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Coronavirus Impacts and Implications for US Construction

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AGC Survey Highlights

Coronavirus surveys conducted Oct. 7-19 (1,077 responses) & June 9-17 (635)

Workforce survey conducted Aug. 4-26; 2,005 responses

(Note: All percentages are % of respondents, not % of projects, dollars, etc.)

Scheduled project was canceled: 75% of respondents in Oct. survey, vs. 60% in Aug., 32% in June

Won additional project or add-on to project**:** 23%, similar to 21% in June

Currently experiencing any project delays/disruptions: 78%, vs. 57% in June

due to shortage of construction materials, equipment, or parts: 42%, vs. 25% in June

due to shortage of craftworkers or subcontractors: 35%, unchanged from June

Return to normal volume of business: already there 35%; will take more than 6 months 34%

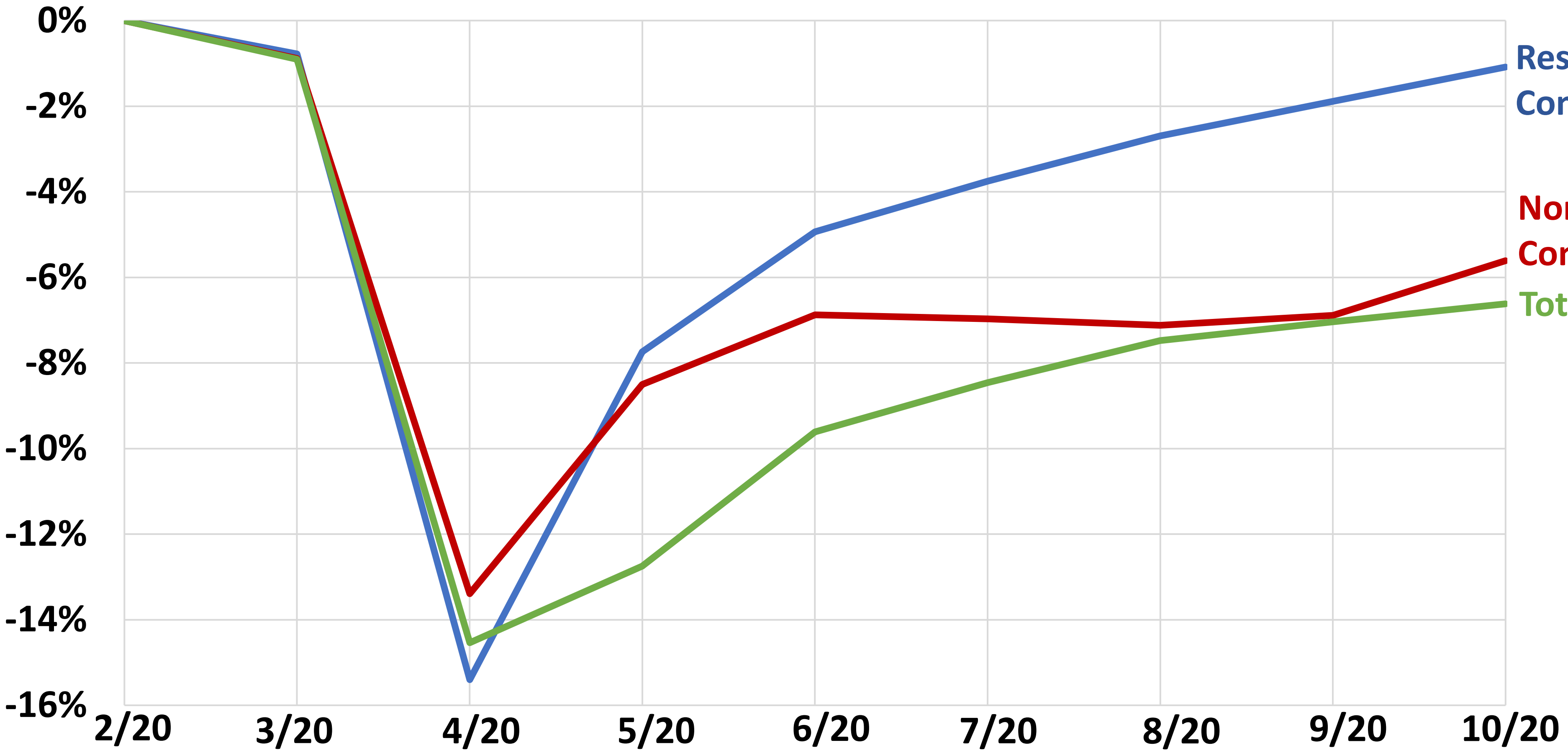
<u>Workforce survey:</u>

Having **hard time filling: craft positions** 52% (80% in 2019 survey); **salaried** 28% (57% in 2019)

Source: Author

Total Nonfarm & Construction Employment, Feb.-Oct. 2020

cumulative change (seasonally adjusted)

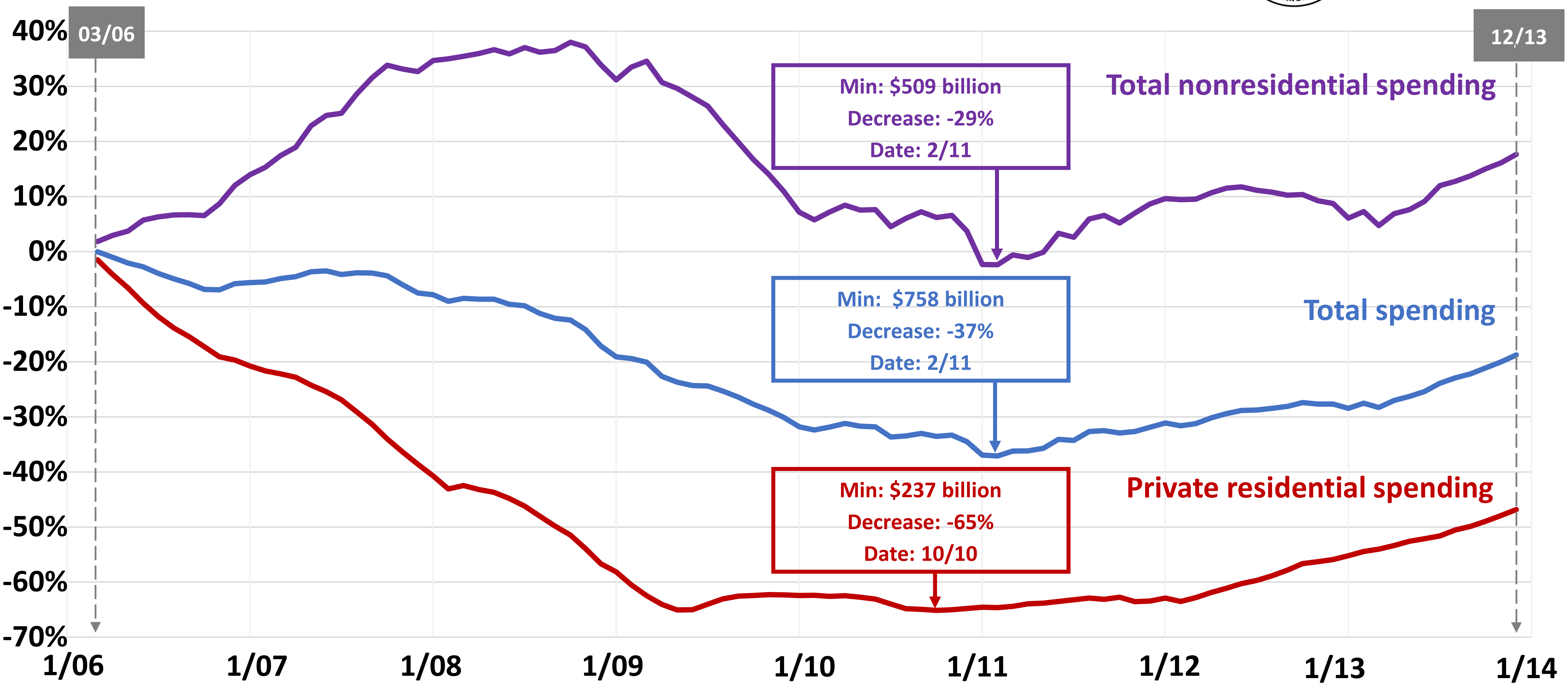


Change to 10/20 from:

	2/20	4/20
Residential Construction	-1.1%	17%
Nonresidential Construction	-5.6%	9.0%
Total Nonfarm	-6.2%	9.3%

Construction Spending

cumulative % change, Feb '06-Dec '13 (seasonally adjusted annual rate)



Construction spending impacts: September vs. February

seasonally adjusted at annual rate

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- Total -2%; residential 3% (single-family -2%; multi 5%); nonresidential -6%
- Public -4%; state/local -4%; federal -5% (public safety 13%; all other -14%)

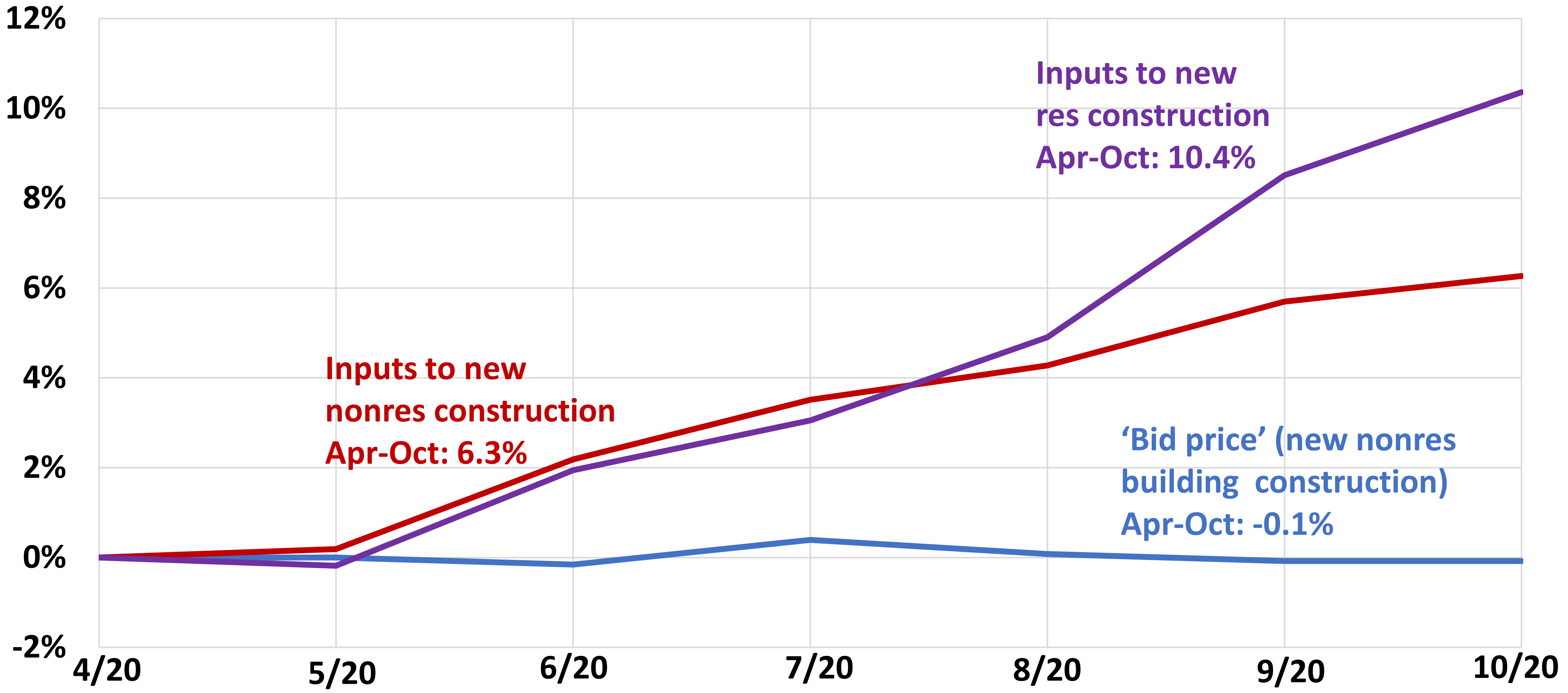
Largest segments (in descending order of September 2020 spending)

- Power -9% (electric -12%; oil/gas fields & pipelines -7%)
- Highway and street -14%
- Education -5% (primary/secondary 1%; higher ed -14%)
- Commercial -4% (Warehouse 2%; retail -10%)
- Office -3%
- Mfg. -6% (chemical 0.1%; transp. equip. -8%; electronic -19%; food/beverage 3%)
- Transportation -0.3% (air -6%; freight rail/trucking -16%; mass transit 19%)

Source: Author

Construction input and 'bid price' producer price indexes

cumulative change in PPIs, Apr-Oct 2020 (not seasonally adjusted)



Construction impacts to date

- Steep job loss, Feb.-April: -1.1 million (14% of Feb. total)
- Rebound, April-October: 789,000 (73% of Feb.-April loss)
- Diverging job gains as % of loss: residential, 93%; nonresidential, 58%
- PPP loans helped firms (re)hire workers but funds are running out
- Few new project announcements; cancellations are growing
- Home building, additions and renovations are very strong; mixed multifamily
- Increasing weakness among private nonres, state & local segments

Source: Author

Medium-term impacts as recovery begins

- Sustained economic recovery depends on safe, effective vaccine that enough of the public actually takes
- Slower rebound than for other sectors as owners, investors/lenders, institutions and public agencies have lost revenue and face uncertainty about future demand
- Best private prospects: remodeling, local distribution centers, data centers
- Less demand than pre-crisis for retail, offices, higher ed, cultural facilities
- Probably less demand for sports, entertainment, lodging & travel-related
- Best public prospects: depends on federal funding & election outcome
- Additional highway funding likely; other infrastructure remains uncertain
- Less state & local building construction, especially higher ed

Source: Author

Long-run construction outlook (post-pandemic)

- Slower population growth means slower demand growth for most construction
- Permanent shift from retail to e-commerce/distribution structures
- More specialized and online healthcare facilities; fewer hospitals, nursing homes
- Continuing demand for K-12 but much less for higher ed construction
- Demand for restaurants should revive sooner than hotels, travel-related construction
- Not clear if offices will decentralize or remain in less demand
- No sign of change yet in urban/rural or state-to-state trends

Source: Author

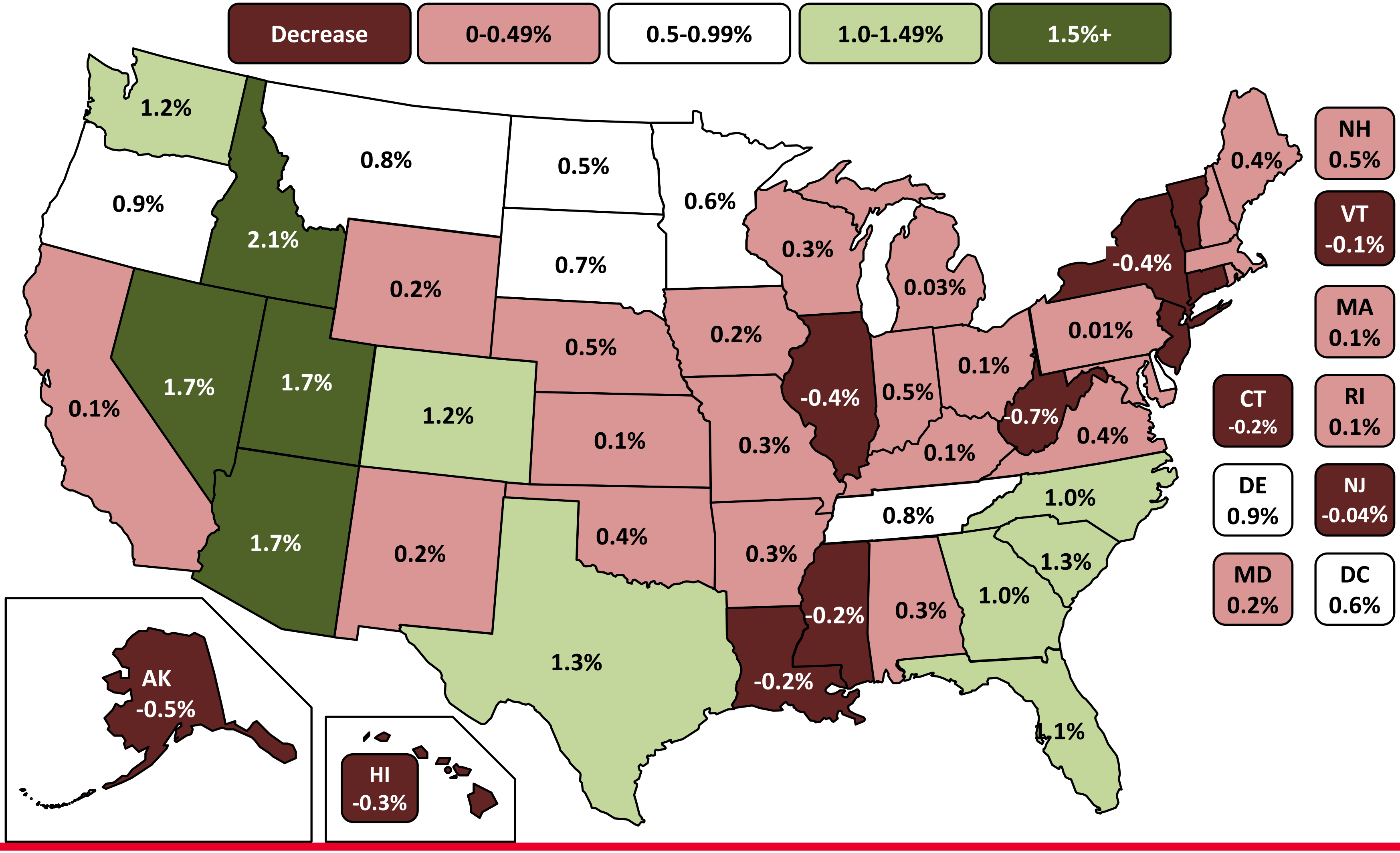
Population change by state, July 2018–July 2019 (U.S.: 0.48%)

Top 5

ID	2.1%
NV	1.7%
AZ	1.7%
UT	1.7%
TX	1.3%

Bottom 5

WV	-0.7%
AK	-0.5%
IL	-0.4%
NY	-0.4%
HI	-0.3%

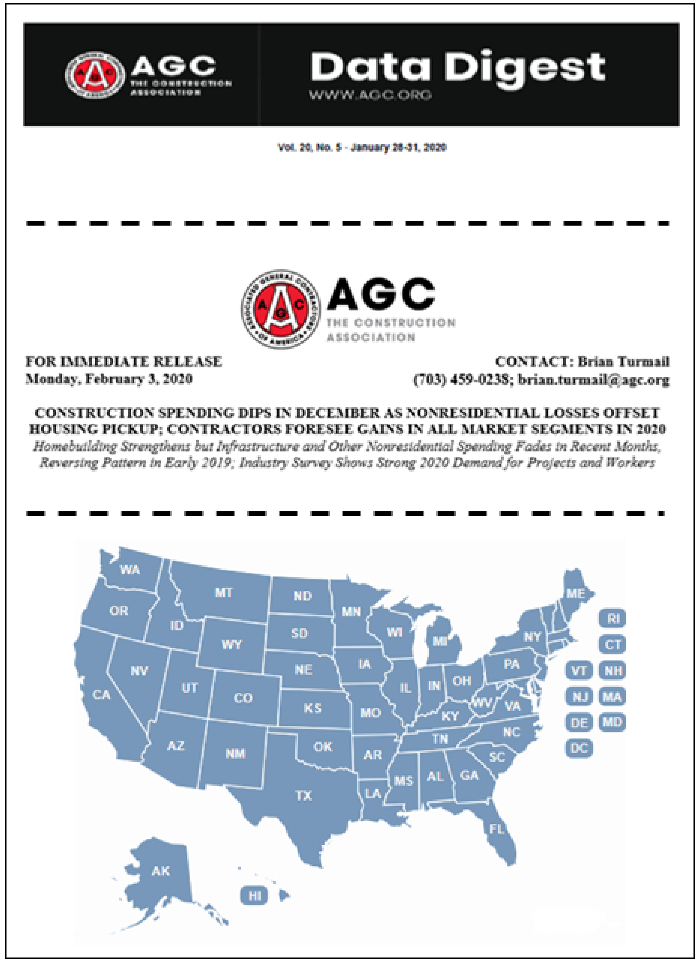


Source: U.S. Census Bureau

AGC economic resources

(email ken.simonson@agc.org)

- *The Data DIGest*: weekly 1-page email (subscribe at http://store.agc.org)
- Surveys, state and metro data, fact sheets: www.agc.org/learn/construction-data
- Monthly press releases: construction spending; national, state, metro employment with rankings
- Coronavirus resources: www.agc.org/coronavirus



Source: Author