



AGC
THE CONSTRUCTION
ASSOCIATION

April 2023

US Construction Outlook: Rotation or Retreat?

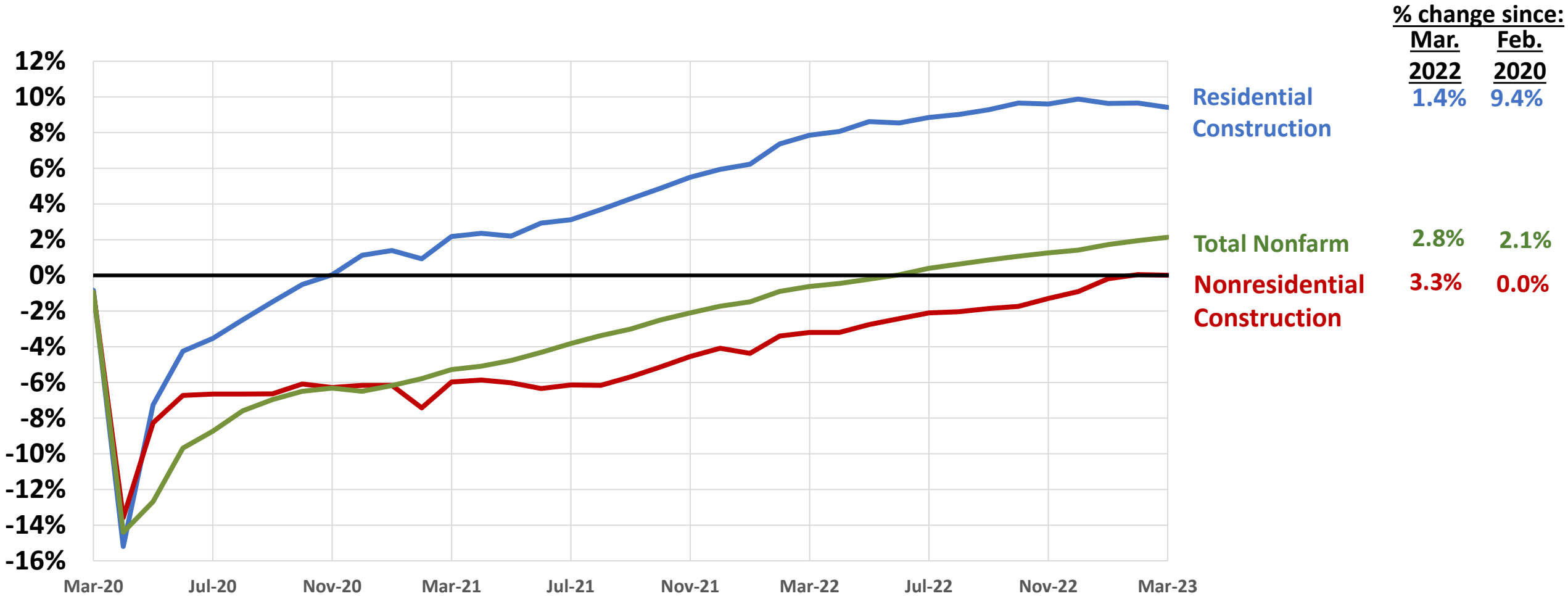
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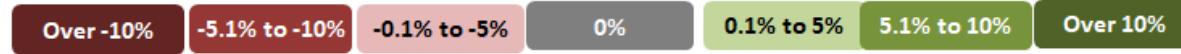
Total nonfarm & construction employment, Feb. 2020–Mar. 2023

cumulative change (seasonally adjusted)



Construction employment change by state, Feb. 2022-Feb. 2023 (U.S.: 3.2%)

45 states **up**, 5 states + DC **down**

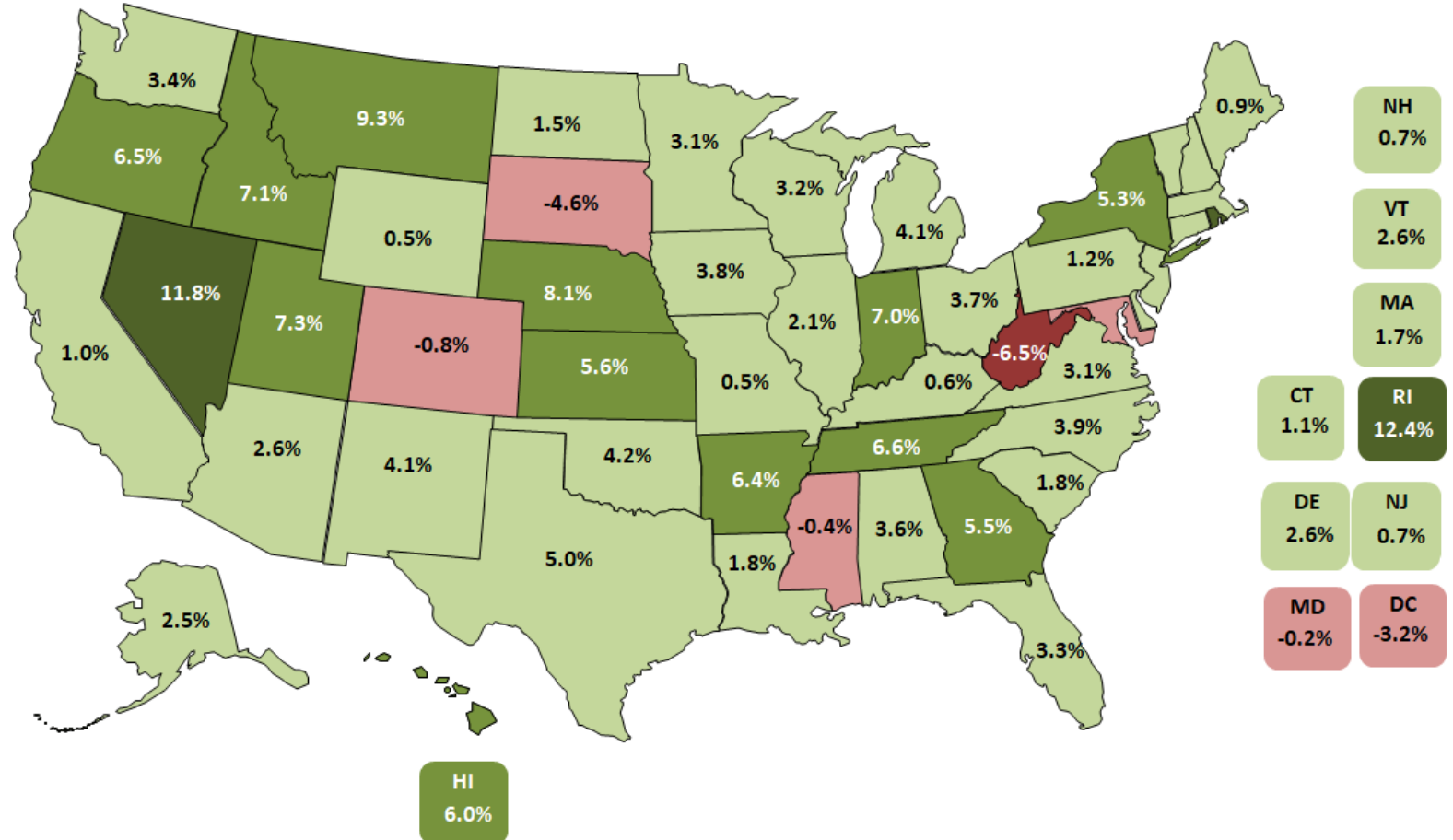


Top 5

| | |
|----|-------|
| RI | 12.4% |
| NV | 11.8% |
| MT | 9.3% |
| NE | 8.1% |
| UT | 7.3% |

Bottom 6

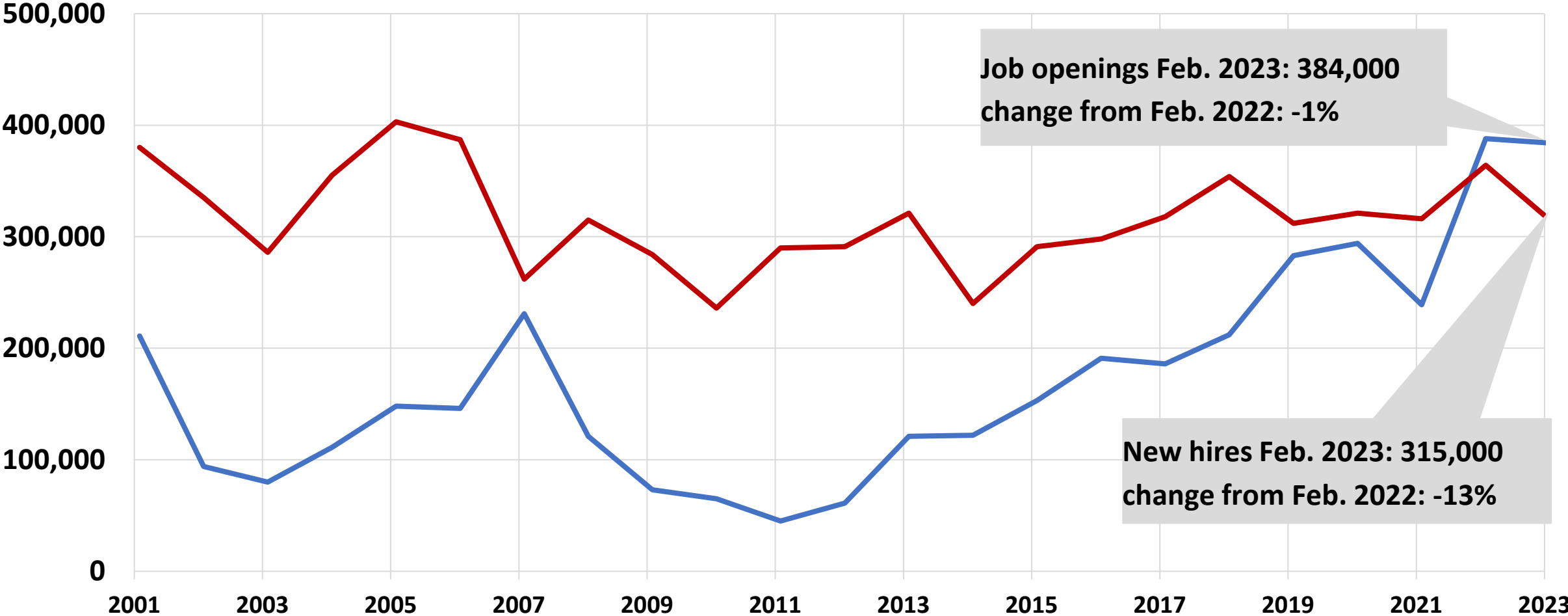
| | |
|----|-------|
| WV | -6.5% |
| SD | -4.6% |
| DC | -3.2% |
| CO | -0.8% |
| MS | -0.4% |
| MD | -0.2% |



Construction job openings & new hires



Job openings and hires, Feb. 2001-Feb. 2023, not seasonally adjusted

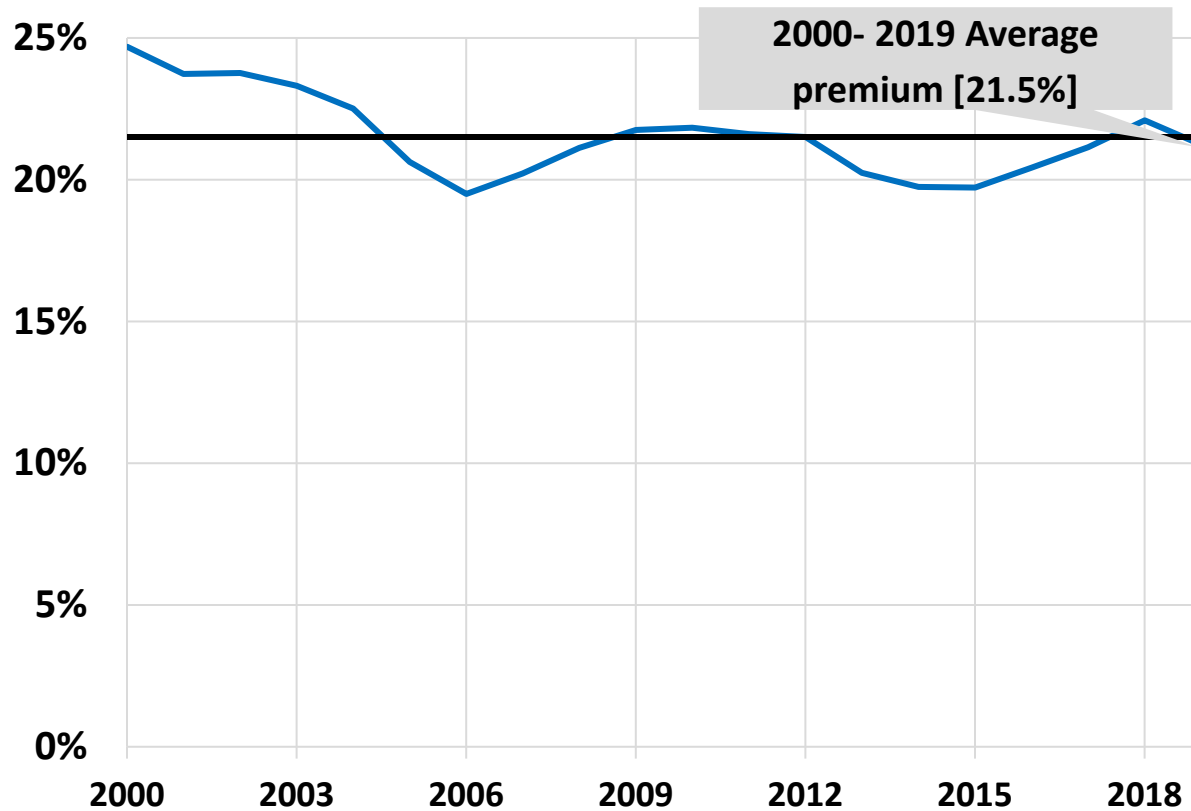


Construction wage “premium” vs. total private sector

Excess of average hourly earnings (AHE) for production and nonsupervisory employees in construction vs. private sector

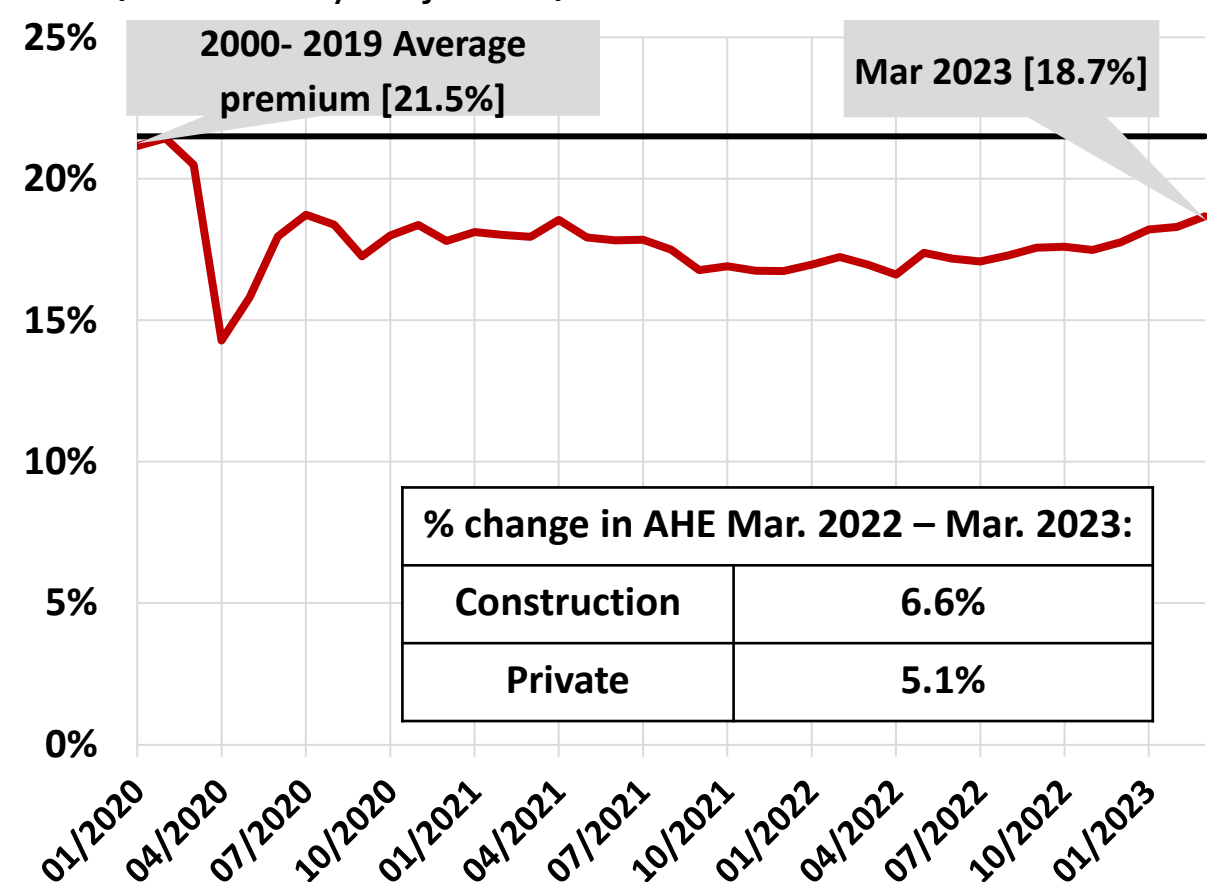


Annual premium, 2000–2019



Monthly premium, Jan. 2020–Mar. 2023

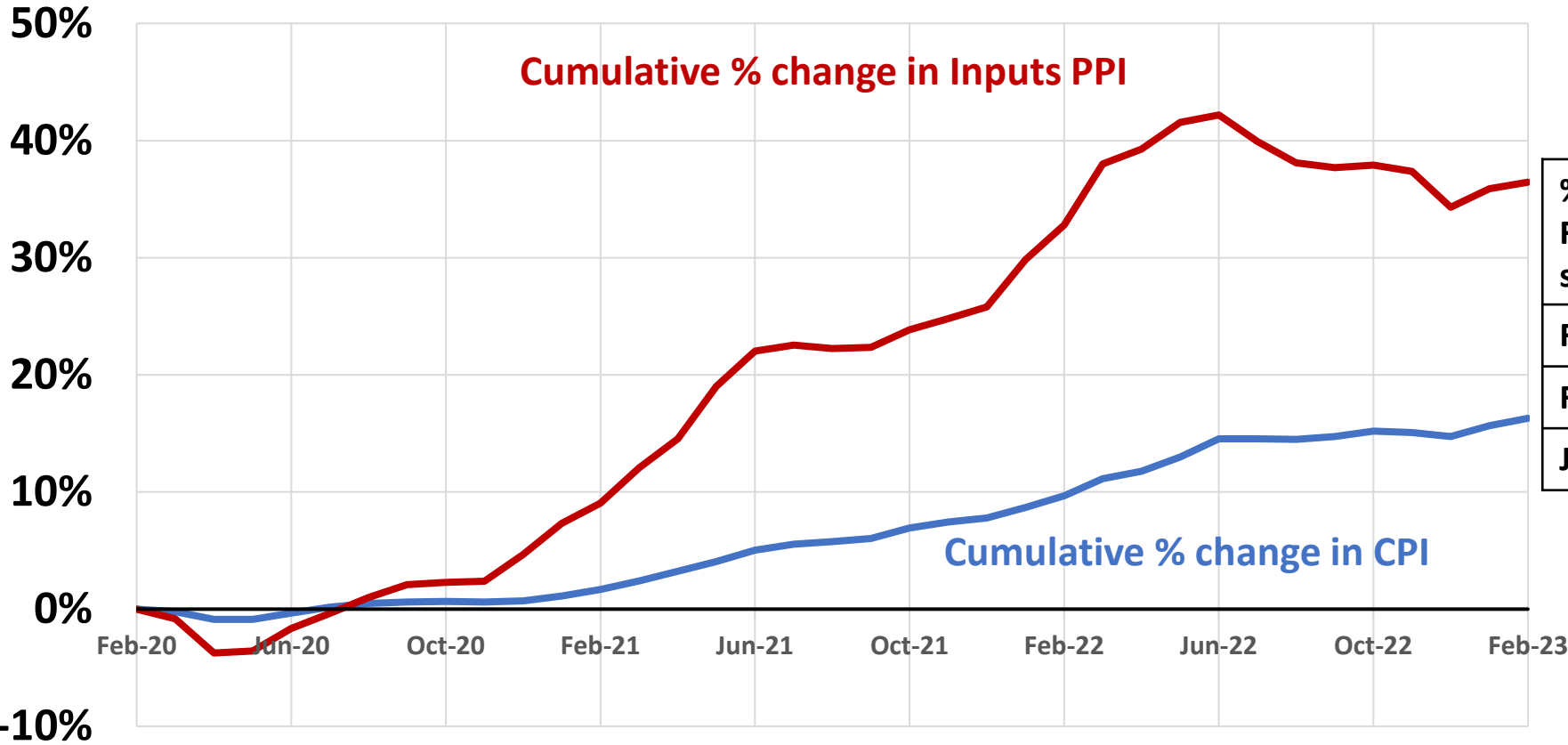
(seasonally adjusted)



Costs for new nonresidential construction vs. consumer prices

Cumulative change in PPI for new nonresidential construction inputs and CPI

February 2020 - February 2023, not seasonally adjusted



| % change to Feb. 2023 since: | Inputs PPI | CPI |
|------------------------------|------------|------|
| Feb. 2020 | 34% | 16% |
| Feb. 2022 | 2.7% | 6.0% |
| Jan. 2023 | 0.4% | 0.6% |

Not all construction costs are cooling!



producer price indexes, 1 - & 12-mo. change (not seasonally adjusted)

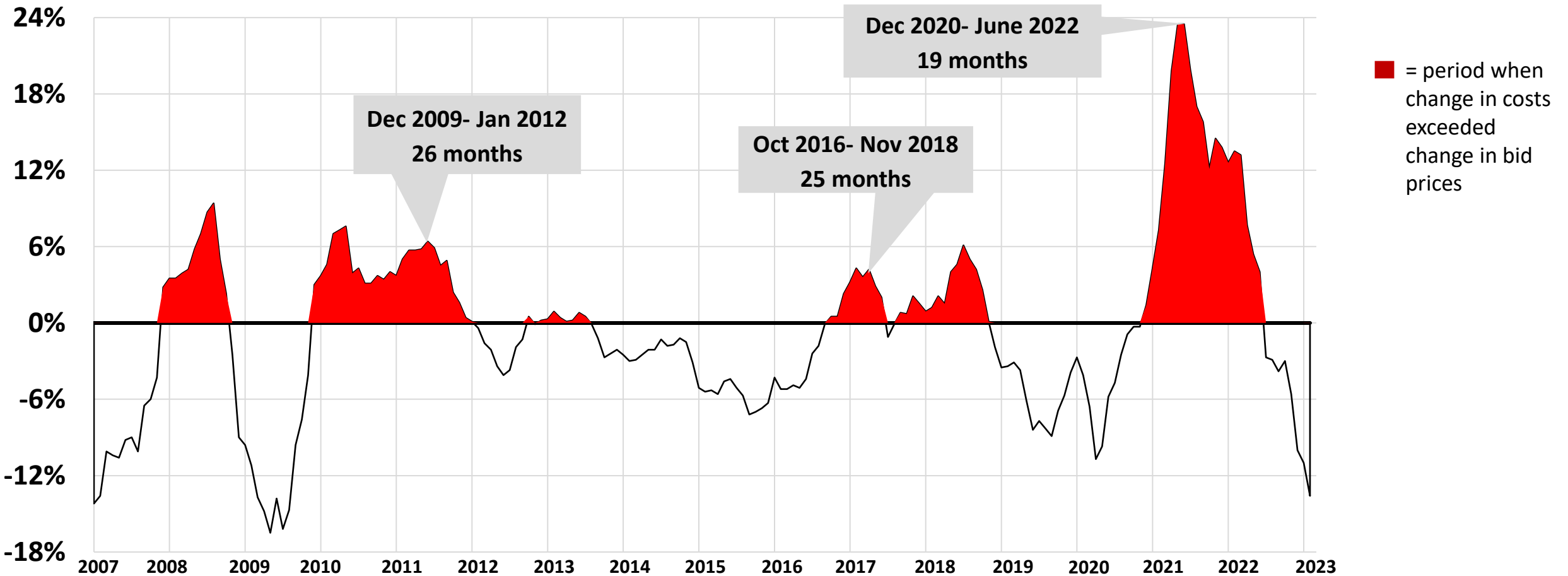
| | Feb 2023 change from: | |
|---|-------------------------------|---------------------------------|
| | Jan 2023 (1 month) | Feb 2022 (12 months) |
| Cement | 1.1% | 15.0% |
| Asphalt paving mixtures and blocks | 2.2% | 14.5% |
| Flat glass | 4.0% | 11.7% |
| Gypsum building products | 0.4% | 12.5% |
| <u>Subcontractor price indexes, nonresidential building work</u> | | |
| Roofing contractors | 0.5% | 22.2% |
| Plumbing contractors | 0.2% | 12.3% |
| Electrical contractors | 0.3% | 20.0% |
| Concrete contractors | 0.2% | 8.3% |

Cost squeeze on contractors can reappear suddenly, last 2+ years

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Feb 2023



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Detailed sewage/waste and water supply spending

Jan-Feb 2023 vs. 2022 and full-year 2022 vs. 2021



| | <u>2022 total</u> <u>(billions)</u> | <u>Jan-Feb. 2023</u> <u>vs. 2022</u> | <u>2022 vs.</u> <u>2021</u> |
|--|--|---|--------------------------------|
| Sewage and waste disposal—Total | \$32.1 | 18% | 15% |
| State and local | \$30.9 | 20% | 14% |
| Sewage/dry waste | \$13.4 | | 9% |
| Plant | \$ 0.9 | | -29% |
| Line/pump station | \$12.3 | | 15% |
| Wastewater | \$17.4 | | 17% |
| Plant | \$11.7 | | 17% |
| Line/drain | \$ 5.7 | | 19% |
| Water supply—Total | \$22.9 | 17% | 19% |
| State and local | \$21.7 | 19% | 19% |
| Plant | \$ 6.7 | | 23% |
| Well | \$ 0.8 | | - 6% |
| Line | \$10.4 | | 17% |
| Pump station | \$ 2.1 | | 34% |
| Reservoir | \$ 0.7 | | 8% |
| Tank tower | \$ 1.0 | | 23% |

Change in construction spending: February 2023 vs. February 2022

current (not inflation-adjusted) dollars, seasonally adjusted



Total 6%: Private residential -6% (single-family -21%; multi 22%; improvements 8%); public residential 13%
Nonresidential 17% (private 19%, public 13%)

Nonresidential segments (in descending order of February 2023 spending)

- Mfg. 53% (computer/electronic 146%; chemical 26%; food/beverage/tobacco 22%; transportation equipment 35%)
- Commercial 21% (warehouse 22%; retail 26%; farm 3%)
- Highway and street 19%
- Power -4% (electric -4%; oil/gas fields & pipelines -1%)
- Education 7% (primary/secondary 6%; higher ed 6%)
- Office 14%
- Transportation 13% (air 4%; freight rail/trucking 28%; mass transit -6%)
- Health care 12% (hospital 12%; medical building 19%; special care -7%)
- Other: Sewage/waste disposal 21%; Amusement/recreation 10%; Communications 5%; Water supply 17%; Lodging 34%

Medium-term outlook for construction



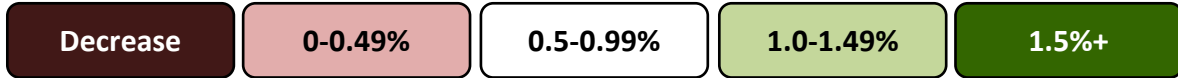
- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+” Act, Inflation Reduction Act will give major boost to infrastructure, manufacturing, and power construction. BUT
 - money will be slow to turn into construction awards and spending
 - Buy America(n), labor, environmental strings may tie up project starts for years
- Materials cost and lead time trends are mixed, no longer all upward
- Labor availability has resumed being the #1 challenge for many contractors

Long-run construction outlook (post-pandemic)



- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth means slower demand growth for most construction
- Slowing demand for K-12, decline for higher ed construction
- Permanent shift from retail to e-commerce/distribution structures
- More specialized and online healthcare facilities; fewer hospitals, nursing homes
- More wind, solar, battery storage and charging facilities, and related manufacturing
- Not clear if offices will decentralize or remain in less demand
- Not clear if recent urban/rural or state-to-state migration will remain or reverse

Population change by state, July 2021–July 2022 (U.S.: 0.38%)

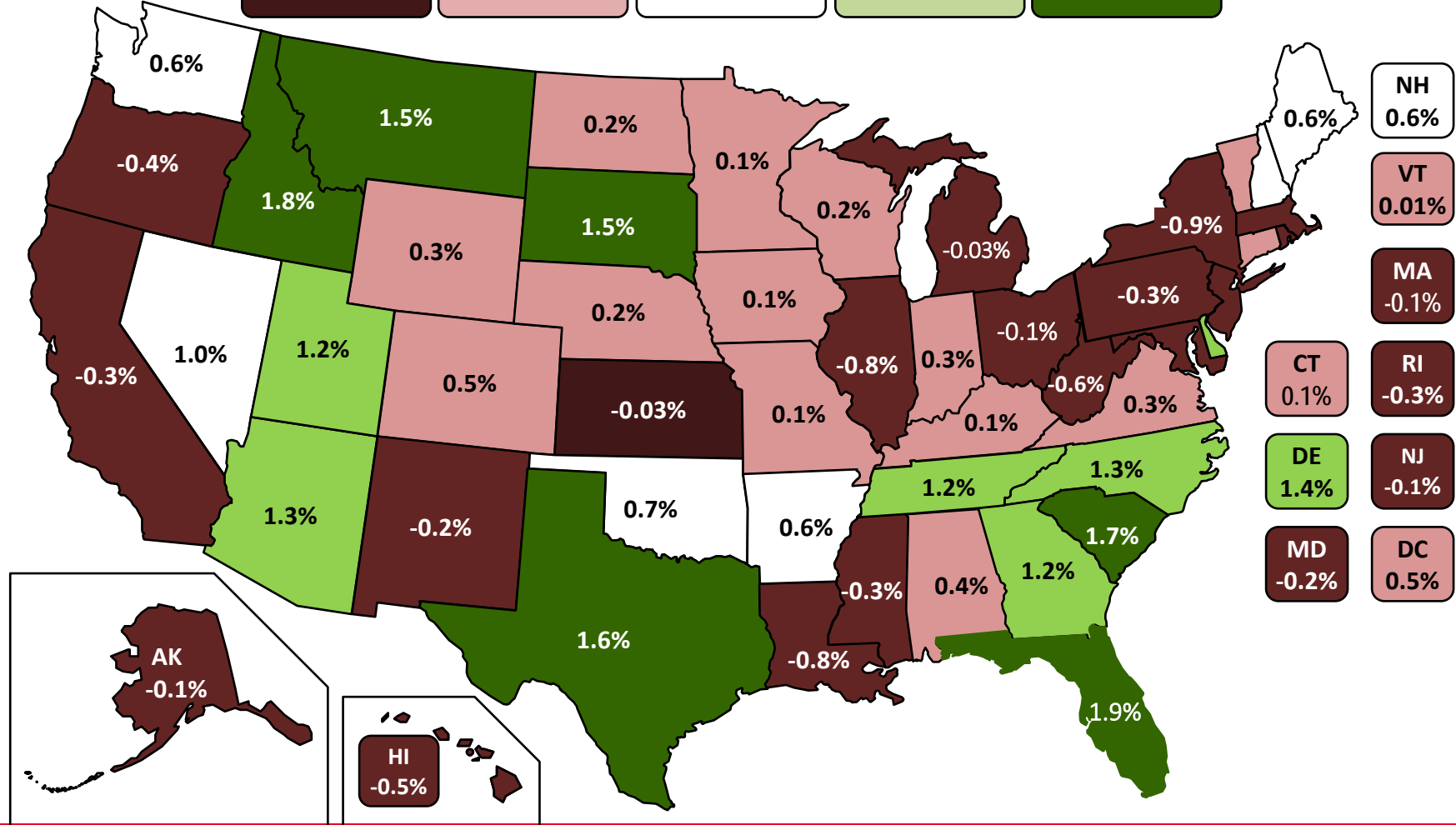


Top 6

| | |
|--------|------|
| FL | 1.9% |
| ID | 1.8% |
| SC | 1.7% |
| TX | 1.6% |
| SD, MT | 1.5% |

Bottom 5

| | |
|----|-------|
| NY | -0.9% |
| IL | -0.8% |
| LA | -0.8% |
| WV | -0.6% |
| HI | -0.5% |



AGC economic resources

(email ken.simonson@agc.org)



- *The Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- *Construction Inflation Alert*:
<https://www.agc.org/learn/construction-data/agc-construction-inflation-alert>
- ConsensusDocs Price Escalation Resource Center:
<https://www.consensusdocs.org/price-escalation-clause/>
- Surveys, state and metro data, fact sheets: www.agc.org/learn/construction-data
- Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings:
<https://www.agc.org/newsroom>

