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June 2023

US Construction Outlook: Rotation or Retreat?

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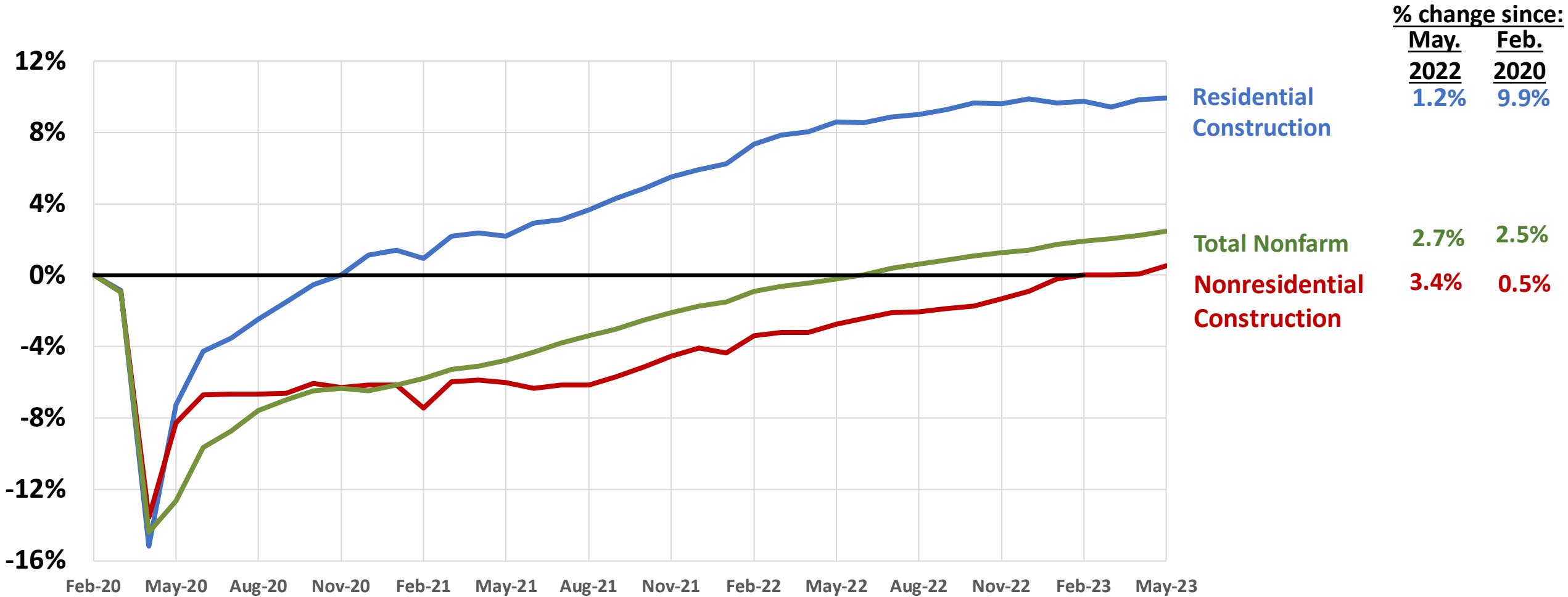
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Total nonfarm & construction employment, Feb. 2020–May 2023

cumulative change (seasonally adjusted)

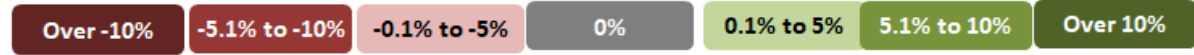


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Construction employment change by state, Mar. 2022-Mar. 2023 (U.S.: 2.5%)

44 states **up**, 5 states **down**, 1 state + DC zero

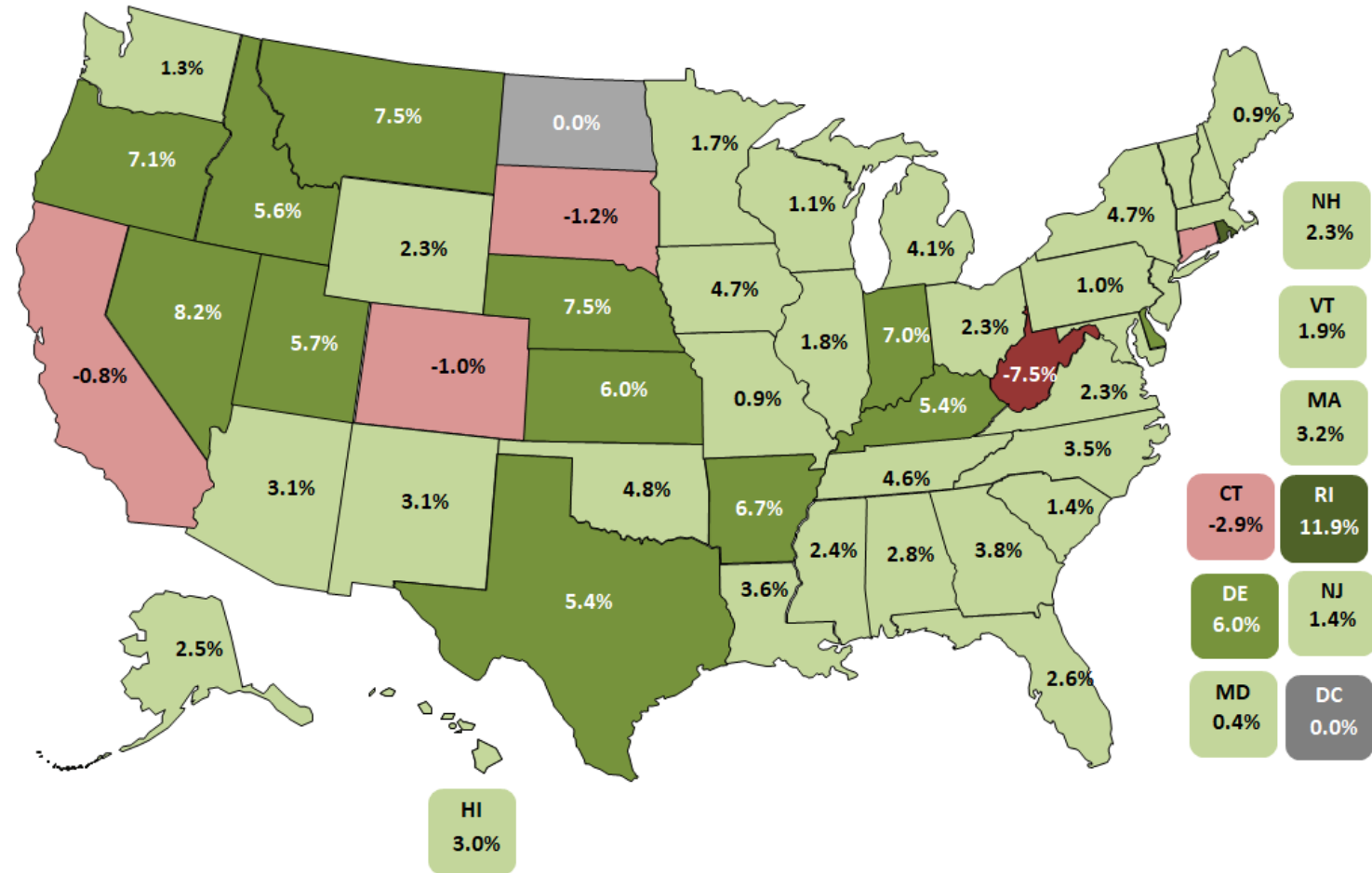


Top 5

RI	11.9%
NV	8.2%
MT	7.5%
NE	7.5%
OR	7.1%

Bottom 5

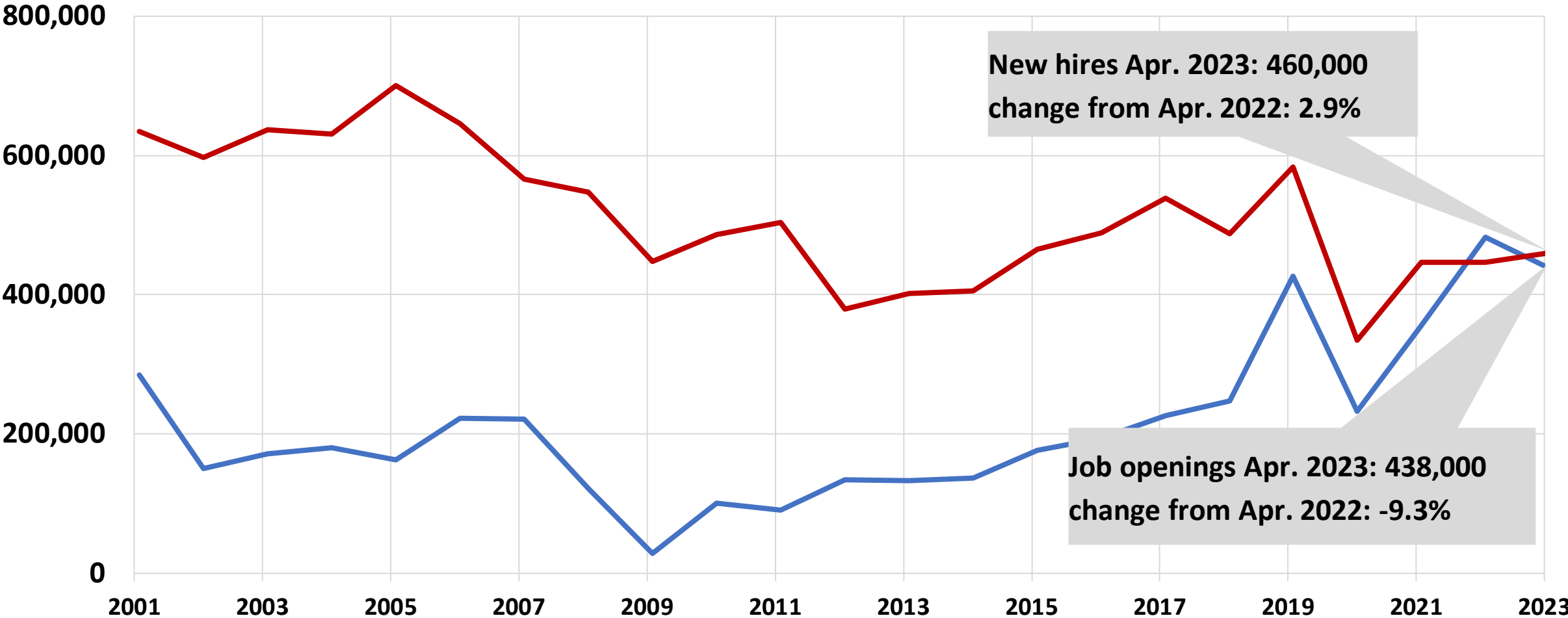
WV	-7.5%
CT	-2.9%
SD	-1.2%
CO	-1.0%
CA	-0.8%



Construction job openings & new hires



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

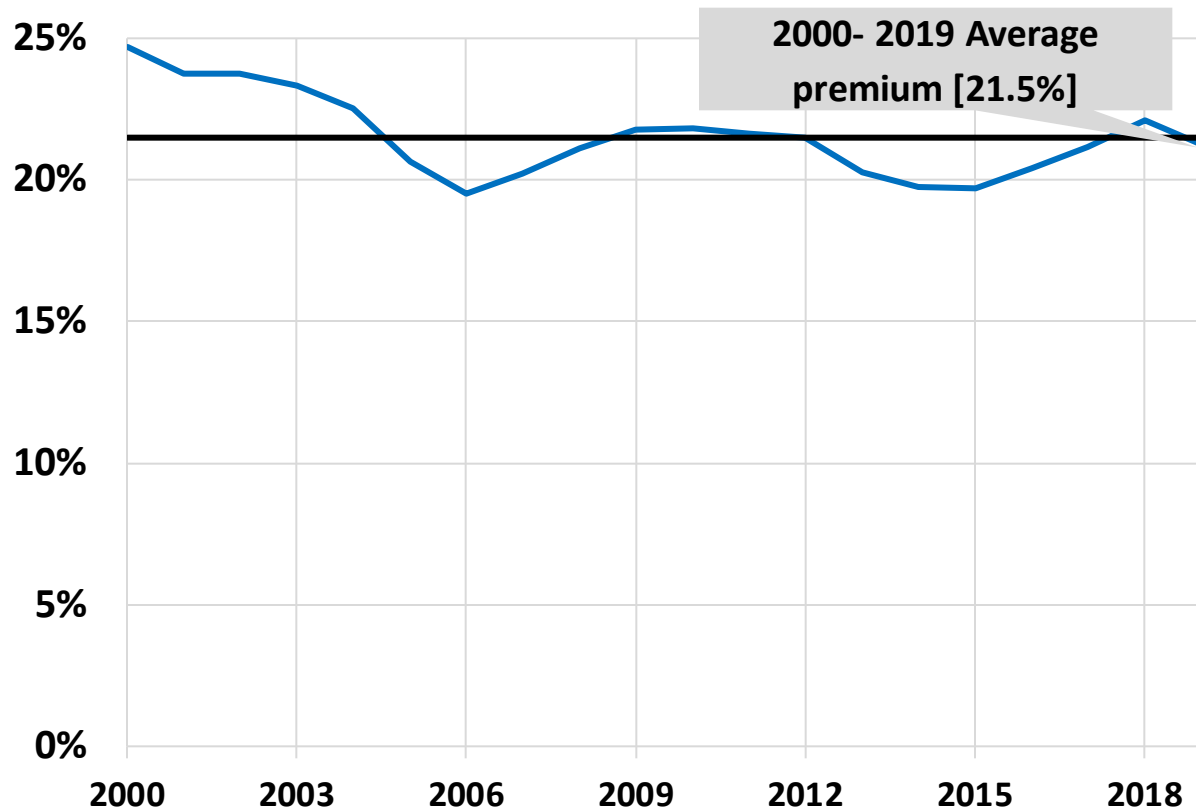


Construction wage “premium” vs. total private sector

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

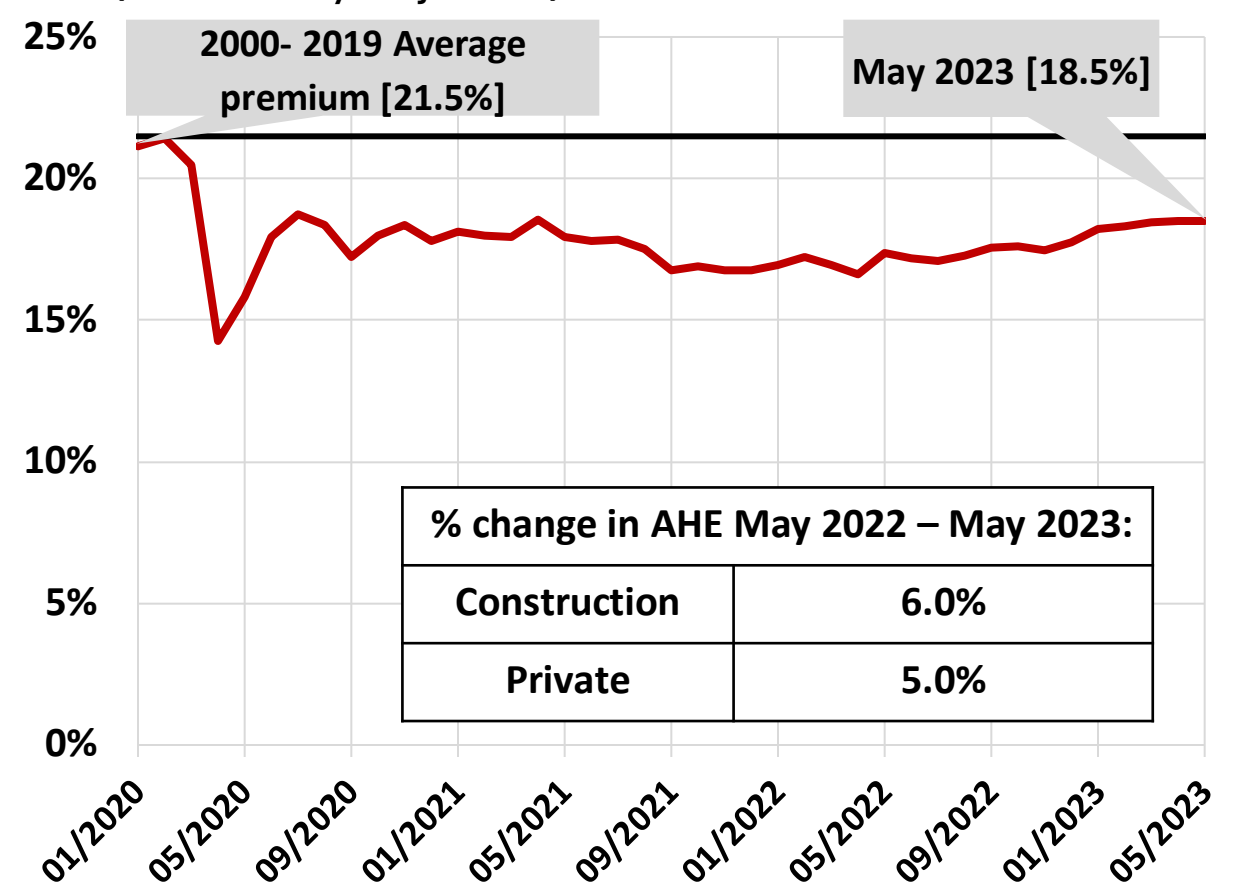


Annual premium, 2000–2019



Monthly premium, Jan. 2020–May 2023

(seasonally adjusted)

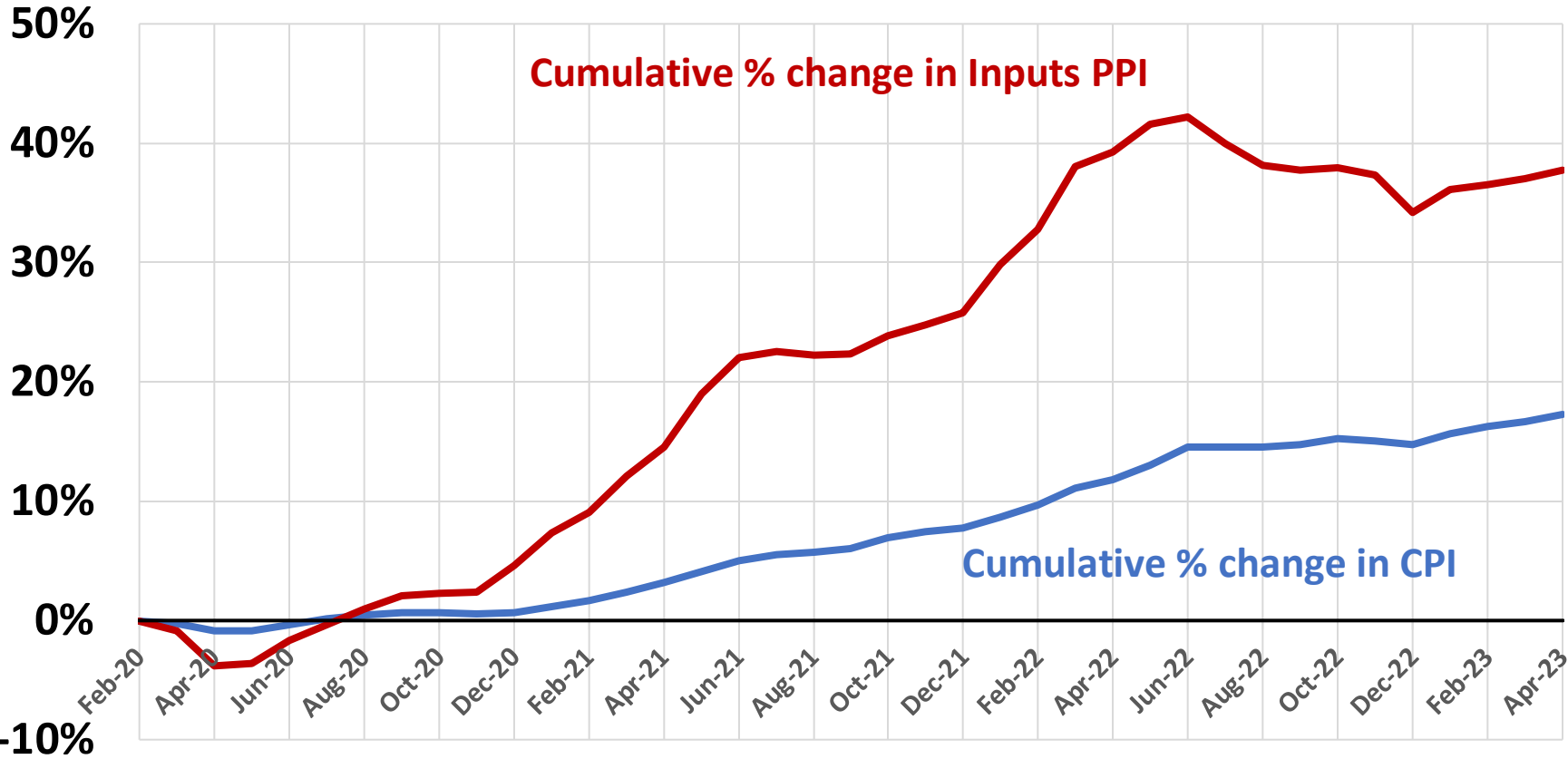


Costs for new nonresidential construction vs. consumer prices



Cumulative change in PPI for new nonresidential construction inputs and CPI

February 2020 – April 2023, not seasonally adjusted



% change to Apr. 2023 since:	Inputs PPI	CPI
Feb. 2020	38%	17%
Apr. 2022	-1.1%	4.9%
Mar. 2023	0.5%	0.5%

Not all construction costs are cooling!



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

Apr 2023 change from:
Mar 2023 Apr 2022
(1 month) (12 months)

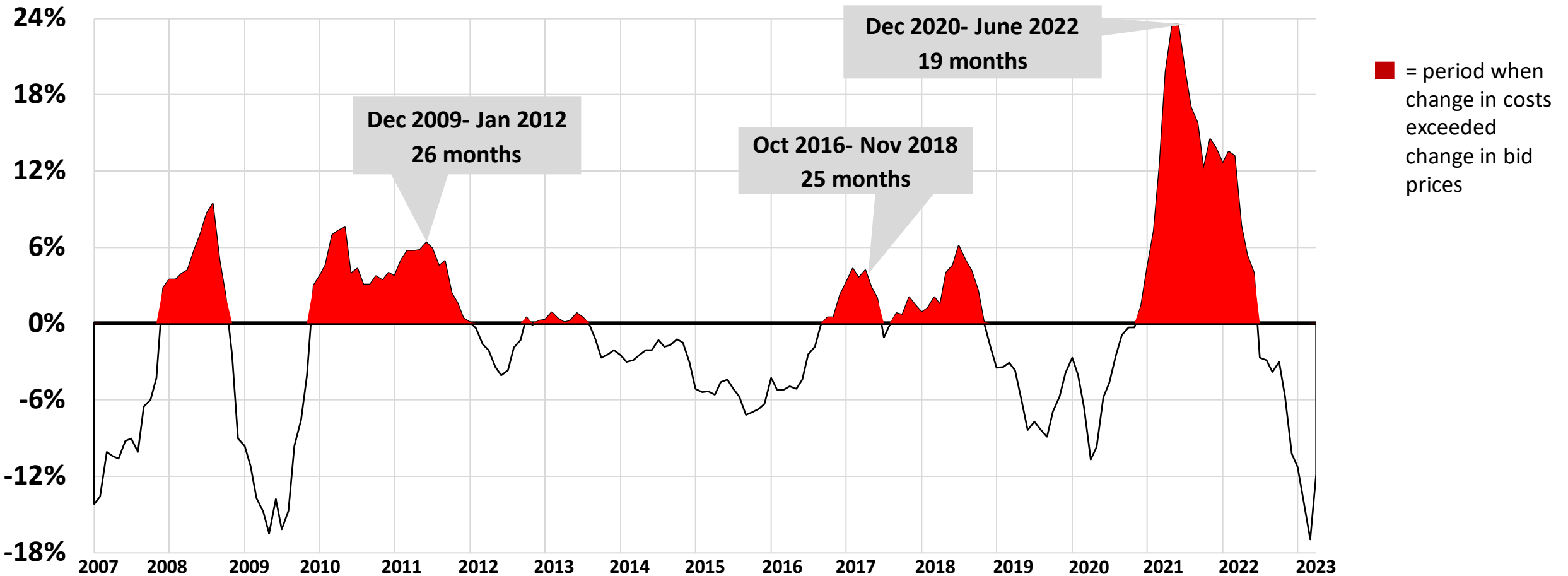
Cement	0.1%	13.7%
Gypsum building materials	-1.1%	12.1%
Asphalt paving mixtures and blocks	-5.9%	9.6%
Construction machinery and equipment	0.3%	9.3%
<u>Subcontractor price indexes, nonresidential building work</u>		
Roofing contractors	3.0%	19.7%
Electrical contractors	-3.0%	13.6%
Plumbing contractors	0.2%	9.6%
Concrete contractors	-0.4%	4.3%

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

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



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Change in construction spending: April 2023 vs. April 2022

current (not inflation-adjusted) dollars, seasonally adjusted



Total 7%: Private residential -9% (single-family -24%; multi 2%; improvements -2%); public residential 8%
Nonresidential 25% (private 31%, public 17%)

Nonresidential segments (in descending order of April 2023 spending)

- Mfg. 104% (computer/electronic 270%; chemical 28%; transportation equipment 130%; food/beverage/tobacco 58%)
- Commercial 24% (warehouse 26%; retail 25%; farm 2%)
- Highway and street 21%
- Power 2% (electric 4%; oil/gas fields & pipelines -3%)
- Education 13% (primary/secondary 11%; higher ed 13%)
- Office (including data centers) 14%
- Transportation 14% (air 7%; trucking/rail 28%; transit -8%)
- Health care 11% (hospital 9%; medical building 29%; special care -17%)
- Other: Sewage/waste disposal 23%; Amusement/recreation 12%; Communications 6%; Water supply 27%; Lodging 41%

Medium-term outlook for construction



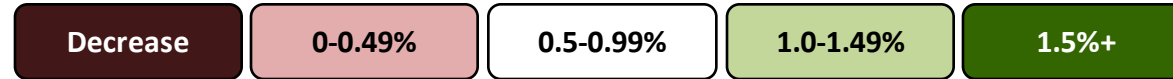
- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+”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

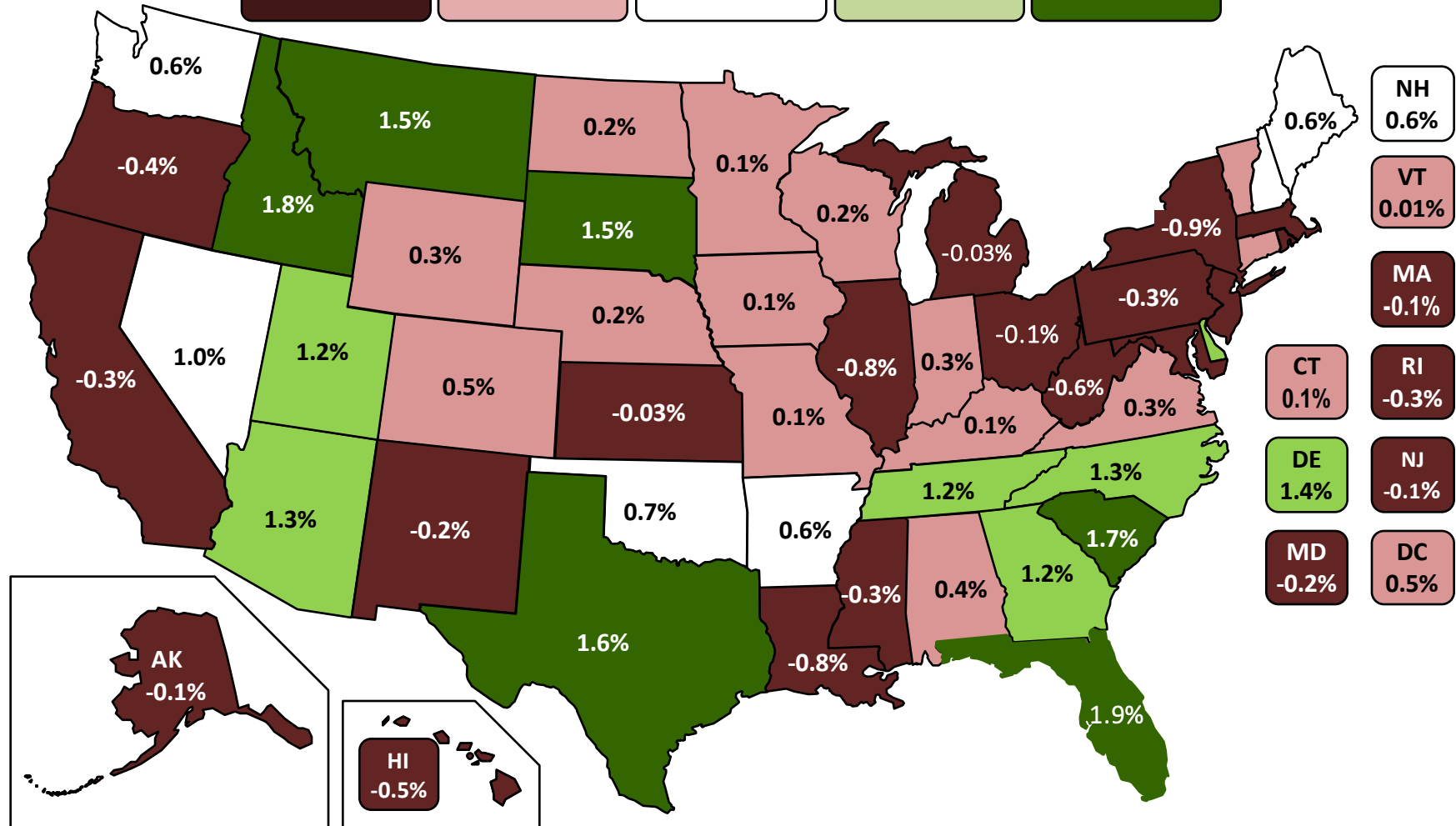


Top 6

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)

- *Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- 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>



Vol. 22, No. 17 May 9-12, 2022

PPI for inputs rises in April but dips over 12 months; pay in construction tops U.S. median by 18%

Prices show mixed trends in April

The producer price index (PPI) for material and service inputs to new nonresidential construction rose 0.5% from March to April but declined 1.1% year-over-year (y/y), according to Bureau of Labor Statistics (BLS) data posted on Thursday.

[Read more](#)

Construction pay tops U.S. median by 18%

"Half of payroll workers in construction earn more than \$54,540," 18% more than the U.S. median wage of \$46,310, "and the top 25% make at least \$77,030," 4.5% higher than the U.S. top quartile base of \$73,460, the National Association of Home Builders reported on Tuesday, based on its analysis of May 2022 Occupational Employment and Wage Statistics posted by BLS...

[Read more](#)

Child counts decline in 35 states

In a trend with implications for school and other construction, "Thirty-five states have fewer children than they did five years ago, a situation caused by declining birth rates nationwide, but also by young families migrating across state borders in search of cheaper housing," Stateline reported on Thursday...

[Read more](#)

Results from RICS-AACE construction survey

Firms reporting declining profit margins outnumbered firms reporting rising margins by 27 percentage points (a net balance reading of -27%) in the first quarter (Q1) 2023 RICS-AACE USA Construction Monitor, covering 60 responses between March 8 and April 21 and posted by RICS on Monday...

[Read more](#)

AGC Highway safety survey closes tonight

Highway contractors are invited to complete AGC's annual highway work zone safety survey by tonight, May 12. Responses will be kept confidential.

[Read more](#)

Census of Construction reminder

The Census Bureau reminded firms in all industries, "The due date for responding to the 2022 Economic Census has passed, but it's not too late to respond..."

[Read more](#)

