

Show Me the Money (Supply)

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On Behalf of

Construction Executive

*2023 Q1 Construction Economic
Update and Forecast*

April 5, 2023



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The Color of Money

U.S. Money Supply, 1959 – February 2023

\$ Trillions

\$25

\$20

\$15

\$10

\$5

\$0

1959 1961 1963 1965 1967 1969 1971 1973 1975 1977 1979 1981 1983 1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017 2019 2021 2023

Source: Federal Reserve



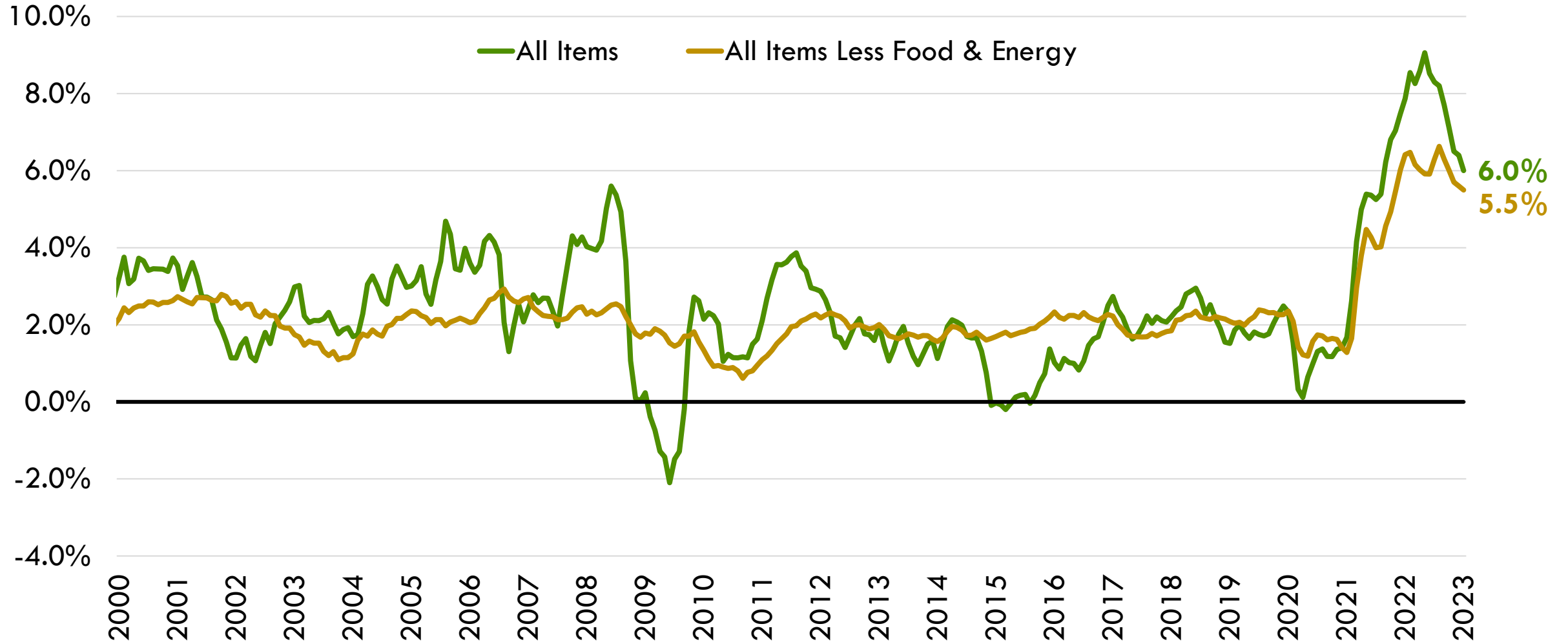


Risky Business

(1983)

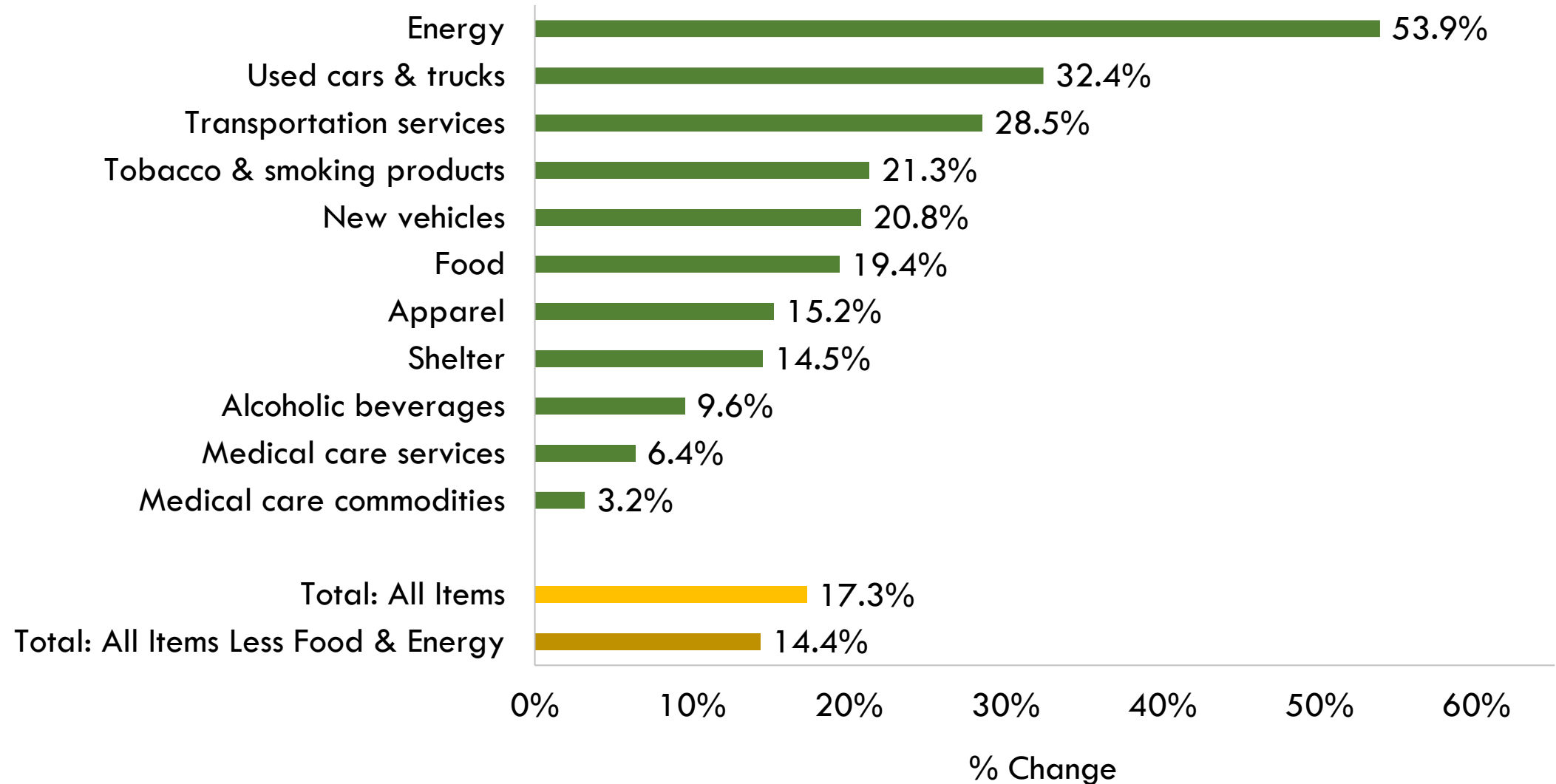
U.S. Consumer Price Index (NSA)

12-Month % Change, 2000 – February 2023



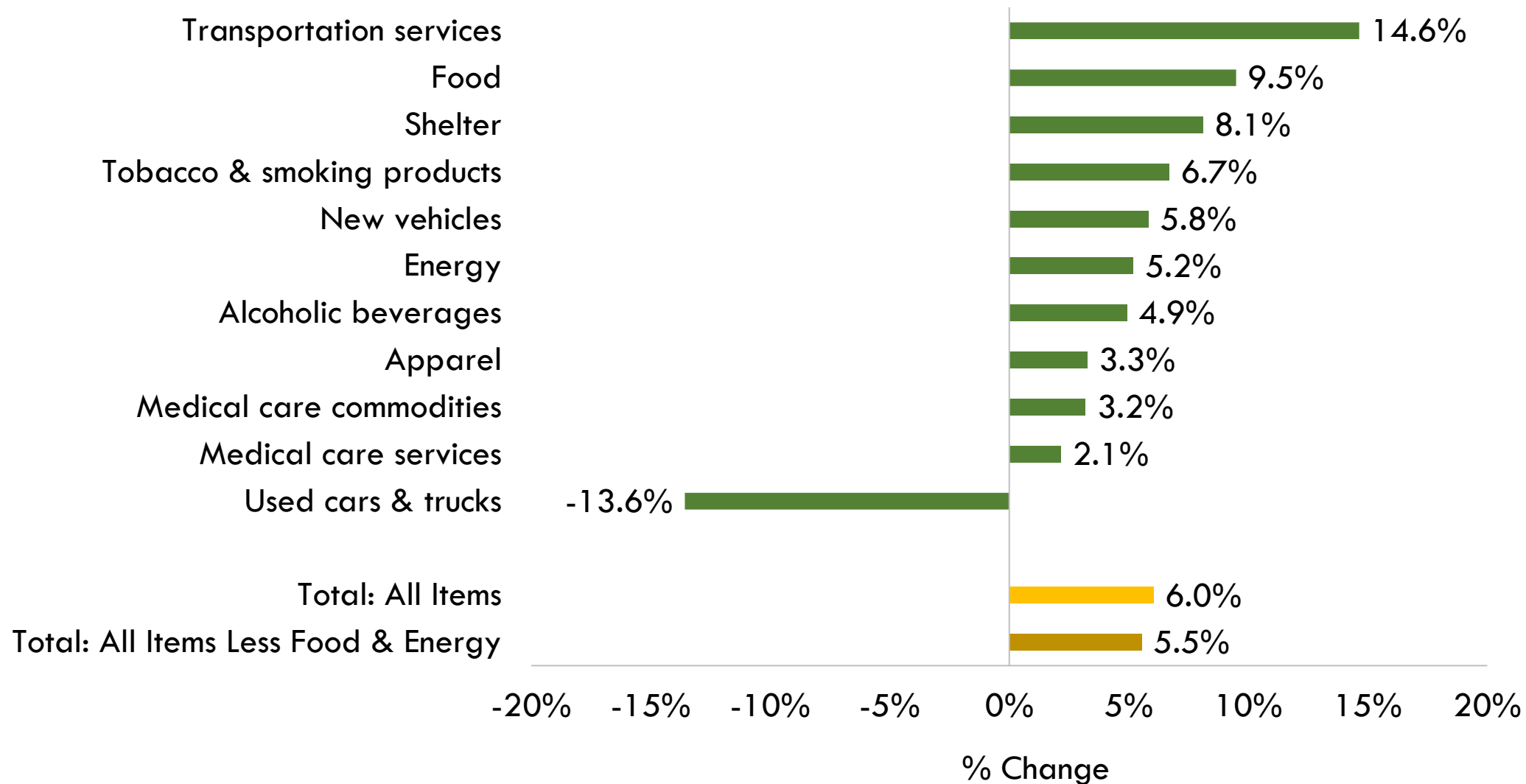
U.S. Consumer Price Index, Select Categories (NSA)

May 2020 v. February 2023 % Change

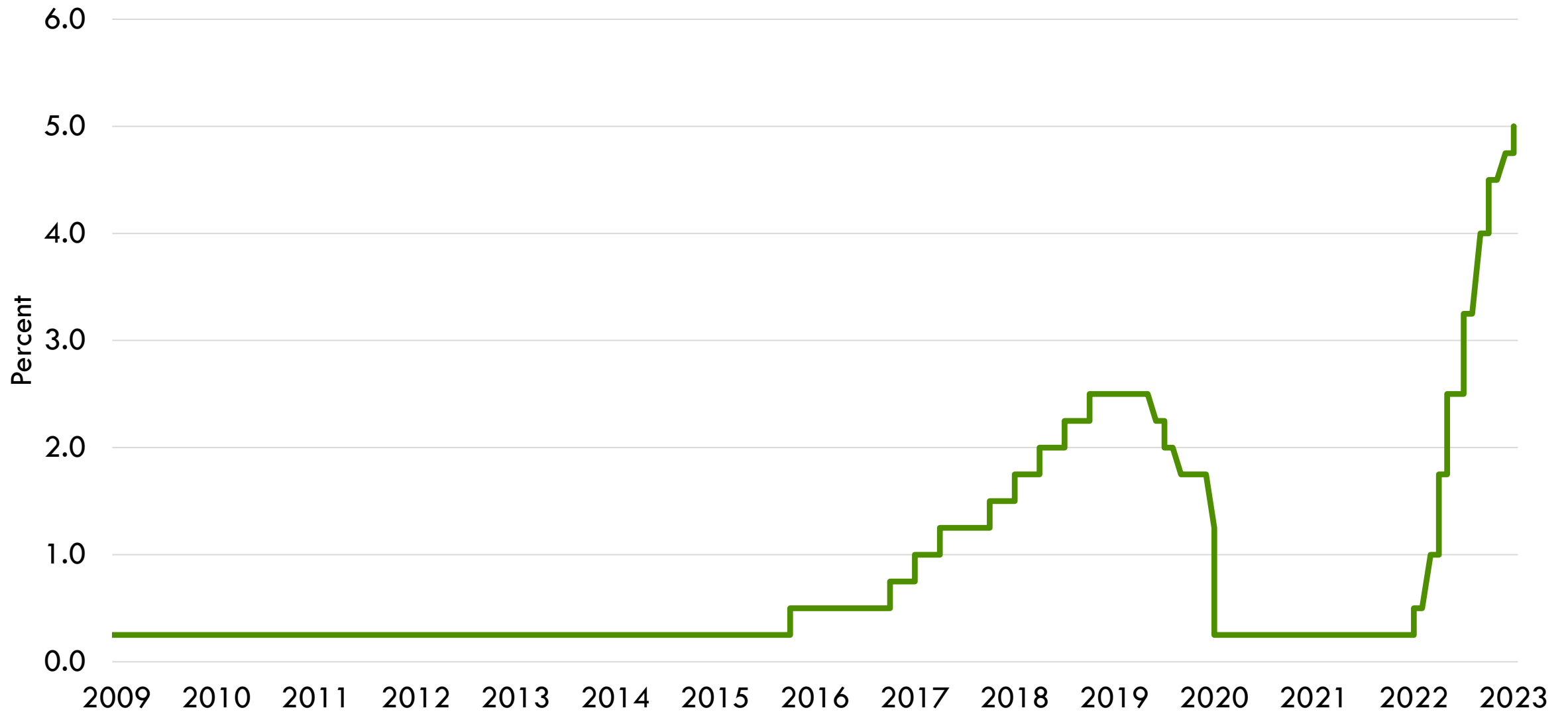


U.S. Consumer Price Index, Select Categories (NSA)

February 2022 v. February 2023 % Change



Federal Funds Target Range, Upper Limit, 2009 – 2023



Source: Board of Governors of the Federal Reserve System

POLL

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

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



Mission Impossible

(8 films, 1996-2024)

War of the Words

“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.”

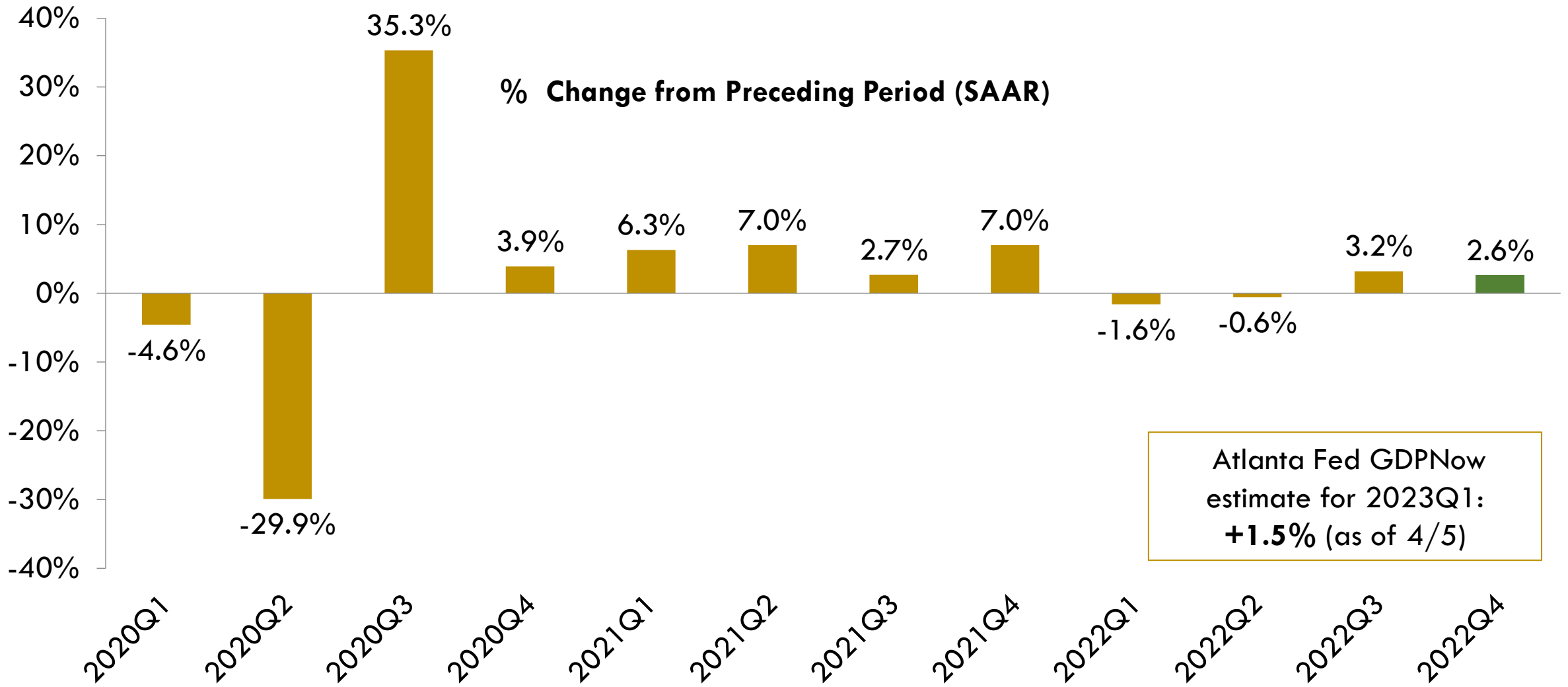
(FOMC Chair Powell, August 2022)

“Let me say this, it is very premature to be thinking about pausing. So people, when they hear lags, they think about a pause. It's very premature in my view to think about or be talking about pausing our rate hike.”

(FOMC Chair Powell, November 2022)

Born on the 4th of July

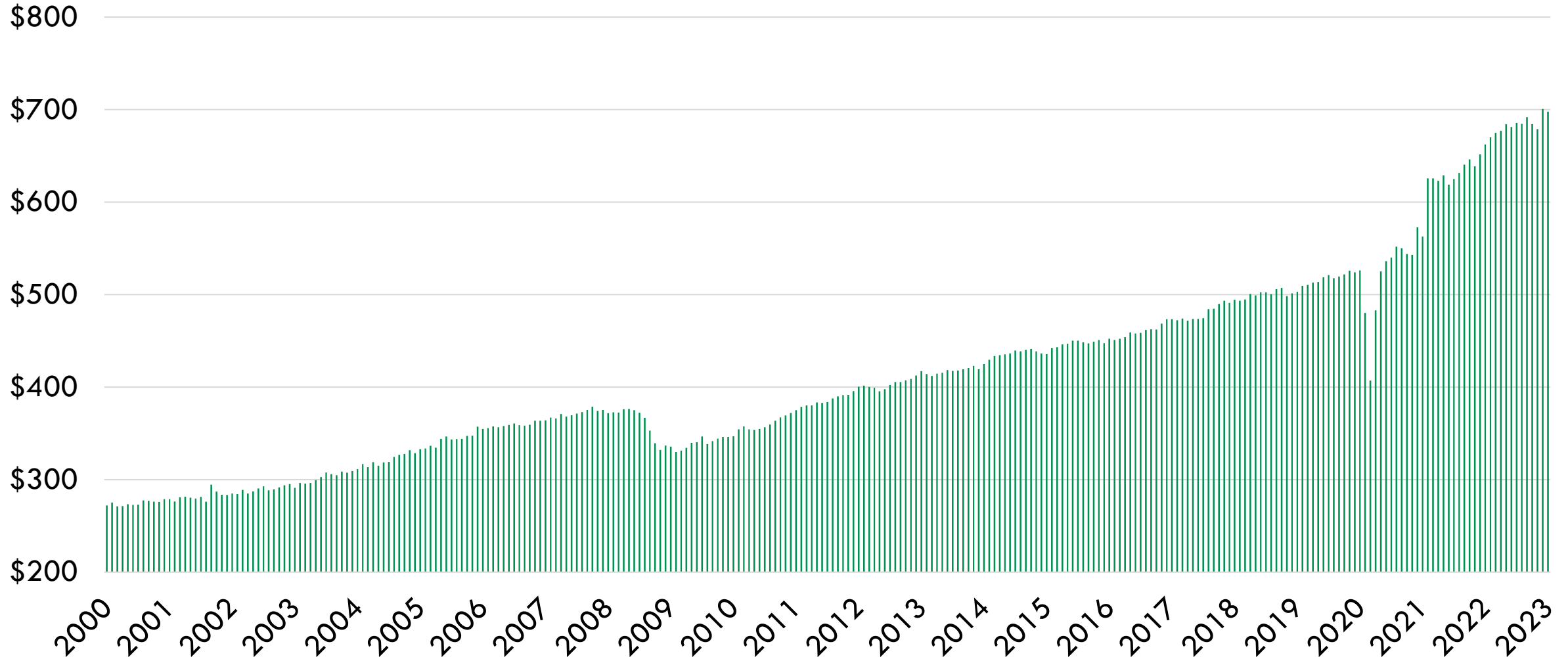
U.S. Gross Domestic Product Growth, 2020 – 2022Q4



Source: U.S. Bureau of Economic Analysis *2022Q4: 3rd (final) estimate

U.S. Retail Sales, 2000 – February 2023

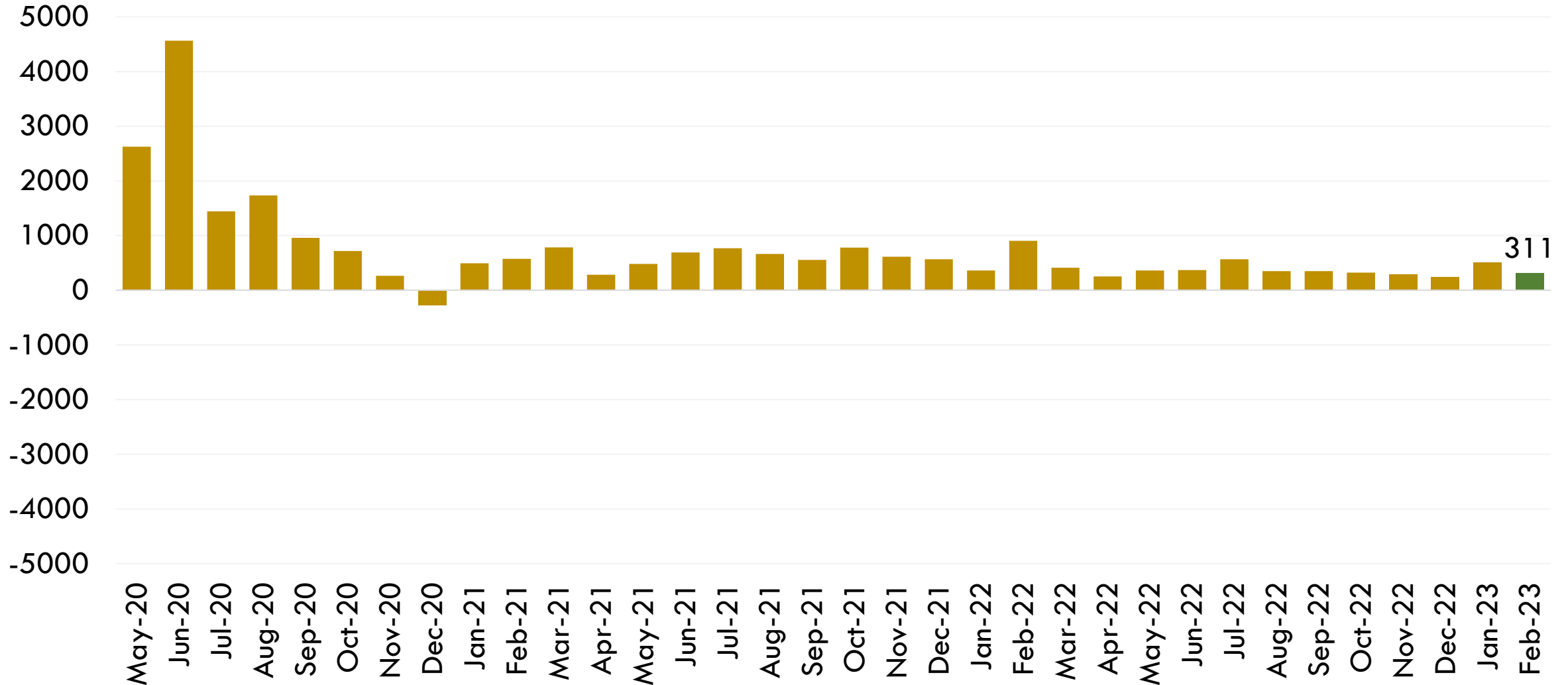
Retail Sales (\$Billions)



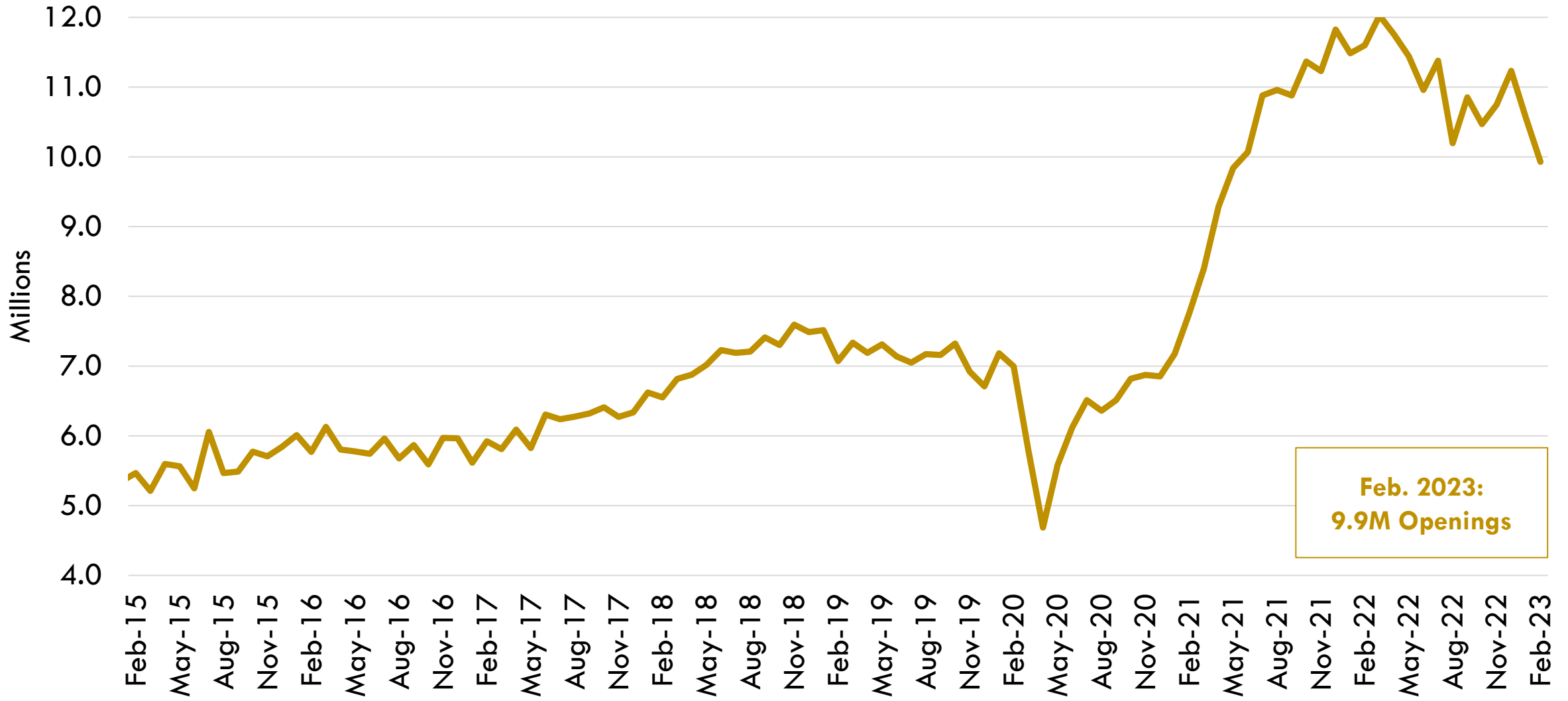
Net Change in U.S. Jobs

May 2020 – February 2023

Monthly Job Growth (000's)



U.S. Job Openings, 2015 – February 2023



**Feb. 2023:
9.9M Openings**

Change in LF Participation Rate by Age, Gender 1980 v. 2023



Change in LF Participation Rate, 1980 v. 2023 (percentage points)

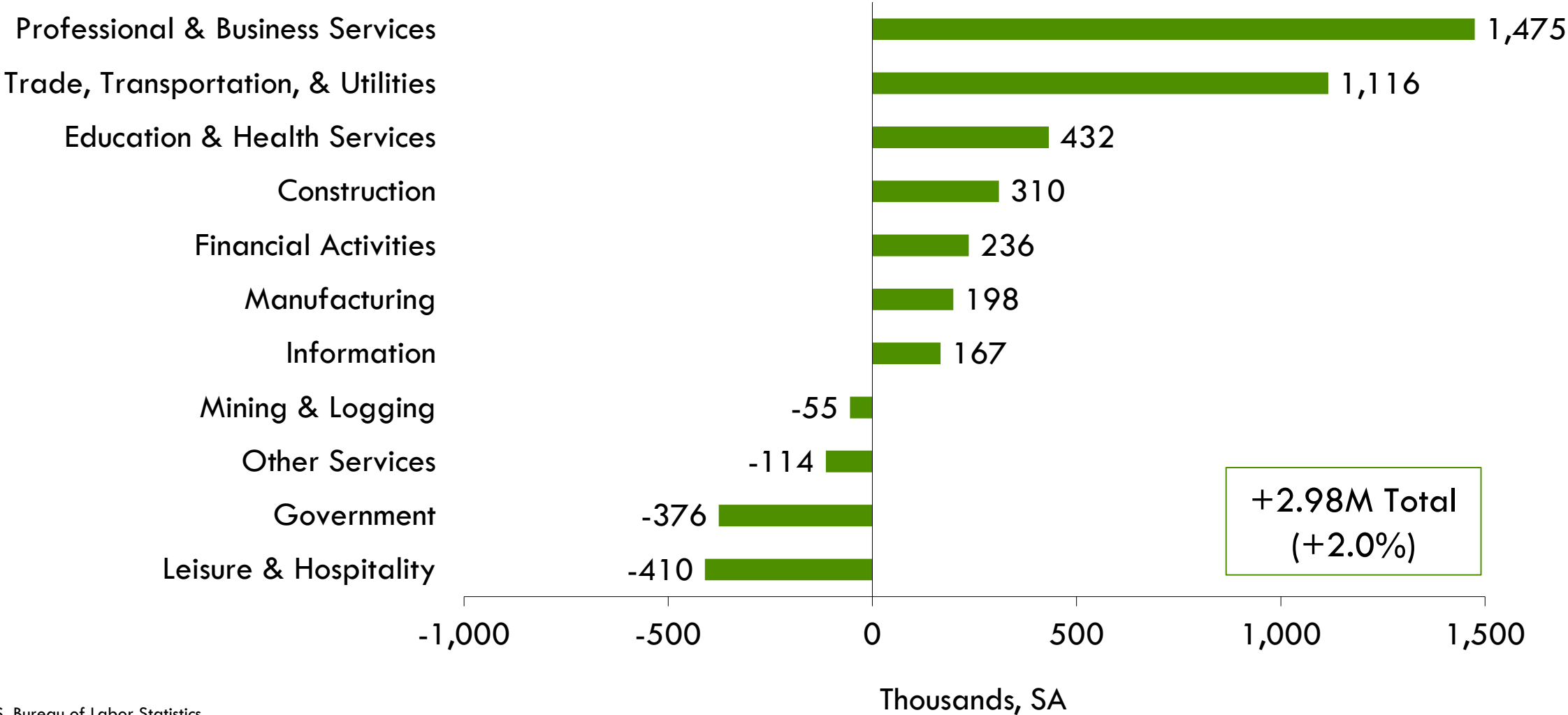
Age Group	Total	Men	Women
16+ years	-1.3	-9.5	+5.6
16-19 years	-19.3	-23.2	-15.5
20-24 years	-5.5	-13.4	+2.0
25-34 years	+3.5	-6.2	+12.5
35-44 years	+3.4	-5.6	+11.5
45-54 years	+6.5	-4.3	+16.3
55-64 years	+9.7	-0.7	+18.3

If the labor force participation rate were what it was in 1980, there would be 12.3 million more men and 7.6 million fewer women in the labor force (ages 16+).

U.S. Jobs Recovered Since February 2020



Nonfarm Employment by Industry Sector, February 2020 v. February 2023



Source: U.S. Bureau of Labor Statistics

Employment Growth, 25 Largest Metros

February 2020 v. February 2023 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Dallas-Fort Worth-Arlington, TX	9.5%	14	Seattle-Tacoma-Bellevue, WA	1.6%
2	Tampa-St. Petersburg-Clearwater, FL	8.2%	15	Portland-Vancouver-Hillsboro, OR-WA	0.8%
3	Orlando-Kissimmee-Sanford, FL	6.4%	15	St. Louis, MO-IL	0.8%
3	San Antonio-New Braunfels, TX	6.4%	17	Los Angeles-Long Beach-Anaheim, CA	-0.4%
5	Phoenix-Mesa-Scottsdale, AZ	5.9%	17	New York-Newark-Jersey City, NY-NJ-PA	-0.4%
6	Charlotte-Concord-Gastonia, NC-SC	5.5%	19	Chicago-Naperville-Elgin, IL-IN-WI	-0.6%
7	Riverside-San Bernardino-Ontario, CA	5.1%	19	San Francisco-Oakland-Hayward, CA	-0.6%
8	Atlanta-Sandy Springs-Roswell, GA	5.0%	21	Boston-Cambridge-Nashua, MA-NH	-0.8%
9	Houston-The Woodlands-Sugar Land, TX	3.8%	22	Washington-Arlington-Alexandria, DC-VA-MD-WV	-0.9%
10	Miami-Fort Lauderdale-West Palm Beach, FL	3.4%	23	Detroit-Warren-Dearborn, MI	-1.2%
11	San Diego-Carlsbad, CA	2.9%	24	Minneapolis-St. Paul-Bloomington, MN-WI	-1.6%
12	Denver-Aurora-Lakewood, CO	2.4%	25	Baltimore-Columbia-Towson, MD	-2.9%
13	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	2.1%			

Source: Bureau of Labor Statistics

Current Employment Statistics (CES) Survey. Note: data are not seasonally adjusted.

U.S. % Change 2/2020 v. 2/2023: +2.0%

Unemployment Rates, 25 Largest Metros

February 2023

Rank	MSA	%	Rank	MSA	%
1	Miami-Fort Lauderdale-West Palm Beach, FL	2.2	13	Charlotte-Concord-Gastonia, NC-SC	3.5
2	Tampa-St. Petersburg-Clearwater, FL	2.5	14	Boston-Cambridge-Nashua, MA-NH	3.7
3	Orlando-Kissimmee-Sanford, FL	2.6	14	San Diego-Carlsbad, CA	3.7
4	St. Louis, MO-IL	2.8	16	Detroit-Warren-Dearborn, MI	3.8
5	Phoenix-Mesa-Scottsdale, AZ	2.9	17	Dallas-Fort Worth-Arlington, TX	4.1
5	Washington-Arlington-Alexandria, DC-VA-MD-WV	2.9	18	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	4.2
7	Baltimore-Columbia-Towson, MD	3.0	19	San Antonio-New Braunfels, TX	4.3
8	Atlanta-Sandy Springs-Roswell, GA	3.2	20	Chicago-Naperville-Elgin, IL-IN-WI	4.4
8	Denver-Aurora-Lakewood, CO	3.2	20	New York-Newark-Jersey City, NY-NJ-PA	4.4
8	Minneapolis-St. Paul-Bloomington, MN-WI	3.2	22	Portland-Vancouver-Hillsboro, OR-WA	4.5
11	San Francisco-Oakland-Hayward, CA	3.4	22	Riverside-San Bernardino-Ontario, CA	4.5
11	Seattle-Tacoma-Bellevue, WA	3.4	24	Houston-The Woodlands-Sugar Land, TX	4.8
			24	Los Angeles-Long Beach-Anaheim, CA	4.8

Source: Bureau of Labor Statistics

Local Area Unemployment Statistics (LAUS) program. Note: data are not seasonally adjusted



You Had Me at Recession

(Jerry Maguire, 1996)



Defining Recession: Eyes Wide Shut

- The National Bureau of Economic Research (NBER)'s Business Cycle Dating Committee is the official recession scorekeeper – it maintains a chronology of U.S. business cycles.
- NBER's traditional definition of recession is “a significant decline in economic activity that is spread across the economy and that lasts more than a few months.”
- There is no fixed rule about which indicators contribute information to the process or how they are weighted in the determination of recession.
- Because the government statistics NBER relies on are published at various lags, the NBER Committee cannot officially designate a recession until after it starts (and often not until it's over).

S&P 500 Index, 2013 – March 2023

S&P 500 Index, Market Close

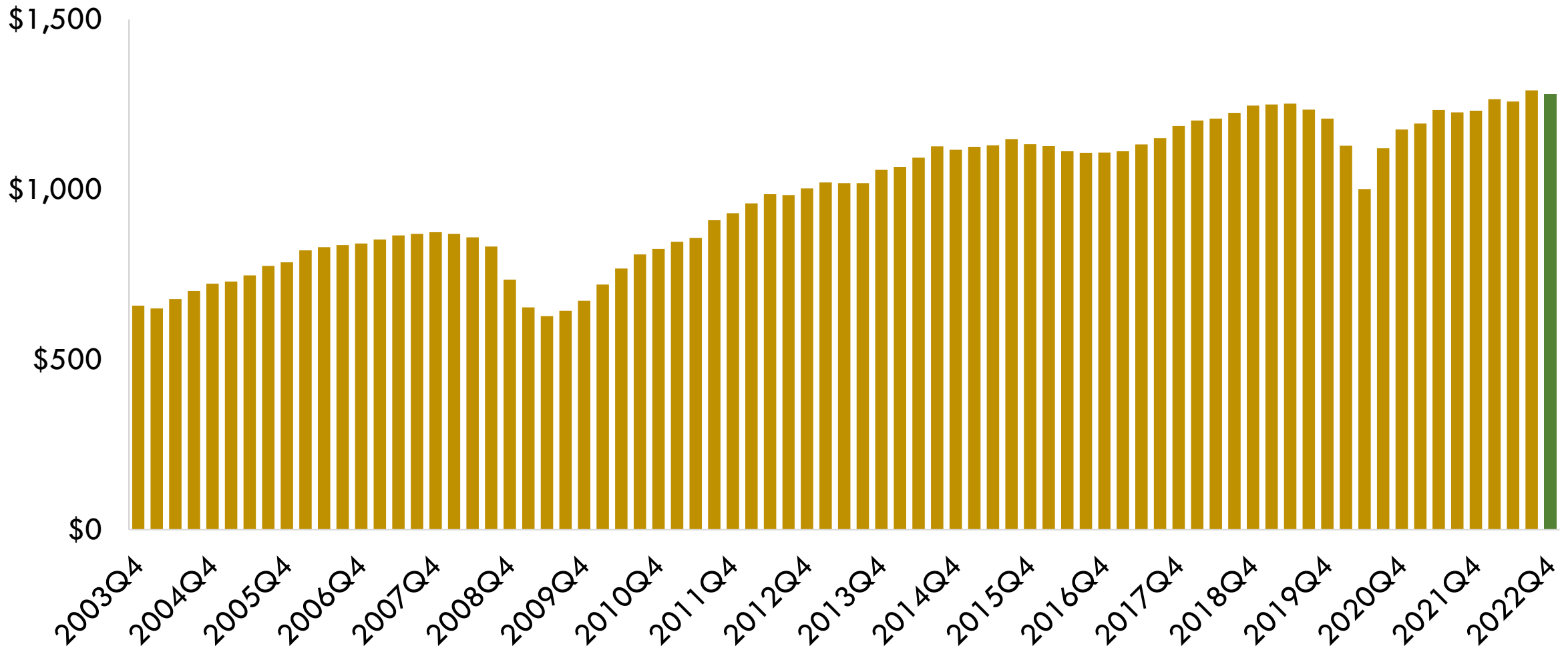


Source: S&P Dow Jones Indices LLC, S&P 500 [SP500], retrieved from FRED, Federal Reserve Bank of St. Louis



U.S. GDP: Nonresidential Fixed Investment in Equipment, 2003 – 2022Q4

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



Source: U.S. Bureau of Economic Analysis *2022Q4: 3rd (final) estimate

The Firm

- According to a November 2022 PwC survey of U.S. executives, 26% of firms are planning to reduce the number of full-time employees over the next 12-18 months.
 - In August 2022, 50% of firms said they already had, or had a plan in place to, reduce overall headcount.
- Four out of five executives surveyed by PwC in November 2022 said a recession is coming within the next six months.

Noteworthy Layoffs in 2022-2023

Ranked by Number Laid Off

Company	Estimated Layoffs	Workforce Before Layoffs	Percent Laid Off
Amazon	27,000	1,544,000	1.7%
Meta	21,000	87,314	24.1%
Accenture	19,000	760,000	2.5%
Alphabet	12,000	187,000	6.4%
Microsoft	10,000	221,000	4.5%
Salesforce	8,000	79,000	10.1%
Disney	7,000	222,000	3.2%
Dell	6,650	133,000	5.0%
Twitter	3,700	7,500	49.3%
Goldman Sachs	3,200	49,000	6.5%
3M	2,500	90,000	2.8%
Indeed	2,200	14,600	15.1%
Boeing	2,000	156,000	1.3%
Dow	2,000	38,000	5.3%
PayPal	2,000	29,000	6.9%

Source: Company announcements & government filings; news reports



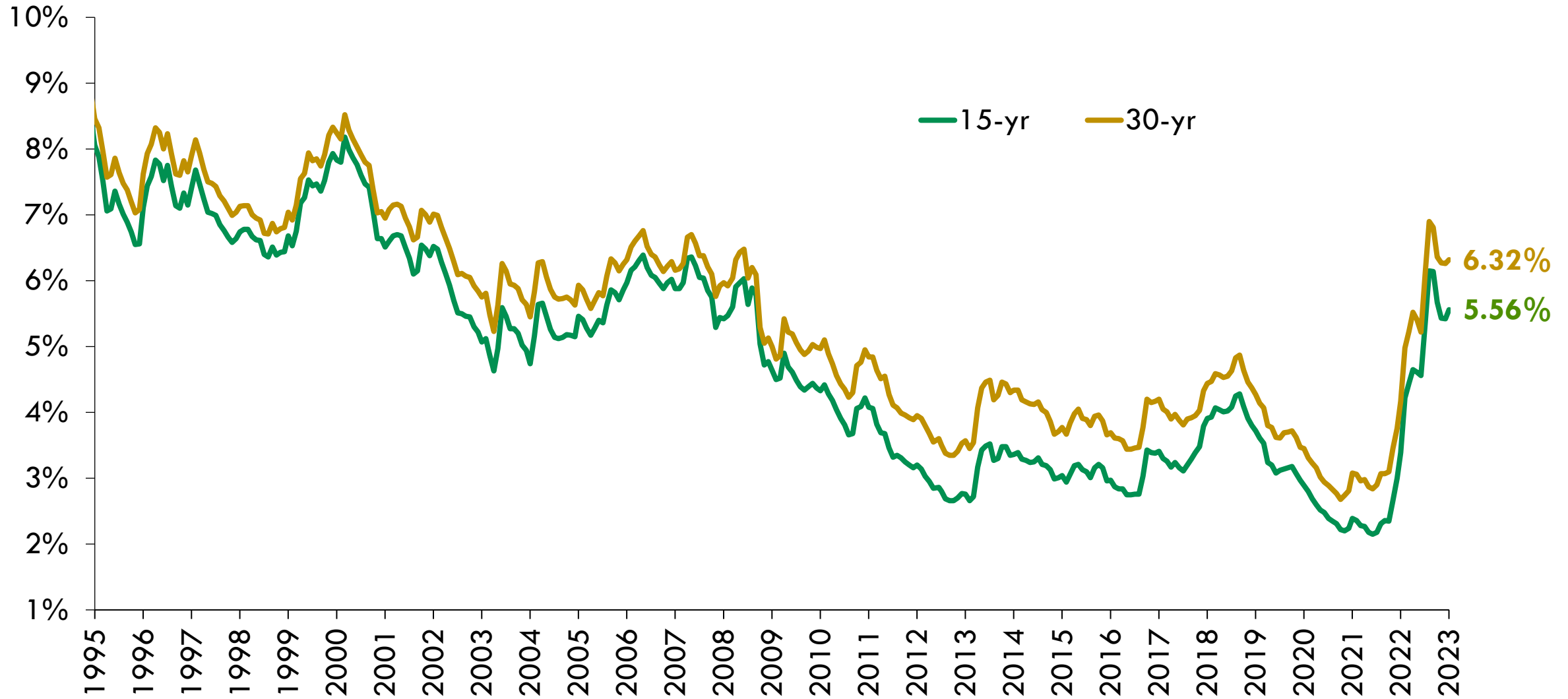
A Few Good Properties

(A Few Good Men, 1992)



U.S. 15-Year & 30-Year Fixed Mortgage Rates

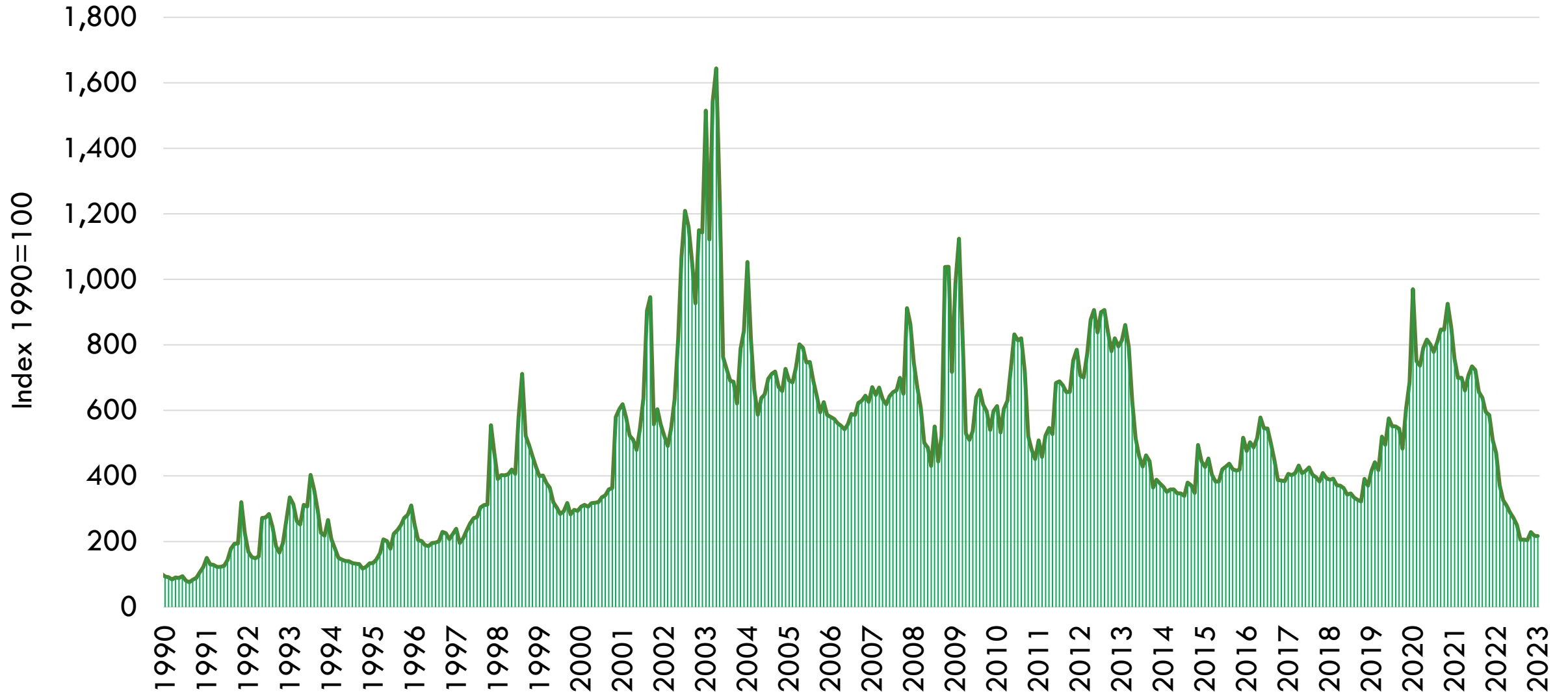
1995 – March 2023*



Source: Freddie Mac *Week ending 3/30/2023

U.S. Mortgage Loan Applications Composite Index

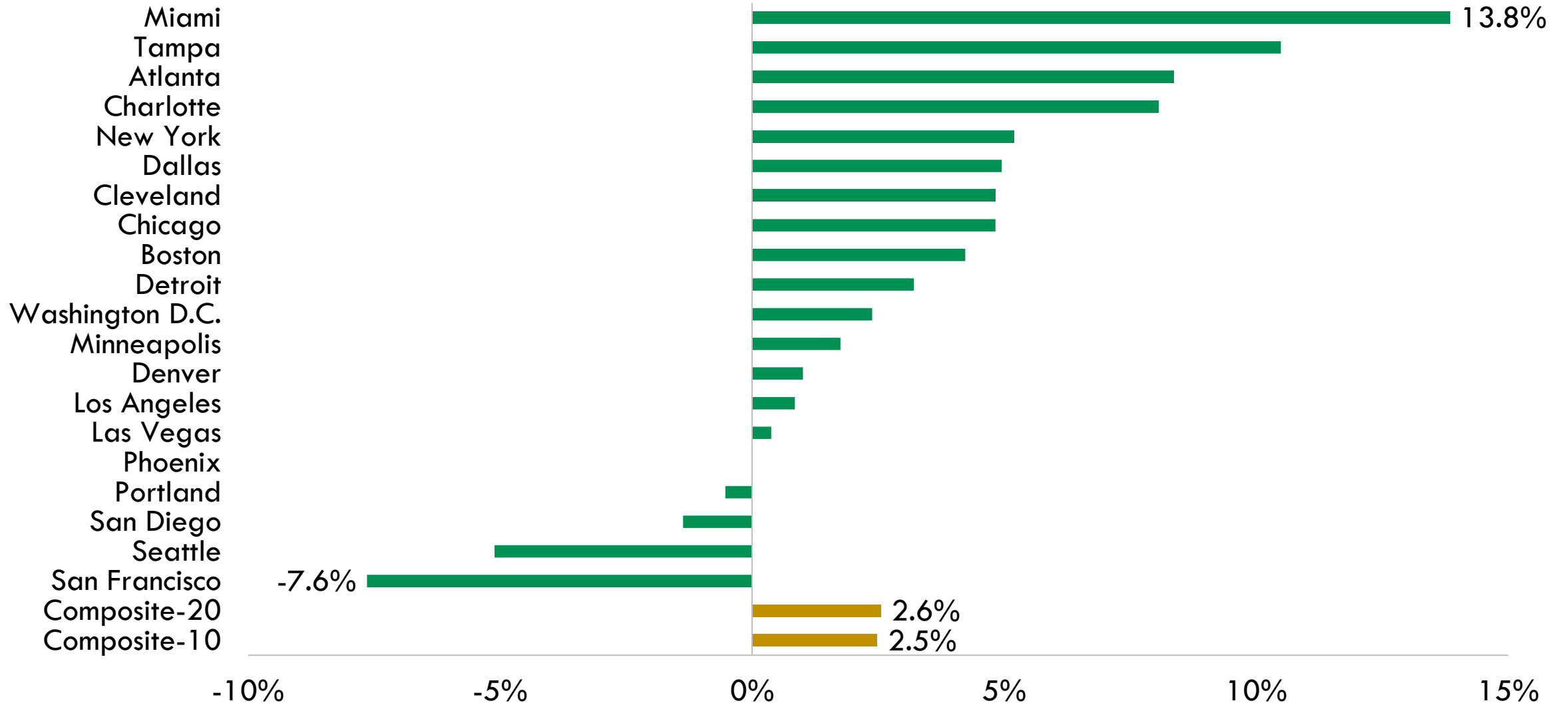
1990 – March 2023



Source: Mortgage Bankers Association (MBA)

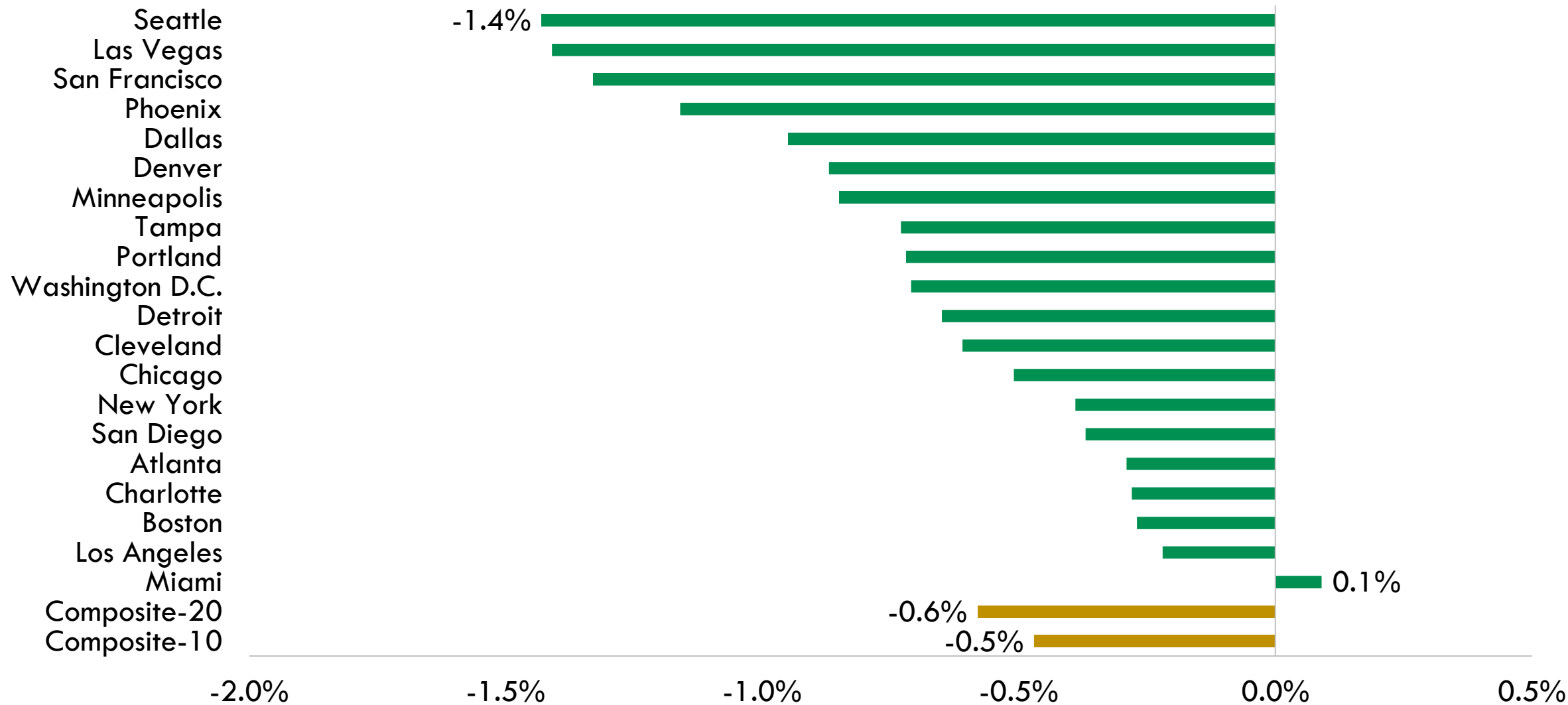
S&P Case-Shiller Home Price Index by Metro Area

12-Month % Change, January 2023



S&P Case-Shiller Home Price Index by Metro Area

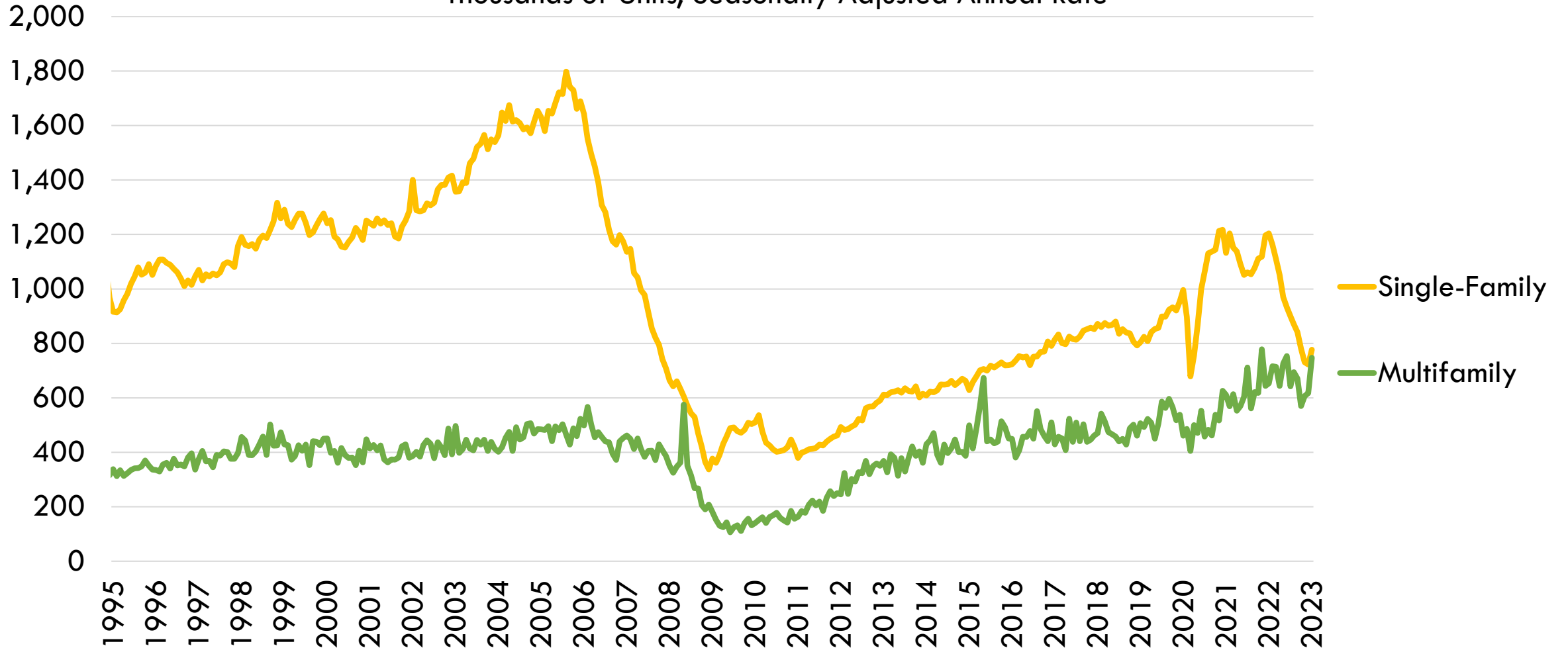
1-Month % Change, January 2023



U.S. Residential Building Permits

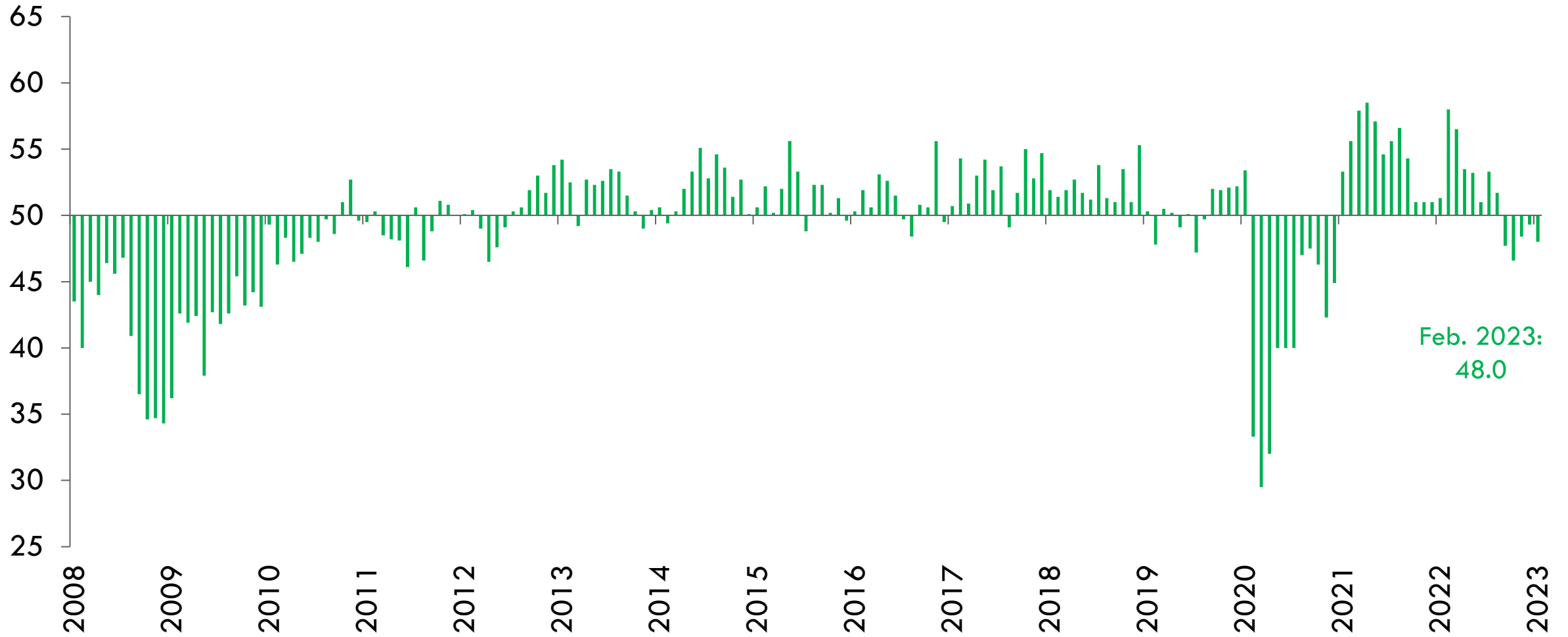
1995 – February 2023

Thousands of Units, Seasonally Adjusted Annual Rate



Architecture Billings Index

2008 – February 2023



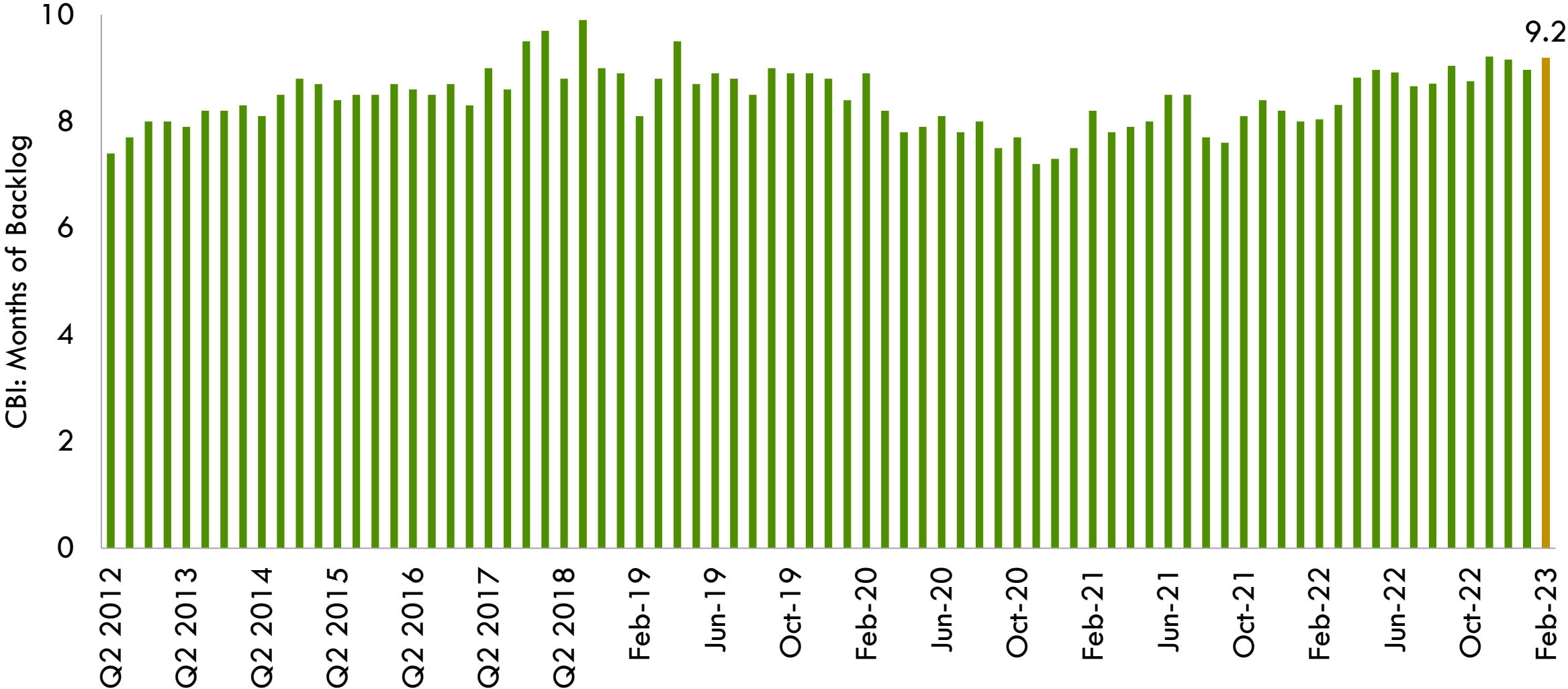
Source: The American Institute of Architects

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 2023



Source: Associated Builders and Contractors; Sage

POLL

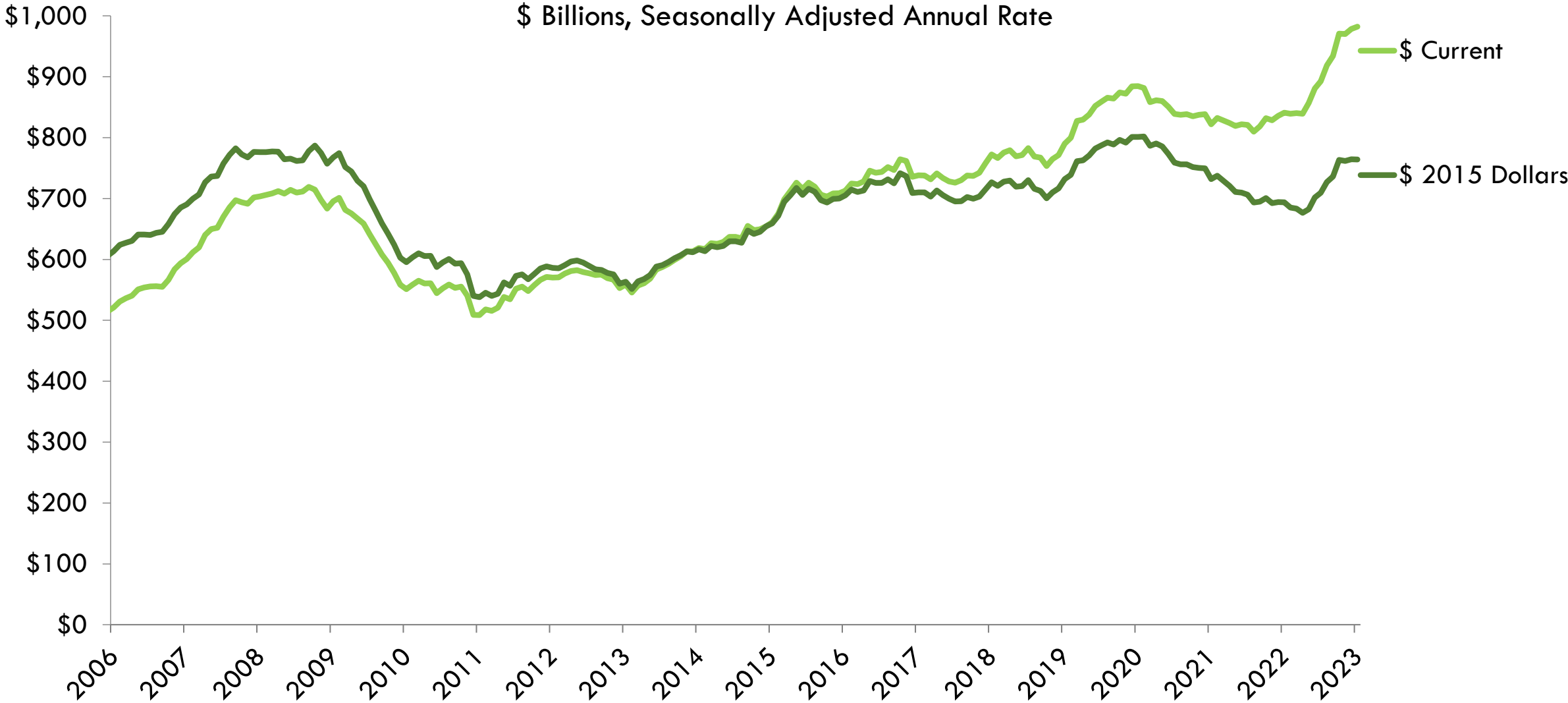
How long do you think it will take the *nonresidential* construction industry to stabilize to the prior level of construction spending?

- It's already stabilized
- Mid 2023
- 2024 or beyond
- It may never reach pre-pandemic levels

Total Nonresidential Construction Spending

Current/Constant Dollars, 2006 – February 2023

\$ Billions, Seasonally Adjusted Annual Rate

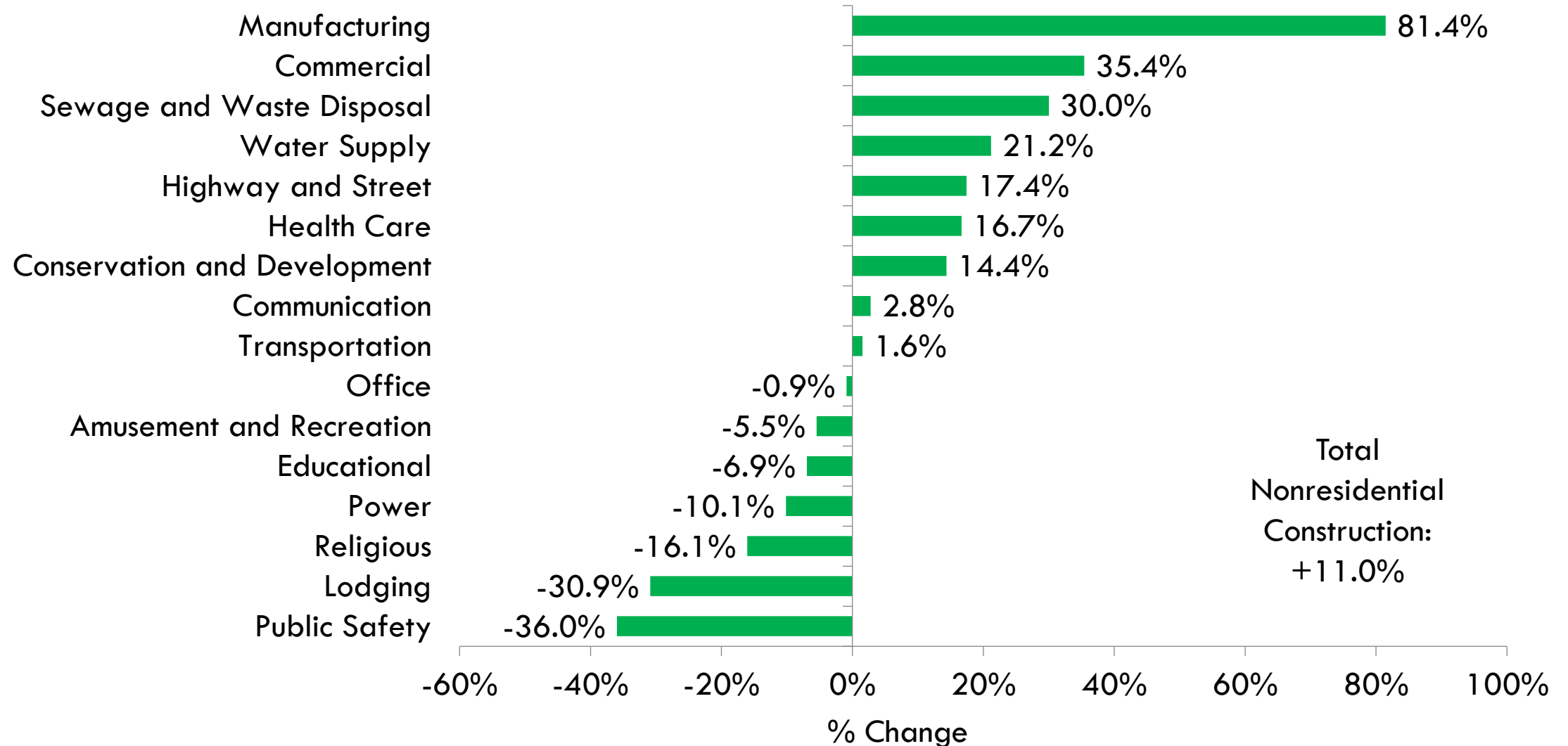


Source: U.S. Census Bureau; U.S. Bureau of Labor Statistics
*Adjusted with U.S. Bureau of Labor Statistics Consumer Price Index, All Urban Consumers, U.S. City Average



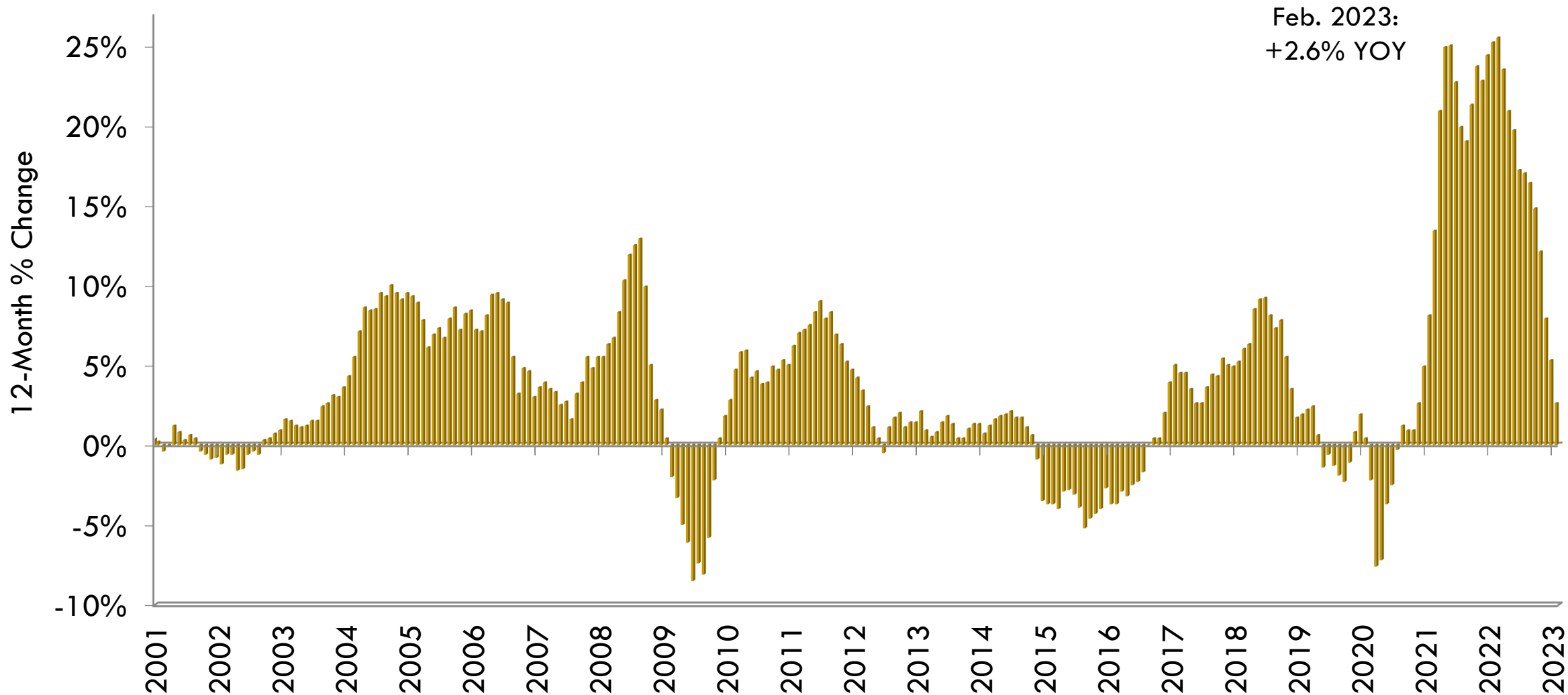
Nonresidential Construction Spending by Subsector

February 2020 v. February 2023 (Current \$)



Inputs to Construction PPI

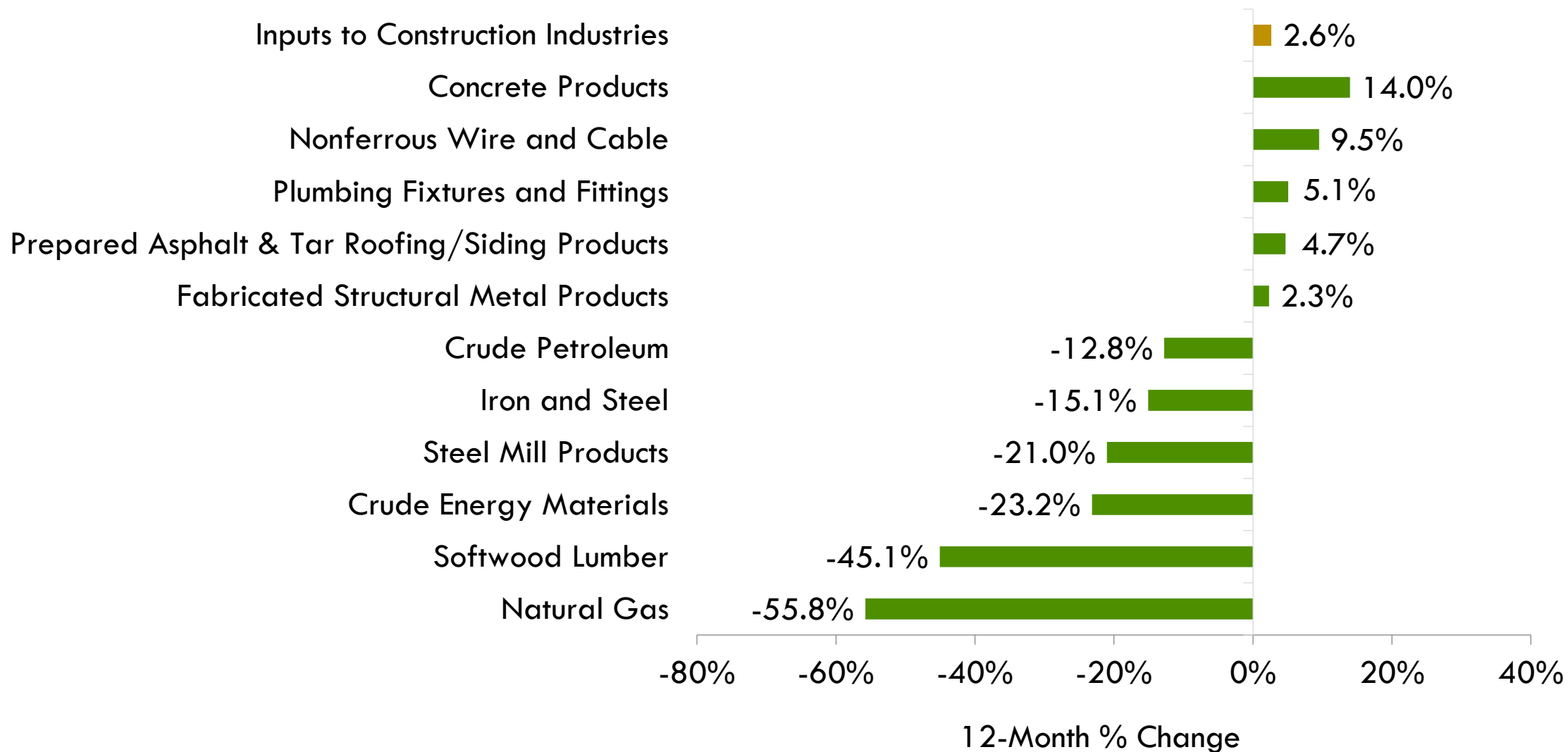
12-Month % Change, 2001 – February 2023



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

Construction Materials PPI

12-Month % Change as of February 2023



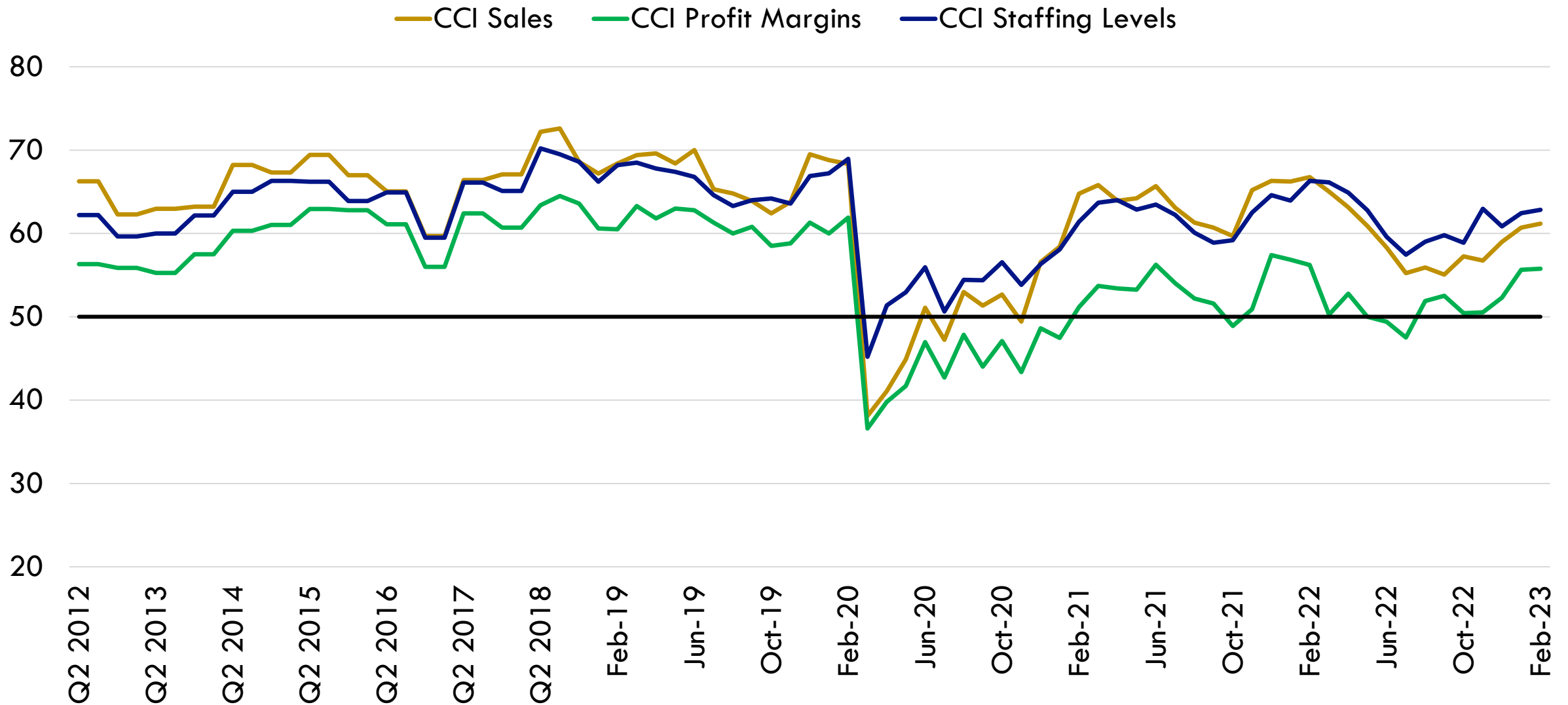
Source: U.S. Bureau of Labor Statistics. Note: Data are not seasonally adjusted



Edge of Tomorrow



ABC Construction Confidence Index, 2012 – February 2023



Source: Associated Builders and Contractors; Sage

Business Inventories

1965 – January 2023

\$ Billions

\$2,500

\$2,000

\$1,500

\$1,000

\$500

\$0

1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

Merchant Wholesalers

Retailers

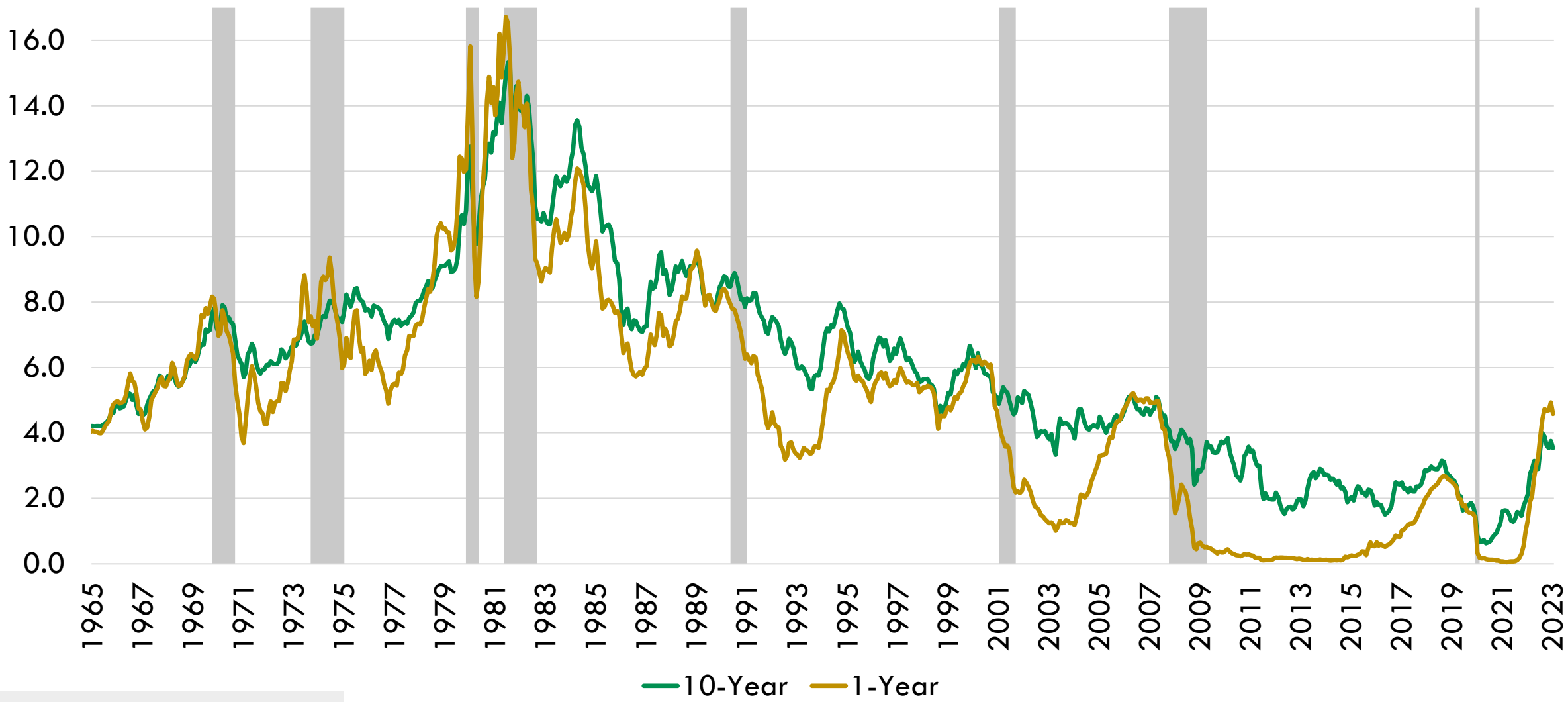
Manufacturers

Source: U.S. Census Bureau



U.S. Treasury Yields : 10-Year v. 1-Year

1965 – March 2023



Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of St. Louis

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

You Can't Handle the Truth!

- It's going to get worse before it gets better.
- The global economy is weakening, the national economy is weakening, borrowing costs are higher, and excess inflation persists.
- Some segments stand to hold up better than others, including public construction, grocery stores, and multifamily housing.
- At some point, the Federal Reserve will stop raising rates – that will represent a key inflection point for the economy.
- Recessionary conditions will prevail at some point over the next 12 months.

Thank You

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Q&A

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