



**September 2023**

# **US Construction Outlook: Lively, Level, or Lackluster?**

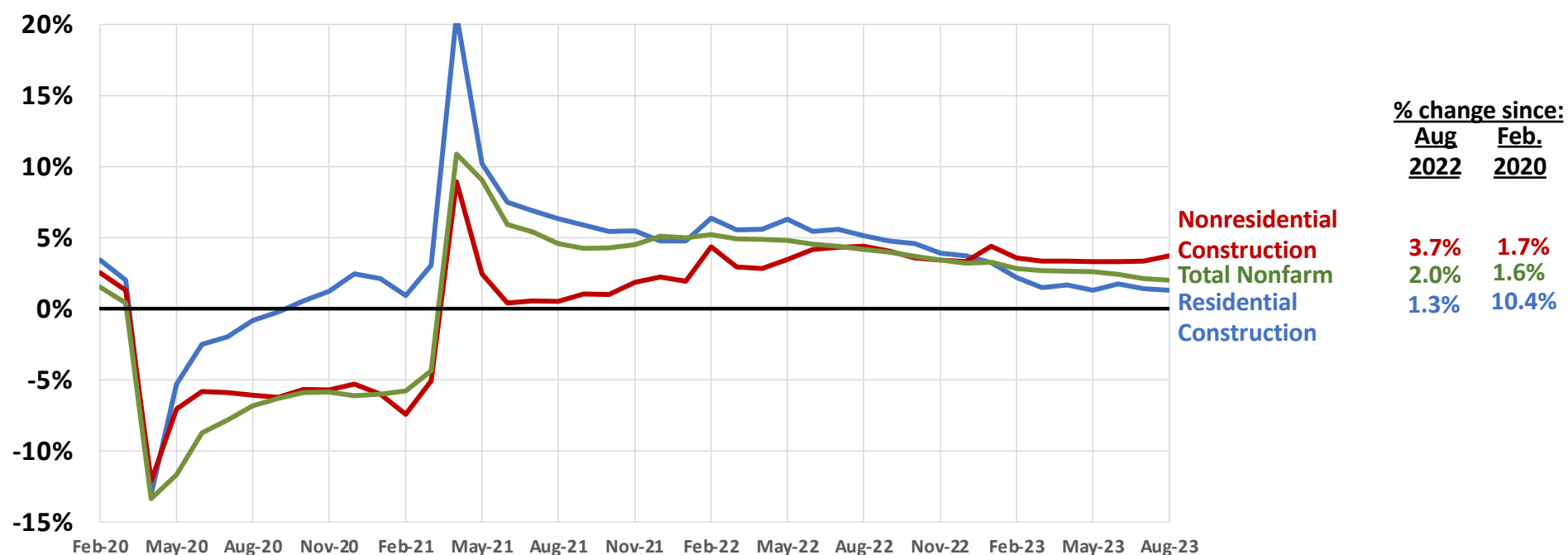
Ken Simonson

Chief Economist, AGC of America

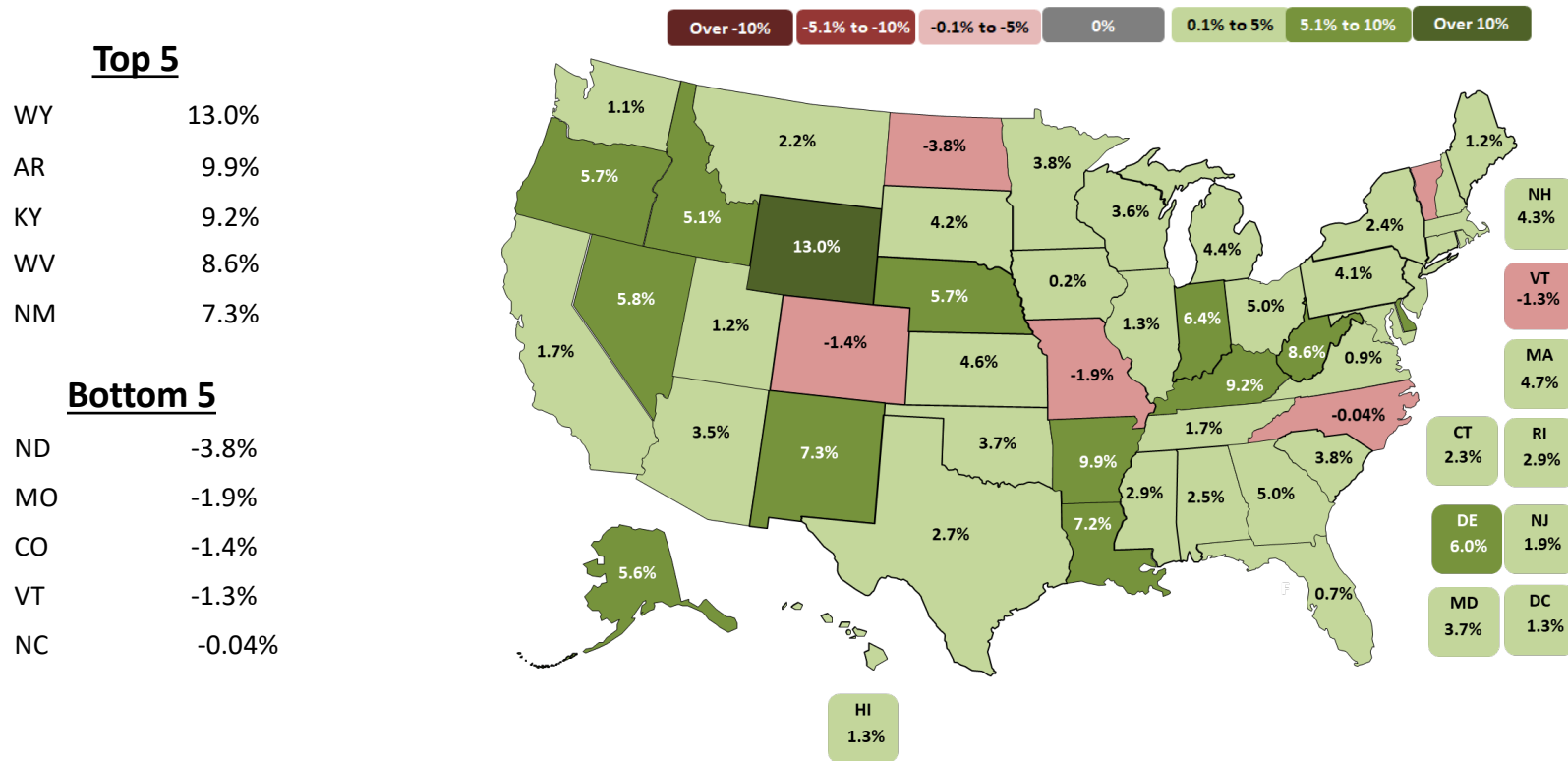
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## Total nonfarm & construction employment, Feb. 2020–Aug. 2023

Year-over-year change, seasonally adjusted

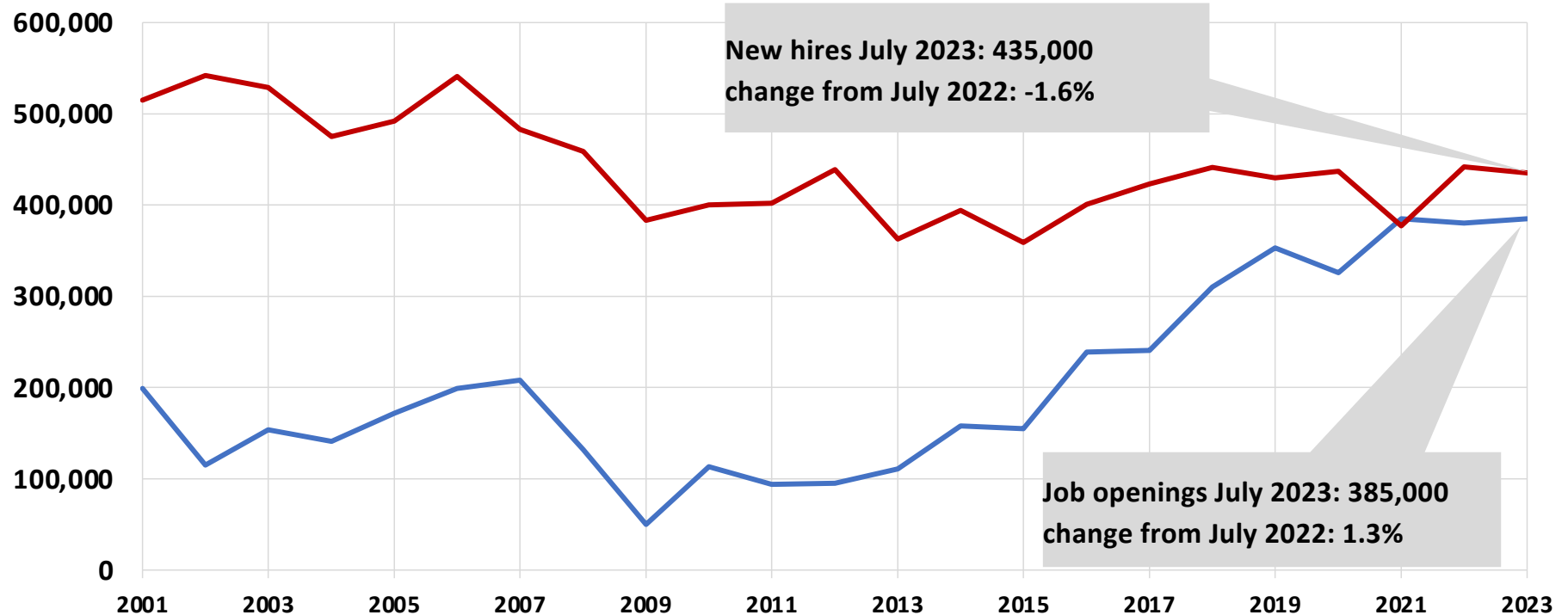


45 states & DC **up** & 5 states **down**



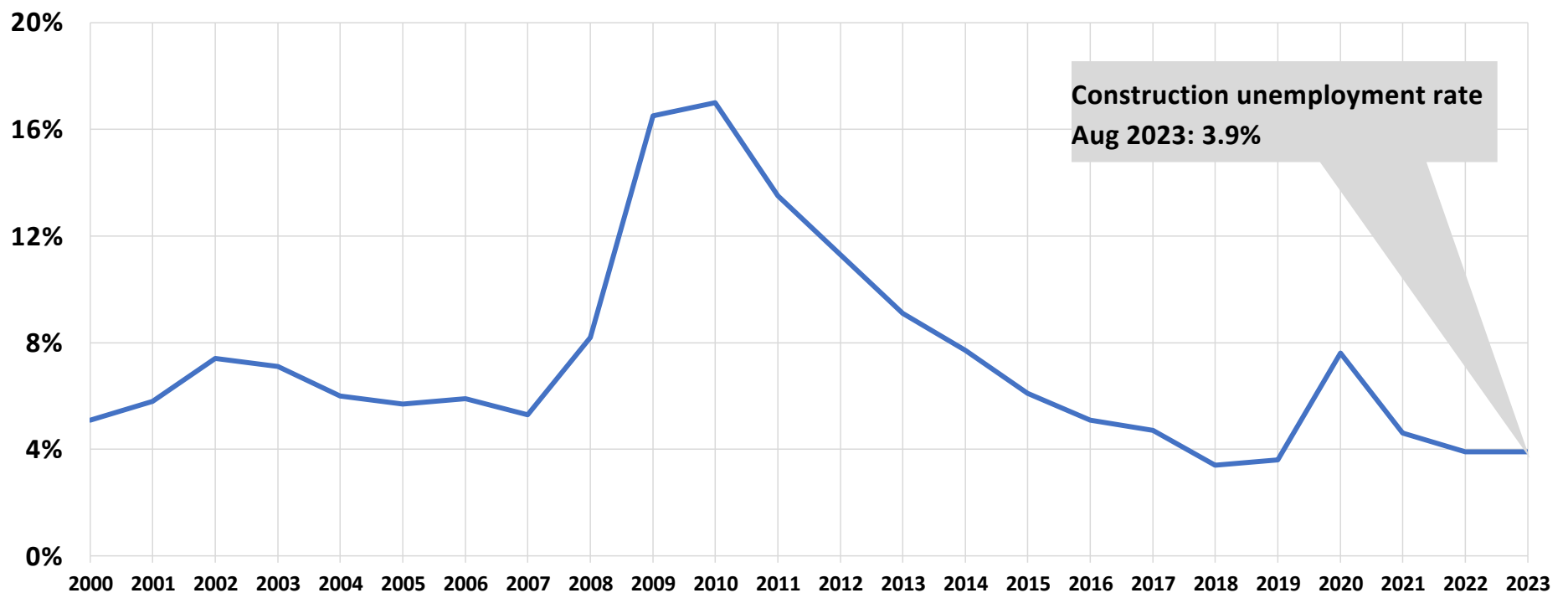
## Construction job openings & new hires

Job openings and hires, July 2001-July 2023, not seasonally adjusted



## Construction unemployment rate

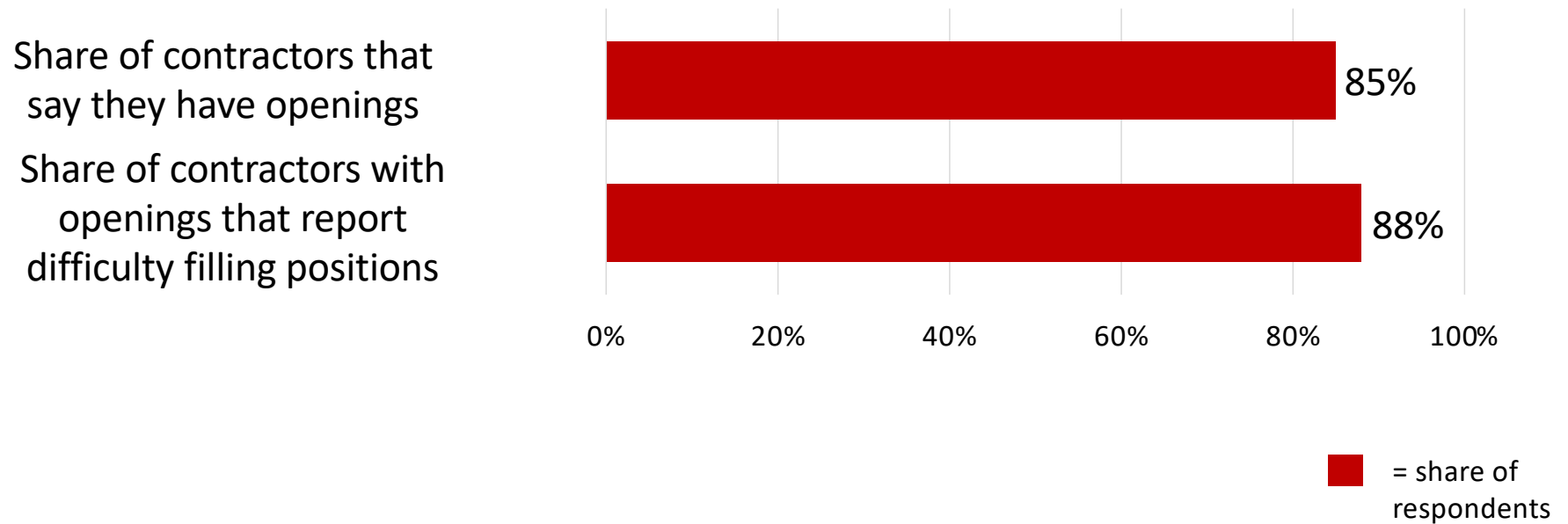
Aug 2000-Aug 2023, not seasonally adjusted





2023 AGC of America/Autodesk Workforce Survey results:

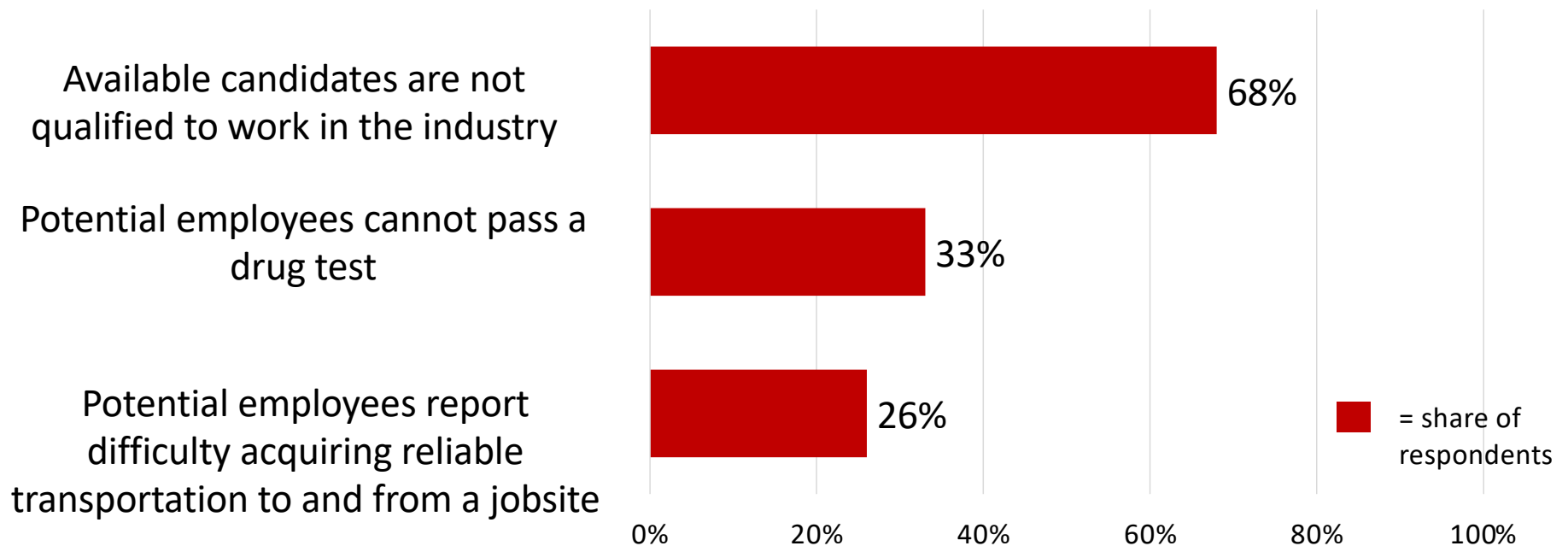
## Workforce challenges for hourly craft workers





2023 AGC of America/Autodesk Workforce Survey results:

## Difficulty filling positions—share of respondents that report:

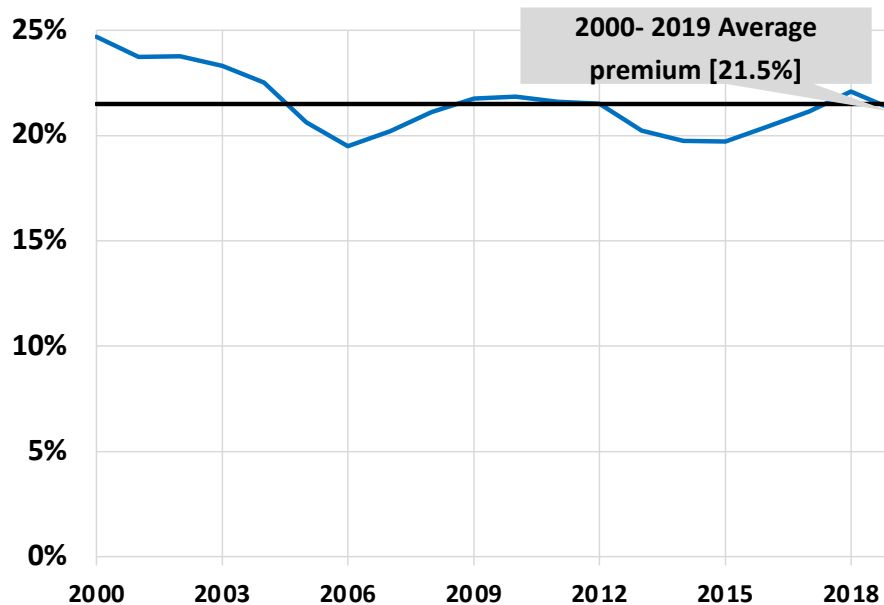


# Construction wage “premium” vs. total private sector

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

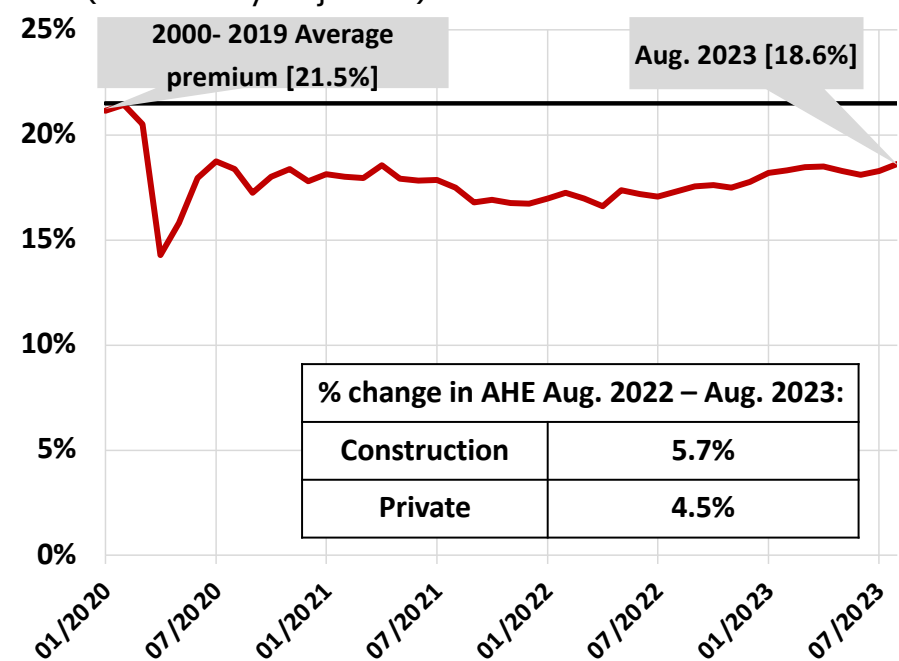


**Annual premium, 2000–2019**



**Monthly premium, Jan. 2020–Aug. 2023**

(seasonally adjusted)

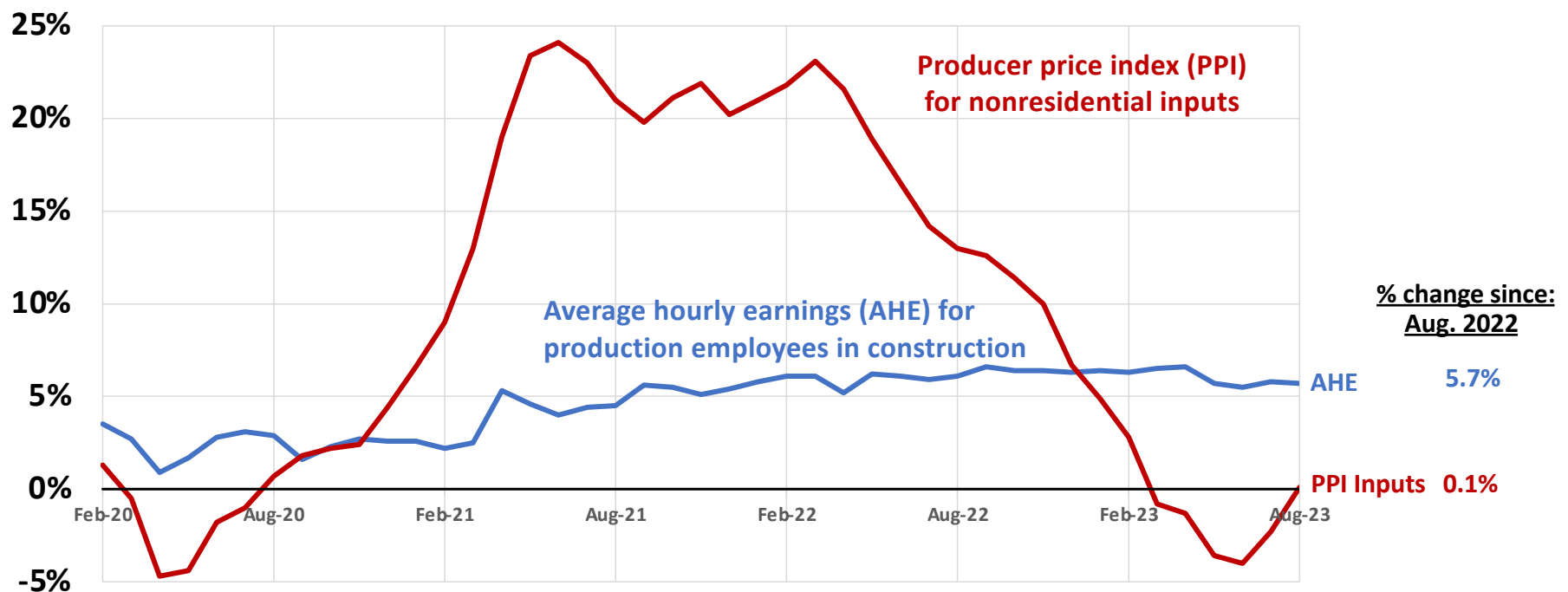


% change in AHE Aug. 2022 – Aug. 2023:	
Construction	5.7%
Private	4.5%



## Construction inputs & labor costs

Year-over-year change in PPI for nonresidential inputs & AHE for production employees in construction, Feb. 2020 – Aug. 2023



## Some construction costs remain volatile

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



**August 2023 change from:**  
**July 2023    August 2022**  
**(1 month)    (12 months)**

Cement	0.0%	11.0%
Ready-mix concrete	0.4%	9.6%
Diesel fuel	34.6%	-14.4%

### Subcontractor price indexes, nonresidential building work

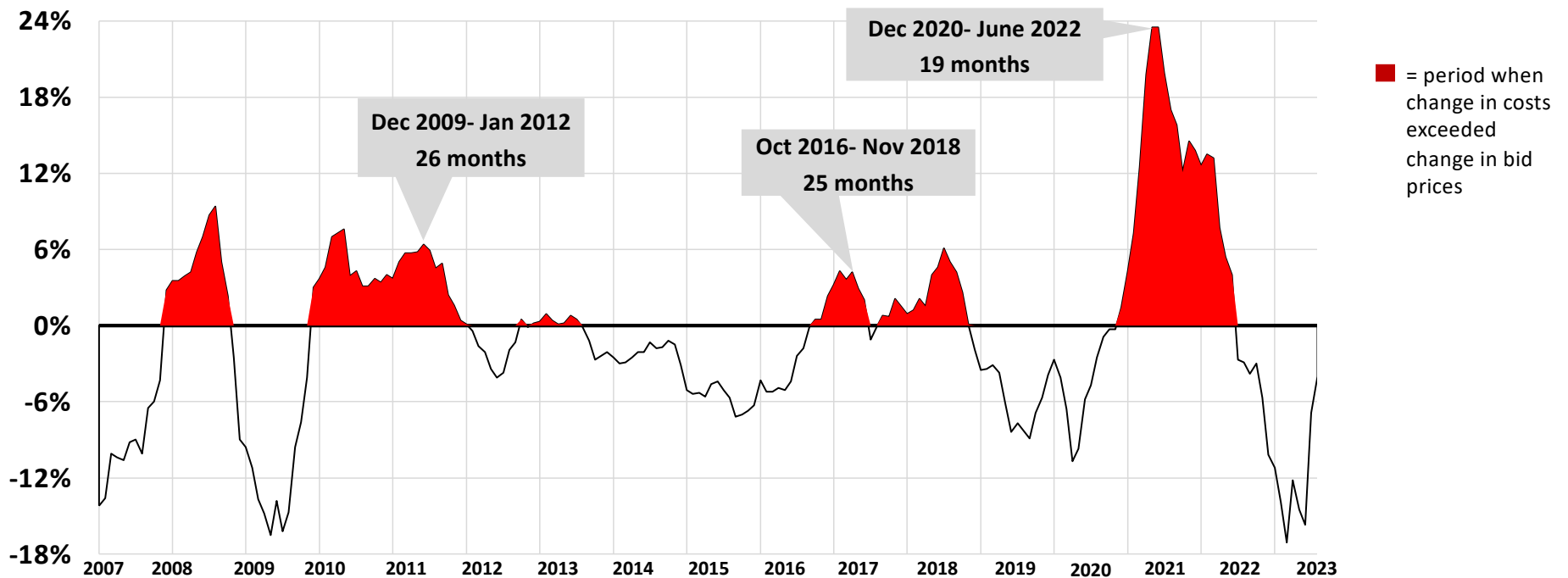
Roofing contractors	-0.1%	11.9%
Plumbing contractors	-1.5%	7.1%
Electrical contractors	-1.4%	4.7%
Concrete contractors	0.1%	-1.8%

## Cost squeeze on contractors can reappear suddenly, last 2+ years

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



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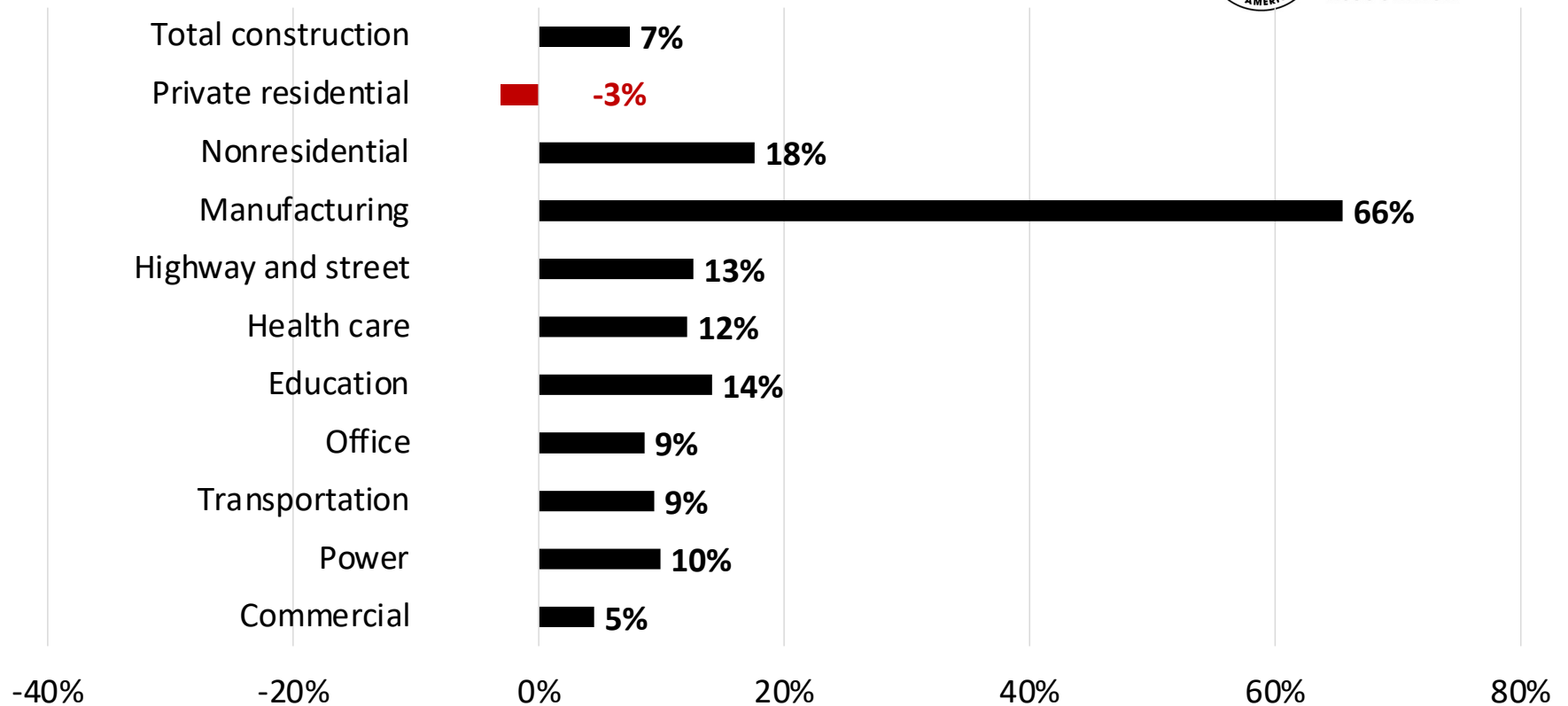


Source: BLS, [www.bls.gov/ppi](https://www.bls.gov/ppi), producer price indexes for goods inputs to nonresidential construction (material costs) and new school building construction (bid prices)

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## Change in construction spending: August 2023 vs. August 2022

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



## Change in construction spending: August 2023 vs. August 2022

current (not inflation-adjusted) dollars, seasonally adjusted



**Total 5%:** Private residential -5% (single-family -15%; multi 25%; improvements -2%); public residential 2%  
Nonresidential 17% (private 20%, public 12%)

Nonresidential segments (in descending order of August 2023 spending; combined new & renovation spending)

- Mfg. 66% (computer/electronic 171%; chemical 36%; food/beverage/tobacco 14%; transportation equipment -14%)
- Highway and street 12%
- Commercial 2% (warehouse 3%; retail -2%; farm 16%)
- Power 6% (electric 9%; oil/gas fields & pipelines -8%)
- Education 10% (primary/secondary 7%; higher ed 14%)
- Office (including data centers) 10%
- Transportation 8% (air 10%; private rail/truck 12%; transit -10%)
- Health care 11% (hospital 11%; medical building 16%; special care -13%)
- Other: Sewage/waste 18%; Amuse/recreation 8%; Water supply 10%; Communications 1%; Lodging 19%; Conservation/development 15%

## Medium-term outlook for construction



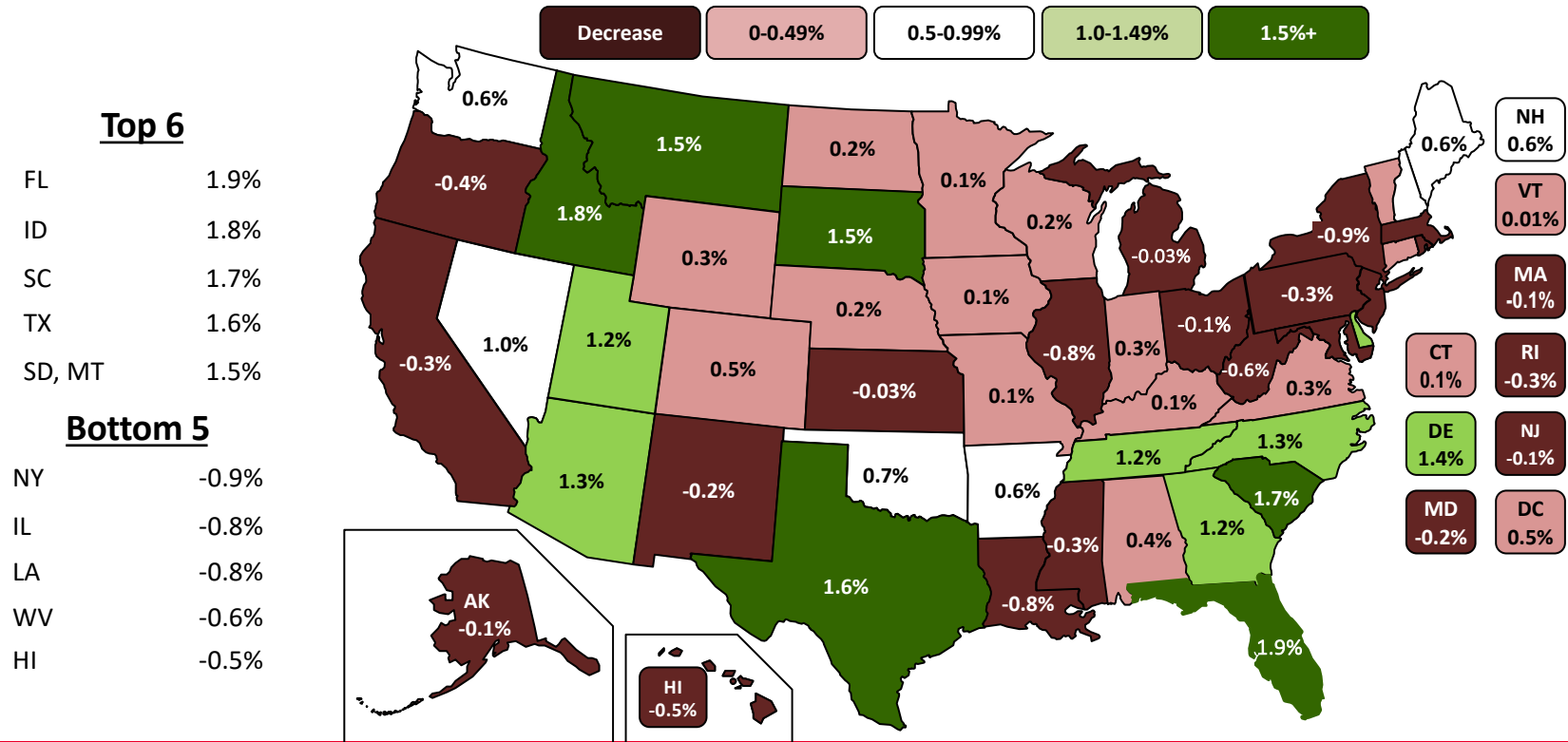
- Economic recovery should continue but risk of recession remains
- Homebuilding appears poised for slow recovery
- Multifamily, warehouse, retail, office, lodging: slowdown likely due to rising rates
- Data center and manufacturing construction should remain hot
- Infrastructure Investment & Jobs Act, “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(n), 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 2021–July 2022 (U.S.: 0.38%)





## AGC economic resources

(email [ken.simonson@agc.org](mailto:ken.simonson@agc.org))

- *Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- Surveys (2023 Workforce Survey: <https://www.agc.org/news/2023/09/06/new-survey-shows-significant-flaws-nations-approach-preparing-workers-construction-careers-and-how>)
- State and metro data, fact sheets: [www.agc.org/learn/construction-data](http://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>
- 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/>

