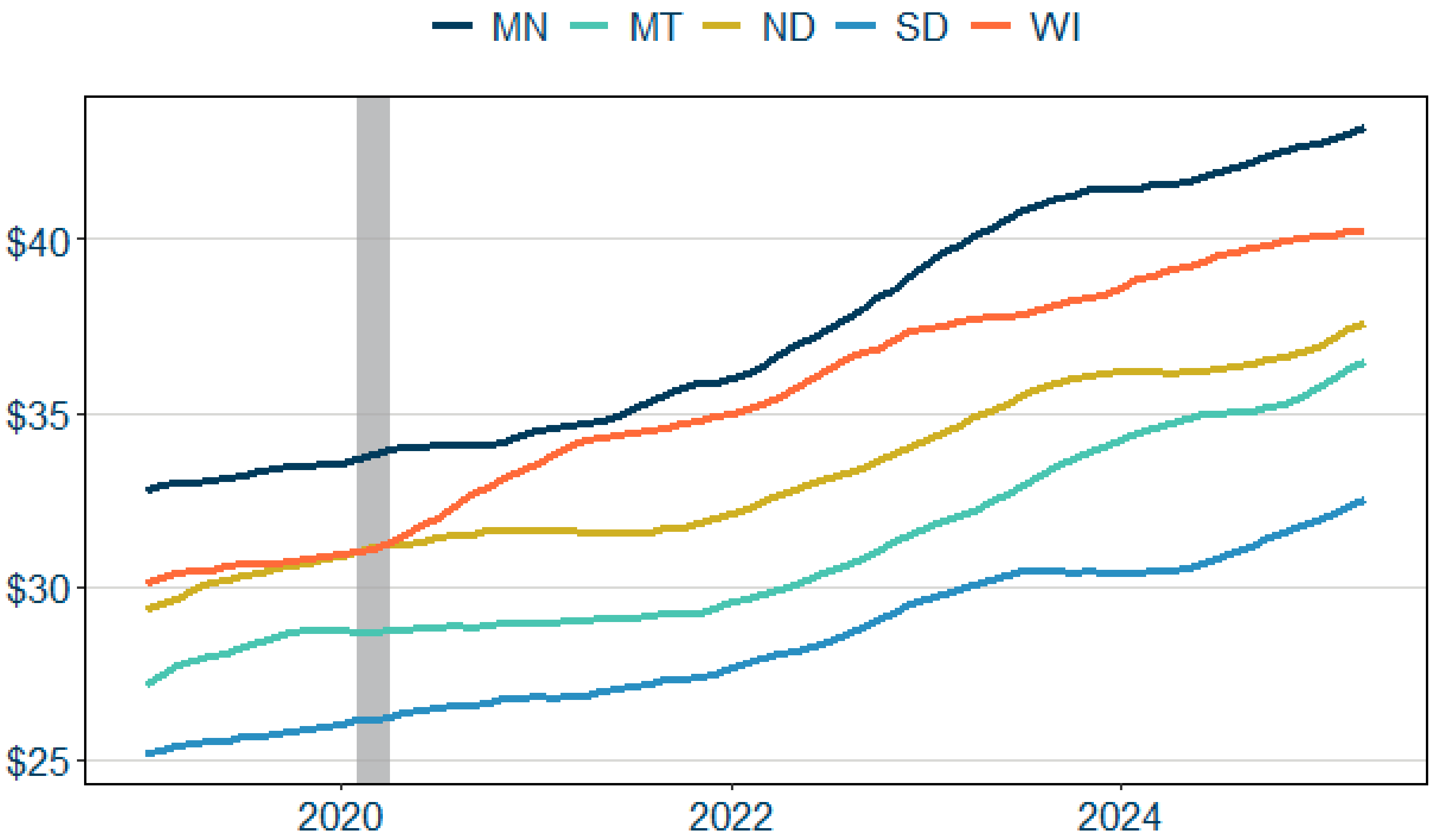
AVERAGE HOURLY EARNINGS

NON SEASONALLY ADJUSTED – YOY CHANGE



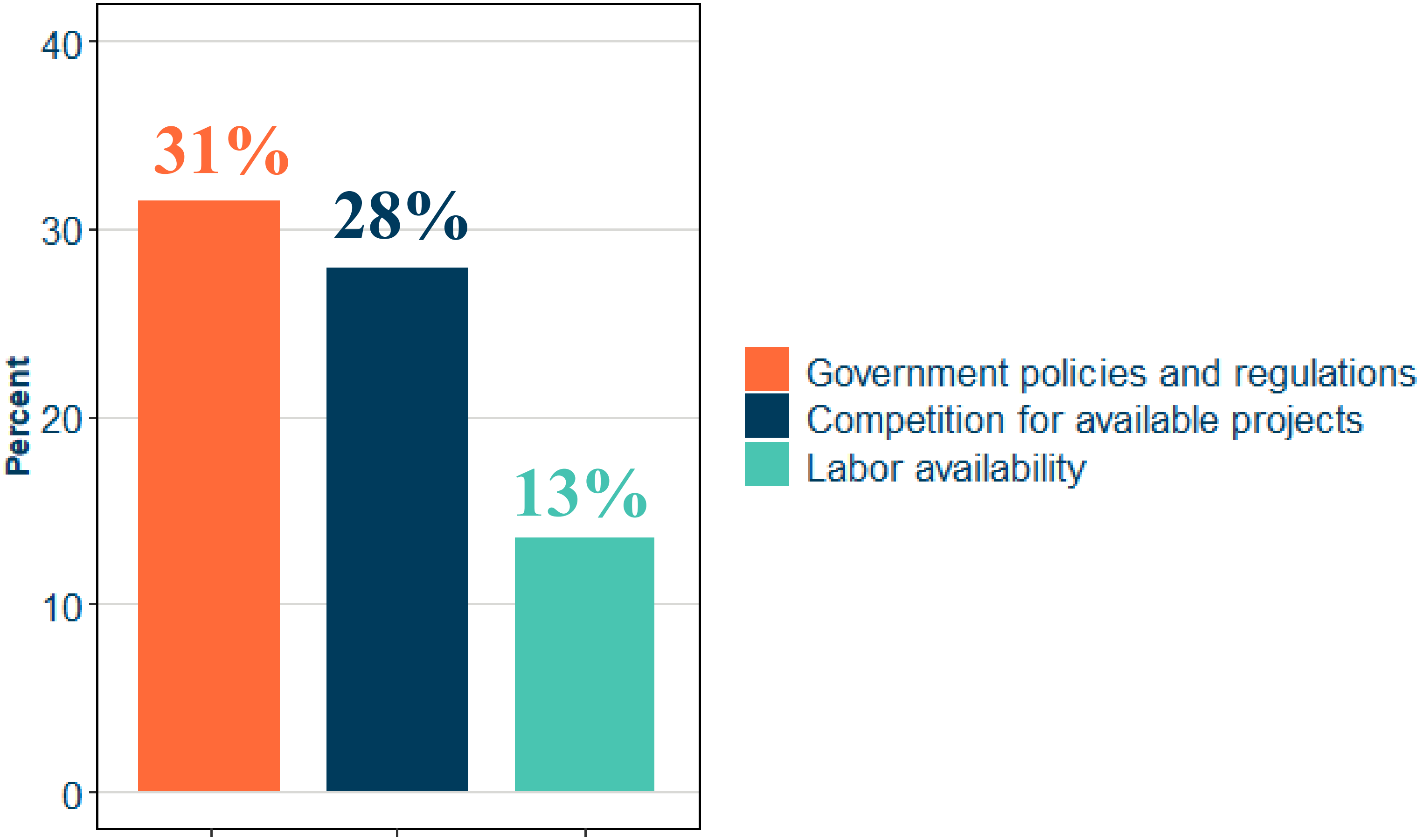
Source: Bureau of Labor Statistics
Note: South Dakota indicator includes Mining, Logging, and Construction

CHALLENGES

POLICIES STRESSING THE INDUSTRY

TOP CHALLENGE FOR CONSTRUCTION FIRMS

CHALLENGES WITH MORE THAN 10% OF RESPONDENTS | N = 252



Second highest challenge

16%

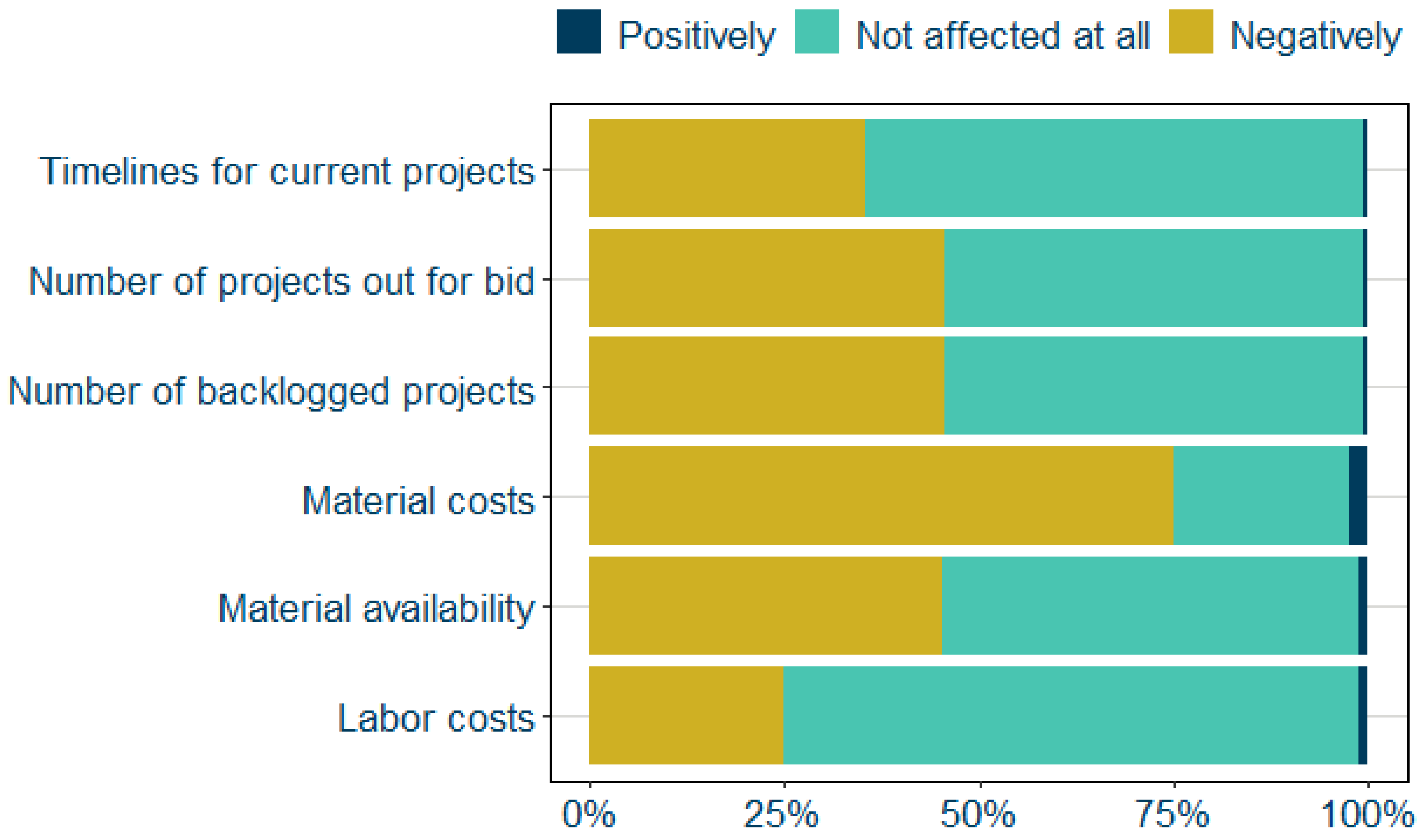
23%

14%

 Source: Federal Reserve Bank of Minneapolis

EFFECTS FROM TRADE POLICY

SHARE OF RESPONDENTS | N = 252



 Source: Federal Reserve Bank of Minneapolis

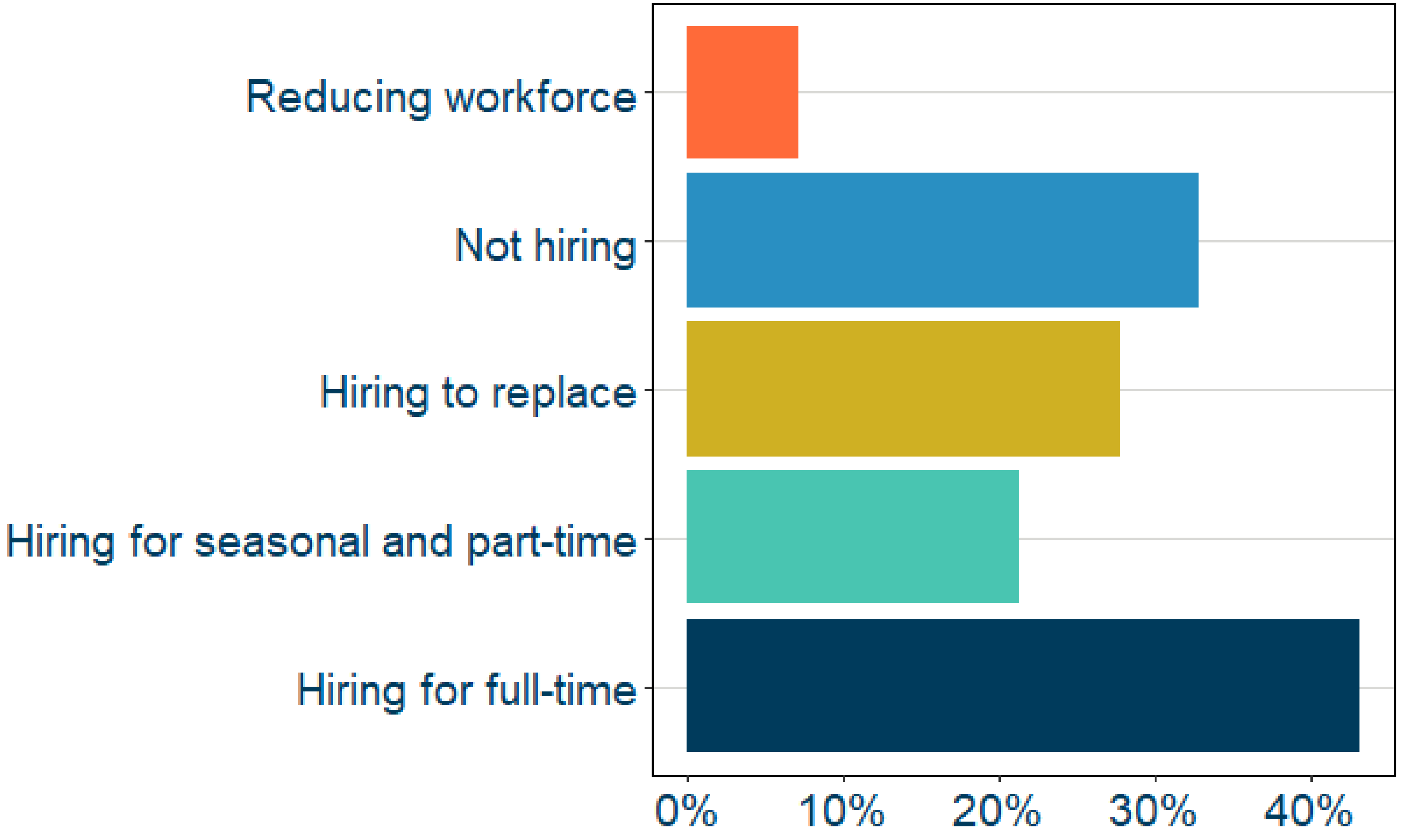
HOW ARE THOSE CHALLENGES MANIFESTING?

- 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

LOWER BUT STRONG LABOR DEMAND

WHAT TYPES OF POSITIONS ARE FIRMS HIRING FOR?

SHARE OF RESPONDENTS | N = 252



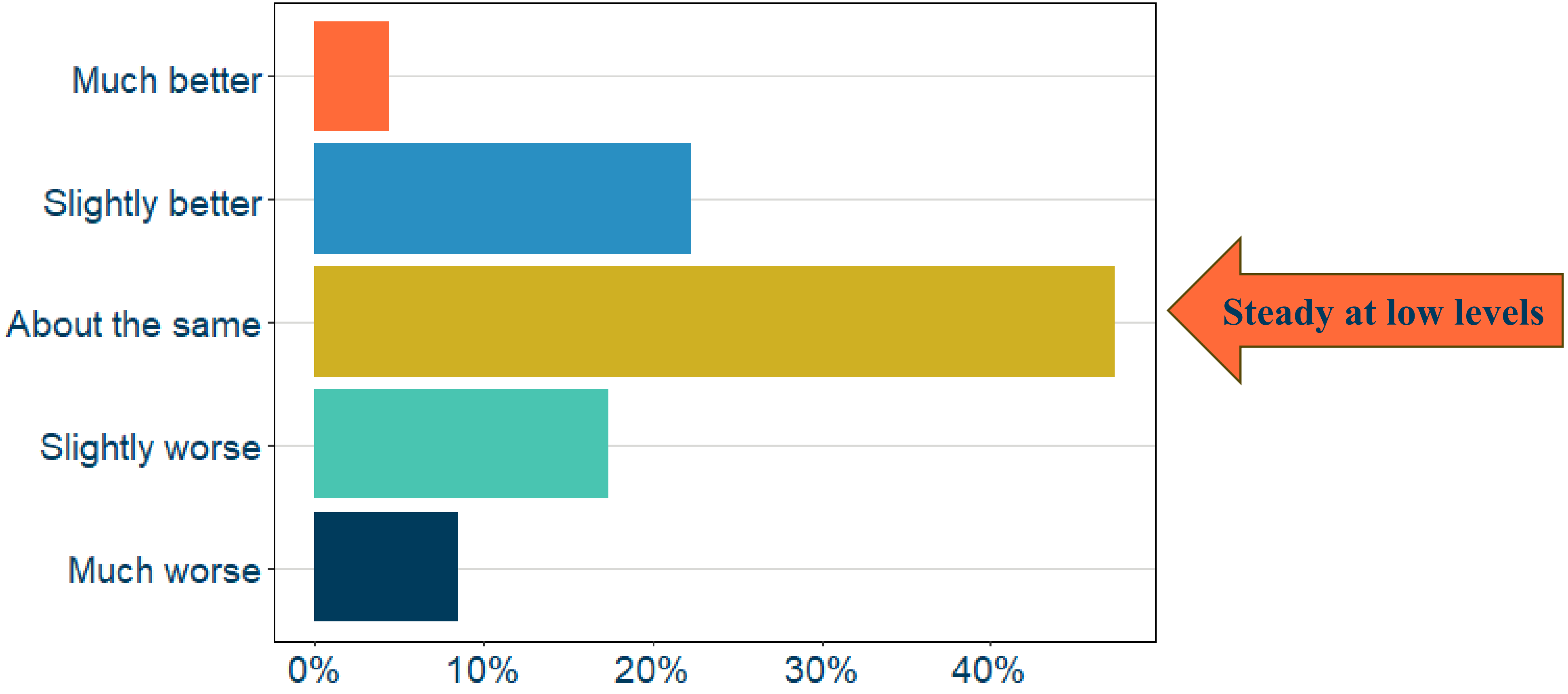
60 percent of firms were hiring

Source: Federal Reserve Bank of Minneapolis
Note: Respondents were able to select more than one hiring option

CHALLENGES TO FIND WORKERS LINGER

FIRMS' ABILITY TO FIND NEEDED TALENT

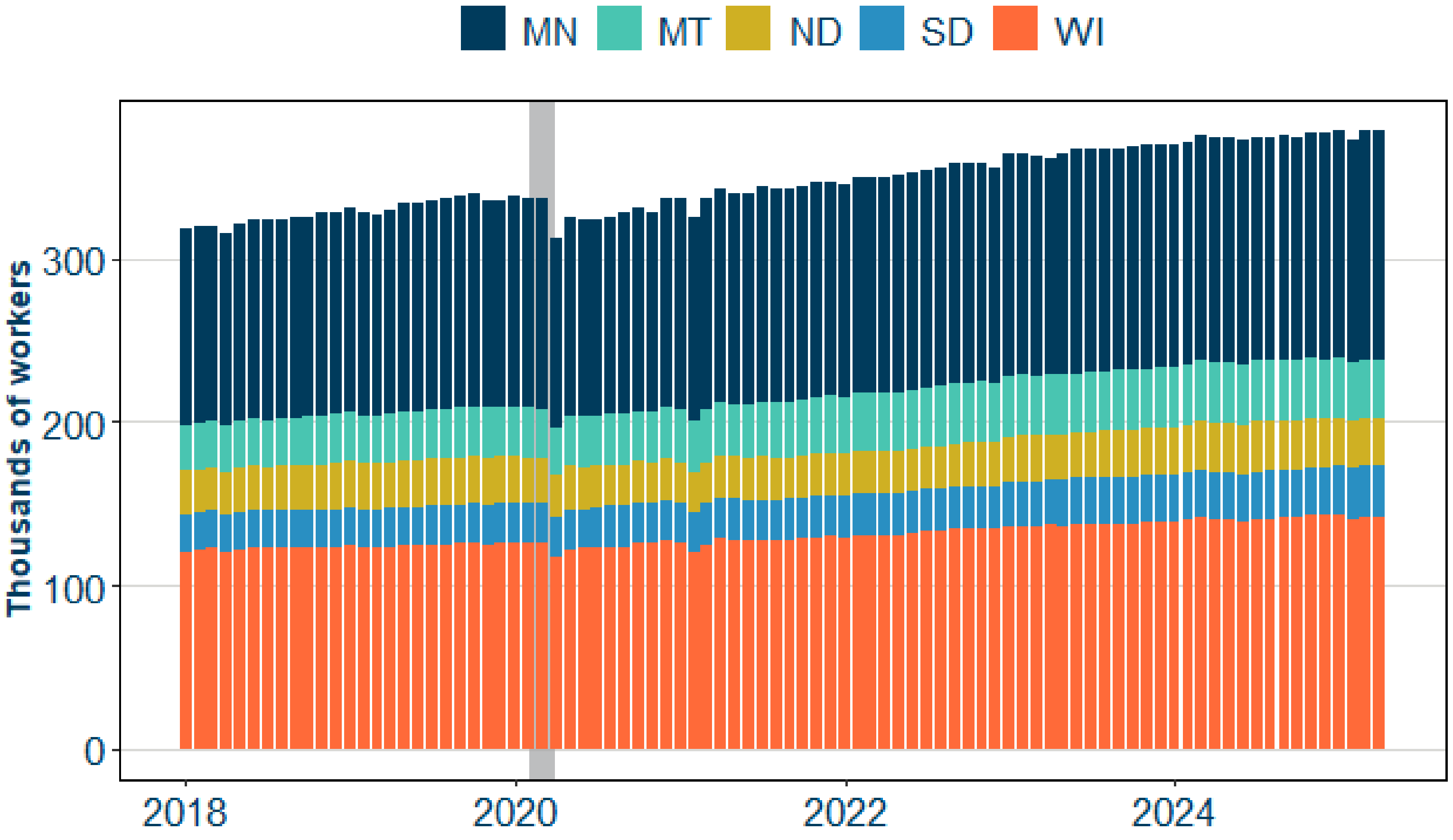
SHARE OF RESPONDENTS | N = 252



 Source: Federal Reserve Bank of Minneapolis

EMPLOYMENT - CONSTRUCTION

SEASONALLY ADJUSTED |12 MO. ROLLING AVERAGES

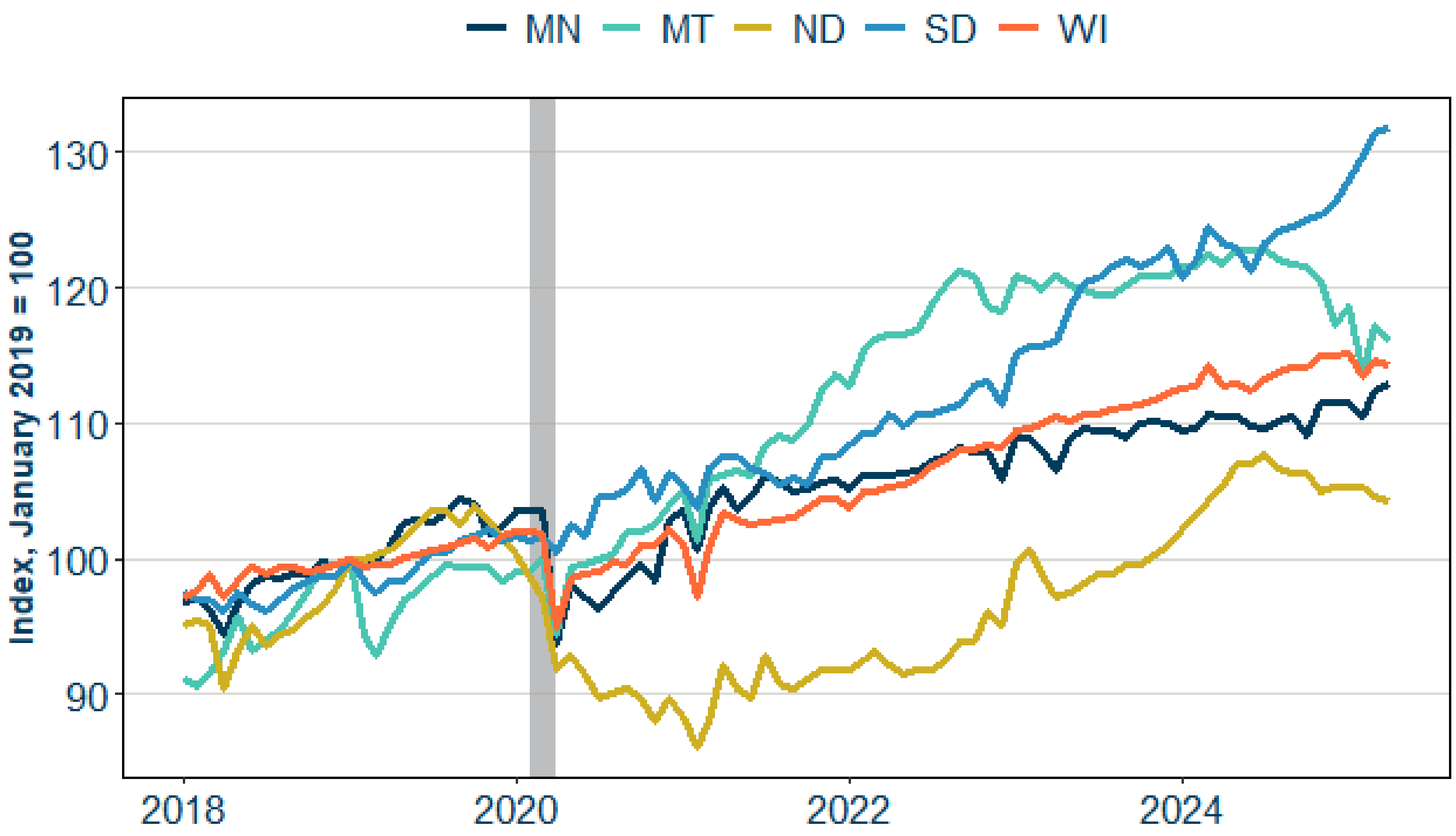


Source: Bureau of Labor Statistics

VARIATION IN EMPLOYMENT GROWTH ACROSS STATES

EMPLOYMENT - CONSTRUCTION

SEASONALLY ADJUSTED | GROWTH SINCE JANUARY 2019

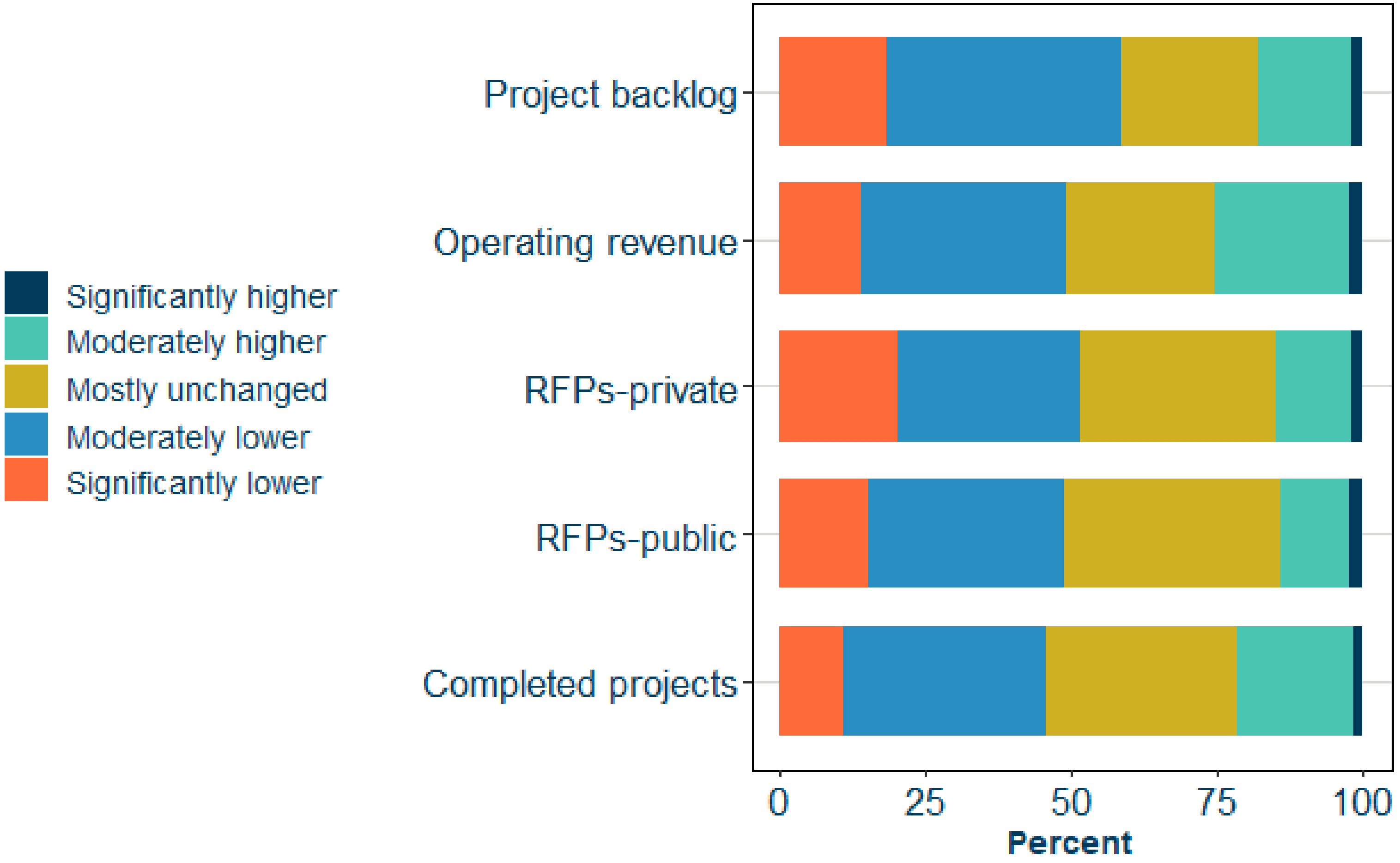


Source: Bureau of Labor Statistics

THE ROAD AHEAD

EXPECTATIONS FOR THE NEXT 6 MONTHS

YOY COMPARISON | SHARE OF RESPONDENTS | N = 252



 Source: Federal Reserve Bank of Minneapolis

EXPECTATIONS FOR THE NEXT 6 MONTHS

YOY COMPARISON | SHARE OF RESPONDENTS | N = 252

Source: Federal Reserve Bank of Minneapolis

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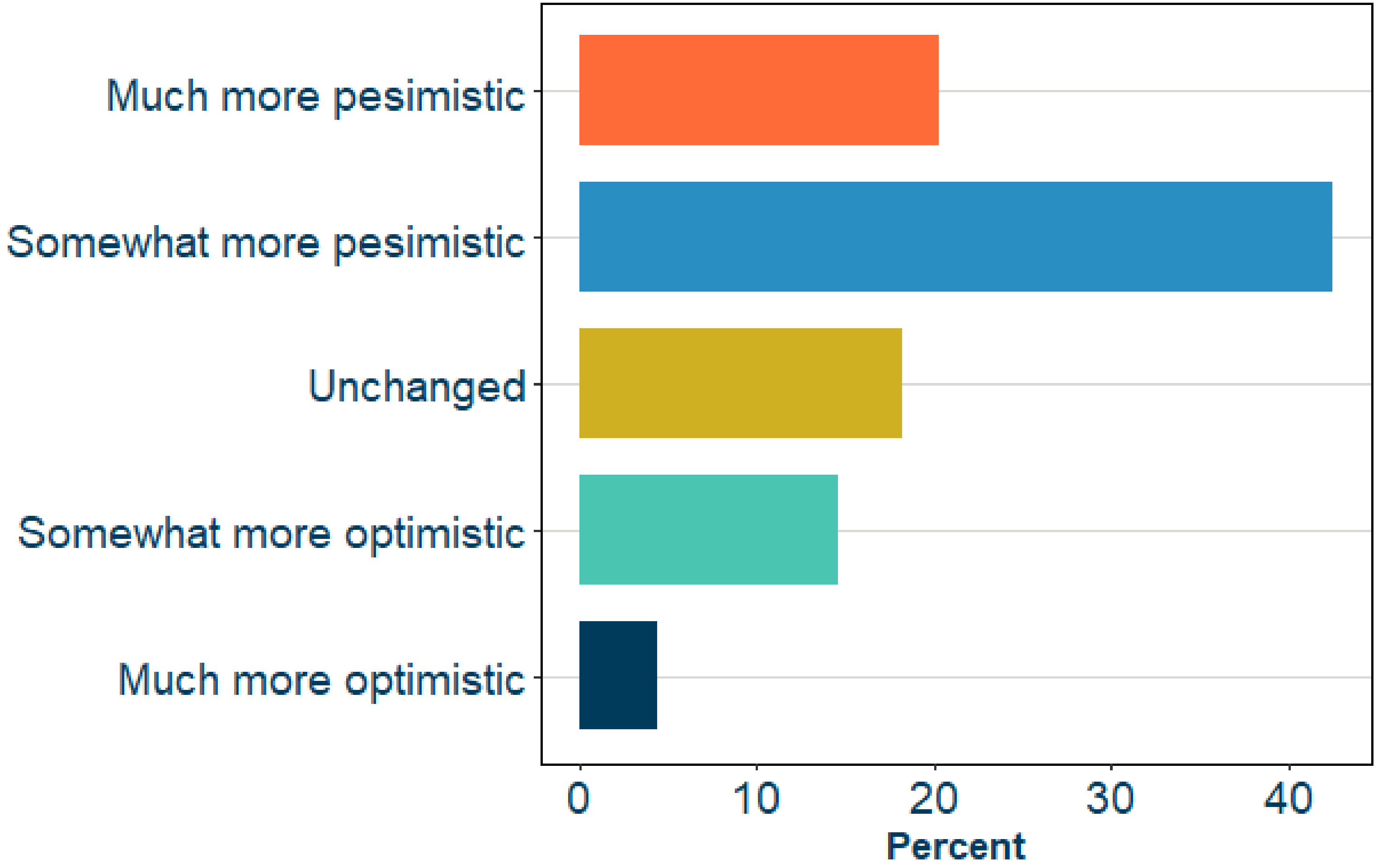
EXPECTATIONS TURNED SOMBER SINCE JANUARY

CHANGES IN EXPECTATIONS

SHARE OF RESPONDENTS | N = 252



 Source: Federal Reserve Bank of Minneapolis

THANK YOU!

SHARE YOUR INSIGHTS WITH THE FED

Sign up to become a survey respondent

www.research.net/r/fedbizpulse