

February 2023

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

Ken Simonson

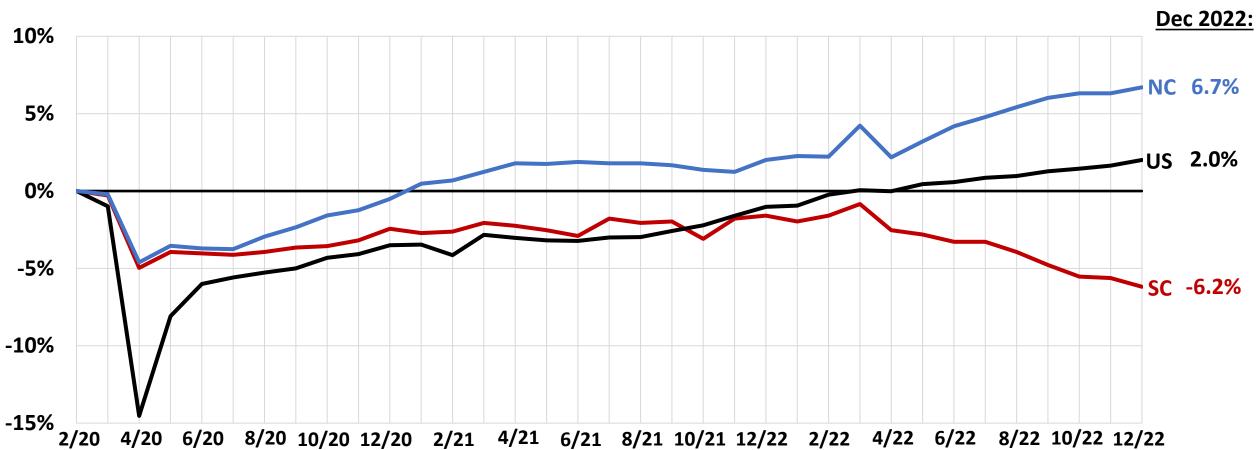
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#### **US, NC & SC Construction Employment**

Cumulative change, Feb 2020-Dec 2022, seasonally adjusted





% change

Feb 2020-

#### **NC and SC Metro Construction Employment**

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

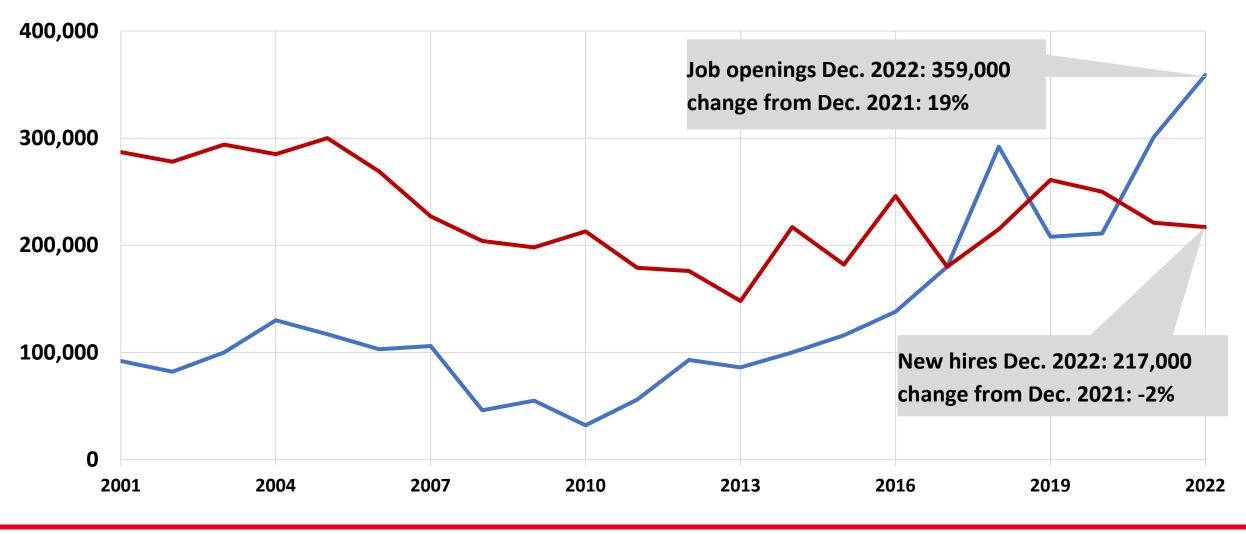


		<u>Chang</u>	<u>ge from:</u>
	Dec.	Dec.	Dec.
North Carolina	<u>2022</u>	<u>2021</u>	<u>2019</u>
Raleigh*	48,100	9%	15%
Greensboro-High Point*	17,200	0.6%	10%
Winston-Salem*	12,400	3%	7%
Charlotte-Concord-Gastonia, NC-SC*	75,400	6%	8%
South Carolina			
Charleston-North Charleston*	21,700	0.9%	-0.5%
Greenville-Anderson-Mauldin*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

#### **Construction job openings & new hires**



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



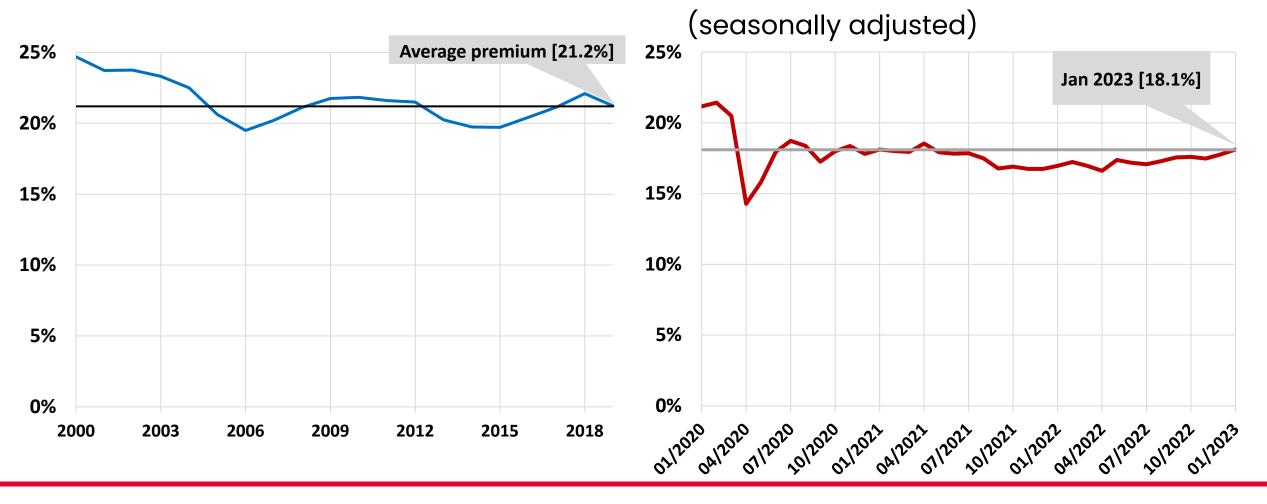
#### Construction wage "premium" vs. total private sector

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



**Annual premium**, 2000–2019

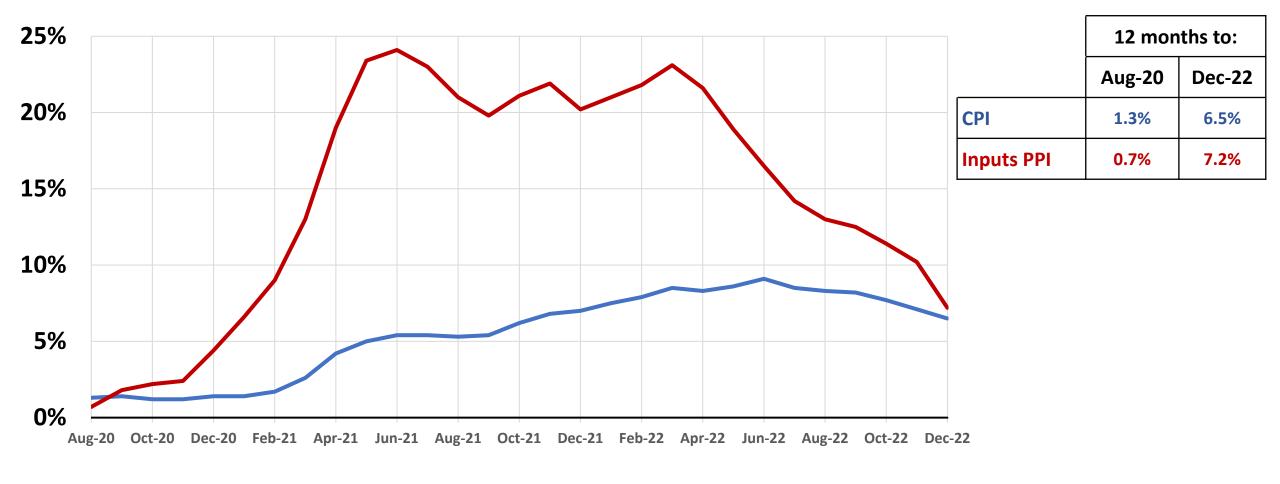
#### Monthly premium, Jan 2020-Jan 2023



#### Costs for new nonresidential construction vs. consumer prices

Year-over-year change in PPI for construction inputs and CPI August 2020 - December 2022, not seasonally adjusted





#### Wide variation in construction input cost trends

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

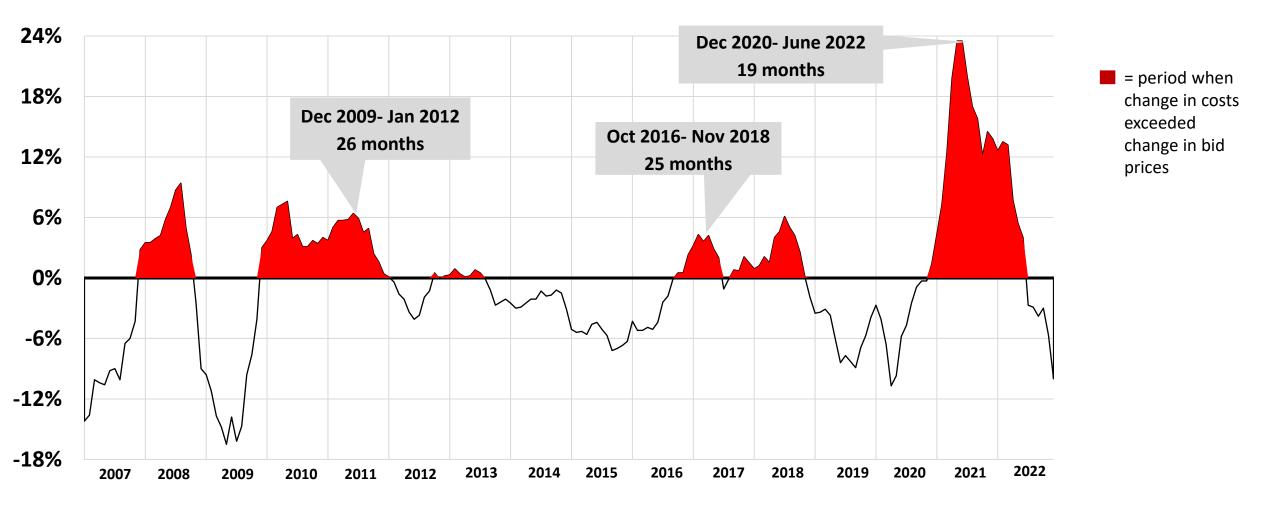


	<u>Dec 2022 ch</u> Nov 2022 <u>(1 month)</u>	
#2 diesel fuel	-28.7%	20.4%
Architectural coatings (paint, etc.)	0.5%	26.1%
Asphalt paving mixtures and blocks	-2.4%	15.8%
Concrete products	0.9%	14.8%
Subcontractor price indexes, nonresidential building work		
Roofing contractors	0.3%	20.5%
Plumbing contractors	0.3%	14.7%
Electrical contractors	-0.2%	12.2%
Concrete contractors	0.3%	10.9%

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

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Dec 2022





Source: BLS, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs)

8 and new school building construction (bid prices)

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Change in construction spending: November 2022 vs. November 2021 current (not inflation-adjusted) dollars, seasonally adjusted



- Total 9%: private res 5% (single-family -10%; multi 11%; improvements 28%); private nonres 13%; public 10%
  <u>Largest segments</u> (in descending order of November 2022 spending)
- Mfg. 43% (computer/electronic 203%; chemical -27%; food/beverage/tobacco 28%; transp. equip. 26%)
- Commercial 20% (warehouse 18%; retail 25%; farm 19%)
- Highway and street 15%
- Power -8% (electric -8%; oil/gas fields & pipelines -10%)
- Education 3% (primary/secondary 3%; higher ed 5%)
- Office 3%
- Transportation 7% (air 6%; freight rail/trucking 15%; mass transit 6%)
- Health care 7% (hospital 4%; medical building 11%; special care 7%)
- Sewage and waste disposal 20%
- Water supply 31%

#### to be higher/lower than 2022 GC \* Net = % expecting higher value - % expecting lower value than in 2022 ASSOCIATION US/NC/SC 42%/33%/31% Bridge/Highway 42%/56%/13% Transportation Water/sewer 38%/44%/33% Federal 37%/21%/33% Other healthcare 28%/0%/7% 28%/0%/0% Power Hospital 23%/13%/13% Public building 23%/11%/36% K-12 school 16%/21%/13% 16%/16%/20% **Higher Education** Manufacturing 14%/22%/29% 12%/8%/8% Data center Warehouse 10%/-6%/15% **Multifamily Res** 1%/0%/0% Lodging -4%/ 0% / -15% Private office -21%/ -17% / -27% -22%/ -36% / -14% Retail -30% -20% -10% 0% 10% 20% 30% 40% 50%

AGC Outlook Survey: Net\* % who expect 2023 value of projects

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

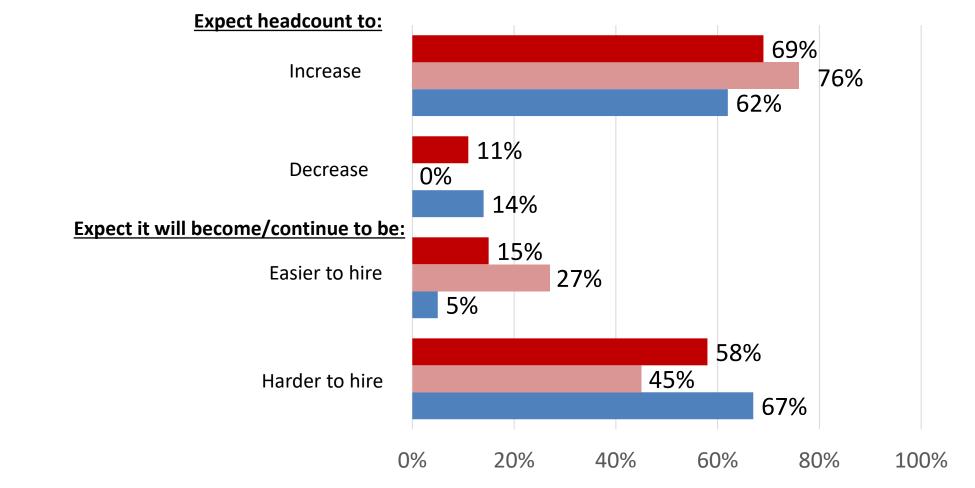


% of respondents who:

US =

NC =

SC =



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% <u>Largest segments</u> (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%

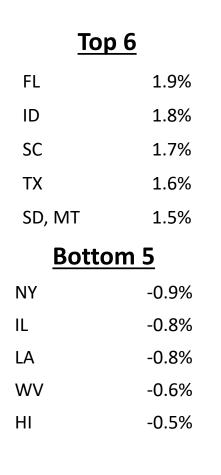
#### Long-run construction outlook (post-pandemic)

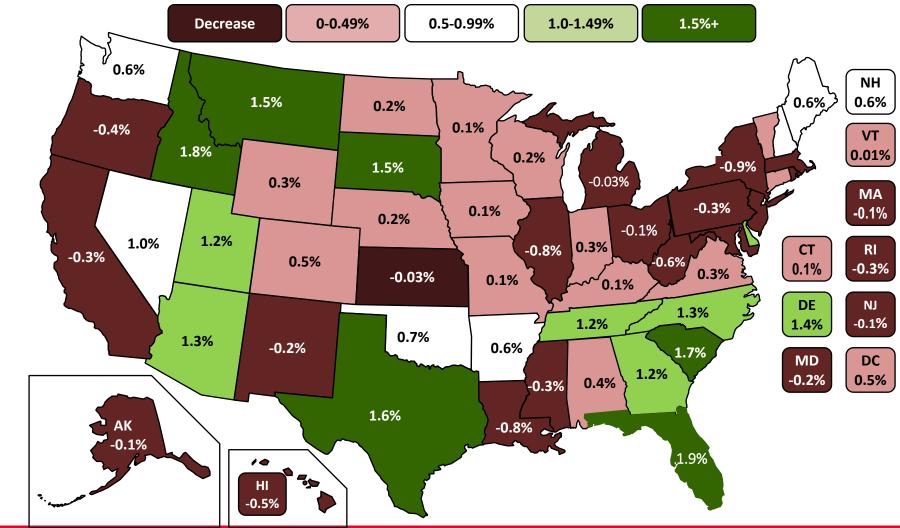


- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth means slower demand growth for most construction
- Slowing demand for K-12, decline for higher ed construction
- Permanent shift from retail to e-commerce/distribution structures
- More specialized 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%)







#### AGC economic resources

(email ken.simonson@agc.org)

- 2023 AGC/Sage Construction Hiring & Business Outlook Survey Results: <u>https://www.agc.org/2023-construction-hiring-and-business-outlook</u>
- The Data DIGest: weekly 1-page email (subscribe at <u>http://store.agc.org</u>)
- Construction Inflation <u>Alert</u>:

https://www.agc.org/learn/construction-data/agc-construction-inflation-alert

- ConsensusDocs Price Escalation Resource <u>Center</u>: <u>https://www.consensusdocs.org/price-escalation-clause/</u>
- Surveys, state and metro data, fact sheets: <u>www.agc.org/learn/construction-data</u>
- Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings: <u>https://www.agc.org/newsroom</u>







or nearly three years the U.S. construction industry has been buffeted by unprecedented volatility in materials costs, upply-thin bottlenecks, and a tiph labor market. To help project owners, government officials, and the public nearstand now these conditions are affecting contractors and their workers, the Associated General Contractors of merica (AGC) has posted frequent updates of the Construction Inflation Alert.

New challenges keep emerging, even as some conditions improve. Overall initiation rates and economic growth have cooled, while congestion at Vest Coast ports have exeed. These changes have led some owners to assume that construction coast and competion impress must also have improved. Unfortunately, this is not the case for a large number of projects, materials, and contractors.

Demaid for infrastructure, manufacturing, and power construction appears to be strong and filely to strengthen further, printing for several years to come in any case. In cost of constructions materials and above not generally move in sync with the overall economy. In short, owners should not assume that delaying projects will enable them to avoid volatily and alsuptions in construction costs, delivery times, and abor supply, even if the economy slows agrificantly.