



AGC
THE CONSTRUCTION
ASSOCIATION

October 2022

U.S. Construction Outlook: Recession or Resurgence?

Ken Simonson

Chief Economist, AGC of America

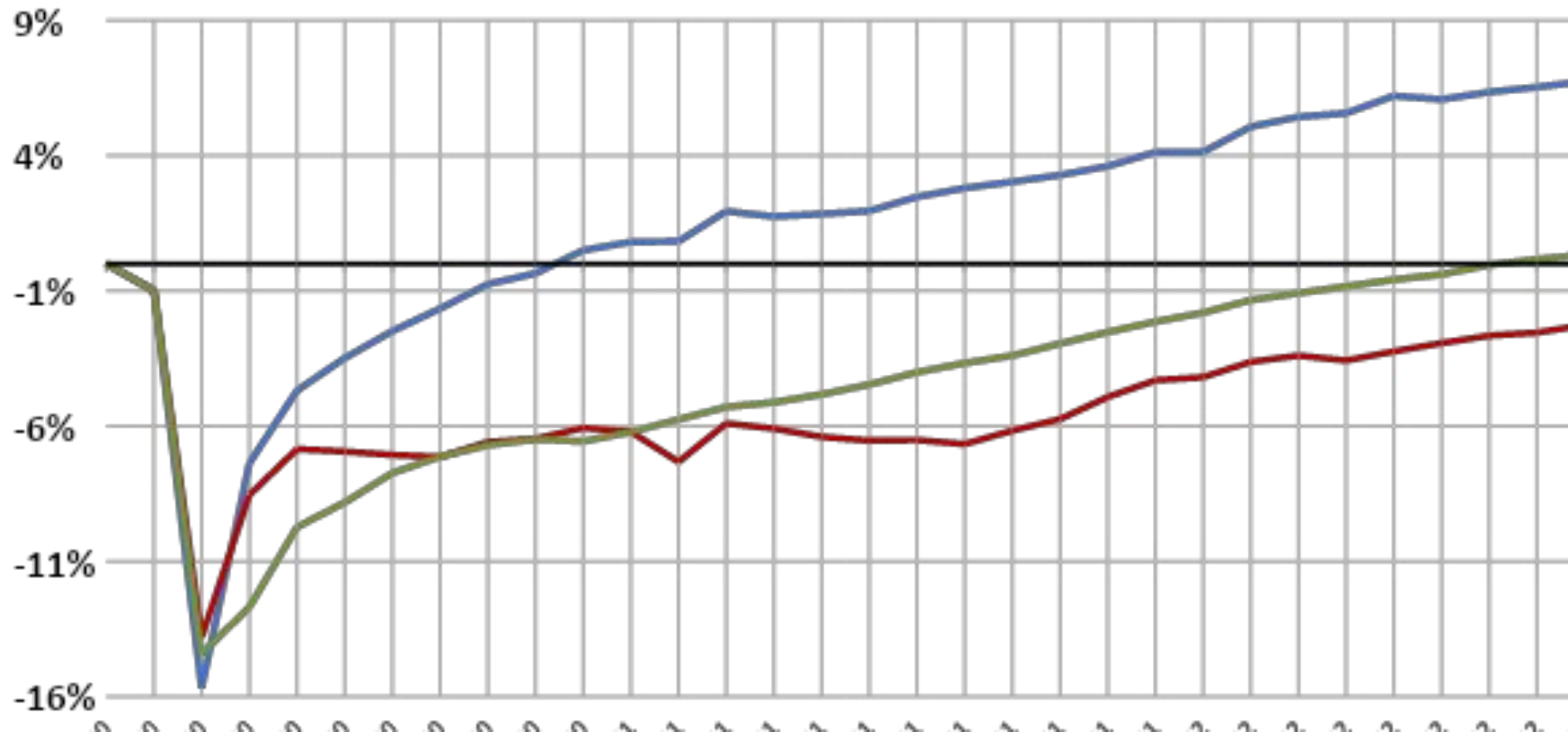
ken.simonson@agc.org

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

cumulative change (seasonally adjusted)



Change since Feb. 2020:

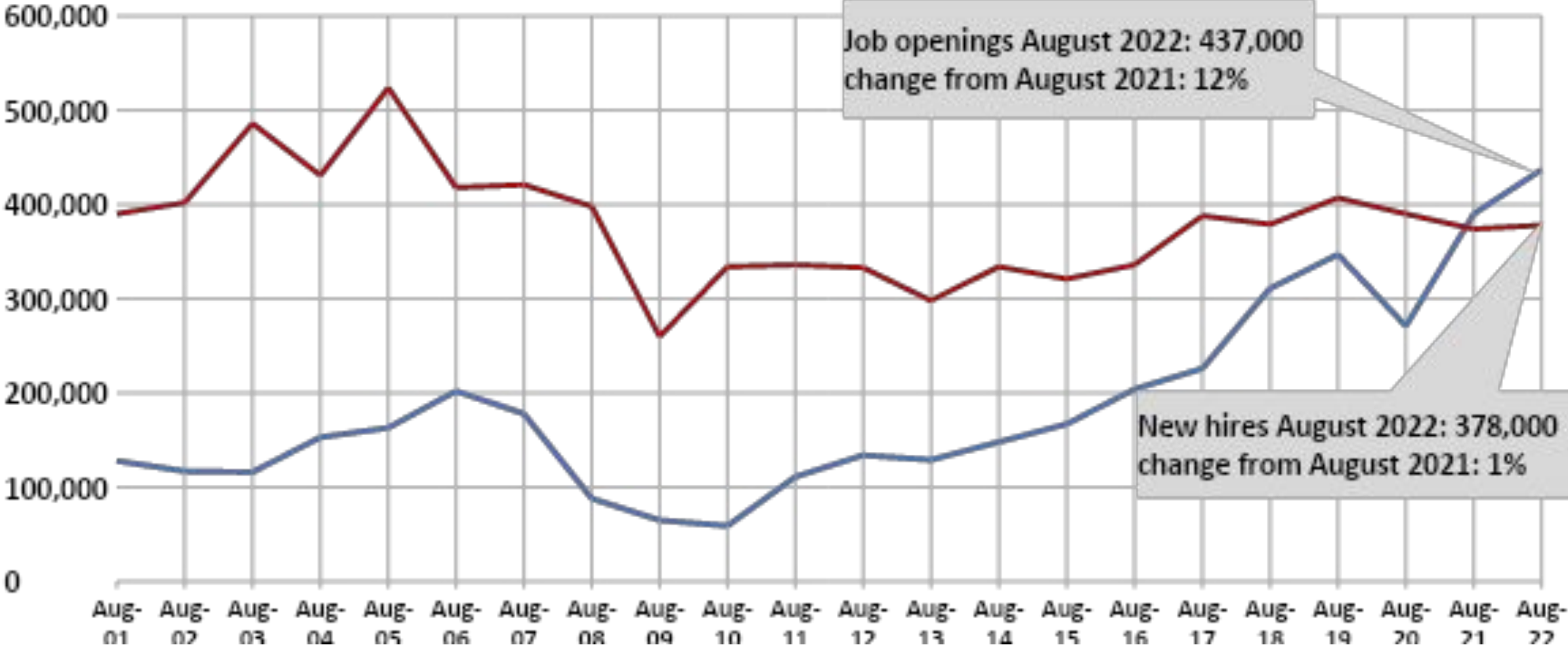


| | <u>Number</u> | <u>Percent</u> |
|------------------------------------|-----------------|----------------|
| Residential Construction | 200,600 | 6.7% |
| Total Nonfarm | 514,000 | 0.3% |
| Nonresidential Construction | -105,200 | -2.3% |

Construction job openings & new hires



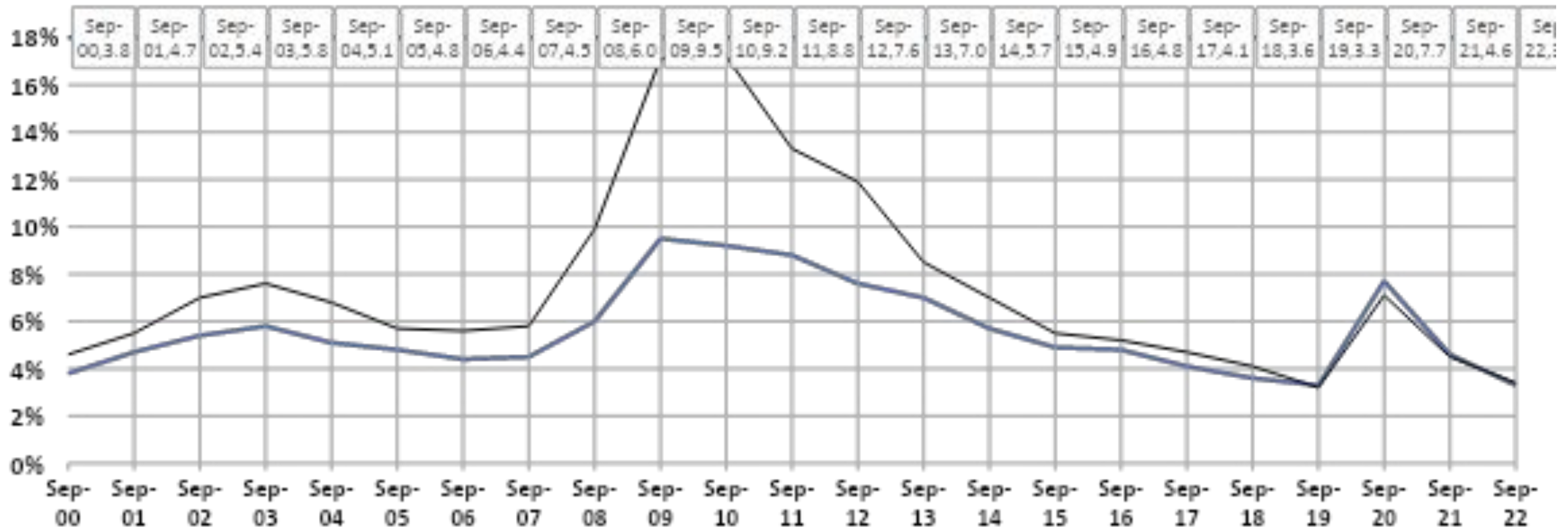
Job openings and hires, August 2001-August 2022, not seasonally adjusted



Nonfarm and Construction unemployment rate

September 2000–September 2022, not seasonally adjusted

September 2022: Nonfarm 3.3%, Construction 3.3%



Construction employment change by state, August 2021-August 2022

43 states+DC up, 5 states down, 2 unchanged (U.S.: 4.2%)

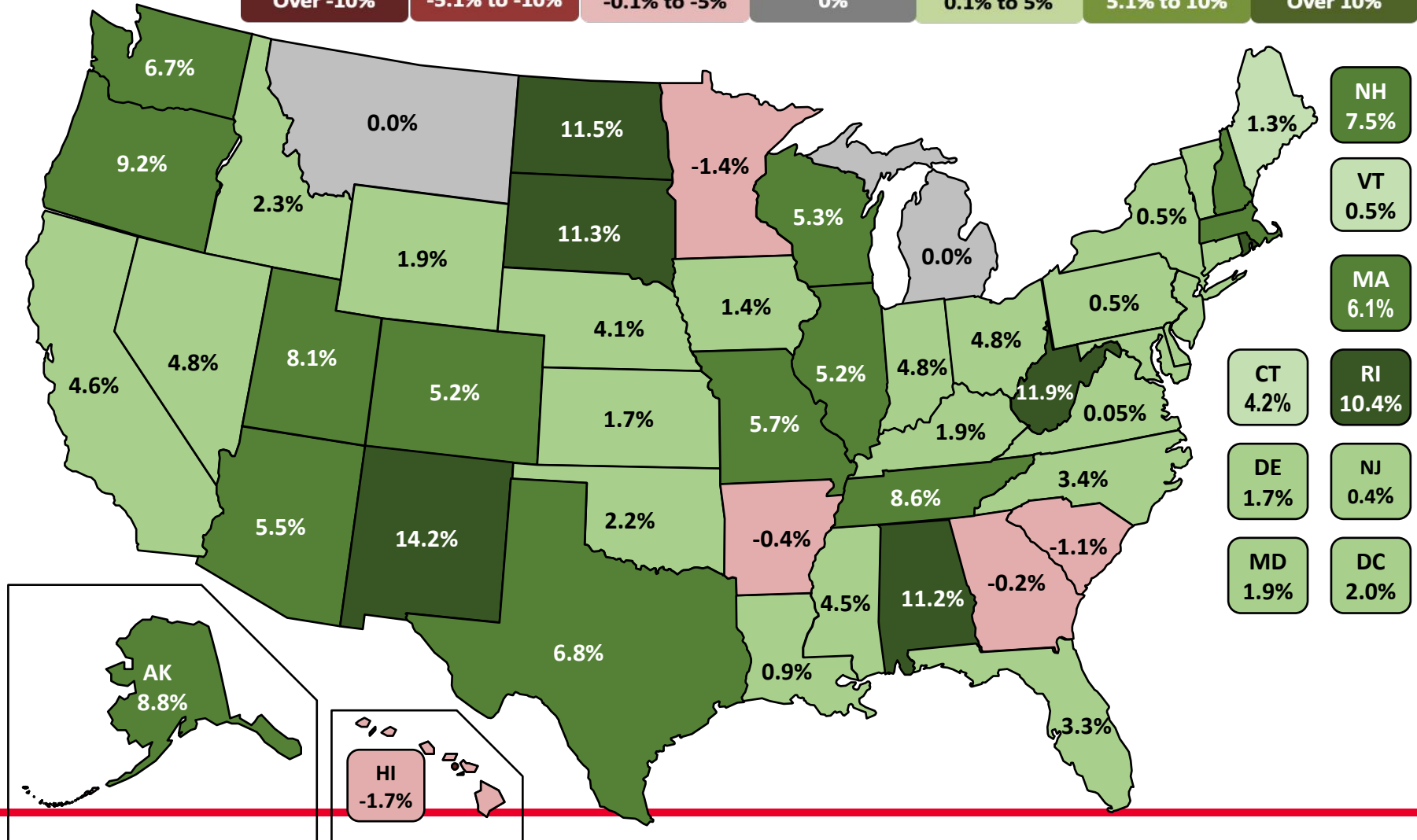


Top 5

| | |
|----|-------|
| NM | 14.2% |
| WV | 11.9% |
| ND | 11.5% |
| SD | 11.3% |
| AL | 11.2% |

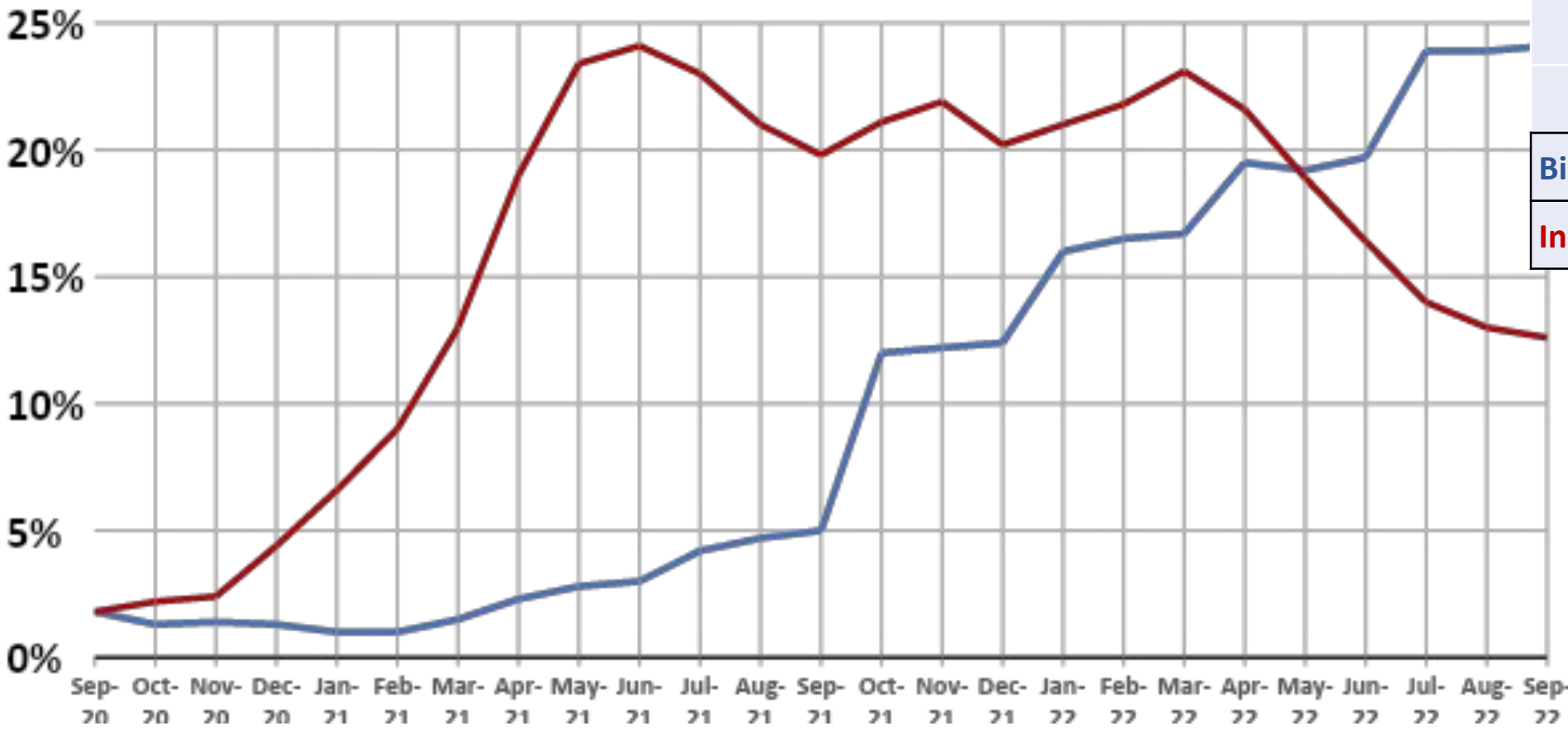
Bottom 5

| | |
|----|-------|
| HI | -1.7% |
| MN | -1.4% |
| SC | -1.1% |
| AR | -0.4% |
| GA | -0.2% |



Costs vs. Bid Prices for New Nonresidential Construction

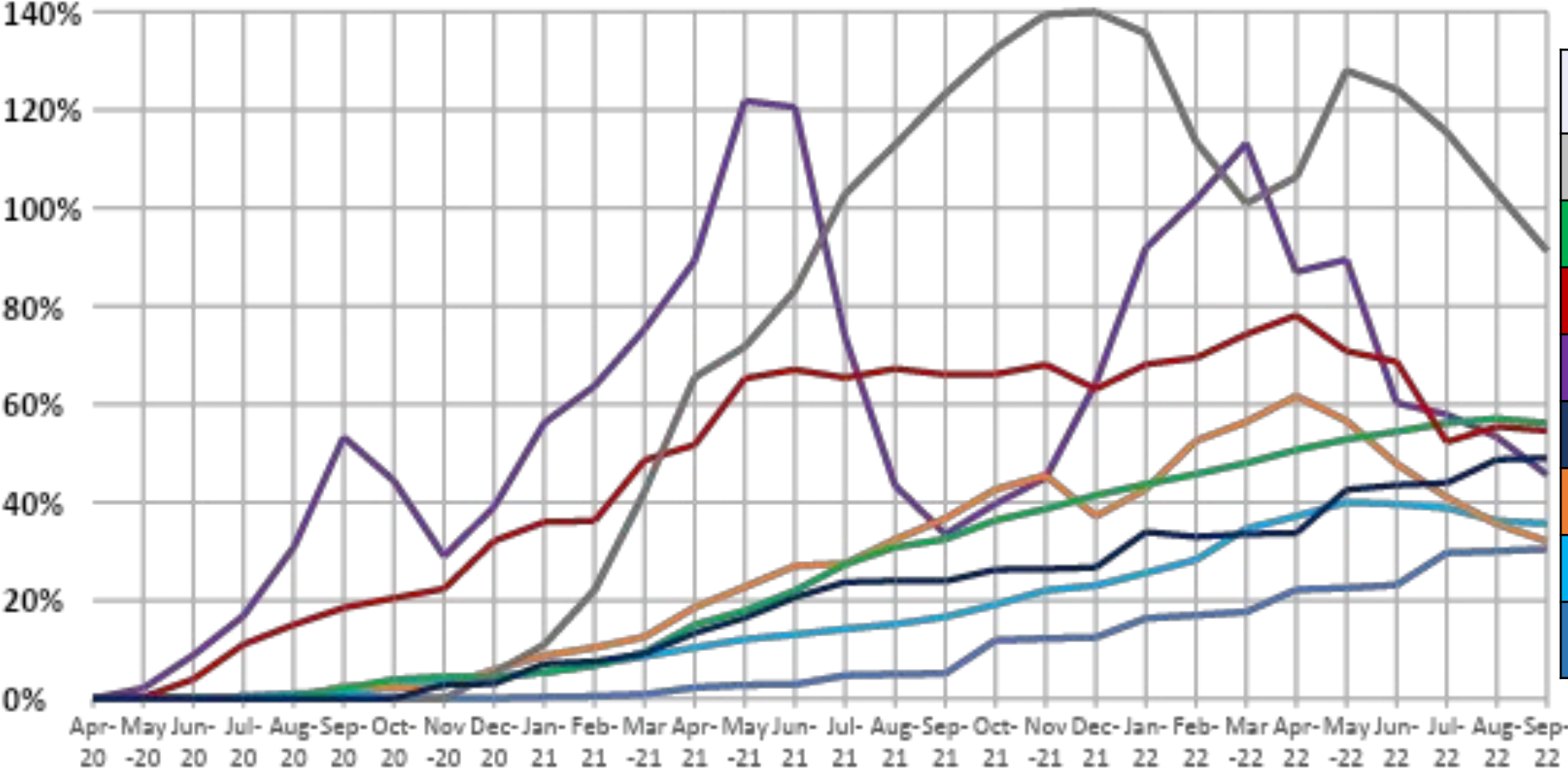
Year-over-year change in PPIs, Sep 2020 – Sep 2022, not seasonally adjusted



| | 12 months to: | |
|----------------------|---------------|--------|
| | Sep-20 | Sep-22 |
| Bid Price PPI | 1.8% | 24.1% |
| Inputs PPI | 1.8% | 12.6% |

PPIs for Construction Bid Prices and Selected Inputs

Cumulative change in PPIs, April 2020–September 2022 (not seasonally adjusted)



| % Change: April 2020 - September 2022 | | |
|--|--|-------|
| | Steel Mill Products | 91.3% |
| | Plastic Construction Products | 56.2% |
| | Copper & Brass Mill Shapes | 54.6% |
| | Lumber and Plywood | 45.6% |
| | Gypsum Building Materials | 49.0% |
| | Aluminum Mill Shapes | 32.1% |
| | Truck Transportation | 35.7% |
| | 'Bid Price' <i>(new nonresidential building construction)</i> | 30.5% |

Cost squeeze on contractors can last two years or more

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



AGC
THE CONSTRUCTION
ASSOCIATION



Change in construction spending: August 2022 vs. August 2021

current (not inflation-adjusted) dollars, seasonally adjusted



- Total 9%: private res 12% (single-family 0%; multi -0.2%; improvements 37%); private nonres 6%; public 3%

Largest segments (in descending order of August 2022 spending)

- Commercial 19% (warehouse 21%; retail 21%; farm 10%)
- Power -13% (electric -13%; oil/gas fields & pipelines -11%)
- Highway and street 2%
- Mfg. 19% (computer/electronic 179%; chemical -13%; food/beverage/tobacco -1%; transp. equip. -10%)
- Education 0.3% (primary/secondary -4%; higher ed 5%)
- Office -1%
- Transportation -0.4% (air -11%; freight rail/trucking 8%; mass transit 4%)
- Health care 8% (hospital 5%; medical building 7%; special care -6%)

- Sewage and waste disposal 12% (wastewater 15%; sewage/dry waste 7%)

Forward-looking indicators



| Indicator | Latest date | Current value | Year-ago value |
|-------------------------------------|-------------|---------------|----------------|
| Architecture Billings Index (ABI) | August | 53.3 | 56.1 |
| Dodge Momentum Index (DMI) | Sept. | 183 | 146 |
| Multifamily permits not yet started | August | 143,000 | 109,000 |

Medium-term outlook for construction



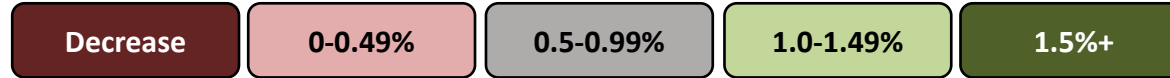
- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+” 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 cost and lead time trends are mixed, no longer all upward
- Labor availability has resumed being the #1 challenge for many contractors

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

Population change by state, July 2020–July 2021 (U.S.: 0.12%)

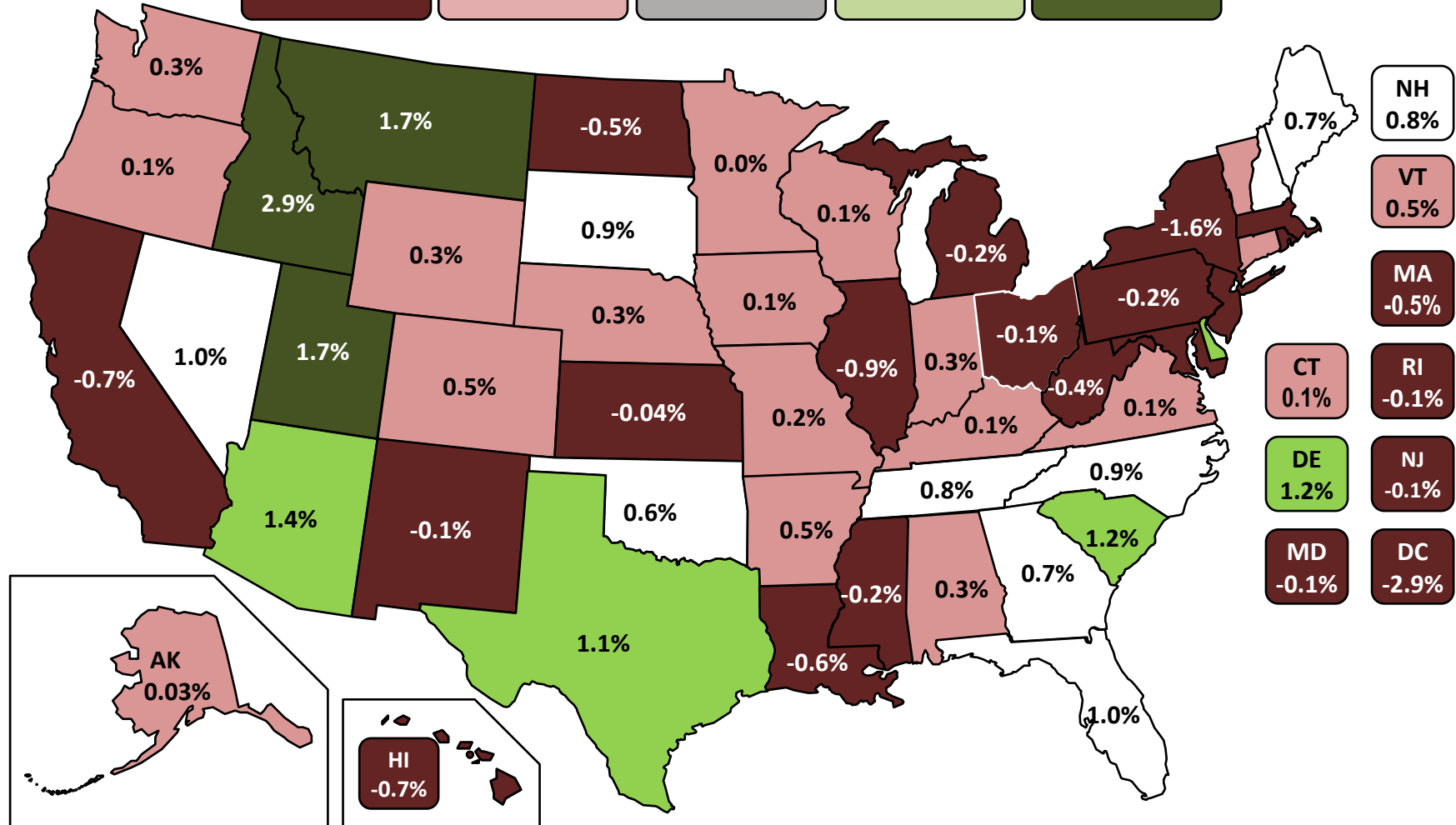


Top 6

| | |
|--------|------|
| 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-center/):
<https://www.consensusdocs.org/price-escalation-center/>

- 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>

