

# Construction & Materials Outlook

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## Current economic influences

- Credit market freeze affecting private, state and local borrowers
- Weak demand for income-producing properties
- Falling state spending
- No job growth, rising unemployment
- Stimulus (details: [www.agc.org/stimulus](http://www.agc.org/stimulus))







# Stimulus timing, strings

- **Timing – highways**

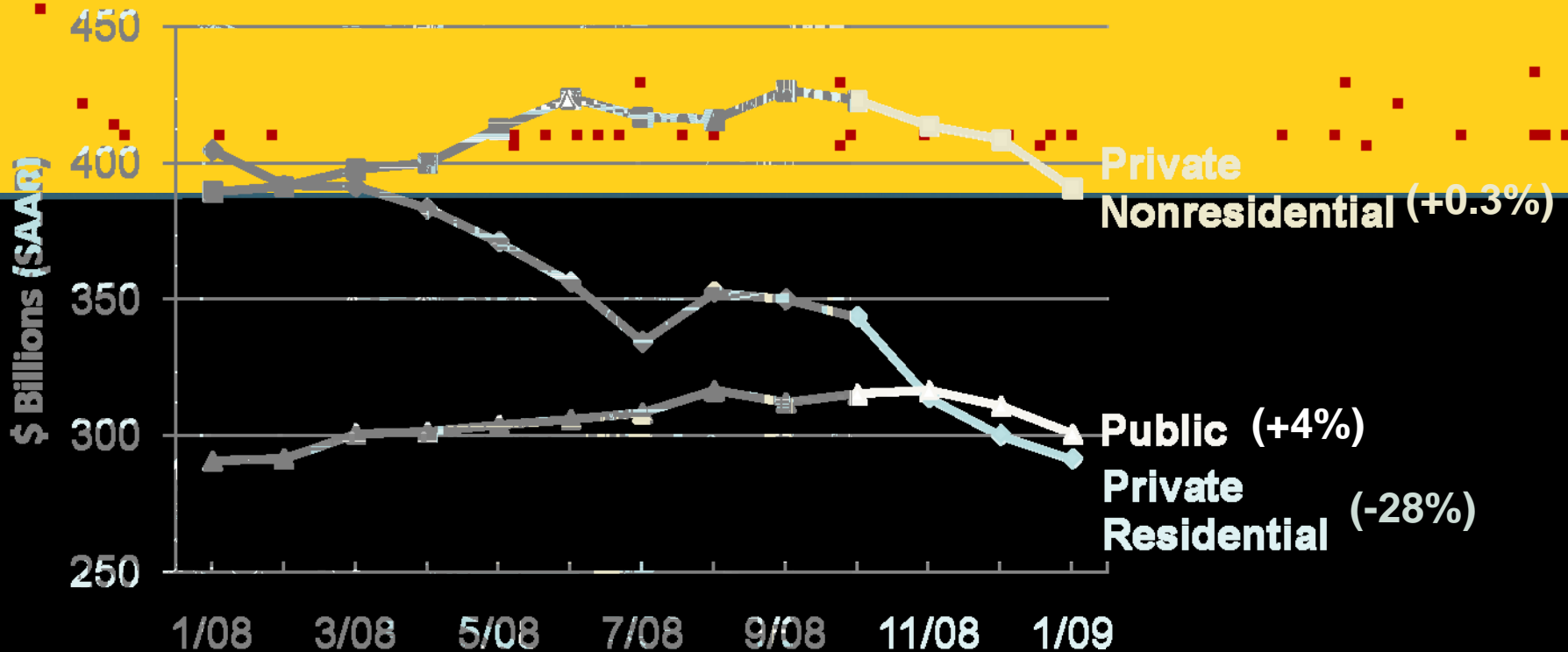
- States must obligate 1/2 of their total by June 30
- States must obligate remainder by Feb. 17, 2010

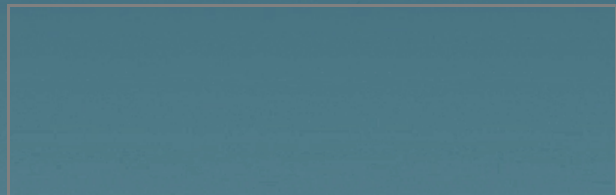
- **Timing – other construction: language varies**

# The shifting construction market

(construction spending, seasonally adjusted annual rate)

**Total change January 2008 – January 2009: -9%**







# Housing outlook

# Nonres totals, share, 1- & 12-month change

	1/09 Total	Share	vs. 12/08	vs. 1/08
<b>Nonresidential total</b>	\$687 billion	100%	- 4%	+ 2%
Educational	104	15	+ 1	+ 4
Highway and street	79	12	- 1	+ 6
Commercial	73	11	- 3	- 19
Manufacturing	73	11	0	+ 49
Power	68	10	- 12	+ 8
Office	68	10	- 2	- 4
Health care	46	7	- 5	+ 6
Lodging	32	5	- 5	0
Transportation	33	5	- 2	- 1
Sewage and waste disposal	26	4	- 4	+ 2
Amusement and recreation	21	3	- 3	- 9
Other (communication; public safety; relig.; conservation): 9% of total				

# Public construction (seas. adj. annual rate)

	<b>1/09 Total</b> \$304 billion	<b>State/Local</b> \$277 billion	<b>Federal</b> \$27 billion
Educational	85	84	2
Highway and street	79	78	1
Sewage and waste disposal	25	24	
Transportation	23	21	2
Water supply	16	15	
Office	16	10	6
Public safety	14	9	4
Amusement and recreation	12	12	
Power	8	8	1

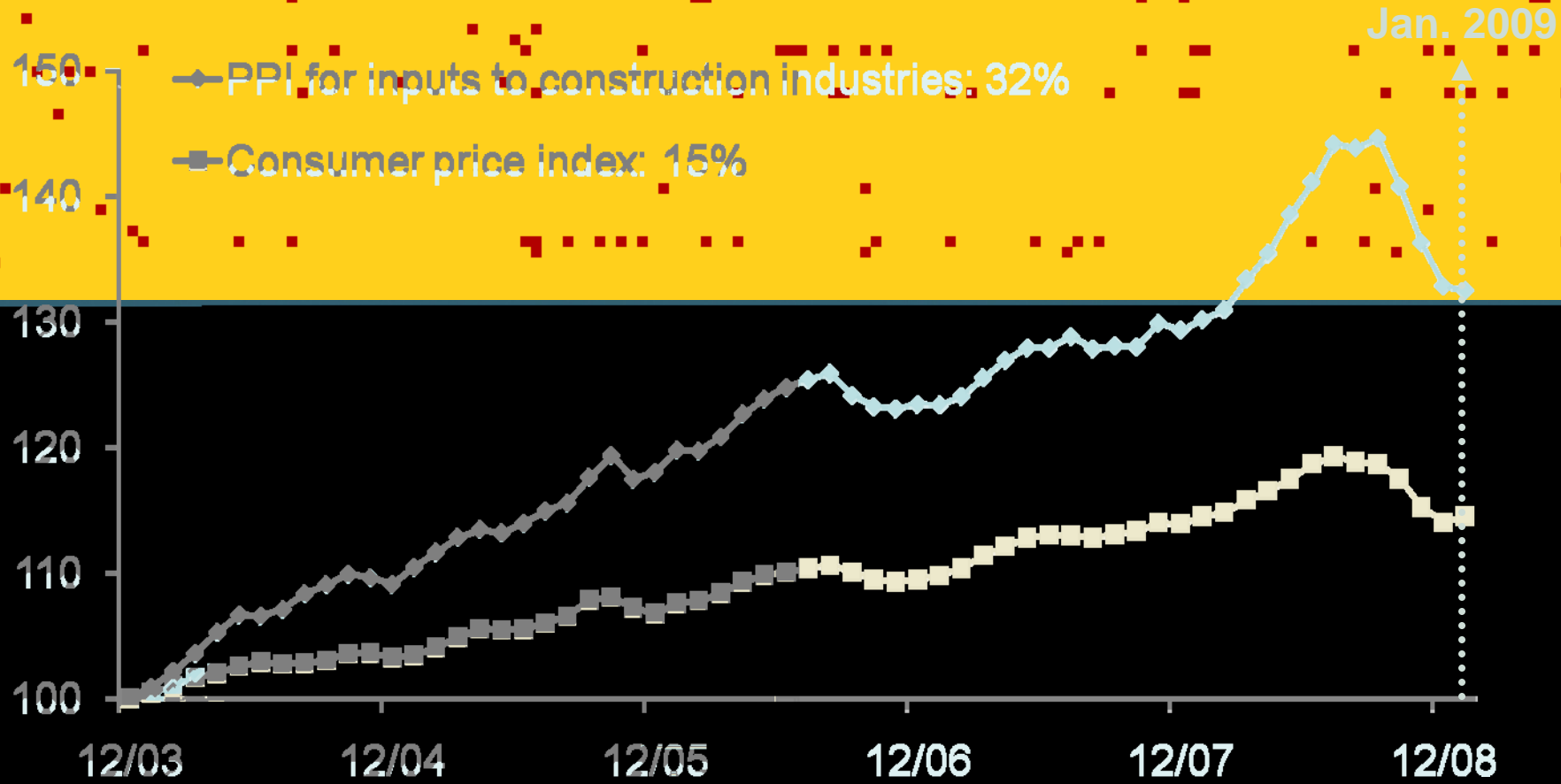
# Spending outlook for 2009

	Actual 2008	Forecast 2009
<b>Residential</b>	- 27%	- 2 to +2%
<b>Nonresidential</b>	+12%	- 3 to - 9%
<b>Total</b>	- 5%	- 1 to - 7%

# Materials and components

- Higher increases for construction inputs than for overall economy
- Cumulative change double the CPI since 12/03:
  - Const PPI: 32%
  - CPI-U: 15%
- Producer price index drivers: steel, gypsum, diesel, asphalt, concrete, copper, plastics, aluminum, wood

# Change in Producer Prices for Construction vs. Consumer Prices, 2003 - 2009 (December 2003 = 100)



Source: BLS (CPI, PPI)







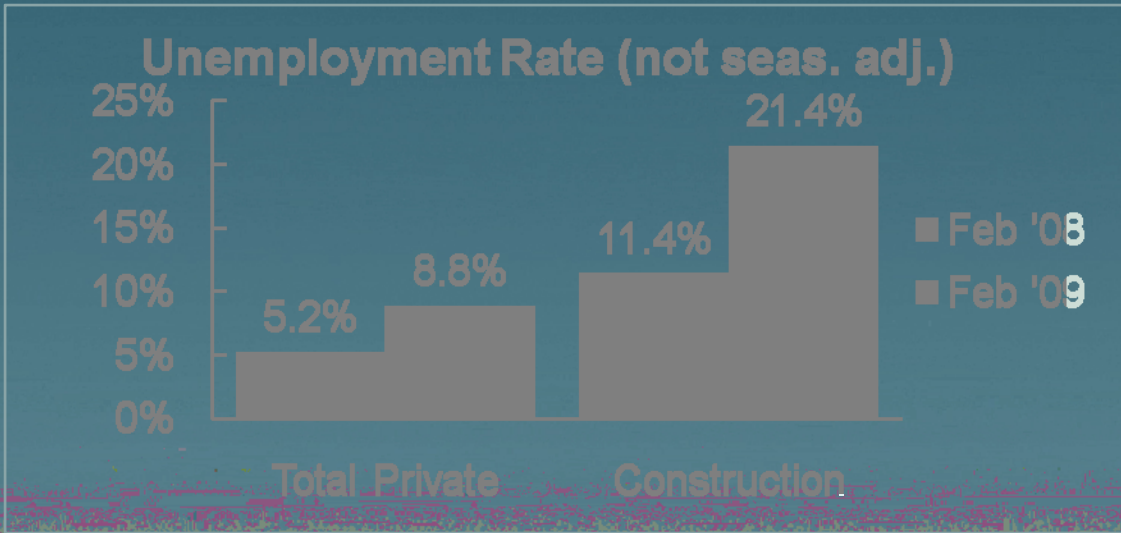
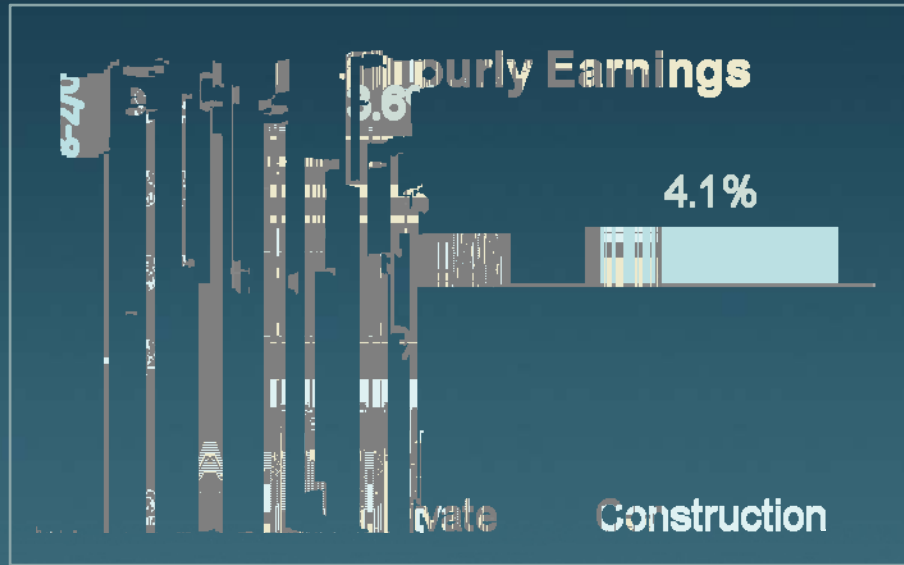
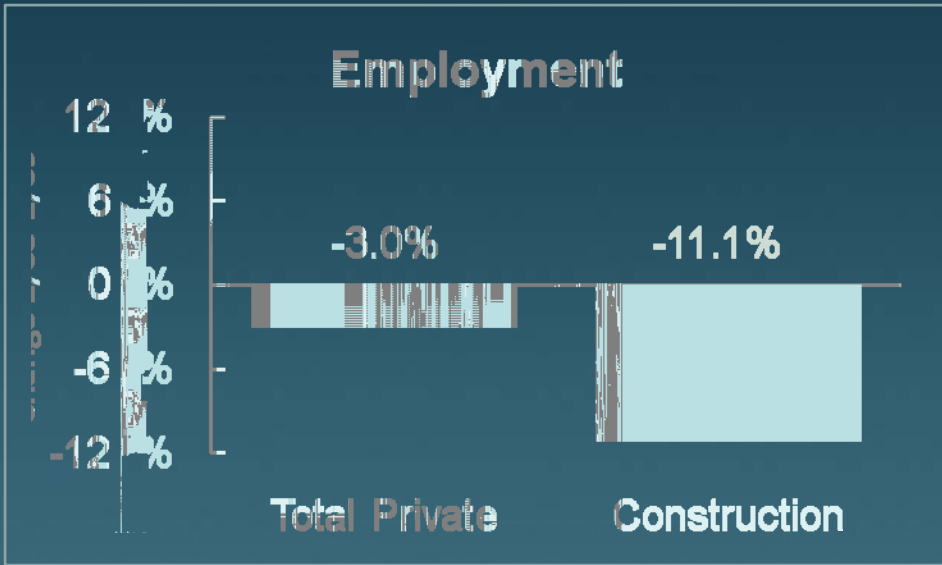


# Outlook for materials in '09 compared to '08

## Outlook for materials (beyond 2009)

- **Industry depends on specific materials that:**
  - are in demand worldwide
  - have erratic supply growth
  - are heavy, bulky or hard to transport
- **Construction requires physical delivery**
- **Thus, industry is subject to price spurts, transport bottlenecks, fuel price swings**
- **Expect 6 to 8% PPI increases, higher spikes**

# Construction jobs fall, but wages rise (seasonally adjusted)



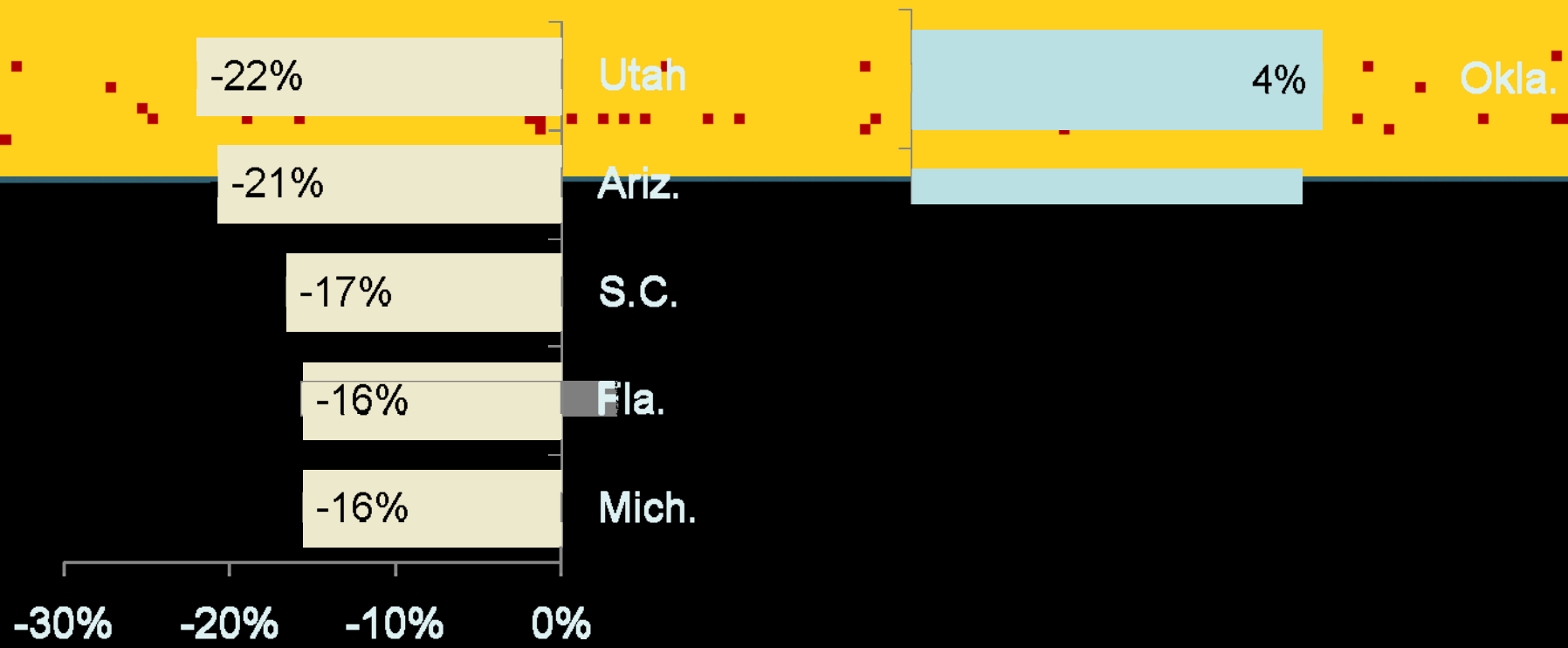


# State construction employment, 12/07 – 12/08

AL - 4%	FL -16%	<b>LA + 4%</b>	NE - 1%	<b>OK + 4%</b>	VT -13%
AK - 1	GA -10	ME -10	NV -15	OR -13	VA - 6
AZ -21	HI - 8	MD - 6	NH - 8	PA - 5	WA -10
AR - 3	ID -15	MA - 9	NJ - 5	RI -12	WV - 6
CA -11	IL -13	MI -16	NM - 2	SC -17	WI - 7
CO - 5	IN -13	MN -10	NY - 5	SD - 5	WY - 1
CT - 8	IA - 5	MS - 1	NC - 7	TN - 4	
DE -11	KS - 3	MO - 1	ND - 1	<b>TX + 1</b>	
<b>DC + 2</b>	KY -12	MT - 8	OH - 9	UT -22	

# State construction employment, 12/07 – 12/08

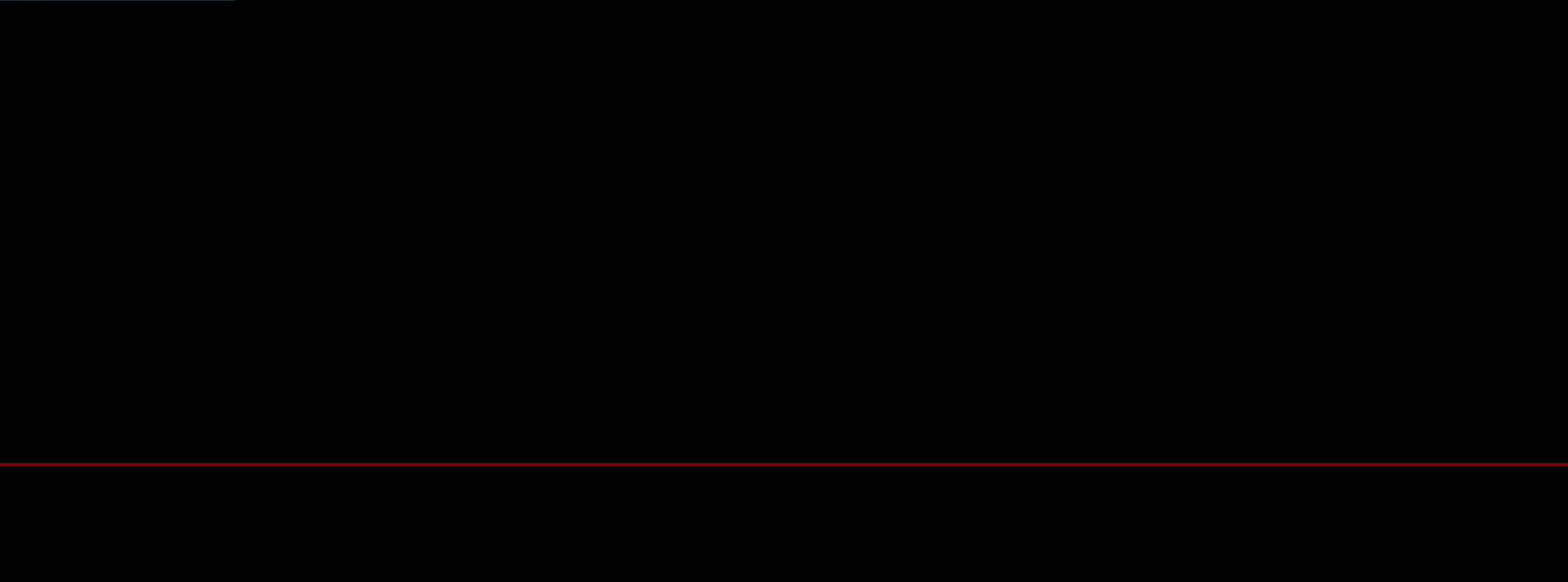
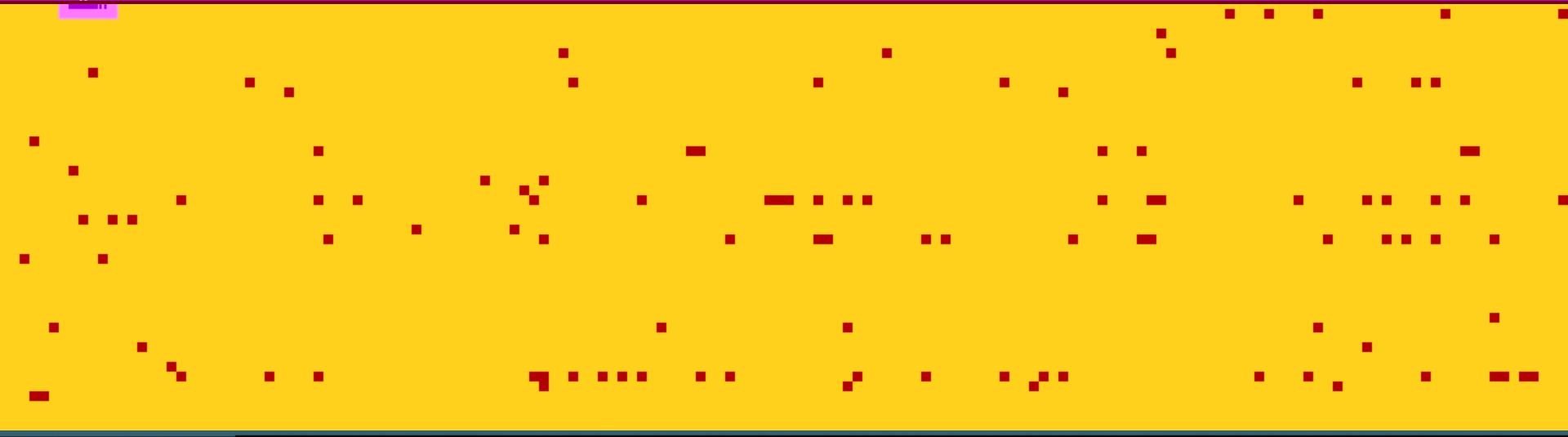
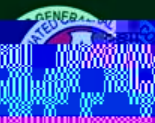
(U.S. total: -8.5%)



## Summary for 2009

- Nonres spending: -3 to -9%
- Res: -2 to +2% (SF up in 2d half, MF down all year)
- Total construction spending: -1% to -7%
- Materials costs: -4% to 0%
- Labor costs: +3% to +4%





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