

Regional Economic Conditions

The Construction Sector

Erick Garcia Luna

Regional Outreach Director

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FEDERAL RESERVE BANK
OF MINNEAPOLIS

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About the survey

- Partner model distribution
- 204 complete responses
- Questions
 - Activity in recent months (Nov. 2025 – Apr. 2026)
 - Expectations in the upcoming months (May – Oct. 2026)



Thank you, partners!

ABC-ND | ACEC-MT | AGC of MI | AGC of SD | AGC-MN | AGC-ND | Aggregate & Ready Mix Association of Minnesota | AIA- South Dakota | American Council of Engineering Companies of Minnesota | American Institute of Architects | Minnesota Association of Women Contractors | Building Industry Association of the Red River Valley | Central Minnesota Builders Association | Construction Financial Management Association | Construction Industry Center | Construction Workforce Trades | Consortium Home Builders Association of Billings | Home Builders Association of the Upper Peninsula | Housing First Minnesota Lakes Area | Home Builders Association LSCP | Marquette Builders Exchange | Michigan Building Trades Council | Midwest Builders Exchange | Minnesota Asphalt Pavement Association | Minnesota Concrete & Masonry Contractors Association | Minnesota Concrete Council | Minnesota Construction Association | Minnesota Electrical Association | Minnesota Mechanical Contractors Association | Minnesota Plumbing Heating and Cooling Contractors | Minnesota Subcontractors Association | Montana Building Industry Association | Montana Contractors Association | National Association of the Remodeling Industry MN Chapter | North Dakota Association of Builders | North Dakota Ready Mix & Concrete Products Association | North Dakota Chapter, Inc. of the American Concrete Pavement Association | Sheet Metal, Air Conditioning & Roofing Contractors Association of MN | Twin Cities Chapter of the National Electrical Contractors Association | Upper Peninsula Construction Council | Wisconsin Concrete Paving Association | Wisconsin Ready Mixed Concrete Association





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Today's talk

- How has construction activity changed since last year?
- What challenges are companies facing?
- The labor picture
- Price pressures
- What's in store for the near future?

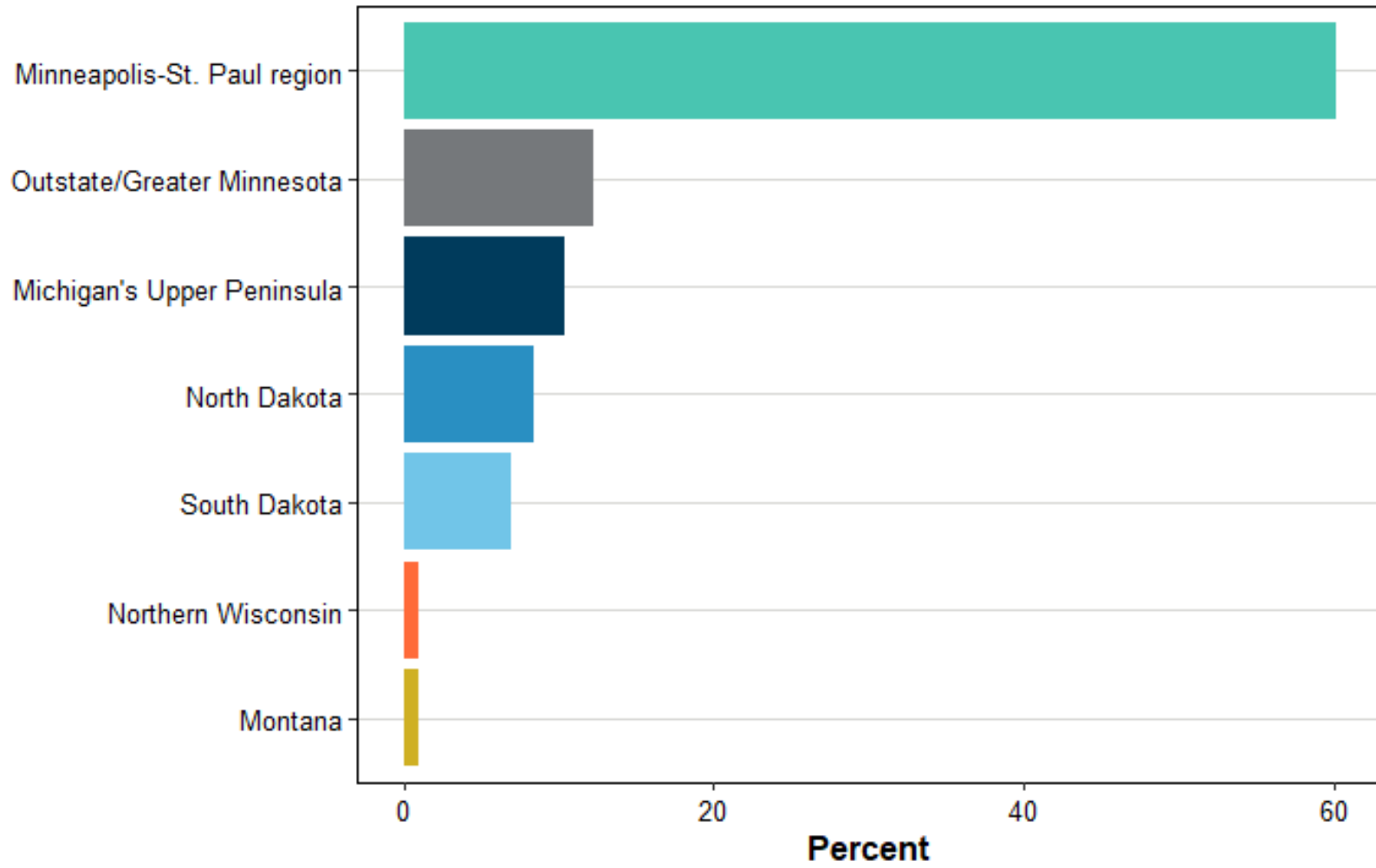


Who completed the survey?



Geographic distribution

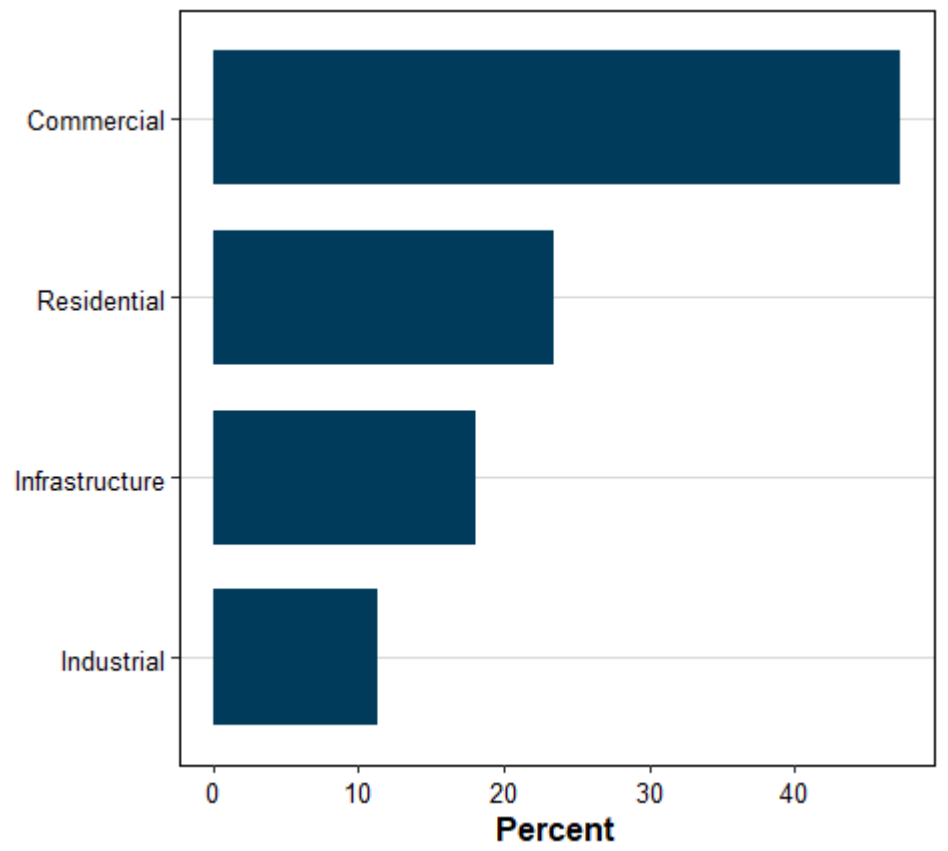
Share of respondents | N = 204



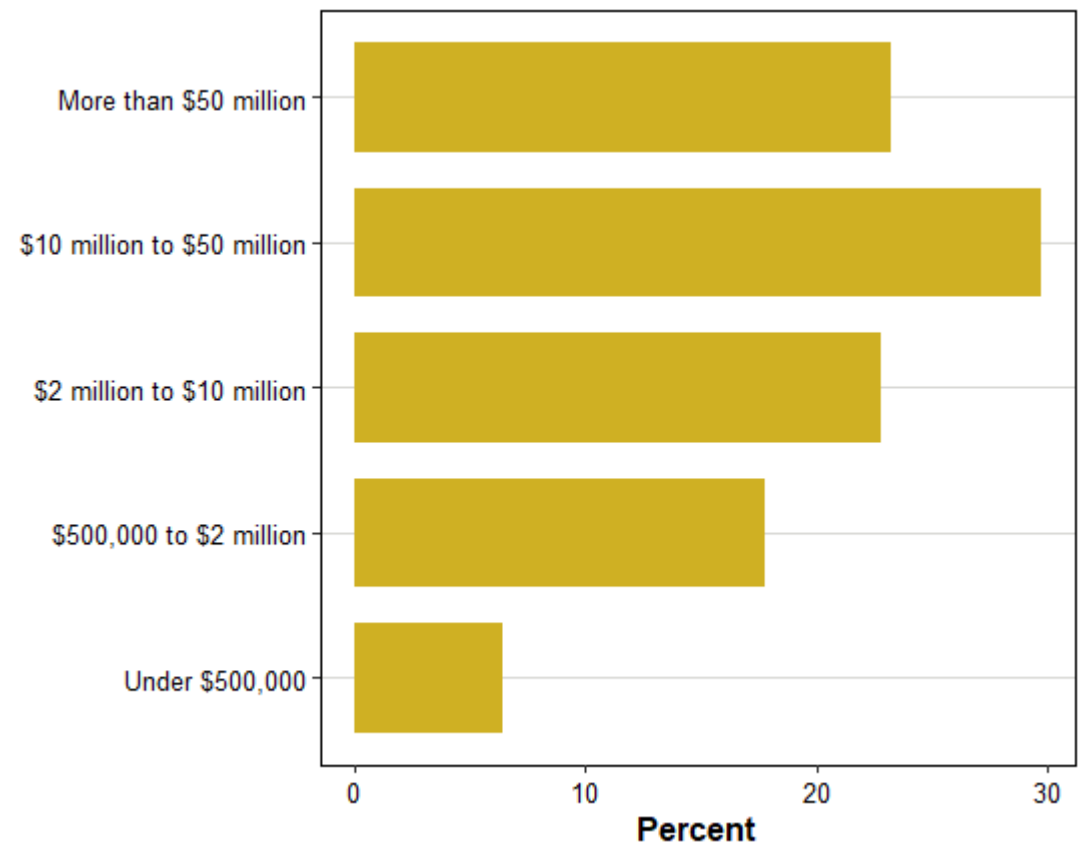
Subsector and size distribution

Share of respondents | N = 204

Subsector



Annual Revenue



Interpretation of results

- Convenience sample
- Commentary and sentiment of economic conditions in the industry
- Comparison of changes between November and April (YoY)
- Comparison of expectations between May and October (YoY)
- Expectations based on respondents' experiences



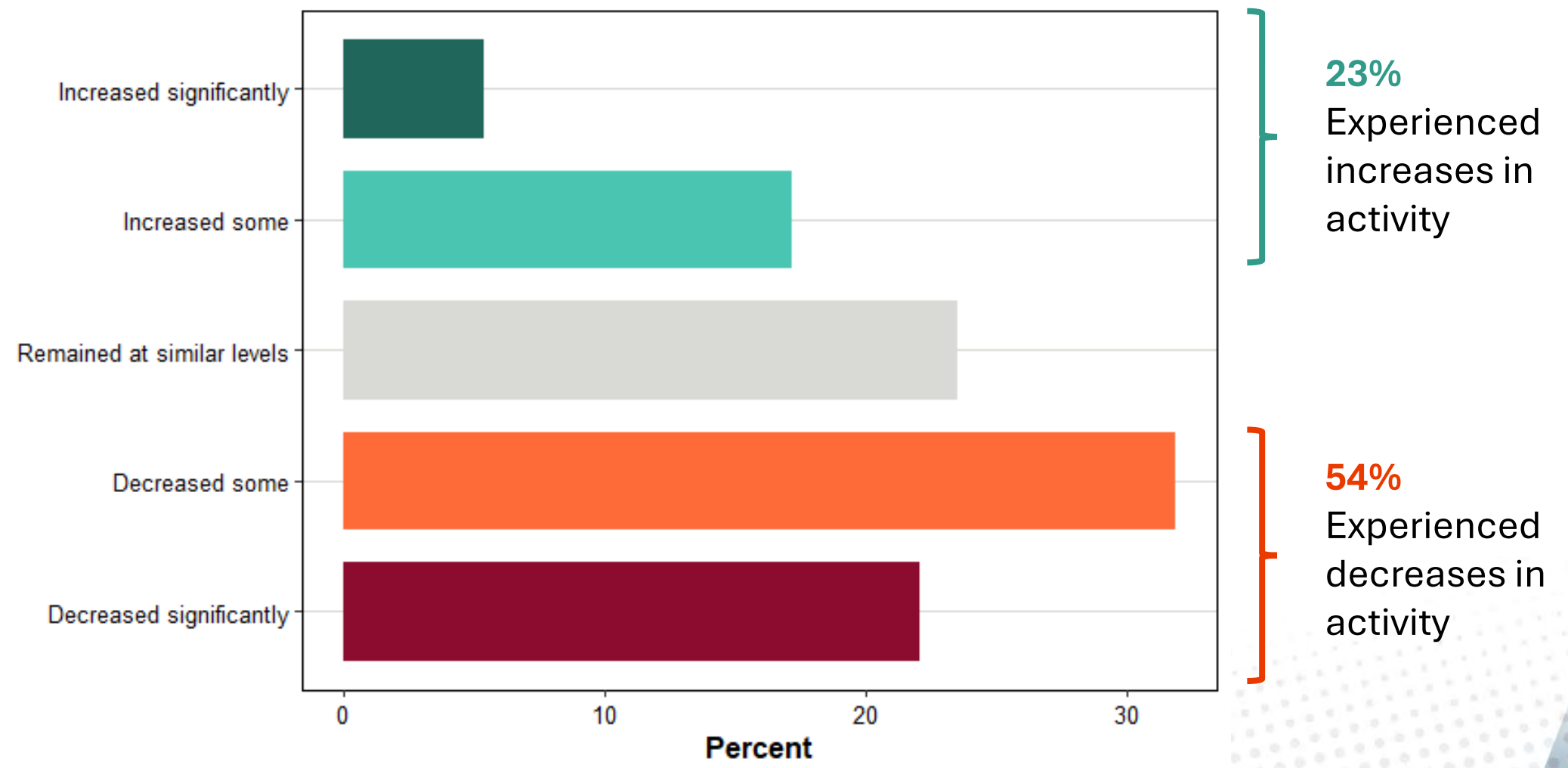
Overall activity



Construction activity was lower on balance

Changes in overall activity

Share of respondents | N = 204

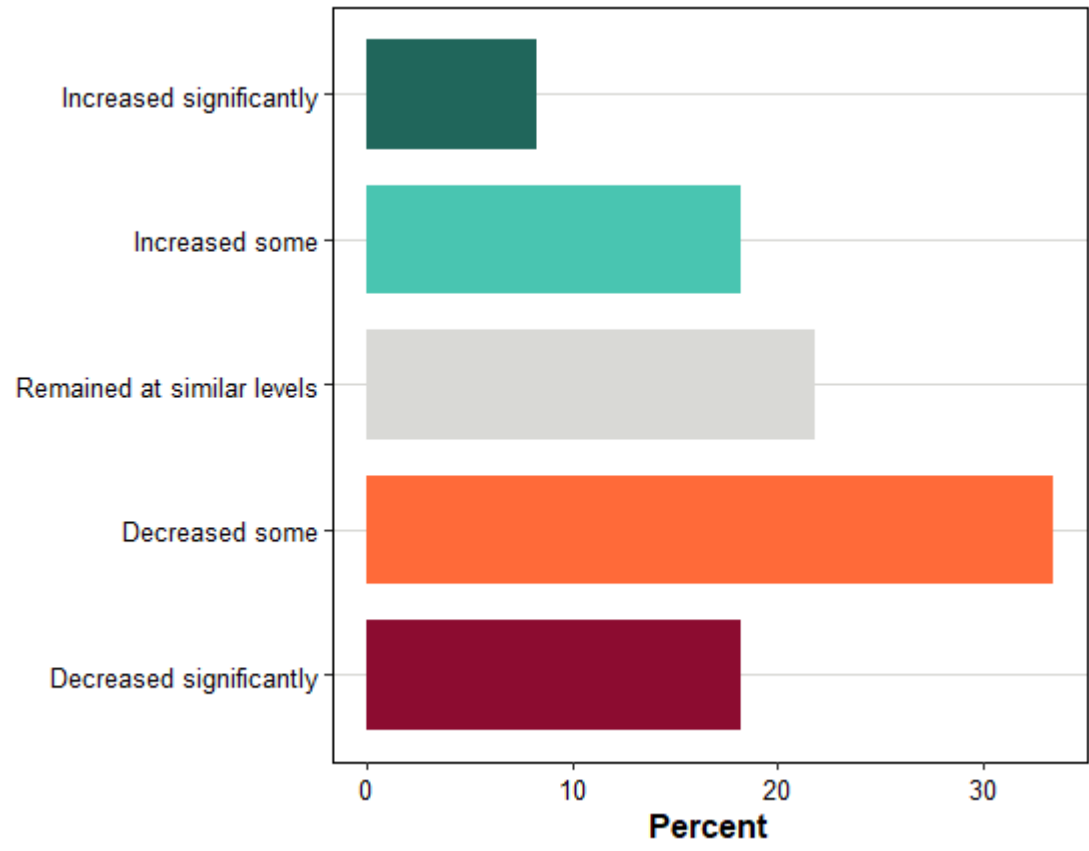


Declines in construction activity intensified

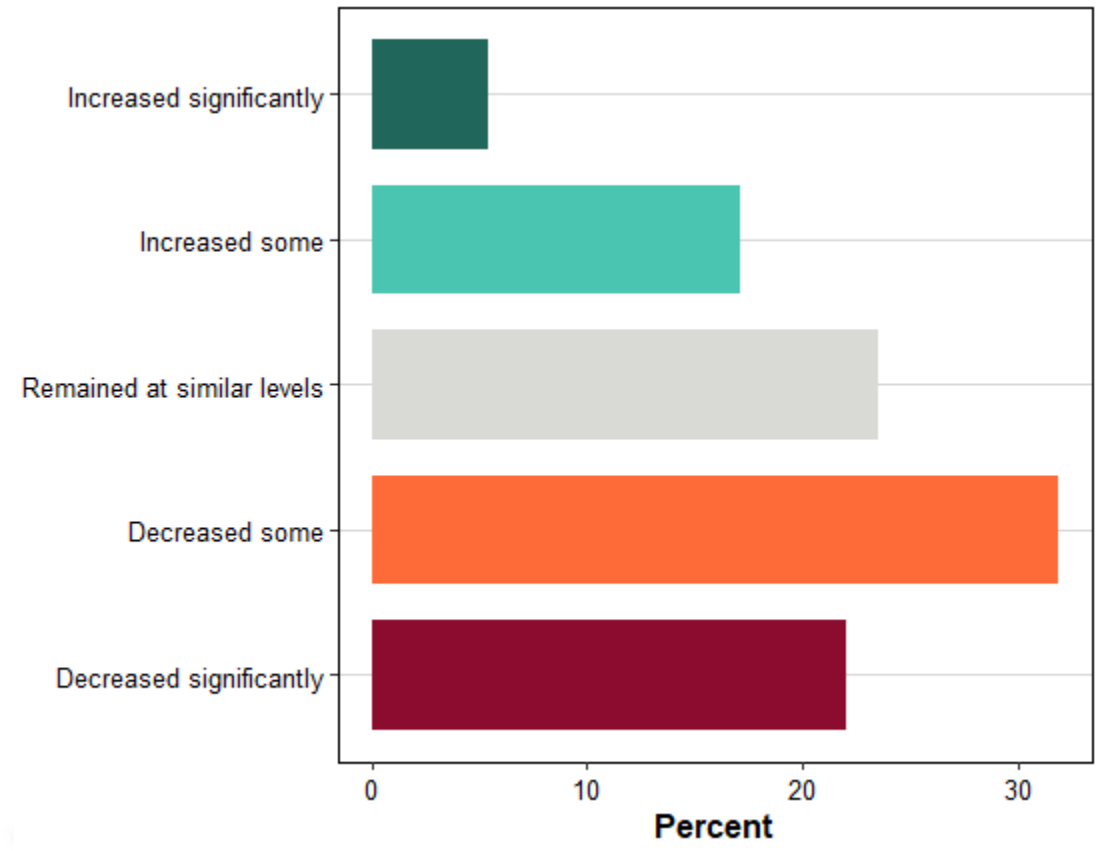
Changes in overall activity

Share of respondents

2025 | N = 252



2026 | N = 204



-4ppt

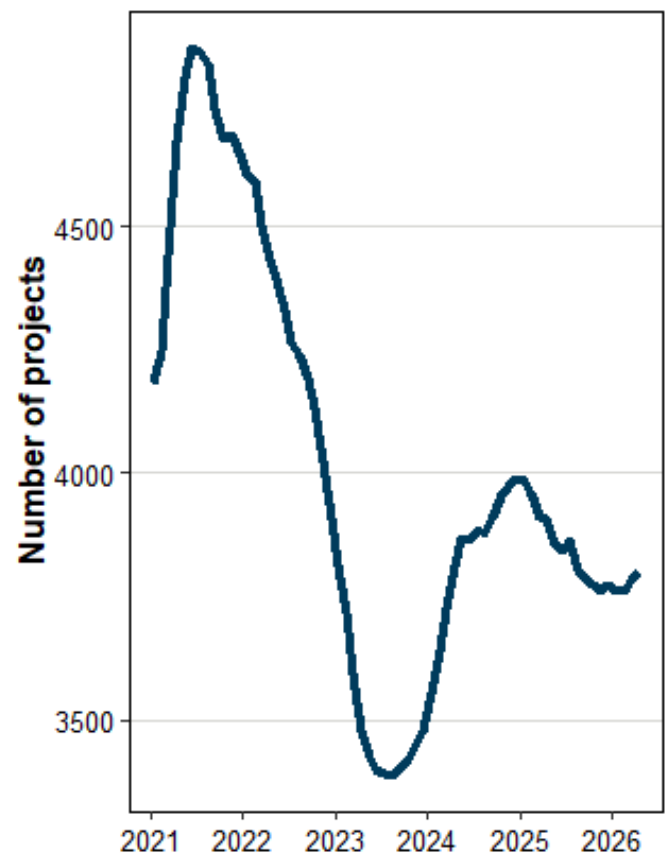
+2ppt

Do other data points agree with a decline?

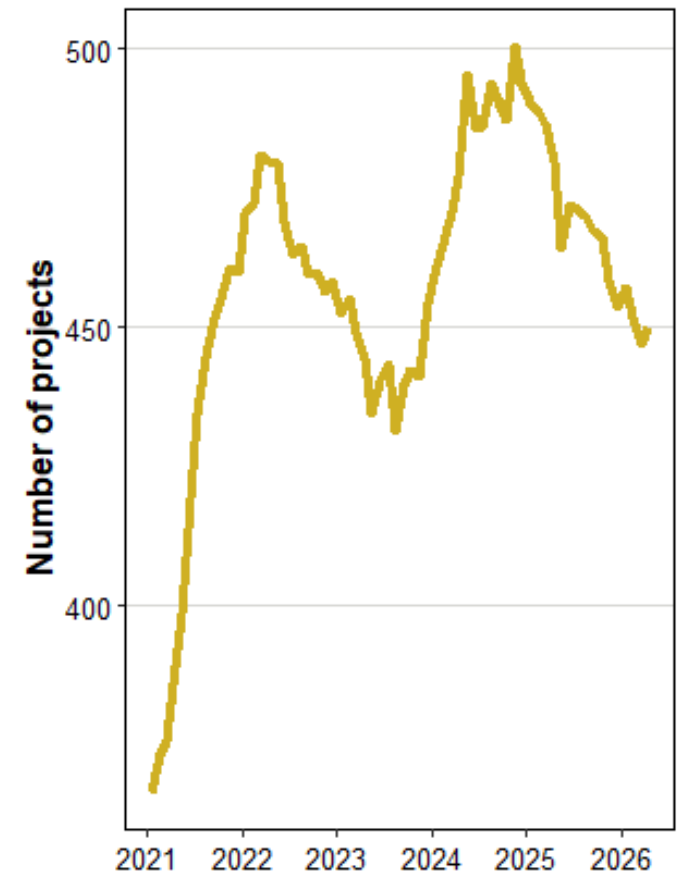
Number of active projects

12 month rolling average

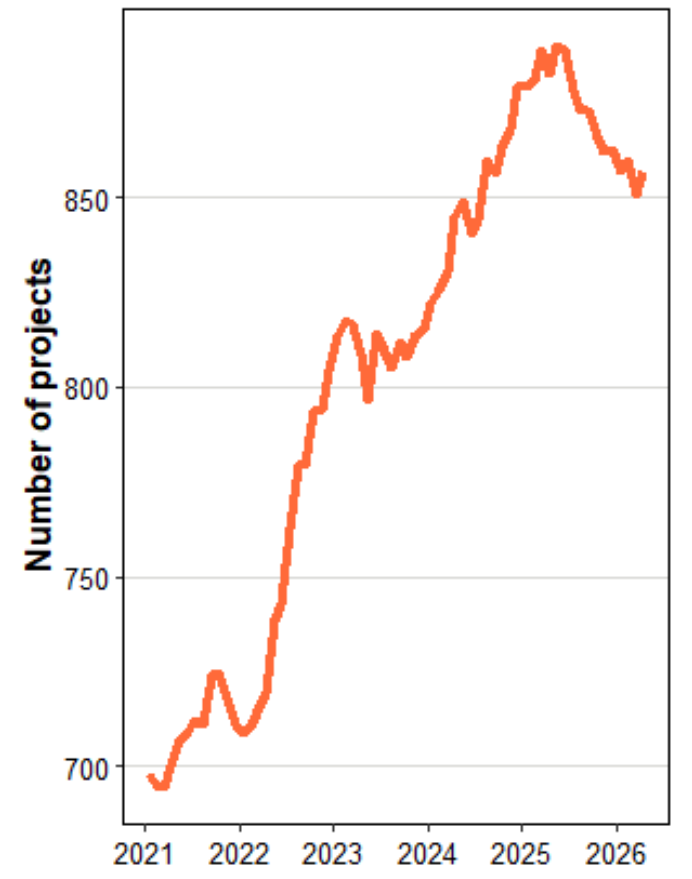
Residential projects



Non-residential projects



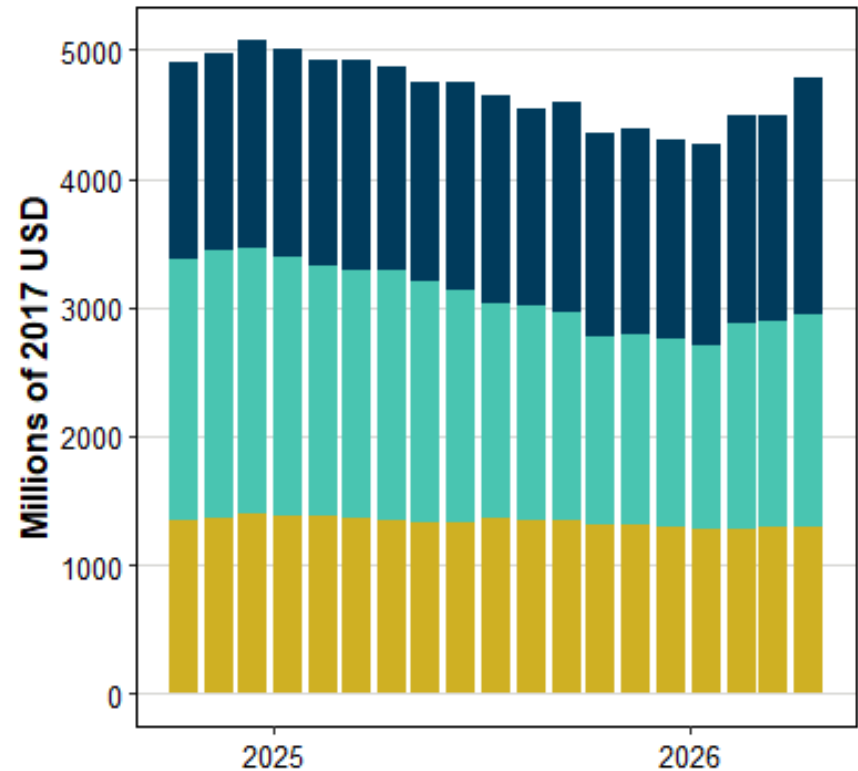
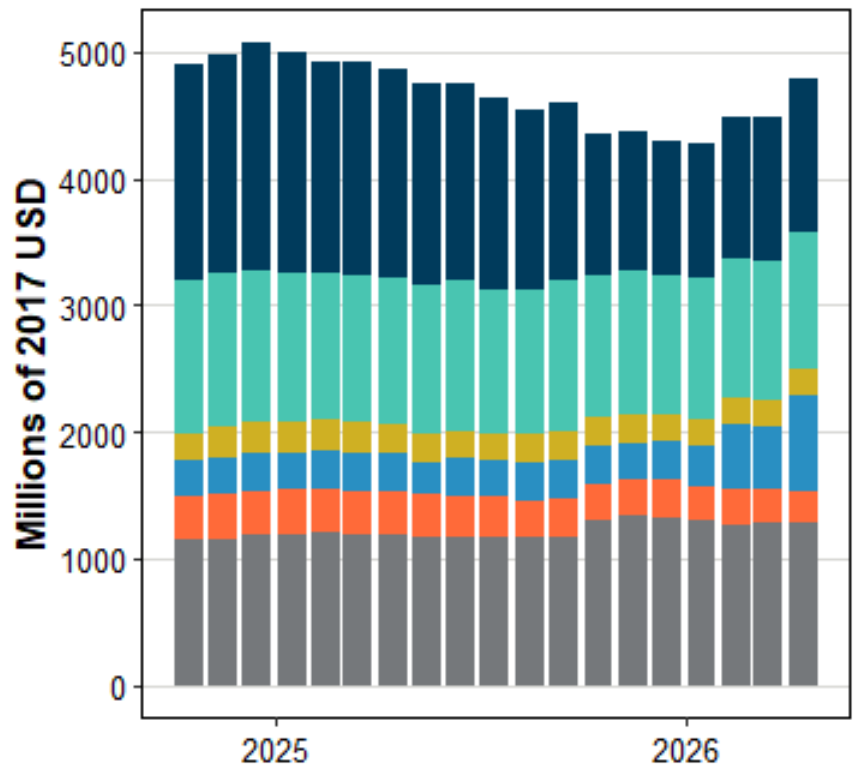
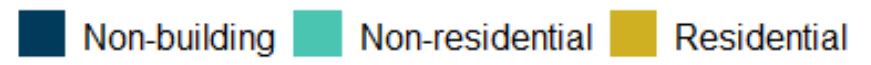
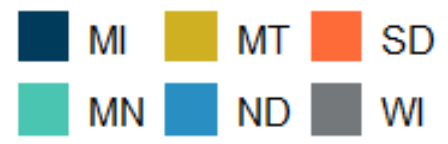
Non-building



Do other data points agree with a decline?

Real value of active projects

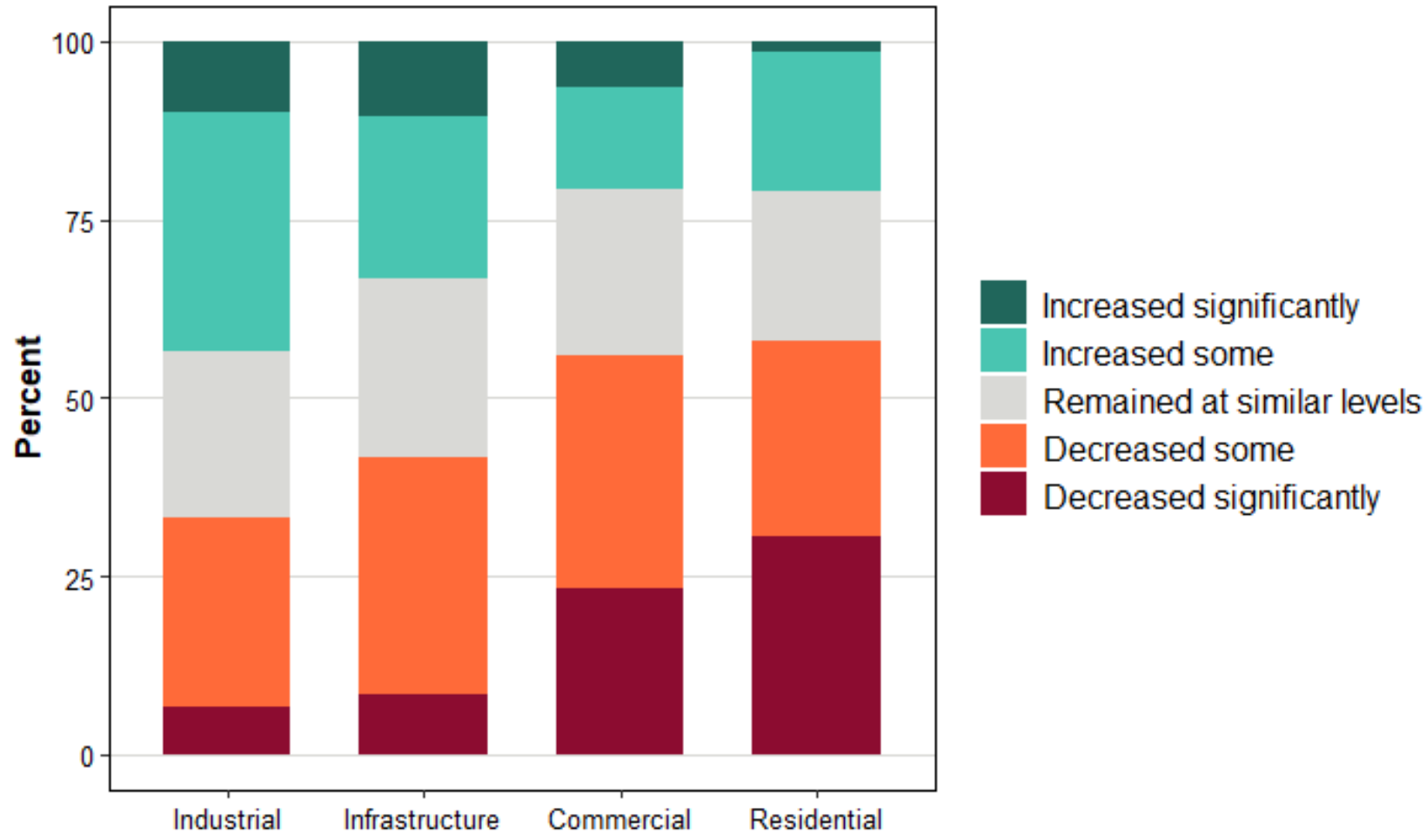
12 month rolling average



How did activity change compared to 12 months prior?

Changes in activity by subsector

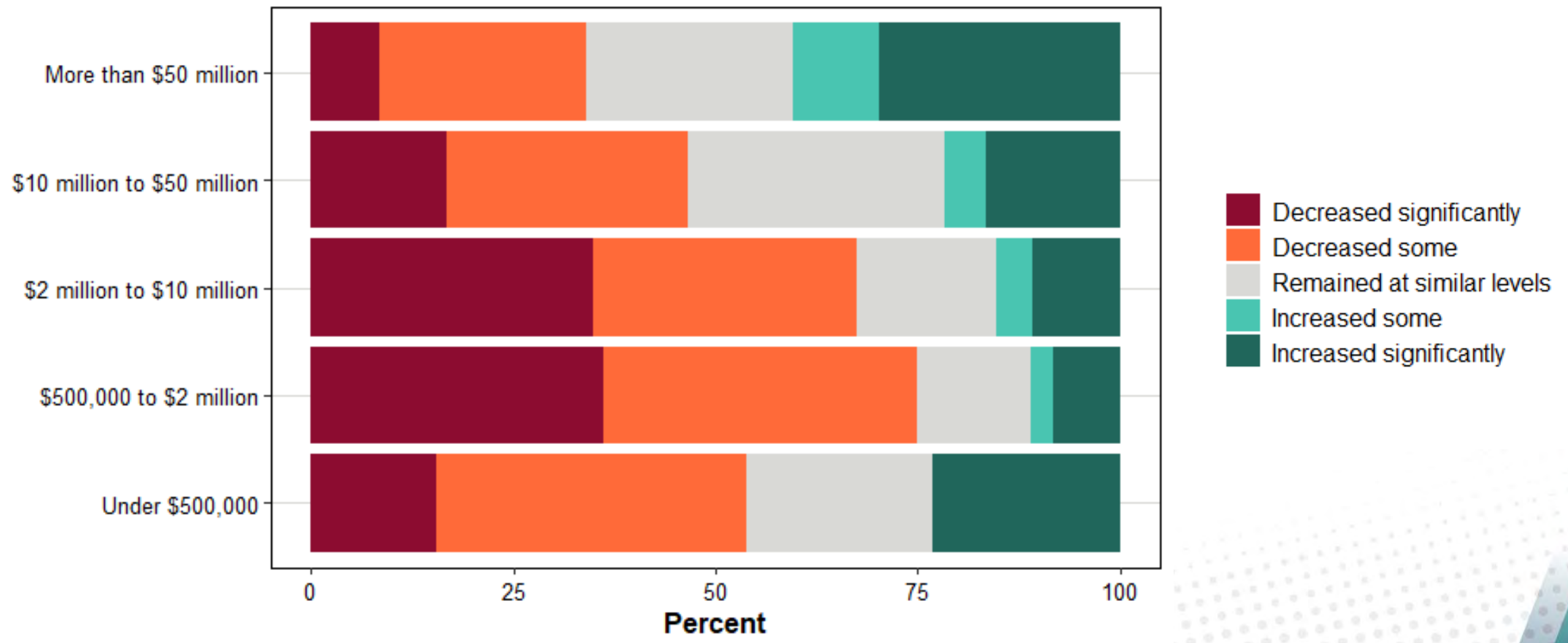
Share of respondents | N = 204



Pressure was stronger for small to midsize companies

Changes in activity by firm size

Share of respondents | N = 204



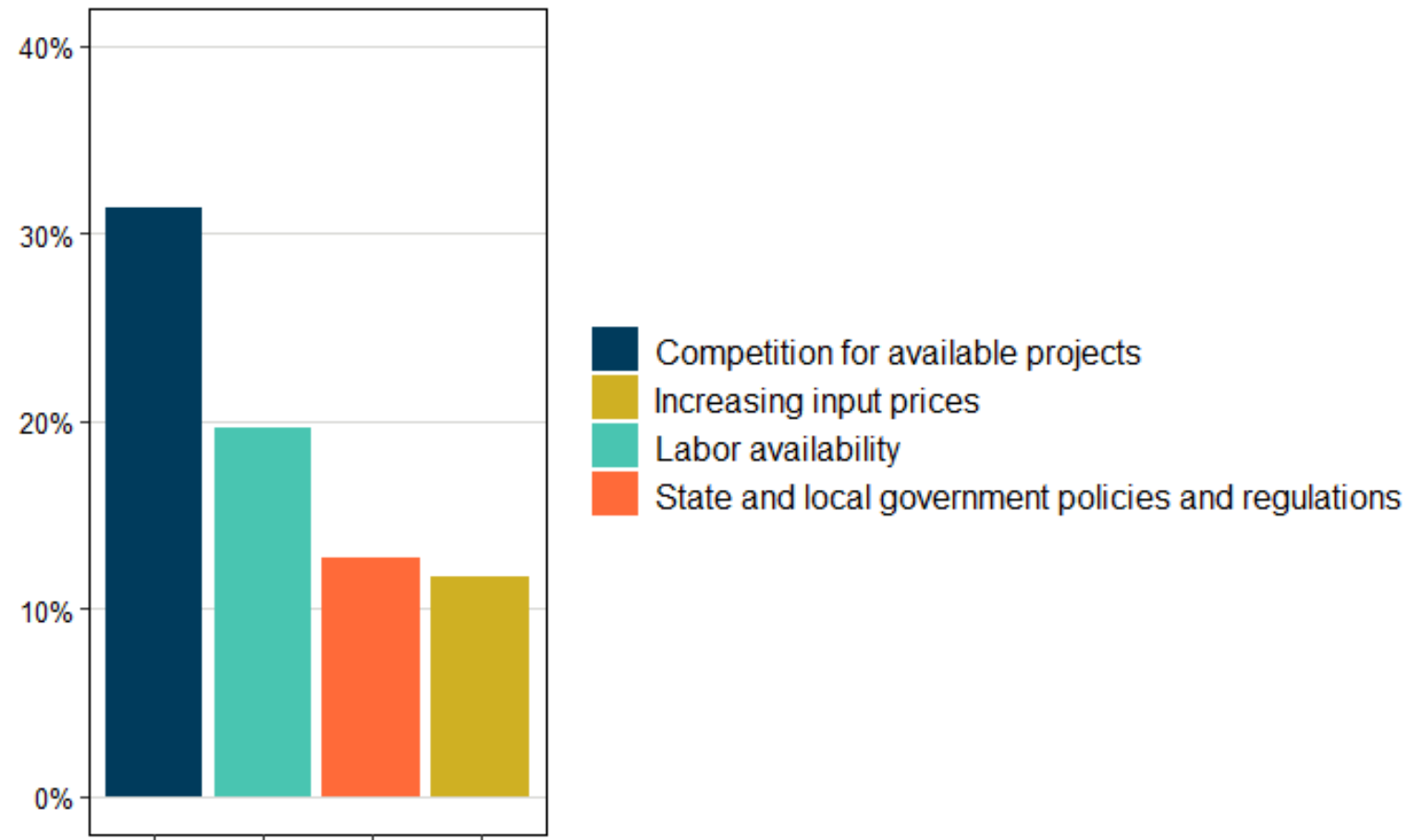
Pain points



The number one challenge for firms

Most pressing challenge

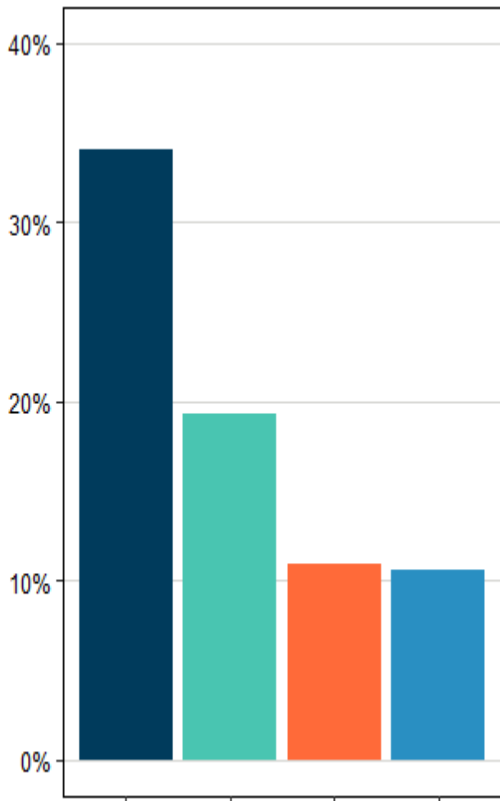
Challenges with more than 10% of respondents | N = 204



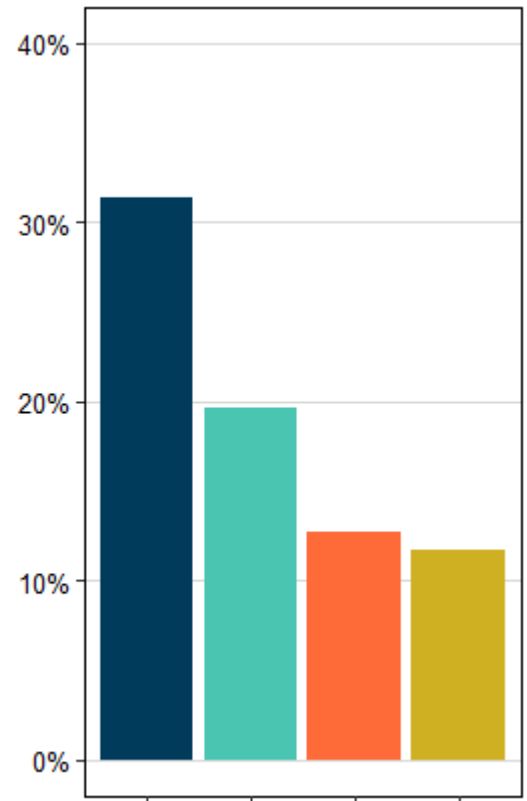
What has changed?

Most pressing challenge Challenges with more than 10% of respondents

Fall 2025 | N = 264



Spring 2026 | N = 204



- Competition for available projects
- Federal government policies and regulations
- Increasing input prices
- Labor availability
- State and local government policies and regulations



How are those challenges manifesting?

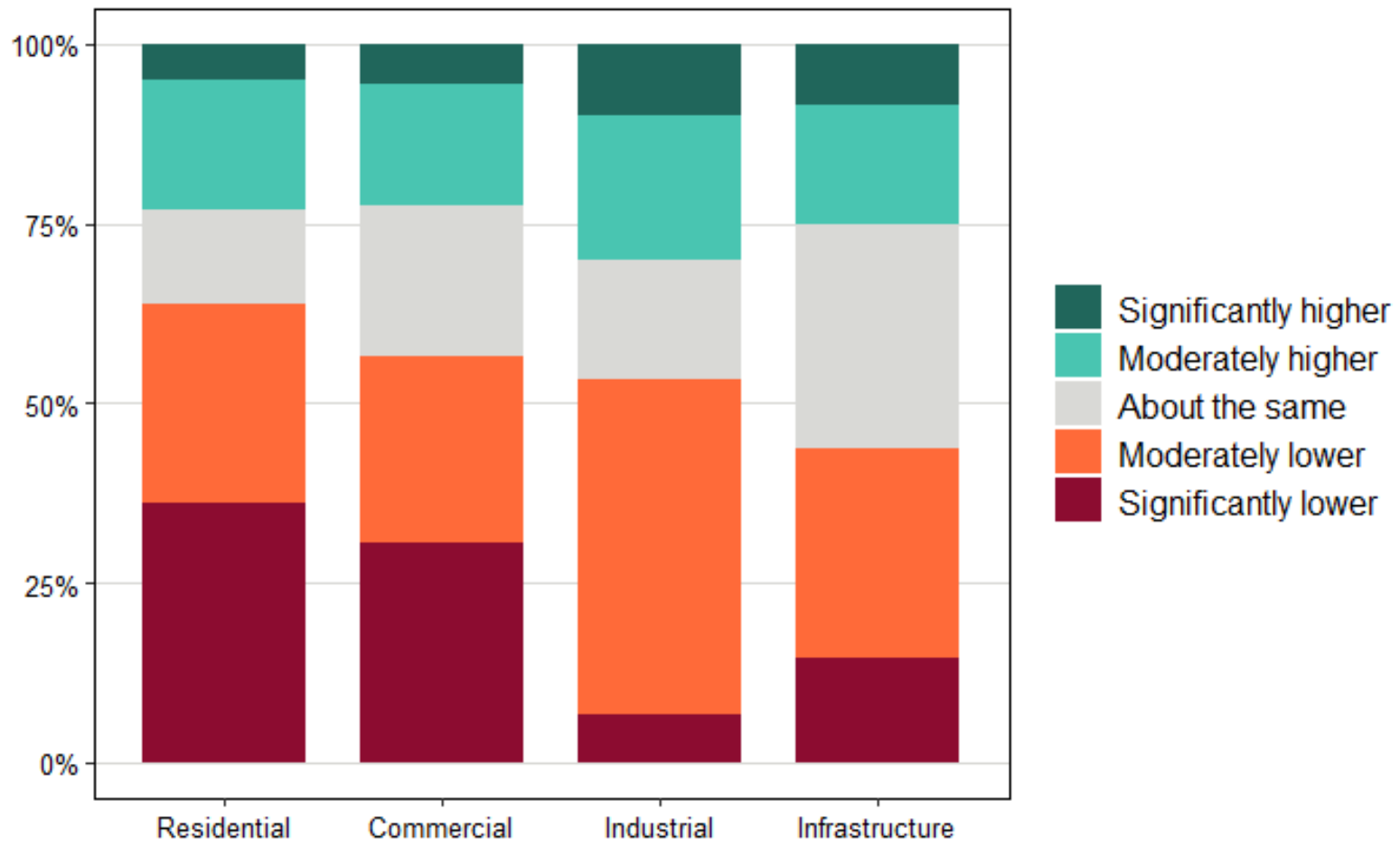
- Lingering uncertainty prompting a “stop-and-go” attitude
- Bigger companies bidding for more projects
- Labor remains tight and more expensive
- State regulations in Minnesota adding a layer of complexity
- Prices
 - Tariffs
 - Gulf conflict



The pressure on backlogs

Changes in backlogs of secured projects

Share of respondents by subsector | Total N = 204

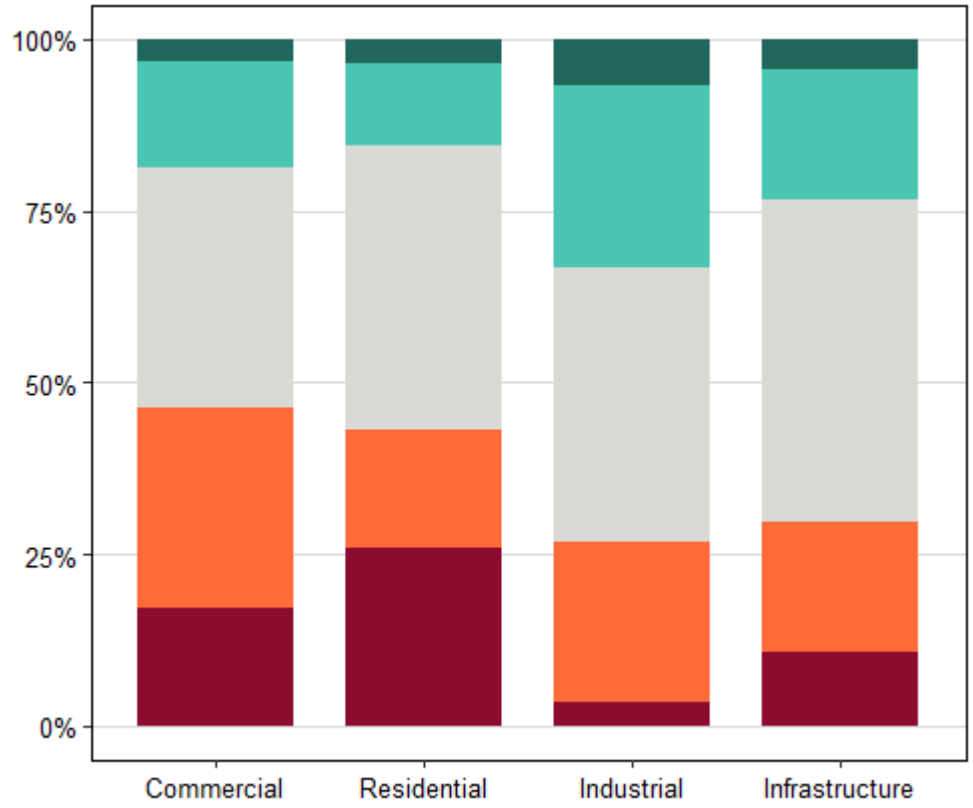


Demand for services was overall lower

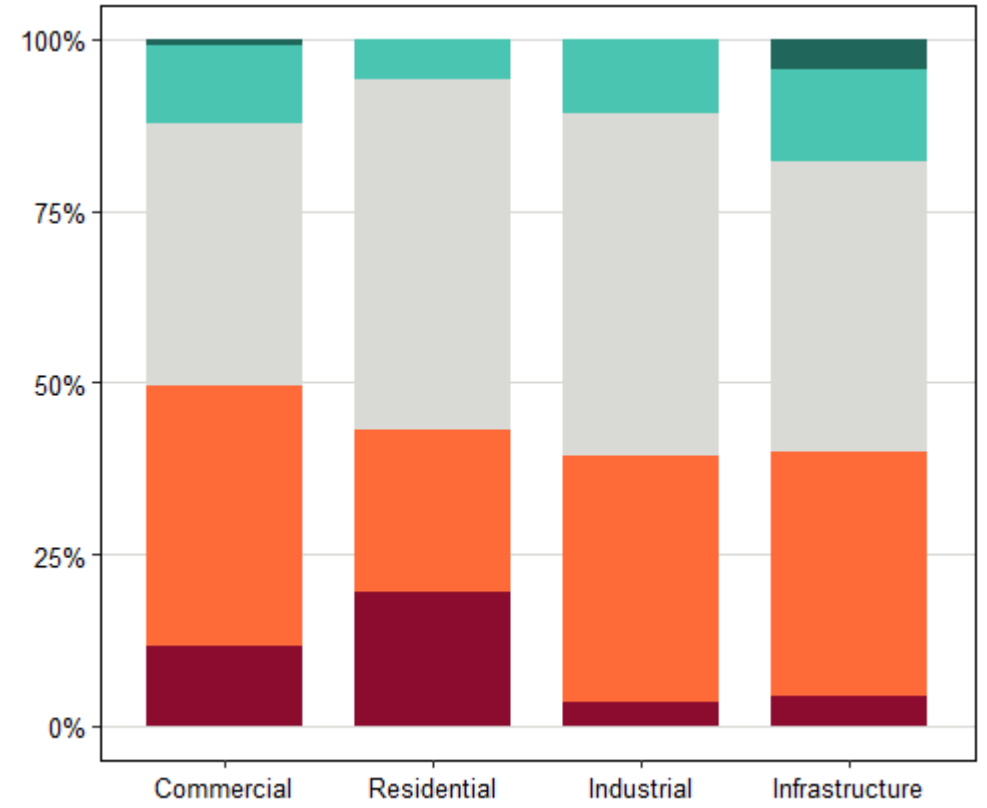
Requests for proposals (RFPs)

Share of respondents by subsector | Total N = 204

Private projects



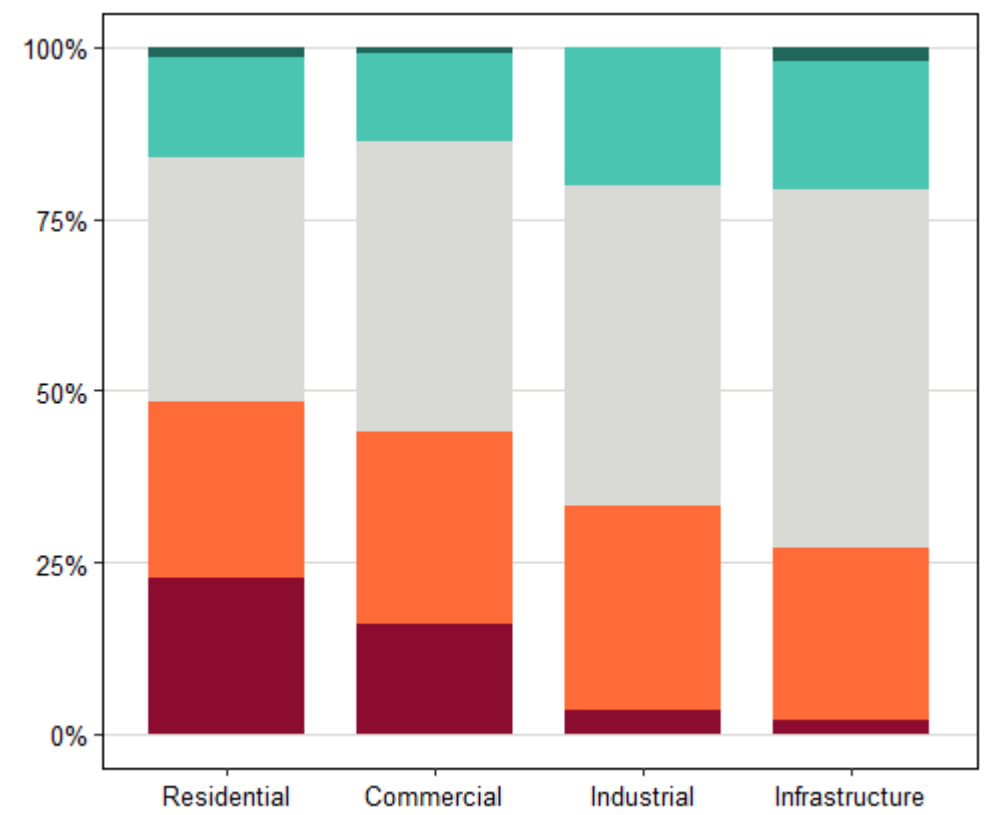
Public projects



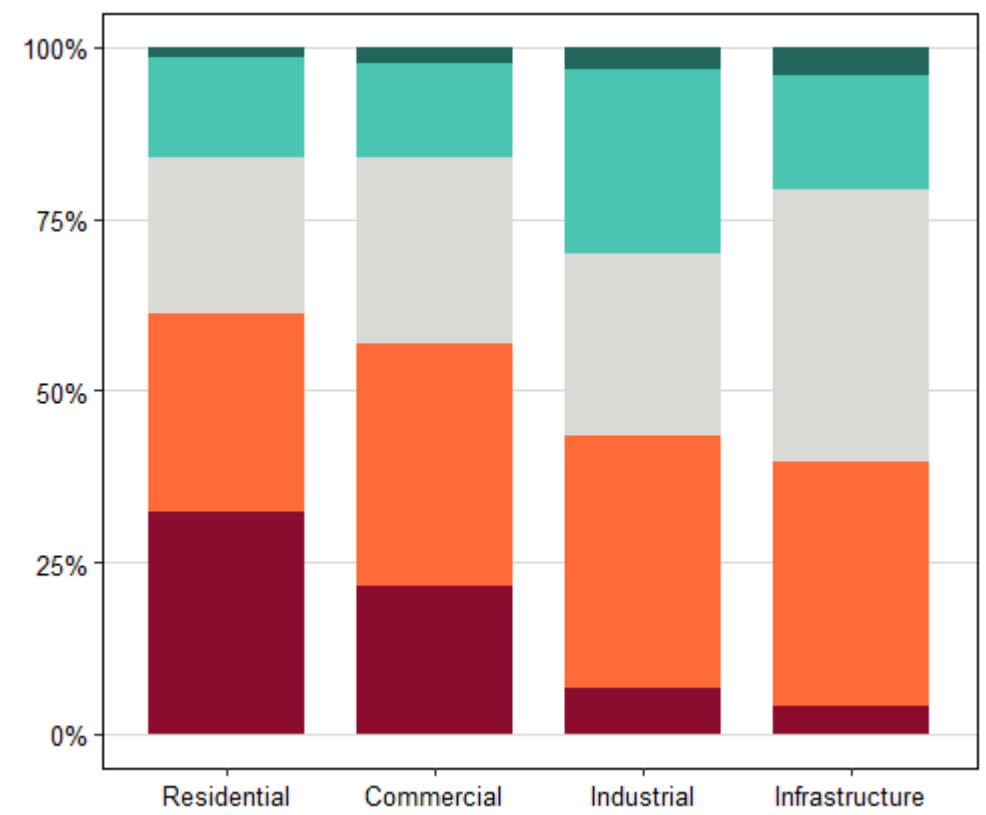
Completed projects and revenues

Share of respondents by subsector | Total N = 204

Completed projects



Revenue



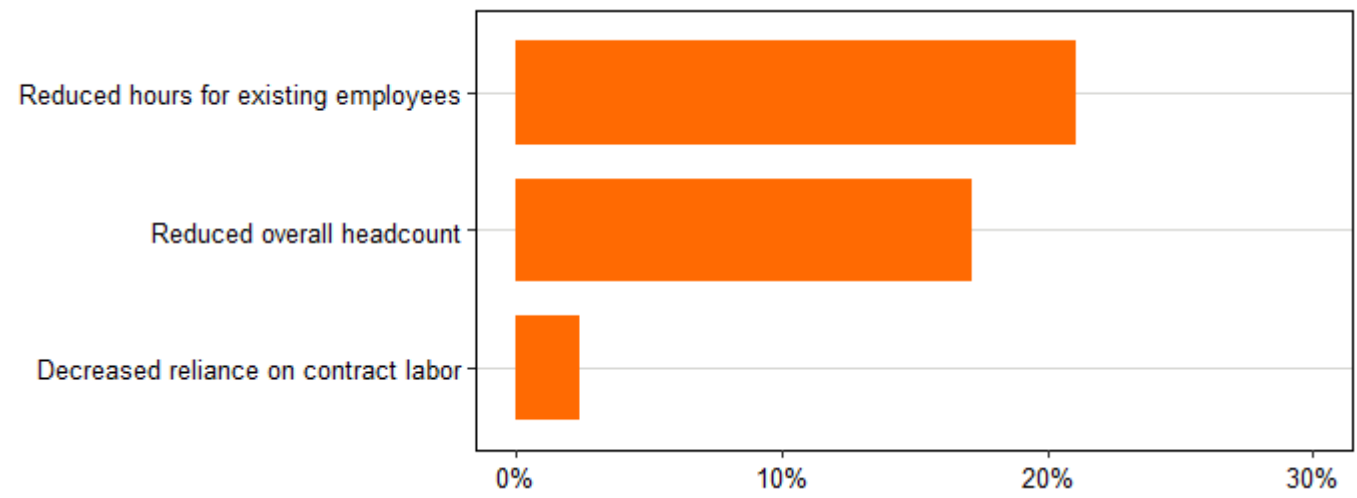
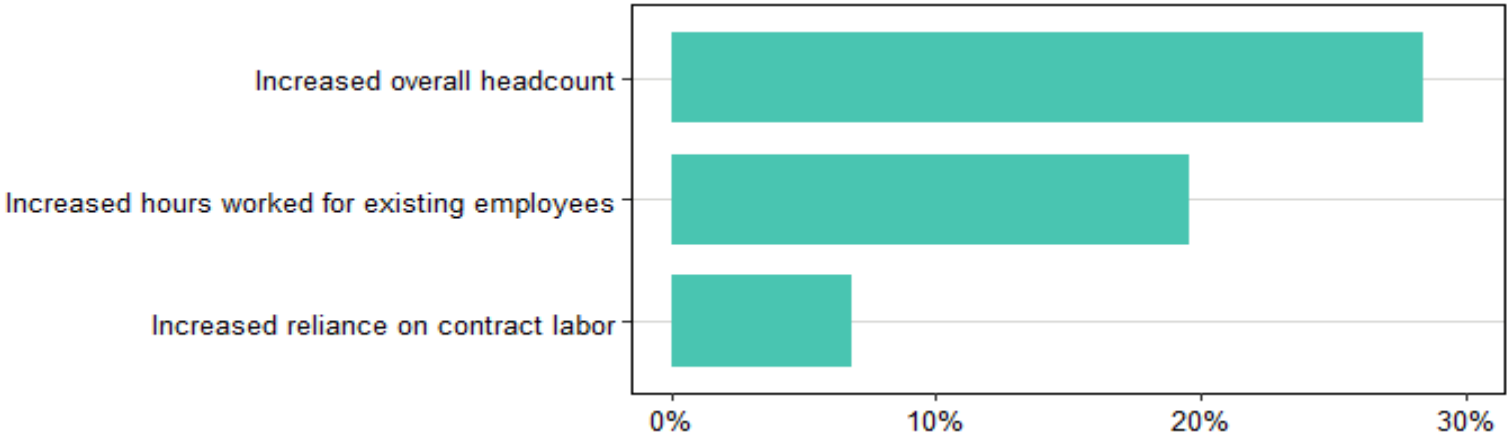
Labor



Nearly a third of respondents increased headcounts

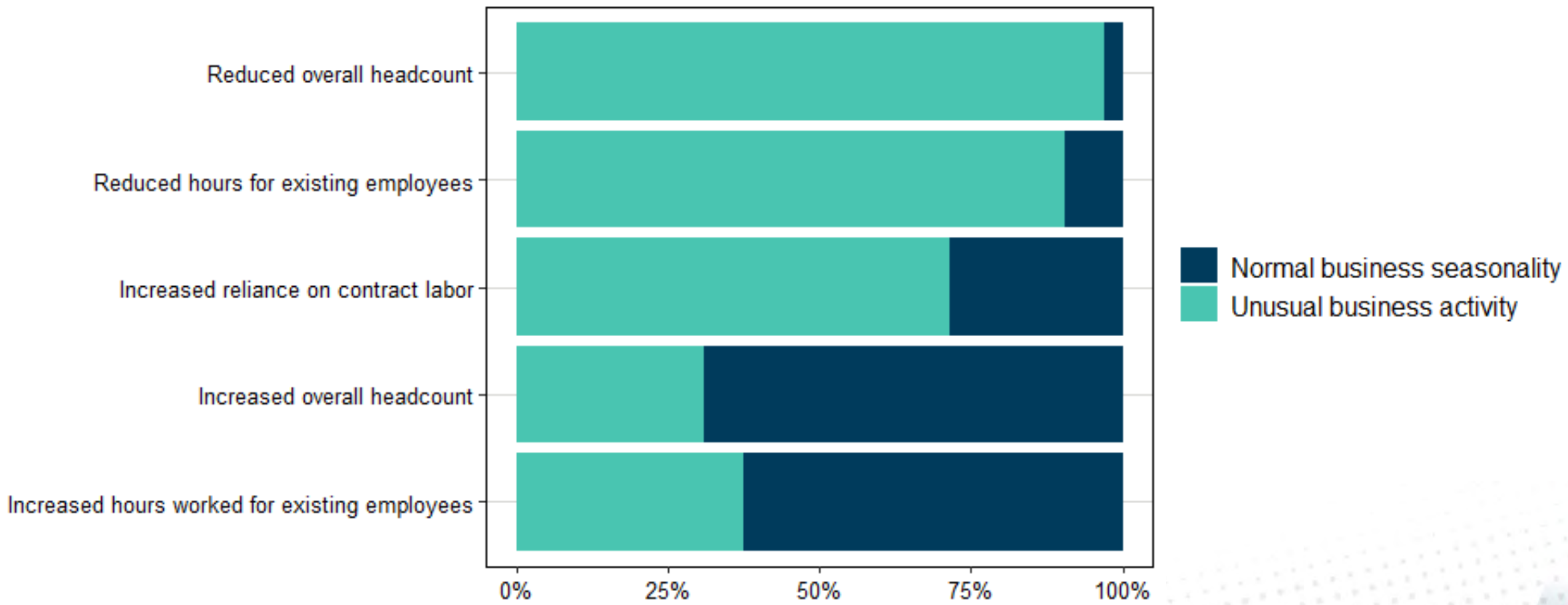
What labor related actions did your company take?

Share of respondents | Total N = 204



What prompted businesses to take labor related actions?

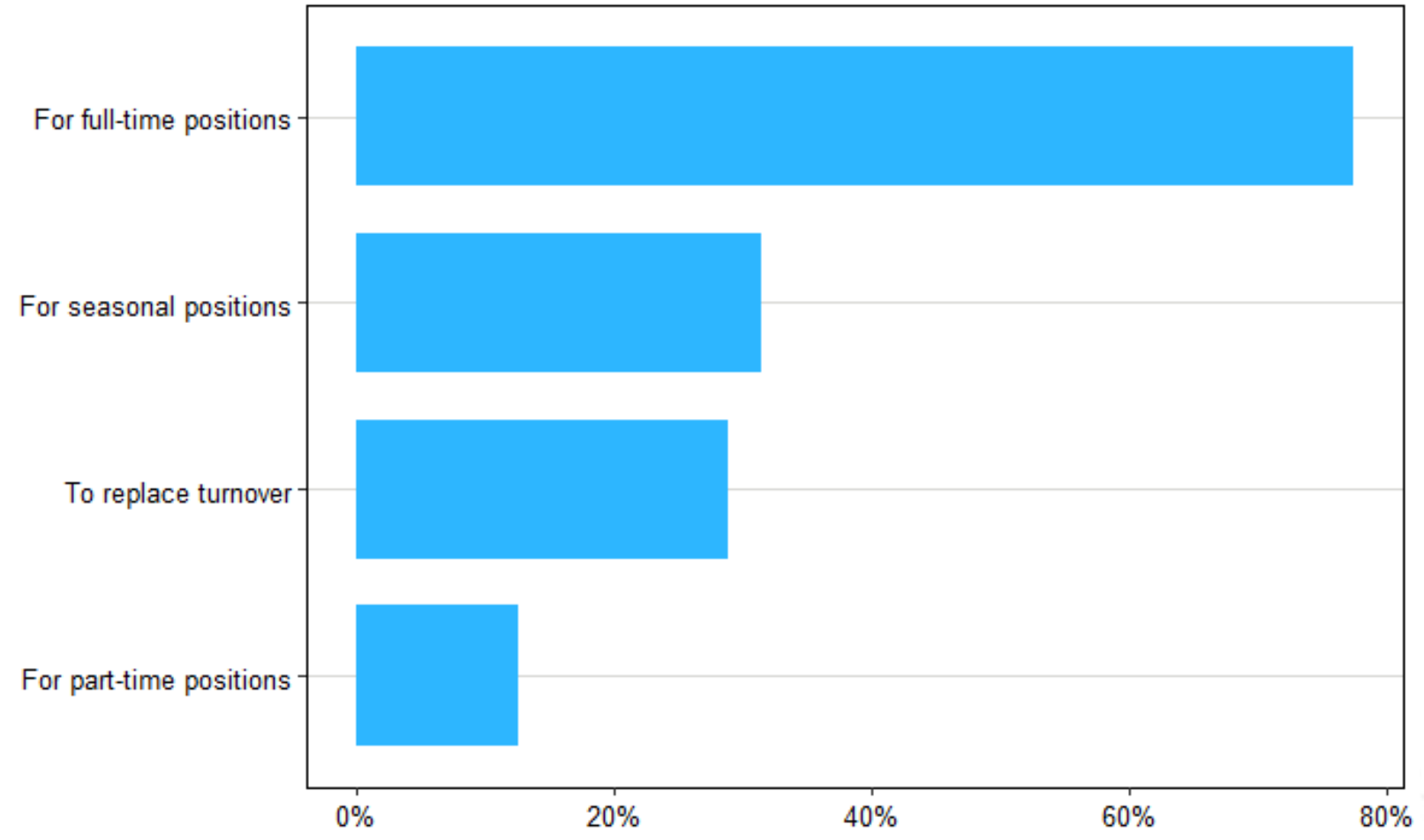
Share of respondents by action taken | Total N = 204



54% of businesses were hiring

What positions were businesses hiring for?

Share of respondents that said they were hiring | N = 111



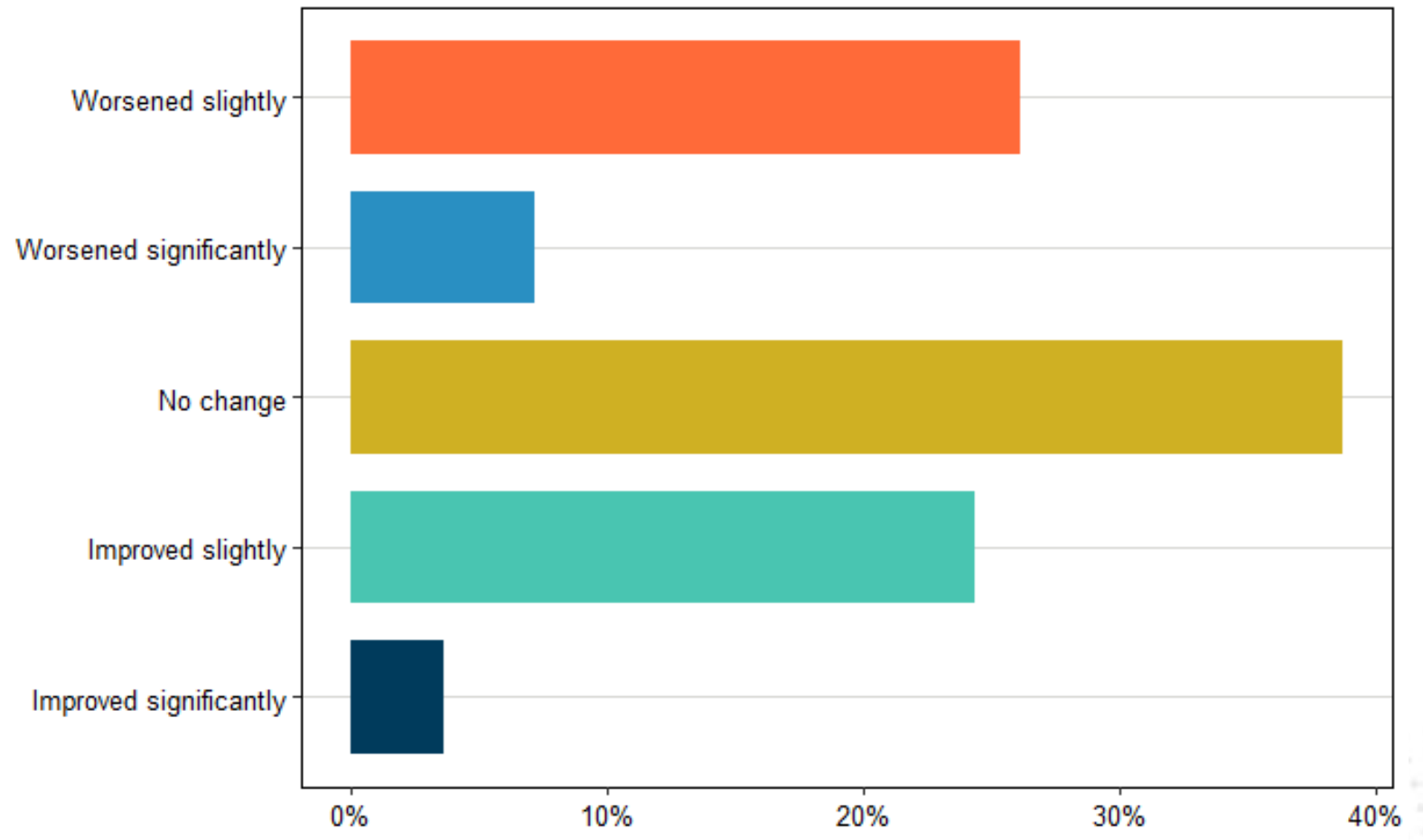
From the comments section:

- To satisfy strong demand
- To replace less experienced workers
- To replace employees who left for higher wages

Net (slight) worsening in labor supply

How has the availability of applicants changed?

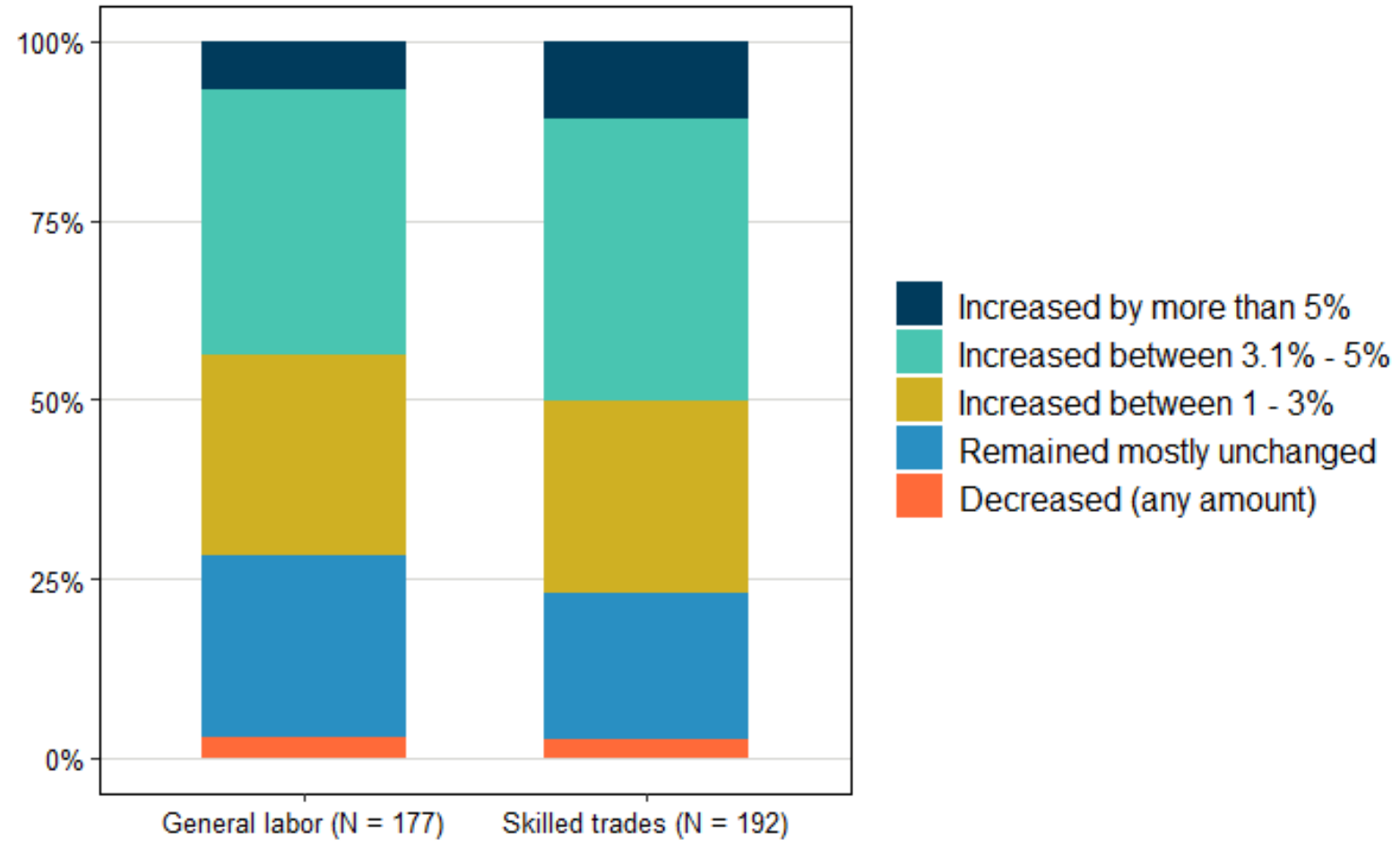
Share of respondents that said they were hiring | N = 111



Wage pressures persisted

Changes in wages over the last 6 months ending in April

Share of respondents per question





Prices

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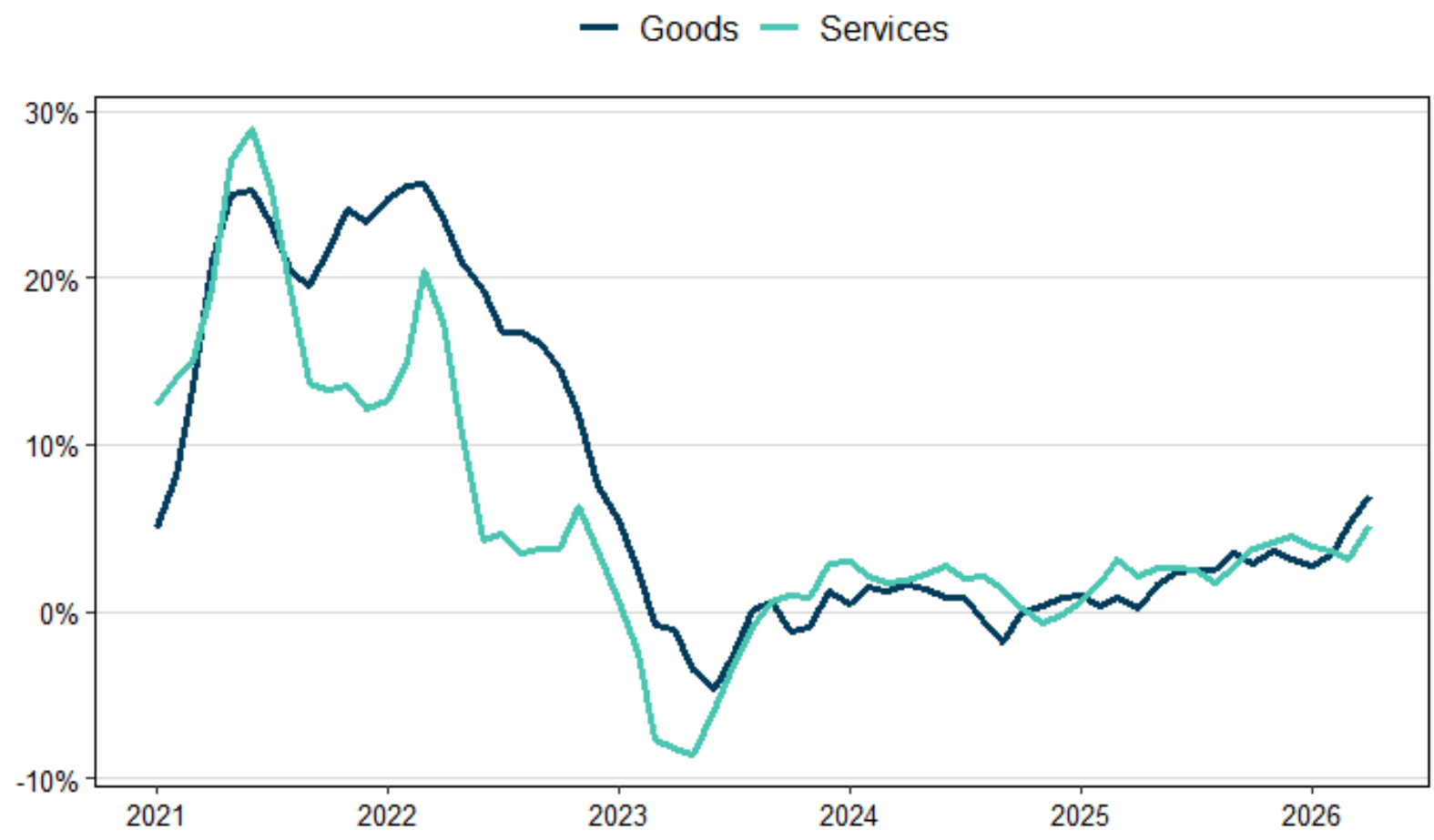


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Input prices on the rise

Producer Price Index: Net Inputs for New Construction

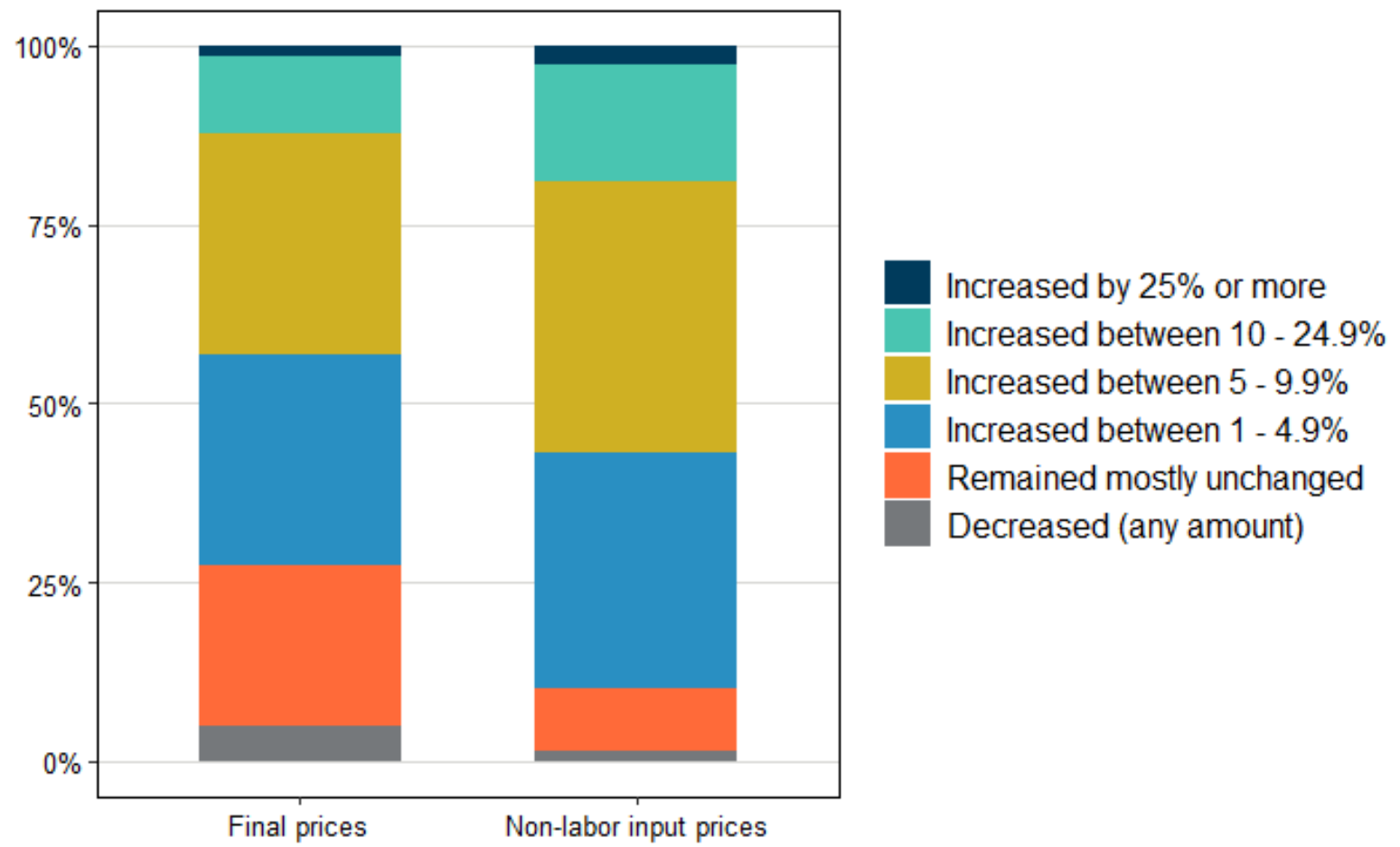
NSA | 12-month percent change



Price pressures intensified

Changes in input and final prices

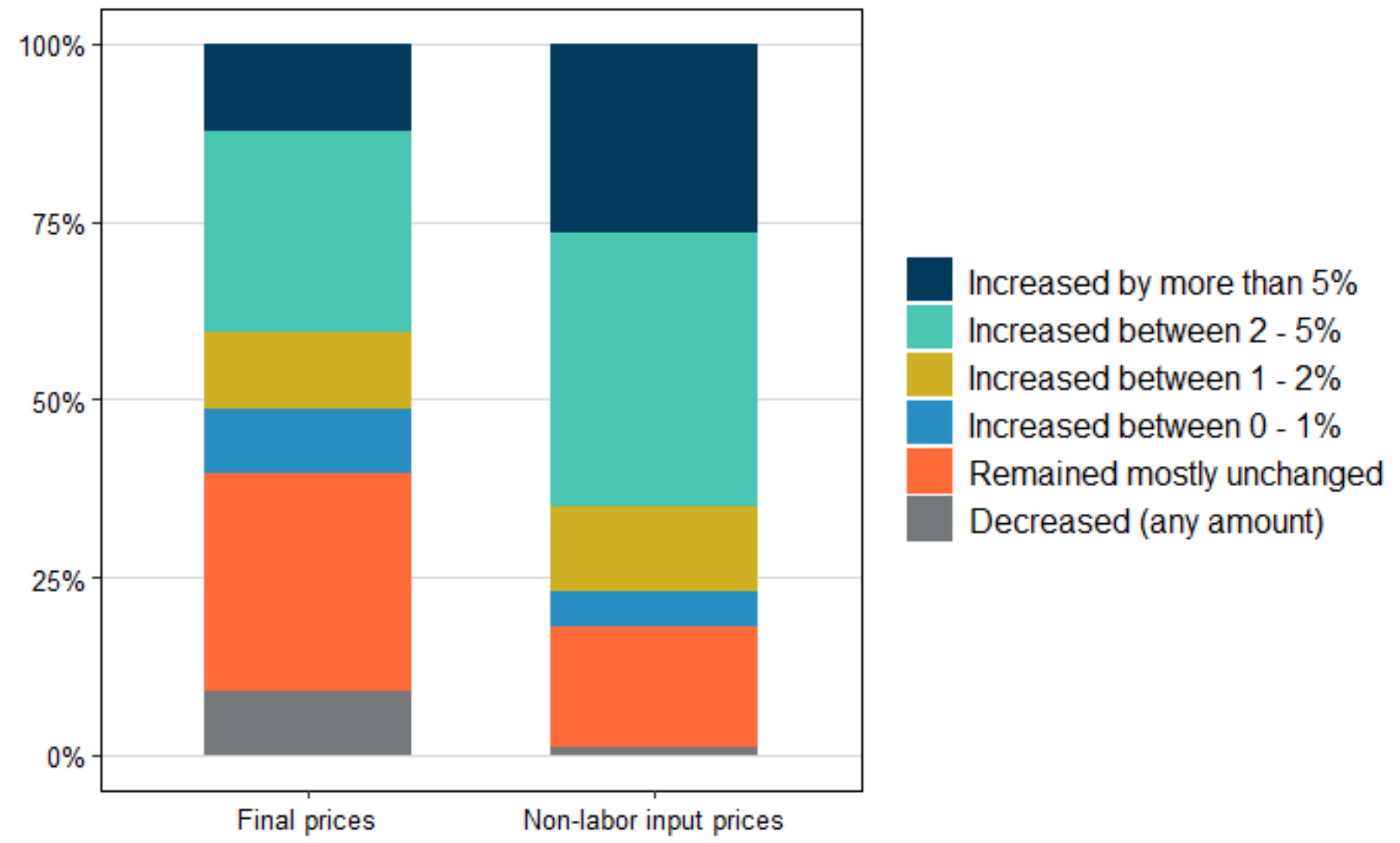
Share of respondents | N = 204



Recent developments added considerable pressure

Changes in input and final prices over the last two months

Share of respondents | N = 204



Outlook

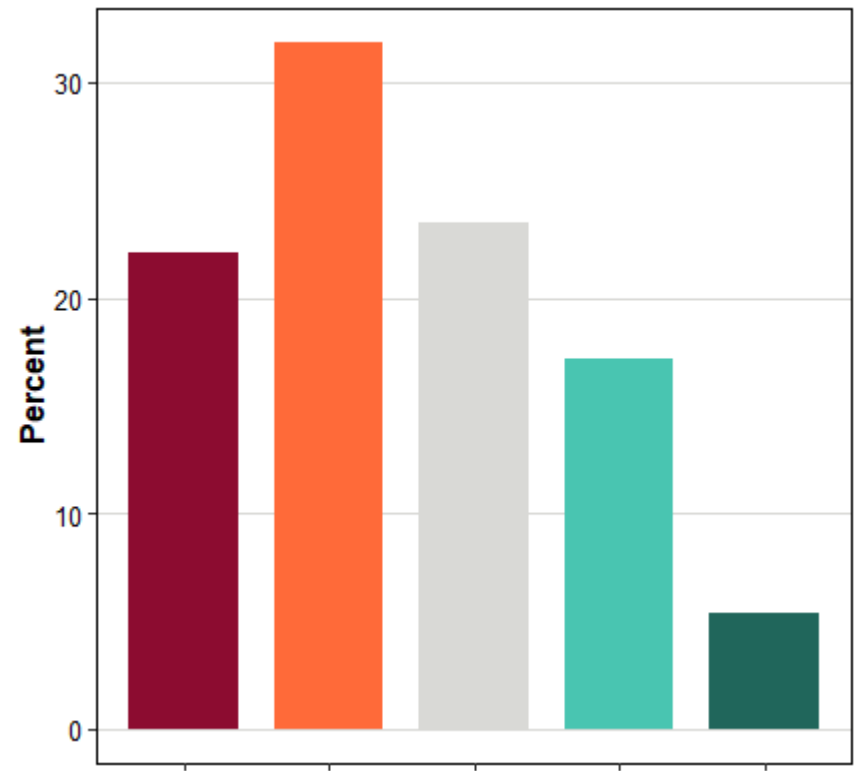


Slightly improved outlook

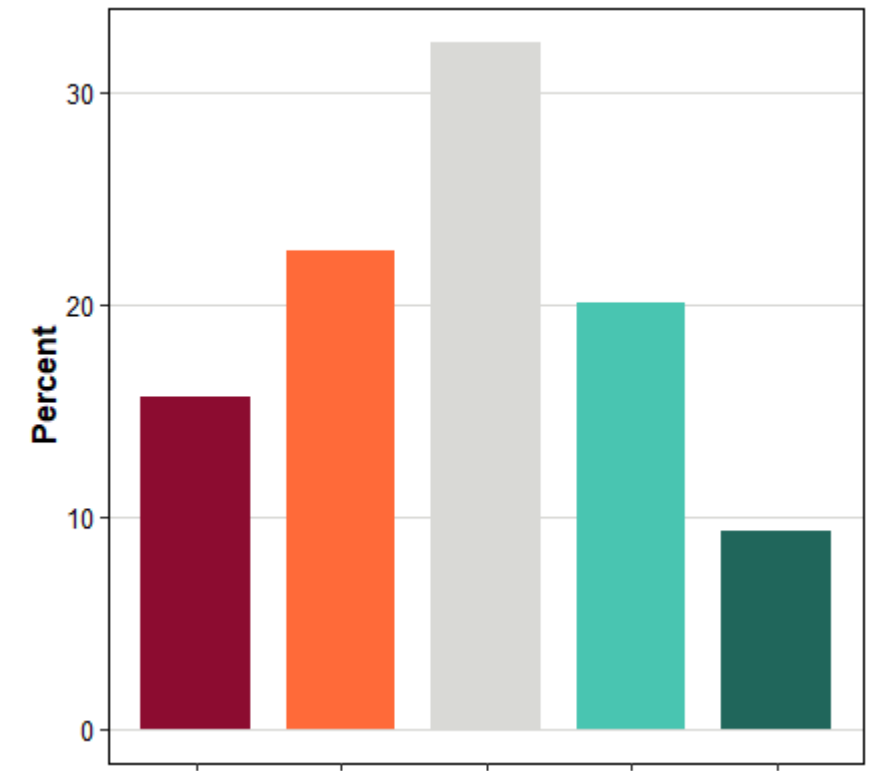
Changes in overall activity

Share of respondents | N = 204

Observed



Expected



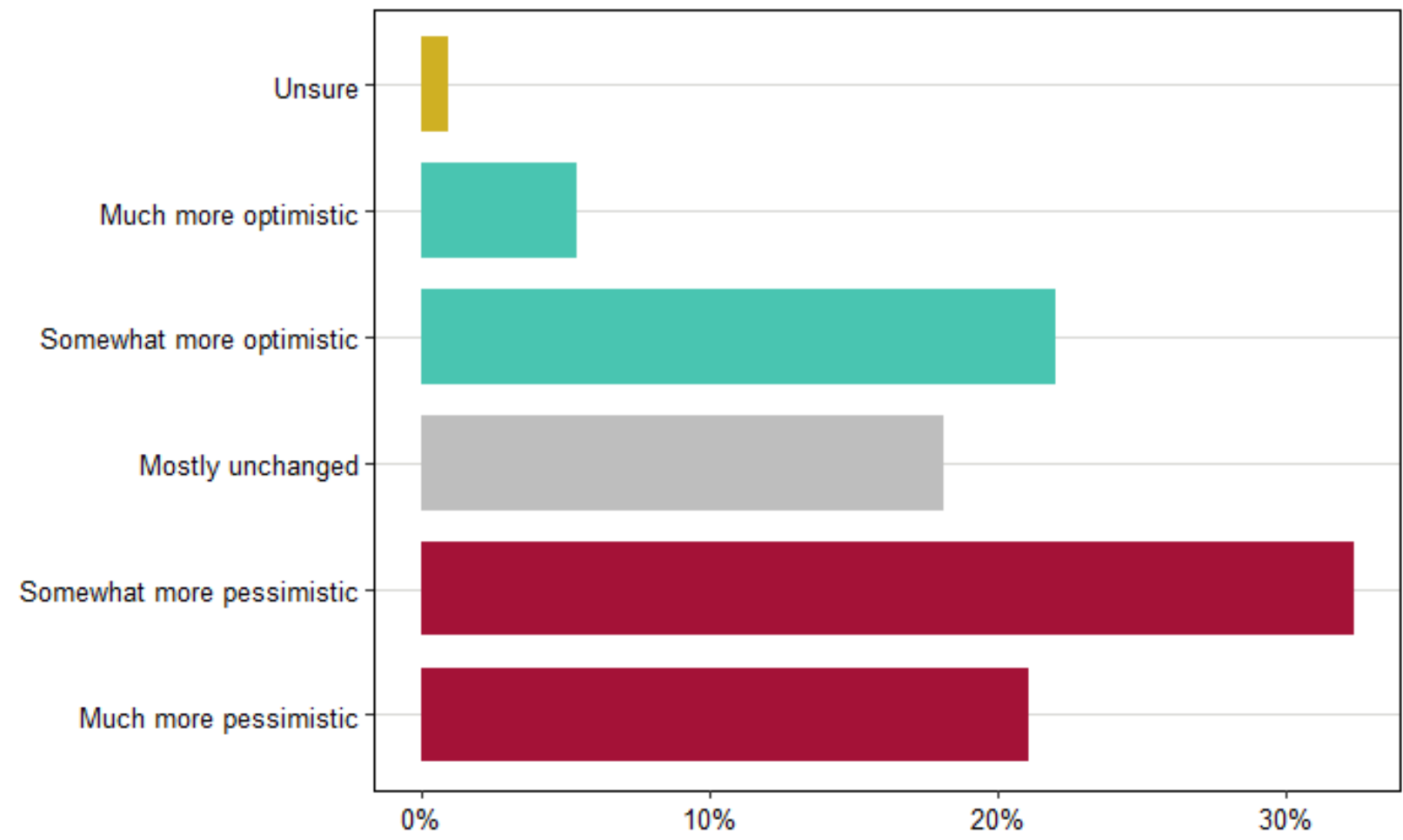
- Decrease significantly
- Decrease some
- Remain at similar levels
- Increase some
- Increase significantly



Lingering pessimism

How have outlooks changed since the start of the year?

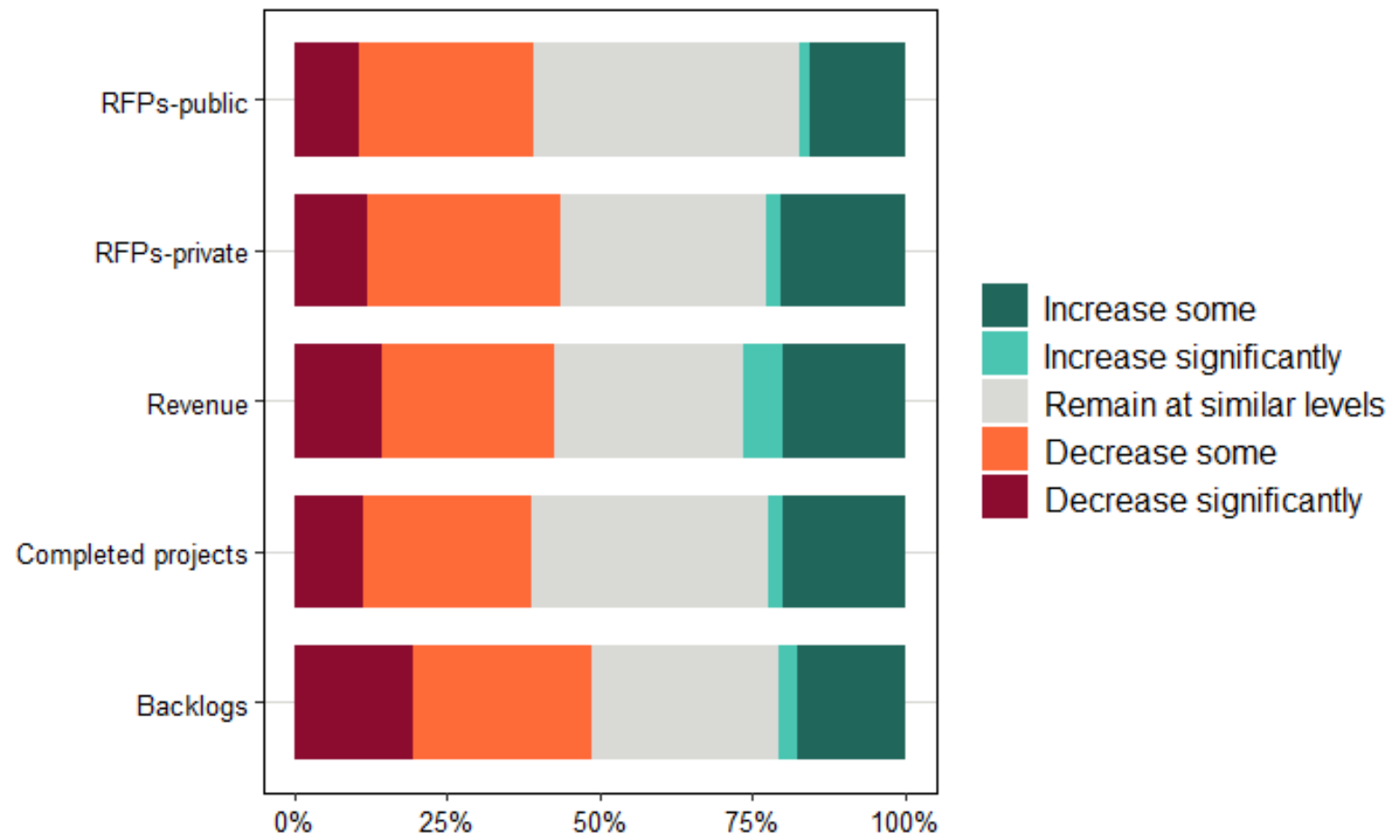
Share of respondents | N = 204



Continuing pressure on backlogs

Expectations for the upcoming 6 months

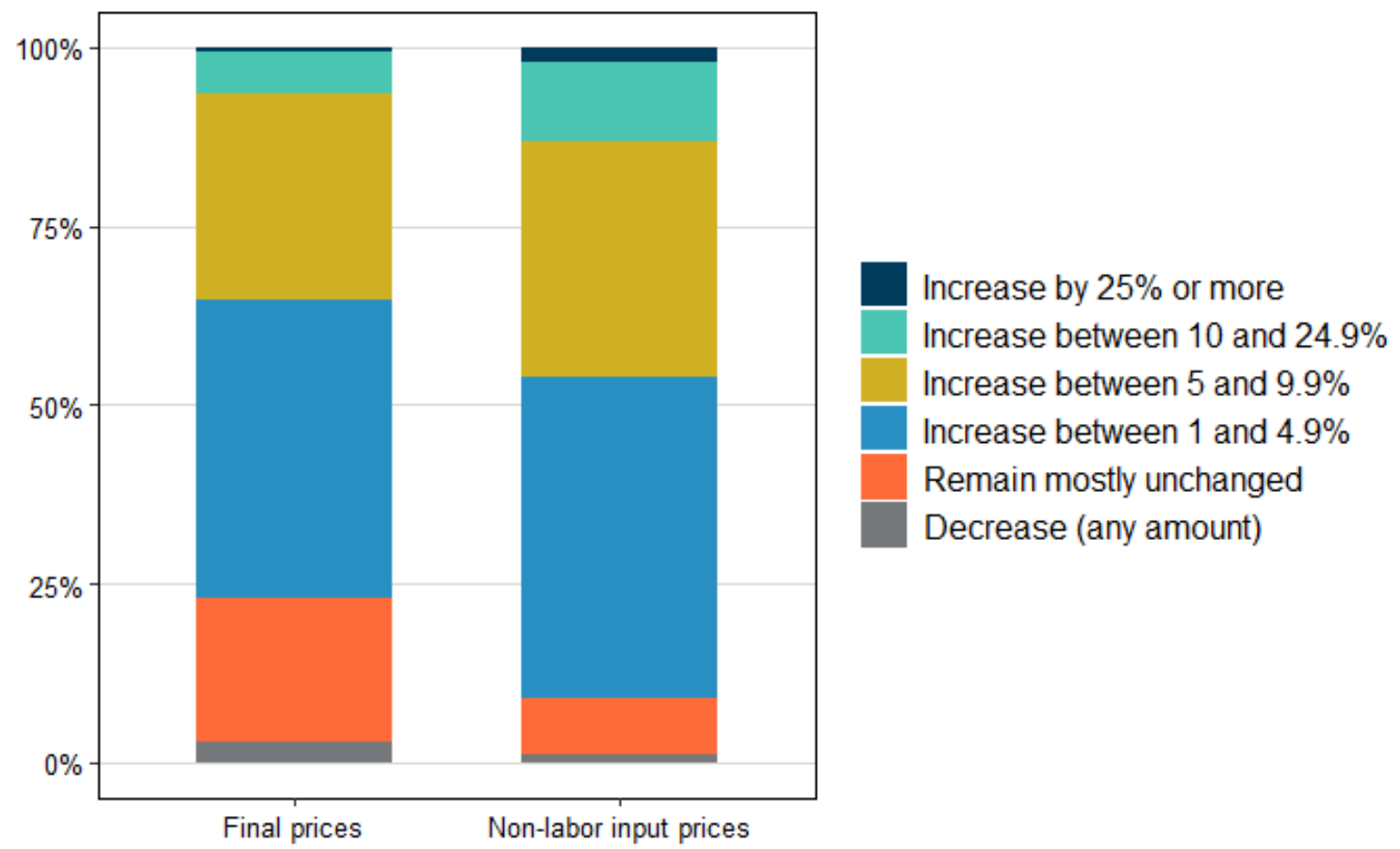
Share of respondents | N = 204



Continuing price pressures, leading to higher pass throughs

Expected change in prices

Share of respondents | N = 204



Take-Aways

- Uncertainty has lingered
- Net decline in activity
- Residential and commercial construction hurt the most
- Competition remains tight (tighter in some cases)
- Bright spots in industrial and infrastructure!
- Labor challenges remain
- Recent developments have put pressure on costs





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