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Construction employment grows in October; spending slips in September

Nonfarm payroll **employment** in October increased by 161,000, seasonally adjusted, from September and by 2,357,000 (1.7%) year-over-year (y/y), the Bureau of Labor Statistics (BLS) [reported](#) today. The unemployment rate (4.9%) inched down from 5.0% in September. **Construction employment** (6,679,000) increased by 11,000 from September and by 195,000 (3.0%) over 12 months to the highest level since December 2008. Residential construction employment (residential building and specialty trade contractors) rose by 4,500 for the month and 139,700 (5.6%) y/y. Nonresidential employment (nonresidential building, specialty trades, and heavy and civil engineering construction) increased by 6,700 and 55,000 (1.4%), respectively. However, the heavy and civil component declined by 1,200 (-0.1%) over the year, possibly reflecting a dearth of infrastructure funding. The number of **unemployed jobseekers** who last worked in construction edged down from 534,000 in October 2015 to 512,000, and the unemployment rate for such workers dropped from 6.2% to 5.7%, the lowest October figures for these series since 2006. (Industry unemployment data are not seasonally adjusted and should only be compared y/y, not across months.) **Average hourly earnings** rose 3.2% y/y to \$28.39, 9.5% above the private-sector average.

Construction spending totaled \$1.150 trillion at a seasonally adjusted annual rate in September, a decrease of 0.4% from the upwardly revised August rate and 0.2% from the September 2015 rate, the Census Bureau [reported](#) on Tuesday. The year-over-year decline was the first since July 2011, although the year-to-date (YTD) total for January through September compared to the same months of 2015 was up 4.4%. **Public construction** slipped 0.9% for the month to the lowest rate since March 2014. It fell 2.2% YTD. The largest public component, highway and street construction, increased 0.9% for the month but decreased 0.7% YTD. The other major public segment, educational construction, slid 1.1% for the month but rose 3.8% YTD. **Private residential spending** increased 0.5% in September and 5.8% YTD. New multifamily construction gained 2.0% for the month and 19% YTD; new single-family construction inched up 0.1% from August and increased 6.0% YTD; and residential improvements rose 0.6% for the month and 1.3% YTD. **Private nonresidential spending** declined 1.0% for the month but increased 7.8% YTD. By subsegment, in descending order of September size, power (electric power plus oil and gas pipelines and field structures) decreased 1.4% for the month but added 7.4% YTD; manufacturing skidded 1.5% in September and 2.5% YTD; commercial (retail, warehouse and farm) slumped 2.4% for the month but rose 8.6% YTD; office dipped 0.4% in September but jumped 27% YTD; and health care fell 1.0% for the month but rose 0.4% YTD.

Construction employment, not seasonally adjusted, increased from September 2015 to September 2016 in 226 (63%) of the 358 **metro areas** (including divisions of larger metros) for which BLS provides construction employment [data](#), decreased in 74 (21%) and was stagnant in 58, according to an AGC [release](#) and [map](#) on Wednesday. (BLS combines mining and logging with construction in most metros.) The Denver-Aurora-Lakewood metro area again added the most (13,400 combined jobs, 14%), followed by Orlando-Kissimmee-Sanford (12,500 construction jobs, 20%); Phoenix-Mesa-Scottsdale (9,600 construction jobs, 10%); the Anaheim-Santa Ana-Irvine, Calif. division (9,200 construction jobs, 10%) and Sacramento-Roseville—Arden-Arcade, Calif. (8,500 construction jobs, 16%). The largest percentage gains again occurred in Boise, Idaho (24%, 4,500 combined jobs); followed by El Centro, Calif. (21%, 600 combined jobs); Orlando-Kissimmee-Sanford; and Sacramento-Roseville—Arden-Arcade. The largest job losses occurred in the Los Angeles-Long Beach-Glendale division (-2,600 construction jobs, -2%); followed by New Orleans-Metairie (-2,300 construction jobs, -7%) and Houston-The Woodlands-Sugar Land (-1,900 construction jobs, -1%). The largest percentage decline again was in Bloomington, Ill. (-13%, -400 combined jobs), followed by Decatur, Ill. (-11%, -400 combined jobs) and Anniston-Oxford-Jacksonville, Ala. (-11%, -100 combined jobs). (Not-seasonally-adjusted data should not be compared to other months.)

Inflation-adjusted **gross domestic product** (real GDP) by industry estimates [released](#) by the Bureau of Economic Analysis on Thursday show that “15 of 22 industry groups contributed to the overall 1.4% increase in real GDP in the second quarter” of 2016 (Q2). **Real GDP in construction** “decreased 3.7%, after increasing 7.1% [in Q1]. This was the first decrease after nine consecutive quarters of growth for the industry.” Nevertheless, the industry’s share of GDP held steady at 4.2% (\$779 billion out of \$18.450 trillion). **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 [Q2] in 15 of 22 industry groups.” Output in construction totaled \$1.419 trillion in Q2, a decline from Q1 of 7.5%, after six quarters of increases.

“From summer 2015 to summer 2016, VMT [**vehicle miles traveled** increased by] nearly 3.0%,” the Energy Information Administration [reported](#) on Wednesday in its “Today in Energy” post. “This is slightly more than the 1.8% growth in gasoline consumption over that period. Compared to summer 2007, summer 2016 VMT increased more than 6.4%, while gasoline consumption only increased 0.5%.... The October [Short-Term Energy Outlook](#) forecasts an annual gasoline consumption increase of 0.5% from 2016 to 2017.” Gasoline consumption, not VMT, is the principal contributor to federal and state highway taxes used to fund highway construction. With consumption nearly flat, states that do not raise their gas tax rate or other highway tax sources may not be able to increase construction funding.

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