July 21, 2021

U.S. Construction Outlook:

Pandemic Impacts, Policy Initiatives, Project Implications

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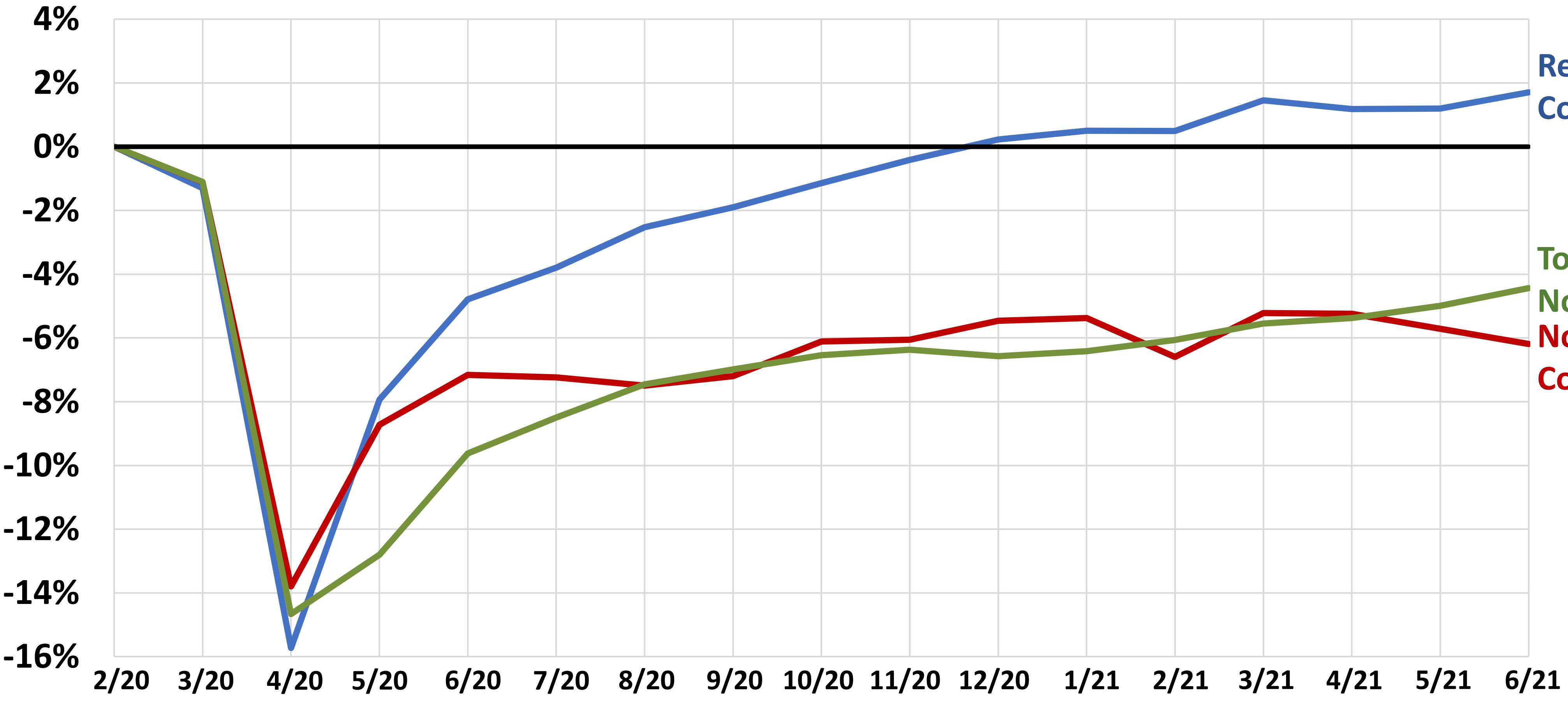
Total Nonfarm & Construction Employment, Feb. 2020–June 2021

cumulative change (seasonally adjusted)



Change to 6/21 from:

	2/20	6/20
Residential Construction	1.7%	6.8%
Total Nonfarm	-4.4%	5.7%
Nonresidential Construction	-6.2%	1.0%

State construction employment change, Feb. 2020–June 2021

11 states **up**, 39 states **down** and DC flat **(U.S.: -3.1%)**

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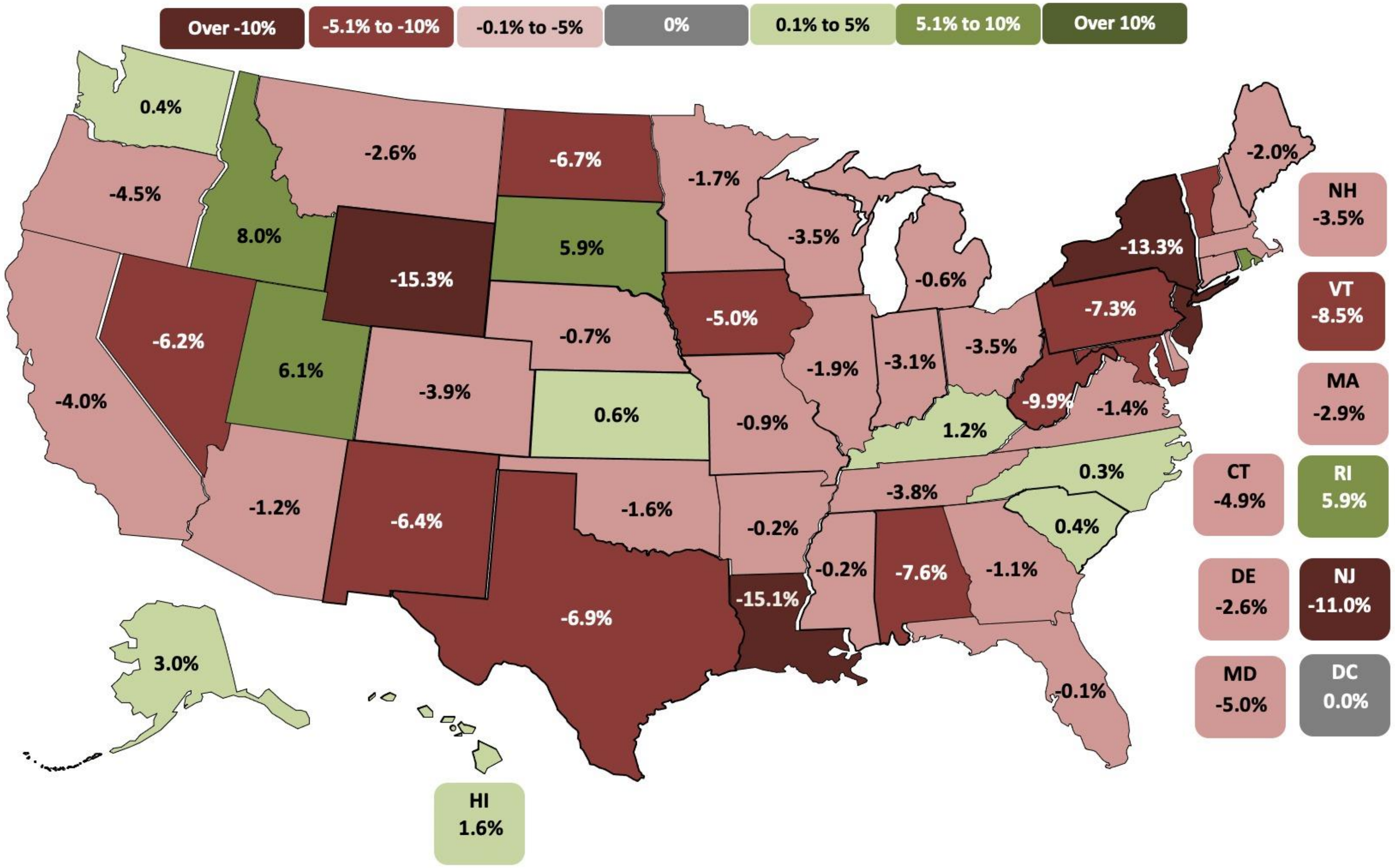
Top 5

Idaho	8.0%
Utah	6.1%
Rhode Island	5.9%
South Dakota	5.9%
Alaska	3.0%

Bottom 5

Wyoming	-15.3%
Louisiana	-15.1%
New York	-13.3%
New Jersey	-11.0%
West Virginia	-9.9%



Note: Shading based on unrounded numbers

Source: BLS state and regional employment report

Metro construction employment change, Feb. 2020–June 2021

257 metros **up**, 21 metros **unchanged**, 80 metros **down** **(U.S.: 4.3%)**

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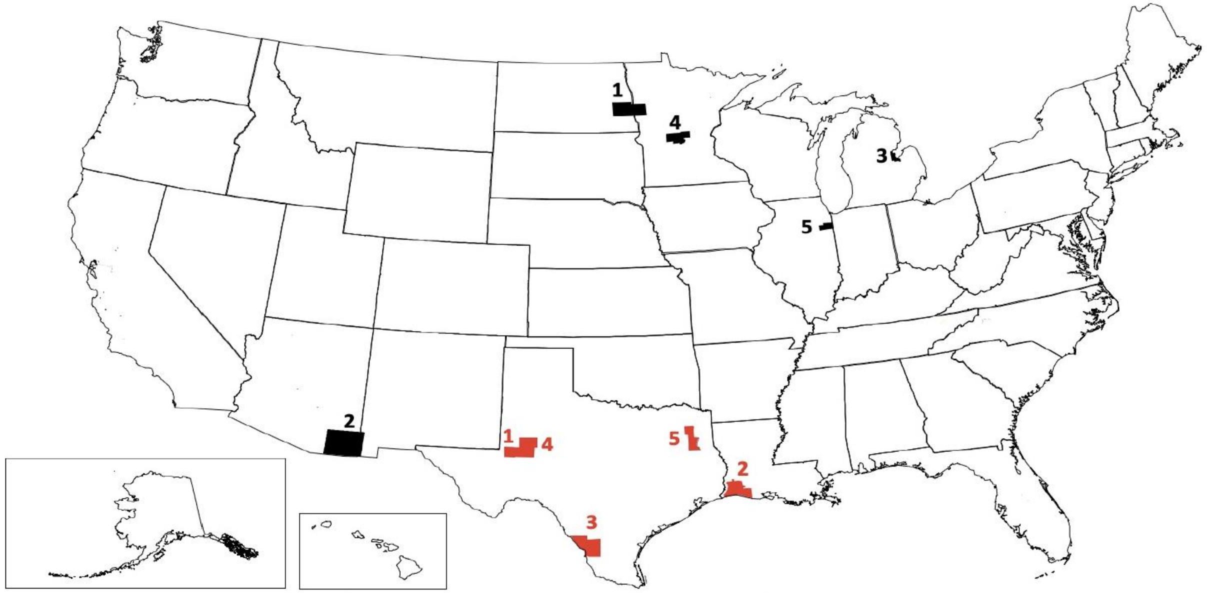
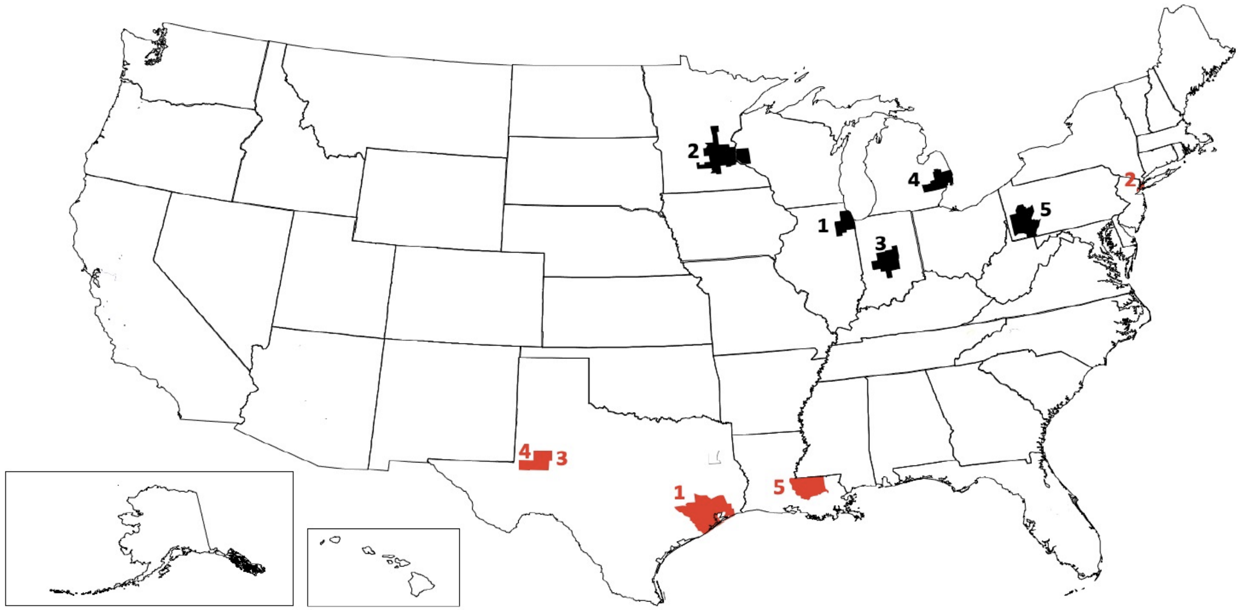
Metro Areas with Largest Percent Changes in Construction Employment, February 2020–June 2021



Top 5 Areas	16-month % gain
1 Fargo, ND-MN	50%
2 Sierra Vista-Douglas, AZ	48%
3 Bay City, MI	45%
4 St. Cloud, MN	39%
5 Kankakee, IL	36%

Bottom 5 Areas	16-month % loss
1 Odessa, TX	-38%
2 Lake Charles, LA	-34%
3 Laredo, TX	-25%
4 Midland, TX	-24%
5 Longview, TX	-22%

Metro Areas with Largest Construction Employment Changes, February 2020–June 2021



Top 5 Areas	16-month gain
1 Chicago-Naperville-Arlington Heights, IL Div.	14,300
2 Minneapolis-St. Paul-Bloomington, MN-WI	13,800
3 Indianapolis-Carmel-Anderson, IN	10,700
4 Warren-Troy-Farmington Hills, MI Div.	9,300
5 Pittsburgh, PA	7,600

Bottom 5 Areas	16-month loss
1 Houston-The Woodlands-Sugar Land, TX	-33,400
2 New York City, NY	-22,000
3 Midland, TX	-9,300
4 Odessa, TX	-7,900
5 Baton Rouge, LA	-7,700

Note: Shading based on unrounded numbers

Source: BLS state and regional employment report

Year-to-date construction spending: Jan-May 2021 vs. Jan-May 2020

(not seasonally adjusted)

- Total 5%; private residential 24% (single-family 33%; multi 20%); private nonres -9%; public -7%

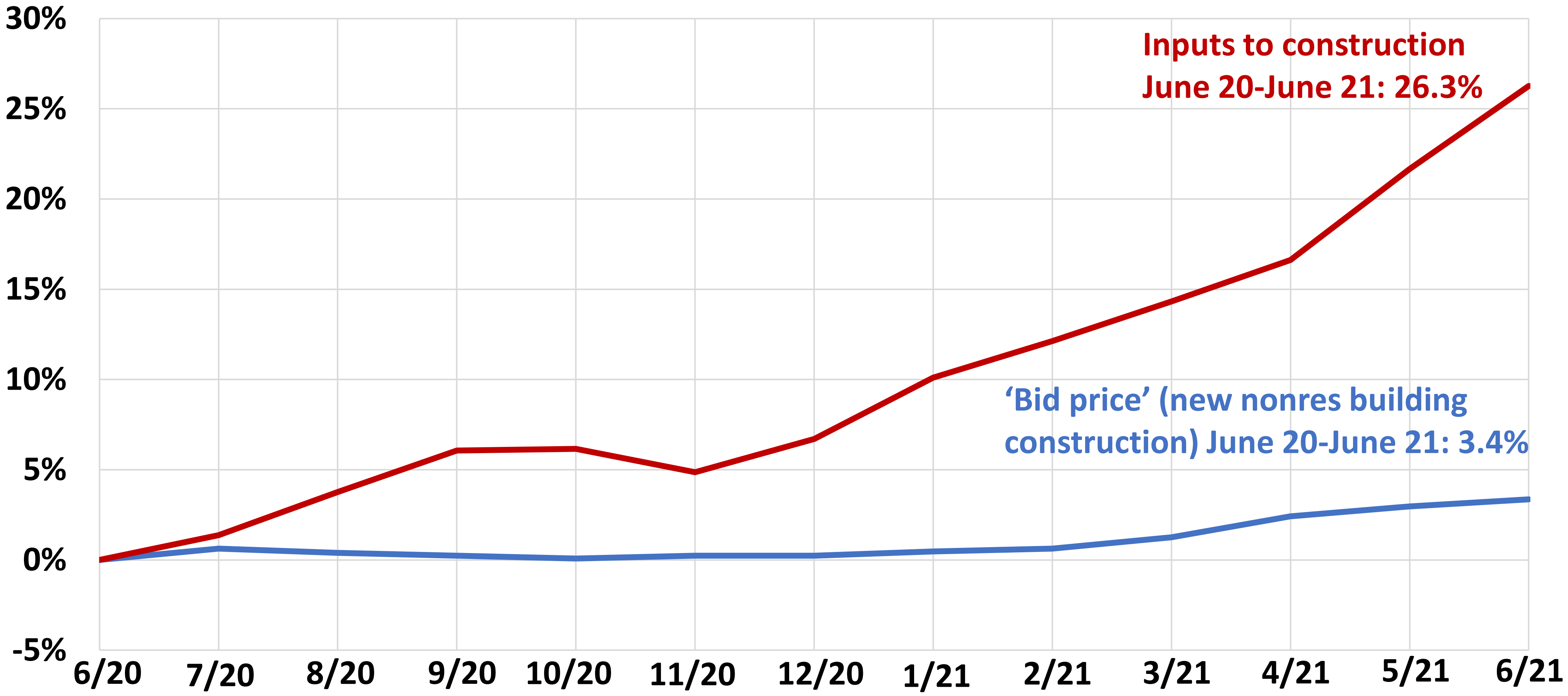
Largest segments (in descending order of 2021 year-to-date spending)

- Power -7% (electric -4%; oil/gas fields & pipelines -16%)
- Education -11% (primary/secondary -5%; higher ed -20%)
- Commercial -6% (warehouse 8%; retail -22%)
- Office -12%
- Highway and street -6%
- Mfg. -5% (chemical 6%; transp. equip. 3%; electronic -19%; food/beverage/tobacco 8%)
- Transportation -7% (air -11%; freight rail/trucking -6%; mass transit 6%)
- Health care -3% (hospital 2%; medical building -8%; special care -6%)
- Lodging -27%

Source: Author

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

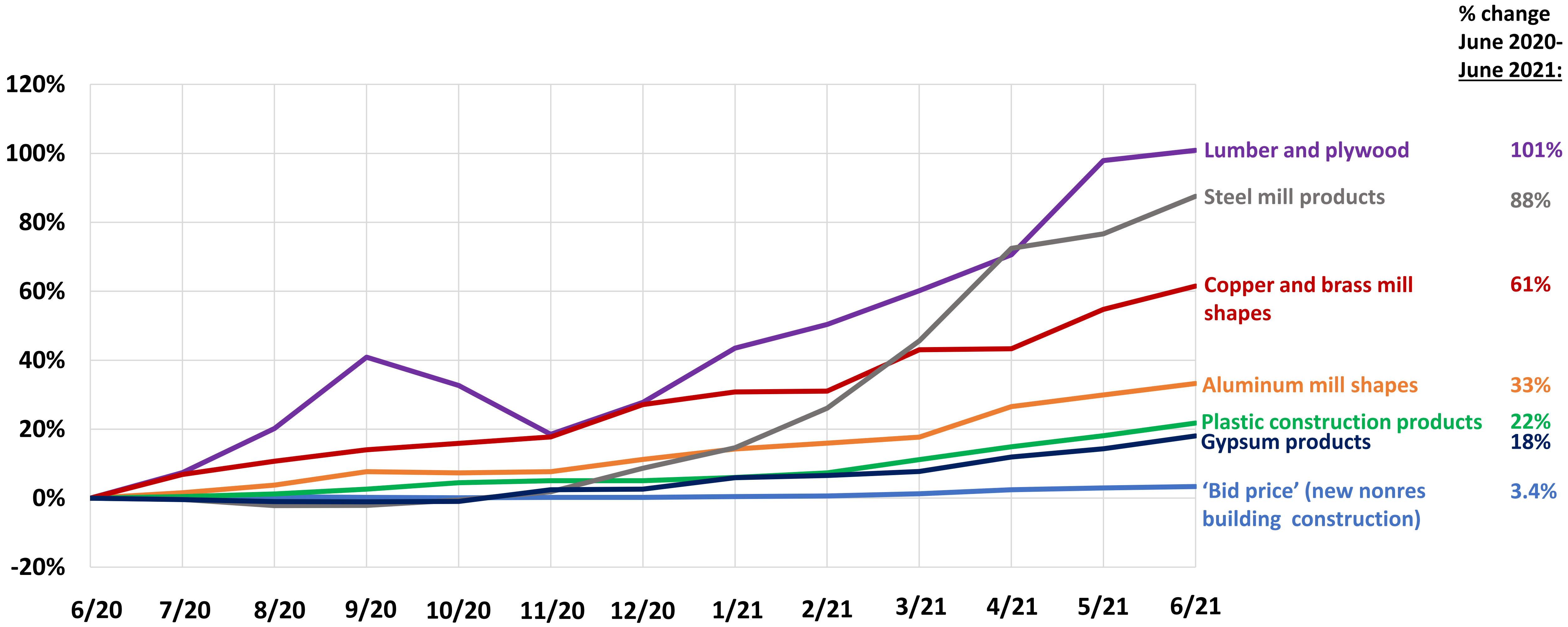
cumulative change in PPIs, June 2020 -June 2021 (not seasonally adjusted)



 Source: Bureau of Labor Statistics

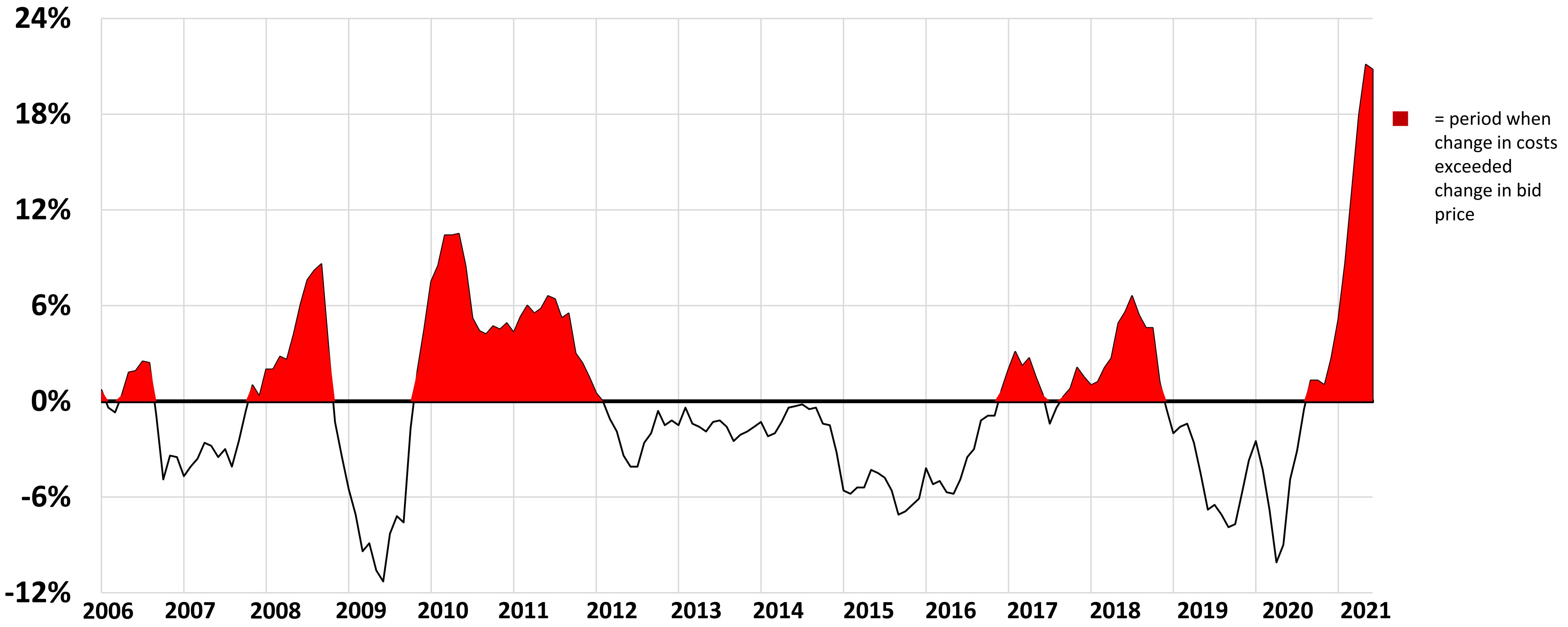
PPIs for construction and selected inputs

cumulative change in PPIs, June 2020 -June 2021 (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-June 2021



Source: Bureau of Labor Statistics, 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/sites/default/files/AGC 2021 Inflation Report_Version5_S_0.pdf
- 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)	June	57.1	40.7
Dodge Momentum Index (DMI)	June	166	118
Multifamily permits (year-to-date)	Jan-June	250,700	207,500

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

Medium-term impacts as recovery begins

- Economic recovery looks more certain but virus risks remain
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, project costs, and completion times
- Best private prospects: remodeling, local distribution centers, data centers, restaurants
- Less demand than pre-crisis for retail, offices, higher ed, lodging & travel-related
- Less near-term demand for sports, entertainment, cultural facilities
- Best public prospects: K-12 schools
- Unclear how states and localities will spend added federal dollars
- Additional federal highway funding likely; other infrastructure remains uncertain

Source: Author

Long-run construction outlook (post-pandemic)

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- 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, pipelines, gas stations, auto repair(?)
- Continuing demand for K-12 but much less for higher ed construction
- Not clear if offices will decentralize or remain in less demand
- No sign of change yet in urban/rural or state-to-state trends

Source: Author

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

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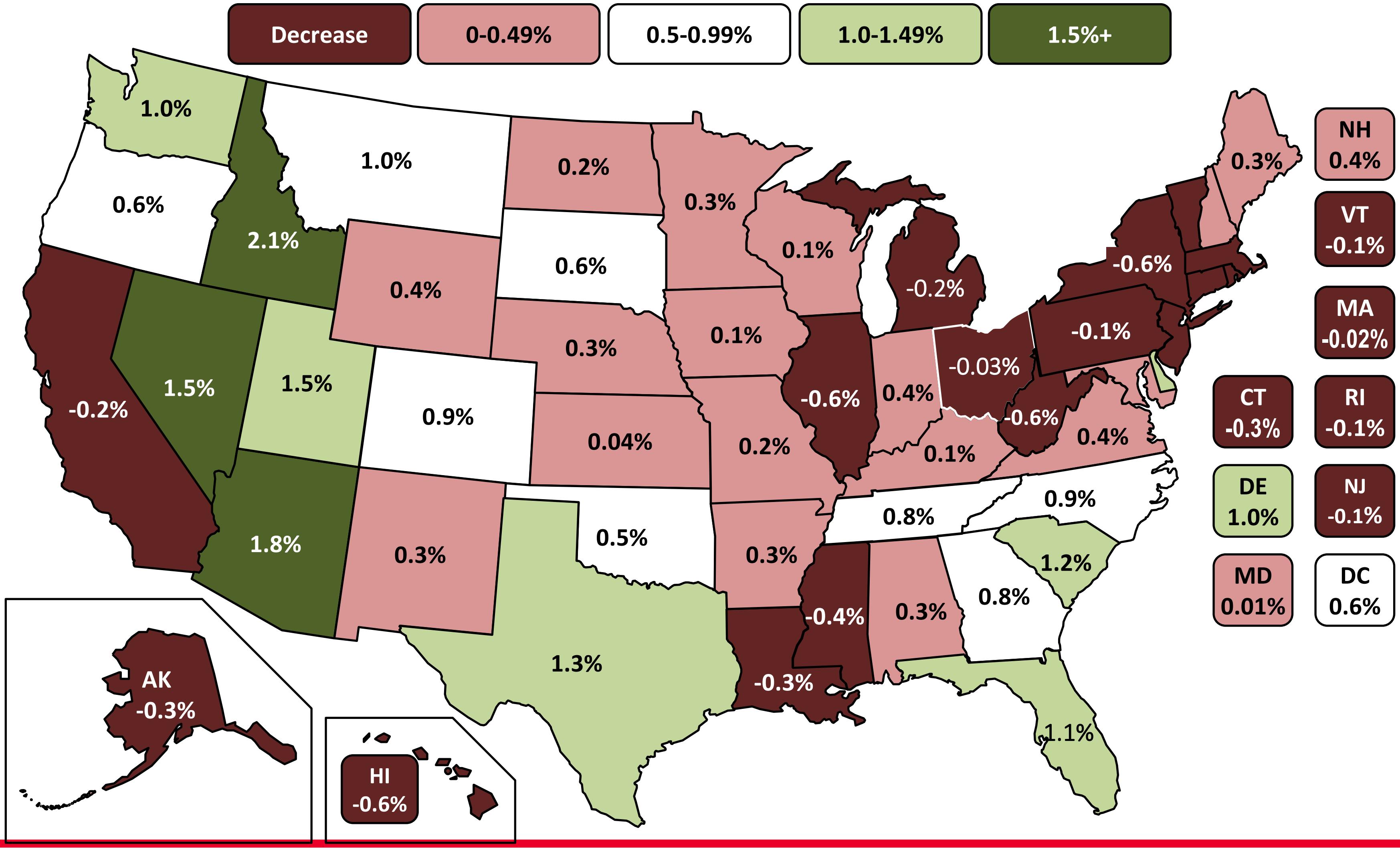
Top 5

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%



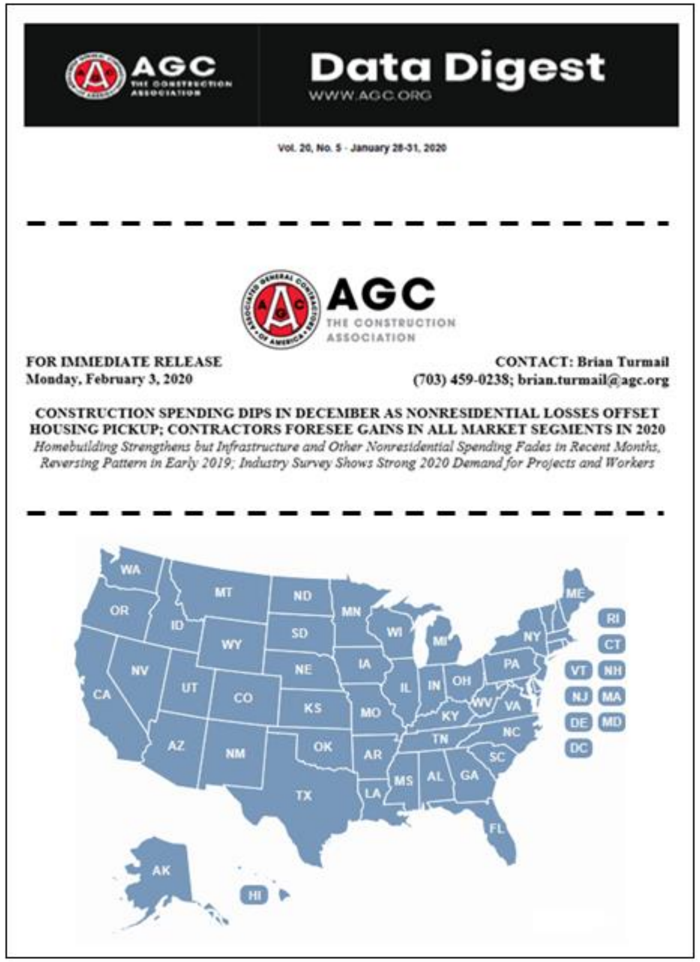
Source: U.S. Census Bureau, Dec. 2020 estimates (may change once decennial census data is included)

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/sites/default/files/AGC 2021 Inflation Report_Version5_S_0.pdf

- 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



Source: Author