
ECONOMIC REPORT



MINNESOTA MANUFACTURING INDEX

MARCH 2026

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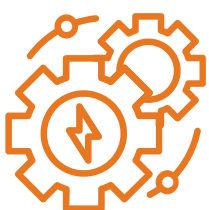
ABOUT BOYUM

YOUR TRUSTED MANUFACTURING TEAM

Manufacturing and distribution companies face growing challenges in today's environment, including rapid technology changes, pricing pressures, complex tax requirements, and ongoing talent shortages. At Boyum Barenscheer, we help clients navigate these obstacles and turn opportunity into advantage. Our experienced team partners closely with manufacturers and distributors to address their most important operational, financial, and strategic needs, including:

- Performance & Strategy Advisory
- Tax Consulting & Compliance
- Assurance & Compliance Services
- Accounting & Outsourced Services

WE SHARE YOUR PASSION FOR INNOVATION.



MINNESOTA MANUFACTURING | MARCH 2026

The March 2026 Minnesota Manufacturing Index highlights several meaningful developments shaping the near-term outlook for Minnesota manufacturers. New data points to a narrowing trade deficit driven primarily by reduced imports rather than export growth, suggesting inventory normalization and cautious purchasing behavior amid elevated uncertainty. Cost conditions have become a growing concern as producer prices posted one of the sharpest month-over-month increases in recent years, even as capacity utilization remains within a healthy range. Business conditions strengthened broadly in March, including a notable rebound in employment, supporting short-term momentum. Manufacturers are preparing for rising input costs amid geopolitical and trade-related risks expected in the months to come.

To catch up on prior reports that include introductions to economic indicators, a five-year historical analysis, and updates from January and February 2026, visit those reports with the following links.

Introductory Index: [HERE](#)

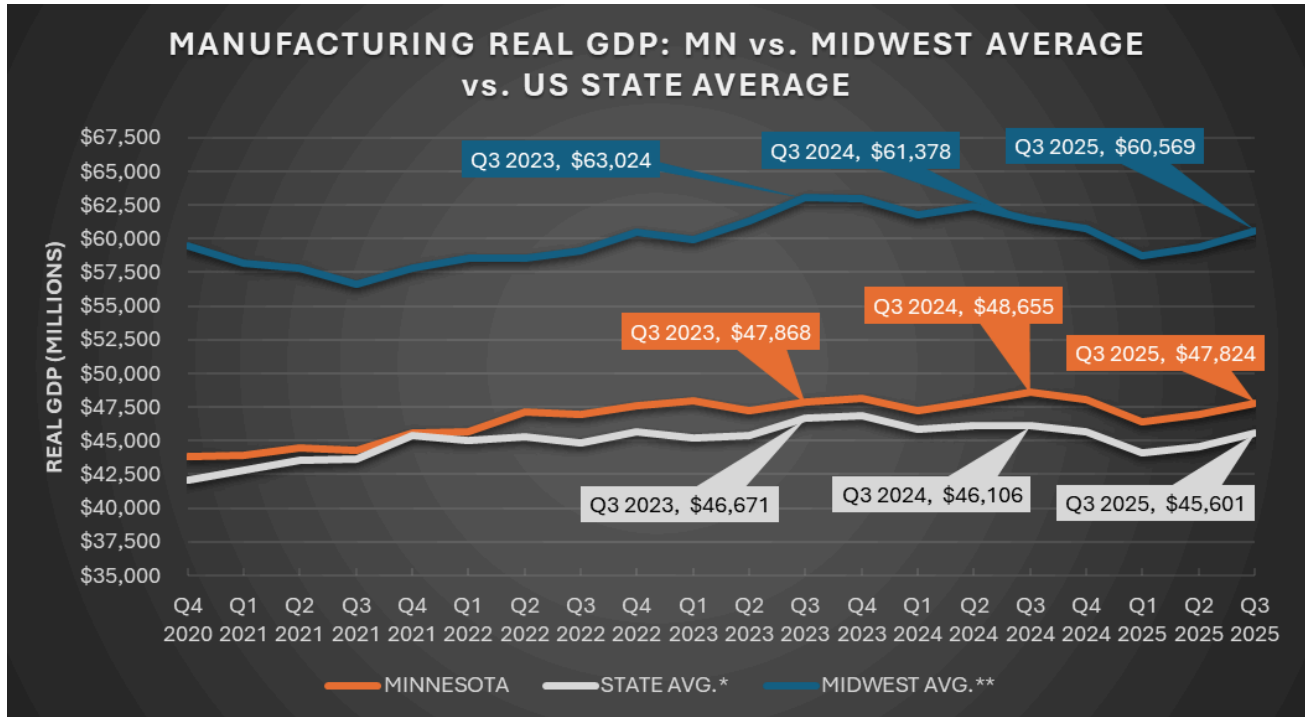
January 2026 Index: [HERE](#)

February 2026 Index: [HERE](#)

KEY INDICATORS | MINNESOTA MANUFACTURING



REAL GROSS DOMESTIC PRODUCT: MANUFACTURING



*State averages were calculated by taking the total United States Manufacturing GDP and dividing by 50 states.

**Midwest refers to Iowa, Michigan, and Wisconsin. North & South Dakota excluded due to population and GDP size relative to aforementioned states.

GDP data is released on a quarterly basis, with the Q4 2025 figures scheduled for publication in April 2026. The graph above, along with the analysis that follows, is drawn from our January 2026 report.

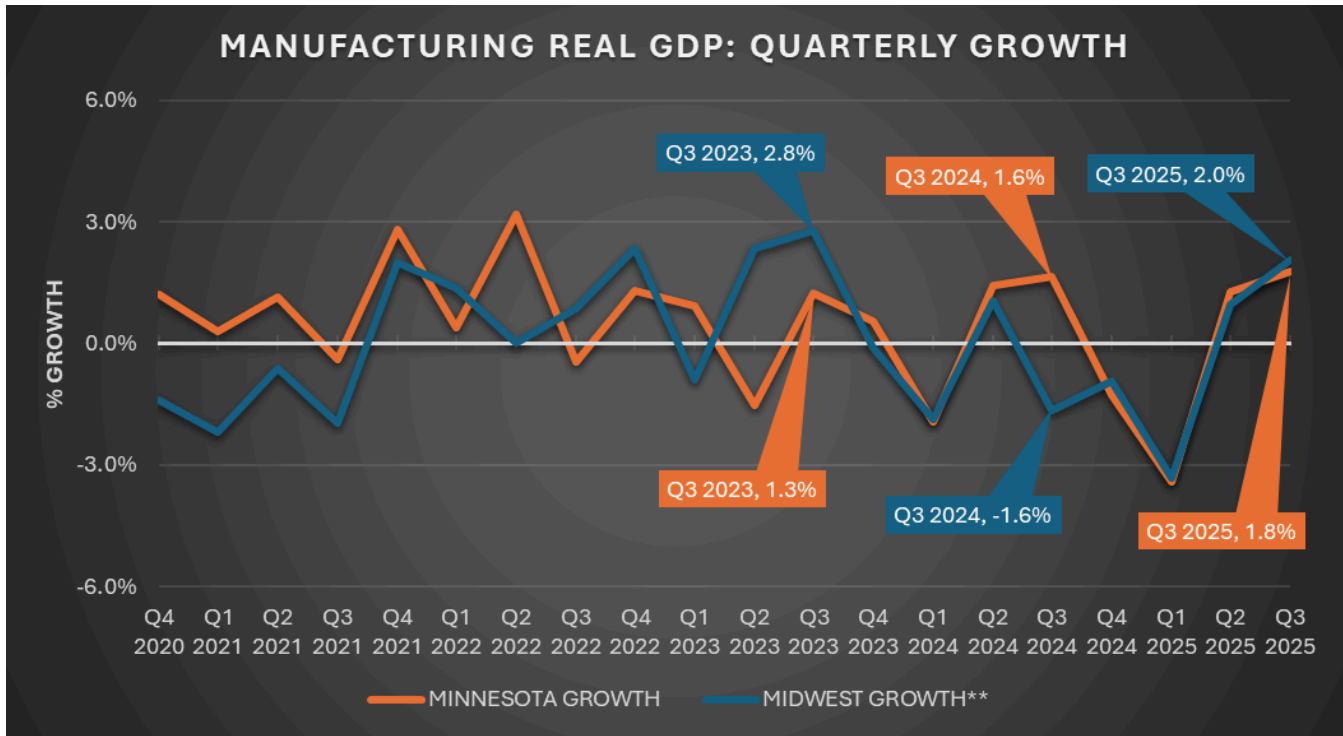
Real Manufacturing GDP (M-GDP) in Minnesota historically lags the Midwest (Iowa, Michigan, and Wisconsin). Averaging 22% less M-GDP than its regional competitors over the last five years; Minnesota struggles to shrink that gap – over that past four quarters of data, Minnesota continues to trail the Midwest average by 21%. Minnesota, however, consistently outperforms the United States (US) average, averaging a gap of 3.6%. Minnesota has expanded that gap over the trailing four quarters of data, averaging 5.4% higher M-GDP than the US average.

Minnesota peaked over the third quarter of 2024, while the Midwest and US average peaked in Q3 and Q4 of 2023, respectively. 2025 was a rebuilding year for manufacturers in the United States, all three subjects look to rebound in Q4 2025 to catch back up to their 2024 Q4 levels since the dip sustained between Q4 2024 and Q1 2025.

KEY INDICATORS | MINNESOTA MANUFACTURING



REAL GROSS DOMESTIC PRODUCT: MANUFACTURING



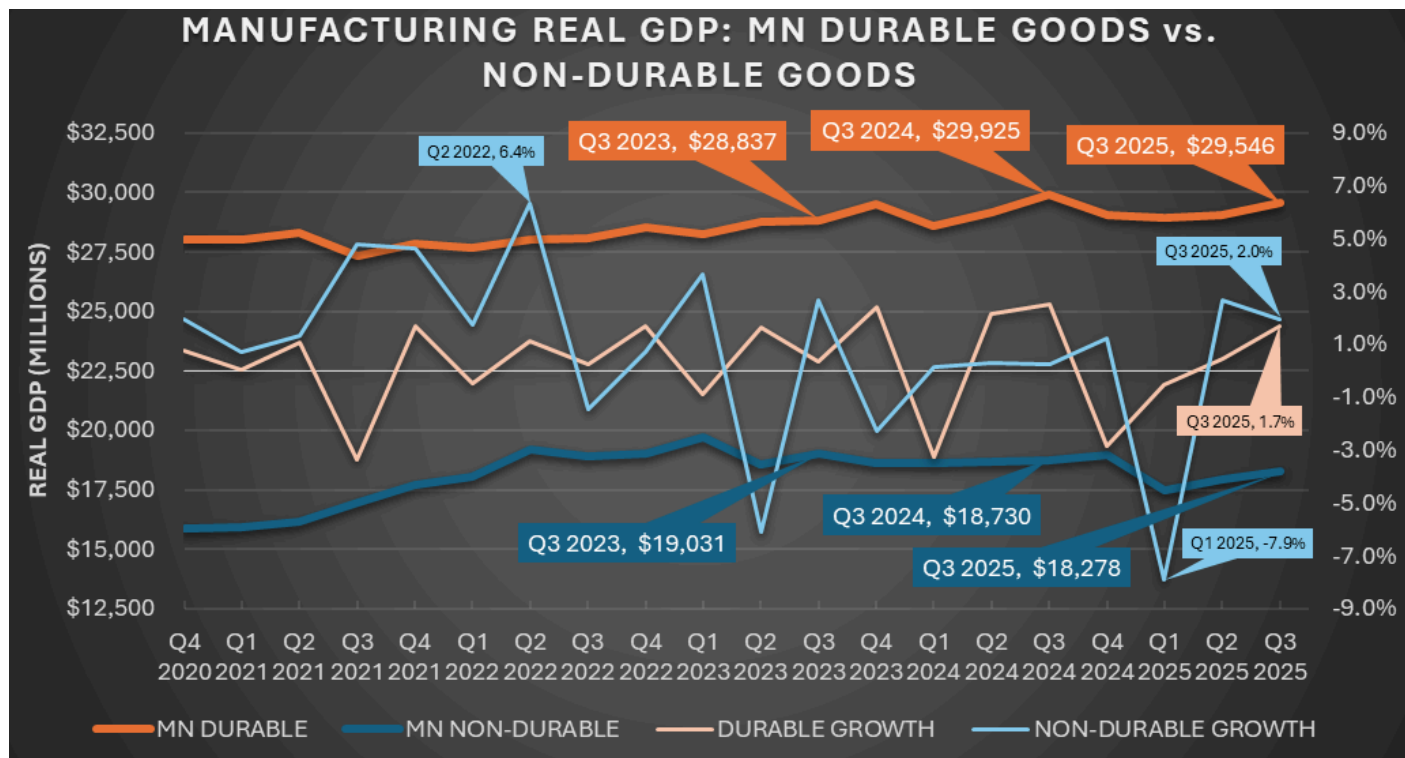
**Midwest refers to Iowa, Michigan, and Wisconsin. North & South Dakota excluded due to population and GDP size relative to aforementioned states.

GDP data is released on a quarterly basis, with the Q4 2025 figures scheduled for publication in April 2026. The graph above, along with the analysis that follows, is drawn from our January 2026 report.

Minnesota has seen a total of 9% growth in M-GDP since Q4 2020 (\$43,842M to \$47,824M), compared to the Midwest's growth of only 1.8% over that same period (\$59,469M to \$60,569M). Minnesota only saw six quarters with regression, whereas the Midwest saw ten quarters of regression. In that same time frame, Minnesota only had two consecutive quarters of M-GDP decline, compared to six sets of back-to-back quarterly regressions, displaying Minnesota's ability to quickly rebound after a negative quarter. Both Minnesota and the Midwest felt the effect of the nationwide tariff uncertainty, from Q3 2024 to Q2 2025, M-GDP output dropped 4.6% and 4.3%, respectively. Minnesota Q3 2025 M-GDP was only \$45M below Q3 2024 levels, compared to the Midwest average which lags \$1,838M behind their Q3 2024 output. Despite pessimism for the future of manufacturing in Minnesota, the past five years have shown that even during economic uncertainty, Minnesota is a state that holds fast and rebounds quickly from down periods.

KEY INDICATORS | MINNESOTA MANUFACTURING

REAL GROSS DOMESTIC PRODUCT: MANUFACTURING



GDP data is released on a quarterly basis, with the Q4 2025 figures scheduled for publication in April 2026. The graph above, along with the analysis that follows, is drawn from our January 2026 report.

Approximately 60% of Minnesota’s M-GDP has been held on the back of durable goods manufacturing over the past five years. The non-durable goods subsector of M-GDP is growing at a higher rate than durable goods – 0.9% average quarterly growth compared to 0.3%. Over the same time frame, federal interest rates (prime rate) jumped from 3.25% (Q4 2020) to a peak of 8.5% (Q2/Q3 2023) before starting the decline to 7.25% (Q3 2025). It appears that rising interest rates did not correspond to a decline in durable goods manufacturing, but it does seem to have impeded growth potential. A major factor of the manufacturing industry throughout the United States has been the uncertainty surrounding tariffs. The first official tariff announcement took place in January 2025. Non-durable goods dropped 7.9% in the quarter immediately following the announcement. Durable goods saw only a 0.5% dip in that same quarter. This indicates a much higher reliance of non-durable goods manufacturers on global supply chains, compared to durable goods manufacturers.

Non-durable goods are more volatile than durable goods. This volatility is driven primarily by rapid cost swings. Manufacturers can limit their volatility by diversifying their supply chain, exploring hedging and forward contracting, investing in demand forecasting, and ensuring the flexibility of their production capacity. Durable goods manufacturers are not as subject to sudden economic shifts but are deeply impacted by major cycle shifts. Monitoring leading indicators is crucial to proactively navigate economic shifts rather than reacting to them. Key points of emphasis for durable goods manufacturers to avoid volatility include the diversification of customer bases and industries, strengthening long-term supply contracts, continuing investment in technology (robotics, AI, automation), and monitoring macroeconomic leading indicators.

KEY INDICATORS | MINNESOTA MANUFACTURING



IMPORTS & EXPORTS OF MANUFACTURED GOODS



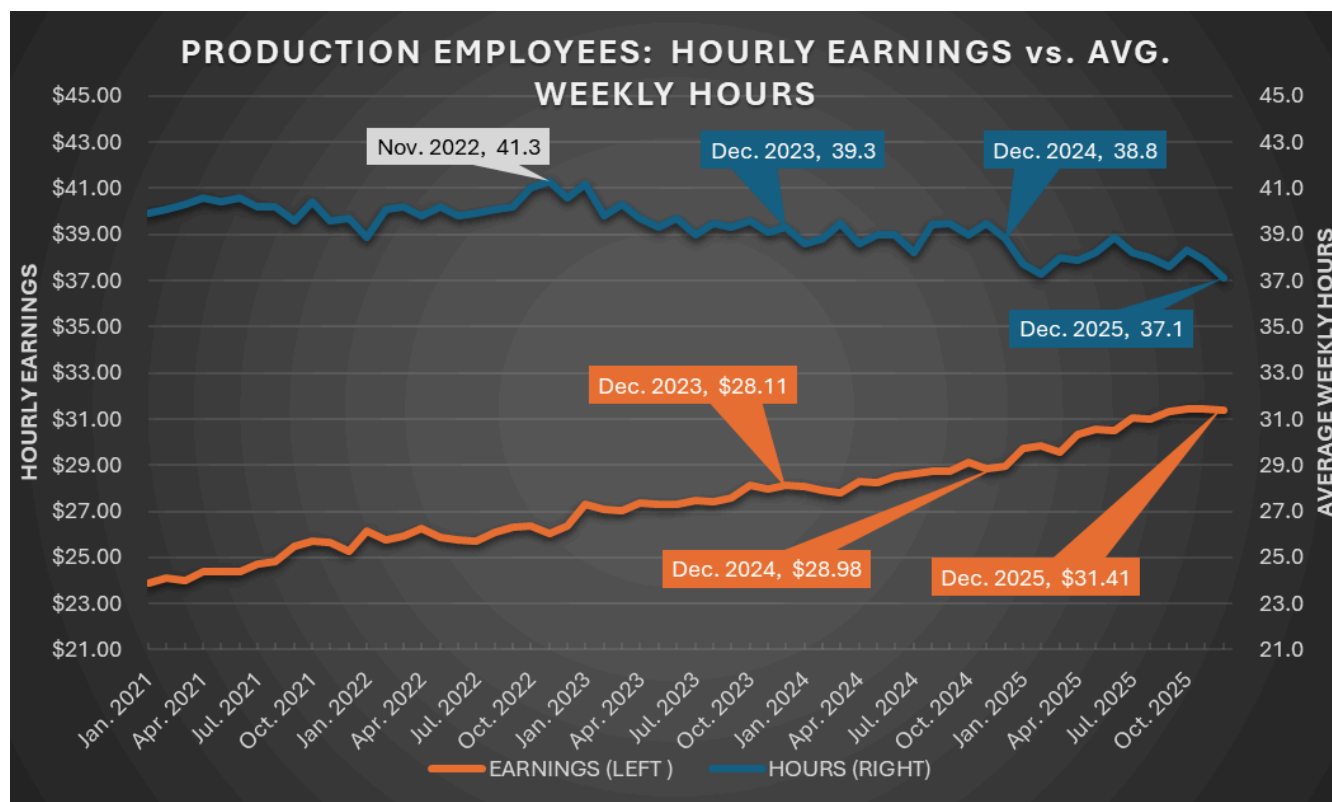
Since the last report, two additional months of data have been reported. January came in with \$2.15B and \$1.65B for imports and exports, respectively. Imports increased by only \$15M while exports dropped \$31M. February carried a different trend, imports dropped by \$178M, marking a total of \$1.97B and exports increased by \$44M, hitting \$1.7B.

The gap in the trade deficit was narrowed in February, sitting at \$274M, compared to the trailing 12 month average of \$430M deficit. The shrinking of this deficit, however, has been a result of declining imports rather than an improvement in exports. Export levels have remained stable the past 4 months and the sharp drop in imports narrowed the gap.

While a narrowing trade deficit generally implies positivity, the cause of that narrowing does not. The deficit shrunk due to a decline in imports which have potential causation. Possible interpretations include: a weakening local economy, drawdowns on inventory, cautionary rebound rather than constructive, or various other causes. The past two reports on Business Conditions Index (BC) highlighted the healthy inventory levels, which may be contributing to reduced demand for imports. As manufacturers are sitting at healthy levels of inventory, they are less likely to import raw materials or component parts used in finished products. Minnesota's inventory levels from BC sit at 55.6, which implies there is less demand for imports than periods of sub-50 inventory levels. In combination with New Orders from BC sitting at 60.4 for March 2026, we could see an increase in exports and a continued decrease in imports, further shrinking the trade deficit gap.

KEY INDICATORS | MINNESOTA MANUFACTURING

AVERAGE WEEKLY HOURS & HOURLY EARNINGS OF PRODUCTION EMPLOYEES



Average weekly hours and hourly earnings of production employees is typically published monthly, however, there has been a delay and the next set of data is expected in early April 2026. The graph above, along with the analysis that follows, is drawn from our January 2026 report.

There is a distinct pattern in the average hours and average hourly earnings of production employees in Minnesota. In the past five years, hours have dropped by 7.0%, while earnings have grown 31.4%. In that same time span, November 2022 recorded the highest average hours of production. Looking behind at M-GDP for Minnesota in Q1 2023, when those hours would have resulted in actual M-GDP output, Minnesota M-GDP posted its 4th highest M-GDP since Q3 2015. However, the three quarters that exceeded Q1 2023 were Q4 2023, Q3 2024, and Q4 2024 – a time when production hours essentially flatlined. The output of Minnesota Manufacturers appears to be growing while the hours worked steadily decline.

Wages have steadily increased over the past five years, averaging nearly 0.5% wage increase every month. Minnesota manufacturers have made it clear that the demand for skilled laborers is at an all-time high. If Minnesota manufacturers were offering purely inflation-based compensation increases, production employees at the end of 2025 would have been averaging only \$27.02/hour. Despite the increase in compensation, the industry continues to struggle to attract skilled workers.

At their current rate of growth (wages) or decline (hours), manufacturers will see their production employees averaging 35 hours/week and making \$40/hour in only four years. To get ahead, manufacturers need to create a strategic plan that focuses on growth, without heavy reliance on production employees. If current workforce struggles continue, manufacturers will be forced to adapt their production process and invest in technology and process efficiencies that limit the human hours required to produce goods.

KEY INDICATORS | MINNESOTA MANUFACTURING



BUSINESS CONDITIONS INDEX

MINNESOTA						
INDEX	MARCH	FEBRUARY	CHANGE	TREND*	OUTLOOK	PACE
Overall	58.4	56.6	1.8	3	Growth	Slow
New Orders	60.4	59.7	0.7	2	Growth	Slow
Production	58.5	58.1	0.4	3	Growth	Slow
Supplier Deliveries***	57.8	57.3	0.5	18	Contraction	Slow
Employment	59.8	49.7	10.1	1	Growth	Fast
Inventories	55.6	58.3	-2.7	3	Growth	Moderate
NATIONAL						
INDEX	MARCH	FEBRUARY	CHANGE	TREND*	OUTLOOK	PACE
Overall	52.7	52.4	0.3	4	Growth	Slow
New Orders	53.5	55.8	-2.3	4	Growth	Moderate
Production	55.1	53.5	1.6	5	Growth	Slow
Supplier Deliveries***	58.9	55.1	3.8	4	Contraction	Moderate
Employment	48.7	48.8	-0.1	3	Contraction	Slow
Inventories	47.1	48.8	-1.7	3	Contraction	Slow
MID-AMERICA**						
INDEX	MARCH	FEBRUARY	CHANGE	TREND*	OUTLOOK	PACE
Overall	55.6	54.7	0.9	2	Growth	Slow
New Orders	48.6	59.3	-10.7	1	Contraction	Fast
Production	57.8	56.7	1.1	3	Growth	Slow
Supplier Deliveries***	56.9	55.5	1.4	27+	Contraction	Slow
Employment	50.7	49.2	1.5	1	Growth	Slow
Inventories	52.4	52.8	-0.4	2	Growth	Slow

*Number of months with the same indication, above 50 or below 50.

**Mid-America is defined by Creighton University's Dr. Ernest Goss as Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma, and South Dakota.

***Supplier Deliveries is the only sub-indicator that is reported inversely. > 50 = contraction – viewed as longer lead times (a negative signal), <50 = improvement, faster lead times.

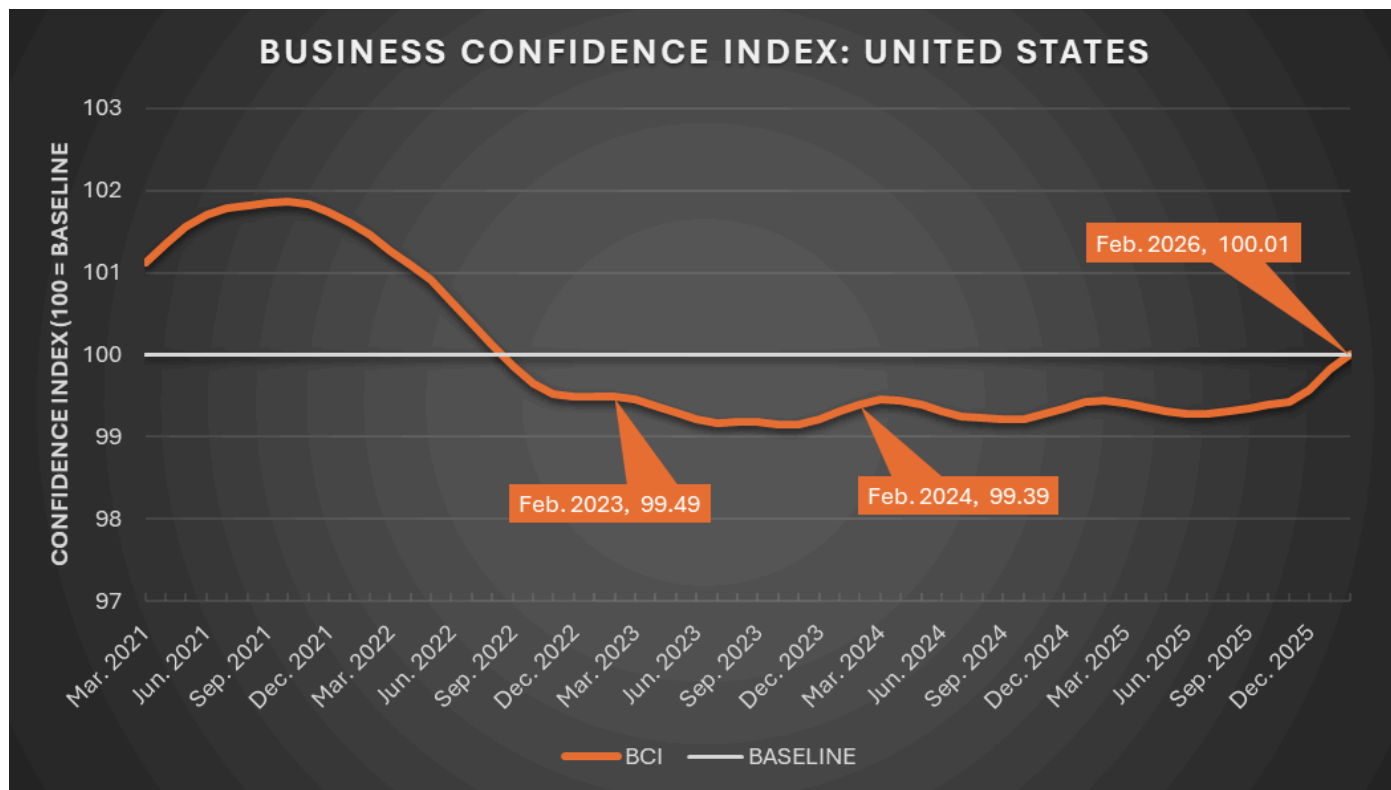
March continues the theme of 2026 as Overall BC comes in at 58.4, another increase from February. Inventories dropped from February, but remain above 50, sitting at a healthy level of 55.6. Employment turned the tides, notching a dramatic swing from perennial sub-50 levels up to 59.8. Indicating a shift in the employment landscape for manufacturing in Minnesota – Dr. Ernest Goss of Creighton University noted March 2026 as the first month since March 2025 with manufacturing jobs added (speaking of Mid-America as a whole).

Minnesota continues to outpace its competitors in Overall (+2.8), New Orders (+11.8), Production (+0.7), Employment (+9.1), and Inventories (+3.2), while lagging behind in Supplier Deliveries (-0.9) – Supplier Deliveries are viewed inversely relative to other metrics. March does not capture the unknown effects of the increased international tensions or newly announced tariffs, so the upcoming months are likely to see changes resulting from this news.

KEY INDICATORS | NATIONAL MANUFACTURING



BUSINESS CONFIDENCE INDEX



Business Confidence Data has not been updated since the last report. The analysis below is pulled directly from the February 2026 Minnesota Manufacturing Index.

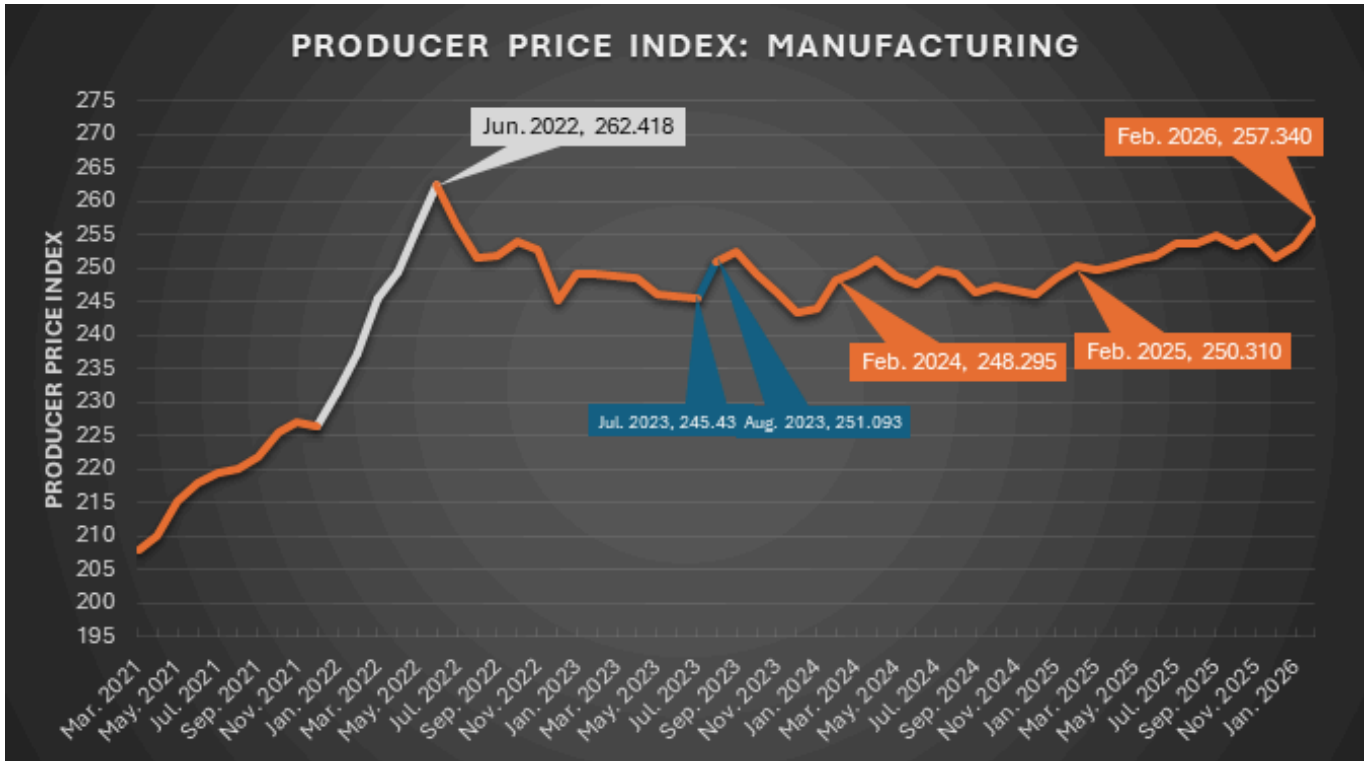
February marked the first month since August 2022 to mark business confidence above the benchmark of 100, and also marks 7 straight months of increasing confidence. This data matches the Business Conditions Index, in which the US has reported 3 consecutive months of overall Business Conditions above the benchmark of 50. The peripheral sub-indicators of Business Conditions also suggest that this trend should continue, and we would expect BCI to remain around its long-term baseline of 100, subject to normal month-to-month volatility.

Historically, a level above 100 signals changes to inventory management – levels under 100 generally coincide with running lean inventory and periods of destocking, to periods of rebuilding and restocking. The upward tick in New Orders for February in Minnesota and Mid-America also encourages a period of restocking and a buildup of inventory. Additionally, as confidence increases and businesses' uncertainty drops, investment in business and hiring tends to climb. This also coincides with Business Conditions as employment levels fell below the benchmark of 50 in February, down from 54.7 in January. As New Orders and Production strengthened, hiring pressures are likely to increase in coming months, though employment remained in contraction during February.

KEY INDICATORS | NATIONAL MANUFACTURING



PRODUCER PRICE INDEX: TOTAL MANUFACTURING



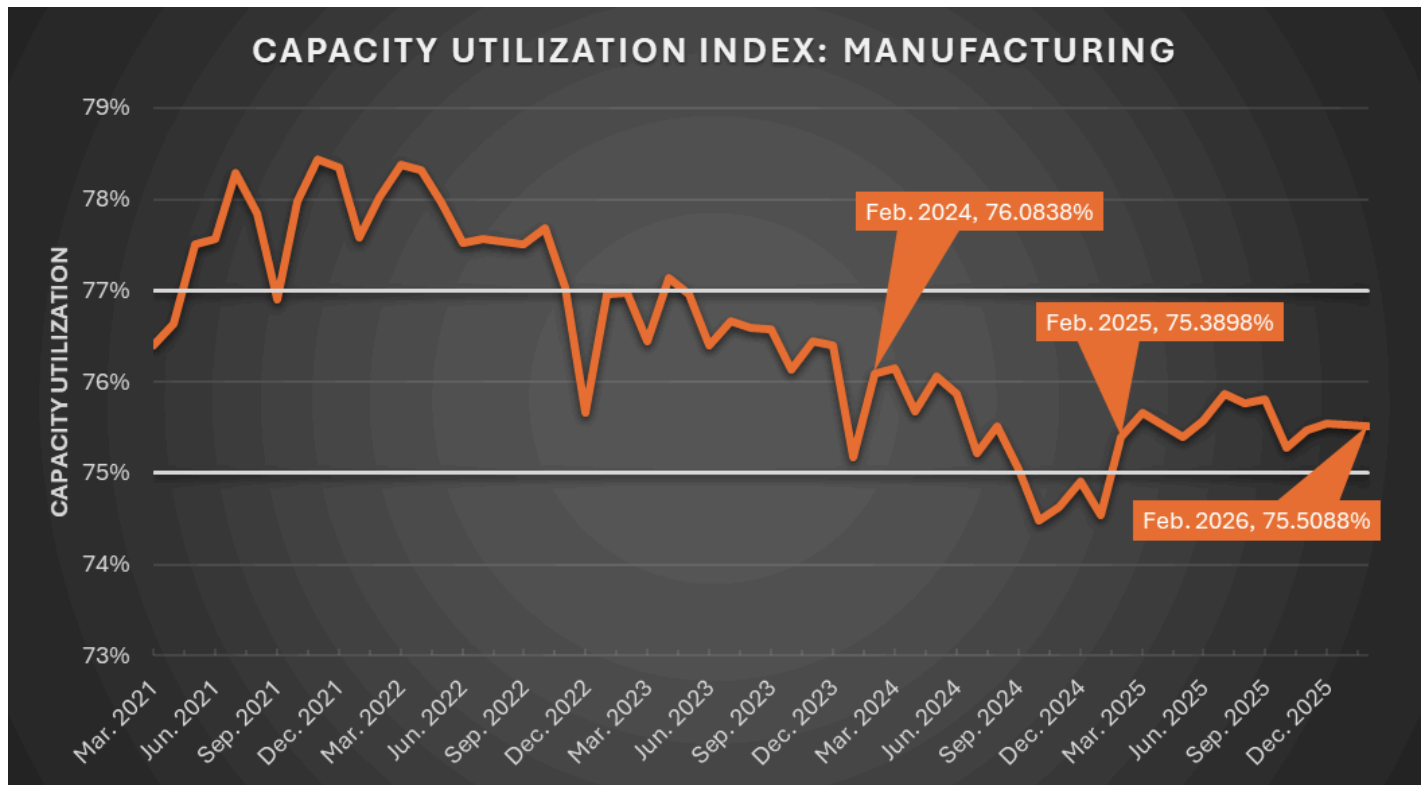
February 2026 PPI rose to 257.34 from 253.407 in January, reaching its highest level since June 2022. This represents one of the largest month-over-month manufacturing PPI increases since mid-2023 which was followed with a marginal increase and then three-month decrease. Monitoring PPI levels over the next several months will be key – the period of December 2021 to June 2022 led to one of the most significant periods of inflation that the United States has seen. Continuing increases to PPI over the next several months could indicate another period of rising inflation – purchasing management over this period is crucial to maintaining competitiveness and limiting drawbacks.

In addition to overall PPI noted above, disaggregated PPI by commodity is readily available. This provides further insight to the raw material cost trends that are used in the manufacturing process in Minnesota. Access that report [HERE](#).

KEY INDICATORS | NATIONAL MANUFACTURING



CAPACITY UTILIZATION: MANUFACTURING

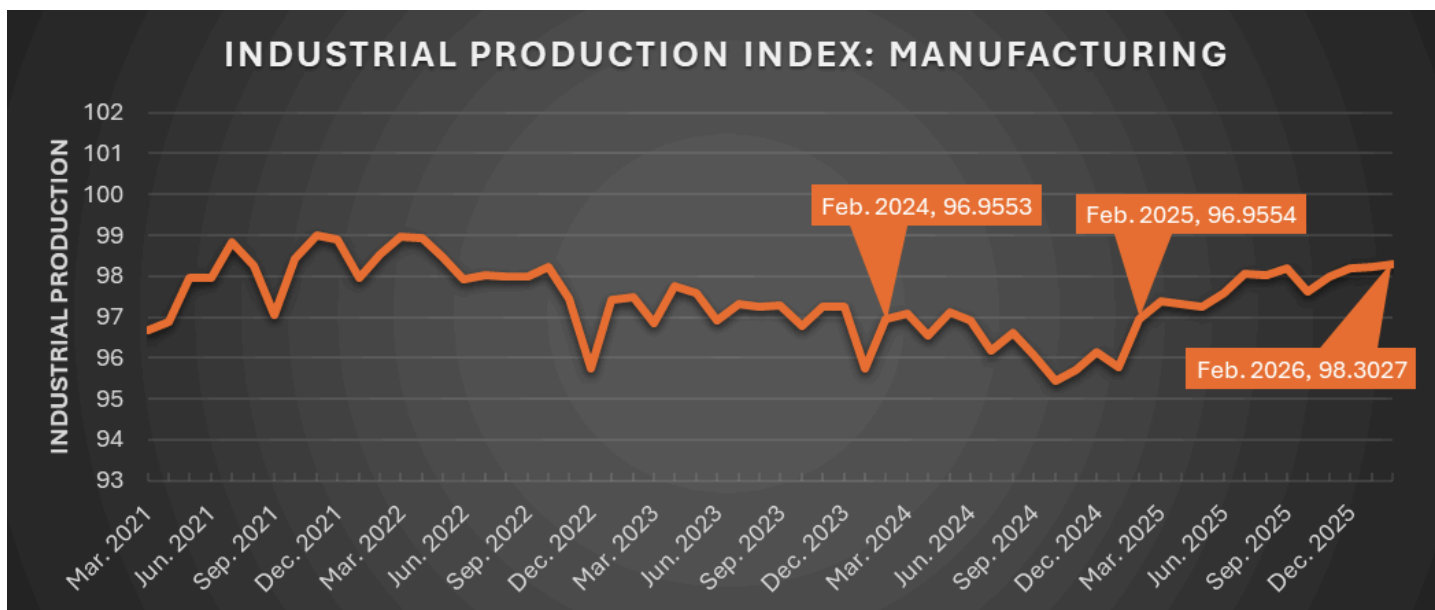


Capacity utilization remains at a healthy level of 75.5% for February 2026, remaining within the generally accepted benchmark of 75-77%. This indicates that US manufacturers on average have the capacity to increase their production without the need for new facilities. BC sub-indicators of New Orders, Production, and Employment all carrying growth-positive levels, we would expect capacity utilization to increase. However, maintaining a healthy level of capacity speaks to the adaptability of manufacturers to manage their facilities during periods of rising and falling demand.

Based on current trends of Cap-U leveling between the upper and lower thresholds, there continues to be little incentive to invest in new facilities. Continued investment in automation and processes appears to be a more beneficial use of capital for the time being. Continuing to evaluate sub indicators of BC in combination with Cap-U is essential in determining if facility investment is the proper path forward.

KEY INDICATORS | NATIONAL MANUFACTURING

INDUSTRIAL PRODUCTION: MANUFACTURING



Manufacturing IPI continues its upward trend, reaching its highest level since May 2022. Production levels reported by the Business Conditions Index for the Nation hit 55.1, a 1.6 point increase from February 2026. Demand remains high as well as New Orders continue with levels above 50 indicating that we could continue to see IPI increase.

Manufacturers have answered the question of “can they produce?”, and now need to answer the question of “can they protect margins?”. With the increase in PPI, uncertainties surrounding tariffs and the heightened geopolitical tensions are causing fluctuations in prices that need to be handled. These environments are often favorable for manufacturers that have pricing power and the ability to pass through increased costs. This environment is often more difficult to manage for those that do not have the ability to pass through their costs.

The combination of Business Conditions sub-indicators, the recent PPI spike, steady Cap-U, and IPI steadily increasing leads to a positive outlook for the next few months, while the intermediate time frame of three to nine months appears a bit more fragile. Any significant fluctuation in demand can cause a fracture in the manufacturing system. Some key items to watch for in the coming months include: shortening customer lead times (indicates slowing demand), ratio of inventory levels to orders sent out (could lead to risk of holding too much inventory), and pricing realization (evaluates the ability to pass along increasing costs).

SUMMARY

March's data reinforces a cautiously constructive outlook for Minnesota manufacturing, supported by improving business conditions and a notable rebound in employment, even as emerging pressures warrant close attention. The recent spike in producer prices introduces renewed margin risk, particularly as capacity utilization remains near levels that limit pricing relief from scale alone. The narrowing trade deficit, driven by falling imports rather than export growth, suggests disciplined inventory management and measured purchasing behavior that could either support stabilization or constrain growth depending on the evolution of demand over the next three to six months. Taken together, these developments point to solid near-term momentum, while highlighting that the next phase of the manufacturing cycle will hinge on manufacturers' ability to manage costs, protect margins, and remain adaptable amid trade uncertainty and broader global risks.

Questions?

Reach out to us at info@myboyum.com.



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