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June 2022

U.S. Construction Outlook: Workforce Worries, Cost Challenges, Project Prospects

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Total Nonfarm & Construction Employment, Feb. 2020–May 2022

cumulative change (seasonally adjusted)



Change since Feb. 2020:

Number Percent

**Residential
Construction**

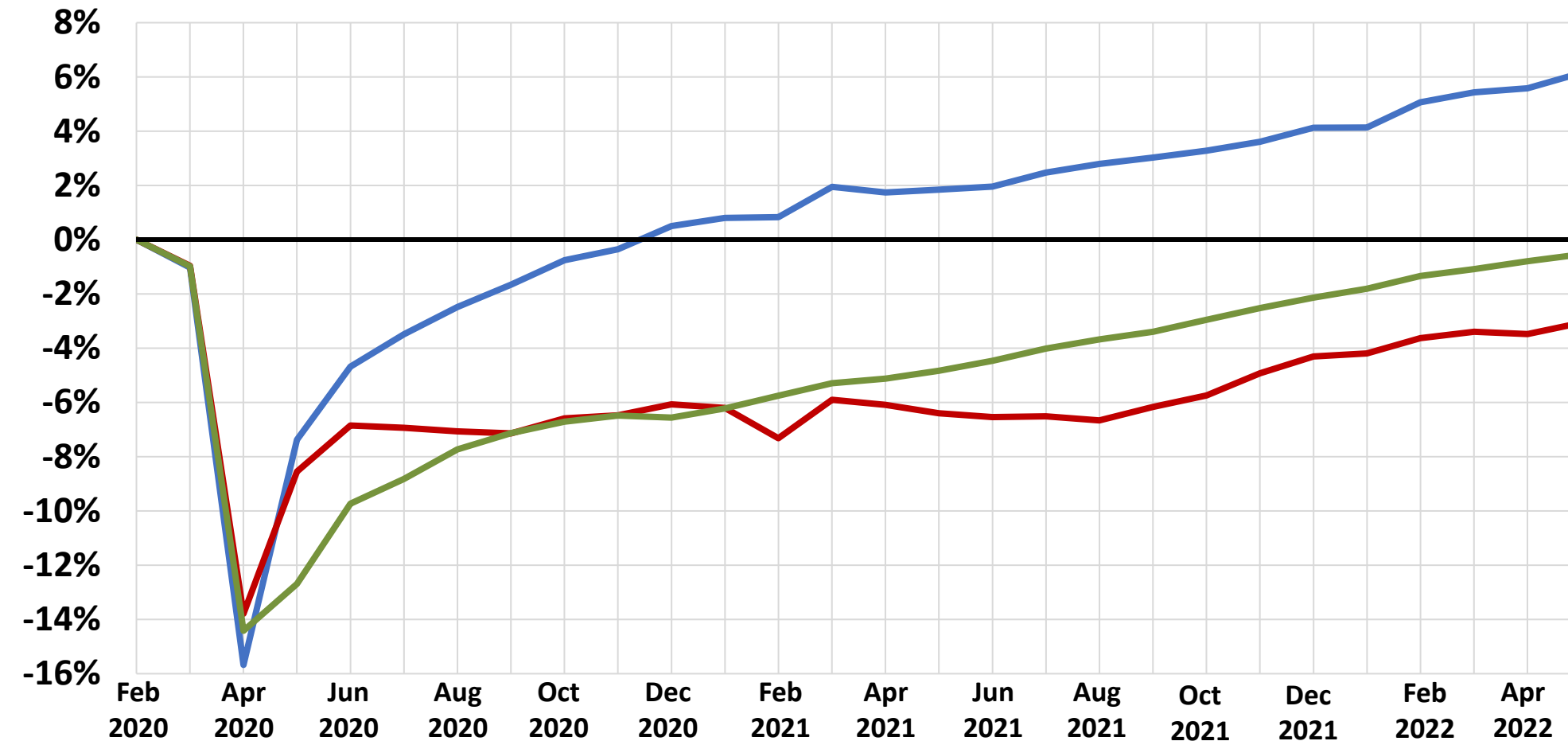
182,800 6.1%

**Total
Nonfarm**

-822,000 -0.5%

**Nonresidential
Construction**

-142,500 -3.1%

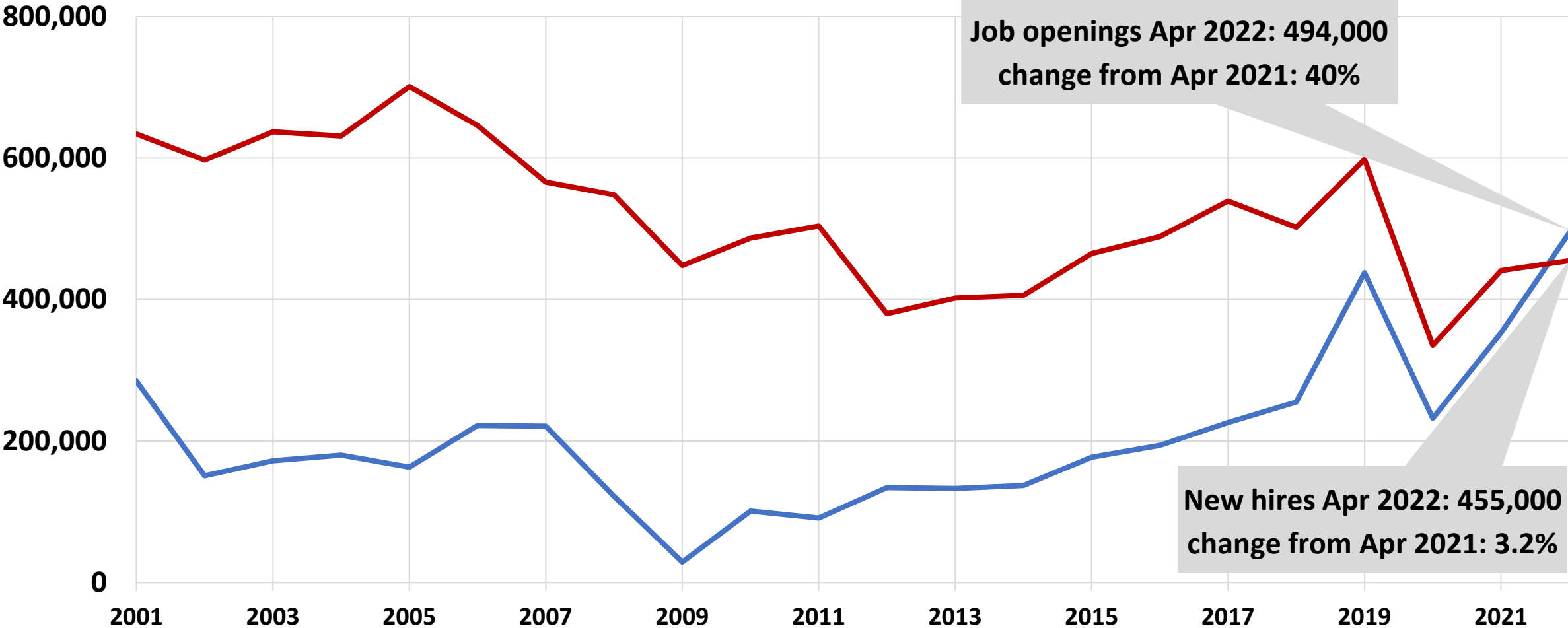


Construction job openings exceed hires, set record high for Apr.



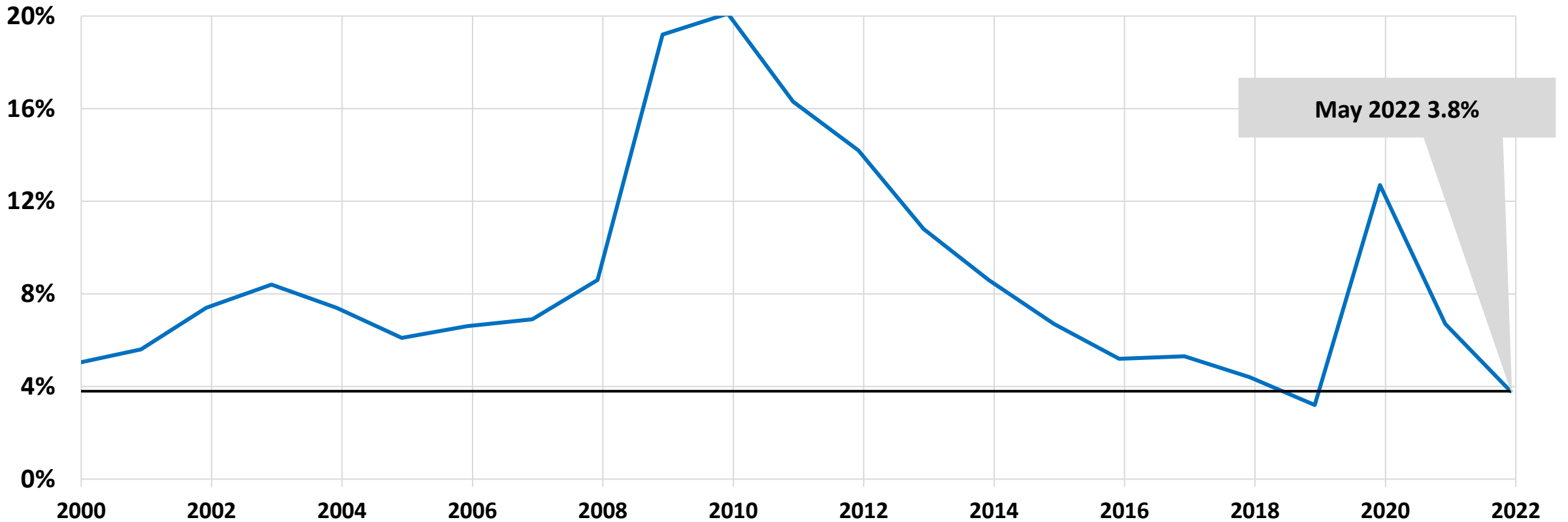
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Job openings and hires, April 2001-April 2022, not seasonally adjusted



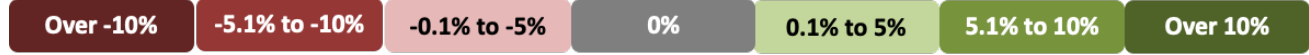
Rate of construction unemployment

May 2000–May 2022, not seasonally adjusted

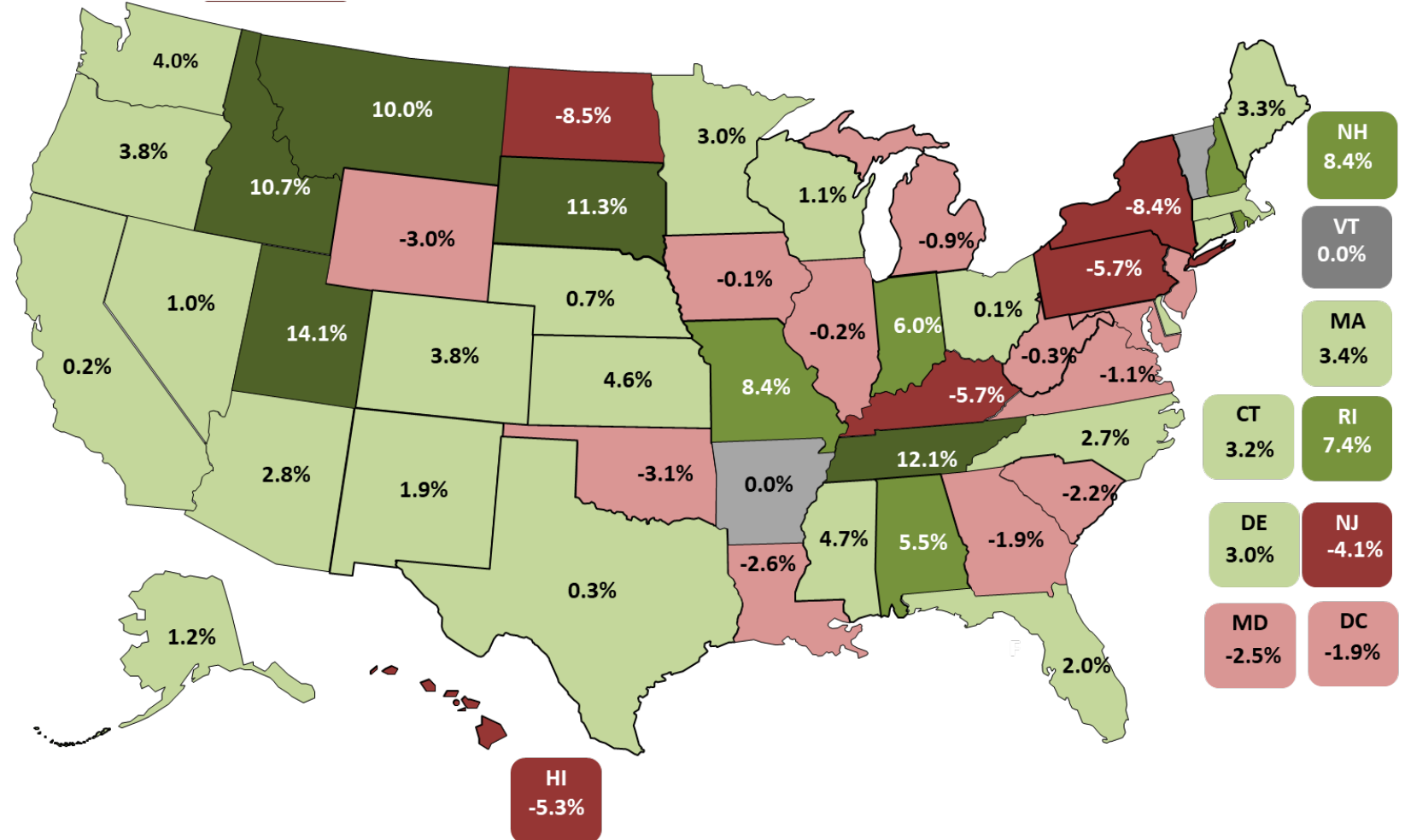


State construction employment change, Feb. 2020–May 2022

31 states **up**, 2 **flat**, 17 states and DC **down** (U.S.: 0.5%)

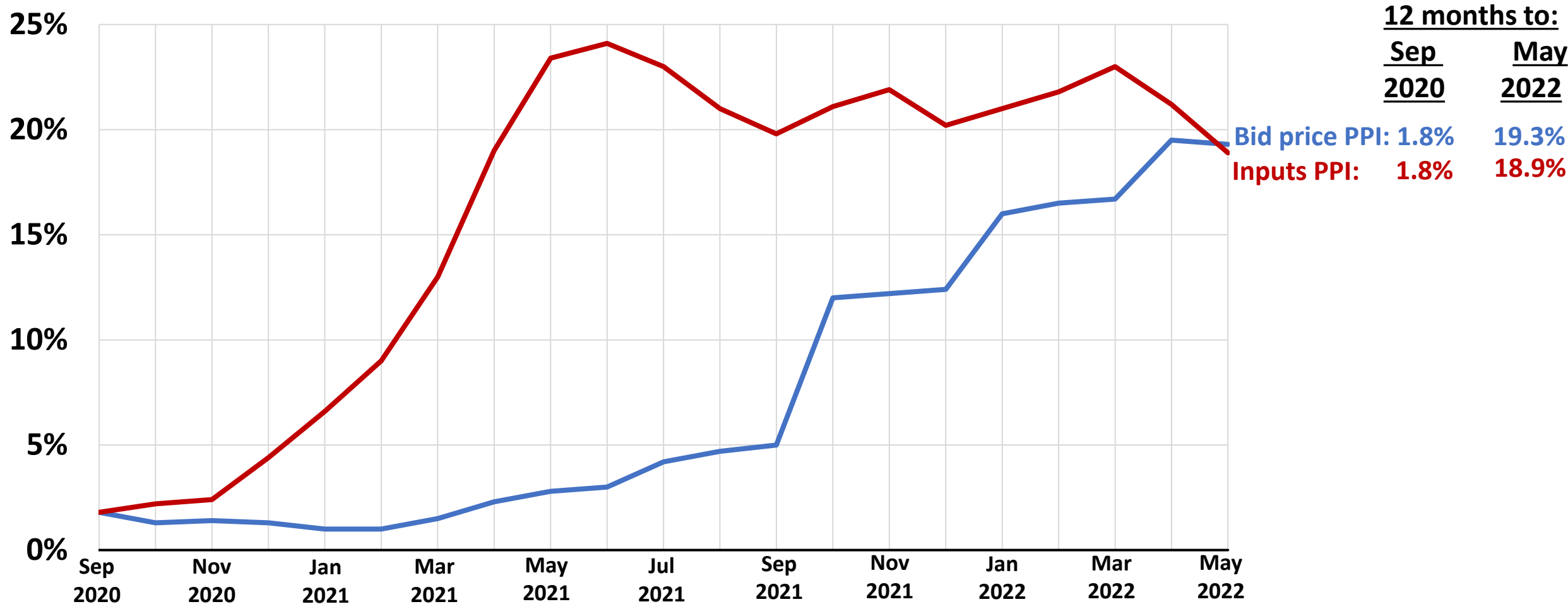


Top 5	
Utah	14.1%
Tennessee	12.1%
South Dakota	11.3%
Idaho	10.7%
Montana	10.0%
Bottom 5	
North Dakota	-8.5%
New York	-8.4%
Pennsylvania	-5.7%
Kentucky	-5.7%
Hawaii	-5.3%



Costs vs. bid prices for new nonresidential construction

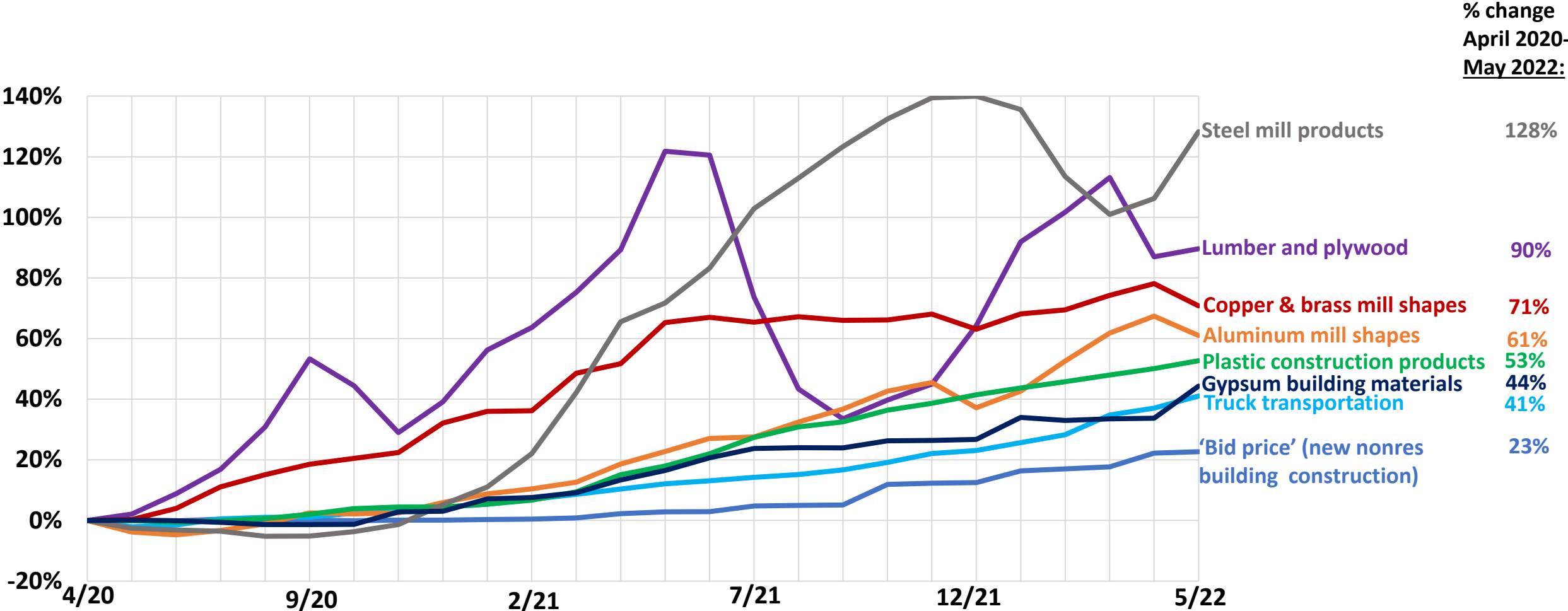
Year-over-year change in PPIs, Sep 2020–May 2022, not seasonally adjusted



6 | Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

PPIs for construction bid prices and selected inputs

cumulative change in PPIs, April 2020–May 2022 (not seasonally adjusted)

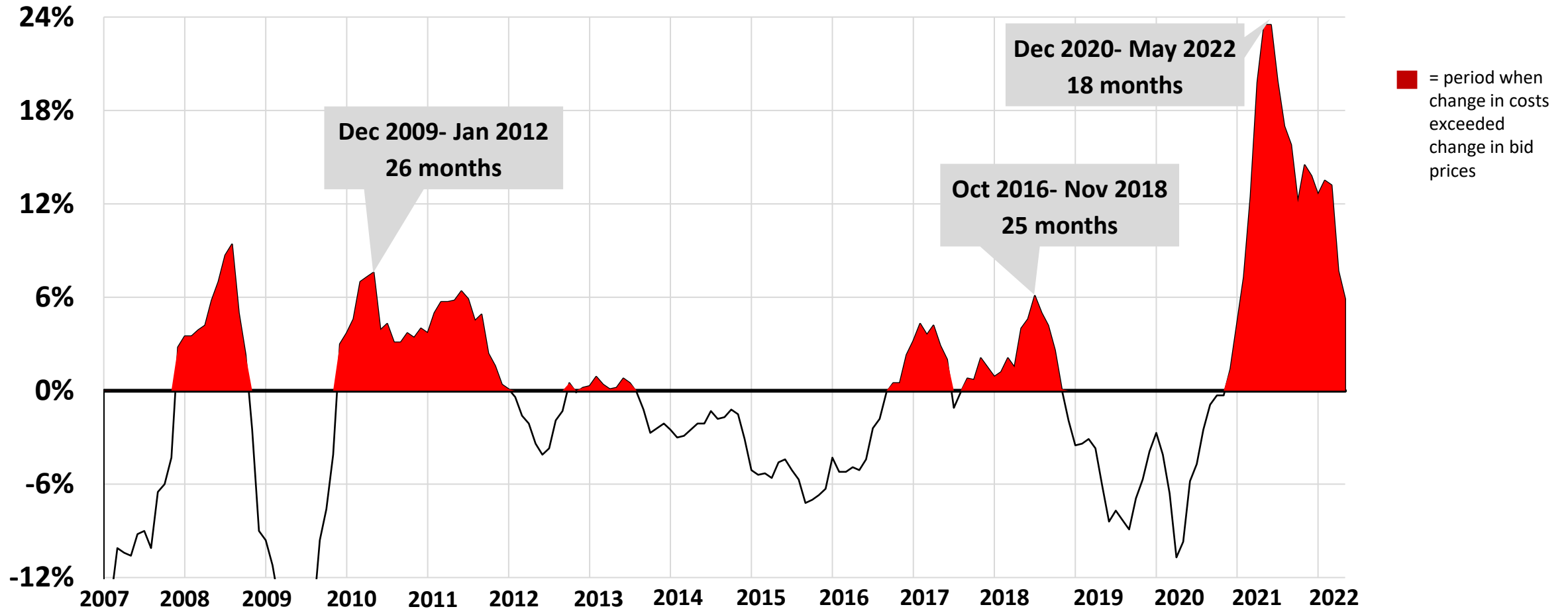


Cost squeeze on contractors can last two years or more

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



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Change in construction spending: Jan–April 2022 vs. 2021

current (not inflation-adjusted) dollars, not seasonally adjusted



- Total 12%; private residential 19% (single-family 20%; multi 5%); private nonres 9%; public 0.8%

Largest segments (in descending order of 2021 spending)

- Power 1% (electric 0.44%; oil/gas fields & pipelines 4%)
- Commercial 20% (warehouse 22%; retail 21%; farm 2%)
- Education -3% (primary/secondary -7%; higher ed 2%)
- Mfg. 34% (chemical -3%; computer/electronic 244%; food/beverage/tobacco 22%; transp. equip. -9%)
- Office 5%
- Highway and street 7%
- Transportation -0.7% (air -7%; freight rail/trucking 6%; mass transit -1%)
- Health care 6% (hospital 3%; medical building 19%; special care -13%)
- Lodging -26%

Forward-looking indicators



Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	April	56.5	57.6
Dodge Momentum Index (DMI)	May	170	150
Multifamily permits not yet started	April	130,000	101,000

Medium-term impacts as recovery begins

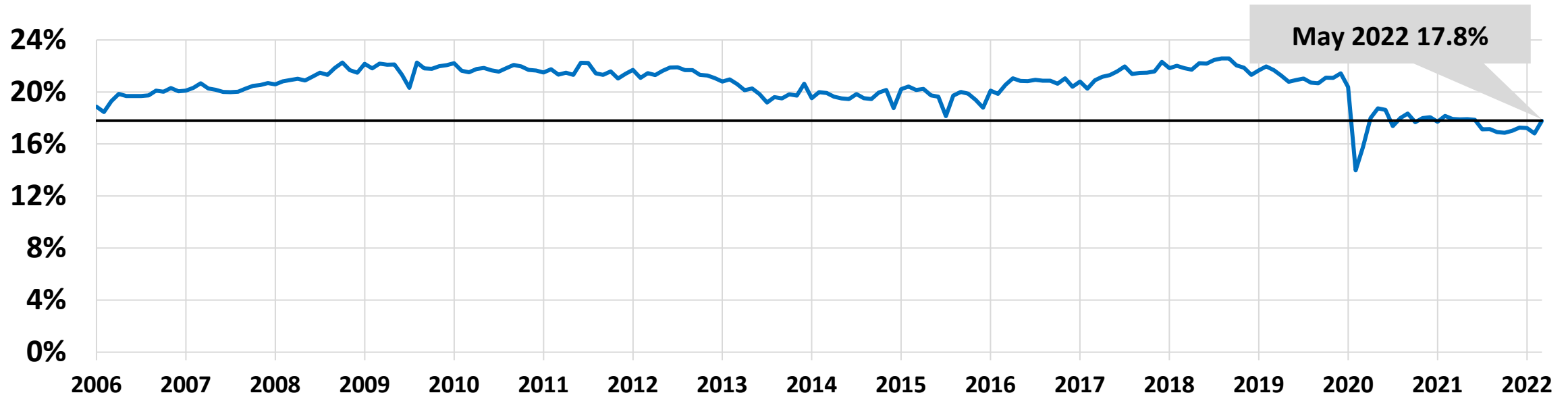


- Economic recovery should continue but invasion of Ukraine and Western sanctions add to cost and supply-chain pressures
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, costs, and completion times
- Continuing cost and supply challenges may lead to more project deferrals
- Infrastructure funds will take time to distribute and award to individual projects, muting the medium-term impact on labor and materials “shortages”
- Best current prospects: manufacturing, data centers, renewable energy
- At risk of slowdown: warehouse, multifamily

Wage premium for construction has shrunk

- “Premium” for construction wages relative to total private sector has shrunk from 20-23% pre-pandemic to 18% for production & nonsupervisory employees as other sectors boost pay, benefits and offer flexible hours and locations
- Implications: Contractors will have raise pay still more, pay more overtime, invest more in labor-saving software and equipment

Average hourly earnings in excess of total private sector, Mar 2006-May 2022

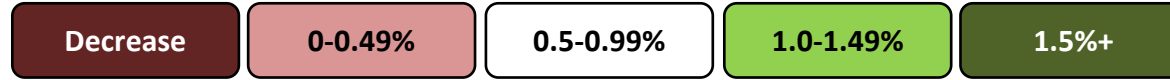


Long-run construction outlook (post-pandemic)



- 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%)

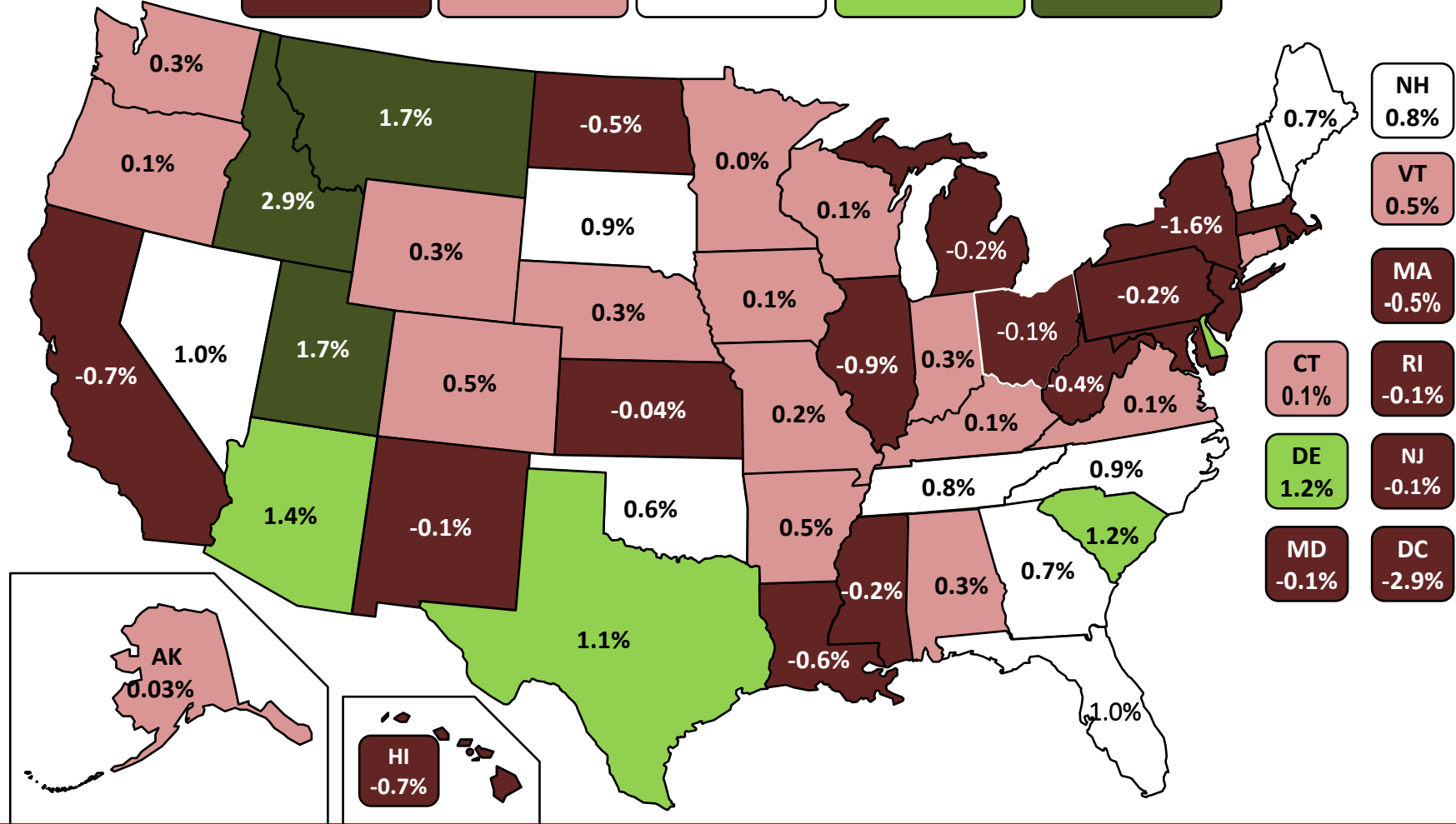


Top 6

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)



- *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/>
- 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>



APR

2022

CONSTRUCTION INFLATION ALERT

For more than two years the U.S. construction industry has been buffeted by unprecedented increases in materials costs, supply-chain bottlenecks, and a tight labor market. To help project owners, government officials, and the public understand how these conditions are affecting contractors and their workers, the Associated General Contractors of America (AGC) has posted frequent updates of the Construction Inflation Alert.

Russia's attack on Ukraine, swiftly countered by sanctions against Russian production and finances, have led to another round of even steeper and more sudden price increases and supply-chain disruptions. As of now, there is no sign of when costs and availability will improve.

This version of the Alert is the sixth update since the first edition was posted in March 2021—an indication that the situation remains far from "normal." This document will continue to be revised to keep it timely as conditions change. Each new version is posted here.