US Construction Outlook: Torrid or Tepid?

Ken Simonson
Chief Economist, AGC of America
Ken.simonson@agc.org
Total nonfarm & construction employment, Jan. 2022–June 2024
Year-over-year change, seasonally adjusted

% change since:
June 2023 Jan. 2022
Nonresidential Construction 3.8% 10%
Residential Construction 1.7% 6.7%
Total Nonfarm 1.7% 5.7%

Source: BLS current employment statistics, https://www.bls.gov/ces/
Construction employment change by state, May 2023-May 2024 (U.S.: 3.0%)

39 states up, 1 state unchanged, 10 states & DC down

**Top 5**
- AK: 20.4%
- HI: 10.0%
- MI: 8.4%
- NV: 8.1%
- AR: 7.3%

**Bottom 5**
- DC: -3.3%
- MD: -3.1%
- WA: -1.7%
- OR: -1.5%
- ME: -1.5%
Construction job openings, hires & layoffs

Job openings, hires, and layoffs May 2001-May 2024, seasonally adjusted

Change in construction materials and labor costs, 2020–2024

Year-over-year change in producer price index (PPI) for nonresidential inputs and average hourly earnings (AHE) for nonresidential building and heavy & civil engineering construction, Feb. 2020 – May 2024

*Seasonally adjusted (SA)
**Not seasonally adjusted (BLS does not post SA data for this series)
**Input and bid price changes, June 2024**

producer price indexes, 1- & 12-mo. change (not seasonally adjusted)

<table>
<thead>
<tr>
<th>June 2024 change from:</th>
<th>May 2024 (1 month)</th>
<th>June 2023 (12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs to new nonresidential construction</td>
<td>-0.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Output (bid price) index for new nonresidential buildings</td>
<td>0.4%</td>
<td>-0.7%</td>
</tr>
</tbody>
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**Overall input costs and bid prices have moderated**

**...but some input prices remain volatile**

<table>
<thead>
<tr>
<th></th>
<th>May 2023</th>
<th>June 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper and brass mill shapes</td>
<td>2.1%</td>
<td>14%</td>
</tr>
<tr>
<td>Cement</td>
<td>0.0%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Steel mill products</td>
<td>-1.8%</td>
<td>-15%</td>
</tr>
</tbody>
</table>

Source: BLS, producer price indexes, www.bls.gov/ppi
Cost squeeze on contractors can reappear suddenly
Difference between year-over-year change in materials costs vs. bid prices, Jan 2016-June 2024

Source: BLS, www.bls.gov/ppi, producer price indexes for inputs to new nonresidential construction and bid prices

June 2023-June 2024 change:
- Input price PPI: 1.1%
- Bid price PPI: -0.7%
- Difference: 1.8%

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Change in construction spending: May 2023-May 2024

Year-over-year % change in current (not inflation-adjusted) dollars, seasonally adjusted

- Total construction: 6%
- Private residential: 7%
- Nonresidential: 6%
- Data centers: 69%
- Manufacturing: 20%
- Power (incl. oil & gas): 11%
- Highway and street: 9%
- Education: 7%
- Health care: 3%
- Transportation: 2%
- Commercial (warehouse, retail, farm): -13%
- Office (exc. data centers): -18%

Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending
Change in construction spending: May 2023-May 2024

current (not inflation-adjusted) dollars, seasonally adjusted

**Total** 6%: **Private residential** 7% (single-family 14%; **multi** -5%; improvements 3%); **public residential** 15%

**Nonresidential** 6% (private 4%, public 10%)

Nonresidential segments (in descending order of May 2024 spending; combined new & renovation spending)

- Mfg. 20% (computer/electronic 31%; chemical 6%; transportation equipment 37%; **food/beverage/tobacco** -24%)
- Highway and street 9%
- Power 11% (electric 13%; oil/gas fields & pipelines -2%)
- Commercial -13% (warehouse -20%; retail -7%; farm 4%)
- Education 6% (primary/secondary 1%; higher ed 12%)
- Office including data centers -0.1% (data centers 69%; other office -18%)
- Health care 3% (hospital 12%; **medical building** -8%; special care 6%)
- Transportation 2% (air 2%; private rail/truck 4%; **transit** -17%)
- Other: Sewage/waste 11%; Amuse/recreation 3%; Water supply 13%; Communication 3%; **Lodging** -9%; Conservation/development -4%

Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending
Residential & nonresidential construction, 2020–2024

Year-over-year change, Jan. 2020 – May 2024, seasonally adjusted annual rate

Source: U.S. Census, Construction Spending
Residential construction segments, 2020–2024

Year-over-year change in total private residential, single-family, multifamily, & improvements spending, Jan. 2020 – May 2024, seasonally adjusted annual rate

Source: U.S. Census, Construction Spending
Private & public nonresidential construction, 2020–2024

Year-over-year change in total, private, & public nonresidential construction spending, Jan. 2020 – May 2024, seasonally adjusted annual rate

Source: U.S. Census, Construction Spending

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Private office & data center construction spending, 2020–2024

Year-over-year change in private office, office excl. data centers, & data center construction spending, Jan. 2020 – May 2024, seasonally adjusted annual rate

Source: U.S. Census, Construction Spending

<table>
<thead>
<tr>
<th>May 2024 Spending (bil. $):</th>
<th>% change since:</th>
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<tbody>
<tr>
<td>Data centers</td>
<td>May</td>
</tr>
<tr>
<td>$27B</td>
<td>69%</td>
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<tr>
<td>Private office</td>
<td>Jan. 2020</td>
</tr>
<tr>
<td>$82B</td>
<td>181%</td>
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<tr>
<td>Office excl. data centers</td>
<td>May 2023</td>
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<tr>
<td>$55B</td>
<td>-18%</td>
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<td></td>
<td>May 2024</td>
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<td></td>
<td>-26%</td>
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Commercial, warehouse & retail construction, 2020–2024

Year-over-year change in private commercial, warehouse, & retail construction spending, Jan. 2020 – May 2024, seasonally adjusted annual rate

Source: U.S. Census, Construction Spending
Manufacturing construction spending segments, 2020–2024

Year-over-year change in private manufacturing, chemical, computer, food/beverage, & transportation equipment construction spending, Jan. 2020 – May 2024, seasonally adjusted annual rate

Source: U.S. Census, Construction Spending

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Medium-term outlook for construction

• Economic recovery: will continue but with sticky inflation & interest rates
• Single-family: revival should continue despite 7% mortgage rates
• Multifamily, warehouse, office: steep drops likely as vacancies and costs climb
• Data center, manufacturing construction, power, infrastructure: strong growth
• Infrastructure Investment & Jobs Act, “Chips” Act, Inflation Reduction Act will give major boost to infrastructure, manufacturing, and power construction. BUT
  - money will be slow to turn into construction awards and spending
  - Buy America, labor, environmental strings may tie up project starts for years
• Materials costs, lead times: few problems except electrical gear, some electronics
• Labor availability remains the #1 challenge for many contractors
Long-run construction outlook

- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth ➔ fewer workers but also slower demand growth
- Slowing demand for K-12, decline for higher ed 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
- Not clear if offices will decentralize or remain in less demand
- Not clear if recent urban/rural or state-to-state migration will remain or reverse
Population change by state, July 2022–July 2023
(U.S.: 0.49%)

Top 5
SC  1.7%
FL  1.6%
TX  1.6%
ID  1.3%
NC  1.3%

Bottom 5
NY  -0.5%
LA  -0.3%
HI  -0.3%
IL  -0.3%
WV  -0.2%


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(email ken.simonson@agc.org)

• *Data DIGest*: weekly email summary of construction economic news ([subscribe](https://marketplace.agc.org/Store/ItemDetail?iProductCode=4401&OrderLineId=901649fd-c733-4103-93e0-a251778cd084))

• Surveys, state and metro data, fact sheets: [www.agc.org/learn/construction-data](http://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](https://www.agc.org/newsroom)

• Construction impact model: [https://www.agc.org/agc-construction-impact-model](https://www.agc.org/agc-construction-impact-model)

• ConsensusDocs Price Escalation Resource Center: [https://www.consensusdocs.org/price-escalation-clause/](https://www.consensusdocs.org/price-escalation-clause/)