Construction Spending, Labor and Materials Outlook

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Ken Simonson
Chief Economist, AGC of America
simonsonk@agc.org
Construction spending & employment, 2006–2018

Mar. 2017–Mar. 2018: total 3.6%
private res. 5%, private nonres. 2%, public 3%

Mar. 2017–Mar. 2018: total 3.3%
residential 4.3%, nonresidential 2.7%

Source: spending--U.S. Census Bureau; employment--Bureau of Labor Statistics
Construction spending & employment, 2016–2018

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Private residential spending: steady single-family growth, slower multifamily annual total, 2006–15; monthly (seasonally adjusted annual rate), 1/16–3/18; billion $

Source: U.S. Census Bureau construction spending report
Residential spending forecast--2018: 6-9% growth (11% in 2017)

- **SF:** *8-10% growth in 2018* (9% in 2017); rising interest rates, tax law changes, student debt will limit number of potential buyers

- **MF:** *near 0 change in 2018* (4% in 2017)
  - occupancy rates, rents have leveled off; but permits are rising, implying rebound in 2019
  - millennials are staying longer in cities and denser suburbs where MF construction is bigger share of market than in outer suburbs
  - nearly all MF construction is rental, not condo; more high-rises

- **Improvements:** *10-15% growth in 2018* (16% in 2017); unpredictable because Census lacks reliable data source; post-storm reconstruction may boost totals

Source: Author
Population change by state, July 2016–July 2017 (U.S.: 0.72%)

**Top 5**
- **ID**: 2.2%
- **NV**: 2.0%
- **UT**: 1.9%
- **WA**: 1.7%
- **FL**: 1.6%

**Bottom 5**
- **HI**: -0.1%
- **AK**: -0.2%
- **IL**: -0.3%
- **WV**: -0.7%
- **WY**: -1.0%

Source: U.S. Census Bureau
State construction employment change (U.S.: 3.3%)  
3/17 to 3/18: 38 states and DC up, 12 down

**Top 5**
- WV 11%
- NV 9%
- ID 9%
- MA 8%
- NM 8%

**Bottom 5**
- 5 states -2%
- NE -4%
- KS -4%
- IA -5%
- ND -15%

Shading based on unrounded numbers

Source: BLS state and regional employment report
Metro construction employment change (U.S.: 3.3%)
3/17 to 3/18: 245 metros up, 46 unchanged, 67 down

Source: BLS state and regional employment report

Top 5
- Weirton-Stebenville, WV-OH: 29%
- Merced, CA: 26%
- Wenatchee, WA: 26%
- Midland, TX: 23%
- Lawrence-Methuen Town-Salem, MA-NH NECTA Division: 22%

Bottom 5
- 5 metro areas: -9%
- Columbia, SC: -11%
- Portland-South Portland, ME NECTA: -11%
- Monroe, MI: -17%
- Auburn-Opelika, AL: -34%
Construction workforce indicators (not seasonally adjusted)

- Construction hires, Mar. 2001–Mar. 2018
- Job openings, Mar. 2001–Mar. 2018
- Unemployment, Mar. 2001–Mar. 2018
- Production and nonsupervisory employees: avg. hourly earnings, 12-mo. % change, 3/01–3/18

Source: Bureau of Labor Statistics
Producer price indexes for key inputs, 4/17–4/18

- Diesel fuel: 42%
- Lumber & plywood: 11%
- Copper & brass mill shapes: 10%
- Gypsum: 8%
- Steel mill products: 7%
- Ready-mix concrete: 7%
- Prepared asphalt and tar roofing: 6%
- Flat Glass: 3%

Source: Bureau of Labor Statistics
Labor & materials costs are rising faster than bid prices

12-month % change, not seasonally adjusted: Jan. 2016 – March 2018

Average hourly earnings for all residential building employees

PPI for residential construction

PPI for final construction demand

Source: Bureau of Labor Statistics
<table>
<thead>
<tr>
<th></th>
<th>2016 actual</th>
<th>2017 actual</th>
<th>2018 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total spending</td>
<td>6%</td>
<td>4%</td>
<td>2-7%</td>
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<tr>
<td>Private – residential</td>
<td>11%</td>
<td>11%</td>
<td>6-9%</td>
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<tr>
<td>– nonresidential</td>
<td>8%</td>
<td>1%</td>
<td>1-5%</td>
</tr>
<tr>
<td>Public</td>
<td>-1%</td>
<td>-2%</td>
<td>-3 to 3%</td>
</tr>
<tr>
<td>Goods &amp; services inputs PPI</td>
<td>1%</td>
<td>4%</td>
<td>4-5%</td>
</tr>
<tr>
<td>Employment cost index</td>
<td>2.2%</td>
<td>2.7%</td>
<td>3-4%</td>
</tr>
</tbody>
</table>

Source: actuals: Census, BLS; forecasts: Author’s estimates
AGC economic resources
(email: simonsonk@agc.org)

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