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U.S. Construction Outlook: Rotation or Retreat?

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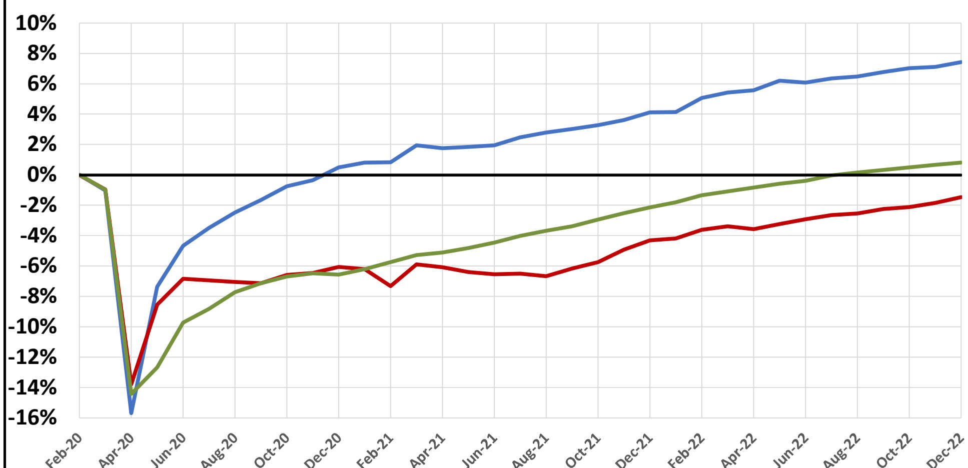
Total nonfarm & construction employment, Feb. 2020-Dec. 2022

cumulative change (seasonally adjusted)



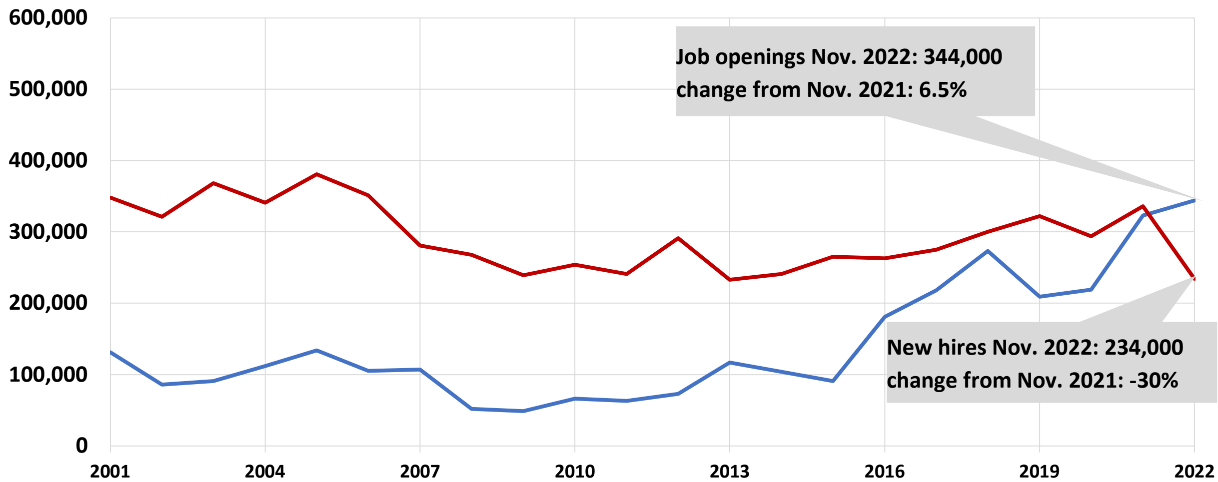
Change since Feb. 2020:	Number	Percent
Residential Construction	221,000	7.4%
Total Nonfarm	1,239,000	0.8%
Nonresidential Construction	-68,400	-1.5%

2 | Source: BLS current employment statistics, https://www.bls.gov/ces/

2

Construction job openings & new hires

Job openings and hires, Nov. 2001-Nov. 2022, not seasonally adjusted



3 | Source: Bureau of Labor Statistics, www.bls.gov/jlt, Job Openings & Labor Turnover Survey (JOLTS)

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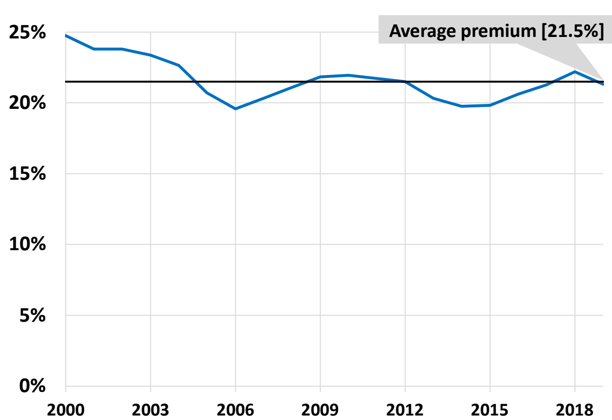
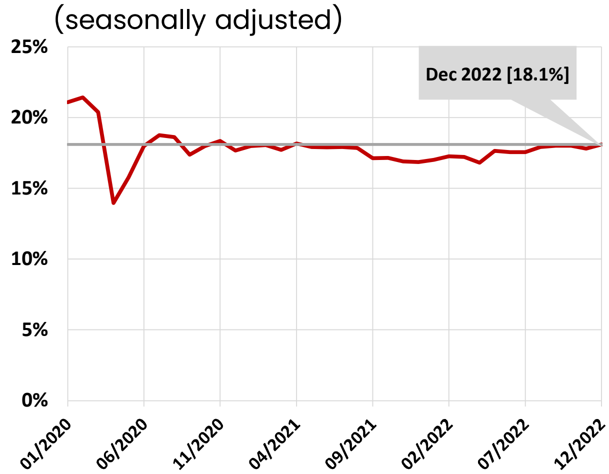
Construction wage "premium" vs. total private sector

Excess of average hourly earnings for production/ nonsupervisory employees in construction vs. private sector

Annual premium, 2000-2019



Monthly premium, Jan 2020-Dec 2022 (seasonally adjusted)



4 | Sources: BLS, www.bls.gov/ces

4

Construction employment change by state, November 2021-November 2022

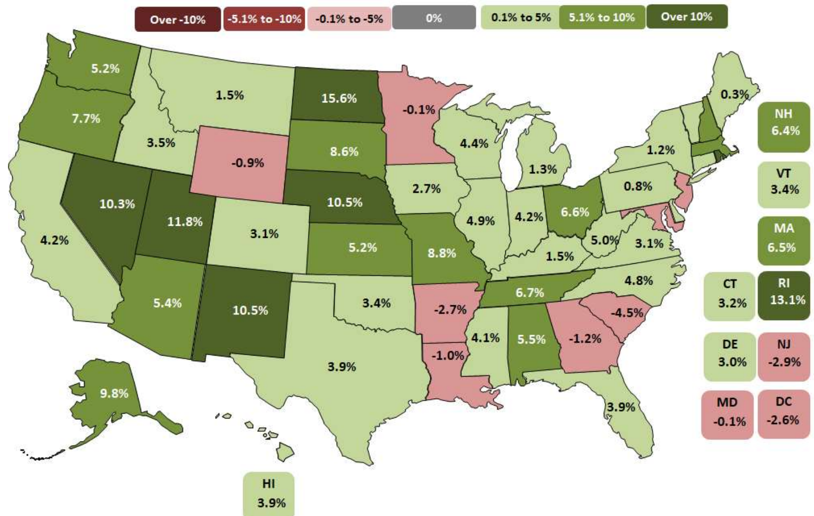
42 states up, 8 states + DC down, 0 unchanged **(U.S.: 3.3%)**

Top 5

ND	15.6%
RI	13.1%
UT	11.8%
NE	10.5%
NM	10.5%

Bottom 5

SC	-4.5%
NJ	-2.9%
AR	-2.7%
GA	-1.2%
LA	-1.0%



5 | Source: Bureau of Labor Statistics, state and area employment, www.bls.gov/sae

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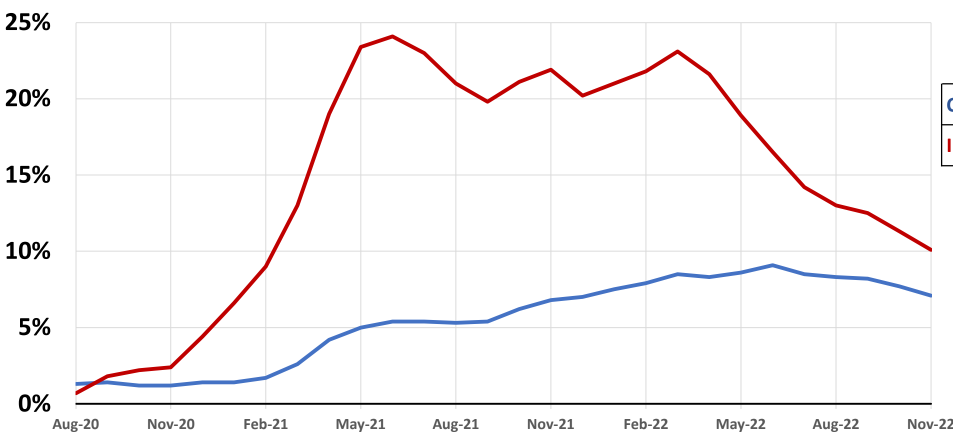
Costs for new nonresidential construction vs. consumer prices

Year-over-year change in PPI for construction inputs and CPI

August 2020 - November 2022, not seasonally adjusted



	12 months to:	
	Aug-20	Nov-22
CPI	1.3%	7.1%
Inputs PPI	0.7%	10.1%

6 | Source: Bureau of Labor Statistics, consumer price index, www.bls.gov/cpi; producer price index, www.bls.gov/ppi

6

Wide variation in construction input cost trends

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

	Nov 2022 change from: Oct 2022 (1 month)	Nov 2021 (12 months)
#2 diesel fuel	-3.4%	59.6%
Architectural coatings (paint, etc.)	0%	26.3%
Prepared asphalt & tar roofing & siding products	0.7%	12.5%
Building & construction polystyrene foam products	-0.3%	25.1%
Subcontractor price indexes, nonresidential building work		
Roofing contractors	0%	20.8%
Plumbing contractors	0.3%	15.0%
Electrical contractors	0.1%	13.8%
Concrete contractors	0.3%	10.9%

7 | Source: BLS, producer price indexes, www.bls.gov/ppi

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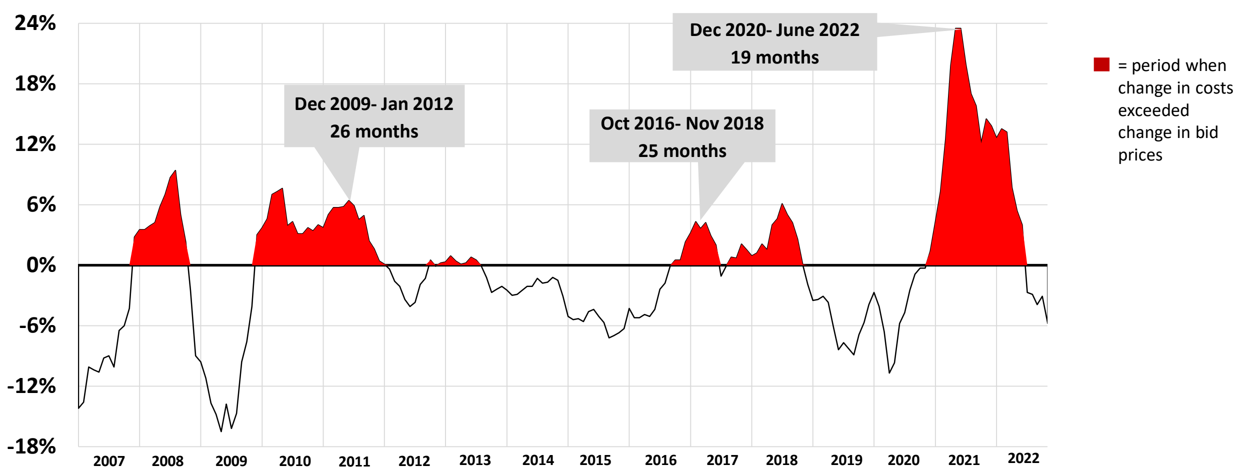
Cost squeeze on contractors can last two years or more

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Nov 2022



8 | Source: BLS, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs) and new school building construction (bid prices)

8

Change in construction spending: November 2022 vs. November 2021

current (not inflation-adjusted) dollars, seasonally adjusted

- Total 9%: private res 5% (single-family -10%; multi 11%; improvements 28%); private nonres 13%; public 10%

Largest segments (in descending order of November 2022 spending)

- Mfg. 43% (computer/electronic 203%; chemical -27%; food/beverage/tobacco 28%; transp. equip. 26%)
- Commercial 20% (warehouse 18%; retail 25%; farm 19%)
- Highway and street 15%
- Power -8% (electric -8%; oil/gas fields & pipelines -10%)
- Education 3% (primary/secondary 3%; higher ed 5%)
- Office 3%
- Transportation 7% (air 6%; freight rail/trucking 15%; mass transit 6%)
- Health care 7% (hospital 4%; medical building 11%; special care 7%)
- Sewage and waste disposal 20%
- Water supply 31%

9 | Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending

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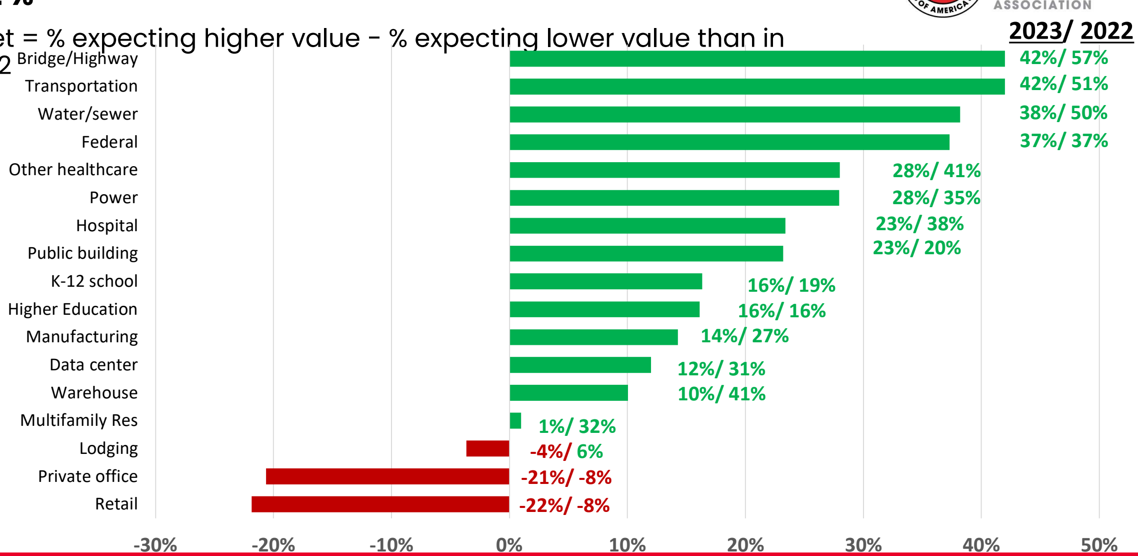
AGC Outlook Survey: Comparison between 2023 net* % who expect value of projects to be higher/lower and 2022 net %

* Net = % expecting higher value – % expecting lower value than in 2022

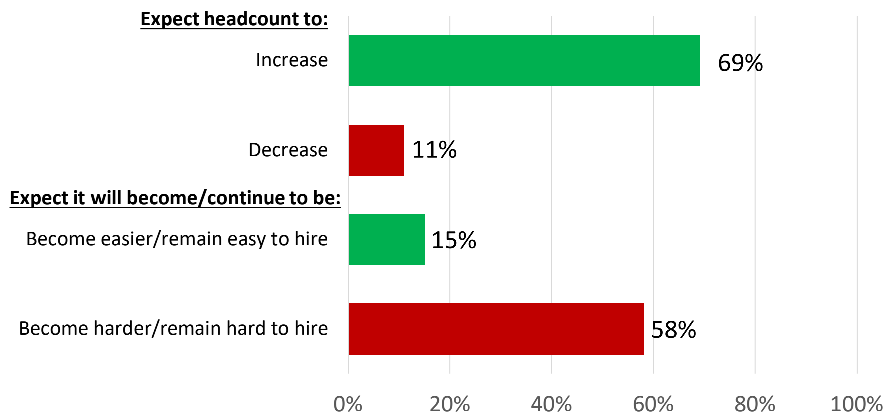


10 | Source: AGC 2023 Outlook Survey; 1,032 total respondents

10

AGC Outlook Survey: Firms’ expectations regarding their headcount and hiring over next 12 months

% of respondents who:



11 | Source: AGC 2023 Outlook Survey; 1,032 total respondents

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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

12 | Source: Author

12

Long-run construction outlook (post-pandemic)

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- 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

13 | Source: Author

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

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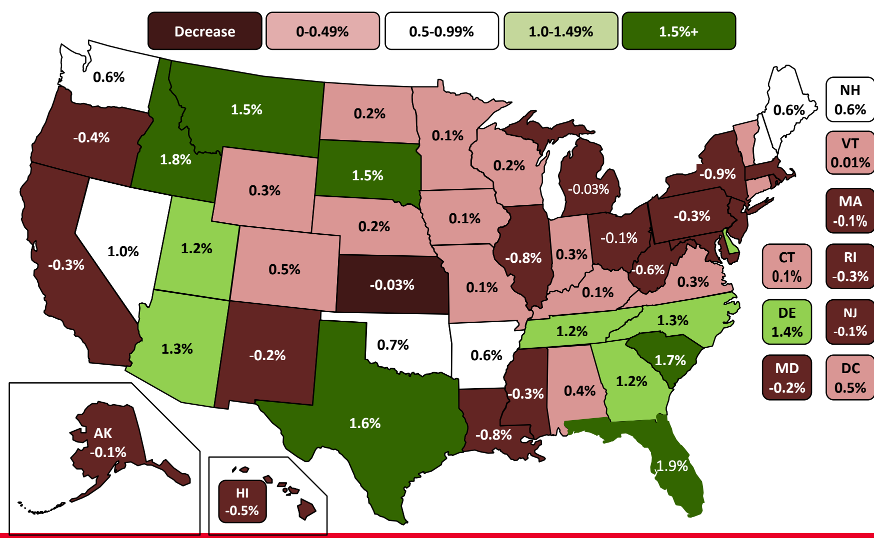
Top 6

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%



14 | Source: U.S. Census Bureau, Dec. 2022 population estimates, www.census.gov/popest

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AGC economic resources
(email ken.simonson@agc.org)

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- 2023 AGC/Sage Construction Hiring & Business Outlook Survey Results: https://www.agc.org/2023-construction-hiring-and-business-outlook
- *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

15 | Source: Author

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