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## Employment rises in January; spending slips in December; recent pay trends are mixed

Nonfarm payroll **employment** in January increased by 227,000, seasonally adjusted, from December and by 2,343,000 (1.6%) year-over-year (y/y), the Bureau of Labor Statistics (BLS) [reported](#) today. The **unemployment rate** inched up to 4.8% from 4.7% in December. **Construction employment** (6,809,000) increased by 36,000 from the upwardly revised December total to the highest level since November 2008 and rose by 170,000 (2.6%) y/y. **Average hourly earnings** in construction increased 3.2% y/y to \$28.52, or 9.7% higher than the average for all private-sector employees (\$26.00 a y/y gain of 2.5%).

**Construction spending** totaled \$1.182 trillion at a seasonally adjusted annual rate in December, a decrease of 0.2% from the November rate but a 4.2% y/y gain from the December 2015 rate, the Census Bureau [reported](#) on Wednesday. Actual spending in all of 2016 totaled \$1.162 trillion, 4.5% higher than in 2015. The 2016 exceeded the previous peak year of 2006 by \$1 billion before accounting for price increases over the past decade. **Private residential spending** increased 0.5% in December, 3.7% y/y and 5.2% for the full year. New multifamily construction increased 12% y/y and 16% for the year; new single-family construction gained 0.3% y/y and 4.3% for the year; and residential improvements rose 6.7% y/y and 2.7% for the year. **Private nonresidential spending** was unchanged from November but climbed 9.2% y/y and 7.8% for the year. By subsegment, in descending order of December size, power (electric power plus oil and gas pipelines and field structures) increased 2.8% y/y and 6.1% for the year; commercial (retail, warehouse and farm) added 12% y/y and 10% for the year; manufacturing skidded 5.9% y/y and 4.3% for the year; office jumped 35% y/y and 30% for the year; and health care rose 8.5% y/y and 1.9% for the year. **Public construction** slipped 1.7% for the month, 1.8% y/y and 1.0% for the year. Of the three largest public component, highway and street construction rose 1.5% y/y and 2.0% for the year; educational construction climbed 1.5% y/y and 4.7% for the year; and transportation (transit, passenger rail, ports and airports) slumped 5.3% y/y and 5.2% for the year.

There are early indications that **power** and **private office** construction will continue to do well in 2017 and beyond. On Thursday, the Federal Energy Regulatory Commission [approved](#) a permit for the proposed Rover natural-gas pipeline from the Utica and Marcellus shale regions of Pennsylvania, West Virginia and Ohio into Michigan. "Rover estimates that the proposed facilities will cost approximately \$4.082 billion." On Monday, the Energy Information Administration posted in its [Today in Energy](#) article, "The electricity industry is planning to increase natural gas-fired generating capacity by 11.2 gigawatts (GW) in 2017 and 25.4 GW in 2018, based on information reported to EIA," more than in 2012-16 combined. As for office construction, in the past two weeks, Marriott Corp. announced it would build a new headquarters (and hotel) in downtown Bethesda, Md.; Caterpillar Inc. announced it would move its headquarters and 300 employees from Peoria, Ill. to Chicago or a suburb; and Nestle USA said it would move 750 employees from Glendale, Calif. to Rosslyn, Va., one subway stop from Washington, D.C.

Two reports on Tuesday showed mixed results for the rate of increase for **construction pay** in 2016. BLS [released](#) the employment cost index, a measure of compensation (wages, salaries and benefits, including required payments), for the fourth quarter. In the private sector as a whole, compensation increased 0.5%, seasonally adjusted, from September to December (matching the prior quarter) and 2.2% from December 2015 to December 2016 (up from 1.9% the year before). Compensation for all employees in the construction industry increased 0.7% in the fourth quarter (vs. -0.1% in the third quarter) and 1.9% over 12 months (vs. 2.2% in the prior year). Wages in construction increased 0.9% in the fourth quarter (vs. -0.1% in the third quarter) and 2.1% over 12 months (vs. 2.6% in the prior year). The Construction Labor Research Council [issued](#) its final [Settlements Report](#) covering construction union local pay agreements ratified in 2016. First-year increases rose for the sixth consecutive year, to an average of 2.6% in 2016 from 2.5% in 2015 and 1.7% in 2010. Second-year increases averaged 2.8% in 2016, up from 2.7% in 2015. Third-year increases averaged 2.9% in 2016, up from 2.7% in 2015.

**Construction employment**, not seasonally adjusted, increased from December 2015 to December 2016 in 183 (51%) of the 358 **metro areas** (including divisions of larger metros) for which the Bureau of Labor Statistics (BLS) provides construction employment [data](#), decreased in 110 (31%) and was stagnant in 65, according to an AGC [release](#) and [map](#) on Wednesday. (BLS combines mining and logging with construction in most metros.) The number of areas with y/y increases was the lowest since September 2012. The largest percentage gains again occurred in Boise, Idaho (18%, 3,400 combined jobs) and El Centro, Calif. (17%, 600 combined jobs) followed by Las-Vegas-Henderson-Paradise (16%, 8,700 construction jobs) and Orlando-Kissimmee-Sanford (15%, 9,700 construction jobs. As in November, Denver-Aurora-Lakewood created the most jobs (10,400 combined jobs, 11%), followed by Orlando-Kissimmee-Sanford, Las-Vegas-Henderson-Paradise and Tampa-St. Petersburg-Clearwater, Fla. (8,700 construction jobs, 13%). The largest percentage decline was in Kankakee, Ill. (-15%, -200 combined jobs), followed by Casper, Wyo. (-13%, -400 construction jobs) and Wichita, Kan. (-13%, -2,100 combined jobs). The largest job losses again were in Houston-The Woodlands-Sugar Land (-11,200 construction jobs, -5%), followed by Orange-Rockland-Westchester, N.Y. (-5,500 combined jobs, -12%), and the Los Angeles-Long Beach-Glendale division (-5,200 construction jobs, -4%). (Not-seasonally-adjusted data should not be compared to other months.)