

# Manufacturing Matters to Minnesota's Economy

The success of Minnesota's economy is inherently linked to the vitality and growth of its manufacturing sector. Manufacturing is Minnesota's second largest sector, making up 12% of the state's total economy. Many of Minnesota's most recognizable companies and nationally competitive industry clusters have emerged from the state's highly diverse manufacturing sector. It is a leading employer in nearly every region of Minnesota and provides above-average wages to workers with a wide range of skills and education levels, sustaining economic vitality in local communities around the state.

Yet the sector faces distinct headwinds that impact its performance. Manufacturers operate with disproportionately high fixed and operating costs and are subject to complex layers of local, state, and federal regulation. At the same time, they compete in national and global markets, creating significant competitive pressures. In recent years, Minnesota manufacturers have also experienced growing workforce challenges, limiting their ability to fill open roles and expand operations.

This report highlights key facts about manufacturing's role, performance and challenges in Minnesota's economy. We invite stakeholders across the state to engage in a shared effort to support Minnesota's manufacturing businesses and help ensure they can continue to thrive and grow in Minnesota.



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## MANUFACTURING MATTERS TO MINNESOTA'S ECONOMY



# The role of manufacturing in Minnesota's economy

- **Manufacturing is Minnesota's second-largest industry, supporting more than 320,000 jobs and accounting for roughly 12% of state GDP.** In 2024, the sector produced \$47.8 billion in gross domestic product and supported about one in every eight jobs in the state. For perspective, if Minnesota's manufacturing sector were a state economy, it would be larger than the entire economies of Wyoming and Vermont.
- **Manufacturing is critical to every regional economy in Minnesota.** In 2024, 46% of manufacturing jobs were in Greater Minnesota, and 54% were in the seven-county Twin Cities metro. Manufacturing is the second largest employment sector in five of six economic regions in Minnesota.
- **Manufacturing jobs provide above-average wages to workers with a wide range of skills and education.** In 2024, the average annual wage for manufacturing jobs in Minnesota was \$83,000 - 12% higher than the average across all industries. Minnesota's manufacturing sector also employs workers in 416 different occupational categories, giving it the most diverse occupational mix of any industry. This means people with varied training and backgrounds can find meaningful opportunities within manufacturing.
- **Manufacturing has an outsized impact because of its tradability and ability to boost spending in the local economy.** Manufacturing has among the largest multiplier effects of any sector. The National Association of Manufacturers shows that every \$1 spent in manufacturing generates a total impact of \$2.64 to the overall economy. Each manufacturing job created can lead to 4.8 jobs created in the overall U.S. economy through indirect and induced impacts. Similarly, manufacturing drives Minnesota's international exports. In 2024, state manufacturing exports were valued at \$25 billion, making up 93% of total goods exports and nearly two-thirds of all goods and services exports.
- **Minnesota is a national hub for manufacturing, with leading industry clusters across a variety of manufacturing subsectors.** Minnesota ranks 14th in total manufacturing jobs, 13th in job concentration (location quotient), and 17th in manufacturing GDP output among all states. The state ranks in the top five nationally in 44 distinct manufacturing subsectors and is #1 or #2 in sixteen subsectors.

## Why manufacturing matters: manufacturing is the second largest sector in Minnesota's economy

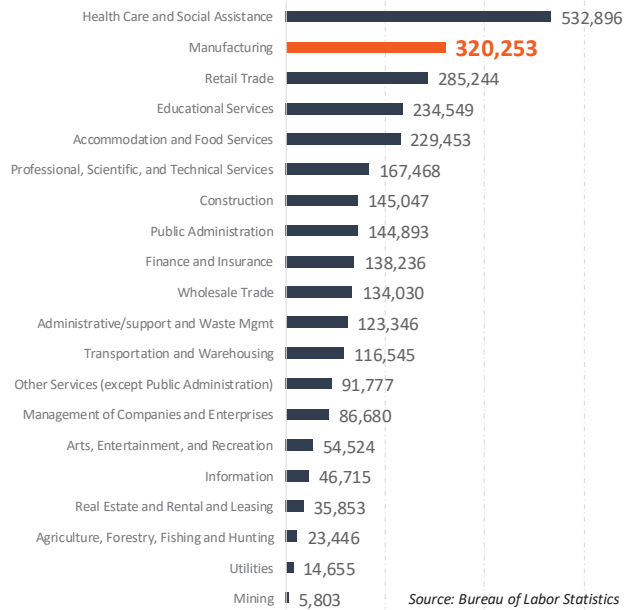
**2<sup>nd</sup>**  
largest sector by employment and GDP

**320,253**  
total employees in manufacturing

**\$46.3 B**  
in gross domestic product

**12%**  
of Minnesota's total economic output

Total Employment by sector: 2024



Source: Bureau of Labor Statistics

## Why manufacturing matters: critical in every region

Manufacturing stats by region: 2024

### Northwest Minnesota

- 2<sup>nd</sup> largest sector
- 29,702 jobs in 2024
- \$2 billion in annual wages

### Northeast Minnesota

- 6<sup>th</sup> largest sector
- 9,227 jobs in 2024
- \$688 million in annual wages

### Central Minnesota

- 2<sup>nd</sup> largest sector
- 41,266 jobs in 2024
- \$2.9 billion in annual wages

### Twin Cities metro

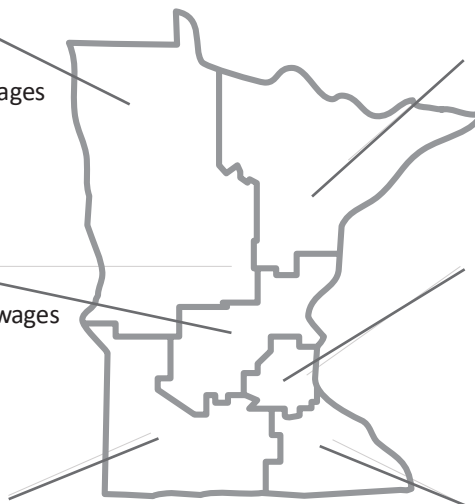
- 2<sup>nd</sup> largest sector
- 172,772 jobs in 2024
- \$16.2 billion in annual wages

### Southwest Minnesota

- 2<sup>nd</sup> largest sector
- 29,842 jobs in 2024
- \$2 billion in annual wages

### Southeast Minnesota

- 2<sup>nd</sup> largest sector
- 35,955 jobs in 2024
- \$2.8 billion in annual wages



# Manufacturing growth trends in Minnesota

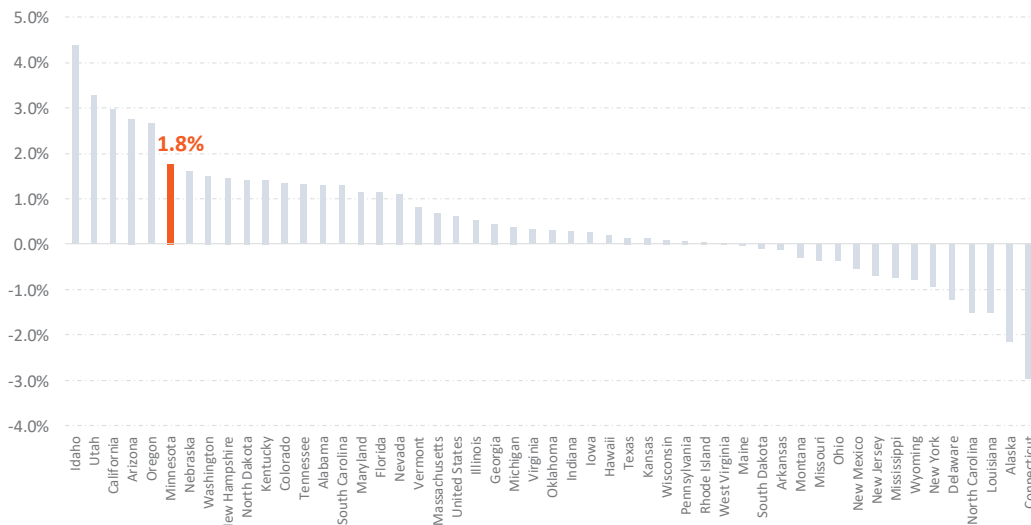
- Manufacturing output (real GDP) in Minnesota increased by 54% since 2000, indicating continued growth through productivity and movement into higher value-added activities.** A combination of automation technologies, process improvements and shifts to higher value activities have allowed manufacturers to become more efficient and expand their output, even as job counts have not recovered to peak levels.
- Manufacturing was a competitive bright spot for Minnesota in the first two decades of the century, with Minnesota outpacing the U.S. manufacturing sector and ranking 6th in GDP growth nationally from 2007-2019.** While Minnesota's overall economic growth consistently lagged the U.S. economy for much of this century, the opposite has been true for Minnesota's manufacturing sector. From 2000-2019, Minnesota's manufacturing GDP grew 2.4% annually, compared to just 1.6% in the U.S manufacturing sector. During the 2007-2019 business cycle, Minnesota ranked 6th among states in manufacturing GDP

growth and ranked 1st among all states in the Midwest region.

- Since 2019, Minnesota manufacturing has underperformed the national average in both output and job growth.** From 2019-2024, Minnesota's manufacturing sector grew at an average annual rate of 0.3%, ranking 36th best among states. Further, total employment in the sector declined since 2023, after rebounding from the pandemic and 2020 downturn.
- Slowdowns in advanced subsectors have had an outsized impact on recent performance.** From 2000-2019, Minnesota's computer and electronic product subsector accounted for nearly 60% of Minnesota's overall manufacturing growth, expanding at a rapid 11% annual rate in that time. Since 2019, however, total output in computer and electronic products manufacturing contracted modestly by -0.3%. Further, other subsectors - such as printing, plastics and fabricated metal products - faced steep losses this decade after posting positive gains in the 2010's.

## Minnesota had the 6th fastest growing manufacturing sector in the U.S. from 2007-2019, leading all midwestern states

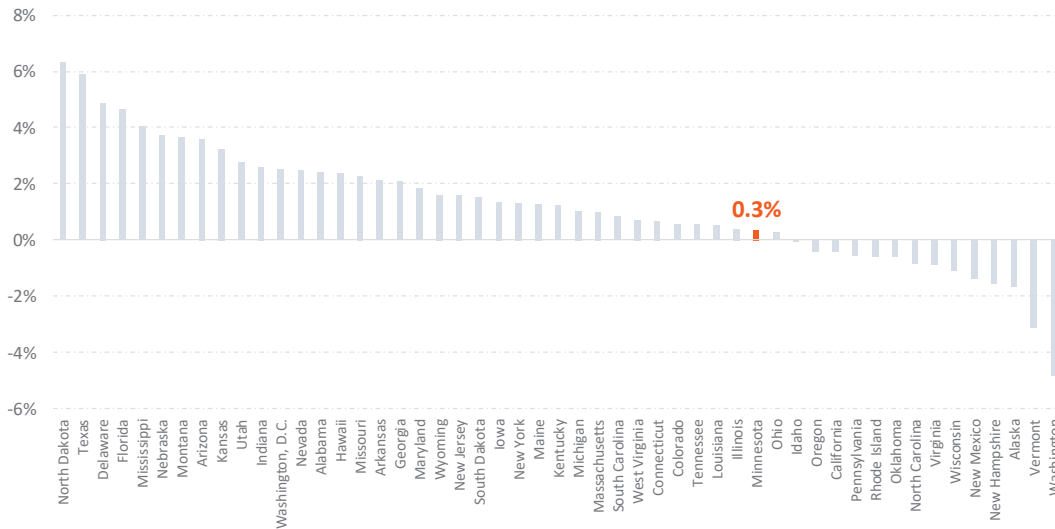
*Real GDP growth by state (annual average): manufacturing 2007-2019*



Source: Bureau of Economic Analysis

## Minnesota's manufacturing sector slowed this decade, slipping to 36<sup>th</sup> best nationally since 2019

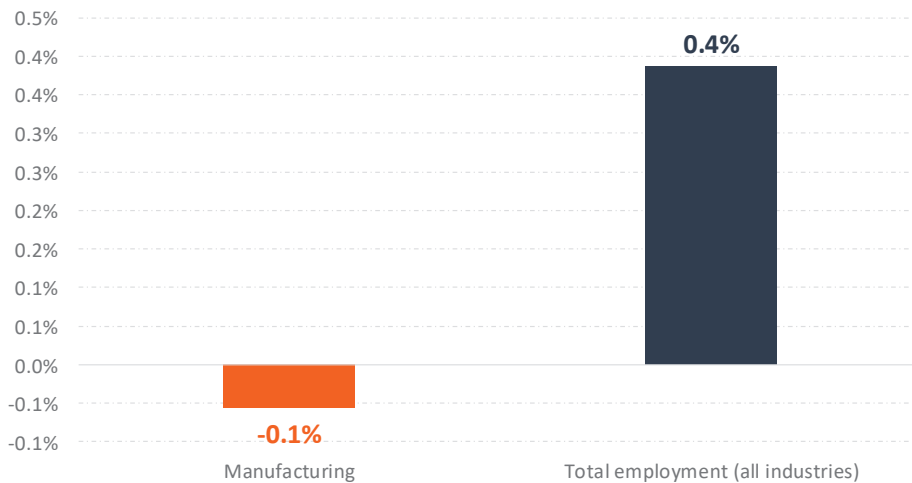
Real GDP growth by state (annual average): manufacturing  
2019-2024



Source: Bureau of Economic Analysis

## After fast recovery from pandemic, Minnesota manufacturing employment fell since 2023

Annual job growth rate: Minnesota  
2019-2025



Source: BLS, DEED, Current Employment Statistics

# Cost trends for Minnesota manufacturers

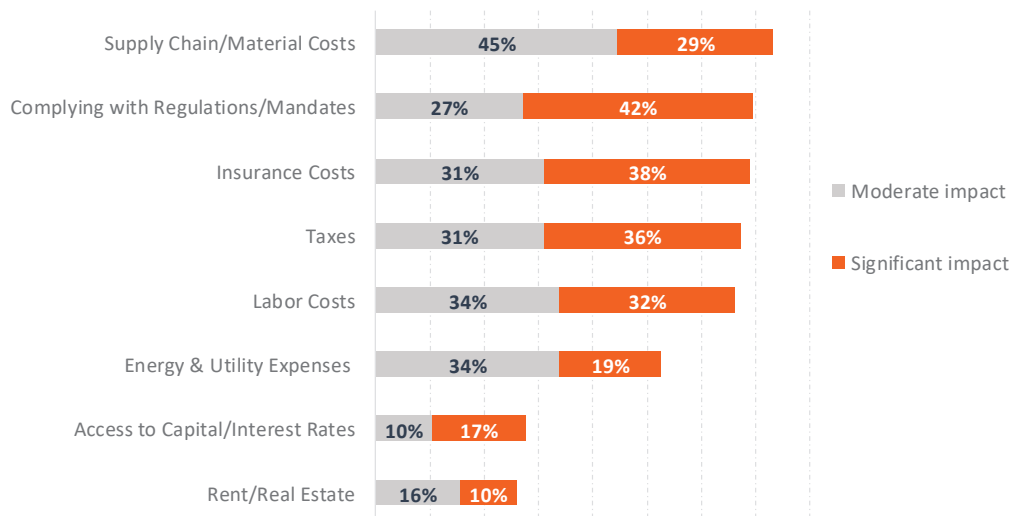
- Manufacturing is a capital-intensive industry with high fixed and operating costs.** Minnesota manufacturers must make significant investments in facilities, equipment, workforce, and operational support. The sector also faces disproportionately high energy and regulatory costs and competes with firms in lower-cost regions, creating distinct financial pressures for manufacturers.
- Recent surveys cite rising costs as a challenge for manufacturers in Minnesota.** A 2025 survey of Minnesota businesses conducted by the Grow Minnesota! program showed that a high share of firms experienced moderate or significant cost increases over the past year. Ninety percent of manufacturing businesses surveyed reported rising costs over the past year, with 41% facing significant impacts.
- Manufacturers raise concerns about impacts of new mandates and business climate issues in Minnesota.** The 2025 Grow Minnesota! survey indicated that 42% of manufacturers faced significant cost impacts from

compliance with state regulations and mandates, highest among all categories. Likewise, Enterprise Minnesota's 2025 State of Manufacturing report, which polls over 400 manufacturers around the state, found that 53% of manufacturers say Minnesota's business climate is worsening, up from 15% in 2019. Manufacturers report that these challenges are impacting their decisions about future investments.

- Costs of doing business in Minnesota are outpacing the national average in key areas of importance to manufacturers.** For example, according to data from the U.S. Energy Information Administration (EIA), Minnesota ranked 15th highest in average industrial electricity costs nationwide—measured in cents per kilowatt hour—and 2<sup>nd</sup> highest among Midwest states between June 2024 and May 2025. Further, industrial electricity rates increased faster in Minnesota than in the U.S. in recent years, rising 5<sup>th</sup> fastest among states from 2010-2023.

## Manufacturers report wide range of cost increases, with regulations and insurance costs creating the most significant impacts

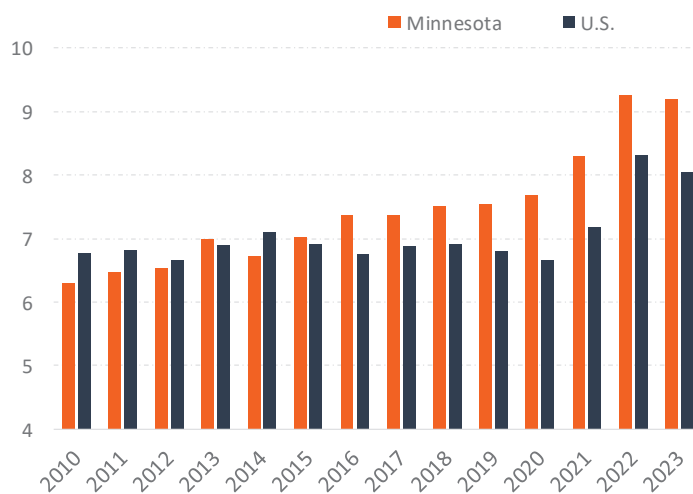
*To what extent have the following factors impacted your cost of doing business in the past year?*



Source: 2025 State of business retention and expansion in Minnesota

## Minnesota's average industrial electricity prices rose 5th most among states since 2010, outpacing U.S. average

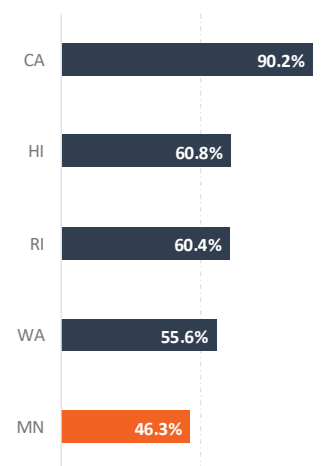
Average Price of Electricity to Industrial Customers:  
(Cents per Kilowatt hour):



Source: U.S. Energy Information Administration, accessed via <https://www.eia.gov/electricity/data/state/>

Top 5 states with the largest increase  
in average industrial electricity price

% change 2010-2023



## What are manufacturers saying about costs of doing business?

- "Seems like costs in every area are going up. Our break-even costs have increased by 50% in the last 5 years. Not sustainable."
- "Tough to be profitable and invest in your business when there is upward cost pressure and lower demand levels."
- "Labor rates and interest rates are causing higher than normal business expenses. Insurance costs have had a significant impact on the company's bottom line as a small employer."
- "Complying with new mandates issued by the state of Minnesota have been costly in terms of time, resources, and energy. Insurance premiums have also increased significantly."
- "Labor costs and regulations are significantly impacting our business. Causing our company to not be competitive globally."



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# Workforce trends and challenges for manufacturers

- **The number of unfilled manufacturing jobs in Minnesota grew steadily since 2010, as demand outpaced the supply of workers.** Minnesota manufacturers added jobs in twelve of the fifteen years from 2010-2024, following the substantial losses experienced in the 2007-2009 recession. As hiring picked up, however, so too did the number of unfilled manufacturing jobs, with employers facing increased challenges finding available workers. Job vacancies spiked to nearly 19,000 in the fourth quarter of 2022, up from 13,000 in 2018 and from 2,000 in 2009. While vacancies have subsided since 2022, this appears to be driven more by short-term declines in labor demand than an improvement in supply of available workers.

- **Manufacturers report workforce availability and skills gaps as a top barrier to their growth in the state.** Over seventy percent of manufacturers surveyed by the Grow Minnesota! program since 2023 reported difficulty finding workers, with this being the most cited barrier to their growth in the state. Similarly, Enterprise Minnesota's 2025 poll of over 400 manufacturers found that 80% of firms say it is somewhat or very difficult to attract qualified talent.

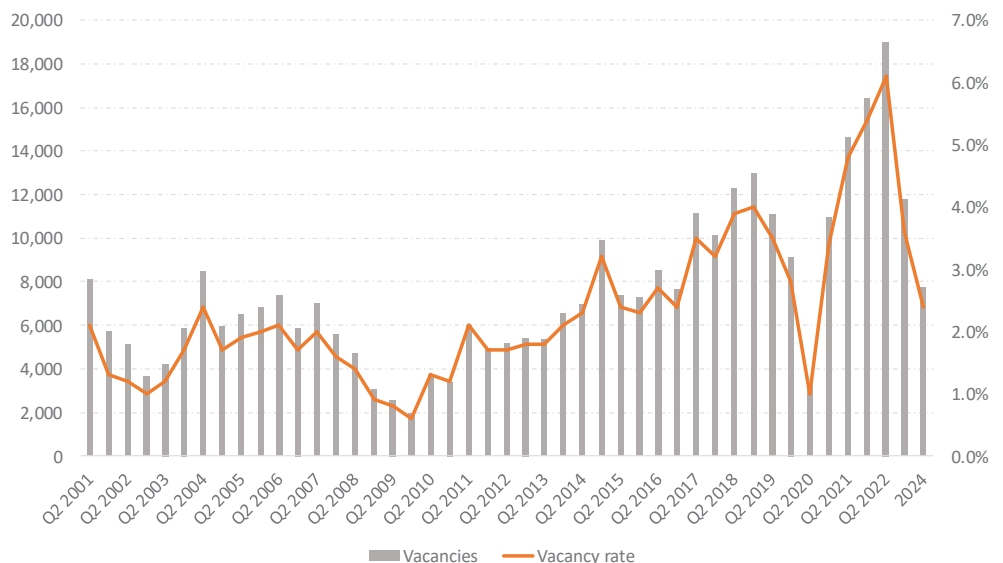
- **Education levels among Minnesota's production workers rose over past two decades, outpacing the U.S. average.** The share of production workers with an associate degree or higher rose from 14% in 2003 to a high of 25% in 2022. Further, education levels in Minnesota's production workforce outpace

their peers nationally, with 25% of Minnesota production workers possessing an associate degree or higher in 2022 compared to 18% in the U.S. production workforce. Despite these gains, over half of workers in production occupations have not received any postsecondary education, which may indicate room for growth in connecting manufacturing employees to career-specific training programs.

- **Minnesota is projected to have over 200,000 job openings in production occupations from 2022-2032, driven largely by retirements.** The Department of Employment and Economic Development projects nearly 226,000 openings in production roles over the 2022-2032 period. The largest volumes are expected for production supervisors, machinists, inspectors and welders. Even occupations with declining overall employment—such as printing press operators—will still need substantial levels of backfilling to maintain operations.

### As hiring picked up, so did job vacancies, with employers facing increasing challenges finding workers to fill openings

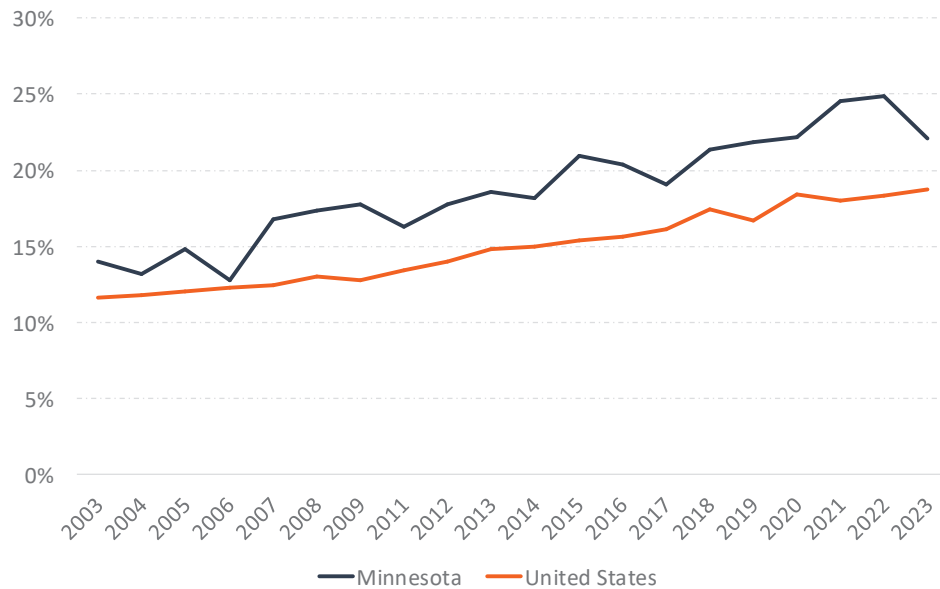
Job vacancies and vacancy rate in Minnesota manufacturing: 2001 - 2024



Source: DEED, Job Vacancy Survey

## Education levels among Minnesota production workers outpaced the national average over the past two decades

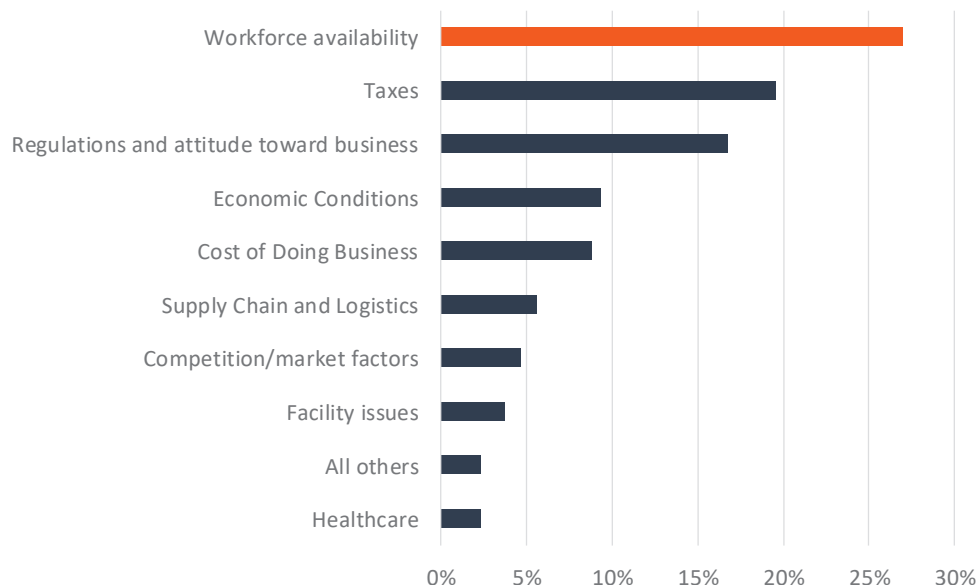
Share of production workers with an Associate's degree or higher:  
Minnesota and United States



Source: U.S. Census Bureau accessed via IPUMS

## Hiring challenges were the most common theme in survey comments about barriers to growth in Minnesota

Biggest barriers to growth in Minnesota: 2023-2025



Source: Grow Minnesota! BRE Survey

Note: Chart shows the most common themes mentioned in over 150 open-ended survey comments



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# What are your biggest barriers to growth in Minnesota?

2025 Grow Minnesota! BRE survey responses from manufacturers:

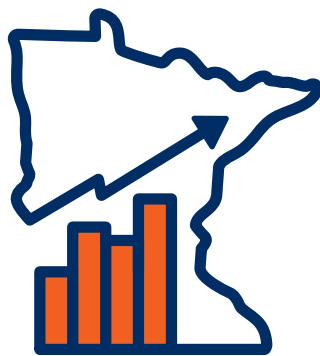
- “**Skilled employees** and stable government”
- “**Labor availability** and rural community growth, current political economic instability and erratic policy initiatives.”
- “Finding **skilled machinists**”
- “Finding both **skilled and non-skilled labor** for our operations. (Welders, machinists, assemblers)”
- “Finding **skilled workforce** in southern Minnesota.”
- “**Lack of workforce** and lack of orders from customers”
- “High tax rates in Minnesota, **Skilled labor**”
- “Employee retention, staffing, **qualified applicants.**”



# Resources for Minnesota manufacturers

**The Minnesota Chamber of Commerce and Chamber Foundation are committed to supporting manufacturers around the state. Below are some of the resources available to manufacturing businesses.**

- **Manufacturers Council** – the Minnesota Chamber of Commerce also serves as the state manufacturing association. The Manufacturers Council provides an exclusive opportunity for manufacturing members to share best practices, advocate on behalf of key policy issues and join together to advance pro-growth strategies for manufacturers in Minnesota.
- **ChamberHealth** – through Minnesota Chamber Business Services, an association health plan specifically for manufacturers is available through ChamberHealth.
- **Free one-on-one assistance from Grow Minnesota!** – Grow Minnesota! is the state’s leading business retention program, providing free, customized assistance to manufacturers and businesses statewide on strategies to grow their companies, as well as problem solving to remove barriers.
- **Online certificate of origin processing through essCert** – the Chamber offers a streamlined certificate of origin processing system for quick and efficient approvals.
- **Sustainability solutions and savings through Energy Smart and Waste Wise** – the Minnesota Chamber Sustainability program provides cost saving consulting and recommendations for on both energy and solid waste. This innovative program has saved businesses millions of dollars throughout its history.
- **Free resource guides on business funding, exporting and workforce** – Grow Minnesota! has easy-to-navigate guides to help businesses access capital, find new markets and identify workforce partnerships in their communities.



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380 St. Peter St., Suite 1050, St. Paul, MN 55102

