CONSTRUCTION SURVEY IN THE NINTH DISTRICT

August 27, 2020

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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.

THE COVID DATA CHALLENGE

- Speed of pandemic = need for real-time information
- Most macro data time-lagged; less COVID-relevant
- How to start filling the gap? More outreach!
  - Regional Outreach: 11 surveys since mid-March; almost 9,000 business responses, 25,000 comments
  - General business survey (July 20-24): 1,100+ responses
  - Construction survey (July 27-31): 636 responses
  - Professional services survey: Currently in the field

REC: A new webinar series from the Minneapolis Fed

- Extension of annual Regional Economic Conditions Conference connecting people & research related to Ninth District economy
- More surveys and more real-time data being gathered
- Webinars help Bank connect w/ business and community leaders about real-time conditions in the Ninth District
- Enhanced data sharing: Greater value for survey partners and survey participants

A BIG THANK YOU TO PARTNERS

- Too many to list and thank individually
- About 35 partnering construction organizations
  - They deliver Bank survey to members
- Fourth construction survey since start of pandemic, but first survey to be District-wide
- To date, 2,500+ responses; crucial insights for Bank on bellwether sector

CONSTRUCTION SECTOR SURVEY

- Conducted July 27-31, 2020
- Total responses: 636
  - Responses from all Ninth District states, though smaller responses in Dakotas, Montana, U.P/Mich. & north Wis.
  - Each of the four main sectors represented:
    - Residential, Commercial, Industrial, Infrastructure
  - All firm types, from architecture, design, engineering, contractors, materials/supply and more

DISCUSSION OVERVIEW

- Lots of challenges in the sector right now
- Much similarity across states, sectors and firms
- The sector appears in (comparatively) good financial health, but concerns for future work
- 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:

CANCELLATIONS & DELAYS

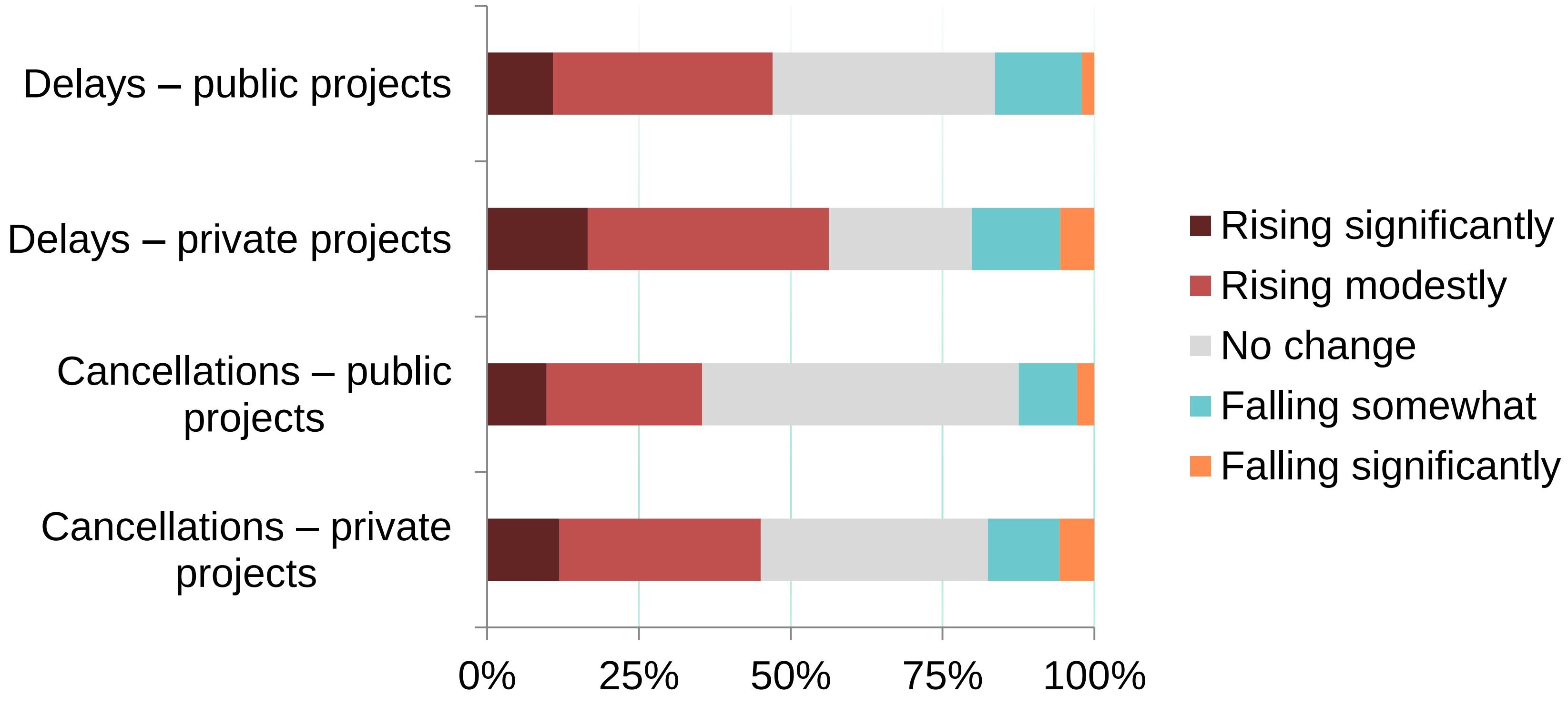
OVERALL TREND: PROJECT DELAYS & CANCELLATIONS

May survey – many firms seeing delays and cancellations

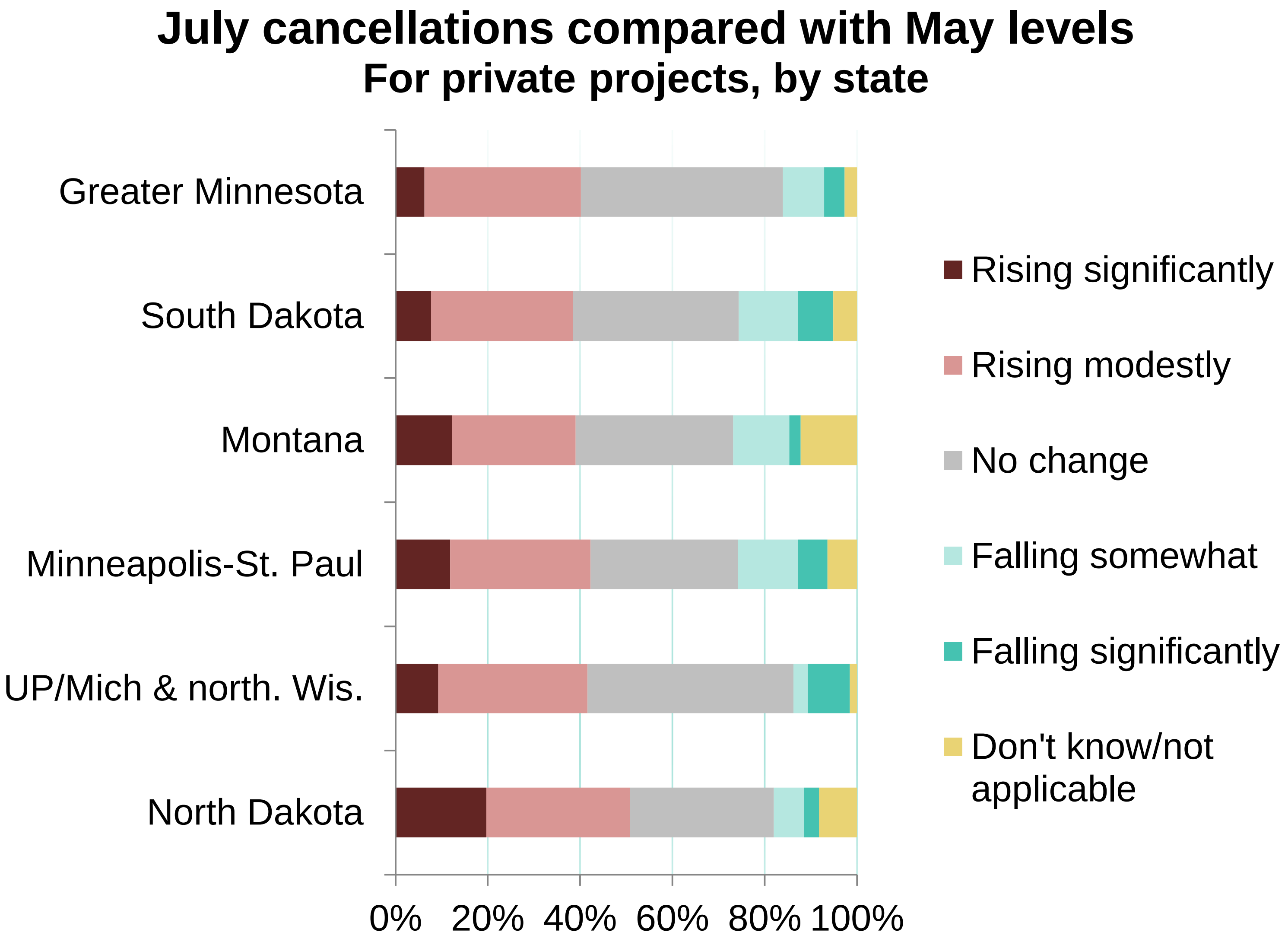
July survey: Continuation of trend

Private projects seeing slightly higher rates of cancels and delays

Compared with May levels, what are you seeing in project delays or cancellations?
(% of those affirming work in this category)



PROJECT CANCELLATIONS: BY STATE



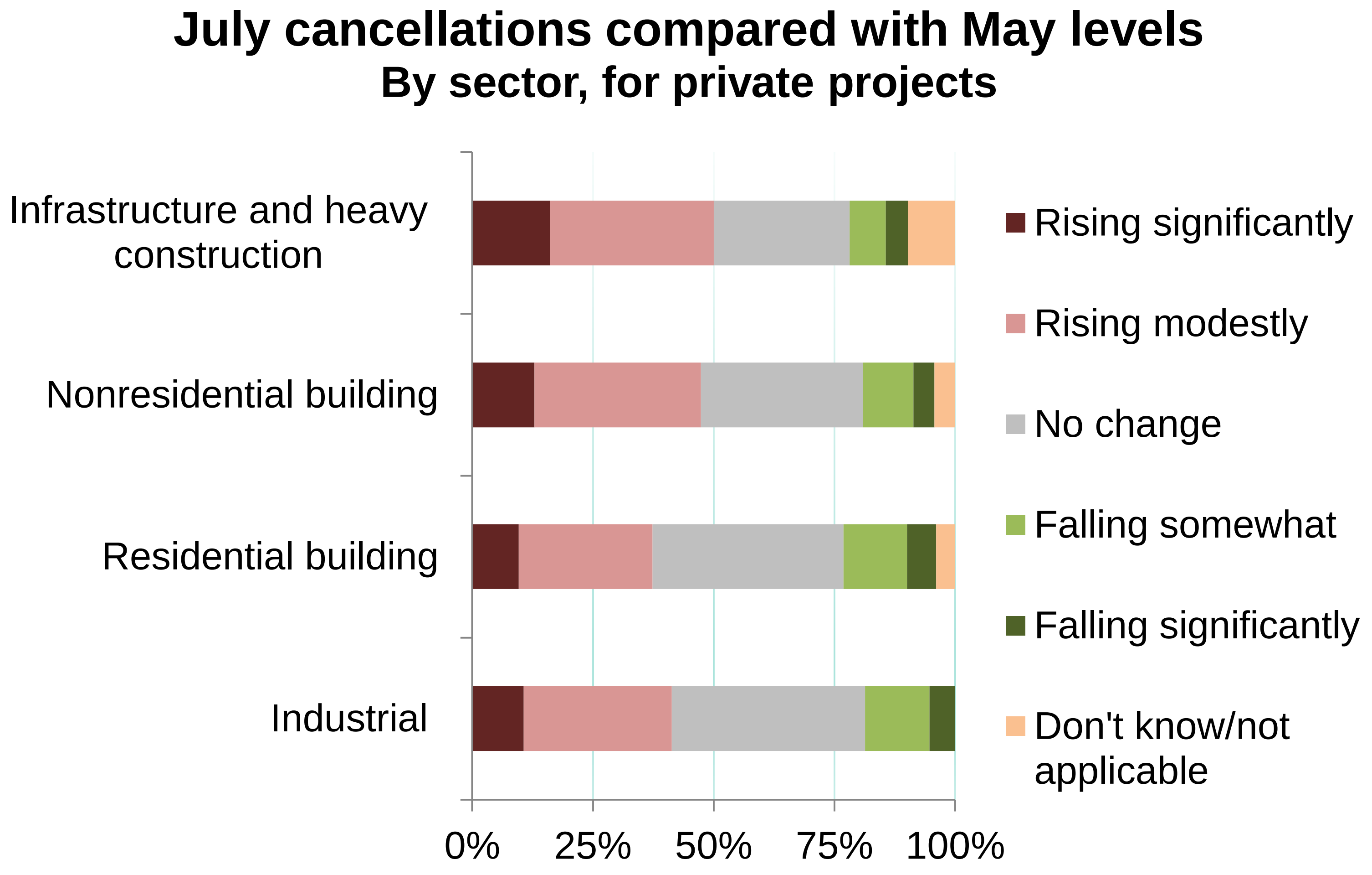
States seeing generally similar levels of project cancellation

North Dakota's larger exposure likely stems from downturn in energy exploration and production

PROJECT CANCELLATIONS: BY SECTOR

Among the four major construction sectors, everyone getting hit

Infrastructure and heavy construction seeing slightly worse cancellations



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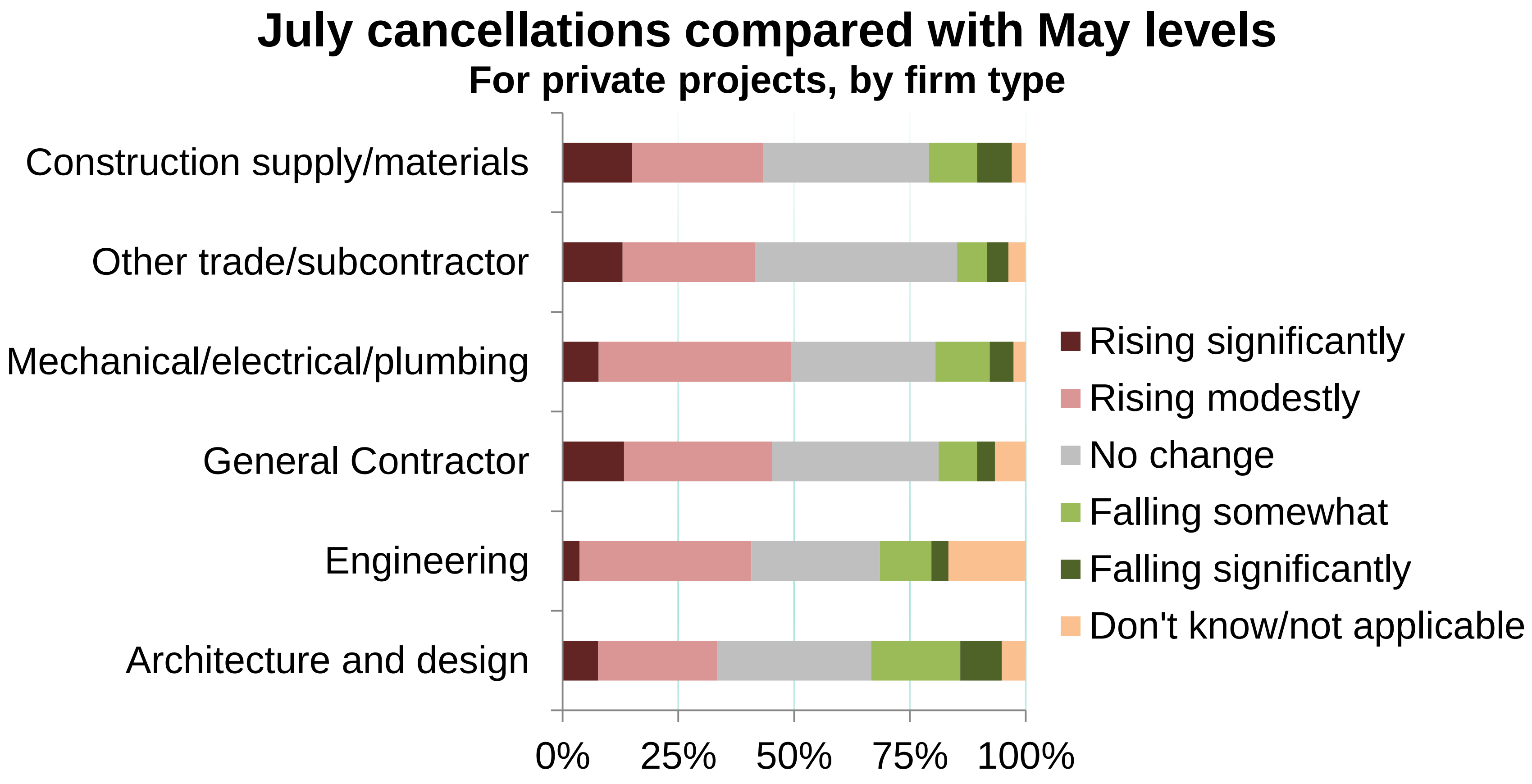
PROJECT CANCELLATIONS: BY FIRM TYPE

All types of construction firms negatively affected

Architect/design seeing the lightest effect

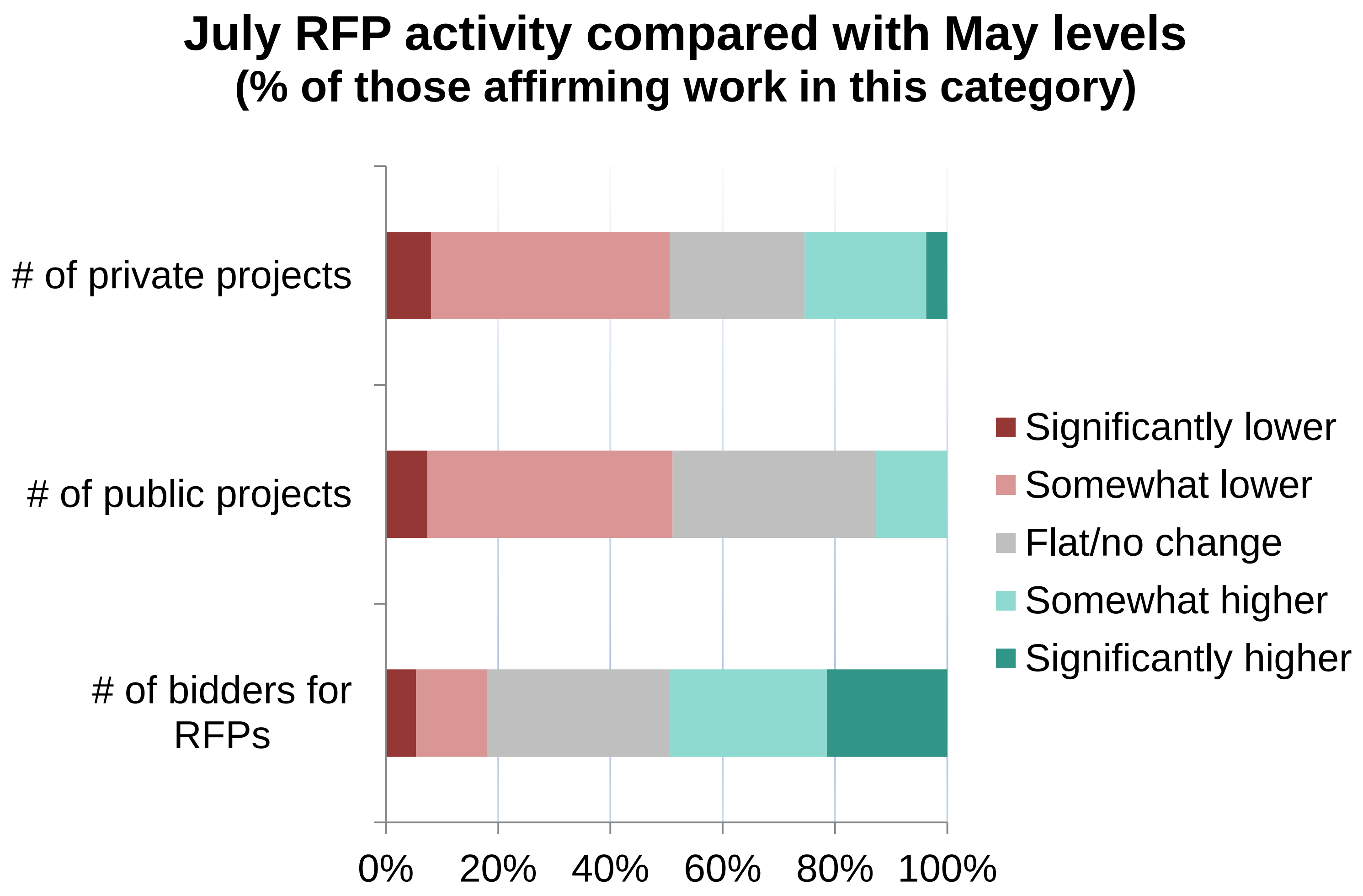


Note: Development and ancillary construction categories both received < 10 responses

SECOND FOCUS:

REQUESTS FOR PROPOSALS

FUTURE ACTIVITY: REQUEST FOR PROPOSALS



May survey – RFP activity was dropping

July survey: Trend appears to be continuing

Roughly similar trends for private & public projects

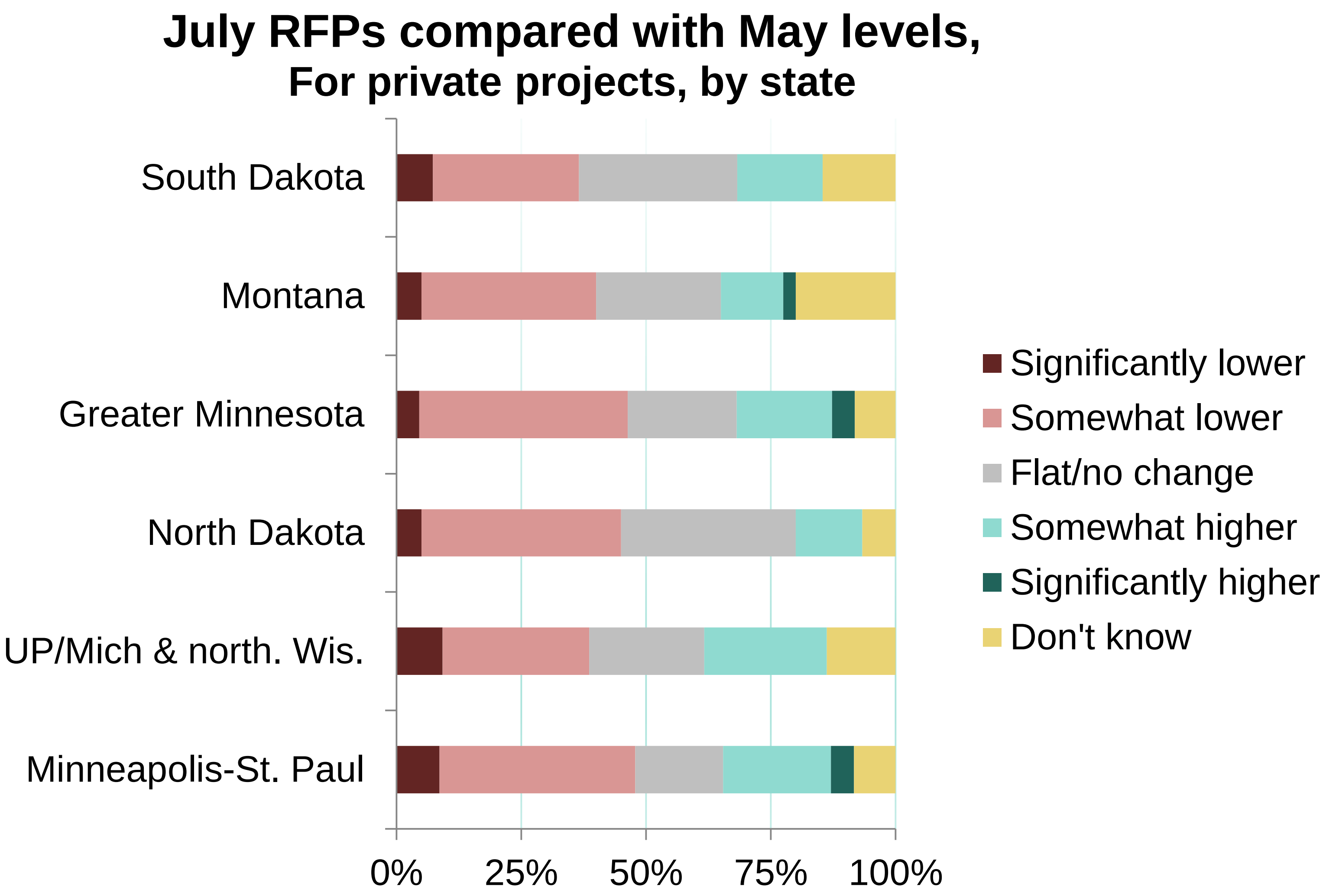
Not surprisingly, more competition for remaining projects

RFP CONT.– BY STATE

RFP levels falling across the Ninth District

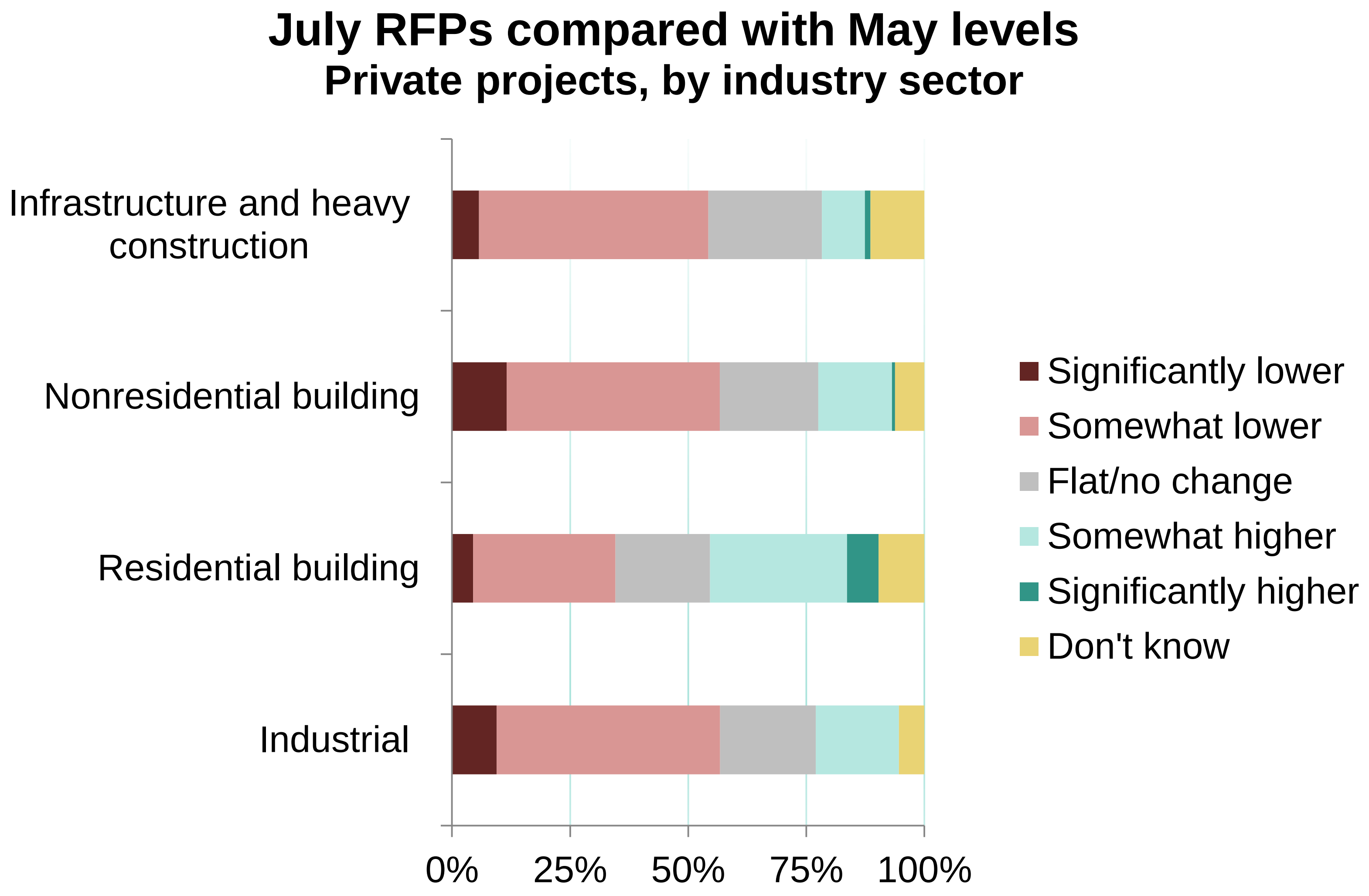
Mpls-St. Paul seeing biggest pullback

Luckily, across the board, most are not seeing ‘significant’ drops in RFPs



RFP CONT.– BY SECTOR

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



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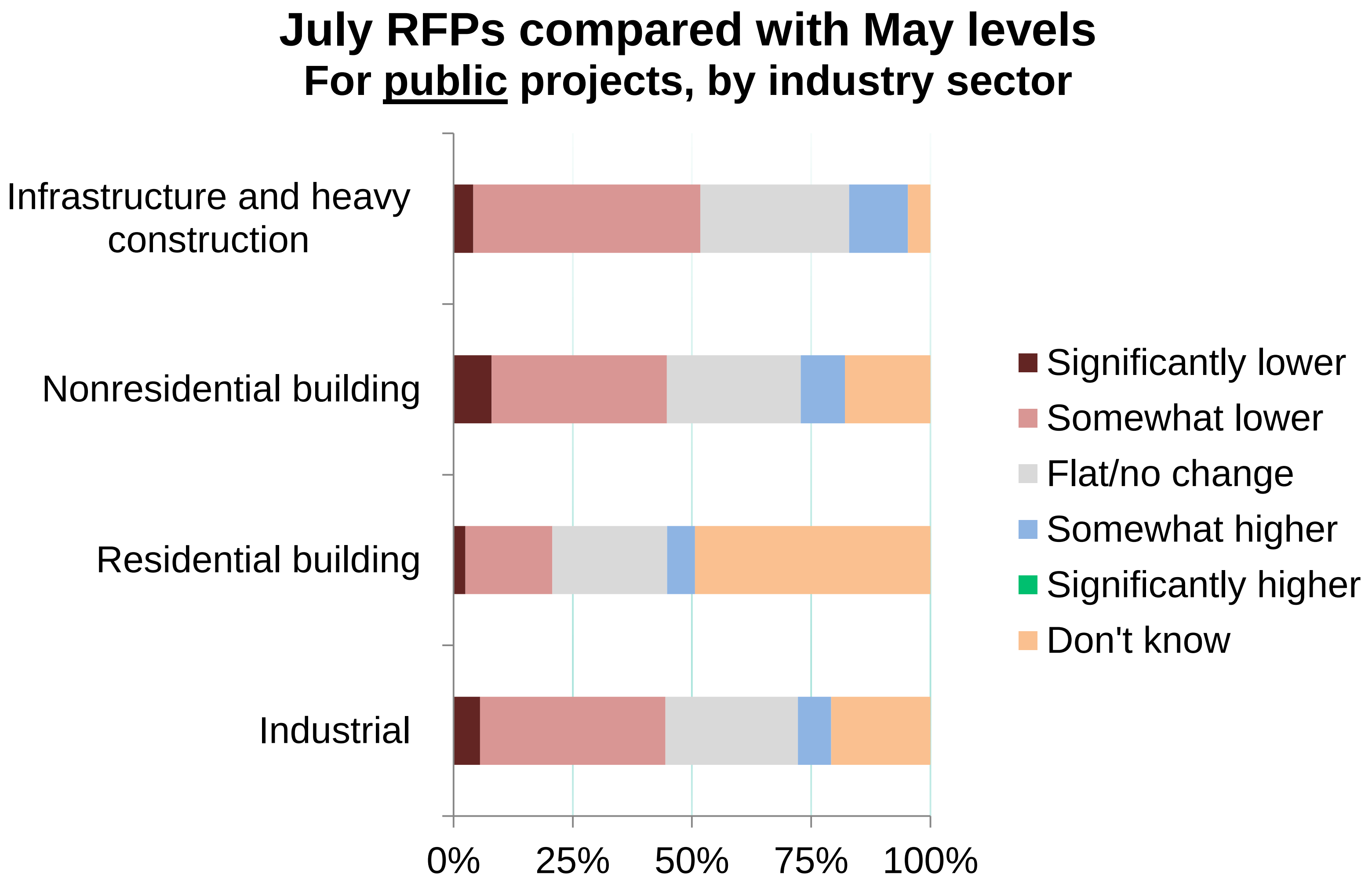
RFP CONT.– BY SECTOR (PUBLIC PROJECTS)



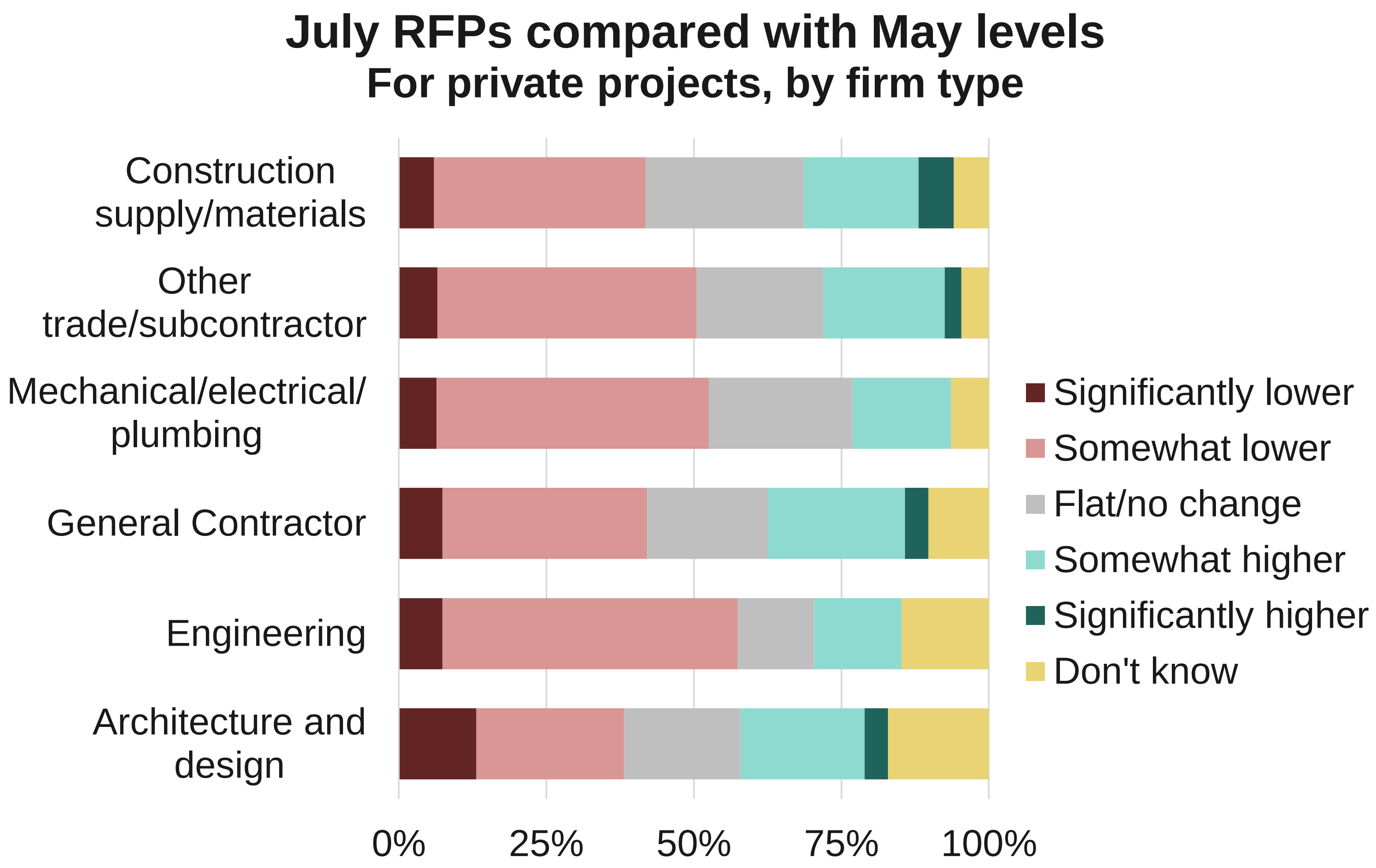
Infrastructure (roads/bridges) the most relevant category for public sector projects, and RFPs seeing pullback

But all areas seeing pullback among those bidding for public sector work

RFP CONT.– BY FIRM STYPE

Widely similar RFP experience across firm types when you factor out non-responses

Engineering firms experiencing largest pull back



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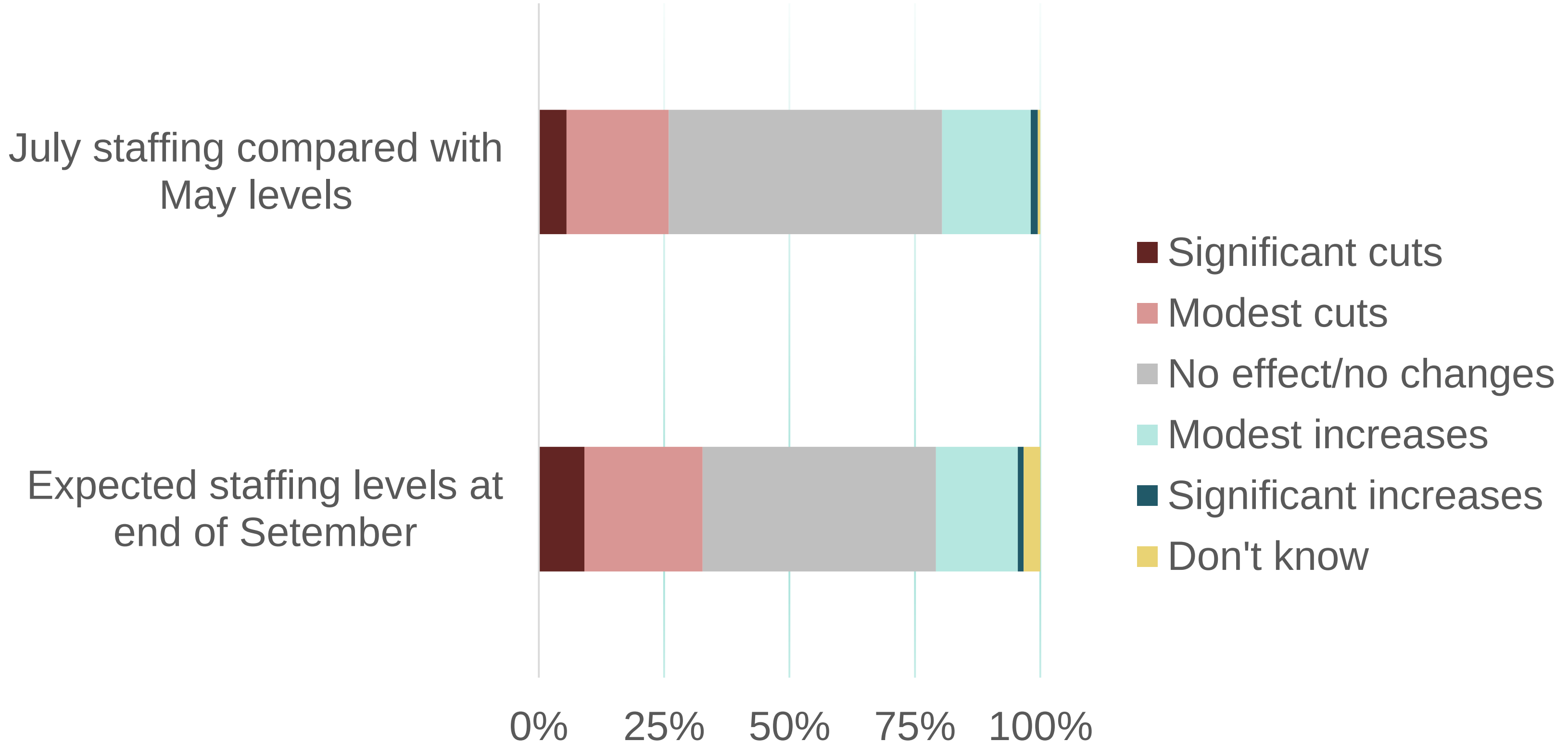
THIRD FOCUS: OTHER RESULTS

WORKFORCE

Somewhat more firms cut workers than added in July

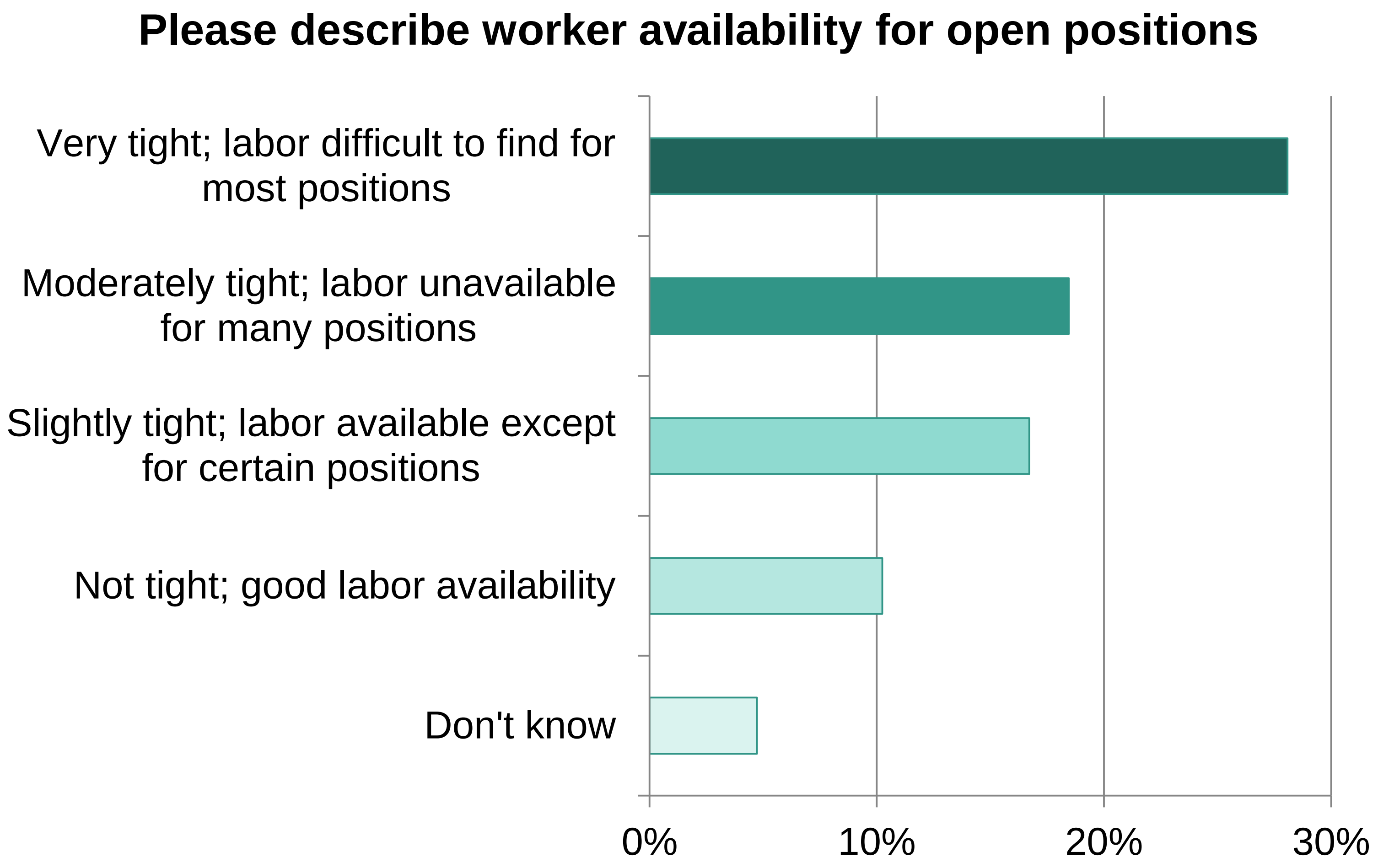
Lower RFP levels likely compounding workforce trend into the fall

Current and near-term staffing levels

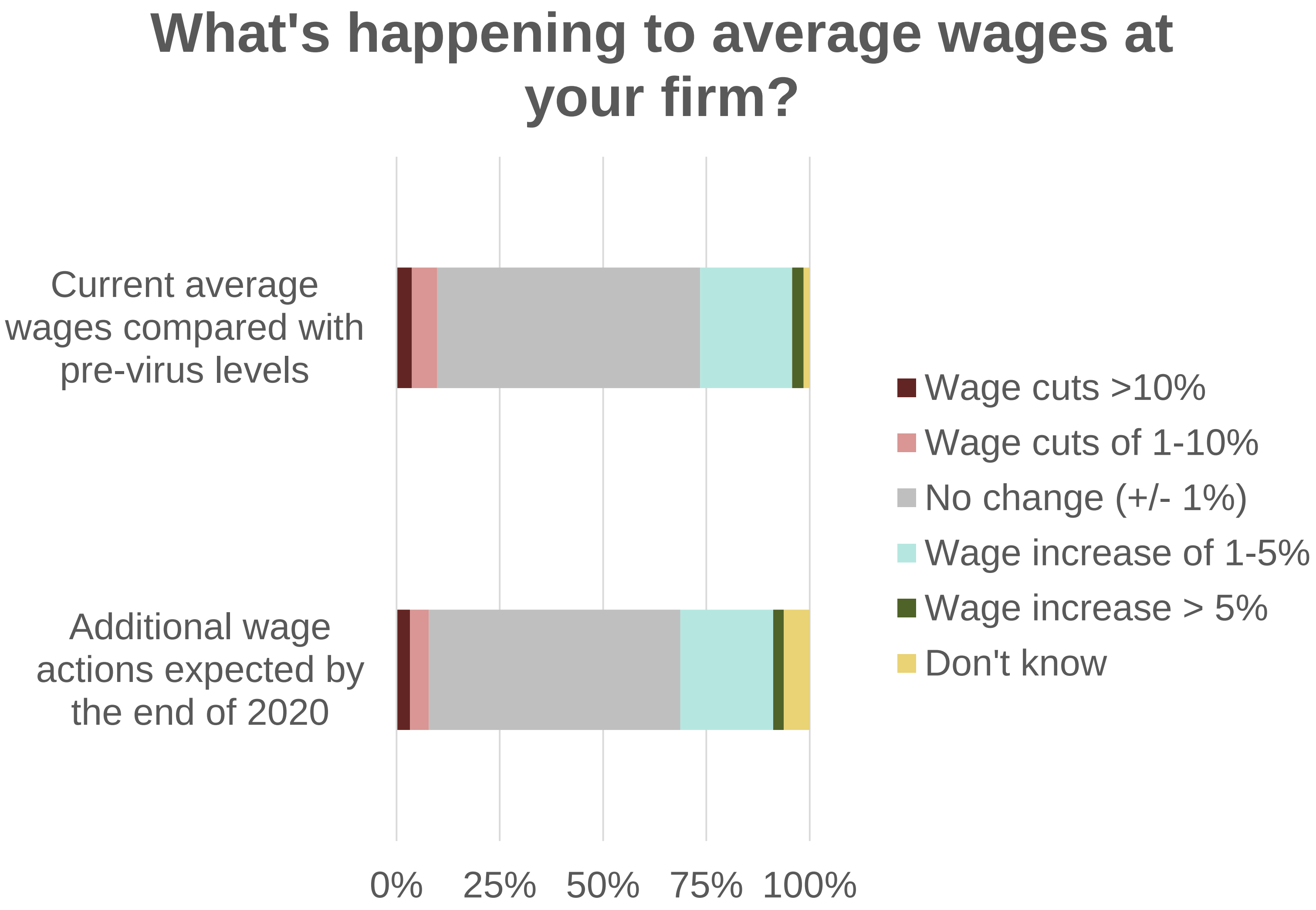


LABOR AVAILABILITY

Despite high unemployment, construction firms still struggling to find workers



WAGES

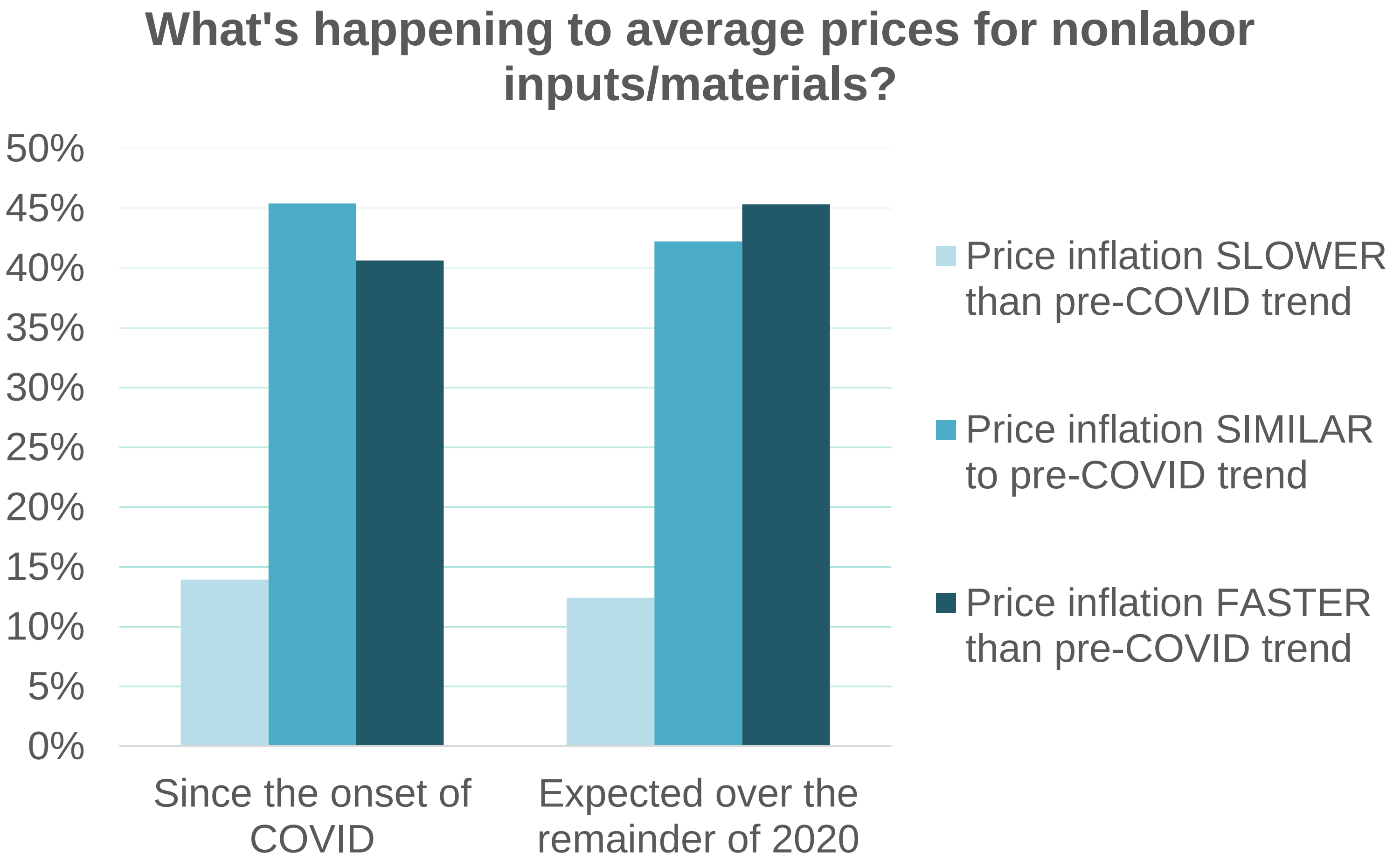


Some good news (at least for workers!)

Construction seeing continued, sustained wage growth

PRICES & INFLATION

Firms are seeing fairly strong price inflation, often due to material shortages and other supply chain issues



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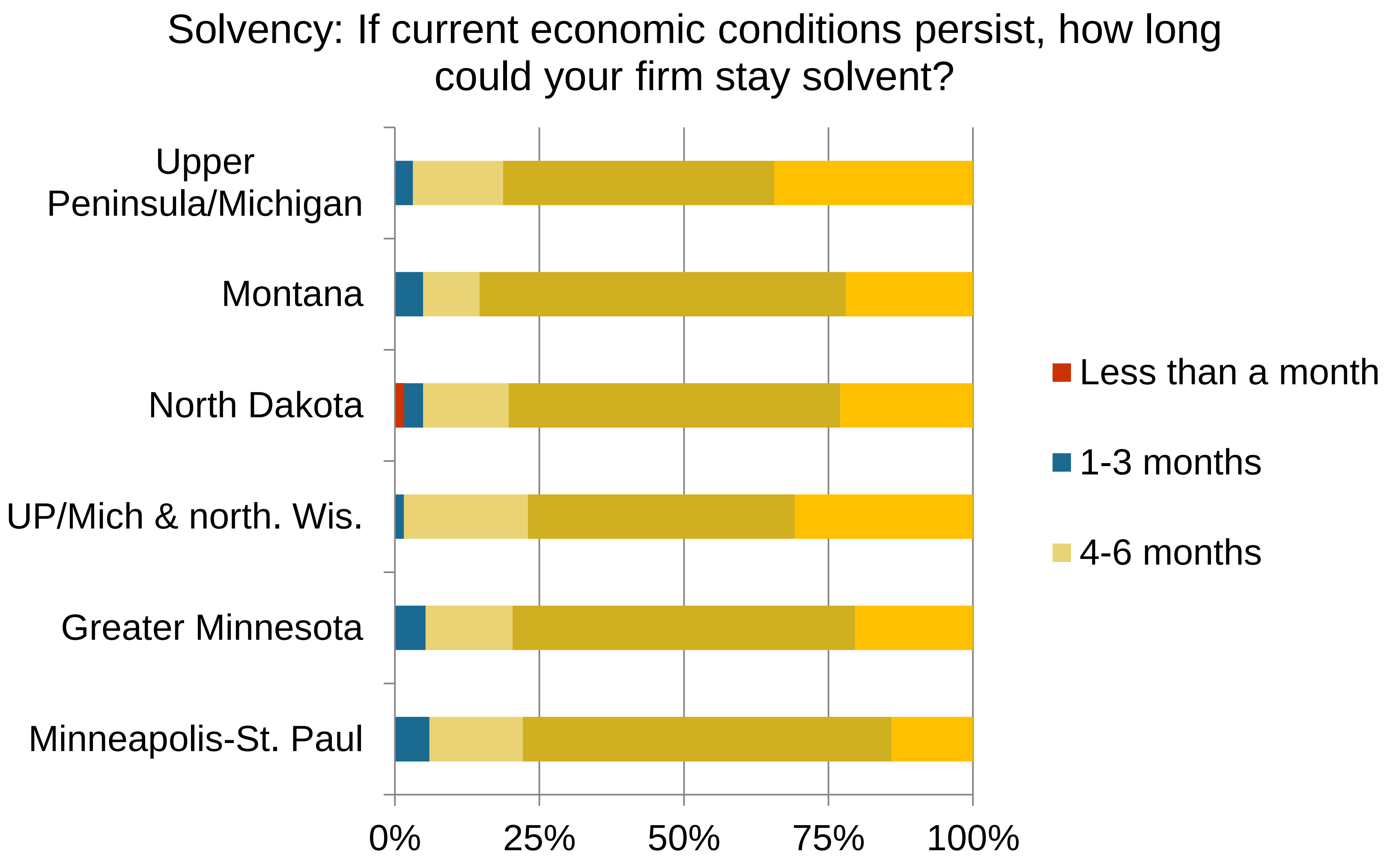
SOLVENCY: IMPROVING

Tiny number in immediate threat of insolvency

1 in 20 firms say they could not last more than three months under current conditions

Seeing steady improvement in solvency … might be from previous respondents dropping out



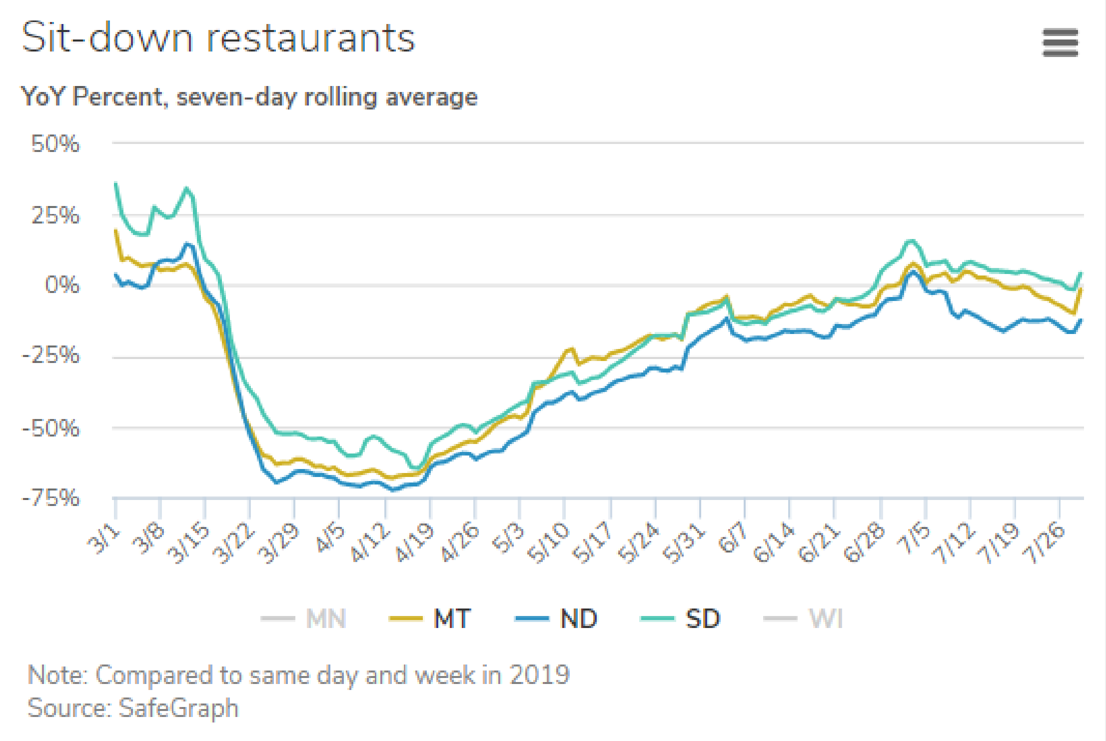
MOVING FORWARD: TRACKING COVID

- Continued survey work
- Next construction survey – late October
- More & better real-time measures of economic activity

LOOKING AHEAD: BETTER REAL-TIME DATA

COVID-19 and the Ninth District economy: A dashboard

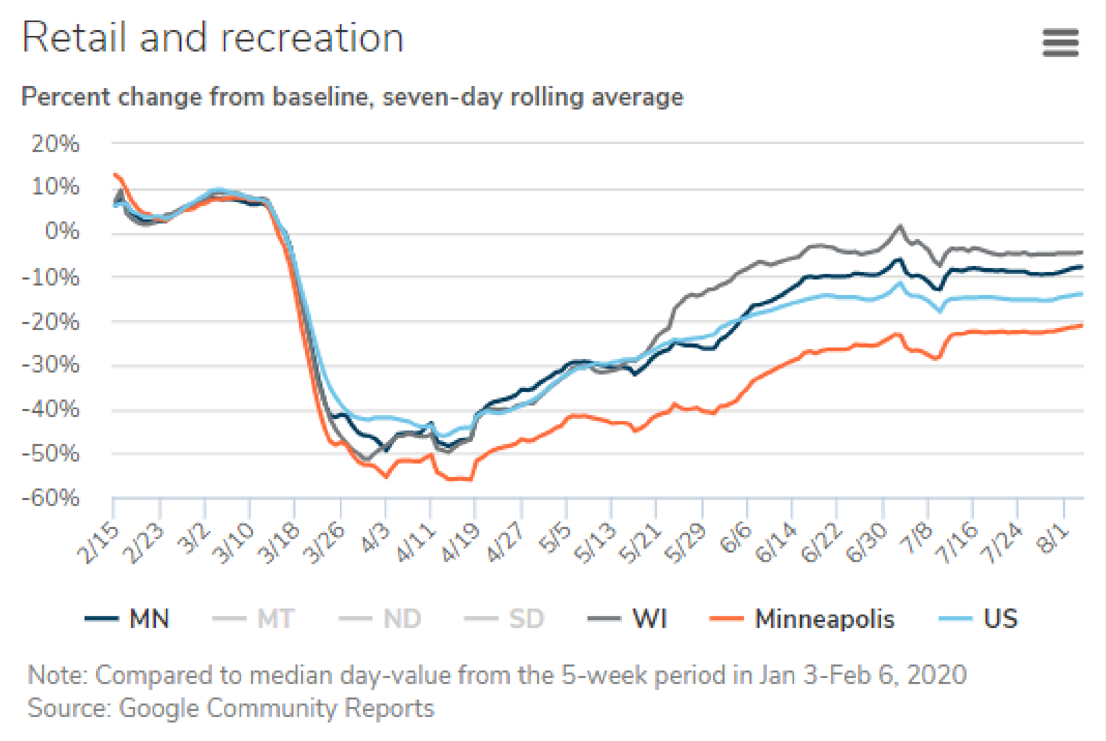
SafeGraph foot traffic mobility



Filter by location type:

○Movie theaters ◉Sit-down Restaurants ○Bars ○Malls ○Hotels

Google Mobility Reports



Filter by location type:

◉Retail & recreation ○Grocery ○Parks ○Transit stations ○Workplaces

MORE REGIONAL ECONOMIC INDICATORS EVENTS!

PROFESSIONAL SERVICES SURVEY
SEPTEMBER 23 WEBINAR
9:00 TO 9:30 AM

- Minneapolis Fed survey, in partnership with MN Dept. of Employment and Economic Development
- Firms from across Ninth District
- Joe Mahon, RO Director

Look to webinar Q&A box for registration link!

THANK YOU!

QUESTIONS?

Use “Q&A” function to submit questions to the host

THANK YOU!

SPEECH/WEBINAR REFERRALS WELCOME!

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