



**AGC**  
THE CONSTRUCTION  
ASSOCIATION

**July 14, 2021**

# **U.S. Construction Outlook:**

## **Pandemic Impacts, Policy Initiatives, Project Implications**

Ken Simonson

Chief Economist, AGC of America

[ken.simonson@agc.org](mailto:ken.simonson@agc.org)

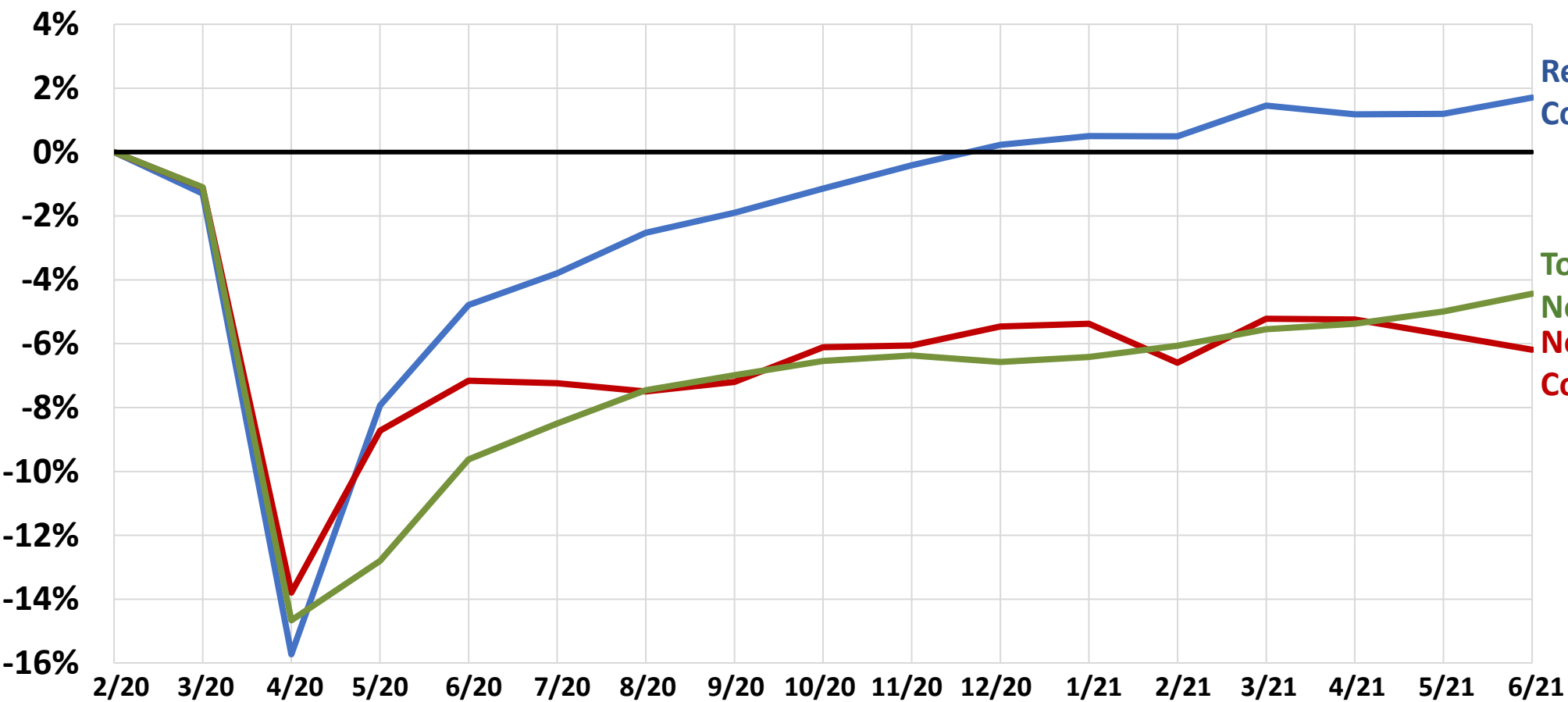


Change to 6/21 from:

2/20    6/20

# Total Nonfarm & Construction Employment, Feb. 2020-June 2021

cumulative change (seasonally adjusted)

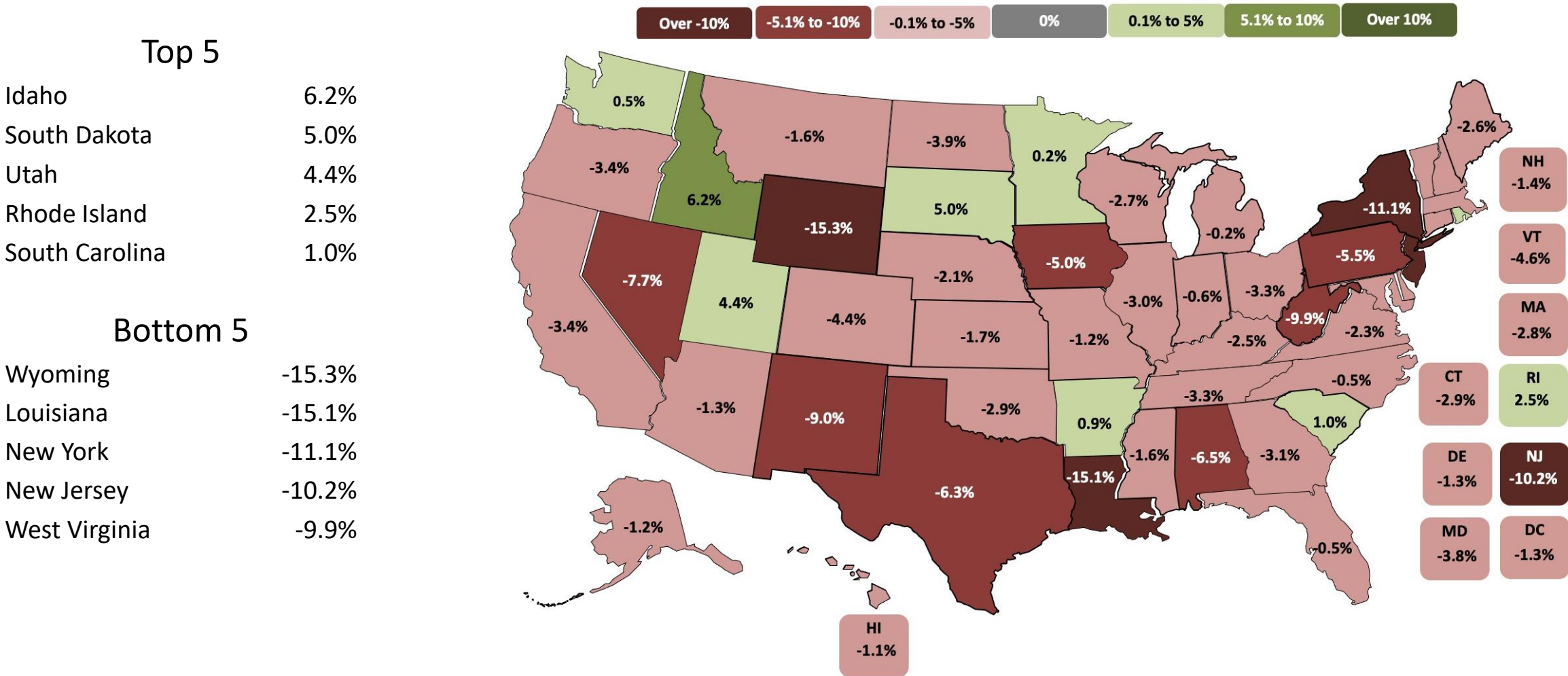


Residential Construction	1.7%	6.8%
Total Nonfarm	-4.4%	5.7%
Nonresidential Construction	-6.2%	1.0%



# State construction employment change, Feb. 2020-May 2021

8 states **up**, 42 states and DC **down** (U.S.: -2.9%)



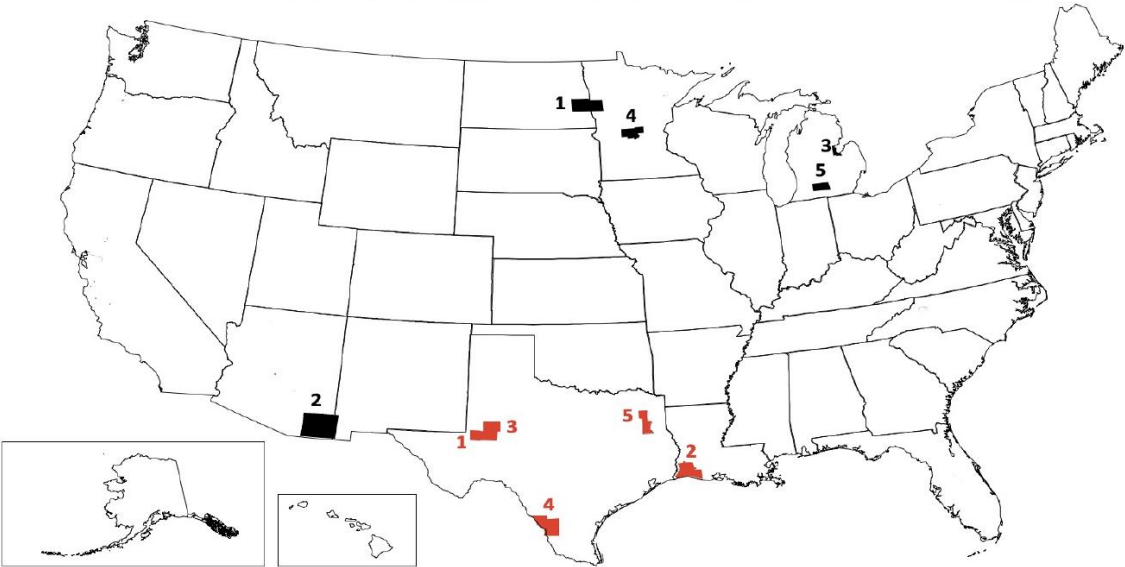


# Metro construction employment change, Feb. 2020-May 2021

243 metros **up**, 24 metros **unchanged**, 91 metros **down** (U.S.: 2.8%)



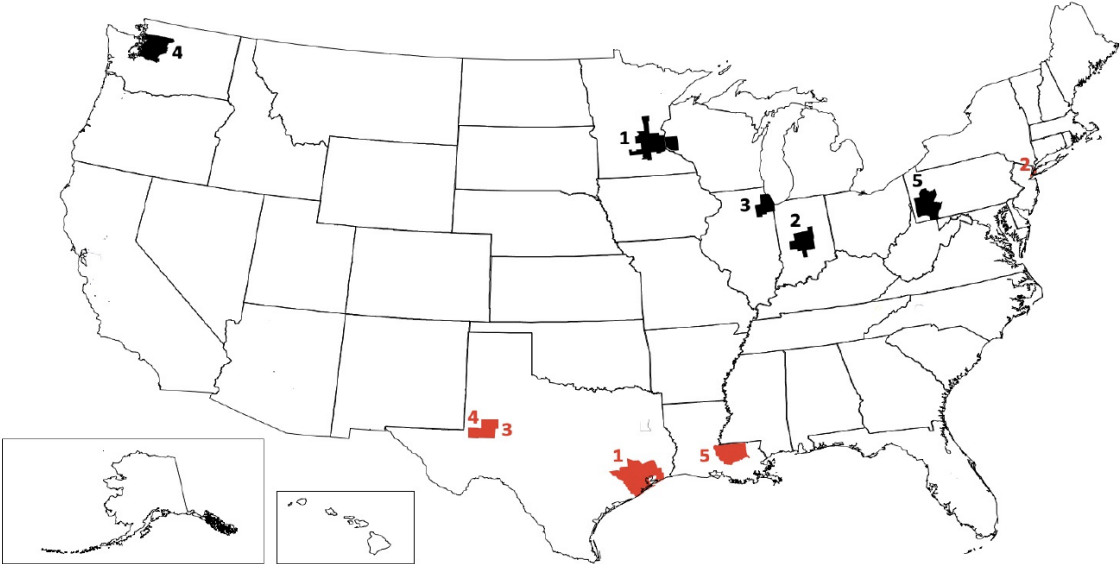
Metro Areas with Largest Percent Changes in Construction Employment, February 2020–May 2021



Top 5 Areas	15-month % gain
1 Fargo, ND-MN	45%
2 Sierra Vista-Douglas, AZ	44%
3 Bay City, MI	36%
4 St. Cloud, MN	33%
5 Battle Creek, MI	33%

Bottom 5 Areas	15-month % loss
1 Odessa, TX	-40%
2 Lake Charles, LA	-36%
3 Midland, TX	-25%
4 Laredo, TX	-23%
5 Longview, TX	-22%

Metro Areas with Largest Construction Employment Changes, February 2020–May 2021



Top 5 Areas	15-month gain
1 Minneapolis-St. Paul-Bloomington, MN-WI	11,100
2 Indianapolis-Carmel-Anderson, IN	10,900
3 Chicago-Naperville-Arlington Heights, IL Div.	10,300
4 Seattle-Bellevue-Everett, WA Div.	6,900
5 Pittsburgh, PA	6,900

Bottom 5 Areas	15-month loss
1 Houston-The Woodlands-Sugar Land, TX	-30,500
2 New York City, NY	-21,200
3 Midland, TX	-9,600
4 Odessa, TX	-8,300
5 Baton Rouge, LA	-7,900



# Year-to-date construction spending: Jan-May 2021 vs. Jan-May 2020

(not seasonally adjusted)



- Total 5%; private residential 24% (single-family 33%; multi 20%); private nonres -9%; public -7%

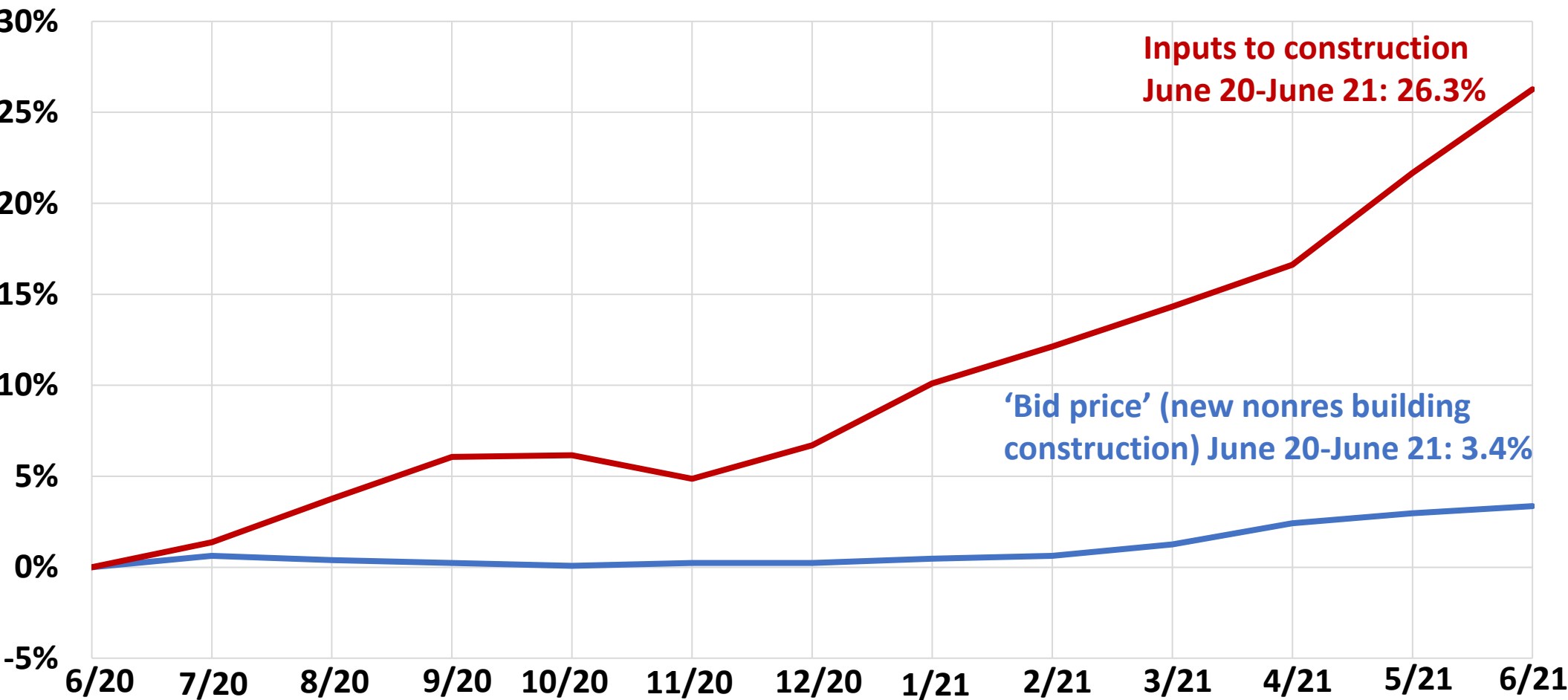
Largest segments (in descending order of 2021 year-to-date spending)

- Power -7% (electric -4%; oil/gas fields & pipelines -16%)
- Education -11% (primary/secondary -5%; higher ed -20%)
- Commercial -6% (warehouse 8%; retail -22%)
- Office -12%
- Highway and street -6%
- Mfg. -5% (chemical 6%; transp. equip. 3%; electronic -19%; food/beverage/tobacco 8%)
- Transportation -7% (air -11%; freight rail/trucking -6%; mass transit 6%)
- Health care -3% (hospital 2%; medical building -8%; special care -6%)
- Lodging -27%



# Construction input and 'bid price' producer price indexes (PPIs)

cumulative change in PPIs, June 2020 -June 2021 (not seasonally adjusted)



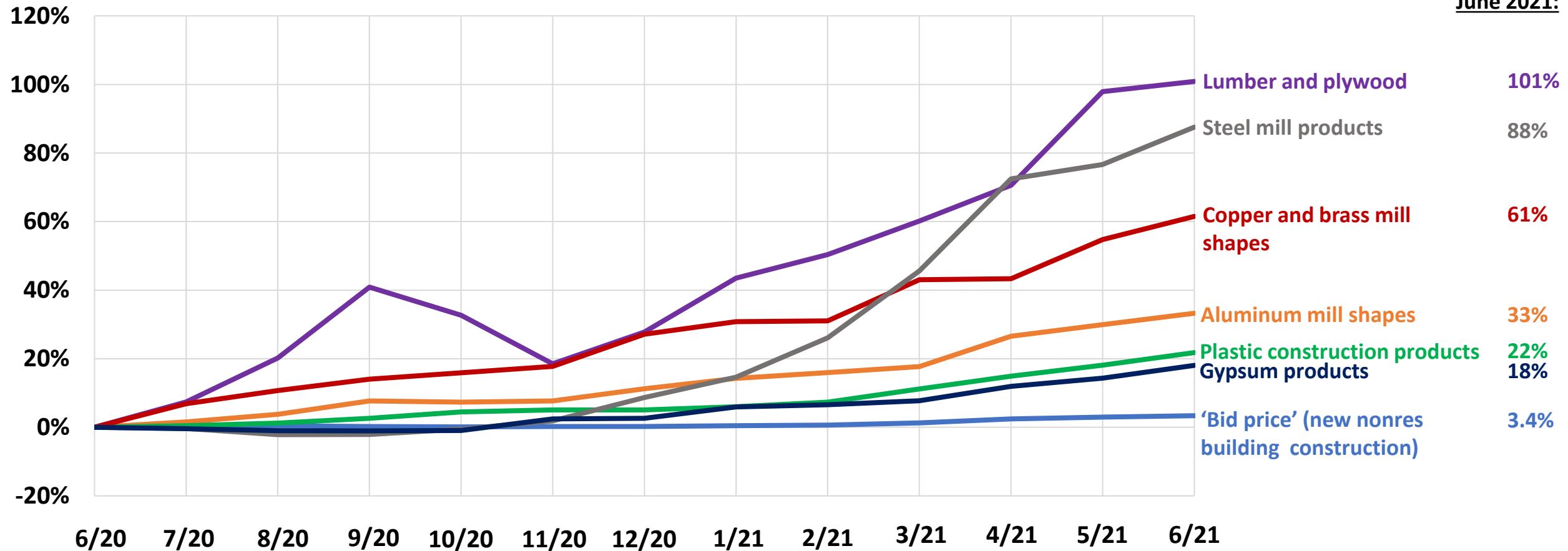


## PPIs for construction and selected inputs

cumulative change in PPIs, June 2020 -June 2021 (not seasonally adjusted)



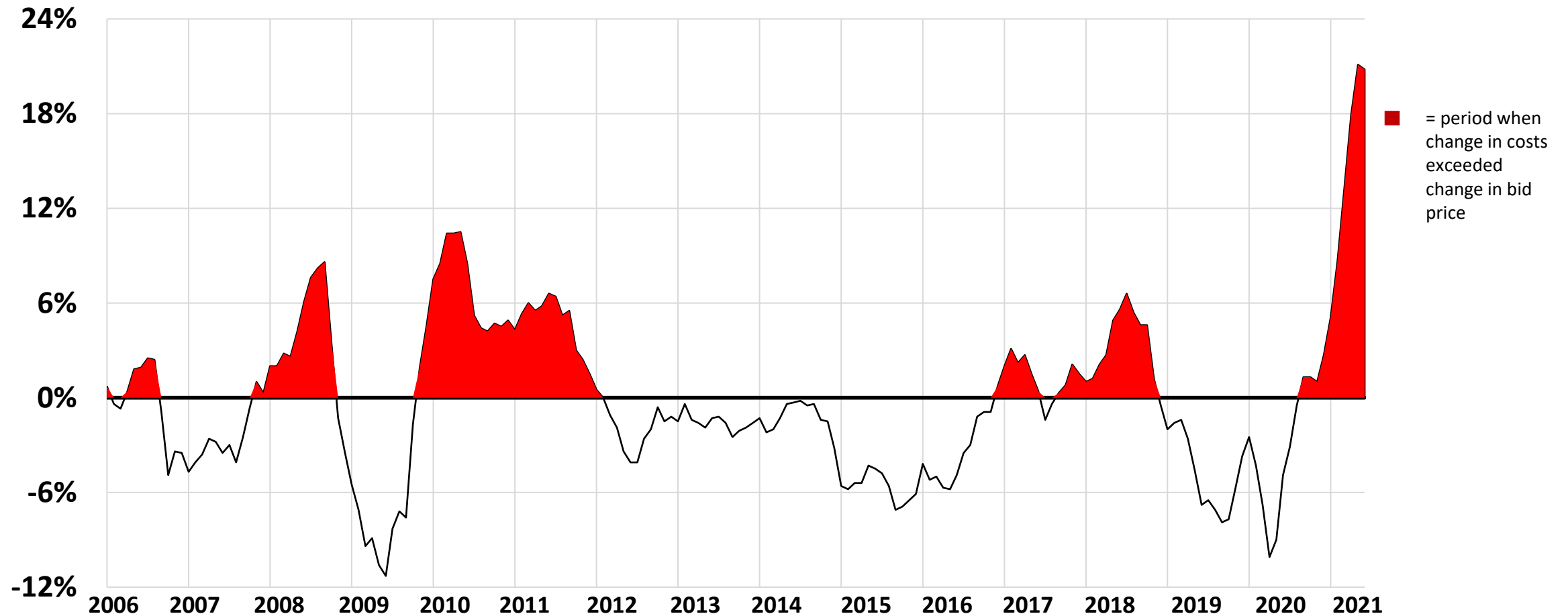
% change  
June 2020-  
June 2021:





## Cost squeeze on contractors can last two years or more

Difference between year-over-year change in materials costs vs. bid prices, Jan 2006-June 2021



Source: Bureau of Labor Statistics, producer price indexes for goods inputs to nonresidential construction (material costs) and new warehouse construction (bid prices)



# AGC's responses to material cost and supply-chain issues



- *Construction Inflation Alert*: [https://www.agc.org/sites/default/files/AGC 2021 Inflation Report Version5 S 0.pdf](https://www.agc.org/sites/default/files/AGC%2021%20Inflation%20Report%20Version5%20S%200.pdf)
- ConsensusDocs Price Escalation Resource Center: <https://www.consensusdocs.org/price-escalation-clause/>
- Recording of webinar on “Soaring Material and Supply-Chain Costs and Delays”: [https://store.agc.org/Store/CSI/Store/Product List WebEds.aspx](https://store.agc.org/Store/CSI/Store/Product%20List%20WebEds.aspx)
- Presentations to government contracting officials and owner groups
- Lobbying for tariff relief on lumber, steel, aluminum, and products
  - Presentation to National Economic Council, VP’s chief economist, Commerce chief economist
  - Presentations in coalitions to counselor to Commerce secretary, Senate & House trade staff



# Forward-looking indicators



Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	May	58.5	32.8
Dodge Momentum Index (DMI)	June	166	118
Multifamily permits (year-to-date)	Jan-May	205,600	169,500



## Medium-term impacts as recovery begins



- Economic recovery looks more certain but virus risks remain
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, project costs, and completion times
- Best private prospects: remodeling, local distribution centers, data centers, restaurants
- Less demand than pre-crisis for retail, offices, higher ed, lodging & travel-related
- Less near-term demand for sports, entertainment, cultural facilities
- Best public prospects: K-12 schools
- Unclear how states and localities will spend added federal dollars
- Additional federal highway funding likely; other infrastructure remains uncertain



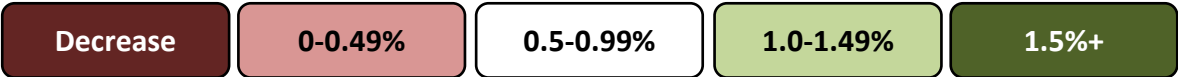
# Long-run construction outlook (post-pandemic)



- 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, pipelines, gas stations, auto repair(?)
- Continuing demand for K-12 but much less for higher ed construction
- Not clear if offices will decentralize or remain in less demand
- No sign of change yet in urban/rural or state-to-state trends



# Population change by state, July 2019–July 2020 (U.S.: 0.35%)

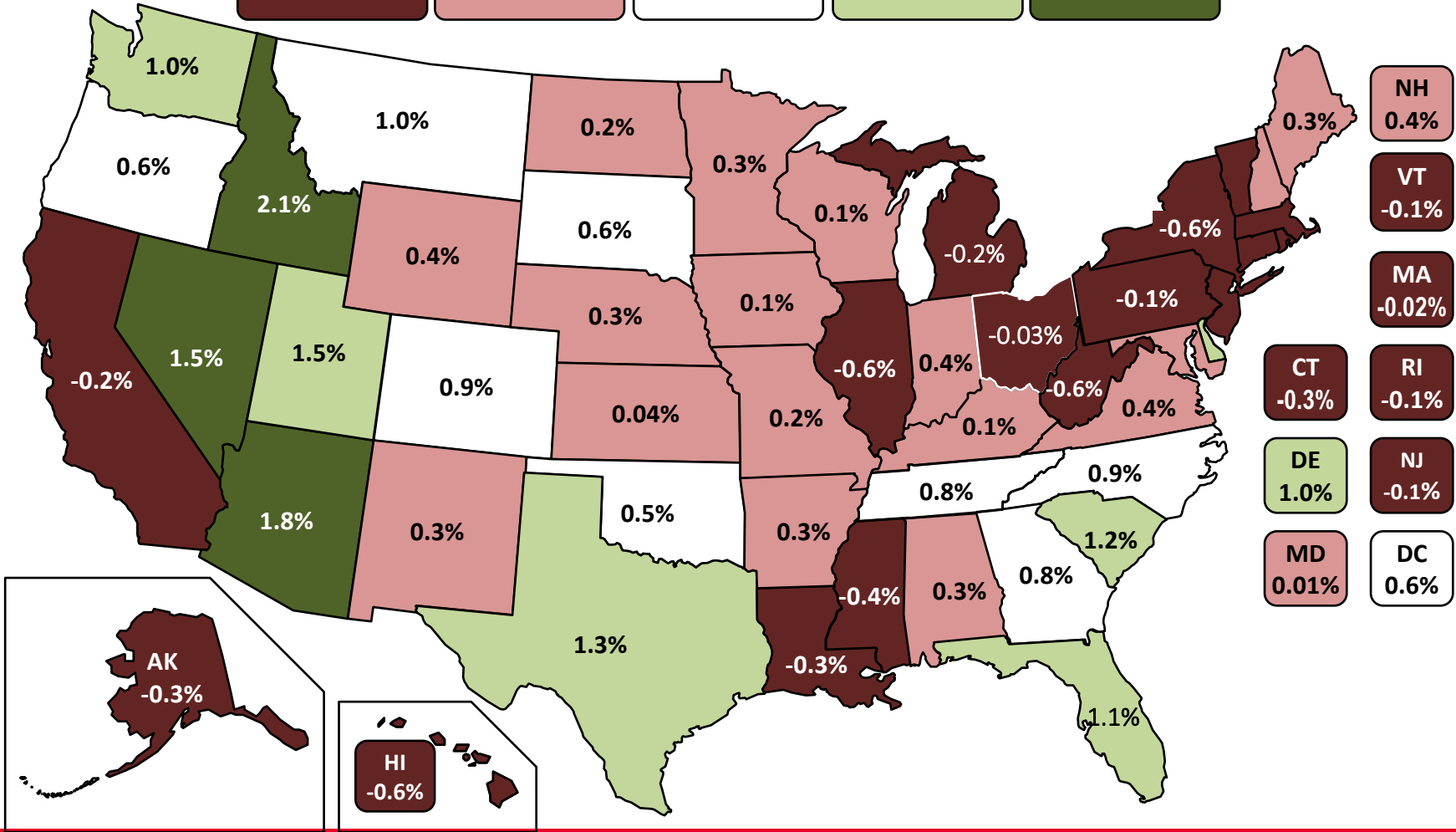


### Top 5

ID	2.1%
AZ	1.8%
NV	1.5%
UT	1.5%
TX	1.3%

### Bottom 5

NY	-0.6%
IL	-0.6%
HI	-0.6%
WV	-0.6%
MS	-0.4%





# AGC economic resources

(email [ken.simonson@agc.org](mailto:ken.simonson@agc.org))

- *The Data DIgest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- *Construction Inflation Alert*:  
[https://www.agc.org/sites/default/files/AGC\\_2021\\_Inflation\\_Report\\_Version5\\_S\\_0.pdf](https://www.agc.org/sites/default/files/AGC_2021_Inflation_Report_Version5_S_0.pdf)
- 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](http://www.agc.org/learn/construction-data)
- Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings

