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Vol. 16, No. 27 · July 15-22, 2016

June construction jobs grow year-over-year in 39 states; starts are mixed, Dodge says

*Seasonally adjusted **construction employment** rose **in** 39 **states** from June 2015 to June 2016 and declined in 11 states and the District of Columbia, an AGC analysis of Bureau of Labor Statistics (BLS) data released today showed. The highest percentage gains again occurred in Hawaii (16%, 5,500 jobs), Iowa (16%, 12,200), Oklahoma (8.9%, 6,900), Arizona (8.7%, 11,000) and Nevada (8.7%, 6,000). Iowa and Oklahoma set new records. California again added the most jobs (32,300 jobs, 4.5%), followed by Florida (25,500, 5.9%), Colorado (13,200, 8.9%), Washington (12,500, 8.9%), Iowa and Georgia (12,200, 7.3%). North Dakota again lost the highest percentage and number of construction jobs (-12%, -4,300), followed in percentage lost by Wyoming (-6.6%, -1,500), Maine (-6.5%, -1,700), and Kansas (-6.1%, -3,700), and followed in number of jobs lost by Kansas and Alabama (-2,100, -2.6%). From May to June, seasonally adjusted construction employment increased in 23 states and D.C., shrank in 25 states, and was unchanged in Illinois and Vermont. (AGC's rankings are based on seasonally adjusted data, which in D.C., Hawaii, and five other states is available only for construction, mining and logging combined.)*

*The **value of construction starts** decreased 7% from May to June at a seasonally adjusted annual rate, Dodge Data & Analytics reported on Thursday. "The **nonbuilding construction** sector (public works and electric utilities) fell sharply [-24%] after being lifted in May by the start of a $3.8 billion oil pipeline in the upper Midwest and seven large power plant projects totaling $4.3 billion. **Residential building** in June edged down [-2%] with reduced activity reported for both single-family and multifamily housing. At the same time, **nonresidential building** registered moderate growth [6%] in June after sliding back in April and May. Through the first six months of 2016, total construction starts on an unadjusted basis were…down 11% from the same period a year ago." The largest category, residential building, was up 4% year-to-date (YTD), "with an 8% gain for single family housing outweighing a 4% decline for multifamily housing." Nonresidential building plunged 19% YTD and nonbuilding construction, -22%. "The January-June period of 2015 included 13 exceptionally large projects valued each at $1 billion or more, including a $9.0 billion liquefied natural gas export terminal in Texas, an $8.5 billion petrochemical plant in Louisiana, and two massive office towers in New York—the $2.5 billion 30 Hudson Yards and the $1.2 billion One Manhattan West. In contrast, the January-June period of 2016 included only four projects valued at $1 billion or more." Although electric utilities/gas plants starts plunged 33% YTD, "June included…four large power-related projects," valued at $3.4 billion, following the $8.1 billion for giant power and pipeline projects in May. Together, these project starts suggest that power construction will contribute to growth in the Census Bureau's construction spending totals in 2017.*

***Housing starts** increased 4.8% at a seasonally adjusted annual rate from May to June and 7.1% YTD, Census reported on Tuesday. Single-family starts climbed 4.4% for the month and 13% YTD. Multifamily (buildings with 5 or more units) starts edged up 1.6% from May but declined 3.9% YTD. **Building permits**, a fairly reliable predictor over time of near-term starts, rose 1.5% for the month but slipped 1.1% YTD. Single-family permits increased 1.0% for the month and 10% YTD. Multifamily permits climbed 1.9% from May but dropped 18% YTD. The starts data (in units) is consistent with the Dodge report (in dollars).*

*Construction had the highest growth rate and largest dollar increase among 22 industry groups in inflation-adjusted **gross domestic product by industry** (real value added) in the first quarter of 2016, the Bureau of Economic Analysis reported on Thursday. "For the construction industry group, real value added—a measure of an industry's contribution to GDP—increased 9.0% in the first quarter [at a seasonally adjusted annual rate], after increasing 7.6% in the fourth quarter of 2015. This was the eighth consecutive quarterly increase….***Real gross output**—principally a measure of an industry's sales or receipts, which includes sales to final users in the economy (GDP) and sales to other industries (intermediate inputs)—increased in the first quarter....*Real gross output for construction increased 14.5%, after increasing 4.9% in the fourth quarter" of 2015.*

Three recent surveys point to further construction demand. The American Council of Engineering Companies (ACEC) reported on July 12 that its **Engineering Business** Index "lost 3.8 points in the second quarter of 2016, dropping from 64.0 in the first quarter…to 60.2, the lowest score since ACEC began the index in the first quarter of 2014. Any score above 50 signifies that the market is growing. [The index] is a diffusion index derived from quarterly surveys of [380] engineering industry leaders on their firm's business, market and financial performance."

The **Architecture Billings** Index (ABI) score was above the breakeven 50 mark for the fifth consecutive month in June, with a reading of 52.6, seasonally adjusted, down from 53.1 in May, the American Institute of Architects reported on Wednesday. The ABI measures the percentage of surveyed architecture firms that reported higher billings than a month earlier less the percentage reporting lower billings; any score over 50 indicates billings growth. Firms with all practice specialties had scores above 50 for the third month in a row (based on three-month moving averages): multifamily residential, 57.9, up from 55.2 in May; institutional, 52.7, up from 51.6; mixed practice, 51.0, up from 50.6; and commercial/industrial, 50.3, down from 50.8.

On Monday, the National Association for Business Economics released its latest quarterly Business Conditions Survey of 110 corporate and trade association economists. *Of the 68 respondents who reported on **capital spending on structures**, 24% reported an increase at their firms in the past three months; 15%, a decrease. They were evenly split regarding the next quarter.*