



November 3, 2021

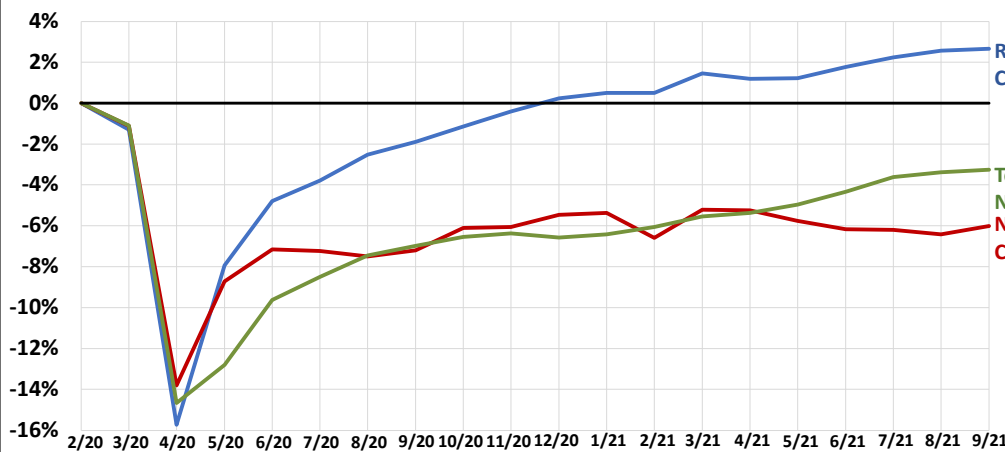
U.S. & Washington Construction Outlook: Pandemic Impacts, Policy Initiatives, Project Implications

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Total Nonfarm & Construction Employment, Feb. 2020–Sep. 2021
cumulative change (seasonally adjusted)

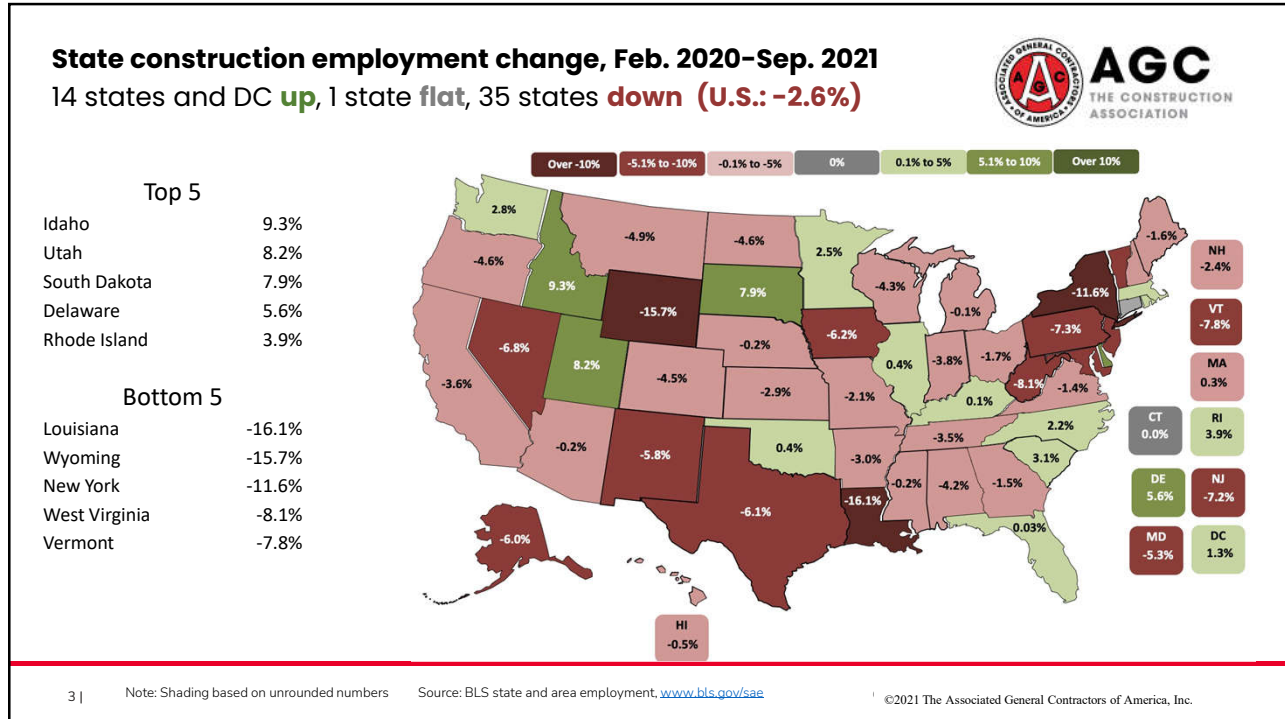


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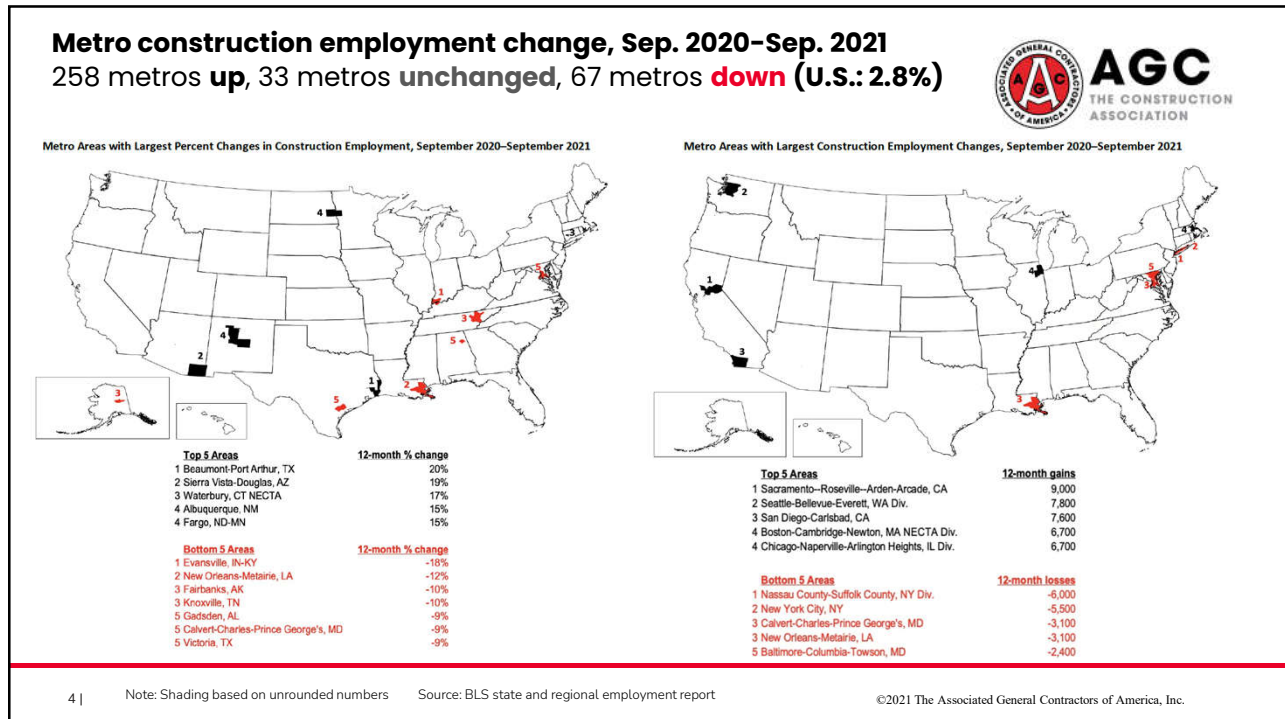
2 | Source: BLS current employment statistics, <https://www.bls.gov/ces/>

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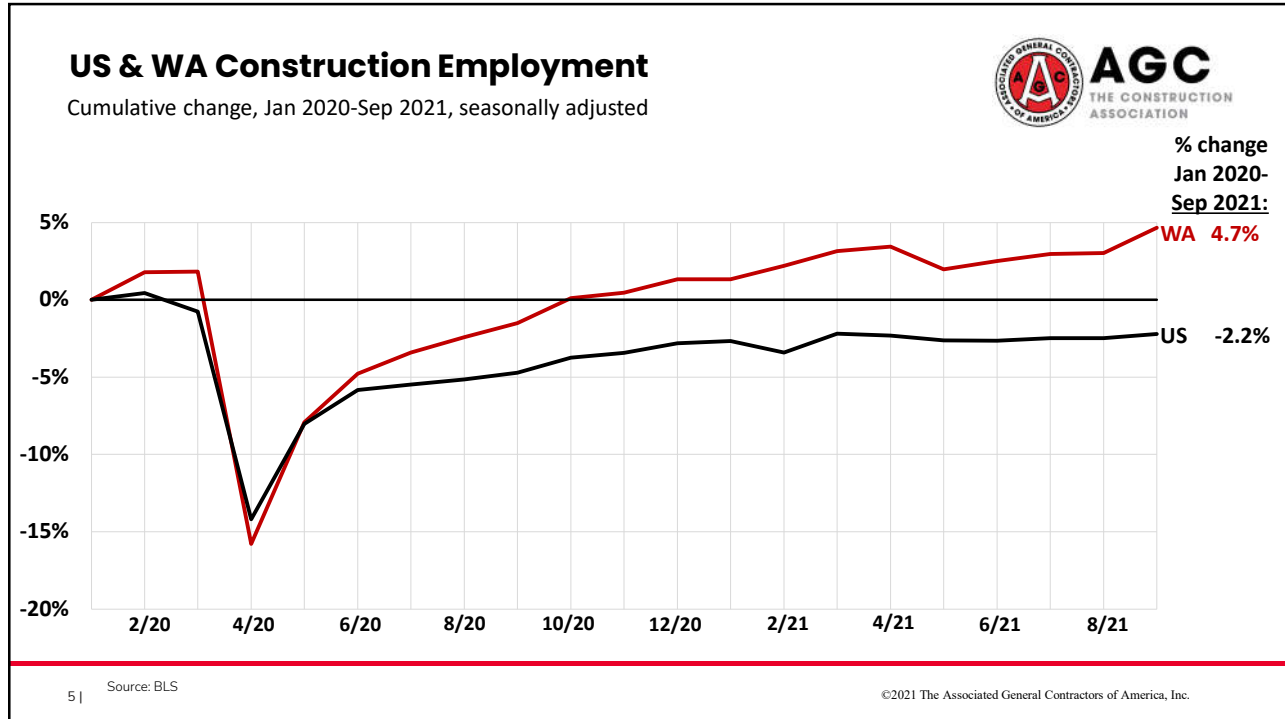
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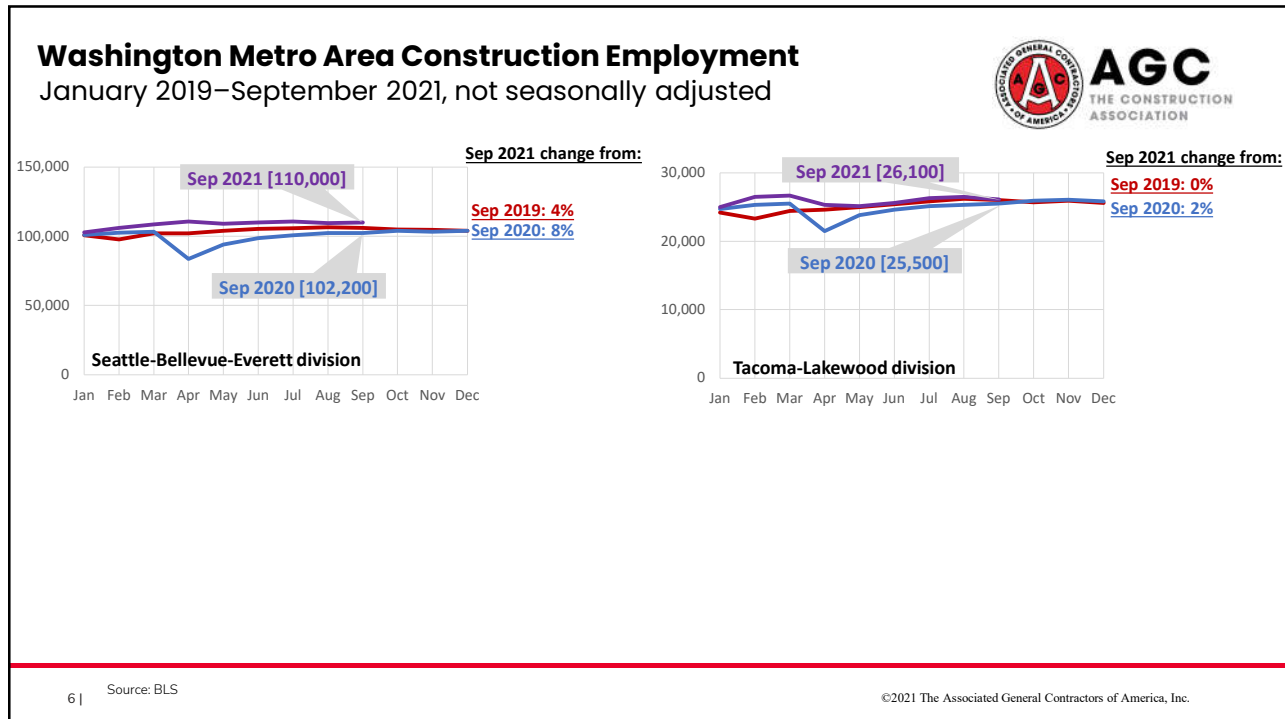
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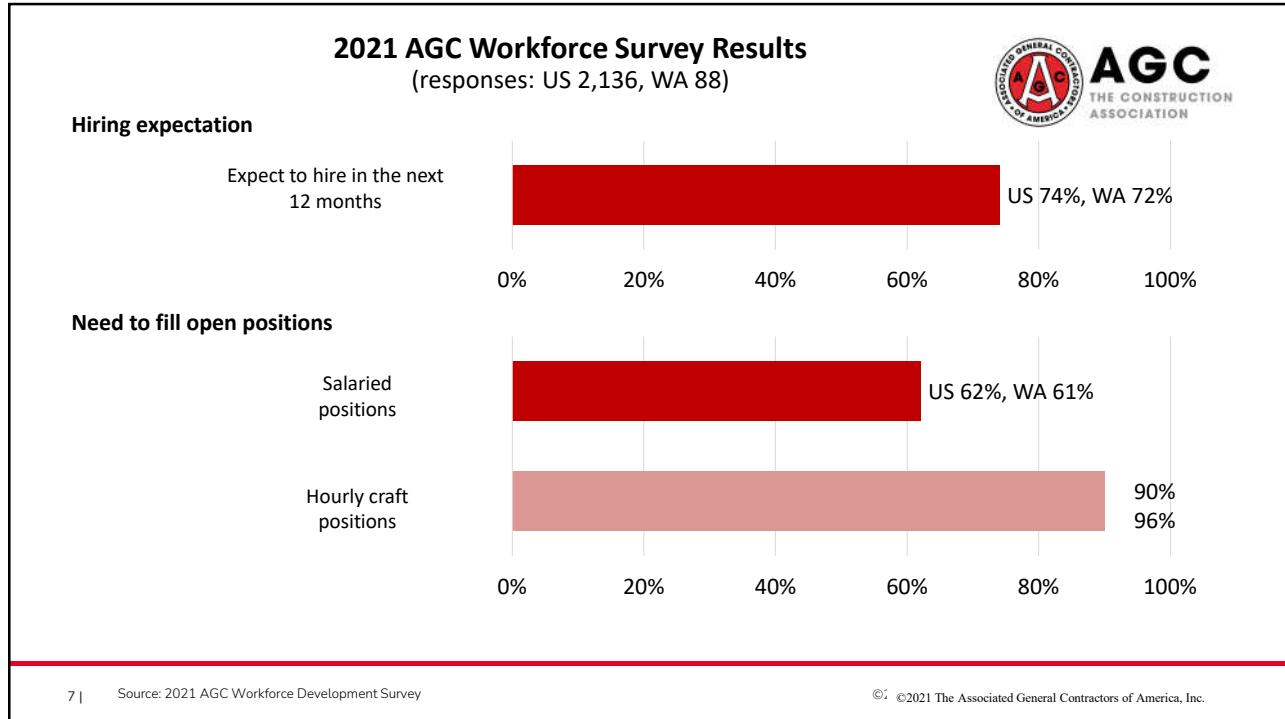
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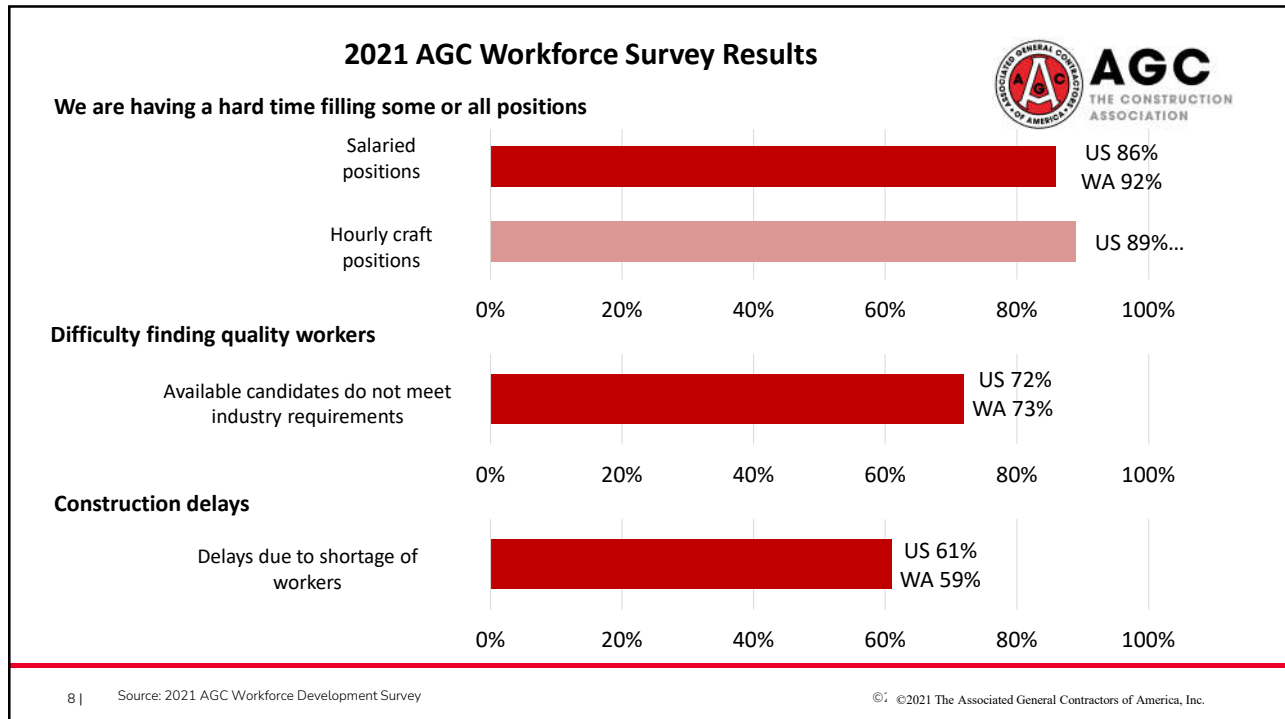
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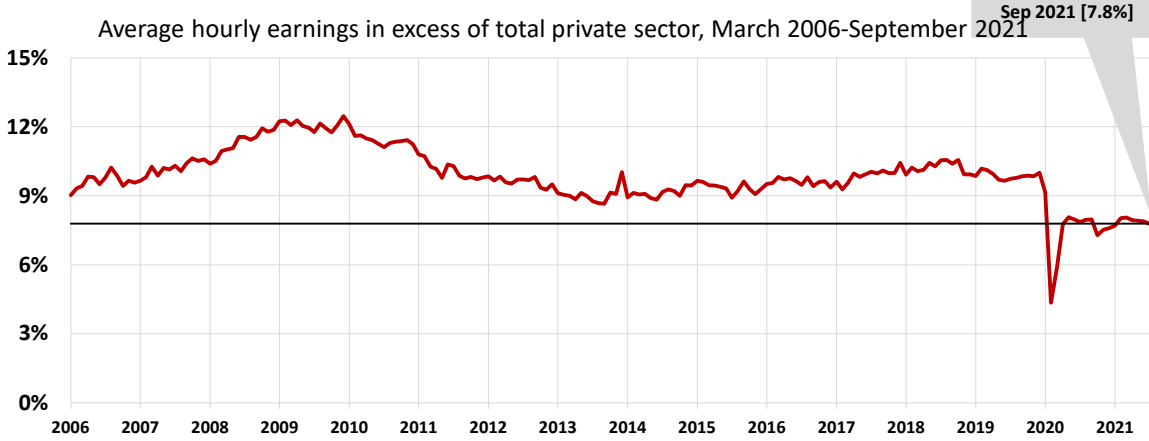
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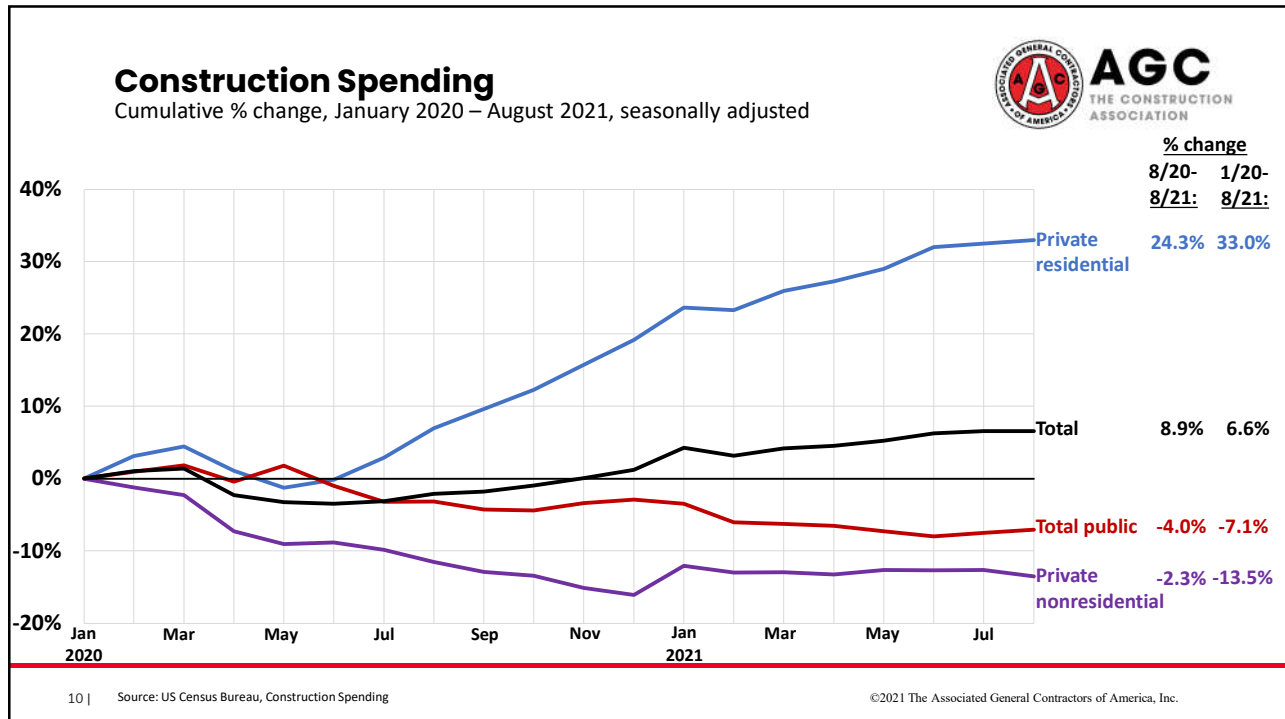
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2 concerns about construction worker supply

- Low vaccination rate: 57% for construction workers, 81% for other occupations
- Shrinking “premium” for construction wages relative to total private sector



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**Year-to-date construction spending:
Jan-Sep 2021 vs. Jan-Sep 2020**
(not seasonally adjusted)



- Total 7%; private residential 25% (single-family 37%; multi 18%); private nonres -6%; public -6%
- Largest segments (in descending order of 2021 year-to-date spending)
- Power -3% (electric -1%; oil/gas fields & pipelines -8%)
 - Education -11% (primary/secondary -8%; higher ed -16%)
 - Highway and street -1%
 - Commercial 0% (warehouse 12%; retail -13%)
 - Office -9%
 - Mfg. -0.2% (chemical 6%; transp. equip. 2%; food/beverage/tobacco 20%; electronic/electric -16%)
 - Transportation -6% (air -11%; freight rail/trucking -6%; mass transit 2%)
 - Health care -1% (hospital 0.4%; medical building 4%; special care -3%)
 - Lodging -32%

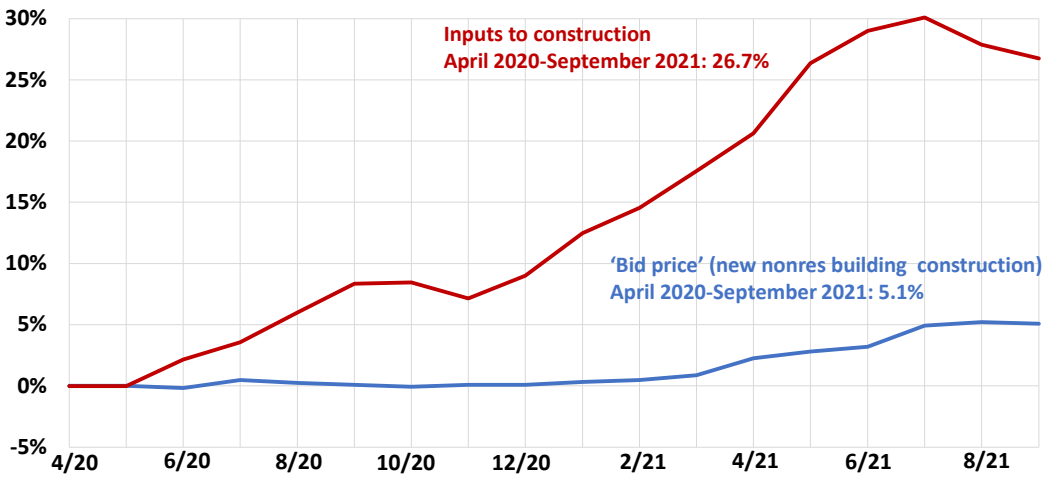
11 | Source: Author

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Construction input and 'bid price' producer price indexes (PPIs)

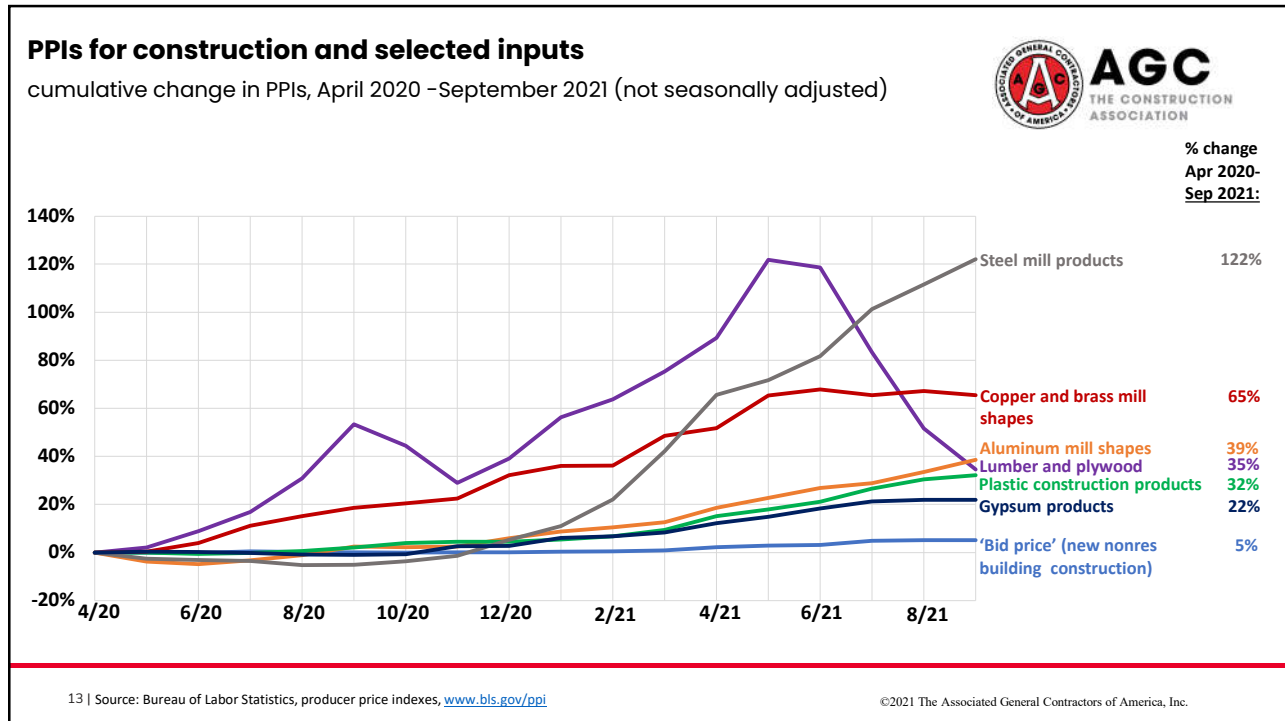
cumulative change in PPIs, April 2020 -September 2021 (not seasonally adjusted)



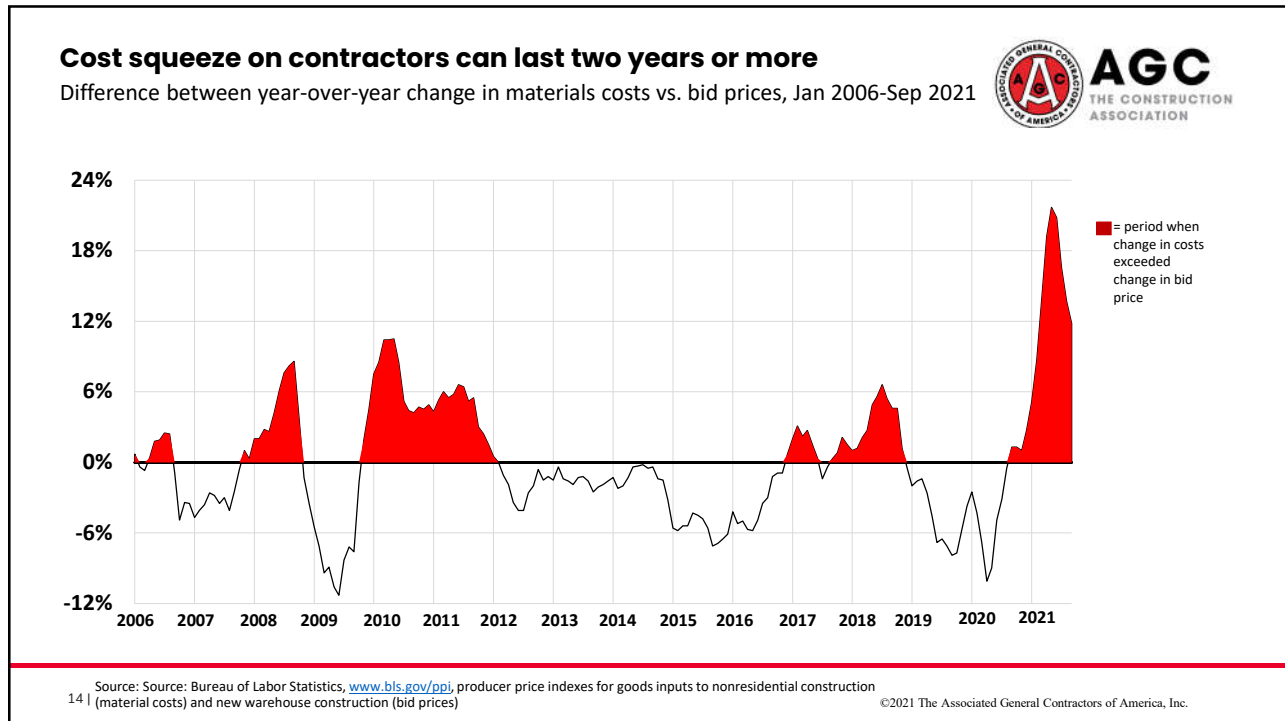
12 Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

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AGC's responses to material cost and supply-chain issues

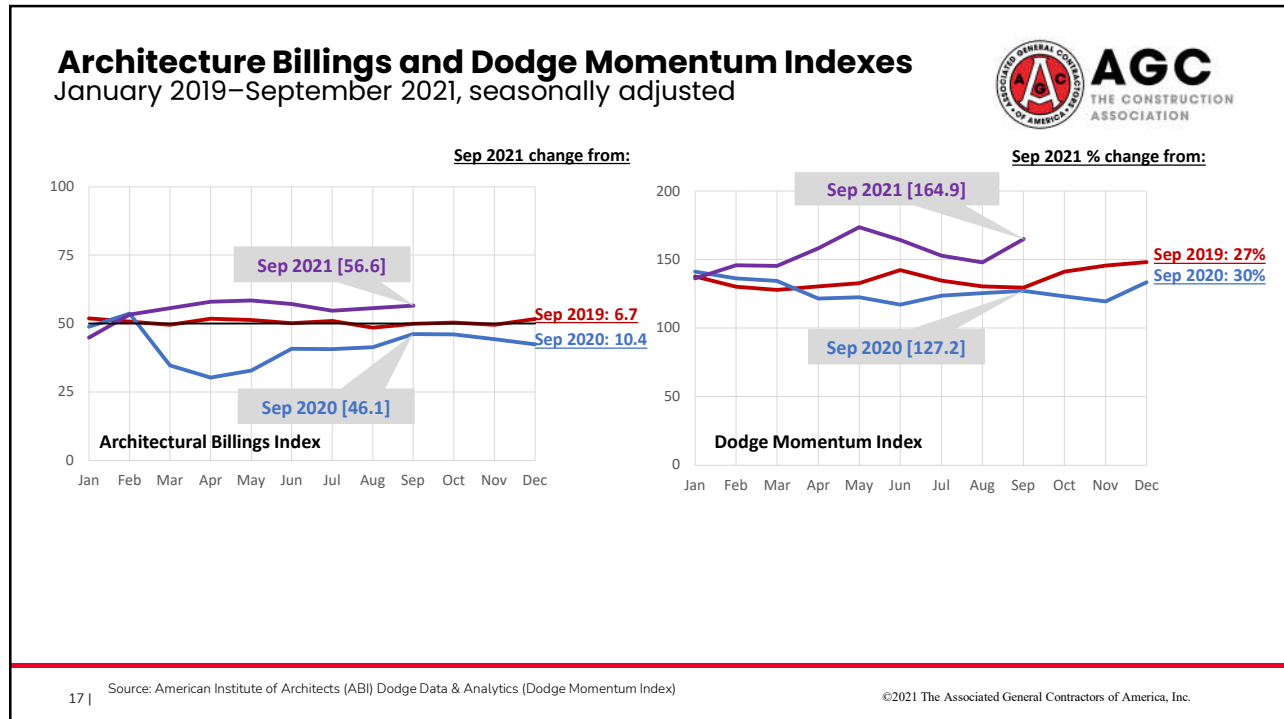


- Construction Inflation *Alert*: <https://www.agc.org/learn/construction-data/agc-construction-inflation-alert>
- ConsensusDocs Price Escalation Resource *Center*: <https://www.consensusdocs.org/price-escalation-clause/>
- *Recording* of webinar on “Soaring Material and Supply-Chain Costs and Delays”: https://store.agc.org/Store/CSI/Store/Product_List_WebEds.aspx
- Presentations to government contracting officials and owner groups
- Lobbying for tariff relief on lumber, steel, aluminum, and products
 - Presentation to National Economic Council, VP's chief economist, Commerce chief economist
 - Presentations in coalitions to counselor to Commerce secretary, Senate & House trade staff

Forward-looking indicators




Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	Sept.	56.6	46.1
Dodge Momentum Index (DMI)	Sept.	165	127
Multifamily permits not yet started	Sept.	103,000	72,000



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Medium-term impacts as recovery begins



- Economic recovery looks more certain but virus risks remain, especially for construction:
 - vaccination rate = 54% for construction workers, 81% for other occupations;
 - vaccine hesitancy rate = 42% for construction, 17% for others
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, project costs, and completion times
- Continuing cost and supply challenges may lead to more project deferrals
- Less demand than pre-crisis for retail, offices, higher ed, lodging & travel-related
- Unclear how states and localities will spend added tax revenue and federal dollars
- Senate infrastructure bill won't become law before October, if at all
- Best private prospects: remodeling, local distribution centers, data centers, restaurants

18 | Source: Author | ©201 ©2021 The Associated General Contractors of America, Inc.

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Long-run construction outlook (post-pandemic)



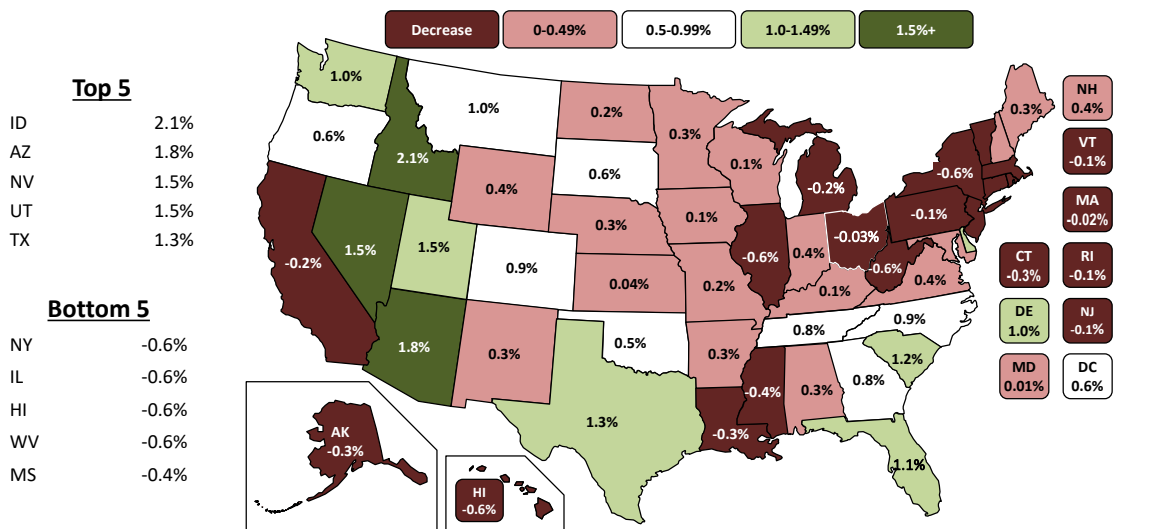
- Slower population growth means slower demand growth for most construction
- Permanent shift from retail to e-commerce/distribution structures
- More specialized and online healthcare facilities; fewer hospitals, nursing homes
- More wind, solar, battery storage and charging facilities, and related manufacturing
- Less oil drilling and pipeline construction
- Continuing demand for K-12 but much less for higher ed construction
- Not clear if offices will decentralize or remain in less demand
- Not clear yet if urban/rural or state-to-state trends will change

19 | Source: Author

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Population change by state, July 2019–July 2020 (U.S.: 0.35%)



20 | Source: U.S. Census Bureau, Dec. 2020 estimates, www.census.gov/popest

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AGC economic resources

(email ken.simonson@agc.org)

- *The Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- *Construction Inflation Alert*:

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

- ConsensusDocs Price Escalation Resource [Center](https://www.consensusdocs.org/price-escalation-clause/):
<https://www.consensusdocs.org/price-escalation-clause/>
- Autodesk-AGC of America Workforce [Survey results](#)
- State and metro data, fact sheets: www.agc.org/learn/construction-data
- Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings

