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By: Anirban Basu, MPP, MA, JD, PhD Sage Policy Group, Inc.

2022Q1 Construction Economic Update & Forecast

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 **AUTODESK**

By: Anirban Basu

MPP, MA, JD, PhD


Sage Policy Group, Inc.

On Behalf of

Construction Executive

2022Q1 Construction
Economic Update & Forecast

March 30th, 2022



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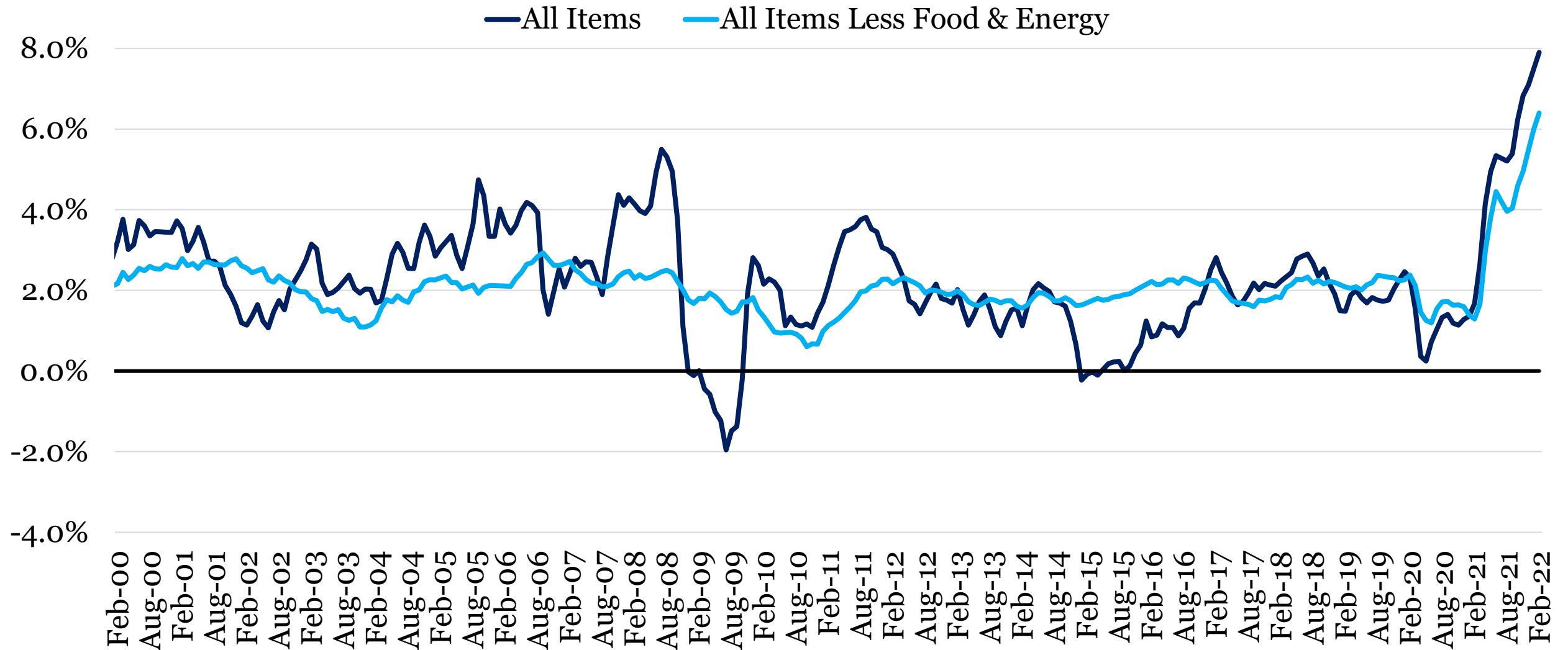


 **AUTODESK**

2021 – Specter of Inflation

U.S. Consumer Price Index

12-Month % Change, 2000 – February 2022



A Statement is Not Enough

“...Inflation has risen, largely reflecting transitory factors...”

(FOMC Statement, June 2021)

“...Inflation has risen, largely reflecting transitory factors...”

(FOMC Statement, July 2021)

“...Inflation is elevated, largely reflecting transitory factors...”

(FOMC Statement, September 2021)

“...Inflation is elevated, largely reflecting factors that are expected to be transitory...”

(FOMC Statement, November 2021)

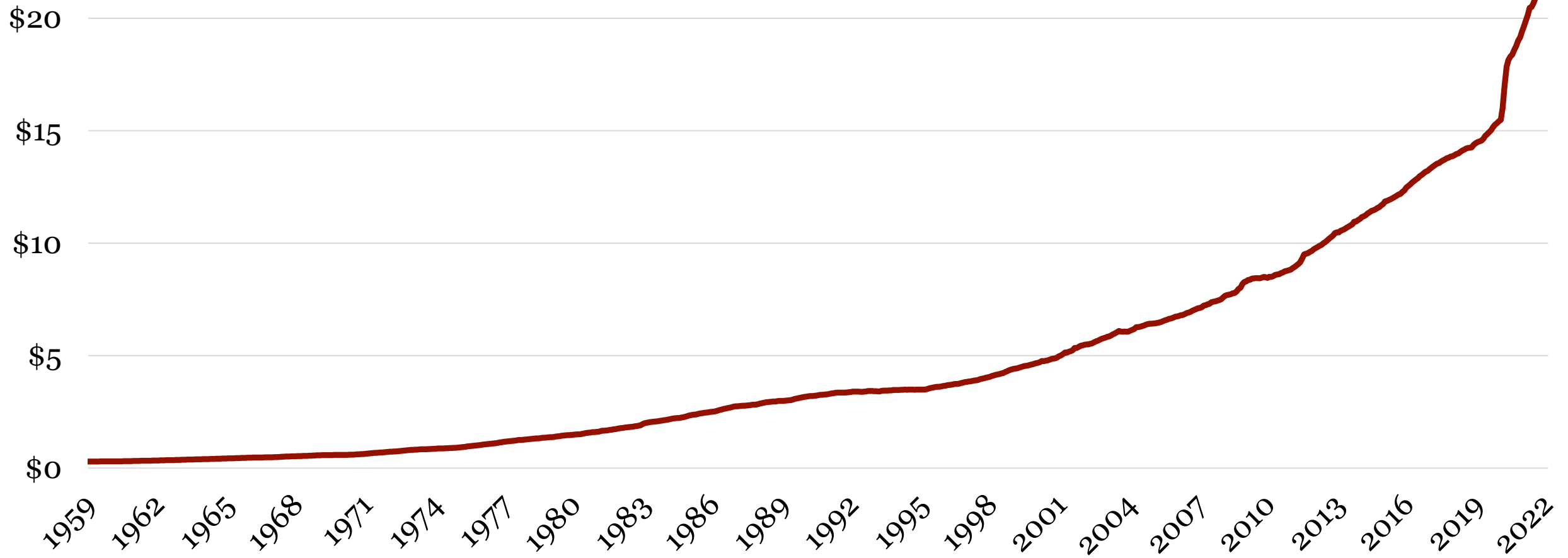
“Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation.”

(FOMC Statement, December 2021)

“...These problems have been larger and longer lasting than anticipated, exacerbated by waves of the virus. As a result, overall inflation is running well above our 2 percent longer-run goal and will likely continue to do so well into next year.” (FOMC Chair Jerome Powell, December 2021)

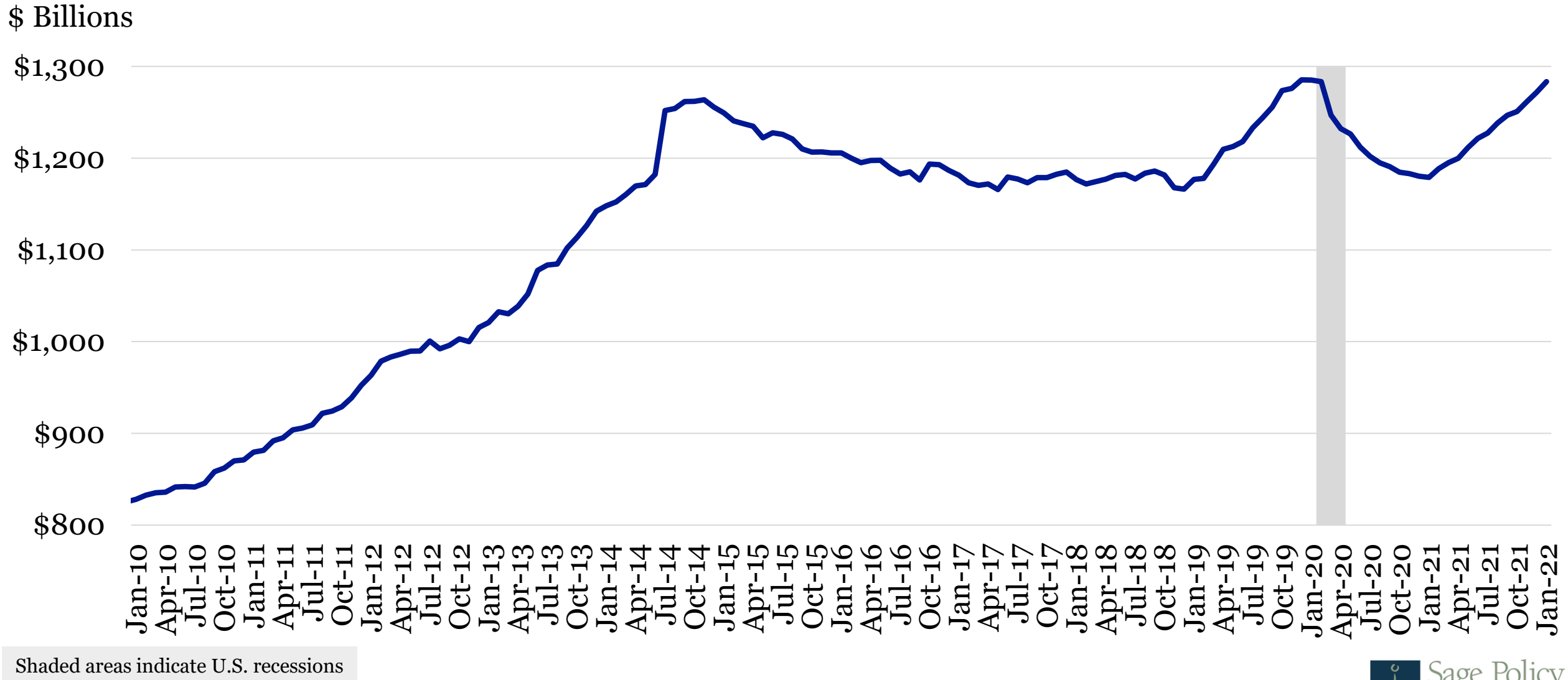
U.S. Money Supply, 1959 – 2022

\$ Trillions

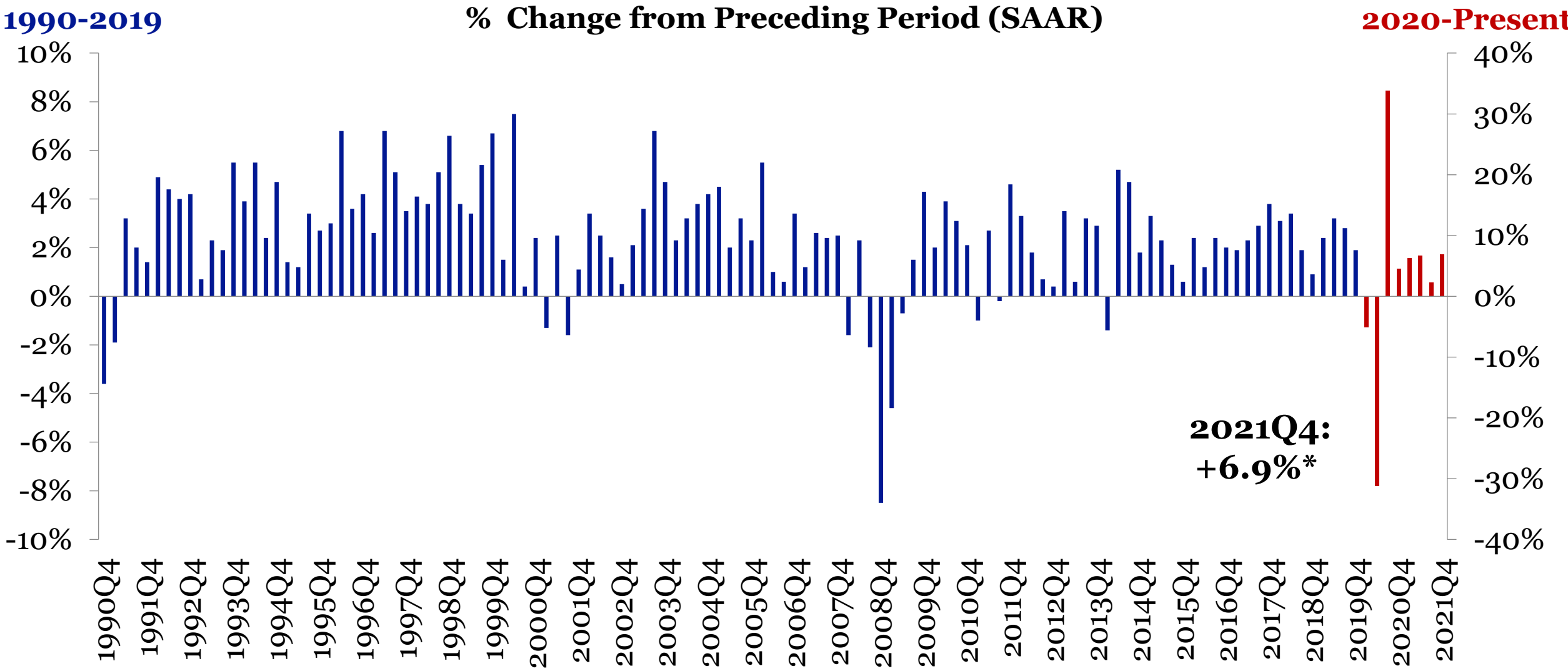


U.S. Manufacturers' Unfilled Orders

2010 – January 2022



U.S. GDP - For Your Eyes Only



Source: U.S. Bureau of Economic Analysis *3rd (final) estimate

POLL:

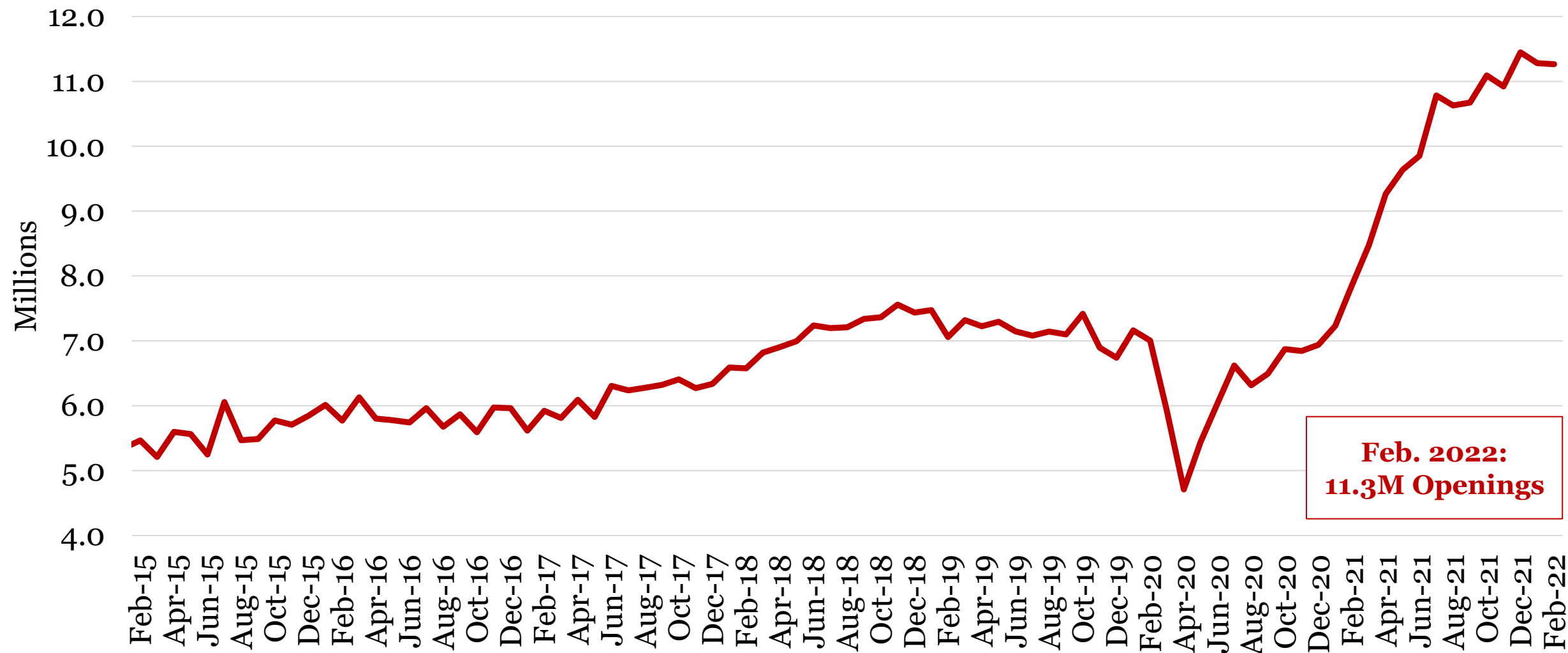
Which of these is the leading challenge for your company today?

- Supply chain and/or materials issues
- Skills/worker shortages
- Insufficient demand for construction services
- Availability of financing for projects/project work
- None of the above

The Employer Who Loved Me

Work Another Day

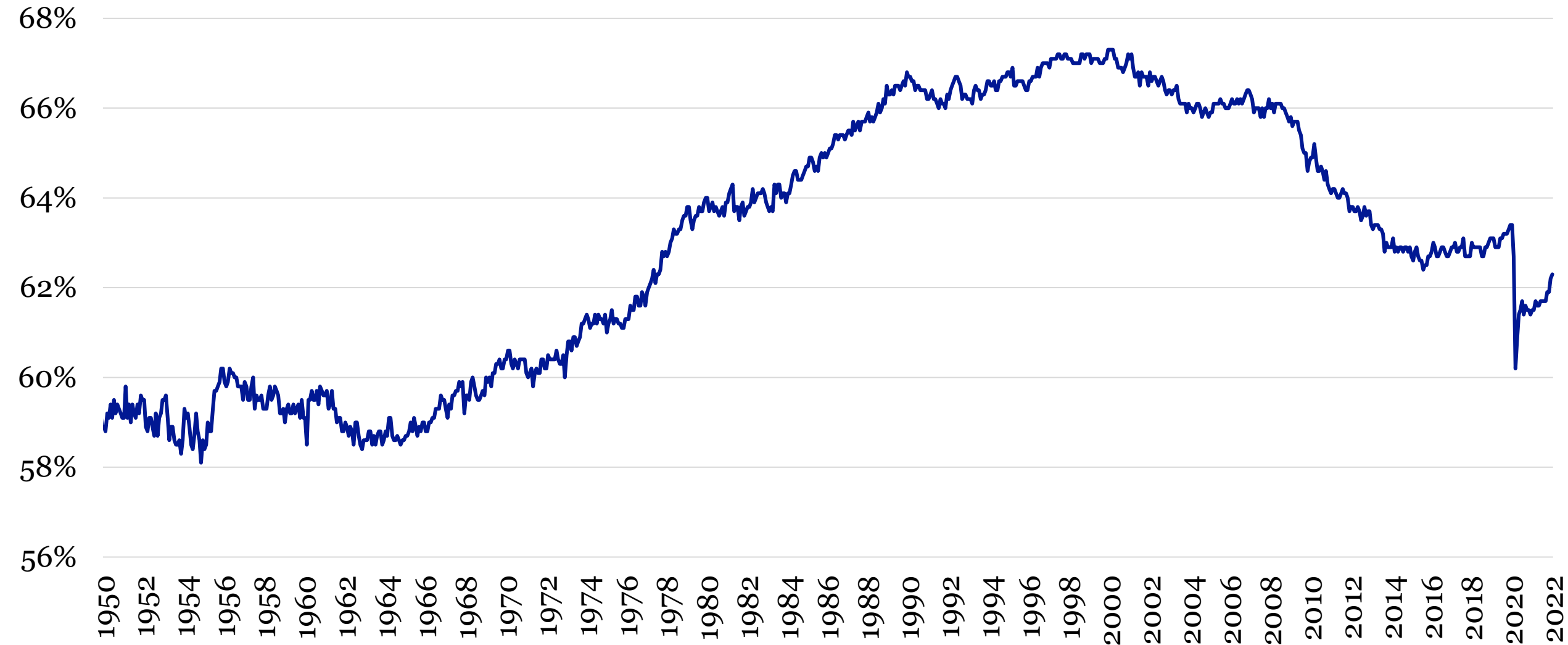
U.S. Job Openings, 2015 – February 2022



**Feb. 2022:
11.3M Openings**

Skyfall

U.S. Labor Force Participation Rate, 1950 – February 2022



A View to a Remote Worker

GoodHire's survey of 3,500 Americans found that:

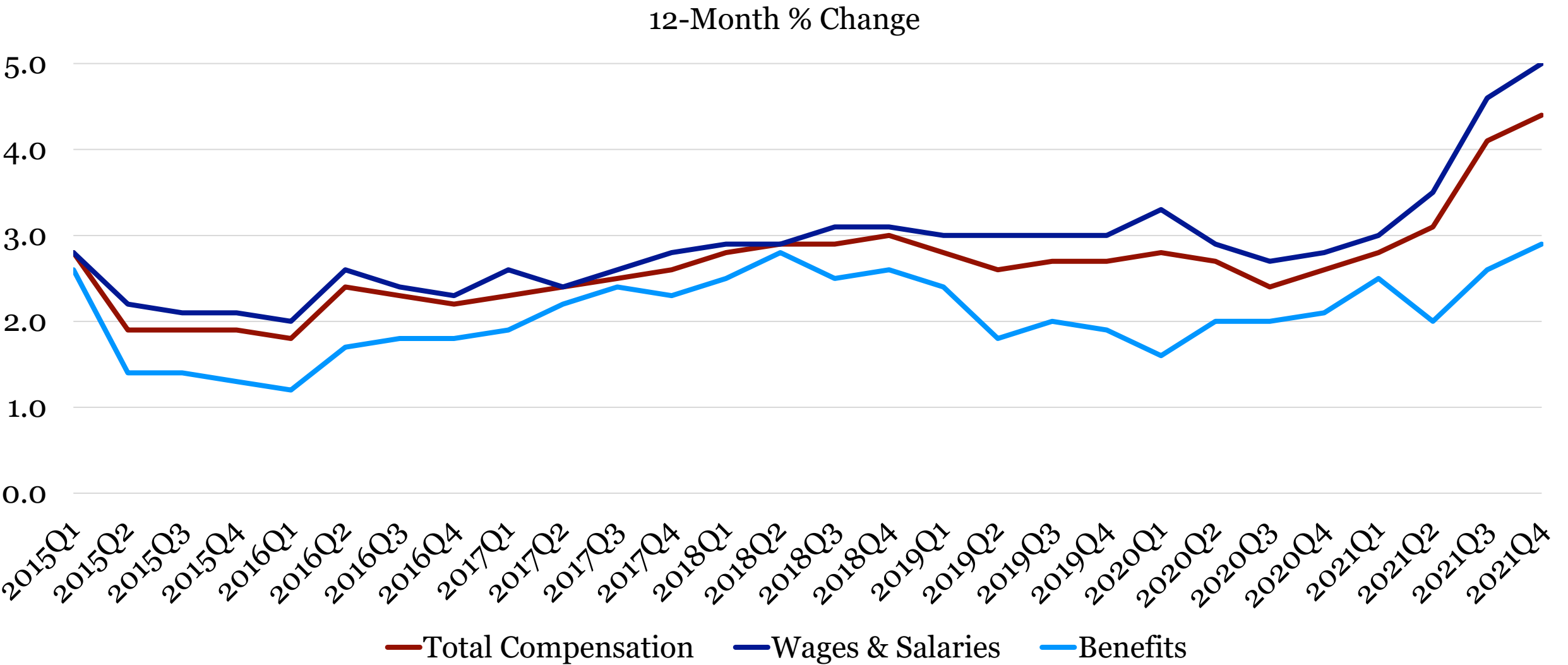
- 68% of Americans would choose remote work options over in-office work;
- 45% would either quit their job or begin searching for a new one if their employer required them to return to their office full-time;
- 74% of Americans believe that companies not offering remote working arrangements will lose major talent in the workforce.

Ipsos' survey of more than 12,000 people across 29 countries found that two-thirds of working adults surveyed say that:

- They are more productive with a flexible work schedule (65%);
- They want flexibility in the amount of time they go into the office (64%);
- When COVID restrictions are no longer in effect, employers should be more flexible in terms of requiring employees to go to an office (66%).

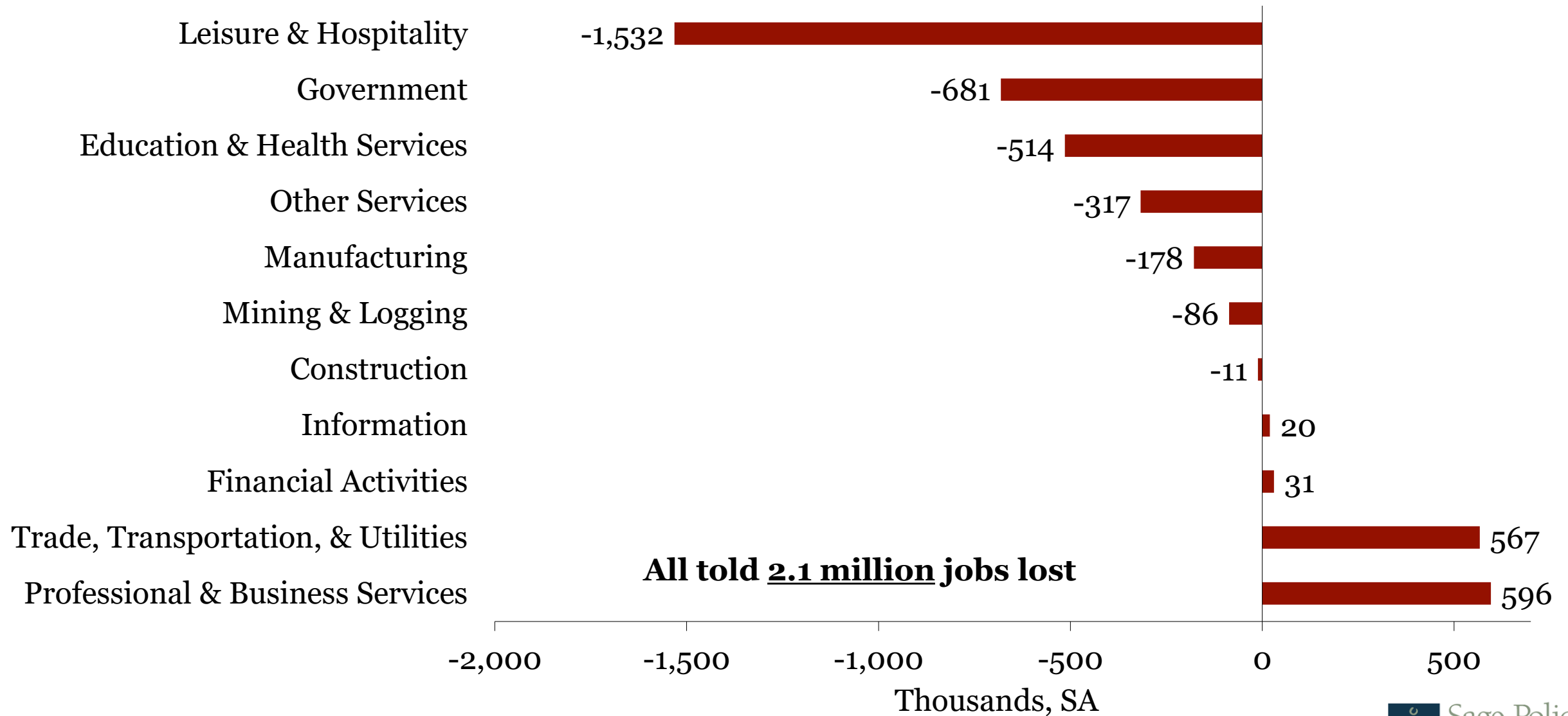
License to be Paid

Employment Cost Index, Private Sector Workers, 2015 – 2021



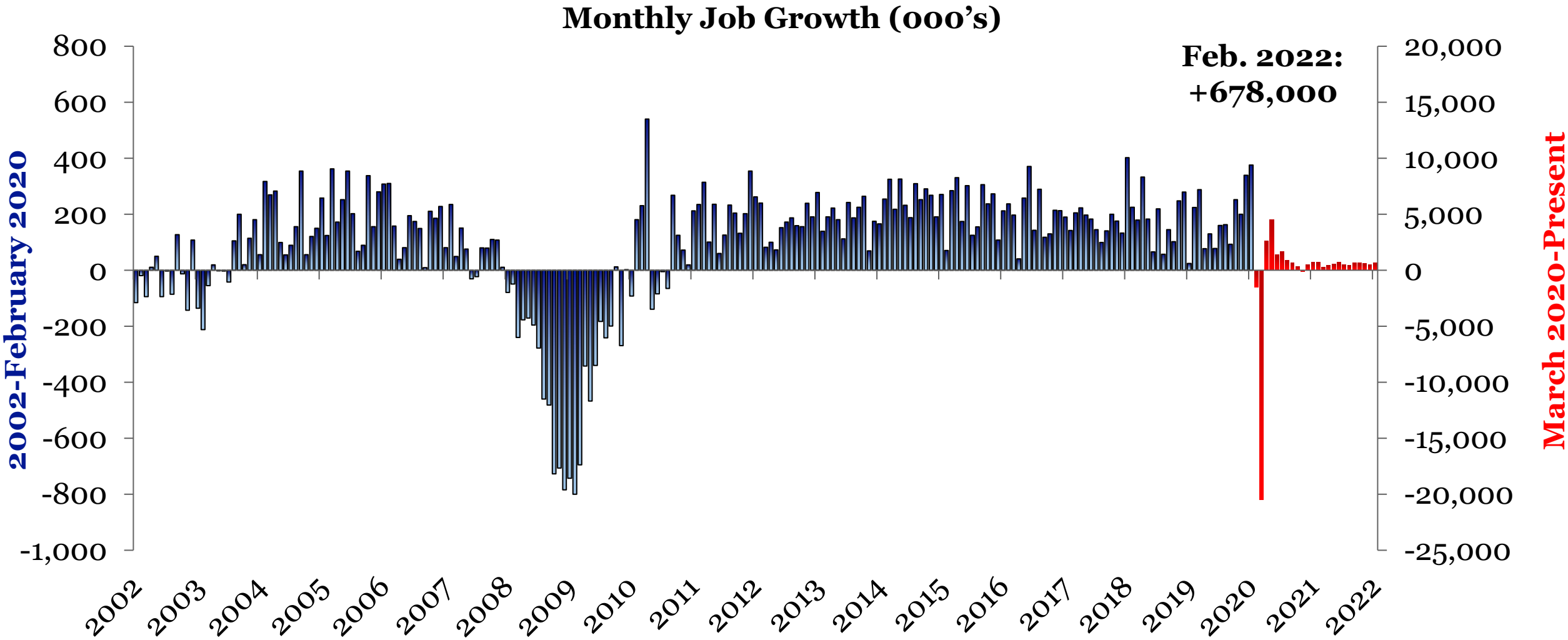
U.S. Nonfarm Employment by Industry Sector

February 2020 v. February 2022



Net Change in U.S. Jobs

2002 – February 2022



Employment Growth, 25 Largest Metros

February 2020 v. February 2022 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Dallas-Fort Worth-Arlington, TX	3.9%	14	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	-2.3%
2	Tampa-St. Petersburg-Clearwater, FL	2.6%	14	Seattle-Tacoma-Bellevue, WA	-2.3%
3	Riverside-San Bernardino-Ontario, CA	2.5%	16	Chicago-Naperville-Elgin, IL-IN-WI	-2.5%
4	Atlanta-Sandy Springs-Roswell, GA	1.9%	16	St. Louis, MO-IL	-2.5%
5	Phoenix-Mesa-Scottsdale, AZ	1.6%	18	Portland-Vancouver-Hillsboro, OR-WA	-2.7%
6	San Antonio-New Braunfels, TX	1.3%	19	Washington-Arlington-Alexandria, DC-VA-MD-WV	-2.9%
7	Charlotte-Concord-Gastonia, NC-SC	1.1%	20	Detroit-Warren-Dearborn, MI	-3.2%
8	Denver-Aurora-Lakewood, CO	0.6%	21	Boston-Cambridge-Nashua, MA-NH	-3.5%
9	Houston-The Woodlands-Sugar Land, TX	-0.5%	21	Los Angeles-Long Beach-Anaheim, CA	-3.5%
9	Miami-Fort Lauderdale-West Palm Beach, FL	-0.5%	23	San Francisco-Oakland-Hayward, CA	-4.2%
11	Orlando-Kissimmee-Sanford, FL	-0.8%	24	Minneapolis-St. Paul-Bloomington, MN-WI	-4.5%
12	San Diego-Carlsbad, CA	-1.6%	25	New York-Newark-Jersey City, NY-NJ-PA	-4.8%
13	Baltimore-Columbia-Towson, MD	-2.0%			

Source: U.S. Bureau of Labor Statistics,
Current Employment Statistics (CES) Survey.
Note: data are not seasonally adjusted.

U.S. % Change v. February 2020: -1.4%

Unemployment Rates, 25 Largest Metros

January 2022

Rank	MSA	%	Rank	MSA	%
1	Minneapolis-St. Paul-Bloomington, MN-WI	3.1	13	San Antonio-New Braunfels, TX	4.3
2	Phoenix-Mesa-Scottsdale, AZ	3.2	13	St. Louis, MO-IL	4.3
3	Atlanta-Sandy Springs-Roswell, GA	3.3	15	Boston-Cambridge-Nashua, MA-NH	4.4
4	Miami-Fort Lauderdale-West Palm Beach, FL	3.4	15	Portland-Vancouver-Hillsboro, OR-WA	4.4
4	Tampa-St. Petersburg-Clearwater, FL	3.4	15	Seattle-Tacoma-Bellevue, WA	4.4
6	Charlotte-Concord-Gastonia, NC-SC	3.8	18	San Diego-Carlsbad, CA	4.7
6	Orlando-Kissimmee-Sanford, FL	3.8	19	Chicago-Naperville-Elgin, IL-IN-WI	5.1
8	San Francisco-Oakland-Hayward, CA	3.9	20	Detroit-Warren-Dearborn, MI	5.2
8	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.9	21	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	5.3
10	Denver-Aurora-Lakewood, CO	4.0	22	Houston-The Woodlands-Sugar Land, TX	5.5
11	Dallas-Fort Worth-Arlington, TX	4.1	22	New York-Newark-Jersey City, NY-NJ-PA	5.5
12	Baltimore-Columbia-Towson, MD	4.2	24	Los Angeles-Long Beach-Anaheim, CA	5.7
			24	Riverside-San Bernardino-Ontario, CA	5.7

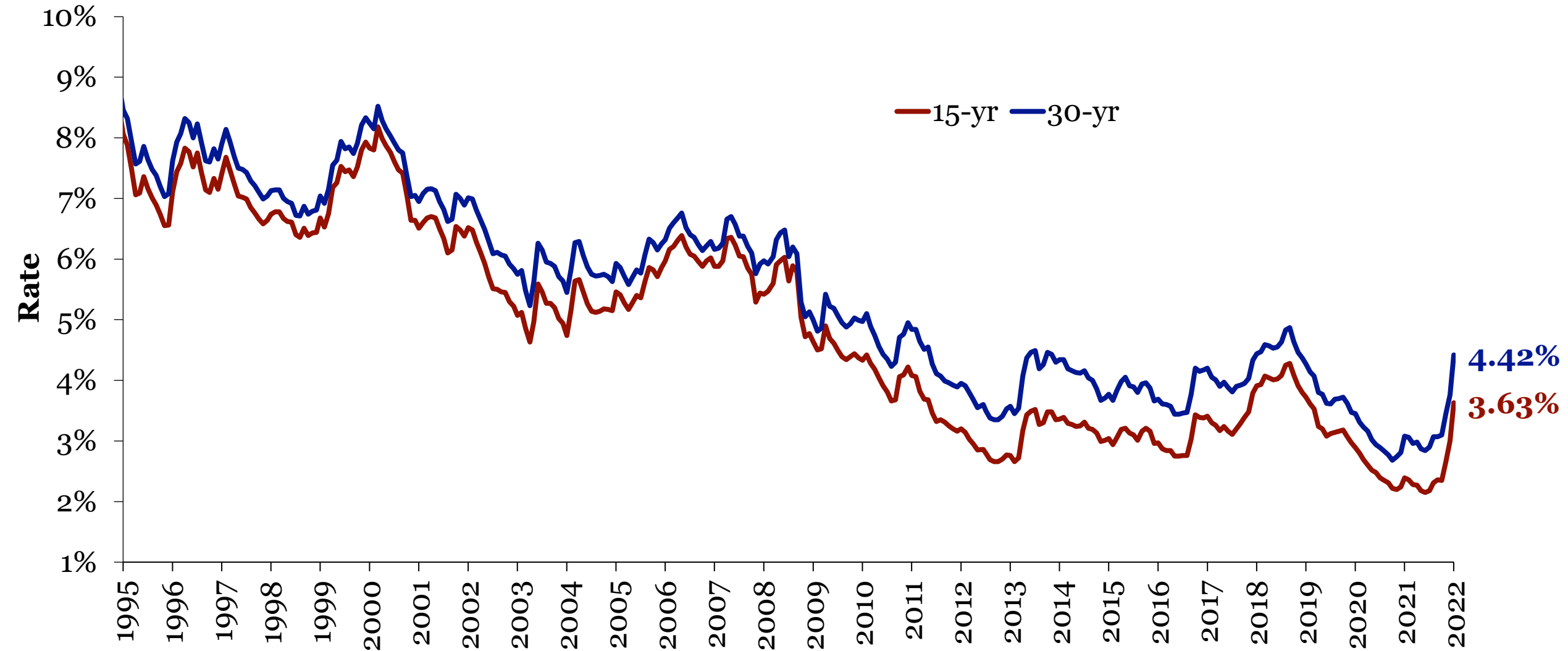
U.S. Unemployment Rate
Jan: 4.0% | Feb: 3.8%

Source: U.S. Bureau of Labor Statistics,
Current Employment Statistics (CES) Survey.
Note: data are not seasonally adjusted.

Quantum of Construction

License to Borrow (at Low Rates)

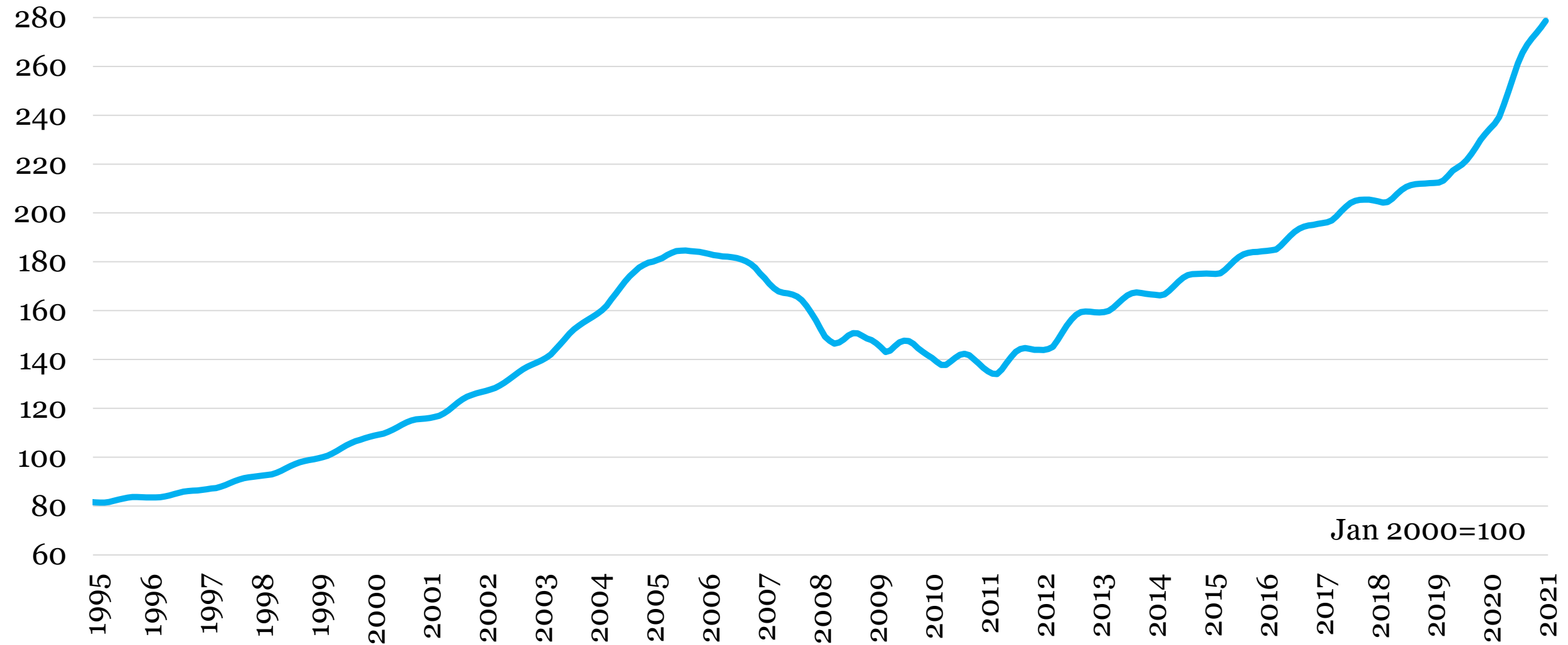
15-Year & 30-Year Fixed Mortgage Rates, 1995 – March 2022*



*Week ending 3/24/2022

S&P Case-Shiller U.S. National Home Price Index

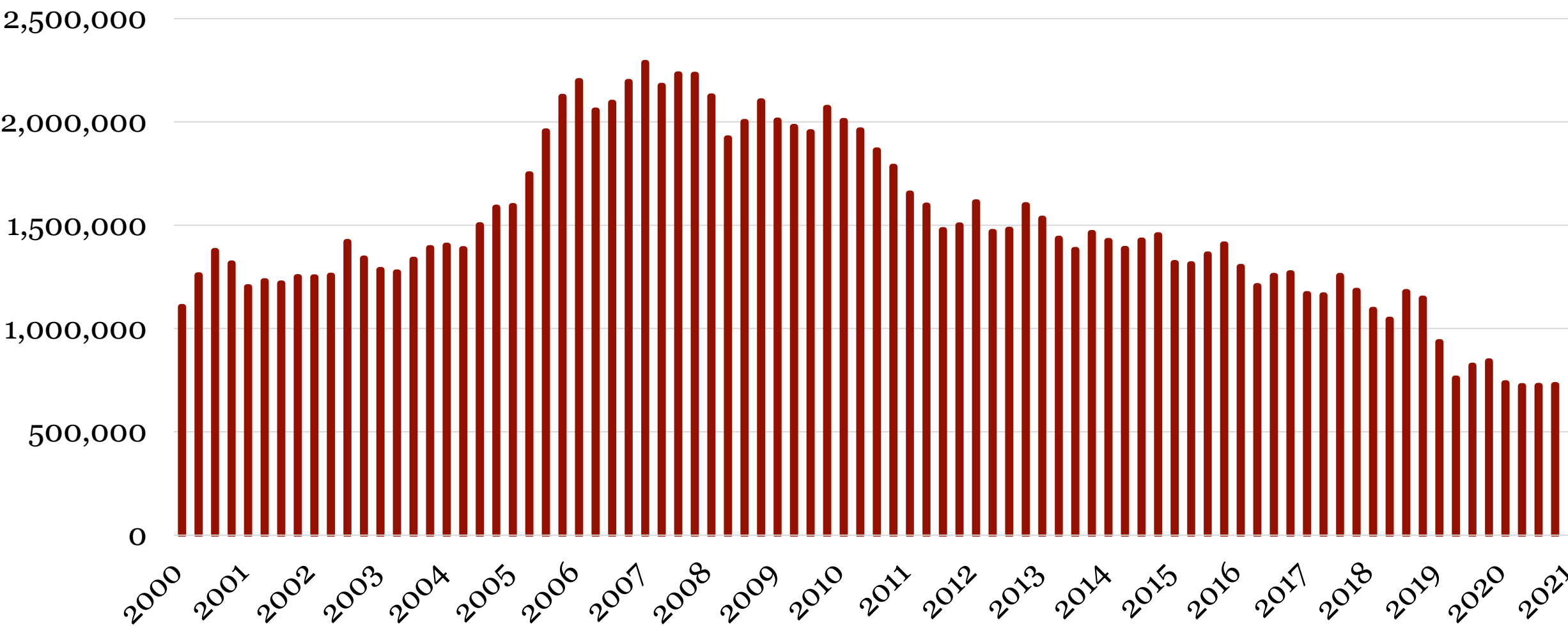
1995 – December 2021



Inventory of Unsold Homes: Vacant Housing Units for Sale*

2000 – 2021Q4

Vacant Housing Units for Sale

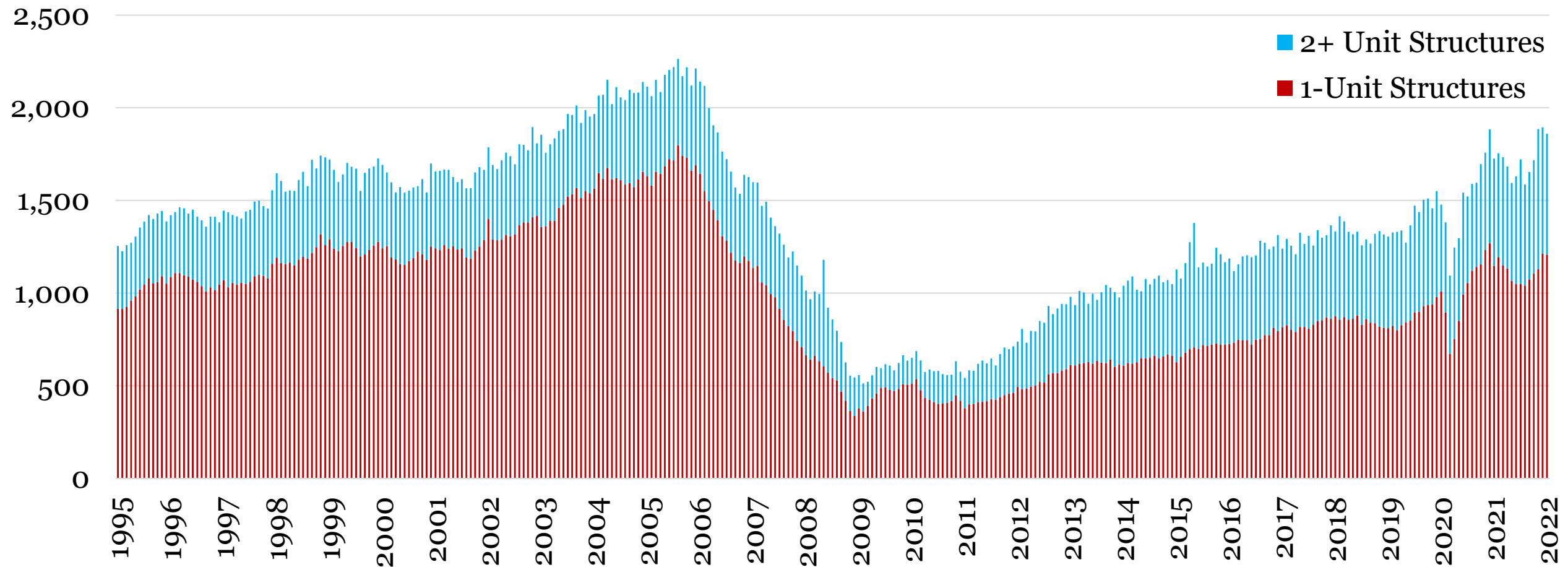


*Units for sale only, excludes units both for rent and sale

U.S. Residential Building Permits

1995 – February 2022

Building Permits (000's of Units)



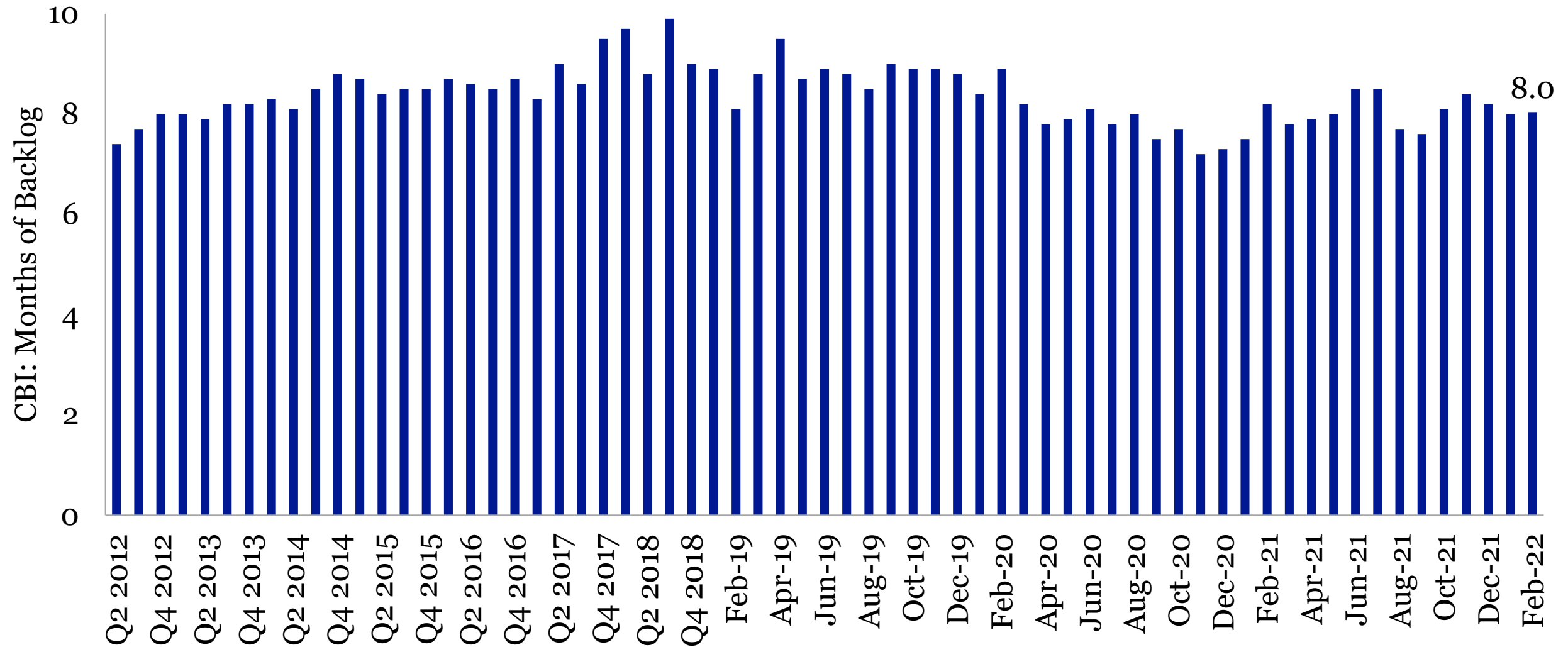
POLL:

Over the last three months, how has your company's backlog fared?

- It has risen considerably
- It has risen slightly
- It has remained about the same
- It has declined slightly
- It has declined considerably

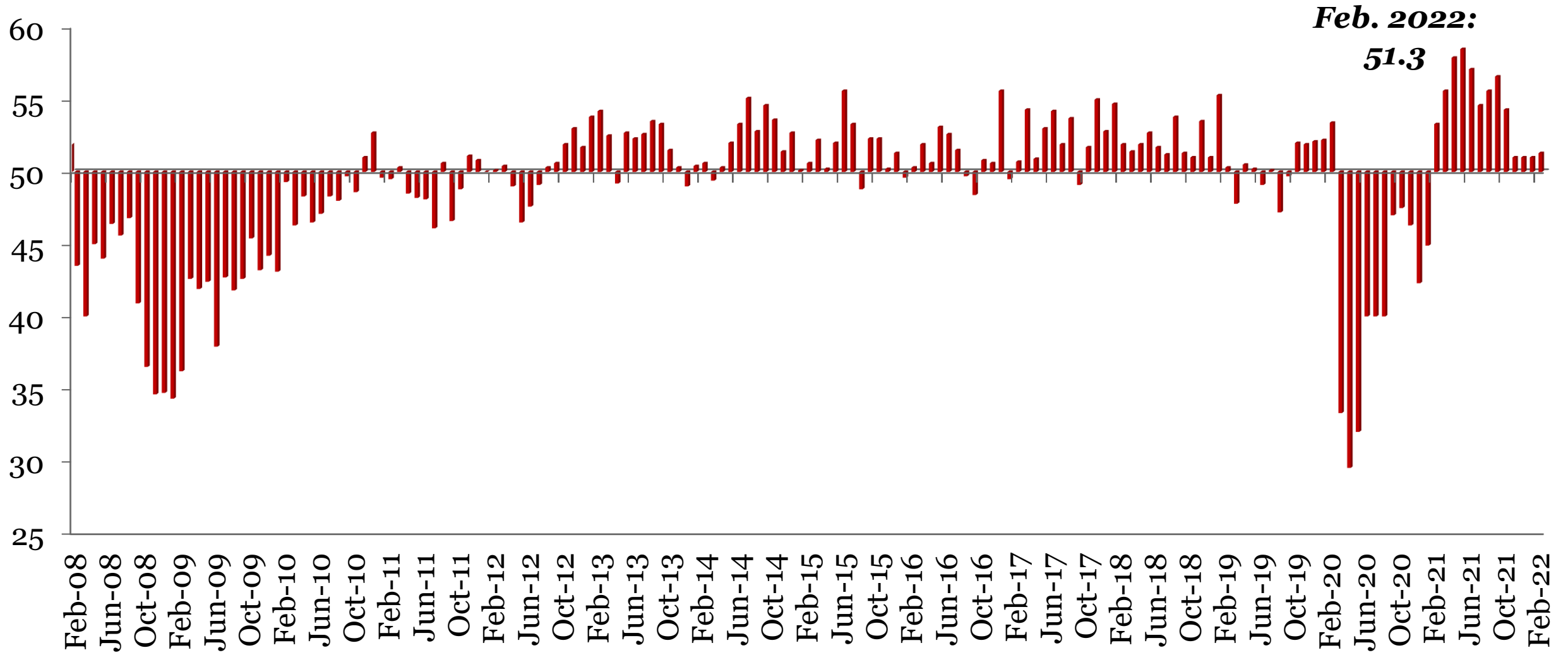
ABC Construction Backlog Indicator

2012 – February 2022



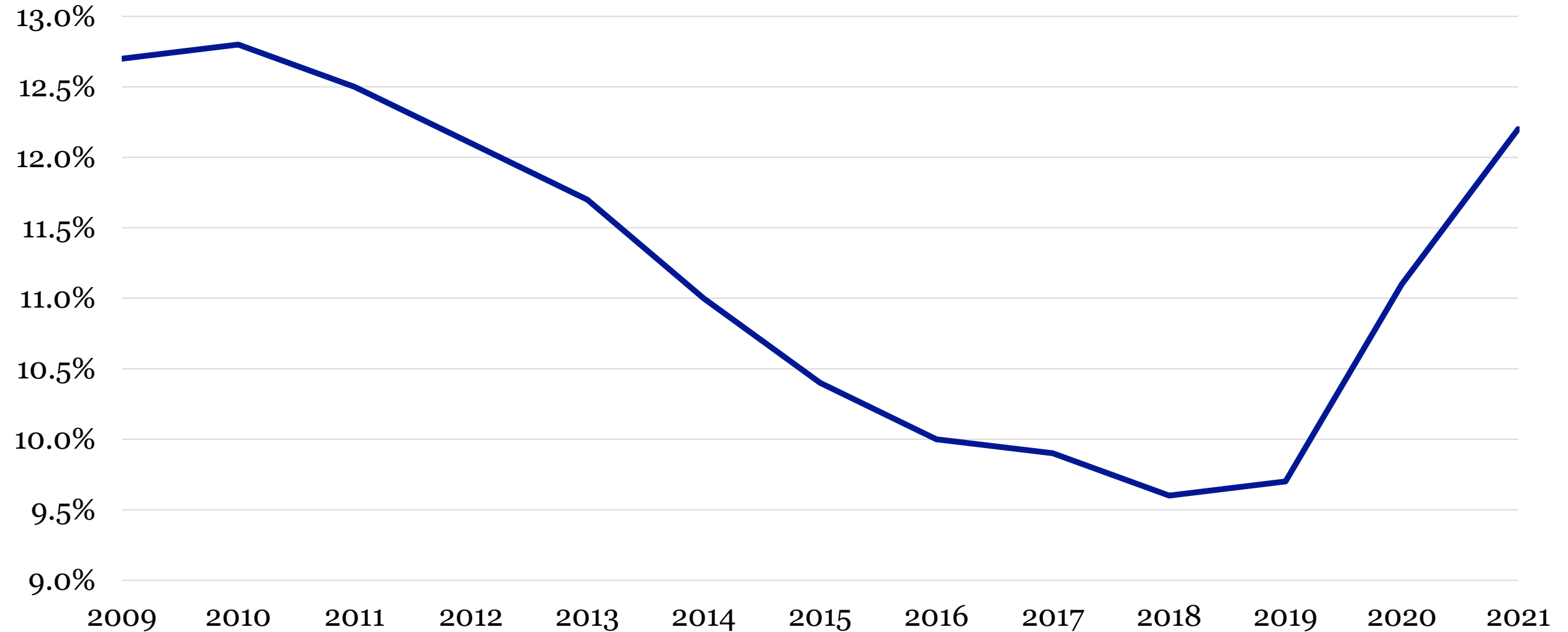
Architecture Billings Index

2008 – February 2022

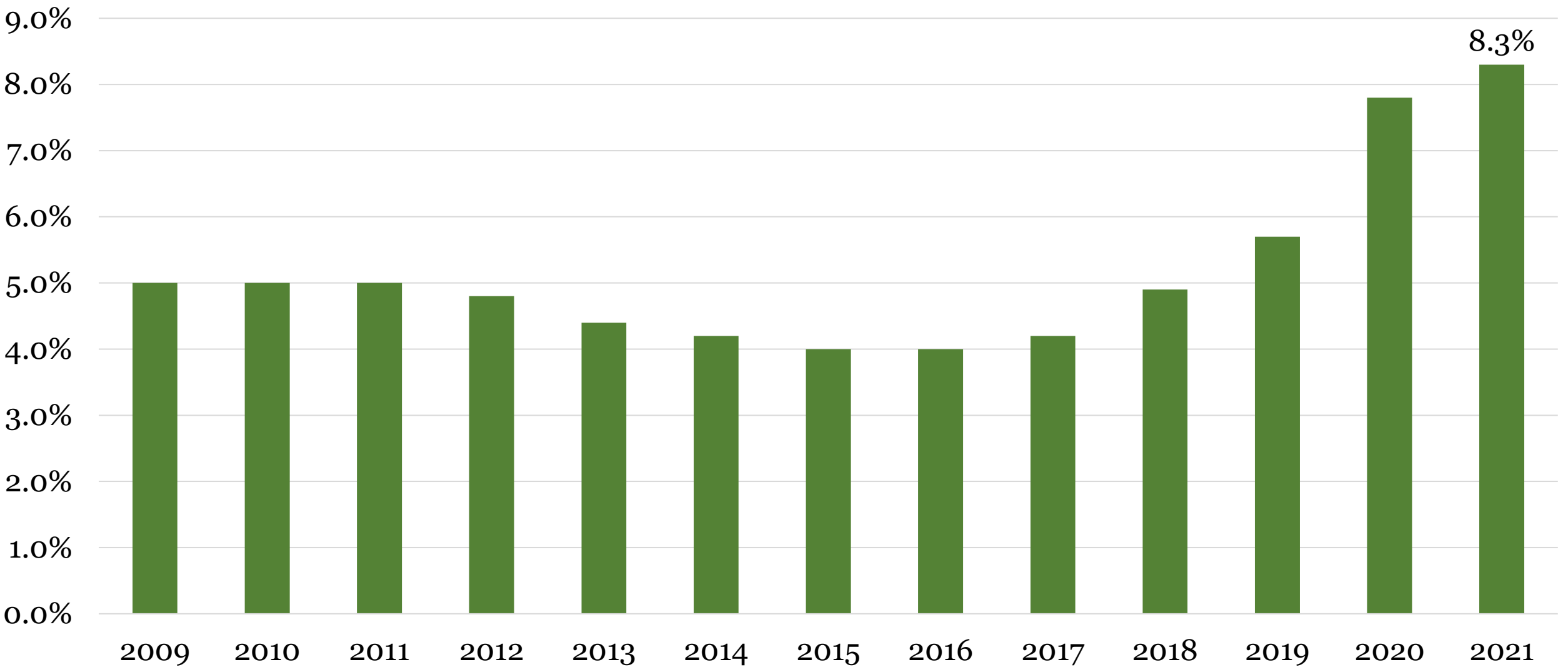


Occupancy is Not Enough

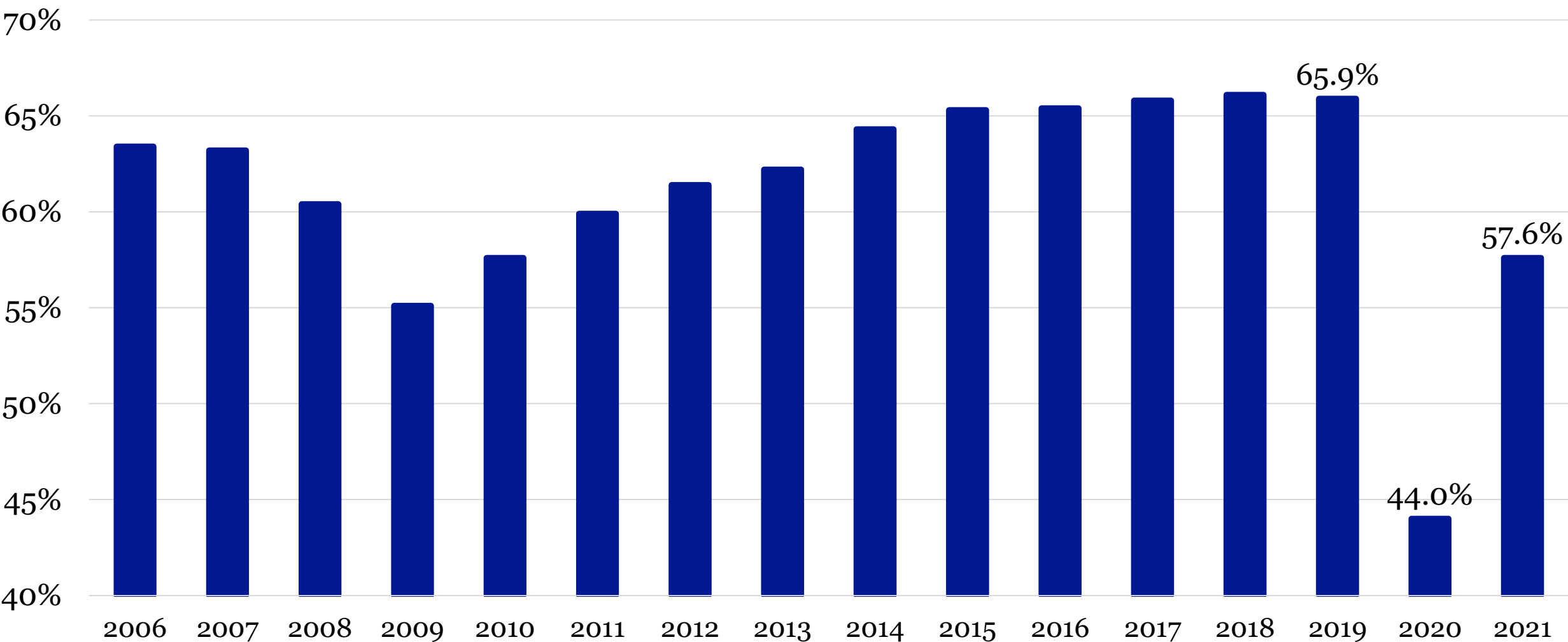
U.S. Office Vacancy, 2009 – 2021



U.S. Retail Space Vacancy: Malls, 2009 – 2021



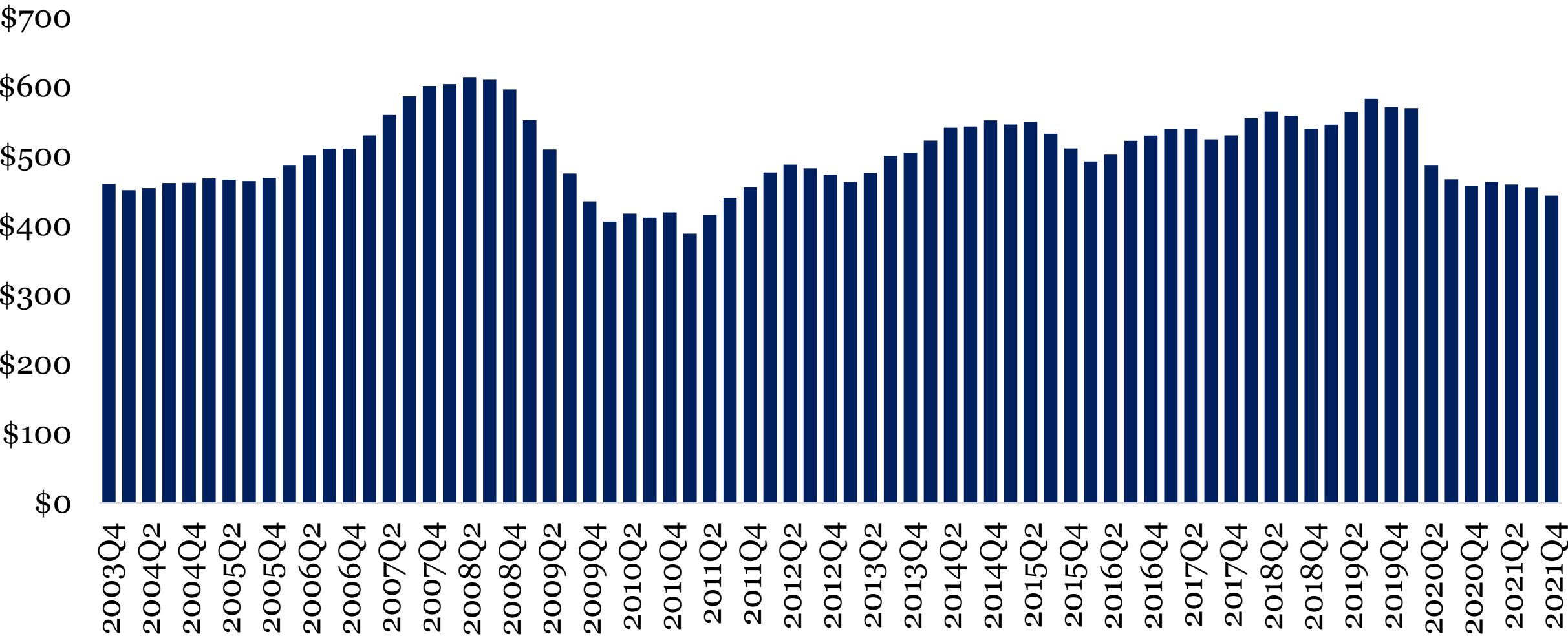
U.S. Hotel Occupancy, 2006 – 2021



U.S. GDP: Nonresidential Fixed Investment in Structures

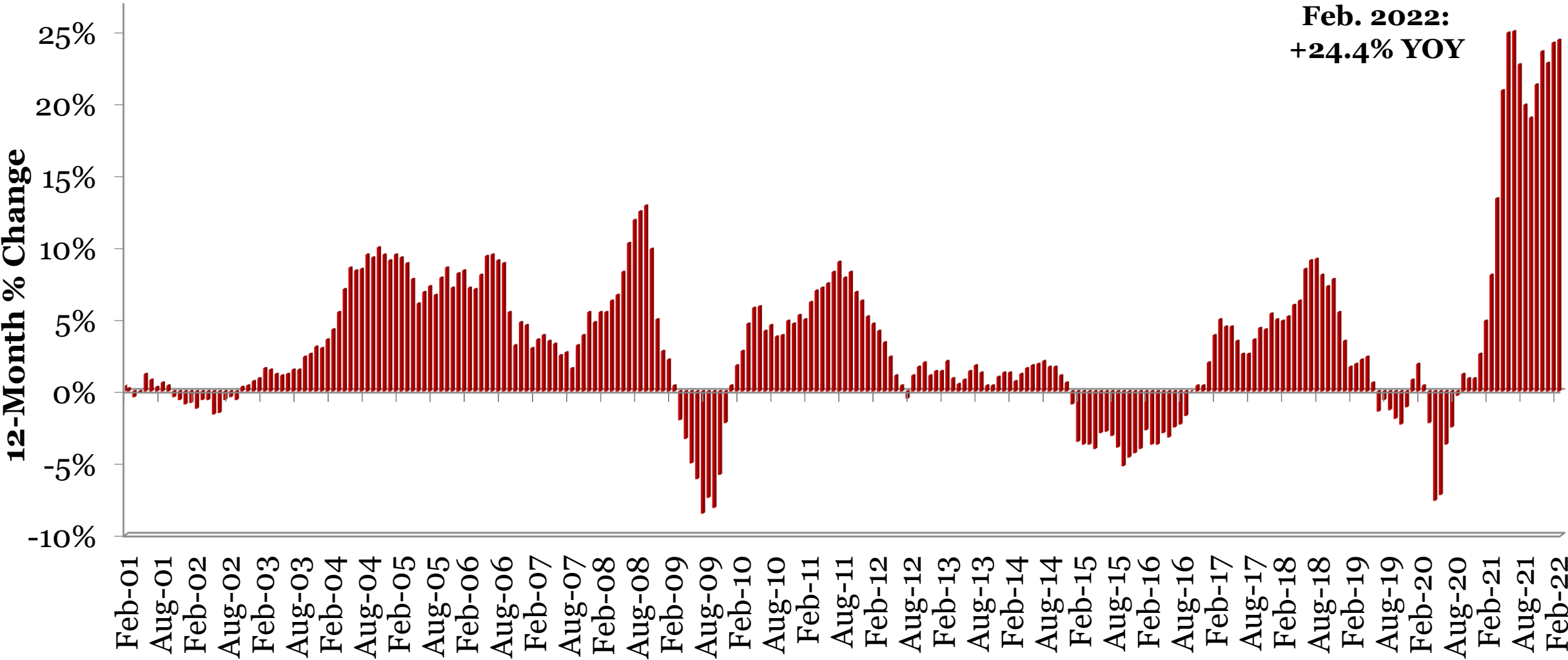
2003 – 2021Q4*

\$ Billions of chained 2012 dollars, seasonally adjusted annual rate



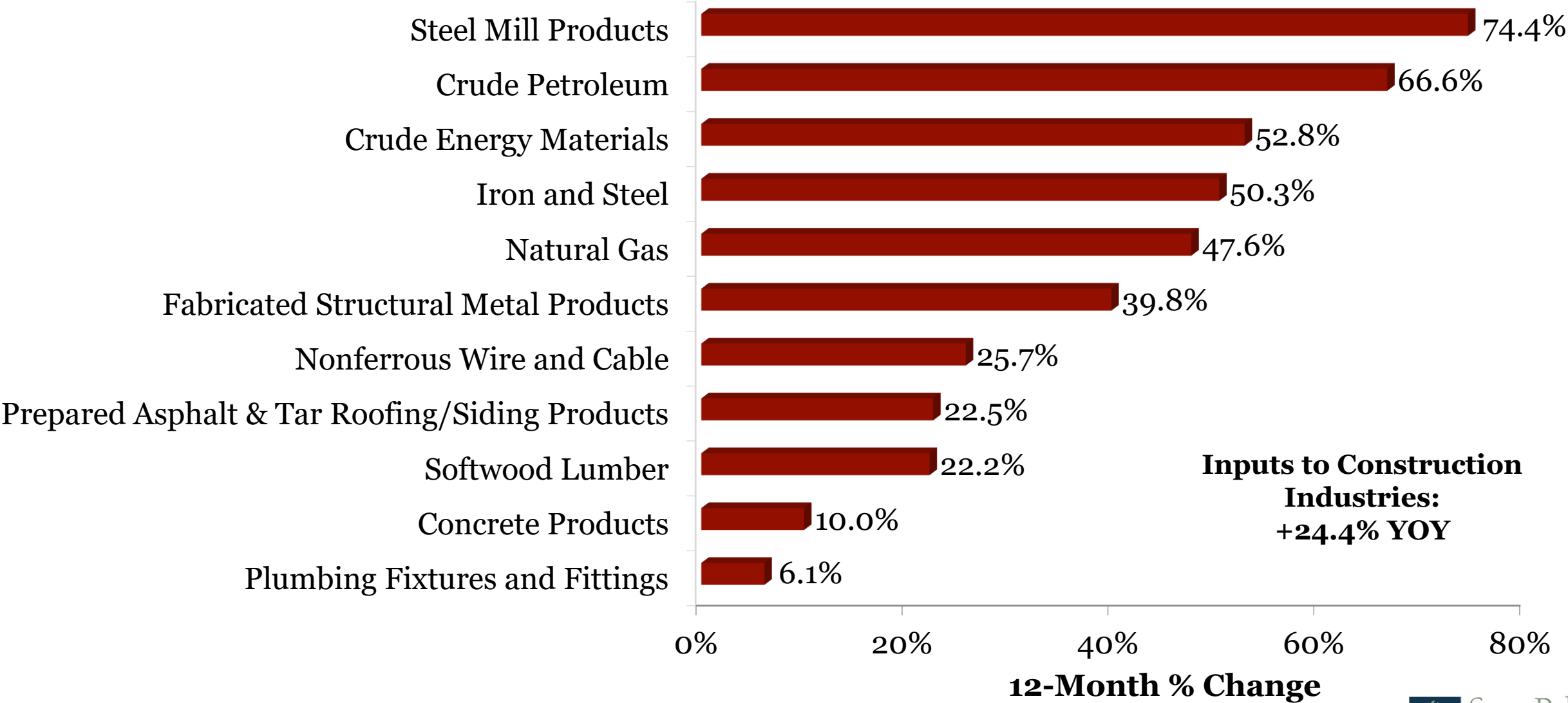
Inputs to Construction PPI

12-Month % Change, 2001 – February 2022



Construction Materials PPI

12-Month % Change as of February 2022



Source: U.S. Bureau of Labor Statistics. Note: Data are not seasonally adjusted

POLL:

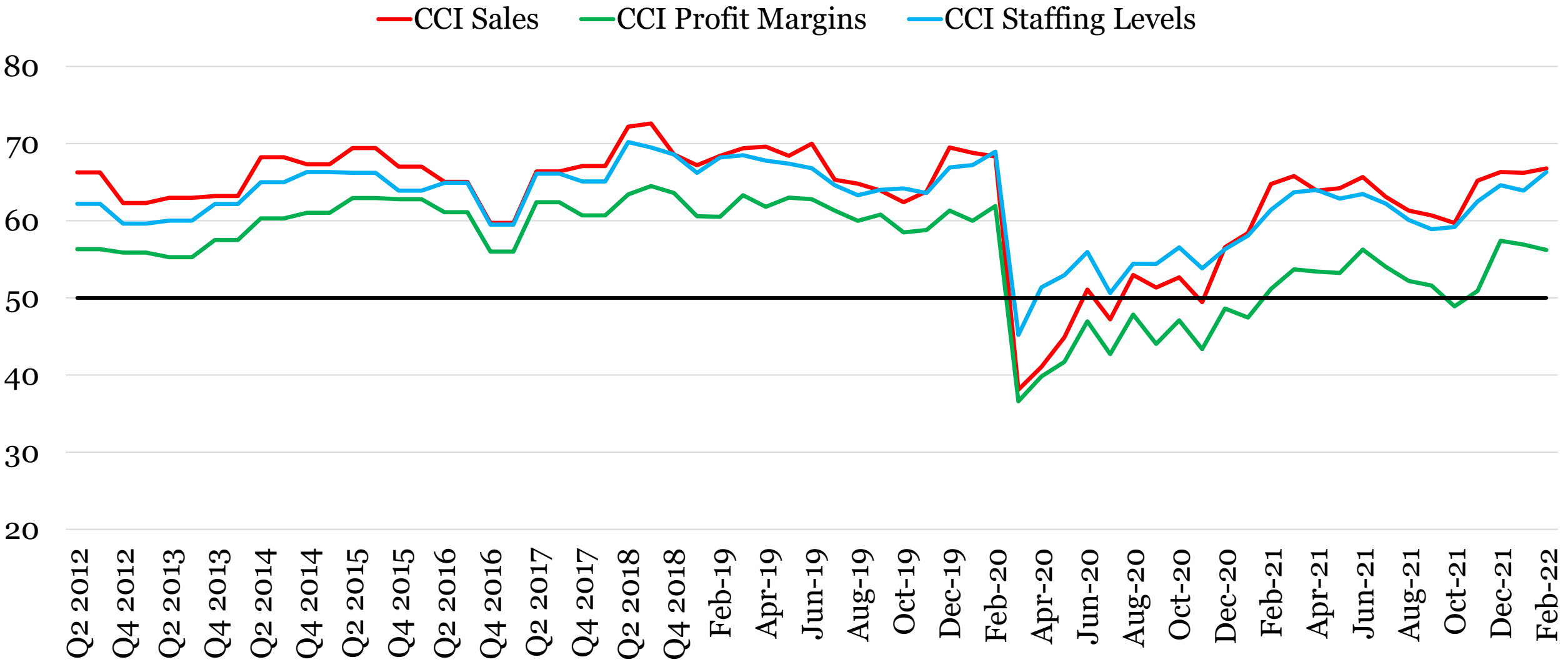
Where do you expect your company's profit margins to be a year from now?

- Substantially higher
- Slightly higher
- About the same
- Slightly lower
- Substantially lower

My Name is Ban, Anirban

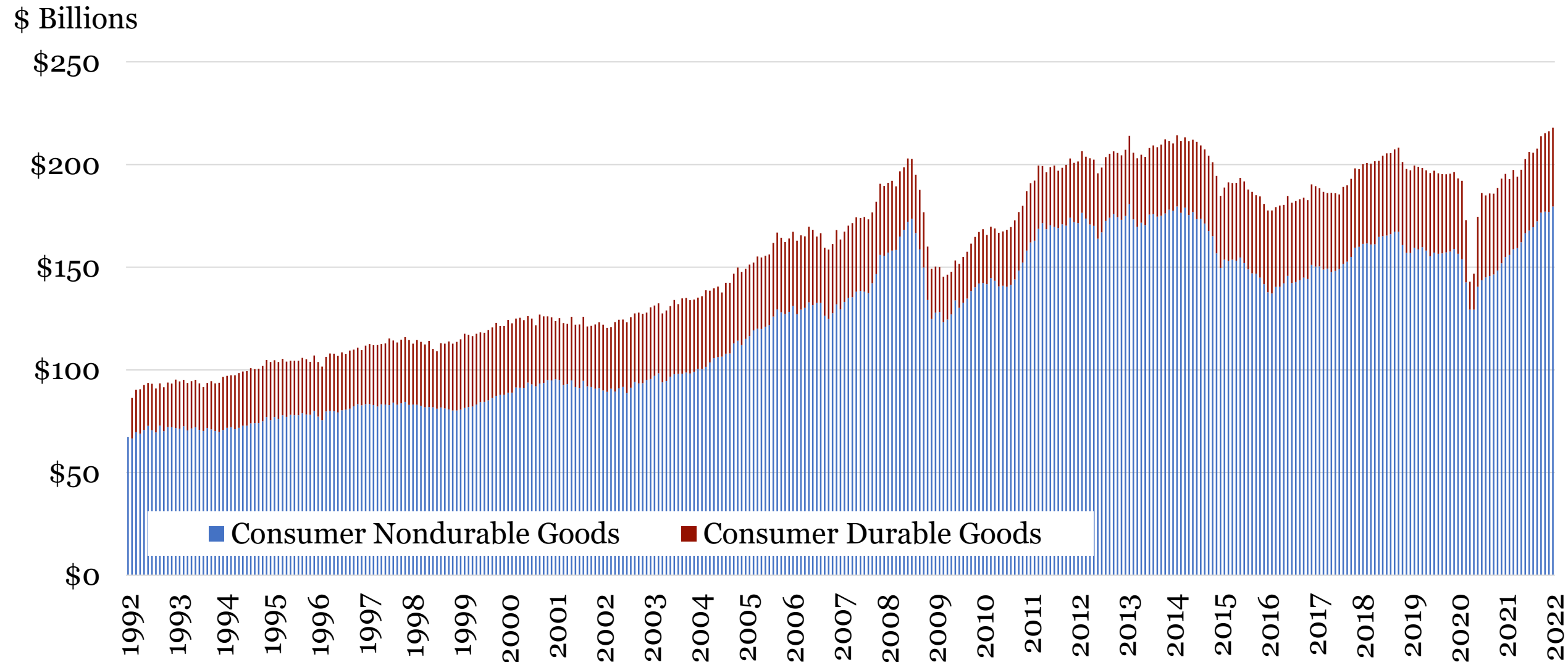
ABC Construction Confidence Index

2012 – February 2022



U.S. Manufacturers' New Orders: Consumer Goods

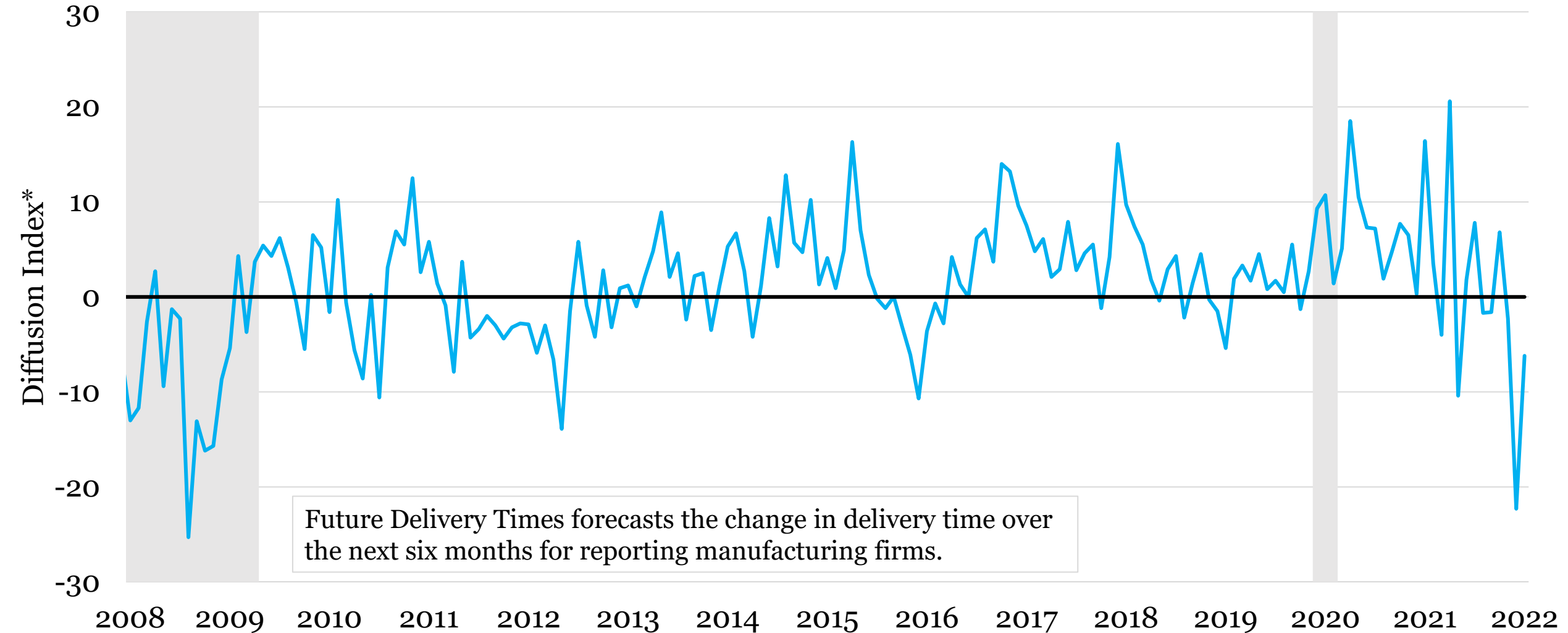
1992 – January 2022



Source: U.S. Census Bureau. Note: Due to the nature of nondurable goods, the reporting figure for both their Shipments and New Orders will be identical.

Philly Fed Manufacturing Business Outlook Survey

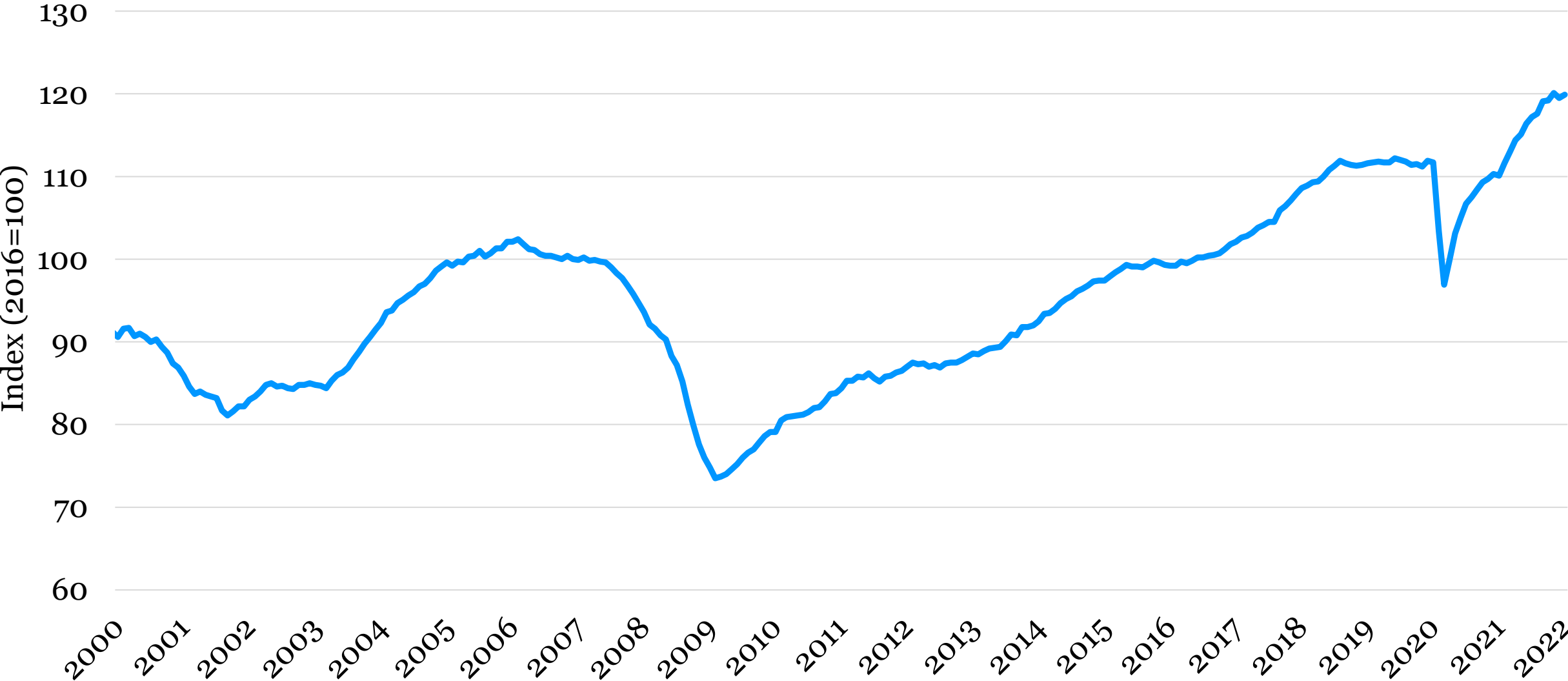
Future Delivery Times, 2008 – March 2022



Future Delivery Times forecasts the change in delivery time over the next six months for reporting manufacturing firms.

Conference Board: U.S. Leading Economic Index

2000 – February 2022



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
- Mid 2022
- Late 2022
- 2023 or beyond
- It may never reach pre-pandemic levels

You Only Forecast Twice



- This will be a year of growth, but 2023 could be very different.
- The economy will remain unbalanced, with supply struggling to keep up with demand – Ukraine/Russia and Omicron/China/Europe hampering recovery.
- Along with rising wages amidst the Great Resignation, that translates into higher than average economywide inflation in 2022 (stagflation anyone?).
- Yes, I'm an economist, so I am forecasting interest rates to increase.

Q&A

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- Occasional posts on specific economic & policy related subjects



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