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April 2023

US Construction Outlook: Rotation or Retreat?

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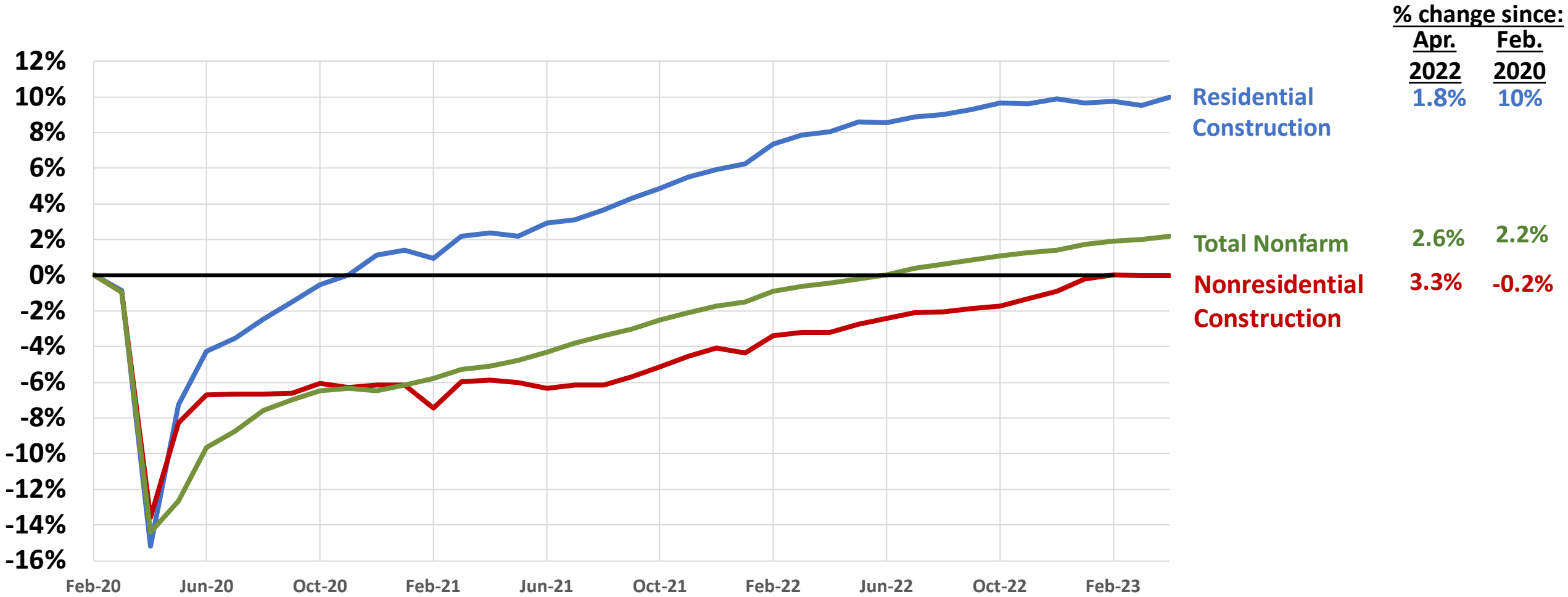
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Total nonfarm & construction employment, Feb. 2020–Apr. 2023

cumulative change (seasonally adjusted)

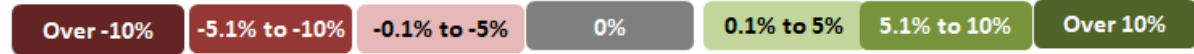


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Construction employment change by state, Mar. 2022-Mar. 2023 (U.S.: 2.5%)

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

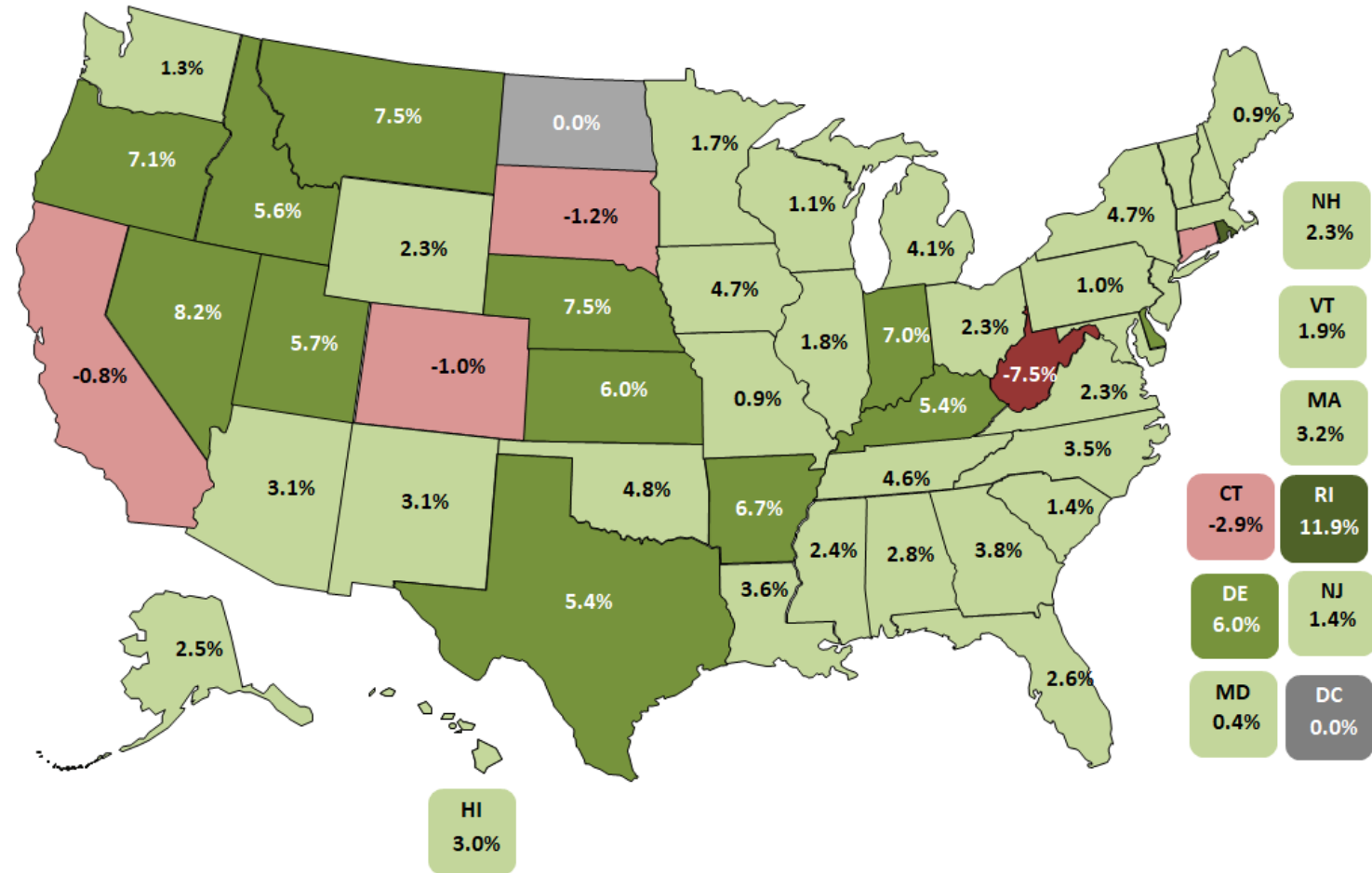


Top 5

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

Bottom 5

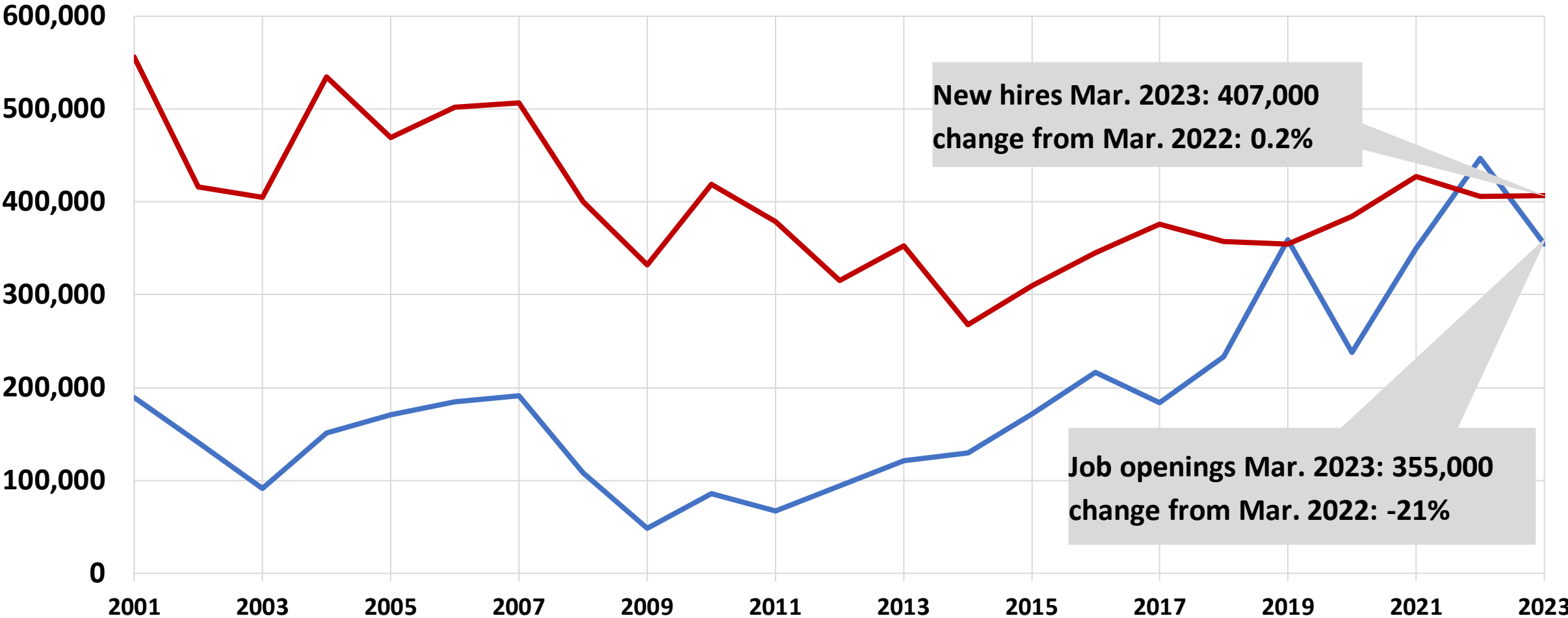
WV	-7.5%
CT	-2.9%
SD	-1.2%
CO	-1.0%
CA	-0.8%



Construction job openings & new hires



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

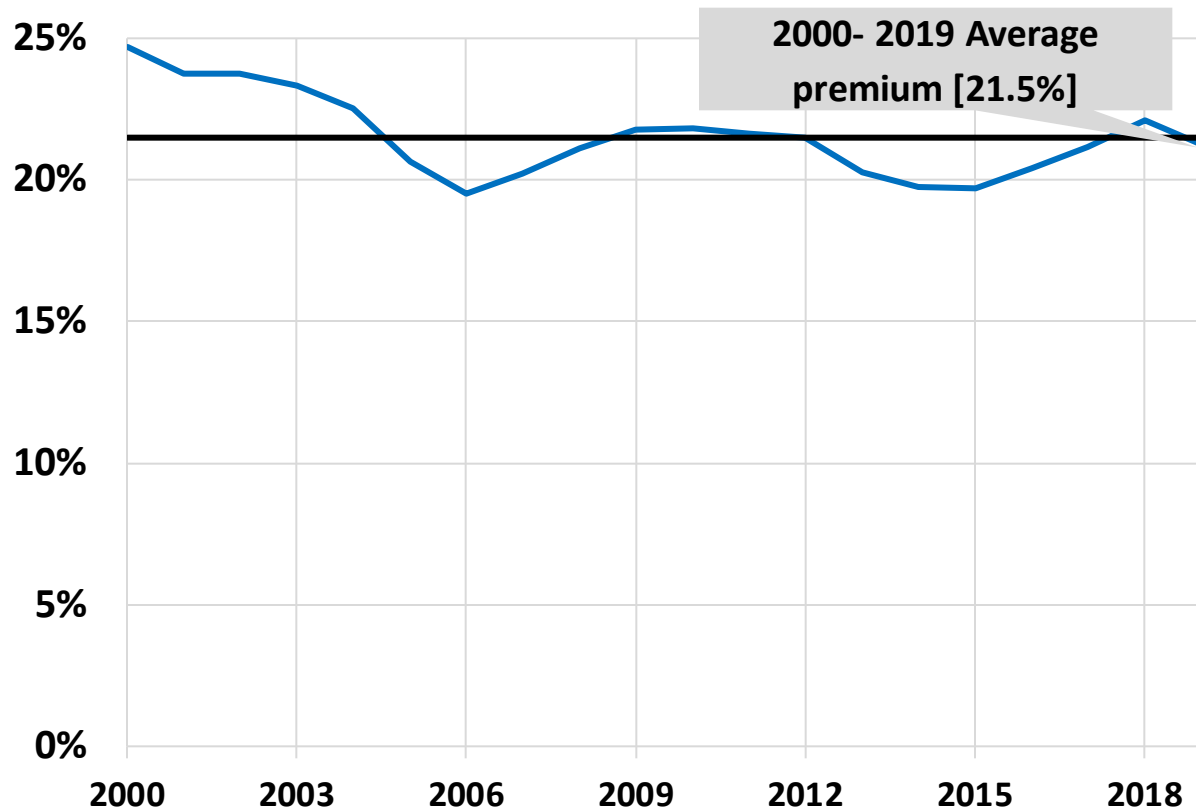


Construction wage “premium” vs. total private sector

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

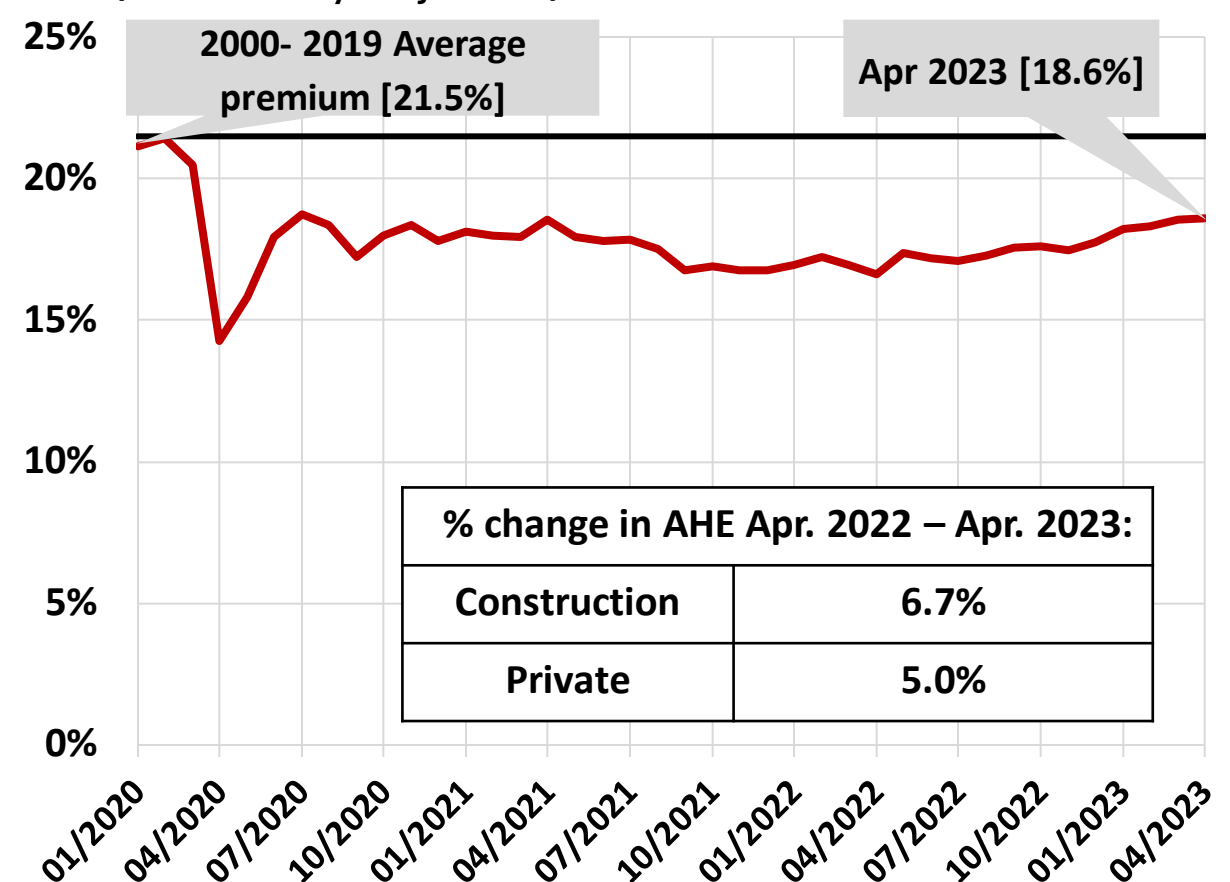


Annual premium, 2000–2019



Monthly premium, Jan. 2020–Apr. 2023

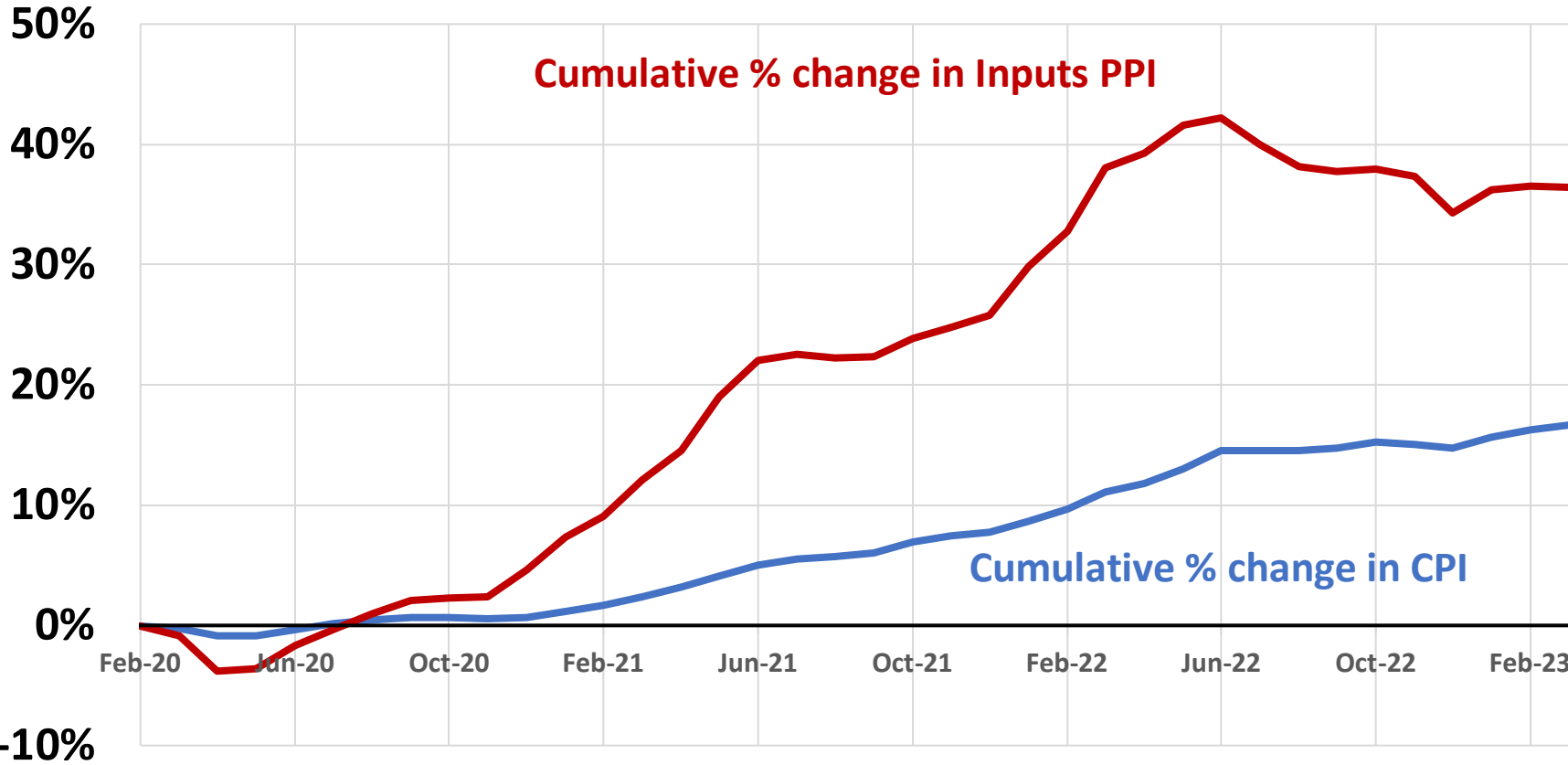
(seasonally adjusted)



Costs for new nonresidential construction vs. consumer prices

Cumulative change in PPI for new nonresidential construction inputs and CPI

February 2020 – March 2023, not seasonally adjusted



% change to Mar. 2023 since:	Inputs PPI	CPI
Feb. 2020	36%	17%
Mar. 2022	-1.1%	5.0%
Feb. 2023	-0.1%	0.3%

Not all construction costs are cooling!



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

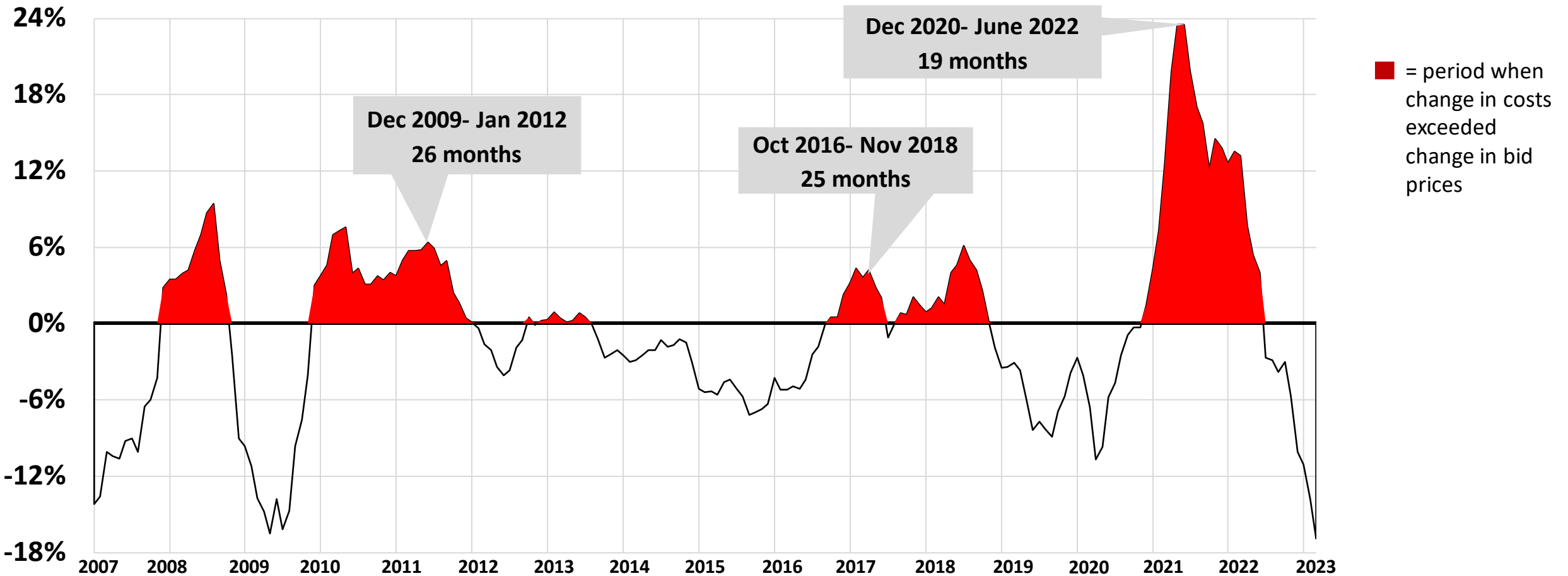
	Mar 2023 change from:	
	Feb 2023	Mar 2022
	(1 month)	(12 months)
Cement	0.3%	17.0%
Asphalt paving mixtures and blocks	-0.1%	14.1%
Construction machinery and equipment	0.2%	11.8%
Gypsum building products	-0.1%	11.8%
<u>Subcontractor price indexes, nonresidential building work</u>		
Roofing contractors	0.2%	19.5%
Plumbing contractors	0.8%	12.5%
Electrical contractors	0.1%	18.8%
Concrete contractors	0.1%	8.0%

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

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



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Change in construction spending: March 2023 vs. March 2022

current (not inflation-adjusted) dollars, seasonally adjusted



Total 4%: Private residential -10% (single-family -23%; multi 23%; improvements -2%); public residential 10%
Nonresidential 19% (private 21%, public 15%)

Nonresidential segments (in descending order of March 2023 spending)

- Mfg. 62% (computer/electronic 179%; chemical 22%; food/beverage/tobacco 49%; transportation equipment 22%)
- Commercial 20% (warehouse 22%; retail 22%; farm 1%)
- Highway and street 21%
- Power -3% (electric -5%; oil/gas fields & pipelines -2%)
- Education 11%
- Office 15%
- Transportation 12%
- Health care 11%

- Other: Sewage/waste disposal 26%; Amusement/recreation 13%; Communications 5%; Water supply 26%; Lodging 38%

Medium-term outlook for construction



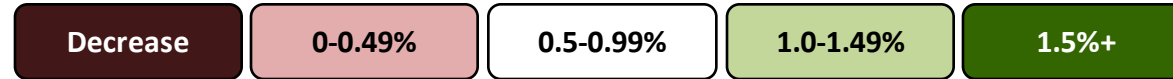
- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+”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

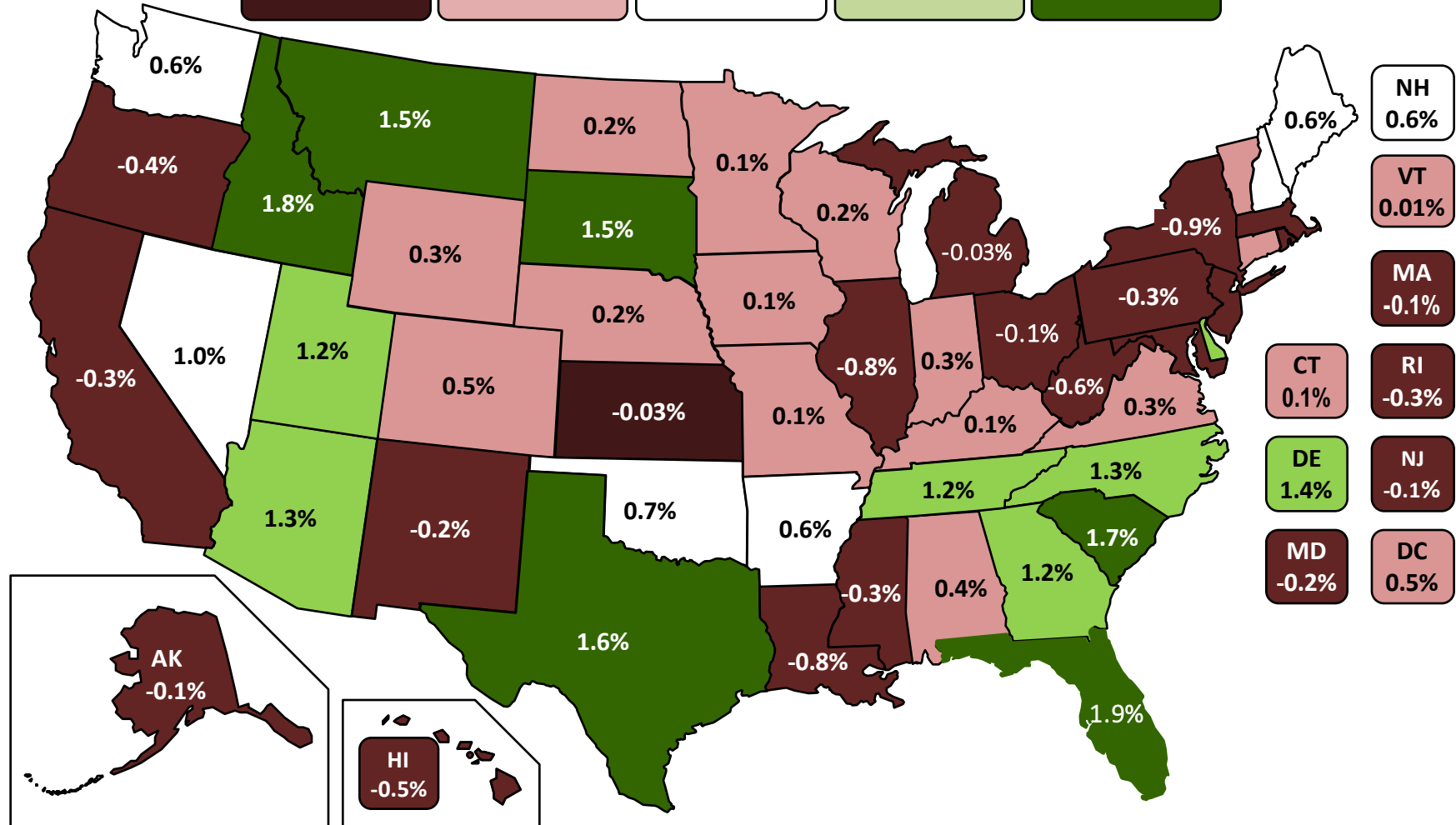


Top 6

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)



- 2023 AGC/Sage Construction Hiring & Business Outlook Survey Results: <https://www.agc.org/2023-construction-hiring-and-business-outlook>
- *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
- Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings:
<https://www.agc.org/newsroom>

