

**September 24, 2021** 

## **U.S. Construction Outlook:**

# Pandemic Impacts, Policy Initiatives, Project Implications

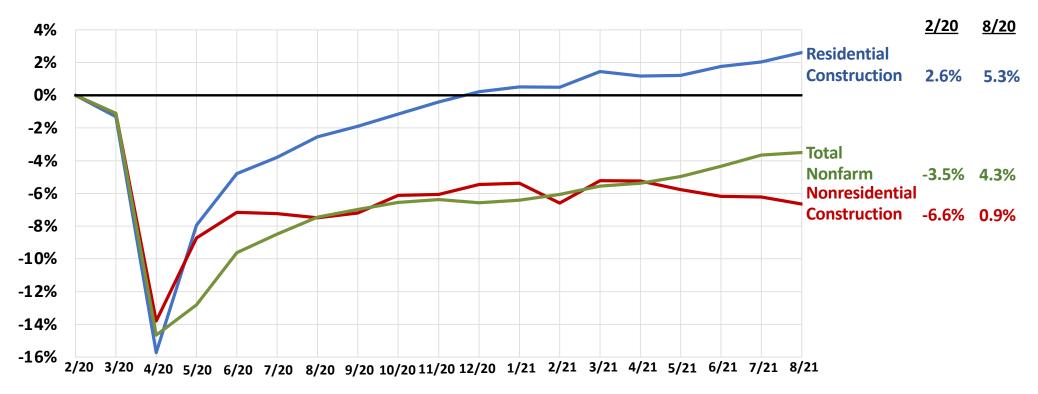
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### Total Nonfarm & Construction Employment, Feb. 2020-Aug. 2021

cumulative change (seasonally adjusted)

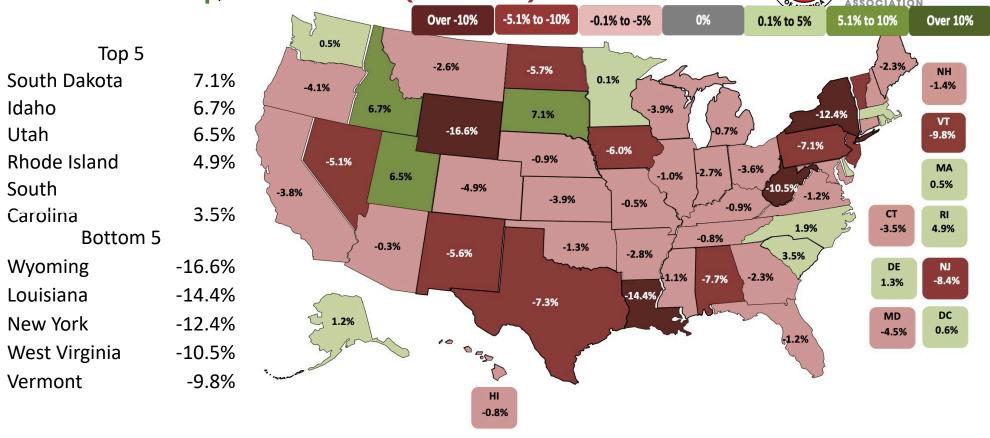


#### Change to 8/21 from:



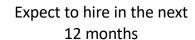
#### State construction employment change, Feb. 2020-August 2021

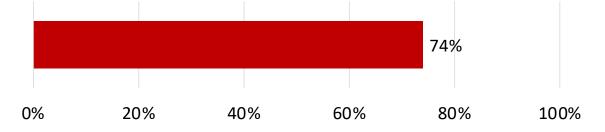
11 states and DC up, 39 states down (U.S.: -3.0%)



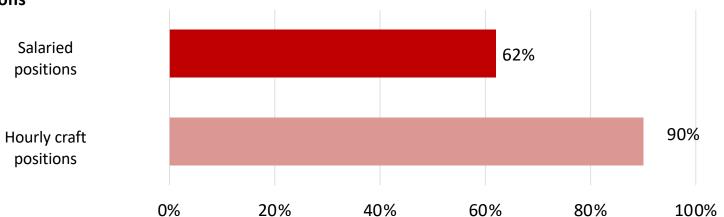
## **2021 AGC Workforce Survey Results** (responses: 2,136)

#### **Hiring expectation**





#### **Need to fill open positions**



#### **2021 AGC Workforce Survey Results** We are having a hard time filling some or all positions Salaried 86% positions Hourly craft positions 89% 0% 20% 40% 60% 80% 100% Difficulty finding quality workers 72% Available candidates do not meet industry requirements 0% 20% 40% 60% 80% 100% **Construction delays** Delays due to shortage of workers 61% 0% 20% 40% 60% 80% 100%

# 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%

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

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

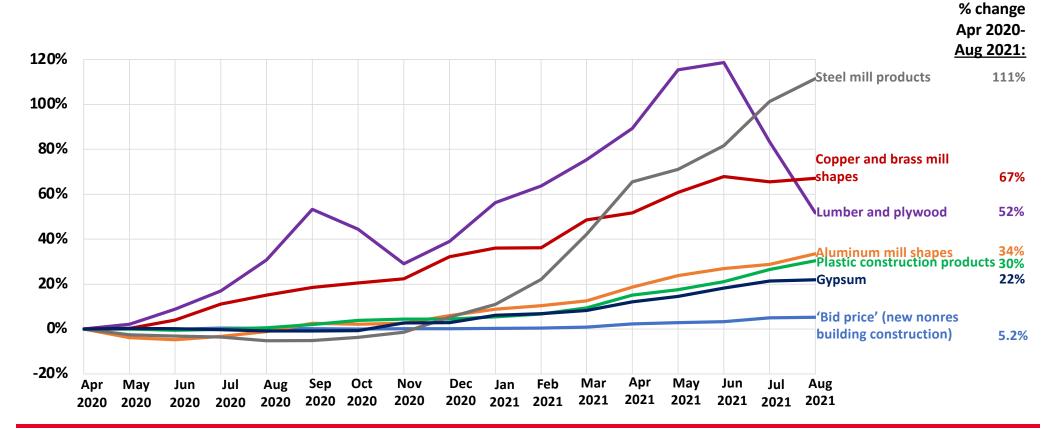




### Price changes for construction and selected materials

April 2020 - August 2021



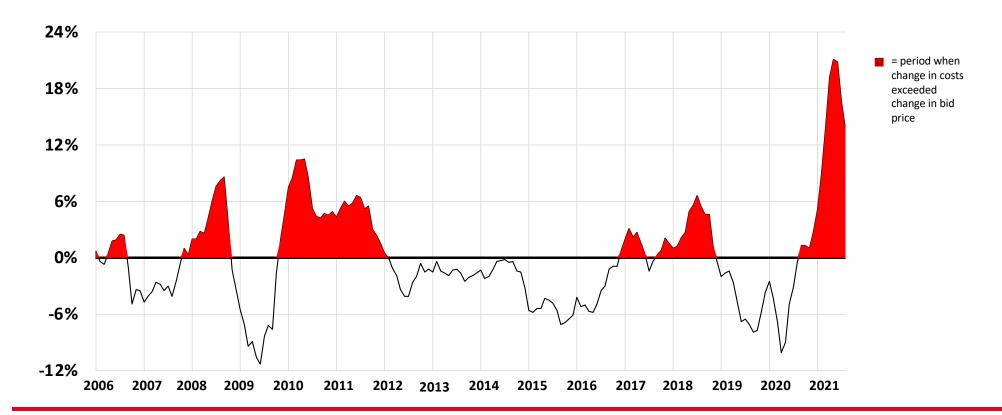


Source: Bureau of Labor Statistics, producer price indexes (PPIs) for new nonresidential building construction (bid prices), gypsum products, wood, metal products, and plastic products, not seasonally adjusted

#### 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





<sup>9 |</sup> Source: Bureau of Labor Statistics, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material construction (material construction (bid prices)) 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/
- <u>Recording</u> 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

## 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

### 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

# 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

13 Source: AGC analysis of Senate bill

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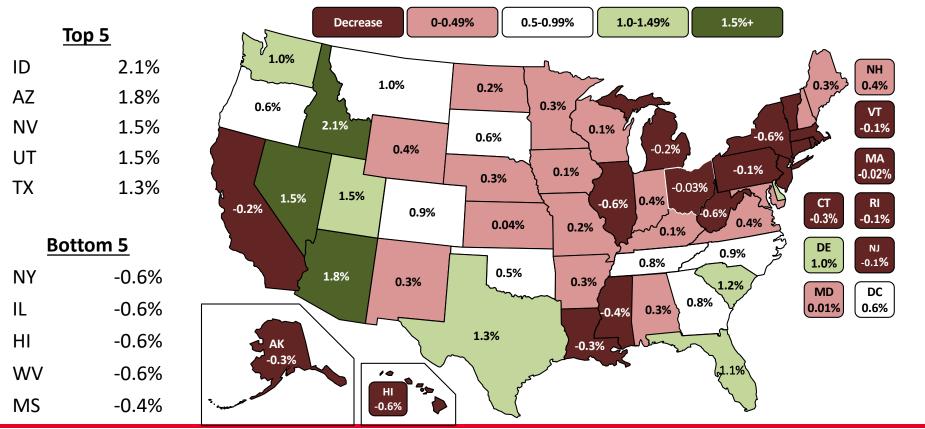
## Long-run construction outlook (post-pandemic)



- 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

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





### **AGC** economic resources

(email <u>ken.simonson@agc.org</u>)

- The Data DIGest: weekly 1-page email (subscribe at <a href="http://store.agc.org">http://store.agc.org</a>)
- Construction Inflation Alert:

https://www.agc.org/learn/construction-data/agc-construction-inflation-alert

- ConsensusDocs Price Escalation Resource <u>Center</u>: <u>https://www.consensusdocs.org/price-escalation-clause/</u>
- 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



