November 2023

US Construction Outlook: Lively, Level, or Lackluster?

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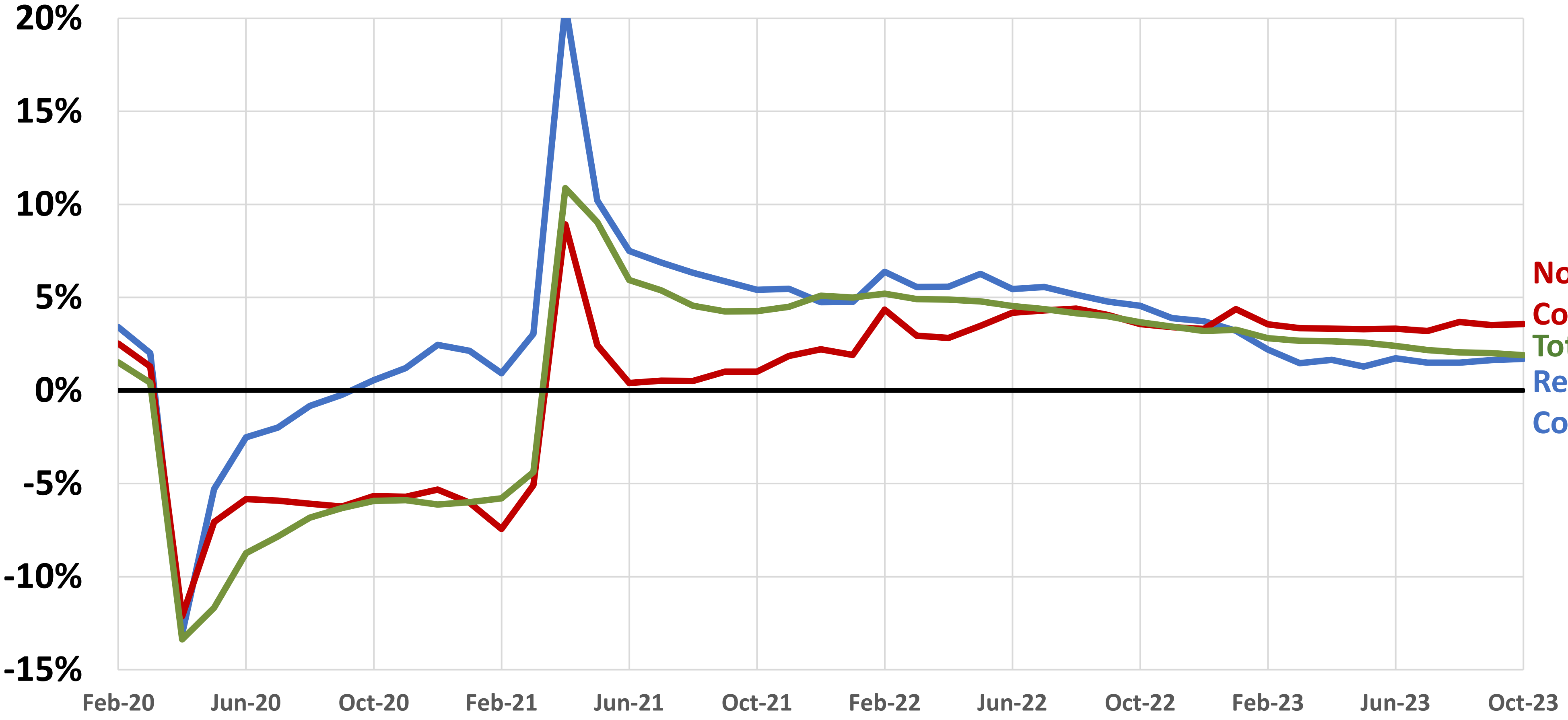
Total nonfarm & construction employment, Feb. 2020–Oct. 2023

Year-over-year change, seasonally adjusted



	% change since: Oct. 2022	% change since: Feb. 2020
Nonresidential Construction	3.6%	1.8%
Total Nonfarm	1.9%	3.0%
Residential Construction	1.7%	12%

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

Construction employment change by state, Sep. 2022-Sep. 2023 **(U.S.: 2.8%)**

43 states & DC up & 7 states down

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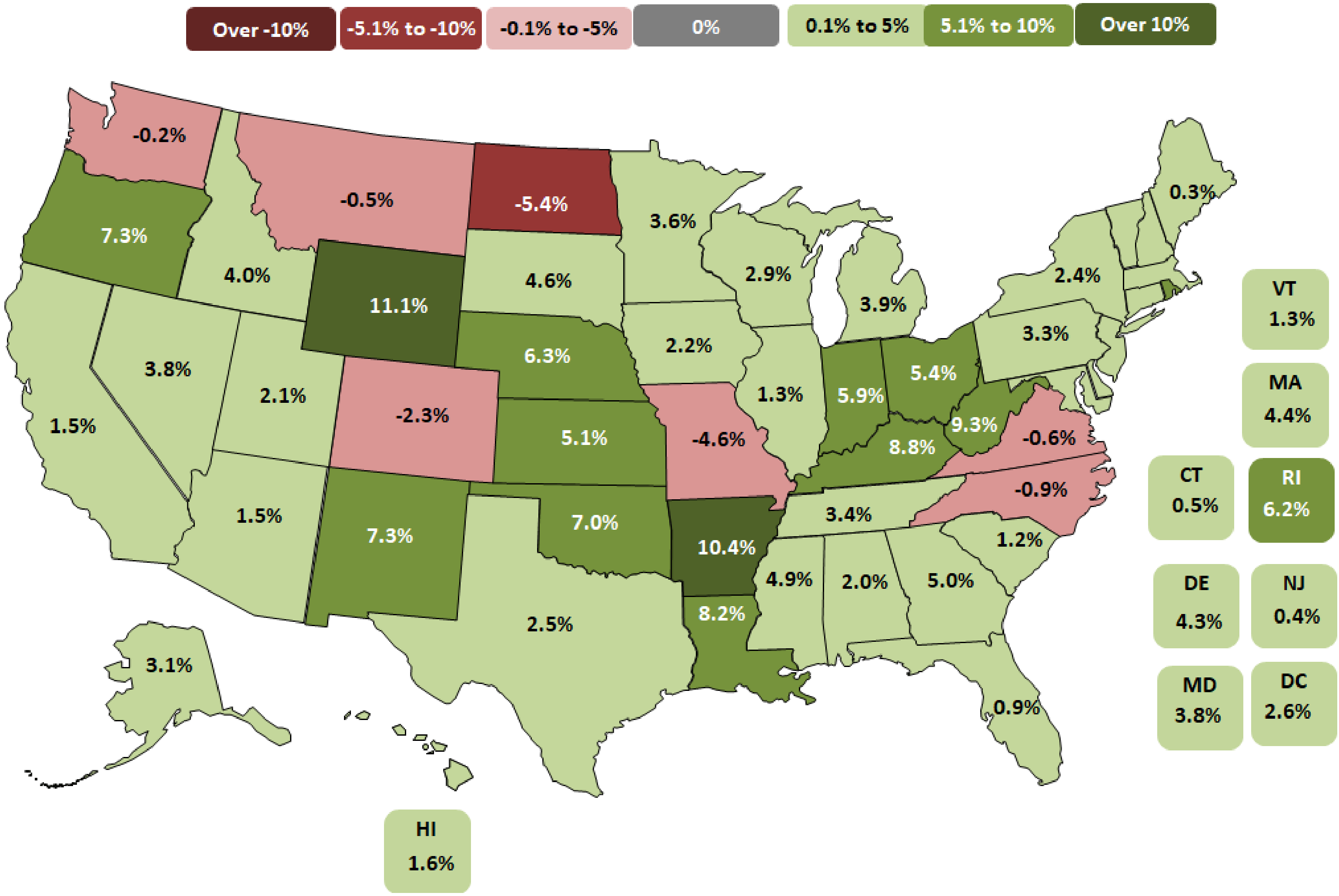
Top 5

WY	11.1%
AR	10.4%
WV	9.3%
KY	8.8%
LA	8.2%

Bottom 5

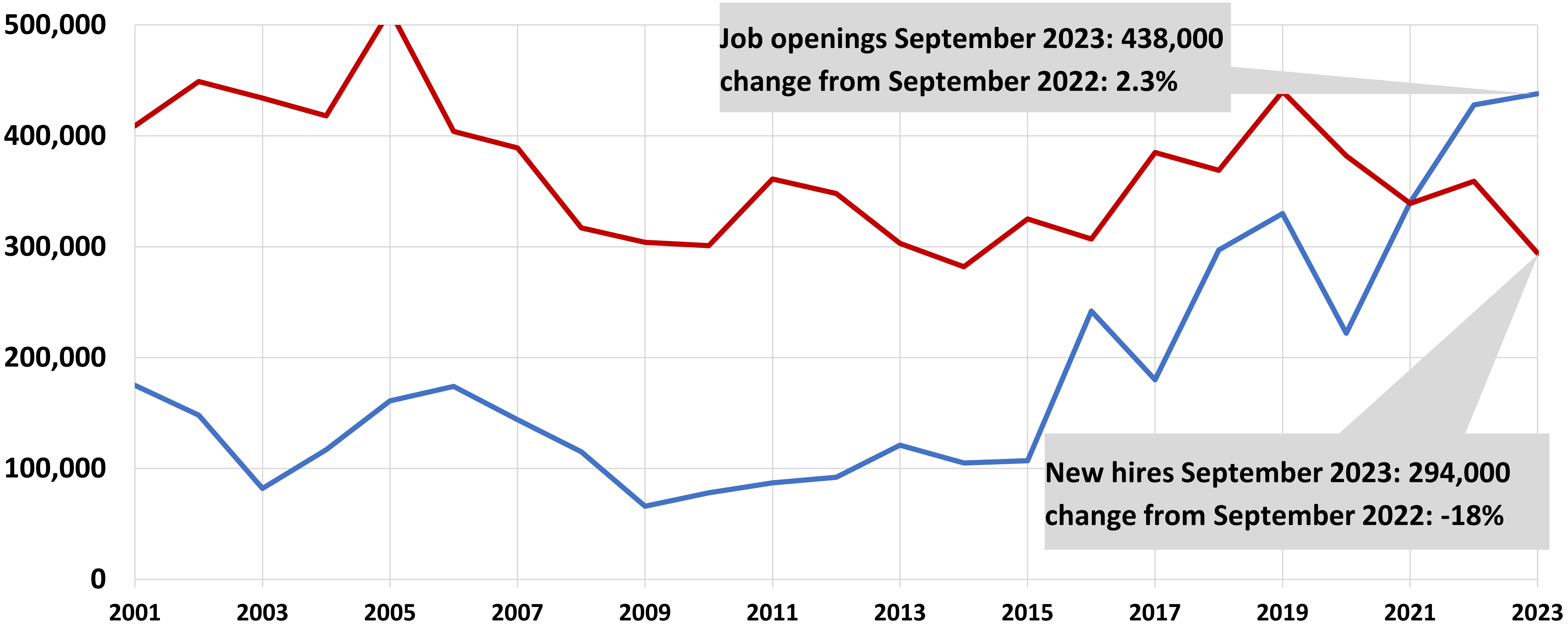
ND	-5.4%
MO	-4.6%
CO	-2.3%
NC	-0.9%
VA	-0.6%



Source: Bureau of Labor Statistics, state and area employment, www.bls.gov/sae

Construction job openings & new hires

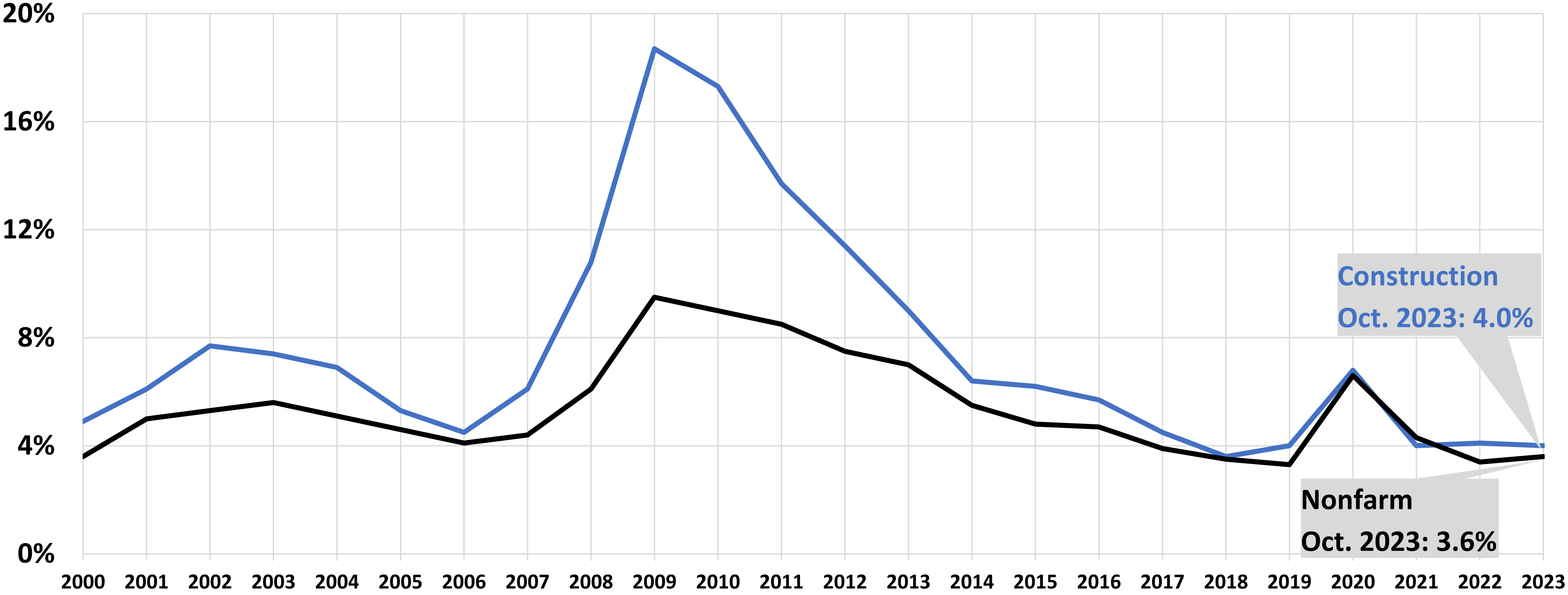
Job openings and hires, September 2001-September 2023, not seasonally adjusted



 Source: Bureau of Labor Statistics, www.bls.gov/jlt, Job Openings & Labor Turnover Survey (JOLTS)

September unemployment rate: total nonfarm & construction

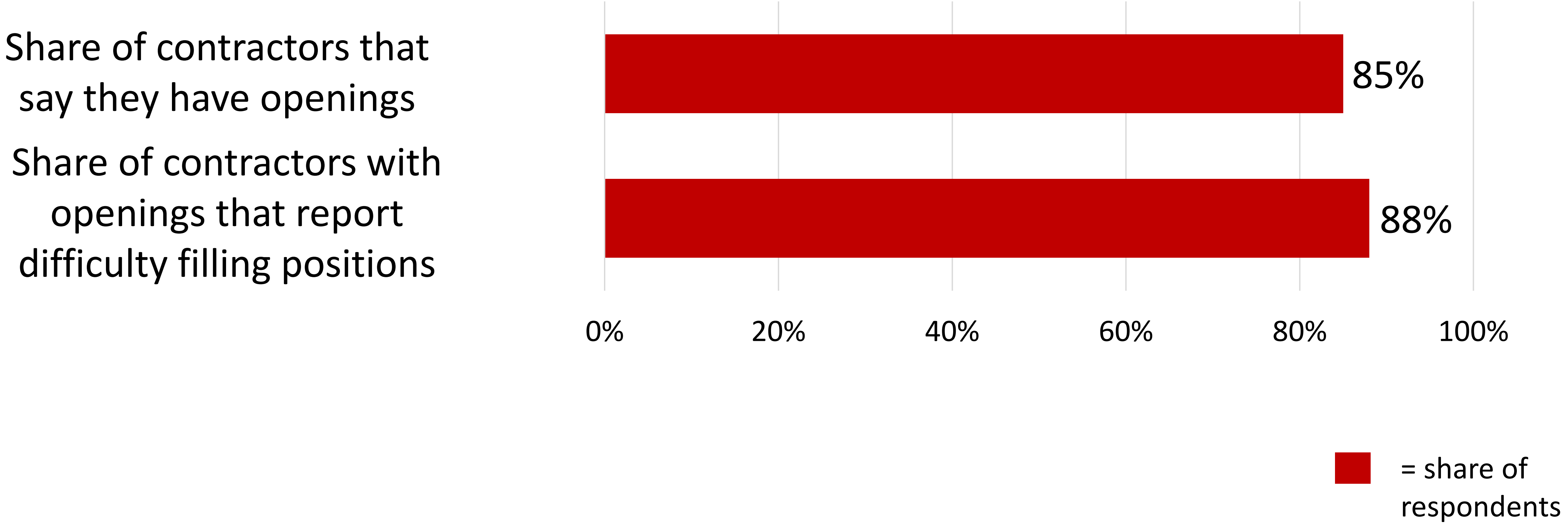
Oct. 2000-Oct. 2023, not seasonally adjusted (NSA)



 Source: Bureau of Labor Statistics, Current Population Survey (CPS)

2023 AGC of America/Autodesk Workforce Survey results:

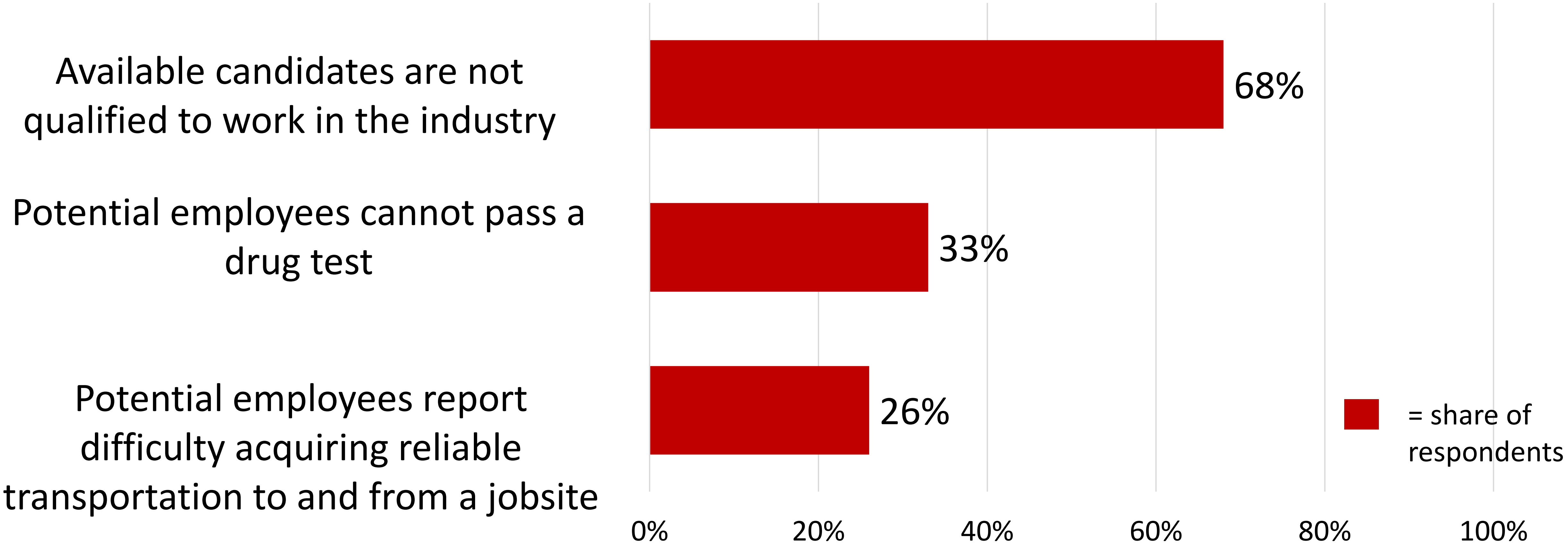
Workforce challenges for hourly craft workers



 Source: 2023 AGC of America/Autodesk Workforce Survey; 1401 total respondents

2023 AGC of America/Autodesk Workforce Survey results:

Difficulty filling positions—share of respondents that report:



Source: 2023 AGC of America/Autodesk Workforce Survey; 1401 total respondents

Construction wage "premium" vs. total private sector

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

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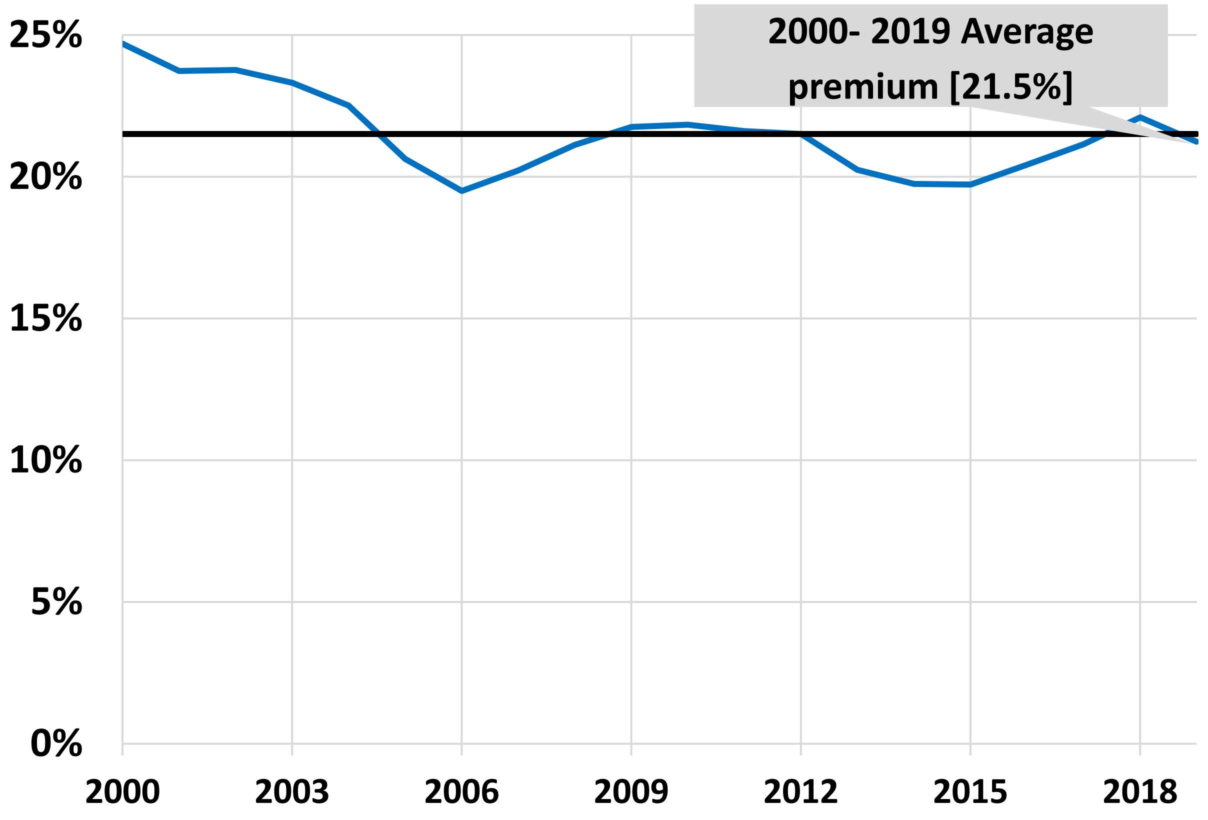
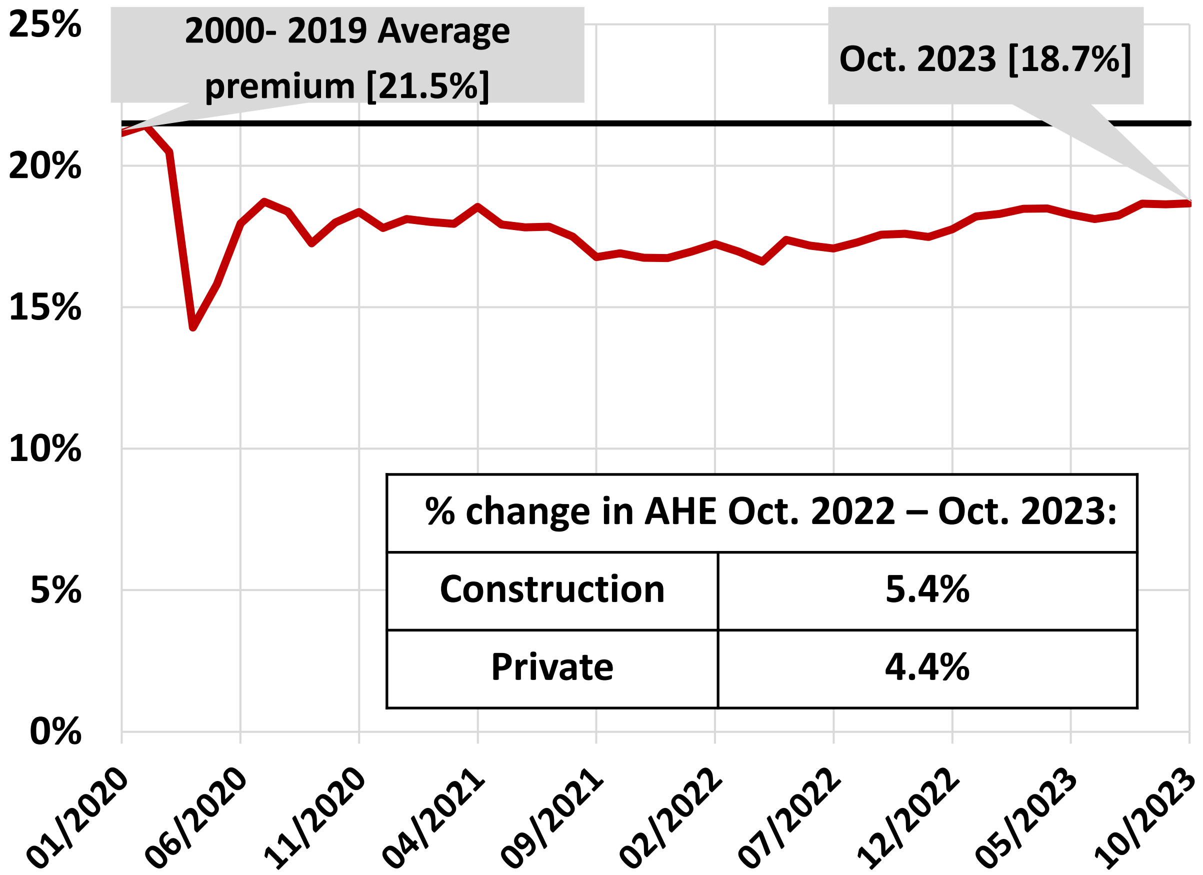
Annual premium, 2000-2019



Monthly premium, Jan. 2020-Oct 2023

(seasonally adjusted)



% change in AHE Oct. 2022 – Oct. 2023:	
Construction	5.4%
Private	4.4%

Sources: BLS, www.bls.gov/ces

Construction inputs & labor costs

Year-over-year change in PPI for nonresidential inputs & AHE for production employees in construction, Feb. 2020 – Sep. 2023

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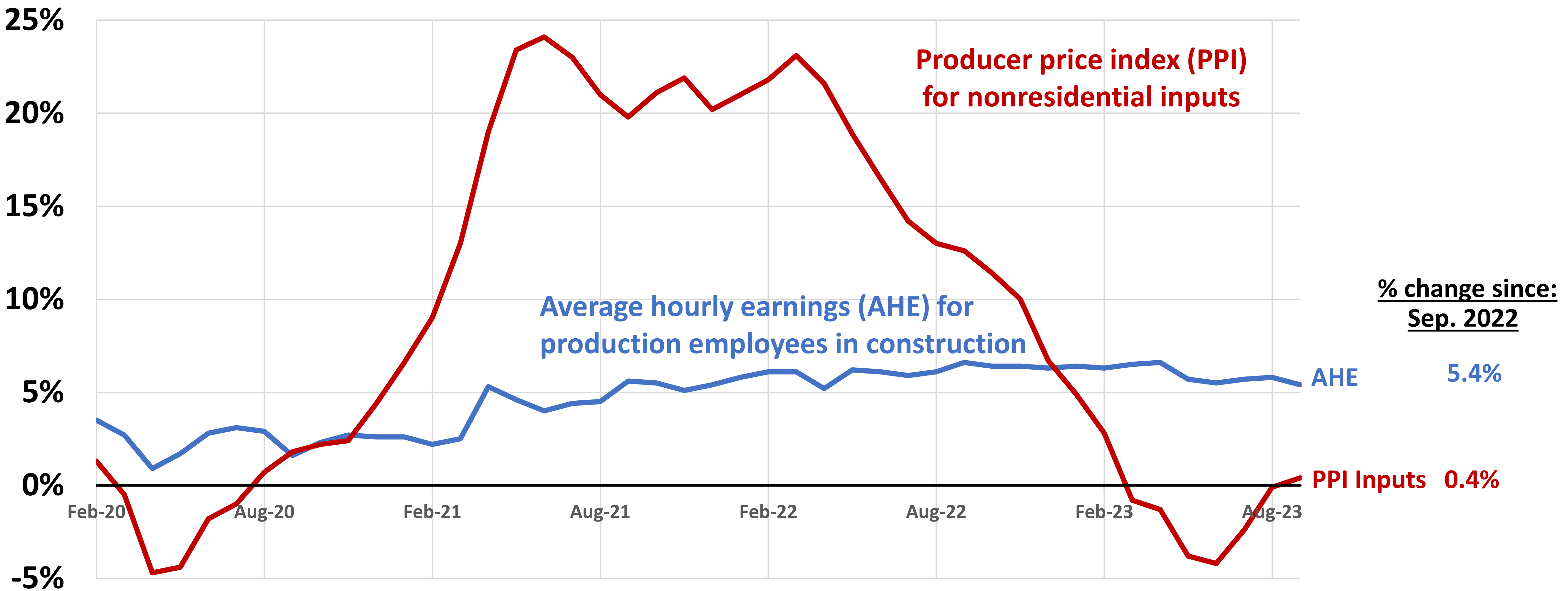

 Source: Bureau of Labor Statistics, PPI, www.bls.gov/ppi ; Current Employment Statistics, AHE, https://www.bls.gov/ces/

Change in construction materials and labor costs vs. CPI

cumulative % change, Feb. 2020–Sep. 2023, in PPI for construction inputs, AHE for nonsupervisory construction employees, & CPI

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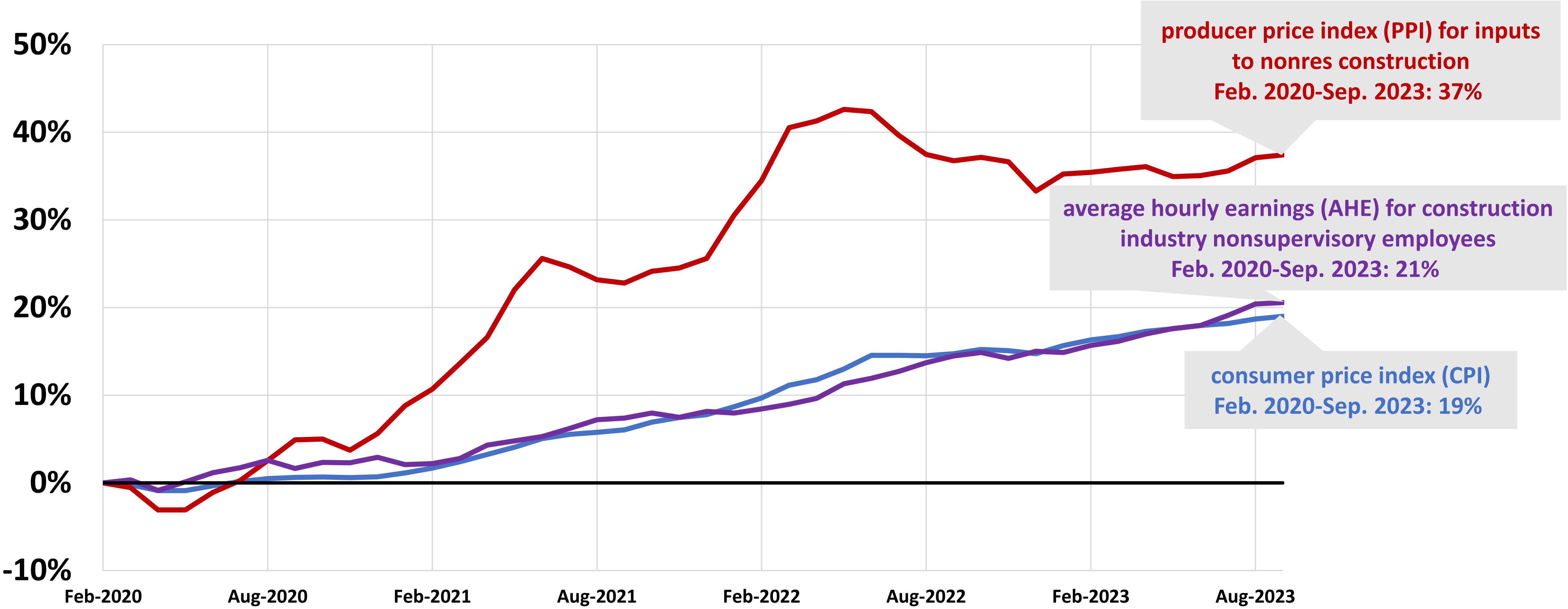


 Source: Bureau of Labor Statistics, consumer price index, producer price index, average hourly earnings

Some construction costs remain volatile

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

	September 2023 change from: Aug. 2023 (1 month)	Sep. 2022 (12 months)
Cement	0.7%	10.8%
Ready-mix concrete	0.1%	9.8%
Diesel fuel	4.3%	-18.6%

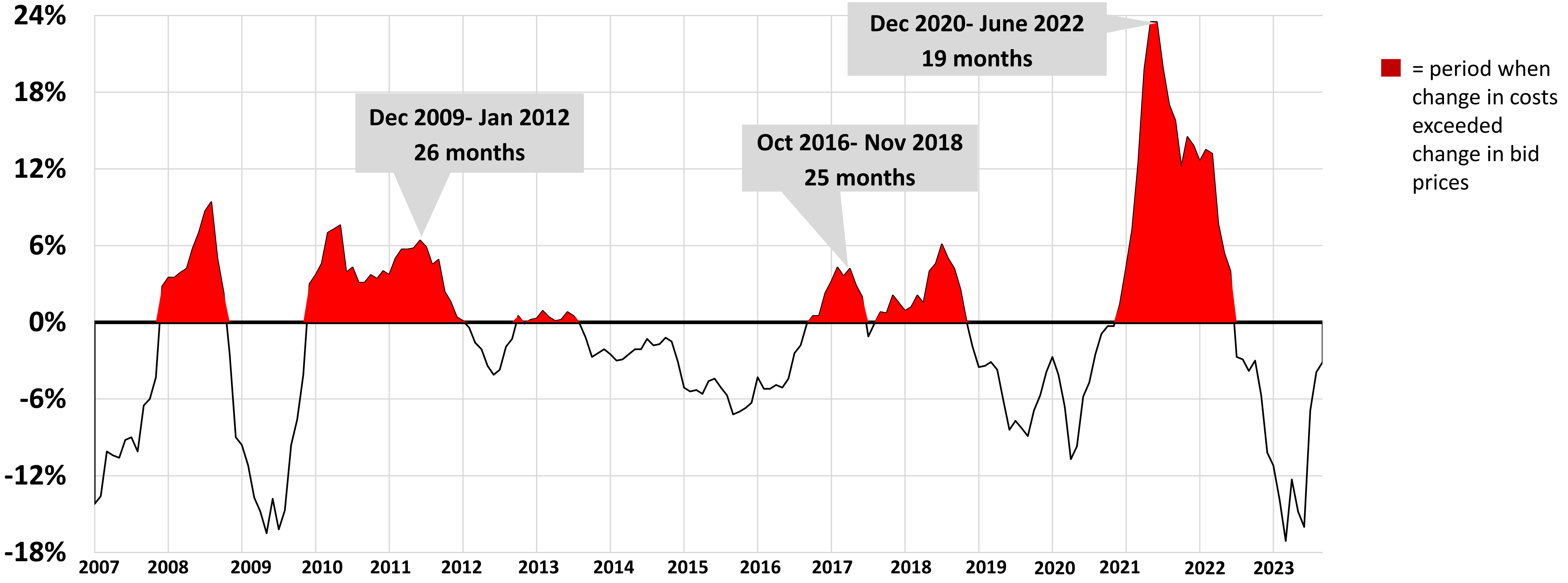
Subcontractor price indexes, nonresidential building work

Roofing contractors	-0.5%	10.8%
Plumbing contractors	0.0%	7.1%
Electrical contractors	0.1%	4.1%
Concrete contractors	0.0%	-2.1%

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

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

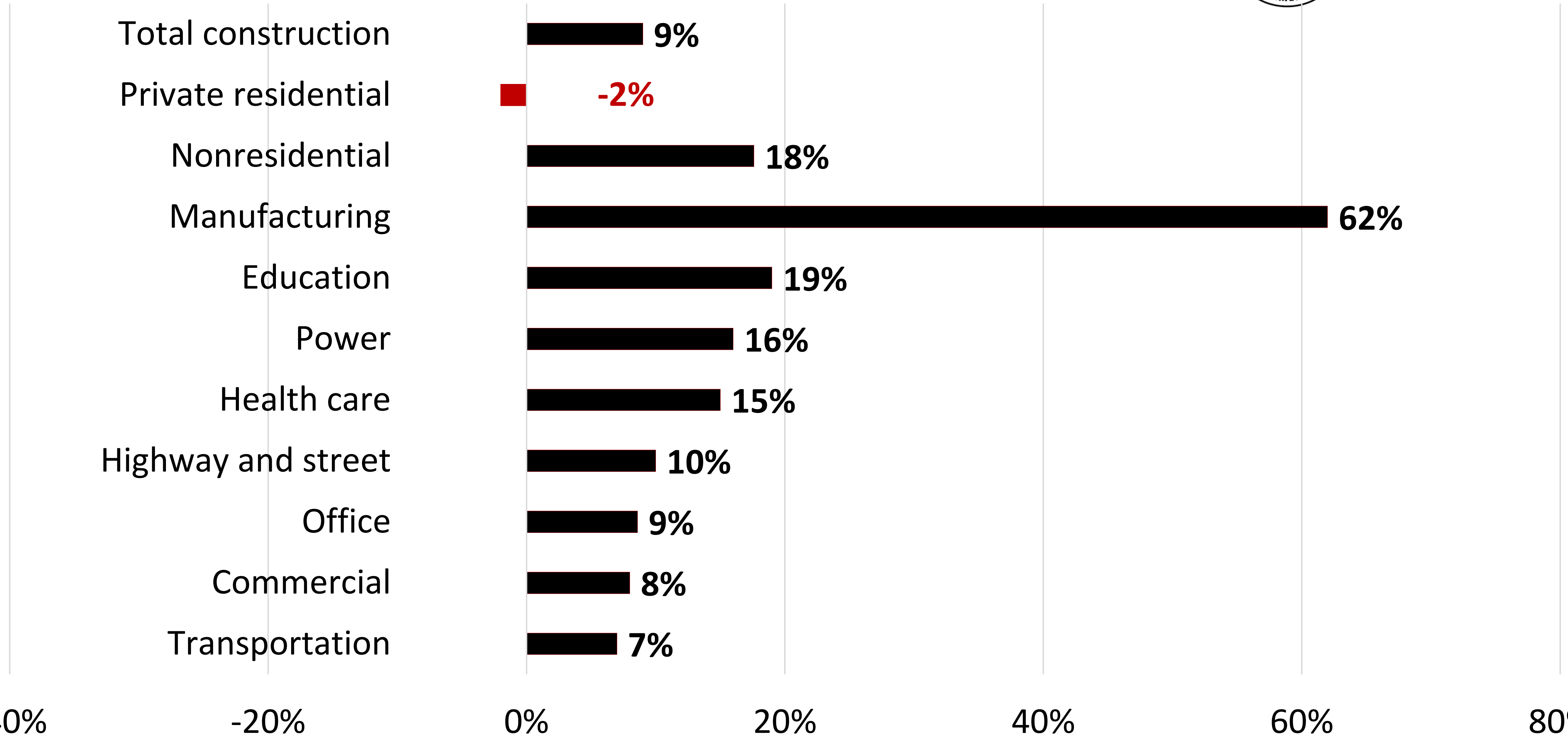
Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Sep 2023



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: September 2023 vs. September 2022

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



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

Change in construction spending: September 2023 vs. September 2022

current (not inflation-adjusted) dollars, seasonally adjusted

Total 9%: Private residential -2% (single-family -6%; multi 22%; improvements -5%); public residential 10%

Nonresidential 19% (private 21%, public 16%)

Nonresidential segments (in descending order of Sep. 2023 spending; combined new & renovation spending)

- Mfg. 62% (computer/electronic 135%; chemical 24%; food/beverage/tobacco 14%; transportation equipment 6%)
- Commercial 8% (warehouse 10%; retail 2%; farm 16%)
- Highway and street 10%
- Power 16% (electric 21%; oil/gas fields & pipelines -9%)
- Education 19% (primary/secondary 19%; higher ed 16%)
- Office (including data centers) 9%
- Transportation 7% (air 9%; private rail/truck 8%; transit -13%)
- Health care 15% (hospital 15%; medical building 21%; special care -10%)

- Other: Sewage/waste 26%; Amuse/recreation 15%; Water supply 12%; Communication 3%; Lodging 15%; Conservation/development 28%

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

Medium-term outlook for construction

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- Economic recovery should continue but risk of recession remains
- Homebuilding appears poised for slow recovery
- Multifamily, warehouse, retail, office, lodging: slowdown likely due to rising rates
- 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(n), 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

 Source: Author

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 2021–July 2022 (U.S.: 0.38%)

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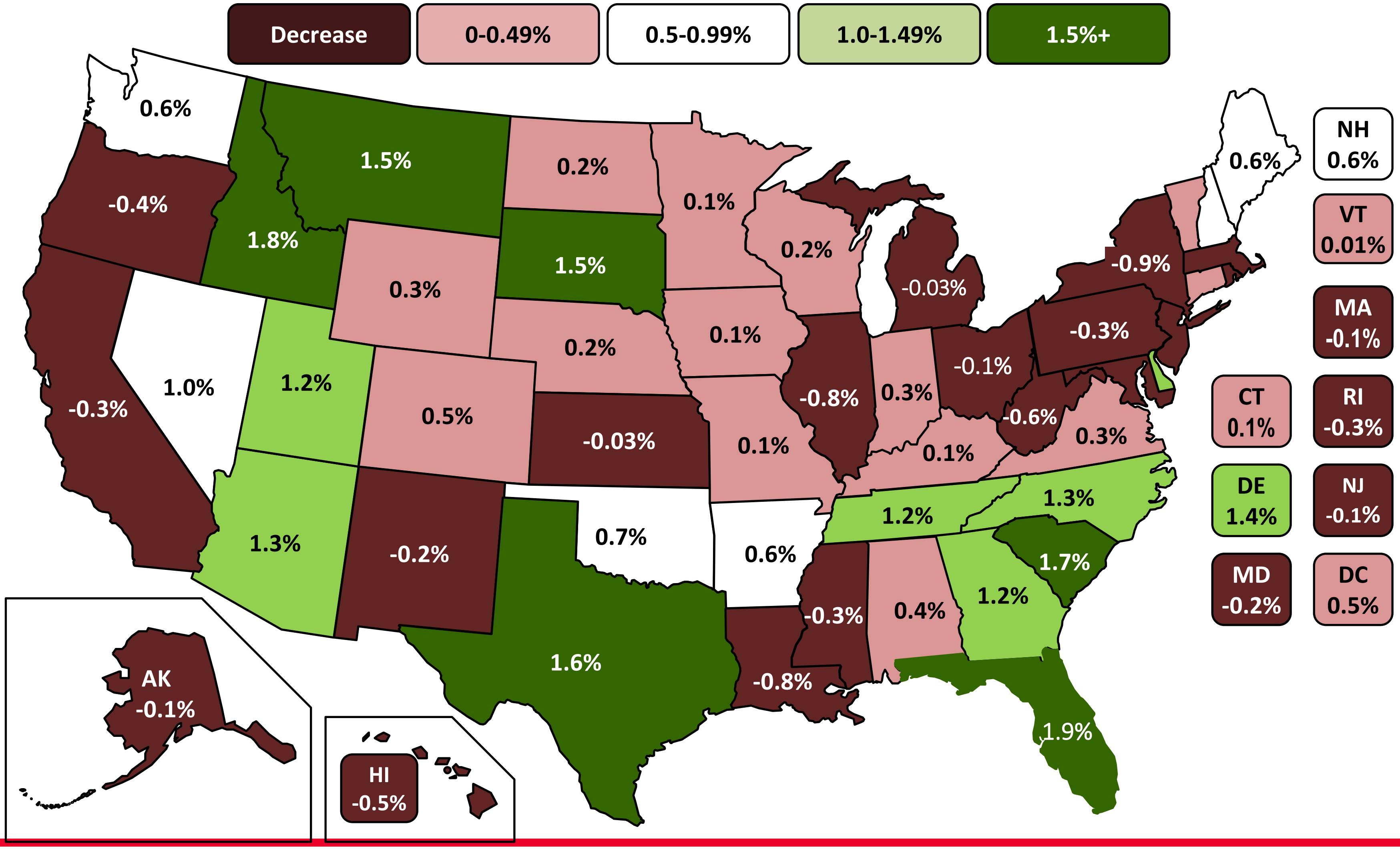
Top 6

FL	1.9%
ID	1.8%
SC	1.7%
TX	1.6%
SD, MT	1.5%

Bottom 5

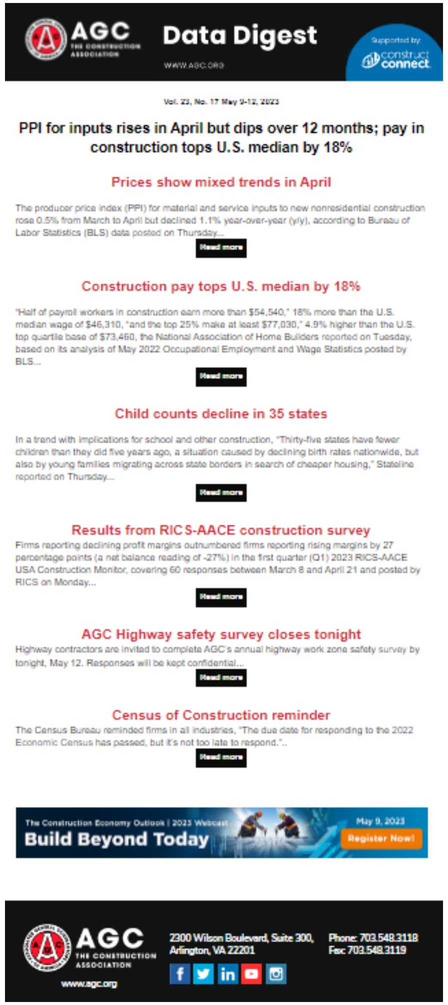
NY	-0.9%
IL	-0.8%
LA	-0.8%
WV	-0.6%
HI	-0.5%



Source: U.S. Census Bureau, Dec. 2022 population estimates, www.census.gov/popest

AGC economic resources
(email ken.simonson@agc.org)

- *Data DIGest*: weekly 1-page email (subscribe at http://store.agc.org)
- Surveys (2023 Workforce Survey: https://www.agc.org/news/2023/09/06/new-survey-shows-significant-flaws-nations-approach-preparing-workers-construction-careers-and-how)
- 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/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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...

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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," 4.9% 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...

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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...

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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...

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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...

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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."..

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 Source: Author