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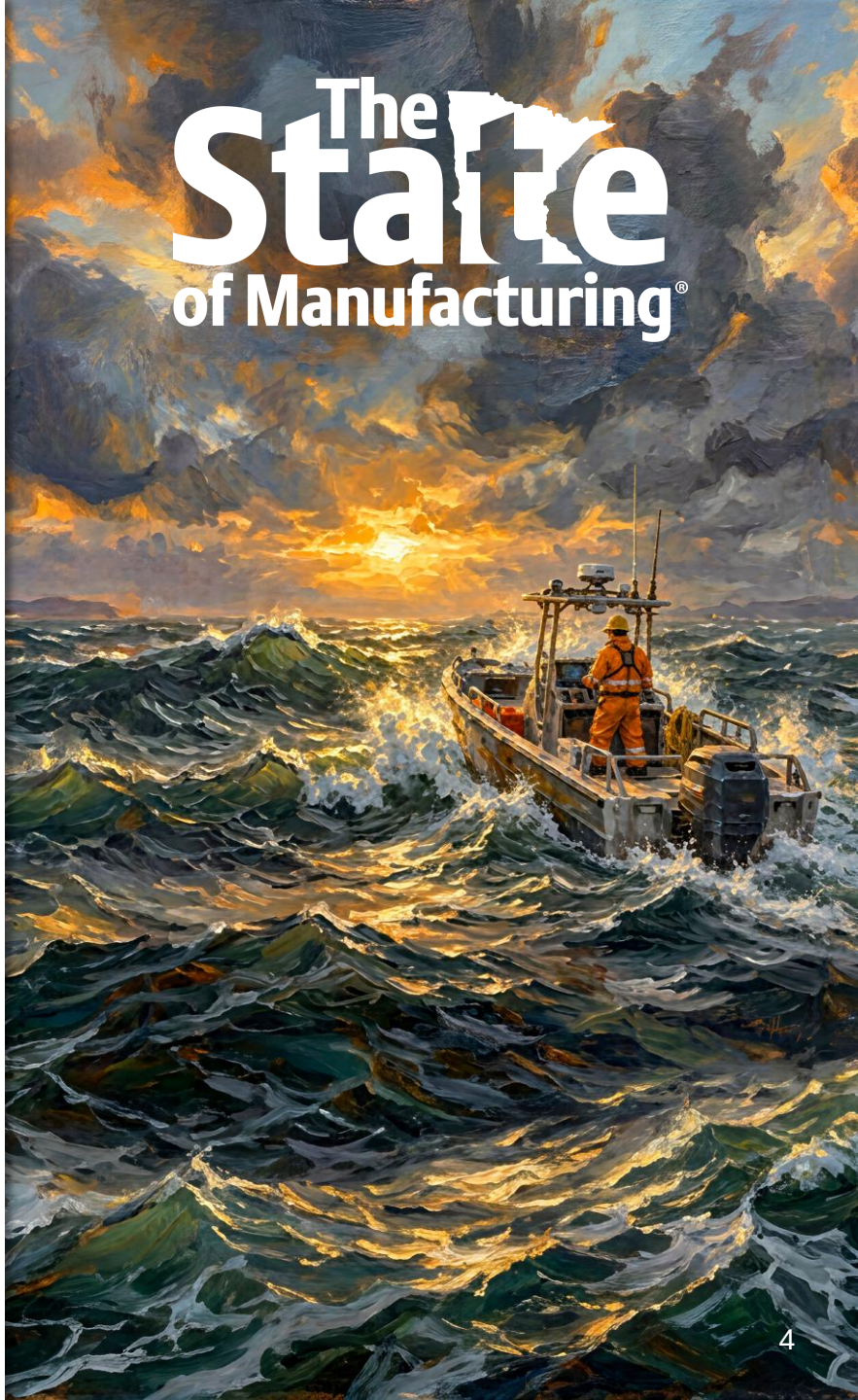
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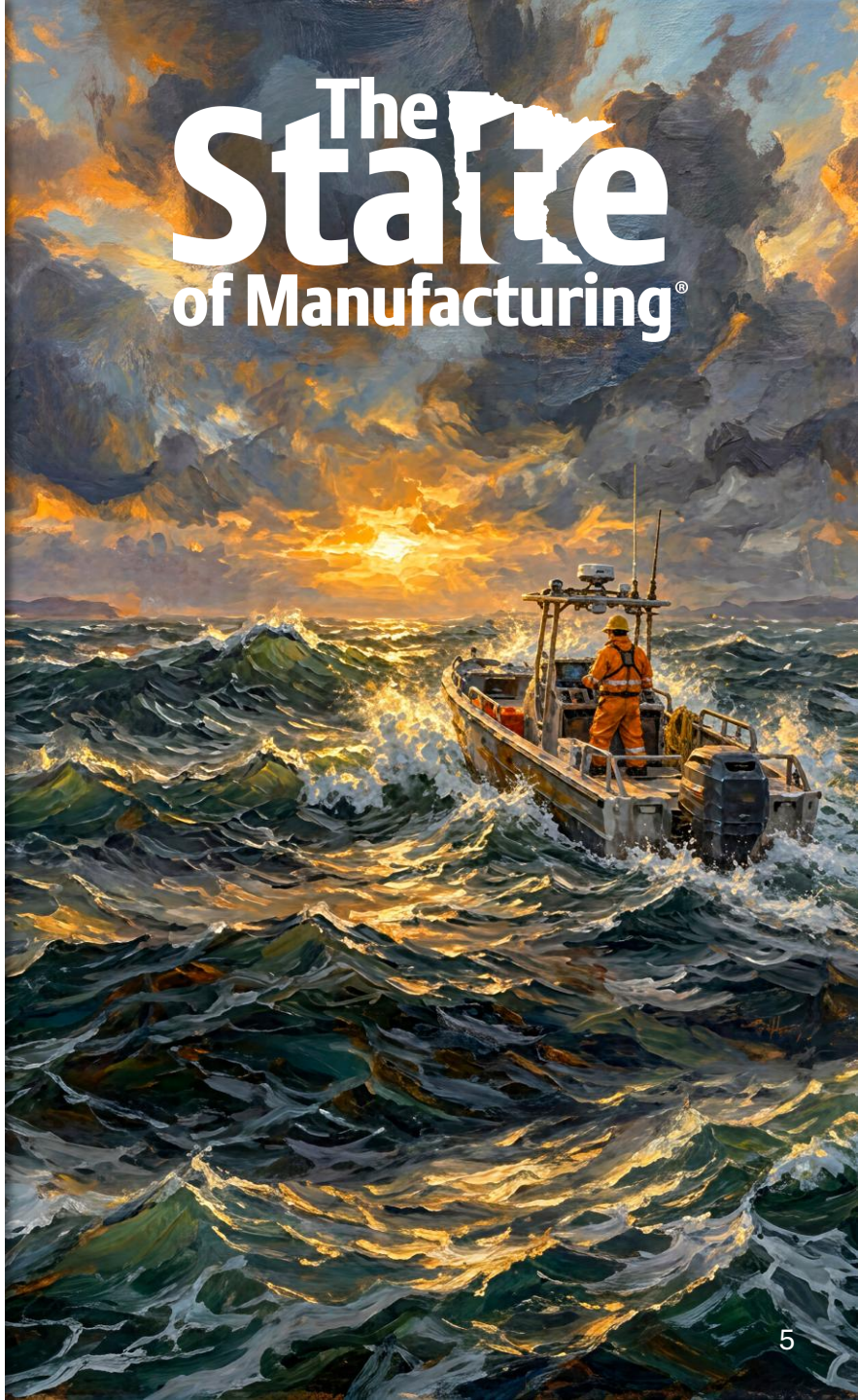
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The State of Manufacturing®

METHODOLOGY

On behalf of Enterprise Minnesota, Meeting Street Insights is pleased to present the key findings from the 18th annual survey of manufacturing executives in Minnesota.

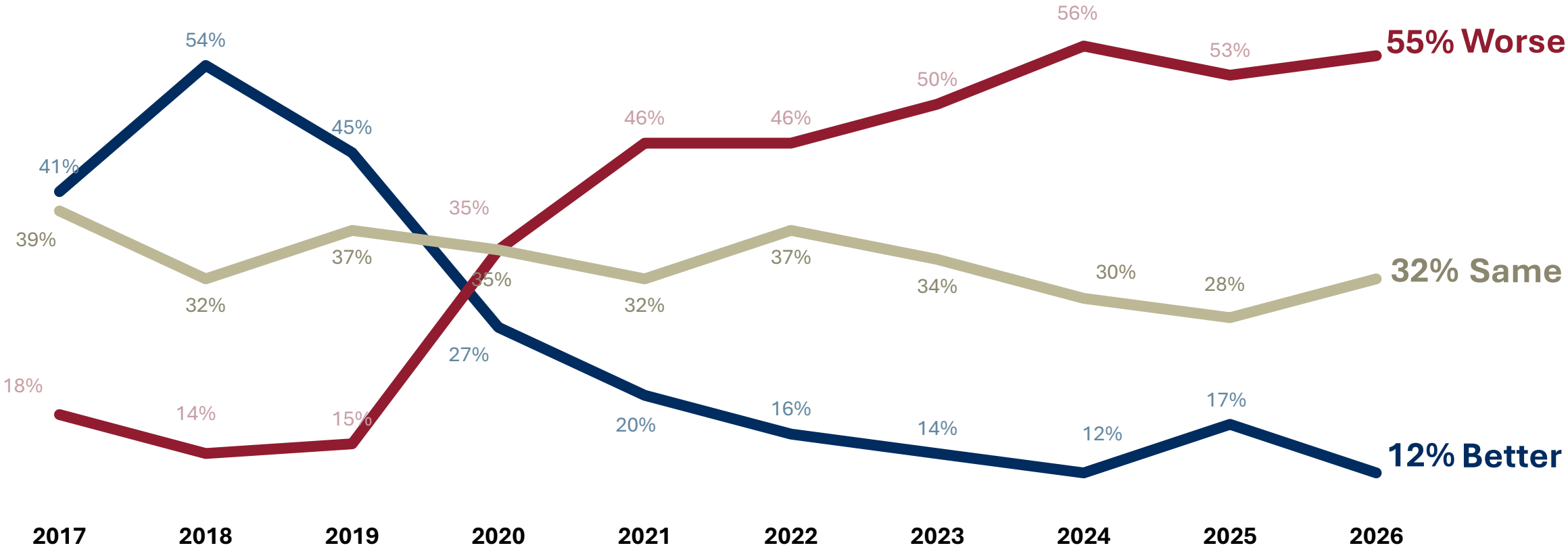
The survey was conducted August 18 through September 25, 2026, among 400 manufacturing executives; it has a margin of error of +4.9%. Respondent titles included owners, CEOs, CFOs, COOs, presidents, vice presidents, and managing officers.

Rob Autry is the founder of Meeting Street Insights, a public opinion research firm, and has been the lead researcher for all 18 surveys.


The State of Manufacturing®
Key Fall 2026 Findings

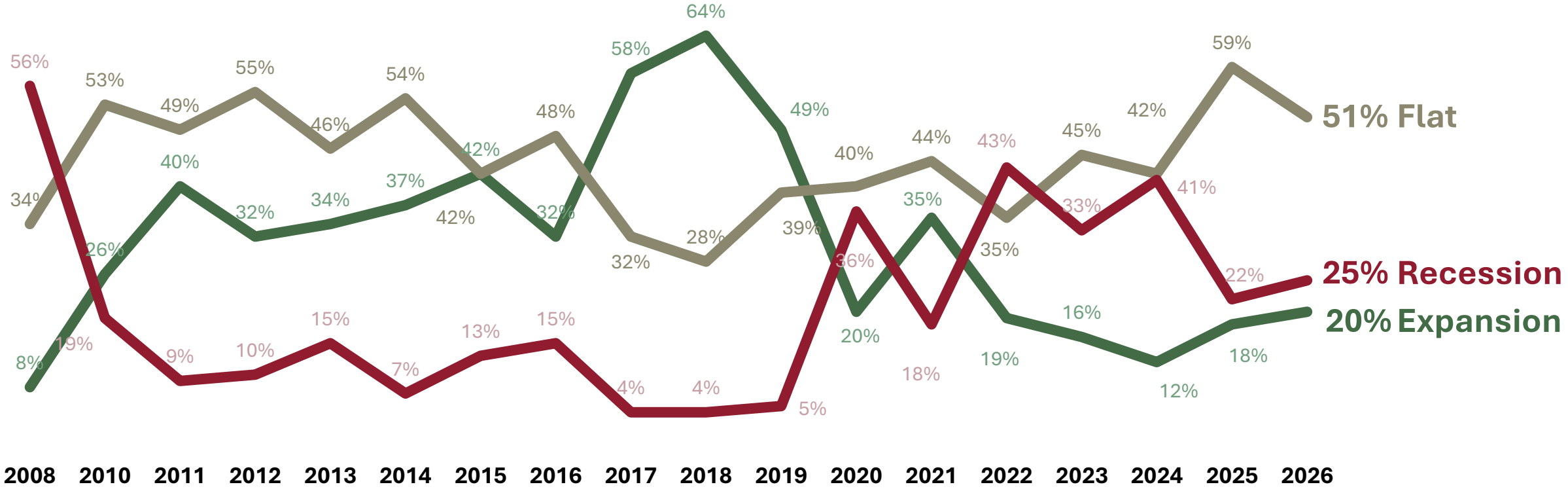
Most still say Minnesota's business climate has gotten worse, similar to levels we have seen over the past three years.

Q: Thinking about the business climate in Minnesota compared to, say five years ago, would you say the business climate has gotten better, gotten worse or stayed about the same?



Half of manufacturers see 2026 as an economically flat year, while expectations of both expansion and recession have edged up a few points.

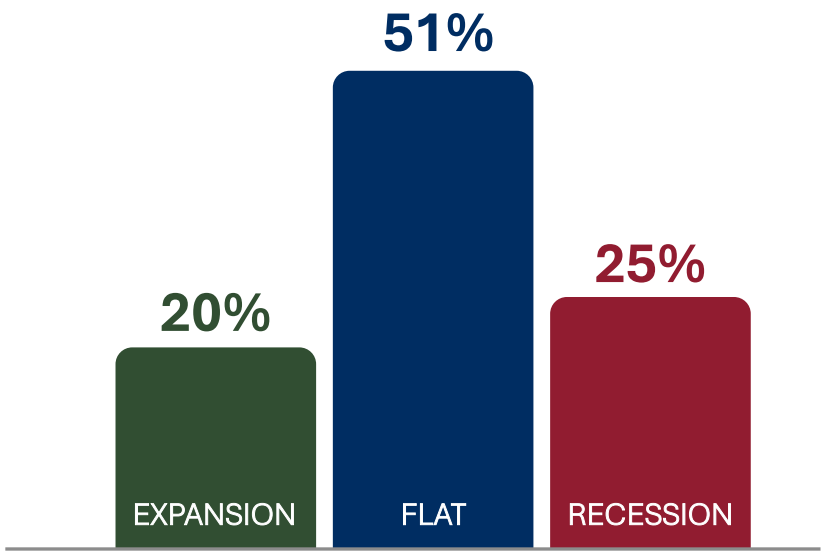
Q: Even though we only have a few months left in 2026, as you think about this year as a whole, do you think this year will be one of economic expansion, a flat economy, or a recession?



Manufacturers are more optimistic about next year, with more expecting expansion in 2027 and fewer seeing a flat economy.

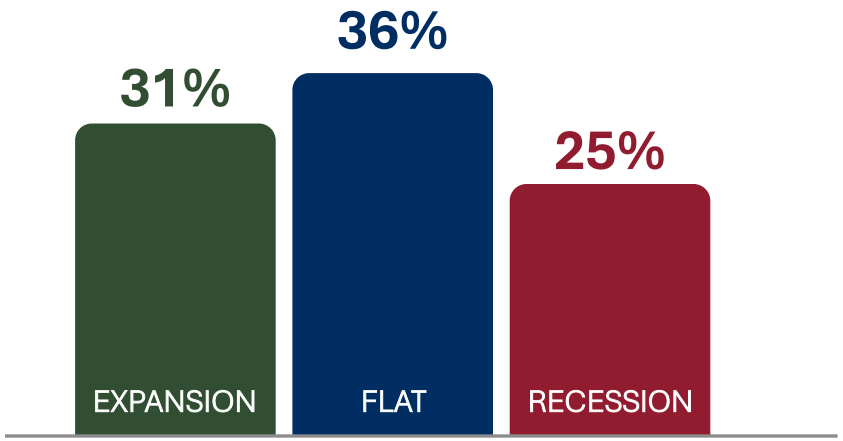
Q: Even though we only have a few months left in 2026, as you think about this year as a whole, do you think this year will be one of economic expansion, a flat economy, or a recession?

This Year (2026)



Q: If you had to make a projection about the year 2027, do you think 2027 as a whole, will be a time of economic expansion, a flat economy, or a recession?

Next Year (2027)

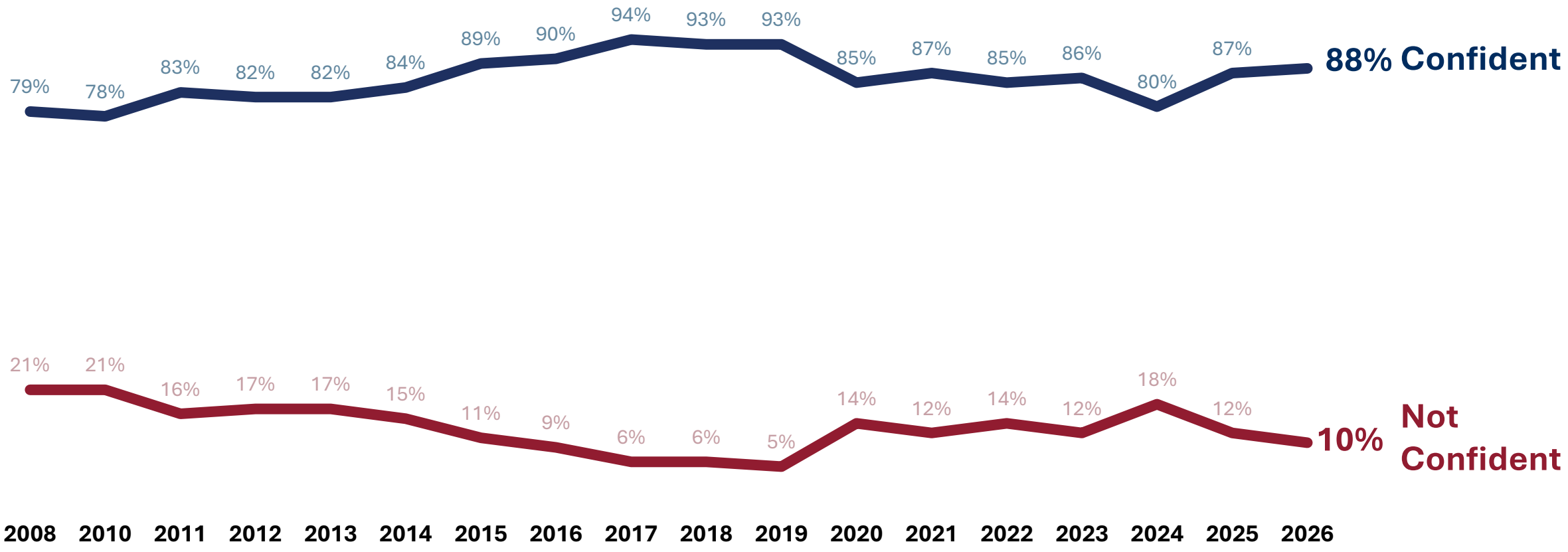


2026 → 2027

- ▲ **11** Expansion
- ▼ **15** Flat Economy
- **Same** Recession

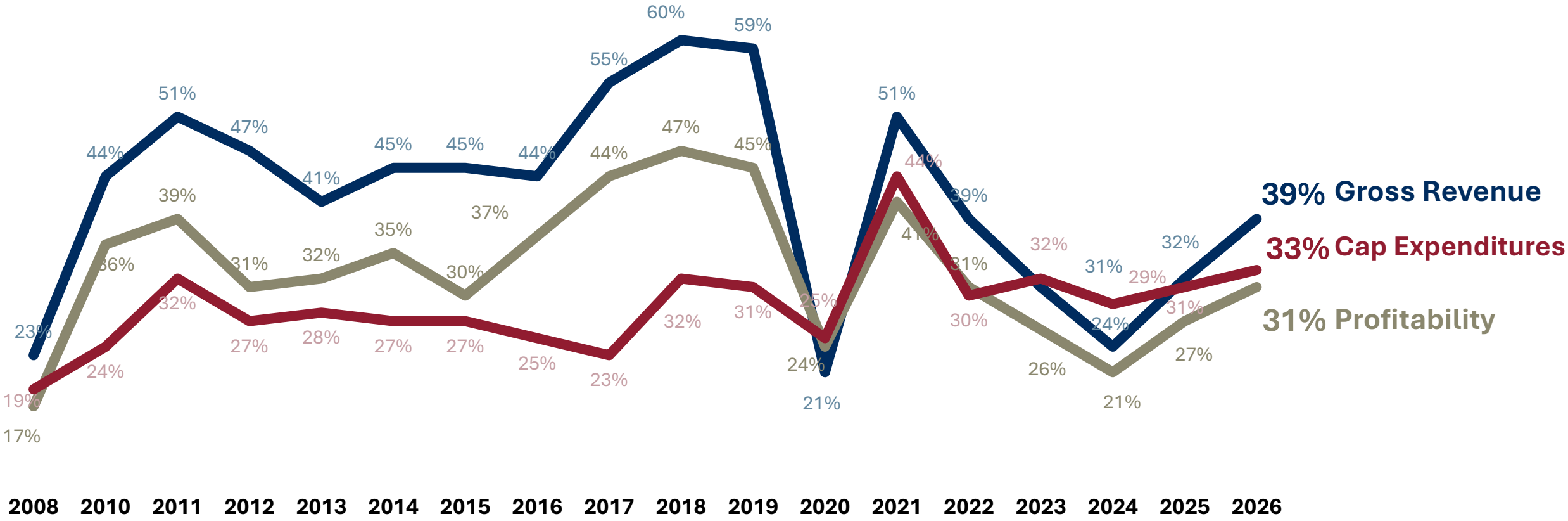
Manufacturers remain highly confident about their companies' financial future – the highest confidence level since the pandemic.

Q: From a financial perspective, how do you feel right now about the future for your company?



Expectations for revenue and profitability are up for the second straight year, and capital spending growth has inched up as well.

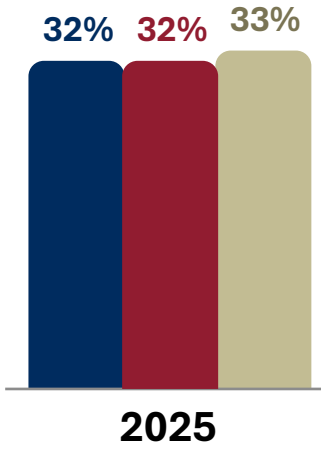
Percent of Manufacturers Expecting Increases in 2026 for...



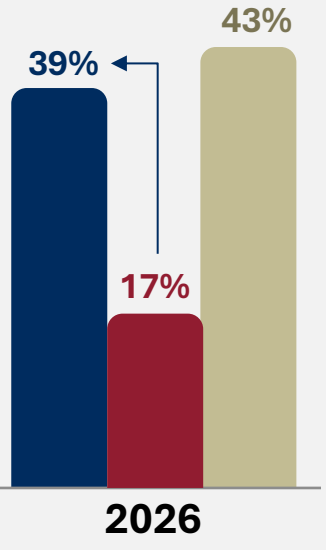
Net expectations have turned positive across the board, driven by a sharp drop in manufacturers expecting revenues to fall.

Gross Revenues

Even

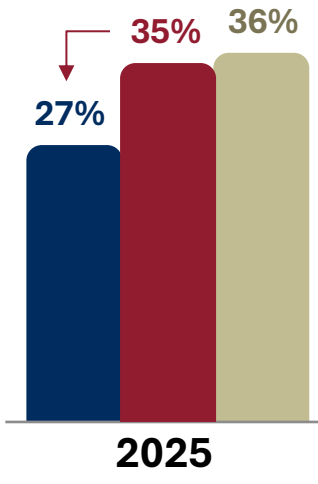


+22 Increase
(Increase – Decrease)

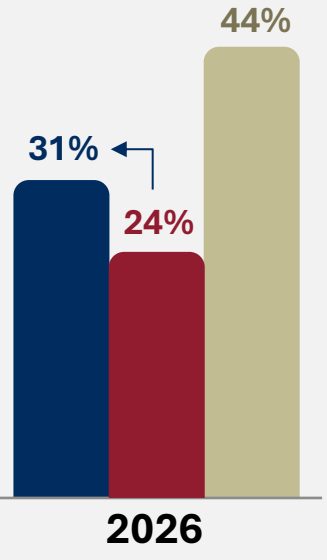


Profitability

+8 Decrease

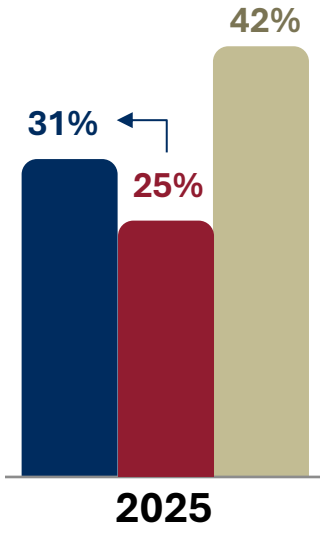


+7 Increase

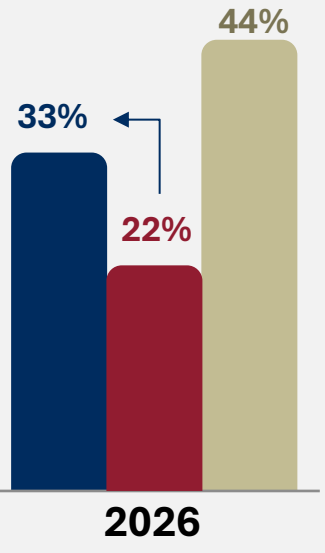


Capital Expenditures

+6 Increase



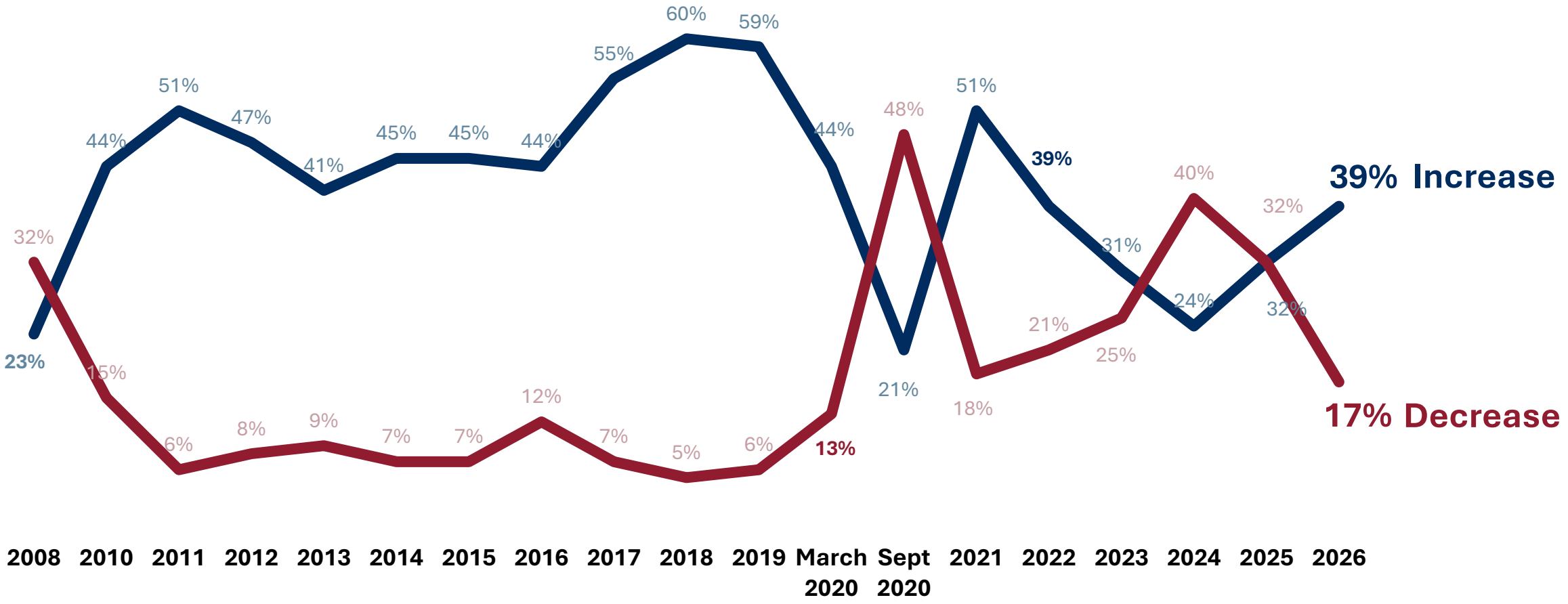
+11 Increase



■ INCREASE ■ DECREASE ■ STAY THE SAME

Fewer manufacturers expect revenues to decline than at any time since early 2020, while expected increases match 2022 levels.

Gross Revenue Projections Since 2008

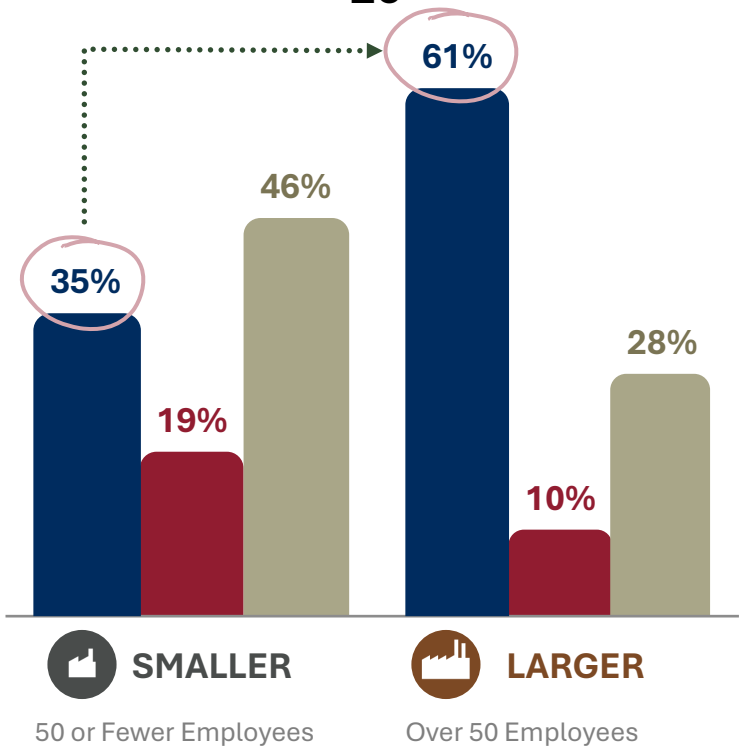


Larger manufacturers are far more bullish on 2026 revenues and profits.

Expected Projections for 2026 by Company Size

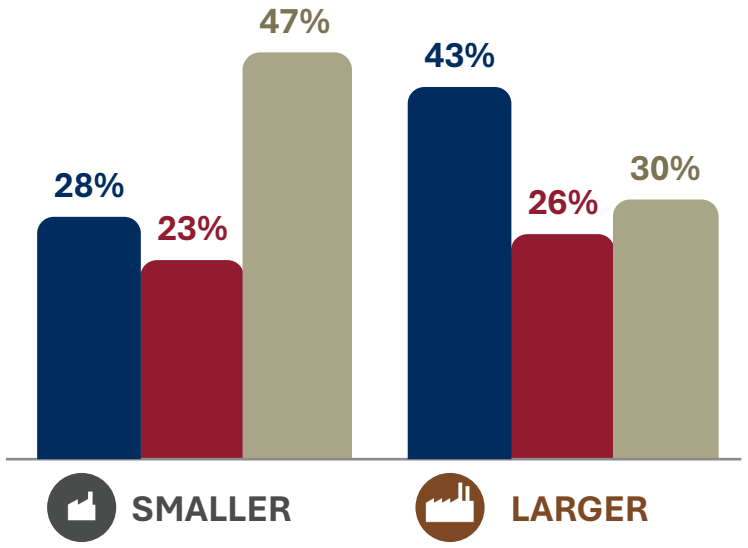
Gross Revenues

+26



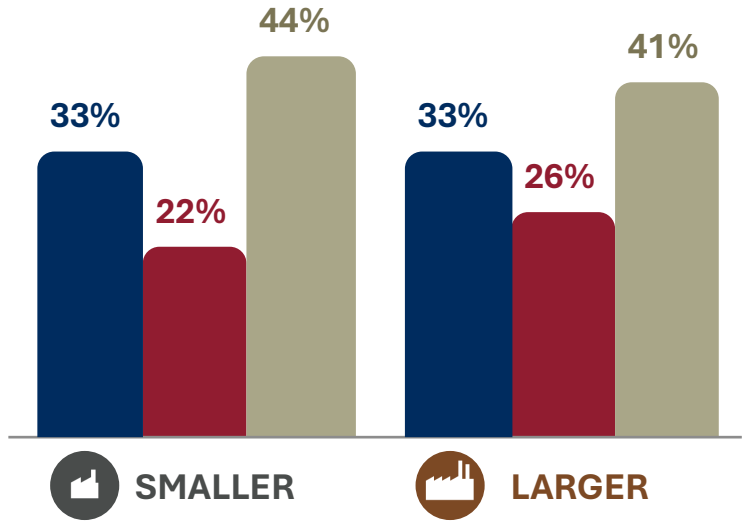
Profitability

+15



Capital Expenditures

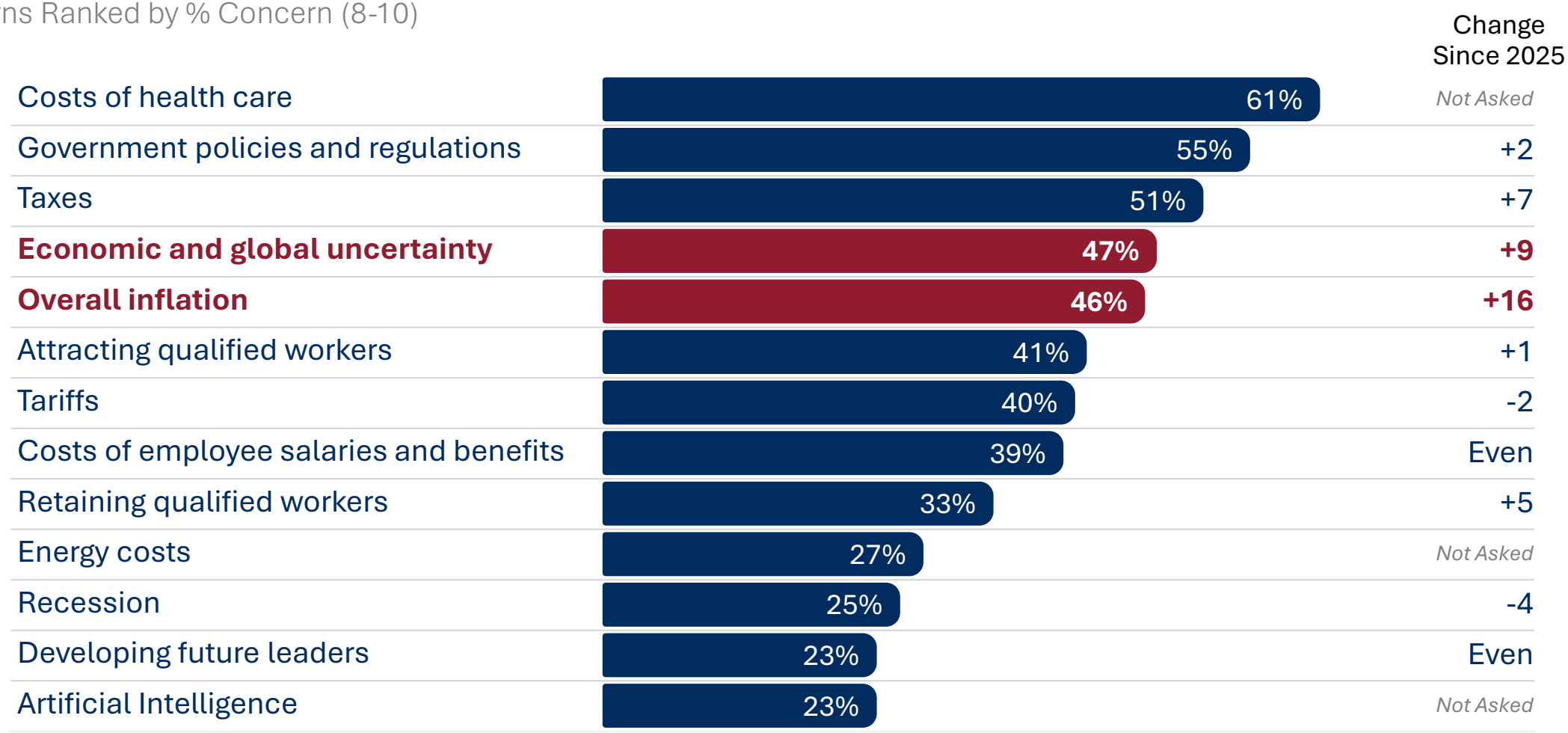
Even



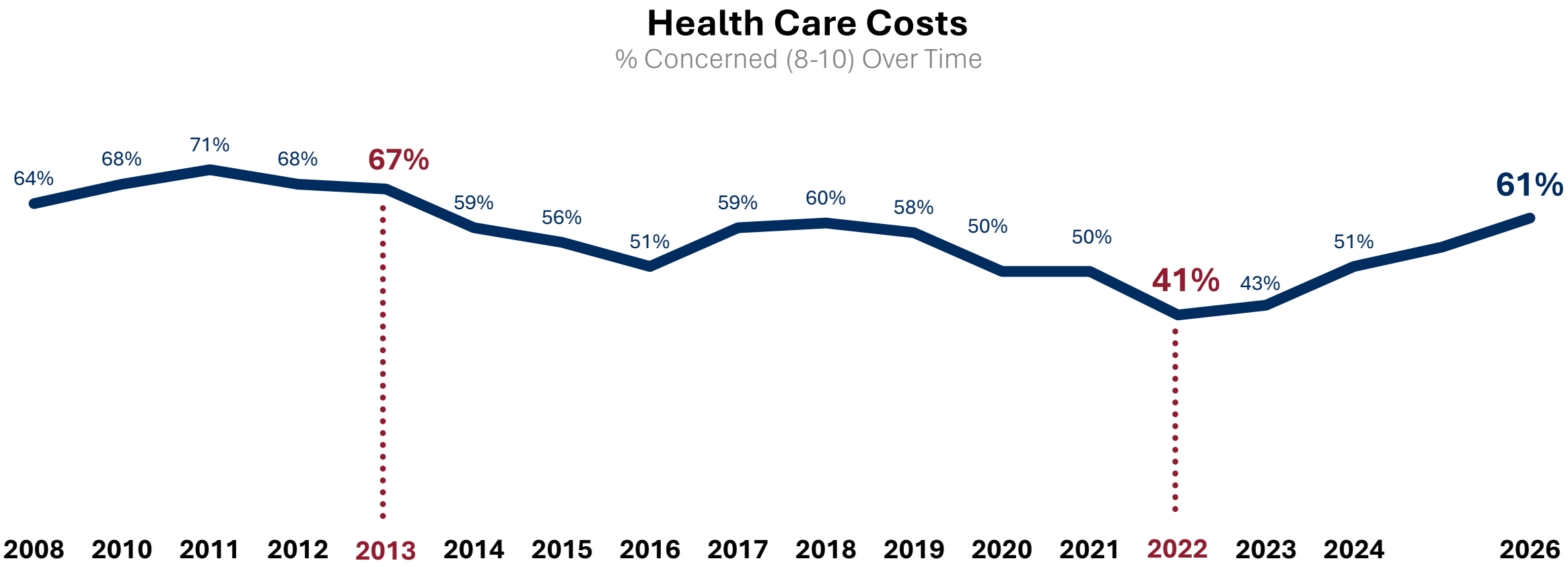
■ INCREASE ■ DECREASE ■ STAY THE SAME

Health care costs now top manufacturers' concerns. Economic uncertainty and inflation worries have jumped up in this year's data.

Concerns Ranked by % Concern (8-10)

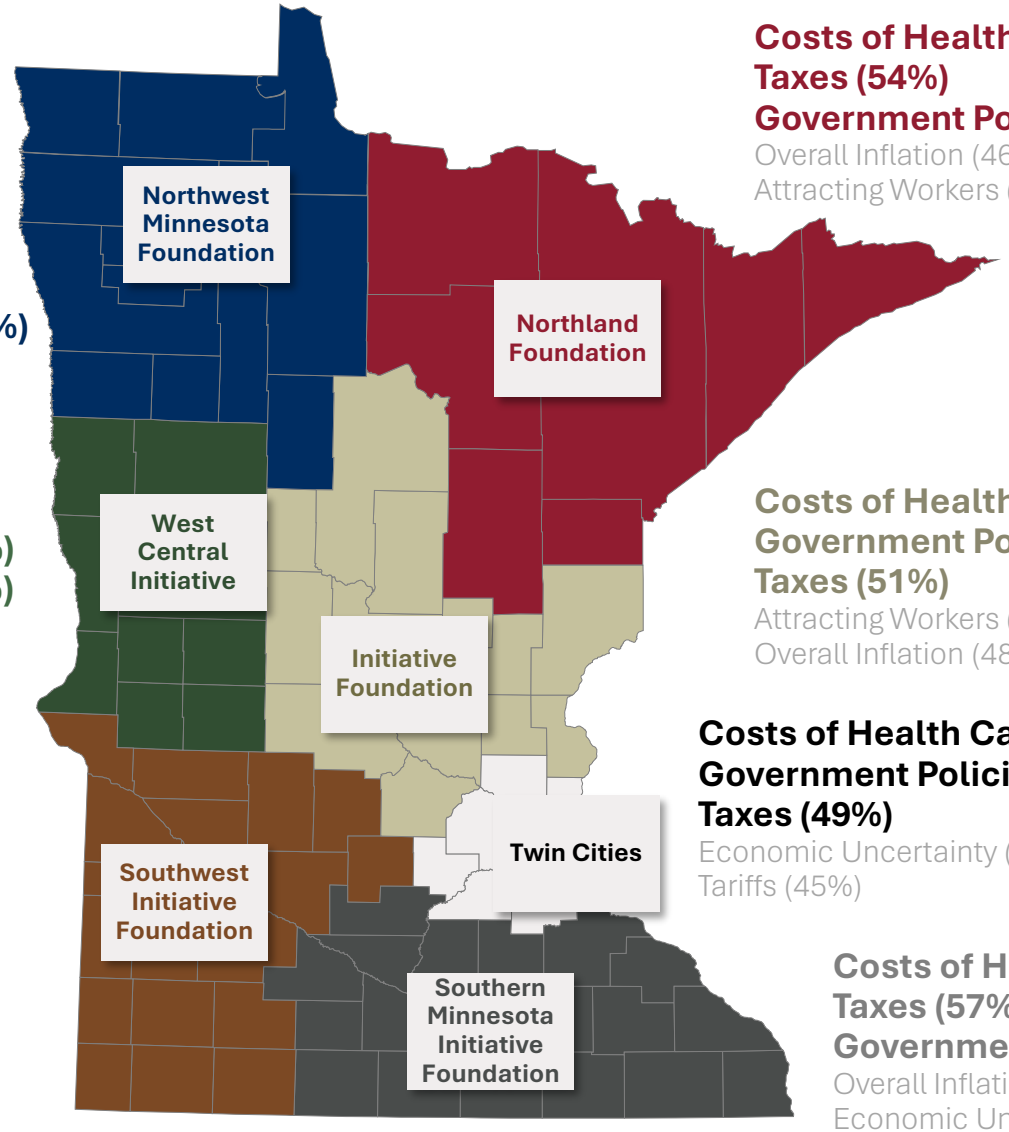


Health care cost concerns are up 20 points since 2022 – the highest level we've seen in our surveys since 2013.



Health care costs rank as a top-two concern in every region.

Top Five Concerns
By Foundation
(% 8-10 Concern)



Taxes (60%)
Costs of Health Care (57%)
Overall Inflation (53%)
Economic Uncertainty (47%)
Attracting Workers (40%)

Costs of Health Care (54%)
Taxes (54%)
Government Policies (54%)
Overall Inflation (46%)
Attracting Workers (38%)

Government Policies (69%)
Costs of Health Care (67%)
Taxes (61%)
Attracting Workers (56%)
Retaining Workers (47%)

Costs of Health Care (62%)
Government Policies (58%)
Taxes (51%)
Attracting Workers (49%)
Overall Inflation (48%)

Costs of Health Care (60%)
Government Policies (56%)
Taxes (49%)
Economic Uncertainty (48%)
Tariffs (45%)

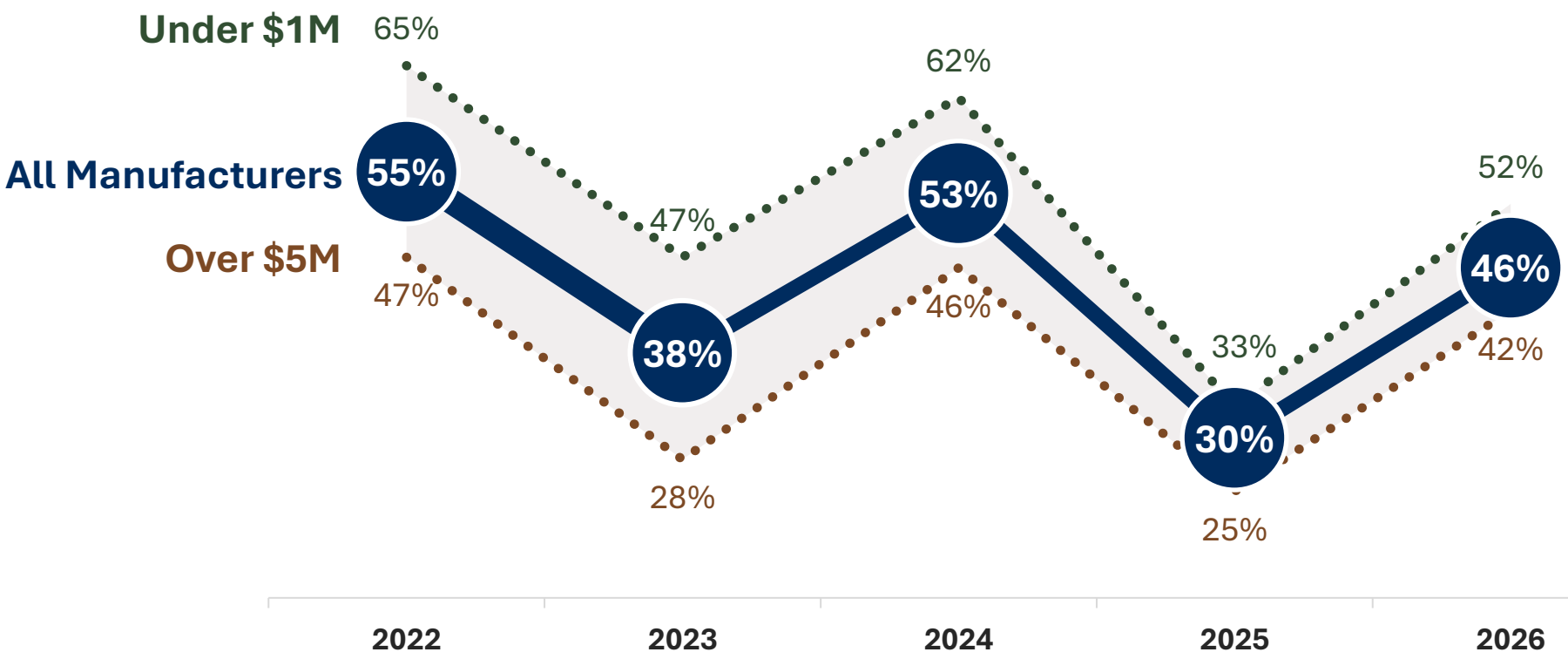
Costs of Health Care (73%)
Government Policies (50%)
Tariffs (50%)
Taxes (45%)
Attracting Workers (45%)

Costs of Health Care (65%)
Taxes (57%)
Government Policies (48%)
Overall Inflation (47%)
Economic Uncertainty (38%)

Concerns about inflation have fluctuated more than any other issue over the past five years, largely with lower revenue companies.

Inflation

% Concerned (8-10) Over Time



All Manufacturers

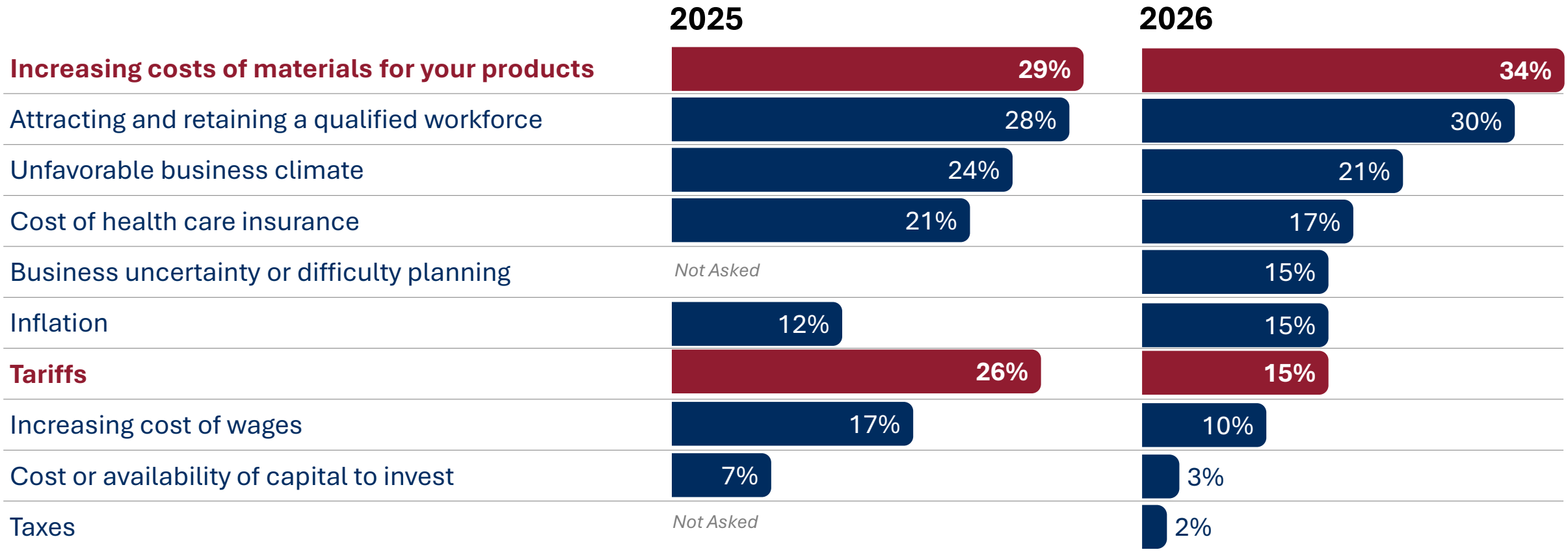
25 point swing
Ranging from 30% to 55%

▲ **16 points** from 2025 to 2026

$	Under $1 Million	32 pt 33% – 65%
$$$	Over $5 Million	22 pt 25% – 47%

Material costs and workforce remain the top challenges to growth, as tariffs have faded from being a top-tier challenge a year ago.

Q: What would you say are the one or two biggest challenges your company is facing that might negatively impact future growth?



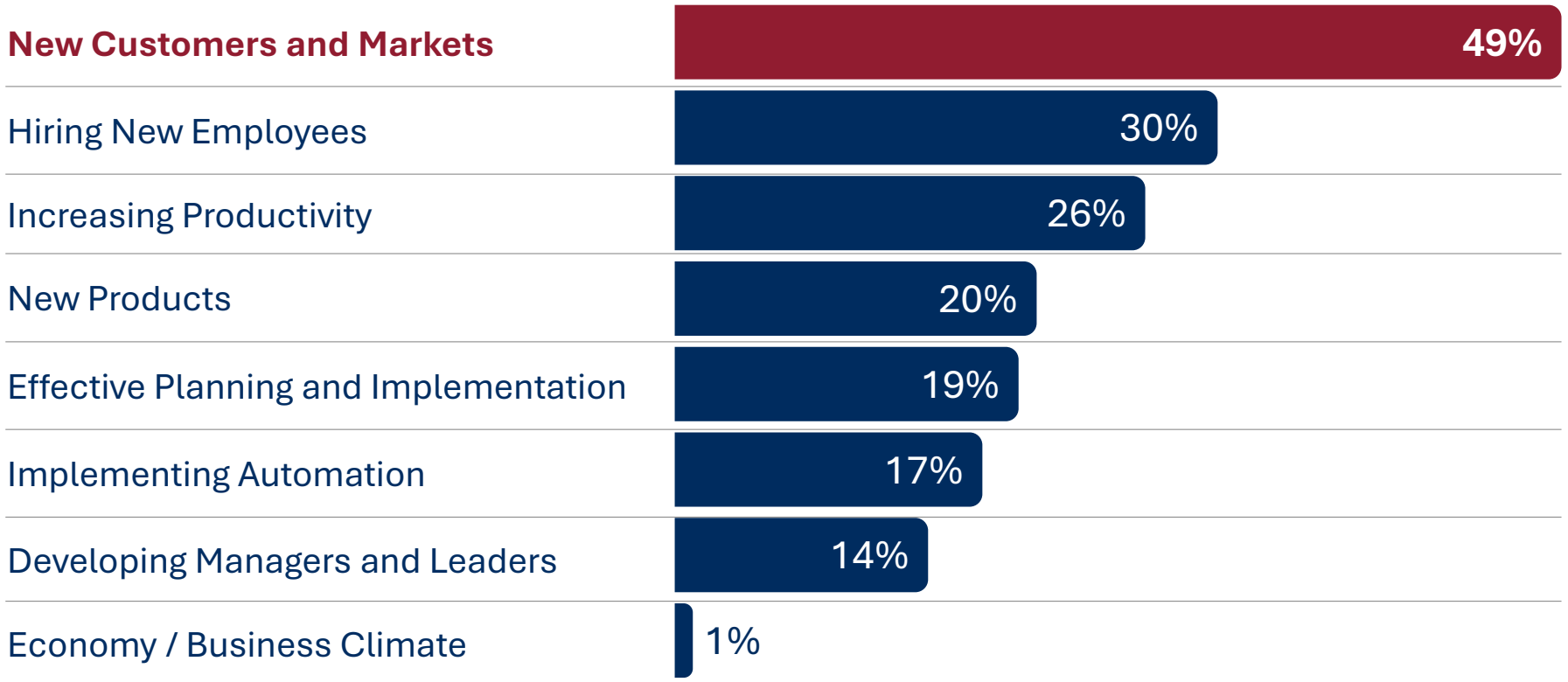
Material costs weigh most on those under $5 million in revenue, while workforce is the top challenge for those over $5 million.

Biggest Challenges Negatively Impacting Growth by Company Revenue Level

	$ Under $1M	$$ Between $1–5M	$$$ Over $5M
Increasing costs of materials for your products	**31%**	**39%**	30%
Attracting and retaining a qualified workforce	29%	26%	**40%**
Unfavorable business climate	18%	25%	21%
Cost of health care insurance	13%	13%	20%
Business uncertainty or difficulty planning	15%	17%	16%
Inflation	16%	15%	14%
Tariffs	17%	10%	19%
Increasing cost of wages	10%	11%	9%
Cost or availability of capital to invest	3%	4%	3%
Taxes	4%	2%	0%

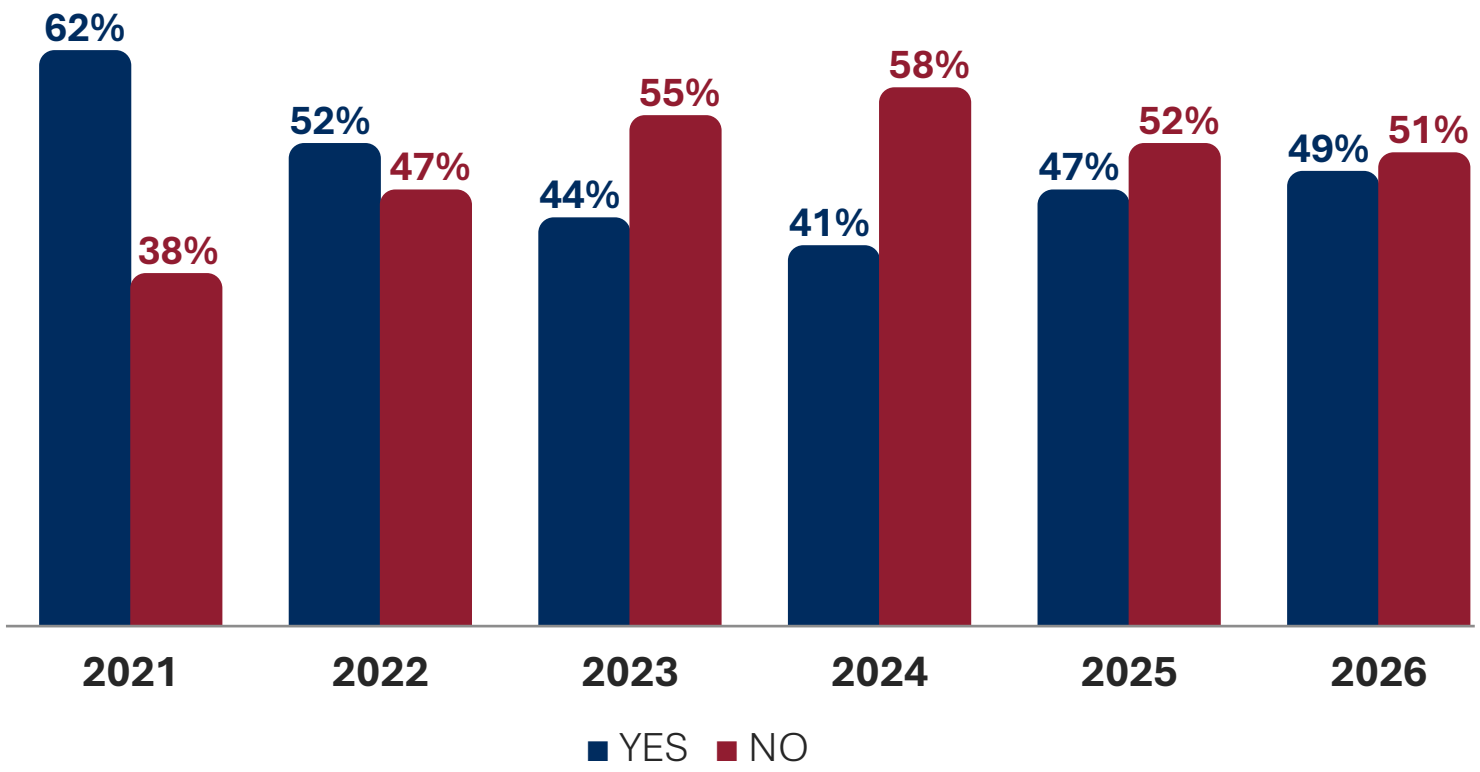
New customers and markets remain the top driver of growth by a wide margin, with hiring now ranking second.

Q: Thinking ahead, what would you say are the two or three most important drivers of your company's future growth?



Hiring has edged up this year, but this is being almost entirely driven by larger manufacturers on a hiring spree.

Q: Does your company currently have positions that are open and are hiring?

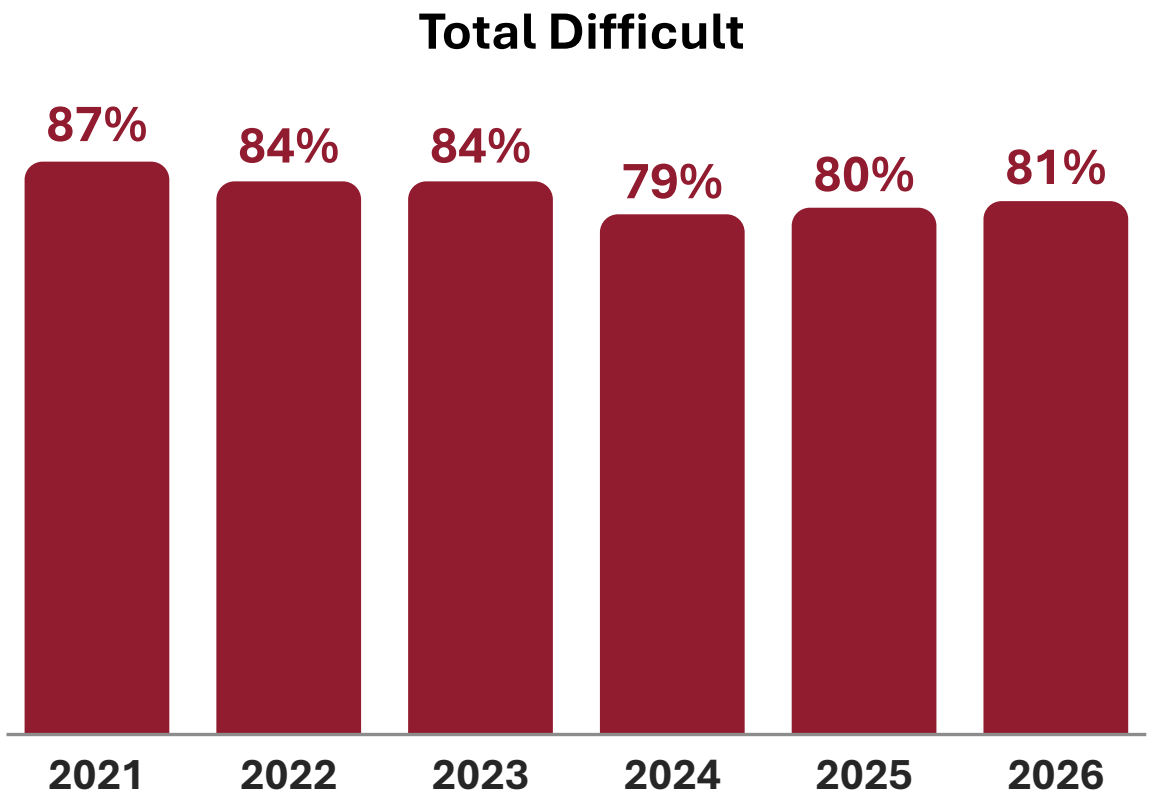


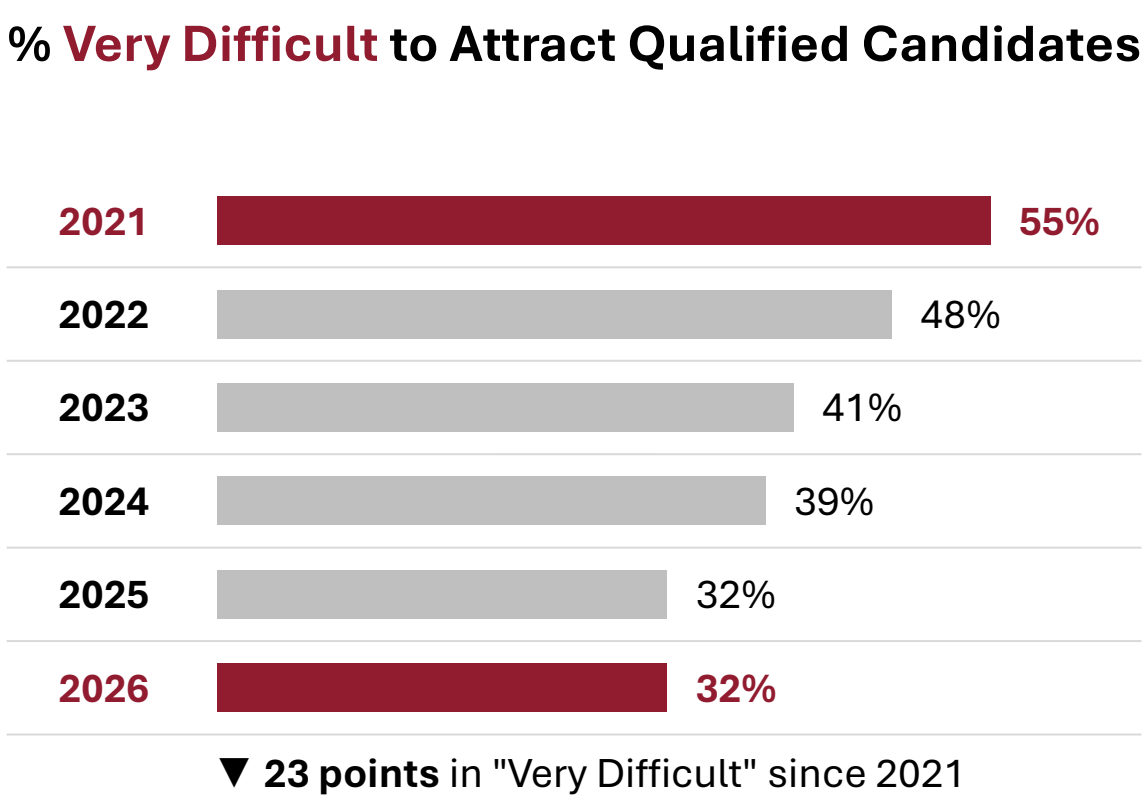
% Currently Hiring by Company Size

	SMALLER 50 Or Less	LARGER Over 50
2021	55%	91%
2022	44%	89%
2023	**39%**	**77%**
2024	32%	82%
2025	39%	85%
2026	**39%**	**92%**

Most still find it hard to attract qualified workers, though the share saying it's very difficult has leveled off the past couple of years.

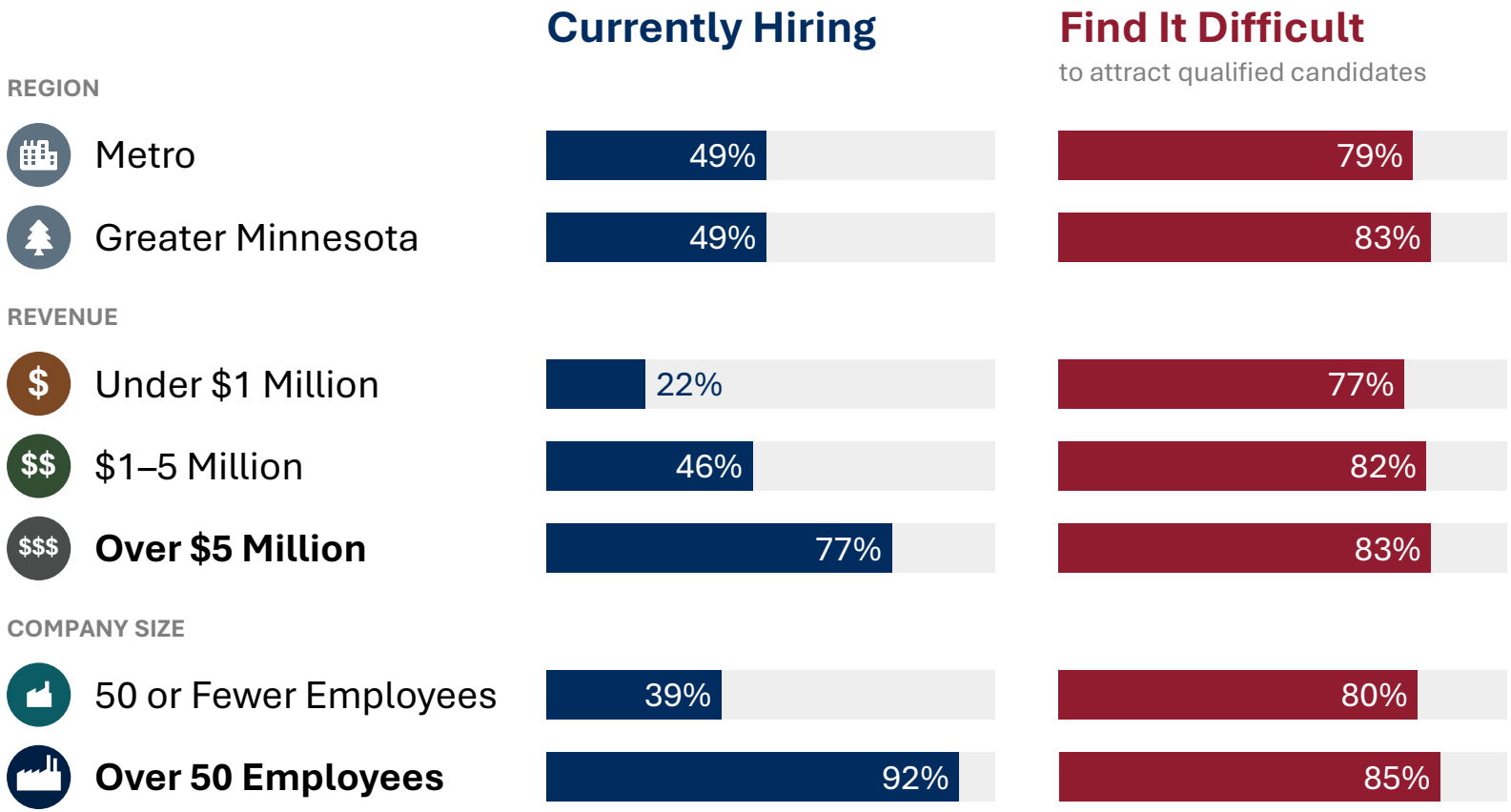
Q: Overall, how difficult do you think it is to attract qualified candidates to manufacturers like you?





Eight in ten larger manufacturers are hiring and finding it hard to get the workers they need.

% Hiring & Difficult Attracting Qualified Candidates



Hiring *And* Finding It Difficult:

81%

Larger Manufacturers

Was 69% in 2025

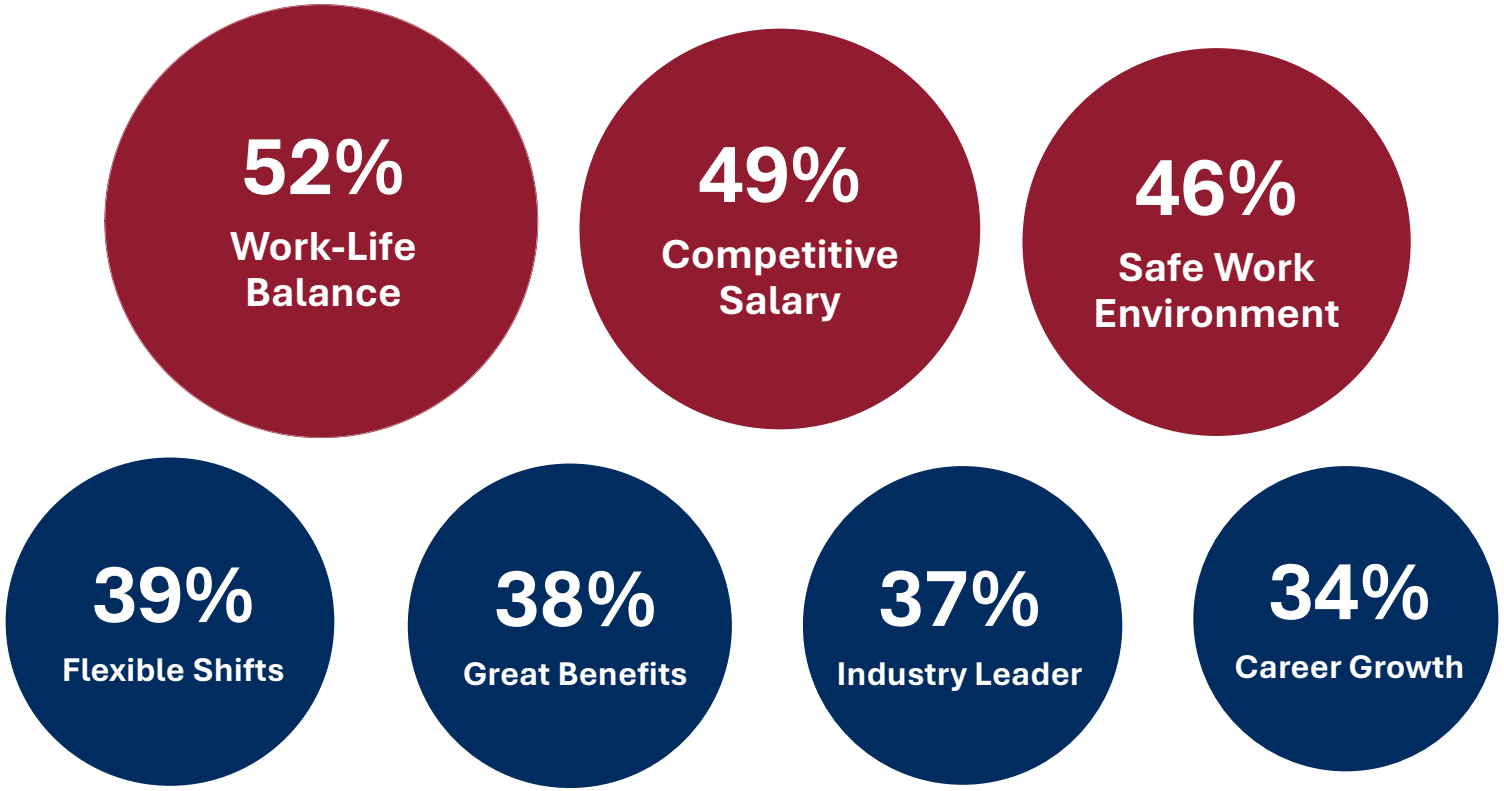
37%

Smaller Manufacturers

Was 35% in 2025

Work-life balance, competitive pay, and a safe workplace lead the list of attributes manufacturers want to be known for.

Q: When thinking about attracting and hiring new employees, what does your company want to be known for?



Bubble Area is Proportional to the Share Choosing Each Attribute

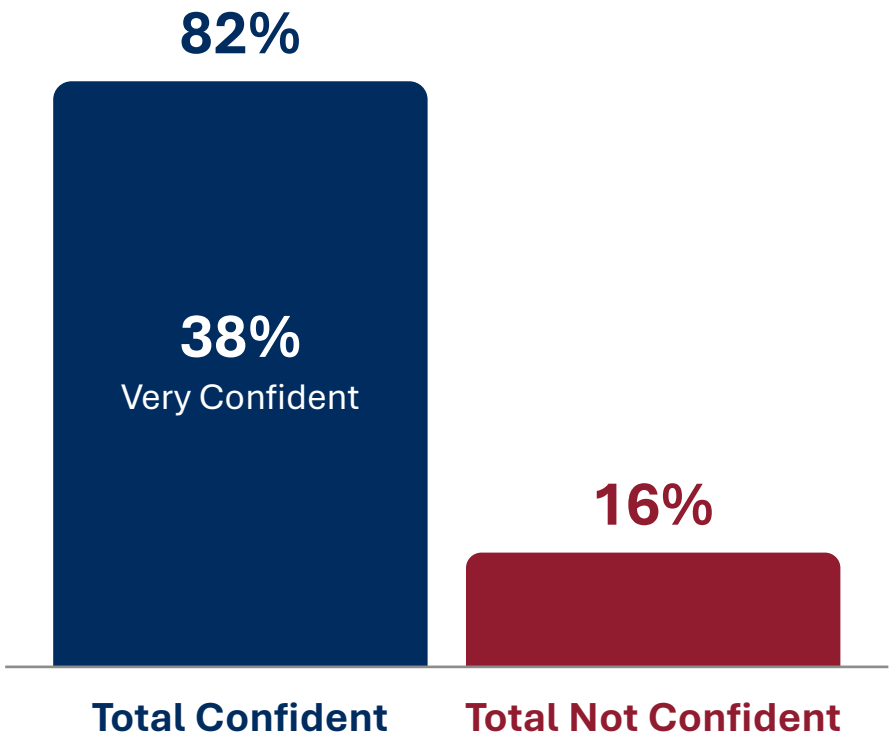
Smaller manufacturers lead with work-life balance, while larger companies also stress safety, pay, and industry leadership.

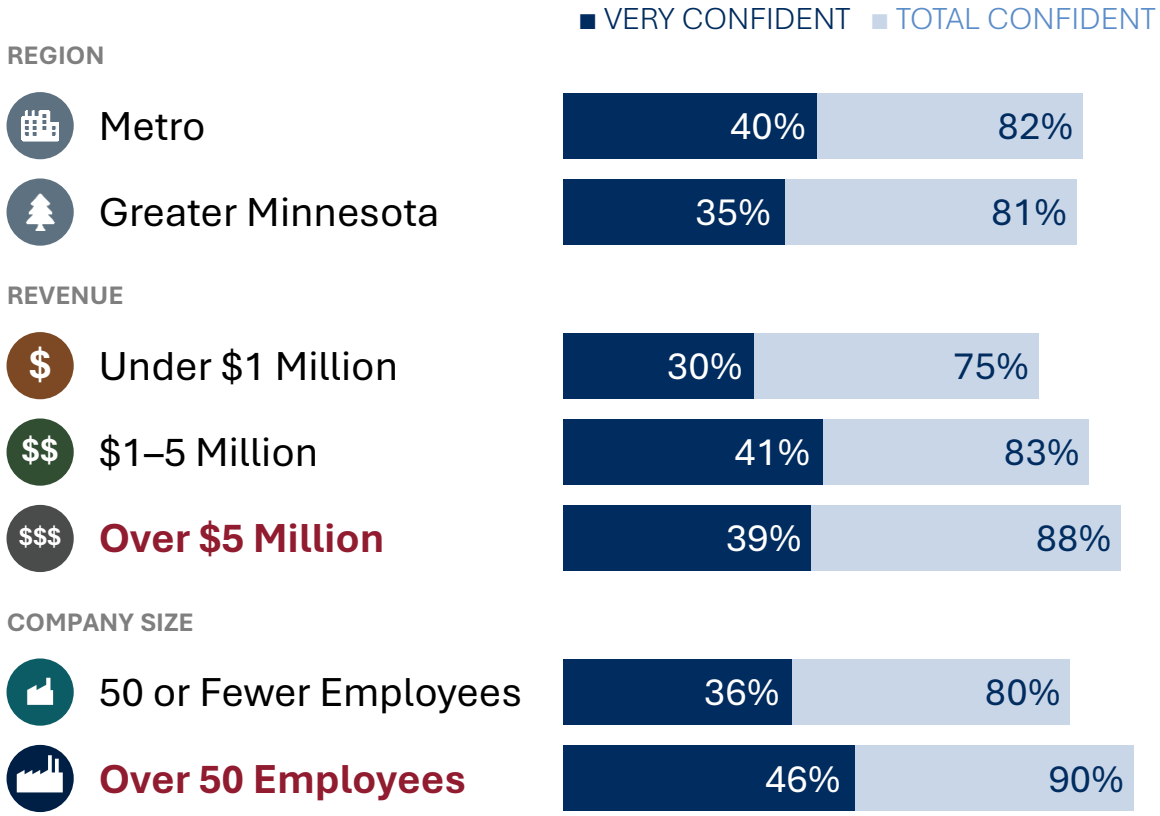
What Your Company Wants to Be Known For – by Company Size (50%+ Items Highlighted)

	SMALLER 50 or fewer employees	LARGER Over 50 employees	Gap Larger vs. smaller
Work-Life Balance	**51%**	**53%**	+2
Competitive Salary	47%	**51%**	+4
Safe Work Environment	45%	**55%**	+10
Flexible Shifts	41%	30%	-11
Great Benefits	37%	45%	+8
Industry Leader	34%	**50%**	+16
Career Growth	31%	47%	+16

Most manufacturers remain confident they can navigate tariffs, with larger companies the most confident.

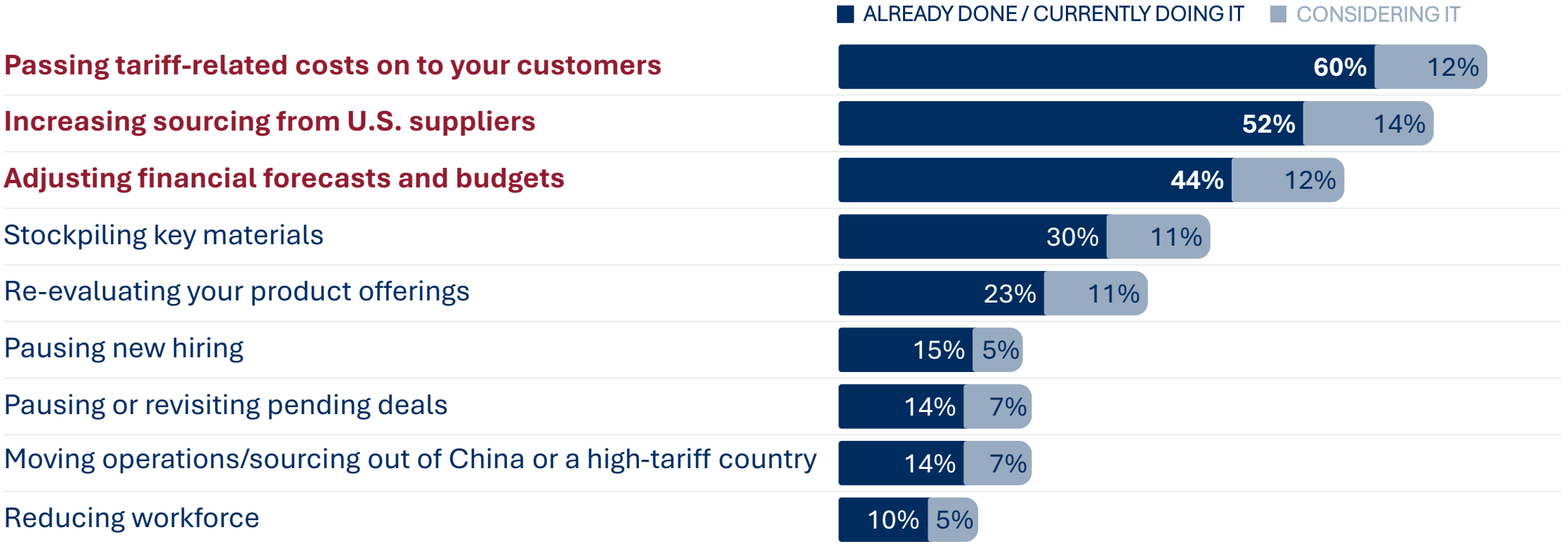
Q: Next, let's turn our attention to tariffs. How confident are you that your company can successfully navigate the current tariff and trade environment?





A majority are now passing tariff costs on to customers and shifting to U.S. suppliers, both up from last year.

Q: For each of the following actions, please tell me if your company has already done, are you currently doing, or are you considering doing any of the following because of the current tariff and trade environment?





Larger manufacturers are more likely to be passing on tariff costs, though smaller manufacturers are catching up.

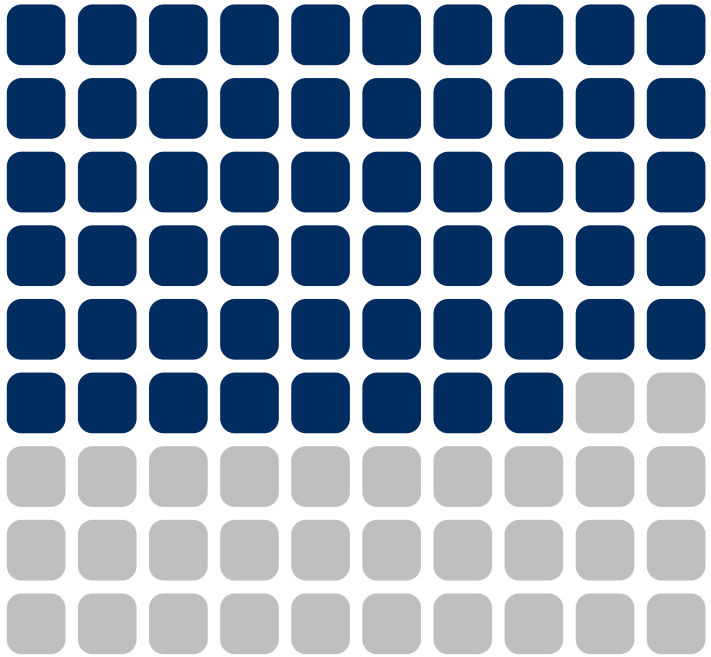
Top Four Tariff-Induced Actions by Company Size (% Done/Doing It)

% Done / Doing It	SMALLER MANUFACTURERS 2025	SMALLER MANUFACTURERS 2026	LARGER MANUFACTURERS 2025	LARGER MANUFACTURERS 2026
Passing tariff-related costs on to your customers	47%	**59%**	**55%**	**67%**
Increasing sourcing from U.S. suppliers	47%	**51%**	**51%**	**56%**
Adjusting financial forecasts and budgets	35%	40%	**56%**	**58%**
Stockpiling key materials	33%	30%	30%	34%

Increasing productivity remains the main reason to explore automation, though four in ten aren't considering it at all.

Q: As you look for applications in your business that can be automated, what are some of the reasons you are exploring or considering exploring automation?

57% Exploring Automation



42% Not Considering It

44%

Increasing Productivity

No change vs. 2025

22%

Eliminate Repetitive Tasks

▼ 5 vs. 2025

12%

Improve Workforce Safety

4%

Workforce Shortages & Hiring Gaps

Up-front costs remain the biggest barrier to automation, followed by a lack of technical expertise and system integration.

Q: What challenges or obstacles have you faced, if any, when trying to implement automation in your operations?

38%

Cite **high up-front investment or costs** — the #1 barrier

Nearly 2x the next-closest obstacle

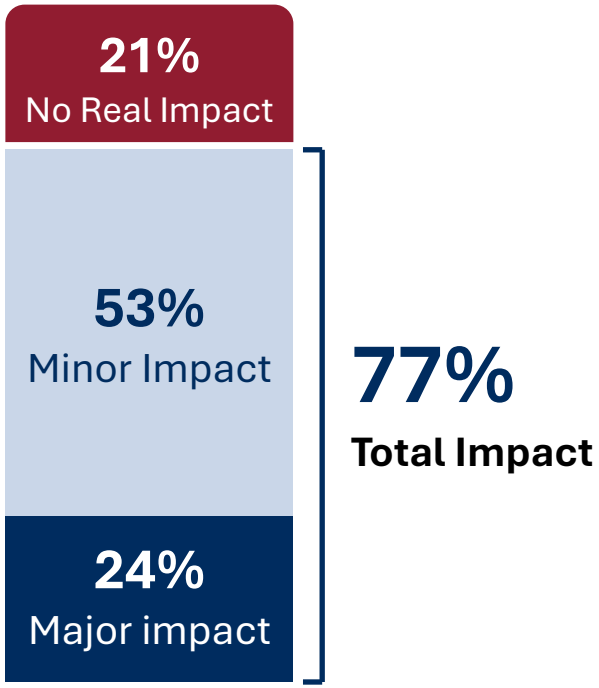
Other Challenges:

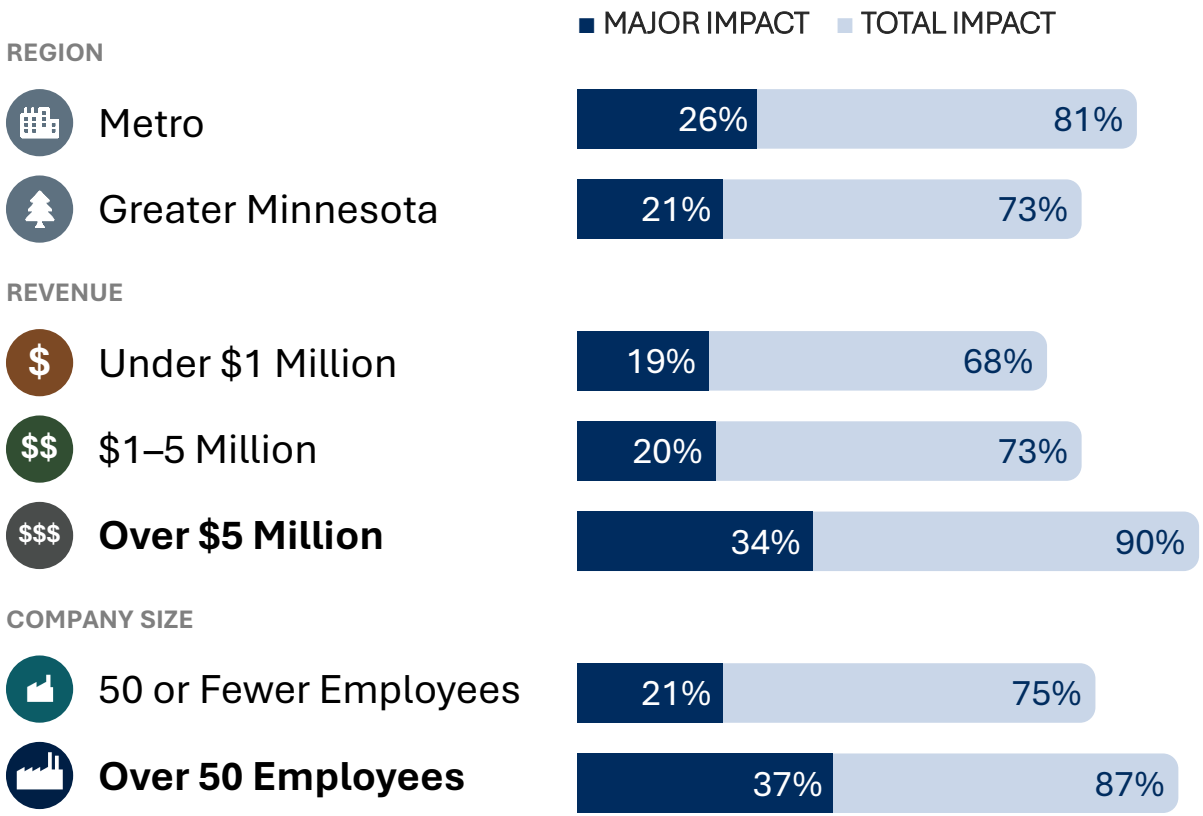


27% say they have NOT faced any challenges implementing automation.

Three-quarters expect AI to have an impact on their business in the next couple of years, though most see it as having a minor impact.

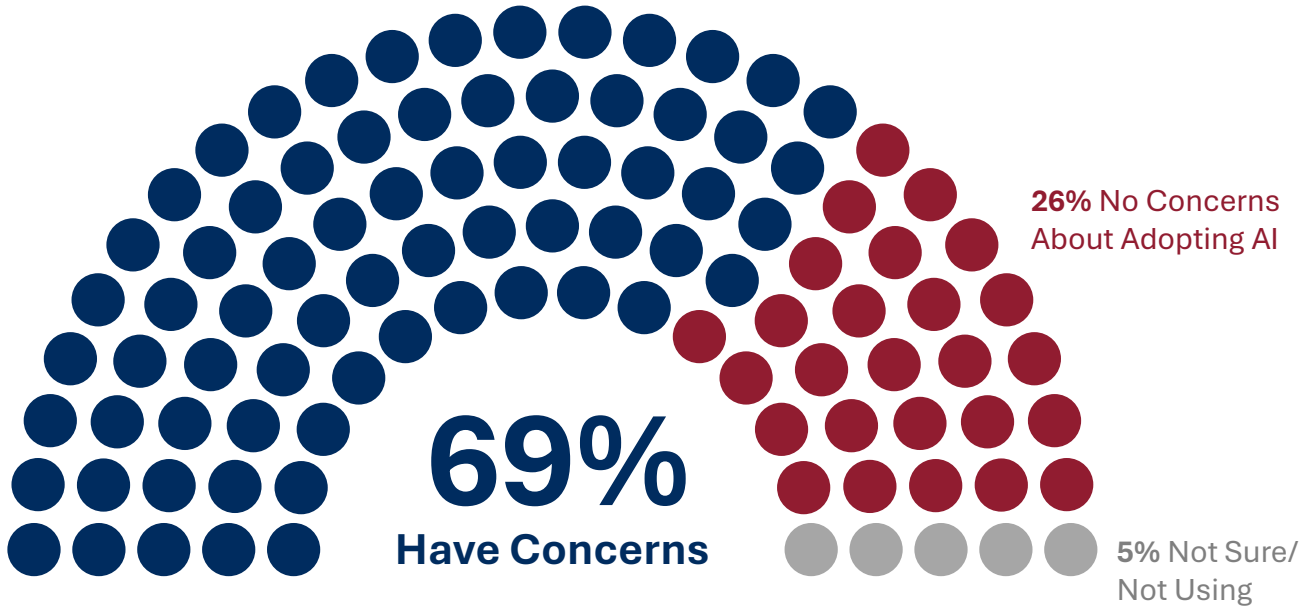
Q: What impact, if any, do you think Artificial Intelligence [AI] will have on your business in the next couple of years?





Data privacy and cybersecurity have overtaken understanding what AI can do as the top concern about adopting AI.

Q: What are your biggest concerns, if any, about adopting AI in your business?



Each Dot Represents 1% of Manufacturers

- **36%** **Privacy, Cybersecurity, or Data Governance**
- **30%** **Lack of Understanding of What AI Can Do**
- **14%** Cost of Implementing AI Solutions
- **14%** Limited Internal Data or Systems
- **11%** Cultural or Employee Resistance

Larger manufacturers are more concerned about AI, particularly when it comes to cybersecurity and understanding what it can do.

AI Concerns by Company Size

	SMALLER 50 or fewer employees	LARGER Over 50 employees	Gap Larger vs. smaller
Privacy, cybersecurity, or data governance	**34%**	**48%**	**+14**
Lack of understanding of what AI can do	**28%**	**39%**	**+11**
Cost of implementing AI solutions	15%	11%	-4
Limited internal data or systems to support AI	14%	17%	+3
Cultural or employee resistance	10%	19%	+9
Have NO concerns about adopting AI	29%	12%	-17
Total have concerns	**66%**	**84%**	**+18**



Manufacturers see the biggest upside from AI and automation in data analysis, automating manual tasks, and workflow efficiency.

Q: From the following list, which area or areas of your business do you believe AI and automation would have the most positive impact?

38%
Supporting Data Analysis & Decision-Making

30%
Automating Repetitive or Manual Tasks

30%
Enhancing Scheduling & Workflow Efficiency

62%
Point to Positive Impact AI and Automation Can Have

25%
Improving Inventory or Supply Chain Mgmt.

20%
Improving Product Quality

17%
Reducing Production Downtime

32%
Are NOT currently considering AI or automation



Larger manufacturers see far more potential upside from AI and automation in every area tested.

AI/Automation Positive Impact Areas by Company Size

	SMALLER 50 or fewer employees	LARGER Over 50 employees	Gap Larger vs. smaller
Supporting data analysis and decision-making	33%	64%	+31
Automating repetitive or manual tasks	26%	49%	+23
Enhancing scheduling and workflow efficiency	25%	53%	+28
Improving inventory or supply chain management	21%	45%	+24
Improving product quality	18%	31%	+13
Reducing production downtime	15%	29%	+14
Total see a positive impact	**57%**	**84%**	+27

Earlier, we saw that cost is the barrier to automation. Know-how is the barrier to AI – lack of expertise and not knowing where to start.

Q: What challenges or obstacles have you faced, if any, when trying to implement automation / use AI in your business?



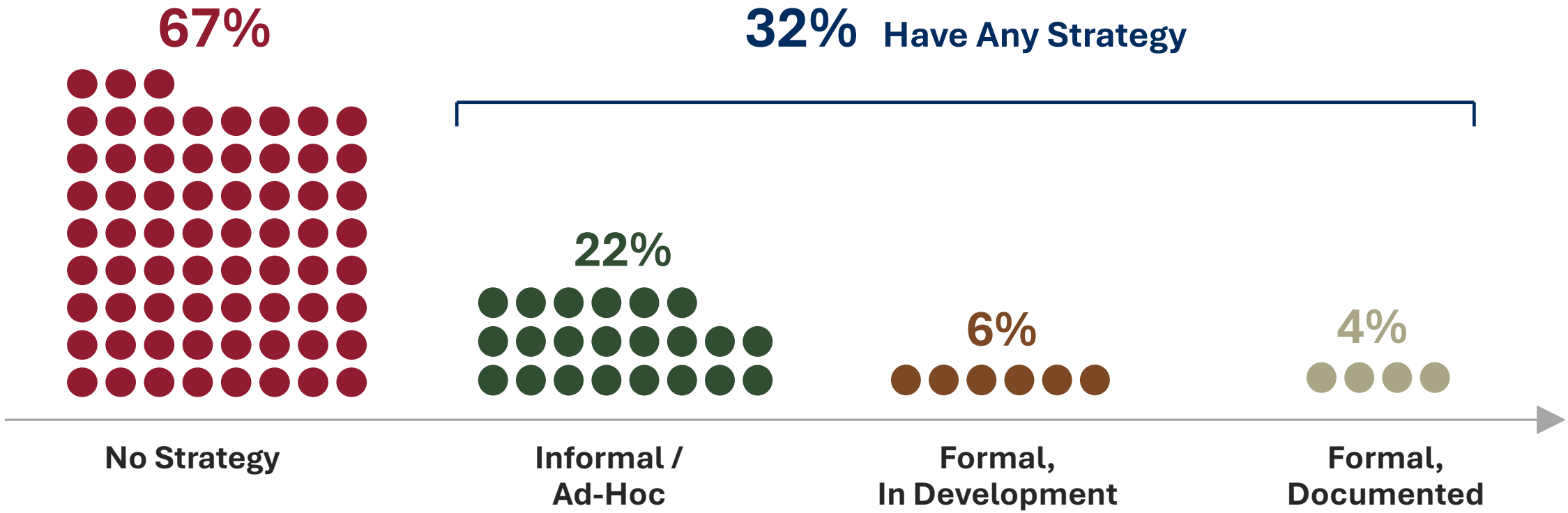
Larger manufacturers are running into more AI hurdles, led by a lack of internal technical expertise.

Q: Thinking some more about A.I., what challenges or obstacles have you faced, if any, when trying to use AI in your business?

	All Manufacturers	SMALLER 50 or fewer employees	LARGER Over 50 employees	Gap Larger vs. smaller
Lack of internal technical expertise	**29%**	25%	**45%**	**+20**
Unsure where to start	**21%**	21%	20%	-1
Difficulty integrating with existing systems	**17%**	16%	24%	+8
Resistance from employees or management	**13%**	12%	20%	+8
High up-front investment or cost	**10%**	10%	8%	-2
Disruption to current workflows	**6%**	6%	9%	+3
Haven't faced significant challenges	**38%**	41%	22%	-19

Two-thirds of manufacturers have no automation or AI strategy, and just one in ten have a formal plan.

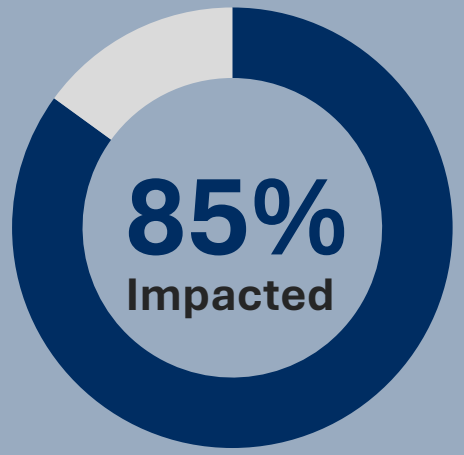
Q: Does your company have a formal strategy for adopting automation and/or AI? Which of the following statements comes closest to your company's current status?



Each Dot Represents 1% of Manufacturers

Eight in ten manufacturers now say the paid leave laws have affected their business, up between seven to 12 points from last year.

Q: I will read you a couple short descriptions of laws passed in 2024 by the Minnesota Legislature, and I want to know whether it affected your business, and if so, how much. Would you say it had a major effect, minor effect, or no effect on your business?

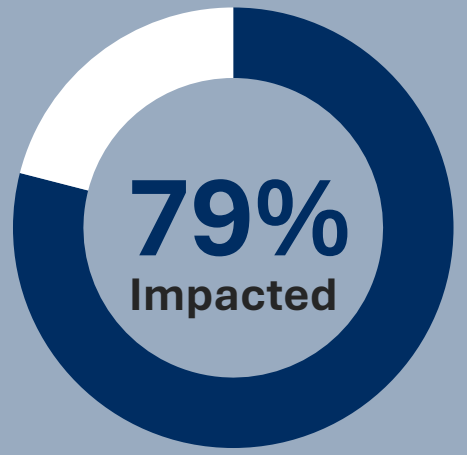


Paid Family & Medical Leave Costs

▲ 12 vs. 2025

38% **Major Effect**
47% Minor Effect
14% No Effect

"The costs of funding the new paid family and medical leave program through a payroll tax, split between employer and employee"



Paid Sick & Safe Time Requirements

▲ 7 vs. 2025

40% **Major Effect**
40% Minor Effect
20% No Effect

"The requirements on an employer for paid sick and safe time"

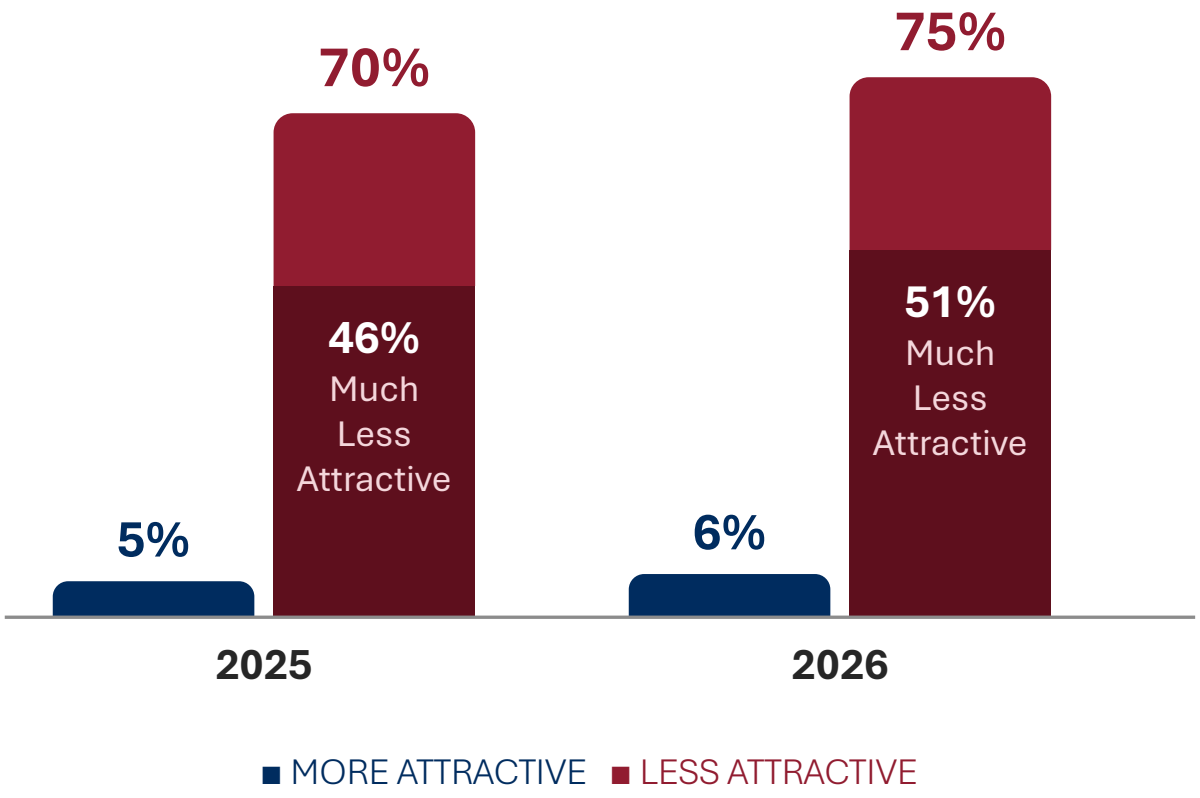
Every type of manufacturer is feeling the effects of these laws – now more than a year ago – and the impact rises sharply with company revenue.

Total Impacted by Revenue Level

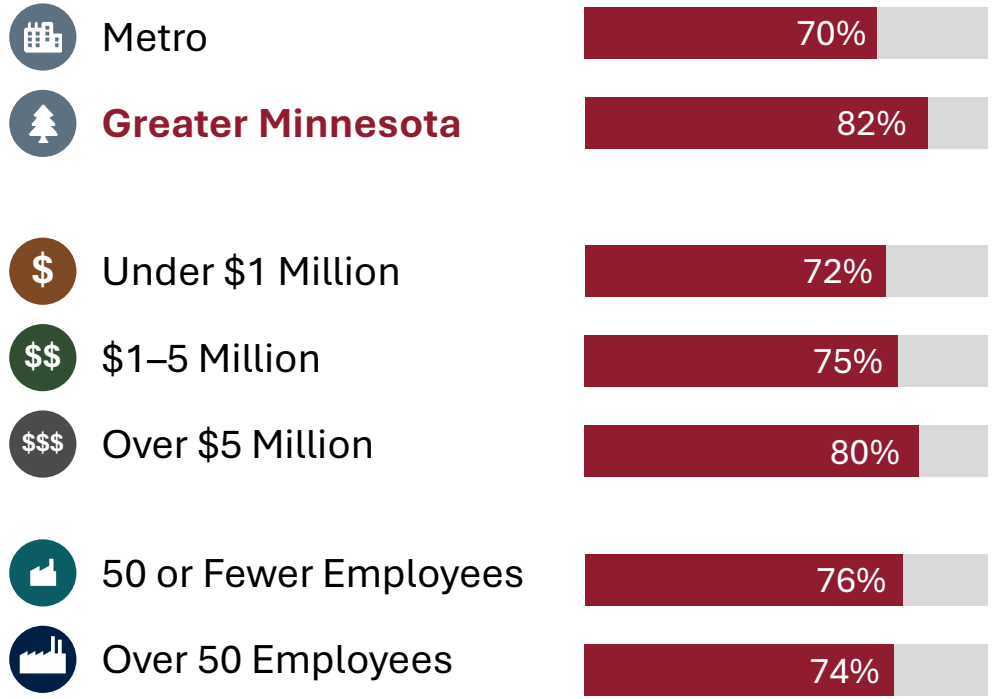
	All Manufacturers	$ Under $1M	$$ $1–$5M	$$$ Over $5M	Gap Over $5M vs. under $1M
Paid Family & Medical Leave Costs *Costs of funding the program through a new payroll tax, split between employer and employee*	85%	79% ▲ 11 vs. 2025	86% ▲ 11 vs. 2025	94% ▲ 13 vs. 2025	+15
Paid Sick & Safe Time Requirements *Requirements on an employer for paid sick and safe time*	79%	72% ▲ 4 vs. 2025	81% ▲ 12 vs. 2025	91% ▲ 10 vs. 2025	+19

Three-quarters now say these mandates have made Minnesota less attractive for business, led by Greater Minnesota companies.

Q: Do you think these legislative developments have made Minnesota more attractive or less attractive for businesses, or does it have no real effect one way or the other?



% Less Attractive by Segment




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The Bottom Line

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STEADY AT THE HELM

Manufacturers trust their own ships more than the waters around them. Most manufacturing executives still say Minnesota's business climate has gotten worse, and few see 2026 as a year of real economic growth.

Even so, confidence in their companies' financial future is at its highest levels since the pandemic. Revenue and profit expectations are up for the second straight year, and fewer expect revenues to fall than at any time since early 2020. This year's survey also shows that larger manufacturers are leading the way.

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THE WINDS HAVE SHIFTED

Health care costs have returned to the top of manufacturers' list of concerns. They're at a level we haven't seen since 2013 and rank among the top two concerns in every region in the state. Worries about economic uncertainty and inflation have also climbed back up.

Material costs and finding qualified workers remain the biggest obstacles to growth. Even though tariffs are not a top-tier challenge, we have seen this issue ebb and flow. Hiring has ticked up, but almost entirely among larger manufacturers.

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ADJUSTING THE SAILS

Rather than waiting out the tariff storm, manufacturers are adapting to it. Most are confident they can handle the current trade environment, and a majority are now passing costs on to customers and shifting to U.S. suppliers. Both are up from last year.

Larger companies moved first, but smaller manufacturers are quickly catching up.

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TAKING ON WATER

State mandates are the leak manufacturers can't easily patch. More say they're affected by paid family and medical leave costs and by sick and safe time requirements than a year ago, and the impact rises with company revenue.

Three out of four manufacturing executives now say these laws have made Minnesota a less attractive place to do business, and the view is even stronger in Greater Minnesota.

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STILL TESTING THE WATERS

AI and automation adoption have hit a lull. Four in ten aren't considering automation at all, and two-thirds have no strategy for either. Most expect AI to affect their business, but mostly in minor ways.

Larger manufacturers see far more upside, and they also have more concerns, especially about cybersecurity and data privacy. Up-front costs are still the biggest barrier to automation, and a lack of in-house expertise is the biggest hurdle for AI.

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EYES ON THE HORIZON

The 2026 story is one of steady hands in rough seas. Minnesota's manufacturers have dealt with tariffs, inflation and rising costs before, and they expect 2027 to be better than this year.

But the rising tide isn't lifting every boat equally, since larger companies are driving much of the optimism. And Minnesota's policy climate remains a persistent headwind that no amount of skill at the helm can fully overcome.

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Manufacturing Panel

MODERATOR:

Dee DePass | Business Reporter, Minnesota Star Tribune

Matt Hanson
PRESIDENT

Hanson Companies

Tate Johnson
PRESIDENT & CEO

Straub Design Company

Joe Mulford
PRESIDENT

Pine Technical & Community College

Tom Weizenegger
MANAGING DIRECTOR

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