

2024 Construction Economic Update & Exclusive Forecast

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On Behalf of
Construction Executive
December 13th, 2023



Thank you

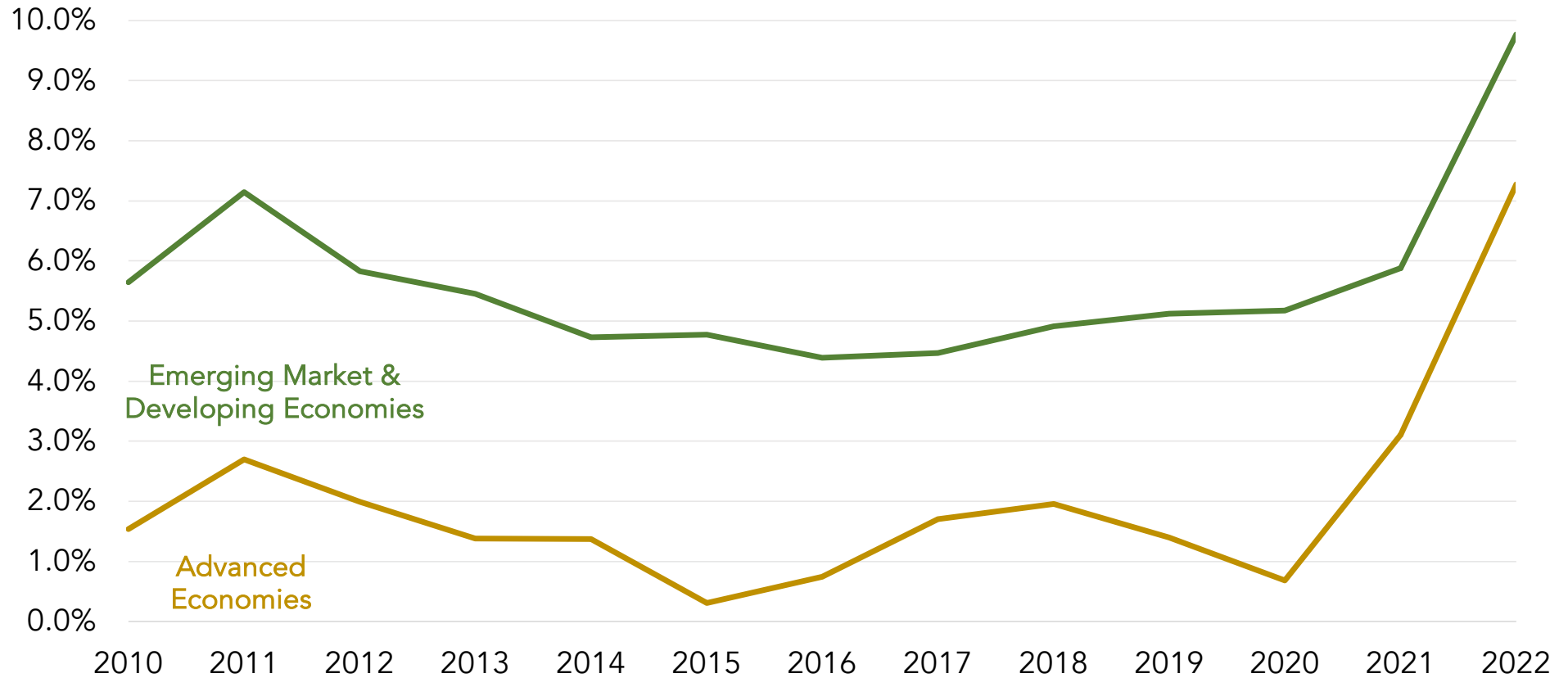
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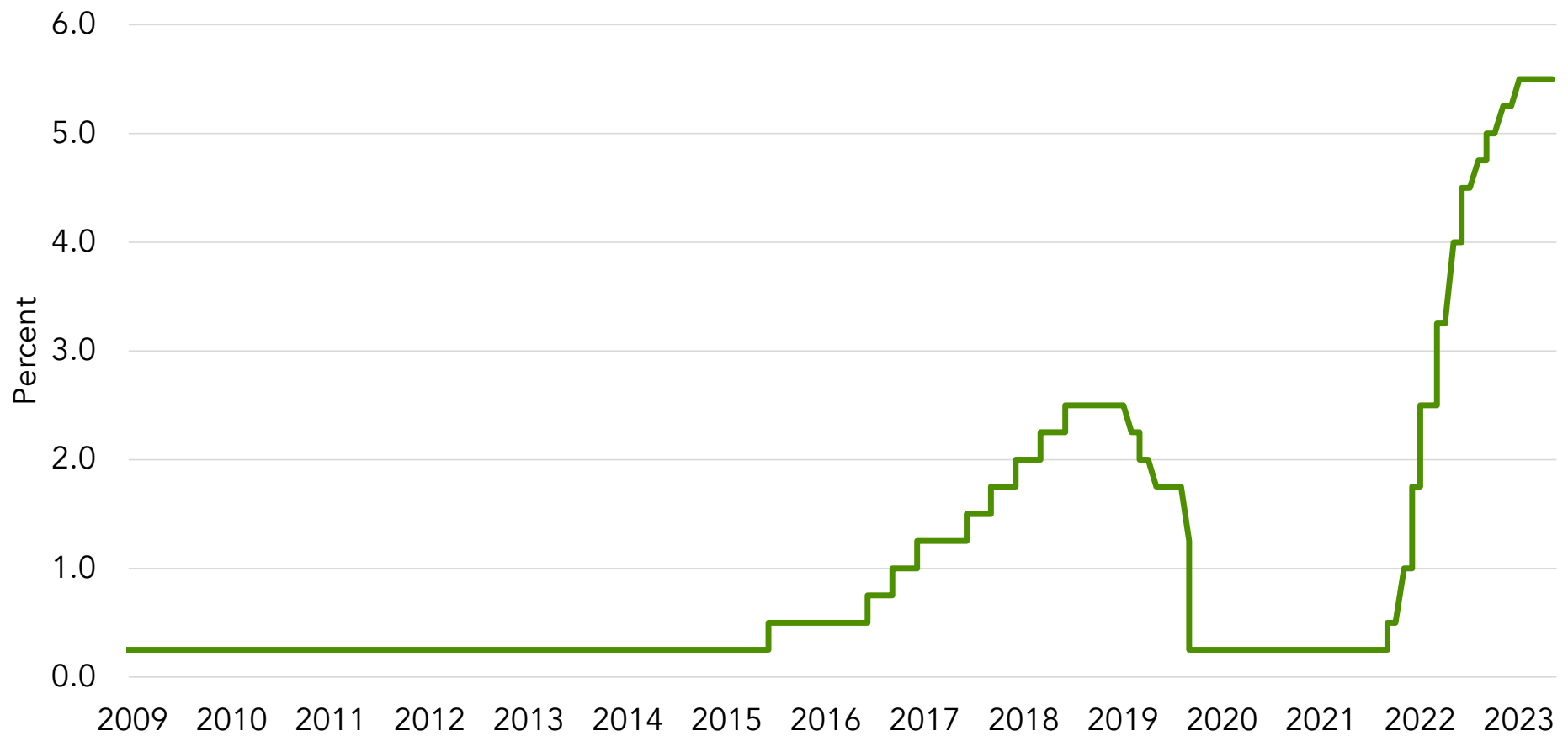
2022/2023: A LOOK BACK

Global Inflation, 2010 – 2022

Annual % Change in Average Consumer Prices

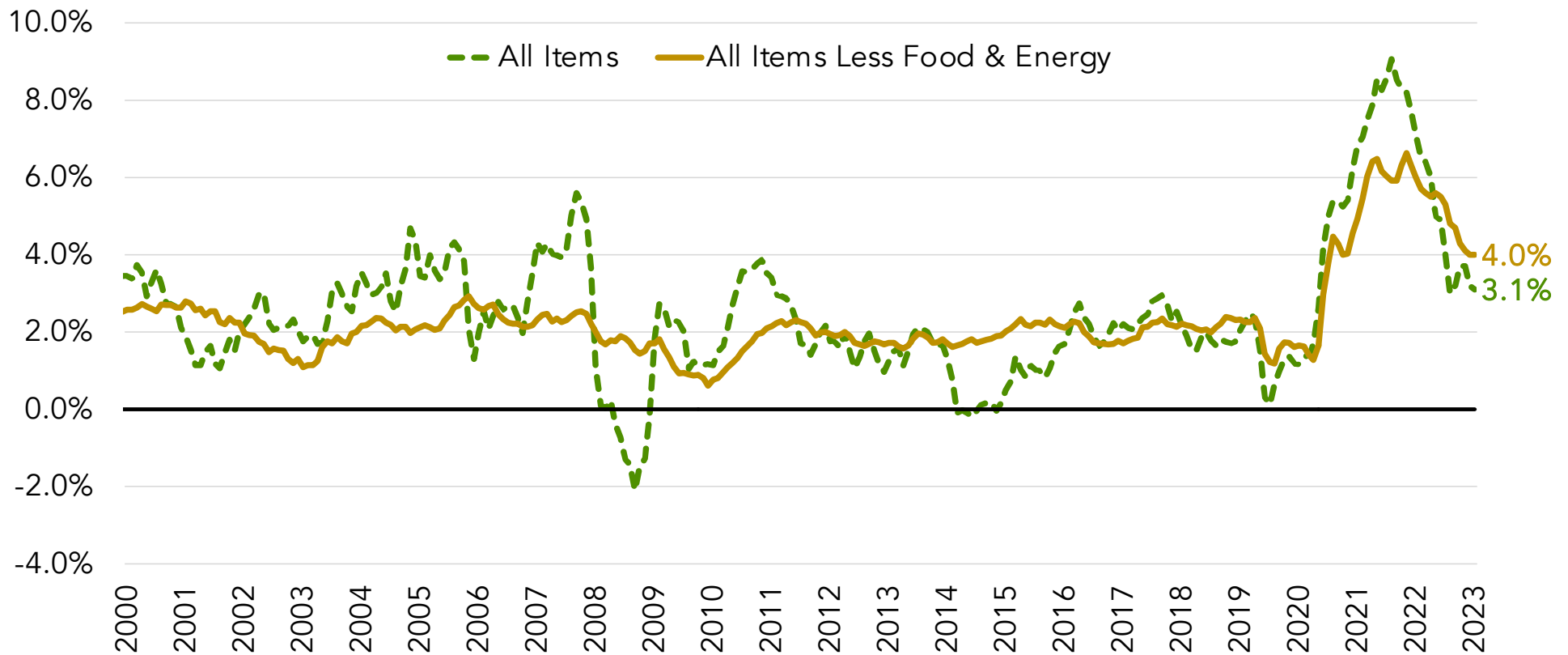


Federal Funds Target Range, Upper Limit, 2009 – 2023



Source: Board of Governors of the Federal Reserve System

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



Source: U.S. Bureau of Labor Statistics

Inputs to Construction PPI

12-Month % Change, 2001 – November 2023



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

Monetary Policy Lags

- “A large body of research tells us it can take 18 months to two years or more for tighter monetary policy to materially affect inflation.” - Raphael Bostic, President and Chief Executive Officer, Federal Reserve Bank of Atlanta
- Some reasons for the lag: how fixed people’s expectations are; the gradual response of investment (both business investment and consumer investment in durables/dwellings); long-term contracts (rent); gradual transmission from sectors of the economy immediately affected (ex. lending) to other sectors.
- In the meantime, higher rates reduce investment, slow hiring and wage growth, and eventually increase unemployment.

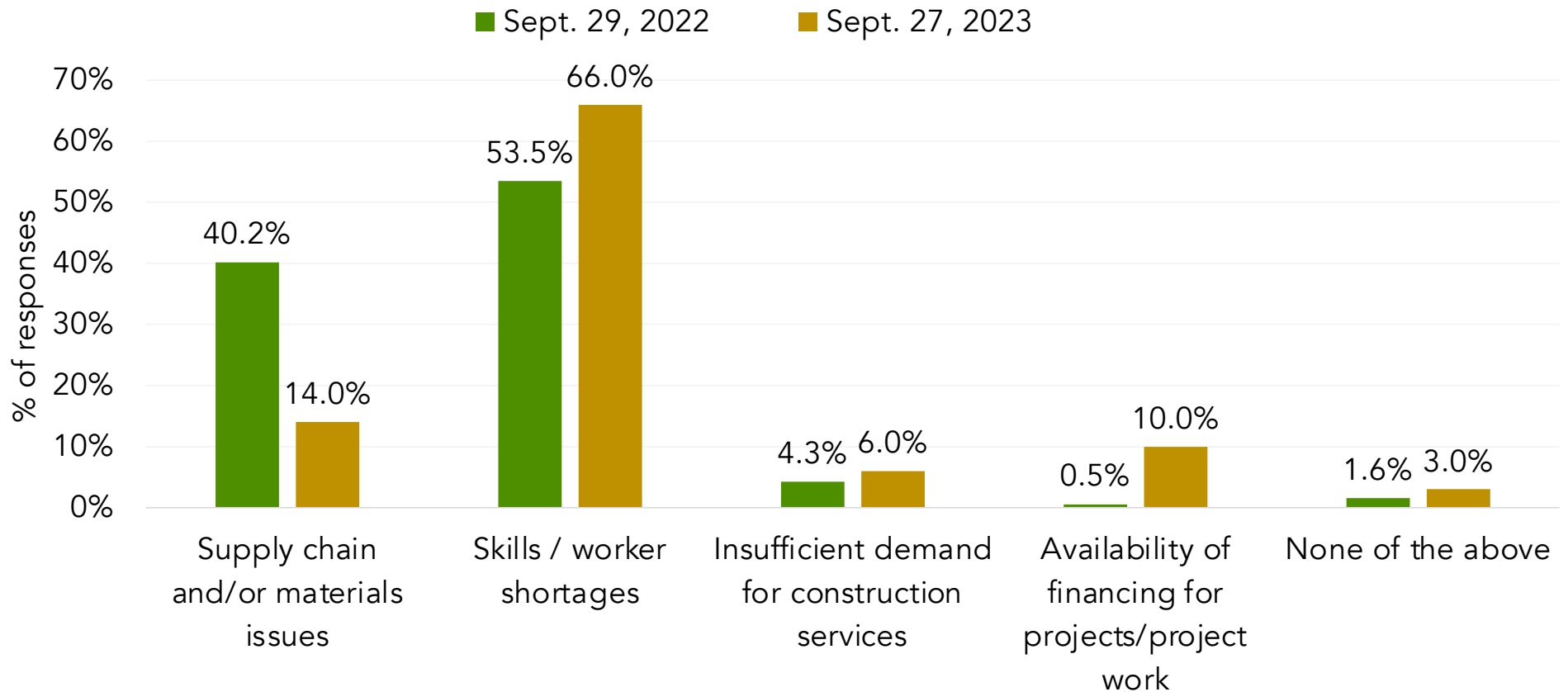
POLL

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:

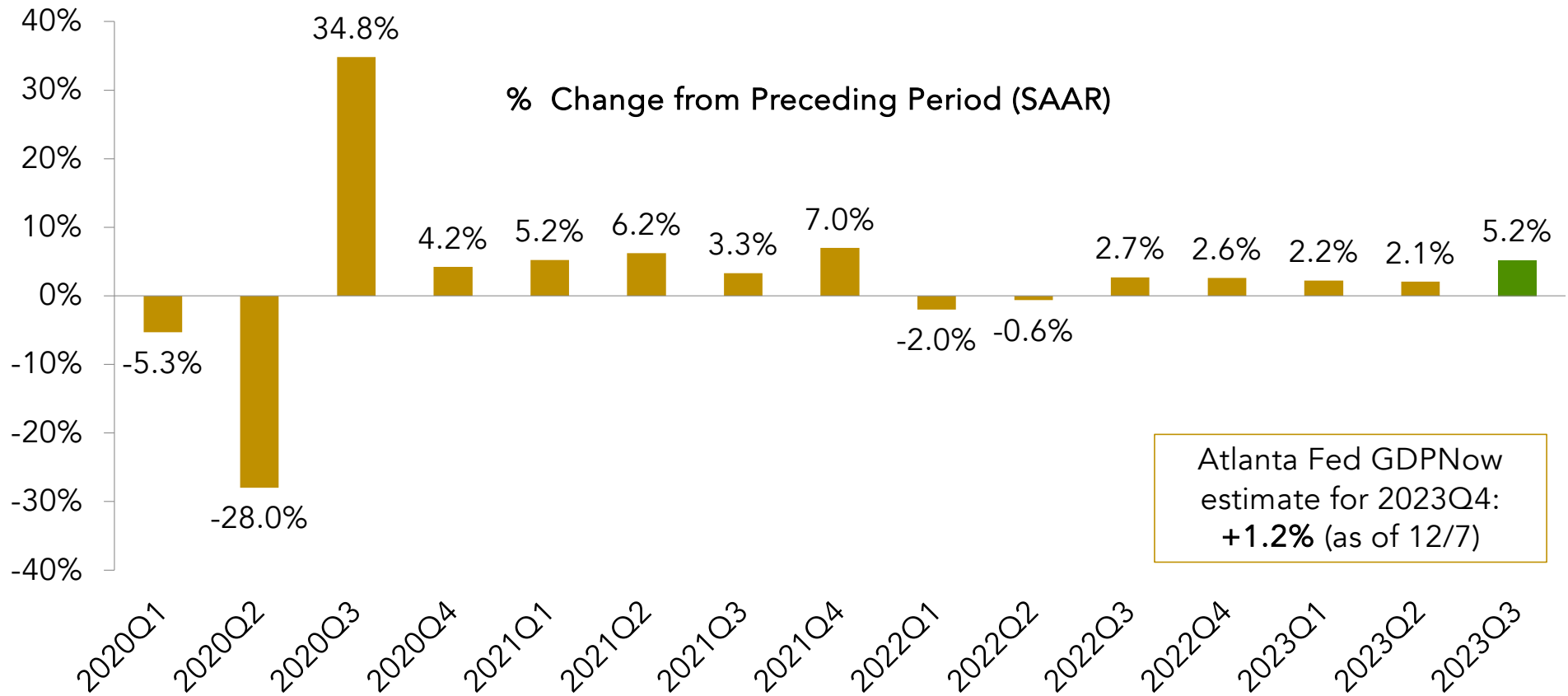
"Which of these is the leading challenge for your company today?"



ECONOMIC UPDATE

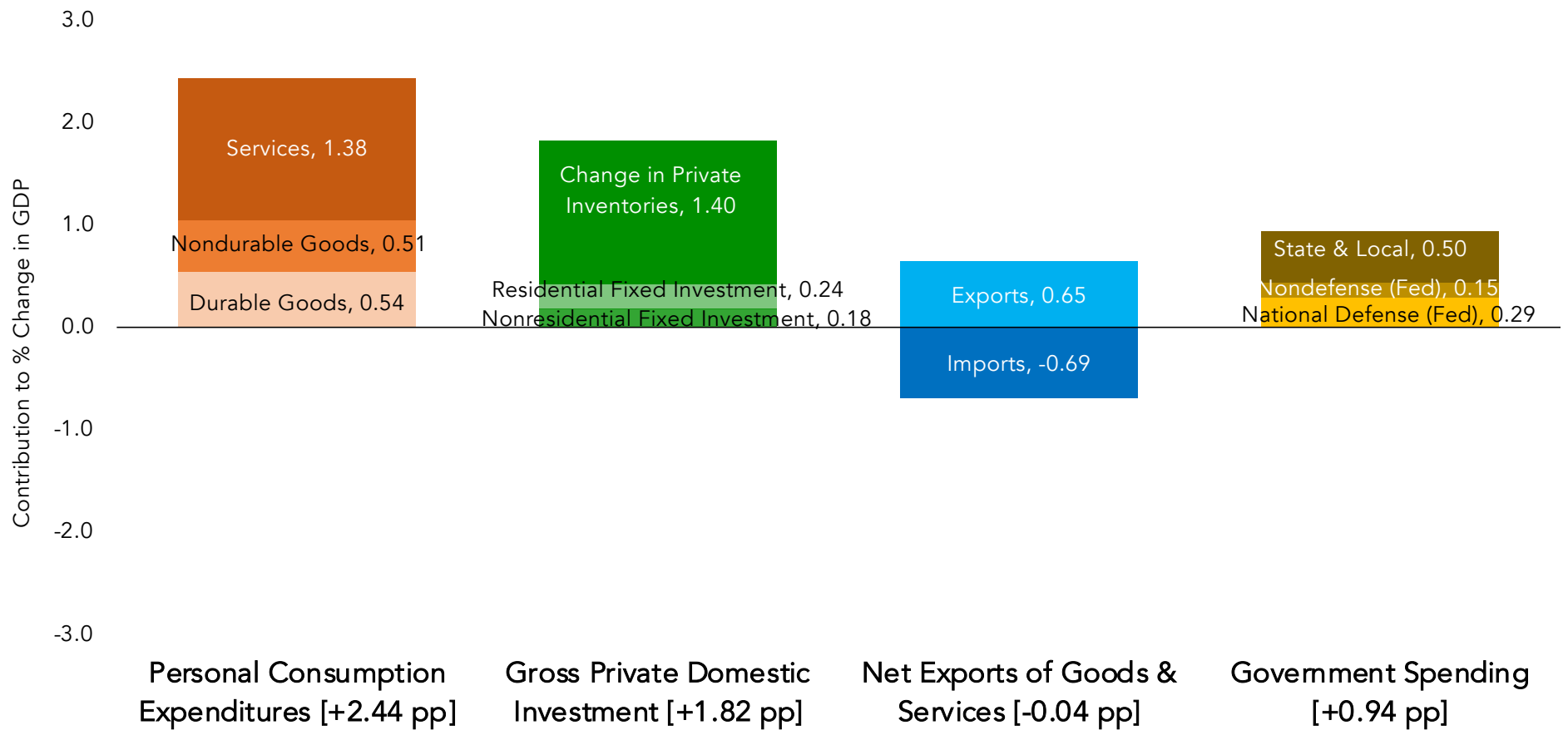
Born on the 4th of July

U.S. Gross Domestic Product Growth, 2020 – 2023Q3



Source: U.S. Bureau of Economic Analysis *2023Q3: 2nd estimate

Contributions to GDP Growth, 2023Q3

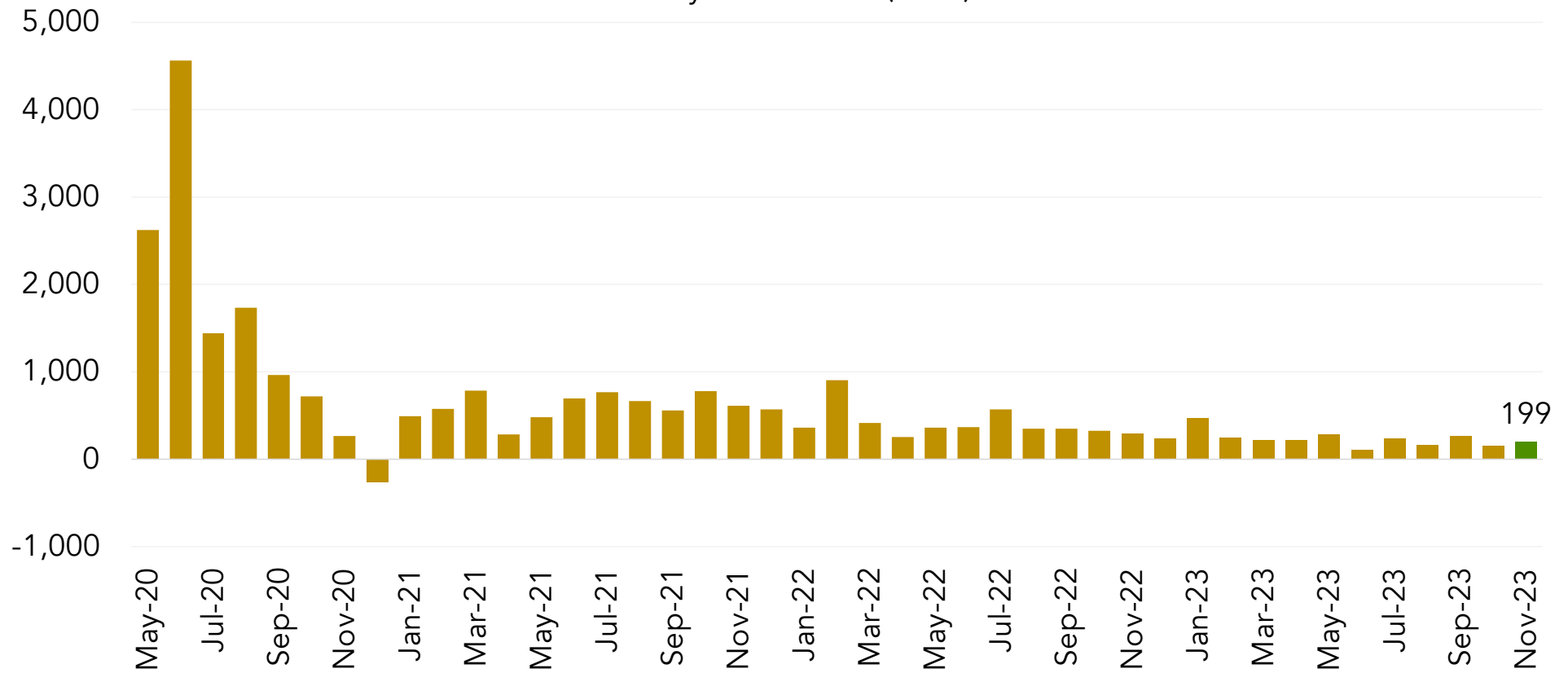


Source: U.S. Bureau of Economic Analysis *2023Q3: 2nd estimate

Top Gun: Net Change in U.S. Jobs

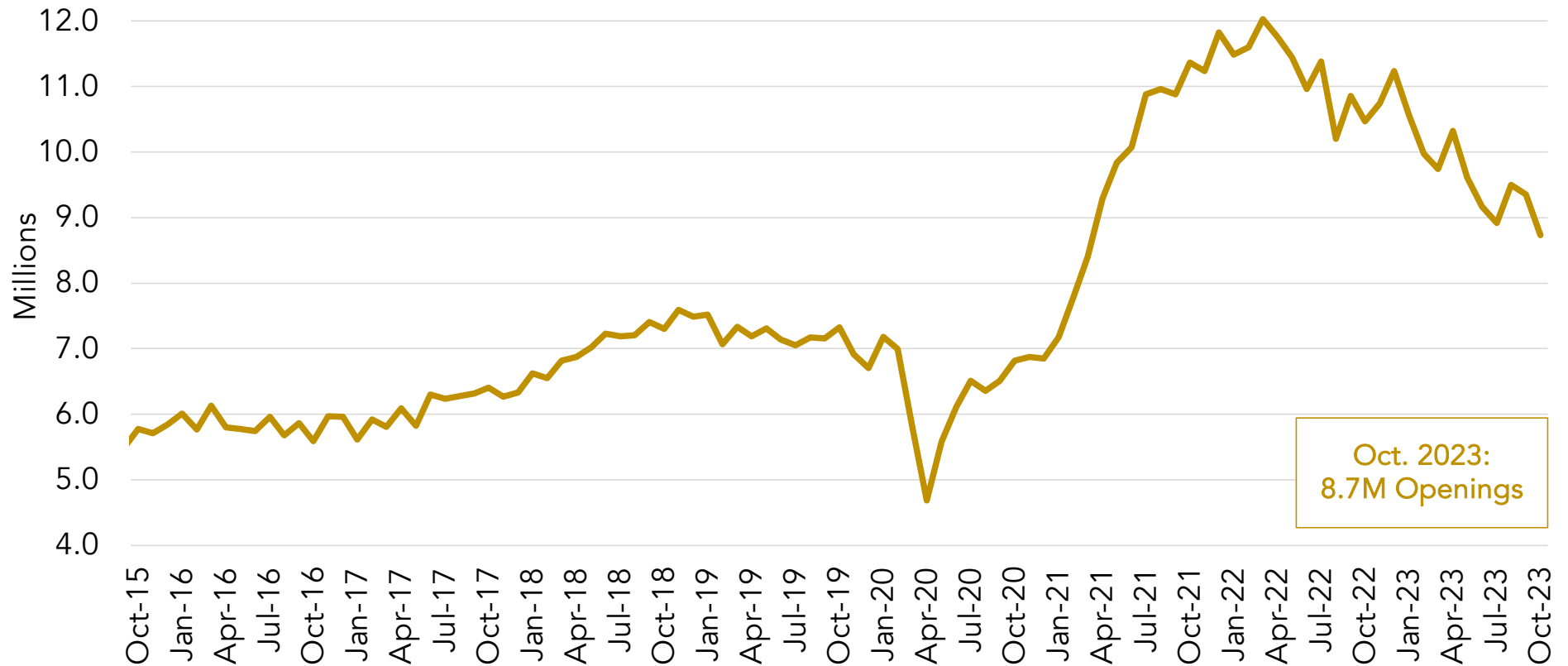
May 2020 – November 2023

Monthly Job Growth (000's)



Source: U.S. Bureau of Labor Statistics

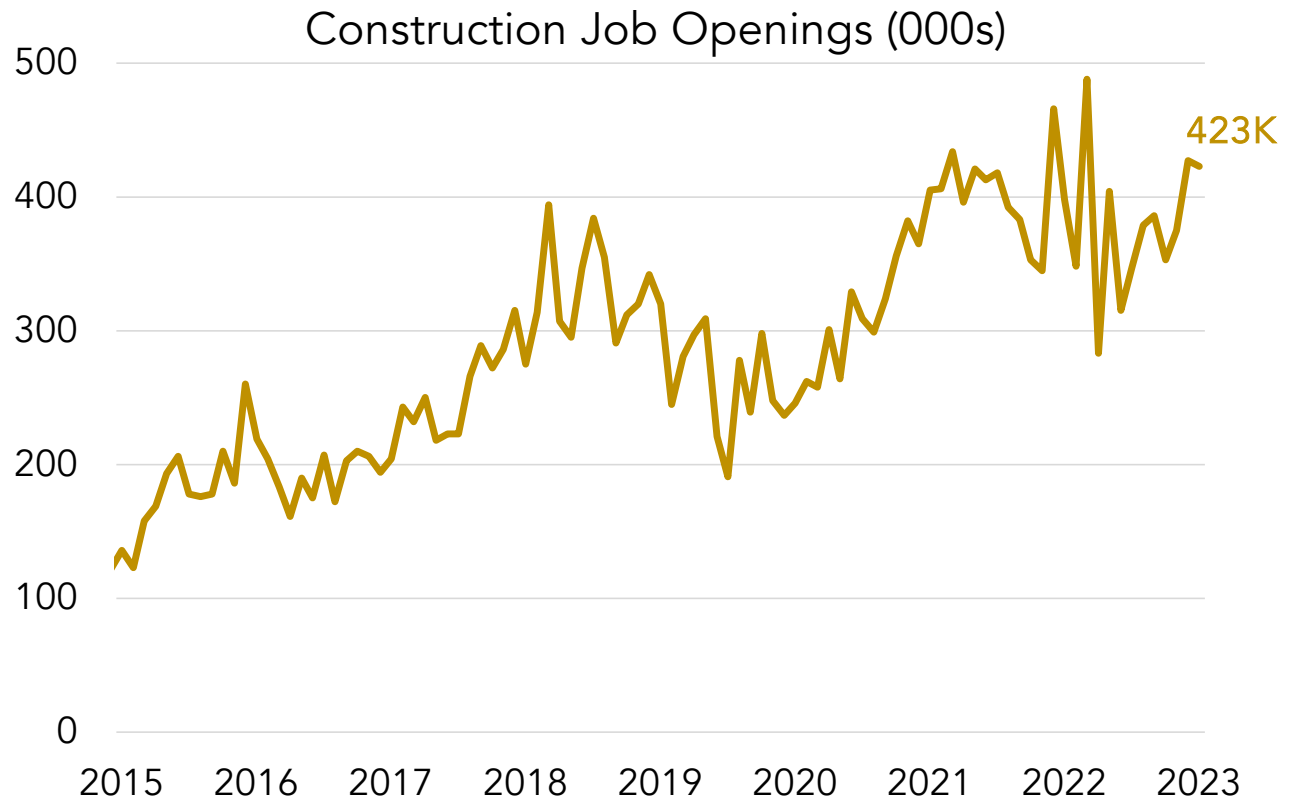
U.S. Job Openings, 2015 – October 2023



Source: U.S. Bureau of Labor Statistics

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

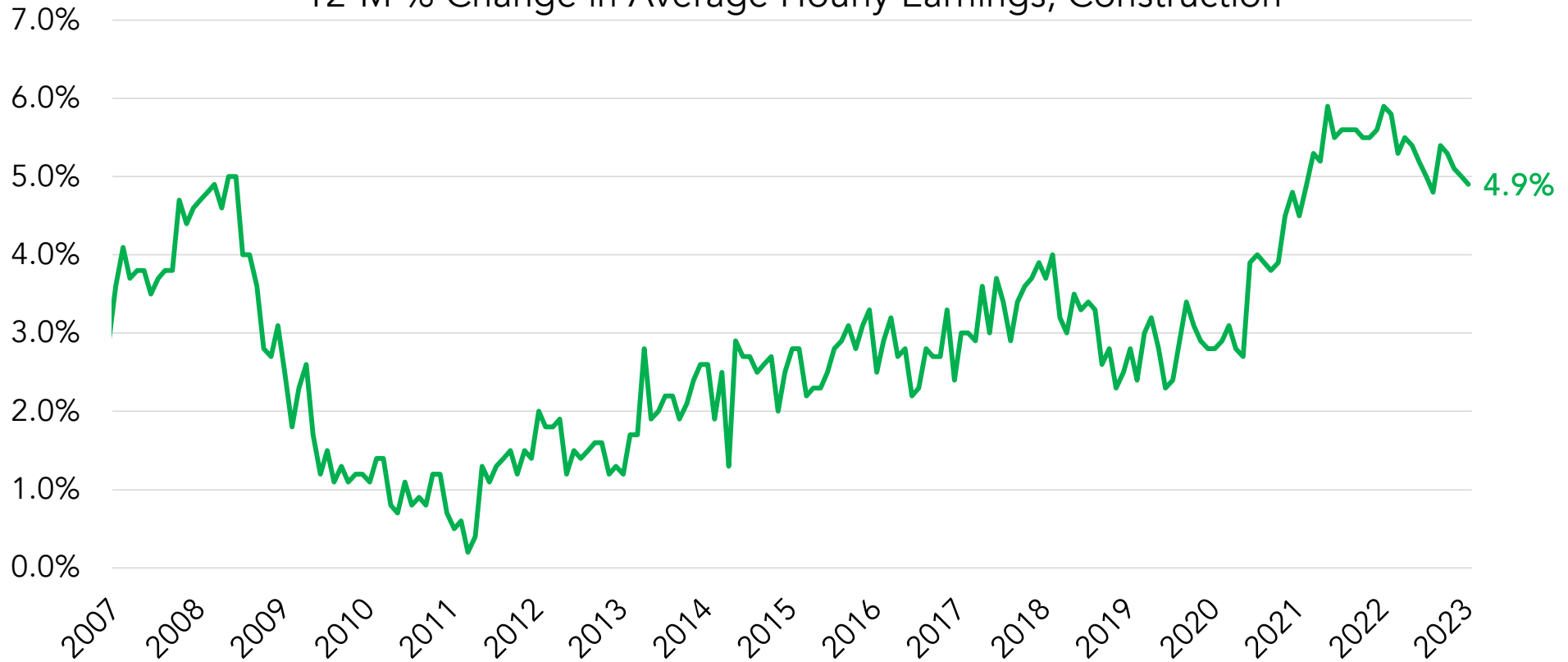
- From 2015-2019 the number of unfilled U.S. construction jobs averaged 228,000.
- In 2022 there was an average of 402,000 unfilled construction jobs.
- That's 77% higher than the 2015-2019 average.



Source: U.S. Bureau of Labor Statistics

Growth in Construction Wages, 2007 – November 2023

12-M % Change in Average Hourly Earnings, Construction

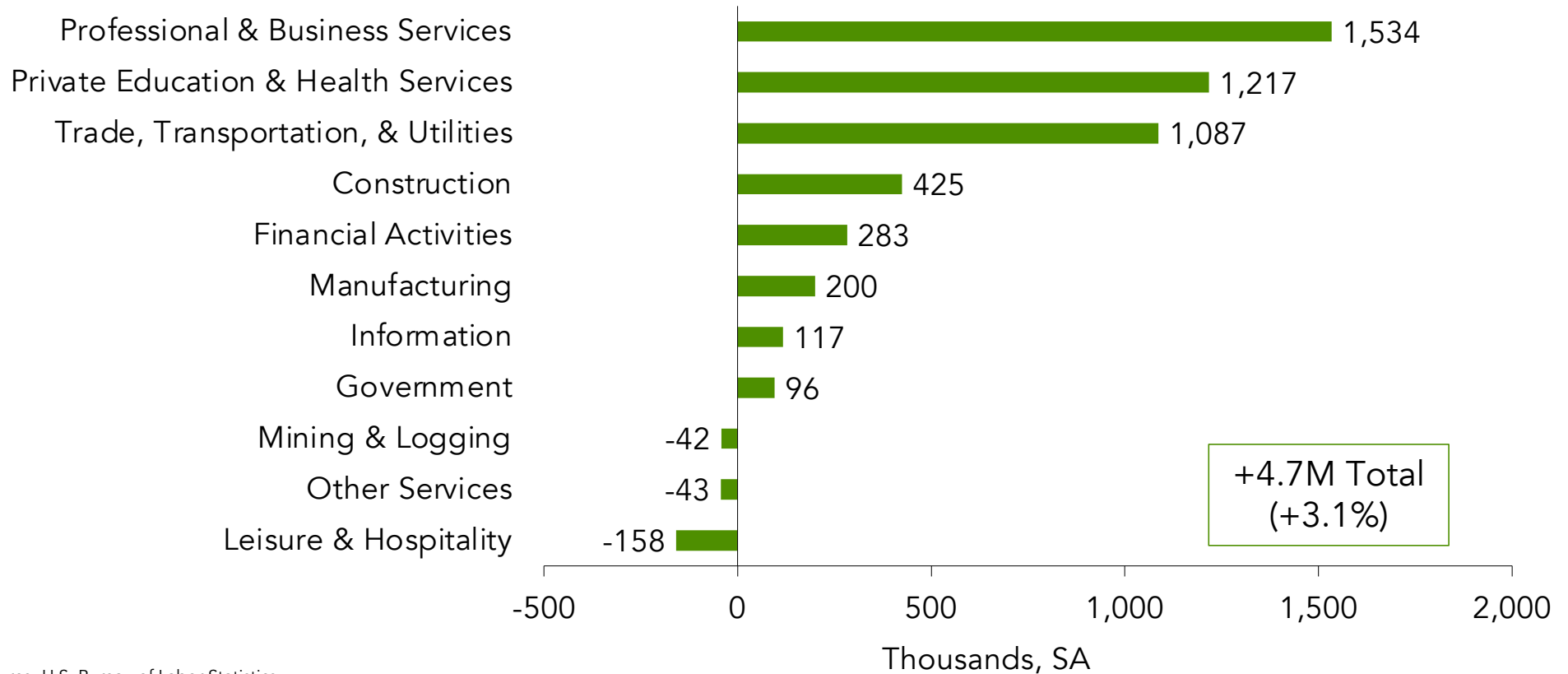


Source: U.S. Bureau of Labor Statistics

U.S. Jobs Recovered Since February 2020



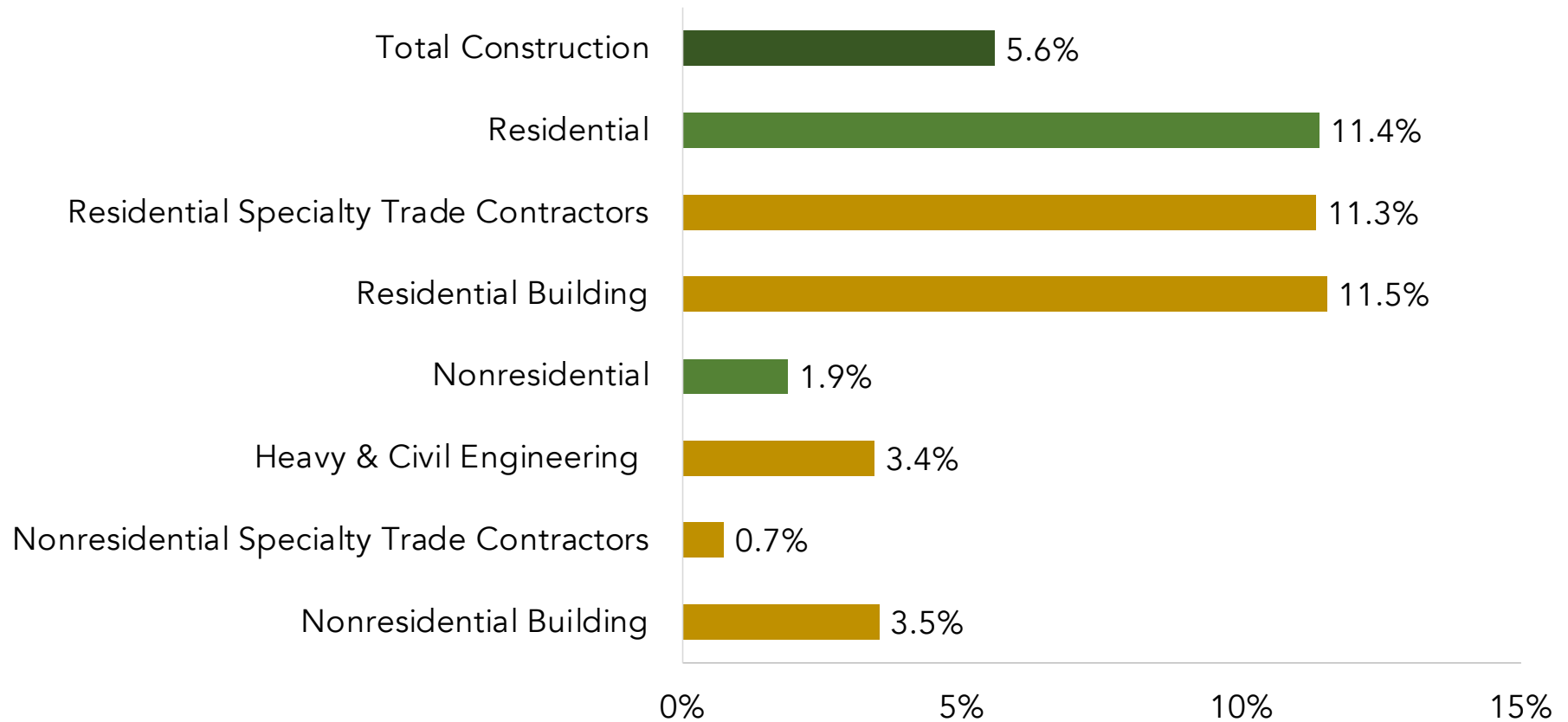
Nonfarm Employment by Industry Sector, February 2020 v. November 2023



Source: U.S. Bureau of Labor Statistics

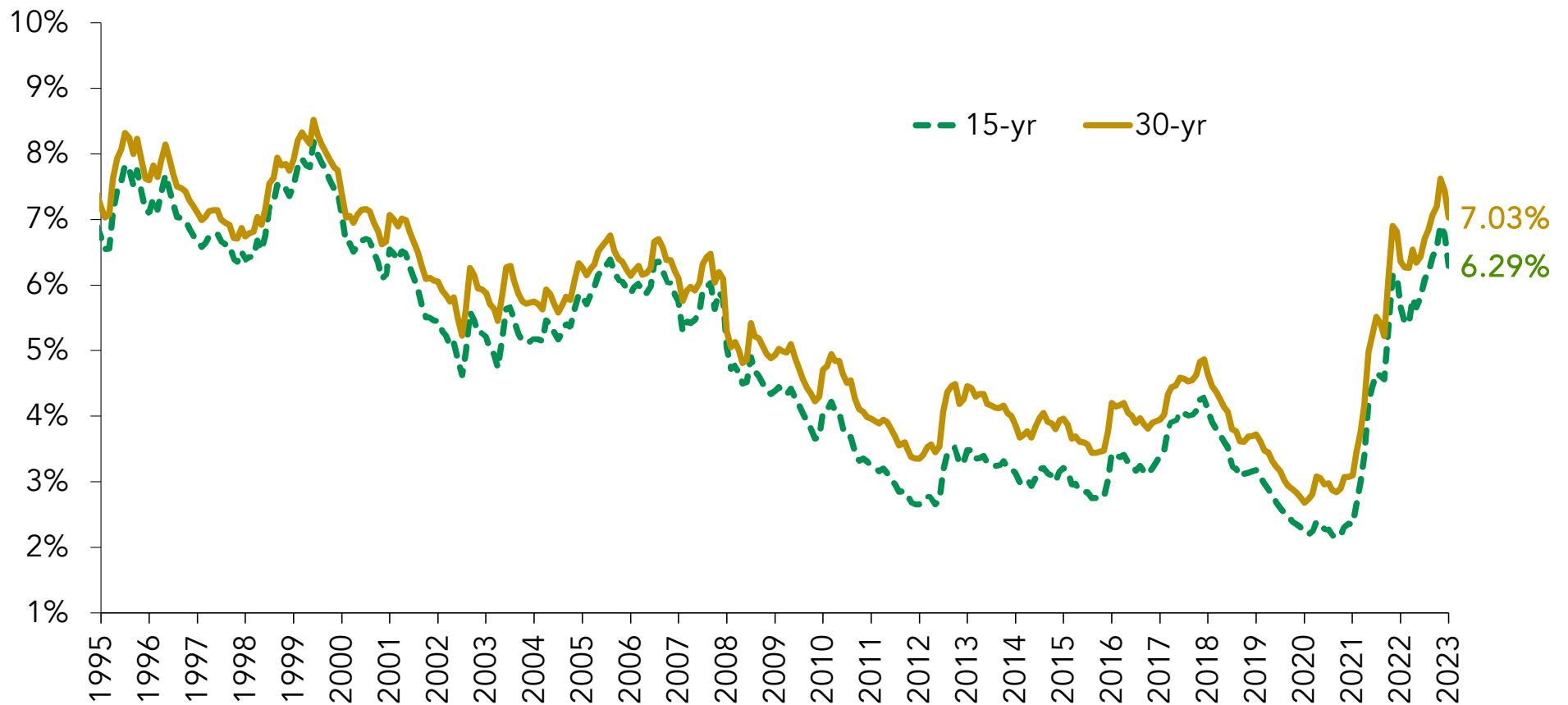
U.S. Construction Employment

February 2020 v. November 2023



Source: U.S. Bureau of Labor Statistics

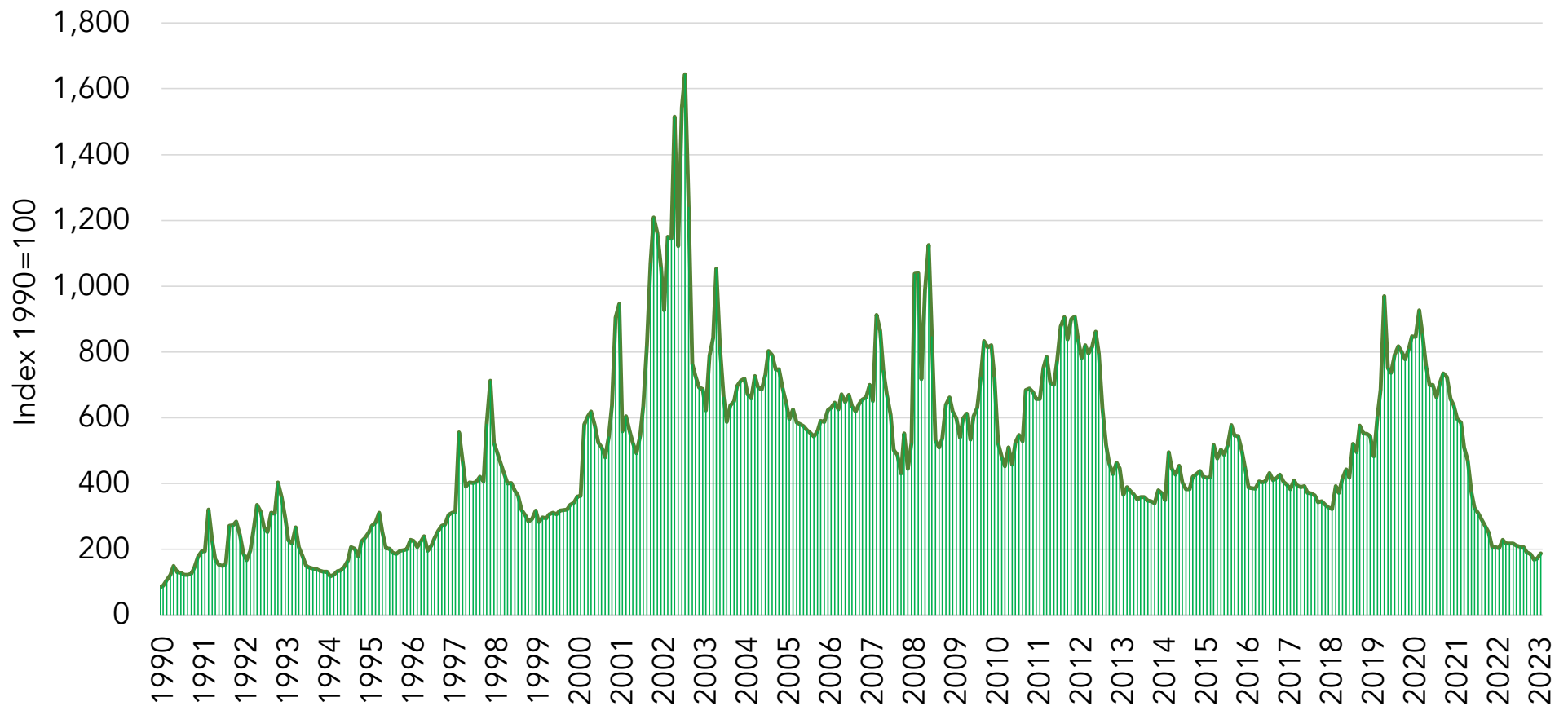
U.S. 15-Year & 30-Year Fixed Mortgage Rates 1995 – December 2023*



Source: Freddie Mac *Week ending 12/7/2023

U.S. Mortgage Loan Applications Composite Index

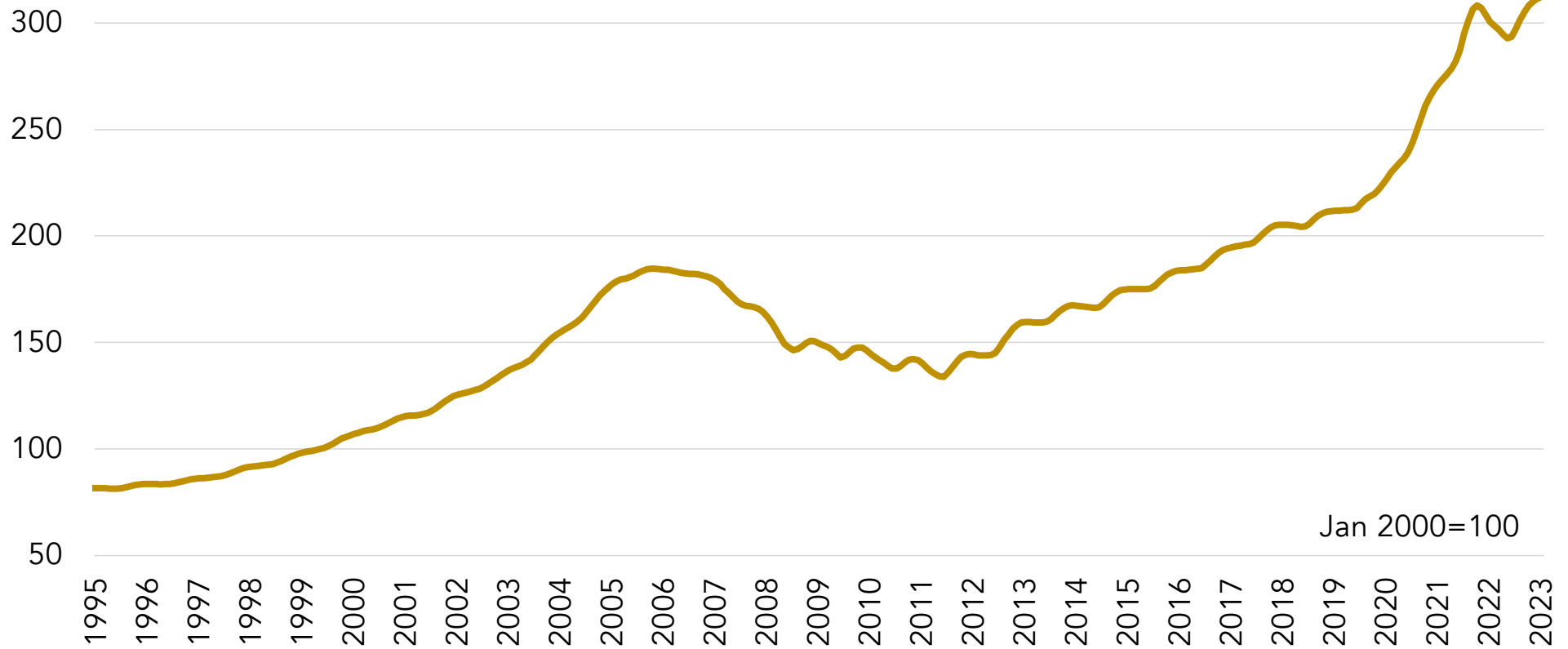
1990 – December 2023



Source: Mortgage Bankers Association (MBA)

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

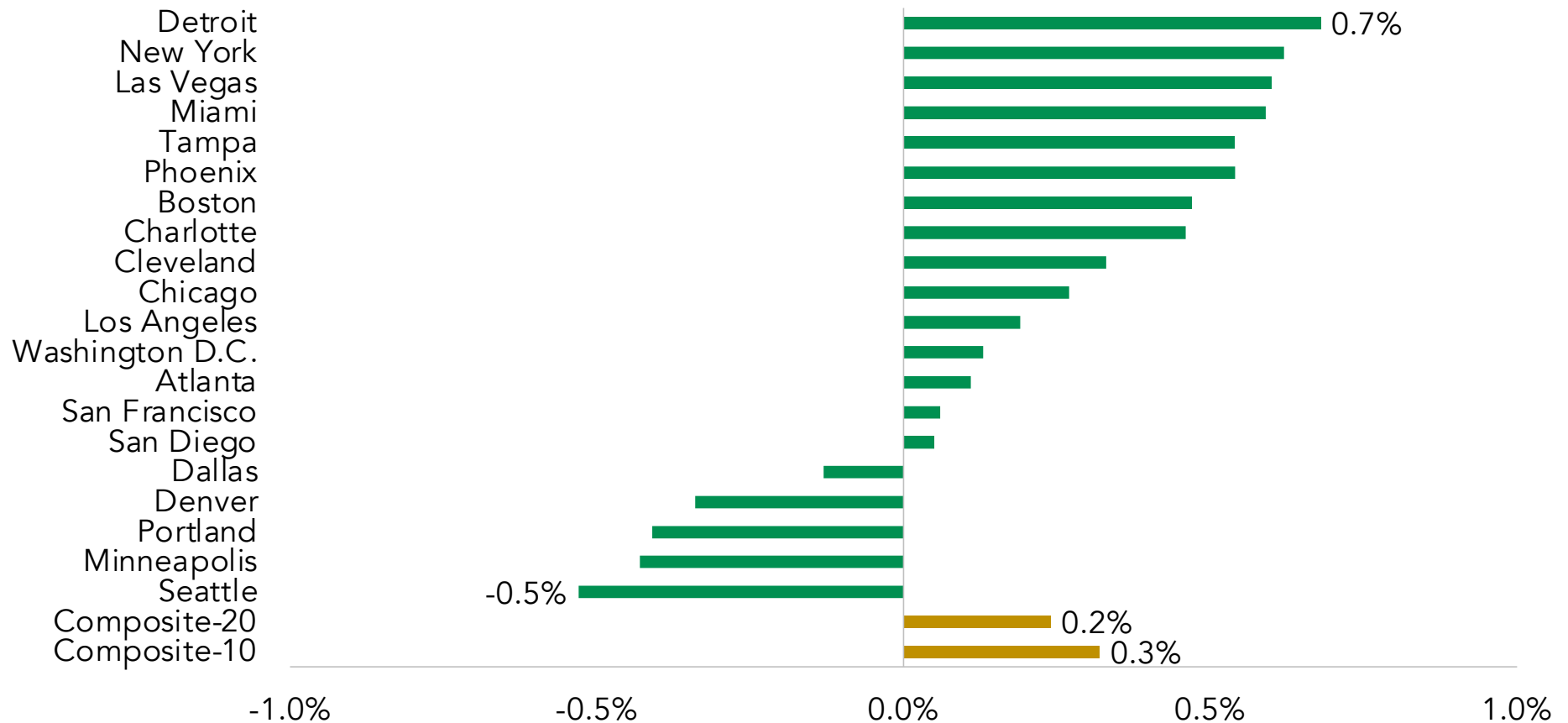
1995 – September 2023



Source: Standard & Poor's

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

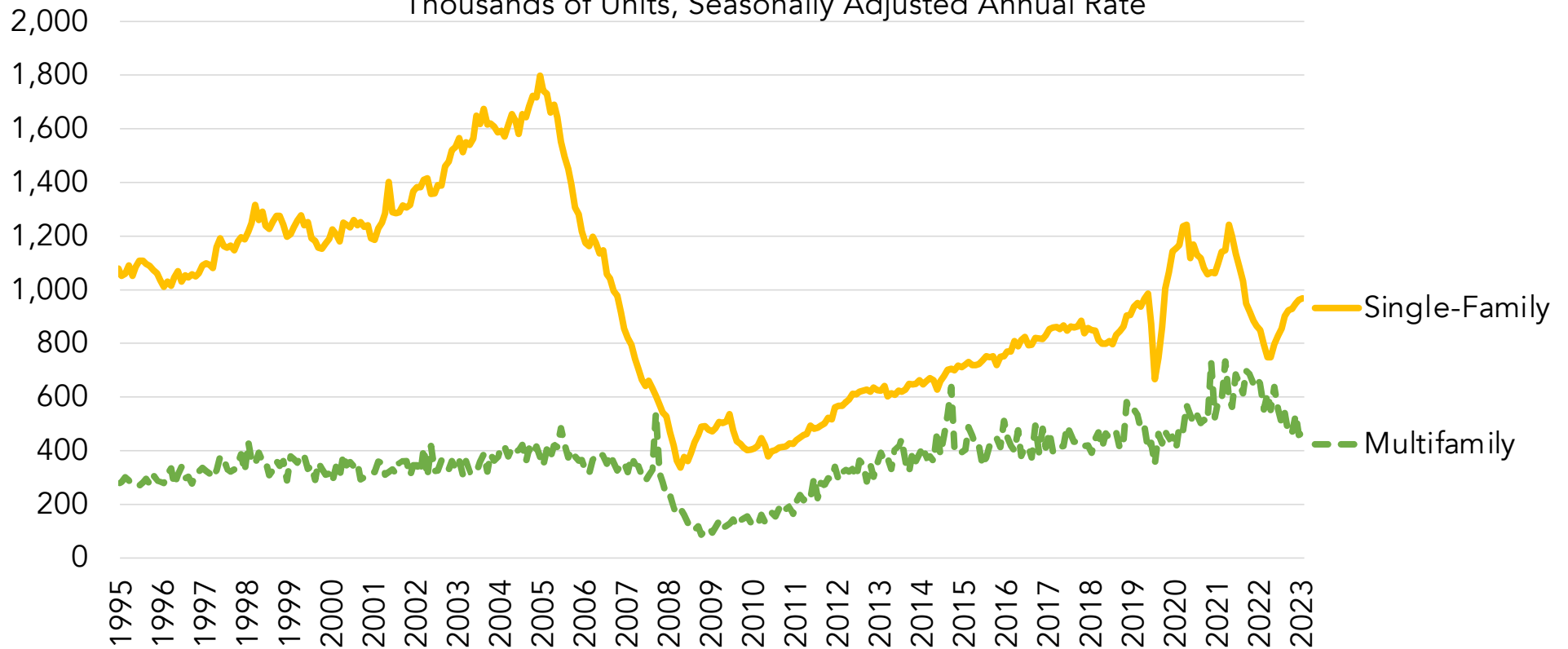
1-Month % Change, September 2023



Source: Standard & Poor's

U.S. Residential Building Permits 1995 – October 2023

Thousands of Units, Seasonally Adjusted Annual Rate



Source: U.S. Census Bureau

POLL

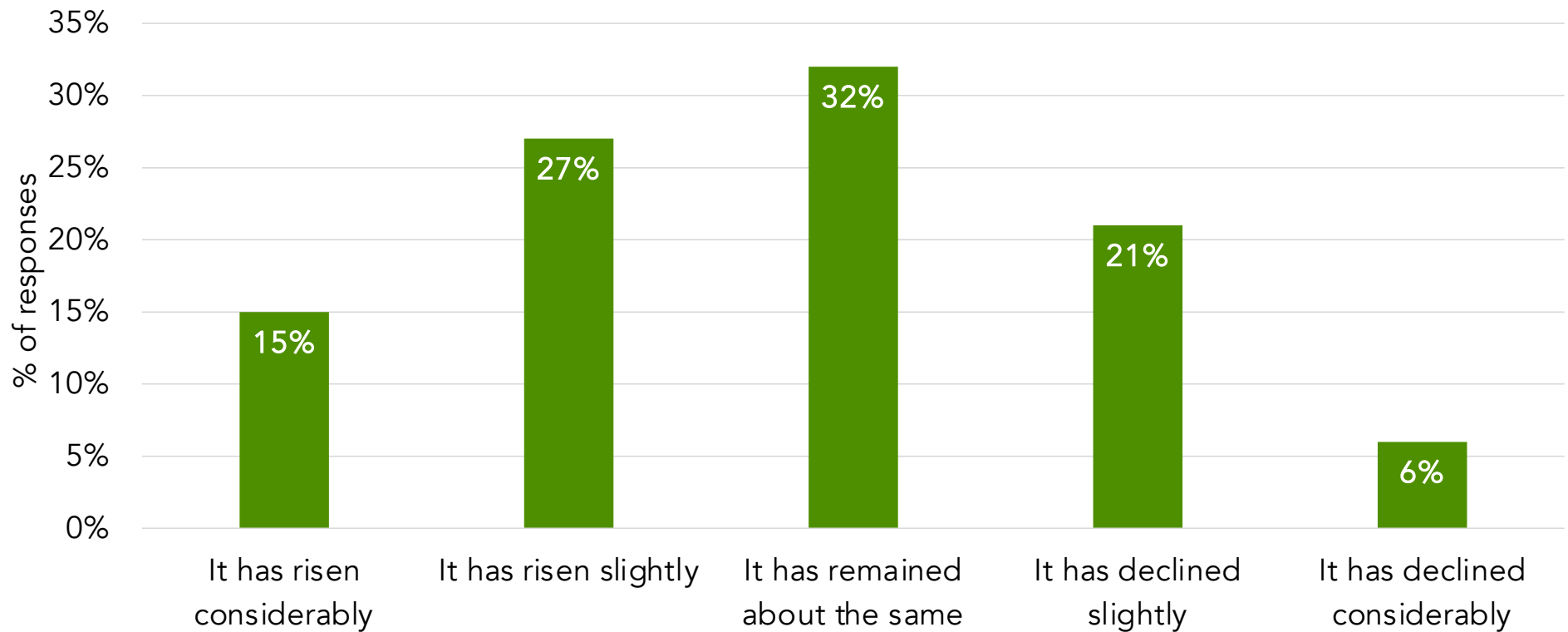
Over the last three months, how has your company's backlog fared?

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

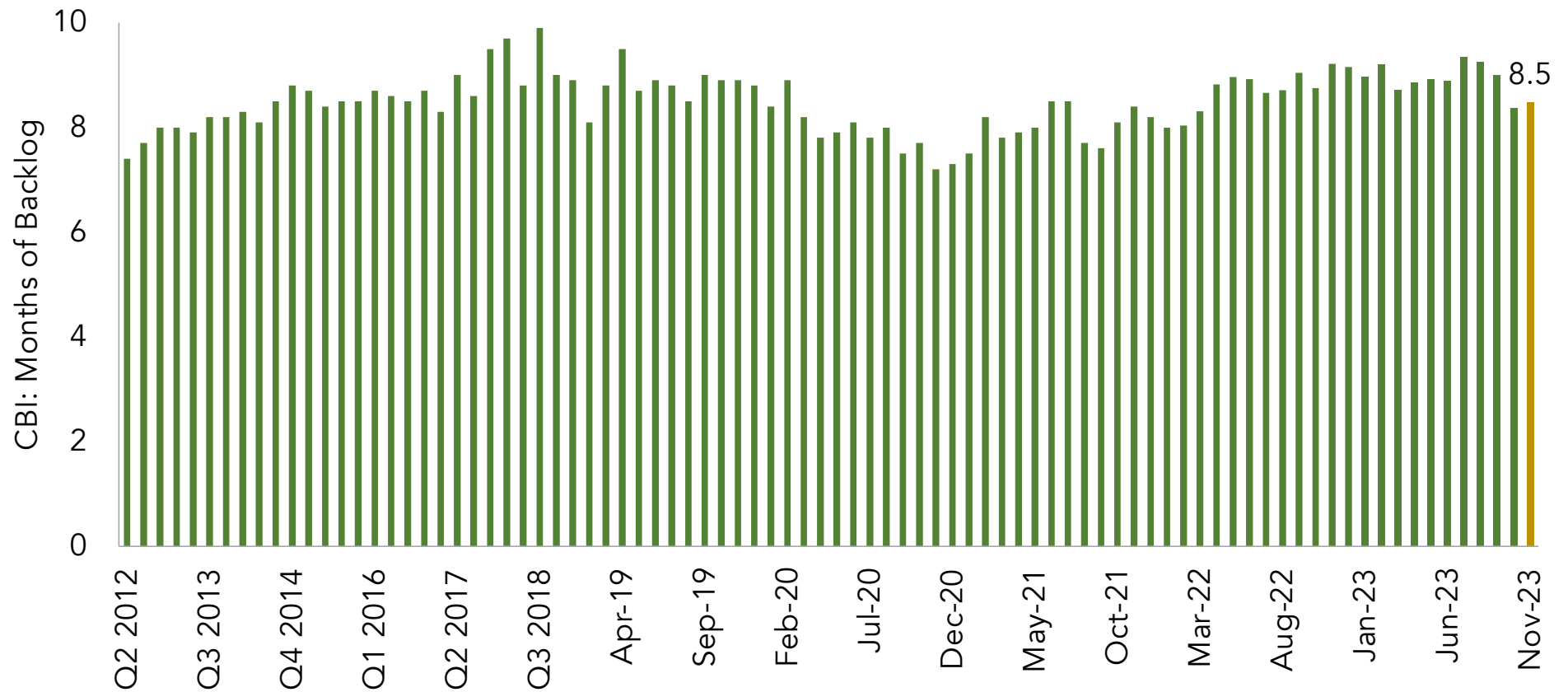
CE Webinar Audience Poll Results:

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

■ Sep. 27, 2023



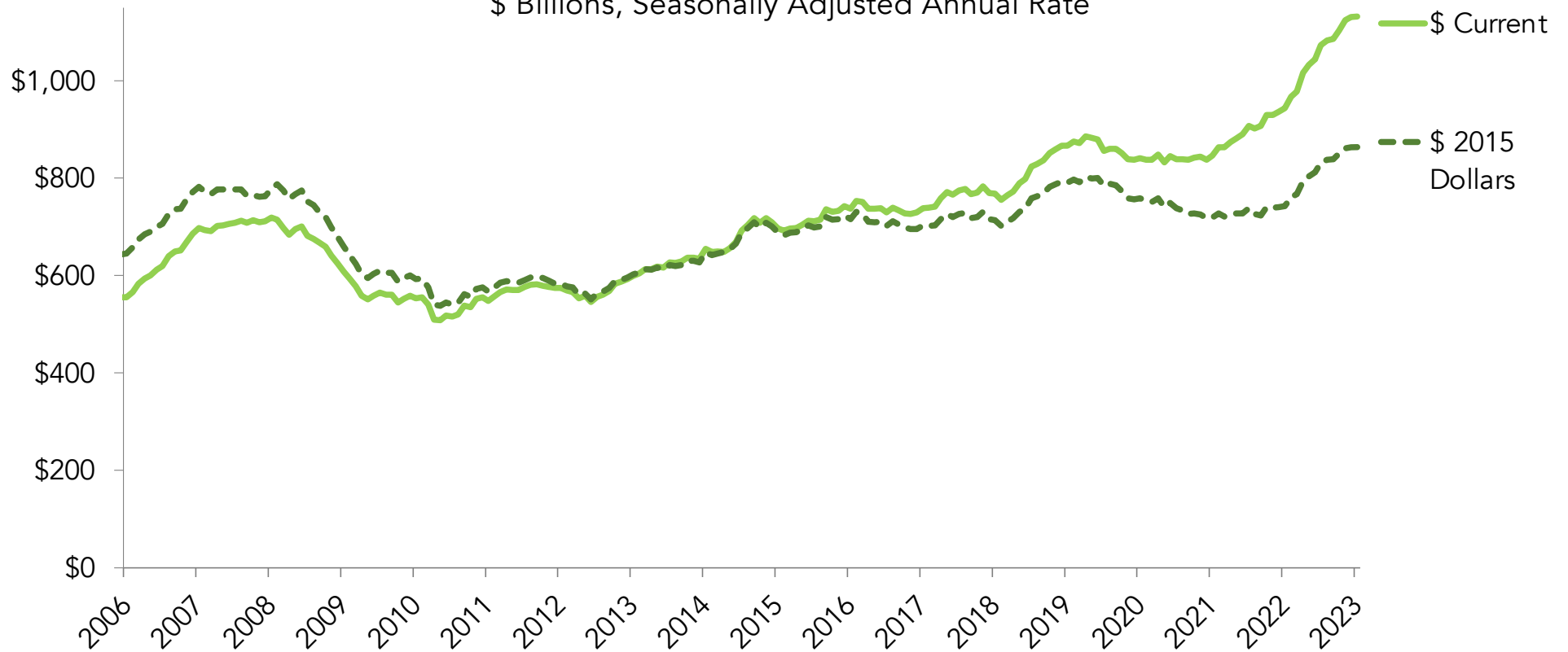
ABC Construction Backlog Indicator, 2012 – November 2023



Total Nonresidential Construction Spending

Current/Constant Dollars, 2006 – October 2023

\$ Billions, Seasonally Adjusted Annual Rate

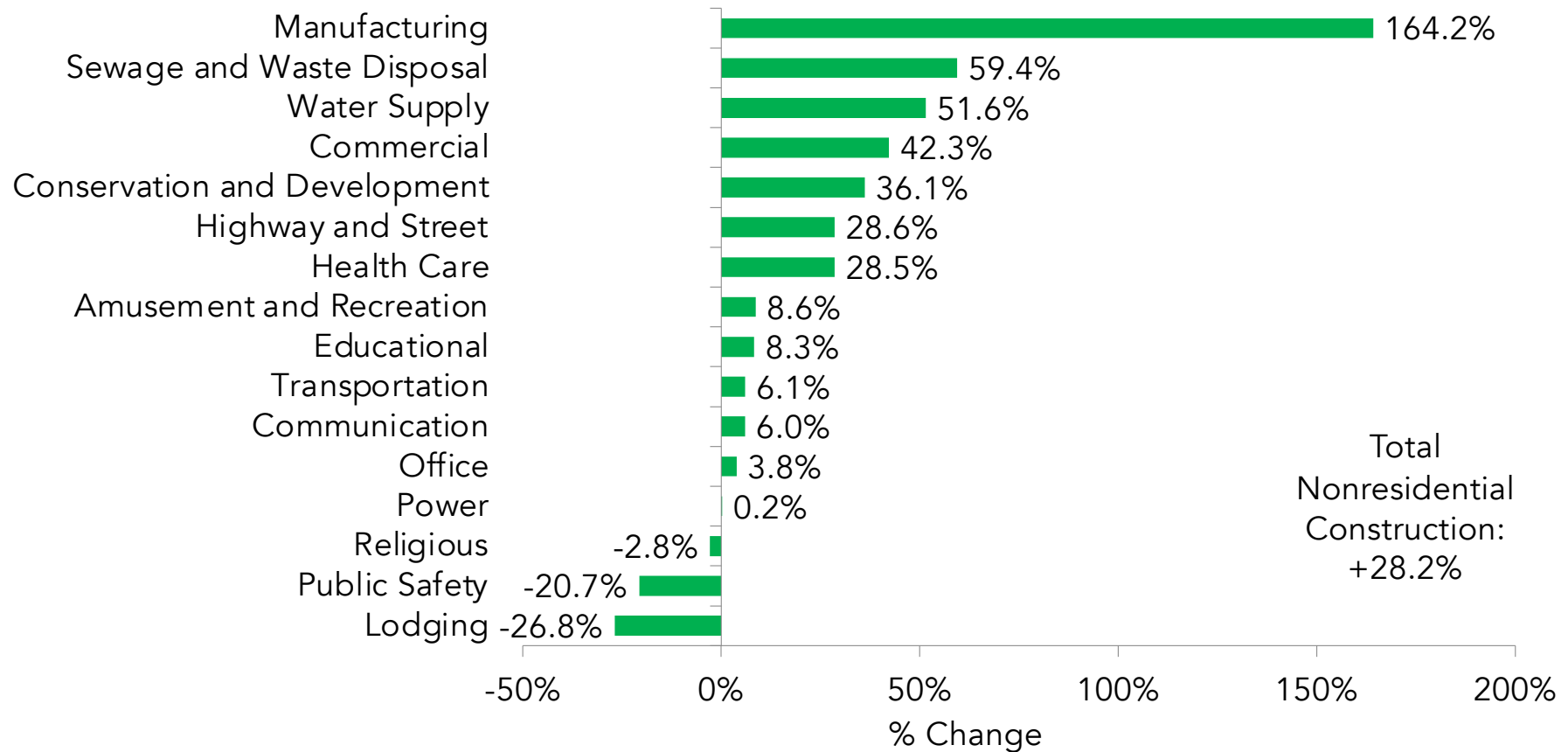


Source: U.S. Census Bureau; U.S. Bureau of Labor Statistics

*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. October 2023 (Current \$)

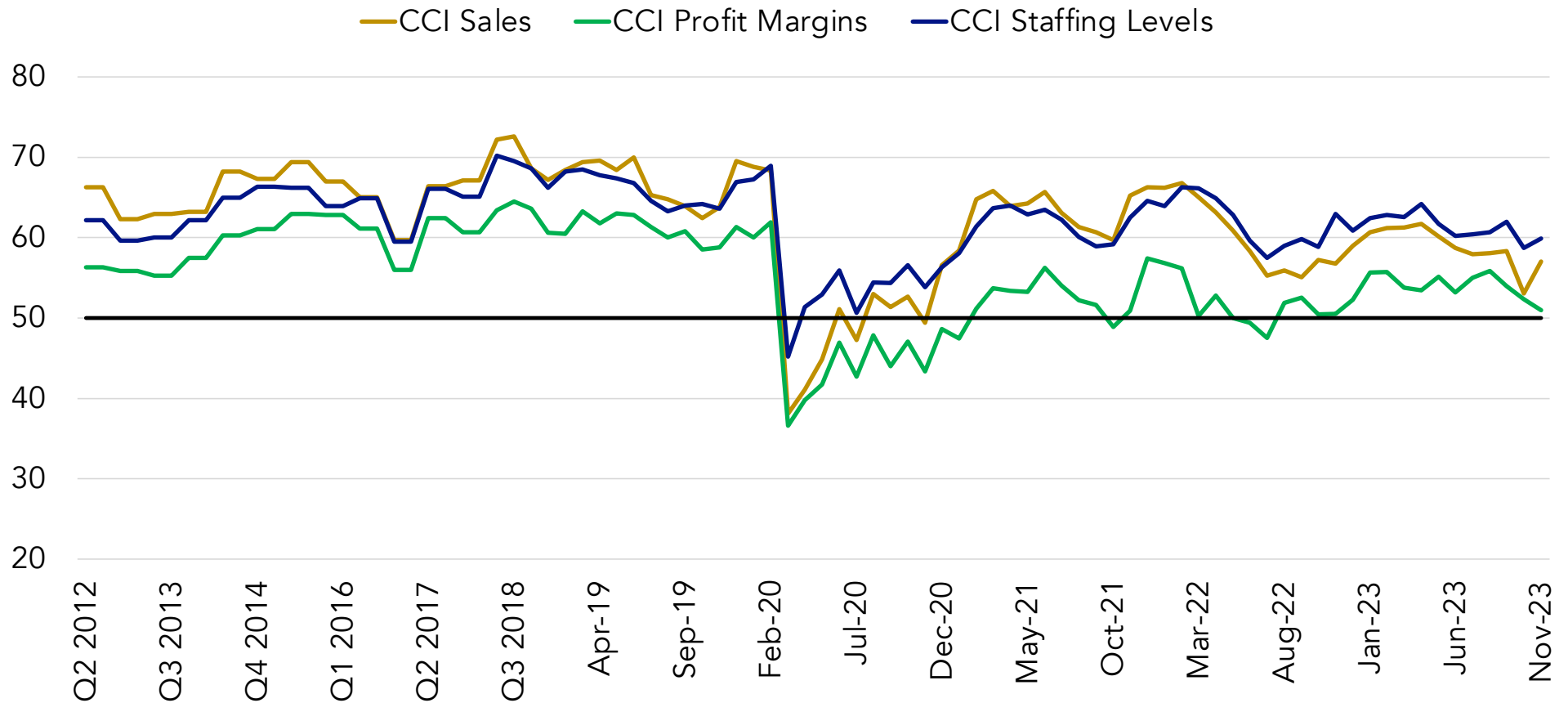


Source: U.S. Census Bureau

2024: A Look Ahead



ABC Construction Confidence Index, 2012 – November 2023



Source: Associated Builders and Contractors; Sage

ABC Construction Confidence Index

February 2020 v. November 2023

■ Feb-20 ■ Nov-23



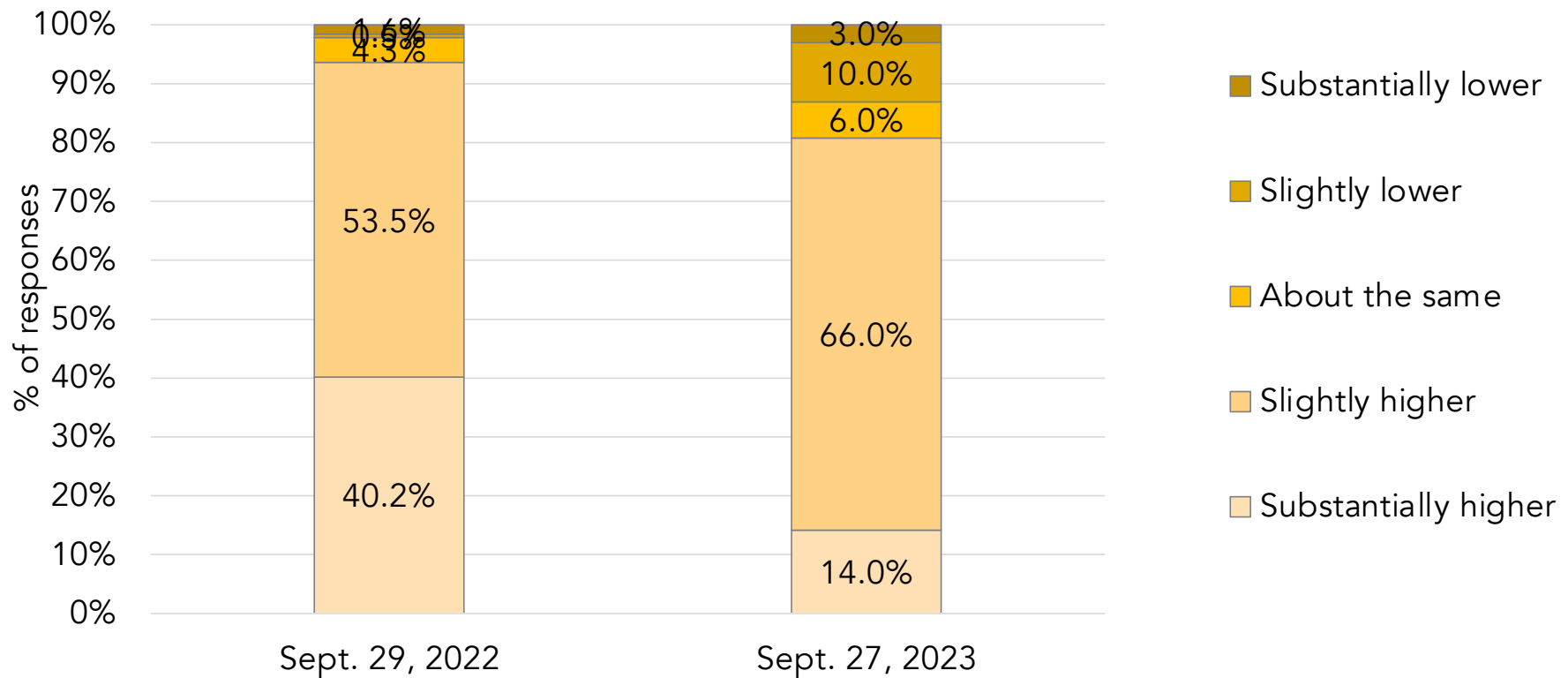
POLL

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

- 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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