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February 2022

U.S. Construction Outlook: Workforce Worries, Project Prospects, Supply Snags

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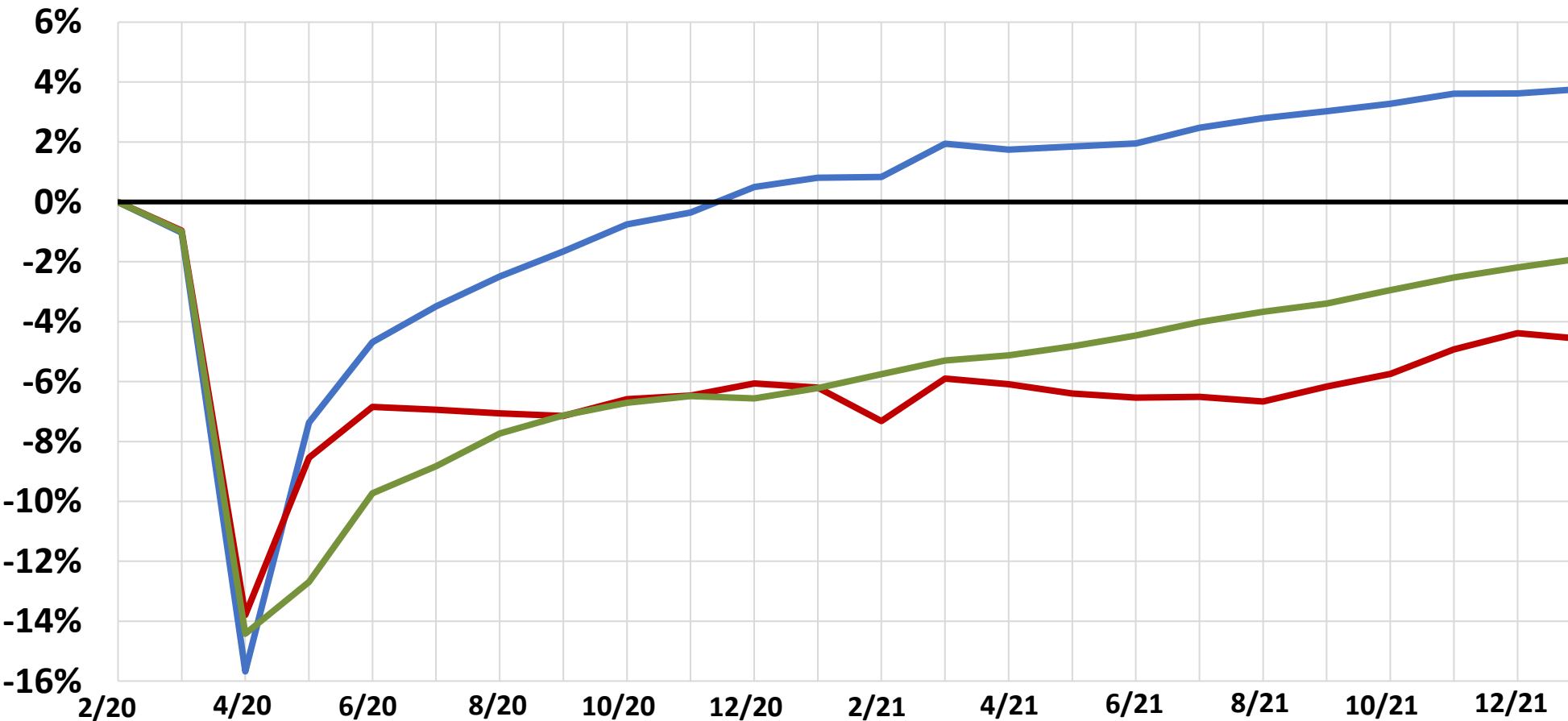
Total Nonfarm & Construction Employment, Feb. 2020–Jan. 2022

cumulative change (seasonally adjusted)



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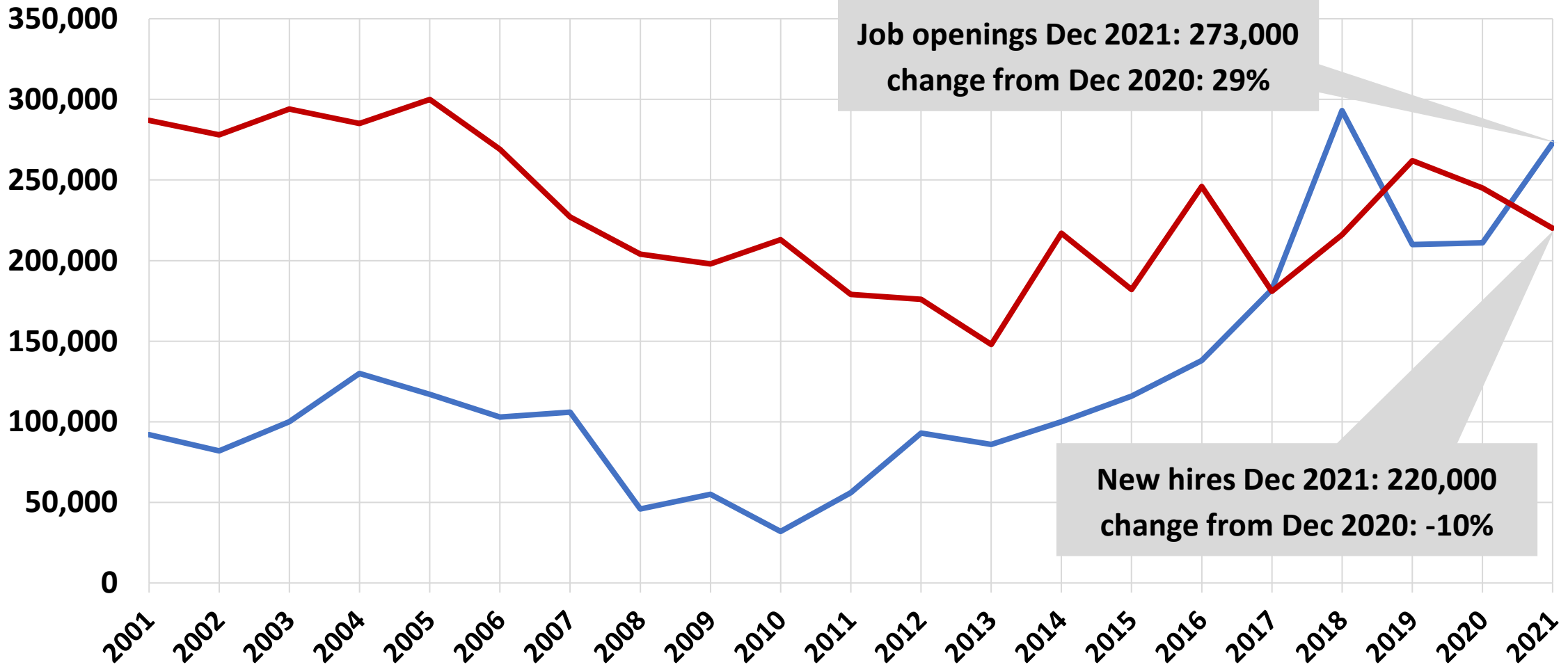
Change to 1/22 from:



| | <u>2/20</u> | <u>1/21</u> |
|------------------------------------|--------------|-------------|
| Residential Construction | 3.8% | 2.9% |
| Total Nonfarm | -1.9% | 4.6% |
| Nonresidential Construction | -4.6% | 1.7% |

Construction job openings and hires

Dec 2001-Dec 2021, not seasonally adjusted



State construction employment change, Feb. 2020–December 2021

23 states and DC **up**, 1 state **flat**, 26 states **down** (U.S.: **-1.2%**)



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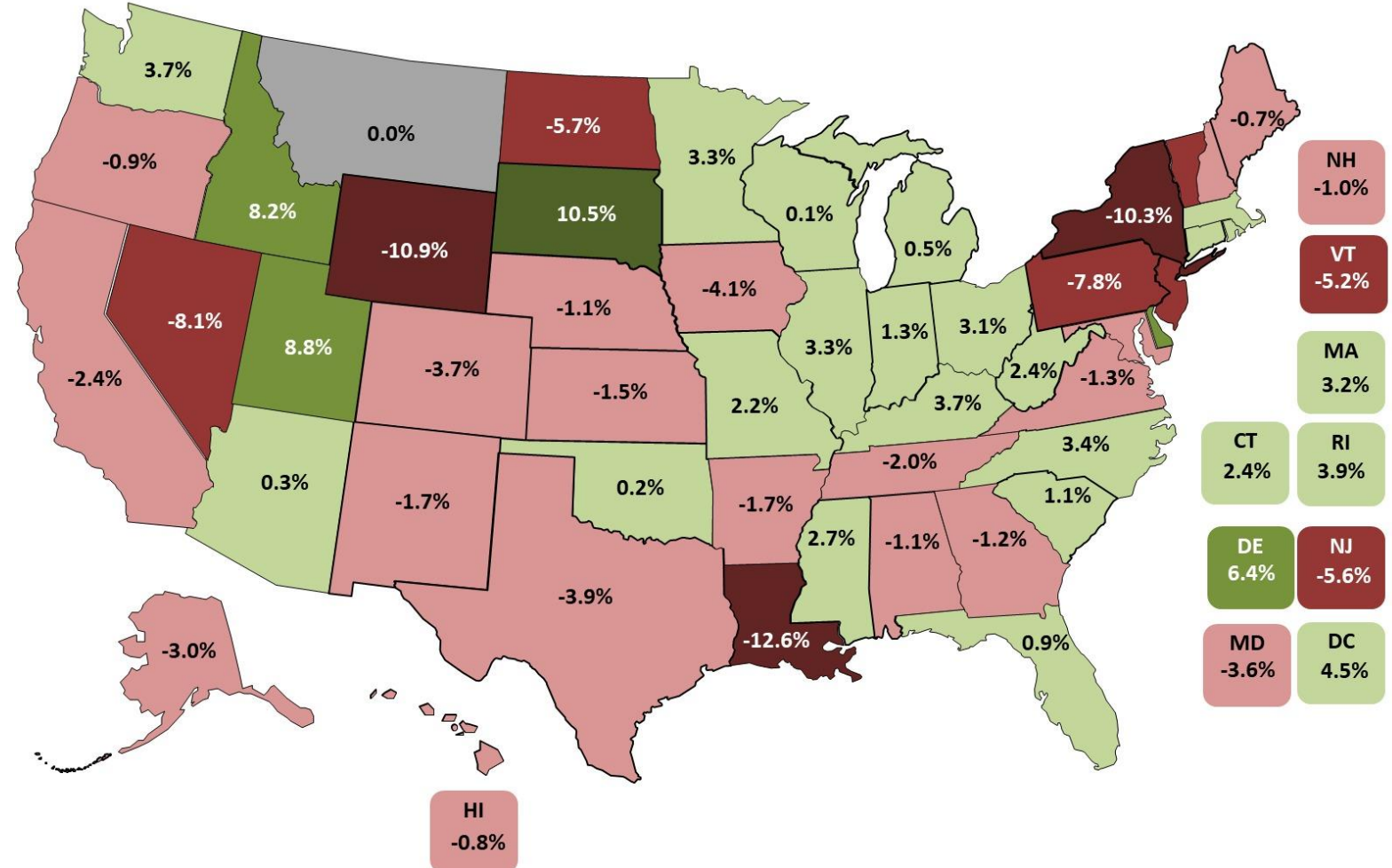


Top 5

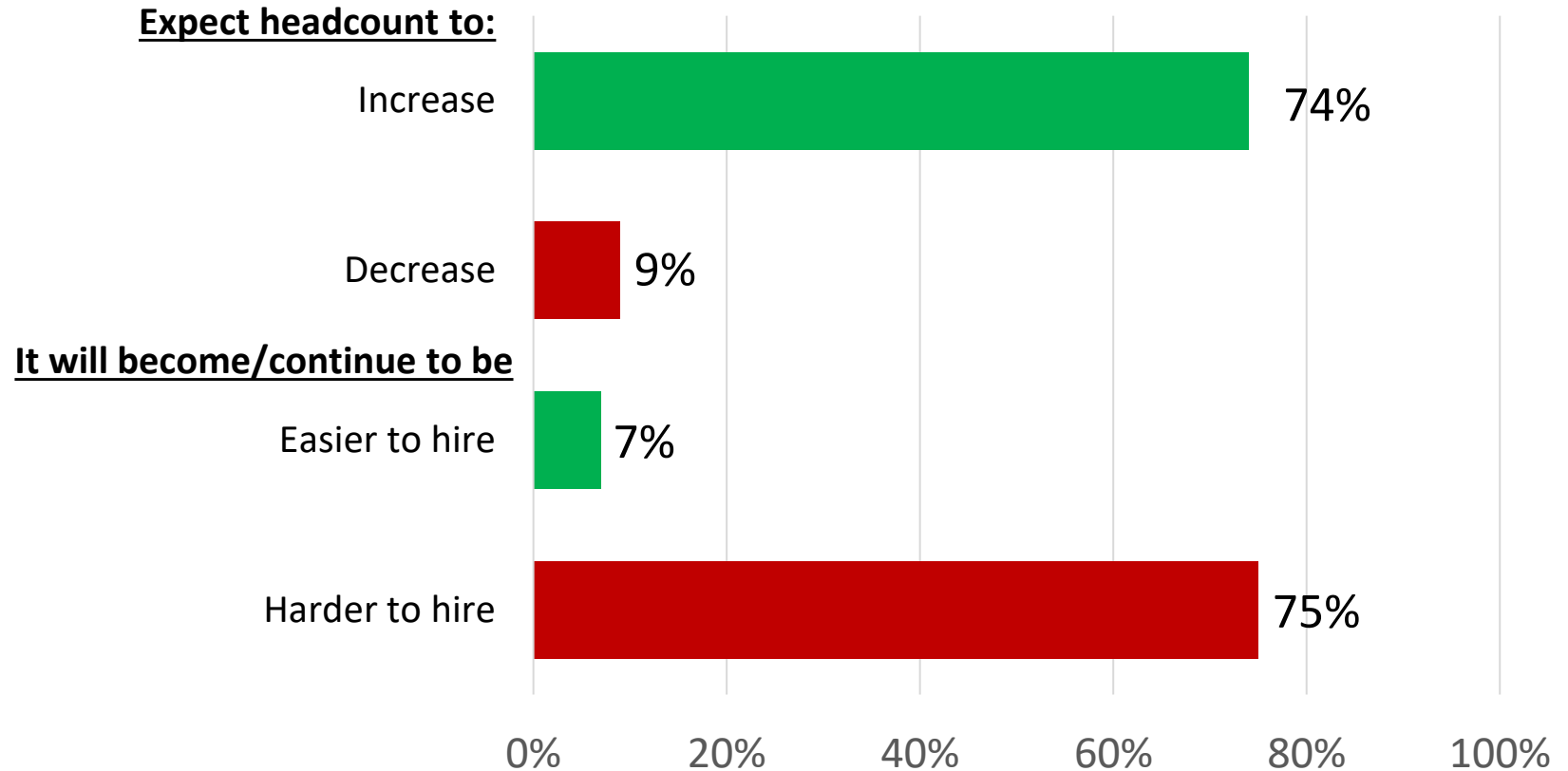
| | |
|----------------------|-------|
| South Dakota | 10.5% |
| Utah | 8.8% |
| Idaho | 8.2% |
| Delaware | 6.4% |
| District of Columbia | 4.5% |

Bottom 5

| | |
|--------------|--------|
| Louisiana | -12.6% |
| Wyoming | -10.9% |
| New York | -10.3% |
| Nevada | -8.1% |
| Pennsylvania | -7.8% |



2022 AGC Hiring & Outlook Survey: Firms' expectations regarding headcount and hiring over next 12 months



Construction spending: 2021 totals vs. 2020



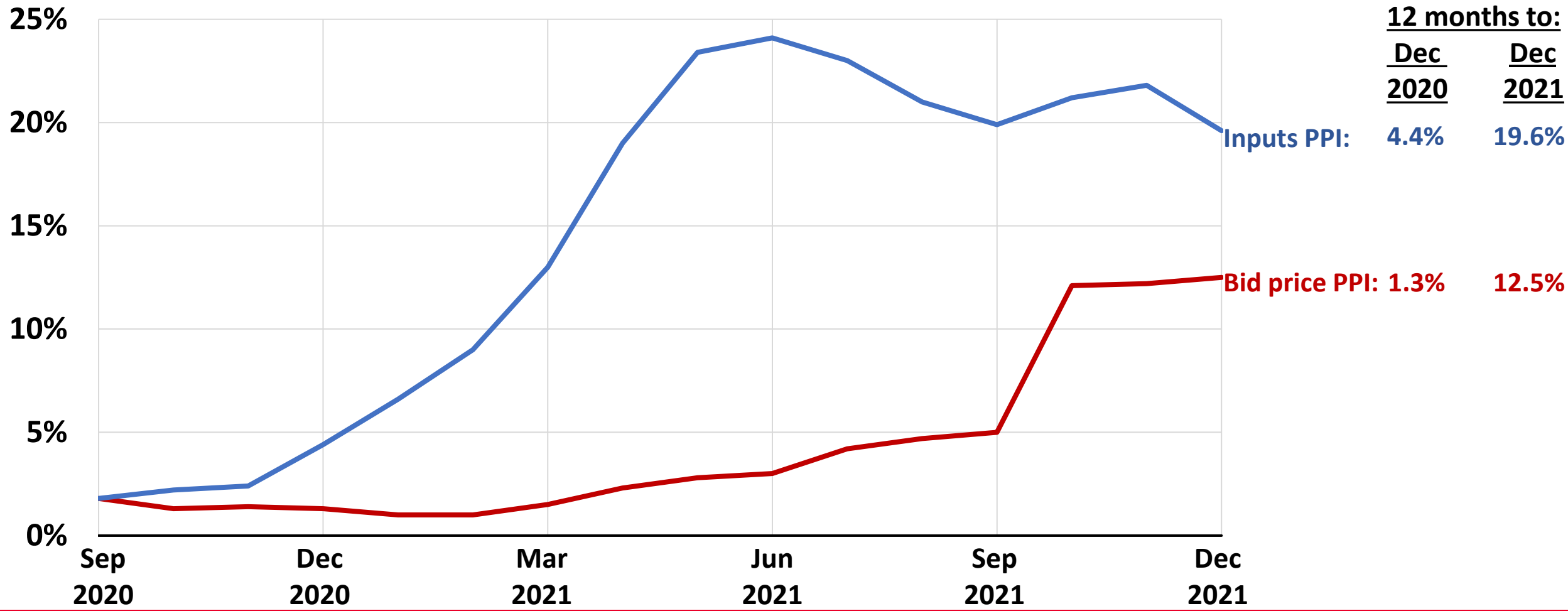
- Total 8%; private residential 23% (single-family 33%; multi 16%); private nonres -2%; public -4%

Largest segments (in descending order of 2021 spending)

- Power -0.1% (electric 1%; oil/gas fields & pipelines -5%)
- Highway and street 0.3%
- Education -9% (primary/secondary -7%; higher ed -14%)
- Commercial 4% (warehouse 16%; retail -8.1%)
- Office -6%
- Mfg. 9% (chemical 7%; computer/electronic 27%; transp. equip. -0.5%; food/beverage/tobacco 31%)
- Transportation -6% (air -10%; freight rail/trucking -6%; mass transit -0.7%)
- Health care 2% (hospital 5%; medical building 0.8%; special care -6%)
- Lodging -32%

Change in prices for inputs to new nonresidential construction

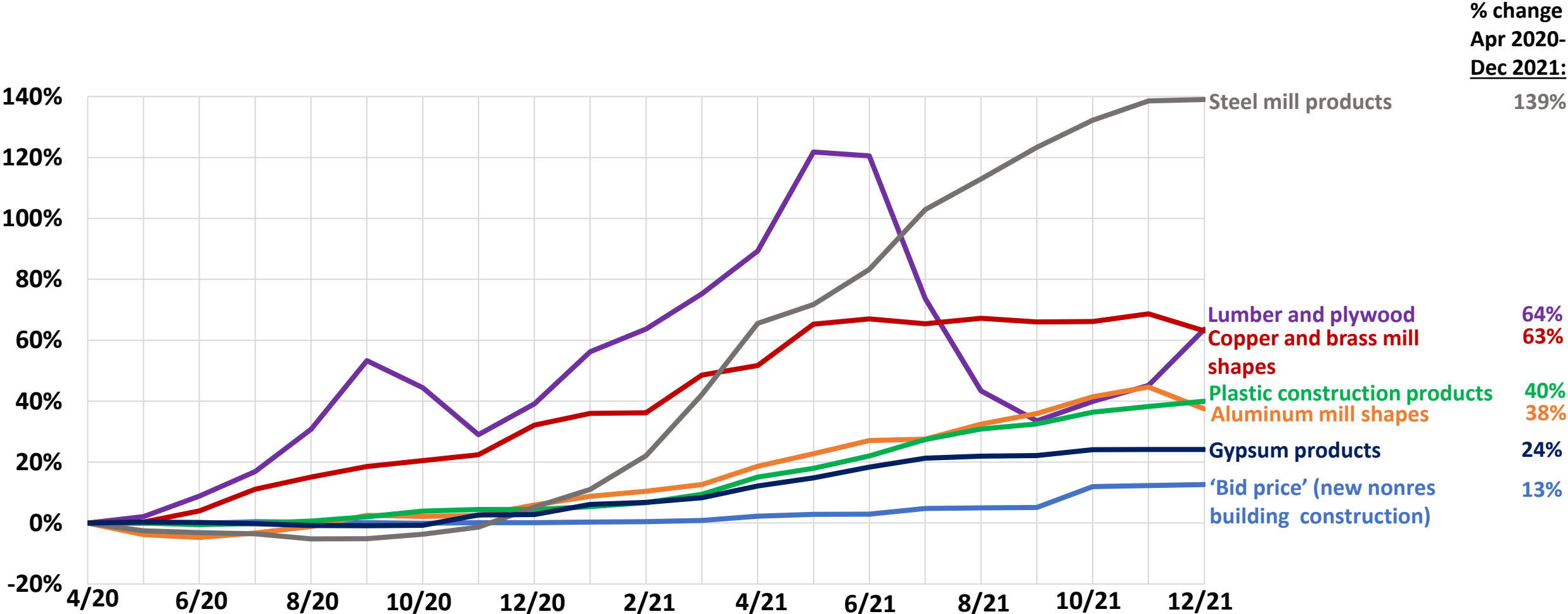
12-month change in PPI, 2020 & 2021, not seasonally adjusted



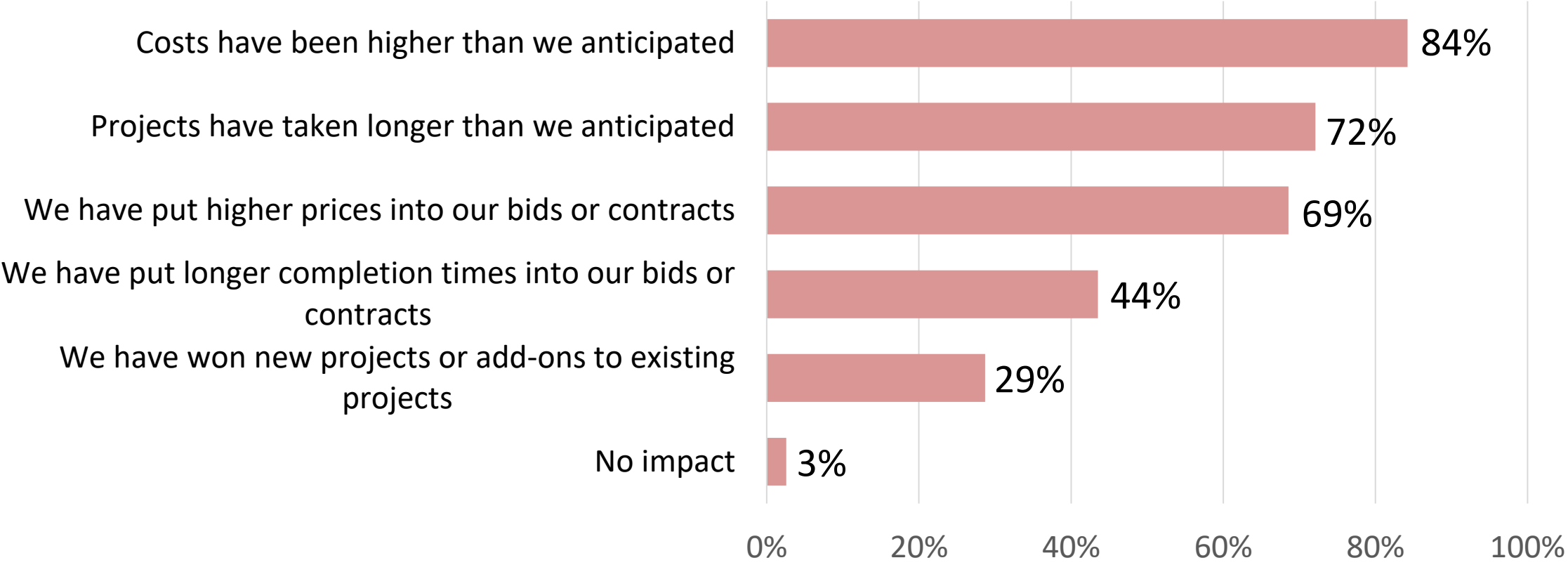
7 | Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

PPIs for construction and selected inputs

cumulative change in PPIs, April 2020 – December 2021 (not seasonally adjusted)



AGC 2022 Outlook Survey: Firms cite pandemic impact as cause for higher cost and delays

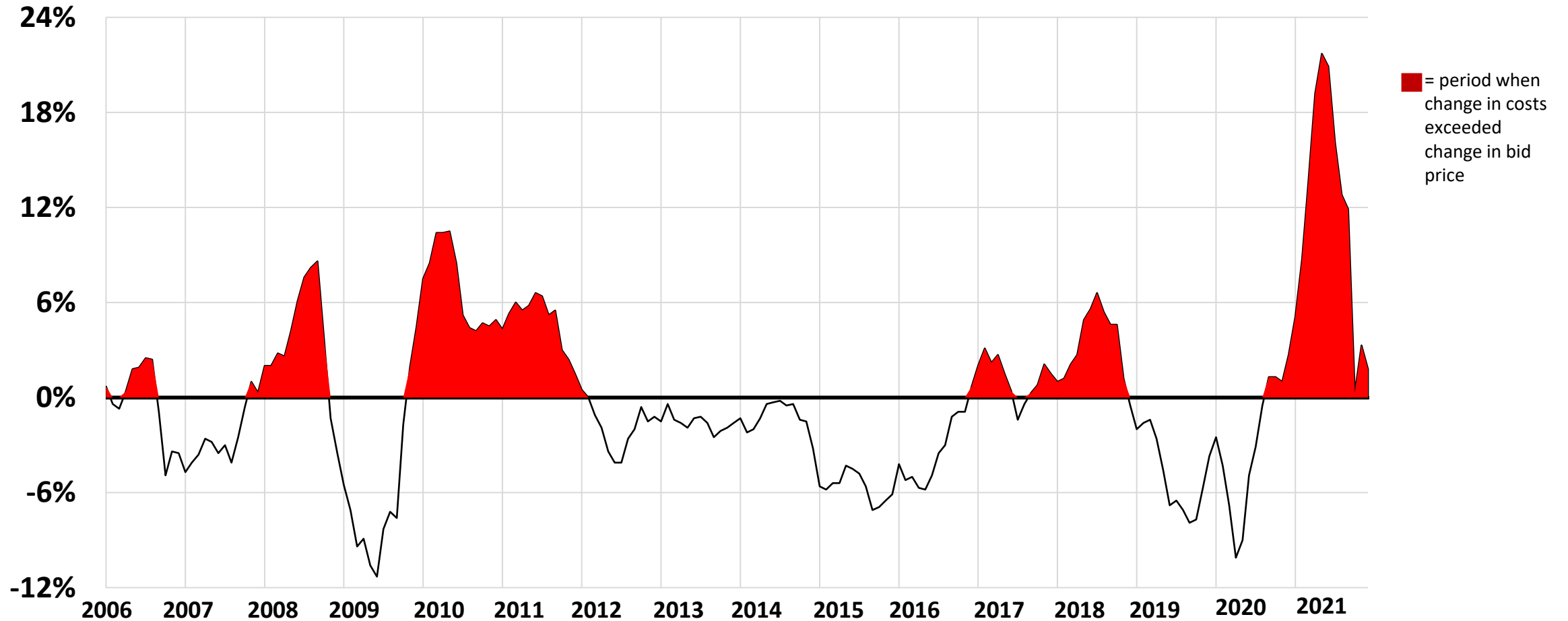


Cost squeeze on contractors can last two years or more

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

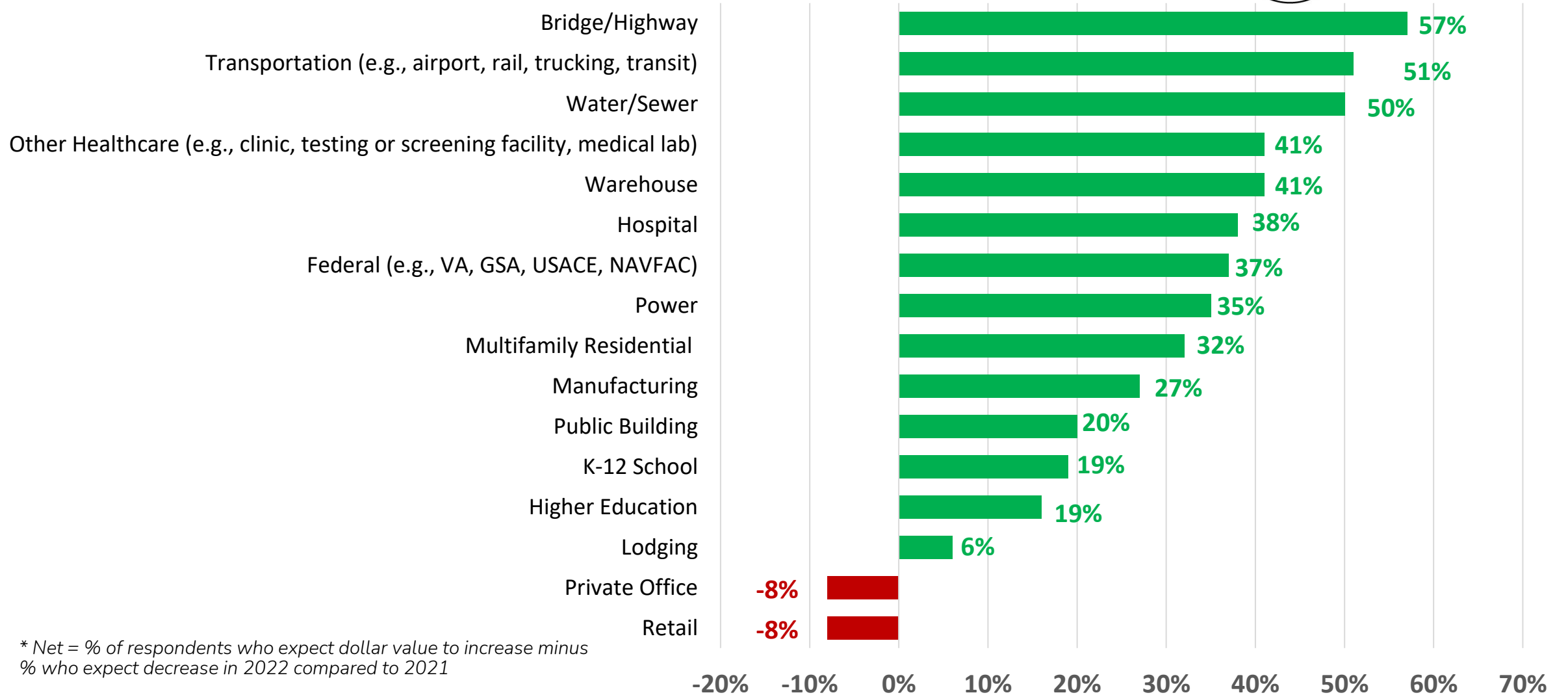


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Source: Source: Bureau of Labor Statistics, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs) and new warehouse construction (bid prices)

AGC Outlook Survey: Net* % who expect 2022 value of projects to be higher/lower than 2021



* Net = % of respondents who expect dollar value to increase minus % who expect decrease in 2022 compared to 2021

Medium-term impacts as recovery begins



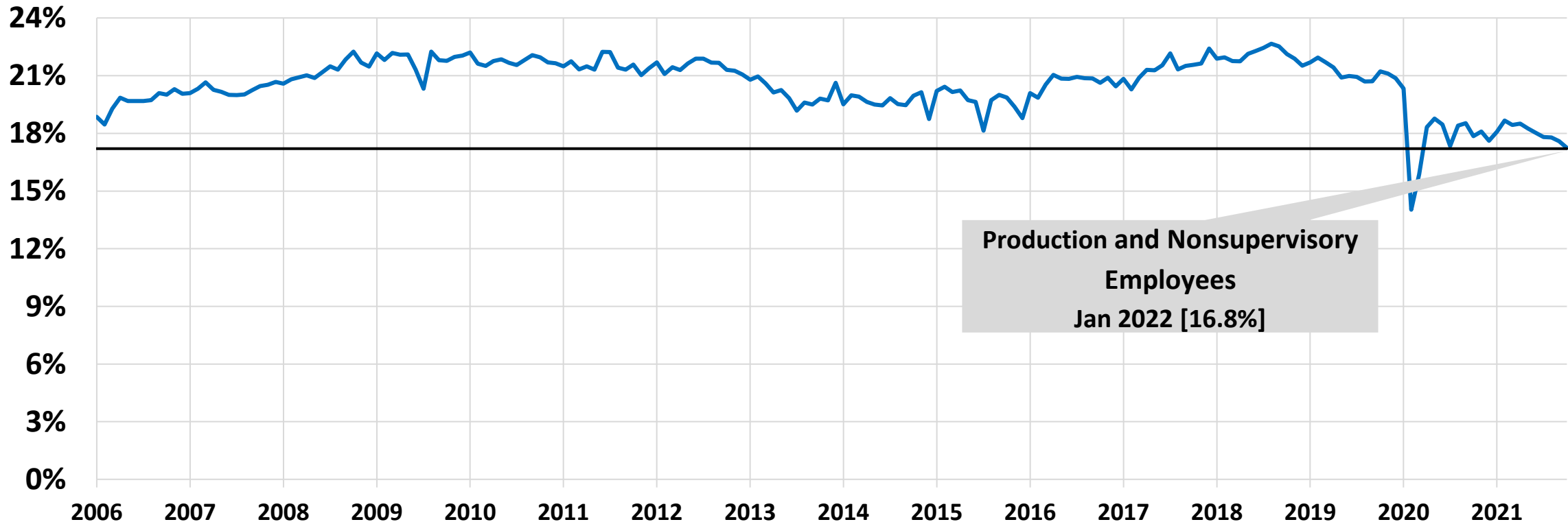
- Economic recovery looks more certain but virus risks remain, especially for construction: low worker vaccination rate; possible pullback by owners on project starts
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, project costs, and completion times
- Continuing cost and supply challenges may lead to more project deferrals
- Infrastructure funds will take time to distribute and award to individual projects, muting the medium-term impact on labor and materials supply
- Best prospects: manufacturing, distribution, data centers, renewable energy

2 concerns about construction worker supply

- Low vaccination rate: 58% for construction workers, 84% for other occupations
- “Premium” for construction wages relative to total private sector has shrunk from 20-23% pre-pandemic to 17% for production & nonsupervisory employees



Average hourly earnings in excess of total private sector, March 2006-December 2021

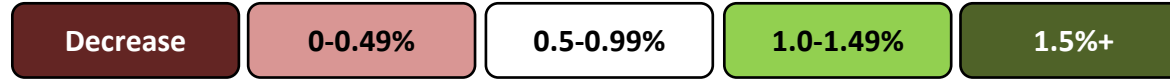


Long-run construction outlook (post-pandemic)



- 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 2020–July 2021 (U.S.: 0.12%)

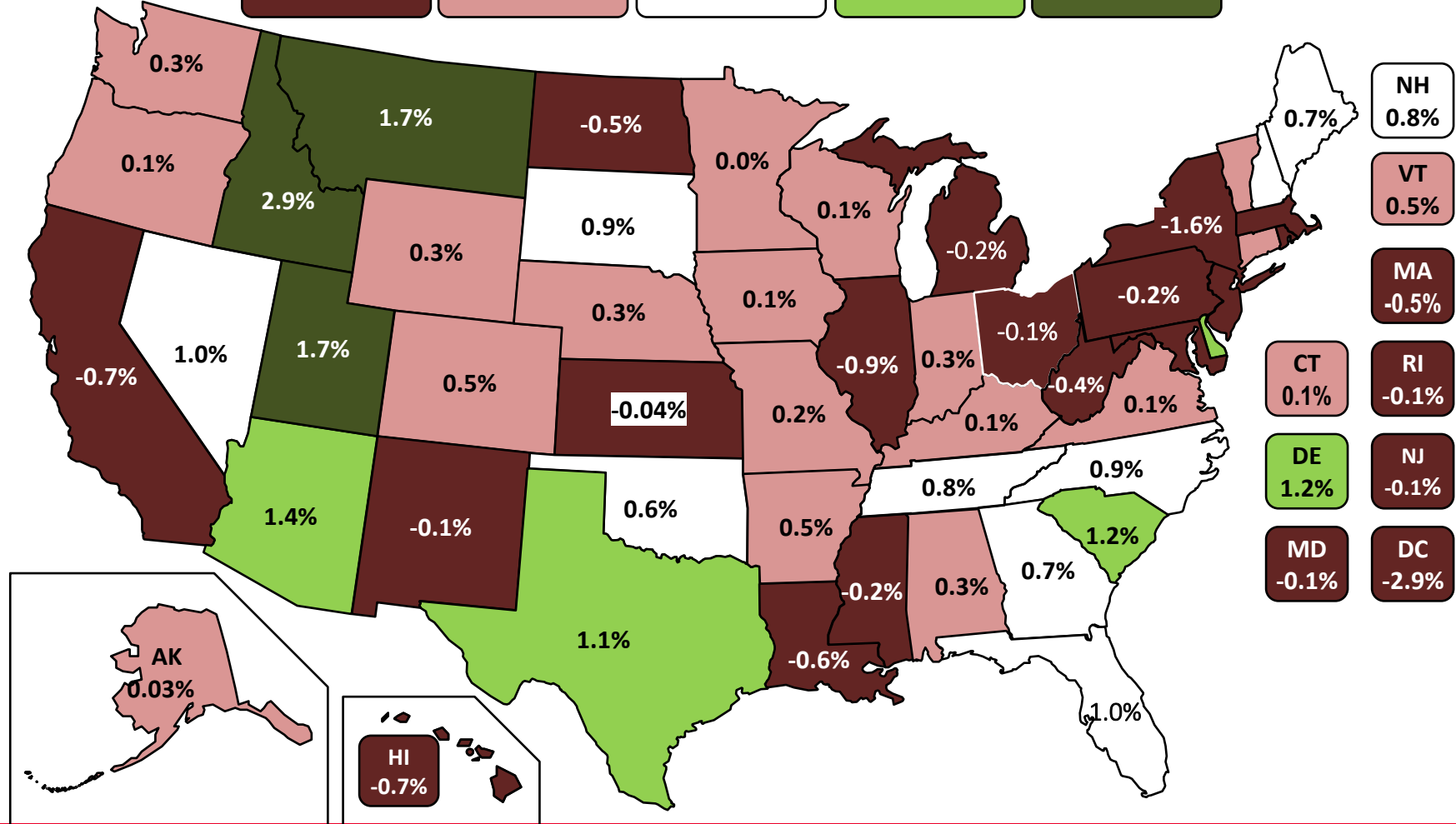


Top 6

| | |
|--------|------|
| ID | 2.9% |
| UT | 1.7% |
| MT | 1.7% |
| AZ | 1.4% |
| SC, DE | 1.2% |

Bottom 5

| | |
|----|-------|
| DC | -2.9% |
| NY | -1.6% |
| IL | -0.9% |
| HI | -0.7% |
| CA | -0.7% |



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/>
- 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: <https://www.agc.org/newsroom>

