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U.S. & N.C. Construction Outlook: Workforce Worries, Project Prospects, Supply Snags

Ken Simonson

Chief Economist, AGC of America

ken.simonson@agc.org

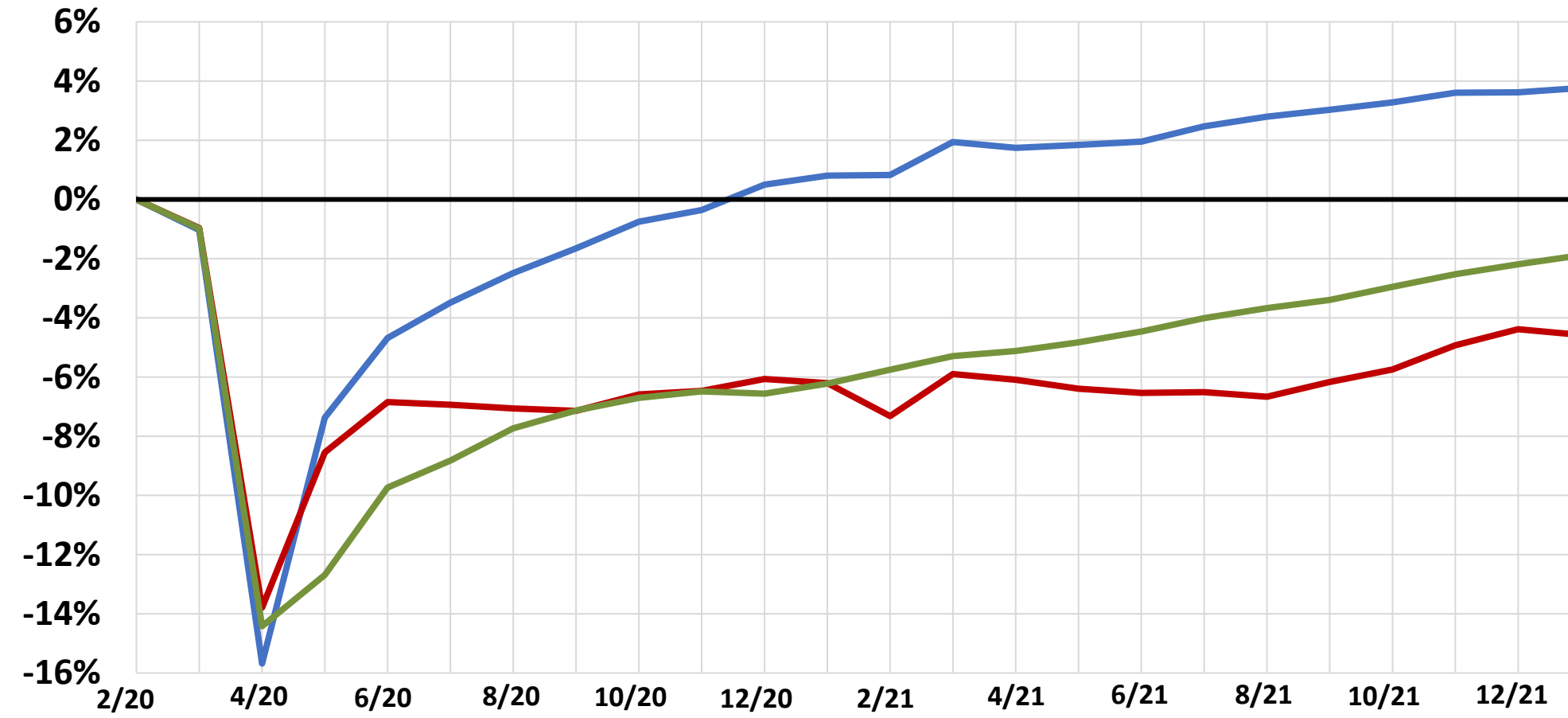
Total Nonfarm & Construction Employment, Feb. 2020–Jan. 2022

cumulative change (seasonally adjusted)



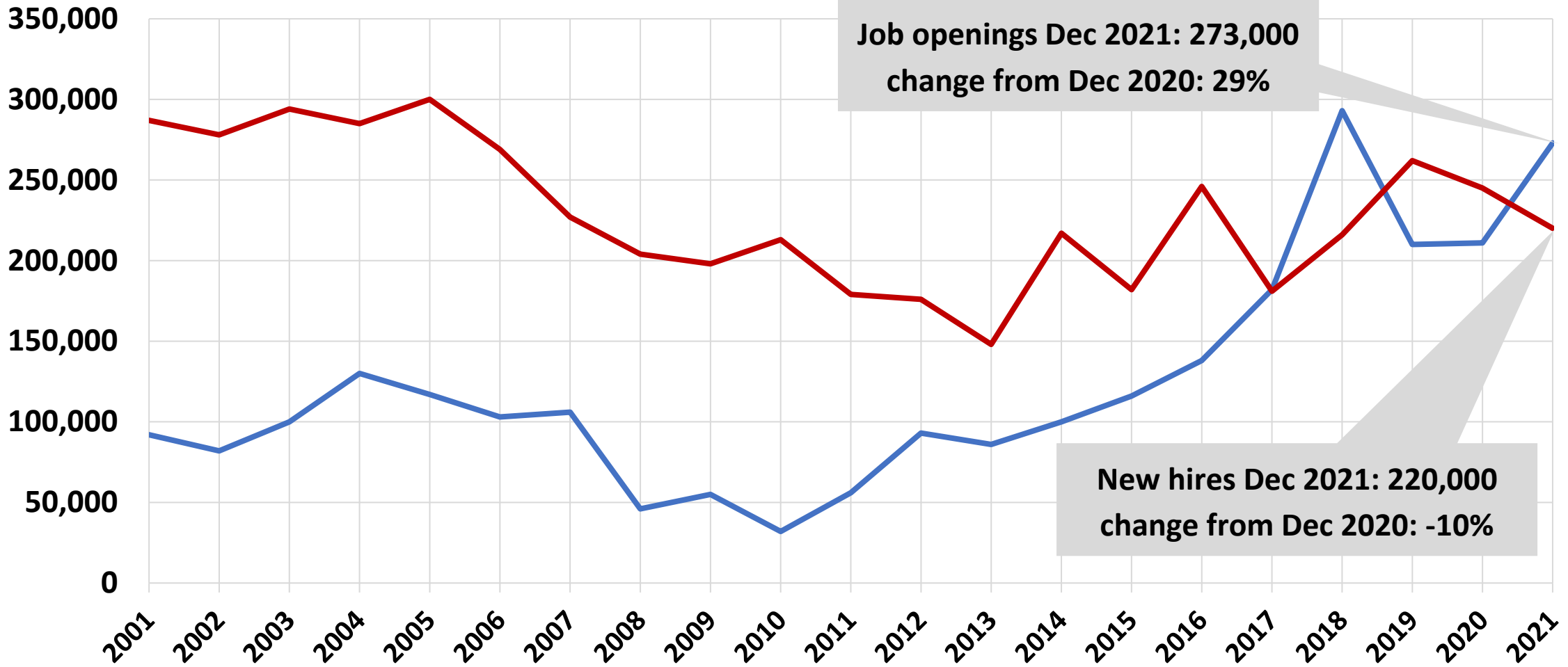
Change to 1/22 from:

	<u>2/20</u>	<u>1/21</u>
Residential Construction	3.8%	2.9%
Total Nonfarm	-1.9%	4.6%
Nonresidential Construction	-4.6%	1.7%



Construction job openings and hires

Dec 2001-Dec 2021, not seasonally adjusted



State construction employment change, Feb. 2020–December 2021

23 states and DC **up**, 1 state **flat**, 26 states **down** (U.S.: **-1.3%**)

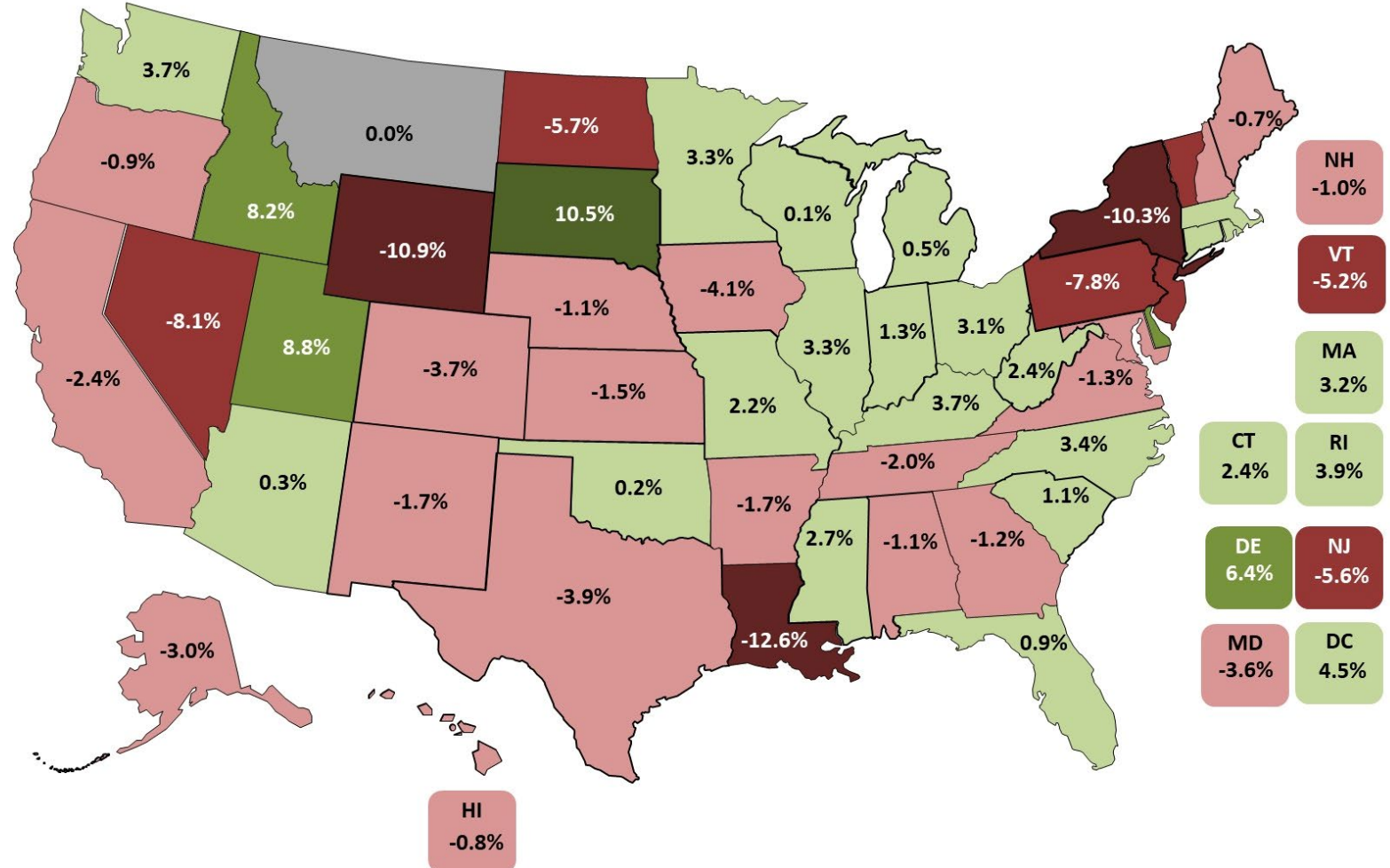


Top 5

South Dakota	10.5%
Utah	8.8%
Idaho	8.2%
Delaware	6.4%
District of Columbia	4.5%

Bottom 5

Louisiana	-12.6%
Wyoming	-10.9%
New York	-10.3%
Nevada	-8.1%
Pennsylvania	-7.8%

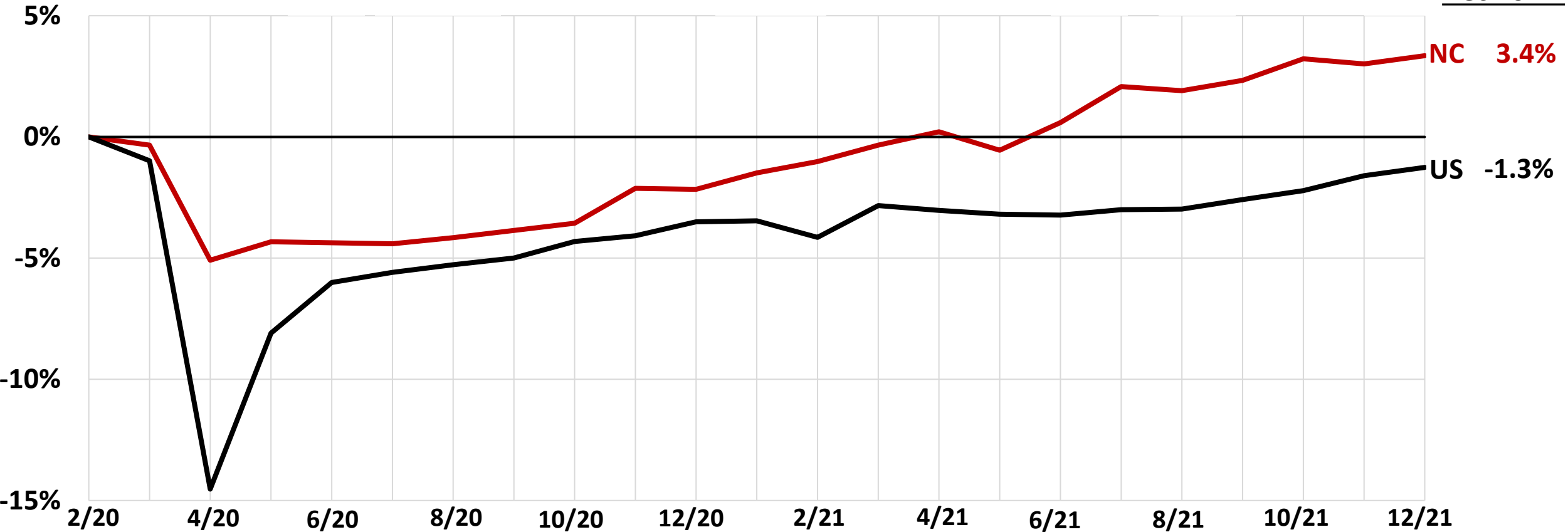


US & NC Construction Employment

Cumulative change, Feb 2020-Dec 2021, seasonally adjusted



**% change
Feb 2020-
Dec 2021:**



North Carolina Metro Construction Employment

Dec. 2021 vs. 2020 & 2019 (not seasonally adjusted)



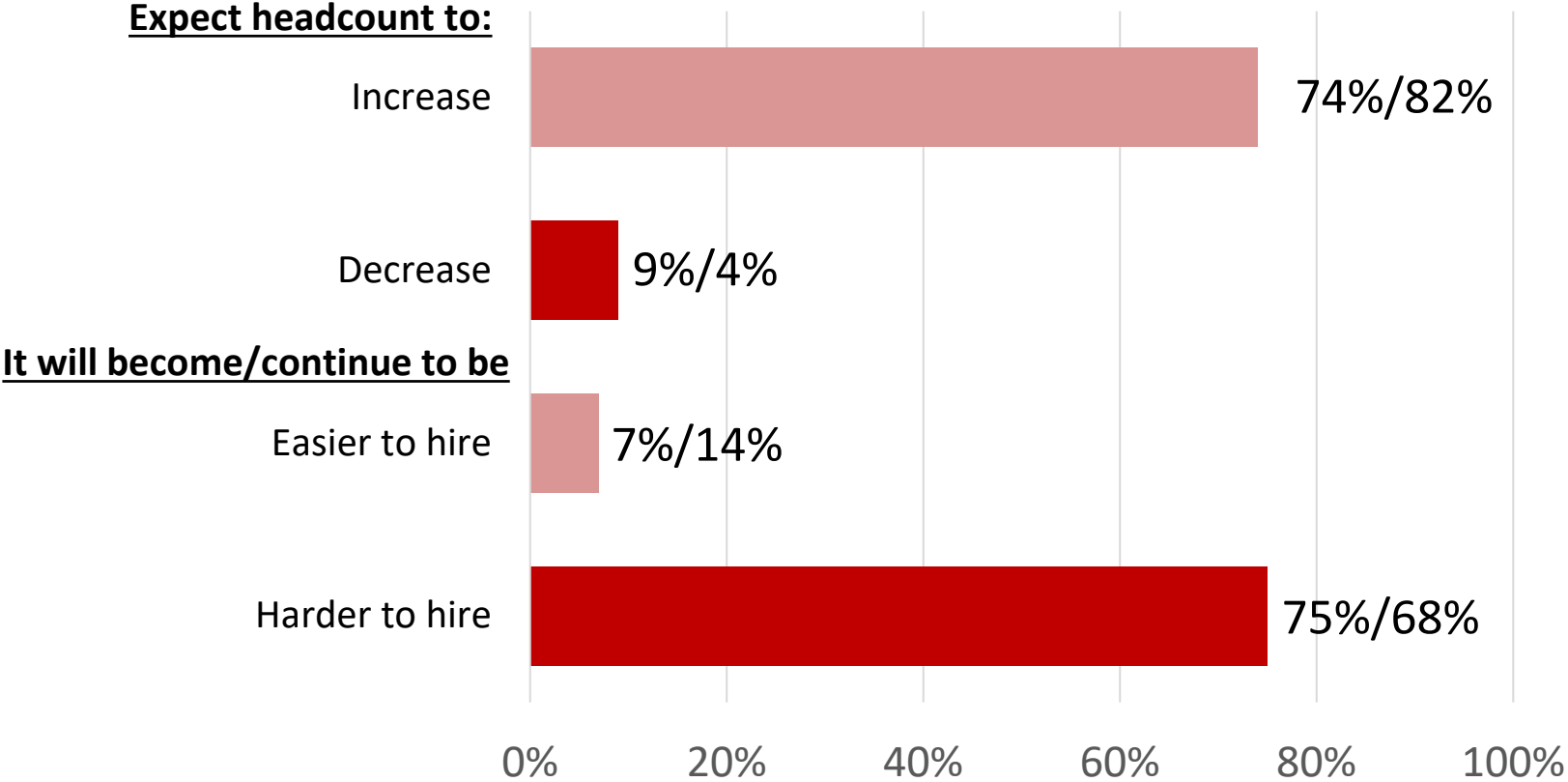
	<u>Dec.</u> <u>2021</u>	<u>Change from:</u>	
		<u>Dec.</u> <u>2020</u>	<u>Dec.</u> <u>2019</u>
Asheville*	10,100	6.3%	3.1%
<u>Burlington*</u>	<u>3,300</u>	<u>3.1%</u>	<u>0%</u>
Charlotte-Concord-Gastonia, NC-SC*	69,100	0.6%	-1.1%
<u>Durham-Chapel Hill*</u>	<u>9,800</u>	<u>3.2%</u>	<u>6.5%</u>
Fayetteville*	5,200	8.3%	-8.8%
<u>Greensboro-High Point*</u>	<u>16,700</u>	<u>6.4%</u>	<u>6.4%</u>
Greenville*	3,200	3.2%	-8.6%
<u>Hickory-Lenoir-Morganton*</u>	<u>5,200</u>	<u>8.3%</u>	<u>10.6%</u>
Raleigh*	44,500	5.2%	6.7%
<u>Rocky Mount*</u>	<u>2,600</u>	<u>4.0%</u>	<u>-3.7%</u>
Wilmington*	9,800	6.5%	5.4%
Winston-Salem*	11,900	0%	2.6%

2022 AGC Hiring & Outlook Survey: Firms' expectations regarding headcount and hiring over next 12 months



(Total Responses: US 1,019; NC 28)

US/NC:



Construction spending: 2021 totals vs. 2020



- Total 8%; private residential 23% (single-family 33%; multi 16%); private nonres -2%; public -4%

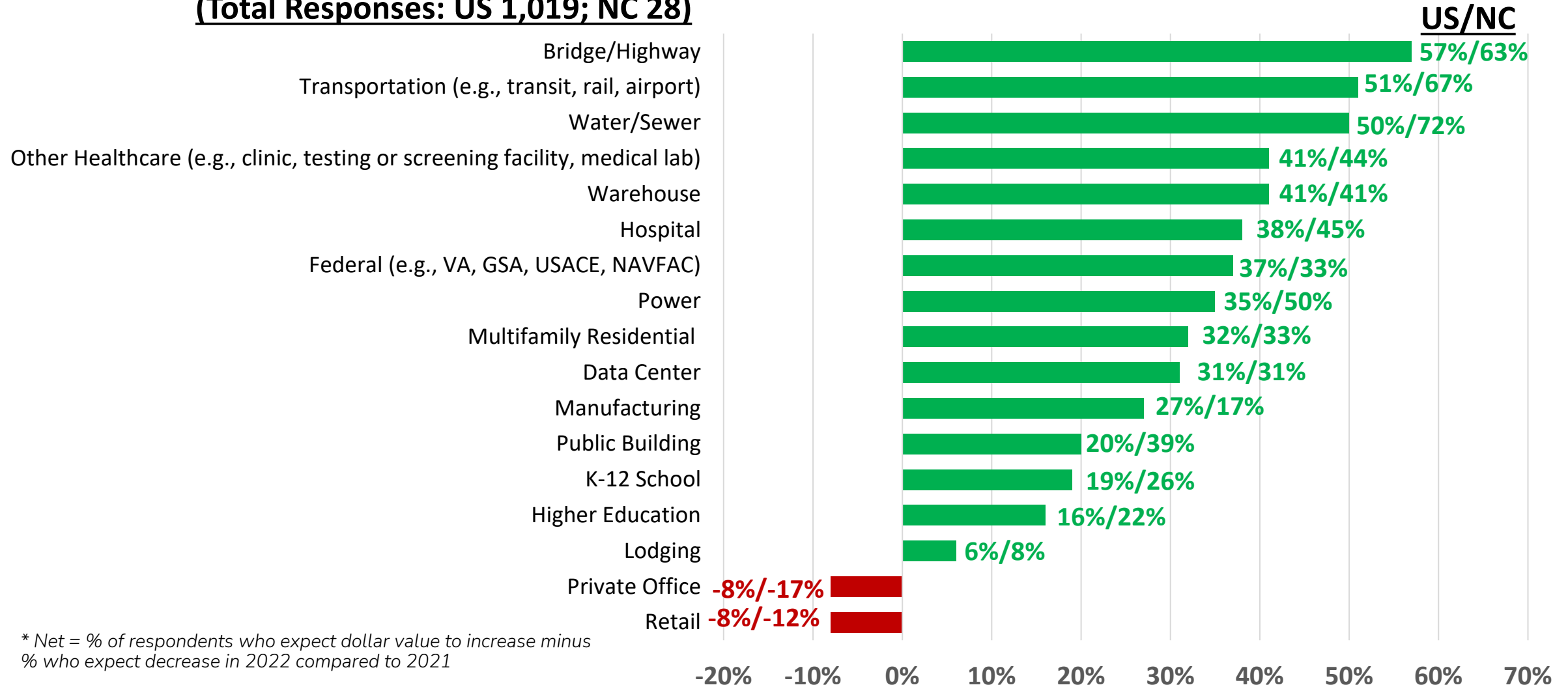
Largest segments (in descending order of 2021 spending)

- Power -0.1% (electric 1%; oil/gas fields & pipelines -5%)
- Highway and street 0.3%
- Education -9% (primary/secondary -7%; higher ed -14%)
- Commercial 4% (warehouse 16%; retail -8%)
- Office -6%
- Mfg. 9% (chemical 7%; computer/electronic 27%; transp. equip. -0.5%; food/beverage/tobacco 31%)
- Transportation -6% (air -10%; freight rail/trucking -6%; mass transit -0.7%)
- Health care 2% (hospital 5%; medical building 0.8%; special care -6%)
- Lodging -32%

AGC Outlook Survey: Net* % who expect 2022 value of projects to be higher/lower than 2021



(Total Responses: US 1,019; NC 28)



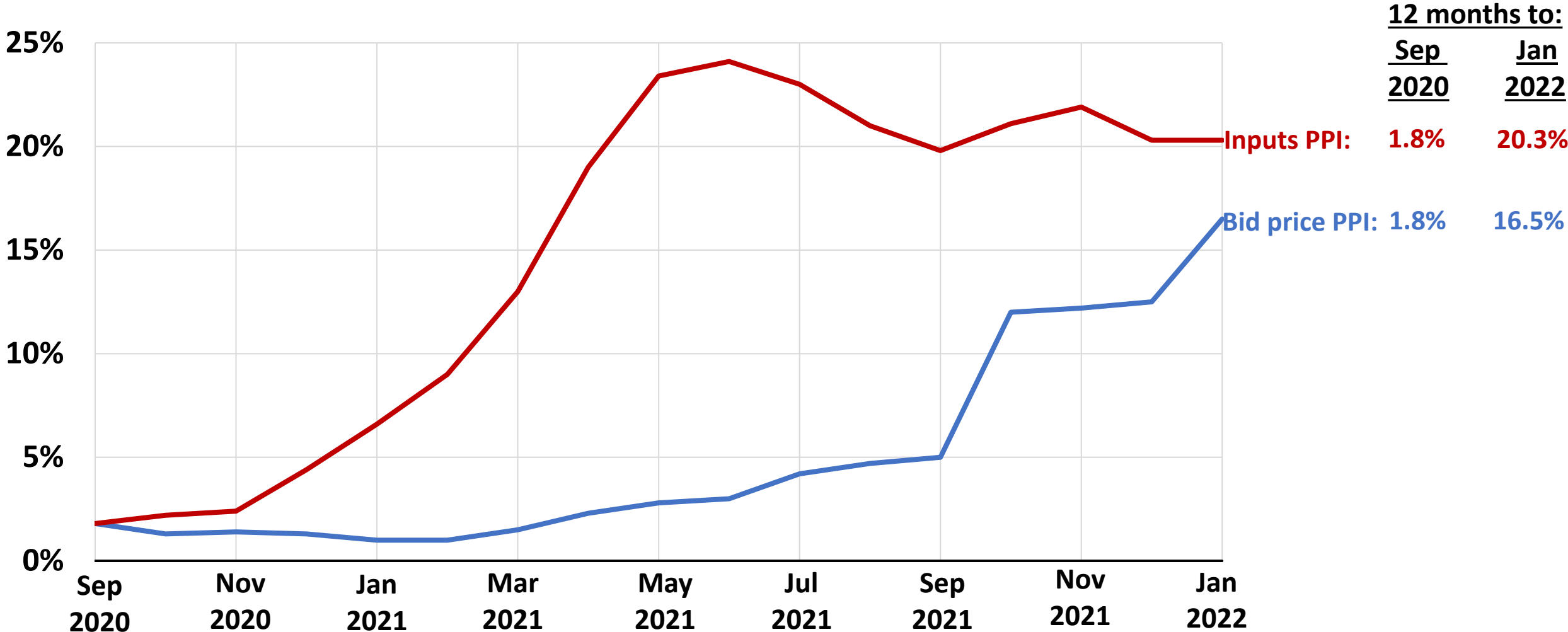
* Net = % of respondents who expect dollar value to increase minus % who expect decrease in 2022 compared to 2021

Change in prices for inputs to new nonresidential construction

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



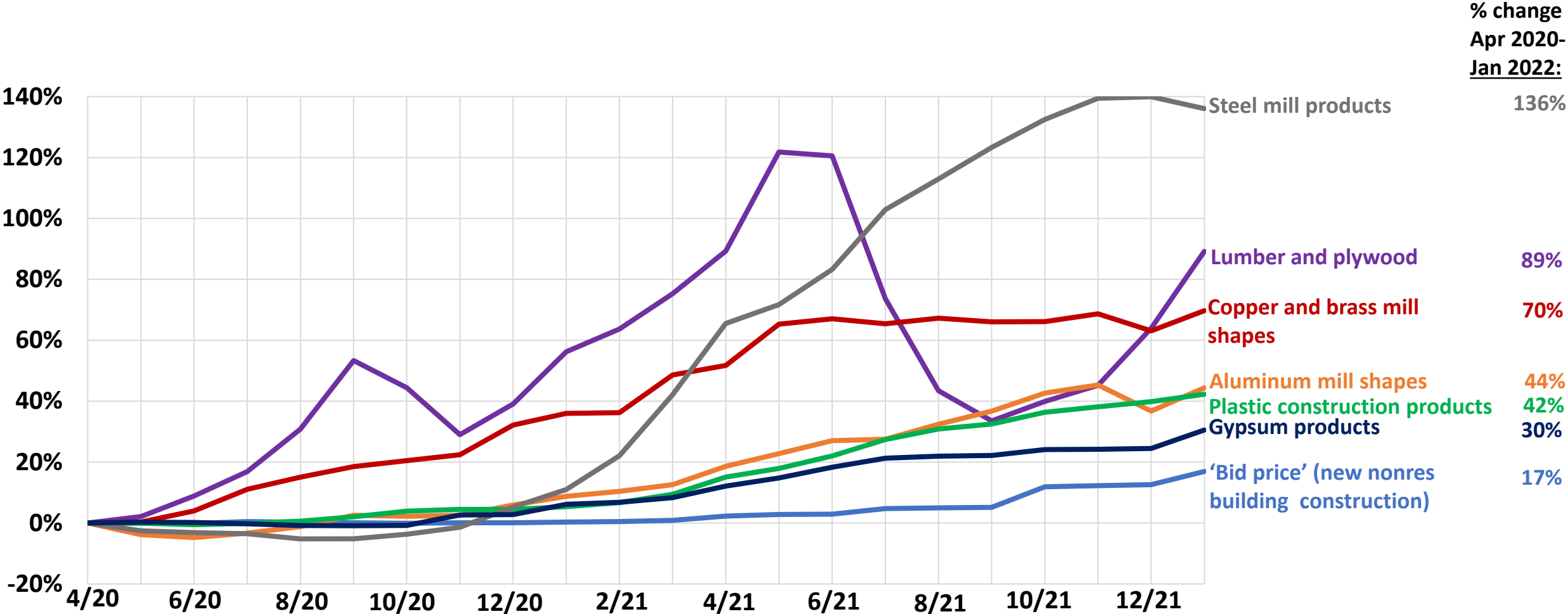
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10 Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

PPIs for construction bid prices and selected inputs

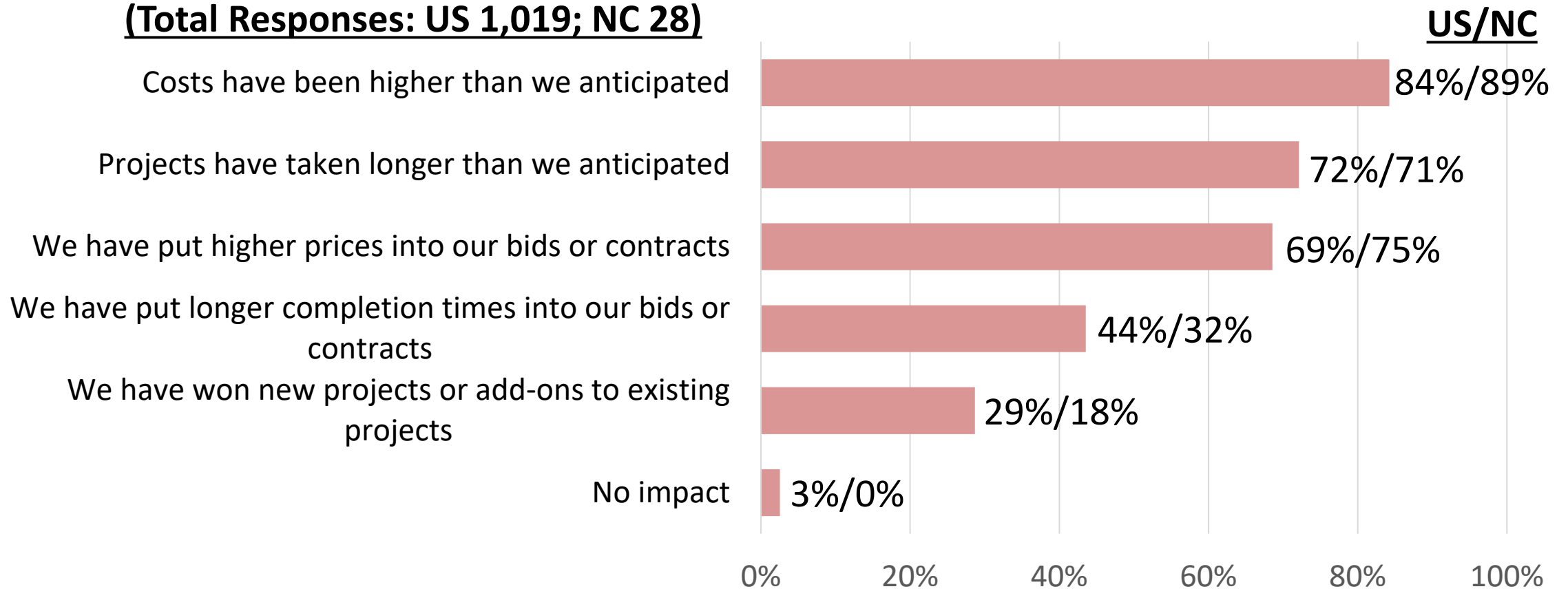
cumulative change in PPIs, April 2020 – January 2022 (not seasonally adjusted)



AGC 2022 Outlook Survey: Firms cite pandemic impact as cause for higher cost and delays



(Total Responses: US 1,019; NC 28)

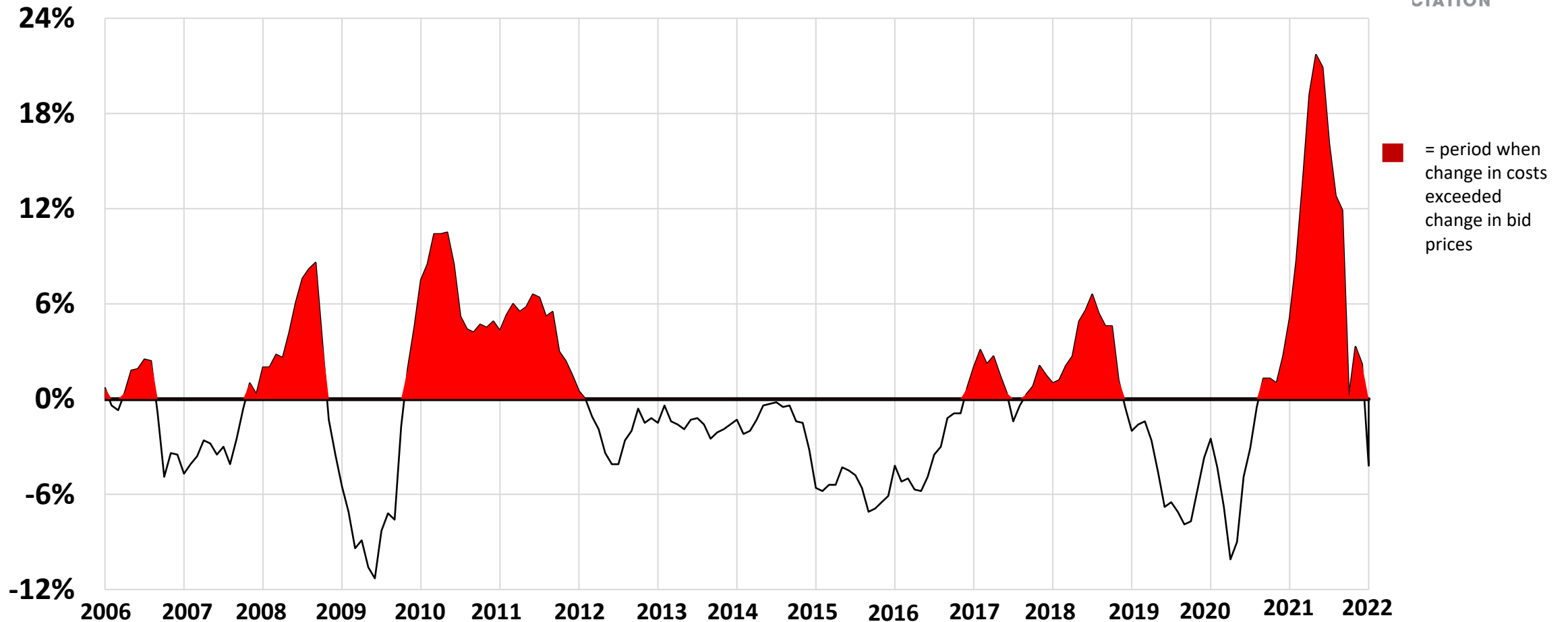


Cost squeeze on contractors can last two years or more

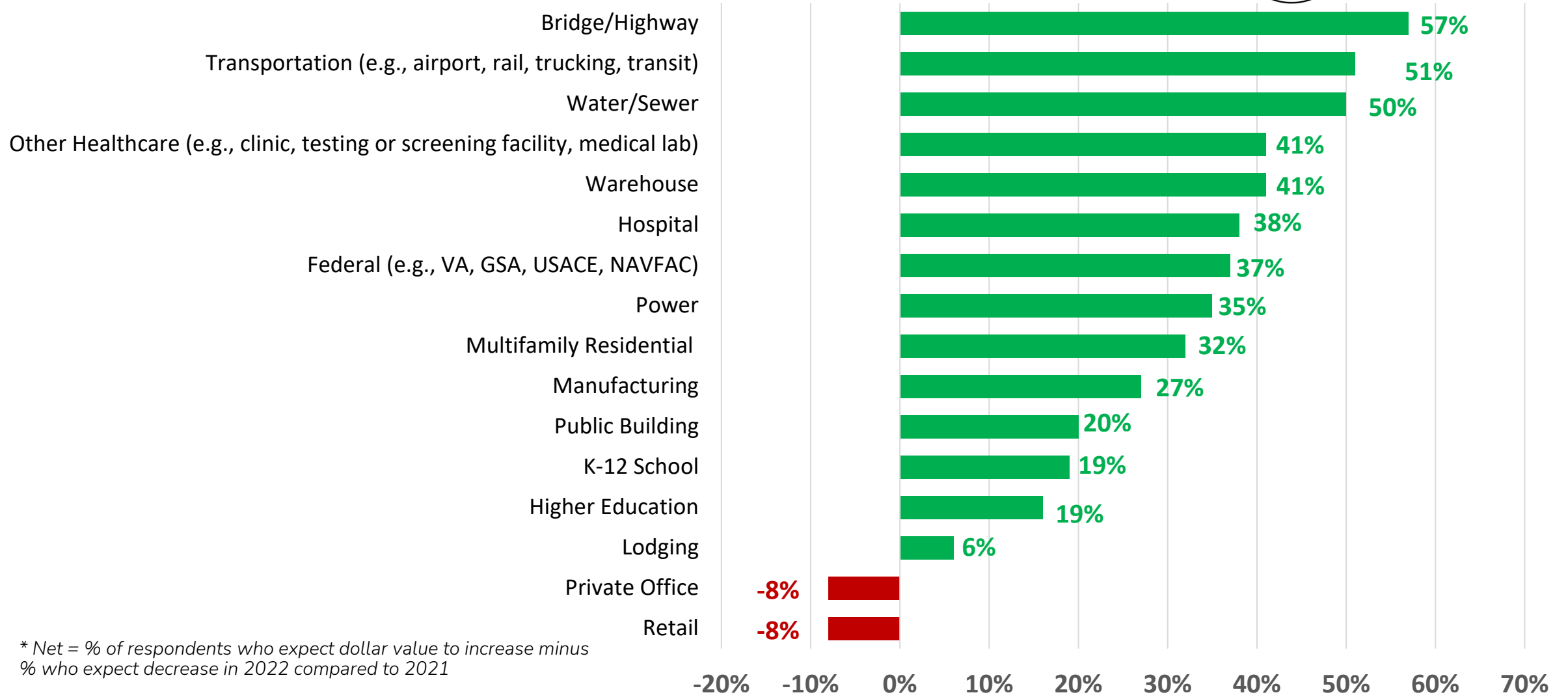


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Difference between year-over-year change in materials costs vs. bid prices, Jan 2006-Jan 2022



AGC Outlook Survey: Net* % who expect 2022 value of projects to be higher/lower than 2021



* Net = % of respondents who expect dollar value to increase minus % who expect decrease in 2022 compared to 2021

Medium-term impacts as recovery begins



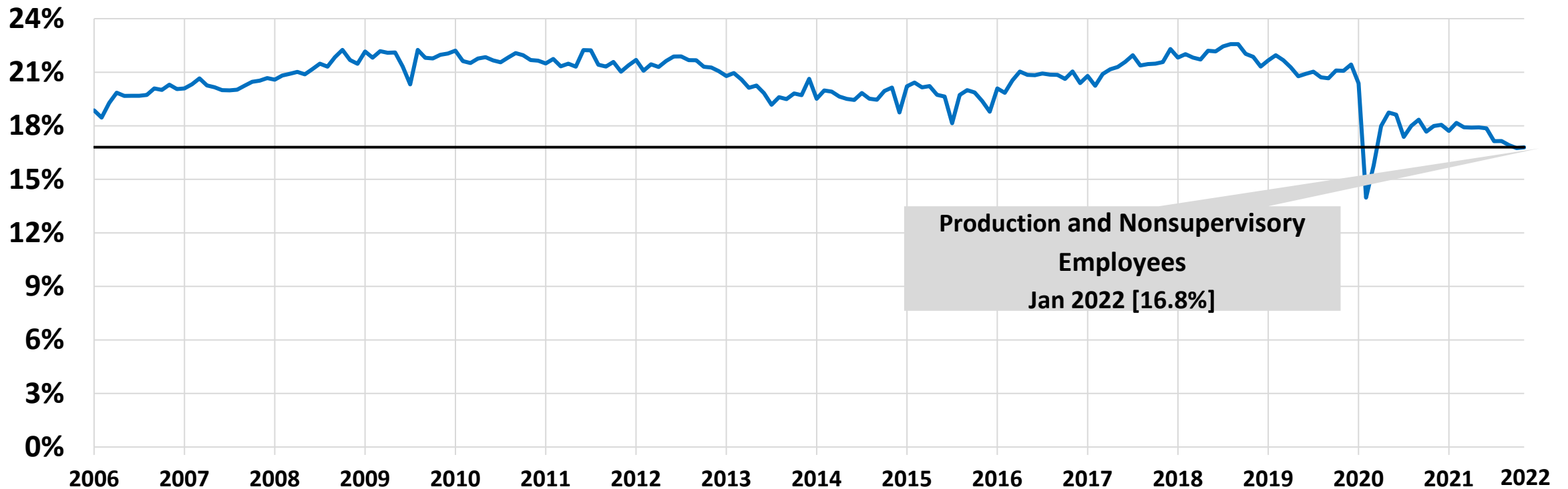
- Economic recovery looks more certain but virus risks remain, especially for construction: low worker vaccination rate; possible pullback by owners on project starts
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, project costs, and completion times
- Continuing cost and supply challenges may lead to more project deferrals
- Infrastructure funds will take time to distribute and award to individual projects, muting the medium-term impact on labor and materials supply
- Best prospects: manufacturing, distribution, data centers, renewable energy

2 concerns about construction worker supply



- Low vaccination rate: 56% for construction workers, 83% 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

Average hourly earnings in excess of total private sector, March 2006-January 2022

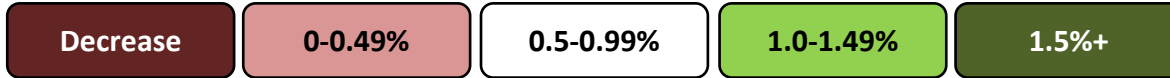


Long-run construction outlook (post-pandemic)



- 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 2020–July 2021 (U.S.: 0.12%)

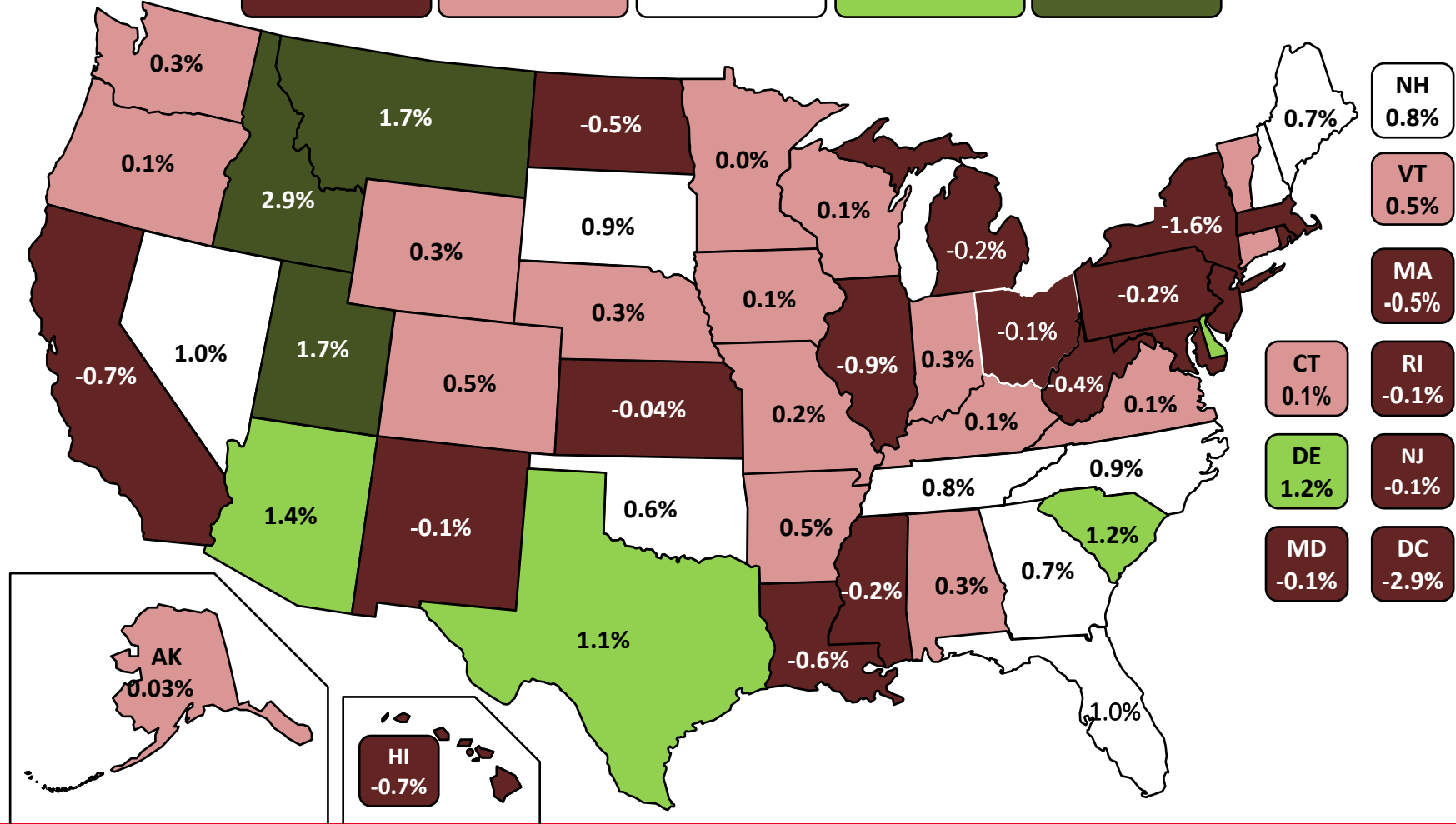


Top 6

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>

