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October 2022

U.S. Construction Outlook:

Recession or Resurgence?

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Total Nonfarm & Construction Employment, Feb. 2020–Sep. 2022

cumulative change (seasonally adjusted)

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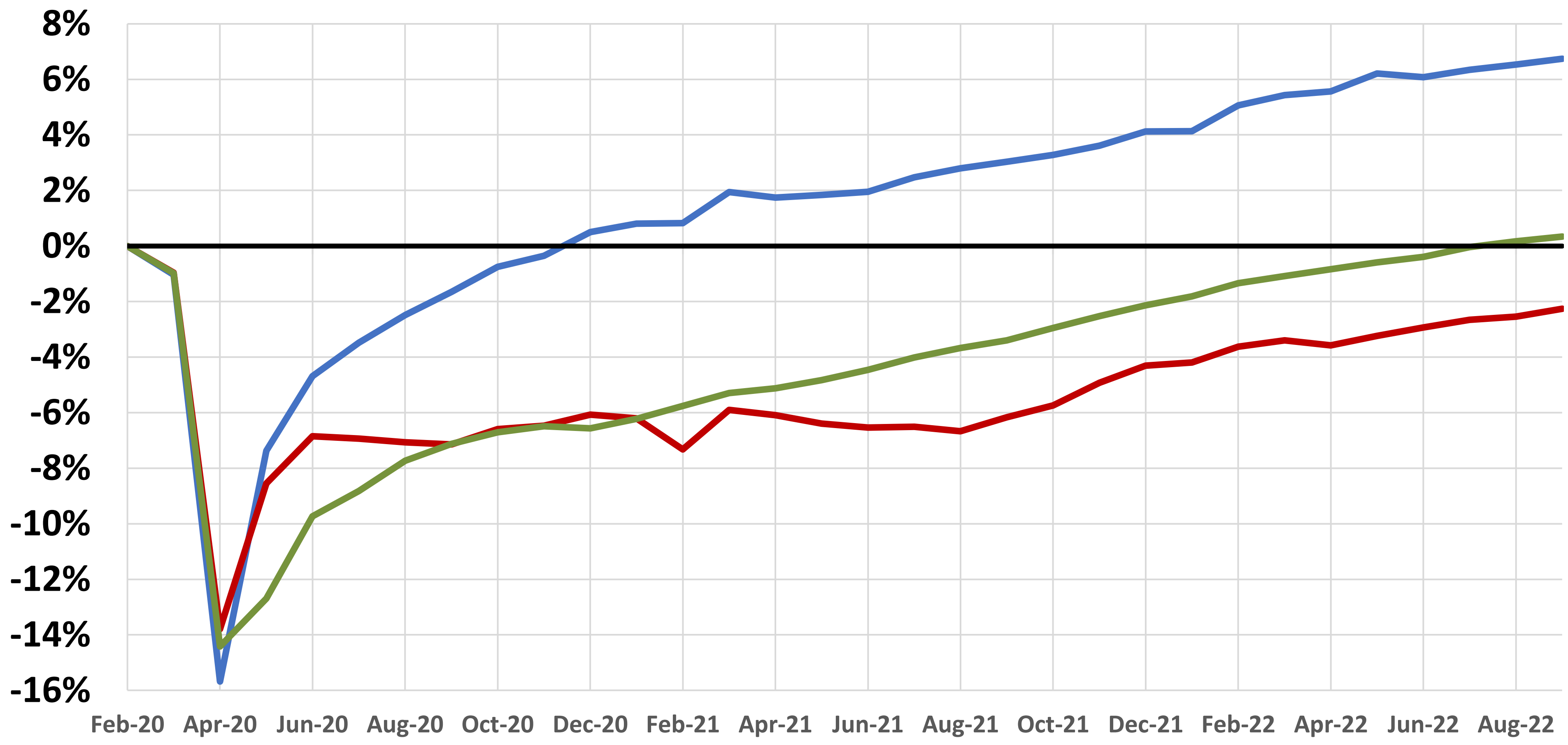


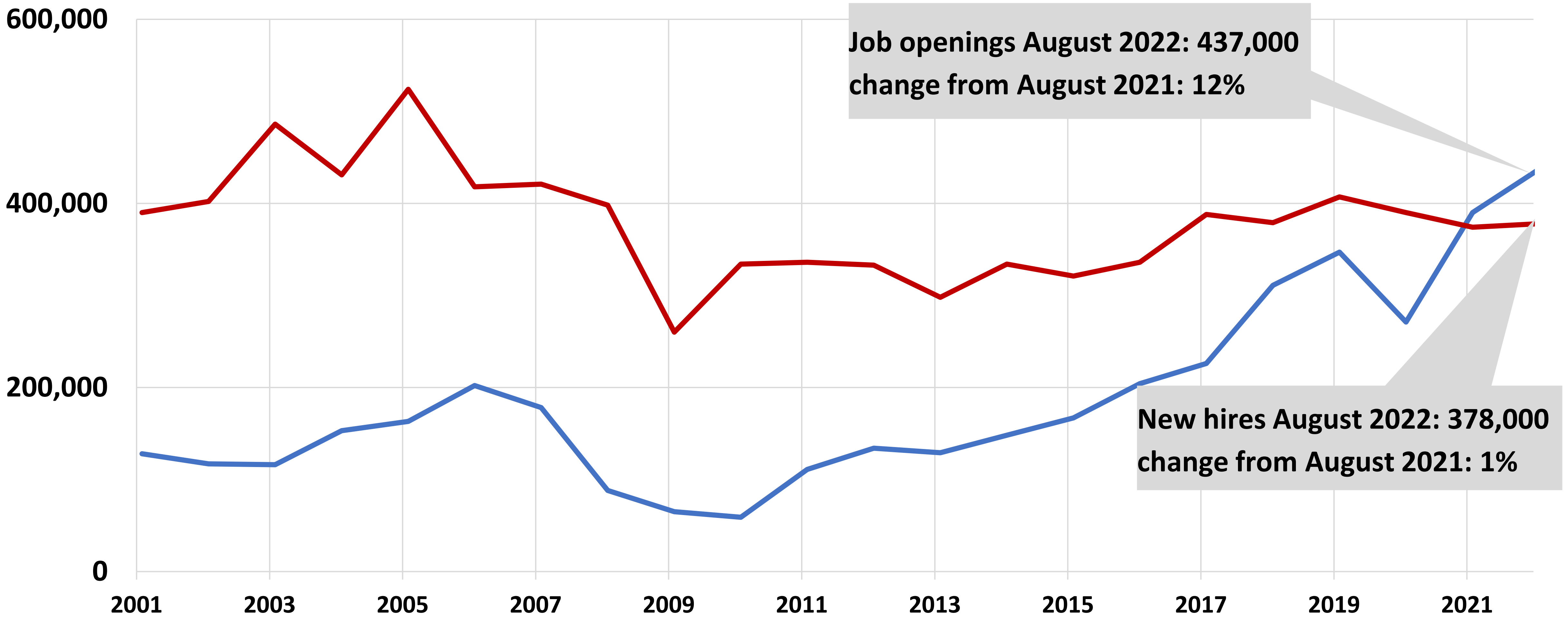
Change since Feb. 2020:

	Number	Percent
Residential Construction	200,600	6.7%
Total Nonfarm	514,000	0.3%
Nonresidential Construction	-105,200	-2.3%

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

Construction job openings & new hires

Job openings and hires, August 2001-August 2022, not seasonally adjusted

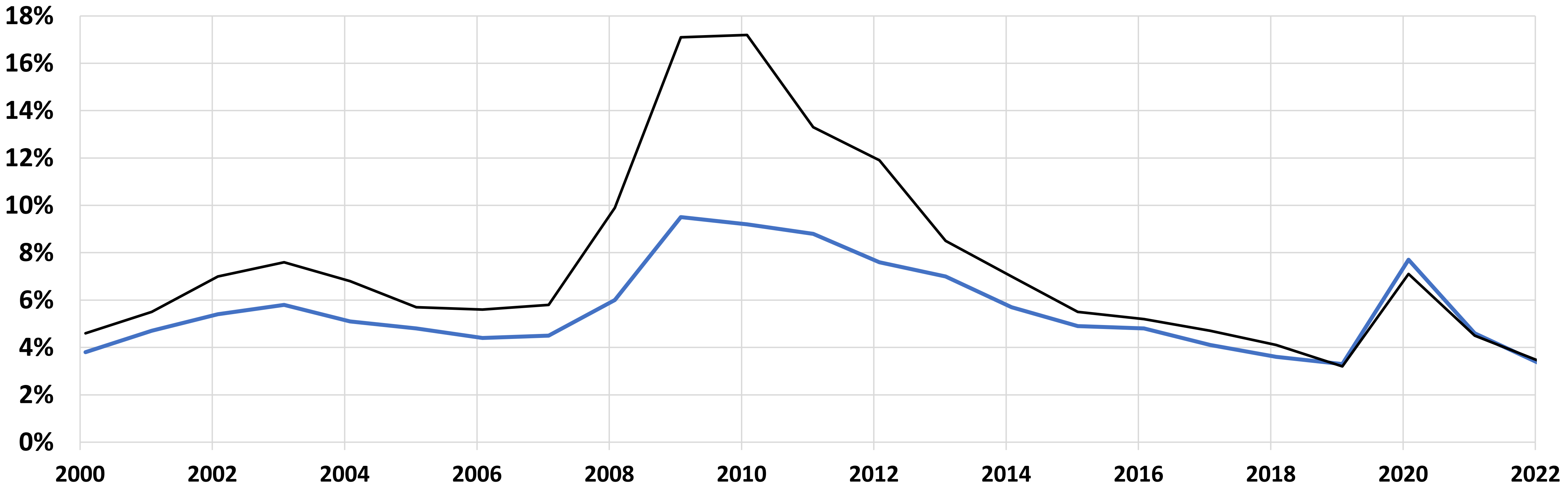


 Source: Source: Bureau of Labor Statistics, www.bls.gov/jlt, JOLTS

Nonfarm and Construction unemployment rate

September 2000–September 2022, not seasonally adjusted

September 2022: Nonfarm 3.3%, Construction 3.3%



Sources: Unemployment from BLS www.bls.gov/cps

Construction employment change by state, August 2021-August 2022

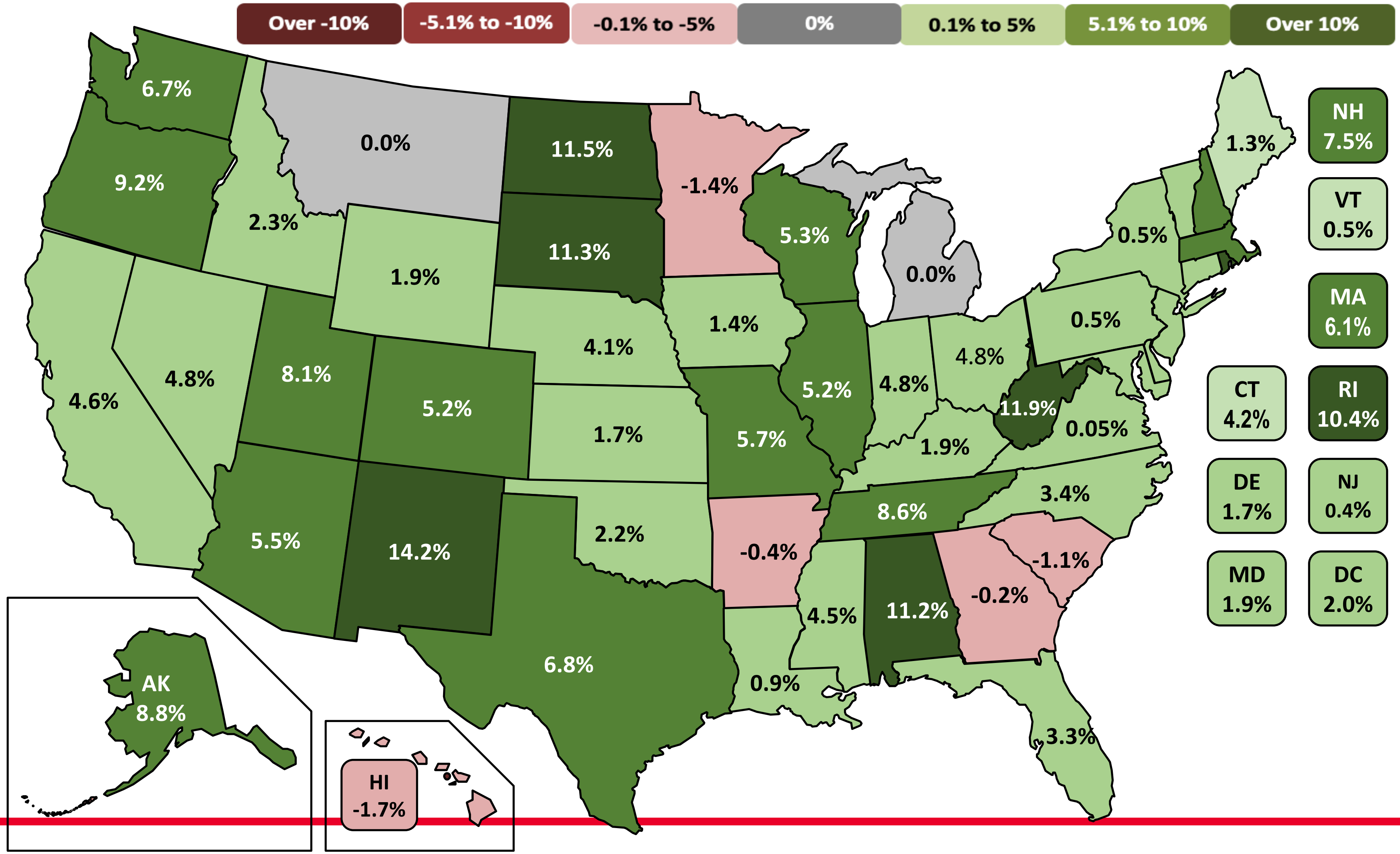
43 states+DC up, 5 states down, 2 unchanged **(U.S.: 4.2%)**

Top 5

NM	14.2%
WV	11.9%
ND	11.5%
SD	11.3%
AL	11.2%

Bottom 5

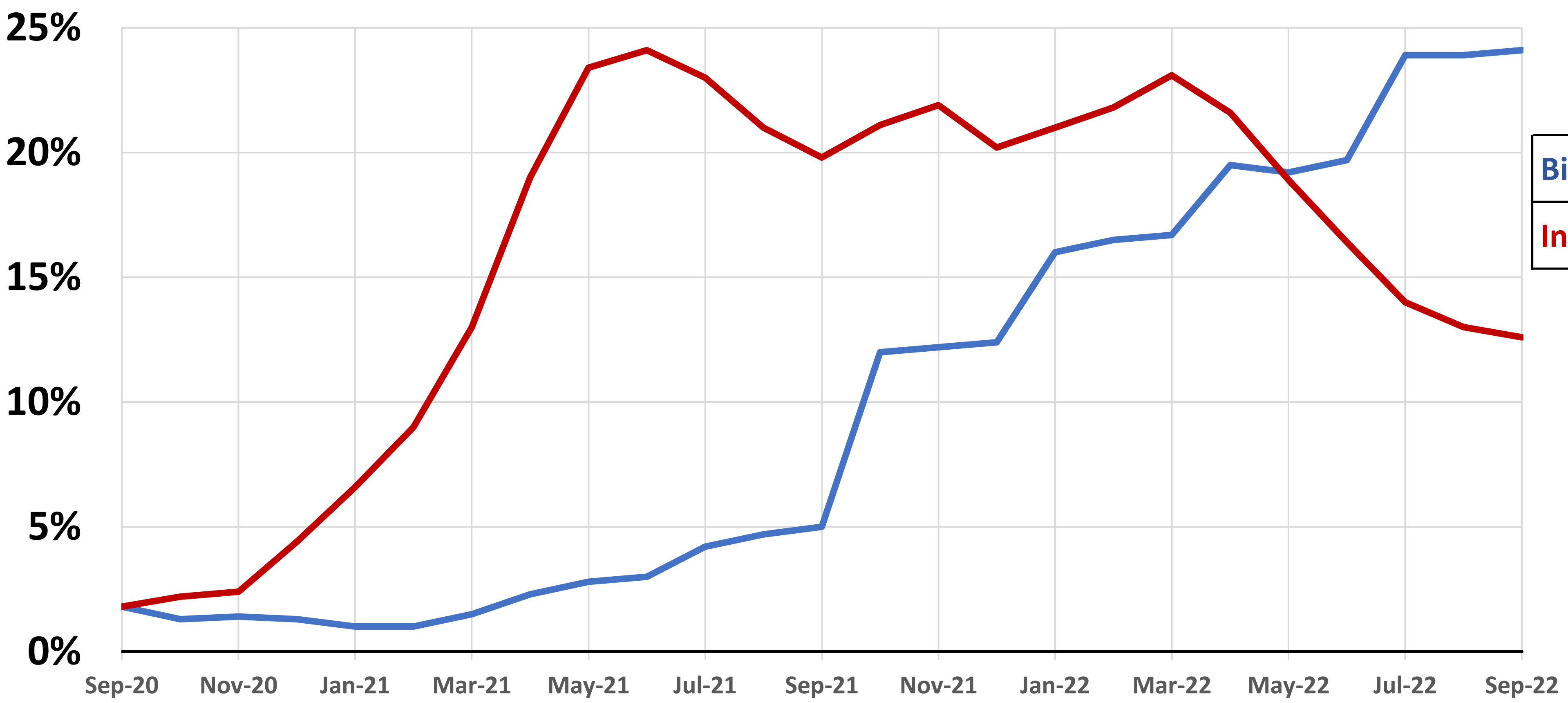
HI	-1.7%
MN	-1.4%
SC	-1.1%
AR	-0.4%
GA	-0.2%



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

Costs vs. Bid Prices for New Nonresidential Construction

Year-over-year change in PPIs, Sep 2020 - Sep 2022, not seasonally adjusted



	12 months to:	
	Sep-20	Sep-22
Bid Price PPI	1.8%	24.1%
Inputs PPI	1.8%	12.6%

 Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

PPIs for Construction Bid Prices and Selected Inputs

Cumulative change in PPIs, April 2020-September 2022 (not seasonally adjusted)

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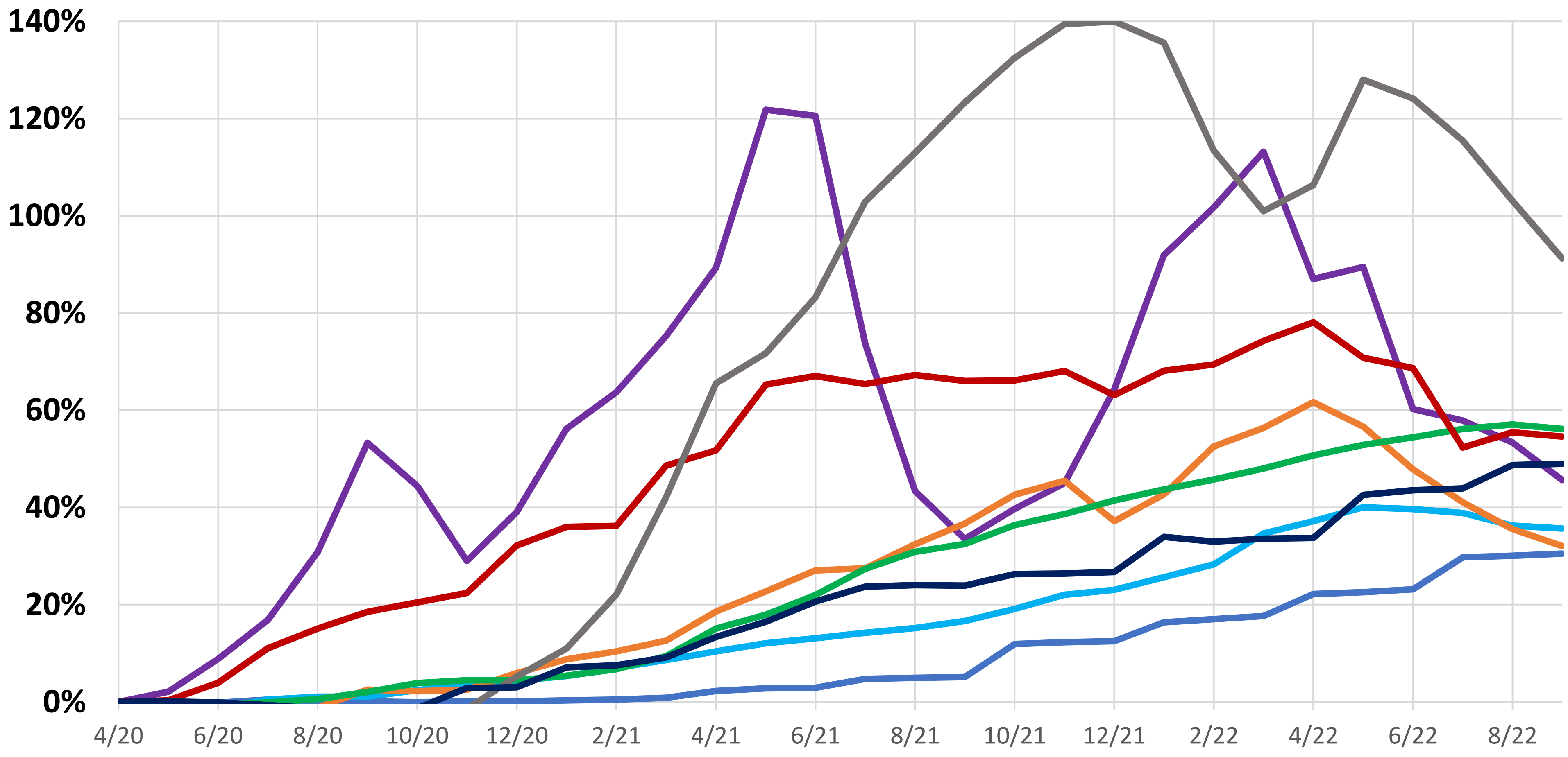
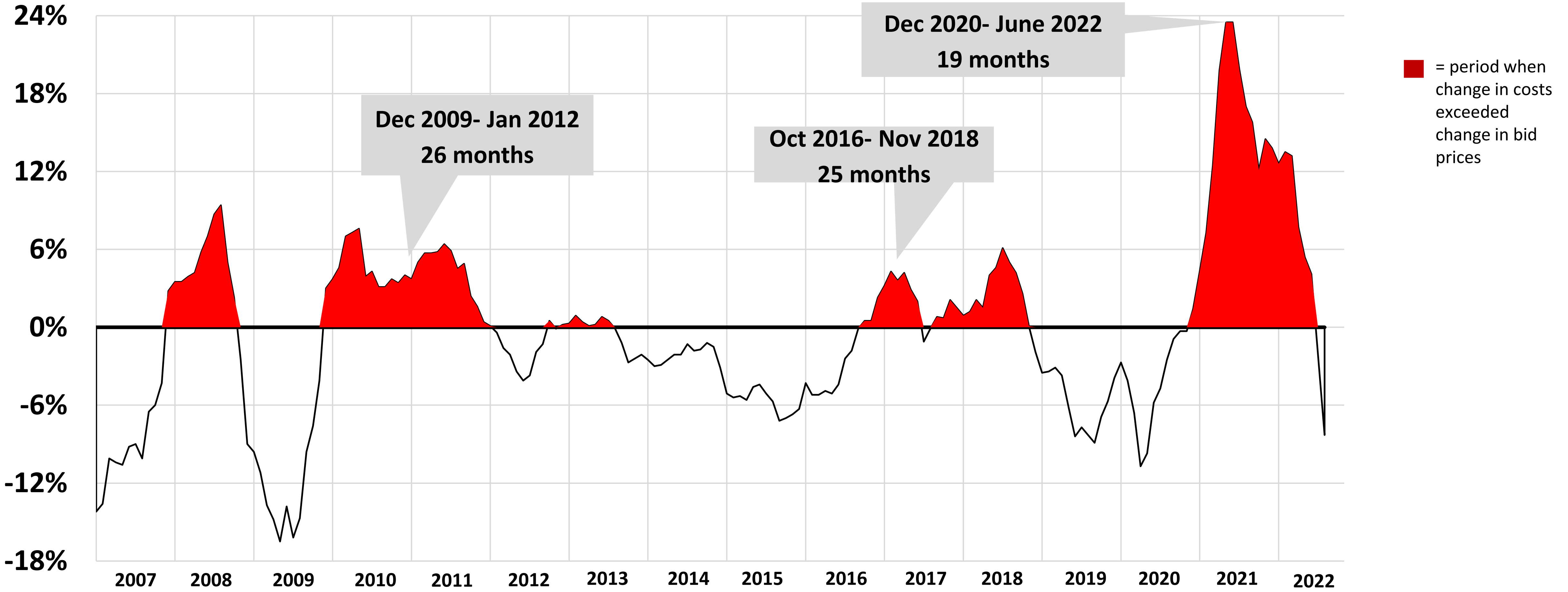


	% Change: April 2020 - September 2022	
	Steel Mill Products	91.3%
	Plastic Construction Products	56.2%
	Copper & Brass Mill Shapes	54.6%
	Lumber and Plywood	45.6%
	Gypsum Building Materials	49.0%
	Aluminum Mill Shapes	32.1%
	Truck Transportation	35.7%
	'Bid Price' *(new nonresidential building construction)*	30.5%

 Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

Cost squeeze on contractors can last two years or more

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



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

Change in construction spending: August 2022 vs. August 2021

current (not inflation-adjusted) dollars, seasonally adjusted

- Total 9%: private res 12% (single-family 0%; multi -0.2%; improvements 37%); private nonres 6%; public 3%

Largest segments (in descending order of August 2022 spending)

- Commercial 19% (warehouse 21%; retail 21%; farm 10%)
- Power -13% (electric -13%; oil/gas fields & pipelines -11%)
- Highway and street 2%
- Mfg. 19% (computer/electronic 179%; chemical -13%; food/beverage/tobacco -1%; transp. equip. -10%)
- Education 0.3% (primary/secondary -4%; higher ed 5%)
- Office -1%
- Transportation -0.4% (air -11%; freight rail/trucking 8%; mass transit 4%)
- Health care 8% (hospital 5%; medical building 7%; special care -6%)
- Sewage and waste disposal 12% (wastewater 15%; sewage/dry waste 7%)
- Water supply 23%

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

Forward-looking indicators

Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	August	53.3	56.1
Dodge Momentum Index (DMI)	Sept.	183	146
Multifamily permits not yet started	August	143,000	109,000

 Source: American Institute of Architects (ABI), Dodge Data & Analytics (DMI), Census Bureau (New Residential Construction)

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

Source: Author

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

 Source: Author

Population change by state, July 2020–July 2021 (U.S.: 0.12%)

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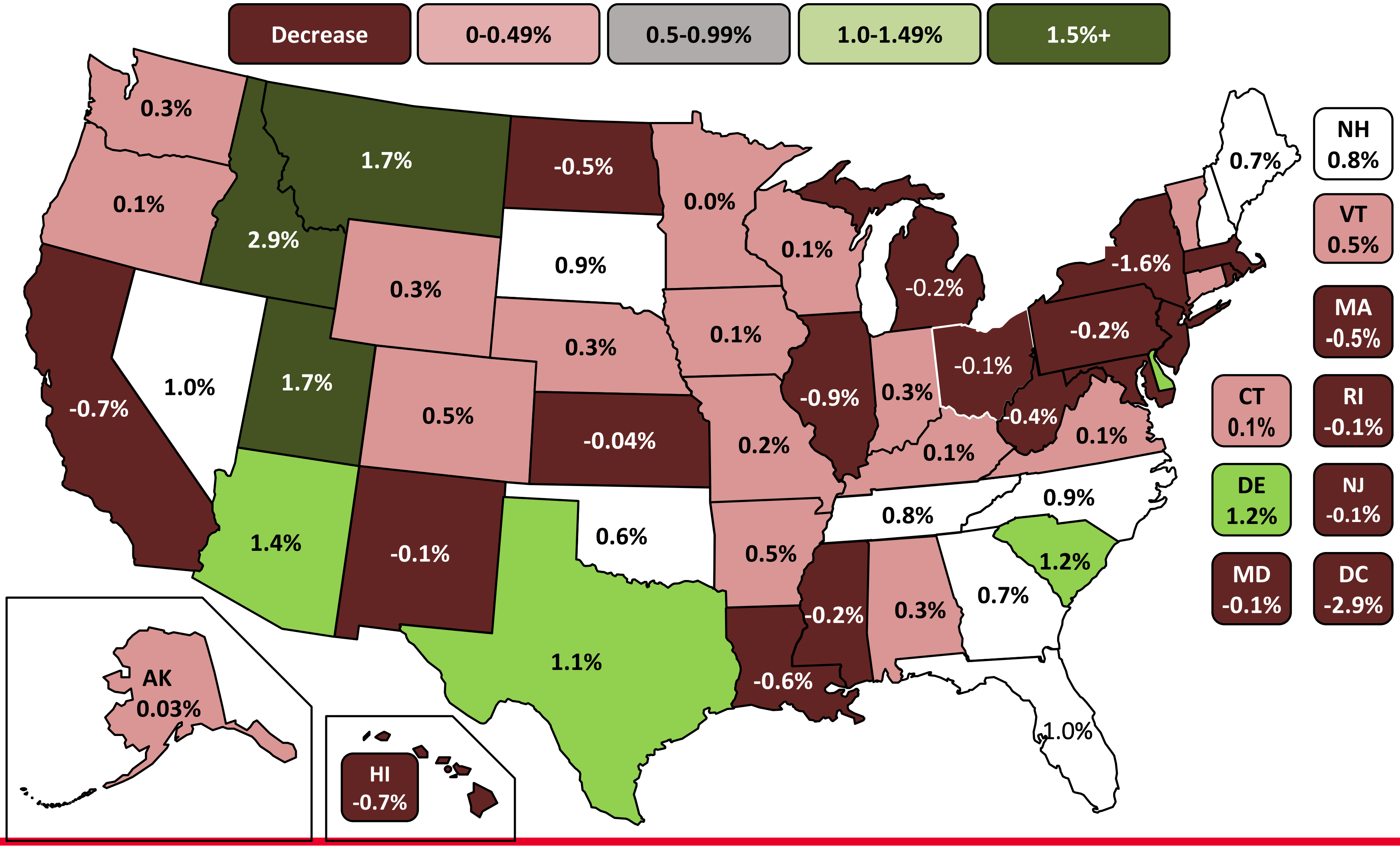
Top 6

ID	2.9%
UT	1.7%
MT	1.7%
AZ	1.4%
SC, DE	1.2%

Bottom 5

DC	-2.9%
NY	-1.6%
IL	-0.9%
HI	-0.7%
CA	-0.7%



 Source: U.S. Census Bureau, Dec. 2021 estimates, www.census.gov/popest

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

Source: Author