

# SURVEY OF CONSTRUCTION COMPANIES IN THE NINTH DISTRICT

## FINAL RESULTS

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# CONSTRUCTION SURVEY

- Conducted: November 7 to November 18, 2022
- Total responses: 276, mostly from Twin Cities/Minnesota
- Results are a snapshot: Not a scientifically sampled survey
  - Nonresidential/commercial: 55% of respondents work in this sector (non-exclusive)
  - Residential: 45%
  - Infrastructure/heavy: 20%
  - Industrial: 16%
- *Please interpret results carefully*





## SURVEY TAKE-AWAYS

- Revenue trending negative, but not for everyone
- Profits widely lower
- Residential seeing significantly tougher conditions
- Industrial seeing best conditions
- Future concerns: Increase in project cancellations, reduction in backlogs and new projects out for bid
- Challenging conditions, w/ interest rates added to mix
- Outlook has declined, but hasn't fallen off the table

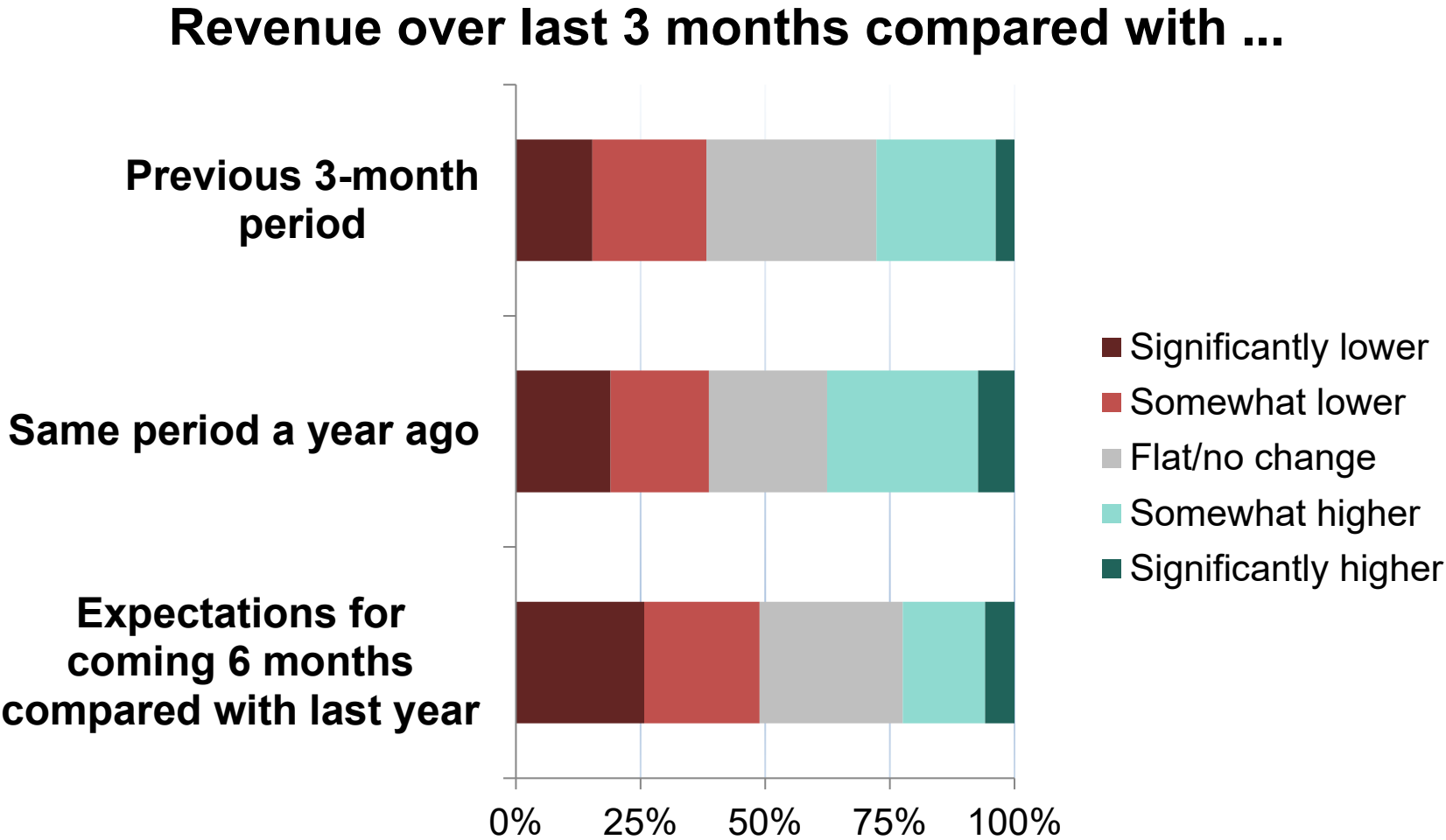


# RECENT AND FUTURE REVENUE

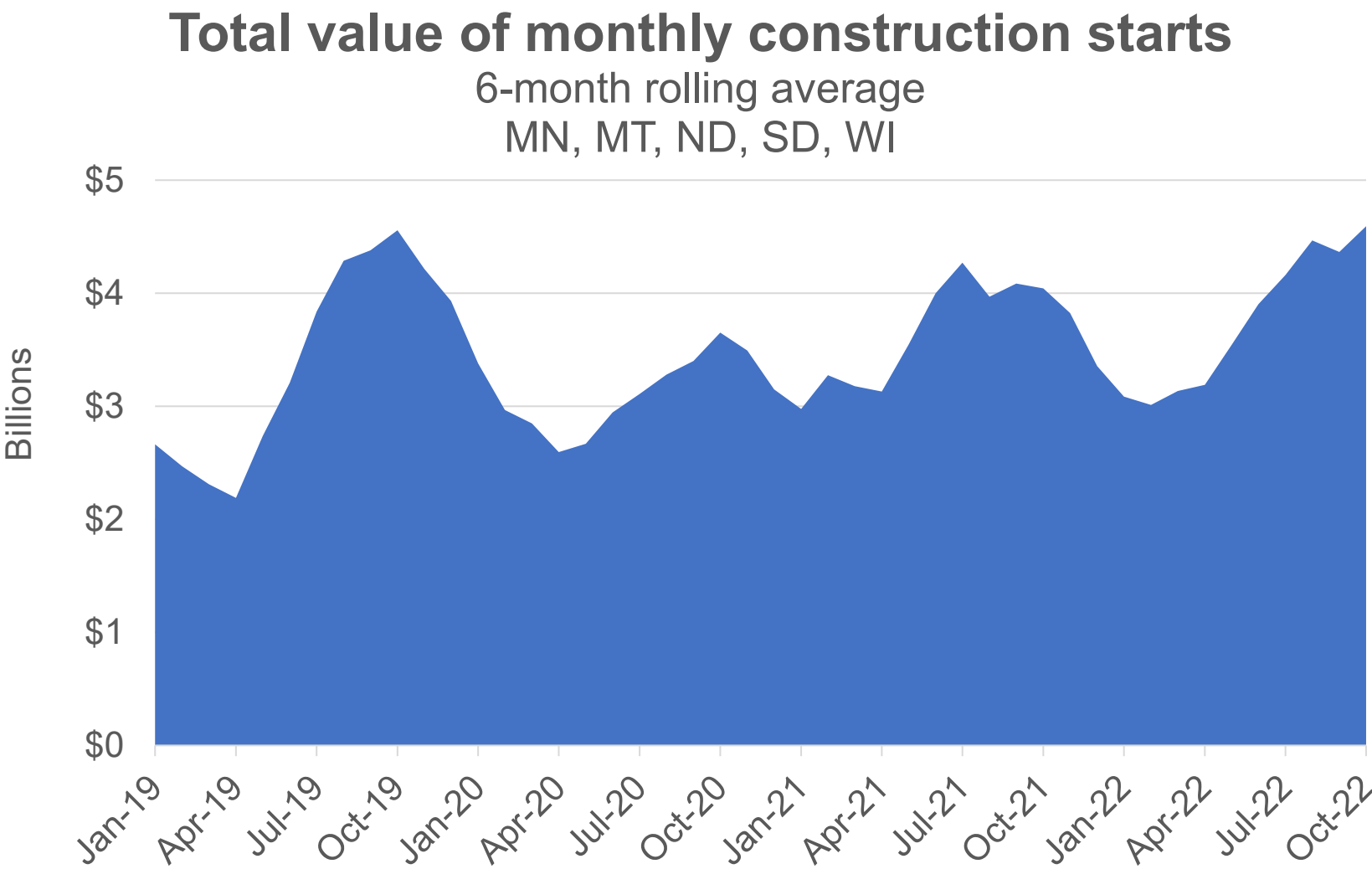
Q-o-Q: Negative, but likely some seasonal effects

Y-o-Y: Flat overall, which is still high; however larger share seeing big decrease

Outlook: Notably less optimistic



# NEW CONSTRUCTION STARTS



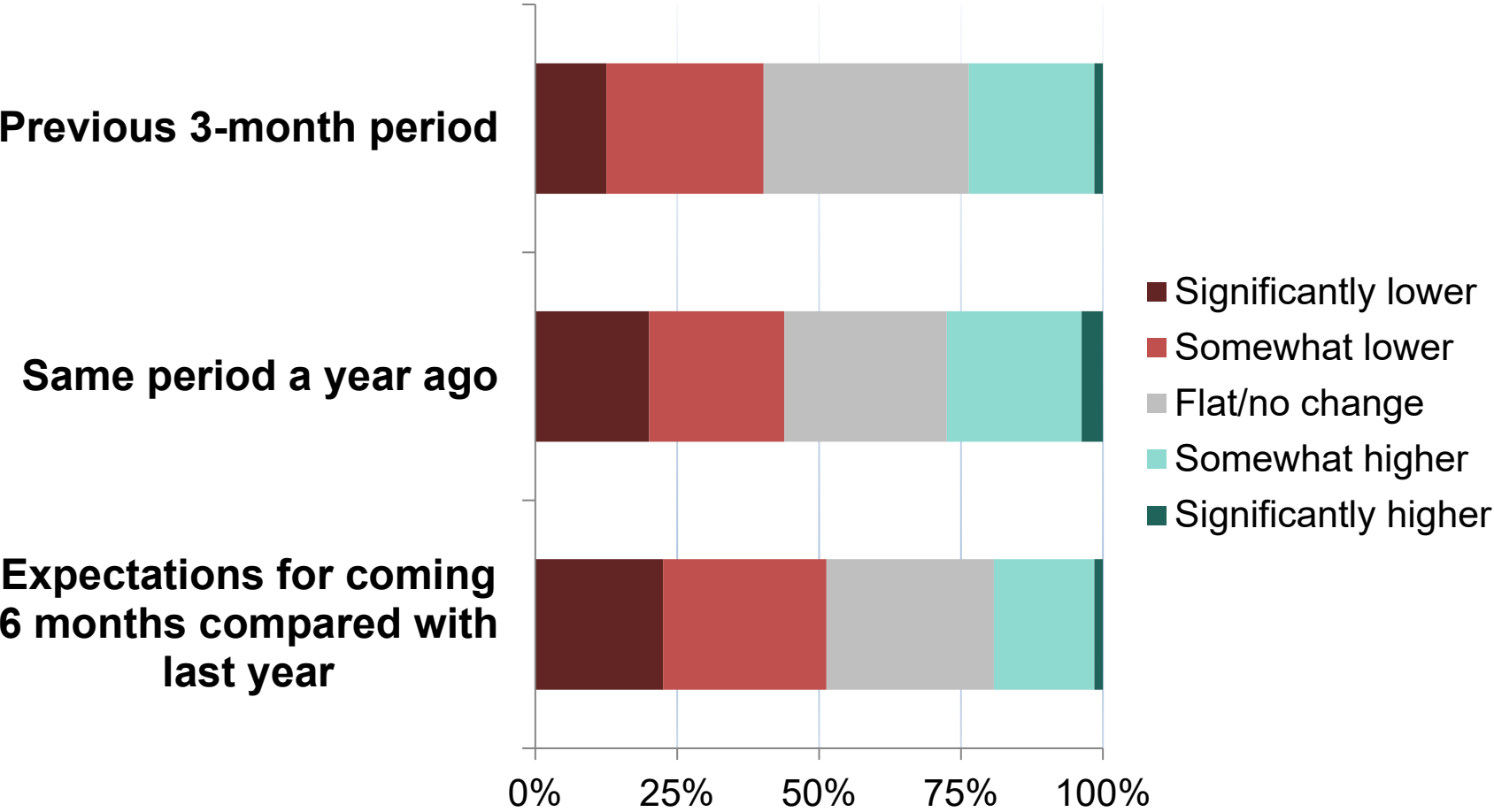
**General trend:  
total construction  
spending still high**

**District totals  
boosted by higher  
pricing & very  
strong activity in  
SD and MT (which  
are not well-  
represented in  
survey sample)**

Source: Dodge Data & Analytics

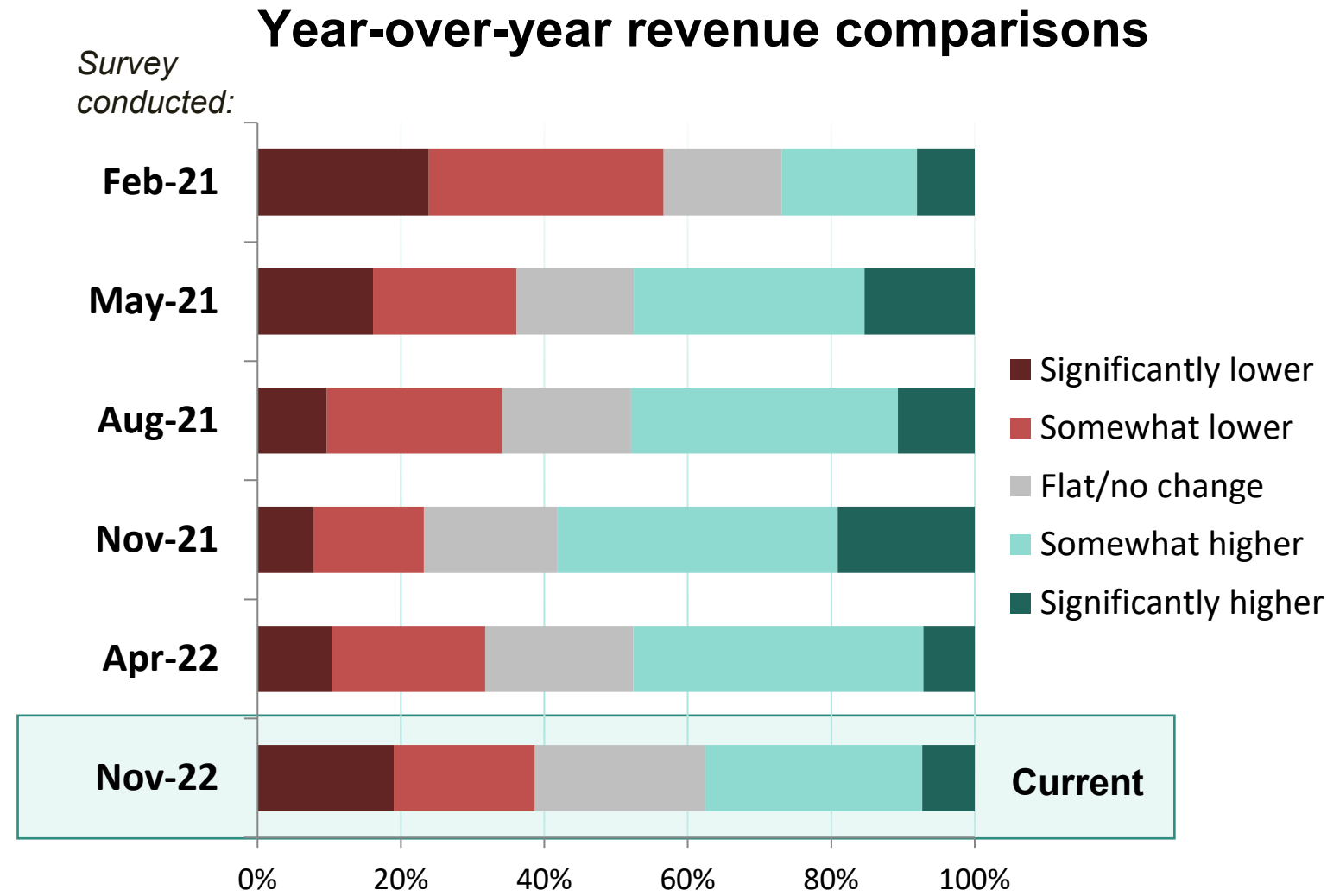
# COMPANY PROFITS

## Profits over last 3 months compared with ...



Profit levels more negative across the board, and expected to worsen

# REVENUE TRENDS, OVER TIME

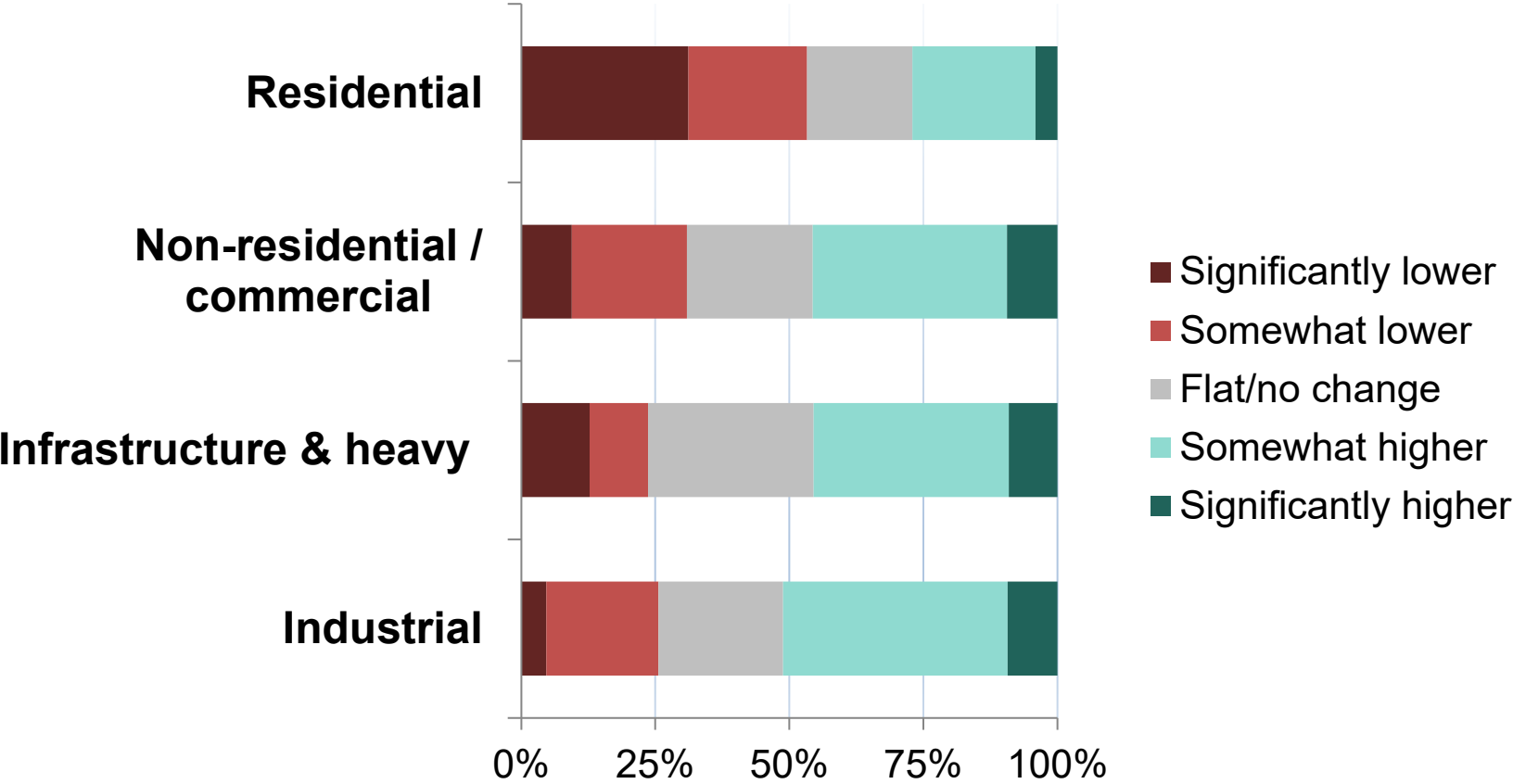


Repeated cross sections from previous surveys

Pullback first showed up in April survey, and continued in most recent survey

# REVENUE TRENDS BY CONSTRUCTION SECTOR

## Revenue over last 3 months compared with last year



Year-over-year trend heavily influenced by decline in residential sector

Other three sectors all report increases in y-o-y annual revenues

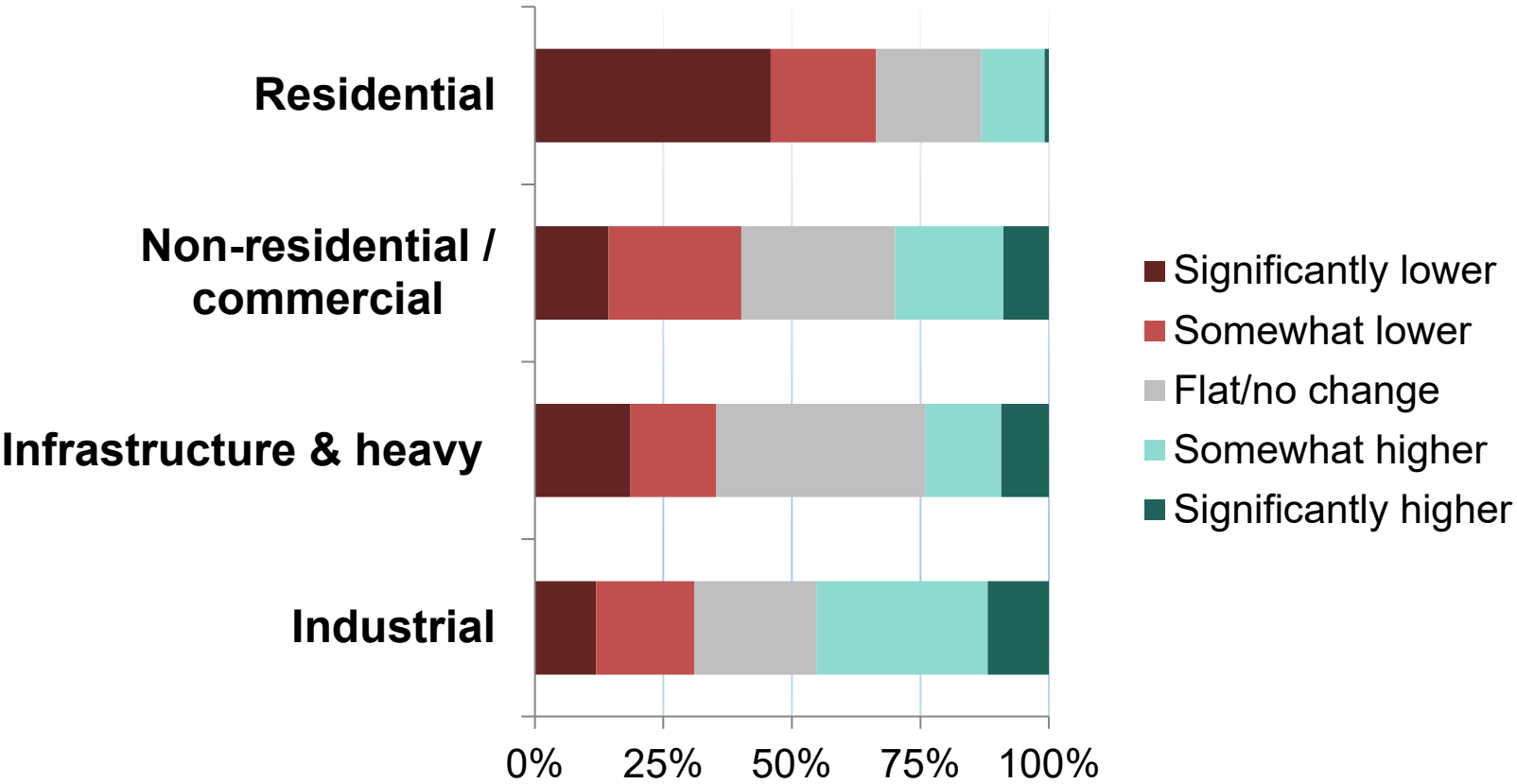


# FUTURE EXPECTATIONS

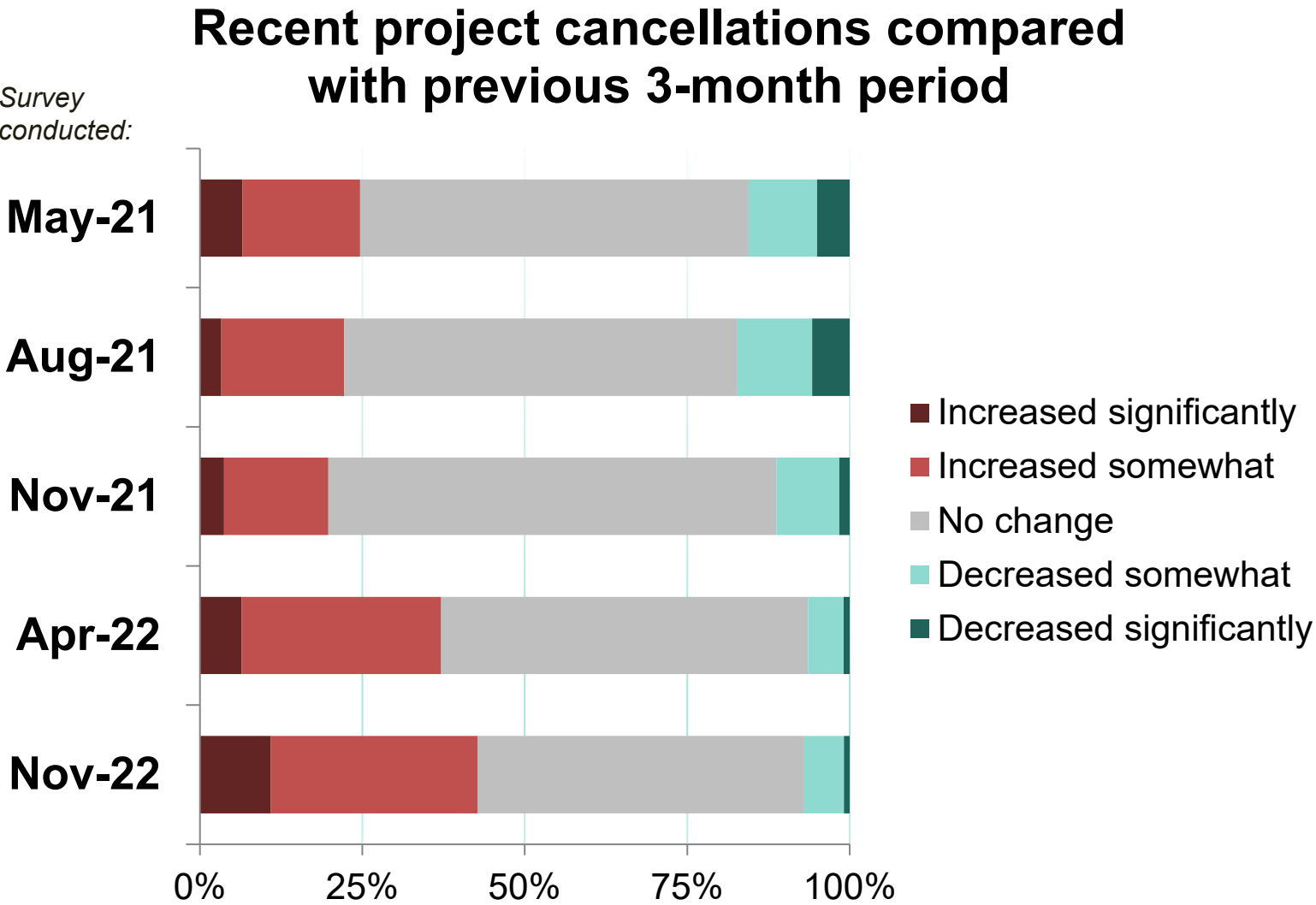
Short-term revenue outlook shows more concern across the sector, esp. for residential

Outlook for industrial still moderately net-positive

Expectations for coming 6 months compared with same period last year



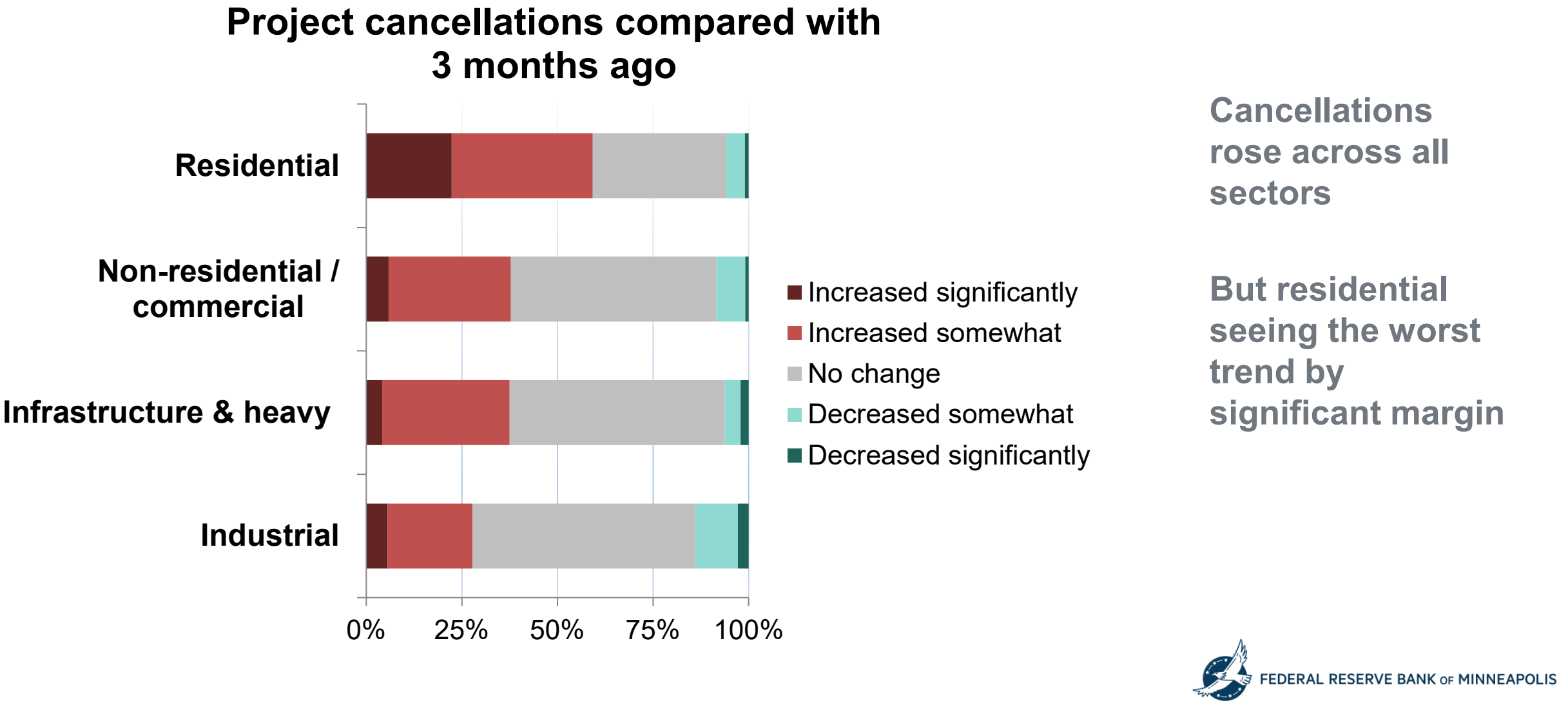
# PROJECT CANCELLATIONS



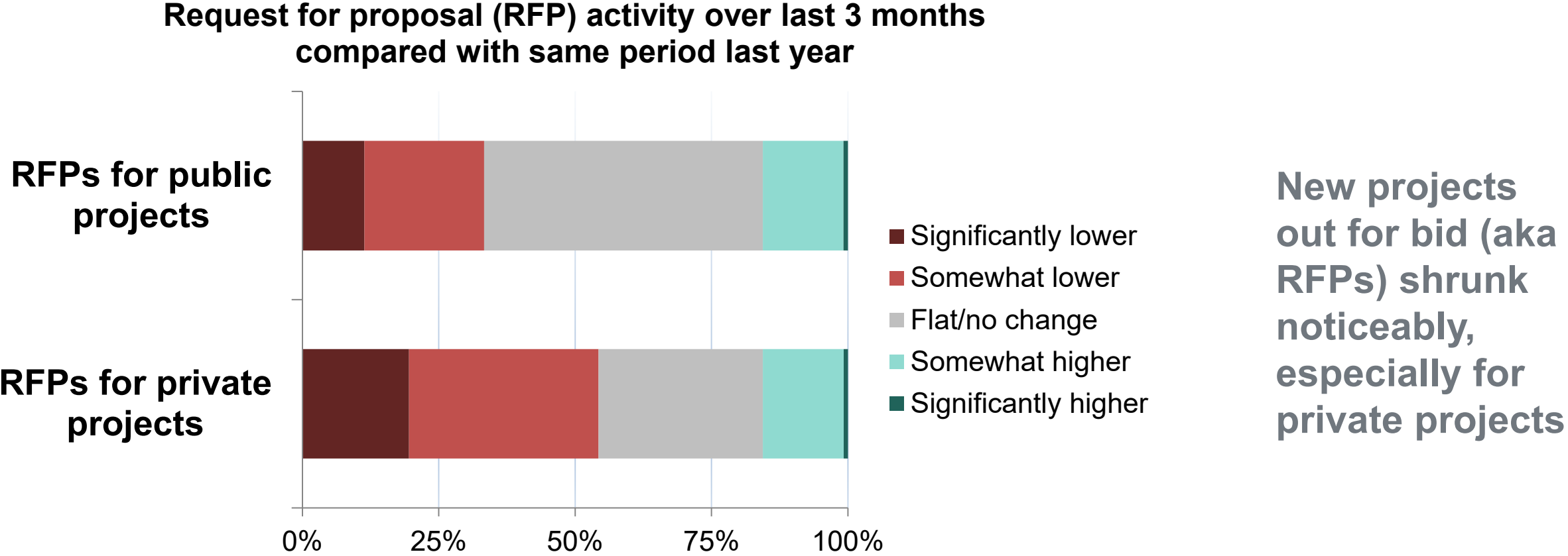
Continued uptick in cancellations

Most common reasons (from comments):  
**Cost inflation, higher financing costs, general uncertainty**

# CANCELLATIONS AND DELAYS, BY SECTOR



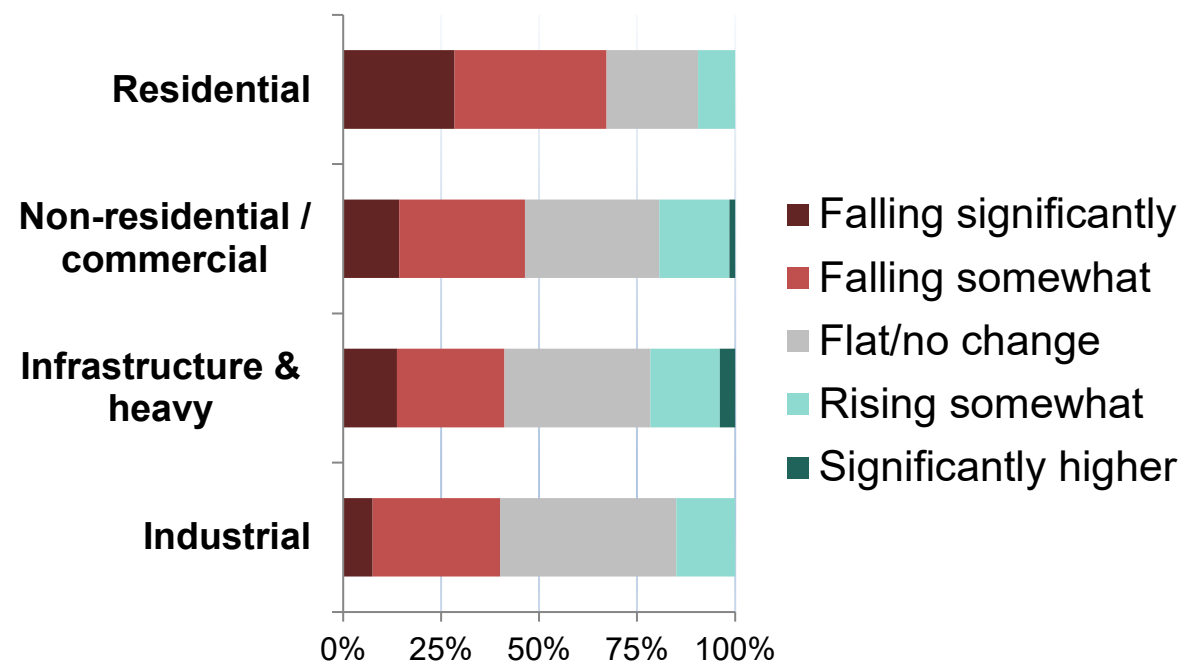
# NEW PROJECT PROPOSALS SLOWING



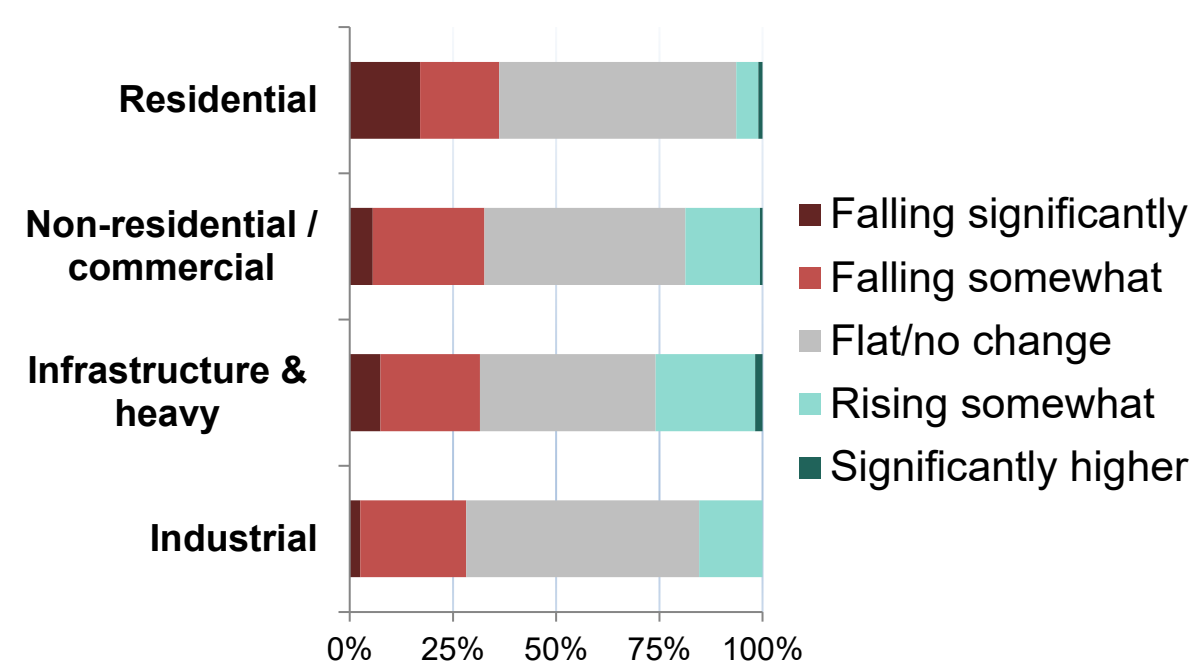
# REQUEST FOR PROPOSAL (RFP) – BY SECTOR

Private RFPs went negative among *all* construction sectors  
Public RFPs went negative after showing some strength earlier this year

**Private project RFPs compared with last year**



**Public project RFPs compared with last year**

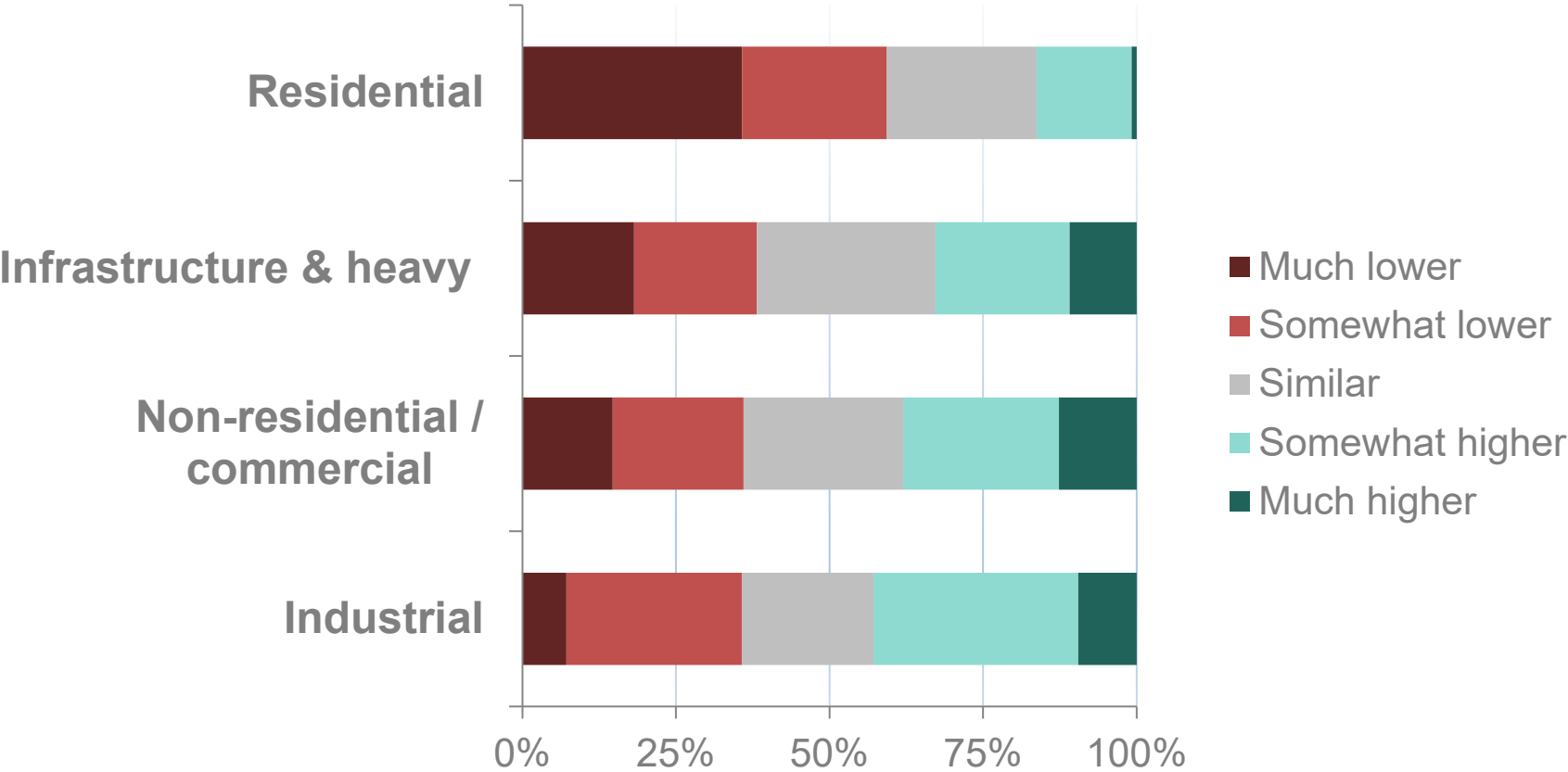


# PROJECT BACKLOGS

Backlogs shrank dramatically in residential, but every sector effected

Likely from higher cancellations, lower RFP levels and pulling work forward

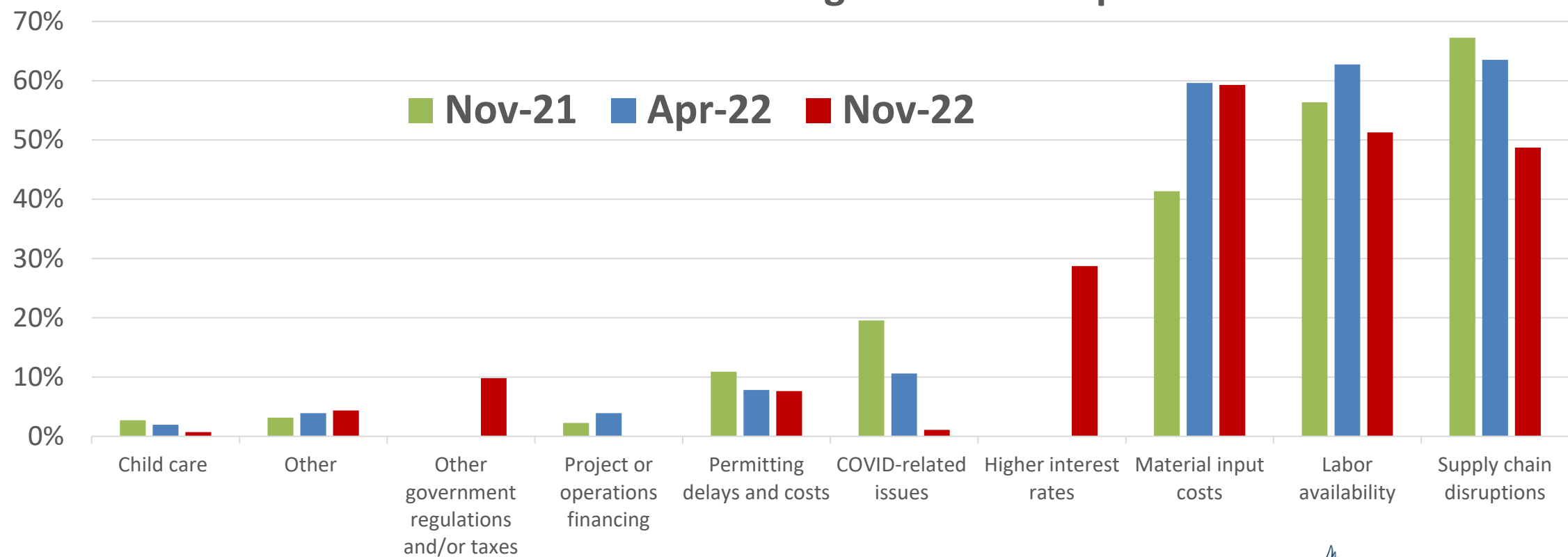
Backlog of future projects and other work compared with last year



# CHALLENGES TO OPERATIONS

“Big Three” still biggest challenges: Labor, inflation, supply chain  
Rising interest rates add another challenge, esp. for residential

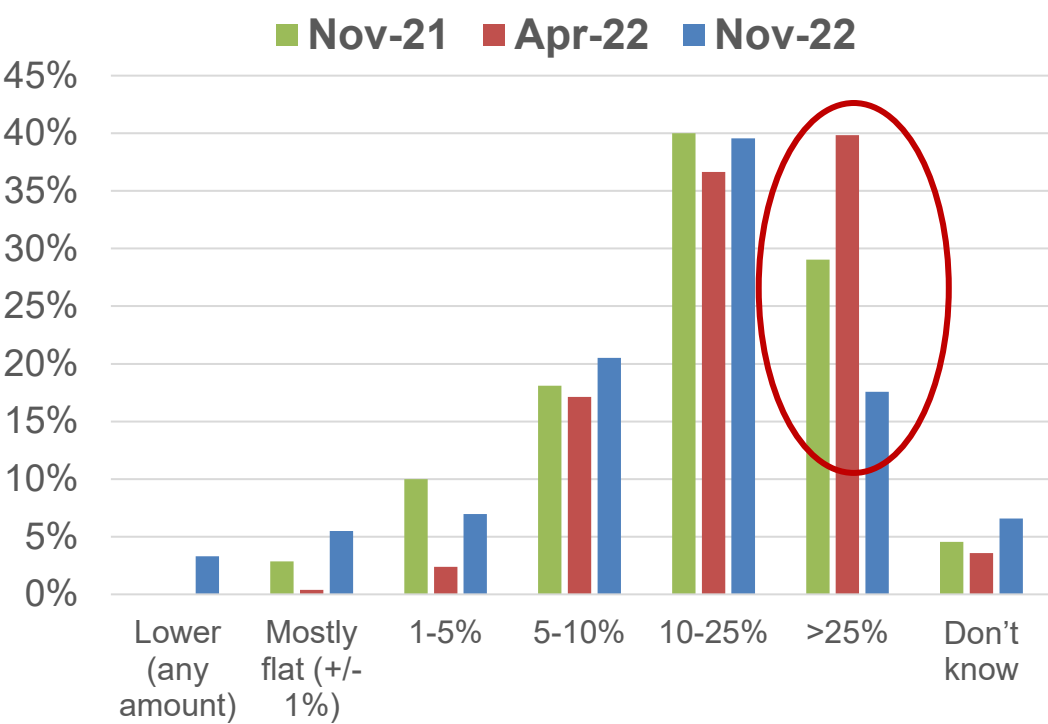
Pick TWO: Greatest challenge to current operations



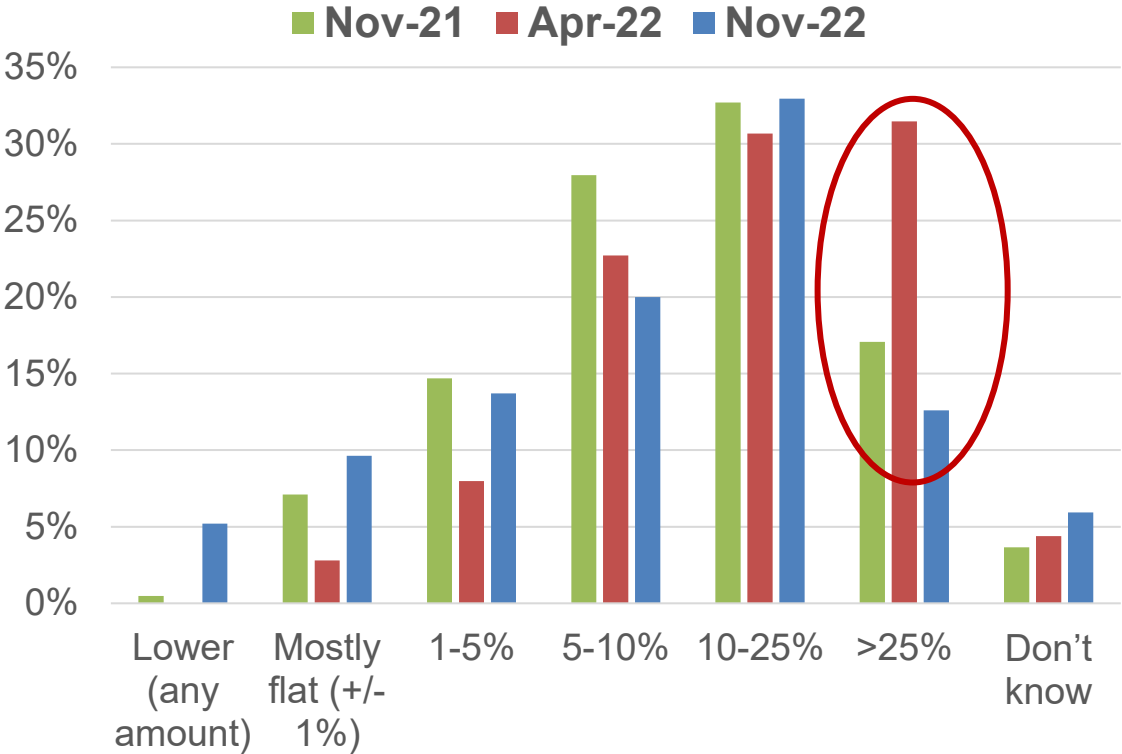
# CHALLENGE: RISING PRICES

Wholesale and retail prices downshifted, but still high

Wholesale prices from vendors compared with a year ago



Retail prices to customers compared with a year ago



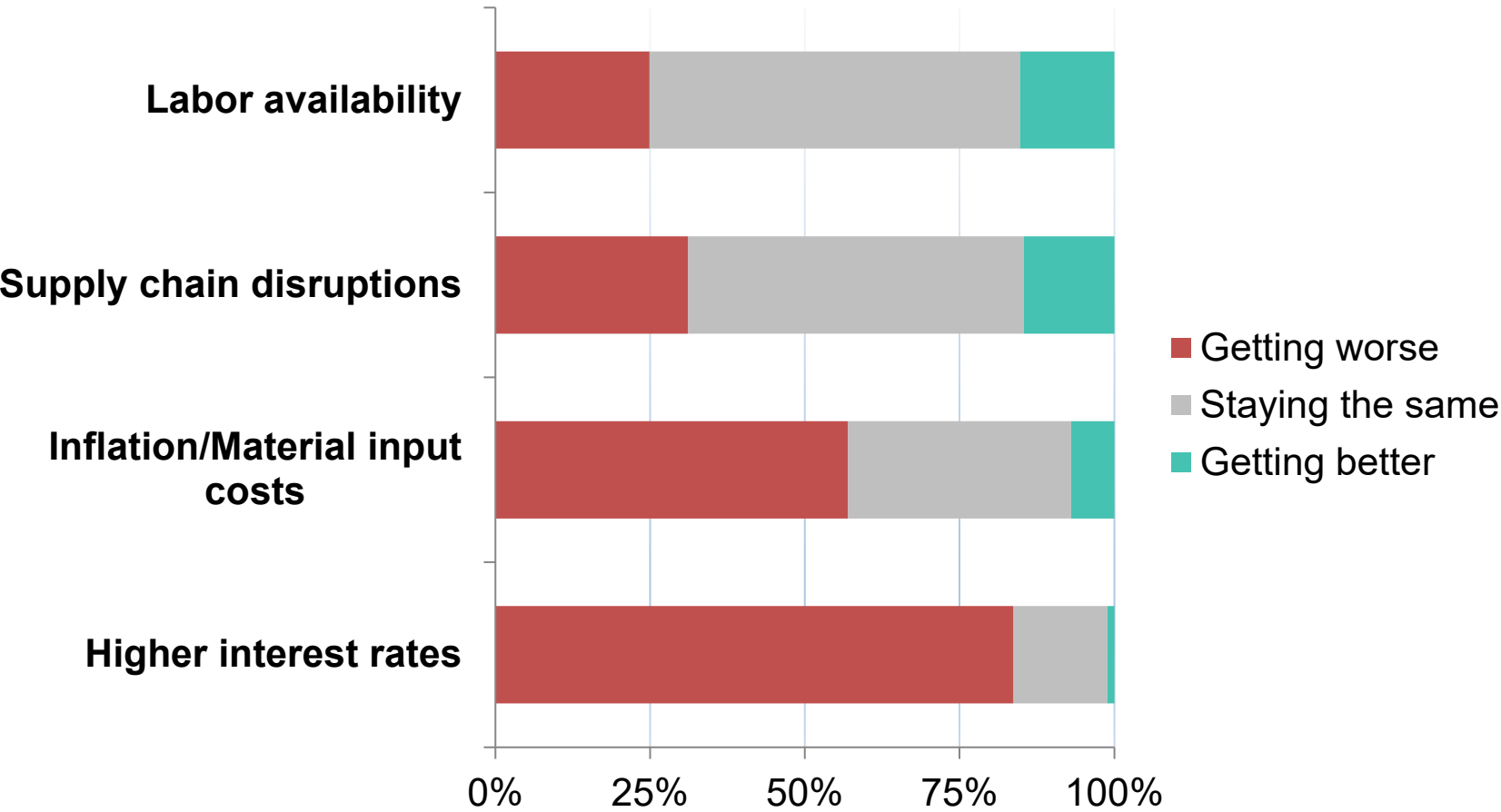


# CHALLENGES – GETTING BETTER OR WORSE?

Over the last 6-8 weeks, what is the trajectory or direction for certain challenges?

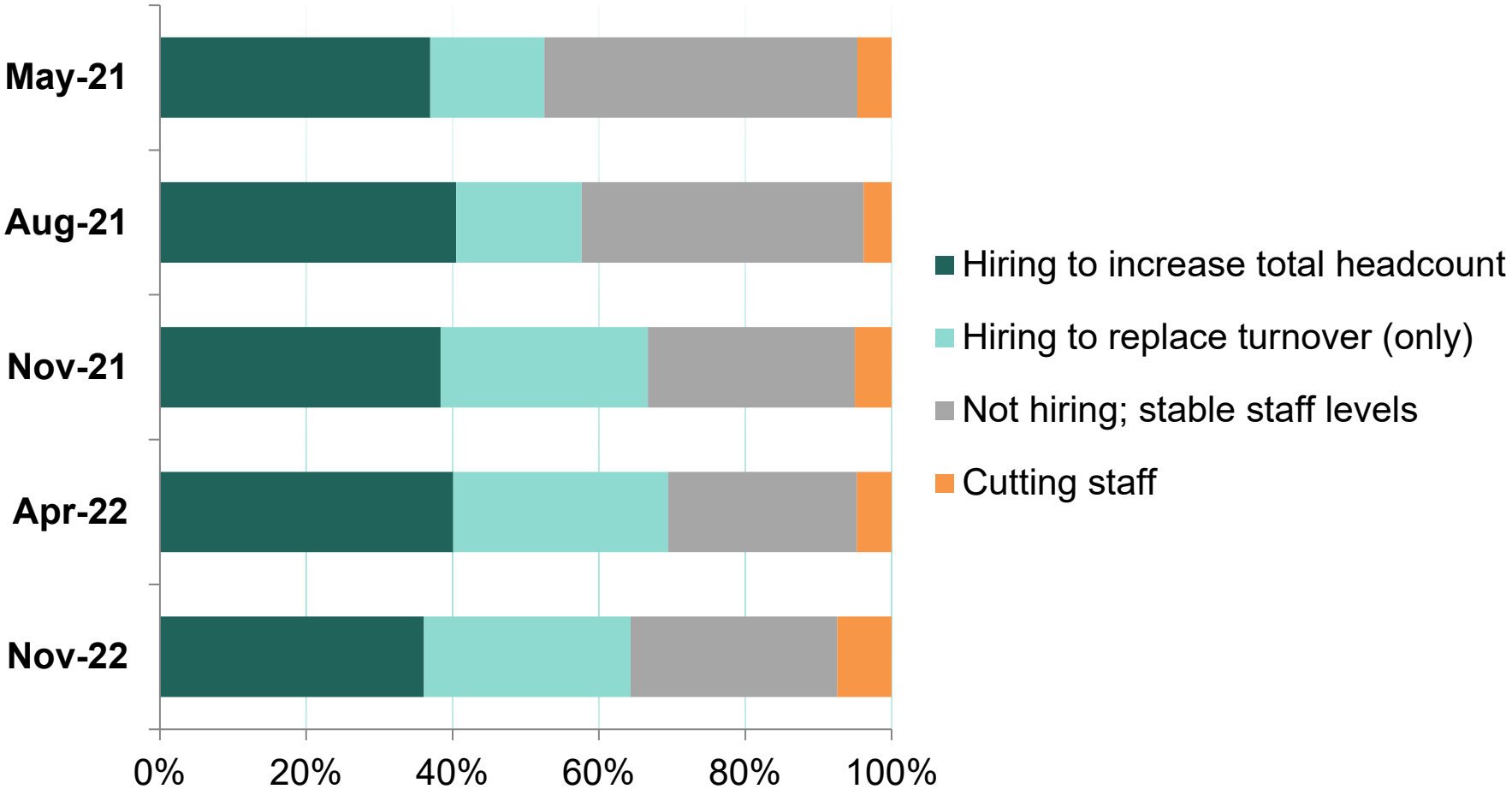
Problems not  
easing of late

Labor availability  
and supply chains  
are closest to  
easing



# LABOR FORCE: STRONG DEMAND CONTINUES

Hiring Demand Over the Past Three Months



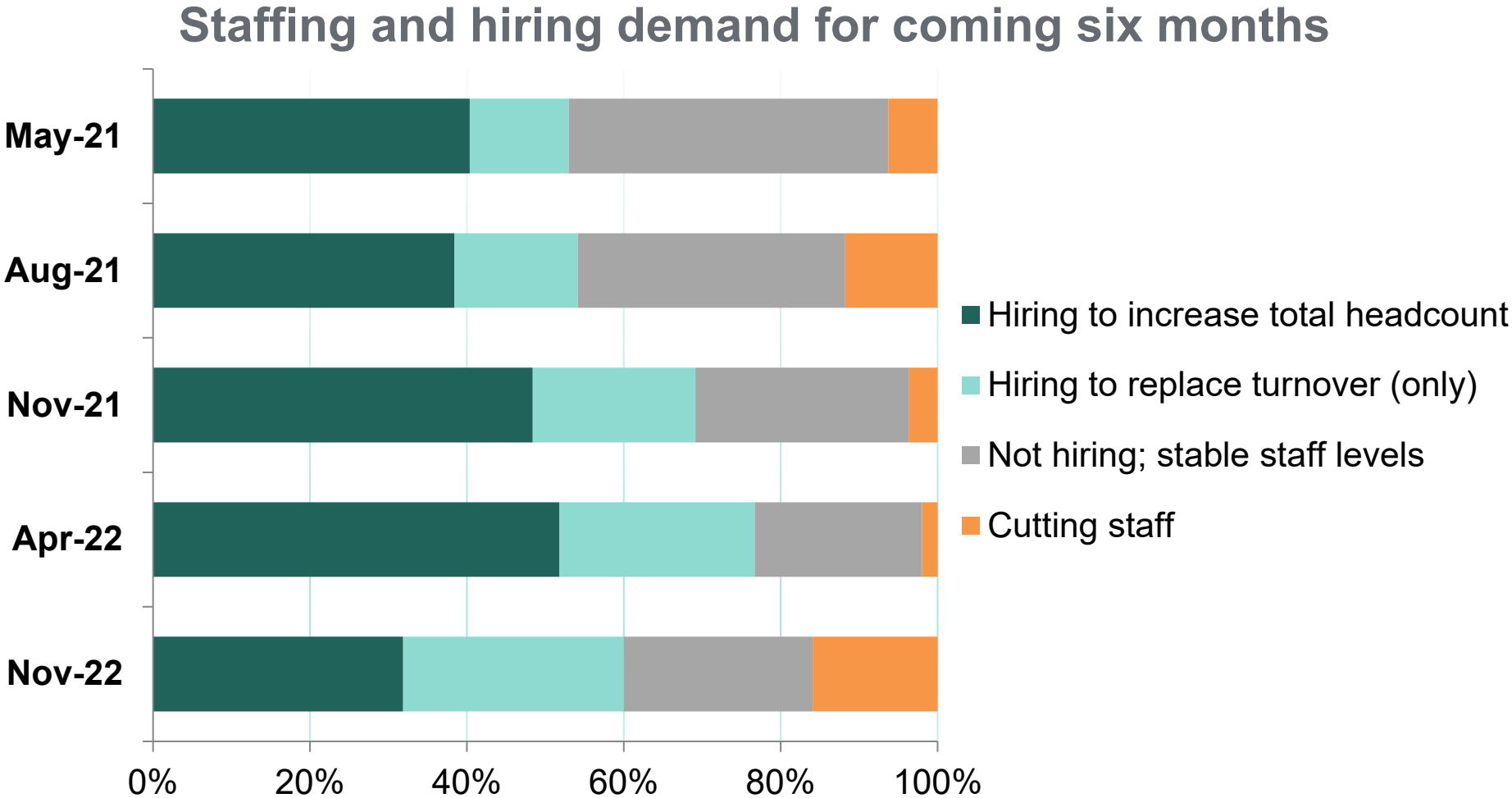
Persistent hiring good signal; industrial strong; residential weaker but still hiring

Some labor demand likely driven by *persistent inability* to find labor for open positions

# FUTURE LABOR DEMAND: WEAKER

Clear pullback in expected future hiring

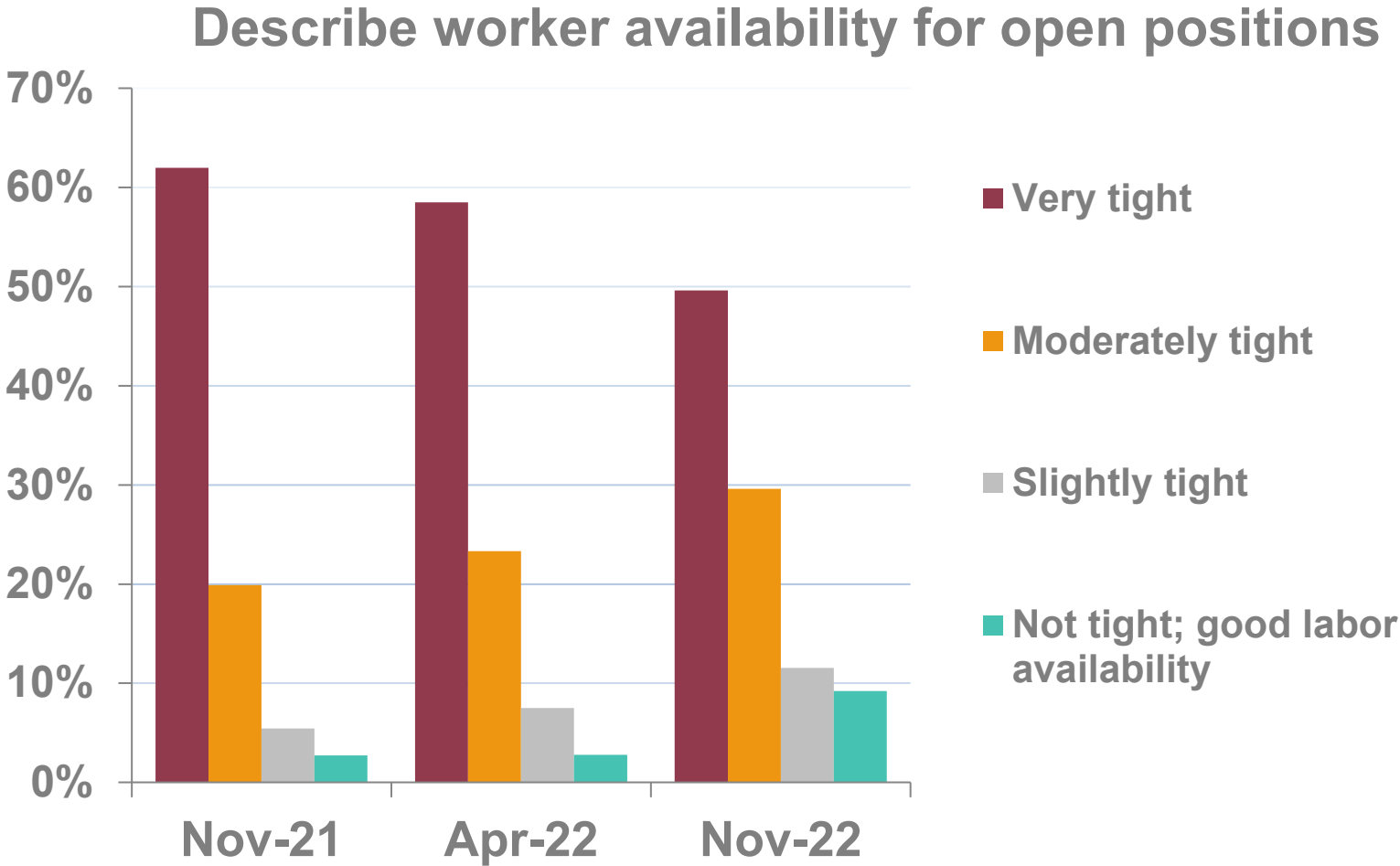
Could be a seasonal effect, but the same signal was not present in November 2021



# CHALLENGE #3: LABOR AVAILABILITY

Modest, continued improvement in labor availability, likely due to softening conditions

But labor conditions still very tight



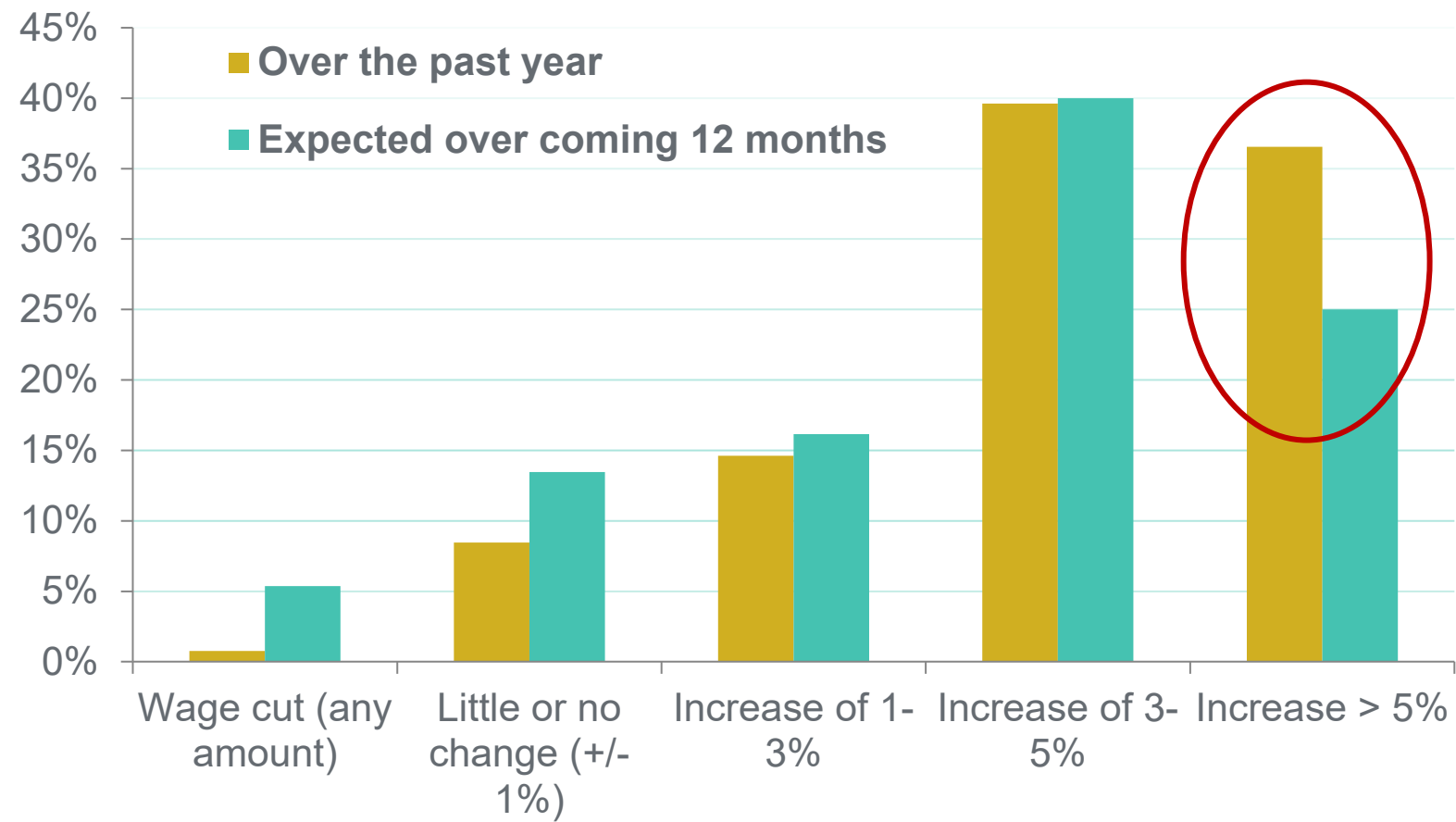
# WAGES HIGH, BUT MAYBE SOFTENING A BIT

Wage increase strong, but pullback on future wage expectations

Reversal from April survey



## Average wage increase for skilled trades



# OUTLOOK: OPTIMISM PREVAILS

Outlook fell; but despite persistent challenges, overall outlook still (net) flat/mixed  
Heavily influenced by falling residential outlook

