US Construction Outlook: Torrid or Tepid?

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

Source: BLS current employment statistics, https://www.bls.gov/ces/
Construction employment change by state, Mar. 2023-Mar. 2024 (U.S.: 3.4%)

39 states up, 10 states & DC down, 1 state unchanged

**Top 5**
- AK: 16.2%
- SD: 10.9%
- AR: 9.7%
- NV: 8.4%
- ID: 8.1%

**Bottom 5**
- WA: -3.6%
- ND: -2.9%
- MD: -2.9%
- DC: -2.6%
- NY: -2.5%
Construction job openings & new hires

Job openings and hires, March 2001-March 2024, not seasonally adjusted

Job openings March 2024: 295,000
  change from March 2023: -7.2%

New hires March 2024: 360,000
  change from March 2023: -17%

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–Apr. 2024**

(seasonally adjusted)

% change in AHE Apr. 2023 – Apr. 2024:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>4.6%</td>
</tr>
<tr>
<td>Private</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

Sources: BLS, [www.bls.gov/ces](http://www.bls.gov/ces)
Construction materials & labor costs

Year-over-year change in producer price index (PPI) for nonresidential inputs and average hourly earnings (AHE) for production employees in construction, Feb. 2020 – Mar. 2024

*Seasonally adjusted (SA)
**Not seasonally adjusted (BLS does not post SA data for this series)
Input costs have risen faster than bid prices since early 2020

Cumulative change in producer price index (PPI) for inputs and bid prices for nonresidential construction, Feb. 2020–Mar. 2024

<table>
<thead>
<tr>
<th>% change to Mar. 2024 in PPI:</th>
<th>PPI for inputs:</th>
<th>Bid price PPI:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 2020</td>
<td>39%</td>
<td>32%</td>
</tr>
<tr>
<td>Mar. 2023</td>
<td>1.5%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Feb. 2024</td>
<td>0.3%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Cost squeeze on contractors can reappear suddenly
Difference between year-over-year change in materials costs vs. bid prices, Jan 2016-Mar 2024

Source: BLS, www.bls.gov/ppi, producer price indexes for inputs to new nonresidential construction and bid prices
## Some construction costs remain volatile

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

### March 2024 change from:
- **Feb. 2024 (1 month)**
- **Mar. 2023 (12 months)**

<table>
<thead>
<tr>
<th>Material</th>
<th>1 month</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Ready-mix concrete</td>
<td>0.1%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>-0.6%</td>
<td>-6.2%</td>
</tr>
</tbody>
</table>

### Subcontractor price indexes, nonresidential building work

<table>
<thead>
<tr>
<th>Contractor Type</th>
<th>1 month</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roofing contractors</td>
<td>0.0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Plumbing contractors</td>
<td>-0.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Electrical contractors</td>
<td>0.0%</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Concrete contractors</td>
<td>0.2%</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

Source: BLS, producer price indexes, www.bls.gov/ppi
Change in construction spending: March 2024 vs. March 2023

Year-over-year % change in current (not inflation-adjusted) dollars, seasonally adjusted

- Total construction: 10%
- Private residential: 4%
- Nonresidential: 14%
- Manufacturing: 26%
- Highway and street: 20%
- Education: 17%
- Power (incl. oil & gas): 13%
- Health care: 10%
- Office (incl. data centers): 7%
- Transportation: 6%
- Commercial (warehouse, retail, farm): 1%

Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending
Change in construction spending: March 2024 vs. March 2023

current (not inflation-adjusted) dollars, seasonally adjusted

**Total** 10%: **Private residential** 4% (single-family 18%; multi 3%; improvements -10%); **public residential** 15%

**Nonresidential** 14% (private 11%, public 18%)

Nonresidential segments (in descending order of Mar. 2024 spending; combined new & renovation spending)

- Mfg. 26% (computer/electronic 34%; chemical 10%; transportation equipment 39%; food/beverage/tobacco -23%)
- Highway and street 20%
- Power 13% (electric 15%; oil/gas fields & pipelines 0.1%)
- Commercial 1% (warehouse -4%; retail 8%; farm 3%)
- Education 17% (primary/secondary 16%; higher ed 19%)
- Office (including data centers) 7%
- Health care 10% (hospital 8%; medical building 13%; special care 13%)
- Transportation 6% (air 13%; private rail/truck 4%; transit -17%)
- Other: Sewage/waste 11%; Amuse/recreation 19%; Water supply 17%; Communication 4%; Lodging -0.5%; Conservation/development -6%

Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending
Medium-term outlook for construction

• Economic recovery should continue but with sticky inflation & interest rates
• Single-family homebuilding should continue recovering
• Multifamily, warehouse, office: steep drops likely as vacancies and costs climb
• Data center and manufacturing construction should remain hot
• 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: mostly better except electrical gear, some electronics
• Labor availability has resumed being the #1 challenge for many contractors
Long-run construction outlook

- 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

Source: Author
Population change by state, July 2022–July 2023
(U.S.: 0.49%)

Top 5
- SC 1.7%
- FL 1.6%
- TX 1.6%
- ID 1.3%
- NC 1.3%

Bottom 5
- NY -0.5%
- LA -0.3%
- HI -0.3%
- IL -0.3%
- WV -0.2%
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/