



AGC
THE CONSTRUCTION
ASSOCIATION

May 2024

US Construction Outlook: Torrid or Tepid?

Ken Simonson

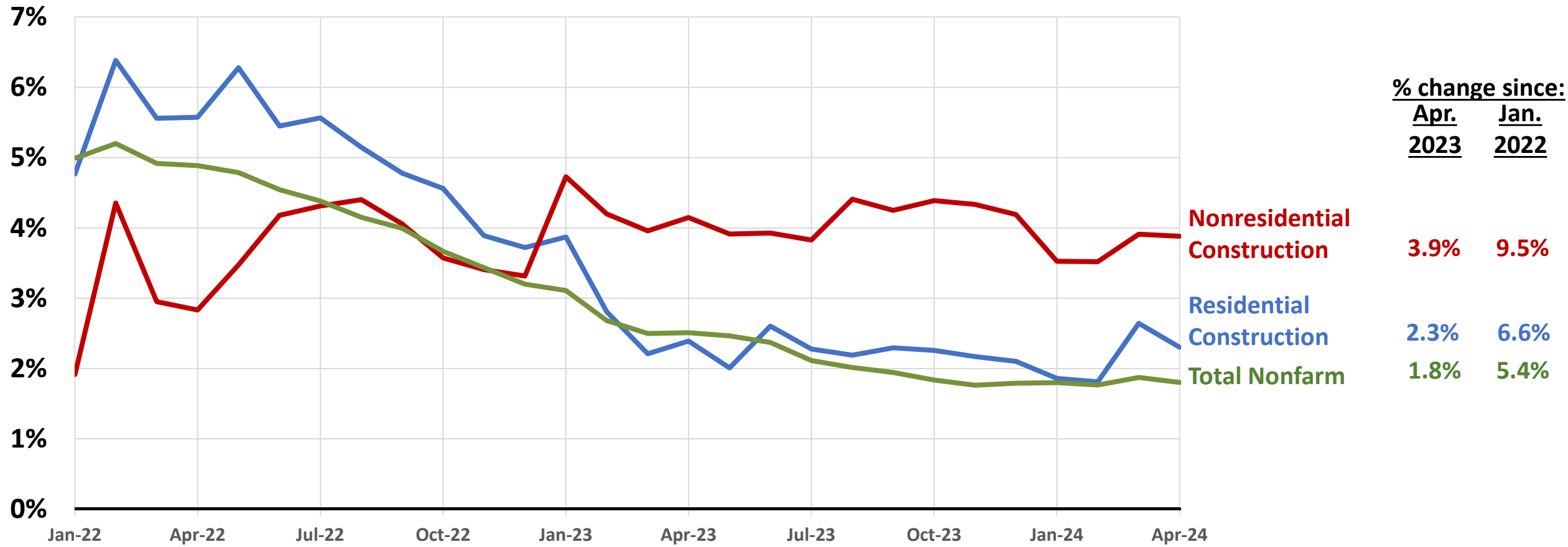
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Total nonfarm & construction employment, Jan. 2022–Apr. 2024

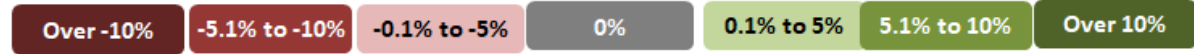
Year-over-year change, seasonally adjusted



Source: BLS current employment statistics, <https://www.bls.gov/ces/>

Construction employment change by state, Mar. 2023-Mar. 2024 (U.S.: 3.4%)

39 states **up**, 10 states & DC **down**, 1 state unchanged

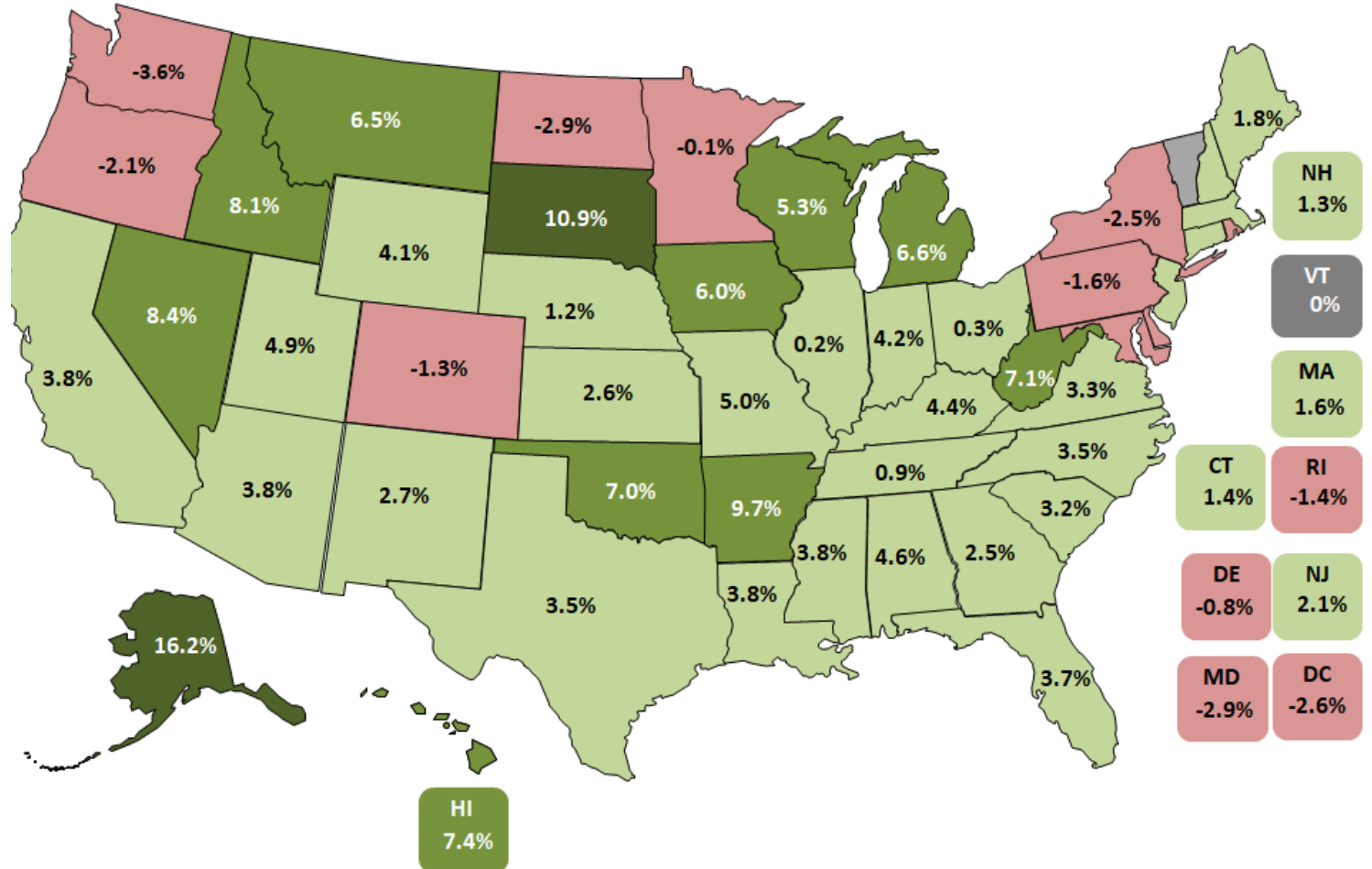


Top 5

AK	16.2%
SD	10.9%
AR	9.7%
NV	8.4%
ID	8.1%

Bottom 5

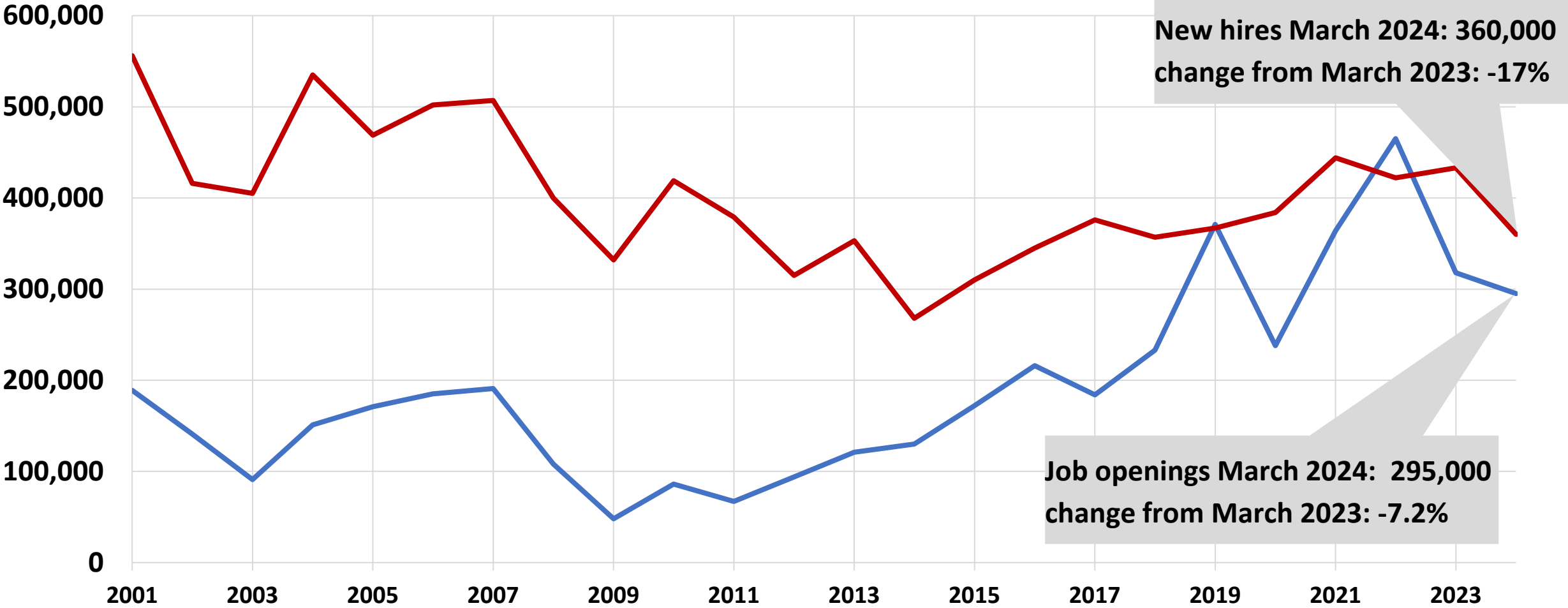
WA	-3.6%
ND	-2.9%
MD	-2.9%
DC	-2.6%
NY	-2.5%



Construction job openings & new hires



Job openings and hires, March 2001-March 2024, not seasonally adjusted

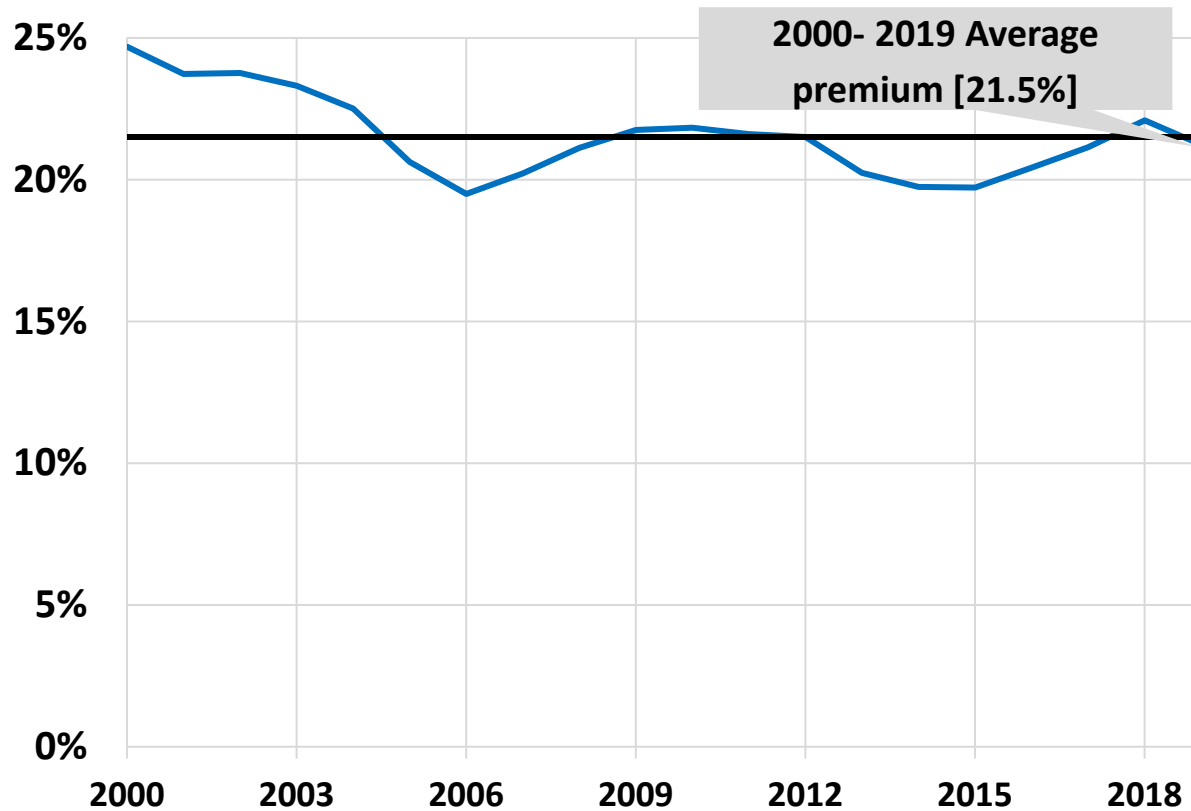


Construction wage “premium” vs. total private sector

Excess of average hourly earnings (AHE) for production and nonsupervisory employees in construction vs. private sector

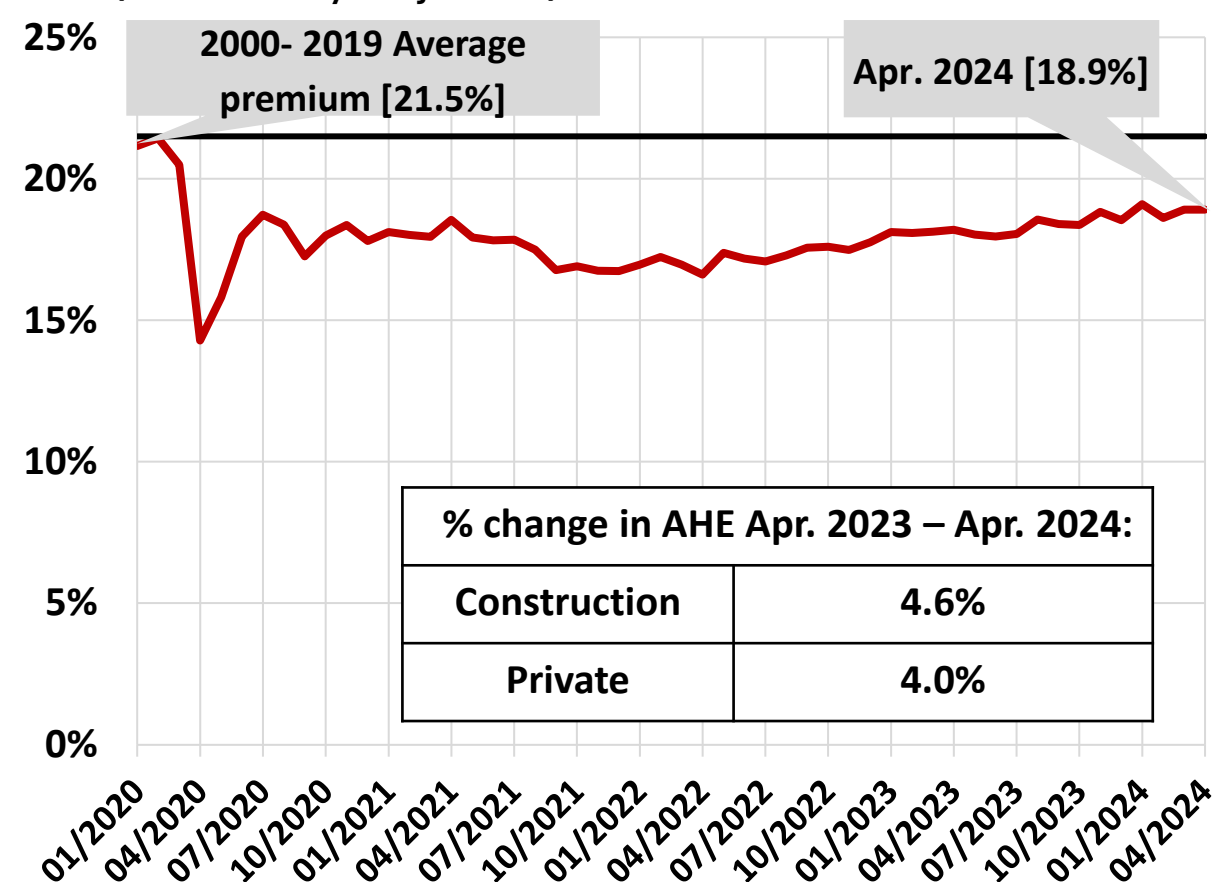


Annual premium, 2000–2019



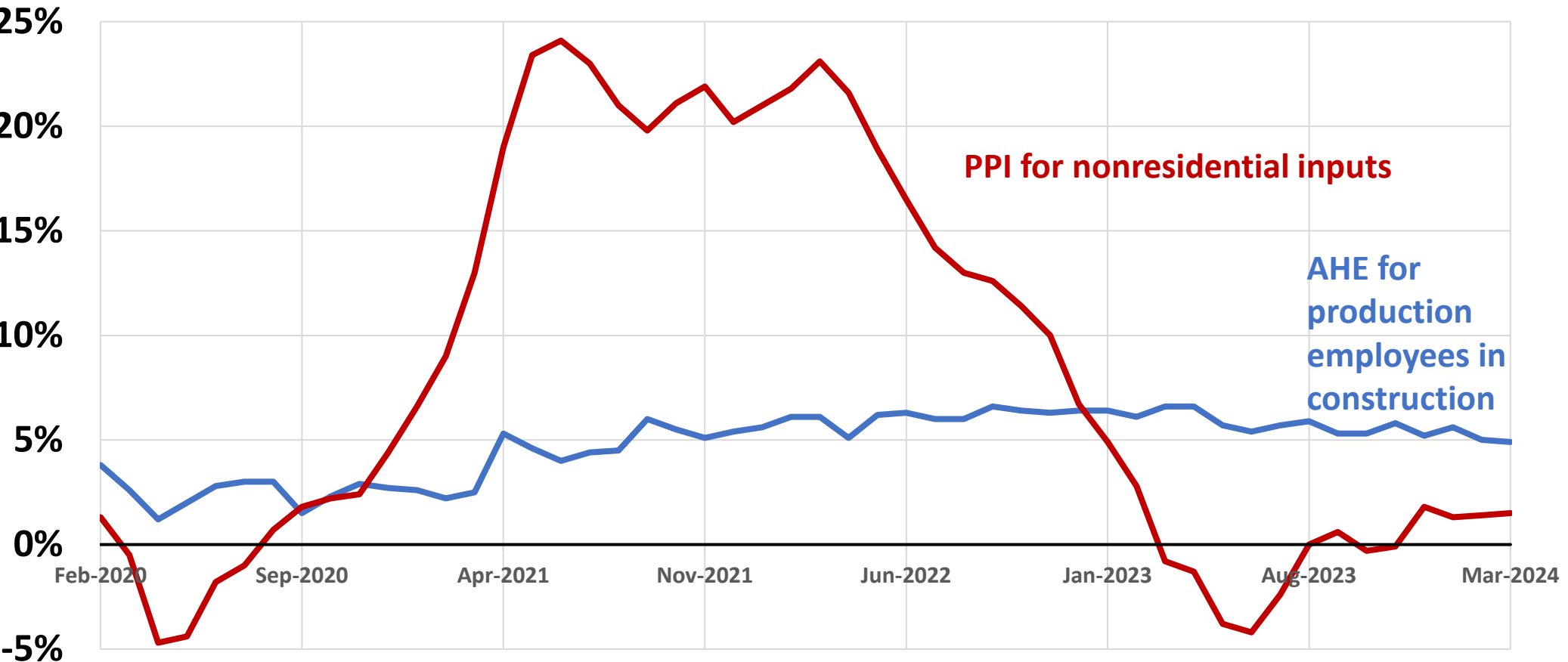
Monthly premium, Jan. 2020–Apr. 2024

(seasonally adjusted)



Construction materials & labor costs

Year-over-year change in producer price index (PPI) for nonresidential inputs and average hourly earnings (AHE) for production employees in construction, Feb. 2020 – Mar. 2024

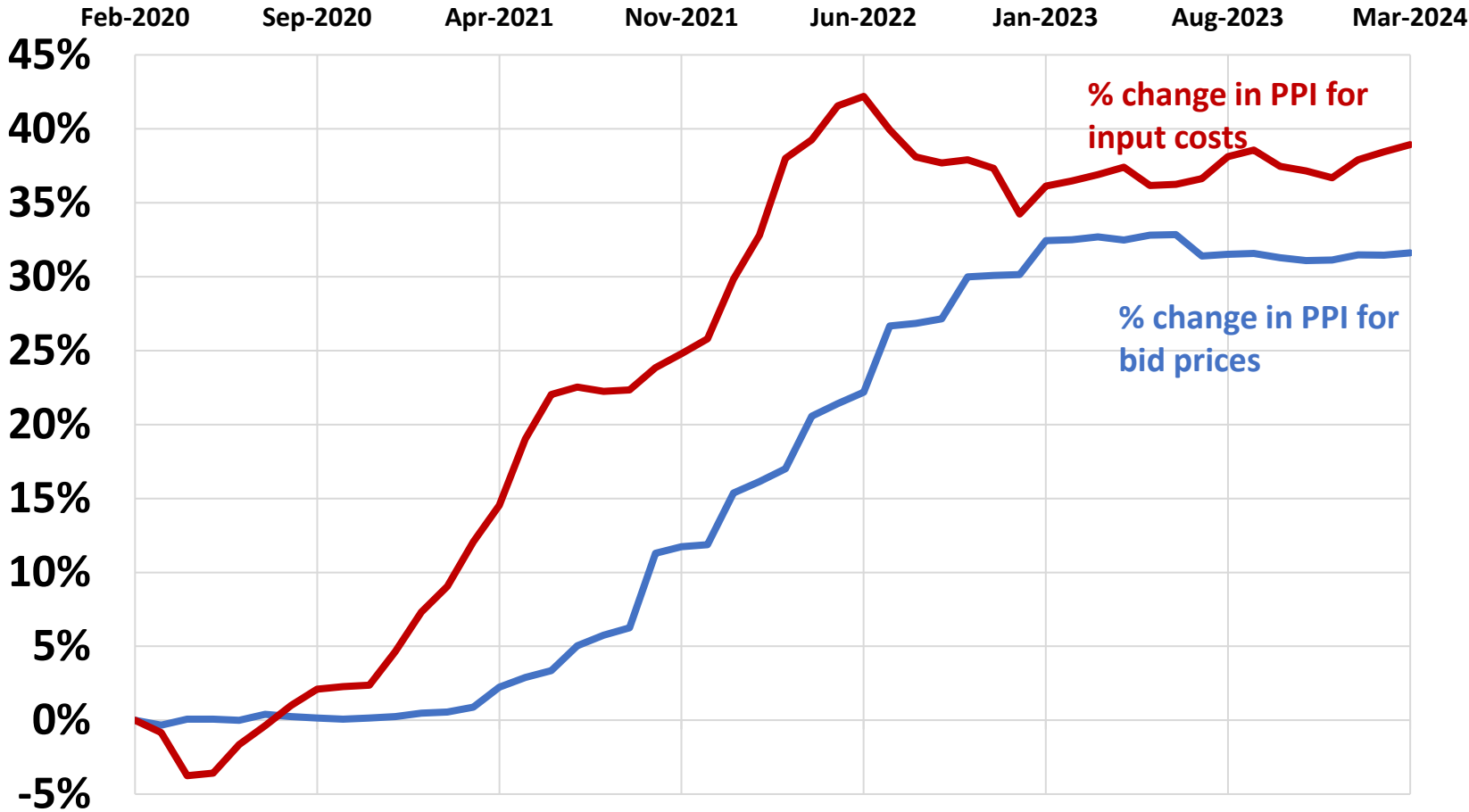


	% change since:	
	Mar. 2023	Feb. 2020
AHE*	4.9%	21%
PPI**	1.5%	39%

*Seasonally adjusted (SA)
 **Not seasonally adjusted (BLS does not post SA data for this series)

Input costs have risen faster than bid prices since early 2020

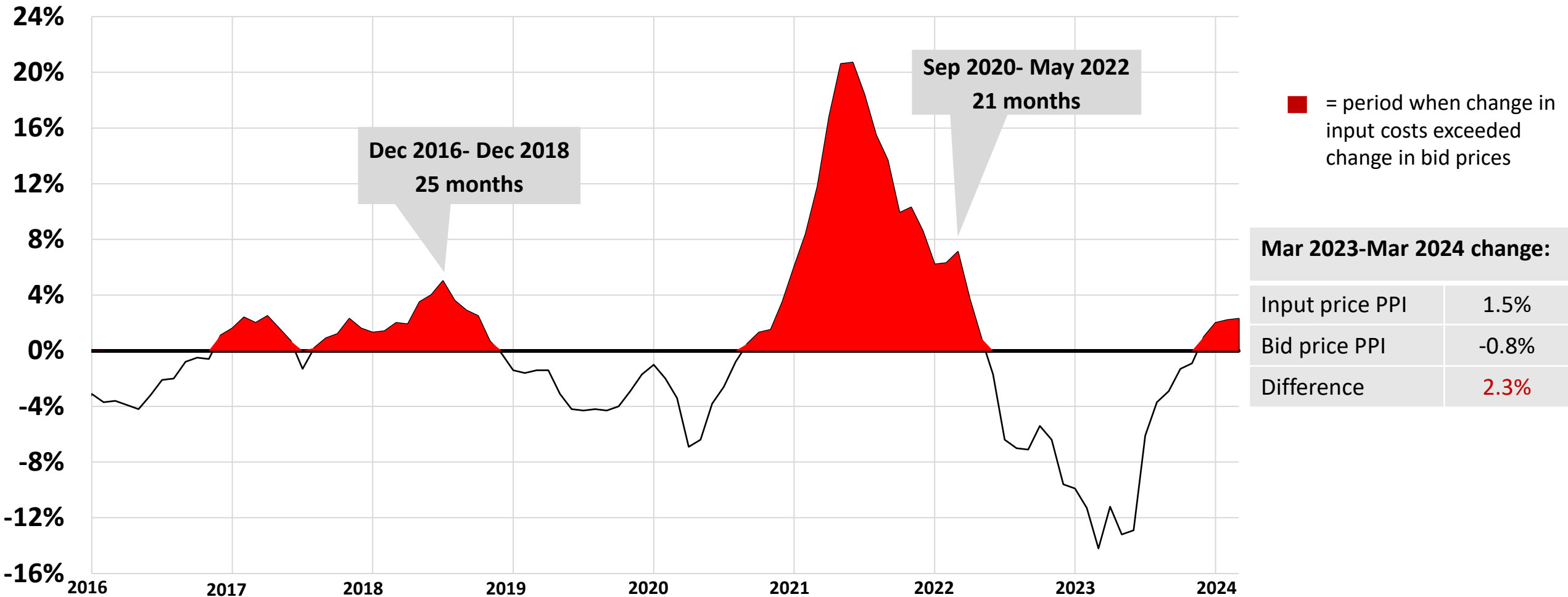
Cumulative change in producer price index (PPI) for **inputs** and **bid prices** for nonresidential construction, Feb. 2020–Mar. 2024



% change to Mar. 2024 in PPI:	PPI for inputs:	Bid price PPI:
Feb. 2020	39%	32%
Mar. 2023	1.5%	-0.8%
Feb. 2024	0.3%	0.1%

Cost squeeze on contractors can reappear suddenly

Difference between year-over-year change in materials costs vs. bid prices, Jan 2016-Mar 2024



Source: BLS, www.bls.gov/ppi, producer price indexes for inputs to new nonresidential construction and bid prices

Some construction costs remain volatile

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



March 2024 change from:

Feb. 2024 Mar. 2023
(1 month) (12 months)

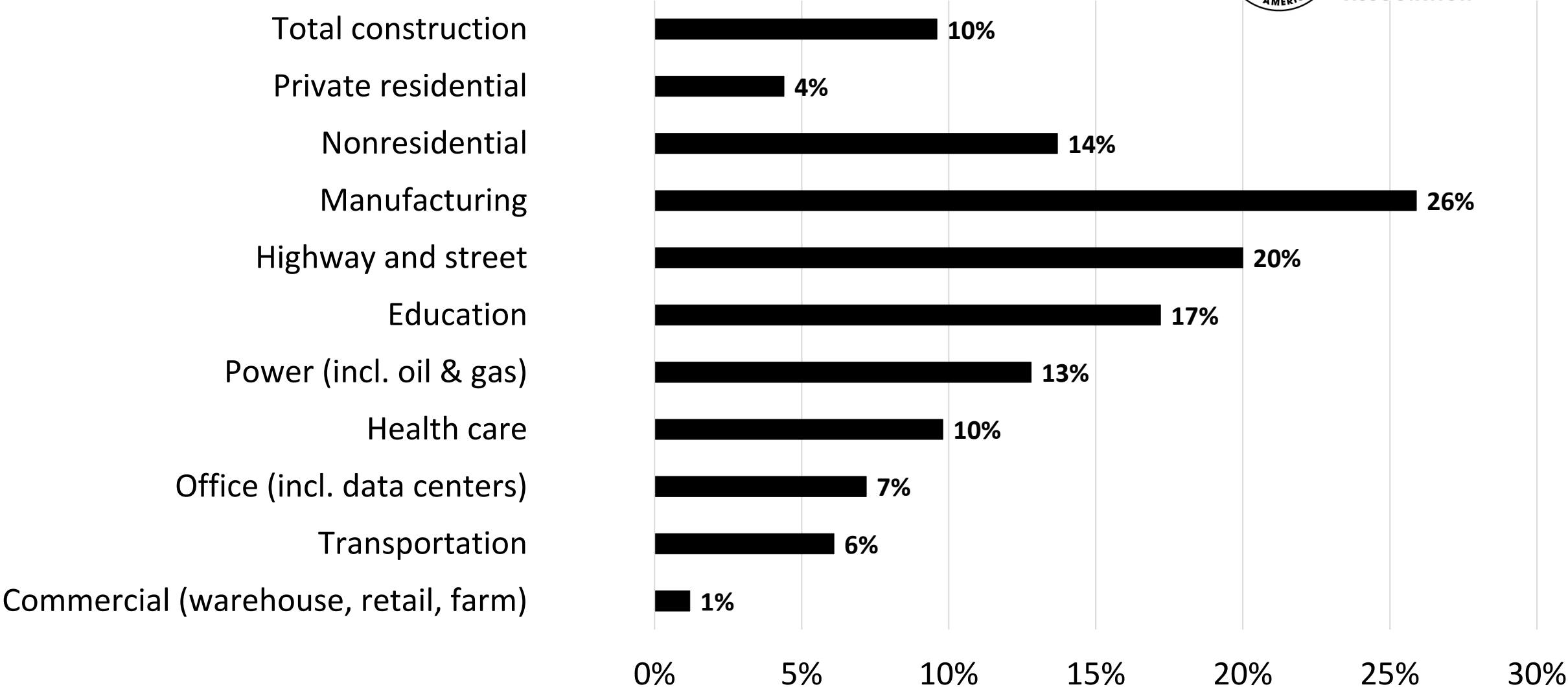
Cement	0%	5.0%
Ready-mix concrete	0.1%	7.0%
Diesel fuel	-0.6%	-6.2%

Subcontractor price indexes, nonresidential building work

Roofing contractors	0.0%	3.7%
Plumbing contractors	-0.1%	1.8%
Electrical contractors	0.0%	-5.1%
Concrete contractors	0.2%	-0.8%

Change in construction spending: March 2024 vs. March 2023

Year-over-year % change in current (not inflation-adjusted) dollars, seasonally adjusted



Change in construction spending: March 2024 vs. March 2023

current (not inflation-adjusted) dollars, seasonally adjusted



Total 10%: Private residential 4% (single-family 18%; multi 3%; **improvements -10%**); public residential 15%
Nonresidential 14% (private 11%, public 18%)

Nonresidential segments (in descending order of Mar. 2024 spending; combined new & renovation spending)

- Mfg. 26% (computer/electronic 34%; chemical 10%; transportation equipment 39%; **food/beverage/tobacco -23%**)
- Highway and street 20%
- Power 13% (electric 15%; oil/gas fields & pipelines 0.1%)
- Commercial 1% (**warehouse -4%**; retail 8%; farm 3%)
- Education 17% (primary/secondary 16%; higher ed 19%)
- Office (including data centers) 7%
- Health care 10% (hospital 8%; medical building 13%; special care 13%)
- Transportation 6% (air 13%; private rail/truck 4%; **transit -17%**)
- Other: Sewage/waste 11%; Amuse/recreation 19%; Water supply 17%; Communication 4%; **Lodging -0.5%; Conservation/development -6%**

Medium-term outlook for construction



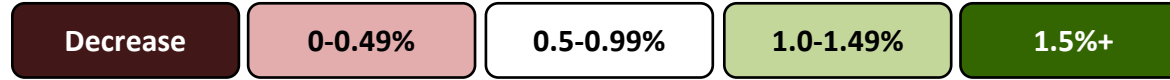
- Economic recovery should continue but with sticky inflation & interest rates
- Single-family homebuilding should continue recovering
- Multifamily, warehouse, office: steep drops likely as vacancies and costs climb
- Data center and manufacturing construction should remain hot
- Infrastructure Investment & 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, labor, environmental strings may tie up project starts for years
- Materials costs, lead times: mostly better except electrical gear, some electronics
- Labor availability has resumed being the #1 challenge for many contractors

Long-run construction outlook



- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth → fewer workers but also slower demand growth
- 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 2022–July 2023 (U.S.: 0.49%)

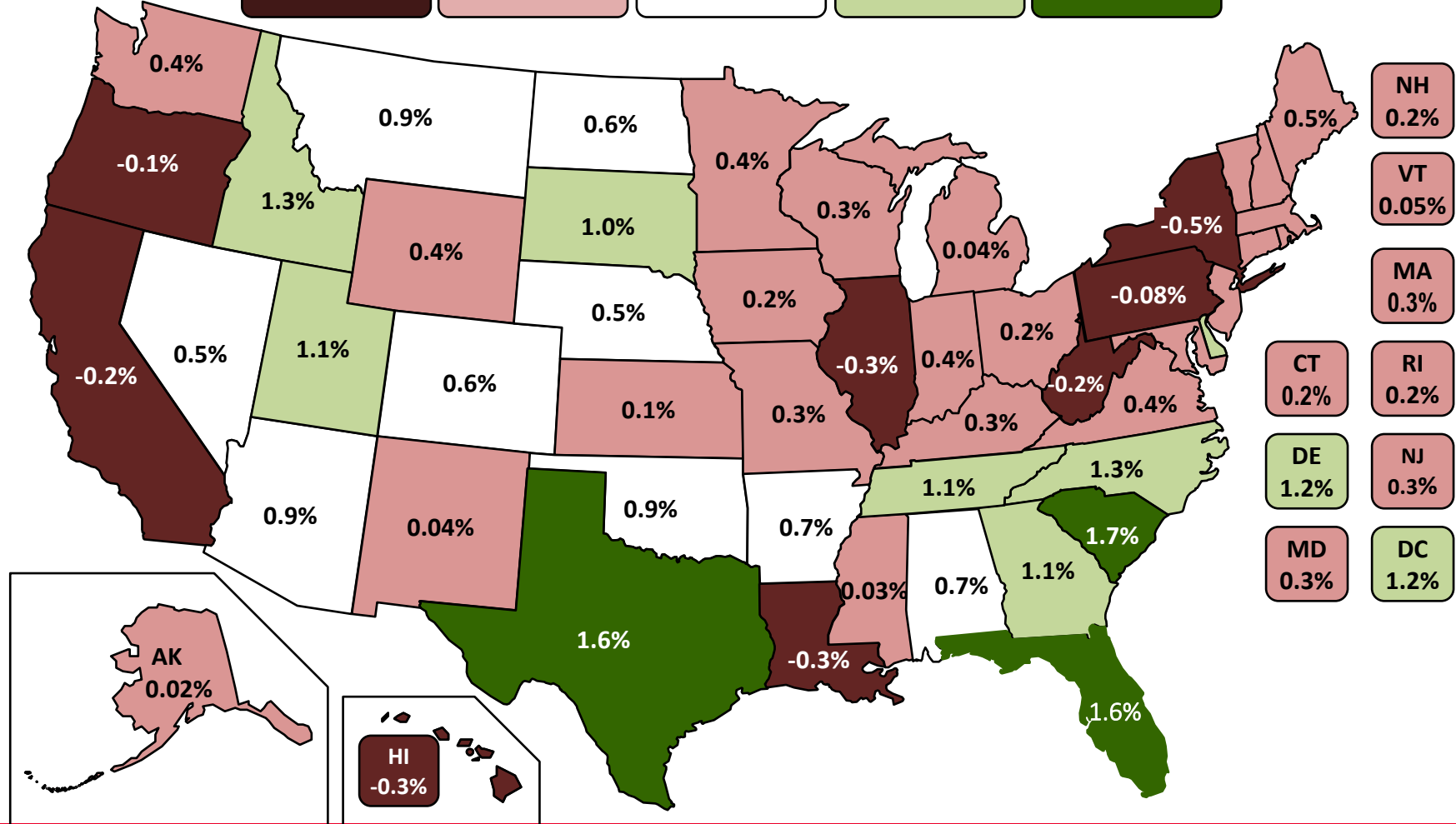


Top 5

SC	1.7%
FL	1.6%
TX	1.6%
ID	1.3%
NC	1.3%

Bottom 5

NY	-0.5%
LA	-0.3%
HI	-0.3%
IL	-0.3%
WV	-0.2%



AGC economic resources

(email ken.simonson@agc.org)

- *Data DIGest*: weekly email summary of construction economic news ([subscribe: https://marketplace.agc.org/Store/ItemDetail?iProductCode=4401&OrderLineId=901649fd-c733-4103-93e0-a251778cd084](https://marketplace.agc.org/Store/ItemDetail?iProductCode=4401&OrderLineId=901649fd-c733-4103-93e0-a251778cd084))
- Surveys, state and metro data, [fact sheets: www.agc.org/learn/construction-data](http://www.agc.org/learn/construction-data)
- Monthly [press releases](http://www.agc.org/newsroom): construction spending; producer price indexes; national, state, metro employment with rankings: <https://www.agc.org/newsroom>
- Construction impact model: <https://www.agc.org/agc-construction-impact-model>
- ConsensusDocs Price Escalation Resource [Center: https://www.consensusdocs.org/price-escalation-clause/](https://www.consensusdocs.org/price-escalation-clause/)



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PPI for inputs rises in April but dips over 12 months; pay in construction tops U.S. median by 18%

Prices show mixed trends in April

The producer price index (PPI) for material and service inputs to new nonresidential construction rose 0.5% from March to April but declined 1.1% year-over-year (y/y), according to Bureau of Labor Statistics (BLS) data posted on Thursday.

[Read more](#)

Construction pay tops U.S. median by 18%

"Half of payroll workers in construction earn more than \$4,540," 18% more than the U.S. median wage of \$46,310, "and the top 25% make at least \$77,030," 4.9% higher than the U.S. top quartile base of \$73,460, the National Association of Home Builders reported on Tuesday, based on its analysis of May 2022 Occupational Employment and Wage Statistics posted by BLS...

[Read more](#)

Child counts decline in 35 states

In a trend with implications for school and other construction, "Thirty-five states have fewer children than they did five years ago, a situation caused by declining birth rates nationwide, but also by young families migrating across state borders in search of cheaper housing," Stateline reported on Thursday...

[Read more](#)

Results from RICS-AACE construction survey

Firms reporting declining profit margins outnumbered firms reporting rising margins by 27 percentage points (a net balance reading of -27%) in the first quarter (Q1) 2023 RICS-AACE USA Construction Monitor, covering 60 responses between March 8 and April 21 and posted by RICS on Monday...

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AGC Highway safety survey closes tonight

Highway contractors are invited to complete AGC's annual highway work zone safety survey by tonight, May 12. Responses will be kept confidential.

[Read more](#)

Census of Construction reminder

The Census Bureau reminded firms in all industries, "The due date for responding to the 2022 Economic Census has passed, but it's not too late to respond..."

[Read more](#)

