



AGC
THE CONSTRUCTION
ASSOCIATION

January 2023

U.S. Construction Outlook: Rotation or Retreat?

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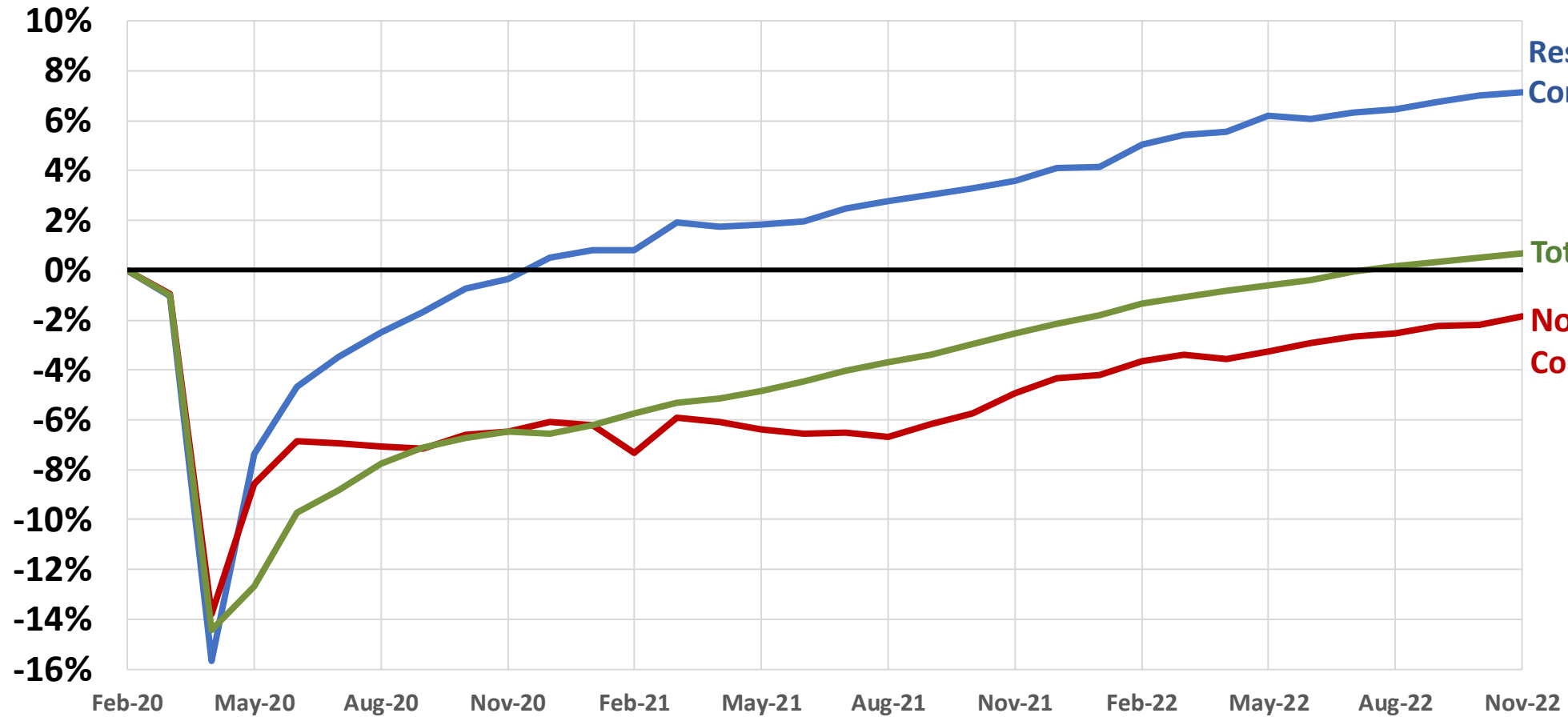
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Total nonfarm & construction employment, Feb. 2020–Nov. 2022

cumulative change (seasonally adjusted)



Change since Feb. 2020:
Number Percent

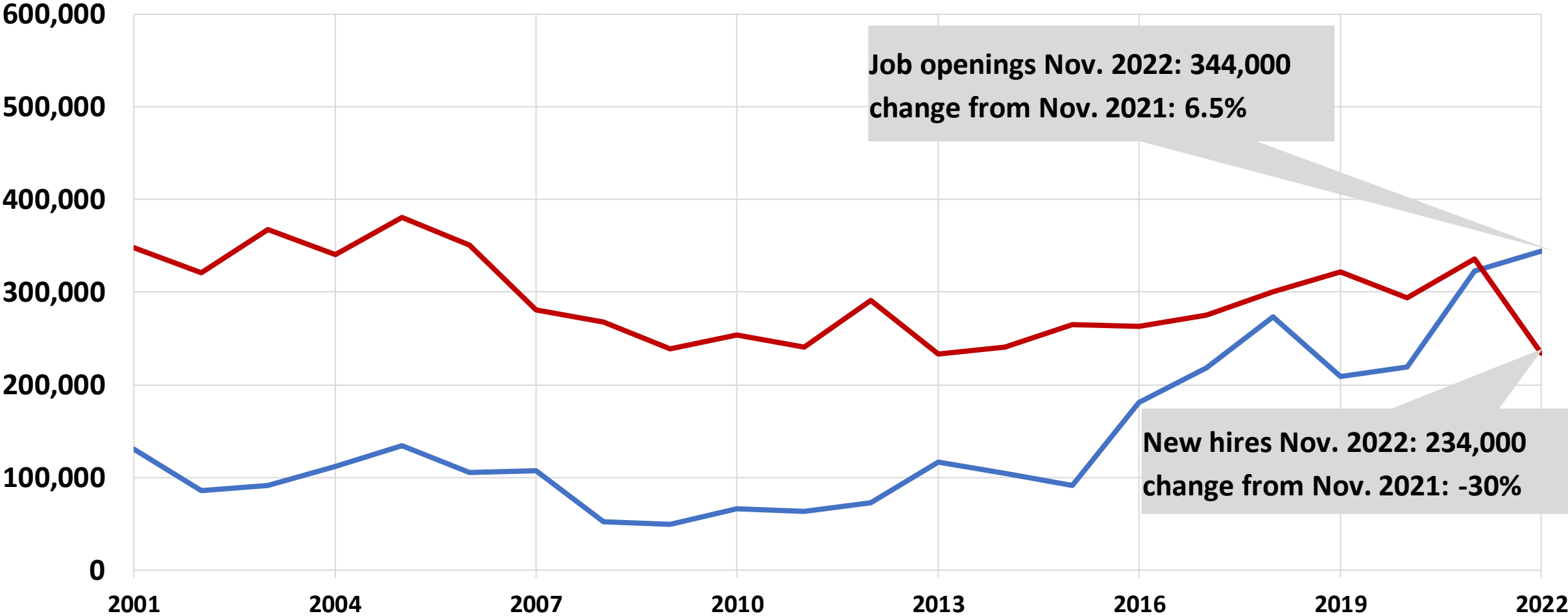


Residential Construction	212,300	7.1%
Total Nonfarm	1,044,000	0.7%
Nonresidential Construction	-86,000	-1.8%

Construction job openings & new hires



Job openings and hires, Nov. 2001-Nov. 2022, not seasonally adjusted

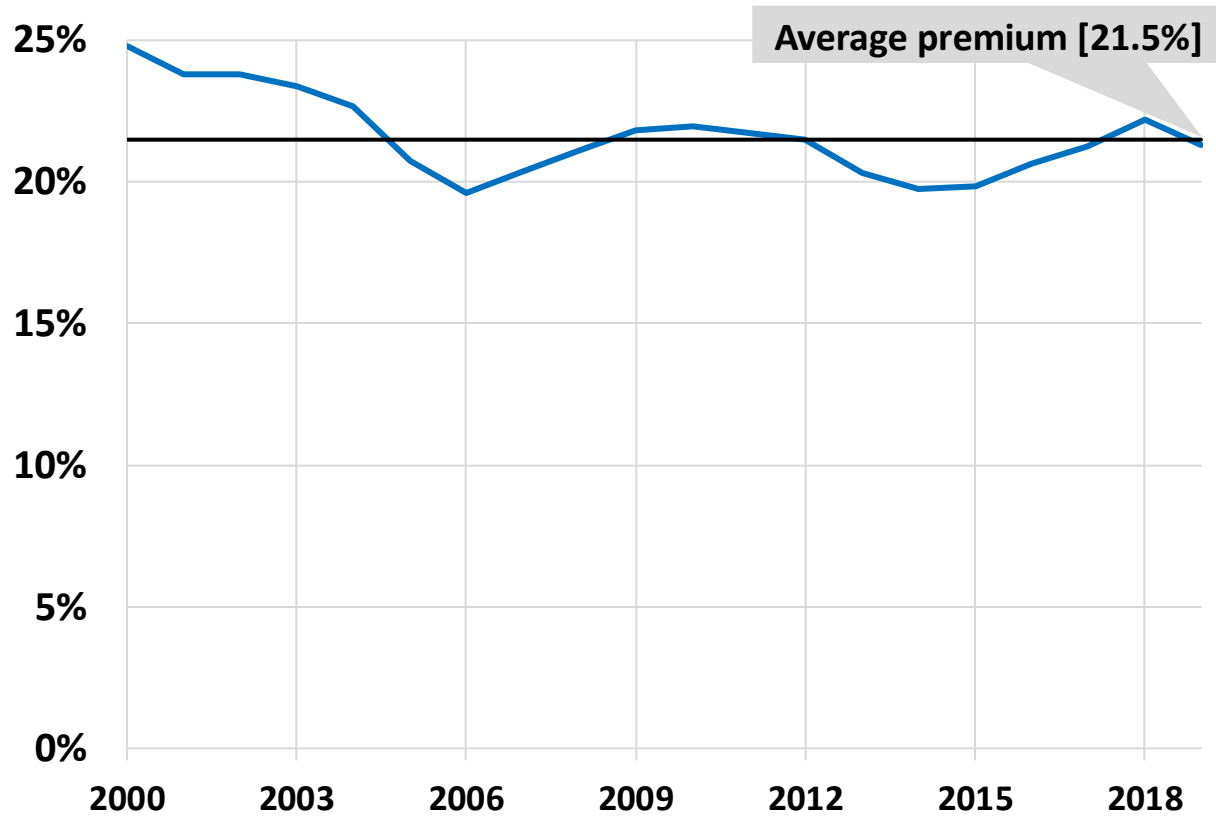


Construction wage “premium” vs. total private sector

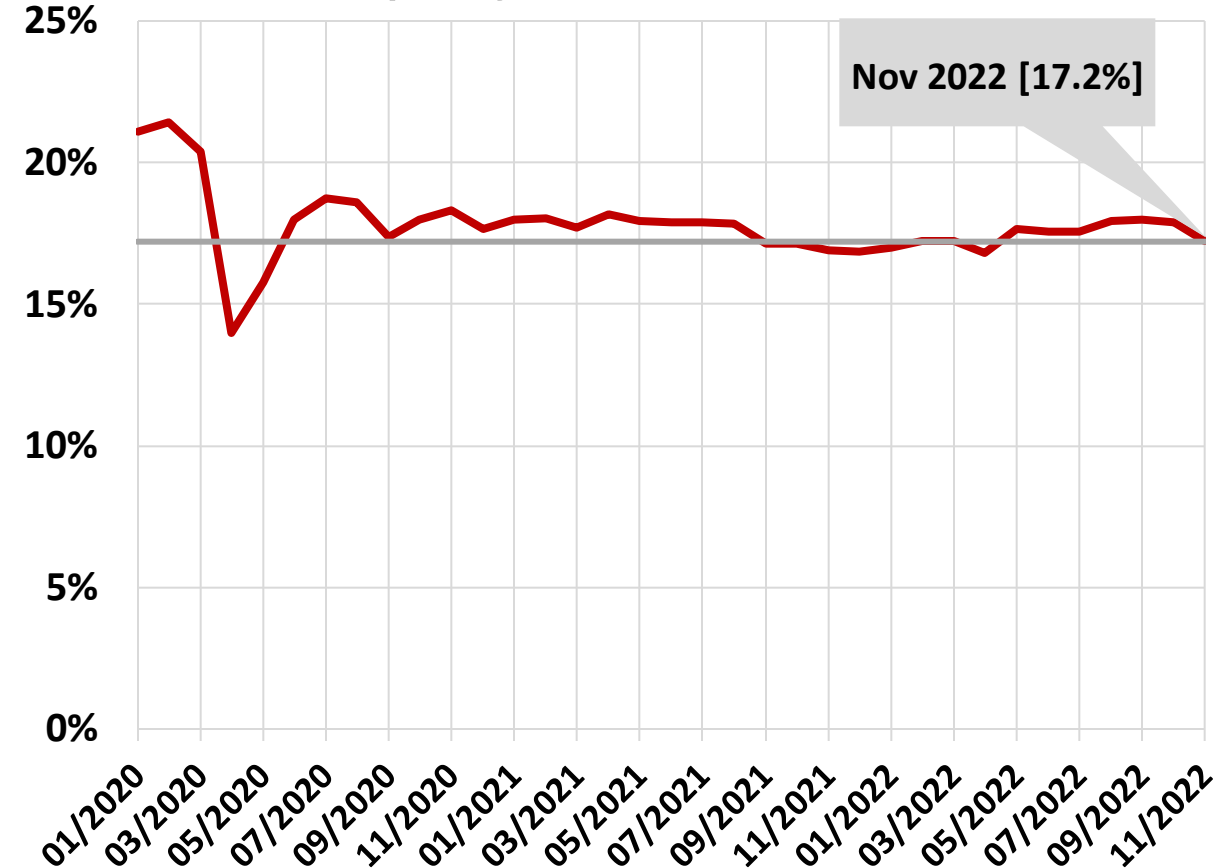
Excess of average hourly earnings for production/ nonsupervisory employees in construction vs. private sector



Annual premium, 2000–2019

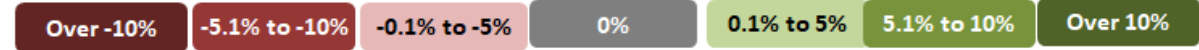


Monthly premium, Jan 2020–Nov 2022 (seasonally adjusted)



Construction employment change by state, November 2021-November 2022

42 states **up**, 8 states + DC **down**, 0 unchanged (**U.S.: 3.3%**)

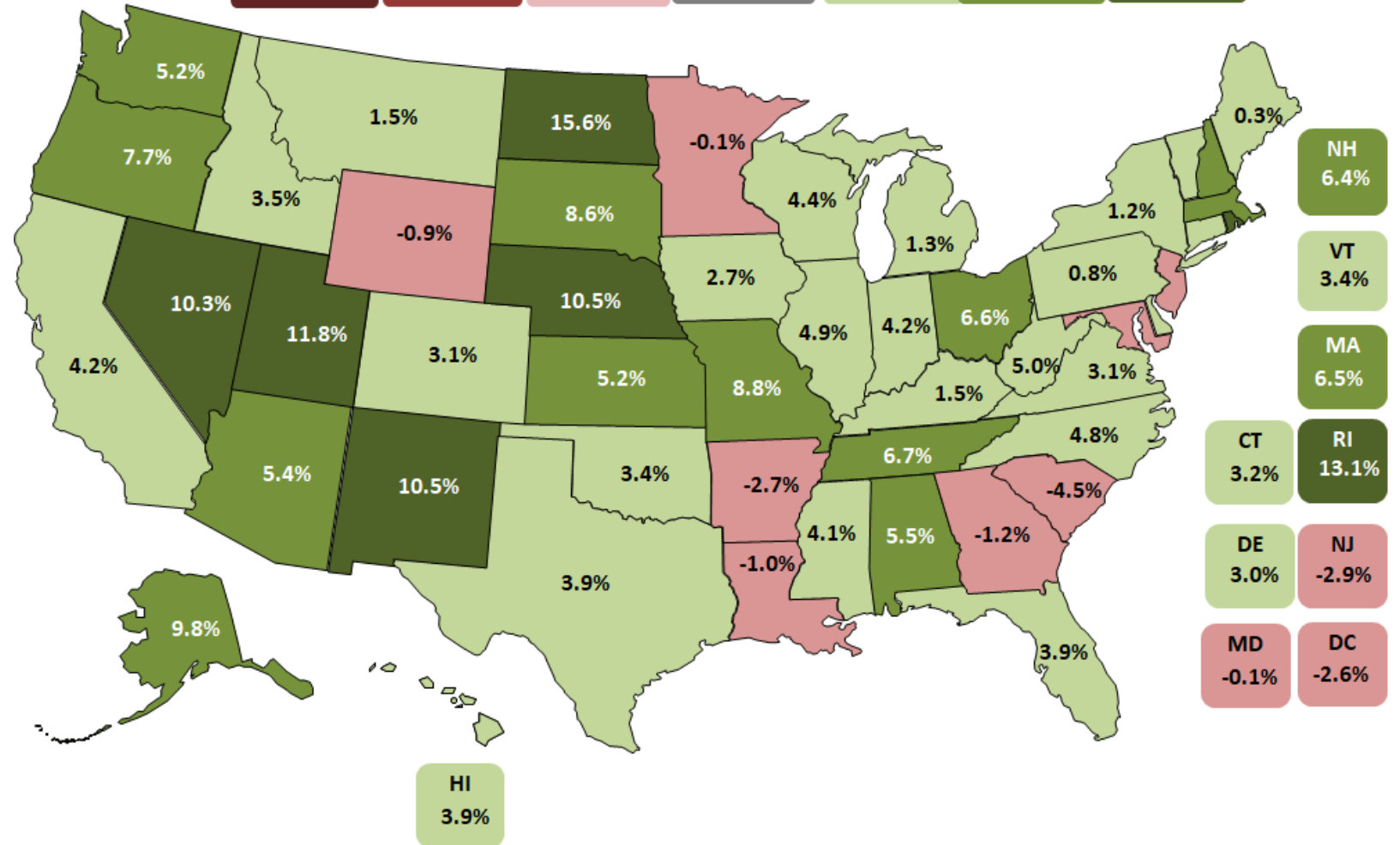


Top 5

ND	15.6%
RI	13.1%
UT	11.8%
NE	10.5%
NM	10.5%

Bottom 5

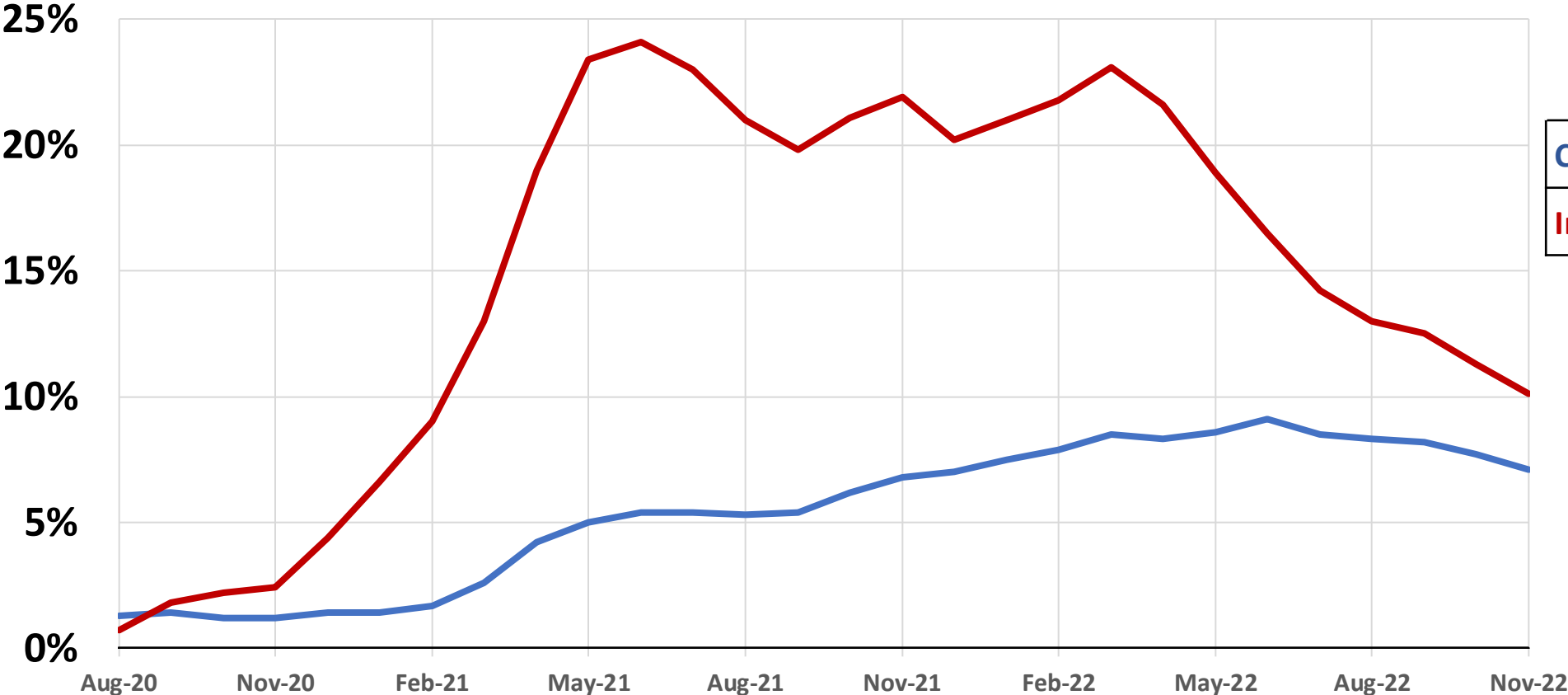
SC	-4.5%
NJ	-2.9%
AR	-2.7%
GA	-1.2%
LA	-1.0%



Costs for new nonresidential construction vs. consumer prices

Year-over-year change in PPI for construction inputs and CPI

August 2020 - November 2022, not seasonally adjusted



	12 months to:	
	Aug-20	Nov-22
CPI	1.3%	7.1%
Inputs PPI	0.7%	10.1%



Wide variation in construction input cost trends

change in producer price indexes (not seasonally adjusted)

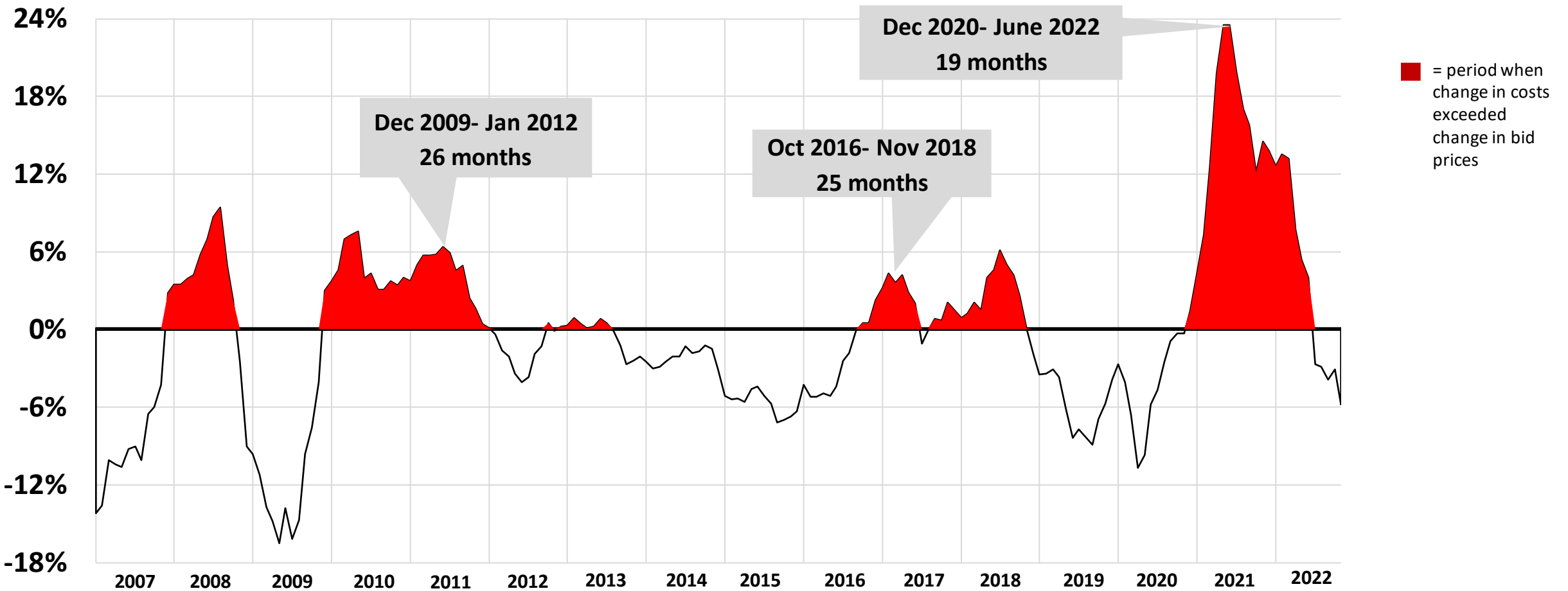
	<u>Nov 2022 change from:</u>	
	<u>Oct 2022</u>	<u>Nov 2021</u>
#2 diesel fuel	-3.4%	59.6%
Architectural coatings (paint, etc.)	0%	26.3%
Asphalt paving mixtures and blocks	-0.9%	19.8%
Concrete products	0.8%	14.3%
<u>Subcontractor price indexes, nonresidential building work</u>		
Roofing contractors	0%	20.8%
Electrical contractors	0.1%	13.8%
Plumbing contractors	0.3%	15.0%
Concrete contractors	0.3%	10.9%

Cost squeeze on contractors can last two years or more

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Nov 2022



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Change in construction spending: November 2022 vs. November 2021



current (not inflation-adjusted) dollars, seasonally adjusted

- Total 9%: private res 5% (**single-family -10%**; multi 11%; improvements 28%); private nonres 13%; public 10%

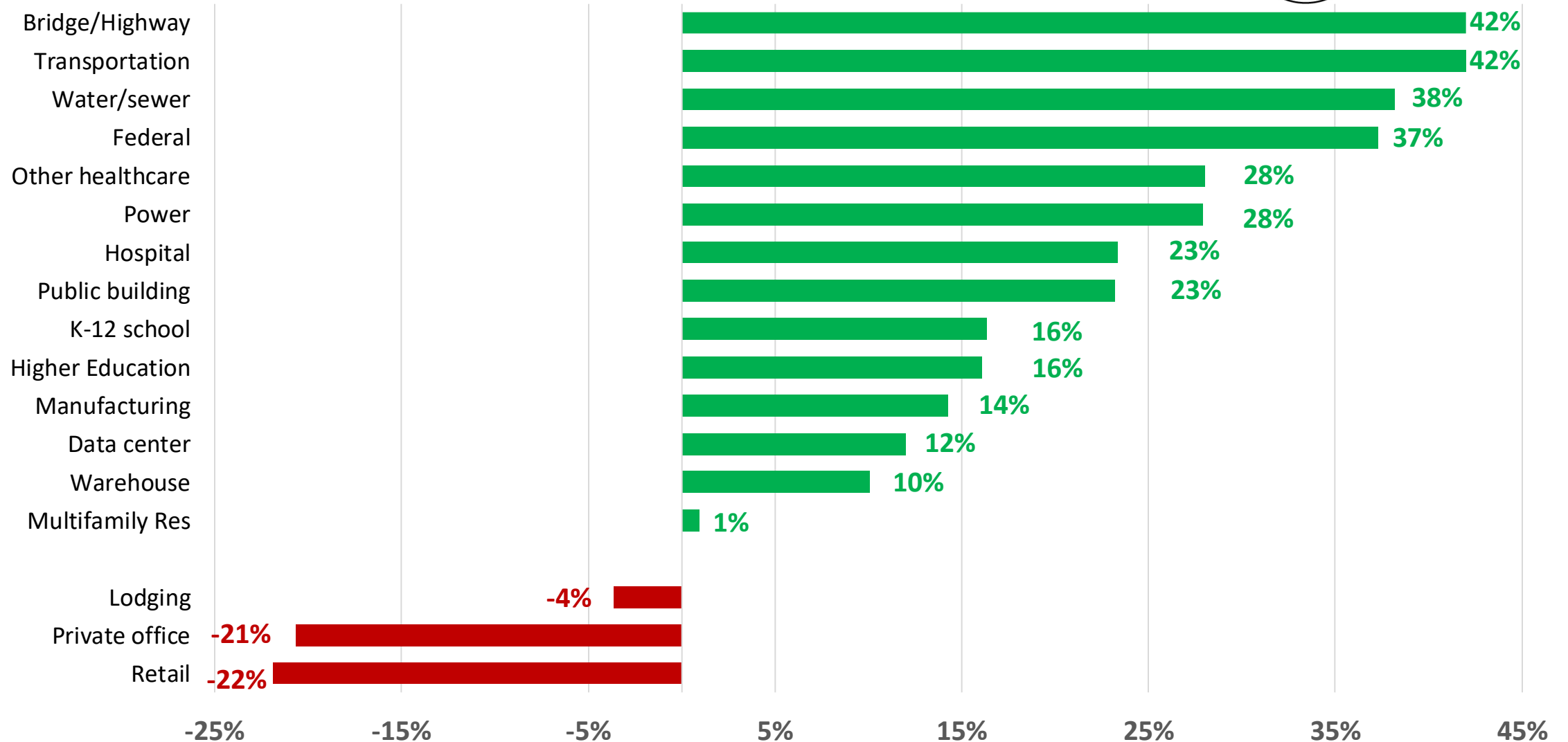
Largest segments (in descending order of November 2022 spending)

- Mfg. 43% (computer/electronic 203%; **chemical -27%**; food/beverage/tobacco 28%; transp. equip. 26%)
- Commercial 20% (warehouse 18%; retail 25%; farm 19%)
- Highway and street 15%
- **Power -8%** (electric -8%; oil/gas fields & pipelines -10%)
- Education 3% (primary/secondary 3%; higher ed 5%)
- Office 3%
- Transportation 7% (air 6%; freight rail/trucking 15%; mass transit 6%)
- Health care 7% (hospital 4%; medical building 11%; special care 7%)
- Sewage and waste disposal 20%
- Water supply 31%

AGC Outlook Survey: Net* % who expect 2023 value of projects to be **higher/lower** than 2022



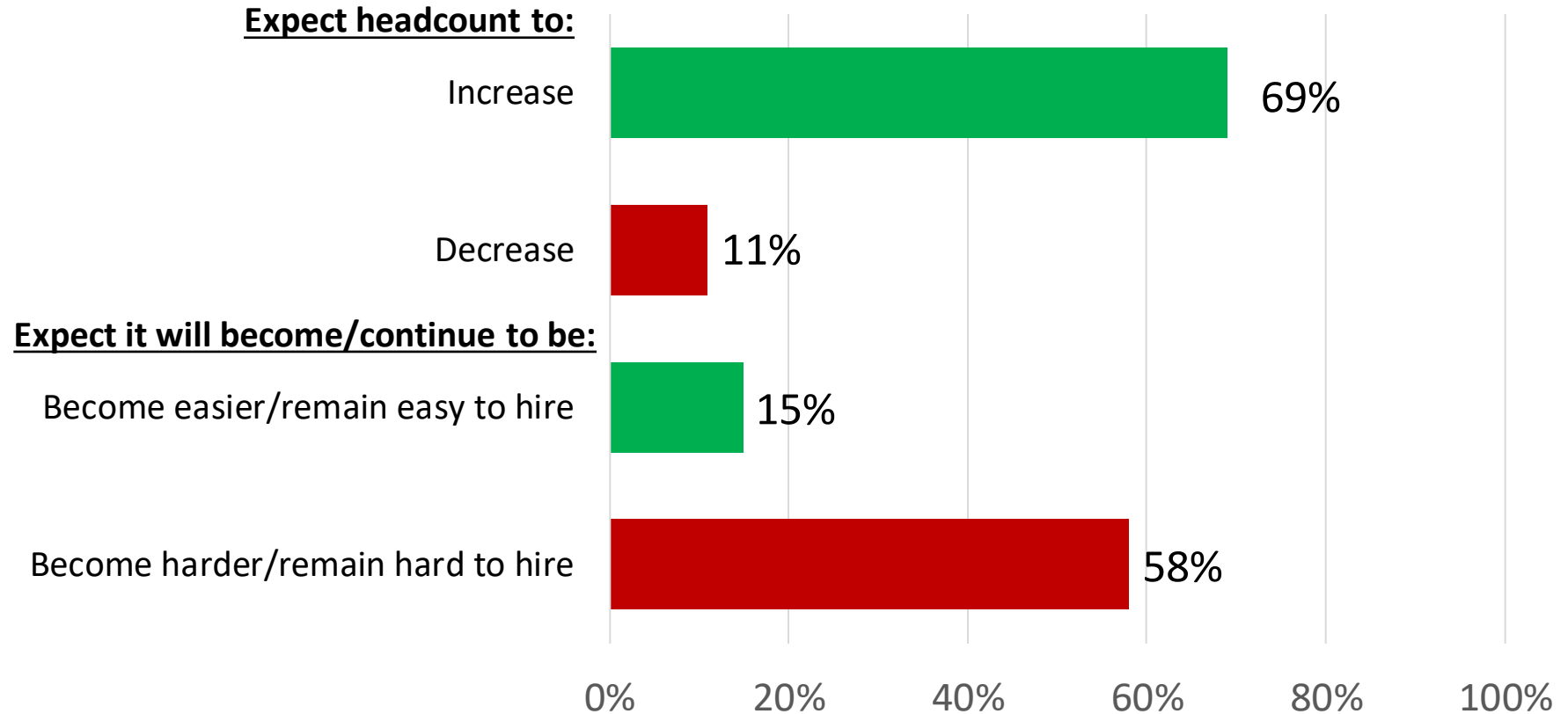
* Net = % expecting higher value - % expecting lower value than in 2022



AGC Outlook Survey: Firms' expectations regarding their headcount and hiring over next 12 months



% of respondents who:



Medium-term outlook for construction



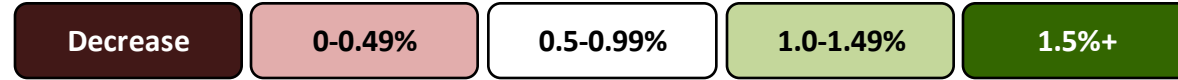
- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+” 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%)

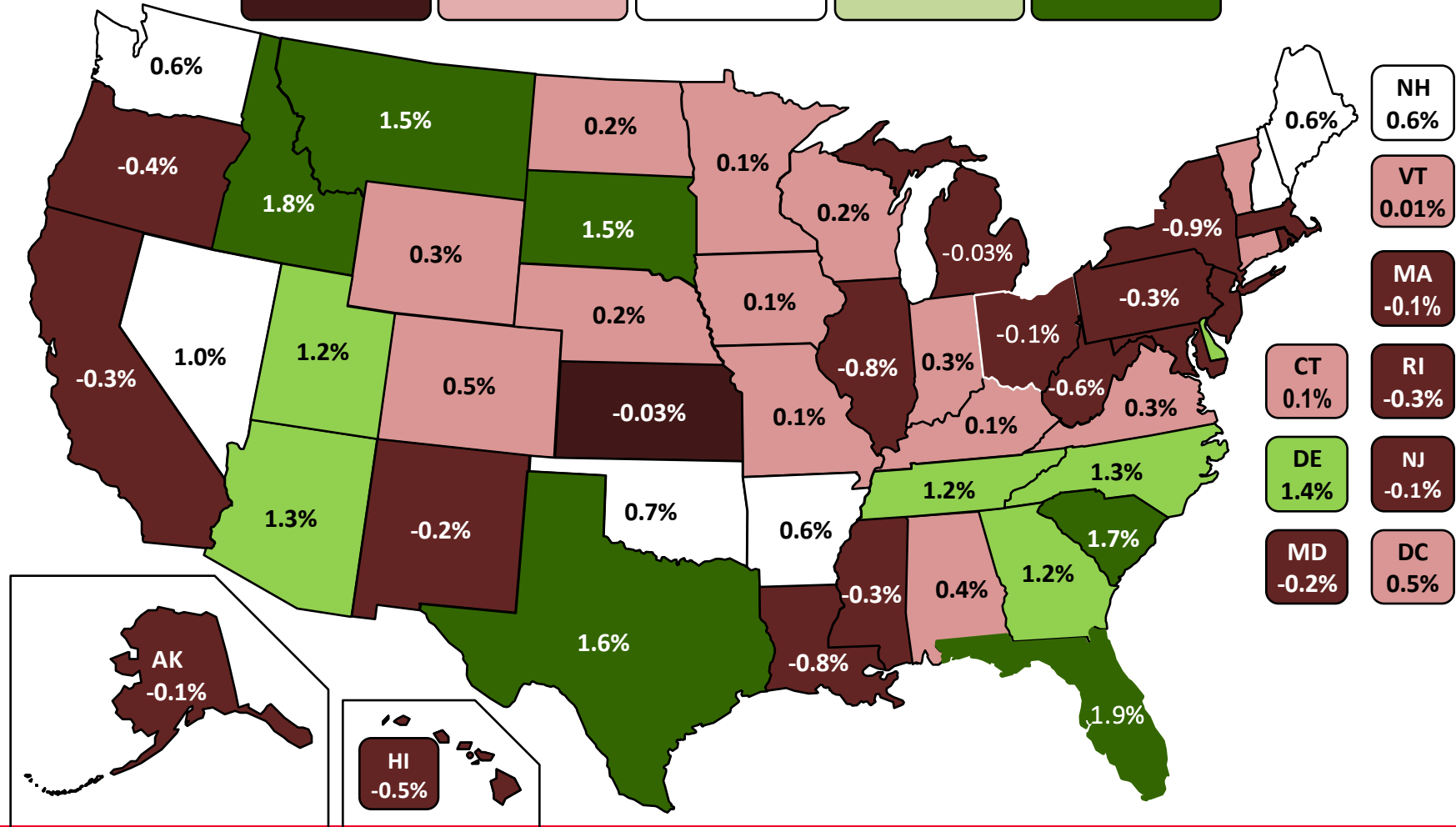


Top 6

FL	1.9%
ID	1.8%
SC	1.7%
TX	1.6%
SD, MT	1.5%

Bottom 5

NY	-0.9%
IL	-0.8%
LA	-0.8%
WV	-0.6%
HI	-0.5%



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>

