



CONSTRUCTION NEWS

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NONRESIDENTIAL CONSTRUCTION SHOWS VIGOR DESPITE HOUSING SLUMP, AGC SAYS **Spending, Engineering Job Gains Point to Further Growth, Economist Simonson Asserts**

Washington, D.C.—“Nonresidential construction employment eked out a small gain in January, implying that the spending rise of 2007 will continue,” Ken Simonson, Chief Economist for The Associated General Contractors of America (AGC), said today. Simonson was commenting on two new economic releases—January payroll employment from the Bureau of Labor Statistics (BLS) and December construction spending from the Census Bureau. “A 3.5 percent jump in employment of architects and engineers since January 2007 also suggests that nonresidential activity will remain positive.”

“Total construction employment fell by 27,000 in January, seasonally adjusted, but all of those losses occurred in residential building and specialty trades,” Simonson observed. “Employment in the three nonresidential categories—nonresidential building, specialty trades, plus heavy and civil engineering—edged up 1,300.

“The reality is a good deal better for nonresidential construction employment than BLS indicates,” Simonson asserted. “Census figures for December show nonresidential construction spending jumped almost 16 percent from a year earlier, which could only have occurred with a sharp rise in employment. The ‘missing’ employees work for specialty trade contractors—firms that entered the database as residential but are now busy installing wallboard, wiring and plumbing in schools, hotels, and offices rather than houses.

“Residential spending in December fell 20 percent from a year before,” Simonson noted. “That suggests residential employment probably fell by roughly 20 percent as well, or 660,000 jobs, not the 240,000 that BLS counted. If these 420,000 ‘residential’ specialty trade contractors were included in the nonresidential workforce, nonresidential construction employment for the past year would show a hefty gain of about 8 percent. That would be consistent with the rise in nonresidential spending that Census reported.

“The Census numbers show growth, mostly at double-digit rates, in 15 of 16 nonresidential categories—everything except religious structures, which are closely linked to new housing,” Simonson commented. “For 2008, I expect continued expansion in power, energy, communication, hospital and higher education construction, and a modest increase in the nonresidential total, before taking cost escalation into account. Unfortunately, materials costs are accelerating again, particularly diesel fuel and steel.

“States have identified billions of dollars of infrastructure projects that are ready to go if the federal government will supply more funding,” Simonson concluded. “If Congress is intent on passing a ‘stimulus’ bill, it should include infrastructure money to keep construction workers on the job and offset some of states’ lost purchasing power.”

The Associated General Contractors of America (AGC) is the largest and oldest national construction trade association in the United States. AGC represents 33,000 firms, including 7,500 of America’s leading general contractors and 12,500 specialty-contracting firms. More than 13,000 service providers and suppliers are associated with AGC through a nationwide network of chapters. Visit the AGC Web site at www.agc.org. AGC members are “Building Your Quality of Life.”

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