



AGC
THE CONSTRUCTION
ASSOCIATION

January 2023

US & TX Construction Outlook: Rotation or Retreat?

Ken Simonson

Chief Economist, AGC of America

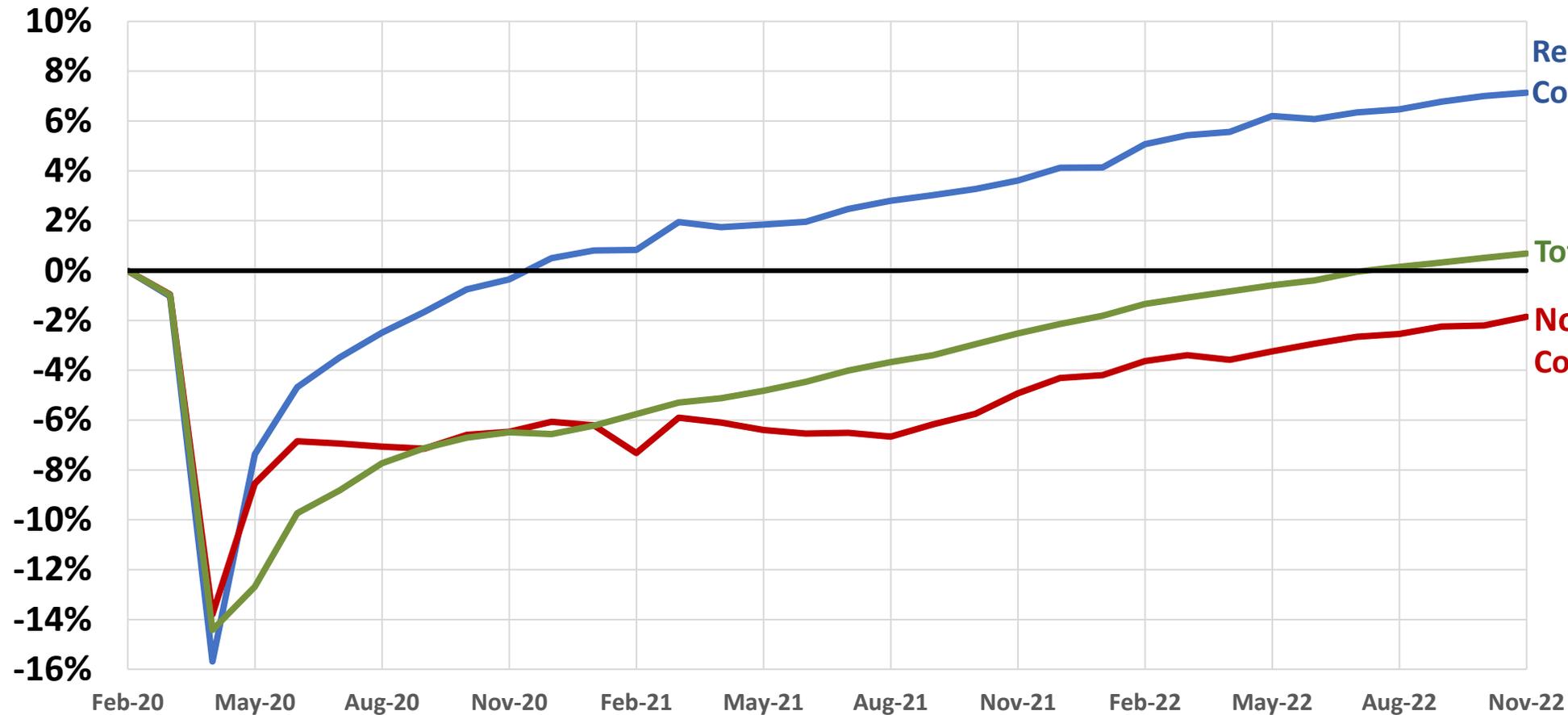
ken.simonson@agc.org

Total nonfarm & construction employment, Feb. 2020–Nov. 2022

cumulative change (seasonally adjusted)



Change since Feb. 2020:
Number Percent



**Residential
Construction**

212,300 7.1%

Total Nonfarm

1,044,000 0.7%

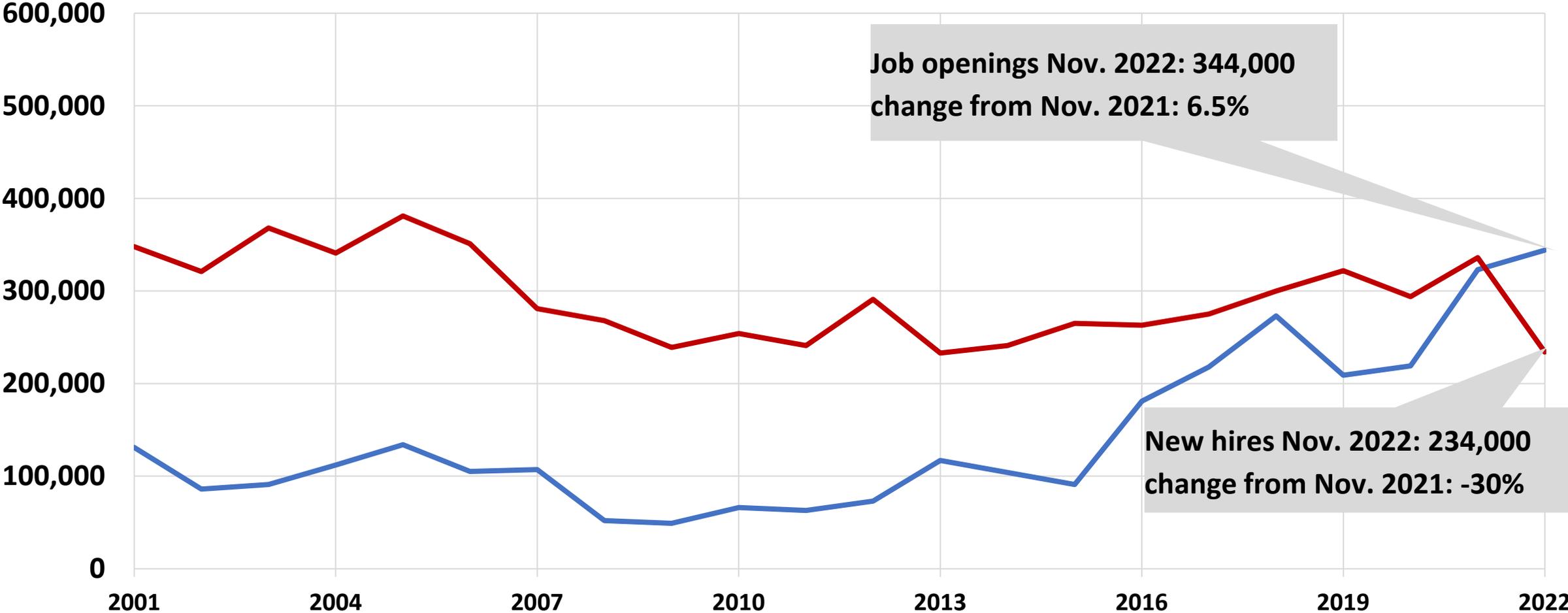
**Nonresidential
Construction**

-86,000 -1.8%

Construction job openings & new hires



Job openings and hires, Nov. 2001-Nov. 2022, not seasonally adjusted

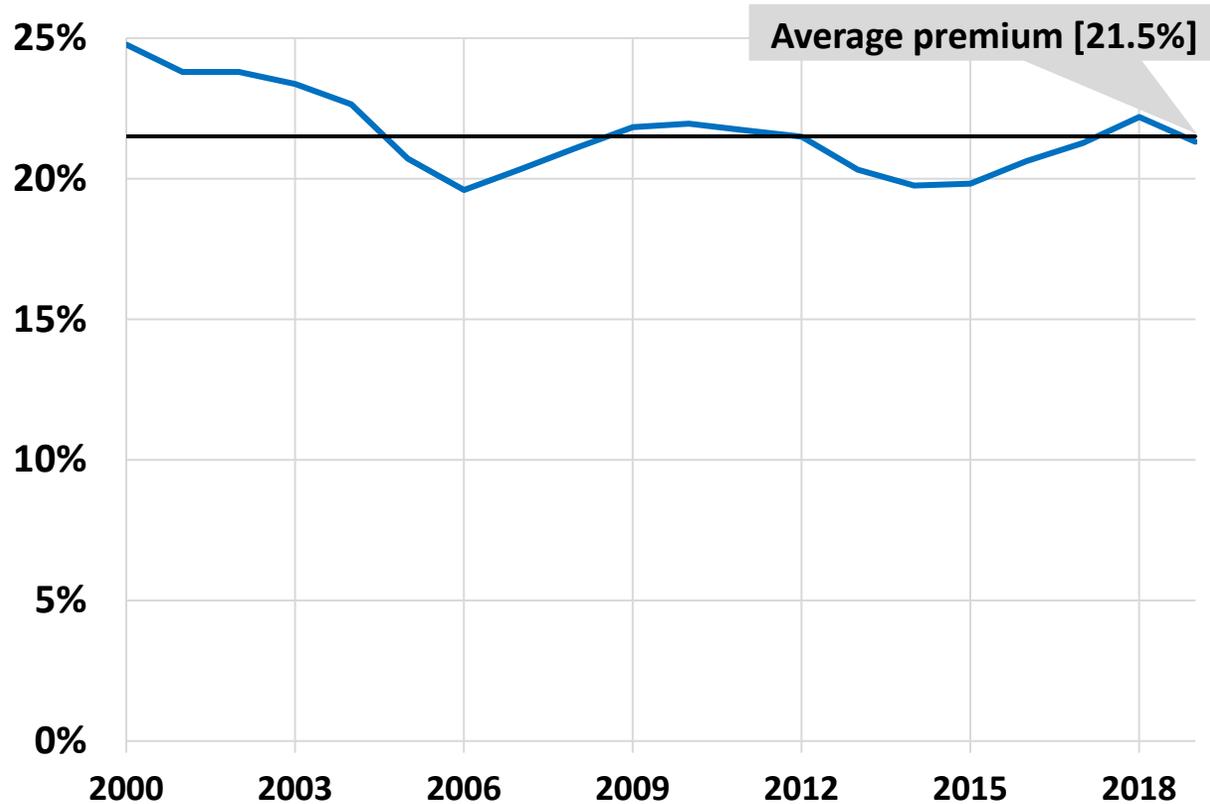


Construction wage “premium” vs. total private sector

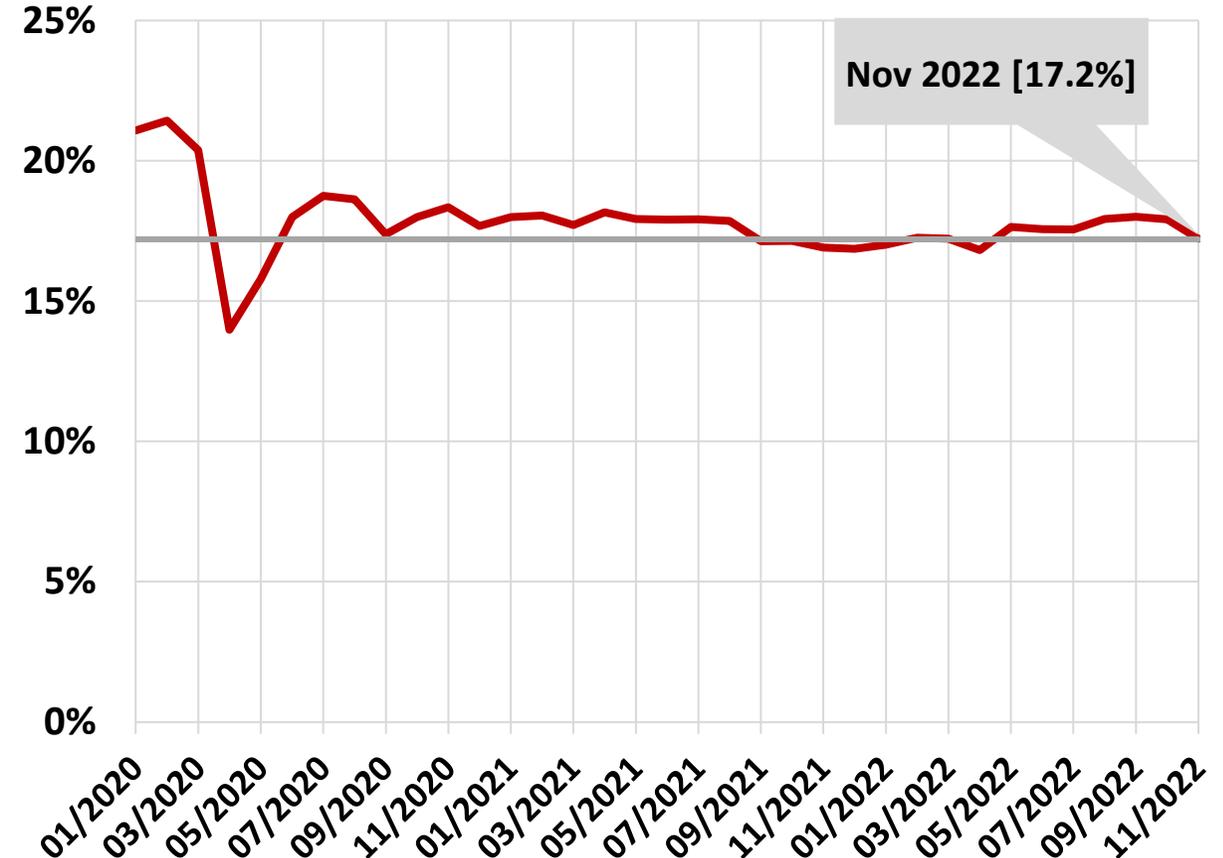
Excess of average hourly earnings for production/ nonsupervisory employees in construction vs. private sector



Annual premium, 2000–2019

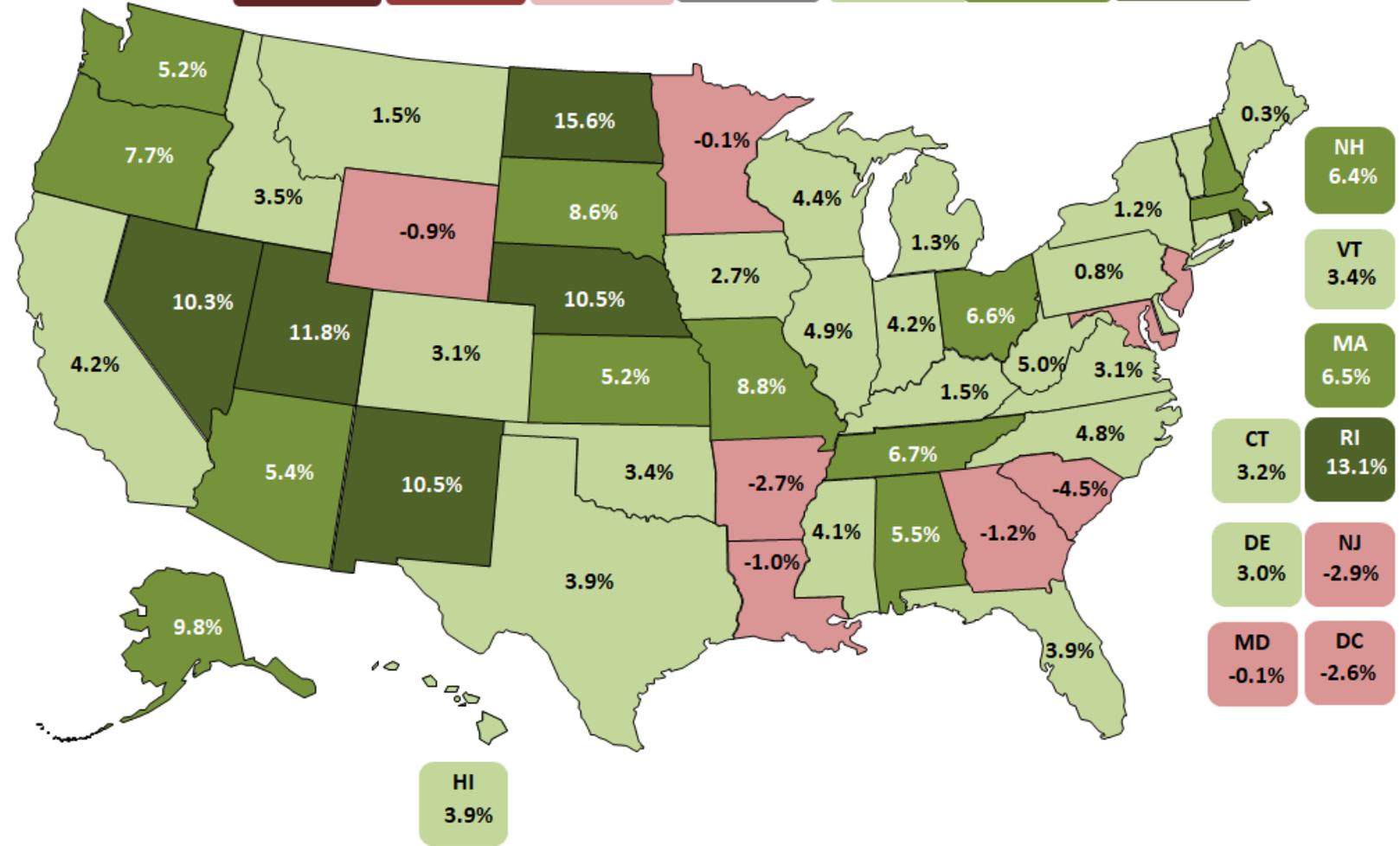


Monthly premium, Jan 2020–Nov 2022 (seasonally adjusted)



Construction employment change by state, November 2021-November 2022

42 states **up**, 8 states + DC **down**, 0 unchanged (**U.S.: 3.3%**)



Top 5

| | |
|----|-------|
| ND | 15.6% |
| RI | 13.1% |
| UT | 11.8% |
| NE | 10.5% |
| NM | 10.5% |

Bottom 5

| | |
|----|-------|
| SC | -4.5% |
| NJ | -2.9% |
| AR | -2.7% |
| GA | -1.2% |
| LA | -1.0% |

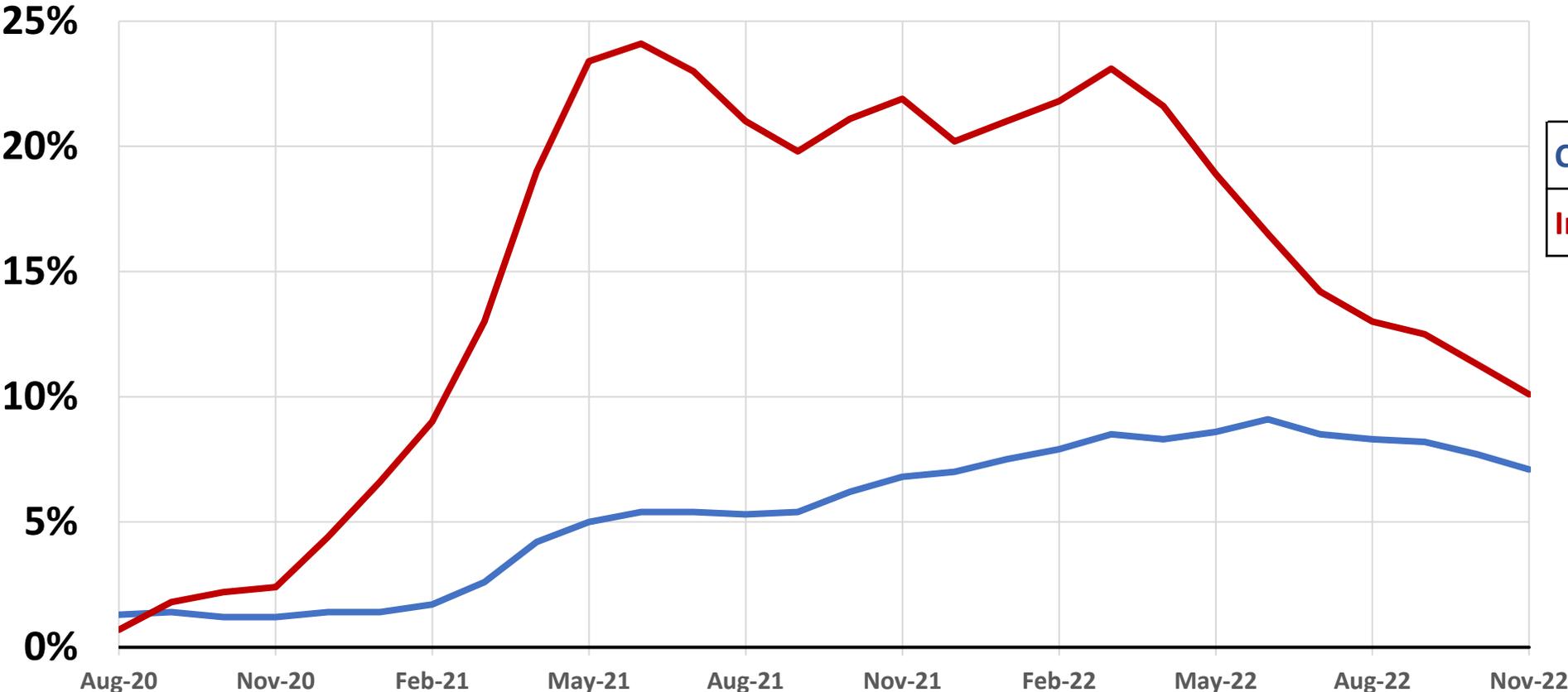
Costs for new nonresidential construction vs. consumer prices

Year-over-year change in PPI for construction inputs and CPI

August 2020 - November 2022, not seasonally adjusted



AGC
THE CONSTRUCTION
ASSOCIATION



| | 12 months to: | |
|-------------------|---------------|--------------|
| | Aug-20 | Nov-22 |
| CPI | 1.3% | 7.1% |
| Inputs PPI | 0.7% | 10.1% |

Wide variation in construction input cost trends

change in producer price indexes (not seasonally adjusted)

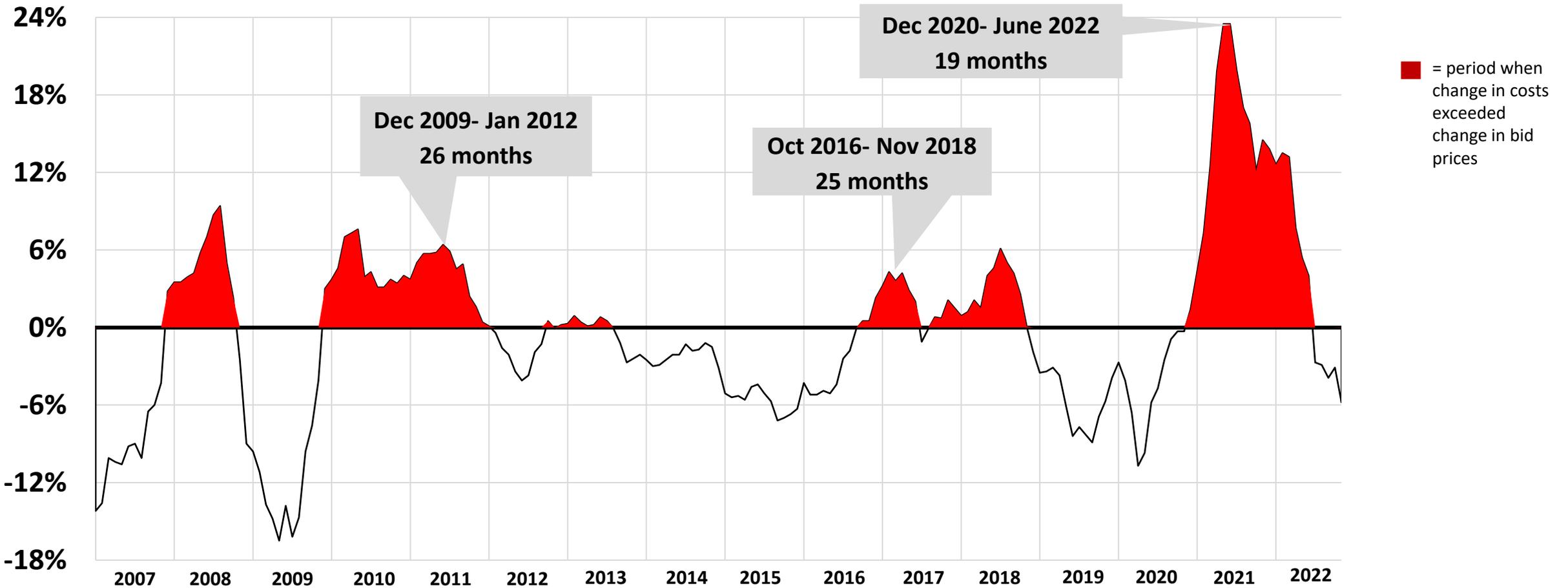
| | <u>Nov 2022 change from:</u> | |
|--|------------------------------|---------------------------|
| | <u>Oct</u> <u>2022</u> | <u>Nov</u> <u>2021</u> |
| #2 diesel fuel | -3.4% | 59.6% |
| Architectural coatings (paint, etc.) | 0% | 26.3% |
| Asphalt paving mixtures and blocks | -0.9% | 19.8% |
| Concrete products | 0.8% | 14.3% |
| <u>Subcontractor price indexes, nonresidential building work</u> | | |
| Roofing contractors | 0% | 20.8% |
| Electrical contractors | 0.1% | 13.8% |
| Plumbing contractors | 0.3% | 15.0% |
| Concrete contractors | 0.3% | 10.9% |

Cost squeeze on contractors can last two years or more

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



AGC
THE CONSTRUCTION
ASSOCIATION



Change in construction spending: November 2022 vs. November 2021



current (not inflation-adjusted) dollars, seasonally adjusted

- Total 9%: private res 5% (**single-family -10%**; multi 11%; improvements 28%); private nonres 13%; public 10%

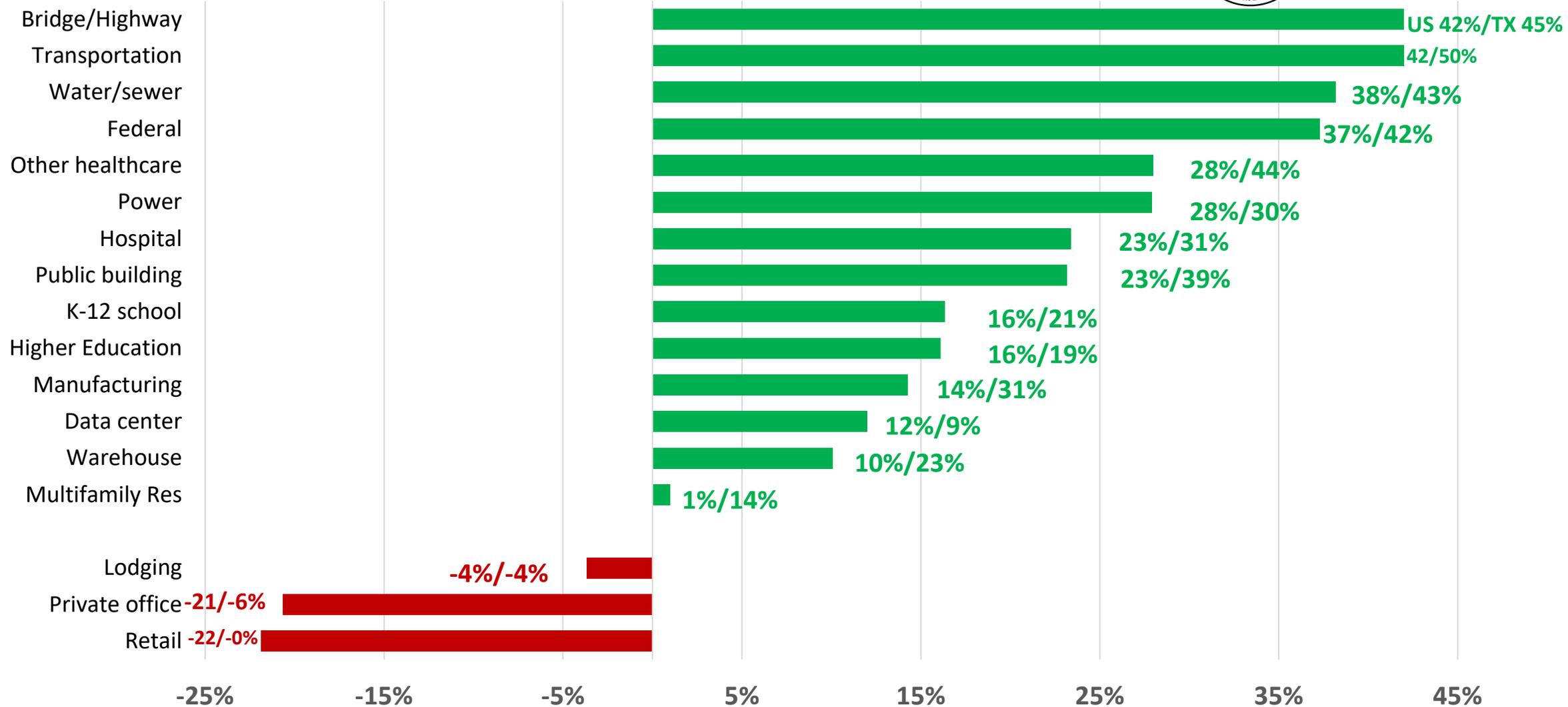
Largest segments (in descending order of November 2022 spending)

- Mfg. 43% (computer/electronic 203%; **chemical -27%**; food/beverage/tobacco 28%; transp. equip. 26%)
- Commercial 20% (warehouse 18%; retail 25%; farm 19%)
- Highway and street 15%
- **Power -8%** (**electric -8%**; **oil/gas fields & pipelines -10%**)
- Education 3% (primary/secondary 3%; higher ed 5%)
- Office 3%
- Transportation 7% (air 6%; freight rail/trucking 15%; mass transit 6%)
- Health care 7% (hospital 4%; medical building 11%; special care 7%)
- Sewage and waste disposal 20%
- Water supply 31%

AGC Outlook Survey: Net* % who expect 2023 value of projects to be higher or lower than 2022 (US%/TX%)



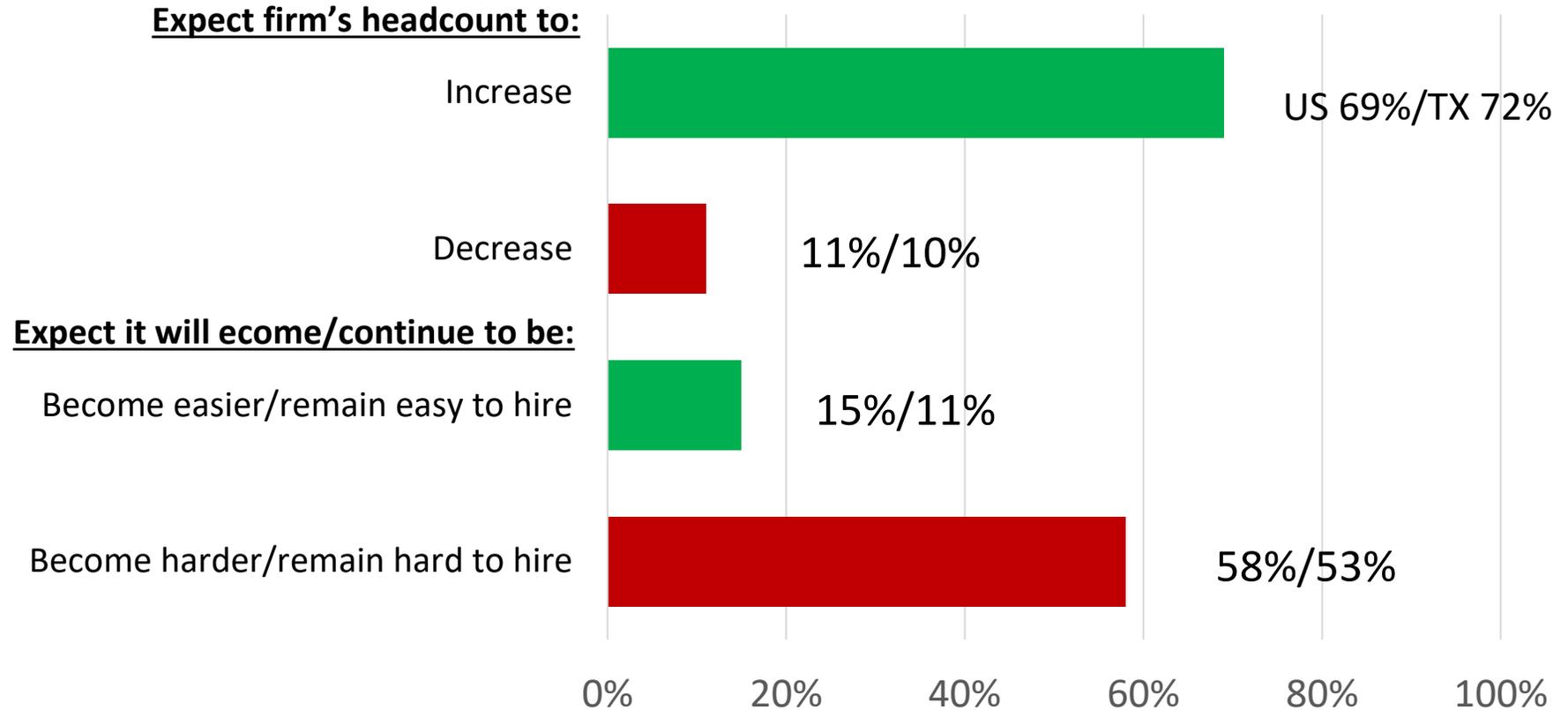
* Net = % expecting higher value - % expecting lower value than in 2022



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



% of US/TX respondents who:



Medium-term outlook for construction



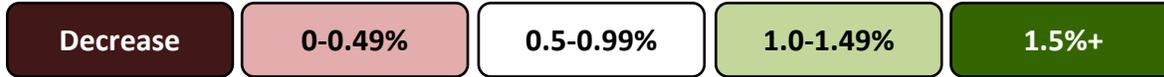
- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+” 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
- Not clear if recent urban/rural or state-to-state migration will remain or reverse

Population change by state, July 2021–July 2022 (U.S.: 0.38%)

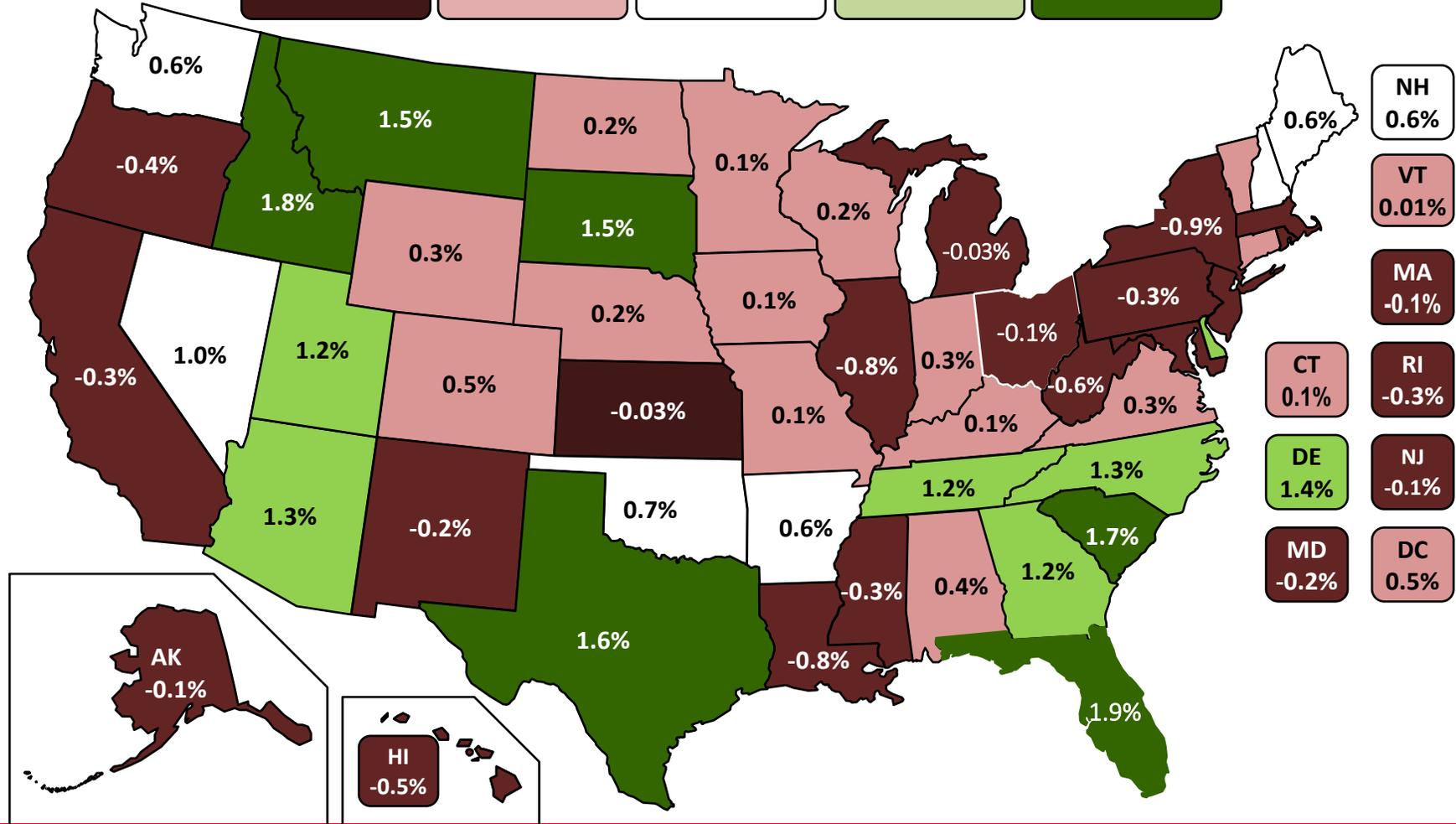


Top 6

| | |
|--------|------|
| FL | 1.9% |
| ID | 1.8% |
| SC | 1.7% |
| TX | 1.6% |
| SD, MT | 1.5% |

Bottom 5

| | |
|----|-------|
| NY | -0.9% |
| IL | -0.8% |
| LA | -0.8% |
| WV | -0.6% |
| HI | -0.5% |



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>

