

2023 Mid-Year Construction Economic Update & Exclusive Forecast

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On Behalf of
Construction Executive
July 26th, 2023



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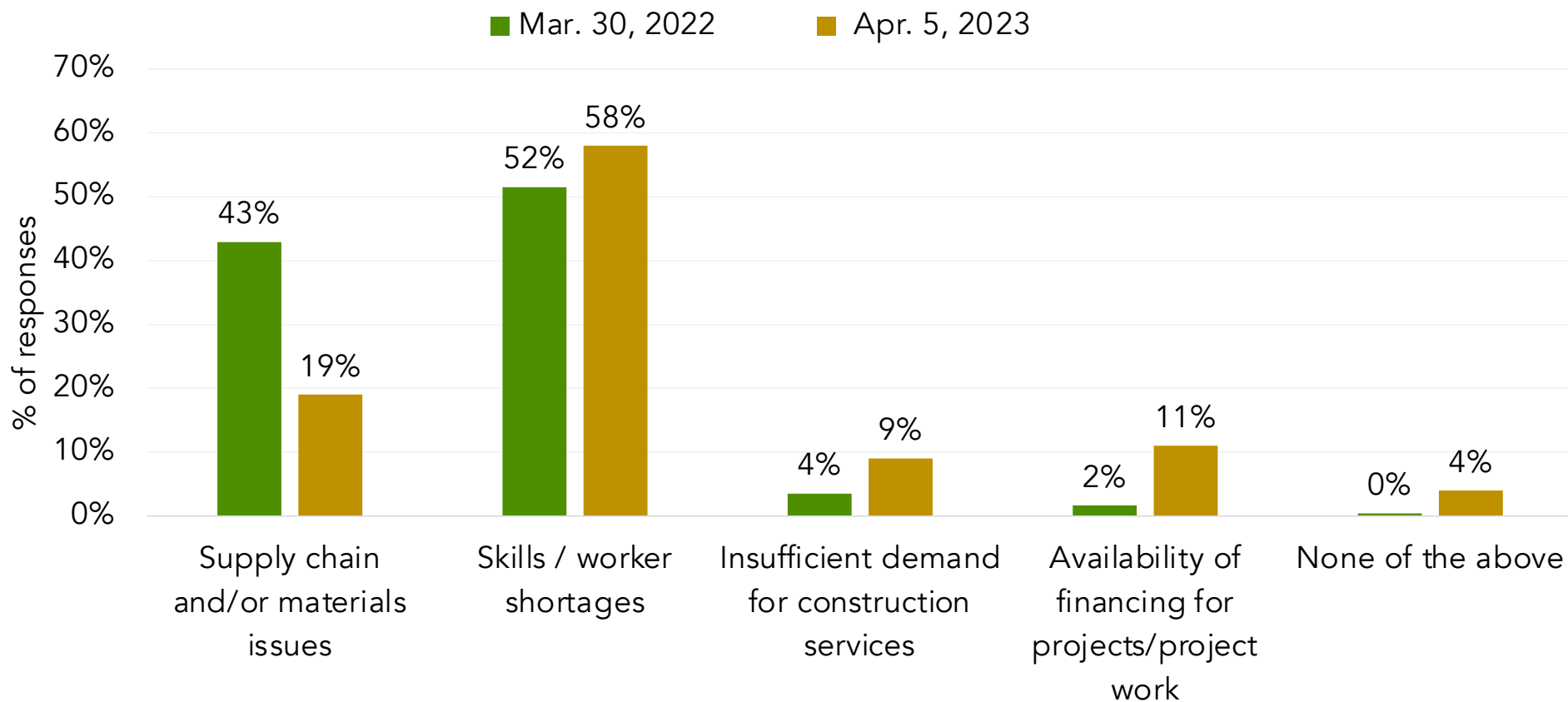
POLL

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

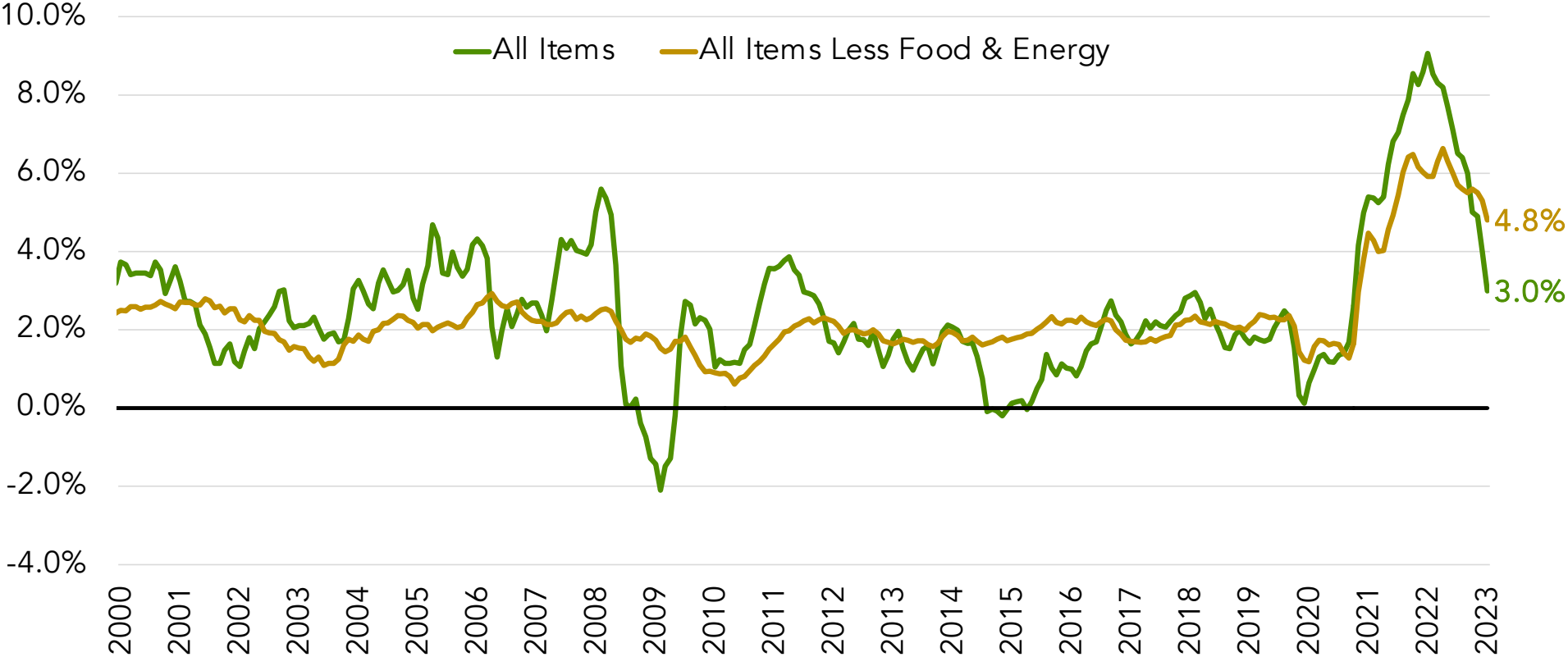
- Supply chain and/or materials issues including cost
- Skills/worker shortages
- Insufficient demand for construction services
- Availability and/or cost of financing projects/project work
- None of the above

CE Webinar Audience Poll Results:

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



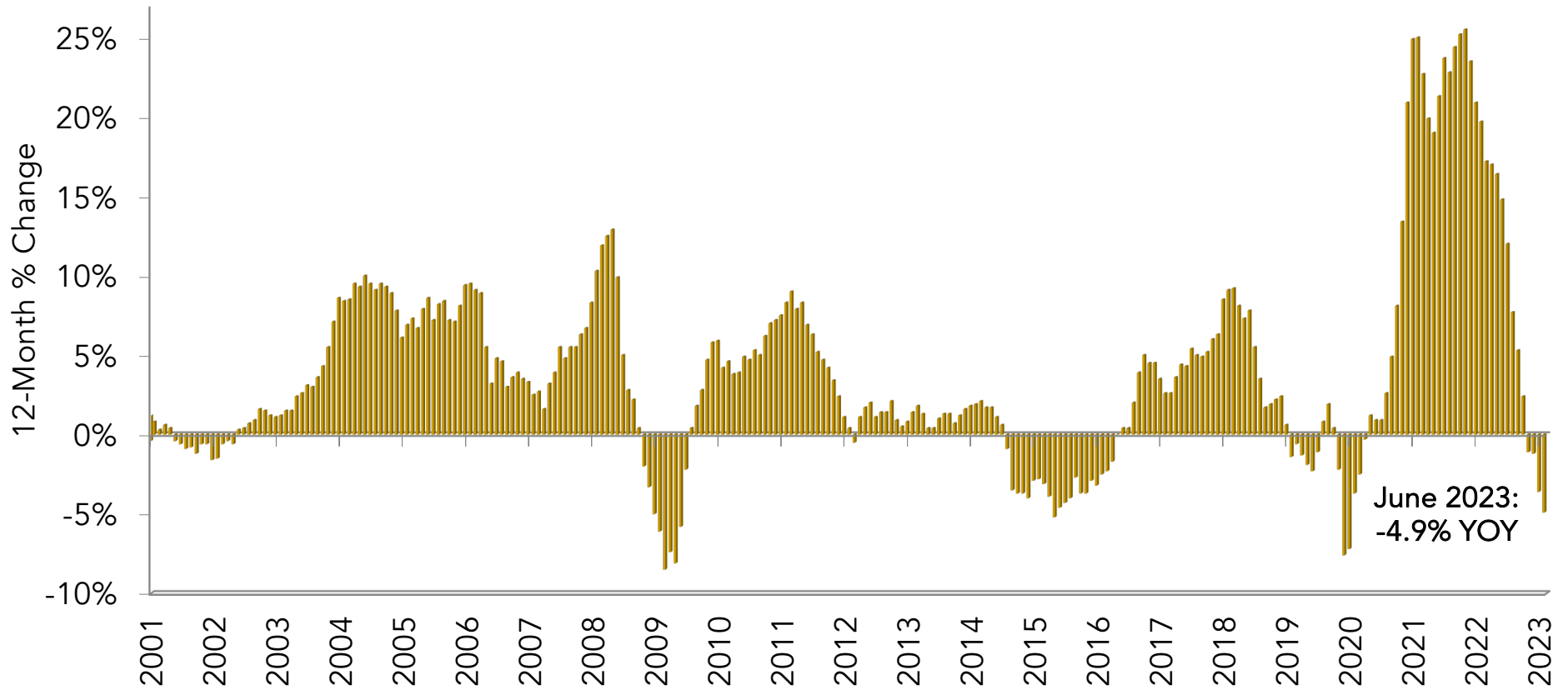
U.S. Consumer Price Index (NSA) 12-Month % Change, 2000 – June 2023



Source: U.S. Bureau of Labor Statistics

Inputs to Construction PPI

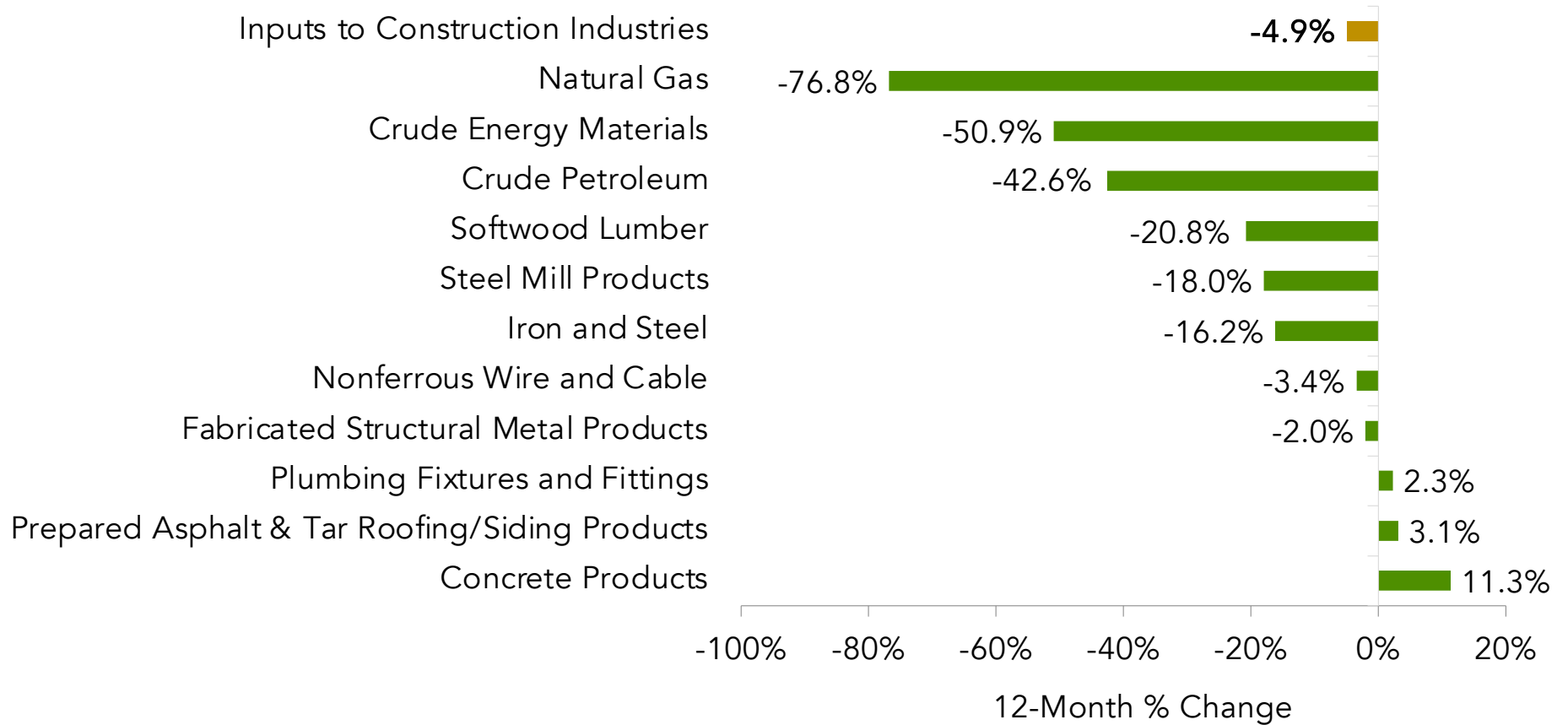
12-Month % Change, 2001 – June 2023



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

Construction Materials PPI

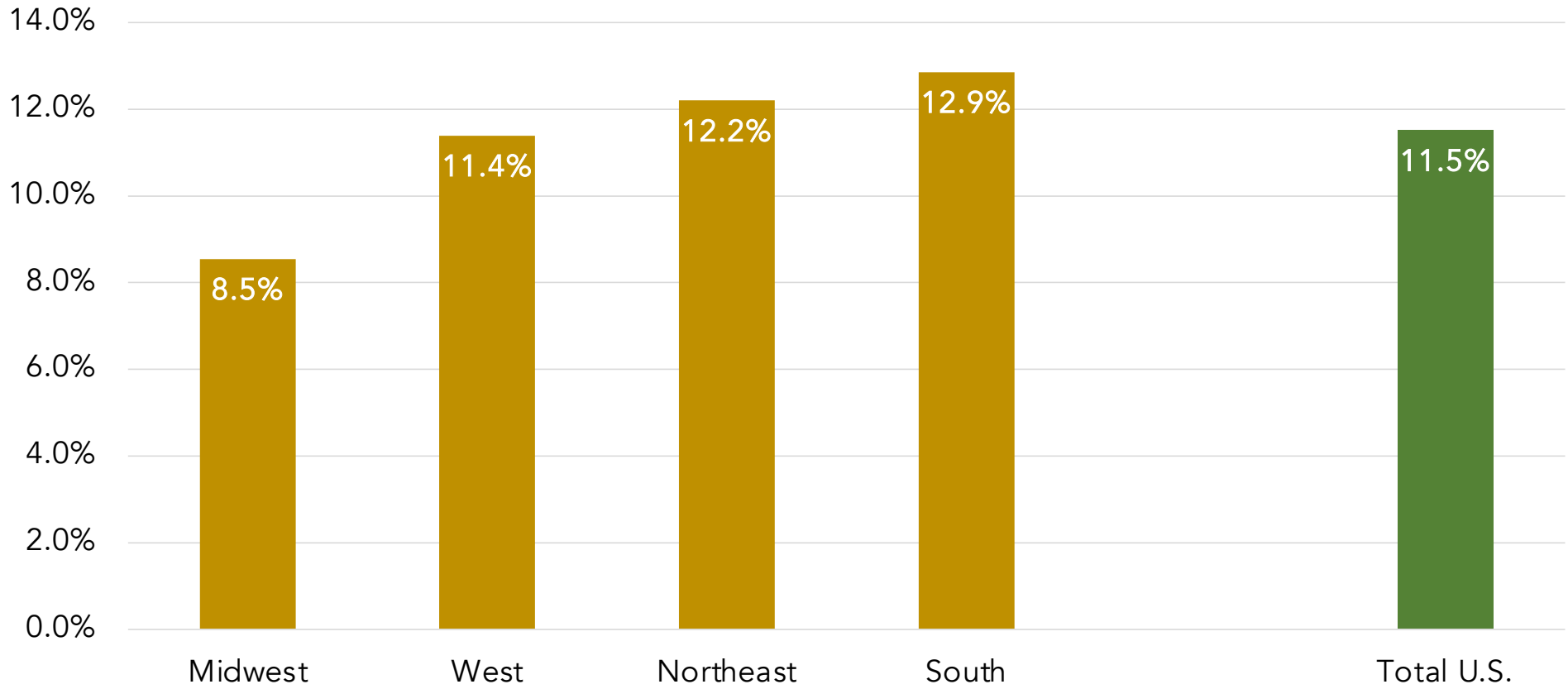
12-Month % Change as of June 2023



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

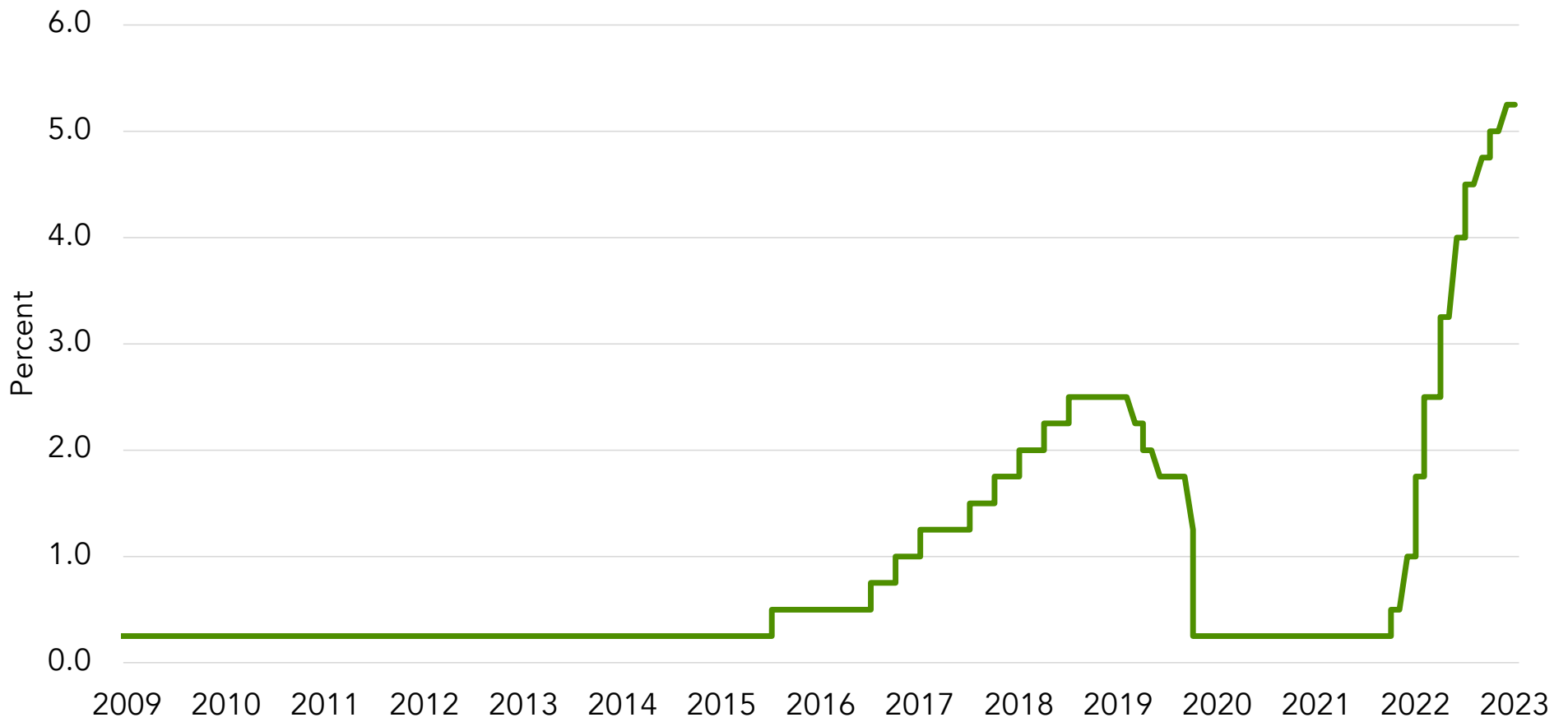
PPI: New Nonresidential Building Construction by Region

June 2022 v. June 2023 % Change



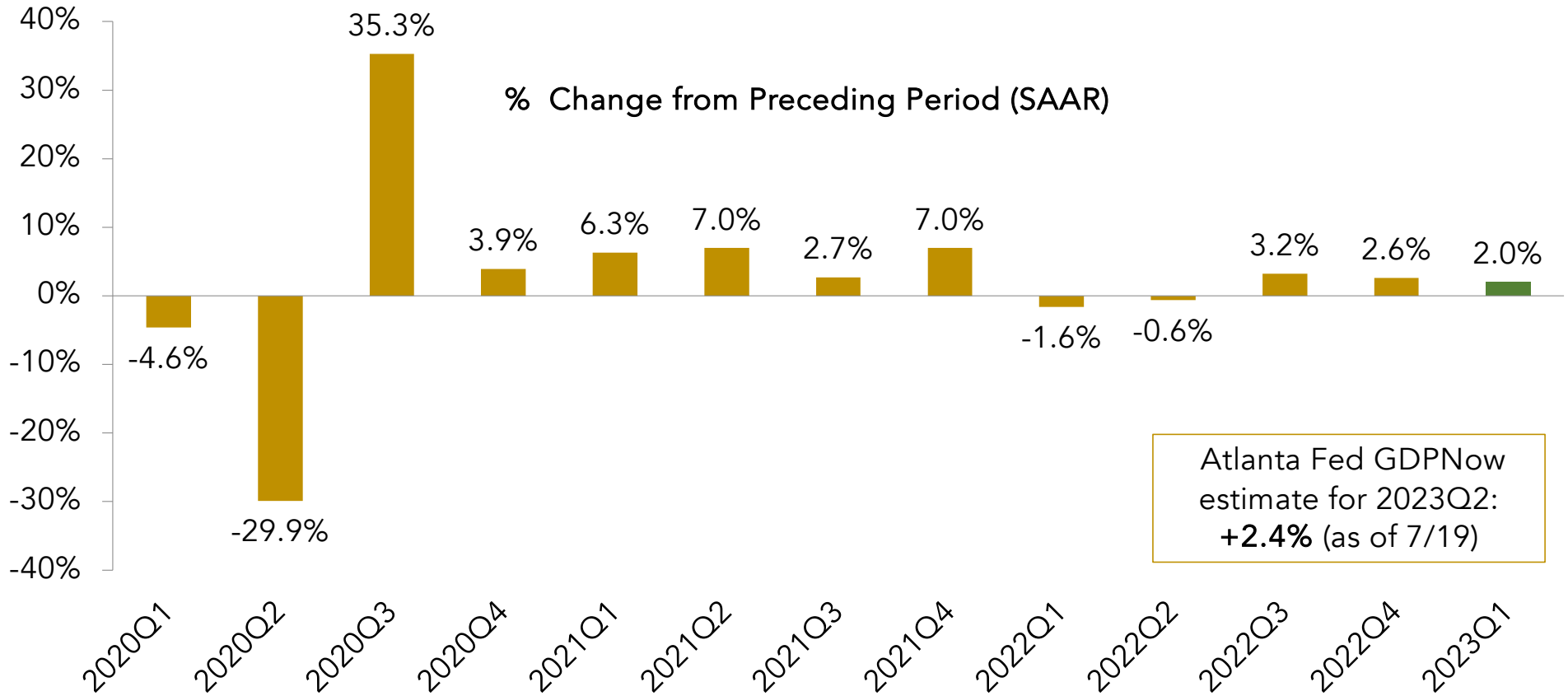
Source: U.S. Bureau of Labor Statistics

Federal Funds Target Range, Upper Limit, 2009 – 2023



Source: Board of Governors of the Federal Reserve System

U.S. Gross Domestic Product Growth, 2020 – 2023Q1



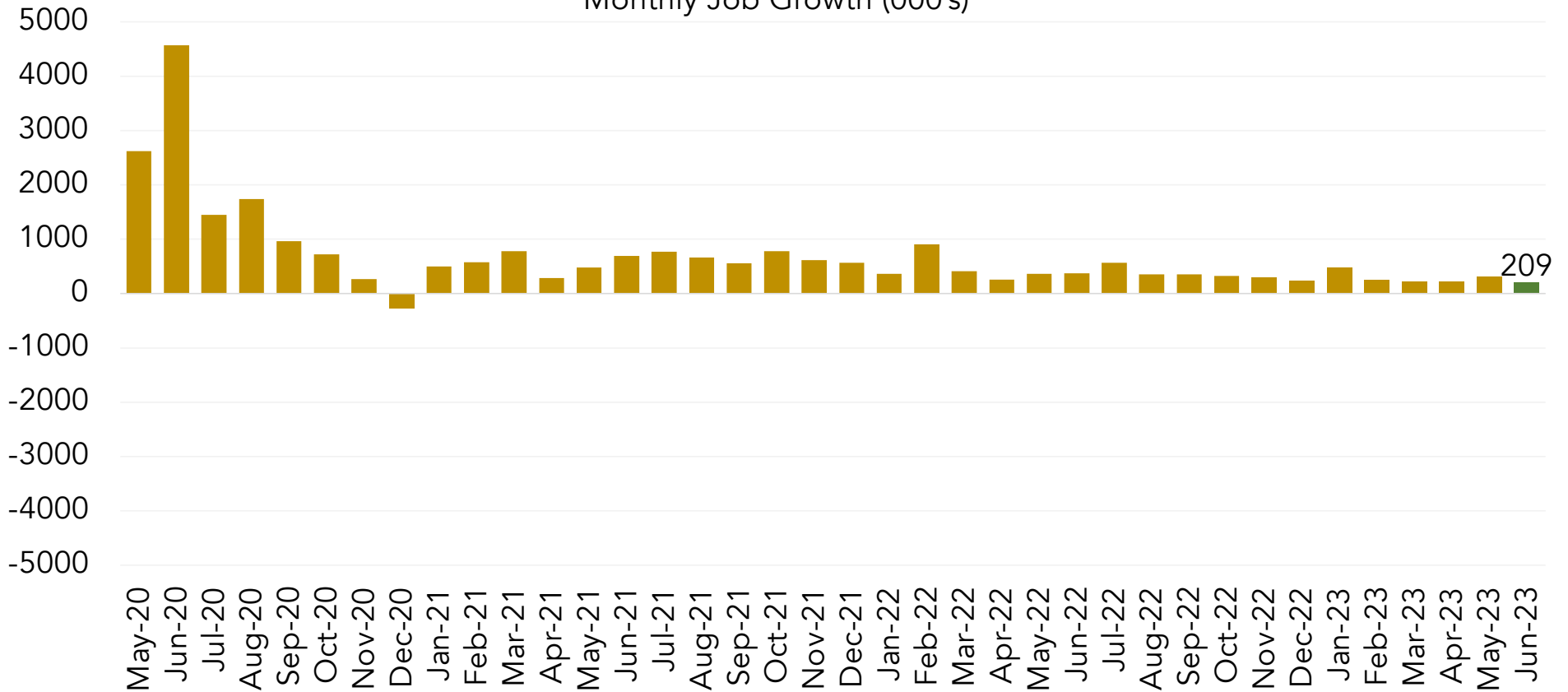
Atlanta Fed GDPNow
estimate for 2023Q2:
+2.4% (as of 7/19)

Source: U.S. Bureau of Economic Analysis *2023Q1: 3rd (final) estimate

Net Change in U.S. Jobs

May 2020 – June 2023

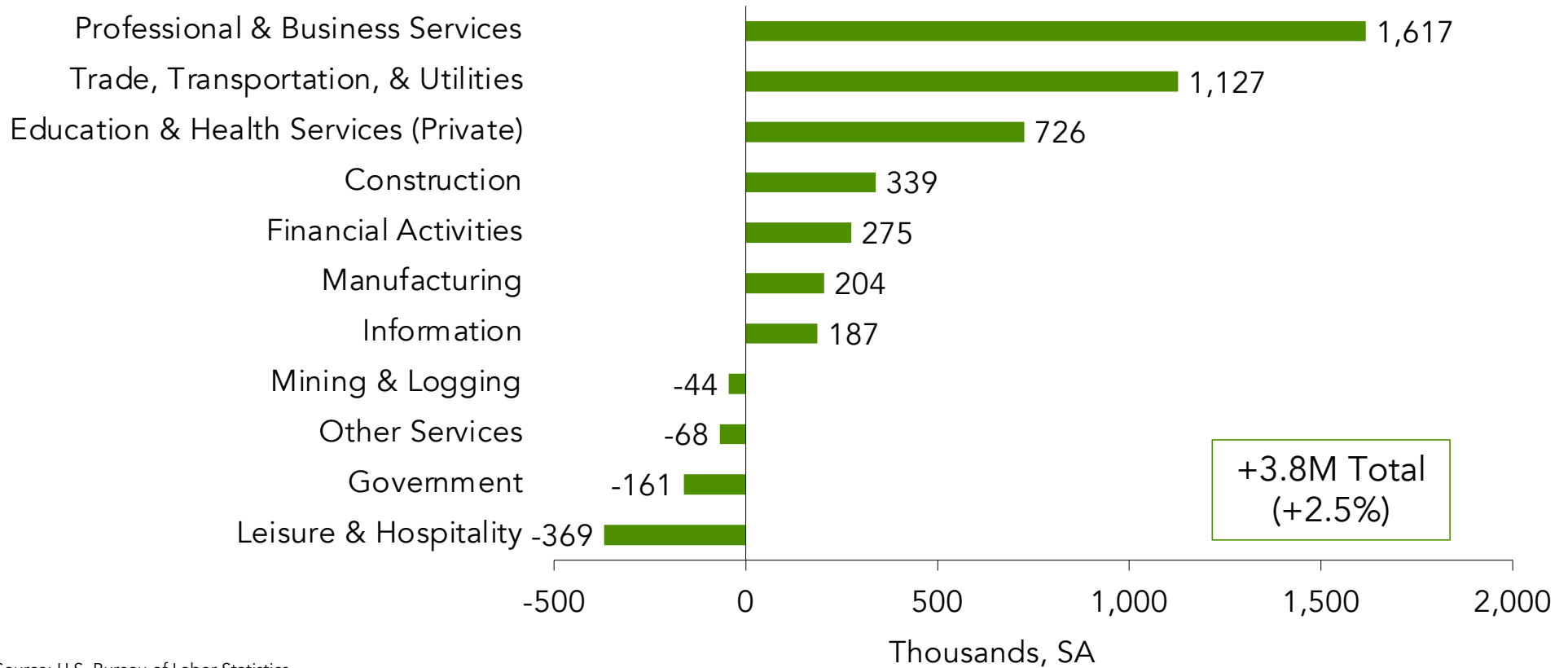
Monthly Job Growth (000's)



Source: U.S. Bureau of Labor Statistics

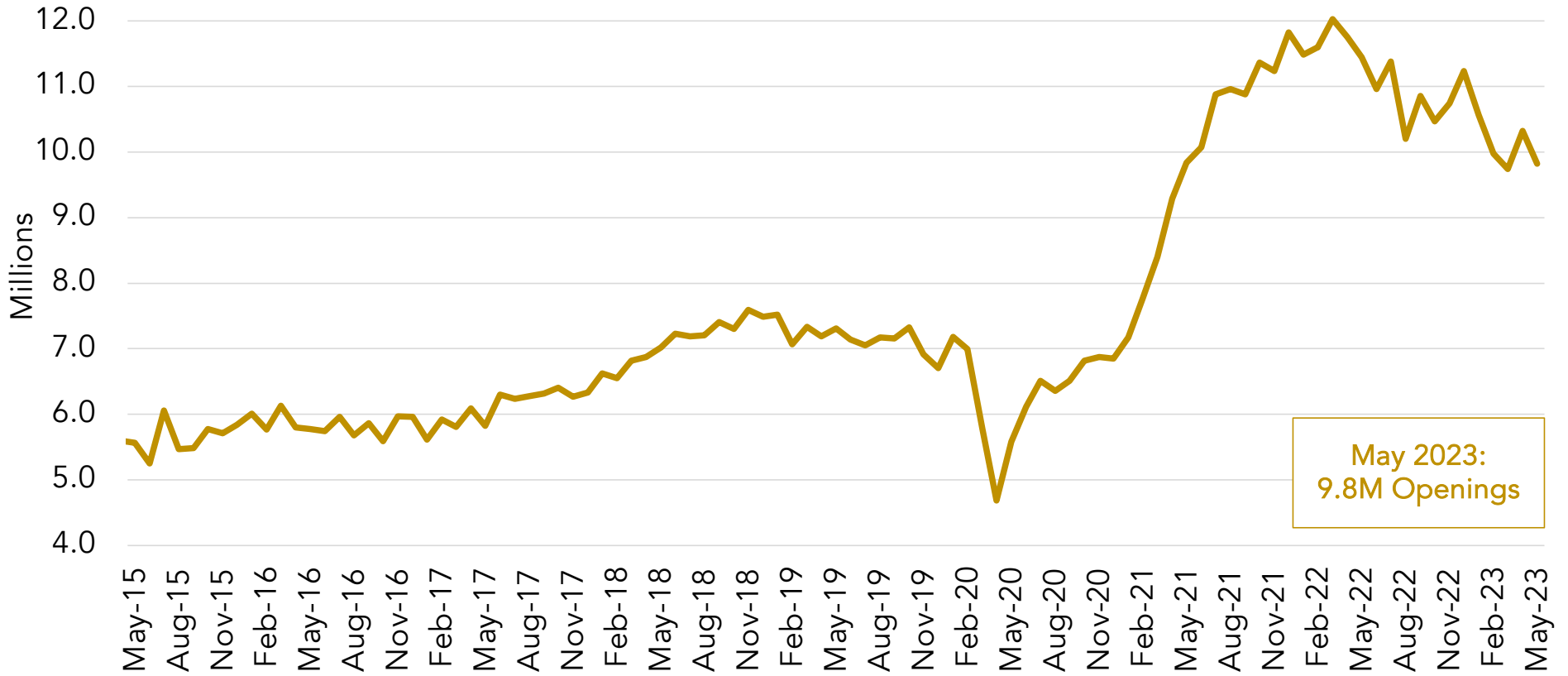
U.S. Jobs Recovered Since February 2020

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



Source: U.S. Bureau of Labor Statistics

U.S. Job Openings, 2015 – May 2023

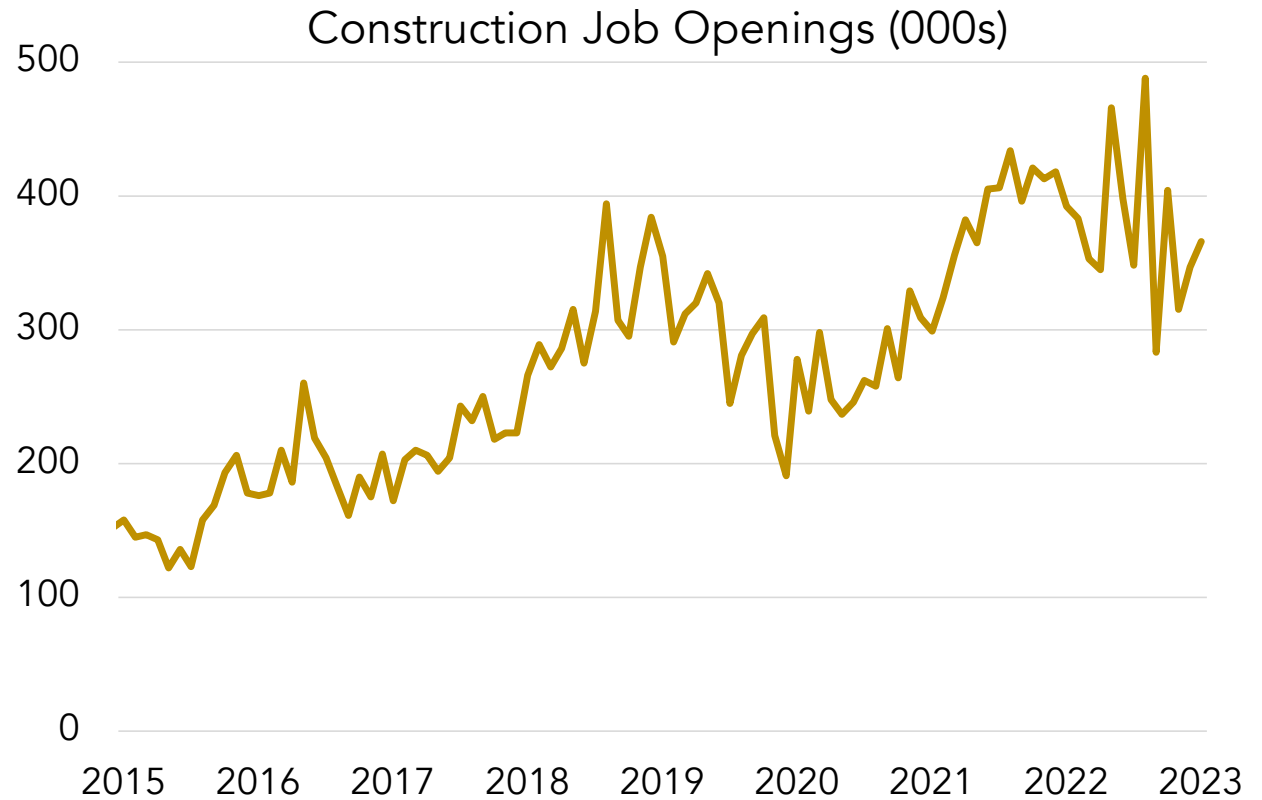


May 2023:
9.8M Openings

Source: U.S. Bureau of Labor Statistics

U.S. Construction Job Openings, 2015 – May 2023

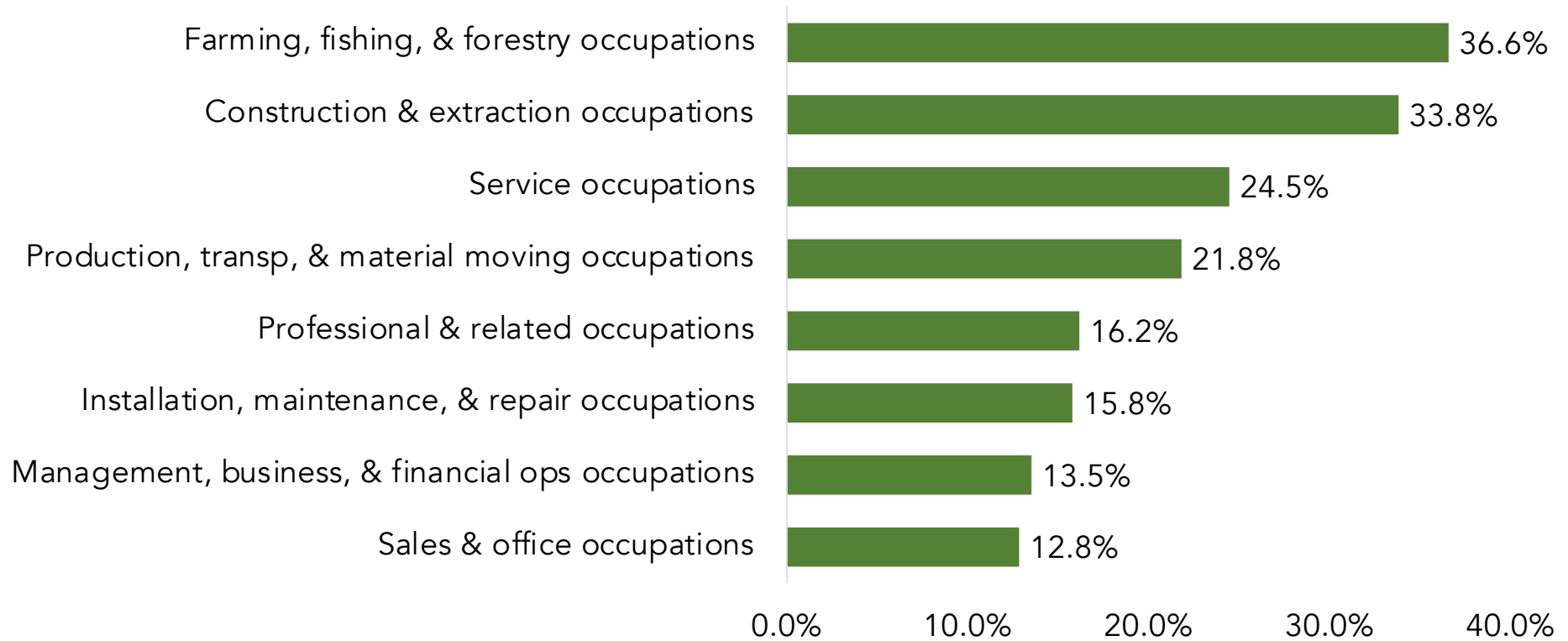
- From 2015-2019 the number of unfilled U.S. construction jobs averaged 228,000.
- In 2022 there was an average of 402,000 unfilled construction jobs.
- That's 77% higher than the 2015-2019 average.



Source: U.S. Bureau of Labor Statistics

U.S. Employment by Occupation Group % Foreign Born, 2022

% Foreign born



Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS)

POLL

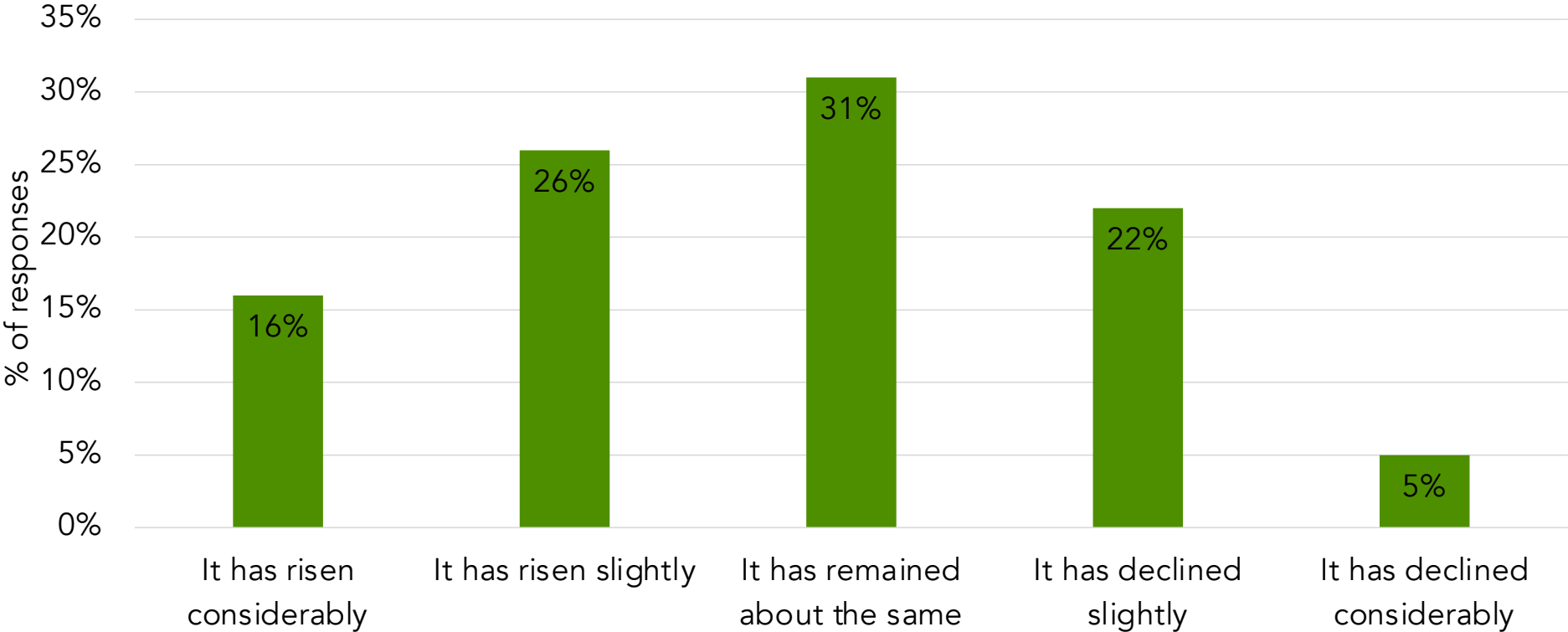
Over the last three months, how has your company's backlog fared?

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

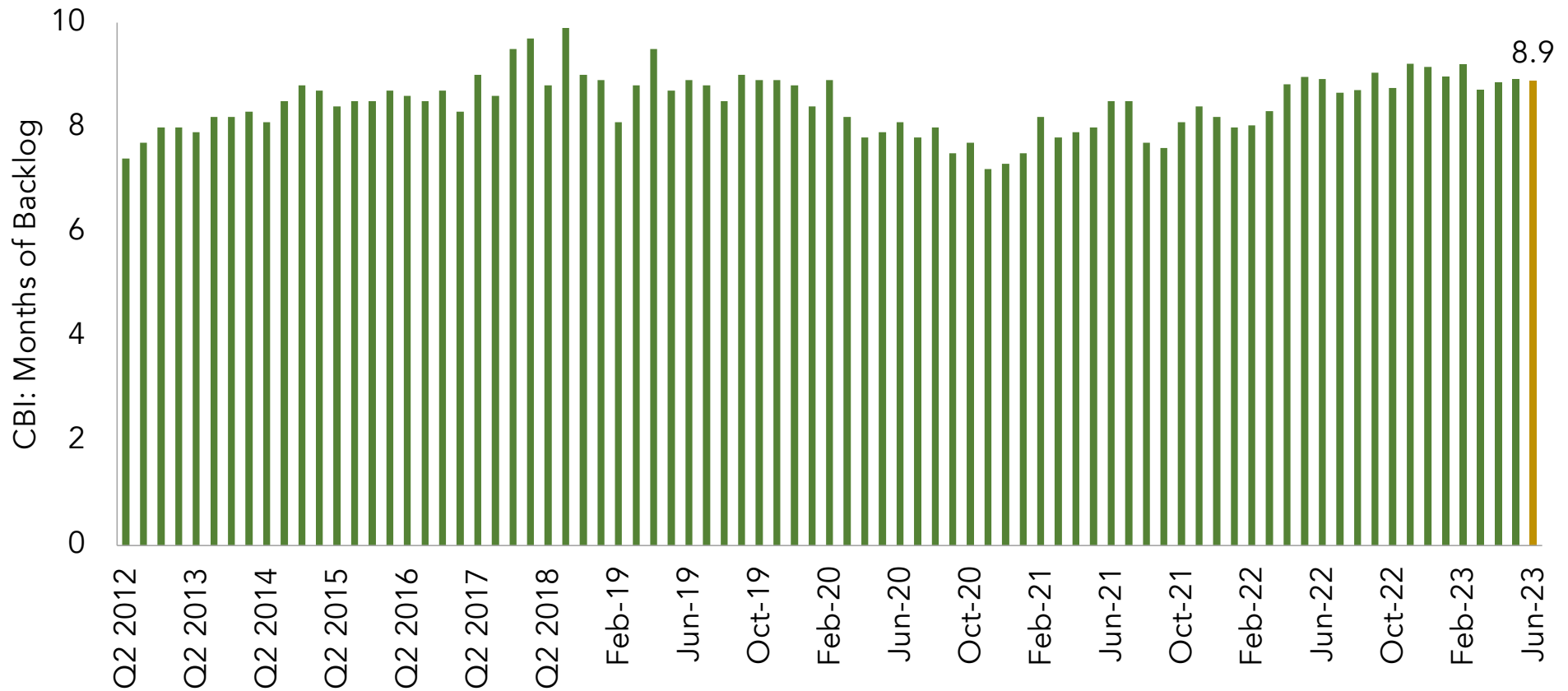
CE Webinar Audience Poll Results:

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

■ Apr. 5, 2023

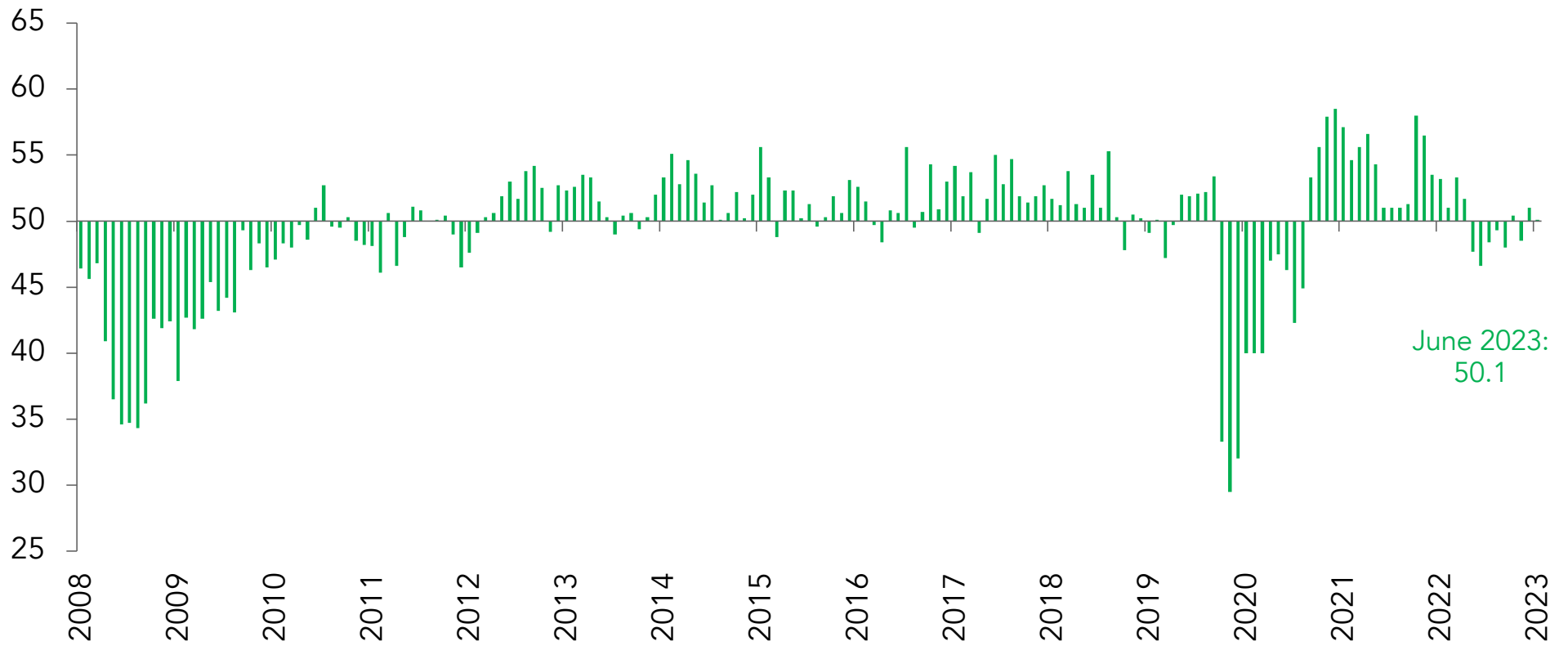


ABC Construction Backlog Indicator, 2012 – June 2023



Architecture Billings Index

2008 – June 2023



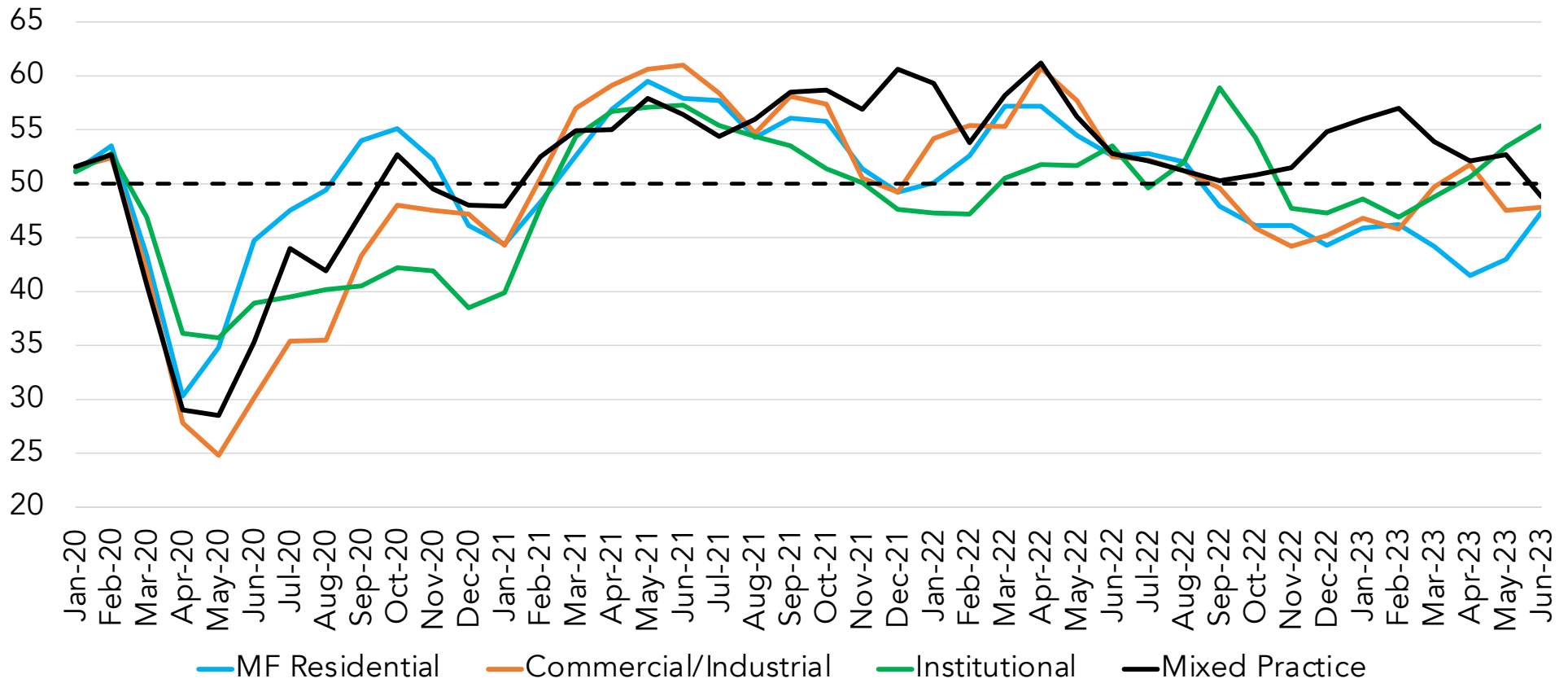
June 2023:
50.1

Source: The American Institute of Architects



Architecture Billings Index by Sector*

January 2020 – June 2023



Source: The American Institute of Architects *Sector billings—unlike the national score, are calculated as three-month moving averages

Total Nonresidential Construction Spending

Current/Constant Dollars, 2006 – May 2023

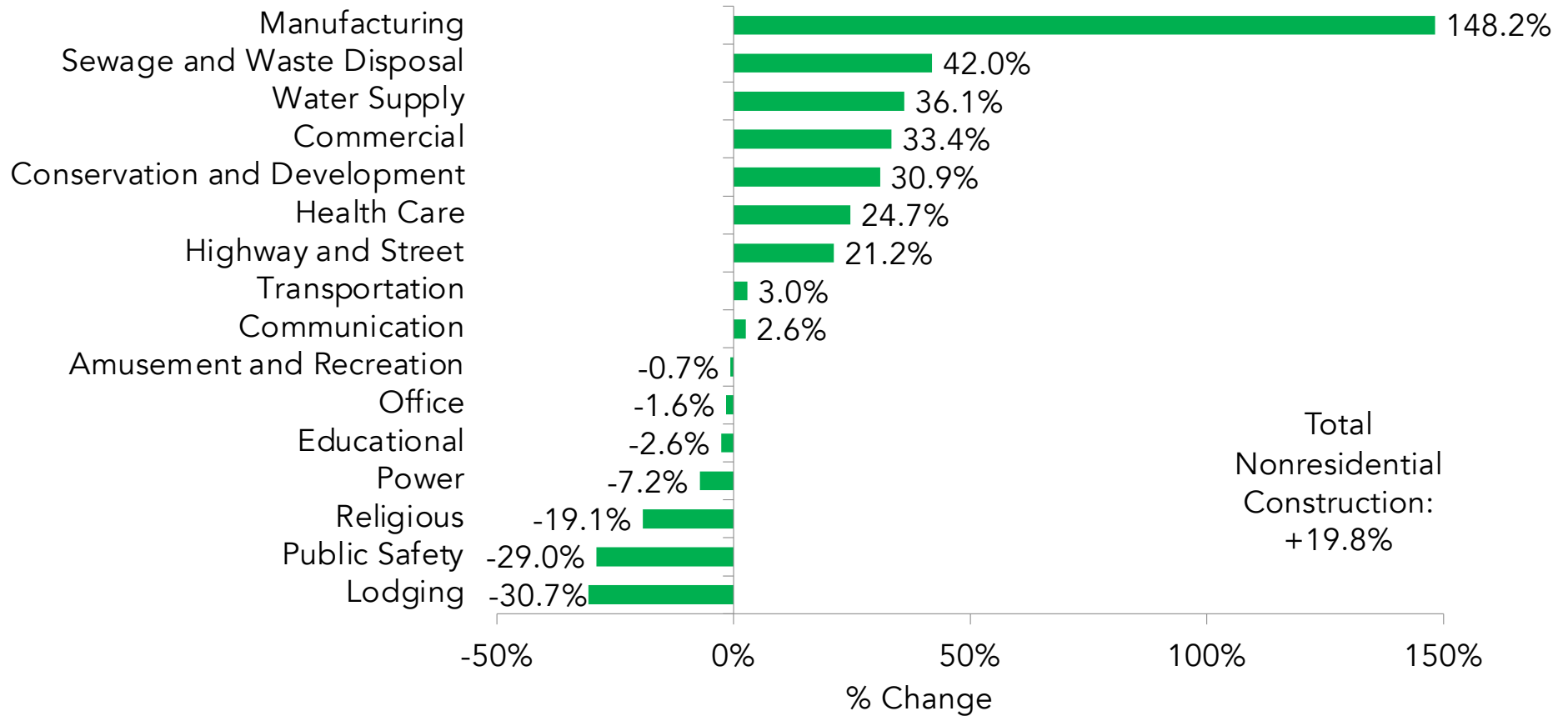
\$ Billions, Seasonally Adjusted Annual Rate



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. May 2023 (Current \$)



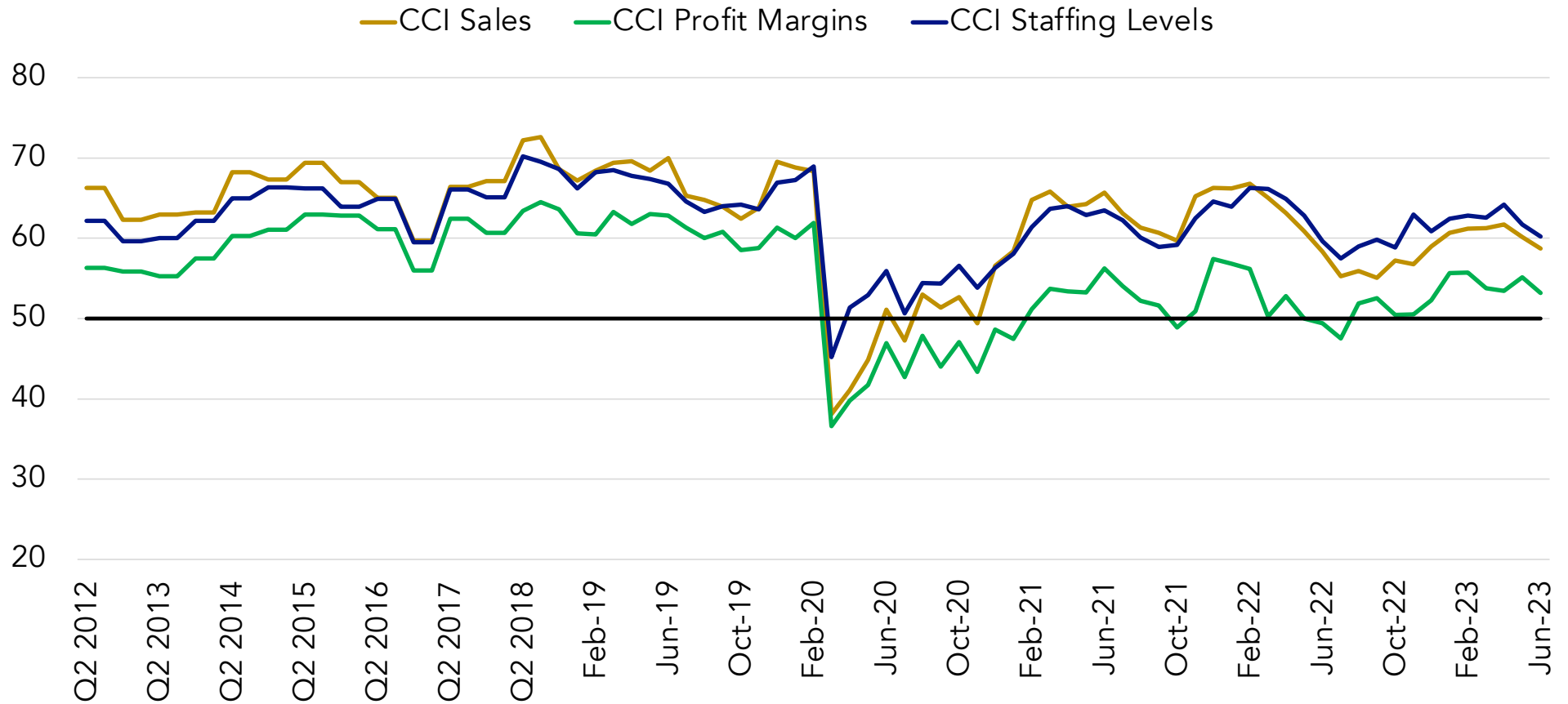
Source: U.S. Census Bureau

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

ABC Construction Confidence Index, 2012 – June 2023

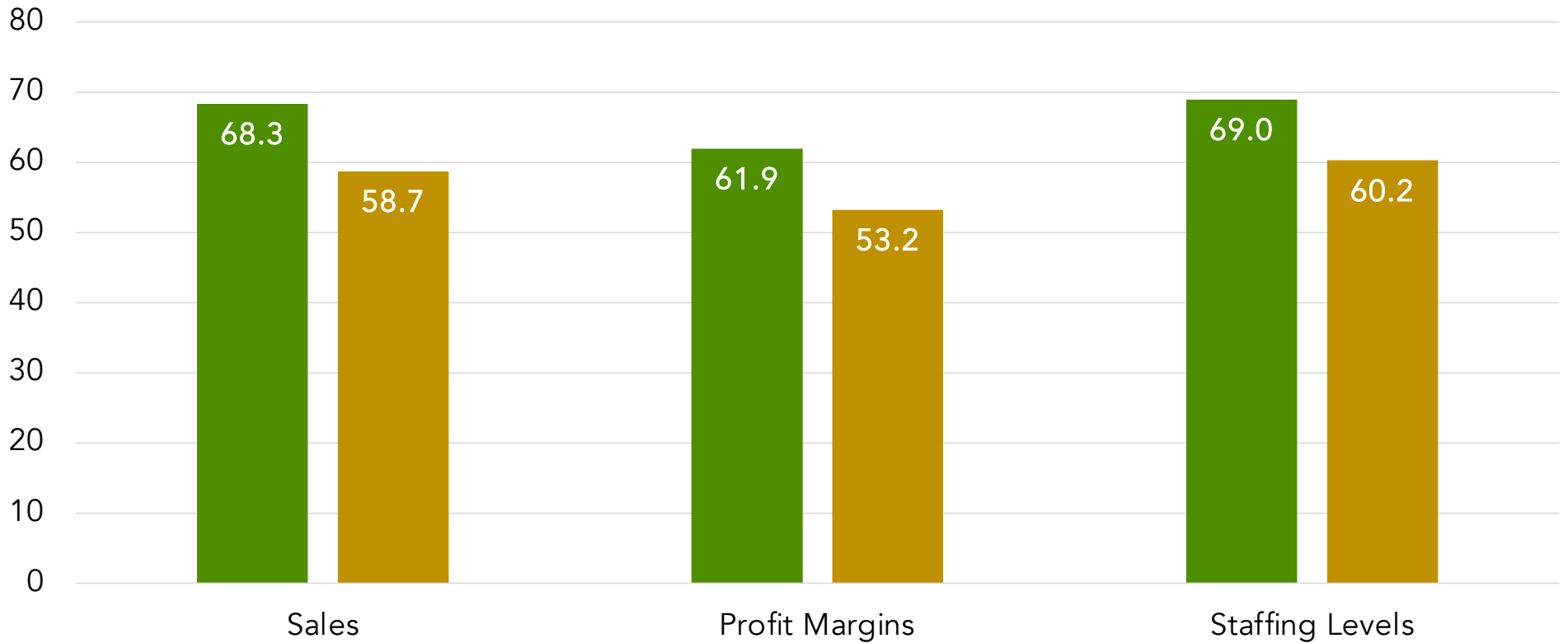


Source: Associated Builders and Contractors; Sage

ABC Construction Confidence Index

February 2020 v. June 2023

■ Feb-20 ■ Jun-23



Business Inventories

1965 – May 2023

\$ Billions

\$3,000

\$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

■ Retailers

■ Merchant Wholesalers

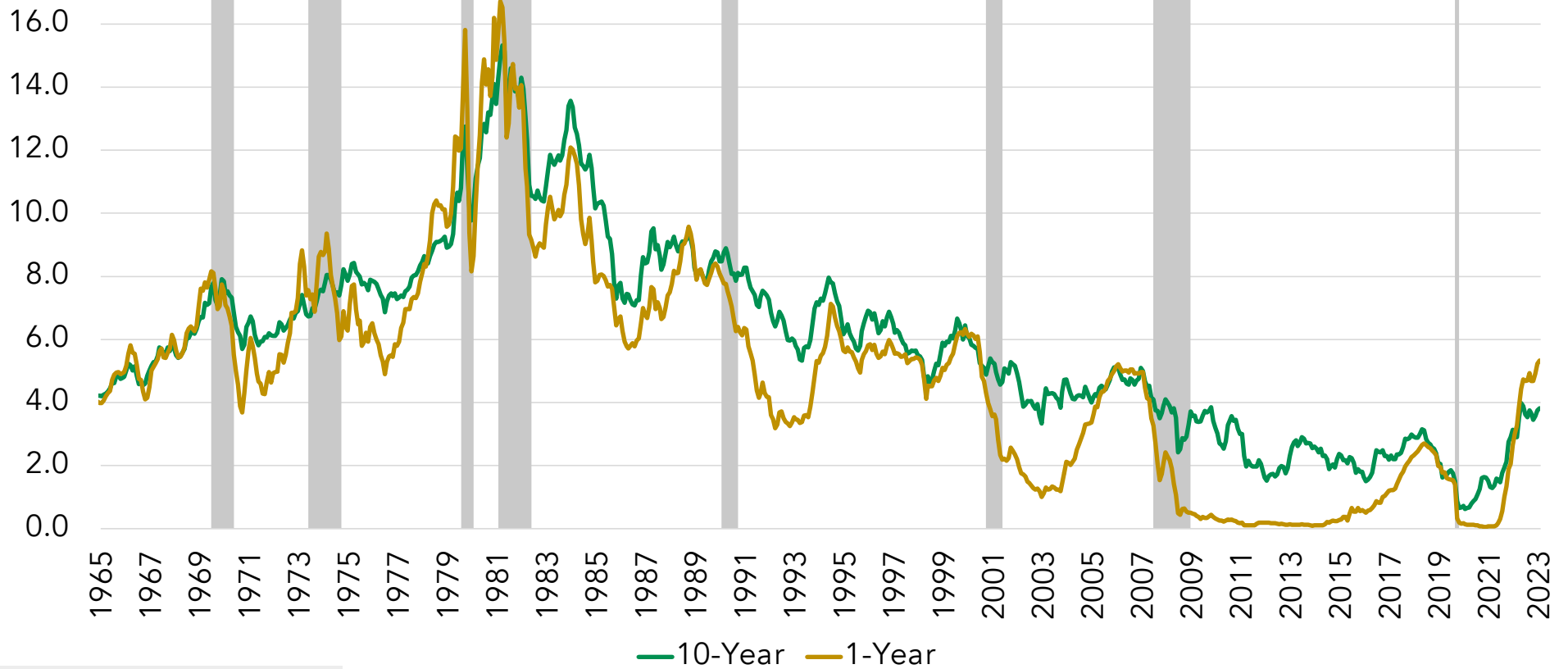
■ Manufacturers

Source: U.S. Census Bureau



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

1965 – July 2023



Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of St. Louis

Outlook

- 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.

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Q&A

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