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**November 2022**

# **U.S. Construction Outlook: Recession or Resurgence?**

Ken Simonson

Chief Economist, AGC of America

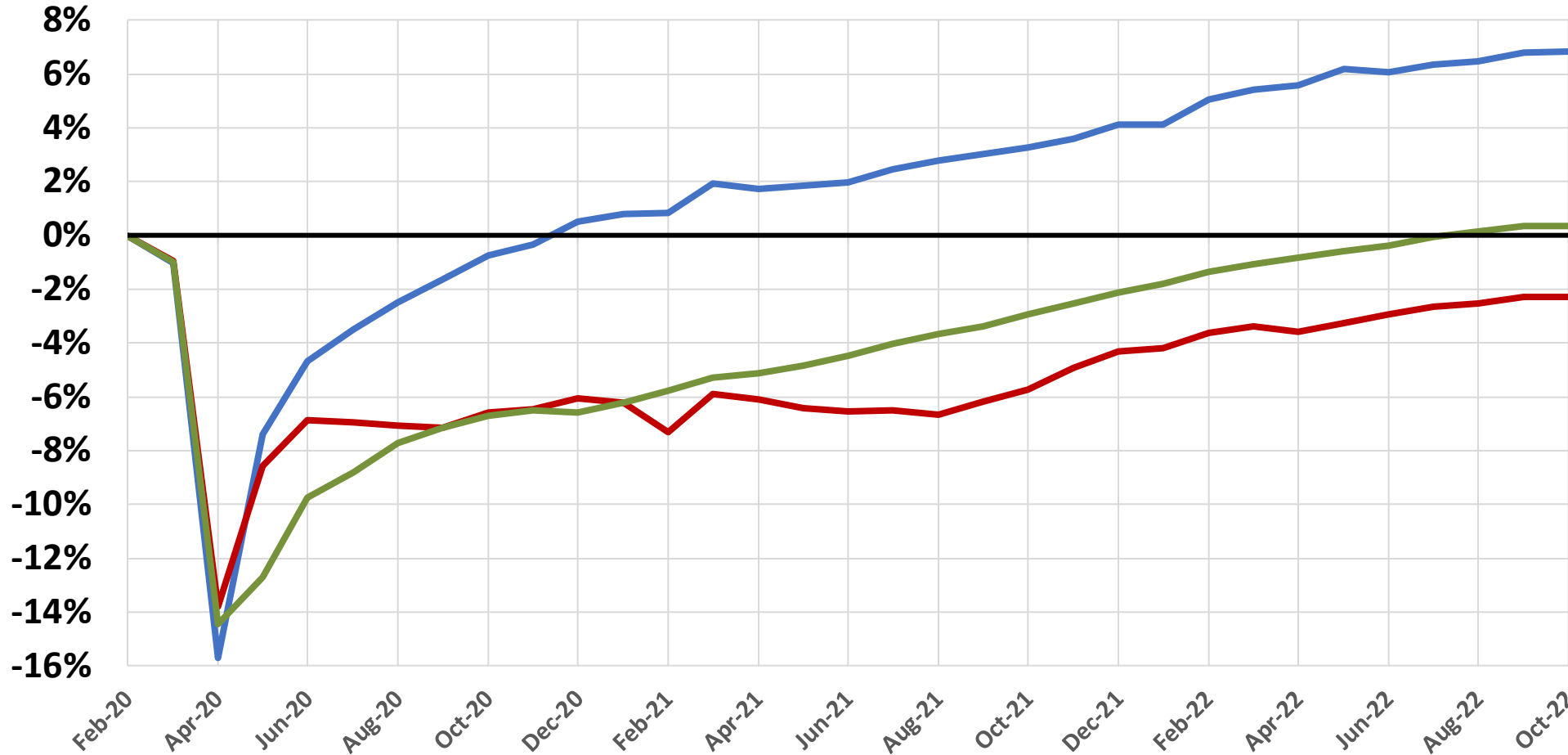
[ken.simonson@agc.org](mailto:ken.simonson@agc.org)

# Total Nonfarm & Construction Employment, Feb. 2020–Oct. 2022

cumulative change (seasonally adjusted)



**Change since Feb. 2020:**

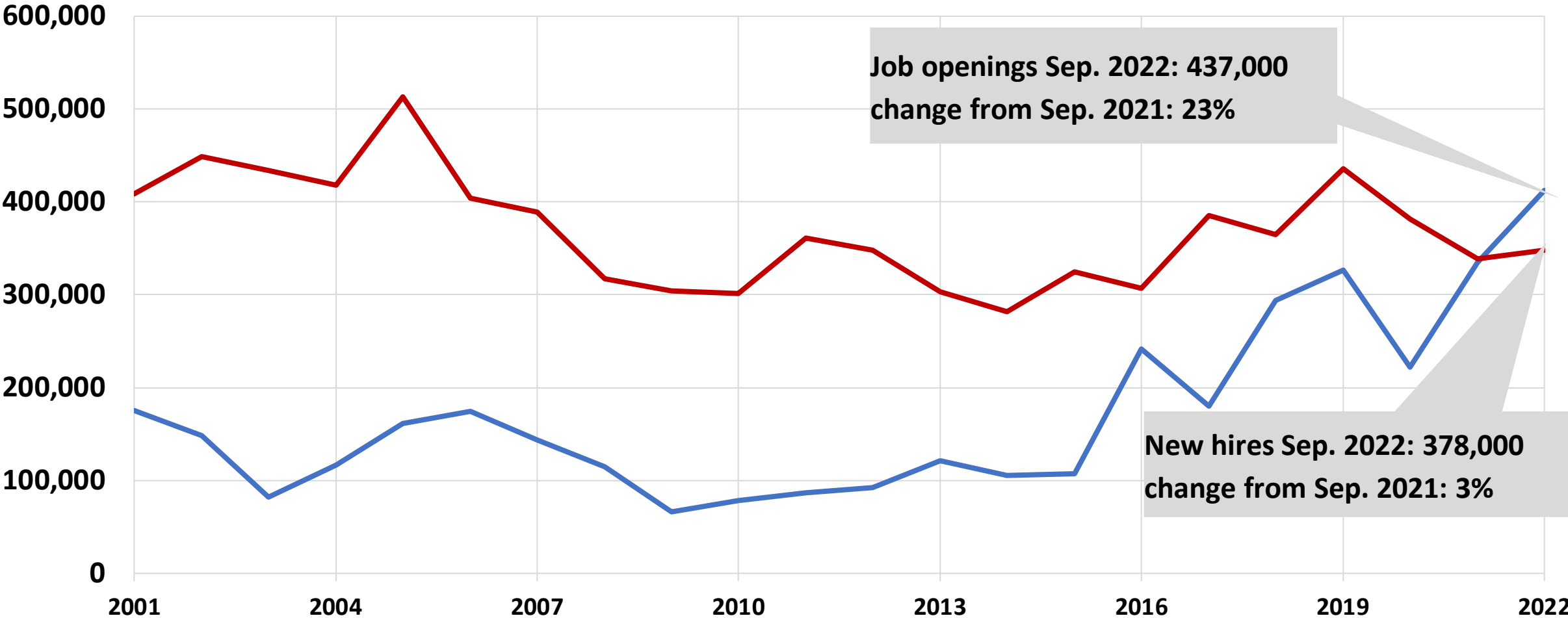


	<u>Number</u>	<u>Percent</u>
<b>Residential Construction</b>	<b>203,000</b>	<b>6.8%</b>
<b>Total Nonfarm</b>	<b>804,000</b>	<b>0.5%</b>
<b>Nonresidential Construction</b>	<b>-106,000</b>	<b>-2.3%</b>

# Construction job openings & new hires

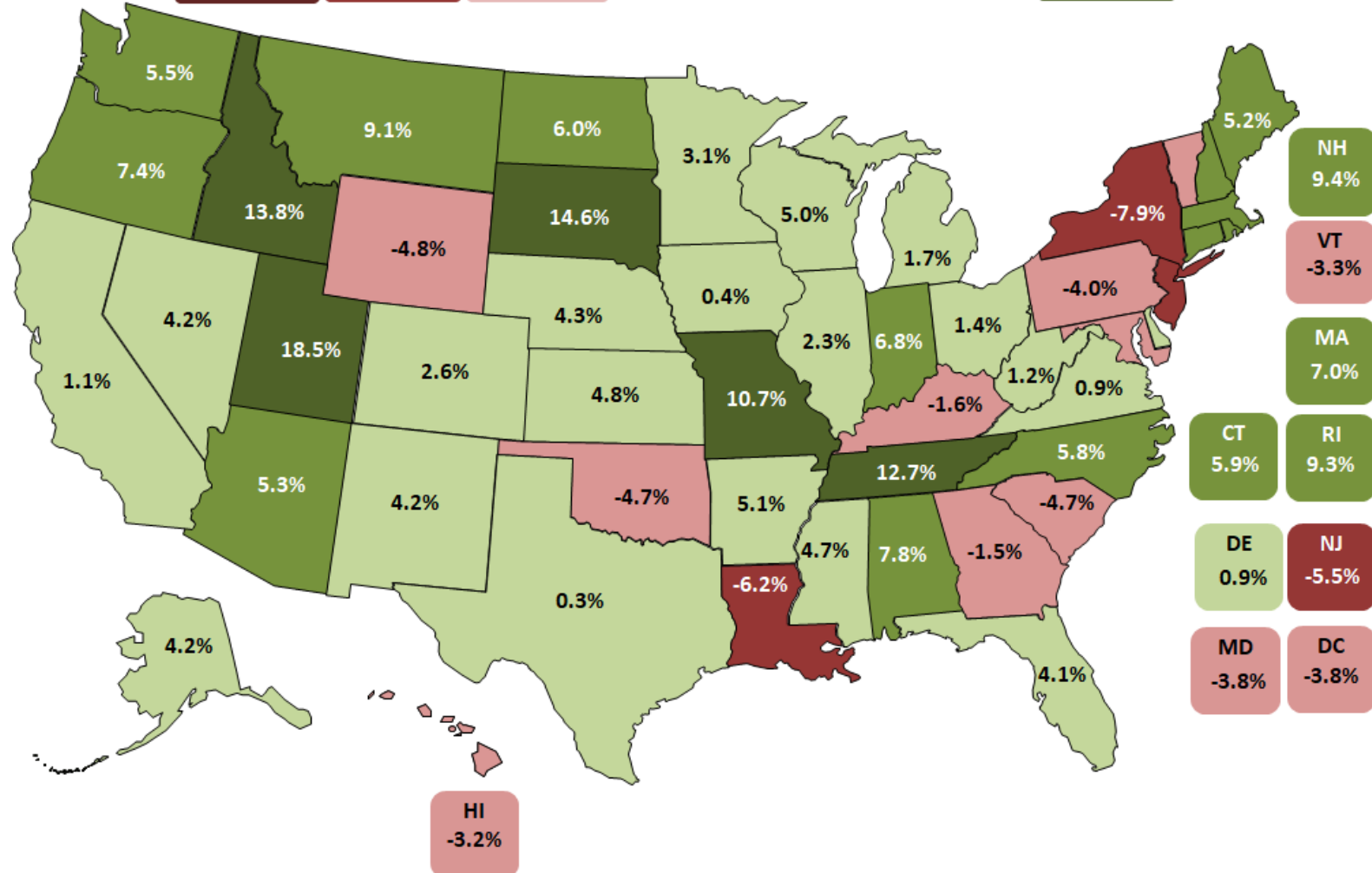
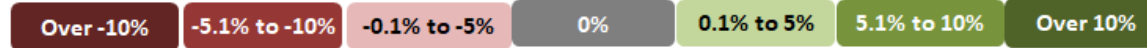


Job openings and hires, Sep. 2001-Sep. 2022, not seasonally adjusted



# Construction employment change by state, February 2020-September 2022

38 states **up**, 12 states + DC **down**, 0 unchanged (**U.S.: 1.3%**)



## Top 5

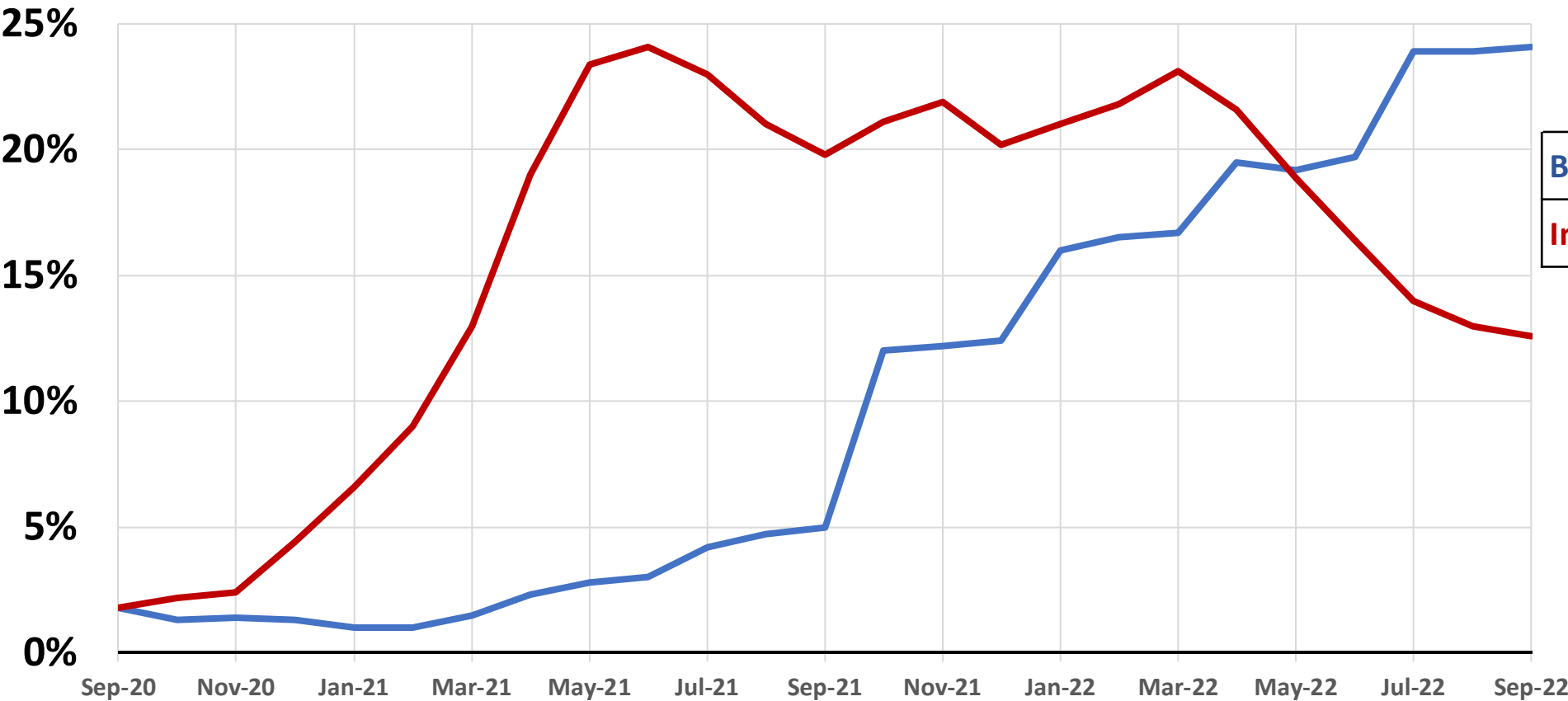
UT	18.5%
SD	14.6%
ID	13.8%
TN	12.7%
MO	10.7%

## Bottom 5

NY	-7.9%
LA	-6.2%
NJ	-5.5%
WY	-4.8%
SC	-4.7%

# Costs vs. Bid Prices for New Nonresidential Construction

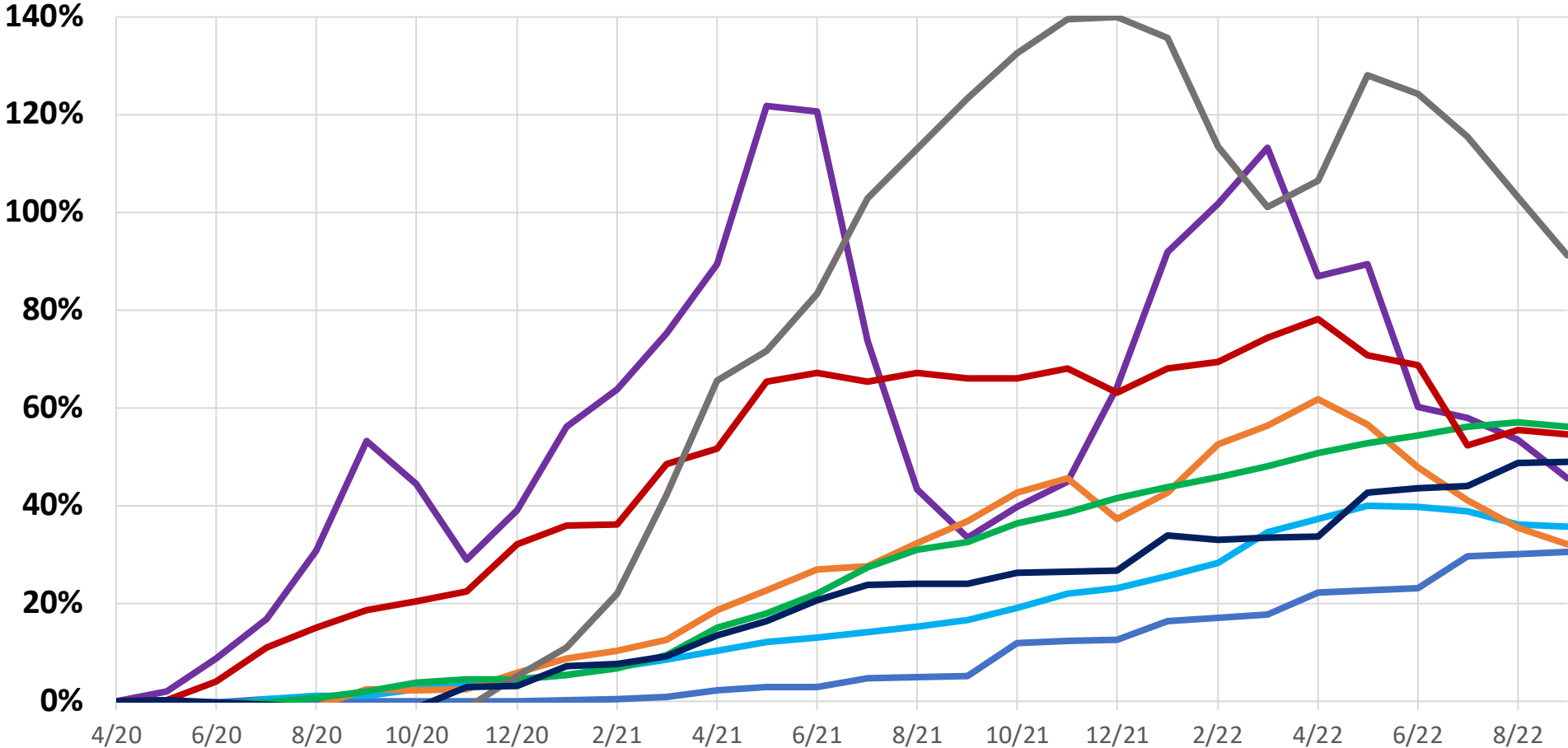
Year-over-year change in PPIs, Sep 2020 – Sep 2022, not seasonally adjusted



	12 months to:	
	Sep-20	Sep-22
<b>Bid Price PPI</b>	<b>1.8%</b>	<b>24.1%</b>
<b>Inputs PPI</b>	<b>1.8%</b>	<b>12.6%</b>

# PPIs for Construction Bid Prices and Selected Inputs

Cumulative change in PPIs, April 2020–September 2022 (not seasonally adjusted)



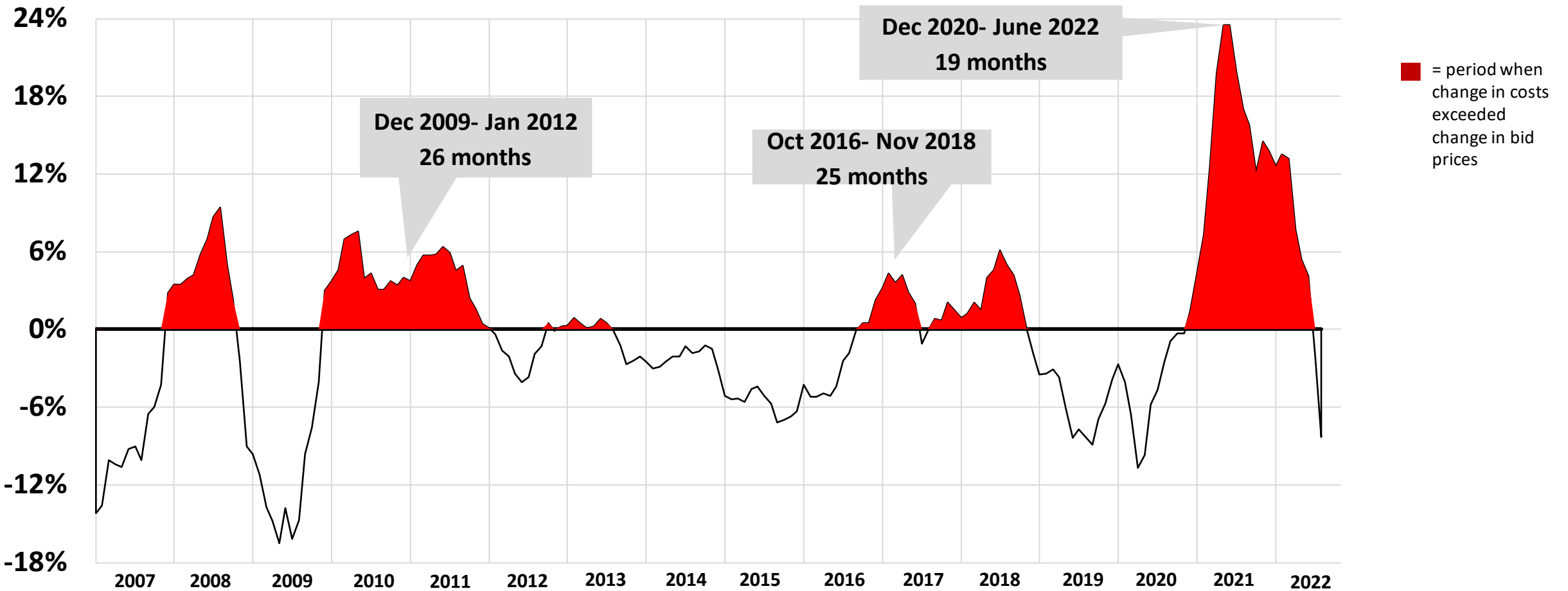
% Change: April 2020 - September 2022		
	Steel Mill Products	91.3%
	Plastic Construction Products	56.2%
	Copper & Brass Mill Shapes	54.6%
	Lumber and Plywood	45.6%
	Gypsum Building Materials	49.0%
	Aluminum Mill Shapes	32.1%
	Truck Transportation	35.7%
	'Bid Price' <i>(new nonresidential building construction)</i>	30.5%

# Cost squeeze on contractors can last two years or more

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



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# Change in construction spending: Sep. 2022 vs. Sep. 2021

current (not inflation-adjusted) dollars, seasonally adjusted



- Total 11%: private res 13% (single-family -3%; multi 2%; improvements 41%); private nonres 11%; public 7%

Largest segments (in descending order of Sep. 2022 spending)

- Commercial 23% (warehouse 23%; retail 25%; farm 13%)
- Mfg. 43% (computer/electronic 320%; **chemical -14%**; food/beverage/tobacco -6%; transp. equip. 9%)
- Highway and street 9%
- **Power -11% (electric -11%; oil/gas fields & pipelines -12%)**
- Education 1% (primary/secondary 0.1%; higher ed 5%)
- Office 1%
- Transportation 2% (**air -8%**; freight rail/trucking 15%; mass transit 14%)
- Health care 7% (hospital 6%; medical building 15%; **special care -2%**)
- Sewage and waste disposal 16%
- Water supply 26%



# Forward-looking indicators



Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	Sept.	51.7	55.4
Dodge Momentum Index (DMI)	Oct.	200	156
Multifamily permits not yet started	Sept.	144,000	108,000

# Medium-term outlook for construction



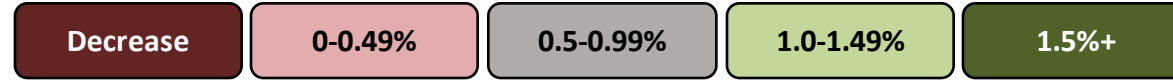
- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+” 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 2020–July 2021 (U.S.: 0.12%)

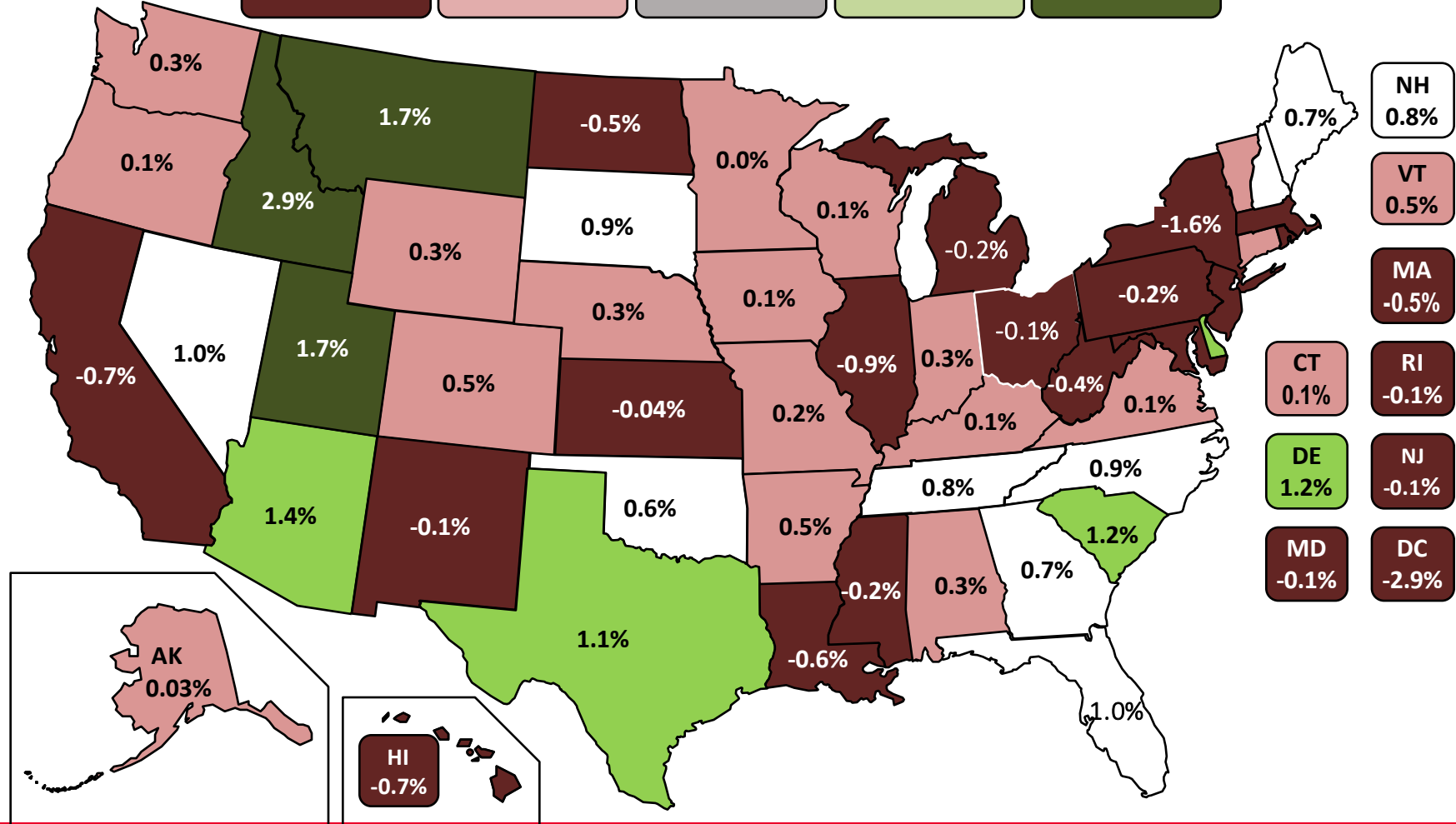


## Top 6

ID	2.9%
UT	1.7%
MT	1.7%
AZ	1.4%
SC, DE	1.2%

## Bottom 5

DC	-2.9%
NY	-1.6%
IL	-0.9%
HI	-0.7%
CA	-0.7%



# AGC economic resources

(email [ken.simonson@agc.org](mailto: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/):  
<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>

