



AGC
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ASSOCIATION

September 2023

U.S. & Washington Construction Outlook: Rotation or Retreat?

Ken Simonson

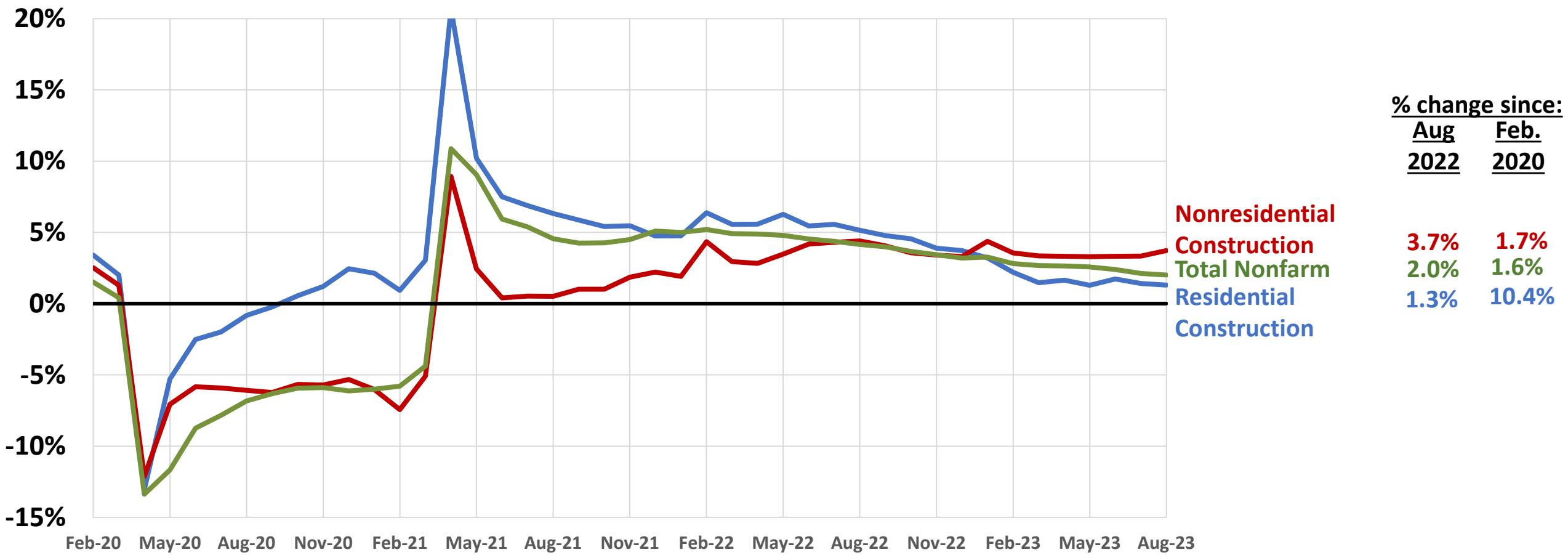
Chief Economist, AGC of America

ken.simonson@agc.org



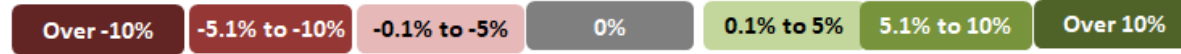
Total nonfarm & construction employment, Feb. 2020–Aug. 2023

Year-over-year change, seasonally adjusted



Construction employment change by state, July 2022-July 2023 (U.S.: 2.5%)

45 states & DC **up**, 4 states **down**, VT unchanged

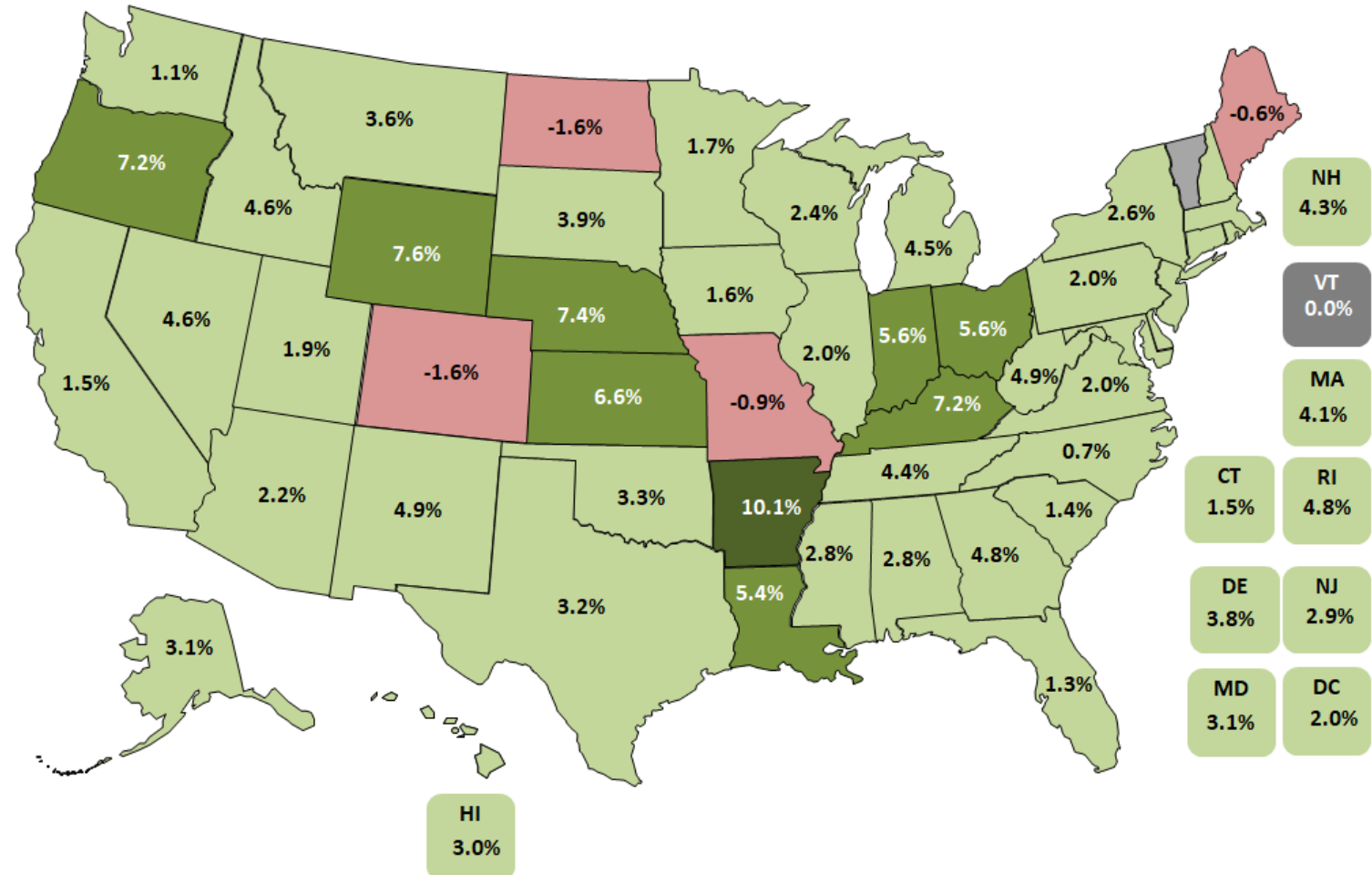


Top 5

AR	10.1%
WY	7.6%
NE	7.4%
KY	7.2%
OR	7.2%

Bottom 5

CO	-1.6%
ND	-1.6%
MO	-0.9%
MA	-0.6%
VT	0.0%



US & WA Construction Employment

Cumulative change, Feb 2020-July 2023, seasonally adjusted

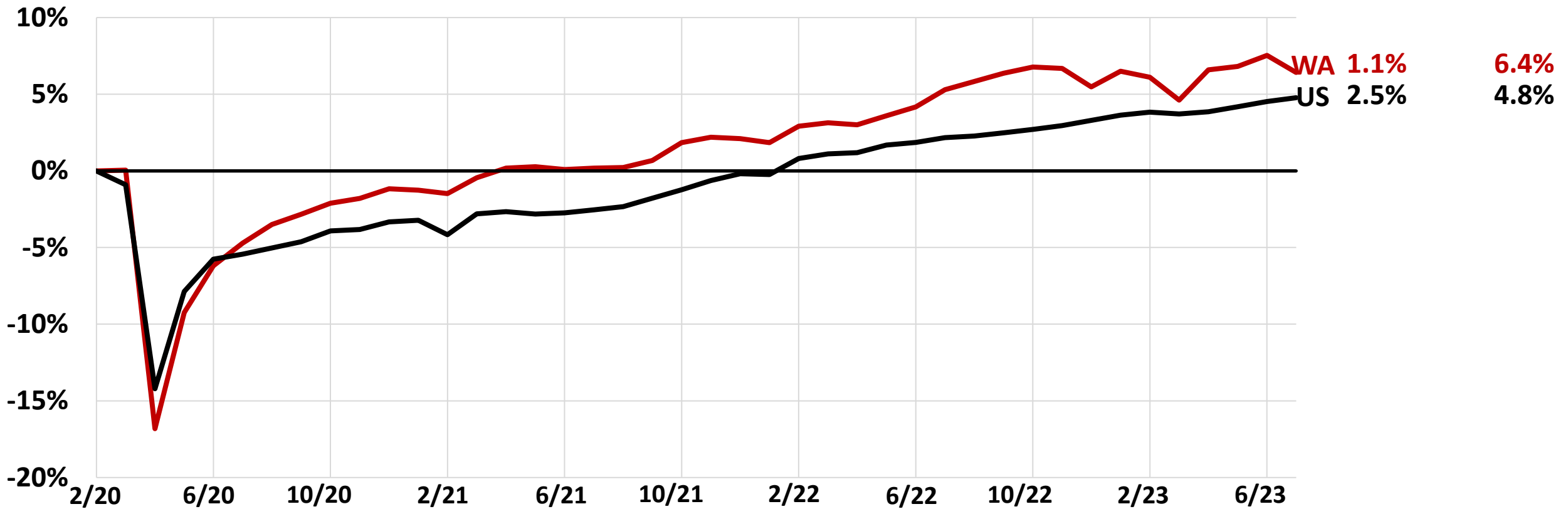


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% change

July 2022- Feb 2020-

July 2023: July 2023:



Washington Metro Construction Employment

July 2019 – July 2023, not seasonally adjusted



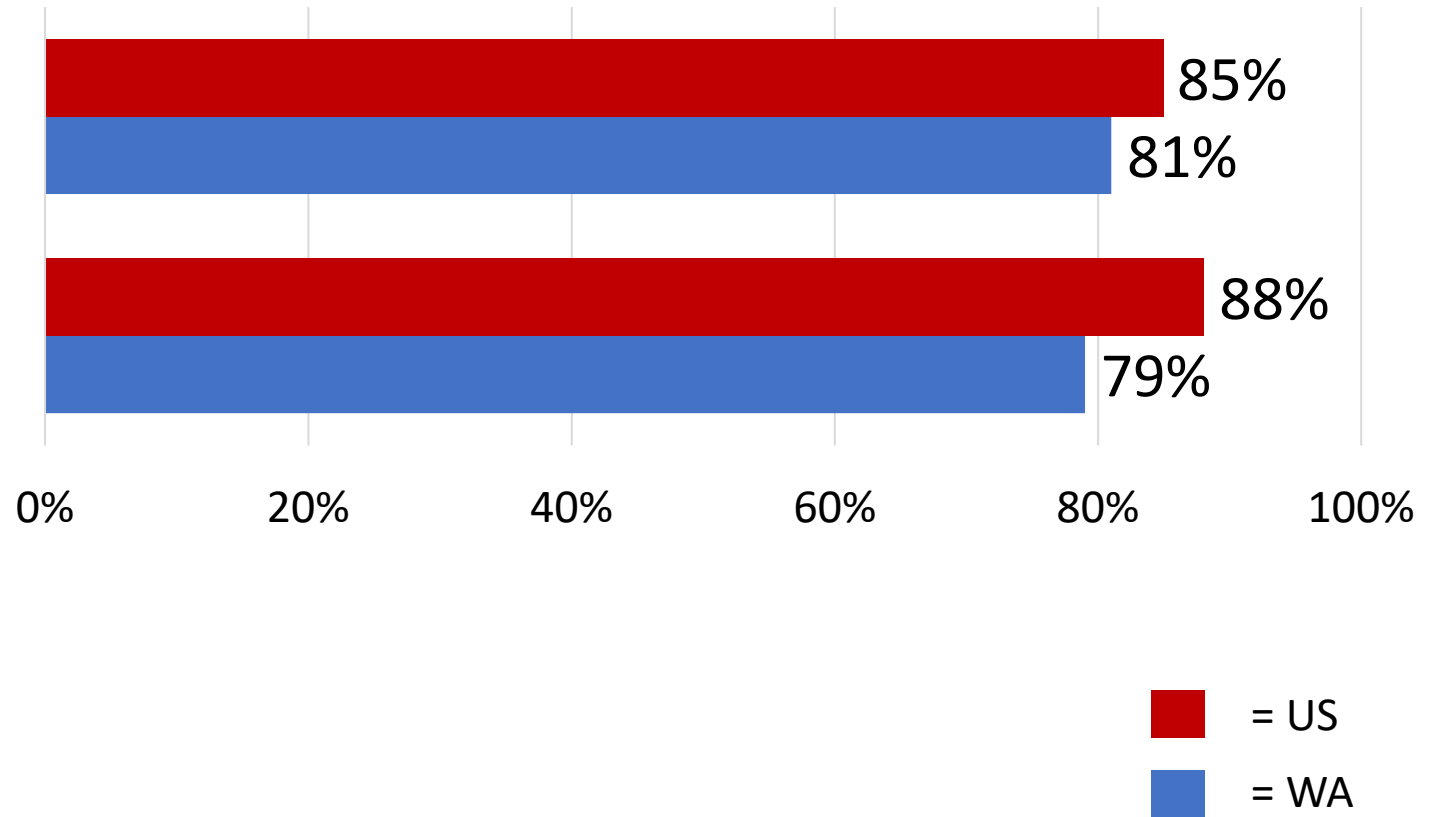
	<u>July</u> <u>2023</u>	<u>Change from:</u>	
		<u>July</u> <u>2022</u>	<u>July</u> <u>2019</u>
Seattle-Bellevue-Everett Metro Division	109,600	0.6%	3.6%
Tacoma-Lakewood Metro Division	28,700	5.1%	11%

Workforce challenges for hourly craft workers



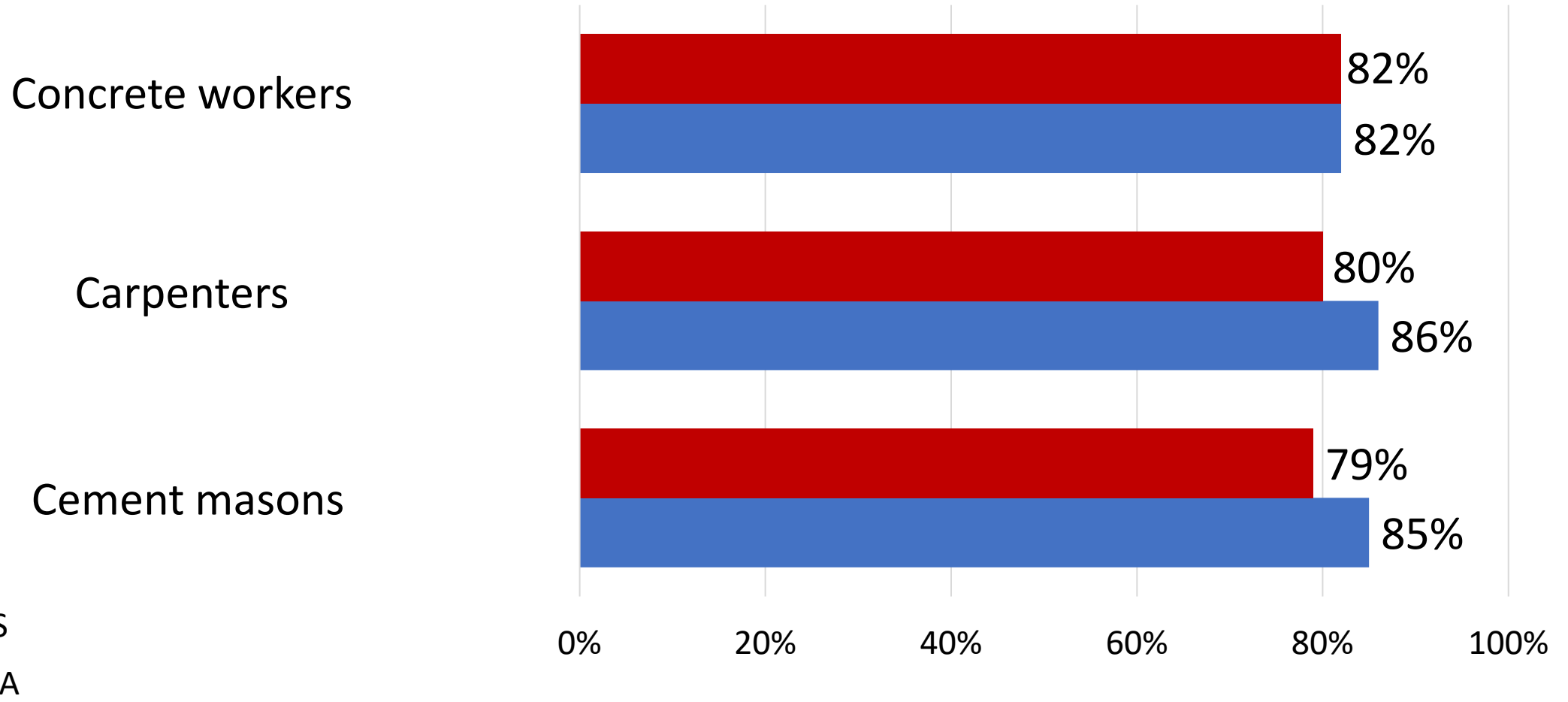
Share of contractors that say they have openings

Share of contractors with openings that report difficulty filling positions



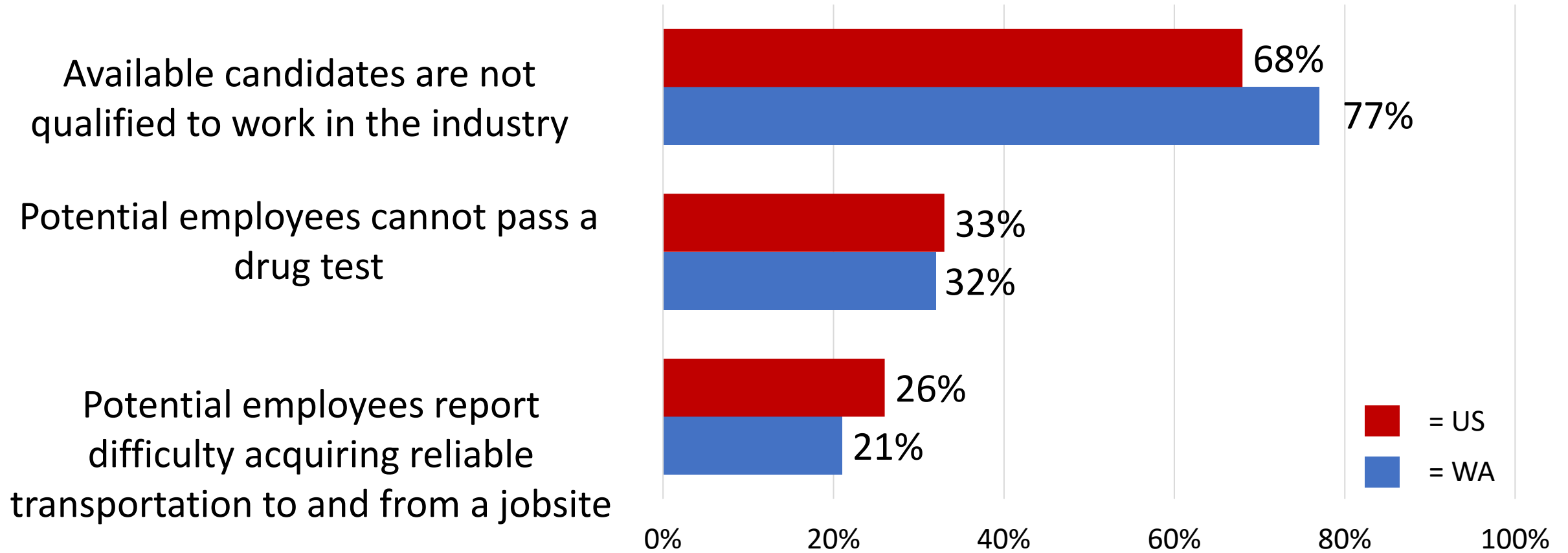
Selected difficult-to-fill craft positions

(% of firms reporting difficulty)



■ = US
■ = WA

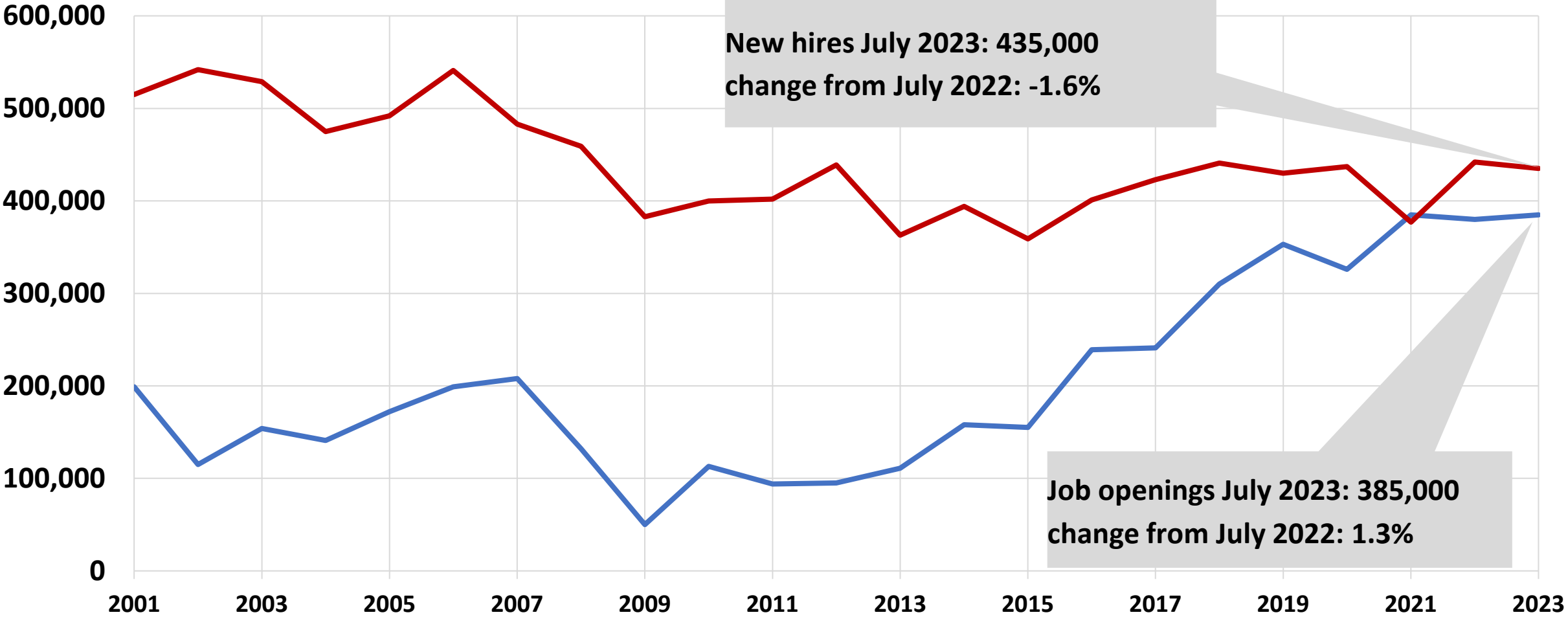
Reason for firms having a hard time filling available positions



Construction job openings & new hires



Job openings and hires, July 2001-July 2023, not seasonally adjusted

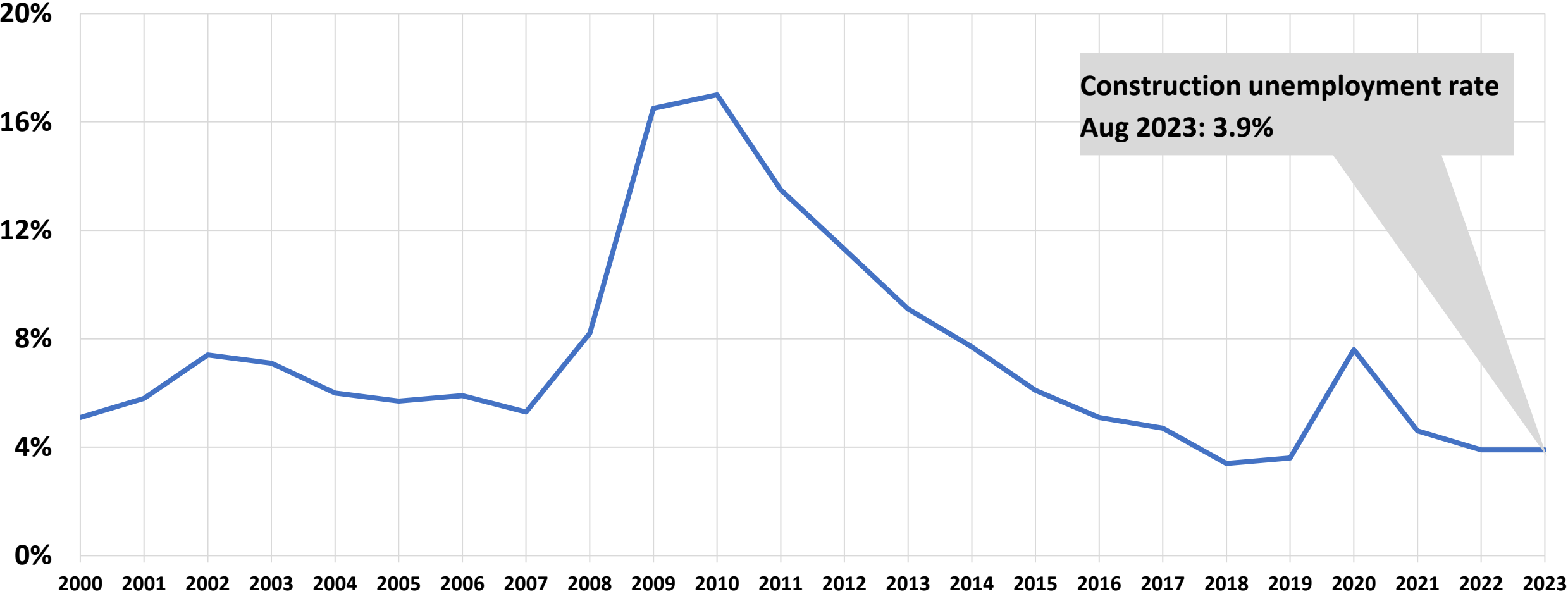


New hires July 2023: 435,000
change from July 2022: -1.6%

Job openings July 2023: 385,000
change from July 2022: 1.3%

Construction unemployment rate

Aug 2000-Aug 2023, not seasonally adjusted



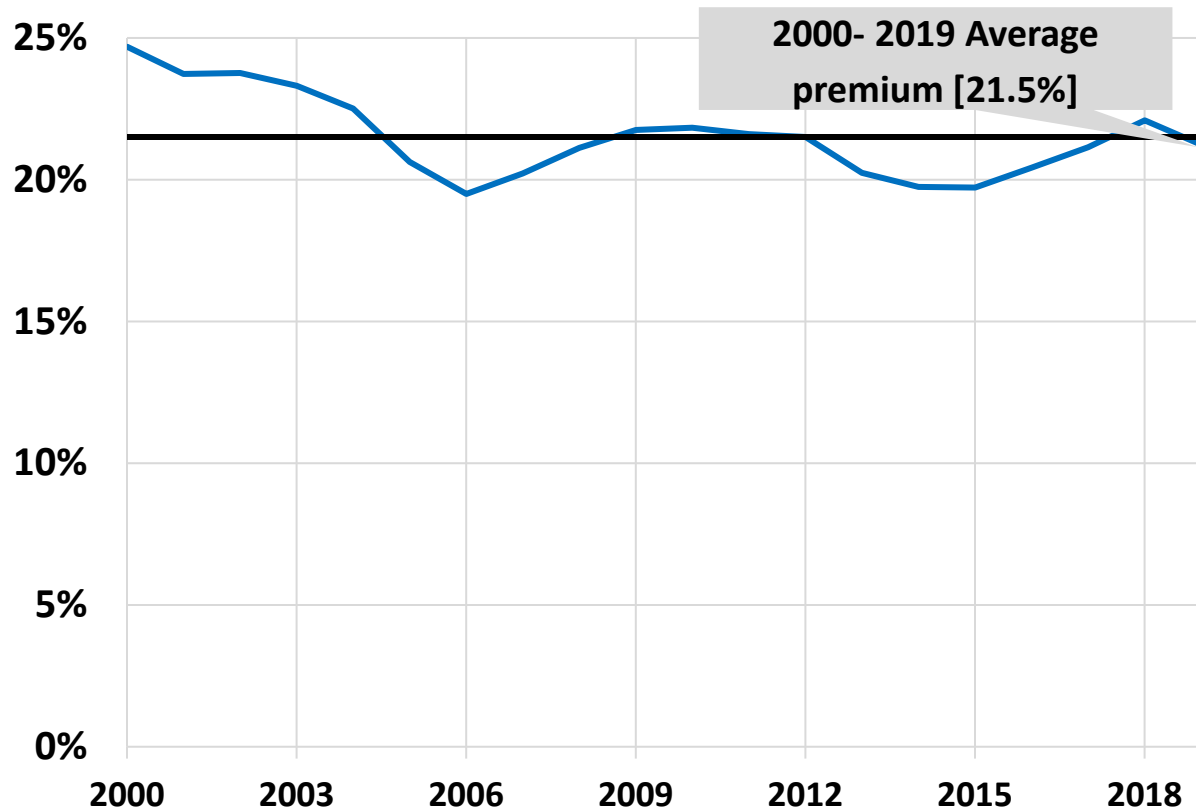
Construction unemployment rate
Aug 2023: 3.9%

Construction wage “premium” vs. total private sector

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

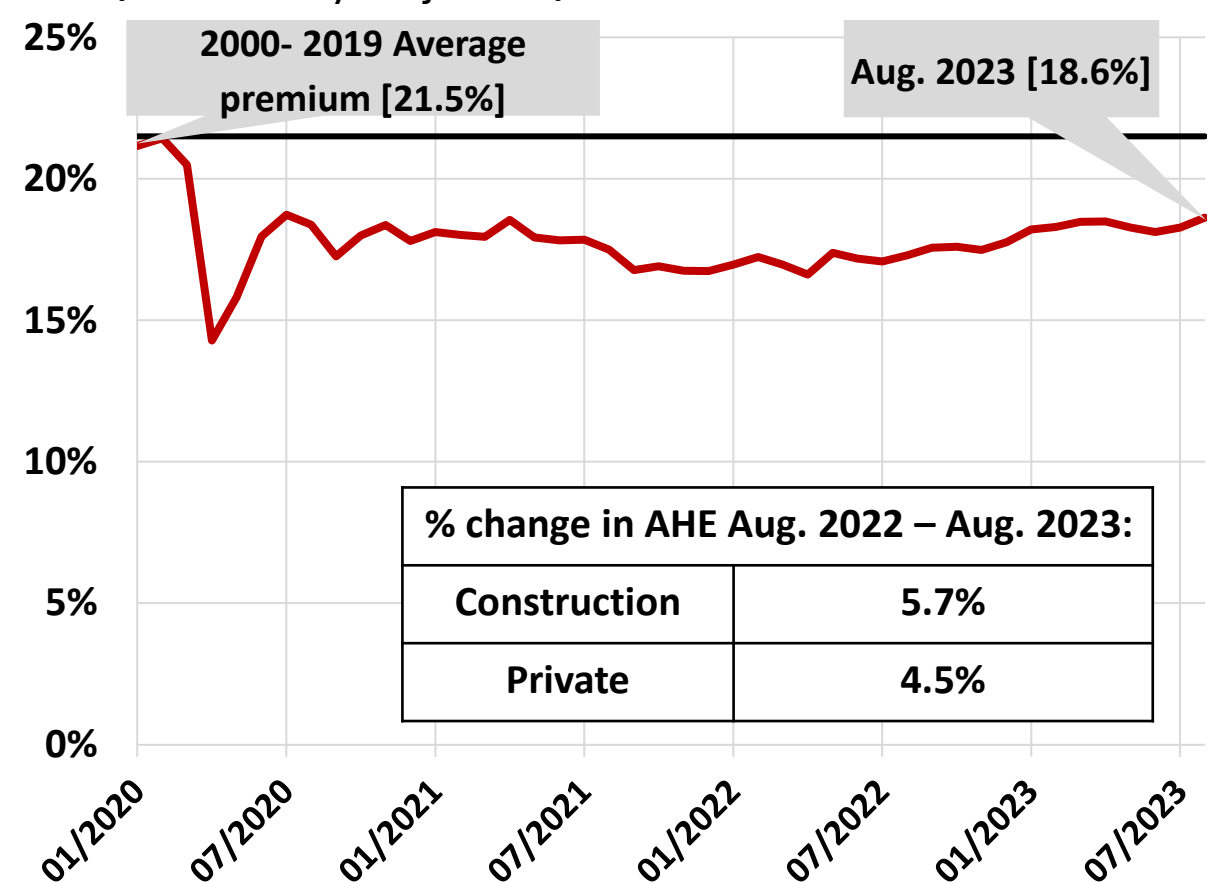


Annual premium, 2000–2019



Monthly premium, Jan. 2020–Aug. 2023

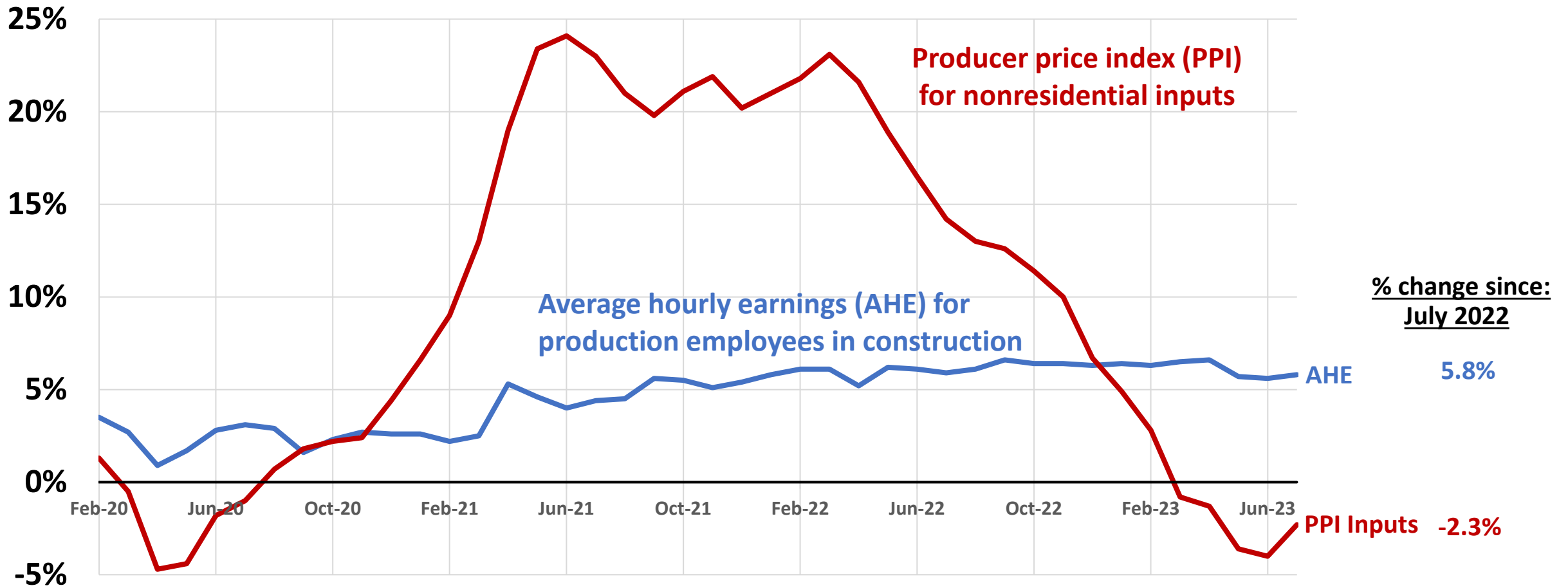
(seasonally adjusted)



Construction inputs & labor costs



Year-over-year change in PPI for nonresidential inputs & AHE for production employees in construction, Feb. 2020 – July 2023



Not all construction costs are cooling!

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



July 2023 change from:
June 2023 July 2022
(1 month) (12 months)

Cement	1.7%	12.6%
Ready-mix concrete	0.6%	10.4%
Construction machinery and equipment	1.6%	9.3%

Subcontractor price indexes, nonresidential building work

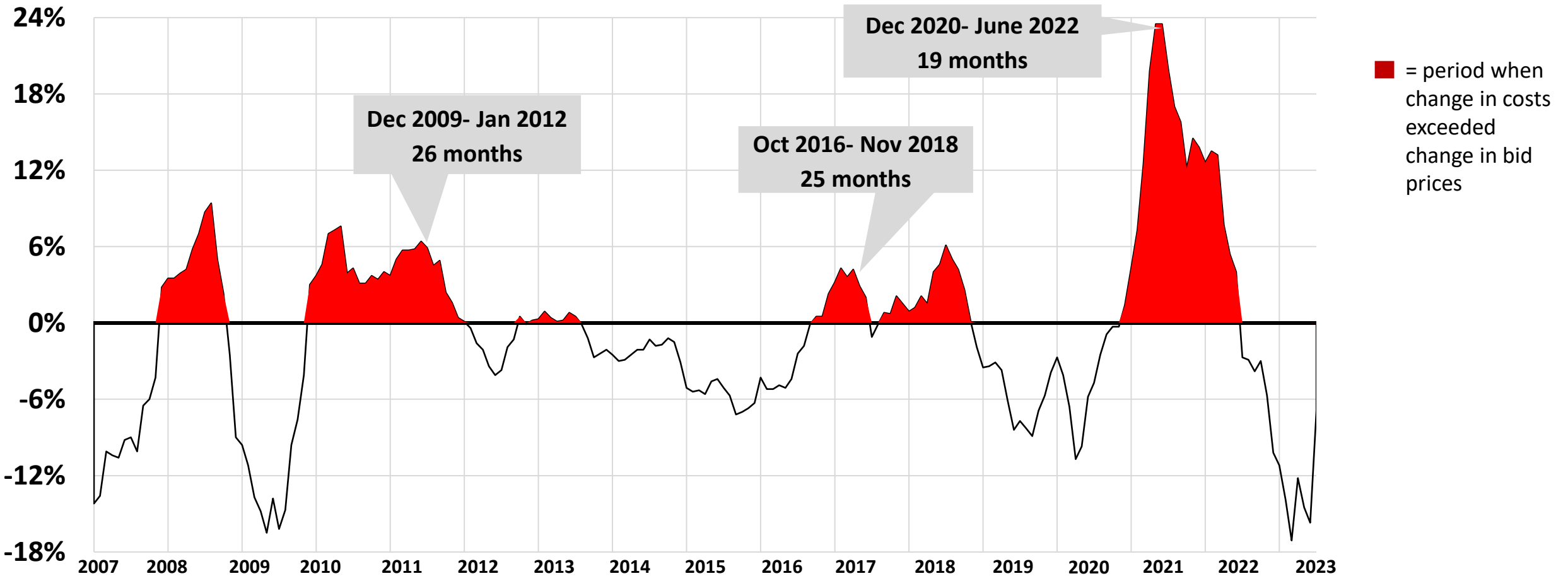
Roofing contractors	-0.1%	12.2%
Electrical contractors	-1.5%	4.5%
Plumbing contractors	0.2%	6.5%
Concrete contractors	-2.7%	-1.2%

Cost squeeze on contractors can reappear suddenly, last 2+ years

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Jul 2023

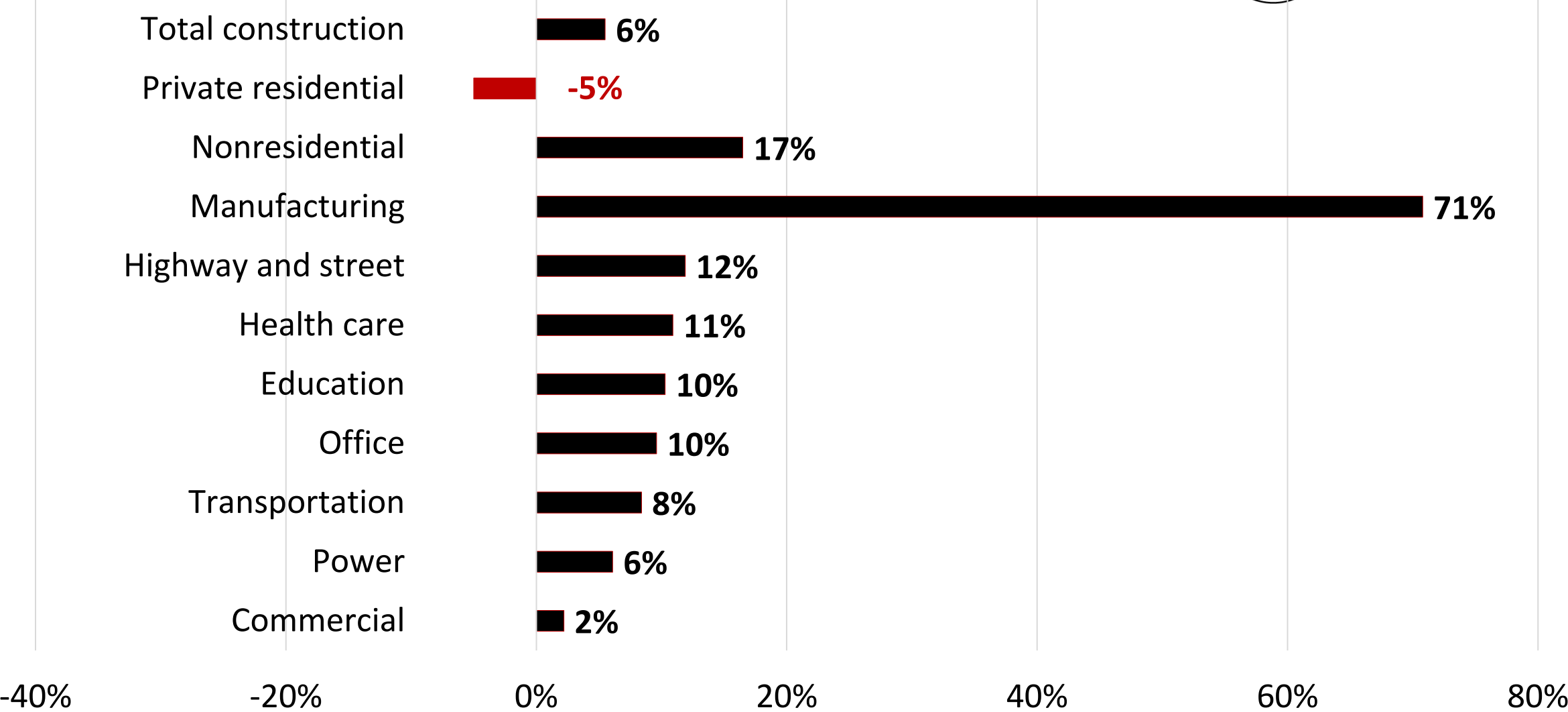


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Change in construction spending: July 2023 vs. July 2022

Year-over-year % change in current (not inflation-adjusted) dollars, seasonally adjusted



Change in construction spending: July 2023 vs. July 2022

current (not inflation-adjusted) dollars, seasonally adjusted



Total 6%: Private residential -5% (single-family -15%; multi 25%; improvements -2%); public residential 2%
Nonresidential 17% (private 20%, public 12%)

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

- Mfg. 71% (computer/electronic 171%; chemical 36%; food/beverage/tobacco 14%; transportation equipment -14%)
- Highway and street 12%
- Commercial 2% (warehouse 3%; retail -2%; farm 16%)
- Power 6% (electric 9%; oil/gas fields & pipelines -8%)
- Education 10% (primary/secondary 7%; higher ed 14%)
- Office (including data centers) 10%
- Transportation 8% (air 10%; private rail/truck 12%; transit -10%)
- Health care 11% (hospital 11%; medical building 16%; special care -13%)
- Other: Sewage/waste 18%; Amuse/recreation 8%; Water supply 10%; Communications 1%; Lodging 19%; Conservation/development 15%

Medium-term outlook for construction



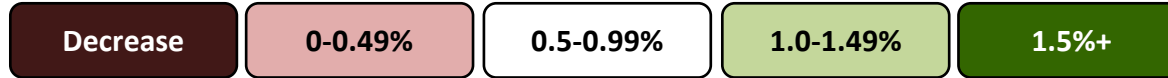
- Economic recovery should continue but risk of recession remains
- Homebuilding appears poised for slow recovery
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Data center and manufacturing construction should remain hot
- Infrastructure Investment & Jobs 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 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



- 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%)

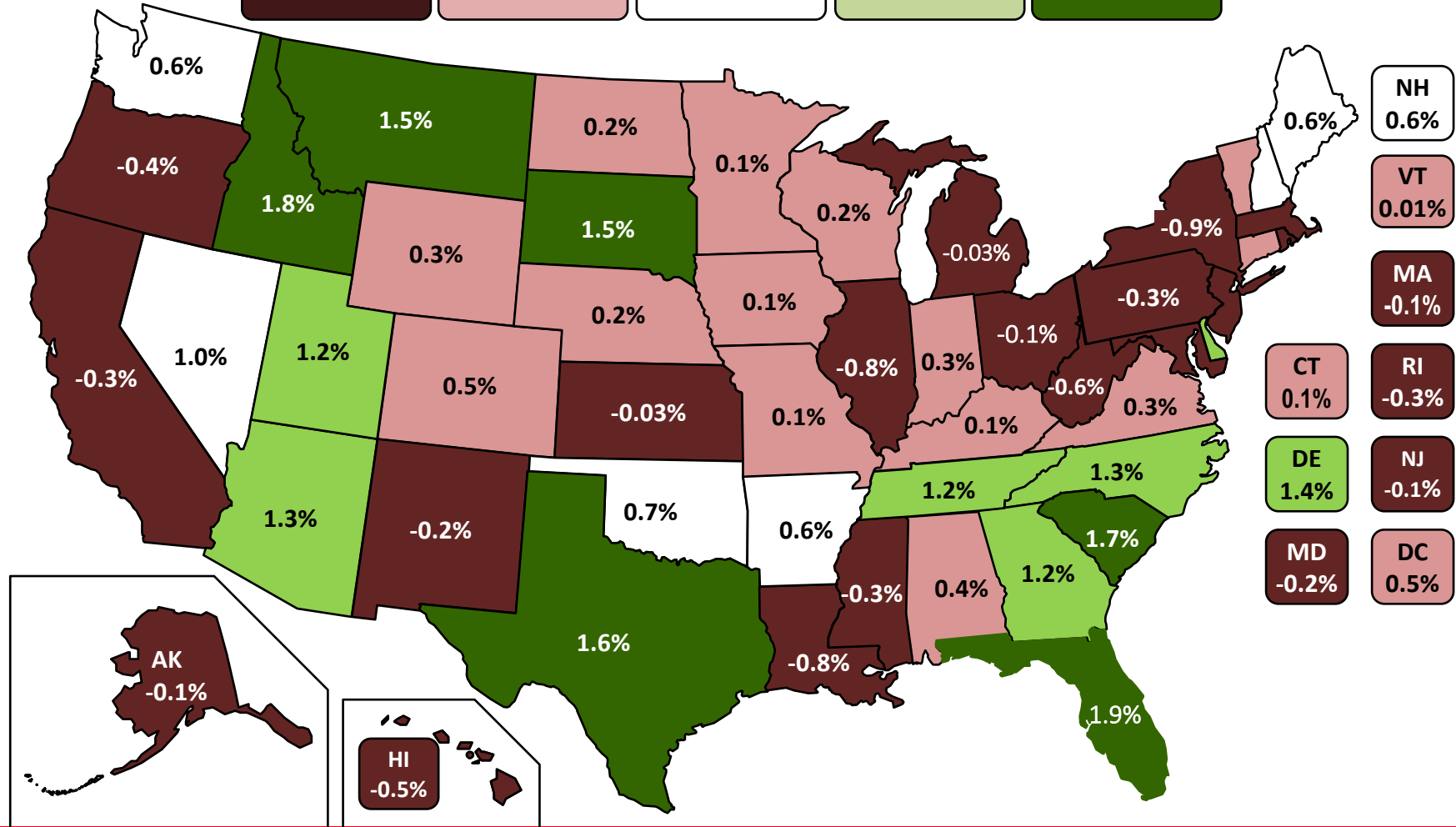


Top 6

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%



Mitigating Market Factors

Spotlight on recommendations to ease market driven cost increases



Decisions within the agency can work to mitigate for inflation, supply chain and labor market pressures. AGC highlights three of the six 2023 Technical Advisory Group recommendations for their potential to improve project cost and schedule.

Improving the Speed of Project Delivery: February 2023 Report to the Sound Transit Board

- Recommendation 2: Introduce experienced megaproject capital program executive team
Supports timely decision-making
- Recommendation 3: Develop procedures to expedite the decision-making process*
Reducing time between questions and answers
- Recommendation 4: Align procedures with industry best practices, eliminate unnecessary steps and associated delays*
Assists Sound Transit to be more competitive in attracting contractor talent

Recommendation 3 & 4: Disproportionately **helps local, small and minority owned firm succeed and build capacity on Sound Transit contracts*

AGC economic resources

(email ken.simonson@agc.org)

- *Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- ConsensusDocs Price Escalation Resource [Center](https://www.consensusdocs.org/price-escalation-center/):
<https://www.consensusdocs.org/price-escalation-center/>
- 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>



Vol. 22, No. 17 May 9-12, 2022

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

The producer price index (PPI) for material and service inputs to new nonresidential construction rose 0.5% from March to April but declined 1.1% year-over-year (y/y), according to Bureau of Labor Statistics (BLS) data posted on Thursday.

[Read more](#)

Construction pay tops U.S. median by 18%

"Half of payroll workers in construction earn more than \$4,540," 18% more than the U.S. median wage of \$46,310, "and the top 25% make at least \$77,030," 4.9% higher than the U.S. top quartile base of \$73,460, the National Association of Home Builders reported on Tuesday, based on its analysis of May 2022 Occupational Employment and Wage Statistics posted by BLS...

[Read more](#)

Child counts decline in 35 states

In a trend with implications for school and other construction, "Thirty-five states have fewer children than they did five years ago, a situation caused by declining birth rates nationwide, but also by young families migrating across state borders in search of cheaper housing," Stateline reported on Thursday...

[Read more](#)

Results from RICS-AACE construction survey

Firms reporting declining profit margins outnumbered firms reporting rising margins by 27 percentage points (a net balance reading of -27%) in the first quarter (Q1) 2023 RICS-AACE USA Construction Monitor, covering 60 responses between March 8 and April 21 and posted by RICS on Monday...

[Read more](#)

AGC Highway safety survey closes tonight

Highway contractors are invited to complete AGC's annual highway work zone safety survey by tonight, May 12. Responses will be kept confidential.

[Read more](#)

Census of Construction reminder

The Census Bureau reminded firms in all industries, "The due date for responding to the 2022 Economic Census has passed, but it's not too late to respond..."

[Read more](#)

