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January 2024

US Construction Outlook: Lively, Level or Lackluster?

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Total nonfarm & construction employment, Feb. 2020-Dec. 2023

Year-over-year change, seasonally adjusted

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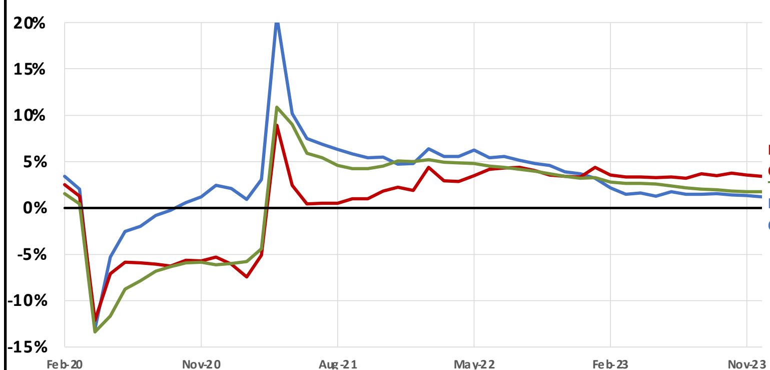

	% change since: Dec. 2022	Feb. 2020
Nonresidential Construction	3.4%	2.5%
Total Nonfarm	1.7%	3.2%
Residential Construction	1.2%	11%

2 | Source: BLS current employment statistics, https://www.bls.gov/ces/

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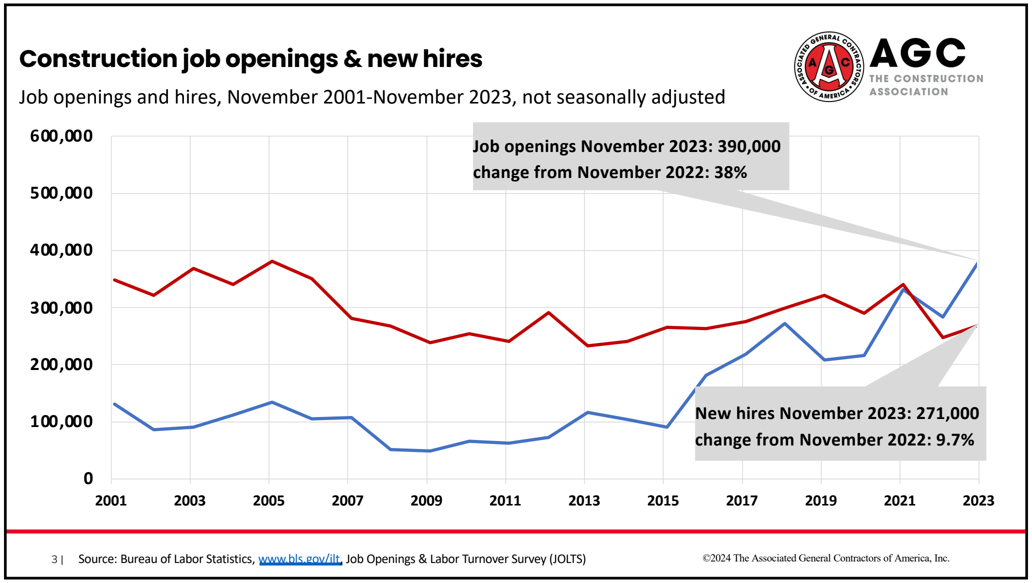

Construction job openings & new hires
Job openings and hires, November 2001-November 2023, not seasonally adjusted
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600,000
500,000
400,000
300,000
200,000
100,000
0
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021
2023
Job openings November 2023: 390,000
change from November 2022: 38%
New hires November 2023: 271,000
change from November 2022: 9.7%
3 |
Source: Bureau of Labor Statistics, www.bls.gov/jlt, Job Openings & Labor Turnover Survey (JOLTS)
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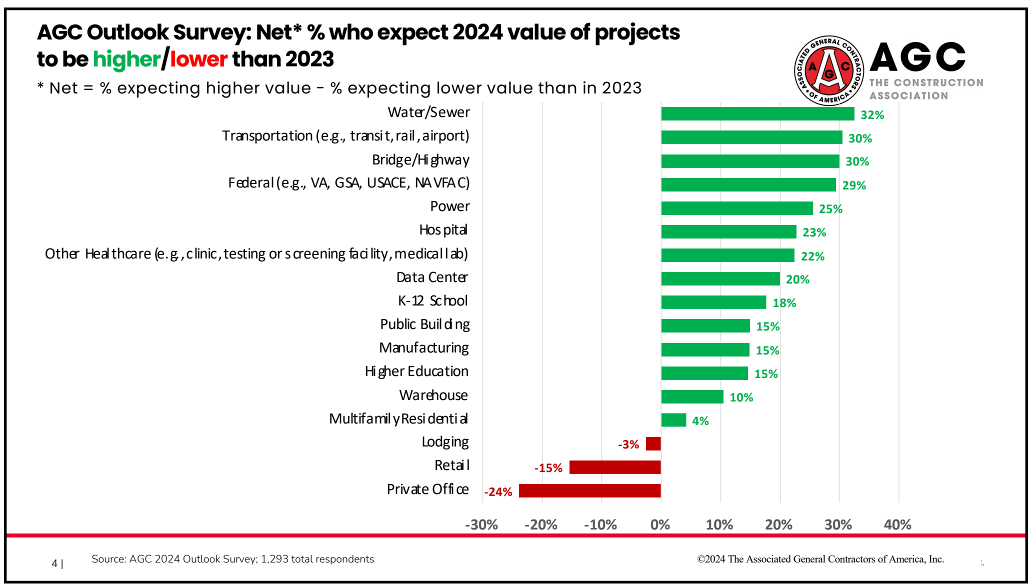

AGC Outlook Survey: Net* % who expect 2024 value of projects to be higher/lower than 2023
* Net = % expecting higher value - % expecting lower value than in 2023
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Water/Sewer 32%
Transportation (e.g., transit, rail, airport) 30%
Bridge/Highway 30%
Federal (e.g., VA, GSA, USACE, NAVFAC) 29%
Power 25%
Hospital 23%
Other Healthcare (e.g., clinic, testing or screening facility, medical lab) 22%
Data Center 20%
K-12 School 18%
Public Building 15%
Manufacturing 15%
Higher Education 15%
Warehouse 10%
Multifamily Residential 4%
Lodging -3%
Retail -15%
Private Office -24%
-30%
-20%
-10%
0%
10%
20%
30%
40%
4 |
Source: AGC 2024 Outlook Survey; 1,293 total respondents
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AGC Outlook Survey: Firms' expectations regarding their headcount and hiring over next 12 months

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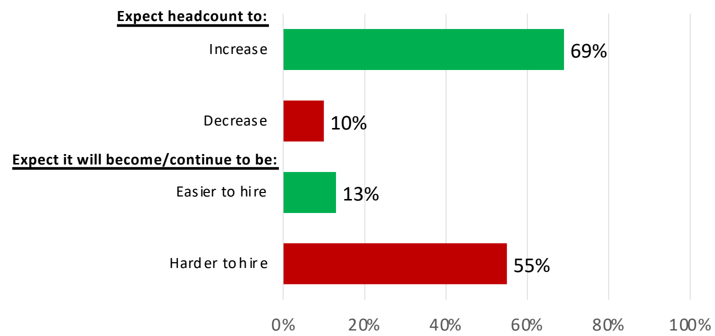
% of respondents who:



5 | Source: AGC 2024 Outlook Survey; 1,293 total respondents

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Construction wage "premium" vs. total private sector

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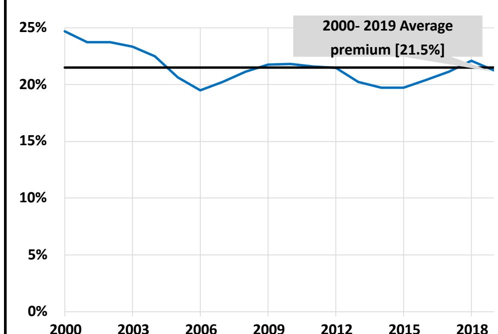
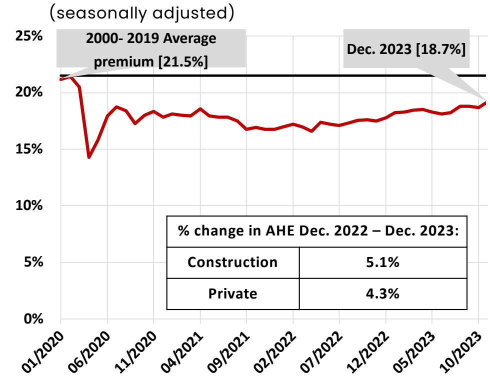
Excess of average hourly earnings (AHE) for production and nonsupervisory employees in construction vs. private sector

Annual premium, 2000-2019



Monthly premium, Jan. 2020-Dec. 2023 (seasonally adjusted)



% change in AHE Dec. 2022 – Dec. 2023:	
Construction	5.1%
Private	4.3%

6 | Sources: BLS, www.bls.gov/ces

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Construction materials & labor costs top consumer inflation

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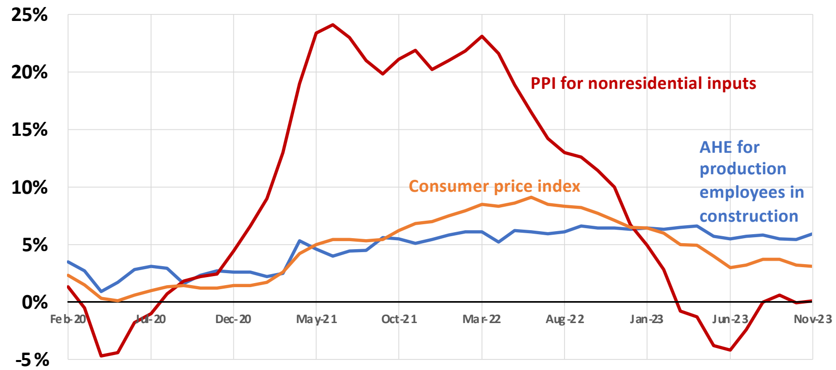
Year-over-year change in producer price index (PPI) for nonresidential inputs, average hourly earnings (AHE) for production employees in construction, and consumer price index (CPI), Feb. 2020 – Nov. 2023



% change since:

	Nov. 2022	Feb. 2020
AHE	5.9%	20%
CPI	3.1%	19%
PPI	0.1%	37%

7 | Source: Bureau of Labor Statistics, PPI, www.bls.gov/ppi ; Current Employment Statistics, AHE, https://www.bls.gov/ces/

Some construction costs remain volatile

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producer price indexes, 1 - & 12-mo. change (not seasonally adjusted)

	November 2023 change from: Oct. 2023 (1 month)	Nov. 2022 (12 months)
Cement	0%	8%
Ready-mix concrete	0.2%	9%
Diesel fuel	0.9%	-30%
Subcontractor price indexes, nonresidential building work		
Roofing contractors	0.1%	9%
Plumbing contractors	-0.4%	3%
Electrical contractors	0.1%	3%
Concrete contractors	0%	-1%

8 | Source: BLS, producer price indexes, www.bls.gov/ppi

Change in construction spending: November 2023 vs. November 2022

current (not inflation-adjusted) dollars, seasonally adjusted

Total 11%: Private residential 4% (single-family 6%; multi 14%; improvements -2%); public residential 10%
Nonresidential 18% (private 19%, public 16%)

Nonresidential segments (in descending order of Nov. 2023 spending; combined new & renovation spending)

- Mfg. 59% (computer/electronic 130%; chemical 9%; food/beverage/tobacco 8%; transportation equipment 12%)
- Highway and street 15%
- Commercial 4% (warehouse 2%; retail 2%; farm 25%)
- Power 17% (electric 23%; oil/gas fields & pipelines -8%)
- Education 17% (primary/secondary 17%; higher ed 16%)
- Office (including data centers) 6%
- Transportation 7% (air 7%; private rail/truck 11%; transit -8%)
- Health care 12% (hospital 10%; medical building 22%; special care -5%)
- Other: Sewage/waste 27%; Amuse/recreation 6%; Water supply 20%; Communication 1%; Lodging 5%; Conservation/development -0.4%

9 | Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending

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Medium-term outlook for construction

- Economic recovery should continue but risk of recession remains
- Single-family homebuilding should continue recovering
- Multifamily, warehouse, retail, office, lodging: slowdown likely due to rising rates
- Data center and manufacturing construction should remain hot
- 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 costs, lead times: mostly better except electrical gear, some electronics
- Labor availability has resumed being the #1 challenge for many contractors

10 | Source: Author

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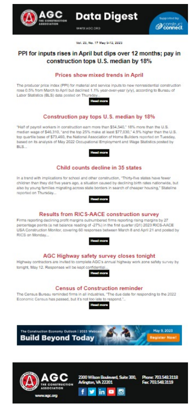
AGC economic resources
(email macrina.wilkins@agc.org)

- *Data DIGest*: weekly 1-page email (subscribe at https://marketplace.agc.org/Store/ItemDetail?iProductCode=4401)
- Surveys (2023 Workforce Survey: https://www.agc.org/news/2023/09/06/new-survey-shows-significant-flaws-nations-approach-preparing-workers-construction-careers-and-how)
- 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
- Construction impact model: https://www.agc.org/agc-construction-impact-model
- ConsensusDocs Price Escalation Resource Center: https://www.consensusdocs.org/price-escalation-clause/


Data Digest

PPI for inputs rises in April but dips over 12 months; pay in construction tops U.S. median by 18%

Prices show mixed trends in April

Construction pay tops U.S. median by 18%

Child counts decline in 35 states

Results from RICS-AACE construction survey

AGC Highway safety survey closes tonight

Census of Construction reminder

Build Beyond Today

11 | Source: Author

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