AGC THE CONSTRUCTION ASSOCIATION Data Digest

WWW.AGC.ORG

Vol. 25, No. 2 January 6-10, 2025

AGC/Sage outlook survey finds broad optimism; job gains total 8,000 in December; DMI jumps

Contractors are generally optimistic about the outlook for nonresidential and multifamily construction in 2025, while expectations differ from a year ago, based on the 2025 AGC/Sage Construction Hiring and Business Outlook Survey, which AGC released on Wednesday. The survey included 1,109 responses from November 8 to December 13. Respondents were asked whether the dollar value of projects they compete for would be higher or lower in 2025. The net reading (the percent of respondents expecting a higher dollar value less the percent expecting a lower value) was positive for 15 out of 17 project types. Respondents were more upbeat than in the 2024 survey regarding nine types, less optimistic about four types, and had nearly unchanged views about four types. The broadest optimism was for data center projects, with a net positive reading of 42 percentage points (up 22 points from the 2024 survey), followed by water and sewer projects, 35 points; power, 32; transportation facilities, 29; other health care (such as clinics, labs, and testing facilities), 27; manufacturing plants, 25 (up 10); hospitals and bridge/highway, 24 each; federal, 22 (down 7); warehouses and public buildings, 14 each; K-12 schools, 13; higher education and multifamily, 12 each; lodging, 7 (up 10 from -3 in 2024); private office, -3 (up 21 from -24); and retail (-5, up 10 from -15). Nearly half (45%) of firms reported having no supply-chain issues, up from 23% in 2024 and 9% in 2023. The three most-often listed "biggest concerns for 2025" were all workforce-related: rising direct labor costs, picked by 62% of respondents; insufficient supply of workers or subcontractors, 59%; and worker quality, 56%.

Construction employment, seasonally adjusted, totaled 8,316,000 in December, a gain of 8,000 from November and 196,000 (2.4%) year-over-year (y/y), according to AGC's analysis of data the Bureau of Labor Statistics (BLS) posted today. The y/y growth rate topped the 1.4% increase in total nonfarm payroll employment. Residential construction employment rose by 4,000 in December (up 3,500 at residential building firms and 500 at specialty contractors) and 51,000 (1.4%) y/y. Nonresidential construction employment increased by 4,700 for the month (up 100 at building firms, 600 at specialty trade contractors, and 3,900 at heavy and civil engineering construction firms) and 145,300 (3.0%) y/y. Labor costs for nonresidential firms outpaced other sectors: seasonally adjusted average hourly earnings (AHE) for production and nonsupervisory employees rose 3.8% y/y for the total private sector and 4.2% for construction (i.e., most craft and office workers). The industry's AHE in December was $36.44 or 19.0% more than the overall private average of $30.62.

The Dodge Momentum Index (DMI) rose 10% in December from the revised November reading, Dodge Construction Network reported on Wednesday. Commercial planning jumped 14% and institutional planning increased 2.5%. "The DMI is a monthly measure of the **value of nonresidential building projects going into planning**, shown to lead construction spending for nonresidential buildings by a full year….On the commercial side, data center and warehouse planning drove much of the growth this month, while stronger healthcare and education activity supported the institutional portion. In December, the DMI was up 19% y/y, with commercial up 30% and institutional flat. "The influence of data centers on the DMI this year has been substantial. If we remove all data center projects in 2023 and 2024, commercial planning would be up 8% from year-ago levels, and the entire DMI would be up 5%."

There were 276,000 **job openings in construction**, seasonally adjusted, at the end of November, a decrease of 178,000 (-39%) y/y, BLS reported on Tuesday. **Hires** for the full month totaled 317,000, a decrease of 50,000 (-14%) and the lowest November total since 2013. The hires rate (hires as a percent of employment) was 1.7%, the lowest November rate in the 24-year history of the series. **Layoffs** declined by 29,000 (-17%) y/y to 142,000, also the lowest November rate in series history. Quits fell by 24,000 (-15%) y/y. The steep drop in layoffs suggests that firms still expect to need workers in the near future, even though current hires and job openings also fell sharply. These series do not distinguish between residential and nonresidential construction.

"**Economic activity in the services sector** [covering 18 sectors] expanded for the sixth consecutive month in December," the Institute for Supply Management reported on Tuesday. Construction was among eight sectors reporting decreased order backlogs, decline in new orders (5 sectors), paying higher prices for materials and services (15), faster supplier deliveries (4) and no change in business activity (6). But construction was also among sectors reporting growth (12 sectors) and increased employment (6). **Items** significant for construction reported **up in price** include construction labor, diesel fuel (also listed as down in price), lumber (4 months in a row), electrical components (2 months), and oriented strand board. **Price declines** were reported for aluminum-based products and diesel fuel. **Items** listed **in short supply** include construction contractors (3) and labor, electrical equipment (7) and components, and transformers (7).