

The webinar will start momentarily.

2022 Q3 Construction Economic Update and Exclusive Forecast

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

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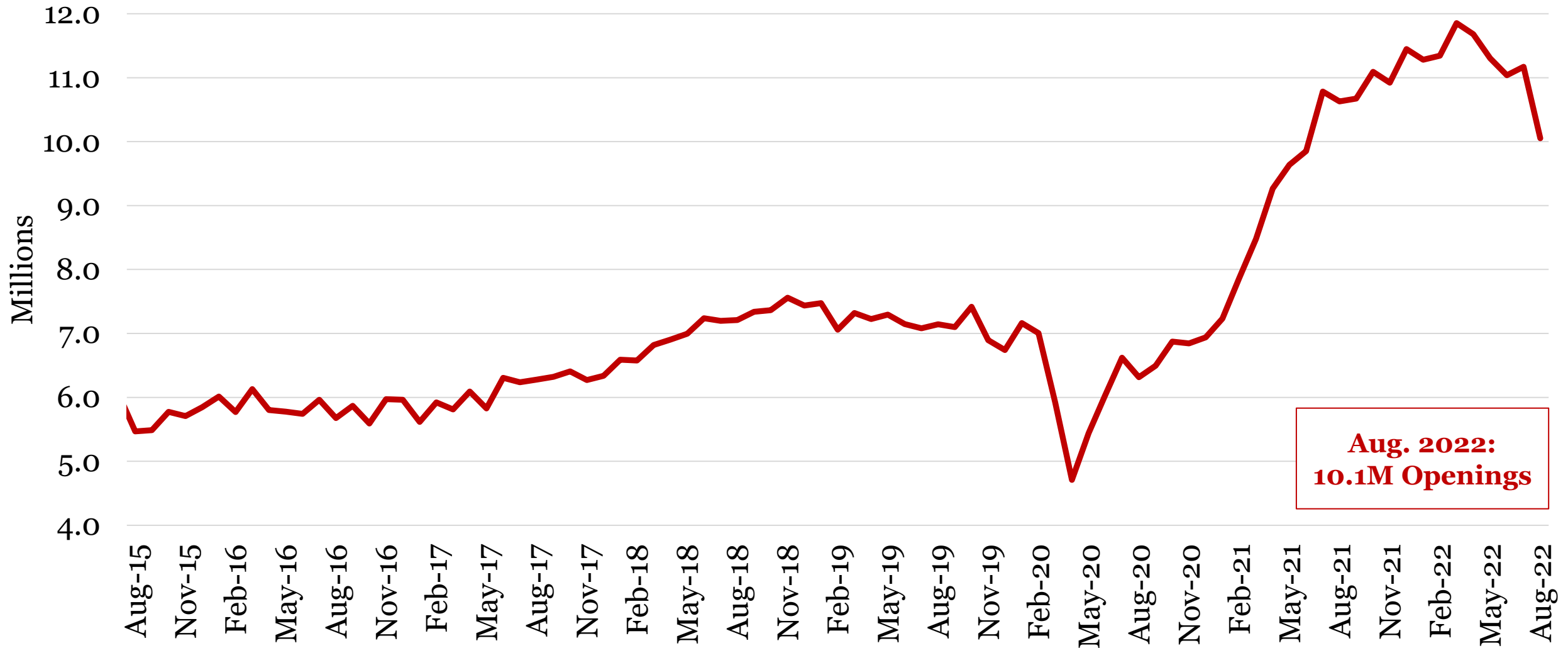
2022 Q3 Construction Economic Update and Exclusive Forecast

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

On Behalf of
Construction Executive
Oct. 12, 2022

Economic Update

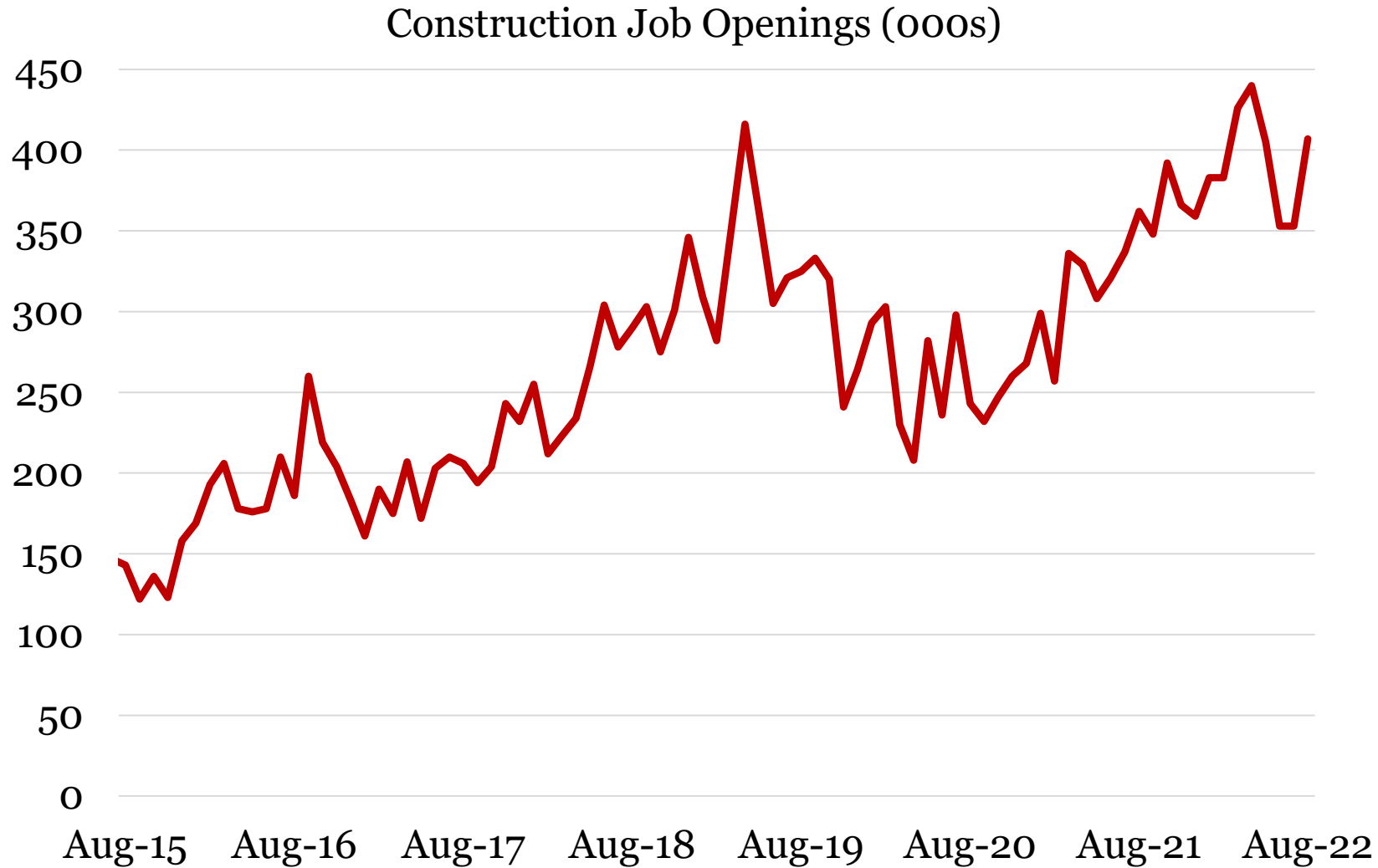
U.S. Job Openings, 2015 – August 2022



**Aug. 2022:
10.1M Openings**

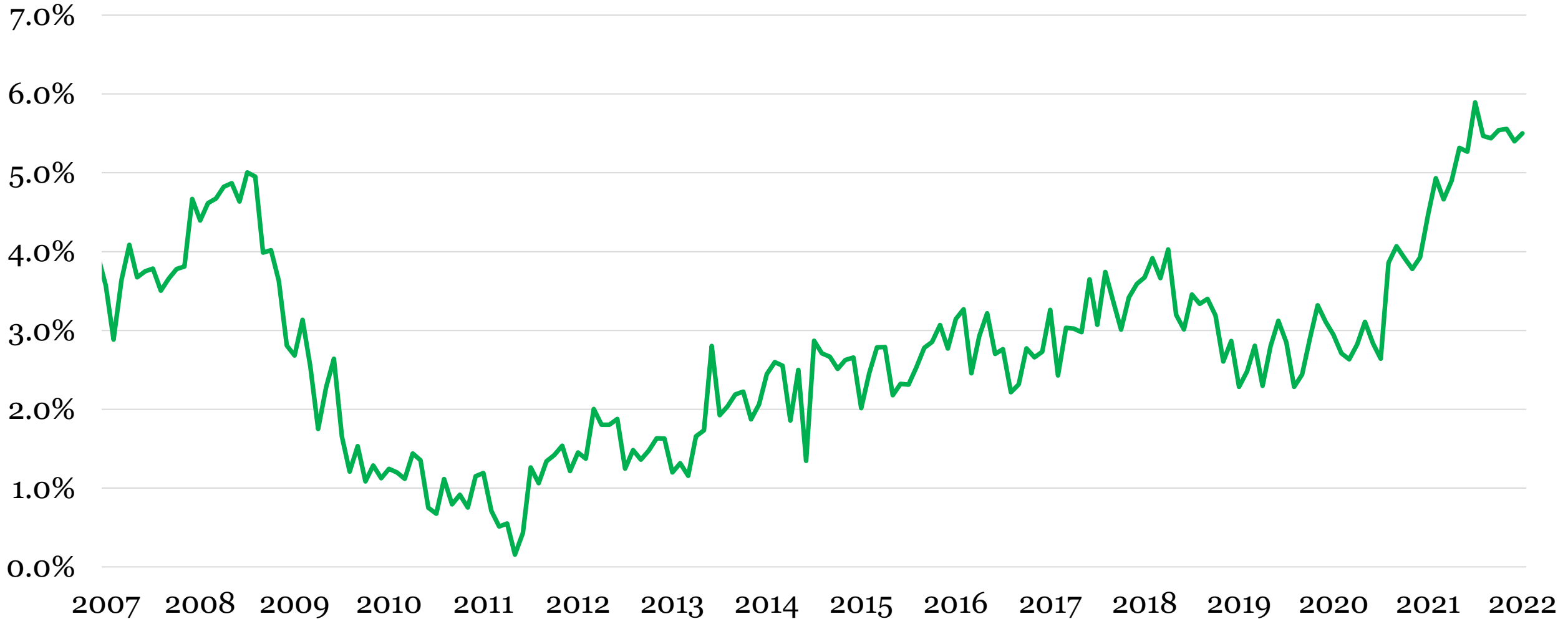
U.S. Construction Job Openings, 2015 – 2022

- From 2015-2019 the number of unfilled U.S. construction jobs averaged 227,000.
- In 2020 there was an average of 258,000 unfilled construction jobs.
- As of August 2022, there were 407,000 unfilled construction jobs.

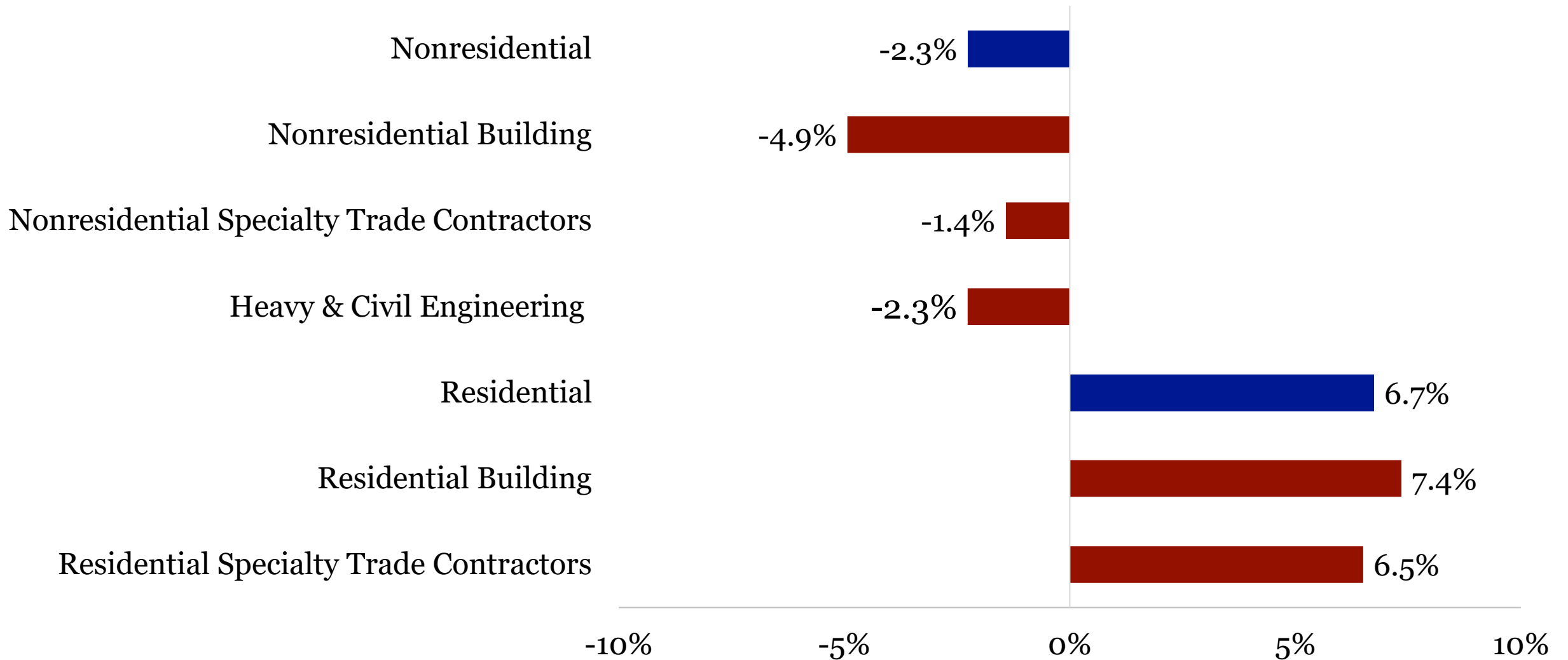


Growth in Construction Wages, 2007 – 2022

12-M % Change in Average Hourly Earnings, Construction

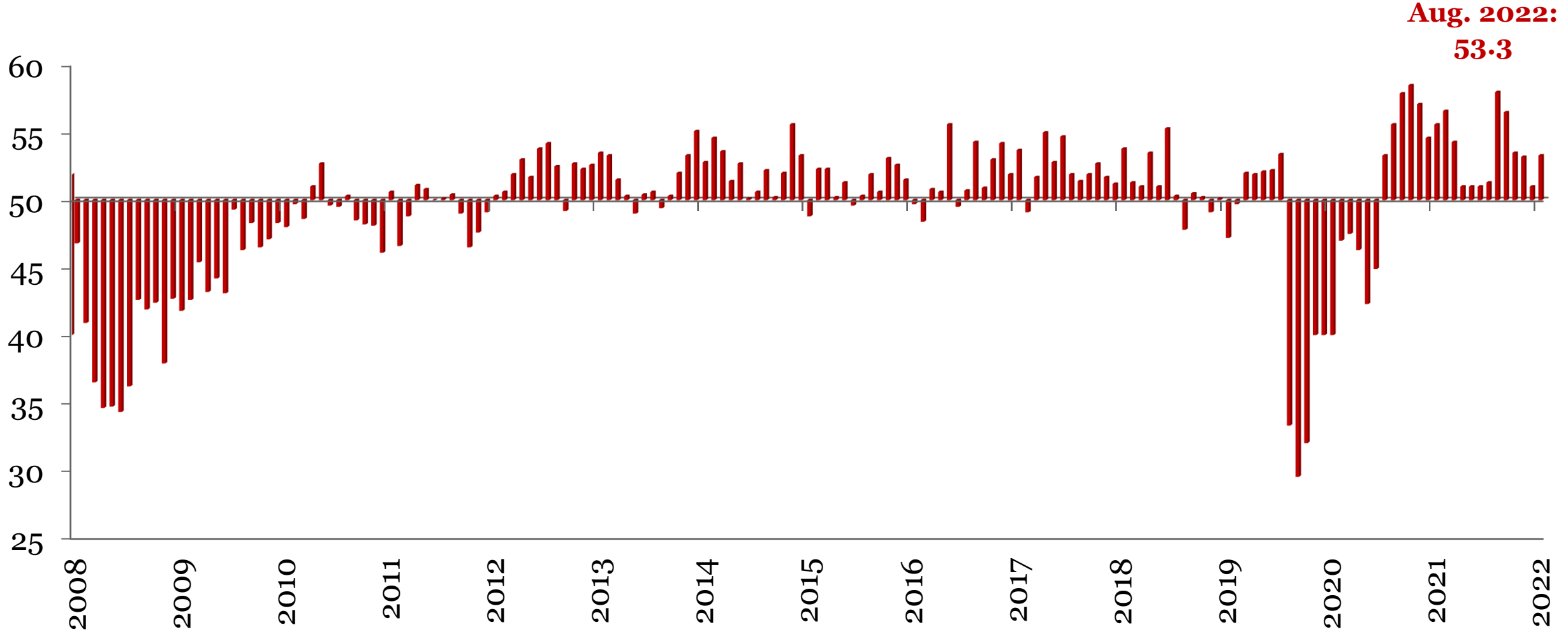


U.S. Construction Employment, February 2020 v. September 2022



Architecture Billings Index

2008 – August 2022



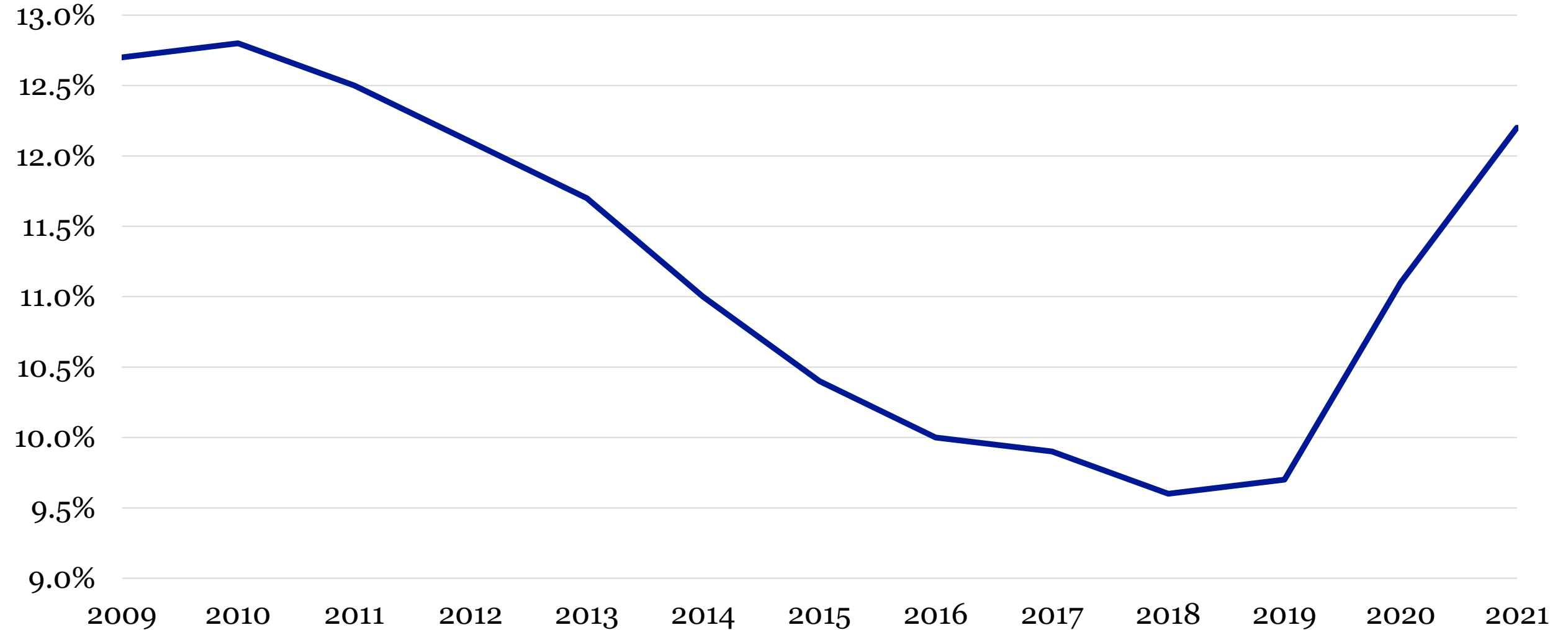
**Aug. 2022:
53.3**

Source: The American Institute of Architects

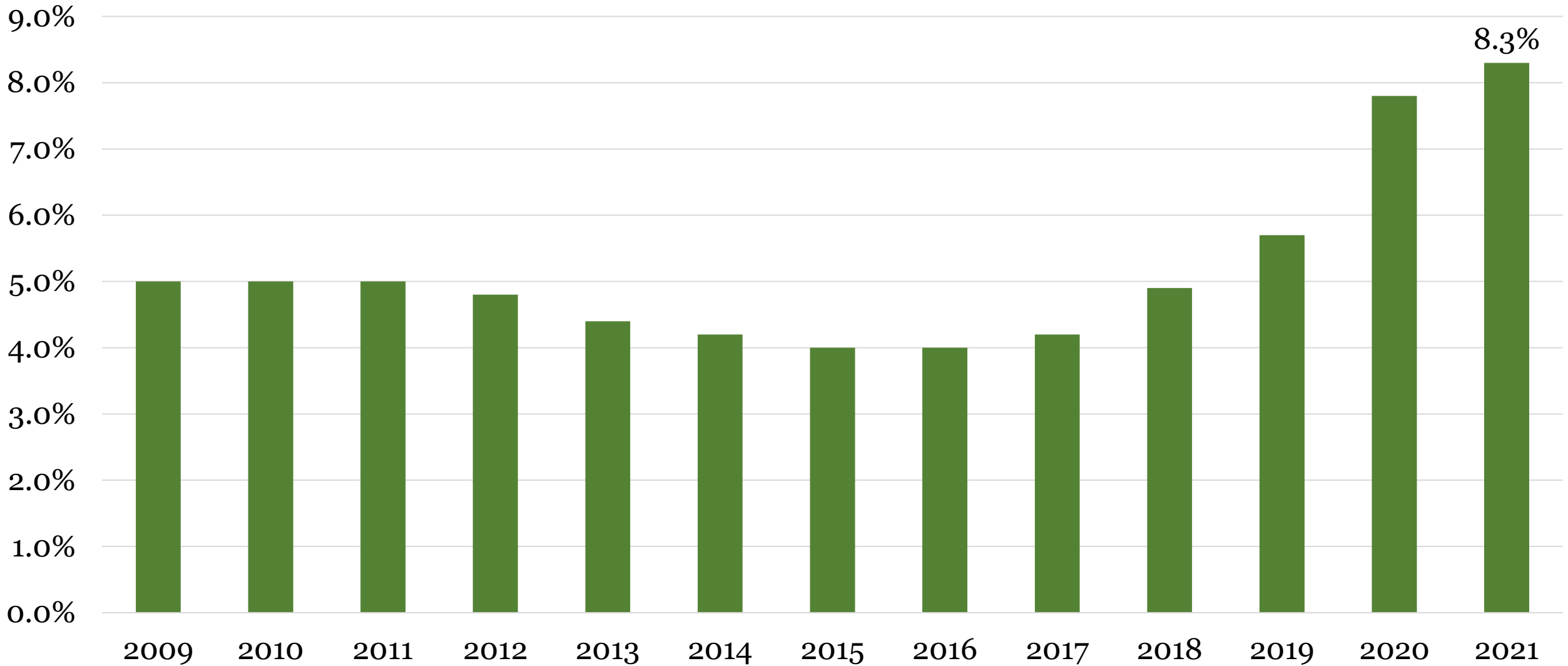


Occupancy Is Not Enough

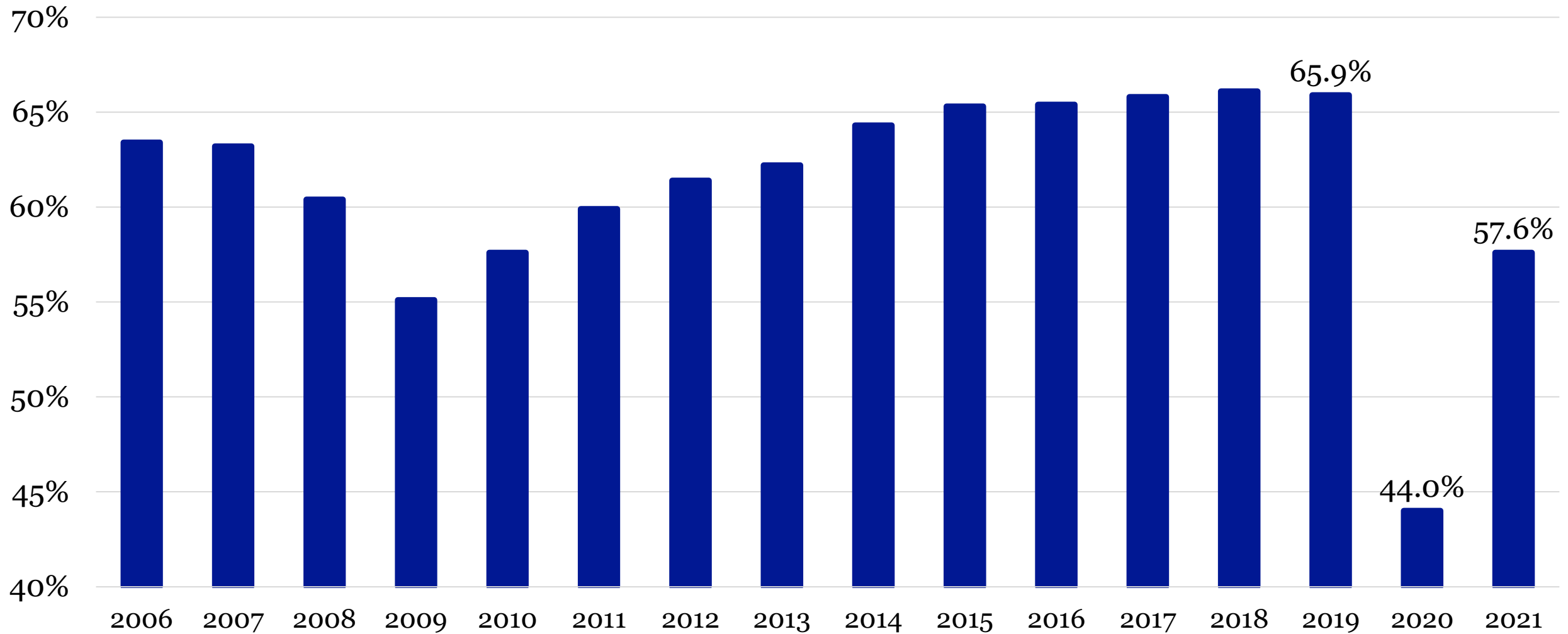
U.S. Office Vacancy, 2009 – 2021



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

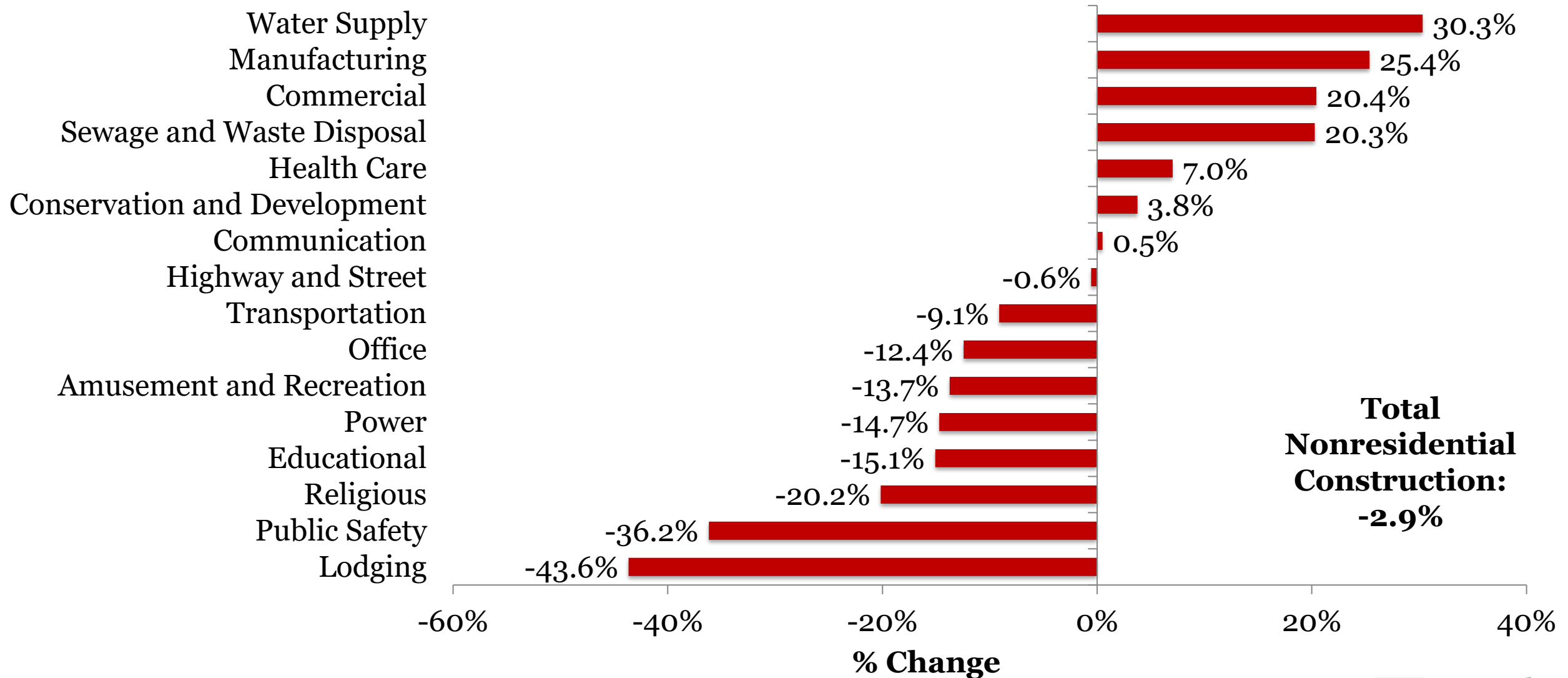


U.S. Hotel Occupancy, 2006 – 2021



Nonresidential Construction Spending by Subsector

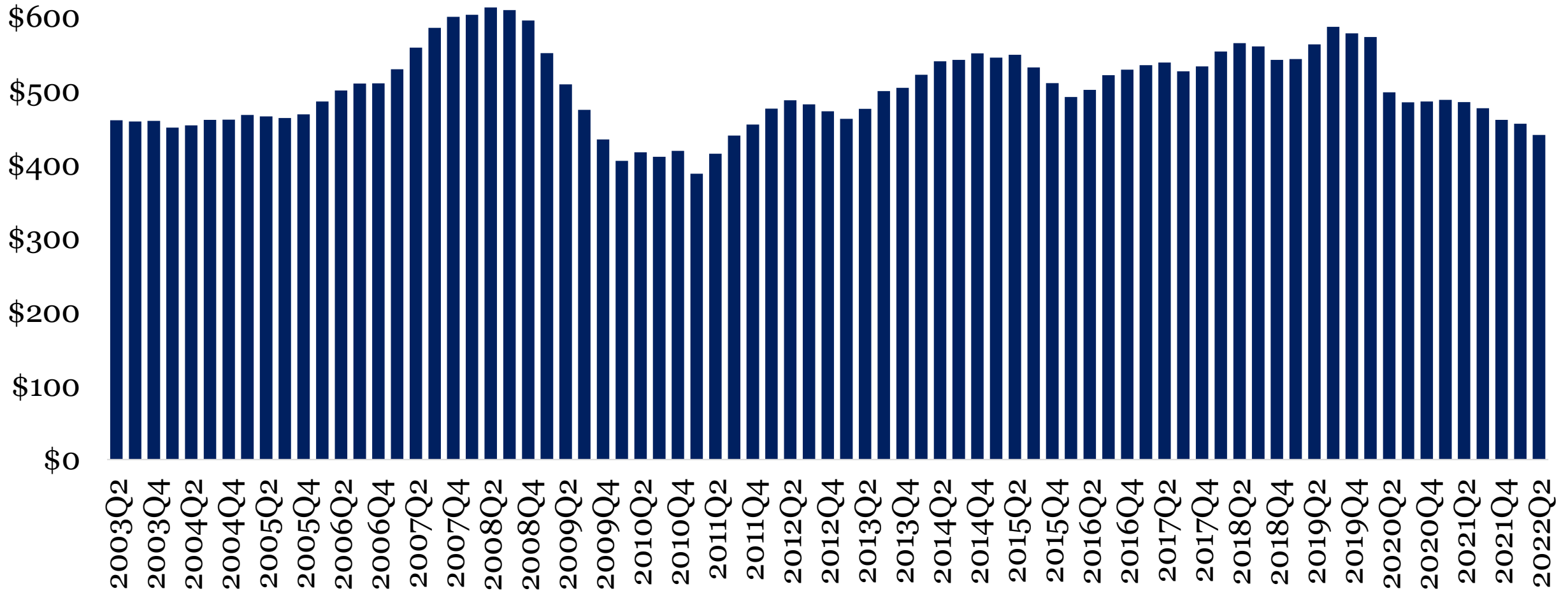
February 2020 v. August 2022



U.S. GDP: Nonresidential Fixed Investment in Structures

2003 – 2022Q2*

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



Construction Employment Growth, 25 Largest Metros

February 2020 v. August 2022 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Minneapolis-St. Paul-Bloomington, MN-WI	25.9%	14	Riverside-San Bernardino-Ontario, CA	4.0%
2	St. Louis, MO-IL	22.9%	15	Los Angeles-Long Beach-Anaheim, CA	3.3%
3	Chicago-Naperville-Elgin, IL-IN-WI	20.7%	16	Tampa-St. Petersburg-Clearwater, FL	3.1%
4	Detroit-Warren-Dearborn, MI	17.5%	17	Houston-The Woodlands-Sugar Land, TX	2.4%
5	Boston-Cambridge-Nashua, MA-NH	17.1%	18	Dallas-Fort Worth-Arlington, TX	2.1%
6	Portland-Vancouver-Hillsboro, OR-WA	14.1%	19	Miami-Fort Lauderdale-West Palm Beach, FL	2.0%
7	Seattle-Tacoma-Bellevue, WA	10.3%	20	Washington-Arlington-Alexandria, DC-VA-MD-WV	1.4%
8	Phoenix-Mesa-Scottsdale, AZ	7.8%			
9	Baltimore-Columbia-Towson, MD	7.5%	21	Atlanta-Sandy Springs-Roswell, GA	0.8%
10	Denver-Aurora-Lakewood, CO	7.2%	22	San Francisco-Oakland-Hayward, CA	0.4%
11	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	6.7%	23	New York-Newark-Jersey City, NY-NJ-PA	0.2%
12	Charlotte-Concord-Gastonia, NC-SC	6.2%	24	San Antonio-New Braunfels, TX	-1.6%
13	San Diego-Carlsbad, CA	5.6%	25	Orlando-Kissimmee-Sanford, FL	-10.4%

U.S. Percent Change
2/2020 v. 9/2022: +1.2%

Unemployment Rates, 25 Largest Metros

August 2022

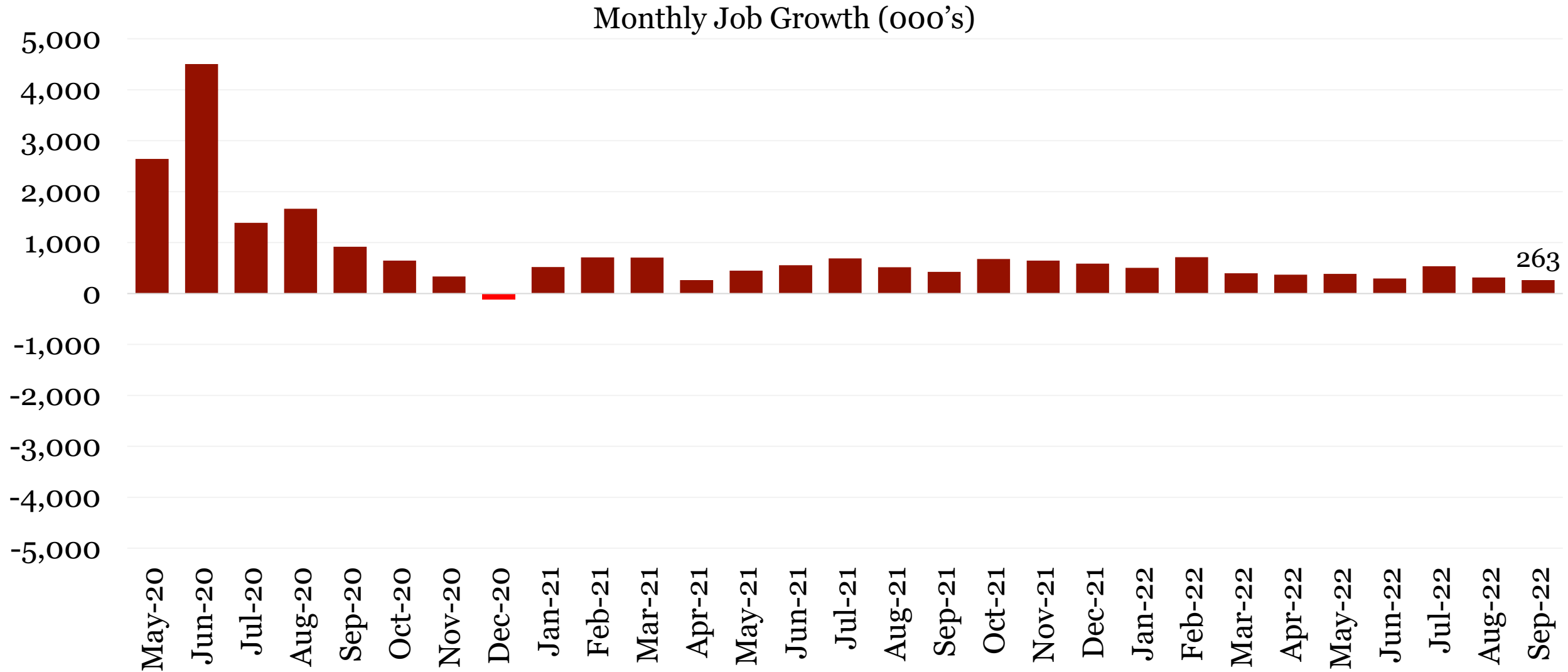
Rank	MSA	%	Rank	MSA	%
1	Minneapolis-St. Paul-Bloomington, MN-WI	2.1	14	Charlotte-Concord-Gastonia, NC-SC	3.6
2	Miami-Fort Lauderdale-West Palm Beach, FL	2.6	14	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.6
3	Tampa-St. Petersburg-Clearwater, FL	2.7			
4	San Francisco-Oakland-Hayward, CA	2.8	16	Dallas-Fort Worth-Arlington, TX	3.7
5	Orlando-Kissimmee-Sanford, FL	2.9	17	San Antonio-New Braunfels, TX	3.8
6	Atlanta-Sandy Springs-Roswell, GA	3.0	18	Portland-Vancouver-Hillsboro, OR-WA	4.0
7	Boston-Cambridge-Nashua, MA-NH	3.2	19	Riverside-San Bernardino-Ontario, CA	4.2
8	Denver-Aurora-Lakewood, CO	3.3	20	Baltimore-Columbia-Towson, MD	4.3
8	St. Louis, MO-IL	3.3	21	Los Angeles-Long Beach-Anaheim, CA	4.5
10	Phoenix-Mesa-Scottsdale, AZ	3.4	21	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	4.5
10	San Diego-Carlsbad, CA	3.4	23	Houston-The Woodlands-Sugar Land, TX	4.6
12	Detroit-Warren-Dearborn, MI	3.5	24	New York-Newark-Jersey City, NY-NJ-PA	4.8
12	Seattle-Tacoma-Bellevue, WA	3.5	25	Chicago-Naperville-Elgin, IL-IN-WI	4.9

Source: U.S. Bureau of Labor Statistics,
Local Area Unemployment Statistics (LAUS) program.
Note: data are not seasonally adjusted.

U.S. Unemployment Rate
Aug.: 3.7% | Sept.: 3.5%

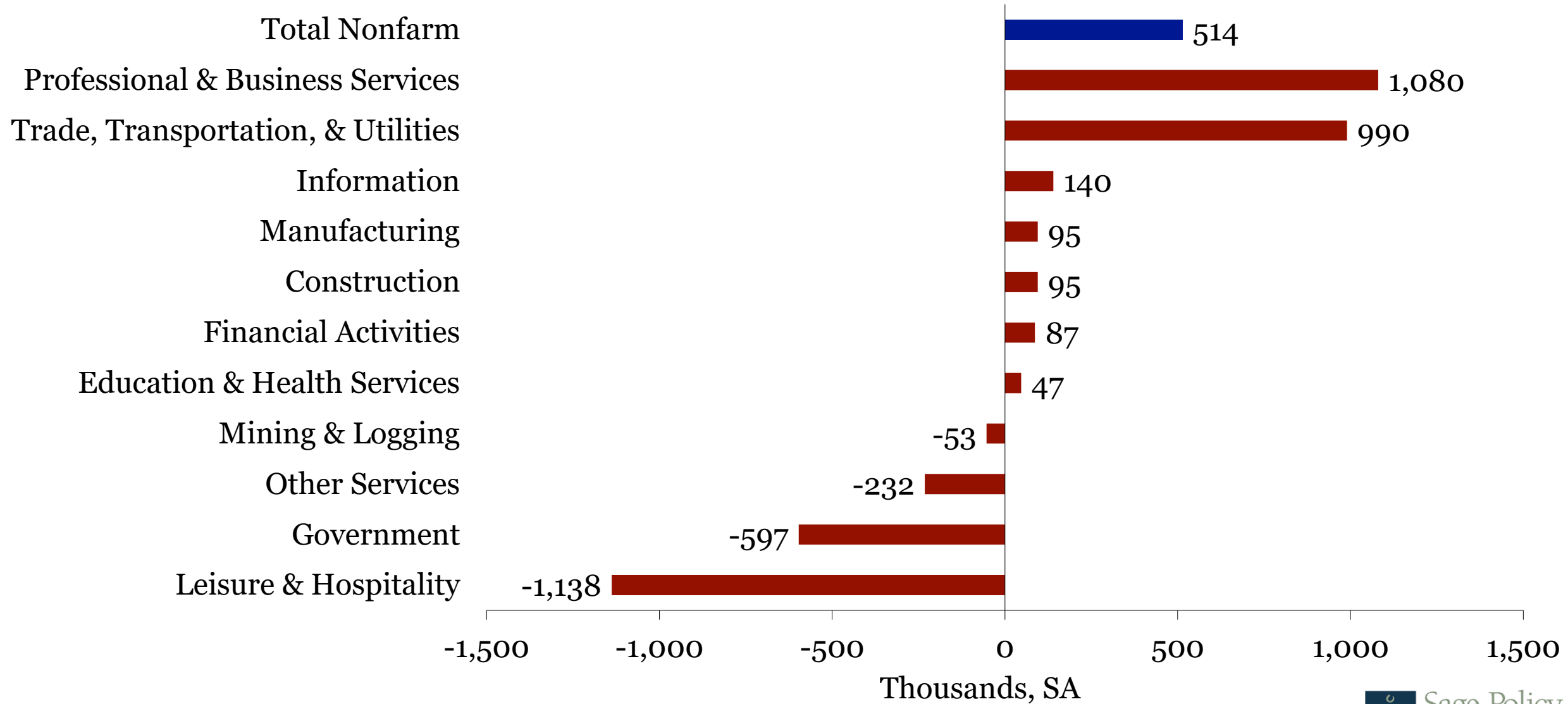
Net Change in U.S. Jobs

May 2020 – September 2022

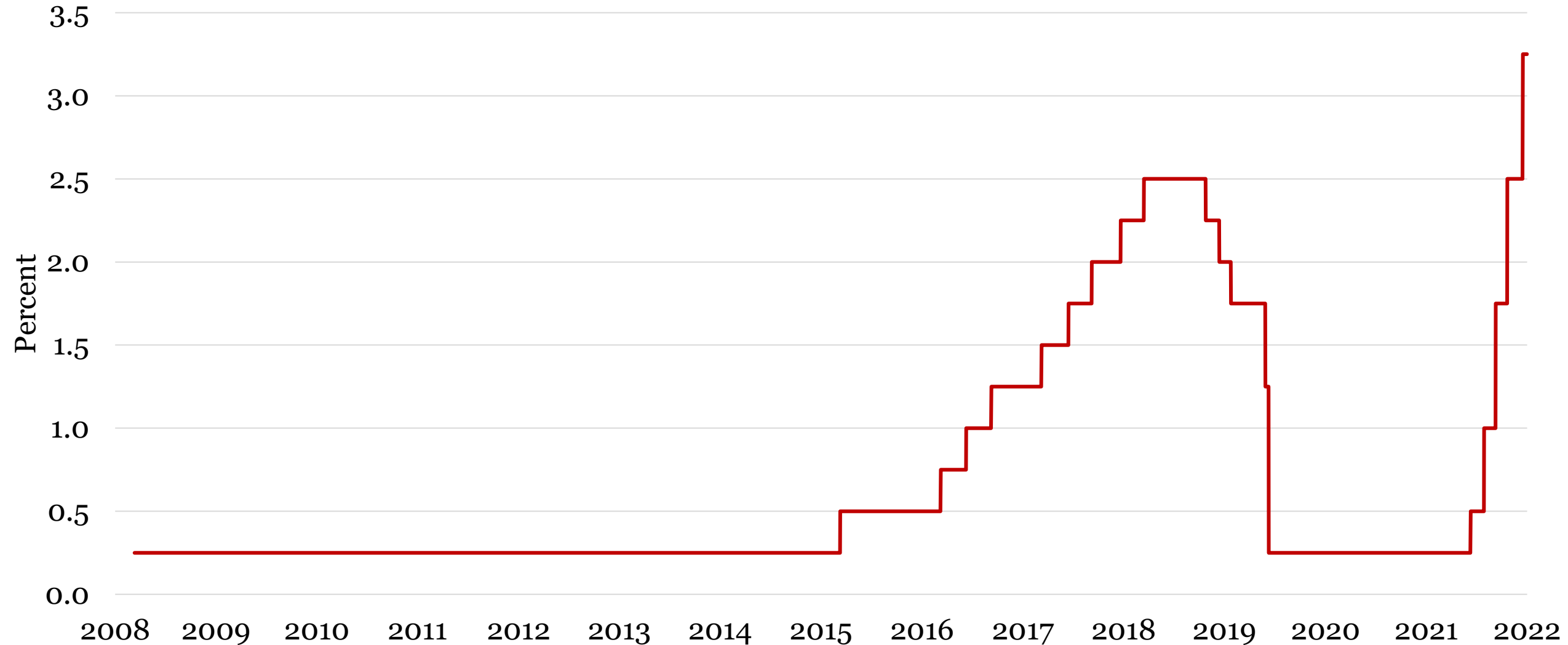


U.S. Nonfarm Employment by Industry Sector

February 2020 v. September 2022

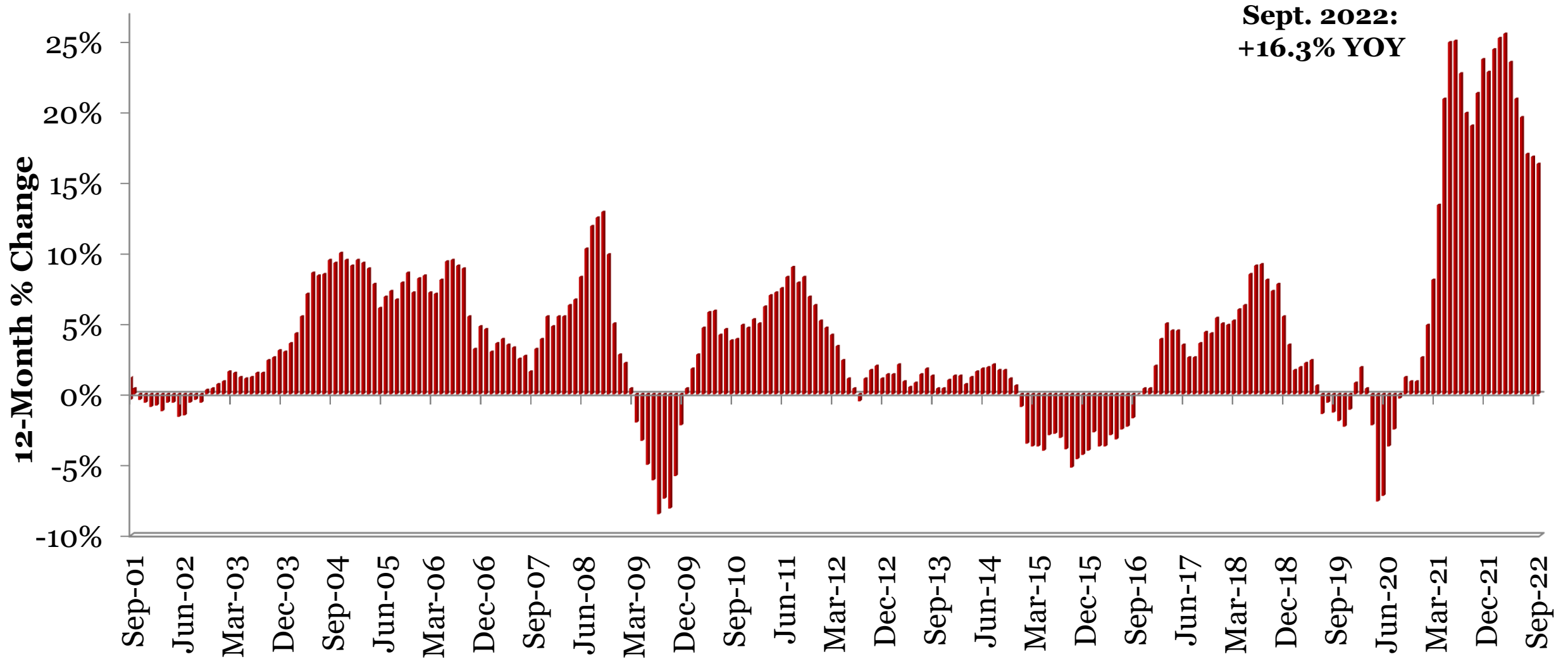


Federal Funds Target Range, Upper Limit



Inputs to Construction PPI

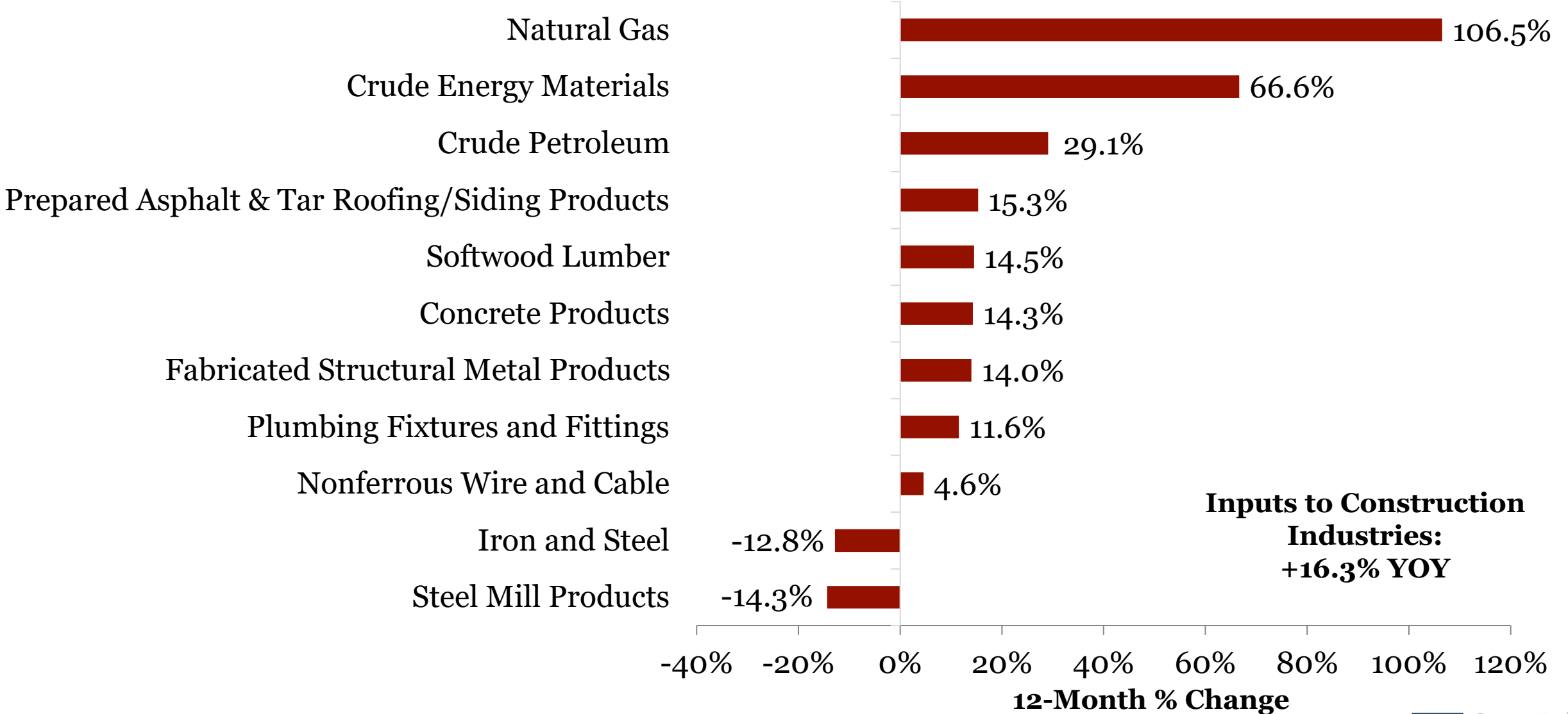
12-Month % Change, 2001 – September 2022



Sept. 2022:
+16.3% YOY

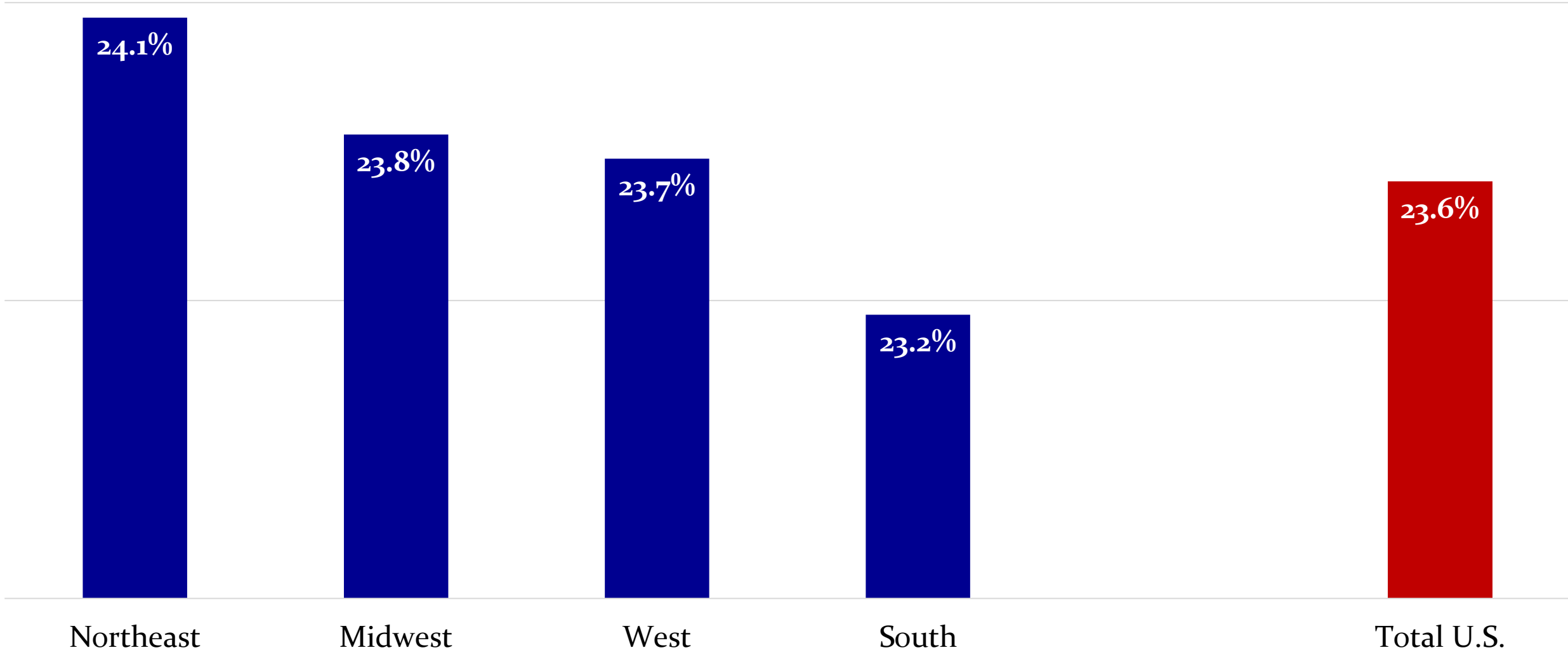
Construction Materials PPI

12-Month % Change as of September 2022



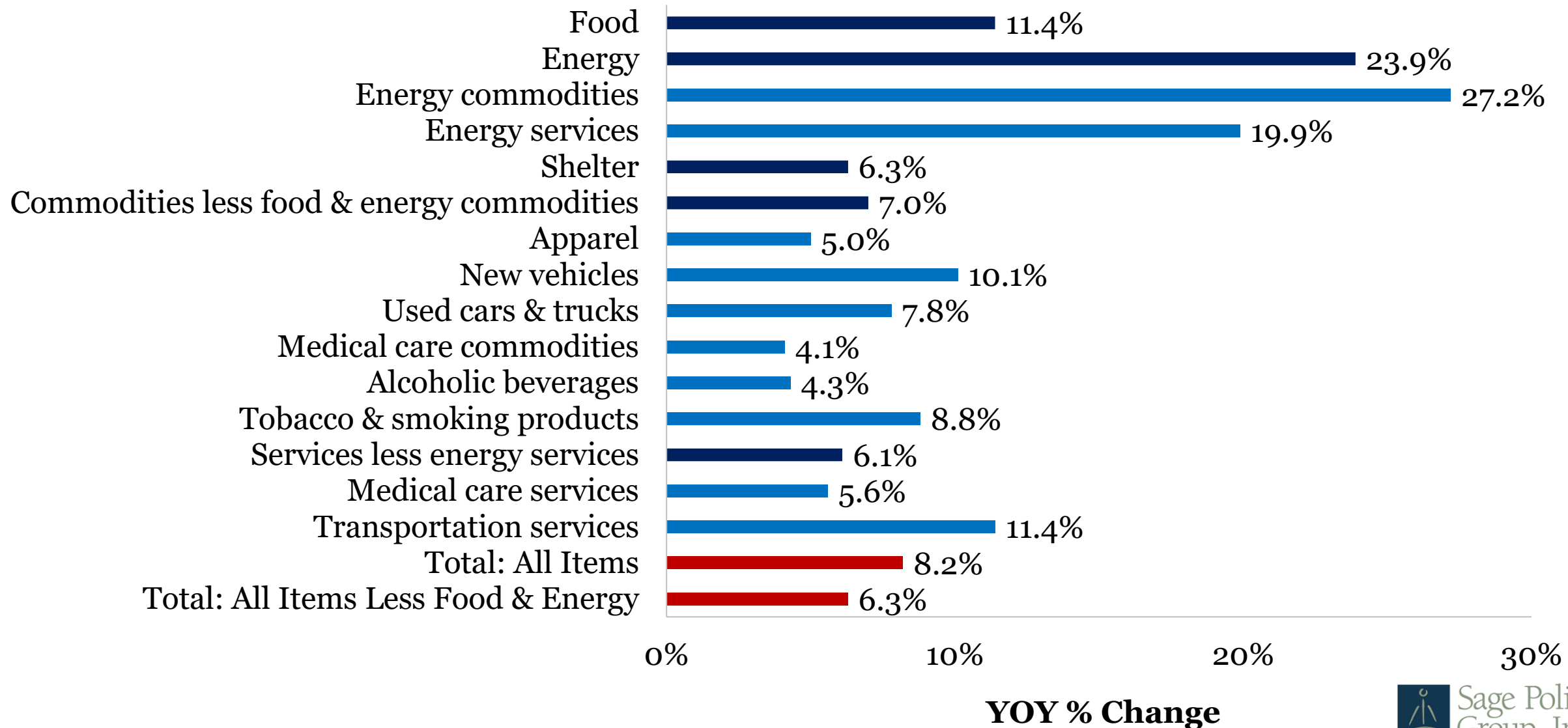
PPI: New Nonresidential Building Construction by Region

September 2021 v. September 2022 % Change



U.S. Consumer Price Index, Select Categories

12-Month % Change as of August 2022 (Seasonally Adjusted)



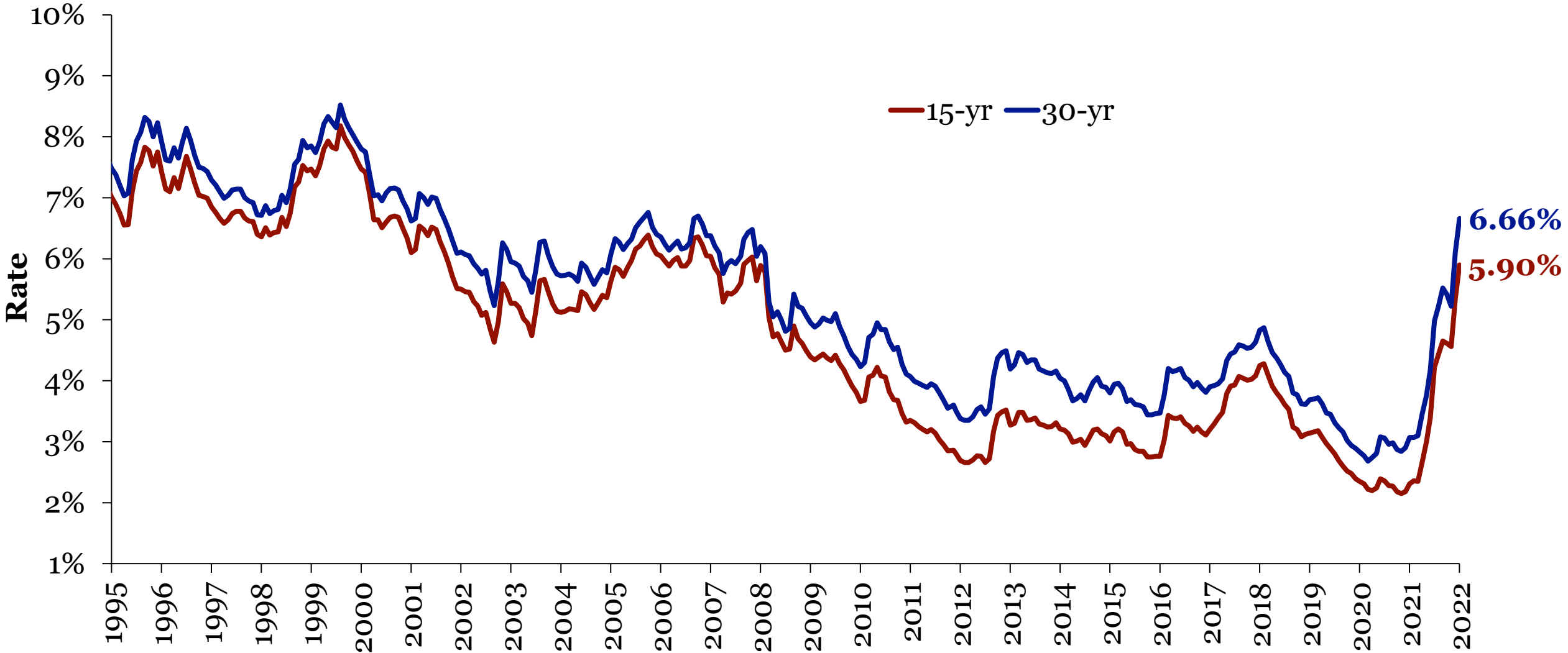
POLL:

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

License to Borrow (at Low Rates)

15-Year and 30-Year Fixed Mortgage Rates, 1995 – October 2022*

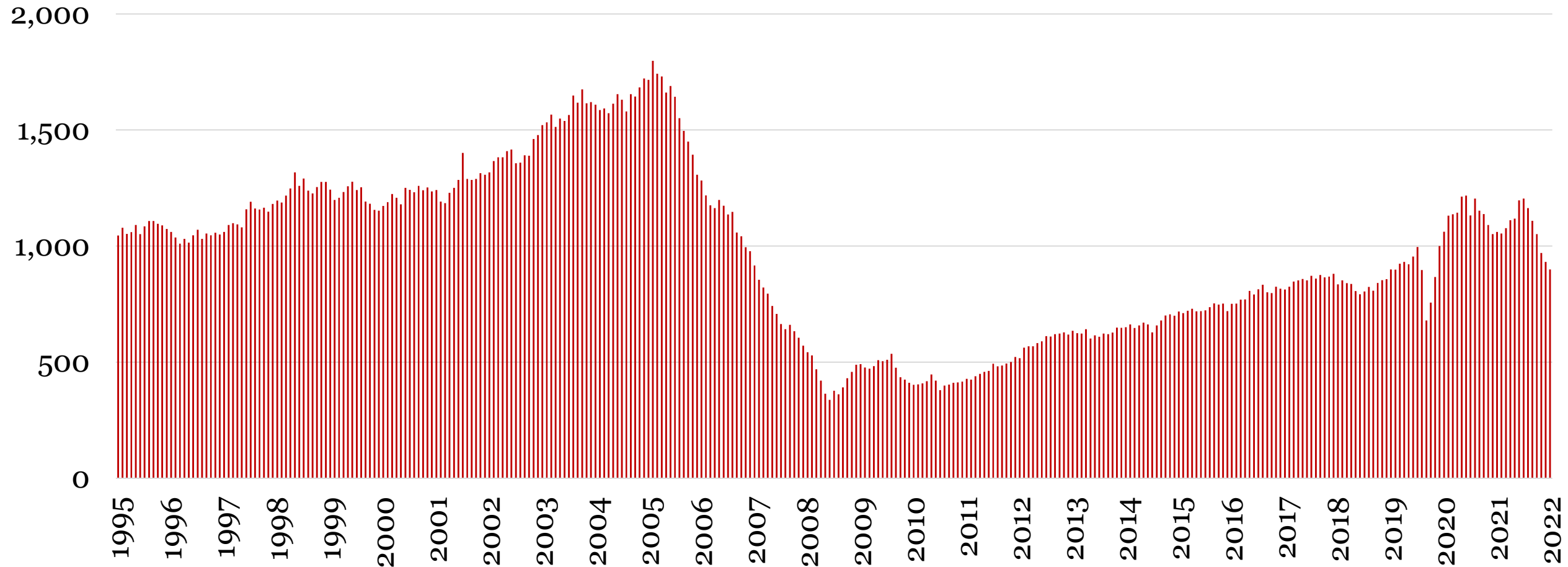


*Week ending 10/6/2022

U.S. Single-Family Building Permits

1995 – August 2022

SF Building Permits (000's of Units), Seasonally Adjusted Annual Rate



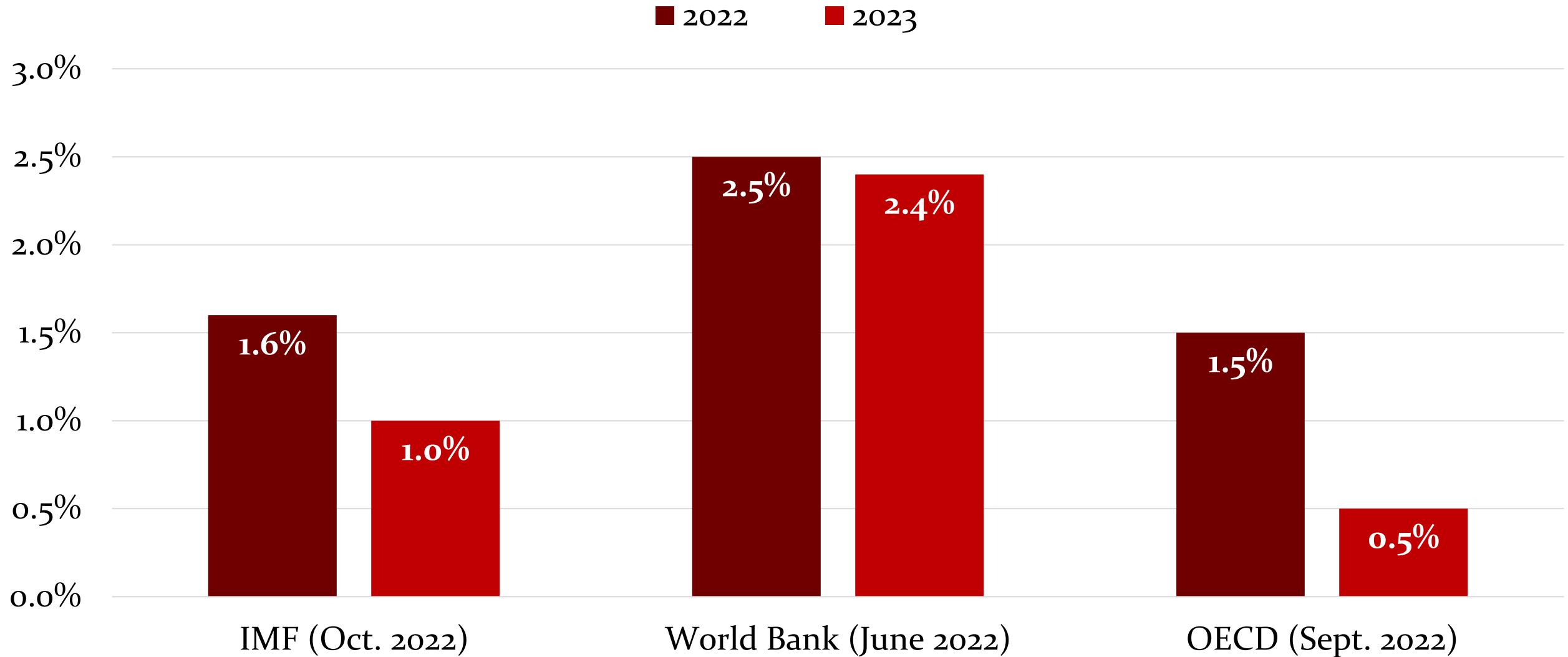
POLL:

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

Outlook

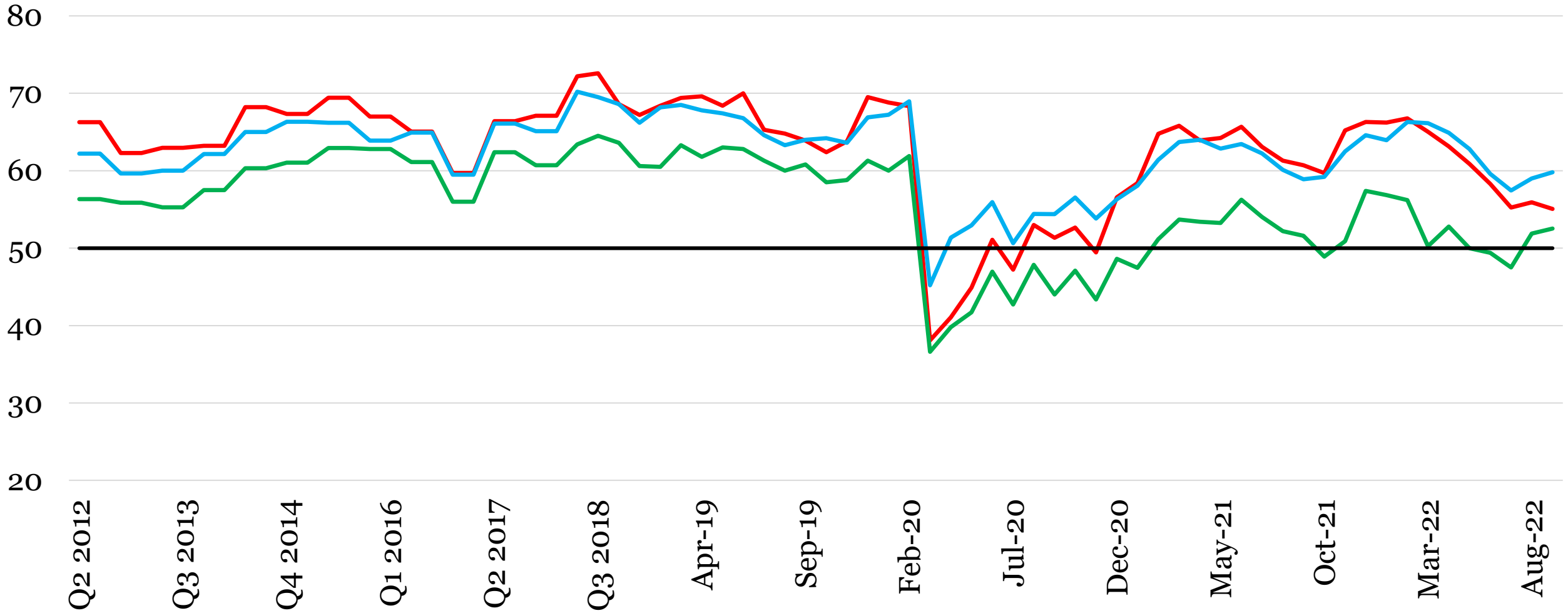
Major Economic Forecasts for U.S. GDP Growth



ABC Construction Confidence Index

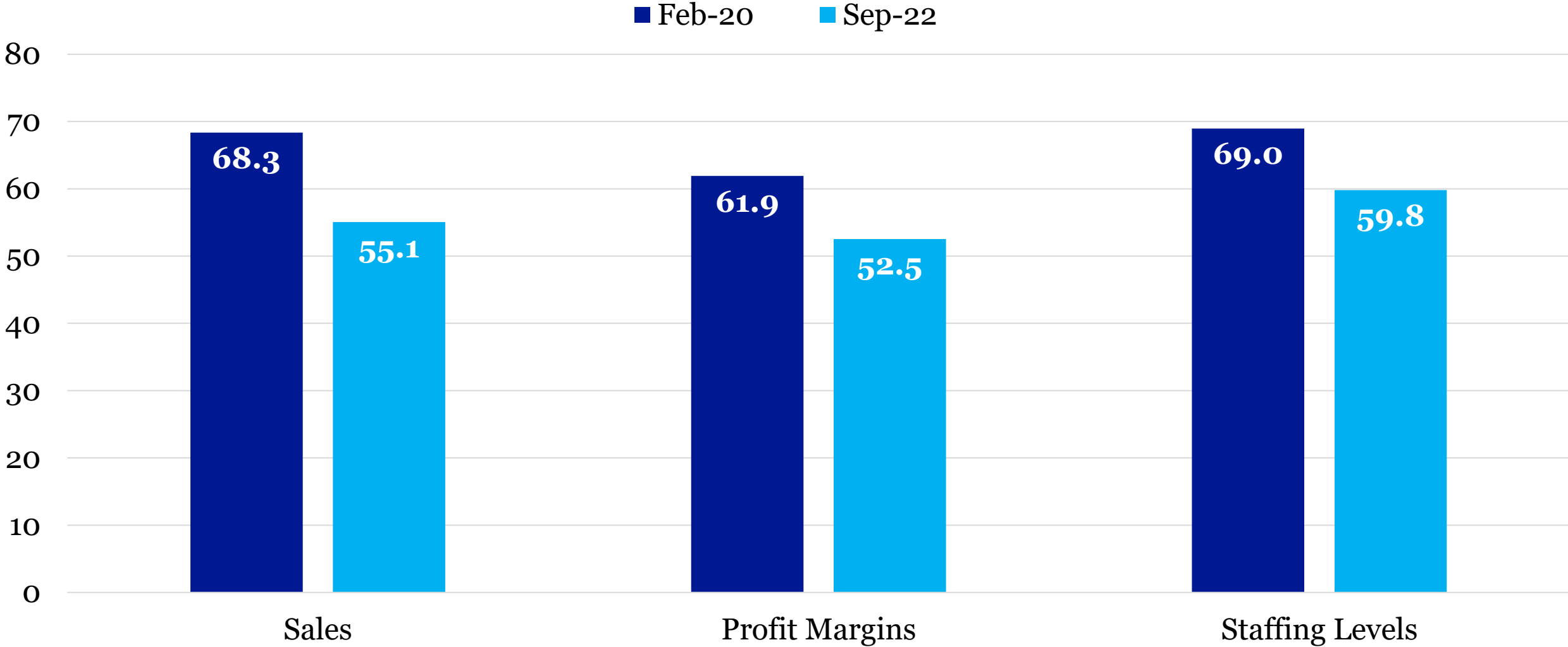
2012 – September 2022

— CCI Sales — CCI Profit Margins — CCI Staffing Levels



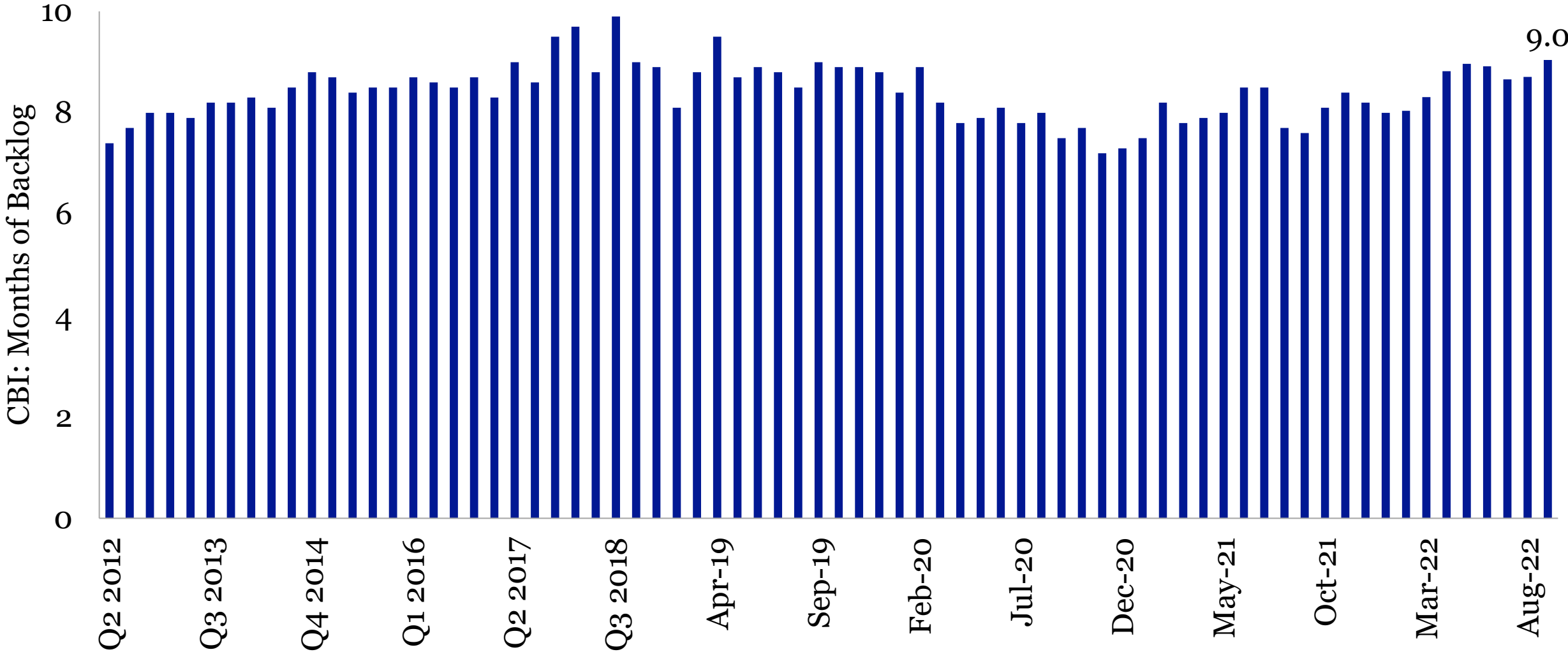
ABC Construction Confidence Index

February 2020 v. September 2022



ABC Construction Backlog Indicator

2012 – September 2022



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

Conclusion

- 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 and 2023 (stagflation, anyone?).
- Yes, I'm an economist, so I am forecasting interest rates to increase.

Q&A

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