



October 18, 2021

U.S. Construction Outlook:

Pandemic Impacts, Policy Initiatives, Project Implications

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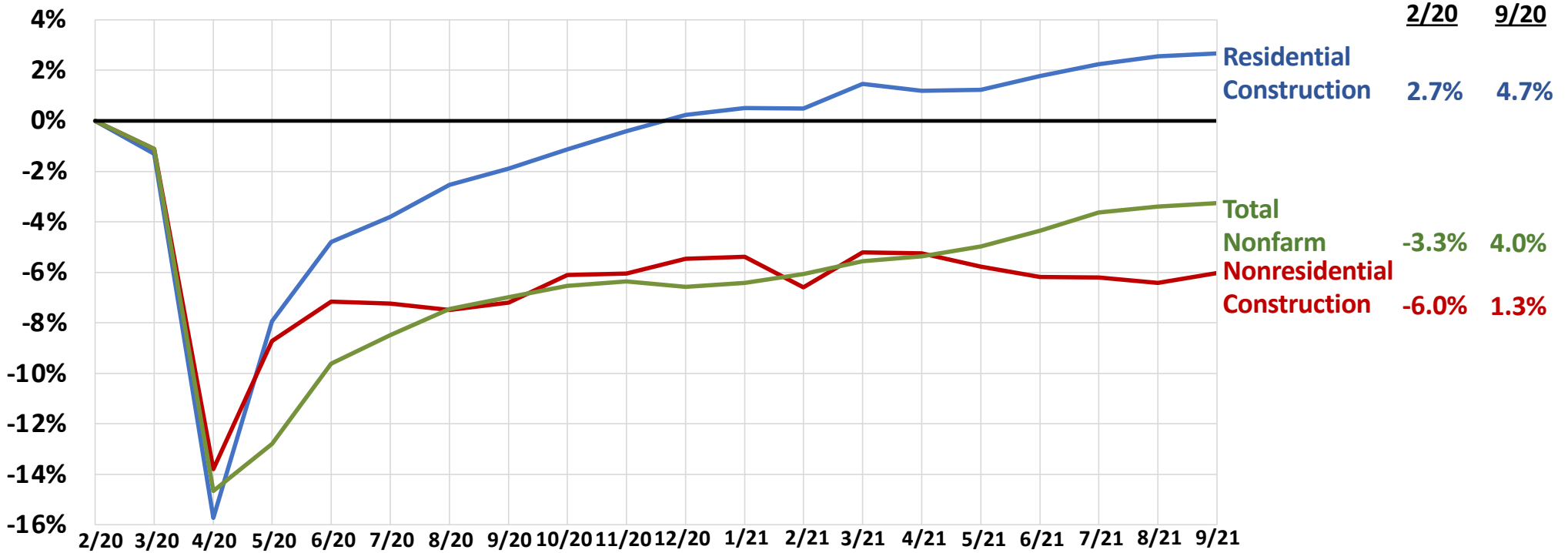
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Total Nonfarm & Construction Employment, Feb. 2020–Sep. 2021

cumulative change (seasonally adjusted)

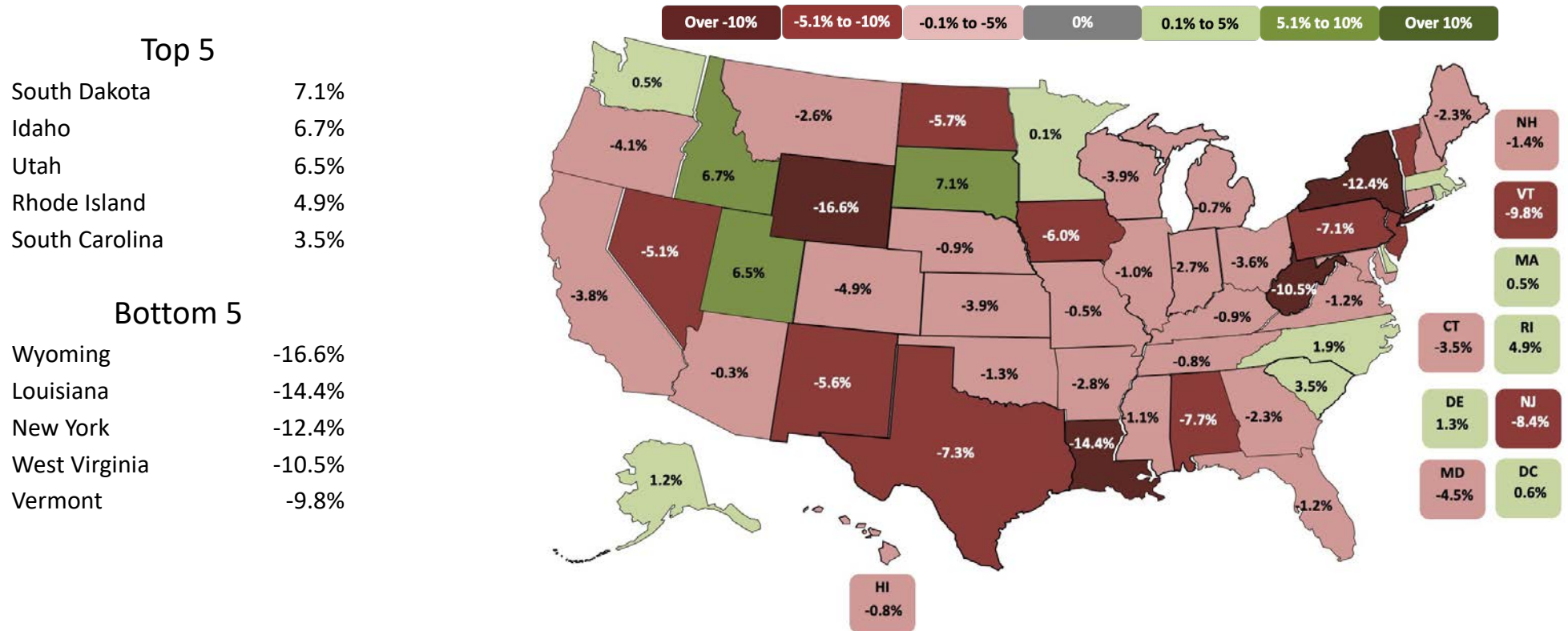


Change to 9/21 from:



State construction employment change, Feb. 2020–August 2021

11 states and DC **up**, 39 states **down** (U.S.: -3.0%)



Top 5

South Dakota	7.1%
Idaho	6.7%
Utah	6.5%
Rhode Island	4.9%
South Carolina	3.5%

Bottom 5

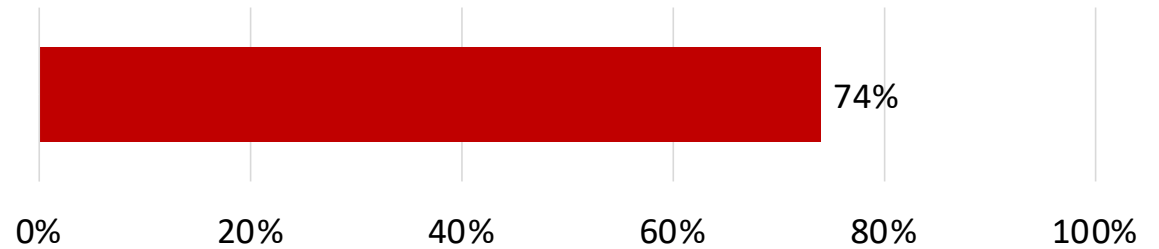
Wyoming	-16.6%
Louisiana	-14.4%
New York	-12.4%
West Virginia	-10.5%
Vermont	-9.8%

2021 AGC Workforce Survey Results (responses: 2,136)



Hiring expectation

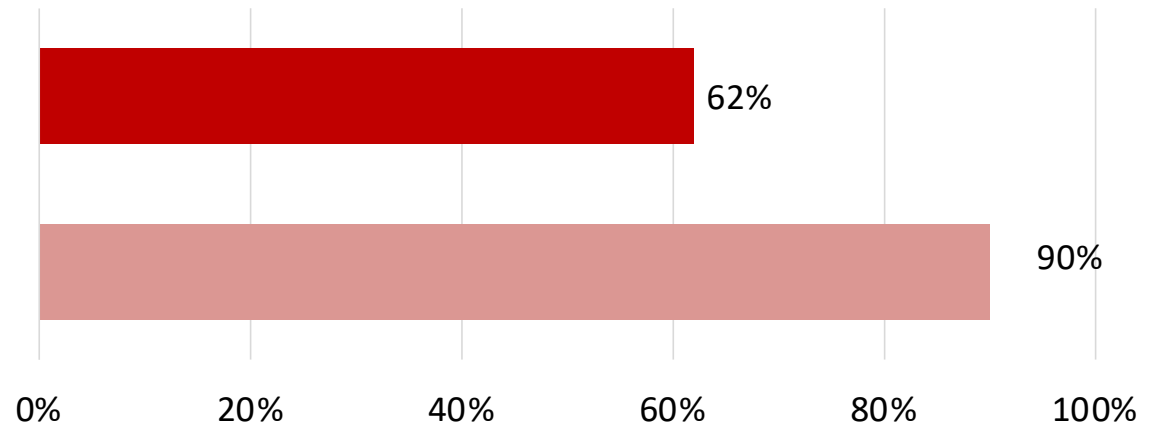
Expect to hire in the next 12 months



Need to fill open positions

Salaried positions

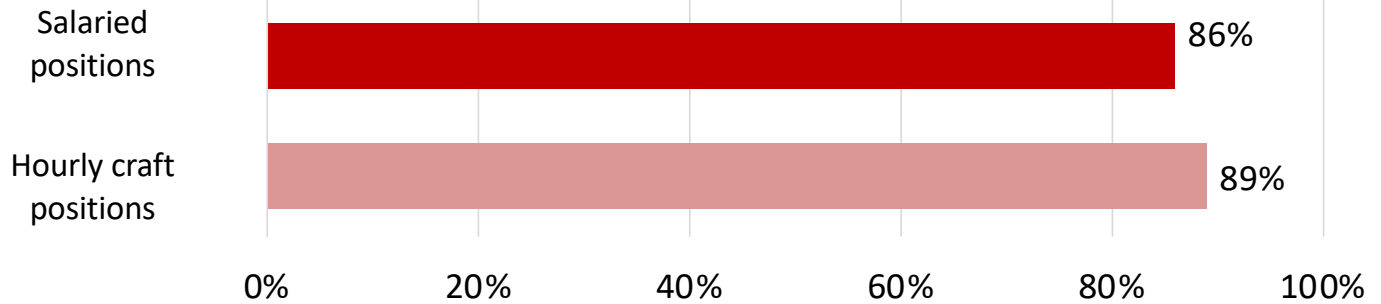
Hourly craft positions



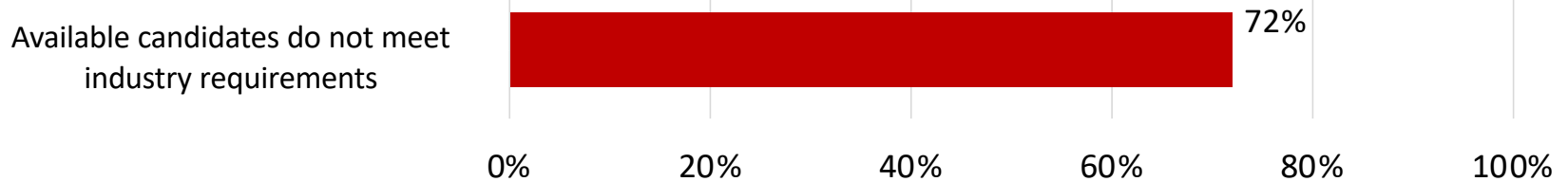
2021 AGC Workforce Survey Results



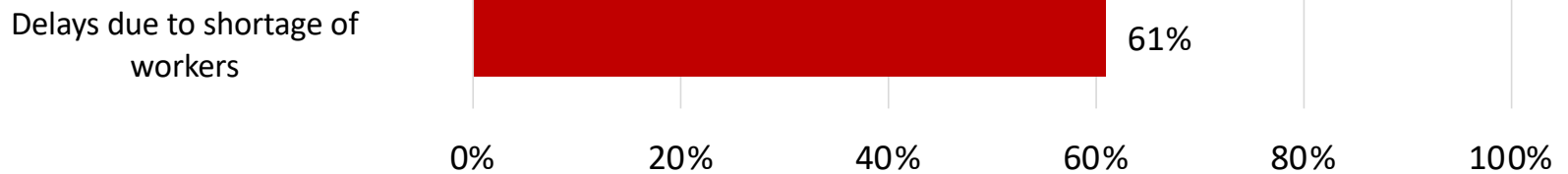
We are having a hard time filling some or all positions



Difficulty finding quality workers

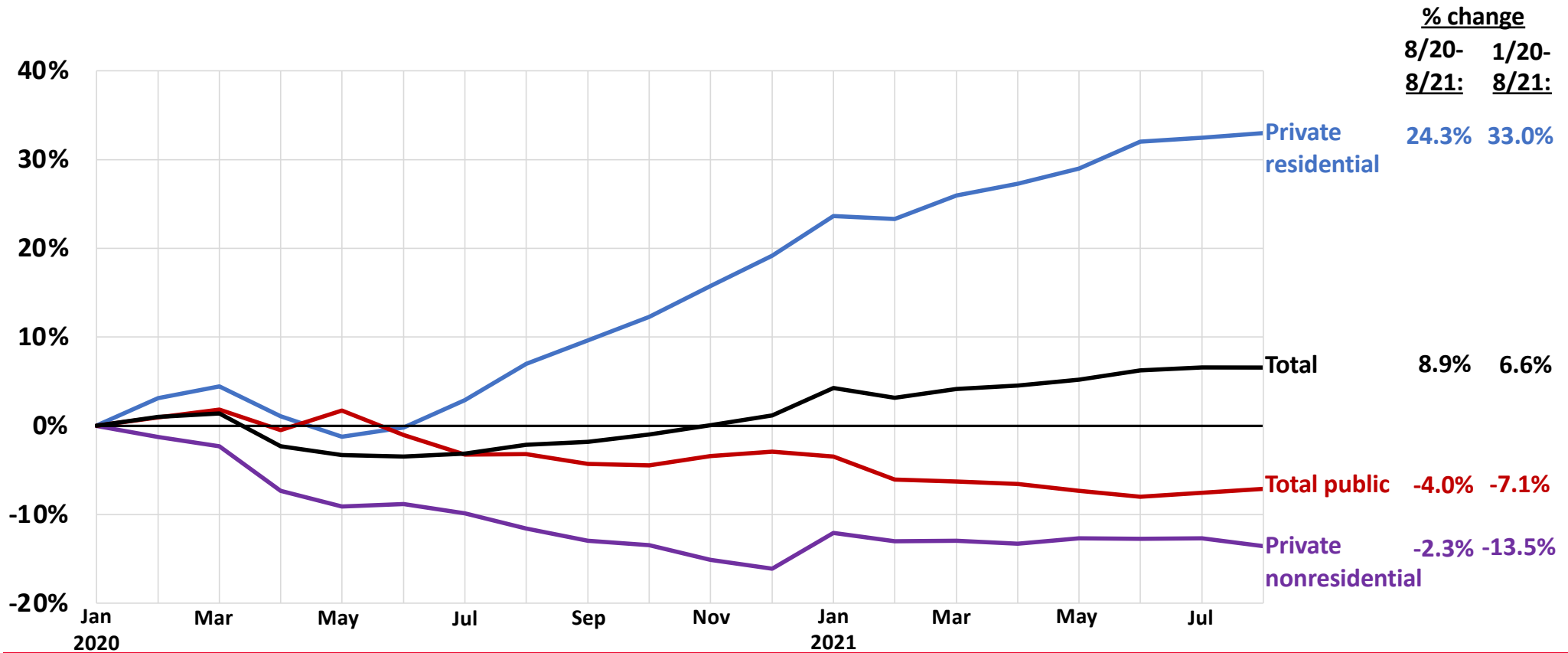


Construction delays



Construction Spending

Cumulative % change, January 2020 – August 2021, seasonally adjusted



Year-to-date construction spending: Jan–August 2021 vs. Jan–August 2020 (not seasonally adjusted)



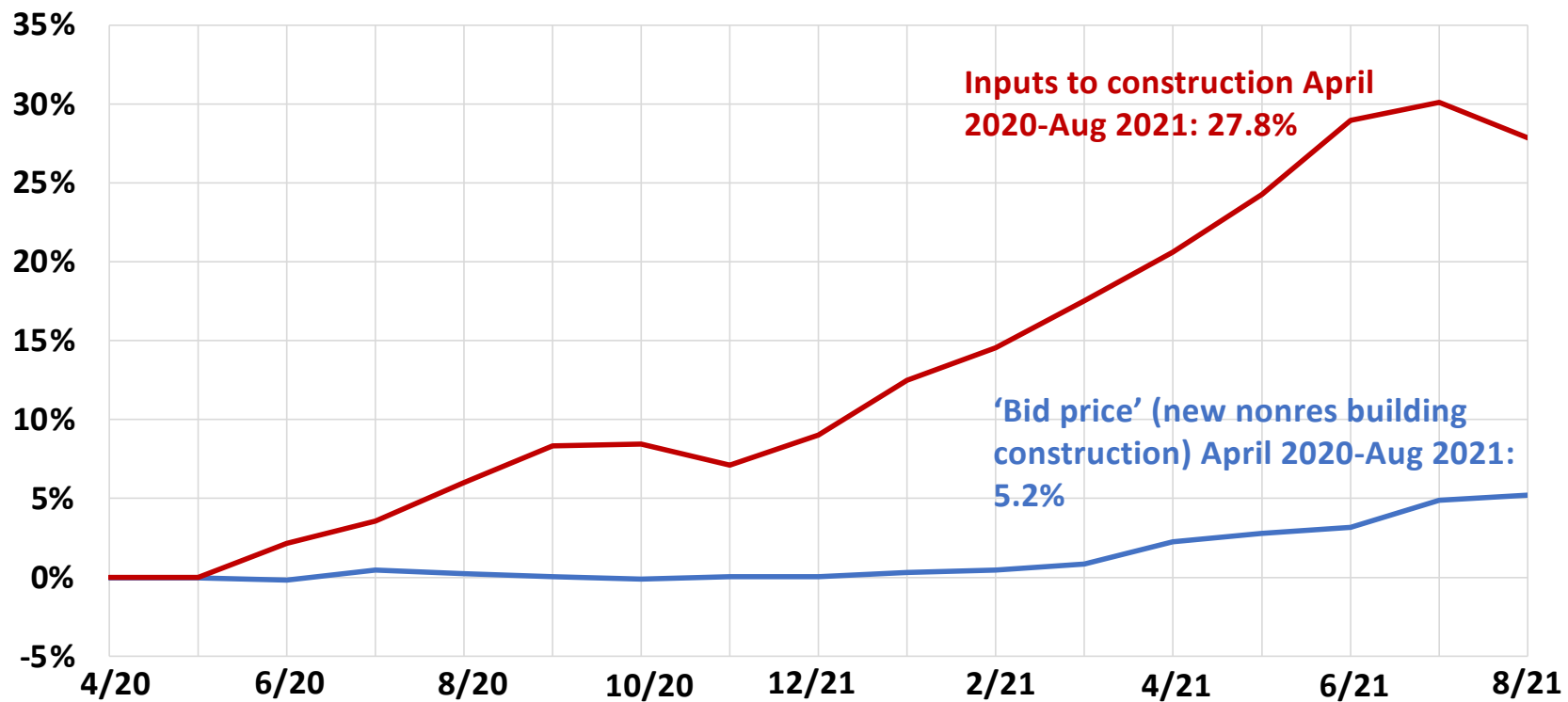
- Total 7%; private residential 26% (single-family 38%; multi 18%); private nonres -7%; public -6%

Largest segments (in descending order of 2021 year-to-date spending)

- Power -3% (electric -2%; oil/gas fields & pipelines -10%)
- Education -11% (primary/secondary -8%; higher ed -16%)
- Highway and street -3%
- Commercial -2% (warehouse 11%; retail -15%)
- Office -10%
- Mfg. -1% (chemical 7%; transp. equip. 4%; food/beverage/tobacco 15%; electronic/electric -17%)
- Transportation -6% (air -12%; freight rail/trucking -6%; mass transit 4%)
- Health care -2% (hospital 3%; medical building -6%; special care -3%)
- Lodging -31%

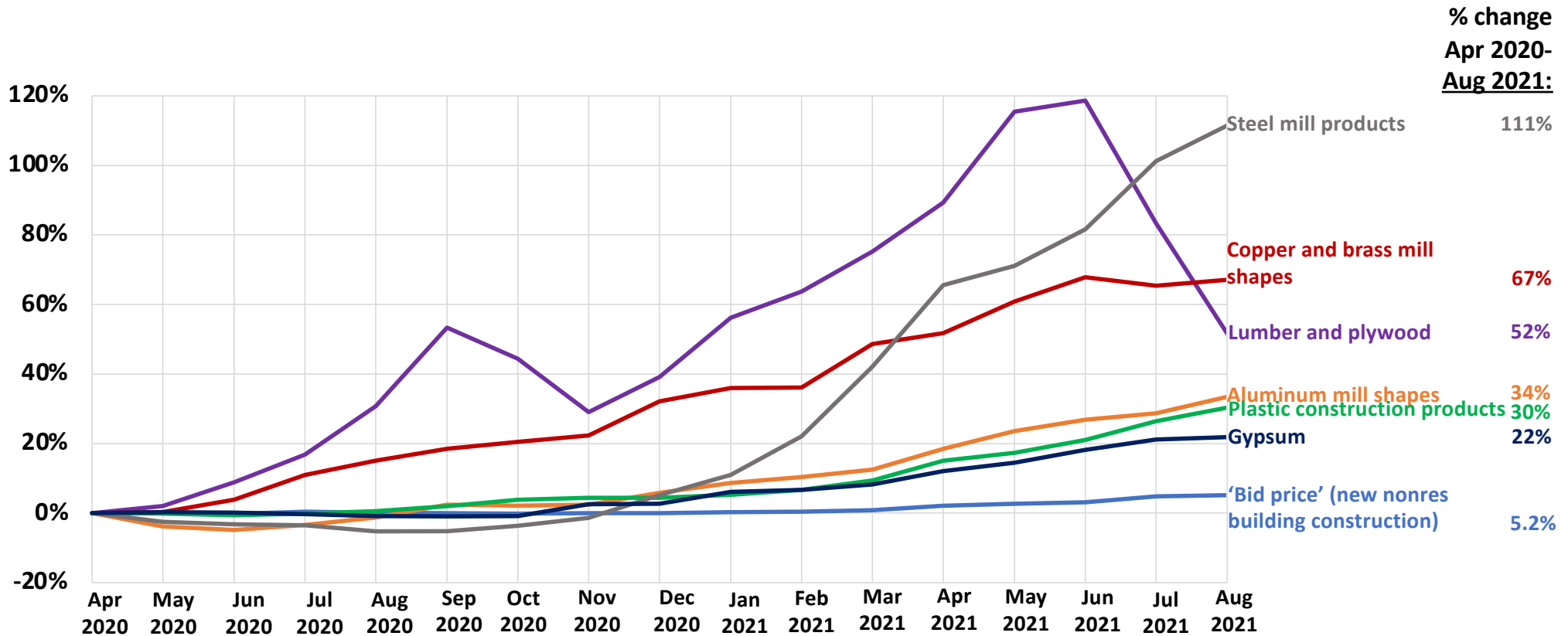
Construction input and 'bid price' producer price indexes (PPIs)

cumulative change in PPIs, April 2020-Aug 2021 (not seasonally adjusted)



Price changes for construction and selected materials

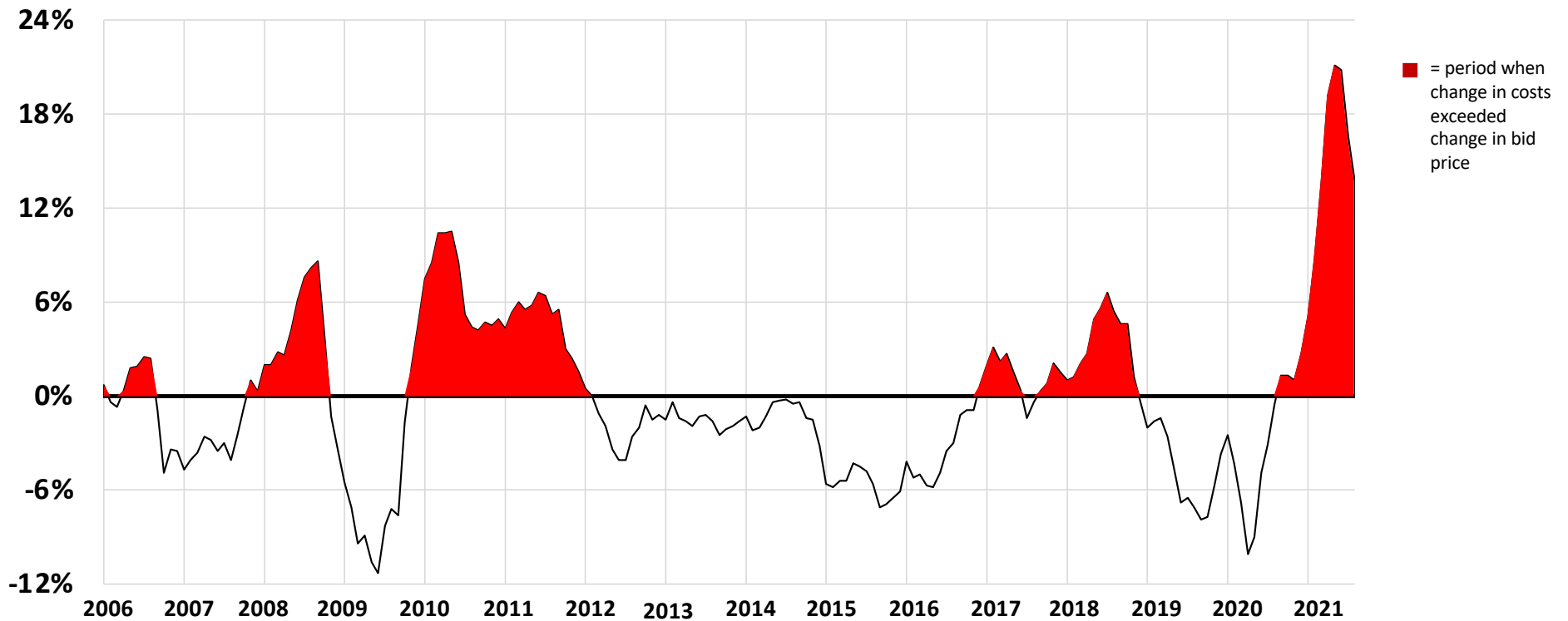
April 2020– August 2021



9 | Source: Bureau of Labor Statistics, producer price indexes (PPIs) for new nonresidential building construction (bid prices), gypsum products, wood, metal products, and plastic products, 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 2006–August 2021



¹⁰ Source: Bureau of Labor Statistics, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs) and new warehouse construction (bid prices) ©2021 The Associated General Contractors of America, Inc.

AGC's responses to material cost and supply-chain issues



- *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/): <https://www.consensusdocs.org/price-escalation-clause/>
- [Recording](https://store.agc.org/Store/CSI/Store/Product_List_WebEds.aspx) of webinar on “Soaring Material and Supply-Chain Costs and Delays”:
[https://store.agc.org/Store/CSI/Store/Product List WebEds.aspx](https://store.agc.org/Store/CSI/Store/Product_List_WebEds.aspx)
- Presentations to government contracting officials and owner groups
- Lobbying for tariff relief on lumber, steel, aluminum, and products
 - Presentation to National Economic Council, VP’s chief economist, Commerce chief economist
 - Presentations in coalitions to counselor to Commerce secretary, Senate & House trade staff

Forward-looking indicators



Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	August	55.6	41.4
Dodge Momentum Index (DMI)	Sept.	165	127
Multifamily permits not yet started	August	101,000	70,000

Medium-term impacts as recovery begins



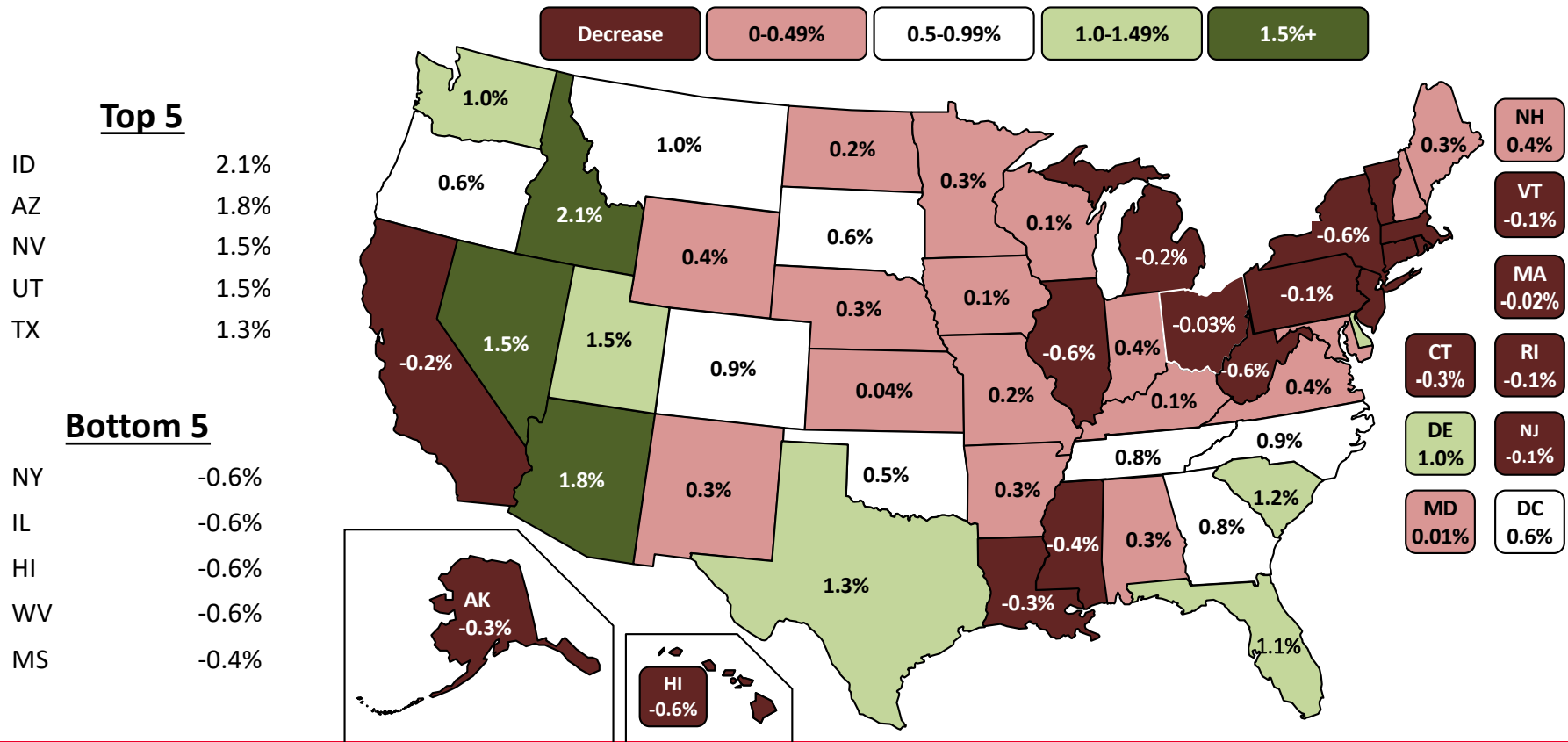
- Economic recovery looks more certain but virus risks remain, especially for construction:
 - vaccination rate = 54% for construction workers, 81% for other occupations;
 - vaccine hesitancy rate = 42% for construction, 17% for others
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, project costs, and completion times
- Continuing cost and supply challenges may lead to more project deferrals
- Less demand than pre-crisis for retail, offices, higher ed, lodging & travel-related
- Unclear how states and localities will spend added tax revenue and federal dollars
- Senate infrastructure bill won't become law before October, if at all
- Best private prospects: remodeling, local distribution centers, data centers, restaurants

Long-run construction outlook (post-pandemic)



- Slower population growth means slower demand growth for most 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
- Less oil drilling and pipeline construction
- Continuing demand for K-12 but much less for higher ed construction
- Not clear if offices will decentralize or remain in less demand
- Not clear yet if urban/rural or state-to-state trends will change

Population change by state, July 2019–July 2020 (U.S.: 0.35%)



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

