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**January 2024**

# **US Construction Outlook: Torrid or Tepid?**

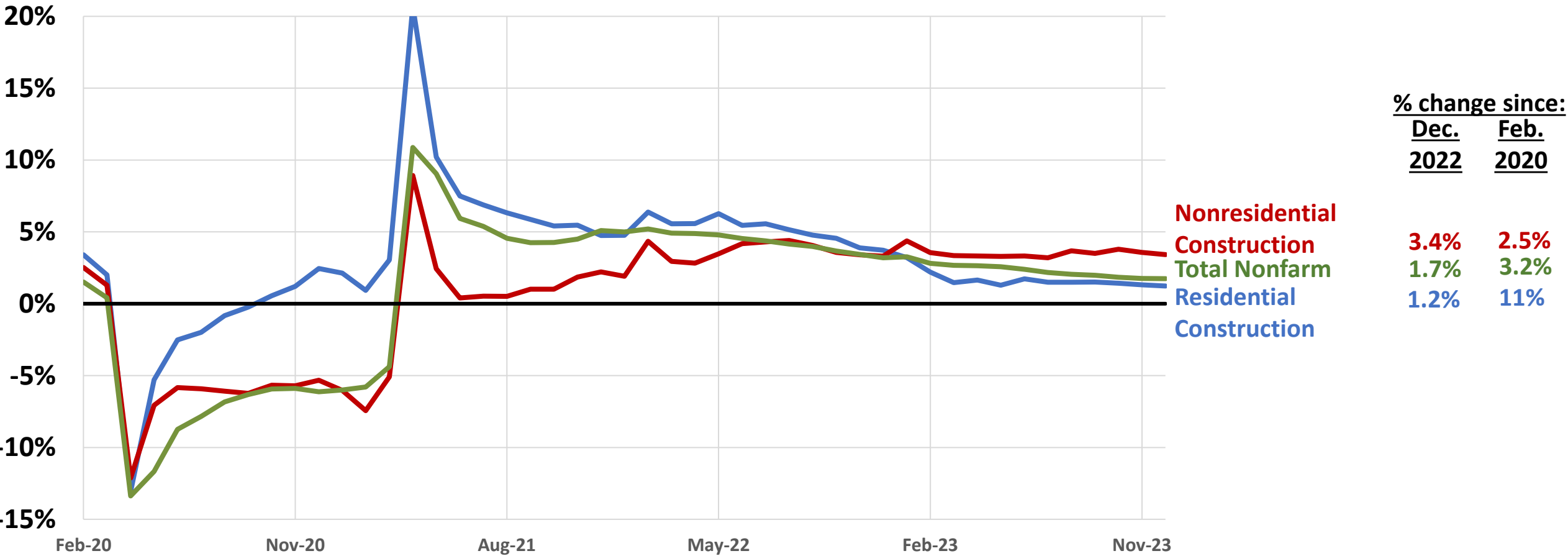
Ken Simonson

Chief Economist, AGC of America

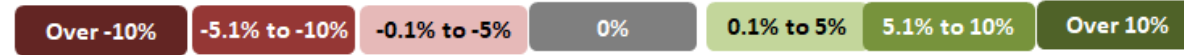
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# Total nonfarm & construction employment, Feb. 2020–Dec. 2023

## Year-over-year change, seasonally adjusted



35 states **up** & 14 states & DC **down** & 1 states unchanged

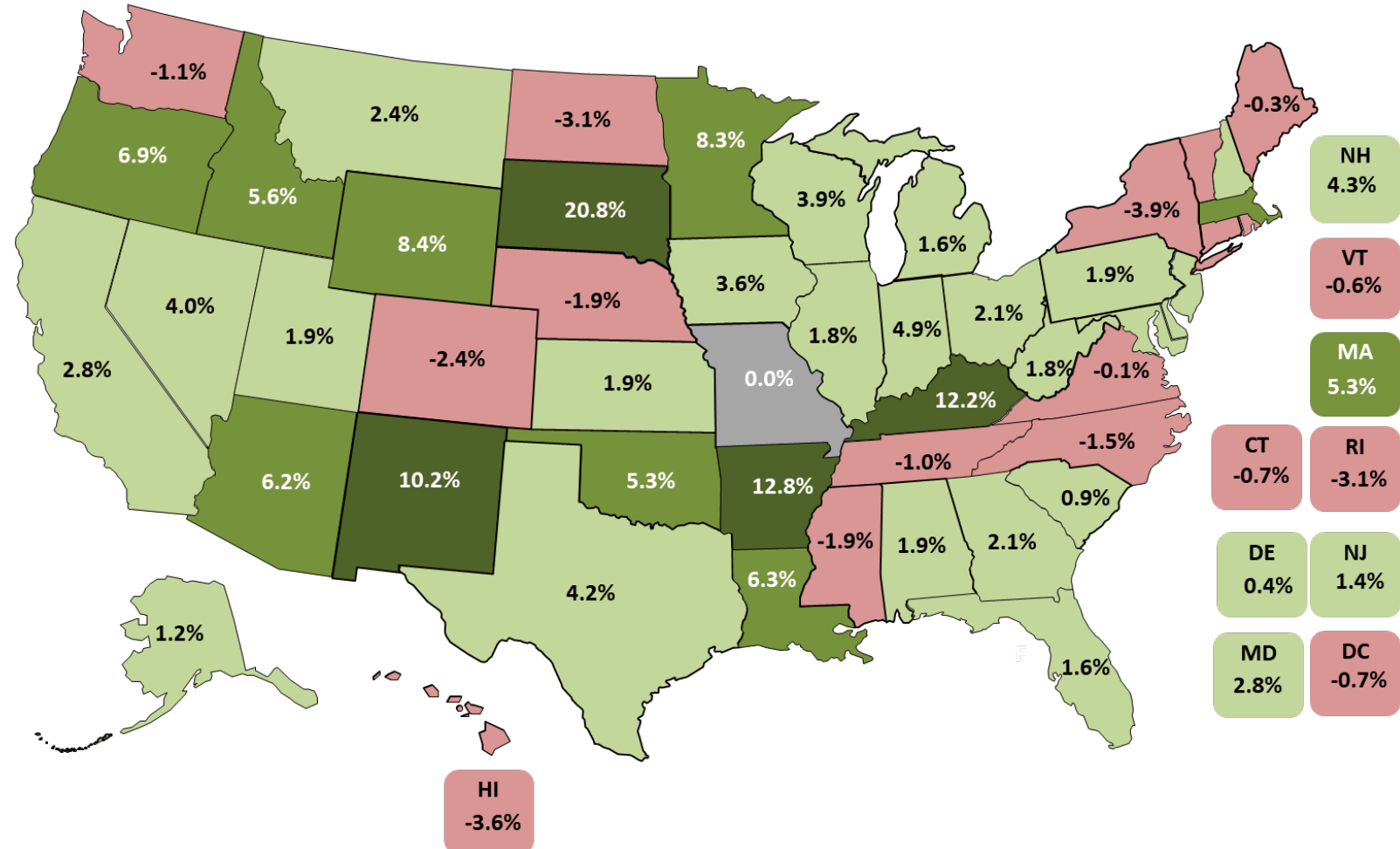


## Top 5

SD	20.8%
AR	12.8%
KY	12.2%
NM	10.2%
WY	8.4%

## Bottom 5

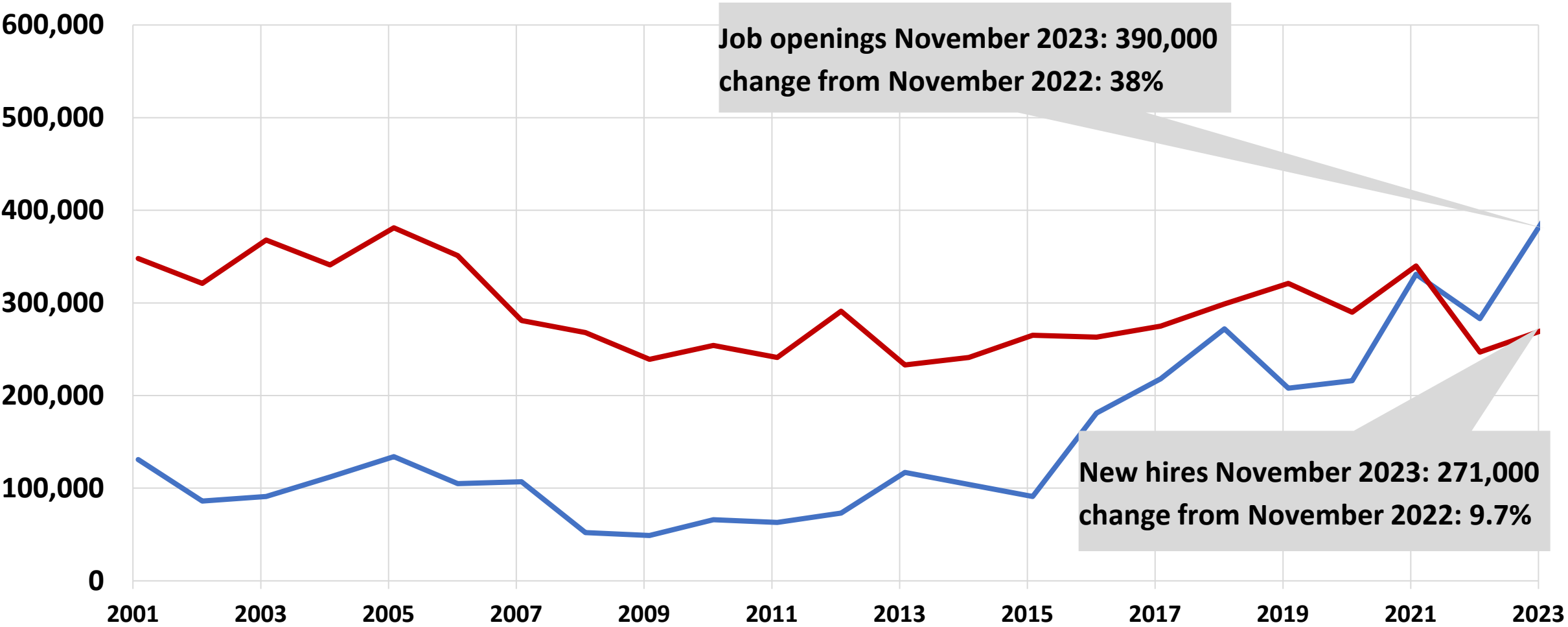
NY	-3.9%
HI	-3.6%
ND	-3.1%
RI	-3.1%
CO	-2.4%



# Construction job openings & new hires

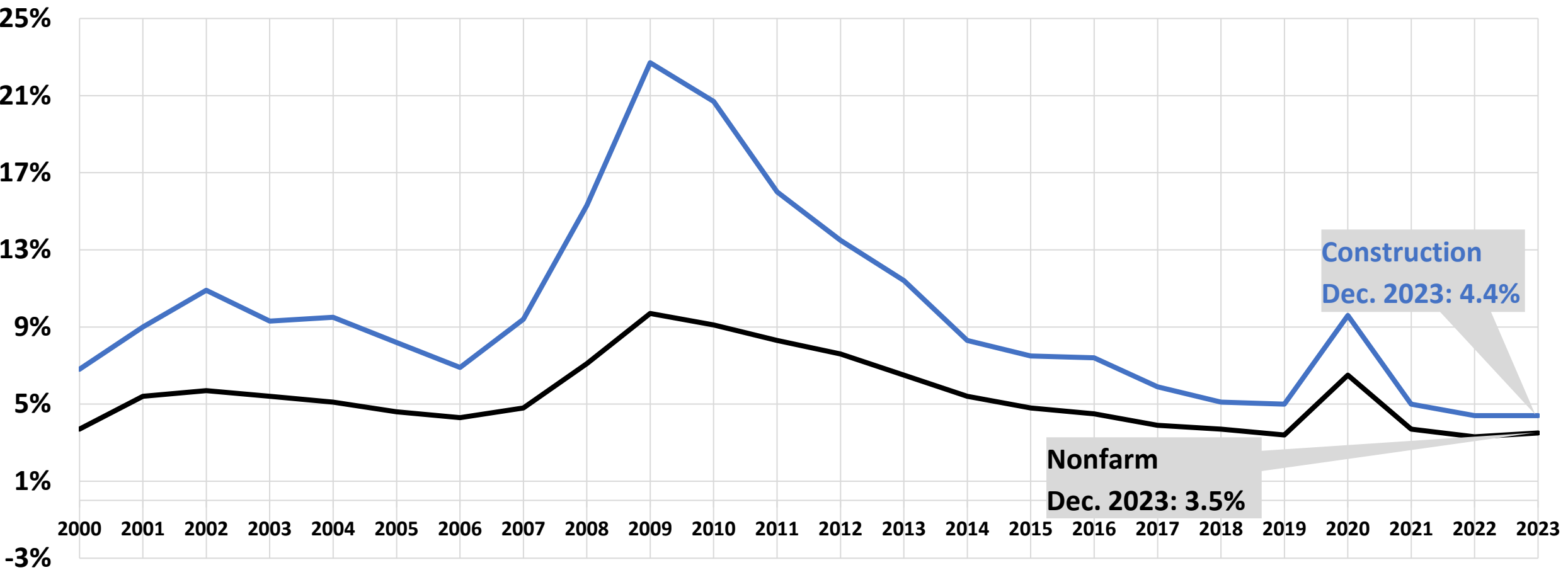


Job openings and hires, November 2001-November 2023, not seasonally adjusted



# September unemployment rate: total nonfarm & construction

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

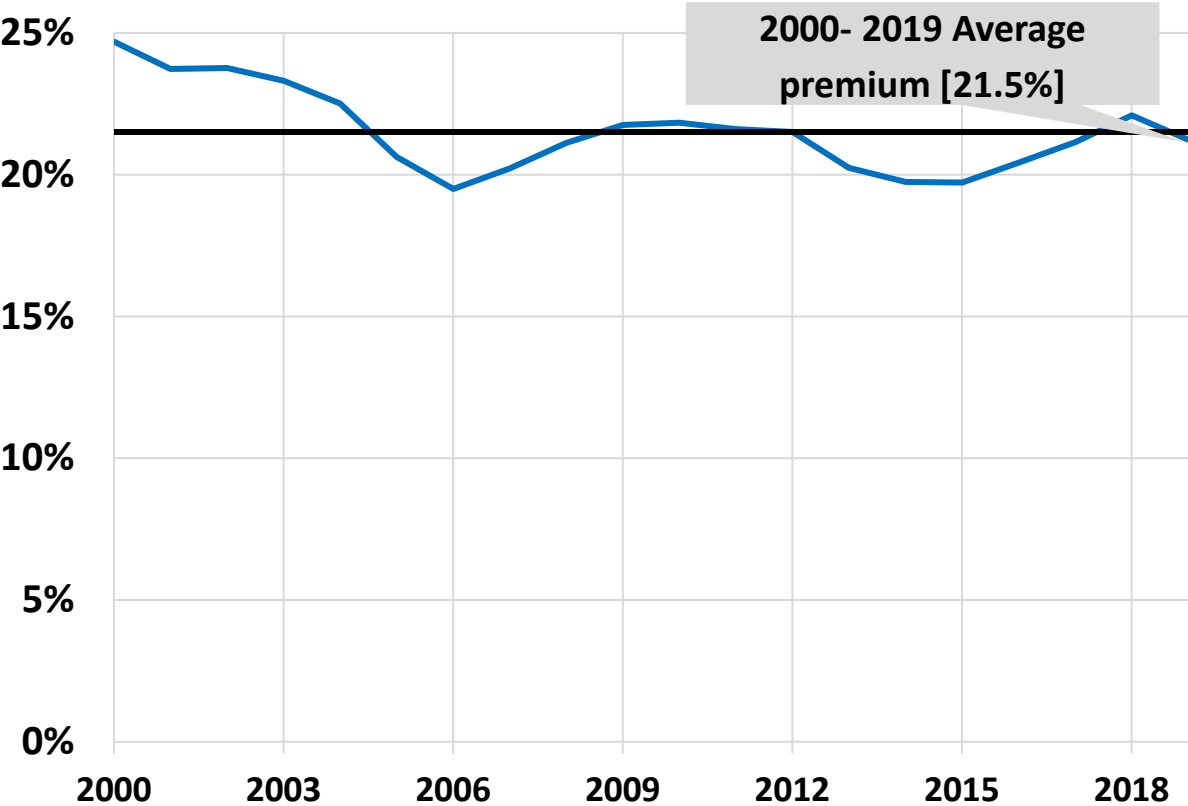


# Construction wage “premium” vs. total private sector

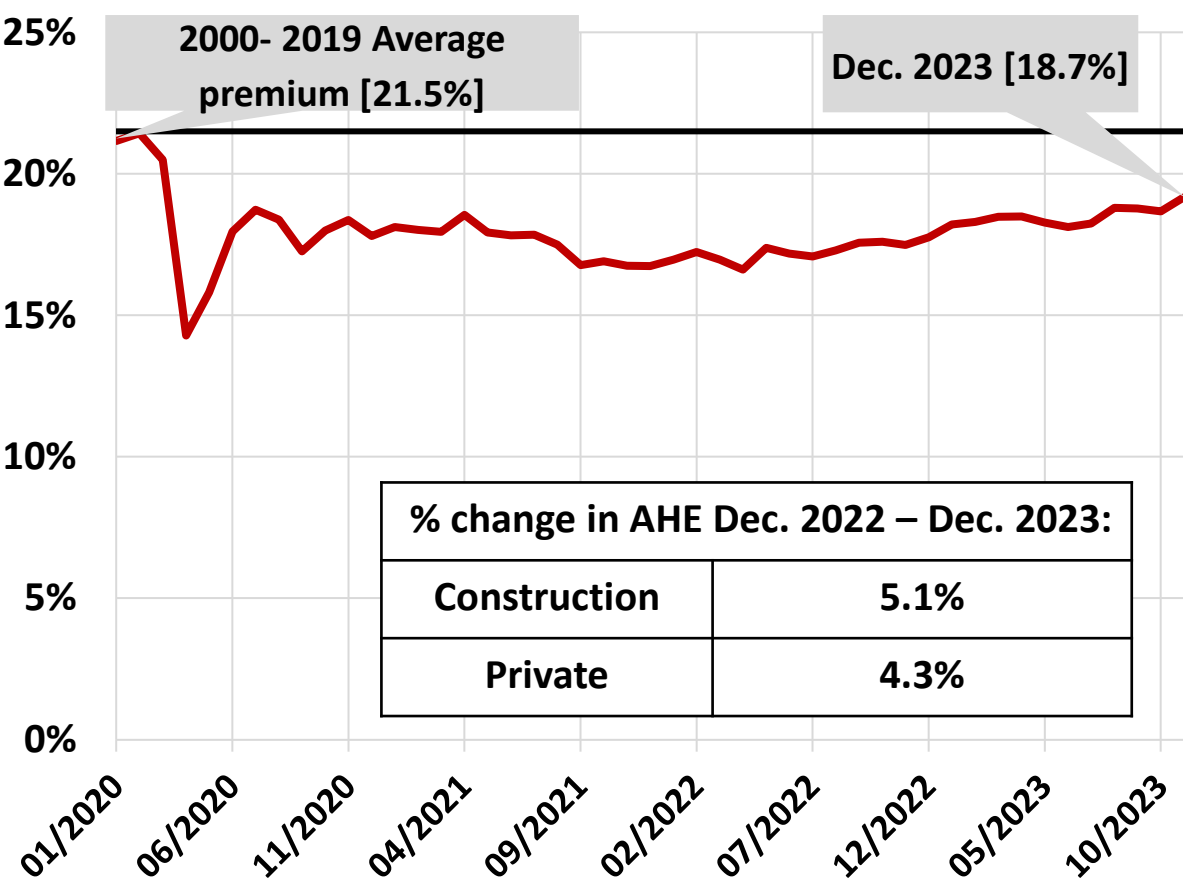


Excess of average hourly earnings (AHE) for production and nonsupervisory employees in construction vs. private sector

Annual premium, 2000–2019



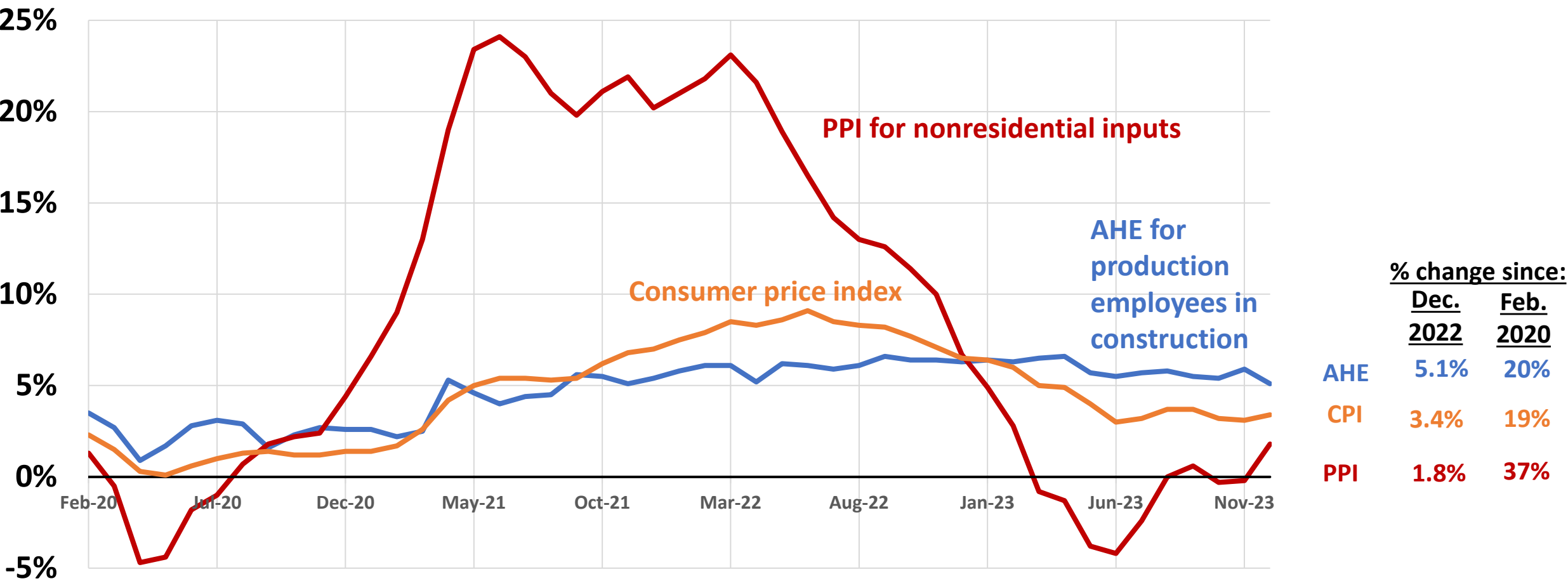
Monthly premium, Jan. 2020–Dec. 2023  
(seasonally adjusted)



# Construction materials & labor costs top consumer inflation



Year-over-year change in producer price index (PPI) for nonresidential inputs, average hourly earnings (AHE) for production employees in construction, and consumer price index (CPI), Feb. 2020 – Dec. 2023



## Some construction costs remain volatile

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



### December 2023 change from:

	<u>Nov. 2023</u>	<u>Dec. 2022</u>
	<u>(1 month)</u>	<u>(12 months)</u>

Cement		0%	8%
Ready-mix concrete		-0.4%	8%
Diesel fuel		-13%	-19%

### Subcontractor price indexes, nonresidential building work

Roofing contractors		-0.1%	9%
Plumbing contractors		0.1%	3%
Electrical contractors		0%	2%
Concrete contractors		0.3%	-1%

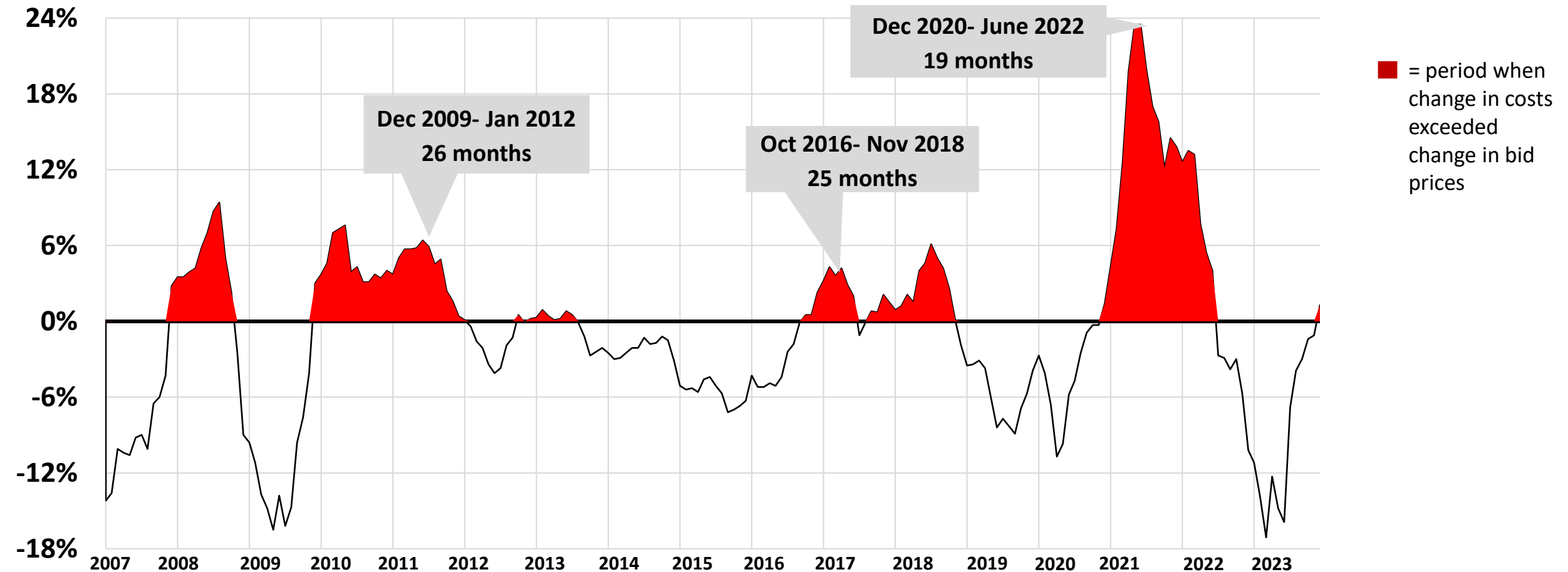


# Cost squeeze on contractors can reappear suddenly, last 2+ years

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

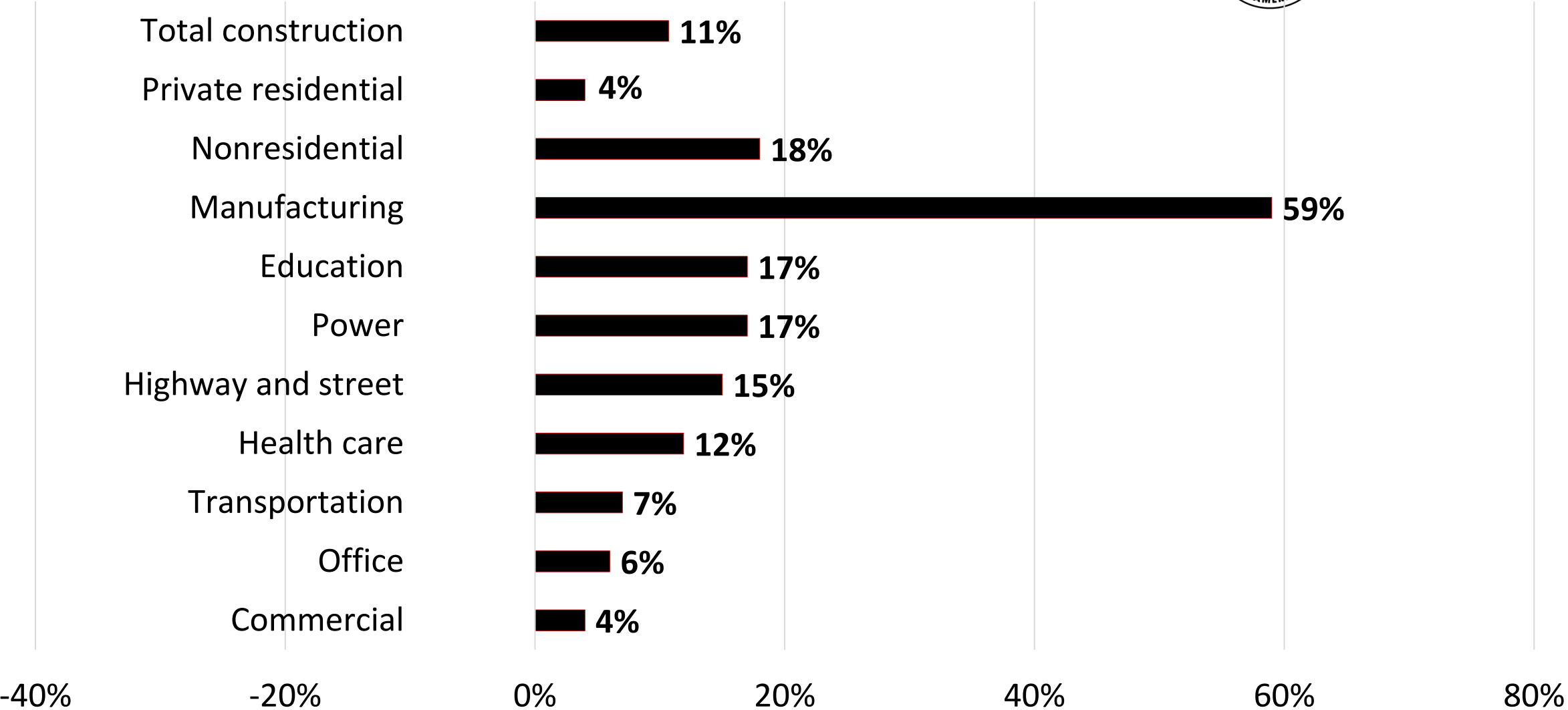


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# Change in construction spending: November 2023 vs. November 2022

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



# Change in construction spending: November 2023 vs. November 2022

current (not inflation-adjusted) dollars, seasonally adjusted



**Total 11%:** Private residential 4% (single-family 6%; multi 14%; **improvements -2%**); public residential 10%  
Nonresidential 18% (private 19%, public 16%)

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

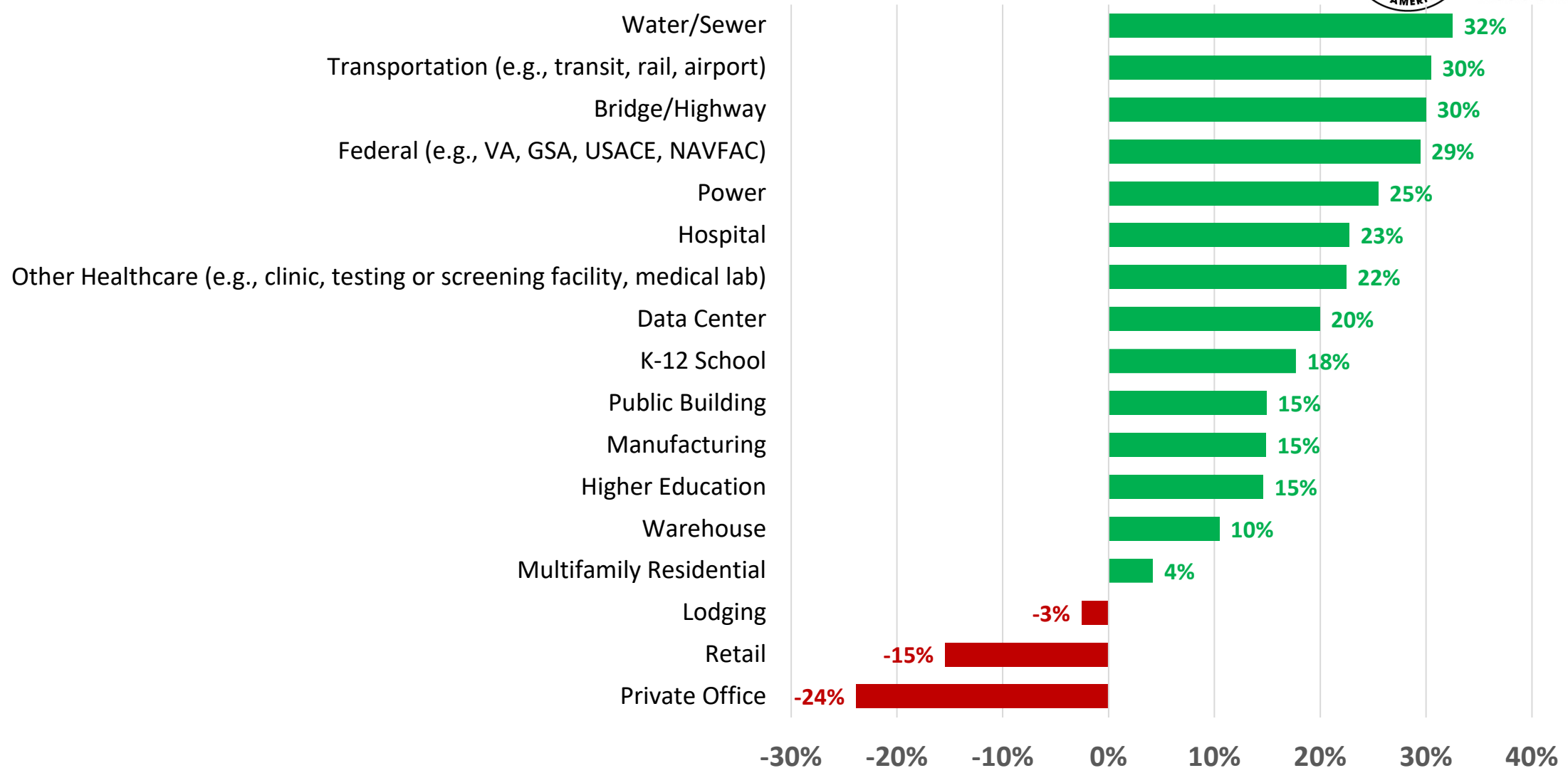
- Mfg. 59% (computer/electronic 130%; chemical 9%; food/beverage/tobacco 8%; transportation equipment 12%)
- Highway and street 15%
- Commercial 4% (warehouse 2%; retail 2%; farm 25%)
- Power 17% (electric 23%; **oil/gas fields & pipelines -8%**)
- Education 17% (primary/secondary 17%; higher ed 16%)
- Office (including data centers) 6%
- Transportation 7% (air 7%; private rail/truck 11%; **transit -8%**)
- Health care 12% (hospital 10%; medical building 22%; **special care -5%**)
- Other: Sewage/waste 27%; Amuse/recreation 6%; Water supply 20%; Communication 1%; Lodging 5%; **Conservation/development -0.4%**

# AGC Outlook Survey: Net\* % who expect 2024 value of projects to be **higher/lower** than 2023

\* Net = % expecting higher value - % expecting lower value than in 2023



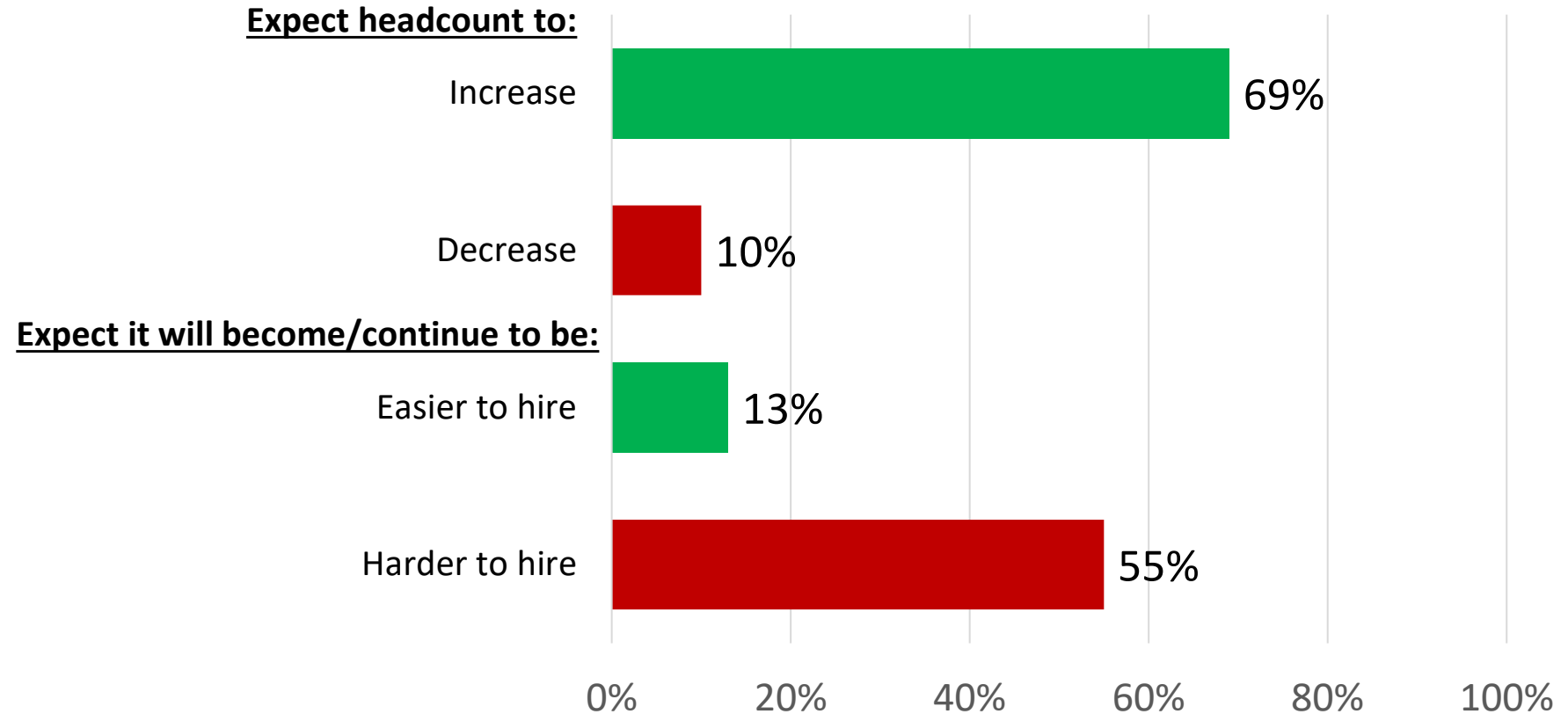
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# AGC Outlook Survey: Firms' expectations regarding their headcount and hiring over next 12 months



% of respondents who:



# Medium-term outlook for construction



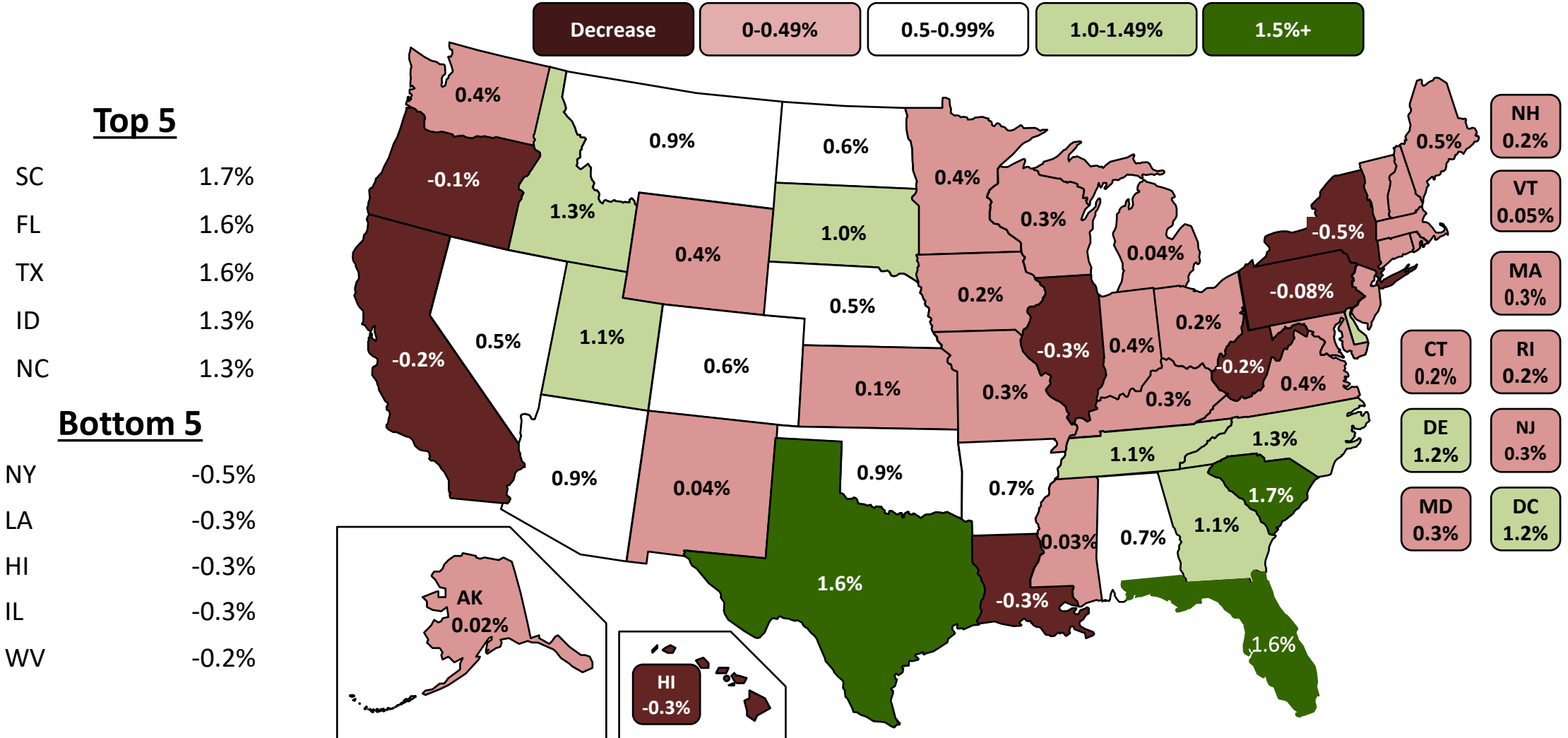
- Economic recovery should continue but risk of recession remains
- Single-family homebuilding should continue recovering
- Multifamily, warehouse, retail, office, lodging: slowdown likely due to rising rates
- Data center and manufacturing construction should remain hot
- Infrastructure Investment & 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

# 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

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





# AGC economic resources

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

- *Data DIgest*: weekly 1-page email ([subscribe](#) at <https://marketplace.agc.org/Store/ItemDetail?iProductCode=4401>)
- 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](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>
- 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.

[Read more](#)

**Construction pay tops U.S. median by 18%**

"Half of payroll workers in construction earn more than \$4,540," 18% more than the U.S. median wage of \$4,631, "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.

[Read more](#)

**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.

[Read more](#)

**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.

[Read more](#)

**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.

[Read more](#)

**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."

[Read more](#)

