

## What We Learned in January: Construction Industry Continues to Slide

The construction industry posted another month of concerning economic data. Hiring remains sluggish, while construction spending has failed to gather any momentum. Rising input prices and high borrowing costs represent an ongoing cause for concern, yet contractors remain broadly optimistic about the outlook.

### Construction Spending Stays Stagnant

Nonresidential construction spending was down 0.9% year over year in October, and that weakness is entirely concentrated in the private nonresidential segment (-2.6% Y-o-Y). Public nonresidential construction spending has actually grown modestly over the past year, rising 1.8%. While data center construction spending continues to surge, that momentum has been more than offset by ongoing declines in the manufacturing category. With CHIPS Act-enabled megaprojects coming to their conclusion and tariff-induced industrial weakness, manufacturing-related construction spending will continue to slide in the coming months.

### Industrywide Hiring Slowed to a Crawl in 2025

Construction employment fell by 11,000 in December, and the industry added just 14,000 jobs in 2025. Excluding 2020, that's the fewest in any year since 2011, when the construction industry was still devastated by the Great Recession. The nonresidential segment outperformed its residential counterpart, adding about 55,600 jobs in 2025, but that momentum waned toward the end of the year, and the segment actually lost about 8,000 jobs in December.

### Construction Industry Must Attract 349,000 Workers in 2026

Despite tepid forecasts for construction industry expansion in 2026, the industry must still attract nearly 350,000 new

workers to maintain a natural rate of unemployment, according to a proprietary model developed by Associated Builders and Contractors. That's significantly fewer than was projected as of the start of 2025 and largely reflects the industry workforce's expected pace of retirement in 2026.

### Backlog Rises, Contractors Still Confident

ABC's Construction Backlog Indicator increased to 8.2 months in December but is still down 0.1 months over the past year. Over the past several months, backlog has increased rapidly for the largest contractors and plunged for the smallest. Contractors with greater than \$100 million in annual revenue recorded their highest backlog since 2021, while those with less than \$30 million in annual revenue recorded their lowest since 2021.

Despite this divergence, contractors are on balance optimistic about the future, according to ABC's Construction Confidence Index, particularly regarding sales and staffing levels.

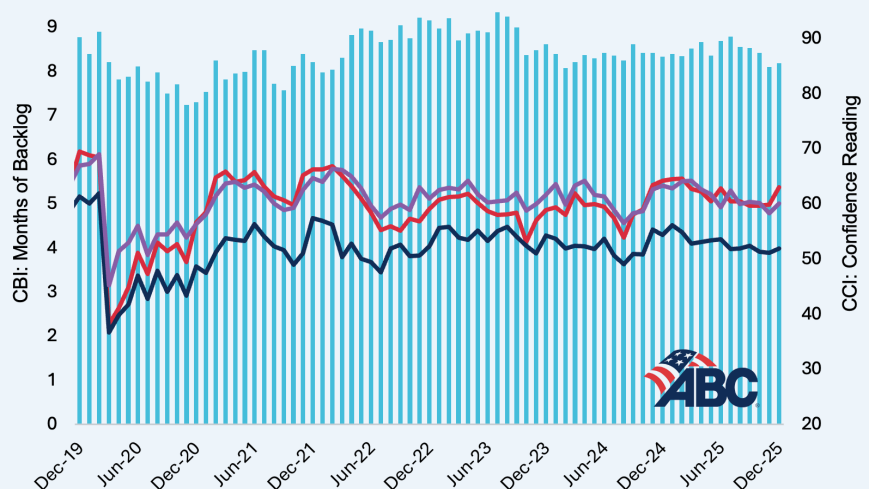
### Materials Price Escalation Accelerates

Construction input prices increased again in November and are now up 3.4% year over year. While that's a modest rate of growth, it also represents the fastest annual increase since January 2023. Tariff-affected inputs like derivative metal products have experienced particularly rapid price escalation.

### Looking Ahead

The construction industry remains stagnant in the face of brisk headwinds like high borrowing costs, tight lending standards, policy volatility and emerging materials price escalation. If borrowing costs do manage to decline at some point in 2026, however, activity has the potential to rebound by the end of the year.

## ABC Construction Backlog Indicator and Construction Confidence Index 2013-December 2025



January 2026 Economic Overview		Values			Change From
Construction Backlog Indicator (Months)*	Dec-25	Nov-25	Dec-24	Nov-25	Dec-24
Nationwide	8.2	8.1	8.3	0.1	-0.1
Middle States	7.5	7.1	8.0	0.4	-0.5
Northeast	7.5	8.3	7.5	-0.8	0.0
South	9.8	8.7	9.7	1.1	0.1
West	7.2	8.1	7.8	-0.9	-0.6
Construction Confidence Index**	Dec-25	Nov-25	Dec-24	Nov-25	Dec-24
Sales	62.9	59.8	64.2	3.1	-1.3
Profit Margins	51.8	51.1	54.3	0.7	-2.5
Staffing	60.0	58.2	63.2	1.8	-3.2
Spending (\$Millions)	Oct-25	Sep-25	Oct-24	Sep-25	Oct-24
Total Construction	\$2,175,239	\$2,164,348	\$2,197,116	0.5%	-1.0%
Residential	\$926,474	\$915,025	\$937,550	1.3%	-1.2%
Nonresidential	\$1,248,766	\$1,249,323	\$1,259,566	0.0%	-0.9%
Amusement and recreation	\$43,784	\$43,605	\$42,143	0.4%	3.9%
Commercial	\$121,725	\$121,657	\$124,609	0.1%	-2.3%
Communication	\$29,699	\$29,845	\$29,621	-0.5%	0.3%
Conservation and development	\$13,042	\$12,860	\$12,237	1.4%	6.6%
Educational	\$140,970	\$139,650	\$143,108	0.9%	-1.5%
Health care	\$69,067	\$69,218	\$69,386	-0.2%	-0.5%
Highway and street	\$142,581	\$142,602	\$144,199	0.0%	-1.1%
Lodging	\$24,367	\$24,353	\$24,632	0.1%	-1.1%
Manufacturing	\$214,137	\$216,331	\$236,928	-1.0%	-9.6%
Office	\$105,819	\$106,214	\$106,783	-0.4%	-0.9%
Power	\$157,708	\$157,591	\$152,652	0.1%	3.3%
Public safety	\$19,489	\$19,713	\$19,432	-1.1%	0.3%
Religious	\$5,206	\$5,143	\$4,545	1.2%	14.5%
Sewage and waste disposal	\$54,828	\$54,843	\$47,340	0.0%	15.8%
Transportation	\$69,337	\$69,252	\$66,707	0.1%	3.9%
Water supply	\$37,006	\$36,447	\$35,243	1.5%	5.0%
Private Nonresidential	\$737,381	\$738,523	\$757,391	-0.2%	-2.6%
Public Nonresidential	\$511,385	\$510,800	\$502,175	0.1%	1.8%
Employment (Thousands)	Dec-25	Nov-25	Dec-24	Nov-25	Dec-24
All Industries	159,526	159,476	158,942	0.0%	0.4%
Construction	8,303	8,314	8,289	-0.1%	0.2%
Residential building	952	956	953	-0.4%	-0.1%
Nonresidential building	918	919	915	-0.1%	0.3%
Heavy and civil engineering construction	1,186	1,183	1,173	0.2%	1.1%
Residential specialty trade contractors	2,367	2,366	2,407	0.0%	-1.7%
Nonresidential specialty trade contractors	2,881	2,890	2,841	-0.3%	1.4%
Construction Unemployment Rate	5.0%	4.1%	5.2%	0.9pp	-0.2pp
Average Hourly Construction Earnings	40.4	40.2	38.9	0.3%	3.7%
Average Weekly Construction Hours	38.9	39.2	38.8	-0.8%	0.3%
Job Openings and Labor Turnover Survey	Nov-25	Oct-25	Nov-24	Oct-25	Nov-24
Job Openings	292,000	202,000	277,000	90,000	15,000
Hires	342,000	331,000	337,000	11,000	5,000
Total Separations	301,000	288,000	312,000	13,000	-11,000
Layoffs and discharges	141,000	161,000	137,000	-20,000	4,000
Quits	149,000	110,000	143,000	39,000	6,000
Other separations	12,000	16,000	33,000	-4,000	-21,000
Producer Price Index	Nov-25	Oct-25	Nov-24	Oct-25	Nov-24
Construction	329.4	327.4	318.5	0.6%	3.4%
Multifamily	157.3	156.7	152.8	0.4%	2.9%
Nonresidential	166.9	165.9	160.7	0.6%	3.8%
Commercial	158.8	158.0	151.7	0.5%	4.7%
Healthcare	158.1	157.3	151.3	0.5%	4.5%
Industrial	165.3	164.4	158.3	0.6%	4.4%
Other nonresidential	164.9	163.9	159.0	0.6%	3.7%
Maintenance and repair	334.6	332.5	324.5	0.6%	3.1%

Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau; U.S. Bureau of Labor Statistics; Associated Builders and Contractors.

\* The [Construction Backlog Indicator](#) measures the average months of work under contract for ABC members.

\*\* The [Construction Confidence Index](#) is a diffusion index where values above 50 indicate expectations of expansion over the next six months, while values under 50 indicate expectations of contraction.