Headline Forecast

• The US economy is still growing well:
  - 304,000 jobs added in January, 2.8 million in past 12 months—the most since ‘15
  - consumer, business confidence are generally high; recession probability is low
  - but home & auto sales are slowing; trade & fiscal policy concerns continue

• Contractors remain busy and confident; construction employment at 11-year high
  with growth in most states and project categories

• Three concerns:
  - impact of trade policies on materials costs and demand for construction
  - widening labor shortage, worsened by hostile immigration policy
  - rising interest rates may cut demand for income-producing projects, new homes

Source: Author
Summary

• Costs for many construction materials have risen sharply in the past two years

• Labor costs are accelerating as pool of experienced unemployed jobseekers dries up

• Contractors want to add workers in 2019 but expect difficulty finding them

• As a result, some contractors are increasing bid prices or completion times

Source: Author
Prices for key inputs have risen sharply

- Diesel fuel: 20% (42%)
- Steel mill products: 20% (8%)
- Aluminum mill shapes: 13% (6%)
- Paving mixtures: 9% (0%)
- Ready-mixed concrete: 3% (3%)

Source: Bureau of Labor Statistics
Construction Employment Change from Year Ago
1/08–12/18 (seasonally adjusted)

Source: BLS
Construction employment change by WA metro, 12/17–12/18

Shading based on unrounded numbers

Source: BLS state and regional employment report
Construction workforce indicators (not seasonally adjusted)

**Construction openings: all-time high; hires steady**
(Dec. data, 2009-18)

- **Openings**: 382,000
- **Hires**: 219,000

**Construction job openings rate has been growing as pay accelerates**
(Dec. data, 2009-18)

- **Job openings rate in construction**: 5.0%
- **12-mo % change in construction average hourly earnings**: 4.0%

Source: Bureau of Labor Statistics
<table>
<thead>
<tr>
<th>Category</th>
<th>US</th>
<th>WA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation (e.g., transit, rail, airport)</td>
<td>14%</td>
<td>38%</td>
</tr>
<tr>
<td>Public building</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>Highway</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Hospital</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>K-12 school</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>Federal (e.g., VA, GSA, USACE, NAVFAC)</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Retail, Warehouse, Lodging</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

14%/11% Water/Sewer
13%/0% Private Office
12%/8% Manufacturing
11%/9% Higher Education
10%/13% Power
5%/-6% Multifamily Residential

Source: AGC 2019 Outlook Survey, Jan. 2019
Rising materials and labor costs may portend higher bid prices

Cumulative change in highway bid prices and input costs, Dec. 2015–Sep. 2018
12-month % change, not seasonally adjusted

Sources: Highway contract prices: Federal Highway Administration, National Highway Construction Cost Index
AGC Outlook Survey: WA contractors expect to add workers but are having trouble finding them

- Expect to add workers in 2019: 77%
- Having trouble filling positions: 75%
- Will be hard/harder to find workers in 2019: 55%

Source: AGC 2019 Outlook Survey, Jan. 2019
AGC Outlook Survey: WA Firms with staffing challenges face higher costs and delays

- Costs have been higher than we anticipated: 16%
- We've put higher prices into bids/contracts: 29%
- Projects have taken longer than we anticipated: 27%
- We've put longer completion times into bids/contracts: 20%

Source: AGC 2019 Outlook Survey, Jan. 2019
## 2017-2018 US summary and 2019 forecast

<table>
<thead>
<tr>
<th></th>
<th>2017 actual</th>
<th>2018 actual</th>
<th>2019 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total spending</td>
<td>4%</td>
<td>4.5%*</td>
<td>5-8%</td>
</tr>
<tr>
<td>Goods &amp; services inputs PPI</td>
<td>4.4%</td>
<td>3.8%</td>
<td>4-6%</td>
</tr>
<tr>
<td>Wages &amp; salaries (avg. hourly earnings)</td>
<td>3.1%</td>
<td>3.6%</td>
<td>3.5-4.5%</td>
</tr>
</tbody>
</table>

*Jan.-Nov. 2017 to Jan.-Nov. 2018
AGC economic resources
(email simonsonk@agc.org)

• The Data DIGest: weekly 1-page email (subscribe at http://store.agc.org)
• monthly press releases: spending; producer price indexes; national, state, metro employment with rankings
• yearly employment & outlook surveys, state and metro data, fact sheets: www.agc.org/learn/construction-data