



# Construction & Materials Outlook

April 4, 2011

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AGC of America

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# Current economic influences on construction

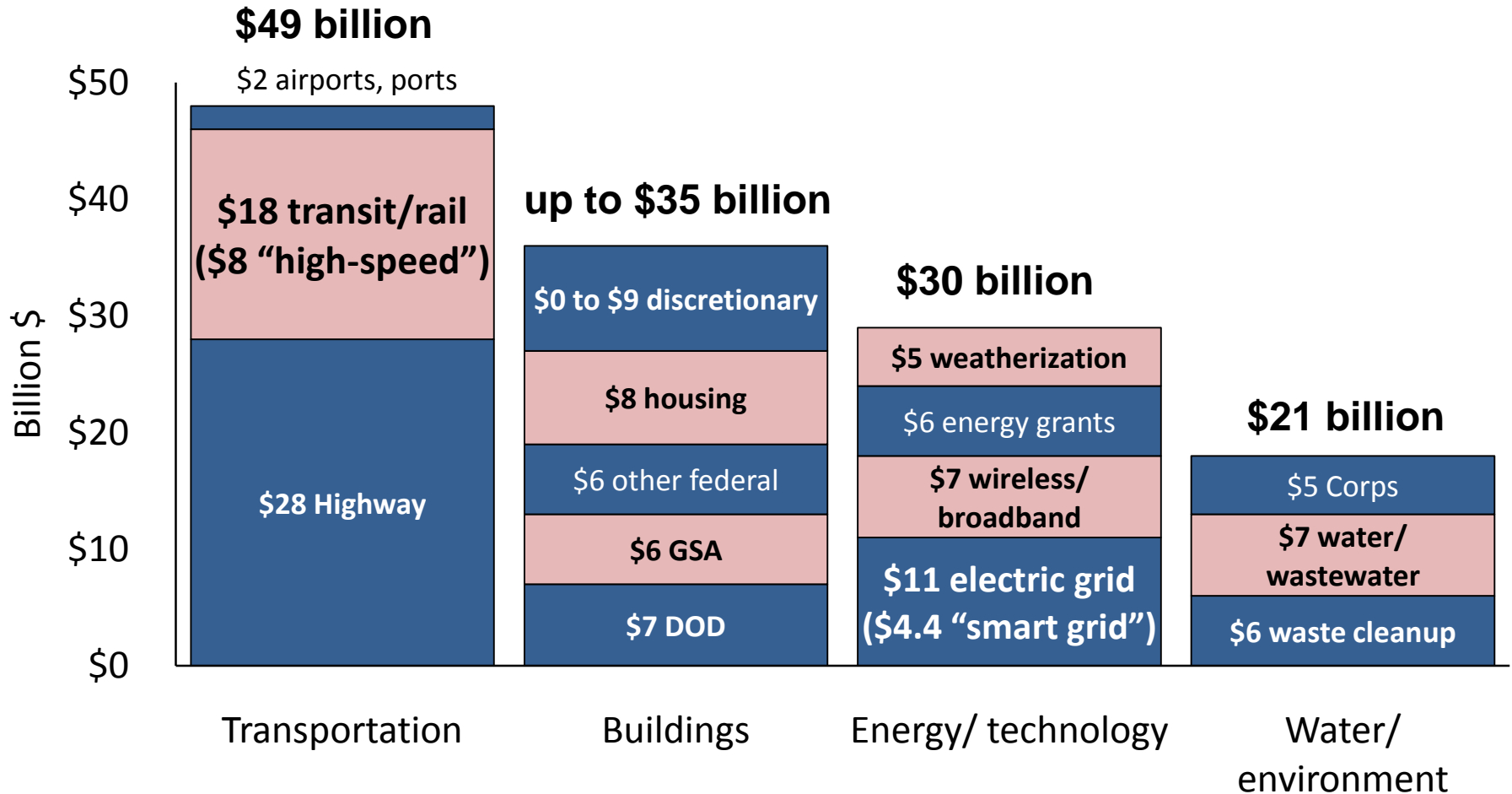
- GDP, personal income: gradual acceleration
- Continuing problems for office, retail, warehouse
- Loans for developers remain tight-to-unavailable
- State/local spending: infrastructure not a priority
- Federal spending helped but may decline soon
- Price spikes for diesel, copper, possibly steel



# Federal funding sources and outlook

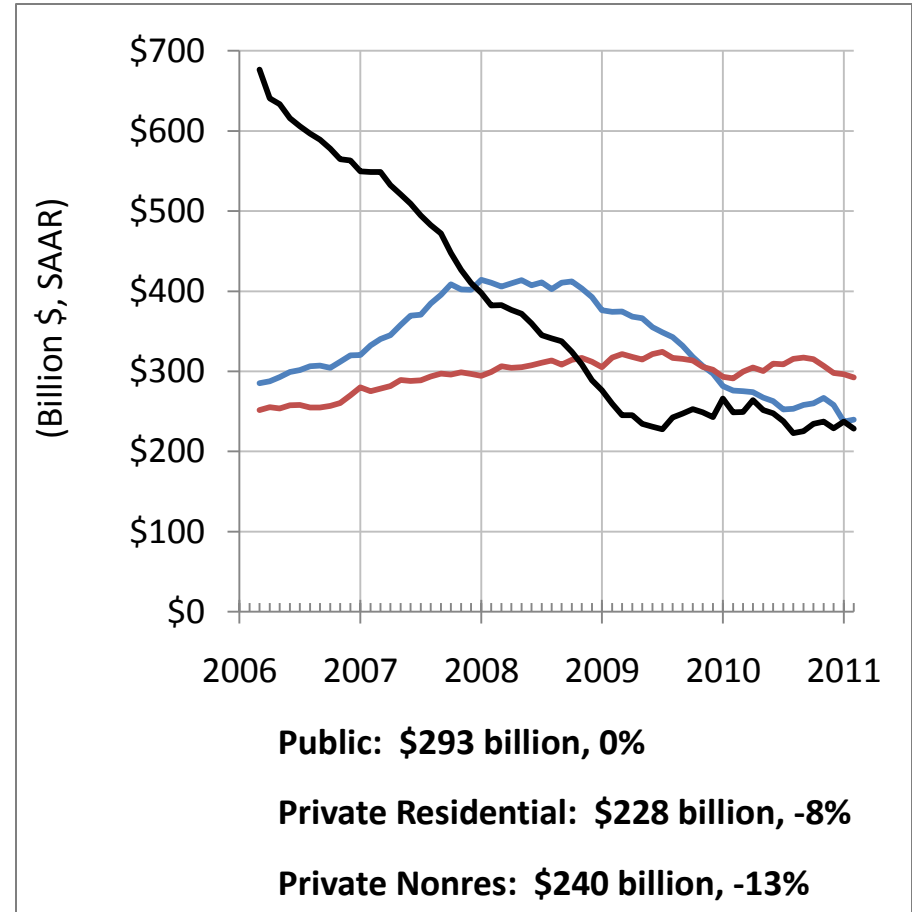
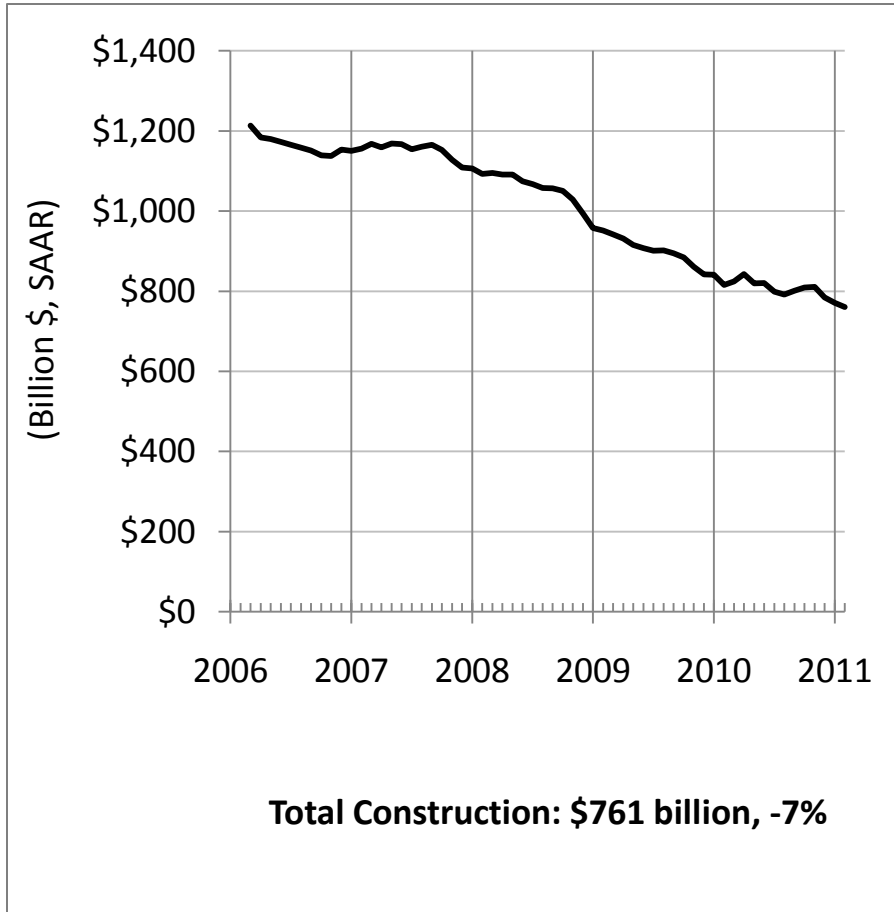
- Stimulus: 61 programs, totaling \$135 billion; at peak now
- Base realignment: at peak now, due to end 9/30/11
- Gulf Coast hurricane work: at peak, due to end 6/1/11
- Highway, airways trust funds: on short-term extension
- Water, wastewater state revolving funds: flat or down

# Construction-related stimulus funding (~\$135 bil.)



# Construction spending: trend, latest level, 12-mo. change

Seasonally adjusted annual rate (SAAR), March 2006-February 2011



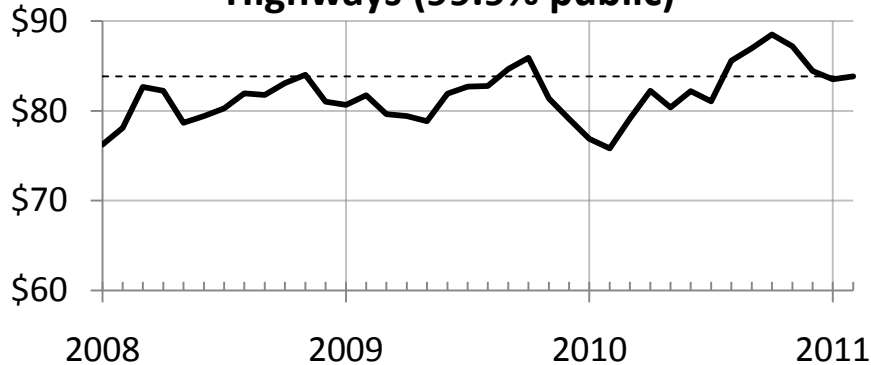
## Nonres totals (billion \$, SAAR), share & 12-month change

	<u>2/11 Total</u>	<u>Share</u>	<u>2/10-2/11</u>
Nonresidential	\$523 billion	100%	- 6
<b>Highway and street</b>	<b>84</b>	<b>16</b>	<b>+ 11</b>
<b>Power</b>	<b>81</b>	<b>16</b>	<b>+ 5</b>
Educational	79	15	-13
Transportation	39	7	- 1
Commercial	38	7	-12
Health care	38	7	- 2
Office	33	6	-20
Manufacturing	30	6	-30
<b>Sewage and waste disposal</b>	<b>24</b>	<b>5</b>	<b>+ 1</b>
Communication	18	3	- 5
Amusement and recreation	15	3	- 2
Other (water, public safety; lodging; conservation; religious): 9% of total			



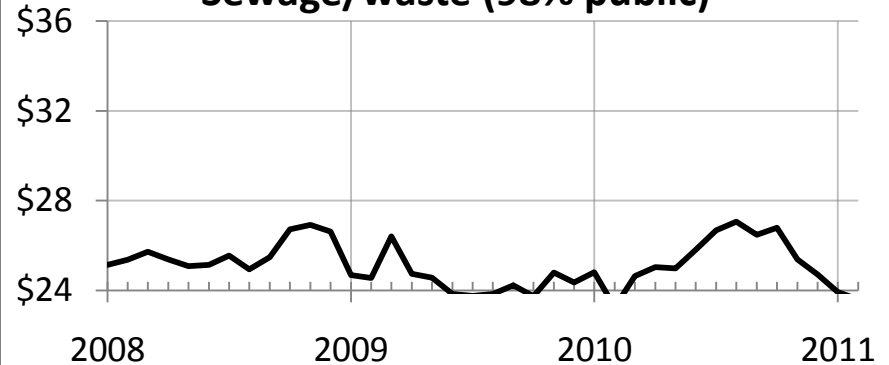
## Construction spending: public works (billion \$, SAAR)

**Highways (99.9% public)**



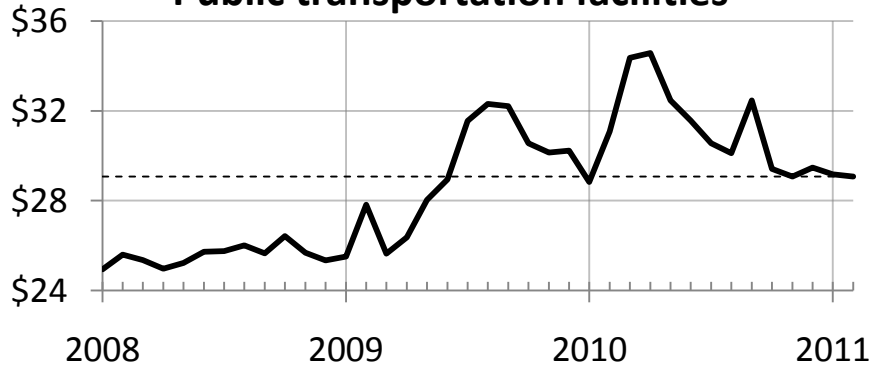
Latest 1-mo. change: 0.4%, 12-mo.: 11%

**Sewage/waste (98% public)**



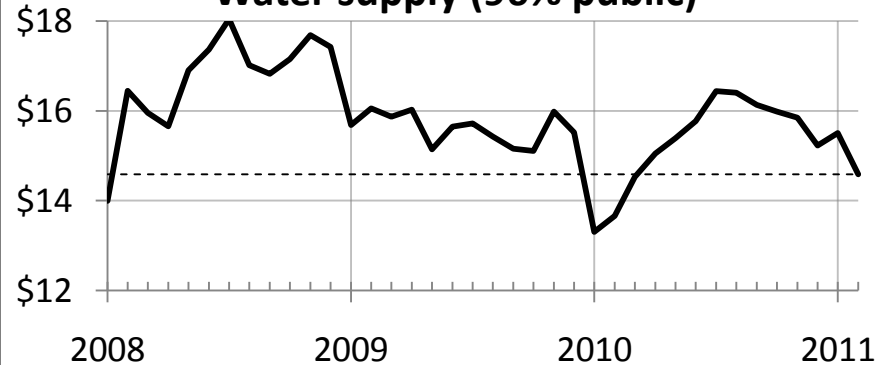
Latest 1-mo. change: -1.4%, 12-mo.: 1%

**Public transportation facilities**



Latest 1-mo. change: -0.3%, 12-mo.: -6%

**Water supply (96% public)**

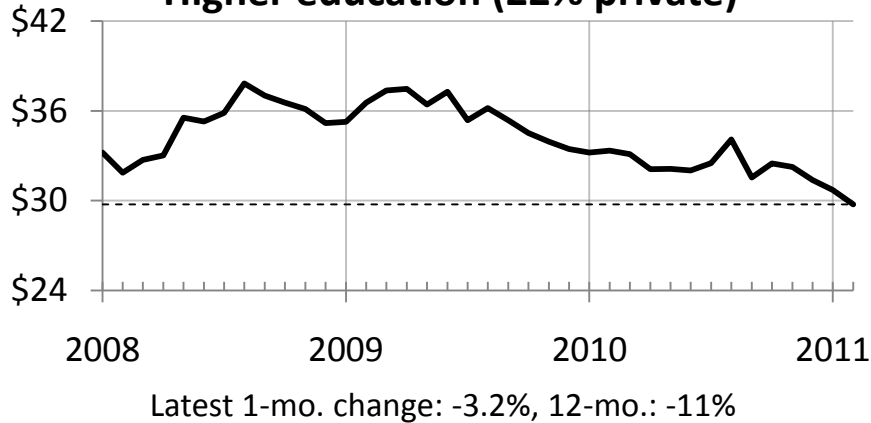


Latest 1-mo. change: -5.9%, 12-mo.: 7%

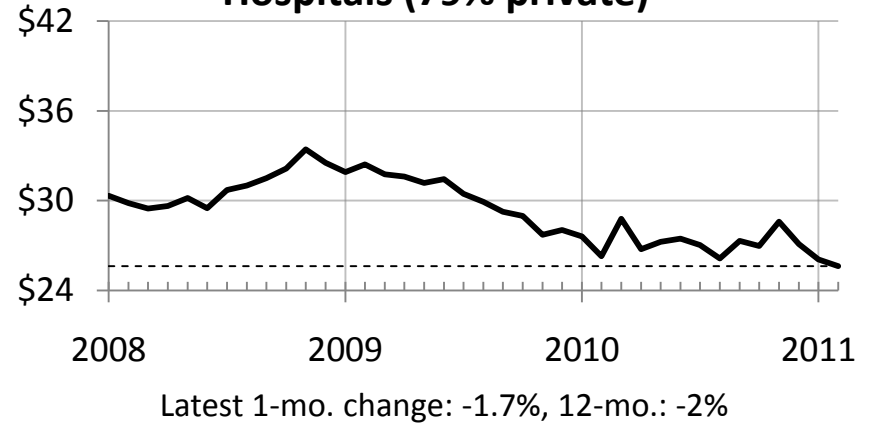


# Construction spending: institutional (private + state/local)

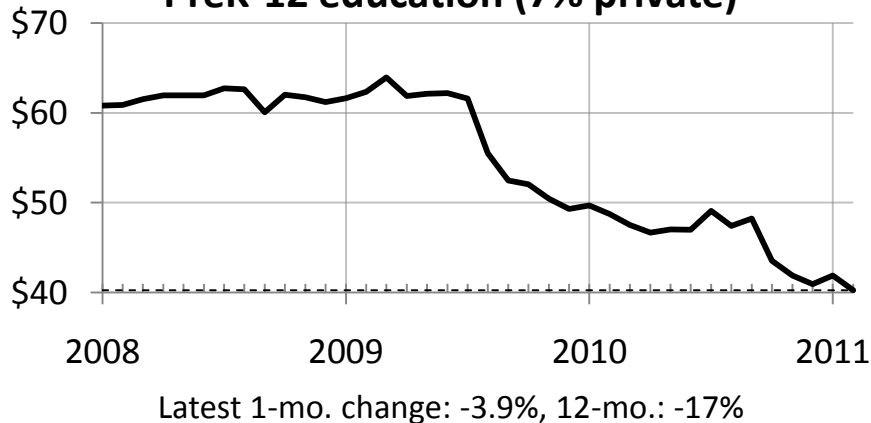
**Higher education (22% private)**



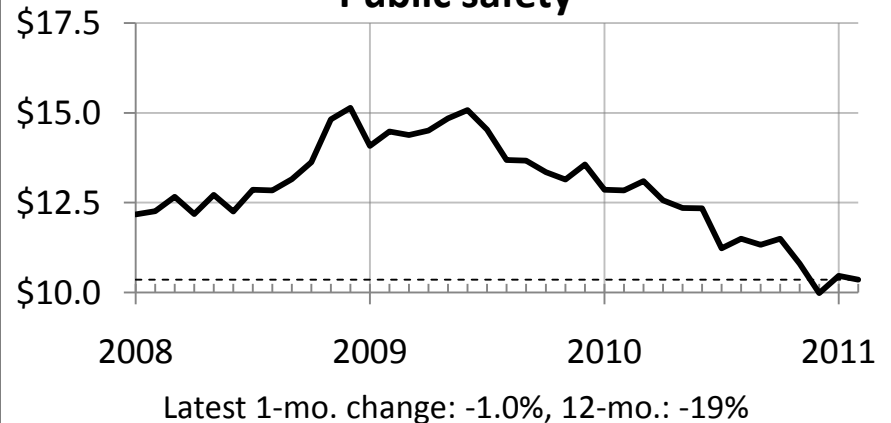
**Hospitals (79% private)**



**PreK-12 education (7% private)**



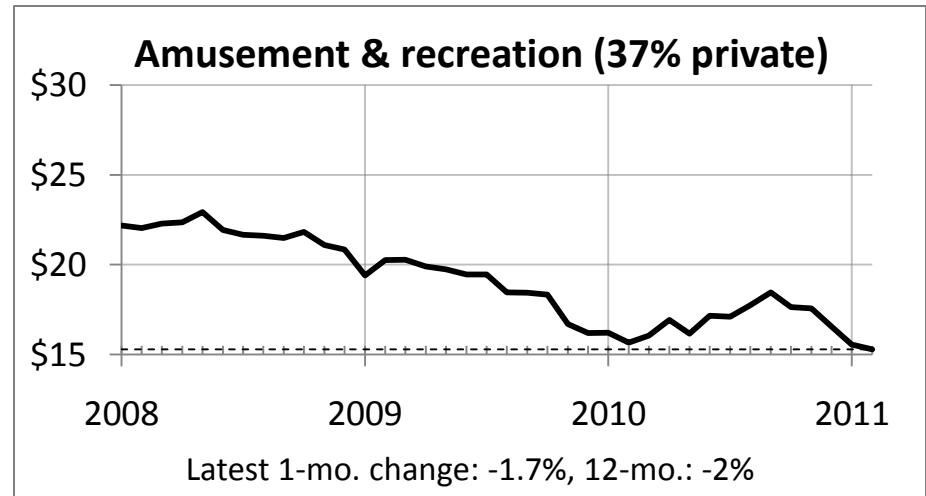
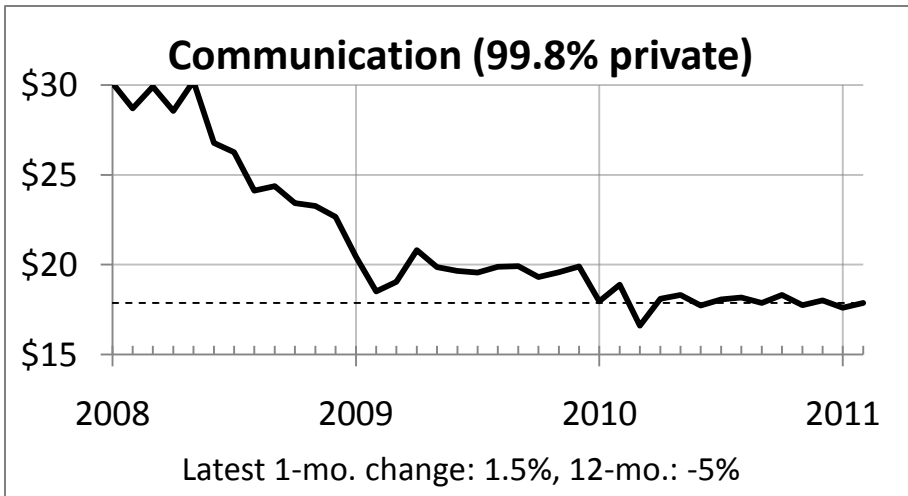
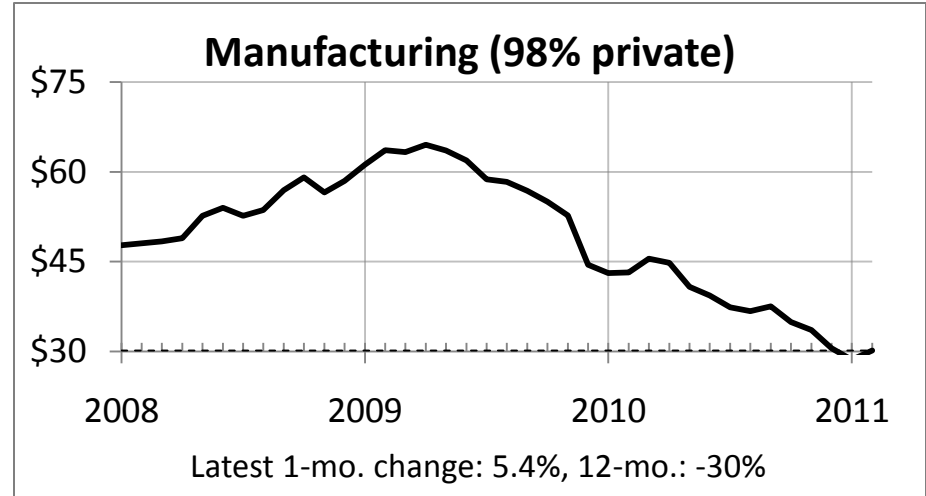
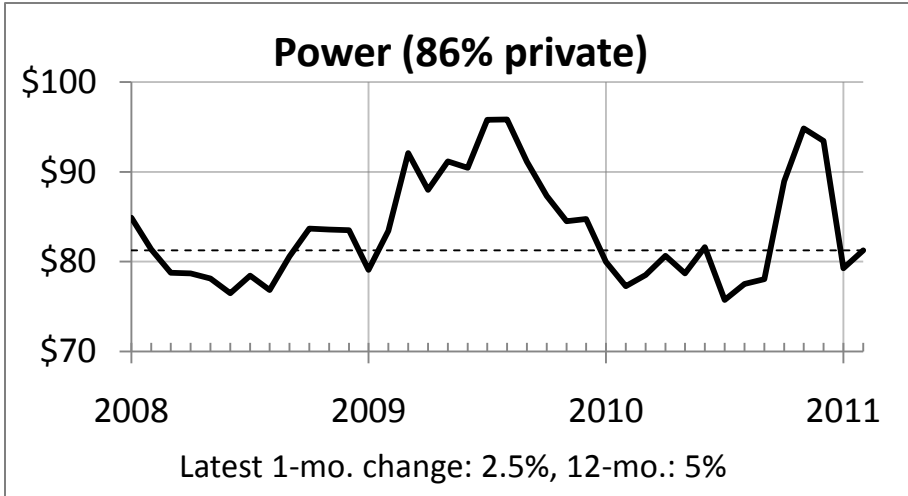
**Public safety**





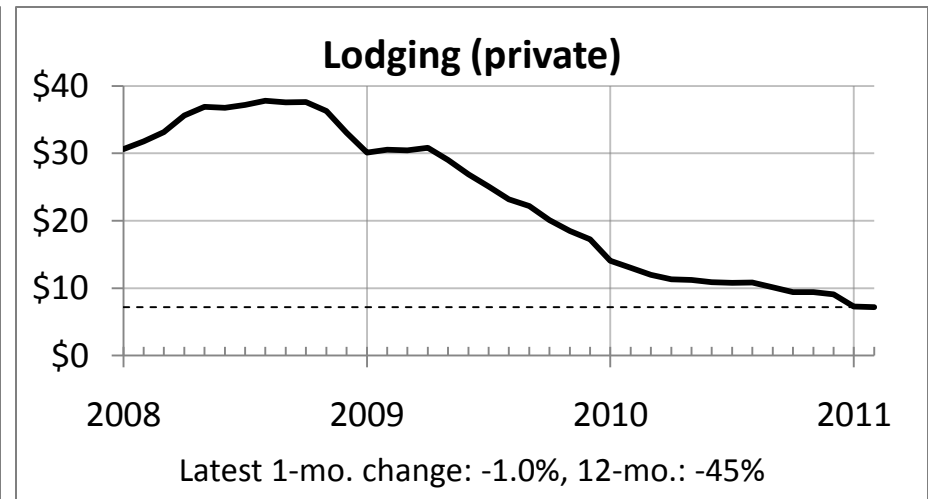
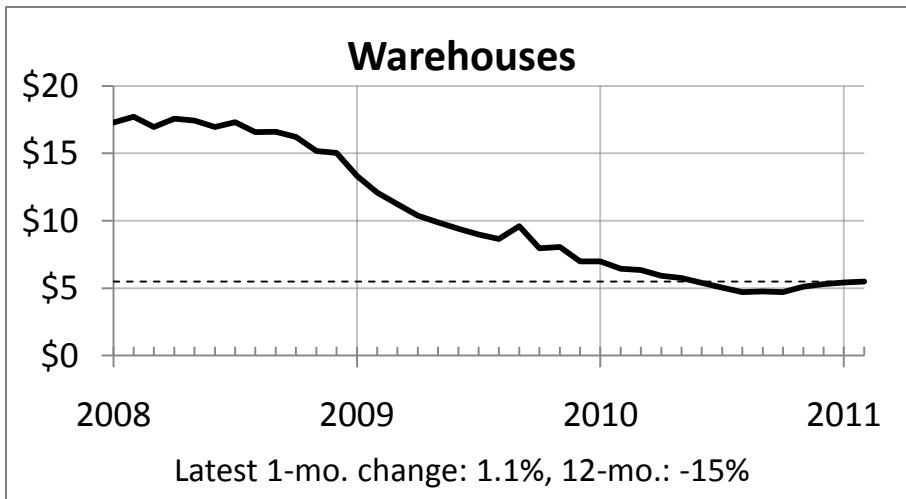
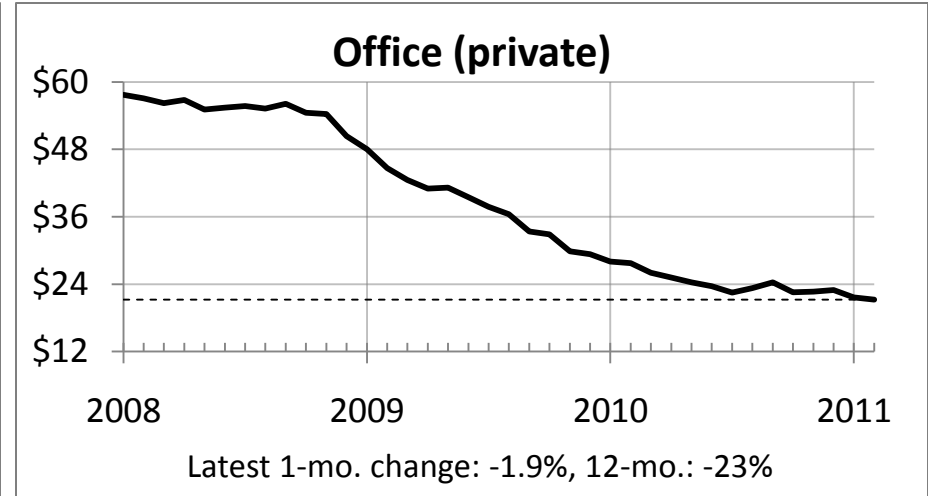
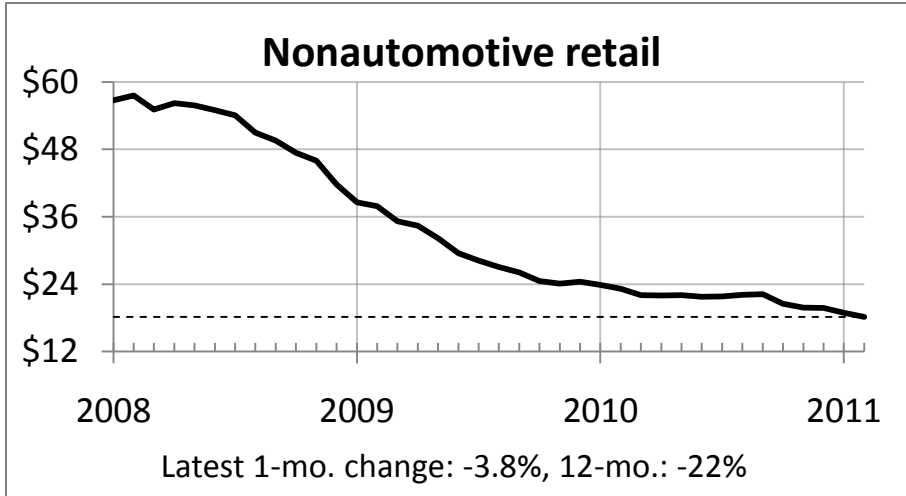


## Construction spending: industrial, heavy (billion \$, SAAR)





# Construction spending: developer-financed (billion \$, SAAR)

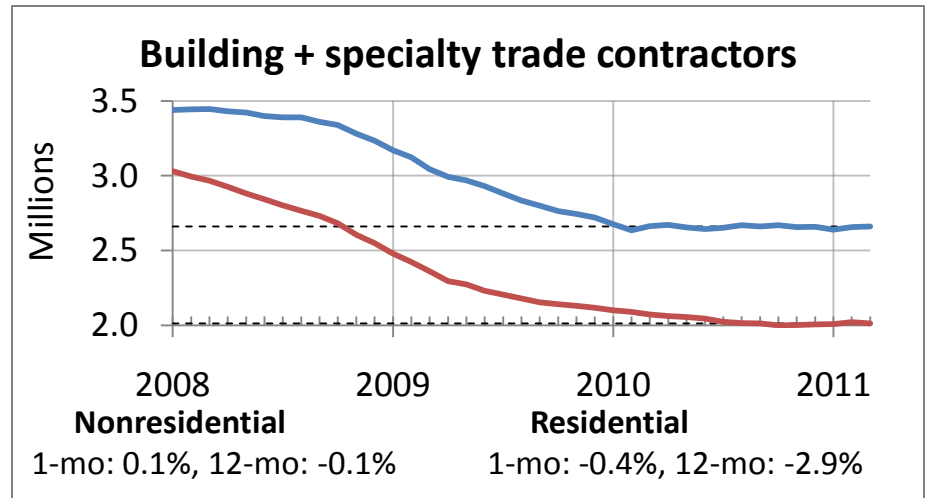
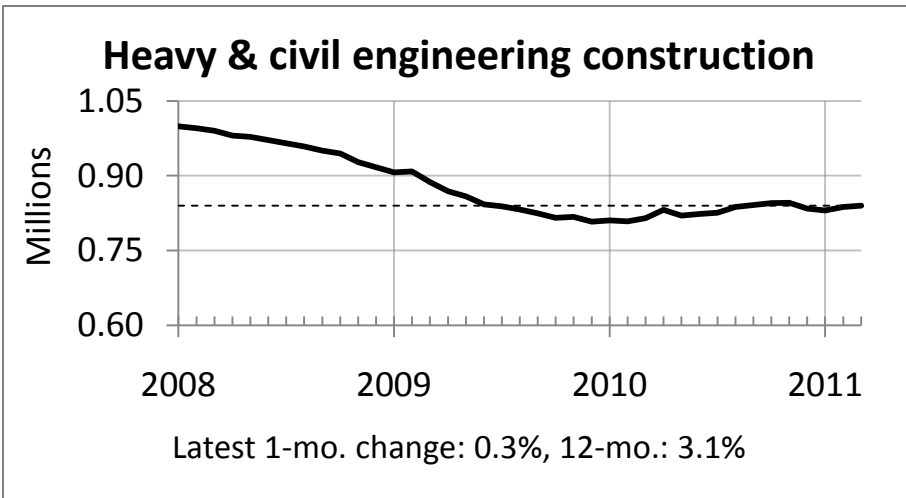
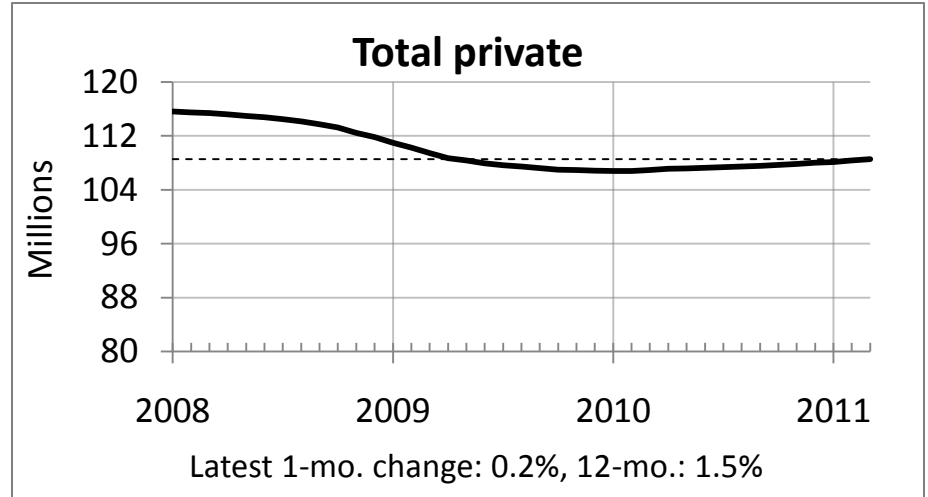
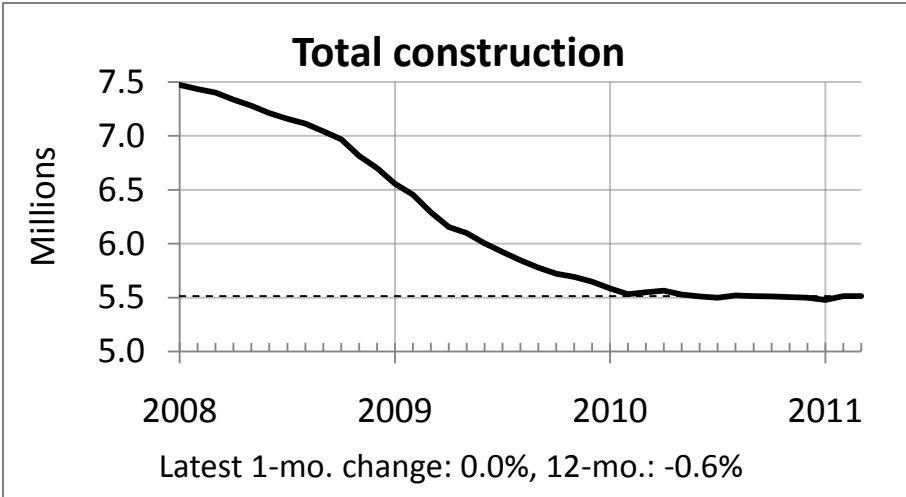


# Economic impact of nonresidential construction

- Jobs: 28,500 per \$1 billion
  - 1/3 direct, onsite construction
  - 1/6 indirect (quarries, mfg., services)
  - 1/2 “induced” by spending from higher earnings of construction, indirect workers and owners
- GDP: \$3.4 billion
- Personal earnings: \$1.1 billion

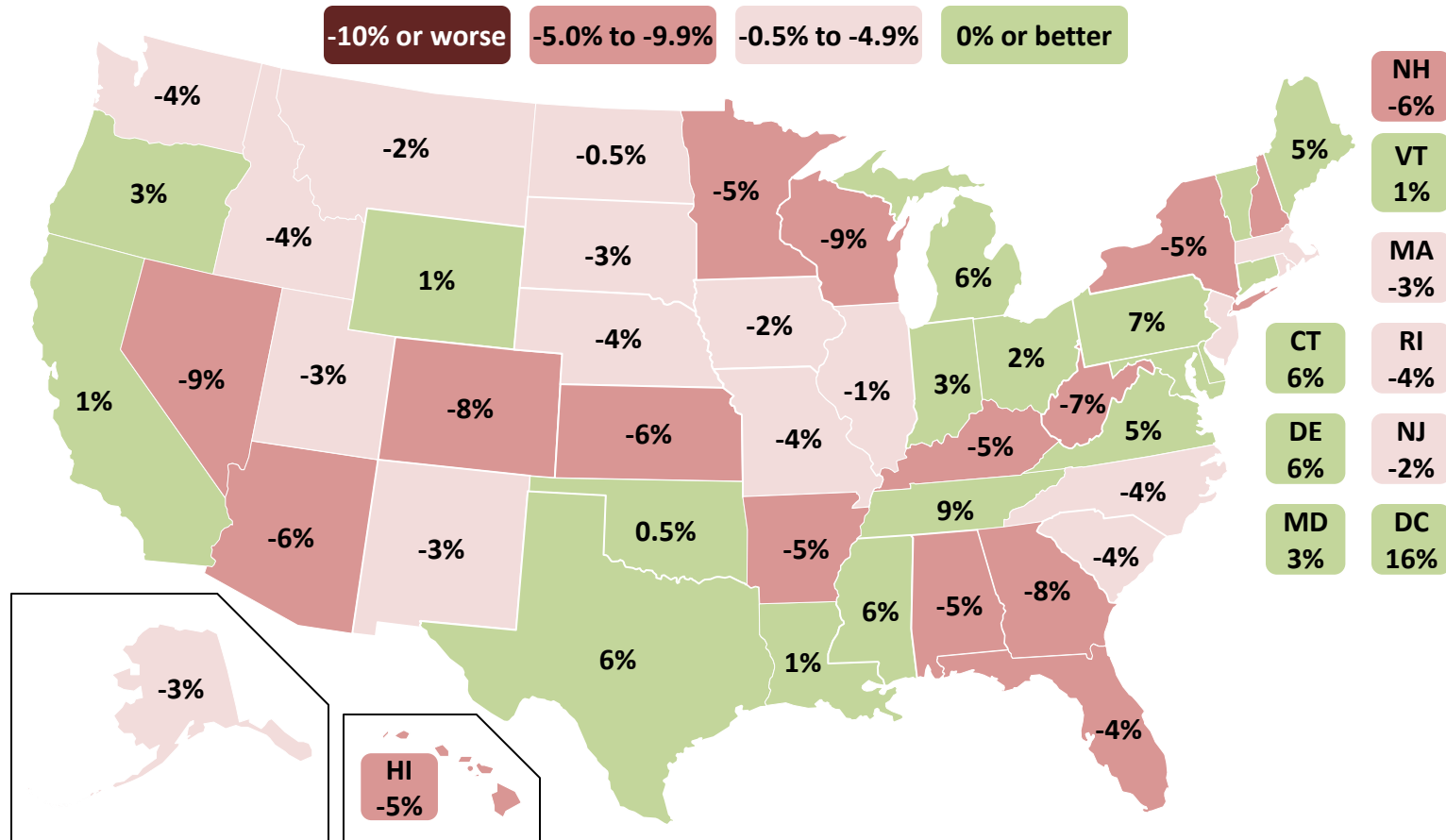


# Construction and total private employment, 2008-Feb. 2011



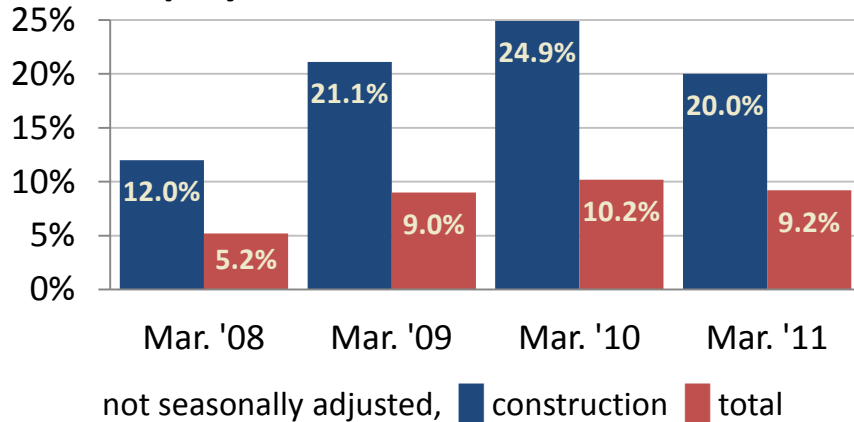


# State Construction Employment Change (U.S.: -0.3%) 2/10 to 2/11 (seasonally adjusted)

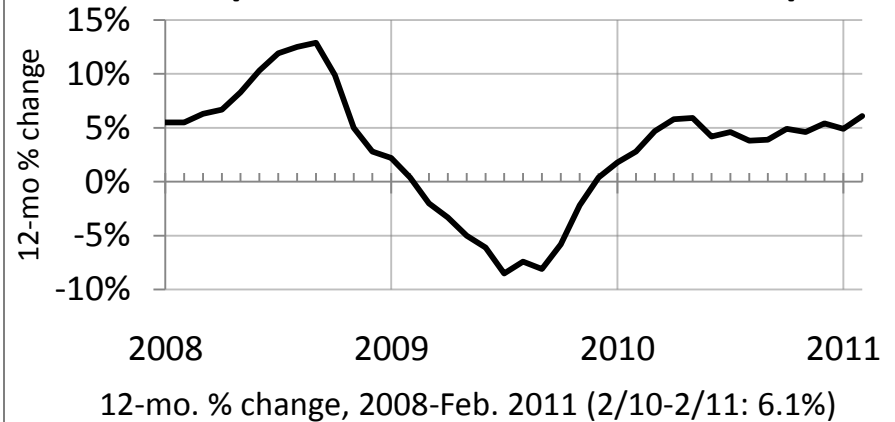


# Construction employment, wages, costs and output prices

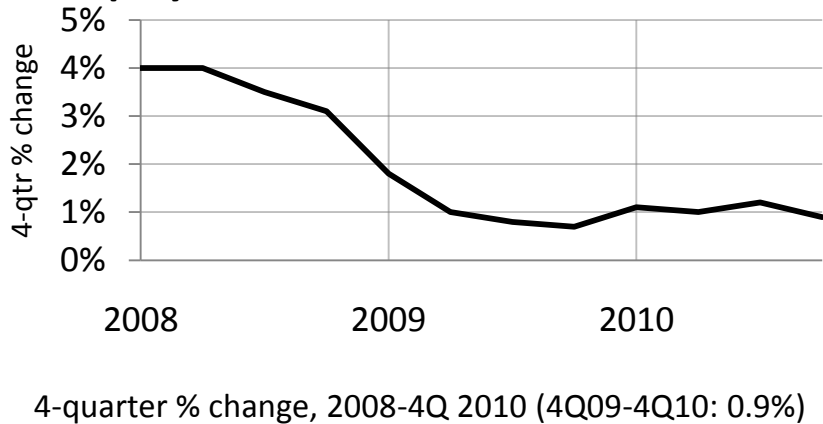
### Unemployment rates, Mar. 2008-Mar. 2011



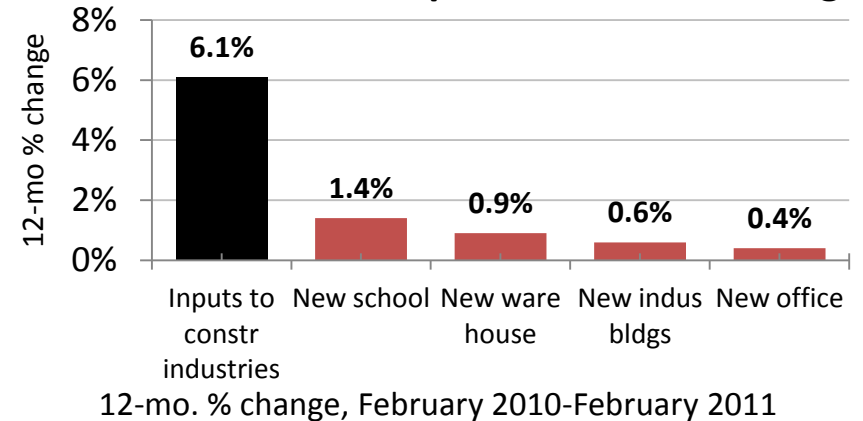
### Producer price index for construction inputs



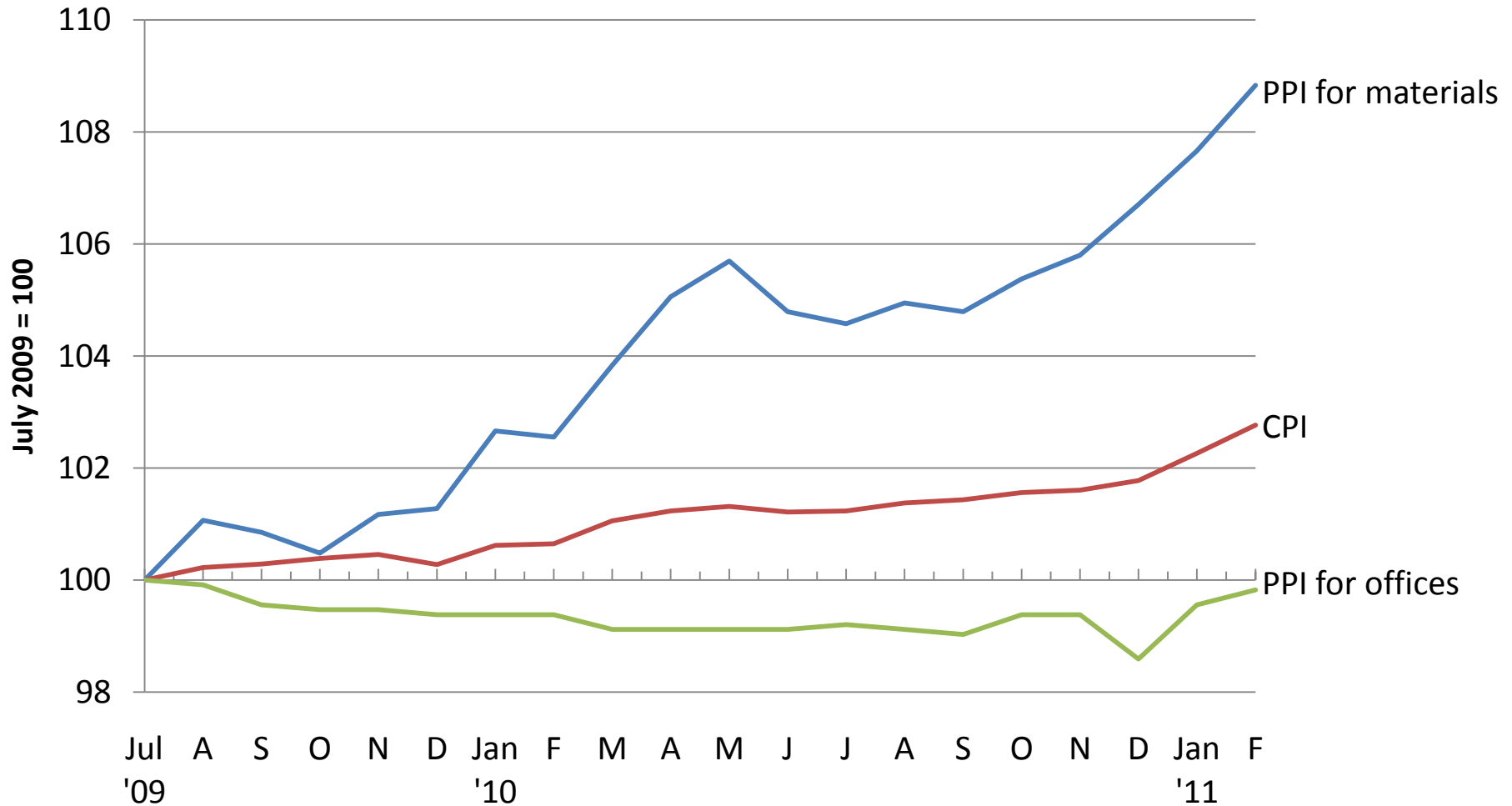
### Employment cost index for construction



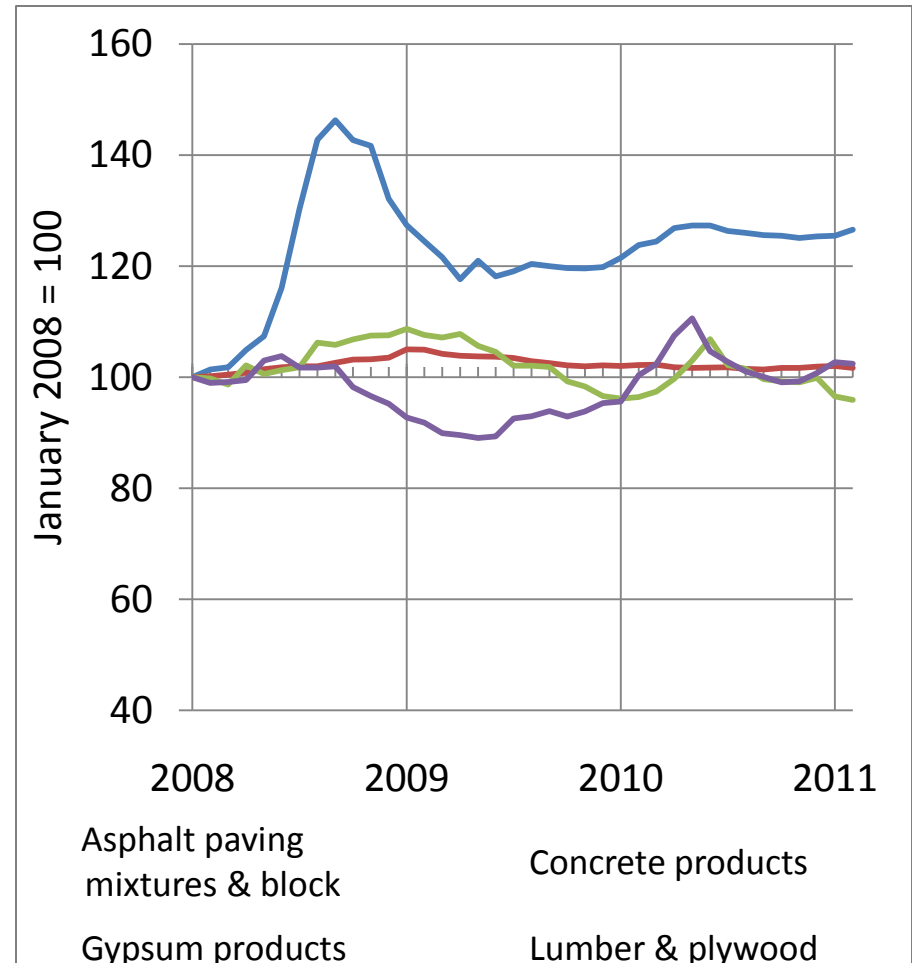
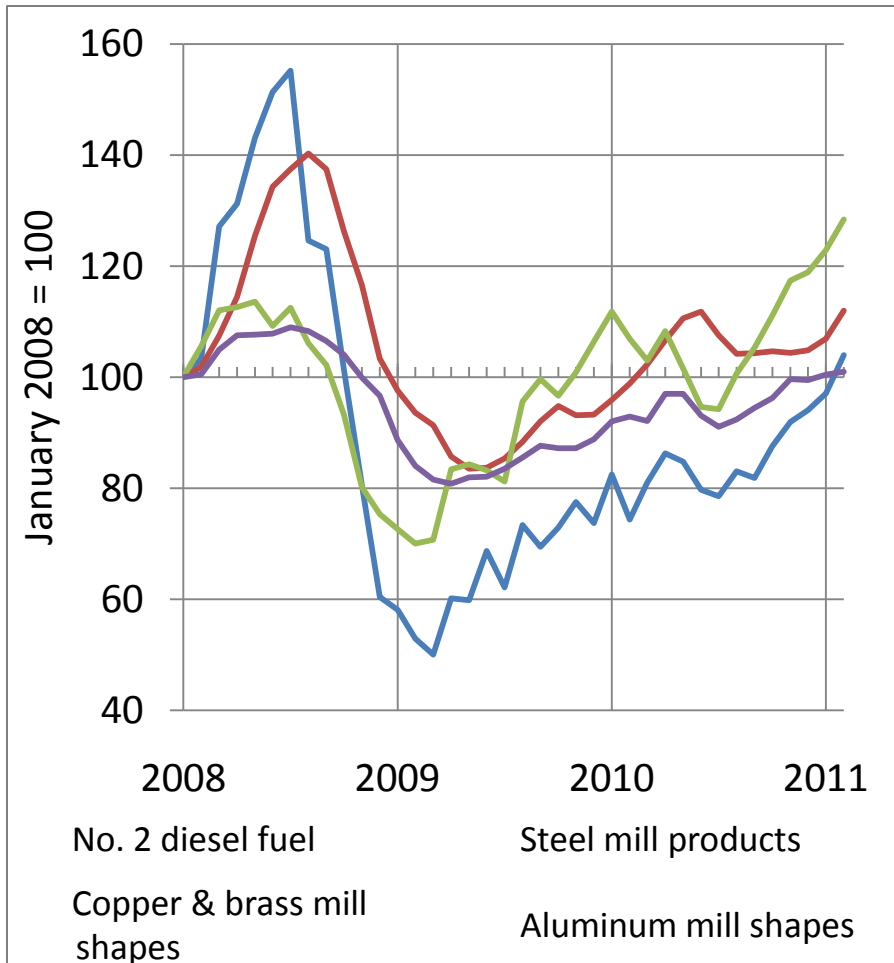
### PPI for construction inputs, finished buildings



# CPI vs. PPI for construction inputs, new offices



# Producer price indexes, 1/08-2/11

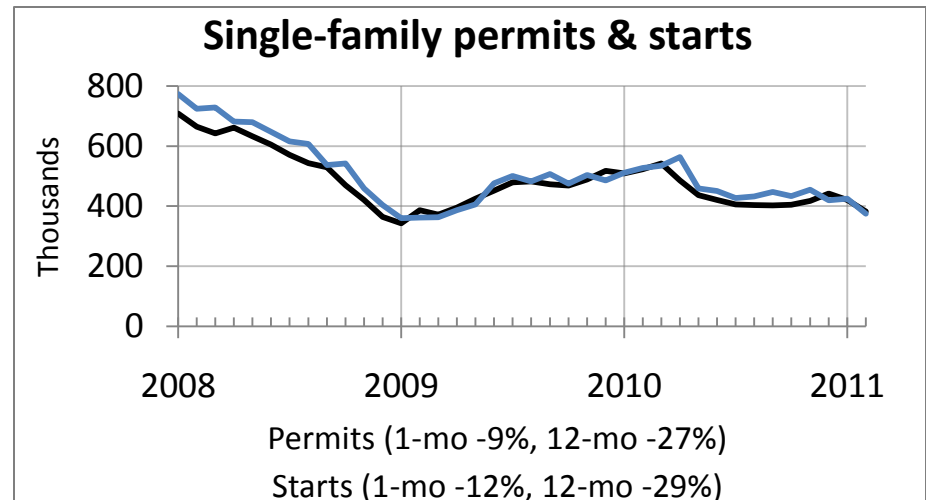
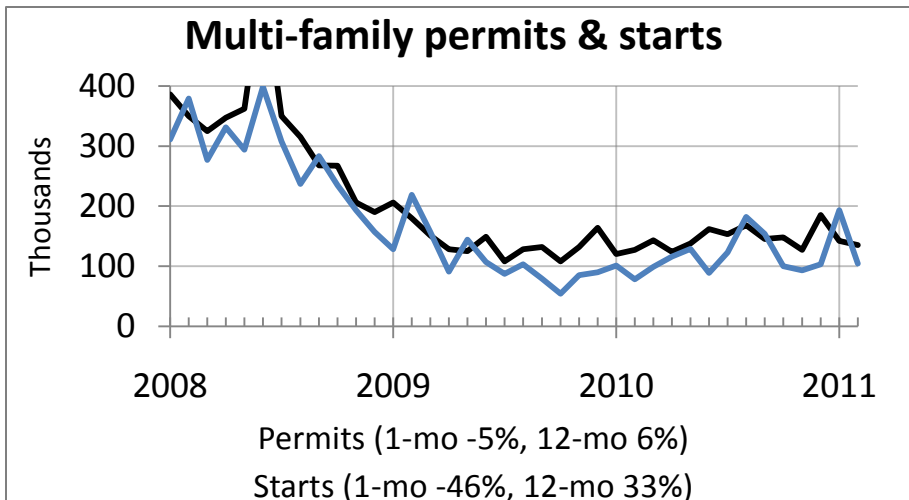
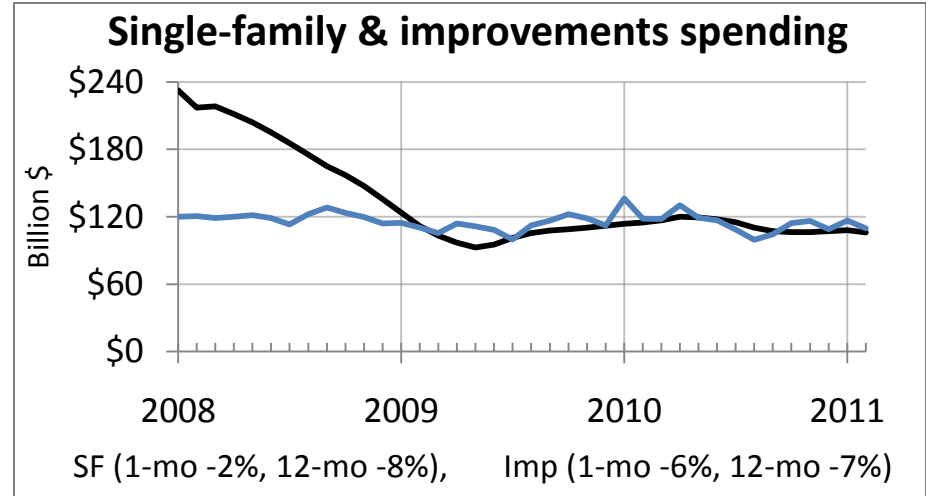
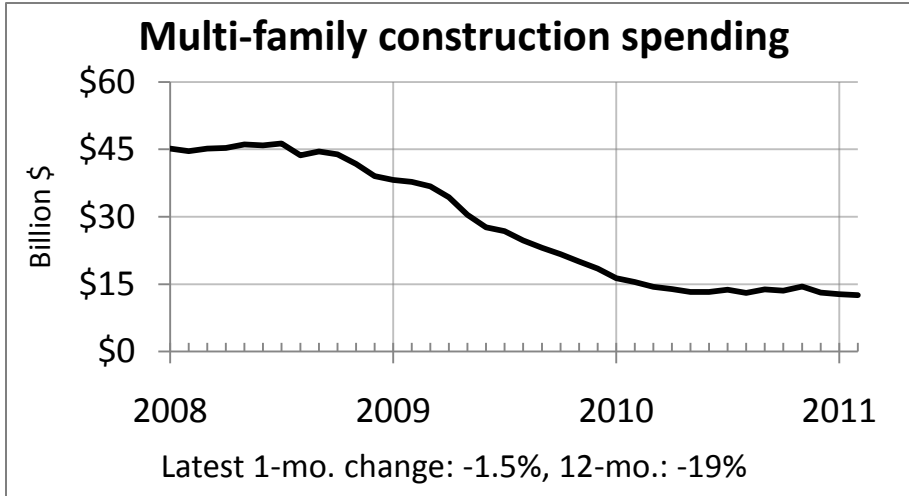




# Outlook for materials

- Industry depends on specific materials that:
  - are in demand worldwide
  - have erratic supply growth
  - are heavy, bulky or hard to transport
- Construction requires physical delivery
- Thus, industry is subject to price spurts, transport bottlenecks, fuel price swings
- Expect periods of 6 to 8% PPI increases

## Single- vs. multi-family, 2008-11, seasonally adjusted annual rate (SAAR)



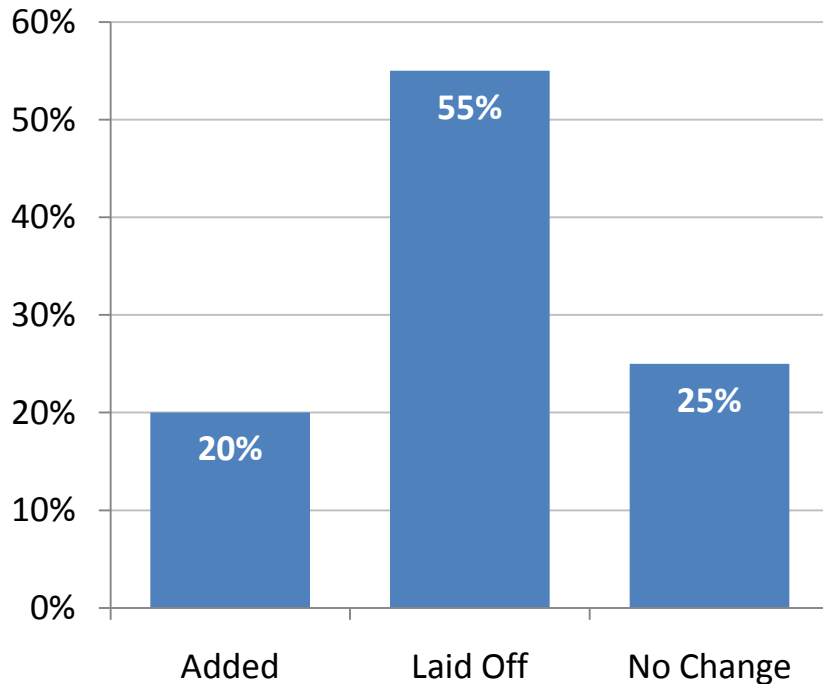


# Housing outlook

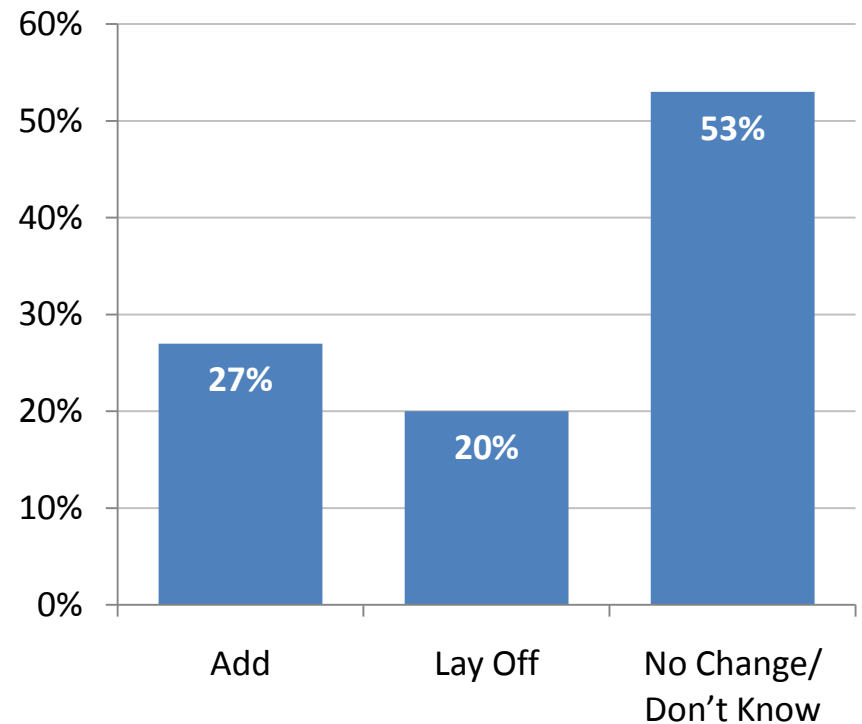
- SF: starts, permits should rise gradually in '11
- MF: Upturn has begun, should accelerate in '11
  - Rental demand should rise as more people get jobs or move to military base realignment sites
  - Condo market continues to have large overhang
  - Banks remain unwilling to lend to developers

# AGC/Navigant Consulting Construction Outlook Survey

**Did you add or lay off employees in 2010?**

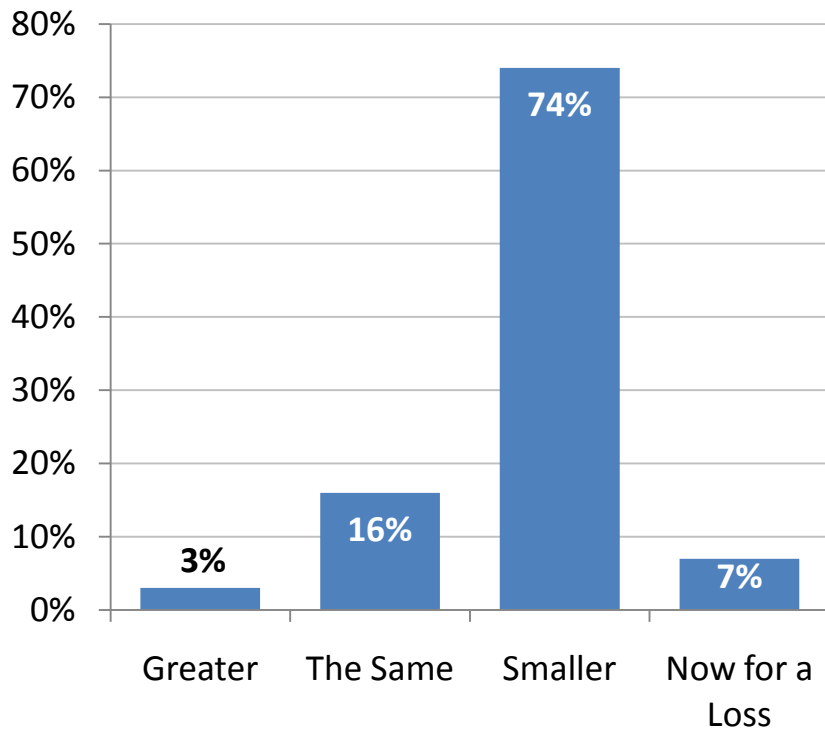


**Do you plan to add or lay off workers in 2011?**

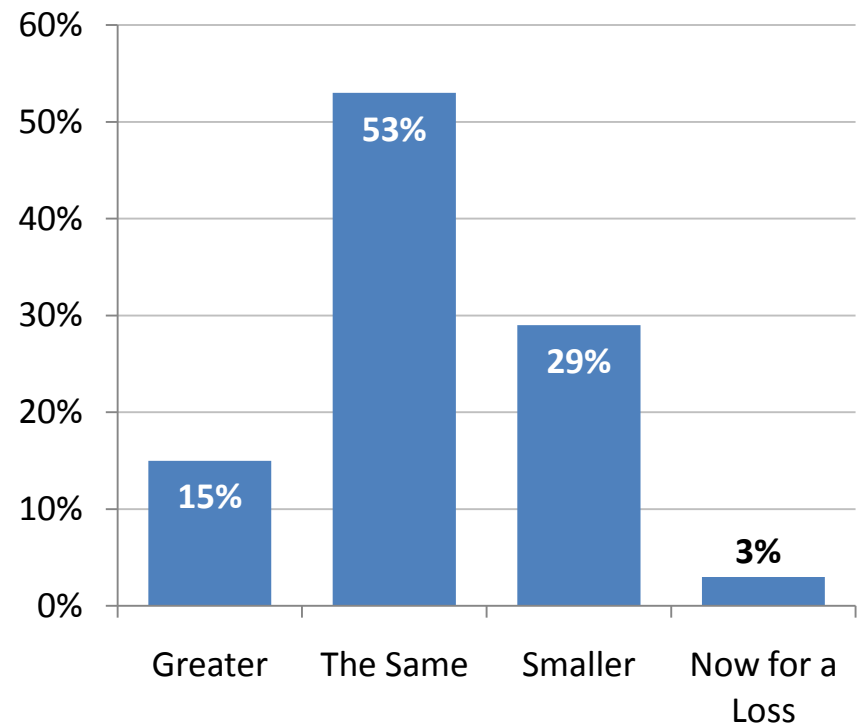


# AGC/Navigant Consulting Construction Outlook Survey

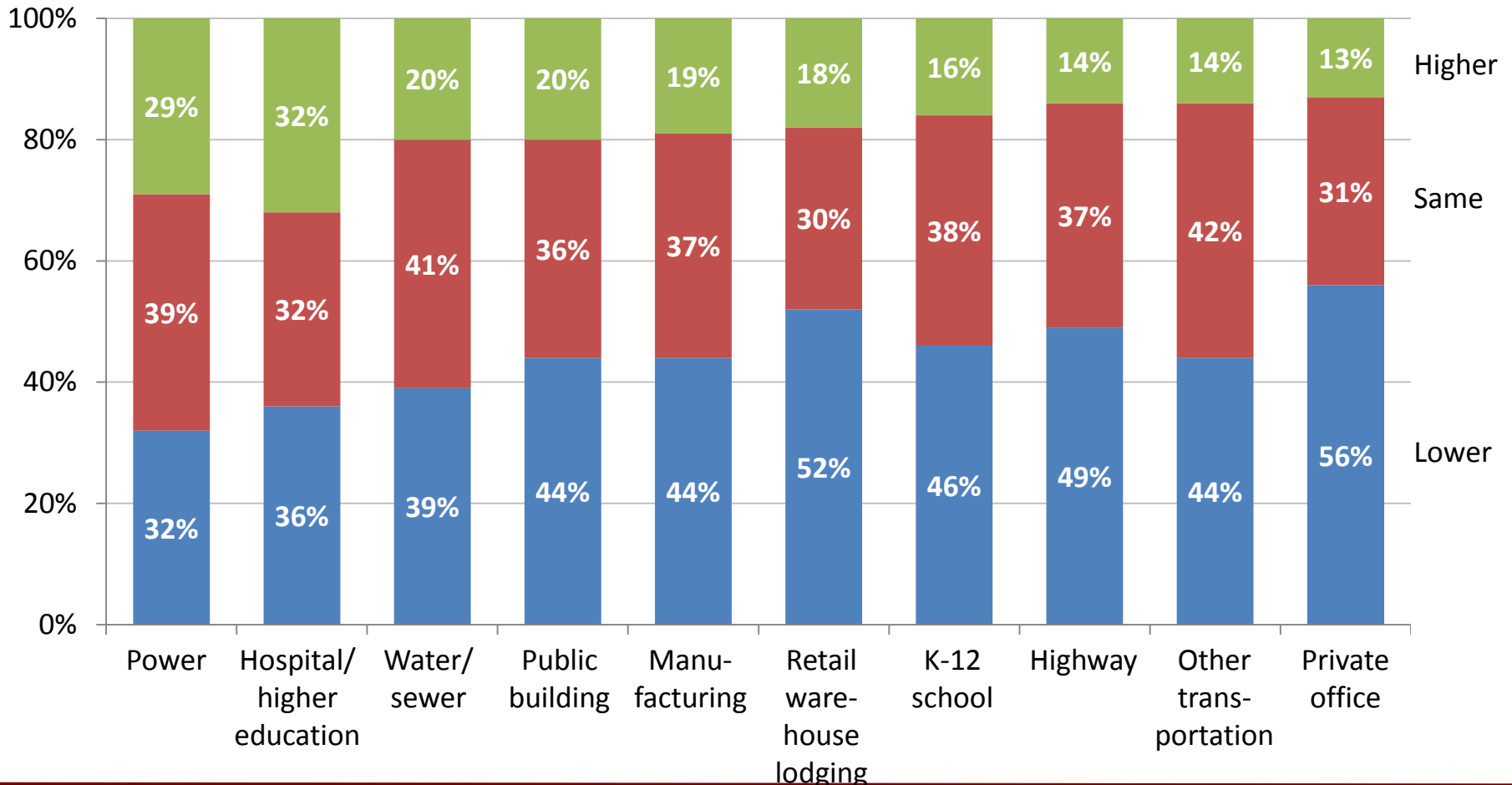
**Have you adjusted your bids in 2010 so that profits are:**



**Do you plan to adjust your bids in 2011 so that profits are:**



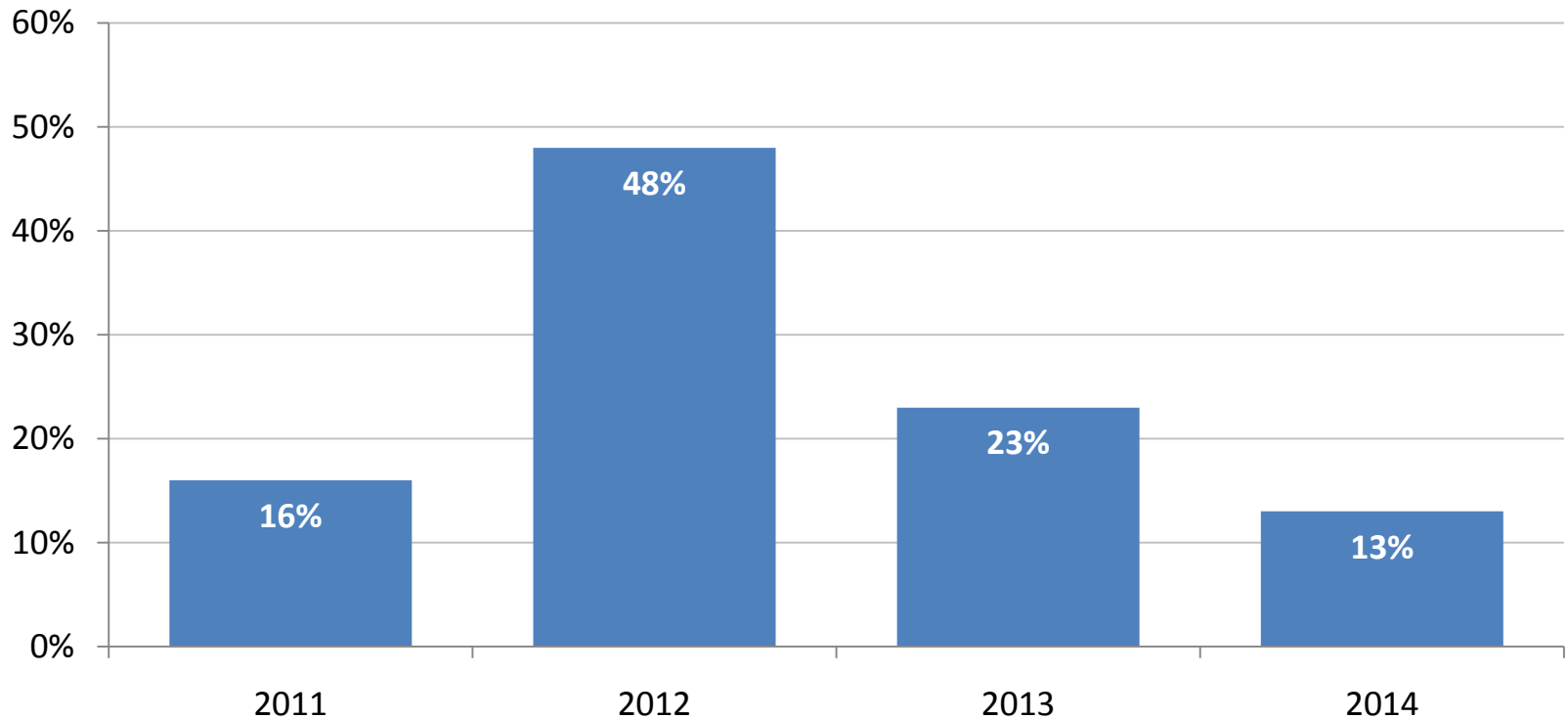
## Compared to 2010, do you expect the available dollar volume of projects you compete for in 2011 to be:





## AGC/Navigant Consulting Construction Outlook Survey

When do you expect the construction market to again grow?





# Summary for 2011

- Nonres spending: 0 to +5% (less stimulus; weak state-local; more warehouse, hotel, hospitals, higher ed)
- Res: +5 to +10% (SF up a bit, MF accelerating)
- Total construction spending: +3 to +7%
- Materials costs: +3% to +8%
- Labor costs: +2.5% or less





# AGC economic resources

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

- *The Data DIGest*: weekly 1-page email (subscribe at: [www.agc.org/datadigest](http://www.agc.org/datadigest))
- PPI tables: emailed monthly
- State and metro data, fact sheets
- Stimulus info: [www.agc.org/stimulus](http://www.agc.org/stimulus)
- Webinars
- Feedback on stimulus, credit, costs



## Data DIGest

AGC of America  
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA  
Quality People. Quality Projects.

Sept. 24-Oct. 2, 2009  
Vol. 9, No. 33

Construction job losses remain heavy, widespread; homebuilding rises, nonres sinks

 **Download the one-page Data DIGest**

City-by-City Construction Employment, August 2009 and 2008

Seasonally adjusted nonfarm payroll job losses in September totaled 263,000, barely half the average of the last 12 months, the Bureau of Labor Statistics (BLS) reported on Friday. (Seasonal adjustment takes into account normal monthly variations in weather and numbers of work days.) *But construction, particularly nonresidential, continued to hemorrhage jobs. Construction lost 15% of its September 2008 jobs in the last 12 months, compared to 4% for the entire nonfarm economy. September losses totaled 51,000 in nonresidential building, specialty trade, and heavy and civil engineering construction combined, nearly the monthly average loss of 54,000 over the past 12 months. Residential building and specialty trade contractors shed a combined 13,000 jobs in September, barely a third as many as the monthly average over the 12-month span. One faintly positive sign was that architectural and engineering services employment, a harbinger of future demand for construction, rose for the first time in 15 months, albeit by only 500 jobs (0.04%). Average hourly earnings in construction tumbled 16 cents to \$22.45 in September, bringing the 12-month change to 36 cents or 1.6%, compared to 2.5% for all private-sector production or nonsupervisory employees. The overall unemployment rate climbed to 9.5% in September, not seasonally adjusted (9.8%, seasonally adjusted) from 6.0% a year earlier. The unemployment rate in construction, 17.1%, not seasonally adjusted, again topped every other industry and was up from 9.9% a year earlier.*

For the eighth month in a row, all 372 metro areas had higher unemployment rates in August than a year earlier, BLS reported on Wednesday. (Seasonally adjusted industry and metro unemployment rates are not available.) Of the 369 areas reporting nonfarm payroll employment, 356 had year-to-year losses, 11 had gains and two were unchanged. The largest percentage gains were in Sandusky, Ohio, 2.7%; Hot Springs, Arkansas, 2.6%; Kennewick-Pasco-Richland, Washington, 2.5%; Jonesboro, Ark., 1.9%; and McAllen-Edinburg-Mission, Texas, 1.5%. *If sustained, these gains can lead to more demand for construction. AGC compiled a list of 337 areas, including divisions and subdivisions of the 34 largest metros, for which BLS provided construction employment figures (combined with mining and logging in metros where employment in these industries is small). Construction employment fell over the past 12 months in 324 of these locations, rose in eight and was unchanged in five. The largest 12-month percentage construction employment gains were in Columbus, Indiana, 14% (combined data); Anderson, Ind., 6% (combined); Tulsa (construction only); Longview, Wash. (combined) and Baton Rouge (construction only), 3% each. The worst construction job losses were in Reno-Sparks, Nevada, -35% (construction only); Duluth, Minnesota-Wisconsin, -33% (combined); Tucson, -31% (construction only); Wenatchee-East Wenatchee, Wash., -30% (combined); and Redding, California, -28% (combined).*

Construction in Chicago will not get a boost from the Olympics. The International Olympic Committee today awarded the 2016 Games to Rio.

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