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# US Construction Spending, Labor & Materials Outlook

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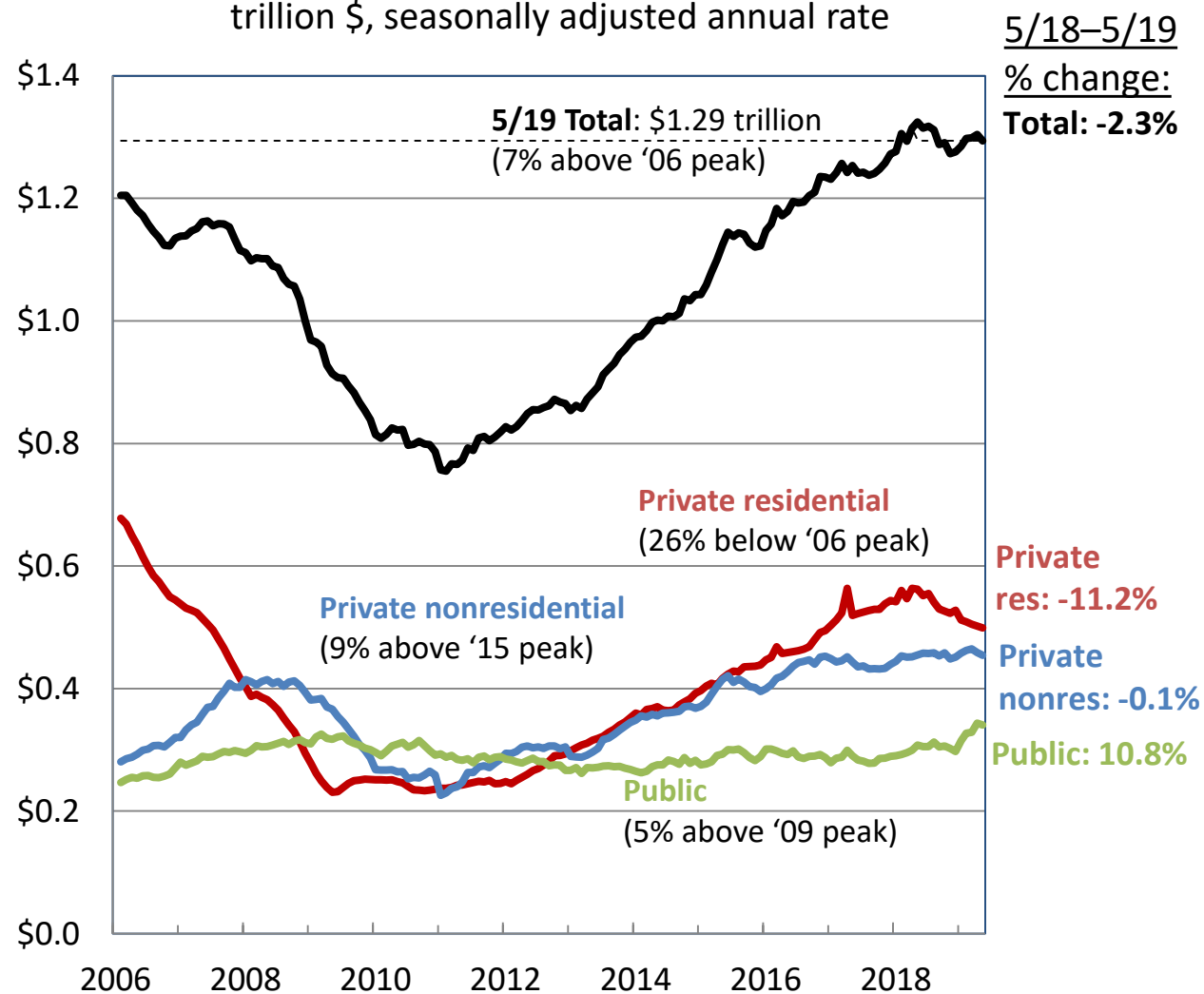
## Headline Forecast

- The US economy is still expanding but more slowly:
  - consumer, business confidence, stocks are close to or at peak levels
  - latest data are weak for single-family housing; mixed for apts., manufacturing
  - concerns about trade, slowing global growth have added to recession risk
- Contractors remain busy and confident; construction employment is growing in most states and spending is up in most project categories
- Three concerns:
  - impact of trade policies on materials costs and on demand for construction
  - widening labor shortage, worsened by hostile immigration policy
  - if interest rates rise, may cut demand for income-producing projects, new homes

# Construction spending & employment, 2006–2019

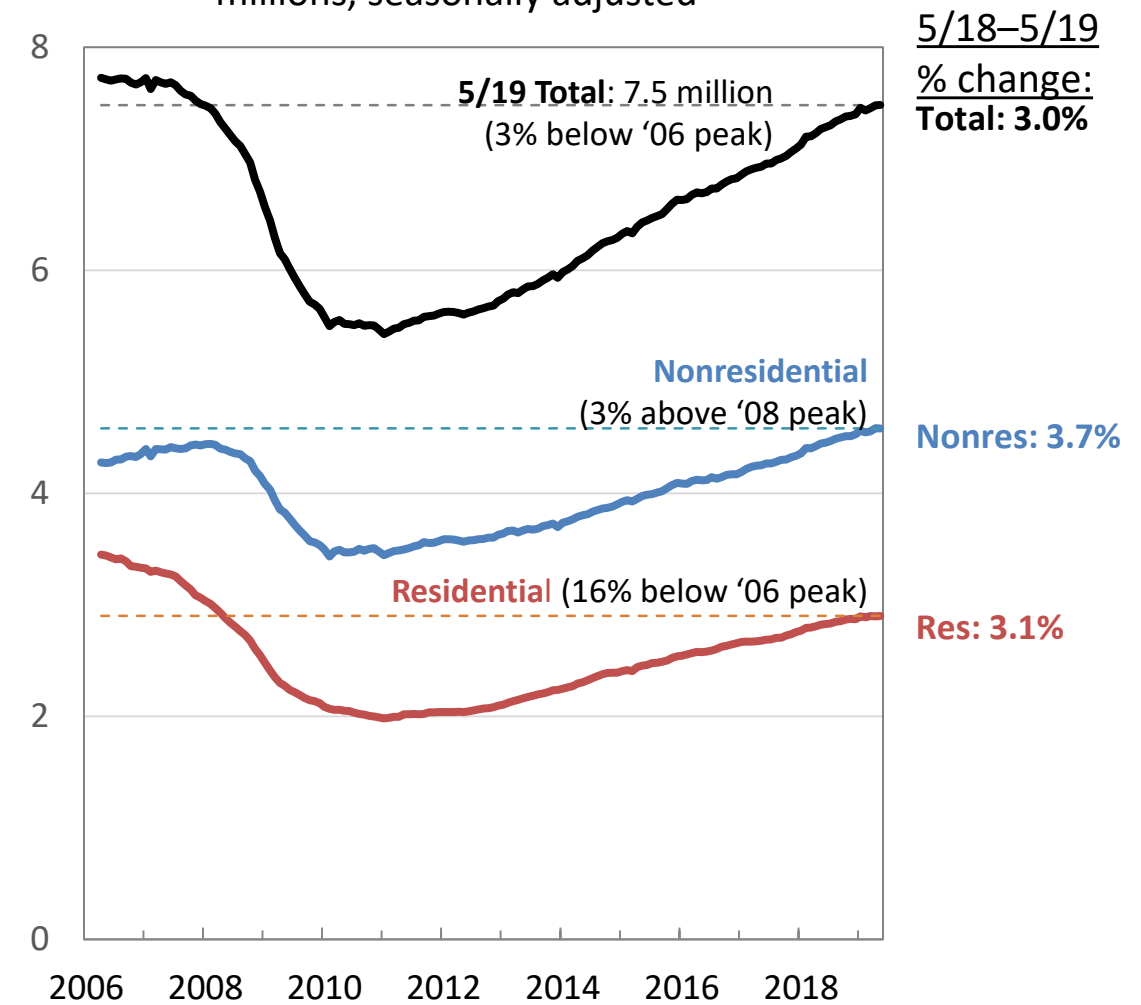
**Spending put in place, Feb. '06 (prior peak)–May '19**

trillion \$, seasonally adjusted annual rate



**Employment, April '06 (peak)–May '19**

millions, seasonally adjusted



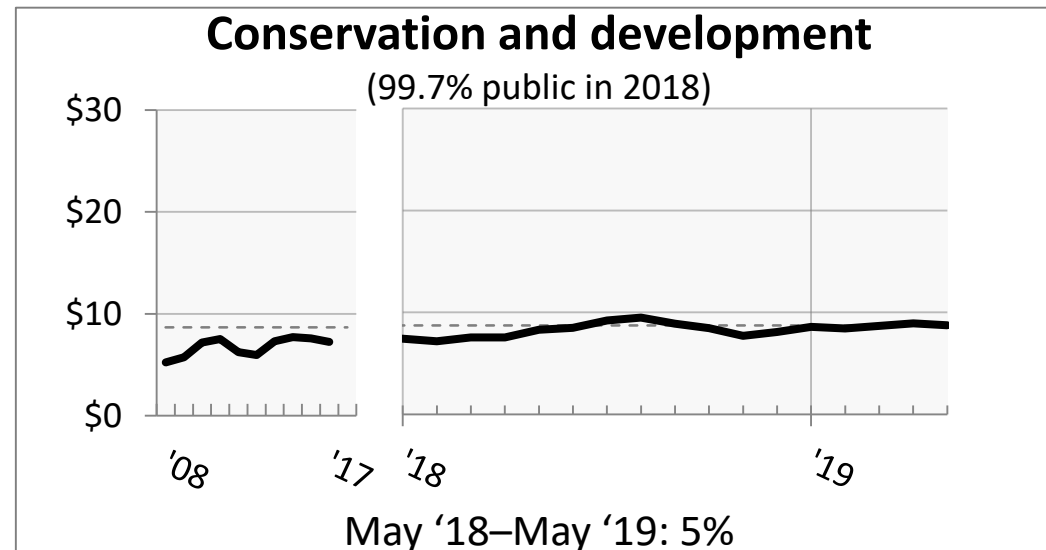
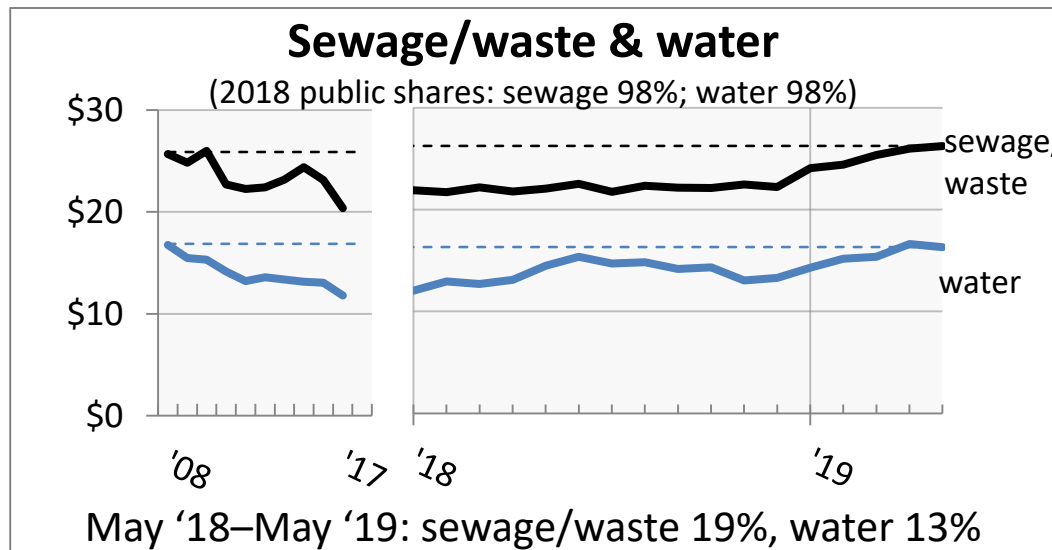
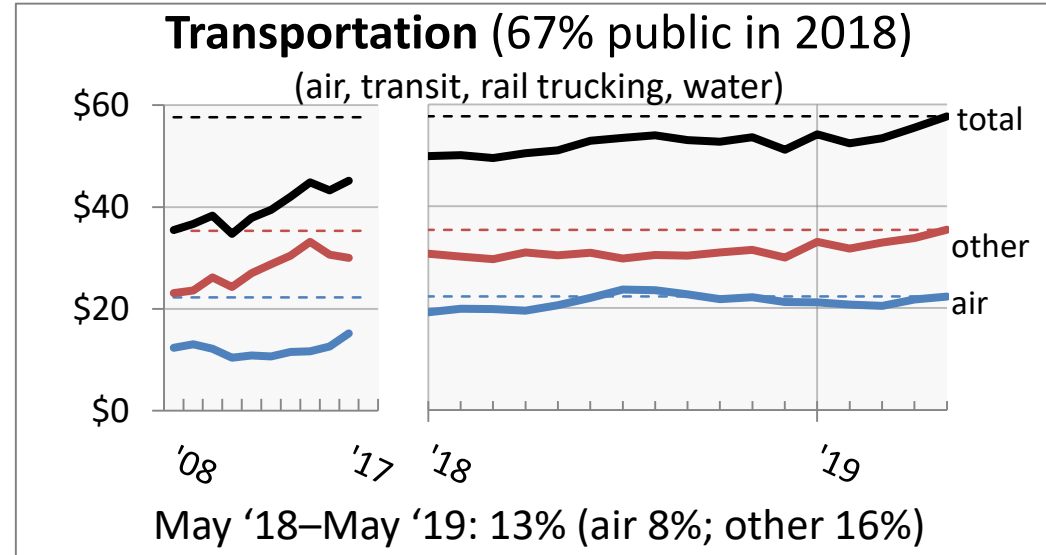
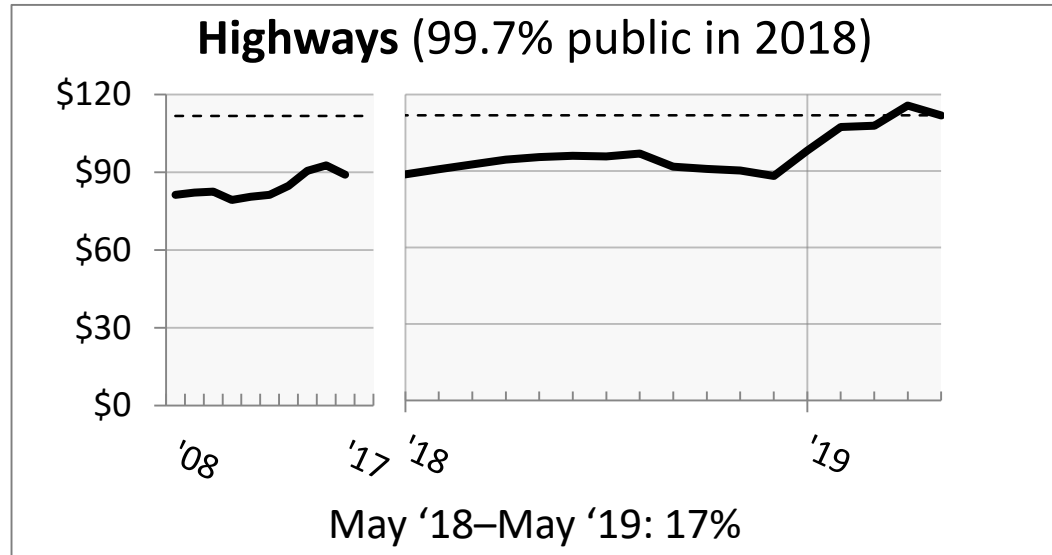
# Nonresidential spending by segment: 2017-2018 change and 2019 forecast

	<b>2018 vs. 2017</b>	<b><u>Jan-May 2019 vs.</u> <u>Jan-May 2018</u></b>	<b><u>2019 forecast</u></b>
<b><u>Nonresidential total (public+private)</u></b>	<b><u>4.7%</u></b>	<b><u>5.7%</u></b>	<b><u>3-6%</u></b>
Power (incl. oil & gas field structures, pipelines)	4	1	2-5%
Educational	3	5	4-7%
Highway and street	4	18	7-10%
Office	9	9	6-9%
Manufacturing	-2	11	2-5%
Transportation (air, land, water)	15	9	7-10%
Retail	-7	-23	-15 to -20%
Health care	0	3	-1 to 2%
Warehouse	14	1	5-8%
Lodging	11	8	0-5%
Sewage & waste disposal	8	17	7-10%
Other* (13% of 2018 total)	6	6	2-7%

\*Amusement, farm, communication, water supply, public safety, conservation, and religious  
Source: U.S. Census Bureau construction spending report; Author's forecast

# Construction spending: public works

annual total, 2008–17; monthly, 1/18-5/19 (seasonally adjusted annual rate); billion \$

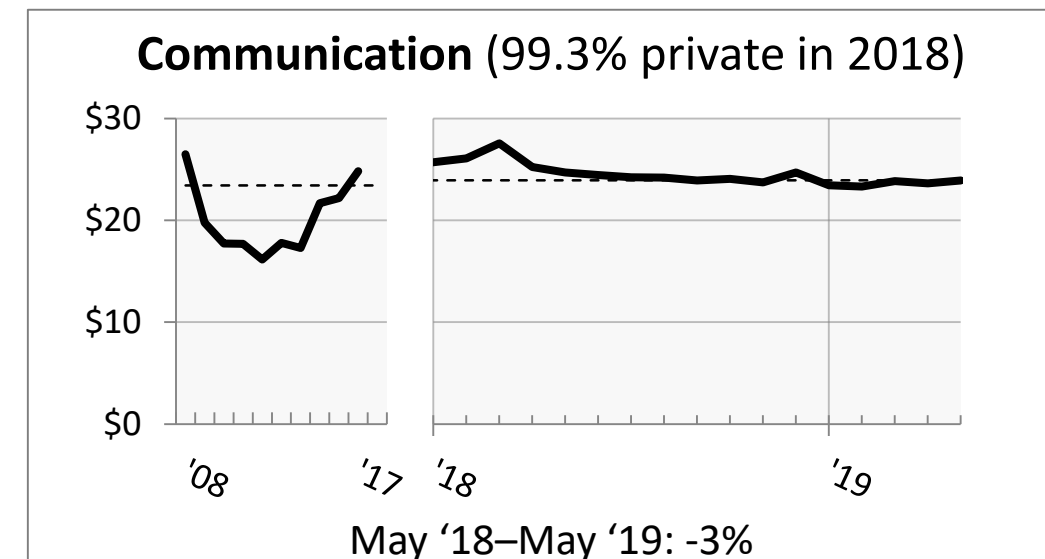
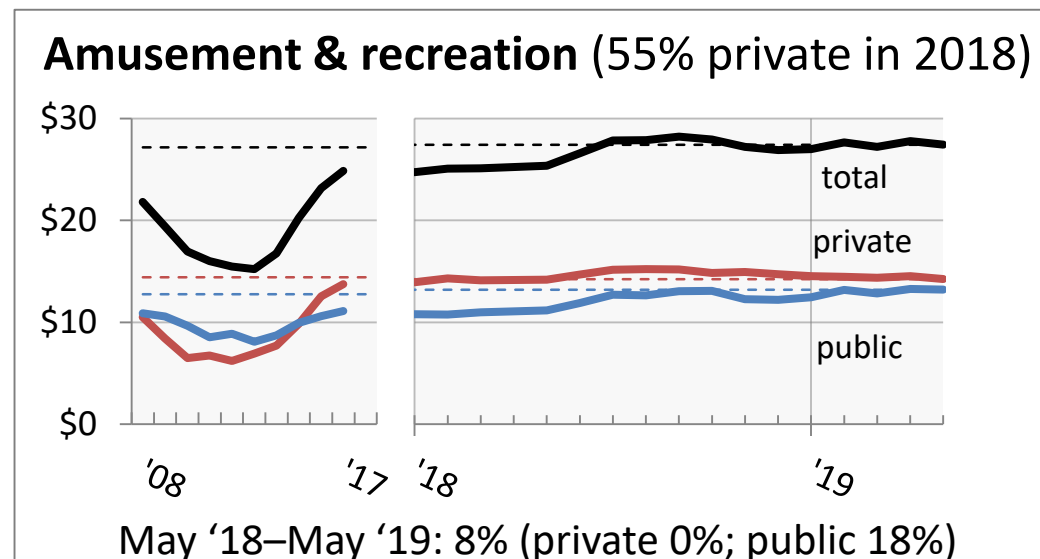
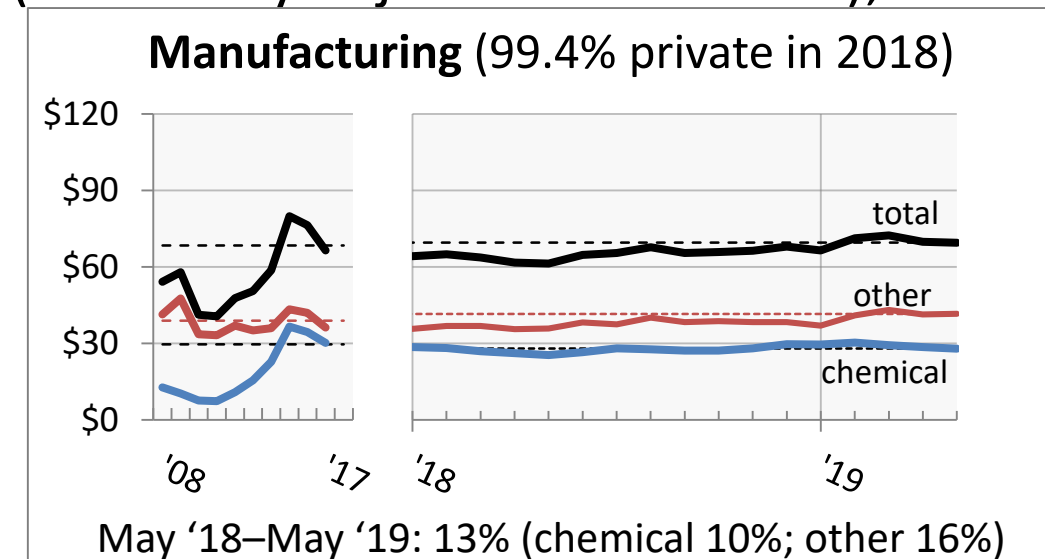
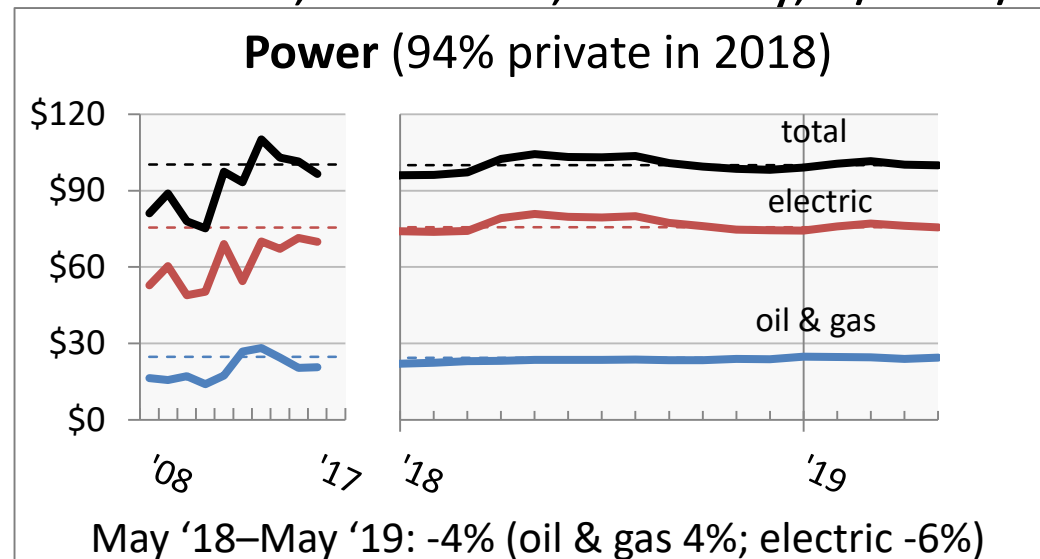


## **Key points: roads, transportation, sewer/water**

- Federal infrastructure bill is unlikely in 2019; spending wouldn't occur until later, but state highway funding and toll projects are increasing
- Many new and ongoing public & private airport projects; selective increases in transit construction
- Water & sewer/wastewater spending returning to 2011-15 levels after large drop in 2016-17; little long-term new funding likely
- Conservation will grow if Corps of Engineers can award enough \$

# Construction spending: industrial, heavy

annual total, 2008–17; monthly, 1/18-5/19 (seasonally adjusted annual rate); billion \$



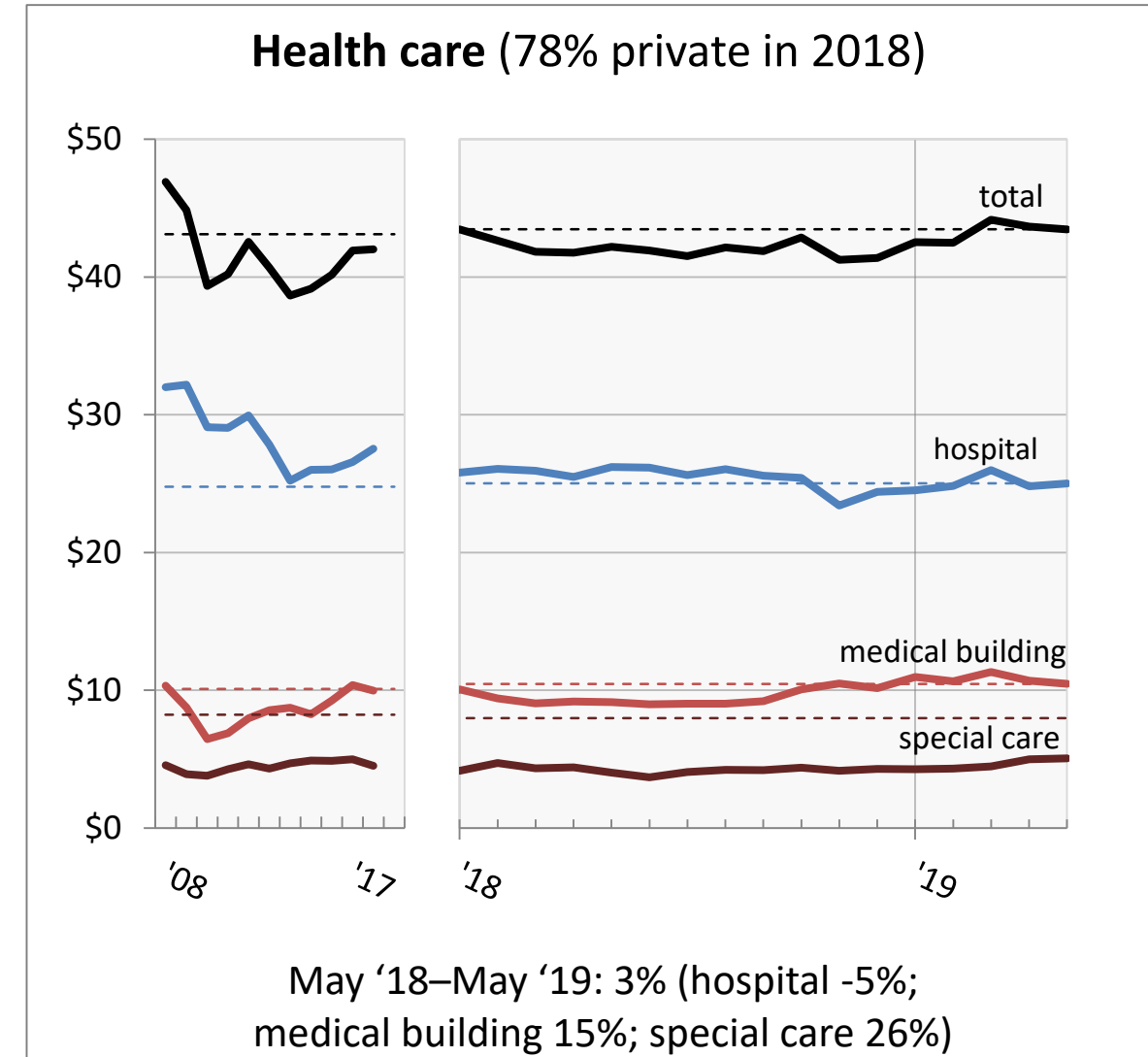
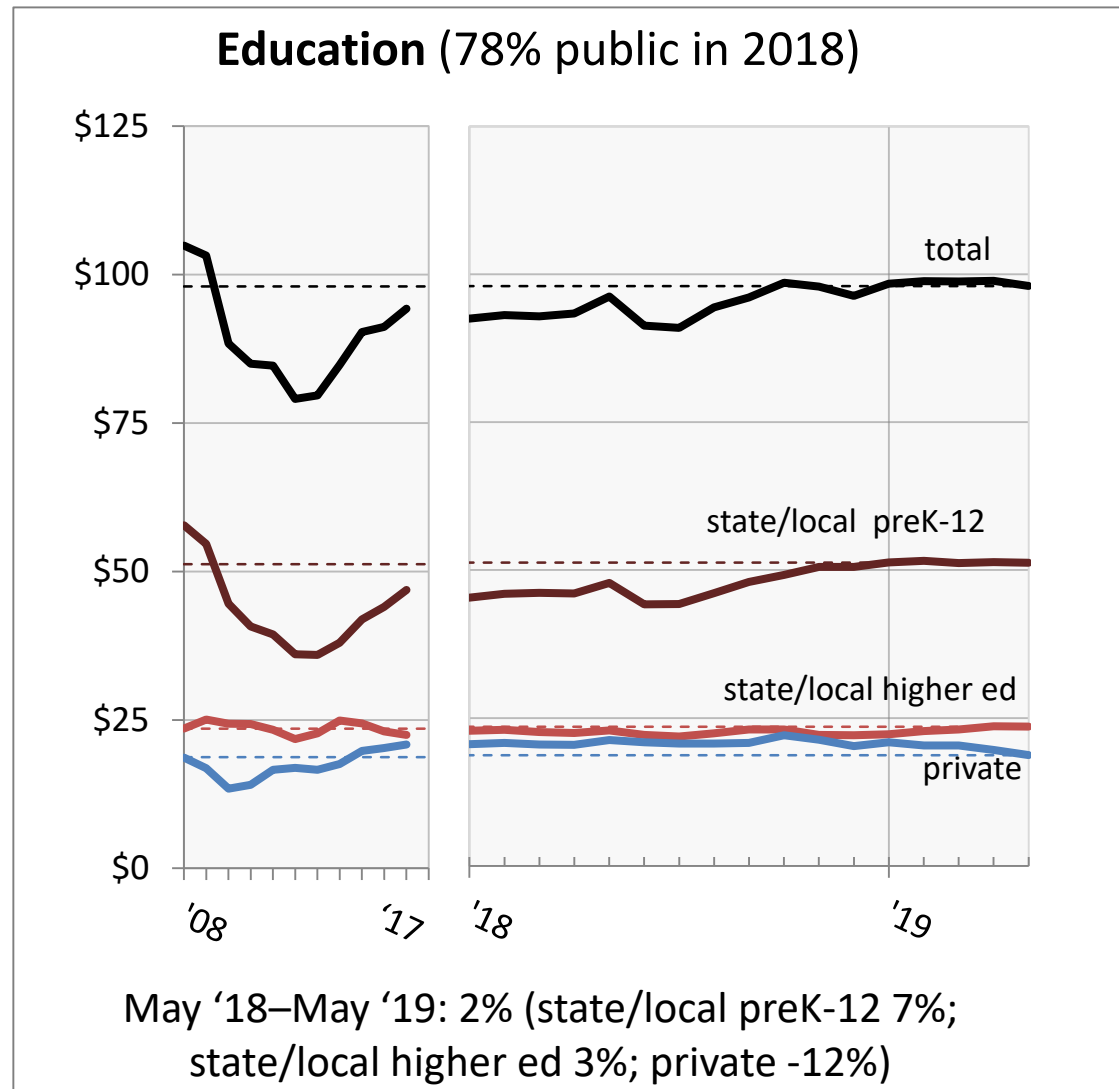
## **Key points: power & energy, mfg, amusement, communication**

- Solar, wind power are growing again; expect more oil & natural gas pipelines in '19 but timing is subject to court & regulatory delays
- Manufacturing construction should recover further in '19 based on energy projects, U.S. economic growth; but tariffs, foreign retaliation, rising construction costs are major concerns
- Amusement & recreation spending is very “lumpy”—a few big stadiums at irregular intervals; but funding for local, state, federal parks keeps eroding
- Communication may revive as wireless firms build out 5G networks



## Construction spending: education, health care

annual total, 2008–17; monthly, 1/18-5/19 (seasonally adjusted annual rate); billion \$

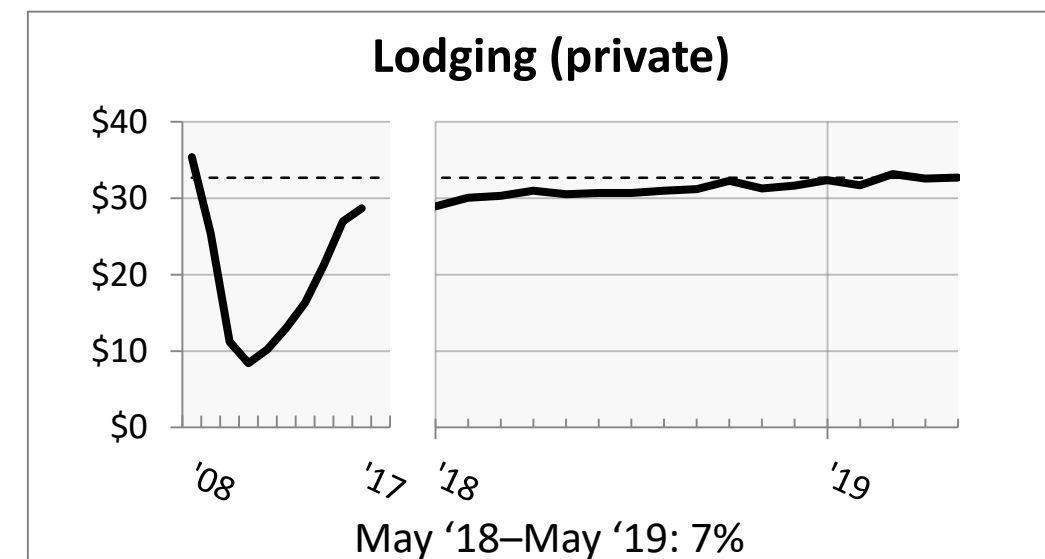
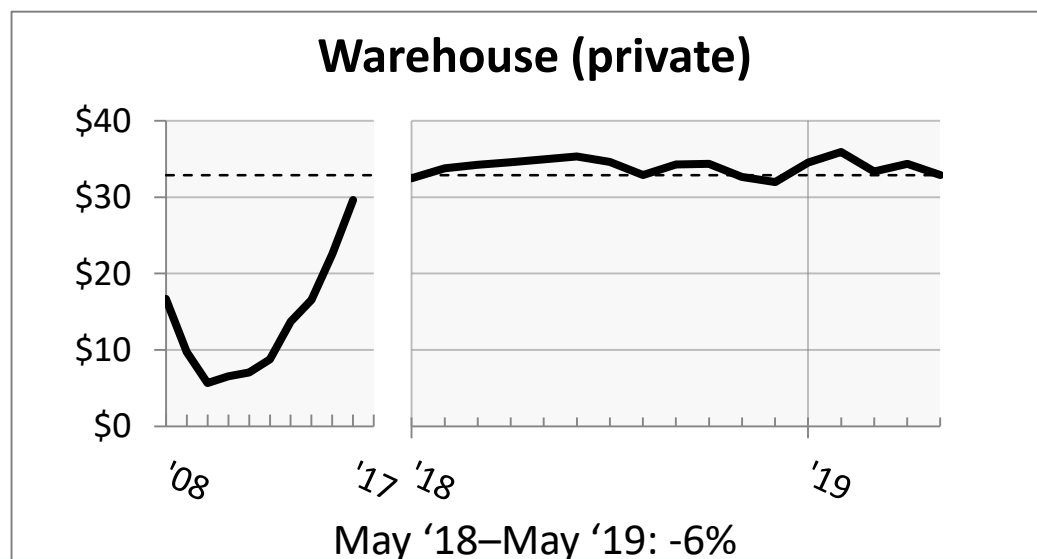
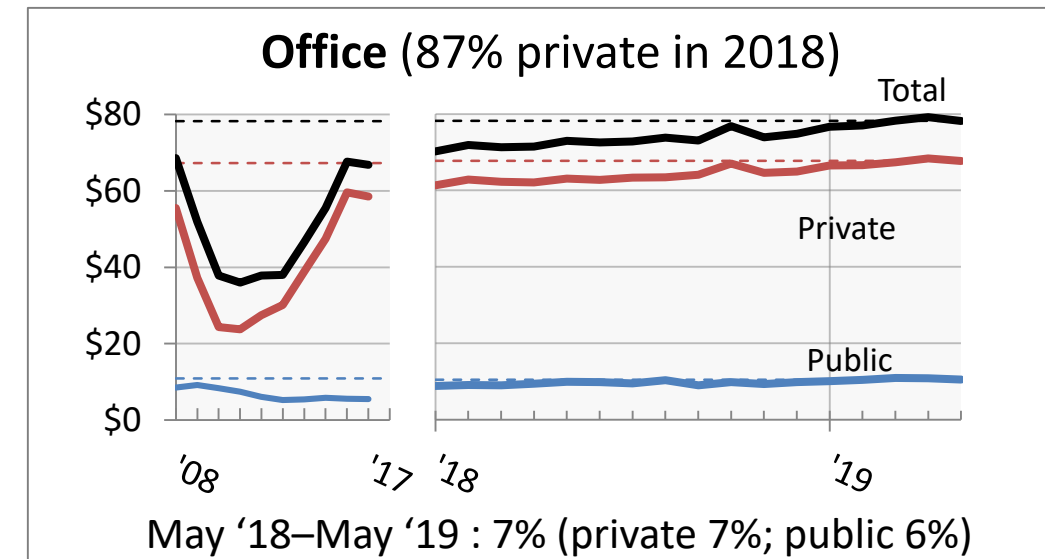
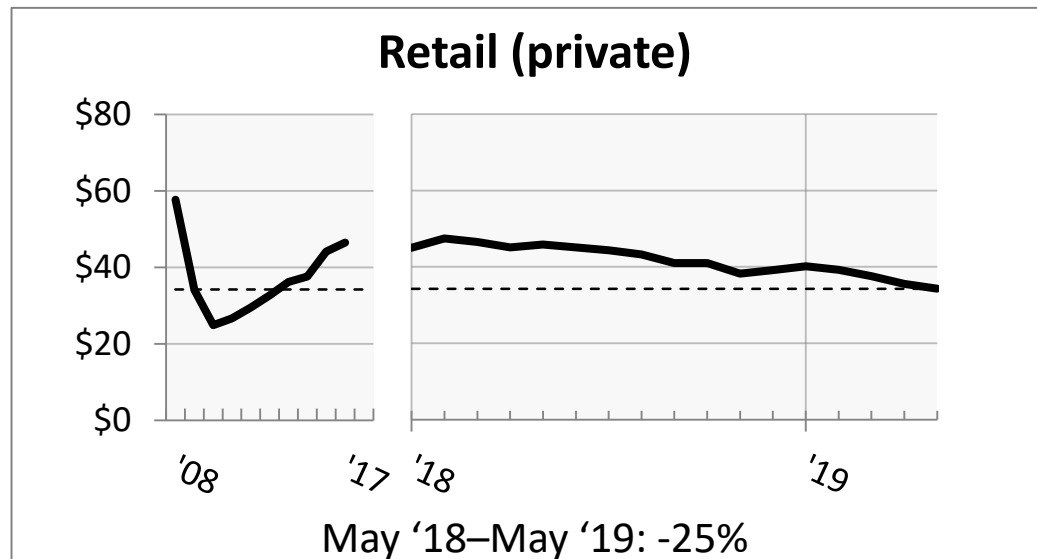


## **Key points: education & health care**

- Rising house & commercial property values are supporting school district tax receipts & bond issues for preK-12 projects
- Higher-ed enrollment is shrinking and some small colleges are closing; decrease in full-tuition foreign students will hurt budgets
- Rising stock prices help private school & college capital campaigns
- Health care spending is shifting from hospitals to standalone special-care facilities (urgent care, surgery, rehab, hospices)

# Construction spending: developer-financed

annual total, 2008–17; monthly, 1/18-5/19 (seasonally adjusted annual rate); billion \$



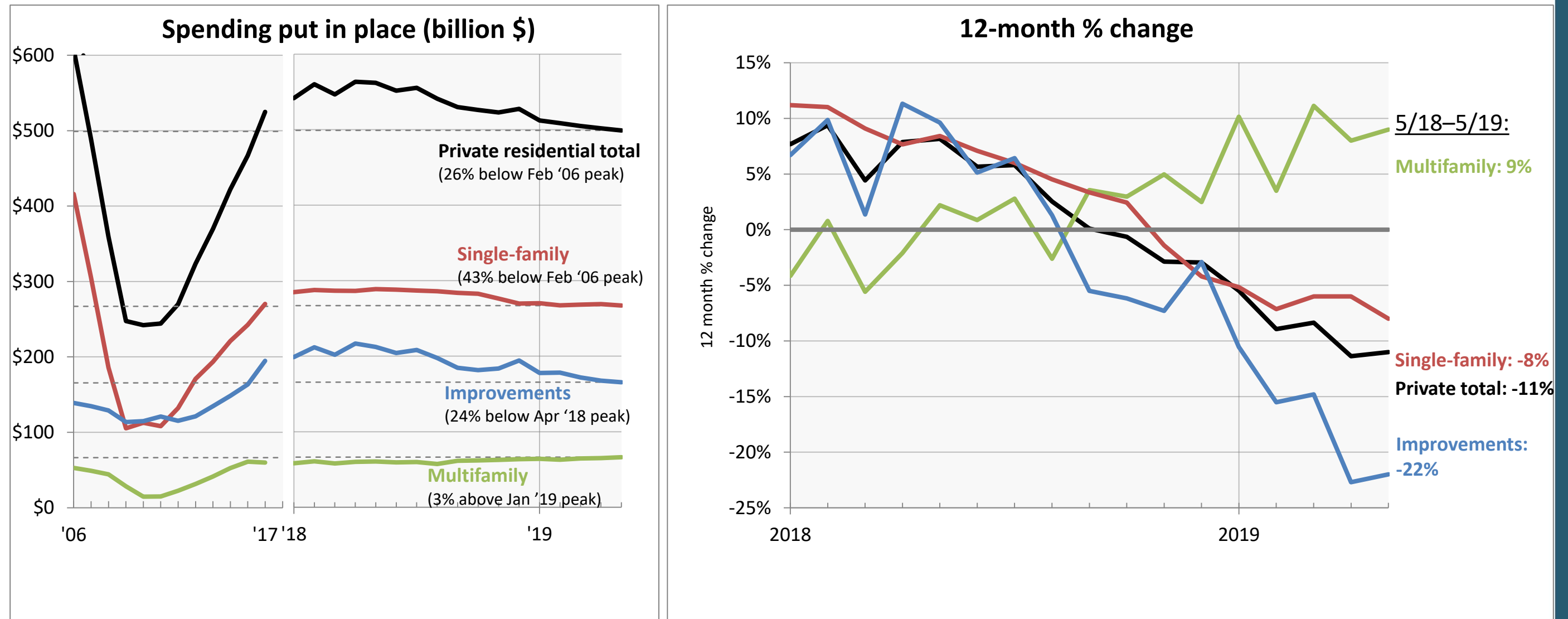
## **Key points: retail, warehouse, office, hotel, data centers**

- Retail now tied to mixed-use buildings & renovations, not standalone structures; massive store closings imply ongoing downturn
- Warehouse growth is still benefiting from e-commerce; more local than huge regional distribution centers likely in future
- Office employment is still rising but space per worker is shrinking; more urban & renovation work than suburban office parks
- Hotel pipeline is still large but sector is very interest-rate sensitive
- Data centers remain a strong niche but no data available on how strong



# Private residential spending: single-family poised to grow; pickup in multifamily

annual total, 2006–17; monthly, 1/18-5/19 (seasonally adjusted annual rate); billion \$

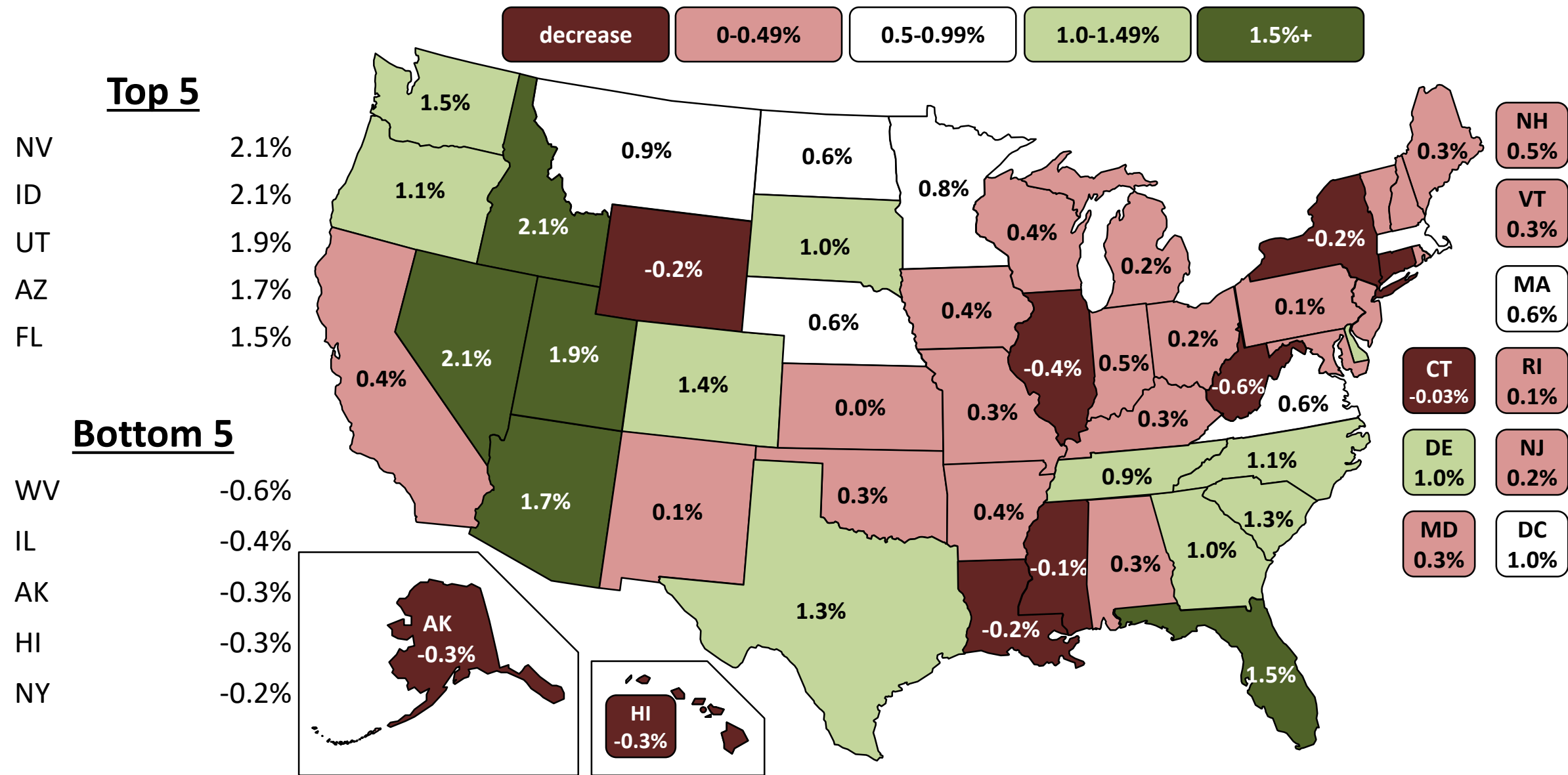


Source: U.S. Census Bureau construction spending report

## **Residential spending forecast--2019: 3-6% (3% in 2018; 12% in 2017)**

- Single-family--**2019: 3-6%** (5% in 2018; 11% in 2017); more households are in prime age group, with rising incomes and wealth, but builders face challenges
- Multifamily--**2019: 3-6%** (1% in 2018; -2% in 2017)
  - occupancy rates, rents have leveled off; but permits have outpaced starts, implying rebound in 2019
  - millennials are staying longer in cities and denser suburbs where multifamily construction is bigger share of market than in outer suburbs
  - nearly all multifamily construction is rental, not condo; more high-rises
- Improvements--**2019: 3-6%** (0% in 2018; 19% in 2017); rising number of seniors prefer remodeling to moving but labor scarcity may limit amount of construction

# Population change by state, July 2017–July 2018 (U.S.: 0.62%)



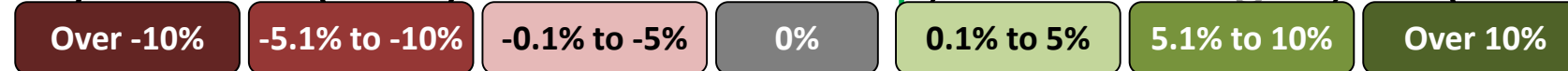
Source: U.S. Census Bureau





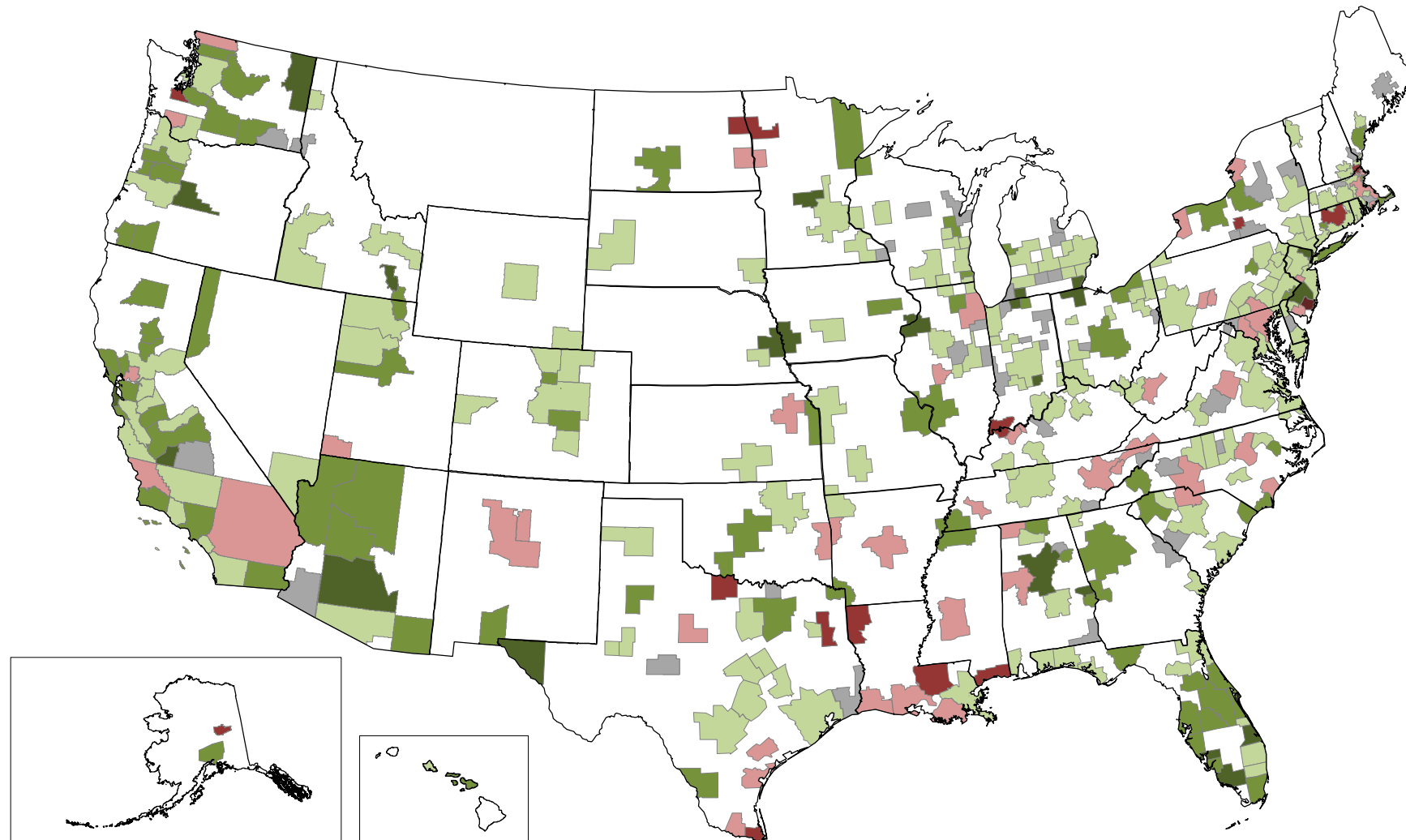
## Metro construction employment change (U.S.: 3.1%)

6/18 to 6/19: 253 (71%) of 358 metros **up**, 44 unchanged, 61 (17%) **down**



### Top 5

Auburn-Opelika, AL	24%
Pocatello, ID	18%
Camden, NJ Div.	17%
Spokane-Spokane Valley, WA	16%
Monroe, MI	14%

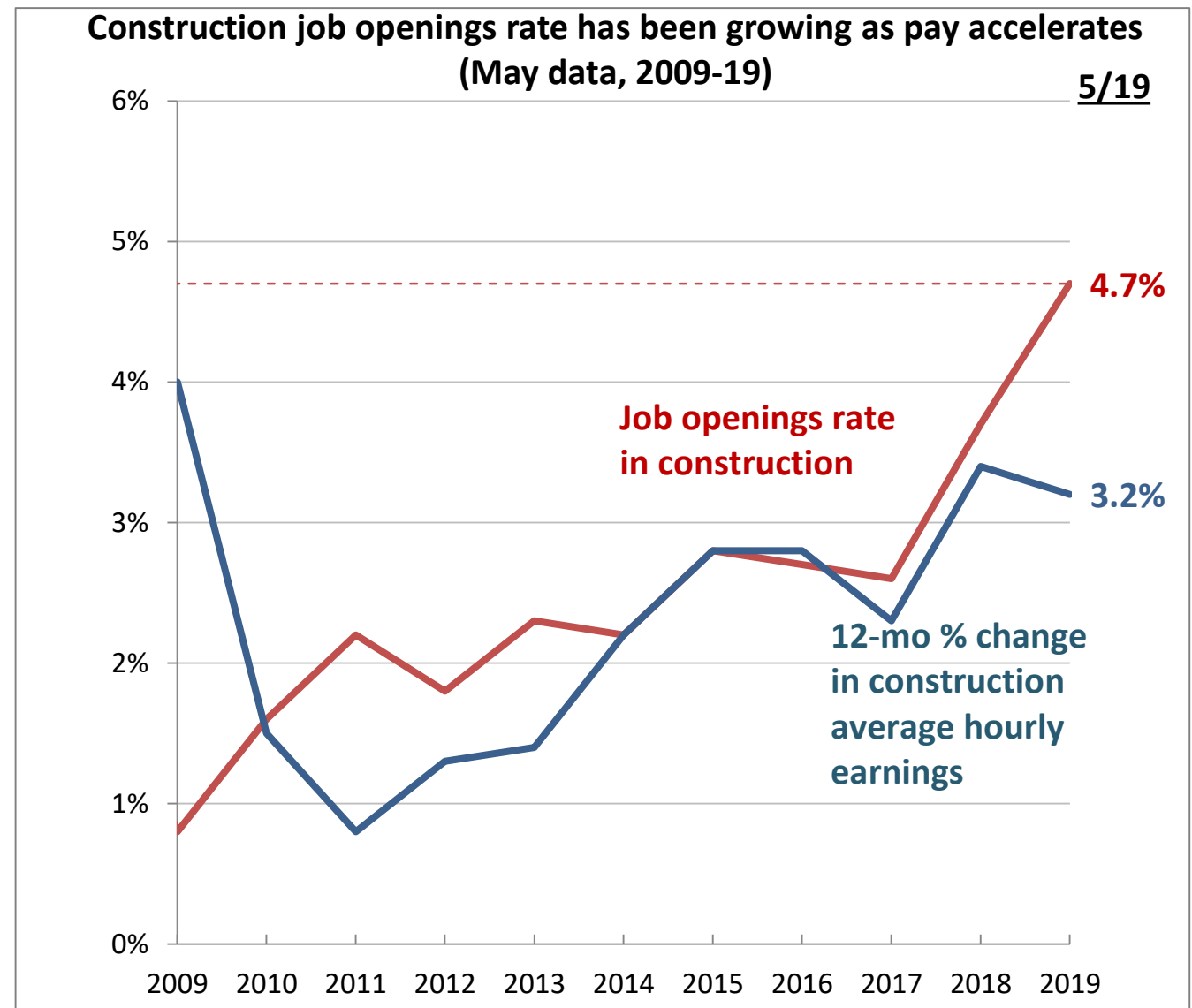
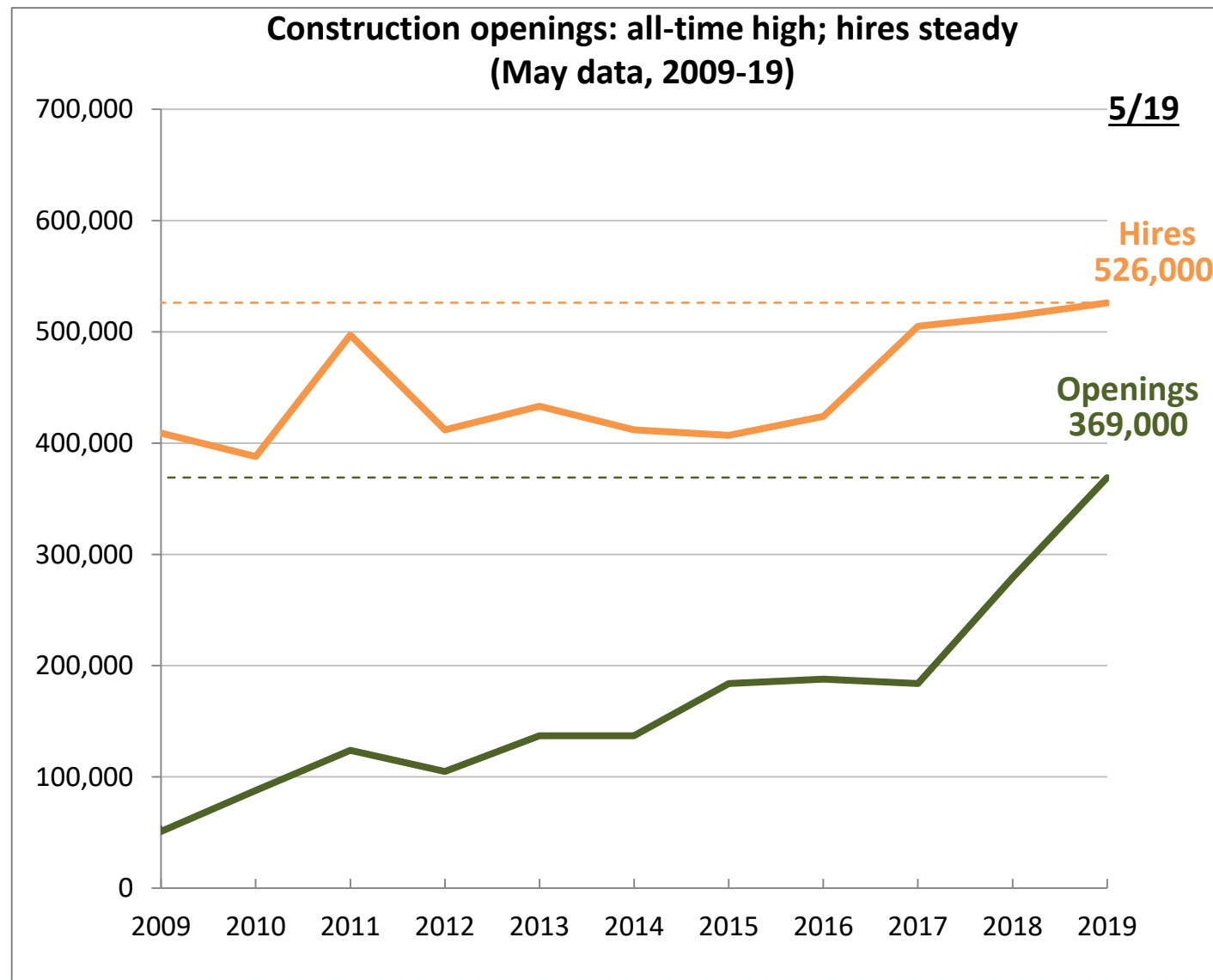


### Bottom 5

Atlantic City-Hammonton, NJ	-15%
Longview, TX	-10%
Baton Rouge, LA	-9%
Hartford-West Hartford-East Hartford, CT NECTA	-8%
Ithaca, NY	-8%

Source: BLS state and regional employment report

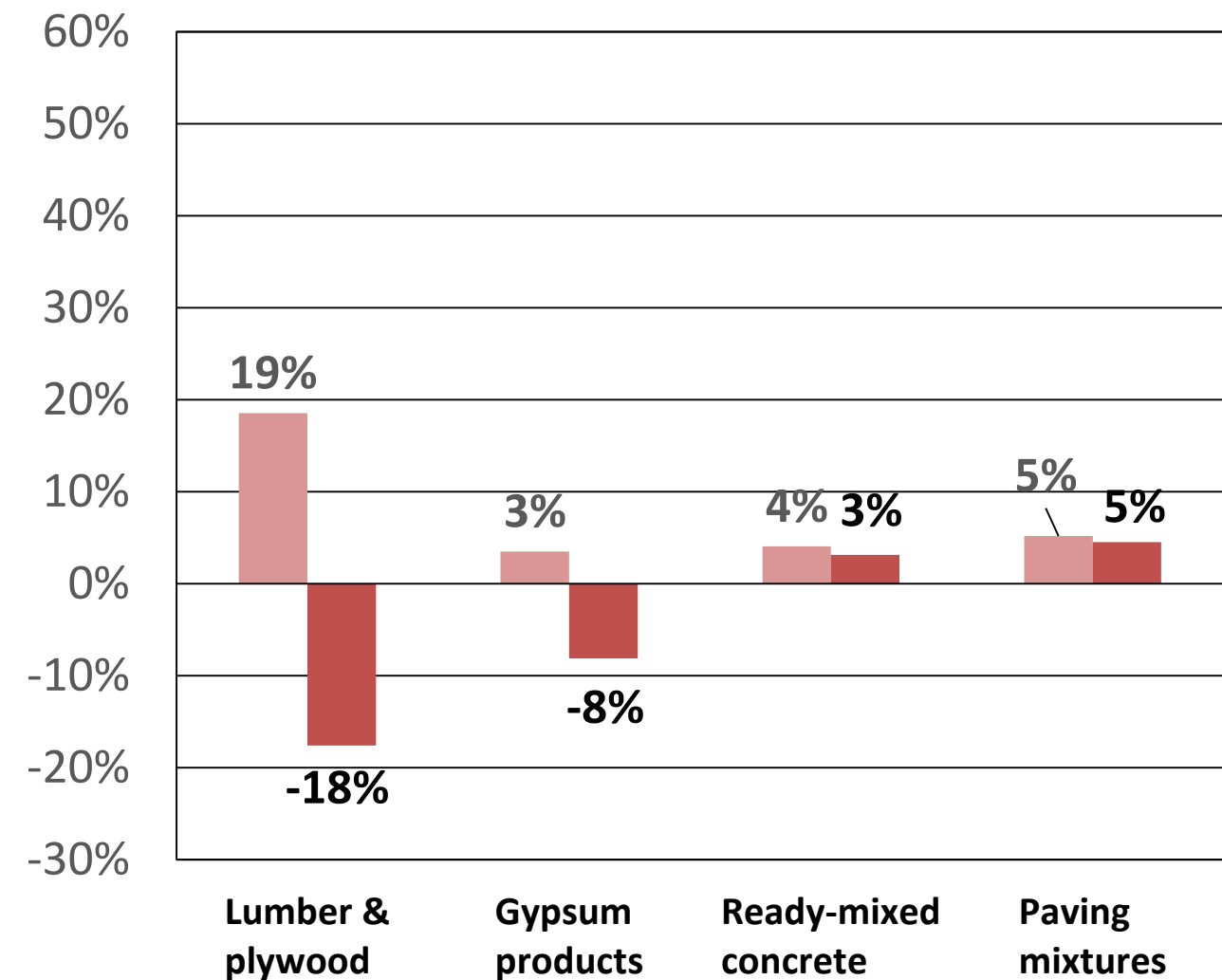
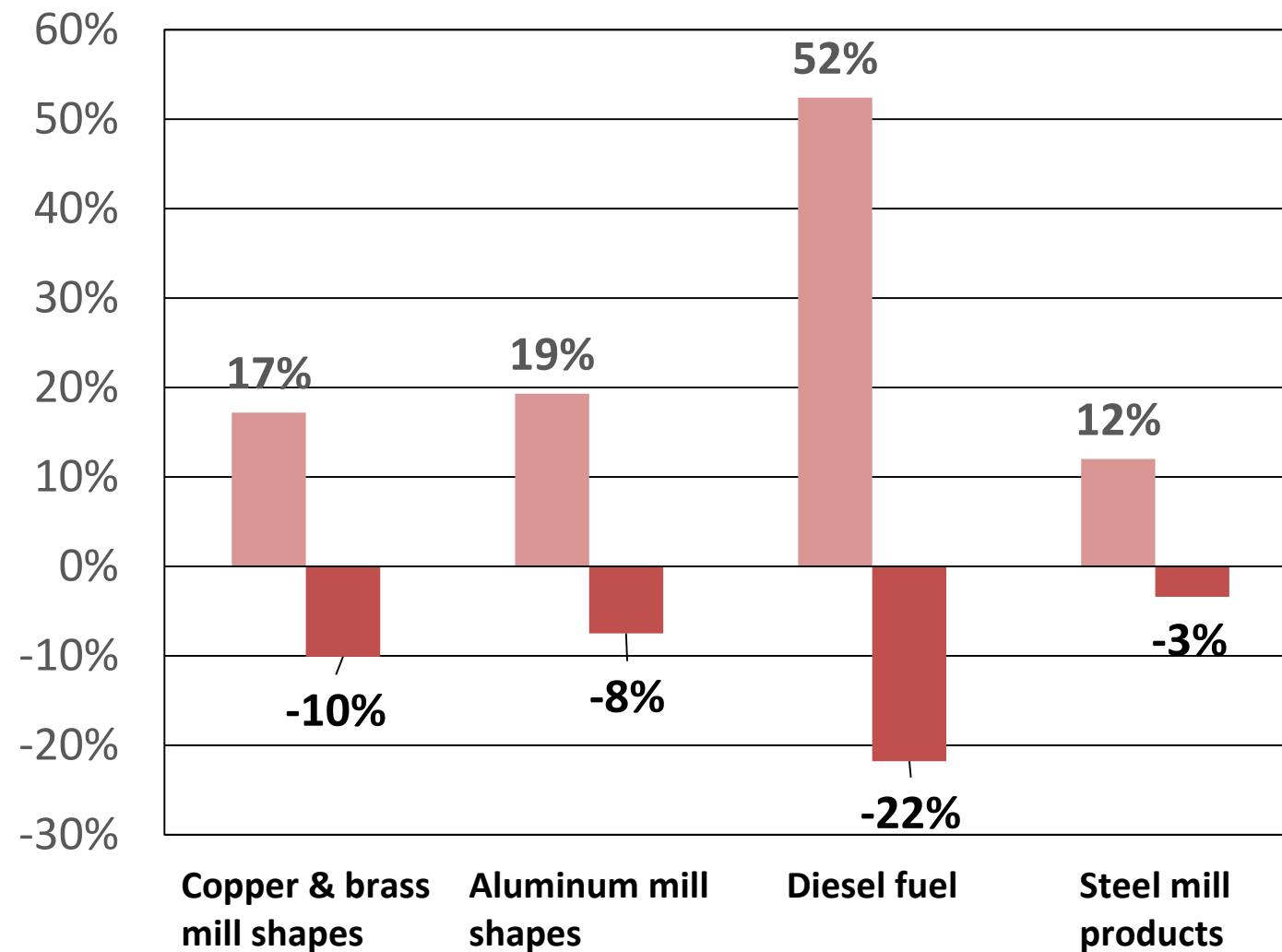
# Construction workforce indicators (not seasonally adjusted)



Source: Bureau of Labor Statistics

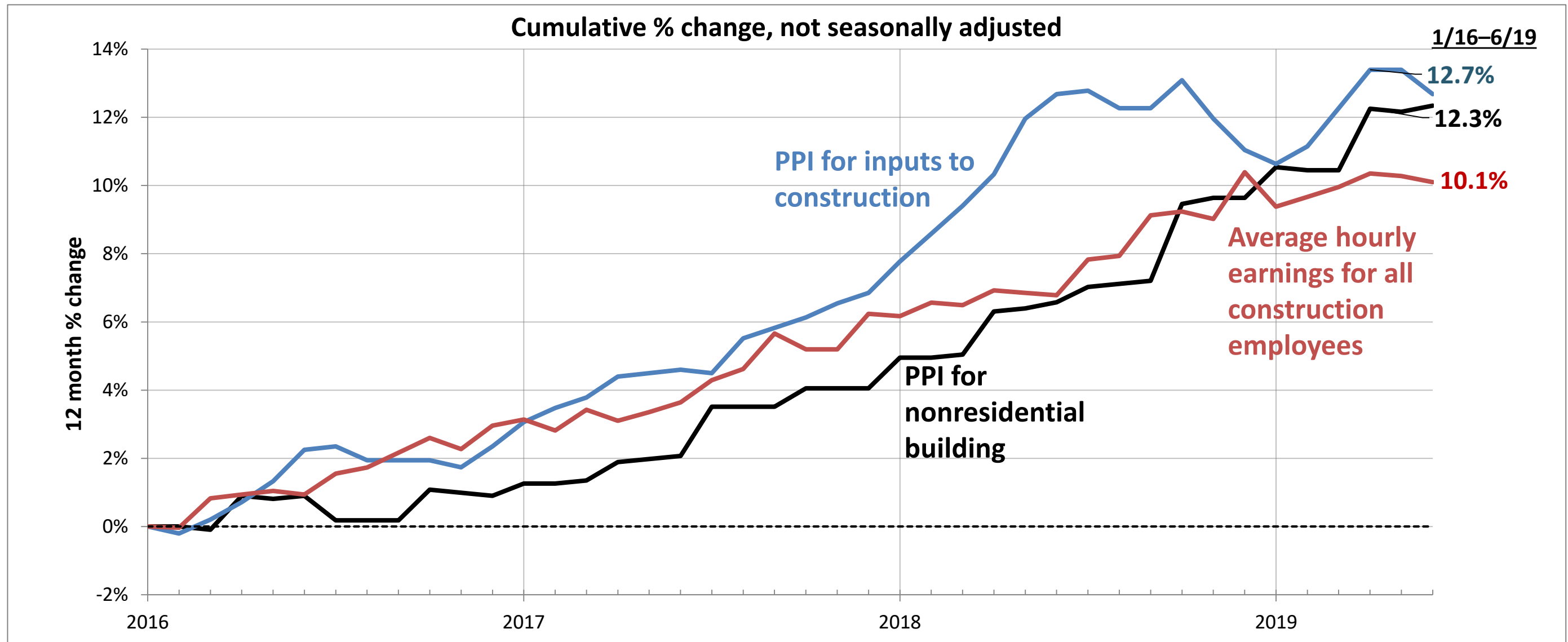
# 12-month change in producer price index for key inputs

■ June 2017 – June 2018 ■ June 2018 – June 2019



Source: Bureau of Labor Statistics

# Cumulative changes in materials & labor costs vs. bid prices



Source: Bureau of Labor Statistics



# 2017-2018 summary and 2019 forecast

	2018 actual	Jan-May '19 vs. Jan-May '18	2019 forecast
Total spending	4%	-0.3%	3-6%
Private – residential	3%	-8.2%	3-6%
– nonresidential	3%	2%	3-6%
Public	7%	12%	2-5%
Goods & services inputs PPI	3.8%	2.8%*	3-5%
Wages & salaries (avg. hourly earnings)	3.6%	3.2%*	3.5-4.5%

\* May 2018 – May 2019

# AGC economic resources

(email [simonsonk@agc.org](mailto:simonsonk@agc.org))

- *The Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- monthly press releases: spending; producer price indexes; national, state, metro employment with rankings
- yearly employment & outlook surveys, state and metro data, fact sheets: [www.agc.org/learn/construction-data](http://www.agc.org/learn/construction-data)

