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April 2022

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

Ken Simonson

Chief Economist, AGC of America

ken.simonson@agc.org

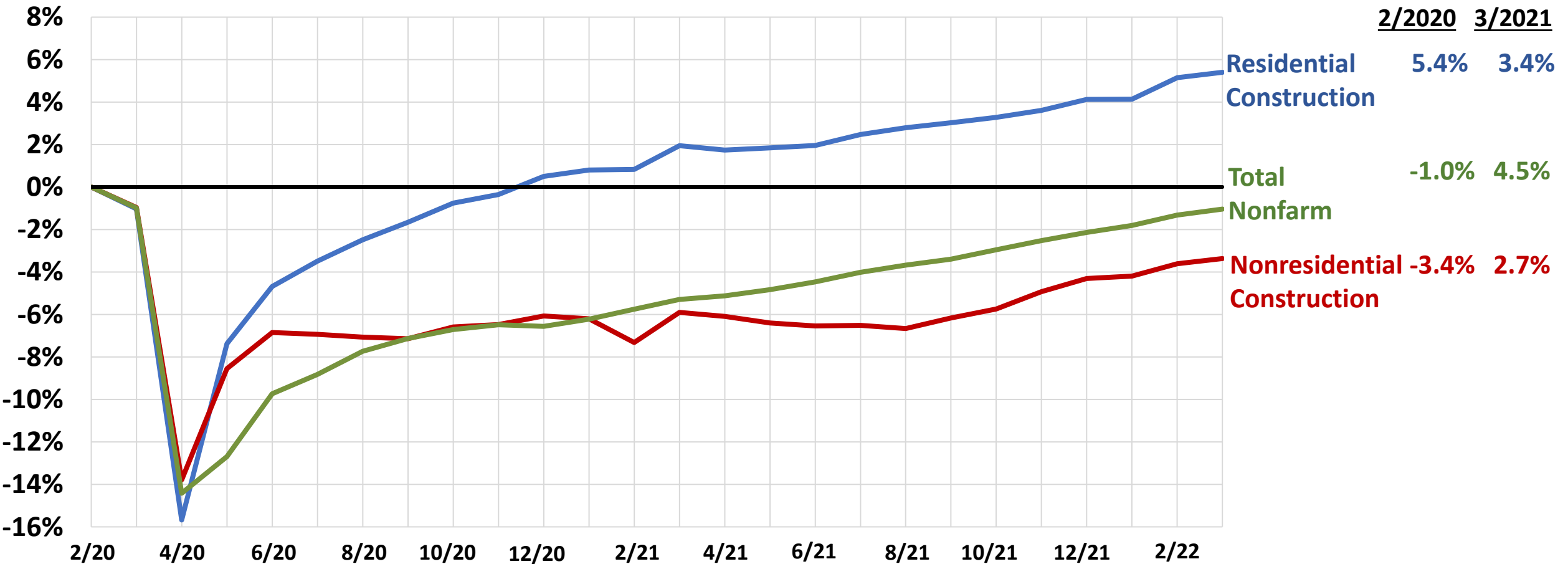
Total Nonfarm & Construction Employment, Feb. 2020–March 2022

cumulative change (seasonally adjusted)



Change to 3/2022 from:

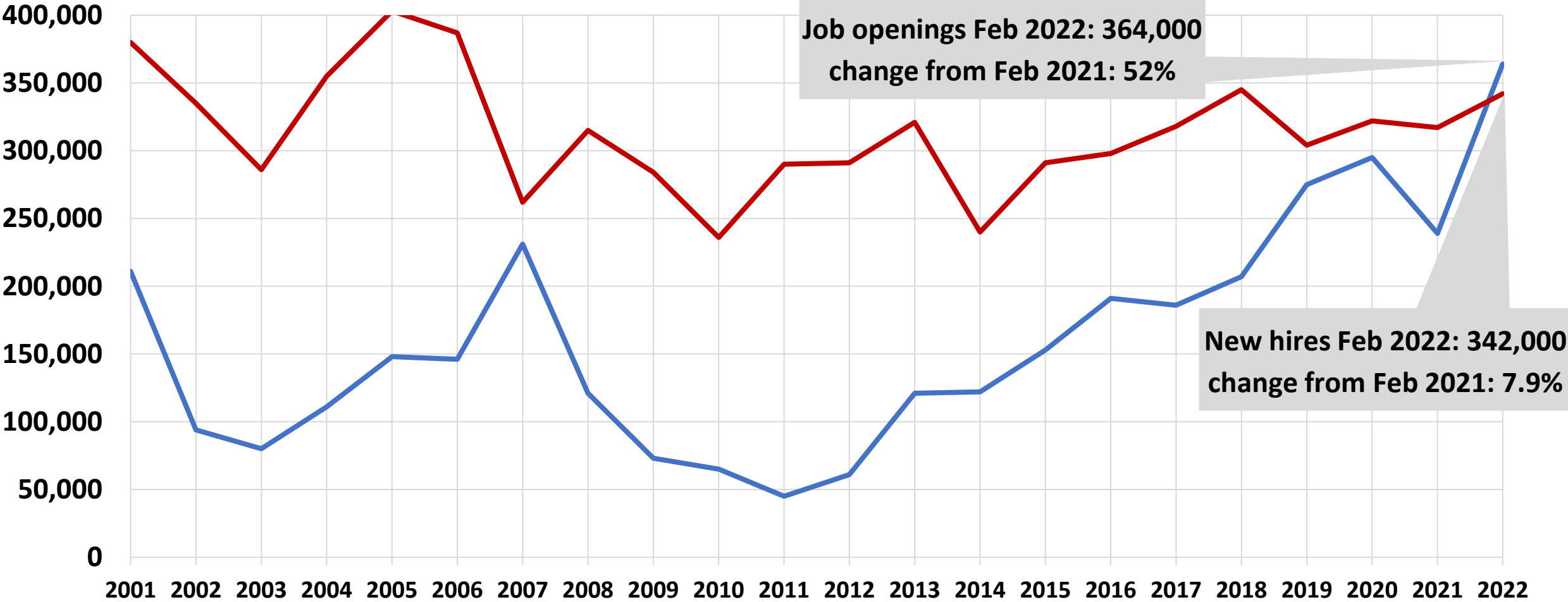
2/2020 3/2021



Construction job openings exceed hires, set record high for Feb.



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

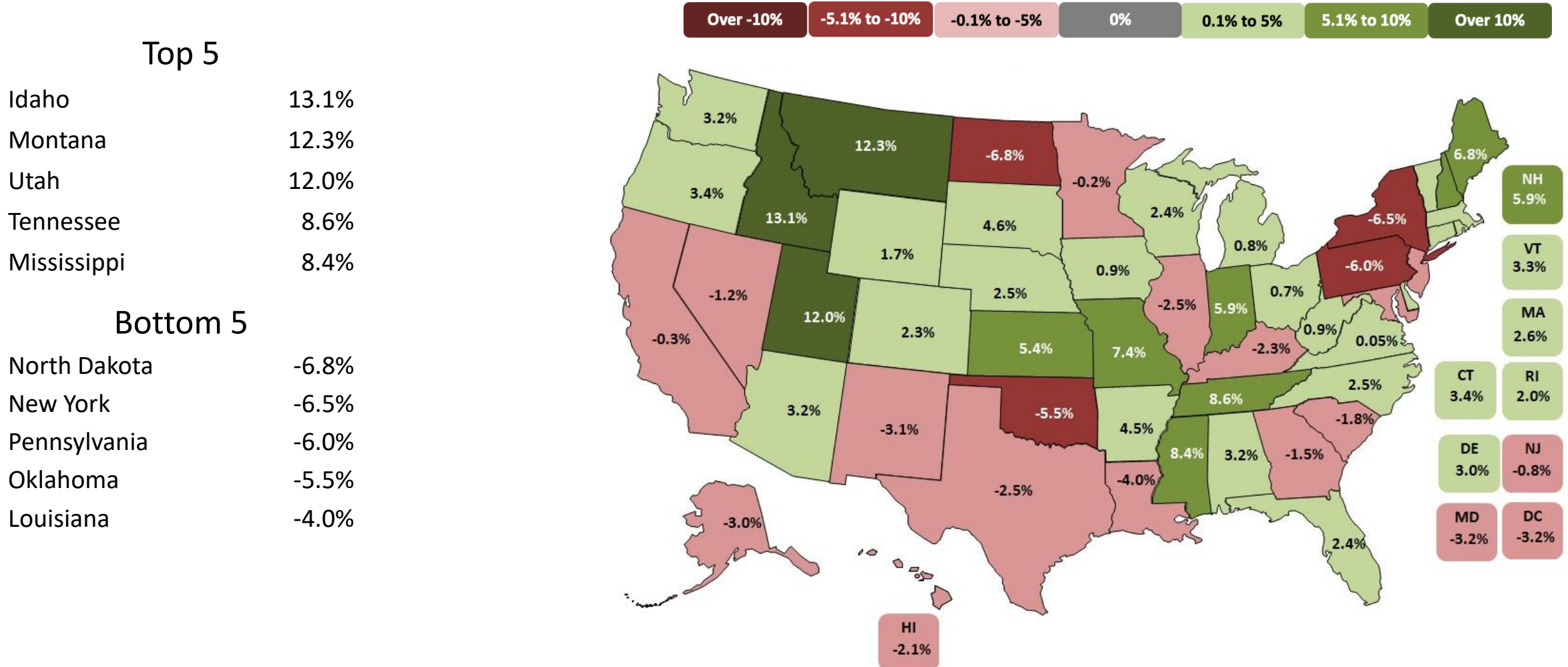


Job openings Feb 2022: 364,000
change from Feb 2021: 52%

New hires Feb 2022: 342,000
change from Feb 2021: 7.9%

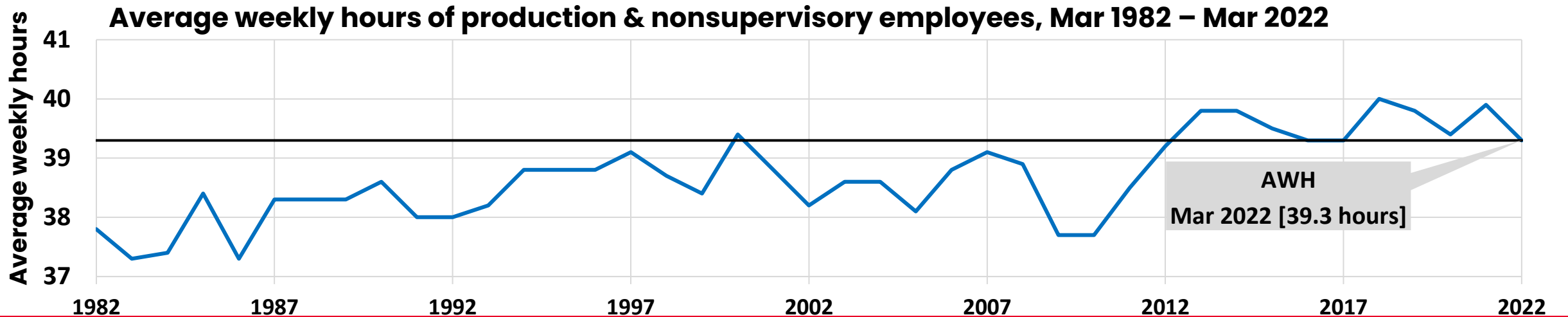
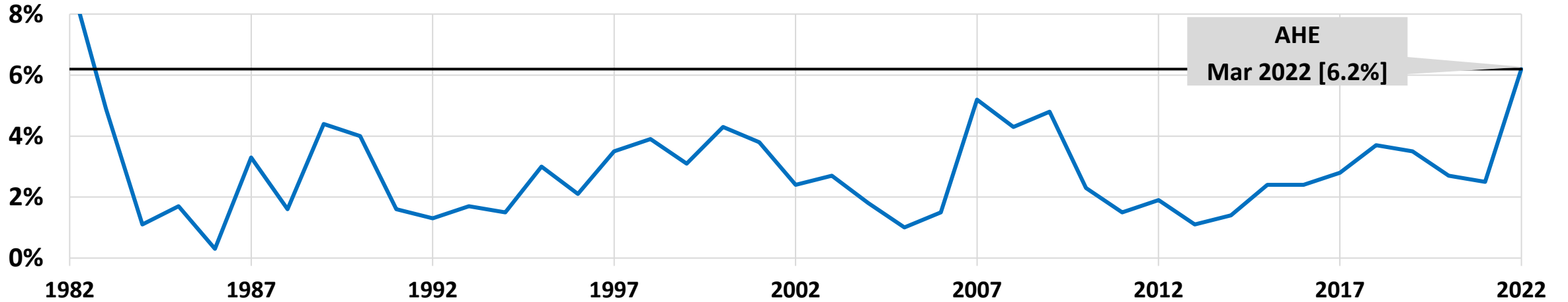
State construction employment change, Feb. 2020–Feb. 2022

32 states **up**, 18 states and DC **down** (U.S.: -0.1%)



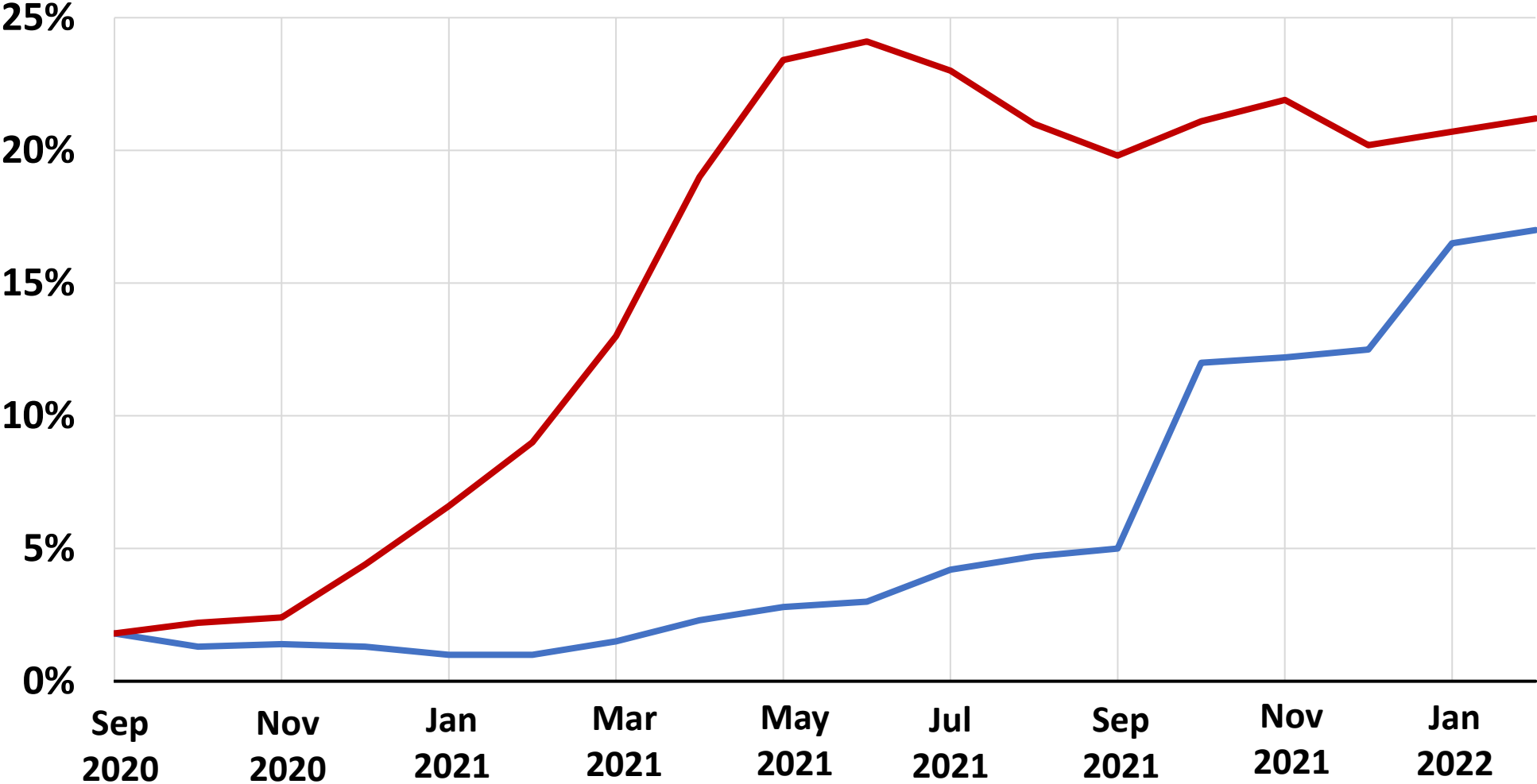
Craft wages are rising at the fastest rate since 1982

Average hourly earnings of production & nonsupervisory employees year-over-year, Mar 1982 – Mar 2022, seasonally adjusted



Change in prices for inputs to new nonresidential construction

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



12 months to:
Sep Feb
2020 2022

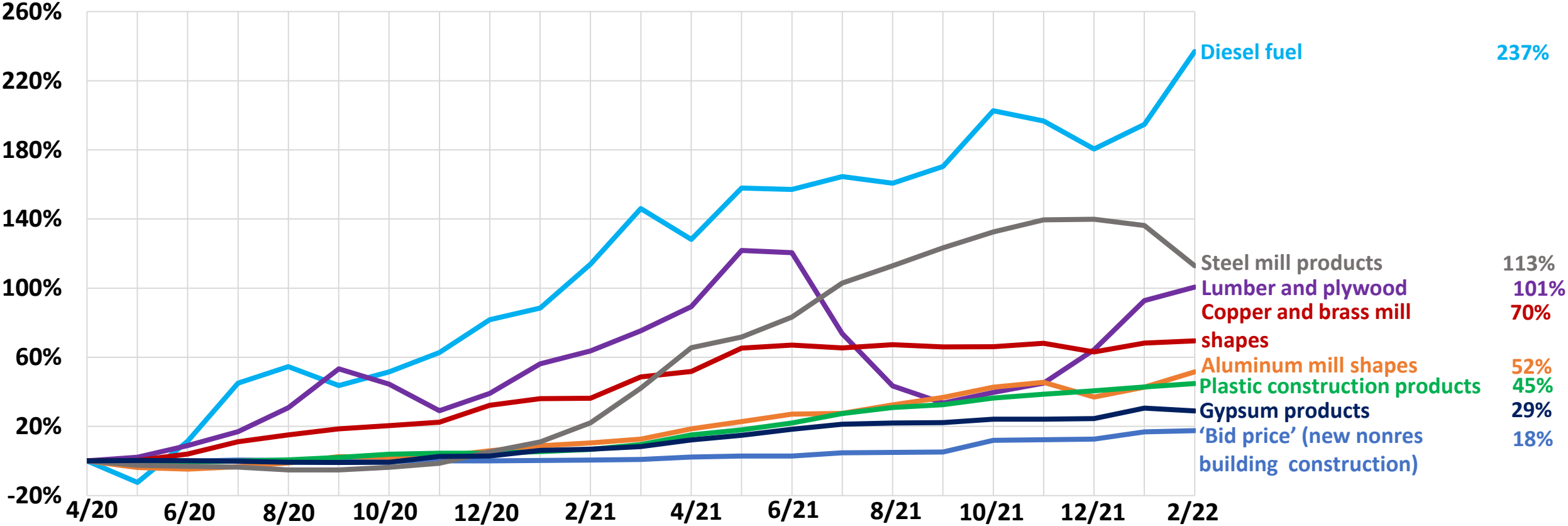
Inputs PPI: 1.8% 21%
Bid price PPI: 1.8% 17%

PPIs for construction bid prices and selected inputs

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



% change
Apr 2020-
Feb 2022:

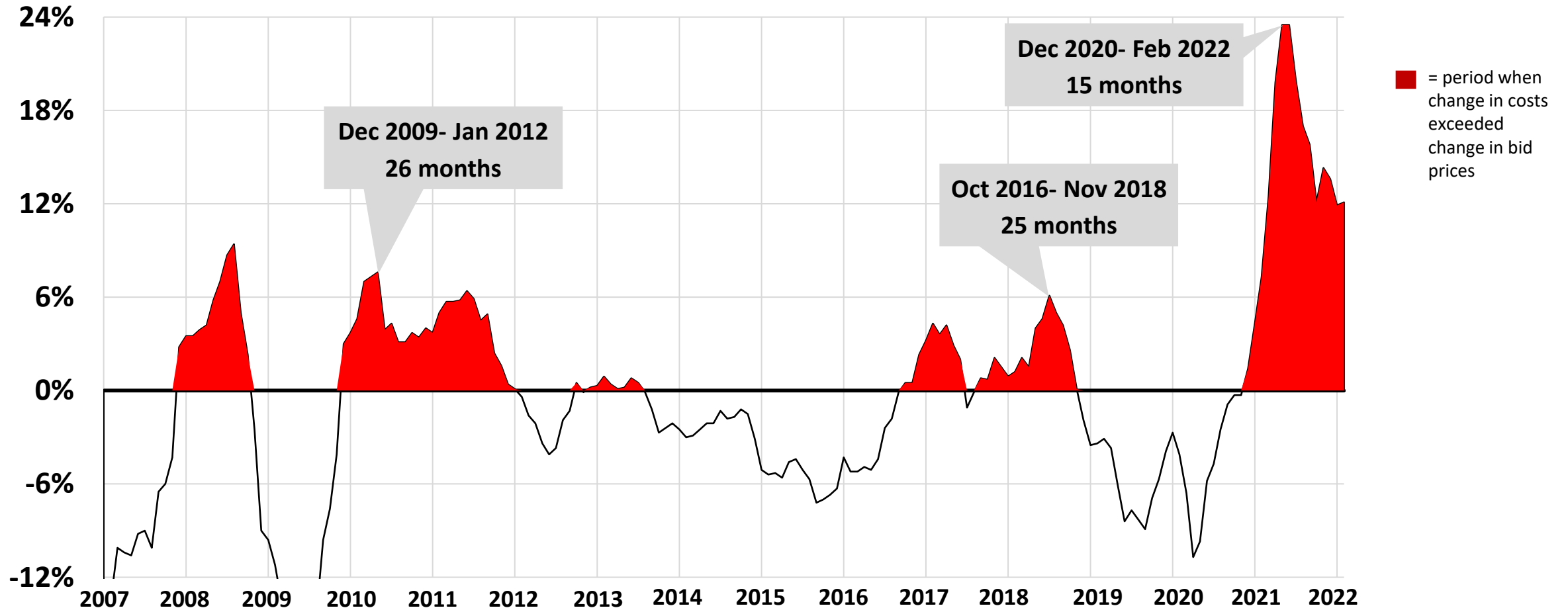


Cost squeeze on contractors can last two years or more

Difference between year-over-year change in materials costs vs. bid prices, Jan 2006-Feb 2022



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Change in construction spending: February 2022 vs. 2021

current (not inflation-adjusted) dollars, seasonally adjusted annual rate



- Total 11%; private residential 17% (single-family 20%; multi 8%); private nonres 10%; public 1%

Largest segments (in descending order of 2021 spending)

- **Power -0.3%** (electric 4%; **oil/gas fields & pipelines -0.3%**)
- Highway and street 9%
- Commercial 19% (warehouse 22%; retail 19%)
- **Education -4%** (primary/secondary -8%; higher ed -0.8%)
- Mfg. 35% (chemical 0.7%; computer/electronic 229%; food/beverage/tobacco 26%; **transp. equip. -2%**)
- Office 7%
- **Transportation -0.4%** (air -4%; freight rail/trucking 2%; **mass transit -6%**)
- Health care 11% (hospital 8%; medical building 20%; **special care -11%**)
- **Lodging -27%**

Forward-looking indicators



Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	Feb	51.3	52.7
Dodge Momentum Index (DMI)	Feb	158	143
Multifamily permits not yet started	Feb	117,000	92,000

Medium-term impacts as recovery begins

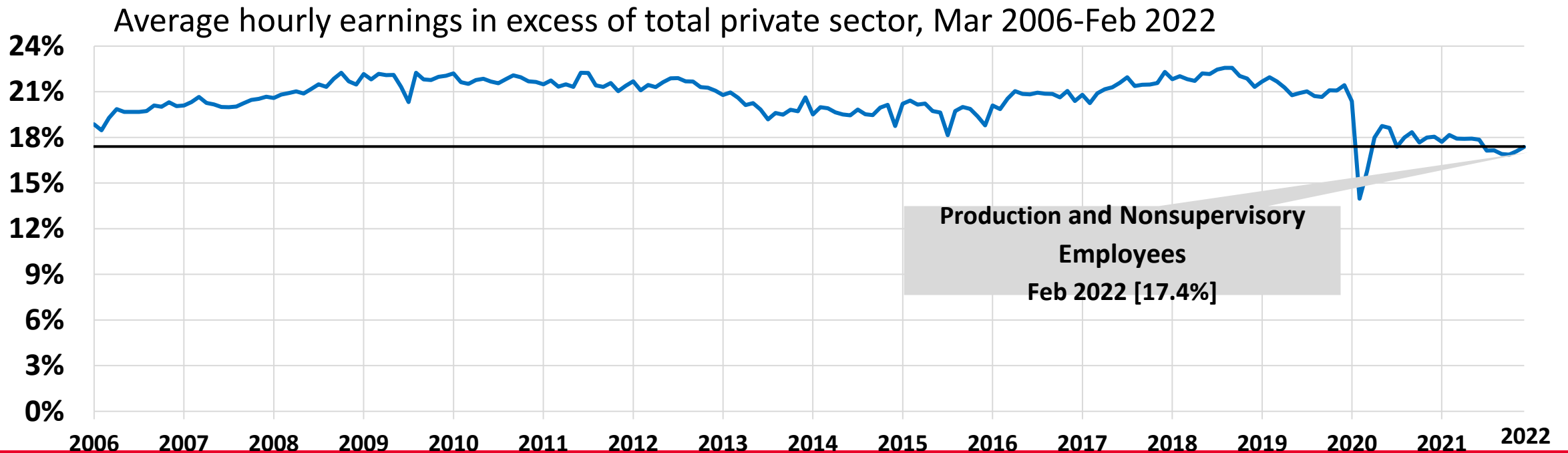


- Economic recovery should continue but invasion of Ukraine adds and Western countermeasures add to cost and supply-chain pressures
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, costs, and completion times
- 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, distribution, data centers, renewable energy

Challenges regarding construction worker supply



- Low vaccination rate: 46% for construction workers, 82% for other occupations
- “Premium” for construction wages relative to total private sector has shrunk from 20-23% pre-pandemic to 17% 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

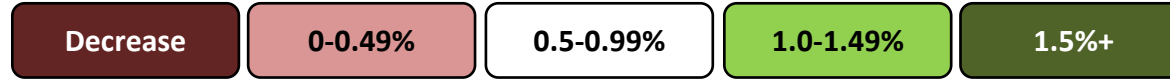


Long-run construction outlook (post-pandemic)



- 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%)

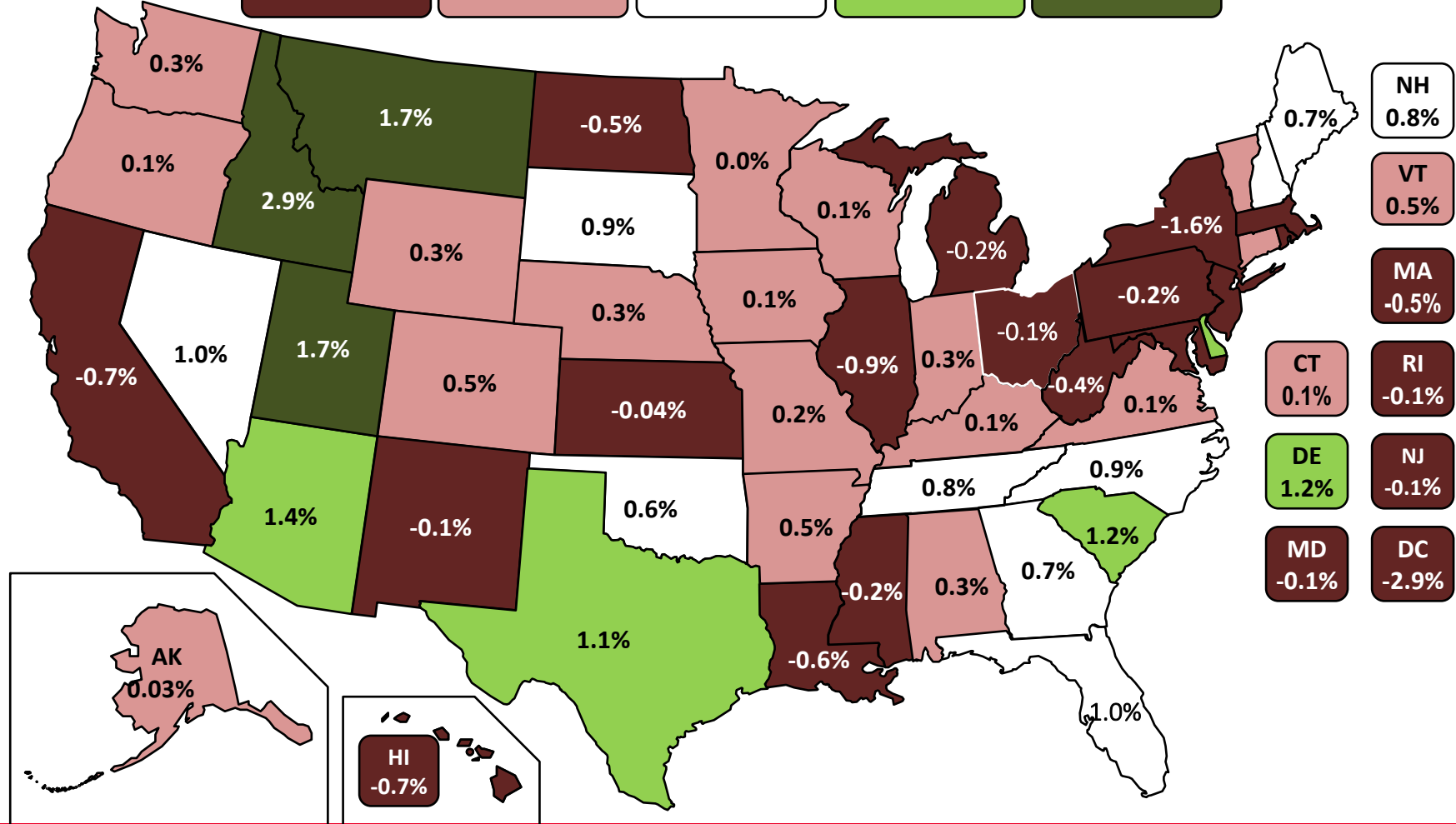


Top 6

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>

