

Construction Executive's

2021

Construction
Economic Forecast

By: Anirban Basu
Sage Policy Group, Inc.

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Back to the Future

*A Tribute to 80s Movies & Hope
that Life Returns to Normal
Sooner Rather than Later*



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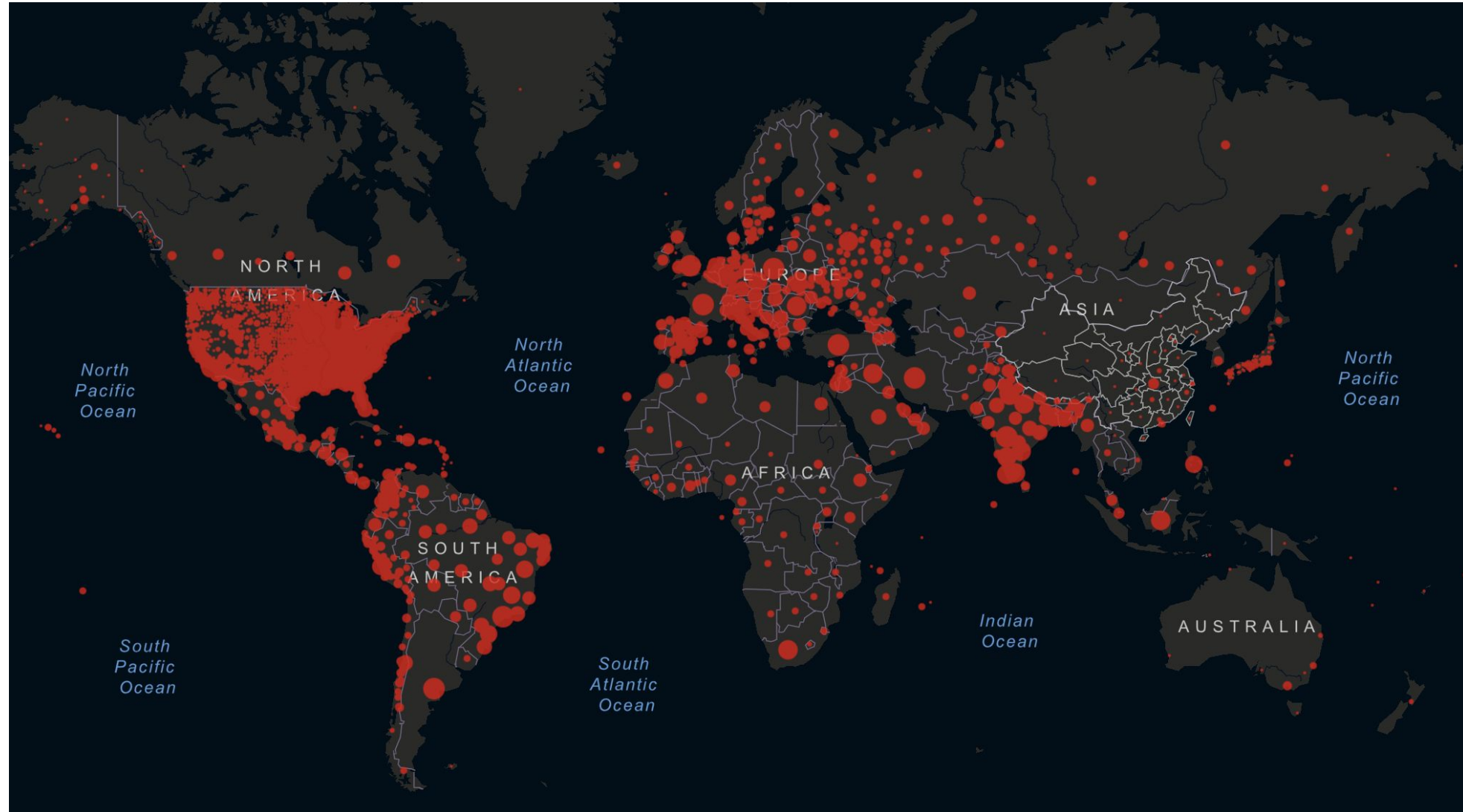
2021 Construction Economic
Forecast

December 16, 2020

Your Latest COVID-19 Economic Update

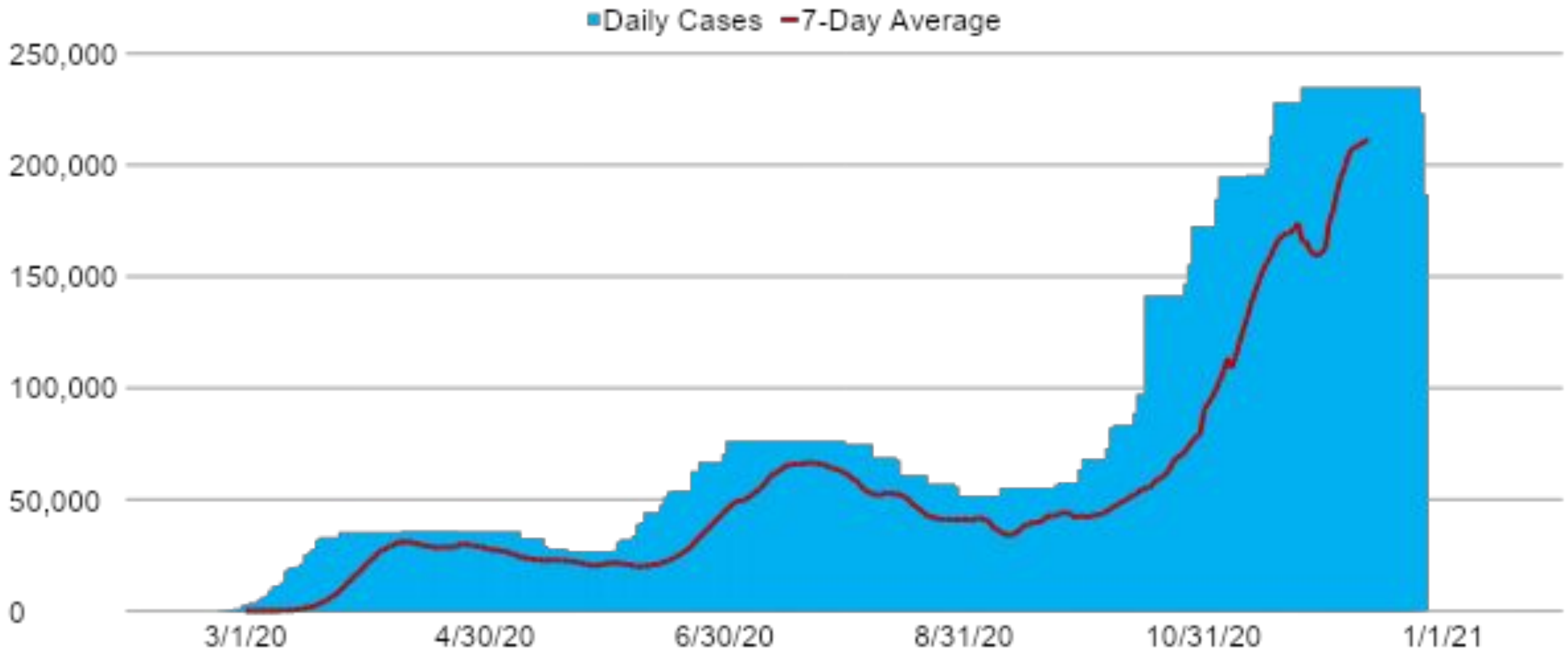
Coronavirus COVID-19 Global Cumulative Confirmed Cases

As of 12/14/2020



Total Confirmed: 72,336,167 | Total Deaths: 1,614,159

U.S. COVID-19 Daily Cases, March – December 2020



Which Workers Face the Highest Unemployment Risk?

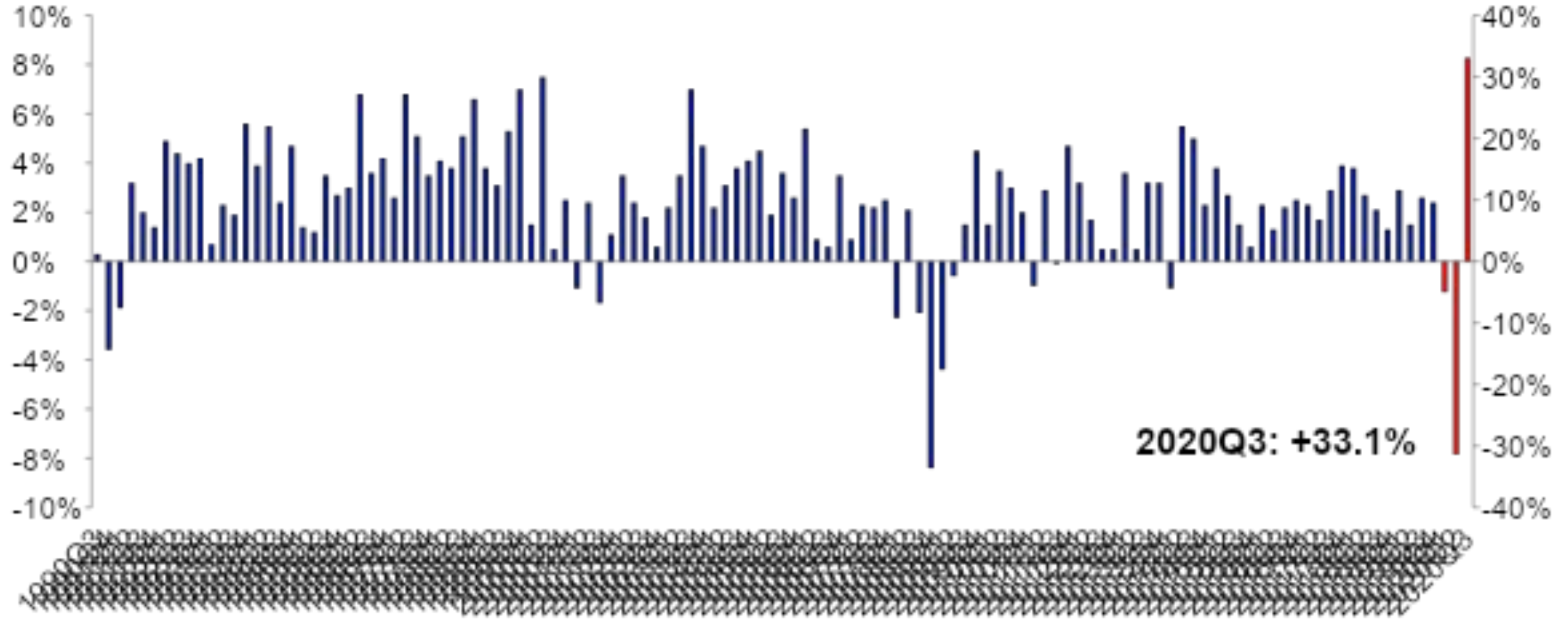
	Total Employment	Share of Total Employment
All Occupations	144,731,220	-
Employed in Occupations at “Low Risk” of Layoff	77,944,910	54%
Employed in “Essential” Occupations	24,840,280	17%
Employed in Occupations Possible to Work from Home	48,204,920	33%
Employed in Other Salaried Occupations	4,899,710	3%
Employed in Occupations at “High Risk” of Layoff	66,786,310	46%
Food Preparation and Serving-Related Occupations	13,374,170	9%
Sales and Related Occupations	10,443,460	7%
Production Occupations	8,313,750	6%
Installation, Maintenance and Repair Occupations	5,628,890	4%
All Other “High-Risk” Occupations	29,026,040	20%

Gross Domestic Product

1990Q3 through 2020Q3*

% Change from Preceding Period (SAAR)

2020



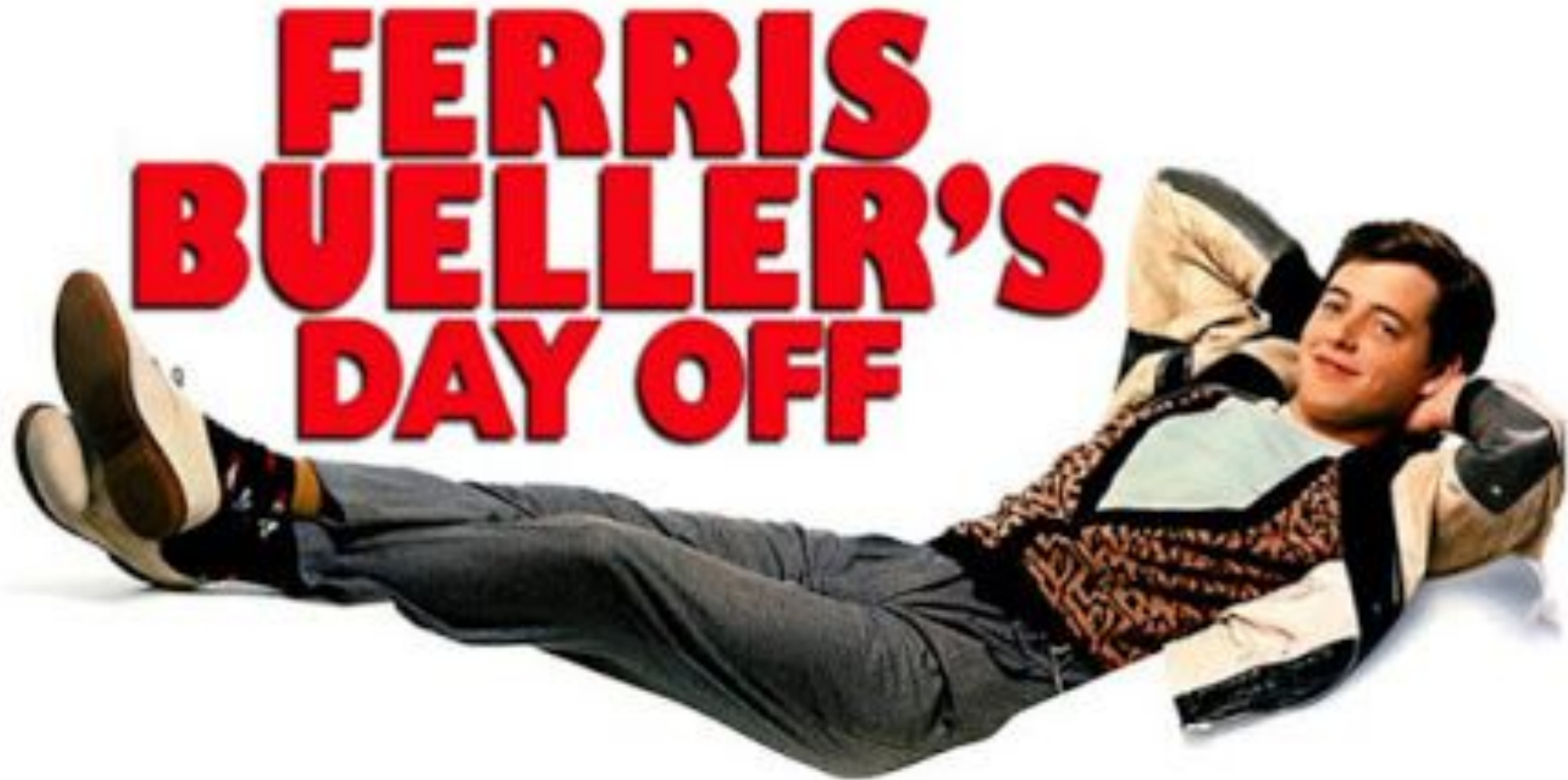
2020Q3: +33.1%

Audience Poll

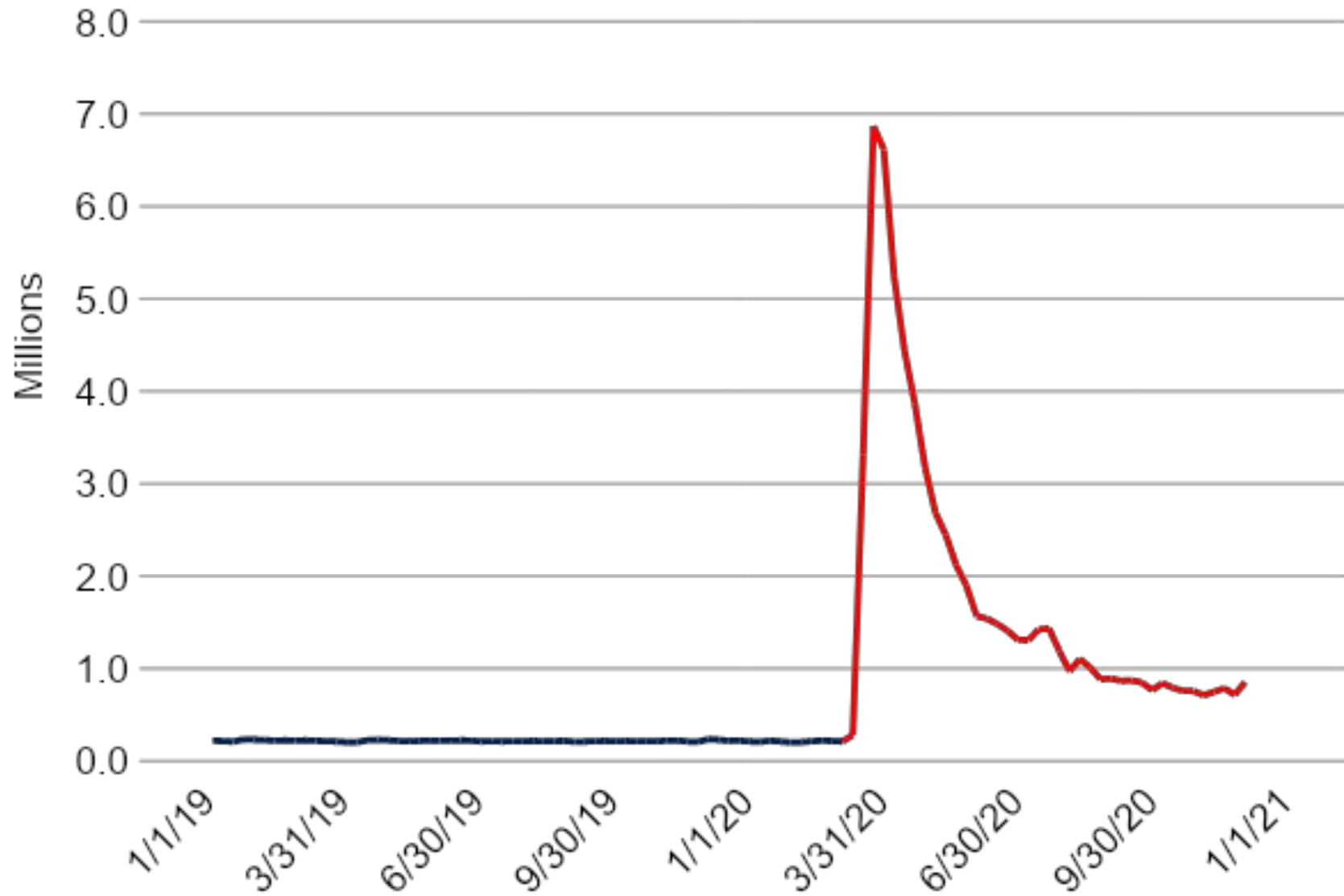
Has the promise of a vaccine added optimism to your company's 2021 outlook?

- Yes
- No

Ferris Bueller's Day Off (1986)

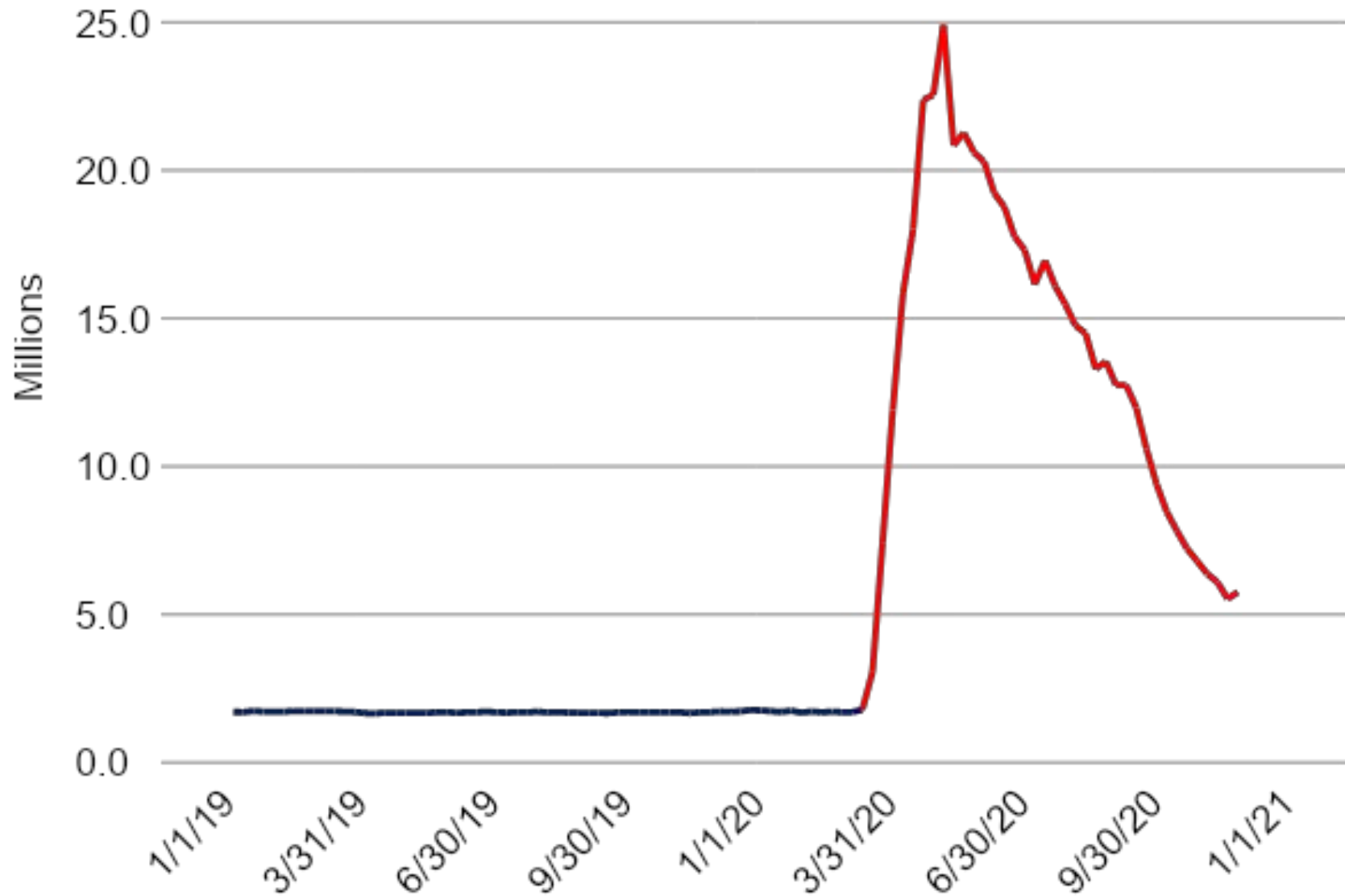


U.S. Unemployment Insurance Initial Weekly Claims, 2019-2020



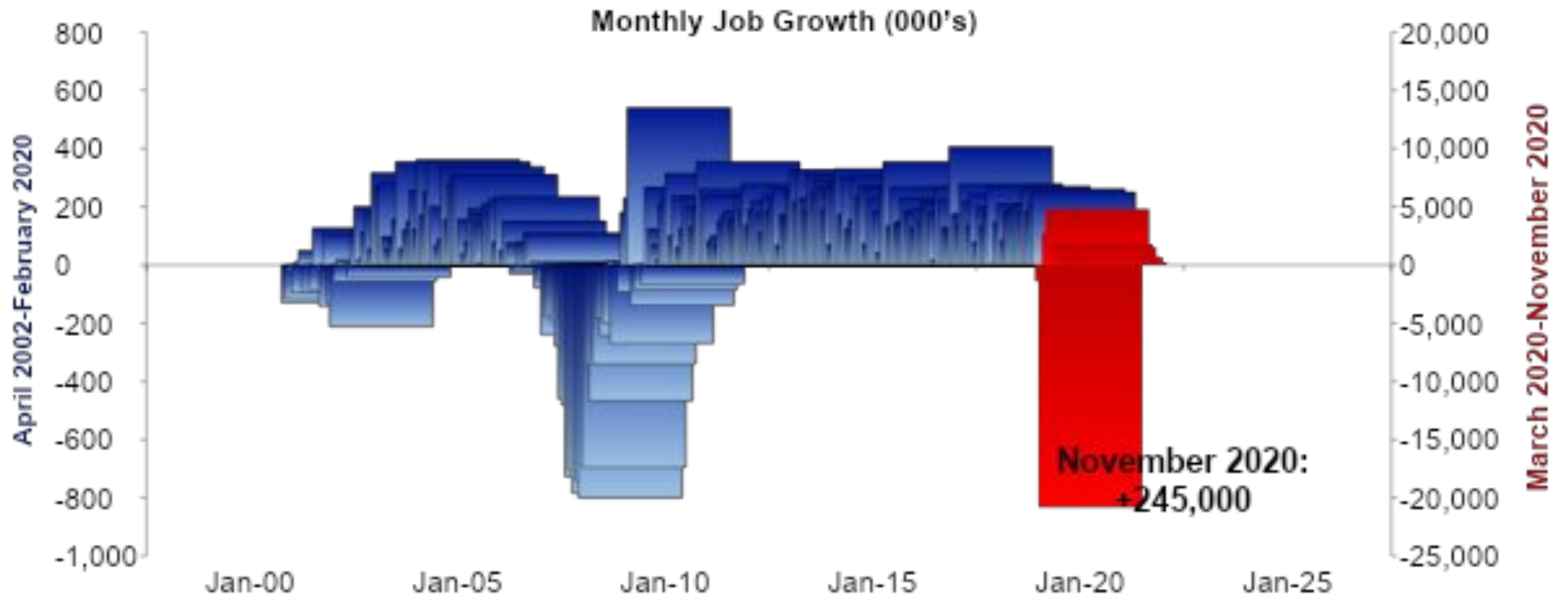
- During the week ending December 5, the advance figure for seasonally adjusted initial claims was **853,000**, an increase of 137,000 from the previous week.
- But that's not the whole story . . .

U.S. Unemployment Insurance Continuing Claims, 2019-2020



- During the week ending November 28, the advance figure for seasonally adjusted insured unemployment was **5,757,000**, an increase of 230,000 from the previous week.
- Continuing claims remain at the highest levels in the history of the seasonally adjusted series.

Net Change in U.S. Jobs, November 2002 – November 2020



Audience Poll

Will your staffing levels be higher in 2021 than in 2020?

- Yes
- No
- No change expected

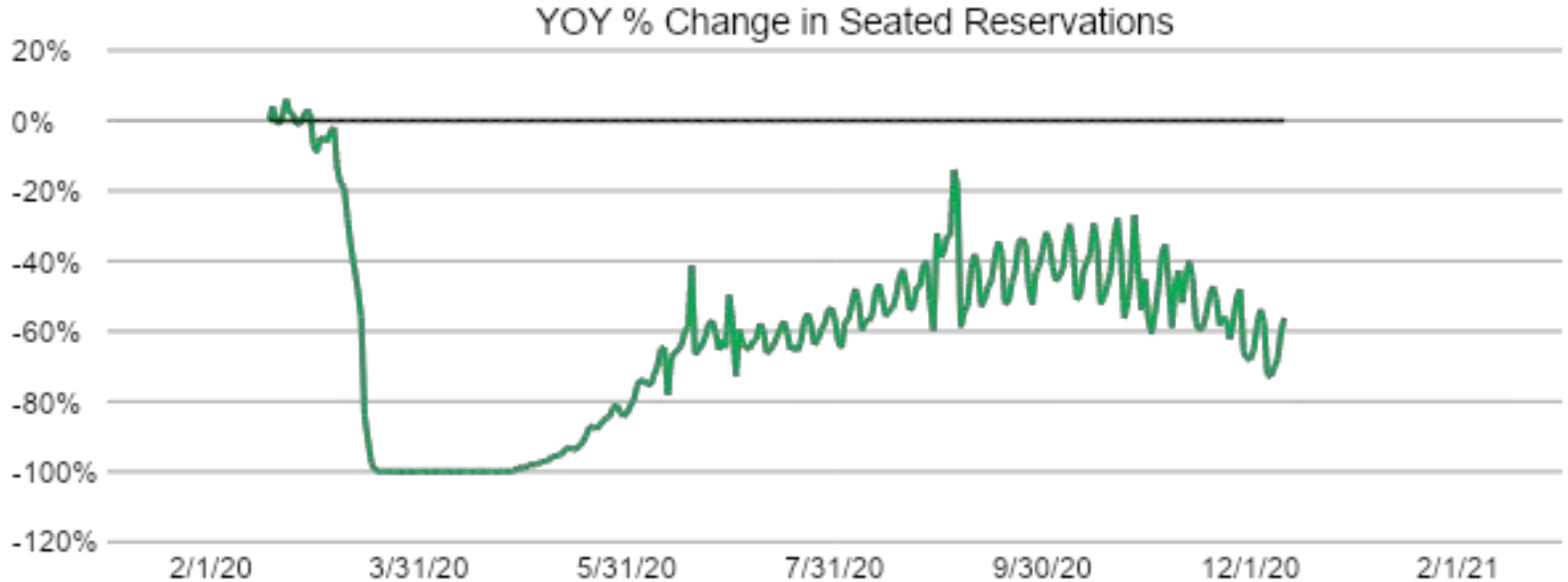
U.S. Retail Sales, October 2000 – October 2020

Retail Sales (\$Billions)



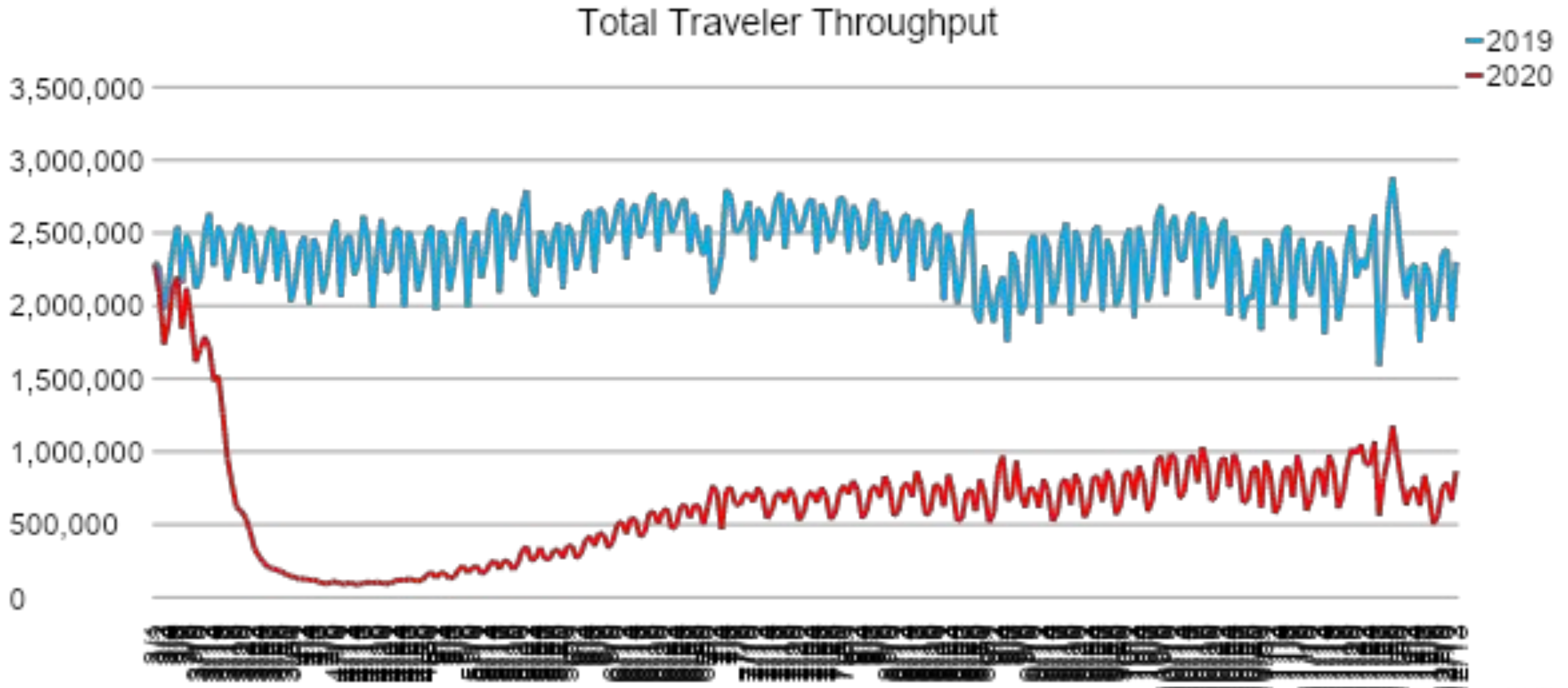
U.S. Restaurant Reservations (Seated Diners)

YOY % Change, February 2020 – December 2020



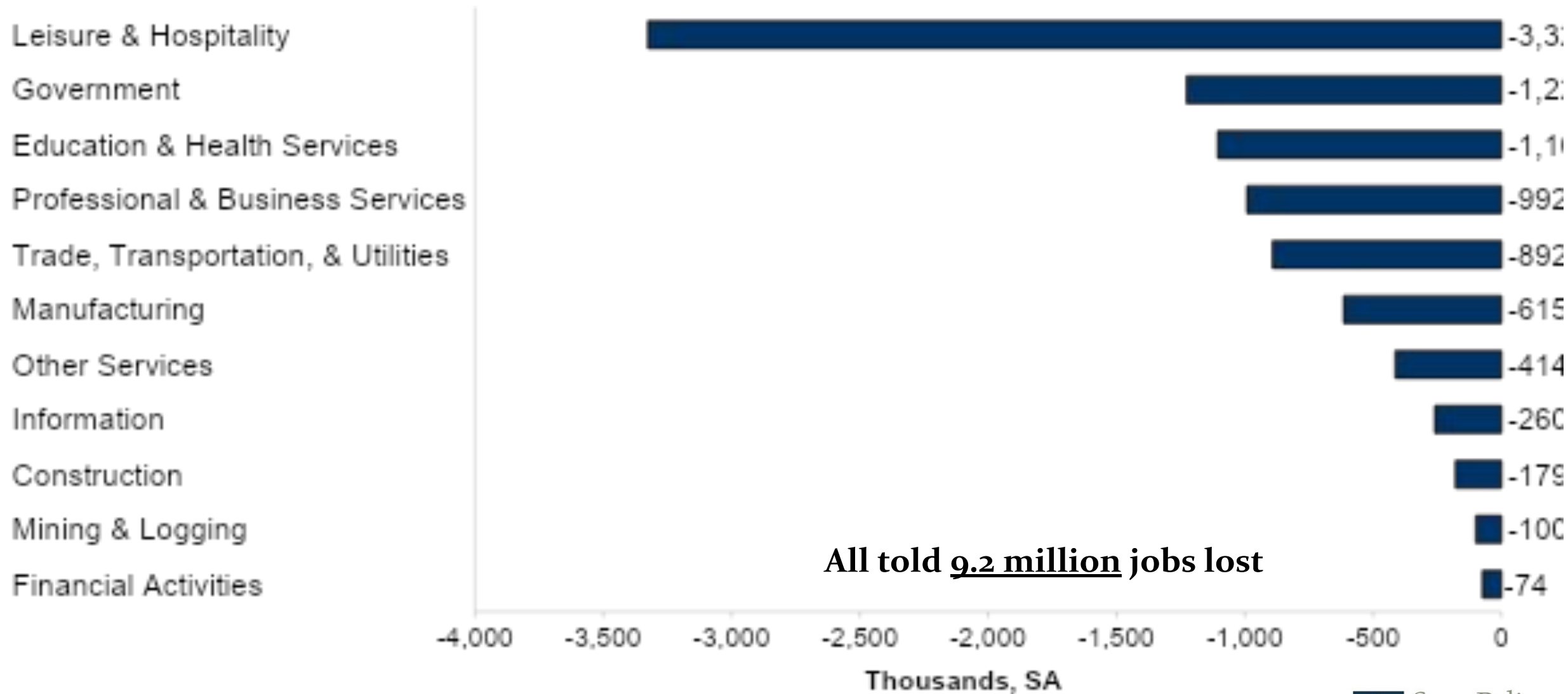
TSA Checkpoint Travel Numbers

March – December 2020 v. Same Weekday 1 Year Ago

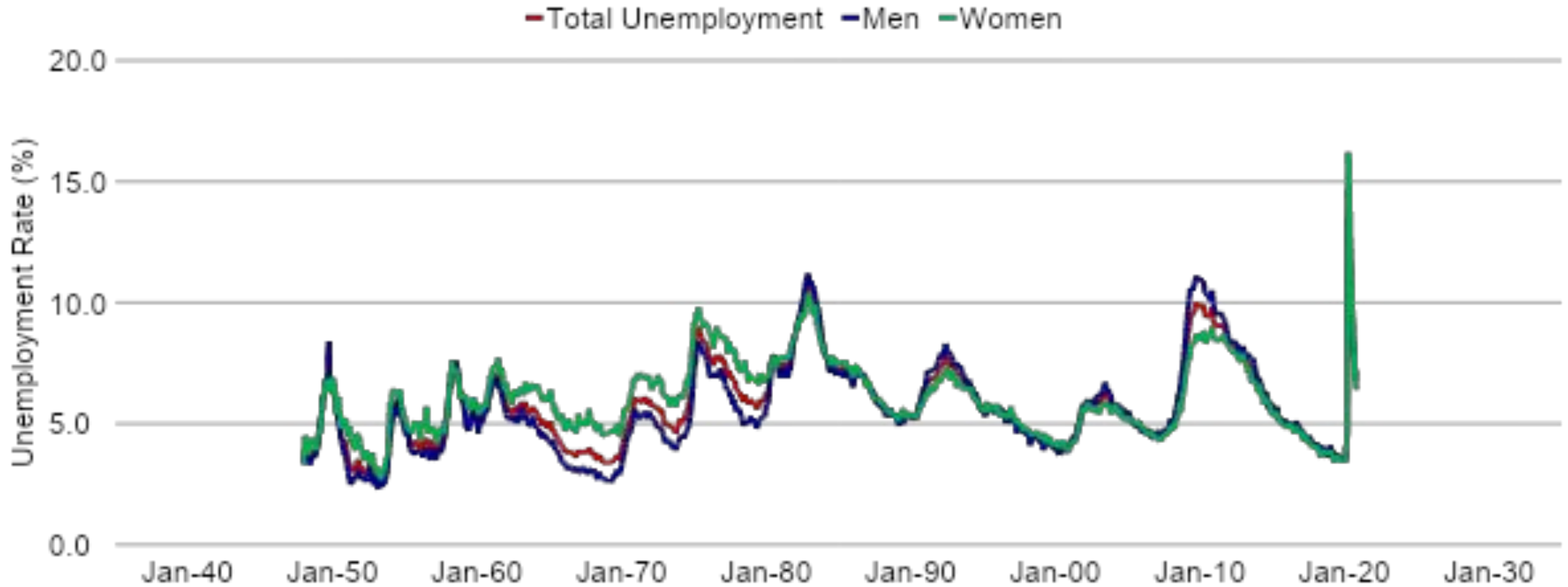


National Nonfarm Employment

by Industry Sector, November 2019 v. November 2020



U.S. Unemployment Rate, November 2000 – November 2020



Unemployment Rates, 25 Largest Metros (NSA)

October 2020

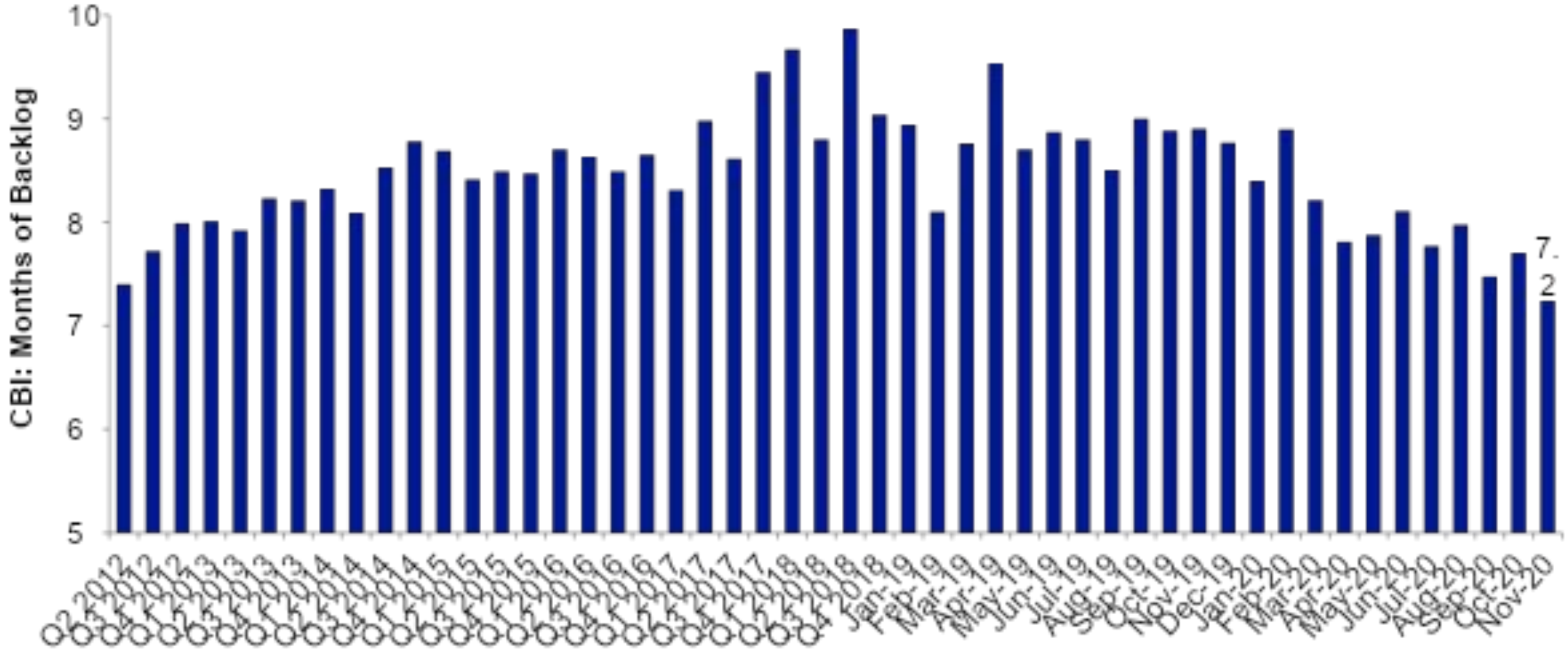
Rank	MSA	%	Rank	MSA	%
1	Minneapolis-St. Paul-Bloomington, MN-WI	4.2	12	Portland-Vancouver-Hillsboro, OR-WA	6.7
2	St. Louis, MO-IL	4.3	14	Baltimore-Columbia-Towson, MD	7.2
3	Atlanta-Sandy Springs-Roswell, GA	4.7	14	Chicago-Naperville-Elgin, IL-IN-WI	7.2
4	Seattle-Tacoma-Bellevue, WA	5.3	14	San Francisco-Oakland-Hayward, CA	7.2
5	Tampa-St. Petersburg-Clearwater, FL	5.6	17	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	7.3
6	Charlotte-Concord-Gastonia, NC-SC	6.0	18	Phoenix-Mesa-Scottsdale, AZ	7.5
7	Dallas-Fort Worth-Arlington, TX	6.1	19	Houston-The Woodlands-Sugar Land, TX	7.7
8	Detroit-Warren-Dearborn, MI	6.3	19	Miami-Fort Lauderdale-West Palm Beach, FL	7.7
8	San Antonio-New Braunfels, TX	6.3	19	San Diego-Carlsbad, CA	7.7
10	Denver-Aurora-Lakewood, CO	6.5	22	Orlando-Kissimmee-Sanford, FL	8.0
11	Washington-Arlington-Alexandria, DC-VA-MD-WV	6.6	23	Riverside-San Bernardino-Ontario, CA	9.0
			24	New York-Newark-Jersey City, NY-NJ-PA	9.7
12	Boston-Cambridge-Nashua, MA-NH	6.7	25	Los Angeles-Long Beach-Anaheim, CA	11.0

U.S. Unemployment Rate

Oct: 6.9% Nov: 6.7%

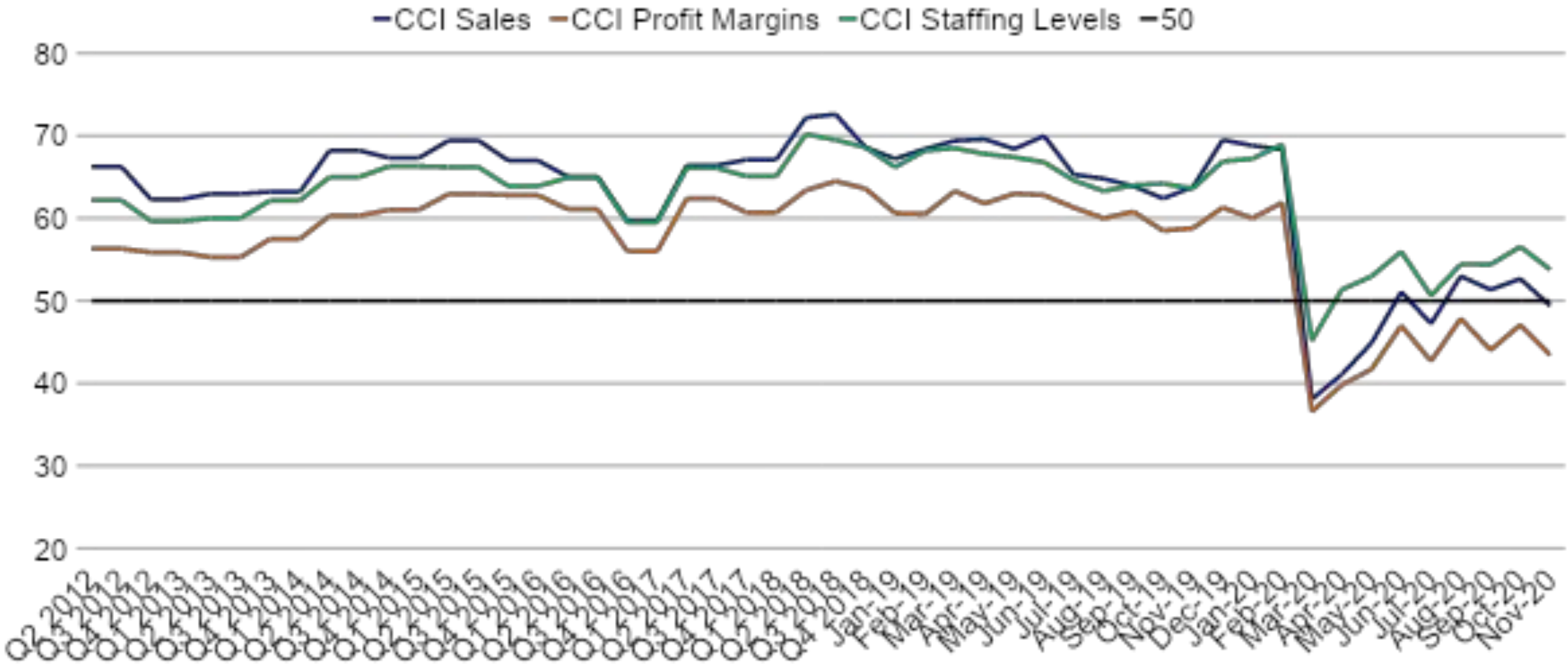
ABC's Construction Backlog Indicator

2012 – November 2020



ABC's Construction Confidence Index

2012 – November 2020



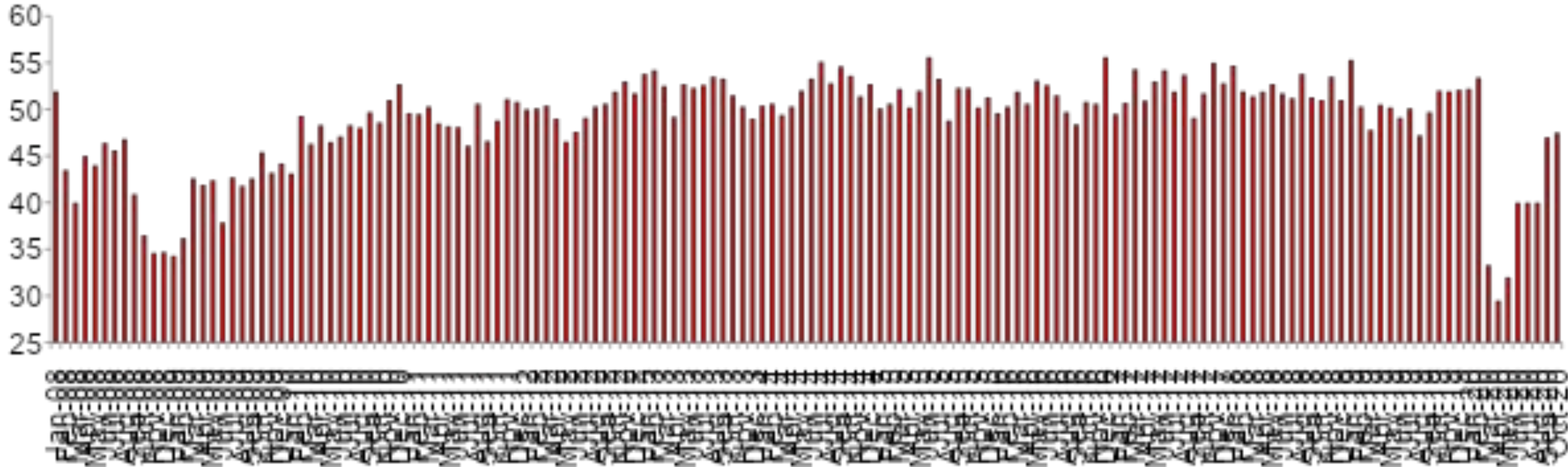
Audience Poll

Do you anticipate an unusually large number of project cancellations and/or postponements next year?

- Significantly higher than average year
- Slight uptick in postponements and cancellations
- Fewer postponements or cancellations next year
- About average number of postponements and cancellations

Architecture Billings Index

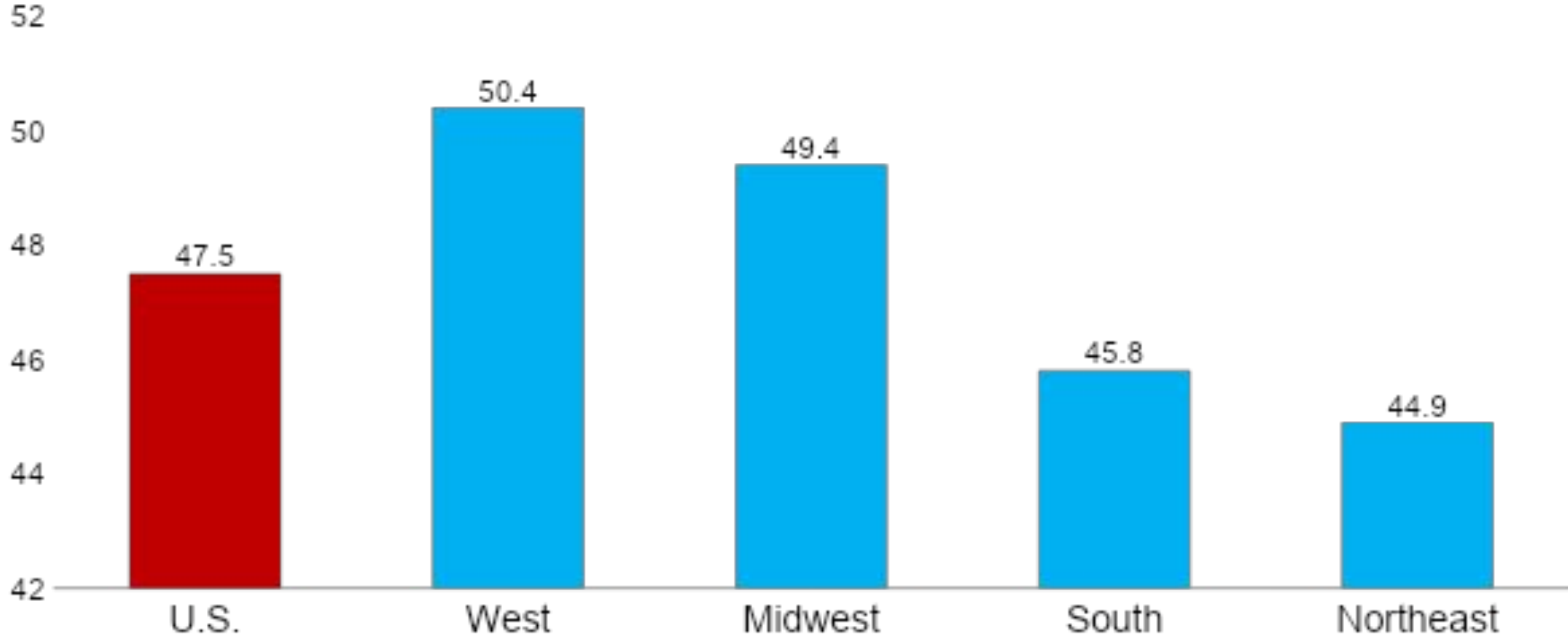
October 2008 – October 2020



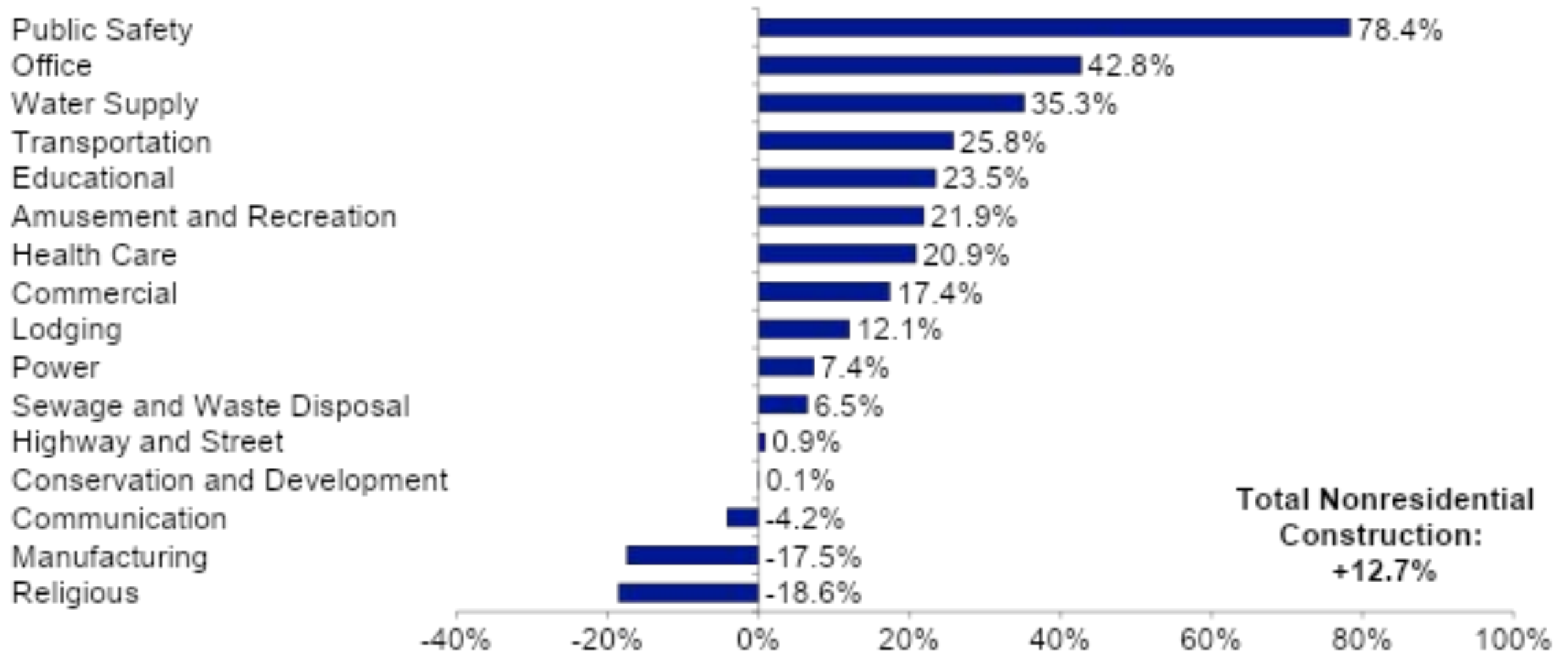
October 2020: 47.5

Architecture Billings Index by U.S. Region

October 2020



National Nonresidential Construction Spending by Subsector *October 2015 v. October 2020*

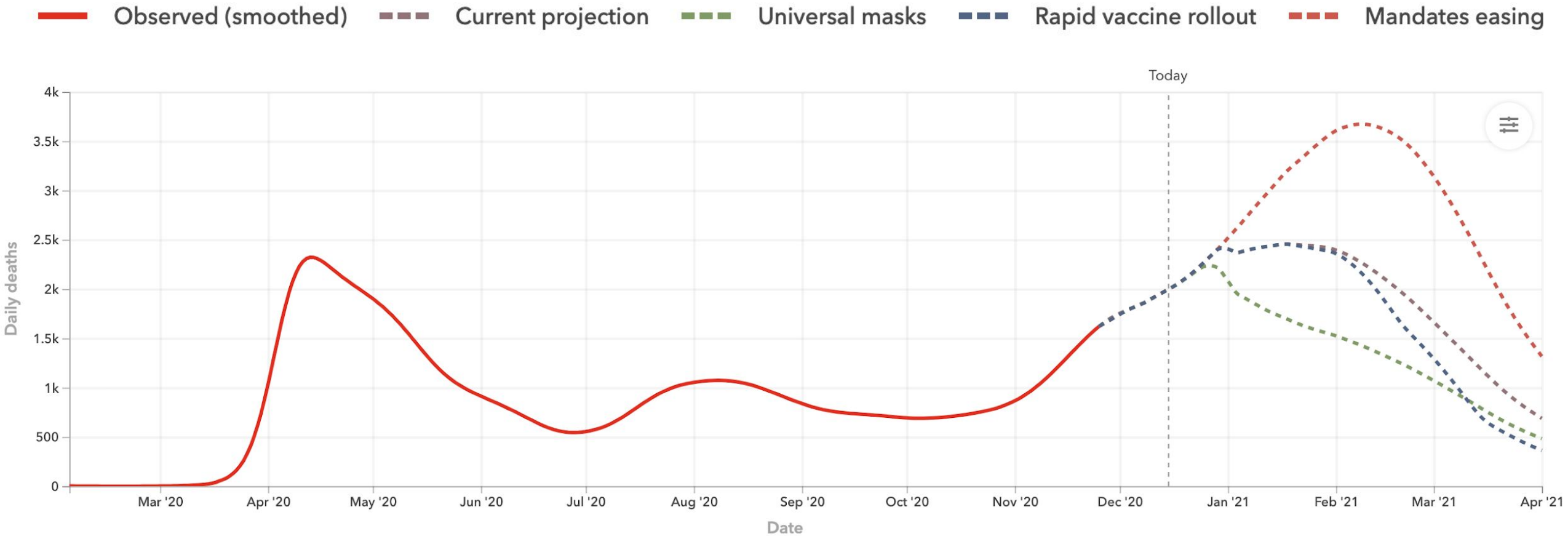


National Nonresidential Construction Spending by Subsector

October 2019 v. October 2020



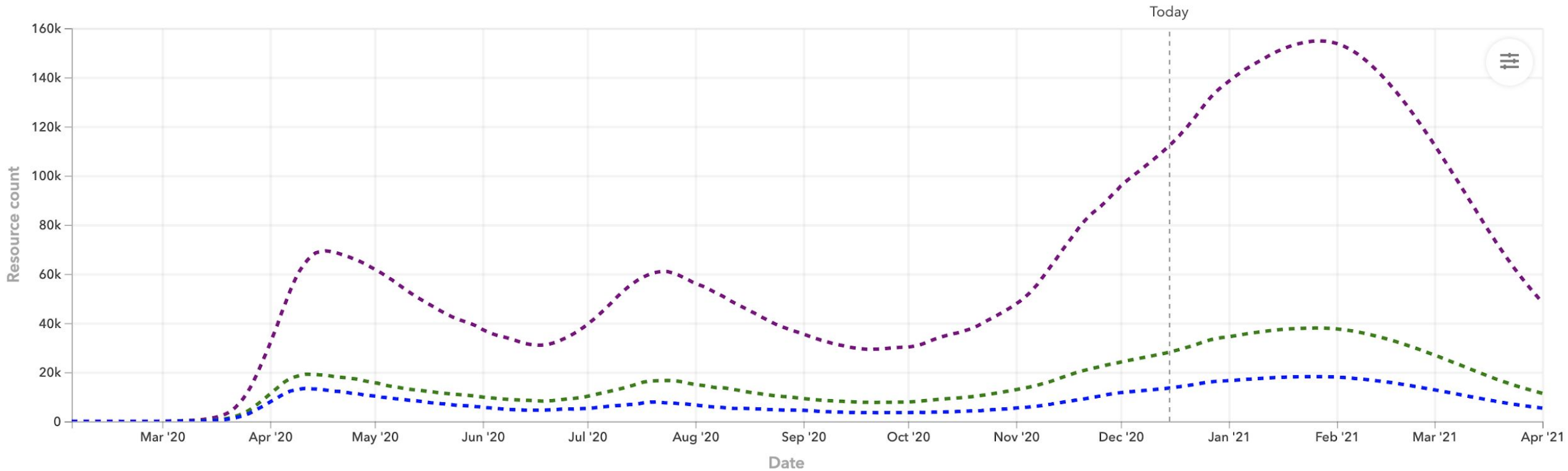
How Awful? U.S. Projected Deaths Per Day Due to COVID-19



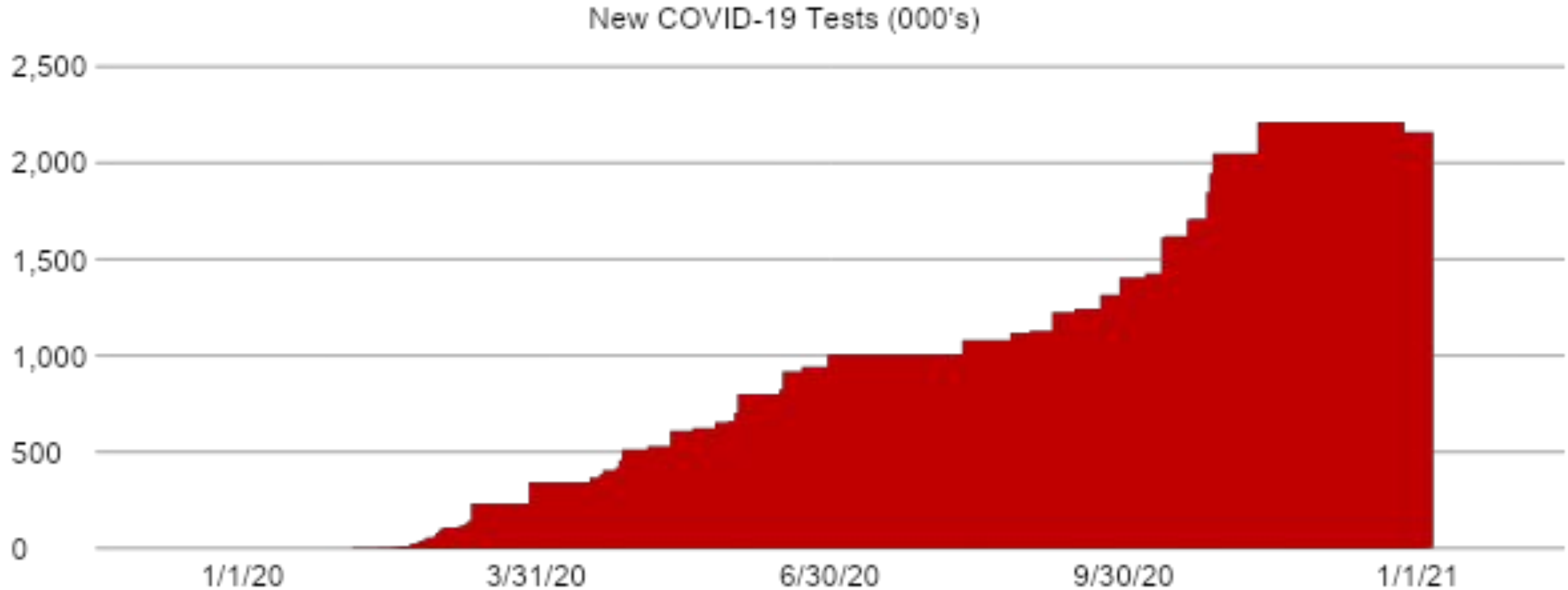
According to the Institute for Health Metrics and Evaluation, daily deaths is the best indicator of the progression of the pandemic, although there is generally a 17-21 day lag between infection and deaths.

Did it Peak Already? U.S. Projected Hospital Resource Use

— All beds needed — ICU beds needed — Invasive ventilators needed



New U.S. Covid-19 Tests, January - December 2020

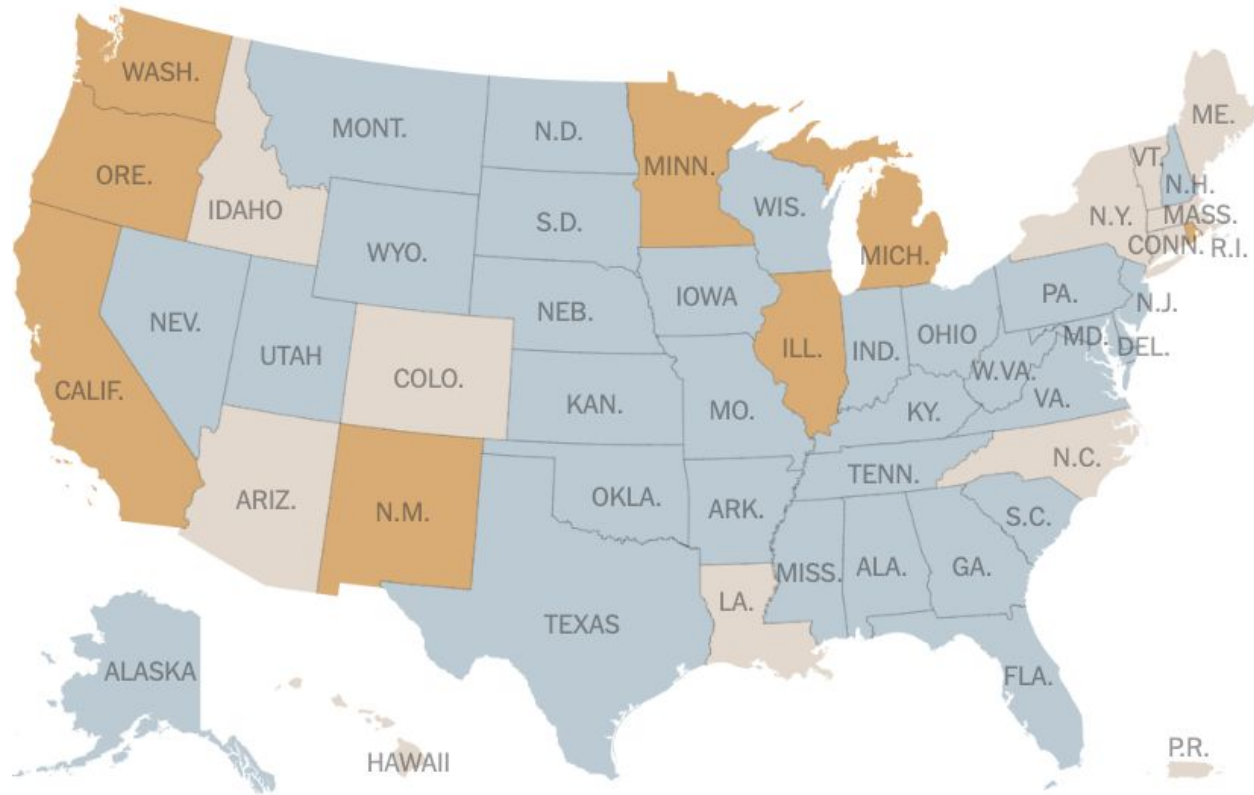


*Number of specimens tested for SARS CoV-2 by CDC labs and U.S. public health laboratories

Which States Are Reopening & Which Are Closing Again As of December 14

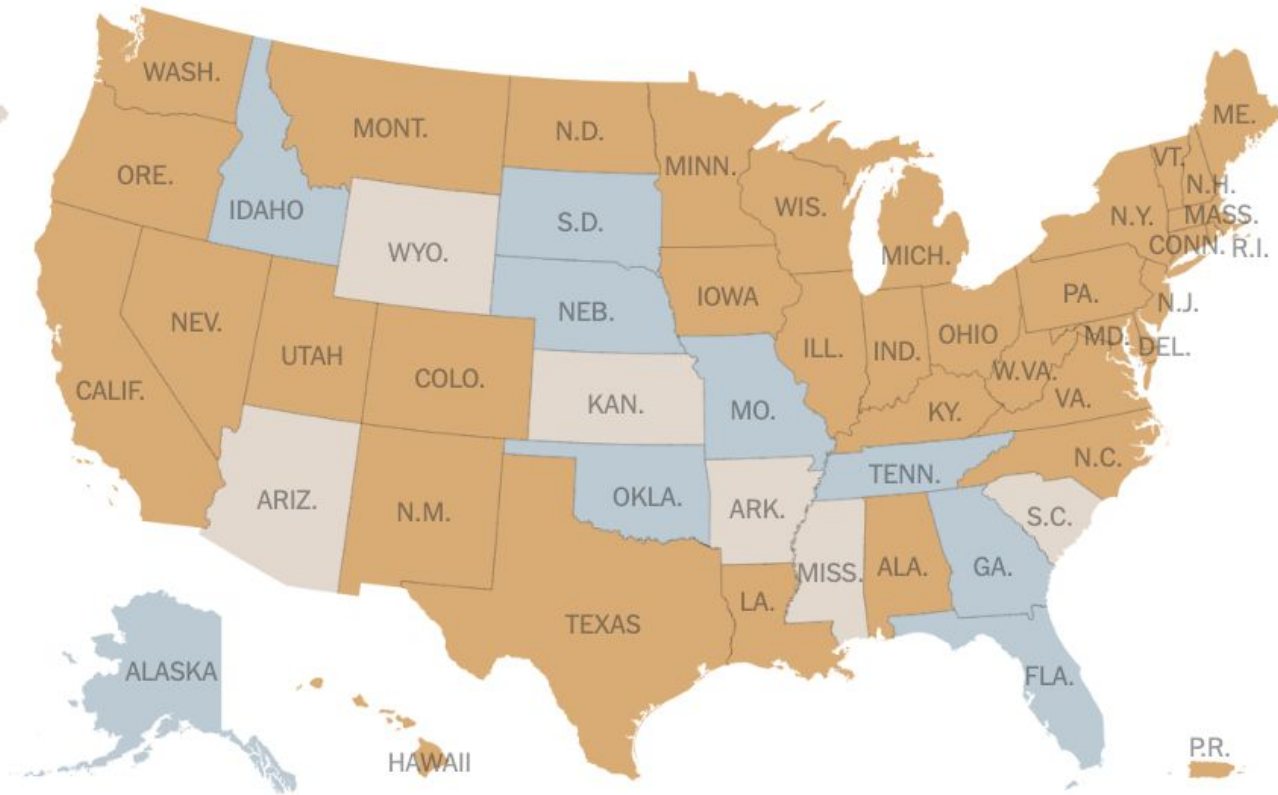
Businesses

Mostly open Mixed Mostly closed



Masks

No restrictions Sometimes required Mandatory



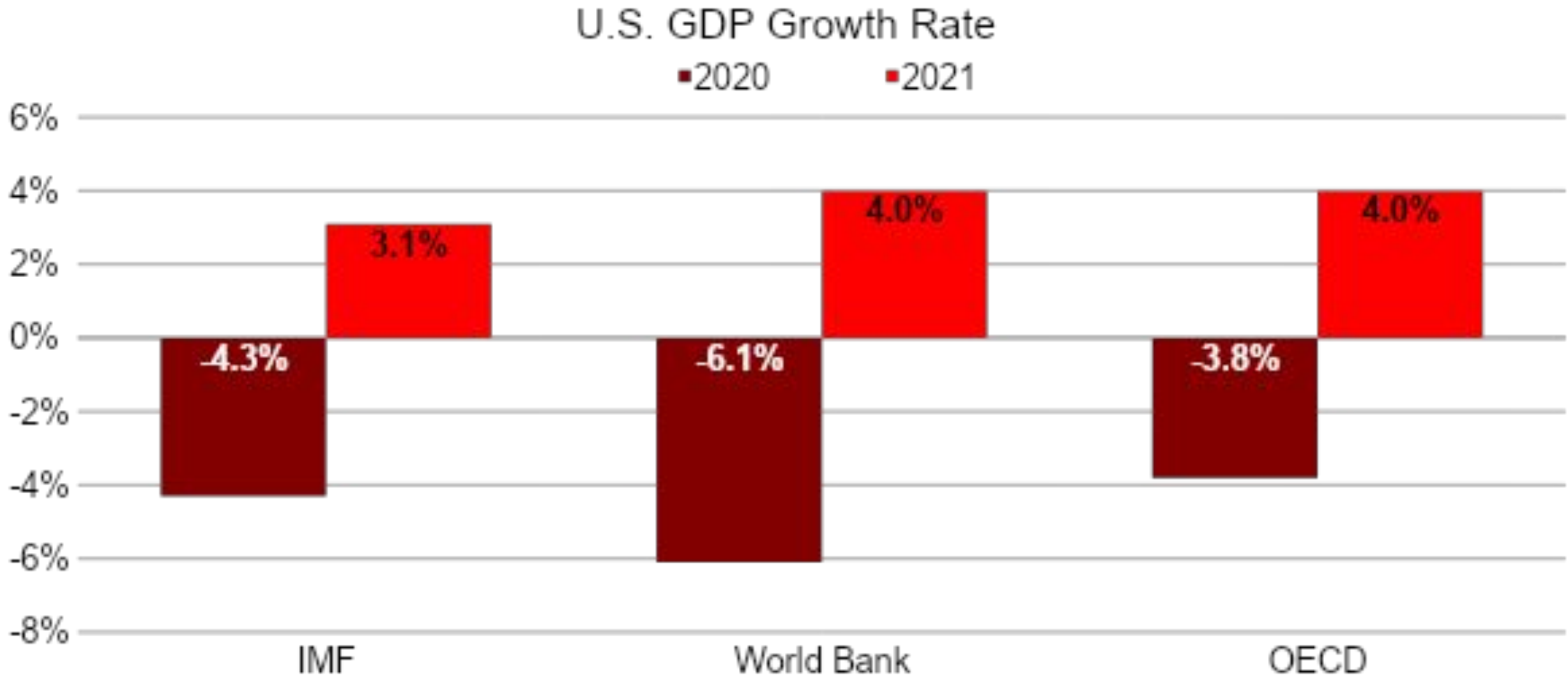
What Can Unite Us? A Vaccine!

- Scientists are scrambling to develop a vaccine for Covid-19. More than ever before, pharma, biotechs, start-ups, research institutes and universities are working together to develop a vaccine and identify new therapies to treat symptoms of this disease.
- On July 27, Moderna's vaccine candidate developed with NIH initiated Phase 3 efficacy testing. The plan is for up to 30,000 volunteers to participate in the trial.
- According to the Milken Institute, there are currently 236 vaccines in various stages of development (as of 12/13).

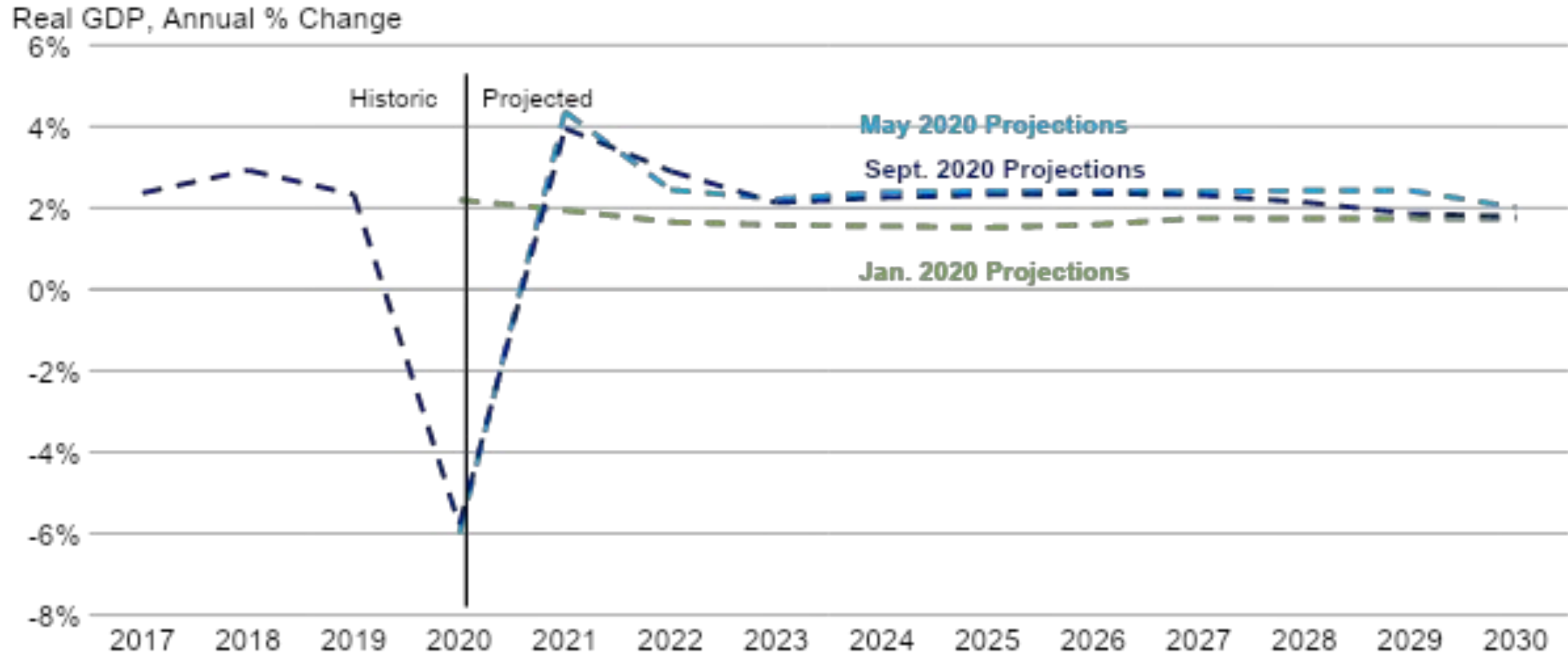
Coming to America (1988)



Major Economic Forecasts for U.S. GDP Growth

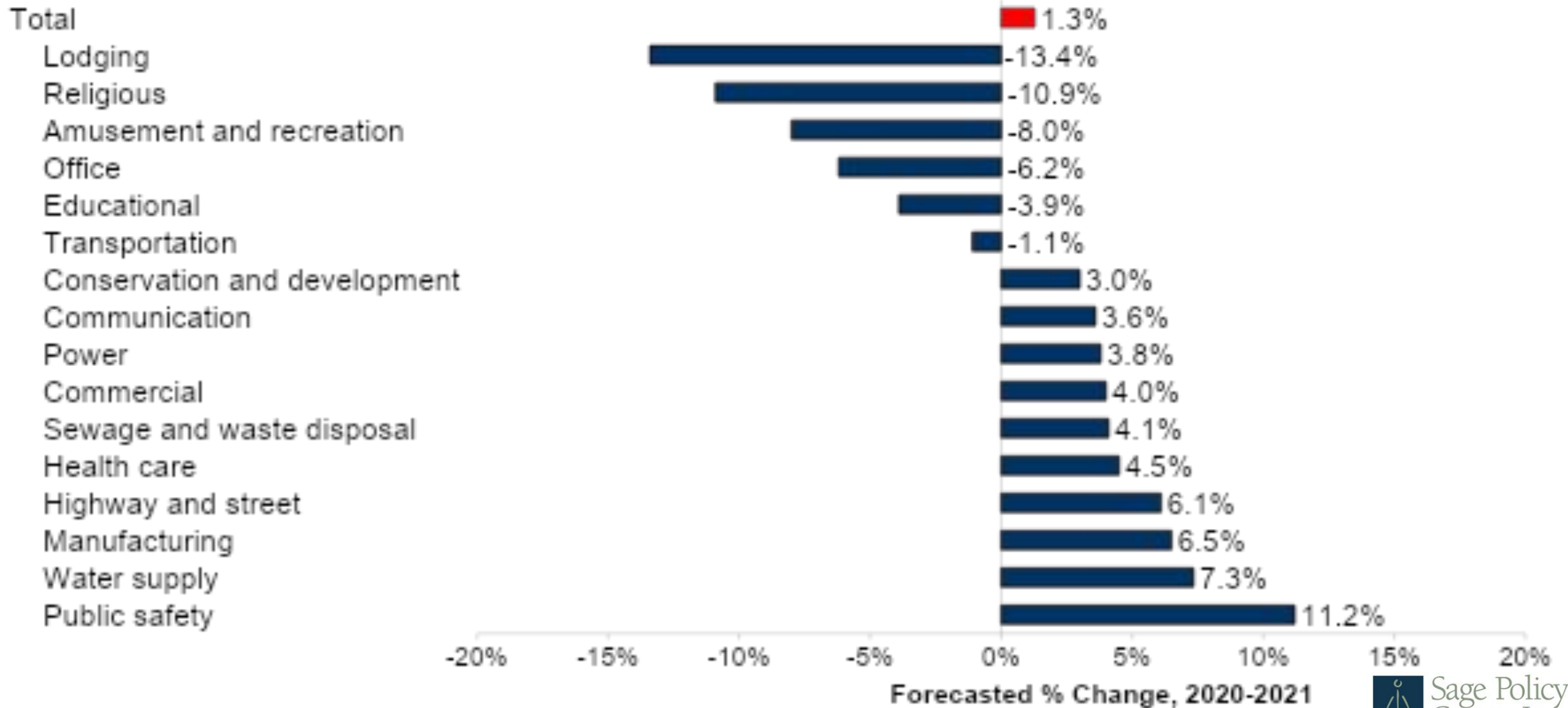


CBO U.S. GDP Growth Projections



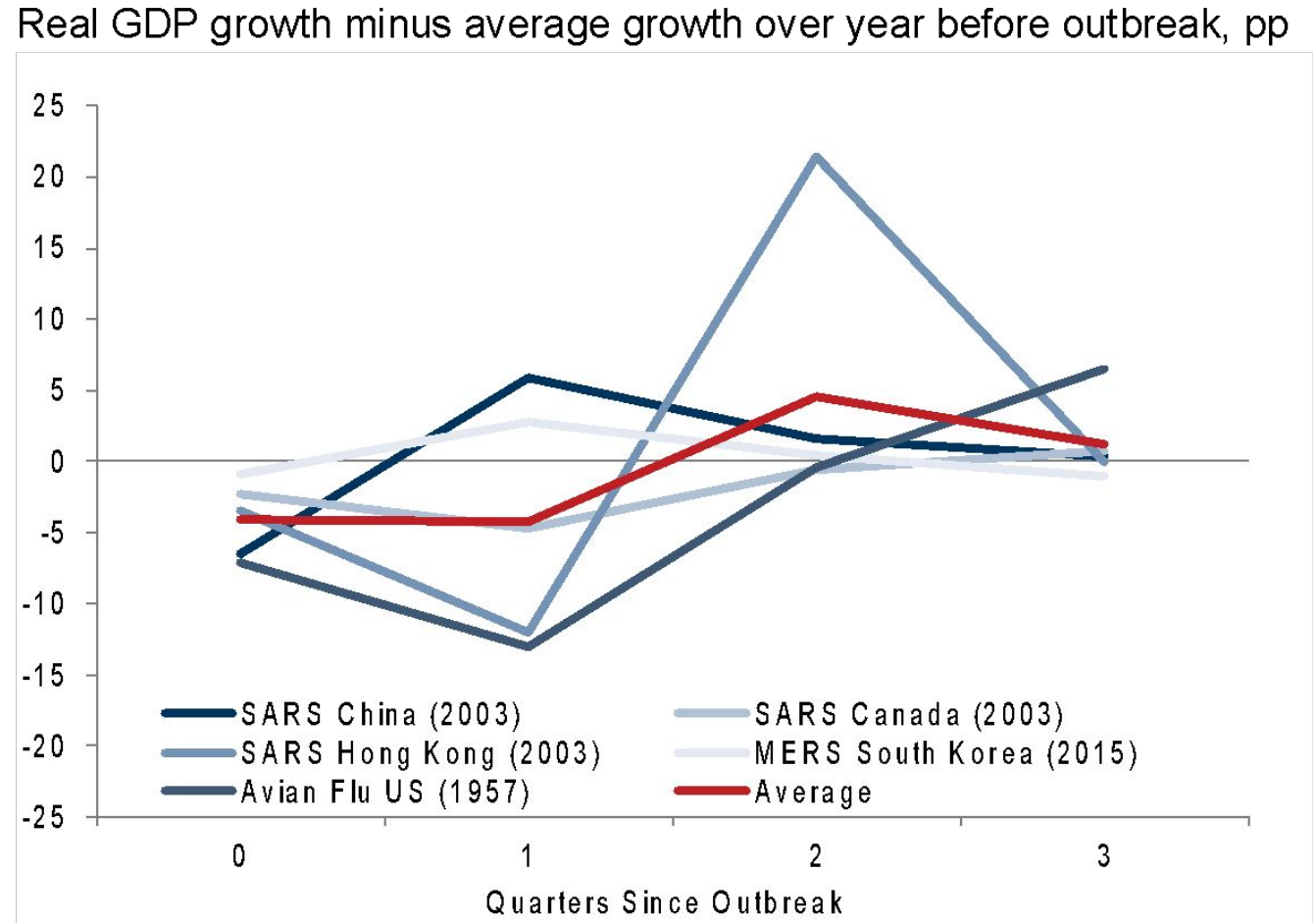
Nonresidential Construction Spending Forecast (Sage)

by Industry Subsector, 2020-2021



Economic Impact of Past Pandemics – This One Will be Worse

- Goldman Sachs analyzed GDP changes during other pandemics, including the 2003 SARS episodes in China, Hong Kong, and Canada, the 1957 Avian Flu in the U.S., and the 2015 MERS episode in South Korea.
- The average episode saw a GDP hit of 4-5% in the 1-2 quarters after the outbreak, though the variation was substantial.



The Cure is Just Oh, So Different: U.S. Government Legislative Actions

- **Phase 1 (3/6/2020)**—*Coronavirus Preparedness and Response Supplemental Appropriations Act*: **\$8.3 billion** in emergency funding.
- **Phase 2 (3/18/2020)**—*Families First Coronavirus Response Act*: **\$192 billion**
 - Provided paid sick leave, tax credits, and free COVID-19 testing; expanded food assistance and unemployment benefits; and increased Medicaid funding.
- **Phase 3 (3/27/2020)**—*Coronavirus Aid, Relief, and Economic Security (CARES) Act*: **More than \$2 trillion** (expected to increase the deficit by \$1.7 trillion)
 - Direct payments to Americans; scaled up unemployment insurance program; loans and grants for small and large businesses and governments; aid to state and local governments, business tax cuts; other health and safety related spending provisions.
- **Phase 4 (4/24/2020)**—*Paycheck Protection Program and Health Care Enhancement Act*: **\$483 billion**
 - Additional funding for Paycheck Protection Program, hospitals, testing efforts, and emergency disaster loans and grants.

U.S. Saving Rate, October 2005 – October 2020

(Savings as Percentage of Personal Disposable Income)



**Oct. 2020:
13.6%**

Conclusion/Outlook – Good Morning, Economic Expansion

- The initial phase of recovery from the crisis will be sharp, profound and most welcome -- interest rates are still low, pent-up demand high, there is a need to rebuild inventories, and people are anxious to meet again, go to restaurants, casinos, see a movie, watch the Orioles, and engage in other most wonderful of human activities.
- May's jobs report was an absolute stunner. One way to look at this is to say economists missed the mark by 10.5 million jobs. Another way to look at it is that economists missed it by 2 weeks. June was even better, but July-November has been increasingly soft...
- While recovery has begun, these remain treacherous times (obviously – we haven't earned an enduring v-shaped recovery).

Audience Poll

How long do you think it will take the construction industry to stabilize to the prior level of construction spending?

- It's already stabilized
- H1 2021
- H2 2021
- 2022
- It may never reach pre-pandemic levels

Q&A

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