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Construction jobs increase in May; JOLTS, ISM, Beige Book indicate slowing activity, uncertainty

Construction employment, seasonally adjusted, totaled 8,314,000 in May, a gain of 4,000 from April and 126,000 (1.5%) year-over-year (y/y), according to AGC's [analysis](#) of data BLS [posted](#) today. **Nonresidential construction employment** (at building, specialty trade, and heavy and civil engineering construction firms) increased by 11,300 for the month and 126,500 (2.6%) y/y, slightly below the 160,000 (3.4%) gain a year earlier. **Residential construction employment** (at residential building and specialty contractors) declined by 7,400 in May and was down by 1,000 jobs (-0.03%) y/y, a sharp contrast to the 63,700 jobs (1.9%) added 12 months earlier. Seasonally adjusted **average hourly earnings** for production and nonsupervisory employees (craft and office) in construction rose 4.7% y/y to \$37.13 per hour. In the previous 12 months that measure rose 4.0%.

There were 248,000 **job openings in construction**, seasonally adjusted, at the end of April, down 24% y/y, the Bureau of Labor Statistics [reported](#) on Tuesday in its latest Job Openings and Labor Turnover Survey (JOLTS). The job openings rate (openings as a share of employment plus openings) fell to 2.9%, the lowest April rate since 2017. **Hires** for the full month totaled 348,000, up 6.1% y/y, while the hires rate as a share of employment rose from 4.0% to 4.2%. Despite the increase, the hires rate was the third-lowest for April in the 25-year history of the series. **Layoffs and discharges** jumped by 15% y/y, from 153,000 to 176,000, and the layoff rate as a share of employment rose from 1.9% to 2.1%. **Quits** tumbled 20% y/y, from 183,000 to 147,000 and the quits rate as a share of employment slide from 2.2% to 1.8%. The increase in layoffs and decline in openings and quits suggest declining near-term demand for construction workers.

"**Economic activity in the services sector** contracted in May, the first time since June 2024," the Institute for Supply Management (ISM) [reported](#) on Wednesday. The May index level "indicated slight contraction at 49.9%, below the 50% breakeven point...is not indicative of a severe contraction, but rather uncertainty that is being expressed broadly among ISM Services Business Survey panelists." Construction was among the eight sectors reporting a contraction, vs. 10 reporting expansion. Construction respondents were among the sectors reporting decreases in business activity (3 sectors), new orders (7), inventories (6), and imports (7), but also an increase in employment (7) and order backlogs (5). Construction respondents also reported slower supplier deliveries (as did 11 sectors) and higher prices paid (16 sectors). A construction respondent reported, "Tariff variability has thrown residential construction supply chains into chaos. Many items are still manufactured in southeast Asia, and suppliers are beginning to test the waters for increases. Major heating, ventilation and air conditioning equipment manufacturers are passing on their cost increases due to higher refrigerant and steel commodity prices. Planning is difficult for community projects that could be scheduled for the next 22 to 30 months." **Items** significant for construction reported **up in price** include aluminum, electrical equipment, fasteners (2 months in a row), lumber (also reported down in price) and steel products (5 months). **Price declines** were reported for diesel fuel (3), lumber, and oriented strand board panels. **Items listed in short supply** include transformers.

"Reports across the 12 Federal Reserve districts indicate that **economic activity** has declined slightly since the previous report," the Fed [reported](#) on Wednesday in its latest Beige Book, which "characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from" sources in each district. The districts are referred to by their headquarters cities. "All District reports indicated that higher **tariff rates** were putting upward pressure on costs and prices. However, contacts' responses to these higher costs varied, including increasing prices on affected items, increasing prices on all items, reducing profit margins, and adding temporary fees or surcharges." AGC [posted](#) construction-related excerpts, including from Cleveland: "Several builders and developers said that uncertainty around economic policy was causing businesses to be more cautious with their construction investment decisions" and San Francisco: "Construction of new commercial property remained slow, particularly in the private sector, because of uncertainty about future economic conditions and the effects of trade policy on building costs and materials availability. Construction activity for public sector projects such as transportation and utilities remained solid." Reports were gathered between mid-April and May 23, after some tariffs were paused but before the June 4 increase in **steel and aluminum tariffs** from 25% to 50%. **Readers are invited to send information about project timing, materials price changes, and supply chains** to ken.simonson@agc.org.

Data DIGest is a weekly summary of economic news. Sign up [here](#). Editor: Ken.Simonson@agc.org, Chief Economist, AGC. Go here for [Ken's PPT](#) or more [construction data](#).

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