

The webinar will start momentarily.

2023 Construction Economic Update and Exclusive Forecast

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Sage Policy Group Inc.

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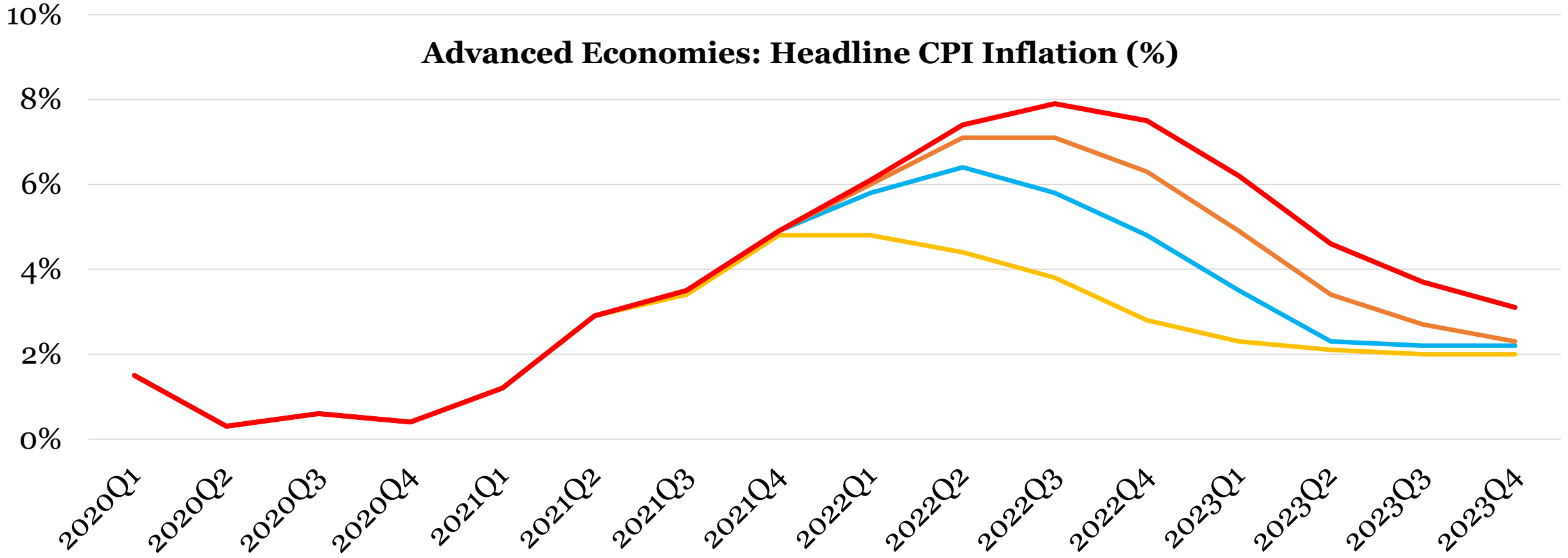
On Behalf of
Construction Executive
Dec. 14, 2022

2022: A Look Back

Global Inflation Forecasts: Serial Upside Surprises

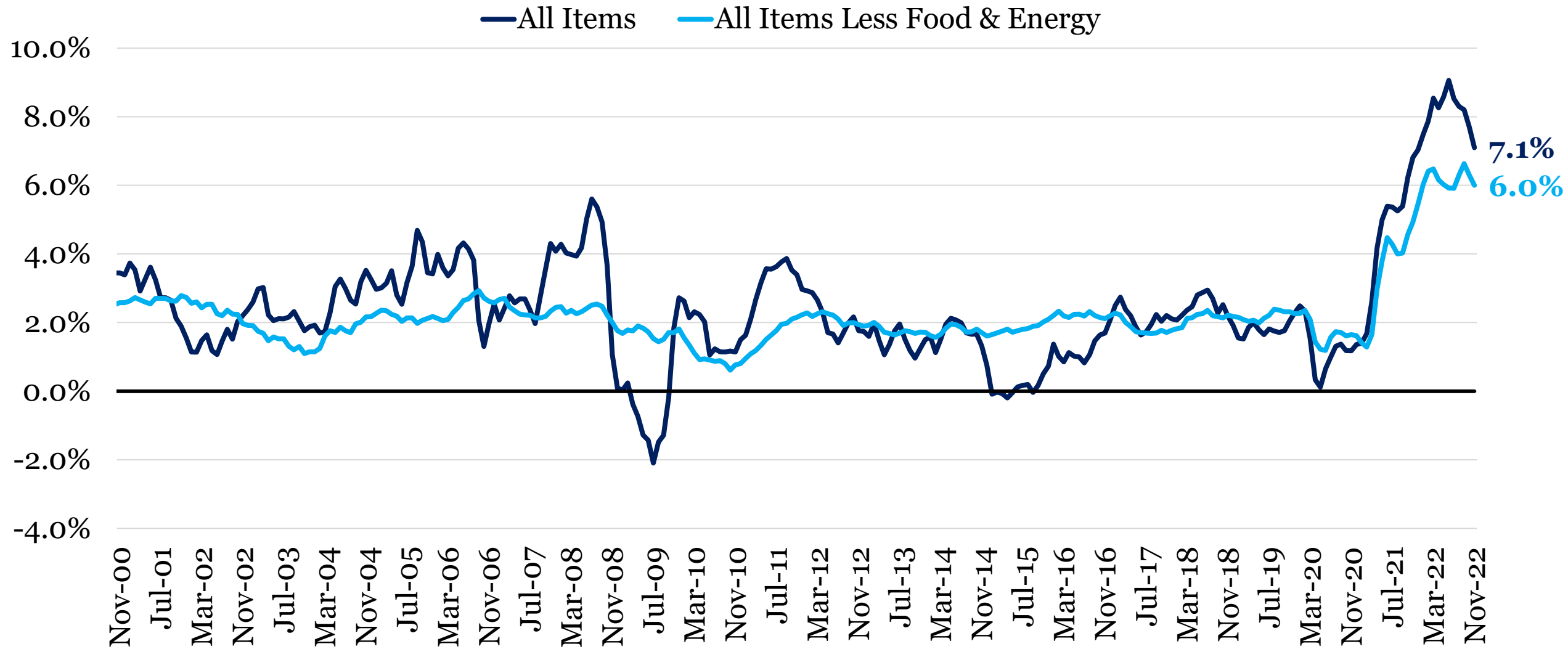
— Jan. 2022 WEO Update — Apr. 2022 WEO — Jul. 2022 WEO Update — Oct. 2022 WEO

Advanced Economies: Headline CPI Inflation (%)



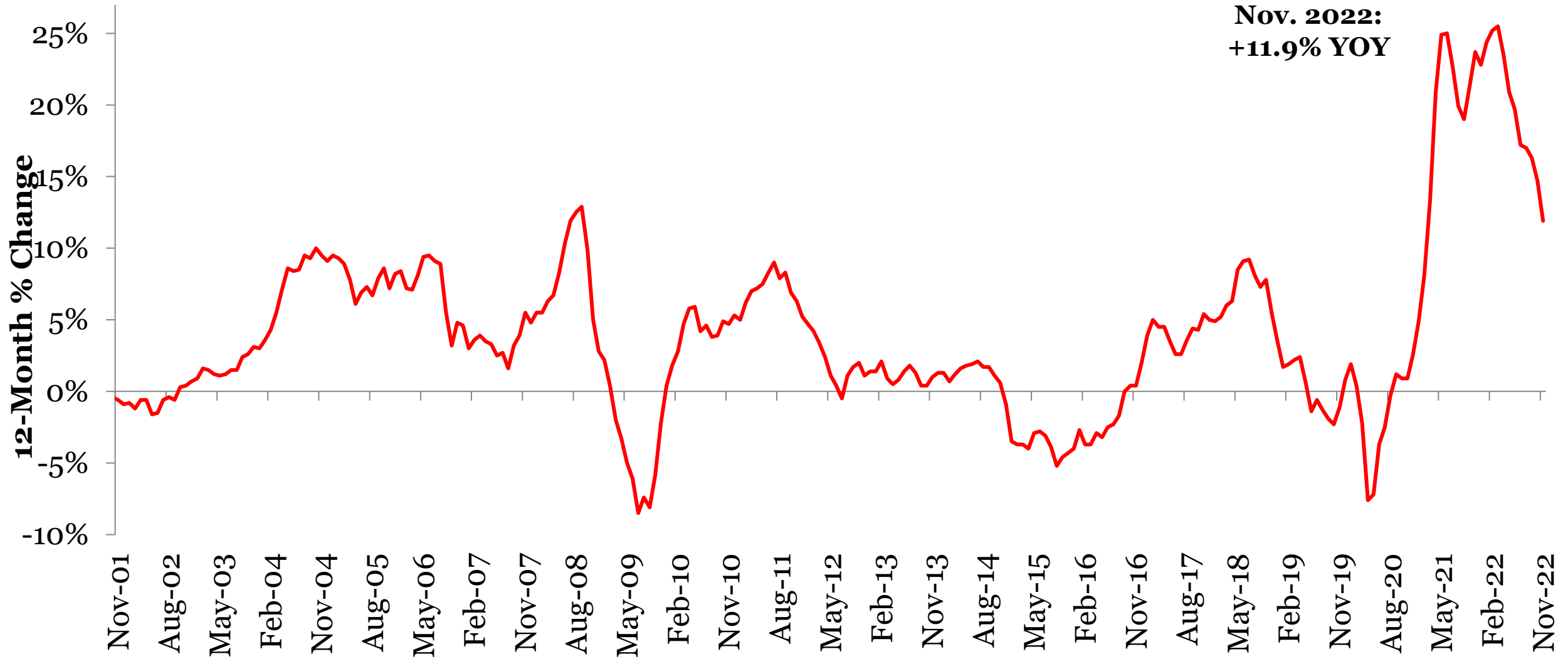
U.S. Consumer Price Index (NSA)

12-Month % Change, 2000 – November 2022



Inputs to Construction PPI

12-Month % Change, 2001 – November 2022



**Nov. 2022:
+11.9% YOY**

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

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...”

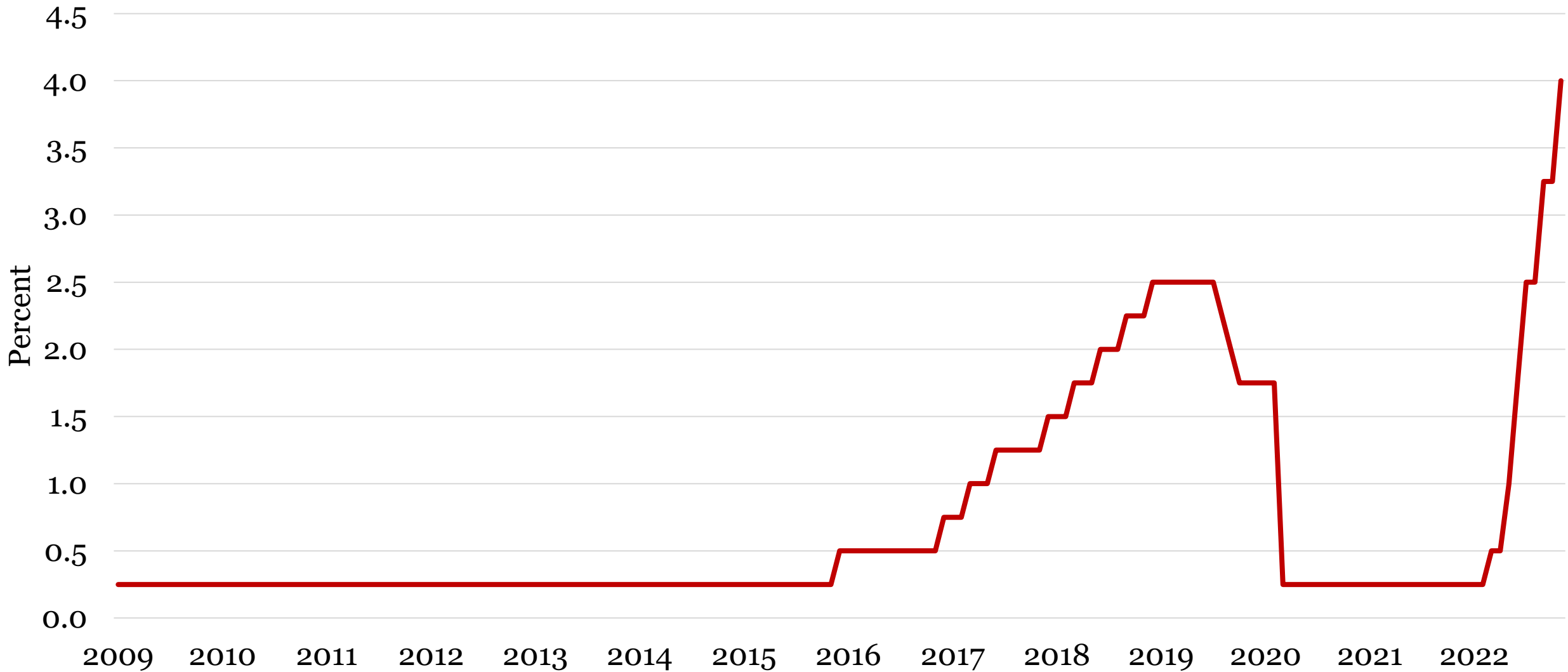
(FOMC Statement, November 2021)

“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)

Federal Funds Target Range, Upper Limit



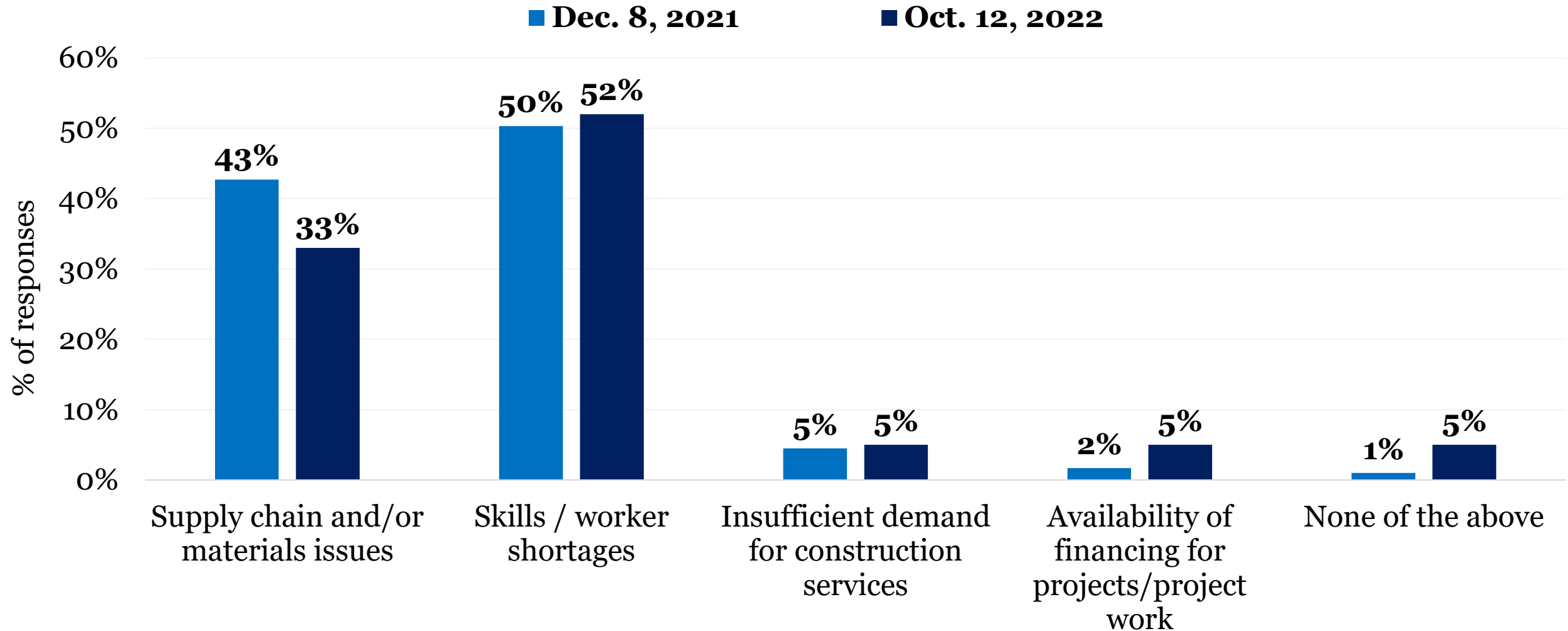
POLL:

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

CE Webinar Audience Poll Results:

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



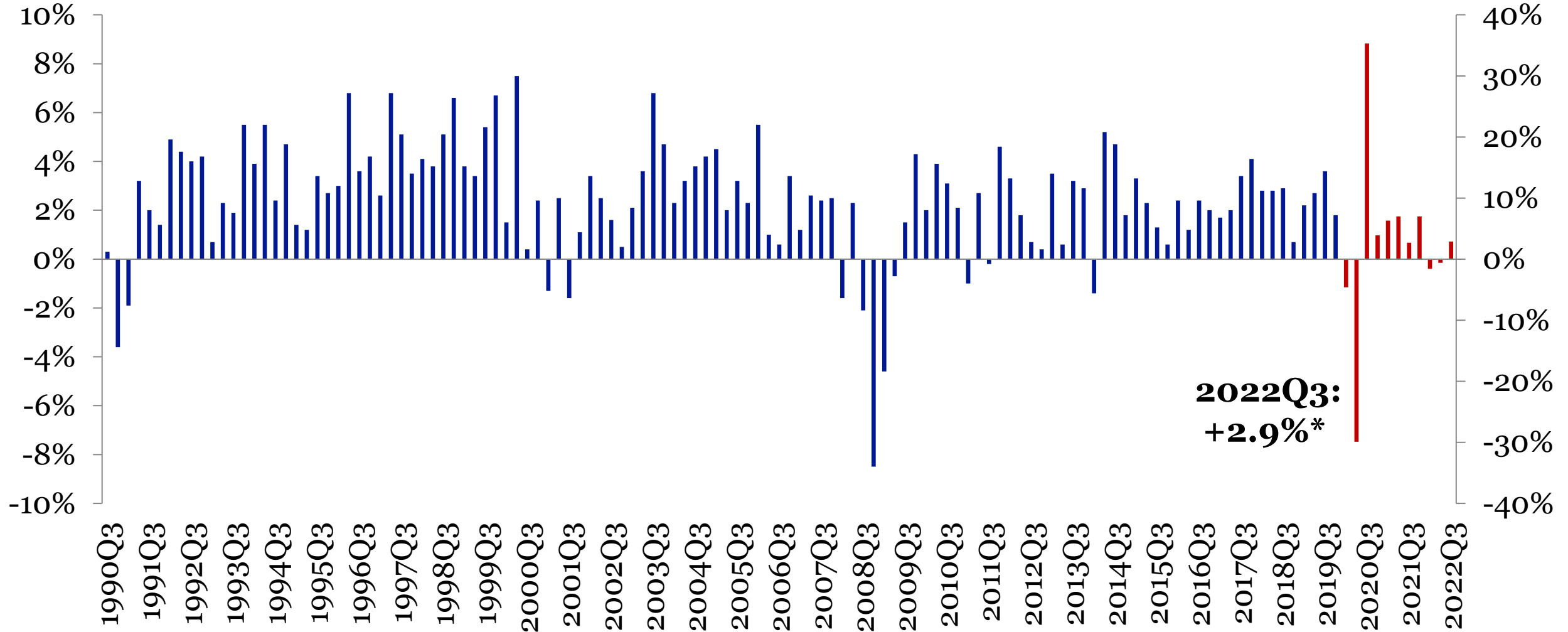
Economic Update

U.S. Gross Domestic Product, 1990–2022Q3

1990-2019

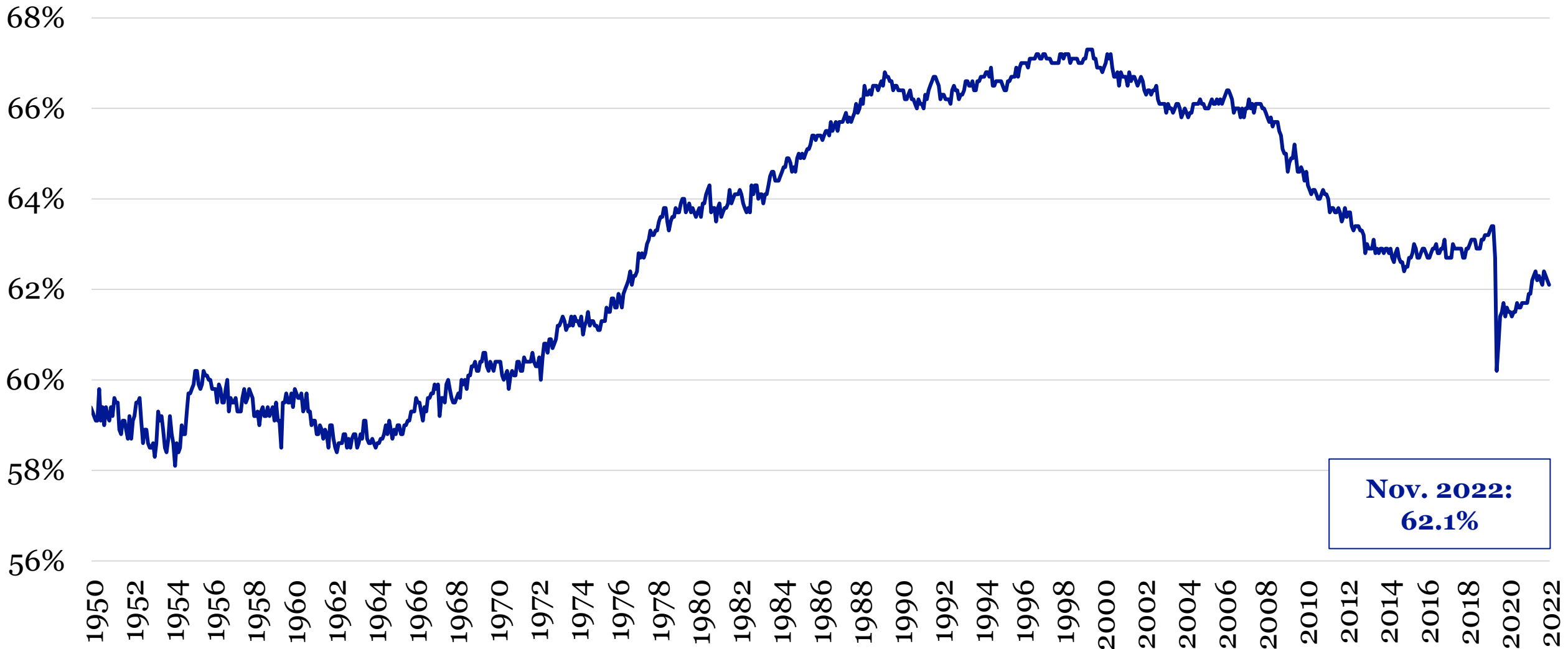
% Change from Preceding Period (SAAR)

2020-Present



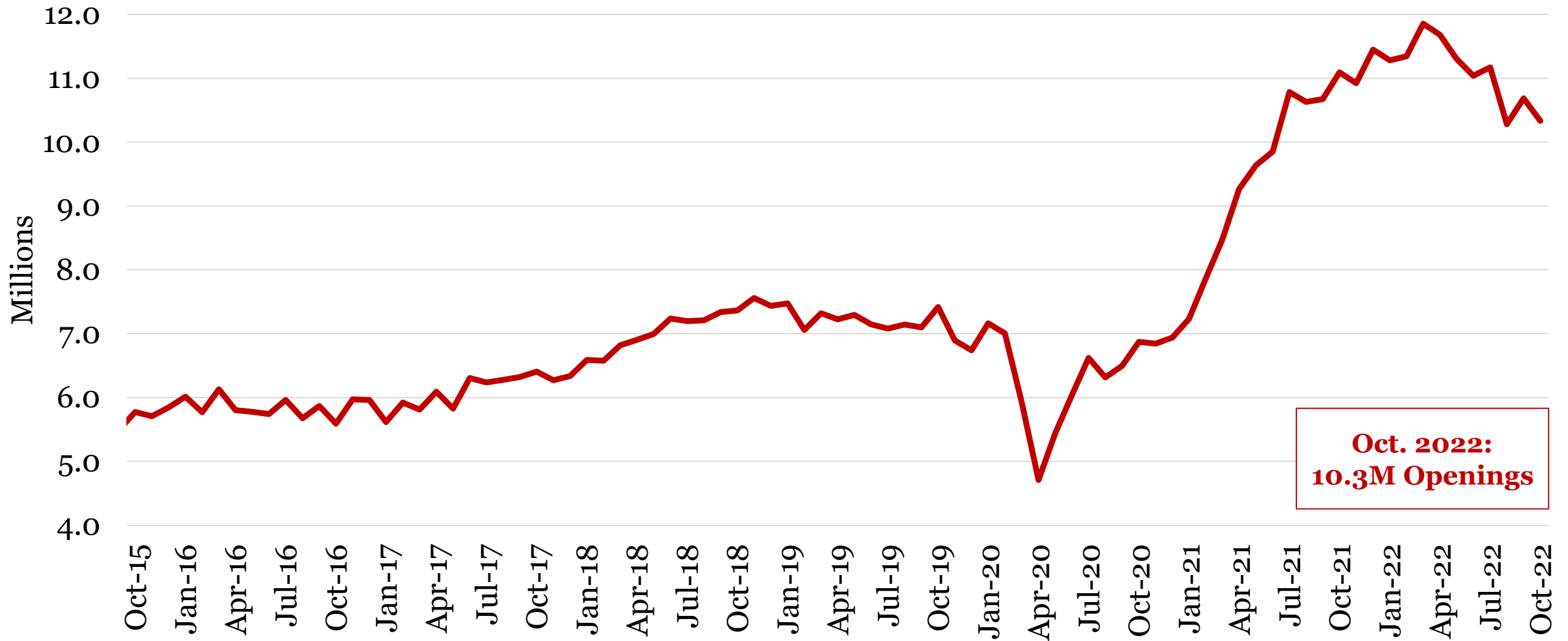
**2022Q3:
+2.9%***

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



**Nov. 2022:
62.1%**

U.S. Job Openings, 2015 – October 2022



**Oct. 2022:
10.3M Openings**

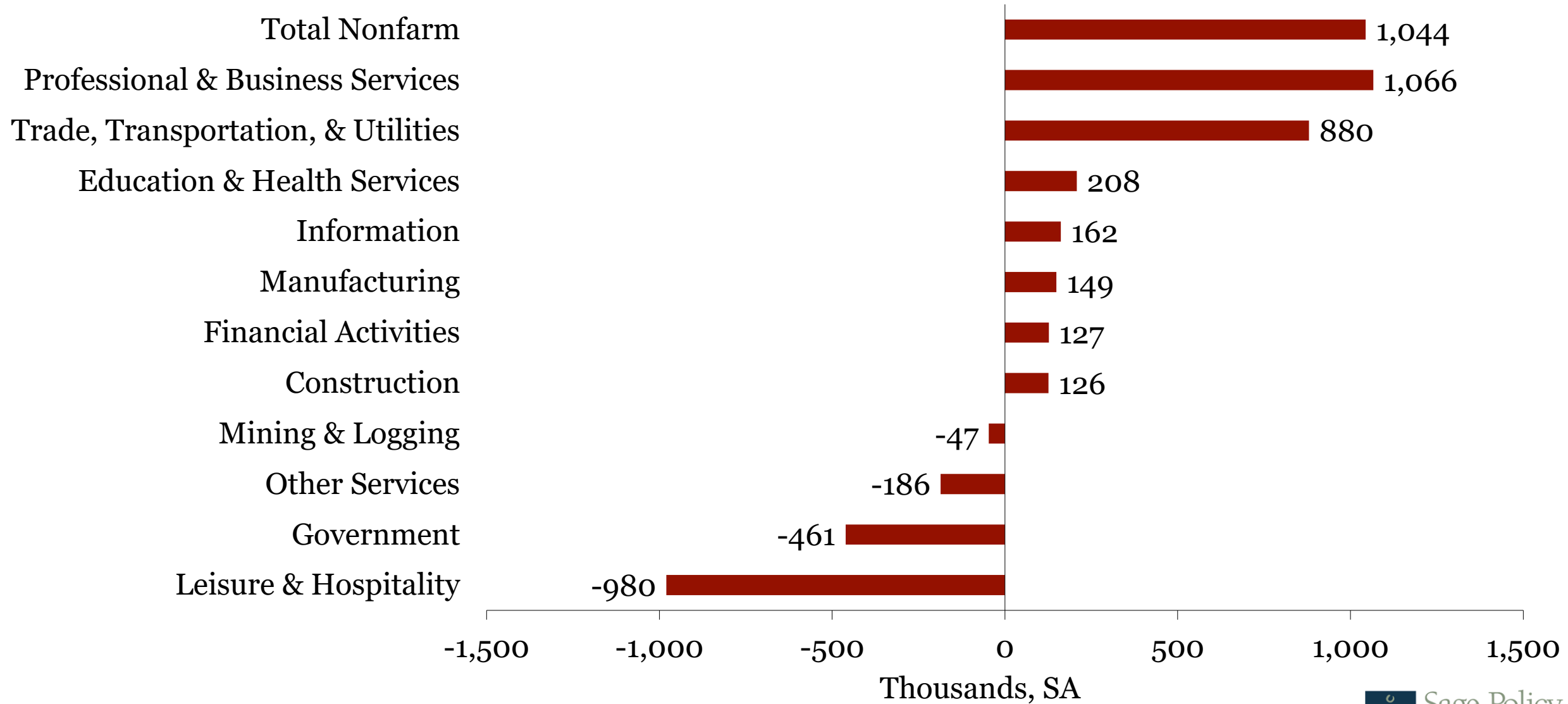
Net Change in U.S. Jobs

May 2020 – November 2022



U.S. Nonfarm Employment by Industry Sector

February 2020 v. November 2022



Unemployment Rates, 25 Largest Metros

October 2022

Rank	MSA	%	Rank	MSA	%
1	Minneapolis-St. Paul-Bloomington, MN-WI	1.7	13	Dallas-Fort Worth-Arlington, TX	3.4
2	Miami-Fort Lauderdale-West Palm Beach, FL	2.3	13	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	3.4
3	San Francisco-Oakland-Hayward, CA	2.6	15	Denver-Aurora-Lakewood, CO	3.5
3	Tampa-St. Petersburg-Clearwater, FL	2.6	15	Phoenix-Mesa-Scottsdale, AZ	3.5
5	St. Louis, MO-IL	2.7	15	San Antonio-New Braunfels, TX	3.5
6	Boston-Cambridge-Nashua, MA-NH	2.8	18	Charlotte-Concord-Gastonia, NC-SC	3.7
6	Orlando-Kissimmee-Sanford, FL	2.8	18	New York-Newark-Jersey City, NY-NJ-PA	3.7
8	Atlanta-Sandy Springs-Roswell, GA	2.9	18	Portland-Vancouver-Hillsboro, OR-WA	3.7
9	San Diego-Carlsbad, CA	3.2	21	Riverside-San Bernardino-Ontario, CA	3.9
10	Detroit-Warren-Dearborn, MI	3.3	22	Baltimore-Columbia-Towson, MD	4.0
10	Seattle-Tacoma-Bellevue, WA	3.3	22	Los Angeles-Long Beach-Anaheim, CA	4.0
10	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.3	24	Houston-The Woodlands-Sugar Land, TX	4.1
			25	Chicago-Naperville-Elgin, IL-IN-WI	4.3

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

U.S. Unemployment Rate: 3.7%

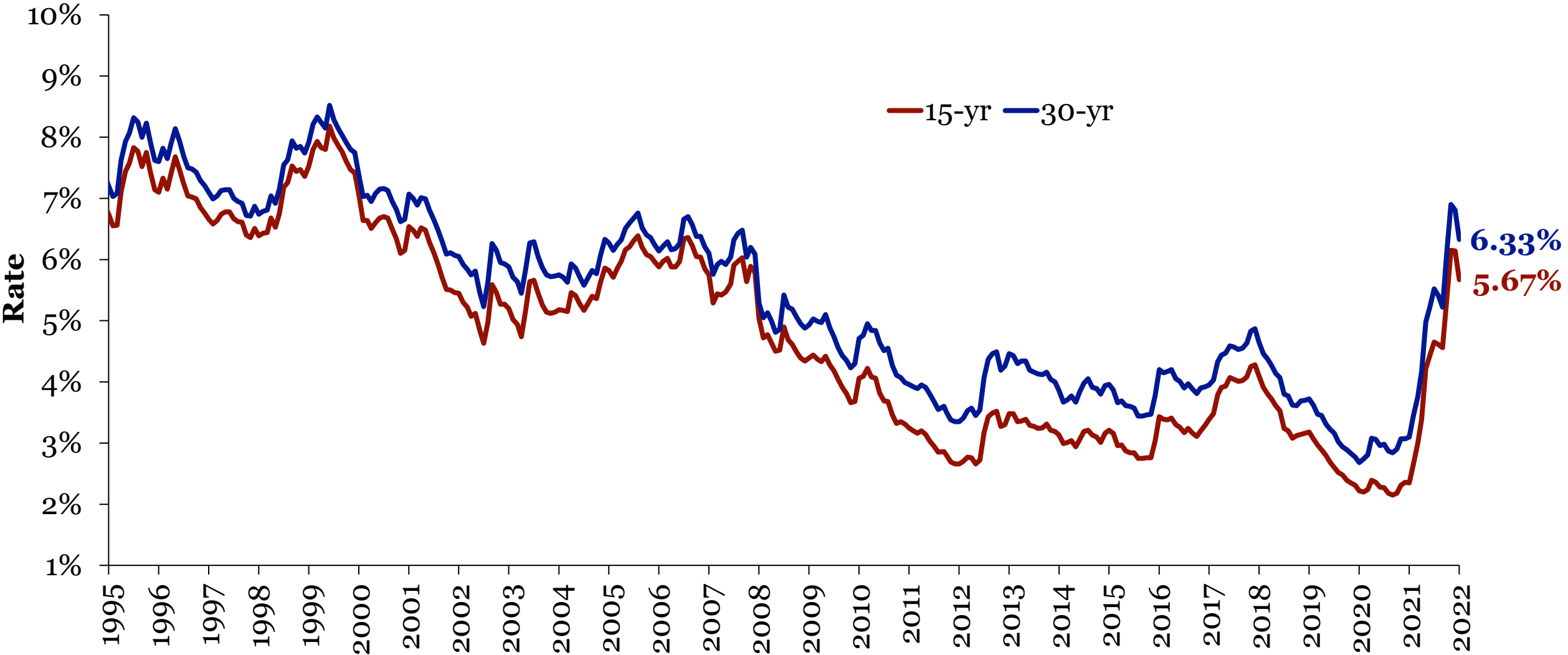
The Pain of Price Stability

“While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain.”

(FOMC Chair Jerome Powell, August 2022)

15-Year & 30-Year Fixed Mortgage Rates

1995 – December 2022*

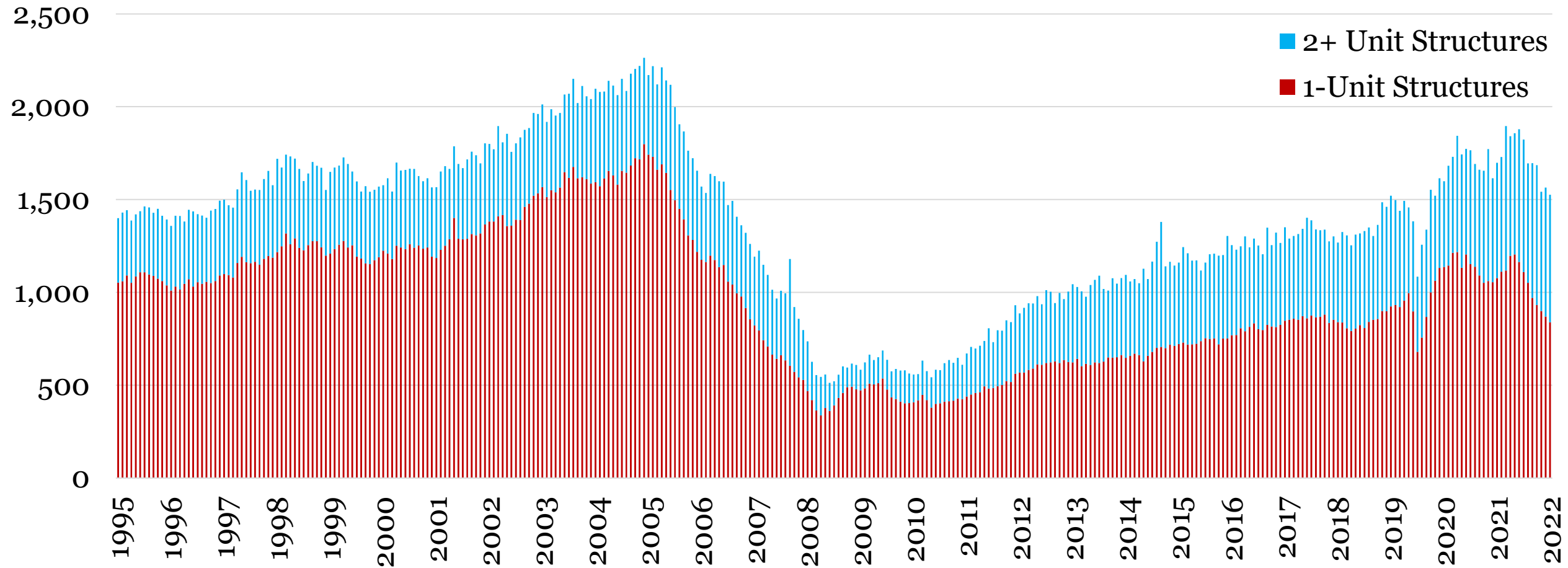


*Week ending 12/8/2022

U.S. Residential Building Permits

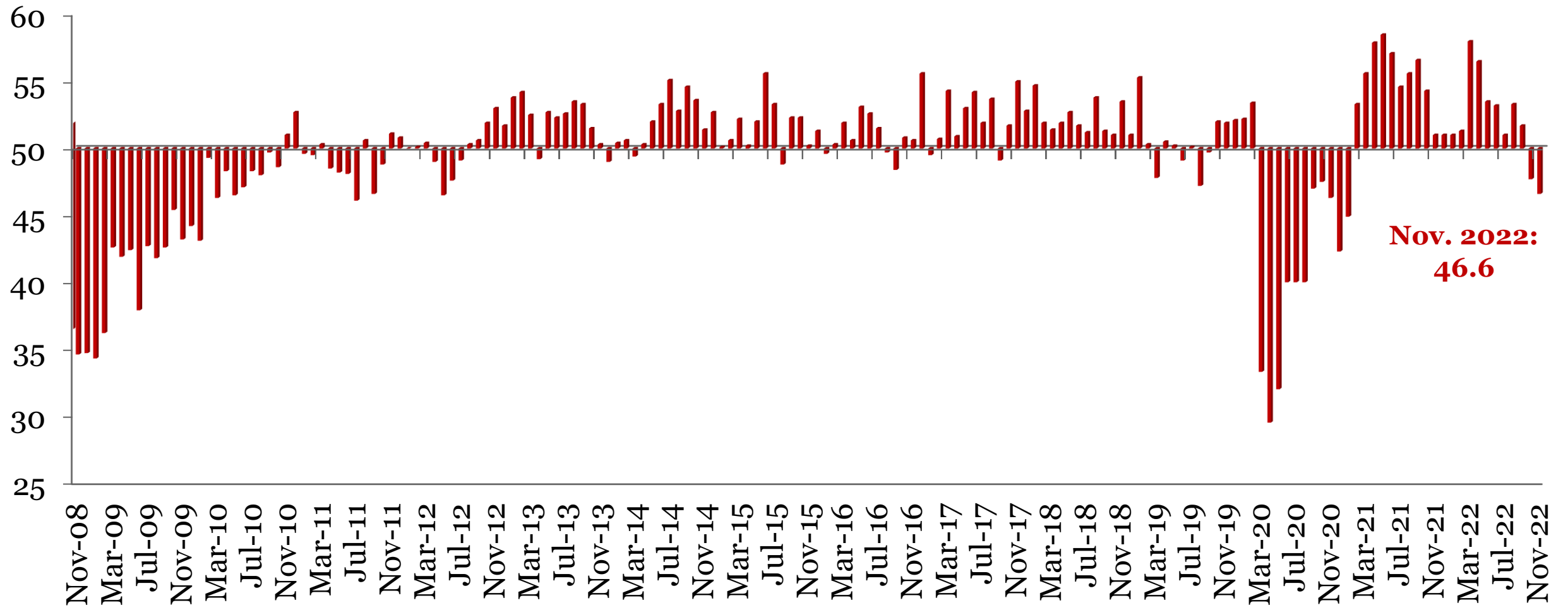
1995 – October 2022

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



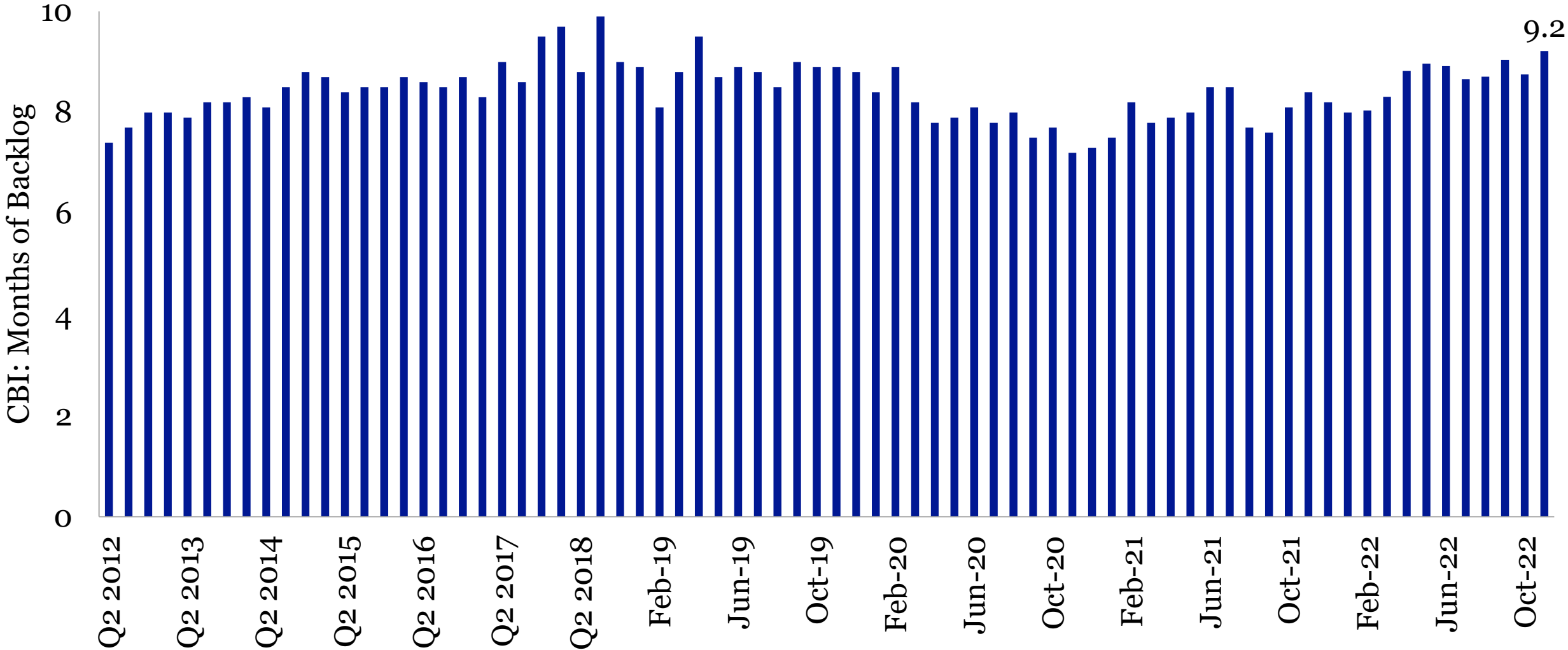
Architecture Billings Index

2008 – November 2022



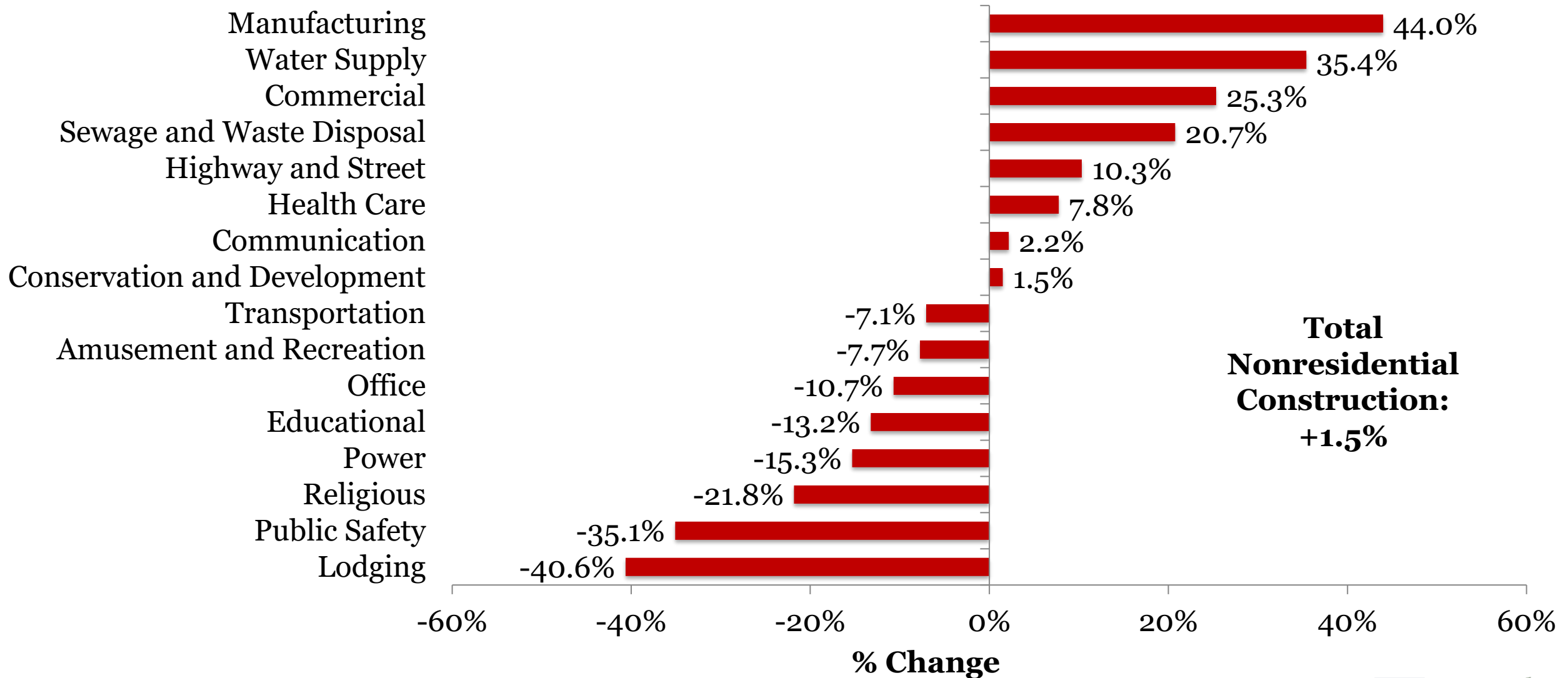
ABC Construction Backlog Indicator

2012 – November 2022



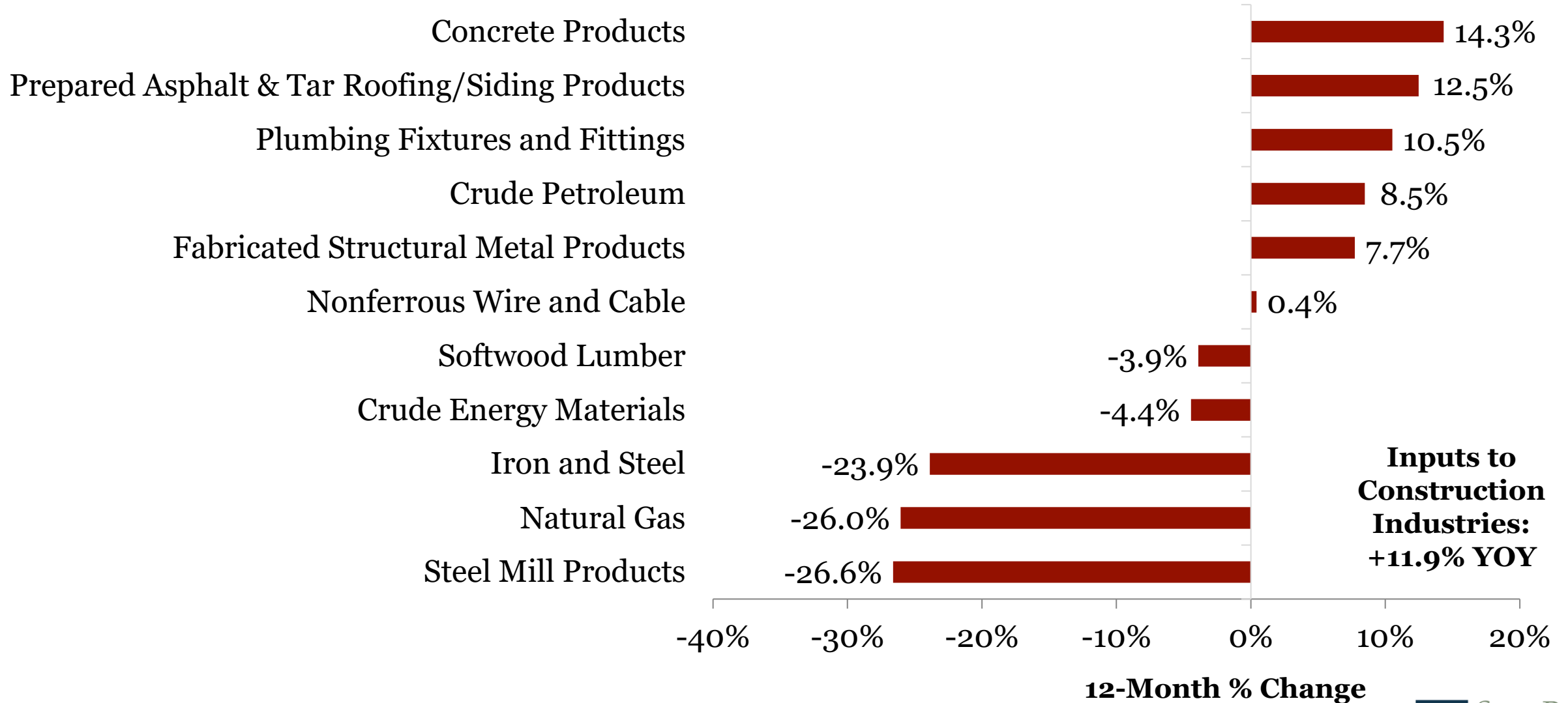
Nonresidential Construction Spending by Subsector

February 2020 v. October 2022



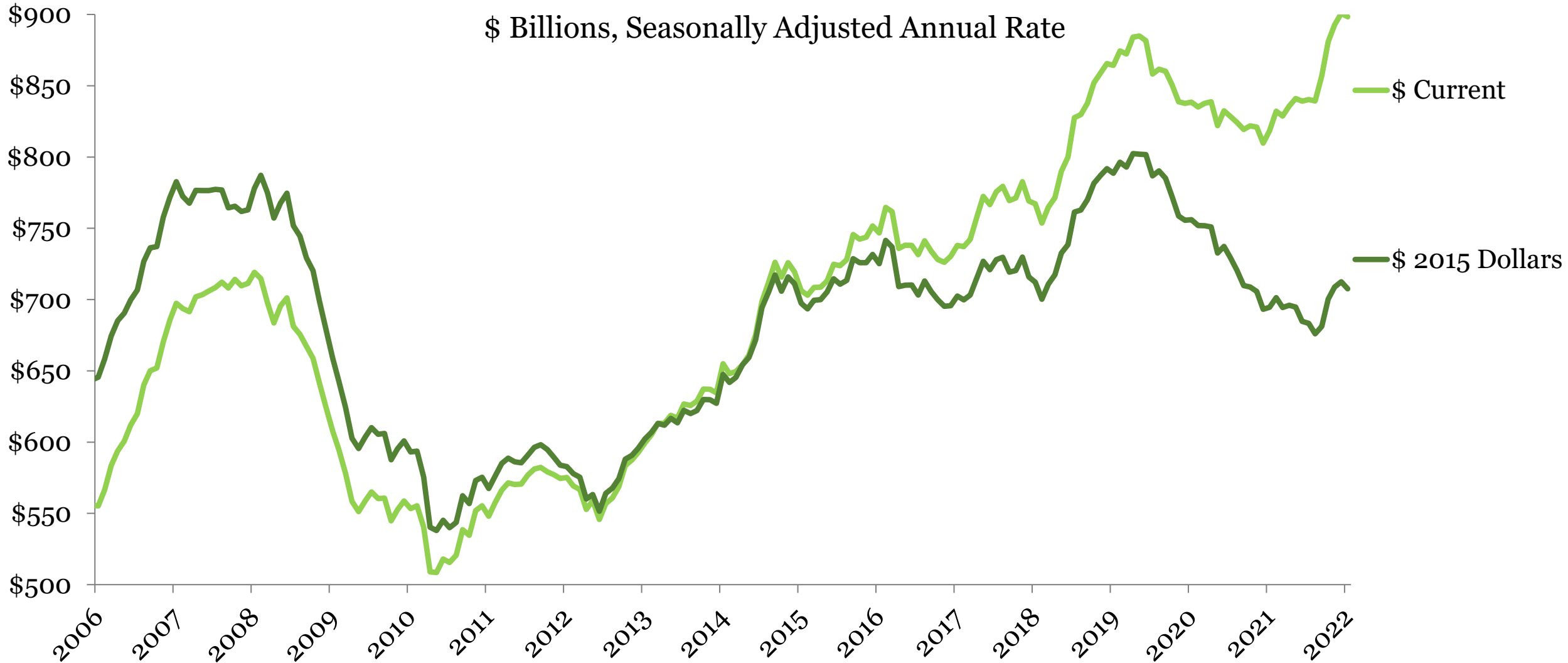
Construction Materials PPI

12-Month % Change as of November 2022



Total Nonresidential Construction Spending

Current/Constant Dollars, 2006 – 2022



Source: U.S. Census Bureau; U.S. Bureau of Labor Statistics

*Adjusted with U.S. Bureau of Labor Statistics Consumer Price Index, All Urban Consumers, U.S. City Average

POLL:

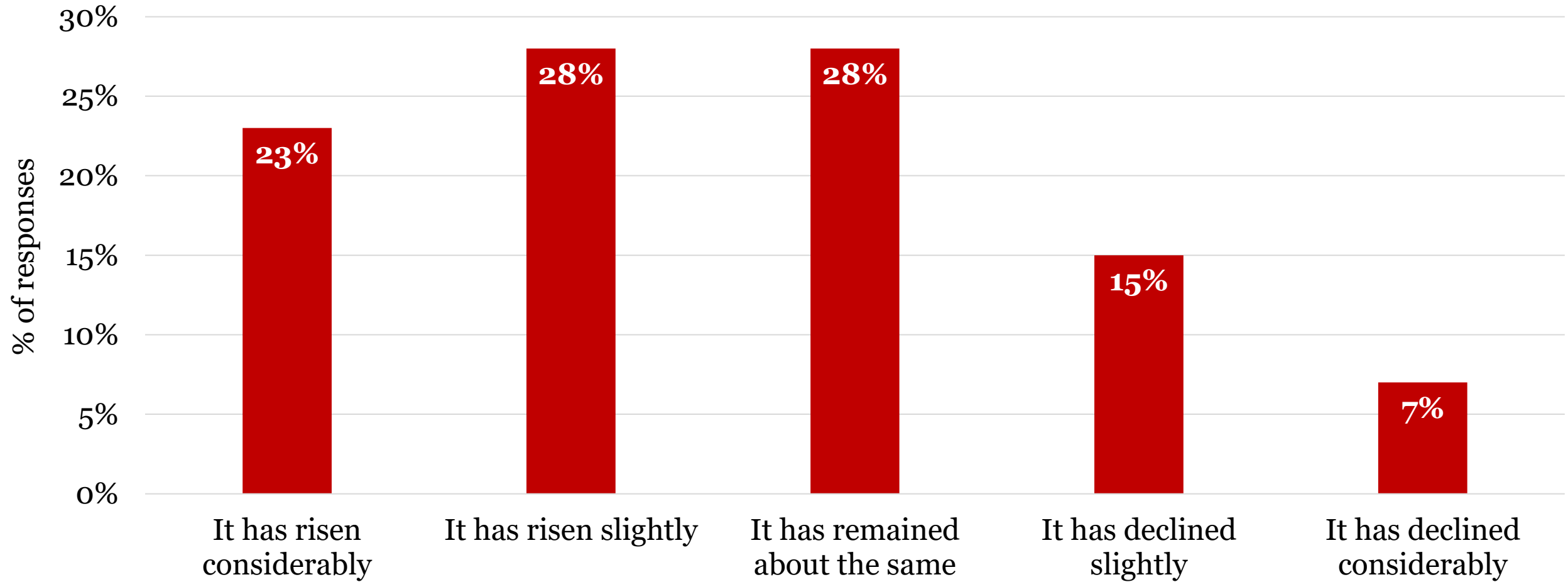
Over the last three months, how has your company's backlog fared?

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

CE Webinar Audience Poll Results:

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

■ Oct. 12, 2022

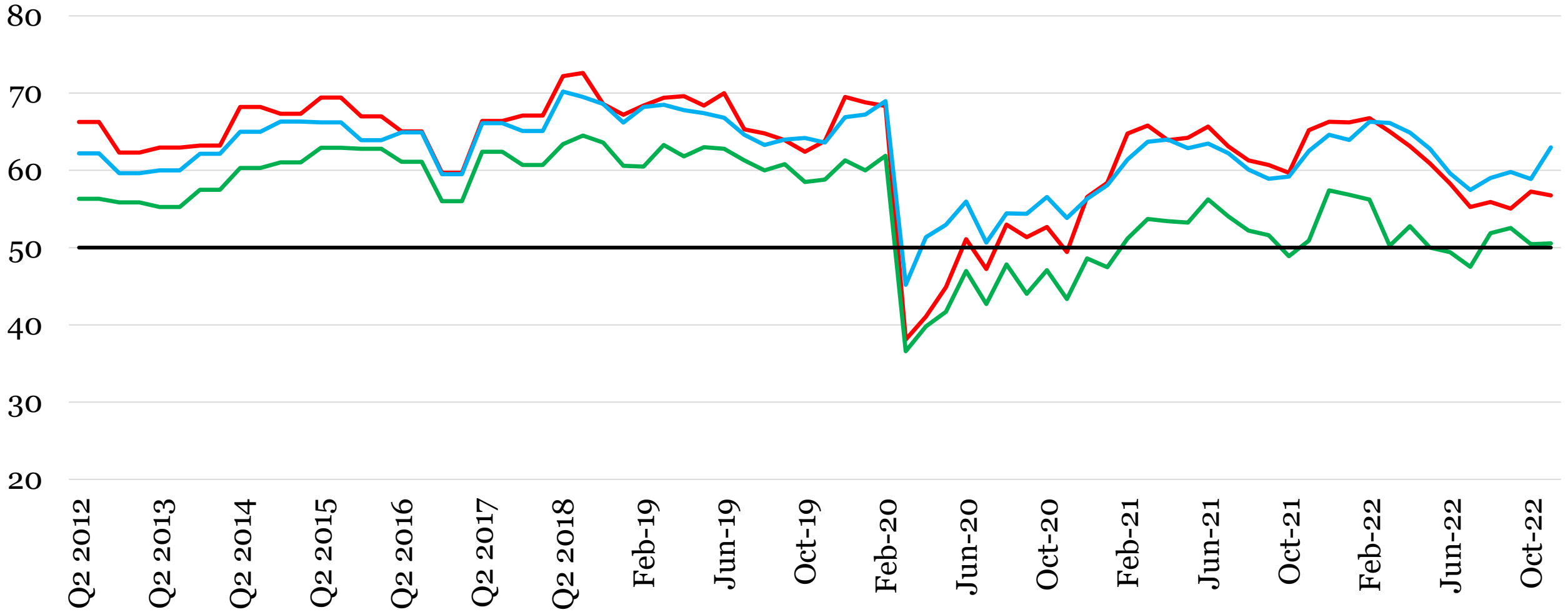


2023: A Look Ahead

ABC Construction Confidence Index

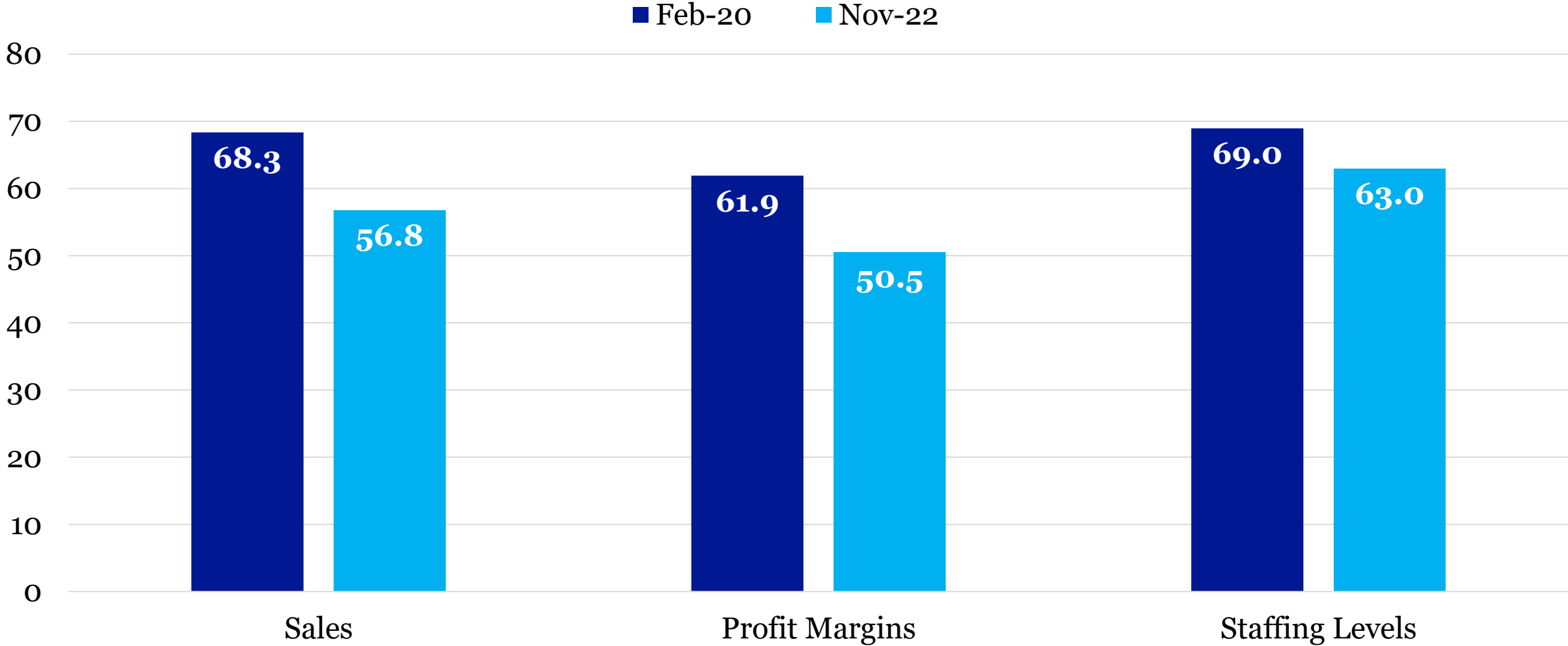
2012 – November 2022

— CCI Sales — CCI Profit Margins — CCI Staffing Levels



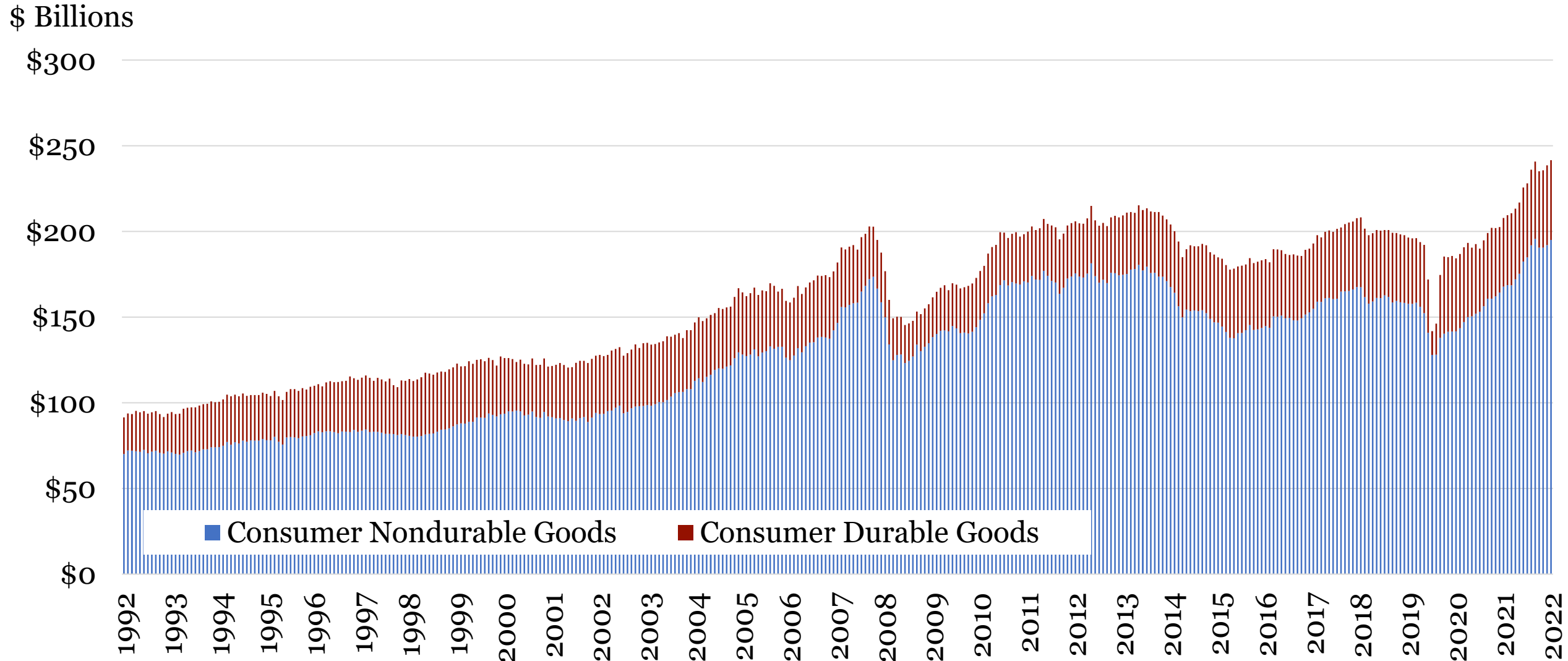
ABC Construction Confidence Index

February 2020 v. November 2022



U.S. Manufacturers' New Orders: Consumer Goods

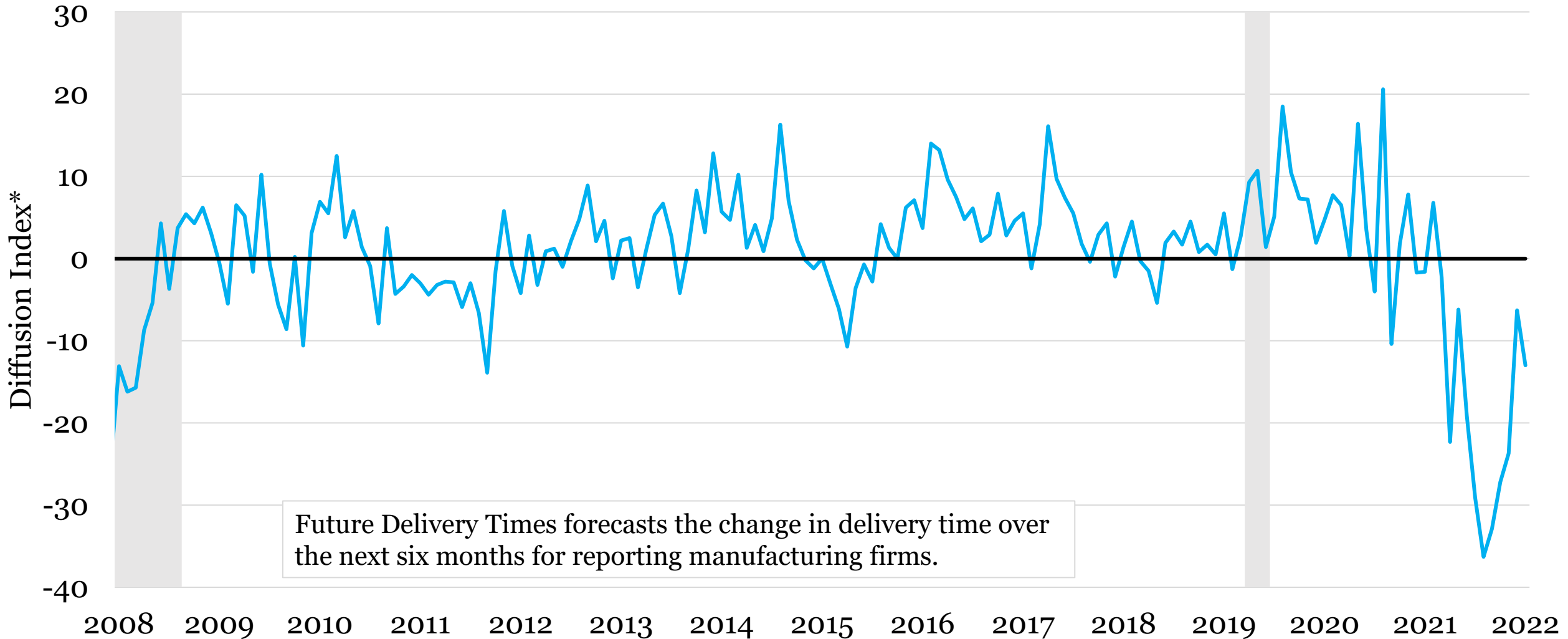
1992 – October 2022



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

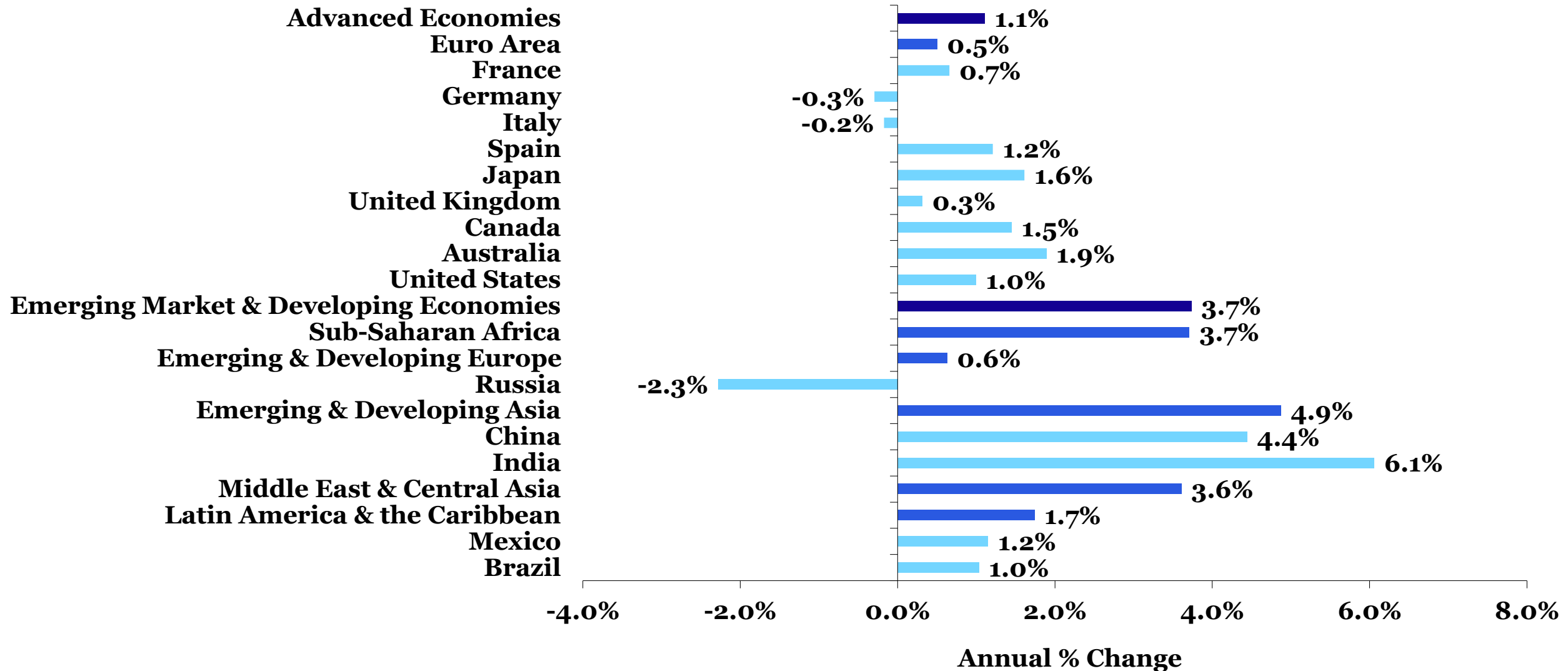
Future Delivery Times, 2008 – November 2022



Source: Federal Reserve Bank of Philadelphia *The diffusion index is calculated by taking the percent reporting increases and subtracting the percentage reporting decreases.

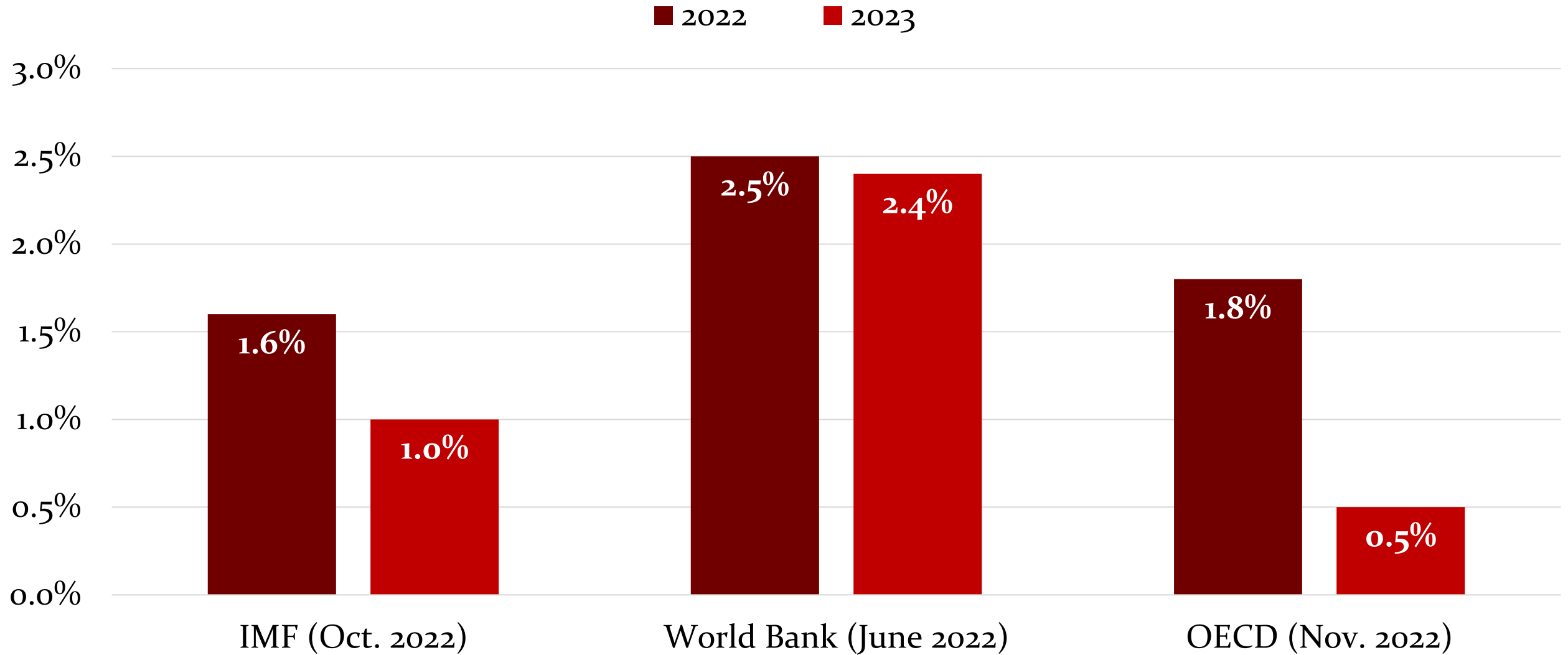
U.S. recessions

Projected Growth in Output by Select Global Areas, 2023



2023 Global Output Growth Forecast: +2.7%

Major Economic Forecasts for U.S. GDP Growth



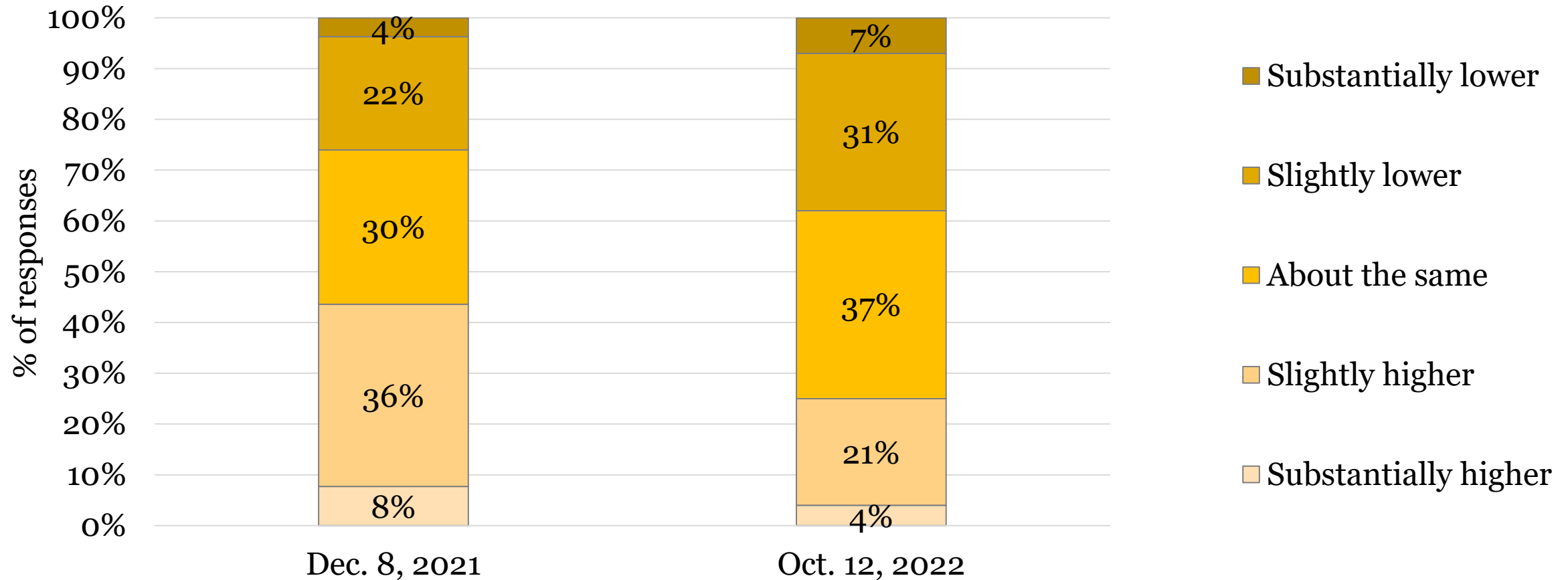
POLL:

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

CE Webinar Audience Poll Results:

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



Looking Ahead

- This will be a year of growth, but 2023 will 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 & 2023 (stagflation, anyone?).
- Yes, I'm an economist, so I am forecasting interest rates to increase.

Q&A

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