US Construction Outlook: Rotation or Retreat?

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Total nonfarm & construction employment, Feb. 2020–May 2023
cumulative change (seasonally adjusted)

% change since:
May 2022  Feb. 2020
Residential Construction 1.2%  9.9%
Nonresidential Construction 0.5%  3.4%
Total Nonfarm 2.7%  2.5%

Source: BLS current employment statistics, https://www.bls.gov/ces/
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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

- New hires Apr. 2023: 460,000
  change from Apr. 2022: 2.9%

- Job openings Apr. 2023: 438,000
  change from Apr. 2022: -9.3%

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**

- 2000-2019 Average premium [21.5%]

**Monthly premium, Jan. 2020–May 2023**

(seasonally adjusted)

- May 2023 [18.5%]

<table>
<thead>
<tr>
<th>% change in AHE May 2022 – May 2023:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Private</td>
</tr>
</tbody>
</table>

Sources: BLS, [www.bls.gov/ces](http://www.bls.gov/ces)
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

<table>
<thead>
<tr>
<th>% change to Apr. 2023 since:</th>
<th>Inputs PPI</th>
<th>CPI</th>
</tr>
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<tbody>
<tr>
<td>Feb. 2020</td>
<td>38%</td>
<td>17%</td>
</tr>
<tr>
<td>Apr. 2022</td>
<td>-1.1%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Mar. 2023</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
Not all construction costs are cooling!

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

<table>
<thead>
<tr>
<th></th>
<th>Apr 2023 change from:</th>
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<tbody>
<tr>
<td></td>
<td>Mar 2023 (1 month)</td>
</tr>
<tr>
<td>Cement</td>
<td>0.1%</td>
</tr>
<tr>
<td>Gypsum building materials</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Asphalt paving mixtures and blocks</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Construction machinery and equipment</td>
<td>0.3%</td>
</tr>
</tbody>
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Subcontractor price indexes, nonresidential building work

<table>
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<tr>
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<th>Apr 2023 change from:</th>
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<tbody>
<tr>
<td></td>
<td>Mar 2023 (1 month)</td>
</tr>
<tr>
<td>Roofing contractors</td>
<td>3.0%</td>
</tr>
<tr>
<td>Electrical contractors</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Plumbing contractors</td>
<td>0.2%</td>
</tr>
<tr>
<td>Concrete contractors</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

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

Source: BLS, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs) and new school building construction (bid prices)
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%

Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending
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%

Source: U.S. Census Bureau, Dec. 2022 population estimates, [www.census.gov/popest](http://www.census.gov/popest)
AGC economic resources
(email ken.simonson@agc.org)

- **Data DIGest**: weekly 1-page email (subscribe at [http://store.agc.org](http://store.agc.org))
- ConsensusDocs Price Escalation Resource **Center**: [https://www.consensusdocs.org/price-escalation-clause/](https://www.consensusdocs.org/price-escalation-clause/)
- 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)