AGC's Data DIGest

www.agc.org/learn/construction-data

Vol. 17, No. 2 · January 6-13, 2017

Contractors are upbeat about 2017 markets; job growth slows as openings soar

Contractors are optimistic, on balance, about the 2017 ***outlook for nonresidential and multifamily construction****, based on the 1,281 responses to a survey that AGC released on Tuesday. About 46% expect the available dollar volume of projects they compete for in 2017 to be higher than in 2016, while 9% expect the volume to be lower, for a net positive reading of 36%. The net reading was positive for all 13 market segments included in the survey, the net was highest for hospital and retail, warehouse and lodging construction, at 23% each; followed by private office, 20%; manufacturing, 18%; highway and public building, 15% each; higher education, K-12 school and water/sewer, 14% each; multifamily and other transportation, 11% each; power, 10%; and federal construction, 7%. The net reading was a few points higher than in 2016 for all categories except multifamily (down from 14%). The survey was conducted from November 1 to mid-December; most respondents replied after Election Day. Only 6% of respondents expect their firms to reduce* ***headcount*** *in 2016 vs. 73% who expect an increase. In addition, 73% say they are having a* ***hard time filling key salaried or hourly craft positions*** *and 76% say it will be as hard or harder to do so in 2016. These results were broadly similar to those of AGC's September 2016 workforce survey and January 2016 outlook survey. Of 15 issues listed as answers to a question regarding "the biggest concerns to you and your business," 55% picked worker shortages; 46% chose worker quality; 42%, rising direct labor costs; 48%, increased competition for projects; and 41%, growth in federal regulations. All of these percentages were slightly higher than in 2016. The survey was sponsored by software firm Sage and included several questions about use of* ***information technology,*** *among other topics.*

Nonfarm payroll **employment** in December increased by 156,000, seasonally adjusted, from November and by 2,157,000 (1.5%) year-over-year (y/y), the Bureau of Labor Statistics (BLS) reported on January 6. The unemployment rate inched up to 4.7% from 4.6% in November. ***Construction employment*** *(6,699,000) dipped by 3,000 from November and rose by 102,000 (1.5%) for the year, the smallest 12-month increase in more than four years. But, in light of the survey responses above, the apparent slowdown in demand for workers may reflect the difficulty contractors report in filling positions rather than a slowdown in projects. The number of* ***unemployed jobseekers*** *who last worked* ***in construction*** *edged up from 645,000 in December 2015 to 670,000, and the unemployment rate for such workers dropped from 7.5% to 7.4%. The 2016 rate were the lowest December rate since 2000. (Industry unemployment data are not seasonally adjusted and should only be compared y/y, not across months.)*

There were 184,000 ***construction industry job openings****, seasonally adjusted, at the end of November, the Bureau of Labor Statistics (BLS) reported on Tuesday in its monthly Job Openings and Labor Turnover Survey (JOLTS). Openings amounted to 2.7% of combined employment plus openings. Both figures were the highest for December, by far, since the series began in 2000. In contrast, the number of hires (335,000) was little changed from the December level in the previous eight years. The surge in vacancies relative to hires may be a further sign that contractors want to hire more workers, despite the slowdown in employment increases in 2016.*

The **producer price index** (PPI) for final demand in December, not seasonally adjusted, increased 0.1% from November and 1.6% year-over-year (y/y) from December 2015, the BLS reported today. *AGC posted tables and an explanation focusing on construction prices and costs. Final demand includes goods, services and five types of nonresidential buildings that BLS says make up 34% of total construction. The* ***PPI for final demand construction****, not seasonally adjusted, dipped 0.1% for the month but rose 0.6% y/y. That was the smallest annual increase in six years. The PPI for new nonresidential building construction—a measure of the price that contractors say they would charge to build a fixed set of five categories of buildings—climbed 0.5% y/y. Changes ranged from -0.3% y/y for school building construction to 0.2% each for industrial and health care buildings, and 1.4% each for office buildings and warehouses.* ***PPIs for new, repair and maintenance work*** *on nonresidential buildings ranged from -1.1% y/y for plumbing contractors and -0.9% for electrical contractors to 1.8% for roofing contractors and 4.5% for concrete contractors. The* ***index for inputs to construction****—excluding capital investment, labor and imports—comprises a mix of 59% goods (including 5% for energy) and 41% services (including trade services, 26%; transportation and warehousing, 4%; and other services, 10%). The overall PPI for inputs to construction increased 0.7% for the month and 2.4% y/y. The PPI for all goods used in construction 0.4% for the month and 2.1% y/y, as the sub-index for energy soared 3.0% for the month and 11% y/y, while the PPI for goods less food and energy climbed 0.2% for the month and 1.2% y/y. The index for services rose 1.1% in December and 2.8% y/y. PPIs for inputs to seven types of new nonresidential structures had y/y changes ranging from 1.5% for industrial structures to 3.1% for power and communications structures. The PPIs for inputs to new single- and multifamily construction each rose 2.7% y/y.* ***Materials important to construction*** *that had notable one- or 12-month price changes include asphalt paving mixtures and blocks, down 1.0% for the month and 5.8% y/y; gypsum products, down 0.2% in December but up 5.0% y/y; steel mill products, up 1.3% and 8.7%, respectively; copper and brass mill shapes, up 3.8% and 20%; and diesel fuel, 0.3% and 20%.*

The *Data DIGest* is a weekly summary of economic news; *items most relevant to construction are in italics.* **All rights reserved**. Sign up at http://store.agc.org.