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July 2022

U.S. Construction Outlook: Workforce Worries, Cost Challenges, Project Prospects

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Change since Feb. 2020:

Number Percent

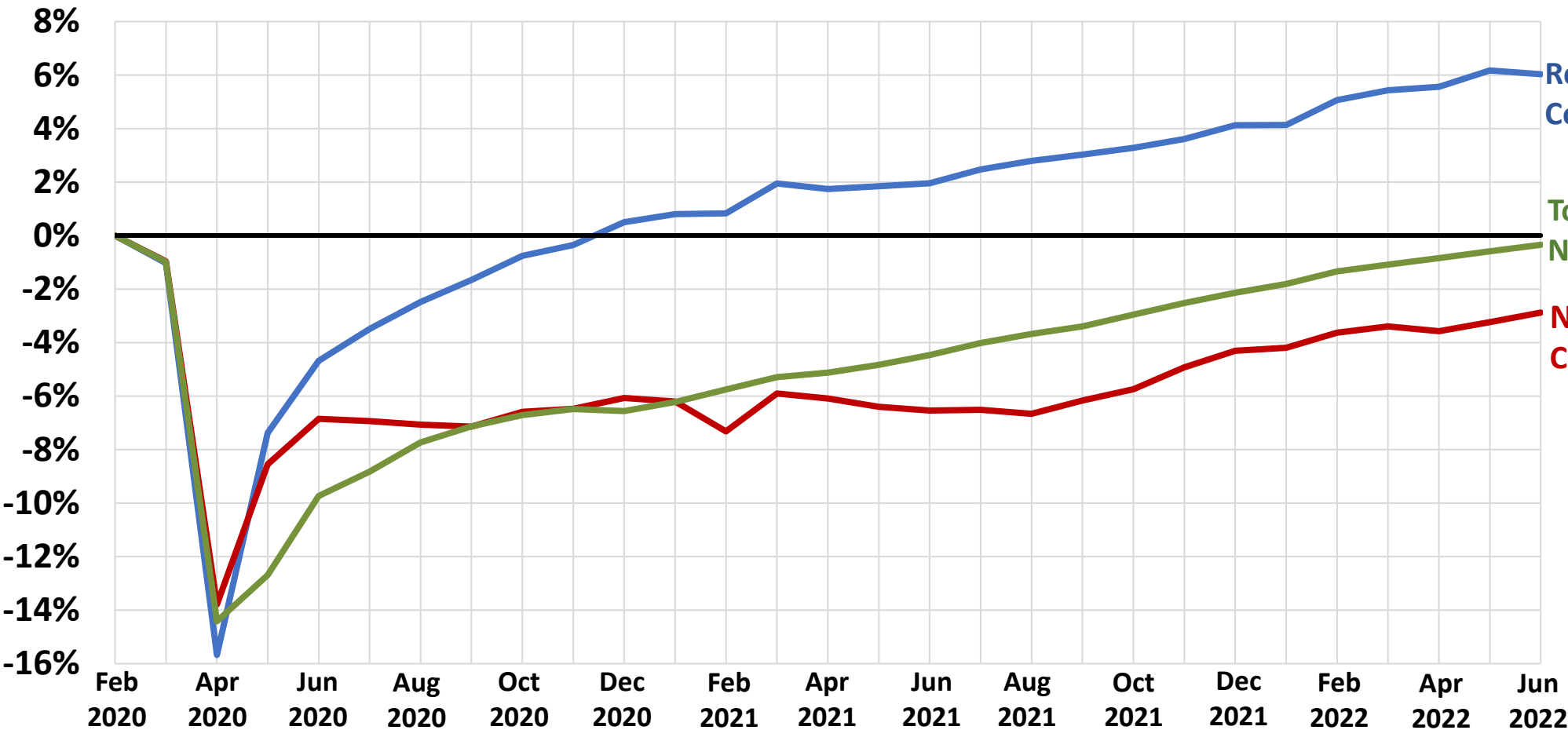
179,500 6.0%

-524,000 -0.3%

-133,700 -2.9%

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

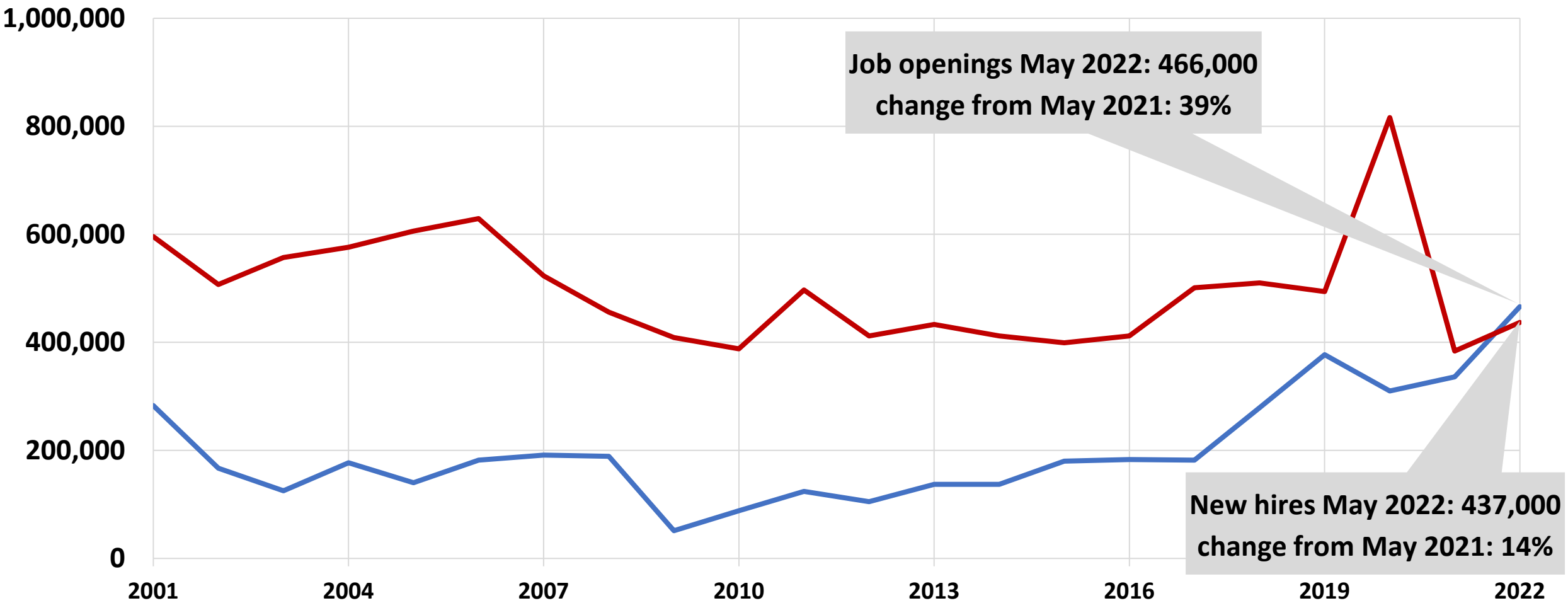
cumulative change (seasonally adjusted)



Construction job openings exceed hires, set record high for May

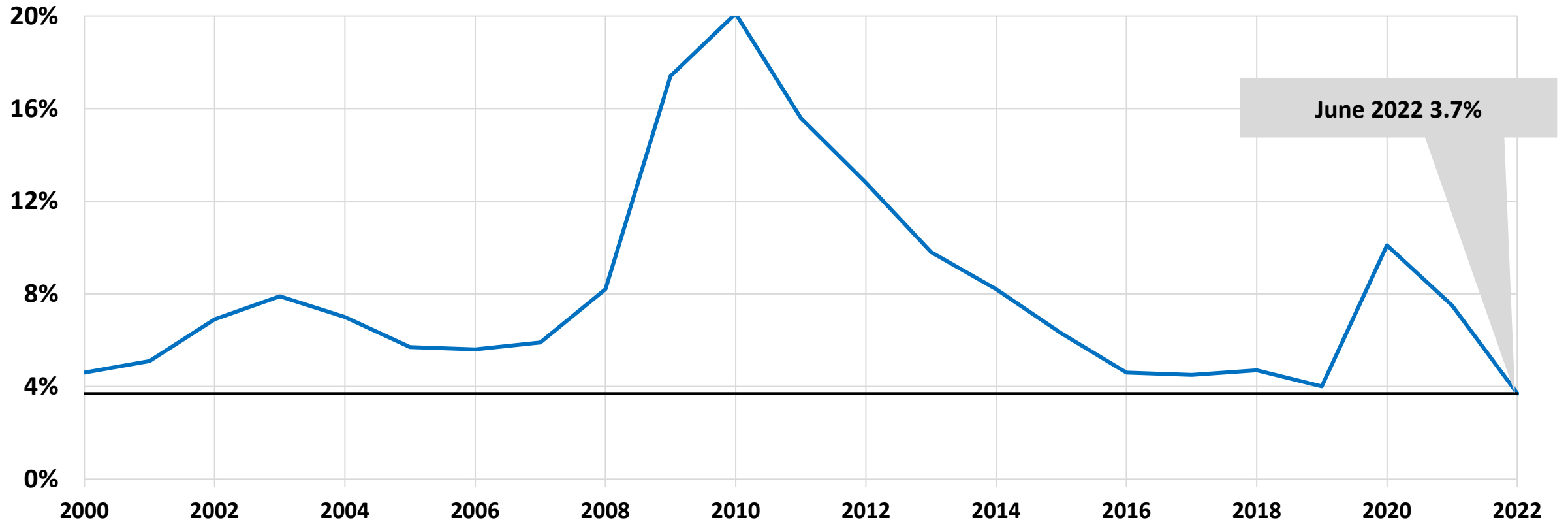


Job openings and hires, May 2001-May 2022, not seasonally adjusted



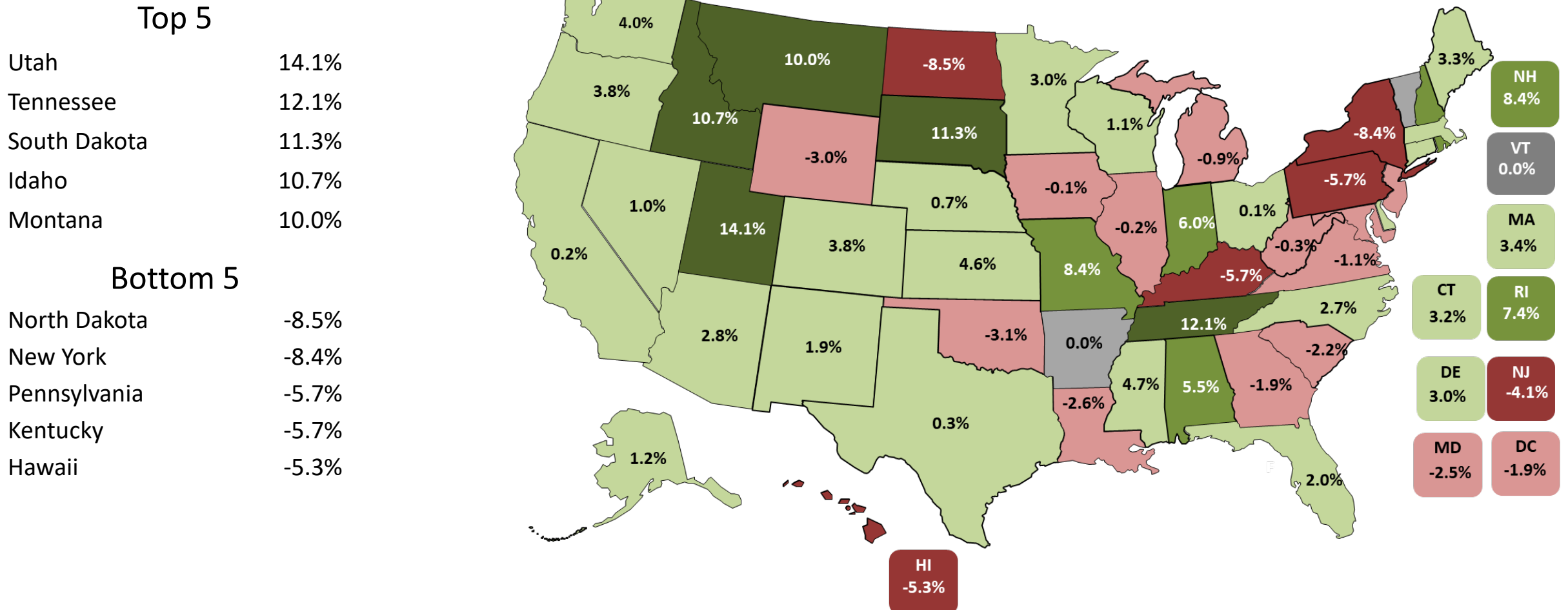
Rate of construction unemployment

June 2000–June 2022, not seasonally adjusted



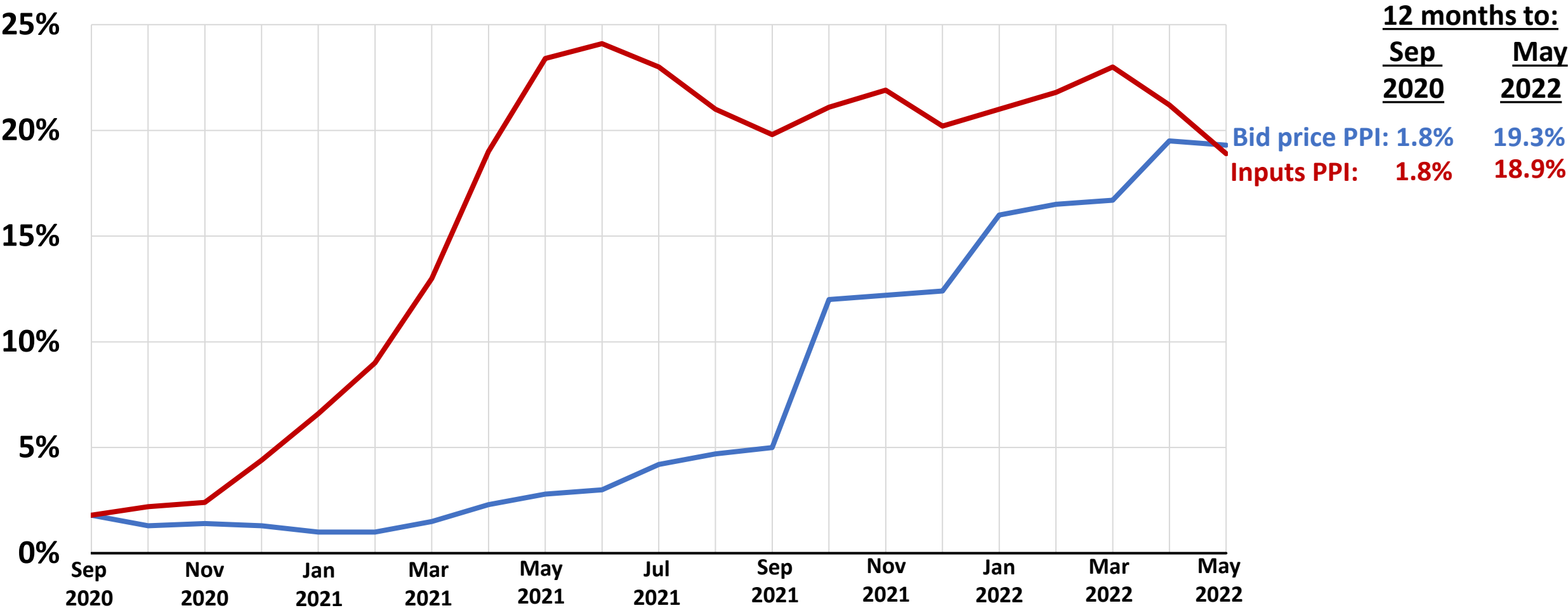


Percentage Change
Over -10%
-5.1 to -10%
-0.1 to -5%
0%
0.1 to 5%
5.1 to 10%
Over 10%



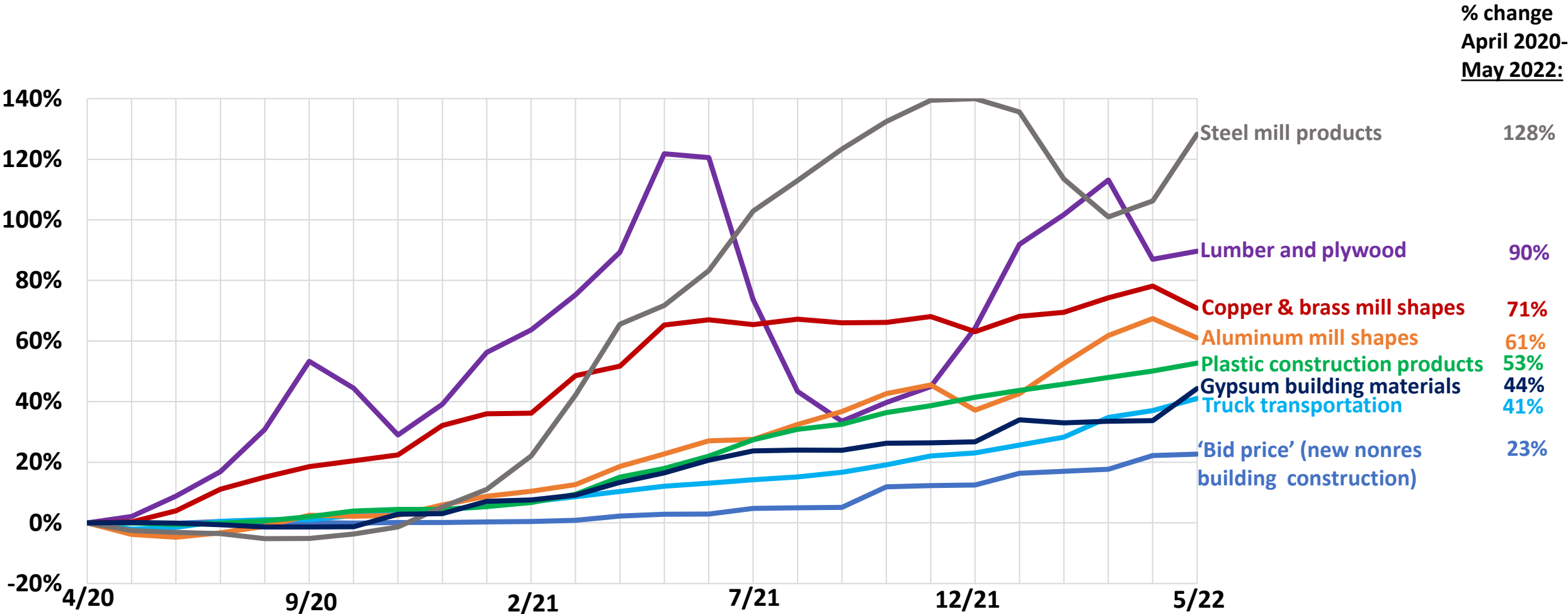
Costs vs. bid prices for new nonresidential construction

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



PPIs for construction bid prices and selected inputs

cumulative change in PPIs, April 2020–May 2022 (not seasonally adjusted)

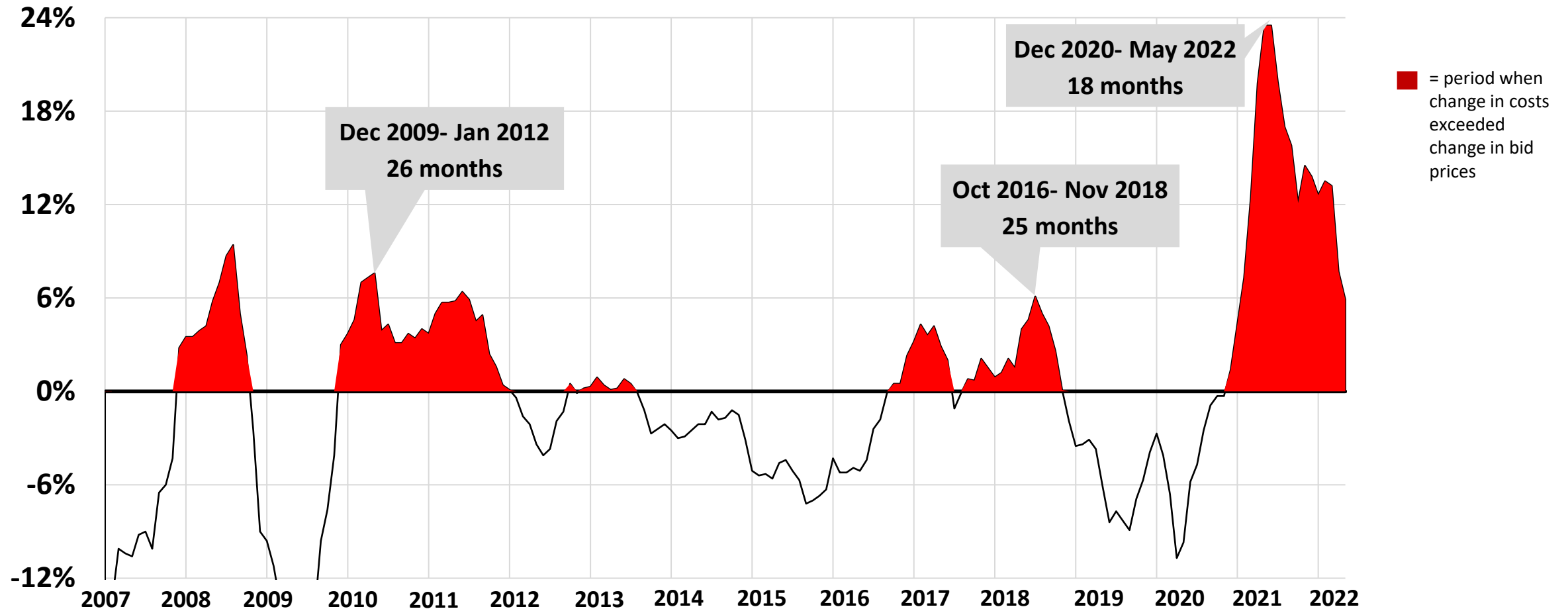


Cost squeeze on contractors can last two years or more

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



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Change in construction spending: May 2022 vs. 2021

current (not inflation-adjusted) dollars, seasonally adjusted



- Total 10%; private residential 19% (single-family 15%; multi -4%); private nonres 4%; public -3%

Largest segments (in descending order of 2021 spending)

- Power -6% (electric -7%; oil/gas fields & pipelines - 0.5%)
- Commercial 10% (warehouse 15%; retail 6%; farm 7%)
- Highway and street -6%
- Education -3% (primary/secondary 2%; higher ed -7%)
- Mfg. 34% (chemical 0%; computer/electronic 256%; food/beverage/tobacco -2%; transp. equip. -27%)
- Office -2%
- Transportation -4% (air -14%; freight rail/trucking 5%; mass transit 2%)
- Health care 5% (hospital 8%; medical building 6%; special care -3%)
- Lodging -12%

Forward-looking indicators



Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	May	53.5	58.6
Dodge Momentum Index (DMI)	June	174	165
Multifamily permits not yet started	May	127,000	98,000

Medium-term impacts as recovery begins



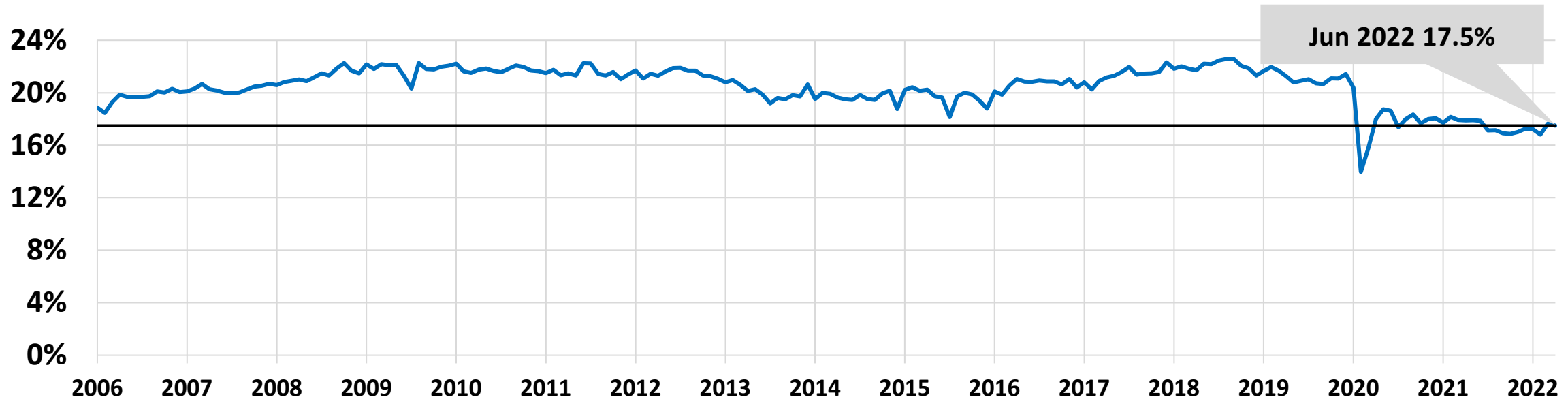
- Economic recovery should continue but invasion of Ukraine and Western sanctions add to cost and supply-chain pressures
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, costs, and completion times
- Continuing cost and supply challenges may lead to more project deferrals
- Infrastructure funds will take time to distribute and award to individual projects, muting the medium-term impact on labor and materials “shortages”
- Best current prospects: manufacturing, data centers, renewable energy
- At risk of slowdown: warehouse, multifamily

Wage premium for construction has shrunk



- “Premium” for construction wages relative to total private sector has shrunk from 20-23% pre-pandemic to 17.5% for production & nonsupervisory employees as other sectors boost pay, benefits and offer flexible hours and locations
- Implications: Contractors will have raise pay still more, pay more overtime, invest more in labor-saving software and equipment

Average hourly earnings in excess of total private sector, Mar 2006-June 2022



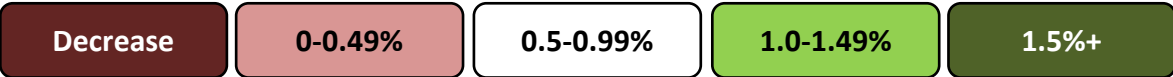
Long-run construction outlook (post-pandemic)



- 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 2020–July 2021

(U.S.: 0.12%)

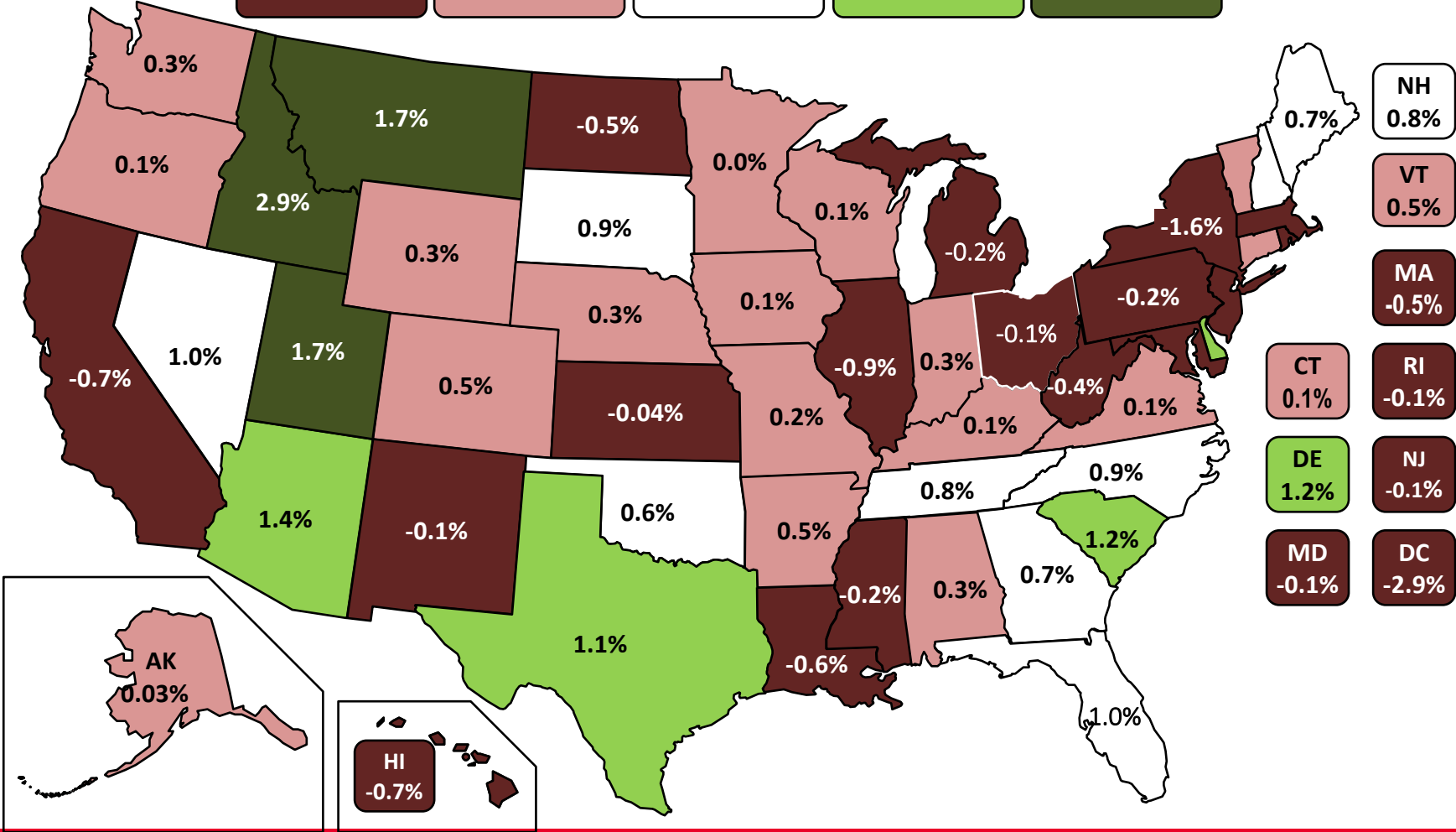


Top 6

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-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>

