



AGC
THE CONSTRUCTION
ASSOCIATION

March 2023

US, NC, & SC Construction Outlook: Rotation or Retreat?

Ken Simonson

Chief Economist, AGC of America

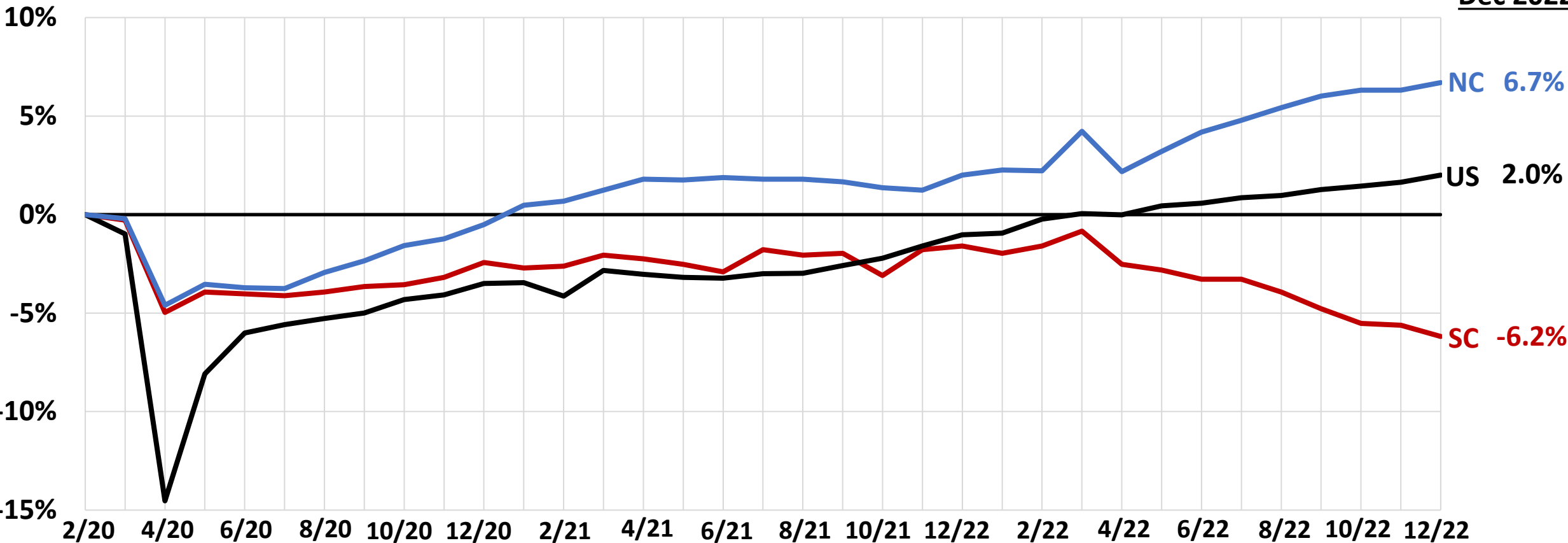
ken.simonson@agc.org

US, NC & SC Construction Employment

Cumulative change, Feb 2020-Dec 2022, seasonally adjusted



% change
Feb 2020-
Dec 2022:



NC and SC Metro Construction Employment

Dec. 2022 vs. 2021 & 2019 (not seasonally adjusted)

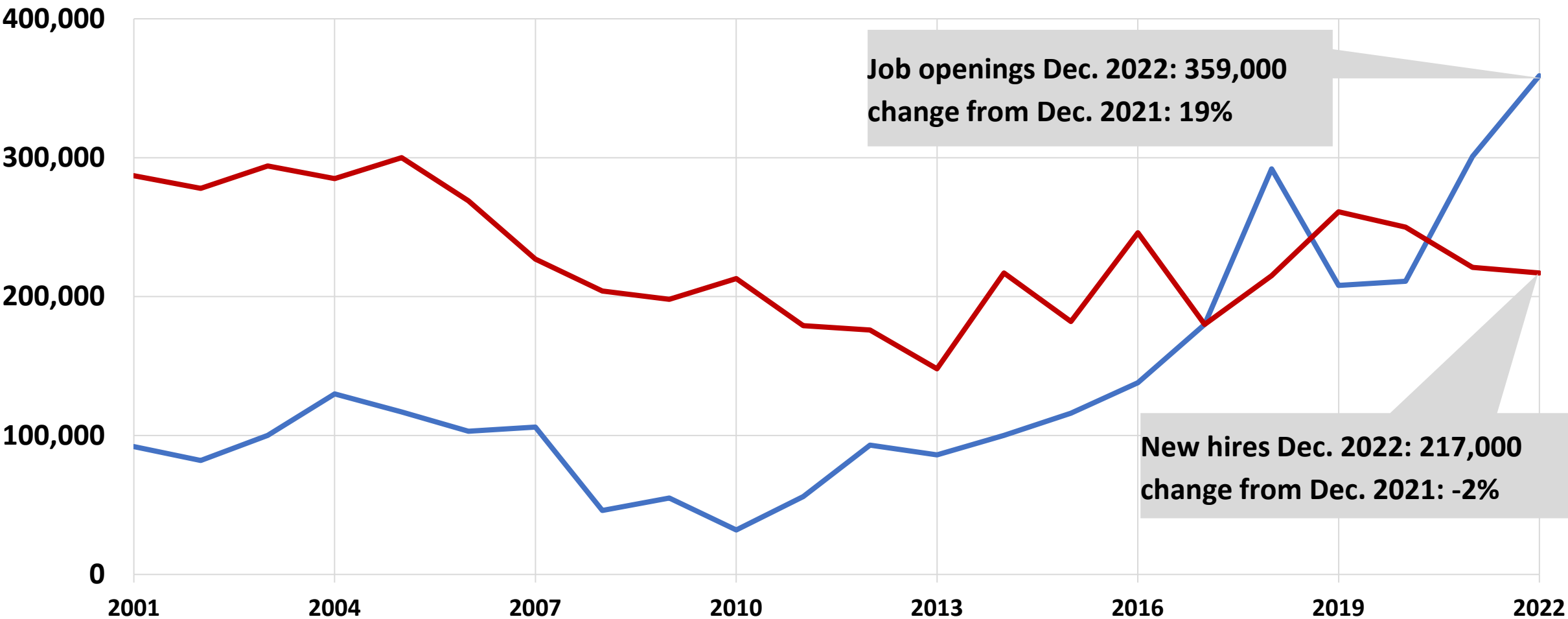


	<u>Dec.</u> <u>2022</u>	<u>Change from:</u>	
<u>North Carolina</u>		<u>Dec.</u> <u>2021</u>	<u>Dec.</u> <u>2019</u>
Raleigh*	48,100	9%	15%
Greensboro-High Point*	17,200	0.6%	10%
Winston-Salem*	12,400	3%	7%
Charlotte-Concord-Gastonia, NC-SC*	75,400	6%	8%
<u>South Carolina</u>			
Charleston-North Charleston*	21,700	0.9%	-0.5%
Greenville-Anderson-Mauldin*	19,400	-2%	0%

Construction job openings & new hires



Job openings and hires, Dec. 2001-Dec. 2022, not seasonally adjusted

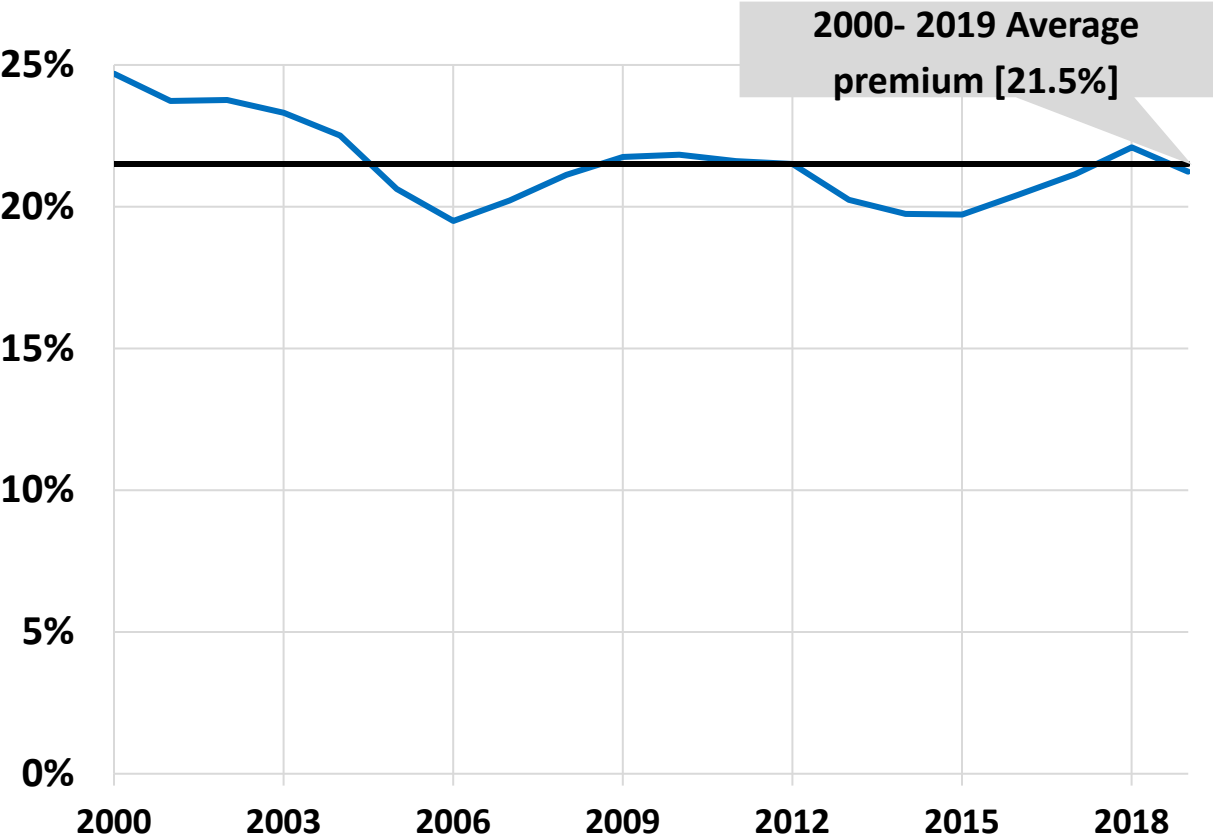


Construction wage “premium” vs. total private sector

Excess of average hourly earnings for production/ nonsupervisory employees in construction vs. private sector

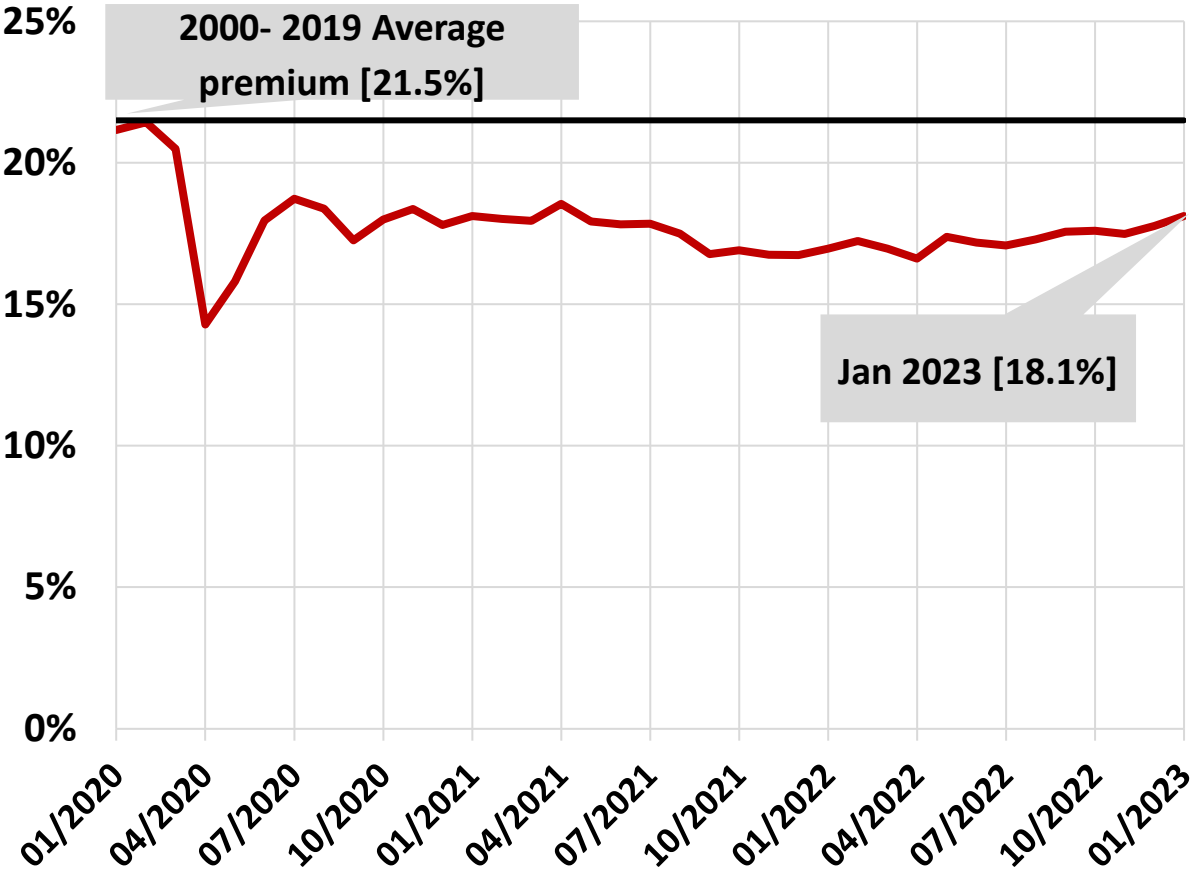


Annual premium, 2000–2019



Monthly premium, Jan 2020–Jan 2023

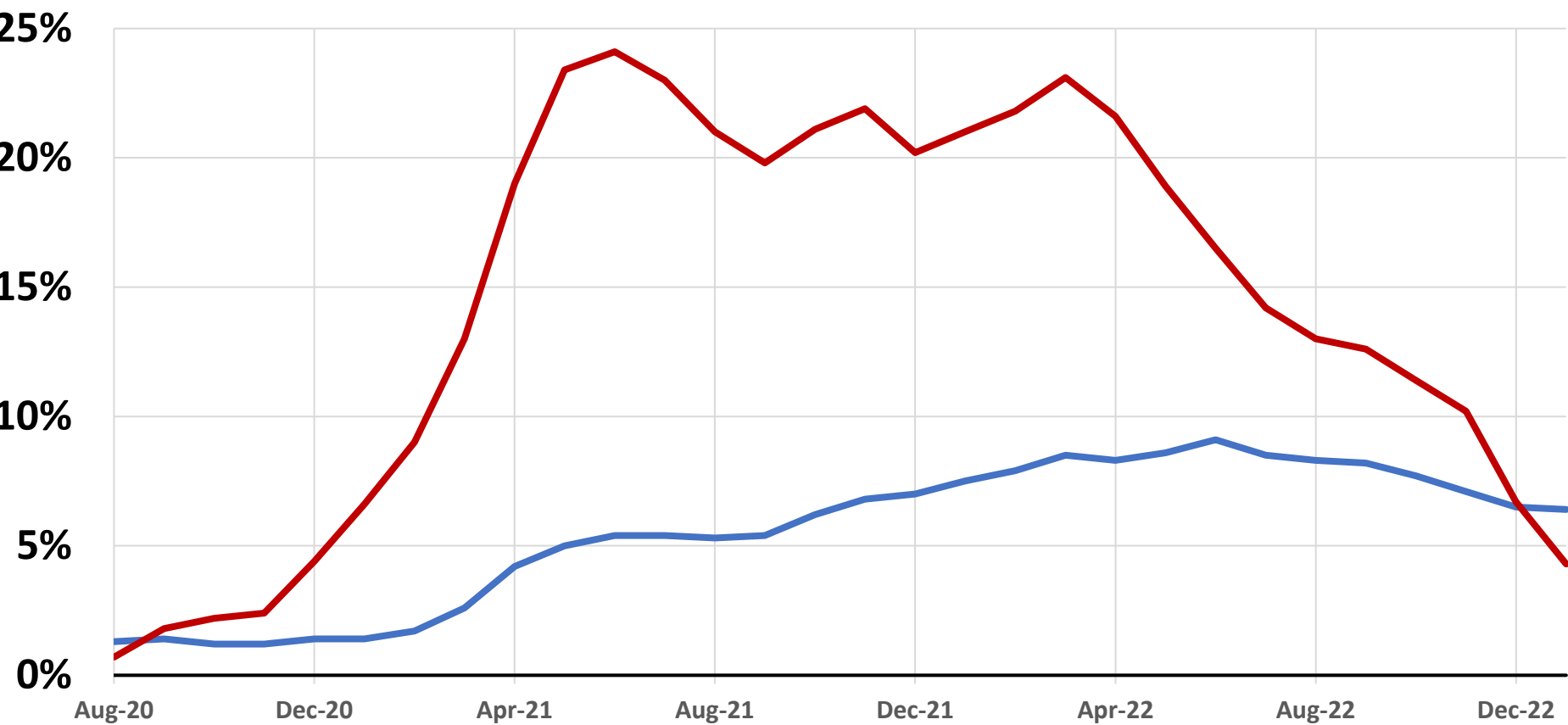
(seasonally adjusted)



Costs for new nonresidential construction vs. consumer prices

Year-over-year change in PPI for construction inputs and CPI

August 2020 – January 2023, not seasonally adjusted



12 months to:		
	Aug-20	Jan-23
CPI	1.3%	6.4%
Inputs PPI	0.7%	4.3%

Wide variation in construction input cost trends

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

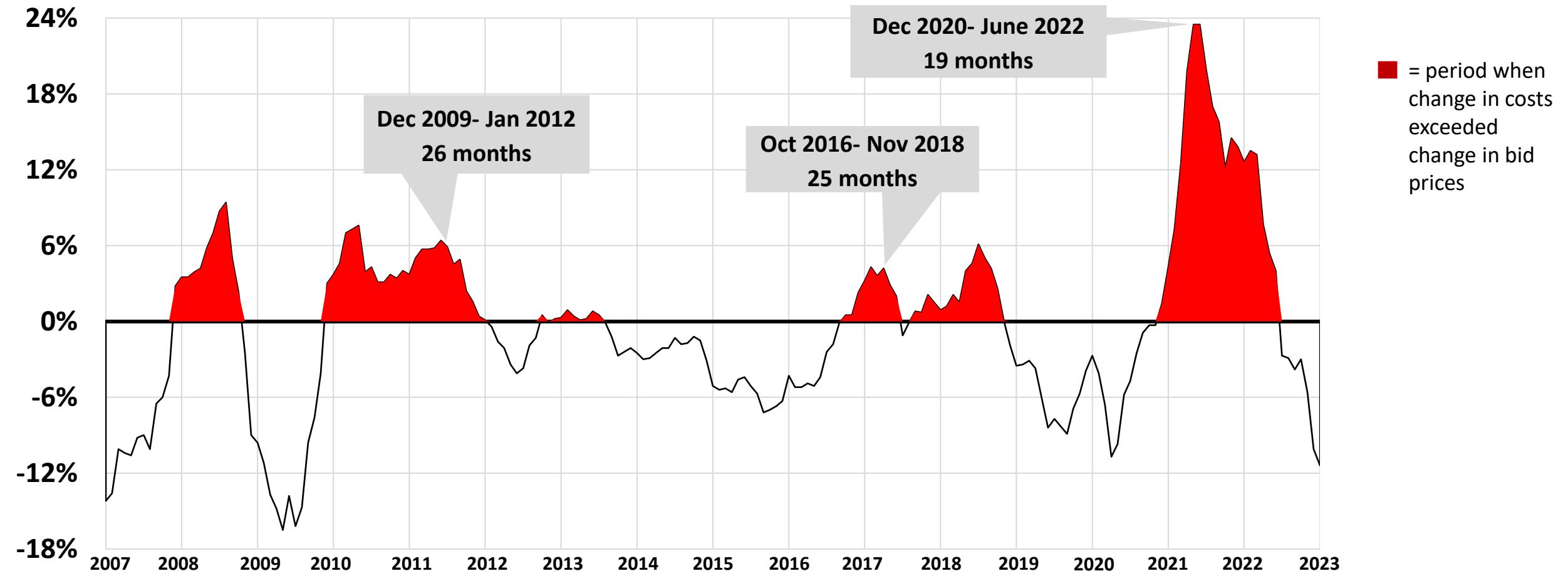
	<u>Jan 2023 change from:</u>	
	<u>Dec 2022</u> <u>(1 month)</u>	<u>Jan 2022</u> <u>(12 months)</u>
#2 diesel fuel	7.1%	22.8%
Architectural coatings (paint, etc.)	0%	15.8%
Asphalt paving mixtures and blocks	7.9%	14.7%
Concrete products	1.8%	14.8%
<u>Subcontractor price indexes, nonresidential building work</u>		
Roofing contractors	5.5%	22.9%
Plumbing contractors	0.8%	13.4%
Electrical contractors	7.2%	19.0%
Concrete contractors	-0.8%	8.4%

Cost squeeze on contractors can last two years or more

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



AGC
THE CONSTRUCTION
ASSOCIATION



Change in construction spending: December 2022 vs. December 2021

current (not inflation-adjusted) dollars, seasonally adjusted



- Total 8%: private res 2% (**single-family -15%**; multi 21%; improvements 21%); private nonres 15%; public 12%

Largest segments (in descending order of December 2022 spending)

- Commercial 23% (warehouse 22%; retail 24%; farm 24%)
- Mfg. 43% (computer/electronic 183%; **chemical -28%**; food/beverage/tobacco 34%; transp. equip. 35%)
- Highway and street 14%
- **Power -8%** (**electric -8%**; oil/gas fields & pipelines -7%)
- Education 6% (primary/secondary 5%; higher ed 7%)
- Office 9%
- Transportation 9% (air 8%; freight rail/trucking 12%; **mass transit -3%**)
- Health care 10% (hospital 7%; medical building 15%; special care 6%)
- Sewage and waste disposal 26%
- Water supply 28%

Change in construction spending: January 2023

current (not inflation-adjusted) dollars, seasonally adjusted



Jan 2023 change from:

Dec 2022 Jan 2022

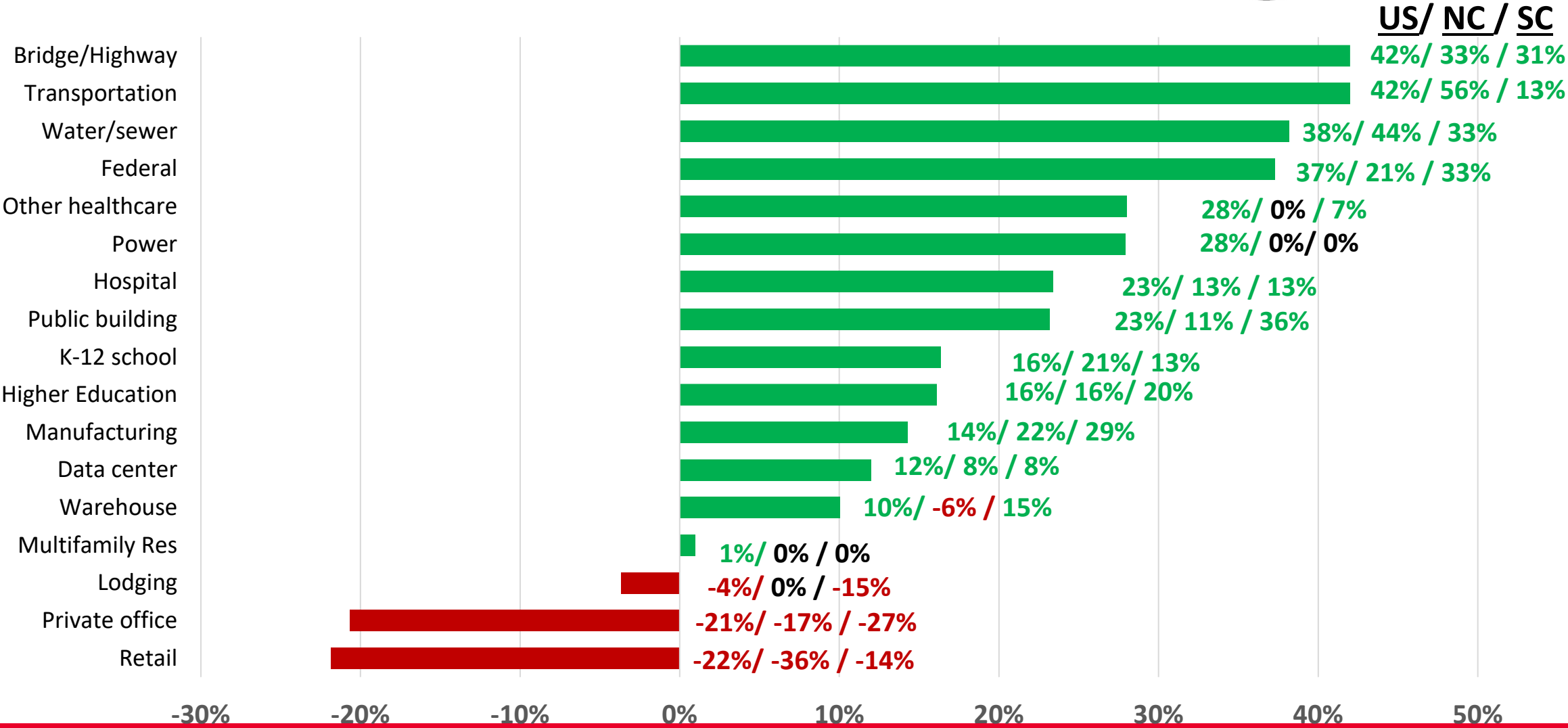
Total		-0.1%	6%
Private residential		-0.6%	-4%
Single family		-2%	-18%
Multi family		0.4%	21%
Private nonresidential		0.9%	19%
Public		-0.6%	11%

Largest nonresidential segments (in descending order of January 2023 spending)

Commercial		-3%	22%
Manufacturing		6%	54%
Highway and street		-1%	16%
Power		0.9%	-5%
Education		-0.6%	6%
Office		0.7%	14%
Transportation		2%	9%
Health care		0.2%	12%

AGC Outlook Survey: Net* % who expect 2023 value of projects to be higher/lower than 2022

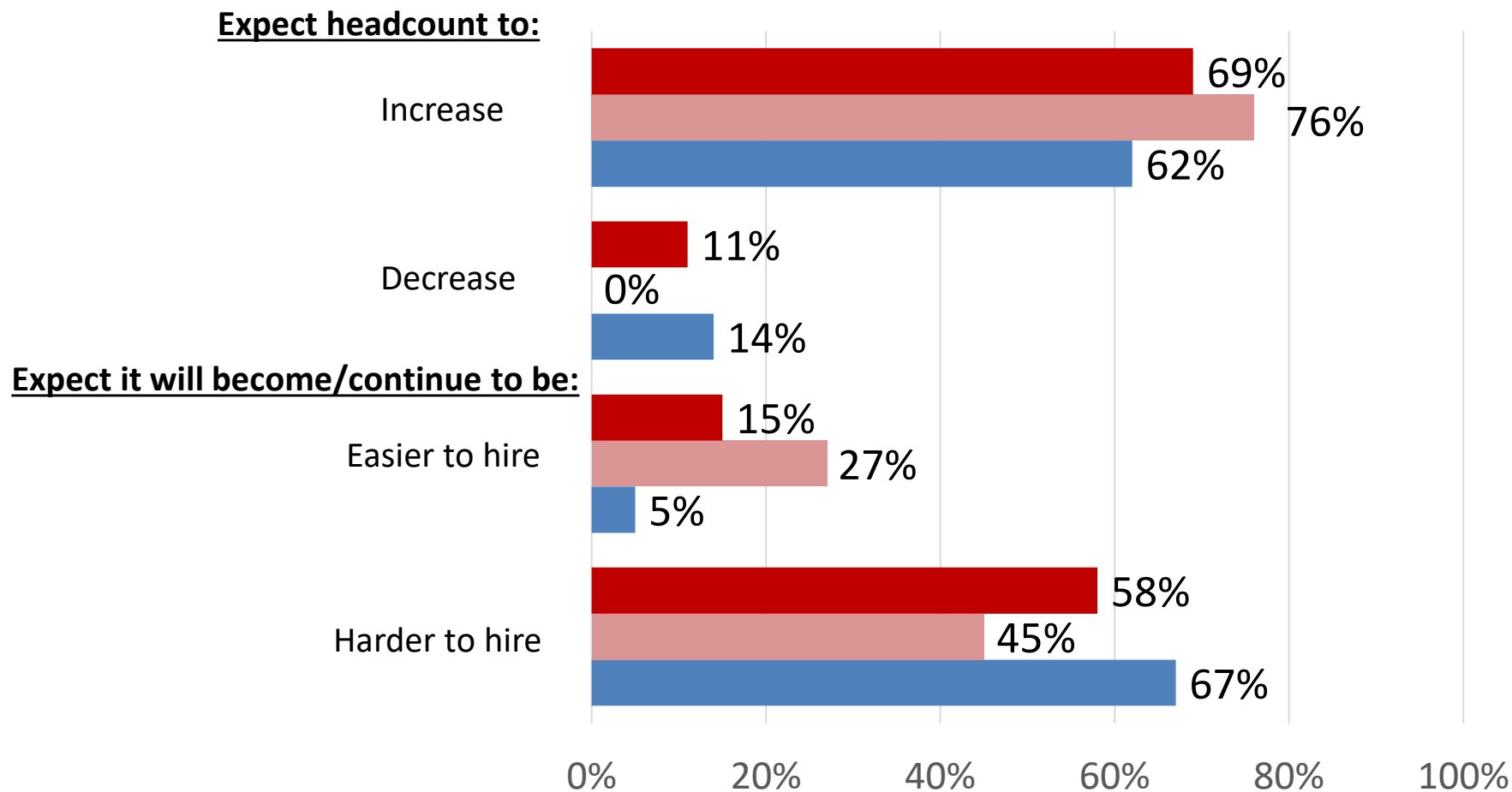
* Net = % expecting higher value - % expecting lower value than in 2022



AGC Outlook Survey: Firms' expectations regarding their headcount and hiring over next 12 months



% of respondents who:



US = ■
NC = ■
SC = ■

Medium-term outlook for construction



- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- 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

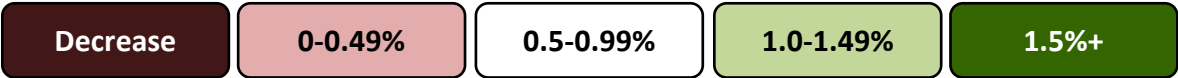
Long-run construction outlook (post-pandemic)



- 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%)

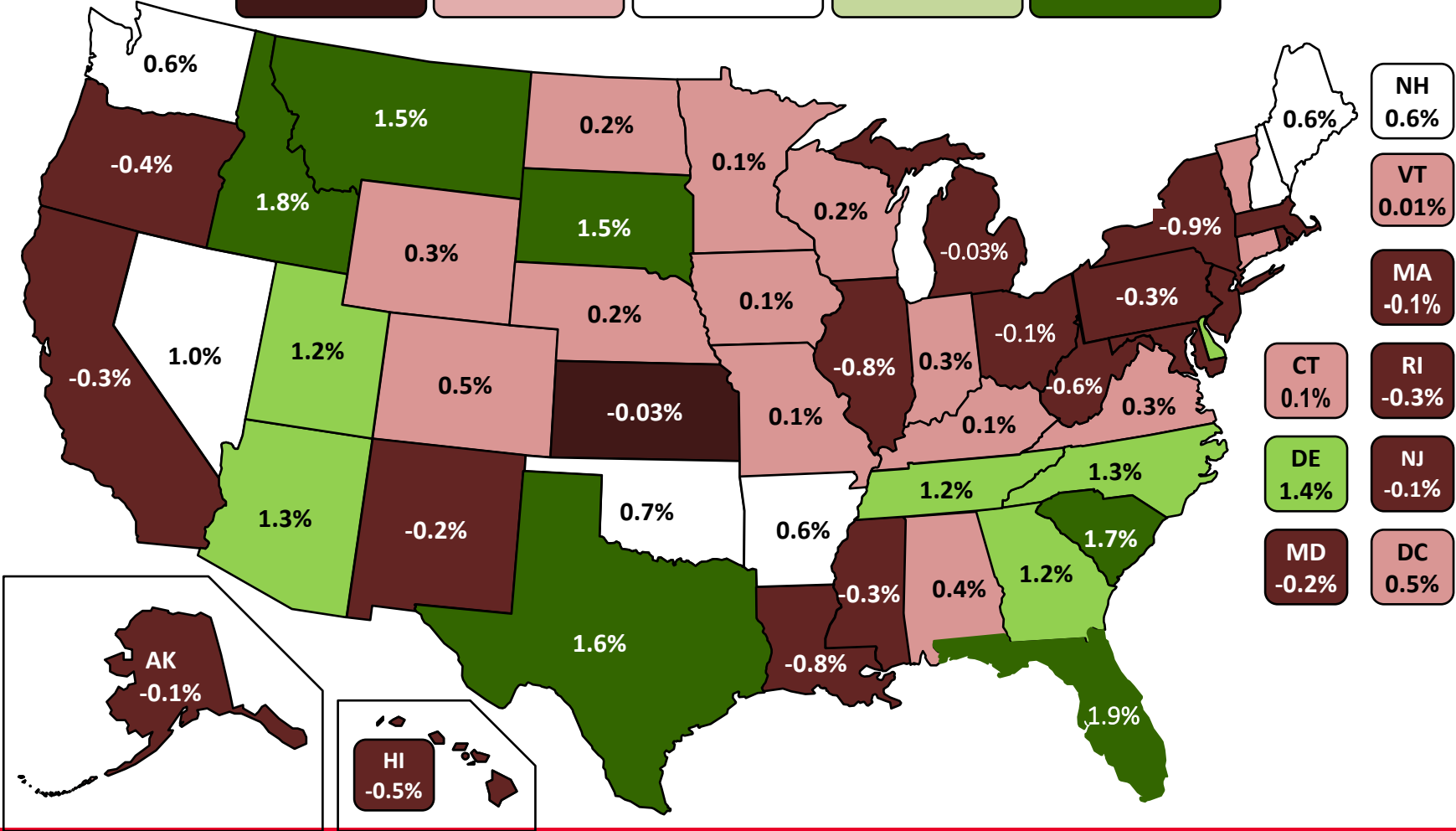


Top 6

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%



AGC economic resources

(email ken.simonson@agc.org)



- 2023 AGC/Sage Construction Hiring & Business Outlook Survey Results: <https://www.agc.org/2023-construction-hiring-and-business-outlook>
- *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>

