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

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US, NC & SC Construction Employment
Cumulative change, Feb 2020-Dec 2022, seasonally adjusted

% change
Feb 2020-Dec 2022:

US 2.0%
NC 6.7%
SC -6.2%

Source: BLS
## NC and SC Metro Construction Employment
Dec. 2022 vs. 2021 & 2019 (not seasonally adjusted)

<table>
<thead>
<tr>
<th>North Carolina</th>
<th>Dec. 2022</th>
<th>Change from:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raleigh*</td>
<td>48,100</td>
<td>9%</td>
</tr>
<tr>
<td>Greensboro-High Point*</td>
<td>17,200</td>
<td>0.6%</td>
</tr>
<tr>
<td>Winston-Salem*</td>
<td>12,400</td>
<td>3%</td>
</tr>
<tr>
<td>Charlotte-Concord-Gastonia, NC-SC*</td>
<td>75,400</td>
<td>6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>South Carolina</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Charleston-North Charleston*</td>
<td>21,700</td>
<td>0.9%</td>
</tr>
<tr>
<td>Greenville-Anderson-Mauldin*</td>
<td>19,400</td>
<td>-2%</td>
</tr>
</tbody>
</table>

*The Bureau of Labor Statistics reports employment for construction, mining and logging combined for metro areas in which mining and logging have few employers. Construction-only employment change is shown for a metro if BLS posts that data.*
Construction job openings & new hires

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

Job openings Dec. 2022: 359,000
change from Dec. 2021: 19%

New hires Dec. 2022: 217,000
change from Dec. 2021: -2%

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)

Sources: BLS, www.bls.gov/ces

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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

12 months to:

<table>
<thead>
<tr>
<th></th>
<th>Aug-20</th>
<th>Dec-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI</td>
<td>1.3%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Inputs PPI</td>
<td>0.7%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>
Wide variation in construction input cost trends
producer price indexes, 1- & 12-mo. change (not seasonally adjusted)

<table>
<thead>
<tr>
<th></th>
<th>Dec 2022 change from:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nov 2022</td>
</tr>
<tr>
<td></td>
<td>(1 month)</td>
</tr>
<tr>
<td>#2 diesel fuel</td>
<td>-28.7%</td>
</tr>
<tr>
<td>Architectural coatings (paint, etc.)</td>
<td>0.5%</td>
</tr>
<tr>
<td>Asphalt paving mixtures and blocks</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Concrete products</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

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%                 |

Source: BLS, producer price indexes, www.bls.gov/ppi
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) and new school building construction (bid prices)
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%

Largest segments (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%

Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending
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

Source: AGC 2023 Outlook Survey; 1,032 total respondents / 33 NC respondents / 21 SC respondents
AGC Outlook Survey: Firms’ expectations regarding their headcount and hiring over next 12 months

% of respondents who:

Expect headcount to:
- Increase: 69% US, 76% NC, 62% SC
- Decrease: 11% US, 14% NC, 0% SC

Expect it will become/continue to be:
- Easier to hire: 27% US, 15% NC, 5% SC
- Harder to hire: 45% US, 58% NC, 67% SC

Source: AGC 2023 Outlook Survey; 1,032 total respondents / 33 NC respondents / 21 SC respondents
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%

Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending
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%