

2025 Q2 Construction Economic Update & Exclusive Forecast

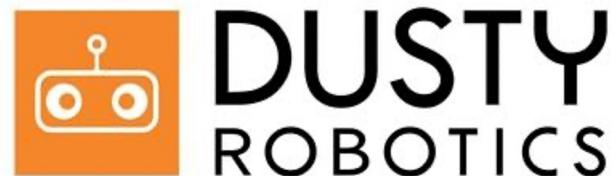
By: Anirban Basu
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Sage Policy Group, Inc.

On Behalf of
Construction Executive

July 16, 2025



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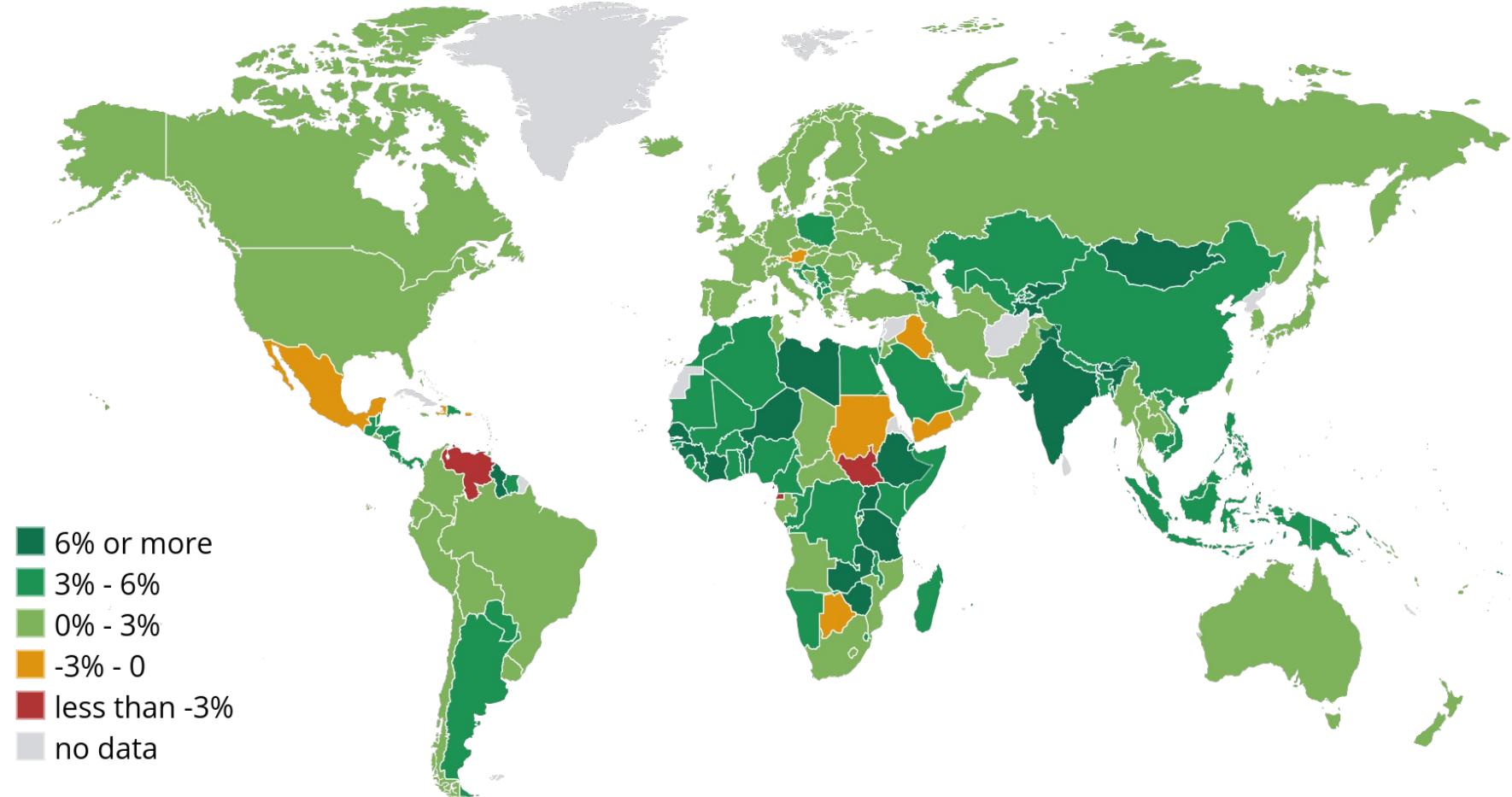


Global Economic Dynamics



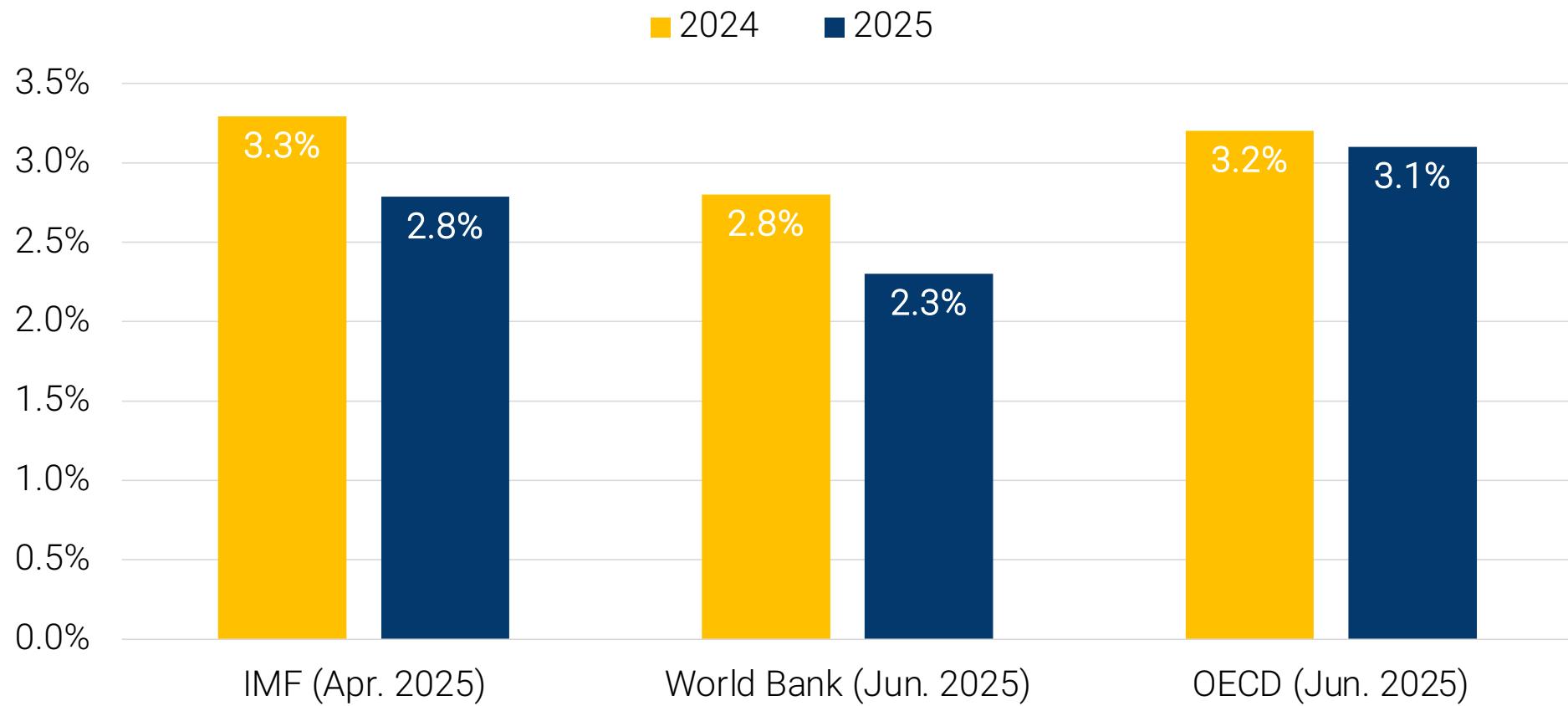
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Real GDP Growth 2025, Projected Annual Percent Change



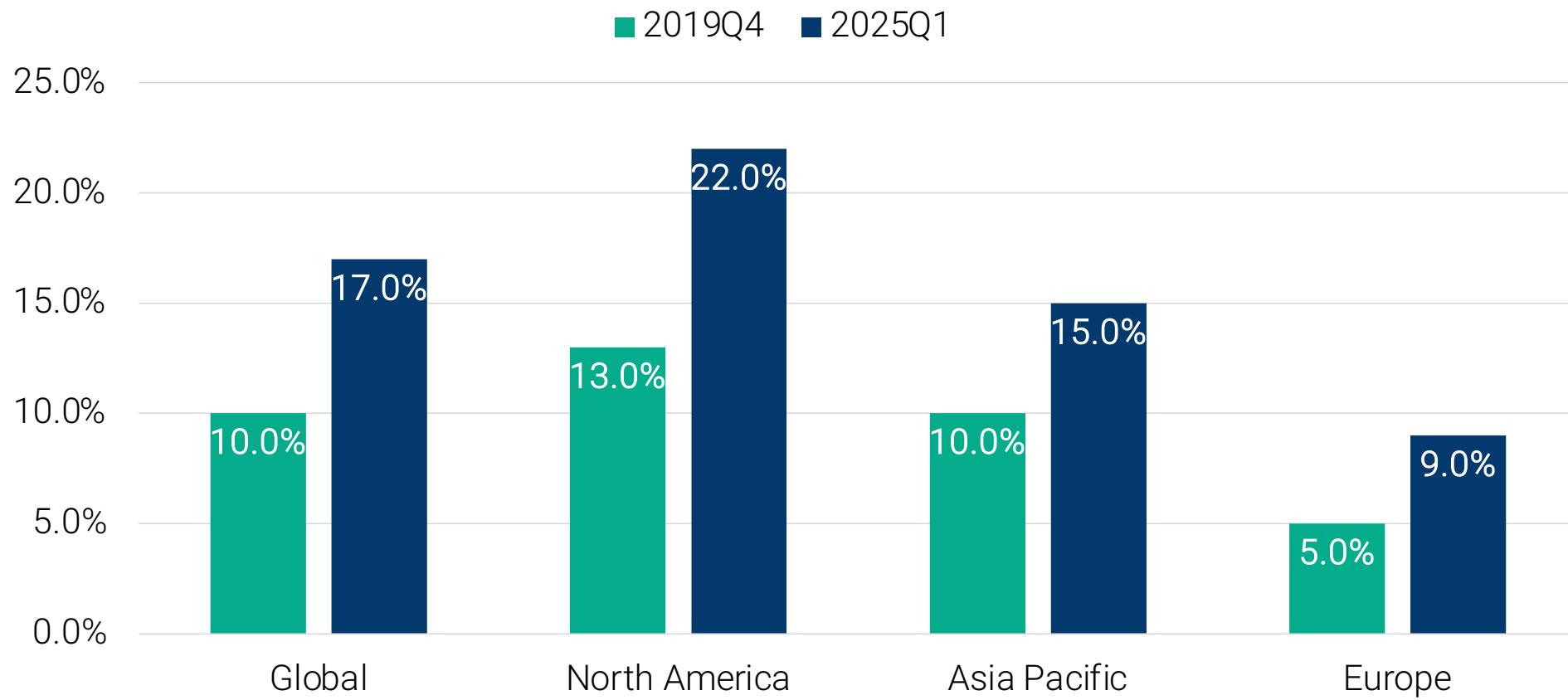
Source: International Monetary Fund, World Economic Outlook, April 2025

Major Economic Forecasts for World GDP Growth



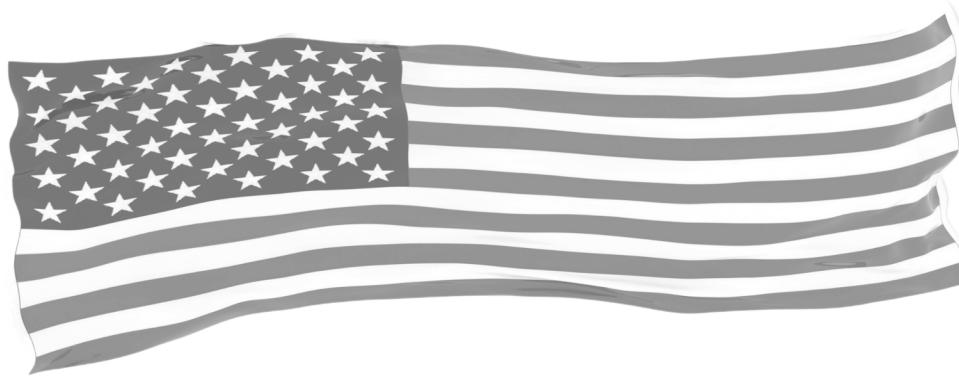
Source: IMF; OECD; World Bank

Global Office Vacancy in Select Regions

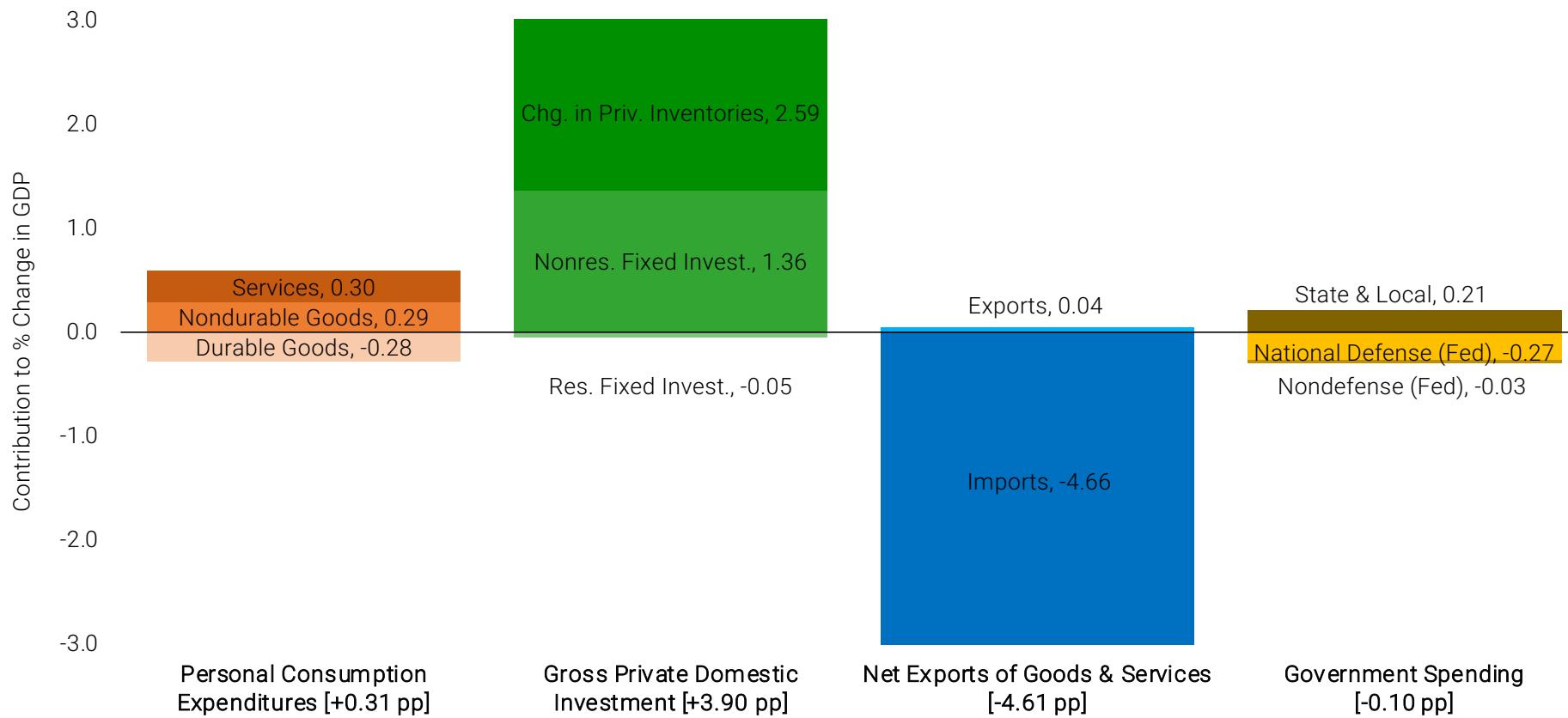


Source: JLL Research

U.S. Economic Conditions

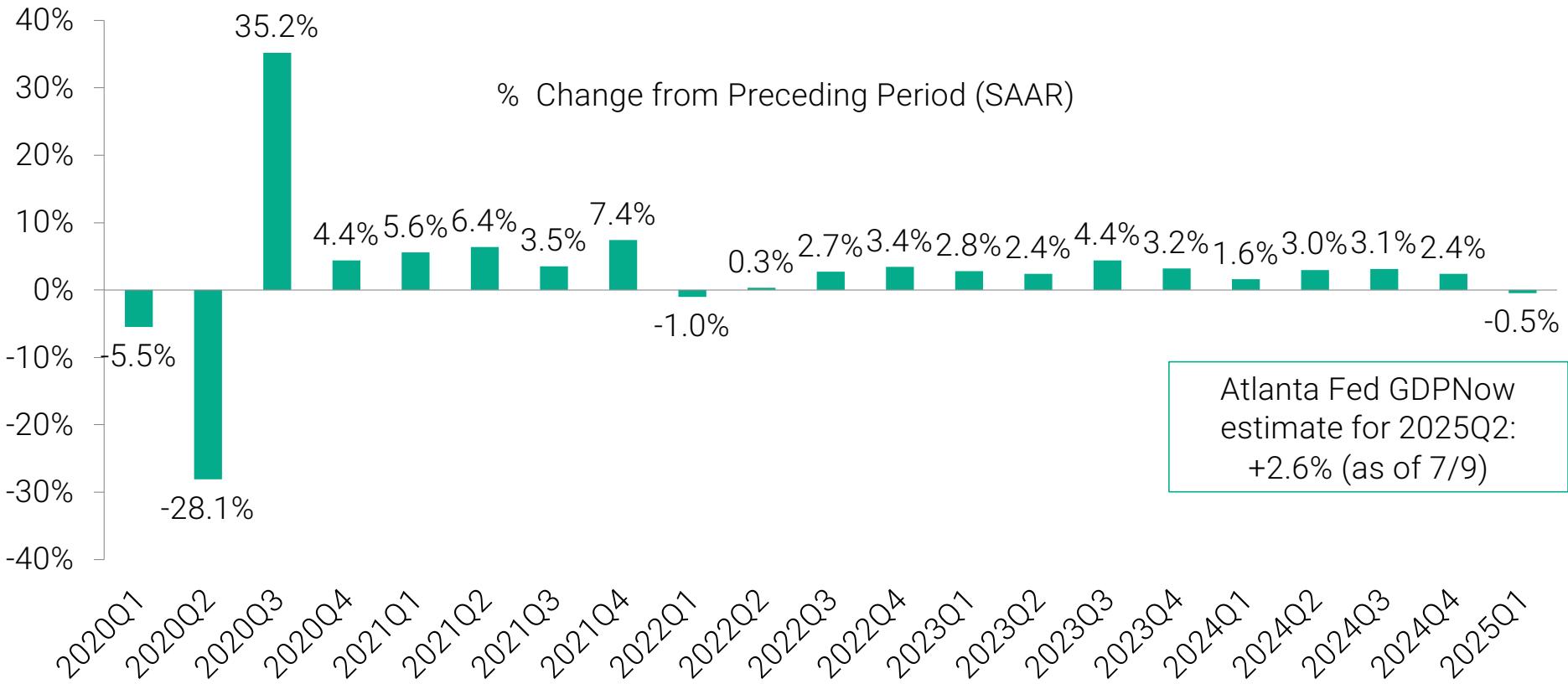


Contributions to GDP Growth, 2025Q1



Source: U.S. Bureau of Economic Analysis *2025Q1: 3rd (final) estimate

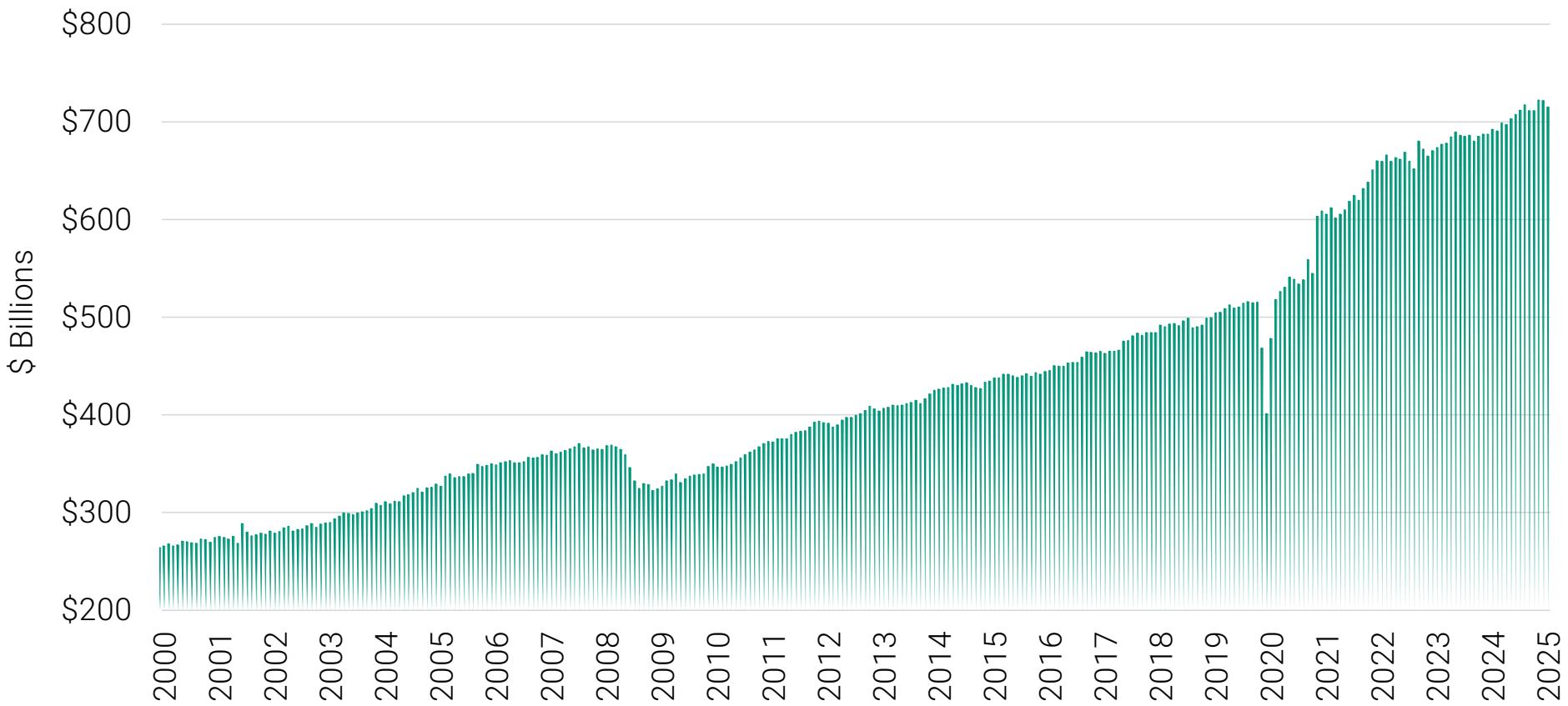
U.S. Gross Domestic Product Growth, 2020 – 2025Q1



Source: U.S. Bureau of Economic Analysis

*2025Q1: 3rd (final) estimate

U.S. Retail Sales, 2000 – May 2025

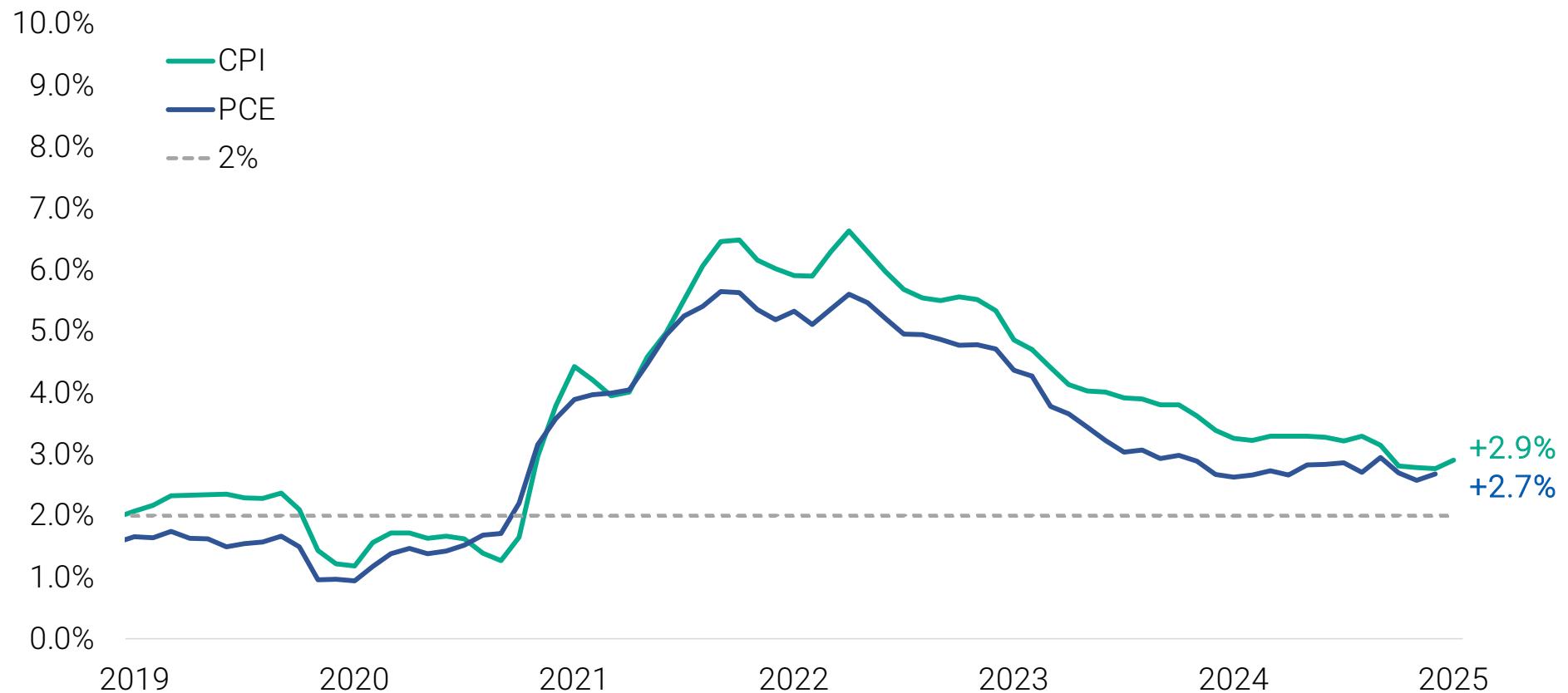


Source: U.S. Census Bureau

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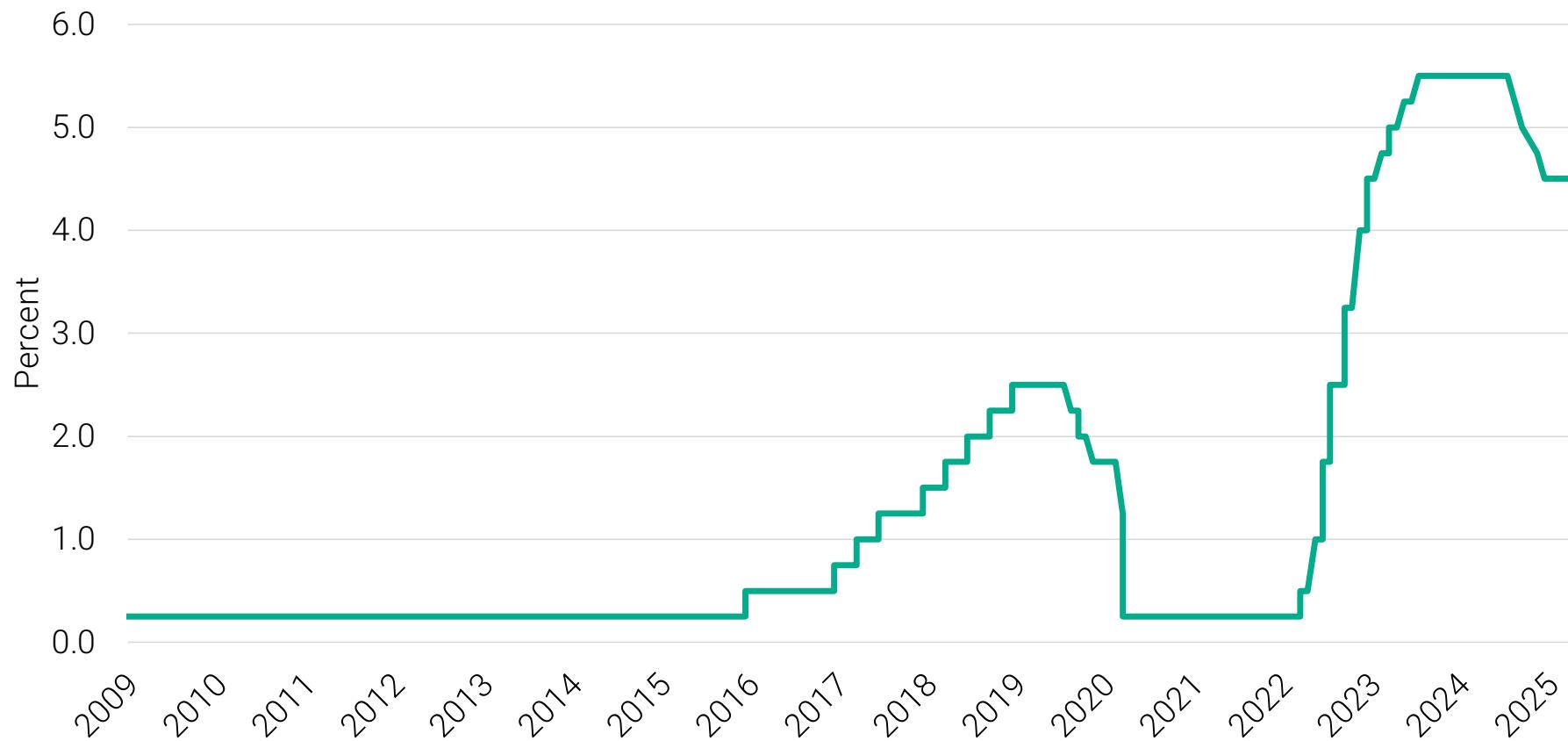
Core CPI & PCE, 12-Month % Change (SA)

2019 – May/June 2025



Source: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis *Core: All items less food and energy

Federal Funds Rate, Target Rate Upper Limit, 2009 – 2025



Source: Board of Governors of the Federal Reserve System

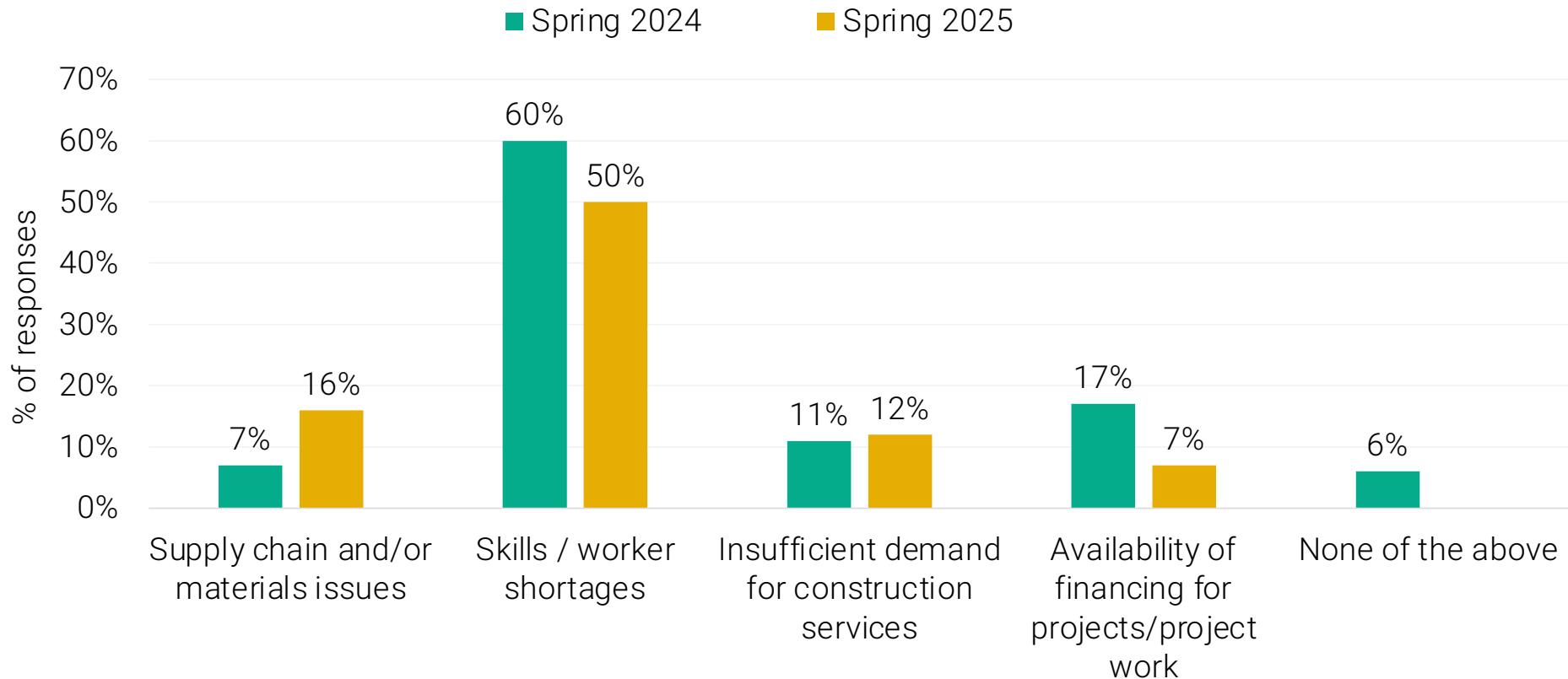
POLL

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

- Supply chain and/or materials issues
- 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?”



Source: Associated Builders and Contractors; Sage



JOBS



U.S. Labor Market

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U.S. Job Openings, 2015 – May 2025



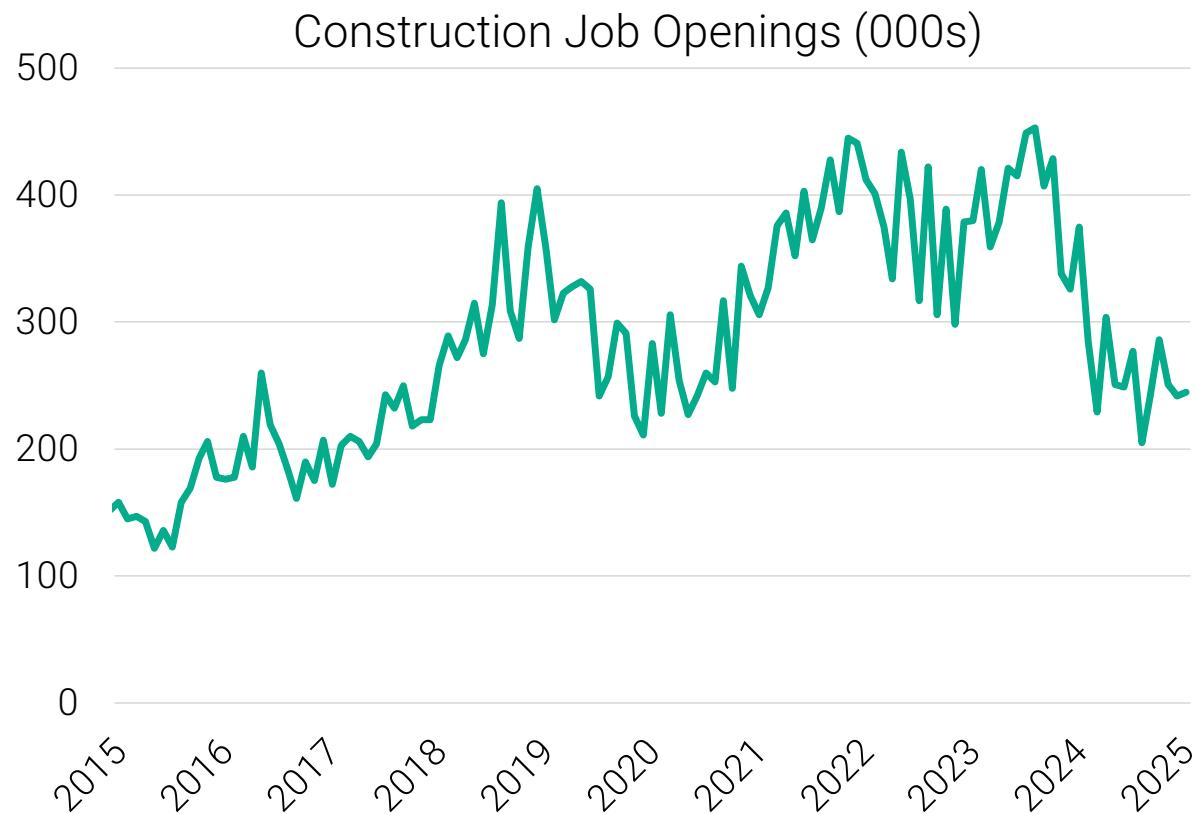
Source: U.S. Bureau of Labor Statistics

May 2025:
7.8M Openings

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U.S. Construction Job Openings, 2015 – May 2025

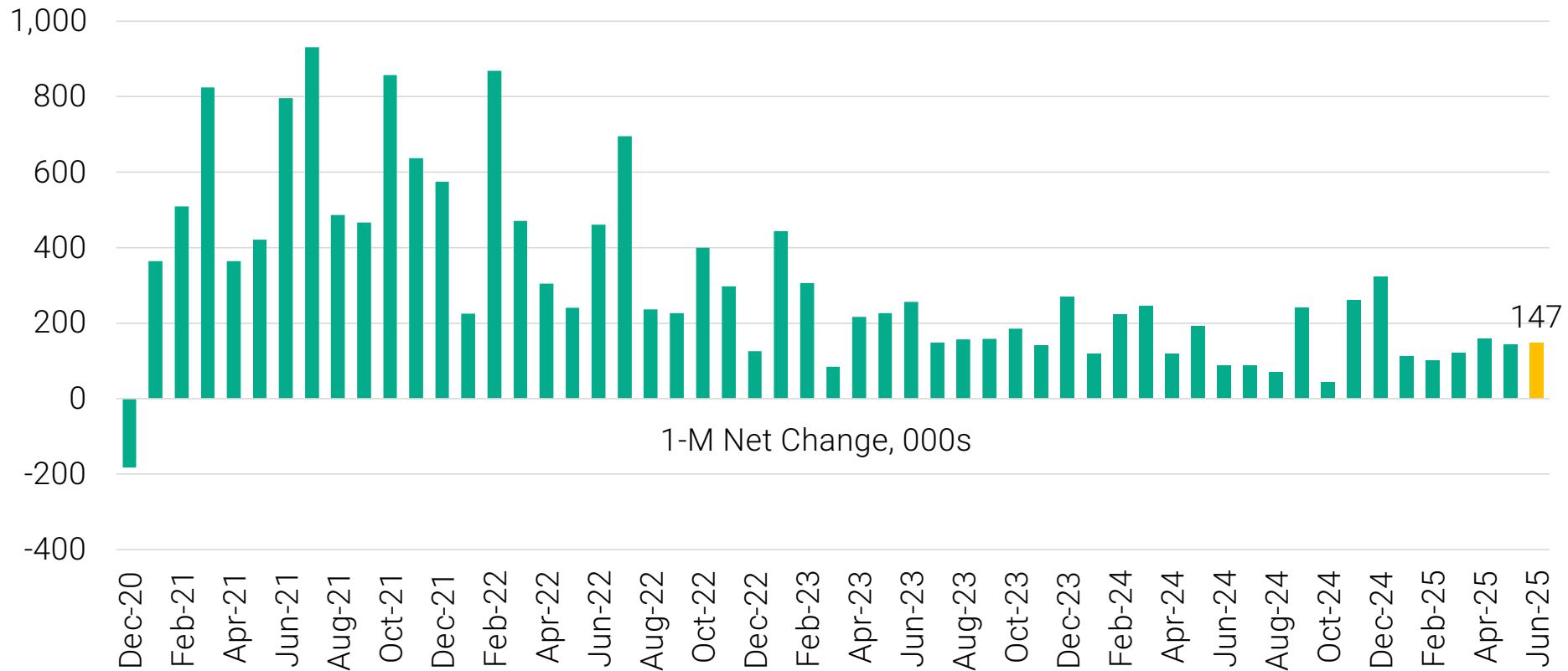
- From 2015-2019 the number of unfilled U.S. construction jobs averaged 228,000.
- In 2024 there was an average of 306,000 unfilled construction jobs.
- That's 34% higher than the 2015-2019 average.



Source: U.S. Bureau of Labor Statistics

U.S. Job Growth, Monthly

December 2020 – June 2025

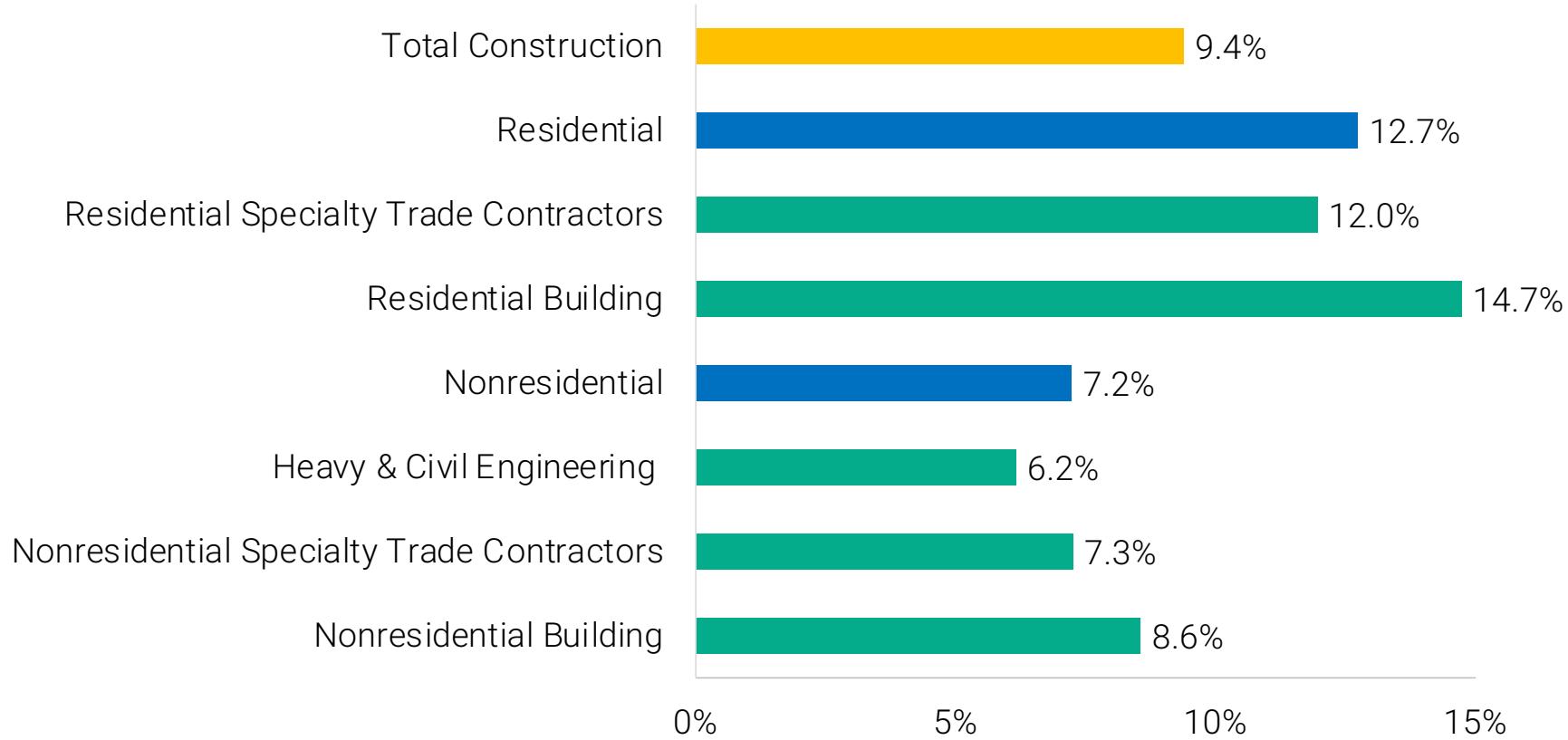


Source: U.S. Bureau of Labor Statistics

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U.S. Construction Employment

February 2020 v. June 2025



Source: U.S. Bureau of Labor Statistics

Employment Growth, 25 Largest Metros

February 2020 v. May 2025 % Change

Rank	MSA	%
1	Austin-Round Rock-San Marcos, TX	20.4%
2	Orlando-Kissimmee-Sanford, FL	13.1%
3	Dallas-Fort Worth-Arlington, TX	12.9%
4	San Antonio-New Braunfels, TX	11.5%
5	Charlotte-Concord-Gastonia, NC-SC	11.1%
6	Tampa-St. Petersburg-Clearwater, FL	10.8%
7	Phoenix-Mesa-Chandler, AZ	10.2%
8	Houston-Pasadena-The Woodlands, TX	8.7%
9	Miami-Fort Lauderdale-West Palm Beach, FL	8.5%
10	Atlanta-Sandy Springs-Roswell, GA	8.0%
11	Riverside-San Bernardino-Ontario, CA	7.4%
12	Denver-Aurora-Centennial, CO	7.0%
13	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	6.0%

Rank	MSA	%
14	New York-Newark-Jersey City, NY-NJ	4.1%
15	San Diego-Chula Vista-Carlsbad, CA	4.0%
16	Baltimore-Columbia-Towson, MD	3.6%
17	Seattle-Tacoma-Bellevue, WA	2.8%
18	Chicago-Naperville-Elgin, IL-IN-WI	2.7%
19	Detroit-Warren-Dearborn, MI	2.6%
19	Washington-Arlington-Alexandria, DC-VA-MD-WV	2.6%
21	St. Louis, MO-IL	2.5%
22	Minneapolis-St. Paul-Bloomington, MN-WI	2.3%
23	Boston-Cambridge-Newton, MA-NH	0.6%
24	Los Angeles-Long Beach-Anaheim, CA	0.0%
25	San Francisco-Oakland-Fremont, CA	-3.2%

Source: Bureau of Labor Statistics

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

U.S. % Change 2/2020 v. 5/2025: +4.8%



Construction Employment Growth, 25 Largest Metros

February 2020 v. May 2025 % Change

Rank	MSA	%
1	Phoenix-Mesa-Chandler, AZ	30.8%
2	Detroit-Warren-Dearborn, MI	29.7%
3	St. Louis, MO-IL	28.7%
4	Austin-Round Rock-San Marcos, TX	27.3%
5	Minneapolis-St. Paul-Bloomington, MN-WI	24.7%
6	San Antonio-New Braunfels, TX	22.7%
7	Charlotte-Concord-Gastonia, NC-SC	20.0%
8	Dallas-Fort Worth-Arlington, TX	17.3%
9	Chicago-Naperville-Elgin, IL-IN-WI	15.6%
10	Tampa-St. Petersburg-Clearwater, FL	15.1%
11	Miami-Fort Lauderdale-West Palm Beach, FL	13.1%
12	Atlanta-Sandy Springs-Roswell, GA	11.4%
13	Orlando-Kissimmee-Sanford, FL	10.9%

Rank	MSA	%
14	Washington-Arlington-Alexandria, DC-VA-MD-WV	9.8%
15	Boston-Cambridge-Newton, MA-NH	9.3%
16	San Diego-Chula Vista-Carlsbad, CA	7.0%
17	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	6.0%
18	Denver-Aurora-Centennial, CO	3.8%
19	Riverside-San Bernardino-Ontario, CA	2.2%
20	Baltimore-Columbia-Towson, MD	0.6%
21	New York-Newark-Jersey City, NY-NJ	-1.9%
22	Houston-Pasadena-The Woodlands, TX	-2.4%
23	Los Angeles-Long Beach-Anaheim, CA	-4.7%
24	Seattle-Tacoma-Bellevue, WA	-6.4%
25	San Francisco-Oakland-Fremont, CA	-10.2%

Source: Bureau of Labor Statistics

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

U.S. % Change 2/2020 v. 5/2025: +9.2%



Unemployment Rates, 25 Largest Metros, May 2025

Rank	MSA	%
1	Miami-Fort Lauderdale-West Palm Beach, FL	3.1%
1	Minneapolis-St. Paul-Bloomington, MN-WI	3.1%
3	Baltimore-Columbia-Towson, MD	3.2%
4	Atlanta-Sandy Springs-Roswell, GA	3.3%
4	Austin-Round Rock-San Marcos, TX	3.3%
6	Orlando-Kissimmee-Sanford, FL	3.4%
7	Tampa-St. Petersburg-Clearwater, FL	3.5%
8	Charlotte-Concord-Gastonia, NC-SC	3.6%
8	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.6%
10	Dallas-Fort Worth-Arlington, TX	3.7%
10	Phoenix-Mesa-Chandler, AZ	3.7%
10	San Antonio-New Braunfels, TX	3.7%

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

Rank	MSA	%
10	St. Louis, MO-IL	3.7%
14	San Francisco-Oakland-Fremont, CA	3.9%
15	New York-Newark-Jersey City, NY-NJ	4.0%
15	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	4.0%
15	San Diego-Chula Vista-Carlsbad, CA	4.0%
18	Houston-Pasadena-The Woodlands, TX	4.2%
19	Seattle-Tacoma-Bellevue, WA	4.3%
20	Denver-Aurora-Centennial, CO	4.5%
21	Chicago-Naperville-Elgin, IL-IN-WI	4.6%
21	Detroit-Warren-Dearborn, MI	4.6%
23	Boston-Cambridge-Newton, MA-NH	4.8%
23	Riverside-San Bernardino-Ontario, CA	4.8%
25	Los Angeles-Long Beach-Anaheim, CA	5.0%

U.S. Unemployment Rate – May: 4.2% | June: 4.1%



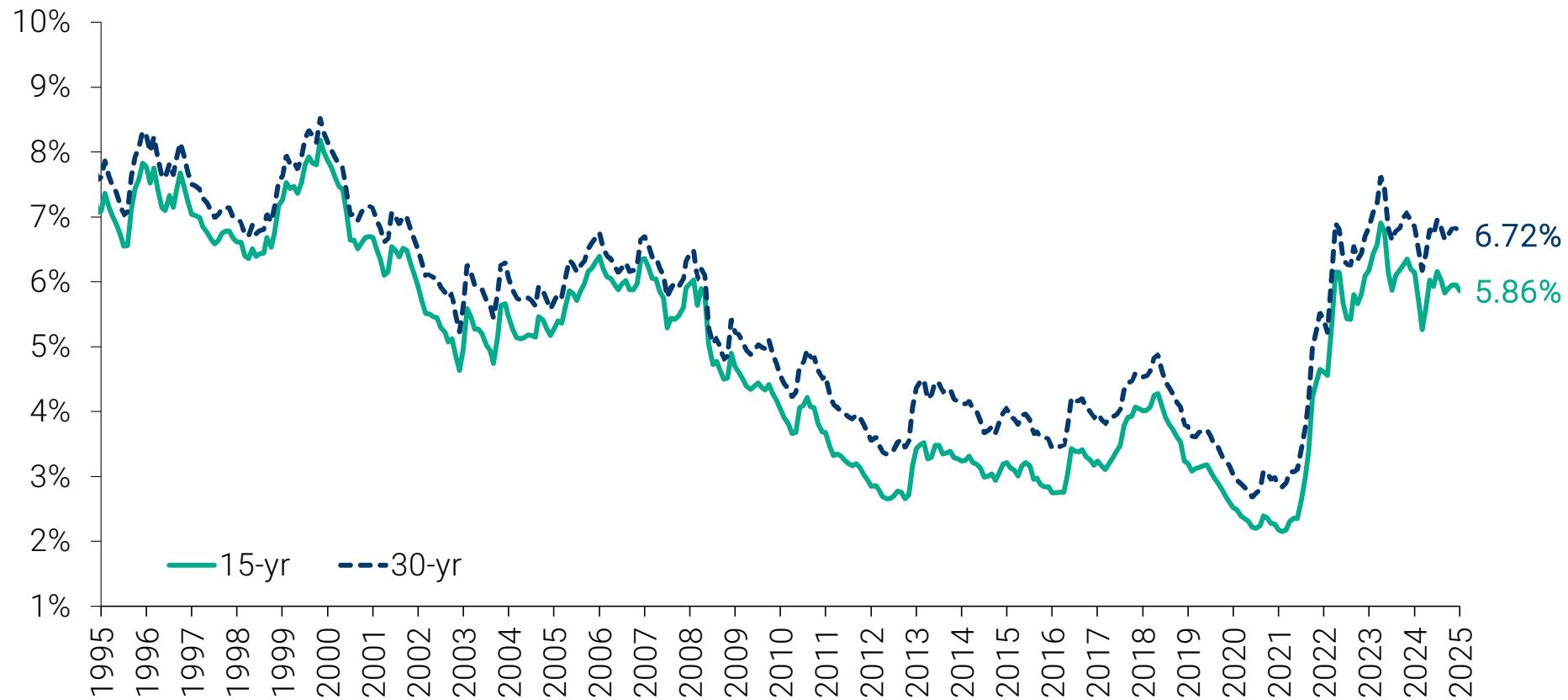
Spotlight: Construction



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

1995 – July 2025*

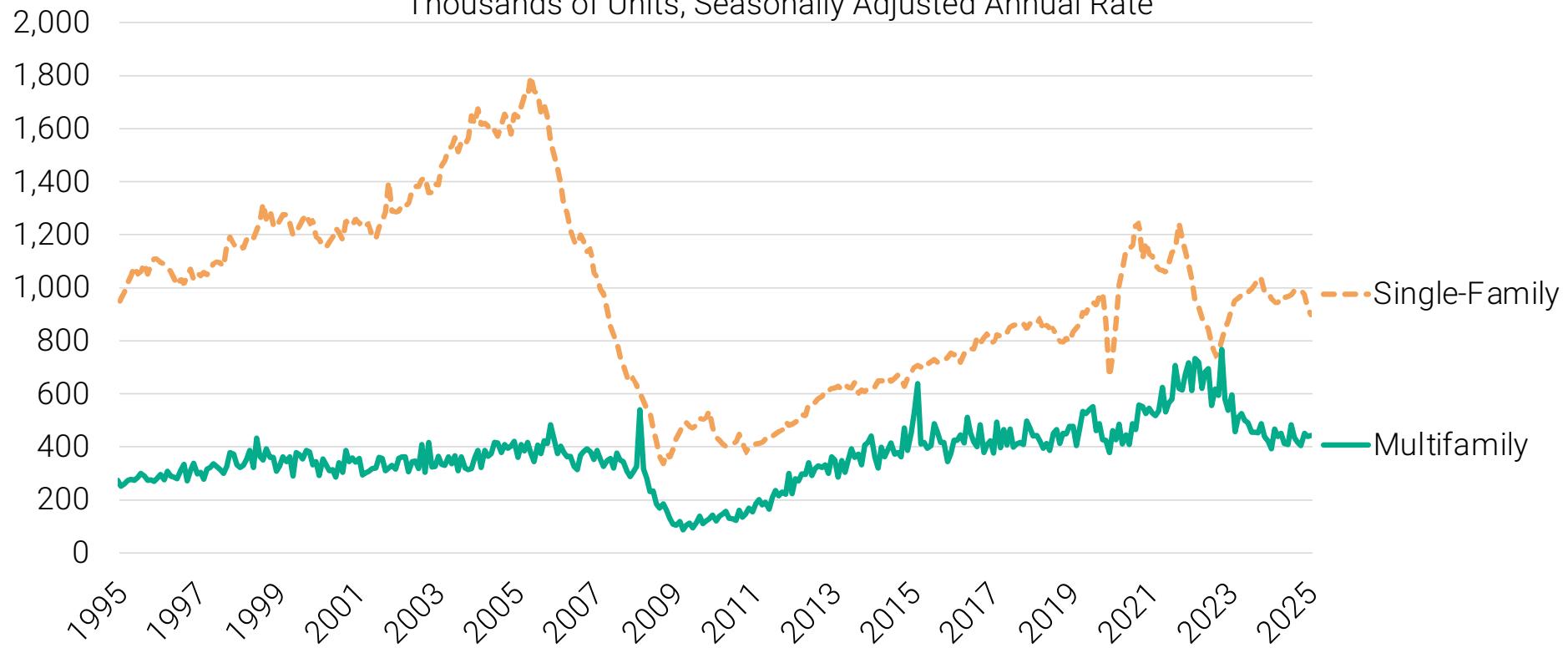


Source: Freddie Mac *Week ending 7/10/2025

U.S. Residential Building Permits

1995 – May 2025

Thousands of Units, Seasonally Adjusted Annual Rate

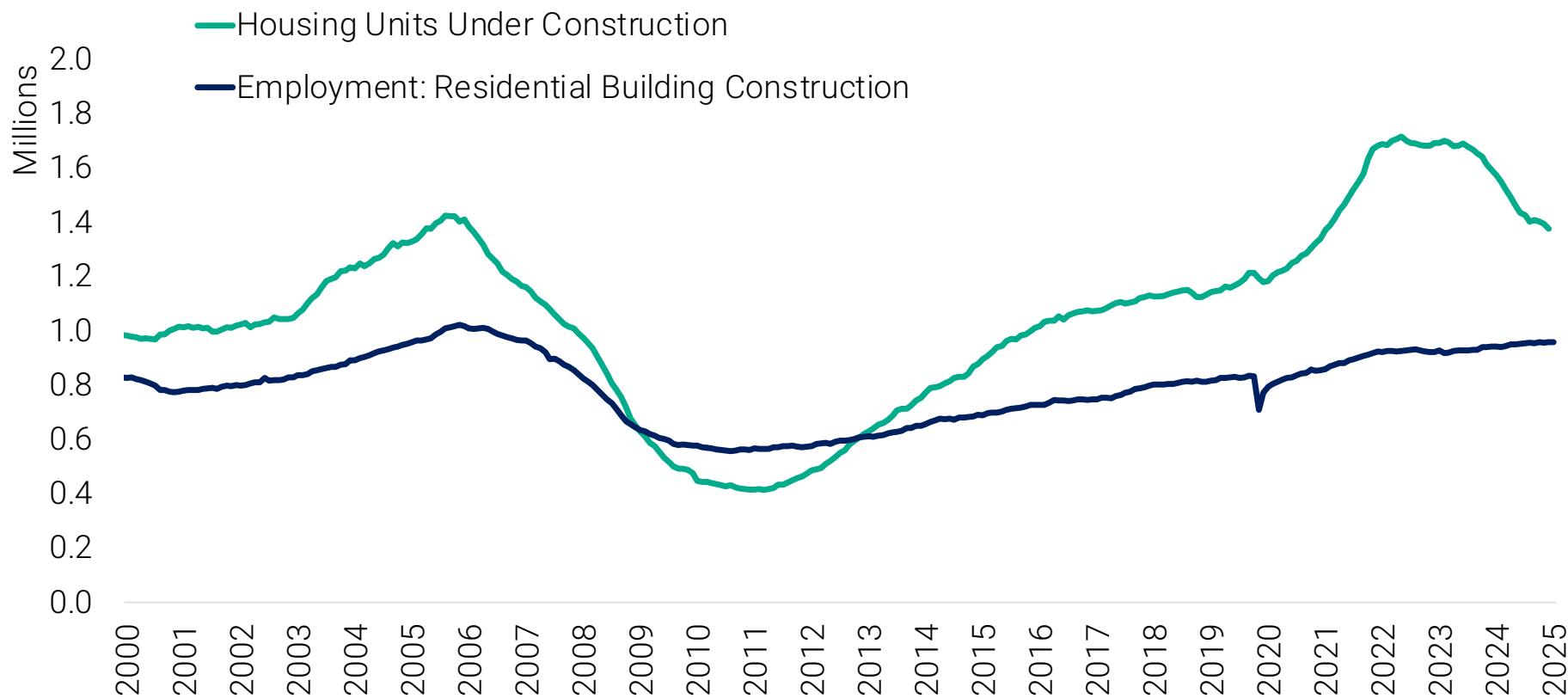


Source: U.S. Census Bureau

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Housing Units Under Construction vs. Residential Employment

2000 – May/June 2025



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

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POLL

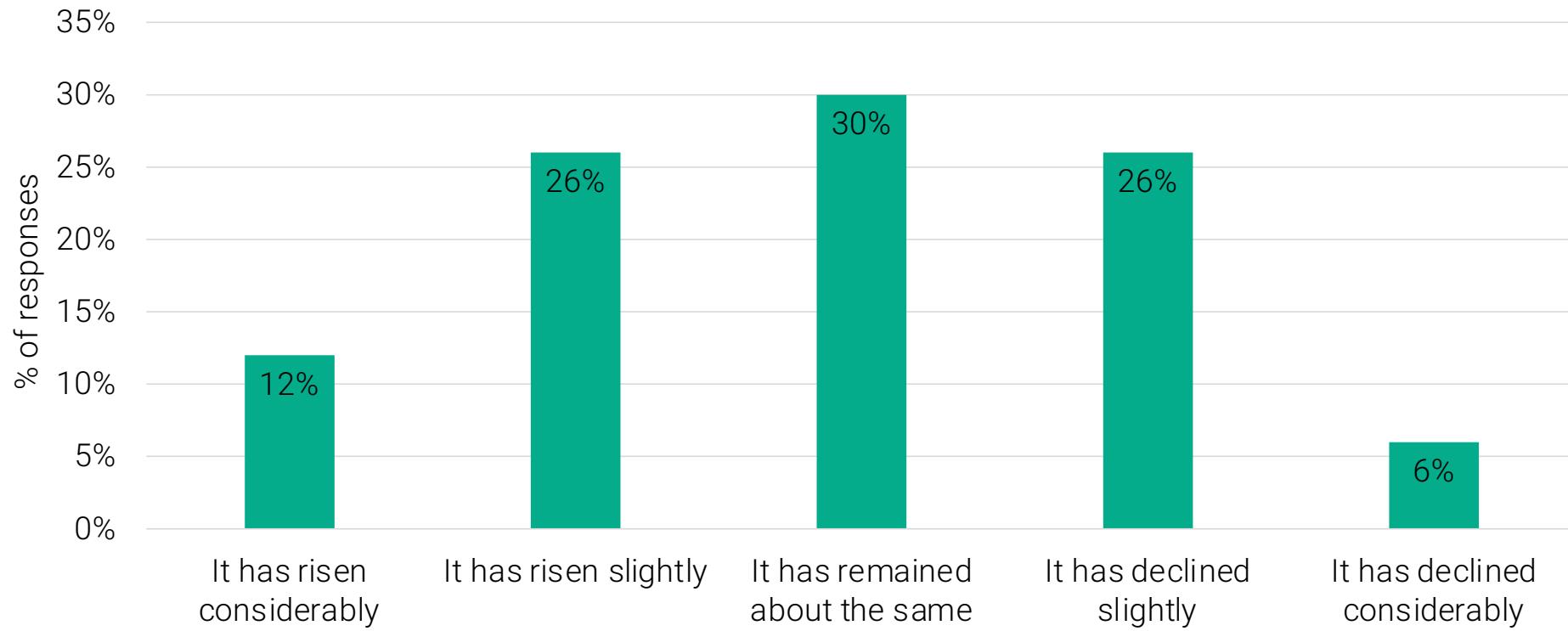
Over the last three months, how has your company's backlog fared?

- 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?"

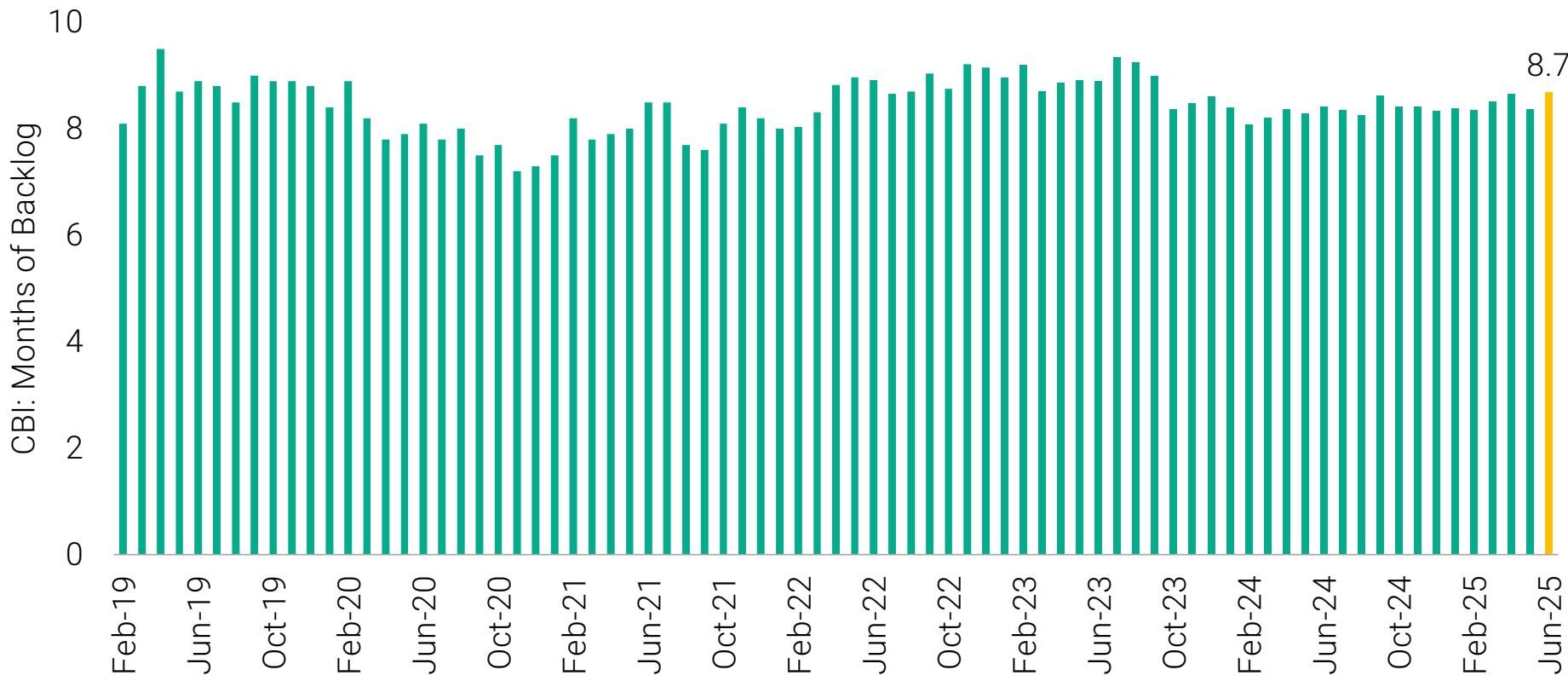
■ 4/2/2025



Source: Associated Builders and Contractors; Sage

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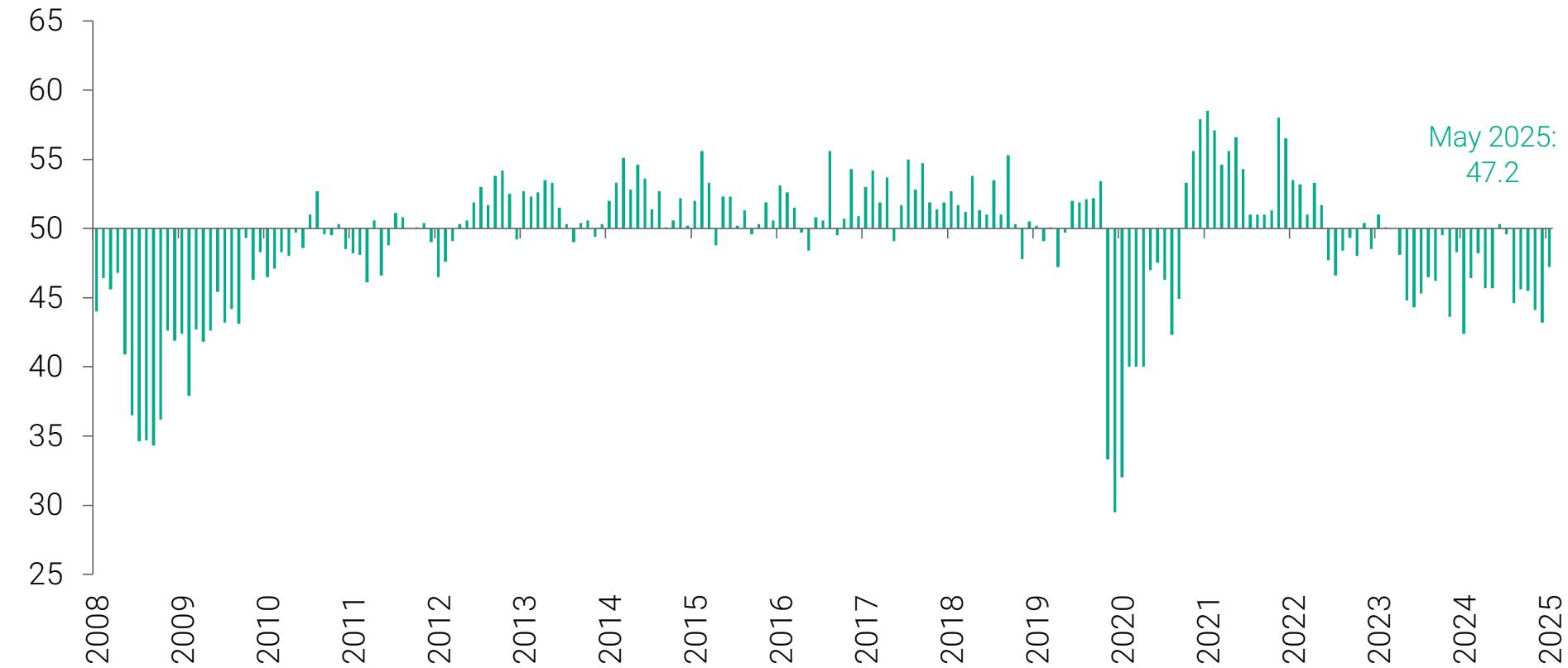
ABC Construction Backlog Indicator, 2019 – June 2025



Source: Associated Builders and Contractors; Sage

Architecture Billings Index

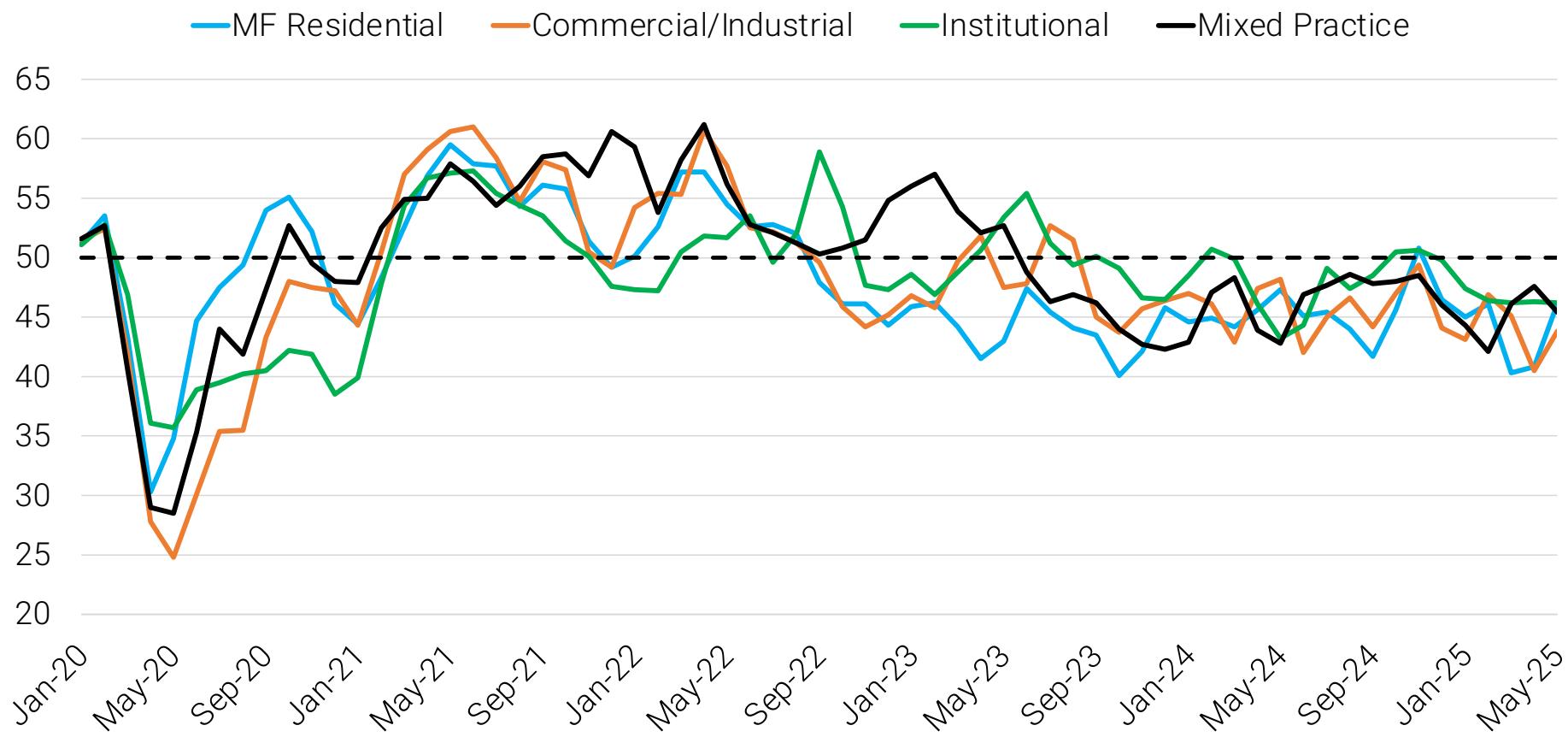
2008 – May 2025



Source: The American Institute of Architects

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Architecture Billings Index by Sector, 2020 – May 2025



Source: The American Institute of Architects

*Note: unlike the national score, sector billings are calculated as three-month moving averages

Architecture Billings Index by U.S. Region, May 2025

55

50

45

40



Midwest

Northeast

West

South

Source: The American Institute of Architects

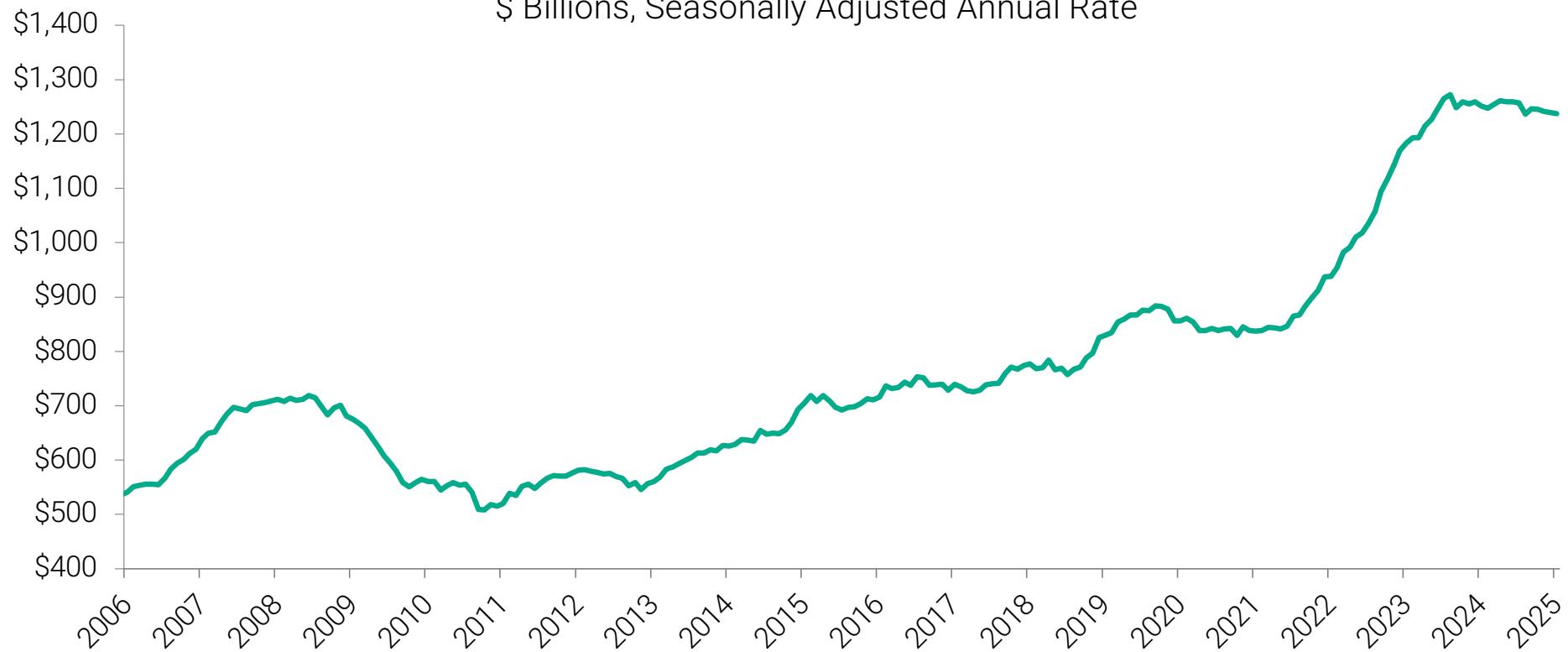
*Note: Unlike the national score, regional billings are calculated as three-month moving averages

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Total Nonresidential Construction Spending

Current Dollars, 2006 – May 2025

\$ Billions, Seasonally Adjusted Annual Rate

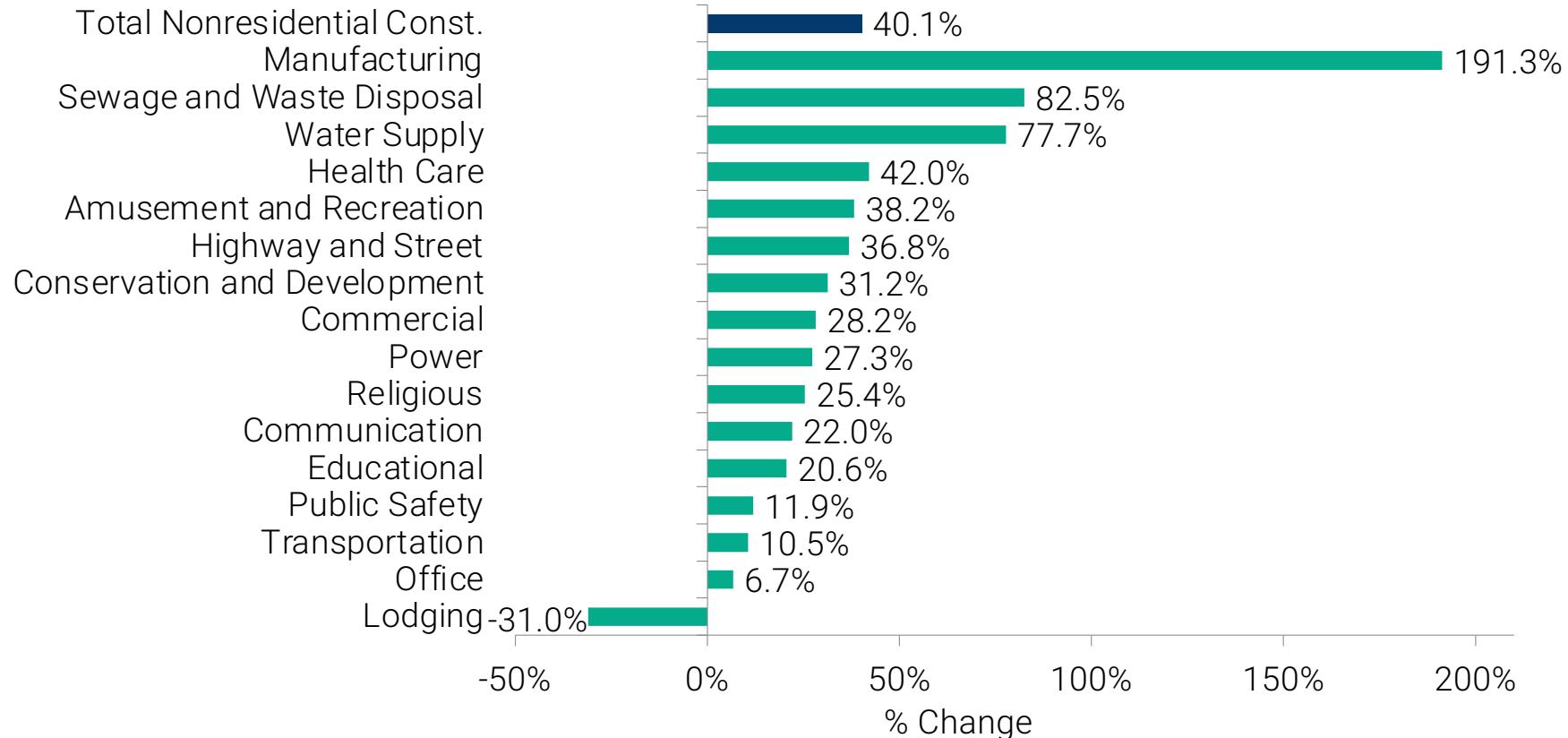


Source: U.S. Census Bureau; U.S. Bureau of Labor Statistics

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

Nonresidential Construction Spending by Subsector

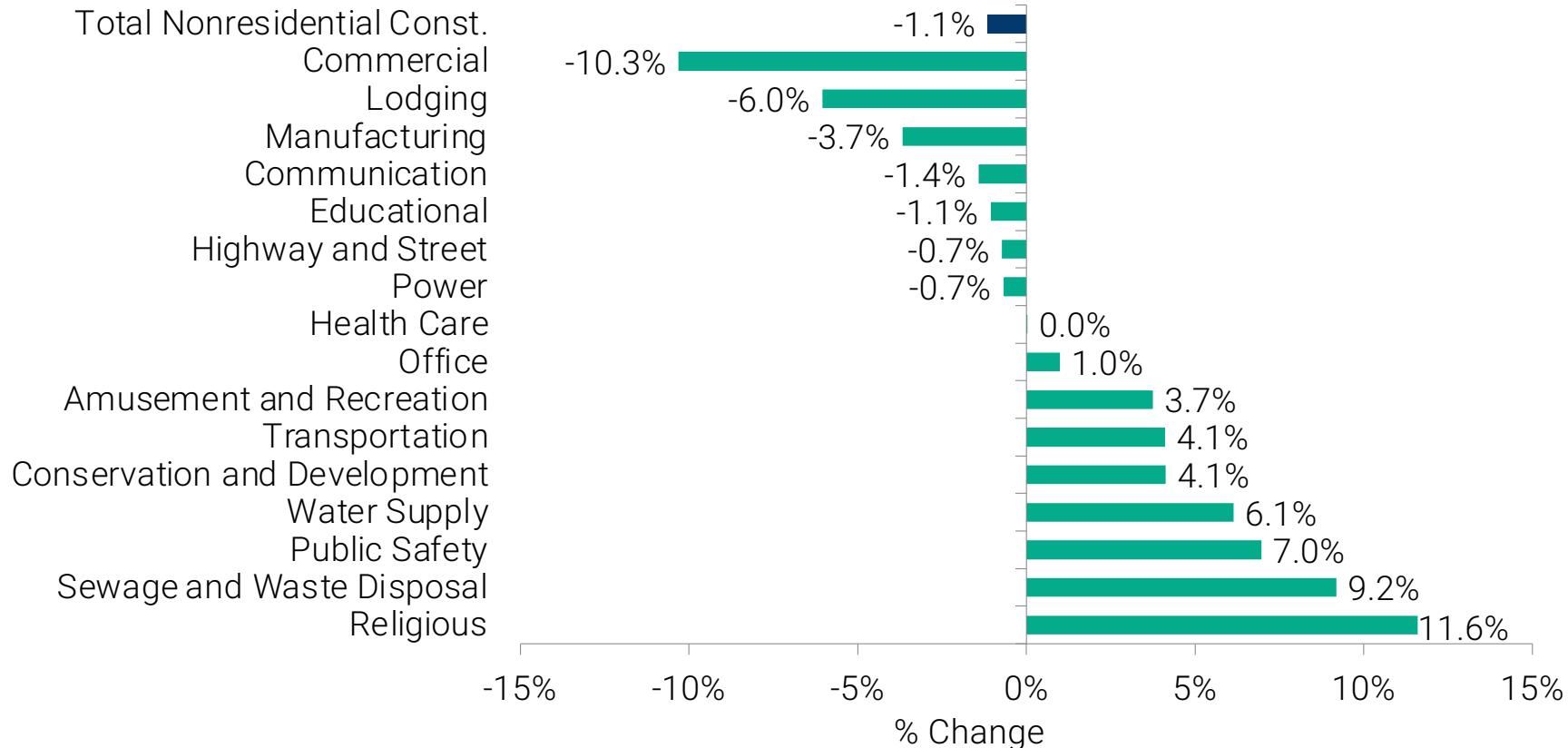
February 2020 v. May 2025 (Current \$)



Source: U.S. Census Bureau

Nonresidential Construction Spending by Subsector

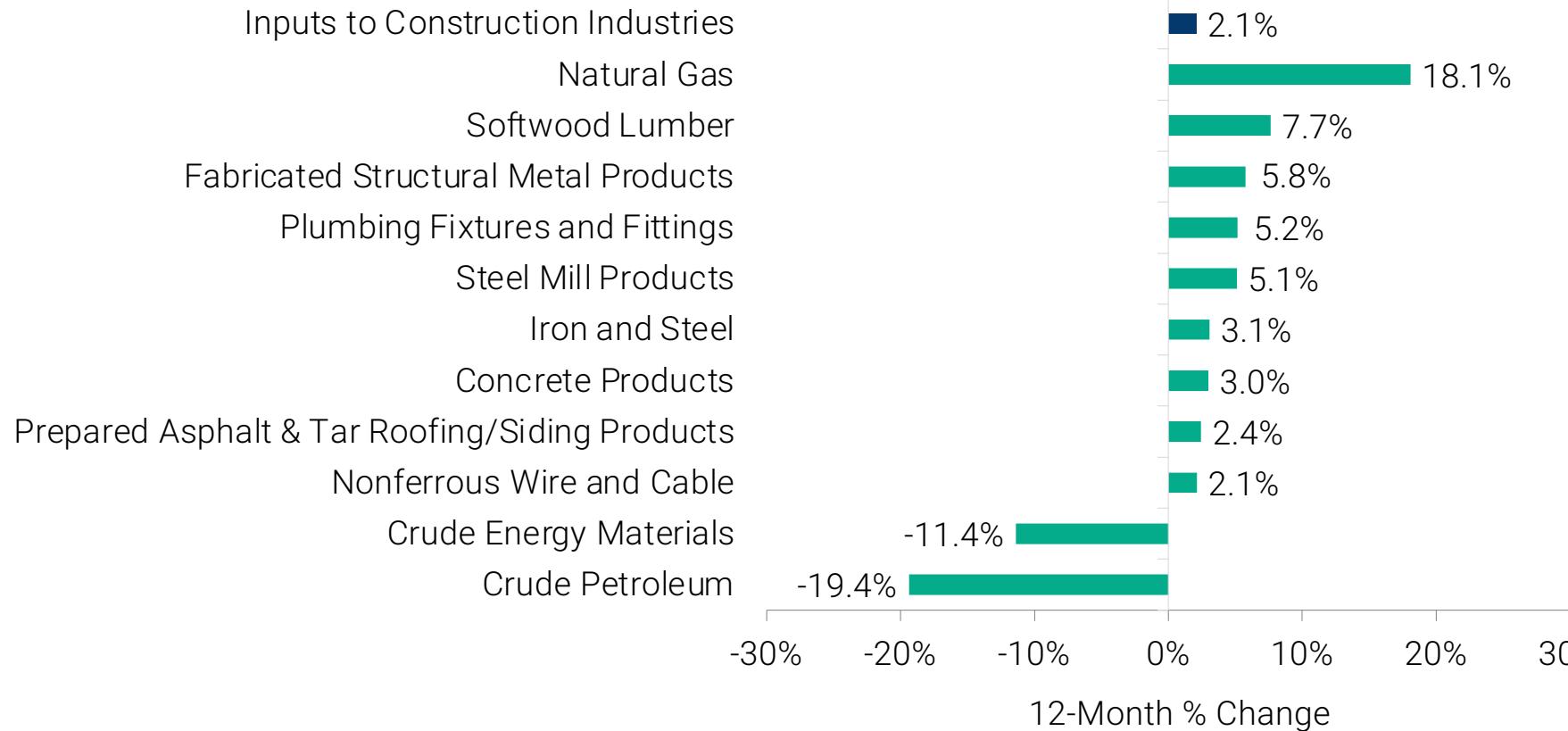
May 2024 v. May 2025 (Current \$)



Source: U.S. Census Bureau

Construction Materials PPI

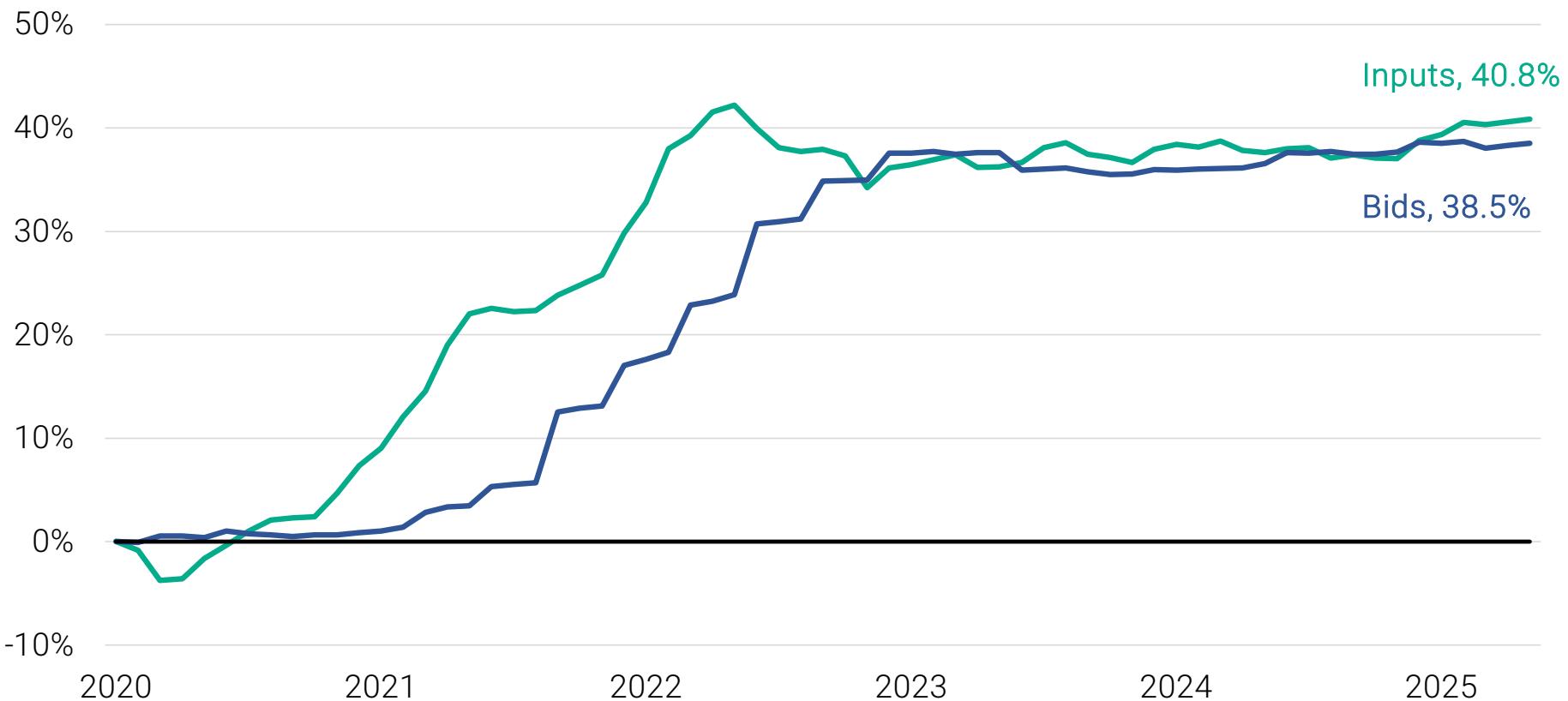
12-Month % Change as of June 2025



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

New Nonresidential Construction: Input Costs v. Bid Prices

% Change v. February 2020



Source: U.S. Bureau of Labor Statistics

Inputs: PPI Commodity data for Inputs to new nonresidential construction, excluding capital investment, labor, and imports.

Bids: PPI Commodity data for Construction (partial)-New nonresidential building construction.

Outlook

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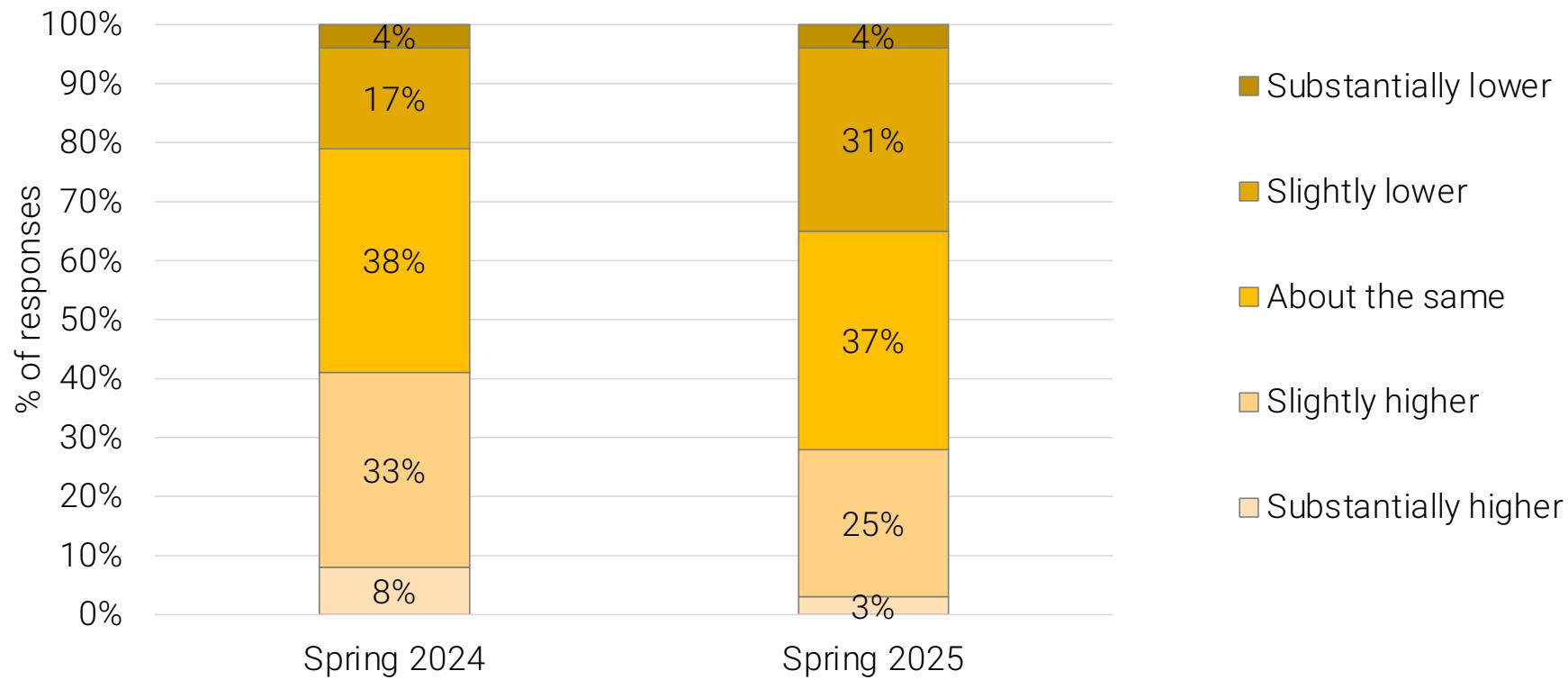
POLL

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

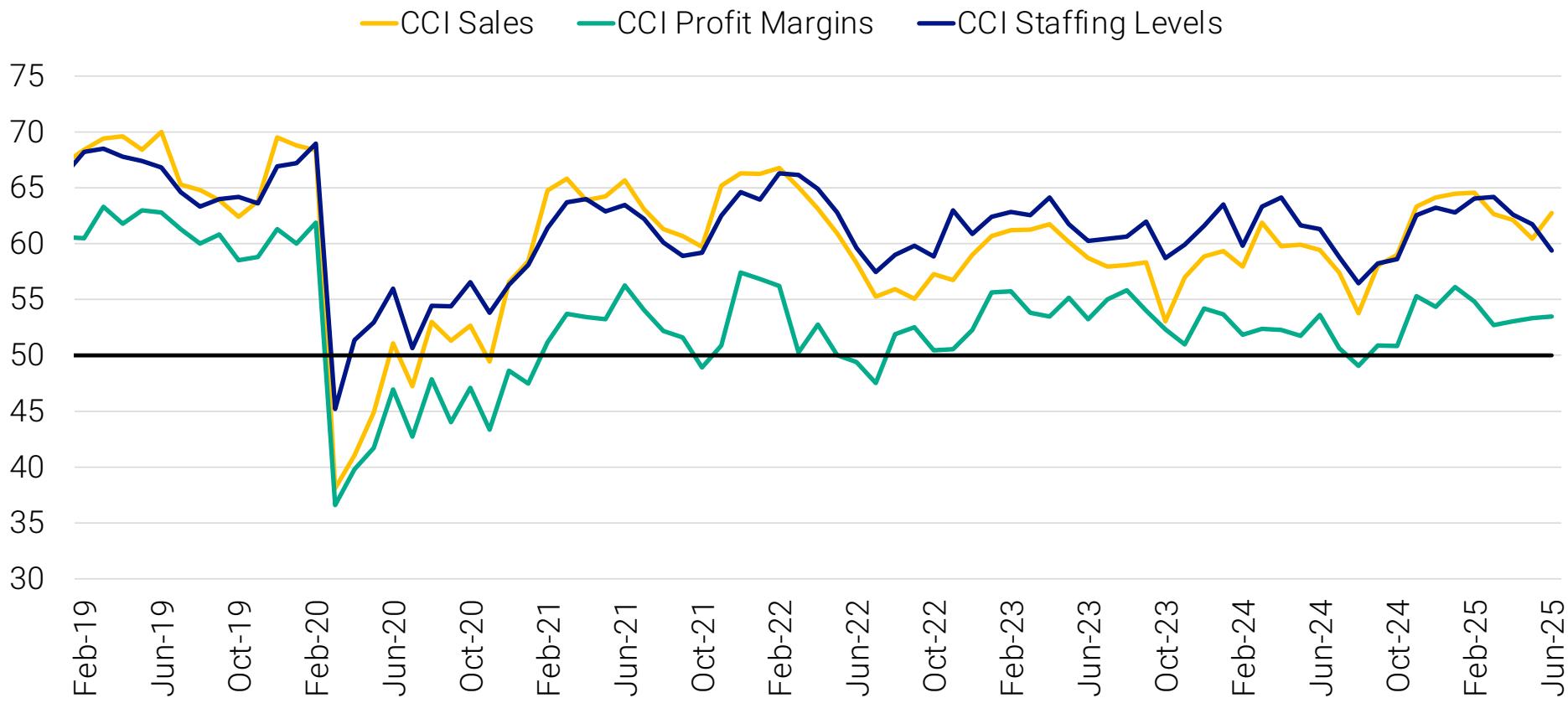
CE Webinar Audience Poll Results:

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



Source: Associated Builders and Contractors; Sage

ABC Construction Confidence Index, 2019 – June 2025



Source: Associated Builders and Contractors; Sage

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Major Banks' Forecasts for U.S. GDP Growth in 2025

1.5%

1.0%

0.5%

0.0%

1.40%

1.50%

1.50%

1.60%

Wells Fargo

Bank of America

Morgan Stanley

Goldman Sachs

Source: Brokerage and media reports

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2025 Recession Probability, Major Brokerage Forecasts

40.0%

30.0%

20.0%

10.0%

0.0%

Goldman Sachs

S&P Global

J.P. Morgan

HSBC

30.0%

32.5%

40.0%

40.0%

Source: Reuters

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My Take

- Inflation poised to stage a comeback – blame tariffs;
- Interest rates will be higher for longer – ditto;
- Many consumers now exhausted financially, and circumstances could worsen – right, because of tariffs;
- Are asset prices overextended? This may have something to do with tariffs;
- So forecast was for growth in 2025, but there are risks, including rising interest rates and falling asset prices, and that's because of . . . well you know.

Thank You

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Q&A

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