September 27, 2021

# U.S. Construction Outlook:

## Pandemic Impacts, Policy Initiatives, Project Implications

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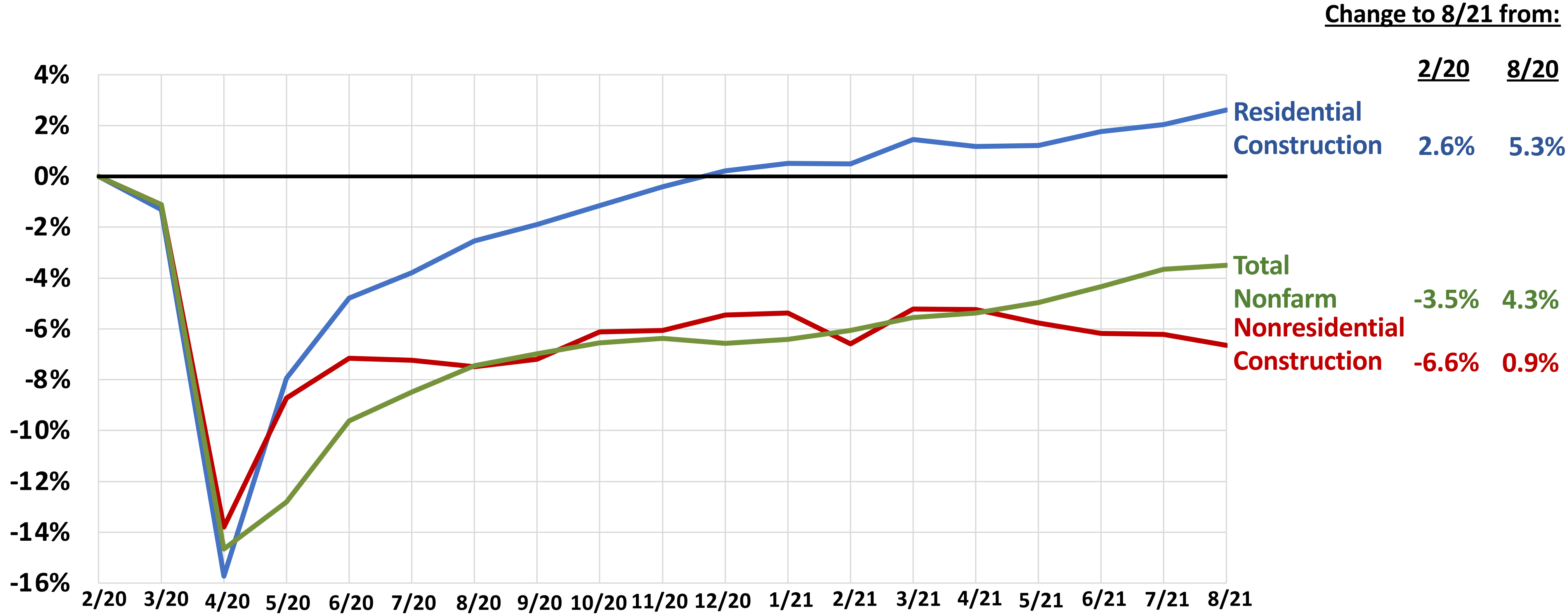
## Total Nonfarm & Construction Employment, Feb. 2020–Aug. 2021

cumulative change (seasonally adjusted)





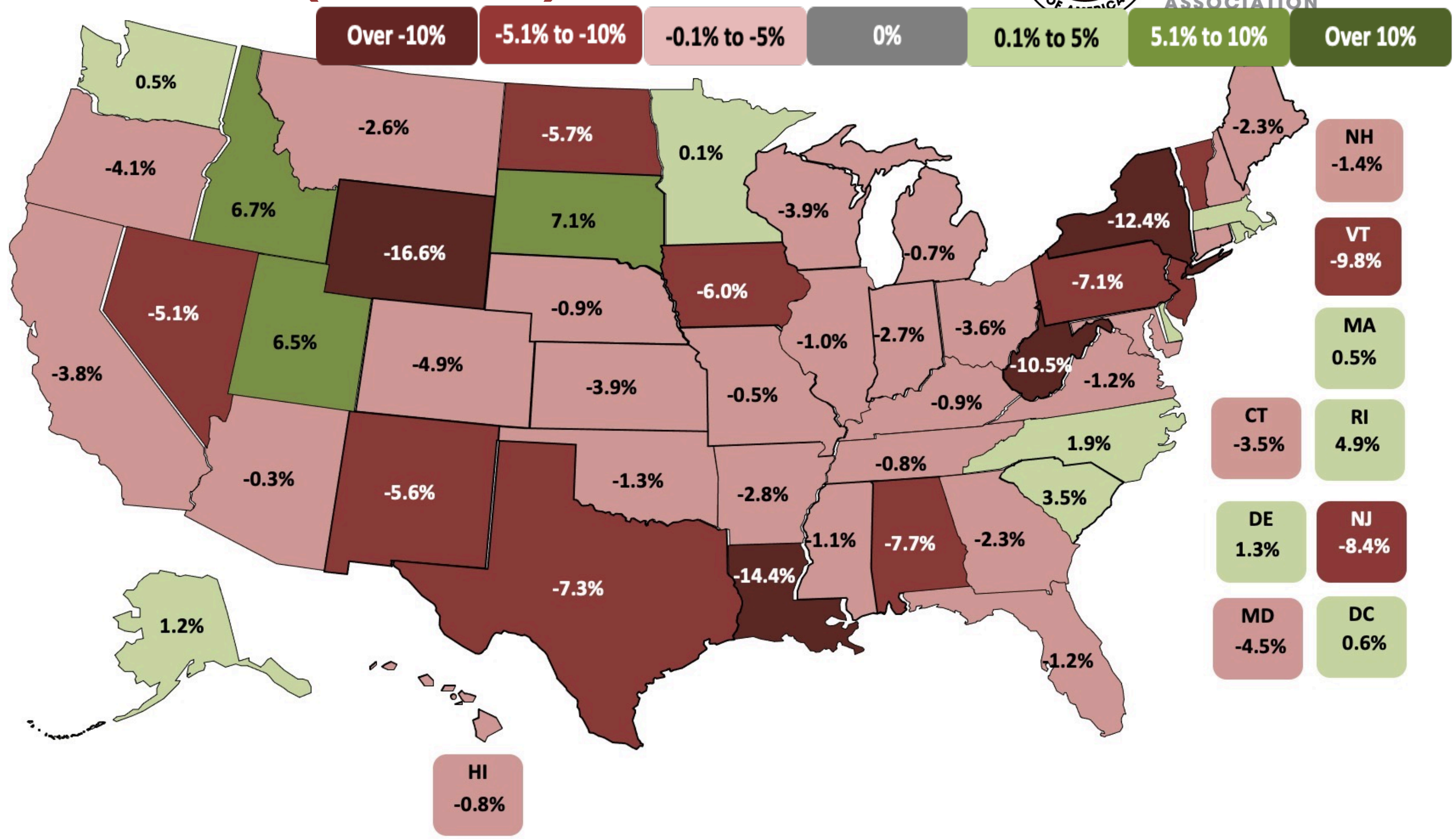

Source: BLS current employment statistics, https://www.bls.gov/ces/

# State construction employment change, Feb. 2020-August 2021

11 states and DC **up**, 39 states **down** (U.S.: -3.0%)

| Top 5 | |
|---|---|
| South Dakota | 7.1% |
| Idaho | 6.7% |
| Utah | 6.5% |
| Rhode Island | 4.9% |
| South Carolina | 3.5% |

| Bottom 5 | |
|---|---|
| Wyoming | -16.6% |
| Louisiana | -14.4% |
| New York | -12.4% |
| West Virginia | -10.5% |
| Vermont | -9.8% |





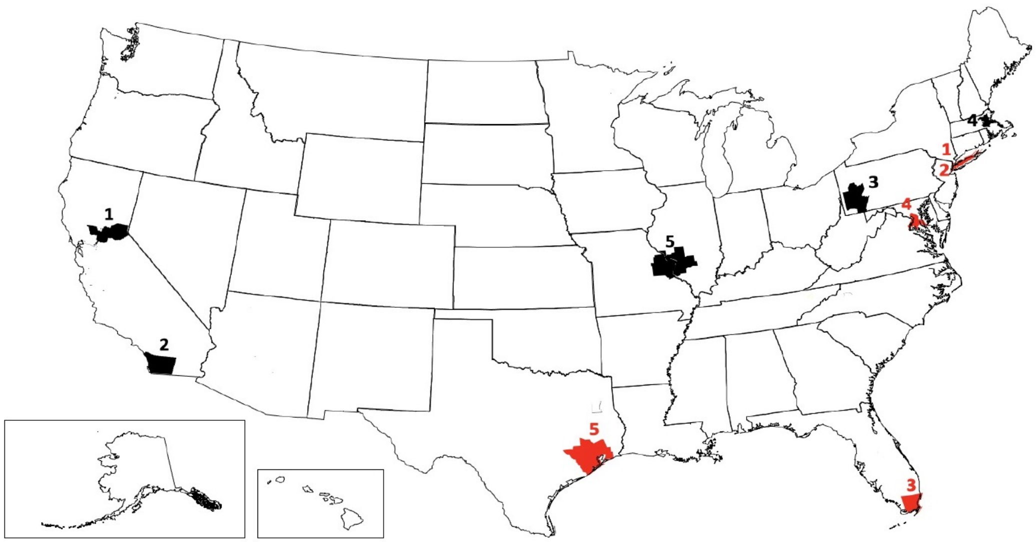

Note: Shading based on unrounded numbers

Source: BLS state and area employment, www.bls.gov/sae

# Metro construction employment change, Aug. 2020-Aug. 2021

256 metros **up**, 37 metros **unchanged**, 65 metros **down** **(U.S.: 2.5%)**

Metro Areas with Largest Construction Employment Changes, August 2020–August 2021




| | Top 5 Areas | 12-month gains |
|---|---|---|
| 1 | San Diego-Carlsbad, CA | 90,300 |
| 2 | Sacramento--Roseville--Arden-Arcade, CA | 79,800 |
| 3 | Pittsburgh, PA | 67,500 |
| 4 | Boston-Cambridge-Newton, MA NECTA Div. | 78,500 |
| 5 | St. Louis, MO-IL | 73,500 |

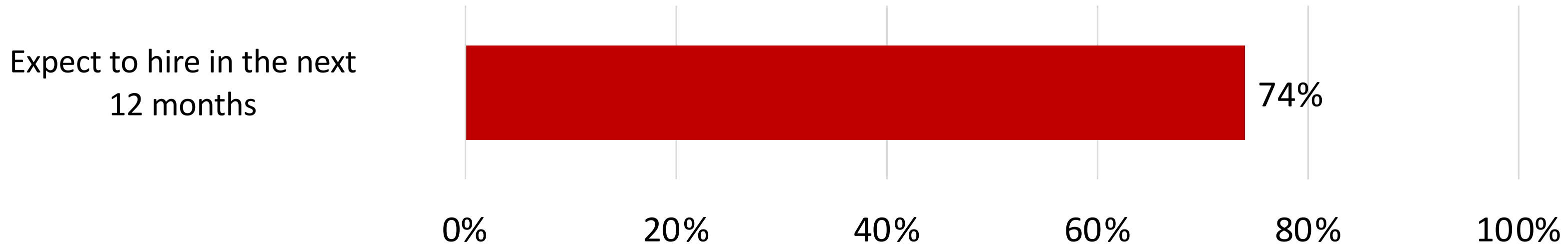
| | Bottom 5 Areas | 12-month gains |
|---|---|---|
| 1 | New York City, NY | -8,600 |
| 2 | Nassau County-Suffolk County, NY Div. | -5,100 |
| 3 | Miami-Miami Beach-Kendall, FL Div. | -3,200 |
| 4 | Calvert-Charles-Prince George's, MD | -2,400 |
| 5 | Houston-The Woodlands-Sugar Land, TX | -2,300 |



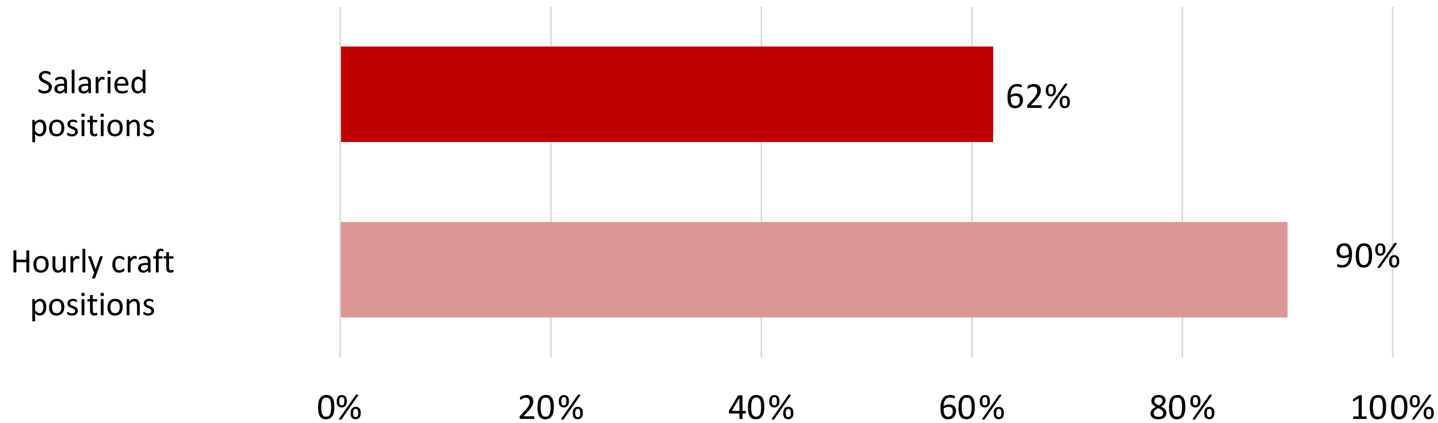
Note: Shading based on unrounded numbers Source: BLS state and regional employment report

# 2021 AGC Workforce Survey Results
(responses: 2,136)

**Hiring expectation**




**Need to fill open positions**

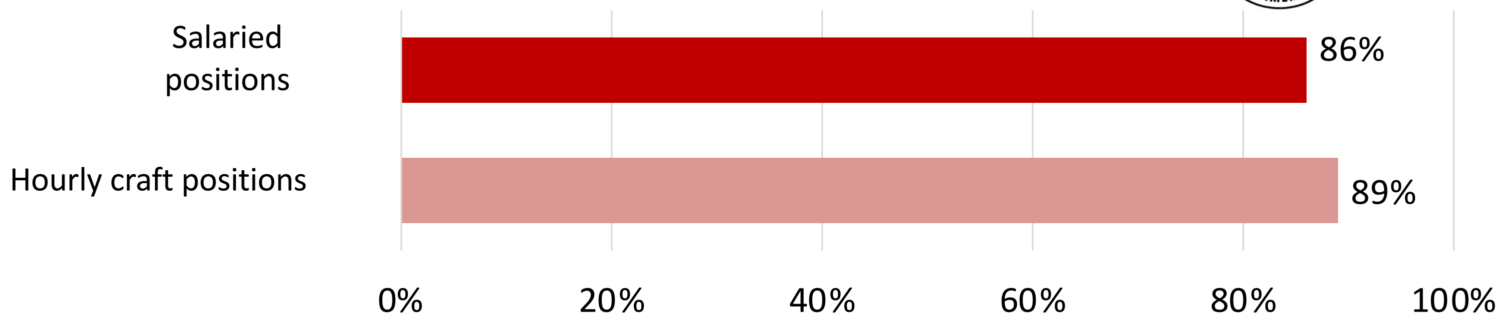




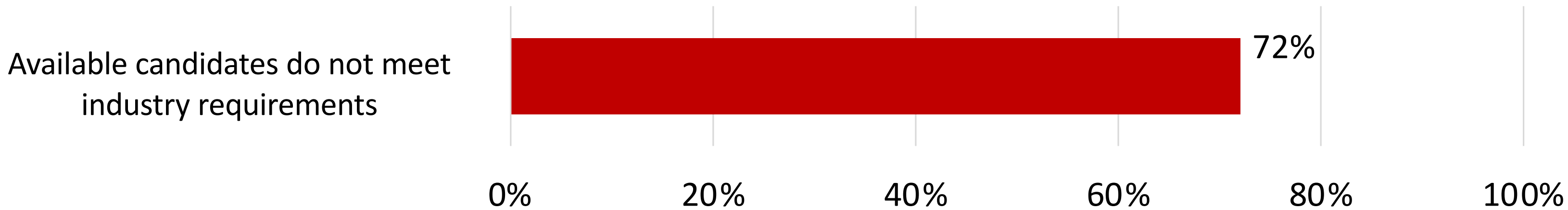

Source: 2021 AGC Workforce Development Survey

# 2021 AGC Workforce Survey Results

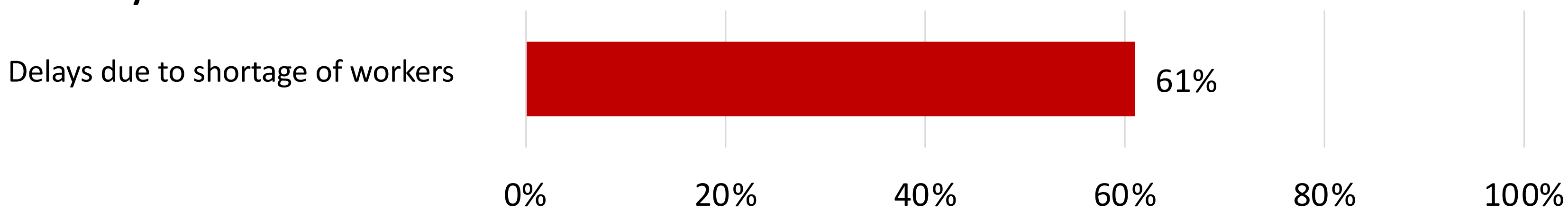
**We are having a hard time filling some or all positions**




**Difficulty finding quality workers**




**Construction delays**






Source: 2021 AGC Workforce Development Survey

# Year-to-date construction spending:
# Jan-July 2021 vs. Jan-July 2020 (not seasonally adjusted)

- Total 6%; private residential 26% (single-family 38%; multi 19%); private nonres -8%; public -7%

Largest segments (in descending order of 2021 year-to-date spending)

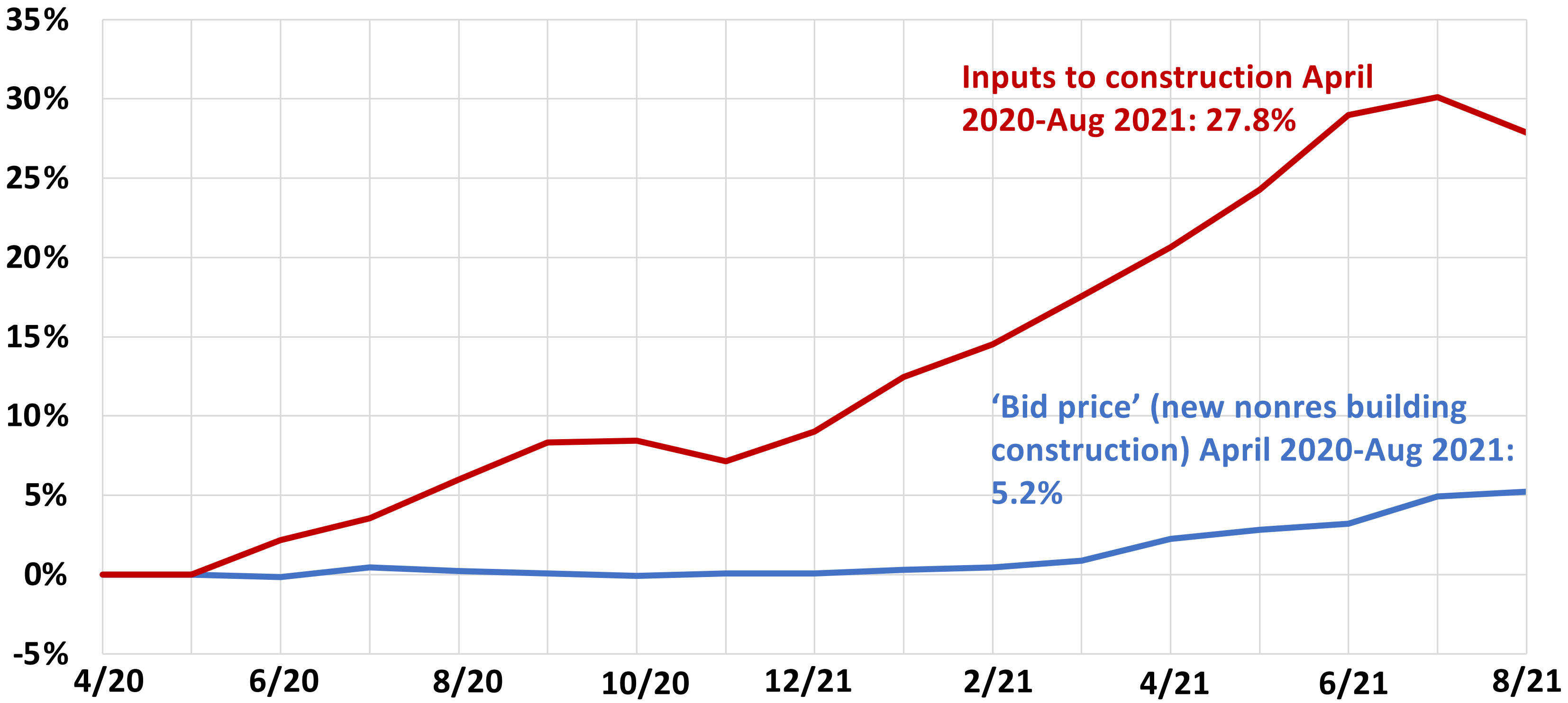
- Power -5% (electric -3%; oil/gas fields & pipelines -12%)
- Education -11% (primary/secondary -8%; higher ed -17%)
- Highway and street -5%
- Commercial -3% (warehouse 9%; retail -18%)
- Office -11%
- Mfg. -2% (chemical 7%; transp. equip. 6%; food/beverage/tobacco 13%; electronic/electric -18%)
- Transportation -6% (air -12%; freight rail/trucking -5%; mass transit 6%)
- Health care -2% (hospital 2%; medical building -7%; special care -3%)
- Lodging -30%



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

# Construction input and 'bid price' producer price indexes (PPIs)

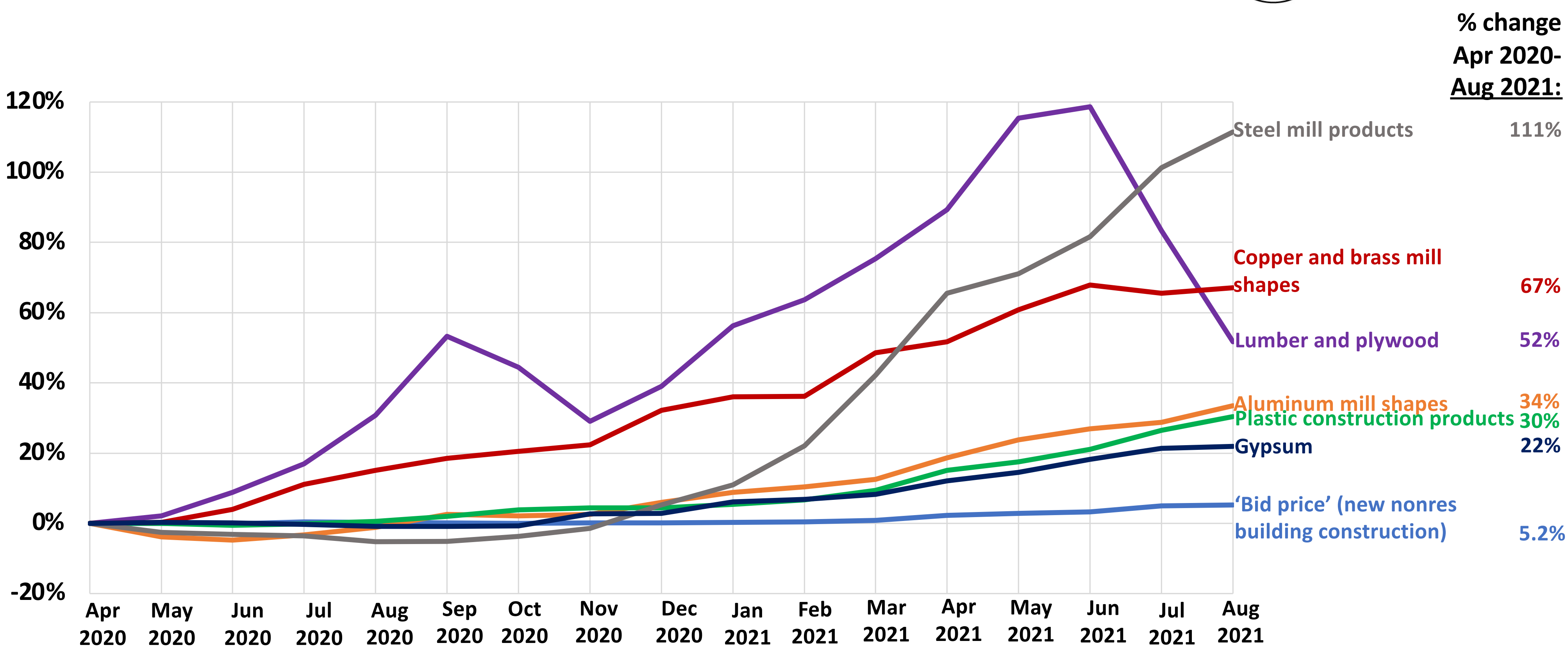
cumulative change in PPIs, April 2020-Aug 2021 (not seasonally adjusted)




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

# Price changes for construction and selected materials

April 2020- August 2021




Source: Bureau of Labor Statistics, producer price indexes (PPIs) for new nonresidential building construction (bid prices), gypsum products, wood, metal products, and plastic products, not seasonally adjusted

# Cost squeeze on contractors can last two years or more

Difference between year-over-year change in materials costs vs. bid prices, Jan 2006-August 2021

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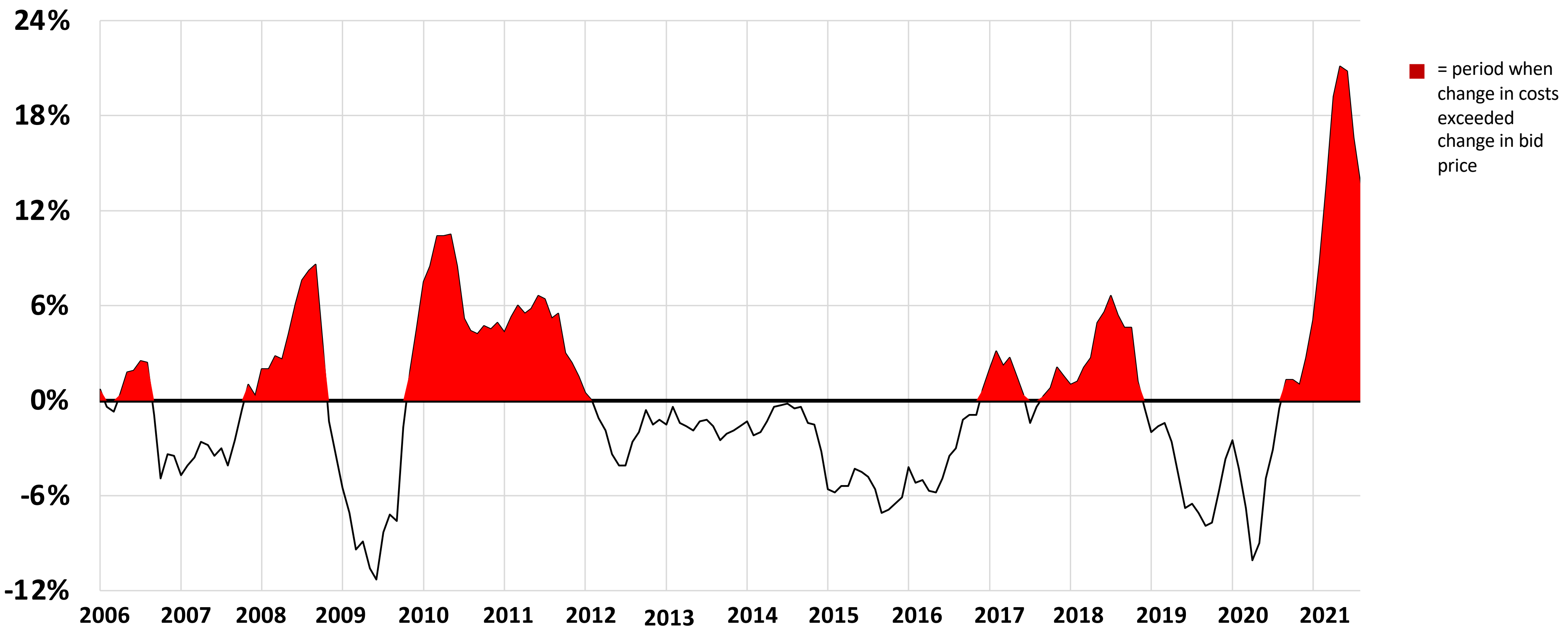


Source: Bureau of Labor Statistics, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs) and new warehouse construction (bid prices)

# AGC's responses to material cost and supply-chain issues

- *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/
- Recording of webinar on "Soaring Material and Supply-Chain Costs and Delays": https://store.agc.org/Store/CSI/Store/Product_List_WebEds.aspx
- Presentations to government contracting officials and owner groups
- Lobbying for tariff relief on lumber, steel, aluminum, and products

    - Presentation to National Economic Council, VP's chief economist, Commerce chief economist

    - Presentations in coalitions to counselor to Commerce secretary, Senate & House trade staff



Source: Author

# Forward-looking indicators

| Indicator | Latest date | Current value | Year-ago value |
|---|---:|---:|---:|
| Architecture Billings Index (ABI) | August | 55.6 | 41.4 |
| Dodge Momentum Index (DMI) | August | 149 | 125 |
| Multifamily permits not yet started | August | 101,000 | 70,000 |


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

# Medium-term impacts as recovery begins

- Economic recovery looks more certain but virus risks remain, especially for construction: vaccination rate = 57% for construction workers, 81% for other occupations
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, project costs, and completion times
- Continuing cost and supply challenges may lead to more project deferrals
- Less demand than pre-crisis for retail, offices, higher ed, lodging & travel-related
- Unclear how states and localities will spend added tax revenue and federal dollars
- Senate infrastructure bill won't become law before October, if at all
- Best private prospects: remodeling, local distribution centers, data centers, restaurants



Source: Author

# New + baseline construction-related funding included in the Senate infrastructure bill

Total: $1.2 trillion, incl. $304B (billion) to reauthorize FAST Act ($69B increase over 5 years)

- $351B (billion): roads, bridges (including FAST Act reauthorization)
- $107B: transit
- $102B: passenger and freight rail
- $60B: water infrastructure
- $45B: broadband
- $20B: airports
- $39B: public transit
- $25B: airports
- $17B: ports and waterways
- $17B: power and grid
- $7.5B: electric vehicle infrastructure


Source: AGC analysis of Senate bill

## Long-run construction outlook (post-pandemic)

- Slower population growth means slower demand growth for most 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
- Less oil drilling and pipeline construction
- Continuing demand for K-12 but much less for higher ed construction
- Not clear if offices will decentralize or remain in less demand
- Not clear yet if urban/rural or state-to-state trends will change



Source: Author

# **Population change by state**, July 2019–July 2020 **(U.S.: 0.35%)**

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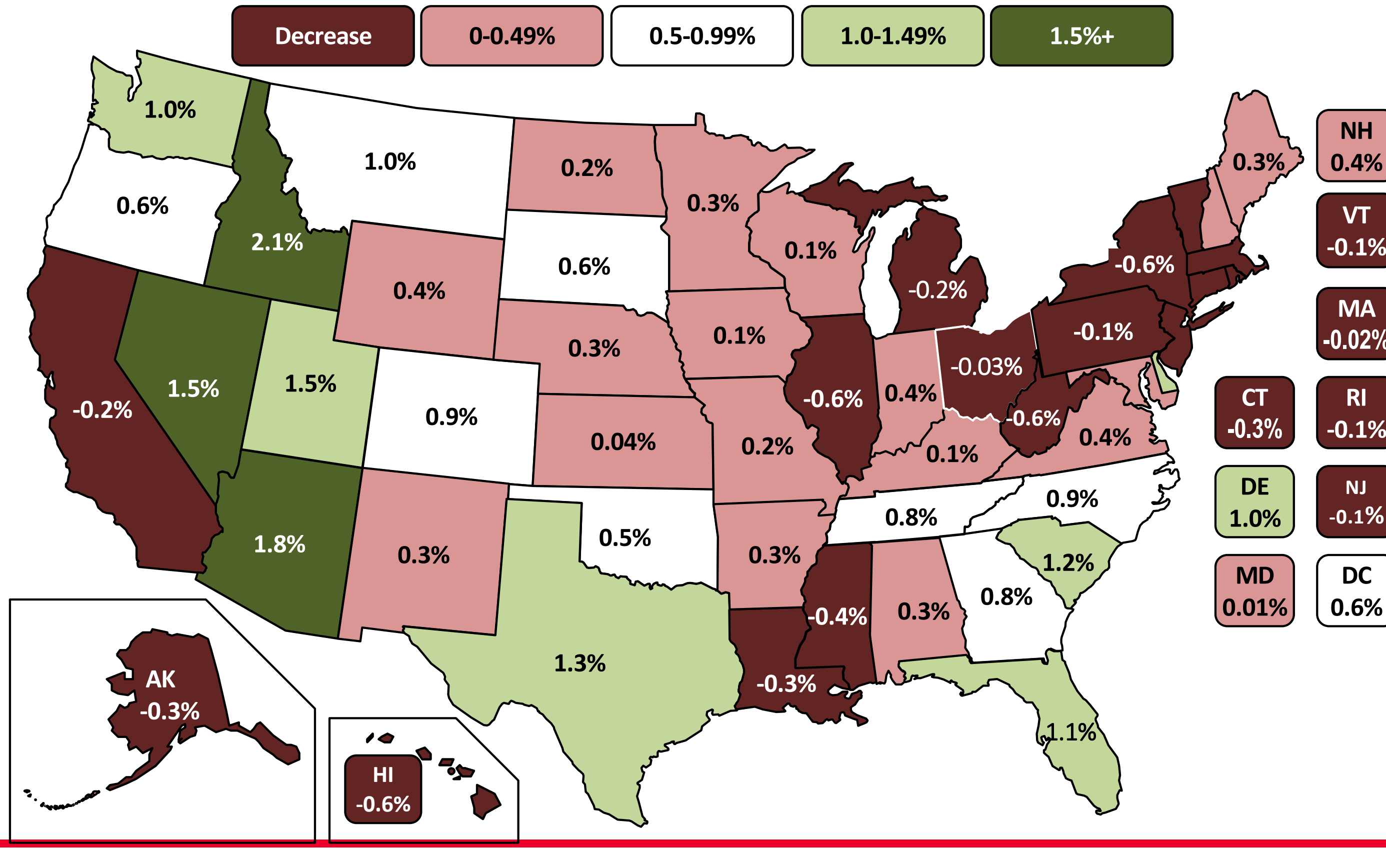
**Top 5**

| | |
|---|---|
| ID | 2.1% |
| AZ | 1.8% |
| NV | 1.5% |
| UT | 1.5% |
| TX | 1.3% |

**Bottom 5**

| | |
|---|---|
| NY | -0.6% |
| IL | -0.6% |
| HI | -0.6% |
| WV | -0.6% |
| MS | -0.4% |






Source: U.S. Census Bureau, Dec. 2020 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/
- Autodesk-AGC of America Workforce Survey results
- 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


Sep

2021

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CONSTRUCTION INFLATION ALERT

In late March, the Associated General Contractors of America (AGC) posted the Construction Inflation Alert, a document to inform project owners, government officials, and the public about the extreme cost increases and supply-chain disruptions affecting construction. The current version is the fourth update of that Alert—a reflection of the continued volatility in materials costs, as well as lengthening lead times for both production and deliveries.

Although the overall economy has strengthened significantly in the past few months and appears to be headed for further growth, the construction industry has experienced a much more uneven recovery. Lagging demand for numerous types of nonresidential construction is keeping many contractors from passing on their added costs. The delta variant of Covid-19 has disrupted production and delivery of goods, labor availability, and owners' demand for projects. This combination of supply chain bottlenecks, steeply rising costs, and much smaller bid price increases threatens to push some firms out of business.

This report is intended to provide all parties with better understanding of the current situation, the impact on construction firms and projects, its likely course in the next several months, and possible steps to mitigate the damage. The document will be revised to keep it timely as conditions change; download it at AGC Construction Inflation Alert | Associated General Contractors of America.



Source: Author