US Construction Outlook: Torrid or Tepid?

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Total nonfarm & construction employment, Jan. 2022–June 2024
Year-over-year change, seasonally adjusted

Source: BLS current employment statistics, https://www.bls.gov/ces/
Construction employment change by state, June 2023-June 2024 (U.S.: 2.9%)

35 states up, 1 state unchanged, 14 states & DC down

**Top 5**

- AK: 19.5%
- NV: 11.5%
- HI: 10.5%
- MI: 7.6%
- AR: 7.4%

**Bottom 5**

- DC: -4.7%
- ME: -3.8%
- MD: -2.6%
- CO: -2.3%
- OR: -2.0%
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

% change since:

May 2023
Feb. 2020

AHE for heavy & civil engineering*
6.4% 22%

AHE for nonresidential building*
6.1% 24%

PPI for nonresidential inputs**
1.2% 38%

*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)

| Source: BLS, producer price indexes, www.bls.gov/ppi |

| Overall input costs and bid prices have moderated |
| Inputs to new nonresidential construction | -0.1% | 1.1% |
| Output (bid price) index for new nonresidential buildings | 0.4% | -0.7% |

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

| Copper and brass mill shapes | 2.1% | 14% |
| Cement | 0.0% | 6.9% |
| Steel mill products | -1.8% | -15% |

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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](www.bls.gov/ppi), producer price indexes for inputs to new nonresidential construction and bid prices
Change in construction spending: May 2023-May 2024
Year-over-year % change in current (not inflation-adjusted) dollars, seasonally adjusted

<table>
<thead>
<tr>
<th>Category</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total construction</td>
<td>6%</td>
</tr>
<tr>
<td>Private residential</td>
<td>7%</td>
</tr>
<tr>
<td>Nonresidential</td>
<td>6%</td>
</tr>
<tr>
<td>Data centers</td>
<td>69%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>20%</td>
</tr>
<tr>
<td>Power (incl. oil &amp; gas)</td>
<td>11%</td>
</tr>
<tr>
<td>Highway and street</td>
<td>9%</td>
</tr>
<tr>
<td>Education</td>
<td>7%</td>
</tr>
<tr>
<td>Health care</td>
<td>3%</td>
</tr>
<tr>
<td>Transportation</td>
<td>2%</td>
</tr>
<tr>
<td>Commercial (warehouse, retail, farm)</td>
<td>-13%</td>
</tr>
<tr>
<td>Office (exc. data centers)</td>
<td>-18%</td>
</tr>
<tr>
<td></td>
<td>-25% 0% 25% 50% 75%</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Spending (bil. $)</th>
<th>May 2024</th>
<th>% change since:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total nonres.</td>
<td>$1,209B</td>
<td>May 2023 6.2% Jan. 2020 37%</td>
</tr>
<tr>
<td>Public nonres.</td>
<td>$475B</td>
<td>9.6% 31%</td>
</tr>
<tr>
<td>Private nonres.</td>
<td>$734B</td>
<td>4.1% 40%</td>
</tr>
</tbody>
</table>

Source: U.S. Census, Construction Spending
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

<table>
<thead>
<tr>
<th>May 2024</th>
<th>Spending (bil. $):</th>
<th>% change since:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>May 2023</td>
</tr>
<tr>
<td>Data centers</td>
<td>$27B</td>
<td>69%</td>
</tr>
<tr>
<td>Private office</td>
<td>$82B</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Office excl. data centers</td>
<td>$55B</td>
<td>-18%</td>
</tr>
</tbody>
</table>

Source: U.S. Census, Construction Spending
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

-30%
-15%
0%
15%
30%
45%
60%

Warehouse
Private commercial
Retail

% change since:
May 2023
Jan. 2020

May 2024
Spending (bil. $): $47B $122B $63B
% change since: -7.2% -13% -20%
25% 39% 54%

Source: U.S. Census, Construction Spending

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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
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

Source: Author
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

<table>
<thead>
<tr>
<th>State</th>
<th>Population Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>SC</td>
<td>1.7%</td>
</tr>
<tr>
<td>FL</td>
<td>1.6%</td>
</tr>
<tr>
<td>TX</td>
<td>1.6%</td>
</tr>
<tr>
<td>ID</td>
<td>1.3%</td>
</tr>
<tr>
<td>NC</td>
<td>1.3%</td>
</tr>
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</table>

#### Bottom 5

<table>
<thead>
<tr>
<th>State</th>
<th>Population Change</th>
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<tbody>
<tr>
<td>NY</td>
<td>-0.5%</td>
</tr>
<tr>
<td>LA</td>
<td>-0.3%</td>
</tr>
<tr>
<td>HI</td>
<td>-0.3%</td>
</tr>
<tr>
<td>IL</td>
<td>-0.3%</td>
</tr>
<tr>
<td>WV</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>
AGC economic resources
(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

• Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings: https://www.agc.org/newsroom

• Construction impact model: https://www.agc.org/agc-construction-impact-model

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