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U.S. Construction Outlook: Rotation or Retreat?

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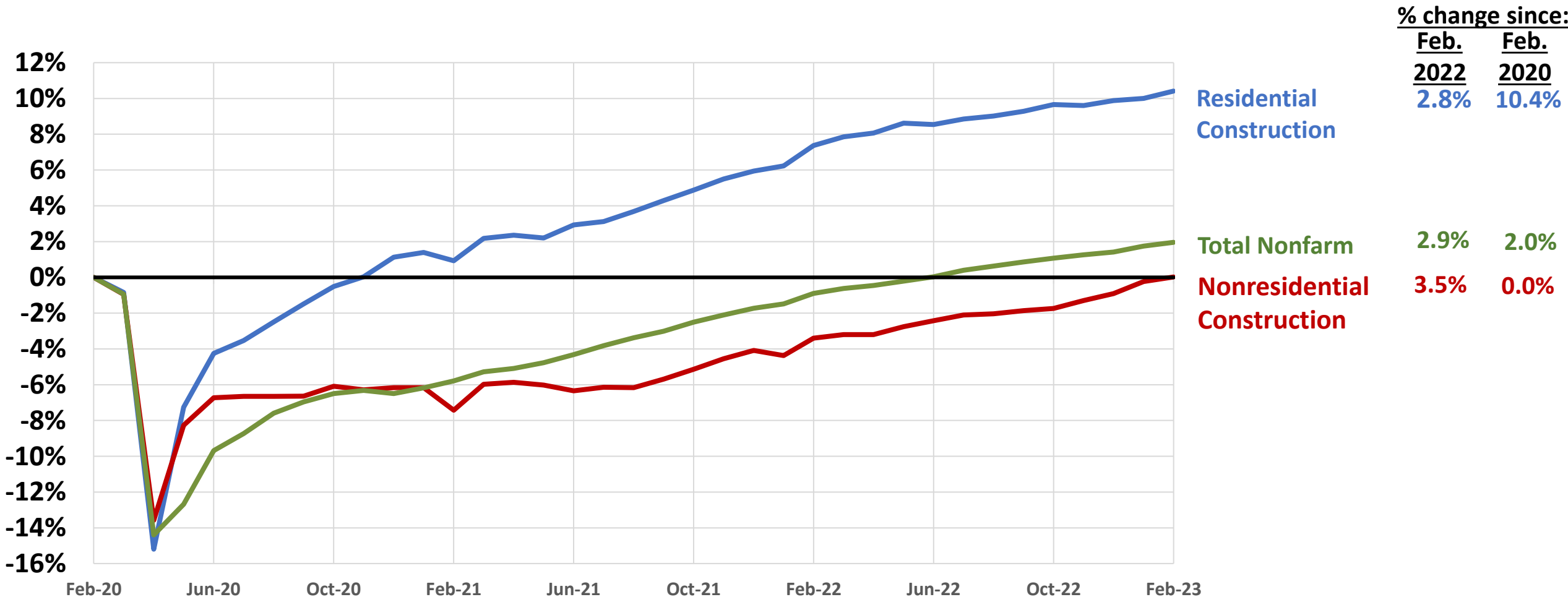
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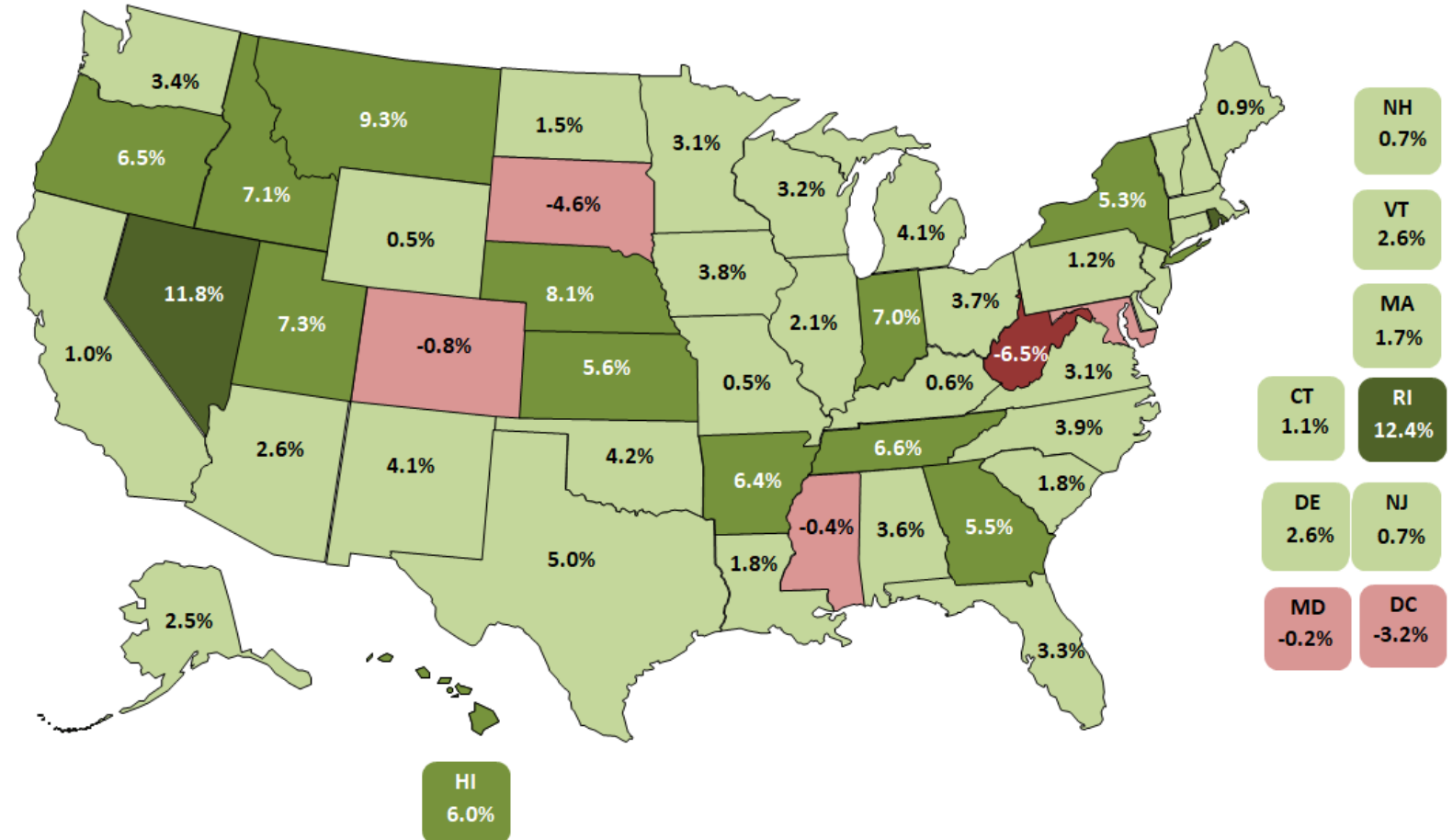
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Total nonfarm & construction employment, Feb. 2020–Feb. 2023

cumulative change (seasonally adjusted)



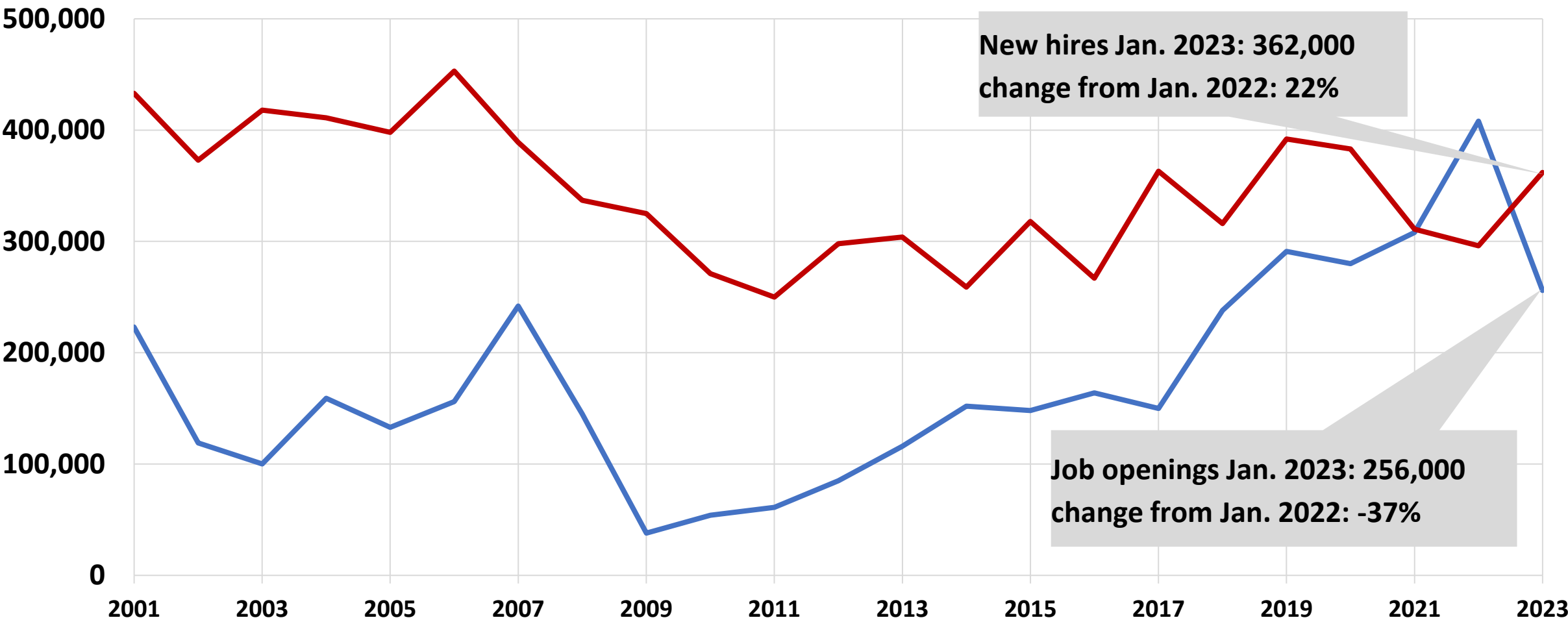
45 states **up**, 5 states + DC **down**



Construction job openings & new hires



Job openings and hires, Jan. 2001-Jan. 2023, not seasonally adjusted

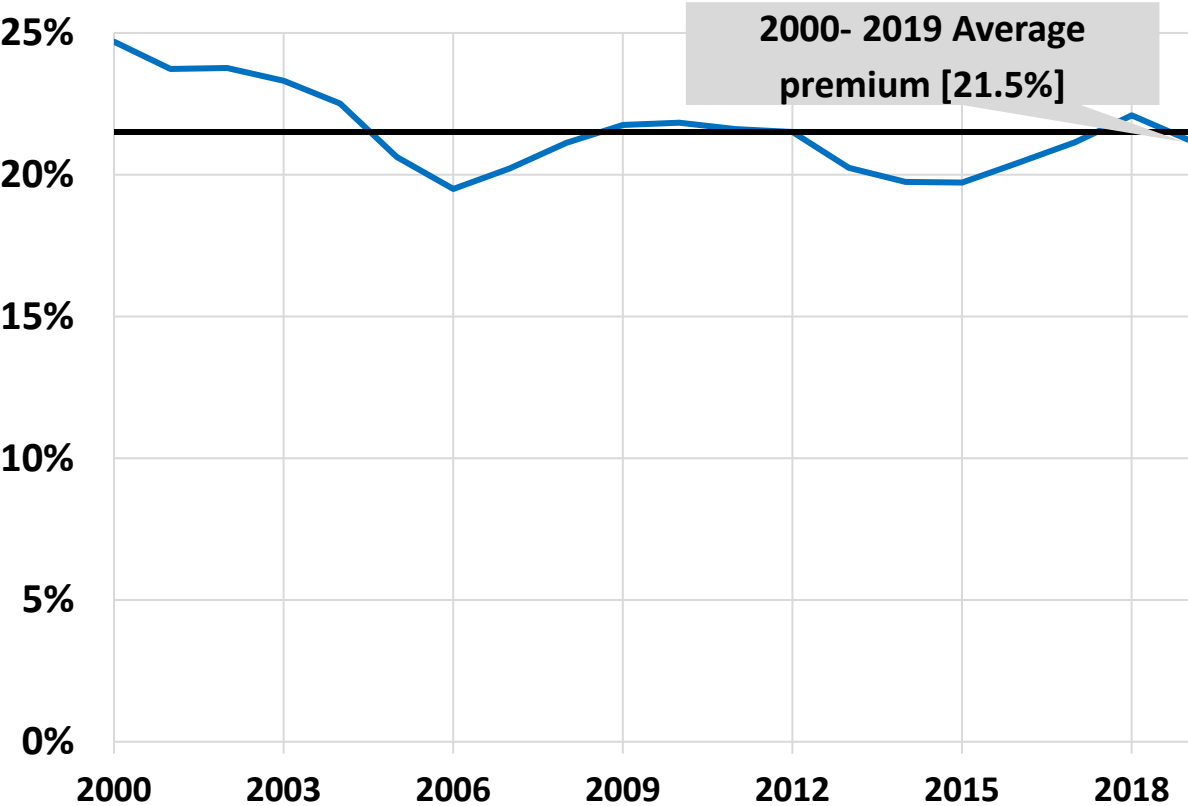


Construction wage “premium” vs. total private sector

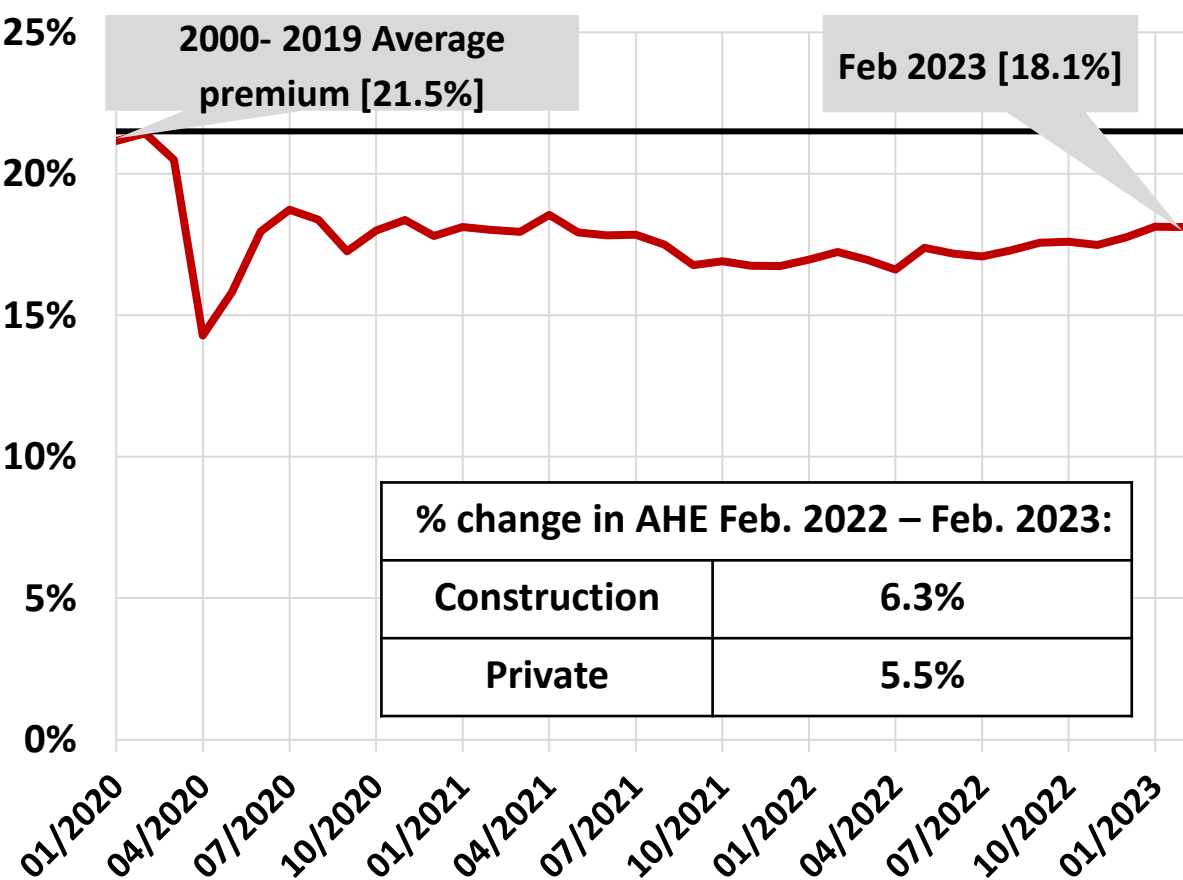


Excess of average hourly earnings (AHE) for production and nonsupervisory employees in construction vs. private sector

Annual premium, 2000–2019



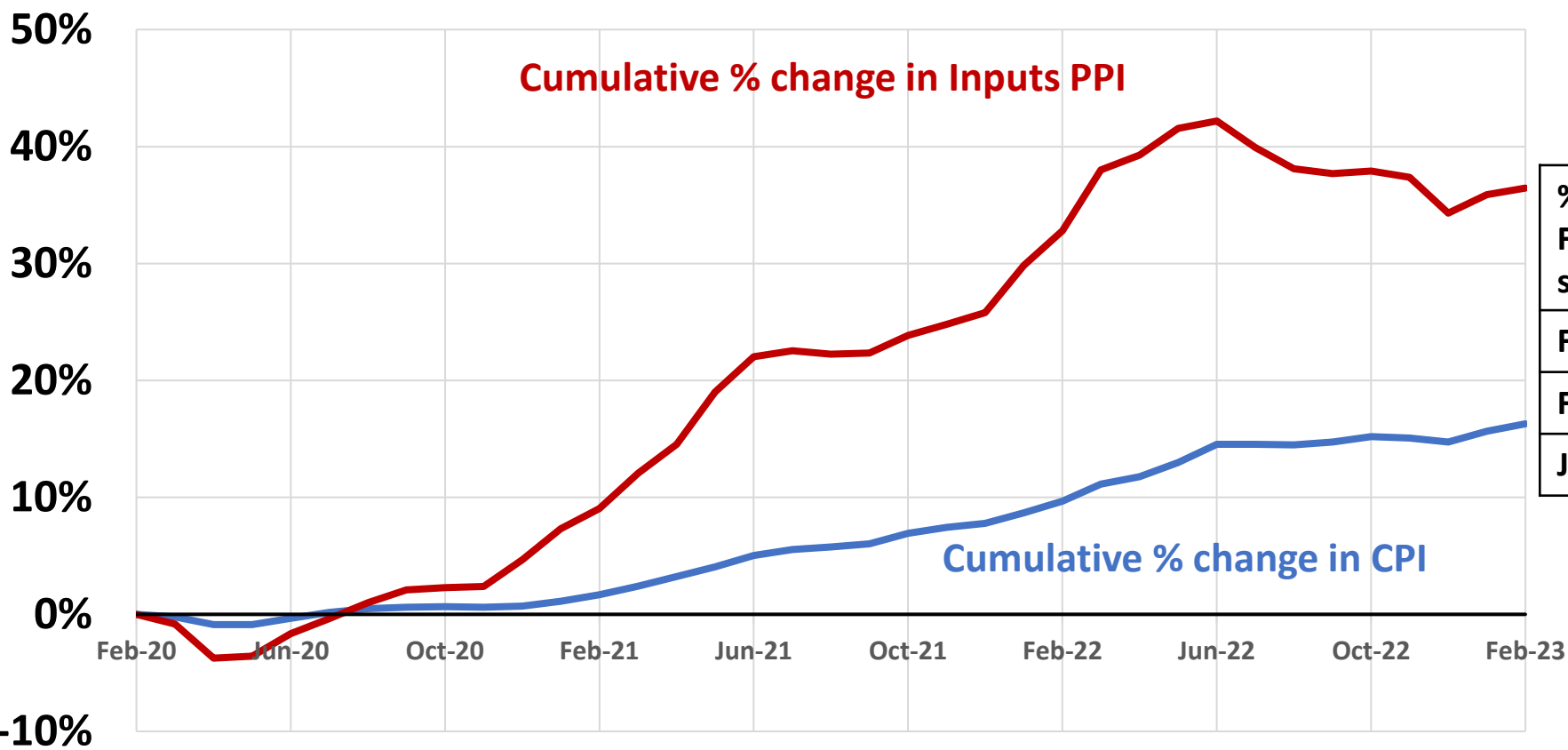
Monthly premium, Jan. 2020–Feb. 2023
(seasonally adjusted)



Costs for new nonresidential construction vs. consumer prices

Cumulative change in PPI for new nonresidential construction inputs and CPI

February 2020 – February 2023, not seasonally adjusted



% change to Feb. 2023 since:	Inputs PPI	CPI
Feb. 2020	34%	16%
Feb. 2022	2.7%	6.0%
Jan. 2023	0.4%	0.6%

Not all construction costs are cooling!



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

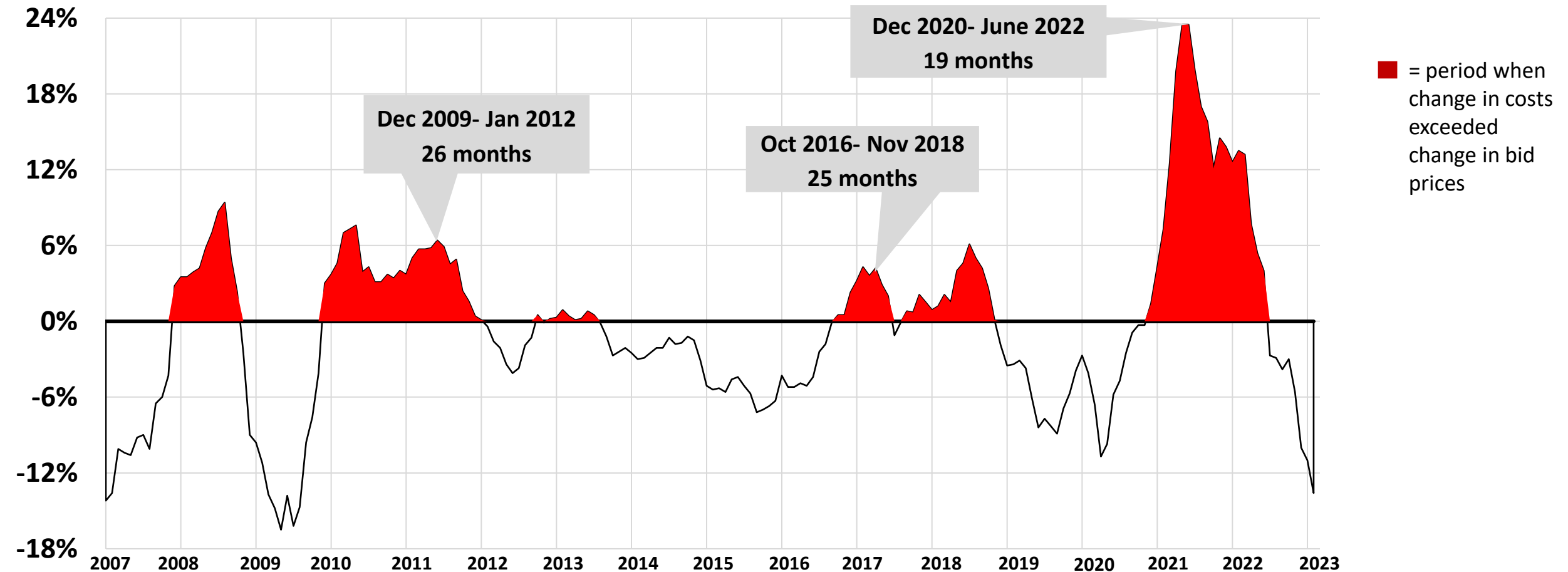
<u>Feb 2023 change from:</u>			
		<u>Jan 2023</u>	<u>Feb 2022</u>
		<u>(1 month)</u>	<u>(12 months)</u>
Cement		1.1%	15.0%
Asphalt paving mixtures and blocks		2.2%	14.5%
Flat glass		4.0%	11.7%
Gypsum building products		0.4%	12.5%
<u>Subcontractor price indexes, nonresidential building work</u>			
Roofing contractors		0.5%	22.2%
Plumbing contractors		0.2%	12.3%
Electrical contractors		0.3%	20.0%
Concrete contractors		0.2%	8.3%

Cost squeeze on contractors can reappear suddenly, last 2+ years

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Feb 2023



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Change in construction spending: January 2023 vs. January 2022

current (not inflation-adjusted) dollars, seasonally adjusted



Total 6%: Private residential -4% (single-family -18%; multi 21%; improvements 9%)

Private nonresidential 19%

Public 11%

Nonresidential segments (in descending order of January 2023 spending)

- Mfg. 54% (computer/electronic 158%; chemical 3%; food/beverage/tobacco 34%; transportation equipment 57%)
- Commercial 22% (warehouse 22%; retail 28%; farm 21%)
- Highway and street 16%
- Power -5% (electric -5%; oil/gas fields & pipelines -4%)
- Education 6% (primary/secondary 5%; higher ed 7%)
- Office 14%
- Transportation 9% (air 5%; freight rail/trucking 16%; mass transit -9%)
- Health care 12% (hospital 10%; medical building 19%; special care 1%)
- Other: Sewage/waste disposal 17%; Amusement/recreation 11%; Communications 3%; Water supply 31%; Lodging 40%

Medium-term outlook for construction



- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- 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(n), labor, environmental strings may tie up project starts for years
- Materials cost and lead time trends are mixed, no longer all upward
- Labor availability has resumed being the #1 challenge for many contractors

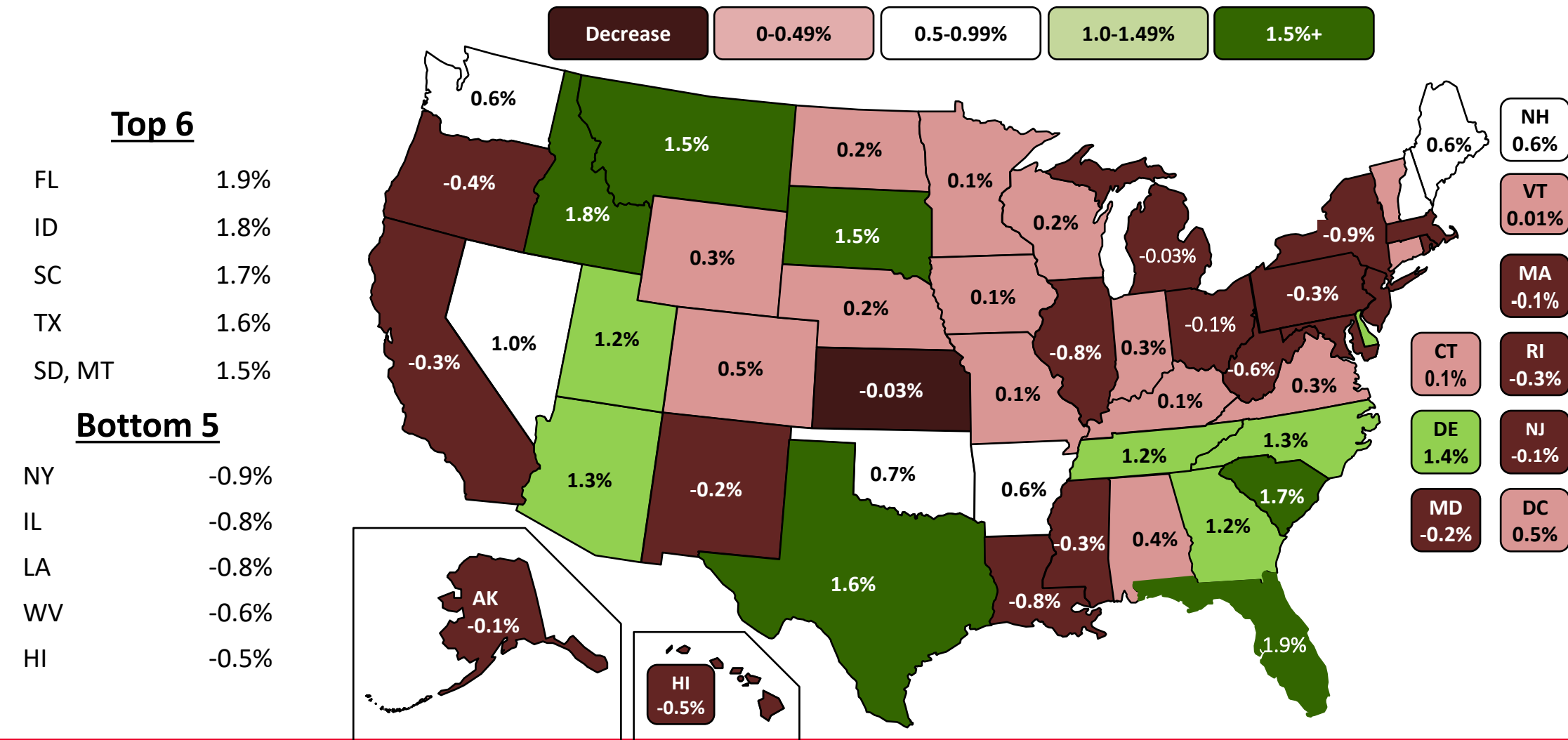
Long-run construction outlook (post-pandemic)



- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth means slower demand growth for most construction
- 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 2021–July 2022

(U.S.: 0.38%)



AGC economic resources

(email ken.simonson@agc.org)



- 2023 AGC/Sage Construction Hiring & Business Outlook Survey Results: <https://www.agc.org/2023-construction-hiring-and-business-outlook>
- *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-center/):
<https://www.consensusdocs.org/price-escalation-center/>
- 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>

