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U.S. & Washington Construction Outlook: Workforce Worries, Cost Challenges, Project Prospects

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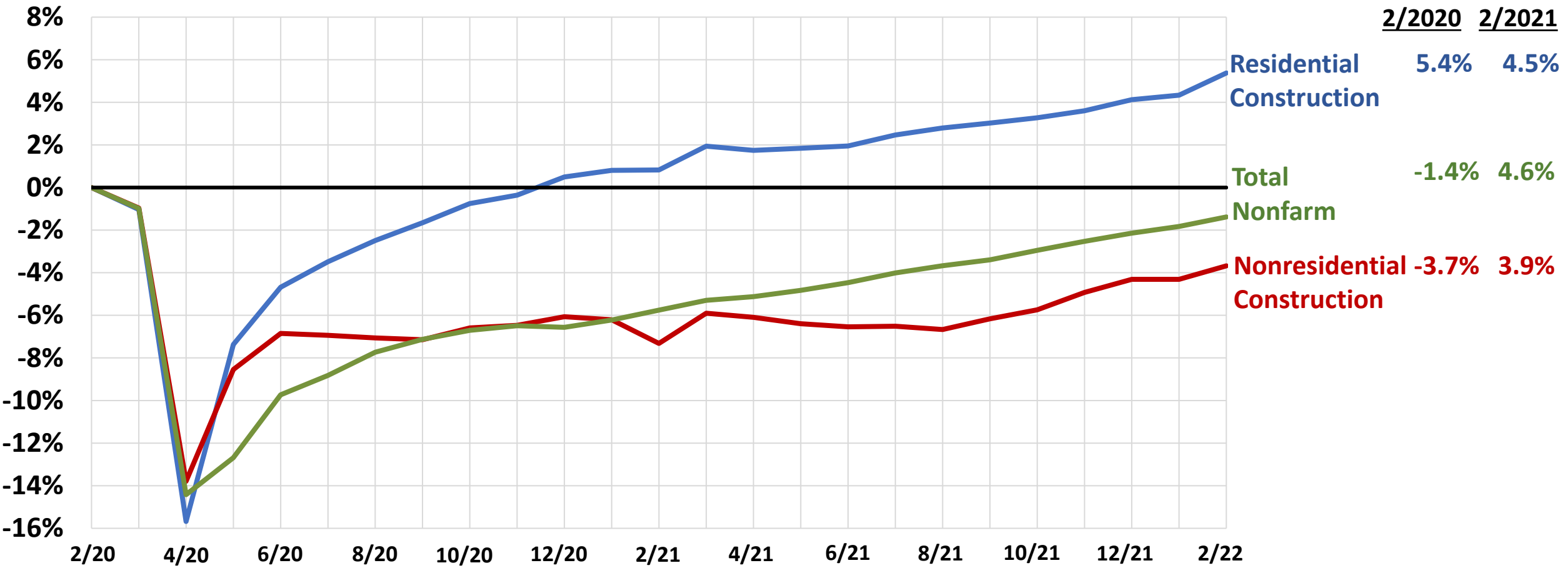
Total Nonfarm & Construction Employment, Feb. 2020–Feb. 2022

cumulative change (seasonally adjusted)



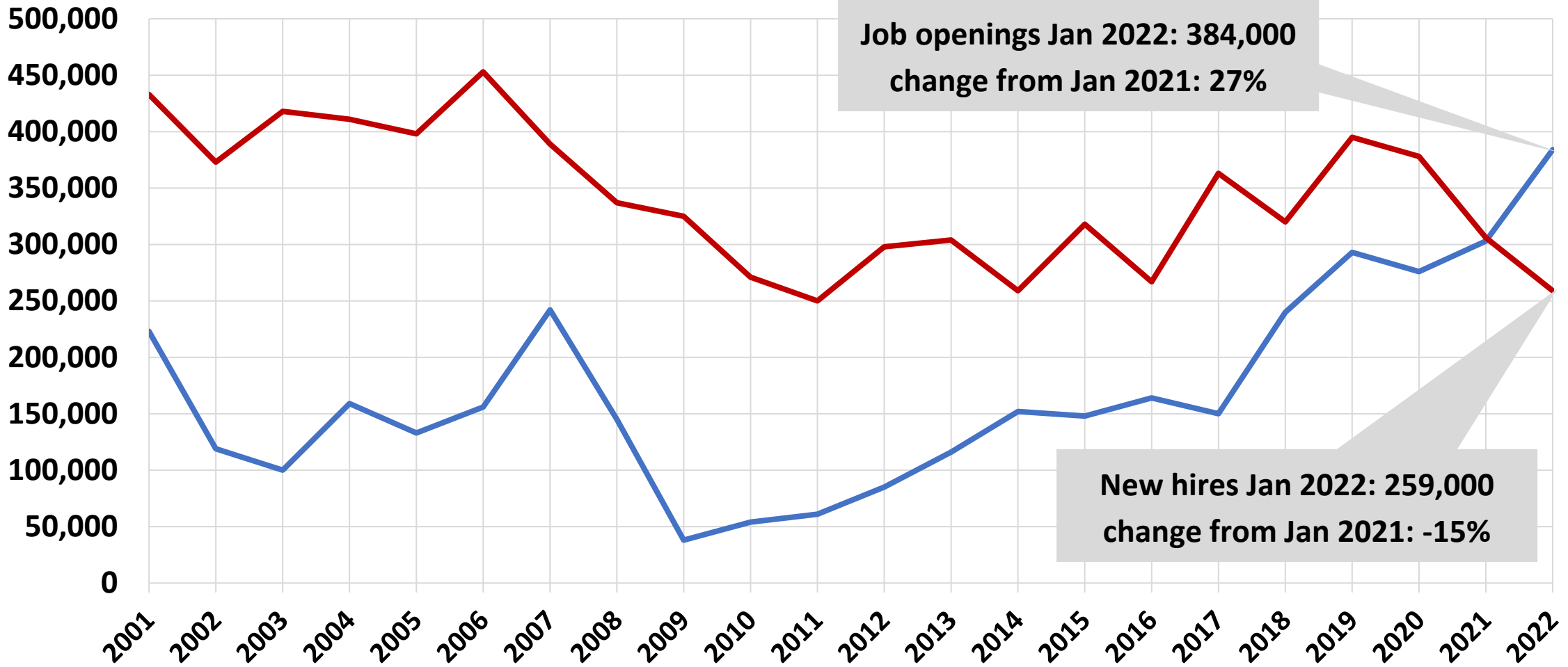
Change to 2/2022 from:

2/2020 2/2021



Construction job openings exceed hires

Jan 2001-Jan 2021, not seasonally adjusted

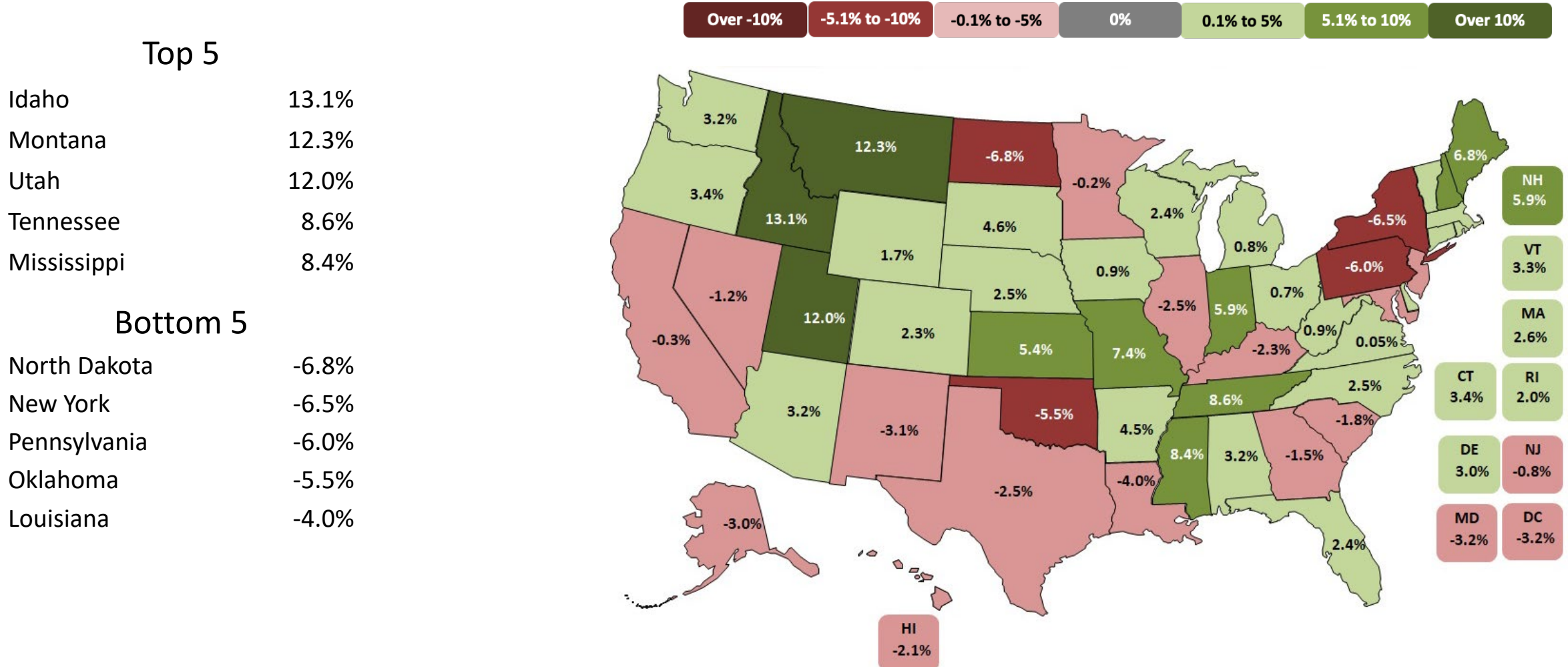


Job openings Jan 2022: 384,000
change from Jan 2021: 27%

New hires Jan 2022: 259,000
change from Jan 2021: -15%

State construction employment change, Feb. 2020–Feb. 2022

32 states **up**, 18 states and DC **down** (U.S.: -0.1%)



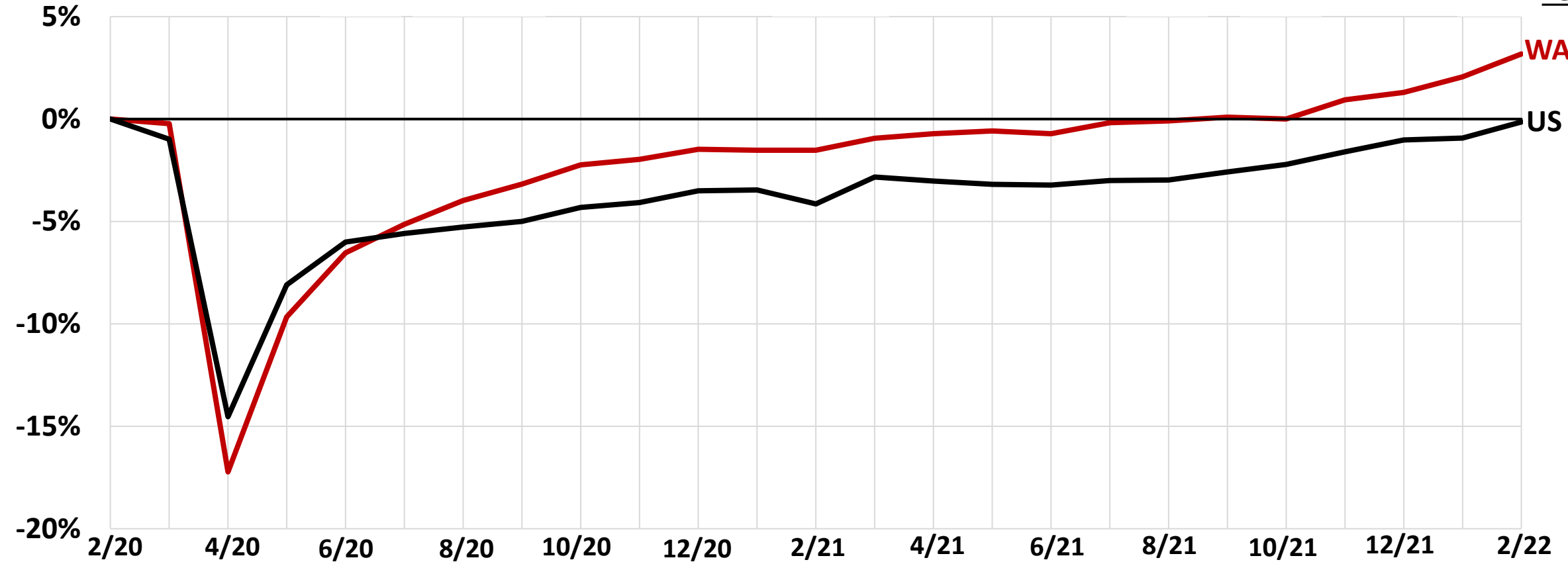
US & WA Construction Employment

Cumulative change, Feb 2020-Feb 2022, seasonally adjusted



% change
Feb 2020-
Feb 2022:

WA 3.2%
US -0.1%



Washington Construction Employment

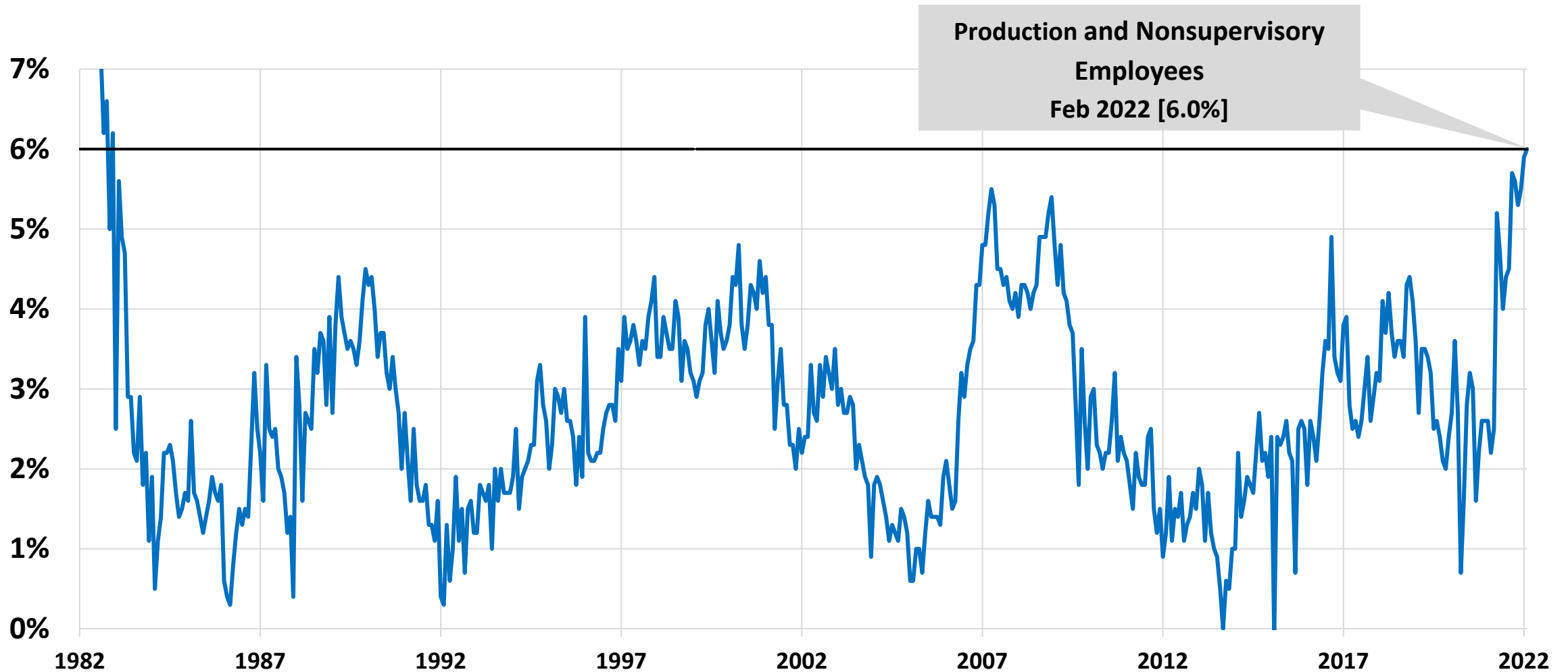
Feb. 2022 vs. 2021 & 2020 (not seasonally adjusted)



	<u>Feb.</u> <u>2022</u>	<u>Change from:</u>	
		<u>Feb.</u> <u>2021</u>	<u>Feb.</u> <u>2020</u>
Seattle-Bellevue-Everett, WA Metro Division	105,200	5%	3%
Tacoma-Lakewood, WA Metro Division	24,500	0.8%	-3%
Spokane-Spokane Valley, WA*	15,300	9%	9%
Kennewick-Richland, WA*	10,300	2%	0%
Portland-Vancouver-Hillsboro, OR-WA	76,400	4%	1%

Average hourly earnings of production and nonsupervisory employees

Year-over-year, January 1982 – February 2022, seasonally adjusted

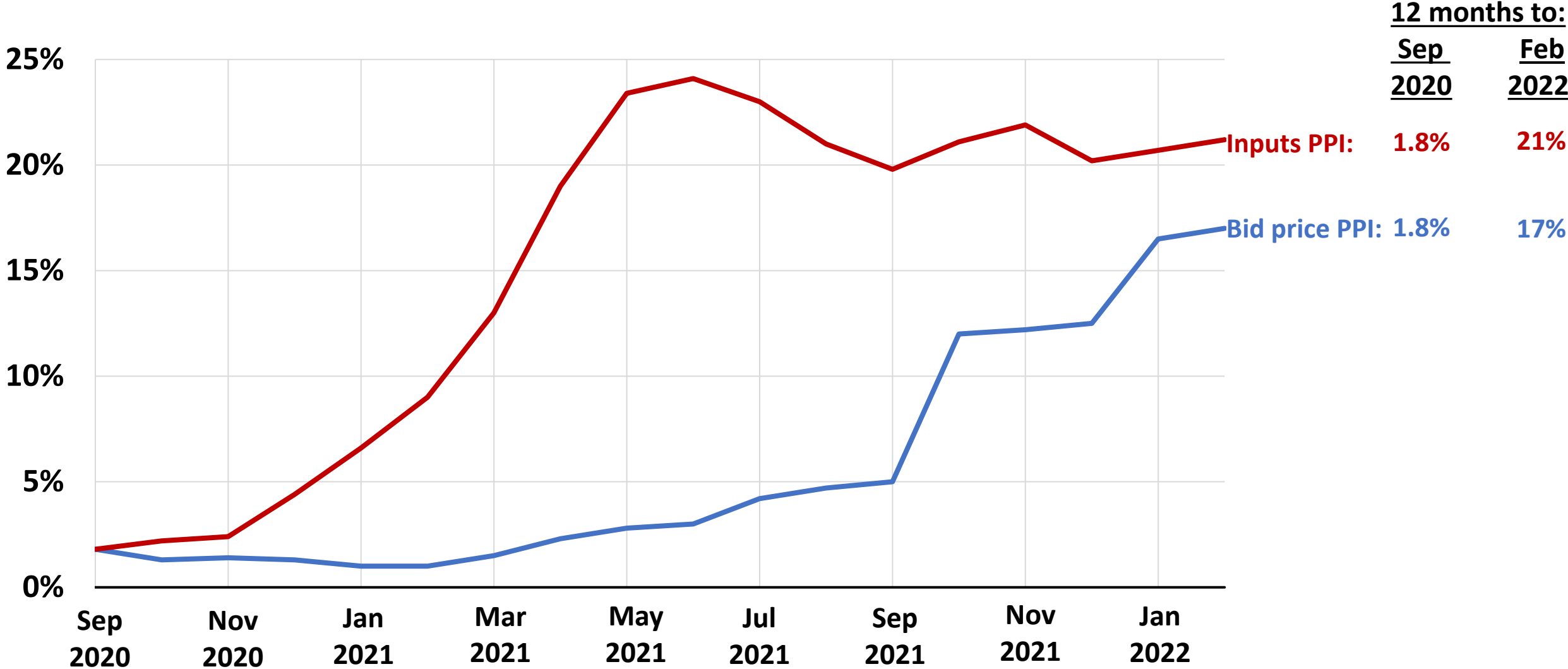


Change in prices for inputs to new nonresidential construction

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



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12 months to:

	<u>Sep</u> <u>2020</u>	<u>Feb</u> <u>2022</u>
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Inputs PPI: 1.8% 21%

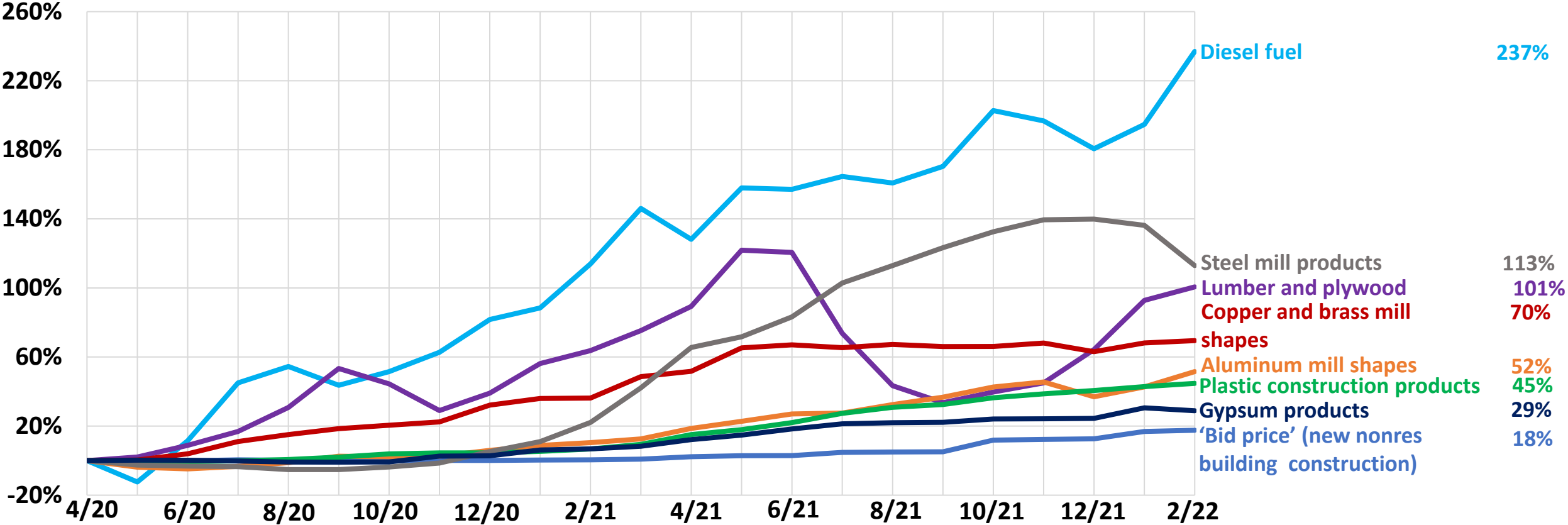
Bid price PPI: 1.8% 17%

PPIs for construction bid prices and selected inputs

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



% change
Apr 2020-
Feb 2022:

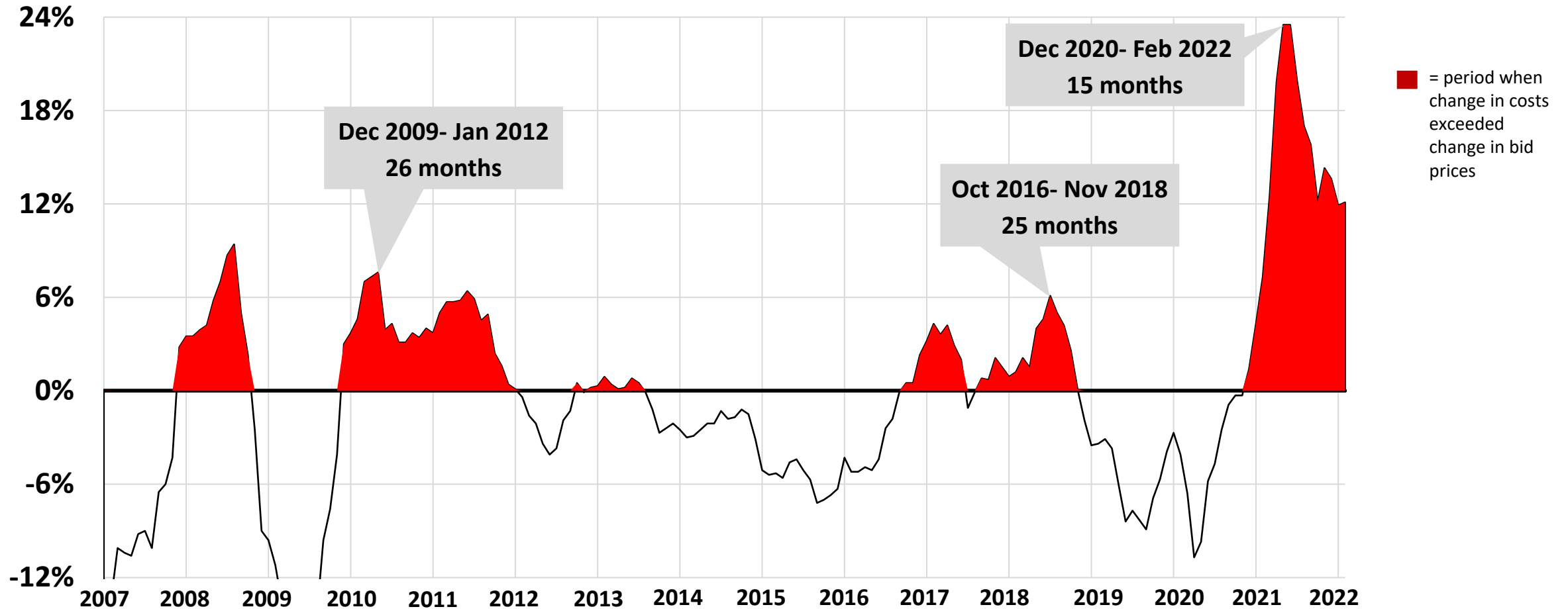


Cost squeeze on contractors can last two years or more

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



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Construction spending: January 2022 vs. January 2021



- Total 8%; private residential 13% (single-family 15%; multi 5%); private nonres 7%; **public -1%**

Largest segments (in descending order of 2021 spending)

- Power 0.2% (electric 0.8%; **oil/gas fields & pipelines -2%**)
- Highway and street 6%
- **Education -7%** (primary/secondary -10%; higher ed -6%)
- Commercial 17% (warehouse 22%; retail 15%)
- Office 3%
- Mfg. 31% (chemical 0.7%; computer/electronic 228%; **transp. equip. -5%**; food/beverage/tobacco 23%)
- **Transportation -0.6%** (air -5%; freight rail/trucking -0.4%; mass transit 3%)
- Health care 5% (hospital 2%; medical building 14%; **special care -2%**)
- **Lodging -25%**

Forward-looking indicators

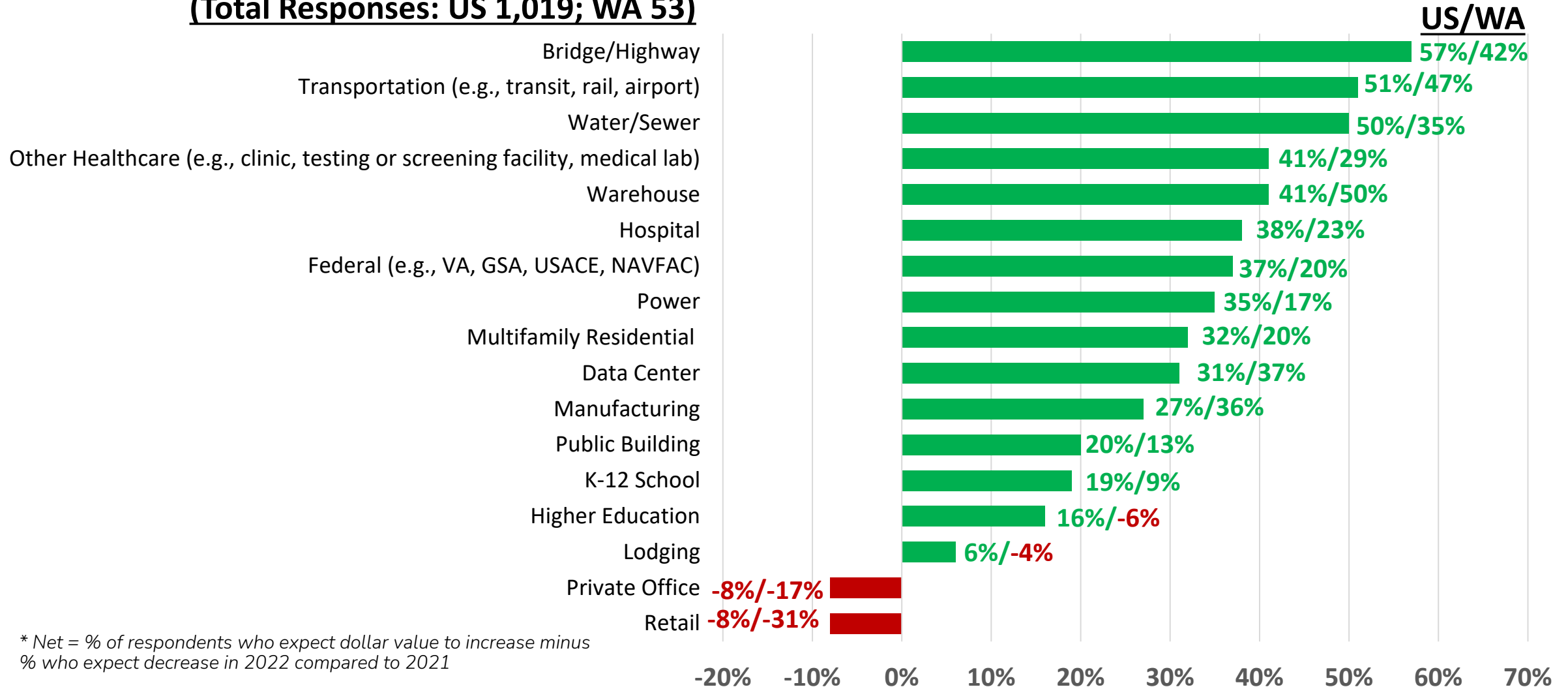


Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	Feb	51.3	52.7
Dodge Momentum Index (DMI)	Feb	158	143
Multifamily permits not yet started	Feb	117,000	92,000

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



(Total Responses: US 1,019; WA 53)



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

Medium-term impacts as recovery begins



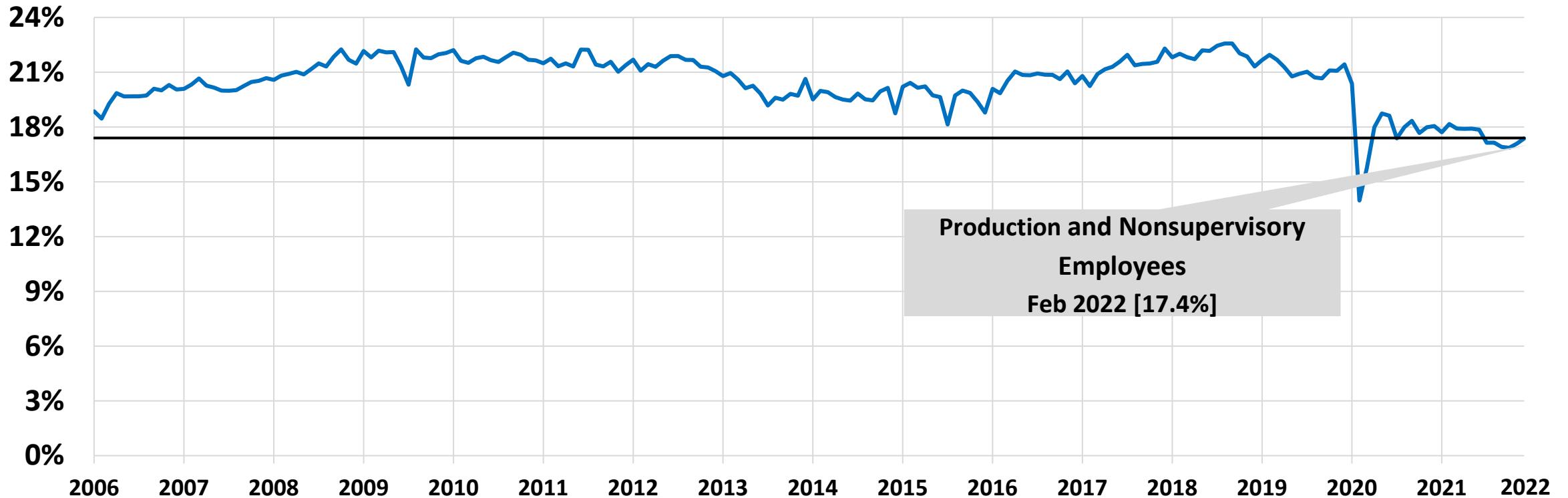
- Economic recovery should continue but invasion of Ukraine adds new uncertainty about materials costs and delivery delays
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, project costs, and completion times
- 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 “shortages”
- 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-February 2022

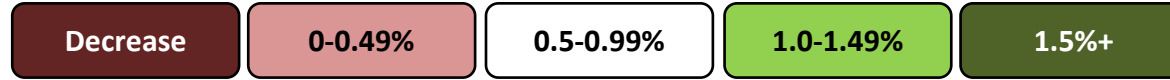


Long-run construction outlook (post-pandemic)



- 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%)

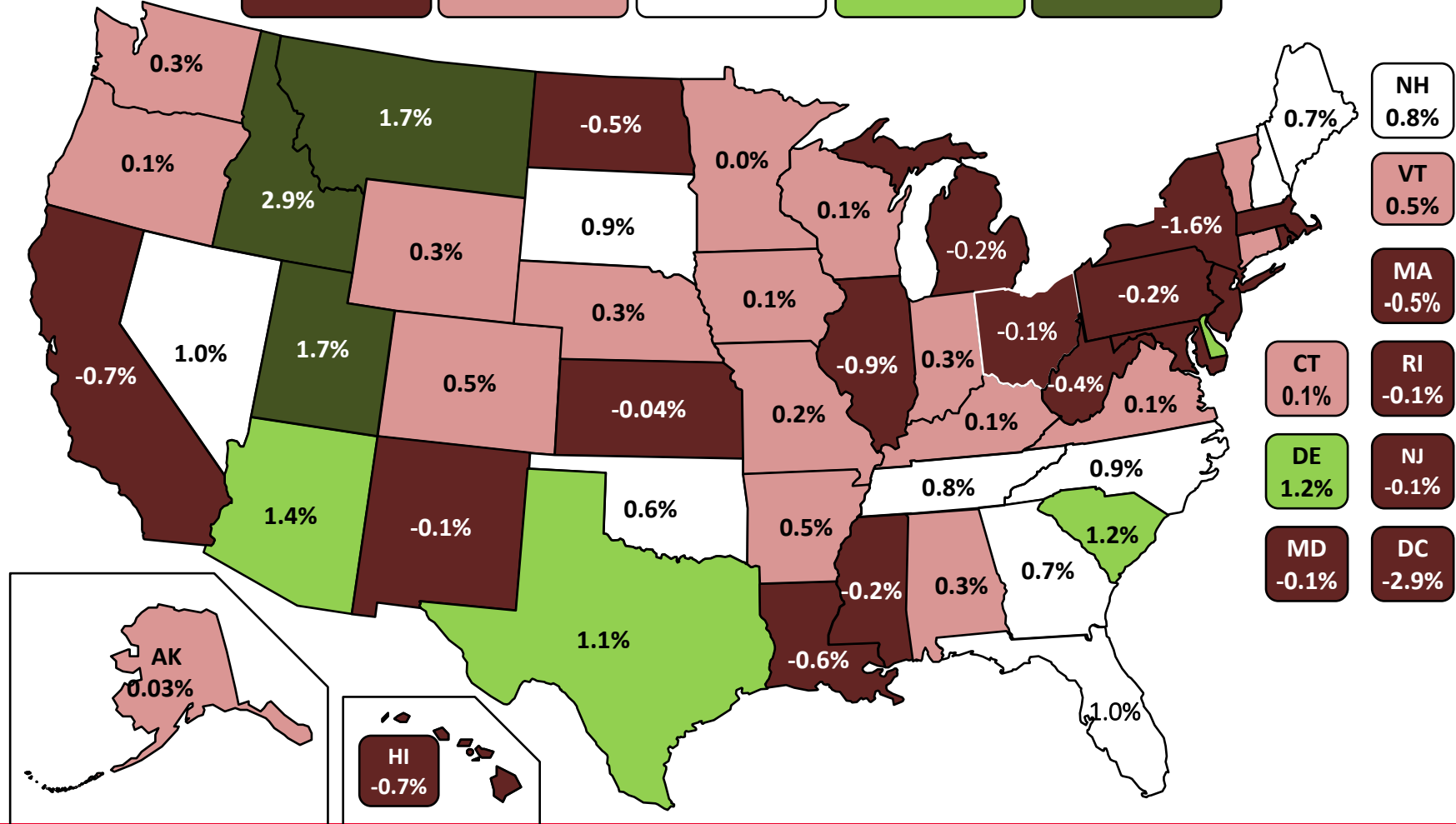


Top 6

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>

