

The Data DIGest

Ken Simonson, Chief Economist, Associated General Contractors of America
 Phone: 703-837-5313 • simonsonk@agc.org • Subscribe at www.agc.org/datadigest

Industry jobless rate hits 27.1%; economy grows, not construction, Beige Book finds

The **unemployment rate** for construction workers jumped to 27.1% in February (industry jobless rates are not seasonally adjusted), from 21.4% a year earlier, the Bureau of Labor Statistics (BLS) reported today. The rate for all workers was 10.4% (9.7%, seasonally adjusted), up from 8.9% in February 2009. **Nonfarm payroll employment** fell by 36,000, seasonally adjusted, but would have risen if not for a 64,000-job decline in construction. Unusually widespread and severe storms and snow cover may have added to the total, but BLS noted the construction number was “about in line with the average monthly job loss over the prior six months. Job losses were concentrated in nonresidential building (-10,000) and among nonresidential specialty trade contractors (-35,000).” Since peaking at 7,725,000 in June 2006, construction employment has fallen by 2.2 million (28%) to 5,555,000 in February, a 14-year low. All five construction categories lost jobs for the 1- and 12-month periods: nonresidential specialty trade contractors, -1.7% and -16%; nonresidential building, -1.4% and -15%; heavy and civil engineering construction, -1.1% and -13%; residential building, -0.9% and -15%; and residential specialty trade contractors, -0.3% and -10%. Employment in **architectural and engineering services**, an indicator of current design activity for future construction, fell 0.2% and 6.8%. **Average hourly earnings** in construction rose to \$25.30, up 68 cents (2.8%) from a year earlier. The all-industry gain was 41 cents (1.9%).

“Reports from the twelve Federal Reserve Districts indicated that **economic conditions** continued to expand since the last report, although severe snowstorms in early February held back activity in several Districts. Nine Districts reported that economic activity improved, but in most cases the increases were modest....**Construction-related [manufacturing]** activity remained weak in the Chicago and Dallas Districts....Adverse weather conditions also hampered home sales and construction in the New York, Philadelphia, and Atlanta Districts....**Home construction** was down or stagnant in most Districts, with the exception of the Minneapolis, Kansas City, and Dallas Districts. Atlanta said the most pronounced weakness was among Georgia homebuilders, and San Francisco attributed weak construction activity to elevated home inventory levels....All Districts reporting on **commercial construction** said that activity remained weak or slow, except for some moderate boost from federal stimulus projects and other public construction. **Credit** for commercial development and transactions was still very difficult to obtain in several Districts, though San Francisco noted a slight improvement in financing availability. New York, St. Louis, and Kansas City reported somewhat tighter credit standards on commercial real estate loans, and New York noted tighter standards for commercial and industrial loans. In other Districts, credit standards were little changed but remained tight....In the Dallas District, smaller banks reported that regulatory requirements were limiting their ability to expand real estate lending....Several manufacturing and construction firms in the Cleveland District began recalling workers.

The **RSMeans Construction Cost Index** for 30 major cities had a “negligible” -0.5% year-over-year change for the period ending January 2010, Reed Construction Data’s materials price tracking service reported on Wednesday. “The quarter-to-quarter change annualized was +1.3%. The sharpest quarter-to-quarter annualized decline in the index was most recently recorded in April 2009, at -7.9%. The greatest quarter-to-quarter annualized increase in the index occurred in July 2008, at 18.5%....The year-over-year change for the **materials sub-index** in January 2010 was -4.8%. The changes were also negative as reported in October 2009 (-6.5%) and July 2009 (-4.7%). On a quarter-over-quarter annualized basis, the material component sub-index increased 0.4% in January 2010....In the most recent 12 months for material costs, weakness has been particularly noted in concrete reinforcing (-31% year over year), metal joists and decking (-26%), plaster and gypsum board (-15%), ceilings and acoustic treatment (-15%) and structural metal framing (-8.8%). The quarter-to-quarter price changes in those components, with the exception of ceilings and acoustic treatment, have moderated considerably to a range of -3.0% to +1.0%. The **installation or labor component** in the index was 2.4% annualized in January 2010. The year-over-year change in the 30-city average hourly rate for skilled workers (i.e. 20 trades) was 4.6%. This reflects gains that are protected under union contract, where work is available. The compensation rates for the non-unionized sector of construction are undoubtedly much lower.”

“USG and National Gypsum sent letters to distributors on February 12 and 15, respectively, announcing a 20% [**wallboard**] **price** increase effective March 15,” Thompson Research Group (www.thompsonresearchgroup.com) reported on February 23. “Feedback from a recent wallboard buying group conference confirms that all manufacturers have since approved pushing through the 20% increase.”

“The annual rate of [**construction**] **wage and fringe** increases in 2009 was 3.9%, down from 4.4% in the prior year,” the Construction Labor Research Council reported. “Based upon increases already negotiated in contracts for the next two years, wage and fringe increases will continue at a rate similar to 2009. Already-known increases to be effective in 2010 average 3.9% and for 2011,” 3.8%. “As a result of the upswing in one-year agreements in 2009, the number contracts expiring in 2010 will be especially high.”

The Data DIGest is a weekly summary of economic news; items most relevant to construction are in italics. All rights reserved